

19 February 2020

Intershop Communications AG

Rating	Hold (Hold)
Share price (EUR)	2.40
Target price (EUR)	2.42 (2.40)
Bloomberg Sector	ISHA GY IT-Service

Share data

Shares out (m)	14.2
Daily volume shs (m)	0.0
Free float (%)	62.40
Market cap (EUR m)	34
EV (EUR m)	28
DPS (EUR)	0.00
Dividend yield (%)	0.0
Payout ratio (%)	0.0

Performance

ytd (%)	-23.5
12 months (%)	-46.3
12 months rel. (%)	-69.4
Index	TecDAX

Share price performance



Source: Bloomberg

Next triggers

29.04.2020: Q1 figures

Analysts

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Intershop reports better than expected EBIT

On February 19, Intershop published preliminary FY 2019 figures. Revenues came in at EUR 31.6m, -4.2% below Bloomberg estimates, which was mainly due to the transformation from a license business to a cloud business. Cloud and subscription revenues on the other hand increased 18.5% yoy to EUR 6.4m (previous year: EUR 5.4m). Incoming orders in the cloud segment increased by 82% to EUR 13.1m (previous year: EUR 7.2m). Both shows that the cloud transformation is proceeding well. License revenues rose by 8% yoy to EUR 2.6m (previous year: EUR 2.4m). Maintenance revenues remained unchanged (EUR 8.1m). Service revenues fell by 4% yoy to EUR 14.5m (previous year: EUR 15.2m). EBIT was EUR -6.5m (previous year: EUR 5.9m) and thus slightly better than Bloomberg estimates. EBIT was negative as the increase in revenues was not yet sufficient to compensate for the costs and revenue shifts from the cloud transformation. According to the management, the transformation from a license model to a cloud model has been largely completed. In our view, the positive effect on the margin should be seen in the next two years. Besides, the restructuring initiated last autumn should also help. The management as well as we expect the company to return to profitable growth in 2020.

We confirm our Hold rating and marginally increase our target price to EUR 2.42 based on our DCF model.

Guidance 2020

Intershop also released its guidance for FY 2020 and expects revenues to increase slightly. With the gross profit and the gross margin expected to improve slightly, EBIT are assumed to be slightly positive. We adjusted our estimated accordingly.

Intershop Communications AG - FY 2019

EUR m	2019	2018	yoy	Bloomberg est.	delta
Revenues	31.6	31.2	1.3%	33.0	-4.2%
EBIT	-6.5	-5.9	n.m.	-7.0	n.m.
EBIT margin	n.m.	-18.9%	n.a.	n.m.	n.a.

Source: Intershop Communications AG, Quirin Privatbank AG

Key figures		2017	2018	2019e	2020e	2021e
Sales	EUR m	36	31	32	32	34
EBITDA	EUR m	3	-3	-2	3	4
EBIT	EUR m	0	-6	-7	0	1
EPS	EUR	-0.02	-0.20	-0.16	0.02	0.05
Sales growth	%	n.a.	-12.9	1.3	1.3	5.6
EBIT growth	%	n.a.	n.a.	n.a.	n.a.	n.a.
EPS growth	%	n.a.	n.a.	n.a.	n.a.	189.4
EBITDA margin	%	7.9	n.a.	n.a.	10.5	11.5
EBIT margin	%	1.2	n.a.	n.a.	1.2	3.0
Net margin	%	n.a.	n.a.	n.a.	0.7	1.9
EV/Sales	ratio	0.53	0.49	0.20	0.86	0.79
EV/EBITDA	ratio	6.7	-4.4	-2.7	8.2	6.9
EV/EBIT	ratio	45.7	-2.6	-1.0	71.8	26.3
P/E	ratio	-104.9	-12.0	-15.1	149.7	51.7
P/BV	ratio	0.5	0.4	0.4	1.1	1.2
Dividend yield	%	0.0	0.0	0.0	0.0	0.0

Source: Bloomberg, Company data, Quirin Privatbank estimates

DCF Model for Intershop Communications AG

(EUR m)	2019e	2020e	2021e	2022e	2023e	2024e	2025e	2026e	2027e	2028e	TV
Sales	31.6	32.0	33.8	35.9	38.5	40.9	43.1	45.0	46.5	47.7	
growth yoy	13%	13%	5.6%	6.2%	7.2%	6.3%	5.3%	4.4%	3.4%	2.5%	
EBIT	-6.5	0.4	1.0	1.4	1.9	2.3	2.7	3.1	3.4	3.8	
EBIT margin	-20.6%	12%	3.0%	4.0%	5.0%	5.6%	6.2%	6.8%	7.4%	8.0%	
Taxes	-0.1	-0.1	-0.3	-0.4	-0.6	-0.7	-0.8	-0.9	-1.1	-1.2	
Tax rate	-2%	3%	3%	3%	3%	3%	3%	3%	3%	3%	
Depreciation	4.2	3.0	2.9	3.0	2.9	3.0	3.1	3.2	3.3	3.3	
% of sales	13.4%	9.3%	8.5%	8.3%	7.6%	7.3%	7.1%	7.1%	7.0%	7.0%	
Capex	-2.8	-2.6	-2.7	-2.9	-2.7	-2.9	-3.0	-3.1	-3.3	-3.3	
% of sales	9.0%	8.0%	8.0%	8.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	
Δ NWC	-0.7	0.0	-0.1	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.3	
% of sales	2.1%	0.1%	0.4%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	
FCF	-5.9	0.6	0.7	0.9	1.3	1.5	1.7	1.9	2.1	2.4	47.3
growth yoy	n.m.	n.m.	n.m.	n.m.	n.m.	10.0%	13.1%	13.5%	12.6%	10.8%	1.5%
PV FCF	-5.9	0.6	0.6	0.8	1.1	1.1	1.2	1.2	1.3	1.3	26.9

Enterprise value	30	PV Forecast Period	3	Risk free rate	2.00%
- Net Debt / Net Cash	-4.2	PV Terminal Value	27	Cost of debt	3.00%
- Pension Provisions	0			Market Premium	5.00%
Equity value	34			Equity ratio	100%
Number of shares	14.2			Company beta	0.9
Value per share (€)	2.42			WACC	6.60%

Source: Quirin Privatbank

Profit & loss statement

Profit & loss statement (EUR m)	2017	YOY	2018	YOY	2019e	YOY	2020e	YOY	2021e	YOY
Sales	35.8	n.a.	31.2	-12.9 %	31.6	1.3 %	32.0	1.3 %	33.8	5.6 %
Cost of sales	-18.2		-19.3		-15.2		-15.4		-16.2	
Gross profit	17.6		11.9		16.4		16.6		17.6	
Selling expenses	-8.3		-9.6		-9.2		-8.3		-8.1	
General administrative expenses	-3.7		-3.5		-3.5		-3.2		-3.4	
Research and development costs	-5.1		-4.7		-4.7		-4.8		-5.1	
Other operating income	0.2		0.2		-4.9		0.7		0.7	
Other operating expenses	-0.3		-0.2		-0.6		-0.6		-0.7	
EBITDA	2.8	n.a.	-3.5	n.a.	-2.3	n.a.	3.4	n.a.	3.9	15.6 %
EBITDA margin (%)	7.91		-11.20		-7.21		10.48		11.47	
EBIT	0.4	n.a.	-5.9	n.a.	-6.5	n.a.	0.4	n.a.	1.0	164.1 %
EBIT margin (%)	1.15		-18.96		-20.57		1.20		3.00	
Net interest	-0.3		-0.1		-0.1		-0.1		-0.1	
Income from Participations	n.a.		n.a.		n.a.		n.a.		n.a.	
Net financial result	-0.3		-0.1		-0.1		-0.1		-0.1	
Exceptional items	0.0		0.0		0.0		0.0		0.0	
Pretax profit	0.1	n.a.	-6.1	n.a.	-6.6	n.a.	0.3	n.a.	1.0	189.4 %
Pretax margin (%)	0.23		-19.43		-20.98		1.03		2.82	
Taxes	-0.7		-0.7		-0.1		-0.1		-0.3	
Tax rate (%)	919.75		-11.24		-2.00		31.00		31.00	
Earnings after taxes	0.8		-5.4		-6.5		0.4		1.3	
Minorities	n.a.		n.a.		n.a.		n.a.		n.a.	
Group attributable income	-0.7	n.a.	-6.8	n.a.	-6.8	n.a.	0.2	n.a.	0.7	189.4 %
No. of shares (m)	31.7		34.9		42.6		14.2		14.2	
Earnings per share (EUR)	-0.02	n.a.	-0.20	n.a.	-0.16	n.a.	0.02	n.a.	0.05	189.4 %

Source: Company data, Quirin Privatbank estimates

Balance sheet

Balance sheet (EUR m)	2017	YOY	2018	YOY	2019e	YOY	2020e	YOY	2021e	YOY
Assets										
Cash and cash equivalents	8.9		7.2		9.9		8.2		9.1	
Accounts receivables	5.2		4.0		4.6		4.7		5.0	
Inventories	0.7		1.1		1.1		1.1		1.2	
Other current assets	0.0		0.0		-1.4		-1.4		-1.4	
Tax claims	0.6		0.1		0.1		0.1		0.1	
Total current assets	14.8	n.a.	12.3	-17.0 %	14.2	15.4 %	12.6	-11.3 %	13.9	10.1 %
Fixed assets	0.6		0.7		-0.7		-1.1		-1.3	
Goodwill	4.5		4.5		4.8		4.8		4.8	
Other intangible assets	4.5		5.1		6.4		6.4		6.4	
Financial assets	0.0		0.0		0.0		0.0		0.0	
Deferred taxes	0.6		0.1		0.1		0.1		0.1	
Other fixed assets	0.0		0.0		2.8		2.8		2.8	
Total fixed assets	10.2	n.a.	10.4	1.3 %	13.4	29.5 %	13.0	-3.0 %	12.8	-1.2 %
Total assets	25.0	n.a.	22.7	-9.5 %	27.6	21.8 %	25.6	-7.3 %	26.7	4.3 %
Equity & Liabilities										
Subscribed capital	31.7		34.9		42.6		14.2		14.2	
Reserves & other	7.8		9.7		10.7		10.7		10.7	
Revenue reserves	-24.2		-30.9		-35.8		-7.1		-6.5	
Accumulated other comprehensive	0.0		0.0		-1.8		-1.8		-1.8	
Shareholder's equity	15.3	n.a.	13.6	-11.0 %	15.7	15.1 %	15.9	1.4 %	16.6	4.1 %
Minorities	0.0		0.0		0.0		0.0		0.0	
Shareholder's equity incl. minorities	15.3	n.a.	13.6	-11.0 %	15.7	15.1 %	15.9	1.4 %	16.6	4.1 %
Long-term liabilities										
Pension provisions	0.0		0.0		0.0		0.0		0.0	
Financial liabilities	2.8		3.0		1.7		1.7		1.7	
Tax liabilities	0.2		0.2		0.0		0.0		0.0	
Other liabilities	0.2		0.1		2.0		2.1		2.2	
Total long-term debt	3.2	n.a.	3.4	5.6 %	3.7	8.3 %	3.7	0.7 %	3.8	3.1 %
Short-term debt										
Other provisions	0.3		0.3		0.3		0.3		0.3	
Trade payables	1.5		1.5		1.5		1.5		1.6	
Financial debt	0.0		0.0		0.0		0.0		0.0	
Other liabilities	3.2		2.3		4.7		2.4		2.5	
Total short-term debt	5.0	n.a.	4.1	-19.0 %	6.5	58.2 %	4.2	-35.5 %	4.4	5.6 %
Total equity & liabilities	25.0	n.a.	22.7	-9.5 %	27.6	21.8 %	25.6	-7.3 %	26.7	4.3 %

Source: Company data, Quirin Privatbank estimates

Financial key ratios

Key ratios	2017	2018	2019e	2020e	2021e
Per share data (EUR)					
EPS	-0.02	-0.20	-0.16	0.02	0.05
Book value per share	0.5	0.4	0.4	1.1	1.2
Free cash flow per share	0.1	0.1	0.1	0.1	0.0
Dividend per share	0.00	0.00	0.00	0.00	0.00
Valuation ratios					
EV/Sales	0.53	0.49	0.20	0.86	0.79
EV/EBITDA	6.7	-4.4	-2.7	8.2	6.9
EV/EBIT	45.7	-2.6	-1.0	71.8	26.3
P/E	-104.9	-12.0	-15.1	149.7	51.7
P/B	0.5	0.4	0.4	1.1	1.2
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
Profitability ratios					
EBITDA margin (%)	7.9	-11.2	-7.2	10.5	11.5
EBIT margin (%)	1.2	-19.0	-20.6	1.2	3.0
Net margin (%)	-2.0	-21.7	-21.4	0.7	1.9
ROCE (%)	3.2	-48.6	-40.9	2.5	n.a.
Financial ratios					
Total equity (EUR m)	15.3	13.6	15.7	15.9	16.6
Equity ratio (%)	61.2	60.2	56.9	62.3	62.1
Net financial debt (EUR m)	-6.2	-4.2	-8.2	-6.5	-7.5
Net debt/Equity	0.6	0.6	0.6	0.6	0.6
Interest cover	-1.2	37.4	42.7	-4.6	-12.1
Net debt/EBITDA	-2.2	1.2	3.6	-1.9	-1.9
Payout ratio (%)	0.0	0.0	0.0	0.0	0.0
Working Capital (EUR m)	2.7	1.8	2.5	2.5	2.6
Working capital/Sales	0.07	0.06	0.08	0.08	0.08

Source: Company data, Quirin Privatbank estimates

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Price and Rating History (last 12 months)

Date	Price target-EUR	Rating	Initiation
19.02.2020	2.42	Hold	
08.11.2019	2.40*	Hold	08.11.2019

*adjusted for the capital reduction

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