

Recommendation:
HOLD (BUY)

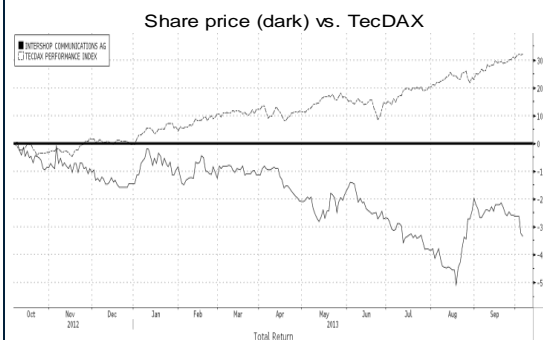
Risk:
HIGH (HIGH)

Price Target:
EUR 1.50 (1.80)

7 October 2013

Sales and profit warning again

- The company has recently revised its sales and earnings guidance for FY 2013 downwards. Due to delays incurred on several major orders resulted in lower net revenues and, consequently, a lower EBIT for the third quarter than expected, the management now expects to report for FY 2013 net revenues around the previous year's level (before: single-digit sales growth) as well as a negative EBIT (before: approximately breakeven) amounting to a low single-digit million Euro amount. For FY 2014 the company expects to increase net revenues and post a positive operating result.
- The sales and profit warning is a big disappointment to us. The warning shows again like last year's warning that the company is in an extreme challenging market environment. Consequently, we revised our estimates for FY 2013E to FY 2015E downwards. Due to our conservative approach the valuation models lead to a new fair value of EUR 1.51.
- The company will be burdened by negative profitability the second year in a row, therefore the management has to proof whether it is able to increase the profitability in the next years. We stay for the time being cautious until first successes become visible. At the moment we see regarding to our new price target of EUR 1.50 (old: EUR 1.80) limited upside potential for the stock and thus change our recommendation from BUY to HOLD.



Source: CBS Research AG, Bloomberg, Intershop Communications AG

Change	2013E		2014E		2015E	
	new	old	new	old	new	old
Sales	51.9	54.1	54.5	59.5	57.2	62.5
EBIT	-2.9	-0.7	0.2	1.2	2.2	2.6
EPS	-0.08	-0.02	0.01	0.04	0.07	0.09

Internet: intershop.com Sector: Software
WKN: A0EPUH ISIN: DE000A0EPUH1
Reuters: ISHG.DE Bloomberg: ISH2 GY

Short company profile:

Intershop Communications AG is a leading provider of comprehensive e-commerce and online marketing solutions. The company's flagship product is the e-commerce software platform Intershop 7, which allows its customers to centrally manage online business channels, including B2B, B2C and C2C.

Share data:

Share price (EUR, latest closing price):	1.39
Shares outstanding (m):	30.2
Market capitalisation (EUR m):	42.0
Enterprise value (EUR m):	31.1
Ø daily trading volume (3 m., no. of shares):	56,370

Performance data:

High 52 weeks (EUR):	2.12
Low 52 weeks (EUR):	1.03
Absolute performance (12 months):	-33.5%
Relative performance vs. TecDAX:	
1 month	-15.1%
3 months	-16.2%
6 months	-39.3%
12 months	-49.6%

Shareholders:

eBay, Inc.	26.1%
Axxion S.A.	3.7%
Free float	70.2%

Financial calendar:

9M 2013 report	6 November 2013
German Equity Forum (Frankfurt)	11 November 2013

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Key data

Y/E 31.12., EUR m	2008	2009	2010	2011	2012	2013E	2014E	2015E
Net revenues	28.1	31.8	38.3	49.2	51.8	51.9	54.5	57.2
Gross profit	11.4	14.9	17.9	20.0	17.4	15.8	18.5	21.7
EBIT	1.9	2.0	2.2	2.6	-0.6	-2.9	0.2	2.2
Net result	1.5	2.1	1.9	3.0	-0.6	-2.5	0.3	2.1
EPS	0.06	0.08	0.06	0.10	-0.02	-0.08	0.01	0.07
Gross profit margin	40.6%	46.9%	46.8%	40.6%	33.5%	30.5%	34.0%	38.0%
EBIT margin	6.7%	6.3%	5.9%	5.3%	-1.1%	-5.5%	0.4%	3.9%
EV/EBIT	16.6	15.6	13.9	11.9	neg.	neg.	143.0	14.0
P/E	23.2	17.5	22.4	13.7	neg.	neg.	149.5	19.8

Source: Company Data, CBS Research AG

Profit and Loss account

Profit and loss account

	IFRS	EUR 1,000	2008	2009	2010	2011	2012	2013E	2014E	2015E
Net Revenues			28,118	31,777	38,250	49,156	51,766	51,870	54,463	57,186
YoY growth			4.5%	13.0%	20.4%	28.5%	5.3%	0.2%	5.0%	5.0%
Cost of sales			-16,713	-16,866	-20,353	-29,190	-34,401	-36,049	-35,946	-35,455
Gross profit			11,405	14,911	17,897	19,966	17,365	15,820	18,517	21,731
as % of net revenue			40.6%	46.9%	46.8%	40.6%	33.5%	30.5%	34.0%	38.0%
Research and Development expenses			-1,228	-4,275	-6,186	-6,389	-4,542	-3,890	-3,867	-4,175
as % of net revenue			-4.4%	-13.5%	-16.2%	-13.0%	-8.8%	-7.5%	-7.1%	-7.3%
Selling and Marketing expenses			-3,593	-4,460	-4,275	-6,663	-8,383	-10,115	-9,531	-10,294
as % of net revenue			-12.8%	-14.0%	-11.2%	-13.6%	-16.2%	-19.5%	-17.5%	-18.0%
General and Administrative expenses			-3,512	-3,895	-4,653	-5,252	-5,898	-5,446	-5,719	-6,005
as % of net revenue			-12.5%	-12.3%	-12.2%	-10.7%	-11.4%	-10.5%	-10.5%	-10.5%
Restructuring expenses			6	0	0	0	0	0	0	0
as % of net revenue			0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other operating income			580	668	821	1,676	1,149	1,037	1,089	1,258
as % of net revenue			2.1%	2.1%	2.1%	3.4%	2.2%	2.0%	2.0%	2.2%
Other operating expenses			-1,787	-949	-1,358	-711	-285	-259	-272	-286
as % of net revenue			-6.4%	-3.0%	-3.6%	-1.4%	-0.6%	-0.5%	-0.5%	-0.5%
EBIT			1,871	2,000	2,246	2,627	-594	-2,853	218	2,230
as % of net revenue			6.7%	6.3%	5.9%	5.3%	-1.1%	-5.5%	0.4%	3.9%
Net financial result			-117	135	10	90	84	86	91	95
as % of net revenue			-0.4%	0.4%	0.0%	0.2%	0.2%	0.2%	0.2%	0.2%
EBT			1,754	2,135	2,256	2,717	-510	-2,767	308	2,325
as % of net revenue			6.2%	6.7%	5.9%	5.5%	-1.0%	-5.3%	0.6%	4.1%
Income taxes			-251	-428	-391	323	-69	249	-28	-209
as % of EBT			-14.3%	-20.0%	-17.3%	11.9%	13.5%	-9.0%	-9.0%	-9.0%
Earnings after tax			1,503	1,707	1,865	3,040	-579	-2,518	281	2,116
as % of net revenue			5.3%	5.4%	4.9%	6.2%	-1.1%	-4.9%	0.5%	3.7%
Minorities			0	-382	0	0	0	0	0	0
Earnings attributable to shareholders			1,503	2,089	1,865	3,040	-579	-2,518	281	2,116
as % of net revenue			5.3%	6.6%	4.9%	6.2%	-1.1%	-4.9%	0.5%	3.7%
Weight. Average of shares outstanding (in 1,000)			26,240	26,240	30,015	30,015	30,180	30,180	30,180	30,180
Earnings per share (EUR)			0.06	0.08	0.06	0.10	-0.02	-0.08	0.01	0.07

Source: Company Data, CBS Research AG

Research



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Recommendation history over the last 12 months for the company analysed in this report:

Date	Recommendation	Price at change date	Price target
7 October 2013	HOLD	EUR 1.39	EUR 1.50
7 August 2013	BUY	EUR 1.30	EUR 1.80
13 May 2013	BUY	EUR 1.52	EUR 2.30
22 February 2013	BUY	EUR 1.88	EUR 2.50
7 November 2012	BUY	EUR 2.07	EUR 2.60

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