

## Company Flash Note

Reason: Company results (post view)

31 October 2018

### Buy

from Accumulate

**Share price: EUR 1.46**

closing price as of 30/10/2018

**Target price: EUR 1.85**

Target Price unchanged

**Upside/Downside Potential 26.7%**

Reuters/Bloomberg ISHG.DE/ISH2 GY

**Market capitalisation (EURm) 51**

Current N° of shares (m) 35

**Free float 62%**

Daily avg. no. trad. sh. 12 mth 20

Daily avg. trad. vol. 12 mth (m) 0.18

Price high/low 12 months 1.38 / 2.23

Abs Perfs 1/3/12 mths (%) -13.61/-16.81/-21.72

**Key financials (EUR)**

	12/17	12/18e	12/19e
Sales (m)	36	33	40
EBITDA (m)	3	(2)	4
EBITDA margin	7.9%	nm	9.0%
EBIT (m)	0	(4)	1
EBIT margin	1.2%	nm	2.5%
Net Profit (adj.)(m)	(1)	(5)	1
ROCE	2.2%	-21.1%	4.9%
Net debt/(cash) (m)	(6)	(6)	(6)
Net Debt Equity	-0.4	-0.4	-0.4
Net Debt/EBITDA	-2.2	3.3	-1.6
Int. cover(EBITDA/Fin.int)	8.5	(16.2)	26.5
EV/Sales	1.4	1.4	1.1
EV/EBITDA	17.7	nm	12.4
EV/EBITDA (adj.)	75.6	nm	33.8
EV/EBIT	nm	nm	44.2
P/E (adj.)	nm	nm	nm
P/BV	3.7	3.3	3.1
OpFCF yield	-1.6%	-9.5%	-1.2%
Dividend yield	0.0%	0.0%	0.0%
EPS (adj.)	(0.02)	(0.14)	0.02
BVPS	0.48	0.44	0.47
DPS	0.00	0.00	0.00

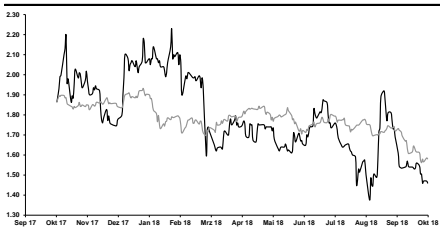
## Cloud business on track, higher marketing costs

Intershop's Q3 results came in largely in line, as we have had expected: On its way to become a cloud software vendor, we still observe declining (but meanwhile stable qoq) license sales and growing, regularly recurring revenues from subscription sales. In order to foster brand visibility, Intershop increased spending on marketing and selling costs. Based on our intact investment case and unchanged target price, but a recent weakness in the share price, we upgrade Intershop's stock to "Buy" with this update.

- ✓ **Q3 review:** After the profit warning in Q2, Intershop delivered Q3 results more or less in line with expectations. The transition to the cloud led to a further decline in license sales, although being stable qoq. Cloud / subscription revenues have continued their growth path from the previous quarter on still low levels and cloud order intake showed improved dynamics in Q3. Higher marketing and selling costs during the ramp-up phase will temporarily burden profitability, but aim at the crucial acceleration of new client acquisition.
- ✓ **Investment case:** Intershop is an e-commerce software developer with a competitive solution suited for complex commerce applications. Competition mainly arises from multi-national software players that incrementally acquired independent e-commerce software vendors over the last years.
- ✓ By cooperating with Microsoft, Intershop aims at establishing itself in the cloud / subscription market and accessing a broadened customer universe. The partnership encompasses a sales and technology partnership.
- ✓ While the focus on the cloud / subscription-based business may temporarily slow down Intershop's sales growth in the short-term, group sales are expected to grow at 13% p.a. over the next five years. At the same time, growth will enable operating leverage and should improve EBIT margin by 530bps to 6.5% by 2020. Based on the growth scenario, FCF should follow the positive earnings development.
- ✓ As an add-on, as many of Intershop's former competitors were acquired by multinational software companies, Intershop may well also draw attention from potential acquirers, especially in light of the solution's good reputation. Comparing Intershop's fundamentals to peer group multiples and to comparable transactions multiples, we observe that Intershop's multiples have significant potential to re-rate if the company can deliver on its growth targets.
- ✓ **Key risks:** Compared to our initiation of coverage, the high risk / high reward investment profile has not changed: If Intershop is not able to achieve sufficient revenue growth, operating profitability may deteriorate and pose a threat to the company's liquidity. Furthermore, it will remain crucial to attract appropriate talent, as for most technology companies. Finally, technological disruption may pose a threat to Intershop's business model.
- ✓ **Valuation:** Based on our intact investment case and unchanged target price, but a recent weakness in the share price, we upgrade Intershop's stock to "Buy" with this update.

### Shareholders

Shareholder Value Management AG / Shareholder Value Beteiligungen AG 28%; Axxion SA (Luxembourg) 10%;



### Analyst(s)

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## Q3 Review

Intershop's operating performance was fairly stable in Q3 compared to the previous quarter. Total sales declined yoy as a consequence of the company's transition to a cloud software vendor. As a consequence of this transition, license revenues declined 12% yoy vs a low base after -59% / -60% in Q1 2018 / Q2 2018, whereas Q3 Cloud / subscription revenues developed stable qoq with 20% growth yoy. Cloud order intake after 9M stands at EUR 3.2m and already exceeds FY 2017 cloud order intake by 52%. This should help accelerating recurring revenues in the upcoming quarters, in our view.

Q3 / 9M EBIT stands at EUR -1.7m / EUR -3.7m. One reason for the lower operating income compared to the first two quarters are higher expenses for marketing & sales activities, which have been used to increase visibility among (potential) clients and partners. Although this is a short-term burden to profitability, we think that it is a good signal that the management is tackling the right problems. Note that Intershop has suffered from low visibility in its potential target markets in the past.

Another highlight from Q3 clearly was the intensified relationship with Microsoft. Accordingly, Intershop was added to Microsoft's global solutions map, a list of preferred solutions offered with Microsoft Azure. This expanded partnership increased Intershop's product visibility. Therefore, Intershop's product is now accessible by Microsoft's clients worldwide.

### Exhibit 1: Intershop - Q3 review

EUR m	9M 2018	9M 2017	yoy
<b>Revenues</b>	<b>23.9</b>	<b>26.4</b>	<b>-9.3%</b>
<b>EBIT</b>	<b>-3.7</b>	<b>0.2</b>	<b>nm</b>
EBIT Margin	-15.5%	0.8%	nm

Source: Intershop, equinet Research

Intershop's management confirmed the FY 2018 guidance. This looks achievable to us, under the presumption that the trend in Q3 can be sustained.

### Exhibit 2: Management guidance

		FY 2017	Guidance FY 2018e	Tendency	equinet est.	% yoy
<b>Intershop Communications AG</b>						
Revenues	EUR m	35.8	slightly below previous year	=	32.5	-9.2%
EBIT	EUR m	0.4	negative, low single-digit million	=	-4.4	nm

Source: Intershop, equinet Research

## Changes to our estimates

Exhibit 3: Changes to our estimates

	2018e			2019e			2020e		
	Old	New	Chg.	Old	New	Chg.	Old	New	Chg.
Revenues	34.4	32.5	-5.4%	40.3	40.3	0.1%	49.5	52.2	5.5%
EBIT	-3.3	-4.4	33.0%	1.4	1.0	-29.0%	3.2	3.4	6.8%
Net result	-3.8	-5.0	31.7%	1.2	0.8	-34.0%	2.7	2.9	5.3%
EPS	-0.11	-0.14	31.7%	0.03	0.02	-34.0%	0.08	0.08	5.3%

Source: equinet Research

Following the release of the 9M numbers, we adjusted our estimates only slightly. Note however, that due to the small absolute amounts, the deviation in percentage looks strong. As higher sales and marketing expenses are expected to continue for the upcoming months, we increased the share of sales and marketing expenses relative to sales, while cutting back some service revenues. At the same time, we like the dynamics we see in the cloud business. Based on EUR 3.2m order intake after 9M, we expect that Intershop can at least double 2017 order intake this year. Although still at low levels, we slightly raised our FY 2018/2019/2020 cloud revenue estimates based on the good intake levels and the targeted number of new clients (that exceeded our initial estimate slightly). However, Intershop needs to prove that this trend can be sustained in the quarters to come in order to successfully turn around.

## Valuation

Exhibit 4: Updated DCF Analysis

EUR m	Phase I					Phase II					Phase III
	2018e	2019e	2020e	2021e	2022e	2023e	2024e	2025e	2026e	2027e	
<b>Revenues</b>	<b>33</b>	<b>40</b>	<b>52</b>	<b>60</b>	<b>68</b>	<b>74</b>	<b>81</b>	<b>86</b>	<b>91</b>	<b>94</b>	
<i>growth rate</i>	-9.2%	24.0%	29.4%	15.8%	11.7%	10.1%	8.5%	6.9%	5.2%	3.6%	
<b>EBIT</b>	<b>-4.4</b>	<b>1.0</b>	<b>3.4</b>	<b>5.0</b>	<b>6.5</b>	<b>7.1</b>	<b>7.7</b>	<b>8.2</b>	<b>8.7</b>	<b>9.0</b>	
<i>EBIT margin</i>	-13.6%	2.5%	6.5%	8.2%	9.6%	9.6%	9.6%	9.6%	9.6%	9.6%	
<b>Tax</b>	<b>0.0</b>	<b>-0.3</b>	<b>-1.1</b>	<b>-1.6</b>	<b>-2.0</b>	<b>-2.2</b>	<b>-2.4</b>	<b>-2.6</b>	<b>-2.7</b>	<b>-2.8</b>	
<i>Tax rate</i>	32%	32%	32%	32%	32%	32%	32%	32%	32%	32%	
<b>Depr. &amp; Amort.</b>	<b>2.5</b>	<b>2.6</b>	<b>2.9</b>	<b>3.2</b>	<b>3.5</b>	<b>3.9</b>	<b>4.2</b>	<b>4.5</b>	<b>4.7</b>	<b>4.9</b>	
<i>% of sales</i>	7.6%	6.5%	5.5%	5.3%	5.1%	5.2%	5.2%	5.2%	5.2%	5.2%	
<b>Capex</b>	<b>-2.8</b>	<b>-3.2</b>	<b>-3.5</b>	<b>-3.8</b>	<b>-3.7</b>	<b>-4.1</b>	<b>-4.4</b>	<b>-4.7</b>	<b>-5.0</b>	<b>-5.2</b>	
<i>% of sales</i>	8.5%	8.0%	6.8%	6.3%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	
<b>Change in NWC</b>	<b>0.4</b>	<b>-0.8</b>	<b>-1.2</b>	<b>-0.8</b>	<b>-0.7</b>	<b>-0.7</b>	<b>-0.6</b>	<b>-0.5</b>	<b>-0.4</b>	<b>-0.3</b>	
<i>% of sales</i>	-14%	19%	2.2%	13%	10%	0.9%	0.8%	0.6%	0.5%	0.3%	
<b>Free Cash Flow</b>	<b>-4.3</b>	<b>-0.7</b>	<b>0.5</b>	<b>2.0</b>	<b>3.5</b>	<b>4.0</b>	<b>4.4</b>	<b>4.9</b>	<b>5.3</b>	<b>5.6</b>	<b>72.6</b>
<i>growth rate</i>	nm	-83.9%	nm	nm	76.3%	14.1%	118%	9.8%	8.0%	6.4%	2.0%
<b>Present Value FCF</b>	<b>-4.2</b>	<b>-0.6</b>	<b>0.4</b>	<b>1.5</b>	<b>2.4</b>	<b>2.4</b>	<b>2.5</b>	<b>2.5</b>	<b>2.4</b>	<b>2.4</b>	<b>30.7</b>

PV Phase I	-1	<b>Risk free rate</b>	3.50%	<b>Targ. equity ratio</b>	90%
PV Phase II	12	<b>Premium Equity</b>	5.00%	<b>Beta</b>	1.4
PV Phase III	31	<b>Premium Debt</b>	5.00%	<b>WACC</b>	9.85%

Enterprise value		Sensitivity	Growth in phase III				
			1.0%	1.5%	2.0%	2.5%	3.0%
- Net Debt (Cash)	-6						
- Pension Provisions	0	8.87%	1.94	2.01	2.09	2.18	2.29
- Minorities & Peripherals	0	9.36%	1.83	1.89	1.96	2.04	2.12
+ MV of financial assets	0	WACC 9.85%	1.74	1.79	1.85	1.91	1.99
- Paid-out dividends for last FY	0	10.34%	1.66	1.70	1.75	1.80	1.87
+/- Other EV items	16	10.84%	1.58	1.62	1.66	1.71	1.76

Equity value	64
Number of shares	34.9
Value per share (€)	1.85
Current Price (€)	1.47
Upside	26%

Source: equinet Research

Our updated estimates reflect our broadly unchanged investment thesis. We like to see that the cloud business makes progress and we believe that the pipeline holds further cloud growth available. Improvements in profitability should become visible only in the next step, as we estimate that operating leverage should be in the 20% range in the mid-term. Based on our updated estimates our fair value remains unchanged. Following the 12% share price decline since our initiation of coverage, we upgrade Intershop's shares to "Buy", since the upside is now equivalent to 27%.

## Company profile and investment case

Intershop is an e-commerce software developer with a competitive solution suited for complex commerce applications. Intershop's solution has been awarded strong ratings by independent software research providers such as Gartner or Forrester. In the most recent Forrester report, Intershop has been declared a leading B2B Commerce Suite provider with the highest rating for the current offering. During the last couple of years, however, the company suffered from low visibility in its relevant market, leading to a sales decline from EUR 53m in 2013 to EUR 34m in 2016.

Competition mainly arises from multi-national software players that incrementally acquired independent e-commerce software vendors over the last years. The solutions relevant in Intershop's market are owned by SAP, IBM, Oracle, salesforce.com, and, since recently, Adobe (which acquired Magento). In its relevant market, Intershop occupies 5% of the market. We think that the company is in a good position to participate in the growth of the B2B ecommerce software market.

By cooperating with Microsoft, Intershop aims at establishing itself in the cloud / subscription market and accessing a broadened customer universe. The partnership encompasses a sales and technology partnership. Whereas the former makes use of the huge Microsoft ecosystem in order to access new clients, the latter contains additional product offerings that complement Intershop's offering. The recent expansion of the partnership increases Intershop's product reach, which is now available to Microsoft clients worldwide.

While the focus on the cloud business may temporarily slow down Intershop's sales growth in the short-term, group sales are expected to grow at 13% p.a. over the next five years. At the same time, growth will enable operating leverage and should improve EBIT margin by 530bps to 6.5% by 2020. Based on the growth scenario, FCF should follow the positive earnings development.

Additionally, as many of Intershop's former competitors were acquired by multinational software companies, Intershop may well also draw attention from potential acquirers, especially in light of the solution's good reputation. A typical premium paid for comparable public companies is at around 50% (at the last trading day before announcement). Comparing Intershop's fundamentals to peer group multiples and to comparable transactions multiples, we observe that Intershop's multiples have significant potential to re-rate if the company can deliver on its growth targets.



## Key risks

The major risk we see is that Intershop may not be able to achieve revenue growth and may consequently face difficulties maintaining operating profitability. We therefore consider the stock's profile high risk / high reward. Potential threats for growth arise if Intershop is not able to create the expected brand perception in the market and accordingly does not win as many new customers as required to achieve the company's targets. Furthermore, in the course of the transformation to the cloud, Intershop faces the risk that its customers decide to switch to other SaaS e-commerce solutions.

As for most software companies, finding appropriate talent is key to remain competitive. If Intershop cannot staff its departments that are central for the future development of the group (e.g. research & development, sales and marketing), the company is at risk to fall behind competition.

As usual in the software / technology sector, technological disruption may pose a threat to Intershop's business model. Exemplary, traditionally technological inferior solutions (e.g. based on PHP) could improve in performance such that the performance advantage of JAVA-based solutions, on which Intershop's solution is built, is not given anymore.

## Triggers and drivers

In the short-term, we expect that the focus will be on how well the initial positive reception of the cloud offering carries further momentum. Therefore, we identify the release of Q4 in 2019 to be the next potential trigger besides large deal announcements via ad-hoc releases. Cloud order intake seem as particularly important indicators to us on how fast the cloud business has the potential to compensate for declines in license sales.

In addition, as Intershop reaches a critical size, acquisition fantasies may increasingly be played by the market, offering support for the shares.

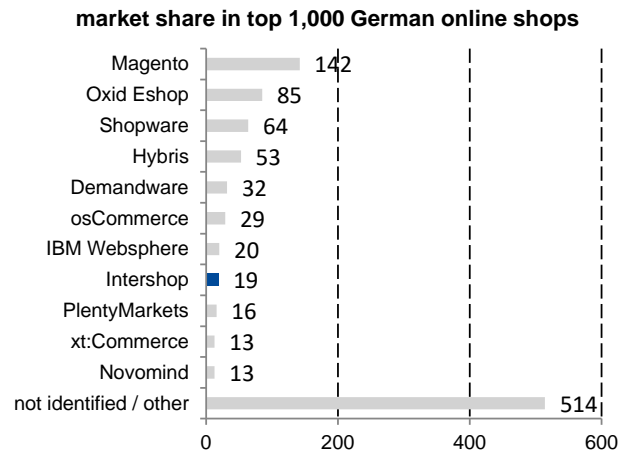
## Investment case in six charts

**Exhibit 5: Intershop offers a competitive solution...**



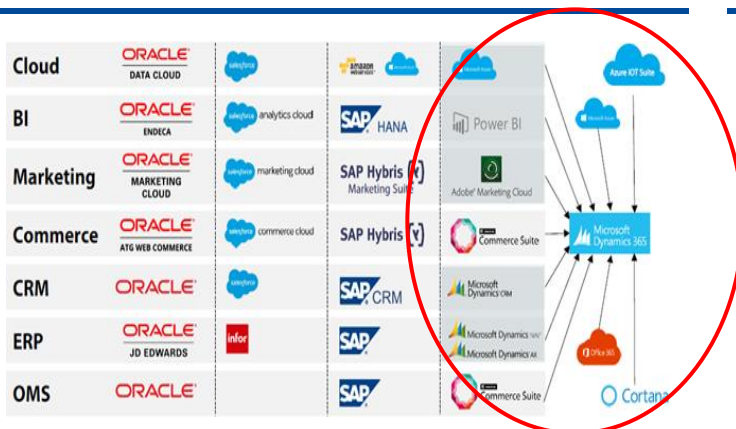
Source: Forrester, September 2018

**Exhibit 6: ...with expandable market acceptance**



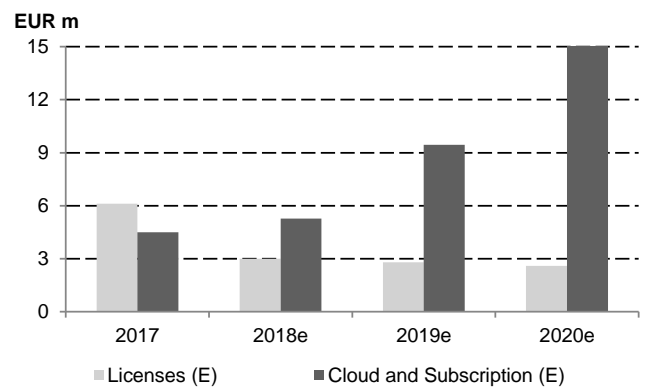
Source: iBusiness, EHI, equinet Research

**Exhibit 7: With the help of Microsoft...**



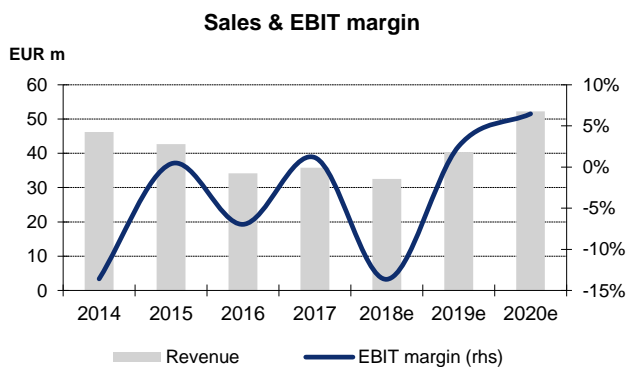
Source: Intershop company presentation

**Exhibit 8: ...Intershop targets the transition to the cloud...**



Source: Intershop, equinet Research

**Exhibit 9: ...and the return to growth**



Source: Intershop, equinet Research

**Exhibit 10: As an add-on ISH might be a M&A candidate**

Year of transaction	Buyer	Target	Investor type
2018	Adobe Systems	Magento	strategic
2018	Salesforce.com	CloudCraze	strategic
2016	Oracle	NetSuite	strategic
2016	Salesforce.com	Demandware	strategic
2015	Permira	Magento	financial
2014	Siris Capital	Digital River	financial
2013	SAP	Hybris	strategic
2011	Oracle	ATG	strategic
2011	eBay	GSI Commerce	strategic
2011	eBay	Magento	strategic

Source: Factset, equinet Research



# Intershop at a glance

Exhibit 11: Intershop at a glance

<b>Business units</b>	Licenses		Maintenance		Cloud / Subscription		Services	
<b>Products &amp; services</b>	Intershop Commerce Suite builds the core of the product offering. The commerce platform can be employed "ready-to-use" or on a modular basis according to customers' needs. Intershop's solutions contain commerce management, product information management, experience management as well as omni-channel order management. Deployment modes are either on-premise, per private cloud or as CaaS (Commerce-as-a-Service). Services include strategic digital consulting, project management, complete or partly operation of the commerce business (Full Service Commerce), as well as training and support.							
<b>Customers</b>	Globally, more than 300 customers, which are mainly active in the manufacturing, retail / wholesale, automotive, and energy industries.  Top 25 customers account for c. 66% of revenue.							
<b>Market share &amp; positioning</b>	In its relevant market segment, Intershop accounts for c. 5% of market share, while in the total e-commerce software market Intershop solutions are implemented in less than 2% of all online shops. Intershop is an engineering-driven company, with a focus on a strong performance and a reliable system, thus a quality-oriented company.							
<b>Drivers</b>	Increasing internet penetration (+) Underlying growth in e-commerce business and associated shift from brick-and-mortar retail to e-commerce / omni-channel commerce (+) Changing B2B buyer demographics towards a more digital native buyer group (+) Amazon move into B2B e-commerce business (substitution via marketplaces and strong independent online shops) (-)							
<b>Main competitors</b>	<p><u>Main competitors:</u> Hybris (by SAP), WebSphere Commerce (by IBM), Oracle NetSuiteCommerce (B2B solution by Oracle), Oracle Commerce Platform (by Oracle), CloudCraze (B2B solution recently acquired by salesforce.com), Salesforce Commerce (formerly Demandware, B2C solution by salesforce.com), Magento Commerce (recently acquired by Adobe)</p> <p><u>Non-listed competitors:</u> Insite Software (B2B solution), OROCommerce (B2B solution), Shopware (strong German presence), OXID eSales (strong German presence)</p>							
<b>Strategy, guidance &amp; consensus</b>	<p><b>Strategy:</b> (I) "Cloud first" (II) B2B Focus, tilted towards SMB via CaaS offering (III) Extending technological functionalities and sales channels via Microsoft partnership (IV) Strengthening marketing capabilities</p>				<p><b>Guidance</b> <u>Revenue</u> slightly below previous year      Revenue yoy      equinet EUR 33m      Consensus EUR 34m -9.2% <u>EBIT</u> negative, low single-digit million      EBIT EUR -4.4m      EUR -3.3m EBIT margin -13.6%      EBIT margin -9.7%</p>			
<b>2017</b>	Sales (EURm)	35.8	EBITDA Margin	2.8	EBIT (EURm)	0.4	5Y sales CAGR	0.9%
	y/y	4.7%		7.9%	Margin	1.2%	Organic growth y/y	4.7%
<b>Sales &amp; EBIT split</b>	<p><b>Sales split by product / service</b></p>		<p><b>Sales split by region</b></p>		<p><b>Group financial development</b></p>			
<b>Management &amp; shareholder structure</b>	<p><b>Dr. Jochen Wiechen</b> Chief Executive Officer (since 2015)</p> <ul style="list-style-type: none"> <li>• With Intershop since 2013 (first as CTO)</li> <li>• &gt;20 years experience in the software industry and at venture capital funds</li> <li>• Prior to joining Intershop, Dr. Wiechen was Vice President at SAP and held board roles at datango AG and Martlet Venture Management Ltd.</li> <li>• Dr. Wiechen started his career in 1994 at PSI Software AG (Berlin)</li> </ul>		<p><b>Markus Klahn</b> Chief Sales Officer (since 2018)</p> <ul style="list-style-type: none"> <li>• With Intershop since 2018</li> <li>• &gt;20 years experience in the software industry</li> <li>• Responsibilities: service portfolio</li> <li>• Prior to joining Intershop, Mr Klahn was active in the ERP and SaaS business after having been on the management board of proALPHA Consulting AG.</li> </ul>		<p><b>Shareholder structure</b></p>			
<b># of employees FY 2017</b>	338							

Source: Intershop, equinet Research





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## Upcoming corporate events calendar

### Exhibit 12: Upcoming corporate events

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26/11/2018	German Equity Forum
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*Source: Intershop, equinet Research*

**Intershop Communications AG : Summary tables**

<b>PROFIT &amp; LOSS (EURm)</b>	<b>12/2015</b>	<b>12/2016</b>	<b>12/2017</b>	<b>12/2018e</b>	<b>12/2019e</b>	<b>12/2020e</b>
<b>Sales</b>	<b>42.7</b>	<b>34.2</b>	<b>35.8</b>	<b>32.5</b>	<b>40.3</b>	<b>52.2</b>
Cost of Sales & Operating Costs	-42.1	-35.3	-35.1	-36.2	-39.0	-48.4
Non Recurrent Expenses/Income	2.9	1.2	2.2	1.7	2.3	2.4
<b>EBITDA</b>	<b>3.5</b>	<b>0.1</b>	<b>2.8</b>	<b>-2.0</b>	<b>3.6</b>	<b>6.3</b>
<b>EBITDA (adj.)*</b>	<b>0.6</b>	<b>-1.1</b>	<b>0.7</b>	<b>-3.7</b>	<b>1.3</b>	<b>3.8</b>
Depreciation	-0.4	-0.3	-0.3	-0.3	-0.3	-0.4
<b>EBITA</b>	<b>3.0</b>	<b>-0.2</b>	<b>2.6</b>	<b>-2.2</b>	<b>3.3</b>	<b>5.8</b>
<b>EBITA (adj)*</b>	<b>0.2</b>	<b>-1.4</b>	<b>0.4</b>	<b>-3.9</b>	<b>1.0</b>	<b>3.4</b>
Amortisations and Write Downs	-2.9	-2.2	-2.2	-2.2	-2.3	-2.4
<i>of which PPA amortisation</i>	<i>-2.9</i>	<i>-2.2</i>	<i>-2.2</i>	<i>-2.2</i>	<i>-2.3</i>	<i>-2.4</i>
<b>EBIT</b>	<b>0.2</b>	<b>-2.4</b>	<b>0.4</b>	<b>-4.4</b>	<b>1.0</b>	<b>3.4</b>
<b>EBIT (adj.)*</b>	<b>0.2</b>	<b>-1.4</b>	<b>0.4</b>	<b>-3.9</b>	<b>1.0</b>	<b>3.4</b>
Net Financial Interest	-0.1	-0.3	-0.3	-0.1	-0.1	-0.1
Other Financials	0.0	0.0	0.0	0.0	0.0	0.0
Associates	0.0	0.0	0.0	0.0	0.0	0.0
Other Non Recurrent Items	0.0	0.0	0.0	0.0	0.0	0.0
<b>Earnings Before Tax (EBT)</b>	<b>0.0</b>	<b>-2.6</b>	<b>0.1</b>	<b>-4.6</b>	<b>0.9</b>	<b>3.3</b>
Tax	0.0	-0.3	-0.7	-0.4	-0.1	-0.4
<i>Tax rate</i>	<i>73.7%</i>	<i>n.m.</i>	<i>n.m.</i>	<i>n.m.</i>	<i>10.2%</i>	<i>12.2%</i>
Discontinued Operations	0.0	0.0	0.0	0.0	0.0	0.0
Minorities	0.0	0.0	0.0	0.0	0.0	0.0
<b>Net Profit (reported)</b>	<b>0.0</b>	<b>-3.0</b>	<b>-0.7</b>	<b>-5.0</b>	<b>0.8</b>	<b>2.9</b>
<b>Net Profit (adj.)</b>	<b>0.0</b>	<b>-2.3</b>	<b>-0.7</b>	<b>-5.0</b>	<b>0.8</b>	<b>2.9</b>
<b>CASH FLOW (EURm)</b>	<b>12/2015</b>	<b>12/2016</b>	<b>12/2017</b>	<b>12/2018e</b>	<b>12/2019e</b>	<b>12/2020e</b>
Cash Flow from Operations before change in NWC	3.1	-0.5	1.7	-2.5	3.4	5.8
Change in Net Working Capital	1.8	-0.4	0.0	0.4	-0.8	-1.2
<b>Cash Flow from Operations</b>	<b>5.0</b>	<b>-0.9</b>	<b>1.7</b>	<b>-2.1</b>	<b>2.6</b>	<b>4.6</b>
Capex	-2.3	-2.8	-2.6	-2.8	-3.2	-3.5
Net Financial Investments	0.0	0.4	0.0	0.0	0.0	0.0
<b>Free Cash Flow</b>	<b>2.7</b>	<b>-3.3</b>	<b>-0.9</b>	<b>-4.8</b>	<b>-0.6</b>	<b>1.1</b>
Dividends	0.0	0.0	0.0	0.0	0.0	0.0
Other (incl. Capital Increase & share buy backs)	0.0	0.0	0.0	0.0	0.0	0.0
<b>Change in Net Debt</b>	<b>2.7</b>	<b>-3.3</b>	<b>-0.9</b>	<b>-4.8</b>	<b>-0.6</b>	<b>1.1</b>
NOPLAT	0.1	-1.0	0.3	-2.8	0.7	2.4
<b>BALANCE SHEET &amp; OTHER ITEMS (EURm)</b>	<b>12/2015</b>	<b>12/2016</b>	<b>12/2017</b>	<b>12/2018e</b>	<b>12/2019e</b>	<b>12/2020e</b>
Net Tangible Assets	0.4	0.6	0.6	0.8	1.1	1.5
Net Intangible Assets (incl. Goodwill)	8.7	8.8	8.9	9.1	9.4	9.7
Net Financial Assets & Other	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total Fixed Assets</b>	<b>9.1</b>	<b>9.4</b>	<b>9.6</b>	<b>9.8</b>	<b>10.5</b>	<b>11.1</b>
Inventories	0.0	0.0	0.0	0.0	0.0	0.0
Trade receivables	5.3	5.1	5.2	4.6	5.6	7.3
Other current assets	3.3	1.7	1.3	1.3	1.3	1.3
Cash (-)	-15.2	-10.9	-8.9	-9.6	-8.0	-8.3
<b>Total Current Assets</b>	<b>23.9</b>	<b>17.7</b>	<b>15.5</b>	<b>15.5</b>	<b>15.0</b>	<b>16.9</b>
<b>Total Assets</b>	<b>33.0</b>	<b>27.1</b>	<b>25.0</b>	<b>25.4</b>	<b>25.5</b>	<b>28.1</b>
Shareholders Equity	19.1	16.1	15.3	15.5	16.3	19.2
Minority	0.0	0.0	0.0	0.0	0.0	0.0
Total Equity	19.1	16.1	15.3	15.5	16.3	19.2
Long term interest bearing debt	-4.1	-7.2	-9.2	-9.8	-11.8	-13.6
Provisions	0.0	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	0.4	0.3	0.2	0.2	0.2	0.2
<b>Total Long Term Liabilities</b>	<b>-3.7</b>	<b>-6.9</b>	<b>-9.0</b>	<b>-9.6</b>	<b>-11.6</b>	<b>-13.4</b>
Short term interest bearing debt	10.0	11.0	12.0	13.0	14.0	15.0
Trade payables	2.1	1.4	1.5	1.3	1.7	2.2
Other current liabilities	5.5	5.4	5.2	5.2	5.2	5.2
<b>Total Current Liabilities</b>	<b>17.5</b>	<b>17.8</b>	<b>18.7</b>	<b>19.5</b>	<b>20.8</b>	<b>22.3</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>32.9</b>	<b>27.0</b>	<b>25.0</b>	<b>25.4</b>	<b>25.5</b>	<b>28.1</b>
<b>Net Capital Employed</b>	<b>10.2</b>	<b>9.4</b>	<b>9.4</b>	<b>9.2</b>	<b>10.6</b>	<b>12.4</b>
<b>Net Working Capital</b>	<b>3.2</b>	<b>3.6</b>	<b>3.6</b>	<b>3.2</b>	<b>4.0</b>	<b>5.1</b>
<b>GROWTH &amp; MARGINS</b>	<b>12/2015</b>	<b>12/2016</b>	<b>12/2017</b>	<b>12/2018e</b>	<b>12/2019e</b>	<b>12/2020e</b>
<i>Sales growth</i>	<i>-7.5%</i>	<i>-20.0%</i>	<i>4.7%</i>	<i>-9.2%</i>	<i>24.0%</i>	<i>29.4%</i>
<b>EBITDA (adj.)* growth</b>	<b>n.m.</b>	<b>n.m.</b>	<b>n.m.</b>	<b>n.m.</b>	<b>n.m.</b>	<b>186.7%</b>
<b>EBITA (adj.)* growth</b>	<b>n.m.</b>	<b>n.m.</b>	<b>n.m.</b>	<b>n.m.</b>	<b>n.m.</b>	<b>231.4%</b>
<b>EBIT (adj.)* growth</b>	<b>n.m.</b>	<b>n.m.</b>	<b>n.m.</b>	<b>n.m.</b>	<b>n.m.</b>	<b>231.4%</b>



## Intershop Communications AG : Summary tables

<b>GROWTH &amp; MARGINS</b>	<b>12/2015</b>	<b>12/2016</b>	<b>12/2017</b>	<b>12/2018e</b>	<b>12/2019e</b>	<b>12/2020e</b>
Net Profit growth	n.m.	n.m.	n.m.	n.m.	n.m.	264.2%
EPS adj. growth	n.m.	n.m.	n.m.	n.m.	n.m.	264.2%
DPS adj. growth						
EBITDA (adj)* margin	1.4%	n.m.	1.9%	n.m.	3.3%	7.3%
EBITA (adj)* margin	0.4%	-4.0%	1.2%	-12.1%	2.5%	6.5%
EBIT (adj)* margin	0.4%	n.m.	1.2%	n.m.	2.5%	6.5%
<b>RATIOS</b>	<b>12/2015</b>	<b>12/2016</b>	<b>12/2017</b>	<b>12/2018e</b>	<b>12/2019e</b>	<b>12/2020e</b>
Net Debt/Equity	-0.5	-0.4	-0.4	-0.4	-0.4	-0.4
Net Debt/EBITDA	-2.7	-63.1	-2.2	3.3	-1.6	-1.1
Interest cover (EBITDA/Fin.interest)	23.2	0.4	8.5	n.m.	26.5	67.4
Capex/D&A	70.2%	112.6%	107.3%	111.2%	123.7%	123.0%
Capex/Sales	5.4%	8.2%	7.3%	8.5%	8.0%	6.8%
NWC/Sales	7.6%	10.6%	10.2%	9.8%	9.8%	9.8%
ROE (average)	0.0%	-13.0%	-4.2%	-32.3%	5.0%	16.3%
ROCE (adj.)	1.0%	-7.4%	2.2%	-21.1%	4.9%	14.5%
WACC	9.9%	9.9%	9.9%	9.9%	9.9%	9.9%
ROCE (adj.)/WACC	0.1	-0.8	0.2	-2.1	0.5	1.5
<b>PER SHARE DATA (EUR)***</b>	<b>12/2015</b>	<b>12/2016</b>	<b>12/2017</b>	<b>12/2018e</b>	<b>12/2019e</b>	<b>12/2020e</b>
Average diluted number of shares	30.6	31.7	31.7	34.9	34.9	34.9
EPS (reported)	0.00	-0.09	-0.02	-0.14	0.02	0.08
EPS (adj.)	0.00	-0.07	-0.02	-0.14	0.02	0.08
BVPS	0.62	0.51	0.48	0.44	0.47	0.55
DPS	0.00	0.00	0.00	0.00	0.00	0.00
<b>VALUATION</b>	<b>12/2015</b>	<b>12/2016</b>	<b>12/2017</b>	<b>12/2018e</b>	<b>12/2019e</b>	<b>12/2020e</b>
EV/Sales	0.7	0.8	1.4	1.4	1.1	0.8
EV/EBITDA	8.3	n.m.	17.7	n.m.	12.4	7.0
<b>EV/EBITDA (adj.)*</b>	<b>49.1</b>	<b>n.m.</b>	<b>75.6</b>	<b>n.m.</b>	<b>33.8</b>	<b>11.5</b>
EV/EBITA	9.4	-178.1	19.4	-20.1	13.6	7.6
<b>EV/EBITA (adj.)*</b>	<b>170.3</b>	<b>-20.0</b>	<b>121.5</b>	<b>-11.3</b>	<b>44.2</b>	<b>13.0</b>
EV/EBIT	n.m.	n.m.	n.m.	n.m.	44.2	13.0
<b>EV/EBIT (adj.)*</b>	<b>n.m.</b>	<b>n.m.</b>	<b>n.m.</b>	<b>n.m.</b>	<b>44.2</b>	<b>13.0</b>
<b>P/E (adj.)</b>	<b>n.m.</b>	<b>n.m.</b>	<b>n.m.</b>	<b>n.m.</b>	<b>n.m.</b>	<b>17.6</b>
P/BV	2.0	2.2	3.7	3.3	3.1	2.7
Total Yield Ratio	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
EV/CE	2.3	2.1	3.8	3.4	3.1	2.7
OpFCF yield	7.0%	-10.6%	-1.6%	-9.5%	-1.2%	2.1%
OpFCF/EV	9.3%	-13.3%	-1.8%	-10.9%	-1.3%	2.4%
Payout ratio	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Dividend yield (gross)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>EV AND MKT CAP (EURm)</b>	<b>12/2015</b>	<b>12/2016</b>	<b>12/2017</b>	<b>12/2018e</b>	<b>12/2019e</b>	<b>12/2020e</b>
Price** (EUR)	1.24	1.10	1.78	1.46	1.46	1.46
Outstanding number of shares for main stock	30.6	31.7	31.7	34.9	34.9	34.9
<b>Total Market Cap</b>	<b>38</b>	<b>35</b>	<b>56</b>	<b>51</b>	<b>51</b>	<b>51</b>
<b>Net Debt</b>	<b>-9</b>	<b>-7</b>	<b>-6</b>	<b>-6</b>	<b>-6</b>	<b>-7</b>
<i>o/w Cash &amp; Marketable Securities (-)</i>	<i>-15</i>	<i>-11</i>	<i>-9</i>	<i>-10</i>	<i>-8</i>	<i>-8</i>
<i>o/w Gross Debt (+)</i>	<i>6</i>	<i>4</i>	<i>3</i>	<i>3</i>	<i>2</i>	<i>1</i>
<b>Other EV components</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Enterprise Value (EV adj.)</b>	<b>29</b>	<b>28</b>	<b>50</b>	<b>44</b>	<b>45</b>	<b>44</b>

Source: Company, equinet Bank estimates.

### Notes

\* Where EBITDA (adj.) or EBITA (adj.)= EBITDA (or EBITA) +/- Non Recurrent Expenses/Income and where EBIT (adj.)= EBIT +/- Non Recurrent Expenses/Income - PPA amortisation

\*\*Price (in local currency): Fiscal year end price for Historical Years and Current Price for current and forecasted years

Sector: Software & Computer Services/Software & Computer Services

Company Description: Intershop Communications AG engages in the provision of integrated enterprise solutions for omni-channel commerce. It operates through the following geographical segments: Europe, USA, Asia and Pacific, and Consolidation. The Europe segment refers to the sales activities of INTERSHOP Communications AG, Intershop Communications LTD and Intershop Communications SARL. The USA segment consist of the sales activities of Intershop Communications Inc. in North America as well as the sales activities of INTERSHOP Communications AG in this region. The Asia and Pacific segment includes the sales activities of the Group in that region, including the sales activities of INTERSHOP Communications Australia Pty Ltd. and Intershop Communications Asia Limited. The Consolidation segment relates to transaction in the individual segments. The company was founded in 1992 and is headquartered in Jena, Germany.



Recommendations and Disclosures

Coverage	Analyst	Target	Rating	Disc.	Coverage	Analyst	Target	Rating	Disc.
1&1DRILLISCHAG	Sen	66.00	Buy		Logwin	Mildner	165.00	Accumulate	2/3
2GEnergy	Rüzgar	23.50	Accumulate	2/3/5	Manz AG	Rüzgar	37.00	Neutral	2/3
Aareal Bank	Häßler	41.00	Buy		MAXAutomation SE	Becker	6.70	Buy	2/3
adidas	Josefson	228.00	Accumulate		Merck	Berzhanin	112.00	Buy	
Adler Modemaerkte	Josefson	6.35	Buy	7	Merkur Bank	Häßler	10.00	Buy	2/7
ADLER Real Estate	Mayer	20.00	Buy		Metro AG	Bruns	17.00	Buy	
Aixtron	Sen	14.00	Buy	2/3	MLP	Häßler	7.50	Buy	2/3
Allianz	Häßler	220.00	Buy		MTU Aero Engines	Rüzgar	155.00	Reduce	2
Axel Springer	Josefson	67.00	Accumulate		Munich Re	Häßler	210.00	Accumulate	
Bayer	Berzhanin	96.00	Buy		Nemetschek SE	Mildner	47.00	Reduce	5
Baywa	Bruns	33.00	Buy	2/7	Norma Group	Schuldt	54.00	Neutral	
BB Biotech	Berzhanin	73.00	Buy	7	OHB SE	Rüzgar	40.00	Buy	7
Biotest	Berzhanin	24.10	Neutral	2/3	OVB Holding AG	Häßler	20.00	Buy	2/5/7
BMW	Schuldt	91.00	Buy		Patrizia	Mayer	20.00	Accumulate	
Brenntag	Hinkel	59.80	Buy	2	Pfeiffer Vacuum	Sen	162.00	Buy	5
Ceconomy AG	Bruns	5.00	Neutral		Procredit Holding	Häßler	15.00	Buy	2/3/5
comdirect	Häßler	13.50	Buy	7	PSI SOFTWARE AG	Mildner	20.00	Buy	2/3
Commerzbank	Häßler	9.20	Neutral		Puma	Josefson	565.00	Buy	
Continental	Schuldt	195.00	Buy		PWO	Schuldt	36.00	Buy	2/3
CORESTATE Capital Holding S.A.	Mayer	66.00	Buy	2/5	Rheinmetall	Rüzgar	80.00	Neutral	
CTS Eventim	Heilmann	37.50	Reduce		RIB Software	Mildner	25.00	Buy	2/3
Daimler AG	Schuldt	63.00	Buy		RTL Group	Josefson	72.00	Accumulate	
Daldrup & Soehne	Becker	13.50	Buy	2/3/5	S&TAG	Sen	27.00	Buy	2/3
Demire	Mayer	4.80	Accumulate	2/5	SAF-Holland	Schuldt	13.80	Accumulate	
Deutsche Bank	Häßler	14.00	Buy		Schaeffler	Tanzer	13.20	Buy	
Deutsche EuroShop	Mayer	30.00	Neutral		Schaltbau Holding AG	Becker	32.90	Buy	2/7
Deutsche Pfandbriefbank	Häßler	14.50	Accumulate		SCOUT24	Heilmann	44.00	Neutral	2
Deutsche Telekom	Sen	13.30	Neutral		Siegfried Holding AG	Berzhanin	399.00	Neutral	7
Duerr	Augustin	30.00	Neutral		Siemens Healthineers AG	Rüzgar	39.00	Neutral	2
DWS	Häßler	30.00	Buy		SLM Solutions	Sen	15.00	Sell	
EringKlinger	Schuldt	7.00	Sell		SMT Scharf AG	Rüzgar	18.00	Neutral	2/3
elumio SE	Josefson	10.90	Accumulate		Software AG	Mildner	30.00	Sell	
Epigenomics AG	Berzhanin	3.70	Buy	2/3	Stabilus	Tanzer	91.00	Buy	
Euronicron AG	Becker	11.40	Buy	2/3/5	Suedzucker	Bruns	11.70	Reduce	
Evonik	Hinkel	41.00	Buy		SuessMicroTec	Sen	13.80	Accumulate	
Eyemaxx Real Estate	Mayer	18.00	Buy	2/5/7	Surteco Group	Mildner	26.50	Buy	2/3
Ferratium	Häßler	23.00	Buy		Symrise AG	Hinkel	67.00	Neutral	
Fielmann	Heilmann	55.00	Neutral		Syzygy AG	Heilmann	11.50	Accumulate	2/3
First Sensor AG	Becker	27.40	Buy	7	TAKKTAG	Bruns	20.00	Buy	2
Freenet	Sen	36.00	Buy	2	Talanx Group	Häßler	37.00	Buy	
FuchsPetrolub	Hinkel	48.00	Neutral		Technotrans	Becker	43.00	Accumulate	2/3
Gea Group	Augustin	33.00	Neutral		TELECOLUMBUS	Sen	4.80	Buy	
Gerrheimer AG	Rüzgar	69.00	Neutral		Telefonica Deutschland	Sen	3.40	Sell	
Gerry Weber	Josefson	3.80	Reduce		United Internet	Sen	63.00	Buy	
Gesco	Becker	35.60	Buy	2/3	Vapiano	Bruns	20.00	Buy	2/7
GFT Technologies	Mildner	15.50	Buy	2/3	va-Q-tec	Sen	12.00	Buy	2/3
Gigaset	Sen	0.85	Accumulate	2/3	Viscom	Rüzgar	28.00	Buy	2/3
Grenke	Häßler	90.00	Neutral		Volkswagen	Schuldt	154.00	Neutral	
Hannover Re	Häßler	110.00	Neutral		Wacker Neuson SE	Becker	24.10	Neutral	
Heidelberg Pharma	Berzhanin	3.50	Accumulate	2/3	windeln.de	Josefson	3.10	Buy	2
Heidelberger Druck	Augustin	2.90	Buy		XING SE	Heilmann	305.00	Accumulate	
HELLA GmbH & Co. KGaA	Tanzer	51.00	Accumulate		Zalando	Josefson	44.50	Neutral	
Hornbach Holding	Bruns	89.00	Buy						
Hugo Boss	Josefson	80.00	Buy						
Hypoport AG	Häßler	190.00	Neutral	2/7					
INDUS Holding AG	Becker	55.70	Neutral						
Intershop Communications AG	Mildner	1.85	Buy	2/7					
K+S AG	Hinkel	24.00	Buy						
Koenig & Bauer	Augustin	48.00	Neutral						
Krones AG	Augustin	90.00	Accumulate						
KWS SAAT	Hinkel	353.00	Buy						
Lanxess	Hinkel	83.00	Buy						
LEG Immobilien AG	Mayer	104.00	Accumulate						
Leoni	Schuldt	34.00	Accumulate						
Linde	Hinkel	176.00	Neutral						

\* =Coverage suspended

Source: equinet Recommendations

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### Remarks

#### Recommendation System

Buy - The stock is expected to generate a total return of over 20% during the next 12 months time horizon.

Accumulate - The stock is expected to generate a total return of 10% to 20% during the next 12 months time horizon.

Hold - The stock is expected to generate a total return of 0% to 10% during the next 12 months time horizon

Reduce - The stock is expected to generate a total return of 0 to -10% during the next 12 months time horizon

Sell - The stock is expected to generate a total return below -10% during the next 12 months time horizon

#### Basis of Valuation

Equinet Bank uses for valuation purposes primarily DCF-Valuations and Sum-Of-The-Parts-Valuations as well as peer group comparisons.

#### Share prices

Share prices in this analysis are the German closing prices of the last trading day before the publication.

#### Sources

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Graurheindorfer Straße 108, 53117 Bonn and  
Marie-Curie-Str. 24-28, 60439 Frankfurt am Main

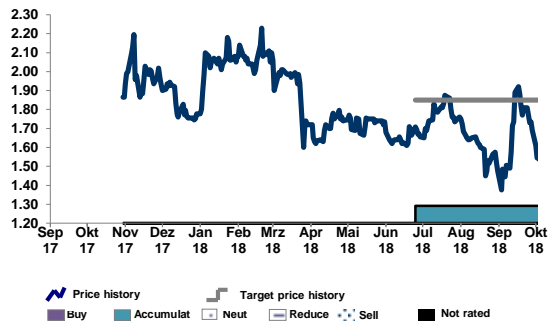


Recommendation history for INTERSHOP COMMUNICATIONS AG

Date	Recommendation	Target price	Price at change date
31. Okt 18	Buy	1.85	1.46
25. Jun 18	Accumulate	1.85	1.71

Source: Factset & ESN, price data adjusted for stock splits.

This chart shows equinet Bank continuing coverage of this stock; the current analyst may or may not have covered it over the entire period. Current analyst: Dustin Mildner (since 25/06/2018)





## ESN Recommendation System

The ESN Recommendation System is **Absolute**. It means that each stock is rated on the basis of a **total return**, measured by the upside potential (including dividends and capital reimbursement) over a **12 month time horizon**.



The ESN spectrum of recommendations (or ratings) for each stock comprises 5 categories: **Buy (B)**, **Accumulate (A)**, **Neutral (N)**, **Reduce (R)** and **Sell (S)**.

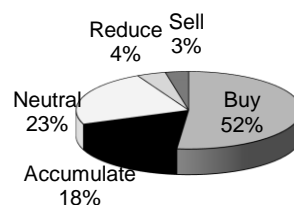
Furthermore, in specific cases and for a limited period of time, the analysts are allowed to rate the stocks as **Rating Suspended (RS)** or **Not Rated (NR)**, as explained below.

### Meaning of each recommendation or rating:

- **Buy:** the stock is expected to generate total return of **over 15%** during the next 12 months time horizon
- **Accumulate:** the stock is expected to generate total return of **5% to 15%** during the next 12 months time horizon
- **Neutral:** the stock is expected to generate total return of **-5% to +5%** during the next 12 months time horizon
- **Reduce:** the stock is expected to generate total return of **-5% to -15%** during the next 12 months time horizon
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Certain flexibility on the limits of total return bands is permitted especially during higher phases of volatility on the markets

### Equinet Bank Ratings Breakdown



For full ESN Recommendation and Target price history (in the last 12 months) please see ESN Website [Link](#)

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