

Strong FY2018 finish in order intake

Preliminary FY2018 order intake numbers suggest that Intershop's cloud initiative starts to bear fruits, as cloud order intake grew ~240% yoy coming from a low base. It will now be crucial that the company can continue to acquire new clients in order to increase its annually recurring revenues and eventually return to profitability. We keep our Buy recommendation with TP of EUR 1.7.

FY2018 closes on strong cloud order intake

Intershop published preliminary Q4 / FY2018 cloud order intake, which amounted to EUR 4m / EUR 7.2m (Pareto: EUR 3.6m / EUR 6.8m). The FY2018 number corresponds to an increase of c. +240% yoy. In comparison, cloud order intake in the first three quarters fluctuated between EUR 0.7m and EUR 1.5m. Accordingly, Q4 cloud intake indicates progress in terms of growing acceptance for the cloud product and that Intershop's marketing activities start to pay off. Q4 2018 cloud order intake should add up to EUR 1.3m FY2019 cloud revenue under the assumption of an average contract length of three years (Pareto estimate previously EUR 1.2m).

Management guidance for FY2018 revenues and EBIT has been kept unchanged (revenues 10% to 15% below FY2017 revenues vs Pareto FY2018e: -11%; EBIT at a negative mid-single digit value vs Pareto: EUR -5m).

Cloud initiative bears first fruits, further confirmation of the trend necessary for turnaround

Maintaining the current levels, new customer acquisitions should support the share price development, in our view. This is where we see upside in the shares, as we think the market has not bought into the turnaround story yet. Therefore, it will be important for Intershop to demonstrate a steady deal flow (and corresponding intake numbers) to generate the targeted growth in revenues (FY2020 management target: EUR 50m vs FY2018e Pareto estimate of EUR 32m). Downside risks arise, if the targeted number of new customers / amount of order intake cannot be achieved. As the deviation in terms of expected FY2019e cloud revenues is only minor with regard to the updated cloud order intake number, we maintain our Buy recommendation with a TP of EUR 1.7.

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