



Q2'19 review: Expecting a better H2

We update our model following the release of Q2'19 figures. We reduce our FY'19 and 20 estimates based on a slower-than-anticipated start into FY'19. Fundamentally, the picture remains largely unchanged, though. With the second half of the year to come, management expressed its confidence to meet full-year targets on the back of a good pipeline and returning service revenues. We maintain our Buy rating on a risky case, as we think that Intershop's prospects could brighten up over the next months. We change our TP slightly to EUR 1.8 (from EUR 1.7).

Slow operating progress visible...

Despite another quarter with more than EUR 1m losses in Q2'19, Intershop was able to demonstrate an improvement to an, admittedly, weak first quarter. In light of management comments that demonstrate confidence into the current pipeline and the recently closed deals, we expect further improvements in revenues, but particularly profitability in the second half of the year.

...but weak H1 requires earnings revisions

Intershop's management confirmed its FY'19 guidance with >+10% revenues growth and "slightly negative EBIT". However, given the slow start into the year, management reduces KPI (customers, intake, new ARR) regarding the cloud business, which will be reflected in our estimates as well. We continue to regard Intershop as a high-risk, high-reward case with turnaround potential. Rolling forward our model, we change our TP slightly upwards to EUR 1.8.

EURm	2017	2018	2019e	2020e	2021e
Revenues	36	31	34	46	59
EBITDA	3	(4)	(3)	4	8
EBIT	0	(6)	(5)	2	5
EPS	(0.02)	(0.20)	(0.15)	0.04	0.11
EPS adj	(0.02)	(0.19)	(0.15)	0.04	0.11
DPS	-	-	-	-	-
EV/EBITDA	17.7	-	-	11.1	5.7
EV/EBIT	-	-	-	25.7	8.7
P/E adj	-	-	-	34.4	11.9
P/B	3.67	3.35	3.40	3.10	2.46
ROE (%)	-	-	-	9.4	23.0
Div yield (%)	-	-	-	-	-
Net debt	(6)	(4)	(6)	(6)	(9)

Source: Pareto

Target price (EUR)	1.8
Share price (EUR)	1.3

Forecast changes			
%	2019e	2020e	2021e
Revenues	(14)	(12)	NM
EBITDA	NM	(27)	NM
EBIT adj	NM	(39)	NM
EPS reported	NM	(45)	NM
EPS adj	NM	(45)	NM

Source: Pareto

Ticker	ISHG.DE, ISH2 GY
Sector	Software & Services
Shares fully diluted (m)	42.6
Market cap (EURm)	55
Net debt (EURm)	-6
Minority interests (EURm)	0
Enterprise value 19e (EURm)	49
Free float (%)	53

Performance



Source: Factset

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Q2'19: quarterly review

Q2'19 review

E-commerce software developer Intershop published Q2'19 figures. While license revenues continue to suffer in the process of becoming of a cloud software provider, cloud and subscription revenues grow again by double-digit rates (+17% yoy). Furthermore, forwarding-looking KPI cloud order intake developed well in Q2'19 (+336% yoy to EUR 2.9m), as did service revenues, which turned around and increase 24% qoq. In terms of revenues (+8% qoq) and EBIT (25% qoq decline in losses), the second quarter represents a slight improvement over a weak first quarter, raising hopes that the operating business can gain momentum and the company presents a better second half in FY'19.

Intershop – Q2'19 review

Intershop		Actual			Pareto estimates	
		Q2 2018	Q2 2019	yoy	2019e	2020e
Revenues	EURm	7.9	7.9	0%	34	46
EBIT	"	(1.3)	(1.6)	nm	(5.5)	1.9
EBIT Margin	%	nm	nm	nm	nm	4.1%

Source: Pareto, Company data

Guidance update

Intershop's management confirmed the FY'19 guidance of more than 10% revenues growth and a slightly negative EBIT. Taking into consideration a weak first quarter and a slightly better Q2, FY'19 targets might seem a stretch to some extent. But, in our view, the targets seem not completely out of sight either. Management expressed its confidence to return "into the black" over the course of the year and cited a strong pipeline with some deals, where Intershop is in late-stage negotiations with clients. We estimate that these deals can account for c. EUR 1.5m-2.5m order intake in the third quarter, such that the company could be able to demonstrate a more stable and growing order intake, after somewhat volatile quarters recently. Additionally, as common in the software industry, with Q4 the seasonally strongest quarter is yet to come.

On a more granular level, Intershop's management reduced its outlook for its cloud KPI in FY'19. Accordingly, the company now targets 40 new customers in FY'19 (previously: 50), cloud order intake of EUR 17m (previously: EUR 22m), and new ARR of EUR 5m (previously EUR 6m) based on the slow start into the year.

Intershop – post Q2'19 management guidance

Intershop		Actual	Management guidance			Pareto	
		2018	2019e (previously)	2019e (currently)	Tendency	2019e	yoy
Revenues	EUR m	31	> 10%	> 10%	=	34	9%
EBIT	"	(5.9)	slightly negative	slightly negative	=	(5.5)	nm

Source: Pareto, Company data

Changes to our estimates

Based on the weaker-than-expected start into the year, we have cut our revenues projections for the cloud segment to EUR 7.7m (previously: EUR 10m), while leaving the license, maintenance and services revenues estimates for FY'19 unchanged. Accordingly, fewer high-margin cloud business (as compared with the services business) feeds through into margins, as well. With a rather back-loaded FY'19 to be expected, some deals (and consequently revenues recognition) might slip into FY'20 only. Accordingly, we change our estimates as indicated on the next page.

Intershop – changes to our estimates

Intershop		2019e			2020e		
		Old	New	Chg.	Old	New	Chg.
Revenues	EURm	40	34	(14)%	52	46	(12)%
EBIT	"	(1.2)	(5.5)	nm	3.1	1.9	(39)%
Net result	"	(0.5)	(6.3)	nm	2.9	1.6	(46)%
EPS	EUR	(0.01)	(0.15)	nm	0.07	0.04	(49)%

Source: Pareto

Incorporating our estimates into our DCF analysis, we derive a new fair value of EUR 1.8 (from EUR 1.7). The negative effect of our lowered estimates is more than offset by the positive effect from rolling the model forward. Additionally, we incorporate the latest capital increase by updating the number of shares (+3.374m shares), and including the fresh capital raised (c. EUR +3.85m).

Intershop – DCF analysis

EUR m			Phase I			Phase II					Phase III
	2019e	2020e	2021e	2022e	2023e	2024e	2025e	2026e	2027e	2028e	
Revenues	34	46	59	70	79	89	97	105	111	115	
growth rate	9.2%	33.6%	29.3%	18.8%	13.5%	11.6%	9.7%	7.8%	5.8%	3.9%	
EBIT	(5.5)	1.9	5.3	7.9	9.1	9.8	10.4	10.8	11.0	11.0	
EBIT margin	nm	4.1%	9.0%	11.3%	11.5%	11.1%	10.7%	10.3%	10.0%	9.6%	
Tax	0.0	(0.6)	(1.7)	(2.5)	(2.9)	(3.1)	(3.3)	(3.4)	(3.5)	(3.5)	
Tax rate	0%	32%	32%	32%	32%	32%	32%	32%	32%	32%	
Depr. & Amort.	2.5	2.5	2.8	3.2	3.5	4.3	4.9	5.4	5.8	6.0	
% of sales	7.3%	5.4%	4.7%	4.6%	4.4%	4.8%	5.0%	5.1%	5.2%	5.2%	
Capex	(2.7)	(3.1)	(3.7)	(3.8)	(4.4)	(4.9)	(5.3)	(5.8)	(6.1)	(6.3)	
% of sales	8.0%	6.8%	6.3%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	5.5%	
Change in NWC	(0.2)	(0.9)	(1.0)	(0.9)	(0.7)	(0.7)	(0.7)	(0.6)	(0.5)	(0.3)	
% of sales	0.7%	2.0%	1.8%	1.2%	0.9%	0.8%	0.7%	0.6%	0.4%	0.3%	
Free Cash Flow	(5.9)	(0.2)	1.6	3.9	4.6	5.4	6.0	6.4	6.7	6.9	82.9
growth rate		-96.3%	nm	nm	18.7%	17.1%	11.1%	7.3%	4.6%	2.7%	2.0%
Present Value FCF	(5.7)	(0.2)	1.3	2.8	3.0	3.1	3.2	3.1	2.9	2.7	32.3

PV Phase I	1.1	Risk free rate	3.5%	Targ. equity ratio	95%
PV Phase II	15.0	Premium Equity	5.0%	Beta	1.5
PV Phase III	32.3	Premium Debt	5.0%	WACC	10.5%

Enterprise value	48.4	Sensitivity	Growth in phase III					
- Net Debt (Cash)	(4.2)		1.0%	1.5%	2.0%	2.5%	3.0%	
- Pension Provisions	0.0	9.5%	1.9	1.9	2.0	2.1	2.2	
- Minorities & Peripherals	0.0	10.0%	1.8	1.8	1.9	1.9	2.0	
+ MV of financial assets	0.0	WACC	10.5%	1.7	1.7	1.8	1.8	1.9
- Paid-out dividends for last FY	0.0	11.0%	1.6	1.6	1.7	1.7	1.8	
+/- Other EV items	22.9	11.6%	1.5	1.6	1.6	1.6	1.7	
Equity value	75.5							
Number of shares	42.6							
Value per share (€)	1.8							
Current Price (€)	1.29							
Upside	40%							

Source: Pareto

PROFIT & LOSS (fiscal year) (EURm)	2014	2015	2016	2017	2018	2019e	2020e	2021e
Revenues	46	43	34	36	31	34	46	59
EBITDA	(2)	3	0	3	(4)	(3)	4	8
Depreciation & amortisation	(4)	(3)	(2)	(2)	(2)	(3)	(2)	(3)
EBIT	(6)	0	(2)	0	(6)	(5)	2	5
Net interest	0	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Other financial items	-	-	-	-	-	-	-	-
Profit before taxes	(6)	0	(3)	0	(6)	(6)	2	5
Taxes	(0)	(0)	(0)	(1)	(1)	(1)	(0)	(1)
Minority interest	-	-	-	-	-	-	-	-
Net profit	(7)	0	(3)	(1)	(7)	(6)	2	5
EPS reported	(0.21)	0.00	(0.09)	(0.02)	(0.20)	(0.15)	0.04	0.11
EPS adjusted	(0.24)	0.00	(0.07)	(0.02)	(0.19)	(0.15)	0.04	0.11
DPS	-	-	-	-	-	-	-	-
BALANCE SHEET (EURm)	2014	2015	2016	2017	2018	2019e	2020e	2021e
Tangible non current assets	1	0	1	1	1	1	1	2
Other non-current assets	10	11	10	10	10	10	10	11
Other current assets	8	6	6	6	5	5	7	9
Cash & equivalents	6	15	11	9	7	8	7	10
Total assets	25	33	27	25	23	24	25	30
Total equity	18	19	16	15	14	16	18	22
Interest-bearing non-current debt	-	5	3	2	2	2	1	1
Interest-bearing current debt	-	1	1	1	2	1	-	-
Other Debt	8	8	7	7	6	5	7	7
Total liabilities & equity	25	33	27	25	23	24	25	30
CASH FLOW (EURm)	2014	2015	2016	2017	2018	2019e	2020e	2021e
Cash earnings	(4)	3	(0)	2	(5)	(4)	4	7
Change in working capital	4	2	(0)	(0)	1	(0)	(1)	(1)
Cash flow from investments	(1)	(2)	(2)	(3)	(3)	(3)	(3)	(4)
Cash flow from financing	-	6	(1)	(1)	5	7	(1)	-
Net cash flow	(1)	9	(4)	(2)	(2)	0	(1)	3
CAPITALIZATION & VALUATION (EURm)	2014	2015	2016	2017	2018	2019e	2020e	2021e
Share price (EUR end)	1.04	1.21	1.07	1.74	1.31	1.29	1.29	1.29
Number of shares end period	31	31	32	32	35	43	43	43
Net interest bearing debt	(6)	(9)	(7)	(6)	(4)	(6)	(6)	(9)
Enterprise value	26	29	28	50	42	49	48	46
EV/Sales	0.6	0.7	0.8	1.4	1.3	1.4	1.1	0.8
EV/EBITDA	-	8.3	-	17.7	-	-	11.1	5.7
EV/EBIT	-	-	-	-	-	-	25.7	8.7
P/E reported	-	-	-	-	-	-	34.4	11.9
P/E adjusted	-	-	-	-	-	-	34.4	11.9
P/B	1.8	2.0	2.2	3.7	3.4	3.4	3.1	2.5
FINANCIAL ANALYSIS & CREDIT METRICS	2014	2015	2016	2017	2018	2019e	2020e	2021e
ROE adjusted (%)	-	0.0	-	-	-	-	9.4	23.0
Dividend yield (%)	-	-	-	-	-	-	-	-
EBITDA margin (%)	-	8.1	0.3	7.9	-	-	9.6	13.7
EBIT margin (%)	-	0.4	-	1.2	-	-	4.1	9.0
NIBD/EBITDA	2.98	(2.68)	(63.06)	(2.18)	1.13	2.07	(1.43)	(1.10)
EBITDA/Net interest	-	23.25	4.30	8.53	-	-	56.39	-

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Appendix A

Disclosure requirements pursuant to the Norwegian Securities Trading Regulations section 3-10 (2) and section 3-11 (1), letters a-b

The below list shows companies where Pareto Securities AS - together with affiliated companies and/or persons – own a portion of the shares exceeding 5% of the total share capital in any company where a recommendation has been produced or distributed by Pareto Securities AS.

Companies	No. of shares	Holdings in %	Companies	No. of shares	Holdings in %
Helgeland Sparebank	2,010,630	9.63%	SpareBank 1Østfold Akersl	1,140,010	9.20%
Pareto Bank ASA	12,862,966	18.53%	Sparebanken Vest	4,508,279	7.64%

Pareto Securities AS or its affiliates own as determined in accordance with Section 13(d) of the US Exchange Act, 1% or more of the equity securities of:

Companies	No. of shares	Holdings in %	Companies	No. of shares	Holdings in %
Helgeland Sparebank	2,010,630	9.63%	SpareBank 1Østfold Akersl	1,140,010	9.20%
Pareto Bank ASA	12,862,966	18.53%	Sparebanken Møre	311,739	3.15%
Selvaag Bolig ASA	2,174,147	2.32%	Sparebanken Sør	460,689	2.94%
SpareBank 1BV	1,639,640	2.61%	Sparebanken Vest	4,508,279	7.64%
SpareBank 1Nord-Norge	1,899,924	1.89%	Totens Sparebank	79,246	1.29%
SpareBank 1SMN	1,878,192	1.45%			

Pareto Securities AS may hold financial instruments in companies where a recommendation has been produced or distributed by Pareto Securities AS in connection with rendering investment services, including Market Making.

Please find below an overview of material interests in shares held by employees in Pareto Securities AS, in companies where a recommendation has been produced or distributed by Pareto Securities AS. "By material interest" means holdings exceeding a value of NOK 50 000.

Company	Analyst holdings*	Total holdings	Company	Analyst holdings*	Total holdings	Company	Analyst holdings*	Total holdings
AF Gruppen	0	1,675	Gjensidige Forsikring	0	7,711	REC Silicon	0	357,742
Aker	0	702	Golden Ocean Group	0	1,919	SailMar	0	130
Aker BP	0	8,480	Grieg Seafood	0	784	Sandnes Sparebank	0	23,832
AKVA Group	0	2,100	Helgeland Sparebank	0	4,127	Scatec Solar	0	35,735
American Shipping Compar	0	3,105	Höegh LNG	0	6,509	Schibsted ASA B Aksjer	0	357
Archer	0	60,770	Jæren Sparebank	0	500	Seadrill	0	14,772
Atea	0	450	Komplett Bank	0	117,387	Selvaag Bolig	0	5,000
Atlantic Sapphire	0	5,305	Kongsberg Gruppen	0	5,901	SpareBank 1BV	0	17,700
Austevoll Seafood	0	5,815	KWS	75	75	SpareBank 1Nord-Norge	0	26,500
Avance Gas	0	5,051	Lerøy Seafood	0	36,210	SpareBank 1Ringerike Hadr	0	500
Axactor	0	8,963	Magseis Fairfield	0	12,659	SpareBank 1SMN	0	15,490
BASF	270	270	Mowi	0	1,979	SpareBank 1SR-Bank	0	29,391
B2Holding	0	5,639	NORBIT	0	19,968	Sparebank 1Østfold Akersl	0	450
Bonheur	0	46,535	Nordic Semiconductor	0	6,000	SpareBank 1Østlandet	0	4,041
Borr Drilling	0	923	Norsk Hydro	0	126,345	Sparebanken Møre	0	6,550
BRABank	0	1,371,000	Northern Drilling	0	6,060	Sparebanken Sør	0	43,380
BWLPG	0	2,069	Norwegian Air Shuttle	0	68,437	Sparebanken Vest	0	2,219
DNB	0	35,206	Norwegian Energy Compan	0	350	Sparebanken Øst	0	1,500
DNO	0	33,678	Ocean Yield	0	33,967	Stolt-Nielsen	0	900
Entra	0	14,362	Odfjell Drilling	0	3,944	Storebrand	0	5,565
Equinor	0	8,788	Okeanis Eco Tankers	0	1,738	Subsea 7	0	5,990
Europris	0	10,850	Orkla	0	20,164	Telenor	0	2,311
Fjord1	0	51,550	Panoro Energy	0	5,670	TGS-NOPEC	0	2,085
Fjordkraft Holding	0	4,132	Pareto Bank	0	977,841	XXL	0	9,929
Flex LNG	0	1,138	Pioneer Property	0	2,050	Yara International	0	17,450
Frontline	0	13,003	Protector Forsikring	0	14,567	Zenterio	0	78,865

This overview is updated monthly (last updated 15.07.2019).

*Analyst holdings refer to positions held by the Pareto Securities AS analyst covering the company.

Appendix B

Disclosure requirements pursuant to the Norwegian Securities Trading Regulation § 3-11, letters e-f, ref the Securities Trading Act Section 3-10

Overview over issuers of financial instruments where Pareto Securities AS have prepared or distributed investment recommendation, where Pareto Securities AS have been lead manager/co-lead manager or have rendered publicly known not immaterial investment banking services over the previous 12 months:

2020Bulkers	Floatel	Northmill Group AB
Avanzia Bank	Genel Energy	Odfjell
African Petroleum Corporation	Gfinity Plc	OKEA
Agder Energi	GG. St. Kongensgade 100 og 106	Okea AS
American Tanker	Gulf Keystone Petroleum	Okeanis Eco Tankers
Andfjord Salmon	Hafslund E-CO	Otliga Group
APC Forsikringsmæglere A/S	Hertha BSC GmbH	Panoro Energy
Arnarlax	HKN Energy Ltd	Pareto Bank
Avida Holding AB	Hunter Group	Petroleum Geo-Services
Bank Norwegian	Hörmann Industries	PetroTal
Belships	Ice Group	Pioneer Public Properties Finland Oy
Bluewater Holding	Jactel AS	Point Resources AS
CentralNic Group	Klavness Ship Holding	Questerre Energy Corporation
DNO ASA	Lundin Petroleum	Rødovre Port Holding A/S
Dof Subsea AS	Magseis	Shamaran Petroleum
Eco Atlantic Oil and Gas	Monobank ASA	Sparebank 1 Østlandet
Exmar NV	Navig8	Sparebanken Vest
FFS Bidco	NGEX Resources	Union Maritime Limited
Flex LNG	Norbit Group	Vantage Drilling

This overview is updated monthly (this overview is for the period 30.06.2018 – 30.06.2019).

Appendix C

Disclosure requirements pursuant to the Norwegian Securities Trading Regulation § 3-11(4)

Distribution of recommendations

Recommendation	% distribution
Buy	66%
Hold	31%
Sell	4%

Distribution of recommendations (transactions*)

Recommendation	% distribution
Buy	100%
Hold	0%
Sell	0%

* Companies under coverage with which Pareto Securities Group has on-going or completed public investment banking services in the previous 12 months

This overview is updated monthly (last updated 15.07.2019).

Appendix D

This section applies to research reports prepared by Pareto Securities AB.

Disclosure of positions in financial instruments

The beneficial holding of the Pareto Group is 1 % or more of the total share capital of the following companies included in Pareto Securities AB's research coverage universe: None

The Pareto Group has material holdings of other financial instruments than shares issued by the following companies included in Pareto Securities AB's research coverage universe: None

Disclosure of assignments and mandates

Overview over issuers of financial instruments where Pareto Securities AB has prepared or distributed investment recommendation, where Pareto Securities AB has been lead manager or co-lead manager or has rendered publicly known not immaterial investment banking services over the previous twelve months:

Azelio	Green Landscaping Holding	Jetpak Top Holding AB	Sedana Medical
Bionvent	IRRAS AB	Mentice AB	ShaM aran Petroleum
Climeon			

Members of the Pareto Group provide market making or other liquidity providing services to the following companies included in Pareto Securities AB's research coverage universes:

Cavotec	Saltängen Property Invest	Sedana Medical	Tethys Oil
Cibus Nordic Real Estate	SciBase Holding	ShaM aran Petroleum	Vostok Emerging Finance
Isofol Medical			

Members of the Pareto Group have entered into agreements concerning the inclusion of the company in question in Pareto Securities AB's research coverage universe with the following companies: None
This overview is updated monthly (last updated 28.07.2019).

Appendix E

Disclosure requirements pursuant to the Norwegian Securities Trading Regulation § 3-11, letter d, ref the Securities Trading Act Section 3-10

Designated Sponsor

Pareto Securities acts as a designated sponsor for the following companies, including the provision of bid and ask offers. Therefore, we regularly possess shares of the company in our proprietary trading books. Pareto Securities receives a commission from the company for the provision of the designated sponsor services.

2G Energy *	Freenet	MAX Automation SE	SCOUT24
Aixtron *	Gesco *	Merkur Bank	Siemens Healthineers AG
Baywa	GFT Technologies *	MLP *	SMT Scharf AG *
Biotest *	Gigaset *	MOBOTIX AG	Surteco Group *
Brenntag	Heidelberg Pharma *	OVB Holding AG	Szygy AG *
CORESTATE Capital Holding S.A.	Hypoport AG	Procredit Holding *	TAKKT AG
Daldrup & Söhne	init	PSI SOFTWARE AG *	Vapiano
Demire	Intershop Communications AG	PWO *	va-Q-tec *
Epigenomics AG*	Leifheit	RIB Software *	Viscom *
Euromicron AG *	Logwin *	S&T AG *	windeln.de
Eyemaxx Real Estate	Manz AG *	Schaltbau Holding AG	

* The designated sponsor services include a contractually agreed provision of research services.

Appendix F

Disclosure requirements pursuant to the Norwegian Securities Trading Regulation § 3-11, letter g, ref the Securities Trading Act Section 3-10

Sponsored Research

Pareto Securities has entered into an agreement with these companies about the preparation of research reports and—in return - receives compensation.

Adler Modemaerkte	First Sensor	MAX Automation SE	OVB Holding AG
Baywa	Godewind Immobilien AG	Intershop Communications AG	Schaltbau Holding AG
BB Biotech	Hypoport AG	Merkur Bank	Siegfried Holding AG
comdirect	init	MOBOTIX AG	Vapiano
Daldrup & Söhne	Leifheit	OHB SE	
Eyemaxx Real Estate			

This overview is updated monthly (last updated 15.07.2019).