


Earnings miss in Q4

Verkkokauppa.com's Q4'19 revenue grew by 3% and was EUR 159.9m vs. Evli EUR 168.9m and consensus of EUR 164.0m. Gross profit was EUR 22.2m (13.9% margin) vs. EUR 24.7m (14.6% margin) Evli view. EBIT was EUR 4.5m vs. EUR 6.0m/5.6m Evli/cons. 2020E guidance: The company expects revenue to be 510-530 million euros and comparable operating profit to be 12-15 million euros.

- Q4 revenue was EUR 159.9m vs. EUR 168.9m Evli view and EUR 164.0m consensus. Sales grew by 3% while market growth was 4.4% (GfK estimate). Revenue growth in Q4 was boosted by record sales during Black Friday, additional marketing activities and campaigning. Tax refund changes and Posti's strike had a negative impact on sales during the Christmas season.
- Q4 gross profit was EUR 22.2m (13.9% margin) vs. EUR 24.7m (14.6% margin) Evli view. Gross profit weakened due to heavy campaigning during Black Friday.
- Q4 EBIT was EUR 4.5m (2.8% margin) vs. EUR 6.0m (3.6% margin) Evli view and EUR 5.6m (3.4% margin) consensus. EBIT decreased mostly due to a lower gross margin.
- Q4 eps was EUR 0.07 vs. EUR 0.10/0.09 Evli/cons.
- 2020 guidance: The company expects revenue to be 510-530 million euros and comparable operating profit to be 12-15 million euros.
- The company also decided on a quarterly dividend of EUR 0.048 per share. Total '19 dividend is EUR 0.21 vs. our EUR 0.21 and EUR 0.21 consensus.

Rating

 **HOLD**

Share price, EUR (Last trading day's closing price)	3.98
Target price, EUR	3.3
Latest change in rating	12-Aug-19
Latest report on company	5-Feb-20
Research paid by issuer:	YES
No. of shares outstanding, '000's	45,065
No. of shares fully diluted, '000's	45,065
Market cap, EURm	179
Free float, %	50.0
Exchange rate	1.000
Reuters code	VERK.HE
Bloomberg code	VERK FH
Average daily volume, EURm	na.
Next interim report	14-Feb-20
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 BUY  HOLD  SELL

PRE-REPORT KEY FIGURES

	Sales EURm	EBIT EURm	EBIT %	FCF EURm	EPS EUR	P/E (x)	EV/Sales (x)	EV/EBIT (x)	FCF yield %	DPS EUR
2017	431.9	13.5	3.1%	21.5	0.21	33.8	0.7	22.0	6.7	0.18
2018	477.8	13.3	2.8%	6.4	0.21	19.8	0.3	12.3	3.5	0.20
2019E	513.1	12.8	2.5%	21.0	0.20	19.8	0.3	11.5	11.7	0.21
2020E	549.1	14.2	2.6%	15.3	0.23	17.7	0.3	10.0	8.5	0.22
2021E	587.5	15.2	2.6%	12.5	0.25	16.2	0.2	9.1	7.0	0.24
Market cap, EURm		179	BV per share 2019E, EUR			-86.2	CAGR EPS 2018-21, %			5.8
Net debt 2019E, EURm		-32	Price/book 2019E			4.8	CAGR sales 2018-21, %			7.1
Enterprise value, EURm		147	Dividend yield 2019E, %			5.3	ROE 2019E, %			24.1
Total assets 2019E, EURm		173	Tax rate 2019E, %			20.0	ROCE 2019E, %			20.8
Goodwill 2019E, EURm		0	Equity ratio 2019E, %			22.3	PEG, P/E 19/CAGR			0.9

All the important disclosures can be found on the last pages of this report.

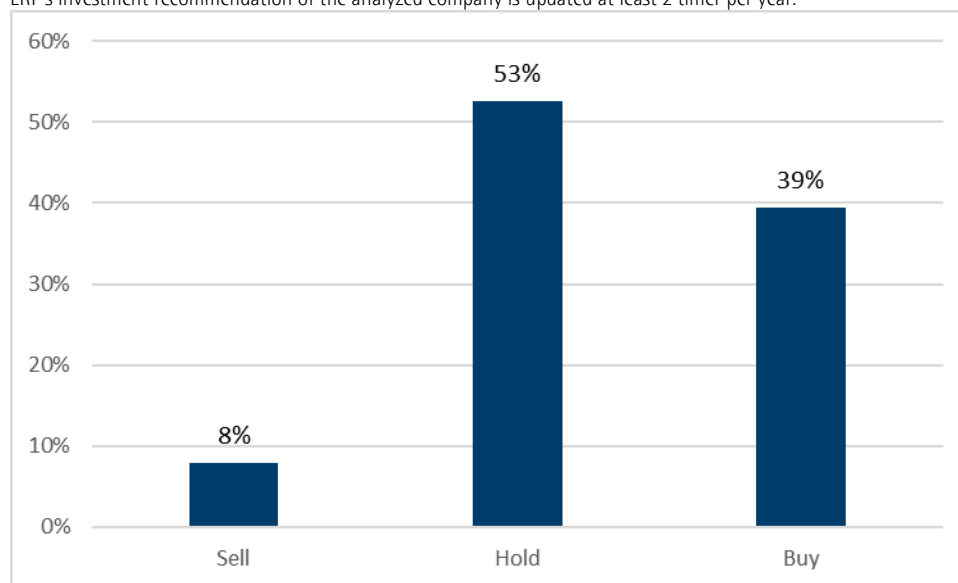
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Investment recommendations are defined as follows:

Target price compared to share price	Recommendation
< -10 %	SELL
-10 – (+10) %	HOLD
> 10 %	BUY

ERP's investment recommendation of the analyzed company is updated at least 2 times per year.



The graph above shows the distribution of ERP's recommendations of companies under coverage in 1st of February 2019. If recommendation is not given, it is not mentioned here.

Name(s) of the analyst(s): Rissanen

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