

Guidance downgrade by surprise

Verkkokauppa.com downgraded its guidance yesterday for 2018E adj. EBITDA. The warning came as a surprise, even if major turmoil took place in the wider retail industry in Q4. We have cut estimates for Q4 and for 2019-2020E.

Guidance downgraded for adj. EBITDA

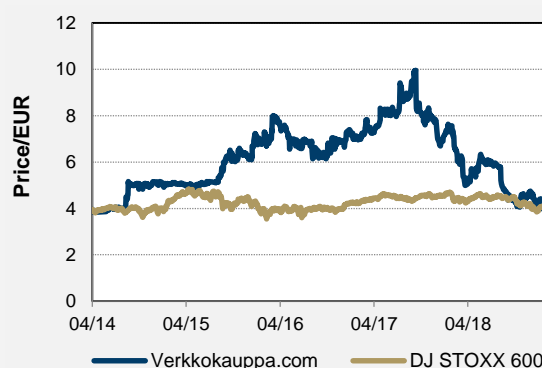
Verkkokauppa.com downgraded its guidance yesterday and gave preliminary figures for full-year revenue and adj. EBITDA. FY18E revenue was EUR 477m, in line with the guided range of EUR 460-500m and somewhat above EUR 467-468m Evli and consensus estimates. However, adj. EBITDA landed at EUR 10.2m, below previously guided range of EUR 11-14m and below EUR 12.7m Evli and cons expectation. Full-year figures imply Q4 revenue of EUR 155m (growth 22%) and adj. EBITDA of EUR 3.4m (EUR 5.9m y/y). Adj. EBITDA for Q4 thus lands at its lowest level since 2014. Seasonally strong Q4 has thus clearly disappointed. Tight price competition and higher marketing costs were mentioned as negative contributors in 2018E.

We expect wholesale volumes to have increased y/y in Q4

Federal Customs Service of the Russian Federation announced on Dec 7th that starting from Jan 2019 the duty-free limit for private goods imports will be reduced to EUR 500 from EUR 1000 previously. We expect this to have supported wholesale volume sales for Verkkokauppa.com in Q4 and consider this as a likely contributor to the Q4 revenue beat.

Estimates cut - target price to EUR 4.2 (4.7)

We have cut 2019 and 2020E estimates by 12% and 9% respectively. We continue to expect a growing dividend of EUR 0.19 vs. EUR 0.18 for 2017. This represents 122% of EPS, but can be backed by the sizeable net cash position. We cut target price to EUR 4.2 (4.7), which corresponds to 12x 2019E EBIT. Our "Hold" rating is intact. Our estimates do not yet reflect the upcoming IFRS 16 changes.

Rating HOLD

 Share price, EUR (Last trading day's closing price) **3.99**

 Target price, EUR **4.2**

 Latest change in recommendation **06-Oct-17**

 Latest report on company **29-Oct-18**

 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 **180**

 Free float, % **50.0**

 Exchange rate **1.000**

 Reuters code **VERK.HE**

 Bloomberg code **VERK FH**

 Average daily volume, EURm **-**

 Next interim report **15-Feb-19**

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■ BUY ■ HOLD ■ SELL

KEY FIGURES

	Sales EURm	EBIT EURm	EBIT %	Ptx profit EURm	EPS EUR	P/E (x)	EV/Sales (x)	P/CF (x)	EV/EBIT (x)	DPS EUR
2016	371	13	3.4%	13	0.23	32.1	0.8	17.3	22.7	0.17
2017	432	12	2.7%	12	0.22	32.7	0.6	16.5	22.9	0.18
2018E	477	9	1.9%	9	0.16	25.5	0.3	-96.6	15.8	0.19
2019E	516	13	2.4%	13	0.22	17.8	0.3	26.8	11.5	0.18
2020E	597	15	2.5%	13	0.23	17.0	0.2	19.8	9.9	0.21
Market cap, EURm		180	BV per share 2018E, EUR		0.9	CAGR EPS 2017-20, %		2.8		
Net debt 2018E, EURm		-40	Price/book 2018E		4.5	CAGR sales 2017-20, %		11.4		
Enterprise value, EURm		140	Dividend yield 2018E, %		4.8	ROE 2018E, %		17.5		
Total assets 2018E, EURm		144	Tax rate 2018E, %		20.2	ROCE 2018E, %		18.1		
Goodwill 2018E, EURm		0	Equity ratio 2018E, %		28.1	PEG, P/E 18/CAGR		0.9		

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

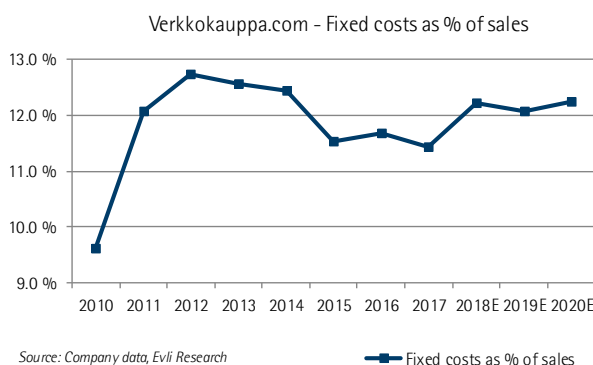
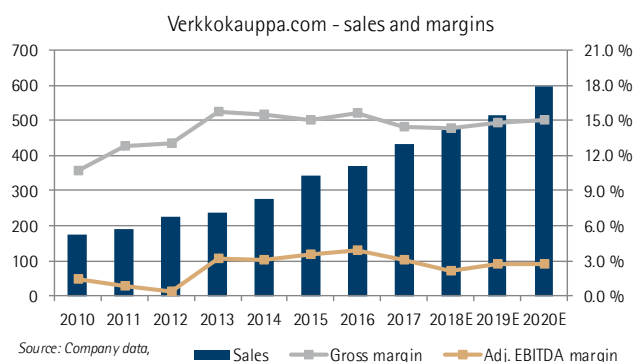
Estimates

Verkkokauppa.com model	2010	2011	2012	2013	2014	2015	2016	2017	2018E	2019E	2020E
Sales	173.1	191.6	224.5	238.0	275.8	343.7	371.5	431.8	476.7	515.5	596.9
<i>Growth-%</i>	-	10.7 %	17.2 %	6.0 %	15.9 %	24.6 %	8.1 %	16.2 %	10.4 %	8.1 %	15.8 %
Cost of goods and services	-154.7	-167.1	-195.2	-200.7	-233.2	-291.9	-313.7	-369.5	-408.5	-439.2	-507.4
<i>Growth-%</i>	-	8.1 %	16.8 %	2.8 %	16.2 %	25.2 %	7.5 %	17.8 %	10.6 %	7.5 %	15.5 %
<i>% of sales</i>	89.4 %	87.2 %	86.9 %	84.3 %	84.6 %	84.9 %	84.4 %	85.6 %	85.7 %	85.2 %	85.0 %
Gross profit	18.4	24.5	29.3	37.4	42.6	51.8	57.8	62.3	68.2	76.3	89.5
<i>Gross margin</i>	10.6 %	12.8 %	13.1 %	15.7 %	15.4 %	15.1 %	15.6 %	14.4 %	14.3 %	14.8 %	15.0 %
Fixed costs adj.	-16.6	-23.2	-28.6	-29.9	-34.3	-39.6	-43.4	-49.3	-58.2	-62.3	-73.2
<i>Growth-%</i>	-	39.1 %	23.6 %	4.7 %	14.5 %	15.5 %	9.6 %	13.7 %	18.0 %	7.0 %	17.5 %
<i>% of sales</i>	9.6 %	12.1 %	12.7 %	12.6 %	12.4 %	11.5 %	11.7 %	11.4 %	12.2 %	12.1 %	12.3 %
Other income	0.6	0.4	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.1	0.1
Depreciation and amortization	-0.8	-0.9	-0.9	-0.9	-1.0	-1.2	-1.3	-1.3	-1.3	-1.5	-1.6
NRIs included in EBIT	0.0	0.0	0.0	0.0	0.0	-3.4	-0.6	0.0	0.0	0.0	0.0
Adj. EBITDA	2.4	1.7	0.9	7.5	8.4	12.3	14.5	13.0	10.2	14.1	16.5
<i>Adj. EBITDA margin</i>	1.4 %	0.9 %	0.4 %	3.2 %	3.1 %	3.6 %	3.9 %	3.0 %	2.1 %	2.7 %	2.8 %
Adj. EBIT	1.6	0.8	0.0	6.6	7.5	11.1	13.2	11.7	8.9	12.6	14.9
<i>Adj. EBIT margin</i>	0.9 %	0.4 %	0.0 %	2.8 %	2.7 %	3.2 %	3.6 %	2.7 %	1.9 %	2.4 %	2.5 %
Reported EBIT	1.6	0.8	0.0	6.6	7.5	7.7	12.6	11.7	8.9	12.6	14.9
<i>Reported EBIT margin</i>	0.9 %	0.4 %	0.0 %	2.8 %	2.7 %	2.2 %	3.4 %	2.7 %	1.9 %	2.4 %	2.5 %
Net financials*	-0.8	-0.9	-0.7	-1.2	-1.9	-0.9	0.0	0.4	-0.1	0.0	0.0
Profit before taxes	0.8	-0.1	-0.7	5.5	5.5	6.8	12.6	12.1	8.8	12.6	14.9
Taxes	-0.1	0.0	0.0	-1.4	-1.2	-1.4	-2.4	-2.3	-1.8	-2.5	-3.0
<i>Tax rate (%)</i>	16.6 %	0.0 %	0.0 %	25.6 %	22.2 %	19.9 %	19.4 %	19.2 %	20.2 %	20.0 %	20.0 %
Other items (appropriations)	-0.1	-0.2	0.0	0.1	0.2	-0.1	0.0	0.0	0.0	0.0	0.0
Net income	0.6	-0.3	-0.7	4.2	4.5	5.4	10.2	9.8	7.0	10.1	11.9
Average number of shares (million)	7.5	7.5	7.5	7.5	7.5	45.1	45.1	45.1	45.1	45.1	45.1
EPS	0.08	-0.04	-0.09	0.56	0.60	0.12	0.23	0.22	0.16	0.22	0.26
Dividend and capital return	-	-	-	0.04	0.85	0.15	0.17	0.18	0.19	0.18	0.21
<i>Payout ratio (%)</i>				7%	142%	126%	74%	84%	122%	80%	80%

Source: Company data, Evli Research

*2014 net financials include a EUR 1.9m one-off item due to IPO

*2015 net financials include EUR 0.9m of NRIs due to the Teosto dispute



Valuation

VERKKOKAUPPA.COM PEER GROUP	EV/Sales 18	EV/Sales 19	EV/Sales 20	EV/EBITDAE 18	EV/EBITDAE 19	EV/EBITDAE 20	EV/EBIT 18	EV/EBIT 19	EV/EBIT 20	Sales CAGR 17-20	EPS CAGR 17-20
Online-focused Nordic and European peers											
ASOS plc	1.0x	0.9x	0.7x	15.1x	16.5x	12.2x	23.3x	35.7x	25.4x	20.6 %	6.2 %
Delticom AG	0.1x	0.1x	0.1x	7.9x	5.7x	4.7x	9.8x	6.7x	5.5x	5.9 %	90.0 %
Dustin Group AB	0.9x	0.7x	0.6x	17.0x	12.7x	11.4x	18.9x	14.1x	12.5x	8.2 %	11.0 %
Groupe LDLC SA	0.2x	0.1x	0.1x	12.9x	5.8x	3.7x	20.0x	8.9x	4.9x	12.2 %	22.7 %
Qliro Group AB	0.4x	0.4x	0.4x	495.3x	11.6x	6.2x	18.3x	8.4x	8.4x	-4.7 %	87.8 %
Zalando SE	1.1x	0.9x	0.8x	23.4x	19.7x	15.2x	46.5x	35.4x	26.5x	20.5 %	14.1 %
Physical store-focused Nordic and European peers											
CECONOMY AG	0.0x	0.0x	0.0x	0.9x	1.2x	1.2x	1.3x	1.8x	1.8x	-0.6 %	-0.9 %
Dixons Carphone plc	0.2x	0.2x	0.2x	3.5x	3.4x	3.2x	5.5x	5.4x	5.1x	0.1 %	-7.6 %
Unieuro SpA	0.1x	0.1x	0.1x	3.3x	2.9x	2.3x	6.1x	4.9x	4.3x	5.6 %	9.2 %
XXL ASA	0.6x	0.6x	0.5x	10.7x	8.5x	7.2x	15.9x	11.8x	9.7x	8.4 %	-5.2 %
Large international e-commerce peers											
Alibaba Group Holding Ltd. Sponsored ADR	6.8x	4.8x	3.5x	21.2x	16.7x	12.2x	43.6x	25.2x	17.0x	38.8 %	20.6 %
Amazon.com, Inc.	3.5x	2.9x	2.3x	24.9x	19.0x	14.2x	66.3x	45.0x	29.2x	27.0 %	111.7 %
eBay Inc.	2.9x	2.7x	2.3x	8.7x	8.0x	6.9x	10.7x	9.8x	8.4x	10.0 %	17.8 %
JD.com, Inc. Sponsored ADR Class A	0.4x	0.4x	0.3x	61.3x	26.3x	15.1x	15.1x	15.1x	15.1x	21.5 %	na.
Rakuten, Inc.	1.5x	1.4x	1.3x	7.3x	9.5x	9.7x	10.4x	17.0x	19.0x	16.1 %	-19.3 %
Online-focused Nordic and European peers	0.6x	0.5x	0.5x	16.1x	12.1x	8.8x	20.0x	16.2x	10.5x	10.2 %	18.4 %
Physical store-focused Nordic and European peers	0.1x	0.1x	0.1x	3.4x	3.2x	2.7x	5.8x	5.1x	4.7x	2.8 %	-3.1 %
Large international e-commerce peers	2.9x	2.7x	2.3x	21.2x	16.7x	12.2x	27.2x	21.1x	19.0x	21.5 %	19.2 %
Verkkokauppa.com (Evli est.)	0.3x	0.3x	0.2x	13.7x	10.2x	9.0x	15.8x	11.5x	9.9x	11.4 %	2.8 %
<i>Verkkokauppa.com vs. Online-focused Nordic and EU peers median</i>	<i>-54%</i>	<i>-49%</i>	<i>-51%</i>	<i>-14%</i>	<i>-16%</i>	<i>2%</i>	<i>-21%</i>	<i>-29%</i>	<i>-5%</i>		
VERKKOKAUPPA.COM PEER GROUP	EBIT-% 18	EBIT-% 19	EBIT-% 20	ROCE-% 18	ROCE-% 19	ROCE-% 20	Div-% 18	Div-% 19	Div-% 20	ROE 18	P/B 18
Online-focused Nordic and European peers											
ASOS plc	4.2%	2.4%	2.9%	22.7%	13.4%	16.0%	0.0%	0.0%	0.0%	18.7%	5.5x
Delticom AG	1.5%	1.9%	2.1%				4.1%	7.5%	9.6%	6.6%	1.7x
Dustin Group AB	4.5%	4.8%	5.0%	11.5%	13.3%	14.2%	3.7%	4.3%	4.9%	20.7%	3.8x
Groupe LDLC SA	0.9%	1.6%	2.4%				3.6%	6.5%	9.5%	3.3%	0.7x
Qliro Group AB	-1.0%	2.3%	4.4%	-1.5%	3.4%	6.5%	0.0%	0.0%	0.0%	-8.0%	1.5x
Zalando SE	2.3%	2.5%	2.9%	7.5%	9.5%	12.0%	0.0%	0.0%	0.0%	4.7%	4.2x
Physical store-focused Nordic and European peers											
CECONOMY AG	1.9%	1.9%	1.9%	26.2%	25.3%	23.9%	0.7%	5.6%	6.8%	14.7%	1.7x
Dixons Carphone plc	3.0%	3.0%	3.1%	7.1%	7.0%	7.3%	6.4%	6.4%	6.3%	7.4%	0.5x
Unieuro SpA	1.7%	1.9%	1.9%				9.0%	9.0%	9.0%	40.5%	2.7x
XXL ASA	4.0%	4.9%	5.3%	7.2%	9.0%	10.1%	2.1%	2.9%	5.4%	6.8%	1.1x
Large international e-commerce peers											
Alibaba Group Holding Ltd. Sponsored ADR	15.5%	19.1%	20.5%	8.9%	12.8%	15.2%	0.0%	0.0%	0.0%	19.6%	5.7x
Amazon.com, Inc.	5.3%	6.3%	7.9%	13.3%	15.4%	17.6%	0.0%	0.0%	0.0%	22.9%	19.3x
eBay Inc.	27.2%	27.5%	27.8%	14.6%	16.0%	17.6%	0.0%	0.0%	0.0%	32.5%	4.3x
JD.com, Inc. Sponsored ADR Class A	-0.8%	0.0%	0.7%	-5.2%	-0.2%	5.3%	0.0%	0.0%	0.0%	4.9%	4.2x
Rakuten, Inc.	14.5%	8.3%	6.9%	11.7%	7.1%	6.2%	0.5%	0.5%	0.5%	14.9%	1.5x
Online-focused Nordic and European peers	1.9%	2.3%	2.9%	9.5%	11.4%	13.1%	1.8%	2.1%	2.4%	5.7%	2.7x
Physical store-focused Nordic and European peers	2.5%	2.5%	2.5%	7.2%	9.0%	10.1%	4.2%	6.0%	6.6%	11.1%	1.4x
Large international e-commerce peers	14.5%	8.3%	7.9%	11.7%	12.8%	15.2%	0.0%	0.0%	0.0%	19.6%	4.3x
Verkkokauppa.com (Evli est.)	1.9 %	2.4 %	2.5 %	18.1%	20.2%	19.8%	4.8%	4.5%	5.3%	17.5%	4.5x

Source: Factset, Evli research

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC	
Current share price	3.99 PV of Free Cash Flow	89 Long-term growth, %	2.5 Risk-free interest rate, %	2.25
DCF share value	7.98 PV of Horizon value	227 WACC, %	7.0 Market risk premium, %	5.8
Share price potential, %	99.9 Unconsolidated equity	0 Spread, %	0.5 Debt risk premium, %	2.8
Maximum value	8.9 Marketable securities	57 Minimum WACC, %	6.5 Equity beta coefficient	0.80
Minimum value	7.2 Debt - dividend	-17 Maximum WACC, %	7.5 Target debt ratio, %	20
Horizon value, %	71.9 Value of stock	360 Nr of shares, Mn	45.1 Effective tax rate, %	26

DCF valuation, EURm	2017	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	Horizon
Net sales	432	477	516	597	627	658	691	726	762	800	820	840
<i>Sales growth, %</i>	<i>16.2</i>	<i>10.4</i>	<i>8.1</i>	<i>15.8</i>	<i>5.0</i>	<i>5.0</i>	<i>5.0</i>	<i>5.0</i>	<i>5.0</i>	<i>5.0</i>	<i>2.5</i>	<i>2.5</i>
Operating income (EBIT)	12	9	13	15	20	23	24	25	27	24	25	25
<i>EBIT margin, %</i>	<i>2.7</i>	<i>1.9</i>	<i>2.4</i>	<i>2.5</i>	<i>3.2</i>	<i>3.5</i>	<i>3.5</i>	<i>3.5</i>	<i>3.5</i>	<i>3.0</i>	<i>3.0</i>	<i>3.0</i>
+ Depreciation+amort.	1	1	2	2	2	2	3	3	3	4	4	
- Income taxes	-2	-2	-3	-3	-4	-5	-5	-5	-5	-5	-5	
- Change in NWC	9	-10	-5	-4	0	0	0	0	0	0	0	
<i>NWC/Sales, %</i>	<i>-3.2</i>	<i>-0.7</i>	<i>0.3</i>	<i>1.0</i>	<i>1.0</i>	<i>1.0</i>	<i>1.0</i>	<i>1.0</i>	<i>1.0</i>	<i>1.0</i>	<i>1.0</i>	
+ Change in other liabs	0	0	0	0	0	0	0	0	0	0	0	
- Capital Expenditure	-2	-2	-2	-3	-3	-3	-4	-4	-4	-4	-5	-5
<i>Investments/Sales, %</i>	<i>0.4</i>	<i>0.4</i>	<i>0.5</i>	<i>0.5</i>	<i>0.5</i>	<i>0.5</i>	<i>0.5</i>	<i>0.5</i>	<i>0.6</i>	<i>0.6</i>	<i>0.6</i>	<i>0.6</i>
- Other items	0	0	0	0	0	0	0	0	0	0	0	
= Unlevered Free CF (FCF)	17	-4	4	6	14	17	18	19	20	18	18	417
= Discounted FCF (DFCF)		-4	4	6	12	13	13	13	12	10	10	227
= DFCF min WACC		-4	4	6	12	13	13	13	13	11	10	266
= DFCF max WACC		-4	4	6	12	13	13	12	12	10	10	196

INTERIM FIGURES

EVLI ESTIMATES, EURm	2017Q1	2017Q2	2017Q3	2017Q4	2017	2018Q1	2018Q2	2018Q3E	2018Q4E	2018E	2019E	2020E
Net sales	100	99	105	127	432	103	102	117	155	477	516	597
EBITDA	2	3	2	6	13	2	1	4	3	10	14	16
EBITDA margin (%)	2.4	2.6	2.0	4.7	3.0	2.3	0.7	3.2	2.2	2.1	2.7	2.8
EBIT	2	2	2	6	12	2	0	3	3	9	13	15
EBIT margin (%)	2.1	2.3	1.6	4.4	2.7	2.0	0.4	2.9	2.0	1.9	2.4	2.5
Net financial items	0	0	0	0	0	0	0	0	0	0	0	-2
Pre-tax profit	2	2	2	6	12	2	0	3	3	9	13	13
Tax	-1	0	0	-1	-2	0	0	-1	-1	-2	-3	-3
Tax rate (%)	28.8	20.8	20.3	14.9	19.3	19.3	21.2	20.9	20.0	20.2	20.0	20.0
Net profit	2	2	1	5	10	2	0	3	2	7	10	11
EPS	0.03	0.04	0.03	0.11	0.22	0.04	0.01	0.06	0.05	0.16	0.22	0.23
EPS adjusted (diluted no. of shares)	0.03	0.04	0.03	0.11	0.22	0.04	0.01	0.06	0.05	0.16	0.22	0.23
Dividend per share	0.00	0.00	0.00	0.00	0.18	0.00	0.00	0.00	0.00	0.19	0.18	0.21
SALES, EURm												
Verkkokauppa.com	100	99	105	127	432	103	102	117	155	477	516	597
Total	100	99	105	127	432	103	102	117	155	477	516	597
SALES GROWTH, Y/Y %												
Verkkokauppa.com	19.6	23.7	13.8	10.5	16.2	2.6	3.2	10.8	21.8	10.4	8.1	15.8
Total	19.6	23.7	13.8	10.5	16.2	2.6	3.2	10.8	21.8	10.4	8.1	15.8
EBIT, EURm												
Verkkokauppa.com	2	2	2	6	12	2	0	3	3	9	13	15
Total	2	2	2	6	12	2	0	3	3	9	13	15
EBIT margin, %												
Verkkokauppa.com	2.1	2.3	1.6	4.4	2.7	2.0	0.4	2.9	2.0	1.9	2.4	2.5
Total	2.1	2.3	1.6	4.4	2.7	2.0	0.4	2.9	2.0	1.9	2.4	2.5

INCOME STATEMENT, EURm	2013	2014	2015	2016	2017	2018E	2019E	2020E
Sales	238	276	344	371	432	477	516	597
<i>Sales growth (%)</i>	6.0	15.9	24.6	8.1	16.2	10.4	8.1	15.8
Costs	-230	-267	-331	-357	-419	-466	-501	-580
Reported EBITDA	8	8	12	14	13	10	14	16
Extraordinary items in EBITDA	0	0	0	0	0	0	0	0
<i>EBITDA margin (%)</i>	3.2	3.1	3.6	3.8	3.0	2.1	2.7	2.8
Depreciation	-1	-1	-1	-1	-1	-1	-2	-2
EBITA	7	7	11	13	12	9	13	15
Goodwill amortization / writedown	0	0	0	0	0	0	0	0
Reported EBIT	7	7	11	13	12	9	13	15
<i>EBIT margin (%)</i>	2.8	2.7	3.2	3.4	2.7	1.9	2.4	2.5
Net financials	-1	-2	-1	0	0	0	0	-2
Pre-tax profit	5	6	10	13	12	9	13	13
Extraordinary items	0	0	-3	-1	0	0	0	0
Taxes	-1	-1	-1	-2	-2	-2	-3	-3
Minority shares	0	0	0	0	0	0	0	0
Net profit	4	4	5	10	10	7	10	11
BALANCE SHEET, EURm								
Assets								
Fixed assets	3	3	3	3	3	4	5	6
<i>% of sales</i>	1	1	1	1	1	1	1	1
Goodwill	0	0	0	0	0	0	0	0
<i>% of sales</i>	0	0	0	0	0	0	0	0
Inventory	23	31	39	44	48	52	57	66
<i>% of sales</i>	10	11	11	12	11	11	11	11
Receivables	8	8	9	12	21	30	38	48
<i>% of sales</i>	3	3	3	3	5	6	7	8
Liquid funds	23	35	31	42	52	57	62	72
<i>% of sales</i>	10	13	9	11	12	12	12	12
Total assets	57	77	81	101	124	144	161	191
Liabilities								
Equity	8	37	36	39	41	40	41	44
<i>% of sales</i>	3	13	10	10	9	8	8	7
Deferred taxes	0	0	0	0	0	0	0	0
<i>% of sales</i>	0	0	0	0	0	0	0	0
Interest bearing debt	7	2	0	0	0	17	26	39
<i>% of sales</i>	3	1	0	0	0	4	5	7
Non-interest bearing current liabilities	41	38	45	61	82	86	93	107
<i>% of sales</i>	17	14	13	17	19	18	18	18
Other interest free debt	1	0	0	0	0	0	0	0
<i>% of sales</i>	0	0	0	0	0	0	0	0
Total liabilities	57	77	81	101	124	144	161	191
CASH FLOW, EURm								
+ EBITDA	8	8	12	14	13	10	14	16
- Net financial items	-1	-2	-1	0	0	0	0	-2
- Taxes	-1	-1	-1	-2	-2	-2	-3	-3
- Increase in Net Working Capital	6	-11	-2	8	9	-10	-5	-4
+/- Other	0	17	-4	-1	0	0	0	0
= Cash flow from operations	11	11	5	19	20	-2	7	8
- Capex	0	-1	-1	-1	-2	-2	-2	-3
- Acquisitions	0	0	0	0	0	0	0	0
+ Divestments	0	0	0	0	0	0	0	0
= Net cash flow	11	10	4	18	18	-4	4	5
+/- Change in interest-bearing debt	-2	-5	-2	0	0	17	9	13
+/- New issues/buybacks	0	25	0	0	0	0	0	0
- Paid dividend	0	0	-6	-7	-7	-8	-9	-8
+/- Change in loan receivables	0	0	0	0	0	0	0	0
Change in cash	9	29	-5	11	10	5	5	10

KEY FIGURES	2014	2015	2016	2017	2018E	2019E	2020E
M-cap	230	324	333	319	180	180	180
Net debt	-33	-31	-42	-52	-40	-35	-32
Enterprise value	196	294	291	267	140	144	147
Sales	276	344	371	432	477	516	597
EBITDA	8	12	14	13	10	14	16
EBIT	7	11	13	12	9	13	15
Pre-tax	6	10	13	12	9	13	13
Earnings	4	9	10	10	7	10	11
Book value	37	36	39	41	40	41	44
Valuation multiples							
EV/sales	0.7	0.9	0.8	0.6	0.3	0.3	0.2
EV/EBITDA	23.3	24.0	20.6	20.5	13.7	10.2	9.0
EV/EBITA	26.3	26.5	22.7	22.9	15.8	11.5	9.9
EV/EBIT	26.3	26.5	22.7	22.9	15.8	11.5	9.9
EV/operating cash flow	-43.0	32.0	15.1	13.9	-75.2	21.5	16.3
EV/cash earnings	37.4	29.3	25.0	24.1	16.8	12.4	12.1
P/E	53.4	37.0	32.1	32.7	25.5	17.8	17.0
P/E excl. goodwill	53.4	37.0	32.1	32.7	25.5	17.8	17.0
P/B	6.3	9.1	8.6	7.8	4.5	4.4	4.1
P/sales	0.8	0.9	0.9	0.7	0.4	0.3	0.3
P/CF	-50.3	35.4	17.3	16.5	-96.6	26.8	19.8
Target EV/EBIT	0.0	0.0	0.0	0.0	16.8	12.2	10.5
Target P/E	0.0	0.0	0.0	0.0	26.9	18.8	17.9
Target P/B	0.0	0.0	0.0	0.0	4.8	4.6	4.3
Per share measures							
Number of shares	7,511	45,065	45,065	45,065	45,065	45,065	45,065
Number of shares (diluted)	7,511	45,065	45,065	45,065	45,065	45,065	45,065
EPS	0.57	0.19	0.23	0.22	0.16	0.22	0.23
EPS excl. goodwill	0.57	0.19	0.23	0.22	0.16	0.22	0.23
Cash EPS	0.70	0.22	0.26	0.25	0.19	0.26	0.27
Operating cash flow per share	-0.61	0.20	0.43	0.43	-0.04	0.15	0.20
Capital employed per share	0.44	0.11	-0.07	-0.24	0.00	0.13	0.25
Book value per share	4.88	0.79	0.86	0.91	0.88	0.91	0.97
Book value excl. goodwill	4.88	0.79	0.86	0.91	0.88	0.91	0.97
Dividend per share	0.85	0.15	0.17	0.18	0.19	0.18	0.21
Dividend payout ratio, %	148.4	77.1	72.2	84.2	121.6	80.0	89.9
Dividend yield, %	2.8	2.1	2.2	2.6	4.8	4.5	5.3
Efficiency measures							
ROE	19.3	24.3	27.9	24.5	17.5	24.9	24.9
ROCE	27.8	29.9	34.5	29.4	18.1	20.2	19.8
Financial ratios							
Capex/sales, %	0.2	0.4	0.3	0.4	0.4	0.5	0.5
Capex/depreciation excl. goodwill, %	71.4	109.1	73.1	129.6	152.3	158.1	169.2
Net debt/EBITDA, book-weighted	-4.0	-2.5	-3.0	-4.0	-3.9	-2.5	-2.0
Debt/equity, market-weighted	0.0	0.0	0.0	0.0	0.1	0.1	0.2
Equity ratio, book-weighted	48.7	45.2	39.3	33.7	28.1	26.0	23.2
Gearing	-0.91	-0.86	-1.08	-1.27	-1.00	-0.86	-0.74
Number of employees, average	0	0	0	0	0	0	0
Sales per employee, EUR	0	0	0	0	0	0	0
EBIT per employee, EUR	0	0	0	0	0	0	0

COMPANY DESCRIPTION: Verkkokauppa.com is a Finnish retailer offering over 50,000 products in over 20 different main product categories. The company's primary business is to retail home appliances and consumer electronics, although the company has expanded its offering to cover other areas as well. Majority of revenue comes from B2C sales although the company has some B2B sales as well. The company's operations are in Finland.

INVESTMENT CASE:

OWNERSHIP STRUCTURE	SHARES	EURm	%
Seppälä Samuli Sipi	22,487,496	89.725	49.9%
Keskinäinen Eläkevakuutusyhtiö Ilmarinen	2,304,509	9.195	5.1%
Keva	2,171,000	8.662	4.8%
Keskinäinen Työeläkevakuutusyhti	2,065,932	8.243	4.6%
Rite Ventures Finland Ab	1,967,576	7.851	4.4%
Sijoitusrahasto Nordea Nordic Small Cap	1,456,340	5.811	3.2%
Fondita Nordic Micro Cap Placeringsf	1,125,000	4.489	2.5%
Op-Suomi -Sijoitusrahasto	984,595	3.929	2.2%
Sijoitusrahasto Evli Suomi Pienyhtiöt	651,252	2.598	1.4%
Skogberg Ville Johannes	634,266	2.531	1.4%
Ten largest	35,847,966	143.033	80%
Residual	9,217,164	36.776	20%
Total	45,065,130	179.810	100%

EARNINGS CALENDAR

OTHER EVENTS

COMPANY MISCELLANEOUS

CEO: Panu Porkka

CFO: Jussi Tallgren

IR: Jussi Tallgren

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Tel: +358 10 309 5555

DEFINITIONS

P/E	$\frac{\text{Price per share}}{\text{Earnings per share}}$	EPS	$\frac{\text{Profit before extraordinary items and taxes} - \text{income taxes} + \text{minority interest}}{\text{Number of shares}}$
P/Sales	$\frac{\text{Market cap}}{\text{Sales}}$	DPS	Dividend for the financial period per share
P/BV	$\frac{\text{Price per share}}{\text{Shareholders' equity} + \text{taxed provisions per share}}$	CEPS	$\frac{\text{Gross cash flow from operations}}{\text{Number of shares}}$
P/CF	$\frac{\text{Price per share}}{\text{Operating cash flow per share}}$	EV/Share	$\frac{\text{Enterprise value}}{\text{Number of shares}}$
EV (Enterprise value)	Market cap + net debt + minority interest at market value – share of associated companies at market value	Sales/Share	$\frac{\text{Sales}}{\text{Number of shares}}$
Net debt	Interest bearing debt – financial assets	EBITDA/Share	$\frac{\text{Earnings before interest, tax, depreciation and amortisation}}{\text{Number of shares}}$
EV/Sales	$\frac{\text{Enterprise value}}{\text{Sales}}$	EBIT/Share	$\frac{\text{Operating profit}}{\text{Number of shares}}$
EV/EBITDA	$\frac{\text{Enterprise value}}{\text{Earnings before interest, tax, depreciation and amortisation}}$	EAFI/Share	$\frac{\text{Pretax profit}}{\text{Number of shares}}$
EV/EBIT	$\frac{\text{Enterprise value}}{\text{Operating profit}}$	Capital employed/Share	$\frac{\text{Total assets} - \text{non interest bearing debt}}{\text{Number of shares}}$
Div yield, %	$\frac{\text{Dividend per share}}{\text{Price per share}}$	Total assets	Balance sheet total
Payout ratio, %	$\frac{\text{Total dividends}}{\text{Earnings before extraordinary items and taxes} - \text{income taxes} + \text{minority interest}}$	Interest coverage (x)	$\frac{\text{Operating profit}}{\text{Financial items}}$
Net cash/Share	$\frac{\text{Financial assets} - \text{interest bearing debt}}{\text{Number of shares}}$	Asset turnover (x)	$\frac{\text{Turnover}}{\text{Balance sheet total (average)}}$
ROA, %	$\frac{\text{Operating profit} + \text{financial income} + \text{extraordinary items}}{\text{Balance sheet total} - \text{interest free short term debt} - \text{long term advances received and accounts payable (average)}}$	Debt/Equity, %	$\frac{\text{Interest bearing debt}}{\text{Shareholders' equity} + \text{minority interest} + \text{taxed provisions}}$
ROCE, %	$\frac{\text{Profit before extraordinary items} + \text{interest expenses} + \text{other financial costs}}{\text{Balance sheet total} - \text{non interest bearing debt (average)}}$	Equity ratio, %	$\frac{\text{Shareholders' equity} + \text{minority interest} + \text{taxed provisions}}{\text{Total assets} - \text{interest free loans}}$
ROE, %	$\frac{\text{Profit before extraordinary items and taxes} - \text{income taxes}}{\text{Shareholders' equity} + \text{minority interest} + \text{taxed provisions (average)}}$	CAGR, %	Cumulative annual growth rate = Average growth per year

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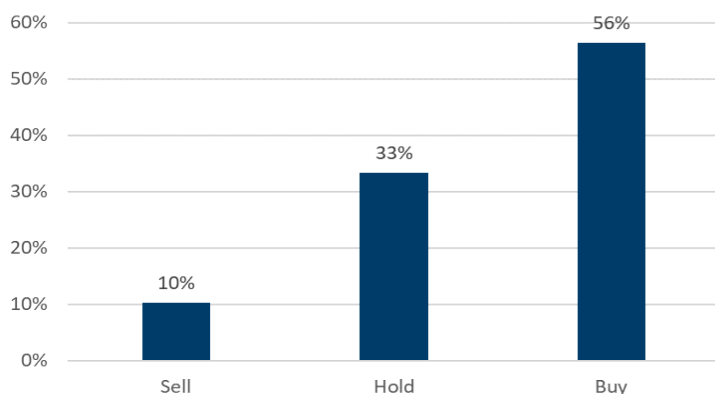
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Investment recommendations are defined as follows:

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

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The graph above shows the distribution of ERP's recommendations of companies under coverage in 16th of April 2018. If recommendation is not given, it is not mentioned here.

Name(s) of the analyst(s): Häyhä

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