

## Competition expected to remain tight in '19E

Verkkokauppa.com will report its Q1 earnings on May 10th. As before, our interest is on how competition has developed in the beginning of the year. We have kept our estimates for 2019E intact and retain our rating "BUY" with TP of EUR 4.7 ahead Q1.

### Guidance for 2019E wide

Verkkokauppa.com updated its guidance in February. The guidance seems quite wide; with 10-20% annual revenue growth, operating profit between EUR 11-17m and 2.5-4.5% EBIT margin. Our revenue estimate for 2019E is EUR 519m which lands on the lower half of the range of EUR 500-550m, guided by the company. We expect Q1 revenue of EUR 114m/116m cons. with adj. EBIT of EUR 2.5m/3.0m cons.

### Launch of a new product category

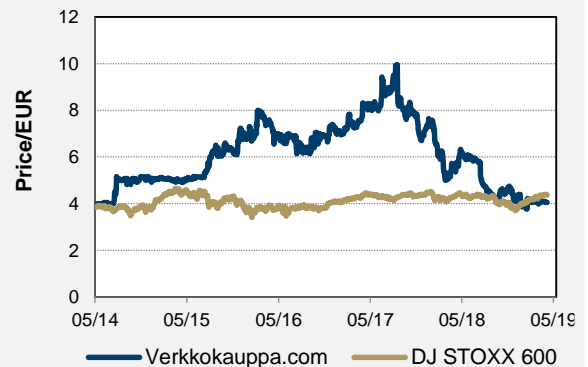
In March, Verkkokauppa.com launched a new product category: sporting equipment for more than ten ball games, such as football, floorball and golf. The new range added some 1300 new products to the company's product range. Verkkokauppa.com aims to lower the prices of the sporting equipment and accessories and be one of the market leaders within the category in the next 3-5 years. Based on Finnish Commerce Federation, Finnish online shopping 2019E growth is expected to be ~9%. Price competition is expected to remain tight and challenging throughout 2019E.

### We keep rating "BUY" with TP of EUR 4.7

Verkkokauppa.com published its IFRS 16 updated figures for 2017-2018 earlier in Q1 and our estimates reflect the changes. We have kept our estimates intact. On our estimates, Verkkokauppa.com is trading at 2019-'20E EV/EBIT multiples of 11.3x and 8.9x, which translate into 70% and 49% discount compared to the peer group. We keep our rating "BUY" with target price of EUR 4.7 ahead Q1.

Rating

BUY



Share price, EUR (Last trading day's closing price) 4.05

Target price, EUR 4.7

Latest change in rating 19-Feb-19

Latest report on company 19-Feb-19

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 183

Free float, % 50.0

Exchange rate 1.000

Reuters code VERK.HE

Bloomberg code VERK FH

Average daily volume, EURm na.

Next interim report 09-Aug-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
2017	432	13	3.1%	12	0.21	33.8	0.7	12.9	22.0	0.18
2018	478	13	2.8%	12	0.21	19.8	0.3	17.3	12.3	0.20
2019E	519	14	2.7%	13	0.22	18.1	0.3	12.2	11.3	0.21
2020E	566	18	3.1%	16	0.29	14.2	0.3	11.3	8.9	0.22
2021E	617	21	3.4%	19	0.34	11.8	0.2	9.4	7.3	0.24
Market cap, EURm	183			BV per share 2019E, EUR		0.9	CAGR EPS 2018-21, %			18.4
Net debt 2019E, EURm	-23			Price/book 2019E		4.7	CAGR sales 2018-21, %			8.9
Enterprise value, EURm	160			Dividend yield 2019E, %		5.2	ROE 2019E, %			26.4
Total assets 2019E, EURm	188			Tax rate 2019E, %		20.0	ROCE 2019E, %			20.7
Goodwill 2019E, EURm	0			Equity ratio 2019E, %		21.1	PEG, P/E 19/CAGR			1.0

Estimates

Our estimates reflect the IFRS 16 changes from 2017 onwards.

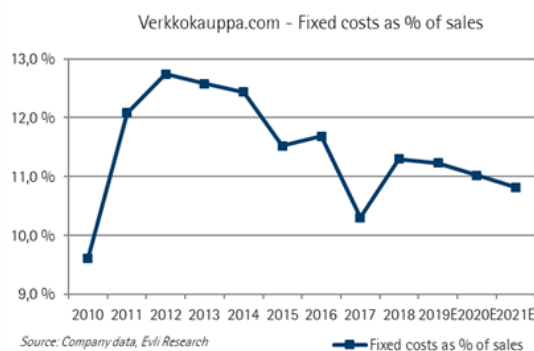
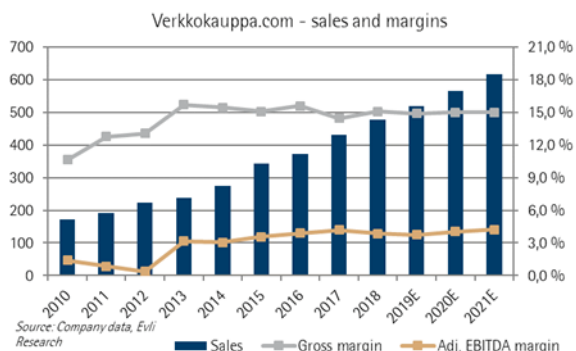
Verkkokauppa.com model	2010 FAS	2011 FAS	2012 FAS	2013 FAS	2014 FAS	2015 FAS	2016 FAS	2017 IFRS	2018 IFRS	2019E IFRS	2020E IFRS	2021E IFRS
<b>Sales</b>	<b>173,1</b>	<b>191,6</b>	<b>224,5</b>	<b>238,0</b>	<b>275,8</b>	<b>343,7</b>	<b>371,5</b>	<b>431,9</b>	<b>477,8</b>	<b>519,1</b>	<b>565,8</b>	<b>616,7</b>
<i>Growth-%</i>	-	10,7 %	17,2 %	6,0 %	15,9 %	24,6 %	8,1 %	16,3 %	10,6 %	8,6 %	9,0 %	9,0 %
Cost of goods and services	-154,7	-167,1	-195,2	-200,7	-233,2	-291,9	-313,7	-369,4	-405,8	-441,8	-480,9	-524,2
<i>Growth-%</i>	-	8,1 %	16,8 %	2,8 %	16,2 %	25,2 %	7,5 %	17,8 %	9,9 %	8,9 %	8,9 %	9,0 %
<i>% of sales</i>	89,4 %	87,2 %	86,9 %	84,3 %	84,6 %	84,9 %	84,4 %	85,5 %	84,9 %	85,1 %	85,0 %	85,0 %
<b>Gross profit</b>	<b>18,4</b>	<b>24,5</b>	<b>29,3</b>	<b>37,4</b>	<b>42,6</b>	<b>51,8</b>	<b>57,8</b>	<b>62,5</b>	<b>72,0</b>	<b>77,3</b>	<b>84,9</b>	<b>92,5</b>
<i>Gross margin</i>	10,6 %	12,8 %	13,1 %	15,7 %	15,4 %	15,1 %	15,6 %	14,5 %	15,1 %	14,9 %	15,0 %	15,0 %
<b>Fixed costs adj.</b>	<b>-16,6</b>	<b>-23,2</b>	<b>-28,6</b>	<b>-29,9</b>	<b>-34,3</b>	<b>-39,6</b>	<b>-43,4</b>	<b>-44,5</b>	<b>-54,0</b>	<b>-58,3</b>	<b>-62,4</b>	<b>-66,7</b>
<i>Growth-%</i>	-	39,1 %	23,6 %	4,7 %	14,5 %	15,5 %	9,6 %	2,5 %	21,4 %	7,9 %	7,0 %	7,0 %
<i>% of sales</i>	9,6 %	12,1 %	12,7 %	12,6 %	12,4 %	11,5 %	11,7 %	10,3 %	11,3 %	11,2 %	11,0 %	10,8 %
Other income	0,6	0,4	0,1	0,1	0,1	0,1	0,1	0,1	0,4	0,4	0,4	0,4
Depreciation and amortization	-0,8	-0,9	-0,9	-0,9	-1,0	-1,2	-1,3	-4,6	-5,1	-5,2	-5,3	-5,4
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	0,0
<b>Adj. EBITDA</b>	<b>2,4</b>	<b>1,7</b>	<b>0,9</b>	<b>7,5</b>	<b>8,4</b>	<b>12,3</b>	<b>14,5</b>	<b>18,0</b>	<b>18,4</b>	<b>19,4</b>	<b>22,9</b>	<b>26,2</b>
<i>Adj. EBITDA margin</i>	1,4 %	0,9 %	0,4 %	3,2 %	3,1 %	3,6 %	3,9 %	4,2 %	3,9 %	3,7 %	4,0 %	4,2 %
<b>Adj. EBIT</b>	<b>1,6</b>	<b>0,8</b>	<b>0,0</b>	<b>6,6</b>	<b>7,5</b>	<b>11,1</b>	<b>13,2</b>	<b>13,5</b>	<b>13,3</b>	<b>14,2</b>	<b>17,6</b>	<b>20,8</b>
<i>Adj. EBIT margin</i>	0,9 %	0,4 %	0,0 %	2,8 %	2,7 %	3,2 %	3,6 %	3,1 %	2,8 %	2,7 %	3,1 %	3,4 %
<b>Reported EBIT</b>	<b>1,6</b>	<b>0,8</b>	<b>0,0</b>	<b>6,6</b>	<b>7,5</b>	<b>7,7</b>	<b>12,6</b>	<b>13,5</b>	<b>13,3</b>	<b>14,2</b>	<b>17,6</b>	<b>20,8</b>
<i>Reported EBIT margin</i>	0,9 %	0,4 %	0,0 %	2,8 %	2,7 %	2,2 %	3,4 %	3,1 %	2,8 %	2,7 %	3,1 %	3,4 %
Net financials*	-0,8	-0,9	-0,7	-1,2	-1,9	-0,9	0,0	-1,6	-1,7	-1,6	-1,5	-1,4
<b>Profit before taxes</b>	<b>0,8</b>	<b>-0,1</b>	<b>-0,7</b>	<b>5,5</b>	<b>5,5</b>	<b>6,8</b>	<b>12,6</b>	<b>11,8</b>	<b>11,7</b>	<b>12,6</b>	<b>16,1</b>	<b>19,4</b>
Taxes	-0,1	0,0	0,0	-1,4	-1,2	-1,4	-2,4	-2,4	-2,3	-2,5	-3,2	-3,9
<i>Tax rate (%)</i>	16,6 %	0,0 %	0,0 %	25,6 %	22,2 %	19,9 %	19,4 %	20,0 %	20,0 %	20,0 %	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	0,0
<b>Net income</b>	<b>0,6</b>	<b>-0,3</b>	<b>-0,7</b>	<b>4,2</b>	<b>4,5</b>	<b>5,4</b>	<b>10,2</b>	<b>9,5</b>	<b>9,3</b>	<b>10,1</b>	<b>12,9</b>	<b>15,5</b>
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	45,1
<b>EPS</b>	<b>0,08</b>	<b>-0,04</b>	<b>-0,09</b>	<b>0,56</b>	<b>0,60</b>	<b>0,12</b>	<b>0,23</b>	<b>0,21</b>	<b>0,21</b>	<b>0,22</b>	<b>0,29</b>	<b>0,34</b>
<b>Dividend and capital return</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0,04</b>	<b>0,85</b>	<b>0,15</b>	<b>0,17</b>	<b>0,18</b>	<b>0,20</b>	<b>0,21</b>	<b>0,22</b>	<b>0,24</b>
<i>Payout ratio (%)</i>				7 %	142 %	126 %	74 %	87 %	96 %	94 %	77 %	70 %

Source: Company data, Evli Research

Note: IFRS figures include impact of IFRS 16 from 2017 onwards

\*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 19	EV/Sales 20	EV/Sales 21	EV/EBITDA 19	EV/EBITDA 20	EV/EBITDA 21	EV/EBIT 19	EV/EBIT 20	EV/EBIT 21	Sales CAGR 18-21	EPS CAGR 18-21
<b>Online-focused Nordic and European peers</b>											
ASOS plc	1,2x	1,0x	0,9x	24,2x	17,5x	13,4x	60,1x	39,3x	27,2x	17,0 %	5,6 %
Delticom AG	0,1x	0,1x		6,6x	5,4x		8,0x	6,5x		na.	na.
Dustin Group AB	0,7x	0,7x	0,6x	13,8x	12,4x	11,3x	15,4x	13,6x	12,3x	9,5 %	10,3 %
Groupe LDLC SA	0,2x	0,1x		8,8x	5,5x		18,8x	8,1x		na.	na.
Qliro Group AB	0,5x	0,5x		14,0x	9,8x		56,2x	21,1x		na.	na.
Zalando SE	1,4x	1,2x	1,0x	32,6x	25,7x	20,4x	62,5x	47,0x	36,2x	18,4 %	32,8 %
<b>Physical store-focused Nordic and European peers</b>											
CECONOMY AG	0,1x	0,1x	0,1x	2,5x	2,4x	2,1x	4,0x	3,7x	3,2x	0,9 %	129,4 %
Dixons Carphone plc	0,2x	0,2x	0,2x	3,7x	3,5x	3,5x	5,7x	5,4x	5,9x	0,3 %	-2,3 %
Unieuro SpA	0,1x			4,1x			7,6x			na.	na.
XXL ASA	0,6x	0,6x	0,5x	5,8x	5,0x	4,6x	11,8x	9,4x	8,4x	6,3 %	25,7 %
<b>Large international e-commerce peers</b>											
Alibaba Group Holding Ltd. Sponsored ADR	6,1x	4,5x	3,2x	21,4x	16,1x	10,3x	35,9x	23,7x	14,9x	30,7 %	20,2 %
Amazon.com, Inc.	3,3x	2,7x	2,2x	21,5x	16,3x	12,7x	51,1x	34,7x	23,0x	18,4 %	39,3 %
eBay Inc.	3,6x	3,3x	2,8x	10,4x	9,4x	8,3x	12,7x	11,4x	9,9x	6,0 %	15,0 %
JD.com, Inc. Sponsored ADR Class A	0,5x	0,4x	0,3x	33,1x	19,7x	12,9x		58,6x	26,2x	17,3 %	60,8 %
Rakuten, Inc.	1,5x	1,3x	1,2x	10,7x	11,8x	9,1x	17,1x	30,2x	20,4x	13,4 %	-27,8 %
<b>Online-focused Nordic and European peers</b>	<b>0,6x</b>	<b>0,6x</b>	<b>0,9x</b>	<b>13,9x</b>	<b>11,1x</b>	<b>13,4x</b>	<b>37,5x</b>	<b>17,4x</b>	<b>27,2x</b>	<b>17,0 %</b>	<b>10,3 %</b>
<b>Physical store-focused Nordic and European peers</b>	<b>0,1x</b>	<b>0,2x</b>	<b>0,2x</b>	<b>3,9x</b>	<b>3,5x</b>	<b>3,5x</b>	<b>6,6x</b>	<b>5,4x</b>	<b>5,9x</b>	<b>0,9 %</b>	<b>25,7 %</b>
<b>Large international e-commerce peers</b>	<b>3,3x</b>	<b>2,7x</b>	<b>2,2x</b>	<b>21,4x</b>	<b>16,1x</b>	<b>10,3x</b>	<b>26,5x</b>	<b>30,2x</b>	<b>20,4x</b>	<b>17,3 %</b>	<b>20,2 %</b>
<b>Verkkokauppa.com (Evli est.)</b>	<b>0,3x</b>	<b>0,3x</b>	<b>0,2x</b>	<b>8,2x</b>	<b>6,9x</b>	<b>5,8x</b>	<b>11,3x</b>	<b>8,9x</b>	<b>7,3x</b>	<b>8,9 %</b>	<b>18,4 %</b>

Verkkokauppa.com vs. Online-focused Nordic and EU peers median

-47 % -50 % -71 % -41 % -38 % -57 % -70 % -49 % -73 %

VERKKOKAUPPA.COM PEER GROUP	EBIT-% 19	EBIT-% 20	EBIT-% 21	ROCE-% 19	ROCE-% 20	ROCE-% 21	Div-% 19	Div-% 20	Div-% 21	ROE 19	P/B 19
<b>Online-focused Nordic and European peers</b>											
ASOS plc	2,0%	2,6%	3,1%	11,1%	14,4%	17,1%	0,0%	0,0%	0,0%	8,8%	6,7x
Delticom AG	1,7%	1,9%					6,6%	8,1%		9,8%	1,5x
Dustin Group AB	4,6%	4,8%	5,0%	12,8%	14,1%	15,0%	4,2%	4,6%	5,1%	18,1%	3,0x
Groupe LDLC SA	0,8%	1,8%					0,0%	6,5%		2,8%	0,8x
Qliro Group AB	0,8%	2,1%					0,0%	0,0%		0,4%	1,8x
Zalando SE	2,3%	2,6%	2,9%	8,7%	10,8%	13,2%	0,0%	0,0%	0,0%	5,5%	6,3x
<b>Physical store-focused Nordic and European peers</b>											
CECONOMY AG	1,7%	2,0%	2,1%	26,2%	27,1%	27,2%	3,1%	4,0%	4,3%	20,9%	2,7x
Dixons Carphone plc	3,0%	3,0%	2,8%	6,9%	7,0%		5,4%	5,4%	5,0%	7,3%	0,5x
Unieuro SpA	1,5%						6,9%			43,5%	3,3x
XXL ASA	5,4%	6,0%	6,3%	7,0%	8,1%	8,8%	3,1%	5,6%	5,0%	7,9%	0,9x
<b>Large international e-commerce peers</b>											
Alibaba Group Holding Ltd. Sponsored ADR	17,0%	18,9%	21,5%	11,0%	13,7%	16,3%	0,0%	0,0%	0,0%	19,8%	5,7x
Amazon.com, Inc.	6,4%	7,8%	9,7%	13,4%	15,5%	18,6%	0,0%	0,0%	0,0%	20,5%	14,2x
eBay Inc.	28,1%	28,6%	28,7%	19,0%	19,9%	20,4%	0,9%	0,9%	0,8%	56,9%	8,0x
JD.com, Inc. Sponsored ADR Class A	0,0%	0,7%	1,3%	-0,1%	4,7%	8,6%	0,0%	0,0%	0,0%	8,8%	4,6x
Rakuten, Inc.	8,7%	4,4%	5,7%	4,6%	2,4%	4,4%	0,4%	0,4%	0,4%	7,6%	2,0x
<b>Online-focused Nordic and European peers</b>	<b>1,8%</b>	<b>2,3%</b>	<b>3,1%</b>	<b>11,1%</b>	<b>14,1%</b>	<b>15,0%</b>	<b>0,0%</b>	<b>2,3%</b>	<b>0,0%</b>	<b>7,1%</b>	<b>2,4x</b>
<b>Physical store-focused Nordic and European peers</b>	<b>2,4%</b>	<b>3,0%</b>	<b>2,8%</b>	<b>7,0%</b>	<b>8,1%</b>	<b>18,0%</b>	<b>4,2%</b>	<b>5,4%</b>	<b>5,0%</b>	<b>14,4%</b>	<b>1,8x</b>
<b>Large international e-commerce peers</b>	<b>8,7%</b>	<b>7,8%</b>	<b>9,7%</b>	<b>11,0%</b>	<b>13,7%</b>	<b>16,3%</b>	<b>0,0%</b>	<b>0,0%</b>	<b>0,0%</b>	<b>19,8%</b>	<b>5,7x</b>
<b>Verkkokauppa.com (Evli est.)</b>	<b>2,7 %</b>	<b>3,1 %</b>	<b>3,4 %</b>	<b>20,7%</b>	<b>23,2%</b>	<b>25,4%</b>	<b>5,2%</b>	<b>5,4%</b>	<b>5,9%</b>	<b>26,4%</b>	<b>4,7x</b>

Source: Factset, Evli research

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC	
Current share price	4.05 PV of Free Cash Flow	133 Long-term growth, %	2.0 Risk-free interest rate, %	2.25
DCF share value	8.09 PV of Horizon value	220 WACC, %	7.0 Market risk premium, %	5.8
Share price potential, %	99.7 Unconsolidated equity	0 Spread, %	0.5 Debt risk premium, %	2.8
Maximum value	9.0 Marketable securities	47 Minimum WACC, %	6.5 Equity beta coefficient	0.80
Minimum value	7.4 Debt - dividend	-35 Maximum WACC, %	7.5 Target debt ratio, %	20
Horizon value, %	62.3 Value of stock	364 Nr of shares, Mn	45.1 Effective tax rate, %	26

DCF valuation, EURm	2018	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	Horizon
Net sales	478	519	566	617	648	680	714	750	787	826	843	860
<i>Sales growth, %</i>	<i>10.6</i>	<i>8.6</i>	<i>9.0</i>	<i>9.0</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>2.0</i>	<i>2.0</i>
Operating income (EBIT)	13	14	18	21	22	23	24	25	27	25	25	26
<i>EBIT margin, %</i>	<i>2.8</i>	<i>2.7</i>	<i>3.1</i>	<i>3.4</i>	<i>3.4</i>	<i>3.4</i>	<i>3.4</i>	<i>3.4</i>	<i>3.4</i>	<i>3.0</i>	<i>3.0</i>	<i>3.0</i>
+ Depreciation+amort.	5	5	5	5	5	6	6	6	6	7	6	
- Income taxes	-3	-3	-4	-4	-4	-5	-5	-5	-5	-5	-5	
- Change in NWC	-5	-2	-3	-3	0	0	0	0	0	0	0	
<i>NWC / Sales, %</i>	<i>-2.2</i>	<i>-1.7</i>	<i>-1.0</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>-0.5</i>	<i>-0.5</i>	
+ Change in other liabs	0	0	0	0	0	0	0	0	0	0	0	
- Capital Expenditure	-3	-2	-3	-3	-3	-4	-4	-4	-5	-5	-6	-6
<i>Investments / Sales, %</i>	<i>0.6</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>	<i>0.7</i>	<i>0.7</i>
- Other items	0	0	0	0	0	0	0	0	0	0	0	
= Unlevered Free CF (FCF)	8	13	14	16	20	21	22	22	23	21	21	423
= Discounted FCF (DFCF)		12	12	14	16	15	15	14	14	12	11	220
= DFCF min WACC		12	12	14	16	15	15	15	14	12	11	255
= DFCF max WACC		12	12	14	15	15	14	14	13	11	10	191

## INTERIM FIGURES

EVLI ESTIMATES, EURm	2018Q1	2018Q2	2018Q3	2018Q4	2018	2019Q1E	2019Q2E	2019Q3E	2019Q4E	2019E	2020E	2021E
Net sales	103	102	117	156	478	114	111	126	168	519	566	617
EBITDA	4	2	5	7	18	4	3	5	8	19	23	26
<i>EBITDA margin (%)</i>	<i>3.9</i>	<i>2.2</i>	<i>4.2</i>	<i>4.6</i>	<i>3.9</i>	<i>3.4</i>	<i>2.3</i>	<i>4.2</i>	<i>4.5</i>	<i>3.7</i>	<i>4.0</i>	<i>4.2</i>
EBIT	3	1	4	6	13	3	1	4	6	14	18	21
<i>EBIT margin (%)</i>	<i>2.6</i>	<i>1.0</i>	<i>3.2</i>	<i>3.8</i>	<i>2.8</i>	<i>2.2</i>	<i>1.2</i>	<i>3.2</i>	<i>3.7</i>	<i>2.7</i>	<i>3.1</i>	<i>3.4</i>
Net financial items	0	0	0	0	-2	0	0	0	0	-2	-1	-1
Pre-tax profit	2	1	3	6	12	2	1	4	6	13	16	19
Tax	0	0	-1	-1	-2	0	0	-1	-1	-3	-3	-4
<i>Tax rate (%)</i>	<i>18.7</i>	<i>21.2</i>	<i>20.6</i>	<i>19.9</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>
Net profit	2	0	3	4	9	2	1	3	5	10	13	15
EPS	0.04	0.01	0.06	0.10	0.21	0.04	0.02	0.06	0.10	0.22	0.29	0.34
EPS adjusted (diluted no. of shares)	0.04	0.01	0.06	0.10	0.21	0.04	0.02	0.06	0.10	0.22	0.29	0.34
Dividend per share	0.00	0.00	0.00	0.00	0.20	0.00	0.00	0.00	0.00	0.21	0.22	0.24
<b>SALES, EURm</b>												
Verkkokauppa.com	103	102	117	156	478	114	111	126	168	519	566	617
Total	103	102	117	156	478	114	111	126	168	519	566	617
<b>SALES GROWTH, Y/Y %</b>												
Verkkokauppa.com	<i>2.7</i>	<i>3.4</i>	<i>10.8</i>	<i>22.3</i>	<i>10.6</i>	<i>10.9</i>	<i>8.0</i>	<i>8.0</i>	<i>8.0</i>	<i>8.6</i>	<i>9.0</i>	<i>9.0</i>
Total	<i>2.7</i>	<i>3.4</i>	<i>10.8</i>	<i>22.3</i>	<i>10.6</i>	<i>10.9</i>	<i>8.0</i>	<i>8.0</i>	<i>8.0</i>	<i>8.6</i>	<i>9.0</i>	<i>9.0</i>
<b>EBIT, EURm</b>												
Verkkokauppa.com	3	1	4	6	13	3	1	4	6	14	18	21
Total	3	1	4	6	13	3	1	4	6	14	18	21
<b>EBIT margin, %</b>												
Verkkokauppa.com	<i>2.6</i>	<i>1.0</i>	<i>3.2</i>	<i>3.8</i>	<i>2.8</i>	<i>2.2</i>	<i>1.2</i>	<i>3.2</i>	<i>3.7</i>	<i>2.7</i>	<i>3.1</i>	<i>3.4</i>
Total	<i>2.6</i>	<i>1.0</i>	<i>3.2</i>	<i>3.8</i>	<i>2.8</i>	<i>2.2</i>	<i>1.2</i>	<i>3.2</i>	<i>3.7</i>	<i>2.7</i>	<i>3.1</i>	<i>3.4</i>

INCOME STATEMENT, EURm	2014	2015	2016	2017	2018	2019E	2020E	2021E
Sales	276	344	371	432	478	519	566	617
<i>Sales growth (%)</i>	<i>15.9</i>	<i>24.6</i>	<i>8.1</i>	<i>16.3</i>	<i>10.6</i>	<i>8.6</i>	<i>9.0</i>	<i>9.0</i>
Costs	-267	-331	-357	-414	-459	-500	-543	-591
Reported EBITDA	8	12	14	18	18	19	23	26
Extraordinary items in EBITDA	0	0	0	0	0	0	0	0
<i>EBITDA margin (%)</i>	<i>3.1</i>	<i>3.6</i>	<i>3.8</i>	<i>4.2</i>	<i>3.9</i>	<i>3.7</i>	<i>4.0</i>	<i>4.2</i>
Depreciation	-1	-1	-1	-5	-5	-5	-5	-5
EBITA	7	11	13	13	13	14	18	21
Goodwill amortization / writedown	0	0	0	0	0	0	0	0
Reported EBIT	7	11	13	13	13	14	18	21
<i>EBIT margin (%)</i>	<i>2.7</i>	<i>3.2</i>	<i>3.4</i>	<i>3.1</i>	<i>2.8</i>	<i>2.7</i>	<i>3.1</i>	<i>3.4</i>
Net financials	-2	-1	0	-2	-2	-2	-1	-1
Pre-tax profit	6	10	13	12	12	13	16	19
Extraordinary items	0	-3	-1	0	0	0	0	0
Taxes	-1	-1	-2	-2	-2	-3	-3	-4
Minority shares	0	0	0	0	0	0	0	0
Net profit	4	5	10	9	9	10	13	15
<b>BALANCE SHEET, EURm</b>								
Assets								
Fixed assets	3	3	3	29	27	24	22	19
<i>% of sales</i>	<i>1</i>	<i>1</i>	<i>1</i>	<i>7</i>	<i>6</i>	<i>5</i>	<i>4</i>	<i>3</i>
Goodwill	0	0	0	0	0	0	0	0
<i>% of sales</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
Inventory	31	39	44	47	66	67	74	80
<i>% of sales</i>	<i>11</i>	<i>11</i>	<i>12</i>	<i>11</i>	<i>14</i>	<i>13</i>	<i>13</i>	<i>13</i>
Receivables	8	9	12	20	27	38	45	52
<i>% of sales</i>	<i>3</i>	<i>3</i>	<i>3</i>	<i>5</i>	<i>6</i>	<i>7</i>	<i>8</i>	<i>9</i>
Liquid funds	35	31	42	52	47	57	62	68
<i>% of sales</i>	<i>13</i>	<i>9</i>	<i>11</i>	<i>12</i>	<i>10</i>	<i>11</i>	<i>11</i>	<i>11</i>
Total assets	77	81	101	149	168	188	204	221
Liabilities								
Equity	37	36	39	37	38	39	42	48
<i>% of sales</i>	<i>13</i>	<i>10</i>	<i>10</i>	<i>9</i>	<i>8</i>	<i>7</i>	<i>7</i>	<i>8</i>
Deferred taxes	0	0	0	0	0	0	0	0
<i>% of sales</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
Interest bearing debt	2	0	0	29	26	34	37	37
<i>% of sales</i>	<i>1</i>	<i>0</i>	<i>0</i>	<i>7</i>	<i>6</i>	<i>7</i>	<i>6</i>	<i>6</i>
Non-interest bearing current liabilities	38	45	61	82	103	114	124	136
<i>% of sales</i>	<i>14</i>	<i>13</i>	<i>17</i>	<i>19</i>	<i>22</i>	<i>22</i>	<i>22</i>	<i>22</i>
Other interest free debt	0	0	0	0	0	0	0	0
<i>% of sales</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
Total liabilities	77	81	101	149	168	188	204	221
<b>CASH FLOW, EURm</b>								
+ EBITDA	8	12	14	18	18	19	23	26
- Net financial items	-2	-1	0	-2	-2	-2	-1	-1
- Taxes	-1	-1	-2	-4	-2	-3	-3	-4
- Increase in Net Working Capital	-11	-2	8	11	-5	-2	-3	-3
+/- Other	17	-4	-1	0	0	0	0	0
= Cash flow from operations	11	5	19	25	9	14	15	18
- Capex	-1	-1	-1	-31	-3	-2	-3	-3
- Acquisitions	0	0	0	0	0	0	0	0
+ Divestments	0	0	0	0	0	0	0	0
= Net cash flow	10	4	18	-6	6	11	12	15
+/- Change in interest-bearing debt	-5	-2	0	29	-3	8	2	0
+/- New issues/buybacks	25	0	0	-4	0	0	0	0
- Paid dividend	0	-6	-7	-7	-8	-9	-9	-10
+/- Change in loan receivables	0	0	0	0	0	0	0	0
Change in cash	29	-5	11	11	-5	10	5	6

KEY FIGURES	2015	2016	2017	2018	2019E	2020E	2021E
M-cap	324	333	319	185	183	183	183
Net debt	-31	-42	-23	-20	-23	-26	-31
Enterprise value	294	291	296	164	160	157	152
Sales	344	371	432	478	519	566	617
EBITDA	12	14	18	18	19	23	26
EBIT	11	13	13	13	14	18	21
Pre-tax	10	13	12	12	13	16	19
Earnings	9	10	9	9	10	13	15
Book value	36	39	37	38	39	42	48
<b>Valuation multiples</b>							
EV/sales	0.9	0.8	0.7	0.3	0.3	0.3	0.2
EV/EBITDA	24.0	20.6	16.4	8.9	8.2	6.9	5.8
EV/EBITA	26.5	22.7	22.0	12.3	11.3	8.9	7.3
EV/EBIT	26.5	22.7	22.0	12.3	11.3	8.9	7.3
EV/operating cash flow	32.0	15.1	12.0	15.4	10.7	9.7	7.8
EV/cash earnings	29.3	25.0	23.1	11.3	10.5	8.6	7.3
P/E	37.0	32.1	33.8	19.8	18.1	14.2	11.8
P/E excl. goodwill	37.0	32.1	33.8	19.8	18.1	14.2	11.8
P/B	9.1	8.6	8.7	4.9	4.7	4.3	3.8
P/sales	0.9	0.9	0.7	0.4	0.4	0.3	0.3
P/CF	35.4	17.3	12.9	17.3	12.2	11.3	9.4
Target EV/EBIT	0.0	0.0	0.0	0.0	13.3	10.6	8.7
Target P/E	0.0	0.0	0.0	0.0	21.0	16.5	13.7
Target P/B	0.0	0.0	0.0	0.0	5.5	5.0	4.4
<b>Per share measures</b>							
Number of shares	45,065	45,065	45,065	45,065	45,065	45,065	45,065
Number of shares (diluted)	45,065	45,065	45,065	45,065	45,065	45,065	45,065
EPS	0.19	0.23	0.21	0.21	0.22	0.29	0.34
EPS excl. goodwill	0.19	0.23	0.21	0.21	0.22	0.29	0.34
Cash EPS	0.22	0.26	0.29	0.32	0.34	0.40	0.46
Operating cash flow per share	0.20	0.43	0.55	0.24	0.33	0.36	0.43
Capital employed per share	0.11	-0.07	0.32	0.38	0.35	0.37	0.37
Book value per share	0.79	0.86	0.82	0.83	0.86	0.93	1.06
Book value excl. goodwill	0.79	0.86	0.82	0.83	0.86	0.93	1.06
Dividend per share	0.15	0.17	0.18	0.20	0.21	0.22	0.24
Dividend payout ratio, %	77.1	72.2	86.8	95.6	94.0	77.0	69.8
Dividend yield, %	2.1	2.2	2.6	4.8	5.2	5.4	5.9
<b>Efficiency measures</b>							
ROE	24.3	27.9	25.1	25.1	26.4	31.8	34.5
ROCE	29.9	34.5	25.7	20.5	20.7	23.2	25.4
<b>Financial ratios</b>							
Capex/sales, %	0.4	0.3	7.2	0.6	0.5	0.5	0.5
Capex/depreciation excl. goodwill,%	109.1	73.1	676.7	55.9	46.2	50.9	56.1
Net debt/EBITDA, book-weighted	-2.5	-3.0	-1.3	-1.1	-1.2	-1.1	-1.2
Debt/equity, market-weighted	0.0	0.0	0.1	0.1	0.2	0.2	0.2
Equity ratio, book-weighted	45.2	39.3	25.1	23.0	21.1	21.1	22.0
Gearing	-0.86	-1.08	-0.61	-0.54	-0.59	-0.61	-0.65
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	22,286,115	90.259	49.5%
Rite Ventures Finland Ab	2,172,576	8.799	4.8%
Keva	2,171,000	8.793	4.8%
Keskinäinen Työeläkevakuutusyhtiö	2,065,932	8.367	4.6%
Sijoitusrahasto Nordea Nordic Small Cap	1,690,607	6.847	3.8%
Ilmarinen Keskinäinen Eläkevakuutusyhtiö	1,276,646	5.170	2.8%
Evli Finnish Small Cap Fund	700,000	2.835	1.6%
Skogberg Ville Johannes	634,266	2.569	1.4%
Op-Suomi -Sijoitusrahasto	499,161	2.022	1.1%
Sr Danske Invest Suomen Pienyhtiöt	450,000	1.823	1.0%
Ten largest	33,946,303	137.483	75%
Residual	11,118,827	45.031	25%
Total	45,065,130	182.514	100%

**EARNINGS CALENDAR**

**OTHER EVENTS**

**COMPANY MISCELLANEOUS**

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CFO: Jussi Tallgren

Tel: +358 10 309 5555

IR: Jussi Tallgren



## 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

## Important Disclosures

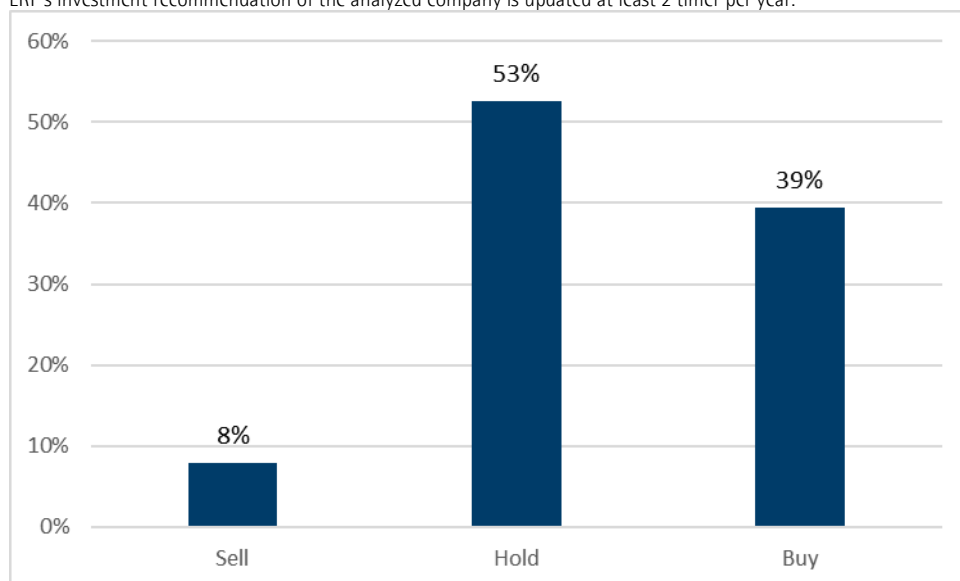
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Target price compared to share price	Recommendation
< -10 %	SELL
-10 - (+10) %	HOLD
> 10 %	BUY

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

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