

Growth investments impacting profitability

Verkkokauppa.com will report its Q2 earnings on next week's Friday, August 9th. We expect the competition in consumer electronics market has continued tight and price driven. We expect Q2'19 revenue to grow and profitability to remain flat. We keep our rating "Buy" with TP of EUR 4.7 ahead of Q2.

Marketing expenses hampering EBIT improvement

According to Verkkokauppa.com, the company continues focusing on growth and enhancing consumer experience. The company has made extensive investments in marketing from Q4'18 onwards and has indicated that the investments will continue throughout 2019. We expect these to hamper EBIT improvement this year. Verkkokauppa.com's guidance for 2019E revenue is EUR 500-550m while EBIT is expected to be between EUR 11-17m. We expect 2019E revenue of EUR 522m (cons. EUR 524m) and EBIT of EUR 13m (cons. EUR 13m). We expect the increased revenue from the Raisio store, which was opened in Q1'18, to stabilize Q2'19 onwards.

Tight competition expected to continue

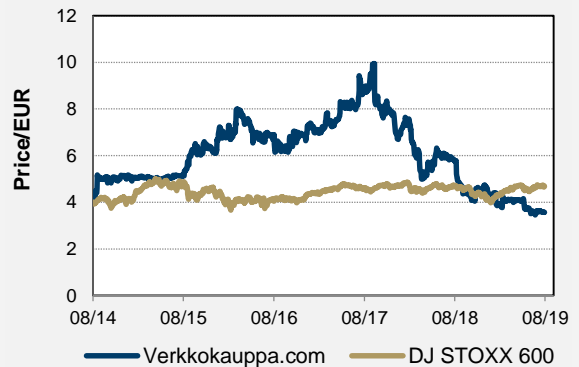
Despite of the tight competition, the company was able to strengthen its market share in Q1'19 but as the company has indicated, Q2 is normally weaker. As we expect the competition has remained fierce and price driven, we do not expect any improvements in Q2 margins. We expect Q2 revenue of EUR 111m (8.4% y/y) while consensus is at EUR 114m and EBIT of EUR 1m (cons. of EUR 1.4m) resulting in EBIT margin of 0.8%. We expect gross margin of 14.5% in Q2'19 (Q2'18: 14.7%). Possible wholesale/B2B deliveries might further impact gross margin in Q2.

"Buy" with TP of EUR 4.7

We have kept our estimates intact ahead of Q2 earnings. On our estimates, Verkkokauppa.com is trading at 19E-20E EV/EBIT multiple of 10.7x and 7.7x which translates into ~50-70% discount compared to the online-focused Nordic and European peer group. We keep our rating "BUY" with target price of EUR 4.7 ahead of Q2.

Rating

BUY



Share price, EUR (Last trading day's closing price) 3.56

Target price, EUR 4.7

Latest change in rating 19-Feb-19

Latest report on company 28-Jun-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 160

Free float, % 50.0

Exchange rate 1.000

Reuters code VERK.HE

Bloomberg code VERK FH

Average daily volume, EURm na.

Next interim report 9-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	522	13	2.5%	11	0.20	17.8	0.3	11.5	10.7	0.21
2020E	569	17	3.1%	16	0.28	12.6	0.2	11.2	7.7	0.22
2021E	621	20	3.3%	19	0.34	10.5	0.2	10.0	6.4	0.24
Market cap, EURm		160	BV per share 2019E, EUR			0.8	CAGR EPS 2018-21, %			17.7
Net debt 2019E, EURm		-23	Price/book 2019E			4.3	CAGR sales 2018-21, %			9.1
Enterprise value, EURm		137	Dividend yield 2019E, %			5.9	ROE 2019E, %			24.0
Total assets 2019E, EURm		188	Tax rate 2019E, %			20.0	ROCE 2019E, %			19.0
Goodwill 2019E, EURm		0	Equity ratio 2019E, %			20.6	PEG, P/E 19/CAGR			0.8

Estimates

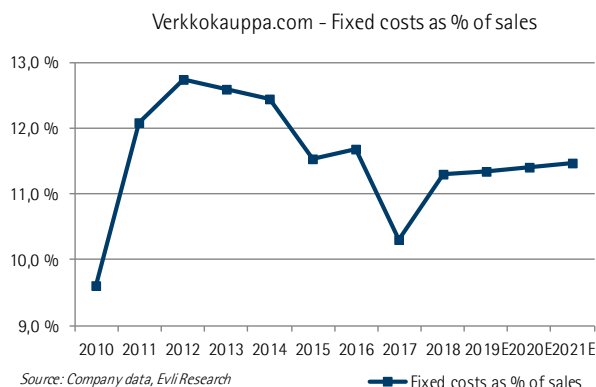
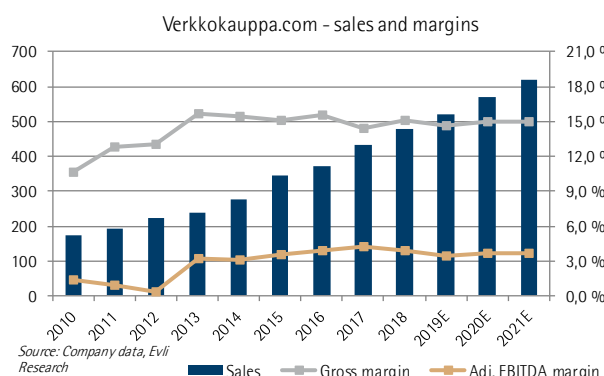
Verkkokauppa.com model	2010 FAS	2011 FAS	2012 FAS	2013 FAS	2014 FAS	2015 FAS	2016 FAS	2017 IFRS	2018 IFRS	2019E IFRS	2020E IFRS	2021E IFRS
Sales	173,1	191,6	224,5	238,0	275,8	343,7	371,5	431,9	477,8	522,4	569,5	620,7
Growth-%	-	10,7 %	17,2 %	6,0 %	15,9 %	24,6 %	8,1 %	16,3 %	10,6 %	9,3 %	9,0 %	9,0 %
Cost of goods and services	-154,7	-167,1	-195,2	-200,7	-233,2	-291,9	-313,7	-369,4	-405,8	-445,7	-484,0	-527,6
Growth-%	-	8,1 %	16,8 %	2,8 %	16,2 %	25,2 %	7,5 %	17,8 %	9,9 %	9,8 %	8,6 %	9,0 %
% of sales	89,4 %	87,2 %	86,9 %	84,3 %	84,6 %	84,9 %	84,4 %	85,5 %	84,9 %	85,3 %	85,0 %	85,0 %
Gross profit	18,4	24,5	29,3	37,4	42,6	51,8	57,8	62,5	72,0	76,8	85,4	93,1
Gross margin	10,6 %	12,8 %	13,1 %	15,7 %	15,4 %	15,1 %	15,6 %	14,5 %	15,1 %	14,7 %	15,0 %	15,0 %
Fixed costs adj.	-16,6	-23,2	-28,6	-29,9	-34,3	-39,6	-43,4	-44,5	-54,0	-59,3	-64,9	-71,2
Growth-%	-	39,1 %	23,6 %	4,7 %	14,5 %	15,5 %	9,6 %	2,5 %	21,4 %	9,7 %	9,6 %	9,6 %
% of sales	9,6 %	12,1 %	12,7 %	12,6 %	12,4 %	11,5 %	11,7 %	10,3 %	11,3 %	11,3 %	11,4 %	11,5 %
Other income	0,6	0,4	0,1	0,1	0,1	0,1	0,1	0,1	0,4	0,5	0,5	0,5
Depreciation and amortization	-0,8	-0,9	-0,9	-0,9	-1,0	-1,2	-1,3	-4,6	-5,1	-5,2	-3,6	-2,0
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
Adj. EBITDA	2,4	1,7	0,9	7,5	8,4	12,3	14,5	18,0	18,4	18,1	21,0	22,4
Adj. EBITDA margin	1,4 %	0,9 %	0,4 %	3,2 %	3,1 %	3,6 %	3,9 %	4,2 %	3,9 %	3,5 %	3,7 %	3,6 %
Adj. EBIT	1,6	0,8	0,0	6,6	7,5	11,1	13,2	13,5	13,3	12,9	17,4	20,4
Adj. EBIT margin	0,9 %	0,4 %	0,0 %	2,8 %	2,7 %	3,2 %	3,6 %	3,1 %	2,8 %	2,5 %	3,1 %	3,3 %
Reported EBIT	1,6	0,8	0,0	6,6	7,5	7,7	12,6	13,5	13,3	12,9	17,4	20,4
Reported EBIT margin	0,9 %	0,4 %	0,0 %	2,8 %	2,7 %	2,2 %	3,4 %	3,1 %	2,8 %	2,5 %	3,1 %	3,3 %
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
Profit before taxes	0,8	-0,1	-0,7	5,5	5,5	6,8	12,6	11,8	11,7	11,3	15,9	19,0
Taxes	-0,1	0,0	0,0	-1,4	-1,2	-1,4	-2,4	-2,4	-2,3	-2,3	-3,2	-3,8
Tax rate (%)	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
Net income	0,6	-0,3	-0,7	4,2	4,5	5,4	10,2	9,5	9,3	9,0	12,7	15,2
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
EPS	0,08	-0,04	-0,09	0,56	0,60	0,12	0,23	0,21	0,21	0,20	0,28	0,34
Dividend and capital return	-	-	-	0,04	0,85	0,15	0,17	0,18	0,20	0,21	0,22	0,24
Payout ratio (%)				7 %	142 %	126 %	74 %	87 %	96 %	105 %	78 %	71 %

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
Online-focused Nordic and European peers											
ASOS plc	0,8x	0,7x	0,6x	19,9x	14,0x	10,8x	65,5x	36,9x	24,6x	13,4 %	-3,7 %
Delticom AG										na.	na.
Dustin Group AB	0,7x	0,7x	0,6x	14,9x	13,0x	11,6x	17,2x	14,8x	13,0x	10,2 %	9,8 %
Groupe LDLC SA	0,1x	0,1x	0,1x	9,5x	6,0x	4,2x	43,4x	13,0x	7,1x	11,8 %	na.
Qliro Group AB	0,4x	0,4x	0,2x	9,4x	5,7x	1,8x	25,3x	9,3x	2,4x	-3,1 %	na.
Zalando SE	1,7x	1,4x	1,2x	36,0x	28,1x	22,2x	70,4x	53,4x	41,2x	18,3 %	34,9 %
Physical store-focused Nordic and European peers											
CECONOMY AG	0,1x	0,1x	0,1x	2,9x	2,4x	2,1x	4,6x	3,6x	3,0x	0,9 %	131,1 %
Dixons Carphone plc	0,2x	0,1x	0,1x	4,0x	3,4x	2,9x	6,9x	5,5x	4,6x	-0,6 %	-0,3 %
Unieuro SpA	0,1x			3,4x			6,2x			na.	na.
XXL ASA	0,8x	0,7x	0,6x	6,5x	5,6x	5,2x	14,6x	12,0x	10,1x	4,7 %	18,9 %
Large international e-commerce peers											
Alibaba Group Holding Ltd. Sponsored ADR	0,3x	0,0x	-0,2x	1,0x	0,0x	-0,5x	1,7x	0,1x	-0,8x	30,0 %	26,1 %
Amazon.com, Inc.	3,2x	2,6x	2,1x	21,3x	16,4x	12,7x	58,7x	39,8x	26,7x	19,9 %	35,9 %
eBay Inc.	3,6x	3,4x	3,1x	10,7x	9,9x	9,1x	13,1x	12,0x	10,9x	5,6 %	15,7 %
JD.com, Inc. Sponsored ADR Class A	0,5x	0,4x	0,3x	27,9x	16,1x	11,6x	169,8x	37,4x	21,3x	17,1 %	59,1 %
Rakuten, Inc.	1,5x	1,4x	1,2x	8,0x	11,7x	9,1x	13,4x	38,9x	21,8x	13,9 %	-27,6 %
Online-focused Nordic and European peers	0,7x	0,7x	0,6x	14,9x	13,0x	10,8x	43,4x	14,8x	13,0x	11,8 %	9,8 %
Physical store-focused Nordic and European peers	0,1x	0,1x	0,1x	3,7x	3,4x	2,9x	6,6x	5,5x	4,6x	0,9 %	18,9 %
Large international e-commerce peers	1,5x	1,4x	1,2x	10,7x	11,7x	9,1x	13,4x	37,4x	21,3x	17,1 %	26,1 %
Verkkokauppa.com (Evli est.)	0,3x	0,2x	0,2x	7,6x	6,4x	5,8x	10,7x	7,7x	6,4x	9,1 %	17,7 %
<i>Verkkokauppa.com vs. Online-focused Nordic and EU peers median</i>	<i>-63 %</i>	<i>-64 %</i>	<i>-65 %</i>	<i>-49 %</i>	<i>-51 %</i>	<i>-46 %</i>	<i>-75 %</i>	<i>-48 %</i>	<i>-50 %</i>		
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
Online-focused Nordic and European peers											
ASOS plc	1,3%	2,0%	2,5%	7,6%	11,5%	14,2%	0,0%	0,0%	0,0%	6,0%	4,8x
Delticom AG											
Dustin Group AB	4,1%	4,4%	4,7%	11,8%	13,3%	14,6%	3,8%	4,4%	5,0%	17,4%	3,1x
Groupe LDLC SA	0,3%	0,9%	1,5%				0,0%	3,3%	4,9%	0,4%	0,7x
Qliro Group AB	1,6%	4,0%	8,3%	3,0%	7,2%	14,2%	0,0%	0,0%	0,0%	0,1%	1,7x
Zalando SE	2,4%	2,7%	3,0%	8,3%	10,2%	12,1%	0,0%	0,0%	0,0%	5,7%	7,3x
Physical store-focused Nordic and European peers											
CECONOMY AG	1,7%	2,1%	2,2%	23,8%	26,4%	26,2%	2,5%	4,0%	4,2%	22,9%	3,0x
Dixons Carphone plc	2,3%	2,7%	3,0%	5,4%	6,3%	7,1%	5,7%	5,8%	5,9%	6,2%	0,5x
Unieuro SpA	1,6%						8,6%			38,5%	2,5x
XXL ASA	5,3%	5,8%	6,1%	6,8%	7,6%	8,3%	2,2%	4,9%	5,9%	6,7%	0,9x
Large international e-commerce peers											
Alibaba Group Holding Ltd. Sponsored ADR	16,5%	17,8%	20,5%	9,9%	11,9%	13,8%	0,0%	0,0%	0,0%	19,4%	4,7x
Amazon.com, Inc.	5,4%	6,6%	8,0%	11,1%	13,1%	15,4%	0,0%	0,0%	0,0%	19,9%	15,2x
eBay Inc.	27,8%	28,5%	28,9%	19,9%	20,8%	21,4%	0,7%	0,8%	0,9%	72,5%	10,8x
JD.com, Inc. Sponsored ADR Class A	0,3%	1,0%	1,4%	1,5%	6,1%	9,2%	0,0%	0,0%	0,0%	9,1%	3,8x
Rakuten, Inc.	11,1%	3,5%	5,5%	10,6%	3,4%	5,5%	0,4%	0,4%	0,5%	10,1%	1,7x
Online-focused Nordic and European peers	1,6%	2,7%	3,0%	7,9%	10,8%	14,2%	0,0%	0,0%	0,0%	5,7%	3,1x
Physical store-focused Nordic and European peers	2,0%	2,7%	3,0%	6,8%	7,6%	8,3%	4,1%	4,9%	5,9%	14,8%	1,7x
Large international e-commerce peers	11,1%	6,6%	8,0%	10,6%	11,9%	13,8%	0,0%	0,0%	0,0%	19,4%	4,7x
Verkkokauppa.com (Evli est.)	2,5 %	3,1 %	3,3 %	19,0%	23,2%	25,0%	5,9%	6,2%	6,7%	24,0%	4,3x

Source: Factset, Evli research

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC
Current share price	3.56 PV of Free Cash Flow	124 Long-term growth, %	2.0 Risk-free interest rate, %
DCF share value	7.65 PV of Horizon value	209 WACC, %	7.0 Market risk premium, %
Share price potential, %	114.8 Unconsolidated equity	0 Spread, %	0.5 Debt risk premium, %
Maximum value	8.5 Marketable securities	47 Minimum WACC, %	6.5 Equity beta coefficient
Minimum value	7.0 Debt - dividend	-35 Maximum WACC, %	7.5 Target debt ratio, %
Horizon value, %	62.8 Value of stock	345 Nr of shares, Mn	45.1 Effective tax rate, %

DCF valuation, EURm	2018	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	Horizon
Net sales	478	522	569	621	652	684	719	754	792	832	848	865
<i>Sales growth, %</i>	<i>10.6</i>	<i>9.3</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	13	17	20	22	23	24	26	27	25	25	26
<i>EBIT margin, %</i>	<i>2.8</i>	<i>2.5</i>	<i>3.1</i>	<i>3.3</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	4	2	1	1	1	2	2	2	2	
- Income taxes	-3	-3	-3	-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	-1	-1	-1	-2	-2	-2	-2	-2	-3	-3	-3
<i>Investments / Sales, %</i>	<i>0.6</i>	<i>0.2</i>	<i>0.2</i>	<i>0.2</i>	<i>0.3</i>	<i>0.3</i>	<i>0.3</i>	<i>0.3</i>	<i>0.3</i>	<i>0.3</i>	<i>0.3</i>	<i>0.3</i>
- Other items	0	0	0	0	0	0	0	0	0	0	0	
= Unlevered Free CF (FCF)	8	13	13	15	17	18	18	20	21	20	19	396
= Discounted FCF (DFCF)		13	12	12	14	13	13	13	13	11	10	209
= DFCF min WACC		13	12	12	14	14	13	14	13	12	11	243
= DFCF max WACC		13	12	12	14	13	12	13	12	11	10	182

INTERIM FIGURES

EVLI ESTIMATES, EURm	2018Q1	2018Q2	2018Q3	2018Q4	2018	2019Q1	2019Q2E	2019Q3E	2019Q4E	2019E	2020E	2021E
Net sales	103	102	117	156	478	116	111	127	169	522	569	621
EBITDA	4	2	5	7	18	4	2	5	7	18	21	23
<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>3.1</i>	<i>2.0</i>	<i>4.0</i>	<i>4.3</i>	<i>3.5</i>	<i>3.7</i>	<i>3.7</i>
EBIT	3	1	4	6	13	2	1	4	6	13	17	20
<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>2.0</i>	<i>0.8</i>	<i>2.9</i>	<i>3.6</i>	<i>2.5</i>	<i>3.1</i>	<i>3.3</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	0	3	6	11	16	19
Tax	0	0	-1	-1	-2	0	0	-1	-1	-2	-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>20.2</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	0	3	4	9	13	15
EPS	0.04	0.01	0.06	0.10	0.21	0.03	0.01	0.06	0.10	0.20	0.28	0.34
EPS adjusted (diluted no. of shares)	0.04	0.01	0.06	0.10	0.21	0.03	0.01	0.06	0.10	0.20	0.28	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
SALES, EURm												
Verkkokauppa.com	103	102	117	156	478	116	111	127	169	522	569	621
Total	103	102	117	156	478	116	111	127	169	522	569	621
SALES GROWTH, Y/Y %												
Verkkokauppa.com	<i>2.7</i>	<i>3.4</i>	<i>10.8</i>	<i>22.3</i>	<i>10.6</i>	<i>12.8</i>	<i>8.4</i>	<i>8.4</i>	<i>8.4</i>	<i>9.3</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>12.8</i>	<i>8.4</i>	<i>8.4</i>	<i>8.4</i>	<i>9.3</i>	<i>9.0</i>	<i>9.0</i>
EBIT, EURm												
Verkkokauppa.com	3	1	4	6	13	2	1	4	6	13	17	20
Total	3	1	4	6	13	2	1	4	6	13	17	20
EBIT margin, %												
Verkkokauppa.com	<i>2.6</i>	<i>1.0</i>	<i>3.2</i>	<i>3.8</i>	<i>2.8</i>	<i>2.0</i>	<i>0.8</i>	<i>2.9</i>	<i>3.6</i>	<i>2.5</i>	<i>3.1</i>	<i>3.3</i>
Total	<i>2.6</i>	<i>1.0</i>	<i>3.2</i>	<i>3.8</i>	<i>2.8</i>	<i>2.0</i>	<i>0.8</i>	<i>2.9</i>	<i>3.6</i>	<i>2.5</i>	<i>3.1</i>	<i>3.3</i>

INCOME STATEMENT, EURm	2014	2015	2016	2017	2018	2019E	2020E	2021E
Sales	276	344	371	432	478	522	569	621
<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>9.3</i>	<i>9.0</i>	<i>9.0</i>
Costs	-267	-331	-357	-414	-459	-504	-548	-598
Reported EBITDA	8	12	14	18	18	18	21	23
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>3.5</i>	<i>3.7</i>	<i>3.7</i>
Depreciation	-1	-1	-1	-5	-5	-5	-4	-2
EBITA	7	11	13	13	13	13	17	20
Goodwill amortization / writedown	0	0	0	0	0	0	0	0
Reported EBIT	7	11	13	13	13	13	17	20
<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>2.5</i>	<i>3.1</i>	<i>3.3</i>
Net financials	-2	-1	0	-2	-2	-2	-1	-1
Pre-tax profit	6	10	13	12	12	11	16	19
Extraordinary items	0	-3	-1	0	0	0	0	0
Taxes	-1	-1	-2	-2	-2	-2	-3	-4
Minority shares	0	0	0	0	0	0	0	0
Net profit	4	5	10	9	9	9	13	15
BALANCE SHEET, EURm								
Assets								
Fixed assets	3	3	3	29	27	23	21	20
<i>% of sales</i>	<i>1</i>	<i>1</i>	<i>1</i>	<i>7</i>	<i>6</i>	<i>4</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	68	74	81
<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	46	53
<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	63	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	223
Liabilities								
Equity	37	36	39	37	38	38	41	46
<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>7</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	39
<i>% of sales</i>	<i>1</i>	<i>0</i>	<i>0</i>	<i>7</i>	<i>6</i>	<i>7</i>	<i>7</i>	<i>6</i>
Non-interest bearing current liabilities	38	45	61	82	103	115	125	137
<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	223
CASH FLOW, EURm								
+ EBITDA	8	12	14	18	18	18	21	23
- Net financial items	-2	-1	0	-2	-2	-2	-1	-1
- Taxes	-1	-1	-2	-4	-2	-2	-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	13	13	15
- Capex	-1	-1	-1	-31	-3	-1	-1	-1
- 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	12	12	13
+/- Change in interest-bearing debt	-5	-2	0	29	-3	8	3	2
+/- 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	11	5	6

KEY FIGURES	2015	2016	2017	2018	2019E	2020E	2021E
M-cap	324	333	319	185	160	160	160
Net debt	-31	-42	-23	-20	-23	-26	-29
Enterprise value	294	291	296	164	137	135	131
Sales	344	371	432	478	522	569	621
EBITDA	12	14	18	18	18	21	23
EBIT	11	13	13	13	13	17	20
Pre-tax	10	13	12	12	11	16	19
Earnings	9	10	9	9	9	13	15
Book value	36	39	37	38	38	41	46
Valuation multiples							
EV/sales	0.9	0.8	0.7	0.3	0.3	0.2	0.2
EV/EBITDA	24.0	20.6	16.4	8.9	7.6	6.4	5.8
EV/EBITA	26.5	22.7	22.0	12.3	10.7	7.7	6.4
EV/EBIT	26.5	22.7	22.0	12.3	10.7	7.7	6.4
EV/operating cash flow	32.0	15.1	12.0	15.4	9.8	9.4	8.2
EV/cash earnings	29.3	25.0	23.1	11.3	9.7	8.3	7.5
P/E	37.0	32.1	33.8	19.8	17.8	12.6	10.5
P/E excl. goodwill	37.0	32.1	33.8	19.8	17.8	12.6	10.5
P/B	9.1	8.6	8.7	4.9	4.3	3.9	3.5
P/sales	0.9	0.9	0.7	0.4	0.3	0.3	0.3
P/CF	35.4	17.3	12.9	17.3	11.5	11.2	10.0
Target EV/EBIT	0.0	0.0	0.0	0.0	14.6	10.7	8.9
Target P/E	0.0	0.0	0.0	0.0	23.5	16.6	13.9
Target P/B	0.0	0.0	0.0	0.0	5.6	5.2	4.6
Per share measures							
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	0.20	0.28	0.34
EPS excl. goodwill	0.19	0.23	0.21	0.21	0.20	0.28	0.34
Cash EPS	0.22	0.26	0.29	0.32	0.32	0.36	0.39
Operating cash flow per share	0.20	0.43	0.55	0.24	0.31	0.32	0.36
Capital employed per share	0.11	-0.07	0.32	0.38	0.32	0.34	0.38
Book value per share	0.79	0.86	0.82	0.83	0.84	0.91	1.03
Book value excl. goodwill	0.79	0.86	0.82	0.83	0.84	0.91	1.03
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	104.8	77.9	71.0
Dividend yield, %	2.1	2.2	2.6	4.8	5.9	6.2	6.7
Efficiency measures							
ROE	24.3	27.9	25.1	25.1	24.0	32.4	34.9
ROCE	29.9	34.5	25.7	20.5	19.0	23.2	25.0
Financial ratios							
Capex/sales, %	0.4	0.3	7.2	0.6	0.2	0.2	0.2
Capex/depreciation excl. goodwill,%	109.1	73.1	676.7	55.9	19.3	34.7	65.8
Net debt/EBITDA, book-weighted	-2.5	-3.0	-1.3	-1.1	-1.3	-1.2	-1.3
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	20.6	20.5	21.2
Gearing	-0.86	-1.08	-0.61	-0.54	-0.61	-0.62	-0.63
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	22,287,281	79.343	49.5%
Rite Ventures Finland Ab	2,172,576	7.734	4.8%
Keva	2,171,000	7.729	4.8%
Keskinäinen Työeläkevakuutusyhtiö Varma	2,065,932	7.355	4.6%
Sijoitusrahasto Nordea Nordic Small Cap	1,690,607	6.019	3.8%
Ilmarinen Keskinäinen Eläkevakuutusyhtiö	1,276,646	4.545	2.8%
Evli Finnish Small Cap Fund	700,000	2.492	1.6%
Skogberg Ville Johannes	634,266	2.258	1.4%
Sr Danske Invest Suomen Pienyhtiöt	450,000	1.602	1.0%
Sijoitusrahasto Aktia Nordic Micro Cap	400,000	1.424	0.9%
Ten largest	33,848,308	120.500	75%
Residual	11,216,822	39.932	25%
Total	45,065,130	160.432	100%

EARNINGS CALENDAR

OTHER EVENTS

COMPANY MISCELLANEOUS

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Tyynenmerenkatu 11, 00220 Helsinki

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

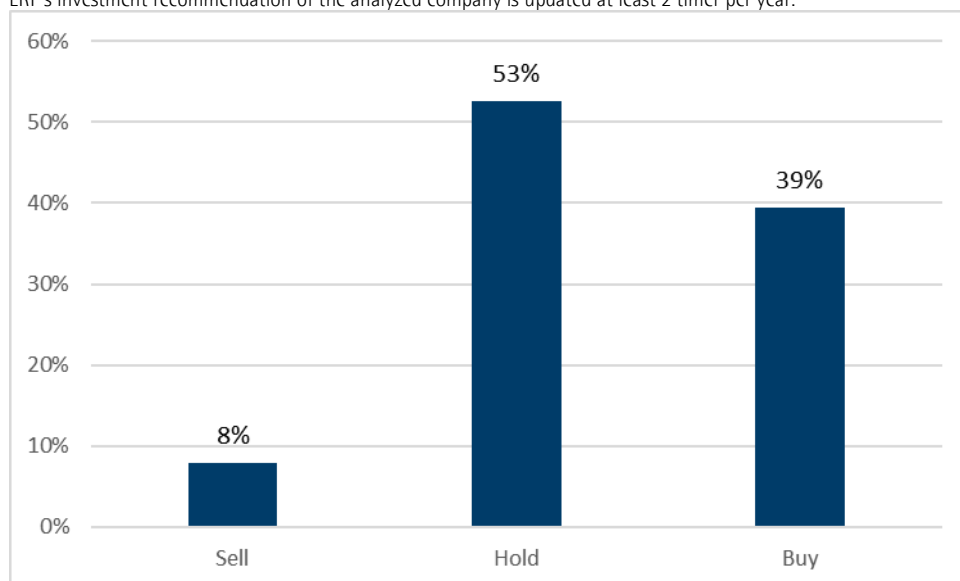
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Target price compared to share price	Recommendation
< -10 %	SELL
-10 - (+10) %	HOLD
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Name(s) of the analyst(s): Rissanen

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