

## Competition remains fierce

Verkkokauppa.com's Q2 result fell short of expectations. The competition is expected to remain fierce and the company's growth investments are hampering EBIT improvement in 19E. H2 has a high emphasis on the company's total performance. We downgrade to "HOLD" with TP of EUR 3.3 (prev. EUR 4.7).

### Q2 earnings below expectations

Verkkokauppa.com's Q2 result was a disappointment as earnings fell short of expectations. However, the company was able to increase its market share despite of the declining consumer electronics market. Verkkokauppa.com's revenue totaled EUR 108m vs. EUR 111m/111.5m Evli/consensus. Gross profit was EUR 15.3 (14.2%) vs. our view of EUR 16.1m (14.5%). Fixed costs (incl. staff costs of EUR 8.1m) totaled EUR 14m vs. our view of EUR 14m. Low gross margin level and continuing marketing expenses dragged the company's operating profit down, which totaled EUR 0.2m vs. EUR 0.9m/1.3m Evli/consensus.

### Growth still prioritized

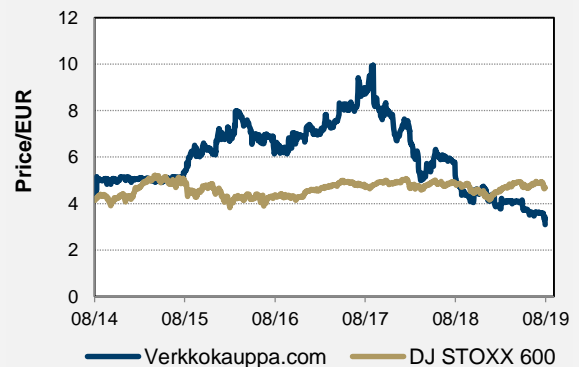
Verkkokauppa.com prioritizes growth and the company has made extensive investments in marketing from Q4'18 onwards. Increased marketing expenses are expected to continue throughout the year which will hamper the company's EBIT improvement in 19E. The company expects the competition to remain fierce and price driven throughout the year. As consumer electronics market is declining, other product categories are expected to support growth. Verkkokauppa.com reiterated its guidance for 2019E and expects revenue of EUR 500-550m and EBIT of EUR 11-17m. We expect 2019E revenue of EUR 519m (prev. EUR 522m) and EBIT of EUR 12m (prev. EUR 13m).

### "HOLD" with TP of EUR 3.3 (4.7)

After a weak Q2 we have lowered our 2019E-2020E estimates. Our 19E estimates are now at the lower bottom of the company's guidance. We expect the market outlook to remain uncertain which adds pressure on EBIT. On our estimates, Verkkokauppa.com trades at 19E-20E EV/EBIT multiple of 9.6x and 7.3x, which translates into ~53% discount compared to the peer group. Due to our weakened estimates and continuing pressure on EBIT we downgrade to "HOLD" with TP of EUR 3.3 (prev. EUR 4.7).

## Rating

HOLD



Share price, EUR (Last trading day's closing price) 3.10

Target price, EUR 3.3

Latest change in rating 19-Feb-19

Latest report on company 2-Aug-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 140

Free float, % 50.0

Exchange rate 1.000

Reuters code VERK.HE

Bloomberg code VERK FH

Average daily volume, EURm na.

Next interim report 25-Oct-19

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BUY HOLD SELL

## KEY FIGURES

|                          | Sales<br>EURm | EBIT<br>EURm | EBIT<br>%               | Ptx profit<br>EURm | EPS<br>EUR | P/E<br>(x)            | EV/Sales<br>(x) | P/CF<br>(x) | EV/EBIT<br>(x) | DPS<br>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           | 12           | 2.3%                    | 11                 | 0.19       | 16.5                  | 0.2             | 10.5        | 9.6            | 0.21       |
| 2020E                    | 566           | 15           | 2.7%                    | 14                 | 0.24       | 12.7                  | 0.2             | 11.0        | 7.6            | 0.22       |
| 2021E                    | 617           | 19           | 3.1%                    | 18                 | 0.32       | 9.7                   | 0.2             | 9.2         | 5.9            | 0.24       |
| Market cap, EURm         |               | 140          | BV per share 2019E, EUR |                    | 0.8        | CAGR EPS 2018-21, %   |                 |             |                | 15.6       |
| Net debt 2019E, EURm     |               | -23          | Price/book 2019E        |                    | 3.8        | CAGR sales 2018-21, % |                 |             |                | 8.9        |
| Enterprise value, EURm   |               | 117          | Dividend yield 2019E, % |                    | 6.8        | ROE 2019E, %          |                 |             |                | 22.7       |
| Total assets 2019E, EURm |               | 187          | Tax rate 2019E, %       |                    | 20.1       | ROCE 2019E, %         |                 |             |                | 18.0       |
| Goodwill 2019E, EURm     |               | 0            | Equity ratio 2019E, %   |                    | 20.4       | PEG, P/E 19/CAGR      |                 |             |                | 0.7        |

### Q2 earnings below expectations

Verkkokauppa.com's Q2 result was a disappointment as earnings fell short of expectations. However, the company was able to increase its market share despite of the declining consumer electronics market. The company's revenue grew by 5.0% while GfK estimated 0.5% decline in the consumer electronics market in April-June. Verkkokauppa.com's revenue totaled EUR 108m vs. EUR 111m/111.5m Evli/consensus. Revenue growth was impacted by increased marketing and campaigns. Gross profit was EUR 15.3 (14.2%) vs. our view of EUR 16.1m (14.5%). Fixed costs (incl. staff costs of EUR 8.1m) totaled EUR 14m vs. our view of EUR 14m. The increase in personnel costs was mainly due to growing personnel costs in IT, retail stores and purchasing. Low gross margin level and continuing marketing expenses dragged the company's operating profit down, which totaled EUR 0.2m vs. EUR 0.9m/1.3m Evli/consensus.

### Growth still prioritized

Verkkokauppa.com prioritizes growth and the company has made extensive investments in marketing from Q4'18 onwards. The company seeks to increase its visibility and brand recognition via tv-commercials as well as through online advertising. Increased marketing expenses are expected to continue throughout the year which will hamper the company's EBIT improvement in 19E. Verkkokauppa.com targets to increase the share of its private labels which should increase gross margins. The company also informed that the outsourced warehouse with Posti will move to new premises during Q3. According to the company, there are no significant costs related to the moving. We expect 2019E total fixed costs of EUR 59m (9.7% y/y). The company expects the competition to remain fierce and price driven throughout the year. Declining GDP growth is also likely to have an impact on sales (the Ministry of Finance estimates 2019 GDP growth of 1.6%). As consumer electronics market is declining, other product categories are expected to support growth. H2 is critical for the company as sales and profitability are normally higher than in H1. Verkkokauppa.com reiterated its guidance for 2019E and expects revenue of EUR 500-550m and EBIT of EUR 11-17m. We expect 2019E revenue of EUR 519m (prev. EUR 522m) and EBIT of EUR 12m (prev. EUR 13m).

### "HOLD" with TP of EUR 3.3 (4.7)

After a weak Q2 we have lowered our 2019E-2020E estimates. Our 19E estimates are now at the lower bottom of the company's guidance. As continuing growth investments and fierce competition weigh down the company's EBIT in 2019E we expect 2019E EBIT margin of 2.3% (2018: 2.8%). We expect the market outlook to remain uncertain which adds pressure on EBIT. On our estimates, Verkkokauppa.com trades at 19E-20E EV/EBIT multiple of 9.6x and 7.3x, which translates into ~53% discount compared to the peer group. Due to our weakened estimates and continuing pressure on EBIT we downgrade to "HOLD" with TP of EUR 3.3 (prev. EUR 4.7)

Estimates

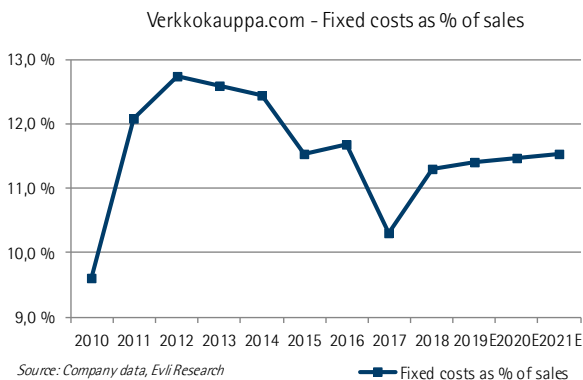
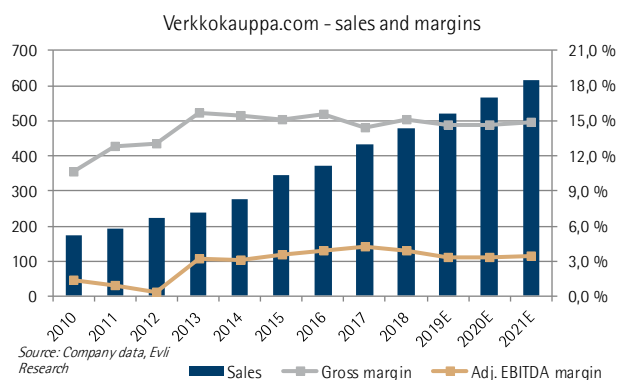
| Verkkokauppa.com model             | 2010<br>FAS  | 2011<br>FAS  | 2012<br>FAS  | 2013<br>FAS  | 2014<br>FAS  | 2015<br>FAS  | 2016<br>FAS  | 2017<br>IFRS | 2018<br>IFRS | 2019E<br>IFRS | 2020E<br>IFRS | 2021E<br>IFRS |
|------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|---------------|---------------|
| <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>519,3</b>  | <b>566,0</b>  | <b>616,9</b>  |
| Growth-%                           | -            | 10,7 %       | 17,2 %       | 6,0 %        | 15,9 %       | 24,6 %       | 8,1 %        | 16,3 %       | 10,6 %       | 8,7 %         | 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       | -443,3        | -482,8        | -525,0        |
| Growth-%                           | -            | 8,1 %        | 16,8 %       | 2,8 %        | 16,2 %       | 25,2 %       | 7,5 %        | 17,8 %       | 9,9 %        | 9,2 %         | 8,9 %         | 8,7 %         |
| % of sales                         | 89,4 %       | 87,2 %       | 86,9 %       | 84,3 %       | 84,6 %       | 84,9 %       | 84,4 %       | 85,5 %       | 84,9 %       | 85,4 %        | 85,3 %        | 85,1 %        |
| <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>76,0</b>   | <b>83,2</b>   | <b>91,9</b>   |
| Gross margin                       | 10,6 %       | 12,8 %       | 13,1 %       | 15,7 %       | 15,4 %       | 15,1 %       | 15,6 %       | 14,5 %       | 15,1 %       | 14,6 %        | 14,7 %        | 14,9 %        |
| <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>-59,2</b>  | <b>-64,9</b>  | <b>-71,1</b>  |
| Growth-%                           | -            | 39,1 %       | 23,6 %       | 4,7 %        | 14,5 %       | 15,5 %       | 9,6 %        | 2,5 %        | 21,4 %       | 9,7 %         | 9,5 %         | 9,6 %         |
| % of sales                         | 9,6 %        | 12,1 %       | 12,7 %       | 12,6 %       | 12,4 %       | 11,5 %       | 11,7 %       | 10,3 %       | 11,3 %       | 11,4 %        | 11,5 %        | 11,5 %        |
| Other income                       | 0,6          | 0,4          | 0,1          | 0,1          | 0,1          | 0,1          | 0,1          | 0,1          | 0,4          | 0,6           | 0,6           | 0,6           |
| 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           |
| <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>17,4</b>   | <b>18,9</b>   | <b>21,4</b>   |
| Adj. EBITDA margin                 | 1,4 %        | 0,9 %        | 0,4 %        | 3,2 %        | 3,1 %        | 3,6 %        | 3,9 %        | 4,2 %        | 3,9 %        | 3,3 %         | 3,3 %         | 3,5 %         |
| <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>12,2</b>   | <b>15,3</b>   | <b>19,4</b>   |
| Adj. EBIT margin                   | 0,9 %        | 0,4 %        | 0,0 %        | 2,8 %        | 2,7 %        | 3,2 %        | 3,6 %        | 3,1 %        | 2,8 %        | 2,3 %         | 2,7 %         | 3,1 %         |
| <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>12,2</b>   | <b>15,3</b>   | <b>19,4</b>   |
| Reported EBIT margin               | 0,9 %        | 0,4 %        | 0,0 %        | 2,8 %        | 2,7 %        | 2,2 %        | 3,4 %        | 3,1 %        | 2,8 %        | 2,3 %         | 2,7 %         | 3,1 %         |
| 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>10,6</b>   | <b>13,8</b>   | <b>18,0</b>   |
| Taxes                              | -0,1         | 0,0          | 0,0          | -1,4         | -1,2         | -1,4         | -2,4         | -2,4         | -2,3         | -2,1          | -2,8          | -3,6          |
| Tax rate (%)                       | 16,6 %       | 0,0 %        | 0,0 %        | 25,6 %       | 22,2 %       | 19,9 %       | 19,4 %       | 20,0 %       | 20,0 %       | 20,1 %        | 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>8,5</b>    | <b>11,0</b>   | <b>14,4</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>0,19</b>   | <b>0,24</b>   | <b>0,32</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>   |
| Payout ratio (%)                   |              |              |              | 7 %          | 142 %        | 126 %        | 74 %         | 87 %         | 96 %         | 112 %         | 90 %          | 75 %          |

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<br>PEER GROUP  | EV/Sales<br>19       | EV/Sales<br>20       | EV/Sales<br>21       | EV/EBITDA<br>19      | EV/EBITDA<br>20      | EV/EBITDA<br>21      | EV/EBIT<br>19       | EV/EBIT<br>20       | EV/EBIT<br>21       | Sales CAGR<br>18-21 | EPS CAGR<br>18-21 |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|---------------------|---------------------|---------------------|---------------------|-------------------|
| <b>Online-focused Nordic and European peers</b>                       |                      |                      |                      |                      |                      |                      |                     |                     |                     |                     |                   |
| ASOS plc  | 0,8x                 | 0,7x                 | 0,6x                 | 18,7x                | 12,9x                | 9,8x                 | 65,4x               | 34,5x               | 22,6x               | 12,4 %              | -4,7 %            |
| Dustin Group AB   | 0,7x                 | 0,6x                 | 0,6x                 | 14,5x                | 12,7x                | 11,3x                | 16,8x               | 14,4x               | 12,6x               | 10,2 %              | 9,8 %             |
| Groupe LDLC SA  | 0,1x                 | 0,1x                 | 0,1x                 | 8,3x                 | 5,5x                 | 3,5x                 | 4,1x                | 13,1x               | 6,0x                | 7,4 %               | na.               |
| Qliro Group AB  | 0,4x                 | 0,3x                 | 0,2x                 | 8,7x                 | 5,3x                 | 1,6x                 | 23,5x               | 8,6x                | 2,1x                | -3,1 %              | na.               |
| Zalando SE  | 1,5x                 | 1,3x                 | 1,1x                 | 30,0x                | 23,6x                | 18,7x                | 59,9x               | 45,8x               | 35,5x               | 18,3 %              | 36,1 %            |
| <b>Physical store-focused Nordic and European peers</b>               |                      |                      |                      |                      |                      |                      |                     |                     |                     |                     |                   |
| CECONOMY AG   | 0,1x                 | 0,1x                 | 0,1x                 | 2,5x                 | 2,1x                 | 1,8x                 | 4,0x                | 3,2x                | 2,7x                | 0,8 %               | 129,6 %           |
| Dixons Carphone plc   | 0,1x                 | 0,1x                 | 0,1x                 | 3,8x                 | 3,2x                 | 2,7x                 | 6,6x                | 5,2x                | 4,3x                | -1,3 %              | -0,9 %            |
| Unieuro SpA   | 0,1x                 |                      |                      | 3,3x                 |                      |                      | 5,9x                |                     |                     | na.                 | na.               |
| XXL ASA   | 0,8x                 | 0,7x                 | 0,7x                 | 6,6x                 | 5,8x                 | 5,4x                 | 16,0x               | 13,1x               | 11,2x               | 3,7 %               | 17,9 %            |
| <b>Large international e-commerce peers</b>                           |                      |                      |                      |                      |                      |                      |                     |                     |                     |                     |                   |
| Alibaba Group Holding Ltd. Sponsored ADR                              | 5,3x                 | 3,9x                 | 2,9x                 | 18,0x                | 13,0x                | 9,4x                 | 32,3x               | 21,8x               | 14,3x               | 28,5 %              | 24,6 %            |
| Amazon.com, Inc.  | 3,1x                 | 2,5x                 | 2,1x                 | 20,8x                | 16,0x                | 12,3x                | 57,7x               | 39,0x               | 26,0x               | 19,4 %              | 35,1 %            |
| eBay Inc.   | 3,6x                 | 3,4x                 | 3,1x                 | 10,5x                | 9,8x                 | 8,9x                 | 12,9x               | 11,8x               | 10,7x               | 5,2 %               | 15,1 %            |
| JD.com, Inc. Sponsored ADR Class A                                    | 0,4x                 | 0,4x                 | 0,3x                 | 27,1x                | 15,9x                | 11,4x                | 175,8x              | 37,9x               | 20,8x               | 15,8 %              | 57,9 %            |
| Rakuten, Inc.   | 1,4x                 | 1,3x                 | 1,1x                 | 8,1x                 | 12,2x                | 9,1x                 | 13,4x               | 41,6x               | 21,9x               | 14,5 %              | -29,9 %           |
| <b>Online-focused Nordic and European peers</b>                       | <b>0,7x</b>          | <b>0,6x</b>          | <b>0,6x</b>          | <b>14,5x</b>         | <b>12,7x</b>         | <b>9,8x</b>          | <b>23,5x</b>        | <b>14,4x</b>        | <b>12,6x</b>        | <b>10,2 %</b>       | <b>9,8 %</b>      |
| <b>Physical store-focused Nordic and European peers</b>               | <b>0,1x</b>          | <b>0,1x</b>          | <b>0,1x</b>          | <b>3,5x</b>          | <b>3,2x</b>          | <b>2,7x</b>          | <b>6,2x</b>         | <b>5,2x</b>         | <b>4,3x</b>         | <b>0,8 %</b>        | <b>17,9 %</b>     |
| <b>Large international e-commerce peers</b>                           | <b>3,1x</b>          | <b>2,5x</b>          | <b>2,1x</b>          | <b>18,0x</b>         | <b>13,0x</b>         | <b>9,4x</b>          | <b>32,3x</b>        | <b>37,9x</b>        | <b>20,8x</b>        | <b>15,8 %</b>       | <b>24,6 %</b>     |
| <b>Verkkokauppa.com (Evli est.)</b>                                   | <b>0,2x</b>          | <b>0,2x</b>          | <b>0,2x</b>          | <b>6,8x</b>          | <b>6,2x</b>          | <b>5,2x</b>          | <b>9,6x</b>         | <b>7,6x</b>         | <b>5,9x</b>         | <b>8,9 %</b>        | <b>15,6 %</b>     |
| <i>Verkkokauppa.com vs. Online-focused Nordic and EU peers median</i> | <i>-67 %</i>         | <i>-68 %</i>         | <i>-68 %</i>         | <i>-53 %</i>         | <i>-51 %</i>         | <i>-47 %</i>         | <i>-59 %</i>        | <i>-47 %</i>        | <i>-54 %</i>        |                     |                   |
| <b>VERKKOKAUPPA.COM<br/>PEER GROUP</b>                                | <b>EBIT-%<br/>19</b> | <b>EBIT-%<br/>20</b> | <b>EBIT-%<br/>21</b> | <b>ROCE-%<br/>19</b> | <b>ROCE-%<br/>20</b> | <b>ROCE-%<br/>21</b> | <b>Div-%<br/>19</b> | <b>Div-%<br/>20</b> | <b>Div-%<br/>21</b> | <b>ROE<br/>19</b>   | <b>P/B<br/>19</b> |
| <b>Online-focused Nordic and European peers</b>                       |                      |                      |                      |                      |                      |                      |                     |                     |                     |                     |                   |
| ASOS plc  | 1,2%                 | 1,9%                 | 2,5%                 | 6,6%                 | 10,8%                | 13,7%                | 0,0%                | 0,0%                | 0,0%                | 5,6%                | 4,3x              |
| Dustin Group AB   | 4,1%                 | 4,4%                 | 4,7%                 | 11,8%                | 13,3%                | 14,6%                | 3,9%                | 4,6%                | 5,1%                | 17,4%               | 3,0x              |
| Groupe LDLC SA  | 3,2%                 | 0,9%                 | 1,8%                 |                      |                      |                      | 0,0%                | 1,5%                | 4,5%                | 0,5%                | 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%                | 1,6x              |
| Zalando SE  | 2,5%                 | 2,8%                 | 3,1%                 | 8,3%                 | 10,1%                | 11,9%                | 0,0%                | 0,0%                | 0,0%                | 5,9%                | 6,5x              |
| <b>Physical store-focused Nordic and European peers</b>               |                      |                      |                      |                      |                      |                      |                     |                     |                     |                     |                   |
| CECONOMY AG   | 1,7%                 | 2,1%                 | 2,2%                 | 21,7%                | 24,5%                | 23,9%                | 2,3%                | 4,3%                | 4,5%                | 22,3%               | 2,8x              |
| Dixons Carphone plc   | 2,3%                 | 2,7%                 | 3,1%                 | 5,4%                 | 6,3%                 | 7,1%                 | 6,1%                | 6,2%                | 6,2%                | 6,2%                | 0,5x              |
| Unieuro SpA   | 1,6%                 |                      |                      |                      |                      |                      | 9,0%                |                     |                     | 38,5%               | 2,4x              |
| XXL ASA   | 5,1%                 | 5,6%                 | 5,9%                 | 6,2%                 | 7,1%                 | 7,7%                 | 1,6%                | 4,8%                | 5,8%                | 6,7%                | 0,9x              |
| <b>Large international e-commerce peers</b>                           |                      |                      |                      |                      |                      |                      |                     |                     |                     |                     |                   |
| Alibaba Group Holding Ltd. Sponsored ADR                              | 16,5%                | 17,8%                | 20,5%                | 9,8%                 | 11,9%                | 13,9%                | 0,0%                | 0,0%                | 0,0%                | 19,0%               | 4,6x              |
| Amazon.com, Inc.  | 5,4%                 | 6,5%                 | 8,0%                 | 11,0%                | 13,0%                | 15,4%                | 0,0%                | 0,0%                | 0,0%                | 19,6%               | 14,8x             |
| eBay Inc.   | 27,8%                | 28,5%                | 28,9%                | 19,9%                | 20,8%                | 21,4%                | 0,8%                | 0,9%                | 0,9%                | 72,4%               | 10,6x             |
| JD.com, Inc. Sponsored ADR Class A                                    | 0,2%                 | 0,9%                 | 1,4%                 | 1,4%                 | 5,8%                 | 8,9%                 | 0,0%                | 0,0%                | 0,0%                | 9,0%                | 3,7x              |
| Rakuten, Inc.   | 10,4%                | 3,0%                 | 5,0%                 | 9,4%                 | 2,9%                 | 5,1%                 | 0,4%                | 0,4%                | 0,5%                | 9,6%                | 1,7x              |
| <b>Online-focused Nordic and European peers</b>                       | <b>2,5%</b>          | <b>2,8%</b>          | <b>3,1%</b>          | <b>7,5%</b>          | <b>10,5%</b>         | <b>14,0%</b>         | <b>0,0%</b>         | <b>0,0%</b>         | <b>0,0%</b>         | <b>5,6%</b>         | <b>3,0x</b>       |
| <b>Physical store-focused Nordic and European peers</b>               | <b>2,0%</b>          | <b>2,7%</b>          | <b>3,1%</b>          | <b>6,2%</b>          | <b>7,1%</b>          | <b>7,7%</b>          | <b>4,2%</b>         | <b>4,8%</b>         | <b>5,8%</b>         | <b>14,5%</b>        | <b>1,7x</b>       |
| <b>Large international e-commerce peers</b>                           | <b>10,4%</b>         | <b>6,5%</b>          | <b>8,0%</b>          | <b>9,8%</b>          | <b>11,9%</b>         | <b>13,9%</b>         | <b>0,0%</b>         | <b>0,0%</b>         | <b>0,0%</b>         | <b>19,0%</b>        | <b>4,6x</b>       |
| <b>Verkkokauppa.com (Evli est.)</b>                                   | <b>2,3 %</b>         | <b>2,7 %</b>         | <b>3,1 %</b>         | <b>18,0%</b>         | <b>20,5%</b>         | <b>23,8%</b>         | <b>6,8%</b>         | <b>7,1%</b>         | <b>7,7%</b>         | <b>22,7%</b>        | <b>3,8x</b>       |

Source: Factset, Evli research

| VALUATION RESULTS        | BASE CASE DETAILS           | VALUATION ASSUMPTIONS   | ASSUMPTIONS FOR WACC           |
|--------------------------|-----------------------------|-------------------------|--------------------------------|
| Current share price      | 3.10 PV of Free Cash Flow   | 120 Long-term growth, % | 2.0 Risk-free interest rate, % |
| DCF share value          | 7.40 PV of Horizon value    | 202 WACC, %             | 7.0 Market risk premium, %     |
| Share price potential, % | 138.8 Unconsolidated equity | 0 Spread, %             | 0.5 Debt risk premium, %       |
| Maximum value            | 8.2 Marketable securities   | 47 Minimum WACC, %      | 6.5 Equity beta coefficient    |
| Minimum value            | 6.8 Debt - dividend         | -35 Maximum WACC, %     | 7.5 Target debt ratio, %       |
| Horizon value, %         | 62.6 Value of stock         | 334 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         | 519         | 566         | 617         | 648         | 680         | 714         | 750         | 787         | 827         | 843         | 860        |
| <i>Sales growth, %</i>        | <i>10.6</i> | <i>8.7</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          | 12          | 15          | 19          | 22          | 23          | 24          | 25          | 27          | 25          | 25          | 26         |
| <i>EBIT margin, %</i>         | <i>2.8</i>  | <i>2.3</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>3.0</i>  | <i>3.0</i>  | <i>3.0</i> |
| + Depreciation+amort.         | 5           | 5           | 4           | 2           | 1           | 1           | 1           | 2           | 2           | 2           | 1           |            |
| - Income taxes                | -3          | -2          | -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           | 12          | 11          | 14          | 17          | 18          | 18          | 20          | 21          | 20          | 19          | 381        |
| = Discounted FCF (DFCF)       |             | 12          | 10          | 12          | 14          | 13          | 13          | 13          | 13          | 11          | 10          | 202        |
| = DFCF min WACC               |             | 12          | 10          | 12          | 14          | 13          | 13          | 14          | 13          | 11          | 10          | 234        |
| = DFCF max WACC               |             | 12          | 10          | 12          | 13          | 13          | 12          | 13          | 12          | 11          | 10          | 176        |

## INTERIM FIGURES

| EVLI ESTIMATES, EURm                 | 2018Q1      | 2018Q2      | 2018Q3      | 2018Q4      | 2018        | 2019Q1      | 2019Q2      | 2019Q3E     | 2019Q4E     | 2019E       | 2020E       | 2021E       |
|--------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Net sales                            | 103         | 102         | 117         | 156         | 478         | 116         | 108         | 127         | 169         | 519         | 566         | 617         |
| EBITDA                               | 4           | 2           | 5           | 7           | 18          | 4           | 1           | 5           | 7           | 17          | 19          | 22          |
| <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>1.3</i>  | <i>4.0</i>  | <i>4.3</i>  | <i>3.3</i>  | <i>3.3</i>  | <i>3.5</i>  |
| EBIT                                 | 3           | 1           | 4           | 6           | 13          | 2           | 0           | 4           | 6           | 12          | 15          | 19          |
| <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>0.2</i>  | <i>2.9</i>  | <i>3.6</i>  | <i>2.3</i>  | <i>2.7</i>  | <i>3.1</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          | 14          | 18          |
| 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>17.5</i> | <i>20.0</i> | <i>20.0</i> | <i>20.1</i> | <i>20.0</i> | <i>20.0</i> |
| Net profit                           | 2           | 0           | 3           | 4           | 9           | 2           | 0           | 3           | 5           | 8           | 11          | 14          |
| EPS                                  | 0.04        | 0.01        | 0.06        | 0.10        | 0.21        | 0.03        | 0.00        | 0.06        | 0.10        | 0.19        | 0.24        | 0.32        |
| EPS adjusted (diluted no. of shares) | 0.04        | 0.01        | 0.06        | 0.10        | 0.21        | 0.03        | 0.00        | 0.06        | 0.10        | 0.19        | 0.24        | 0.32        |
| 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         | 116         | 108         | 127         | 169         | 519         | 566         | 617         |
| Total                                | 103         | 102         | 117         | 156         | 478         | 116         | 108         | 127         | 169         | 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>12.8</i> | <i>5.3</i>  | <i>8.4</i>  | <i>8.4</i>  | <i>8.7</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>5.3</i>  | <i>8.4</i>  | <i>8.4</i>  | <i>8.7</i>  | <i>9.0</i>  | <i>9.0</i>  |
| <b>EBIT, EURm</b>                    |             |             |             |             |             |             |             |             |             |             |             |             |
| Verkkokauppa.com                     | 3           | 1           | 4           | 6           | 13          | 2           | 0           | 4           | 6           | 12          | 15          | 19          |
| Total                                | 3           | 1           | 4           | 6           | 13          | 2           | 0           | 4           | 6           | 12          | 15          | 19          |
| <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>2.0</i>  | <i>0.2</i>  | <i>2.9</i>  | <i>3.6</i>  | <i>2.3</i>  | <i>2.7</i>  | <i>3.1</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>0.2</i>  | <i>2.9</i>  | <i>3.6</i>  | <i>2.3</i>  | <i>2.7</i>  | <i>3.1</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>8.7</i> | <i>9.0</i> | <i>9.0</i> |
| Costs                                    | -267        | -331        | -357       | -414        | -459        | -502       | -547       | -595       |
| Reported EBITDA                          | 8           | 12          | 14         | 18          | 18          | 17         | 19         | 22         |
| 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>3.3</i> | <i>3.3</i> | <i>3.5</i> |
| Depreciation                             | -1          | -1          | -1         | -5          | -5          | -5         | -4         | -2         |
| EBITA                                    | 7           | 11          | 13         | 13          | 13          | 12         | 15         | 19         |
| Goodwill amortization / writedown        | 0           | 0           | 0          | 0           | 0           | 0          | 0          | 0          |
| Reported EBIT                            | 7           | 11          | 13         | 13          | 13          | 12         | 15         | 19         |
| <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>2.3</i> | <i>2.7</i> | <i>3.1</i> |
| Net financials                           | -2          | -1          | 0          | -2          | -2          | -2         | -1         | -1         |
| Pre-tax profit                           | 6           | 10          | 13         | 12          | 12          | 11         | 14         | 18         |
| 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           | 8          | 11         | 14         |
| <b>BALANCE SHEET, EURm</b>               |             |             |            |             |             |            |            |            |
| 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         | 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         | 187        | 203        | 221        |
| Liabilities                              |             |             |            |             |             |            |            |            |
| Equity                                   | 37          | 36          | 39         | 37          | 38          | 37         | 39         | 43         |
| <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          | 35         | 39         | 42         |
| <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>7</i>   |
| Non-interest bearing current liabilities | 38          | 45          | 61         | 82          | 103         | 114        | 125        | 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         | 187        | 203        | 221        |
| <b>CASH FLOW, EURm</b>                   |             |             |            |             |             |            |            |            |
| + EBITDA                                 | 8           | 12          | 14         | 18          | 18          | 17         | 19         | 22         |
| - 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           | 12         | 11         | 14         |
| - 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           | 11         | 10         | 13         |
| +/- Change in interest-bearing debt      | -5          | -2          | 0          | 29          | -3          | 8          | 4          | 3          |
| +/- 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    | 140    | 140    | 140    |
| Net debt                            | -31    | -42    | -23    | -20    | -23    | -23    | -26    |
| Enterprise value                    | 294    | 291    | 296    | 164    | 117    | 116    | 114    |
| Sales                               | 344    | 371    | 432    | 478    | 519    | 566    | 617    |
| EBITDA                              | 12     | 14     | 18     | 18     | 17     | 19     | 22     |
| EBIT                                | 11     | 13     | 13     | 13     | 12     | 15     | 19     |
| Pre-tax                             | 10     | 13     | 12     | 12     | 11     | 14     | 18     |
| Earnings                            | 9      | 10     | 9      | 9      | 8      | 11     | 14     |
| Book value                          | 36     | 39     | 37     | 38     | 37     | 39     | 43     |
| <b>Valuation multiples</b>          |        |        |        |        |        |        |        |
| EV/sales                            | 0.9    | 0.8    | 0.7    | 0.3    | 0.2    | 0.2    | 0.2    |
| EV/EBITDA                           | 24.0   | 20.6   | 16.4   | 8.9    | 6.8    | 6.2    | 5.2    |
| EV/EBITA                            | 26.5   | 22.7   | 22.0   | 12.3   | 9.6    | 7.6    | 5.9    |
| EV/EBIT                             | 26.5   | 22.7   | 22.0   | 12.3   | 9.6    | 7.6    | 5.9    |
| EV/operating cash flow              | 32.0   | 15.1   | 12.0   | 15.4   | 8.8    | 9.2    | 7.5    |
| EV/cash earnings                    | 29.3   | 25.0   | 23.1   | 11.3   | 8.6    | 8.0    | 6.8    |
| P/E                                 | 37.0   | 32.1   | 33.8   | 19.8   | 16.5   | 12.7   | 9.7    |
| P/E excl. goodwill                  | 37.0   | 32.1   | 33.8   | 19.8   | 16.5   | 12.7   | 9.7    |
| P/B                                 | 9.1    | 8.6    | 8.7    | 4.9    | 3.8    | 3.6    | 3.2    |
| P/sales                             | 0.9    | 0.9    | 0.7    | 0.4    | 0.3    | 0.2    | 0.2    |
| P/CF                                | 35.4   | 17.3   | 12.9   | 17.3   | 10.5   | 11.0   | 9.2    |
| Target EV/EBIT                      | 0.0    | 0.0    | 0.0    | 0.0    | 10.3   | 8.2    | 6.3    |
| Target P/E                          | 0.0    | 0.0    | 0.0    | 0.0    | 17.5   | 13.5   | 10.3   |
| Target P/B                          | 0.0    | 0.0    | 0.0    | 0.0    | 4.0    | 3.8    | 3.4    |
| <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   | 0.19   | 0.24   | 0.32   |
| EPS excl. goodwill                  | 0.19   | 0.23   | 0.21   | 0.21   | 0.19   | 0.24   | 0.32   |
| Cash EPS                            | 0.22   | 0.26   | 0.29   | 0.32   | 0.30   | 0.32   | 0.37   |
| Operating cash flow per share       | 0.20   | 0.43   | 0.55   | 0.24   | 0.30   | 0.28   | 0.34   |
| 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   | 0.82   | 0.86   | 0.96   |
| Book value excl. goodwill           | 0.79   | 0.86   | 0.82   | 0.83   | 0.82   | 0.86   | 0.96   |
| 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   | 111.5  | 89.8   | 75.1   |
| Dividend yield, %                   | 2.1    | 2.2    | 2.6    | 4.8    | 6.8    | 7.1    | 7.7    |
| <b>Efficiency measures</b>          |        |        |        |        |        |        |        |
| ROE                                 | 24.3   | 27.9   | 25.1   | 25.1   | 22.7   | 29.1   | 35.2   |
| ROCE                                | 29.9   | 34.5   | 25.7   | 20.5   | 18.0   | 20.5   | 23.8   |
| <b>Financial ratios</b>             |        |        |        |        |        |        |        |
| 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   | 19.4   | 34.7   | 66.1   |
| Net debt/EBITDA, book-weighted      | -2.5   | -3.0   | -1.3   | -1.1   | -1.3   | -1.2   | -1.2   |
| Debt/equity, market-weighted        | 0.0    | 0.0    | 0.1    | 0.1    | 0.2    | 0.3    | 0.3    |
| Equity ratio, book-weighted         | 45.2   | 39.3   | 25.1   | 23.0   | 20.4   | 19.5   | 19.9   |
| Gearing                             | -0.86  | -1.08  | -0.61  | -0.54  | -0.61  | -0.60  | -0.60  |
| 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 | 69.091  | 49.5% |
| Rite Ventures Finland Ab                 | 2,172,576  | 6.735   | 4.8%  |
| Keva                                     | 2,171,000  | 6.730   | 4.8%  |
| Keskinäinen Työeläkevakuutusyhtiö Varma  | 2,065,932  | 6.404   | 4.6%  |
| Sijoitusrahasto Nordea Nordic Small Cap  | 1,690,607  | 5.241   | 3.8%  |
| Ilmarinen Keskinäinen Eläkevakuutusyhtiö | 1,276,646  | 3.958   | 2.8%  |
| Evli Finnish Small Cap Fund              | 700,000    | 2.170   | 1.6%  |
| Skogberg Ville Johannes                  | 634,266    | 1.966   | 1.4%  |
| Sr Danske Invest Suomen Pieniyhtiöt      | 450,000    | 1.395   | 1.0%  |
| Sijoitusrahasto Aktia Nordic Micro Cap   | 400,000    | 1.240   | 0.9%  |
| Ten largest                              | 33,848,308 | 104.930 | 75%   |
| Residual                                 | 11,216,822 | 34.772  | 25%   |
| Total                                    | 45,065,130 | 139.702 | 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<br>– 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

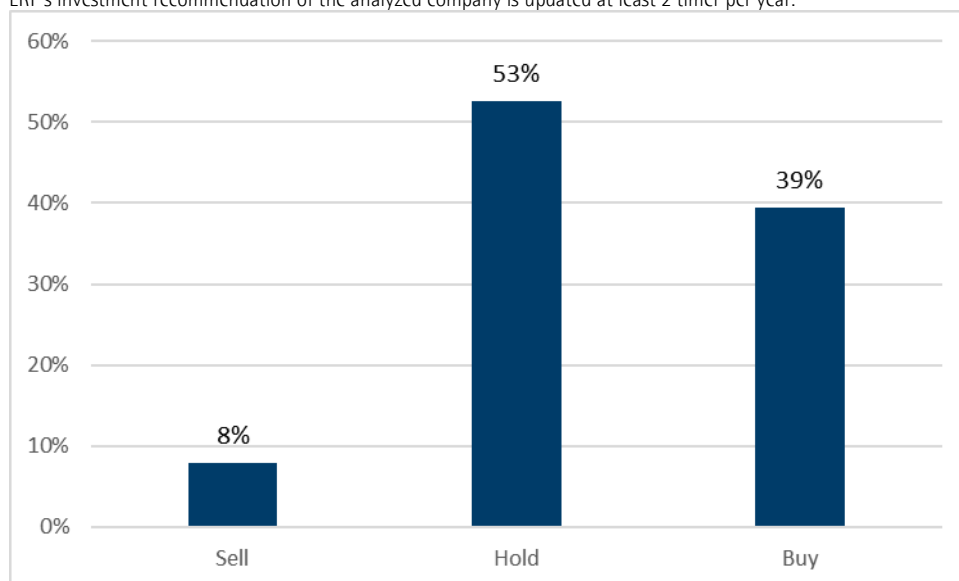
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Investment recommendations are defined as follows:

| 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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