

A small break for momentum of growth

The slowdown of consumer electronics market pushed Verkkokauppa.com's Q4 net sales down by 4% y/y. We expect the softness in the market to continue also during H1'22. We retain our HOLD rating and TP of EUR 6.5.

Tough quarter behind

The company's net sales decreased by 4% y/y to EUR 168.9m driven by weak demand for its core categories. The growth was good in the B2B segment as well as in Computers, Games, Sports, and Toys products categories. The online transition continued and e-commerce represented 63% of total net sales. Despite tough market conditions, gross margin improved to 15.5% (15.1%), mainly driven by category mix and wise pricing decisions. Adj. EBIT declined by 14% y/y to EUR 5.3m (3.2% margin) due to lower sales. EPS amounted to EUR 0.09 and BoD proposed a dividend of EUR 0.246.

Guidance implies growth to continue

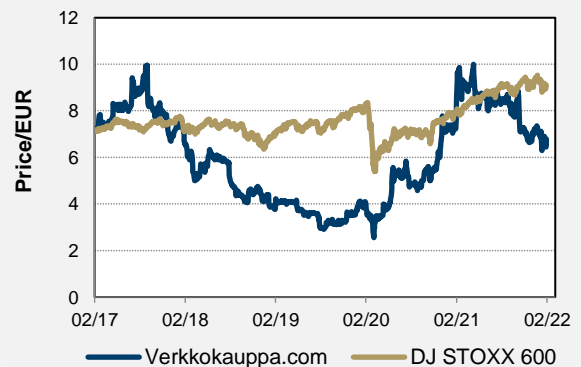
The company guides net sales growth and possible profitability improvement during 2022. Revenue is estimated to reach EUR 590-640m and EBIT EUR 19-15m. Driven by weakened visibility to the consumer electronics market, we have made some adjustments to our estimates. In 2022, we expect net sales of EUR 610.0m and EBIT of EUR 22.3m (3.7% margin). The growth is driven by online transition and good development of the evolving categories. In Q1'22, we expect the core categories to still suffer from weak demand and net sales amount to EUR 133.6m and EBIT totaling EUR 3.9m (2.9% margin). Jätkäsaari's automated warehouse is estimated to be in production until the end of Q1'22 and we are expecting cost savings to kick in during H2'22 as the utilization rate of Vantaa rental warehouse will decrease.

HOLD with a target price of EUR 6.5

With our revised estimates, the company valuation is still slightly elevated. The company's peers trade with 22E P/E 14-17x, while Verkkokauppa.com is trading at the upper bound of the range. We retain our HOLD rating and TP of EUR 6.5.

Rating

HOLD



Share price, EUR (Last trading day's closing price) 6.45

Target price, EUR 6.5

Latest change in	04-Feb-22
Latest report on company	04-Feb-22
Research paid by issuer:	YES
No. of shares outstanding,	44,742
No. of shares fully diluted,	44,742
Market cap, EURm	289
Free float, %	50.8
Exchange rate	1.000
Reuters code	VERK.HE
Bloomberg code	VERK FH
Average daily volume, EURm	0.0
Next interim report	28-Apr-22
Web site	verkkokauppa.com/en/investors/

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BUY HOLD SELL

KEY FIGURES

	Sales EURm	EBIT EURm	EBIT %	FCF EURm	EPS EUR	P/E (x)	EV/Sales (x)	EV/EBIT (x)	FCF yield %	DPS EUR
2020	553.6	20.4	3.7%	12.8	0.34	20.7	0.5	14.6	4.0	0.45
2021	574.5	20.3	3.5%	-1.0	0.34	19.5	0.5	14.4	-0.3	0.25
2022E	610.0	22.3	3.7%	32.3	0.37	17.3	0.4	11.8	11.2	0.27
2023E	659.7	26.8	4.1%	22.4	0.45	14.2	0.4	9.4	7.8	0.28
2024E	712.4	31.3	4.4%	26.9	0.55	11.7	0.3	7.6	9.3	0.40
Market cap, EURm		289	Gearing 2022E, %			-62.7	CAGR EPS 2021-24, %			17.8
Net debt 2022E, EURm		-26	Price/book 2022E			7.0	CAGR sales 2021-24, %			7.4
Enterprise value, EURm		263	Dividend yield 2022E, %			4.1	ROE 2022E, %			43.3
Total assets 2022E, EURm		186	Tax rate 2022E, %			20.0	ROCE 2022E, %			39.6
Goodwill 2022E, EURm		0	Equity ratio 2022E, %			23.0	PEG, P/E 22/CAGR			1.1

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

Strategy execution continues with the acquisition of e-ville.com

Verkkokauppa.com acquired Finnish e-retailer e-ville.com to strengthen its private label assortment. E-ville.com operates in Finland and Nordics and has a local sourcing organization in China. E-ville's assortment includes mobile phones, bicycles, leisure equipment, electronics, and other home products. With the acquisition, Verkkokauppa.com obtains an experienced sourcing team and foothold in China's purchasing markets. In our view, the acquisition is justified as building such capabilities requires major investments and takes time. According to the company's management, its R&D capabilities will improve and the product's development-to-assortment time accelerates rapidly.

During 4/2020-3/2021, e-ville generated net sales of EUR 10m (prev. 7m) and an EBIT of 0.5m (prev. 0.2m). E-ville's balance sheet was approx. EUR 2m at end of March 2021 with an equity ratio of ~50%. No material liabilities will be transferred in the acquisition. The transaction will close in the beginning of April 2022 and the acquired business operations will be consolidated into Verkkokauppa.com's figures from the beginning of Q2'22. E-ville's operations are estimated to have a positive impact of EUR 5-8 million on Verkkokauppa.com's revenue in 2022.

Figure 1: E-ville.com's financials

E-ville.com financials in EURm	3/2021	3/2020
Net sales	10	7
<i>Growth</i>	<i>43%</i>	-
EBIT	0.5	0.21
<i>EBIT-margin</i>	<i>5%</i>	<i>3%</i>

Source: Verkkokauppa.com, Evli Research

Verkkokauppa.com is committed to paying a preliminary purchase price of EUR 5.3m (3.3m with cash and 2.0m with directed share issue). The parties have also agreed to additional purchase price installments of up to approximately EUR 6.7 million payable solely if the combined revenue of own brand products exceeds set target levels during 2022, 2023, and/or 2024. Based on EV/EBIT multiple (including additional installments), e-ville.com is valued with a ~80% premium compared to Verkkokauppa.com. We find the acquisition more as a strategic investment rather than combining two businesses to obtain synergies. With the investment, Verkkokauppa.com obtains functional and ready-to-use sourcing operations in China to enhance its purchasing and private label portfolio. By increasing the share of private label products, the company improves its gross margin on top of the revenue growth.

VERKKOKAUPPA.COM PEER GROUP	EV/Sales			EV/EBITDA			EV/EBIT			Sales CAGR	EPS CAGR
	21	22	23	21	22	23	21	22	23	20-23	20-23
Online-focused Nordic and European peers											
ASOS plc	0.5x	0.4x	0.4x	5.8x	6.7x	5.2x	9.7x	14.6x	10.3x	17.9 %	-0.7 %
BHG Group AB	1.3x	1.1x	0.9x	15.4x	12.3x	10.4x	21.7x	17.4x	14.2x	20.5 %	13.3 %
Boozt AB	1.7x	1.4x	1.2x	19.4x	16.0x	13.3x	29.0x	24.6x	19.8x	22.2 %	13.1 %
Delticom AG	0.3x	0.2x	0.2x	7.3x	5.0x	3.9x	14.5x	7.8x	6.0x	4.7 %	20.6 %
Dustin Group AB	1.0x	0.6x	0.6x	15.6x	11.0x	9.7x	21.5x	14.4x	12.5x	21.4 %	22.5 %
Groupe LDLC SA	0.3x	0.2x	0.2x	3.1x	2.6x	2.0x	3.3x	2.8x	2.1x	2.6 %	1.3 %
Zalando SE	1.5x	1.2x	1.0x	22.6x	20.4x	15.8x	36.2x	34.6x	25.3x	21.5 %	17.4 %
Omnichannel Nordic and European peers											
CECONOMY AG	0.1x	0.1x	0.1x	2.7x	2.6x	2.0x	9.8x	7.4x	5.0x	1.8 %	na.
Clas Ohlson AB Class B	0.9x	0.9x	0.9x	5.7x	5.6x	5.5x	11.7x	11.3x	11.0x	0.8 %	5.5 %
Currys PLC	0.2x	0.2x	0.2x	4.0x	3.7x	3.3x	9.7x	8.1x	6.9x	-0.9 %	15.9 %
ICA Gruppen AB	1.0x	1.0x	0.9x	11.3x	11.3x	11.0x	21.6x	21.7x	21.1x	0.6 %	0.9 %
Kesko Oyj Class B	1.1x	1.1x	1.1x	9.8x	10.4x	10.3x	16.0x	17.5x	17.5x	2.9 %	5.7 %
Kjell Group AB	1.0x	0.9x	0.8x	8.1x	6.5x	5.7x	16.7x	12.4x	10.7x	8.8 %	19.7 %
Musti Group Oyj	2.8x	2.4x	2.1x	16.5x	13.2x	11.2x	32.0x	23.4x	18.4x	9.4 %	19.0 %
Puutilo Oyj	2.8x	2.5x	2.2x	13.0x	11.4x	10.0x	16.0x	14.2x	12.4x	7.4 %	9.0 %
Tokmanni Group Oyj	1.2x	1.2x	1.1x	8.0x	7.9x	7.2x	12.8x	13.0x	11.5x	5.8 %	6.9 %
Unieuro SpA	0.2x	0.2x	0.2x	3.3x	3.2x	2.9x	8.1x	7.9x	7.0x	3.2 %	-6.0 %
XXL ASA	0.7x	0.6x	0.6x	5.2x	4.9x	4.4x	12.4x	12.8x	10.3x	1.3 %	56.7 %
Large international e-commerce peers											
Alibaba Group Holding Ltd. Sponsored ADR	1.9x	1.5x	1.3x	10.3x	8.2x	6.6x	19.2x	14.8x	11.1x	20.0 %	4.3 %
Amazon.com, Inc.	3.4x	2.9x	2.4x	22.3x	19.5x	14.6x	64.4x	51.6x	32.6x	19.8 %	22.2 %
eBay Inc.	4.1x	3.8x	3.5x	10.8x	10.2x	9.4x	12.4x	11.6x	10.7x	5.0 %	15.2 %
JD.com, Inc. Sponsored ADR Class A	0.7x	0.5x	0.4x	40.6x	25.7x	16.7x	123.0x	50.2x	26.2x	24.7 %	24.9 %
Online-focused Nordic and European peers	1.0x	0.6x	0.6x	15.4x	11.0x	9.7x	21.5x	14.6x	12.5x	20.5 %	13.3 %
Omnichannel Nordic and European peers	1.0x	0.9x	0.9x	8.0x	6.5x	5.7x	12.8x	12.8x	11.0x	2.9 %	8.0 %
Large international e-commerce peers	2.7x	2.2x	1.9x	16.6x	14.8x	12.0x	41.8x	32.5x	18.7x	19.9 %	18.7 %
Verkkokauppa.com (Evli est.)	0.5x	0.4x	0.4x	11.6x	9.5x	7.7x	14.4x	11.8x	9.4x	6.0 %	9.6 %
<i>Verkkokauppa.com vs. Online-focused Nordic and European peers median</i>	-47%	-33%	-35%	-25%	-14%	-20%	-33%	-19%	-25%		
<i>Verkkokauppa.com vs. Retail Nordic and European peers median</i>	-49%	-53%	-57%	45%	47%	36%	12%	-8%	-15%		
VERKKOKAUPPA.COM PEER GROUP	P/E			EBIT-%			Div-%			ROE	P/B
	21	22	23	21	22	23	21	22	23	21	21
Online-focused Nordic and European peers											
ASOS plc	17.1x	25.7x	18.7x	5.1%	3.0%	3.6%	0.0%	0.0%	0.0%	12.3%	12.3x
BHG Group AB	21.8x	18.8x	15.7x	6.1%	6.1%	6.6%	0.0%	0.0%	0.0%	10.5%	10.5x
Delticom AG	15.9x	7.2x	6.5x	1.9%	3.1%	3.3%	0.0%	0.0%	0.0%	17.8%	17.8x
Dustin Group AB	17.5x	14.3x	12.5x	4.4%	4.4%	4.7%	2.3%	3.8%	4.8%	13.4%	13.4x
Groupe LDLC SA	6.2x	6.0x	5.6x	8.4%	8.0%	8.2%	5.5%	6.0%	6.5%	31.7%	31.7x
Zalando SE	64.9x	61.4x	44.7x	4.1%	3.6%	4.1%	0.0%	0.0%	0.0%	11.0%	11.0x
Omnichannel Nordic and European peers											
CECONOMY AG	10.2x	7.9x	6.1x	1.3%	1.8%	2.2%	3.3%	3.6%	4.6%	19.5%	19.5x
Clas Ohlson AB Class B	14.3x	14.0x	13.8x	8.1%	8.1%	8.2%	5.9%	6.0%	6.1%	22.5%	22.5x
Currys PLC	9.4x	7.1x	6.4x	2.5%	3.0%	3.3%	3.1%	3.9%	4.6%	5.0%	5.0x
ICA Gruppen AB	23.9x	24.7x	24.1x	4.6%	4.5%	4.5%	2.4%	2.5%	2.5%	12.2%	12.2x
Kesko Oyj Class B	18.8x	20.8x	20.9x	6.9%	6.2%	6.1%	3.7%	3.6%	3.8%	22.4%	22.4x
Kjell Group AB	17.9x	11.9x	10.5x	6.2%	7.1%	7.3%	0.0%	5.0%	5.8%	11.5%	11.5x
Musti Group Oyj	39.4x	29.6x	23.4x	8.8%	10.4%	11.7%	1.6%	2.4%	3.2%	14.4%	14.4x
Puutilo Oyj	18.9x	16.6x	14.6x	17.3%	17.4%	17.6%	4.3%	4.9%	5.6%	59.8%	59.8x
Tokmanni Group Oyj	13.6x	13.7x	12.2x	9.4%	8.9%	9.5%	5.3%	5.5%	5.9%	31.9%	31.9x
Unieuro SpA	7.5x	7.5x	6.9x	2.3%	2.3%	2.5%	6.6%	6.6%	7.2%	34.4%	34.4x
XXL ASA	11.6x	11.9x	9.1x	5.5%	4.9%	5.8%	13.0%	3.9%	5.6%	8.3%	8.3x
Large international e-commerce peers											
Alibaba Group Holding Ltd. Sponsored ADR	15.4x	13.4x	11.4x	10.1%	10.4%	11.7%	0.0%	0.0%	0.0%	12.9%	12.9x
Amazon.com, Inc.	49.1x	65.2x	43.6x	5.3%	5.6%	7.4%	0.0%	0.0%	0.0%	23.9%	23.9x
eBay Inc.	14.8x	12.9x	11.8x	33.2%	32.7%	32.9%	1.2%	1.3%	1.2%	31.1%	31.1x
JD.com, Inc. Sponsored ADR Class A	48.4x	36.3x	25.2x	0.5%	1.1%	1.7%	0.0%	0.0%	0.0%	7.6%	7.6x
Online-focused Nordic and European peers	17.3x	16.6x	14.1x	4.8%	4.0%	4.4%	0.0%	0.0%	0.0%	12.8%	12.8x
Omnichannel Nordic and European peers	14.3x	13.7x	12.2x	6.2%	6.2%	6.1%	3.7%	3.9%	5.6%	19.5%	19.5x
Large international e-commerce peers	31.9x	24.8x	18.5x	7.7%	8.0%	9.6%	0.0%	0.0%	0.0%	18.4%	18.4x
Verkkokauppa.com (Evli est.)	19.5x	17.3x	14.2x	3.5 %	3.7 %	4.1 %	3.8%	4.1%	4.3%	39.5%	8.2x
<i>Verkkokauppa.com vs. Online-focused Nordic and European peers median</i>	13%	5%	1%								-36%
<i>Verkkokauppa.com vs. Retail Nordic and European peers median</i>	36%	26%	17%								-58%

Source: Factset, Evli Research

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC	
Current share price	6.45 PV of Free Cash Flow	222 Long-term growth, %	2.0 Risk-free interest rate, %	2.25
DCF share value	12.39 PV of Horizon value	331 WACC, %	7.0 Market risk premium, %	5.8
Share price potential, %	92.1 Unconsolidated equity	0 Spread, %	0.5 Debt risk premium, %	2.8
Maximum value	13.7 Marketable securities	21 Minimum WACC, %	6.5 Equity beta coefficient	0.80
Minimum value	11.3 Debt - dividend	-20 Maximum WACC, %	7.5 Target debt ratio, %	20
Horizon value, %	59.9 Value of stock	554 Nr of shares, Mn	44.7 Effective tax rate, %	26

DCF valuation, EURm	2021	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	Horizon
Net sales	574	610	660	712	734	748	763	779	794	810	826	843
<i>Sales growth, %</i>	<i>3.8</i>	<i>6.2</i>	<i>8.2</i>	<i>8.0</i>	<i>3.0</i>	<i>2.0</i>	<i>2.0</i>	<i>2.0</i>	<i>2.0</i>	<i>2.0</i>	<i>2.0</i>	<i>2.0</i>
Operating income (EBIT)	20	22	27	31	33	34	34	35	36	36	37	38
<i>Operating income margin, %</i>	<i>3.5</i>	<i>3.7</i>	<i>4.1</i>	<i>4.4</i>	<i>4.5</i>	<i>4.5</i>	<i>4.5</i>	<i>4.5</i>	<i>4.5</i>	<i>4.5</i>	<i>4.5</i>	<i>4.5</i>
+ Depreciation+amort.	5	5	6	6	6	5	5	5	5	5	5	5
EBITDA	25	28	33	37	39	39	40	40	41	42	42	
- Paid taxes	-4	-4	-5	-6	-7	-7	-7	-7	-7	-7	-7	-7
- Change in NWC	-14	17	2	1	0	0	0	0	0	0	0	0
<i>NWC / Sales, %</i>	<i>1.3</i>	<i>-1.5</i>	<i>-1.7</i>	<i>-1.8</i>	<i>-1.8</i>	<i>-1.8</i>	<i>-1.8</i>	<i>-1.8</i>	<i>-1.8</i>	<i>-1.8</i>	<i>-1.8</i>	<i>-1.9</i>
+ Change in other liabs	0	0	0	0	0	0	0	0	0	0	0	0
- Operative CAPEX	-5	-2	-2	-2	-2	-2	-2	-2	-3	-3	-3	-4
<i>opCAPEX / Sales, %</i>	<i>1.3</i>	<i>1.0</i>	<i>0.9</i>	<i>0.7</i>	<i>0.7</i>	<i>0.6</i>	<i>0.6</i>	<i>0.7</i>	<i>0.7</i>	<i>0.7</i>	<i>0.7</i>	<i>0.8</i>
- Acquisitions	0	0	0	0	0	0	0	0	0	0	0	0
+ Divestments	0	0	0	0	0	0	0	0	0	0	0	0
- Other items	0	0	0	0	0	0	0	0	0	0	0	0
= FCFF	3	38	28	30	30	31	31	31	31	32	32	648
= Discounted FCFF		35	24	25	23	22	21	20	18	17	16	331
= DFCF min WACC		35	24	25	24	23	21	20	19	18	17	386
= DFCF max WACC		35	24	24	23	22	20	19	18	17	16	288

INTERIM FIGURES

EVLI ESTIMATES, EURm	2021Q1	2021Q2	2021Q3	2021Q4	2021	2022Q1E	2022Q2E	2022Q3E	2022Q4E	2022E	2023E	2024E
Net sales	134.0	130.5	141.0	168.9	574.5	133.6	133.5	152.5	190.4	610.0	659.7	712.4
EBITDA	6.5	6.3	5.8	6.6	25.2	5.1	5.2	7.9	9.4	27.6	32.6	37.2
<i>EBITDA margin (%)</i>	<i>4.9</i>	<i>4.8</i>	<i>4.1</i>	<i>3.9</i>	<i>4.4</i>	<i>3.8</i>	<i>3.9</i>	<i>5.2</i>	<i>4.9</i>	<i>4.5</i>	<i>4.9</i>	<i>5.2</i>
EBIT	5.2	5.1	4.7	5.3	20.3	3.9	3.9	6.5	8.1	22.3	26.8	31.3
<i>EBIT margin (%)</i>	<i>3.9</i>	<i>3.9</i>	<i>3.3</i>	<i>3.2</i>	<i>3.5</i>	<i>2.9</i>	<i>2.9</i>	<i>4.3</i>	<i>4.2</i>	<i>3.7</i>	<i>4.1</i>	<i>4.4</i>
Net financial items	-0.3	-0.4	-0.3	-0.3	-1.4	-0.4	-0.4	-0.4	-0.4	-1.5	-1.5	-0.6
Pre-tax profit	4.9	4.7	4.3	5.0	18.9	3.5	3.5	6.1	7.7	20.8	25.3	30.8
Tax	-1.0	-1.0	-0.9	-1.0	-3.9	-0.7	-0.7	-1.2	-1.5	-4.2	-5.1	-6.2
<i>Tax rate (%)</i>	<i>20.4</i>	<i>21.3</i>	<i>20.0</i>	<i>20.1</i>	<i>20.5</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	3.9	3.7	3.5	4.0	15.1	2.8	2.8	4.9	6.2	16.7	20.3	24.6
EPS	0.09	0.08	0.08	0.09	0.34	0.06	0.06	0.11	0.14	0.37	0.45	0.55
EPS adjusted (diluted no. of shares)	0.09	0.08	0.08	0.09	0.34	0.06	0.06	0.11	0.14	0.37	0.45	0.55
Dividend per share	0.00	0.00	0.00	0.00	0.25	0.00	0.00	0.00	0.00	0.27	0.28	0.40
SALES, EURm												
Verkkokauppa.com	134.0	130.5	141.0	168.9	574.5	133.6	133.5	152.5	190.4	610.0	659.7	712.4
Total	134.0	130.5	141.0	168.9	574.5	133.6	133.5	152.5	190.4	610.0	659.7	712.4
SALES GROWTH, Y/Y %												
Verkkokauppa.com	<i>7.0</i>	<i>6.1</i>	<i>9.1</i>	<i>-4.0</i>	<i>3.8</i>	<i>-0.3</i>	<i>2.3</i>	<i>8.1</i>	<i>12.7</i>	<i>6.2</i>	<i>8.2</i>	<i>8.0</i>
Total	<i>7.0</i>	<i>6.1</i>	<i>9.1</i>	<i>-4.0</i>	<i>3.8</i>	<i>-0.3</i>	<i>2.3</i>	<i>8.1</i>	<i>12.7</i>	<i>6.2</i>	<i>8.2</i>	<i>8.0</i>
EBIT, EURm												
Verkkokauppa.com	5.2	5.1	4.7	5.3	20.3	3.9	3.9	6.5	8.1	22.3	26.8	31.3
Total	5.2	5.1	4.7	5.3	20.3	3.9	3.9	6.5	8.1	22.3	26.8	31.3
EBIT margin, %												
Verkkokauppa.com	<i>3.9</i>	<i>3.9</i>	<i>3.3</i>	<i>3.2</i>	<i>3.5</i>	<i>2.9</i>	<i>2.9</i>	<i>4.3</i>	<i>4.2</i>	<i>3.7</i>	<i>4.1</i>	<i>4.4</i>
Total	<i>3.9</i>	<i>3.9</i>	<i>3.3</i>	<i>3.2</i>	<i>3.5</i>	<i>2.9</i>	<i>2.9</i>	<i>4.3</i>	<i>4.2</i>	<i>3.7</i>	<i>4.1</i>	<i>4.4</i>

INCOME STATEMENT, EURm	2017	2018	2019	2020	2021	2022E	2023E	2024E
Sales	431.9	477.8	504.1	553.6	574.5	610.0	659.7	712.4
<i>Sales growth (%)</i>	<i>16.3</i>	<i>10.6</i>	<i>5.5</i>	<i>9.8</i>	<i>3.8</i>	<i>6.2</i>	<i>8.2</i>	<i>8.0</i>
EBITDA	18.0	18.4	16.2	25.4	25.2	27.6	32.6	37.2
<i>EBITDA margin (%)</i>	<i>4.2</i>	<i>3.9</i>	<i>3.2</i>	<i>4.6</i>	<i>4.4</i>	<i>4.5</i>	<i>4.9</i>	<i>5.2</i>
Depreciation	-4.6	-5.1	-4.9	-5.0	-5.0	-5.3	-5.8	-5.8
EBITA	13.5	13.3	11.3	20.4	20.3	22.3	26.8	31.3
Goodwill amortization / writedown	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	13.5	13.3	11.3	20.4	20.3	22.3	26.8	31.3
<i>EBIT margin (%)</i>	<i>3.1</i>	<i>2.8</i>	<i>2.2</i>	<i>3.7</i>	<i>3.5</i>	<i>3.7</i>	<i>4.1</i>	<i>4.4</i>
Reported EBIT	13.5	13.3	11.3	19.6	20.3	22.3	26.8	31.3
<i>EBIT margin (reported) (%)</i>	<i>3.1</i>	<i>2.8</i>	<i>2.2</i>	<i>3.5</i>	<i>3.5</i>	<i>3.7</i>	<i>4.1</i>	<i>4.4</i>
Net financials	-1.6	-1.7	-1.5	-1.4	-1.4	-1.5	-1.5	-0.6
Pre-tax profit	11.8	11.7	9.8	19.0	18.9	20.8	25.3	30.8
Taxes	-2.4	-2.3	-1.9	-3.5	-3.9	-4.2	-5.1	-6.2
Minority shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit	9.4	9.3	7.8	14.7	15.1	16.7	20.3	24.6
Cash NRIs	0.0	0.0	0.0	-0.8	0.0	0.0	0.0	0.0
Non-cash NRIs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
BALANCE SHEET, EURm								
Assets								
Fixed assets	5	5	4	4	7	9	9	10
Goodwill	0	0	0	0	0	0	0	0
Right of use assets	25	22	19	17	16	15	15	14
Inventory	47	66	67	75	88	82	87	94
Receivables	20	27	27	33	35	37	40	43
Liquid funds	52	47	42	43	21	41	52	65
Total assets	149	168	160	174	169	186	204	226
Liabilities								
Shareholder's equity	37	38	37	41	36	41	50	62
Minority interest	0	0	0	0	0	0	0	0
Convertibles	0	0	0	0	0	0	0	0
Lease liabilities	29	26	23	22	20	15	15	14
Deferred taxes	0	0	0	0	0	0	0	0
Interest bearing debt	0	0	0	0	0	0	0	0
Non-interest bearing current liabilities	82	103	100	110	116	128	139	150
Other interest-free debt	0	0	0	0	0	0	0	0
Total liabilities	149	168	160	174	172	186	204	226
CASH FLOW, EURm								
+ EBITDA	18	18	16	25	25	28	33	37
- Net financial items	-2	-2	-1	-1	-1	-1	-1	-1
- Taxes	-4	-3	-2	-2	-4	-4	-5	-6
- Increase in Net Working Capital	10	-5	-3	-5	-14	17	2	1
+/- Other	0	0	1	0	0	0	0	0
= Cash flow from operations	23	9	10	17	7	39	28	32
- Capex	-2	-2	-2	-4	-8	-6	-6	-5
- Acquisitions	0	0	0	0	0	0	0	0
+ Divestments	0	0	0	0	0	0	0	0
= Free cash flow	21	6	8	13	-1	32	22	27
+/- New issues/buybacks	-4	0	0	-1	0	0	0	0
- Paid dividend	-7	-8	-9	-10	-20	-11	-12	-13
+/- Other	0	-3	-3	-2	-1	-1	0	-1
Change in cash	10	-5	-4	1	-22	20	10	13

KEY FIGURES	2018	2019	2020	2021	2022E	2023E	2024E
M-cap	185	159	320	293	289	289	289
Net debt (excl. convertibles)	-20	-19	-21	-1	-26	-36	-51
Enterprise value	164	140	299	292	263	252	238
Sales	478	504	554	574	610	660	712
EBITDA	18	16	25	25	28	33	37
EBIT	13	11	20	20	22	27	31
Pre-tax	12	10	19	19	21	25	31
Earnings	9	8	15	15	17	20	25
Equity book value (excl. minorities)	38	37	41	36	41	50	62
Valuation multiples							
EV/sales	0.3	0.3	0.5	0.5	0.4	0.4	0.3
EV/EBITDA	8.9	8.7	11.8	11.6	9.5	7.7	6.4
EV/EBITA	12.3	12.4	14.6	14.4	11.8	9.4	7.6
EV/EBIT	12.3	12.4	14.6	14.4	11.8	9.4	7.6
EV/OCF	18.5	14.4	17.7	43.8	6.8	8.9	7.5
EV/FCFF	18.6	14.4	18.8	101.0	7.0	9.1	7.9
P/FCFE	28.7	20.6	24.9	-302.4	8.9	12.9	10.7
P/E	19.8	20.4	20.7	19.5	17.3	14.2	11.7
P/B	4.9	4.4	7.9	8.2	7.0	5.8	4.7
Target EV/EBITDA	0.0	0.0	0.0	0.0	9.6	7.8	6.5
Target EV/EBIT	0.0	0.0	0.0	0.0	11.9	9.5	7.7
Target EV/FCF	0.0	0.0	0.0	0.0	8.2	11.4	8.9
Target P/B	0.0	0.0	0.0	0.0	7.0	5.8	4.7
Target P/E	0.0	0.0	0.0	0.0	17.5	14.4	11.8
Per share measures							
Number of shares	45,065	45,065	44,907	44,742	44,742	44,742	44,742
Number of shares (diluted)	45,065	45,065	44,907	44,742	44,742	44,742	44,742
EPS	0.21	0.17	0.34	0.34	0.37	0.45	0.55
Operating cash flow per share	0.20	0.22	0.38	0.15	0.87	0.63	0.71
Free cash flow per share	0.14	0.17	0.29	-0.02	0.72	0.50	0.60
Book value per share	0.83	0.81	0.90	0.80	0.92	1.11	1.38
Dividend per share	0.20	0.21	0.45	0.25	0.27	0.28	0.40
Dividend payout ratio, %	95.6	123.4	130.7	73.1	71.2	61.8	73.1
Dividend yield, %	4.8	6.1	6.3	3.8	4.1	4.3	6.2
FCF yield, %	3.5	4.9	4.0	-0.3	11.2	7.8	9.3
Efficiency measures							
ROE	25.1	21.1	40.1	39.5	43.3	44.5	44.1
ROCE	20.5	18.2	33.4	34.3	39.6	44.1	44.6
Financial ratios							
Inventories as % of sales	13.8	13.2	13.6	15.3	13.4	13.2	13.2
Receivables as % of sales	5.7	5.4	5.9	6.2	6.1	6.1	6.0
Non-interest bearing liabilities as % of sales	21.6	19.7	19.9	20.1	21.0	21.0	21.0
NWC/sales, %	-2.2	-1.1	-0.4	1.3	-1.5	-1.7	-1.8
Operative CAPEX/sales, %	0.5	0.4	0.7	1.3	1.0	0.9	0.7
CAPEX/sales (incl. acquisitions), %	0.5	0.4	0.7	1.3	1.0	0.9	0.7
FCFF/EBITDA	0.5	0.6	0.6	0.1	1.4	0.8	0.8
Net debt/EBITDA, book-weighted	-1.1	-1.2	-0.8	0.0	-0.9	-1.1	-1.4
Debt/equity, market-weighted	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Equity ratio, book-weighted	23.0	23.4	24.5	21.4	23.0	25.0	28.1
Gearing, %	-54.3	-52.1	-52.2	-2.2	-62.7	-73.3	-82.3

COMPANY DESCRIPTION: Verkkokauppa.com is the most popular Finnish online retailer, offering over 65,000 products in over 26 different main product categories. The company has four physical stores and sells both B2C and B2B, with consumer electronics being its largest category.

INVESTMENT CASE: The company has a strong track record of growth with a revenue CAGR of 12.6% in 2010-2019. Growth has been primarily driven by market share increases which have been supported by competitive pricing, strong online positioning and new product categories. The company's cost structure is scalable and efficient caused by the small physical footprint which enables competitive pricing and strong resilience against competition in the market.

OWNERSHIP STRUCTURE	SHARES	EURm	%
Seppälä Samuli	15,957,000	102.923	35.7%
Keskinäinen Työeläkevakuutusyhtiö Varma	3,865,932	24.935	8.6%
Mandatum Henkivakuutusosakeyhtiö	2,192,211	14.140	4.9%
Keskinäinen Eläkevakuutusyhtiö Ilmarinen	2,174,309	14.024	4.9%
Sijoitusrahasto Nordea Nordic Small Cap	1,476,669	9.525	3.3%
Sijoitusrahasto Evli Suomi Pienyhtiöt	1,230,000	7.933	2.7%
Skogberg Ville Johannes	634,266	4.091	1.4%
Keskinäinen Vakuutusyhtiö Kaleva	566,475	3.654	1.3%
Op-Suomi Pienyhtiöt	485,603	3.132	1.1%
Säästöpankki Kotimaa -Sijoitusrahasto	423,000	2.728	0.9%
Ten largest	29,005,465	187.085	65%
Residual	15,736,268	101.499	35%
Total	44,741,733	288.584	100%

EARNINGS CALENDAR

OTHER EVENTS

COMPANY MISCELLANEOUS

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Tyynenmerenkatu 11, 00220 Helsinki

CFO: Mikko Forsell

Tel: +358 10 309 5555

IR: Marja Mäkinen

DEFINITIONS

P/E	$\frac{\text{Price per share}}{\text{Earnings per share}}$	EPS	$\frac{\text{Profit before extraord. items and taxes} - \text{income taxes} + \text{minority interest}}{\text{Number of shares}}$
P/BV	$\frac{\text{Price per share}}{\text{Shareholders' equity} + \text{taxed provisions per share}}$	DPS	Dividend for the financial period per share
Market cap	Price per share * Number of shares	OCF (Operating cash flow)	EBITDA – Net financial items – Taxes – Increase in working capital – Cash NRIs ± Other adjustments
EV (Enterprise value)	Market cap + net debt + minority interest at market value – share of associated companies at market value	FCF (Free cash flow)	Operating cash flow – operative CAPEX – acquisitions + divestments
EV/Sales	$\frac{\text{Enterprise value}}{\text{Sales}}$	FCF yield, %	$\frac{\text{Free cash flow}}{\text{Market cap}}$
EV/EBITDA	$\frac{\text{Enterprise value}}{\text{Earnings before interest, tax, depreciation and amortization}}$	Operative CAPEX/sales	$\frac{\text{Capital expenditure} - \text{divestments} - \text{acquisitions}}{\text{Sales}}$
EV/EBIT	$\frac{\text{Enterprise value}}{\text{Operating profit}}$	Net working capital	Current assets – current liabilities
Net debt	Interest bearing debt – financial assets	Capital employed/Share	$\frac{\text{Total assets} - \text{non-interest bearing debt}}{\text{Number of shares}}$
Total assets	Balance sheet total	Gearing	$\frac{\text{Net debt}}{\text{Equity}}$
Div yield, %	$\frac{\text{Dividend per share}}{\text{Price per share}}$	Debt/Equity, %	$\frac{\text{Interest bearing debt}}{\text{Shareholders' equity} + \text{minority interest} + \text{taxed provisions}}$
Payout ratio, %	$\frac{\text{Total dividends}}{\text{Earnings before extraordinary items and taxes} - \text{income taxes} + \text{minority interest}}$	Equity ratio, %	$\frac{\text{Shareholders' equity} + \text{minority interest} + \text{taxed provisions}}{\text{Total assets} - \text{interest-free loans}}$
ROCE, %	$\frac{\text{Profit before extraordinary items} + \text{interest expenses} + \text{other financial costs}}{\text{Balance sheet total} - \text{non-interest bearing debt (average)}}$	CAGR, %	Cumulative annual growth rate = Average growth per year
ROE, %	$\frac{\text{Profit before extraordinary items and taxes} - \text{income taxes}}{\text{Shareholder's equity} + \text{minority interest} + \text{taxed provisions (average)}}$		

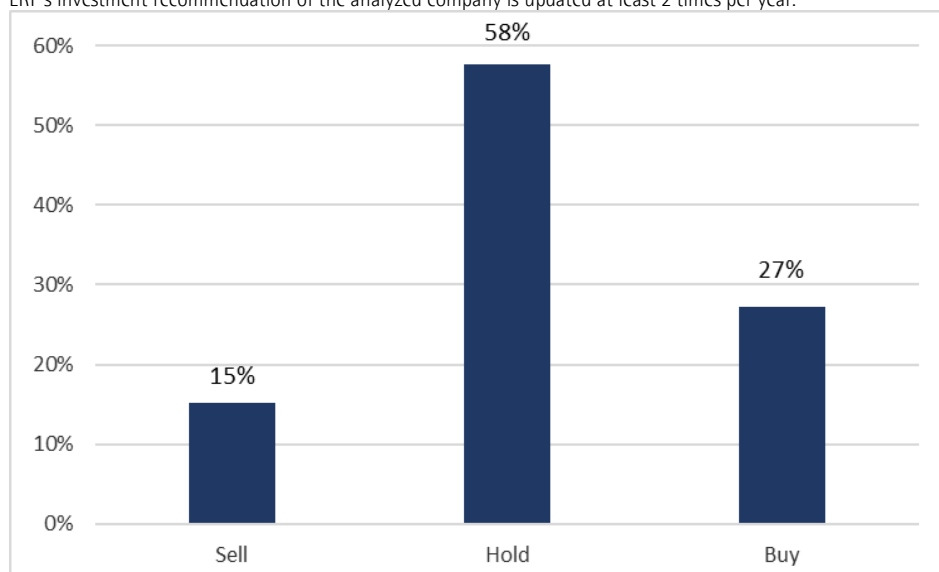
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Target price compared to share price	Recommendation
< -10 %	SELL
-10 – (+10) %	HOLD
> 10 %	BUY

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

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