

## Weak market decelerates sales development

Verkkokauppa.com downgraded its 2022 guidance. Now, the company expects revenue of EUR 530–590m and adj. EBIT of EUR 12–19m. We retain our HOLD-rating and adjust our TP to EUR 4.7 (6.0).

### Weak market and war behind the guidance revision

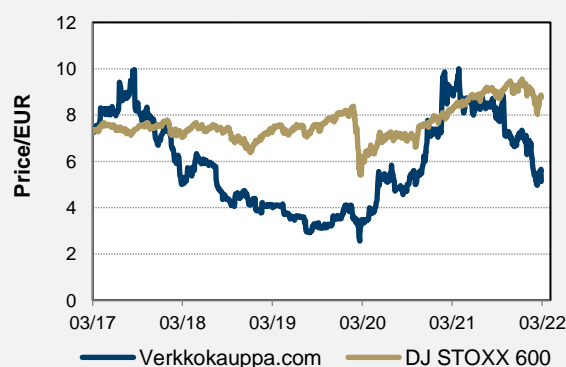
Verkkokauppa.com downgraded its FY'22 guidance from expecting revenue of EUR 590–640m and adj. EBIT of EUR 19–25m to revenue of EUR 530–590m and adj. EBIT of EUR 12–19m. The start of the year 2022 has been tough and consumer demand has been lacking in durable goods. Russia's military attack on Ukraine has further decelerated consumer activity. Furthermore, Verkkokauppa.com decided to stop export deliveries to Russia which in 2021 represented roughly EUR 20m, half of the Exports segment's sales. According to the company's management, B2B segment has continued its good performance, and in our understanding, the geopolitical situation hasn't affected the business. Softness in the Finnish consumer electronics market has also infected the demand for evolving product categories, but we expect the evolving categories to recover faster than the main categories. The component shortage has continued and is expected to impact on product availability throughout the year. The company's management has indicated that possible material cost increases could be shifted to consumer prices. If the uncertainty diminishes during H1 or early H2'22 and consumer demand picks a bit up, the guidance is, in our view, quite cautious.

### Normalization of the demand in H2'22 seems uncertain

Before the profit warning, we expected H1'22 to be tough and the demand to recover during H2'22, but now the recovery seems uncertain and H1'22 is clearly weaker than we and markets were expecting. A wide guidance range also indicates the uncertainty among Verkkokauppa.com's management. In addition to uncertainty, low attractiveness of consumer goods is also explained by consumer demand's shift to services. Moreover, during the pandemic, consumers invested in expensive electronics devices that drove strong sales development in that time.

## Rating

■ HOLD



Share price, EUR (Last trading day's closing price)	5.13
Target price, EUR	4.7

Latest change in	04-Feb-22
Latest report on company	23-Mar-22
Research paid by issuer:	YES
No. of shares outstanding,	44,742
No. of shares fully diluted,	44,742
Market cap, EURm	230
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	<a href="http://verkkokauppa.com/en/investors/">verkkokauppa.com/en/investors/</a>

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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	21.2	0.6	15.7	-0.3	0.25
2022E	565.1	15.8	2.8%	26.2	0.26	20.0	0.4	13.2	11.4	0.27
2023E	608.0	20.9	3.4%	17.4	0.35	14.8	0.3	9.8	7.6	0.28
2024E	656.7	25.2	3.8%	21.9	0.44	11.7	0.3	7.7	9.5	0.29
Market cap, EURm		230	Gearing 2022E, %			-54.8	CAGR EPS 2021-24, %			9.3
Net debt 2022E, EURm		-20	Price/book 2022E			6.3	CAGR sales 2021-24, %			4.6
Enterprise value, EURm		210	Dividend yield 2022E, %			5.2	ROE 2022E, %			32.0
Total assets 2022E, EURm		171	Tax rate 2022E, %			20.0	ROCE 2022E, %			29.5
Goodwill 2022E, EURm		0	Equity ratio 2022E, %			21.9	PEG, P/E 22/CAGR			0.8

**We made significant downgrades to our estimates**

As a result of the profit warning, we have downgraded our estimates. With the exit of Russian exports, the company expects the Export segment not to recover during 2022. Given the fact that B2B has performed well during 2022, the hardest hit was taken by the consumer segment. Thus, we expect a double-digit decline both in consumer and exports segments while B2B is expected to grow strongly during H1'22. We expect consumer demand to start to recover during Q3 and the topline to get back on a clear growth path in Q4'22. In Q1'22 we expect net sales to decline by 10.4% to EUR 120.1m, driven by weak consumer demand and the end of Russian exports. In our estimates, Q1 operating profit is weak, totaling EUR 2.1m (1.8% margin). Weaker profitability is driven by decreased revenue and a relatively weak gross margin. 2021 full-year estimates lands to bit over the midpoint of the guidance, revenue to EUR 565.1m and EBIT to EUR 15.8m (2.8% margin). During 2023-24E, we expect Verkkokauppa.com's topline to grow by 7.6% and 8% respectively as well as the company to reach an EBIT margin of 3.4% and 3.8% respectively.

**HOLD with a target price of EUR 4.7 (6.0)**

Our 22E EBIT estimate was downgraded by some 28% and 22E EPS by some 24%, and we find significant pressure to downgrade our target price after the company's profit warning. Currently, Verkkokauppa.com trades with 22-23E P/E multiples of 20-15x while with our current target price of EUR 6.0 the corresponding multiple is 23-17x. At the same time, the company's omnichannel peers are valued with 22-23E P/E multiples of 11-10x, indicating that the company is valued with ~70% premium over its peers. We find it difficult to accept a premium of 70%, given weak market conditions and uncertain near future. However, with a dividend yield of ~5%, it's reasonable to stay on the company's ride. In addition, the annual EPS growth of 24% (CAGR 2022-25) is supporting the long-run return potential. Our new target price implies 22-23E P/E multiples of 18-14x which are still quite stretched compared to peer group median. We retain our HOLD-rating and adjust our target price to EUR 4.7 (6.0).

Figure 1: Peer group valuation

VERKKOKAUPPA.COM PEER GROUP	EV/Sales			EV/EBITDA			EV/EBIT			Sales CAGR	EPS CAGR
	22	23	24	22	23	24	22	23	24	21-24	21-24
<b>Online-focused Nordic and European peers</b>											
ASOS plc	0.3x	0.3x	0.2x	5.2x	4.0x	3.1x	11.7x	8.2x	5.8x	13.8 %	4.6 %
BHG Group AB	0.8x	0.7x	0.6x	10.1x	8.2x	6.8x	14.1x	11.0x	8.9x	14.3 %	18.6 %
Boozt AB	1.1x	0.9x	0.7x	12.3x	10.1x	8.0x	19.4x	15.3x	11.8x	19.9 %	24.5 %
Delticom AG	0.2x	0.2x		4.1x	3.1x		5.4x	4.3x		2.3 %	53.5 %
Dustin Group AB	0.6x	0.5x	0.5x	9.9x	8.6x	7.8x	13.0x	11.1x	9.9x	16.1 %	13.3 %
Groupe LDLC SA	0.2x	0.2x		2.6x	1.8x		3.5x	2.4x		2.7 %	7.2 %
Zalando SE	0.9x	0.8x	0.7x	15.7x	12.1x	9.4x	27.1x	19.4x	14.2x	16.4 %	28.7 %
<b>Omnichannel retail Nordic and European peers</b>											
CECONOMY AG	0.1x	0.1x	0.1x	2.5x	1.9x	2.1x	6.7x	4.6x	5.0x	1.6 %	23.8 %
Clas Ohlson AB Class B	0.8x	0.8x		5.2x	5.0x		11.3x	10.7x		2.8 %	2.0 %
Currys PLC	0.2x	0.2x		3.6x	3.2x		7.8x	6.5x		-1.0 %	21.8 %
ICA Gruppen AB										2.5 %	-0.5 %
Kesko Oyj Class B	1.0x	1.0x	1.0x	9.9x	9.8x	9.6x	16.7x	16.7x	16.2x	1.7 %	-2.1 %
Kjell Group AB	0.8x	0.7x	0.6x	5.6x	5.0x	4.1x	10.7x	9.2x	7.4x	7.0 %	8.4 %
Musti Group Oyj	2.3x	2.0x	1.8x	12.6x	10.5x	9.3x	22.6x	17.5x	14.5x	6.8 %	14.4 %
Puuiilo Oyj	2.2x	2.0x		10.3x	9.1x		12.8x	11.2x		6.7 %	7.1 %
Tokmanni Group Oyj	1.0x	1.0x	0.9x	7.0x	6.5x	6.0x	11.5x	10.5x	9.4x	5.3 %	6.6 %
Unieuro SpA	0.2x	0.2x		3.9x	3.6x		9.4x	8.7x		-0.4 %	0.4 %
XXL ASA	0.6x	0.6x	0.4x	4.4x	4.2x	2.8x	12.7x	10.5x	6.5x	5.2 %	32.3 %
<b>Large international e-commerce peers</b>											
Alibaba Group Holding Ltd Sponsored ADR	1.5x	1.2x	0.8x	7.9x	6.1x	4.5x	15.1x	10.7x	7.3x	13.6 %	11.9 %
Amazon.com, Inc.	3.0x	2.5x	2.2x	20.2x	15.4x	11.6x	52.9x	34.2x	21.9x	17.3 %	20.3 %
eBay Inc.	3.7x	3.5x	3.2x	10.4x	9.7x	9.0x	12.0x	11.1x	10.0x	3.7 %	10.0 %
JD.com, Inc. Sponsored ADR Class A	0.5x	0.4x	0.3x	22.6x	14.1x	9.2x	45.7x	22.3x	13.2x	17.8 %	32.3 %
<b>Online-focused Nordic and European peers</b>	0.6x	0.5x	0.6x	9.9x	8.2x	7.8x	13.0x	11.0x	9.9x	14.3 %	18.6 %
<b>Omnichannel retail Nordic and European peers</b>	0.8x	0.7x	0.7x	5.4x	5.0x	5.0x	11.4x	10.5x	8.4x	2.8 %	7.1 %
<b>Large international e-commerce peers</b>	2.3x	1.9x	1.5x	15.3x	11.9x	9.1x	30.4x	16.7x	11.6x	15.4 %	16.1 %
<b>Verkkokauppa.com (Evli est.)</b>	0.4x	0.3x	0.3x	9.9x	7.7x	6.3x	13.2x	9.8x	7.7x	4.6 %	9.3 %
<i>Verkkokauppa.com vs. Online-focused Nordic and European peers median</i>	-33%	-35%	-51%	0%	-6%	-19%	2%	-12%	-22%		
<i>Verkkokauppa.com vs. Omnichannel retail Nordic and European peers median</i>	-54%	-55%	-59%	83%	53%	25%	17%	-7%	-8%		
VERKKOKAUPPA.COM PEER GROUP	P/E			EBIT-%			Div-%			ROE	P/B
	22	23	24	22	23	24	22	23	24	22	22
<b>Online-focused Nordic and European peers</b>											
ASOS plc	20.7x	15.1x	11.6x	2.9%	3.4%	3.8%	0.0%	0.0%	0.0%	7.4%	1.5x
BHG Group AB	14.0x	10.7x	9.4x	6.0%	6.5%	6.8%	0.0%	0.0%	0.0%	10.6%	1.5x
Boozt AB	27.0x	21.6x	17.4x	5.5%	5.7%	6.2%	0.0%	0.0%	0.1%	12.1%	3.3x
Delticom AG	4.4x	4.2x		4.3%	4.3%		0.0%	0.0%		34.6%	1.5x
Dustin Group AB	12.2x	10.6x	9.8x	4.3%	4.6%	4.8%	4.5%	5.7%	6.4%	15.0%	1.8x
Groupe LDLC SA	6.4x	5.4x		5.7%	6.4%		6.7%	7.4%		23.7%	1.5x
Zalando SE	49.7x	34.5x	25.8x	3.5%	4.1%	4.7%	0.0%	0.0%	0.1%	10.4%	5.2x
<b>Omnichannel retail Nordic and European peers</b>											
CECONOMY AG	6.8x	5.4x	4.7x	1.8%	2.2%	2.3%	4.7%	6.0%	6.9%	21.7%	1.5x
Clas Ohlson AB Class B	13.4x	13.0x		7.4%	7.5%		6.5%	6.5%		24.7%	3.3x
Currys PLC	6.6x	5.7x		3.0%	3.3%		4.4%	5.1%		5.4%	0.4x
ICA Gruppen AB				4.5%	4.5%					11.3%	
Kesko Oyj Class B	19.5x	19.8x	19.0x	6.2%	6.1%	6.2%	4.0%	4.0%	4.4%	19.2%	3.8x
Kjell Group AB	10.0x	8.9x	7.9x	7.2%	7.3%	7.5%	6.0%	6.9%	7.9%	15.0%	1.5x
Musti Group Oyj	27.4x	21.6x	18.3x	10.3%	11.7%	12.5%	2.6%	3.5%	4.2%	17.6%	4.8x
Puuiilo Oyj	14.8x	13.0x	12.1x	17.2%	17.5%	18.1%	5.5%	6.3%	6.6%	49.2%	7.3x
Tokmanni Group Oyj	11.7x	10.7x	9.8x	9.0%	9.3%	9.5%	6.4%	6.6%	7.1%	29.2%	3.4x
Unieuro SpA	7.1x	6.7x		2.4%	2.5%		6.4%	6.9%		28.9%	2.1x
XXL ASA	10.6x	7.6x	6.7x	4.4%	5.4%	5.8%	4.6%	5.7%	6.9%	7.1%	0.8x
<b>Large international e-commerce peers</b>											
Alibaba Group Holding Ltd Sponsored ADR	13.6x	12.0x	10.8x	9.9%	11.3%	11.4%	0.0%	0.0%		12.2%	1.7x
Amazon.com, Inc.	67.4x	45.0x	30.1x	5.7%	7.4%	9.9%	0.0%	0.0%	0.0%	14.0%	9.4x
eBay Inc.	12.8x	11.6x	10.5x	30.8%	31.4%	32.0%	1.5%	1.4%	1.4%	29.7%	3.8x
JD.com, Inc. Sponsored ADR Class A	33.1x	21.8x	16.3x	1.0%	1.6%	2.2%	0.0%	0.0%	0.0%	8.1%	2.7x
<b>Online-focused Nordic and European peers</b>	14.0x	10.7x	11.6x	4.3%	4.6%	4.8%	0.0%	0.0%	0.1%	12.1%	1.5x
<b>Omnichannel retail Nordic and European peers</b>	11.2x	9.8x	9.8x	6.2%	6.1%	7.5%	5.1%	6.1%	6.9%	19.2%	2.7x
<b>Large international e-commerce peers</b>	23.4x	16.9x	13.5x	7.8%	9.4%	10.6%	0.0%	0.0%	0.0%	13.1%	3.2x
<b>Verkkokauppa.com (Evli est.)</b>	20.0x	14.8x	11.7x	2.8 %	3.4 %	3.8 %	5.2%	5.5%	5.6%	32.0%	6.3x
<i>Verkkokauppa.com vs. Online-focused Nordic and European peers median</i>	43%	39%	0%								314%
<i>Verkkokauppa.com vs. Omnichannel retail Nordic and European peers median</i>	79%	51%	19%								137%

Source: FactSet, Evli Research

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC	
Current share price	5.13 PV of Free Cash Flow	179 Long-term growth, %	2.0 Risk-free interest rate, %	2.25
DCF share value	8.18 PV of Horizon value	198 WACC, %	8.4 Market risk premium, %	5.8
Share price potential, %	59.4 Unconsolidated equity	0 Spread, %	0.5 Debt risk premium, %	2.8
Maximum value	8.9 Marketable securities	21 Minimum WACC, %	7.9 Equity beta coefficient	1.10
Minimum value	7.6 Debt - dividend	-31 Maximum WACC, %	8.9 Target debt ratio, %	20
Horizon value, %	52.5 Value of stock	366 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	565	608	657	676	690	704	718	732	747	762	777
<i>Sales growth, %</i>	<i>3.8</i>	<i>-1.6</i>	<i>7.6</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	16	21	25	28	28	29	29	30	31	31	32
<i>Operating income margin, %</i>	<i>3.5</i>	<i>2.8</i>	<i>3.4</i>	<i>3.8</i>	<i>4.1</i>	<i>4.1</i>	<i>4.1</i>	<i>4.1</i>	<i>4.1</i>	<i>4.1</i>	<i>4.1</i>	<i>4.1</i>
+ Depreciation+amort.	5	5	6	6	6	5	5	5	5	5	5	5
EBITDA	25	21	27	31	33	34	34	35	35	36	37	
- Paid taxes	-4	-3	-4	-5	-6	-6	-6	-6	-6	-6	-6	-6
- Change in NWC	-14	16	2	1	0	0	0	0	0	0	0	0
<i>NWC / Sales, %</i>	<i>1.3</i>	<i>-1.4</i>	<i>-1.7</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>
+ 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	-3
<i>opCAPEX / Sales, %</i>	<i>1.3</i>	<i>1.1</i>	<i>1.0</i>	<i>0.7</i>	<i>0.7</i>	<i>0.7</i>	<i>0.7</i>	<i>0.7</i>	<i>0.7</i>	<i>0.8</i>	<i>0.8</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	31	23	25	26	26	26	27	27	27	27	434
= Discounted FCFF		30	20	20	19	18	17	15	14	13	12	198
= DFCF min WACC		30	20	20	20	18	17	16	15	14	13	224
= DFCF max WACC		29	19	20	19	18	16	15	14	13	12	175

## 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	120.1	117.2	140.1	187.7	565.1	608.0	656.7
EBITDA	6.5	6.3	5.8	6.6	25.2	3.4	3.9	6.5	7.4	21.2	26.7	31.0
<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>2.8</i>	<i>3.3</i>	<i>4.7</i>	<i>3.9</i>	<i>3.7</i>	<i>4.4</i>	<i>4.7</i>
EBIT	5.2	5.1	4.7	5.3	20.3	2.1	2.5	5.2	6.0	15.8	20.9	25.2
<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>1.8</i>	<i>2.1</i>	<i>3.7</i>	<i>3.2</i>	<i>2.8</i>	<i>3.4</i>	<i>3.8</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	1.8	2.1	4.8	5.7	14.4	19.4	24.6
Tax	-1.0	-1.0	-0.9	-1.0	-3.9	-0.4	-0.4	-1.0	-1.1	-2.9	-3.9	-4.9
<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	1.4	1.7	3.8	4.5	11.5	15.5	19.7
EPS	0.09	0.08	0.08	0.09	0.34	0.03	0.04	0.09	0.10	0.26	0.35	0.44
EPS adjusted (diluted no. of shares)	0.09	0.08	0.08	0.09	0.34	0.03	0.04	0.09	0.10	0.26	0.35	0.44
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	0.29
<b>SALES, EURm</b>												
Verkkokauppa.com	134.0	130.5	141.0	168.9	574.5	120.1	117.2	140.1	187.7	565.1	608.0	656.7
Total	134.0	130.5	141.0	168.9	574.5	120.1	117.2	140.1	187.7	565.1	608.0	656.7
<b>SALES GROWTH, Y/Y %</b>												
Verkkokauppa.com	<i>7.0</i>	<i>6.1</i>	<i>9.1</i>	<i>-4.0</i>	<i>3.8</i>	<i>-10.4</i>	<i>-10.2</i>	<i>-0.7</i>	<i>11.1</i>	<i>-1.6</i>	<i>7.6</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>-10.4</i>	<i>-10.2</i>	<i>-0.7</i>	<i>11.1</i>	<i>-1.6</i>	<i>7.6</i>	<i>8.0</i>
<b>EBIT, EURm</b>												
Verkkokauppa.com	5.2	5.1	4.7	5.3	20.3	2.1	2.5	5.2	6.0	15.8	20.9	25.2
Total	5.2	5.1	4.7	5.3	20.3	2.1	2.5	5.2	6.0	15.8	20.9	25.2
<b>EBIT margin, %</b>												
Verkkokauppa.com	<i>3.9</i>	<i>3.9</i>	<i>3.3</i>	<i>3.2</i>	<i>3.5</i>	<i>1.8</i>	<i>2.1</i>	<i>3.7</i>	<i>3.2</i>	<i>2.8</i>	<i>3.4</i>	<i>3.8</i>
Total	<i>3.9</i>	<i>3.9</i>	<i>3.3</i>	<i>3.2</i>	<i>3.5</i>	<i>1.8</i>	<i>2.1</i>	<i>3.7</i>	<i>3.2</i>	<i>2.8</i>	<i>3.4</i>	<i>3.8</i>

INCOME STATEMENT, EURm	2017	2018	2019	2020	2021	2022E	2023E	2024E
Sales	431.9	477.8	504.1	553.6	574.5	565.1	608.0	656.7
<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>-1.6</i>	<i>7.6</i>	<i>8.0</i>
EBITDA	18.0	18.4	16.2	25.4	25.2	21.2	26.7	31.0
<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>3.7</i>	<i>4.4</i>	<i>4.7</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	15.8	20.9	25.2
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	15.8	20.9	25.2
<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>2.8</i>	<i>3.4</i>	<i>3.8</i>
Reported EBIT	13.5	13.3	11.3	19.6	20.3	15.8	20.9	25.2
<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>2.8</i>	<i>3.4</i>	<i>3.8</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	14.4	19.4	24.6
Taxes	-2.4	-2.3	-1.9	-3.5	-3.9	-2.9	-3.9	-4.9
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	11.5	15.5	19.7
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
<b>BALANCE SHEET, EURm</b>								
<b>Assets</b>								
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	76	80	87
Receivables	20	27	27	33	35	35	37	40
Liquid funds	52	47	42	43	21	35	41	48
Total assets	149	168	160	174	169	171	184	199
<b>Liabilities</b>								
Shareholder's equity	37	38	37	41	36	36	40	47
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	119	128	138
Other interest-free debt	0	0	0	0	0	0	0	0
Total liabilities	149	168	160	174	172	171	184	199
<b>CASH FLOW, EURm</b>								
+ EBITDA	18	18	16	25	25	21	27	31
- Net financial items	-2	-2	-1	-1	-1	-1	-1	-1
- Taxes	-4	-3	-2	-2	-4	-3	-4	-5
- Increase in Net Working Capital	10	-5	-3	-5	-14	16	2	1
+/- Other	0	0	1	0	0	0	0	0
= Cash flow from operations	23	9	10	17	7	33	23	27
- 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	26	17	22
+/- 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	14	5	8

KEY FIGURES	2018	2019	2020	2021	2022E	2023E	2024E
M-cap	185	159	320	319	230	230	230
Net debt (excl. convertibles)	-20	-19	-21	-1	-20	-25	-35
Enterprise value	164	140	299	318	210	204	195
Sales	478	504	554	574	565	608	657
EBITDA	18	16	25	25	21	27	31
EBIT	13	11	20	20	16	21	25
Pre-tax	12	10	19	19	14	19	25
Earnings	9	8	15	15	11	16	20
Equity book value (excl. minorities)	38	37	41	36	36	40	47
<b>Valuation multiples</b>							
EV/sales	0.3	0.3	0.5	0.6	0.4	0.3	0.3
EV/EBITDA	8.9	8.7	11.8	12.6	9.9	7.7	6.3
EV/EBITA	12.3	12.4	14.6	15.7	13.2	9.8	7.7
EV/EBIT	12.3	12.4	14.6	15.7	13.2	9.8	7.7
EV/OCF	18.5	14.4	17.7	47.7	6.4	8.7	7.3
EV/FCFF	18.6	14.4	18.8	110.0	6.7	9.0	7.8
P/FCFE	28.7	20.6	24.9	-329.2	8.8	13.2	10.5
P/E	19.8	20.4	20.7	21.2	20.0	14.8	11.7
P/B	4.9	4.4	7.9	8.9	6.3	5.8	4.9
Target EV/EBITDA	0.0	0.0	0.0	0.0	9.0	6.9	5.7
Target EV/EBIT	0.0	0.0	0.0	0.0	12.0	8.9	7.0
Target EV/FCF	0.0	0.0	0.0	0.0	7.3	10.6	8.0
Target P/B	0.0	0.0	0.0	0.0	5.8	5.3	4.5
Target P/E	0.0	0.0	0.0	0.0	18.3	13.6	10.7
<b>Per share measures</b>							
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	0.26	0.35	0.44
Operating cash flow per share	0.20	0.22	0.38	0.15	0.73	0.52	0.59
Free cash flow per share	0.14	0.17	0.29	-0.02	0.59	0.39	0.49
Book value per share	0.83	0.81	0.90	0.80	0.81	0.89	1.05
Dividend per share	0.20	0.21	0.45	0.25	0.27	0.28	0.29
Dividend payout ratio, %	95.6	123.4	130.7	73.1	103.2	80.8	65.0
Dividend yield, %	4.8	6.1	6.3	3.5	5.2	5.5	5.6
FCF yield, %	3.5	4.9	4.0	-0.3	11.4	7.6	9.5
<b>Efficiency measures</b>							
ROE	25.1	21.1	40.1	39.5	32.0	40.8	45.4
ROCE	20.5	18.2	33.4	34.3	29.5	39.2	43.5
<b>Financial ratios</b>							
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	6.2	6.1	6.1
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	-1.4	-1.7	-1.7
Operative CAPEX/sales, %	0.5	0.4	0.7	1.3	1.1	1.0	0.7
CAPEX/sales (incl. acquisitions), %	0.5	0.4	0.7	1.3	1.1	1.0	0.7
FCFF/EBITDA	0.5	0.6	0.6	0.1	1.5	0.8	0.8
Net debt/EBITDA, book-weighted	-1.1	-1.2	-0.8	0.0	-0.9	-1.0	-1.1
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	21.9	22.4	24.2
Gearing, %	-54.3	-52.1	-52.2	-2.2	-54.8	-63.7	-74.0

**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	81.859	35.7%
Keskinäinen Työeläkevakuutusyhtiö Varma	3,865,932	19.832	8.6%
Mandatum Henkivakuutusosakeyhtiö	2,192,211	11.246	4.9%
Keskinäinen Eläkevakuutusyhtiö Ilmarinen	2,174,309	11.154	4.9%
Sijoitusrahasto Nordea Nordic Small Cap	1,476,669	7.575	3.3%
Sijoitusrahasto Evli Suomi Pienyhtiöt	1,230,000	6.310	2.7%
Skogberg Ville Johannes	634,266	3.254	1.4%
Keskinäinen Vakuutusyhtiö Kaleva	566,475	2.906	1.3%
Op-Suomi Pienyhtiöt	485,603	2.491	1.1%
Säästöpankki Kotimaa -Sijoitusrahasto	423,000	2.170	0.9%
Ten largest	29,005,465	148.798	65%
Residual	15,736,268	80.727	35%
Total	44,741,733	229.525	100%

#### EARNINGS CALENDAR

#### OTHER EVENTS

#### COMPANY MISCELLANEOUS

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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, %	$\frac{\text{Profit before extraordinary items and taxes} - \text{income taxes}}{\text{Shareholder's equity} + \text{minority interest} + \text{taxed provisions (average)}}$		

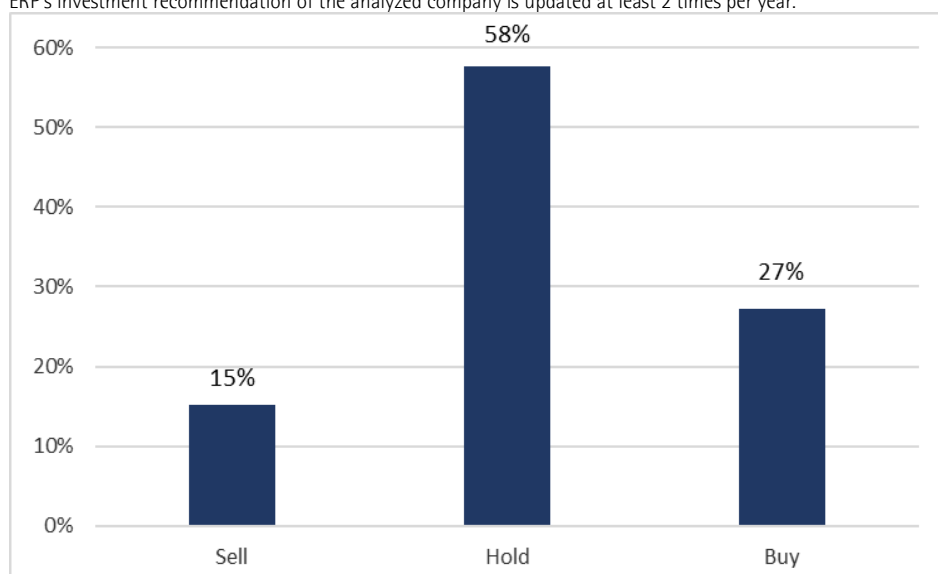
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< -10 %	SELL
-10 – (+10) %	HOLD
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Name(s) of the analyst(s): Heikura

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