

## Expecting softness to continue in Q2

The consumer demand for durable goods in the Nordic markets has continued softly in Q2 and hence we have made no changes to our estimates. We expect Q2 revenue to decline and profitability to weaken. We retain our HOLD-rating and TP of EUR 4.3 ahead of Q2'22.

### Late start of summer season has delayed sales somewhat

In our view, the demand for durable goods in Finland hasn't taken notable positive steps ahead and hence we expect the company's Q2 result to be soft. Market estimates imply the Finnish consumer electronics market not to see growth in 2022 which partly supports our Verkkokauppa.com expectations. In addition, the summer started relatively late in Finland which has in our view had a negative impact on Verkkokauppa.com's sales from April to June.

### Estimates intact, H2 defines full-year performance

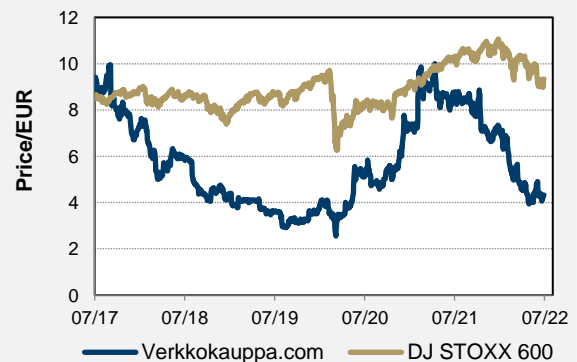
Meanwhile, we expect the B2B segment to continue its ongoing trend with double-digit growth in Q2, on our estimates, the consumer segment sees a decline y/y. In our view, the trend of the consumer demand for H2 can be observed during August-September at the earliest, after the summer holidays are over. Consequently, we expect Verkkokauppa.com's revenue to decline also in Q3 while our Q4 estimates include some optimistic y/y growth. In Q2, we expect topline to decrease by ~5% y/y to EUR 123.7m, driven by low demand for consumer electronics and the late start of the summer in Finland. Our view is that the evolving categories might also have performed somewhat softer due to delayed season sales (grills and bicycles etc.). Due to lower revenue, softer gross margin, and increased fixed costs we expect EBIT to fall significantly to EUR 2.4m, implying an EBIT margin of 2%.

### HOLD with a target price of EUR 4.3

The company's 22E valuation is quite elevated compared to peers which is mostly explained by the company's poor performance in 2022. However, on our 2023 estimates, the company's EV/EBIT multiple falls below its peers with Verkkokauppa.com's expected profitability improvement. We retain our HOLD-rating and TP of EUR 4.3 ahead of the Q2 result.

## Rating

HOLD



Share price, EUR (Last trading day's closing price) 4.32

Target price, EUR 4.3

Latest change in recommendation 04-Feb-22

Latest report on company 29-Apr-22

Research paid by issuer: YES

No. of shares outstanding, 44,742

No. of shares fully diluted, 44,742

Market cap, EURm 193

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 14-Jul-22

Web site [verkkokauppa.com/en/investors/](http://verkkokauppa.com/en/investors/)

Analyst Arttu Heikura

E-mail [arttu.heikura@evli.com](mailto:arttu.heikura@evli.com)

Telephone

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	560.8	12.9	2.3%	5.0	0.20	22.4	0.4	15.4	2.6	0.27
2023E	597.2	20.5	3.4%	38.9	0.33	13.2	0.3	8.4	20.1	0.28
2024E	646.8	26.7	4.1%	22.1	0.44	9.8	0.3	6.1	11.4	0.29
Market cap, EURm	193		Gearing 2022E, %	15.6		CAGR EPS 2021-24, %		9.5		
Net debt 2022E, EURm	5		Price/book 2022E	5.8		CAGR sales 2021-24, %		4.0		
Enterprise value, EURm	199		Dividend yield 2022E, %	6.1		ROE 2022E, %		25.6		
Total assets 2022E, EURm	183		Tax rate 2022E, %	20.0		ROCE 2022E, %		21.6		
Goodwill 2022E, EURm	0		Equity ratio 2022E, %	19.0		PEG, P/E 22/CAGR		0.7		

Table 1: Peer multiples

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	0.2x	0.2x	5.3x	3.9x	3.0x	20.3x	10.9x	7.0x	9.2 %	-11.2 %
BHG Group AB	0.6x	0.5x	0.5x	8.1x	6.7x	5.9x	12.5x	9.8x	8.5x	6.5 %	-1.9 %
Boozt AB	0.7x	0.6x	0.5x	9.5x	7.5x	6.0x	16.5x	11.9x	9.4x	14.3 %	11.9 %
Delticom AG	0.2x	0.1x	0.1x	6.5x	4.4x	3.3x	16.8x	8.5x	6.3x	-6.9 %	-8.3 %
Dustin Group AB	0.5x	0.4x	0.4x	9.0x	8.1x	7.1x	12.8x	11.4x	9.7x	15.6 %	6.2 %
Groupe LDLC SA	0.2x	0.2x	0.1x	3.0x	2.3x	1.7x	3.7x	2.9x	2.3x	1.3 %	-9.9 %
Zalando SE	0.6x	0.5x	0.4x	12.5x	9.2x	7.1x	30.0x	17.9x	12.1x	10.4 %	11.8 %
<b>Omnichannel retail Nordic and European peers</b>											
CECONOMY AG	0.1x	0.1x	0.1x	2.8x	2.4x	1.8x	8.4x	6.2x	4.5x	0.9 %	21.0 %
Clas Ohlson AB Class B	0.9x	0.8x	0.8x	5.4x	5.1x	4.9x	11.7x	11.0x	10.5x	1.6 %	0.4 %
Currys PLC	0.2x	0.2x		3.1x	2.7x		7.4x	5.8x		-4.2 %	2.8 %
ICA Gruppen AB										na.	na.
Kesko Oyj Class B	0.9x	0.9x	0.9x	8.5x	8.7x	8.6x	13.8x	14.6x	14.4x	2.6 %	-1.1 %
Kjell Group AB	0.7x	0.7x	0.5x	5.7x	5.0x	4.1x	10.6x	9.1x	7.3x	6.9 %	8.1 %
Musti Group Oyj	1.9x	1.7x	1.5x	10.9x	9.1x	7.9x	21.3x	16.3x	13.1x	6.5 %	16.8 %
Puuiilo Oyj	1.8x	1.6x	1.5x	9.8x	8.8x	7.7x	13.1x	11.6x	9.9x	6.4 %	10.1 %
Tokmanni Group Oyj	0.9x	0.8x	0.7x	6.1x	5.8x	5.0x	10.9x	9.9x	8.5x	3.7 %	1.2 %
Unieuro SpA	0.2x	0.2x	0.2x	3.1x	2.9x	3.6x	8.4x	7.5x	9.0x	-0.7 %	-3.5 %
XXL ASA	0.5x	0.5x	0.3x	5.3x	4.4x	2.5x	35.4x	16.0x	6.9x	1.6 %	14.4 %
<b>Large international e-commerce peers</b>											
Alibaba Group Holding Ltd. Sponsored ADR	2.0x	1.7x	1.4x	12.0x	9.5x	7.7x	19.8x	15.1x	11.8x	12.8 %	8.8 %
Amazon.com, Inc.	2.2x	1.9x	1.6x	16.0x	12.3x	9.4x	65.9x	33.4x	19.6x	18.8 %	14.9 %
eBay Inc.	3.1x	2.9x	2.7x	8.8x	8.2x	7.5x	10.3x	9.7x	9.1x	3.3 %	9.0 %
JD.com, Inc. Sponsored ADR Class A	0.5x	0.4x	0.3x	27.3x	16.2x	11.4x	65.3x	26.1x	15.6x	17.0 %	32.9 %
<b>Online-focused Nordic and European peers</b>	0.5x	0.4x	0.4x	8.1x	6.7x	5.9x	16.5x	10.9x	8.5x	9.2 %	-1.9 %
<b>Omnichannel retail Nordic and European peers</b>	0.8x	0.7x	0.7x	5.5x	5.1x	4.9x	11.3x	10.5x	9.0x	2.1 %	5.5 %
<b>Large international e-commerce peers</b>	2.1x	1.8x	1.5x	14.0x	10.9x	8.5x	42.6x	20.6x	13.7x	14.9 %	11.9 %
<b>Verkkokauppa.com (Evli est.)</b>	0.4x	0.3x	0.3x	10.8x	6.5x	5.0x	15.4x	8.4x	6.1x	4.0 %	9.5 %
<i>Verkkokauppa.com vs. Online-focused Nordic and European peers median</i>	-22%	-32%	-35%	34%	-3%	-16%	-7%	-23%	-29%		
<i>Verkkokauppa.com vs. Omnichannel retail Nordic and European peers median</i>	-56%	-61%	-66%	96%	29%	1%	36%	-20%	-32%		
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	27.8x	17.5x	11.5x	1.3%	2.1%	2.7%	0.0%	0.0%	0.0%	3.7%	1.0x
BHG Group AB	9.1x	7.8x	7.5x	4.7%	5.5%	5.6%	0.0%	0.0%	0.0%	7.9%	0.7x
Boozt AB	23.7x	17.3x	14.0x	4.2%	4.9%	5.2%	0.0%	0.0%	0.2%	8.6%	2.0x
Delticom AG	12.8x	5.8x	5.4x	1.0%	1.7%	2.0%	0.0%	0.0%	0.0%	6.3%	0.8x
Dustin Group AB	10.8x	9.6x	8.6x	3.5%	3.7%	4.0%	4.8%	6.0%	6.9%	12.8%	1.4x
Groupe LDLC SA	7.1x	6.2x	6.1x	5.5%	5.7%	5.2%	6.1%	6.6%	4.8%	18.7%	1.3x
Zalando SE	60.6x	32.6x	22.0x	1.9%	2.9%	3.6%	0.0%	0.0%	0.2%	4.9%	3.0x
<b>Omnichannel retail Nordic and European peers</b>											
CECONOMY AG	6.1x	4.5x	3.7x	1.5%	1.9%	2.3%	3.8%	5.3%	9.6%	18.0%	1.1x
Clas Ohlson AB Class B	13.3x	13.1x	12.9x	7.5%	7.7%	7.6%	6.4%	6.5%	6.7%	27.3%	3.6x
Currys PLC	7.2x	5.8x	5.9x	2.6%	3.0%		4.6%	5.7%		4.2%	0.3x
ICA Gruppen AB											
Kesko Oyj Class B	15.9x	17.1x	16.9x	6.7%	6.2%	6.2%	4.6%	4.7%	4.8%	21.5%	3.4x
Kjell Group AB	9.1x	8.1x	7.2x	7.1%	7.2%	7.4%	6.6%	7.5%	8.6%	14.8%	1.3x
Musti Group Oyj	25.3x	19.4x	15.9x	8.9%	10.2%	11.4%	2.8%	3.7%	4.5%	14.9%	3.8x
Puuiilo Oyj	14.2x	12.5x	10.6x	13.7%	14.0%	14.9%	5.7%	6.5%	7.5%	40.5%	5.7x
Tokmanni Group Oyj	10.3x	9.3x	8.4x	7.9%	8.3%	8.6%	7.0%	7.7%	8.4%	26.0%	2.7x
Unieuro SpA	5.9x	5.5x	5.2x	2.1%	2.3%	2.4%	7.5%	8.0%	9.4%	30.0%	1.8x
XXL ASA		9.7x	5.3x	1.5%	3.1%	4.5%	3.3%	3.2%	8.0%	-0.1%	0.4x
<b>Large international e-commerce peers</b>											
Alibaba Group Holding Ltd. Sponsored ADR	17.0x	14.2x	12.7x	10.2%	11.4%	12.1%	0.0%	0.0%	0.0%	11.6%	2.0x
Amazon.com, Inc.	209.3x	44.2x	26.5x	3.4%	5.6%	8.0%	0.0%	0.0%	0.0%	3.4%	7.2x
eBay Inc.	10.9x	9.8x	9.1x	29.8%	29.9%	29.6%	1.9%	1.8%	1.9%	37.6%	4.1x
JD.com, Inc. Sponsored ADR Class A	34.7x	22.7x	16.8x	0.8%	1.6%	2.1%	0.3%	0.0%	0.0%	7.6%	2.6x
<b>Online-focused Nordic and European peers</b>	12.8x	9.6x	8.6x	3.5%	3.7%	4.0%	0.0%	0.0%	0.2%	7.9%	1.3x
<b>Omnichannel retail Nordic and European peers</b>	10.3x	9.5x	7.8x	6.9%	6.7%	7.4%	5.2%	6.1%	8.0%	19.8%	2.2x
<b>Large international e-commerce peers</b>	25.9x	18.5x	14.7x	6.8%	8.5%	10.1%	0.2%	0.0%	0.0%	9.6%	3.4x
<b>Verkkokauppa.com (Evli est.)</b>	22.4x	13.2x	9.8x	2.3 %	3.4 %	4.1 %	6.1%	6.5%	6.6%	25.6%	5.8x
<i>Verkkokauppa.com vs. Online-focused Nordic and European peers median</i>	74%	37%	14%								332%
<i>Verkkokauppa.com vs. Omnichannel retail Nordic and European peers median</i>	118%	38%	25%								159%

Source: FactSet, Evli Research

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC
Current share price	4.32 PV of Free Cash Flow	182 Long-term growth, %	2.0 Risk-free interest rate, %
DCF share value	8.29 PV of Horizon value	200 WACC, %	8.4 Market risk premium, %
Share price potential, %	92.0 Unconsolidated equity	0 Spread, %	0.5 Debt risk premium, %
Maximum value	9.0 Marketable securities	21 Minimum WACC, %	7.9 Equity beta coefficient
Minimum value	7.7 Debt - dividend	-31 Maximum WACC, %	8.9 Target debt ratio, %
Horizon value, %	52.3 Value of stock	371 Nr of shares, Mn	44.7 Effective tax rate, %

DCF valuation, EURm	2021	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	Horizon
Net sales	574	561	597	647	666	679	693	707	721	736	750	765
<i>Sales growth, %</i>	<i>3.8</i>	<i>-2.4</i>	<i>6.5</i>	<i>8.3</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	13	20	27	27	28	28	29	30	30	31	31
<i>Operating income margin, %</i>	<i>3.5</i>	<i>2.3</i>	<i>3.4</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>	<i>4.1</i>
+ Depreciation+amort.	5	5	6	6	6	5	5	5	5	5	5	5
EBITDA	25	18	26	33	33	33	34	34	35	35	36	
- Paid taxes	-4	-3	-4	-5	-5	-6	-6	-6	-6	-6	-6	
- Change in NWC	-14	-3	24	1	0	0	0	0	0	0	0	
<i>NWC / Sales, %</i>	<i>2.0</i>	<i>2.6</i>	<i>-1.7</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>	
+ Change in other liabs	0	0	0	0	0	0	0	0	0	0	0	
- Operative CAPEX	-5	-2	-2	-2	-2	-2	-2	-2	-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>	
- Acquisitions	0	0	0	0	0	0	0	0	0	0	0	
+ Divestments	0	0	0	0	0	0	0	0	0	0	0	
- Other items	0	0	0	0	0	0	0	0	0	0	0	
= FCFF	3	10	45	26	26	26	26	26	26	27	27	429
= Discounted FCFF		10	40	22	20	18	17	16	14	13	13	200
= DFCF min WACC		10	40	22	20	19	17	16	15	14	13	226
= DFCF max WACC		10	39	21	19	18	16	15	14	13	12	177

## INTERIM FIGURES

EVLI ESTIMATES, EURm	2021Q1	2021Q2	2021Q3	2021Q4	2021	2022Q1	2022Q2E	2022Q3E	2022Q4E	2022E	2023E	2024E
Net sales	134.0	130.5	141.0	168.9	574.5	124.8	123.7	136.4	175.9	560.8	597.2	646.8
EBITDA	6.5	6.3	5.8	6.6	25.2	2.2	3.8	5.0	7.3	18.3	26.3	32.6
<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>1.8</i>	<i>3.1</i>	<i>3.7</i>	<i>4.2</i>	<i>3.3</i>	<i>4.4</i>	<i>5.0</i>
EBIT	5.2	5.1	4.7	5.3	20.3	0.9	2.4	3.6	6.0	12.9	20.5	26.7
<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>0.7</i>	<i>2.0</i>	<i>2.7</i>	<i>3.4</i>	<i>2.3</i>	<i>3.4</i>	<i>4.1</i>
Net financial items	-0.3	-0.4	-0.3	-0.3	-1.4	-0.4	-0.5	-0.5	-0.5	-1.8	-2.1	-2.0
Pre-tax profit	4.9	4.7	4.3	5.0	18.9	0.5	1.9	3.1	5.5	11.1	18.3	24.7
Tax	-1.0	-1.0	-0.9	-1.0	-3.9	-0.1	-0.4	-0.6	-1.1	-2.2	-3.7	-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>20.1</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	0.4	1.6	2.5	4.4	8.9	14.7	19.8
EPS	0.09	0.08	0.08	0.09	0.34	0.01	0.03	0.06	0.10	0.20	0.33	0.44
EPS adjusted (diluted no. of shares)	0.09	0.08	0.08	0.09	0.34	0.00	0.03	0.06	0.10	0.19	0.33	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	124.8	123.7	136.4	175.9	560.8	597.2	646.8
Total	134.0	130.5	141.0	168.9	574.5	124.8	123.7	136.4	175.9	560.8	597.2	646.8
<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>-6.9</i>	<i>-5.2</i>	<i>-3.3</i>	<i>4.1</i>	<i>-2.4</i>	<i>6.5</i>	<i>8.3</i>
Total	<i>7.0</i>	<i>6.1</i>	<i>9.1</i>	<i>-4.0</i>	<i>3.8</i>	<i>-6.9</i>	<i>-5.2</i>	<i>-3.3</i>	<i>4.1</i>	<i>-2.4</i>	<i>6.5</i>	<i>8.3</i>
<b>EBIT, EURm</b>												
Verkkokauppa.com	5.2	5.1	4.7	5.3	20.3	0.9	2.4	3.6	6.0	12.9	20.5	26.7
Total	5.2	5.1	4.7	5.3	20.3	0.9	2.4	3.6	6.0	12.9	20.5	26.7
<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>0.7</i>	<i>2.0</i>	<i>2.7</i>	<i>3.4</i>	<i>2.3</i>	<i>3.4</i>	<i>4.1</i>
Total	<i>3.9</i>	<i>3.9</i>	<i>3.3</i>	<i>3.2</i>	<i>3.5</i>	<i>0.7</i>	<i>2.0</i>	<i>2.7</i>	<i>3.4</i>	<i>2.3</i>	<i>3.4</i>	<i>4.1</i>

INCOME STATEMENT, EURm	2017	2018	2019	2020	2021	2022E	2023E	2024E
Sales	431.9	477.8	504.1	553.6	574.5	560.8	597.2	646.8
<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>-2.4</i>	<i>6.5</i>	<i>8.3</i>
EBITDA	18.0	18.4	16.2	25.4	25.2	18.3	26.3	32.6
<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>3.3</i>	<i>4.4</i>	<i>5.0</i>
Depreciation	-4.6	-5.1	-4.9	-5.0	-5.0	-5.4	-5.8	-5.9
EBITA	13.5	13.3	11.3	20.4	20.3	12.9	20.5	26.7
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	12.9	20.5	26.7
<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>2.3</i>	<i>3.4</i>	<i>4.1</i>
Reported EBIT	13.5	13.3	11.3	19.6	20.3	12.9	20.5	26.7
<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>2.3</i>	<i>3.4</i>	<i>4.1</i>
Net financials	-1.6	-1.7	-1.5	-1.4	-1.4	-1.8	-2.1	-2.0
Pre-tax profit	11.8	11.7	9.8	19.0	18.9	11.1	18.3	24.7
Taxes	-2.4	-2.3	-1.9	-3.5	-3.9	-2.2	-3.7	-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	8.9	14.7	19.8
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>								
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	98	79	85
Receivables	20	27	27	33	39	35	37	39
Liquid funds	52	47	42	43	21	25	52	60
Total assets	149	168	160	174	172	183	193	209
Liabilities								
Shareholder's equity	37	38	37	41	36	34	36	44
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	15	15	15
Non-interest bearing current liabilities	82	103	100	110	116	118	125	136
Other interest-free debt	0	0	0	0	0	0	0	0
Total liabilities	149	168	160	174	172	183	193	209
<b>CASH FLOW, EURm</b>								
+ EBITDA	18	18	16	25	25	18	26	33
- Net financial items	-2	-2	-1	-1	-1	-2	-2	-2
- Taxes	-4	-3	-2	-2	-4	-2	-4	-5
- Increase in Net Working Capital	10	-5	-3	-5	-14	-3	24	1
+/- Other	0	0	1	0	0	0	0	0
= Cash flow from operations	23	9	10	17	7	11	45	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	5	39	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	10	0	-2
Change in cash	10	-5	-4	1	-22	4	27	8

KEY FIGURES	2018	2019	2020	2021	2022E	2023E	2024E
M-cap	185	159	320	319	193	193	193
Net debt (excl. convertibles)	-20	-19	-21	-1	5	-22	-31
Enterprise value	164	140	299	318	199	171	162
Sales	478	504	554	574	561	597	647
EBITDA	18	16	25	25	18	26	33
EBIT	13	11	20	20	13	20	27
Pre-tax	12	10	19	19	11	18	25
Earnings	9	8	15	15	9	15	20
Equity book value (excl. minorities)	38	37	41	36	34	36	44
<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	10.8	6.5	5.0
EV/EBITA	12.3	12.4	14.6	15.7	15.4	8.4	6.1
EV/EBIT	12.3	12.4	14.6	15.7	15.4	8.4	6.1
EV/OCF	18.5	14.4	17.7	47.7	17.5	3.8	6.1
EV/FCFF	18.6	14.4	18.8	110.0	19.0	3.8	6.1
P/FCFE	28.7	20.6	24.9	-329.2	38.9	5.0	8.8
P/E	19.8	20.4	20.7	21.2	22.4	13.2	9.8
P/B	4.9	4.4	7.9	8.9	5.8	5.3	4.4
Target EV/EBITDA	0.0	0.0	0.0	0.0	10.8	6.5	4.9
Target EV/EBIT	0.0	0.0	0.0	0.0	15.3	8.3	6.0
Target EV/FCF	0.0	0.0	0.0	0.0	39.8	4.4	7.3
Target P/B	0.0	0.0	0.0	0.0	5.7	5.3	4.4
Target P/E	0.0	0.0	0.0	0.0	22.2	13.1	9.7
<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	0.20	0.33	0.44
Operating cash flow per share	0.20	0.22	0.38	0.15	0.25	1.00	0.60
Free cash flow per share	0.14	0.17	0.29	-0.02	0.11	0.87	0.49
Book value per share	0.83	0.81	0.90	0.80	0.75	0.81	0.97
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	133.8	85.3	65.0
Dividend yield, %	4.8	6.1	6.3	3.5	6.1	6.5	6.6
FCF yield, %	3.5	4.9	4.0	-0.3	2.6	20.1	11.4
<b>Efficiency measures</b>							
ROE	25.1	21.1	40.1	39.5	25.6	42.0	49.4
ROCE	20.5	18.2	33.4	34.3	21.6	31.4	38.6
<b>Financial ratios</b>							
Inventories as % of sales	13.8	13.2	13.6	15.3	17.4	13.2	13.2
Receivables as % of sales	5.7	5.4	5.9	6.8	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	2.0	2.6	-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	0.6	1.7	0.8
Net debt/EBITDA, book-weighted	-1.1	-1.2	-0.8	0.0	0.3	-0.8	-1.0
Debt/equity, market-weighted	0.0	0.0	0.0	0.0	0.1	0.1	0.1
Equity ratio, book-weighted	23.0	23.4	24.5	21.4	19.0	19.5	21.5
Gearing, %	-54.3	-52.1	-52.2	-2.2	15.6	-59.9	-71.9

**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	68.934	35.7%
Keskinäinen Työeläkevakuutusyhtiö Varma	3,865,932	16.701	8.6%
Mandatum Henkivakuutusosakeyhtiö	2,192,211	9.470	4.9%
Keskinäinen Eläkevakuutusyhtiö Ilmarinen	2,174,309	9.393	4.9%
Sijoitusrahasto Nordea Nordic Small Cap	1,476,669	6.379	3.3%
Sijoitusrahasto Evli Suomi Pieniyhtiöt	1,230,000	5.314	2.7%
Skogberg Ville Johannes	634,266	2.740	1.4%
Keskinäinen Vakuutusyhtiö Kaleva	566,475	2.447	1.3%
Op-Suomi Pieniyhtiöt	485,603	2.098	1.1%
Säästöpankki Kotimaa -Sijoitusrahasto	423,000	1.827	0.9%
Ten largest	29,005,465	125.304	65%
Residual	15,736,268	67.981	35%
Total	44,741,733	193.284	100%

## EARNINGS CALENDAR

## OTHER EVENTS

## COMPANY MISCELLANEOUS

CEO: Panu Porkka

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



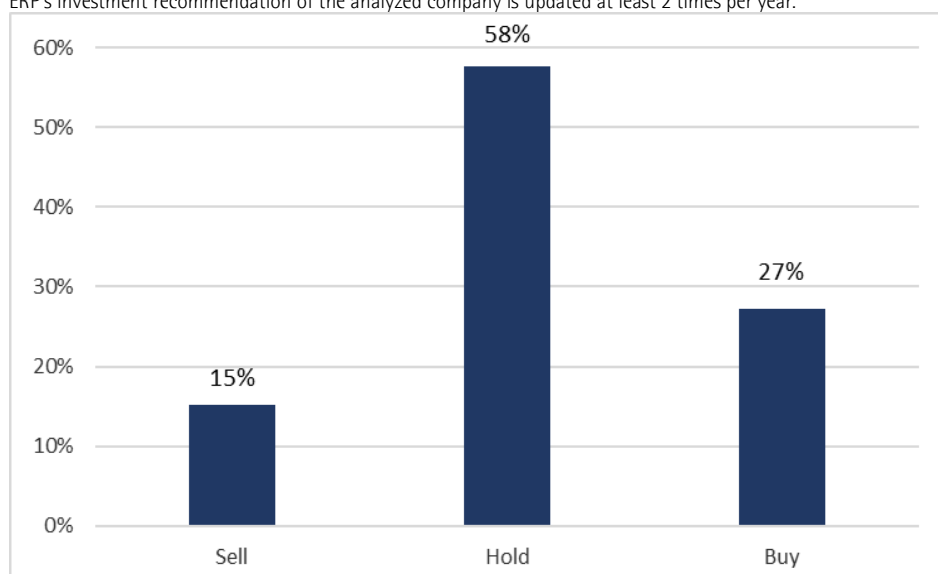
## Important Disclosures

Evli Research Partners Plc ("ERP") uses 12-month target prices. Target prices are defined by utilizing analytical techniques based on financial theory including (but not limited to) discounted cash flow analysis and comparative valuation. The selection of valuation methods depends on different circumstances. Target prices may be altered on the basis of new information coming to light in the underlying company or changes in interest rates, changes in foreign exchange rates, other securities prices or market indices or outlook for the aforementioned factors or other factors that may change the conditions of financial markets. Recommendations and changes by analysts are available at [Analysts' recommendations and ratings revisions](#).

Investment recommendations are defined as follows:

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

ERP's investment recommendation of the analyzed company is updated at least 2 times per year.



The graph above shows the distribution of ERP's recommendations of companies under coverage in 11th of May 2020. If recommendation is not given, it is not mentioned here.

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

This research report has been prepared by Evli Research Partners Plc ("ERP" or "Evli Research"). ERP is a subsidiary of Evli Plc. Production of the investment recommendation has been concluded on 11.7.2022, 09:10. This report has been published on 11.7.2022, 09:30.

None of the analysts contributing to this report, persons under their guardianship or corporations under their control have a position in the shares of the company or related securities.

The date and time for any price of financial instruments mentioned in the recommendation refer to the previous trading day's closing price(s) unless otherwise stated in the report.

Each analyst responsible for the content of this report assures that the expressed views accurately reflect the personal views of each analyst on the covered companies and securities. Each analyst assures that (s)he has not been, nor are or will be, receiving direct or indirect compensation related to the specific recommendations or views contained in this report.

Companies in the Evli Group, affiliates or staff of companies in the Evli Group, may perform services for, solicit business from, hold long or short positions in, or otherwise be interested in the investments (including derivatives) of any company mentioned in the publication or report.

Neither ERP nor any company within the Evli Group have managed or co-managed a public offering of the company's securities during the last 12 months prior to, received compensation for investment banking services from the company during the last 12 months prior to the publication of the research report.

ERP has signed an agreement with the issuer of the financial instruments mentioned in the recommendation, which includes production of research reports. This assignment has a limited economic and financial impact on ERP and/or Evli. Under the assignment ERP performs services including, but not limited to, arranging investor meetings or –events, investor relations communication advisory and production of research material.

ERP or another company within the Evli Group does not have an agreement with the company to perform market making or liquidity providing services.

For the prevention and avoidance of conflicts of interests with respect to this report, there is an information barrier (Chinese wall) between Investment

Research and Corporate Finance units concerning unpublished investment banking services to the company. The remuneration of the analyst(s) is not tied directly or indirectly to investment banking transactions or other services performed by Evli Plc or any company within Evli Group.

This report has not been disclosed to the company prior to its dissemination.

This report is provided and intended for informational purposes only and may not be used or considered under any circumstances as an offer to sell or buy any securities or as advice to trade any securities.

This report is based on sources ERP considers to be correct and reliable. The sources include information providers Reuters and Bloomberg, stock-exchange releases from the companies and other company news, Statistics Finland and articles in newspapers and magazines. However, ERP does not guarantee the materialization, correctness, accuracy or completeness of the information, opinions, estimates or forecasts expressed or implied in the report. In addition, circumstantial changes may have an influence on opinions and estimates presented in this report. The opinions and estimates presented are valid at the moment of their publication and they can be changed without a separate announcement. Neither ERP nor any company within the Evli Group are responsible for amending, correcting or updating any information, opinions or estimates contained in this report. Neither ERP nor any company within the Evli Group will compensate any direct or consequential loss caused by or derived from the use of the information represented in this publication.

All information published in this report is for the original recipient's private and internal use only. ERP reserves all rights to the report. No part of this publication may be reproduced or transmitted in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, or stored in any retrieval system of any nature, without the written permission of ERP.

This report or its copy may not be published or distributed in Australia, Canada, Hong Kong, Japan, New Zealand, Singapore or South Africa. The publication or distribution of this report in certain other jurisdictions may also be restricted by law. Persons into whose possession this report comes are required to inform themselves about and to observe any such restrictions.

Evli Plc is not registered as a broker-dealer with the U. S. Securities and Exchange Commission ("SEC"), and it and its analysts are not subject to SEC rules on securities analysts' certification as to the currency of their views reflected in the research report. Evli is not a member of the Financial Industry Regulatory Authority ("FINRA"). It and its securities analysts are not subject to FINRA's rules on Communications with the Public and Research Analysts and Research Reports and the attendant requirements for fairness, balance and disclosure of potential conflicts of interest. This research report is only being offered in U.S. by Auerbach Grayson & Company, LLC (Auerbach Grayson) to Major U.S. Institutional Investors and is not available to, and should not be used by, any U.S. person or entity that is not a Major U.S. Institutional Investor. Auerbach Grayson is a broker-dealer registered with the U.S. Securities and Exchange Commission and is a member of the FINRA. U.S. entities seeking more information about any of the issuers or securities discussed in this report should contact Auerbach Grayson. The securities of non-U.S. issuers may not be registered with or subject to SEC reporting and other requirements.

ERP is not a supervised entity but its parent company Evli Plc is supervised by the Finnish Financial Supervision Authority.

**Contact information****SALES, TRADING AND RESEARCH****Equity, ETF and Derivatives Sales**

Joachim Dannberg +358 9 4766 9123  
Ari Laine +358 9 4766 9115  
Kimmo Lilja +358 9 4766 9130

**Trading**

Lauri Vehkaluoto (Head) +358 9 4766 9120  
Pasi Väisänen +358 9 4766 9120  
Antti Kässi +358 9 4766 9120  
Miika Ronkanen +358 9 4766 9120

**Structured Investments**

Heikki Savijoki +358 9 4766 9726  
Aki Lakkisto +358 9 4766 9123

**Equity Research**

Arttu Heikura +358 40 082 8098  
Joonas Ilvonen +358 44 430 9071  
Jerker Salokivi +358 9 4766 9149

**Evli Investment Solutions**

Johannes Asuja +358 9 4766 9205



**EVLI PLC**  
Aleksanterinkatu 19 A  
P.O. Box 1081  
FIN-00101 Helsinki, FINLAND  
Phone +358 9 476 690  
Internet www.evli.com  
E-mail firstname.lastname@evli.com

**EVLI PLC,  
STOCKHOLMSFILIAL**  
Regeringsgatan 67 P.O. Box 16354  
SE-103 26 Stockholm  
Sverige  
stockholm@evli.com  
Tel +46 (0)8 407 8000