

Challenging environment continued

Verkkokauppa.com's Q2 EBIT fell short of our expectations. Simultaneously, the company lowered its FY'22 guidance, which was driven by weak consumer trust, impaired consumer purchasing power, and increased operative costs.

- Group result:** Q2 net sales decreased by 3.7% y/y to EUR 125.7m (EUR 123.7/122.9m Evli/cons.) driven by soft development of consumer and export segments. Price competition increased, resulting in a softer gross margin. Through lower net sales, increased fixed costs, and softer gross margin, the company's EBIT fell below that of the comparison period to EUR -0.9m (EUR 2.4/2.1m Evli/cons.) implying an EBIT margin of -0.7% (Q1'21: 3.9%). EPS amounted to EUR -0.02 (EUR 0.03/0.03 Evli/cons.).
- Online sales:** weaker sales development was seen through all sales channels and online sales represented 63% (Q1'21: 61%) of total sales.
- Category sales split:** core categories represented 82% of total sales while evolving categories saw a y/y increase of 5% representing 18% of total sales.
- Consumer segment:** The main drivers for the soft development of the consumer segment were weak demand in core categories and the delayed summer season. Meanwhile, the sales of evolving categories increased by 5%. The segment represented 68% of total sales (Q2'21: 72%).
- B2B segment** continued its trend of strong development and corporate sales grew by 12.6% y/y. B2B segment represented 26% of total group sales (Q2'21: 22%).
- Export segment:** with the withdrawal of Russian markets, export sales declined y/y and represented 6% of total sales
- FY'22 guidance lowered:** last night the company lowered its FY'22 guidance, now expecting revenue to land between EUR 530-570m (prev. 530-590m) and EBIT to amount to EUR 8-14m (prev. 12-19m). According to the new guidance, the company's topline will face a y/y decrease of 1-8% while EBIT is expected to clearly decline, by 31-61%.

 Rating 🟡 HOLD

Q2'22	Actual	Evli	Consensus*	Q2'21
Net sales	125.7	123.7	122.9	130.5
Adj. EBIT	-0.2	2.4	2.1	5.1
Adj. EBIT-margin	-0.2%	2.0%	1.7%	3.9%
EPS	-0.02	0.03	0.03	0.08

* Consensus estimate from Infront (5 analysts)

 Share price, EUR (Last trading day's closing price) 4.20

 Target price, EUR 4.3

 Latest change in 04-Feb-22

 Latest report on company 11-Jul-22

 Research paid by issuer: YES

 No. of shares outstanding, 44,742

 No. of shares fully diluted, 44,742

 Market cap, EURm 188

 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/

 Analyst Arttu Heikura

 E-mail arttu.heikura@evli.com

Telephone

+ BUY 🟡 HOLD - SELL

PRE-REPORT 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	21.7	0.3	15.0	2.6	0.27
2023E	597.2	20.5	3.4%	38.9	0.33	12.8	0.3	8.1	20.7	0.28
2024E	646.8	26.7	4.1%	22.1	0.44	9.5	0.2	5.9	11.7	0.29

Market cap, EURm	188	BV per share 2022E, EUR	15.6	CAGR EPS 2021-24, %	9.5
Net debt 2022E, EURm	5	Price/book 2022E	5.6	CAGR sales 2021-24, %	4.0
Enterprise value, EURm	193	Dividend yield 2022E, %	6.3	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	0.6

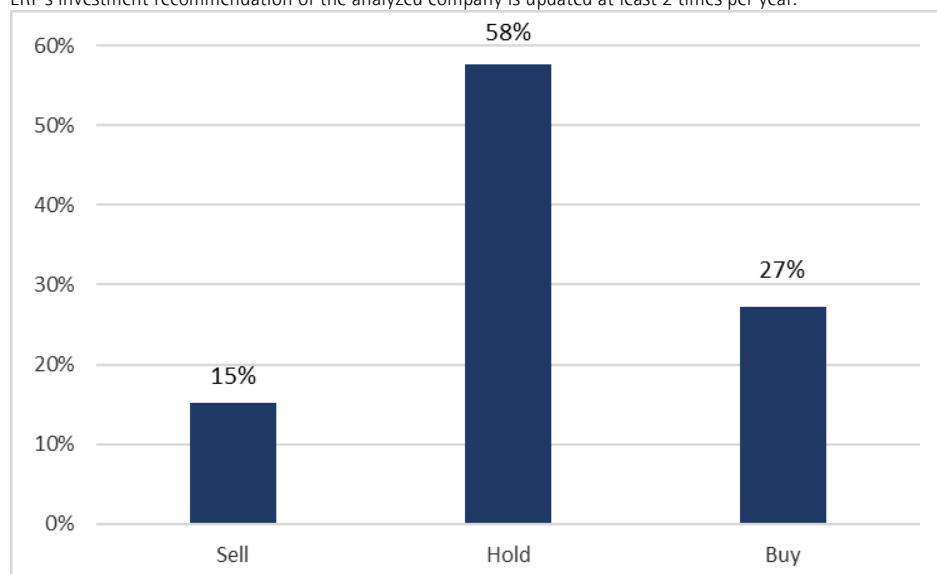
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Investment recommendations are defined as follows:

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

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

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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 Kässä +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