

Profitability deteriorates notably

With lower volumes, increased fixed costs, and higher price competition, Verkkokauppa.com's profitability faced a notable headwind in Q2. The development of consumer demand contains a large amount of uncertainty and the H2 result is likely below what we earlier expected.

Market continued challenging

Verkkokauppa.com's topline faced an expected decline y/y, and with lower volumes, increased costs, and softer gross margin EBIT fell negative. Group revenue decreased by 3.7% y/y to EUR 125.7m driven by soft development of the consumer segment with the record low consumer trust and reduced consumer purchasing power. B2B segment and evolving product categories brought light with their y/y sales growth of 12.6% and 4.8% respectively. Q2 inventory was significantly above the level that of the comparison period and hence logistics costs faced a notable increase y/y which with a help of a softer gross margin resulted in an EBIT of EUR -0.9m (adj. EUR -0.2m), implying an EBIT margin of -0.7% (adj. -0.2%). Q2 EPS amounted to EUR -0.02.

Guidance was revised downwards

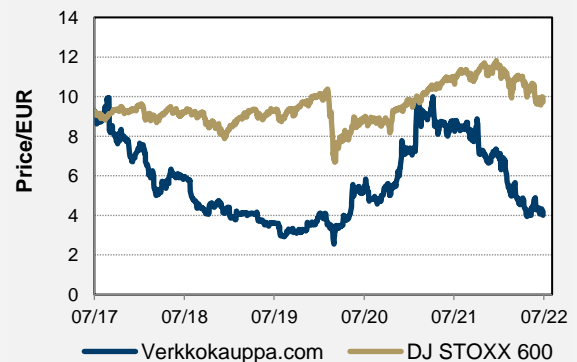
The company lowered its guidance for FY'22, now expecting revenue between EUR 530-570m (prev. 530-590m) and an EBIT of EUR 8-14m (prev. 12-19m). The downgrade of the upper bound of the sales guidance was a result of weaker outlook for the consumer segment while EBIT guidance was decreased due to lower expected sales volumes and increased price pressures. In addition to rising price competition, a high level of inventory forces the company to either lower product margins to increase the inventory turnover or store products over a season both potentially resulting in weaker profitability.

HOLD with a target price of EUR 3.7 (4.3)

In the light of guidance revision and Q2 result, we adjusted our estimates downwards. We now expect 2022 revenue to amount to EUR 556.0m and adjusted EBIT to land at EUR 7.9m (1.4% margin). 2022 result will be record soft; hence, we value the company with 23E multiples. With the company trading above its peers, we retain our HOLD-rating and adjust the TP to EUR 3.7 (4.3).

Rating

HOLD



Share price, EUR (Last trading day's closing price) 4.00

Target price, EUR 3.7

Latest change in recommendation 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 179

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 27-Oct-22

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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	556.0	7.9	1.4%	1.3	0.11	42.4	0.3	23.6	0.7	0.25
2023E	588.8	14.1	2.4%	33.0	0.20	19.8	0.3	11.8	18.4	0.19
2024E	633.5	19.7	3.1%	15.8	0.30	13.2	0.3	8.1	8.8	0.20
Market cap, EURm			179	Gearing 2022E, %		29.9	CAGR EPS 2021-24, %			-3.4
Net debt 2022E, EURm			9	Price/book 2022E		6.0	CAGR sales 2021-24, %			3.3
Enterprise value, EURm			188	Dividend yield 2022E, %		6.3	ROE 2022E, %			15.5
Total assets 2022E, EURm			188	Tax rate 2022E, %		16.2	ROCE 2022E, %			12.6
Goodwill 2022E, EURm			0	Equity ratio 2022E, %		16.4	PEG, P/E 22/CAGR			0.6

Estimates

With no notable positive news from the markets and the company's guidance revision, we adjusted our estimates downwards. The consumer electronics market is still lacking and with the consumer trust record-low, the potential growth of evolving categories is also restricted. Verkkokauppa.com has a quite scalable cost structure but with lower product margins and sales volumes decreasing, the level of EBIT falls quite rapidly which can be seen in a negative Q2 EBIT. With increased price competition and logistics costs, the company's profitability will face a significant decrease in 2022. Henceforth we expect 2022 profitability to fall below the company's guidance range and revenue to land at the mid-point of the guidance range. In our view, current volumes won't cover the negative margin impact driven by price competition and increased fixed costs so that the profitability would scale within the guidance range. Positively driven by the B2B segment and online transition in evolving categories, our 22E revenue estimate is EUR 556.0m, reflecting a y/y decline of 3.2%. Our 22E adj. EBIT estimate amounts to EUR 7.9m (1.4% margin). 22E EBIT (with non-recurring items) is on our estimates EUR 7.1m.

With the uncertainty concerning the consumer segment's development, we slightly downgraded our 2023-24 estimates. The company has invested in its B2B capabilities, and we expect the segment to continue its strong growth in the future. In addition, we estimate the consumer market to start to recover during 2023 and the full-year topline to amount to EUR 588.8m (5.9% y/y growth). With the improved product margins and total fixed costs being flat, our 2023 EBIT estimate amounts to 14.1m, implying an EBIT margin of 2.4%. In 2024, we expect Verkkokauppa.com to grow by 7.6%, driven by B2B, recovery of the consumer segment, and online transition. With the growing volumes and improved gross margin, our 24E EBIT margin estimate is 3.1% which is still clearly below the company's 2025 target of 5%.

Valuation

In history, the company has traded around its omnichannel peer group median. With our revised 2022 estimates, Verkkokauppa.com is undoubtedly overvalued compared to its omnichannel peers (over 100% premium). In our view, the focus should be shifted towards the FY'23 profitability level as the current year's profit is quite weak which won't describe the company's long-term performance. With our 2023 estimates the company trades with a 23E EV/EBIT multiple of 11.8x landing near its peers (~13% premium). It's worth noting that both Verkkokauppa.com's and its peer group's current valuation levels are pretty low, below the 5-year median level of ~14x (EV/EBIT). With the valuation stretched and uncertainty concerning our 2023 estimates, we have adjusted our target price to EUR 3.7 (4.3), reflecting a weaker 22-23E outlook, increased price competition and cost pressures, and an uncertain market. With our new target price, the company trades approx. in line with its Nordic omnichannel retail peers (based on 2023 multiples). With the lack of short-term drivers for an upside in valuation, we retain our HOLD-rating.

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
Online-focused Nordic and European peers											
ASOS plc	0.2x	0.2x	0.2x	5.0x	3.6x	2.7x	19.5x	10.2x	6.4x	9.1 %	-11.2 %
BHG Group AB	0.6x	0.5x	0.5x	7.7x	6.4x	5.6x	12.0x	9.4x	8.1x	6.8 %	-1.6 %
Boozt AB	0.6x	0.5x	0.4x	8.6x	6.7x	5.4x	14.9x	10.8x	8.4x	14.6 %	12.3 %
Delticom AG	0.2x	0.1x	0.1x	6.3x	4.2x	3.2x	16.2x	8.2x	6.0x	-6.9 %	-8.3 %
Dustin Group AB	0.4x	0.4x	0.4x	8.9x	8.1x	7.0x	12.7x	11.3x	9.5x	15.9 %	6.1 %
Groupe LDLC SA	0.2x	0.2x	0.1x	2.8x	2.1x	1.5x	3.5x	2.6x	2.1x	1.3 %	-9.9 %
Zalando SE	0.5x	0.5x	0.4x	12.1x	8.8x	6.7x	28.5x	16.9x	11.5x	10.4 %	11.5 %
Omnichannel retail Nordic and European peers											
CECONOMY AG	0.1x	0.1x	0.1x	2.8x	2.3x	1.8x	8.3x	6.2x	4.4x	0.9 %	21.0 %
Clas Ohlson AB Class B	0.9x	0.8x	0.8x	5.3x	5.1x	4.9x	11.6x	10.8x	10.3x	2.1 %	0.9 %
Currys PLC	0.2x	0.2x	0.1x	3.0x	2.6x	1.3x	7.2x	5.7x	2.7x	-3.5 %	3.6 %
ICA Gruppen AB										na.	na.
Kesko Oyj Class B	0.9x	0.9x	0.9x	8.5x	8.7x	8.6x	13.8x	14.7x	14.5x	2.6 %	-1.1 %
Kjell Group AB	0.8x	0.7x	0.6x	5.8x	5.1x	4.2x	10.8x	9.3x	7.5x	6.9 %	8.1 %
Musti Group Oyj	1.8x	1.6x	1.4x	10.6x	8.8x	7.6x	20.7x	15.8x	12.6x	6.5 %	16.8 %
Puuiilo Oyj	1.8x	1.6x	1.5x	9.7x	8.7x	7.6x	13.0x	11.5x	9.8x	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	3.0x	2.8x	3.4x	9.3x	8.4x	9.6x	-1.6 %	-15.3 %
XXL ASA	0.5x	0.5x	0.3x	5.5x	4.5x	2.5x	52.9x	18.7x	7.6x	1.2 %	8.0 %
Large international e-commerce peers											
Alibaba Group Holding Ltd. Sponsored ADR	1.7x	1.4x	1.1x	9.7x	7.8x	6.1x	15.7x	11.9x	9.4x	13.1 %	8.7 %
Amazon.com, Inc.	2.1x	1.8x	1.5x	15.3x	11.8x	9.0x	63.8x	32.1x	18.8x	19.4 %	14.1 %
eBay Inc.	3.0x	2.8x	2.7x	8.6x	8.0x	7.3x	10.0x	9.5x	8.9x	3.8 %	9.6 %
JD.com, Inc. Sponsored ADR Class A	0.5x	0.4x	0.3x	25.2x	15.5x	11.0x	61.1x	25.2x	15.2x	17.3 %	31.2 %
Online-focused Nordic and European peers	0.4x	0.4x	0.4x	7.7x	6.4x	5.4x	14.9x	10.2x	8.1x	9.1 %	-1.6 %
Omnichannel retail Nordic and European peers	0.8x	0.7x	0.6x	5.6x	5.1x	4.5x	11.2x	10.4x	9.0x	2.4 %	5.8 %
Large international e-commerce peers	1.9x	1.6x	1.3x	12.5x	9.9x	8.2x	38.4x	18.6x	12.3x	15.2 %	11.9 %
Verkkokauppa.com (Evli est.)	0.3x	0.3x	0.3x	14.0x	8.3x	6.2x	23.6x	11.8x	8.1x	3.3 %	-3.4 %
<i>Verkkokauppa.com vs. Online-focused Nordic and European peers median</i>	-24%	-32%	-34%	82%	30%	14%	59%	16%	-1%		
<i>Verkkokauppa.com vs. Omnichannel retail Nordic and European peers median</i>	-58%	-62%	-61%	150%	63%	37%	111%	13%	-11%		
VERKKOKAUPPA.COM PEER GROUP	P/E			EBIT-%			Div-%			ROE	P/B
	22	23	24	22	23	24	22	23	24	22	22
Online-focused Nordic and European peers											
ASOS plc	27.1x	17.0x	10.5x	1.2%	2.1%	2.7%	0.0%	0.0%	0.0%	3.5%	1.0x
BHG Group AB	8.4x	7.3x	6.9x	4.7%	5.5%	5.6%	0.0%	0.0%	0.0%	7.9%	0.7x
Boozt AB	21.5x	15.7x	12.7x	4.2%	4.9%	5.2%	0.0%	0.0%	0.2%	8.6%	1.9x
Delticom AG	11.7x	5.3x	4.9x	1.0%	1.7%	2.0%	0.0%	0.0%	0.0%	6.3%	0.7x
Dustin Group AB	11.0x	9.7x	8.4x	3.5%	3.7%	4.0%	4.9%	6.1%	7.1%	12.1%	1.3x
Groupe LDLC SA	6.8x	5.9x	5.8x	5.5%	5.7%	5.2%	6.4%	7.0%	5.0%	18.7%	1.3x
Zalando SE	61.3x	32.1x	20.9x	1.9%	2.9%	3.6%	0.0%	0.0%	0.2%	4.6%	2.8x
Omnichannel retail Nordic and European peers											
CECONOMY AG	6.0x	4.4x	3.7x	1.5%	1.9%	2.3%	3.9%	5.4%	9.8%	18.0%	1.1x
Clas Ohlson AB Class B	13.2x	12.9x	12.8x	7.5%	7.7%	7.6%	6.4%	6.6%	6.8%	27.3%	3.6x
Currys PLC	6.8x	5.3x	4.7x	2.5%	3.0%	3.1%	5.0%	6.0%	5.1%	4.6%	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	9.3x	8.3x	7.4x	7.1%	7.2%	7.4%	6.4%	7.3%	8.4%	14.8%	1.4x
Musti Group Oyj	24.4x	18.6x	15.3x	8.9%	10.2%	11.4%	2.9%	3.9%	4.7%	14.9%	3.6x
Puuiilo Oyj	14.0x	12.4x	10.5x	13.7%	14.0%	14.9%	5.8%	6.5%	7.6%	40.5%	5.7x
Tokmanni Group Oyj	10.2x	9.3x	8.4x	7.9%	8.3%	8.6%	7.0%	7.7%	8.4%	26.0%	2.7x
Unieuro SpA	6.8x	6.4x	5.6x	1.7%	1.8%	2.0%	8.4%	8.7%	9.8%	26.0%	1.8x
XXL ASA		12.1x	5.9x	1.0%	2.7%	4.0%	3.1%	3.4%	6.9%	-1.2%	0.4x
Large international e-commerce peers											
Alibaba Group Holding Ltd. Sponsored ADR	14.8x	12.4x	11.1x	10.6%	11.9%	12.2%	0.0%	0.0%	0.0%	11.5%	1.7x
Amazon.com, Inc.	219.5x	43.3x	26.3x	3.4%	5.6%	8.0%	0.0%	0.0%	0.0%	3.1%	6.9x
eBay Inc.	10.6x	9.6x	8.8x	29.8%	30.0%	29.7%	2.0%	1.9%	1.9%	37.6%	4.0x
JD.com, Inc. Sponsored ADR Class A	34.3x	22.8x	17.5x	0.8%	1.6%	2.1%	0.3%	0.0%	0.0%	7.6%	2.6x
Online-focused Nordic and European peers	11.7x	9.7x	8.4x	3.5%	3.7%	4.0%	0.0%	0.0%	0.2%	7.9%	1.3x
Omnichannel retail Nordic and European peers	10.2x	10.7x	7.9x	6.9%	6.7%	6.8%	5.4%	6.3%	7.3%	19.8%	2.2x
Large international e-commerce peers	24.6x	17.6x	14.3x	7.0%	8.7%	10.1%	0.2%	0.0%	0.0%	9.5%	3.3x
Verkkokauppa.com (Evli est.)	42.4x	19.8x	13.2x	1.4 %	2.4 %	3.1 %	6.3%	4.8%	4.9%	15.5%	6.0x
<i>Verkkokauppa.com vs. Online-focused Nordic and European peers median</i>	262%	103%	56%								374%
<i>Verkkokauppa.com vs. Omnichannel retail Nordic and European peers median</i>	314%	85%	67%								171%

Source: FactSet, Evli Research

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC	
Current share price	4.00 PV of Free Cash Flow	167 Long-term growth, %	2.0 Risk-free interest rate, %	2.25
DCF share value	7.89 PV of Horizon value	196 WACC, %	8.4 Market risk premium, %	5.8
Share price potential, %	97.3 Unconsolidated equity	0 Spread, %	0.5 Debt risk premium, %	2.8
Maximum value	8.6 Marketable securities	21 Minimum WACC, %	7.9 Equity beta coefficient	1.10
Minimum value	7.3 Debt - dividend	-31 Maximum WACC, %	8.9 Target debt ratio, %	20
Horizon value, %	54.0 Value of stock	353 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	556	589	634	653	666	679	692	706	720	735	750
<i>Sales growth, %</i>	<i>3.8</i>	<i>-3.2</i>	<i>5.9</i>	<i>7.6</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	8	14	20	27	27	28	28	29	30	30	31
<i>Operating income margin, %</i>	<i>3.5</i>	<i>1.4</i>	<i>2.4</i>	<i>3.1</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	6	5	5	5	5	5	5
EBITDA	25	13	20	26	32	33	33	34	34	35	35	
- Paid taxes	-4	-1	-3	-4	-5	-5	-6	-6	-6	-6	-6	-6
- Change in NWC	-14	-3	24	1	0	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>-1.7</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	0
- Operative CAPEX	-5	-2	-2	-2	-2	-2	-2	-2	-3	-3	-3	-3
<i>opCAPEX / Sales, %</i>	<i>1.3</i>	<i>1.2</i>	<i>1.0</i>	<i>0.7</i>	<i>0.8</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>	<i>0.9</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	7	39	21	25	26	26	26	26	26	26	421
= Discounted FCFF		7	35	17	19	18	17	15	14	13	12	196
= DFCF min WACC		7	35	17	20	18	17	16	15	14	13	222
= DFCF max WACC		7	35	17	19	18	16	15	14	13	12	174

INTERIM FIGURES

EVLI ESTIMATES, EURm	2021Q1	2021Q2	2021Q3	2021Q4	2021	2022Q1	2022Q2	2022Q3E	2022Q4E	2022E	2023E	2024E
Net sales	134.0	130.5	141.0	168.9	574.5	124.8	125.7	135.9	169.6	556.0	588.8	633.5
EBITDA	6.5	6.3	5.8	6.6	25.2	2.2	1.2	4.7	5.4	13.4	20.0	25.6
<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>0.9</i>	<i>3.4</i>	<i>3.2</i>	<i>2.4</i>	<i>3.4</i>	<i>4.0</i>
EBIT	5.2	5.1	4.7	5.3	20.3	0.9	-0.2	3.3	4.0	7.9	14.1	19.7
<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>-0.2</i>	<i>2.4</i>	<i>2.4</i>	<i>1.4</i>	<i>2.4</i>	<i>3.1</i>
Net financial items	-0.3	-0.4	-0.3	-0.3	-1.4	-0.4	-0.5	-0.5	-0.5	-1.9	-2.8	-2.7
Pre-tax profit	4.9	4.7	4.3	5.0	18.9	0.5	-0.8	2.8	3.5	6.1	11.3	17.0
Tax	-1.0	-1.0	-0.9	-1.0	-3.9	-0.1	0.4	-0.6	-0.7	-1.0	-2.3	-3.4
<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>49.9</i>	<i>20.0</i>	<i>20.0</i>	<i>16.2</i>	<i>20.0</i>	<i>20.0</i>
Net profit	3.9	3.7	3.5	4.0	15.1	0.4	-0.4	2.3	2.8	5.1	9.0	13.6
EPS	0.09	0.08	0.08	0.09	0.34	0.01	-0.01	0.05	0.06	0.11	0.20	0.30
EPS adjusted (diluted no. of shares)	0.09	0.08	0.08	0.09	0.34	0.00	-0.02	0.05	0.06	0.09	0.20	0.30
Dividend per share	0.00	0.00	0.00	0.00	0.25	0.00	0.00	0.00	0.00	0.25	0.19	0.20
SALES, EURm												
Verkkokauppa.com	134.0	130.5	141.0	168.9	574.5	124.8	125.7	135.9	169.6	556.0	588.8	633.5
Total	134.0	130.5	141.0	168.9	574.5	124.8	125.7	135.9	169.6	556.0	588.8	633.5
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>-6.9</i>	<i>-3.7</i>	<i>-3.6</i>	<i>0.4</i>	<i>-3.2</i>	<i>5.9</i>	<i>7.6</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>-3.7</i>	<i>-3.6</i>	<i>0.4</i>	<i>-3.2</i>	<i>5.9</i>	<i>7.6</i>
EBIT, EURm												
Verkkokauppa.com	5.2	5.1	4.7	5.3	20.3	0.9	-0.2	3.3	4.0	7.9	14.1	19.7
Total	5.2	5.1	4.7	5.3	20.3	0.9	-0.2	3.3	4.0	7.9	14.1	19.7
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>0.7</i>	<i>-0.2</i>	<i>2.4</i>	<i>2.4</i>	<i>1.4</i>	<i>2.4</i>	<i>3.1</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>-0.2</i>	<i>2.4</i>	<i>2.4</i>	<i>1.4</i>	<i>2.4</i>	<i>3.1</i>

INCOME STATEMENT, EURm	2017	2018	2019	2020	2021	2022E	2023E	2024E
Sales	431.9	477.8	504.1	553.6	574.5	556.0	588.8	633.5
<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>-3.2</i>	<i>5.9</i>	<i>7.6</i>
EBITDA	18.0	18.4	16.2	25.4	25.2	13.4	20.0	25.6
<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>2.4</i>	<i>3.4</i>	<i>4.0</i>
Depreciation	-4.6	-5.1	-4.9	-5.0	-5.0	-5.4	-5.9	-5.9
EBITA	13.5	13.3	11.3	20.4	20.3	7.9	14.1	19.7
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	7.9	14.1	19.7
<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>1.4</i>	<i>2.4</i>	<i>3.1</i>
Reported EBIT	13.5	13.3	11.3	19.6	20.3	7.9	14.1	19.7
<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>1.4</i>	<i>2.4</i>	<i>3.1</i>
Net financials	-1.6	-1.7	-1.5	-1.4	-1.4	-1.9	-2.8	-2.7
Pre-tax profit	11.8	11.7	9.8	19.0	18.9	6.1	11.3	17.0
Taxes	-2.4	-2.3	-1.9	-3.5	-3.9	-1.0	-2.3	-3.4
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	5.1	9.0	13.6
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	13
Inventory	47	66	67	75	88	97	78	84
Receivables	20	27	27	33	39	34	36	39
Liquid funds	52	47	42	43	21	31	53	59
Total assets	149	168	160	174	172	188	192	205
Liabilities								
Shareholder's equity	37	38	37	41	36	30	28	33
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	13
Deferred taxes	0	0	0	0	0	0	0	0
Interest bearing debt	0	0	0	0	0	25	25	25
Non-interest bearing current liabilities	82	103	100	110	116	117	124	133
Other interest-free debt	0	0	0	0	0	0	0	0
Total liabilities	149	168	160	174	172	188	192	205
CASH FLOW, EURm								
+ EBITDA	18	18	16	25	25	13	20	26
- Net financial items	-2	-2	-1	-1	-1	-2	-3	-3
- Taxes	-4	-3	-2	-2	-4	-1	-2	-3
- 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	8	39	20
- 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	1	33	16
+/- New issues/buybacks	-4	0	0	-1	0	0	0	0
- Paid dividend	-7	-8	-9	-10	-20	-11	-11	-9
+/- Other	0	-3	-3	-2	-1	20	0	-2
Change in cash	10	-5	-4	1	-22	10	21	6

KEY FIGURES	2018	2019	2020	2021	2022E	2023E	2024E
M-cap	185	159	320	319	179	179	179
Net debt (excl. convertibles)	-20	-19	-21	-1	9	-13	-20
Enterprise value	164	140	299	318	188	166	159
Sales	478	504	554	574	556	589	634
EBITDA	18	16	25	25	13	20	26
EBIT	13	11	20	20	8	14	20
Pre-tax	12	10	19	19	6	11	17
Earnings	9	8	15	15	5	9	14
Equity book value (excl. minorities)	38	37	41	36	30	28	33
Valuation multiples							
EV/sales	0.3	0.3	0.5	0.6	0.3	0.3	0.3
EV/EBITDA	8.9	8.7	11.8	12.6	14.0	8.3	6.2
EV/EBITA	12.3	12.4	14.6	15.7	23.6	11.8	8.1
EV/EBIT	12.3	12.4	14.6	15.7	23.6	11.8	8.1
EV/OCF	18.5	14.4	17.7	47.7	24.4	4.3	7.8
EV/FCFF	18.6	14.4	18.8	110.0	27.3	4.2	7.7
P/FCFE	28.7	20.6	24.9	-329.2	137.2	5.4	11.3
P/E	19.8	20.4	20.7	21.2	42.4	19.8	13.2
P/B	4.9	4.4	7.9	8.9	6.0	6.5	5.5
Target EV/EBITDA	0.0	0.0	0.0	0.0	13.0	7.6	5.7
Target EV/EBIT	0.0	0.0	0.0	0.0	22.0	10.8	7.4
Target EV/FCF	0.0	0.0	0.0	0.0	133.8	4.6	9.2
Target P/B	0.0	0.0	0.0	0.0	5.6	6.0	5.1
Target P/E	0.0	0.0	0.0	0.0	39.2	18.3	12.2
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	0.11	0.20	0.30
Operating cash flow per share	0.20	0.22	0.38	0.15	0.17	0.87	0.46
Free cash flow per share	0.14	0.17	0.29	-0.02	0.03	0.74	0.35
Book value per share	0.83	0.81	0.90	0.80	0.67	0.62	0.73
Dividend per share	0.20	0.21	0.45	0.25	0.25	0.19	0.20
Dividend payout ratio, %	95.6	123.4	130.7	73.1	220.0	95.0	65.0
Dividend yield, %	4.8	6.1	6.3	3.5	6.3	4.8	4.9
FCF yield, %	3.5	4.9	4.0	-0.3	0.7	18.4	8.8
Efficiency measures							
ROE	25.1	21.1	40.1	39.5	15.5	31.5	45.1
ROCE	20.5	18.2	33.4	34.3	12.6	20.5	28.5
Financial ratios							
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	1.2	1.0	0.7
CAPEX/sales (incl. acquisitions), %	0.5	0.4	0.7	1.3	1.2	1.0	0.7
FCFF/EBITDA	0.5	0.6	0.6	0.1	0.5	2.0	0.8
Net debt/EBITDA, book-weighted	-1.1	-1.2	-0.8	0.0	0.7	-0.6	-0.8
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	16.4	14.8	16.4
Gearing, %	-54.3	-52.1	-52.2	-2.2	29.9	-46.7	-61.6

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	63.828	35.7%
Keskinäinen Työeläkevakuutusyhtiö Varma	3,865,932	15.464	8.6%
Mandatum Henkivakuutusosakeyhtiö	2,192,211	8.769	4.9%
Keskinäinen Eläkevakuutusyhtiö Ilmarinen	2,174,309	8.697	4.9%
Sijoitusrahasto Nordea Nordic Small Cap	1,476,669	5.907	3.3%
Sijoitusrahasto Evli Suomi Pieniyhtiöt	1,230,000	4.920	2.7%
Skogberg Ville Johannes	634,266	2.537	1.4%
Keskinäinen Vakuutusyhtiö Kaleva	566,475	2.266	1.3%
Op-Suomi Pieniyhtiöt	485,603	1.942	1.1%
Säästöpankki Kotimaa -Sijoitusrahasto	423,000	1.692	0.9%
Ten largest	29,005,465	116.022	65%
Residual	15,736,268	62.945	35%
Total	44,741,733	178.967	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, %	$\frac{\text{Profit before extraordinary items and taxes} - \text{income taxes}}{\text{Shareholder's equity} + \text{minority interest} + \text{taxed provisions (average)}}$		

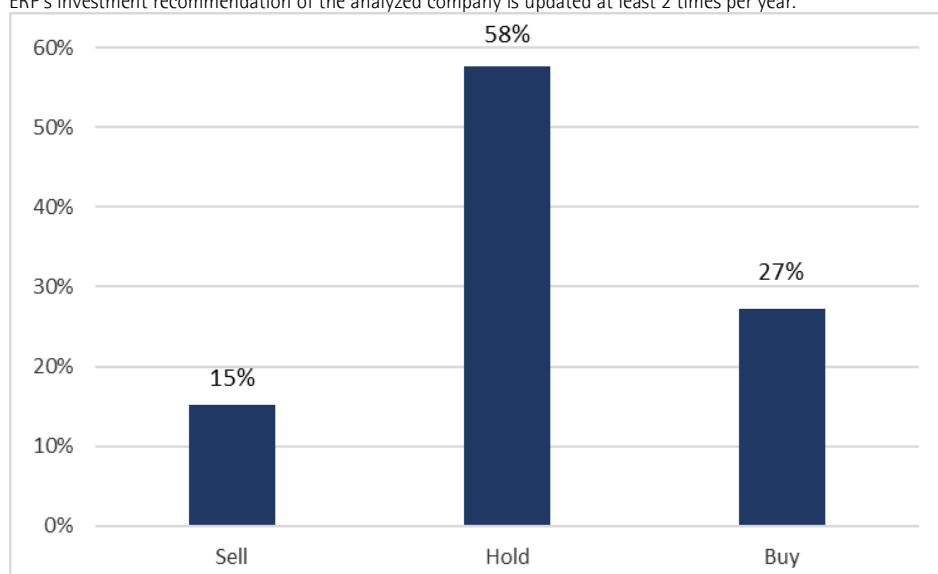
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Target price compared to share price	Recommendation
< -10 %	SELL
-10 – (+10) %	HOLD
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Name(s) of the analyst(s): Heikura

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