

Tough times ahead before market recovery

Verkkokauppa.com's Q3 result came in soft as expected. The current market includes a significant portion of uncertainty, and we find it better off to wait for the first signs of market recovery. We downgrade our rating to SELL (HOLD) and adjust TP to EUR 2.2 (3.5).

Topline came in above expectations, but EBIT was modest

Due to the challenging market, Verkkokauppa.com's Q3 result came in modest. Net sales declined by 2.3% y/y to EUR 137.8m. The decline was mostly driven by the consumer segment and core categories. Sales grew in the Export and B2B segments. B2B growth pace slowed down to 5% with reduced activity of SMB clients and Export growth was mostly supported by new customers gained. Evolving categories performed well in a challenging market and managed to grow by 3.1% y/y. Unfavorable sales mix and increased price competition showed in a weaker gross margin of 14.6%. The profitability was further harmed by increased cost pressures through investments in personnel and elevated logistics costs. Q3 adj. EBIT amounted to EUR 2.1m (1.5% margin).

2023 going to be challenging as well

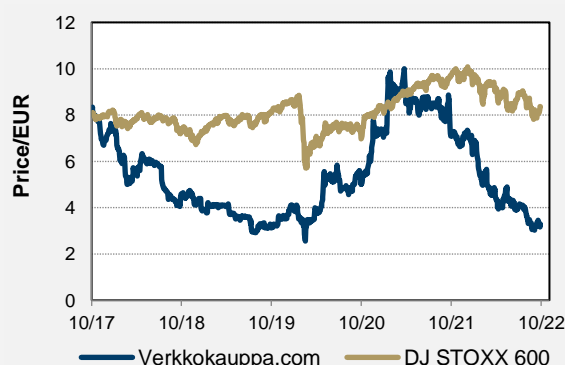
The company guides for 2022: net sales of EUR 530-560m and adj. EBIT of EUR 5-9m. Lots of tasks must be done to reach the guidance since the weak market doesn't provide much support. At this moment, large inventory burns cash, and the company has pressures to release capital from expanded inventories. A side effect of inventory clearance, namely margin investments possibly hurt profitability. We expect the inventory clearance to continue also in 2023. With low sales volumes and existing cost pressures, we expect the profitability to lag also in H1'23.

Negative view with elevated valuation

We decreased our estimates after the Q3 result. We see the upcoming year as challenging and our previous 2023 estimates seemed quite optimistic. With decreased topline estimates our 23 EBIT estimate saw a ~50% drop. We see it challenging for the company to stay profitable in H1'23, but EBIT to notably improve in H2'23. However, we find the current market as too uncertain. With our revised estimates, uncertain market environment and high valuation, we downgrade our rating to SELL (HOLD) and adjust TP to EUR 2.2 (3.5).

Rating

SELL



Share price, EUR (Last trading day's closing price) 3.29

Target price, EUR 2.2

Latest change in 28-Oct-22

Latest report on company 24-Oct-22

Research paid by issuer: YES

No. of shares outstanding, 44,742

No. of shares fully diluted, 44,742

Market cap, EURm 147

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

Web site verkkokauppa.com/en/investors/

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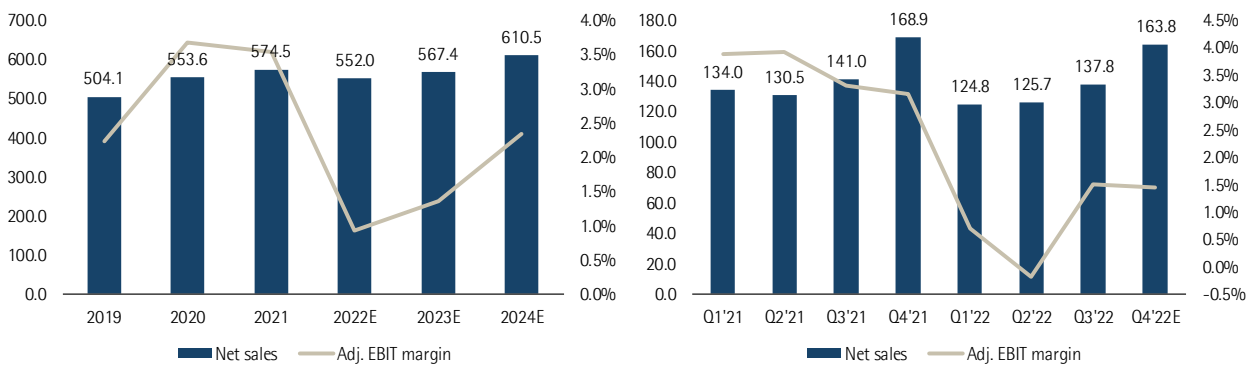
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BUY HOLD SELL

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	552.0	3.6	0.7%	-12.8	0.03	57.3	0.3	46.7	-8.7	0.10
2023E	567.4	7.6	1.3%	2.8	0.10	32.9	0.3	22.5	1.9	0.11
2024E	610.5	14.2	2.3%	21.6	0.20	16.3	0.3	10.9	14.7	0.18
Market cap, EURm			147	Gearing 2022E, %		89.3	CAGR EPS 2021-24, %			-15.7
Net debt 2022E, EURm			23	Price/book 2022E		5.7	CAGR sales 2021-24, %			2.0
Enterprise value, EURm			170	Dividend yield 2022E, %		3.0	ROE 2022E, %			3.7
Total assets 2022E, EURm			183	Tax rate 2022E, %		39.4	ROCE 2022E, %			6.0
Goodwill 2022E, EURm			4	Equity ratio 2022E, %		14.6	PEG, P/E 22/CAGR			0.7

Estimates														
	2019	2020	Q1'21	Q2'21	Q3'21	Q4'21	2021	Q1'22	Q2'22	Q3'22	Q4'22E	2022E	2023E	2024E
Net sales	504.1	553.6	134.0	130.5	141.0	168.9	574.5	124.8	125.7	137.8	163.8	552.0	567.4	610.5
<i>growth-%</i>	5.5%	9.8%	7.0%	6.1%	9.1%	-4.0%	3.8%	-6.9%	-3.7%	-2.3%	-3.0%	-3.9%	2.8%	7.6%
Gross margin	14.7%	16.0%	16.2%	17.2%	14.8%	15.5%	15.9%	15.4%	15.4%	14.6%	15.0%	15.1%	15.6%	15.9%
Adj. EBIT	11.3	20.4	5.2	5.1	4.7	5.3	20.3	0.9	-0.2	2.1	2.3	5.1	7.6	14.2
<i>Margin</i>	2.2%	3.7%	3.9%	3.9%	3.3%	3.2%	3.5%	0.7%	-0.2%	1.5%	1.4%	0.9%	1.3%	2.3%
EBIT	11.3	19.6	5.2	5.1	4.7	5.3	20.3	0.7	-0.9	1.7	2.1	3.6	7.6	14.2
<i>Margin</i>	2.2%	3.5%	3.9%	3.9%	3.3%	3.2%	3.5%	0.5%	-0.7%	1.3%	1.3%	0.7%	1.3%	2.3%
Adj. EPS	0.17	0.34	0.09	0.08	0.08	0.09	0.34	0.01	-0.01	0.02	0.03	0.06	0.10	0.20
EPS	0.17	0.33	0.09	0.08	0.08	0.09	0.34	0.00	-0.02	0.01	0.03	0.03	0.10	0.20



Estimates

We downgraded our estimates, reflecting recent profit warning and further weakened outlook. Market environment includes a significant portion of uncertainty and B2B segment's SMB clients have shown their activity to slow down. Our previous view of H1'23 was too optimistic which can be seen in notable drop in our 23E EBIT estimate.

We expect 2022 net sales to decrease by 3.9% y/y to EUR 552.0. The decline is mostly driven by weak performance of consumer sales. 2022 net sales are supported by B2B of which growth rate we expect to slow down in 2023. Low volumes combined with tight gross margin and elevated fixed costs, our 22 EBIT (reported) estimate lands at EUR 3.6m (0.7% margin). Considering NRIs, 22E adj. EBIT amounts to EUR 5.1m, which is at the lower bound of the company's guidance. With negative free cashflow, we expect the company to cut 22E dividend to EUR 0.10 (distributed next year).

With uncertain future, we also cut 2023 estimates. We expect H1'23 to be challenging but performance to improve in H2'23. In total, we expect Verkkokauppa.com to grow by 2.8% y/y to EUR 567.4m. Growth is driven by solid H2 when we estimate the view of consumer segment to slightly brighten. We expect existing cost pressures to remain until the end of H1'23 which results in a lagged profitability. In total our 23 EBIT estimate amounts to EUR 7.6m (1.3% margin). Our estimates still include a significant portion of uncertainty.

In 2024, we expect the company to show y/y growth of 7.6% y/y and an EBIT margin of 2.3%.

Valuation

With decreased 2023 estimates, we see the current valuation too expensive. Verkkokauppa.com trades with a 23E P/E of 33x while with our new target price we value the company with 23E P/E of 22x and EV/EBIT of 16x. Nordic retail peers trade with a 23E P/E of 10x. Thus, we see some downside potential in Verkkokauppa.com's share price. With 2024 estimates or normalized profit levels, Verkkokauppa.com's valuation seems quite attractive (24E P/E: 16x). However, we are not ready to rely on estimates that far nor assume the company reaching its normalized profits soon. When the market recovery starts, we see the company well positioned with its recent investments in automation and logistics. With a ~50% drop in 23E EBIT, we adjust our target price to EUR 2.0 (3.5) and rating to SELL (HOLD).

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	4.7x	4.7x	3.2x	18.7x	31.1x	9.7x	4.0 %	-27.6 %
BHG Group AB	0.5x	0.5x	0.4x	9.0x	7.4x	5.9x	16.7x	16.0x	11.2x	1.8 %	-24.8 %
Boozt AB	0.8x	0.7x	0.6x	11.4x	9.3x	7.3x	21.2x	15.5x	11.6x	11.3 %	6.8 %
Delticom AG	0.2x	0.1x	0.1x	5.7x	5.2x	3.6x	18.8x	15.3x	7.4x	-7.4 %	-39.9 %
Dustin Group AB	0.4x	0.4x	0.3x	8.1x	7.4x	6.5x	10.8x	10.1x	8.4x	13.6 %	2.4 %
Groupe LDLC SA	0.1x	0.1x	0.1x	2.0x	1.3x	0.8x	2.4x	1.7x	1.1x	1.4 %	-9.4 %
Zalando SE	0.6x	0.5x	0.5x	13.5x	10.0x	7.6x	37.0x	21.9x	14.1x	7.5 %	1.4 %
Omnichannel retail Nordic and European peers											
CECONOMY AG	0.1x	0.1x	0.1x	3.0x	2.9x	2.6x	15.3x	12.7x	9.3x	0.6 %	-6.4 %
Clas Ohlson AB Class B	0.7x	0.7x	0.6x	5.0x	4.4x	4.1x	13.1x	10.1x	9.3x	0.4 %	-7.9 %
Currys PLC	0.2x	0.2x	0.1x	3.2x	2.9x	2.0x	8.1x	6.7x	4.5x	-3.8 %	-5.5 %
ICA Gruppen AB										na.	na.
Kesko Oyj Class B	0.8x	0.8x	0.8x	7.5x	7.9x	7.8x	12.1x	13.4x	13.2x	2.4 %	-1.6 %
Kjell Group AB	0.7x	0.6x	0.5x	6.2x	5.2x	4.4x	13.9x	10.3x	8.1x	5.3 %	14.9 %
Musti Group Oyj	1.9x	1.7x	1.5x	10.9x	9.2x	8.1x	22.0x	17.1x	14.0x	6.1 %	15.6 %
Puuhilo Oyj	1.8x	1.7x	1.6x	9.4x	9.1x	8.1x	12.1x	12.0x	10.5x	5.4 %	5.1 %
Tokmanni Group Oyj	0.9x	0.9x	0.8x	6.4x	6.2x	5.5x	11.6x	11.0x	9.5x	3.8 %	-0.5 %
Unieuro SpA	0.2x	0.2x	0.2x	3.2x	3.1x	3.8x	12.2x	11.9x	11.9x	-2.7 %	-39.5 %
XXL ASA	0.5x	0.5x	0.4x	6.8x	4.9x	3.2x		51.3x	14.2x	-1.6 %	-24.4 %
Large international e-commerce peers											
Alibaba Group Holding Ltd.	0.9x	0.7x	0.5x	4.8x	3.7x	2.6x	8.2x	6.4x	4.0x	10.0 %	7.7 %
Amazon.com, Inc.	2.2x	1.9x	1.6x	15.9x	12.8x	9.7x	76.4x	38.0x	22.1x	18.5 %	9.6 %
eBay Inc.	2.9x	2.8x	2.6x	8.4x	8.1x	7.4x	9.7x	9.5x	8.8x	2.7 %	9.6 %
JD.com, Inc. Class A	0.3x	0.2x	0.2x	11.6x	7.5x	5.0x	21.6x	11.1x	6.8x	14.0 %	32.2 %
Rakuten, Inc.											
Online-focused Nordic and European peers											
	0.4x	0.4x	0.3x	8.1x	7.4x	5.9x	18.7x	15.5x	9.7x	4.0 %	-9.4 %
Omnichannel retail Nordic and European peers											
	0.7x	0.7x	0.6x	6.3x	5.0x	4.2x	12.2x	12.0x	10.0x	1.5 %	-3.6 %
Large international e-commerce peers											
	1.5x	1.3x	1.1x	10.0x	7.8x	6.2x	15.6x	10.3x	7.8x	12.0 %	9.6 %
Verkkokauppa.com (Evli est.)											
	0.3x	0.3x	0.3x	18.6x	12.7x	7.5x	46.6x	22.4x	10.9x	2.0 %	-15.7 %
<i>Verkkokauppa.com vs. Online-focused Nordic and European peers median</i>											
	-23%	-19%	-25%	128%	72%	26%	149%	45%	12%		
<i>Verkkokauppa.com vs. Omnichannel retail Nordic and European peers median</i>											
	-56%	-54%	-57%	195%	152%	77%	281%	88%	9%		

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		17.2x	13.3x	1.1%	0.7%	1.9%	0.0%	0.0%	0.0%	-3.1%	0.6x
BHG Group AB	3.9x	13.2x	8.0x	3.0%	3.1%	3.8%	0.0%	0.0%	0.0%	8.9%	0.4x
Boozt AB	29.5x	22.4x	17.2x	3.7%	4.5%	5.0%	0.0%	0.0%	0.2%	7.6%	2.2x
Delticom AG	7.2x	11.9x	5.5x	0.8%	1.0%	1.8%	0.0%	0.0%	0.0%	10.0%	0.7x
Dustin Group AB	8.7x	8.6x	7.3x	3.7%	3.7%	4.1%	5.2%	6.8%	8.6%	12.0%	1.0x
Groupe LDLC SA	5.3x	4.6x	4.2x	5.4%	5.8%	5.8%	8.1%	8.9%	11.6%	18.5%	1.0x
Zalando SE	99.8x	45.3x	27.4x	1.5%	2.4%	3.2%	0.0%	0.0%	0.2%	2.9%	2.9x
Omnichannel retail Nordic and European peers											
CECONOMY AG	9.0x	6.6x	5.3x	0.8%	0.9%	1.2%	2.6%	3.6%	6.2%	9.3%	0.8x
Clas Ohlson AB Class B	13.1x	10.4x	10.1x	5.4%	6.6%	6.8%	8.1%	8.7%	8.8%	18.4%	2.4x
Currys PLC	7.8x	6.2x	5.8x	2.2%	2.6%	2.6%	3.9%	4.8%	5.4%	3.8%	0.3x
ICA Gruppen AB											
Kesko Oyj Class B	13.2x	14.8x	14.6x	6.9%	6.2%	6.1%	5.4%	5.4%	5.5%	22.2%	2.9x
Kjell Group AB	10.6x	8.2x	7.0x	5.0%	6.1%	6.6%	3.3%	7.3%	8.8%	10.7%	1.1x
Musti Group Oyj	26.1x	20.5x	16.9x	8.7%	10.0%	11.0%	2.6%	3.5%	4.2%	14.6%	3.8x
Puuhilo Oyj	13.3x	13.3x	11.4x	15.2%	14.3%	14.9%	5.9%	6.1%	7.0%	44.5%	5.9x
Tokmanni Group Oyj	11.1x	10.5x	9.4x	7.8%	7.9%	8.3%	6.5%	6.9%	7.7%	25.5%	2.8x
Unieuro SpA	11.1x	11.3x	9.1x	1.3%	1.3%	1.7%	4.0%	4.0%	6.4%	16.1%	1.8x
XXL ASA			13.3x	-1.2%	0.9%	2.5%	2.7%	0.0%	2.7%	-3.8%	0.3x
Large international e-commerce peers											
Alibaba Group Holding Ltd.	8.5x	7.7x	6.9x	10.9%	11.3%	13.0%	0.0%	0.0%	0.0%	12.8%	1.1x
Amazon.com, Inc.	4 384.3x	49.8x	29.7x	2.9%	5.0%	7.2%	0.0%	0.0%	0.0%	0.2%	7.6x
eBay Inc.	9.9x	9.3x	8.4x	29.4%	29.4%	29.8%	2.1%	1.9%	1.9%	50.5%	5.0x
JD.com, Inc. Class A	18.2x	13.7x	10.6x	1.3%	1.9%	2.4%	0.9%	0.0%	0.0%	9.8%	1.8x
Rakuten, Inc.											
Online-focused Nordic and European peers											
	8.0x	13.2x	8.0x	3.0%	3.1%	3.8%	0.0%	0.0%	0.2%	8.9%	1.0x
Omnichannel retail Nordic and European peers											
	11.1x	10.5x	9.8x	5.2%	6.1%	6.4%	3.9%	5.1%	6.3%	15.4%	2.1x
Large international e-commerce peers											
	14.1x	11.5x	9.5x	6.9%	8.1%	10.1%	0.4%	0.0%	0.0%	11.3%	3.4x
Verkkokauppa.com (Evli est.)											
	57.2x	32.9x	16.3x	0.7 %	1.3 %	2.3 %	3.0%	3.3%	5.5%	3.7%	5.7x
<i>Verkkokauppa.com vs. Online-focused Nordic and European peers median</i>											
	619%	149%	105%								478%
<i>Verkkokauppa.com vs. Omnichannel retail Nordic and European peers median</i>											
	417%	213%	67%								171%

Source: FactSet, Evli Research

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC
Current share price	3.29 PV of Free Cash Flow	121 Long-term growth, %	2.0 Risk-free interest rate, %
DCF share value	6.08 PV of Horizon value	161 WACC, %	8.7 Market risk premium, %
Share price potential, %	84.9 Unconsolidated equity	0 Spread, %	0.5 Debt risk premium, %
Maximum value	6.6 Marketable securities	21 Minimum WACC, %	8.2 Equity beta coefficient
Minimum value	5.6 Debt - dividend	-31 Maximum WACC, %	9.2 Target debt ratio, %
Horizon value, %	57.0 Value of stock	272 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	552	567	611	644	657	670	684	697	711	725	740
<i>Sales growth, %</i>	<i>3.8</i>	<i>-3.9</i>	<i>2.8</i>	<i>7.6</i>	<i>5.5</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	4	8	14	23	23	23	24	24	25	25	26
<i>Operating income margin, %</i>	<i>3.5</i>	<i>0.7</i>	<i>1.3</i>	<i>2.3</i>	<i>3.5</i>	<i>3.5</i>	<i>3.5</i>	<i>3.5</i>	<i>3.5</i>	<i>3.5</i>	<i>3.5</i>	<i>3.5</i>
+ Depreciation+amort.	5	5	6	6	6	6	5	5	5	5	5	5
EBITDA	25	9	14	21	29	29	29	29	30	30	31	
- Paid taxes	-4	-1	-2	-3	-5	-5	-5	-5	-5	-5	-5	
- Change in NWC	-14	-8	1	11	3	-3	5	0	0	0	0	
<i>NWC / Sales, %</i>	<i>2.0</i>	<i>3.6</i>	<i>3.4</i>	<i>1.3</i>	<i>0.8</i>	<i>1.3</i>	<i>0.5</i>	<i>0.4</i>	<i>0.4</i>	<i>0.4</i>	<i>0.4</i>	
+ Change in other liabs	0	0	0	0	0	0	0	0	0	0	0	
- Operative CAPEX	-5	-11	-2	-2	-2	-2	-2	-2	-3	-3	-3	
<i>opCAPEX / Sales, %</i>	<i>1.3</i>	<i>2.6</i>	<i>1.4</i>	<i>0.8</i>	<i>0.8</i>	<i>0.7</i>	<i>0.7</i>	<i>0.8</i>	<i>0.8</i>	<i>0.8</i>	<i>0.8</i>	
- Acquisitions	0	3	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	-8	10	27	25	19	27	22	22	22	23	346
= Discounted FCFF		-7	9	22	19	13	18	13	12	11	11	161
= DFCF min WACC		-7	9	23	19	14	18	14	13	12	11	181
= DFCF max WACC		-7	9	22	19	13	17	13	12	11	10	144

INTERIM FIGURES

EVLI ESTIMATES, EURm	2021Q1	2021Q2	2021Q3	2021Q4	2021	2022Q1	2022Q2	2022Q3	2022Q4E	2022E	2023E	2024E
Net sales	134.0	130.5	141.0	168.9	574.5	124.8	125.7	137.8	163.8	552.0	567.4	610.5
EBITDA	6.5	6.3	5.8	6.6	25.2	2.0	0.5	3.2	3.5	9.1	13.5	20.7
<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>1.6</i>	<i>0.4</i>	<i>2.3</i>	<i>2.1</i>	<i>1.7</i>	<i>2.4</i>	<i>3.4</i>
EBIT	5.2	5.1	4.7	5.3	20.3	0.7	-0.9	1.7	2.1	3.6	7.6	14.2
<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>0.5</i>	<i>-0.7</i>	<i>1.3</i>	<i>1.3</i>	<i>0.7</i>	<i>1.3</i>	<i>2.3</i>
Net financial items	-0.3	-0.4	-0.3	-0.3	-1.4	-0.4	-0.5	-0.4	-0.5	-1.8	-1.8	-3.0
Pre-tax profit	4.9	4.7	4.3	5.0	18.9	0.3	-1.4	1.4	1.7	1.9	5.8	11.3
Tax	-1.0	-1.0	-0.9	-1.0	-3.9	-0.1	0.4	-0.7	-0.3	-0.7	-1.4	-2.3
<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>34.6</i>	<i>27.1</i>	<i>51.3</i>	<i>20.0</i>	<i>39.4</i>	<i>23.5</i>	<i>20.0</i>
Net profit	3.9	3.7	3.5	4.0	15.1	0.2	-1.0	0.7	1.3	1.1	4.5	9.0
EPS	0.09	0.08	0.08	0.09	0.34	0.00	-0.02	0.01	0.03	0.03	0.10	0.20
EPS adjusted (diluted no. of shares)	0.09	0.08	0.08	0.09	0.34	0.01	-0.01	0.02	0.03	0.06	0.10	0.20
Dividend per share	0.00	0.00	0.00	0.00	0.25	0.00	0.00	0.00	0.00	0.10	0.11	0.18
SALES, EURm												
Verkkokauppa.com	134.0	130.5	141.0	168.9	574.5	124.8	125.7	137.8	163.8	552.0	567.4	610.5
Total	134.0	130.5	141.0	168.9	574.5	124.8	125.7	137.8	163.8	552.0	567.4	610.5
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>-2.3</i>	<i>-3.0</i>	<i>-3.9</i>	<i>2.8</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>-2.3</i>	<i>-3.0</i>	<i>-3.9</i>	<i>2.8</i>	<i>7.6</i>
EBIT, EURm												
Verkkokauppa.com	5.2	5.1	4.7	5.3	20.3	0.7	-0.9	1.7	2.1	3.6	7.6	14.2
Total	5.2	5.1	4.7	5.3	20.3	0.7	-0.9	1.7	2.1	3.6	7.6	14.2
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>0.5</i>	<i>-0.7</i>	<i>1.3</i>	<i>1.3</i>	<i>0.7</i>	<i>1.3</i>	<i>2.3</i>
Total	<i>3.9</i>	<i>3.9</i>	<i>3.3</i>	<i>3.2</i>	<i>3.5</i>	<i>0.5</i>	<i>-0.7</i>	<i>1.3</i>	<i>1.3</i>	<i>0.7</i>	<i>1.3</i>	<i>2.3</i>

INCOME STATEMENT, EURm	2017	2018	2019	2020	2021	2022E	2023E	2024E
Sales	431.9	477.8	504.1	553.6	574.5	552.0	567.4	610.5
<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>-3.9</i>	<i>2.8</i>	<i>7.6</i>
EBITDA	18.0	18.4	16.2	25.4	25.2	9.1	13.5	20.7
<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>1.7</i>	<i>2.4</i>	<i>3.4</i>
Depreciation	-4.6	-5.1	-4.9	-5.0	-5.0	-5.5	-5.9	-6.5
EBITA	13.5	13.3	11.3	20.4	20.3	3.6	7.6	14.2
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	3.6	7.6	14.2
<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>0.7</i>	<i>1.3</i>	<i>2.3</i>
Reported EBIT	13.5	13.3	11.3	19.6	20.3	3.6	7.6	14.2
<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>0.7</i>	<i>1.3</i>	<i>2.3</i>
Net financials	-1.6	-1.7	-1.5	-1.4	-1.4	-1.8	-1.8	-3.0
Pre-tax profit	11.8	11.7	9.8	19.0	18.9	1.9	5.8	11.3
Taxes	-2.4	-2.3	-1.9	-3.5	-3.9	-0.7	-1.4	-2.3
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	1.1	4.5	9.0
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	10	11	11
Goodwill	0	0	0	0	0	4	4	4
Right of use assets	25	22	19	17	16	15	17	15
Inventory	47	66	67	75	88	97	94	89
Receivables	20	27	27	33	39	38	39	42
Liquid funds	52	47	42	43	21	17	21	31
Total assets	149	168	160	174	172	183	186	192
Liabilities								
Shareholder's equity	37	38	37	41	36	26	26	30
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	17	15
Deferred taxes	0	0	0	0	0	0	0	0
Interest bearing debt	0	0	0	0	0	25	28	25
Non-interest bearing current liabilities	82	103	100	110	116	116	113	122
Other interest-free debt	0	0	0	0	0	0	0	0
Total liabilities	149	168	160	174	172	183	186	192
CASH FLOW, EURm								
+ EBITDA	18	18	16	25	25	9	14	21
- Net financial items	-2	-2	-1	-1	-1	-2	-2	-3
- Taxes	-4	-3	-2	-2	-4	-1	-1	-2
- Increase in Net Working Capital	10	-5	-3	-5	-14	-8	1	11
+/- Other	0	0	1	0	0	0	0	0
= Cash flow from operations	23	9	10	17	7	-2	11	27
- Capex	-2	-2	-2	-4	-8	-15	-8	-5
- Acquisitions	0	0	0	0	0	3	0	0
+ Divestments	0	0	0	0	0	0	0	0
= Free cash flow	21	6	8	13	-1	-13	3	22
+/- New issues/buybacks	-4	0	0	-1	0	0	0	0
- Paid dividend	-7	-8	-9	-10	-20	-11	-4	-5
+/- Other	0	-3	-3	-2	-1	20	5	-6
Change in cash	10	-5	-4	1	-22	-4	4	11

KEY FIGURES	2018	2019	2020	2021	2022E	2023E	2024E
M-cap	185	159	320	319	147	147	147
Net debt (excl. convertibles)	-20	-19	-21	-1	23	25	8
Enterprise value	164	140	299	318	170	172	155
Sales	478	504	554	574	552	567	611
EBITDA	18	16	25	25	9	14	21
EBIT	13	11	20	20	4	8	14
Pre-tax	12	10	19	19	2	6	11
Earnings	9	8	15	15	1	4	9
Equity book value (excl. minorities)	38	37	41	36	26	26	30
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	18.6	12.7	7.5
EV/EBITA	12.3	12.4	14.6	15.7	46.7	22.5	10.9
EV/EBIT	12.3	12.4	14.6	15.7	46.7	22.5	10.9
EV/OCF	18.5	14.4	17.7	47.7	-105.7	15.6	5.8
EV/FCFF	18.6	14.4	18.8	110.0	-22.7	16.5	5.8
P/FCFE	28.7	20.6	24.9	-329.2	-11.5	51.7	6.8
P/E	19.8	20.4	20.7	21.2	57.3	32.9	16.3
P/B	4.9	4.4	7.9	8.9	5.7	5.7	4.9
Target EV/EBITDA	0.0	0.0	0.0	0.0	13.3	9.1	5.1
Target EV/EBIT	0.0	0.0	0.0	0.0	33.3	16.1	7.5
Target EV/FCF	0.0	0.0	0.0	0.0	-9.5	43.2	4.9
Target P/B	0.0	0.0	0.0	0.0	3.8	3.8	3.3
Target P/E	0.0	0.0	0.0	0.0	38.3	22.0	10.9
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	0.03	0.10	0.20
Operating cash flow per share	0.20	0.22	0.38	0.15	-0.04	0.25	0.59
Free cash flow per share	0.14	0.17	0.29	-0.02	-0.29	0.06	0.48
Book value per share	0.83	0.81	0.90	0.80	0.58	0.58	0.67
Dividend per share	0.20	0.21	0.45	0.25	0.10	0.11	0.18
Dividend payout ratio, %	95.6	123.4	130.7	73.1	389.4	110.1	90.0
Dividend yield, %	4.8	6.1	6.3	3.5	3.0	3.3	5.5
FCF yield, %	3.5	4.9	4.0	-0.3	-8.7	1.9	14.7
Efficiency measures							
ROE	25.1	21.1	40.1	39.5	3.7	17.3	32.4
ROCE	20.5	18.2	33.4	34.3	6.0	11.1	20.3
Financial ratios							
Inventories as % of sales	13.8	13.2	13.6	15.3	17.6	16.5	14.5
Receivables as % of sales	5.7	5.4	5.9	6.8	7.0	6.9	6.8
Non-interest bearing liabilities as % of sales	21.6	19.7	19.9	20.1	21.0	20.0	20.0
NWC/sales, %	-2.2	-1.1	-0.4	2.0	3.6	3.4	1.3
Operative CAPEX/sales, %	0.5	0.4	0.7	1.3	2.6	1.4	0.8
CAPEX/sales (incl. acquisitions), %	0.5	0.4	0.7	1.3	3.3	1.4	0.8
FCFF/EBITDA	0.5	0.6	0.6	0.1	-0.8	0.8	1.3
Net debt/EBITDA, book-weighted	-1.1	-1.2	-0.8	0.0	2.5	1.8	0.4
Debt/equity, market-weighted	0.0	0.0	0.0	0.0	0.2	0.2	0.2
Equity ratio, book-weighted	23.0	23.4	24.5	21.4	14.6	14.4	16.0
Gearing, %	-54.3	-52.1	-52.2	-2.2	89.3	95.6	26.6

COMPANY DESCRIPTION: Verkkokauppa.com is the most popular Finnish online retailer, offering over 80,000 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 11.5% in 2010–2021. 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. From the end of 2021, consumer electronics market has been soft driven by excessive consumption of durable goods during pandemic as well as consumption transferring toward services after pandemic, and Verkkokauppa.com's revenue is likely to decline in 2022.

OWNERSHIP STRUCTURE	SHARES	EURm	%
Seppälä Samuli	15,957,000	52.499	35.7%
Keskinäinen Työeläkevakuutusyhtiö Varma	3,865,932	12.719	8.6%
Mandatum Henkivakuutusosakeyhtiö	2,293,233	7.545	5.1%
Keskinäinen Eläkevakuutusyhtiö Ilmarinen	2,174,309	7.153	4.9%
Sijoitusrahasto Nordea Nordic Small Cap	1,411,669	4.644	3.2%
Sijoitusrahasto Evli Suomi Pienyhtiöt	1,219,841	4.013	2.7%
Skogberg Ville Johannes	634,266	2.087	1.4%
Keskinäinen Vakuutusyhtiö Kaleva	566,475	1.864	1.3%
Op-Suomi Pienyhtiöt	485,603	1.598	1.1%
Säästöpankki Kotimaa -Sijoitusrahasto	403,933	1.329	0.9%
Ten largest	29,012,261	95.450	65%
Residual	15,729,472	51.750	35%
Total	44,741,733	147.200	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, %	$\frac{\text{Profit before extraordinary items and taxes} - \text{income taxes}}{\text{Shareholder's equity} + \text{minority interest} + \text{taxed provisions (average)}}$		

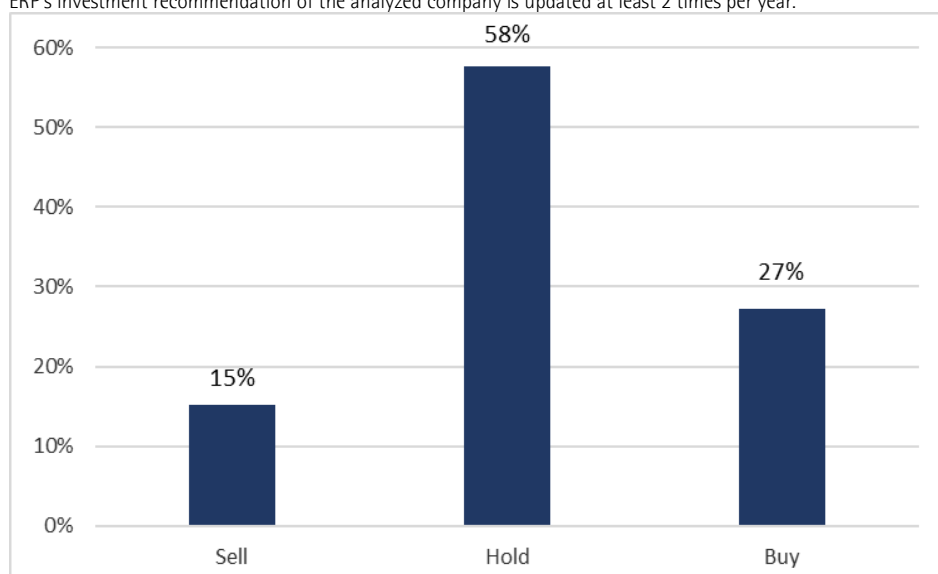
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Target price compared to share price	Recommendation
< -10 %	SELL
-10 – (+10) %	HOLD
> 10 %	BUY

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

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