

Focus on sustainable growth

Verkkokauppa.com delivered a strong Q1 result as revenue increased by 8% y/y to EUR 125m (121m/118m Evli/cons). Adj. EBIT increased by 63% y/y to EUR 3.8m (2.7m/2.5m Evli/cons). The management had a good control over the business despite of the challenging times. We have slightly increased our estimates and upgrade our rating to "BUY" ("HOLD") with TP of EUR 4.5 (3.5).

Strong sales growth without forgetting profitability

Verkkokauppa.com delivered a strong Q1 result. Revenue increased by 8.2% y/y to EUR 125m (121m/118m Evli/cons). Good sales growth was driven by strong online sales and effective marketing. Development was good in all the major product categories but strong performance was also seen in evolving categories such as sports and home. Gross profit improved by 12% y/y to EUR 19.4m (15.5%) vs. our EUR 18.3m (15.1%), resulting from good control over sales mix. This impacted positively on adj. EBIT which was up by 63% y/y, totaling EUR 3.8m (2.7m/2.5m Evli/cons).

A strong online presence offering competitive advantages

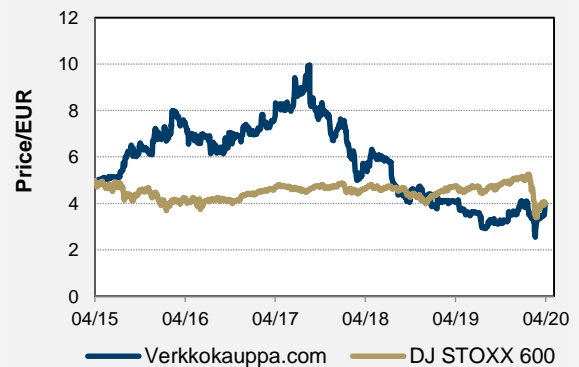
Verkkokauppa.com's small physical footprint and strong online presence offer the company competitive advantages amid the coronavirus and the movement restrictions. The company's agile business model and a strong cash position support the company during these challenging times and it enables the company to develop its business as planned. We don't expect the coronavirus to have significant negative impacts on Verkkokauppa.com's operative business, although some availability issues might occur in some product categories later in H2. The increasing uncertainties are more related to the economic outlook and declining purchasing power. The company has introduced new delivery methods and sub-categories to enhance customer experience. Going forward, we expect the sales mix and broad product assortment to be the key drivers behind sustainable growth as the competition in the consumer electronics market is likely to remain tight, meaning that seeking growth in this category might become too expensive.

"BUY" ("HOLD") with TP of EUR 4.5 (3.5)

We have slightly increased our estimates after the Q1 result. We expect 20E revenue of EUR 523m and EBIT of EUR 13.6m. Thus, our estimates are slightly above the midpoint of the given guidance (revenue of EUR 510-530m and adj. EBIT of EUR 12-15m). The outlook in the market remains blurry due to the weak visibility of the coronavirus and its full impacts but it is likely that the current situation speeds up the more permanent shift into online which benefits players like Verkkokauppa.com. On our estimates, the company trades at 20E-21E EV/sales multiple of 0.3x which translates into ~40 discount compared to the peers. We upgrade to BUY (HOLD) with TP of EUR 4.5 (3.5).

Rating

BUY



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

Target price, EUR 4.5

Latest change in rating 12-Aug-19

Latest report on company 20-Apr-20

Research paid by issuer: YES

No. of shares outstanding, '000's 45,065

No. of shares fully diluted, '000's 45,065

Market cap, EURm 180

Free float, % 100.0

Exchange rate 1.000

Reuters code VERK.HE

Bloomberg code VERK FH

Average daily volume, EURm na.

Next interim report 24-Jul-20

Web site verkkokauppa.com/investors

Analyst Anna-Liisa Rissanen

E-mail annaliisa.rissanen@evli.com

Telephone +358401579919

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
2018	477.8	13.3	2.8%	6.4	0.21	19.8	0.3	12.3	3.5	0.20
2019	504.1	11.3	2.2%	7.4	0.17	20.4	0.3	12.4	4.6	0.21
2020E	522.5	13.6	2.6%	12.4	0.22	18.5	0.3	11.7	6.9	0.22
2021E	538.2	14.9	2.8%	11.7	0.24	16.9	0.3	10.5	6.5	0.23
2022E	557.3	16.5	3.0%	12.6	0.27	15.1	0.3	9.3	7.0	0.25
Market cap, EURm			180	Gearing 2020E, %		-60.1	CAGR EPS 2019-22, %			15.2
Net debt 2020E, EURm			-22	Price/book 2020E		5.0	CAGR sales 2019-22, %			3.4
Enterprise value, EURm			158	Dividend yield 2020E, %		5.5	ROE 2020E, %			26.7
Total assets 2020E, EURm			162	Tax rate 2020E, %		19.4	ROCE 2020E, %			22.9
Goodwill 2020E, EURm			0	Equity ratio 2020E, %		22.9	PEG, P/E 20/CAGR			1.2

Estimates

Verkkokauppa.com model	2010 FAS	2011 FAS	2012 FAS	2013 FAS	2014 FAS	2015 FAS	2016 FAS	2017 IFRS	2018 IFRS	2019 IFRS	2020E IFRS	2021E IFRS	2022E IFRS
Sales	173.1	191.6	224.5	238.0	275.8	343.7	371.5	431.9	477.8	504.1	522.5	538.2	557.3
<i>Growth-%</i>	-	10.7 %	17.2 %	6.0 %	15.9 %	24.6 %	8.1 %	16.3 %	10.6 %	5.5 %	3.6 %	3.0 %	3.6 %
Cost of goods and services	-154.7	-167.1	-195.2	-200.7	-233.2	-291.9	-313.7	-369.4	-405.8	-430.2	-444.4	-456.4	-472.0
<i>Growth-%</i>	-	8.1 %	16.8 %	2.8 %	16.2 %	25.2 %	7.5 %	17.8 %	9.9 %	6.0 %	3.3 %	2.7 %	3.4 %
<i>% of sales</i>	89.4 %	87.2 %	86.9 %	84.3 %	84.6 %	84.9 %	84.4 %	85.5 %	84.9 %	85.3 %	85.1 %	84.8 %	84.7 %
Gross profit	18.4	24.5	29.3	37.4	42.6	51.8	57.8	62.5	72.0	73.9	78.0	81.8	85.3
<i>Gross margin</i>	10.6 %	12.8 %	13.1 %	15.7 %	15.4 %	15.1 %	15.6 %	14.5 %	15.1 %	14.7 %	14.9 %	15.2 %	15.3 %
Fixed costs adj.	-16.6	-23.2	-28.6	-29.9	-34.3	-39.6	-43.4	-44.5	-54.0	-58.1	-60.0	-62.2	-64.0
<i>Growth-%</i>	-	39.1 %	23.6 %	4.7 %	14.5 %	15.5 %	9.6 %	2.5 %	21.4 %	7.6 %	3.3 %	3.6 %	3.0 %
<i>% of sales</i>	9.6 %	12.1 %	12.7 %	12.6 %	12.4 %	11.5 %	11.7 %	10.3 %	11.3 %	11.5 %	11.5 %	11.6 %	11.5 %
Other income	0.6	0.4	0.1	0.1	0.1	0.1	0.1	0.1	0.4	0.6	0.5	0.5	0.5
Depreciation and amortization	-0.8	-0.9	-0.9	-0.9	-1.0	-1.2	-1.3	-4.6	-5.1	-5.1	-5.0	-5.2	-5.2
NRIs included in EBIT	0.0	0.0	0.0	0.0	0.0	-3.4	-0.6	0.0	0.0	0.0	-0.3	0.0	0.0
Adj. EBITDA	2.4	1.7	0.9	7.5	8.4	12.3	14.5	18.0	18.4	16.3	18.6	20.2	21.8
<i>Adj. EBITDA margin</i>	1.4 %	0.9 %	0.4 %	3.2 %	3.1 %	3.6 %	3.9 %	4.2 %	3.9 %	3.2 %	3.6 %	3.7 %	3.9 %
Adj. EBIT	1.6	0.8	0.0	6.6	7.5	11.1	13.2	13.5	13.3	11.3	13.6	14.9	16.5
<i>Adj. EBIT margin</i>	0.9 %	0.4 %	0.0 %	2.8 %	2.7 %	3.2 %	3.6 %	3.1 %	2.8 %	2.2 %	2.6 %	2.8 %	3.0 %
Reported EBIT	1.6	0.8	0.0	6.6	7.5	7.7	12.6	13.5	13.3	11.3	13.2	14.9	16.5
<i>Reported EBIT margin</i>	0.9 %	0.4 %	0.0 %	2.8 %	2.7 %	2.2 %	3.4 %	3.1 %	2.8 %	2.2 %	2.5 %	2.8 %	3.0 %
Net financials*	-0.8	-0.9	-0.7	-1.2	-1.9	-0.9	0.0	-1.6	-1.7	-1.5	-1.5	-1.6	-1.6
Profit before taxes	0.8	-0.1	-0.7	5.5	5.5	6.8	12.6	11.8	11.7	9.7	11.7	13.3	14.9
Taxes	-0.1	0.0	0.0	-1.4	-1.2	-1.4	-2.4	-2.4	-2.3	-2.0	-2.3	-2.7	-3.0
<i>Tax rate (%)</i>	16.6 %	0.0 %	0.0 %	25.6 %	22.2 %	19.9 %	19.4 %	20.0 %	20.0 %	20.1 %	20.0 %	20.0 %	20.0 %
Other items (appropriations)	-0.1	-0.2	0.0	0.1	0.2	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net income	0.6	-0.3	-0.7	4.2	4.5	5.4	10.2	9.5	9.3	7.8	9.3	10.7	11.9
Average number of shares (million)	7.5	7.5	7.5	7.5	7.5	45.1	45.1	45.1	45.1	45.1	45.1	45.1	45.1
EPS	0.08	-0.04	-0.09	0.56	0.60	0.12	0.23	0.21	0.21	0.17	0.21	0.24	0.27
Dividend and capital return	-	-	-	0.04	0.85	0.15	0.17	0.18	0.20	0.21	0.22	0.23	0.25
<i>Payout ratio (%)</i>	-	-	-	7 %	142 %	126 %	74 %	87 %	96 %	122 %	105 %	97 %	94 %

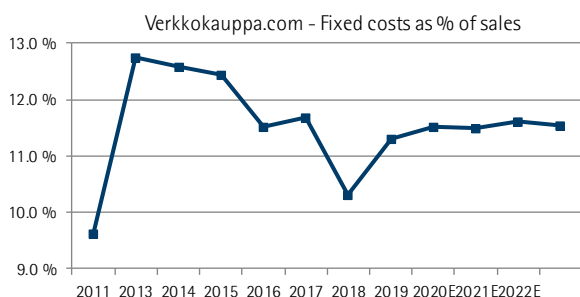
Source: Company data, Evli Research

Note: IFRS figures include impact of IFRS 16 from 2017 onwards

* PTP, Net Income & EPS calculated from reported figures

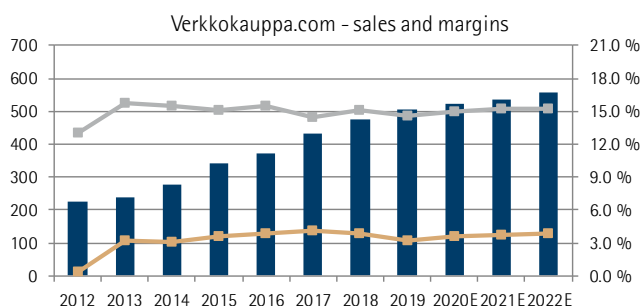
*2014 net financials include a EUR 1.9m one-off item due to IPO

*2015 net financials include EUR 0.9m of NRIs due to the Teosto dispute



Source: Company data, Evli Research

Fixed costs as % of sales



Source: Company data, Evli Research

Sales, Gross margin, Adj. EBITDA margin

Valuation

VERKKOKAUPPA.COM PEER GROUP	EV/Sales	EV/Sales	EV/Sales	EV/EBITDA	EV/EBITDA	EV/EBITDA	EV/EBIT	EV/EBIT	EV/EBIT	Sales CAGR	EPS CAGR
	20	21	22	20	21	22	20	21	22	19-22	19-22
Online-focused Nordic and European peers											
ASOS plc	0.7x	0.6x	0.5x	20.3x	11.3x	8.9x	950.1x	30.5x	19.8x	12.3 %	42.2 %
Dustin Group AB	0.5x	0.5x	0.4x	9.4x	8.0x	7.1x	14.3x	11.5x	9.8x	3.8 %	6.4 %
Groupe LDLC SA	0.1x	0.1x		3.9x	2.6x		6.9x	4.0x		na.	na.
Qliro Group AB	0.1x	0.1x		5.4x	2.3x			9.9x		na.	na.
Zalando SE	1.5x	1.2x	1.1x	38.0x	21.7x	17.2x	195.5x	48.7x	34.2x	14.2 %	19.5 %
Physical store-focused Nordic and European peers											
CECONOMY AG	0.0x	0.0x	0.0x	0.1x	-0.2x	-0.5x	0.2x	-0.3x	-0.9x	-0.3 %	18.8 %
Dixons Carphone plc	0.2x	0.2x	0.1x	3.9x	3.0x		8.4x	5.5x	3.2x	-3.2 %	18.8 %
Unieuro SpA	0.0x	0.1x		1.9x	1.7x		4.8x	3.1x		na.	na.
XXL ASA	0.6x	0.6x	0.4x	8.1x	5.8x	4.0x		24.1x	13.6x	-1.3 %	na.
Large international e-commerce peers											
Alibaba Group Holding Ltd. Sponsored ADR	5.3x	4.1x	3.1x	17.6x	12.9x	12.1x	27.9x	19.4x	13.2x	24.7 %	18.7 %
Amazon.com, Inc.	3.4x	2.8x	2.3x	23.4x	18.1x	14.2x	63.3x	43.4x	30.4x	18.8 %	34.2 %
eBay Inc.	3.8x	3.4x	2.8x	10.2x	9.5x	7.9x	12.4x	11.4x	9.5x	1.4 %	7.7 %
JD.com, Inc. Sponsored ADR Class A	0.6x	0.5x	0.4x	24.6x	15.4x	10.7x	45.1x	22.8x	14.0x	17.5 %	34.0 %
Rakuten, Inc.	1.1x	1.0x	0.9x	14.5x	11.3x	7.3x		69.5x	18.2x	15.6 %	na.
Online-focused Nordic and European peers	0.5x	0.5x	0.5x	9.4x	8.0x	8.9x	104.9x	11.5x	19.8x	12.3 %	19.5 %
Physical store-focused Nordic and European peers	0.1x	0.1x	0.1x	2.9x	2.4x	1.8x	4.8x	4.3x	3.2x	-1.3 %	18.8 %
Large international e-commerce peers	3.4x	2.8x	2.3x	17.6x	12.9x	10.7x	36.5x	22.8x	14.0x	17.5 %	26.4 %
Verkkokauppa.com (Evli est.)	0.3x	0.3x	0.3x	8.5x	7.8x	7.1x	11.7x	10.5x	9.3x	3.4 %	15.2 %
<i>Verkkokauppa.com vs. Online-focused Nordic and EU peers median</i>	<i>-40 %</i>	<i>-37 %</i>	<i>-49 %</i>	<i>-9 %</i>	<i>-3 %</i>	<i>-21 %</i>	<i>-89 %</i>	<i>-9 %</i>	<i>-53 %</i>		
VERKKOKAUPPA.COM PEER GROUP	EBIT-%	EBIT-%	EBIT-%	ROCE-%	ROCE-%	ROCE-%	Div-%	Div-%	Div-%	ROE	P/B
	20	21	22	20	21	22	20	21	22	20	20
Online-focused Nordic and European peers											
ASOS plc	0.1%	2.1%	2.8%	0.3%	8.4%	11.3%	0.0%	0.0%	0.3%	-0.9%	3.0x
Dustin Group AB	3.5%	4.0%	4.4%	8.9%	10.3%	11.6%	4.6%	6.2%	7.2%	14.2%	1.7x
Groupe LDLC SA	2.0%	2.9%					1.3%	2.5%		11.0%	1.1x
Qliro Group AB	-3.1%	1.2%					0.0%	0.0%		-10.1%	0.7x
Zalando SE	0.8%	2.5%	3.1%	2.5%	9.4%	12.2%	0.0%	0.0%	0.0%	1.8%	6.2x
Physical store-focused Nordic and European peers											
CECONOMY AG	1.1%	1.8%	1.9%	6.8%	11.8%	12.0%	3.4%	6.6%	11.9%	12.7%	0.9x
Dixons Carphone plc	2.4%	3.4%	3.4%	5.7%	8.5%		7.3%	9.8%	11.0%	5.9%	0.3x
Unieuro SpA	1.0%	1.6%					7.6%	11.5%		21.8%	1.7x
XXL ASA	-0.1%	2.3%	3.0%	-0.1%	2.8%	3.8%	0.0%	0.0%	0.7%	-3.5%	0.5x
Large international e-commerce peers											
Alibaba Group Holding Ltd. Sponsored ADR	19.1%	20.9%	23.5%	11.0%	12.9%	13.1%	0.0%	0.0%	0.0%	18.5%	4.4x
Amazon.com, Inc.	5.4%	6.6%	7.7%	11.1%	12.9%	14.7%	0.0%	0.0%	0.0%	15.8%	13.7x
eBay Inc.	30.7%	29.8%	30.0%	20.6%	21.4%	17.6%	1.6%	1.7%	1.6%	76.3%	10.2x
JD.com, Inc. Sponsored ADR Class A	1.3%	2.1%	2.7%	7.2%	12.1%	15.1%	0.0%	0.0%	0.0%	12.6%	5.1x
Rakuten, Inc.	0.0%	1.4%	5.0%	0.0%	0.6%	3.9%	0.5%	0.5%	0.5%	-1.0%	1.6x
Online-focused Nordic and European peers	0.8%	2.5%	3.1%	2.5%	9.4%	11.6%	0.0%	0.0%	0.3%	1.8%	1.7x
Physical store-focused Nordic and European peers	1.0%	2.0%	3.0%	5.7%	8.5%	7.9%	5.4%	8.2%	11.0%	9.3%	0.7x
Large international e-commerce peers	5.4%	6.6%	7.7%	11.0%	12.9%	14.7%	0.0%	0.0%	0.0%	15.8%	5.1x
Verkkokauppa.com (Evli est.)	2.6%	2.8%	3.0%	22.9%	25.5%	27.9%	5.5%	5.8%	6.3%	26.7%	5.0x

Source: Factset, Evli research

INTERIM FIGURES

EVLI ESTIMATES, EURm	2019Q1	2019Q2	2019Q3	2019Q4	2019	2020Q1	2020Q2E	2020Q3E	2020Q4E	2020E	2021E	2022E
Net sales	115.8	107.8	120.6	159.9	504.1	125.3	109.7	123.0	164.5	522.5	538.2	557.3
EBITDA	3.5	1.4	5.5	5.7	16.2	5.0	1.7	5.6	6.2	18.6	20.2	21.8
<i>EBITDA margin (%)</i>	<i>3.1</i>	<i>1.3</i>	<i>4.6</i>	<i>3.5</i>	<i>3.2</i>	<i>4.0</i>	<i>1.6</i>	<i>4.6</i>	<i>3.8</i>	<i>3.6</i>	<i>3.7</i>	<i>3.9</i>
EBIT	2.3	0.2	4.3	4.5	11.3	3.8	0.4	4.4	5.0	13.6	14.9	16.5
<i>EBIT margin (%)</i>	<i>2.0</i>	<i>0.2</i>	<i>3.6</i>	<i>2.8</i>	<i>2.2</i>	<i>3.0</i>	<i>0.4</i>	<i>3.5</i>	<i>3.0</i>	<i>2.6</i>	<i>2.8</i>	<i>3.0</i>
Net financial items	-0.4	-0.4	-0.3	-0.4	-1.5	-0.4	-0.4	-0.3	-0.4	-1.5	-1.6	-1.6
Pre-tax profit	1.9	-0.2	4.0	4.1	9.8	3.4	0.1	4.0	4.5	12.1	13.3	14.9
Tax	-0.4	0.0	-0.8	-0.8	-1.9	-0.6	0.0	-0.8	-0.9	-2.3	-2.7	-3.0
<i>Tax rate (%)</i>	<i>20.2</i>	<i>17.5</i>	<i>18.9</i>	<i>20.7</i>	<i>19.9</i>	<i>17.8</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>	<i>19.4</i>	<i>20.0</i>	<i>20.0</i>
Net profit	1.5	-0.2	3.3	3.2	7.8	2.8	0.0	3.2	3.6	9.7	10.7	11.9
EPS	0.03	0.00	0.07	0.07	0.17	0.06	0.00	0.07	0.08	0.22	0.24	0.27
EPS adjusted (diluted no. of shares)	0.03	0.00	0.07	0.07	0.17	0.06	0.00	0.07	0.08	0.22	0.24	0.27
Dividend per share	0.00	0.00	0.00	0.00	0.21	0.00	0.00	0.00	0.00	0.22	0.23	0.25
SALES, EURm												
Verkkokauppa.com	115.8	107.8	120.6	159.9	504.1	125.3	109.7	123.0	164.5	522.5	538.2	557.3
Total	115.8	107.8	120.6	159.9	504.1	125.3	109.7	123.0	164.5	522.5	538.2	557.3
SALES GROWTH, Y/Y %												
Verkkokauppa.com	12.8	5.3	3.2	2.6	5.5	8.2	1.7	2.0	2.9	3.6	3.0	3.6
Total	12.8	5.3	3.2	2.6	5.5	8.2	1.7	2.0	2.9	3.6	3.0	3.6
EBIT, EURm												
Verkkokauppa.com	2.3	0.2	4.3	4.5	11.3	3.8	0.4	4.4	5.0	13.6	14.9	16.5
Total	2.3	0.2	4.3	4.5	11.3	3.8	0.4	4.4	5.0	13.6	14.9	16.5
EBIT margin, %												
Verkkokauppa.com	2.0	0.2	3.6	2.8	2.2	3.0	0.4	3.5	3.0	2.6	2.8	3.0
Total	2.0	0.2	3.6	2.8	2.2	3.0	0.4	3.5	3.0	2.6	2.8	3.0

INCOME STATEMENT, EURm	2015	2016	2017	2018	2019	2020E	2021E	2022E
Sales	343.7	371.5	431.9	477.8	504.1	522.5	538.2	557.3
<i>Sales growth (%)</i>	<i>24.6</i>	<i>8.1</i>	<i>16.3</i>	<i>10.6</i>	<i>5.5</i>	<i>3.6</i>	<i>3.0</i>	<i>3.6</i>
EBITDA	12.3	14.1	18.0	18.4	16.2	18.6	20.2	21.8
<i>EBITDA margin (%)</i>	<i>3.6</i>	<i>3.8</i>	<i>4.2</i>	<i>3.9</i>	<i>3.2</i>	<i>3.6</i>	<i>3.7</i>	<i>3.9</i>
Depreciation	-1.2	-1.3	-4.6	-5.1	-4.9	-5.0	-5.2	-5.2
EBITA	11.1	12.8	13.5	13.3	11.3	13.6	14.9	16.5
Goodwill amortization / writedown	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	11.1	12.8	13.5	13.3	11.3	13.6	14.9	16.5
<i>EBIT margin (%)</i>	<i>3.2</i>	<i>3.4</i>	<i>3.1</i>	<i>2.8</i>	<i>2.2</i>	<i>2.6</i>	<i>2.8</i>	<i>3.0</i>
Reported EBIT	7.7	12.2	13.5	13.3	11.3	13.2	14.9	16.5
<i>EBIT margin (reported) (%)</i>	<i>2.2</i>	<i>3.3</i>	<i>3.1</i>	<i>2.8</i>	<i>2.2</i>	<i>2.5</i>	<i>2.8</i>	<i>3.0</i>
Net financials	-0.9	0.0	-1.6	-1.7	-1.5	-1.5	-1.6	-1.6
Pre-tax profit	10.2	12.8	11.8	11.7	9.8	12.1	13.3	14.9
Taxes	-1.4	-2.4	-2.4	-2.3	-1.9	-2.3	-2.7	-3.0
Minority shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit	5.3	9.8	9.4	9.3	7.8	9.4	10.7	11.9
Cash NRIs	-3.4	-0.6	0.0	0.0	0.0	-0.3	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	3	3	5	5	6	7	8	9
Goodwill	0	0	0	0	0	0	0	0
Right of use assets	0	0	25	22	19	17	15	13
Inventory	39	44	47	66	67	67	70	72
Receivables	9	12	20	27	25	26	27	28
Liquid funds	31	42	52	47	42	44	45	47
Total assets	81	101	149	168	160	162	166	170
Liabilities								
Shareholder's equity	36	39	37	38	37	36	37	39
Minority interest	0	0	0	0	0	0	0	0
Convertibles	0	0	0	0	0	0	0	0
Lease liabilities	0	0	29	26	23	17	15	13
Deferred taxes	0	0	0	0	0	0	0	0
Interest bearing debt	0	0	0	0	0	6	7	8
Non-interest bearing current liabilities	45	61	82	103	100	103	106	110
Other interest-free debt	0	0	0	0	0	0	0	0
Total liabilities	81	101	149	168	160	162	166	170
CASH FLOW, EURm								
+ EBITDA	12	14	18	18	16	19	20	22
- Net financial items	-1	0	-2	-2	-1	-1	-2	-2
- Taxes	-1	-2	-4	-3	-2	-2	-3	-3
- Increase in Net Working Capital	-2	7	10	-5	-3	2	0	0
+/- Other	-4	-1	0	0	0	0	0	0
= Cash flow from operations	5	19	23	9	10	17	16	18
- Capex	-1	-1	-2	-2	-2	-4	-4	-5
- Acquisitions	0	0	0	0	0	0	0	0
+ Divestments	0	0	0	0	0	0	0	0
= Free cash flow	4	18	21	6	7	12	12	13
+/- New issues/buybacks	0	0	-4	0	0	0	0	0
- Paid dividend	-6	-7	-7	-8	-9	-10	-10	-10
+/- Other	-2	0	0	-3	-3	-1	-1	-1
Change in cash	-5	11	10	-5	-4	2	1	2

KEY FIGURES	2016	2017	2018	2019	2020E	2021E	2022E
M-cap	333	319	185	159	180	180	180
Net debt (excl. convertibles)	-42	-23	-20	-19	-22	-24	-26
Enterprise value	291	296	164	140	158	157	154
Sales	371	432	478	504	522	538	557
EBITDA	14	18	18	16	19	20	22
EBIT	13	13	13	11	14	15	17
Pre-tax	13	12	12	10	12	13	15
Earnings	10	9	9	8	10	11	12
Equity book value (excl. minorities)	39	37	38	37	36	37	39
Valuation multiples							
EV/sales	0.8	0.7	0.3	0.3	0.3	0.3	0.3
EV/EBITDA	20.6	16.4	8.9	8.7	8.5	7.8	7.1
EV/EBITA	22.7	22.0	12.3	12.4	11.7	10.5	9.3
EV/EBIT	22.7	22.0	12.3	12.4	11.7	10.5	9.3
EV/OCF	15.6	12.8	18.5	14.7	9.5	10.0	8.8
EV/FCFF	17.0	12.9	18.6	14.8	10.1	10.5	9.3
P/FCFE	18.8	14.8	28.7	21.6	14.5	15.4	14.3
P/E	32.1	33.8	19.8	20.4	18.5	16.9	15.1
P/B	8.6	8.7	4.9	4.4	5.0	4.9	4.7
Target EV/EBITDA	0.0	0.0	0.0	0.0	9.7	8.9	8.1
Target EV/EBIT	0.0	0.0	0.0	0.0	13.3	12.0	10.7
Target EV/FCF	0.0	0.0	0.0	0.0	14.6	15.3	14.0
Target P/B	0.0	0.0	0.0	0.0	5.6	5.5	5.2
Target P/E	0.0	0.0	0.0	0.0	20.8	19.0	17.0
Per share measures							
Number of shares	45,065	45,065	45,065	45,065	45,065	45,065	45,065
Number of shares (diluted)	45,065	45,065	45,065	45,065	45,065	45,065	45,065
EPS	0.23	0.21	0.21	0.17	0.22	0.24	0.27
Operating cash flow per share	0.41	0.52	0.20	0.21	0.37	0.35	0.39
Free cash flow per share	0.39	0.48	0.14	0.16	0.28	0.26	0.28
Book value per share	0.86	0.82	0.83	0.81	0.81	0.82	0.86
Dividend per share	0.17	0.18	0.20	0.21	0.22	0.23	0.25
Dividend payout ratio, %	72.2	86.8	95.6	123.4	100.9	97.2	94.3
Dividend yield, %	2.2	2.6	4.8	6.1	5.5	5.8	6.3
FCF yield, %	5.3	6.7	3.5	4.6	6.9	6.5	7.0
Efficiency measures							
ROE	27.9	25.1	25.1	21.1	26.7	29.0	31.5
ROCE	34.5	25.7	20.5	18.2	22.9	25.5	27.9
Financial ratios							
Inventories as % of sales	11.9	10.9	13.8	13.2	12.9	13.0	13.0
Receivables as % of sales	3.3	4.5	5.7	5.1	5.0	5.0	5.0
Non-interest bearing liabilities as % of sales	16.5	19.0	21.6	19.7	19.7	19.7	19.7
NWC/sales, %	-1.4	-3.6	-2.2	-1.5	-1.8	-1.7	-1.7
Operative CAPEX/sales, %	0.3	0.4	0.5	0.4	0.8	0.7	0.9
CAPEX/sales (incl. acquisitions), %	0.3	0.4	0.5	0.4	0.8	0.7	0.9
FCFF/EBITDA	1.2	1.3	0.5	0.6	0.8	0.7	0.8
Net debt/EBITDA, book-weighted	-3.0	-1.3	-1.1	-1.2	-1.2	-1.2	-1.2
Debt/equity, market-weighted	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Equity ratio, book-weighted	39.3	25.1	23.0	23.4	22.9	23.0	23.3
Gearing, %	-108.0	-61.3	-54.3	-52.1	-60.1	-63.9	-67.1

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. Verkkokauppa.com is listed on Nasdaq First North Finland.

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 Sipi	22,111,342	88.445	49.1%
Rite Ventures Finland Ab	2,172,576	8.690	4.8%
Keva	2,171,000	8.684	4.8%
Keskinäinen Työeläkevakuutusyhtiö Varma	2,065,932	8.264	4.6%
Sijoitusrahasto Nordea Nordic Small Cap	1,690,607	6.762	3.8%
Mandatum Henkivakuutusosakeyhtiö	1,670,773	6.683	3.7%
Evli Finnish Small Cap Fund	694,000	2.776	1.5%
Skogberg Ville Johannes	634,266	2.537	1.4%
Sr Danske Invest Suomen Pienyhtiöt	467,380	1.870	1.0%
Keskinäinen Vakuutusyhtiö Kaleva	466,475	1.866	1.0%
Ten largest	34,144,351	136.577	76%
Residual	10,920,779	43.683	24%
Total	45,065,130	180.261	100%

EARNINGS CALENDAR

October 23, 2020

Q3 report

July 24, 2020

Q2 report

OTHER EVENTS**COMPANY MISCELLANEOUS**

CEO: Panu Porkka

Tyyneimerenkatu 11, 00220 Helsinki

CFO: Mikko Forsell

Tel: +358 10 309 5555

IR: Mikko Forsell

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

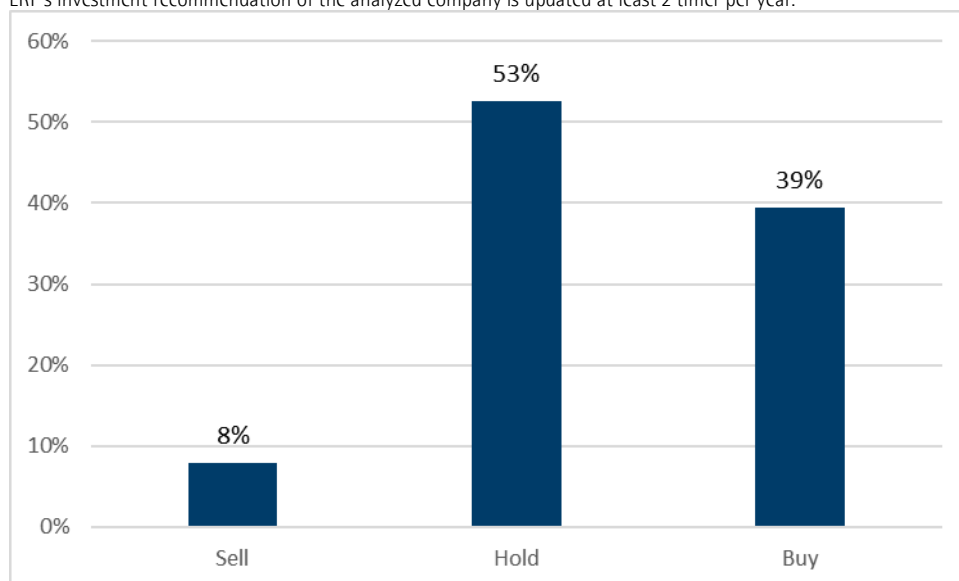
Important Disclosures

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 1st of February 2019. If recommendation is not given, it is not mentioned here.

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

This research report has been prepared by Evli Research Partners Plc ("ERP" or "Evli Research"). ERP is a subsidiary of Evli Bank Plc. Production of the investment recommendation has been concluded on [27.4.2020, 8:30]. This report has been published on [27.4.2020, 9:20].

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. months prior to, received compensation for investment banking services from the company during the last 12 months prior to the publication of the. 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 Bank 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 Bank 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 Bank 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 Bank Plc is supervised by the Finnish Financial Supervision Authority.

Contact information**SALES, TRADING AND RESEARCH****Equity Sales**

Ari Laine +358 9 4766 9115
 Lauri Ahokanto +358 9 4766 9117
 Niclas Henelius +358 9 4766 9116

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

ETFs and Derivatives

Joachim Dannberg +358 9 4766 9123
 Kimmo Lijja +358 9 4766 9130

Structured Investments

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

Equity Research

Jonas Forslund +358 9 4766 9314
 Joonas Ilvonen +358 44 430 9071
 Jerker Salokivi +358 9 4766 9149
 Anna-Liisa Rissanen +358 40 157 9919

Evli Investment Solutions

Johannes Asuja +358 9 4766 9205
 Markku Reinikainen +358 9 4766 9669



EVLI BANK PLC
 Aleksanterinkatu 19 A
 P.O. Box 1081
 FIN-00101 Helsinki, FINLAND
 Phone +358 9 476 690
 Fax +358 9 634 382
 Internet www.evli.com
 E-mail firstname.lastname@evli.com

**EVLI BANK PLC,
 STOCKHOLMSFILIAL**
 Regeringsgatan 67 P.O. Box 16354
 SE-103 26 Stockholm
 Sverige
 stockholm@evli.com
 Tel +46 (0)8 407 8000
 Fax +46 (0)8 407 8001