

## Ambitious plans for growth

Verkkokauppa.com delivered a strong Q4 result which was in line with expectations. The company introduced its refined strategy for 2021-2025 and targets EUR 1bn of sales and EBIT margin of 5% by the end of 2025. We keep our rating "BUY" with TP of EUR 9.5 (8.3).

### Solid Q4 result

Verkkokauppa.com's Q4 result was strong, as expected. Revenue grew by 10% y/y to EUR 176m (171m/170m Evli/cons.). Revenue was boosted by good growth in mid-sized categories (especially MDA and sport equipment). Gross margin (15.1% y/y vs. our 14.6%) was driven by strong performance of mid-sized, higher margin categories. Adj. EBIT amounted EUR 6.2m (6.6m/6.3m Evli/cons.). 2020 dividend proposal of EUR 0.45 (0.23 plus additional dividend of 0.22) was clearly above expectations (0.23 Evli & cons.).

### Targeting sales of EUR 1bn by the end of 2025

The company introduced its refined strategy for 2021-2025 and highlighted five pillars on what the growth will be built. These pillars are: excellent customer experience & strong brand, efficient fulfilment, superior technology backbone, extensive assortment and cost competitiveness. The company targets to reach sales of EUR 1bn and EBIT margin 5%. Growth is sought e.g. through core product categories and new categories with attractive margin potential, especially online. Further, the company aims to double its B2B and private label business by 2025. Also, new business and M&A opportunities are on the table. However, the growth will mainly be organic and stem from the transition from brick-and-mortar to e-commerce. The company is also investing to its warehouse in Jätkäsaari. The automation investment program (capex of EUR ~4m) is expected to be completed by the end of 2022. The investment supports further growth and creates cost efficiencies, boosting profitability development.

### "BUY" with TP of EUR 9.5 (8.3)

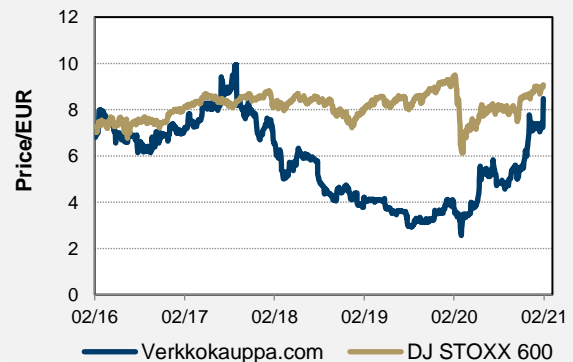
The company expects 21E sales of EUR 570m-620m and adj. EBIT of EUR 20m-26m. Improved brand image, high customer satisfaction and investments into growth and more efficient operations reinforce our view of the company's ability to grow profitably. We have increased our 21E-22E sales expectations by 4-7% and expect 21E sales of EUR 592m. Our adj. EBIT expectation is EUR 22m. On our estimates, the company trades with 21E-22E EV/EBIT multiple of 16.0x and 14.2x, which translates into a discount compared to the peers. We keep our rating "BUY" with TP of EUR 9.5 (8.3).

## KEY FIGURES

	Sales EURm	EBIT EURm	EBIT %	FCF EURm	EPS EUR	P/E (x)	EV/Sales (x)	EV/EBIT (x)	FCF yield %	DPS EUR
2019	504.1	11.3	2.2%	7.4	0.17	20.4	0.3	12.4	4.6	0.21
2020	553.6	20.4	3.7%	12.7	0.34	21.1	0.6	15.0	3.9	0.45
2021E	592.2	22.0	3.7%	24.9	0.37	23.0	0.6	16.0	6.6	0.25
2022E	632.1	24.4	3.9%	16.8	0.41	20.7	0.5	14.2	4.4	0.26
2023E	673.2	27.9	4.1%	22.5	0.47	18.0	0.5	12.1	5.9	0.28
Market cap, EURm		379	Gearing 2021E, %			-70.3	CAGR EPS 2020-23, %			11.1
Net debt 2021E, EURm		-26	Price/book 2021E			10.3	CAGR sales 2020-23, %			6.7
Enterprise value, EURm		353	Dividend yield 2021E, %			2.9	ROE 2021E, %			42.6
Total assets 2021E, EURm		181	Tax rate 2021E, %			20.0	ROCE 2021E, %			37.2
Goodwill 2021E, EURm		0	Equity ratio 2021E, %			20.7	PEG, P/E 21/CAGR			1.8

## Rating

BUY



Share price, EUR (Last trading day's closing price) 8.48

Target price, EUR 9.5

Latest change in rating	27-Apr-20
Latest report on company	09-Feb-21
Research paid by issuer:	YES
No. of shares outstanding, '000's	44,712
No. of shares fully diluted, '000's	44,712
Market cap, EURm	379
Free float, %	50.8
Exchange rate	1.000
Reuters code	VERK.HE
Bloomberg code	VERK.FH
Average daily volume, EURm	na.
Next interim report	23-Apr-21
Web site	verkkokauppa.com/investors

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BUY HOLD SELL

Estimates

Verkkokauppa.com model	2010 FAS	2011 FAS	2012 FAS	2013 FAS	2014 FAS	2015 FAS	2016 FAS	2017 IFRS	2018 IFRS	2019 IFRS	2020 IFRS	2021E IFRS	2022E IFRS	2023E IFRS
<b>Sales</b>	<b>173.1</b>	<b>191.6</b>	<b>224.5</b>	<b>238.0</b>	<b>275.8</b>	<b>343.7</b>	<b>371.5</b>	<b>431.9</b>	<b>477.8</b>	<b>504.1</b>	<b>553.6</b>	<b>592.2</b>	<b>632.1</b>	<b>673.2</b>
<i>Growth-%</i>	-	10.7 %	17.2 %	6.0 %	15.9 %	24.6 %	8.1 %	16.3 %	10.6 %	5.5 %	9.8 %	7.0 %	6.7 %	6.5 %
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	-465.2	-499.6	-533.8	-568.3
<i>Growth-%</i>	-	8.1 %	16.8 %	2.8 %	16.2 %	25.2 %	7.5 %	17.8 %	9.9 %	6.0 %	8.1 %	7.4 %	6.9 %	6.4 %
<i>% of sales</i>	89.4 %	87.2 %	86.9 %	84.3 %	84.6 %	84.9 %	84.4 %	85.5 %	84.9 %	85.3 %	84.0 %	84.6 %	84.5 %	84.4 %
<b>Gross profit</b>	<b>18.4</b>	<b>24.5</b>	<b>29.3</b>	<b>37.4</b>	<b>42.6</b>	<b>51.8</b>	<b>57.8</b>	<b>62.5</b>	<b>72.0</b>	<b>73.9</b>	<b>88.4</b>	<b>92.6</b>	<b>98.3</b>	<b>105.0</b>
<i>Gross margin</i>	10.6 %	12.8 %	13.1 %	15.7 %	15.4 %	15.1 %	15.6 %	14.5 %	15.1 %	14.7 %	16.0 %	15.6 %	15.6 %	15.6 %
<b>Fixed costs adj.</b>	<b>-16.6</b>	<b>-23.2</b>	<b>-28.6</b>	<b>-29.9</b>	<b>-34.3</b>	<b>-39.6</b>	<b>-43.4</b>	<b>-44.5</b>	<b>-54.0</b>	<b>-58.1</b>	<b>-63.6</b>	<b>-66.2</b>	<b>-69.2</b>	<b>-72.4</b>
<i>Growth-%</i>	-	39.1 %	23.6 %	4.7 %	14.5 %	15.5 %	9.6 %	2.5 %	21.4 %	7.6 %	9.4 %	4.1 %	4.6 %	4.6 %
<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 %	11.2 %	11.0 %	10.8 %
Other income	0.6	0.4	0.1	0.1	0.1	0.1	0.1	0.1	0.4	0.6	0.6	0.6	0.6	0.6
Depreciation and amortization	-0.8	-0.9	-0.9	-0.9	-1.0	-1.2	-1.3	-4.6	-5.1	-5.0	-5.0	-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	-0.8	0.0	0.0	0.0
<b>Adj. EBITDA</b>	<b>2.4</b>	<b>1.7</b>	<b>0.9</b>	<b>7.5</b>	<b>8.4</b>	<b>12.3</b>	<b>14.5</b>	<b>18.0</b>	<b>18.4</b>	<b>16.3</b>	<b>25.4</b>	<b>27.0</b>	<b>29.6</b>	<b>33.1</b>
<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 %	4.6 %	4.6 %	4.7 %	4.9 %
<b>Adj. EBIT</b>	<b>1.6</b>	<b>0.8</b>	<b>0.0</b>	<b>6.6</b>	<b>7.5</b>	<b>11.1</b>	<b>13.2</b>	<b>13.5</b>	<b>13.3</b>	<b>11.3</b>	<b>20.4</b>	<b>22.0</b>	<b>24.4</b>	<b>27.9</b>
<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 %	3.7 %	3.7 %	3.9 %	4.1 %
<b>Reported EBIT</b>	<b>1.6</b>	<b>0.8</b>	<b>0.0</b>	<b>6.6</b>	<b>7.5</b>	<b>7.7</b>	<b>12.6</b>	<b>13.5</b>	<b>13.3</b>	<b>11.3</b>	<b>19.6</b>	<b>22.0</b>	<b>24.4</b>	<b>27.9</b>
<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 %	3.5 %	3.7 %	3.9 %	4.1 %
Net financials*	-0.8	-0.9	-0.7	-1.2	-1.9	-0.9	0.0	-1.6	-1.7	-1.5	-1.4	-1.4	-1.5	-1.5
<b>Profit before taxes</b>	<b>0.8</b>	<b>-0.1</b>	<b>-0.7</b>	<b>5.5</b>	<b>5.5</b>	<b>6.8</b>	<b>12.6</b>	<b>11.8</b>	<b>11.7</b>	<b>9.7</b>	<b>18.2</b>	<b>20.6</b>	<b>22.9</b>	<b>26.4</b>
Taxes	-0.1	0.0	0.0	-1.4	-1.2	-1.4	-2.4	-2.4	-2.3	-2.0	-3.5	-4.1	-4.6	-5.3
<i>Tax rate (%)</i>	16.6 %	0.0 %	0.0 %	25.6 %	22.2 %	19.9 %	19.4 %	20.0 %	20.0 %	20.0 %	19.5 %	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	0.0
<b>Net income</b>	<b>0.6</b>	<b>-0.3</b>	<b>-0.7</b>	<b>4.2</b>	<b>4.5</b>	<b>5.4</b>	<b>10.2</b>	<b>9.5</b>	<b>9.3</b>	<b>7.8</b>	<b>14.6</b>	<b>16.5</b>	<b>18.3</b>	<b>21.1</b>
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	44.9	44.7	44.7	44.7
<b>EPS</b>	<b>0.08</b>	<b>-0.04</b>	<b>-0.09</b>	<b>0.56</b>	<b>0.60</b>	<b>0.12</b>	<b>0.23</b>	<b>0.21</b>	<b>0.21</b>	<b>0.17</b>	<b>0.33</b>	<b>0.37</b>	<b>0.41</b>	<b>0.47</b>
<b>Dividend and capital return</b>	-	-	-	<b>0.04</b>	<b>0.85</b>	<b>0.15</b>	<b>0.17</b>	<b>0.18</b>	<b>0.20</b>	<b>0.21</b>	<b>0.45</b>	<b>0.25</b>	<b>0.26</b>	<b>0.28</b>
<i>Payout ratio (%)</i>				7 %	142 %	126 %	74 %	87 %	96 %	122 %	138 %	68 %	63 %	59 %

Source: Company data, Evli Research

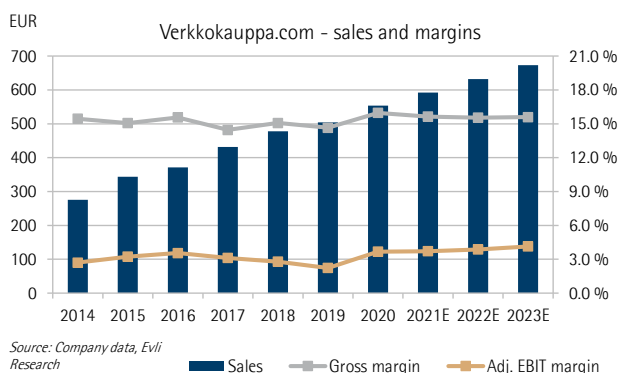
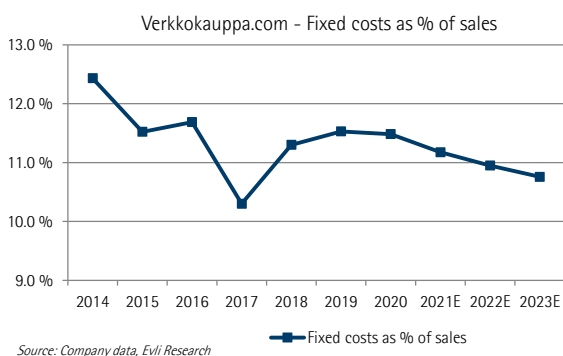
Note: IFRS figures include impact of IFRS 16 from 2017 onwards

\* 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

Average number of shares excludes shares held by the company



## Valuation

VERKKOKAUPPA.COM PEER GROUP	EV/Sales 20	EV/Sales 21	EV/Sales 22	EV/EBITDAEV 20	EV/EBITDAEV 21	EV/EBITDAEV 22	EV/EBIT 20	EV/EBIT 21	EV/EBIT 22	Sales CAGR 19-22	EPS CAGR 19-22
<b>Online-focused Nordic and European peers</b>											
ASOS plc	1.4x	1.2x	1.0x	17.5x	14.4x	12.5x	30.7x	25.8x	22.7x	18.1 %	73.1 %
Dustin Group AB	0.7x	0.6x	0.6x	13.1x	10.8x	9.6x	19.8x	15.4x	13.3x	8.3 %	12.1 %
Groupe LDLC SA	0.5x	0.5x	0.4x	6.9x	6.6x	5.6x	6.5x	6.4x	5.4x	16.7 %	99.2 %
Zalando SE	3.1x	2.6x	2.2x	40.2x	38.9x	30.4x	67.7x	67.5x	50.4x	19.6 %	41.6 %
<b>Physical store-focused Nordic and European peers</b>											
CECONOMY AG	0.1x	0.1x	0.1x	3.0x	2.5x	2.3x	13.0x	8.5x	6.7x	0.4 %	18.7 %
Dixons Carphone plc	0.2x	0.2x	0.2x	3.4x	3.1x	2.7x	8.1x	6.5x	5.2x	-1.2 %	18.7 %
Unieuro SpA	0.1x	0.2x	0.2x	2.2x	2.7x	4.4x	4.9x	7.8x	12.9x	1.9 %	1.7 %
XXL ASA	0.8x	0.8x	0.7x	8.0x	6.5x	5.9x	28.9x	17.7x	14.6x	6.4 %	na.
<b>Large international e-commerce peers</b>											
Alibaba Group Holding Ltd. Sponsored ADR	5.9x	4.3x	3.4x	20.1x	15.7x	12.2x	35.5x	24.9x	17.9x	30.1 %	21.7 %
Amazon.com, Inc.	4.3x	3.4x	2.8x	29.2x	22.9x	17.5x	72.9x	52.6x	36.1x	22.2 %	38.6 %
eBay Inc.	4.7x	3.9x	3.6x	12.6x	11.3x	10.2x	14.9x	13.2x	11.9x	2.4 %	13.8 %
JD.com, Inc. Sponsored ADR Class A	1.2x	0.9x	0.7x	41.8x	27.9x	18.9x	65.5x	40.2x	24.9x	23.6 %	40.9 %
Rakuten, Inc.	1.3x	1.3x	1.2x	43.2x	23.1x	10.1x			37.7x	10.2 %	na.
<b>Online-focused Nordic and European peers</b>	<b>0.7x</b>	<b>0.6x</b>	<b>0.6x</b>	<b>13.1x</b>	<b>11.0x</b>	<b>9.6x</b>	<b>30.7x</b>	<b>25.8x</b>	<b>22.7x</b>	<b>17.4 %</b>	<b>57.4 %</b>
<b>Physical store-focused Nordic and European peers</b>	<b>0.2x</b>	<b>0.2x</b>	<b>0.2x</b>	<b>3.2x</b>	<b>2.9x</b>	<b>3.5x</b>	<b>10.5x</b>	<b>8.2x</b>	<b>9.8x</b>	<b>1.1 %</b>	<b>18.7 %</b>
<b>Large international e-commerce peers</b>	<b>4.3x</b>	<b>3.4x</b>	<b>2.8x</b>	<b>29.2x</b>	<b>22.9x</b>	<b>12.2x</b>	<b>50.5x</b>	<b>32.5x</b>	<b>24.9x</b>	<b>22.2 %</b>	<b>30.2 %</b>
<b>Verkkokauppa.com (Evli est.)</b>	<b>0.6x</b>	<b>0.6x</b>	<b>0.5x</b>	<b>12.0x</b>	<b>13.1x</b>	<b>11.7x</b>	<b>15.0x</b>	<b>16.0x</b>	<b>14.2x</b>	<b>6.7 %</b>	<b>11.1 %</b>
	-21 %	-8 %	-8 %	-8 %	19 %	22 %	-51 %	-38 %	-37 %		
<b>VERKKOKAUPPA.COM PEER GROUP</b>	<b>P/E 20</b>	<b>P/E 21</b>	<b>P/E 22</b>	<b>EBIT-% 20</b>	<b>EBIT-% 21</b>	<b>EBIT-% 22</b>	<b>Div-% 20</b>	<b>Div-% 21</b>	<b>Div-% 22</b>	<b>ROE 20</b>	<b>P/B 20</b>
<b>Online-focused Nordic and European peers</b>											
ASOS plc	38.9x	34.1x	34.1x	4.6%	4.6%	4.6%	0.0%	0.0%	0.0%	14.6%	14.6x
Dustin Group AB	19.3x	16.2x	16.2x	3.5%	4.2%	3.5%	2.6%	3.4%	4.2%	15.5%	15.5x
Groupe LDLC SA	10.3x	10.9x	10.9x	8.0%	7.3%	8.0%	1.4%	2.1%	2.3%	39.2%	39.2x
Zalando SE	105.2x	104.1x	104.1x	4.6%	3.8%	4.6%	0.0%	0.0%	0.0%	12.0%	12.0x
<b>Physical store-focused Nordic and European peers</b>											
CECONOMY AG		14.0x	14.0x	1.1%	1.6%	1.1%	0.0%	0.9%	1.7%	-43.1%	-43.1x
Dixons Carphone plc	10.6x	8.0x	8.0x	2.3%	3.0%	2.3%	1.4%	4.1%	5.0%	4.9%	4.9x
Unieuro SpA	4.3x	7.1x	7.1x	2.9%	2.0%	2.9%	10.6%	7.4%	6.4%	42.6%	42.6x
XXL ASA	47.2x	19.1x	19.1x	2.8%	4.3%	2.8%	0.0%	0.9%	2.3%	2.6%	2.6x
<b>Large international e-commerce peers</b>											
Alibaba Group Holding Ltd. Sponsored ADR	25.5x	21.9x	21.9x	16.7%	17.4%	16.7%	0.0%	0.0%	0.0%	17.9%	17.9x
Amazon.com, Inc.	79.4x	69.6x	69.6x	5.9%	6.5%	5.9%	0.0%	0.0%	0.0%	22.7%	22.7x
eBay Inc.	18.7x	15.9x	15.9x	31.3%	29.8%	31.3%	1.0%	1.1%	1.2%	66.3%	66.3x
JD.com, Inc. Sponsored ADR Class A	56.1x	42.3x	42.3x	1.8%	2.2%	1.8%	0.0%	0.0%	0.0%	13.3%	13.3x
Rakuten, Inc.				-6.5%	-4.2%	-6.5%	0.4%	0.4%	0.4%	-14.6%	-14.6x
<b>Online-focused Nordic and European peers</b>	<b>38.9x</b>	<b>34.1x</b>	<b>34.1x</b>	<b>4.6%</b>	<b>4.2%</b>	<b>4.6%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>14.6%</b>	<b>14.6x</b>
<b>Physical store-focused Nordic and European peers</b>	<b>10.6x</b>	<b>11.0x</b>	<b>11.0x</b>	<b>2.5%</b>	<b>2.5%</b>	<b>2.5%</b>	<b>0.7%</b>	<b>2.5%</b>	<b>3.7%</b>	<b>3.7%</b>	<b>3.7x</b>
<b>Large international e-commerce peers</b>	<b>40.8x</b>	<b>32.1x</b>	<b>32.1x</b>	<b>5.9%</b>	<b>6.5%</b>	<b>5.9%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>17.9%</b>	<b>17.9x</b>
<b>Verkkokauppa.com (Evli est.)</b>	<b>21.1x</b>	<b>23.0x</b>	<b>20.7x</b>	<b>3.7 %</b>	<b>3.7 %</b>	<b>3.9 %</b>	<b>6.2%</b>	<b>2.9%</b>	<b>3.1%</b>	<b>40.1%</b>	<b>8.1%</b>

Verkkokauppa.com vs. Online-focused Nordic and EU peers median

Source: Factset, Evli Research

## INTERIM FIGURES

EVLI ESTIMATES, EURm	2020Q1	2020Q2	2020Q3	2020Q4	2020	2021Q1E	2021Q2E	2021Q3E	2021Q4E	2021E	2022E	2023E
Net sales	125.3	123.1	129.3	176.0	553.6	134.0	128.0	138.4	191.8	592.2	632.1	673.2
EBITDA	5.0	6.0	6.8	7.5	25.4	6.2	4.2	7.5	9.2	27.0	29.6	33.1
<i>EBITDA margin (%)</i>	<i>4.0</i>	<i>4.9</i>	<i>5.3</i>	<i>4.3</i>	<i>4.6</i>	<i>4.6</i>	<i>3.3</i>	<i>5.4</i>	<i>4.8</i>	<i>4.6</i>	<i>4.7</i>	<i>4.9</i>
EBIT	3.8	4.8	5.6	6.2	20.4	4.9	3.0	6.2	7.9	22.0	24.4	27.9
<i>EBIT margin (%)</i>	<i>3.0</i>	<i>3.9</i>	<i>4.3</i>	<i>3.5</i>	<i>3.7</i>	<i>3.7</i>	<i>2.3</i>	<i>4.5</i>	<i>4.1</i>	<i>3.7</i>	<i>3.9</i>	<i>4.1</i>
Net financial items	-0.4	-0.4	-0.3	-0.4	-1.4	-0.4	-0.4	-0.3	-0.4	-1.4	-1.5	-1.5
Pre-tax profit	3.4	4.5	5.3	5.8	19.0	4.5	2.6	5.9	7.6	20.6	22.9	26.4
Tax	-0.6	-0.7	-1.1	-1.2	-3.5	-0.9	-0.5	-1.2	-1.5	-4.1	-4.6	-5.3
<i>Tax rate (%)</i>	<i>17.8</i>	<i>15.7</i>	<i>20.0</i>	<i>20.2</i>	<i>18.7</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>	<i>20.0</i>
Net profit	2.8	3.8	4.2	4.7	15.5	3.6	2.1	4.7	6.1	16.5	18.3	21.1
EPS	0.06	0.08	0.09	0.10	0.34	0.08	0.05	0.11	0.14	0.37	0.41	0.47
EPS adjusted (diluted no. of shares)	0.06	0.08	0.09	0.10	0.34	0.08	0.05	0.11	0.14	0.37	0.41	0.47
Dividend per share	0.00	0.00	0.00	0.00	0.45	0.00	0.00	0.00	0.00	0.25	0.26	0.28
<b>SALES, EURm</b>												
Verkkokauppa.com	125.3	123.1	129.3	176.0	553.6	134.0	128.0	138.4	191.8	592.2	632.1	673.2
Total	125.3	123.1	129.3	176.0	553.6	134.0	128.0	138.4	191.8	592.2	632.1	673.2
<b>SALES GROWTH, Y/Y %</b>												
Verkkokauppa.com	8.2	14.1	7.3	10.1	9.8	7.0	4.0	7.0	9.0	7.0	6.7	6.5
Total	8.2	14.1	7.3	10.1	9.8	7.0	4.0	7.0	9.0	7.0	6.7	6.5
<b>EBIT, EURm</b>												
Verkkokauppa.com	3.8	4.8	5.6	6.2	20.4	4.9	3.0	6.2	7.9	22.0	24.4	27.9
Total	3.8	4.8	5.6	6.2	20.4	4.9	3.0	6.2	7.9	22.0	24.4	27.9
<b>EBIT margin, %</b>												
Verkkokauppa.com	3.0	3.9	4.3	3.5	3.7	3.7	2.3	4.5	4.1	3.7	3.9	4.1
Total	3.0	3.9	4.3	3.5	3.7	3.7	2.3	4.5	4.1	3.7	3.9	4.1

INCOME STATEMENT, EURm	2016	2017	2018	2019	2020	2021E	2022E	2023E
Sales	371.5	431.9	477.8	504.1	553.6	592.2	632.1	673.2
<i>Sales growth (%)</i>	<i>8.1</i>	<i>16.3</i>	<i>10.6</i>	<i>5.5</i>	<i>9.8</i>	<i>7.0</i>	<i>6.7</i>	<i>6.5</i>
EBITDA	14.1	18.0	18.4	16.2	25.4	27.0	29.6	33.1
<i>EBITDA margin (%)</i>	<i>3.8</i>	<i>4.2</i>	<i>3.9</i>	<i>3.2</i>	<i>4.6</i>	<i>4.6</i>	<i>4.7</i>	<i>4.9</i>
Depreciation	-1.3	-4.6	-5.1	-4.9	-5.0	-5.0	-5.2	-5.2
EBITA	12.8	13.5	13.3	11.3	20.4	22.0	24.4	27.9
Goodwill amortization / writedown	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	12.8	13.5	13.3	11.3	20.4	22.0	24.4	27.9
<i>EBIT margin (%)</i>	<i>3.4</i>	<i>3.1</i>	<i>2.8</i>	<i>2.2</i>	<i>3.7</i>	<i>3.7</i>	<i>3.9</i>	<i>4.1</i>
Reported EBIT	12.2	13.5	13.3	11.3	19.6	22.0	24.4	27.9
<i>EBIT margin (reported) (%)</i>	<i>3.3</i>	<i>3.1</i>	<i>2.8</i>	<i>2.2</i>	<i>3.5</i>	<i>3.7</i>	<i>3.9</i>	<i>4.1</i>
Net financials	0.0	-1.6	-1.7	-1.5	-1.4	-1.4	-1.5	-1.5
Pre-tax profit	12.8	11.8	11.7	9.8	19.0	20.6	22.9	26.4
Taxes	-2.4	-2.4	-2.3	-1.9	-3.5	-4.1	-4.6	-5.3
Minority shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit	9.8	9.4	9.3	7.8	14.7	16.5	18.3	21.1
Cash NRIs	-0.6	0.0	0.0	0.0	-0.8	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>								
<b>Assets</b>								
Fixed assets	3	5	5	4	4	6	7	8
Goodwill	0	0	0	0	0	0	0	0
Right of use assets	0	25	22	19	17	17	17	17
Inventory	44	47	66	67	75	78	85	89
Receivables	12	20	27	27	33	34	36	38
Liquid funds	42	52	47	42	43	45	49	59
Total assets	101	149	168	160	174	181	195	212
<b>Liabilities</b>								
Shareholder's equity	39	37	38	37	41	37	44	53
Minority interest	0	0	0	0	0	0	0	0
Convertibles	0	0	0	0	0	0	0	0
Lease liabilities	0	29	26	23	22	17	17	17
Deferred taxes	0	0	0	0	0	0	0	0
Interest bearing debt	0	0	0	0	0	2	1	0
Non-interest bearing current liabilities	61	82	103	100	110	124	133	141
Other interest-free debt	0	0	0	0	0	0	0	0
Total liabilities	101	149	168	160	174	181	195	212
<b>CASH FLOW, EURm</b>								
+ EBITDA	14	18	18	16	25	27	30	33
- Net financial items	0	-2	-2	-1	-1	-1	-1	-1
- Taxes	-2	-4	-3	-2	-4	-4	-5	-5
- Increase in Net Working Capital	7	10	-5	-5	-3	10	0	2
+/- Other	-1	0	0	0	-1	0	0	0
= Cash flow from operations	19	23	9	8	16	31	23	29
- Capex	-1	-2	-2	0	-4	-6	-6	-6
- Acquisitions	0	0	0	0	0	0	0	0
+ Divestments	0	0	0	0	0	0	0	0
= Free cash flow	18	21	6	7	13	25	17	23
+/- New issues/buybacks	0	-4	0	0	-1	0	0	0
- Paid dividend	-7	-7	-8	-9	-10	-20	-11	-12
+/- Other	0	0	-3	-3	-1	-3	-1	-1
Change in cash	11	10	-5	-4	1	2	4	10

KEY FIGURES	2017	2018	2019	2020	2021E	2022E	2023E
M-cap	319	185	159	327	379	379	379
Net debt (excl. convertibles)	-23	-20	-19	-21	-26	-32	-42
Enterprise value	296	164	140	306	353	348	337
Sales	432	478	504	554	592	632	673
EBITDA	18	18	16	25	27	30	33
EBIT	13	13	11	20	22	24	28
Pre-tax	12	12	10	19	21	23	26
Earnings	9	9	8	15	16	18	21
Equity book value (excl. minorities)	37	38	37	41	37	44	53
<b>Valuation multiples</b>							
EV/sales	0.7	0.3	0.3	0.6	0.6	0.5	0.5
EV/EBITDA	16.4	8.9	8.7	12.0	13.1	11.7	10.2
EV/EBITA	22.0	12.3	12.4	15.0	16.0	14.2	12.1
EV/EBIT	22.0	12.3	12.4	15.0	16.0	14.2	12.1
EV/OCF	12.8	18.5	18.3	18.8	11.3	15.0	11.8
EV/FCFF	12.9	18.6	14.8	18.4	11.7	15.8	12.1
P/FCFE	14.8	28.7	21.6	25.8	15.2	22.6	16.8
P/E	33.8	19.8	20.4	21.1	23.0	20.7	18.0
P/B	8.7	4.9	4.4	8.1	10.3	8.6	7.1
Target EV/EBITDA	0.0	0.0	0.0	0.0	14.8	13.3	11.6
Target EV/EBIT	0.0	0.0	0.0	0.0	18.1	16.1	13.7
Target EV/FCF	0.0	0.0	0.0	0.0	16.0	23.4	17.0
Target P/B	0.0	0.0	0.0	0.0	11.5	9.7	7.9
Target P/E	0.0	0.0	0.0	0.0	25.8	23.2	20.1
<b>Per share measures</b>							
Number of shares	45,065	45,065	45,065	44,907	44,712	44,712	44,712
Number of shares (diluted)	45,065	45,065	45,065	44,907	44,712	44,712	44,712
EPS	0.21	0.21	0.17	0.34	0.37	0.41	0.47
Operating cash flow per share	0.52	0.20	0.17	0.36	0.70	0.52	0.64
Free cash flow per share	0.48	0.14	0.16	0.28	0.56	0.38	0.50
Book value per share	0.82	0.83	0.81	0.90	0.82	0.98	1.20
Dividend per share	0.18	0.20	0.21	0.45	0.25	0.26	0.28
Dividend payout ratio, %	86.8	95.6	123.4	130.7	67.8	63.4	59.3
Dividend yield, %	2.6	4.8	6.1	5.3	2.9	3.1	3.3
FCF yield, %	6.7	3.5	4.6	3.9	6.6	4.4	5.9
<b>Efficiency measures</b>							
ROE	25.1	25.1	21.1	40.1	42.6	45.4	43.3
ROCE	25.7	20.5	18.2	33.4	37.2	41.6	42.3
<b>Financial ratios</b>							
Inventories as % of sales	10.9	13.8	13.2	13.6	13.2	13.4	13.2
Receivables as % of sales	4.5	5.7	5.4	5.9	5.7	5.7	5.7
Non-interest bearing liabilities as % of sales	19.0	21.6	19.7	19.9	21.0	21.0	21.0
NWC/sales, %	-3.6	-2.2	-1.1	-0.4	-2.1	-1.9	-2.1
Operative CAPEX/sales, %	0.4	0.5	0.1	0.7	1.1	1.0	0.9
CAPEX/sales (incl. acquisitions), %	0.4	0.5	0.1	0.7	1.1	1.0	0.9
FCFF/EBITDA	1.3	0.5	0.6	0.7	1.1	0.7	0.8
Net debt/EBITDA, book-weighted	-1.3	-1.1	-1.2	-0.8	-1.0	-1.1	-1.3
Debt/equity, market-weighted	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Equity ratio, book-weighted	25.1	23.0	23.4	24.5	20.7	22.9	25.6
Gearing, %	-61.3	-54.3	-52.1	-52.2	-70.3	-71.7	-79.4

**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	18,288,342	155.085	40.9%
Keskinäinen Työeläkevakuutusyhtiö Varma	3,865,932	32.783	8.6%
Mandatum Henkivakuutusosakeyhtiö	2,200,019	18.656	4.9%
Rite Ventures Finland Ab	2,172,576	18.423	4.9%
Sijoitusrahasto Nordea Nordic Small Cap	1,476,669	12.522	3.3%
Keskinäinen Eläkevakuutusyhtiö Ilmarinen	1,474,309	12.502	3.3%
Sijoitusrahasto Evli Suomi Pienyhtiöt	945,469	8.018	2.1%
Skogberg Ville Johannes	634,266	5.379	1.4%
Keskinäinen Vakuutusyhtiö Kaleva	566,475	4.804	1.3%
Sijoitusrahasto Säästöpankki Pienyhtiöt	536,988	4.554	1.2%
Ten largest	32,161,045	272.726	72%
Residual	12,551,187	106.434	28%
Total	44,712,232	379.160	100%

EARNINGS CALENDAR	
April 23, 2021	Q1 report
July 16, 2021	Q2 report
October 22, 2021	Q3 report
OTHER EVENTS	

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



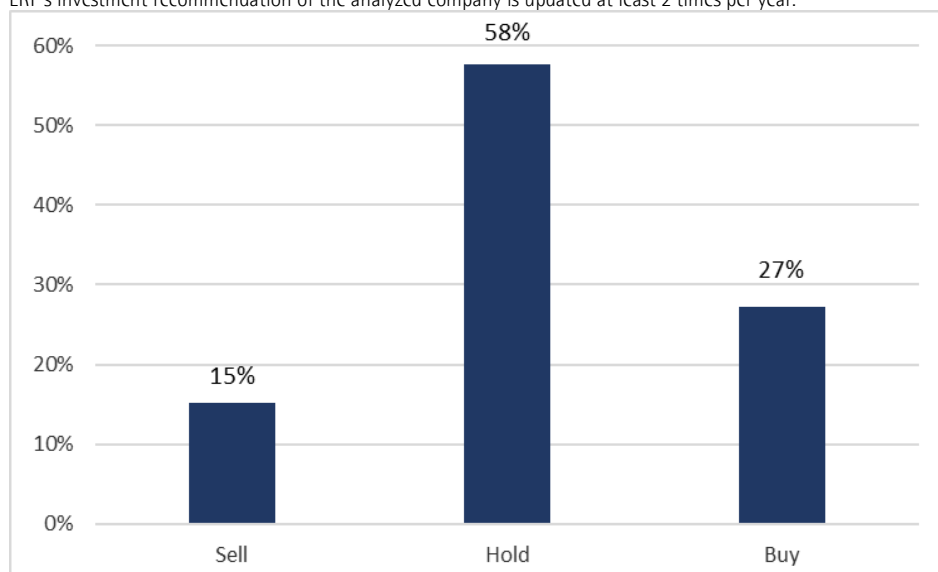
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Investment recommendations are defined as follows:

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

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

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