

## Extremely strong performance in Q2

Verkkokauppa.com issued a positive profit warning and gave preliminary information on April-June figures. The company now expects 20E revenue of EUR 520-545m and adj. EBIT of EUR 13-18m. The company's Q2 result is due on Friday. We keep our rating "BUY" with TP of EUR 6.2.

### Strong performance during spring & summer

Verkkokauppa.com issued a positive profit warning as its spring/summer sales and profitability have developed better than first anticipated but also due to the brighter H2'20E outlook. The company now expects 20E revenue of EUR 520-545m (Evli prev. 525m) and comparable operating profit of EUR 13-18m (Evli prev. 14.3m). The company previously expected 20E revenue of EUR 510-530m and comparable operating profit of EUR 12-15m. Verkkokauppa.com also provided preliminary Q2 figures. April-June revenue is approx. EUR 123m, growth of ~14% y/y (Evli 113m/cons. 113m) while adj. EBIT is approx. EUR 4.8m (EUR 0.2m in Q2'19) vs. EUR 1.3m/1.4m Evli/consensus. According to the company, comparable operating profit improved as a result of strong sales and improved gross margin.

### Consumers have been active during Q2

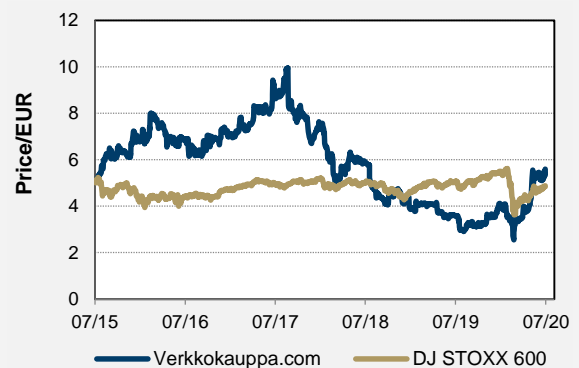
Based on the preliminary second quarter figures, it seems that the demand of consumer electronics has continued strong. Due to the increased demand, we expect less price driven competition in the consumer electronics market which impacts positively on gross margin. However, we see this only as a temporary change. Also, good demand in other smaller categories (offering higher margins) supports gross margin development. We now expect Q2E gross margin of 16.4% (14.2% in Q2'19). According to the management, the pandemic might not have as big impact on consumer demand as first anticipated which is also likely to impact on H2'20E.

### "BUY" with TP of EUR 6.2

We have increased our estimates as a result of the positive profit warning. We expect sales to grow also in H2'20E, although the growth is expected to normalize from H1'20. We now expect 20E revenue of EUR 535m (6% y/y) and adj. EBIT of EUR 17.1m (51% y/y). On our estimates, the company trades at 20E-21E EV/sales multiple of 0.4x, ~20% below the online focused Nordic & European peers. We keep our rating "BUY" with TP of EUR 6.2.

## Rating

BUY



Share price, EUR (Last trading day's closing price) 5.60

Target price, EUR 6.2

Latest change in rating 27-Apr-20

Latest report on company 17-Jul-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 252

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

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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
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	535.2	17.1	3.2%	15.0	0.28	20.0	0.4	13.3	5.9	0.23
2021E	553.5	17.5	3.2%	12.7	0.28	19.9	0.4	12.9	5.0	0.24
2022E	571.8	18.6	3.3%	13.9	0.30	18.6	0.4	12.0	5.5	0.25
Market cap, EURm	252		Gearing 2020E, %		-63.0		CAGR EPS 2019-22, %		20.3	
Net debt 2020E, EURm	-24		Price/book 2020E		6.5		CAGR sales 2019-22, %		4.3	
Enterprise value, EURm	228		Dividend yield 2020E, %		4.1		ROE 2020E, %		33.5	
Total assets 2020E, EURm	166		Tax rate 2020E, %		19.0		ROCE 2020E, %		28.6	
Goodwill 2020E, EURm	0		Equity ratio 2020E, %		23.9		PEG, P/E 20/CAGR		2.9	

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
<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>535.1</b>	<b>553.5</b>	<b>571.8</b>
<i>Growth-%</i>	-	10.7 %	17.2 %	6.0 %	15.9 %	24.6 %	8.1 %	16.3 %	10.6 %	5.5 %	6.2 %	3.4 %	3.3 %
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	-453.6	-469.4	-484.7
<i>Growth-%</i>	-	8.1 %	16.8 %	2.8 %	16.2 %	25.2 %	7.5 %	17.8 %	9.9 %	6.0 %	5.4 %	3.5 %	3.3 %
<i>% of sales</i>	89.4 %	87.2 %	86.9 %	84.3 %	84.6 %	84.9 %	84.4 %	85.5 %	84.9 %	85.3 %	84.8 %	84.8 %	84.8 %
<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>81.6</b>	<b>84.1</b>	<b>87.1</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 %	15.2 %	15.2 %	15.2 %
<b>Fixed costs adj.</b>	-16.6	-23.2	-28.6	-29.9	-34.3	-39.6	-43.4	-44.5	-54.0	-58.1	-60.1	-62.0	-63.8
<i>Growth-%</i>	-	39.1 %	23.6 %	4.7 %	14.5 %	15.5 %	9.6 %	2.5 %	21.4 %	7.6 %	3.4 %	3.2 %	2.9 %
<i>% of sales</i>	9.6 %	12.1 %	12.7 %	12.6 %	12.4 %	11.5 %	11.7 %	10.3 %	11.3 %	11.5 %	11.2 %	11.2 %	11.2 %
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	-0.8	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>22.0</b>	<b>22.7</b>	<b>23.8</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 %	4.1 %	4.1 %	4.2 %
<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>17.1</b>	<b>17.5</b>	<b>18.6</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 %	3.2 %	3.2 %	3.3 %
<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>16.3</b>	<b>17.5</b>	<b>18.6</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 %	3.1 %	3.2 %	3.3 %
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
<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>14.8</b>	<b>15.9</b>	<b>17.0</b>
Taxes	-0.1	0.0	0.0	-1.4	-1.2	-1.4	-2.4	-2.4	-2.3	-2.0	-3.0	-3.2	-3.4
<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
<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>11.8</b>	<b>12.7</b>	<b>13.6</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	45.1	45.1	45.1
<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>0.26</b>	<b>0.28</b>	<b>0.30</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>0.23</b>	<b>0.24</b>	<b>0.25</b>
<i>Payout ratio (%)</i>				7 %	142 %	126 %	74 %	87 %	96 %	122 %	88 %	85 %	83 %

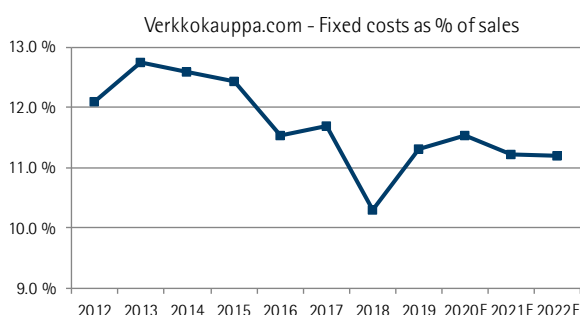
Source: Company data, Evli Research

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

\* PTP, Net Income & EPS calculated from reported figures

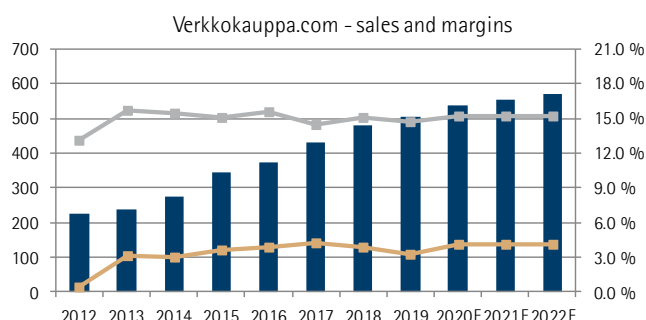
\*2014 net financials include a EUR 1.9m one-off item due to IPO

\*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 20	EV/Sales 21	EV/Sales 22	EV/EBITDA 20	EV/EBITDA 21	EV/EBITDA 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	1.1x	1.0x	0.8x	21.0x	15.2x	11.9x	67.4x	36.2x	24.4x	13.3 %	50.9 %
Dustin Group AB	0.5x	0.5x	0.5x	10.5x	8.7x	7.7x	16.9x	13.1x	11.1x	7.4 %	9.7 %
Groupe LDLC SA	0.3x	0.3x	0.2x	5.2x	4.7x		6.2x	5.5x	3.8x	10.0 %	72.0 %
Qliro Group AB	0.3x	0.3x	0.3x	9.6x	4.8x	3.5x		34.0x	8.4x		na.
Zalando SE	2.1x	1.8x	1.5x	36.4x	28.3x	22.5x	76.0x	54.1x	40.1x	17.4 %	32.1 %
<b>Physical store-focused Nordic and European peers</b>											
CECONOMY AG	0.2x	0.2x	0.1x	8.2x	5.6x	4.3x	24.8x	12.0x	9.7x	-0.8 %	9.8 %
Dixons Carphone plc	0.3x	0.3x	0.2x	4.4x	3.8x	3.7x	14.1x	9.4x	7.9x	-5.5 %	11.9 %
Unieuro SpA	0.2x	0.2x	0.3x	4.0x	3.5x	4.8x	25.4x	16.2x	15.7x	-0.4 %	-3.9 %
XXL ASA	0.9x	0.8x	0.8x	10.9x	8.0x	7.2x	83.8x	24.4x	19.1x	4.9 %	na.
<b>Large international e-commerce peers</b>											
Alibaba Group Holding Ltd. Sponsored ADR	6.7x	5.1x	4.1x	22.8x	16.9x	13.0x	35.7x	25.1x	18.4x	23.9 %	20.2 %
Amazon.com, Inc.	4.3x	3.6x	3.0x	33.7x	24.5x	18.7x	116.6x	60.8x	39.7x	17.6 %	31.6 %
eBay Inc.	4.2x	3.8x	3.4x	11.1x	10.1x	9.0x	13.2x	12.0x	10.7x	1.3 %	11.8 %
JD.com, Inc. Sponsored ADR Class A	0.9x	0.7x	0.6x	33.0x	21.3x	15.5x	54.4x	30.2x	19.4x	18.1 %	35.3 %
Rakuten, Inc.	1.0x	0.9x	0.9x	18.4x	11.7x	6.9x			20.7x	12.7 %	na.
<b>Online-focused Nordic and European peers</b>	<b>0.5x</b>	<b>0.5x</b>	<b>0.5x</b>	<b>10.5x</b>	<b>8.7x</b>	<b>9.8x</b>	<b>42.2x</b>	<b>34.0x</b>	<b>11.1x</b>	<b>10.0 %</b>	<b>41.5 %</b>
<b>Physical store-focused Nordic and European peers</b>	<b>0.2x</b>	<b>0.2x</b>	<b>0.2x</b>	<b>6.3x</b>	<b>4.7x</b>	<b>4.5x</b>	<b>25.1x</b>	<b>14.1x</b>	<b>12.7x</b>	<b>-0.6 %</b>	<b>9.8 %</b>
<b>Large international e-commerce peers</b>	<b>4.2x</b>	<b>3.6x</b>	<b>3.0x</b>	<b>22.8x</b>	<b>16.9x</b>	<b>13.0x</b>	<b>45.0x</b>	<b>27.6x</b>	<b>19.4x</b>	<b>17.6 %</b>	<b>25.9 %</b>
<b>Verkkokauppa.com (Evli est.)</b>	<b>0.4x</b>	<b>0.4x</b>	<b>0.4x</b>	<b>10.3x</b>	<b>9.9x</b>	<b>9.4x</b>	<b>13.3x</b>	<b>12.9x</b>	<b>12.0x</b>	<b>4.3 %</b>	<b>20.3 %</b>
<i>Verkkokauppa.com vs. Online-focused Nordic and EU peers median</i>	-21 %	-18 %	-15 %	-2 %	14 %	-4 %	-68 %	-62 %	8 %		
VERKKOKAUPPA.COM PEER GROUP	EBIT-% 20	EBIT-% 21	EBIT-% 22	ROCE-% 20	ROCE-% 21	ROCE-% 22	Div-% 20	Div-% 21	Div-% 22	ROE 20	P/B 20
<b>Online-focused Nordic and European peers</b>											
ASOS plc	1.7%	2.6%	3.3%	5.7%	9.7%	12.4%	0.0%	0.0%	0.2%	4.9%	4.7x
Dustin Group AB	3.2%	3.8%	4.1%	8.4%	10.1%	11.3%	3.6%	5.0%	6.0%	14.7%	2.1x
Groupe LDLC SA	4.6%	4.6%	5.9%	25.6%	24.4%	28.9%	0.9%	3.3%	4.3%	22.8%	2.2x
Qliro Group AB	-3.7%	0.8%	3.3%				0.0%	0.0%	0.0%	-10.2%	1.3x
Zalando SE	2.8%	3.3%	3.8%	9.4%	12.1%	14.6%	0.0%	0.0%	0.0%	7.4%	9.2x
<b>Physical store-focused Nordic and European peers</b>											
CECONOMY AG	0.7%	1.3%	1.5%	4.5%	11.1%	12.6%	0.7%	1.8%	2.9%	-3.2%	1.8x
Dixons Carphone plc	1.9%	2.8%	2.9%	4.4%	6.4%	8.1%	2.8%	5.2%	5.6%	4.7%	0.4x
Unieuro SpA	0.7%	1.0%	1.6%				0.0%	4.2%	8.1%	11.8%	2.1x
XXL ASA	1.1%	3.4%	4.1%	1.5%	5.0%	6.1%	0.0%	0.0%	0.9%	-0.9%	1.3x
<b>Large international e-commerce peers</b>											
Alibaba Group Holding Ltd. Sponsored ADR	18.9%	20.5%	22.1%	10.3%	12.2%	13.3%	0.0%	0.0%	0.0%	18.0%	5.1x
Amazon.com, Inc.	3.7%	6.0%	7.6%	8.2%	12.8%	15.7%	0.0%	0.0%	0.0%	11.6%	19.1x
eBay Inc.	31.4%	31.4%	31.7%	21.2%	21.5%	20.4%	1.1%	1.2%	1.1%	93.4%	15.1x
JD.com, Inc. Sponsored ADR Class A	1.6%	2.4%	2.9%	8.6%	13.0%	16.3%	0.0%	0.0%	0.0%	13.5%	6.5x
Rakuten, Inc.	-3.6%	-1.0%	4.1%	-2.6%	-0.9%	3.6%	0.4%	0.4%	0.4%	-7.5%	2.0x
<b>Online-focused Nordic and European peers</b>	<b>2.8%</b>	<b>3.3%</b>	<b>3.8%</b>	<b>8.9%</b>	<b>11.1%</b>	<b>13.5%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.2%</b>	<b>7.4%</b>	<b>2.2x</b>
<b>Physical store-focused Nordic and European peers</b>	<b>0.9%</b>	<b>2.0%</b>	<b>2.3%</b>	<b>4.4%</b>	<b>6.4%</b>	<b>8.1%</b>	<b>0.4%</b>	<b>3.0%</b>	<b>4.3%</b>	<b>1.9%</b>	<b>1.6x</b>
<b>Large international e-commerce peers</b>	<b>3.7%</b>	<b>6.0%</b>	<b>7.6%</b>	<b>8.6%</b>	<b>12.8%</b>	<b>15.7%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>13.5%</b>	<b>6.5x</b>
<b>Verkkokauppa.com (Evli est.)</b>	<b>3.2%</b>	<b>3.2%</b>	<b>3.3%</b>	<b>28.6%</b>	<b>29.0%</b>	<b>30.2%</b>	<b>4.1%</b>	<b>4.3%</b>	<b>4.5%</b>	<b>33.5%</b>	<b>6.5x</b>

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	123.0	123.0	163.9	535.2	553.5	571.8
EBITDA	3.5	1.4	5.5	5.7	16.2	5.0	6.0	5.3	5.7	22.0	22.7	23.7
<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>4.9</i>	<i>4.3</i>	<i>3.5</i>	<i>4.1</i>	<i>4.1</i>	<i>4.2</i>
EBIT	2.3	0.2	4.3	4.5	11.3	3.8	4.8	4.0	4.4	17.1	17.5	18.6
<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>3.9</i>	<i>3.3</i>	<i>2.7</i>	<i>3.2</i>	<i>3.2</i>	<i>3.3</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	4.4	3.7	4.0	15.6	15.9	17.0
Tax	-0.4	0.0	-0.8	-0.8	-1.9	-0.6	-0.8	-0.7	-0.8	-3.0	-3.2	-3.4
<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>18.1</i>	<i>20.0</i>	<i>20.0</i>	<i>19.0</i>	<i>20.0</i>	<i>20.0</i>
Net profit	1.5	-0.2	3.3	3.2	7.8	2.8	3.6	3.0	3.2	12.6	12.7	13.6
EPS	0.03	0.00	0.07	0.07	0.17	0.06	0.08	0.07	0.07	0.28	0.28	0.30
EPS adjusted (diluted no. of shares)	0.03	0.00	0.07	0.07	0.17	0.06	0.08	0.07	0.07	0.28	0.28	0.30
Dividend per share	0.00	0.00	0.00	0.00	0.21	0.00	0.00	0.00	0.00	0.23	0.24	0.25
<b>SALES, EURm</b>												
Verkkokauppa.com	115.8	107.8	120.6	159.9	504.1	125.3	123.0	123.0	163.9	535.2	553.5	571.8
Total	115.8	107.8	120.6	159.9	504.1	125.3	123.0	123.0	163.9	535.2	553.5	571.8
<b>SALES GROWTH, Y/Y %</b>												
Verkkokauppa.com	12.8	5.3	3.2	2.6	5.5	8.2	14.0	2.0	2.5	6.2	3.4	3.3
Total	12.8	5.3	3.2	2.6	5.5	8.2	14.0	2.0	2.5	6.2	3.4	3.3
<b>EBIT, EURm</b>												
Verkkokauppa.com	2.3	0.2	4.3	4.5	11.3	3.8	4.8	4.0	4.4	17.1	17.5	18.6
Total	2.3	0.2	4.3	4.5	11.3	3.8	4.8	4.0	4.4	17.1	17.5	18.6
<b>EBIT margin, %</b>												
Verkkokauppa.com	2.0	0.2	3.6	2.8	2.2	3.0	3.9	3.3	2.7	3.2	3.2	3.3
Total	2.0	0.2	3.6	2.8	2.2	3.0	3.9	3.3	2.7	3.2	3.2	3.3

INCOME STATEMENT, EURm	2015	2016	2017	2018	2019	2020E	2021E	2022E
Sales	343.7	371.5	431.9	477.8	504.1	535.2	553.5	571.8
<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>6.2</i>	<i>3.4</i>	<i>3.3</i>
EBITDA	12.3	14.1	18.0	18.4	16.2	22.0	22.7	23.7
<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>4.1</i>	<i>4.1</i>	<i>4.2</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	17.1	17.5	18.6
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	17.1	17.5	18.6
<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>3.2</i>	<i>3.2</i>	<i>3.3</i>
Reported EBIT	7.7	12.2	13.5	13.3	11.3	16.3	17.5	18.6
<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>3.0</i>	<i>3.2</i>	<i>3.3</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	15.6	15.9	17.0
Taxes	-1.4	-2.4	-2.4	-2.3	-1.9	-3.0	-3.2	-3.4
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	11.8	12.7	13.6
Cash NRIs	-3.4	-0.6	0.0	0.0	0.0	-0.8	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>								
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	16	14
Inventory	39	44	47	66	67	69	72	74
Receivables	9	12	20	27	25	27	28	29
Liquid funds	31	42	52	47	42	45	47	48
Total assets	81	101	149	168	160	166	171	176
Liabilities								
Shareholder's equity	36	39	37	38	37	39	41	44
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	16	14
Deferred taxes	0	0	0	0	0	0	0	0
Interest bearing debt	0	0	0	0	0	4	4	4
Non-interest bearing current liabilities	45	61	82	103	100	106	109	113
Other interest-free debt	0	0	0	0	0	0	0	0
Total liabilities	81	101	149	168	160	166	171	176
<b>CASH FLOW, EURm</b>								
+ EBITDA	12	14	18	18	16	22	23	24
- Net financial items	-1	0	-2	-2	-1	-1	-2	-2
- Taxes	-1	-2	-4	-3	-2	-3	-3	-3
- Increase in Net Working Capital	-2	7	10	-5	-3	3	0	0
+/- Other	-4	-1	0	0	0	-1	0	0
= Cash flow from operations	5	19	23	9	10	19	18	19
- Capex	-1	-1	-2	-2	-2	-4	-5	-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	15	13	14
+/- New issues/buybacks	0	0	-4	0	0	0	0	0
- Paid dividend	-6	-7	-7	-8	-9	-10	-10	-11
+/- Other	-2	0	0	-3	-3	-3	-1	-2
Change in cash	-5	11	10	-5	-4	3	2	2

KEY FIGURES	2016	2017	2018	2019	2020E	2021E	2022E
M-cap	333	319	185	159	252	252	252
Net debt (excl. convertibles)	-42	-23	-20	-19	-24	-27	-30
Enterprise value	291	296	164	140	228	226	223
Sales	371	432	478	504	535	554	572
EBITDA	14	18	18	16	22	23	24
EBIT	13	13	13	11	17	17	19
Pre-tax	13	12	12	10	16	16	17
Earnings	10	9	9	8	13	13	14
Equity book value (excl. minorities)	39	37	38	37	39	41	44
<b>Valuation multiples</b>							
EV/sales	0.8	0.7	0.3	0.3	0.4	0.4	0.4
EV/EBITDA	20.6	16.4	8.9	8.7	10.3	9.9	9.4
EV/EBITA	22.7	22.0	12.3	12.4	13.3	12.9	12.0
EV/EBIT	22.7	22.0	12.3	12.4	13.3	12.9	12.0
EV/OCF	15.6	12.8	18.5	14.7	11.8	12.7	11.7
EV/FCFF	17.0	12.9	18.6	14.8	12.5	13.3	12.3
P/FCFE	18.8	14.8	28.7	21.6	16.8	19.9	18.2
P/E	32.1	33.8	19.8	20.4	20.0	19.9	18.6
P/B	8.6	8.7	4.9	4.4	6.5	6.1	5.8
Target EV/EBITDA	0.0	0.0	0.0	0.0	11.6	11.1	10.5
Target EV/EBIT	0.0	0.0	0.0	0.0	14.9	14.5	13.4
Target EV/FCF	0.0	0.0	0.0	0.0	17.0	19.9	18.0
Target P/B	0.0	0.0	0.0	0.0	7.2	6.8	6.4
Target P/E	0.0	0.0	0.0	0.0	22.1	22.0	20.6
<b>Per share measures</b>							
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	0.28	0.28	0.30
Operating cash flow per share	0.41	0.52	0.20	0.21	0.43	0.39	0.42
Free cash flow per share	0.39	0.48	0.14	0.16	0.33	0.28	0.31
Book value per share	0.86	0.82	0.83	0.81	0.86	0.91	0.97
Dividend per share	0.17	0.18	0.20	0.21	0.23	0.24	0.25
Dividend payout ratio, %	72.2	86.8	95.6	123.4	82.1	85.3	82.9
Dividend yield, %	2.2	2.6	4.8	6.1	4.1	4.3	4.5
FCF yield, %	5.3	6.7	3.5	4.6	5.9	5.0	5.5
<b>Efficiency measures</b>							
ROE	27.9	25.1	25.1	21.1	33.5	31.8	32.0
ROCE	34.5	25.7	20.5	18.2	28.6	29.0	30.2
<b>Financial ratios</b>							
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	0.9	0.9
CAPEX/sales (incl. acquisitions), %	0.3	0.4	0.5	0.4	0.8	0.9	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	-1.1	-1.2	-1.3
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	23.9	24.6	25.5
Gearing, %	-108.0	-61.3	-54.3	-52.1	-63.0	-65.2	-68.0

**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 Sipi	22,111,342	123.824	49.1%
Rite Ventures Finland Ab	2,172,576	12.166	4.8%
Keva	2,171,000	12.158	4.8%
Keskinäinen Työeläkevakuutusyhtiö Varma	2,065,932	11.569	4.6%
Sijoitusrahasto Nordea Nordic Small Cap	1,690,607	9.467	3.8%
Mandatum Henkivakuutusosakeyhtiö	1,673,378	9.371	3.7%
Evli Finnish Small Cap Fund	644,000	3.606	1.4%
Skogberg Ville Johannes	634,266	3.552	1.4%
Keskinäinen Vakuutusyhtiö Kaleva	466,475	2.612	1.0%
OP-Suomi Pienyhtiöt	340,603	1.907	0.8%
Ten largest	33,970,179	190.233	75%
Residual	11,094,951	62.132	25%
Total	45,065,130	252.365	100%

**EARNINGS CALENDAR**

July 24, 2020

Q2 report

October 23, 2020

Q3 report

**OTHER EVENTS****COMPANY MISCELLANEOUS**

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



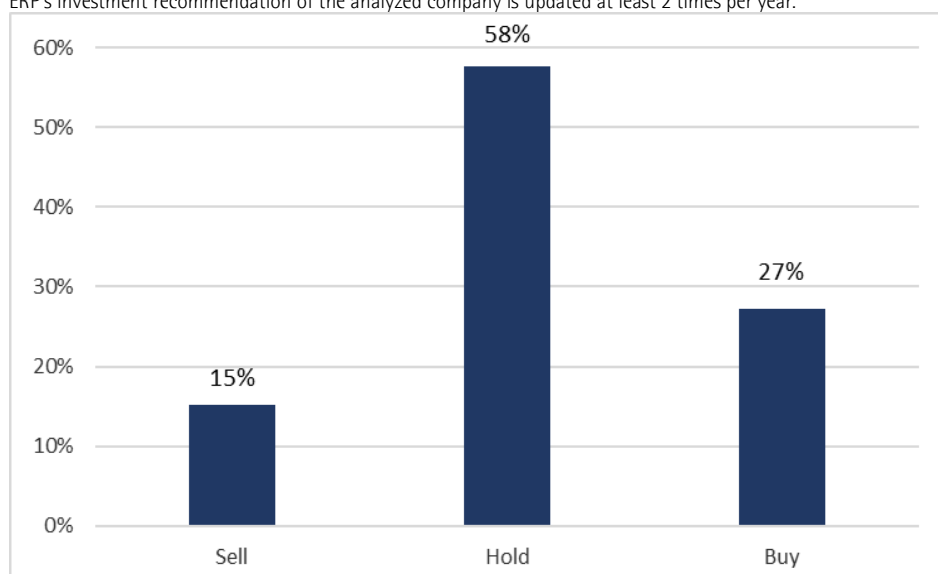
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Investment recommendations are defined as follows:

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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