

Towards the important campaign season

Once again, Verkkokauppa.com delivered a strong result as revenue increased by ~7% y/y (EUR 129m) while adj. EBIT totaled EUR 5.6m. We have slightly increased our estimates and keep our rating "BUY" with TP of EUR 6.5 (6.3).

Revenue increased by 7% y/y

Verkkokauppa.com's good momentum continued throughout Q3, driven by strong consumer web sales. Growth was particularly good in mid-sized and evolving categories (MDA, BBQ, sports as well as office & supplies). Revenue increased by ~7% y/y amounting to EUR 129m (vs. our EUR 126m). Gross margin developed favorably as well due to the sales mix, strong consumer sales as well as lower level of wholesale sales but also due to operational improvements. The company's adj. EBIT was EUR 5.6m (vs. our 5.3m) in Q3.

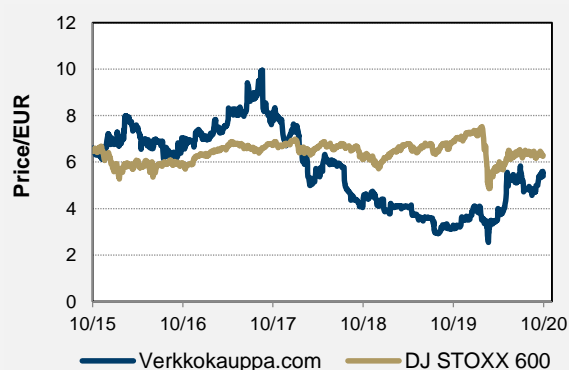
The current environment supports further growth

Online migration has continued strong throughout the year partly due to the COVID-19 and as the virus situation seems to be prolonging, we expect the same trend to continue. Even though the company is known for its strong presence in the consumer electronics market in Finland, the growth has been strong in other product categories as well boosting the company's sales and profitability development. This also benefits the company's growth in the future since the consumer electronics market is extremely competed and price driven. The final quarter is normally the most important for Verkkokauppa.com and it is driven by campaigns (e.g. Cyber Monday and Black Friday) and the Christmas season. We expect the good momentum to continue also in Q4E. Due to the travel restrictions, wholesale sales should remain in a lower level also in Q4E, having a positive impact on margins.

"BUY" with TP of EUR 6.5 (6.3)

We have slightly increased our estimates and expect 20E revenue of EUR 546m and adj. EBIT of EUR 20.4m. Hence, our estimates are at the higher end of the given guidance (revenue between EUR 525-550m and adj. EBIT between EUR 17-21m). On our estimates the company trades at 20E-21E EV/EBIT multiple of 10.7x and 11.0x, which translates into ~50% discount compared to the peers. We keep our rating "BUY" with TP of EUR 6.5 (6.3).

Rating

+ BUY


Share price, EUR (Last trading day's closing price) 5.40

Target price, EUR 6.5

Latest change in rating 27-Apr-20

Latest report on company 28-Sep-20

Research paid by issuer: YES

No. of shares outstanding, '000's 44,707

No. of shares fully diluted, '000's 44,707

Market cap, EURm 241

Free float, % 50.5

Exchange rate 1.000

Reuters code VERK.HE

Bloomberg code VERK FH

Average daily volume, EURm na.

Next interim report 12-Feb-21

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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	546.3	20.4	3.7%	14.0	0.35	15.6	0.4	10.7	5.8	0.23
2021E	567.1	19.4	3.4%	15.3	0.32	16.9	0.4	11.0	6.3	0.25
2022E	585.8	20.4	3.5%	14.1	0.34	16.1	0.4	10.3	5.8	0.26
Market cap, EURm		241	Gearing 2020E, %			-56.2	CAGR EPS 2019-22, %			24.7
Net debt 2020E, EURm		-23	Price/book 2020E			5.8	CAGR sales 2019-22, %			5.1
Enterprise value, EURm		218	Dividend yield 2020E, %			4.3	ROE 2020E, %			39.5
Total assets 2020E, EURm		171	Tax rate 2020E, %			18.6	ROCE 2020E, %			32.9
Goodwill 2020E, EURm		0	Equity ratio 2020E, %			24.8	PEG, P/E 20/CAGR			-136.0

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	546.3	567.1	585.8
<i>Growth-%</i>	-	10.7 %	17.2 %	6.0 %	15.9 %	24.6 %	8.1 %	16.3 %	10.6 %	5.5 %	8.4 %	3.8 %	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	-459.9	-479.8	-495.6
<i>Growth-%</i>	-	8.1 %	16.8 %	2.8 %	16.2 %	25.2 %	7.5 %	17.8 %	9.9 %	6.0 %	6.9 %	4.3 %	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 %	84.2 %	84.6 %	84.6 %
Gross profit	18.4	24.5	29.3	37.4	42.6	51.8	57.8	62.5	72.0	73.9	86.4	87.3	90.2
<i>Gross margin</i>	10.6 %	12.8 %	13.1 %	15.7 %	15.4 %	15.1 %	15.6 %	14.5 %	15.1 %	14.7 %	15.8 %	15.4 %	15.4 %
Fixed costs adj.	-16.6	-23.2	-28.6	-29.9	-34.3	-39.6	-43.4	-44.5	-54.0	-58.1	-61.5	-63.3	-65.1
<i>Growth-%</i>	-	39.1 %	23.6 %	4.7 %	14.5 %	15.5 %	9.6 %	2.5 %	21.4 %	7.6 %	5.8 %	2.8 %	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 %	11.3 %	11.2 %	11.1 %
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	-5.0	-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
Adj. EBITDA	2.4	1.7	0.9	7.5	8.4	12.3	14.5	18.0	18.4	16.3	25.4	24.6	25.6
<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 %	4.3 %	4.4 %
Adj. EBIT	1.6	0.8	0.0	6.6	7.5	11.1	13.2	13.5	13.3	11.3	20.4	19.4	20.4
<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 %	3.4 %	3.5 %
Reported EBIT	1.6	0.8	0.0	6.6	7.5	7.7	12.6	13.5	13.3	11.3	19.6	19.4	20.4
<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 %	3.6 %	3.4 %	3.5 %
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	18.1	17.8	18.8
Taxes	-0.1	0.0	0.0	-1.4	-1.2	-1.4	-2.4	-2.4	-2.3	-2.0	-3.5	-3.6	-3.8
<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 %
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	14.6	14.2	15.0
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	44.7	44.7	44.7
EPS	0.08	-0.04	-0.09	0.56	0.60	0.12	0.23	0.21	0.21	0.17	0.33	0.32	0.34
Dividend and capital return	-	-	-	0.04	0.85	0.15	0.17	0.18	0.20	0.21	0.23	0.25	0.26
<i>Payout ratio (%)</i>				7 %	142 %	126 %	74 %	87 %	96 %	122 %	70 %	78 %	77 %

Source: Company data, Evli Research

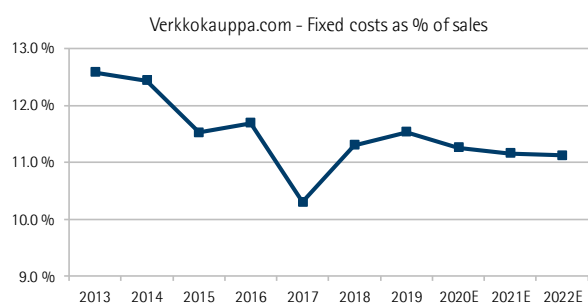
Note: IFRS figures include impact of IFRS 16 from 2017 onwards

* PTP, Net Income & EPS calculated from reported figures

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

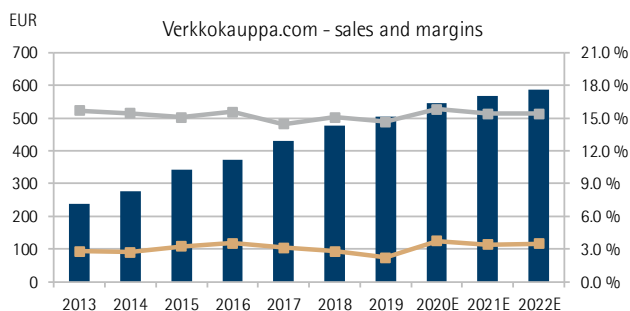
*2015 net financials include EUR 0.9m of NRIs due to the Teosto dispute

Average number of shares excludes shares held by the company



Source: Company data, Evli Research

Fixed costs as % of sales



Source: Company data, Evli Research

Sales, Gross margin, Adj. EBIT 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
Online-focused Nordic and European peers											
ASOS plc	1.3x	1.2x	1.0x	16.4x	16.0x	12.9x	29.3x	31.4x	23.9x	15.1 %	65.7 %
Dustin Group AB	0.6x	0.6x	0.5x	11.1x	9.5x	8.2x	17.0x	14.0x	11.4x	6.4 %	10.7 %
Groupe LDLC SA	0.3x	0.3x	0.2x	4.9x	4.4x	3.7x	6.5x	5.8x	5.0x	12.5 %	70.5 %
Qliro Group AB	0.6x	0.7x	0.7x	10.9x	11.1x	9.3x			42.0x	-22.2 %	na.
Zalando SE	2.6x	2.2x	1.9x	37.7x	32.9x	26.1x	63.6x	56.5x	43.3x	18.5 %	39.5 %
Physical store-focused Nordic and European peers											
CECONOMY AG	0.2x	0.2x	0.1x	4.1x	3.1x	2.6x	18.7x	10.6x	7.9x	-0.1 %	15.3 %
Dixons Carphone plc	0.2x	0.2x	0.2x	4.8x	4.0x	3.3x	10.1x	7.5x	6.0x	-3.0 %	17.4 %
Unieuro SpA	0.2x	0.2x	0.1x	3.3x	3.3x	2.5x	8.1x	8.7x	6.7x	1.3 %	-2.3 %
XXL ASA	1.0x	0.9x	0.9x	11.2x	8.5x	7.5x	55.6x	23.1x	18.4x	4.8 %	na.
Large international e-commerce peers											
Alibaba Group Holding Ltd. Sponsored ADR	7.8x	5.9x	4.7x	25.0x	19.1x	15.4x	38.6x	28.2x	20.6x	26.0 %	22.6 %
Amazon.com, Inc.	4.3x	3.5x	2.9x	29.1x	22.6x	17.2x	77.1x	52.2x	35.8x	19.5 %	36.8 %
eBay Inc.	3.9x	3.6x	3.2x	10.6x	9.7x	8.7x	12.6x	11.5x	10.3x	0.9 %	11.8 %
JD.com, Inc. Sponsored ADR Class A	1.1x	0.9x	0.7x	37.9x	25.2x	17.7x	59.3x	34.9x	22.5x	21.5 %	41.0 %
Rakuten, Inc.	1.1x	1.1x	1.0x	30.3x	17.7x	9.0x			24.2x	11.2 %	na.
Online-focused Nordic and European peers	0.6x	0.7x	0.7x	11.1x	11.1x	9.3x	23.1x	22.7x	23.9x	12.5 %	52.6 %
Physical store-focused Nordic and European peers	0.2x	0.2x	0.2x	4.4x	3.7x	3.0x	14.4x	9.6x	7.3x	0.6 %	15.3 %
Large international e-commerce peers	3.9x	3.5x	2.9x	29.1x	19.1x	15.4x	48.9x	31.6x	22.5x	19.5 %	29.7 %
Verkkokauppa.com (Evli est.)	0.4x	0.4x	0.4x	8.6x	8.6x	8.2x	10.7x	11.0x	10.3x	5.1 %	24.7 %
	-35 %	-49 %	-46 %	-23 %	-22 %	-11 %	-54 %	-52 %	-57 %		
VERKKOKAUPPA.COM PEER GROUP	P/E 20	P/E 21	P/E 22	EBIT-% 20	EBIT-% 21	EBIT-% 22	Div-% 20	Div-% 21	Div-% 22	ROE 20	P/B 20
Online-focused Nordic and European peers											
ASOS plc	37.1x	42.4x	42.4x	4.6%	3.7%	4.6%	0.0%	0.0%	0.0%	14.5%	14.5x
Dustin Group AB	14.7x	13.0x	13.0x	3.4%	4.0%	3.4%	3.4%	4.6%	5.7%	15.5%	15.5x
Groupe LDLC SA	9.7x	8.9x	8.9x	4.6%	4.7%	4.6%	0.8%	3.0%	3.4%	25.4%	25.4x
Qliro Group AB				-6.4%	-0.6%	-6.4%	0.0%	0.0%	0.0%	-11.4%	-11.4x
Zalando SE	104.0x	90.3x	90.3x	4.2%	3.9%	4.2%	0.0%	0.0%	0.0%	10.8%	10.8x
Physical store-focused Nordic and European peers											
CECONOMY AG	27.4x	10.4x	10.4x	1.0%	1.5%	1.0%	0.0%	0.7%	3.8%	7.4%	7.4x
Dixons Carphone plc	10.7x	7.7x	7.7x	2.1%	2.9%	2.1%	2.1%	3.8%	4.2%	5.5%	5.5x
Unieuro SpA	7.3x	8.0x	8.0x	1.9%	1.7%	1.9%	10.9%	6.6%	7.4%	24.4%	24.4x
XXL ASA	311.0x	27.7x	27.7x	1.7%	4.0%	1.7%	0.0%	0.0%	0.7%	0.5%	0.5x
Large international e-commerce peers											
Alibaba Group Holding Ltd. Sponsored ADR	32.4x	26.3x	26.3x	20.1%	21.0%	20.1%	0.0%	0.0%	0.0%	18.1%	18.1x
Amazon.com, Inc.	101.1x	72.5x	72.5x	5.5%	6.8%	5.5%	0.0%	0.0%	0.0%	17.2%	17.2x
eBay Inc.	15.1x	14.0x	14.0x	30.8%	31.2%	30.8%	1.2%	1.2%	1.2%	78.2%	78.2x
JD.com, Inc. Sponsored ADR Class A	50.9x	36.2x	36.2x	1.8%	2.4%	1.8%	0.0%	0.0%	0.0%	13.5%	13.5x
Rakuten, Inc.				-5.9%	-2.1%	-5.9%	0.4%	0.4%	0.4%	-12.4%	-12.4x
Online-focused Nordic and European peers	25.9x	27.7x	27.7x	4.2%	3.9%	4.2%	0.0%	0.0%	0.0%	14.5%	14.5x
Physical store-focused Nordic and European peers	19.0x	9.2x	9.2x	1.8%	2.3%	1.8%	1.0%	2.3%	4.0%	6.4%	6.4x
Large international e-commerce peers	41.7x	31.2x	31.2x	5.5%	6.8%	5.5%	0.0%	0.0%	0.0%	17.2%	17.2x
Verkkokauppa.com (Evli est.)	15.6x	16.9x	16.1x	3.7 %	3.4 %	3.5 %	4.3%	4.6%	4.8%	39.5%	5.8%

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

Source: Factset, Evli Research

INTERIM FIGURES

EVLI ESTIMATES, EURm	2019Q1	2019Q2	2019Q3	2019Q4	2019	2020Q1	2020Q2	2020Q3	2020Q4E	2020E	2021E	2022E
Net sales	115.8	107.8	120.6	159.9	504.1	125.3	123.1	129.3	168.7	546.3	567.1	585.8
EBITDA	3.5	1.4	5.5	5.7	16.2	5.0	6.0	6.8	7.5	25.4	24.6	25.6
<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>5.3</i>	<i>4.5</i>	<i>4.6</i>	<i>4.3</i>	<i>4.4</i>
EBIT	2.3	0.2	4.3	4.5	11.3	3.8	4.8	5.6	6.2	20.4	19.4	20.4
<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>4.3</i>	<i>3.7</i>	<i>3.7</i>	<i>3.4</i>	<i>3.5</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	4.5	5.3	5.8	19.0	17.8	18.8
Tax	-0.4	0.0	-0.8	-0.8	-1.9	-0.6	-0.7	-1.1	-1.2	-3.5	-3.6	-3.8
<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>15.7</i>	<i>20.0</i>	<i>20.0</i>	<i>18.6</i>	<i>20.0</i>	<i>20.0</i>
Net profit	1.5	-0.2	3.3	3.2	7.8	2.8	3.8	4.2	4.6	15.4	14.2	15.0
EPS	0.03	0.00	0.07	0.07	0.17	0.06	0.08	0.09	0.10	0.35	0.32	0.34
EPS adjusted (diluted no. of shares)	0.03	0.00	0.07	0.07	0.17	0.06	0.08	0.09	0.10	0.35	0.32	0.34
Dividend per share	0.00	0.00	0.00	0.00	0.21	0.00	0.00	0.00	0.00	0.23	0.25	0.26
SALES, EURm												
Verkkokauppa.com	115.8	107.8	120.6	159.9	504.1	125.3	123.1	129.3	168.7	546.3	567.1	585.8
Total	115.8	107.8	120.6	159.9	504.1	125.3	123.1	129.3	168.7	546.3	567.1	585.8
SALES GROWTH, Y/Y %												
Verkkokauppa.com	<i>12.8</i>	<i>5.3</i>	<i>3.2</i>	<i>2.6</i>	<i>5.5</i>	<i>8.2</i>	<i>14.1</i>	<i>7.3</i>	<i>5.5</i>	<i>8.4</i>	<i>3.8</i>	<i>3.3</i>
Total	<i>12.8</i>	<i>5.3</i>	<i>3.2</i>	<i>2.6</i>	<i>5.5</i>	<i>8.2</i>	<i>14.1</i>	<i>7.3</i>	<i>5.5</i>	<i>8.4</i>	<i>3.8</i>	<i>3.3</i>
EBIT, EURm												
Verkkokauppa.com	2.3	0.2	4.3	4.5	11.3	3.8	4.8	5.6	6.2	20.4	19.4	20.4
Total	2.3	0.2	4.3	4.5	11.3	3.8	4.8	5.6	6.2	20.4	19.4	20.4
EBIT margin, %												
Verkkokauppa.com	<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>4.3</i>	<i>3.7</i>	<i>3.7</i>	<i>3.4</i>	<i>3.5</i>
Total	<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>4.3</i>	<i>3.7</i>	<i>3.7</i>	<i>3.4</i>	<i>3.5</i>

INCOME STATEMENT, EURm	2015	2016	2017	2018	2019	2020E	2021E	2022E
Sales	343.7	371.5	431.9	477.8	504.1	546.3	567.1	585.8
<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>8.4</i>	<i>3.8</i>	<i>3.3</i>
EBITDA	12.3	14.1	18.0	18.4	16.2	25.4	24.6	25.6
<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>4.6</i>	<i>4.3</i>	<i>4.4</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	20.4	19.4	20.4
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	20.4	19.4	20.4
<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>3.7</i>	<i>3.4</i>	<i>3.5</i>
Reported EBIT	7.7	12.2	13.5	13.3	11.3	19.6	19.4	20.4
<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>3.6</i>	<i>3.4</i>	<i>3.5</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	19.0	17.8	18.8
Taxes	-1.4	-2.4	-2.4	-2.3	-1.9	-3.5	-3.6	-3.8
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	14.6	14.2	15.0
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
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	16	14
Inventory	39	44	47	66	67	72	75	78
Receivables	9	12	20	27	25	28	29	30
Liquid funds	31	42	52	47	42	46	48	49
Total assets	81	101	149	168	160	171	176	182
Liabilities								
Shareholder's equity	36	39	37	38	37	42	46	49
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	6	4	4
Non-interest bearing current liabilities	45	61	82	103	100	107	111	114
Other interest-free debt	0	0	0	0	0	0	0	0
Total liabilities	81	101	149	168	160	171	176	182
CASH FLOW, EURm								
+ EBITDA	12	14	18	18	16	25	25	26
- Net financial items	-1	0	-2	-2	-1	-1	-2	-2
- Taxes	-1	-2	-4	-3	-2	-4	-4	-4
- Increase in Net Working Capital	-2	7	10	-5	-3	-1	1	-1
+/- Other	-4	-1	0	0	0	-1	0	0
= Cash flow from operations	5	19	23	9	10	18	20	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	14	15	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	-1	-3	-1
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	241	241	241
Net debt (excl. convertibles)	-42	-23	-20	-19	-23	-28	-31
Enterprise value	291	296	164	140	218	213	210
Sales	371	432	478	504	546	567	586
EBITDA	14	18	18	16	25	25	26
EBIT	13	13	13	11	20	19	20
Pre-tax	13	12	12	10	19	18	19
Earnings	10	9	9	8	15	14	15
Equity book value (excl. minorities)	39	37	38	37	42	46	49
Valuation multiples							
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	8.6	8.6	8.2
EV/EBITA	22.7	22.0	12.3	12.4	10.7	11.0	10.3
EV/EBIT	22.7	22.0	12.3	12.4	10.7	11.0	10.3
EV/OCF	15.6	12.8	18.5	14.7	11.9	10.5	10.9
EV/FCFF	17.0	12.9	18.6	14.8	12.7	10.9	11.4
P/FCFE	18.8	14.8	28.7	21.6	17.3	15.8	17.1
P/E	32.1	33.8	19.8	20.4	15.6	16.9	16.1
P/B	8.6	8.7	4.9	4.4	5.8	5.3	4.9
Target EV/EBITDA	0.0	0.0	0.0	0.0	10.5	10.6	10.1
Target EV/EBIT	0.0	0.0	0.0	0.0	13.1	13.5	12.7
Target EV/FCF	0.0	0.0	0.0	0.0	19.1	17.2	18.4
Target P/B	0.0	0.0	0.0	0.0	7.0	6.4	5.9
Target P/E	0.0	0.0	0.0	0.0	18.8	20.4	19.3
Per share measures							
Number of shares	45,065	45,065	45,065	45,065	44,707	44,707	44,707
Number of shares (diluted)	45,065	45,065	45,065	45,065	44,707	44,707	44,707
EPS	0.23	0.21	0.21	0.17	0.35	0.32	0.34
Operating cash flow per share	0.41	0.52	0.20	0.21	0.41	0.45	0.43
Free cash flow per share	0.39	0.48	0.14	0.16	0.31	0.34	0.32
Book value per share	0.86	0.82	0.83	0.81	0.93	1.02	1.10
Dividend per share	0.17	0.18	0.20	0.21	0.23	0.25	0.26
Dividend payout ratio, %	72.2	86.8	95.6	123.4	66.6	78.5	77.3
Dividend yield, %	2.2	2.6	4.8	6.1	4.3	4.6	4.8
FCF yield, %	5.3	6.7	3.5	4.6	5.8	6.3	5.8
Efficiency measures							
ROE	27.9	25.1	25.1	21.1	39.5	32.7	31.7
ROCE	34.5	25.7	20.5	18.2	32.9	30.1	30.8
Financial ratios							
Inventories as % of sales	11.9	10.9	13.8	13.2	13.2	13.2	13.4
Receivables as % of sales	3.3	4.5	5.7	5.1	5.2	5.1	5.1
Non-interest bearing liabilities as % of sales	16.5	19.0	21.6	19.7	19.5	19.5	19.5
NWC/sales, %	-1.4	-3.6	-2.2	-1.5	-1.1	-1.2	-1.0
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	0.7	0.8	0.7
Net debt/EBITDA, book-weighted	-3.0	-1.3	-1.1	-1.2	-0.9	-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	24.8	26.4	27.7
Gearing, %	-108.0	-61.3	-54.3	-52.1	-56.2	-62.3	-63.4

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	98.757	40.9%
Keskinäinen Työeläkevakuutusyhtiö Varma	3,865,932	20.876	8.6%
Mandatum Henkivakuutusosakeyhtiö	2,175,458	11.747	4.9%
Rite Ventures Finland Ab	2,172,576	11.732	4.9%
Keva	2,171,000	11.723	4.9%
Sijoitusrahasto Nordea Nordic Small Cap	1,541,969	8.327	3.4%
Keskinäinen Eläkevakuutusyhtiö Ilmarinen	992,723	5.361	2.2%
Sijoitusrahasto Evli Suomi Pienyhtiöt	644,000	3.478	1.4%
Skogberg Ville Johannes	634,266	3.425	1.4%
Keskinäinen Vakuutusyhtiö Kaleva	566,475	3.059	1.3%
Ten largest	33,052,741	178.485	74%
Residual	11,654,403	62.934	26%
Total	44,707,144	241.419	100%

EARNINGS CALENDAR

April 23, 2021	Q1 report
July 16, 2021	Q2 report
October 22, 2021	Q3 report
February 12, 2021	FY 2020 Results

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

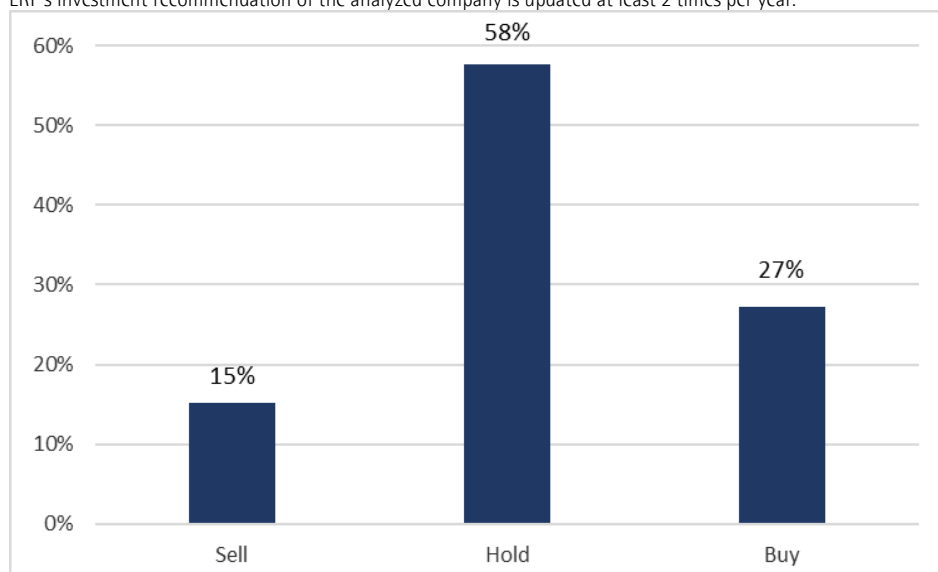
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Target price compared to share price	Recommendation
< -10 %	SELL
-10 – (+10) %	HOLD
> 10 %	BUY

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

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