

Strong momentum continues

Verkkokauppa.com issued a positive profit warning and expects 20E revenue of EUR 525-550m and adj. EBIT of EUR 17-21m. We have slightly increased our estimates and keep our rating "BUY" and TP of EUR 6.3 intact.

Guidance upgrade due to better than expected development
Verkkokauppa.com issued a positive profit warning and upgraded its 2020 guidance. The upgrade is due to a better than expected development during Q3 and improved outlook for the remainder of the year. The company now estimates that the revenue in 2020 is in a scale of EUR 525-550m while adj. EBIT is EUR 17-21m (prev. revenue of EUR 520-545m and adj. EBIT of EUR 13-18m). This is the company's second positive profit warning within a short period of time as the previous one was given in July.

Consumers still on the move

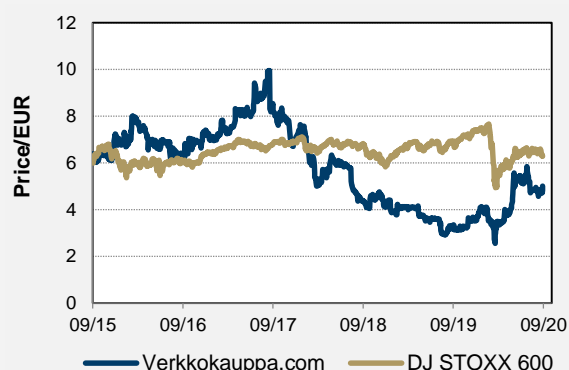
According to the company, sales and the consumer demand have continued stronger than expected throughout Q3. Against the expectations, the strong demand in many of the key product categories (e.g. consumer electronics) in Q2 has not resulted in a weakened demand in these categories in Q3. It is however likely that the growth in the consumer electronics market hasn't continued as strong but rather that Verkkokauppa.com has been able win market shares. The management indicated that the demand has continued strong also in other smaller product categories. We expect the lower margin wholesale sales to remain relatively low throughout the year, boosting gross margin development. If the same momentum continues, Verkkokauppa.com's campaign season in Q4 is likely to be very strong. However, there are still significant uncertainties due to the COVID-19 situation.

"BUY" with TP of EUR 6.3

We have only slightly increased our 20E revenue expectation (EUR 543m) while increasing our adj. EBIT expectation by ~11% (EUR 19.8m). On our estimates, the company trades at 20E-21E EV/EBIT multiple of 10.1x and 10.4x, which translates into a 60-70% discount compared to the peers. We keep our rating "BUY" with TP of EUR 6.3 intact.

Rating

+ BUY



Share price, EUR (Last trading day's closing price) 5.00

Target price, EUR 6.3

Latest change in rating 27-Apr-20

Latest report on company 11-Sep-20

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 224

Free float, % 42.2

Exchange rate -

Reuters code VERK.HE

Bloomberg code VERK FH

Average daily volume, EURm -

Next interim report 23-Oct-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	542.8	19.8	3.7%	13.4	0.33	14.9	0.4	10.1	6.0	0.23	
2021E	563.4	18.9	3.4%	14.9	0.31	16.2	0.3	10.4	6.6	0.24	
2022E	582.0	19.8	3.4%	13.6	0.33	15.3	0.3	9.7	6.1	0.25	
Market cap, EURm			224	Gearing 2020E, %			-55.7	CAGR EPS 2019-22, %			23.5
Net debt 2020E, EURm			-23	Price/book 2020E			5.4	CAGR sales 2019-22, %			4.9
Enterprise value, EURm			201	Dividend yield 2020E, %			4.6	ROE 2020E, %			38.5
Total assets 2020E, EURm			170	Tax rate 2020E, %			18.5	ROCE 2020E, %			32.0
Goodwill 2020E, EURm			0	Equity ratio 2020E, %			24.7	PEG, P/E 20/CAGR			21.8

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	542.8	563.4	582.0
Growth-%	-	10.7 %	17.2 %	6.0 %	15.9 %	24.6 %	8.1 %	16.3 %	10.6 %	5.5 %	7.7 %	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	-457.0	-476.6	-492.3
Growth-%	-	8.1 %	16.8 %	2.8 %	16.2 %	25.2 %	7.5 %	17.8 %	9.9 %	6.0 %	6.2 %	4.3 %	3.3 %
% of sales	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	85.8	86.8	89.6
Gross margin	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	-63.2	-65.1
Growth-%	-	39.1 %	23.6 %	4.7 %	14.5 %	15.5 %	9.6 %	2.5 %	21.4 %	7.6 %	5.7 %	2.8 %	3.0 %
% of sales	9.6 %	12.1 %	12.7 %	12.6 %	12.4 %	11.5 %	11.7 %	10.3 %	11.3 %	11.5 %	11.3 %	11.2 %	11.2 %
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
Adj. EBITDA	2.4	1.7	0.9	7.5	8.4	12.3	14.5	18.0	18.4	16.3	24.8	24.1	25.0
Adj. EBITDA margin	1.4 %	0.9 %	0.4 %	3.2 %	3.1 %	3.6 %	3.9 %	4.2 %	3.9 %	3.2 %	4.6 %	4.3 %	4.3 %
Adj. EBIT	1.6	0.8	0.0	6.6	7.5	11.1	13.2	13.5	13.3	11.3	19.8	18.9	19.8
Adj. EBIT margin	0.9 %	0.4 %	0.0 %	2.8 %	2.7 %	3.2 %	3.6 %	3.1 %	2.8 %	2.2 %	3.6 %	3.4 %	3.4 %
Reported EBIT	1.6	0.8	0.0	6.6	7.5	7.7	12.6	13.5	13.3	11.3	19.0	18.9	19.8
Reported EBIT margin	0.9 %	0.4 %	0.0 %	2.8 %	2.7 %	2.2 %	3.4 %	3.1 %	2.8 %	2.2 %	3.5 %	3.4 %	3.4 %
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	17.5	17.3	18.2
Taxes	-0.1	0.0	0.0	-1.4	-1.2	-1.4	-2.4	-2.4	-2.3	-2.0	-3.4	-3.5	-3.6
Tax rate (%)	16.6 %	0.0 %	0.0 %	25.6 %	22.2 %	19.9 %	19.4 %	20.0 %	20.0 %	20.1 %	19.4 %	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	14.1	13.8	14.6
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	0.32	0.31	0.33
Dividend and capital return	-	-	-	0.04	0.85	0.15	0.17	0.18	0.20	0.21	0.23	0.24	0.25
Payout ratio (%)	-	-	-	7 %	142 %	126 %	74 %	87 %	96 %	122 %	73 %	78 %	77 %

Source: Company data, Evli Research

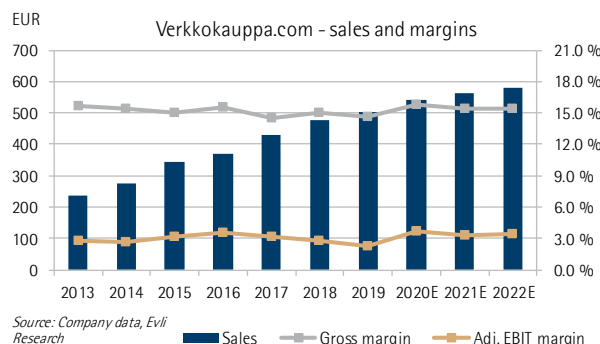
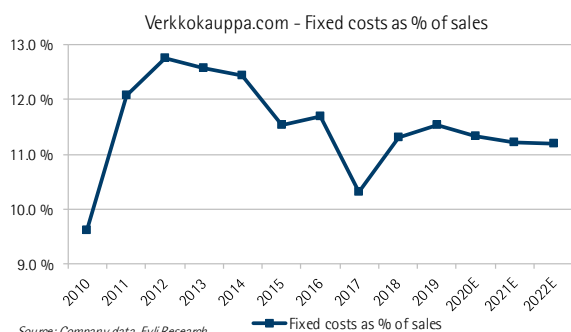
Note: IFRS figures include impact of IFRS 16 from 2017 onwards

* 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



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	1.6x	1.4x	1.2x	20.9x	18.6x	15.3x	37.0x	35.5x	27.9x	14.3 %	64.9 %
Dustin Group AB	0.5x	0.5x	0.4x	10.1x	8.5x	7.5x	16.4x	12.8x	10.8x	6.2 %	8.5 %
Groupe LDLC SA	0.3x	0.2x	0.2x	4.5x	4.0x	3.4x	6.0x	5.4x	4.5x	12.5 %	70.5 %
Qliro Group AB	0.4x	0.4x	0.4x	14.6x	7.2x	5.1x		51.3x	12.5x	0.2 %	na.
Zalando SE	2.5x	2.1x	1.8x	40.5x	32.5x	25.8x	75.9x	58.2x	43.3x	17.7 %	34.7 %
Physical store-focused Nordic and European peers											
CECONOMY AG	0.2x	0.2x	0.1x	3.7x	2.9x	2.5x	18.6x	9.7x	7.7x	-0.1 %	14.9 %
Dixons Carphone plc	0.3x	0.3x	0.2x	5.4x	4.6x	4.0x	12.5x	8.9x	7.2x	-3.3 %	19.1 %
Unieuro SpA	0.1x	0.1x	0.1x	2.5x	2.5x	2.3x	6.2x	6.5x	6.2x	1.3 %	-2.3 %
XXL ASA	0.9x	0.9x	0.8x	11.3x	8.5x	7.6x	67.9x	24.5x	19.7x	4.0 %	na.
Large international e-commerce peers											
Alibaba Group Holding Ltd. Sponsored ADR	6.7x	5.1x	4.0x	21.5x	16.5x	13.3x	33.4x	24.4x	17.7x	25.9 %	22.3 %
Amazon.com, Inc.	4.1x	3.4x	2.8x	28.2x	21.9x	16.7x	75.2x	50.0x	34.2x	19.9 %	37.3 %
eBay Inc.	3.8x	3.4x	3.0x	10.2x	9.3x	8.2x	12.1x	11.0x	9.7x	2.5 %	13.4 %
JD.com, Inc. Sponsored ADR Class A	0.9x	0.8x	0.6x	33.0x	21.9x	15.5x	52.1x	30.5x	19.6x	21.0 %	39.7 %
Rakuten, Inc.	1.2x	1.2x	1.1x	32.0x	19.1x	9.6x			25.4x	11.8 %	na.
Online-focused Nordic and European peers	0.5x	0.5x	0.4x	14.6x	8.5x	7.5x	26.7x	35.5x	12.5x	12.5 %	49.8 %
Physical store-focused Nordic and European peers	0.2x	0.2x	0.2x	4.6x	3.7x	3.2x	15.6x	9.3x	7.5x	0.6 %	14.9 %
Large international e-commerce peers	3.8x	3.4x	2.8x	28.2x	19.1x	13.3x	42.7x	27.5x	19.6x	19.9 %	29.8 %
Verkkokauppa.com (Evli est.)	0.4x	0.3x	0.3x	8.1x	8.1x	7.7x	10.1x	10.4x	9.7x	4.9 %	23.5 %
<i>Verkkokauppa.com vs. Online-focused Nordic and EU peers median</i>	<i>-29 %</i>	<i>-29 %</i>	<i>-26 %</i>	<i>-44 %</i>	<i>-4 %</i>	<i>3 %</i>	<i>-62 %</i>	<i>-71 %</i>	<i>-22 %</i>		
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	48.3x	48.3x	48.3x	4.4%	3.9%	4.4%	0.0%	0.0%	0.1%	13.7%	13.7x
Dustin Group AB	13.5x	11.3x	11.3x	3.2%	3.8%	3.2%	3.7%	5.2%	6.2%	14.7%	14.7x
Groupe LDLC SA	9.0x	8.3x	8.3x	4.6%	4.7%	4.6%	0.9%	3.3%	3.6%	25.4%	25.4x
Qliro Group AB		101.7x	101.7x	-3.7%	0.8%	-3.7%	0.0%	0.0%	0.0%	-9.0%	-9.0x
Zalando SE	128.1x	95.1x	95.1x	3.2%	3.6%	3.2%	0.0%	0.0%	0.0%	8.3%	8.3x
Physical store-focused Nordic and European peers											
CECONOMY AG	25.3x	9.6x	9.6x	0.9%	1.6%	0.9%	0.0%	1.7%	3.7%	7.6%	7.6x
Dixons Carphone plc	8.5x	6.1x	6.1x	2.0%	2.9%	2.0%	2.9%	5.4%	6.2%	5.7%	5.7x
Unieuro SpA	6.5x	7.1x	7.1x	1.9%	1.7%	1.9%	12.3%	7.4%	8.3%	24.4%	24.4x
XXL ASA		29.8x	29.8x	1.4%	3.7%	1.4%	0.0%	0.0%	0.8%	-0.3%	-0.3x
Large international e-commerce peers											
Alibaba Group Holding Ltd. Sponsored ADR	28.6x	23.5x	23.5x	20.0%	20.8%	20.0%	0.0%	0.0%	0.0%	17.8%	17.8x
Amazon.com, Inc.	99.7x	70.4x	70.4x	5.5%	6.8%	5.5%	0.0%	0.0%	0.0%	16.5%	16.5x
eBay Inc.	14.7x	13.4x	13.4x	31.1%	31.0%	31.1%	1.2%	1.3%	1.2%	75.6%	75.6x
JD.com, Inc. Sponsored ADR Class A	47.3x	34.1x	34.1x	1.8%	2.5%	1.8%	0.0%	0.0%	0.0%	13.5%	13.5x
Rakuten, Inc.				-5.8%	-2.1%	-5.8%	0.3%	0.4%	0.4%	-12.3%	-12.3x
Online-focused Nordic and European peers	30.9x	48.3x	48.3x	3.2%	3.8%	3.2%	0.0%	0.0%	0.1%	13.7%	13.7x
Physical store-focused Nordic and European peers	8.5x	8.4x	8.4x	1.6%	2.3%	1.6%	1.5%	3.6%	5.0%	6.6%	6.6x
Large international e-commerce peers	38.0x	28.8x	28.8x	5.5%	6.8%	5.5%	0.0%	0.0%	0.0%	16.5%	16.5x
Verkkokauppa.com (Evli est.)	14.9x	16.2x	15.3x	3.7 %	3.4 %	3.4 %	4.6%	4.8%	5.0%	38.5%	5.4%

Source: Factset, Evli research

INTERIM FIGURES

EVLI ESTIMATES, EURm	2019Q1	2019Q2	2019Q3	2019Q4	2019	2020Q1	2020Q2	2020Q3E	2020Q4E	2020E	2021E	2022E
Net sales	115.8	107.8	120.6	159.9	504.1	125.3	123.1	126.2	168.2	542.8	563.4	582.0
EBITDA	3.5	1.4	5.5	5.7	16.2	5.0	6.0	6.6	7.1	24.8	24.1	25.0
<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>5.2</i>	<i>4.2</i>	<i>4.6</i>	<i>4.3</i>	<i>4.3</i>
EBIT	2.3	0.2	4.3	4.5	11.3	3.8	4.8	5.3	5.9	19.8	18.9	19.8
<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>4.2</i>	<i>3.5</i>	<i>3.7</i>	<i>3.4</i>	<i>3.4</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	5.0	5.5	18.4	17.3	18.2
Tax	-0.4	0.0	-0.8	-0.8	-1.9	-0.6	-0.7	-1.0	-1.1	-3.4	-3.5	-3.6
<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>18.5</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	4.0	4.4	15.0	13.8	14.6
EPS	0.03	0.00	0.07	0.07	0.17	0.06	0.08	0.09	0.10	0.33	0.31	0.33
EPS adjusted (diluted no. of shares)	0.03	0.00	0.07	0.07	0.17	0.06	0.08	0.09	0.10	0.33	0.31	0.33
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
SALES, EURm												
Verkkokauppa.com	115.8	107.8	120.6	159.9	504.1	125.3	123.1	126.2	168.2	542.8	563.4	582.0
Total	115.8	107.8	120.6	159.9	504.1	125.3	123.1	126.2	168.2	542.8	563.4	582.0
SALES GROWTH, Y/Y %												
Verkkokauppa.com	12.8	5.3	3.2	2.6	5.5	8.2	14.1	4.7	5.2	7.7	3.8	3.3
Total	12.8	5.3	3.2	2.6	5.5	8.2	14.1	4.7	5.2	7.7	3.8	3.3
EBIT, EURm												
Verkkokauppa.com	2.3	0.2	4.3	4.5	11.3	3.8	4.8	5.3	5.9	19.8	18.9	19.8
Total	2.3	0.2	4.3	4.5	11.3	3.8	4.8	5.3	5.9	19.8	18.9	19.8
EBIT margin, %												
Verkkokauppa.com	2.0	0.2	3.6	2.8	2.2	3.0	3.9	4.2	3.5	3.7	3.4	3.4
Total	2.0	0.2	3.6	2.8	2.2	3.0	3.9	4.2	3.5	3.7	3.4	3.4

INCOME STATEMENT, EURm	2015	2016	2017	2018	2019	2020E	2021E	2022E
Sales	343.7	371.5	431.9	477.8	504.1	542.8	563.4	582.0
<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>7.7</i>	<i>3.8</i>	<i>3.3</i>
EBITDA	12.3	14.1	18.0	18.4	16.2	24.8	24.1	25.0
<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>4.3</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	19.8	18.9	19.8
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	19.8	18.9	19.8
<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>3.4</i>
Reported EBIT	7.7	12.2	13.5	13.3	11.3	19.0	18.9	19.8
<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>3.5</i>	<i>3.4</i>	<i>3.4</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	18.4	17.3	18.2
Taxes	-1.4	-2.4	-2.4	-2.3	-1.9	-3.4	-3.5	-3.6
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	14.2	13.8	14.6
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
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	74	78
Receivables	9	12	20	27	25	28	29	30
Liquid funds	31	42	52	47	42	46	47	49
Total assets	81	101	149	168	160	170	175	181
Liabilities								
Shareholder's equity	36	39	37	38	37	41	45	48
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	106	110	113
Other interest-free debt	0	0	0	0	0	0	0	0
Total liabilities	81	101	149	168	160	170	175	181
CASH FLOW, EURm								
+ EBITDA	12	14	18	18	16	25	24	25
- Net financial items	-1	0	-2	-2	-1	-1	-2	-2
- Taxes	-1	-2	-4	-3	-2	-3	-3	-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	13	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	224	224	224
Net debt (excl. convertibles)	-42	-23	-20	-19	-23	-27	-30
Enterprise value	291	296	164	140	201	196	193
Sales	371	432	478	504	543	563	582
EBITDA	14	18	18	16	25	24	25
EBIT	13	13	13	11	20	19	20
Pre-tax	13	12	12	10	18	17	18
Earnings	10	9	9	8	15	14	15
Equity book value (excl. minorities)	39	37	38	37	41	45	48
Valuation multiples							
EV/sales	0.8	0.7	0.3	0.3	0.4	0.3	0.3
EV/EBITDA	20.6	16.4	8.9	8.7	8.1	8.1	7.7
EV/EBITA	22.7	22.0	12.3	12.4	10.1	10.4	9.7
EV/EBIT	22.7	22.0	12.3	12.4	10.1	10.4	9.7
EV/OCF	15.6	12.8	18.5	14.7	11.3	9.9	10.3
EV/FCFF	17.0	12.9	18.6	14.8	12.1	10.2	10.8
P/FCFE	18.8	14.8	28.7	21.6	16.6	15.0	16.4
P/E	32.1	33.8	19.8	20.4	14.9	16.2	15.3
P/B	8.6	8.7	4.9	4.4	5.4	5.0	4.6
Target EV/EBITDA	0.0	0.0	0.0	0.0	10.4	10.5	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	19.2	17.1	18.5
Target P/B	0.0	0.0	0.0	0.0	6.9	6.3	5.8
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	44,712	44,712	44,712
Number of shares (diluted)	45,065	45,065	45,065	45,065	44,712	44,712	44,712
EPS	0.23	0.21	0.21	0.17	0.33	0.31	0.33
Operating cash flow per share	0.41	0.52	0.20	0.21	0.40	0.44	0.42
Free cash flow per share	0.39	0.48	0.14	0.16	0.30	0.33	0.30
Book value per share	0.86	0.82	0.83	0.81	0.92	1.00	1.08
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	68.7	77.6	76.6
Dividend yield, %	2.2	2.6	4.8	6.1	4.6	4.8	5.0
FCF yield, %	5.3	6.7	3.5	4.6	6.0	6.6	6.1
Efficiency measures							
ROE	27.9	25.1	25.1	21.1	38.5	32.3	31.4
ROCE	34.5	25.7	20.5	18.2	32.0	29.4	30.1
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	-1.1	-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	24.7	26.0	27.3
Gearing, %	-108.0	-61.3	-54.3	-52.1	-55.7	-61.5	-62.5

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	22,011,342	110.057	49.2%
Rite Ventures Finland Ab	2,172,576	10.863	4.9%
Keva	2,171,000	10.855	4.9%
Keskinäinen Työeläkevakuutusyhtiö Varma	2,065,932	10.330	4.6%
Mandatum Henkivakuutusosakeyhtiö	1,673,378	8.367	3.7%
Sijoitusrahasto Nordea Nordic Small Cap	1,586,969	7.935	3.5%
Evli Finnish Small Cap Fund	644,000	3.220	1.4%
Skogberg Ville Johannes	634,266	3.171	1.4%
Keskinäinen Vakuutusyhtiö Kaleva	466,475	2.332	1.0%
Verkkokauppa.com Oyj	357,986	1.790	0.8%
Ten largest	33,783,924	168.920	76%
Residual	10,928,055	54.640	24%
Total	44,711,979	223.560	100%

EARNINGS CALENDAR	
October 23, 2020	Q3 report

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

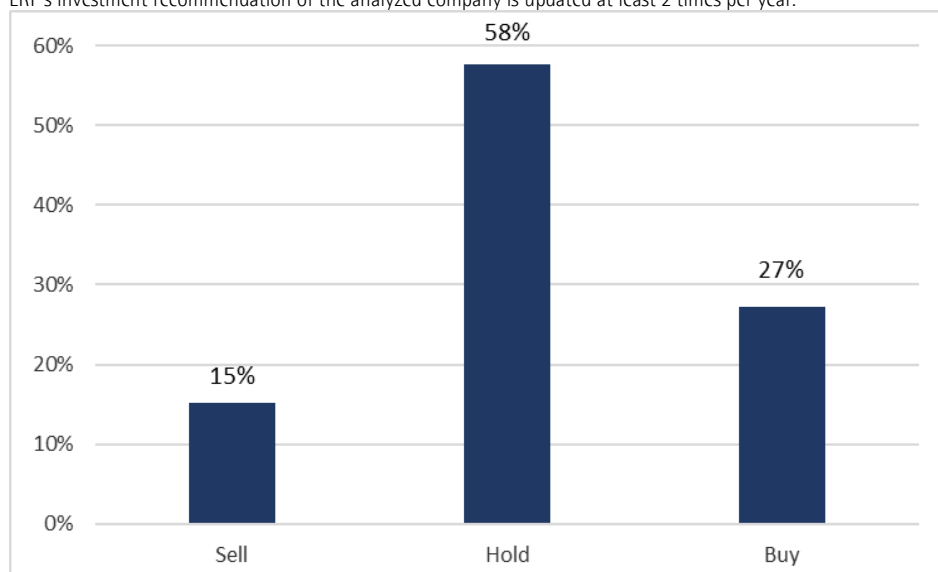
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Target price compared to share price	Recommendation
< -10 %	SELL
-10 – (+10) %	HOLD
> 10 %	BUY

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

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