

## High importance of sales mix

Verkkokauppa.com was able to make a turnaround in profitability in Q3 but at the same time sales growth decreased. Profitability improvement was mainly due to sales mix and better terms with suppliers. The management had a good control over the business in Q3. We keep our rating "HOLD" with TP or EUR 3.3.

### Profitability improvement driven by sales mix

In Q3, Verkkokauppa.com focused more on profitability and achieved EBIT of EUR 4.3m vs. EUR 3.7m/3.0m Evli/cons. EBIT margin increased to 3.6% vs. 2.9%/2.4% Evli/cons driven by higher gross margin (15.7% vs. 14.7% our expectation). Gross margin improvement was mainly due sales mix (smaller product categories with higher gross margins) and better terms and conditions from suppliers. The company's sales in Q3 were below expectations and the growth (3%) was only slightly above the market growth of 2.5% (GfK), reflecting the tight and price driven competition in consumer electronics. The company was also able to keep good control over the costs (~8% y/y) in Q3.

### Support from other product categories

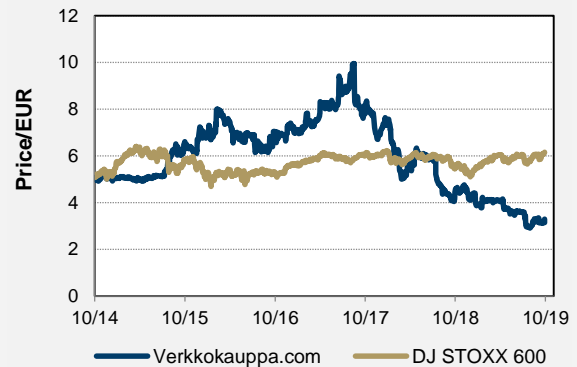
Verkkokauppa.com has sought growth over profitability and as the company has aggressively competed in a highly competitive consumer electronics market, the company's earnings development has been weak. In Q3, the company shifted more focus towards other categories with higher margins. We see this as a positive change as the aggressive competition in consumer electronics market is expected to remain tight, and the growth might become too expensive. After Q3, the pressure on EBIT has eased, although Q4 is critical for the business as Black Friday and Christmas are important sales drivers for the company.

### "HOLD" with TP EUR 3.3

Verkkokauppa.com updated its outlook for FY19 and expects sales of EUR 500-525m and EBIT of EUR 11-15m (prev. sales of EUR 500-550m and EBIT of EUR 11-17m). We expect 19E sales of EUR 513m and EBIT of EUR 12.8m. As we expect the aggressive competition to continue we have decreased our 20E-21E sales expectation by 3-5%. On our estimates Verkkokauppa.com trades at 19E-20E EV/EBIT multiple of 9.0x and 7.8 which translates into ~80% discount compared to the peer group. We keep our rating "HOLD" with TP of EUR 3.3.

## Rating

■ HOLD



Share price, EUR (Last trading day's closing price) 3.29

Target price, EUR 3.3

Latest change in rating 12-Aug-19

Latest report on company 18-Oct-19

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 148

Free float, % 50.0

Exchange rate 1.000

Reuters code VERK.HE

Bloomberg code VERK FH

Average daily volume, EURm na.

Next interim report -

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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
2017	431.9	13.5	3.1%	17.0	0.21	33.8	0.7	22.0	5.3	0.18
2018	477.8	13.3	2.8%	6.5	0.21	19.8	0.3	12.3	3.5	0.20
2019E	513.1	12.8	2.5%	21.0	0.20	16.4	0.2	9.0	14.2	0.21
2020E	549.1	14.2	2.6%	15.3	0.23	14.6	0.2	7.8	10.3	0.22
2021E	587.5	15.2	2.6%	12.5	0.25	13.4	0.2	7.1	8.4	0.24
Market cap, EURm		148	Gearing 2019E, %			-86.2	CAGR EPS 2018-21, %			5.8
Net debt 2019E, EURm		-32	Price/book 2019E			3.9	CAGR sales 2018-21, %			7.1
Enterprise value, EURm		116	Dividend yield 2019E, %			6.4	ROE 2019E, %			24.1
Total assets 2019E, EURm		173	Tax rate 2019E, %			20.0	ROCE 2019E, %			20.8
Goodwill 2019E, EURm		0	Equity ratio 2019E, %			22.3	PEG, P/E 19/CAGR			0.8

Estimates

Verkkokauppa.com model	2010 FAS	2011 FAS	2012 FAS	2013 FAS	2014 FAS	2015 FAS	2016 FAS	2017 IFRS	2018 IFRS	2019E IFRS	2020E IFRS	2021E 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>513.1</b>	<b>549.1</b>	<b>587.5</b>
<i>Growth-%</i>	-	10.7 %	17.2 %	6.0 %	15.9 %	24.6 %	8.1 %	16.3 %	10.6 %	7.4 %	7.0 %	7.0 %
Cost of goods and services	-154.7	-167.1	-195.2	-200.7	-233.2	-291.9	-313.7	-369.4	-405.8	-436.8	-467.3	-499.4
<i>Growth-%</i>	-	8.1 %	16.8 %	2.8 %	16.2 %	25.2 %	7.5 %	17.8 %	9.9 %	7.6 %	7.0 %	6.9 %
<i>% of sales</i>	89.4 %	87.2 %	86.9 %	84.3 %	84.6 %	84.9 %	84.4 %	85.5 %	84.9 %	85.1 %	85.1 %	85.0 %
<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>76.3</b>	<b>81.8</b>	<b>88.1</b>
<i>Gross margin</i>	10.6 %	12.8 %	13.1 %	15.7 %	15.4 %	15.1 %	15.6 %	14.5 %	15.1 %	14.9 %	14.9 %	15.0 %
<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>-59.0</b>	<b>-64.6</b>	<b>-70.8</b>
<i>Growth-%</i>	-	39.1 %	23.6 %	4.7 %	14.5 %	15.5 %	9.6 %	2.5 %	21.4 %	9.2 %	9.5 %	9.6 %
<i>% of sales</i>	9.6 %	12.1 %	12.7 %	12.6 %	12.4 %	11.5 %	11.7 %	10.3 %	11.3 %	11.5 %	11.8 %	12.0 %
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
Depreciation and amortization	-0.8	-0.9	-0.9	-0.9	-1.0	-1.2	-1.3	-4.6	-5.1	-5.1	-3.6	-2.7
NRLs included in EBIT	0.0	0.0	0.0	0.0	0.0	-3.4	-0.6	0.0	0.0	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>17.9</b>	<b>17.8</b>	<b>17.9</b>
<i>Adj. EBITDA margin</i>	1.4 %	0.9 %	0.4 %	3.2 %	3.1 %	3.6 %	3.9 %	4.2 %	3.9 %	3.5 %	3.2 %	3.0 %
<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>12.8</b>	<b>14.2</b>	<b>15.2</b>
<i>Adj. EBIT margin</i>	0.9 %	0.4 %	0.0 %	2.8 %	2.7 %	3.2 %	3.6 %	3.1 %	2.8 %	2.5 %	2.6 %	2.6 %
<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>12.8</b>	<b>14.2</b>	<b>15.2</b>
<i>Reported EBIT margin</i>	0.9 %	0.4 %	0.0 %	2.8 %	2.7 %	2.2 %	3.4 %	3.1 %	2.8 %	2.5 %	2.6 %	2.6 %
Net financials*	-0.8	-0.9	-0.7	-1.2	-1.9	-0.9	0.0	-1.6	-1.7	-1.5	-1.5	-1.4
<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>11.3</b>	<b>12.7</b>	<b>13.8</b>
Taxes	-0.1	0.0	0.0	-1.4	-1.2	-1.4	-2.4	-2.4	-2.3	-2.3	-2.5	-2.8
<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 %
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
<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>9.0</b>	<b>10.1</b>	<b>11.1</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	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>0.20</b>	<b>0.23</b>	<b>0.25</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>0.22</b>	<b>0.24</b>
<i>Payout ratio (%)</i>				7 %	142 %	126 %	74 %	87 %	96 %	105 %	98 %	98 %

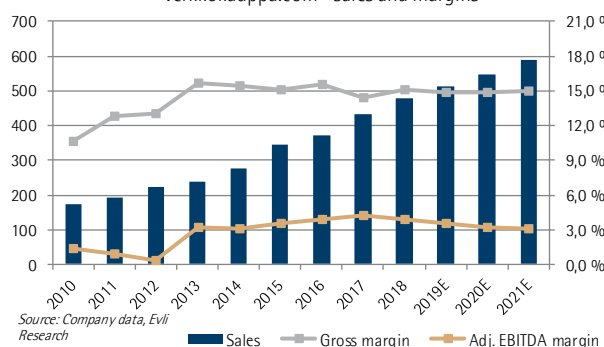
Source: Company data, Evli Research

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

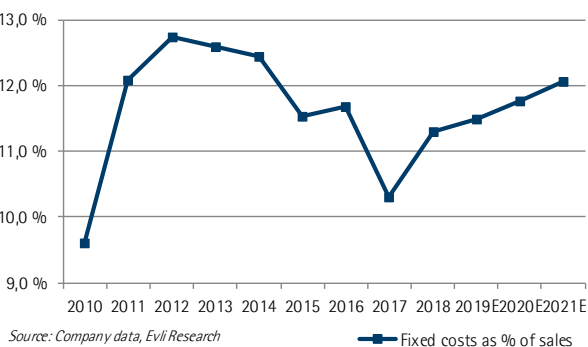
\*2014 net financials include a EUR 1.9m one-off item due to IPO

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

Verkkokauppa.com - sales and margins



Verkkokauppa.com - Fixed costs as % of sales



## Valuation

VERKKOKAUPPA.COM	EV/Sales	EV/Sales	EV/Sales	EV/EBITDA	EV/EBITDA	EV/EBITDA	EV/EBIT	EV/EBIT	EV/EBIT	Sales CAGR	EPS CAGR
PEER GROUP	19	20	21	19	20	21	19	20	21	18-21	18-21
<b>Online-focused Nordic and European peers</b>											
ASOS plc	1,1x	1,0x	0,9x	28,7x	19,0x	14,4x	88,7x	52,1x	33,6x	14,5 %	-4,4 %
Delticom AG	0,2x	0,1x	0,1x	35,6x	6,8x	4,8x		25,8x	14,8x	3,4 %	na.
Dustin Group AB	0,7x	0,6x	0,6x	14,8x	12,9x	11,7x	16,6x	14,8x	13,0x	9,9 %	6,8 %
Groupe LDLC SA	0,1x	0,1x	0,1x	8,4x	5,6x	3,6x	42,6x	13,1x	6,1x	7,4 %	na.
Qliro Group AB	0,5x	0,5x	0,5x	19,3x	11,3x	7,7x		45,8x	18,3x	-1,0 %	na.
Zalando SE	1,5x	1,3x	1,1x	27,8x	22,2x	17,9x	57,4x	44,3x	34,8x	18,3 %	35,7 %
<b>Physical store-focused Nordic and European peers</b>											
CECONOMY AG	0,0x	0,0x	0,0x	1,6x	1,2x	1,0x	2,3x	1,8x	1,5x	0,5 %	133,0 %
Dixons Carphone plc	0,2x	0,2x	0,2x	4,8x	4,1x	3,3x	8,1x	6,7x	5,0x	1,3 %	1,7 %
Unieuro SpA	0,1x			3,5x			6,4x			na.	na.
XXL ASA	0,7x	0,6x	0,5x	5,6x	4,9x	4,2x	15,6x	12,4x	9,8x	1,9 %	1,8 %
<b>Large international e-commerce peers</b>											
Alibaba Group Holding Ltd. Sponsored ADR	-0,4x	-0,5x	-0,6x	-1,2x	-1,5x	-1,8x	-2,0x	-2,4x	-2,8x	29,2 %	24,8 %
Amazon.com, Inc.	3,0x	2,5x	2,1x	20,8x	16,7x	12,7x	62,6x	44,6x	29,0x	19,6 %	28,3 %
eBay Inc.	3,3x	3,2x	2,9x	9,6x	9,4x	8,3x	11,7x	11,4x	10,1x	4,2 %	13,7 %
JD.com, Inc. Sponsored ADR Class A	-0,1x	-0,1x	-0,1x	-2,9x	-2,7x	-3,1x	-7,0x	-4,7x	-4,9x	16,8 %	69,6 %
Rakuten, Inc.	1,3x	1,2x	1,0x	7,7x	11,7x	8,5x	13,8x	50,8x	21,9x	14,2 %	-30,7 %
<b>Online-focused Nordic and European peers</b>	<b>0,6x</b>	<b>0,6x</b>	<b>0,6x</b>	<b>23,5x</b>	<b>12,1x</b>	<b>9,7x</b>	<b>50,0x</b>	<b>35,1x</b>	<b>16,6x</b>	<b>8,7 %</b>	<b>6,8 %</b>
<b>Physical store-focused Nordic and European peers</b>	<b>0,1x</b>	<b>0,2x</b>	<b>0,2x</b>	<b>4,2x</b>	<b>4,1x</b>	<b>3,3x</b>	<b>7,2x</b>	<b>6,7x</b>	<b>5,0x</b>	<b>1,3 %</b>	<b>1,8 %</b>
<b>Large international e-commerce peers</b>	<b>1,3x</b>	<b>1,2x</b>	<b>1,0x</b>	<b>7,7x</b>	<b>9,4x</b>	<b>8,3x</b>	<b>11,7x</b>	<b>11,4x</b>	<b>10,1x</b>	<b>16,8 %</b>	<b>24,8 %</b>
<b>Verkkokauppa.com (Evli est.)</b>	<b>0,2x</b>	<b>0,2x</b>	<b>0,2x</b>	<b>6,5x</b>	<b>6,2x</b>	<b>6,0x</b>	<b>9,0x</b>	<b>7,8x</b>	<b>7,1x</b>	<b>7,1 %</b>	<b>5,8 %</b>
<i>Verkkokauppa.com vs. Online-focused Nordic and EU peers median</i>	<i>-62 %</i>	<i>-64 %</i>	<i>-67 %</i>	<i>-72 %</i>	<i>-49 %</i>	<i>-38 %</i>	<i>-82 %</i>	<i>-78 %</i>	<i>-57 %</i>		
<b>VERKKOKAUPPA.COM</b>	<b>EBIT-%</b>	<b>EBIT-%</b>	<b>EBIT-%</b>	<b>ROCE-%</b>	<b>ROCE-%</b>	<b>ROCE-%</b>	<b>Div-%</b>	<b>Div-%</b>	<b>Div-%</b>	<b>ROE</b>	<b>P/B</b>
<b>PEER GROUP</b>	<b>19</b>	<b>20</b>	<b>21</b>	<b>19</b>	<b>20</b>	<b>21</b>	<b>19</b>	<b>20</b>	<b>21</b>	<b>19</b>	<b>19</b>
<b>Online-focused Nordic and European peers</b>											
ASOS plc	1,3%	1,9%	2,6%	7,7%	11,6%	15,7%	0,0%	0,0%	0,0%	5,3%	6,5x
Delticom AG	-1,3%	0,6%	0,9%				0,0%	0,0%	8,7%	-21,9%	0,9x
Dustin Group AB	4,2%	4,2%	4,5%	11,1%	12,1%	13,3%	3,9%	4,5%	4,9%	16,4%	2,8x
Groupe LDLC SA	0,3%	0,9%	1,7%				0,0%	1,5%	4,4%	0,5%	0,7x
Qliro Group AB	-1,0%	1,1%	2,8%	-1,7%	1,7%	4,4%	0,0%	0,0%	0,0%	-4,4%	1,4x
Zalando SE	2,6%	2,8%	3,1%	8,7%	10,5%	12,3%	0,0%	0,0%	0,0%	5,7%	6,4x
<b>Physical store-focused Nordic and European peers</b>											
CECONOMY AG	1,8%	2,1%	2,2%	21,7%	22,7%	22,2%	2,1%	4,7%	5,4%	20,8%	2,1x
Dixons Carphone plc	2,3%	2,6%	3,1%				4,9%	5,0%	5,2%	6,4%	0,6x
Unieuro SpA	1,6%						7,6%	7,9%		41,5%	2,8x
XXL ASA	4,2%	4,8%	5,3%	5,0%	5,8%	6,7%	2,1%	3,8%	8,0%	4,2%	0,7x
<b>Large international e-commerce peers</b>											
Alibaba Group Holding Ltd. Sponsored ADR	18,5%	19,6%	20,5%	11,0%	12,9%	14,3%	0,0%	0,0%	0,0%	19,9%	5,0x
Amazon.com, Inc.	4,9%	5,6%	7,1%	10,4%	11,9%	14,6%	0,0%	0,0%	0,0%	17,2%	14,3x
eBay Inc.	27,9%	28,1%	28,7%	20,5%	20,9%	21,7%	0,9%	1,0%	1,0%	76,4%	9,9x
JD.com, Inc. Sponsored ADR Class A	0,8%	1,5%	1,9%	4,8%	8,5%	11,1%	0,0%	0,0%	0,0%	12,5%	4,3x
Rakuten, Inc.	9,4%	2,3%	4,7%	8,5%	2,3%	5,0%	0,4%	0,4%	0,5%	9,9%	1,7x
<b>Online-focused Nordic and European peers</b>	<b>0,8%</b>	<b>1,5%</b>	<b>2,7%</b>	<b>8,2%</b>	<b>11,1%</b>	<b>12,8%</b>	<b>0,0%</b>	<b>0,0%</b>	<b>2,2%</b>	<b>2,9%</b>	<b>2,1x</b>
<b>Physical store-focused Nordic and European peers</b>	<b>2,1%</b>	<b>2,6%</b>	<b>3,1%</b>	<b>13,3%</b>	<b>14,2%</b>	<b>14,5%</b>	<b>3,5%</b>	<b>4,8%</b>	<b>5,4%</b>	<b>13,6%</b>	<b>1,4x</b>
<b>Large international e-commerce peers</b>	<b>9,4%</b>	<b>5,6%</b>	<b>7,1%</b>	<b>10,4%</b>	<b>11,9%</b>	<b>14,3%</b>	<b>0,0%</b>	<b>0,0%</b>	<b>0,0%</b>	<b>17,2%</b>	<b>5,0x</b>
<b>Verkkokauppa.com (Evli est.)</b>	<b>2,5 %</b>	<b>2,6 %</b>	<b>2,6 %</b>	<b>20,8%</b>	<b>23,9%</b>	<b>25,2%</b>	<b>6,4%</b>	<b>6,7%</b>	<b>7,3%</b>	<b>24,1%</b>	<b>3,9x</b>

Source: Factset, Evli research

## INTERIM FIGURES

EVLI ESTIMATES, EURm	2018Q1	2018Q2	2018Q3	2018Q4	2018	2019Q1	2019Q2	2019Q3	2019Q4E	2019E	2020E	2021E
Net sales	102.7	102.4	116.9	155.9	477.8	115.8	107.8	120.6	168.9	513.1	549.1	587.5
EBITDA	3.9	2.3	5.0	7.3	18.4	3.5	1.4	5.6	7.3	17.9	17.8	17.8
<i>EBITDA margin (%)</i>	<i>3.8</i>	<i>2.2</i>	<i>4.2</i>	<i>4.7</i>	<i>3.9</i>	<i>3.1</i>	<i>1.3</i>	<i>4.6</i>	<i>4.3</i>	<i>3.5</i>	<i>3.2</i>	<i>3.0</i>
EBIT	2.7	1.0	3.7	5.9	13.3	2.3	0.2	4.3	6.0	12.8	14.2	15.2
<i>EBIT margin (%)</i>	<i>2.6</i>	<i>1.0</i>	<i>3.2</i>	<i>3.8</i>	<i>2.8</i>	<i>2.0</i>	<i>0.2</i>	<i>3.6</i>	<i>3.6</i>	<i>2.5</i>	<i>2.6</i>	<i>2.6</i>
Net financial items	-0.4	-0.4	-0.4	-0.4	-1.7	-0.4	-0.4	-0.3	-0.4	-1.5	-1.5	-1.4
Pre-tax profit	2.2	0.6	3.3	5.5	11.7	1.9	-0.2	4.0	5.6	11.3	12.7	13.8
Tax	-0.4	-0.1	-0.7	-1.1	-2.3	-0.4	0.0	-0.8	-1.1	-2.3	-2.5	-2.8
<i>Tax rate (%)</i>	<i>18.7</i>	<i>21.2</i>	<i>20.6</i>	<i>19.9</i>	<i>20.0</i>	<i>20.2</i>	<i>17.5</i>	<i>19.9</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>
Net profit	1.8	0.5	2.6	4.4	9.3	1.5	-0.2	3.2	4.5	9.0	10.1	11.1
EPS	0.04	0.01	0.06	0.10	0.21	0.03	0.00	0.07	0.10	0.20	0.23	0.25
EPS adjusted (diluted no. of shares)	0.04	0.01	0.06	0.10	0.21	0.03	0.00	0.07	0.10	0.20	0.23	0.25
Dividend per share	0.00	0.00	0.00	0.00	0.20	0.00	0.00	0.00	0.00	0.21	0.22	0.24
<b>SALES, EURm</b>												
Verkkokauppa.com	102.7	102.4	116.9	155.9	477.8	115.8	107.8	120.6	168.9	513.1	549.1	587.5
Total	102.7	102.4	116.9	155.9	477.8	115.8	107.8	120.6	168.9	513.1	549.1	587.5
<b>SALES GROWTH, Y/Y %</b>												
Verkkokauppa.com	2.7	3.4	10.8	22.3	10.6	12.8	5.3	3.2	8.4	7.4	7.0	7.0
Total	2.7	3.4	10.8	22.3	10.6	12.8	5.3	3.2	8.4	7.4	7.0	7.0
<b>EBIT, EURm</b>												
Verkkokauppa.com	2.7	1.0	3.7	5.9	13.3	2.3	0.2	4.3	6.0	12.8	14.2	15.2
Total	2.7	1.0	3.7	5.9	13.3	2.3	0.2	4.3	6.0	12.8	14.2	15.2
<b>EBIT margin, %</b>												
Verkkokauppa.com	2.6	1.0	3.2	3.8	2.8	2.0	0.2	3.6	3.6	2.5	2.6	2.6
Total	2.6	1.0	3.2	3.8	2.8	2.0	0.2	3.6	3.6	2.5	2.6	2.6

INCOME STATEMENT, EURm	2014	2015	2016	2017	2018	2019E	2020E	2021E
Sales	275.8	343.7	371.5	431.9	477.8	513.1	549.1	587.5
<i>Sales growth (%)</i>	<i>15.9</i>	<i>24.6</i>	<i>8.1</i>	<i>16.3</i>	<i>10.6</i>	<i>7.4</i>	<i>7.0</i>	<i>7.0</i>
EBITDA	8.4	12.3	14.1	18.0	18.4	17.9	17.8	17.8
<i>EBITDA margin (%)</i>	<i>3.1</i>	<i>3.6</i>	<i>3.8</i>	<i>4.2</i>	<i>3.9</i>	<i>3.5</i>	<i>3.2</i>	<i>3.0</i>
Depreciation	-1.0	-1.2	-1.3	-4.6	-1.2	-1.1	-0.8	-0.8
EBITA	7.5	11.1	12.8	13.5	13.3	12.8	14.2	15.2
Goodwill amortization / writedown	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	7.5	11.1	12.8	13.5	13.3	12.8	14.2	15.2
<i>EBIT margin (%)</i>	<i>2.7</i>	<i>3.2</i>	<i>3.4</i>	<i>3.1</i>	<i>2.8</i>	<i>2.5</i>	<i>2.6</i>	<i>2.6</i>
Reported EBIT	7.5	7.7	12.2	13.5	13.3	12.8	14.2	15.2
<i>EBIT margin (reported) (%)</i>	<i>2.7</i>	<i>2.2</i>	<i>3.3</i>	<i>3.1</i>	<i>2.8</i>	<i>2.5</i>	<i>2.6</i>	<i>2.6</i>
Net financials	-1.9	-0.9	0.0	-1.6	-1.7	-1.5	-1.5	-1.4
Pre-tax profit	5.5	10.2	12.8	11.8	11.7	11.3	12.7	13.8
Taxes	-1.2	-1.4	-2.4	-2.4	-2.3	-2.3	-2.5	-2.8
Minority shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit	4.3	5.3	9.8	9.4	9.3	9.0	10.1	11.1
Cash NRIs	0.0	-3.4	-0.6	0.0	0.0	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	3	3	5	5	5	5	6
Goodwill	0	0	0	0	0	0	0	0
Right of use assets	0	0	0	25	22	22	22	22
Inventory	31	39	44	47	66	62	66	70
Receivables	8	9	12	20	27	29	27	29
Liquid funds	35	31	42	52	47	54	60	63
Total assets	77	81	101	149	168	173	181	191
<b>Liabilities</b>								
Shareholder's equity	37	36	39	37	38	38	38	39
Minority interest	0	0	0	0	0	0	0	0
Convertibles	0	0	0	0	0	0	0	0
Lease liabilities	0	0	0	29	26	22	22	22
Deferred taxes	0	0	0	0	0	0	0	0
Interest bearing debt	2	0	0	0	0	0	0	0
Non-interest bearing current liabilities	38	45	61	82	103	113	121	129
Other interest-free debt	0	0	0	0	0	0	0	0
Total liabilities	77	81	101	149	168	173	181	191
<b>CASH FLOW, EURm</b>								
+ EBITDA	8	12	14	18	18	18	18	18
- Net financial items	-2	-1	0	-2	-2	-2	-1	-1
- Taxes	-1	-1	-2	-4	-2	-2	-3	-3
- Increase in Net Working Capital	-11	-2	8	11	-5	12	5	2
+/- Other	17	-4	-1	0	0	0	0	0
= Cash flow from operations	11	5	19	23	9	26	19	16
- Capex	-1	-1	-1	-6	-3	-5	-4	-3
- Acquisitions	0	0	0	0	0	0	0	0
+ Divestments	0	0	0	0	0	0	0	0
= Free cash flow	10	4	18	17	6	21	15	13
+/- New issues/buybacks	25	0	0	-4	0	0	0	0
- Paid dividend	0	-6	-7	-7	-8	-9	-9	-10
+/- Other	-22	-2	0	4	-3	-5	0	0
Change in cash	13	-5	11	10	-5	7	6	3

KEY FIGURES	2015	2016	2017	2018	2019E	2020E	2021E
M-cap	324	333	319	185	148	148	148
Net debt (excl. convertibles)	-31	-42	-23	-20	-32	-38	-41
Enterprise value	294	291	296	164	116	110	107
Sales	344	371	432	478	513	549	587
EBITDA	12	14	18	18	18	18	18
EBIT	11	13	13	13	13	14	15
Pre-tax	10	13	12	12	11	13	14
Earnings	9	10	9	9	9	10	11
Equity book value (excl. minorities)	36	39	37	38	38	38	39
<b>Valuation multiples</b>							
EV/sales	0.9	0.8	0.7	0.3	0.2	0.2	0.2
EV/EBITDA	24.0	20.6	16.4	8.9	6.5	6.2	6.1
EV/EBITA	26.5	22.7	22.0	12.3	9.0	7.8	7.1
EV/EBIT	26.5	22.7	22.0	12.3	9.0	7.8	7.1
EV/OCF	59.9	15.6	12.7	17.6	4.5	5.8	6.9
EV/FCFF	65.5	16.5	16.4	18.7	4.5	5.7	6.9
P/FCFE	89.5	18.8	18.8	28.5	7.0	9.7	11.9
P/E	37.0	32.1	33.8	19.8	16.4	14.6	13.4
P/B	9.1	8.6	8.7	4.9	3.9	3.9	3.8
Target EV/EBITDA	0.0	0.0	0.0	0.0	6.5	6.2	6.1
Target EV/EBIT	0.0	0.0	0.0	0.0	9.1	7.8	7.1
Target EV/FCF	0.0	0.0	0.0	0.0	5.5	7.2	8.6
Target P/B	0.0	0.0	0.0	0.0	4.0	3.9	3.8
Target P/E	0.0	0.0	0.0	0.0	16.4	14.7	13.5
<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	0.19	0.23	0.21	0.21	0.20	0.23	0.25
Operating cash flow per share	0.11	0.41	0.52	0.21	0.57	0.42	0.34
Free cash flow per share	0.08	0.39	0.38	0.14	0.47	0.34	0.28
Book value per share	0.79	0.86	0.82	0.83	0.83	0.85	0.87
Dividend per share	0.15	0.17	0.18	0.20	0.21	0.22	0.24
Dividend payout ratio, %	77.1	72.2	86.8	95.6	104.7	97.7	97.9
Dividend yield, %	2.1	2.2	2.6	4.8	6.4	6.7	7.3
FCF yield, %	1.1	5.3	5.3	3.5	14.2	10.3	8.4
<b>Efficiency measures</b>							
ROE	24.3	27.9	25.1	25.1	24.1	26.8	28.5
ROCE	29.9	34.5	25.7	20.5	20.8	23.9	25.2
<b>Financial ratios</b>							
Inventories as % of sales	11.3	11.9	10.9	13.8	12.0	12.0	12.0
Receivables as % of sales	2.5	3.3	4.5	5.7	5.7	5.0	5.0
Non-interest bearing liabilities as % of sales	13.0	16.5	19.0	21.6	22.0	22.0	22.0
NWC/sales, %	0.7	-1.4	-3.6	-2.2	-4.3	-5.0	-5.0
Operative CAPEX/sales, %	0.4	0.3	1.5	0.6	0.9	0.7	0.5
CAPEX/sales (incl. acquisitions), %	0.4	0.3	1.5	0.6	0.9	0.7	0.5
FCFF/EBITDA	0.4	1.3	1.0	0.5	1.5	1.1	0.9
Net debt/EBITDA, book-weighted	-2.5	-3.0	-1.3	-1.1	-1.8	-2.2	-2.3
Debt/equity, market-weighted	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Equity ratio, book-weighted	45.2	39.3	25.1	23.0	22.3	21.6	21.1
Gearing, %	-86.5	-108.0	-61.3	-54.3	-86.2	-100.0	-103.7

**COMPANY DESCRIPTION:** Verkkokauppa.com is a Finnish retailer offering over 60,000 products in over 25 different main product categories. The company's primary business is to retail home appliances and consumer electronics, although the company has expanded its offering to cover other areas as well. Majority of revenue comes from B2C sales although the company has some B2B sales as well. The company's operations are in Finland.

OWNERSHIP STRUCTURE	SHARES	EURm	%
Seppälä Samuli Sipi	22,288,720	73.330	49.5%
Rite Ventures Finland Ab	2,172,576	7.148	4.8%
Keva	2,171,000	7.143	4.8%
Keskinäinen Työeläkevakuutusyhtiö Varma	2,065,932	6.797	4.6%
Sijoitusrahasto Nordea Nordic Small Cap	1,690,607	5.562	3.8%
Ilmarinen Keskinäinen Eläkevakuutusyhtiö	1,077,723	3.546	2.4%
Evli Finnish Small Cap Fund	700,000	2.303	1.6%
Skogberg Ville Johannes	634,266	2.087	1.4%
Sr Danske Invest Suomen Pienyhtiöt	450,000	1.481	1.0%
Sijoitusrahasto Aktia Nordic Micro Cap	450,000	1.481	1.0%
Ten largest	33,700,824	110.876	75%
Residual	11,364,306	37.389	25%
Total	45,065,130	148.264	100%

#### COMPANY MISCELLANEOUS

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



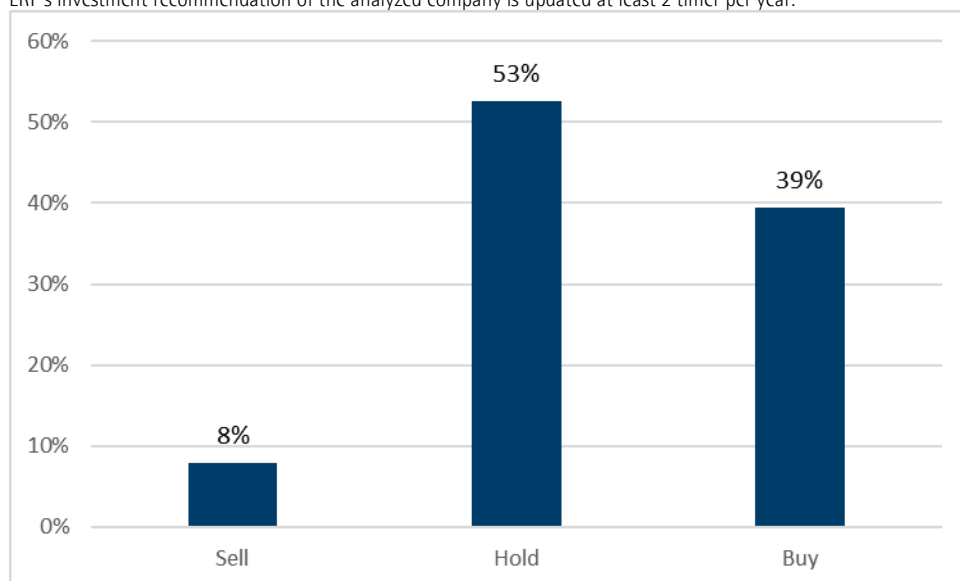
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Target price compared to share price	Recommendation
< -10 %	SELL
-10 – (+10) %	HOLD
> 10 %	BUY

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

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