

Critical Q4 ahead

Verkkokauppa.com reports its Q4'19 earnings on 14th of Feb. We expect the competition has remained tight and price driven. We expect Q4E sales of EUR 168.9m (8.4% y/y) and EBIT of EUR 6.0m. We keep our rating "HOLD" with TP of EUR 3.3 intact ahead of Q4.

Black Friday and Christmas sales boosting Q4 growth

During '19, Verkkokauppa.com has faced ups and downs in the highly competitive and price driven consumer electronics market. After a relatively weak H1'19, the company was able to show a positive turn in earnings development in Q3, despite of weaker sales growth. For Verkkokauppa.com, Q4 is critical, as most of its sales and profit are generated during this quarter, driven by Christmas sales and Black Friday. We expect only limited impacts resulting from the postal strike but the changed timing of tax refunds might have a negative impact on December sales compared to last year. We expect 8.4% y/y increase in Q4 sales (EUR 168.9) and EBIT to be on par with the previous year at EUR 6.0m (Q4'18: 5.9m).

No ease of competition ahead

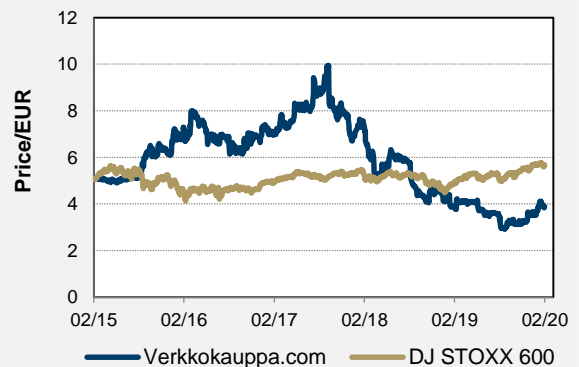
We don't expect the consumer electronics market in '20E to grow much from last year thus the management of sales mix plays an important role of supporting further sales and profit development. We expect the growth investments (e.g. increased marketing) to bear fruit in 2020E, resulting in new customers. We also hope to get more color on the new plans regarding B2B sales with the Q4 result. Due to the price driven competition and growth investments, we don't expect profitability (EBIT%) to improve from last year, although the company's cost base is scalable. We expect sales in '20E to increase by 7% y/y (EUR 549.1m) and EBIT increase of ~10% y/y resulting in EBIT margin of 2.6%.

"HOLD" with TP of EUR 3.3 intact

We have kept our estimates intact ahead of Q4. Verkkokauppa.com guides '19E sales of EUR 500-525m and EBIT of EUR 11-15m. Our estimates are in the mid-point of the guidance with '19E sales of EUR 513m (7.4% y/y) and EBIT of EUR 12.8m (FY18:13.3m). We continue to expect a growing dividend of EUR 0.21 (cons. EUR 0.21) vs. EUR 0.20 for '18. We keep our rating "HOLD" with TP of EUR 3.3 intact ahead of Q4.

Rating

HOLD



Share price, EUR (Last trading day's closing price) 3.90

Target price, EUR 3.3

Latest change in rating 12-Aug-19

Latest report on company 28-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 176

Free float, % 50.0

Exchange rate 1.000

Reuters code VERK.HE

Bloomberg code VERK FH

Average daily volume, EURm na.

Next interim report 14-Feb-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
2017	431.9	13.5	3.1%	21.5	0.21	33.8	0.7	22.0	6.7	0.18
2018	477.8	13.3	2.8%	6.4	0.21	19.8	0.3	12.3	3.5	0.20
2019E	513.1	12.8	2.5%	21.0	0.20	19.4	0.3	11.2	12.0	0.21
2020E	549.1	14.2	2.6%	15.3	0.23	17.3	0.3	9.7	8.7	0.22
2021E	587.5	15.2	2.6%	12.5	0.25	15.9	0.2	8.9	7.1	0.24
Market cap, EURm		176	Gearing 2019E, %			-86.2	CAGR EPS 2018-21, %			5.8
Net debt 2019E, EURm		-32	Price/book 2019E			4.7	CAGR sales 2018-21, %			7.1
Enterprise value, EURm		143	Dividend yield 2019E, %			5.4	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			0.9

Estimates

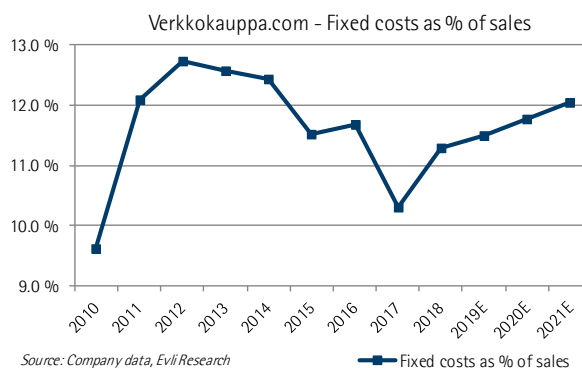
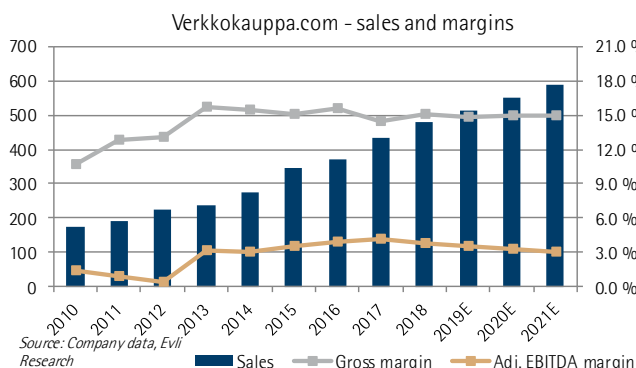
Verkkokauppa.com model	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019E	2020E	2021E
	FAS	FAS	FAS	FAS	FAS	FAS	FAS	IFRS	IFRS	IFRS	IFRS	IFRS
Sales	173.1	191.6	224.5	238.0	275.8	343.7	371.5	431.9	477.8	513.1	549.1	587.5
Growth-%	-	10.7 %	17.2 %	6.0 %	15.9 %	24.6 %	8.1 %	16.3 %	10.6 %	7.4 %	7.0 %	7.0 %
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
Growth-%	-	8.1 %	16.8 %	2.8 %	16.2 %	25.2 %	7.5 %	17.8 %	9.9 %	7.6 %	7.0 %	6.9 %
% of sales	89.4 %	87.2 %	86.9 %	84.3 %	84.6 %	84.9 %	84.4 %	85.5 %	84.9 %	85.1 %	85.1 %	85.0 %
Gross profit	18.4	24.5	29.3	37.4	42.6	51.8	57.8	62.5	72.0	76.3	81.8	88.1
Gross margin	10.6 %	12.8 %	13.1 %	15.7 %	15.4 %	15.1 %	15.6 %	14.5 %	15.1 %	14.9 %	14.9 %	15.0 %
Fixed costs adj.	-16.6	-23.2	-28.6	-29.9	-34.3	-39.6	-43.4	-44.5	-54.0	-59.0	-64.6	-70.8
Growth-%	-	39.1 %	23.6 %	4.7 %	14.5 %	15.5 %	9.6 %	2.5 %	21.4 %	9.2 %	9.5 %	9.6 %
% of sales	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
NRIs included in EBIT	0.0	0.0	0.0	0.0	0.0	-3.4	-0.6	0.0	0.0	0.0	0.0	0.0
Adj. EBITDA	2.4	1.7	0.9	7.5	8.4	12.3	14.5	18.0	18.4	17.9	17.8	17.9
Adj. EBITDA margin	1.4 %	0.9 %	0.4 %	3.2 %	3.1 %	3.6 %	3.9 %	4.2 %	3.9 %	3.5 %	3.2 %	3.0 %
Adj. EBIT	1.6	0.8	0.0	6.6	7.5	11.1	13.2	13.5	13.3	12.8	14.2	15.2
Adj. EBIT margin	0.9 %	0.4 %	0.0 %	2.8 %	2.7 %	3.2 %	3.6 %	3.1 %	2.8 %	2.5 %	2.6 %	2.6 %
Reported EBIT	1.6	0.8	0.0	6.6	7.5	7.7	12.6	13.5	13.3	12.8	14.2	15.2
Reported EBIT margin	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
Profit before taxes	0.8	-0.1	-0.7	5.5	5.5	6.8	12.6	11.8	11.7	11.3	12.7	13.8
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
Tax rate (%)	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
Net income	0.6	-0.3	-0.7	4.2	4.5	5.4	10.2	9.5	9.3	9.0	10.1	11.1
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
EPS	0.08	-0.04	-0.09	0.56	0.60	0.12	0.23	0.21	0.21	0.20	0.23	0.25
Dividend and capital return	-	-	-	0.04	0.85	0.15	0.17	0.18	0.20	0.21	0.22	0.24
Payout ratio (%)				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 NRIs due to the Teosto dispute



Valuation

VERKKOKAUPPA.COM PEER GROUP	EV/Sales 19	EV/Sales 20	EV/Sales 21	EV/EBITDA 19	EV/EBITDA 20	EV/EBITDA 21	EV/EBIT 19	EV/EBIT 20	EV/EBIT 21	Sales CAGR 18-21	EPS CAGR 18-21
Online-focused Nordic and European peers											
ASOS plc	1.0x	0.9x	0.8x	26.3x	18.3x	14.1x	81.1x	47.2x	30.6x	15.7 %	-4.2 %
Dustin Group AB	0.7x	0.6x	0.6x	14.0x	11.4x	10.2x	16.8x	16.4x	14.0x	10.6 %	7.9 %
Groupe LDLC SA	0.2x	0.2x	0.2x	8.5x	5.5x	3.7x	6.5x	10.5x	6.0x	10.8 %	na.
Qliro Group AB	0.4x	0.4x	0.4x	20.2x	9.3x	6.6x		40.3x	15.7x	-0.5 %	na.
Zalando SE	1.6x	1.4x	1.2x	28.8x	23.4x	19.1x	61.9x	48.0x	38.3x	18.3 %	37.4 %
Physical store-focused Nordic and European peers											
CECONOMY AG	0.0x	0.0x	0.0x	1.4x	1.0x	0.8x	2.1x	1.5x	1.2x	0.4 %	133.9 %
Dixons Carphone plc	0.2x	0.2x	0.2x	5.1x	4.5x	3.9x	10.5x	8.6x	7.0x	1.2 %	1.8 %
Unieuro SpA	0.1x	0.1x	0.1x	3.4x			6.0x	4.9x	4.6x	6.1 %	0.8 %
XXL ASA	0.7x	0.6x	0.5x	7.1x	6.5x	5.5x	33.2x	29.2x	20.0x	0.8 %	-20.9 %
Large international e-commerce peers											
Alibaba Group Holding Ltd. Sponsored ADR	7.4x	5.6x	4.3x	24.0x	18.4x	13.9x	40.5x	28.6x	20.8x	30.3 %	25.6 %
Amazon.com, Inc.	3.5x	2.9x	2.4x	23.0x	19.3x	15.0x	68.4x	52.2x	35.9x	20.4 %	27.7 %
eBay Inc.	3.3x	3.3x	3.1x	9.7x	9.5x	9.0x	11.7x	11.5x	10.8x	3.1 %	13.8 %
JD.com, Inc. Sponsored ADR Class A	0.7x	0.5x	0.4x	28.0x	19.0x	13.9x	49.6x	31.7x	20.6x	19.2 %	75.0 %
Rakuten, Inc.	1.2x	1.1x	1.0x	7.2x	11.4x	8.2x	12.8x	93.9x	23.4x	14.8 %	-34.1 %
Online-focused Nordic and European peers	0.7x	0.6x	0.6x	20.2x	11.4x	10.2x	39.3x	40.3x	15.7x	10.8 %	7.9 %
Physical store-focused Nordic and European peers	0.2x	0.2x	0.2x	4.3x	4.5x	3.9x	8.3x	6.7x	5.8x	1.0 %	1.3 %
Large international e-commerce peers	3.3x	2.9x	2.4x	23.0x	18.4x	13.9x	40.5x	31.7x	20.8x	19.2 %	25.6 %
Verkkokauppa.com (Evli est.)	0.3x	0.3x	0.2x	8.0x	7.7x	7.6x	11.2x	9.7x	8.9x	7.1 %	5.8 %
<i>Verkkokauppa.com vs. Online-focused Nordic and EU peers median</i>	<i>-59 %</i>	<i>-61 %</i>	<i>-61 %</i>	<i>-60 %</i>	<i>-32 %</i>	<i>-26 %</i>	<i>-72 %</i>	<i>-76 %</i>	<i>-44 %</i>		
VERKKOKAUPPA.COM PEER GROUP	EBIT-% 19	EBIT-% 20	EBIT-% 21	ROCE-% 19	ROCE-% 20	ROCE-% 21	Div-% 19	Div-% 20	Div-% 21	ROE 19	P/B 19
Online-focused Nordic and European peers											
ASOS plc	1.3%	1.9%	2.6%	7.2%	11.4%	15.3%	0.0%	0.0%	0.0%	5.3%	5.9x
Dustin Group AB	4.0%	3.9%	4.2%	10.7%	10.6%	11.9%	3.9%	4.0%	4.6%	16.0%	2.7x
Groupe LDLC SA	3.6%	1.7%	2.6%				0.0%	1.0%	1.9%	5.2%	1.5x
Qliro Group AB	-1.5%	1.0%	2.8%	-2.6%	1.6%	4.4%	0.0%	0.0%	0.0%	-6.1%	1.2x
Zalando SE	2.6%	2.8%	3.0%	9.0%	10.8%	12.4%	0.0%	0.0%	0.0%	6.1%	6.9x
Physical store-focused Nordic and European peers											
CECONOMY AG	1.9%	2.2%	2.2%	22.0%	20.2%	20.8%	3.0%	4.3%	4.8%	15.9%	2.2x
Dixons Carphone plc	2.3%	2.8%	3.3%	6.4%	8.0%	9.9%	5.0%	5.1%	5.2%	7.0%	0.7x
Unieuro SpA	1.6%	1.9%	1.9%	22.2%	24.0%	22.8%	8.1%	8.5%	8.5%	38.4%	2.6x
XXL ASA	2.1%	2.1%	2.7%	2.3%	2.5%	3.3%	1.6%	2.7%	6.0%	1.5%	0.5x
Large international e-commerce peers											
Alibaba Group Holding Ltd. Sponsored ADR	18.4%	19.5%	20.7%	10.1%	12.0%	13.5%	0.0%	0.0%	0.0%	19.0%	5.8x
Amazon.com, Inc.	5.2%	5.5%	6.6%	10.6%	11.3%	13.0%	0.0%	0.0%	0.0%	18.5%	16.5x
eBay Inc.	28.2%	28.4%	28.8%	21.6%	21.6%	22.3%	1.0%	1.7%	1.7%	83.5%	11.0x
JD.com, Inc. Sponsored ADR Class A	1.3%	1.7%	2.1%	7.4%	9.6%	12.1%	0.0%	0.0%	0.0%	14.1%	5.6x
Rakuten, Inc.	9.2%	1.2%	4.3%	3.4%	0.4%	1.7%	0.5%	0.5%	0.6%	-1.5%	1.5x
Online-focused Nordic and European peers	2.6%	1.9%	2.8%	8.1%	10.7%	12.1%	0.0%	0.0%	0.0%	5.3%	2.7x
Physical store-focused Nordic and European peers	2.0%	2.1%	2.5%	14.2%	14.1%	15.3%	4.0%	4.7%	5.6%	11.5%	1.4x
Large international e-commerce peers	9.2%	5.5%	6.6%	10.1%	11.3%	13.0%	0.0%	0.0%	0.0%	18.5%	5.8x
Verkkokauppa.com (Evli est.)	2.5 %	2.6 %	2.6 %	20.8 %	23.9 %	25.2 %	5.4 %	5.6 %	6.2 %	24.1 %	4.7x

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
SALES, EURm												
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
SALES GROWTH, Y/Y %												
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
EBIT, EURm												
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
EBIT margin, %												
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	-5.1	-5.1	-3.6	-2.5
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
BALANCE SHEET, EURm								
Assets								
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
Liabilities								
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
CASH FLOW, EURm								
+ 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	-3	-2	-3	-3
- Increase in Net Working Capital	-11	-2	7	10	-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	-2	-2	-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	21	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	0	-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	176	176	176
Net debt (excl. convertibles)	-31	-42	-23	-20	-32	-38	-41
Enterprise value	294	291	296	164	143	138	135
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
Valuation multiples							
EV/sales	0.9	0.8	0.7	0.3	0.3	0.3	0.2
EV/EBITDA	24.0	20.6	16.4	8.9	8.0	7.7	7.6
EV/EBITA	26.5	22.7	22.0	12.3	11.2	9.7	8.9
EV/EBIT	26.5	22.7	22.0	12.3	11.2	9.7	8.9
EV/OCF	59.9	15.6	12.8	18.5	5.6	7.2	8.7
EV/FCFF	65.5	17.0	12.9	18.6	5.5	7.1	8.7
P/FCFE	89.5	18.8	14.8	28.7	8.4	11.5	14.0
P/E	37.0	32.1	33.8	19.8	19.4	17.3	15.9
P/B	9.1	8.6	8.7	4.9	4.7	4.6	4.5
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
Per share measures							
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	0.20	0.57	0.42	0.34
Free cash flow per share	0.08	0.39	0.48	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	5.4	5.6	6.2
FCF yield, %	1.1	5.3	6.7	3.5	12.0	8.7	7.1
Efficiency measures							
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
Financial ratios							
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	0.4	0.5	0.9	0.7	0.5
CAPEX/sales (incl. acquisitions), %	0.4	0.3	0.4	0.5	0.9	0.7	0.5
FCFF/EBITDA	0.4	1.2	1.3	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 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. Verkkokauppa.com is listed on Nasdaq First North Finland.

INVESTMENT CASE: The company has a strong track record of growth with a revenue CAGR of 13.5% in 2010-2018. 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	22,288,720	86.926	49.5%
Rite Ventures Finland Ab	2,172,576	8.473	4.8%
Keva	2,171,000	8.467	4.8%
Keskinäinen Työeläkevakuutusyhtiö Varma	2,065,932	8.057	4.6%
Sijoitusrahasto Nordea Nordic Small Cap	1,690,607	6.593	3.8%
Ilmarinen Keskinäinen Eläkevakuutusyhtiö	1,077,723	4.203	2.4%
Evli Finnish Small Cap Fund	700,000	2.730	1.6%
Skogberg Ville Johannes	634,266	2.474	1.4%
Sr Danske Invest Suomen Pienyhtiöt	450,000	1.755	1.0%
Sijoitusrahasto Aktia Nordic Micro Cap	450,000	1.755	1.0%
Ten largest	33,700,824	131.433	75%
Residual	11,364,306	44.321	25%
Total	45,065,130	175.754	100%

COMPANY MISCELLANEOUS

CEO: Panu Porkka
CFO: Mikko Forsell
IR: Mikko Forsell

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

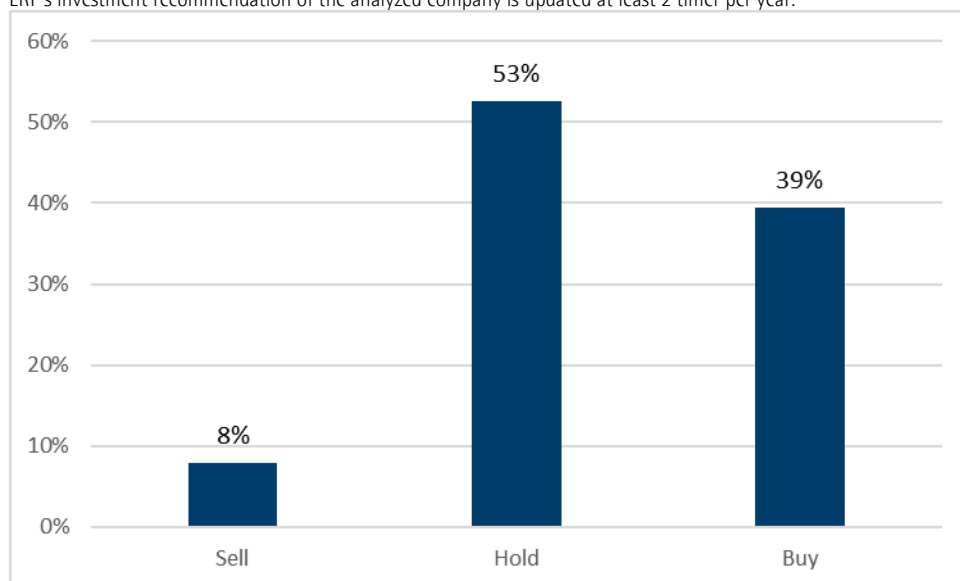
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Target price compared to share price	Recommendation
< -10 %	SELL
-10 – (+10) %	HOLD
> 10 %	BUY

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

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