

Plenty of upside potential remains

Verkkokauppa.com reports Q2 results on Fri, Jul 16. We leave our estimates unchanged ahead of the report and continue to view current valuation levels attractive.

Q1 met expectations, FY '21 growth seen around 7-8%

Verkkokauppa.com had a strong Q1. Top line grew by 7% y/y, in line with estimates, and was driven by many product categories. Online sales grew by 33% while B2B sales advanced by 12%. Gross margin amounted to a strong 16.2% (a bit above our 15.9% estimate), driven by good contribution from higher margin categories. The company thus achieved a small profitability beat with its EUR 5.2m adj. EBIT (3.9% margin), compared to the EUR 5.0m/4.8m Evli/cons. estimates. We made only minor revisions to our Q2 estimates following the Q1 report and we leave our estimates unchanged for now. We expect Verkkokauppa.com to post EUR 130m in Q2 revenue (5.5% y/y growth) and EUR 4.6m in EBIT (3.6% margin).

Strategy is ambitious, but initial moves have been laid out

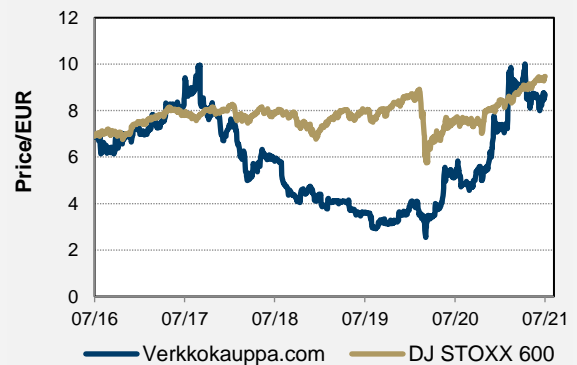
Verkkokauppa.com reiterated its FY '21 guidance in connection with the Q1 report. The company guides EUR 570-620m top line and EUR 20-26m adj. EBIT. Our EUR 594m revenue estimate touches the midpoint and thus we see the company reaching above 7% growth this year. Our EUR 24m EBIT estimate (4% margin) is a bit above the respective midpoint. The company has also announced a EUR 4m investment in fully automated small item warehouse in Jätkäsaari, Helsinki. In our opinion the plan seems a relatively low risk and efficient way to help organic expansion. We expect Verkkokauppa.com will continue to grow at a high single-digit rate for years to come, however the company's own very ambitious target is to achieve EUR 1bn top line and 5% EBIT margin by '25.

12-15x EV/EBIT for FY '21-23 isn't high given the potential

Verkkokauppa.com trades ca. 15x EV/EBIT on our FY '21 estimates. This level represents a 25% discount compared to the Nordic & European online peer group. The 14x EV/EBIT level on our FY '22 estimates however turns into a 10% peer premium and reflects the fact that we have taken a conservative approach to our long-term estimates. We view the overall valuation picture undemanding given the company's growth potential. We retain our EUR 10.8 TP and BUY rating.

Rating

BUY



Share price, EUR (Last trading day's closing price)	8.68
Target price, EUR	10.8

Latest change in	24-Apr-20
Latest report on company	26-Apr-21
Research paid by issuer:	YES
No. of shares outstanding,	44,729
No. of shares fully diluted,	44,729
Market cap, EURm	388
Free float, %	50.8
Exchange rate	-
Reuters code	VERK.HE
Bloomberg code	VERK FH
Average daily volume, EURm	0.9
Next interim report	16-Jul-21
Web site	verkkokauppa.com/en/investors/

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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
2019	504.1	11.3	2.2%	7.4	0.17	20.4	0.3	12.4	4.6	0.21
2020	553.6	20.4	3.7%	12.7	0.34	20.7	0.5	14.6	4.0	0.45
2021E	594.1	24.0	4.0%	25.1	0.40	21.6	0.6	15.1	6.5	0.25
2022E	632.1	25.0	4.0%	17.3	0.42	20.6	0.6	14.2	4.4	0.26
2023E	673.2	27.9	4.1%	22.6	0.47	18.4	0.5	12.4	5.8	0.28
Market cap, EURm				388	Gearing 2021E, %	-68.0	CAGR EPS 2020-23, %		11.1	
Net debt 2021E, EURm				-26	Price/book 2021E	10.1	CAGR sales 2020-23, %		6.7	
Enterprise value, EURm				362	Dividend yield 2021E, %	2.9	ROE 2021E, %		45.7	
Total assets 2021E, EURm				183	Tax rate 2021E, %	20.2	ROCE 2021E, %		40.0	
Goodwill 2021E, EURm				0	Equity ratio 2021E, %	21.3	PEG, P/E 21/CAGR		2.3	

Estimates

Verkkokauppa.com model	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021E	2022E	2023E
	FAS	FAS	FAS	FAS	FAS	FAS	FAS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
Sales	173.1	191.6	224.5	238.0	275.8	343.7	371.5	431.9	477.8	504.1	553.6	594.1	632.1	673.2
<i>Growth-%</i>	-	10.7 %	17.2 %	6.0 %	15.9 %	24.6 %	8.1 %	16.3 %	10.6 %	5.5 %	9.8 %	7.3 %	6.4 %	6.5 %
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	-465.2	-499.0	-533.3	-568.3
<i>Growth-%</i>	-	8.1 %	16.8 %	2.8 %	16.2 %	25.2 %	7.5 %	17.8 %	9.9 %	6.0 %	8.1 %	7.3 %	6.9 %	6.6 %
<i>% of sales</i>	89.4 %	87.2 %	86.9 %	84.3 %	84.6 %	84.9 %	84.4 %	85.5 %	84.9 %	85.3 %	84.0 %	84.6 %	84.4 %	84.4 %
Gross profit	18.4	24.5	29.3	37.4	42.6	51.8	57.8	62.5	72.0	73.9	88.4	95.0	98.8	105.0
<i>Gross margin</i>	10.6 %	12.8 %	13.1 %	15.7 %	15.4 %	15.1 %	15.6 %	14.5 %	15.1 %	14.7 %	16.0 %	16.0 %	15.6 %	15.6 %
Fixed costs adj.	-16.6	-23.2	-28.6	-29.9	-34.3	-39.6	-43.4	-44.5	-54.0	-58.1	-63.6	-66.6	-69.1	-72.3
<i>Growth-%</i>	-	39.1 %	23.6 %	4.7 %	14.5 %	15.5 %	9.6 %	2.5 %	21.4 %	7.6 %	9.4 %	4.8 %	3.7 %	4.7 %
<i>% of sales</i>	9.6 %	12.1 %	12.7 %	12.6 %	12.4 %	11.5 %	11.7 %	10.3 %	11.3 %	11.5 %	11.5 %	11.2 %	10.9 %	10.7 %
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	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	-5.0	-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	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	29.0	30.2	33.2
<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 %	4.9 %	4.8 %	4.9 %
Adj. EBIT	1.6	0.8	0.0	6.6	7.5	11.1	13.2	13.5	13.3	11.3	20.4	24.0	25.0	27.9
<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 %	4.0 %	4.0 %	4.1 %
Reported EBIT	1.6	0.8	0.0	6.6	7.5	7.7	12.6	13.5	13.3	11.3	19.6	24.0	25.0	27.9
<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 %	3.5 %	4.0 %	4.0 %	4.1 %
Net financials*	-0.8	-0.9	-0.7	-1.2	-1.9	-0.9	0.0	-1.6	-1.7	-1.5	-1.4	-1.4	-1.5	-1.5
Profit before taxes	0.8	-0.1	-0.7	5.5	5.5	6.8	12.6	11.8	11.7	9.7	18.2	22.6	23.5	26.4
Taxes	-0.1	0.0	0.0	-1.4	-1.2	-1.4	-2.4	-2.4	-2.3	-2.0	-3.5	-4.6	-4.7	-5.3
<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 %	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	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	18.0	18.8	21.1
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	44.9	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	0.40	0.42	0.47
Dividend and capital return	-	-	-	0.04	0.85	0.15	0.17	0.18	0.20	0.21	0.45	0.25	0.26	0.28
<i>Payout ratio (%)</i>				7 %	142 %	126 %	74 %	87 %	96 %	122 %	138 %	62 %	62 %	59 %

Source: Company data, Evli Research

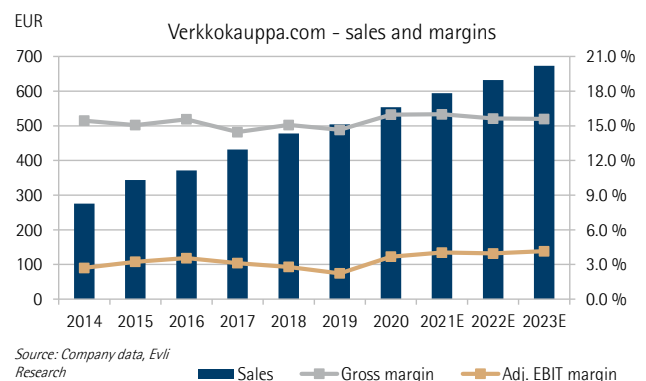
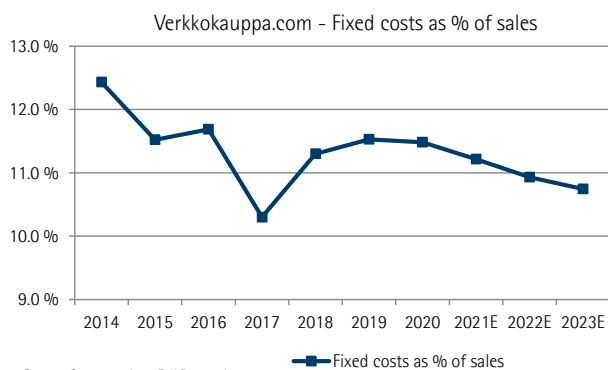
Note: IFRS figures include impact of IFRS 16 from 2017 onwards

*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	EV/Sales	EV/Sales	EV/EBITDA	EV/EBITDA	EV/EBITDA	EV/EBIT	EV/EBIT	EV/EBIT	Sales CAGR	EPS CAGR
	21	22	23	21	22	23	21	22	23	20-23	20-23
Online-focused Nordic and European peers											
ASOS plc	1.2x	1.0x	0.8x	14.0x	12.0x	9.9x	23.5x	21.2x	17.0x	20.6 %	18.9 %
Dustin Group AB	0.9x	0.6x	0.6x	14.6x	10.6x	9.0x	19.3x	12.8x	11.6x	21.6 %	26.1 %
Groupe LDLC SA	0.5x	0.4x	0.3x	5.2x	4.4x	3.7x	5.9x	5.0x	4.1x	5.7 %	6.9 %
Zalando SE	2.4x	2.0x	1.6x	35.6x	30.0x	23.6x	58.1x	50.2x	37.9x	22.9 %	21.5 %
Physical store-focused Nordic and European peers											
CECONOMY AG	0.1x	0.1x	0.1x	2.4x	2.2x	1.6x	9.5x	6.0x	3.9x	1.9 %	na.
Dixons Carphone plc	0.3x	0.3x	0.2x	4.4x	3.6x	2.7x	10.6x	7.6x	5.4x	-0.5 %	17.9 %
Unieuro SpA	0.2x	0.2x	0.3x	4.0x	3.9x	4.8x	9.5x	9.5x	11.9x	2.1 %	-3.5 %
XXL ASA	0.7x	0.6x	0.6x	6.1x	5.2x	4.7x	16.5x	12.7x	10.6x	1.5 %	53.6 %
Large international e-commerce peers											
Alibaba Group Holding Ltd. Sponsored ADR	3.3x	2.6x	2.1x	14.8x	11.5x	9.0x	25.4x	18.4x	13.4x	23.9 %	15.3 %
Amazon.com, Inc.	3.7x	3.0x	2.5x	23.8x	18.5x	14.2x	51.7x	36.9x	25.4x	21.2 %	33.6 %
eBay Inc.	4.2x	3.8x	3.6x	12.4x	11.2x	10.2x	14.5x	12.8x	11.7x	9.3 %	13.8 %
JD.com, Inc. Sponsored ADR Class A	0.6x	0.5x	0.4x	34.7x	20.0x	12.9x	70.3x	30.2x	17.7x	23.2 %	27.1 %
Online-focused Nordic and European peers	0.9x	0.6x	0.6x	14.0x	10.6x	9.0x	19.9x	12.8x	11.6x	20.6 %	21.5 %
Physical store-focused Nordic and European peers	0.3x	0.2x	0.2x	4.2x	3.7x	3.7x	10.0x	8.5x	8.0x	1.7 %	17.9 %
Large international e-commerce peers	3.5x	2.8x	2.3x	19.3x	15.0x	11.5x	38.5x	24.3x	15.5x	22.2 %	21.2 %
Verkkokauppa.com (Evli est.)	0.6x	0.6x	0.5x	12.5x	11.8x	10.4x	15.1x	14.3x	12.4x	6.7 %	11.1 %
	-30 %	-11 %	-9 %	-11 %	12 %	16 %	-24 %	11 %	7 %		
VERKKOKAUPPA.COM PEER GROUP	P/E	P/E	P/E	EBIT-%	EBIT-%	EBIT-%	Div-%	Div-%	Div-%	ROE	P/B
	21	22	23	21	22	23	21	22	23	21	21
Online-focused Nordic and European peers											
ASOS plc	30.4x	28.3x	23.8x	5.0%	4.6%	4.8%	0.0%	0.0%	0.0%	16.5%	16.5x
Dustin Group AB	17.9x	14.1x	11.6x	4.5%	5.0%	4.9%	2.3%	3.7%	4.6%	16.4%	16.4x
Groupe LDLC SA	9.6x	8.9x	8.3x	8.2%	8.3%	8.5%	3.2%	3.5%	3.8%	33.3%	33.3x
Zalando SE	96.5x	83.6x	63.0x	4.1%	3.9%	4.3%	0.0%	0.0%	0.0%	11.3%	11.3x
Physical store-focused Nordic and European peers											
CECONOMY AG	10.0x	7.2x	5.7x	1.2%	1.9%	2.3%	1.1%	2.8%	4.4%	21.0%	21.0x
Dixons Carphone plc	11.7x	8.3x	7.5x	2.6%	3.4%	3.6%	3.3%	4.2%	3.6%	5.1%	5.1x
Unieuro SpA	8.5x	8.8x	8.2x	2.4%	2.3%	2.2%	6.3%	6.3%	6.0%	39.0%	39.0x
XXL ASA	18.6x	13.1x	11.1x	4.5%	5.1%	5.8%	2.1%	3.5%	4.5%	5.8%	5.8x
Large international e-commerce peers											
Alibaba Group Holding Ltd. Sponsored ADR	20.9x	16.2x	13.5x	12.9%	14.2%	15.6%	0.0%	0.0%	0.0%	15.2%	15.2x
Amazon.com, Inc.	66.6x	50.9x	37.7x	7.1%	8.2%	9.8%	0.0%	0.0%	0.0%	19.1%	19.1x
eBay Inc.	17.6x	15.2x	13.9x	28.8%	29.8%	30.6%	1.0%	1.1%	0.9%	101.3%	101.3x
JD.com, Inc. Sponsored ADR Class A	48.1x	30.4x	22.1x	0.9%	1.6%	2.2%	0.0%	0.0%	0.0%	7.1%	7.1x
Online-focused Nordic and European peers	23.9x	14.1x	11.6x	4.5%	4.6%	4.8%	0.0%	0.0%	0.0%	16.5%	16.5x
Physical store-focused Nordic and European peers	10.8x	8.5x	7.9x	2.5%	2.8%	3.0%	2.7%	3.9%	4.4%	13.4%	13.4x
Large international e-commerce peers	34.5x	23.3x	18.0x	10.0%	11.2%	12.7%	0.0%	0.0%	0.0%	17.2%	17.2x
Verkkokauppa.com (Evli est.)	21.6x	20.7x	18.4x	4.0 %	4.0 %	4.1 %	2.9%	3.0%	3.2%	45.7%	10.1%

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

Source: Factset, Evli Research

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC
Current share price	8.68 PV of Free Cash Flow	199 Long-term growth, %	2.0 Risk-free interest rate, %
DCF share value	11.32 PV of Horizon value	307 WACC, %	7.0 Market risk premium, %
Share price potential, %	30.4 Unconsolidated equity	0 Spread, %	0.5 Debt risk premium, %
Maximum value	12.5 Marketable securities	43 Minimum WACC, %	6.5 Equity beta coefficient
Minimum value	10.3 Debt - dividend	-42 Maximum WACC, %	7.5 Target debt ratio, %
Horizon value, %	60.7 Value of stock	506 Nr of shares, Mn	44.7 Effective tax rate, %

DCF valuation, EURm	2020	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	Horizon
Net sales	554	594	632	673	714	728	742	757	772	788	804	820
<i>Sales growth, %</i>	<i>9.8</i>	<i>7.3</i>	<i>6.4</i>	<i>6.5</i>	<i>6.0</i>	<i>2.0</i>	<i>2.0</i>	<i>2.0</i>	<i>2.0</i>	<i>2.0</i>	<i>2.0</i>	<i>2.0</i>
Operating income (EBIT)	20	24	25	28	30	31	31	32	32	33	34	34
<i>Operating income margin, %</i>	<i>3.7</i>	<i>4.0</i>	<i>4.0</i>	<i>4.1</i>	<i>4.2</i>	<i>4.2</i>	<i>4.2</i>	<i>4.2</i>	<i>4.2</i>	<i>4.2</i>	<i>4.2</i>	<i>4.2</i>
+ Depreciation+amort.	5	5	5	5	6	4	4	4	5	5	5	
EBITDA	25	29	30	33	36	35	36	36	37	38	39	
- Paid taxes	-4	-5	-5	-6	-6	-6	-6	-6	-6	-7	-7	
- Change in NWC	-3	10	0	2	1	0	0	0	0	0	0	
<i>NWC / Sales, %</i>	<i>-0.4</i>	<i>-2.1</i>	<i>-1.9</i>	<i>-2.1</i>	<i>-2.1</i>	<i>-2.1</i>	<i>-2.1</i>	<i>-2.1</i>	<i>-2.1</i>	<i>-2.1</i>	<i>-2.1</i>	
+ Change in other liabs	0	0	0	0	0	0	0	0	0	0	0	
- Operative CAPEX	-1	-4	-2	-2	-2	-2	-2	-2	-2	-3	-3	
<i>opCAPEX / Sales, %</i>	<i>0.7</i>	<i>1.3</i>	<i>1.0</i>	<i>0.9</i>	<i>0.7</i>	<i>0.7</i>	<i>0.6</i>	<i>0.6</i>	<i>0.7</i>	<i>0.7</i>	<i>0.8</i>	
- Acquisitions	0	0	0	0	0	0	0	0	0	0	0	
+ Divestments	0	0	0	0	0	0	0	0	0	0	0	
- Other items	-1	0	0	0	0	0	0	0	0	0	0	
= FCFF	17	30	22	28	29	27	28	28	28	29	29	591
= Discounted FCFF		29	20	23	23	20	19	18	17	16	15	307
= DFCF min WACC		29	20	23	23	20	19	18	17	17	16	356
= DFCF max WACC		29	20	23	22	19	18	17	16	15	14	267

INTERIM FIGURES

EVLI ESTIMATES, EURm	2020Q1	2020Q2	2020Q3	2020Q4	2020	2021Q1	2021Q2E	2021Q3E	2021Q4E	2021E	2022E	2023E
Net sales	125.3	123.1	129.3	176.0	553.6	134.0	129.8	138.4	191.8	594.1	632.1	673.2
EBITDA	5.0	6.0	6.8	7.5	25.4	6.4	5.9	7.5	9.2	29.0	30.2	33.2
<i>EBITDA margin (%)</i>	<i>4.0</i>	<i>4.9</i>	<i>5.3</i>	<i>4.3</i>	<i>4.6</i>	<i>4.8</i>	<i>4.5</i>	<i>5.4</i>	<i>4.8</i>	<i>4.9</i>	<i>4.8</i>	<i>4.9</i>
EBIT	3.8	4.8	5.6	6.2	20.4	5.2	4.6	6.2	7.9	24.0	25.0	27.9
<i>EBIT margin (%)</i>	<i>3.0</i>	<i>3.9</i>	<i>4.3</i>	<i>3.5</i>	<i>3.7</i>	<i>3.9</i>	<i>3.6</i>	<i>4.5</i>	<i>4.1</i>	<i>4.0</i>	<i>4.0</i>	<i>4.1</i>
Net financial items	-0.4	-0.4	-0.3	-0.4	-1.4	-0.3	-0.4	-0.3	-0.4	-1.4	-1.5	-1.5
Pre-tax profit	3.4	4.5	5.3	5.8	19.0	4.9	4.3	5.9	7.6	22.6	23.5	26.4
Tax	-0.6	-0.7	-1.1	-1.2	-3.5	-1.0	-0.9	-1.2	-1.5	-4.6	-4.7	-5.3
<i>Tax rate (%)</i>	<i>17.8</i>	<i>15.7</i>	<i>20.0</i>	<i>20.2</i>	<i>18.7</i>	<i>21.1</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>	<i>20.2</i>	<i>20.0</i>	<i>20.0</i>
Net profit	2.8	3.8	4.2	4.7	15.5	3.9	3.4	4.7	6.1	18.0	18.8	21.1
EPS	0.06	0.08	0.09	0.10	0.34	0.09	0.08	0.11	0.14	0.40	0.42	0.47
EPS adjusted (diluted no. of shares)	0.06	0.08	0.09	0.10	0.34	0.09	0.08	0.11	0.14	0.40	0.42	0.47
Dividend per share	0.00	0.00	0.00	0.00	0.45	0.00	0.00	0.00	0.00	0.25	0.26	0.28
SALES, EURm												
Verkkokauppa.com	125.3	123.1	129.3	176.0	553.6	134.0	129.8	138.4	191.8	594.1	632.1	673.2
Total	125.3	123.1	129.3	176.0	553.6	134.0	129.8	138.4	191.8	594.1	632.1	673.2
SALES GROWTH, Y/Y %												
Verkkokauppa.com	8.2	14.1	7.3	10.1	9.8	7.0	5.5	7.0	9.0	7.3	6.4	6.5
Total	8.2	14.1	7.3	10.1	9.8	7.0	5.5	7.0	9.0	7.3	6.4	6.5
EBIT, EURm												
Verkkokauppa.com	3.8	4.8	5.6	6.2	20.4	5.2	4.6	6.2	7.9	24.0	25.0	27.9
Total	3.8	4.8	5.6	6.2	20.4	5.2	4.6	6.2	7.9	24.0	25.0	27.9
EBIT margin, %												
Verkkokauppa.com	3.0	3.9	4.3	3.5	3.7	3.9	3.6	4.5	4.1	4.0	4.0	4.1
Total	3.0	3.9	4.3	3.5	3.7	3.9	3.6	4.5	4.1	4.0	4.0	4.1

INCOME STATEMENT, EURm	2016	2017	2018	2019	2020	2021E	2022E	2023E
Sales	371.5	431.9	477.8	504.1	553.6	594.1	632.1	673.2
<i>Sales growth (%)</i>	<i>8.1</i>	<i>16.3</i>	<i>10.6</i>	<i>5.5</i>	<i>9.8</i>	<i>7.3</i>	<i>6.4</i>	<i>6.5</i>
EBITDA	14.1	18.0	18.4	16.2	25.4	29.0	30.2	33.2
<i>EBITDA margin (%)</i>	<i>3.8</i>	<i>4.2</i>	<i>3.9</i>	<i>3.2</i>	<i>4.6</i>	<i>4.9</i>	<i>4.8</i>	<i>4.9</i>
Depreciation	-1.3	-4.6	-5.1	-4.9	-5.0	-5.0	-5.2	-5.2
EBITA	12.8	13.5	13.3	11.3	20.4	24.0	25.0	27.9
Goodwill amortization / writedown	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	12.8	13.5	13.3	11.3	20.4	24.0	25.0	27.9
<i>EBIT margin (%)</i>	<i>3.4</i>	<i>3.1</i>	<i>2.8</i>	<i>2.2</i>	<i>3.7</i>	<i>4.0</i>	<i>4.0</i>	<i>4.1</i>
Reported EBIT	12.2	13.5	13.3	11.3	19.6	24.0	25.0	27.9
<i>EBIT margin (reported) (%)</i>	<i>3.3</i>	<i>3.1</i>	<i>2.8</i>	<i>2.2</i>	<i>3.5</i>	<i>4.0</i>	<i>4.0</i>	<i>4.1</i>
Net financials	0.0	-1.6	-1.7	-1.5	-1.4	-1.4	-1.5	-1.5
Pre-tax profit	12.8	11.8	11.7	9.8	19.0	22.6	23.5	26.4
Taxes	-2.4	-2.4	-2.3	-1.9	-3.5	-4.6	-4.7	-5.3
Minority shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit	9.8	9.4	9.3	7.8	14.7	18.0	18.8	21.1
Cash NRIs	-0.6	0.0	0.0	0.0	-0.8	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	5	5	4	4	7	8	9
Goodwill	0	0	0	0	0	0	0	0
Right of use assets	0	25	22	19	17	17	17	17
Inventory	44	47	66	67	75	78	85	89
Receivables	12	20	27	27	33	34	36	38
Liquid funds	42	52	47	42	43	45	49	60
Total assets	101	149	168	160	174	183	197	214
Liabilities								
Shareholder's equity	39	37	38	37	41	38	46	56
Minority interest	0	0	0	0	0	0	0	0
Convertibles	0	0	0	0	0	0	0	0
Lease liabilities	0	29	26	23	22	17	17	17
Deferred taxes	0	0	0	0	0	0	0	0
Interest bearing debt	0	0	0	0	0	2	0	0
Non-interest bearing current liabilities	61	82	103	100	110	125	133	141
Other interest-free debt	0	0	0	0	0	0	0	0
Total liabilities	101	149	168	160	174	183	197	214
CASH FLOW, EURm								
+ EBITDA	14	18	18	16	25	29	30	33
- Net financial items	0	-2	-2	-1	-1	-1	-1	-1
- Taxes	-2	-4	-3	-2	-4	-5	-5	-5
- Increase in Net Working Capital	7	10	-5	-5	-3	10	0	2
+/- Other	-1	0	0	0	-1	0	0	0
= Cash flow from operations	19	23	9	8	16	33	24	29
- Capex	-1	-2	-2	0	-4	-8	-6	-6
- Acquisitions	0	0	0	0	0	0	0	0
+ Divestments	0	0	0	0	0	0	0	0
= Free cash flow	18	21	6	7	13	25	17	23
+/- New issues/buybacks	0	-4	0	0	-1	0	0	0
- Paid dividend	-7	-7	-8	-9	-10	-20	-11	-12
+/- Other	0	0	-3	-3	-1	-3	-2	0
Change in cash	11	10	-5	-4	1	2	4	11

KEY FIGURES	2017	2018	2019	2020	2021E	2022E	2023E
M-cap	319	185	159	320	388	388	388
Net debt (excl. convertibles)	-23	-20	-19	-21	-26	-32	-43
Enterprise value	296	164	140	299	362	356	345
Sales	432	478	504	554	594	632	673
EBITDA	18	18	16	25	29	30	33
EBIT	13	13	11	20	24	25	28
Pre-tax	12	12	10	19	23	24	26
Earnings	9	9	8	15	18	19	21
Equity book value (excl. minorities)	37	38	37	41	38	46	56
Valuation multiples							
EV/sales	0.7	0.3	0.3	0.5	0.6	0.6	0.5
EV/EBITDA	16.4	8.9	8.7	11.8	12.5	11.8	10.4
EV/EBITA	22.0	12.3	12.4	14.6	15.1	14.2	12.4
EV/EBIT	22.0	12.3	12.4	14.6	15.1	14.2	12.4
EV/OCF	12.8	18.5	18.3	18.3	11.0	15.1	12.1
EV/FCFF	12.9	18.6	14.8	17.9	12.0	15.9	12.4
P/FCFE	14.8	28.7	21.6	25.2	15.5	22.5	17.2
P/E	33.8	19.8	20.4	20.7	21.6	20.6	18.4
P/B	8.7	4.9	4.4	7.9	10.1	8.4	7.0
Target EV/EBITDA	0.0	0.0	0.0	0.0	15.8	14.9	13.3
Target EV/EBIT	0.0	0.0	0.0	0.0	19.1	18.0	15.7
Target EV/FCF	0.0	0.0	0.0	0.0	18.2	26.1	19.5
Target P/B	0.0	0.0	0.0	0.0	12.6	10.5	8.7
Target P/E	0.0	0.0	0.0	0.0	26.8	25.7	22.8
Per share measures							
Number of shares	45,065	45,065	45,065	44,907	44,729	44,729	44,729
Number of shares (diluted)	45,065	45,065	45,065	44,907	44,729	44,729	44,729
EPS	0.21	0.21	0.17	0.34	0.40	0.42	0.47
Operating cash flow per share	0.52	0.20	0.17	0.36	0.74	0.53	0.64
Free cash flow per share	0.48	0.14	0.16	0.28	0.56	0.39	0.51
Book value per share	0.82	0.83	0.81	0.90	0.86	1.03	1.24
Dividend per share	0.18	0.20	0.21	0.45	0.25	0.26	0.28
Dividend payout ratio, %	86.8	95.6	123.4	130.7	62.1	61.8	59.2
Dividend yield, %	2.6	4.8	6.1	6.3	2.9	3.0	3.2
FCF yield, %	6.7	3.5	4.6	4.0	6.5	4.4	5.8
Efficiency measures							
ROE	25.1	25.1	21.1	40.1	45.7	44.6	41.7
ROCE	25.7	20.5	18.2	33.4	40.0	41.5	41.3
Financial ratios							
Inventories as % of sales	10.9	13.8	13.2	13.6	13.2	13.4	13.2
Receivables as % of sales	4.5	5.7	5.4	5.9	5.7	5.7	5.7
Non-interest bearing liabilities as % of sales	19.0	21.6	19.7	19.9	21.0	21.0	21.0
NWC/sales, %	-3.6	-2.2	-1.1	-0.4	-2.1	-1.9	-2.1
Operative CAPEX/sales, %	0.4	0.5	0.1	0.7	1.3	1.0	0.9
CAPEX/sales (incl. acquisitions), %	0.4	0.5	0.1	0.7	1.3	1.0	0.9
FCFF/EBITDA	1.3	0.5	0.6	0.7	1.0	0.7	0.8
Net debt/EBITDA, book-weighted	-1.3	-1.1	-1.2	-0.8	-0.9	-1.1	-1.3
Debt/equity, market-weighted	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Equity ratio, book-weighted	25.1	23.0	23.4	24.5	21.3	23.8	26.3
Gearing, %	-61.3	-54.3	-52.1	-52.2	-68.0	-69.9	-77.7

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.

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	158.743	40.9%
Keskinäinen Työeläkevakuutusyhtiö Varma	3,865,932	33.556	8.6%
Mandatum Henkivakuutusosakeyhtiö	2,199,319	19.090	4.9%
Keskinäinen Eläkevakuutusyhtiö Ilmarinen	1,724,309	14.967	3.9%
Sijoitusrahasto Nordea Nordic Small Cap	1,476,669	12.817	3.3%
Sijoitusrahasto Evli Suomi Pienyhtiöt	930,000	8.072	2.1%
Skogberg Ville Johannes	634,266	5.505	1.4%
Keskinäinen Vakuutusyhtiö Kaleva	566,475	4.917	1.3%
Danske Invest Finnish Equity Fund	420,000	3.646	0.9%
Erikoissijoitusrahasto Taaleritehdas Mikro Markka Osake	350,628	3.043	0.8%
Ten largest	30,455,940	264.358	68%
Residual	14,273,557	123.894	32%
Total	44,729,497	388.252	100%

EARNINGS CALENDAR

July 16, 2021

Q2 report

October 22, 2021

Q3 report

OTHER EVENTS**COMPANY MISCELLANEOUS**

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Tel: +358 10 309 5555

IR: Marja Mäkinen

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

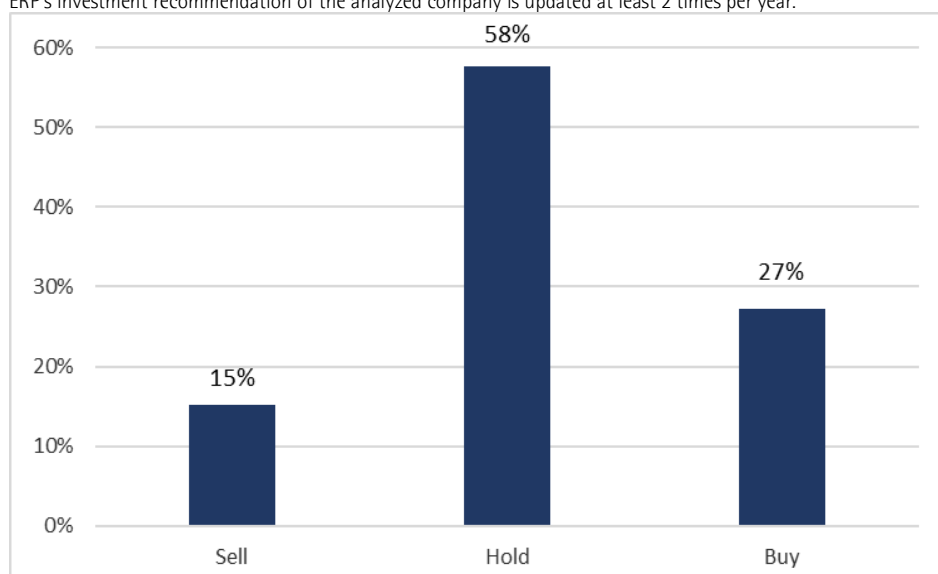
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Target price compared to share price	Recommendation
< -10 %	SELL
-10 – (+10) %	HOLD
> 10 %	BUY

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

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