

## Capitalizing on strengths

Verkkokauppa.com's Q2 marked a sixth consecutive earnings improvement. In our opinion the company remains well positioned to improve plenty more long-term.

### Earnings a small positive surprise, retains FY '21 guidance

Verkkokauppa.com's Q2 revenue increased by 6% y/y to EUR 131m, compared to the EUR 130m/130m Evli/cons. estimates. Growth was driven by wide positive development as traditional product categories like computers and cameras sold well but evolving categories such as sports and home & lighting were also popular. Online sales grew at a 15% y/y pace while B2B sales were up by 38% and thus made up 22% of total revenue. Overall top line, excluding export sales, advanced some 160bps faster than the market and in our view highlights the strength of the Verkkokauppa.com brand. The 17.2% gross margin topped our 16.8% estimate, and the resulting EUR 0.6m difference in gross profit helped the EUR 5.1m Q2 adj. EBIT beat our EUR 4.6m estimate (same as the consensus) and reach a record high.

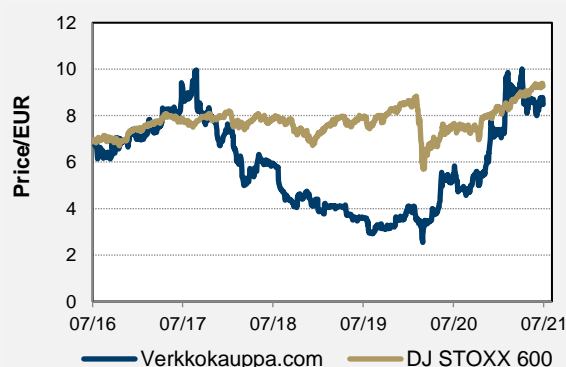
### We believe strong positioning will deliver further results

Verkkokauppa.com has performed strong and steady for a while. Export sales have been the only soft area, due to the pandemic, and according to the company will probably not bounce back sharp this year. The company has recently built inventories to buffer up for the busy autumn season and important Q4. Verkkokauppa.com retains a strong position in the Finnish B2C channel but has also gained traction in B2B, where volumes stem from many SME customers. The EUR 4m small-item logistics investment is relatively small and will only have a negligible operative impact in H2'21 when inventories have to be moved to accommodate the Jätkäsaari construction phase. We make small revisions to our estimates and expect Verkkokauppa.com to achieve 8% growth and 4.1% EBIT margin this year. We also make some upward revisions to our long-term estimates.

### Overall valuation picture is still attractive

In our opinion Verkkokauppa.com's valuation remains attractive considering the steady performance and long-term potential. We see solid high single-digit CAGR performance for the coming years and potential for positive surprises. We continue to view current valuation picture overall very reasonable against this backdrop. We retain our EUR 10.8 TP and BUY rating.

Rating

+ BUY

 Share price, EUR (Last trading day's closing price) **8.48**

 Target price, EUR **10.8**

 Latest change in **24-Apr-20**

 Latest report on company **13-Jul-21**

 Research paid by issuer: **YES**

 No. of shares outstanding, **44,729**

 No. of shares fully diluted, **44,729**

 Market cap, EURm **379**

 Free float, % **50.8**

 Exchange rate **-**

 Reuters code **VERK.HE**

 Bloomberg code **VERK FH**

 Average daily volume, EURm **0.9**

 Next interim report **22-Oct-21**

 Web site **verkkokauppa.com/en/investors/**

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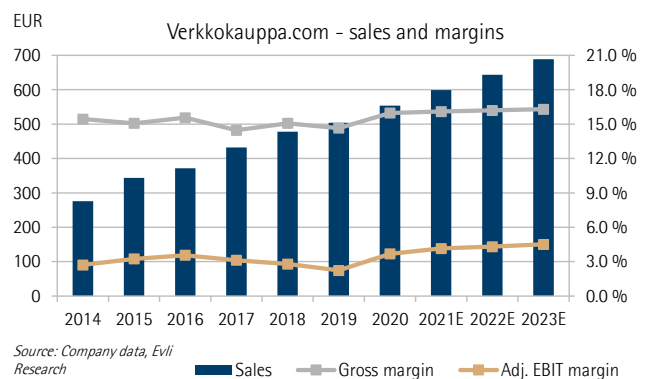
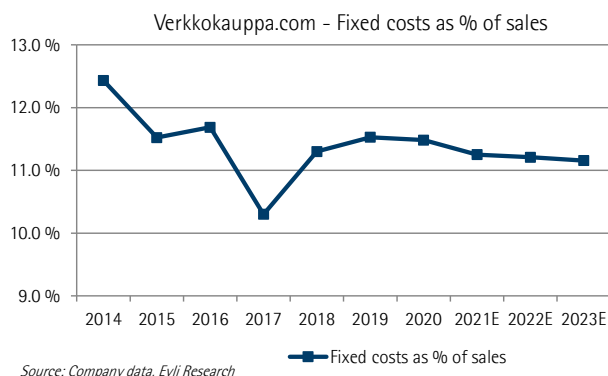
 Telephone **+358 44 430 9071**
+ BUY ■ HOLD ■ SELL

## 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	598.6	24.8	4.1%	25.9	0.42	20.3	0.6	14.2	6.8	0.25
2022E	643.5	27.7	4.3%	19.5	0.47	18.1	0.5	12.4	5.2	0.26
2023E	688.6	31.0	4.5%	25.2	0.53	16.1	0.5	10.7	6.6	0.28
Market cap, EURm	379			Gearing 2021E, %	-68.9			CAGR EPS 2020-23, %	15.3	
Net debt 2021E, EURm	-27			Price/book 2021E	9.7			CAGR sales 2020-23, %	7.5	
Enterprise value, EURm	352			Dividend yield 2021E, %	2.9			ROE 2021E, %	47.0	
Total assets 2021E, EURm	184			Tax rate 2021E, %	20.2			ROCE 2021E, %	41.3	
Goodwill 2021E, EURm	0			Equity ratio 2021E, %	21.6			PEG, P/E 21/CAGR	1.5	

**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
<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>504.1</b>	<b>553.6</b>	<b>598.7</b>	<b>643.5</b>	<b>688.6</b>
<i>Growth-%</i>	-	10.7 %	17.2 %	6.0 %	15.9 %	24.6 %	8.1 %	16.3 %	10.6 %	5.5 %	9.8 %	8.1 %	7.5 %	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	-430.2	-465.2	-502.3	-539.2	-576.4
<i>Growth-%</i>	-	8.1 %	16.8 %	2.8 %	16.2 %	25.2 %	7.5 %	17.8 %	9.9 %	6.0 %	8.1 %	8.0 %	7.3 %	6.9 %
<i>% of sales</i>	89.4 %	87.2 %	86.9 %	84.3 %	84.6 %	84.9 %	84.4 %	85.5 %	84.9 %	85.3 %	84.0 %	84.6 %	83.8 %	83.7 %
<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>73.9</b>	<b>88.4</b>	<b>96.4</b>	<b>104.2</b>	<b>112.2</b>
<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 %	16.1 %	16.2 %	16.3 %
<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>-58.1</b>	<b>-63.6</b>	<b>-67.4</b>	<b>-72.1</b>	<b>-76.8</b>
<i>Growth-%</i>	-	39.1 %	23.6 %	4.7 %	14.5 %	15.5 %	9.6 %	2.5 %	21.4 %	7.6 %	9.4 %	6.0 %	7.1 %	6.5 %
<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 %	11.3 %	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	0.6	0.8	0.8	0.8
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
<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>16.3</b>	<b>25.4</b>	<b>29.8</b>	<b>32.9</b>	<b>36.2</b>
<i>Adj. EBITDA margin</i>	1.4 %	0.9 %	0.4 %	3.2 %	3.1 %	3.6 %	3.9 %	4.2 %	3.9 %	3.2 %	4.6 %	5.0 %	5.1 %	5.3 %
<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>11.3</b>	<b>20.4</b>	<b>24.8</b>	<b>27.7</b>	<b>31.0</b>
<i>Adj. EBIT margin</i>	0.9 %	0.4 %	0.0 %	2.8 %	2.7 %	3.2 %	3.6 %	3.1 %	2.8 %	2.2 %	3.7 %	4.1 %	4.3 %	4.5 %
<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>11.3</b>	<b>19.6</b>	<b>24.8</b>	<b>27.7</b>	<b>31.0</b>
<i>Reported EBIT margin</i>	0.9 %	0.4 %	0.0 %	2.8 %	2.7 %	2.2 %	3.4 %	3.1 %	2.8 %	2.2 %	3.5 %	4.1 %	4.3 %	4.5 %



**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
<b>Online-focused Nordic and European peers</b>											
ASOS plc	1.0x	0.8x	0.7x	11.4x	9.7x	7.9x	19.1x	17.1x	13.6x	20.0 %	17.5 %
Dustin Group AB	0.9x	0.6x	0.6x	14.4x	10.5x	8.9x	19.1x	12.7x	11.5x	21.2 %	25.8 %
Groupe LDLC SA	0.5x	0.4x	0.4x	5.3x	4.5x	3.7x	5.9x	5.0x	4.1x	5.7 %	6.9 %
Zalando SE	2.3x	1.9x	1.6x	33.7x	28.4x	22.3x	55.1x	47.6x	35.9x	22.9 %	21.5 %
<b>Physical store-focused Nordic and European peers</b>											
CECONOMY AG	0.1x	0.1x	0.1x	2.4x	2.2x	1.6x	9.4x	6.0x	3.9x	1.9 %	na.
Dixons Carphone plc	0.3x	0.2x	0.2x	4.3x	3.5x	2.2x	10.1x	7.2x	4.4x	-1.0 %	18.0 %
Unieuro SpA	0.2x	0.2x	0.3x	3.8x	3.7x	4.7x	9.0x	9.1x	11.5x	2.1 %	-3.5 %
XXL ASA	0.8x	0.6x	0.6x	6.0x	5.0x	4.5x	15.0x	11.8x	10.0x	0.9 %	52.6 %
<b>Large international e-commerce peers</b>											
Alibaba Group Holding Ltd. Sponsored ADR	3.5x	2.8x	2.3x	16.0x	12.5x	9.8x	27.6x	20.0x	14.7x	24.0 %	15.2 %
Amazon.com, Inc.	3.5x	2.9x	2.4x	22.8x	17.8x	13.6x	49.6x	35.3x	24.3x	21.4 %	33.8 %
eBay Inc.	4.1x	3.8x	3.5x	12.3x	11.1x	10.1x	14.4x	12.7x	11.6x	9.5 %	14.0 %
JD.com, Inc. Sponsored ADR Class A	0.7x	0.5x	0.4x	38.3x	22.3x	14.3x	82.0x	34.6x	20.1x	24.0 %	26.4 %
<b>Online-focused Nordic and European peers</b>	<b>0.9x</b>	<b>0.6x</b>	<b>0.6x</b>	<b>11.4x</b>	<b>9.7x</b>	<b>7.9x</b>	<b>19.1x</b>	<b>12.7x</b>	<b>11.5x</b>	<b>20.0 %</b>	<b>21.5 %</b>
<b>Physical store-focused Nordic and European peers</b>	<b>0.2x</b>	<b>0.2x</b>	<b>0.2x</b>	<b>4.0x</b>	<b>3.6x</b>	<b>3.4x</b>	<b>9.8x</b>	<b>8.1x</b>	<b>7.2x</b>	<b>1.4 %</b>	<b>18.0 %</b>
<b>Large international e-commerce peers</b>	<b>3.5x</b>	<b>2.9x</b>	<b>2.3x</b>	<b>19.4x</b>	<b>15.1x</b>	<b>11.9x</b>	<b>38.6x</b>	<b>27.3x</b>	<b>17.4x</b>	<b>22.7 %</b>	<b>20.8 %</b>
<b>Verkkokauppa.com (Evli est.)</b>	<b>0.6x</b>	<b>0.5x</b>	<b>0.5x</b>	<b>11.8x</b>	<b>10.5x</b>	<b>9.1x</b>	<b>14.2x</b>	<b>12.4x</b>	<b>10.7x</b>	<b>7.5 %</b>	<b>11.1 %</b>
	-30 %	-21 %	-8 %	4 %	8 %	15 %	-26 %	-2 %	-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
<b>Online-focused Nordic and European peers</b>											
ASOS plc	25.6x	24.3x	20.4x	5.1%	4.6%	4.9%	0.0%	0.0%	0.0%	16.3%	16.3x
Dustin Group AB	17.6x	13.9x	11.4x	4.5%	5.0%	4.9%	2.3%	3.8%	4.7%	16.4%	16.4x
Groupe LDLC SA	9.7x	9.0x	8.3x	8.2%	8.3%	8.5%	3.2%	3.5%	3.8%	33.3%	33.3x
Zalando SE	91.8x	79.5x	59.9x	4.1%	3.9%	4.3%	0.0%	0.0%	0.0%	11.3%	11.3x
<b>Physical store-focused Nordic and European peers</b>											
CECONOMY AG	9.9x	7.2x	5.6x	1.2%	1.9%	2.3%	1.1%	2.8%	4.4%	21.0%	21.0x
Dixons Carphone plc	10.9x	7.7x	7.0x	2.7%	3.4%	3.7%	3.5%	4.4%	4.1%	5.1%	5.1x
Unieuro SpA	8.0x	8.3x	7.7x	2.4%	2.3%	2.2%	6.7%	6.7%	6.4%	39.0%	39.0x
XXL ASA	16.2x	13.4x	11.5x	5.1%	5.4%	6.0%	6.5%	3.5%	4.2%	7.2%	7.2x
<b>Large international e-commerce peers</b>											
Alibaba Group Holding Ltd. Sponsored ADR	21.7x	16.8x	14.0x	12.8%	14.3%	15.6%	0.0%	0.0%	0.0%	15.2%	15.2x
Amazon.com, Inc.	64.0x	48.8x	36.3x	7.1%	8.2%	9.8%	0.0%	0.0%	0.0%	19.1%	19.1x
eBay Inc.	17.4x	15.1x	13.7x	28.8%	29.8%	30.6%	1.0%	1.1%	0.9%	101.3%	101.3x
JD.com, Inc. Sponsored ADR Class A	50.8x	31.9x	23.3x	0.8%	1.5%	2.1%	0.0%	0.0%	0.0%	7.0%	7.0x
<b>Online-focused Nordic and European peers</b>	<b>24.0x</b>	<b>13.9x</b>	<b>11.4x</b>	<b>4.5%</b>	<b>4.6%</b>	<b>4.9%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>16.4%</b>	<b>16.4x</b>
<b>Physical store-focused Nordic and European peers</b>	<b>10.4x</b>	<b>8.0x</b>	<b>7.4x</b>	<b>2.5%</b>	<b>2.8%</b>	<b>3.0%</b>	<b>5.0%</b>	<b>3.9%</b>	<b>4.3%</b>	<b>14.1%</b>	<b>14.1x</b>
<b>Large international e-commerce peers</b>	<b>36.3x</b>	<b>24.4x</b>	<b>18.7x</b>	<b>10.0%</b>	<b>11.2%</b>	<b>12.7%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>17.2%</b>	<b>17.2x</b>
<b>Verkkokauppa.com (Evli est.)</b>	<b>20.3x</b>	<b>18.1x</b>	<b>16.1x</b>	<b>4.1 %</b>	<b>4.3 %</b>	<b>4.5 %</b>	<b>2.9%</b>	<b>3.0%</b>	<b>3.2%</b>	<b>45.7%</b>	<b>10.1%</b>

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	8.48 PV of Free Cash Flow	224 Long-term growth, %	2.0 Risk-free interest rate, %	2.25
DCF share value	12.96 PV of Horizon value	354 WACC, %	7.0 Market risk premium, %	5.8
Share price potential, %	52.8 Unconsolidated equity	0 Spread, %	0.5 Debt risk premium, %	2.8
Maximum value	14.3 Marketable securities	43 Minimum WACC, %	6.5 Equity beta coefficient	0.80
Minimum value	11.8 Debt - dividend	-42 Maximum WACC, %	7.5 Target debt ratio, %	20
Horizon value, %	61.2 Value of stock	580 Nr of shares, Mn	44.7 Effective tax rate, %	26

DCF valuation, EURm	2020	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	Horizon
Net sales	554	599	644	689	733	748	763	778	794	810	826	842
<i>Sales growth, %</i>	<i>9.8</i>	<i>8.1</i>	<i>7.5</i>	<i>7.0</i>	<i>6.5</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	25	28	31	34	35	36	37	37	38	39	40
<i>Operating income margin, %</i>	<i>3.7</i>	<i>4.1</i>	<i>4.3</i>	<i>4.5</i>	<i>4.7</i>	<i>4.7</i>	<i>4.7</i>	<i>4.7</i>	<i>4.7</i>	<i>4.7</i>	<i>4.7</i>	<i>4.7</i>
+ Depreciation+amort.	5	5	5	5	6	4	4	4	5	5	5	
EBITDA	25	30	33	36	41	39	40	41	42	43	44	
- Paid taxes	-4	-5	-6	-6	-7	-7	-7	-7	-7	-8	-8	
- 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>0.6</i>	<i>0.7</i>	<i>0.6</i>	<i>0.6</i>	<i>0.6</i>	<i>0.7</i>	<i>0.7</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	31	25	30	33	30	31	32	32	33	33	673
= Discounted FCFF		30	22	26	26	23	22	21	19	18	17	354
= DFCF min WACC		30	23	26	27	23	22	21	20	19	18	411
= DFCF max WACC		30	22	25	26	22	21	20	19	18	17	308

## INTERIM FIGURES

EVLI ESTIMATES, EURm	2020Q1	2020Q2	2020Q3	2020Q4	2020	2021Q1	2021Q2	2021Q3E	2021Q4E	2021E	2022E	2023E
Net sales	125.3	123.1	129.3	176.0	553.6	134.0	130.5	139.7	194.5	598.6	643.5	688.6
EBITDA	5.0	6.0	6.8	7.5	25.4	6.5	6.3	8.0	9.0	29.8	32.9	36.2
<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>4.9</i>	<i>4.8</i>	<i>5.7</i>	<i>4.6</i>	<i>5.0</i>	<i>5.1</i>	<i>5.3</i>
EBIT	3.8	4.8	5.6	6.2	20.4	5.2	5.1	6.8	7.8	24.8	27.7	31.0
<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>3.9</i>	<i>4.8</i>	<i>4.0</i>	<i>4.1</i>	<i>4.3</i>	<i>4.5</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	4.7	6.4	7.4	23.5	26.2	29.5
Tax	-0.6	-0.7	-1.1	-1.2	-3.5	-1.0	-1.0	-1.3	-1.5	-4.7	-5.2	-5.9
<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>20.4</i>	<i>21.3</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	3.7	5.1	5.9	18.7	21.0	23.6
EPS	0.06	0.08	0.09	0.10	0.34	0.09	0.08	0.12	0.13	0.42	0.47	0.53
EPS adjusted (diluted no. of shares)	0.06	0.08	0.09	0.10	0.34	0.09	0.08	0.12	0.13	0.42	0.47	0.53
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
<b>SALES, EURm</b>												
Verkkokauppa.com	125.3	123.1	129.3	176.0	553.6	134.0	130.5	139.7	194.5	598.6	643.5	688.6
Total	125.3	123.1	129.3	176.0	553.6	134.0	130.5	139.7	194.5	598.6	643.5	688.6
<b>SALES GROWTH, Y/Y %</b>												
Verkkokauppa.com	8.2	14.1	7.3	10.1	9.8	7.0	6.1	8.0	10.5	8.1	7.5	7.0
Total	8.2	14.1	7.3	10.1	9.8	7.0	6.1	8.0	10.5	8.1	7.5	7.0
<b>EBIT, EURm</b>												
Verkkokauppa.com	3.8	4.8	5.6	6.2	20.4	5.2	5.1	6.8	7.8	24.8	27.7	31.0
Total	3.8	4.8	5.6	6.2	20.4	5.2	5.1	6.8	7.8	24.8	27.7	31.0
<b>EBIT margin, %</b>												
Verkkokauppa.com	3.0	3.9	4.3	3.5	3.7	3.9	3.9	4.8	4.0	4.1	4.3	4.5
Total	3.0	3.9	4.3	3.5	3.7	3.9	3.9	4.8	4.0	4.1	4.3	4.5

INCOME STATEMENT, EURm	2016	2017	2018	2019	2020	2021E	2022E	2023E
Sales	371.5	431.9	477.8	504.1	553.6	598.6	643.5	688.6
<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>8.1</i>	<i>7.5</i>	<i>7.0</i>
EBITDA	14.1	18.0	18.4	16.2	25.4	29.8	32.9	36.2
<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>5.0</i>	<i>5.1</i>	<i>5.3</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	24.8	27.7	31.0
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	24.8	27.7	31.0
<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>4.1</i>	<i>4.3</i>	<i>4.5</i>
Reported EBIT	12.2	13.5	13.3	11.3	19.6	24.8	27.7	31.0
<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>4.1</i>	<i>4.3</i>	<i>4.5</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	23.5	26.2	29.5
Taxes	-2.4	-2.4	-2.3	-1.9	-3.5	-4.7	-5.2	-5.9
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	18.7	21.0	23.6
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
<b>BALANCE SHEET, EURm</b>								
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	79	86	91
Receivables	12	20	27	27	33	34	37	39
Liquid funds	42	52	47	42	43	45	52	65
Total assets	101	149	168	160	174	184	201	223
Liabilities								
Shareholder's equity	39	37	38	37	41	39	49	61
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	126	135	145
Other interest-free debt	0	0	0	0	0	0	0	0
Total liabilities	101	149	168	160	174	184	201	223
<b>CASH FLOW, EURm</b>								
+ EBITDA	14	18	18	16	25	30	33	36
- Net financial items	0	-2	-2	-1	-1	-1	-1	-1
- Taxes	-2	-4	-3	-2	-4	-5	-5	-6
- 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	34	26	31
- 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	26	20	25
+/- 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	6	14

KEY FIGURES	2017	2018	2019	2020	2021E	2022E	2023E
M-cap	319	185	159	320	379	379	379
Net debt (excl. convertibles)	-23	-20	-19	-21	-27	-35	-49
Enterprise value	296	164	140	299	352	344	331
Sales	432	478	504	554	599	644	689
EBITDA	18	18	16	25	30	33	36
EBIT	13	13	11	20	25	28	31
Pre-tax	12	12	10	19	23	26	30
Earnings	9	9	8	15	19	21	24
Equity book value (excl. minorities)	37	38	37	41	39	49	61
<b>Valuation multiples</b>							
EV/sales	0.7	0.3	0.3	0.5	0.6	0.5	0.5
EV/EBITDA	16.4	8.9	8.7	11.8	11.8	10.5	9.1
EV/EBITA	22.0	12.3	12.4	14.6	14.2	12.4	10.7
EV/EBIT	22.0	12.3	12.4	14.6	14.2	12.4	10.7
EV/OCF	12.8	18.5	18.3	18.3	10.4	13.3	10.6
EV/FCFF	12.9	18.6	14.8	17.9	11.4	13.9	10.9
P/FCFE	14.8	28.7	21.6	25.2	14.6	19.4	15.1
P/E	33.8	19.8	20.4	20.7	20.3	18.1	16.1
P/B	8.7	4.9	4.4	7.9	9.7	7.8	6.2
Target EV/EBITDA	0.0	0.0	0.0	0.0	15.3	13.6	12.0
Target EV/EBIT	0.0	0.0	0.0	0.0	18.4	16.2	14.0
Target EV/FCF	0.0	0.0	0.0	0.0	17.6	22.9	17.3
Target P/B	0.0	0.0	0.0	0.0	12.4	9.9	7.9
Target P/E	0.0	0.0	0.0	0.0	25.8	23.0	20.5
<b>Per share measures</b>							
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	0.42	0.47	0.53
Operating cash flow per share	0.52	0.20	0.17	0.36	0.75	0.58	0.70
Free cash flow per share	0.48	0.14	0.16	0.28	0.58	0.44	0.56
Book value per share	0.82	0.83	0.81	0.90	0.87	1.09	1.36
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	59.7	55.5	53.1
Dividend yield, %	2.6	4.8	6.1	6.3	2.9	3.1	3.3
FCF yield, %	6.7	3.5	4.6	4.0	6.8	5.2	6.6
<b>Efficiency measures</b>							
ROE	25.1	25.1	21.1	40.1	47.0	47.7	43.0
ROCE	25.7	20.5	18.2	33.4	41.3	44.9	43.3
<b>Financial ratios</b>							
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	0.8	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	21.6	24.6	27.7
Gearing, %	-61.3	-54.3	-52.1	-52.2	-68.9	-72.2	-80.2

**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	15,957,000	135.315	35.7%
Keskinäinen Työeläkevakuutusyhtiö Varma	3,865,932	32.783	8.6%
Mandatum Henkivakuutusosakeyhtiö	2,192,211	18.590	4.9%
Keskinäinen Eläkevakuutusyhtiö Ilmarinen	2,174,309	18.438	4.9%
Sijoitusrahasto Nordea Nordic Small Cap	1,476,669	12.522	3.3%
Sijoitusrahasto Evli Suomi Pieniyhtiöt	1,230,000	10.430	2.7%
Skogberg Ville Johannes	634,266	5.379	1.4%
Keskinäinen Vakuutusyhtiö Kaleva	566,475	4.804	1.3%
Op-Suomi Pieniyhtiöt	465,603	3.948	1.0%
Säästöpankki Kotimaa -Sijoitusrahasto	423,000	3.587	0.9%
Ten largest	28,985,465	245.797	65%
Residual	15,744,032	133.509	35%
Total	44,729,497	379.306	100%

EARNINGS CALENDAR	
October 22, 2021	Q3 report
<b>OTHER EVENTS</b>	
September 29, 2021	CMD

COMPANY MISCELLANEOUS	
CEO: Panu Porkka	Tyynenmerenkatu 11, 00220 Helsinki
CFO: Mikko Forsell	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, %	$\frac{\text{Profit before extraordinary items and taxes} - \text{income taxes}}{\text{Shareholder's equity} + \text{minority interest} + \text{taxed provisions (average)}}$		

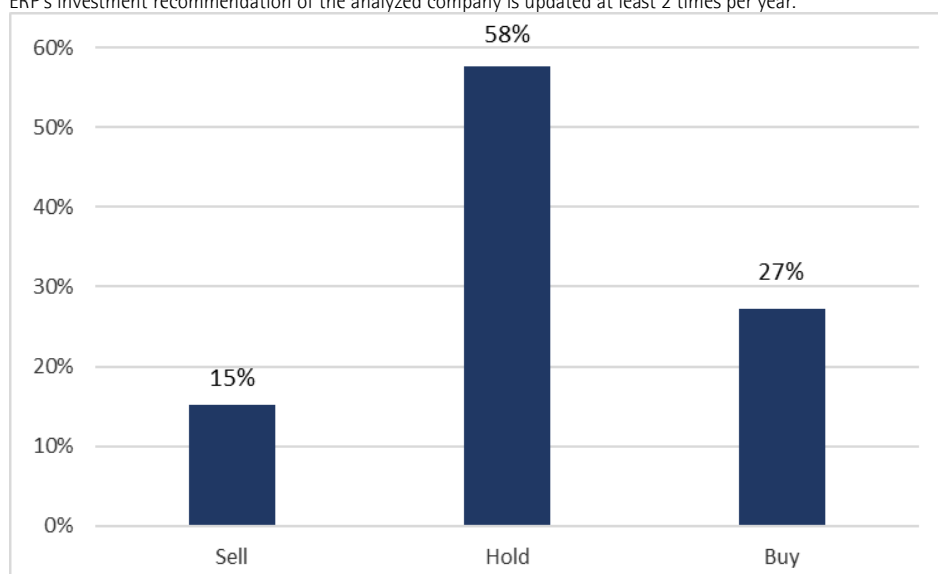
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Investment recommendations are defined as follows:

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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