

Challenging quarter

Verkkokauppa.com's Q1 topline topped, but EBIT fell short of our expectations as well as consensus estimates. Volumes suffered from a weak demand stemming from lower consumer trust.

- Group result:** Q1 revenue declined by 6.9% y/y to EUR 124.8m (EUR 120.1m/120.1m Evli/cons.) driven by the soft performance of the consumer segment. A challenging environment led the market to fierce price competition which can be seen in a drop in margins. Sales mix had also a negative impact on gross margin. Gross margin decreased from the comparison period to 15.4% (Q1'21: 16.2%). Lower gross margin, poor scalability through low volumes, and higher transportation costs had a negative impact on profitability, adj. EBIT totaling EUR 0.9m (EUR 2.1m/2.9m Evli/cons.), reflecting an adj. EBIT margin of 0.7%.
- Online sales represented 63% (Q1'21: 64%) of total sales while the main categories were 87.6% (Q1'21: 89.5%) of total sales.
- Consumer segment:** Consumer segment suffered from a soft market environment mainly driven by consumer electronics, and the segment declined clearly from the comparison period. Consumer segment represented 68% of total sales (Q1'21: 72%). However, evolving categories saw a 10.2% y/y growth during Q1, driven by sports, kid's supplies, bags & traveling, and toys.
- B2B segment:** B2B performed well and grew by 12% y/y, representing 26% of total sales (Q1'21: 22%).
- Exports segment:** end of Russia exports had a negative impact (-30.5% y/y) on exports that represented only 5% of total sales.
- FY'22 guidance (revised on March 23rd):** net sales between EUR 530-590m and EBIT between EUR 12-19m.

Rating

HOLD

Q1'22	Actual	Evli	Consensus*	Q1'21
Net sales	124.8	120.1	120.1	134.0
Adj. EBIT	0.9	2.1	2.9	5.2
Adj. EBIT-margin	0.7%	1.8%	2.4%	3.9%
EPS	0.00	0.03	0.05	0.09

* Consensus estimate from Infront (5 analysts)

Share price, EUR (Last trading day's closing price) 4.57

Target price, EUR 4.7

Latest change in recommendation 04-Feb-22

Latest report on company 20-Apr-22

Research paid by issuer: YES

No. of shares outstanding, 44,742

No. of shares fully diluted, 44,742

Market cap, EURm 204

Free float, % 50.8

Exchange rate 1.000

Reuters code VERK.HE

Bloomberg code VERK FH

Average daily volume, EURm 0.0

Next interim report 28-Apr-22

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BUY HOLD SELL

PRE-REPORT KEY FIGURES

	Sales EURm	EBIT EURm	EBIT %	FCF EURm	EPS EUR	P/E (x)	EV/Sales (x)	EV/EBIT (x)	FCF yield %	DPS EUR
2020	553.6	20.4	3.7%	12.8	0.34	20.7	0.5	14.6	4.0	0.45
2021	574.5	20.3	3.5%	-1.0	0.34	21.2	0.6	15.7	-0.3	0.25
2022E	565.1	15.8	2.8%	26.2	0.26	17.8	0.3	11.7	12.8	0.27
2023E	608.0	20.9	3.4%	17.4	0.35	13.2	0.3	8.6	8.5	0.28
2024E	656.7	25.2	3.8%	21.9	0.44	10.4	0.3	6.7	10.7	0.29
Market cap, EURm	204		BV per share 2022E, EUR		-54.8		CAGR EPS 2021-24, %		9.3	
Net debt 2022E, EURm	-20		Price/book 2022E		5.7		CAGR sales 2021-24, %		4.6	
Enterprise value, EURm	185		Dividend yield 2022E, %		5.8		ROE 2022E, %		32.0	
Total assets 2022E, EURm	171		Tax rate 2022E, %		20.0		ROCE 2022E, %		29.5	
Goodwill 2022E, EURm	0		Equity ratio 2022E, %		21.9		PEG, P/E 22/CAGR		0.7	

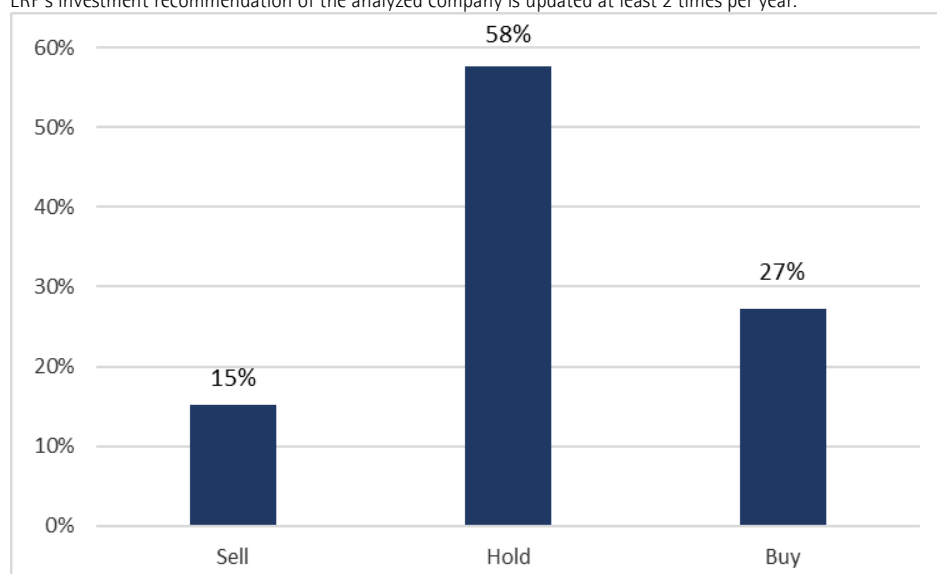
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Investment recommendations are defined as follows:

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

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

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