

Not the time to jump in yet

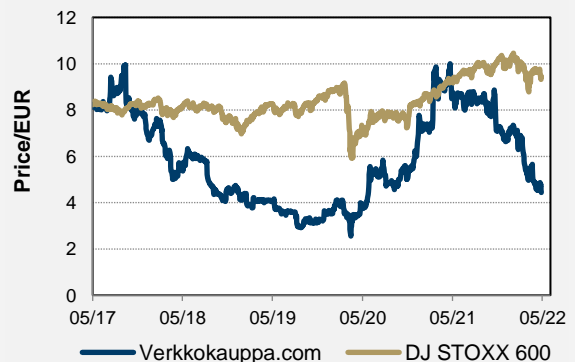
The market environment continued challenging and Verkkokauppa.com's Q1 sales declined mainly driven by the consumer and export segments. With the company's valuation stretched, we retain our HOLD rating and adjust TP to EUR 4.3 (4.7).

EBIT fell short of expectations

Verkkokauppa.com's Q1 net sales decreased by 6.9% y/y to EUR 124.8m beating our expectations (Evli: EUR 120.1m). As expected, the drivers behind the decline were the poor performance of core categories in the consumer segment as well as the exports segment. The company ended exports to Russia and the segment declined by ~30% y/y in Q1. Though market environment increased the price competition which correspondingly reduced the gross margin to 15.4%. In addition, the sales mix within core categories harmed the gross margin. Fixed costs saw an increase due to personnel investments and inflationary pressures in the other costs. The combination of lower gross margin and increased fixed costs downgraded adj. EBIT stronger than we expected to EUR 0.9m (Evli: EUR 2.1m), implying an adj. EBIT margin of 0.7%. Poor profitability pressed the bottom line near zero and EPS amounted to EUR 0.00 (Evli: EUR 0.03).

Evolving categories performed well

While core categories saw a decline of 7.9% y/y, the sales of higher-margin evolving categories evolved, and the product segment grew by 10.2% y/y, representing 12.4% of total Q1 sales. The growth of the evolving categories was driven by toys, baby & family, sports equipment, and luggage product categories. In Q1, online sales decreased by 4.8% y/y following lower total sales and represented 63 % of the total sales. The consumer segment represented 68% of total sales while with sales growth of 10.4% B2B segment was 26% of total sales. With Russian exports ended, the export segment represented only 5% of total sales.

 Rating 🟡 HOLD

 Share price, EUR (Last trading day's closing price) 4.44

 Target price, EUR 4.3

 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 199

 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 14-Jul-22

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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
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	560.8	12.9	2.3%	1.2	0.20	23.0	0.4	15.8	0.6	0.27
2023E	597.2	20.5	3.4%	38.9	0.33	13.5	0.3	8.6	19.6	0.28
2024E	646.8	26.7	4.1%	22.1	0.44	10.1	0.3	6.3	11.1	0.29
Market cap, EURm	199 Gearing 2022E, %			15.6 CAGR EPS 2021-24, %			9.5			
Net debt 2022E, EURm	5 Price/book 2022E			5.9 CAGR sales 2021-24, %			4.0			
Enterprise value, EURm	204 Dividend yield 2022E, %			6.0 ROE 2022E, %			25.6			
Total assets 2022E, EURm	183 Tax rate 2022E, %			20.0 ROCE 2022E, %			21.6			
Goodwill 2022E, EURm	0 Equity ratio 2022E, %			19.0 PEG, P/E 22/CAGR			0.7			

All the important disclosures can be found on the last pages of this report.

Growth requires a recovery of the consumer segment

Although, evolving categories and B2B delivered double-digit sales growth in Q1, in order to achieve topline growth, Verkkokauppa.com needs the consumer segment to recover. Consumer trust in Finland further decreased in April which reflect in the company's demand explicitly. The outlook for H2 is still blurred and it might take a while for a recovery of demand for durable goods. The company noted that it sees inflationary pressures stemming partly from personnel investment but increasingly from Verkkokauppa.com's service providers. Logistics costs are set to rise, but on the other hand, commissioning of automated warehouse offset increased costs somewhat. The company also invested in its IT capabilities by recruiting ~10 new employees which increased the personnel costs in Q1. We expect 22E fixed costs to increase to 12.6% of net sales. We also expect material costs to increase due to global supply chain problems and inflationary pressures.

HOLD with a target price of 4.3 (4.7)

We revised our short-term estimates, reflecting increased cost pressures, uncertainty, and low visibility of H2'22. With the consumer segment's poor performance in H1 and Q3, we expect Verkkokauppa.com's 22E revenue to decrease by 2.4% y/y to EUR 560.8m. Driven by increased fixed costs and low volumes, we expect EBIT to be near the lower bound of the company's guidance, at EUR 12.7m (2.3% margin). In our estimates, the company faces topline growth of 6.5% and 8.3% during 2023-24. Driven by scalability and investment into efficiency, we expect the company to report EBIT margins of 3.4% and 4.1% during 2023-24. Furthermore, in Q2 we expect a good performance of evolving categories to soften the decline of consumer electronics. We also expect the B2B segment to continue double-digit revenue growth while expecting the export segment to decrease significantly due to the end of exports to Russia. We expect the Q2 topline to decrease by 5.2% y/y to EUR 123.7m. We expect Q2'22 gross margin (16.7%) to improve q/q but be below that of the comparison period. Q/q improvement is driven by an increased share of evolving categories. Our Q2 EBIT estimate lands at EUR 2.4m (2% margin). With our revised 2022 estimates, the company trades with a premium to its peers. With the EV/EBIT multiple taking balance sheet into account, Verkkokauppa.com's valuation starts to seem moderate in 2023 (23E EV/EBIT of 8.6x), but we find no reason to hurry as long as the consumer market environment seem uncertain. With Verkkokauppa.com's valuation stretched and uncertainty concerning the near future, we retain our HOLD rating and adjust TP to EUR 4.3 (4.7).

VERKKOKAUPPA.COM PEER GROUP	EV/Sales			EV/EBITDA			EV/EBIT			Sales CAGR	EPS CAGR
	22	23	24	22	23	24	22	23	24	21-24	21-24
Online-focused Nordic and European peers											
ASOS plc	0.3x	0.2x	0.2x	4.8x	3.7x	2.8x	11.7x	7.8x	5.4x	12.3 %	1.9 %
BHG Group AB	0.9x	0.8x	0.6x	11.5x	9.3x	7.7x	16.2x	12.4x	10.1x	12.9 %	13.4 %
Boozt AB	0.9x	0.7x	0.6x	10.6x	8.4x	6.9x	17.3x	13.0x	10.4x	19.4 %	20.9 %
Delticom AG	0.2x	0.2x	0.2x	6.7x	4.4x	4.1x	14.2x	7.1x	7.8x	-4.2 %	10.1 %
Dustin Group AB	0.5x	0.5x	0.4x	9.2x	8.0x	7.2x	12.4x	10.7x	9.3x	17.8 %	10.7 %
Groupe LDLC SA	0.2x	0.1x		2.3x	1.6x		3.2x	2.1x		2.7 %	7.2 %
Zalando SE	0.7x	0.6x	0.5x	11.8x	9.0x	7.0x	20.7x	14.6x	10.6x	16.1 %	27.8 %
Omnichannel retail Nordic and European peers											
CECONOMY AG	0.1x	0.1x	0.1x	2.6x	1.9x	2.1x	6.9x	4.4x	4.9x	1.6 %	23.3 %
Clas Ohlson AB Class B	0.9x	0.9x		5.5x	5.4x		11.9x	11.4x		2.8 %	2.0 %
Currys PLC	0.3x	0.2x		3.7x	3.3x		8.2x	6.7x		-0.8 %	24.8 %
ICA Gruppen AB										na.	na.
Kesko Oyj Class B	1.0x	1.0x	1.0x	9.5x	9.6x	9.4x	16.0x	16.3x	16.1x	1.9 %	-2.5 %
Kjell Group AB	0.8x	0.7x	0.6x	5.8x	5.0x	4.1x	10.7x	9.1x	7.4x	7.0 %	8.5 %
Musti Group Oyj	2.1x	1.9x	1.7x	12.0x	9.9x	8.6x	21.8x	16.5x	13.7x	6.8 %	15.1 %
Puuiilo Oyj	2.2x	2.0x	1.8x	10.4x	9.2x	8.4x	13.1x	11.5x	10.3x	6.7 %	8.0 %
Tokmanni Group Oyj	0.9x	0.9x	0.8x	6.3x	5.9x	5.4x	10.6x	9.6x	8.6x	5.4 %	5.9 %
Unieuro SpA	0.1x	0.1x		1.4x	1.3x		3.7x	3.3x		-0.4 %	0.0 %
XXL ASA	0.6x	0.5x	0.4x	4.6x	4.3x	2.7x	15.3x	12.0x	6.7x	3.5 %	25.3 %
Large international e-commerce peers											
Alibaba Group Holding Ltd. Sponsored ADR	1.1x	0.9x	0.6x	6.3x	4.7x	3.0x	12.3x	8.5x	4.8x	12.6 %	12.1 %
Amazon.com, Inc.	2.7x	2.3x	1.9x	18.6x	14.1x	10.7x	50.4x	31.7x	20.6x	18.9 %	19.5 %
eBay Inc.	3.6x	3.4x	3.1x	10.1x	9.4x	8.8x	11.7x	10.8x	9.7x	5.2 %	11.4 %
JD.com, Inc. Sponsored ADR Class A	0.4x	0.3x	0.3x	21.8x	12.9x	9.0x	48.5x	21.4x	12.5x	17.6 %	31.7 %
Online-focused Nordic and European peers	0.5x	0.5x	0.5x	9.2x	8.0x	6.9x	14.2x	10.7x	9.7x	12.9 %	10.7 %
Omnichannel retail Nordic and European peers	0.8x	0.8x	0.8x	5.6x	5.2x	5.4x	11.3x	10.5x	8.6x	3.1 %	8.3 %
Large international e-commerce peers	1.9x	1.6x	1.2x	14.3x	11.2x	8.9x	30.4x	16.1x	11.1x	15.1 %	15.8 %
Verkkokauppa.com (Evli est.)	0.4x	0.3x	0.3x	11.0x	6.7x	5.1x	15.7x	8.6x	6.2x	4.0 %	9.5 %
<i>Verkkokauppa.com vs. Online-focused Nordic and European peers median</i>	-27%	-35%	-43%	20%	-17%	-27%	10%	-20%	-36%		
<i>Verkkokauppa.com vs. Omnichannel retail Nordic and European peers median</i>	-56%	-62%	-68%	96%	28%	-5%	39%	-19%	-28%		
VERKKOKAUPPA.COM PEER GROUP	P/E			EBIT-%			Div-%			ROE	P/B
	22	23	24	22	23	24	22	23	24	22	22
Online-focused Nordic and European peers											
ASOS plc	20.3x	13.9x	10.4x	2.5%	3.1%	3.7%	0.0%	0.0%	0.0%	6.4%	1.3x
BHG Group AB	14.1x	11.6x	9.8x	5.3%	6.1%	6.4%	0.0%	0.0%	0.0%	10.3%	1.5x
Boozt AB	24.6x	18.7x	15.5x	5.0%	5.5%	5.8%	0.0%	0.0%	0.1%	10.9%	2.7x
Delticom AG	11.9x	6.0x	7.9x	1.3%	2.3%	2.0%	0.0%	0.0%	0.0%	9.9%	1.2x
Dustin Group AB	12.1x	10.2x	9.2x	3.9%	4.2%	4.4%	4.8%	6.2%	7.0%	13.2%	1.6x
Groupe LDLC SA	6.0x	5.1x		5.7%	6.4%		7.1%	8.0%		23.7%	1.4x
Zalando SE	39.8x	27.9x	20.2x	3.4%	4.0%	4.6%	0.0%	0.0%	0.1%	10.1%	4.0x
Omnichannel retail Nordic and European peers											
CECONOMY AG	6.7x	5.1x	4.5x	1.8%	2.2%	2.3%	4.7%	6.0%	6.7%	20.7%	1.4x
Clas Ohlson AB Class B	14.2x	13.9x		7.4%	7.5%		6.1%	6.1%		24.7%	3.5x
Currys PLC	7.1x	5.9x		3.0%	3.5%		4.1%	4.8%		5.5%	0.4x
ICA Gruppen AB											
Kesko Oyj Class B	18.5x	19.4x	19.1x	6.3%	6.1%	6.1%	4.2%	4.1%	4.3%	20.6%	3.8x
Kjell Group AB	10.0x	8.8x	7.8x	7.2%	7.3%	7.5%	6.0%	6.9%	7.9%	15.0%	1.5x
Musti Group Oyj	26.0x	20.3x	17.1x	9.8%	11.4%	12.3%	2.8%	3.9%	4.6%	16.7%	4.4x
Puuiilo Oyj	14.9x	13.2x	11.8x	16.7%	17.0%	17.3%	5.4%	6.1%	6.9%	47.5%	7.1x
Tokmanni Group Oyj	10.3x	9.4x	8.7x	8.9%	9.2%	9.3%	7.3%	7.6%	8.2%	29.0%	3.0x
Unieuro SpA	6.7x	6.5x		2.1%	2.2%		5.7%	5.7%		29.7%	2.0x
XXL ASA	13.5x	8.6x	6.7x	3.6%	4.5%	5.3%	3.9%	4.9%	6.7%	4.8%	0.7x
Large international e-commerce peers											
Alibaba Group Holding Ltd. Sponsored ADR	11.6x	10.2x	8.8x	9.3%	10.7%	11.7%	0.0%	0.0%		11.7%	1.4x
Amazon.com, Inc.	64.1x	41.8x	28.4x	5.4%	7.2%	9.3%	0.0%	0.0%	0.0%	13.5%	8.6x
eBay Inc.	12.4x	11.2x	10.2x	30.8%	31.3%	32.0%	1.5%	1.4%	1.4%	29.6%	3.7x
JD.com, Inc. Sponsored ADR Class A	31.9x	20.4x	15.6x	0.9%	1.5%	2.1%	0.0%	0.0%	0.0%	7.9%	2.5x
Online-focused Nordic and European peers	14.1x	11.6x	10.1x	3.9%	4.2%	4.5%	0.0%	0.0%	0.1%	10.3%	1.5x
Omnichannel retail Nordic and European peers	11.9x	9.1x	8.7x	6.7%	6.7%	7.5%	5.0%	5.8%	6.7%	20.6%	2.5x
Large international e-commerce peers	22.1x	15.8x	12.9x	7.4%	8.9%	10.5%	0.0%	0.0%	0.0%	12.6%	3.1x
Verkkokauppa.com (Evli est.)	22.8x	13.4x	10.0x	2.3 %	3.4 %	4.1 %	6.0%	6.4%	6.5%	25.6%	5.9x
<i>Verkkokauppa.com vs. Online-focused Nordic and European peers median</i>	61%	16%	-1%								302%
<i>Verkkokauppa.com vs. Omnichannel retail Nordic and European peers median</i>	92%	48%	15%								136%

Source: Factset, Evli Research

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC	
Current share price	4.44 PV of Free Cash Flow	175 Long-term growth, %	2.0 Risk-free interest rate, %	2.25
DCF share value	8.08 PV of Horizon value	196 WACC, %	8.4 Market risk premium, %	5.8
Share price potential, %	82.0 Unconsolidated equity	0 Spread, %	0.5 Debt risk premium, %	2.8
Maximum value	8.8 Marketable securities	21 Minimum WACC, %	7.9 Equity beta coefficient	1.10
Minimum value	7.5 Debt - dividend	-31 Maximum WACC, %	8.9 Target debt ratio, %	20
Horizon value, %	52.8 Value of stock	362 Nr of shares, Mn	44.7 Effective tax rate, %	26

DCF valuation, EURm	2021	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	Horizon
Net sales	574	561	597	647	666	679	693	707	721	736	750	765
<i>Sales growth, %</i>	<i>3.8</i>	<i>-2.4</i>	<i>6.5</i>	<i>8.3</i>	<i>3.0</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	13	20	27	27	28	28	29	30	30	31	31
<i>Operating income margin, %</i>	<i>3.5</i>	<i>2.3</i>	<i>3.4</i>	<i>4.1</i>	<i>4.1</i>	<i>4.1</i>	<i>4.1</i>	<i>4.1</i>	<i>4.1</i>	<i>4.1</i>	<i>4.1</i>	<i>4.1</i>
+ Depreciation+amort.	5	5	6	6	6	5	5	5	5	5	5	5
EBITDA	25	18	26	33	33	33	34	34	35	35	36	
- Paid taxes	-4	-3	-4	-5	-5	-6	-6	-6	-6	-6	-6	-6
- Change in NWC	-14	-7	24	1	0	0	0	0	0	0	0	0
<i>NWC / Sales, %</i>	<i>1.3</i>	<i>2.6</i>	<i>-1.7</i>	<i>-1.7</i>	<i>-1.7</i>	<i>-1.8</i>	<i>-1.8</i>	<i>-1.8</i>	<i>-1.8</i>	<i>-1.8</i>	<i>-1.8</i>	<i>-1.8</i>
+ Change in other liabs	0	0	0	0	0	0	0	0	0	0	0	0
- Operative CAPEX	-5	-2	-2	-2	-2	-2	-2	-2	-3	-3	-3	-3
<i>opCAPEX / Sales, %</i>	<i>1.3</i>	<i>1.1</i>	<i>1.0</i>	<i>0.7</i>	<i>0.7</i>	<i>0.7</i>	<i>0.7</i>	<i>0.7</i>	<i>0.7</i>	<i>0.8</i>	<i>0.8</i>	<i>0.8</i>
- Acquisitions	0	0	0	0	0	0	0	0	0	0	0	0
+ Divestments	0	0	0	0	0	0	0	0	0	0	0	0
- Other items	0	0	0	0	0	0	0	0	0	0	0	0
= FCFF	3	7	45	26	26	26	26	26	26	27	27	429
= Discounted FCFF		6	39	21	19	18	17	15	14	13	12	196
= DFCF min WACC		6	39	22	20	18	17	16	15	14	13	223
= DFCF max WACC		6	39	21	19	18	16	15	14	13	12	174

INTERIM FIGURES

EVLI ESTIMATES, EURm	2021Q1	2021Q2	2021Q3	2021Q4	2021	2022Q1	2022Q2E	2022Q3E	2022Q4E	2022E	2023E	2024E
Net sales	134.0	130.5	141.0	168.9	574.5	124.8	123.7	136.4	175.9	560.8	597.2	646.8
EBITDA	6.5	6.3	5.8	6.6	25.2	2.2	3.8	5.0	7.3	18.3	26.3	32.6
<i>EBITDA margin (%)</i>	<i>4.9</i>	<i>4.8</i>	<i>4.1</i>	<i>3.9</i>	<i>4.4</i>	<i>1.8</i>	<i>3.1</i>	<i>3.7</i>	<i>4.2</i>	<i>3.3</i>	<i>4.4</i>	<i>5.0</i>
EBIT	5.2	5.1	4.7	5.3	20.3	0.9	2.4	3.6	6.0	12.9	20.5	26.7
<i>EBIT margin (%)</i>	<i>3.9</i>	<i>3.9</i>	<i>3.3</i>	<i>3.2</i>	<i>3.5</i>	<i>0.7</i>	<i>2.0</i>	<i>2.7</i>	<i>3.4</i>	<i>2.3</i>	<i>3.4</i>	<i>4.1</i>
Net financial items	-0.3	-0.4	-0.3	-0.3	-1.4	-0.4	-0.5	-0.5	-0.5	-1.8	-2.1	-2.0
Pre-tax profit	4.9	4.7	4.3	5.0	18.9	0.5	1.9	3.1	5.5	11.1	18.3	24.7
Tax	-1.0	-1.0	-0.9	-1.0	-3.9	-0.1	-0.4	-0.6	-1.1	-2.2	-3.7	-4.9
<i>Tax rate (%)</i>	<i>20.4</i>	<i>21.3</i>	<i>20.0</i>	<i>20.1</i>	<i>20.5</i>	<i>20.1</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>
Net profit	3.9	3.7	3.5	4.0	15.1	0.4	1.6	2.5	4.4	8.9	14.7	19.8
EPS	0.09	0.08	0.08	0.09	0.34	0.01	0.03	0.06	0.10	0.20	0.33	0.44
EPS adjusted (diluted no. of shares)	0.09	0.08	0.08	0.09	0.34	0.00	0.03	0.06	0.10	0.19	0.33	0.44
Dividend per share	0.00	0.00	0.00	0.00	0.25	0.00	0.00	0.00	0.00	0.27	0.28	0.29
SALES, EURm												
Verkkokauppa.com	134.0	130.5	141.0	168.9	574.5	124.8	123.7	136.4	175.9	560.8	597.2	646.8
Total	134.0	130.5	141.0	168.9	574.5	124.8	123.7	136.4	175.9	560.8	597.2	646.8
SALES GROWTH, Y/Y %												
Verkkokauppa.com	<i>7.0</i>	<i>6.1</i>	<i>9.1</i>	<i>-4.0</i>	<i>3.8</i>	<i>-6.9</i>	<i>-5.2</i>	<i>-3.3</i>	<i>4.1</i>	<i>-2.4</i>	<i>6.5</i>	<i>8.3</i>
Total	<i>7.0</i>	<i>6.1</i>	<i>9.1</i>	<i>-4.0</i>	<i>3.8</i>	<i>-6.9</i>	<i>-5.2</i>	<i>-3.3</i>	<i>4.1</i>	<i>-2.4</i>	<i>6.5</i>	<i>8.3</i>
EBIT, EURm												
Verkkokauppa.com	5.2	5.1	4.7	5.3	20.3	0.9	2.4	3.6	6.0	12.9	20.5	26.7
Total	5.2	5.1	4.7	5.3	20.3	0.9	2.4	3.6	6.0	12.9	20.5	26.7
EBIT margin, %												
Verkkokauppa.com	<i>3.9</i>	<i>3.9</i>	<i>3.3</i>	<i>3.2</i>	<i>3.5</i>	<i>0.7</i>	<i>2.0</i>	<i>2.7</i>	<i>3.4</i>	<i>2.3</i>	<i>3.4</i>	<i>4.1</i>
Total	<i>3.9</i>	<i>3.9</i>	<i>3.3</i>	<i>3.2</i>	<i>3.5</i>	<i>0.7</i>	<i>2.0</i>	<i>2.7</i>	<i>3.4</i>	<i>2.3</i>	<i>3.4</i>	<i>4.1</i>

INCOME STATEMENT, EURm	2017	2018	2019	2020	2021	2022E	2023E	2024E
Sales	431.9	477.8	504.1	553.6	574.5	560.8	597.2	646.8
<i>Sales growth (%)</i>	<i>16.3</i>	<i>10.6</i>	<i>5.5</i>	<i>9.8</i>	<i>3.8</i>	<i>-2.4</i>	<i>6.5</i>	<i>8.3</i>
EBITDA	18.0	18.4	16.2	25.4	25.2	18.3	26.3	32.6
<i>EBITDA margin (%)</i>	<i>4.2</i>	<i>3.9</i>	<i>3.2</i>	<i>4.6</i>	<i>4.4</i>	<i>3.3</i>	<i>4.4</i>	<i>5.0</i>
Depreciation	-4.6	-5.1	-4.9	-5.0	-5.0	-5.4	-5.8	-5.9
EBITA	13.5	13.3	11.3	20.4	20.3	12.9	20.5	26.7
Goodwill amortization / writedown	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	13.5	13.3	11.3	20.4	20.3	12.9	20.5	26.7
<i>EBIT margin (%)</i>	<i>3.1</i>	<i>2.8</i>	<i>2.2</i>	<i>3.7</i>	<i>3.5</i>	<i>2.3</i>	<i>3.4</i>	<i>4.1</i>
Reported EBIT	13.5	13.3	11.3	19.6	20.3	12.9	20.5	26.7
<i>EBIT margin (reported) (%)</i>	<i>3.1</i>	<i>2.8</i>	<i>2.2</i>	<i>3.5</i>	<i>3.5</i>	<i>2.3</i>	<i>3.4</i>	<i>4.1</i>
Net financials	-1.6	-1.7	-1.5	-1.4	-1.4	-1.8	-2.1	-2.0
Pre-tax profit	11.8	11.7	9.8	19.0	18.9	11.1	18.3	24.7
Taxes	-2.4	-2.3	-1.9	-3.5	-3.9	-2.2	-3.7	-4.9
Minority shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit	9.4	9.3	7.8	14.7	15.1	8.9	14.7	19.8
Cash NRIs	0.0	0.0	0.0	-0.8	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	5	5	4	4	7	9	9	10
Goodwill	0	0	0	0	0	0	0	0
Right of use assets	25	22	19	17	16	15	15	14
Inventory	47	66	67	75	88	98	79	85
Receivables	20	27	27	33	35	35	37	39
Liquid funds	52	47	42	43	21	25	52	60
Total assets	149	168	160	174	169	183	193	209
Liabilities								
Shareholder's equity	37	38	37	41	36	34	36	44
Minority interest	0	0	0	0	0	0	0	0
Convertibles	0	0	0	0	0	0	0	0
Lease liabilities	29	26	23	22	20	15	15	14
Deferred taxes	0	0	0	0	0	0	0	0
Interest bearing debt	0	0	0	0	0	15	15	15
Non-interest bearing current liabilities	82	103	100	110	116	118	125	136
Other interest-free debt	0	0	0	0	0	0	0	0
Total liabilities	149	168	160	174	172	183	193	209
CASH FLOW, EURm								
+ EBITDA	18	18	16	25	25	18	26	33
- Net financial items	-2	-2	-1	-1	-1	-2	-2	-2
- Taxes	-4	-3	-2	-2	-4	-2	-4	-5
- Increase in Net Working Capital	10	-5	-3	-5	-14	-7	24	1
+/- Other	0	0	1	0	0	0	0	0
= Cash flow from operations	23	9	10	17	7	8	45	27
- Capex	-2	-2	-2	-4	-8	-6	-6	-5
- Acquisitions	0	0	0	0	0	0	0	0
+ Divestments	0	0	0	0	0	0	0	0
= Free cash flow	21	6	8	13	-1	1	39	22
+/- New issues/buybacks	-4	0	0	-1	0	0	0	0
- Paid dividend	-7	-8	-9	-10	-20	-11	-12	-13
+/- Other	0	-3	-3	-2	-1	14	0	-2
Change in cash	10	-5	-4	1	-22	4	27	8

KEY FIGURES	2018	2019	2020	2021	2022E	2023E	2024E
M-cap	185	159	320	319	199	199	199
Net debt (excl. convertibles)	-20	-19	-21	-1	5	-22	-31
Enterprise value	164	140	299	318	204	177	167
Sales	478	504	554	574	561	597	647
EBITDA	18	16	25	25	18	26	33
EBIT	13	11	20	20	13	20	27
Pre-tax	12	10	19	19	11	18	25
Earnings	9	8	15	15	9	15	20
Equity book value (excl. minorities)	38	37	41	36	34	36	44
Valuation multiples							
EV/sales	0.3	0.3	0.5	0.6	0.4	0.3	0.3
EV/EBITDA	8.9	8.7	11.8	12.6	11.1	6.7	5.1
EV/EBITA	12.3	12.4	14.6	15.7	15.8	8.6	6.3
EV/EBIT	12.3	12.4	14.6	15.7	15.8	8.6	6.3
EV/OCF	18.5	14.4	17.7	47.7	27.0	3.9	6.3
EV/FCFF	18.6	14.4	18.8	110.0	30.8	4.0	6.3
P/FCFE	28.7	20.6	24.9	-329.2	170.7	5.1	9.0
P/E	19.8	20.4	20.7	21.2	23.0	13.5	10.1
P/B	4.9	4.4	7.9	8.9	5.9	5.5	4.6
Target EV/EBITDA	0.0	0.0	0.0	0.0	10.8	6.5	4.9
Target EV/EBIT	0.0	0.0	0.0	0.0	15.3	8.3	6.0
Target EV/FCF	0.0	0.0	0.0	0.0	169.8	4.4	7.3
Target P/B	0.0	0.0	0.0	0.0	5.7	5.3	4.4
Target P/E	0.0	0.0	0.0	0.0	22.2	13.1	9.7
Per share measures							
Number of shares	45,065	45,065	44,907	44,742	44,742	44,742	44,742
Number of shares (diluted)	45,065	45,065	44,907	44,742	44,742	44,742	44,742
EPS	0.21	0.17	0.34	0.34	0.20	0.33	0.44
Operating cash flow per share	0.20	0.22	0.38	0.15	0.17	1.00	0.60
Free cash flow per share	0.14	0.17	0.29	-0.02	0.03	0.87	0.49
Book value per share	0.83	0.81	0.90	0.80	0.75	0.81	0.97
Dividend per share	0.20	0.21	0.45	0.25	0.27	0.28	0.29
Dividend payout ratio, %	95.6	123.4	130.7	73.1	133.8	85.3	65.0
Dividend yield, %	4.8	6.1	6.3	3.5	6.0	6.3	6.5
FCF yield, %	3.5	4.9	4.0	-0.3	0.6	19.6	11.1
Efficiency measures							
ROE	25.1	21.1	40.1	39.5	25.6	42.0	49.4
ROCE	20.5	18.2	33.4	34.3	21.6	31.4	38.6
Financial ratios							
Inventories as % of sales	13.8	13.2	13.6	15.3	17.4	13.2	13.2
Receivables as % of sales	5.7	5.4	5.9	6.2	6.2	6.1	6.1
Non-interest bearing liabilities as % of sales	21.6	19.7	19.9	20.1	21.0	21.0	21.0
NWC/sales, %	-2.2	-1.1	-0.4	1.3	2.6	-1.7	-1.7
Operative CAPEX/sales, %	0.5	0.4	0.7	1.3	1.1	1.0	0.7
CAPEX/sales (incl. acquisitions), %	0.5	0.4	0.7	1.3	1.1	1.0	0.7
FCFF/EBITDA	0.5	0.6	0.6	0.1	0.4	1.7	0.8
Net debt/EBITDA, book-weighted	-1.1	-1.2	-0.8	0.0	0.3	-0.8	-1.0
Debt/equity, market-weighted	0.0	0.0	0.0	0.0	0.1	0.1	0.1
Equity ratio, book-weighted	23.0	23.4	24.5	21.4	19.0	19.5	21.5
Gearing, %	-54.3	-52.1	-52.2	-2.2	15.6	-59.9	-71.9

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	70.849	35.7%
Keskinäinen Työeläkevakuutusyhtiö Varma	3,865,932	17.165	8.6%
Mandatum Henkivakuutusosakeyhtiö	2,192,211	9.733	4.9%
Keskinäinen Eläkevakuutusyhtiö Ilmarinen	2,174,309	9.654	4.9%
Sijoitusrahasto Nordea Nordic Small Cap	1,476,669	6.556	3.3%
Sijoitusrahasto Evli Suomi Pieniyhtiöt	1,230,000	5.461	2.7%
Skogberg Ville Johannes	634,266	2.816	1.4%
Keskinäinen Vakuutusyhtiö Kaleva	566,475	2.515	1.3%
Op-Suomi Pieniyhtiöt	485,603	2.156	1.1%
Säästöpankki Kotimaa -Sijoitusrahasto	423,000	1.878	0.9%
Ten largest	29,005,465	128.784	65%
Residual	15,736,268	69.869	35%
Total	44,741,733	198.653	100%

EARNINGS CALENDAR

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

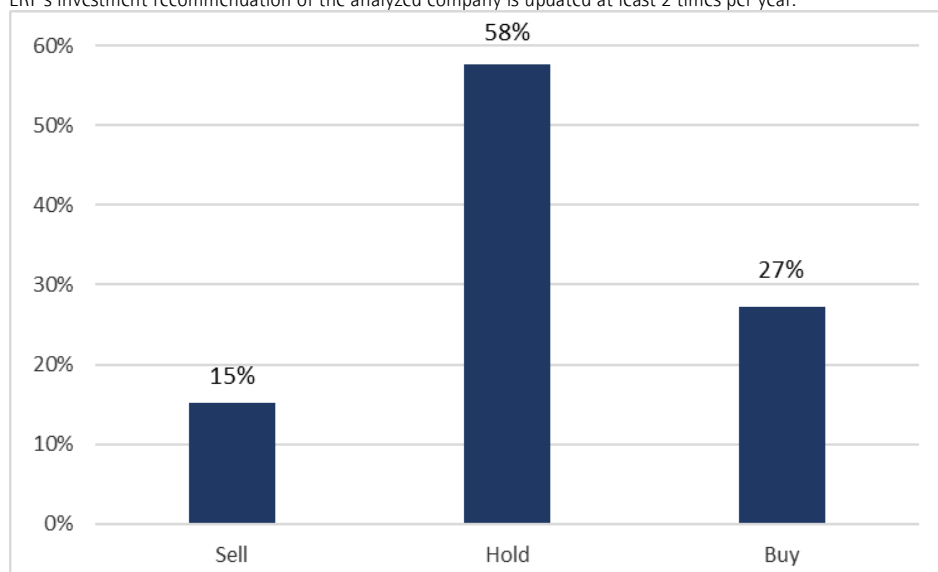
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Target price compared to share price	Recommendation
< -10 %	SELL
-10 – (+10) %	HOLD
> 10 %	BUY

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

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