

No signs of market recovery yet

Verkkokauppa.com publishes its Q3 result on Thursday, 28th Oct. In addition to the consumer segment and contrary to its performance in H1, we expect the B2B segment to see some softness in H2. Due to no signs of market recovery yet, we adjusted our short-term estimates downwards ahead of Q3 result.

Volumes still in decline

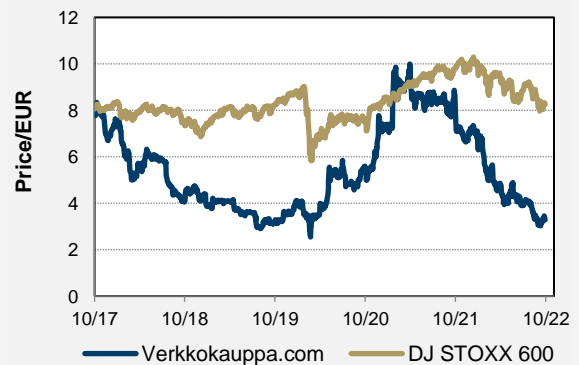
During H1'22, the consumer electronics market fell by ~6% in terms of volumes (GfK, ETK, GoTech). However, during the same period, sales declined only by a percent, which can be explained by the price increases made. Based on monthly data, there are no signs of market recovery starting yet as electronics sales declined by 12% y/y in August (Stat.fi).

Weak demand burdens Q3 profitability

Verkkokauppa.com has suffered from weak consumer demand, which started with the soft consumer electronics market in Q4'21. We have adjusted our short-term estimates downwards driven by the lack of evidence of market recovery. While the B2B segment has shown strong growth during uncertain H1'22, we now expect the segment to experience some headwinds. In Q3, we expect net sales to decrease by 3.6% y/y to EUR 135.9m. Weakness is seen throughout product segments and sales channels. In total, we expect the full-year topline to amount to EUR 554.0m, reflecting a y/y decline of 3.6%. The company has continued its long-term investments according to its strategy despite the uncertain market environment. We estimate that these investments will be visible in increased fixed costs. With a narrow gross margin and lower net sales, Verkkokauppa.com's profitability sees an extensive decline. Our Q3 EBIT estimate amounts to EUR 3.1m, while with 2022 adj. EBIT estimate of EUR 7.8m, we expect the company to fall short of its guidance slightly.

HOLD with a TP of EUR 3.5 (prev. 3.7)

Verkkokauppa.com currently trades with 23E P/E of 16x which is below its historical levels. However, we currently see no notable upside potential in valuation multiples given the company trading above the peer group's median and a weakening economic outlook. We retain our HOLD-rating and lower TP to EUR 3.5 (prev. 3.7), mainly reflecting decreased expectations.

 Rating 🟡 HOLD

 Share price, EUR (Last trading day's closing price) **3.30**

 Target price, EUR **3.5**

Latest change in	04-Feb-22
Latest report on company	15-Jul-22
Research paid by issuer:	YES
No. of shares outstanding,	44,742
No. of shares fully diluted,	44,742
Market cap, EURm	148
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	27-Oct-22
Web site	verkkokauppa.com/en/investors/

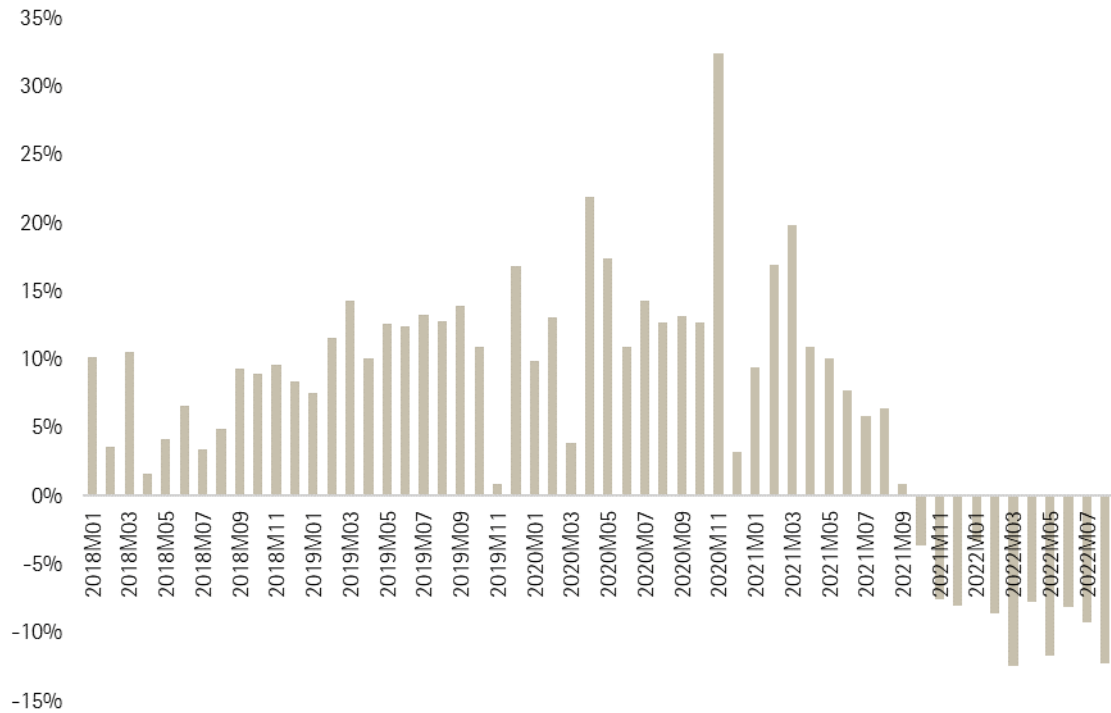
Analyst	Arttu Heikura
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🟢 BUY 🟡 HOLD 🔴 SELL

KEY FIGURES

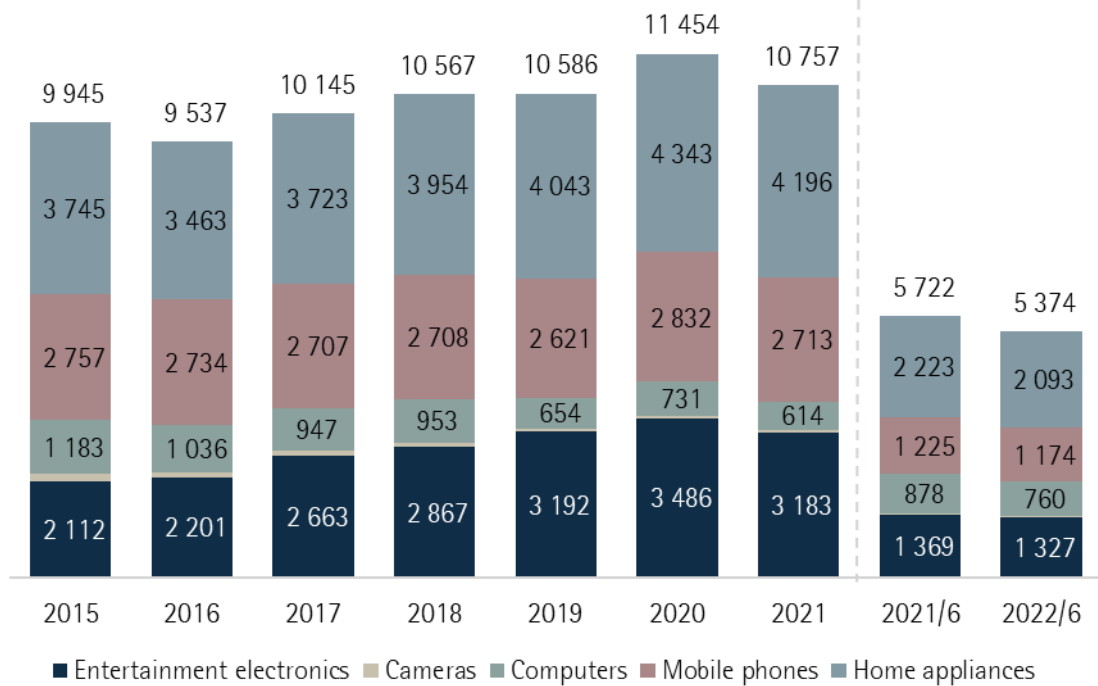
	Sales EURm	EBIT EURm	EBIT %	FCF EURm	EPS EUR	P/E (x)	EV/Sales (x)	EV/EBIT (x)	FCF yield %	DPS EUR
2020	553.6	20.4	3.7%	12.8	0.34	20.7	0.5	14.6	4.0	0.45
2021	574.5	20.3	3.5%	-1.0	0.34	21.2	0.6	15.7	-0.3	0.25
2022E	554.0	6.9	1.2%	-5.5	0.09	29.8	0.3	23.6	-3.7	0.22
2023E	580.5	14.7	2.5%	6.7	0.21	15.7	0.3	11.3	4.6	0.26
2024E	624.7	19.0	3.0%	26.7	0.29	11.5	0.2	8.0	18.1	0.28
Market cap, EURm		148	Gearing 2022E, %			54.5	CAGR EPS 2021-24, %			-5.0
Net debt 2022E, EURm		16	Price/book 2022E			5.1	CAGR sales 2021-24, %			2.8
Enterprise value, EURm		163	Dividend yield 2022E, %			6.7	ROE 2022E, %			12.7
Total assets 2022E, EURm		186	Tax rate 2022E, %			18.9	ROCE 2022E, %			11.1
Goodwill 2022E, EURm		3	Equity ratio 2022E, %			15.9	PEG, P/E 22/CAGR			0.6

Figure 1: Finnish electronics sales monthly changes (in volumes)



Source: Stat.fi

Figure 2: Finnish consumer electronics sales (in volumes)



Source: GfK, ETK, GoTech

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	0.2x	0.2x	0.1x	3.8x	3.4x	2.4x	14.4x	18.5x	7.0x	4.0 %	-25.4 %
BHG Group AB	0.5x	0.5x	0.4x	9.0x	7.6x	6.1x	14.6x	14.8x	10.7x	0.8 %	-25.2 %
Boozt AB	0.7x	0.6x	0.5x	10.1x	8.2x	6.5x	18.9x	13.8x	10.3x	10.9 %	6.3 %
Delticom AG	0.2x	0.1x	0.1x	5.5x	5.0x	3.5x	18.4x	14.9x	7.3x	-7.4 %	-39.9 %
Dustin Group AB	0.4x	0.4x	0.3x	7.9x	7.2x	6.2x	10.4x	9.7x	8.1x	13.1 %	2.0 %
Groupe LDLC SA	0.1x	0.1x	0.1x	1.9x	1.3x	0.8x	2.4x	1.6x	1.0x	1.4 %	-9.4 %
Zalando SE	0.5x	0.5x	0.4x	12.0x	8.9x	6.8x	32.8x	19.5x	12.5x	7.5 %	1.4 %
Omnichannel retail Nordic and European peers											
CECONOMY AG	0.1x	0.1x	0.1x	2.9x	2.7x	2.5x	15.4x	12.2x	8.8x	0.3 %	-6.6 %
Clas Ohlson AB Class B	0.7x	0.6x	0.6x	4.8x	4.2x	3.9x	12.6x	9.7x	8.9x	-0.3 %	-8.5 %
Currys PLC	0.2x	0.2x	0.1x	3.1x	2.8x	2.1x	7.9x	6.5x	4.8x	-4.6 %	-6.3 %
ICA Gruppen AB										na.	na.
Kesko Oyj Class B	0.8x	0.8x	0.8x	7.1x	7.5x	7.4x	11.5x	12.7x	12.5x	2.4 %	-1.8 %
Kjell Group AB	0.7x	0.6x	0.5x	5.9x	5.1x	4.3x	12.8x	9.9x	8.0x	5.6 %	12.8 %
Musti Group Oyj	1.8x	1.6x	1.4x	10.2x	8.6x	7.6x	20.6x	16.0x	13.1x	6.1 %	15.6 %
Puutila Oyj	1.8x	1.6x	1.5x	9.0x	8.8x	7.8x	11.6x	11.5x	10.1x	5.4 %	5.1 %
Tokmanni Group Oyj	0.9x	0.8x	0.8x	6.3x	6.1x	5.4x	11.3x	10.7x	9.3x	3.8 %	-0.5 %
Unieuro SpA	0.2x	0.2x	0.2x	3.6x	3.5x	4.1x	12.1x	11.7x	11.6x	-2.7 %	-29.9 %
XXL ASA	0.5x	0.5x	0.4x	6.5x	4.7x	3.3x		38.4x	14.1x	-1.8 %	-17.9 %
Large international e-commerce peers											
Alibaba Group Holding Ltd.	1.1x	0.9x	0.7x	5.9x	4.7x	3.5x	10.1x	7.9x	5.4x	10.9 %	8.6 %
Amazon.com, Inc.	2.4x	2.0x	1.7x	17.1x	13.7x	10.4x	81.8x	40.5x	23.8x	19.3 %	10.3 %
eBay Inc.	2.8x	2.7x	2.5x	8.1x	7.7x	7.0x	9.4x	9.1x	8.4x	3.9 %	11.0 %
JD.com, Inc. Class A	0.3x	0.3x	0.2x	13.8x	9.1x	6.3x	25.8x	13.6x	8.5x	14.9 %	33.1 %
Rakuten, Inc.											
Online-focused Nordic and European peers	0.4x	0.4x	0.3x	7.9x	7.2x	6.1x	14.6x	14.8x	8.1x	4.0 %	-9.4 %
Omnichannel retail Nordic and European peers	0.7x	0.6x	0.6x	6.1x	4.9x	4.2x	12.1x	11.6x	9.7x	1.4 %	-4.0 %
Large international e-commerce peers	1.7x	1.5x	1.2x	11.0x	8.4x	6.6x	17.9x	11.3x	8.5x	12.9 %	10.6 %
Verkkokauppa.com (Evli est.)	0.3x	0.3x	0.2x	13.2x	8.1x	5.9x	23.6x	11.3x	8.0x	2.8 %	-5.0 %
<i>Verkkokauppa.com vs. Online-focused Nordic and European peers median</i>	-24%	-20%	-26%	69%	13%	-3%	62%	-23%	-1%		
<i>Verkkokauppa.com vs. Omnichannel retail Nordic and European peers median</i>	-57%	-54%	-57%	117%	67%	40%	95%	-2%	-18%		

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		13.8x	9.5x	1.2%	0.8%	2.0%	0.0%	0.0%	0.0%	-3.1%	0.5x
BHG Group AB	4.2x	12.1x	7.7x	3.4%	3.4%	4.1%	0.0%	0.0%	0.0%	8.1%	0.3x
Boozt AB	26.4x	20.0x	15.4x	3.7%	4.5%	5.0%	0.0%	0.0%	0.2%	7.6%	2.0x
Delticom AG	6.8x	11.2x	5.2x	0.8%	1.0%	1.8%	0.0%	0.0%	0.0%	10.0%	0.7x
Dustin Group AB	8.2x	8.1x	6.8x	3.7%	3.7%	4.1%	5.5%	7.2%	9.1%	12.0%	1.0x
Groupe LDLC SA	5.3x	4.5x	4.4x	5.4%	5.8%	5.3%	8.2%	9.0%	6.7%	18.5%	1.0x
Zalando SE	89.9x	40.8x	24.7x	1.5%	2.4%	3.2%	0.0%	0.0%	0.2%	2.9%	2.6x
Omnichannel retail Nordic and European peers											
CECONOMY AG	8.0x	5.6x	4.5x	0.8%	0.9%	1.2%	2.9%	4.1%	7.2%	8.9%	0.7x
Clas Ohlson AB Class B	12.4x	9.8x	9.5x	5.4%	6.6%	6.8%	8.6%	9.2%	9.3%	18.4%	2.3x
Currys PLC	7.4x	5.8x	5.7x	2.2%	2.6%	2.4%	4.2%	5.1%	5.7%	3.8%	0.3x
ICA Gruppen AB											
Kesko Oyj Class B	12.4x	14.0x	13.7x	6.8%	6.1%	6.1%	5.8%	5.8%	5.9%	22.0%	2.7x
Kjell Group AB	9.7x	7.8x	6.8x	5.3%	6.2%	6.6%	3.9%	7.7%	9.1%	11.5%	1.1x
Musti Group Oyj	24.2x	19.0x	15.6x	8.7%	10.0%	11.0%	2.8%	3.8%	4.6%	14.6%	3.5x
Puutila Oyj	12.6x	12.7x	10.9x	15.2%	14.3%	14.9%	6.2%	6.4%	7.3%	44.5%	5.6x
Tokmanni Group Oyj	10.7x	10.1x	9.1x	7.8%	7.9%	8.3%	6.8%	7.2%	8.0%	25.5%	2.7x
Unieuro SpA	8.3x	8.3x	5.1x	1.4%	1.5%	2.0%	5.5%	5.5%	10.1%	20.3%	1.7x
XXL ASA			9.6x	-1.2%	1.2%	2.6%	2.9%	0.0%	3.7%	-4.2%	0.3x
Large international e-commerce peers											
Alibaba Group Holding Ltd.	9.5x	8.7x	7.8x	10.9%	11.4%	12.9%	0.0%	0.0%	0.0%	12.8%	1.2x
Amazon.com, Inc.	4 283.7x	53.1x	32.1x	2.9%	5.0%	7.2%	0.0%	0.0%	0.0%	0.2%	7.8x
eBay Inc.	9.5x	8.9x	7.9x	29.4%	29.4%	30.0%	2.2%	2.0%	2.0%	50.1%	4.8x
JD.com, Inc. Class A	20.0x	15.0x	11.7x	1.3%	1.9%	2.4%	0.8%	0.0%	0.0%	9.9%	2.0x
Rakuten, Inc.											
Online-focused Nordic and European peers	7.5x	12.1x	7.7x	3.4%	3.4%	4.1%	0.0%	0.0%	0.2%	8.1%	1.0x
Omnichannel retail Nordic and European peers	10.7x	9.8x	9.3x	5.4%	6.2%	6.4%	4.8%	5.7%	7.3%	16.5%	2.0x
Large international e-commerce peers	14.7x	11.9x	9.8x	6.9%	8.2%	10.1%	0.4%	0.0%	0.0%	11.3%	3.4x
Verkkokauppa.com (Evli est.)	29.8x	15.7x	11.5x	1.2 %	2.5 %	3.0 %	6.7%	7.9%	8.5%	12.7%	5.1x
<i>Verkkokauppa.com vs. Online-focused Nordic and European peers median</i>	298%	30%	48%								427%
<i>Verkkokauppa.com vs. Omnichannel retail Nordic and European peers median</i>	180%	59%	23%								159%

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC
Current share price	3.30 PV of Free Cash Flow	143 Long-term growth, %	2.0 Risk-free interest rate, %
DCF share value	6.59 PV of Horizon value	162 WACC, %	8.7 Market risk premium, %
Share price potential, %	99.8 Unconsolidated equity	0 Spread, %	0.5 Debt risk premium, %
Maximum value	7.1 Marketable securities	21 Minimum WACC, %	8.2 Equity beta coefficient
Minimum value	6.1 Debt - dividend	-31 Maximum WACC, %	9.2 Target debt ratio, %
Horizon value, %	53.2 Value of stock	295 Nr of shares, Mn	44.7 Effective tax rate, %

DCF valuation, EURm	2021	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	Horizon
Net sales	574	554	581	625	643	656	669	683	696	710	725	739
<i>Sales growth, %</i>	<i>3.8</i>	<i>-3.6</i>	<i>4.8</i>	<i>7.6</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	7	15	19	23	23	23	24	24	25	25	26
<i>Operating income margin, %</i>	<i>3.5</i>	<i>1.2</i>	<i>2.5</i>	<i>3.0</i>	<i>3.5</i>	<i>3.5</i>	<i>3.5</i>	<i>3.5</i>	<i>3.5</i>	<i>3.5</i>	<i>3.5</i>	<i>3.5</i>
+ Depreciation+amort.	5	5	6	7	6	6	6	5	5	5	5	
EBITDA	25	12	20	26	29	29	29	29	30	30	31	
- Paid taxes	-4	-1	-3	-4	-5	-5	-5	-5	-5	-5	-5	
- Change in NWC	-14	-4	0	12	6	0	5	0	0	0	0	
<i>NWC / Sales, %</i>	<i>2.0</i>	<i>2.8</i>	<i>2.6</i>	<i>0.5</i>	<i>-0.4</i>	<i>-0.4</i>	<i>-1.2</i>	<i>-1.3</i>	<i>-1.3</i>	<i>-1.3</i>	<i>-1.3</i>	
+ Change in other liabs	0	0	0	0	0	0	0	0	0	0	0	
- Operative CAPEX	-5	-11	-2	-2	-2	-2	-2	-2	-3	-3	-3	
<i>opCAPEX / Sales, %</i>	<i>1.3</i>	<i>2.6</i>	<i>1.5</i>	<i>0.8</i>	<i>0.8</i>	<i>0.7</i>	<i>0.7</i>	<i>0.8</i>	<i>0.8</i>	<i>0.8</i>	<i>0.8</i>	
- Acquisitions	0	3	0	0	0	0	0	0	0	0	0	
+ Divestments	0	0	0	0	0	0	0	0	0	0	0	
- Other items	0	0	0	0	0	0	0	0	0	0	0	
= FCFF	3	0	16	32	28	22	27	22	22	22	23	349
= Discounted FCFF		0	14	26	21	16	18	13	12	11	11	162
= DFCF min WACC		0	14	27	22	16	18	14	13	12	11	183
= DFCF max WACC		0	14	26	21	15	17	13	12	11	10	145

INTERIM FIGURES

EVLI ESTIMATES, EURm	2021Q1	2021Q2	2021Q3	2021Q4	2021	2022Q1	2022Q2	2022Q3E	2022Q4E	2022E	2023E	2024E
Net sales	134.0	130.5	141.0	168.9	574.5	124.8	125.7	135.9	167.6	554.0	580.5	624.7
EBITDA	6.5	6.3	5.8	6.6	25.2	2.0	0.5	4.5	5.4	12.3	20.5	25.5
<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>1.6</i>	<i>0.4</i>	<i>3.3</i>	<i>3.2</i>	<i>2.2</i>	<i>3.5</i>	<i>4.1</i>
EBIT	5.2	5.1	4.7	5.3	20.3	0.7	-0.9	3.1	4.0	6.9	14.7	19.0
<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>0.5</i>	<i>-0.7</i>	<i>2.3</i>	<i>2.4</i>	<i>1.2</i>	<i>2.5</i>	<i>3.0</i>
Net financial items	-0.3	-0.4	-0.3	-0.3	-1.4	-0.4	-0.5	-0.5	-0.5	-1.9	-2.9	-2.9
Pre-tax profit	4.9	4.7	4.3	5.0	18.9	0.3	-1.4	2.6	3.5	5.0	11.8	16.1
Tax	-1.0	-1.0	-0.9	-1.0	-3.9	-0.1	0.4	-0.5	-0.7	-0.9	-2.4	-3.2
<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>34.6</i>	<i>27.1</i>	<i>20.0</i>	<i>20.0</i>	<i>18.9</i>	<i>20.0</i>	<i>20.0</i>
Net profit	3.9	3.7	3.5	4.0	15.1	0.2	-1.0	2.1	2.8	4.1	9.4	12.9
EPS	0.09	0.08	0.08	0.09	0.34	0.00	-0.02	0.05	0.06	0.09	0.21	0.29
EPS adjusted (diluted no. of shares)	0.09	0.08	0.08	0.09	0.34	0.01	-0.01	0.05	0.06	0.11	0.21	0.29
Dividend per share	0.00	0.00	0.00	0.00	0.25	0.00	0.00	0.00	0.00	0.22	0.26	0.28
SALES, EURm												
Verkkokauppa.com	134.0	130.5	141.0	168.9	574.5	124.8	125.7	135.9	167.6	554.0	580.5	624.7
Total	134.0	130.5	141.0	168.9	574.5	124.8	125.7	135.9	167.6	554.0	580.5	624.7
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>-3.7</i>	<i>-3.6</i>	<i>-0.8</i>	<i>-3.6</i>	<i>4.8</i>	<i>7.6</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>-3.7</i>	<i>-3.6</i>	<i>-0.8</i>	<i>-3.6</i>	<i>4.8</i>	<i>7.6</i>
EBIT, EURm												
Verkkokauppa.com	5.2	5.1	4.7	5.3	20.3	0.7	-0.9	3.1	4.0	6.9	14.7	19.0
Total	5.2	5.1	4.7	5.3	20.3	0.7	-0.9	3.1	4.0	6.9	14.7	19.0
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>0.5</i>	<i>-0.7</i>	<i>2.3</i>	<i>2.4</i>	<i>1.2</i>	<i>2.5</i>	<i>3.0</i>
Total	<i>3.9</i>	<i>3.9</i>	<i>3.3</i>	<i>3.2</i>	<i>3.5</i>	<i>0.5</i>	<i>-0.7</i>	<i>2.3</i>	<i>2.4</i>	<i>1.2</i>	<i>2.5</i>	<i>3.0</i>

INCOME STATEMENT, EURm	2017	2018	2019	2020	2021	2022E	2023E	2024E
Sales	431.9	477.8	504.1	553.6	574.5	554.0	580.5	624.7
<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>-3.6</i>	<i>4.8</i>	<i>7.6</i>
EBITDA	18.0	18.4	16.2	25.4	25.2	12.3	20.5	25.5
<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>2.2</i>	<i>3.5</i>	<i>4.1</i>
Depreciation	-4.6	-5.1	-4.9	-5.0	-5.0	-5.4	-5.8	-6.5
EBITA	13.5	13.3	11.3	20.4	20.3	6.9	14.7	19.0
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	6.9	14.7	19.0
<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>1.2</i>	<i>2.5</i>	<i>3.0</i>
Reported EBIT	13.5	13.3	11.3	19.6	20.3	6.9	14.7	19.0
<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>1.2</i>	<i>2.5</i>	<i>3.0</i>
Net financials	-1.6	-1.7	-1.5	-1.4	-1.4	-1.9	-2.9	-2.9
Pre-tax profit	11.8	11.7	9.8	19.0	18.9	5.0	11.8	16.1
Taxes	-2.4	-2.3	-1.9	-3.5	-3.9	-0.9	-2.4	-3.2
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	4.1	9.4	12.9
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	10	11	11
Goodwill	0	0	0	0	0	3	3	3
Right of use assets	25	22	19	17	16	15	17	15
Inventory	47	66	67	75	88	97	95	94
Receivables	20	27	27	33	39	34	36	34
Liquid funds	52	47	42	43	21	25	24	37
Total assets	149	168	160	174	172	186	188	196
Liabilities								
Shareholder's equity	37	38	37	41	36	29	28	30
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	17	15
Deferred taxes	0	0	0	0	0	0	0	0
Interest bearing debt	0	0	0	0	0	25	25	25
Non-interest bearing current liabilities	82	103	100	110	116	116	116	125
Other interest-free debt	0	0	0	0	0	0	0	0
Total liabilities	149	168	160	174	172	186	188	196
CASH FLOW, EURm								
+ EBITDA	18	18	16	25	25	12	20	26
- Net financial items	-2	-2	-1	-1	-1	-2	-3	-3
- Taxes	-4	-3	-2	-2	-4	-1	-2	-3
- Increase in Net Working Capital	10	-5	-3	-5	-14	-4	0	12
+/- Other	0	0	1	0	0	0	0	0
= Cash flow from operations	23	9	10	17	7	6	15	32
- Capex	-2	-2	-2	-4	-8	-14	-9	-5
- Acquisitions	0	0	0	0	0	3	0	0
+ Divestments	0	0	0	0	0	0	0	0
= Free cash flow	21	6	8	13	-1	-5	7	27
+/- New issues/buybacks	-4	0	0	-1	0	0	0	0
- Paid dividend	-7	-8	-9	-10	-20	-11	-10	-12
+/- Other	0	-3	-3	-2	-1	20	2	-2
Change in cash	10	-5	-4	1	-22	4	-1	13

KEY FIGURES	2018	2019	2020	2021	2022E	2023E	2024E
M-cap	185	159	320	319	148	148	148
Net debt (excl. convertibles)	-20	-19	-21	-1	16	19	4
Enterprise value	164	140	299	318	163	166	151
Sales	478	504	554	574	554	581	625
EBITDA	18	16	25	25	12	20	26
EBIT	13	11	20	20	7	15	19
Pre-tax	12	10	19	19	5	12	16
Earnings	9	8	15	15	4	9	13
Equity book value (excl. minorities)	38	37	41	36	29	28	30
Valuation multiples							
EV/sales	0.3	0.3	0.5	0.6	0.3	0.3	0.2
EV/EBITDA	8.9	8.7	11.8	12.6	13.2	8.1	5.9
EV/EBITA	12.3	12.4	14.6	15.7	23.6	11.3	8.0
EV/EBIT	12.3	12.4	14.6	15.7	23.6	11.3	8.0
EV/OCF	18.5	14.4	17.7	47.7	29.0	10.9	4.8
EV/FCFF	18.6	14.4	18.8	110.0	-4,005.7	10.7	4.8
P/FCFE	28.7	20.6	24.9	-329.2	-27.0	21.9	5.5
P/E	19.8	20.4	20.7	21.2	29.8	15.7	11.5
P/B	4.9	4.4	7.9	8.9	5.1	5.2	5.0
Target EV/EBITDA	0.0	0.0	0.0	0.0	14.0	8.6	6.3
Target EV/EBIT	0.0	0.0	0.0	0.0	24.9	11.9	8.4
Target EV/FCF	0.0	0.0	0.0	0.0	-31.5	26.0	6.0
Target P/B	0.0	0.0	0.0	0.0	5.4	5.5	5.3
Target P/E	0.0	0.0	0.0	0.0	31.6	16.6	12.1
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	0.09	0.21	0.29
Operating cash flow per share	0.20	0.22	0.38	0.15	0.13	0.34	0.71
Free cash flow per share	0.14	0.17	0.29	-0.02	-0.12	0.15	0.60
Book value per share	0.83	0.81	0.90	0.80	0.64	0.63	0.66
Dividend per share	0.20	0.21	0.45	0.25	0.22	0.26	0.28
Dividend payout ratio, %	95.6	123.4	130.7	73.1	240.9	123.3	97.2
Dividend yield, %	4.8	6.1	6.3	3.5	6.7	7.9	8.5
FCF yield, %	3.5	4.9	4.0	-0.3	-3.7	4.6	18.1
Efficiency measures							
ROE	25.1	21.1	40.1	39.5	12.7	33.0	44.5
ROCE	20.5	18.2	33.4	34.3	11.1	21.0	27.0
Financial ratios							
Inventories as % of sales	13.8	13.2	13.6	15.3	17.6	16.4	15.0
Receivables as % of sales	5.7	5.4	5.9	6.8	6.2	6.2	5.5
Non-interest bearing liabilities as % of sales	21.6	19.7	19.9	20.1	21.0	20.0	20.0
NWC/sales, %	-2.2	-1.1	-0.4	2.0	2.8	2.6	0.5
Operative CAPEX/sales, %	0.5	0.4	0.7	1.3	2.6	1.5	0.8
CAPEX/sales (incl. acquisitions), %	0.5	0.4	0.7	1.3	3.2	1.5	0.8
FCFF/EBITDA	0.5	0.6	0.6	0.1	0.0	0.8	1.2
Net debt/EBITDA, book-weighted	-1.1	-1.2	-0.8	0.0	1.3	0.9	0.1
Debt/equity, market-weighted	0.0	0.0	0.0	0.0	0.2	0.2	0.2
Equity ratio, book-weighted	23.0	23.4	24.5	21.4	15.9	15.6	15.6
Gearing, %	-54.3	-52.1	-52.2	-2.2	54.5	66.3	12.4

COMPANY DESCRIPTION: Verkkokauppa.com is the most popular Finnish online retailer, offering over 80,000 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 11.5% in 2010-2021. 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. From the end of 2021, consumer electronics market has been soft driven by excessive consumption of durable goods during pandemic as well as consumption transferring toward services after pandemic, and Verkkokauppa.com's revenue is likely to decline in 2022.

OWNERSHIP STRUCTURE	SHARES	EURm	%
Seppälä Samuli	15,957,000	52.658	35.7%
Keskinäinen Työeläkevakuutusyhtiö Varma	3,865,932	12.758	8.6%
Mandatum Henkivakuutusosakeyhtiö	2,293,233	7.568	5.1%
Keskinäinen Eläkevakuutusyhtiö Ilmarinen	2,174,309	7.175	4.9%
Sijoitusrahasto Nordea Nordic Small Cap	1,411,669	4.659	3.2%
Sijoitusrahasto Evli Suomi Pienyhtiöt	1,219,841	4.025	2.7%
Skogberg Ville Johannes	634,266	2.093	1.4%
Keskinäinen Vakuutusyhtiö Kaleva	566,475	1.869	1.3%
Op-Suomi Pienyhtiöt	485,603	1.602	1.1%
Säästöpankki Kotimaa -Sijoitusrahasto	403,933	1.333	0.9%
Ten largest	29,012,261	95.740	65%
Residual	15,729,472	51.907	35%
Total	44,741,733	147.648	100%

EARNINGS CALENDAR

October 27, 2022

Q3 report

OTHER EVENTS

COMPANY MISCELLANEOUS

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

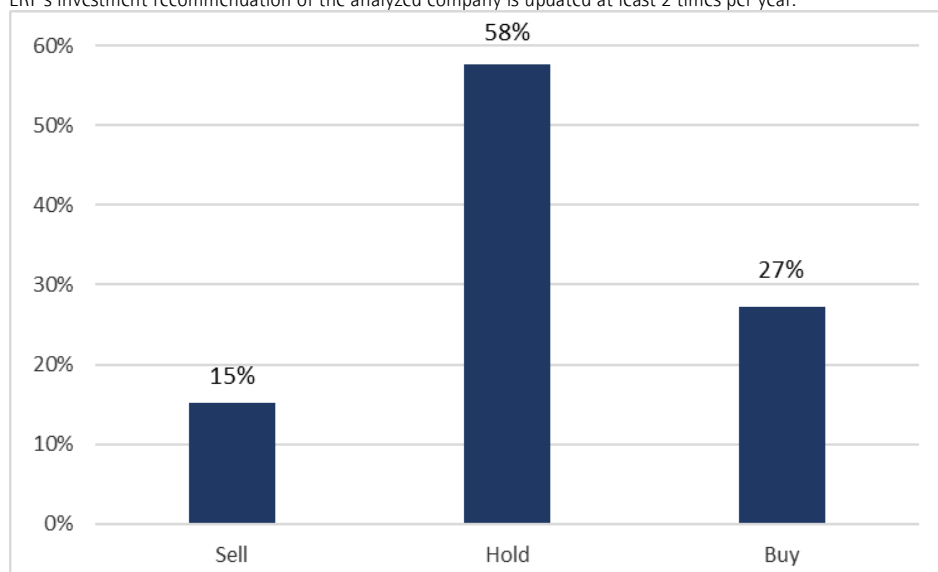
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Target price compared to share price	Recommendation
< -10 %	SELL
-10 – (+10) %	HOLD
> 10 %	BUY

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

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