

A victim of poor market

Preliminary figures given, Verkkokauppa.com's Q3 report included no large surprises. Net sales continued in decline and profitability was hit by lower volumes, weaker sales mix, price competition and elevated cost levels. Guidance intact (revised ahead of Q3 result).

- Group results:** net sales declined by 2.3% y/y to EUR 137.8m (135.9/136.5m Evli/cons.). Acquired e-ville.com contributed to Q3 net sales and EBIT by EUR 2.4m and 0.6m respectively. Gross margin was negatively impacted by weaker sales mix and price competition. Adj. EBIT was EUR 2.1m (3.1/2.6m Evli/cons.) as a result of the elevated cost level. EPS amounted to EUR 0.01 (0.05/0.04 Evli/cons.).
- Online sales:** represented 58% of total net sales and decreased by 3.5% y/y while brick-and-mortar saw a 7.7% y/y decline.
- Category split:** demand was good in some segments of core categories, such as household appliances and home entertainment devices, but in total the category declined by 5.2% y/y. The demand for evolving categories continued as good by growing by 3.1% y/y in a challenging market environment.
- Consumer segment:** consumer segment continued lagging and declined by 7.8% y/y. The segment represented 70% of the group net sales.
- B2B segment:** growth pace saw a slowdown to 5% y/y with SME clients reducing their activity. The segment represented 21% of the group net sales.
- Export segment:** gained new customers from acquired e-ville.com and grew by 35.1% y/y, being 9% of total net sales. Net sales came back to its levels before the disposal of sales to Russia.
- Guidance was lowered ahead of Q3 result:** net sales between EUR 530-560m and adj. EBIT between EUR 5-9m. Mid-point implies a revenue decline of 5.1% and an EBIT margin of 1.3%.

Rating
HOLD
Q3'22 ESTIMATES

	Actual	Evli	Consensus*	Q3'21
Net sales	137.8	135.9	136.5	141.0
Adj. EBIT	2.1	3.1	2.6	4.7
Adj. EBIT-margin	1.5%	2.3%	1.9%	3.3%
EPS	0.01	0.05	0.04	0.08

**Consensus estimate from FactSet*

 Share price, EUR (Last trading day's closing price) **3.17**

 Target price, EUR **3.5**

 Latest change in recommendation **04-Feb-22**

 Latest report on company **24-Oct-22**

 Research paid by issuer: **YES**

 No. of shares outstanding, **44,742**

 No. of shares fully diluted, **44,742**

 Market cap, EURm **142**

 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**

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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	554.0	6.9	1.2%	-5.5	0.09	28.6	0.3	22.8	-3.9	0.22
2023E	580.5	14.7	2.5%	6.7	0.21	15.0	0.3	10.9	4.8	0.26
2024E	624.7	19.0	3.0%	26.7	0.29	11.0	0.2	7.7	18.9	0.28

Market cap, EURm	142	BV per share 2022E, EUR	54.5	CAGR EPS 2021-24, %	-5.0
Net debt 2022E, EURm	16	Price/book 2022E	4.9	CAGR sales 2021-24, %	2.8
Enterprise value, EURm	158	Dividend yield 2022E, %	6.9	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

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

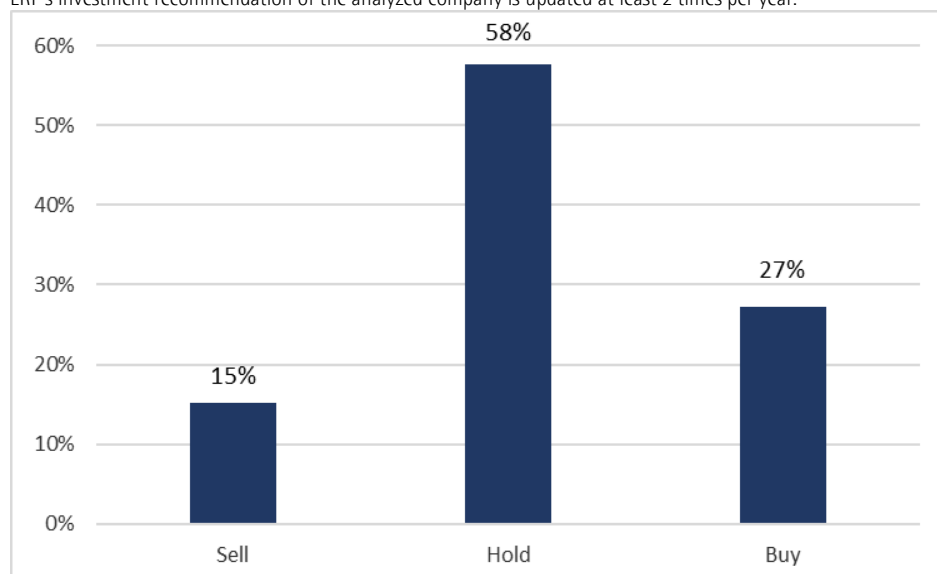
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Investment recommendations are defined as follows:

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

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