

CMD notes

In its first-ever Capital Markets Day, Verkkokauppa.com presented details on its new (revealed in Feb 2021) strategy's implementation. The company's target is to achieve EUR 1bn revenue, EUR 50m operative profit (>5% EBIT margin), and to lower its fixed costs to <10% of revenue by the end of 2025. We retain our TP of EUR 10.80 and BUY-rating.

New sources for growth and improved margins

The management introduced factors to accelerate growth rate: a focus on the assortment (core, evolving, and untapped categories), improved customer experience, the capture of shift to online, and new business through acquisitions or new private label products. Moreover, the company aims to speed up delivery performance to maintain its market-leading position and offer new financial, near-product, and standalone services to generate more profitable growth.

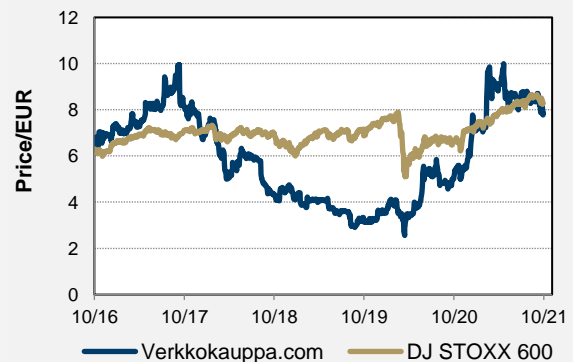
By improving its gross margin and lowering fixed costs the company expects to reach EUR 50m in operative profit by the end of 2025. According to the company, the focus on increasing the amount of the evolving and untapped categories in its assortment is set to contribute to higher gross margins. Fixed costs will be lowered through the enhancement of logistics, the automation of supply chain and product management, in addition to the improvement in marketing performance as well as segmentation. These initiatives are also set to deliver better operational efficiency and scalability.

No changes in the big picture

The CMD revealed further details on strategy execution, but the process is still in the early stages and the event didn't change the big picture. Outlook remains bright and the management has confidence on strategy implementation. We keep our estimates intact, expecting revenue in 21E-22E to reach EUR 599m and EUR 644m respectively, and an adj. EBIT margin of 4.1% and 4.3% respectively. With our estimates intact we retain our TP of EUR 10.80 and BUY-rating.

Rating

BUY



Share price, EUR (Last trading day's closing price) 7.90

Target price, EUR 10.8

Latest change in 24-Apr-20

Latest report on company 19-Jul-21

Research paid by issuer: YES

No. of shares outstanding, 44,729

No. of shares fully diluted, 44,729

Market cap, EURm 353

Free float, % 50.8

Exchange rate -

Reuters code VERK.HE

Bloomberg code VERK FH

Average daily volume, EURm 0.4

Next interim report 22-Oct-21

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BUY HOLD SELL

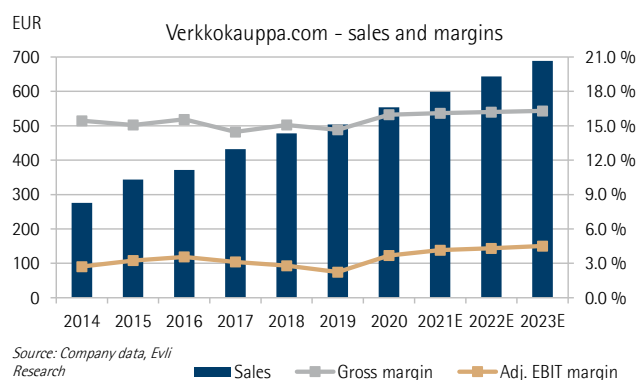
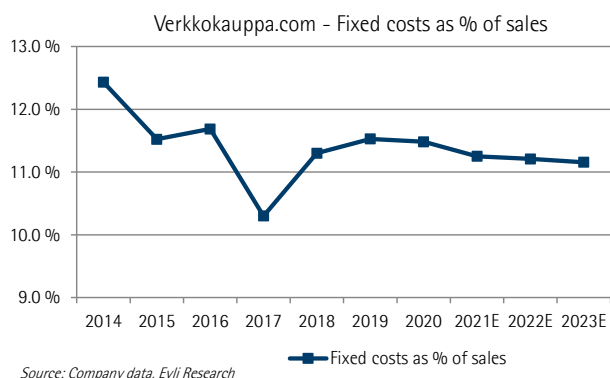
KEY FIGURES

	Sales EURm	EBIT EURm	EBIT %	FCF EURm	EPS EUR	P/E (x)	EV/Sales (x)	EV/EBIT (x)	FCF yield %	DPS EUR
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	18.9	0.5	13.2	7.3	0.25
2022E	643.5	27.7	4.3%	19.5	0.47	16.9	0.5	11.5	5.5	0.26
2023E	688.6	31.0	4.5%	25.1	0.53	15.0	0.4	9.8	7.1	0.28
Market cap, EURm			353	Gearing 2021E, %		-68.8	CAGR EPS 2020-23, %			15.3
Net debt 2021E, EURm			-27	Price/book 2021E		9.1	CAGR sales 2020-23, %			7.5
Enterprise value, EURm			327	Dividend yield 2021E, %		3.2	ROE 2021E, %			46.9
Total assets 2021E, EURm			184	Tax rate 2021E, %		20.3	ROCE 2021E, %			41.3
Goodwill 2021E, EURm			0	Equity ratio 2021E, %		21.5	PEG, P/E 21/CAGR			1.4

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

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
Sales	173.1	191.6	224.5	238.0	275.8	343.7	371.5	431.9	477.8	504.1	553.6	598.7	643.5	688.6
<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 %
Gross profit	18.4	24.5	29.3	37.4	42.6	51.8	57.8	62.5	72.0	73.9	88.4	96.4	104.2	112.2
<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 %
Fixed costs adj.	-16.6	-23.2	-28.6	-29.9	-34.3	-39.6	-43.4	-44.5	-54.0	-58.1	-63.6	-67.4	-72.1	-76.8
<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
Adj. EBITDA	2.4	1.7	0.9	7.5	8.4	12.3	14.5	18.0	18.4	16.3	25.4	29.8	32.9	36.2
<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 %
Adj. EBIT	1.6	0.8	0.0	6.6	7.5	11.1	13.2	13.5	13.3	11.3	20.4	24.8	27.7	31.0
<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 %
Reported EBIT	1.6	0.8	0.0	6.6	7.5	7.7	12.6	13.5	13.3	11.3	19.6	24.8	27.7	31.0
<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 21	EV/Sales 22	EV/Sales 23	EV/EBITDAE 21	EV/EBITDAE 22	EV/EBITDAE 23	EV/EBIT 21	EV/EBIT 22	EV/EBIT 23	Sales CAGR 20-23	EPS CAGR 20-23
Online-focused Nordic and European peers											
ASOS plc	0.8x	0.6x	0.5x	9.4x	8.0x	6.4x	15.6x	14.3x	11.1x	19.3 %	15.1 %
Dustin Group AB	1.0x	0.7x	0.6x	16.2x	11.0x	9.7x	22.9x	15.0x	12.9x	21.4 %	24.8 %
Groupe LDLC SA	0.4x	0.3x	0.3x	4.2x	3.5x	2.8x	4.7x	3.9x		5.9 %	8.3 %
Zalando SE	1.9x	1.5x	1.3x	27.7x	23.7x	18.5x	44.9x	39.1x	29.4x	22.5 %	20.5 %
Physical store-focused Nordic and European peers											
CECONOMY AG	0.1x	0.1x	0.1x	2.3x	2.3x	1.5x	9.4x	6.3x	3.7x	1.8 %	na.
Unieuro SpA	0.2x	0.2x	0.3x	3.7x	3.5x	4.3x	8.4x	8.1x	9.7x	2.7 %	-5.8 %
XXL ASA	0.7x	0.6x	0.6x	5.5x	5.0x	4.7x	13.9x	12.0x	10.5x	1.7 %	52.7 %
Large international e-commerce peers											
Alibaba Group Holding Ltd. Sponsored ADR	2.3x	1.8x	1.4x	10.9x	8.3x	6.2x	18.3x	13.2x	9.3x	24.6 %	12.2 %
Amazon.com, Inc.	3.4x	2.8x	2.3x	22.4x	17.4x	13.4x	53.9x	37.1x	25.6x	20.8 %	31.5 %
eBay Inc.	4.8x	4.4x	4.1x	12.6x	11.5x	10.5x	14.5x	13.6x	12.5x	4.8 %	14.5 %
JD.com, Inc. Sponsored ADR Class A	0.6x	0.5x	0.4x	43.8x	22.6x	14.0x	163.7x	43.4x	20.4x	24.8 %	23.1 %
Online-focused Nordic and European peers	0.8x	0.6x	0.5x	9.4x	8.0x	6.4x	17.5x	14.3x	12.0x	19.3 %	20.5 %
Physical store-focused Nordic and European peers	0.2x	0.2x	0.3x	3.7x	3.5x	4.3x	9.4x	8.1x	9.7x	1.8 %	23.5 %
Large international e-commerce peers	2.9x	2.3x	1.9x	17.5x	14.4x	12.0x	36.1x	25.4x	16.5x	22.7 %	18.8 %
Verkkokauppa.com (Evli est.)	0.5x	0.5x	0.4x	10.9x	9.6x	8.3x	13.1x	11.4x	9.8x	7.5 %	15.3 %
	-32%	-24%	-17%	16%	20%	30%	-25%	-20%	-19%		

VERKKOKAUPPA.COM PEER GROUP	P/E 21	P/E 22	P/E 23	EBIT-% 21	EBIT-% 22	EBIT-% 23	Div-% 21	Div-% 22	Div-% 23	ROE 21	P/B 21
Online-focused Nordic and European peers											
ASOS plc	22.0x	21.5x	17.7x	5.1%	4.5%	4.8%	0.0%	0.0%	0.0%	15.1%	15.1x
Dustin Group AB	17.3x	13.1x	11.7x	4.2%	4.4%	4.7%	2.0%	3.6%	4.3%	14.4%	14.4x
Groupe LDLC SA	8.0x	7.4x	6.6x	8.2%	8.4%		3.9%	4.2%	4.6%	33.2%	33.2x
Zalando SE	77.1x	67.8x	50.9x	4.1%	3.9%	4.3%	0.0%	0.0%	0.0%	11.1%	11.1x
Physical store-focused Nordic and European peers											
CECONOMY AG	9.6x	7.0x	5.4x	1.1%	1.9%	2.3%	1.6%	2.7%	4.9%	22.0%	22.0x
Unieuro SpA	7.6x	7.6x	7.1x	2.5%	2.5%	2.6%	6.5%	6.5%	6.9%	35.6%	35.6x
XXL ASA	14.6x	12.2x	10.5x	5.1%	5.3%	6.0%	7.4%	3.8%	4.6%	7.4%	7.4x
Large international e-commerce peers											
Alibaba Group Holding Ltd. Sponsored ADR	15.7x	13.1x	10.8x	12.8%	13.7%	15.0%	0.1%	0.1%	0.0%	14.5%	14.5x
Amazon.com, Inc.	62.5x	49.3x	35.9x	6.3%	7.5%	9.0%	0.0%	0.0%	0.0%	18.7%	18.7x
eBay Inc.	17.8x	15.6x	14.1x	32.9%	32.3%	32.6%	1.0%	1.1%	0.8%	23.0%	23.0x
JD.com, Inc. Sponsored ADR Class A	57.4x	36.7x	24.3x	0.4%	1.1%	1.9%	0.0%	0.0%	0.0%	5.9%	5.9x
Online-focused Nordic and European peers	21.5x	13.1x	11.7x	4.2%	4.4%	4.5%	0.0%	0.0%	0.0%	15.1%	15.1x
Physical store-focused Nordic and European peers	9.6x	7.6x	7.1x	2.5%	2.5%	2.6%	6.5%	3.8%	4.9%	22.0%	22.0x
Large international e-commerce peers	37.6x	26.1x	19.2x	9.5%	10.6%	12.0%	0.0%	0.0%	0.0%	16.6%	16.6x
Verkkokauppa.com (Evli est.)	18.8x	16.8x	14.9x	4.1 %	4.3 %	4.5 %	3.2%	3.3%	3.6%	46.9%	9.0x
<i>Verkkokauppa.com vs. Online-focused Nordic and EU peers median</i>	-13%	28%	27%								

Source: Factset, Evli Research

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC	
Current share price	7.90 PV of Free Cash Flow	227 Long-term growth, %	2.0 Risk-free interest rate, %	2.25
DCF share value	13.14 PV of Horizon value	359 WACC, %	7.0 Market risk premium, %	5.8
Share price potential, %	66.3 Unconsolidated equity	0 Spread, %	0.5 Debt risk premium, %	2.8
Maximum value	14.5 Marketable securities	43 Minimum WACC, %	6.5 Equity beta coefficient	0.80
Minimum value	12.0 Debt - dividend	-42 Maximum WACC, %	7.5 Target debt ratio, %	20
Horizon value, %	61.2 Value of stock	588 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	23	26	26	23	22	21	20	19	18	359
= DFCF min WACC		30	23	26	27	23	23	21	20	19	18	417
= DFCF max WACC		30	23	26	26	22	21	20	19	18	17	313

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	23.4	26.2	29.5
Tax	-0.6	-0.7	-1.1	-1.2	-3.5	-1.0	-1.0	-1.3	-1.5	-4.8	-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>20.3</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	20.9	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
SALES, EURm												
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
SALES GROWTH, Y/Y %												
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
EBIT, EURm												
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
EBIT margin, %												
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	23.4	26.2	29.5
Taxes	-2.4	-2.4	-2.3	-1.9	-3.5	-4.8	-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	20.9	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
BALANCE SHEET, EURm								
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
CASH FLOW, EURm								
+ 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	353	353	353
Net debt (excl. convertibles)	-23	-20	-19	-21	-27	-35	-49
Enterprise value	296	164	140	299	327	318	305
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	29
Earnings	9	9	8	15	19	21	24
Equity book value (excl. minorities)	37	38	37	41	39	49	61
Valuation multiples							
EV/sales	0.7	0.3	0.3	0.5	0.5	0.5	0.4
EV/EBITDA	16.4	8.9	8.7	11.8	10.9	9.7	8.4
EV/EBITA	22.0	12.3	12.4	14.6	13.2	11.5	9.8
EV/EBIT	22.0	12.3	12.4	14.6	13.2	11.5	9.8
EV/OCF	12.8	18.5	18.3	18.3	9.7	12.3	9.8
EV/FCFF	12.9	18.6	14.8	17.9	10.5	12.9	10.0
P/FCFE	14.8	28.7	21.6	25.2	13.7	18.1	14.1
P/E	33.8	19.8	20.4	20.7	18.9	16.9	15.0
P/B	8.7	4.9	4.4	7.9	9.1	7.2	5.8
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	8.0
Target P/E	0.0	0.0	0.0	0.0	25.9	23.1	20.5
Per share measures							
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	59.9	55.5	53.1
Dividend yield, %	2.6	4.8	6.1	6.3	3.2	3.3	3.5
FCF yield, %	6.7	3.5	4.6	4.0	7.3	5.5	7.1
Efficiency measures							
ROE	25.1	25.1	21.1	40.1	46.9	47.7	43.1
ROCE	25.7	20.5	18.2	33.4	41.3	45.0	43.4
Financial ratios							
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	21.5	24.6	27.6
Gearing, %	-61.3	-54.3	-52.1	-52.2	-68.8	-72.1	-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	126.060	35.7%
Keskinäinen Työeläkevakuutusyhtiö Varma	3,865,932	30.541	8.6%
Mandatum Henkivakuutusosakeyhtiö	2,192,211	17.318	4.9%
Keskinäinen Eläkevakuutusyhtiö Ilmarinen	2,174,309	17.177	4.9%
Sijoitusrahasto Nordea Nordic Small Cap	1,476,669	11.666	3.3%
Sijoitusrahasto Evli Suomi Pieniyhtiöt	1,230,000	9.717	2.7%
Skogberg Ville Johannes	634,266	5.011	1.4%
Keskinäinen Vakuutusyhtiö Kaleva	566,475	4.475	1.3%
Op-Suomi Pieniyhtiöt	485,603	3.836	1.1%
Säästöpankki Kotimaa -Sijoitusrahasto	423,000	3.342	0.9%
Ten largest	29,005,465	229.143	65%
Residual	15,724,032	124.220	35%
Total	44,729,497	353.363	100%

EARNINGS CALENDAR

October 22, 2021

Q3 report

OTHER EVENTS**COMPANY MISCELLANEOUS**

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

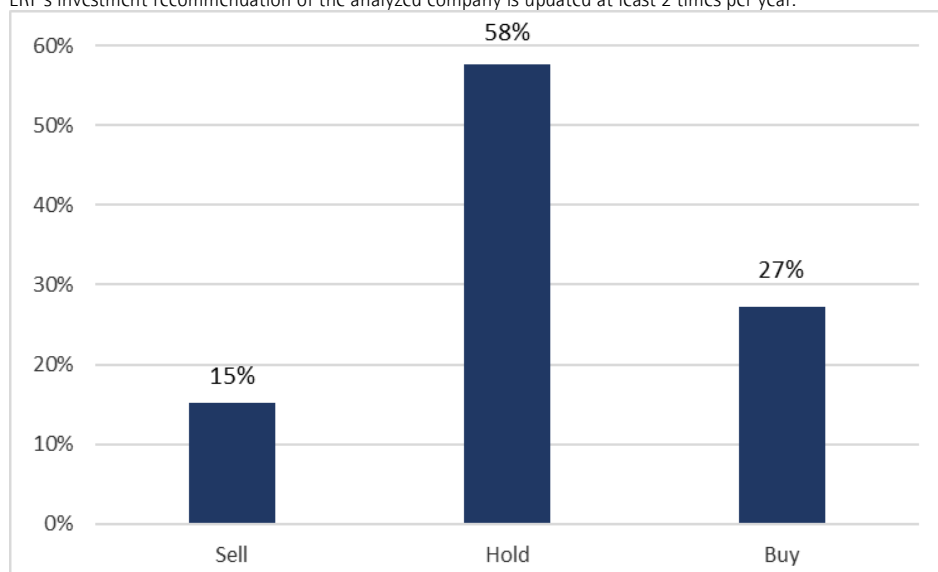
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Target price compared to share price	Recommendation
< -10 %	SELL
-10 – (+10) %	HOLD
> 10 %	BUY

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

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