

Wide guidance range for EBIT

Verkkokauppa.com Q4 headline financials were known before this morning's earnings release. Hence the information content of the Q4 report is mostly in the dividend and guidance. Dividend proposal is EUR 0.198 per share, marginally above estimates. Guidance implies 5-15% revenue growth for 2019E. EBIT in 2019E is to be between EUR 11-17m (2018A with IFRS: EUR 13.3m) – this is a wide range and leaves room for weakening. It is not specified whether guidance includes estimated impact of IFRS 16, but considering the upper range it looks to be included. Guidance should not surprise estimates, in our view.

- Dividend was EUR 0.198 vs. EUR 0.19 Evli and cons.
- Guidance for 2019E: revenue is expected to be between EUR 500-550m and EBIT between EUR 11-17m (2018A with IFRS: EUR 13.3m). Revenue range implies growth of 5-15% for 2019E.
- Wholesale deliveries increased y/y, and were partly behind the strong sales growth in Q4 as we expected. However most of growth is attributed to successful Black Friday campaign and Christmas season. The gross margin remained at fairly good level of 14.7% vs. 15.8% last year.
- Headline financials were known prior to the Q4 report, as figures were pre-announced.
- Apuraha's earnings impact specified: company-financed customer financing grew in Q4 and proceeds totaled EUR 0.9m (EUR 0.5m y/y) including both interest income and fee income.
- Financial targets were updated: annual revenue growth 10-20% (intact), growing EBIT and EBIT margin between 2.5-4.5%, and growing dividend. Previously co. targeted for adj. EBITDA margin between 3-5%.

Rating	🟡 HOLD
Share price, EUR (Last trading day's closing price)	4.20
Target price, EUR	4.2
Latest change in recommendation	06-Oct-17
Latest report on company	18-Jan-19
Research paid by issuer:	Yes
No. of shares outstanding, '000's	45,065
No. of shares fully diluted, '000's	45,065
Market cap, EURm	189
Free float, %	50.0
Exchange rate	1.000
Reuters code	VERK.HE
Bloomberg code	VERK FH
Average daily volume, EURm	na.
Next interim report	-
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🟢 BUY 🟡 HOLD 🔴 SELL

PRE-REPORT KEY FIGURES

	Sales EURm	EBIT EURm	EBIT %	Ptx profit EURm	EPS EUR	P/E (x)	EV/Sales (x)	P/CF (x)	EV/EBIT (x)	DPS EUR
2016	371	13	3.4%	13	0.23	32.1	0.8	17.3	22.7	0.17
2017	432	12	2.7%	12	0.22	32.7	0.6	16.5	22.9	0.18
2018E	477	9	1.9%	9	0.16	26.9	0.3	-101.6	16.8	0.19
2019E	516	13	2.4%	13	0.22	18.8	0.3	28.2	12.2	0.18
2020E	597	15	2.5%	13	0.23	17.9	0.3	20.9	10.5	0.21
Market cap, EURm	189		BV per share 2018E, EUR		0.9		CAGR EPS 2017-20, %		2.8	
Net debt 2018E, EURm	-40		Price/book 2018E		4.8		CAGR sales 2017-20, %		11.4	
Enterprise value, EURm	150		Dividend yield 2018E, %		4.5		ROE 2018E, %		17.5	
Total assets 2018E, EURm	144		Tax rate 2018E, %		20.2		ROCE 2018E, %		18.1	
Goodwill 2018E, EURm	0		Equity ratio 2018E, %		28.1		PEG, P/E 18/CAGR		1.0	

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

Important Disclosures

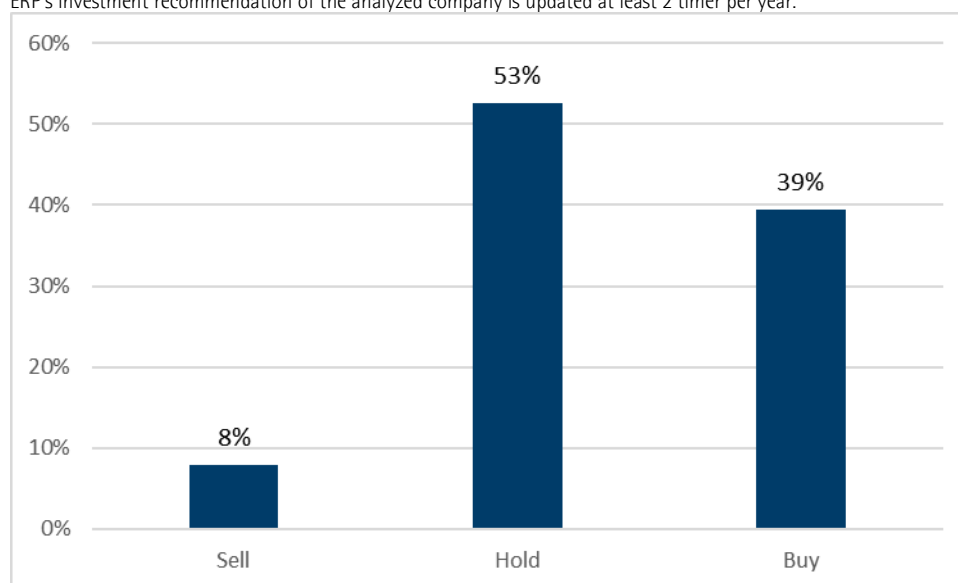
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<https://research.evli.com/JasperAllModels.action?authParam=key:461&authParam=x:G3rNagWrtf7K&authType=3>

Investment recommendations are defined as follows:

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

ERP's investment recommendation of the analyzed company is updated at least 2 times per year.



The graph above shows the distribution of ERP's recommendations of companies under coverage in 1st of February 2019. If recommendation is not given, it is not mentioned here.

Name(s) of the analyst(s): Häyhä

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