

Upgraded to "Buy"

While Verkkokauppa.com's revenue growth is unlikely to come for free in 2019E either, we think normalizing OPEX growth and increasing margin support from Apuraha should support an earnings improvement after two years of flattish development, even if price pressure tightens further. We upgrade to "Buy" ("Hold"), TP of EUR 4.7 (4.2).

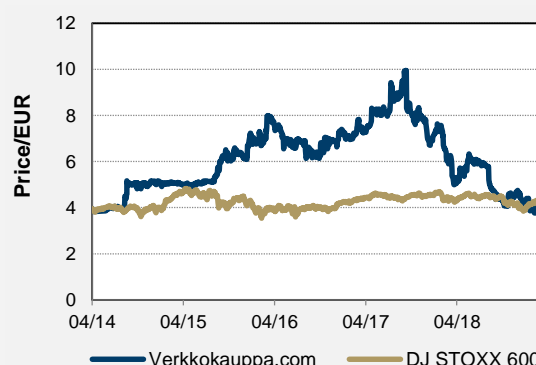
Q4: strong growth via market share take, but not for free
Verkkokauppa.com's Q4 revenue growth (+22%) remained solid from Q3 (+11%). Some part of the 22% growth was due to increased wholesale/B2B deliveries as we expected, but most of the growth was attributed to clearly increased market shares in the B2C market. Strong growth in a flattish market (+0.7% in Q4 according to GfK) did not come for free, however: the gross margin declined to 14.7% from 15.8% y/y, while OPEX grew by 22%, due to increased marketing and the Raisio store.

Guidance for 2019E EBIT is wide, reflecting uncertainties
Verkkokauppa.com guides 5-15% revenue growth and 11-17m EBIT for 2019E. EBIT was EUR 13.3m in 2018A. Vague guidance appears to reflect uncertainties related to potentially softening demand and competition. While visibility into how competition evolves remains short, we expect OPEX growth to normalize in 2019E as Raisio's ramp-up costs will be reflected in comps.

Apuraha financing should grow further, supporting margins
Apuraha financing grew in 2018: company-financed Apuraha income was reported at EUR 3.1m in 2018 vs. EUR 1.5m in 2017. We understand the company will continue to increase Apuraha financing, which would support margins.

Upgraded to "Buy" ("Hold"), ex-div TP of EUR 4.7 (4.2)
We have converted our model to IFRS (16) reporting from 2017 onwards. Additionally, we no longer assume a 5th store opening in our 2020E estimates. On our estimates the shares trade 11.4x and 9.0x EV/EBIT in 2019-2020E. While growth will most likely not come for free in 2019E either, normalizing OPEX growth and increasing margin support from Apuraha should support an earnings improvement after two years of flattish development, even if price pressure tightens further. We upgrade to "Buy".

Rating + BUY



Share price, EUR (Last trading day's closing price) 4.10
Target price, EUR 4.7

Latest change in recommendation 19-Feb-19
Latest report on company 15-Feb-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 185
Free float, % 50.0
Exchange rate 1.000
Reuters code VERK.HE
Bloomberg code VERK FH
Average daily volume, EURm na.
Next interim report -
Web site www.verkkokauppa.com

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+ BUY + HOLD - SELL

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
2017	432	13	3.1%	12	0.21	33.8	0.7	12.9	22.0	0.18
2018	478	13	2.8%	12	0.21	19.8	0.3	17.3	12.3	0.20
2019E	519	14	2.7%	13	0.22	18.4	0.3	12.4	11.4	0.21
2020E	566	18	3.1%	16	0.29	14.4	0.3	11.4	9.1	0.22
2021E	617	21	3.4%	19	0.34	11.9	0.2	9.5	7.4	0.24
Market cap, EURm			185	BV per share 2019E, EUR		0.9	CAGR EPS 2018-21, %			18.4
Net debt 2019E, EURm			-23	Price/book 2019E		4.8	CAGR sales 2018-21, %			8.9
Enterprise value, EURm			162	Dividend yield 2019E, %		5.1	ROE 2019E, %			26.4
Total assets 2019E, EURm			188	Tax rate 2019E, %		20.0	ROCE 2019E, %			20.7
Goodwill 2019E, EURm			0	Equity ratio 2019E, %		21.1	PEG, P/E 19/CAGR			1.0

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

Estimates

Our estimates reflect IFRS 16 from 2017 onwards

Verkkokauppa.com guides revenue of EUR 500-550m and adj. EBIT of EUR 11-17m for 2019E. Guidance includes impact of IFRS 16. We have converted our model to reflect IFRS (16) reporting from 2017 onwards. Additionally, we no longer assume a 5th store opening in our 2020E estimates.

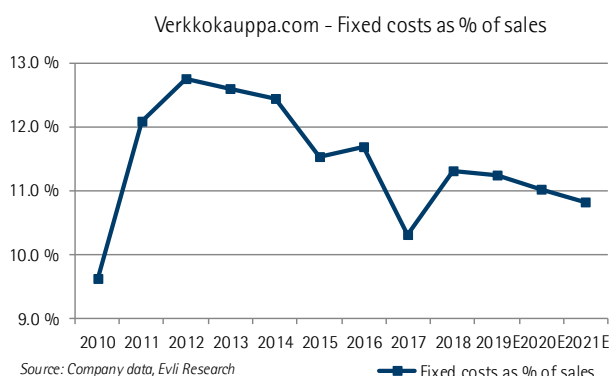
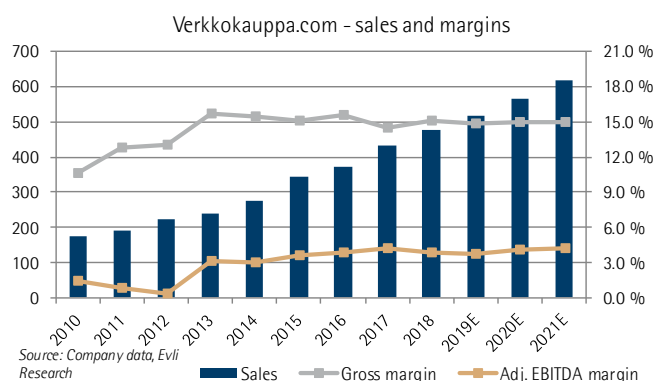
Verkkokauppa.com model	2010 FAS	2011 FAS	2012 FAS	2013 FAS	2014 FAS	2015 FAS	2016 FAS	2017 IFRS	2018 IFRS	2019E IFRS	2020E IFRS	2021E IFRS
Sales	173.1	191.6	224.5	238.0	275.8	343.7	371.5	431.9	477.8	519.1	565.8	616.7
<i>Growth-%</i>	-	10.7 %	17.2 %	6.0 %	15.9 %	24.6 %	8.1 %	16.3 %	10.6 %	8.6 %	9.0 %	9.0 %
Cost of goods and services	-154.7	-167.1	-195.2	-200.7	-233.2	-291.9	-313.7	-369.4	-405.8	-441.8	-480.9	-524.2
<i>Growth-%</i>	-	8.1 %	16.8 %	2.8 %	16.2 %	25.2 %	7.5 %	17.8 %	9.9 %	8.9 %	8.9 %	9.0 %
<i>% of sales</i>	89.4 %	87.2 %	86.9 %	84.3 %	84.6 %	84.9 %	84.4 %	85.5 %	84.9 %	85.1 %	85.0 %	85.0 %
Gross profit	18.4	24.5	29.3	37.4	42.6	51.8	57.8	62.5	72.0	77.3	84.9	92.5
<i>Gross margin</i>	10.6 %	12.8 %	13.1 %	15.7 %	15.4 %	15.1 %	15.6 %	14.5 %	15.1 %	14.9 %	15.0 %	15.0 %
Fixed costs adj.	-16.6	-23.2	-28.6	-29.9	-34.3	-39.6	-43.4	-44.5	-54.0	-58.3	-62.4	-66.7
<i>Growth-%</i>	-	39.1 %	23.6 %	4.7 %	14.5 %	15.5 %	9.6 %	2.5 %	21.4 %	7.9 %	7.0 %	7.0 %
<i>% of sales</i>	9.6 %	12.1 %	12.7 %	12.6 %	12.4 %	11.5 %	11.7 %	10.3 %	11.3 %	11.2 %	11.0 %	10.8 %
Other income	0.6	0.4	0.1	0.1	0.1	0.1	0.1	0.1	0.4	0.4	0.4	0.4
Depreciation and amortization	-0.8	-0.9	-0.9	-0.9	-1.0	-1.2	-1.3	-4.6	-5.1	-5.2	-5.3	-5.4
NRIs included in EBIT	0.0	0.0	0.0	0.0	0.0	-3.4	-0.6	0.0	0.0	0.0	0.0	0.0
Adj. EBITDA	2.4	1.7	0.9	7.5	8.4	12.3	14.5	18.0	18.4	19.4	22.9	26.2
<i>Adj. EBITDA margin</i>	1.4 %	0.9 %	0.4 %	3.2 %	3.1 %	3.6 %	3.9 %	4.2 %	3.9 %	3.7 %	4.0 %	4.2 %
Adj. EBIT	1.6	0.8	0.0	6.6	7.5	11.1	13.2	13.5	13.3	14.2	17.6	20.8
<i>Adj. EBIT margin</i>	0.9 %	0.4 %	0.0 %	2.8 %	2.7 %	3.2 %	3.6 %	3.1 %	2.8 %	2.7 %	3.1 %	3.4 %
Reported EBIT	1.6	0.8	0.0	6.6	7.5	7.7	12.6	13.5	13.3	14.2	17.6	20.8
<i>Reported EBIT margin</i>	0.9 %	0.4 %	0.0 %	2.8 %	2.7 %	2.2 %	3.4 %	3.1 %	2.8 %	2.7 %	3.1 %	3.4 %
Net financials*	-0.8	-0.9	-0.7	-1.2	-1.9	-0.9	0.0	-1.6	-1.7	-1.6	-1.5	-1.4
Profit before taxes	0.8	-0.1	-0.7	5.5	5.5	6.8	12.6	11.8	11.7	12.6	16.1	19.4
Taxes	-0.1	0.0	0.0	-1.4	-1.2	-1.4	-2.4	-2.4	-2.3	-2.5	-3.2	-3.9
<i>Tax rate (%)</i>	16.6 %	0.0 %	0.0 %	25.6 %	22.2 %	19.9 %	19.4 %	20.0 %	20.0 %	20.0 %	20.0 %	20.0 %
Other items (appropriations)	-0.1	-0.2	0.0	0.1	0.2	-0.1	0.0	0.0	0.0	0.0	0.0	0.0
Net income	0.6	-0.3	-0.7	4.2	4.5	5.4	10.2	9.5	9.3	10.1	12.9	15.5
Average number of shares (million)	7.5	7.5	7.5	7.5	7.5	45.1	45.1	45.1	45.1	45.1	45.1	45.1
EPS	0.08	-0.04	-0.09	0.56	0.60	0.12	0.23	0.21	0.21	0.22	0.29	0.34
Dividend and capital return	-	-	-	0.04	0.85	0.15	0.17	0.18	0.20	0.21	0.22	0.24
<i>Payout ratio (%)</i>				7%	142%	126%	74%	87%	96%	94%	77%	70%

Source: Company data, Evli Research

Note: IFRS figures include impact of IFRS 16 from 2017 onwards

*2014 net financials include a EUR 1.9m one-off item due to IPO

*2015 net financials include EUR 0.9m of NRIs due to the Teosto dispute



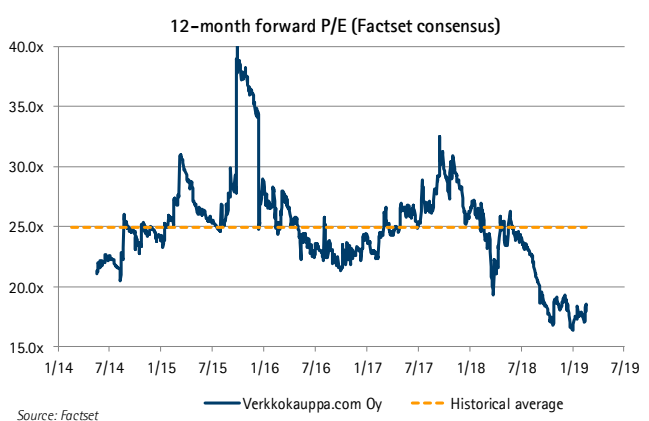
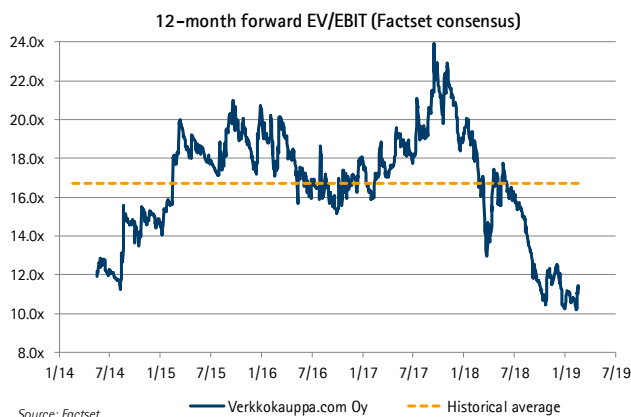
Valuation

We note that comparability to peer multiples may currently be distorted due to different approaches and timing with which IFRS 16 is reflected in estimates. Nevertheless we consider valuation attractive and upgrade to "Buy" ("Hold") with TP of EUR 4.7 (4.2).

VERKKOKAUPPA.COM PEER GROUP	EV/Sales 19	EV/Sales 20	EV/Sales 21	EV/EBITDA 19	EV/EBITDA 20	EV/EBITDA 21	EV/EBIT 19	EV/EBIT 20	EV/EBIT 21	Sales CAGR 18-21	EPS CAGR 18-21
Online-focused Nordic and European peers											
ASOS plc	0.9x	0.7x	0.6x	17.7x	13.0x	9.9x	42.1x	28.9x	20.3x	16.6 %	5.2 %
Delticom AG	0.1x	0.1x		5.6x	4.6x		6.6x	5.4x		na.	na.
Dustin Group AB	0.7x	0.6x	0.6x	12.8x	11.8x	10.8x	14.3x	13.0x	11.7x	8.7 %	10.8 %
Groupe LDLC SA	0.2x	0.1x		8.1x	5.1x		15.6x	7.4x		na.	na.
Qliro Group AB	0.3x	0.3x		7.4x	6.4x		44.5x	19.9x		na.	na.
Zalando SE	0.9x	0.8x	0.6x	20.0x	15.5x	12.6x	35.8x	27.4x	31.4x	19.3 %	23.6 %
Physical store-focused Nordic and European peers											
CECONOMY AG	0.1x	0.1x	0.0x	1.8x	1.9x	1.5x	2.9x	2.9x	2.2x	1.0 %	78.0 %
Dixons Carphone plc	0.2x	0.2x	0.2x	3.5x	3.3x	3.1x	5.5x	5.1x	5.3x	0.3 %	-1.2 %
Unieuro SpA	0.1x	0.1x		2.9x	2.1x		5.2x	3.9x		na.	na.
XXL ASA	0.6x	0.5x	0.5x	6.5x	5.6x	4.8x	11.8x	9.5x	8.3x	7.2 %	29.2 %
Large international e-commerce peers											
Alibaba Group Holding Ltd. Sponsored ADR	5.3x	3.8x	2.7x	18.6x	13.6x	8.8x	30.1x	20.8x	12.6x	30.7 %	19.9 %
Amazon.com, Inc.	2.7x	2.2x	1.9x	17.7x	13.4x	10.4x	42.6x	28.3x	19.1x	17.9 %	41.3 %
eBay Inc.	3.4x	3.1x	2.4x	9.8x	8.8x	6.9x	12.0x	10.7x	8.3x	5.1 %	13.7 %
JD.com, Inc. Sponsored ADR Class A	0.4x	0.3x	0.3x	30.2x	17.3x	11.4x	55.3x	23.0x	23.0x	18.1 %	65.0 %
Rakuten, Inc.	1.0x	0.9x	0.7x	7.4x	7.3x	5.2x	13.3x	13.7x	9.9x	12.1 %	-24.7 %
Online-focused Nordic and European peers	0.5x	0.5x	0.6x	10.5x	9.1x	10.8x	25.7x	16.4x	20.3x	16.6 %	10.8 %
Physical store-focused Nordic and European peers	0.1x	0.1x	0.2x	3.2x	2.7x	3.1x	5.4x	4.5x	5.3x	1.0 %	29.2 %
Large international e-commerce peers	2.7x	2.2x	1.9x	17.7x	13.4x	8.8x	21.7x	20.8x	12.6x	17.9 %	19.9 %
Verkkokauppa.com (Evli est.)	0.3x	0.3x	0.2x	8.4x	6.9x	5.9x	11.4x	9.0x	7.4x	8.9 %	18.4 %
<i>Verkkokauppa.com vs. Online-focused Nordic and EU peers median</i>	-38%	-44%	-61%	-20%	-23%	-45%	-56%	-45%	-64%		

VERKKOKAUPPA.COM PEER GROUP	EBIT-% 19	EBIT-% 20	EBIT-% 21	ROCE-% 19	ROCE-% 20	ROCE-% 21	Div-% 19	Div-% 20	Div-% 21	ROE 19	P/B 19
Online-focused Nordic and European peers											
ASOS plc	2.1%	2.6%	3.1%	11.5%	14.2%	16.6%	0.0%	0.0%	0.0%	9.3%	4.9x
Delticom AG	1.9%	2.1%		7.7%	9.8%		7.7%	9.8%		12.6%	1.5x
Dustin Group AB	4.8%	5.0%	5.1%	13.6%	14.5%	15.4%	4.2%	4.8%	5.2%	17.9%	2.9x
Groupe LDLC SA	1.0%	1.8%		4.6%	6.2%		4.6%	6.2%		4.2%	0.6x
Qliro Group AB	0.7%	1.8%		0.0%	0.0%		0.0%	0.0%		1.2%	1.4x
Zalando SE	2.5%	2.8%	2.1%	9.4%	11.7%		0.0%	0.0%	0.0%	6.3%	3.9x
Physical store-focused Nordic and European peers											
CECONOMY AG	1.8%	1.9%	2.1%	26.1%	26.3%	26.6%	5.6%	5.3%	5.1%	21.5%	2.1x
Dixons Carphone plc	3.0%	3.0%	2.9%	7.0%	7.2%	7.0%	5.8%	5.9%	5.2%	7.1%	0.5x
Unieuro SpA	1.8%	1.9%		9.0%	9.0%		9.0%	9.0%		36.1%	2.4x
XXL ASA	5.2%	5.8%	6.6%	7.8%	9.0%	8.8%	3.0%	5.1%	5.9%	8.4%	1.0x
Large international e-commerce peers											
Alibaba Group Holding Ltd. Sponsored ADR	17.5%	18.4%	21.5%	11.4%	13.4%	16.3%	0.0%	0.0%		19.4%	4.9x
Amazon.com, Inc.	6.4%	7.9%	9.7%	15.0%	17.1%	19.3%	0.0%	0.0%	0.0%	20.3%	11.9x
eBay Inc.	28.2%	28.5%	28.8%	19.0%	19.6%	18.9%	0.7%	0.7%	0.4%	54.9%	7.5x
JD.com, Inc. Sponsored ADR Class A	-0.1%	0.6%	1.3%	-0.6%	4.8%	10.5%	0.0%	0.0%	0.0%	9.3%	4.4x
Rakuten, Inc.	7.8%	6.8%	6.8%	6.8%	6.5%	6.7%	0.6%	0.6%	0.5%	6.9%	1.3x
Online-focused Nordic and European peers	2.0%	2.4%	3.1%	11.5%	14.2%	16.0%	2.1%	2.4%	0.0%	7.8%	2.2x
Physical store-focused Nordic and European peers	2.4%	2.4%	2.9%	7.8%	9.0%	8.8%	5.7%	5.6%	5.2%	14.9%	1.6x
Large international e-commerce peers	7.8%	7.9%	9.7%	11.4%	13.4%	16.3%	0.0%	0.0%	0.2%	19.4%	4.9x
Verkkokauppa.com (Evli est.)	2.7 %	3.1 %	3.4 %	20.7%	23.2%	25.4%	5.0%	5.4%	5.9%	26.4%	4.8x

Source: Factset, Evli research



VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC	
Current share price	4.10 PV of Free Cash Flow	131 Long-term growth, %	2.0 Risk-free interest rate, %	2.25
DCF share value	8.18 PV of Horizon value	217 WACC, %	7.0 Market risk premium, %	5.8
Share price potential, %	99.5 Unconsolidated equity	0 Spread, %	0.5 Debt risk premium, %	2.8
Maximum value	9.0 Marketable securities	47 Minimum WACC, %	6.5 Equity beta coefficient	0.80
Minimum value	7.5 Debt - dividend	-26 Maximum WACC, %	7.5 Target debt ratio, %	20
Horizon value, %	62.3 Value of stock	369 Nr of shares, Mn	45.1 Effective tax rate, %	26

DCF valuation, EURm	2018	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	Horizon
Net sales	478	519	566	617	648	680	714	750	787	826	843	860
<i>Sales growth, %</i>	10.6	8.6	9.0	9.0	5.0	5.0	5.0	5.0	5.0	5.0	2.0	2.0
Operating income (EBIT)	13	14	18	21	22	23	24	25	27	25	25	26
<i>EBIT margin, %</i>	2.8	2.7	3.1	3.4	3.4	3.4	3.4	3.4	3.4	3.0	3.0	3.0
+ Depreciation+amort.	5	5	5	5	5	6	6	6	6	7	6	
- Income taxes	-3	-3	-4	-4	-4	-5	-5	-5	-5	-5	-5	
- Change in NWC	-5	-2	-3	-3	0	0	0	0	0	0	0	
<i>NWC/Sales, %</i>	-2.2	-1.7	-1.0	-0.5	-0.5	-0.5	-0.5	-0.5	-0.5	-0.5	-0.5	
+ Change in other liabs	0	0	0	0	0	0	0	0	0	0	0	
- Capital Expenditure	-3	-2	-3	-3	-3	-4	-4	-4	-5	-5	-6	-6
<i>Investments/Sales, %</i>	0.6	0.5	0.5	0.5	0.5	0.5	0.6	0.6	0.6	0.6	0.7	0.7
- Other items	0	0	0	0	0	0	0	0	0	0	0	
= Unlevered Free CF (FCF)	8	13	14	16	20	21	22	22	23	21	21	423
= Discounted FCF (DFCF)		12	12	13	15	15	14	14	13	12	11	217
= DFCF min WACC		12	12	14	16	15	15	14	14	12	11	252
= DFCF max WACC		12	12	13	15	14	14	13	13	11	10	188

INTERIM FIGURES

EVLI ESTIMATES, EURm	2018Q1	2018Q2	2018Q3	2018Q4	2018	2019Q1E	2019Q2E	2019Q3E	2019Q4E	2019E	2020E	2021E
Net sales	103	102	117	156	478	114	111	126	168	519	566	617
EBITDA	4	2	5	7	18	4	3	5	8	19	23	26
<i>EBITDA margin (%)</i>	3.9	2.2	4.2	4.6	3.9	3.4	2.3	4.2	4.5	3.7	4.0	4.2
EBIT	3	1	4	6	13	3	1	4	6	14	18	21
<i>EBIT margin (%)</i>	2.6	1.0	3.2	3.8	2.8	2.2	1.2	3.2	3.7	2.7	3.1	3.4
Net financial items	0	0	0	0	-2	0	0	0	0	-2	-1	-1
Pre-tax profit	2	1	3	6	12	2	1	4	6	13	16	19
Tax	0	0	-1	-1	-2	0	0	-1	-1	-3	-3	-4
<i>Tax rate (%)</i>	18.7	21.2	20.6	19.9	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0
Net profit	2	0	3	4	9	2	1	3	5	10	13	15
EPS	0.04	0.01	0.06	0.10	0.21	0.04	0.02	0.06	0.10	0.22	0.29	0.34
EPS adjusted (diluted no. of shares)	0.04	0.01	0.06	0.10	0.21	0.04	0.02	0.06	0.10	0.22	0.29	0.34
Dividend per share	0.00	0.00	0.00	0.00	0.20	0.00	0.00	0.00	0.00	0.21	0.22	0.24
SALES, EURm												
Verkkokauppa.com	103	102	117	156	478	114	111	126	168	519	566	617
Total	103	102	117	156	478	114	111	126	168	519	566	617
SALES GROWTH, Y/Y %												
Verkkokauppa.com	2.7	3.4	10.8	22.3	10.6	10.9	8.0	8.0	8.0	8.6	9.0	9.0
Total	2.7	3.4	10.8	22.3	10.6	10.9	8.0	8.0	8.0	8.6	9.0	9.0
EBIT, EURm												
Verkkokauppa.com	3	1	4	6	13	3	1	4	6	14	18	21
Total	3	1	4	6	13	3	1	4	6	14	18	21
EBIT margin, %												
Verkkokauppa.com	2.6	1.0	3.2	3.8	2.8	2.2	1.2	3.2	3.7	2.7	3.1	3.4
Total	2.6	1.0	3.2	3.8	2.8	2.2	1.2	3.2	3.7	2.7	3.1	3.4

INCOME STATEMENT, EURm	2014	2015	2016	2017	2018	2019E	2020E	2021E
Sales	276	344	371	432	478	519	566	617
<i>Sales growth (%)</i>	15.9	24.6	8.1	16.3	10.6	8.6	9.0	9.0
Costs	-267	-331	-357	-414	-459	-500	-543	-591
Reported EBITDA	8	12	14	18	18	19	23	26
Extraordinary items in EBITDA	0	0	0	0	0	0	0	0
<i>EBITDA margin (%)</i>	3.1	3.6	3.8	4.2	3.9	3.7	4.0	4.2
Depreciation	-1	-1	-1	-5	-5	-5	-5	-5
EBITA	7	11	13	13	13	14	18	21
Goodwill amortization / writedown	0	0	0	0	0	0	0	0
Reported EBIT	7	11	13	13	13	14	18	21
<i>EBIT margin (%)</i>	2.7	3.2	3.4	3.1	2.8	2.7	3.1	3.4
Net financials	-2	-1	0	-2	-2	-2	-1	-1
Pre-tax profit	6	10	13	12	12	13	16	19
Extraordinary items	0	-3	-1	0	0	0	0	0
Taxes	-1	-1	-2	-2	-2	-3	-3	-4
Minority shares	0	0	0	0	0	0	0	0
Net profit	4	5	10	9	9	10	13	15
BALANCE SHEET, EURm								
Assets								
Fixed assets	3	3	3	29	27	24	22	19
<i>% of sales</i>	1	1	1	7	6	5	4	3
Goodwill	0	0	0	0	0	0	0	0
<i>% of sales</i>	0	0	0	0	0	0	0	0
Inventory	31	39	44	47	66	67	74	80
<i>% of sales</i>	11	11	12	11	14	13	13	13
Receivables	8	9	12	20	27	38	45	52
<i>% of sales</i>	3	3	3	5	6	7	8	9
Liquid funds	35	31	42	52	47	57	62	68
<i>% of sales</i>	13	9	11	12	10	11	11	11
Total assets	77	81	101	149	168	188	204	221
Liabilities								
Equity	37	36	39	37	38	39	42	48
<i>% of sales</i>	13	10	10	9	8	7	7	8
Deferred taxes	0	0	0	0	0	0	0	0
<i>% of sales</i>	0	0	0	0	0	0	0	0
Interest bearing debt	2	0	0	29	26	34	37	37
<i>% of sales</i>	1	0	0	7	6	7	6	6
Non-interest bearing current liabilities	38	45	61	82	103	114	124	136
<i>% of sales</i>	14	13	17	19	22	22	22	22
Other interest free debt	0	0	0	0	0	0	0	0
<i>% of sales</i>	0	0	0	0	0	0	0	0
Total liabilities	77	81	101	149	168	188	204	221
CASH FLOW, EURm								
+ EBITDA	8	12	14	18	18	19	23	26
- Net financial items	-2	-1	0	-2	-2	-2	-1	-1
- Taxes	-1	-1	-2	-4	-2	-3	-3	-4
- Increase in Net Working Capital	-11	-2	8	11	-5	-2	-3	-3
+/- Other	17	-4	-1	0	0	0	0	0
= Cash flow from operations	11	5	19	25	9	14	15	18
- Capex	-1	-1	-1	-31	-3	-2	-3	-3
- Acquisitions	0	0	0	0	0	0	0	0
+ Divestments	0	0	0	0	0	0	0	0
= Net cash flow	10	4	18	-6	6	11	12	15
+/- Change in interest-bearing debt	-5	-2	0	29	-3	8	2	0
+/- New issues/buybacks	25	0	0	-4	0	0	0	0
- Paid dividend	0	-6	-7	-7	-8	-9	-9	-10
+/- Change in loan receivables	0	0	0	0	0	0	0	0
Change in cash	29	-5	11	11	-5	10	5	6

KEY FIGURES	2015	2016	2017	2018	2019E	2020E	2021E
M-cap	324	333	319	185	185	185	185
Net debt	-31	-42	-23	-20	-23	-26	-31
Enterprise value	294	291	296	164	162	159	154
Sales	344	371	432	478	519	566	617
EBITDA	12	14	18	18	19	23	26
EBIT	11	13	13	13	14	18	21
Pre-tax	10	13	12	12	13	16	19
Earnings	9	10	9	9	10	13	15
Book value	36	39	37	38	39	42	48
Valuation multiples							
EV/sales	0.9	0.8	0.7	0.3	0.3	0.3	0.2
EV/EBITDA	24.0	20.6	16.4	8.9	8.4	7.0	5.9
EV/EBITA	26.5	22.7	22.0	12.3	11.4	9.1	7.4
EV/EBIT	26.5	22.7	22.0	12.3	11.4	9.1	7.4
EV/operating cash flow	32.0	15.1	12.0	15.4	10.8	9.8	7.9
EV/cash earnings	29.3	25.0	23.1	11.3	10.6	8.8	7.4
P/E	37.0	32.1	33.8	19.8	18.4	14.4	11.9
P/E excl. goodwill	37.0	32.1	33.8	19.8	18.4	14.4	11.9
P/B	9.1	8.6	8.7	4.9	4.8	4.4	3.9
P/sales	0.9	0.9	0.7	0.4	0.4	0.3	0.3
P/CF	35.4	17.3	12.9	17.3	12.4	11.4	9.5
Target EV/EBIT	0.0	0.0	0.0	0.0	13.3	10.6	8.7
Target P/E	0.0	0.0	0.0	0.0	21.0	16.5	13.7
Target P/B	0.0	0.0	0.0	0.0	5.5	5.0	4.4
Per share measures							
Number of shares	45,065	45,065	45,065	45,065	45,065	45,065	45,065
Number of shares (diluted)	45,065	45,065	45,065	45,065	45,065	45,065	45,065
EPS	0.19	0.23	0.21	0.21	0.22	0.29	0.34
EPS excl. goodwill	0.19	0.23	0.21	0.21	0.22	0.29	0.34
Cash EPS	0.22	0.26	0.29	0.32	0.34	0.40	0.46
Operating cash flow per share	0.20	0.43	0.55	0.24	0.33	0.36	0.43
Capital employed per share	0.11	-0.07	0.32	0.38	0.35	0.37	0.37
Book value per share	0.79	0.86	0.82	0.83	0.86	0.93	1.06
Book value excl. goodwill	0.79	0.86	0.82	0.83	0.86	0.93	1.06
Dividend per share	0.15	0.17	0.18	0.20	0.21	0.22	0.24
Dividend payout ratio, %	77.1	72.2	86.8	95.6	94.0	77.0	69.8
Dividend yield, %	2.1	2.2	2.6	4.8	5.1	5.4	5.9
Efficiency measures							
ROE	24.3	27.9	25.1	25.1	26.4	31.8	34.5
ROCE	29.9	34.5	25.7	20.5	20.7	23.2	25.4
Financial ratios							
Capex/sales, %	0.4	0.3	7.2	0.6	0.5	0.5	0.5
Capex/depreciation excl. goodwill, %	109.1	73.1	676.7	55.9	46.2	50.9	56.1
Net debt/EBITDA, book-weighted	-2.5	-3.0	-1.3	-1.1	-1.2	-1.1	-1.2
Debt/equity, market-weighted	0.0	0.0	0.1	0.1	0.2	0.2	0.2
Equity ratio, book-weighted	45.2	39.3	25.1	23.0	21.1	21.1	22.0
Gearing	-0.86	-1.08	-0.61	-0.54	-0.59	-0.61	-0.65
Number of employees, average	0	0	0	0	0	0	0
Sales per employee, EUR	0	0	0	0	0	0	0
EBIT per employee, EUR	0	0	0	0	0	0	0

COMPANY DESCRIPTION: Verkkokauppa.com is a Finnish retailer offering over 50,000 products in over 20 different main product categories. The company's primary business is to retail home appliances and consumer electronics, although the company has expanded its offering to cover other areas as well. Majority of revenue comes from B2C sales although the company has some B2B sales as well. The company's operations are in Finland.

INVESTMENT CASE:

OWNERSHIP STRUCTURE	SHARES	EURm	%
Seppälä Samuli Sipi	22,487,496	92.199	49.9%
Keskinäinen Eläkevakuutusyhtiö Ilmarinen	2,304,509	9.448	5.1%
Keva	2,171,000	8.901	4.8%
Keskinäinen Työeläkevakuutusyhti	2,065,932	8.470	4.6%
Rite Ventures Finland Ab	1,967,576	8.067	4.4%
Sijoitusrahasto Nordea Nordic Small Cap	1,456,340	5.971	3.2%
Fondita Nordic Micro Cap Placeringsf	1,125,000	4.613	2.5%
Op-Suomi -Sijoitusrahasto	984,595	4.037	2.2%
Sijoitusrahasto Evli Suomi Pienyhtiöt	651,252	2.670	1.4%
Skogberg Ville Johannes	634,266	2.600	1.4%
Ten largest	35,847,966	146.977	80%
Residual	9,217,164	37.790	20%
Total	45,065,130	184.767	100%

EARNINGS CALENDAR

OTHER EVENTS

COMPANY MISCELLANEOUS

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Tyynenmerenkatu 11, 00220 Helsinki

CFO: Jussi Tallgren

Tel: +358 10 309 5555

IR: Jussi Tallgren

DEFINITIONS

P/E	$\frac{\text{Price per share}}{\text{Earnings per share}}$	EPS	$\frac{\text{Profit before extraordinary items and taxes} - \text{income taxes} + \text{minority interest}}{\text{Number of shares}}$
P/Sales	$\frac{\text{Market cap}}{\text{Sales}}$	DPS	Dividend for the financial period per share
P/BV	$\frac{\text{Price per share}}{\text{Shareholders' equity} + \text{taxed provisions per share}}$	CEPS	$\frac{\text{Gross cash flow from operations}}{\text{Number of shares}}$
P/CF	$\frac{\text{Price per share}}{\text{Operating cash flow per share}}$	EV/Share	$\frac{\text{Enterprise value}}{\text{Number of shares}}$
EV (Enterprise value)	Market cap + net debt + minority interest at market value – share of associated companies at market value	Sales/Share	$\frac{\text{Sales}}{\text{Number of shares}}$
Net debt	Interest bearing debt – financial assets	EBITDA/Share	$\frac{\text{Earnings before interest, tax, depreciation and amortisation}}{\text{Number of shares}}$
EV/Sales	$\frac{\text{Enterprise value}}{\text{Sales}}$	EBIT/Share	$\frac{\text{Operating profit}}{\text{Number of shares}}$
EV/EBITDA	$\frac{\text{Enterprise value}}{\text{Earnings before interest, tax, depreciation and amortisation}}$	EAFI/Share	$\frac{\text{Pretax profit}}{\text{Number of shares}}$
EV/EBIT	$\frac{\text{Enterprise value}}{\text{Operating profit}}$	Capital employed/Share	$\frac{\text{Total assets} - \text{non interest bearing debt}}{\text{Number of shares}}$
Div yield, %	$\frac{\text{Dividend per share}}{\text{Price per share}}$	Total assets	Balance sheet total
Payout ratio, %	$\frac{\text{Total dividends}}{\text{Earnings before extraordinary items and taxes} - \text{income taxes} + \text{minority interest}}$	Interest coverage (x)	$\frac{\text{Operating profit}}{\text{Financial items}}$
Net cash/Share	$\frac{\text{Financial assets} - \text{interest bearing debt}}{\text{Number of shares}}$	Asset turnover (x)	$\frac{\text{Turnover}}{\text{Balance sheet total (average)}}$
ROA, %	$\frac{\text{Operating profit} + \text{financial income} + \text{extraordinary items}}{\text{Balance sheet total} - \text{interest free short term debt} - \text{long term advances received and accounts payable (average)}}$	Debt/Equity, %	$\frac{\text{Interest bearing debt}}{\text{Shareholders' equity} + \text{minority interest} + \text{taxed provisions}}$
ROCE, %	$\frac{\text{Profit before extraordinary items} + \text{interest expenses} + \text{other financial costs}}{\text{Balance sheet total} - \text{non interest bearing debt (average)}}$	Equity ratio, %	$\frac{\text{Shareholders' equity} + \text{minority interest} + \text{taxed provisions}}{\text{Total assets} - \text{interest free loans}}$
ROE, %	$\frac{\text{Profit before extraordinary items and taxes} - \text{income taxes}}{\text{Shareholders' equity} + \text{minority interest} + \text{taxed provisions (average)}}$	CAGR, %	Cumulative annual growth rate = Average growth per year

Important Disclosures

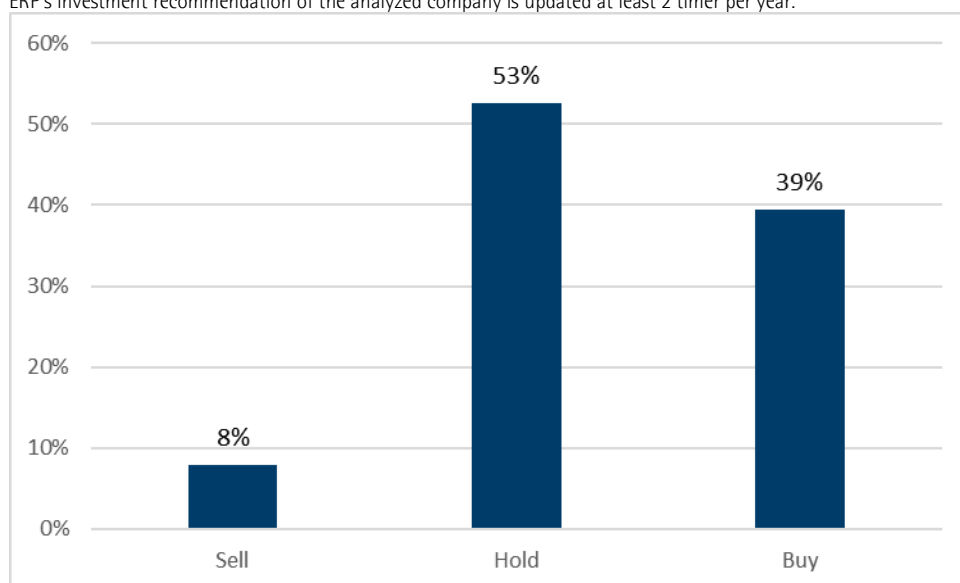
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Target price compared to share price	Recommendation
< -10 %	SELL
-10 - (+10) %	HOLD
> 10 %	BUY

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Name(s) of the analyst(s): Häyhä

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