

## Focusing on growth in 2019E

As competition is likely to remain tight and price-driven, we are not expecting margins to improve in 2019E. Investments in marketing should bring more visibility and support sales growth. We retain our rating "BUY" with TP of EUR 4.7

### Attractive pricing and marketing likely to support sales

Verkkokauppa.com was able to increase its market share, driven by solid revenue growth of 13% y/y (revenue of EUR 116m) in Q1. In 2019E, the company still seeks to win market share and compete with low prices. The company has made investments into marketing and targets to reach larger audience by new campaigns and tv-commercials. Verkkokauppa.com also continuously aims to improve the user experience online and in mobile. With these investments, we expect revenue growth to continue in '19E.

### No expectations of margin improvements in 2019E

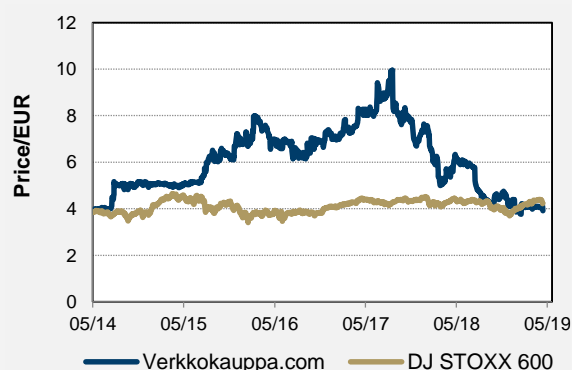
Verkkokauppa.com's Q1 operating profit decreased by 14% y/y and was EUR 2.3m. This was mainly due to lower gross margin and increased marketing expenses. Revenue growth in 2019E is unlikely to come for free and price-driven competition adds pressure on the margin. Gross margin is also impacted by wholesale/B2B sales which varies by each quarter. As investments into marketing are expected to continue, we believe OPEX will remain at higher level in '19E. The revenue from Apuraha continued to grow and was EUR 0.83m (EUR 0.67m) in Q1. Apuraha financing is expected to continue growing and supporting margins also in 2019E.

### Retaining "Buy" with TP of EUR 4.7

We have slightly adjusted our estimates with 2019E sales totaling EUR 522m (prev. EUR 519m), gross margin of 14.7% and EBIT of EUR 13m (prev. EUR 14m). The company reiterated its guidance for 2019E and expects revenue of EUR 500-550m and EBIT of EUR 11-17m. On our estimates, Verkkokauppa.com trades at 11.9x and 8.7x EV/EBIT in '19-'20E, which translates into 67% and 49% discount compared to the online focused Nordic & European peers. We retain our rating "Buy" with TP of EUR 4.7.

Rating

BUY



Share price, EUR (Last trading day's closing price) 3.92

Target price, EUR 4.7

Latest change in rating 19-Feb-19

Latest report on company 3-May-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 177

Free float, % 50.0

Exchange rate 1.000

Reuters code VERK.HE

Bloomberg code VERK FH

Average daily volume, EURm -

Next interim report 9-Aug-19

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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	522	13	2.5%	11	0.20	19.6	0.3	12.7	11.9	0.21
2020E	569	17	3.0%	16	0.28	14.0	0.3	11.1	8.7	0.22
2021E	621	20	3.3%	19	0.34	11.6	0.2	7.5	6.8	0.24
Market cap, EURm		177	BV per share 2019E, EUR			0.8	CAGR EPS 2018-21, %			17.7
Net debt 2019E, EURm		-23	Price/book 2019E			4.7	CAGR sales 2018-21, %			9.1
Enterprise value, EURm		154	Dividend yield 2019E, %			5.4	ROE 2019E, %			24.0
Total assets 2019E, EURm		188	Tax rate 2019E, %			20.0	ROCE 2019E, %			19.0
Goodwill 2019E, EURm		0	Equity ratio 2019E, %			20.6	PEG, P/E 19/CAGR			0.8

## Verkkokauppa.com base case estimates

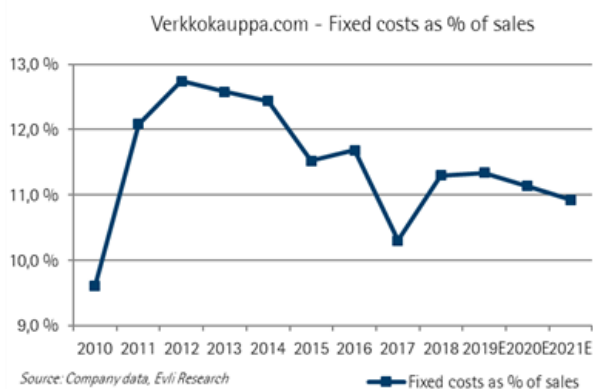
Verkkokauppa.com model	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019E	2020E	2021E
	FAS	FAS	FAS	FAS	FAS	FAS	FAS	IFRS	IFRS	IFRS	IFRS	IFRS
<b>Sales</b>	<b>173,1</b>	<b>191,6</b>	<b>224,5</b>	<b>238,0</b>	<b>275,8</b>	<b>343,7</b>	<b>371,5</b>	<b>431,9</b>	<b>477,8</b>	<b>522,4</b>	<b>569,5</b>	<b>620,7</b>
<i>Growth-%</i>	-	10,7 %	17,2 %	6,0 %	15,9 %	24,6 %	8,1 %	16,3 %	10,6 %	9,3 %	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	-445,7	-484,0	-527,6
<i>Growth-%</i>	-	8,1 %	16,8 %	2,8 %	16,2 %	25,2 %	7,5 %	17,8 %	9,9 %	9,8 %	8,6 %	9,0 %
<i>% of sales</i>	89,4 %	87,2 %	86,9 %	84,3 %	84,6 %	84,9 %	84,4 %	85,5 %	84,9 %	85,3 %	85,0 %	85,0 %
<b>Gross profit</b>	<b>18,4</b>	<b>24,5</b>	<b>29,3</b>	<b>37,4</b>	<b>42,6</b>	<b>51,8</b>	<b>57,8</b>	<b>62,5</b>	<b>72,0</b>	<b>76,8</b>	<b>85,4</b>	<b>93,1</b>
<i>Gross margin</i>	10,6 %	12,8 %	13,1 %	15,7 %	15,4 %	15,1 %	15,6 %	14,5 %	15,1 %	14,7 %	15,0 %	15,0 %
<b>Fixed costs adj.</b>	<b>-16,6</b>	<b>-23,2</b>	<b>-28,6</b>	<b>-29,9</b>	<b>-34,3</b>	<b>-39,6</b>	<b>-43,4</b>	<b>-44,5</b>	<b>-54,0</b>	<b>-59,3</b>	<b>-63,4</b>	<b>-67,8</b>
<i>Growth-%</i>	-	39,1 %	23,6 %	4,7 %	14,5 %	15,5 %	9,6 %	2,5 %	21,4 %	9,7 %	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 %	11,3 %	11,1 %	10,9 %
Other income	0,6	0,4	0,1	0,1	0,1	0,1	0,1	0,1	0,4	0,5	0,5	0,5
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
NRI's 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
<b>Adj. EBITDA</b>	<b>2,4</b>	<b>1,7</b>	<b>0,9</b>	<b>7,5</b>	<b>8,4</b>	<b>12,3</b>	<b>14,5</b>	<b>18,0</b>	<b>18,4</b>	<b>18,1</b>	<b>22,6</b>	<b>25,8</b>
<i>Adj. EBITDA margin</i>	1,4 %	0,9 %	0,4 %	3,2 %	3,1 %	3,6 %	3,9 %	4,2 %	3,9 %	3,5 %	4,0 %	4,2 %
<b>Adj. EBIT</b>	<b>1,6</b>	<b>0,8</b>	<b>0,0</b>	<b>6,6</b>	<b>7,5</b>	<b>11,1</b>	<b>13,2</b>	<b>13,5</b>	<b>13,3</b>	<b>12,9</b>	<b>17,3</b>	<b>20,4</b>
<i>Adj. EBIT margin</i>	0,9 %	0,4 %	0,0 %	2,8 %	2,7 %	3,2 %	3,6 %	3,1 %	2,8 %	2,5 %	3,0 %	3,3 %
<b>Reported EBIT</b>	<b>1,6</b>	<b>0,8</b>	<b>0,0</b>	<b>6,6</b>	<b>7,5</b>	<b>7,7</b>	<b>12,6</b>	<b>13,5</b>	<b>13,3</b>	<b>12,9</b>	<b>17,3</b>	<b>20,4</b>
<i>Reported EBIT margin</i>	0,9 %	0,4 %	0,0 %	2,8 %	2,7 %	2,2 %	3,4 %	3,1 %	2,8 %	2,5 %	3,0 %	3,3 %
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
<b>Profit before taxes</b>	<b>0,8</b>	<b>-0,1</b>	<b>-0,7</b>	<b>5,5</b>	<b>5,5</b>	<b>6,8</b>	<b>12,6</b>	<b>11,8</b>	<b>11,7</b>	<b>11,3</b>	<b>15,8</b>	<b>19,0</b>
Taxes	-0,1	0,0	0,0	-1,4	-1,2	-1,4	-2,4	-2,4	-2,3	-2,3	-3,2	-3,8
<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
<b>Net income</b>	<b>0,6</b>	<b>-0,3</b>	<b>-0,7</b>	<b>4,2</b>	<b>4,5</b>	<b>5,4</b>	<b>10,2</b>	<b>9,5</b>	<b>9,3</b>	<b>9,0</b>	<b>12,6</b>	<b>15,2</b>
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
<b>EPS</b>	<b>0,08</b>	<b>-0,04</b>	<b>-0,09</b>	<b>0,56</b>	<b>0,60</b>	<b>0,12</b>	<b>0,23</b>	<b>0,21</b>	<b>0,21</b>	<b>0,20</b>	<b>0,28</b>	<b>0,34</b>
<b>Dividend and capital return</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0,04</b>	<b>0,85</b>	<b>0,15</b>	<b>0,17</b>	<b>0,18</b>	<b>0,20</b>	<b>0,21</b>	<b>0,22</b>	<b>0,24</b>
<i>Payout ratio (%)</i>				7 %	142 %	126 %	74 %	87 %	96 %	105 %	79 %	71 %

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

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
<b>Online-focused Nordic and European peers</b>											
ASOS plc	1,1x	1,0x	0,8x	23,4x	16,9x	12,9x	58,0x	37,9x	26,0x	16,8 %	5,8 %
Delticom AG	0,1x	0,1x		6,0x	4,9x		7,4x	5,9x		na.	na.
Dustin Group AB	0,7x	0,7x	0,6x	14,0x	12,6x	11,5x	15,6x	13,8x	12,5x	9,1 %	9,9 %
Groupe LDLC SA	0,2x	0,1x		8,5x	5,3x		18,3x	7,9x		na.	na.
Qliro Group AB	0,4x	0,4x		13,5x	9,5x		54,5x	20,5x		na.	na.
Zalando SE	1,4x	1,2x	1,0x	29,3x	23,2x	18,6x	59,9x	44,3x	34,4x	18,4 %	33,4 %
<b>Physical store-focused Nordic and European peers</b>											
CECONOMY AG	0,1x	0,1x	0,1x	2,3x	2,2x	1,9x	3,7x	3,3x	2,8x	0,9 %	131,9 %
Dixons Carphone plc	0,2x	0,2x	0,1x	3,5x	3,3x		5,6x	5,2x	6,2x	1,4 %	-6,8 %
Unieuro SpA	0,1x			4,2x			7,6x			na.	na.
XXL ASA	0,6x	0,6x	0,5x	5,6x	4,8x	4,3x	11,2x	9,1x	7,9x	5,9 %	26,0 %
<b>Large international e-commerce peers</b>											
Alibaba Group Holding Ltd. Sponsored ADR	5,7x	4,2x	3,0x	20,1x	15,1x	9,6x	33,7x	23,3x	13,3x	30,8 %	20,1 %
Amazon.com, Inc.	3,3x	2,7x	2,2x	21,3x	16,2x	12,6x	50,8x	34,5x	23,0x	18,1 %	38,9 %
eBay Inc.	3,5x	3,2x	2,8x	10,4x	9,4x	8,2x	12,6x	11,4x	9,9x	5,6 %	14,7 %
JD.com, Inc. Sponsored ADR Class A	0,5x	0,4x	0,3x	29,7x	18,3x	11,8x	150,6,2x	53,3x	24,2x	16,7 %	61,1 %
Rakuten, Inc.	1,4x	1,2x	1,1x	9,9x	11,1x	8,6x	15,9x	28,7x	19,4x	13,9 %	-27,5 %
<b>Online-focused Nordic and European peers</b>	<b>0,6x</b>	<b>0,6x</b>	<b>0,8x</b>	<b>13,8x</b>	<b>11,0x</b>	<b>12,9x</b>	<b>36,4x</b>	<b>17,1x</b>	<b>26,0x</b>	<b>16,8 %</b>	<b>9,9 %</b>
<b>Physical store-focused Nordic and European peers</b>	<b>0,1x</b>	<b>0,2x</b>	<b>0,1x</b>	<b>3,8x</b>	<b>3,3x</b>	<b>3,1x</b>	<b>6,6x</b>	<b>5,2x</b>	<b>6,2x</b>	<b>1,4 %</b>	<b>26,0 %</b>
<b>Large international e-commerce peers</b>	<b>3,3x</b>	<b>2,7x</b>	<b>2,2x</b>	<b>20,1x</b>	<b>15,1x</b>	<b>9,6x</b>	<b>33,7x</b>	<b>28,7x</b>	<b>19,4x</b>	<b>16,7 %</b>	<b>20,1 %</b>
<b>Verkkokauppa.com (Evli est.)</b>	<b>0,3x</b>	<b>0,3x</b>	<b>0,2x</b>	<b>8,5x</b>	<b>6,6x</b>	<b>4,6x</b>	<b>11,9x</b>	<b>8,7x</b>	<b>6,8x</b>	<b>9,1 %</b>	<b>17,7 %</b>
<i>Verkkokauppa.com vs. Online-focused Nordic and EU peers median</i>	<i>-50 %</i>	<i>-52 %</i>	<i>-73 %</i>	<i>-38 %</i>	<i>-40 %</i>	<i>-64 %</i>	<i>-67 %</i>	<i>-49 %</i>	<i>-74 %</i>		
<b>VERKKOKAUPPA.COM PEER GROUP</b>	<b>EBIT-% 19</b>	<b>EBIT-% 20</b>	<b>EBIT-% 21</b>	<b>ROCE-% 19</b>	<b>ROCE-% 20</b>	<b>ROCE-% 21</b>	<b>Div-% 19</b>	<b>Div-% 20</b>	<b>Div-% 21</b>	<b>ROE 19</b>	<b>P/B 19</b>
<b>Online-focused Nordic and European peers</b>											
ASOS plc	2,0%	2,6%	3,2%	11,1%	14,5%	17,4%	0,0%	0,0%	0,0%	8,8%	6,5x
Delticom AG	1,7%	1,9%					7,3%	8,9%		9,8%	1,4x
Dustin Group AB	4,6%	4,8%	5,0%	12,8%	14,1%	15,0%	4,1%	4,6%	5,0%	18,1%	3,0x
Groupe LDLC SA	0,8%	1,8%					0,0%	6,8%		2,8%	0,8x
Qliro Group AB	0,8%	2,1%					0,0%	0,0%		0,4%	1,8x
Zalando SE	2,3%	2,6%	2,9%	8,2%	10,4%	12,5%	0,0%	0,0%	0,0%	5,5%	6,0x
<b>Physical store-focused Nordic and European peers</b>											
CECONOMY AG	1,7%	2,0%	2,2%	26,1%	27,5%	27,8%	2,9%	4,5%	4,6%	21,5%	2,5x
Dixons Carphone plc	3,0%	3,0%	2,4%	6,9%	7,3%		5,8%	5,9%	5,3%	7,3%	0,5x
Unieuro SpA	1,5%						6,9%			43,5%	3,3x
XXL ASA	5,5%	6,1%	6,4%	7,5%	8,6%	9,2%	3,3%	5,9%	6,4%	8,0%	0,9x
<b>Large international e-commerce peers</b>											
Alibaba Group Holding Ltd. Sponsored ADR	17,0%	18,1%	22,2%	11,1%	13,1%	16,8%	0,0%	0,0%	0,0%	19,9%	5,4x
Amazon.com, Inc.	6,4%	7,8%	9,7%	13,4%	15,5%	18,5%	0,0%	0,0%	0,0%	20,5%	14,2x
eBay Inc.	28,0%	28,6%	28,6%	19,0%	19,8%	20,2%	0,8%	0,8%	0,8%	57,0%	7,9x
JD.com, Inc. Sponsored ADR Class A	0,0%	0,7%	1,3%	0,2%	4,7%	8,4%	0,0%	0,0%	0,0%	8,9%	4,2x
Rakuten, Inc.	8,8%	4,3%	5,6%	4,4%	2,2%	4,4%	0,4%	0,4%	0,4%	7,6%	1,8x
<b>Online-focused Nordic and European peers</b>	<b>1,8%</b>	<b>2,4%</b>	<b>3,2%</b>	<b>11,1%</b>	<b>14,1%</b>	<b>15,0%</b>	<b>0,0%</b>	<b>2,3%</b>	<b>0,0%</b>	<b>7,1%</b>	<b>2,4x</b>
<b>Physical store-focused Nordic and European peers</b>	<b>2,4%</b>	<b>3,0%</b>	<b>2,4%</b>	<b>7,5%</b>	<b>8,6%</b>	<b>18,5%</b>	<b>4,5%</b>	<b>5,9%</b>	<b>5,3%</b>	<b>14,7%</b>	<b>1,7x</b>
<b>Large international e-commerce peers</b>	<b>8,8%</b>	<b>7,8%</b>	<b>9,7%</b>	<b>11,1%</b>	<b>13,1%</b>	<b>16,8%</b>	<b>0,0%</b>	<b>0,0%</b>	<b>0,0%</b>	<b>19,9%</b>	<b>5,4x</b>
<b>Verkkokauppa.com (Evli est.)</b>	<b>2,5 %</b>	<b>3,0 %</b>	<b>3,3 %</b>	<b>19,0%</b>	<b>23,3%</b>	<b>26,7%</b>	<b>5,4%</b>	<b>5,6%</b>	<b>6,1%</b>	<b>24,0%</b>	<b>4,7x</b>

Source: Factsset, Evli research

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC
Current share price	3.92 PV of Free Cash Flow	291 Long-term growth, %	2.0 Risk-free interest rate, %
DCF share value	29.82 PV of Horizon value	1,041 WACC, %	7.0 Market risk premium, %
Share price potential, %	660.8 Unconsolidated equity	0 Spread, %	0.5 Debt risk premium, %
Maximum value	33.8 Marketable securities	47 Minimum WACC, %	6.5 Equity beta coefficient
Minimum value	26.6 Debt - dividend	-35 Maximum WACC, %	7.5 Target debt ratio, %
Horizon value, %	78.1 Value of stock	1,344 Nr of shares, Mn	45.1 Effective tax rate, %

DCF valuation, EURm	2018	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	Horizon
Net sales	478	522	569	621	652	684	719	754	792	832	848	865
<i>Sales growth, %</i>	<i>10.6</i>	<i>9.3</i>	<i>9.0</i>	<i>9.0</i>	<i>5.0</i>	<i>5.0</i>	<i>5.0</i>	<i>5.0</i>	<i>5.0</i>	<i>5.0</i>	<i>2.0</i>	<i>2.0</i>
Operating income (EBIT)	13	13	17	20	22	23	24	26	27	25	25	26
<i>EBIT margin, %</i>	<i>2.8</i>	<i>2.5</i>	<i>3.0</i>	<i>3.3</i>	<i>3.4</i>	<i>3.4</i>	<i>3.4</i>	<i>3.4</i>	<i>3.4</i>	<i>3.0</i>	<i>3.0</i>	<i>3.0</i>
+ Depreciation+amort.	5	5	5	10	14	19	26	34	45	64	81	
- Income taxes	-3	-3	-3	-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>	<i>-2.2</i>	<i>-1.7</i>	<i>-1.0</i>	<i>-0.5</i>	<i>-0.5</i>	<i>-0.5</i>	<i>-0.5</i>	<i>-0.5</i>	<i>-0.5</i>	<i>-0.5</i>	<i>-0.5</i>	
+ Change in other liabs	0	0	0	0	0	0	0	0	0	0	0	
- Capital Expenditure	-3	-1	-1	-1	-2	-2	-2	-2	-2	-3	-3	-3
<i>Investments / Sales, %</i>	<i>0.6</i>	<i>0.2</i>	<i>0.2</i>	<i>0.2</i>	<i>0.3</i>	<i>0.3</i>	<i>0.3</i>	<i>0.3</i>	<i>0.3</i>	<i>0.3</i>	<i>0.3</i>	<i>0.3</i>
- Other items	0	0	0	0	0	0	0	0	0	0	0	
= Unlevered Free CF (FCF)	8	13	15	22	30	36	44	52	64	81	99	2,003
= Discounted FCF (DFCF)		12	13	18	23	26	30	33	38	45	51	1,041
= DFCF min WACC		12	13	19	24	27	31	34	40	47	54	1,210
= DFCF max WACC		12	13	18	23	25	29	32	37	43	49	905

## INTERIM FIGURES

EVLI ESTIMATES, EURm	2018Q1	2018Q2	2018Q3	2018Q4	2018	2019Q1	2019Q2E	2019Q3E	2019Q4E	2019E	2020E	2021E
Net sales	103	102	117	156	478	116	111	127	169	522	569	621
EBITDA	4	2	5	7	18	4	2	5	7	18	23	30
<i>EBITDA margin (%)</i>	<i>3.9</i>	<i>2.2</i>	<i>4.2</i>	<i>4.6</i>	<i>3.9</i>	<i>3.1</i>	<i>2.0</i>	<i>4.0</i>	<i>4.3</i>	<i>3.5</i>	<i>4.0</i>	<i>4.9</i>
EBIT	3	1	4	6	13	2	1	4	6	13	17	20
<i>EBIT margin (%)</i>	<i>2.6</i>	<i>1.0</i>	<i>3.2</i>	<i>3.8</i>	<i>2.8</i>	<i>2.0</i>	<i>0.8</i>	<i>2.9</i>	<i>3.6</i>	<i>2.5</i>	<i>3.0</i>	<i>3.3</i>
Net financial items	0	0	0	0	-2	0	0	0	0	-2	-1	-1
Pre-tax profit	2	1	3	6	12	2	0	3	6	11	16	19
Tax	0	0	-1	-1	-2	0	0	-1	-1	-2	-3	-4
<i>Tax rate (%)</i>	<i>18.7</i>	<i>21.2</i>	<i>20.6</i>	<i>19.9</i>	<i>20.0</i>	<i>20.2</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>
Net profit	2	0	3	4	9	2	0	3	4	9	13	15
EPS	0.04	0.01	0.06	0.10	0.21	0.03	0.01	0.06	0.10	0.20	0.28	0.34
EPS adjusted (diluted no. of shares)	0.04	0.01	0.06	0.10	0.21	0.03	0.01	0.06	0.10	0.20	0.28	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
<b>SALES, EURm</b>												
Verkkokauppa.com	103	102	117	156	478	116	111	127	169	522	569	621
Total	103	102	117	156	478	116	111	127	169	522	569	621
<b>SALES GROWTH, Y/Y %</b>												
Verkkokauppa.com	<i>2.7</i>	<i>3.4</i>	<i>10.8</i>	<i>22.3</i>	<i>10.6</i>	<i>12.8</i>	<i>8.4</i>	<i>8.4</i>	<i>8.4</i>	<i>9.3</i>	<i>9.0</i>	<i>9.0</i>
Total	<i>2.7</i>	<i>3.4</i>	<i>10.8</i>	<i>22.3</i>	<i>10.6</i>	<i>12.8</i>	<i>8.4</i>	<i>8.4</i>	<i>8.4</i>	<i>9.3</i>	<i>9.0</i>	<i>9.0</i>
<b>EBIT, EURm</b>												
Verkkokauppa.com	3	1	4	6	13	2	1	4	6	13	17	20
Total	3	1	4	6	13	2	1	4	6	13	17	20
<b>EBIT margin, %</b>												
Verkkokauppa.com	<i>2.6</i>	<i>1.0</i>	<i>3.2</i>	<i>3.8</i>	<i>2.8</i>	<i>2.0</i>	<i>0.8</i>	<i>2.9</i>	<i>3.6</i>	<i>2.5</i>	<i>3.0</i>	<i>3.3</i>
Total	<i>2.6</i>	<i>1.0</i>	<i>3.2</i>	<i>3.8</i>	<i>2.8</i>	<i>2.0</i>	<i>0.8</i>	<i>2.9</i>	<i>3.6</i>	<i>2.5</i>	<i>3.0</i>	<i>3.3</i>

INCOME STATEMENT, EURm	2014	2015	2016	2017	2018	2019E	2020E	2021E
Sales	276	344	371	432	478	522	569	621
<i>Sales growth (%)</i>	<i>15.9</i>	<i>24.6</i>	<i>8.1</i>	<i>16.3</i>	<i>10.6</i>	<i>9.3</i>	<i>9.0</i>	<i>9.0</i>
Costs	-267	-331	-357	-414	-459	-504	-547	-591
Reported EBITDA	8	12	14	18	18	18	23	30
Extraordinary items in EBITDA	0	0	0	0	0	0	0	0
<i>EBITDA margin (%)</i>	<i>3.1</i>	<i>3.6</i>	<i>3.8</i>	<i>4.2</i>	<i>3.9</i>	<i>3.5</i>	<i>4.0</i>	<i>4.9</i>
Depreciation	-1	-1	-1	-5	-5	-5	-5	-10
EBITA	7	11	13	13	13	13	17	20
Goodwill amortization / writedown	0	0	0	0	0	0	0	0
Reported EBIT	7	11	13	13	13	13	17	20
<i>EBIT margin (%)</i>	<i>2.7</i>	<i>3.2</i>	<i>3.4</i>	<i>3.1</i>	<i>2.8</i>	<i>2.5</i>	<i>3.0</i>	<i>3.3</i>
Net financials	-2	-1	0	-2	-2	-2	-1	-1
Pre-tax profit	6	10	13	12	12	11	16	19
Extraordinary items	0	-3	-1	0	0	0	0	0
Taxes	-1	-1	-2	-2	-2	-2	-3	-4
Minority shares	0	0	0	0	0	0	0	0
Net profit	4	5	10	9	9	9	13	15
<b>BALANCE SHEET, EURm</b>								
Assets								
Fixed assets	3	3	3	29	27	23	19	11
<i>% of sales</i>	<i>1</i>	<i>1</i>	<i>1</i>	<i>7</i>	<i>6</i>	<i>4</i>	<i>3</i>	<i>2</i>
Goodwill	0	0	0	0	0	0	0	0
<i>% of sales</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
Inventory	31	39	44	47	66	68	74	81
<i>% of sales</i>	<i>11</i>	<i>11</i>	<i>12</i>	<i>11</i>	<i>14</i>	<i>13</i>	<i>13</i>	<i>13</i>
Receivables	8	9	12	20	27	38	46	53
<i>% of sales</i>	<i>3</i>	<i>3</i>	<i>3</i>	<i>5</i>	<i>6</i>	<i>7</i>	<i>8</i>	<i>9</i>
Liquid funds	35	31	42	52	47	57	63	68
<i>% of sales</i>	<i>13</i>	<i>9</i>	<i>11</i>	<i>12</i>	<i>10</i>	<i>11</i>	<i>11</i>	<i>11</i>
Total assets	77	81	101	149	168	188	202	213
Liabilities								
Equity								
Equity	37	36	39	37	38	38	41	46
<i>% of sales</i>	<i>13</i>	<i>10</i>	<i>10</i>	<i>9</i>	<i>8</i>	<i>7</i>	<i>7</i>	<i>7</i>
Deferred taxes	0	0	0	0	0	0	0	0
<i>% of sales</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
Interest bearing debt	2	0	0	29	26	34	35	30
<i>% of sales</i>	<i>1</i>	<i>0</i>	<i>0</i>	<i>7</i>	<i>6</i>	<i>7</i>	<i>6</i>	<i>5</i>
Non-interest bearing current liabilities	38	45	61	82	103	115	125	137
<i>% of sales</i>	<i>14</i>	<i>13</i>	<i>17</i>	<i>19</i>	<i>22</i>	<i>22</i>	<i>22</i>	<i>22</i>
Other interest free debt	0	0	0	0	0	0	0	0
<i>% of sales</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
Total liabilities	77	81	101	149	168	188	202	213
<b>CASH FLOW, EURm</b>								
+ EBITDA	8	12	14	18	18	18	23	30
- Net financial items	-2	-1	0	-2	-2	-2	-1	-1
- Taxes	-1	-1	-2	-4	-2	-2	-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	13	15	22
- Capex	-1	-1	-1	-31	-3	-1	-1	-1
- 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	12	13	21
+/- Change in interest-bearing debt	-5	-2	0	29	-3	8	1	-5
+/- 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	11	5	6

KEY FIGURES	2015	2016	2017	2018	2019E	2020E	2021E
M-cap	324	333	319	185	177	177	177
Net debt	-31	-42	-23	-20	-23	-27	-38
Enterprise value	294	291	296	164	154	150	139
Sales	344	371	432	478	522	569	621
EBITDA	12	14	18	18	18	23	30
EBIT	11	13	13	13	13	17	20
Pre-tax	10	13	12	12	11	16	19
Earnings	9	10	9	9	9	13	15
Book value	36	39	37	38	38	41	46
<b>Valuation multiples</b>							
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	8.5	6.6	4.6
EV/EBITA	26.5	22.7	22.0	12.3	11.9	8.7	6.8
EV/EBIT	26.5	22.7	22.0	12.3	11.9	8.7	6.8
EV/operating cash flow	32.0	15.1	12.0	15.4	11.0	9.4	5.9
EV/cash earnings	29.3	25.0	23.1	11.3	10.8	8.4	5.5
P/E	37.0	32.1	33.8	19.8	19.6	14.0	11.6
P/E excl. goodwill	37.0	32.1	33.8	19.8	19.6	14.0	11.6
P/B	9.1	8.6	8.7	4.9	4.7	4.3	3.8
P/sales	0.9	0.9	0.7	0.4	0.3	0.3	0.3
P/CF	35.4	17.3	12.9	17.3	12.7	11.1	7.5
Target EV/EBIT	0.0	0.0	0.0	0.0	14.6	10.7	8.5
Target P/E	0.0	0.0	0.0	0.0	23.5	16.8	13.9
Target P/B	0.0	0.0	0.0	0.0	5.6	5.2	4.6
<b>Per share measures</b>							
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	0.20	0.28	0.34
EPS excl. goodwill	0.19	0.23	0.21	0.21	0.20	0.28	0.34
Cash EPS	0.22	0.26	0.29	0.32	0.32	0.40	0.55
Operating cash flow per share	0.20	0.43	0.55	0.24	0.31	0.35	0.52
Capital employed per share	0.11	-0.07	0.32	0.38	0.32	0.30	0.18
Book value per share	0.79	0.86	0.82	0.83	0.84	0.91	1.02
Book value excl. goodwill	0.79	0.86	0.82	0.83	0.84	0.91	1.02
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	104.8	78.7	71.1
Dividend yield, %	2.1	2.2	2.6	4.8	5.4	5.6	6.1
<b>Efficiency measures</b>							
ROE	24.3	27.9	25.1	25.1	24.0	32.1	35.0
ROCE	29.9	34.5	25.7	20.5	19.0	23.3	26.7
<b>Financial ratios</b>							
Capex/sales, %	0.4	0.3	7.2	0.6	0.2	0.2	0.2
Capex/depreciation excl. goodwill,%	109.1	73.1	676.7	55.9	19.3	23.6	15.4
Net debt/EBITDA, book-weighted	-2.5	-3.0	-1.3	-1.1	-1.3	-1.2	-1.3
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	20.6	20.6	22.0
Gearing	-0.86	-1.08	-0.61	-0.54	-0.61	-0.67	-0.83
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	22,286,115	87.362	49.5%
Rite Ventures Finland Ab	2,172,576	8.516	4.8%
Keva	2,171,000	8.510	4.8%
Keskinäinen Työeläkevakuutusyhtiö	2,065,932	8.098	4.6%
Sijoitusrahasto Nordea Nordic Small Cap	1,690,607	6.627	3.8%
Ilmarinen Keskinäinen Eläkevakuutusyhtiö	1,276,646	5.004	2.8%
Evli Finnish Small Cap Fund	700,000	2.744	1.6%
Skogberg Ville Johannes	634,266	2.486	1.4%
Op-Suomi -Sijoitusrahasto	499,161	1.957	1.1%
Sr Danske Invest Suomen Pienyhtiöt	450,000	1.764	1.0%
Ten largest	33,946,303	133.070	75%
Residual	11,118,827	43.586	25%
Total	45,065,130	176.655	100%

**EARNINGS CALENDAR****OTHER EVENTS****COMPANY MISCELLANEOUS**

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## 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

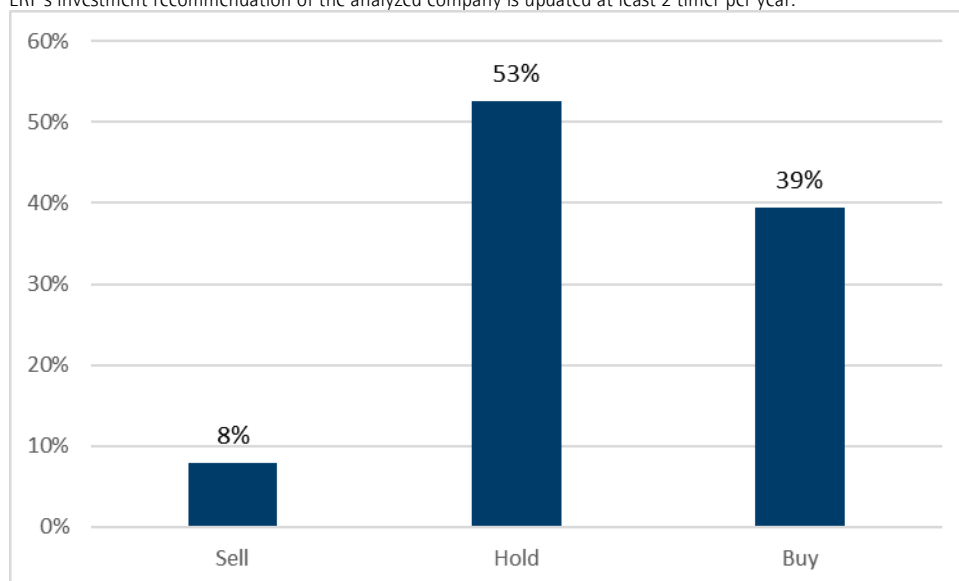
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Investment recommendations are defined as follows:

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

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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): Rissanen

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