

## Expecting softness to continue

Verkkokauppa.com publishes its Q1 result on April 28th. Transitory softness in the consumer segment will restrict the company's growth during H1 and Q3'22. We retain our HOLD-rating and TP of EUR 4.7.

### Early guidance revision

In mid of March, the company downgraded its FY'22 guidance. Now the company guides a revenue of EUR 530-590m and an EBIT of EUR 12-19m, which implies a decline in the earnings. Demand for consumer goods has been soft since Q4'21 and Russia's attack on Ukraine further lowered the consumer trust in Finland. Increased consumption of services has also diminished the demand for durable goods. In addition, the stop of Russian exports will cut approx. EUR 20m of Verkkokauppa.com's annual sales.

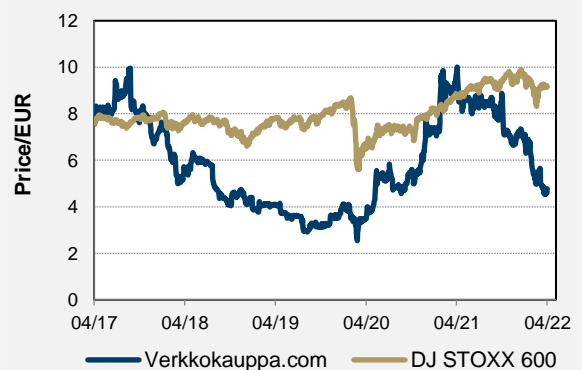
### Soft market cuts growth opportunities

The company's management noted that the market environment hasn't changed since the guidance revision. We expect the company to suffer from weak demand in H1 and Q3, but in our estimates, Verkkokauppa.com sees a clear upward drift in Q4 driven by a weak comparison period and improved demand in the consumer segment. In Q1, we expect revenue to decrease by 10.4% y/y to EUR 120.1m due to the weak performance of consumer and exports segments. Driven by increased price competition, we expect softer gross margin to be the main driver of weak profitability, an EBIT of EUR 2.1m (1.8% margin), alongside decreased net sales.

### HOLD with a target price of EUR 4.7

Verkkokauppa.com's peer groups' valuation levels have continued the trend of decline and we see the valuations as quite modest given their solid EPS growth expectations; online-focused peers are now trading with 22-23E P/E and EV/EBIT multiples of 14-12x and 14x-11x respectively while omnichannel peers trade with corresponding multiples of 11-10x and 12-10x respectively. Meanwhile, Verkkokauppa.com trades with 22-23E P/E and EV/EBIT multiples of 19-14x and 12-9x. With the current valuation elevated, we retain our HOLD-rating and TP of EUR 4.7 ahead of the Q1.

### Rating

**HOLD**


Share price, EUR (Last trading day's closing price) **4.78**  
 Target price, EUR **4.7**

Latest change in recommendation **04-Feb-22**  
 Latest report on company **25-Mar-22**  
 Research paid by issuer: **YES**  
 No. of shares outstanding, **44,742**  
 No. of shares fully diluted, **44,742**  
 Market cap, EURm **214**  
 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 **28-Apr-22**  
 Web site **verkkokauppa.com/en/investors/**

Analyst **Arttu Heikura**  
 E-mail **arttu.heikura@evli.com**  
 Telephone

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
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	565.1	15.8	2.8%	26.2	0.26	18.6	0.3	12.3	12.3	0.27
2023E	608.0	20.9	3.4%	17.4	0.35	13.8	0.3	9.0	8.1	0.28
2024E	656.7	25.2	3.8%	21.9	0.44	10.9	0.3	7.1	10.2	0.29
Market cap, EURm		214	Gearing 2022E, %			-54.8	CAGR EPS 2021-24, %			9.3
Net debt 2022E, EURm		-20	Price/book 2022E			5.9	CAGR sales 2021-24, %			4.6
Enterprise value, EURm		194	Dividend yield 2022E, %			5.5	ROE 2022E, %			32.0
Total assets 2022E, EURm		171	Tax rate 2022E, %			20.0	ROCE 2022E, %			29.5
Goodwill 2022E, EURm		0	Equity ratio 2022E, %			21.9	PEG, P/E 22/CAGR			0.8

VERKKOKAUPPA.COM	EV/Sales			EV/EBITDA			EV/EBIT			Sales CAGR	EPS CAGR
PEER GROUP	22	23	24	22	23	24	22	23	24	21-24	21-24
<b>Online-focused Nordic and European peers</b>											
ASOS plc	0.3x	0.3x	0.2x	5.0x	3.8x	2.9x	12.1x	8.0x	5.6x	13.0 %	2.6 %
BHG Group AB	0.8x	0.7x	0.6x	10.1x	8.1x	6.8x	14.2x	11.0x	9.0x	13.4 %	14.5 %
Boozt AB	0.9x	0.7x	0.6x	10.9x	8.8x	7.2x	17.3x	13.5x	10.7x	19.7 %	21.7 %
Delticom AG	0.2x	0.2x	0.2x	6.8x	4.5x	4.2x	14.4x	7.2x	7.9x	-4.2 %	10.1 %
Dustin Group AB	0.5x	0.5x	0.5x	10.1x	8.9x	8.0x	13.7x	11.8x	10.3x	17.9 %	10.8 %
Groupe LDLC SA	0.2x	0.1x		2.4x	1.7x		3.2x	2.2x		2.7 %	7.2 %
Zalando SE	0.8x	0.7x	0.6x	13.8x	10.5x	8.2x	24.1x	17.1x	12.5x	16.1 %	28.0 %
<b>Omnichannel retail Nordic and European peers</b>											
CECONOMY AG	0.1x	0.1x	0.1x	2.6x	1.8x	2.1x	6.8x	4.3x	4.9x	1.6 %	23.3 %
Clas Ohlson AB Class B	0.9x	0.9x		5.6x	5.4x		12.1x	11.5x		2.8 %	2.0 %
Currys PLC	0.2x	0.2x		3.7x	3.3x		8.0x	6.5x		-0.9 %	25.6 %
ICA Gruppen AB										na.	na.
Kesko Oyj Class B	1.0x	1.0x	1.0x	9.5x	9.5x	9.3x	16.2x	16.2x	16.0x	1.7 %	-2.6 %
Kjell Group AB	0.8x	0.7x	0.6x	5.8x	5.0x	4.1x	10.7x	9.2x	7.4x	7.0 %	8.5 %
Musti Group Oyj	2.2x	2.0x	1.8x	12.5x	10.3x	9.0x	22.5x	17.2x	14.2x	6.8 %	15.0 %
Puuhilo Oyj	2.2x	2.0x	1.8x	10.5x	9.3x	8.5x	13.2x	11.5x	10.4x	6.7 %	8.0 %
Tokmanni Group Oyj	1.0x	0.9x	0.9x	6.7x	6.3x	5.7x	11.1x	10.3x	9.2x	5.4 %	5.9 %
Unieuro SpA	0.2x	0.1x		2.7x	2.5x		6.8x	6.2x		-0.3 %	0.2 %
XXL ASA	0.5x	0.5x	0.4x	4.2x	4.0x	2.6x	12.0x	9.9x	6.0x	5.3 %	31.4 %
<b>Large international e-commerce peers</b>											
Alibaba Group Holding Ltd. Sponsored ADR	1.2x	1.0x	0.6x	6.6x	5.1x	3.3x	13.0x	9.0x	5.4x	12.6 %	12.0 %
Amazon.com, Inc.	2.9x	2.5x	2.1x	19.6x	14.9x	11.5x	51.2x	33.4x	21.8x	18.0 %	19.9 %
eBay Inc.	3.7x	3.5x	3.2x	10.3x	9.7x	9.0x	11.9x	11.0x	9.9x	4.4 %	10.4 %
JD.com, Inc. Sponsored ADR Class A	0.4x	0.3x	0.3x	21.2x	12.5x	8.6x	46.7x	20.6x	12.1x	18.1 %	31.9 %
<b>Online-focused Nordic and European peers</b>	<b>0.5x</b>	<b>0.5x</b>	<b>0.5x</b>	<b>10.1x</b>	<b>8.1x</b>	<b>7.0x</b>	<b>14.2x</b>	<b>11.0x</b>	<b>9.7x</b>	<b>13.4 %</b>	<b>10.8 %</b>
<b>Omnichannel retail Nordic and European peers</b>	<b>0.8x</b>	<b>0.8x</b>	<b>0.9x</b>	<b>5.7x</b>	<b>5.2x</b>	<b>5.7x</b>	<b>11.6x</b>	<b>10.1x</b>	<b>9.2x</b>	<b>4.0 %</b>	<b>8.3 %</b>
<b>Large international e-commerce peers</b>	<b>2.1x</b>	<b>1.7x</b>	<b>1.4x</b>	<b>15.0x</b>	<b>11.1x</b>	<b>8.8x</b>	<b>29.9x</b>	<b>15.8x</b>	<b>11.0x</b>	<b>15.3 %</b>	<b>16.0 %</b>
<b>Verkkokauppa.com (Evli est.)</b>	<b>0.3x</b>	<b>0.3x</b>	<b>0.3x</b>	<b>9.2x</b>	<b>7.1x</b>	<b>5.8x</b>	<b>12.3x</b>	<b>9.1x</b>	<b>7.2x</b>	<b>4.6 %</b>	<b>9.3 %</b>
<i>Verkkokauppa.com vs. Online-focused Nordic and European peers median</i>	-36%	-37%	-46%	-9%	-12%	-17%	-13%	-18%	-26%		
<i>Verkkokauppa.com vs. Omnichannel retail Nordic and European peers median</i>	-58%	-59%	-68%	63%	36%	2%	7%	-10%	-22%		
VERKKOKAUPPA.COM	P/E			EBIT-%			Div-%			ROE	P/B
PEER GROUP	22	23	24	22	23	24	22	23	24	22	22
<b>Online-focused Nordic and European peers</b>											
ASOS plc	20.8x	14.3x	10.7x	2.5%	3.2%	3.7%	0.0%	0.0%	0.0%	6.5%	1.4x
BHG Group AB	12.9x	9.7x	8.6x	5.5%	6.1%	6.3%	0.0%	0.0%	0.0%	9.5%	1.2x
Boozt AB	24.7x	19.4x	16.1x	5.3%	5.6%	5.8%	0.0%	0.0%	0.1%	11.4%	2.8x
Delticom AG	12.3x	6.1x	8.1x	1.3%	2.3%	2.0%	0.0%	0.0%	0.0%	9.9%	1.2x
Dustin Group AB	13.9x	11.7x	10.6x	3.9%	4.2%	4.4%	4.2%	5.4%	6.1%	13.2%	1.8x
Groupe LDLC SA	6.1x	5.1x		5.7%	6.4%		7.0%	7.9%		23.7%	1.4x
Zalando SE	45.3x	31.7x	23.0x	3.4%	4.0%	4.6%	0.0%	0.0%	0.1%	10.1%	4.6x
<b>Omnichannel retail Nordic and European peers</b>											
CECONOMY AG	6.5x	4.9x	4.3x	1.8%	2.2%	2.3%	4.8%	6.2%	6.9%	20.7%	1.3x
Clas Ohlson AB Class B	14.4x	14.0x		7.4%	7.5%		6.0%	6.1%		24.7%	3.6x
Currys PLC	7.1x	5.9x		3.0%	3.5%		4.2%	4.9%		5.5%	0.4x
ICA Gruppen AB											
Kesko Oyj Class B	18.7x	19.0x	18.4x	6.2%	6.0%	6.1%	4.2%	4.2%	4.6%	19.1%	3.6x
Kjell Group AB	10.0x	8.8x	7.8x	7.2%	7.3%	7.5%	6.0%	6.9%	7.9%	15.0%	1.5x
Musti Group Oyj	27.2x	21.2x	17.9x	10.0%	11.5%	12.4%	2.7%	3.7%	4.4%	17.0%	4.6x
Puuhilo Oyj	15.0x	13.3x	11.9x	16.7%	17.0%	17.3%	5.3%	6.1%	6.8%	47.5%	7.1x
Tokmanni Group Oyj	11.2x	10.3x	9.5x	8.9%	9.2%	9.3%	6.7%	7.0%	7.5%	29.0%	3.2x
Unieuro SpA	7.0x	6.7x		2.3%	2.4%		6.0%	6.2%		29.3%	2.0x
XXL ASA	9.4x	6.8x	5.9x	4.4%	5.4%	5.8%	5.2%	6.5%	7.8%	7.0%	0.7x
<b>Large international e-commerce peers</b>											
Alibaba Group Holding Ltd. Sponsored ADR	11.5x	10.1x	8.7x	9.3%	10.8%	11.6%	0.0%	0.0%		11.7%	1.3x
Amazon.com, Inc.	66.1x	44.1x	30.0x	5.7%	7.4%	9.6%	0.0%	0.0%	0.0%	13.9%	9.2x
eBay Inc.	12.7x	11.5x	10.5x	30.8%	31.4%	32.0%	1.5%	1.4%	1.4%	29.6%	3.8x
JD.com, Inc. Sponsored ADR Class A	30.0x	19.2x	14.9x	0.9%	1.5%	2.1%	0.0%	0.0%	0.0%	8.1%	2.4x
<b>Online-focused Nordic and European peers</b>	<b>13.9x</b>	<b>11.7x</b>	<b>10.6x</b>	<b>3.9%</b>	<b>4.2%</b>	<b>4.5%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.1%</b>	<b>10.1%</b>	<b>1.4x</b>
<b>Omnichannel retail Nordic and European peers</b>	<b>10.6x</b>	<b>9.5x</b>	<b>9.5x</b>	<b>6.7%</b>	<b>6.7%</b>	<b>7.5%</b>	<b>5.2%</b>	<b>6.1%</b>	<b>6.9%</b>	<b>19.9%</b>	<b>2.6x</b>
<b>Large international e-commerce peers</b>	<b>21.4x</b>	<b>15.4x</b>	<b>12.7x</b>	<b>7.5%</b>	<b>9.1%</b>	<b>10.6%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>12.8%</b>	<b>3.1x</b>
<b>Verkkokauppa.com (Evli est.)</b>	<b>18.7x</b>	<b>13.9x</b>	<b>10.9x</b>	<b>2.8 %</b>	<b>3.4 %</b>	<b>3.8 %</b>	<b>5.5%</b>	<b>5.8%</b>	<b>5.9%</b>	<b>32.0%</b>	<b>6.0x</b>
<i>Verkkokauppa.com vs. Online-focused Nordic and European peers median</i>	35%	19%	3%								312%
<i>Verkkokauppa.com vs. Omnichannel retail Nordic and European peers median</i>	77%	45%	15%								125%

Source: Factset, Evli Research

VALUATION RESULTS	BASE CASE DETAILS	VALUATION ASSUMPTIONS	ASSUMPTIONS FOR WACC	
Current share price	4.78 PV of Free Cash Flow	179 Long-term growth, %	2.0 Risk-free interest rate, %	2.25
DCF share value	8.19 PV of Horizon value	198 WACC, %	8.4 Market risk premium, %	5.8
Share price potential, %	71.3 Unconsolidated equity	0 Spread, %	0.5 Debt risk premium, %	2.8
Maximum value	8.9 Marketable securities	21 Minimum WACC, %	7.9 Equity beta coefficient	1.10
Minimum value	7.6 Debt - dividend	-31 Maximum WACC, %	8.9 Target debt ratio, %	20
Horizon value, %	52.5 Value of stock	366 Nr of shares, Mn	44.7 Effective tax rate, %	26

DCF valuation, EURm	2021	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	Horizon
Net sales	574	565	608	657	676	690	704	718	732	747	762	777
<i>Sales growth, %</i>	<i>3.8</i>	<i>-1.6</i>	<i>7.6</i>	<i>8.0</i>	<i>3.0</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>	<i>2.0</i>
Operating income (EBIT)	20	16	21	25	28	28	29	29	30	31	31	32
<i>Operating income margin, %</i>	<i>3.5</i>	<i>2.8</i>	<i>3.4</i>	<i>3.8</i>	<i>4.1</i>	<i>4.1</i>	<i>4.1</i>	<i>4.1</i>	<i>4.1</i>	<i>4.1</i>	<i>4.1</i>	<i>4.1</i>
+ Depreciation+amort.	5	5	6	6	6	5	5	5	5	5	5	5
EBITDA	25	21	27	31	33	34	34	35	35	36	37	
- Paid taxes	-4	-3	-4	-5	-6	-6	-6	-6	-6	-6	-6	-6
- Change in NWC	-14	16	2	1	0	0	0	0	0	0	0	0
<i>NWC / Sales, %</i>	<i>1.3</i>	<i>-1.4</i>	<i>-1.7</i>	<i>-1.7</i>	<i>-1.8</i>	<i>-1.8</i>	<i>-1.8</i>	<i>-1.8</i>	<i>-1.8</i>	<i>-1.8</i>	<i>-1.8</i>	<i>-1.8</i>
+ Change in other liabs	0	0	0	0	0	0	0	0	0	0	0	0
- Operative CAPEX	-5	-2	-2	-2	-2	-2	-2	-2	-3	-3	-3	
<i>opCAPEX / Sales, %</i>	<i>1.3</i>	<i>1.1</i>	<i>1.0</i>	<i>0.7</i>	<i>0.7</i>	<i>0.7</i>	<i>0.7</i>	<i>0.7</i>	<i>0.7</i>	<i>0.8</i>	<i>0.8</i>	<i>0.8</i>
- Acquisitions	0	0	0	0	0	0	0	0	0	0	0	0
+ Divestments	0	0	0	0	0	0	0	0	0	0	0	0
- Other items	0	0	0	0	0	0	0	0	0	0	0	0
= FCFF	3	31	23	25	26	26	26	27	27	27	27	434
= Discounted FCFF		30	20	20	19	18	17	15	14	13	12	198
= DFCF min WACC		30	20	20	20	18	17	16	15	14	13	224
= DFCF max WACC		29	19	20	19	18	16	15	14	13	12	175

## INTERIM FIGURES

EVLI ESTIMATES, EURm	2021Q1	2021Q2	2021Q3	2021Q4	2021	2022Q1E	2022Q2E	2022Q3E	2022Q4E	2022E	2023E	2024E
Net sales	134.0	130.5	141.0	168.9	574.5	120.1	117.2	140.1	187.7	565.1	608.0	656.7
EBITDA	6.5	6.3	5.8	6.6	25.2	3.4	3.9	6.5	7.4	21.2	26.7	31.0
<i>EBITDA margin (%)</i>	<i>4.9</i>	<i>4.8</i>	<i>4.1</i>	<i>3.9</i>	<i>4.4</i>	<i>2.8</i>	<i>3.3</i>	<i>4.7</i>	<i>3.9</i>	<i>3.7</i>	<i>4.4</i>	<i>4.7</i>
EBIT	5.2	5.1	4.7	5.3	20.3	2.1	2.5	5.2	6.0	15.8	20.9	25.2
<i>EBIT margin (%)</i>	<i>3.9</i>	<i>3.9</i>	<i>3.3</i>	<i>3.2</i>	<i>3.5</i>	<i>1.8</i>	<i>2.1</i>	<i>3.7</i>	<i>3.2</i>	<i>2.8</i>	<i>3.4</i>	<i>3.8</i>
Net financial items	-0.3	-0.4	-0.3	-0.3	-1.4	-0.4	-0.4	-0.4	-0.4	-1.5	-1.5	-0.6
Pre-tax profit	4.9	4.7	4.3	5.0	18.9	1.8	2.1	4.8	5.7	14.4	19.4	24.6
Tax	-1.0	-1.0	-0.9	-1.0	-3.9	-0.4	-0.4	-1.0	-1.1	-2.9	-3.9	-4.9
<i>Tax rate (%)</i>	<i>20.4</i>	<i>21.3</i>	<i>20.0</i>	<i>20.1</i>	<i>20.5</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>	<i>20.0</i>
Net profit	3.9	3.7	3.5	4.0	15.1	1.4	1.7	3.8	4.5	11.5	15.5	19.7
EPS	0.09	0.08	0.08	0.09	0.34	0.03	0.04	0.09	0.10	0.26	0.35	0.44
EPS adjusted (diluted no. of shares)	0.09	0.08	0.08	0.09	0.34	0.03	0.04	0.09	0.10	0.26	0.35	0.44
Dividend per share	0.00	0.00	0.00	0.00	0.25	0.00	0.00	0.00	0.00	0.27	0.28	0.29
<b>SALES, EURm</b>												
Verkkokauppa.com	134.0	130.5	141.0	168.9	574.5	120.1	117.2	140.1	187.7	565.1	608.0	656.7
Total	134.0	130.5	141.0	168.9	574.5	120.1	117.2	140.1	187.7	565.1	608.0	656.7
<b>SALES GROWTH, Y/Y %</b>												
Verkkokauppa.com	<i>7.0</i>	<i>6.1</i>	<i>9.1</i>	<i>-4.0</i>	<i>3.8</i>	<i>-10.4</i>	<i>-10.2</i>	<i>-0.7</i>	<i>11.1</i>	<i>-1.6</i>	<i>7.6</i>	<i>8.0</i>
Total	<i>7.0</i>	<i>6.1</i>	<i>9.1</i>	<i>-4.0</i>	<i>3.8</i>	<i>-10.4</i>	<i>-10.2</i>	<i>-0.7</i>	<i>11.1</i>	<i>-1.6</i>	<i>7.6</i>	<i>8.0</i>
<b>EBIT, EURm</b>												
Verkkokauppa.com	5.2	5.1	4.7	5.3	20.3	2.1	2.5	5.2	6.0	15.8	20.9	25.2
Total	5.2	5.1	4.7	5.3	20.3	2.1	2.5	5.2	6.0	15.8	20.9	25.2
<b>EBIT margin, %</b>												
Verkkokauppa.com	<i>3.9</i>	<i>3.9</i>	<i>3.3</i>	<i>3.2</i>	<i>3.5</i>	<i>1.8</i>	<i>2.1</i>	<i>3.7</i>	<i>3.2</i>	<i>2.8</i>	<i>3.4</i>	<i>3.8</i>
Total	<i>3.9</i>	<i>3.9</i>	<i>3.3</i>	<i>3.2</i>	<i>3.5</i>	<i>1.8</i>	<i>2.1</i>	<i>3.7</i>	<i>3.2</i>	<i>2.8</i>	<i>3.4</i>	<i>3.8</i>

INCOME STATEMENT, EURm	2017	2018	2019	2020	2021	2022E	2023E	2024E
Sales	431.9	477.8	504.1	553.6	574.5	565.1	608.0	656.7
<i>Sales growth (%)</i>	<i>16.3</i>	<i>10.6</i>	<i>5.5</i>	<i>9.8</i>	<i>3.8</i>	<i>-1.6</i>	<i>7.6</i>	<i>8.0</i>
EBITDA	18.0	18.4	16.2	25.4	25.2	21.2	26.7	31.0
<i>EBITDA margin (%)</i>	<i>4.2</i>	<i>3.9</i>	<i>3.2</i>	<i>4.6</i>	<i>4.4</i>	<i>3.7</i>	<i>4.4</i>	<i>4.7</i>
Depreciation	-4.6	-5.1	-4.9	-5.0	-5.0	-5.3	-5.8	-5.8
EBITA	13.5	13.3	11.3	20.4	20.3	15.8	20.9	25.2
Goodwill amortization / writedown	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	13.5	13.3	11.3	20.4	20.3	15.8	20.9	25.2
<i>EBIT margin (%)</i>	<i>3.1</i>	<i>2.8</i>	<i>2.2</i>	<i>3.7</i>	<i>3.5</i>	<i>2.8</i>	<i>3.4</i>	<i>3.8</i>
Reported EBIT	13.5	13.3	11.3	19.6	20.3	15.8	20.9	25.2
<i>EBIT margin (reported) (%)</i>	<i>3.1</i>	<i>2.8</i>	<i>2.2</i>	<i>3.5</i>	<i>3.5</i>	<i>2.8</i>	<i>3.4</i>	<i>3.8</i>
Net financials	-1.6	-1.7	-1.5	-1.4	-1.4	-1.5	-1.5	-0.6
Pre-tax profit	11.8	11.7	9.8	19.0	18.9	14.4	19.4	24.6
Taxes	-2.4	-2.3	-1.9	-3.5	-3.9	-2.9	-3.9	-4.9
Minority shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit	9.4	9.3	7.8	14.7	15.1	11.5	15.5	19.7
Cash NRIs	0.0	0.0	0.0	-0.8	0.0	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
<b>BALANCE SHEET, EURm</b>								
Assets								
Fixed assets	5	5	4	4	7	9	9	10
Goodwill	0	0	0	0	0	0	0	0
Right of use assets	25	22	19	17	16	15	15	14
Inventory	47	66	67	75	88	76	80	87
Receivables	20	27	27	33	35	35	37	40
Liquid funds	52	47	42	43	21	35	41	48
Total assets	149	168	160	174	169	171	184	199
Liabilities								
Shareholder's equity	37	38	37	41	36	36	40	47
Minority interest	0	0	0	0	0	0	0	0
Convertibles	0	0	0	0	0	0	0	0
Lease liabilities	29	26	23	22	20	15	15	14
Deferred taxes	0	0	0	0	0	0	0	0
Interest bearing debt	0	0	0	0	0	0	0	0
Non-interest bearing current liabilities	82	103	100	110	116	119	128	138
Other interest-free debt	0	0	0	0	0	0	0	0
Total liabilities	149	168	160	174	172	171	184	199
<b>CASH FLOW, EURm</b>								
+ EBITDA	18	18	16	25	25	21	27	31
- Net financial items	-2	-2	-1	-1	-1	-1	-1	-1
- Taxes	-4	-3	-2	-2	-4	-3	-4	-5
- Increase in Net Working Capital	10	-5	-3	-5	-14	16	2	1
+/- Other	0	0	1	0	0	0	0	0
= Cash flow from operations	23	9	10	17	7	33	23	27
- Capex	-2	-2	-2	-4	-8	-6	-6	-5
- Acquisitions	0	0	0	0	0	0	0	0
+ Divestments	0	0	0	0	0	0	0	0
= Free cash flow	21	6	8	13	-1	26	17	22
+/- New issues/buybacks	-4	0	0	-1	0	0	0	0
- Paid dividend	-7	-8	-9	-10	-20	-11	-12	-13
+/- Other	0	-3	-3	-2	-1	-1	0	-1
Change in cash	10	-5	-4	1	-22	14	5	8

KEY FIGURES	2018	2019	2020	2021	2022E	2023E	2024E
M-cap	185	159	320	319	214	214	214
Net debt (excl. convertibles)	-20	-19	-21	-1	-20	-25	-35
Enterprise value	164	140	299	318	194	189	179
Sales	478	504	554	574	565	608	657
EBITDA	18	16	25	25	21	27	31
EBIT	13	11	20	20	16	21	25
Pre-tax	12	10	19	19	14	19	25
Earnings	9	8	15	15	11	16	20
Equity book value (excl. minorities)	38	37	41	36	36	40	47
<b>Valuation multiples</b>							
EV/sales	0.3	0.3	0.5	0.6	0.3	0.3	0.3
EV/EBITDA	8.9	8.7	11.8	12.6	9.2	7.1	5.8
EV/EBITA	12.3	12.4	14.6	15.7	12.3	9.0	7.1
EV/EBIT	12.3	12.4	14.6	15.7	12.3	9.0	7.1
EV/OCF	18.5	14.4	17.7	47.7	5.9	8.1	6.7
EV/FCFF	18.6	14.4	18.8	110.0	6.2	8.3	7.1
P/FCFE	28.7	20.6	24.9	-329.2	8.2	12.3	9.8
P/E	19.8	20.4	20.7	21.2	18.6	13.8	10.9
P/B	4.9	4.4	7.9	8.9	5.9	5.4	4.6
Target EV/EBITDA	0.0	0.0	0.0	0.0	9.0	6.9	5.7
Target EV/EBIT	0.0	0.0	0.0	0.0	12.0	8.9	7.0
Target EV/FCF	0.0	0.0	0.0	0.0	7.3	10.6	8.0
Target P/B	0.0	0.0	0.0	0.0	5.8	5.3	4.5
Target P/E	0.0	0.0	0.0	0.0	18.3	13.6	10.7
<b>Per share measures</b>							
Number of shares	45,065	45,065	44,907	44,742	44,742	44,742	44,742
Number of shares (diluted)	45,065	45,065	44,907	44,742	44,742	44,742	44,742
EPS	0.21	0.17	0.34	0.34	0.26	0.35	0.44
Operating cash flow per share	0.20	0.22	0.38	0.15	0.73	0.52	0.59
Free cash flow per share	0.14	0.17	0.29	-0.02	0.59	0.39	0.49
Book value per share	0.83	0.81	0.90	0.80	0.81	0.89	1.05
Dividend per share	0.20	0.21	0.45	0.25	0.27	0.28	0.29
Dividend payout ratio, %	95.6	123.4	130.7	73.1	103.2	80.8	65.0
Dividend yield, %	4.8	6.1	6.3	3.5	5.5	5.9	6.0
FCF yield, %	3.5	4.9	4.0	-0.3	12.3	8.1	10.2
<b>Efficiency measures</b>							
ROE	25.1	21.1	40.1	39.5	32.0	40.8	45.4
ROCE	20.5	18.2	33.4	34.3	29.5	39.2	43.5
<b>Financial ratios</b>							
Inventories as % of sales	13.8	13.2	13.6	15.3	13.4	13.2	13.2
Receivables as % of sales	5.7	5.4	5.9	6.2	6.2	6.1	6.1
Non-interest bearing liabilities as % of sales	21.6	19.7	19.9	20.1	21.0	21.0	21.0
NWC/sales, %	-2.2	-1.1	-0.4	1.3	-1.4	-1.7	-1.7
Operative CAPEX/sales, %	0.5	0.4	0.7	1.3	1.1	1.0	0.7
CAPEX/sales (incl. acquisitions), %	0.5	0.4	0.7	1.3	1.1	1.0	0.7
FCFF/EBITDA	0.5	0.6	0.6	0.1	1.5	0.8	0.8
Net debt/EBITDA, book-weighted	-1.1	-1.2	-0.8	0.0	-0.9	-1.0	-1.1
Debt/equity, market-weighted	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Equity ratio, book-weighted	23.0	23.4	24.5	21.4	21.9	22.4	24.2
Gearing, %	-54.3	-52.1	-52.2	-2.2	-54.8	-63.7	-74.0

**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	76.274	35.7%
Keskinäinen Työeläkevakuutusyhtiö Varma	3,865,932	18.479	8.6%
Mandatum Henkivakuutusosakeyhtiö	2,192,211	10.479	4.9%
Keskinäinen Eläkevakuutusyhtiö Ilmarinen	2,174,309	10.393	4.9%
Sijoitusrahasto Nordea Nordic Small Cap	1,476,669	7.058	3.3%
Sijoitusrahasto Evli Suomi Pienyhtiöt	1,230,000	5.879	2.7%
Skogberg Ville Johannes	634,266	3.032	1.4%
Keskinäinen Vakuutusyhtiö Kaleva	566,475	2.708	1.3%
Op-Suomi Pienyhtiöt	485,603	2.321	1.1%
Säästöpankki Kotimaa -Sijoitusrahasto	423,000	2.022	0.9%
Ten largest	29,005,465	138.646	65%
Residual	15,736,268	75.219	35%
Total	44,741,733	213.865	100%

## EARNINGS CALENDAR

## OTHER EVENTS

## COMPANY MISCELLANEOUS

CEO: Panu Porkka

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



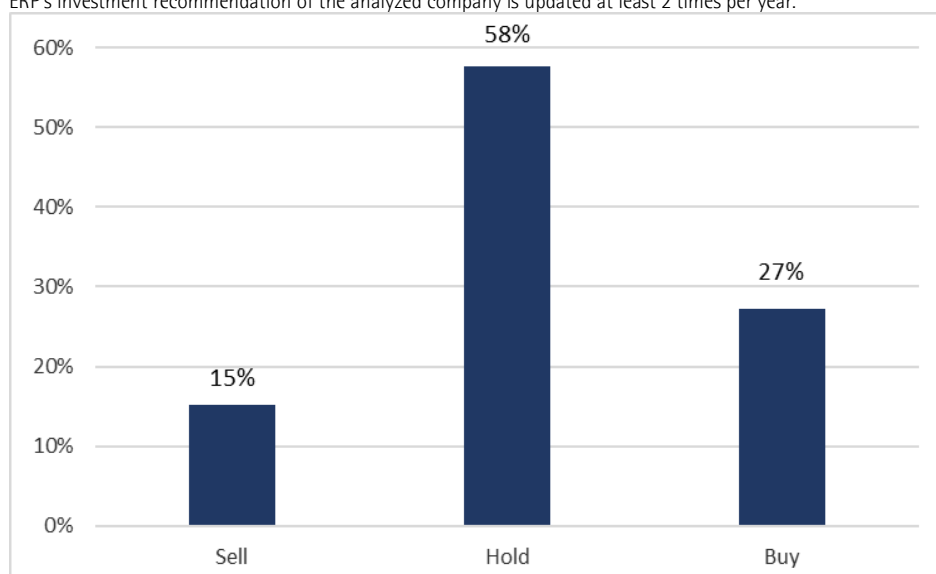
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< -10 %	SELL
-10 – (+10) %	HOLD
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Name(s) of the analyst(s): Heikura

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**Contact information****SALES, TRADING AND RESEARCH****Equity, ETF and Derivatives Sales**

Joachim Dannberg +358 9 4766 9123  
Ari Laine +358 9 4766 9115  
Kimmo Lilja +358 9 4766 9130

**Trading**

Lauri Vehkaluoto (Head) +358 9 4766 9120  
Pasi Väisänen +358 9 4766 9120  
Antti Kässi +358 9 4766 9120  
Miika Ronkanen +358 9 4766 9120

**Structured Investments**

Heikki Savijoki +358 9 4766 9726  
Aki Lakkisto +358 9 4766 9123

**Equity Research**

Arttu Heikura +358 40 082 8098  
Joonas Ilvonen +358 44 430 9071  
Jerker Salokivi +358 9 4766 9149

**Evli Investment Solutions**

Johannes Asuja +358 9 4766 9205



**EVLI BANK PLC**  
Aleksanterinkatu 19 A  
P.O. Box 1081  
FIN-00101 Helsinki, FINLAND  
Phone +358 9 476 690  
Fax +358 9 634 382  
Internet [www.evli.com](http://www.evli.com)  
E-mail [firstname.lastname@evli.com](mailto:firstname.lastname@evli.com)

**EVLI BANK PLC,  
STOCKHOLMSFILIAL**  
Regeringsgatan 67 P.O. Box 16354  
SE-103 26 Stockholm  
Sverige  
[stockholm@evli.com](mailto:stockholm@evli.com)  
Tel +46 (0)8 407 8000  
Fax +46 (0)8 407 8001