

Restrictions boosted Q2 result

Verkkokauppa.com's Q2'20 result was extremely strong. The report did not offer surprises as the company issued a positive profit warning and released preliminary information on April-June figures earlier this week. Revenue grew by 14.1% and was EUR 123m. Gross profit was EUR 21.4m (17.4% margin) vs. our EUR 20.2m (16.4% margin). Adj. EBIT was EUR 4.8m (3.9% margin). 2020E guidance: The company expects revenue to be EUR 520-545m and comparable operating profit to be EUR 13-18m.

- Q2 revenue grew by 14% to EUR 123m. Revenue growth in Q2 was driven by strong online sales, positive performance in mid-sized and evolving categories, and successful marketing that resulted in increased online traffic.
- Q2 gross profit was EUR 21.4m (17.4% margin) vs. EUR 20.2m (16.4% margin) Evli view. Gross margin improved due to good sales improvement in higher margin categories, improvements in category management and declining sales in lower margin wholesale
- Q2 adj. EBIT was EUR 4.8m (3.9% margin) and improved as a result of strong sales and improved gross margin.
- Verkkokauppa.com updated its guidance on 21 July 2020, and estimates 2020E revenue to be between 520-545 million euros and comparable operating profit to be between 13-18 million euros.

Rating	 BUY
Share price, EUR (Last trading day's closing price)	5.84
Target price, EUR	6.2
Latest change	27-Apr-20
Latest report on company	23-Jul-20
Research paid by issuer:	YES
No. of shares outstanding,	45,065
No. of shares fully diluted,	45,065
Market cap, EURm	263
Free float, %	100.0
Exchange rate	1.000
Reuters code	VERK.HE
Bloomberg code	VERK FH
Average daily volume, EURm	na.
Next interim report	24-Jul-20
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 BUY  HOLD  SELL

PRE-REPORT KEY FIGURES

	Sales EURm	EBIT EURm	EBIT %	FCF EURm	EPS EUR	P/E (x)	EV/Sales (x)	EV/EBIT (x)	FCF yield %	DPS EUR
2018	477.8	13.3	2.8%	6.4	0.21	19.8	0.3	12.3	3.5	0.20
2019	504.1	11.3	2.2%	7.4	0.17	20.4	0.3	12.4	4.6	0.21
2020E	535.2	17.1	3.2%	15.0	0.28	20.8	0.4	14.0	5.7	0.23
2021E	553.5	17.5	3.2%	12.7	0.28	20.8	0.4	13.5	4.8	0.24
2022E	571.8	18.6	3.3%	13.9	0.30	19.4	0.4	12.6	5.3	0.25
Market cap, EURm		263		BV per share 2020E, EUR		-63.0		CAGR EPS 2019-22, %		20.3
Net debt 2020E, EURm		-24		Price/book 2020E		6.8		CAGR sales 2019-22, %		4.3
Enterprise value, EURm		239		Dividend yield 2020E, %		3.9		ROE 2020E, %		33.5
Total assets 2020E, EURm		166		Tax rate 2020E, %		19.0		ROCE 2020E, %		28.6
Goodwill 2020E, EURm		0		Equity ratio 2020E, %		23.9		PEG, P/E 20/CAGR		3.0

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

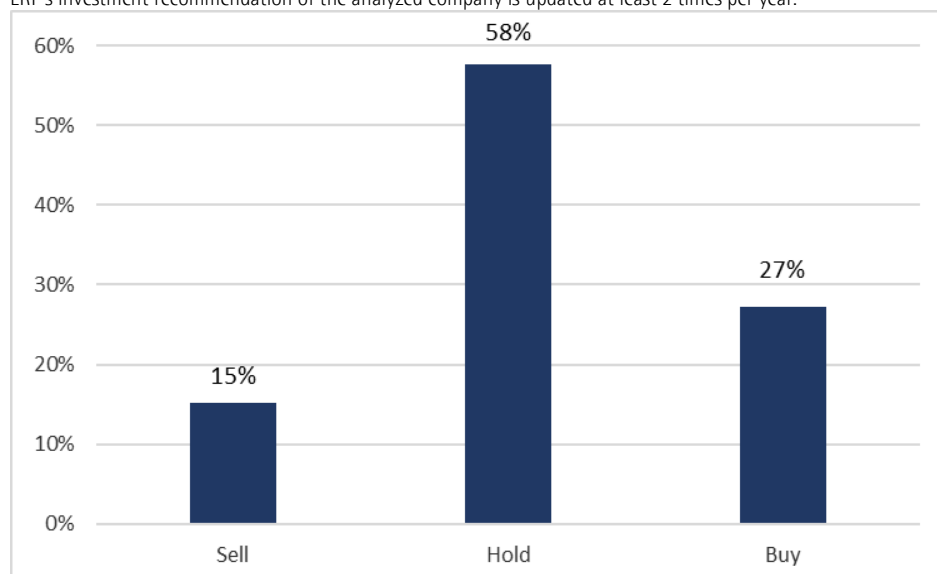
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Investment recommendations are defined as follows:

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 11th of May 2020. If recommendation is not given, it is not mentioned here.

Name(s) of the analyst(s): Rissanen

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