

Strategy implementation going well

Verkkokauppa.com's Q1 result was as expected. Strategy implementation has started well, and the outlook remains bright. We have made only small adjustments to our estimates and keep our rating "BUY" with TP of EUR 10.80 (10.5).

Q1 result in line with expectations

Verkkokauppa.com delivered a solid Q1 result which was in line with expectations. Q1 revenue increased by 7% y/y to EUR 134m (vs. EUR 135m/134m Evli/cons.). Growth was good especially in major domestic appliances, small domestic appliances, office & supplies, gaming & entertainment and sports. Online sales (excl. export) increased by 33%, representing 64% of total sales. Further, sales to B2B customers increased by 12%. Export continued to be in a lower level due to the travel restrictions (6% of sales). Gross profit totaled EUR 21.7m (16.2% margin) vs. our EUR 21.4m (15.9% margin). Gross margin was driven by increased share of higher margin categories in total sales. Adj. EBIT amounted EUR 5.2m (3.9% margin) vs. our EUR 5.0m (3.7% margin) and consensus of EUR 4.8m (3.6% margin).

Everything is right on track

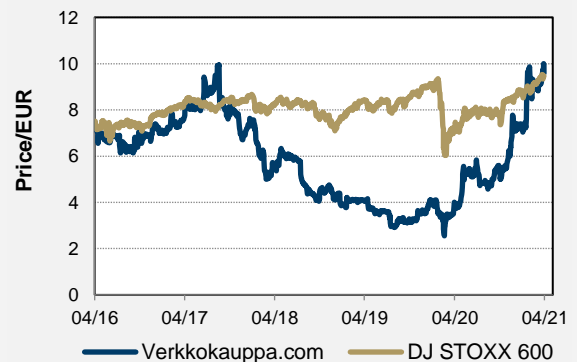
The market has continued to be favorable for Verkkokauppa.com as the COVID-19 situation has prolonged and consumer behavior is changing (shift to online). In early 2021, the company published its refined, rather ambitious strategy for 2021-2025. The company targets a giant leap in revenue while improving profitability. As a part of the strategy, the company will invest in the logistics automation of the warehouse located in Jätkäsaari. The first stage of the investment is to build a fully automated small item warehouse and the building process will start this summer and is expected to be completed in early 2022. The total investment is expected to be completed by the end of 2022 and the estimated capex is approx. EUR 4m.

"BUY" with TP of EUR 10.80 (10.5)

Verkkokauppa.com reiterated its guidance and expects revenue of EUR 570m-620m and adj. EBIT of EUR 20m-26m in 2021. We have made only minor adjustments to our estimates after the result and expect 21E revenue of EUR 594m and adj. EBIT of EUR 24.0m (4% margin). Implementation of the strategy has started well, and the outlook remains positive. On our estimates, the company trades with 21E-22E EV/EBIT multiple of 16.8x and 15.8x which is 15% discount compared to the Nordic & European online peers in 21E and 16% premium in 22E. We keep "BUY" with TP of EUR 10.80 (10.5).

Rating

BUY



Share price, EUR (Last trading day's closing price) 9.57

Target price, EUR 10.8

Latest change in rating 24-Apr-20

Latest report on company 19-Apr-21

Research paid by issuer: YES

No. of shares outstanding, '000's 44,729

No. of shares fully diluted, '000's 44,729

Market cap, EURm 428

Free float, % 50.8

Exchange rate 1.000

Reuters code VERK.HE

Bloomberg code VERK FH

Average daily volume, EURm na.

Next interim report 16-Jul-21

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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
2019	504.1	11.3	2.2%	7.4	0.17	20.4	0.3	12.4	4.6	0.21
2020	553.6	20.4	3.7%	12.7	0.34	20.7	0.5	14.6	4.0	0.45
2021E	594.1	24.0	4.0%	25.1	0.40	23.8	0.7	16.8	5.9	0.25
2022E	632.1	25.0	4.0%	17.3	0.42	22.8	0.6	15.8	4.0	0.26
2023E	673.2	27.9	4.1%	22.6	0.47	20.2	0.6	13.8	5.3	0.28
Market cap, EURm				428	Gearing 2021E, %		-68.0	CAGR EPS 2020-23, %		11.1
Net debt 2021E, EURm				-26	Price/book 2021E		11.2	CAGR sales 2020-23, %		6.7
Enterprise value, EURm				402	Dividend yield 2021E, %		2.6	ROE 2021E, %		45.7
Total assets 2021E, EURm				183	Tax rate 2021E, %		20.2	ROCE 2021E, %		40.0
Goodwill 2021E, EURm				0	Equity ratio 2021E, %		21.3	PEG, P/E 21/CAGR		2.6

Estimates

Verkkokauppa.com model	2010 FAS	2011 FAS	2012 FAS	2013 FAS	2014 FAS	2015 FAS	2016 FAS	2017 IFRS	2018 IFRS	2019 IFRS	2020 IFRS	2021E IFRS	2022E IFRS	2023E IFRS
Sales	173.1	191.6	224.5	238.0	275.8	343.7	371.5	431.9	477.8	504.1	553.6	594.1	632.1	673.2
<i>Growth-%</i>	-	10.7 %	17.2 %	6.0 %	15.9 %	24.6 %	8.1 %	16.3 %	10.6 %	5.5 %	9.8 %	7.3 %	6.4 %	6.5 %
Cost of goods and services	-154.7	-167.1	-195.2	-200.7	-233.2	-291.9	-313.7	-369.4	-405.8	-430.2	-465.2	-499.0	-533.3	-568.3
<i>Growth-%</i>	-	8.1 %	16.8 %	2.8 %	16.2 %	25.2 %	7.5 %	17.8 %	9.9 %	6.0 %	8.1 %	7.3 %	6.9 %	6.6 %
<i>% of sales</i>	89.4 %	87.2 %	86.9 %	84.3 %	84.6 %	84.9 %	84.4 %	85.5 %	84.9 %	85.3 %	84.0 %	84.6 %	84.4 %	84.4 %
Gross profit	18.4	24.5	29.3	37.4	42.6	51.8	57.8	62.5	72.0	73.9	88.4	95.0	98.8	105.0
<i>Gross margin</i>	10.6 %	12.8 %	13.1 %	15.7 %	15.4 %	15.1 %	15.6 %	14.5 %	15.1 %	14.7 %	16.0 %	16.0 %	15.6 %	15.6 %
Fixed costs adj.	-16.6	-23.2	-28.6	-29.9	-34.3	-39.6	-43.4	-44.5	-54.0	-58.1	-63.6	-66.6	-69.1	-72.3
<i>Growth-%</i>	-	39.1 %	23.6 %	4.7 %	14.5 %	15.5 %	9.6 %	2.5 %	21.4 %	7.6 %	9.4 %	4.8 %	3.7 %	4.7 %
<i>% of sales</i>	9.6 %	12.1 %	12.7 %	12.6 %	12.4 %	11.5 %	11.7 %	10.3 %	11.3 %	11.5 %	11.5 %	11.2 %	10.9 %	10.7 %
Other income	0.6	0.4	0.1	0.1	0.1	0.1	0.1	0.1	0.4	0.6	0.6	0.6	0.6	0.6
Depreciation and amortization	-0.8	-0.9	-0.9	-0.9	-1.0	-1.2	-1.3	-4.6	-5.1	-5.0	-5.0	-5.0	-5.2	-5.2
NRIs included in EBIT	0.0	0.0	0.0	0.0	0.0	-3.4	-0.6	0.0	0.0	0.0	-0.8	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	16.3	25.4	29.0	30.2	33.2
<i>Adj. EBITDA margin</i>	1.4 %	0.9 %	0.4 %	3.2 %	3.1 %	3.6 %	3.9 %	4.2 %	3.9 %	3.2 %	4.6 %	4.9 %	4.8 %	4.9 %
Adj. EBIT	1.6	0.8	0.0	6.6	7.5	11.1	13.2	13.5	13.3	11.3	20.4	24.0	25.0	27.9
<i>Adj. EBIT margin</i>	0.9 %	0.4 %	0.0 %	2.8 %	2.7 %	3.2 %	3.6 %	3.1 %	2.8 %	2.2 %	3.7 %	4.0 %	4.0 %	4.1 %
Reported EBIT	1.6	0.8	0.0	6.6	7.5	7.7	12.6	13.5	13.3	11.3	19.6	24.0	25.0	27.9
<i>Reported EBIT margin</i>	0.9 %	0.4 %	0.0 %	2.8 %	2.7 %	2.2 %	3.4 %	3.1 %	2.8 %	2.2 %	3.5 %	4.0 %	4.0 %	4.1 %
Net financials*	-0.8	-0.9	-0.7	-1.2	-1.9	-0.9	0.0	-1.6	-1.7	-1.5	-1.4	-1.4	-1.5	-1.5
Profit before taxes	0.8	-0.1	-0.7	5.5	5.5	6.8	12.6	11.8	11.7	9.7	18.2	22.6	23.5	26.4
Taxes	-0.1	0.0	0.0	-1.4	-1.2	-1.4	-2.4	-2.4	-2.3	-2.0	-3.5	-4.6	-4.7	-5.3
<i>Tax rate (%)</i>	16.6 %	0.0 %	0.0 %	25.6 %	22.2 %	19.9 %	19.4 %	20.0 %	20.0 %	20.0 %	19.5 %	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	0.0	0.0
Net income	0.6	-0.3	-0.7	4.2	4.5	5.4	10.2	9.5	9.3	7.8	14.6	18.0	18.8	21.1
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	44.9	44.7	44.7	44.7
EPS	0.08	-0.04	-0.09	0.56	0.60	0.12	0.23	0.21	0.21	0.17	0.33	0.40	0.42	0.47
Dividend and capital return	-	-	-	0.04	0.85	0.15	0.17	0.18	0.20	0.21	0.45	0.25	0.26	0.28
<i>Payout ratio (%)</i>				7 %	142 %	126 %	74 %	87 %	96 %	122 %	138 %	62 %	62 %	59 %

Source: Company data, Evli Research

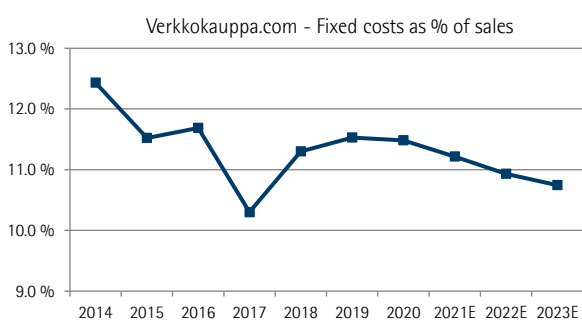
Note: IFRS figures include impact of IFRS 16 from 2017 onwards

* PTP, Net Income & EPS calculated from reported figures

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

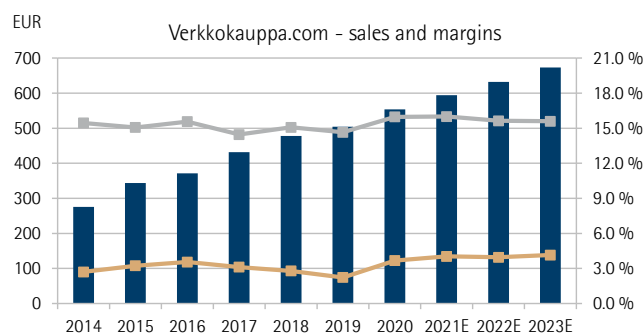
*2015 net financials include EUR 0.9m of NRIs due to the Teosto dispute

Average number of shares excludes shares held by the company



Source: Company data, Evli Research

■ Fixed costs as % of sales



Source: Company data, Evli Research

■ Sales ■ Gross margin ■ Adj. EBIT margin

Valuation

VERKKOKAUPPA.COM PEER GROUP	EV/Sales 21	EV/Sales 22	EV/Sales 23	EV/EBITDA 21	EV/EBITDA 22	EV/EBITDA 23	EV/EBIT 21	EV/EBIT 22	EV/EBIT 23	Sales CAGR 20-23	EPS CAGR 20-23
Online-focused Nordic and European peers											
ASOS plc	1.3x	1.1x	0.9x	15.7x	13.4x	11.2x	26.7x	23.5x	19.2x	19.6 %	16.9 %
Dustin Group AB	0.8x	0.6x	0.5x	14.5x	10.9x	9.5x	19.7x	13.7x	11.5x	19.0 %	24.3 %
Groupe LDLC SA	0.4x	0.3x		5.8x	4.8x		5.6x	4.7x		na.	na.
Zalando SE	2.3x	1.9x	1.6x	34.8x	28.5x	22.2x	60.7x	48.4x	36.0x	21.3 %	20.3 %
Physical store-focused Nordic and European peers											
CECONOMY AG	0.1x	0.1x	0.1x	2.2x	1.9x	1.2x	7.9x	5.3x	3.1x	2.1 %	na.
Dixons Carphone plc	0.2x	0.2x		2.9x	2.5x		6.6x	5.0x		-2.4 %	15.3 %
Unieuro SpA	0.1x	0.1x		1.5x	1.5x		3.7x	3.8x		na.	na.
XXL ASA	0.7x	0.7x	0.6x	6.3x	5.6x	5.1x	17.8x	13.9x	11.9x	2.7 %	52.5 %
Large international e-commerce peers											
Alibaba Group Holding Ltd. Sponsored ADR	3.8x	3.0x	2.2x	14.5x	11.9x	7.8x	25.5x	18.1x	11.5x	25.6 %	19.5 %
Amazon.com, Inc.	3.4x	2.8x	2.3x	22.8x	17.7x	13.7x	54.9x	36.9x	25.5x	18.6 %	30.2 %
eBay Inc.	3.8x	3.5x	3.3x	10.9x	9.9x	9.4x	12.8x	11.5x	10.8x	8.5 %	13.5 %
JD.com, Inc. Sponsored ADR Class A	0.7x	0.5x	0.4x	28.8x	18.2x	12.8x	47.5x	26.9x	17.5x	21.7 %	29.7 %
Online-focused Nordic and European peers	0.8x	0.6x	0.7x	14.5x	10.9x	10.3x	19.7x	13.7x	15.3x	19.3 %	22.3 %
Physical store-focused Nordic and European peers	0.2x	0.1x	0.4x	2.6x	2.2x	3.2x	7.2x	5.2x	7.5x	2.1 %	33.9 %
Large international e-commerce peers	3.6x	2.9x	2.3x	18.7x	14.8x	11.1x	36.5x	22.5x	14.5x	20.2 %	24.6 %
Verkkokauppa.com (Evli est.)	0.7x	0.6x	0.6x	13.9x	13.1x	11.6x	16.8x	15.8x	13.8x	6.7 %	11.1 %
	-20 %	2 %	-22 %	-4 %	20 %	12 %	-15 %	16 %	-10 %		
VERKKOKAUPPA.COM PEER GROUP	P/E 21	P/E 22	P/E 23	EBIT-% 21	EBIT-% 22	EBIT-% 23	Div-% 21	Div-% 22	Div-% 23	ROE 21	P/B 21
Online-focused Nordic and European peers											
ASOS plc	35.3x	32.4x	27.5x	4.9%	4.6%	4.8%	0.0%	0.0%	0.0%	15.6%	15.6x
Dustin Group AB	18.6x	14.6x	12.7x	4.3%	4.5%	4.8%	2.3%	3.6%	4.3%	16.5%	16.5x
Groupe LDLC SA	9.7x	8.7x		7.3%	7.5%		2.3%	2.6%		28.2%	28.2x
Zalando SE	97.2x	77.0x	57.7x	3.7%	3.9%	4.3%	0.0%	0.0%	0.0%	10.1%	10.1x
Physical store-focused Nordic and European peers											
CECONOMY AG	12.9x	7.9x	6.2x	1.5%	2.0%	2.4%	1.2%	2.8%	4.3%	19.7%	19.7x
Dixons Carphone plc	12.6x	9.6x	10.0x	2.9%	3.5%	3.5%	2.3%	3.2%	2.2%	5.9%	5.9x
Unieuro SpA	8.7x	9.0x		2.3%	2.3%		5.8%	5.8%		32.1%	32.1x
XXL ASA	18.6x	13.4x	11.5x	4.2%	4.9%	5.5%	1.7%	3.1%	4.5%	5.7%	5.7x
Large international e-commerce peers											
Alibaba Group Holding Ltd. Sponsored ADR	21.3x	17.3x	13.4x	14.9%	16.4%	18.8%	0.0%	0.0%		16.5%	16.5x
Amazon.com, Inc.	69.8x	50.3x	36.0x	6.2%	7.6%	9.2%	0.0%	0.0%	0.0%	17.5%	17.5x
eBay Inc.	14.7x	13.2x	12.1x	29.6%	30.3%	30.4%	1.2%	1.2%	1.0%	91.8%	91.8x
JD.com, Inc. Sponsored ADR Class A	40.9x	28.4x	21.5x	1.5%	2.0%	2.5%	0.0%	0.0%	0.0%	9.5%	9.5x
Online-focused Nordic and European peers	18.7x	14.6x	20.1x	4.3%	4.5%	4.6%	0.0%	0.0%	0.0%	16.5%	16.5x
Physical store-focused Nordic and European peers	12.7x	9.3x	10.0x	2.6%	2.9%	3.5%	2.0%	3.2%	4.3%	12.8%	12.8x
Large international e-commerce peers	31.1x	22.8x	17.4x	10.6%	12.0%	14.0%	0.0%	0.0%	0.0%	17.0%	17.0x
Verkkokauppa.com (Evli est.)	23.8x	22.8x	20.2x	4.0 %	4.0 %	4.1 %	2.6%	2.7%	2.9%	45.7%	11.2x

Verkkokauppa.com vs. Online-focused Nordic and EU peers median

Source: Factset, Evli Research

INTERIM FIGURES

EVLI ESTIMATES, EURm	2020Q1	2020Q2	2020Q3	2020Q4	2020	2021Q1	2021Q2E	2021Q3E	2021Q4E	2021E	2022E	2023E
Net sales	125.3	123.1	129.3	176.0	553.6	134.0	129.8	138.4	191.8	594.1	632.1	673.2
EBITDA	5.0	6.0	6.8	7.5	25.4	6.4	5.9	7.5	9.2	29.0	30.2	33.2
<i>EBITDA margin (%)</i>	<i>4.0</i>	<i>4.9</i>	<i>5.3</i>	<i>4.3</i>	<i>4.6</i>	<i>4.8</i>	<i>4.5</i>	<i>5.4</i>	<i>4.8</i>	<i>4.9</i>	<i>4.8</i>	<i>4.9</i>
EBIT	3.8	4.8	5.6	6.2	20.4	5.2	4.6	6.2	7.9	24.0	25.0	27.9
<i>EBIT margin (%)</i>	<i>3.0</i>	<i>3.9</i>	<i>4.3</i>	<i>3.5</i>	<i>3.7</i>	<i>3.9</i>	<i>3.6</i>	<i>4.5</i>	<i>4.1</i>	<i>4.0</i>	<i>4.0</i>	<i>4.1</i>
Net financial items	-0.4	-0.4	-0.3	-0.4	-1.4	-0.3	-0.4	-0.3	-0.4	-1.4	-1.5	-1.5
Pre-tax profit	3.4	4.5	5.3	5.8	19.0	4.9	4.3	5.9	7.6	22.6	23.5	26.4
Tax	-0.6	-0.7	-1.1	-1.2	-3.5	-1.0	-0.9	-1.2	-1.5	-4.6	-4.7	-5.3
<i>Tax rate (%)</i>	<i>17.8</i>	<i>15.7</i>	<i>20.0</i>	<i>20.2</i>	<i>18.7</i>	<i>21.1</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>	<i>20.2</i>	<i>20.0</i>	<i>20.0</i>
Net profit	2.8	3.8	4.2	4.7	15.5	3.9	3.4	4.7	6.1	18.0	18.8	21.1
EPS	0.06	0.08	0.09	0.10	0.34	0.09	0.08	0.11	0.14	0.40	0.42	0.47
EPS adjusted (diluted no. of shares)	0.06	0.08	0.09	0.10	0.34	0.09	0.08	0.11	0.14	0.40	0.42	0.47
Dividend per share	0.00	0.00	0.00	0.00	0.45	0.00	0.00	0.00	0.00	0.25	0.26	0.28
SALES, EURm												
Verkkokauppa.com	125.3	123.1	129.3	176.0	553.6	134.0	129.8	138.4	191.8	594.1	632.1	673.2
Total	125.3	123.1	129.3	176.0	553.6	134.0	129.8	138.4	191.8	594.1	632.1	673.2
SALES GROWTH, Y/Y %												
Verkkokauppa.com	8.2	14.1	7.3	10.1	9.8	7.0	5.5	7.0	9.0	7.3	6.4	6.5
Total	8.2	14.1	7.3	10.1	9.8	7.0	5.5	7.0	9.0	7.3	6.4	6.5
EBIT, EURm												
Verkkokauppa.com	3.8	4.8	5.6	6.2	20.4	5.2	4.6	6.2	7.9	24.0	25.0	27.9
Total	3.8	4.8	5.6	6.2	20.4	5.2	4.6	6.2	7.9	24.0	25.0	27.9
EBIT margin, %												
Verkkokauppa.com	3.0	3.9	4.3	3.5	3.7	3.9	3.6	4.5	4.1	4.0	4.0	4.1
Total	3.0	3.9	4.3	3.5	3.7	3.9	3.6	4.5	4.1	4.0	4.0	4.1

INCOME STATEMENT, EURm	2016	2017	2018	2019	2020	2021E	2022E	2023E
Sales	371.5	431.9	477.8	504.1	553.6	594.1	632.1	673.2
<i>Sales growth (%)</i>	<i>8.1</i>	<i>16.3</i>	<i>10.6</i>	<i>5.5</i>	<i>9.8</i>	<i>7.3</i>	<i>6.4</i>	<i>6.5</i>
EBITDA	14.1	18.0	18.4	16.2	25.4	29.0	30.2	33.2
<i>EBITDA margin (%)</i>	<i>3.8</i>	<i>4.2</i>	<i>3.9</i>	<i>3.2</i>	<i>4.6</i>	<i>4.9</i>	<i>4.8</i>	<i>4.9</i>
Depreciation	-1.3	-4.6	-5.1	-4.9	-5.0	-5.0	-5.2	-5.2
EBITA	12.8	13.5	13.3	11.3	20.4	24.0	25.0	27.9
Goodwill amortization / writedown	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	12.8	13.5	13.3	11.3	20.4	24.0	25.0	27.9
<i>EBIT margin (%)</i>	<i>3.4</i>	<i>3.1</i>	<i>2.8</i>	<i>2.2</i>	<i>3.7</i>	<i>4.0</i>	<i>4.0</i>	<i>4.1</i>
Reported EBIT	12.2	13.5	13.3	11.3	19.6	24.0	25.0	27.9
<i>EBIT margin (reported) (%)</i>	<i>3.3</i>	<i>3.1</i>	<i>2.8</i>	<i>2.2</i>	<i>3.5</i>	<i>4.0</i>	<i>4.0</i>	<i>4.1</i>
Net financials	0.0	-1.6	-1.7	-1.5	-1.4	-1.4	-1.5	-1.5
Pre-tax profit	12.8	11.8	11.7	9.8	19.0	22.6	23.5	26.4
Taxes	-2.4	-2.4	-2.3	-1.9	-3.5	-4.6	-4.7	-5.3
Minority shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit	9.8	9.4	9.3	7.8	14.7	18.0	18.8	21.1
Cash NRIs	-0.6	0.0	0.0	0.0	-0.8	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
BALANCE SHEET, EURm								
Assets								
Fixed assets	3	5	5	4	4	7	8	9
Goodwill	0	0	0	0	0	0	0	0
Right of use assets	0	25	22	19	17	17	17	17
Inventory	44	47	66	67	75	78	85	89
Receivables	12	20	27	27	33	34	36	38
Liquid funds	42	52	47	42	43	45	49	60
Total assets	101	149	168	160	174	183	197	214
Liabilities								
Shareholder's equity	39	37	38	37	41	38	46	56
Minority interest	0	0	0	0	0	0	0	0
Convertibles	0	0	0	0	0	0	0	0
Lease liabilities	0	29	26	23	22	17	17	17
Deferred taxes	0	0	0	0	0	0	0	0
Interest bearing debt	0	0	0	0	0	2	0	0
Non-interest bearing current liabilities	61	82	103	100	110	125	133	141
Other interest-free debt	0	0	0	0	0	0	0	0
Total liabilities	101	149	168	160	174	183	197	214
CASH FLOW, EURm								
+ EBITDA	14	18	18	16	25	29	30	33
- Net financial items	0	-2	-2	-1	-1	-1	-1	-1
- Taxes	-2	-4	-3	-2	-4	-5	-5	-5
- Increase in Net Working Capital	7	10	-5	-5	-3	10	0	2
+/- Other	-1	0	0	0	-1	0	0	0
= Cash flow from operations	19	23	9	8	16	33	24	29
- Capex	-1	-2	-2	0	-4	-8	-6	-6
- Acquisitions	0	0	0	0	0	0	0	0
+ Divestments	0	0	0	0	0	0	0	0
= Free cash flow	18	21	6	7	13	25	17	23
+/- New issues/buybacks	0	-4	0	0	-1	0	0	0
- Paid dividend	-7	-7	-8	-9	-10	-20	-11	-12
+/- Other	0	0	-3	-3	-1	-3	-2	0
Change in cash	11	10	-5	-4	1	2	4	11

KEY FIGURES	2017	2018	2019	2020	2021E	2022E	2023E
M-cap	319	185	159	320	428	428	428
Net debt (excl. convertibles)	-23	-20	-19	-21	-26	-32	-43
Enterprise value	296	164	140	299	402	396	385
Sales	432	478	504	554	594	632	673
EBITDA	18	18	16	25	29	30	33
EBIT	13	13	11	20	24	25	28
Pre-tax	12	12	10	19	23	24	26
Earnings	9	9	8	15	18	19	21
Equity book value (excl. minorities)	37	38	37	41	38	46	56
Valuation multiples							
EV/sales	0.7	0.3	0.3	0.5	0.7	0.6	0.6
EV/EBITDA	16.4	8.9	8.7	11.8	13.9	13.1	11.6
EV/EBITA	22.0	12.3	12.4	14.6	16.8	15.8	13.8
EV/EBIT	22.0	12.3	12.4	14.6	16.8	15.8	13.8
EV/OCF	12.8	18.5	18.3	18.3	12.2	16.7	13.5
EV/FCFF	12.9	18.6	14.8	17.9	13.3	17.6	13.9
P/FCFE	14.8	28.7	21.6	25.2	17.0	24.8	18.9
P/E	33.8	19.8	20.4	20.7	23.8	22.8	20.2
P/B	8.7	4.9	4.4	7.9	11.2	9.3	7.7
Target EV/EBITDA	0.0	0.0	0.0	0.0	15.8	14.9	13.3
Target EV/EBIT	0.0	0.0	0.0	0.0	19.1	18.0	15.7
Target EV/FCF	0.0	0.0	0.0	0.0	18.2	26.1	19.5
Target P/B	0.0	0.0	0.0	0.0	12.6	10.5	8.7
Target P/E	0.0	0.0	0.0	0.0	26.8	25.7	22.8
Per share measures							
Number of shares	45,065	45,065	45,065	44,907	44,729	44,729	44,729
Number of shares (diluted)	45,065	45,065	45,065	44,907	44,729	44,729	44,729
EPS	0.21	0.21	0.17	0.34	0.40	0.42	0.47
Operating cash flow per share	0.52	0.20	0.17	0.36	0.74	0.53	0.64
Free cash flow per share	0.48	0.14	0.16	0.28	0.56	0.39	0.51
Book value per share	0.82	0.83	0.81	0.90	0.86	1.03	1.24
Dividend per share	0.18	0.20	0.21	0.45	0.25	0.26	0.28
Dividend payout ratio, %	86.8	95.6	123.4	130.7	62.1	61.8	59.2
Dividend yield, %	2.6	4.8	6.1	6.3	2.6	2.7	2.9
FCF yield, %	6.7	3.5	4.6	4.0	5.9	4.0	5.3
Efficiency measures							
ROE	25.1	25.1	21.1	40.1	45.7	44.6	41.7
ROCE	25.7	20.5	18.2	33.4	40.0	41.5	41.3
Financial ratios							
Inventories as % of sales	10.9	13.8	13.2	13.6	13.2	13.4	13.2
Receivables as % of sales	4.5	5.7	5.4	5.9	5.7	5.7	5.7
Non-interest bearing liabilities as % of sales	19.0	21.6	19.7	19.9	21.0	21.0	21.0
NWC/sales, %	-3.6	-2.2	-1.1	-0.4	-2.1	-1.9	-2.1
Operative CAPEX/sales, %	0.4	0.5	0.1	0.7	1.3	1.0	0.9
CAPEX/sales (incl. acquisitions), %	0.4	0.5	0.1	0.7	1.3	1.0	0.9
FCFF/EBITDA	1.3	0.5	0.6	0.7	1.0	0.7	0.8
Net debt/EBITDA, book-weighted	-1.3	-1.1	-1.2	-0.8	-0.9	-1.1	-1.3
Debt/equity, market-weighted	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Equity ratio, book-weighted	25.1	23.0	23.4	24.5	21.3	23.8	26.3
Gearing, %	-61.3	-54.3	-52.1	-52.2	-68.0	-69.9	-77.7

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	18,288,342	175.019	40.9%
Keskinäinen Työeläkevakuutusyhtiö Varma	3,865,932	36.997	8.6%
Mandatum Henkivakuutusosakeyhtiö	2,199,319	21.047	4.9%
Keskinäinen Eläkevakuutusyhtiö Ilmarinen	1,724,309	16.502	3.9%
Sijoitusrahasto Nordea Nordic Small Cap	1,476,669	14.132	3.3%
Sijoitusrahasto Evli Suomi Pienyhtiöt	930,000	8.900	2.1%
Skogberg Ville Johannes	634,266	6.070	1.4%
Keskinäinen Vakuutusyhtiö Kaleva	566,475	5.421	1.3%
Danske Invest Finnish Equity Fund	420,000	4.019	0.9%
Erikoissijoitusrahasto Taaleritehdas Mikro Markka Osake	350,628	3.356	0.8%
Ten largest	30,455,940	291.463	68%
Residual	14,273,557	136.598	32%
Total	44,729,497	428.061	100%

EARNINGS CALENDAR	
July 16, 2021	Q2 report
October 22, 2021	Q3 report

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

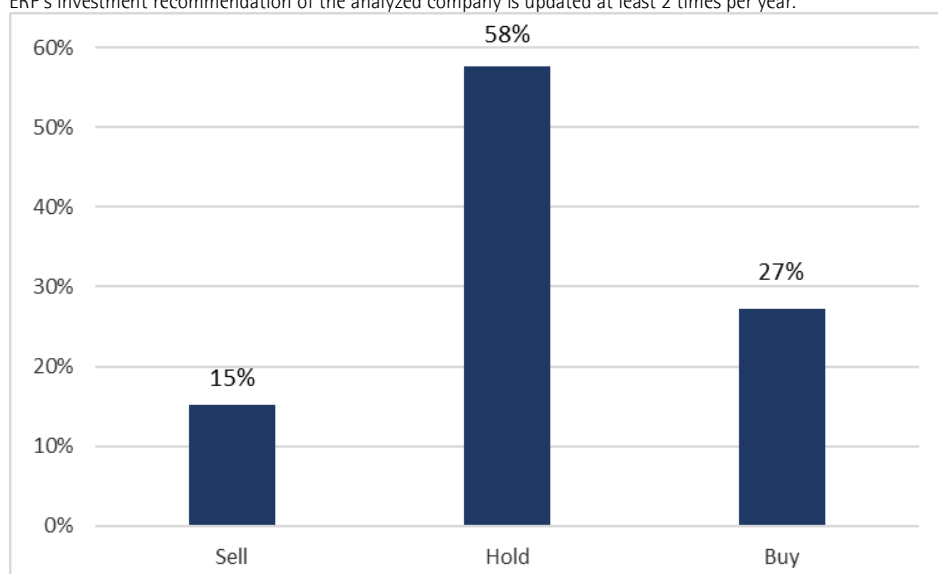
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Target price compared to share price	Recommendation
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-10 – (+10) %	HOLD
> 10 %	BUY

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

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