

Expecting normalizing growth in H2

Verkkokauppa.com benefited from the lockdown and was able to increase its Q2 sales by ~14% y/y. At the same time profitability development was strong as adj. EBIT totaled EUR 4.8m (EUR 0.2m in Q2'19). We keep our rating "BUY" with TP of EUR 6.3 (6.2).

Strong growth in both, revenue and profitability

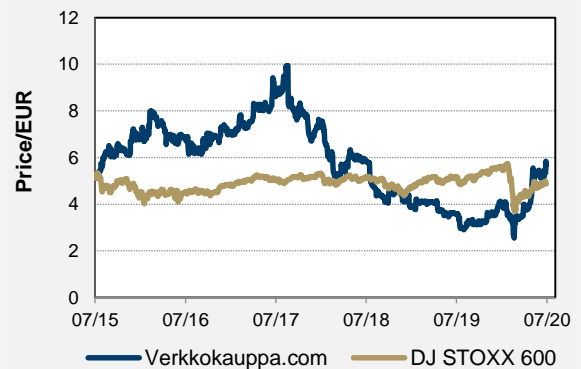
E-commerce took a big leap during H1 as consumers moved online quickly once the movement restrictions came into force. This boosted Verkkokauppa.com's Q2 result. Sales were up by ~14% y/y (EUR 123m), outpacing the consumer electronics market growth of ~9% (GfK). Adj. EBIT totaled EUR 4.8m (Q2'19: EUR 0.2m) and was driven by improved gross margin (17.4% vs. our 16.4%). The improvement in gross margin was due to the sales mix, improvements in category management and declining wholesale sales. The preliminary Q2 figures were already given in connection with the positive profit warning issued last week thus there were no surprises with the result. The company expects 20E revenue of EUR 520-545m and adj. EBIT of EUR 13-18m.

Expecting normalizing demand in H2

It is clear that Verkkokauppa.com has benefited from the epidemic situation. The company has a low cost base which is supported by small physical footprint and that has been a major advantage during this time. Category management has been successful and as the demand of consumer electronics has increased, the competition hasn't probably been as price-driven as normally. On the other hand, we expect that the strong growth in demand of consumer electronics during H1 will be shown as weaker sales growth and profitability development in H2E. Thus, we see this only as a momentary market change. In addition, consumers are likely to become more price aware, especially ahead of the campaign season in Q4 which will add pressure on margins.

"BUY" with TP of EUR 6.3 (6.2)

We have kept our estimates largely intact and expect 20E revenue of EUR 535m and adj. EBIT of EUR 17.1m. Thus, our estimates are at the higher end of the given guidance. On our estimates, Verkkokauppa.com trades at 20E-21E EV/sales multiple of 0.4x, ~17% below its online-focused Nordic & European peers. We keep our rating "BUY" with TP of EUR 6.3 (6.2).

 Rating BUY

 Share price, EUR (Last trading day's closing price) 5.66

 Target price, EUR 6.3

 Latest change in rating 27-Apr-20

 Latest report on company 23-Jul-20

 Research paid by issuer: YES

 No. of shares outstanding, '000's 44,712

 No. of shares fully diluted, '000's 44,712

 Market cap, EURm 253

 Free float, % 100.0

 Exchange rate 1.000

 Reuters code VERK.HE

 Bloomberg code VERK FH

 Average daily volume, EURm na.

 Next interim report 23-Oct-20

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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	
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%	9.6	0.29	19.8	0.4	13.7	3.8	0.23	
2021E	553.5	17.5	3.2%	15.3	0.28	19.9	0.4	13.1	6.1	0.24	
2022E	571.8	18.7	3.3%	12.7	0.31	18.5	0.4	12.1	5.0	0.25	
Market cap, EURm			253	Gearing 2020E, %			-48.9	CAGR EPS 2019-22, %			20.9
Net debt 2020E, EURm			-19	Price/book 2020E			6.5	CAGR sales 2019-22, %			4.3
Enterprise value, EURm			234	Dividend yield 2020E, %			4.1	ROE 2020E, %			33.9
Total assets 2020E, EURm			170	Tax rate 2020E, %			18.3	ROCE 2020E, %			27.4
Goodwill 2020E, EURm			0	Equity ratio 2020E, %			23.4	PEG, P/E 20/CAGR			3.2

Estimates

Verkkokauppa.com model	2010 FAS	2011 FAS	2012 FAS	2013 FAS	2014 FAS	2015 FAS	2016 FAS	2017 IFRS	2018 IFRS	2019 IFRS	2020E IFRS	2021E IFRS	2022E IFRS
Sales	173.1	191.6	224.5	238.0	275.8	343.7	371.5	431.9	477.8	504.1	535.2	553.5	571.8
Growth-%	-	10.7 %	17.2 %	6.0 %	15.9 %	24.6 %	8.1 %	16.3 %	10.6 %	5.5 %	6.2 %	3.4 %	3.3 %
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	-452.1	-468.3	-483.6
Growth-%	-	8.1 %	16.8 %	2.8 %	16.2 %	25.2 %	7.5 %	17.8 %	9.9 %	6.0 %	5.1 %	3.6 %	3.3 %
% of sales	89.4 %	87.2 %	86.9 %	84.3 %	84.6 %	84.9 %	84.4 %	85.5 %	84.9 %	85.3 %	84.5 %	84.6 %	84.6 %
Gross profit	18.4	24.5	29.3	37.4	42.6	51.8	57.8	62.5	72.0	73.9	83.0	85.2	88.2
Gross margin	10.6 %	12.8 %	13.1 %	15.7 %	15.4 %	15.1 %	15.6 %	14.5 %	15.1 %	14.7 %	15.5 %	15.4 %	15.4 %
Fixed costs adj.	-16.6	-23.2	-28.6	-29.9	-34.3	-39.6	-43.4	-44.5	-54.0	-58.1	-61.5	-63.1	-64.8
Growth-%	-	39.1 %	23.6 %	4.7 %	14.5 %	15.5 %	9.6 %	2.5 %	21.4 %	7.6 %	5.7 %	2.6 %	2.8 %
% of sales	9.6 %	12.1 %	12.7 %	12.6 %	12.4 %	11.5 %	11.7 %	10.3 %	11.3 %	11.5 %	11.5 %	11.4 %	11.3 %
Other income	0.6	0.4	0.1	0.1	0.1	0.1	0.1	0.1	0.4	0.6	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	-5.1	-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
Adj. EBITDA	2.4	1.7	0.9	7.5	8.4	12.3	14.5	18.0	18.4	16.3	22.1	22.7	23.9
Adj. EBITDA margin	1.4 %	0.9 %	0.4 %	3.2 %	3.1 %	3.6 %	3.9 %	4.2 %	3.9 %	3.2 %	4.1 %	4.1 %	4.2 %
Adj. EBIT	1.6	0.8	0.0	6.6	7.5	11.1	13.2	13.5	13.3	11.3	17.1	17.5	18.7
Adj. EBIT margin	0.9 %	0.4 %	0.0 %	2.8 %	2.7 %	3.2 %	3.6 %	3.1 %	2.8 %	2.2 %	3.2 %	3.2 %	3.3 %
Reported EBIT	1.6	0.8	0.0	6.6	7.5	7.7	12.6	13.5	13.3	11.3	16.3	17.5	18.7
Reported EBIT margin	0.9 %	0.4 %	0.0 %	2.8 %	2.7 %	2.2 %	3.4 %	3.1 %	2.8 %	2.2 %	3.0 %	3.2 %	3.3 %
Net financials*	-0.8	-0.9	-0.7	-1.2	-1.9	-0.9	0.0	-1.6	-1.7	-1.5	-1.5	-1.6	-1.6
Profit before taxes	0.8	-0.1	-0.7	5.5	5.5	6.8	12.6	11.8	11.7	9.7	14.8	15.9	17.1
Taxes	-0.1	0.0	0.0	-1.4	-1.2	-1.4	-2.4	-2.4	-2.3	-2.0	-2.9	-3.2	-3.4
Tax rate (%)	16.6 %	0.0 %	0.0 %	25.6 %	22.2 %	19.9 %	19.4 %	20.0 %	20.0 %	20.1 %	19.3 %	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
Net income	0.6	-0.3	-0.7	4.2	4.5	5.4	10.2	9.5	9.3	7.8	11.9	12.7	13.7
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	44.7	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	0.27	0.28	0.31
Dividend and capital return	-	-	-	0.04	0.85	0.15	0.17	0.18	0.20	0.21	0.23	0.24	0.25
Payout ratio (%)				7 %	142 %	126 %	74 %	87 %	96 %	122 %	86 %	84 %	82 %

Source: Company data, Evli Research

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

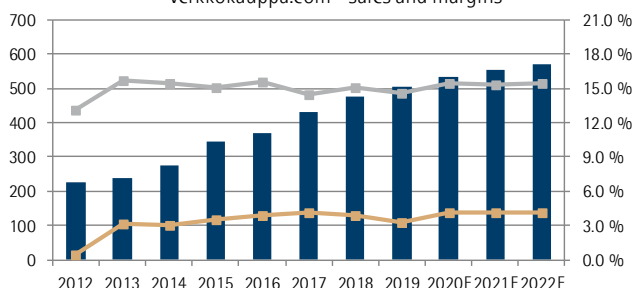
* PTP, Net Income & EPS calculated from reported figures

*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

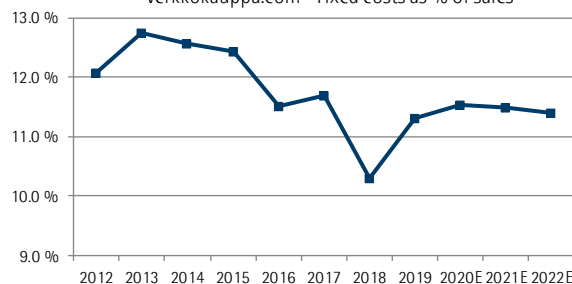
Average number of shares excludes shares held by the company

Verkkokauppa.com - sales and margins



Source: Company data, Evli Research

Verkkokauppa.com - Fixed costs as % of sales



Source: Company data, Evli Research

Fixed costs as % of sales

Valuation

VERKKOKAUPPA.COM PEER GROUP	EV/Sales 20	EV/Sales 21	EV/Sales 22	EV/EBITDA 20	EV/EBITDA 21	EV/EBITDA 22	EV/EBIT 20	EV/EBIT 21	EV/EBIT 22	Sales CAGR 19-22	EPS CAGR 19-22
Online-focused Nordic and European peers											
ASOS plc	1.1x	0.9x	0.8x	19.0x	14.1x	11.2x	54.3x	32.4x	22.6x	13.6 %	52.5 %
Dustin Group AB	0.5x	0.5x	0.5x	10.3x	8.6x	7.6x	16.6x	12.9x	10.9x	7.3 %	9.6 %
Groupe LDLC SA	0.3x	0.3x	0.2x	5.1x	4.2x		5.5x	4.8x	3.3x	12.1 %	77.4 %
Qliro Group AB	0.3x	0.3x	0.3x	9.6x	4.8x	3.5x		34.0x	8.4x	1.1 %	na.
Zalando SE	2.1x	1.7x	1.5x	35.5x	27.6x	22.0x	74.2x	52.7x	39.1x	17.4 %	32.1 %
Physical store-focused Nordic and European peers											
CECONOMY AG	0.2x	0.2x	0.1x	7.9x	5.4x	4.1x	23.9x	11.5x	9.3x	-0.8 %	9.8 %
Dixons Carphone plc	0.3x	0.3x	0.2x	4.9x	4.1x	3.6x	13.8x	9.3x	7.7x	-5.5 %	12.0 %
Unieuro SpA	0.2x	0.2x	0.3x	4.0x	3.5x	4.8x	25.3x	16.1x	15.6x	-0.4 %	-3.9 %
XXL ASA	0.9x	0.8x	0.8x	10.7x	7.8x	7.0x	81.6x	23.7x	18.5x	4.6 %	na.
Large international e-commerce peers											
Alibaba Group Holding Ltd. Sponsored ADR	6.4x	4.9x	3.8x	21.6x	16.1x	12.3x	33.9x	23.8x	17.4x	23.7 %	20.0 %
Amazon.com, Inc.	4.2x	3.5x	2.9x	32.6x	23.7x	18.1x	111.7x	58.1x	38.3x	17.5 %	31.5 %
eBay Inc.	4.1x	3.7x	3.3x	10.8x	9.9x	8.9x	12.9x	11.7x	10.4x	1.3 %	11.8 %
JD.com, Inc. Sponsored ADR Class A	0.8x	0.7x	0.5x	30.5x	19.7x	14.2x	50.1x	27.9x	17.8x	18.0 %	35.1 %
Rakuten, Inc.	1.0x	0.9x	0.9x	18.4x	11.7x	6.9x			20.7x	13.1 %	na.
Online-focused Nordic and European peers	0.5x	0.5x	0.5x	10.3x	8.6x	9.4x	35.5x	32.4x	10.9x	12.1 %	42.3 %
Physical store-focused Nordic and European peers	0.2x	0.2x	0.2x	6.4x	4.7x	4.4x	24.6x	13.8x	12.5x	-0.6 %	9.8 %
Large international e-commerce peers	4.1x	3.5x	2.9x	21.6x	16.1x	12.3x	42.0x	25.8x	17.8x	17.5 %	25.8 %
Verkkokauppa.com (Evli est.)	0.4x	0.4x	0.4x	10.6x	10.1x	9.5x	13.7x	13.1x	12.1x	4.3 %	20.9 %
<i>Verkkokauppa.com vs. Online-focused Nordic and EU peers median</i>	-17 %	-16 %	-12 %	2 %	18 %	2 %	-61 %	-60 %	11 %		
VERKKOKAUPPA.COM PEER GROUP	EBIT-% 20	EBIT-% 21	EBIT-% 22	ROCE-% 20	ROCE-% 21	ROCE-% 22	Div-% 20	Div-% 21	Div-% 22	ROE 20	P/B 20
Online-focused Nordic and European peers											
ASOS plc	2.0%	2.8%	3.4%	6.8%	10.3%	12.4%	0.0%	0.0%	0.2%	5.7%	4.5x
Dustin Group AB	3.2%	3.8%	4.1%	8.4%	10.1%	11.3%	3.7%	5.1%	6.1%	14.7%	2.0x
Groupe LDLC SA	5.2%	5.3%	6.5%	30.8%	29.4%	33.7%	0.8%	3.2%	4.4%	25.2%	2.3x
Qliro Group AB	-3.7%	0.8%	3.3%				0.0%	0.0%	0.0%	-10.2%	1.3x
Zalando SE	2.8%	3.3%	3.8%	9.4%	12.1%	14.6%	0.0%	0.0%	0.0%	7.4%	8.9x
Physical store-focused Nordic and European peers											
CECONOMY AG	0.7%	1.3%	1.5%	4.5%	11.1%	12.6%	0.8%	2.0%	3.2%	-3.2%	1.7x
Dixons Carphone plc	1.9%	2.8%	2.9%	4.4%	6.4%	7.0%	2.9%	5.4%	5.9%	4.7%	0.4x
Unieuro SpA	0.7%	1.0%	1.6%				0.0%	4.2%	8.2%	11.8%	2.1x
XXL ASA	1.1%	3.4%	4.1%	1.5%	5.0%	6.1%	0.0%	0.0%	0.9%	-0.9%	1.2x
Large international e-commerce peers											
Alibaba Group Holding Ltd. Sponsored ADR	18.9%	20.5%	22.1%	10.3%	12.2%	13.3%	0.0%	0.0%	0.0%	18.0%	5.1x
Amazon.com, Inc.	3.8%	6.0%	7.7%	8.3%	12.9%	15.8%	0.0%	0.0%	0.0%	11.7%	18.6x
eBay Inc.	31.7%	31.6%	31.9%	21.4%	21.7%	20.6%	1.2%	1.2%	1.2%	93.6%	14.8x
JD.com, Inc. Sponsored ADR Class A	1.6%	2.4%	2.9%	8.7%	13.0%	16.2%	0.0%	0.0%	0.0%	13.5%	6.4x
Rakuten, Inc.	-3.6%	-1.0%	4.1%	-2.6%	-0.9%	3.6%	0.4%	0.4%	0.4%	-7.5%	2.0x
Online-focused Nordic and European peers	2.8%	3.3%	3.8%	8.9%	11.2%	13.5%	0.0%	0.0%	0.2%	7.4%	2.3x
Physical store-focused Nordic and European peers	0.9%	2.0%	2.3%	4.4%	6.4%	7.0%	0.4%	3.1%	4.5%	1.9%	1.4x
Large international e-commerce peers	3.8%	6.0%	7.7%	8.7%	12.9%	15.8%	0.0%	0.0%	0.0%	13.5%	6.4x
Verkkokauppa.com (Evli est.)	3.2%	3.2%	3.3%	27.4%	27.2%	28.7%	4.1%	4.2%	4.4%	33.9%	6.5x

Source: Factset, Evli research

INTERIM FIGURES

EVLI ESTIMATES, EURm	2019Q1	2019Q2	2019Q3	2019Q4	2019	2020Q1	2020Q2	2020Q3E	2020Q4E	2020E	2021E	2022E
Net sales	115.8	107.8	120.6	159.9	504.1	125.3	123.1	123.0	163.9	535.2	553.5	571.8
EBITDA	3.5	1.4	5.5	5.7	16.2	5.0	6.0	5.3	5.7	22.1	22.8	23.9
<i>EBITDA margin (%)</i>	<i>3.1</i>	<i>1.3</i>	<i>4.6</i>	<i>3.5</i>	<i>3.2</i>	<i>4.0</i>	<i>4.9</i>	<i>4.3</i>	<i>3.5</i>	<i>4.1</i>	<i>4.1</i>	<i>4.2</i>
EBIT	2.3	0.2	4.3	4.5	11.3	3.8	4.8	4.1	4.4	17.1	17.5	18.7
<i>EBIT margin (%)</i>	<i>2.0</i>	<i>0.2</i>	<i>3.6</i>	<i>2.8</i>	<i>2.2</i>	<i>3.0</i>	<i>3.9</i>	<i>3.3</i>	<i>2.7</i>	<i>3.2</i>	<i>3.2</i>	<i>3.3</i>
Net financial items	-0.4	-0.4	-0.3	-0.4	-1.5	-0.4	-0.4	-0.3	-0.4	-1.5	-1.6	-1.6
Pre-tax profit	1.9	-0.2	4.0	4.1	9.8	3.4	4.5	3.7	4.0	15.7	15.9	17.1
Tax	-0.4	0.0	-0.8	-0.8	-1.9	-0.6	-0.7	-0.7	-0.8	-2.9	-3.2	-3.4
<i>Tax rate (%)</i>	<i>20.2</i>	<i>17.5</i>	<i>18.9</i>	<i>20.7</i>	<i>19.9</i>	<i>17.8</i>	<i>15.7</i>	<i>20.0</i>	<i>20.0</i>	<i>18.3</i>	<i>20.0</i>	<i>20.0</i>
Net profit	1.5	-0.2	3.3	3.2	7.8	2.8	3.8	3.0	3.2	12.8	12.7	13.7
EPS	0.03	0.00	0.07	0.07	0.17	0.06	0.08	0.07	0.07	0.29	0.28	0.31
EPS adjusted (diluted no. of shares)	0.03	0.00	0.07	0.07	0.17	0.06	0.08	0.07	0.07	0.29	0.28	0.31
Dividend per share	0.00	0.00	0.00	0.00	0.21	0.00	0.00	0.00	0.00	0.23	0.24	0.25
SALES, EURm												
Verkkokauppa.com	115.8	107.8	120.6	159.9	504.1	125.3	123.1	123.0	163.9	535.2	553.5	571.8
Total	115.8	107.8	120.6	159.9	504.1	125.3	123.1	123.0	163.9	535.2	553.5	571.8
SALES GROWTH, Y/Y %												
Verkkokauppa.com	12.8	5.3	3.2	2.6	5.5	8.2	14.1	2.0	2.5	6.2	3.4	3.3
Total	12.8	5.3	3.2	2.6	5.5	8.2	14.1	2.0	2.5	6.2	3.4	3.3
EBIT, EURm												
Verkkokauppa.com	2.3	0.2	4.3	4.5	11.3	3.8	4.8	4.1	4.4	17.1	17.5	18.7
Total	2.3	0.2	4.3	4.5	11.3	3.8	4.8	4.1	4.4	17.1	17.5	18.7
EBIT margin, %												
Verkkokauppa.com	2.0	0.2	3.6	2.8	2.2	3.0	3.9	3.3	2.7	3.2	3.2	3.3
Total	2.0	0.2	3.6	2.8	2.2	3.0	3.9	3.3	2.7	3.2	3.2	3.3

INCOME STATEMENT, EURm	2015	2016	2017	2018	2019	2020E	2021E	2022E
Sales	343.7	371.5	431.9	477.8	504.1	535.2	553.5	571.8
<i>Sales growth (%)</i>	<i>24.6</i>	<i>8.1</i>	<i>16.3</i>	<i>10.6</i>	<i>5.5</i>	<i>6.2</i>	<i>3.4</i>	<i>3.3</i>
EBITDA	12.3	14.1	18.0	18.4	16.2	22.1	22.8	23.9
<i>EBITDA margin (%)</i>	<i>3.6</i>	<i>3.8</i>	<i>4.2</i>	<i>3.9</i>	<i>3.2</i>	<i>4.1</i>	<i>4.1</i>	<i>4.2</i>
Depreciation	-1.2	-1.3	-4.6	-5.1	-4.9	-5.0	-5.2	-5.2
EBITA	11.1	12.8	13.5	13.3	11.3	17.1	17.5	18.7
Goodwill amortization / writedown	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	11.1	12.8	13.5	13.3	11.3	17.1	17.5	18.7
<i>EBIT margin (%)</i>	<i>3.2</i>	<i>3.4</i>	<i>3.1</i>	<i>2.8</i>	<i>2.2</i>	<i>3.2</i>	<i>3.2</i>	<i>3.3</i>
Reported EBIT	7.7	12.2	13.5	13.3	11.3	16.3	17.5	18.7
<i>EBIT margin (reported) (%)</i>	<i>2.2</i>	<i>3.3</i>	<i>3.1</i>	<i>2.8</i>	<i>2.2</i>	<i>3.1</i>	<i>3.2</i>	<i>3.3</i>
Net financials	-0.9	0.0	-1.6	-1.7	-1.5	-1.5	-1.6	-1.6
Pre-tax profit	10.2	12.8	11.8	11.7	9.8	15.7	15.9	17.1
Taxes	-1.4	-2.4	-2.4	-2.3	-1.9	-2.9	-3.2	-3.4
Minority shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit	5.3	9.8	9.4	9.3	7.8	12.0	12.7	13.7
Cash NRIs	-3.4	-0.6	0.0	0.0	0.0	-0.8	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	3	5	5	6	7	8	9
Goodwill	0	0	0	0	0	0	0	0
Right of use assets	0	0	25	22	19	17	16	14
Inventory	39	44	47	66	67	71	73	77
Receivables	9	12	20	27	25	29	28	29
Liquid funds	31	42	52	47	42	45	47	48
Total assets	81	101	149	168	160	170	173	179
Liabilities								
Shareholder's equity	36	39	37	38	37	39	41	44
Minority interest	0	0	0	0	0	0	0	0
Convertibles	0	0	0	0	0	0	0	0
Lease liabilities	0	0	29	26	23	17	16	14
Deferred taxes	0	0	0	0	0	0	0	0
Interest bearing debt	0	0	0	0	0	9	7	8
Non-interest bearing current liabilities	45	61	82	103	100	104	108	112
Other interest-free debt	0	0	0	0	0	0	0	0
Total liabilities	81	101	149	168	160	170	173	179
CASH FLOW, EURm								
+ EBITDA	12	14	18	18	16	22	23	24
- Net financial items	-1	0	-2	-2	-1	-1	-2	-2
- Taxes	-1	-2	-4	-3	-2	-3	-3	-3
- Increase in Net Working Capital	-2	7	10	-5	-3	-3	2	-1
+/- Other	-4	-1	0	0	0	-1	0	0
= Cash flow from operations	5	19	23	9	10	14	20	18
- Capex	-1	-1	-2	-2	-2	-4	-5	-5
- Acquisitions	0	0	0	0	0	0	0	0
+ Divestments	0	0	0	0	0	0	0	0
= Free cash flow	4	18	21	6	7	10	15	13
+/- New issues/buybacks	0	0	-4	0	0	0	0	0
- Paid dividend	-6	-7	-7	-8	-9	-10	-10	-11
+/- Other	-2	0	0	-3	-3	3	-3	0
Change in cash	-5	11	10	-5	-4	2	2	2

KEY FIGURES	2016	2017	2018	2019	2020E	2021E	2022E
M-cap	333	319	185	159	253	253	253
Net debt (excl. convertibles)	-42	-23	-20	-19	-19	-24	-26
Enterprise value	291	296	164	140	234	229	227
Sales	371	432	478	504	535	554	572
EBITDA	14	18	18	16	22	23	24
EBIT	13	13	13	11	17	18	19
Pre-tax	13	12	12	10	16	16	17
Earnings	10	9	9	8	13	13	14
Equity book value (excl. minorities)	39	37	38	37	39	41	44
Valuation multiples							
EV/sales	0.8	0.7	0.3	0.3	0.4	0.4	0.4
EV/EBITDA	20.6	16.4	8.9	8.7	10.6	10.1	9.5
EV/EBITA	22.7	22.0	12.3	12.4	13.7	13.1	12.1
EV/EBIT	22.7	22.0	12.3	12.4	13.7	13.1	12.1
EV/OCF	15.6	12.8	18.5	14.7	16.8	11.3	12.7
EV/FCFF	17.0	12.9	18.6	14.8	18.3	11.7	13.3
P/FCFE	18.8	14.8	28.7	21.6	26.4	16.5	19.9
P/E	32.1	33.8	19.8	20.4	19.8	19.9	18.5
P/B	8.6	8.7	4.9	4.4	6.5	6.1	5.7
Target EV/EBITDA	0.0	0.0	0.0	0.0	11.9	11.3	10.7
Target EV/EBIT	0.0	0.0	0.0	0.0	15.3	14.7	13.6
Target EV/FCF	0.0	0.0	0.0	0.0	27.4	16.8	20.1
Target P/B	0.0	0.0	0.0	0.0	7.2	6.8	6.4
Target P/E	0.0	0.0	0.0	0.0	22.0	22.1	20.5
Per share measures							
Number of shares	45,065	45,065	45,065	45,065	44,712	44,712	44,712
Number of shares (diluted)	45,065	45,065	45,065	45,065	44,712	44,712	44,712
EPS	0.23	0.21	0.21	0.17	0.29	0.28	0.31
Operating cash flow per share	0.41	0.52	0.20	0.21	0.31	0.45	0.40
Free cash flow per share	0.39	0.48	0.14	0.16	0.21	0.34	0.28
Book value per share	0.86	0.82	0.83	0.81	0.87	0.93	0.99
Dividend per share	0.17	0.18	0.20	0.21	0.23	0.24	0.25
Dividend payout ratio, %	72.2	86.8	95.6	123.4	80.4	84.3	81.5
Dividend yield, %	2.2	2.6	4.8	6.1	4.1	4.2	4.4
FCF yield, %	5.3	6.7	3.5	4.6	3.8	6.1	5.0
Efficiency measures							
ROE	27.9	25.1	25.1	21.1	33.9	31.7	32.0
ROCE	34.5	25.7	20.5	18.2	27.4	27.2	28.7
Financial ratios							
Inventories as % of sales	11.9	10.9	13.8	13.2	13.2	13.2	13.4
Receivables as % of sales	3.3	4.5	5.7	5.1	5.5	5.1	5.1
Non-interest bearing liabilities as % of sales	16.5	19.0	21.6	19.7	19.5	19.5	19.5
NWC/sales, %	-1.4	-3.6	-2.2	-1.5	-0.8	-1.2	-1.0
Operative CAPEX/sales, %	0.3	0.4	0.5	0.4	0.8	0.9	0.9
CAPEX/sales (incl. acquisitions), %	0.3	0.4	0.5	0.4	0.8	0.9	0.9
FCFF/EBITDA	1.2	1.3	0.5	0.6	0.6	0.9	0.7
Net debt/EBITDA, book-weighted	-3.0	-1.3	-1.1	-1.2	-0.9	-1.1	-1.1
Debt/equity, market-weighted	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Equity ratio, book-weighted	39.3	25.1	23.0	23.4	23.4	24.5	25.4
Gearing, %	-108.0	-61.3	-54.3	-52.1	-48.9	-58.2	-58.8

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 Sipi	22,111,342	125.150	49.5%
Rite Ventures Finland Ab	2,172,576	12.297	4.9%
Keva	2,171,000	12.288	4.9%
Keskinäinen Työeläkevakuutusyhtiö Varmia	2,065,932	11.693	4.6%
Sijoitusrahasto Nordea Nordic Small Cap	1,690,607	9.569	3.8%
Mandatum Henkivakuutusosakeyhtiö	1,673,378	9.471	3.7%
Evli Finnish Small Cap Fund	644,000	3.645	1.4%
Skogberg Ville Johannes	634,266	3.590	1.4%
Keskinäinen Vakuutusyhtiö Kaleva	466,475	2.640	1.0%
OP-Suomi Pieniyhtiöt	340,603	1.928	0.8%
Ten largest	33,970,179	192.271	76%
Residual	10,741,800	60.799	24%
Total	44,711,979	253.070	100%

EARNINGS CALENDAR

October 23, 2020

Q3 report

OTHER EVENTS**COMPANY MISCELLANEOUS**

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Tel: +358 10 309 5555

IR: Mikko Forsell

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

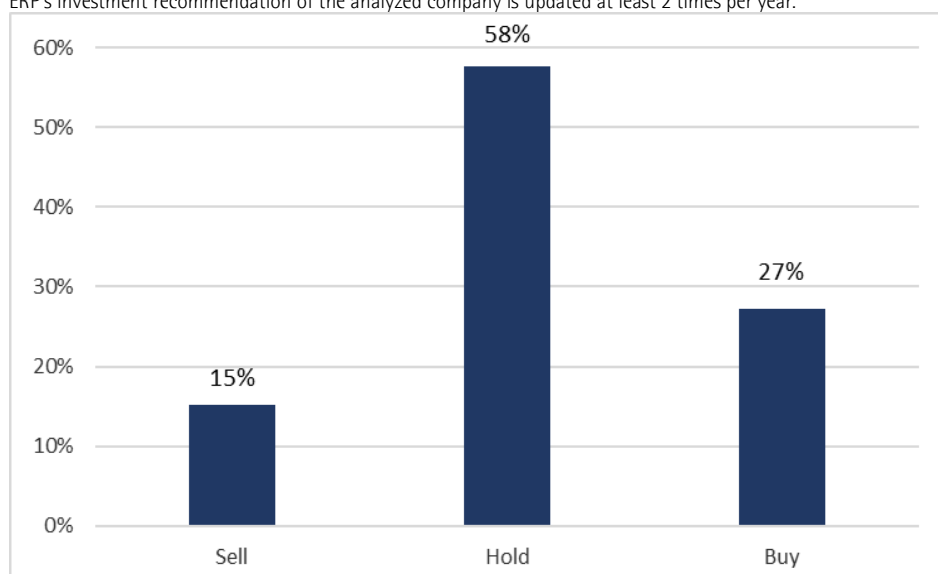
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Target price compared to share price	Recommendation
< -10 %	SELL
-10 – (+10) %	HOLD
> 10 %	BUY

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

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