

A strong start to the year

Verkkokauppa.com's Q1'20 result beat our and consensus estimates. Revenue grew by 8.2% and was EUR 125m vs. Evli EUR 121m and consensus of EUR 118m. Gross profit was EUR 19.4m (15.5% margin) vs. EUR 18.3m (15.1% margin) Evli view. Adj. EBIT was EUR 3.8m vs. EUR 2.7m/2.5m Evli/cons. 2020E guidance reiterated: The company expects revenue to be EUR 510-530m and comparable operating profit to be EUR 12-15m.

- Q1 revenue was EUR 125m vs. EUR 121m Evli view and EUR 118m consensus. Sales grew as much as by 8.2% y/y. Revenue growth in Q1 was boosted by strong online sales and marketing. All product categories performed well.
- Q1 gross profit was EUR 19.4m (15.5% margin) vs. EUR 18.3m (15.1% margin) Evli view.
- Q1 adj. EBIT was EUR 3.8m (3.0% margin) vs. EUR 2.7m (2.2% margin) Evli view and EUR 2.5m (2.1% margin) consensus. EBIT improved mainly due to gross margin improvement.
- Q1 eps was EUR 0.05 vs. EUR 0.04/0.04 Evli/cons.
- 2020 guidance reiterated: The company expects revenue to be EUR 510-530m and comparable operating profit to be EUR 12-15m.
- The company also decided on a quarterly dividend of EUR 0.053 per share.

 Rating 🟡 HOLD

Verkkokauppa.com				
Q1'20	Actual	Evli	Cons.*	Year ago
Net Sales	125.3	121.0	118.0	115.8
Gross Profit	19.4	18.3	na.	17.4
Gross -%	15.5%	15.1%	na.	15.0%
EBIT ex NRIs	3.8	2.7	2.5	2.3
EBIT-margin	3.0%	2.2%	2.1%	2.0%
EPS	0.05	0.04	0.04	0.03

**Source: Factset (4 est. median)*

Share price, EUR (Last trading day's closing price)	3.81
Target price, EUR	3.5
Latest change in rating	12-Aug-19
Latest report on company	20-Apr-20
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	172
Free float, %	50.0
Exchange rate	1.000
Reuters code	VERK.HE
Bloomberg code	VERK FH
Average daily volume, EURm	na.
Next interim report	24-Apr-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	517.9	13.0	2.5%	10.6	0.20	18.7	0.3	11.7	6.2	0.22
2021E	538.2	14.9	2.8%	12.2	0.24	16.2	0.3	10.1	7.1	0.23
2022E	557.3	16.5	3.0%	12.5	0.26	14.4	0.3	8.9	7.3	0.25

Market cap, EURm	172	BV per share 2020E, EUR	-55.5	CAGR EPS 2019-22, %	15.0
Net debt 2020E, EURm	-20	Price/book 2020E	4.8	CAGR sales 2019-22, %	3.4
Enterprise value, EURm	152	Dividend yield 2020E, %	5.8	ROE 2020E, %	25.2
Total assets 2020E, EURm	163	Tax rate 2020E, %	20.0	ROCE 2020E, %	21.7
Goodwill 2020E, EURm	0	Equity ratio 2020E, %	22.7	PEG, P/E 20/CAGR	1.1

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

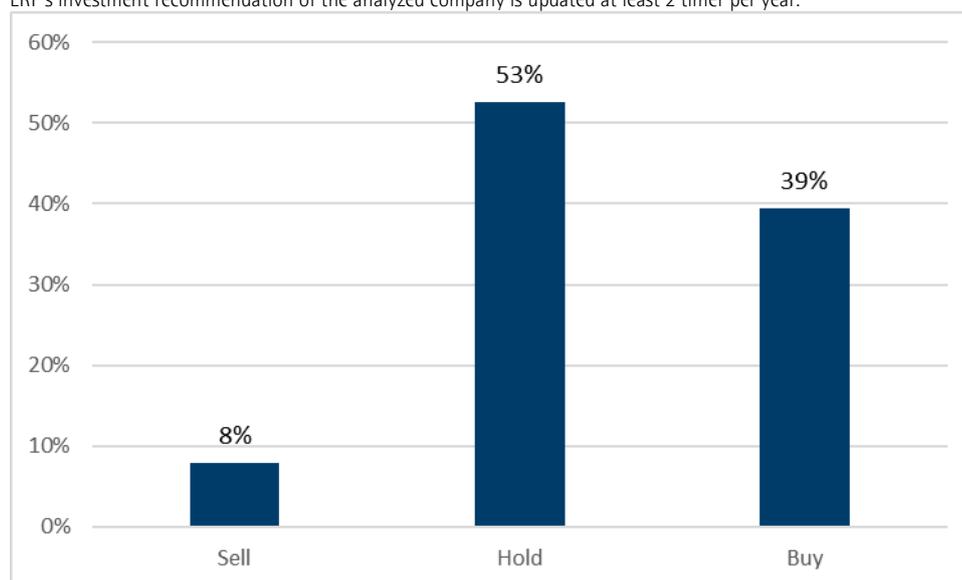
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Investment recommendations are defined as follows:

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

ERP's investment recommendation of the analyzed company is updated at least 2 times per year.



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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