

Expecting sales boost from campaigns

Verkkokauppa.com reports its Q4 result on Friday, 12th of February. We have slightly increased our Q4E estimates ahead the result and keep our rating "BUY" with new TP of EUR 8.3 (6.5).

Expecting sales growth of 7% in Oct-Dec

Year 2020 has so far been an excellent year for Verkkokauppa.com and it has benefited from the changed environment and customer behavior (rapid shift into online). The final quarter is normally the most important one for Verkkokauppa.com in terms of both, sales and profitability and we expect the company to reach strong figures in Oct-Dec, driven by campaigns and Christmas. We have increased our Q4E sales expectation by ~1% and our adj. EBIT expectation by ~6%. We expect Q4E sales of EUR 171m (+7% y/y) and adj. EBIT of EUR 6.6m (+47% y/y). We expect 20E dividend of EUR 0.23.

Well positioned for the future

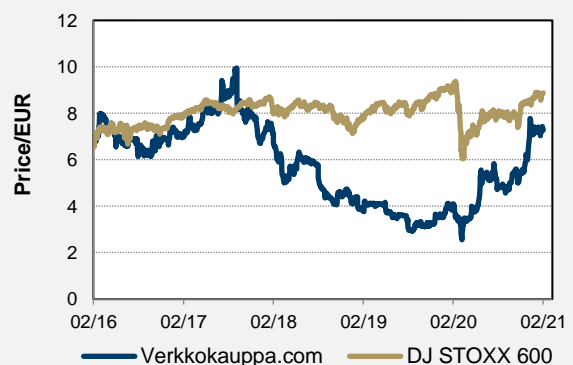
Last year was eventful not only due to the COVID-19 and its impacts on the consumer behavior but also due to Amazon which launched its operations in Sweden at the latter half of the year. In our view, the impacts of the launch on Finland were negligible but it is clear that the presence of the online giant will increase in Finland in the long run. Online sales have grown significantly which has benefited Verkkokauppa.com but the company has also taken right actions towards better profitability which reinforces our view that the company is able reach profitable growth even after the pandemic.

"BUY" with TP of EUR 8.3 (6.5)

We expect 20E sales of EUR 549m (+9% y/y) and adj. EBIT of EUR 20.8m (3.8% margin). Thus, our expectations are at the higher end of the given guidance (sales of EUR 525-550m and adj. EBIT of EUR 17-21m). On our estimates, the company trades with 20E-21E EV/EBIT multiple of 14.5x and 15.2x which translates into 40-50% discount compared to the peers. We keep our rating "BUY" with TP of EUR 8.3 (6.5).

Rating

BUY



Share price, EUR (Last trading day's closing price) 7.28

Target price, EUR 8.3

Latest change in rating 27-Apr-20

Latest report on company 26-Oct-20

Research paid by issuer: YES

No. of shares outstanding, '000's 44,707

No. of shares fully diluted, '000's 44,707

Market cap, EURm 325

Free float, % 50.5

Exchange rate 1.000

Reuters code VERK.HE

Bloomberg code VERK FH

Average daily volume, EURm na.

Next interim report 12-Feb-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 |
|--------------------------|---------------|--------------|-------------------------|-------------|------------|------------|-----------------------|----------------|----------------|------------|
| 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 | 548.7 | 20.8 | 3.8% | 14.3 | 0.35 | 20.7 | 0.5 | 14.5 | 4.4 | 0.23 |
| 2021E | 567.6 | 19.5 | 3.4% | 15.3 | 0.32 | 22.7 | 0.5 | 15.2 | 4.7 | 0.25 |
| 2022E | 588.4 | 20.8 | 3.5% | 14.5 | 0.34 | 21.2 | 0.5 | 14.1 | 4.4 | 0.26 |
| Market cap, EURm | | 325 | Gearing 2020E, % | | | -56.6 | CAGR EPS 2019-22, % | | | 25.6 |
| Net debt 2020E, EURm | | -24 | Price/book 2020E | | | 7.8 | CAGR sales 2019-22, % | | | 5.3 |
| Enterprise value, EURm | | 302 | Dividend yield 2020E, % | | | 3.2 | ROE 2020E, % | | | 40.1 |
| Total assets 2020E, EURm | | 172 | Tax rate 2020E, % | | | 18.6 | ROCE 2020E, % | | | 33.5 |
| Goodwill 2020E, EURm | | 0 | Equity ratio 2020E, % | | | 24.9 | PEG, P/E 20/CAGR | | | -39.3 |

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

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 | 548.7 | 567.6 | 588.4 |
| <i>Growth-%</i> | - | 10.7 % | 17.2 % | 6.0 % | 15.9 % | 24.6 % | 8.1 % | 16.3 % | 10.6 % | 5.5 % | 8.9 % | 3.4 % | 3.7 % |
| 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 | -462.0 | -480.2 | -497.8 |
| <i>Growth-%</i> | - | 8.1 % | 16.8 % | 2.8 % | 16.2 % | 25.2 % | 7.5 % | 17.8 % | 9.9 % | 6.0 % | 7.4 % | 3.9 % | 3.7 % |
| <i>% of sales</i> | 89.4 % | 87.2 % | 86.9 % | 84.3 % | 84.6 % | 84.9 % | 84.4 % | 85.5 % | 84.9 % | 85.3 % | 84.2 % | 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 | 86.7 | 87.4 | 90.6 |
| <i>Gross margin</i> | 10.6 % | 12.8 % | 13.1 % | 15.7 % | 15.4 % | 15.1 % | 15.6 % | 14.5 % | 15.1 % | 14.7 % | 15.8 % | 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 | -63.3 | -65.1 |
| <i>Growth-%</i> | - | 39.1 % | 23.6 % | 4.7 % | 14.5 % | 15.5 % | 9.6 % | 2.5 % | 21.4 % | 7.6 % | 5.8 % | 2.8 % | 3.0 % |
| <i>% of sales</i> | 9.6 % | 12.1 % | 12.7 % | 12.6 % | 12.4 % | 11.5 % | 11.7 % | 10.3 % | 11.3 % | 11.5 % | 11.2 % | 11.1 % | 11.1 % |
| 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 | -5.0 | -5.0 | -5.2 | -5.2 |
| NRI's 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 | 25.7 | 24.7 | 26.0 |
| <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 % | 4.7 % | 4.3 % | 4.4 % |
| Adj. EBIT | 1.6 | 0.8 | 0.0 | 6.6 | 7.5 | 11.1 | 13.2 | 13.5 | 13.3 | 11.3 | 20.8 | 19.5 | 20.8 |
| <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 % | 3.8 % | 3.4 % | 3.5 % |
| Reported EBIT | 1.6 | 0.8 | 0.0 | 6.6 | 7.5 | 7.7 | 12.6 | 13.5 | 13.3 | 11.3 | 20.0 | 19.5 | 20.8 |
| <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 % | 3.6 % | 3.4 % | 3.5 % |
| 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 | 18.5 | 17.9 | 19.2 |
| Taxes | -0.1 | 0.0 | 0.0 | -1.4 | -1.2 | -1.4 | -2.4 | -2.4 | -2.3 | -2.0 | -3.6 | -3.6 | -3.8 |
| <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 % |
| 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 | 14.9 | 14.3 | 15.3 |
| 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 | 0.33 | 0.32 | 0.34 |
| Dividend and capital return | - | - | - | 0.04 | 0.85 | 0.15 | 0.17 | 0.18 | 0.20 | 0.21 | 0.23 | 0.25 | 0.26 |
| <i>Payout ratio (%)</i> | | | | 7 % | 142 % | 126 % | 74 % | 87 % | 96 % | 122 % | 69 % | 78 % | 76 % |

Source: Company data, Evli Research

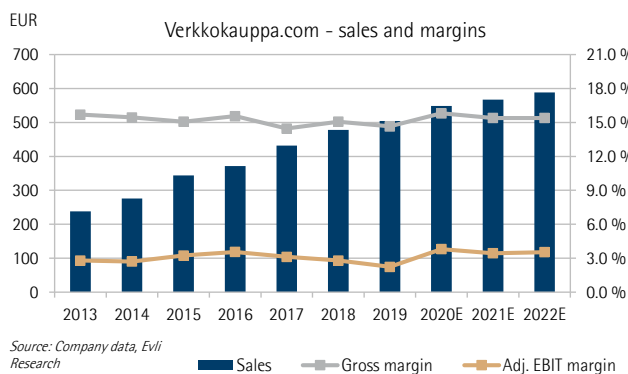
Note: IFRS figures include impact of IFRS 16 from 2017 onwards

* PTP, Net Income & EPS calculated from reported figures

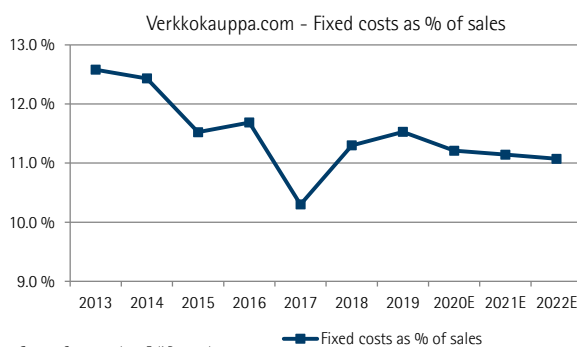
*2014 net financials include a EUR 1.9m one-off item due to IPO

*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



Source: Company data, Evli Research

Valuation

| VERKKOKAUPPA.COM PEER GROUP | EV/Sales 20 | EV/Sales 21 | EV/Sales 22 | EV/EBITDAEV 20 | EV/EBITDAEV 21 | EV/EBITDAEV 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 | 1.4x | 1.2x | 1.0x | 17.5x | 14.4x | 12.5x | 30.7x | 25.8x | 22.7x | 18.1 % | 73.1 % |
| Dustin Group AB | 0.7x | 0.6x | 0.6x | 13.1x | 10.8x | 9.6x | 19.8x | 15.4x | 13.3x | 8.3 % | 12.1 % |
| Groupe LDLC SA | 0.5x | 0.5x | 0.4x | 6.9x | 6.6x | 5.6x | 6.5x | 6.4x | 5.4x | 16.7 % | 99.2 % |
| Zalando SE | 3.1x | 2.6x | 2.2x | 40.2x | 38.9x | 30.4x | 67.7x | 67.5x | 50.4x | 19.6 % | 41.6 % |
| Physical store-focused Nordic and European peers | | | | | | | | | | | |
| CECONOMY AG | 0.1x | 0.1x | 0.1x | 3.0x | 2.5x | 2.3x | 13.0x | 8.5x | 6.7x | 0.4 % | 18.7 % |
| Dixons Carphone plc | 0.2x | 0.2x | 0.2x | 3.4x | 3.1x | 2.7x | 8.1x | 6.5x | 5.2x | -1.2 % | 18.7 % |
| Unieuro SpA | 0.1x | 0.2x | 0.2x | 2.2x | 2.7x | 4.4x | 4.9x | 7.8x | 12.9x | 1.9 % | 1.7 % |
| XXL ASA | 0.8x | 0.8x | 0.7x | 8.0x | 6.5x | 5.9x | 28.9x | 17.7x | 14.6x | 6.4 % | na. |
| Large international e-commerce peers | | | | | | | | | | | |
| Alibaba Group Holding Ltd. Sponsored ADR | 5.9x | 4.3x | 3.4x | 20.1x | 15.7x | 12.2x | 35.5x | 24.9x | 17.9x | 30.1 % | 21.7 % |
| Amazon.com, Inc. | 4.3x | 3.4x | 2.8x | 29.2x | 22.9x | 17.5x | 72.9x | 52.6x | 36.1x | 22.2 % | 38.6 % |
| eBay Inc. | 4.7x | 3.9x | 3.6x | 12.6x | 11.3x | 10.2x | 14.9x | 13.2x | 11.9x | 2.4 % | 13.8 % |
| JD.com, Inc. Sponsored ADR Class A | 1.2x | 0.9x | 0.7x | 41.8x | 27.9x | 18.9x | 65.5x | 40.2x | 24.9x | 23.6 % | 40.9 % |
| Rakuten, Inc. | 1.3x | 1.3x | 1.2x | 43.2x | 23.1x | 10.1x | | | 37.7x | 10.2 % | na. |
| Online-focused Nordic and European peers | 0.7x | 0.6x | 0.6x | 13.1x | 11.0x | 9.6x | 30.7x | 25.8x | 22.7x | 17.4 % | 57.4 % |
| Physical store-focused Nordic and European peers | 0.2x | 0.2x | 0.2x | 3.2x | 2.9x | 3.5x | 10.5x | 8.2x | 9.8x | 1.1 % | 18.7 % |
| Large international e-commerce peers | 4.3x | 3.4x | 2.8x | 29.2x | 22.9x | 12.2x | 50.5x | 32.5x | 24.9x | 22.2 % | 30.2 % |
| Verkkokauppa.com (Evli est.) | 0.5x | 0.5x | 0.5x | 11.7x | 12.0x | 11.3x | 14.5x | 15.2x | 14.1x | 5.3 % | 25.6 % |
| | -22 % | -19 % | -17 % | -11 % | 9 % | 17 % | -53 % | -41 % | -38 % | | |
| VERKKOKAUPPA.COM PEER GROUP | P/E 20 | P/E 21 | P/E 22 | EBIT-% 20 | EBIT-% 21 | EBIT-% 22 | Div-% 20 | Div-% 21 | Div-% 22 | ROE 20 | P/B 20 |
| Online-focused Nordic and European peers | | | | | | | | | | | |
| ASOS plc | 38.9x | 34.1x | 34.1x | 4.6% | 4.6% | 4.6% | 0.0% | 0.0% | 0.0% | 14.6% | 14.6x |
| Dustin Group AB | 19.3x | 16.2x | 16.2x | 3.5% | 4.2% | 3.5% | 2.6% | 3.4% | 4.2% | 15.5% | 15.5x |
| Groupe LDLC SA | 10.3x | 10.9x | 10.9x | 8.0% | 7.3% | 8.0% | 1.4% | 2.1% | 2.3% | 39.2% | 39.2x |
| Zalando SE | 105.2x | 104.1x | 104.1x | 4.6% | 3.8% | 4.6% | 0.0% | 0.0% | 0.0% | 12.0% | 12.0x |
| Physical store-focused Nordic and European peers | | | | | | | | | | | |
| CECONOMY AG | | 14.0x | 14.0x | 1.1% | 1.6% | 1.1% | 0.0% | 0.9% | 1.7% | -43.1% | -43.1x |
| Dixons Carphone plc | 10.6x | 8.0x | 8.0x | 2.3% | 3.0% | 2.3% | 1.4% | 4.1% | 5.0% | 4.9% | 4.9x |
| Unieuro SpA | 4.3x | 7.1x | 7.1x | 2.9% | 2.0% | 2.9% | 10.6% | 7.4% | 6.4% | 42.6% | 42.6x |
| XXL ASA | 47.2x | 19.1x | 19.1x | 2.8% | 4.3% | 2.8% | 0.0% | 0.9% | 2.3% | 2.6% | 2.6x |
| Large international e-commerce peers | | | | | | | | | | | |
| Alibaba Group Holding Ltd. Sponsored ADR | 25.5x | 21.9x | 21.9x | 16.7% | 17.4% | 16.7% | 0.0% | 0.0% | 0.0% | 17.9% | 17.9x |
| Amazon.com, Inc. | 79.4x | 69.6x | 69.6x | 5.9% | 6.5% | 5.9% | 0.0% | 0.0% | 0.0% | 22.7% | 22.7x |
| eBay Inc. | 18.7x | 15.9x | 15.9x | 31.3% | 29.8% | 31.3% | 1.0% | 1.1% | 1.2% | 66.3% | 66.3x |
| JD.com, Inc. Sponsored ADR Class A | 56.1x | 42.3x | 42.3x | 1.8% | 2.2% | 1.8% | 0.0% | 0.0% | 0.0% | 13.3% | 13.3x |
| Rakuten, Inc. | | | | -6.5% | -4.2% | -6.5% | 0.4% | 0.4% | 0.4% | -14.6% | -14.6x |
| Online-focused Nordic and European peers | 38.9x | 34.1x | 34.1x | 4.6% | 4.2% | 4.6% | 0.0% | 0.0% | 0.0% | 14.6% | 14.6x |
| Physical store-focused Nordic and European peers | 10.6x | 11.0x | 11.0x | 2.5% | 2.5% | 2.5% | 0.7% | 2.5% | 3.7% | 3.7% | 3.7x |
| Large international e-commerce peers | 40.8x | 32.1x | 32.1x | 5.9% | 6.5% | 5.9% | 0.0% | 0.0% | 0.0% | 17.9% | 17.9x |
| Verkkokauppa.com (Evli est.) | 20.7x | 22.7x | 21.2x | 3.8 % | 3.4 % | 3.5 % | 3.2% | 3.4% | 3.6% | 40.1% | 7.8% |

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

Source: Factset, Evli Research

INTERIM FIGURES

| EVLI ESTIMATES, EURm | 2019Q1 | 2019Q2 | 2019Q3 | 2019Q4 | 2019 | 2020Q1 | 2020Q2 | 2020Q3 | 2020Q4E | 2020E | 2021E | 2022E |
|--------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Net sales | 115.8 | 107.8 | 120.6 | 159.9 | 504.1 | 125.3 | 123.1 | 129.3 | 171.1 | 548.7 | 567.6 | 588.4 |
| EBITDA | 3.5 | 1.4 | 5.5 | 5.7 | 16.2 | 5.0 | 6.0 | 6.8 | 7.9 | 25.7 | 24.7 | 26.0 |
| <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>5.3</i> | <i>4.6</i> | <i>4.7</i> | <i>4.4</i> | <i>4.4</i> |
| EBIT | 2.3 | 0.2 | 4.3 | 4.5 | 11.3 | 3.8 | 4.8 | 5.6 | 6.6 | 20.8 | 19.5 | 20.8 |
| <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>4.3</i> | <i>3.8</i> | <i>3.8</i> | <i>3.4</i> | <i>3.5</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 | 5.3 | 6.1 | 19.3 | 17.9 | 19.2 |
| Tax | -0.4 | 0.0 | -0.8 | -0.8 | -1.9 | -0.6 | -0.7 | -1.1 | -1.2 | -3.6 | -3.6 | -3.8 |
| <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>18.6</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 | 4.2 | 4.9 | 15.7 | 14.3 | 15.3 |
| EPS | 0.03 | 0.00 | 0.07 | 0.07 | 0.17 | 0.06 | 0.08 | 0.09 | 0.11 | 0.35 | 0.32 | 0.34 |
| EPS adjusted (diluted no. of shares) | 0.03 | 0.00 | 0.07 | 0.07 | 0.17 | 0.06 | 0.08 | 0.09 | 0.11 | 0.35 | 0.32 | 0.34 |
| Dividend per share | 0.00 | 0.00 | 0.00 | 0.00 | 0.21 | 0.00 | 0.00 | 0.00 | 0.00 | 0.23 | 0.25 | 0.26 |
| SALES, EURm | | | | | | | | | | | | |
| Verkkokauppa.com | 115.8 | 107.8 | 120.6 | 159.9 | 504.1 | 125.3 | 123.1 | 129.3 | 171.1 | 548.7 | 567.6 | 588.4 |
| Total | 115.8 | 107.8 | 120.6 | 159.9 | 504.1 | 125.3 | 123.1 | 129.3 | 171.1 | 548.7 | 567.6 | 588.4 |
| SALES GROWTH, Y/Y % | | | | | | | | | | | | |
| Verkkokauppa.com | 12.8 | 5.3 | 3.2 | 2.6 | 5.5 | 8.2 | 14.1 | 7.3 | 7.0 | 8.9 | 3.4 | 3.7 |
| Total | 12.8 | 5.3 | 3.2 | 2.6 | 5.5 | 8.2 | 14.1 | 7.3 | 7.0 | 8.9 | 3.4 | 3.7 |
| EBIT, EURm | | | | | | | | | | | | |
| Verkkokauppa.com | 2.3 | 0.2 | 4.3 | 4.5 | 11.3 | 3.8 | 4.8 | 5.6 | 6.6 | 20.8 | 19.5 | 20.8 |
| Total | 2.3 | 0.2 | 4.3 | 4.5 | 11.3 | 3.8 | 4.8 | 5.6 | 6.6 | 20.8 | 19.5 | 20.8 |
| EBIT margin, % | | | | | | | | | | | | |
| Verkkokauppa.com | 2.0 | 0.2 | 3.6 | 2.8 | 2.2 | 3.0 | 3.9 | 4.3 | 3.8 | 3.8 | 3.4 | 3.5 |
| Total | 2.0 | 0.2 | 3.6 | 2.8 | 2.2 | 3.0 | 3.9 | 4.3 | 3.8 | 3.8 | 3.4 | 3.5 |

| INCOME STATEMENT, EURm | 2015 | 2016 | 2017 | 2018 | 2019 | 2020E | 2021E | 2022E |
|--|-------------|------------|-------------|-------------|------------|------------|------------|------------|
| Sales | 343.7 | 371.5 | 431.9 | 477.8 | 504.1 | 548.7 | 567.6 | 588.4 |
| <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>8.9</i> | <i>3.4</i> | <i>3.7</i> |
| EBITDA | 12.3 | 14.1 | 18.0 | 18.4 | 16.2 | 25.7 | 24.7 | 26.0 |
| <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>4.7</i> | <i>4.4</i> | <i>4.4</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 | 20.8 | 19.5 | 20.8 |
| 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 | 20.8 | 19.5 | 20.8 |
| <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>3.8</i> | <i>3.4</i> | <i>3.5</i> |
| Reported EBIT | 7.7 | 12.2 | 13.5 | 13.3 | 11.3 | 20.0 | 19.5 | 20.8 |
| <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>3.6</i> | <i>3.4</i> | <i>3.5</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 | 19.3 | 17.9 | 19.2 |
| Taxes | -1.4 | -2.4 | -2.4 | -2.3 | -1.9 | -3.6 | -3.6 | -3.8 |
| 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 | 14.9 | 14.3 | 15.3 |
| 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 | 72 | 75 | 79 |
| Receivables | 9 | 12 | 20 | 27 | 25 | 29 | 29 | 30 |
| Liquid funds | 31 | 42 | 52 | 47 | 42 | 46 | 48 | 50 |
| Total assets | 81 | 101 | 149 | 168 | 160 | 172 | 176 | 183 |
| Liabilities | | | | | | | | |
| Shareholder's equity | 36 | 39 | 37 | 38 | 37 | 42 | 46 | 50 |
| 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 | 6 | 4 | 3 |
| Non-interest bearing current liabilities | 45 | 61 | 82 | 103 | 100 | 107 | 111 | 115 |
| Other interest-free debt | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total liabilities | 81 | 101 | 149 | 168 | 160 | 172 | 176 | 183 |
| CASH FLOW, EURm | | | | | | | | |
| + EBITDA | 12 | 14 | 18 | 18 | 16 | 26 | 25 | 26 |
| - Net financial items | -1 | 0 | -2 | -2 | -1 | -1 | -2 | -2 |
| - Taxes | -1 | -2 | -4 | -3 | -2 | -4 | -4 | -4 |
| - Increase in Net Working Capital | -2 | 7 | 10 | -5 | -3 | -1 | 1 | -1 |
| +/- Other | -4 | -1 | 0 | 0 | 0 | -1 | 0 | 0 |
| = Cash flow from operations | 5 | 19 | 23 | 9 | 10 | 19 | 20 | 20 |
| - 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 | 14 | 15 | 14 |
| +/- 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 | -1 | -3 | -2 |
| Change in cash | -5 | 11 | 10 | -5 | -4 | 4 | 2 | 2 |

| KEY FIGURES | 2016 | 2017 | 2018 | 2019 | 2020E | 2021E | 2022E |
|--|--------|--------|--------|--------|--------|--------|--------|
| M-cap | 333 | 319 | 185 | 159 | 325 | 325 | 325 |
| Net debt (excl. convertibles) | -42 | -23 | -20 | -19 | -24 | -29 | -32 |
| Enterprise value | 291 | 296 | 164 | 140 | 302 | 297 | 293 |
| Sales | 371 | 432 | 478 | 504 | 549 | 568 | 588 |
| EBITDA | 14 | 18 | 18 | 16 | 26 | 25 | 26 |
| EBIT | 13 | 13 | 13 | 11 | 21 | 19 | 21 |
| Pre-tax | 13 | 12 | 12 | 10 | 19 | 18 | 19 |
| Earnings | 10 | 9 | 9 | 8 | 16 | 14 | 15 |
| Equity book value (excl. minorities) | 39 | 37 | 38 | 37 | 42 | 46 | 50 |
| Valuation multiples | | | | | | | |
| EV/sales | 0.8 | 0.7 | 0.3 | 0.3 | 0.5 | 0.5 | 0.5 |
| EV/EBITDA | 20.6 | 16.4 | 8.9 | 8.7 | 11.7 | 12.0 | 11.3 |
| EV/EBITA | 22.7 | 22.0 | 12.3 | 12.4 | 14.5 | 15.2 | 14.1 |
| EV/EBIT | 22.7 | 22.0 | 12.3 | 12.4 | 14.5 | 15.2 | 14.1 |
| EV/OCF | 15.6 | 12.8 | 18.5 | 14.7 | 16.3 | 14.6 | 14.9 |
| EV/FCFF | 17.0 | 12.9 | 18.6 | 14.8 | 17.3 | 15.1 | 15.7 |
| P/FCFE | 18.8 | 14.8 | 28.7 | 21.6 | 22.8 | 21.2 | 22.5 |
| P/E | 32.1 | 33.8 | 19.8 | 20.4 | 20.7 | 22.7 | 21.2 |
| P/B | 8.6 | 8.7 | 4.9 | 4.4 | 7.8 | 7.1 | 6.5 |
| Target EV/EBITDA | 0.0 | 0.0 | 0.0 | 0.0 | 13.5 | 13.9 | 13.0 |
| Target EV/EBIT | 0.0 | 0.0 | 0.0 | 0.0 | 16.7 | 17.6 | 16.3 |
| Target EV/FCF | 0.0 | 0.0 | 0.0 | 0.0 | 24.4 | 22.4 | 23.5 |
| Target P/B | 0.0 | 0.0 | 0.0 | 0.0 | 8.9 | 8.1 | 7.4 |
| Target P/E | 0.0 | 0.0 | 0.0 | 0.0 | 23.6 | 25.9 | 24.2 |
| Per share measures | | | | | | | |
| Number of shares | 45,065 | 45,065 | 45,065 | 45,065 | 44,707 | 44,707 | 44,707 |
| Number of shares (diluted) | 45,065 | 45,065 | 45,065 | 45,065 | 44,707 | 44,707 | 44,707 |
| EPS | 0.23 | 0.21 | 0.21 | 0.17 | 0.35 | 0.32 | 0.34 |
| Operating cash flow per share | 0.41 | 0.52 | 0.20 | 0.21 | 0.42 | 0.45 | 0.44 |
| Free cash flow per share | 0.39 | 0.48 | 0.14 | 0.16 | 0.32 | 0.34 | 0.32 |
| Book value per share | 0.86 | 0.82 | 0.83 | 0.81 | 0.94 | 1.03 | 1.12 |
| Dividend per share | 0.17 | 0.18 | 0.20 | 0.21 | 0.23 | 0.25 | 0.26 |
| Dividend payout ratio, % | 72.2 | 86.8 | 95.6 | 123.4 | 65.4 | 78.1 | 75.7 |
| Dividend yield, % | 2.2 | 2.6 | 4.8 | 6.1 | 3.2 | 3.4 | 3.6 |
| FCF yield, % | 5.3 | 6.7 | 3.5 | 4.6 | 4.4 | 4.7 | 4.4 |
| Efficiency measures | | | | | | | |
| ROE | 27.9 | 25.1 | 25.1 | 21.1 | 40.1 | 32.6 | 32.0 |
| ROCE | 34.5 | 25.7 | 20.5 | 18.2 | 33.5 | 30.2 | 31.3 |
| 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 | 5.2 | 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 | -1.1 | -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 | 0.7 | 0.8 | 0.7 |
| Net debt/EBITDA, book-weighted | -3.0 | -1.3 | -1.1 | -1.2 | -0.9 | -1.2 | -1.2 |
| 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 | 24.9 | 26.6 | 27.9 |
| Gearing, % | -108.0 | -61.3 | -54.3 | -52.1 | -56.6 | -62.6 | -63.9 |

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 | 133.139 | 40.9% |
| Keskinäinen Työeläkevakuutusyhtiö Varma | 3,865,932 | 28.144 | 8.6% |
| Mandatum Henkivakuutusosakeyhtiö | 2,175,458 | 15.837 | 4.9% |
| Rite Ventures Finland Ab | 2,172,576 | 15.816 | 4.9% |
| Keva | 2,171,000 | 15.805 | 4.9% |
| Sijoitusrahasto Nordea Nordic Small Cap | 1,541,969 | 11.226 | 3.4% |
| Keskinäinen Eläkevakuutusyhtiö Ilmarinen | 992,723 | 7.227 | 2.2% |
| Sijoitusrahasto Evli Suomi Pienyhtiöt | 644,000 | 4.688 | 1.4% |
| Skogberg Ville Johannes | 634,266 | 4.617 | 1.4% |
| Keskinäinen Vakuutusyhtiö Kaleva | 566,475 | 4.124 | 1.3% |
| Ten largest | 33,052,741 | 240.624 | 74% |
| Residual | 11,654,403 | 84.844 | 26% |
| Total | 44,707,144 | 325.468 | 100% |

EARNINGS CALENDAR

| | |
|-------------------|-----------------|
| April 23, 2021 | Q1 report |
| July 16, 2021 | Q2 report |
| October 22, 2021 | Q3 report |
| February 12, 2021 | FY 2020 Results |

OTHER EVENTS

COMPANY MISCELLANEOUS

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

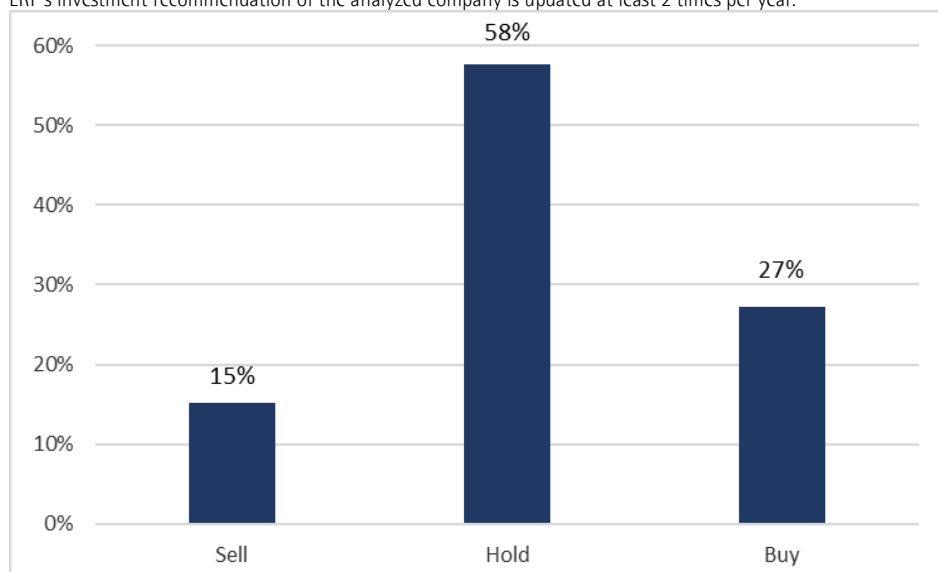
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Investment recommendations are defined as follows:

| 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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