

Strong tailwind amid the pandemic

Verkkokauppa.com reports its April–June result on next week's Friday, 24th of July. We expect Q2E sales of EUR 113m (5% y/y) and adj. EBIT of EUR 1.3m. We keep our rating "BUY" with TP of EUR 6.2 (4.5).

Expecting a strong Q2

Verkkokauppa.com had a strong start for the year as Q1'20 sales increased by over 8% y/y, boosted by exploded online sales caused by the COVID-19. Remote working has become the new normal during this time thus we expect good growth in the consumer electronics market. The management indicated that the demand of several other categories has developed favorably as well (e.g. sports, home). We also expect the good weather in the early summer to have a positive impact on sales. We have increased our Q2'20E sales expectation by 3% to EUR 113.2m. We expect Q2'20E adj. EBIT of EUR 1.3m (Q2'19: EUR 0.2m).

Targeting improved brand awareness

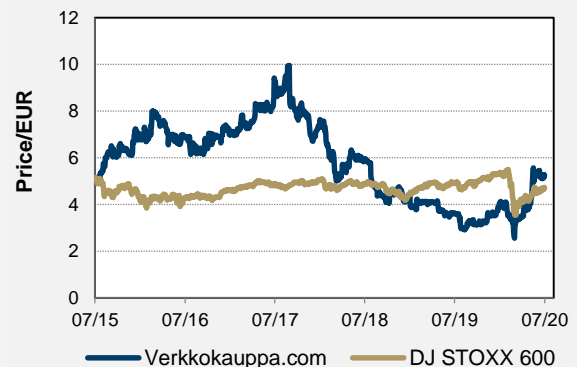
Verkkokauppa.com transferred to the main list of Nasdaq Helsinki in early June as the company is targeting to increase its brand awareness and to improve its liquidity. The total expenses related to the listing are EUR ~0.8m. According to the listing prospectus, some 16% of total sales in Q1'20 came from outside of Finland (2019: 12%). Due to the global movement restrictions, we expect significantly lower international sales during Q2E. We expect gross margin to improve in Q2E (14.9% vs. 14.2% in Q2'19) as the consumer electronics market should ease temporarily but also due to the good development of other smaller categories (offering higher margins). We expect good control over costs, supporting earnings development.

"BUY" with TP of EUR 6.2 (4.5)

We have increased our 20E adj. EBIT expectation by ~5% (EUR 14.3m) while slightly increasing our 20E sales expectation (EUR 525.4m). The company expects 20E sales of EUR 510m-530m and adj. EBIT of EUR 12-15m thus our estimates are at the higher end of the given guidance. We have also increased our 21E-22E sales expectation by 1-1.5% and adj. EBIT expectation by 6-7%. On our estimates, the company trades at 20E-21E EV/sales multiple of 0.4x, which translates into ~25% discount compared to the online focused Nordic and European peers. We keep our rating "BUY" with TP of EUR 6.2 (4.5).

Rating

BUY



Share price, EUR (Last trading day's closing price) 5.24

Target price, EUR 6.2

Latest change in rating 27-Apr-20

Latest report on company 27-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 236

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

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	525.4	14.3	2.7%	12.6	0.23	22.6	0.4	14.9	5.4	0.22
2021E	546.1	16.0	2.9%	11.6	0.26	20.5	0.4	13.2	4.9	0.23
2022E	564.7	17.5	3.1%	13.0	0.28	18.6	0.4	12.0	5.5	0.25
Market cap, EURm		236	Gearing 2020E, %			-60.3	CAGR EPS 2019-22, %			17.6
Net debt 2020E, EURm		-22	Price/book 2020E			6.5	CAGR sales 2019-22, %			3.9
Enterprise value, EURm		214	Dividend yield 2020E, %			4.2	ROE 2020E, %			28.5
Total assets 2020E, EURm		163	Tax rate 2020E, %			18.8	ROCE 2020E, %			24.1
Goodwill 2020E, EURm		0	Equity ratio 2020E, %			22.9	PEG, P/E 20/CAGR			1.7

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	525.4	546.1	564.7
<i>Growth-%</i>	-	10.7 %	17.2 %	6.0 %	15.9 %	24.6 %	8.1 %	16.3 %	10.6 %	5.5 %	4.2 %	3.9 %	3.4 %
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	-446.5	-463.1	-478.3
<i>Growth-%</i>	-	8.1 %	16.8 %	2.8 %	16.2 %	25.2 %	7.5 %	17.8 %	9.9 %	6.0 %	3.8 %	3.7 %	3.3 %
<i>% of sales</i>	89.4 %	87.2 %	86.9 %	84.3 %	84.6 %	84.9 %	84.4 %	85.5 %	84.9 %	85.3 %	85.0 %	84.8 %	84.7 %
Gross profit	18.4	24.5	29.3	37.4	42.6	51.8	57.8	62.5	72.0	73.9	78.8	83.0	86.4
<i>Gross margin</i>	10.6 %	12.8 %	13.1 %	15.7 %	15.4 %	15.1 %	15.6 %	14.5 %	15.1 %	14.7 %	15.0 %	15.2 %	15.3 %
Fixed costs adj.	-16.6	-23.2	-28.6	-29.9	-34.3	-39.6	-43.4	-44.5	-54.0	-58.1	-60.1	-62.3	-64.2
<i>Growth-%</i>	-	39.1 %	23.6 %	4.7 %	14.5 %	15.5 %	9.6 %	2.5 %	21.4 %	7.6 %	3.4 %	3.7 %	3.1 %
<i>% of sales</i>	9.6 %	12.1 %	12.7 %	12.6 %	12.4 %	11.5 %	11.7 %	10.3 %	11.3 %	11.5 %	11.4 %	11.4 %	11.4 %
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	19.3	21.3	22.7
<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 %	3.7 %	3.9 %	4.0 %
Adj. EBIT	1.6	0.8	0.0	6.6	7.5	11.1	13.2	13.5	13.3	11.3	14.3	16.0	17.5
<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 %	2.7 %	2.9 %	3.1 %
Reported EBIT	1.6	0.8	0.0	6.6	7.5	7.7	12.6	13.5	13.3	11.3	13.6	16.0	17.5
<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 %	2.6 %	2.9 %	3.1 %
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	12.0	14.4	15.9
Taxes	-0.1	0.0	0.0	-1.4	-1.2	-1.4	-2.4	-2.4	-2.3	-2.0	-2.4	-2.9	-3.2
<i>Tax rate (%)</i>	16.6 %	0.0 %	0.0 %	25.6 %	22.2 %	19.9 %	19.4 %	20.0 %	20.0 %	20.1 %	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
Net income	0.6	-0.3	-0.7	4.2	4.5	5.4	10.2	9.5	9.3	7.8	9.6	11.5	12.7
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	45.1	45.1	45.1
EPS	0.08	-0.04	-0.09	0.56	0.60	0.12	0.23	0.21	0.21	0.17	0.21	0.26	0.28
Dividend and capital return	-	-	-	0.04	0.85	0.15	0.17	0.18	0.20	0.21	0.22	0.23	0.25
<i>Payout ratio (%)</i>				7 %	142 %	126 %	74 %	87 %	96 %	122 %	102 %	90 %	89 %

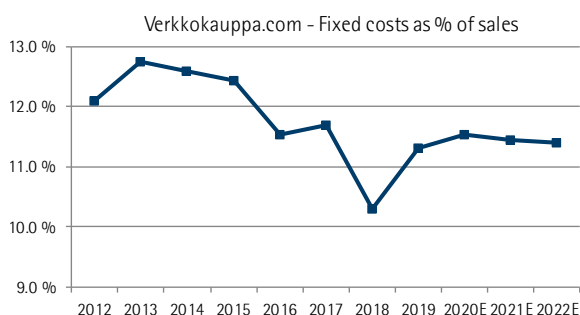
Source: Company data, Evli Research

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

* PTP, Net Income & EPS calculated from reported figures

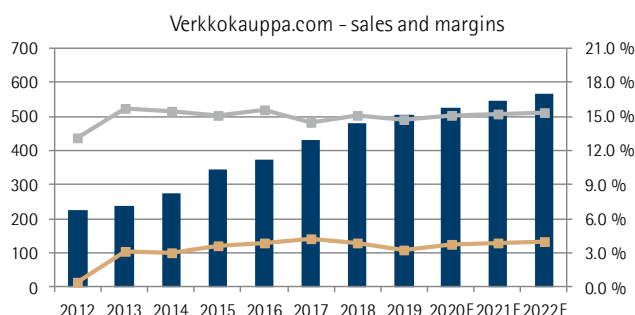
*2014 net financials include a EUR 1.9m one-off item due to IPO

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



Source: Company data, Evli Research

Fixed costs as % of sales



Source: Company data, Evli Research

Sales, Gross margin, Adj. EBITDA margin

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	1.0x	0.8x	22.0x	15.5x	12.0x	79.6x	37.8x	24.8x	13.2 %	50.5 %
Dustin Group AB	0.5x	0.5x	0.5x	10.6x	8.8x	7.8x	17.0x	13.3x	11.2x	7.1 %	9.4 %
Groupe LDLC SA	0.3x	0.3x		5.3x	4.9x		7.9x	7.4x		na.	na.
Qliro Group AB	0.3x	0.3x	0.3x	9.8x	4.9x	3.5x		34.7x	8.6x	1.0 %	na.
Zalando SE	2.1x	1.8x	1.6x	37.8x	29.0x	23.0x	80.5x	55.6x	41.2x	17.3 %	31.4 %
Physical store-focused Nordic and European peers											
CECONOMY AG	0.2x	0.2x	0.2x	8.2x	5.7x	4.4x	25.1x	11.8x	9.6x	-1.4 %	8.1 %
Dixons Carphone plc	0.3x	0.3x	0.2x	4.6x	3.9x	3.2x	14.7x	9.1x	6.3x	-5.5 %	13.1 %
Unieuro SpA	0.2x	0.2x	0.3x	4.0x	3.5x	4.8x	25.4x	16.2x	15.7x	-0.4 %	-3.9 %
XXL ASA	0.9x	0.9x	0.8x	12.0x	8.6x	7.6x	118.5x	26.2x	20.2x	4.8 %	na.
Large international e-commerce peers											
Alibaba Group Holding Ltd. Sponsored ADR	6.3x	4.8x	3.8x	21.4x	15.9x	12.2x	33.6x	23.5x	17.3x	24.3 %	20.5 %
Amazon.com, Inc.	4.2x	3.5x	2.9x	32.9x	23.7x	18.1x	112.0x	58.9x	38.5x	18.0 %	31.7 %
eBay Inc.	4.4x	4.0x	3.5x	11.7x	10.6x	9.5x	13.9x	12.6x	11.2x	1.5 %	12.1 %
JD.com, Inc. Sponsored ADR Class A	0.8x	0.7x	0.5x	30.8x	20.0x	14.6x	51.4x	28.6x	18.6x	18.4 %	35.8 %
Rakuten, Inc.	1.0x	0.9x	0.8x	18.0x	11.4x	6.8x			20.3x	13.3 %	na.
Online-focused Nordic and European peers	0.5x	0.5x	0.6x	10.6x	8.8x	9.9x	48.3x	34.7x	18.0x	10.2 %	31.4 %
Physical store-focused Nordic and European peers	0.2x	0.2x	0.2x	6.4x	4.8x	4.6x	25.2x	14.0x	12.6x	-0.9 %	8.1 %
Large international e-commerce peers	4.2x	3.5x	2.9x	21.4x	15.9x	12.2x	42.5x	26.1x	18.6x	18.0 %	26.1 %
Verkkokauppa.com (Evli est.)	0.4x	0.4x	0.4x	11.1x	10.0x	9.3x	14.9x	13.2x	12.0x	3.9 %	17.6 %
<i>Verkkokauppa.com vs. Online-focused Nordic and EU peers median</i>	<i>-25 %</i>	<i>-23 %</i>	<i>-42 %</i>	<i>5 %</i>	<i>14 %</i>	<i>-6 %</i>	<i>-69 %</i>	<i>-62 %</i>	<i>-33 %</i>		
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	1.4%	2.5%	3.3%	4.8%	9.2%	12.1%	0.0%	0.0%	0.2%	4.2%	4.7x
Dustin Group AB	3.2%	3.8%	4.1%	8.4%	10.1%	11.3%	3.5%	5.0%	5.9%	14.7%	2.1x
Groupe LDLC SA	3.6%	3.6%					1.8%	2.5%		18.3%	2.3x
Qliro Group AB	-3.7%	0.8%	3.3%				0.0%	0.0%	0.0%	-10.2%	1.4x
Zalando SE	2.7%	3.3%	3.8%	9.0%	12.0%	14.5%	0.0%	0.0%	0.0%	7.0%	9.4x
Physical store-focused Nordic and European peers											
CECONOMY AG	0.6%	1.3%	1.6%	4.0%	10.1%	12.7%	0.5%	1.2%	2.9%	-4.4%	1.8x
Dixons Carphone plc	1.9%	2.9%	3.1%	4.2%	6.7%		2.8%	5.7%	6.3%	4.4%	0.4x
Unieuro SpA	0.7%	1.0%	1.6%				0.0%	4.2%	8.1%	11.8%	2.1x
XXL ASA	0.8%	3.4%	4.1%	1.1%	4.9%	6.1%	0.0%	0.0%	0.8%	-1.4%	1.4x
Large international e-commerce peers											
Alibaba Group Holding Ltd. Sponsored ADR	18.8%	20.5%	22.1%	10.4%	12.3%	13.4%	0.0%	0.0%	0.0%	18.0%	4.9x
Amazon.com, Inc.	3.8%	6.0%	7.6%	8.3%	12.7%	15.7%	0.0%	0.0%	0.0%	11.6%	18.5x
eBay Inc.	31.4%	31.3%	31.3%	21.1%	21.5%	19.3%	1.1%	1.1%	1.1%	91.5%	15.6x
JD.com, Inc. Sponsored ADR Class A	1.6%	2.4%	2.9%	8.7%	13.1%	16.3%	0.0%	0.0%	0.0%	13.6%	6.4x
Rakuten, Inc.	-3.6%	-1.0%	4.1%	-2.6%	-0.9%	3.6%	0.4%	0.4%	0.4%	-7.5%	1.9x
Online-focused Nordic and European peers	2.7%	3.3%	3.6%	8.4%	10.1%	12.1%	0.0%	0.0%	0.1%	7.0%	2.3x
Physical store-focused Nordic and European peers	0.7%	2.1%	2.3%	4.0%	6.7%	9.4%	0.2%	2.7%	4.6%	1.5%	1.6x
Large international e-commerce peers	3.8%	6.0%	7.6%	8.7%	12.7%	15.7%	0.0%	0.0%	0.0%	13.6%	6.4x
Verkkokauppa.com (Evli est.)	2.7 %	2.9 %	3.1 %	24.1 %	26.9 %	28.6 %	4.2 %	4.4 %	4.8 %	28.5 %	6.5x

Source: Factset, Evli research

INTERIM FIGURES

EVLI ESTIMATES, EURm	2019Q1	2019Q2	2019Q3	2019Q4	2019	2020Q1	2020Q2E	2020Q3E	2020Q4E	2020E	2021E	2022E
Net sales	115.8	107.8	120.6	159.9	504.1	125.3	113.2	123.0	163.9	525.4	546.1	564.7
EBITDA	3.5	1.4	5.5	5.7	16.2	5.0	2.5	5.6	6.1	19.3	21.3	22.6
<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>2.2</i>	<i>4.6</i>	<i>3.7</i>	<i>3.7</i>	<i>3.9</i>	<i>4.0</i>
EBIT	2.3	0.2	4.3	4.5	11.3	3.8	1.3	4.4	4.9	14.3	16.0	17.5
<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>1.2</i>	<i>3.5</i>	<i>3.0</i>	<i>2.7</i>	<i>2.9</i>	<i>3.1</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	0.9	4.0	4.5	12.8	14.4	15.9
Tax	-0.4	0.0	-0.8	-0.8	-1.9	-0.6	-0.1	-0.8	-0.9	-2.4	-2.9	-3.2
<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>10.9</i>	<i>20.0</i>	<i>20.0</i>	<i>18.8</i>	<i>20.0</i>	<i>20.0</i>
Net profit	1.5	-0.2	3.3	3.2	7.8	2.8	0.8	3.2	3.6	10.4	11.5	12.7
EPS	0.03	0.00	0.07	0.07	0.17	0.06	0.02	0.07	0.08	0.23	0.26	0.28
EPS adjusted (diluted no. of shares)	0.03	0.00	0.07	0.07	0.17	0.06	0.02	0.07	0.08	0.23	0.26	0.28
Dividend per share	0.00	0.00	0.00	0.00	0.21	0.00	0.00	0.00	0.00	0.22	0.23	0.25
SALES, EURm												
Verkkokauppa.com	115.8	107.8	120.6	159.9	504.1	125.3	113.2	123.0	163.9	525.4	546.1	564.7
Total	115.8	107.8	120.6	159.9	504.1	125.3	113.2	123.0	163.9	525.4	546.1	564.7
SALES GROWTH, Y/Y %												
Verkkokauppa.com	12.8	5.3	3.2	2.6	5.5	8.2	5.0	2.0	2.5	4.2	3.9	3.4
Total	12.8	5.3	3.2	2.6	5.5	8.2	5.0	2.0	2.5	4.2	3.9	3.4
EBIT, EURm												
Verkkokauppa.com	2.3	0.2	4.3	4.5	11.3	3.8	1.3	4.4	4.9	14.3	16.0	17.5
Total	2.3	0.2	4.3	4.5	11.3	3.8	1.3	4.4	4.9	14.3	16.0	17.5
EBIT margin, %												
Verkkokauppa.com	2.0	0.2	3.6	2.8	2.2	3.0	1.2	3.5	3.0	2.7	2.9	3.1
Total	2.0	0.2	3.6	2.8	2.2	3.0	1.2	3.5	3.0	2.7	2.9	3.1

INCOME STATEMENT, EURm	2015	2016	2017	2018	2019	2020E	2021E	2022E
Sales	343.7	371.5	431.9	477.8	504.1	525.4	546.1	564.7
<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>4.2</i>	<i>3.9</i>	<i>3.4</i>
EBITDA	12.3	14.1	18.0	18.4	16.2	19.3	21.3	22.6
<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>3.7</i>	<i>3.9</i>	<i>4.0</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	14.3	16.0	17.5
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	14.3	16.0	17.5
<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>2.7</i>	<i>2.9</i>	<i>3.1</i>
Reported EBIT	7.7	12.2	13.5	13.3	11.3	13.5	16.0	17.5
<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>2.6</i>	<i>2.9</i>	<i>3.1</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	12.8	14.4	15.9
Taxes	-1.4	-2.4	-2.4	-2.3	-1.9	-2.4	-2.9	-3.2
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	9.6	11.5	12.7
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	68	71	73
Receivables	9	12	20	27	25	26	27	28
Liquid funds	31	42	52	47	42	44	46	48
Total assets	81	101	149	168	160	163	169	174
Liabilities								
Shareholder's equity	36	39	37	38	37	37	38	41
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	7	7
Non-interest bearing current liabilities	45	61	82	103	100	104	108	111
Other interest-free debt	0	0	0	0	0	0	0	0
Total liabilities	81	101	149	168	160	163	169	174
CASH FLOW, EURm								
+ EBITDA	12	14	18	18	16	19	21	23
- Net financial items	-1	0	-2	-2	-1	-1	-2	-2
- Taxes	-1	-2	-4	-3	-2	-2	-3	-3
- Increase in Net Working Capital	-2	7	10	-5	-3	2	0	0
+/- Other	-4	-1	0	0	0	-1	0	0
= Cash flow from operations	5	19	23	9	10	17	17	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	13	12	13
+/- New issues/buybacks	0	0	-4	0	0	0	0	0
- Paid dividend	-6	-7	-7	-8	-9	-10	-10	-10
+/- Other	-2	0	0	-3	-3	-1	0	-1
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	236	236	236
Net debt (excl. convertibles)	-42	-23	-20	-19	-22	-24	-26
Enterprise value	291	296	164	140	214	212	210
Sales	371	432	478	504	525	546	565
EBITDA	14	18	18	16	19	21	23
EBIT	13	13	13	11	14	16	17
Pre-tax	13	12	12	10	13	14	16
Earnings	10	9	9	8	10	12	13
Equity book value (excl. minorities)	39	37	38	37	37	38	41
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	11.1	10.0	9.3
EV/EBITA	22.7	22.0	12.3	12.4	14.9	13.2	12.0
EV/EBIT	22.7	22.0	12.3	12.4	14.9	13.2	12.0
EV/OCF	15.6	12.8	18.5	14.7	12.6	12.8	11.5
EV/FCFF	17.0	12.9	18.6	14.8	13.5	13.3	12.1
P/FCFE	18.8	14.8	28.7	21.6	18.7	20.3	18.2
P/E	32.1	33.8	19.8	20.4	22.6	20.5	18.6
P/B	8.6	8.7	4.9	4.4	6.5	6.2	5.8
Target EV/EBITDA	0.0	0.0	0.0	0.0	13.3	12.0	11.2
Target EV/EBIT	0.0	0.0	0.0	0.0	18.0	15.9	14.5
Target EV/FCF	0.0	0.0	0.0	0.0	20.4	22.0	19.5
Target P/B	0.0	0.0	0.0	0.0	7.6	7.3	6.9
Target P/E	0.0	0.0	0.0	0.0	26.8	24.2	22.0
Per share measures							
Number of shares	45,065	45,065	45,065	45,065	45,065	45,065	45,065
Number of shares (diluted)	45,065	45,065	45,065	45,065	45,065	45,065	45,065
EPS	0.23	0.21	0.21	0.17	0.23	0.26	0.28
Operating cash flow per share	0.41	0.52	0.20	0.21	0.38	0.37	0.40
Free cash flow per share	0.39	0.48	0.14	0.16	0.28	0.26	0.29
Book value per share	0.86	0.82	0.83	0.81	0.81	0.85	0.90
Dividend per share	0.17	0.18	0.20	0.21	0.22	0.23	0.25
Dividend payout ratio, %	72.2	86.8	95.6	123.4	94.2	89.8	88.7
Dividend yield, %	2.2	2.6	4.8	6.1	4.2	4.4	4.8
FCF yield, %	5.3	6.7	3.5	4.6	5.4	4.9	5.5
Efficiency measures							
ROE	27.9	25.1	25.1	21.1	28.5	30.9	32.2
ROCE	34.5	25.7	20.5	18.2	24.1	26.9	28.6
Financial ratios							
Inventories as % of sales	11.9	10.9	13.8	13.2	12.9	13.0	13.0
Receivables as % of sales	3.3	4.5	5.7	5.1	5.0	5.0	5.0
Non-interest bearing liabilities as % of sales	16.5	19.0	21.6	19.7	19.7	19.7	19.7
NWC/sales, %	-1.4	-3.6	-2.2	-1.5	-1.8	-1.7	-1.7
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	0.8	0.7	0.8
Net debt/EBITDA, book-weighted	-3.0	-1.3	-1.1	-1.2	-1.1	-1.1	-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	22.9	23.2	23.9
Gearing, %	-108.0	-61.3	-54.3	-52.1	-60.3	-62.3	-65.2

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	115.863	49.1%
Rite Ventures Finland Ab	2,172,576	11.384	4.8%
Keva	2,171,000	11.376	4.8%
Keskinäinen Työeläkevakuutusyhtiö Varmia	2,065,932	10.825	4.6%
Sijoitusrahasto Nordea Nordic Small Cap	1,690,607	8.859	3.8%
Mandatum Henkivakuutusosakeyhtiö	1,673,378	8.769	3.7%
Evli Finnish Small Cap Fund	644,000	3.375	1.4%
Skogberg Ville Johannes	634,266	3.324	1.4%
Keskinäinen Vakuutusyhtiö Kaleva	466,475	2.444	1.0%
OP-Suomi Pieniyhtiöt	340,603	1.785	0.8%
Ten largest	33,970,179	178.004	75%
Residual	11,094,951	58.138	25%
Total	45,065,130	236.141	100%

EARNINGS CALENDAR	
July 24, 2020	Q2 report
October 23, 2020	Q3 report
OTHER EVENTS	

COMPANY MISCELLANEOUS	
CEO: Panu Porkka	Tyynenmerenkatu 11, 00220 Helsinki
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, %	$\frac{\text{Profit before extraordinary items and taxes} - \text{income taxes}}{\text{Shareholder's equity} + \text{minority interest} + \text{taxed provisions (average)}}$		

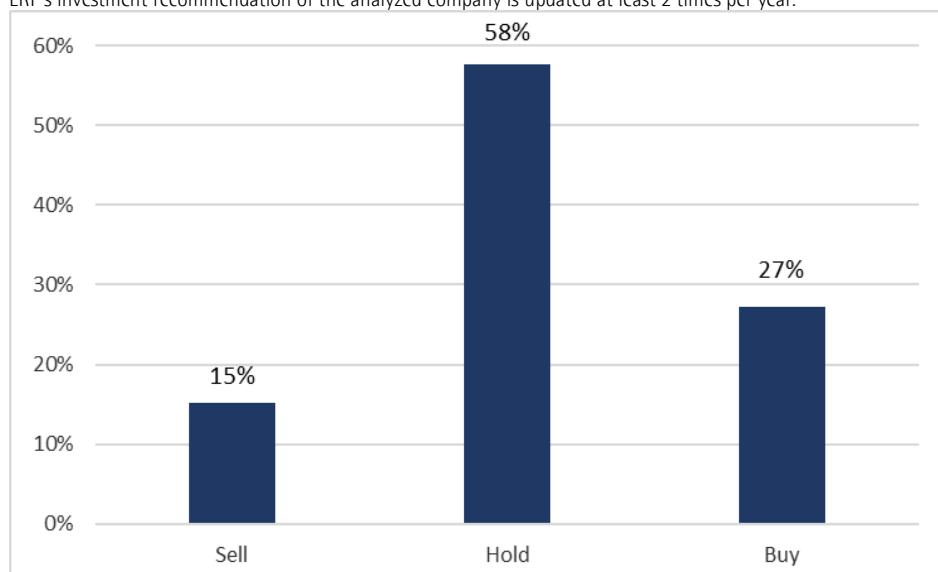
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Target price compared to share price	Recommendation
< -10 %	SELL
-10 – (+10) %	HOLD
> 10 %	BUY

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

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