

## COVID-19 boosting online sales

Verkkokauppa.com will report its Q1'20E result on Friday. We expect the coronavirus to boost online sales but expect decreasing sales in the physical stores. We have made small adjustments to our 20E estimates and retain our rating "HOLD" with TP of EUR 3.5 ahead of Q1.

### Online sales boosted by COVID-19

The exceptional situation due to COVID-19 has pushed retailers online as the demand in physical stores slumped quickly when the movement restrictions came into force. This is likely to have a positive impact on Verkkokauppa.com's sales development in Q1'20E as the company has a strong online presence and only four physical stores in Finland. According to the management, the demand for instance in home office supplies has increased as people have switched their working spaces to their homes.

### Expecting good market growth in Q1'20E

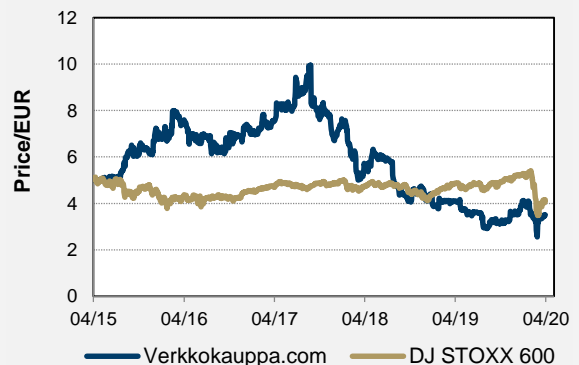
We expect the market growth in consumer electronics to be relatively good in Q1'20E but in the near future, consumers might become more cautious due to the weakening economy, especially if the situation is prolonged. Despite of the good online sales outlook we expect to see decreasing sales in Verkkokauppa.com's physical stores during this situation. We have slightly increased our Q1'20E estimates. We expect Q1'20E revenue to increase by 4.5% y/y to EUR 121m (cons. EUR 118m) and EBIT of EUR 2.7m (cons. EUR 2.4m).

### "HOLD" with TP of EUR 3.5 intact

We have made small adjustments to our 20E estimates and expect revenue of EUR 518m (2.7% y/y) and EBIT of EUR 13.0m (~15% y/y). According to the guidance given for 20E, the company expects revenue to be between EUR 510-530m and EBIT of EUR 12-15m, thus our estimates are at the lower end of the guidance. COVID-19 might speed up the more permanent leap into online in long-term which should benefit players such as Verkkokauppa.com. At the same time, the rumors of Amazon entering the Nordic market have once again increased. On our estimates, Verkkokauppa.com trades at 20E-21E EV/sales multiple of 0.3x which translates into ~50% discount compared to the peers. We keep our rating "HOLD" with TP of EUR 3.5 intact ahead of Q1 result.

Rating

HOLD



Share price, EUR (Last trading day's closing price) 3.50

Target price, EUR 3.5

Latest change in rating 12-Aug-19

Latest report on company 17-Feb-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 158

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

## 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	17.2	0.3	10.6	6.7	0.22
2021E	538.2	14.9	2.8%	12.2	0.24	14.9	0.3	9.1	7.7	0.23
2022E	557.3	16.5	3.0%	12.5	0.26	13.3	0.2	8.1	7.9	0.25
Market cap, EURm		158	Gearing 2020E, %			-55.5	CAGR EPS 2019-22, %			15.0
Net debt 2020E, EURm		-20	Price/book 2020E			4.4	CAGR sales 2019-22, %			3.4
Enterprise value, EURm		138	Dividend yield 2020E, %			6.3	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			1.0

Estimates

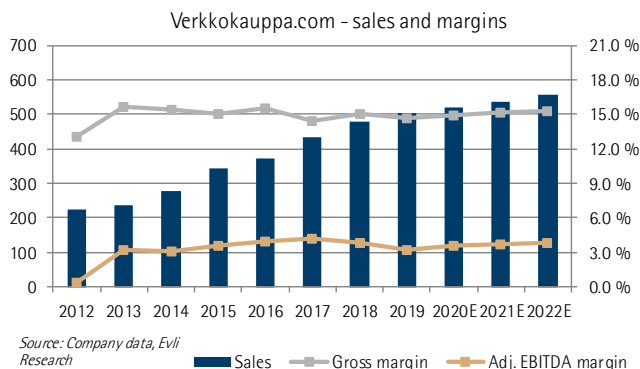
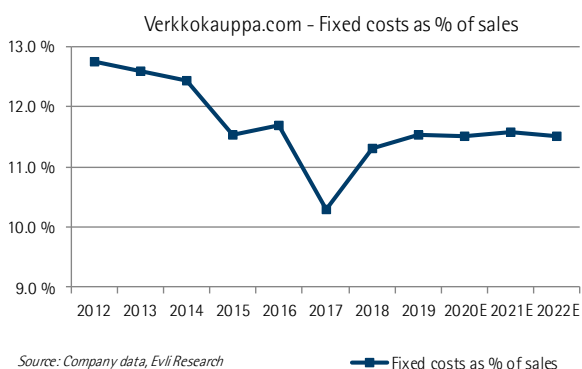
Verkkokauppa.com model	2010 FAS	2011 FAS	2012 FAS	2013 FAS	2014 FAS	2015 FAS	2016 FAS	2017 IFRS	2018 IFRS	2019 IFRS	2020E IFRS	2021E IFRS	2022E IFRS
<b>Sales</b>	<b>173.1</b>	<b>191.6</b>	<b>224.5</b>	<b>238.0</b>	<b>275.8</b>	<b>343.7</b>	<b>371.5</b>	<b>431.9</b>	<b>477.8</b>	<b>504.1</b>	<b>517.9</b>	<b>538.2</b>	<b>557.3</b>
<i>Growth-%</i>	-	10.7 %	17.2 %	6.0 %	15.9 %	24.6 %	8.1 %	16.3 %	10.6 %	5.5 %	2.7 %	3.9 %	3.6 %
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	-440.5	-456.4	-472.0
<i>Growth-%</i>	-	8.1 %	16.8 %	2.8 %	16.2 %	25.2 %	7.5 %	17.8 %	9.9 %	6.0 %	2.4 %	3.6 %	3.4 %
<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 %
<b>Gross profit</b>	<b>18.4</b>	<b>24.5</b>	<b>29.3</b>	<b>37.4</b>	<b>42.6</b>	<b>51.8</b>	<b>57.8</b>	<b>62.5</b>	<b>72.0</b>	<b>73.9</b>	<b>77.4</b>	<b>81.8</b>	<b>85.3</b>
<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 %
<b>Fixed costs adj.</b>	<b>-16.6</b>	<b>-23.2</b>	<b>-28.6</b>	<b>-29.9</b>	<b>-34.3</b>	<b>-39.6</b>	<b>-43.4</b>	<b>-44.5</b>	<b>-54.0</b>	<b>-58.1</b>	<b>-59.8</b>	<b>-62.2</b>	<b>-64.1</b>
<i>Growth-%</i>	-	39.1 %	23.6 %	4.7 %	14.5 %	15.5 %	9.6 %	2.5 %	21.4 %	7.6 %	3.0 %	4.0 %	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 %	11.6 %	11.6 %	11.5 %
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	-5.1	-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	0.0	0.0	0.0
<b>Adj. EBITDA</b>	<b>2.4</b>	<b>1.7</b>	<b>0.9</b>	<b>7.5</b>	<b>8.4</b>	<b>12.3</b>	<b>14.5</b>	<b>18.0</b>	<b>18.4</b>	<b>16.3</b>	<b>18.1</b>	<b>20.1</b>	<b>21.7</b>
<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 %	3.5 %	3.7 %	3.9 %
<b>Adj. EBIT</b>	<b>1.6</b>	<b>0.8</b>	<b>0.0</b>	<b>6.6</b>	<b>7.5</b>	<b>11.1</b>	<b>13.2</b>	<b>13.5</b>	<b>13.3</b>	<b>11.3</b>	<b>13.0</b>	<b>14.9</b>	<b>16.5</b>
<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 %	2.5 %	2.8 %	3.0 %
<b>Reported EBIT</b>	<b>1.6</b>	<b>0.8</b>	<b>0.0</b>	<b>6.6</b>	<b>7.5</b>	<b>7.7</b>	<b>12.6</b>	<b>13.5</b>	<b>13.3</b>	<b>11.3</b>	<b>13.0</b>	<b>14.9</b>	<b>16.5</b>
<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 %	2.5 %	2.8 %	3.0 %
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
<b>Profit before taxes</b>	<b>0.8</b>	<b>-0.1</b>	<b>-0.7</b>	<b>5.5</b>	<b>5.5</b>	<b>6.8</b>	<b>12.6</b>	<b>11.8</b>	<b>11.7</b>	<b>9.7</b>	<b>11.5</b>	<b>13.3</b>	<b>14.9</b>
Taxes	-0.1	0.0	0.0	-1.4	-1.2	-1.4	-2.4	-2.4	-2.3	-2.0	-2.3	-2.7	-3.0
<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
<b>Net income</b>	<b>0.6</b>	<b>-0.3</b>	<b>-0.7</b>	<b>4.2</b>	<b>4.5</b>	<b>5.4</b>	<b>10.2</b>	<b>9.5</b>	<b>9.3</b>	<b>7.8</b>	<b>9.2</b>	<b>10.6</b>	<b>11.9</b>
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
<b>EPS</b>	<b>0.08</b>	<b>-0.04</b>	<b>-0.09</b>	<b>0.56</b>	<b>0.60</b>	<b>0.12</b>	<b>0.23</b>	<b>0.21</b>	<b>0.21</b>	<b>0.17</b>	<b>0.20</b>	<b>0.24</b>	<b>0.26</b>
<b>Dividend and capital return</b>	-	-	-	<b>0.04</b>	<b>0.85</b>	<b>0.15</b>	<b>0.17</b>	<b>0.18</b>	<b>0.20</b>	<b>0.21</b>	<b>0.22</b>	<b>0.23</b>	<b>0.25</b>
<i>Payout ratio (%)</i>				7 %	142 %	126 %	74 %	87 %	96 %	122 %	108 %	98 %	95 %

Source: Company data, Evli Research

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

\*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



## 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
<b>Online-focused Nordic and European peers</b>											
ASOS plc	0.8x	0.7x	0.6x	22.2x	12.4x	9.7x	1035.3x	33.2x	21.6x	12.6 %	42.5 %
Dustin Group AB	0.5x	0.5x	0.4x	9.6x	8.2x	7.2x	14.6x	11.8x	10.0x	3.9 %	6.4 %
Groupe LDLC SA	0.1x	0.1x		4.0x	2.7x		7.1x	4.1x		na.	na.
Qliro Group AB	0.1x	0.1x		5.6x	2.4x			5.9x		na.	na.
Zalando SE	1.5x	1.3x	1.1x	39.3x	22.4x	17.8x	201.6x	50.3x	35.1x	14.2 %	20.0 %
<b>Physical store-focused Nordic and European peers</b>											
CECONOMY AG	0.0x	0.0x	0.0x	-0.2x	-0.2x	-0.6x	-0.3x	-0.4x	-0.9x	-0.5 %	24.3 %
Dixons Carphone plc	0.2x	0.2x	0.1x	4.0x	3.2x		8.7x	5.7x	3.4x	-3.2 %	18.8 %
Unieuro SpA	0.0x	0.1x		1.9x	1.7x		5.0x	3.2x		na.	na.
XXL ASA	0.6x	0.6x	0.4x	8.2x	5.8x	4.1x		24.5x	13.8x	-0.8 %	na.
<b>Large international e-commerce peers</b>											
Alibaba Group Holding Ltd. Sponsored ADR	5.6x	4.3x	3.3x	18.6x	13.7x	12.8x	29.3x	20.6x	14.0x	24.6 %	18.6 %
Amazon.com, Inc.	3.4x	2.8x	2.3x	23.0x	17.8x	14.3x	61.9x	42.7x	30.1x	17.9 %	33.9 %
eBay Inc.	3.6x	3.2x	2.7x	9.7x	9.0x	7.6x	11.7x	10.8x	9.1x	1.7 %	7.5 %
JD.com, Inc. Sponsored ADR Class A	0.6x	0.5x	0.4x	25.1x	15.8x	11.0x	45.9x	23.4x	14.4x	17.2 %	33.6 %
Rakuten, Inc.	1.1x	1.0x	0.9x	14.8x	11.5x	7.5x		71.0x	18.5x	15.3 %	na.
<b>Online-focused Nordic and European peers</b>	<b>0.5x</b>	<b>0.5x</b>	<b>0.6x</b>	<b>9.6x</b>	<b>8.2x</b>	<b>9.7x</b>	<b>108.1x</b>	<b>11.8x</b>	<b>21.6x</b>	<b>12.6 %</b>	<b>20.0 %</b>
<b>Physical store-focused Nordic and European peers</b>	<b>0.1x</b>	<b>0.1x</b>	<b>0.1x</b>	<b>3.0x</b>	<b>2.4x</b>	<b>1.7x</b>	<b>5.0x</b>	<b>4.5x</b>	<b>3.4x</b>	<b>-0.8 %</b>	<b>21.6 %</b>
<b>Large international e-commerce peers</b>	<b>3.4x</b>	<b>2.8x</b>	<b>2.3x</b>	<b>18.6x</b>	<b>13.7x</b>	<b>11.0x</b>	<b>37.6x</b>	<b>23.4x</b>	<b>14.4x</b>	<b>17.2 %</b>	<b>26.1 %</b>
<b>Verkkokauppa.com (Evli est.)</b>	<b>0.3x</b>	<b>0.3x</b>	<b>0.2x</b>	<b>7.6x</b>	<b>6.8x</b>	<b>6.1x</b>	<b>10.6x</b>	<b>9.1x</b>	<b>8.1x</b>	<b>3.4 %</b>	<b>15.0 %</b>
<i>Verkkokauppa.com vs. Online-focused Nordic and EU peers median</i>	<i>-48 %</i>	<i>-47 %</i>	<i>-60 %</i>	<i>-20 %</i>	<i>-17 %</i>	<i>-37 %</i>	<i>-90 %</i>	<i>-23 %</i>	<i>-63 %</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
<b>Online-focused Nordic and European peers</b>											
ASOS plc	0.1%	2.1%	2.8%	0.3%	8.4%	11.3%	0.0%	0.0%	0.3%	-0.9%	3.3x
Dustin Group AB	3.5%	4.0%	4.4%	8.9%	10.3%	11.6%	4.5%	6.0%	7.0%	14.2%	1.8x
Groupe LDLC SA	2.0%	2.9%					1.2%	2.5%		11.0%	1.1x
Qliro Group AB	-1.6%	2.0%					0.0%	0.0%		-6.8%	0.8x
Zalando SE	0.8%	2.5%	3.1%	2.5%	9.4%	12.5%	0.0%	0.0%	0.0%	2.1%	6.4x
<b>Physical store-focused Nordic and European peers</b>											
CECONOMY AG	1.7%	2.0%	2.1%	11.9%	14.5%	14.3%	6.5%	9.0%	14.4%	21.3%	0.9x
Dixons Carphone plc	2.4%	3.4%	3.4%	5.7%	8.5%		6.7%	9.0%	10.1%	5.9%	0.3x
Unieuro SpA	1.0%	1.6%					7.4%	11.3%		21.8%	1.8x
XXL ASA	-0.1%	2.3%	3.0%	-0.1%	2.8%	3.8%	0.0%	0.0%	0.7%	-3.5%	0.5x
<b>Large international e-commerce peers</b>											
Alibaba Group Holding Ltd. Sponsored ADR	19.1%	20.8%	23.5%	11.1%	12.9%	13.1%	0.0%	0.0%	0.0%	18.4%	4.5x
Amazon.com, Inc.	5.5%	6.6%	7.7%	11.1%	12.8%	14.5%	0.0%	0.0%	0.0%	15.8%	13.3x
eBay Inc.	31.2%	29.9%	29.7%	21.7%	23.0%	20.3%	1.7%	1.7%	1.7%	72.5%	9.2x
JD.com, Inc. Sponsored ADR Class A	1.3%	2.1%	2.7%	7.2%	12.0%	14.9%	0.0%	0.0%	0.0%	12.6%	5.2x
Rakuten, Inc.	0.0%	1.4%	5.0%	0.0%	0.6%	3.9%	0.4%	0.5%	0.5%	-1.0%	1.7x
<b>Online-focused Nordic and European peers</b>	<b>0.8%</b>	<b>2.5%</b>	<b>3.1%</b>	<b>2.5%</b>	<b>9.4%</b>	<b>11.6%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.3%</b>	<b>2.1%</b>	<b>1.8x</b>
<b>Physical store-focused Nordic and European peers</b>	<b>1.4%</b>	<b>2.1%</b>	<b>3.0%</b>	<b>5.7%</b>	<b>8.5%</b>	<b>9.0%</b>	<b>6.6%</b>	<b>9.0%</b>	<b>10.1%</b>	<b>13.6%</b>	<b>0.7x</b>
<b>Large international e-commerce peers</b>	<b>5.5%</b>	<b>6.6%</b>	<b>7.7%</b>	<b>11.1%</b>	<b>12.8%</b>	<b>14.5%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>	<b>15.8%</b>	<b>5.2x</b>
<b>Verkkokauppa.com (Evli est.)</b>	<b>2.5 %</b>	<b>2.8 %</b>	<b>3.0 %</b>	<b>21.7 %</b>	<b>24.8 %</b>	<b>27.3 %</b>	<b>6.3 %</b>	<b>6.6 %</b>	<b>7.1 %</b>	<b>25.2 %</b>	<b>4.4x</b>

Source: Factset, Evli research

## INTERIM FIGURES

EVLI ESTIMATES, EURm	2019Q1	2019Q2	2019Q3	2019Q4	2019	2020Q1E	2020Q2E	2020Q3E	2020Q4E	2020E	2021E	2022E
Net sales	115.8	107.8	120.6	159.9	504.1	121.0	107.8	123.6	165.5	517.9	538.2	557.3
EBITDA	3.5	1.4	5.5	5.7	16.2	4.0	1.3	5.9	7.0	18.1	20.1	21.7
<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>3.3</i>	<i>1.2</i>	<i>4.7</i>	<i>4.2</i>	<i>3.5</i>	<i>3.7</i>	<i>3.9</i>
EBIT	2.3	0.2	4.3	4.5	11.3	2.7	0.0	4.6	5.7	13.0	14.9	16.5
<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>2.2</i>	<i>0.0</i>	<i>3.7</i>	<i>3.5</i>	<i>2.5</i>	<i>2.8</i>	<i>3.0</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	2.3	-0.4	4.2	5.3	11.5	13.3	14.9
Tax	-0.4	0.0	-0.8	-0.8	-1.9	-0.5	0.1	-0.8	-1.1	-2.3	-2.7	-3.0
<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>20.0</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>	<i>20.0</i>
Net profit	1.5	-0.2	3.3	3.2	7.8	1.8	-0.3	3.4	4.3	9.2	10.6	11.9
EPS	0.03	0.00	0.07	0.07	0.17	0.04	-0.01	0.08	0.09	0.20	0.24	0.26
EPS adjusted (diluted no. of shares)	0.03	0.00	0.07	0.07	0.17	0.04	-0.01	0.08	0.09	0.20	0.24	0.26
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
<b>SALES, EURm</b>												
Verkkokauppa.com	115.8	107.8	120.6	159.9	504.1	121.0	107.8	123.6	165.5	517.9	538.2	557.3
Total	115.8	107.8	120.6	159.9	504.1	121.0	107.8	123.6	165.5	517.9	538.2	557.3
<b>SALES GROWTH, Y/Y %</b>												
Verkkokauppa.com	12.8	5.3	3.2	2.6	5.5	4.5	0.0	2.5	3.5	2.7	3.9	3.6
Total	12.8	5.3	3.2	2.6	5.5	4.5	0.0	2.5	3.5	2.7	3.9	3.6
<b>EBIT, EURm</b>												
Verkkokauppa.com	2.3	0.2	4.3	4.5	11.3	2.7	0.0	4.6	5.7	13.0	14.9	16.5
Total	2.3	0.2	4.3	4.5	11.3	2.7	0.0	4.6	5.7	13.0	14.9	16.5
<b>EBIT margin, %</b>												
Verkkokauppa.com	2.0	0.2	3.6	2.8	2.2	2.2	0.0	3.7	3.5	2.5	2.8	3.0
Total	2.0	0.2	3.6	2.8	2.2	2.2	0.0	3.7	3.5	2.5	2.8	3.0

INCOME STATEMENT, EURm	2015	2016	2017	2018	2019	2020E	2021E	2022E
Sales	343.7	371.5	431.9	477.8	504.1	517.9	538.2	557.3
<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>2.7</i>	<i>3.9</i>	<i>3.6</i>
EBITDA	12.3	14.1	18.0	18.4	16.2	18.1	20.1	21.7
<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>3.5</i>	<i>3.7</i>	<i>3.9</i>
Depreciation	-1.2	-1.3	-4.6	-5.1	-4.9	-5.1	-5.2	-5.2
EBITA	11.1	12.8	13.5	13.3	11.3	13.0	14.9	16.5
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	13.0	14.9	16.5
<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>2.5</i>	<i>2.8</i>	<i>3.0</i>
Reported EBIT	7.7	12.2	13.5	13.3	11.3	13.0	14.9	16.5
<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>2.5</i>	<i>2.8</i>	<i>3.0</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	11.5	13.3	14.9
Taxes	-1.4	-2.4	-2.4	-2.3	-1.9	-2.3	-2.7	-3.0
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	9.2	10.6	11.9
Cash NRIs	-3.4	-0.6	0.0	0.0	0.0	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
<b>BALANCE SHEET, EURm</b>								
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	15	13
Inventory	39	44	47	66	67	68	71	74
Receivables	9	12	20	27	25	26	27	28
Liquid funds	31	42	52	47	42	44	45	47
Total assets	81	101	149	168	160	163	167	171
Liabilities								
Shareholder's equity	36	39	37	38	37	36	37	38
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	15	13
Deferred taxes	0	0	0	0	0	0	0	0
Interest bearing debt	0	0	0	0	0	7	9	10
Non-interest bearing current liabilities	45	61	82	103	100	102	106	110
Other interest-free debt	0	0	0	0	0	0	0	0
Total liabilities	81	101	149	168	160	163	167	171
<b>CASH FLOW, EURm</b>								
+ EBITDA	12	14	18	18	16	18	20	22
- Net financial items	-1	0	-2	-2	-1	-2	-2	-2
- Taxes	-1	-2	-4	-3	-2	-2	-3	-3
- Increase in Net Working Capital	-2	7	10	-5	-3	1	0	0
+/- Other	-4	-1	0	0	0	0	0	0
= Cash flow from operations	5	19	23	9	10	15	16	17
- Capex	-1	-1	-2	-2	-2	-4	-4	-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	11	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	0	-1	-1
Change in cash	-5	11	10	-5	-4	1	2	2

KEY FIGURES	2016	2017	2018	2019	2020E	2021E	2022E
M-cap	333	319	185	159	158	158	158
Net debt (excl. convertibles)	-42	-23	-20	-19	-20	-22	-24
Enterprise value	291	296	164	140	138	135	133
Sales	371	432	478	504	518	538	557
EBITDA	14	18	18	16	18	20	22
EBIT	13	13	13	11	13	15	16
Pre-tax	13	12	12	10	11	13	15
Earnings	10	9	9	8	9	11	12
Equity book value (excl. minorities)	39	37	38	37	36	37	38
<b>Valuation multiples</b>							
EV/sales	0.8	0.7	0.3	0.3	0.3	0.3	0.2
EV/EBITDA	20.6	16.4	8.9	8.7	7.6	6.8	6.1
EV/EBITA	22.7	22.0	12.3	12.4	10.6	9.1	8.1
EV/EBIT	22.7	22.0	12.3	12.4	10.6	9.1	8.1
EV/OCF	15.6	12.8	18.5	14.7	9.2	8.4	7.7
EV/FCFF	17.0	12.9	18.6	14.8	10.0	8.8	8.1
P/FCFE	18.8	14.8	28.7	21.6	14.9	12.9	12.6
P/E	32.1	33.8	19.8	20.4	17.2	14.9	13.3
P/B	8.6	8.7	4.9	4.4	4.4	4.3	4.1
Target EV/EBITDA	0.0	0.0	0.0	0.0	7.6	6.8	6.1
Target EV/EBIT	0.0	0.0	0.0	0.0	10.6	9.1	8.1
Target EV/FCF	0.0	0.0	0.0	0.0	13.0	11.1	10.7
Target P/B	0.0	0.0	0.0	0.0	4.4	4.3	4.1
Target P/E	0.0	0.0	0.0	0.0	17.2	14.9	13.3
<b>Per share measures</b>							
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	0.20	0.24	0.26
Operating cash flow per share	0.41	0.52	0.20	0.21	0.33	0.36	0.39
Free cash flow per share	0.39	0.48	0.14	0.16	0.24	0.27	0.28
Book value per share	0.86	0.82	0.83	0.81	0.80	0.82	0.85
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	108.1	97.8	94.8
Dividend yield, %	2.2	2.6	4.8	6.1	6.3	6.6	7.1
FCF yield, %	5.3	6.7	3.5	4.6	6.7	7.7	7.9
<b>Efficiency measures</b>							
ROE	27.9	25.1	25.1	21.1	25.2	29.1	31.7
ROCE	34.5	25.7	20.5	18.2	21.7	24.8	27.3
<b>Financial ratios</b>							
Inventories as % of sales	11.9	10.9	13.8	13.2	13.2	13.2	13.2
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	-1.5	-1.5	-1.5
Operative CAPEX/sales, %	0.3	0.4	0.5	0.4	0.8	0.7	0.9
CAPEX/sales (incl. acquisitions), %	0.3	0.4	0.5	0.4	0.8	0.7	0.9
FCFF/EBITDA	1.2	1.3	0.5	0.6	0.8	0.8	0.8
Net debt/EBITDA, book-weighted	-3.0	-1.3	-1.1	-1.2	-1.1	-1.1	-1.1
Debt/equity, market-weighted	0.0	0.0	0.0	0.0	0.0	0.1	0.1
Equity ratio, book-weighted	39.3	25.1	23.0	23.4	22.7	22.6	22.8
Gearing, %	-108.0	-61.3	-54.3	-52.1	-55.5	-60.7	-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. Verkkokauppa.com is listed on Nasdaq First North Finland.

**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	22,110,096	77.385	49.1%
Rite Ventures Finland Ab	2,172,576	7.604	4.8%
Keva	2,171,000	7.599	4.8%
Keskinäinen Työeläkevakuutusyhtiö Varma	2,065,932	7.231	4.6%
Sijoitusrahasto Nordea Nordic Small Cap	1,690,607	5.917	3.8%
Ilmarinen Keskinäinen Eläkevakuutusyhtiö	842,723	2.950	1.9%
Evli Finnish Small Cap Fund	694,000	2.429	1.5%
Skogberg Ville Johannes	634,266	2.220	1.4%
Sr Danske Invest Suomen Pienyhtiöt	467,380	1.636	1.0%
Sijoitusrahasto Aktia Nordic Micro Cap	450,000	1.575	1.0%
Ten largest	33,298,580	116.545	74%
Residual	11,766,550	41.183	26%
Total	45,065,130	157.728	100%

**EARNINGS CALENDAR**

October 23, 2020	Q3 report
April 24, 2020	Q1 report
July 24, 2020	Q2 report

**OTHER EVENTS****COMPANY MISCELLANEOUS**

CEO: Panu Porkka  
CFO: Mikko Forsell  
IR: Mikko Forsell

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



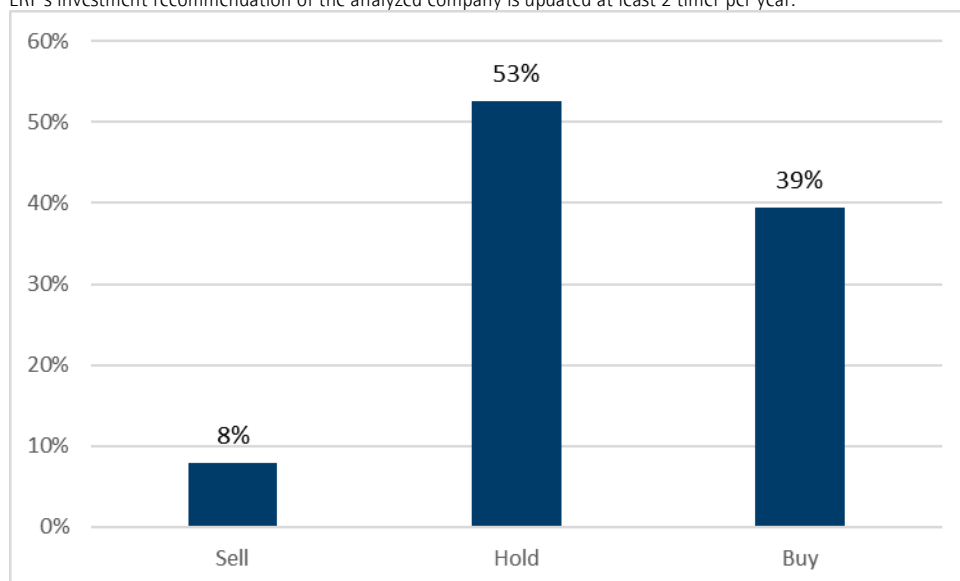
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Investment recommendations are defined as follows:

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

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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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