

Empowering customers to follow their passion

8 December 2021 | DNB Markets

Verkkokauppa.com Oyj

CEO Panu Porkka | CFO Mikko Forsell | Head of IR Marja Mäkinen

Agenda

- Verkkokauppa.com today
- Online shift
- Our strategy
- Latest financials
- Business outlook



A largest ecommerce player in Finland

In 2020

Personnel:
818 employees

Assortment:
70,000 products

87 million visits
in our webstore

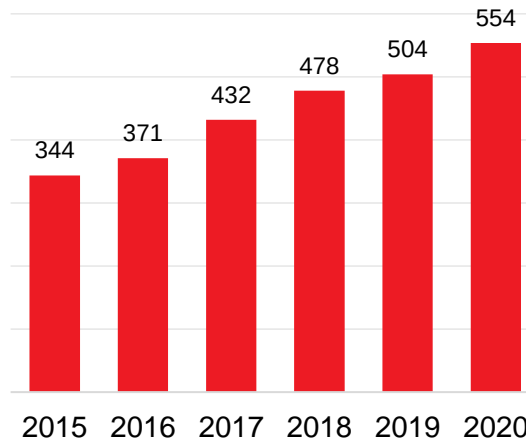
The most sustainable
webstore in Finland*



In 2021, Verkkokauppa.com awarded as one of the top-10 innovative companies in Finland, assessment made by consumers

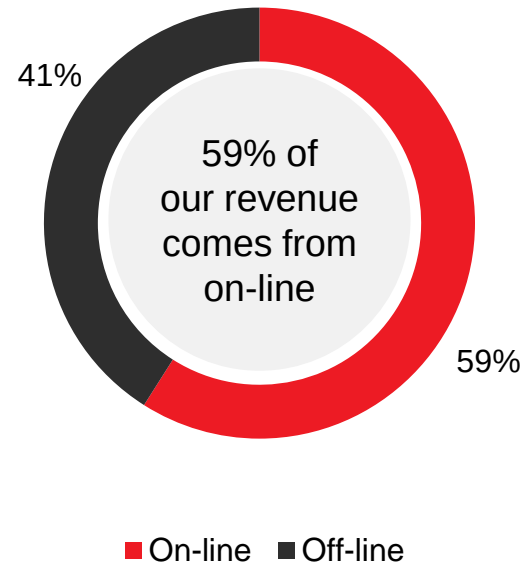


We have a solid track record of growth

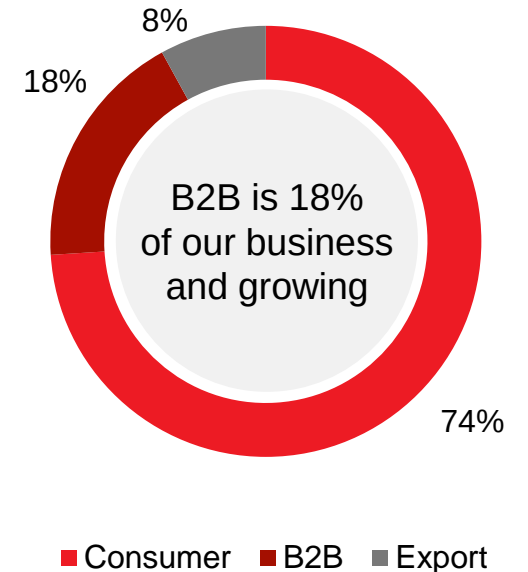


Revenue, 2015-2020, EUR million

Sales channels



Customer segments



*Sustainable Brand Index™ is Europe's largest independent brand study on sustainability, conducted in November 2020 to February 2021.



Frictionless omnichannel experience



Highest customer loyalty

>120,000

Avg. monthly active users, with **+18%** growth rolling 12 months (Aug 2021)



Highest customer satisfaction

78

NPS at stores
(YTD August 2021)



Fast 24/7 automated customer service

65%

of all customer contacts are handled by automation in H1 2021

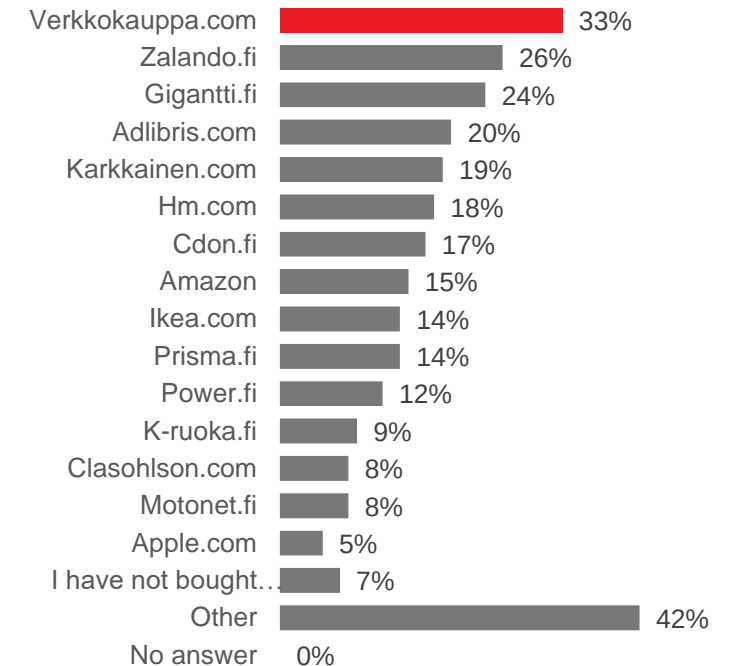


Lowest returns on the market

1.0%

of purchases are returned

Which of these online shops have you bought something from in the past 12 months?



Sustainability is at the core of our everyday business



We sell safe, long-lasting quality products and serve our customers in a knowledgeable, honest and bold manner.

We engage in sustainable procurement with emphasis on our private labels.

Environmental

- 100% renewable electricity in own operations
- **Product return rate of only 1.0%**
- 316 tons of e-waste collected in 2020

Social

Strong emphasis in communality through

- Coaching leadership
- **Giving room for constructive ideas**
- Recognition to good work performance
- Equality and inclusiveness

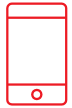
Governance

- Our Code of Conduct & policies
- Sustainability steering group
- **Transparent communications**
- High information security



Online shift

Consumes behaviour is changing faster and faster



62%

Online in Finland shopping
via smartphones 2020 ¹



4.1M

Estimated **ecommerce user**
in Finland by 2025 with
annual growth rate of 7%¹



73%

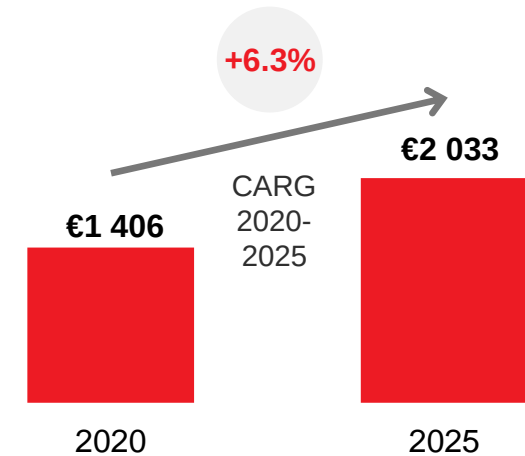
Consumer do research
online before major
purchase ¹



74%

Penetration rate of the e-
commerce market in Finland
by 2025¹

AVG revenue per user in Finland



Ecommerce revenue is expected to show an annual growth rate (CAGR 2021-2025) of 6.97%, resulting in a projected market volume of EUR 8,324m by 2025. Growth is strengthened by better user penetration and growing revenue per user in the market.



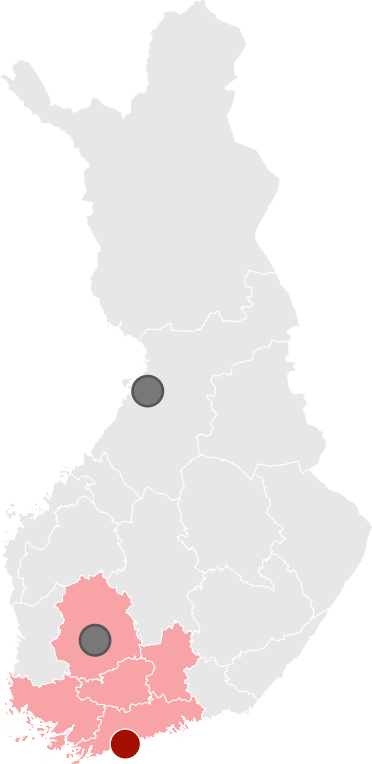
Over the past years we have established superior delivery performance and have room to push further as customer needs evolve



■ >2 day delivery ■ Within next day ■ Same day delivery ● Store ● Logistics center ● Logistics hub & store combination

We used to be more reliant on third-party logistics efficiency

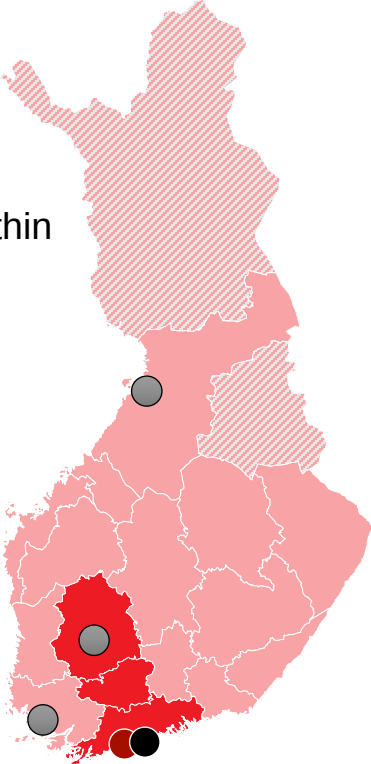
2017



Our network covers majority of households within next day

2020

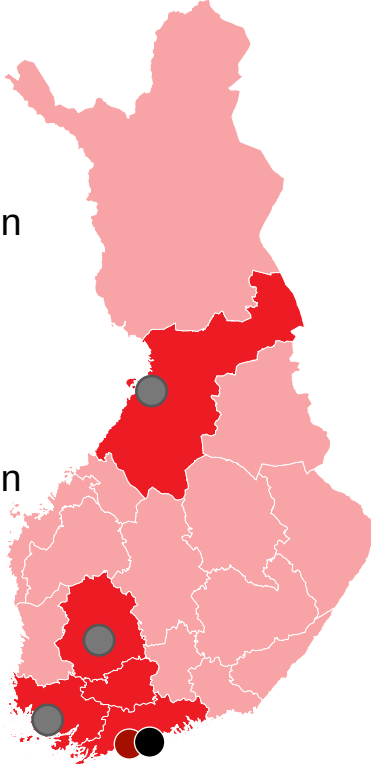
~70% of population covered within next day



As customer needs evolve, we are ready to utilize stores as logistic hubs

FUTURE

>90% of population covered within next day and >50% of population covered within same day

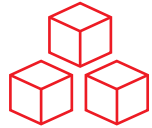


Our strategy



Our purpose is to Empower our customers to follow their passion

Assortment



The widest and most exciting assortment in chosen categories, available from single store/platform. New (premium) products always available among the first in Finland

Experience



Frictionless omnichannel experience built upon inhouse technology stack. Customer journeys designed around the digital consumer from day 1

Speed & Flexibility



Delivery experience fuelled by highest availability and convenience. Always accurate and transparent offering across all channels and locations

Trust








Most transparent product information platform (online & offline). Fair pricing that you can trust to be “probably always cheaper”

Our mission is to provide the **best possible customer journey** within Nordic retail for selected categories



We have built clear competitive advantage in the 2020's ecommerce market

		Local competitors		Global benchmarks	
				 Netherlands	 Sweden
Excellent customer experience and strong brand (Brand index, 2020)	25	19	15	n/a	n/a
Efficient fulfillment (0-1 day coverage)	~70%	~34% through Budbee coverage ¹	Same day not available, next day only through Posti	100%	Same day not available, partnering with PostNord
Superior technology backbone	Inhouse development	Packaged software	Packaged software	Inhouse development	Inhouse development
Extensive assortment (SKUs)	70,000	35,000	20,000	n/a Typical department store assortment	>2,000k² Available including third-party retailers
Cost competitiveness (% of fixed costs)	11.5%	14.5%³	21.6%⁴	23.2%	Retail n/a

1. Helsinki, Vantaa, Espoo, Turku, Tampere and Oulu

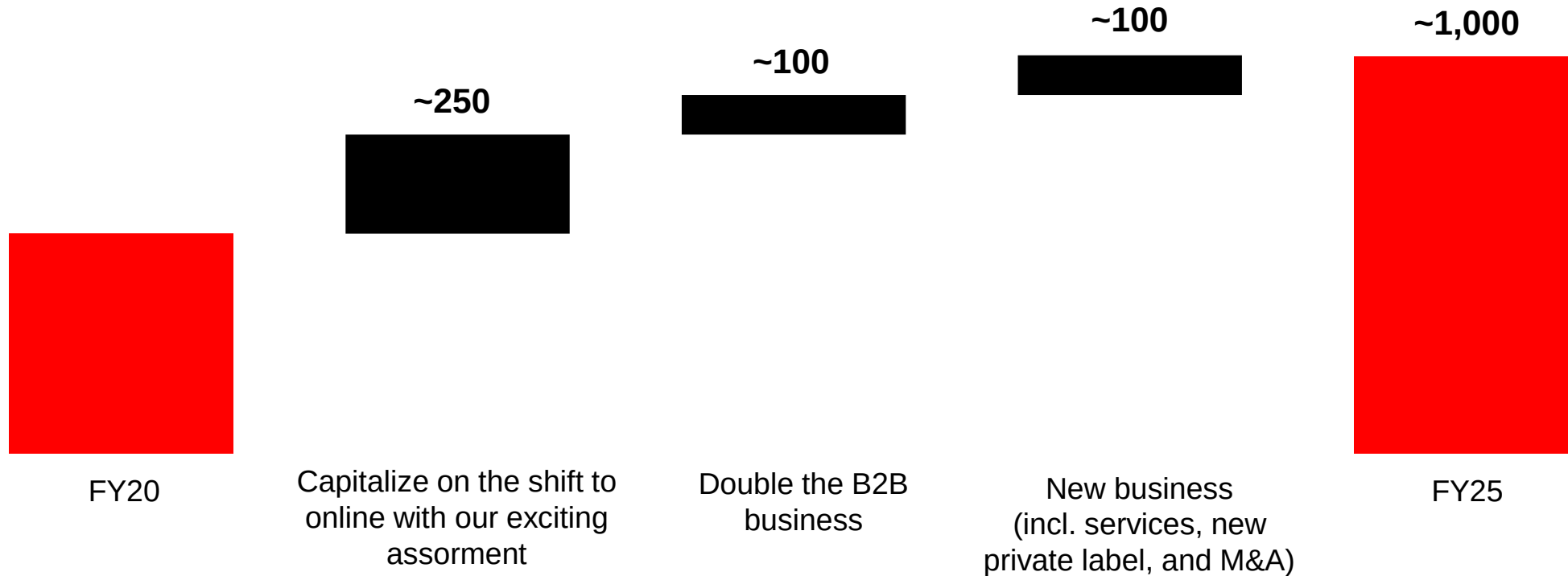
2. As of November 2020 3. May/19-Apr/20 reporting period

4. 2019 figures, including D&A Source: YouGov BrandIndex, Company websites



By capitalizing on the online shift and leveraging our superior platform – we are on a road towards a billion

Verkkokauppa.com revenue development, 2020-25E, €m



1 2 3

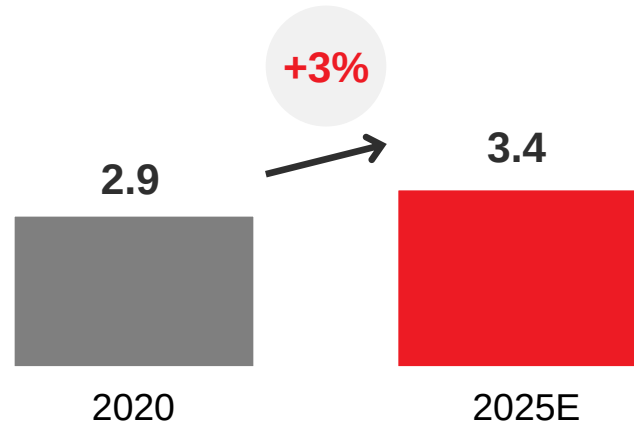
Our core categories will continue accelerated shift to online

Core categories

E.g. IT, Entertainment, Home appliances, Telecom

Total addressable market size

2020-25E, EUR billion



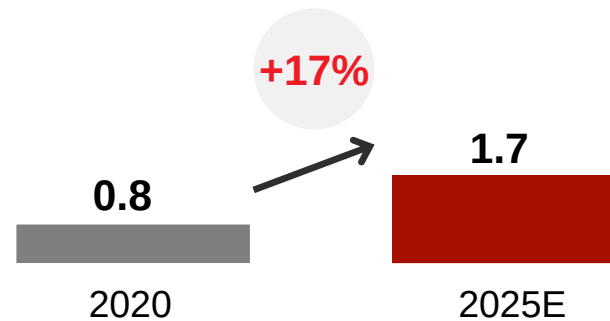
Our total market share **currently 16%**



Online addressable market size

2020-25E, EUR billion

~EUR 900m market opportunity



Online penetration

~27%

~50%

Our **core** categories are...

...what we have built the business around for the last ~30 years

...where we will capture bigger share due to our strong position in online

...where we will capitalize on the accelerated shift from offline to online, resulting in a ~EUR 900 million market opportunity

Source: Euromonitor for total addressable market growth; Verkkokauppa.com for market sizes and online penetrations



1 2 3

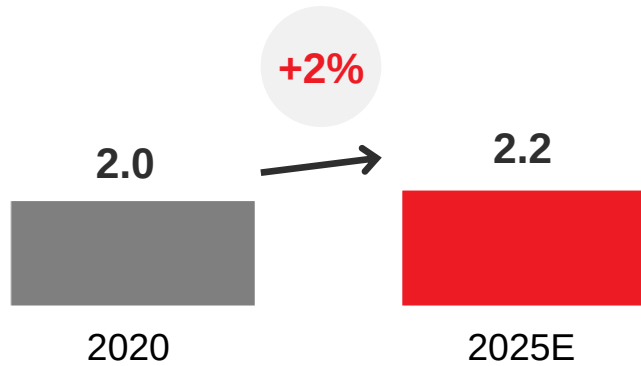
Evolving categories with attractive margins and lower online penetration

Evolving categories

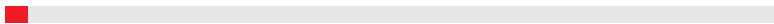
E.g. Toys, Sports & Nutrition, Home & Lighting, BBQ & Cooking, Baby & Family, Luggage & Travel, Pets. Excluding Food and Drink

Total addressable market size

2020-25E, EUR billion



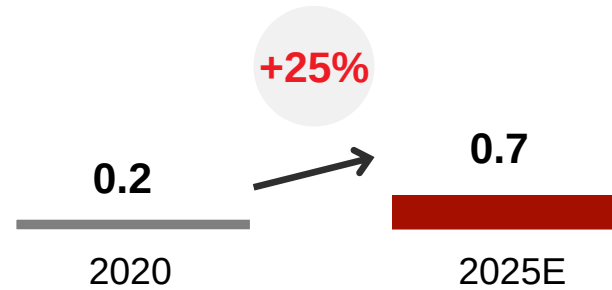
Our total market share **currently 3%**



Online addressable market size

2020-25E, EUR billion

~EUR 500m market opportunity



Online penetration



Our **evolving** categories are...

- ...where we already have started to expand, since 2014
- ...where online maturity is lower and expected to increase rapidly in next 5 years
- ...a fragmented landscape, where no established online market leader exists which would have assortment from entry to A-brands
- ...where we have room for significant growth in the upcoming ~EUR 500 million market opportunity

Source: Euromonitor for total addressable market growth; Verkkokauppa.com for market sizes and online penetrations



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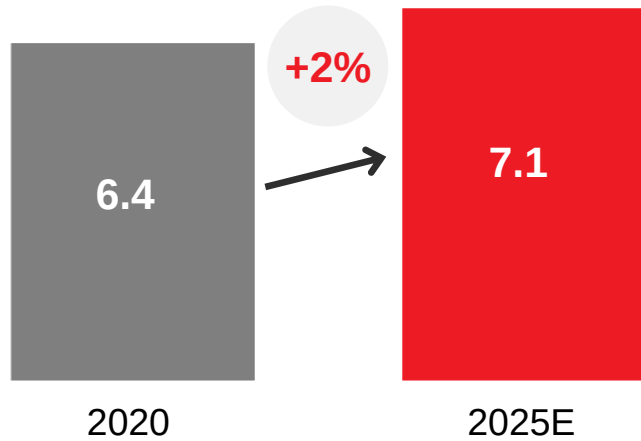
Additionally, we continuously evaluate untapped opportunities

Untapped categories

E.g. Home Interior, DIY & Garden, Health & Beauty, Light vehicles, Optics, Mechanical watches

Total addressable market size

2020-25E, EUR billion

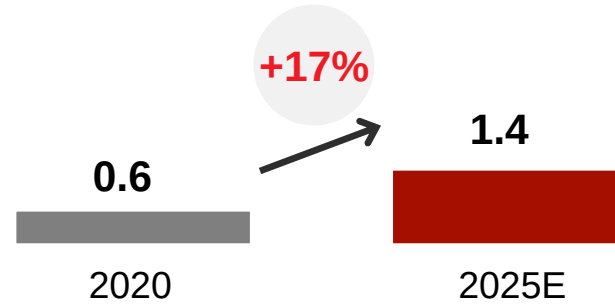


Our total market share **currently 0%**

Online addressable market size

2020-25Ee, EUR billion

~EUR 800m market opportunity



Online penetration

~10%

~20%

Untapped opportunities are...

...where we have a systemized way to identify and test new categories

...where online maturity is lower and expected to increase rapidly in next 5 years

...a fragmented landscape, where no established online market leader exists which would have assortment from entry to A-brands

...where we have room for significant growth in the upcoming ~EUR 800 million market opportunity

Source: Euromonitor for total addressable market growth; Verkkokauppa.com for market sizes and online penetrations



Our assortment is expanding

- 🛒 We are expanding our assortment at a record pace
- 🛒 Up to **100 new product launches daily**
- 🛒 We evaluate new possibilities on a daily basis pursuing to meet the evolving consumer demand
- 🛒 We use growth hacking to find new trends to utilize in product development
- 🛒 Currently up to 80 000 products in our assortment





Latest financials

Solid 3rd quarter

Sales

- ✓ On-line sales continued to grow, +18.7% y-on-y
- ✓ Robust B2B sales with increase of +22.0%
- ✓ Good performance in core categories, such as TV and computers
- ✓ Also growth in several evolving categories like gaming, sports, toys and home & lighting
- ✓ Export sales turned back to growth path and increased by +4.5%
- ✓ Our market share in GfK reported categories was 13.7%, with the growth of +5.7% y-on-y, while market grew by 3.7%
(GfK data per July-Sep 2021)

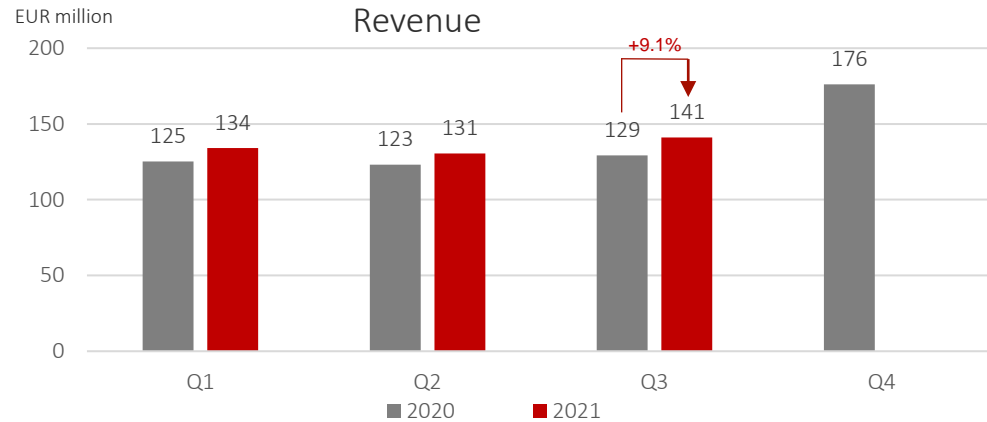
Profitability

- ✓ Tight competitive environment along with sales mix in favor of lower margin categories having an impact on gross margin
- ✓ Operating profit declined by EUR 0.9 million totaling EUR 4.7 million (5.6)
- ✓ Verkkokauppa.com's Board of Directors has decided today to pay fourth dividend instalment of 0.059 euros per share on 2 November

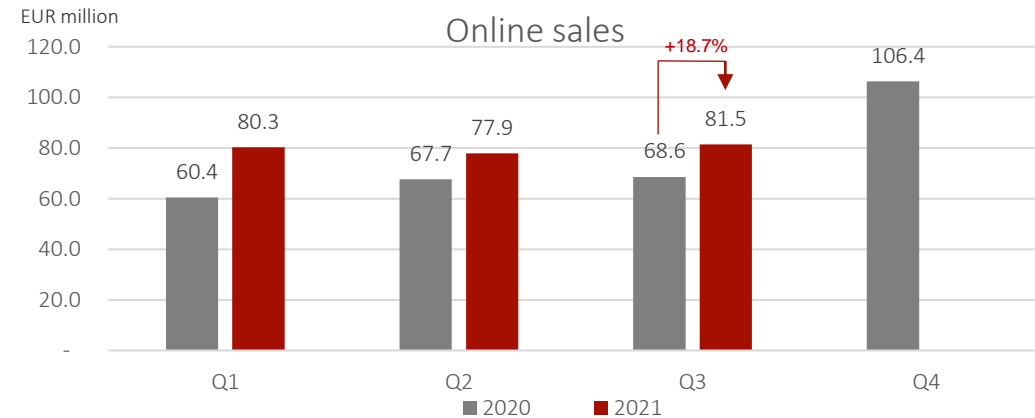


In Q3/2021, on-line sales¹⁾ grew by +18.7%

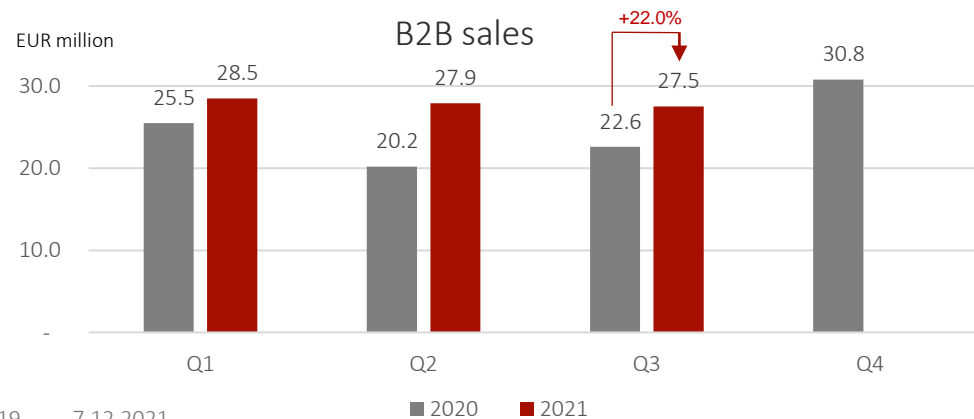
Market share gains in a competitive market



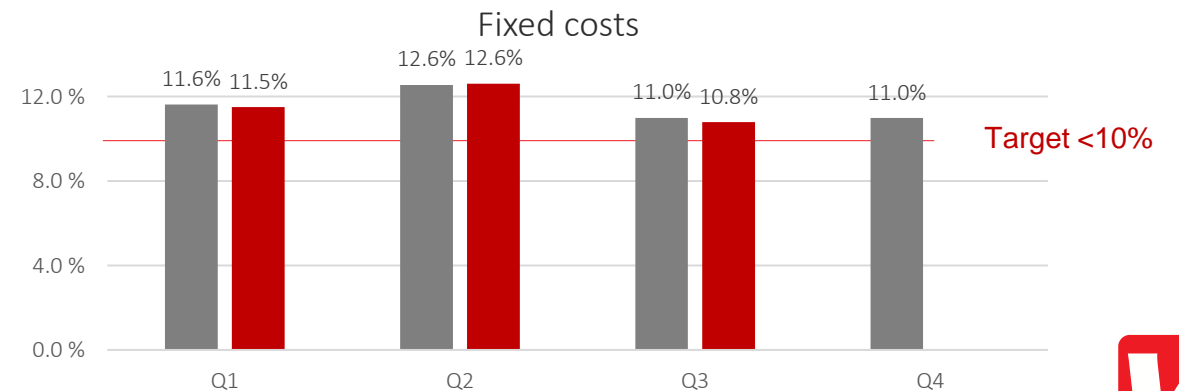
Online shift continues



Robust growth in B2B sales



Fixed cost²⁾ to revenue ratio, targeting <10% by 2025



Q3/2021: Robust revenue growth

EUR million	7-9/ 2021	7-9/ 2020	Change, %	1-9/ 2021	1-9/ 2020	Change, %	FY 2020
Revenue	141.0	129.3	9.1%	405.6	377.6	7.4%	553.6
Gross profit	20.9	20.9	-0.3%	65.0	61.8	5.3%	88.4
Gross margin, %	14.8%	16.2%		16.0%	16.4%		16.0%
Personnel expenses	-8.5	-8.1	4.5%	-26.9	-25.1	7.0%	-35.6
Other operating expenses	-6.8	-6.1	10.5%	-20.2	-19.9	1.5%	-28.8
Operating profit	4.7	5.6	-17.0%	15.0	13.4	11.8%	19.6
Operating margin, %	3.3%	4.3%		3.7%	3.5%		3.5%
Comparable operating profit	4.7	5.6	-17.0%	15.0	14.2	5.5%	20.4
Comparable operating margin, %	3.3%	4.3%		3.7%	3.8%		3.7%
Net profit	3.5	4.2	-17.9%	11.1	10.0	11.5%	14.6

- ✓ 33rd consecutive growth quarter
- ✓ Robust revenue growth of 9.1%
- ✓ Gross margin decreased due to market environment
- ✓ Quarterly growing dividend of EUR 0.059 per share



1-9/2021: Verkkokauppa.com had a brisk growth during first 9 months

+7.4%

Revenue

+21.8%

Online sales

+23.0%

B2B sales

**+ EUR 0.8
million**

**Comparable EBIT
EUR 15.0 million**

+13.6%

**Earnings per share
EUR 0.25**

Business outlook



Short-term market outlook

Our operations are estimated to develop positively

We believe to significantly grow our market share in evolving categories

As travelling opens, we will see a gradual opening of export business

We expect to further benefit from the shift in consumer behavior to online sales

Component shortages and congested freight services, may have an impact on the availability of some products in the remainder of the year

The strong balance sheet enables us to expand our operations in accordance with our strategy



Financial targets and dividend policy - unchanged



Guidance for 2021

Revenue: EUR 570–620 million
(2020: EUR 554 million)

Comparable operating profit:
EUR 20–26 million
(2020: EUR 20.4 million)



Targets by the end of 2025

Revenue: EUR 1 billion
EBIT margin: 5%
Fixed costs: <10% of revenue



Dividend policy

Our goal is to continue to pay out a quarterly growing dividend

Key takeaways



**We are born
online – clear
market leader in
growing business**



**Online shift
provides huge
opportunities
for future
growth**



**Most trusted
brand and most
visited site**



**Our winning
strategy unlock
value growth**

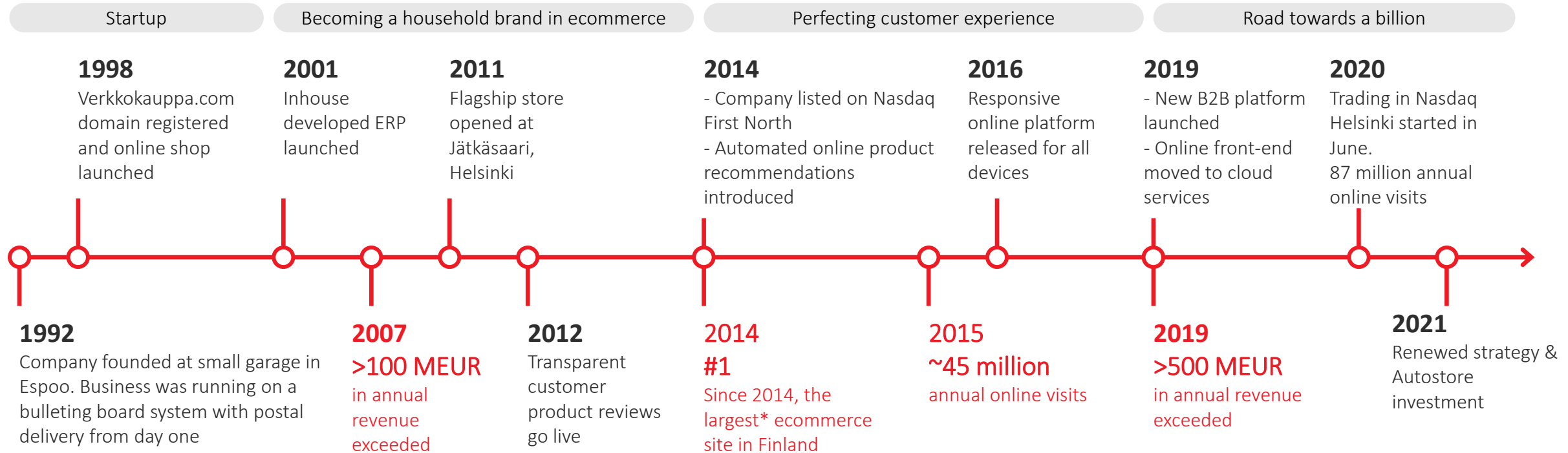


Thank You!



Verkkokauppa.com - passionate pioneer of ecommerce

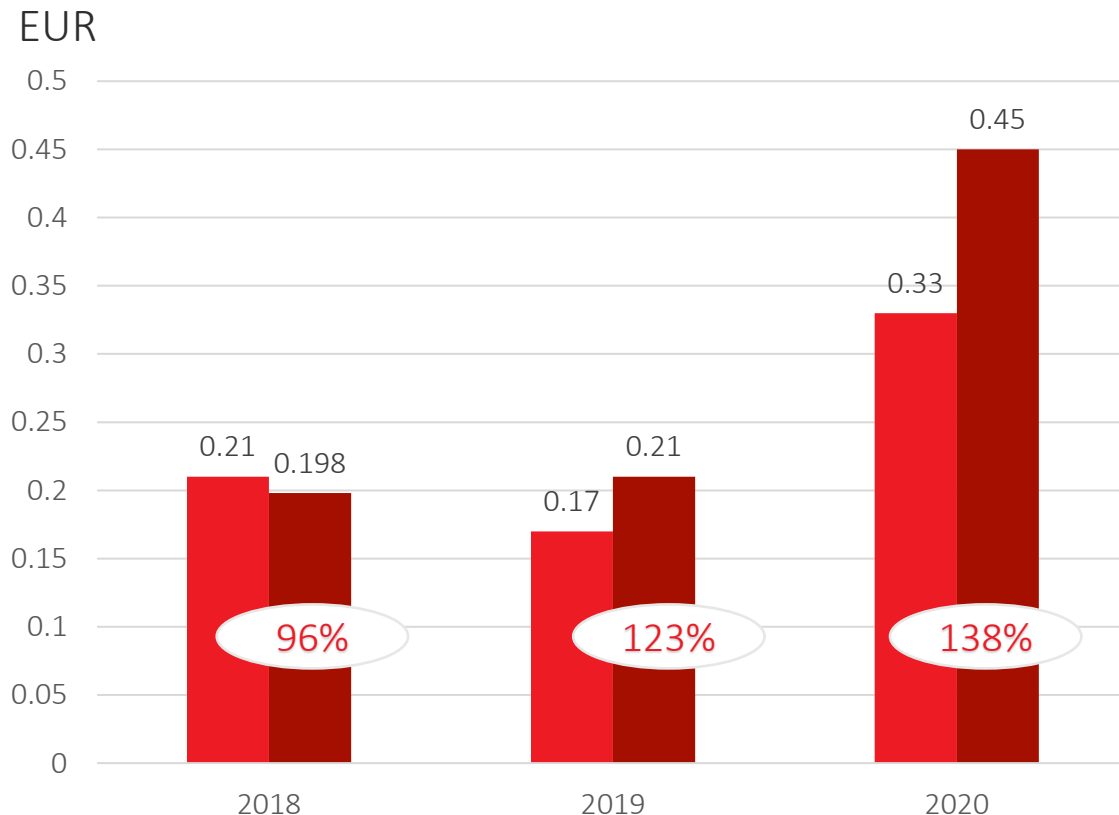
We are online-born – online is at the core of what we do, and what the company has been built around



Our vision is to remain a pioneer of ecommerce in the next decades through continuous innovation



Quarterly growing dividend



■ Earnings per share ■ Dividend per share Payout ratio, %

Dividend yield, % 4.8% 6.1% 6.3%

Dividend from 2020 financial year

	EUR	Payment date
Dividend	0.056	
Extra dividend	0.22	
	0.276¹⁾	7 April 2021
Additional Board's authorization to pay quarterly dividend:		
1st instalment	0.057	4 May 2021
2nd instalment	0.058	27 July 2021
3rd instalment	0.059	2 Nov 2021
In total:	0.45	

¹⁾ 2021 AGM's decision.

Verkkokauppa.com's dividend policy

Our goal is to continue to pay a quarterly growing dividend to shareholders.



VERK has been trading for 17 months in the Nasdaq Helsinki

In 2014, company was listed in Nasdaq First North, and moved in the main list of Nasdaq Helsinki Stock Exchange in June 2020.

Market Cap is EUR 320 million (17 Nov 2021).

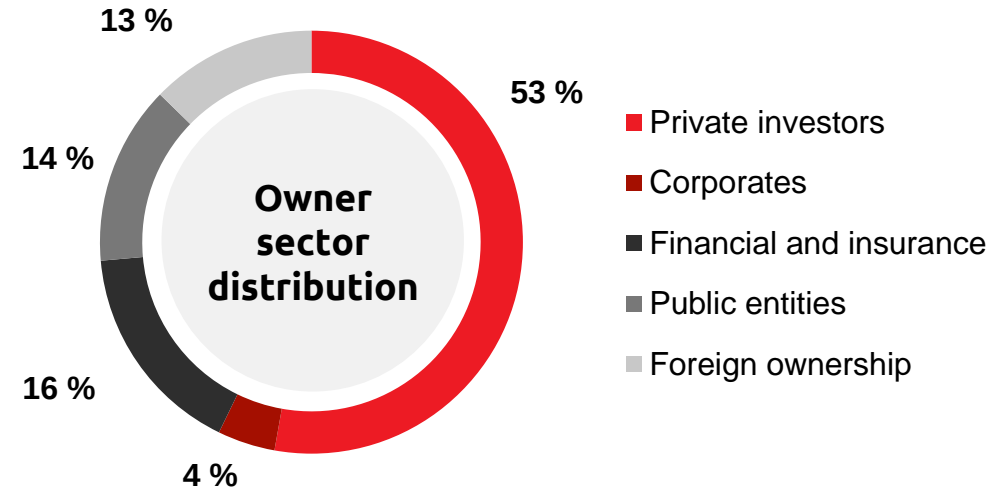
We have almost 18,000 shareholders.

Largest shareholders		% of shares
1	Samuli Seppälä (FI)	35.4%
2	Varma Mutual Insurance Company (FI)	8.6%
3	Mandatum Life Insurance Company (FI)	4.9%
4	Ilmarinen Mutual Insurance Company (FI)	4.8%
5	Rite Ventures (SE)	3.6%

Shareholder data based on 29 October 2021.

29

7.12.2021



VERK share trading, LTM

Average daily turnover	EUR 754,757	VWAP	EUR 7.9
High	EUR 10.3	Number of shares traded	24,032,483
Low	EUR 5.4	Average quantity per day	95,367



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