

Verkkokauppa.com Oyj – January-March 2023 Interim Report

# Moderate revenue development in a tough environment

27 April 2023 | Panu Porkka, CEO | Verkkokauppa.com Oyj



# Q1 2023 results

- › Market development
- › Q1 2023 performance
- › Strategy execution
- › Market outlook and guidance
- › Key takeaways





# Market development

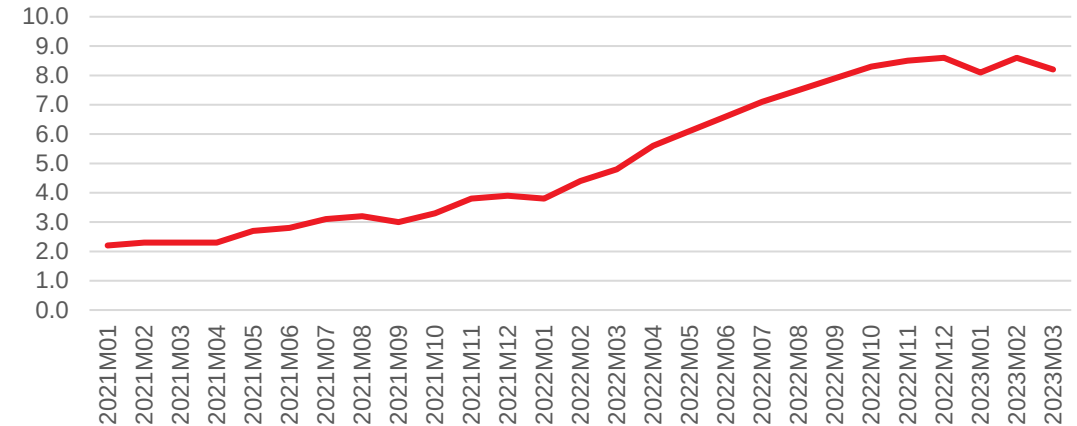


# Consumer confidence was very weak – slow rise in March

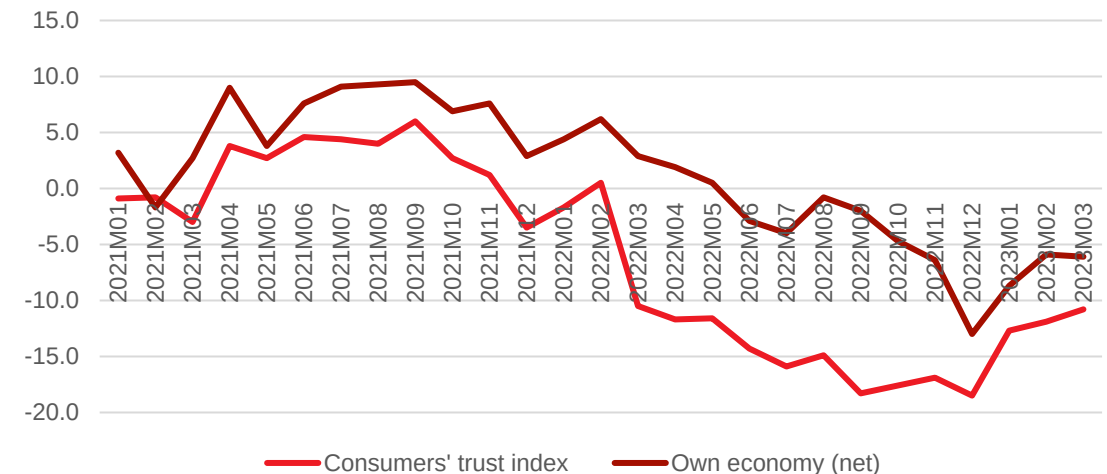
- Consumers' expectations concerning Finland's economy improved slightly and consumer trust index and sentiment upon own economy increased during Q1.
- The time was still regarded as unfavorable for buying durable goods and purchasing intentions for home electronics and both domestic appliances remained low, well below 2022 levels
- Inflation remained on a high level
- Small and mid-sized enterprise's' revenue and profit expectations sunk significantly from the end of 2022 and plans for investments were very low.
- The competitive environment in January-March was calmer compared to the end of last year and price competition was moderate

Source: Statistics Finland <https://stat.fi/en/publication/cl7q2erok3n7s0cw3gb0fykc>  
Suomen Yrittäjät / PK-yrittysbarometri 1/2023 <https://www.yrittajat.fi/tutkimukset/pk-yrittysbarometri-1-2023/>

### Inflation 2021-03/2023



### Consumers' economic outlook 2021-2023YTD

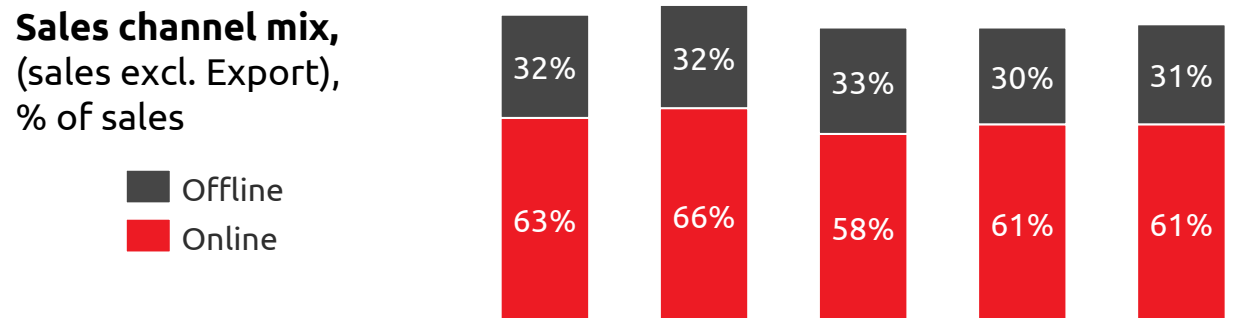
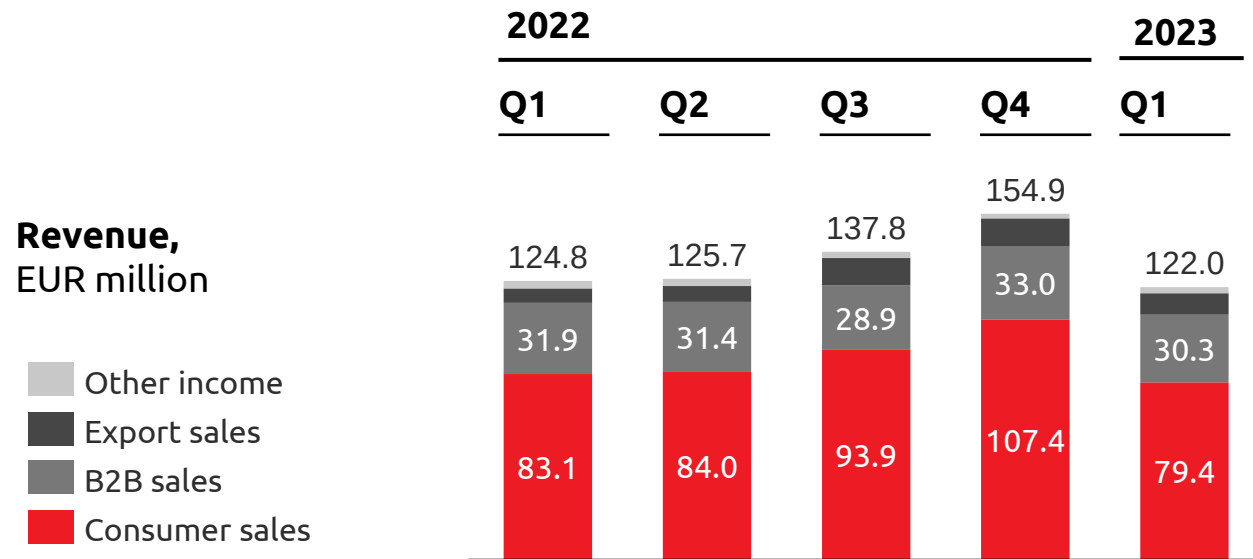




**Q1 2023  
performance**



# Demand continued at a moderate level in both consumer and B2B segments



## Q1/2023 development

Group revenue declined by 2.2% YoY and was EUR 122.0 million (124.8)

### Customer segments

- › Consumer segment declined by 4.4%
- › Corporate sales declined by 5.1%
- › Export business performed well, sales up by 49.4%, export share of total sales was 8%

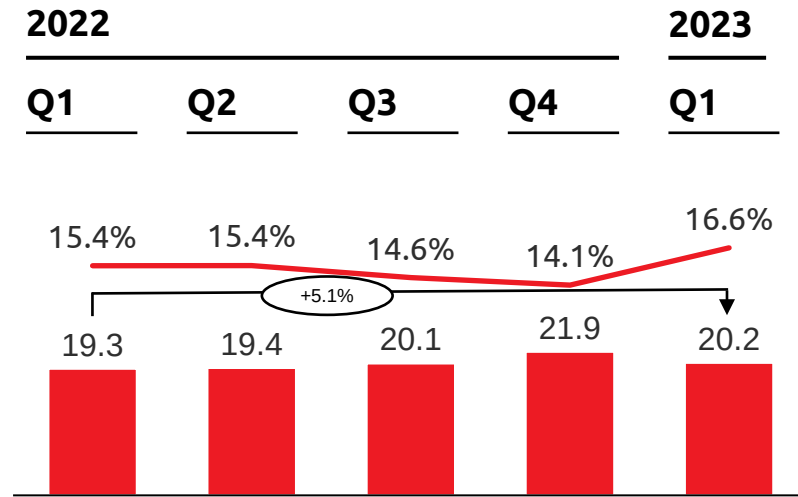
### Sales channels

- › Online sales declined by 4.5%
- › Website visits declined by 11.8%



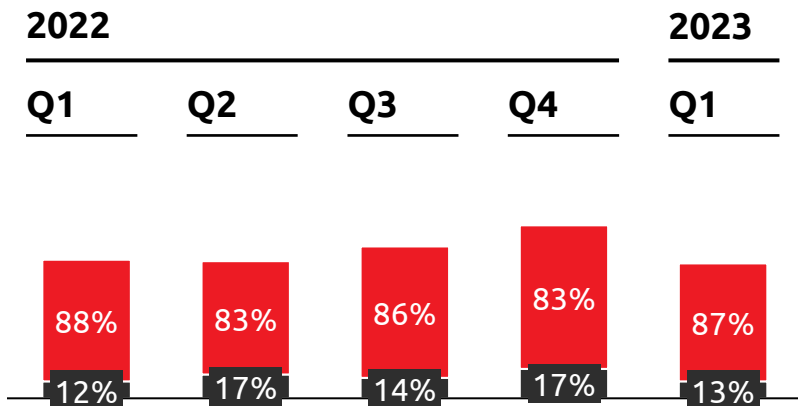
# Solid gross margin driven by price and campaign optimization

**Gross profit and margin, EUR million and % of revenue**



**Product mix, % of sales**

■ Core categories  
■ Evolving categories



## Q1/2023 development

Gross profit was strong, increased by 5.1% YoY, and totaled EUR 20.2 million (19.3) and 16.6% of revenue (15.4%)

- › Export business performed well and profitability improved
- › Core categories sales declined by -2.7%. However, positive performance in major domestic appliances, gaming and tv
- › Sales in the evolving product categories grew by 1.9%. Well-performing categories were e.g. luggage & travel
- › Positive impact from Private Label sales during the reporting period, sales increased by +13% YoY.



# Moderate top-line development while improving gross margin

EUR million	Q1/2023	Q1/2022	Change, %	FY2022
Revenue	122.0	124.8	-2.2%	543.1
Gross profit	20.2	19.3	5.1%	80.6
Personnel costs	-9.9	-10.0	-0.5 %	40.2
Other operating expenses	-7.5	-7.2	4.5 %	32.2
Operating profit	0.0	0.7	-93.4%	2.3
Comparable operating profit	1.4	0.9	57.9%	3.5
Net profit	-0.4	0.2	-309.1%	0.3

EUR million	Q1/2023	Q1/2022	FY2022
Gross margin	16.6%	15.4%	14.8%
Operating margin	0.0%	0.5%	0.4%
Comparable operating margin	1.1%	0.7%	0.6%

## Q1/2023 development

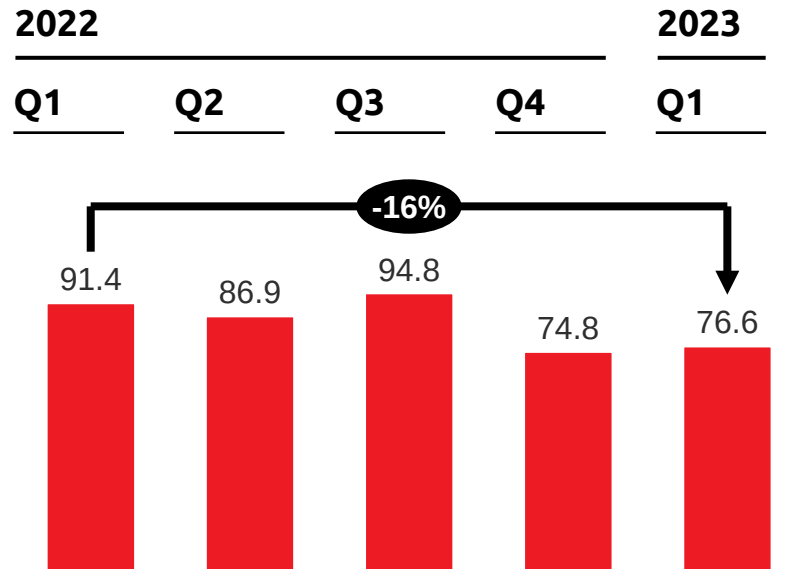
- › Positive comparable operating profit development driven by gross profit improvements and continuous focus on cost control as part of our profitability improvement program
- › Adapting store and logistics resources to the lower demand have had a positive impact on personnel costs. Long-term strategic capability investments leveled the total cost effect.
- › Other operating expenses grew by 4.5% due to general cost inflation seen in eg. rental expenses and external logistics costs
- › Operating profit includes a EUR 1.2 million one-off related to change negotiations



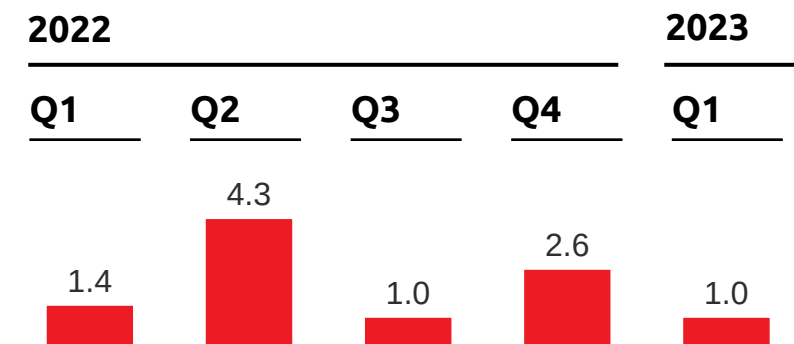


# Inventory value declined -16% YoY

Inventories,  
EUR million



Investments,  
EUR million



## Balance sheet & Cash flow on 31 March 2023

- › Group inventory declined by -16% YoY and was EUR 76.6 million (91.4)
  - › Slight increase sequentially, due to preparation for the spring season
- › Investments during Q1 were EUR 1.0 million (1.4). Main investments were the web site renewal and development related to business analytics
- › Cash flow from operating activities was EUR -3.6 million (-16.8), positive impact driven by account payables and working capital
- › Cash at hand was EUR 14.8 million (16.7)
- › Equity ratio at the end of March was 15.8% (20.2%)
- › At the end of March, group had a total of EUR 23.5 million loans from financial institutions (10.0)



# Strategy execution





# The company is focusing on short-term profitability program, which is proceeding as planned

**Profitability improvement program:**  
capture full potential of core business

## Operational performance & cost savings

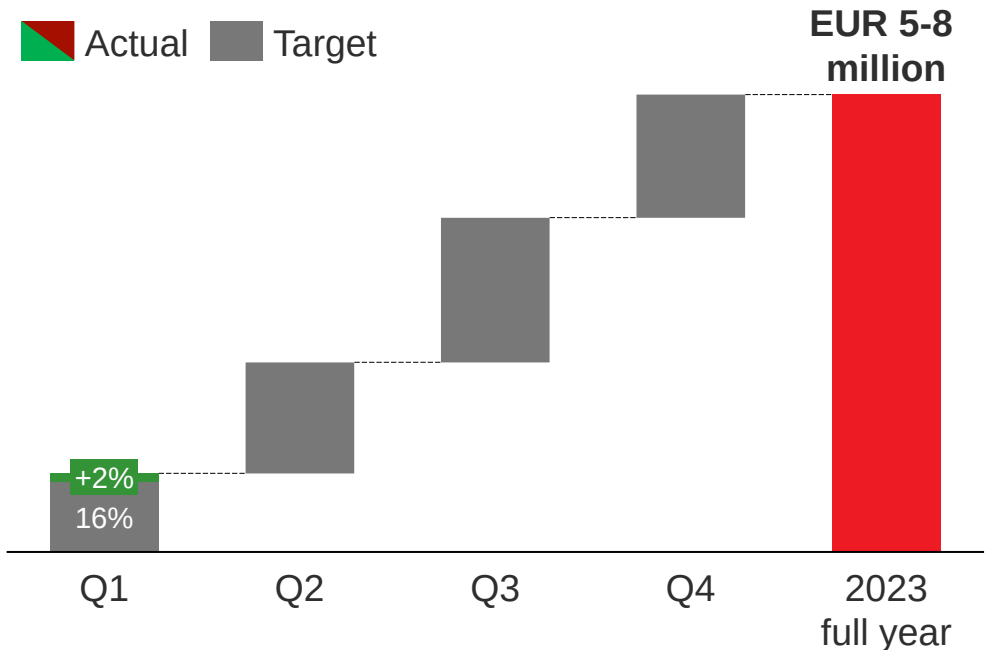
1. Lean supply chain and inventory
2. Indirect spend reduction
3. Marketing mix optimization
4. Efficiencies across business operations

## Commercial excellence

4. Assortment optimization
5. Dynamic pricing
6. Efficient customer acquisition, conversion, and retention

**Profit improvement of EUR 10 million per annum, of which EUR 5-8 million realized in 2023**

**Q1: On target according to plan**  
quarterly estimate of impact timing



>40% of the 200+ identified initiatives have already been completed; most of the impact to be realized during Q3-Q4



# Q1/2023 highlights in new strategic capabilities

Highlights to follow



## Assortment

- ▶ First version of dynamic pricing solution integrated
- ▶ Introduced new product line of used computers



## Experience

- ▶ **Inspirational Online Experience: new online frontpage and product category pages launched**
- ▶ **One-hour express home delivery service started in Helsinki region**
- ▶ **Trade-in service for used PC's, mobile phones, tablets developed during Q1 and launched in April**



## Speed & Flexibility

- ▶ Streamlined inbound processes in warehouse operations
- ▶ New last-mile partner pilots for express delivery during Q1-Q2



## Trust

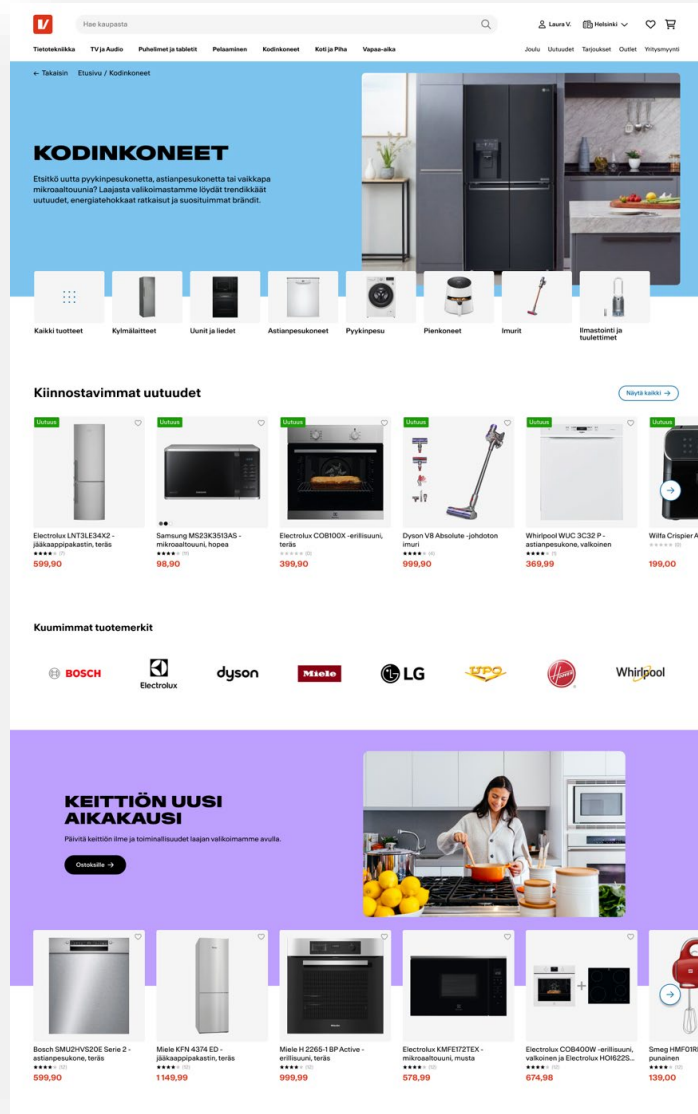
- ▶ Brand remained robust despite moderate marketing spend
- ▶ New marketing concepts finalized





# Finland's most popular eCommerce site is evolving rapidly

## Category page concept



## New features rolled out in Q1/2023:

- › **New features and design for the front page**
- › Most relevant accessory recommendations utilising ML and AI models
- › New marketing concept to showcase our strong brand
- › Improved back-end: Implemented a new Content Management System, eCommerce tech stack based now on a composable MACH architecture

## New features in Q2:

- › **Customer-centric navigation** to improve product findability and assortment awareness
- › **New inspiring category pages** to further promote Verkkokauppa.com multi-category expertise
- › **Expert Chat** enabling our best store experts to connect directly with our online customers for advise in selection
- › **New visual look** gradually being implemented, starting with new typeface and accent colors

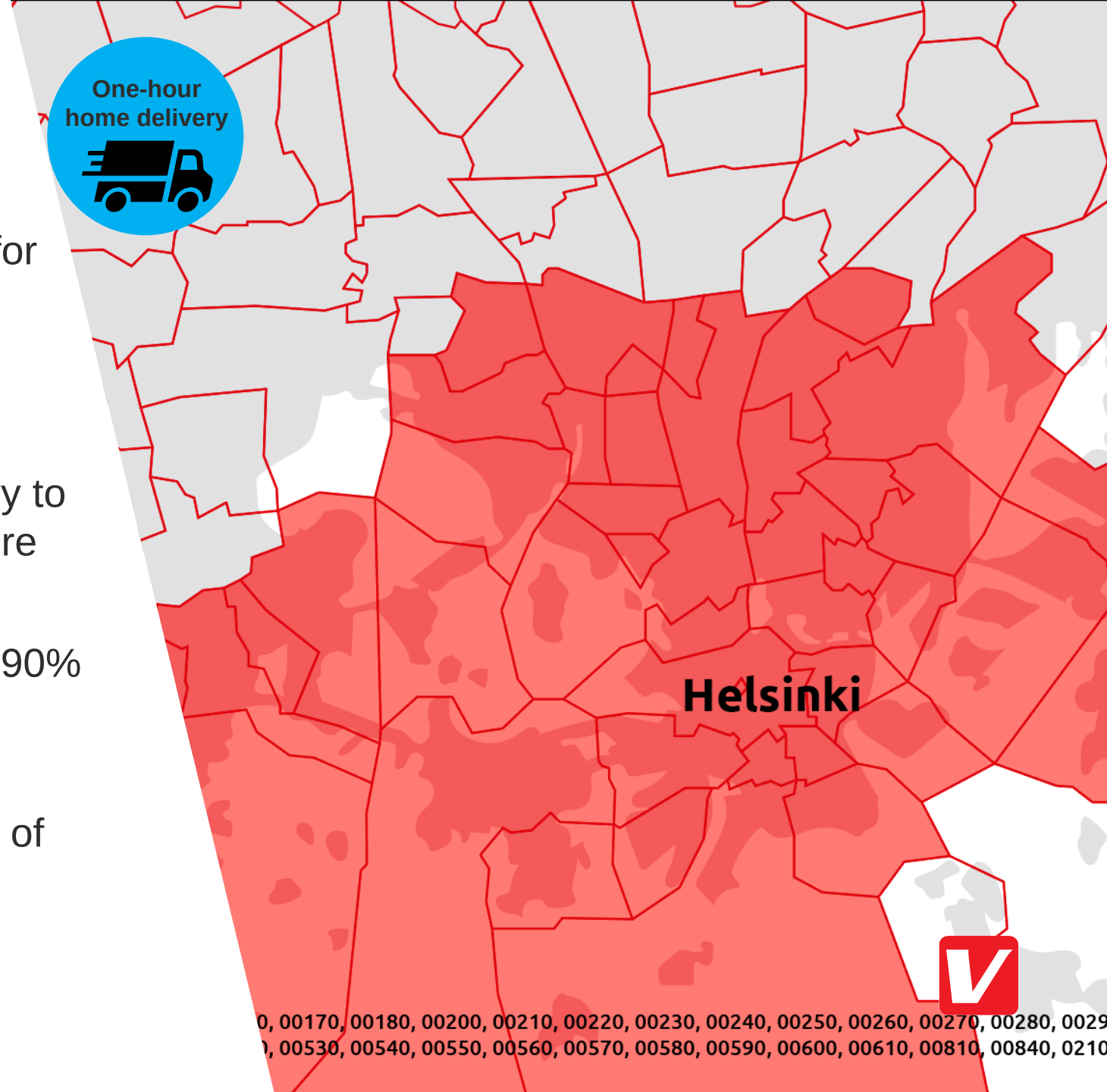


Experience



# One hour delivery service launched in February

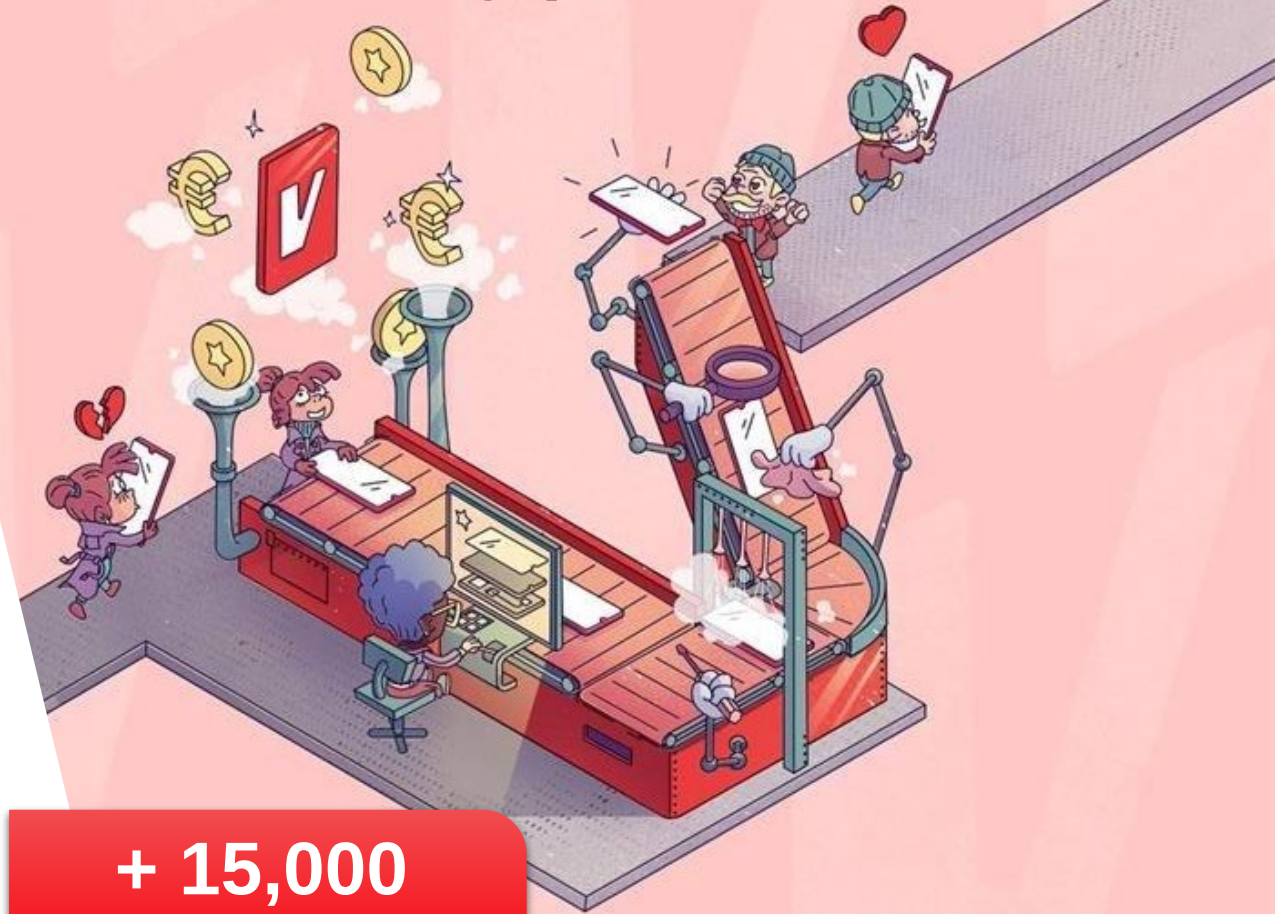
- › Entire Jätkäsaari assortment available for customers in an hour for online orders
- › Current delivery area covers 44 postal codes with over 300,000 customers
- › Target to extend one-hour home delivery to all Verkkokauppa.com stores in the future
- › Freshly launched service has already thousands of customers of whom over 90% are very satisfied
- › In March, all express home deliveries increased by +106% YoY, and were 8% of all orders\* (3%)





# Trade in –service prepared for launch: major step forward within our circular economy path

- › Verkkokauppa.com's new service offers a solution for easier resell of electronics - used device instantly cashed out from one's own couch
- › The refund for the sold device is immediately logged into the customer's Verkkokauppa.com credit account, Tili
- › The service will initially cover smartphones, smartwatches, tablets and laptops. The aim is to expand the service to other product groups
- › With this service, we offer both our consumer and corporate customers options and flexibility, as well as a more sustainable, vibrant and active service for both buyers and sellers



**+ 15,000**  
searches during the first  
weekend after the  
service launch



# Market outlook and guidance



# Market outlook and short-term expectations

- There is uncertainty about the future outlook in relation to geopolitical conflicts in the world and the ongoing crisis in Ukraine
- Global macroeconomic factors such as inflation and financial market behavior can weaken consumer and company purchasing power and investment capability
- The company's growth prospects for the current year are considered challenging
- We estimate consumer and B2B demand to continue to be soft
- The visibility of economic development is limited, and it is difficult to predict the development of the business environment for this year

The company believes that:

- it will succeed in taking advantage of the online shift and gain market share in chosen product categories
- ongoing profitability program and investments conducted during 2022 will make the core business significantly more profitable in short and long term







## Financial guidance for 2023 – *unchanged*

In 2023, Verkkokauppa.com  
expects the revenue to decline  
and  
comparable EBIT to improve  
compared to 2022.

Revenue in 2022: EUR 543.1 million  
Comparable EBIT in 2022: EUR 3.5 million





# Key takeaways

# Key takeaways from the 1<sup>st</sup> quarter of 2023

- › Consumers' confidence in the economy has shown a slight rise but has remained low
  - › We completed the change negotiations and are carrying out structural reforms in the organization and executing our profitability program
  - › Optimizing our core business and streamlining operations and delivery flows will improve our competitiveness
- › The largest renewal of our online site is progressing well
  - › Strategic development work ongoing as planned (Trade-in, Account, Express deliveries..)
  - › We started updating our long-term strategy. We want to remain a forerunner in e-commerce and our customer orientation continues in innovation and operational development.







**Thank you**



# Annual Reporting package for 2022 has been published

Verkkokauppa.com has published four separate reports, which together form the company's Annual reporting for 2022

1. Company brochure
2. Report of the Board of Directors and the Financial Statements
3. Statement of non-financial information
4. Corporate Governance statement including the Remuneration report

The reports are available in Finnish and English:

<https://investors.verkkokauppa.com/en/annualreporting2022>

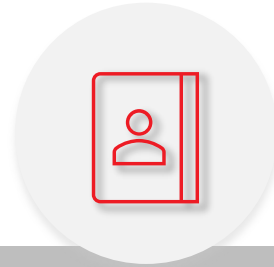


# More information



## Upcoming Financial events

- Half-year financial report for January – June 2023 on 20 July 2023
- Interim report for January – September 2023 on 26 October 2023
- Financial statements bulleting for the year 2023 on 8 February 2024



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# Appendix





# Quarterly Key figures

	2023	2022				
	Q1	Q1	Q2	Q3	Q4	Q1-Q4 2022
Revenue, eur million	122.0	124.8	125.7	137.8	154.9	543.1
Gross profit, eur million	20.2	19.3	19.4	20.1	21.9	80.6
Gross margin-%	16.6%	15.4%	15.4%	14.6%	14.1%	14.8%
EBITDA, eur million	1.6	2.0	0.5	3.2	2.2	7.8
EBITDA-%	1.3%	1.6%	0.4%	2.3%	1.4%	1.4%
Operating profit, eur million	0.0	0.7	-0.9	1.7	0.8	2.3
Operating profit-%	0.0%	0.5%	-0.7%	1.3%	0.5%	0.4%
Comparable operating profit, eur million	1.4	0.9	-0.2	2.1	0.8	3.5
Comparable operating profit-%	1.1%	0.7%	-0.2%	1.5%	0.5%	0.6%
Profit for the period, eur million	-0.4	0.2	-1.1	0.7	0.5	0.3
Interest-bearing net debt, eur million	25.6	18.2	28.6	29.8	19.7	19.7
Investments, eur million	1.0	1.4	4.3	1.0	2.6	9.3
Equity ratio, %	15.8%	20.2%	18.2%	16.3%	15.8%	15.8%
Gearing, %	98.2%	54.7%	92.4%	103.2%	74.6%	74.6%
Personnel at the end of period*	720	753	815	761	838	838
Basic earnings per share, euros	-0.01	0.00	-0.02	0.00	0.01	0.01
Diluted earnings per share, euros	-0.01	0.00	-0.02	0.00	0.01	0.01
Number of issued shares, 1,000 pcs	45,355	45,065	45,355	45,355	45,355	45,355
Number of treasury shares, 1,000 pcs	258	298	290	282	271	271
Weighted average number of shares outstanding, 1,000 pcs	45,096	44,747	45,047	45,073	45,083	45,083





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