

# Verkkokauppa.com – the address of all passions

June 2022 | Frankfurt roadshow arranged by Nordea  
Panu Porkka, CEO | Mikko Forsell, CFO | Marja Mäkinen, IR | Verkkokauppa.com Oyj

# Today's agenda

**Verkkokauppa.com shortly**

**Business review**

- ✓ Q1 highlights
- ✓ Key financials

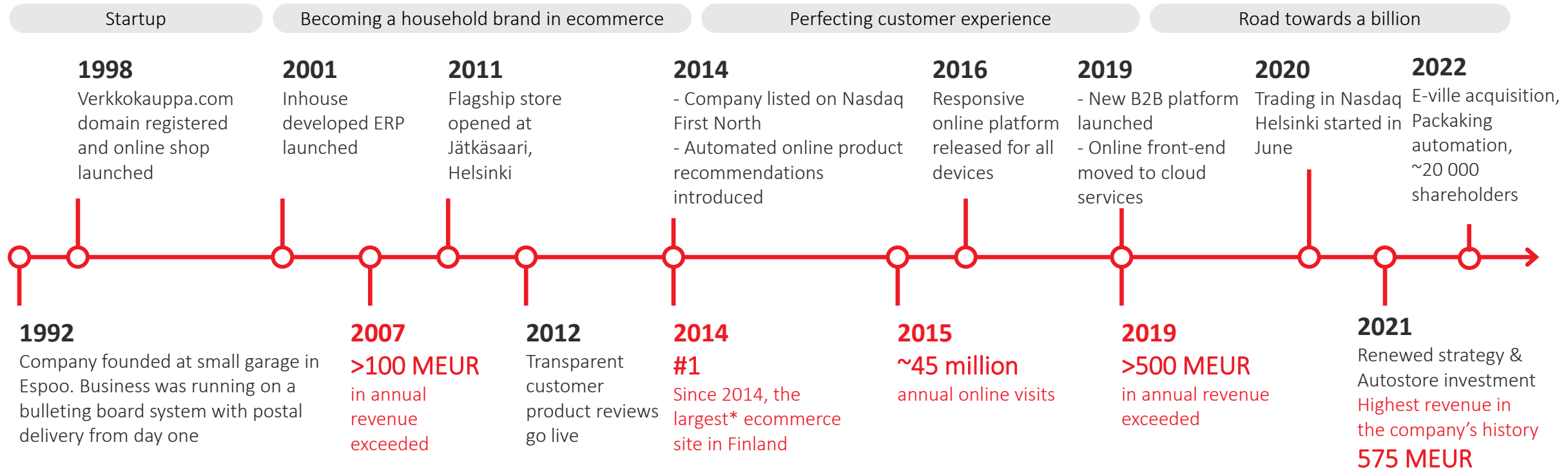
**Strategic development and market outlook**

- ✓ Strategic cornerstones and development
- ✓ Priorities in 2022
- ✓ Business outlook for 2022 and financial targets



# 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 through continuous innovation



# A largest ecommerce player in Finland

At the end of 2021

**Personnel:**  
825 employees

**Assortment:**  
>80,000 products

**80 million visits**  
in our webstore

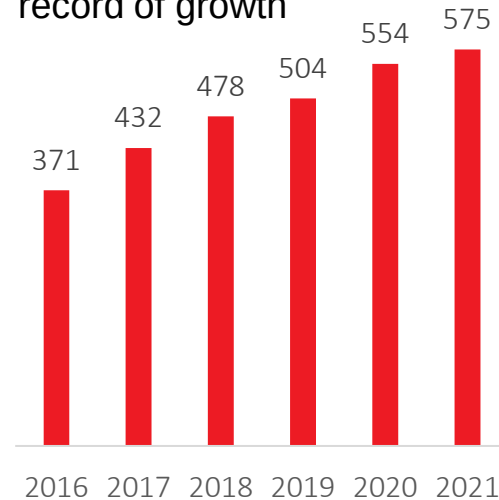
**The most sustainable**  
webstore in Finland\*



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

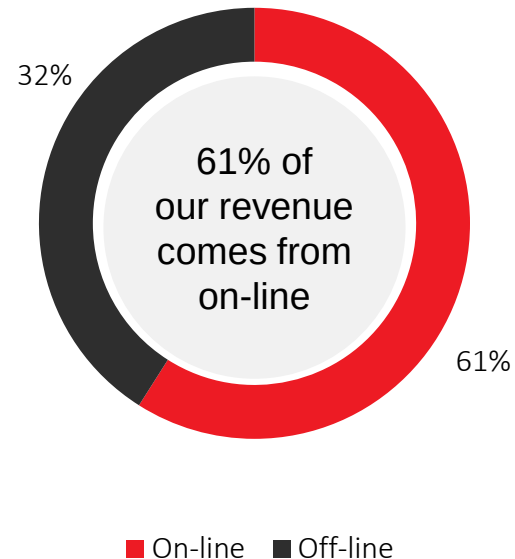


We have a solid track record of growth

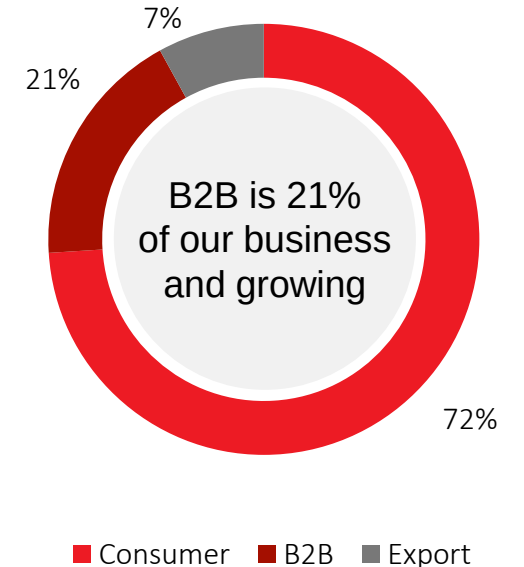


Revenue, 2016-2021, EUR million

Sales channels<sup>1)</sup>



Customer segments



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

<sup>1)</sup> Excluding Export sales



# Frictionless omnichannel experience



## Highest customer loyalty

**>120,000**

Avg. monthly active users  
(Dec 2021)



## Highest customer satisfaction

**74**

NPS at stores  
(December 2021)



## Fast 24/7 automated customer service

**65%**

of all customer contacts are handled by automation

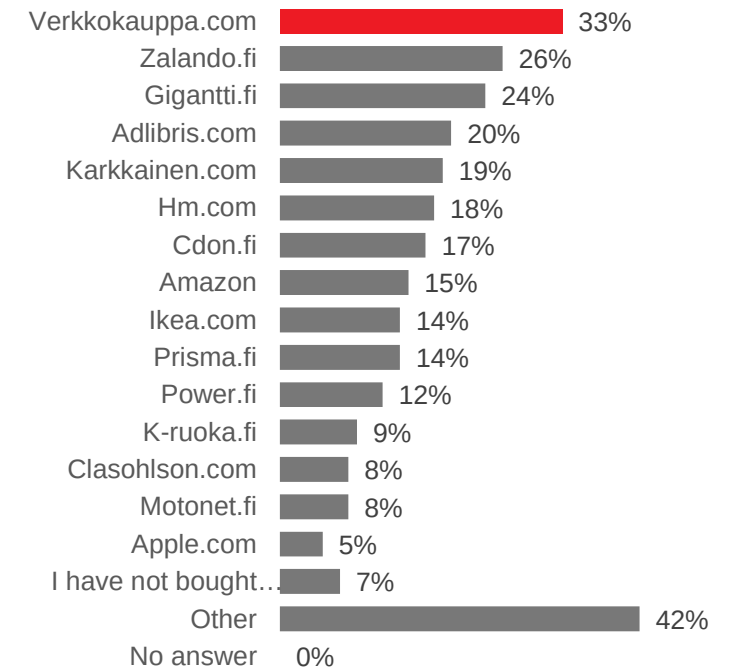


## Lowest returns on the market

**1.1%**

of purchases are returned

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

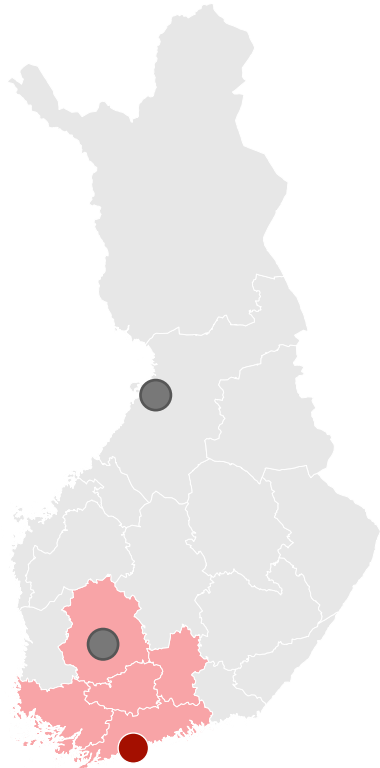


# Over the past years we have established superior delivery performance and have room to push further as customer needs evolve

■ >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**

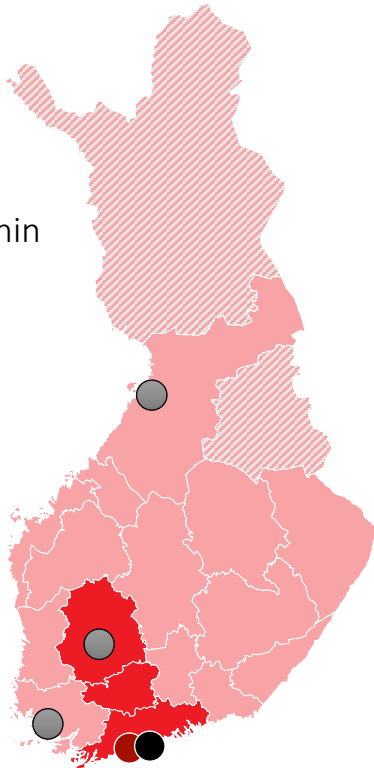
2017



**Our network covers majority of households within next day**

2021

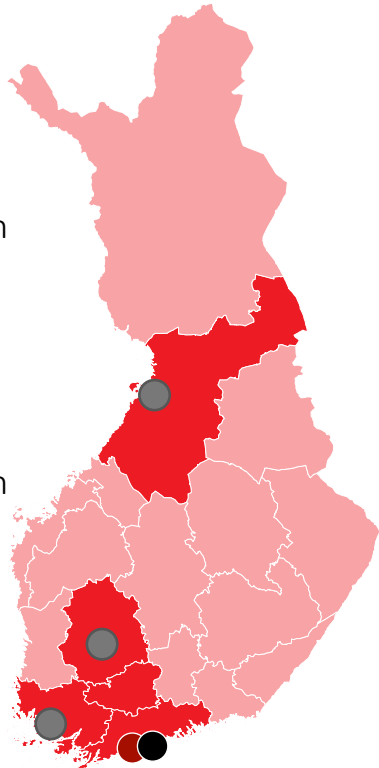
~70% of population covered within next day



**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



# Sustainability is a key part of Verkkokauppa.com's operations

High-quality, safe products and selling products that customers actually need are at the heart of our operations

## Our sustainability focus areas



### At the customer's service and on their side

- We sell products that customers actually need: our products are safe and of high quality, and product information and communications are transparent
- We offer services supporting sustainable consumption
- We promote responsible working conditions and environmental practices throughout the supply chain



### Smaller environmental impact

- We minimize our impact on climate
- We promote the use of responsibly sourced materials and material efficiency
- We promote the circulation of materials



### Verkkokauppa.com as a Community

- We invest in leadership and culture
- We promote well-being and support professional development
- With us, you can be as you are



### Profitable business and good governance

- We run profitable business operations
- We adhere to good governance principles and manage risks
- We ensure strong information security



Through our sustainable sales concept, we are able to keep the **low level of product returns:**

**1%**

of the sold products were returned in 2021

# Latest financials

Q1 / 2022





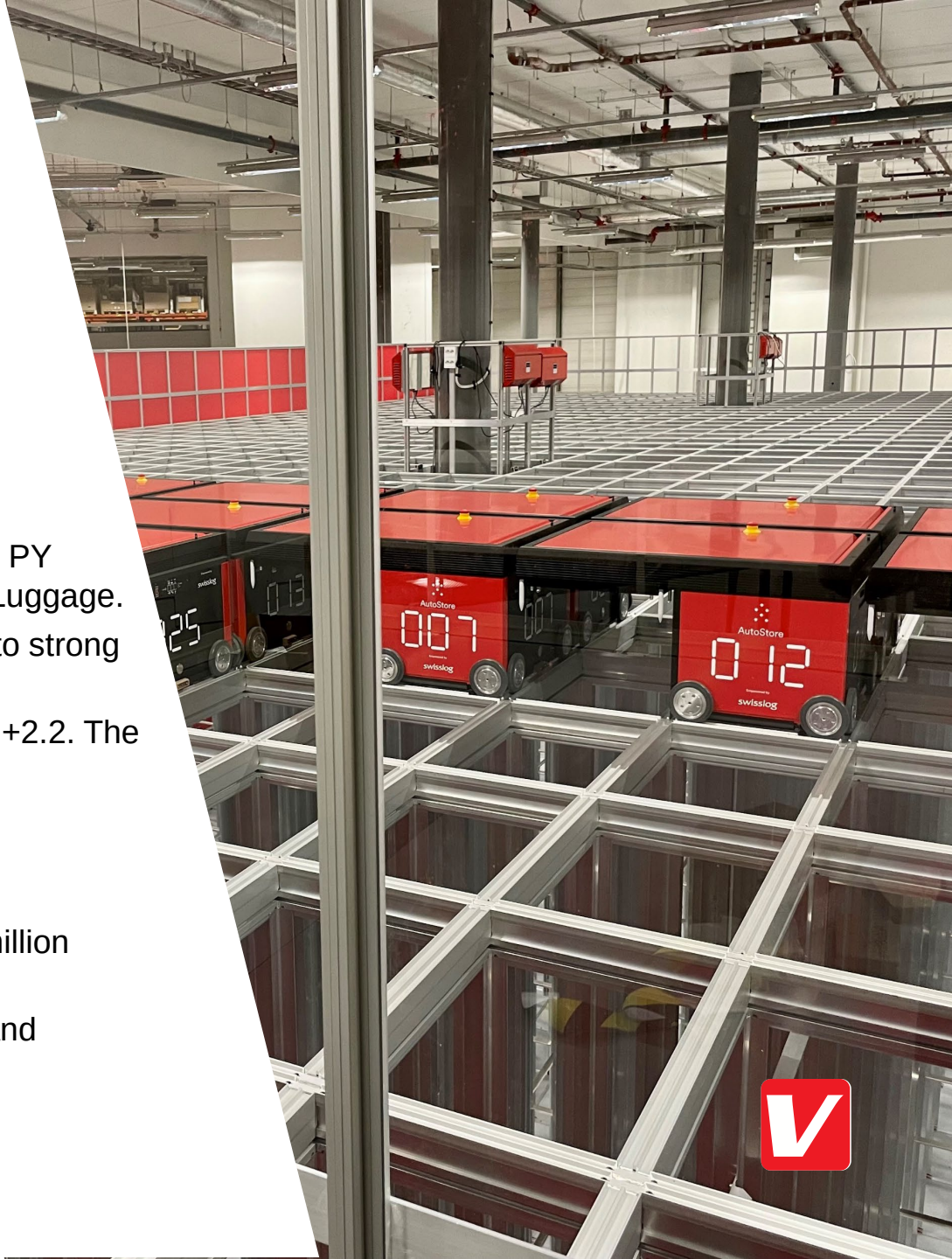
# Challenging market environment in the 1<sup>st</sup> quarter

## Sales

- Market continued challenging and consumer sales softer than expected
- Overall revenue declined by -6.9%
- B2B sales continued solid and increased by +12%
- Export business declined -30.5%, as we stopped all sales to Russia
- Online sales declined by -4.8% following lower total sales
- Sales of Evolving product categories grew +10% (share of sales was 12.4%, PY 10.5%). Good performance in Toys, Baby and Family category, Sports, and Luggage.
- Core categories declined -8%, only positive performance in computers, due to strong sales to corporate customers
- The consumer electronics<sup>1)</sup> market (incl. B2B business) improved slightly by +2.2. The consumer market<sup>2)</sup> on the other hand declined by -1.7% during the quarter. (Verkkokauppa.com's sales declined -1,7%)

## Profitability

- Gross profit declined from the high comparison quarter and was EUR 19.3 million (21.7). The gross margin was 15.4% of revenue (16.2%).
- Higher costs in inbound/outbound logistics, external warehouse operations and personnel main reasons for cost increases
- Operating profit declined by EUR 4.5 million totaling EUR 0.7 million (5.2)



# Q1/2022: revenue declining in a challenging quarter

EUR million	1-3/2022	1-3/2021	Change, %	1-12/2021
Revenue	124.8	134.0	-6.9%	574.5
Gross profit	19.3	21.7	-11.4%	91.2
Gross margin, %	15.4%	16.2%		15.9%
Personnel expenses	-10.0	-9.1	10.4%	-36.6
Other operating expenses	-7.4	-6.4	16.9%	-30.3
Operating profit, EBIT	0.7	5.2	-87.3%	20.3
Operating margin, %	0.5%	3.9%		3.5%
Comparable EBIT	0.9	5.2	-83.2%	20.3
Comparable EBIT, %	0.7%	3.9%		3.5%
Net profit	0.2	3.9	-94.9%	15.1

- ✓ Q1 revenue declined by -6.9%
- ✓ Operating expenses higher due to logistics and warehouse costs
- ✓ Tight competition and unfavorable sales mix impacting the profitability
- ✓ Dividend for the Q1 of 2022: EUR 0.061/ share



# Balance sheet & Cash flow

At the end of March 2022:

- Inventories were EUR **91.4** (79.9) million
- Cash flow from operating activities was EUR **-16.8** (-9.1) million
- Investments during Q1 were EUR **1.4** (0.4) million
  - Mainly related to warehouse automation investment in Jätkäsaari
- Cash, EUR **16.7** (32.6) million
- Equity ratio **20.2%** (20.3%)
- New financing arrangement in March
  - EUR 25 million bank loan and EUR 25 million credit facility for three year
  - EUR 5 million from a credit facility and EUR 10 million from a bank loan withdrawn



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

1

Soft consumer demand throughout the quarter, consumer uncertainties impacting purchasing behavior

2

Good performance in B2B sales, increase of +12.0%

3

Despite competitive environment and a larger share of lower-margin sales, gross profit margin remained at a good level of 15.4%

4

The acquisition of e-ville.com online store was finalized

5

The investment on automated Jätkäsaari logistics hub was finalized

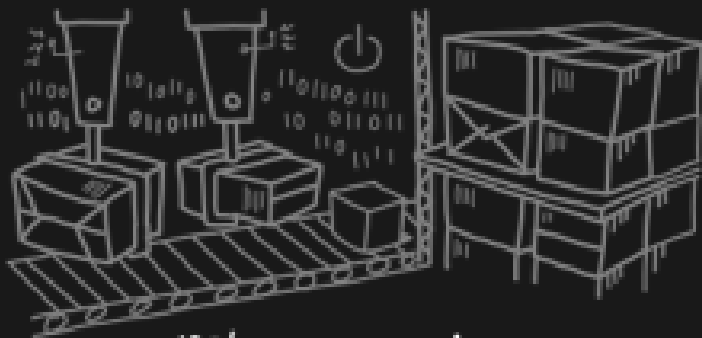
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We are determinedly continuing strategy execution towards long-term targets by the end of 2025



# Update on strategy execution





# Verkkokauppa.com

PROBABLY ALWAYS CHEAPER

2021-2025

## Our Strategy

Remaining  
A PIONEER  
OF COMMERCE  
THROUGH INNO-  
VATION AND  
DEVELOPMENT

THE ROAD  
Towards  
A BILLION!

- NPS! Excellent
- CUSTOMER EXPERIENCE & STRONG BRAND
- EFFICIENT FULFILMENT
- SUPERIOR TECHNOLOGY BACKBONE
- TRUST!
- EXTENSIVE ASSORTMENT
- HOW EASY!
- COST COMPETITIVENESS
- LOVE IT!



Our values: COURAGE, TRANSPARENCY, AGILITY, COMMUNITY

# Strategy execution – developing our operations towards our targets



## 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



# Next steps taken on the journey towards long term targets


## Warehouse automation

- Autostore automation in Jätkäsaari was finalized during the first quarter
- Automation improves the capacity of the warehouse and the availability of products
- First results on efficiency very promising; picking speed up to 200 articles per hour (4x to previous manual picking)
- Next step of the investment: Packaging automation system to be installed during Autumn
- Automated picking and packing process is the enabler for the strategic goal of faster order fulfillment

## E-ville.com acquisition

- Acquisition significantly accelerates own brand product development, efficient sourcing, and fast to market with new innovations
- Acquisition was completed on 1 April and new business will be consolidated into Verkkokauppa.com figures from the second quarter onwards
- The integration of the new business into Verkkokauppa.com is well underway

Investment rationale

 Focus on speed up assortment in own brands

 Extensive experience in sourcing in China

 Fast time to market of new products

 Additional value creation opportunities





## In B2B we are following our planned trajectory

# Increased interest from enterprise customer segment due to more comprehensive product & service mix

- Good performance in B2B business
  - new services to new customers e.g. 'Device as a Service' (ICT) concept
  - large household appliances to construction companies
  - eMobility to housing companies
  - overall comprehensive utilization of Verkkokauppa.com's wide range for the everyday needs of companies.
- Renewed customer care sales model for enterprise clients

	SMB	Enterprise & Public	
Our desired position & growth drivers	Total office offering / Total solutions	Best second supplier	
		Team of champions united for best solutions	
Customer segment development in Q1/2022	SMB customers <b>+4%</b>	Enterprise customers <b>+40%</b>	Overall sales growth <b>+12%</b>



# Assortment development continuing despite challenging business environment



Assortment

- Significant changes in consumer spending and buying behavior challenges us to agile and rapid commercial decisions
- We continue to expand our assortment at a record pace, constantly looking into new possibilities, utilizing new trends and opportunities
- Today in our assortment is close to **88 000 items**
- With low consumer demand our focus has increased in the B2B sector, developing our corporate offering
- Value-adding services in the future focus to support and improve the user end-to-end experience
- Examples of growing product categories during Q1 2022:
  - Sports, Toys, Baby and Family, Luggage and Travel



# A new payment method for our customers launched



**45** Jopa 45 päivää korotonta ja kulutonta maksuaikaa

**Tili** VERKKO KAUPPA .COM  
TUTUSTU

**Tili** VERKKO KAUPPA .COM

Maksa helposti ja jouhevasti ilman turhaa säätöä

**45** Jopa 45 päivää korotonta ja kulutonta maksuaikaa

Maksaminen helposti ilman erillistä tunnistautumista

Toimii kuin luottokortti, mutta ilman turhia kortteja

Lue lisää [Verkkokauppa.com/tili](https://www.verkkokauppa.com/tili)



Lue lisää Verkkokauppa.com/tili

## Up to 45 days of interest-free and expense-free payment period for each purchase



Experience

- The Verkkis-account ("Tili") is a solution for easy transactions and payments
- Tili was soft launched in mid-February and already 1,500 customers opened an account by the end of March
- Tili is developed and funded ourselves
- Customer can also extend the payment period by up to 40 months with an interest rate of only 9.9%



# Key Operational Priorities 2022

- ✓ In the challenging market environment, **focus on sustainable business**; keeping market share with profitable sales
- ✓ Finalization of the **investment program** to automate Jätkäsaari logistics for future scalability and growth
- ✓ Successful e-ville sourcing organization integration
- ✓ New products and subcategories to provide a **wide and exciting assortment. Optimize inventory to secure availability**
- ✓ Projects ongoing to enhance **best possible customer experience** in web and stores
- ✓ To **execute our renewed strategy** and value streams to achieve long term targets



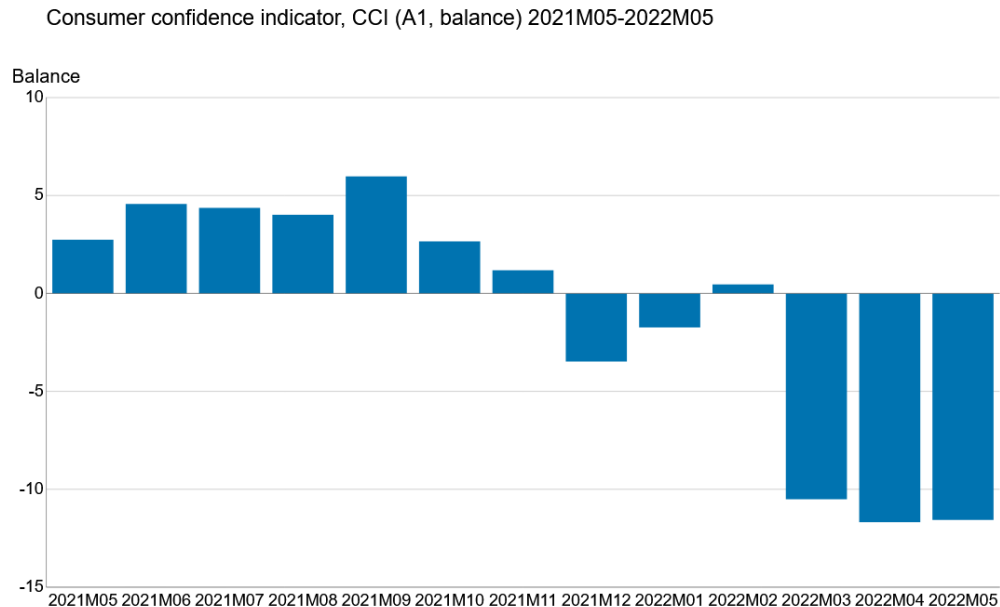


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# Business outlook



# Consumer confidence continuing low in May



Source: Statistics Finland, consumer confidence

- In May, expectations concerning consumers' own and Finland's economy continued very pessimistic.
- Consumers had very few intentions in May to spend money on durable goods within the 12 months. The time was considered the least favorable ever for making purchases.
- Estimates and expectations concerning inflation rose ever higher. Expectations concerning inflation in 12 months were higher in May than ever before.
- Estimates of the personal threat of unemployment or temporary lay-off experienced by employed persons remained relatively bright in May.



# Short-term business and market outlook

There is uncertainty about the future outlook in relation to geopolitical conflicts in the world, the crisis in Ukraine and the macroeconomics

The company's growth prospects for the current year are considered challenging due to changes in the operating environment

The rise in inflation, as well as the crisis in Ukraine, have further undermined household confidence in their economy

We will succeed in taking advantage of the online consumer transition, and increase our market share in chosen product categories

The company estimates that the shift of customers to online is permanent

Our strong balance sheet enables us to expand in accordance with the strategy





## Guidance for 2022

Updated on 23 March

**Revenue:** EUR 530–590 million

(2021: EUR 574.5 million)

**Comparable EBIT:**

EUR 12–19 million

(2021: EUR 20.3 million)

Previous guidance:

Revenue: EUR 590–640 million

Comparable EBIT: EUR 19–25 million

## Targets by the end of 2025

**Revenue:** EUR 1 billion

**EBIT margin:** 5%

**Fixed costs:** <10% of revenue

## Dividend policy

We continue to pay out a quarterly growing dividend

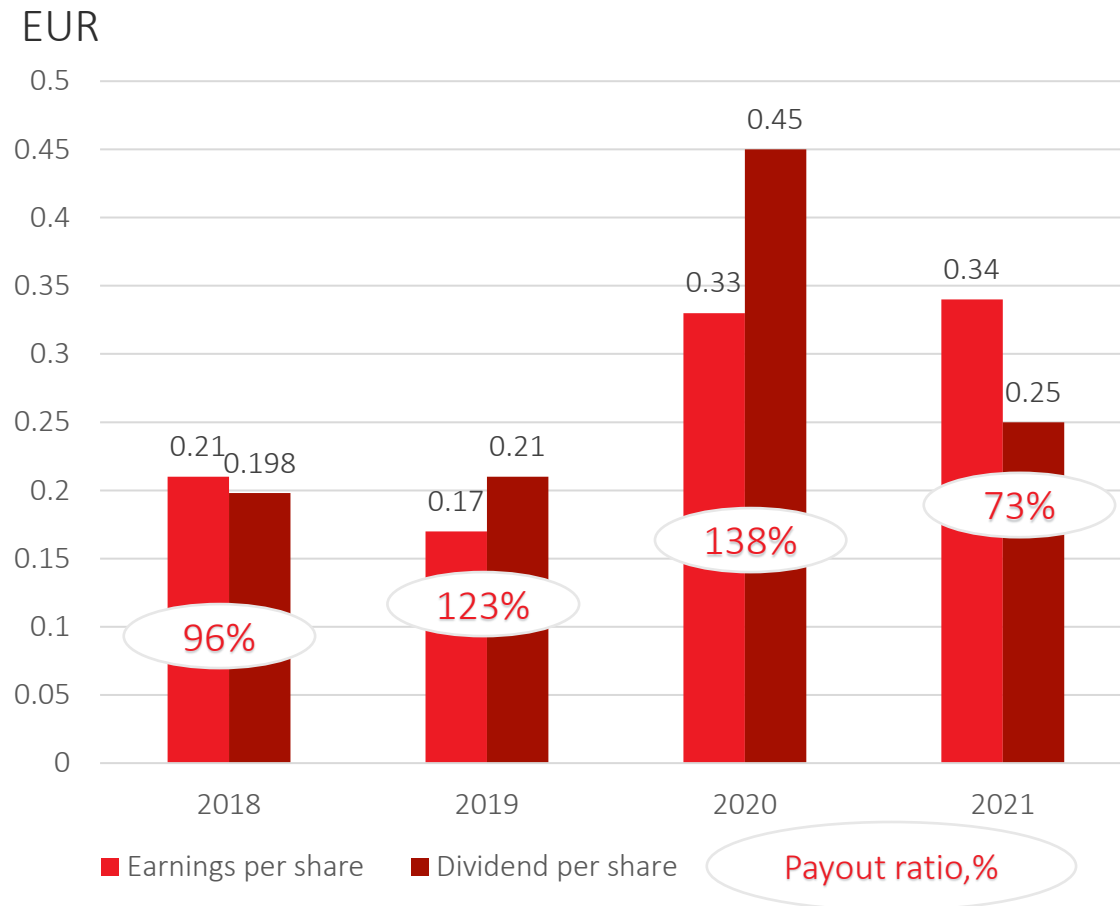
**Dividend in 2022:**

EUR 0.246 per share in total

(EUR 0.060 per share on 4 April 2022 + Board authorization to pay EUR 0.186, divided in three quarters)



# Quarterly growing dividend to shareholders



## Dividend from 2021 financial year

	EUR	Record date	Payment date
Dividend	0.060	28 March 2022	4 April 2022
Extra dividend	-		
	<b>0.060<sup>1)</sup></b>		

### Additional Board's authorization to pay quarterly dividend:

2nd instalment	0.061	2 May 2022	9 May 2022
3rd instalment	0.062	TBA <sup>2)</sup>	25 July 2022
3th instalment	0.063	TBA <sup>2)</sup>	7 Nov 2022
<b>In total:</b>	<b>0.246</b>		

1) 2022 AGM's decision.

2) Company will separately publish announcements of Board resolutions and dividend record dates.

## Verkkokauppa.com's dividend policy

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



# More Information



## Financial events in 2022-23

- The Financial Statements for 2021 on 2 March 2022
- Virtual AGM on 24 March 2022
- Interim report for January – March 2022 on Thursday 28 April 2022
- Half-year financial report for January – June 2022 on Thursday 14 July 2022
- Interim report for January – September 2022 on Thursday 27 October 2022
- Financial statements bulletin for the year 2022 on Thursday 9 February 2023.

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