



Verkkokauppa.com Oyj – January-June 2023 Half-year Report
**Solid implementation of profit
improvement program continued**

4 September 2023 | Nordea Retail Day

Mikko Forsell, CFO | Verkkokauppa.com Oyj

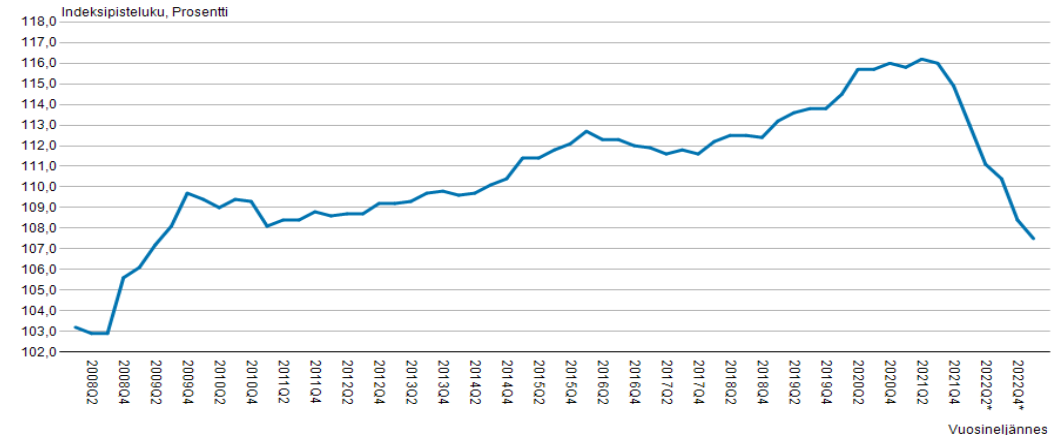
Market development



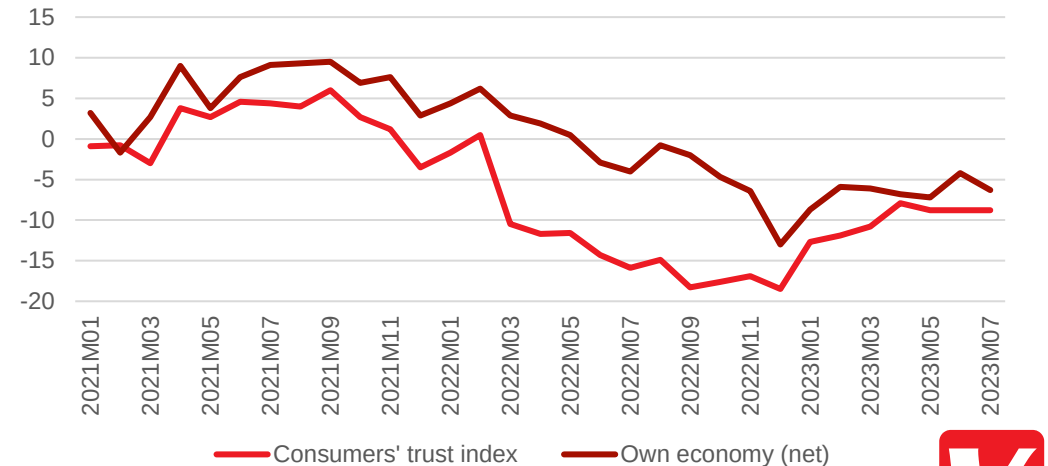
Consumer confidence steadily weak in August

- The salary index collapsed, the biggest fall since 70's energy crisis
- The estimate concerning consumers' own economy improved slightly from the previous month, but still remained at a very weak level
- Consumers' estimates concerning their own financial situation weakened in August from good to long-term average
- In August, the time was still regarded as very unfavourable for buying durable goods
- Consumer prices have risen by 7.4 percent from August last year
- The competitive environment in April-June got tougher and price competition intensified
- Consumers were more price-conscious in their purchasing decisions, also during season sales
- Tighter financing conditions will dampen growth in the euro area economy this year and in 2024, says the Bank of Finland
- The economy's long-term challenges are acute - Inflation which is high and difficult to forecast is detrimental to growth in the economy

Index of wage and salary earnings*



Consumers' economic outlook 2021-2023YTD

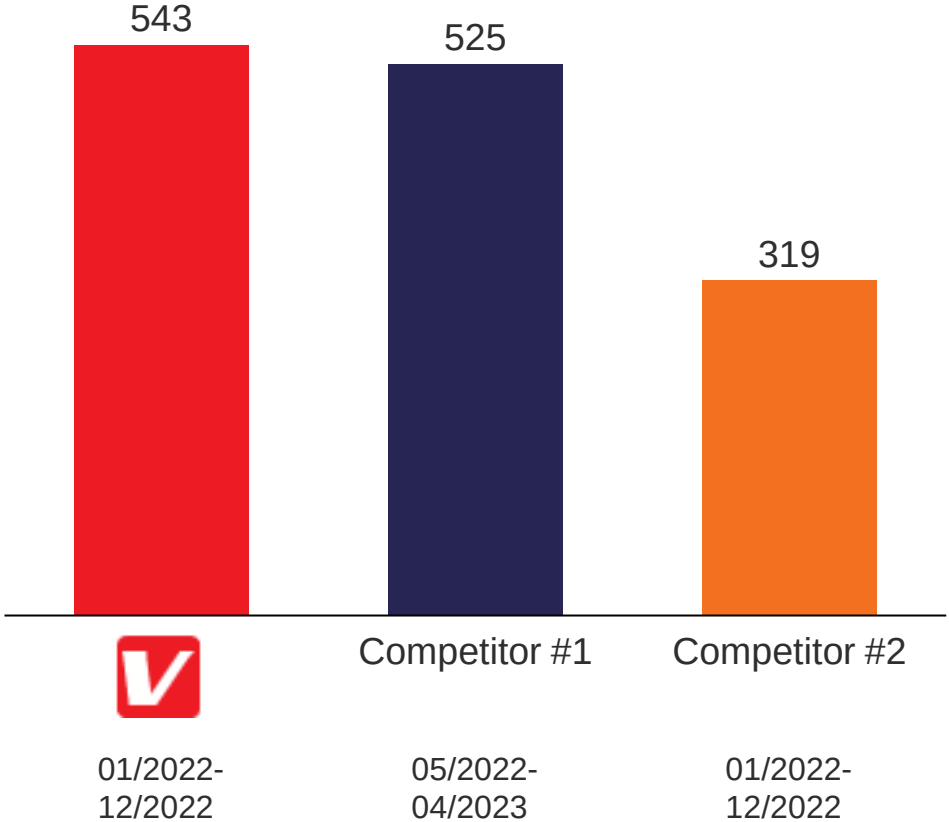


* Index of regular earnings and index of real wage and salary earnings by employer by quarter. All sectors, all employees



In a challenging market, Verkkokauppa.com has become the leader in Finnish consumer electronics retail

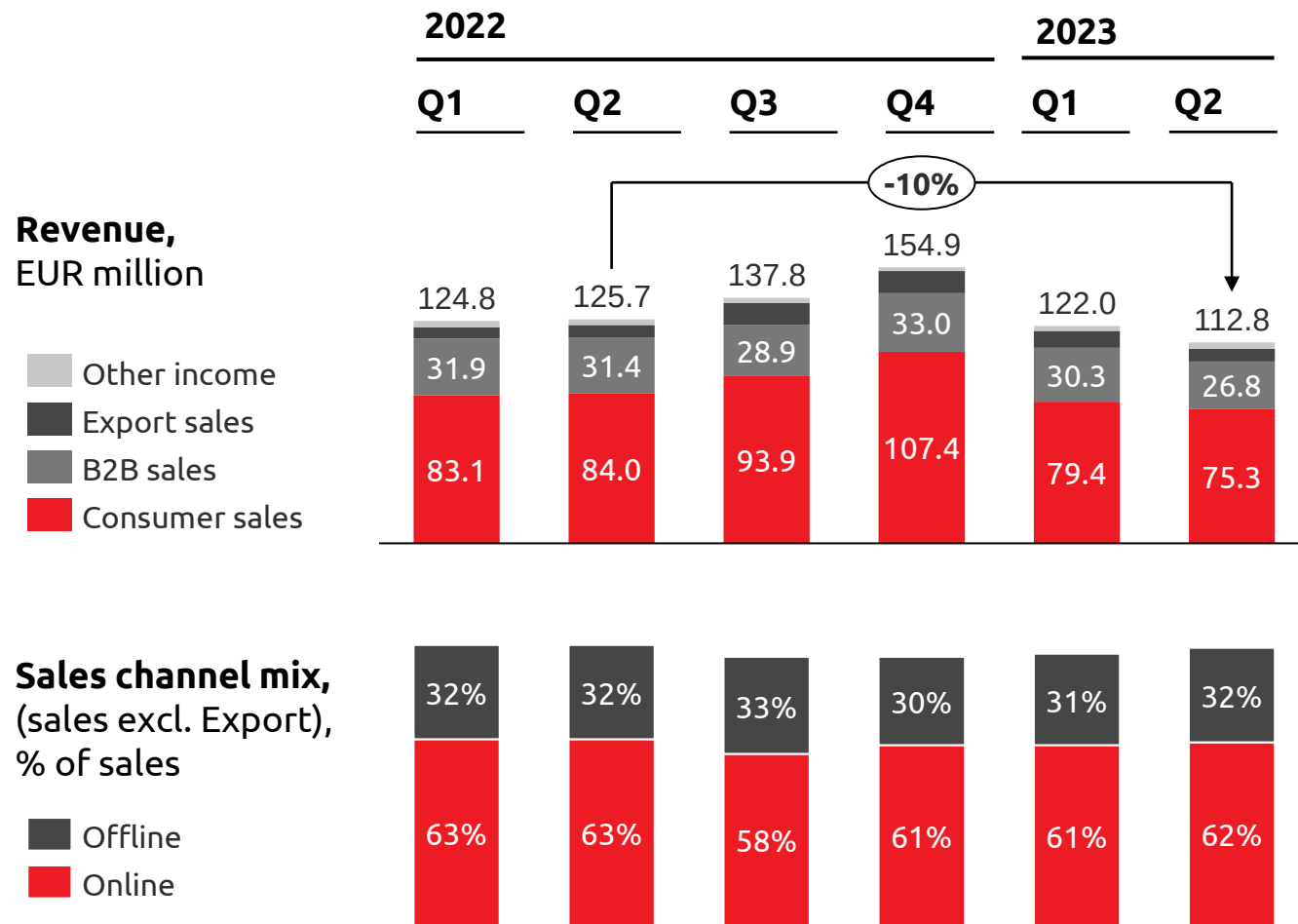
Revenue, latest published fiscal year, million EUR



Q2 & H1 2023 performance



The economic downturn continued to impact demand in all customer segments



Q2/2023 development

Group revenue declined by 10.2% YoY and was EUR 112.8 million (125.7)

Customer segments

- › Consumer segment declined by 10.3%
- › Corporate sales declined by 14.8%
- › Export business was in line with PY, its share of total sales was 7%

Sales channels

- › Online sales declined by 9.9%
- › Website visits declined by 17.5%

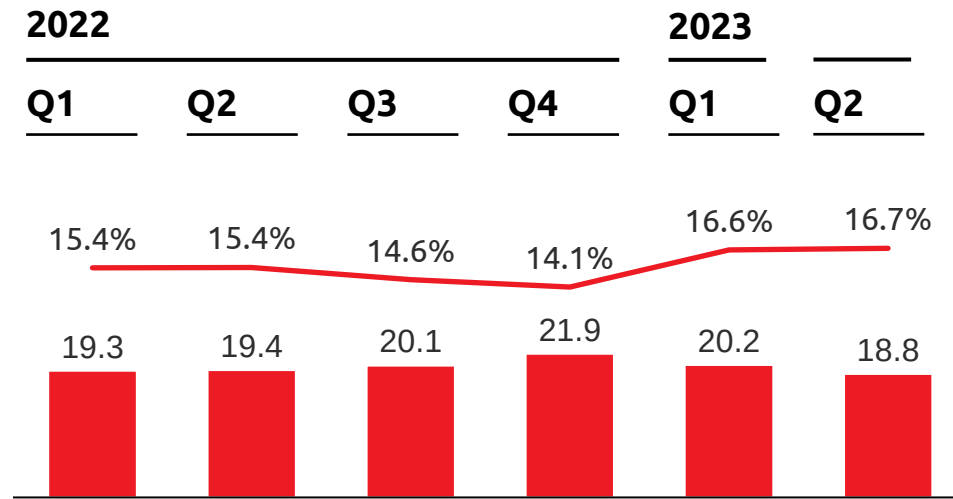
Categories

- › Core categories sales declined by 10.0%, with positive performance in small domestic appliances and gaming
- › Sales in the evolving product categories declined by 16.0%. Well-performing categories were sports and travelling
- › Private Label sales increased by 36%



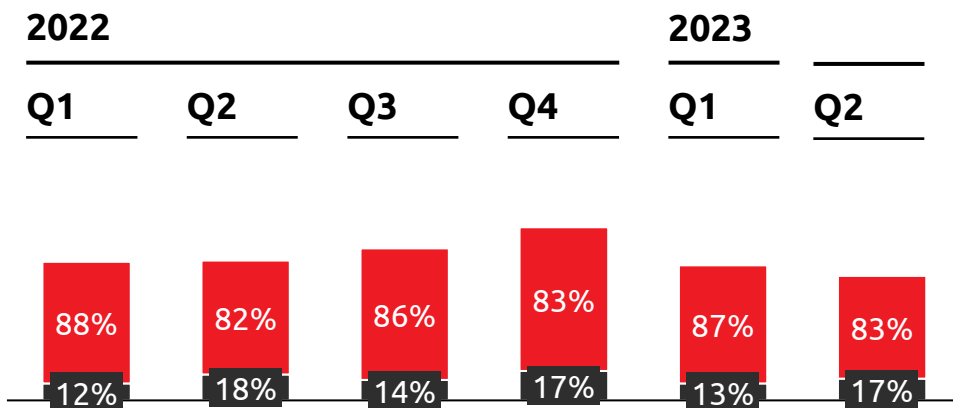
Solid gross margin driven by price and campaign optimization

Gross profit and margin, EUR million and % of revenue



Product mix, % of sales

■ Core categories
■ Evolving categories



Q2/2023 development

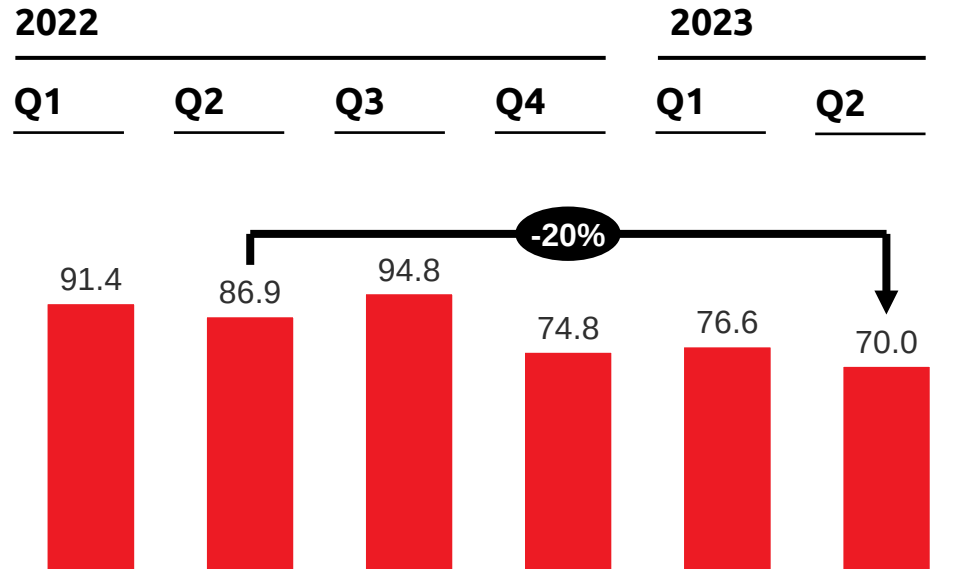
Gross profit totaled EUR 18.8 million (19.4) and 16.7% of revenue (15.4%)

- › Gross margin improved due to optimized campaigning and pricing
- › Successful assortment optimization
- › Product mix remained largely unchanged, and margin improvements were executed across the portfolio
- › Positive impact from Private Label sales during the reporting period

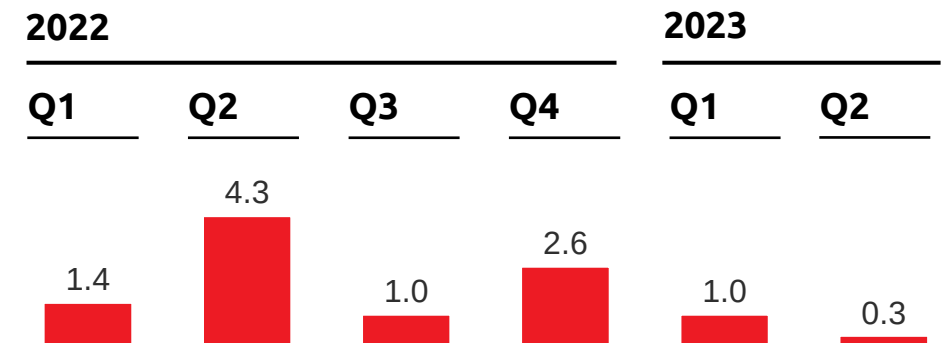


Successful supply chain optimization

Inventories,
EUR million



Investments,
EUR million



Balance sheet & Cash flow on 30 June 2023

- › Group inventory declined by -20% YoY and was EUR 70.0 million (86.9)
- › Investments during H1 were EUR 1.3 million (5.7). The main investments were the website renewal and development related to business analytics
- › H1 Cash flow from operating activities was EUR -0.4 million (-16.5), mainly impacted by the positive development of EBITDA and working capital
- › Cash at hand was EUR 15.5 million (15.9)
- › Equity ratio at the end of June was 16.5% (18.2%)
- › At the end of June, the group had a total of EUR 22.6 million in loans from financial institutions (25.0)



H1/2023 financial highlights



Revenue

EUR 234.8 million
-6.2% vs. H1/2022



Gross profit

EUR 39.1 million
(H1/22: EUR 38.6 million)

Gross margin

16.6%
(H1/22: 15.4%)



Comparable EBIT

EUR 2.3 million
(H1/22: EUR 0.7 million)



Operating Cash flow

EUR -0.4 million
(H1/22: EUR -16.5 million)

H1/23: The items impacting comparability include EUR 1.2 million restructuring costs
(H1/22: The items impacting comparability include EUR 0.9 million costs related to e-ville acquisition)



Strategy execution

Profitability improvement program on track

Profitability improvement program:
capture full potential of core business

Operational performance & cost savings

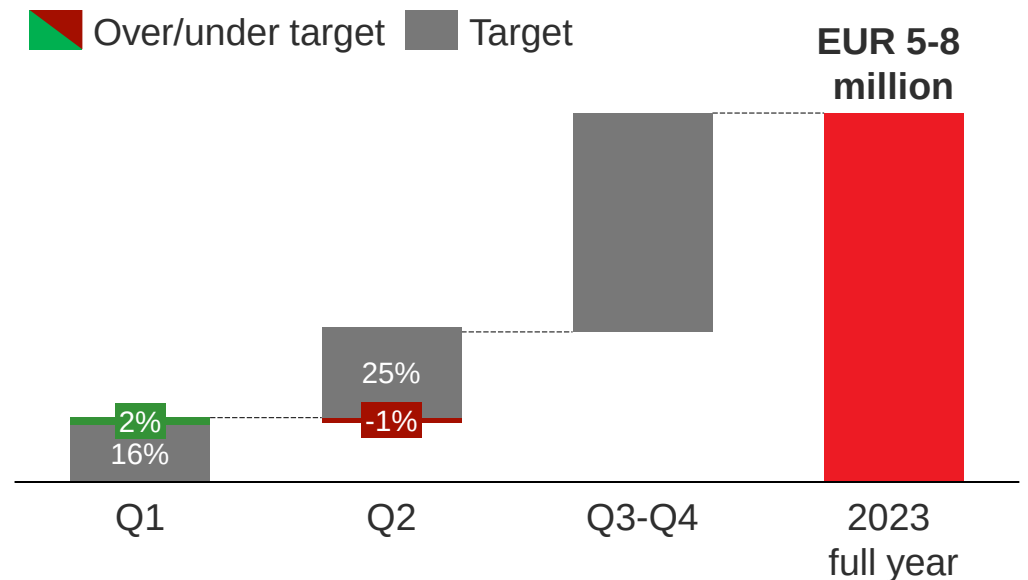
1. Lean supply chain and inventory
2. Indirect spend reduction
3. Marketing mix optimization
4. Efficiencies across business operations

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-Q2: On track against plan
quarterly estimate of impact timing





During H1/2023, company has managed to capture the planned profitability improvements. During second half of the year, we expect to see more gains from commercial actions, while most of the cost savings are already 'banked'.





Q2/2023 highlights in new strategic capabilities

Highlights to follow

-  **Assortment**
 - ▶ First batch of SKUs are priced automatically with dynamic pricing solution
 - ▶ Product assortment has been streamlined to approx. 70,000 SKUs and >90% of delisted stock has been sold out through H1/2023 efforts

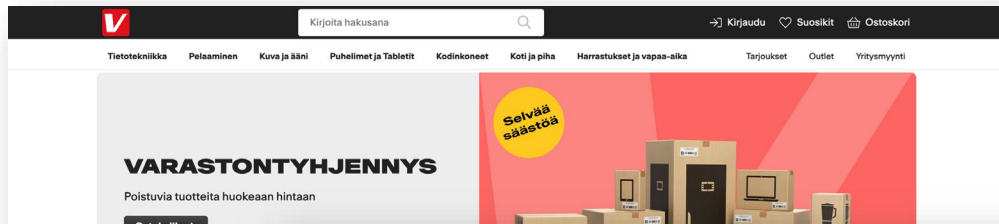
-  **Experience**
 - ▶ **Inspirational Online Experience: home page and navigation were upgraded successfully**
 - ▶ **One-hour express home deliveries expanded to cover >600k residents in the capital area**

-  **Speed & Flexibility**
 - ▶ End-to-end logistics processes improved significantly, leading to approximately 24h reduction in overall customer delivery times
 - ▶ Against inflation in cost base, managed to decrease overall logistics spend by >20% (YTD vs. 2022)

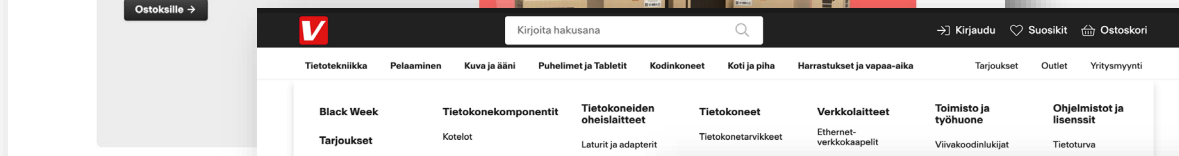
-  **Trust**
 - ▶ Despite moderate marketing spend, brand performed well compared to competition
 - ▶ New marketing concepts finalized and launched



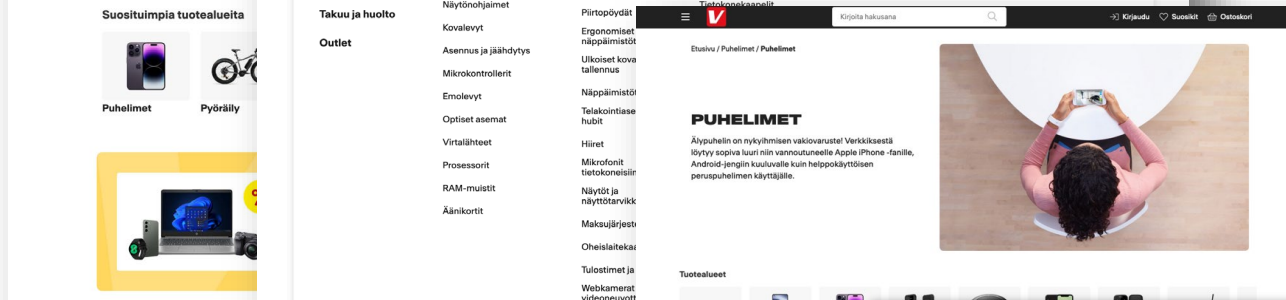
Shopping experience taking leaps forward with our online site renewal



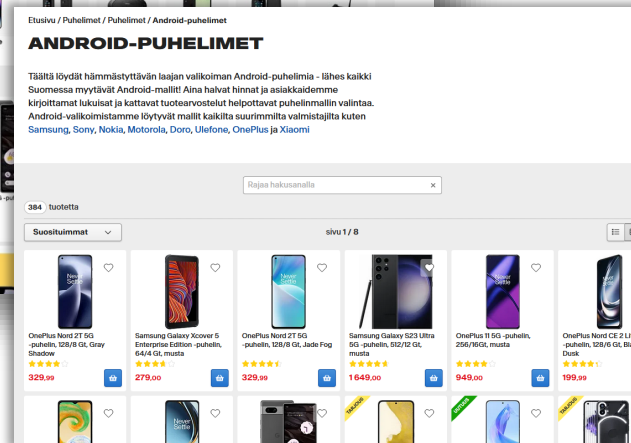
New home page, with personalized recommendations (categories and products)



Upgraded category listing supporting ease of use



Visual category pages offering relevant information and inspiration for shopping



Dynamic product listings to show relevant products and simplified layout to improve product comparison

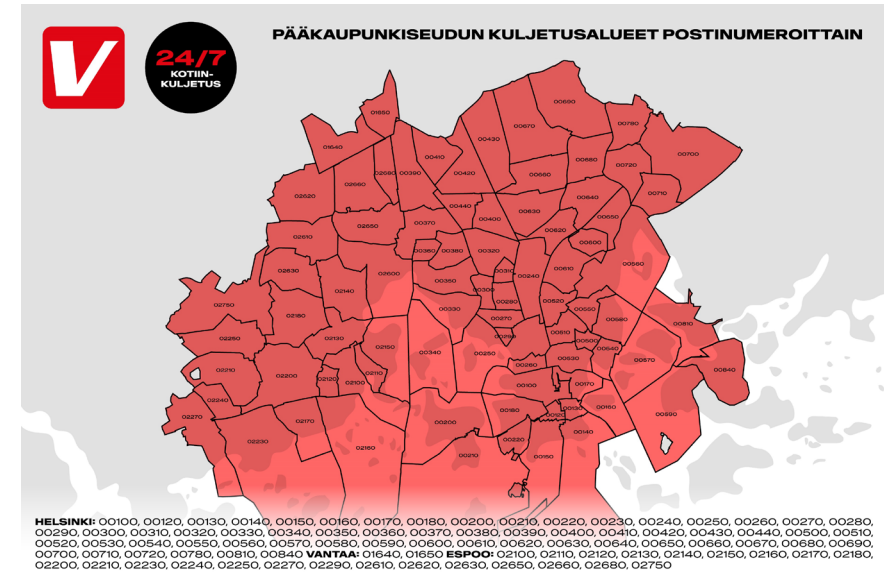


One-hour express deliveries expanded to >600,000 residents and the service is now available 24/7

- › Doubled the delivery area, serving over 600 000 residents in Helsinki metropolitan area
- › Service available 24/7 hours, with improvements in Jätkäsaari operations and opening times
- › Customer satisfaction for the service at a world-class level (CSAT 93), based on an ongoing customer satisfaction survey

Customer feedback has been very positive, with four repeating customer pain points and themes we are solving:

- 1. Convenience:** "I need to purchase a new smartphone, but I don't have the time to visit a store."
- 2. Urgent Needs:** "I need to print some important documents urgently, and to do that, I need a new printer right now."
- 3. Time-Sensitive Situations:** "I just realized that I forgot to buy a gift for a friend's birthday party tonight."
- 4. Impulse Purchases:** "I would like to shop on Verkkokauppa.com right now for adult Legos, but there is no way I will drive there."



We ensure that our products are safe, long-lasting and responsibly produced



ESG

Responsibility barometer

- Last autumn, we carried out a customer survey on the responsibility of electronics and online stores, and we received more than 18,000 responses
- We asked about our customers' electronics consumption habits and what kind of responsible actions they expect from electronics manufacturers and online stores
- The answers showed readiness to acquire used electronics and to recycle electrical and electronic waste.
- We are now using the obtained results to develop our services and our responsibility work

Disclaimer: In comparison to the general Finnish population, men, city dwellers, single households and abundant users of online stores are overrepresented in the survey sample.



Market outlook and guidance



Market outlook and short-term expectations

- Global macroeconomic factors such as inflation and the development of financial markets can weaken purchasing power and investment ability of consumers and corporates during H2
- There is ongoing uncertainty about the future outlook in relation to geopolitical conflicts in the world and the crisis in Ukraine
- The company's growth prospects for the current year are considered challenging
- We estimate consumer and B2B demand to continue to be soft during H2

The company believes that:

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



Financial guidance for 2023 – *unchanged*

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

In 2022, revenue was EUR 543.1 million and
comparable EBIT EUR 3.5 million



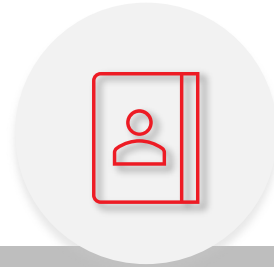
Thank you

More information



Upcoming Financial events

- 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 | Q2 | Q1-Q2 2023 | Q1 | Q2 | Q3 | Q4 | FY 2022 |
| Revenue, eur million | 122.0 | 112.8 | 234.8 | 124.8 | 125.7 | 137.8 | 154.9 | 543.1 |
| Gross profit, eur million | 20.2 | 18.8 | 39.1 | 19.3 | 19.4 | 20.1 | 21.9 | 80.6 |
| Gross margin-% | 16.6% | 16.7% | 16.6% | 15.4% | 15.4% | 14.6% | 14.1% | 14.8% |
| EBITDA, eur million | 1.6 | 2.3 | 3.9 | 2.0 | 0.5 | 3.2 | 2.2 | 7.8 |
| EBITDA, % | 1.3% | 2.1% | 1.7% | 1.6% | 0.4% | 2.3% | 1.4% | 1.4% |
| Operating profit, eur million | 0.04 | 0.8 | 0.9 | 0.7 | -0.9 | 1.7 | 0.8 | 2.3 |
| Operating profit, % | 0.04% | 0.7% | 0.4% | 0.5% | -0.7% | 1.3% | 0.5% | 0.4% |
| Comparable operating profit, eur million | 1.4 | 1.0 | 2.3 | 0.9 | -0.2 | 2.1 | 0.8 | 3.5 |
| Comparable operating profit, % | 1.1% | 0.8% | 1.0% | 0.7% | -0.2% | 1.5% | 0.5% | 0.6% |
| Profit for the period, eur million | -0.4 | 0.2 | -0.2 | 0.2 | -1.1 | 0.7 | 0.5 | 0.3 |
| Interest-bearing net debt, eur million | 25.6 | 22.8 | 22.8 | 18.2 | 28.6 | 29.8 | 19.7 | 19.7 |
| Investments, eur million | 1.0 | 0.3 | 1.3 | 1.4 | 4.3 | 1.0 | 2.6 | 9.3 |
| Equity ratio, % | 15.8% | 16.5% | 16.5% | 20.2% | 18.2% | 16.3% | 15.8% | 15.8% |
| Gearing, % | 98.2% | 87.2% | 87.2% | 54.7% | 92.4% | 103.2% | 74.6% | 74.6% |
| Personnel at the end of period* | 720 | 695 | 695 | 753 | 815 | 761 | 838 | 838 |
| Basic earnings per share, euros | -0.01 | -0.00 | -0.01 | 0.00 | -0.02 | 0.01 | 0.01 | 0.01 |
| Diluted earnings per share, euros | -0.01 | -0.00 | -0.01 | 0.00 | -0.02 | 0.01 | 0.01 | 0.01 |
| Number of issued shares, 1,000 pcs | 45,355 | 45,355 | 45,355 | 45,065 | 45,355 | 45,355 | 45,355 | 45,355 |
| Number of treasury shares, 1,000 pcs | 258 | 171 | 171 | 298 | 290 | 282 | 271 | 271 |
| Weighted average number of shares outstanding, 1,000 pcs | 45,096 | 45,183 | 45,183 | 44,747 | 45,047 | 45,073 | 45,083 | 45,083 |
| Diluted weighted average number of shares outstanding, 1,000 pcs | 45,354 | 45,252 | 45,252 | 45,189 | 45,473 | 45,439 | 45,342 | 45,342 |



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