

## **VERKKOKAUPPA.COM HAD A GOOD START: REVENUE GREW BY 6% AND OPERATING PROFIT IMPROVED SIGNIFICANTLY BY 61%**

Verkkokauppa.com Oyj – Quarterly report (unaudited) 25 April 2014, 8:00 a.m.

### **1 January – 31 March 2014 in brief**

- Revenue was 60.6 (57.1) million euros, growth 6.1%
- Operating profit was 2.1 (1.3) million euros, growth 61%
- Operating profit was 3.5% of net sales (2.3%)
- Net profit was 1.3 (1.0) million euros
- Earnings per share were 0.23 (0.20) euros
- Trading in the shares of Verkkokauppa.com Oyj commenced on the NASDAQ OMX First North Finland marketplace on 4 April 2014.
- Non-recurring items relating to the initial public offering decreased net profit. The non-recurring initial public offering costs totalled 0.3 million euros in financial costs in 1–3/2014 and are estimated to be approximately 1.6 million euros in 4–6/2014.

### **BUSINESS OUTLOOK**

Verkkokauppa.com Oyj's business operations are estimated to develop positively within a medium-term time frame. The management believes that the Company will grow its market share further. Proceeds received from the share issue improve the Company's equity ratio and enable it to continue growth projects according to the Company's strategy. Nevertheless, the business prospects include uncertainties, especially due to macroeconomic development. Finnish GDP is expected to grow between 0,3% - 1,0% during 2014. According to the market research company GfK home electronics market has grown 0% 1-2/2014 in Finland.

### **CEO SAMULI SEPPÄLÄ'S REVIEW**

Finland's largest and most-visited Finnish online retailer, Verkkokauppa.com, revenue grew by 6.1% and operating profit increased significantly by 61%. The sales margin stayed at a competitive level and fixed costs remained low, which resulted in market share growth in a competitive market. Operating profit was strengthened by a strong increase in sales of small and major domestic appliances (SDA and MDA) and increase in provisions from customer financing. There were more sales days in March 2014 than a year ago due to Easter, which in 2013 was in March. Cash flow was negative, but this is typical for first quarter.

The NASDAQ OMX First North listing strengthened the financial position of the Company, which enables the development of customer finance services and the introduction of new product categories. The larger supply and wider use of customer financing services in particular may increase sales margins in the future. As retailing is going online, customers are looking for new types of services. Company sees that there are more need for new types of flexible logistics services and other services, instead of opening new stores.

The retail evolution is continuing in Finland. Retail business is moving online and is growing in almost all product areas. Current developments are significantly influencing traditional retail business models impacting their sales and profitability. The Company's market position as the largest and best-known retail store online sets up a good starting point for the Company to utilize the ongoing changes, where traditional retail businesses are forced to make significant changes especially in their bricks-and-mortar store operations.

Verkkokauppa.com aims to utilize this current development and its head start in online business to further take market share from traditional retailers, while at the same time introducing new services and products as well as increasing profitable sales.

## FINANCIAL TARGETS

The Company strives to grow faster than its operating market and targets an annual revenue growth of over 10 per cent in the medium-term. The Company's objective is to improve its EBITDA margin in the medium-term compared to the level in 2013. The Company strives to secure a sufficient equity ratio to finance growth of its business and targets to maintain an equity ratio of over 25 per cent taking into consideration the nature and seasonality of the Company's business.

Key ratios	1–3/2014	1–3/2013	1–12/2013
Net sales, € thousands	60,558	57,053	238,013
EBITDA, € thousands	2,336	1,536	7,526
EBITDA, %	3.9%	2.7%	3.2%
Operating profit, € thousands	2,111	1,311	6,640
Operating profit, % of net sales	3.5%	2.3%	2.8%
Net profit, € thousands	1,344	1,022	4,204
Equity ratio, %	28.6%	11.0%	14.6%
Equity ratio, % (including subordinate debt)	28.6%	20.7%	22.5%
Return on investment, %	45.9%	56.4%	48.3%
Net gearing, %	-86.3%	16.1%	-196.9%
Earnings per share (EPS) revised by share split, euros	0.23	0.20	0.80
Earnings per share (EPS) revised by share split (diluted), euros	0.23	0.15	0.65
Number of shares at end of period	6 690 855	10 490	5 255 490
Average number of shares at end of period revised by share split	5 733 945	5 237 454	5 250 981
Number of shares at end of period revised by share split	6 690 855	5 255 490	5 255 490
Number of personnel* at end of period	444	393	446

\*The number of personnel includes both full and part time employees

## REVENUE AND PROFITABILITY DEVELOPMENT

Verkkokauppa.com Oyj's revenue grew by 6.1% in January–March 2014 compared to the same period last year. Revenue growth was 3,505 thousand euros, being cumulatively 60,558 (1–3/2013: 57,053) thousand euros. Profitability developed positively due to a favourable sales mix and sales increases in TV, gaming (especially consoles), and both small and major domestic appliances (SDA and MDA).

The demand for home electronic devices has been satisfactory despite the current market development. According to research by GfK, the market growth was 0% in 1–2/2014.

Personnel costs were 4,374 (4,021) thousand euros, with growth being 8.8%. Working hours increased by 7.4% during the period. Personnel costs grew slightly faster than revenue and working hours due to new enforcement recruits in purchasing and in internal technology departments. Other expenses were 3,427 (3,307) thousand euros during the period in 2014, with growth of 3.6%.

The operating profit was 2,111 (1,311) thousand euros in January–March 2014 and net profit was 1,344 (1,022) thousand euros. Earnings per share were 0.23 (0.20) euros. Earnings per share in 2013 have been adjusted to make them comparable to the share issue in May 2013 (i.e. share split).

Financing expenses include 339 (146) thousand euros in non-recurring items related to preparations for listing on the First North marketplace.

## **FINANCE AND INVESTMENTS**

Operating cash flow was -8,183 (-5,312) thousand euros in the 1-3/2014. The negative change in operating cash flow resulted mainly from accounts payable payments. Ordinary seasonal fluctuations are reflected in cash and cash equivalents, cash flow and accounts payable, which usually reaches the highest point at year-end and the lowest point at the end of the second quarter.

Capital expenditures were 111 (31) thousand euros, mainly comprising store and office furniture and equipment in January-March 2014.

Financing expenses include 339 (146) thousand euros in non-recurring items relating to the listing.

Rite Internet Ventures Holding AB exercised the option granted to it to subscribe for 1 435 365 new shares of the Company. The proceeds amounted to 5.6 million euros, of which the Company used 3.0 million euros to repay capital loans to Rite Internet Ventures Holding AB. In addition the Company repaid a 1.3 million euros capital loan to Samuli Seppälä.

## **PERSONNEL, THE BOARD AND ADMINISTRATION**

The number of personnel was 444 (393) at the end of March 2014. The personnel increase was 51 employees compared to the end of March 2013. The number of personnel includes both full and part time employees.

The Board members were Christoffer Häggblom, Peter Lindell, Kai Seikku, Henrik Weckström and Samuli Seppälä until the Annual General Meeting held on 13 March 2014. In the Annual General Meeting held on 13 March 2014 the board was re-elected and Mikael Hagman and Antti Tiitola were elected as new members to the Board. Christoffer Häggblom was re-elected as the Chairman of the Board and Samuli Seppälä continued as the company's Chief Executive Officer.

## **RISKS AND UNCERTAINTIES**

Verkkokauppa.com Oyj's risks and uncertainties reflect the market and general economic trends, demand for home electronics, business environment, and competition. The company's business operations are also influenced by risks and uncertainties relating to for example business strategy, investments, procurement and logistics, information technology, and other operative risks. The aforementioned risks and uncertainties may affect the company's operations, financial position and performance both positively and negatively. Risks and uncertainties have been presented in more detail in the Offering document published on 21 March 2014.

Information on Verkkokauppa.com Oyj's legal dispute with Teosto ry is presented in the financial statements of 31 December 2013 and in the Offering document published on 21 March 2014.

## **ANNUAL GENERAL MEETING**

The Annual General Meeting was held in Helsinki on 13 March 2014. The financial statements for the year 2013 were approved and the Board Members and the CEO were discharged from liability. It was decided to pay a dividend of 0.04 euros per share, totalling 210 thousand euros.

The Annual General Meeting authorized the Board to resolve on the share issues. According to the authorization, the Board may issue no more than 1 500 000 new shares in one or more instalments and the Board may resolve upon price-related matters and payment periods. The Board has authorization to decide upon all other share issue-related matters according to the Finnish Limited Liability Companies Act. The authorization is valid for one year, until 13 March 2015. The authorization does not revoke previous other authorizations. The Board exercised authorization to issue 820 000 new shares in the First North offering.

The board election is explained above under section personnel, board and administration.

The Authorized Public Accountant firm KPMG Oy Ab was re-elected as the auditor, with Authorized Public Accountant Mauri Eskelinen acting as the Principal Auditor.

## **OTHER EVENTS DURING THE REPORTING PERIOD**

The Supreme Court granted permission to appeal the Court of Appeal's ruling regarding the dispute between Verkkokauppa.com and Teosto ry on 24 January 2014. Information on the legal case is presented in the financial statements of 31 December 2013 and in the Offering document published on 21 March 2014.

## **SUBSEQUENT EVENTS**

Trading in the shares of Verkkokauppa.com Oyj commenced on the NASDAQ OMX First North Finland marketplace on 4 April 2014. The final subscription and sale price was set at 23.00 euros per share in the institutional offering and the retail offering. Verkkokauppa.com received proceeds of approximately 18.9 million euros from issuing 820 000 new shares. Charges relating to the share offering will be approximately 1.9 million euros in 2014. The share issue improves the equity ratio and liquidity of the Company, and it enables the Company to continue with its growth projects according to the strategy.

The Company had 5 255 490 registered shares on 31 December 2013. The share amounts have changed as follows: Rite Internet Ventures Holding AB subscribed for 1 435 365 new shares on 21 March 2014, after which the Company had 6 690 855 shares. In the share issue, 820 000 new shares were subscribed. The amount of shares is 7 510 855 after 4 April 2014.

In April, the Company started new express door-to-door deliveries in Helsinki capital area; items in stock are delivered within three hours after an order is placed online.

The Company will announce its plans to join an international customer programme in a press conference on 6 May.

## **FINANCIAL INFORMATION**

This quarterly report has been prepared in accordance with Finnish Accounting Standards and local legislation in compliance of the accounting principles in 31 December 2013 financial statements. This quarterly report has not been audited. The financial statements are audited at year-end.

Sales of mobile phone subscription services and other provision income have increased over time and hence the income is presented as part of revenues in the 2013 financial statements. The comparison information of 2013 has been adjusted accordingly.

Numbers presented in the quarterly report have been rounded and therefore columns or rows do not necessarily add up to the total amounts presented.

Income statement

€ thousands	1-3/2014	1-3/2013	Change%	2013
<b>NET SALES</b>	<b>60,558</b>	<b>57,053</b>	<b>6.1%</b>	<b>238,013</b>
Other income	45	31	45.2%	106
Cost of goods and services	-50,467	-48,219	4.7%	-200,652
Personnel expenses	-4,374	-4,021	8.8%	-16,397
Depreciation and amortization	-225	-225	0.0%	-886
Other operating expenses	-3,427	-3,307	3.6%	-13,543
<b>OPERATING PROFIT</b>	<b>2,111</b>	<b>1,311</b>	<b>61.0%</b>	<b>6,640</b>
Financial income and expenses	-427	-200	115.5%	-1,162
<b>PROFIT BEFORE APPROPRIATIONS AND TAXES</b>	<b>1,684</b>	<b>1,111</b>	<b>51.6%</b>	<b>5,478</b>
Appropriations	30	205	-85.4%	127
Income taxes	-370	-293	26.3%	-1,401
<b>NET PROFIT</b>	<b>1,344</b>	<b>1,022</b>	<b>31.5%</b>	<b>4,204</b>

Balance Sheet

€ thousands	31.3.2014	31.3.2013	31.12.2013
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Intangible assets total	615	624	670
Tangible assets total	2,656	3,118	2,715
<b>NON-CURRENT ASSETS TOTAL</b>	<b>3,271</b>	<b>3,742</b>	<b>3,385</b>
<b>CURRENT ASSETS</b>			
Inventories	28,087	26,999	23,171
Receivables			
Non-current receivables	15	12	15
Current receivables			
Trade receivables	4,914	4,694	4,813
Other receivables	436	227	299
Receivables carried forward	1,495	1,530	2,689
Cash and cash equivalents	15,247	8,803	22,677
<b>CURRENT ASSETS TOTAL</b>	<b>50,194</b>	<b>42,265</b>	<b>53,664</b>
<b>TOTAL ASSETS</b>	<b>53,465</b>	<b>46,008</b>	<b>57,049</b>
<b>LIABILITIES</b>			
<b>EQUITY</b>			
Shareholders' capital			
Share capital	100	100	100
Other funds			
Invested non-restricted equity fund	6,633	1,021	1,021
Retained earnings	6,541	2,657	2,547
Profit (loss) for the period	1,344	1,022	4,204
<b>EQUITY TOTAL</b>	<b>14,618</b>	<b>4,800</b>	<b>7,872</b>
Appropriations	157	109	187
Provisions	495	138	395
<b>LIABILITIES</b>			
Non-current liabilities	1,758	6,781	6,282
Capital loans	0	4,319	4,304
Interest-bearing debt	1,758	2,462	1,978
Current liabilities total	36,437	34,180	42,313
Capital loans	0	0	15
Interest-bearing debt	879	2,794	879
Advances received	1,995	1,429	2,255
Accounts payables	22,478	22,076	27,418
Other liabilities	3,999	3,283	5,365
Accrued expenses	7,087	4,599	6,380
<b>LIABILITIES TOTAL</b>	<b>38,196</b>	<b>40,961</b>	<b>48,595</b>
<b>TOTAL LIABILITIES</b>	<b>53,465</b>	<b>46,008</b>	<b>57,049</b>

Cash flow

€ thousands	1–3 2014	1–3 2013	1–12 2013
Cash flow from operating activities			
Profit before appropriations and taxes	1,684	1,111	5,478
Depreciation and amortization	225	225	886
Change in provisions	100	138	395
Interest paid and received	427	200	1,162
Current receivables, increase (-), decrease (+)	956	1,396	43
Inventory increase (-), decrease (+)	-4,917	-5,277	-1,449
Non-interest-bearing debt, increase (+), decrease (-)	-6,231	-2,905	6,898
<b>Net cash from operating activities before financing and taxes</b>	<b>-7,756</b>	<b>-5,112</b>	<b>13,414</b>
Interest paid and other operational financial expenses	-431	-204	-1,187
Interest received from operations	4	4	24
Taxes paid	0	0	-878
<b>Net cash flow from operating activities</b>	<b>-8,183</b>	<b>-5,312</b>	<b>11,373</b>
Investments			
Intangible and tangible investments	-111	-31	-334
<b>Net cash flow from investments</b>	<b>-111</b>	<b>-31</b>	<b>-334</b>
Cash flows from financing activities			
Proceeds from share issue	2,612	270	270
Current interest-bearing debt, increase (+), decrease (-)	-235	324	-1,575
Non-current interest-bearing debt, increase (+), decrease (-)	-1,304	-292	-791
Dividends paid	-210	0	-110
<b>Net cash flow from financing activities</b>	<b>863</b>	<b>302</b>	<b>-2,206</b>
<b>Net increase (+) / decrease (-) in cash and cash equivalents</b>	<b>-7,431</b>	<b>-5,041</b>	<b>8,833</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>22,677</b>	<b>13,844</b>	<b>13,844</b>
<b>Cash and cash equivalents at the period end</b>	<b>15,247</b>	<b>8,803</b>	<b>22,677</b>



Statement of equity changes

€, thousands	Share capital	Share issue	Invested unrestricted equity fund	Retained earnings (loss)	Profit (loss) of the period	Total
<b>Share capital 1.1.2014</b>	<b>100</b>	<b>0</b>	<b>1,021</b>	<b>2,547</b>	<b>4,204</b>	<b>7,872</b>
Dividends	0	0	0	-210	0	-210
Share issue	0	0	5,612	0	0	5,612
Profit (loss) of the period	0	0	0	0	1,344	1,344
<b>Share capital 31.3.2014</b>	<b>100</b>	<b>0</b>	<b>6,633</b>	<b>2,337</b>	<b>5,548</b>	<b>14,618</b>
<b>Share capital 1.1.2013</b>	<b>100</b>	<b>99</b>	<b>651</b>	<b>3,291</b>	<b>-634</b>	<b>3,507</b>
Dividends	0	0	0	0	0	0
Share issue	0	-99	369	0	0	270
Profit (loss) of the period	0	0	0	0	1,022	1,022
<b>Share capital 31.3.2013</b>	<b>100</b>	<b>0</b>	<b>1,021</b>	<b>3,291</b>	<b>388</b>	<b>4,800</b>
<b>Share capital 1.1.2013</b>	<b>100</b>	<b>99</b>	<b>651</b>	<b>3,291</b>	<b>-634</b>	<b>3,507</b>
Dividends	0	0	0	-110	0	-110
Share issue	0	-99	369	0	0	270
Profit (loss) of the period	0	0	0	0	4,204	4,204
<b>Share capital 31.12.2013</b>	<b>100</b>	<b>0</b>	<b>1,021</b>	<b>3,181</b>	<b>3,570</b>	<b>7,872</b>

**CALCULATION PRINCIPLES FOR THE COMPANY'S KEY RATIOS**

- 1) EBITDA = Operating profit before depreciations
- 2) EBITDA, per cent = Operating profit before depreciations / Net turnover x 100
- 3) Operating profit, per cent = Operating result / Net turnover x 100
- 4) Equity ratio (no capital loans) = (capital and reserves + depreciation reserves x (1 – tax rate)) / (Total sum of the balance sheet – advances received) x 100
- 5) Equity ratio (including subordinate loans) = (capital and reserves + capital loans + depreciation reserves x (1 – tax rate)) / (Total sum of the balance sheet – advances received) x 100
- 6) Return on capital employed (ROCE), rolling 12 months, % = (Net profit + financial expenses + taxes) / (Average of equity + interest bearing debt) x 100
- 7) Net gearing, % = (Interest bearing debt – cash and cash equivalents – interest bearing receivables) / Equity x 100
- 8) Earnings per share = Profit for the financial period / Monthly average number of shares adjusted by share issues
- 9) Earnings per share (diluted) = Profit for the financial period / Monthly average number of shares adjusted by share issues + number of shares according to the subscription right
- 10) Average number of shares at end of period revised by share split = Monthly average number of shares at end of period revised by share split
- 11) Number of employees at end of period = Average amount of personnel on the last week of the period



## PRESS CONFERENCE

A press conference for analysts, investors and media will be held in Finnish in the Jätkäsaari commercial premises in Helsinki at Tyynenmerenkatu 11 on the 6<sup>th</sup> floor at 10:00 a.m. on Friday 25 April. A press conference in English will be held by phone at 3:00 p.m (CET +1). Both press conferences can be joined via online Livestream (<http://new.livestream.com/verkkokauppacom/investors>). The English press conference can be attended by phone by calling 0200 88 200 from Finland, or +46 8 20 88 20 from Sweden and other countries and entering the code 783717#. Verkkokauppa.com Oyj's CEO Samuli Seppälä will explain the developments in the reporting period and the highlights of 2014 at the press conference.

## COMPANY RELEASES IN 2014

Verkkokauppa.com Oyj will publish its quarterly reports as follows:

- Quarterly report 1–6/2014 (H1 2014) on Friday 8 August 2014
- Quarterly report 1–9/2014 (Q3 2014) on Friday 24 October 2014

Helsinki, Finland, 25 April, 2014

### **Verkkokauppa.com Oyj**

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