

Verkkokauppa.com Oyj Q1/2015,  
24.4.2015, Samuli Seppälä, CEO

# TODAY'S STORE FRONT

RETAIL IS GOING ONLINE. COME ALONG.

**Verkkokauppa**  
PROBABLY ALWAYS CHEAPER **.com**



NASDAQ  
FIRST NORTH

Questions during or after the presentation - investors@verkkokauppa.com

A man with a beard, wearing a black hoodie over a red shirt, is operating a blue and orange forklift in a large warehouse. He is looking upwards and to the right. The warehouse is filled with high shelves of cardboard boxes, some labeled with 'SONY' and 'AM9-MEX20'. The forklift has 'BRIO' written on its mast. The scene is brightly lit, and the perspective is from a low angle, looking up at the operator and the shelves.

**Verkkokauppa.com's Q1/2015**

**Strong first quarter at Verkkokauppa.com,  
revenue grew 20% at stagnant retail market**

# Retail is going online

E-commerce is natural development and evolution of retail business .

Why are consumers buying online?

- E-commerce offers consumers **lower prices** enabled by lower fixed operating costs.
- **Wider selection**, without need to keep everything in stock and needing less capital.
- **Quicker and easier** way of purchasing and finding information.
- Not all retail business can be profitable - even online.



"15€ avg. savings per 100€"



€ > 0?

# Verkkokauppa.com concept

Capital efficiency  
enabled by the leanest  
operating model

**LOWER PRICES**

“Probably always cheaper”

Price according with  
slogan - regardless  
of sales channel

**WIDER  
SELECTION**

**Verkkokauppa**  
PROBABLY ALWAYS CHEAPER  
**.com**

**BEST 24 H  
AVAILABILITY**

Finland's best source for  
product information,  
including >150 000 reviews

**TRANSPARENT AND  
CUSTOMER CENTRIC**

Customer lifetime value  
maximisation - a happy  
customer will return

# Verkkokauppa.com Q1/2015 P&L

- Revenue was 72.9 (60.6) million euros, +20%
- Gross profit was 11.7 (10.1) million euros, +16%
- Gross margin was 16.1% (16.7%) of revenue
  
- Personnel expenses 5.4 (4.4) million, +24%
- Depreciation and amortiz. 0.3 (0.2) million, +17%
  
- Other operating expenses 7.6 (3.4) million, +122%,  
• Other opex w/o Teosto 4.2 (3.4) million, +23%
  
- Non-recurring items relating to the Teosto dispute was 4.3 million euros on profit before taxes and 3.4 million euros on EBITDA.
  
- EBITDA was -1.3 (2.4) million euros, -154%,  
• EBITDA w/o Teosto 2.1 (2.4) million euros, -8%
  
- Operating profit was -1.5 (2.1) million euros, -172%
- Operating profit was -2.1% of net sales (3.5%)
- Net profit was -2.4 (1.3) million euros, -279%



# Verkkokauppa.com Q1/2015 balance sheet

- Inventory 36.1 (28.1) million euros on 31.3.2015.
- Cash flow 1-3/2015 was -19.5 (-7.4) million euros.
- Investments 1-3/2015 was 0.4 (0.1) million euros .
  
- Cash 15.8 (15.2) million euros on 31.3.2015.
- Interest bearing debt 1.8 (2.6) million euros on 31.3.2015.
- Bank limits 5.5 million euros (not being utilized on 31.3.2015).
  
- Company currently utilizes almost all cash discounts provided by suppliers.
  
- Private label products typically have higher gross margin, but also higher stock turn around, which increases inventory value.
  
- Company has bought more inventory with better, older USD-rate.



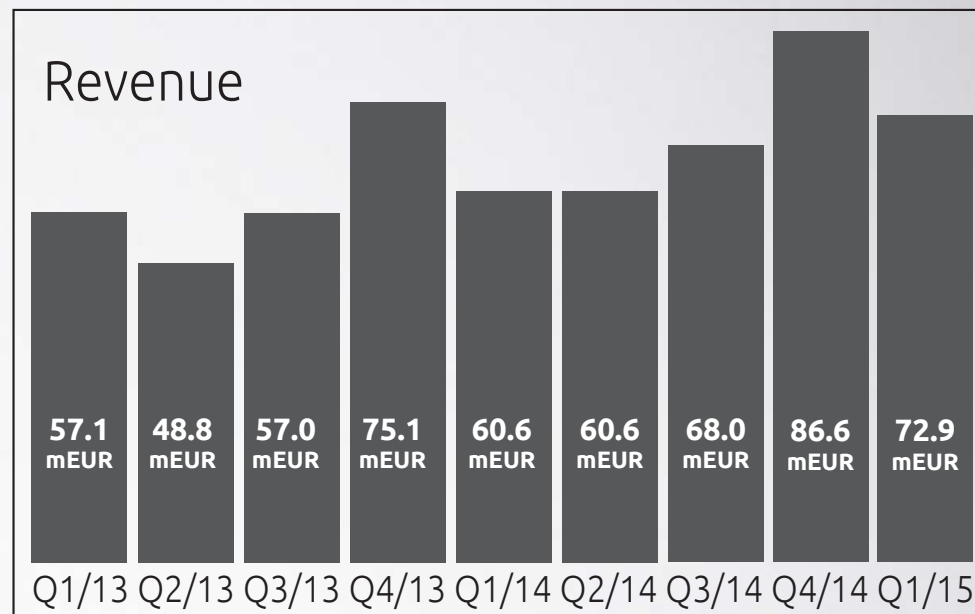
# Verkkokauppa.com Q1/2015 main sales growth drivers

- Retail going online
- Bolder, growth oriented pricing
- Changes in department stores
  
- 23 years of experience and visibility
- NASDAQ First North -publicity
- Brand marketing increased

We had sales increases and market share gains in almost all categories.

“The company believes that retail will continue going online and that Verkkokauppa.com’s sales will continue to grow during 2015 despite the weak economic environment.”

# Q1 +20%



# VERK

**NASDAQ OMX**  
FIRST NORTH LISTED



# Finnish e-commerce visit comparison

Traffic Share (desktop visi 



 verkkokauppa.c...	53,900,000 (34.62%)
 gigantti.fi	32,900,000 (21.13%)
 huuto.net	43,700,000 (28.07%)
 netanttila.com	17,000,000 (10.89%)
 stockmann.com	8,250,000 (5.29%)

Visits from Jan, 2014 to Mar, 2015

 Daily

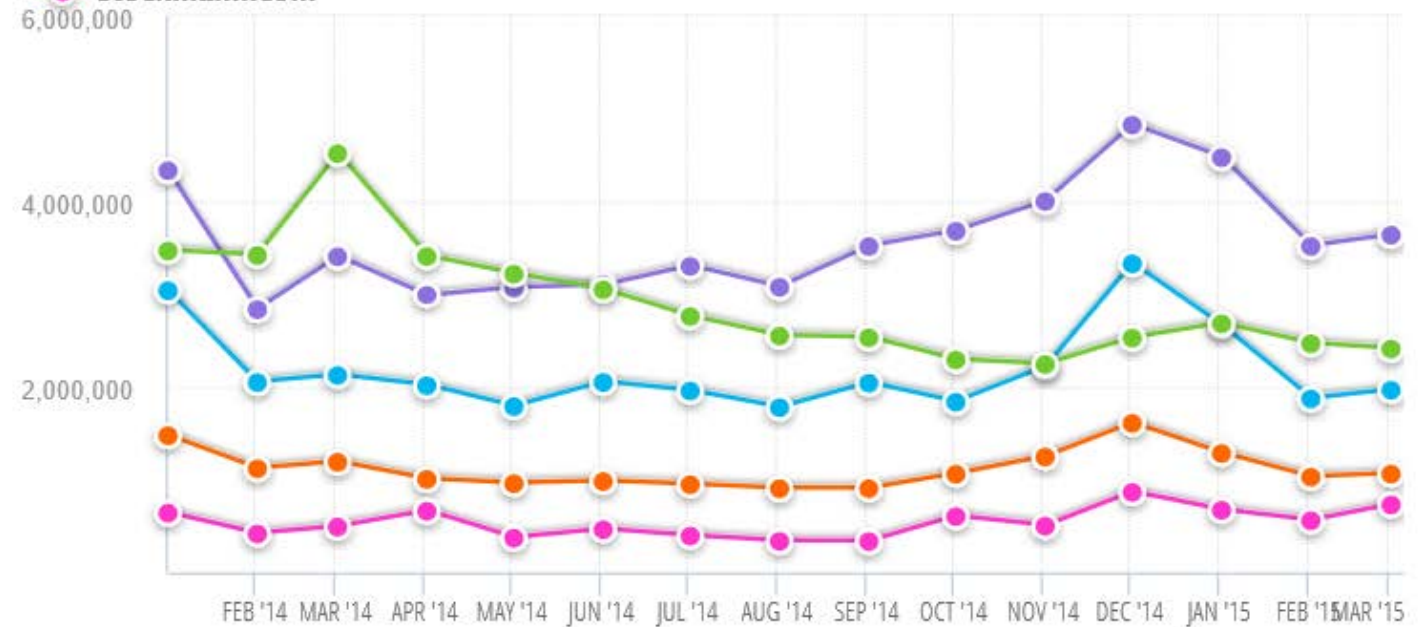
 Weekly

 Monthly



On Desktop

 verkkokauppa.com
  gigantti.fi
  huuto.net
  netanttila.com  
 stockmann.com



 VISITS

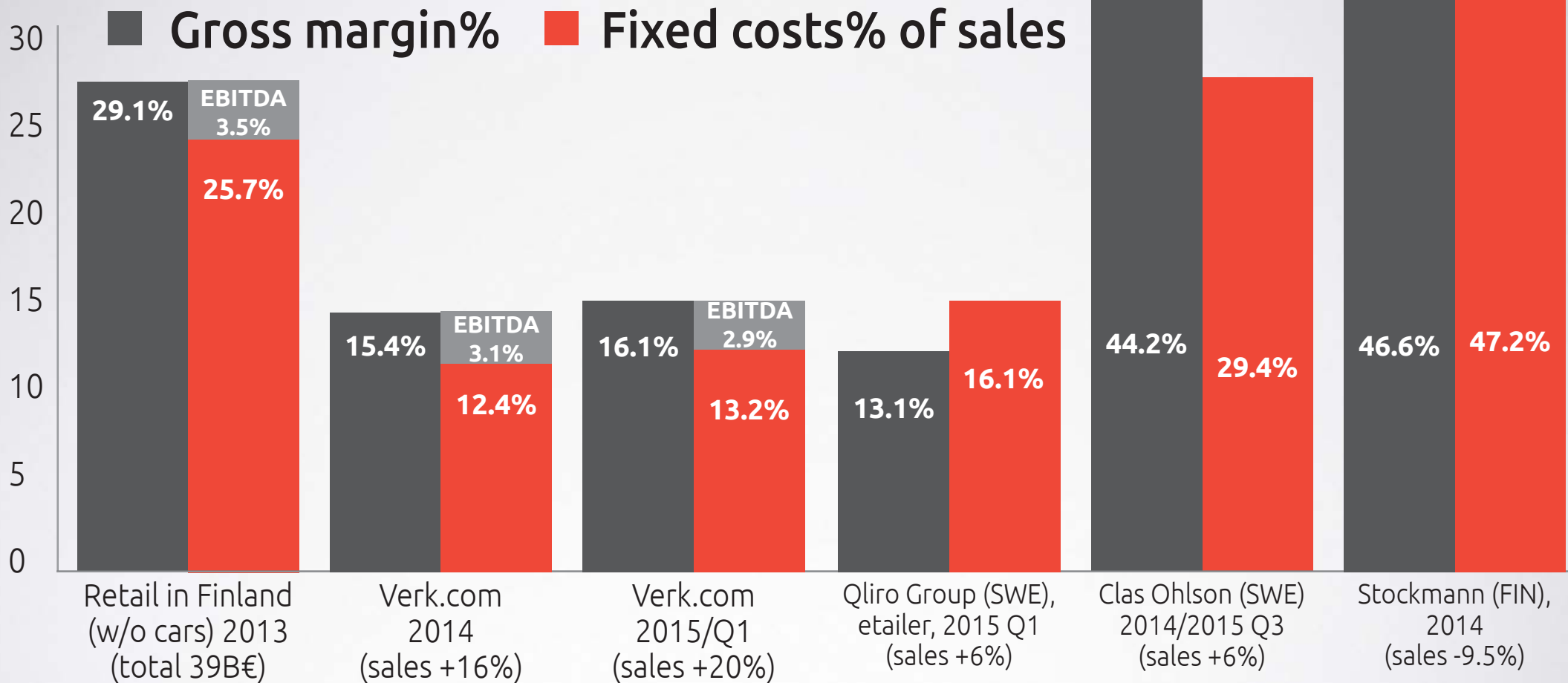
 VISIT DURATION

 PAGES / VISIT

 BOUNCE RATE



# Verkkokauppa.com's gross margin and fixed costs



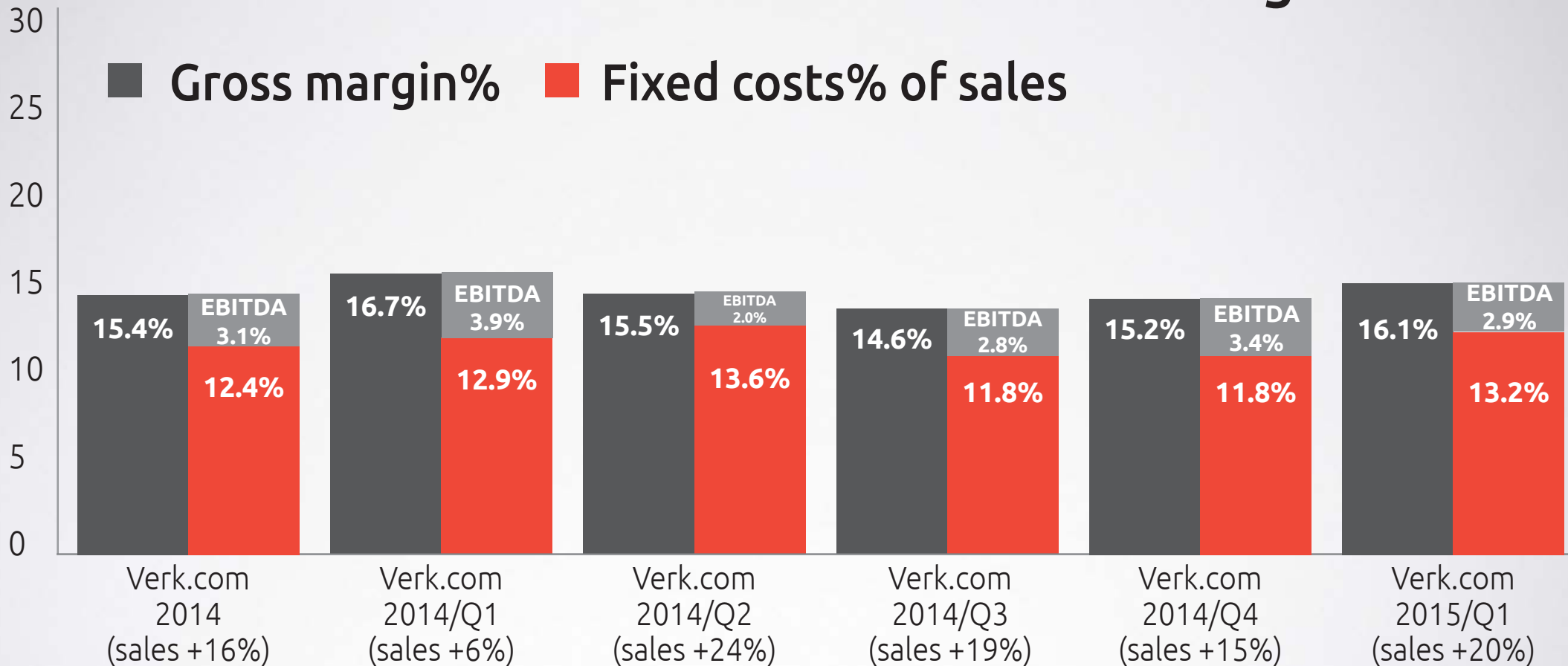
"Additional growth opportunities remain not just in new categories, but also in consumer electronics products as Finnish department stores are lessening their focus on consumer electronics and some other categories"

Sources: Statistics Finland, Soliditet and D&B. Gross margin includes changes in the inventory and outside services. EBITDA is without Teosto one-time-cost.



# Verkkokauppa.com's gross margin and fixed costs

”+1% gross margin increase = +10% sales growth”



Sources: Statistics Finland, Soliditet and D&B. Gross margin includes changes in the inventory and outside services. EBITDA is without Teosto one-time-cost.



# Verkkokauppa.com's Q1/2015 fixed costs and margin development

- Long term low prices enabled by low fixed costs is one of the key growth elements for any e-commerce, including Verkkokauppa.com.
- New product categories typically have better gross margin compared older categories. Sales by consumer financing increases gross margin.
- Company has invested in several growth-initiatives, which required hiring new key personnel, carrying out more marketing activities, and launching a number of new projects.
- There's always some variation in the gross margin or fixed costs per day, per month or per quarter.
- Even when launching new product categories or growth projects, company retains its medium-term target of improving EBITDA% from 2013 level.



## Largest projects

- Own consumer financing and credit scoring services are still being developed. First focus is in credit scoring and fraud detection services. Current consumer financing has increased, which has resulted as more commissions paid to the company.
- Company is still developing own consumer-to-consumer-market place. C2C is all about attracting more traffic, increasing add-on sales and sales of new products and improving customer loyalty and experience.
- Current logistics development is mainly focusing in adding possibility to add more (leased) warehouses or direct shipments from suppliers. Flexibility is the key. Small number direct shipments are done daily.
- Development of better sales, inventory and availability forecasting engines, both for internal (purchasing) and external use. New end-user availability forecasting engine launched in January 2015.

## New categories

- Now total 26 main categories and over 50 000 articles.
- "Probably always cheaper prices", efficient logistics and leading low fixed costs base are the foundation for our plans for introducing new product categories during 2015.
- Launch of three new main categories in January 2015 - babies and family, tools (diy) and luggage and travel. GPS/Sports -category has been renamed as Sports and Nutrition.
- Latest launch of watches as new main category on 1.4.2015.
- New categories will not have significant short term impact on sales or profitability.
- Looking also for stronger sales growth in our own brands and products (private labels).



## Medium-term targets

The company retains its existing 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.

## Business outlook

The company expects net sales and operating profit, excluding one-off expenses, to grow during 2015 compared to previous year.

## Largest owners on 31.3.2015

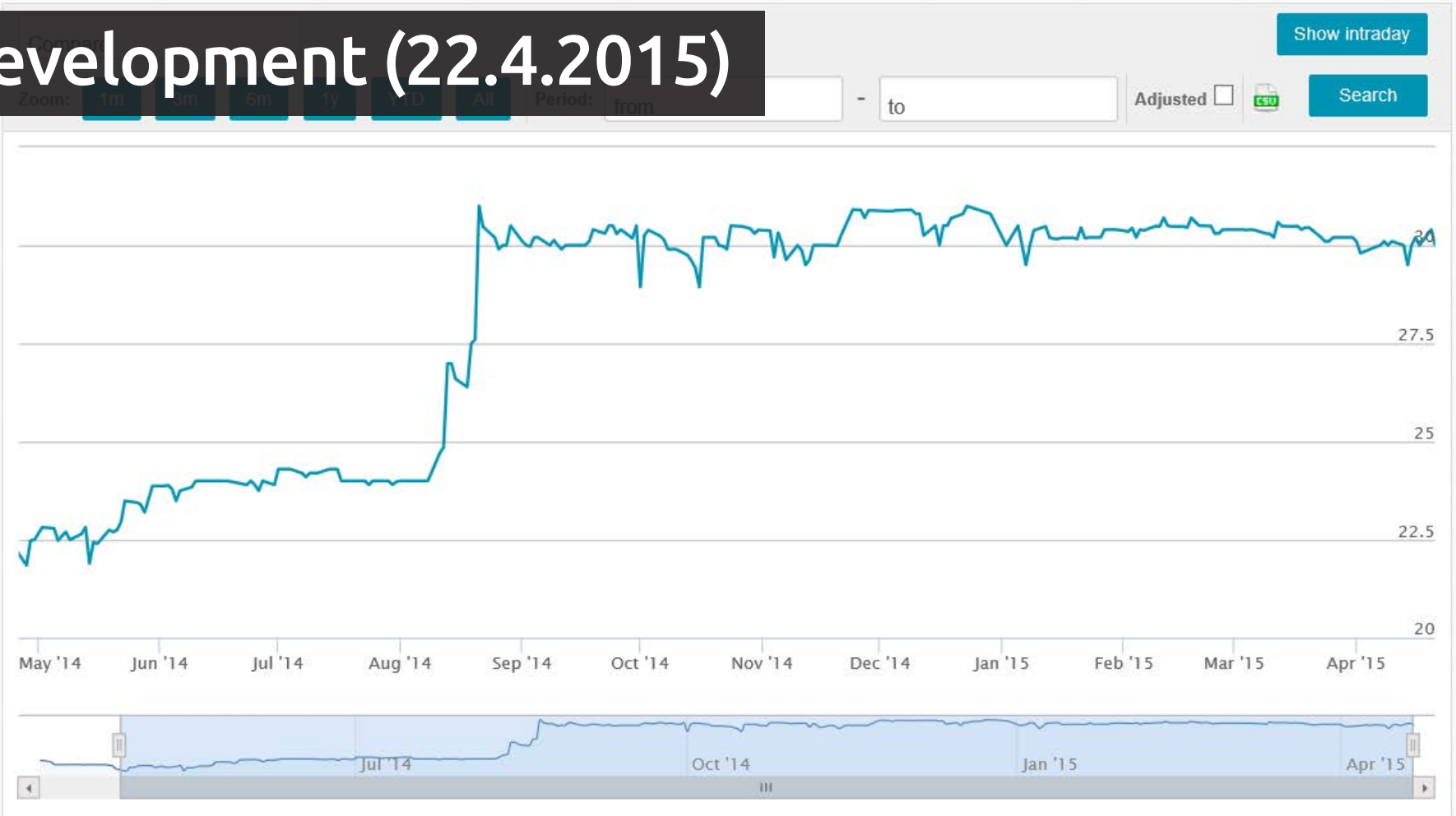
	Shares	%
1 Seppälä Sipi Samuli	3 747 916	49,900
2 Rite Ventures Finland Ab	769 596	10,246
3 Keskinäinen Eläkevakuutusyhtiö Ilmarinen	384 788	5,123
4 Keskinäinen Työeläkevakuutusyhtiö Varma	344 322	4,584
5 Op-Delta -Sijoitusrahasto	235 278	3,133
6 Keva	198 000	2,636
7 Sijoitusrahasto Evli Suomi Pienyhtiöt	109 829	1,462
8 Skogberg Ville Johannes	105 711	1,407
9 Hartwall Capital Oy Ab	82 710	1,101
10 Sijoitusrahasto Danske Invest Suomen Pien.	82 000	1,092
11 Op-Suomi Pienyhtiöt	76 000	1,012
12 Sr Danske Invest Suomi Yhteisöosake	60 000	0,799
13 Thominvest Oy	39 000	0,519
14 Fondita Equity Spice Placeringsfond	35 000	0,466
15 Keskinäinen Vakuutusyhtiö Kaleva	24 000	0,320

**30**  
**(0%)**

Currency in EUR

Today	-	Shares	<b>7,510,855</b>	Week	<b>1.69</b>
52 Week	<b>20.1 - 31.7</b>	Mkt Cap		Month	<b>-1.48</b>
Year	<b>28.95 - 31.0</b>	Liquidity Provider	<b>No</b>	3 month	<b>-1.48</b>
Opening price		Market Name		6 month	<b>0.03</b>
Vol.		ICB Code	<b>5300</b>	Year Change	<b>30.55</b>
No. of trades		Sector	<b>Retail</b>	Year start change	<b>-1.96</b>
www	<a href="http://www.verkkokauppa.com">www.verkkokauppa.com</a>	Segment			
Note					

# Share development (22.4.2015)





# Q&A

## Upcoming events:

- Q2/2015, Friday 7 August 2015
- Q3/2015, October 23 2015

## Quick links:

- Investors English Summary - [www.verkinvest.com](http://www.verkinvest.com)
- Company Releases mailing list in English - [www.joinverk.com](http://www.joinverk.com)
- Company Investor Webcasts - [www.verklive.com](http://www.verklive.com)

## Contacts:

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- [investors@verkkokauppa.com](mailto:investors@verkkokauppa.com)



# Product highlight - GoZero



# Thank you!

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