

Verkkokauppa.com Oyj Interim Report January-March 2021

**Revenue grew and profitability improved along the strong online sales**

23 April 2021 | Panu Porkka, CEO, Verkkokauppa.com Oyj



# Agenda

## Business review

- ✓ Development in Q1/2021
- ✓ Key financials
- ✓ Sustainability work
- ✓ Strategy update
- ✓ Business outlook for 2021 and financial targets
- ✓ Key takeaways





# Strong start for the year

## Sales

- Strong consumer web sales continued, online sales +33% y-on-y
- Almost 3 million more visitors on our online store during Q1, around 20 million visits in total
- B2B sales increased +12%
- Strong performance in several evolving categories like sports, home & lighting and baby & family
- The headwind in Export sales continuing due to COVID-19 impact on travel restrictions with -51% decline

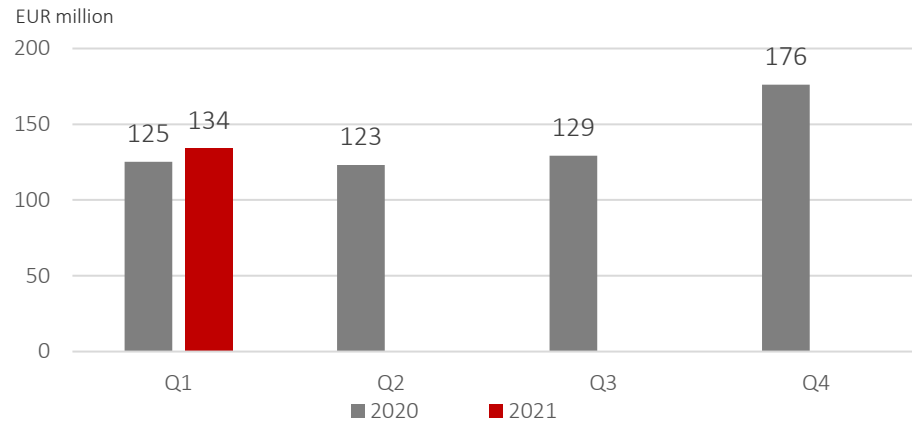
## Profitability

- Sales mix having a positive impact on margin, strong consumer sales while Export declined
- Strong sales increase in evolving categories with higher margins
- Personnel costs and opex scaling as revenue is increasing faster than costs
- Once again, Verkkokauppa.com's Board of Directors has decided today to pay first dividend instalment of EUR 0.057 per share on 4 May

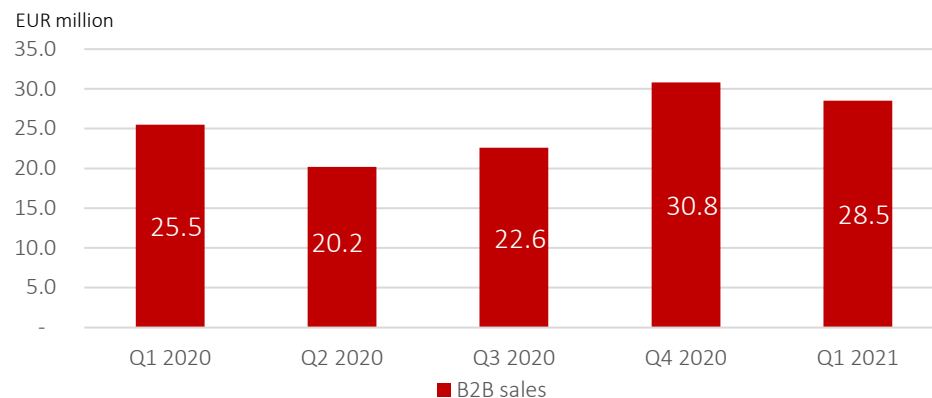


# Online sales<sup>1)</sup> grew by +33% in Q1

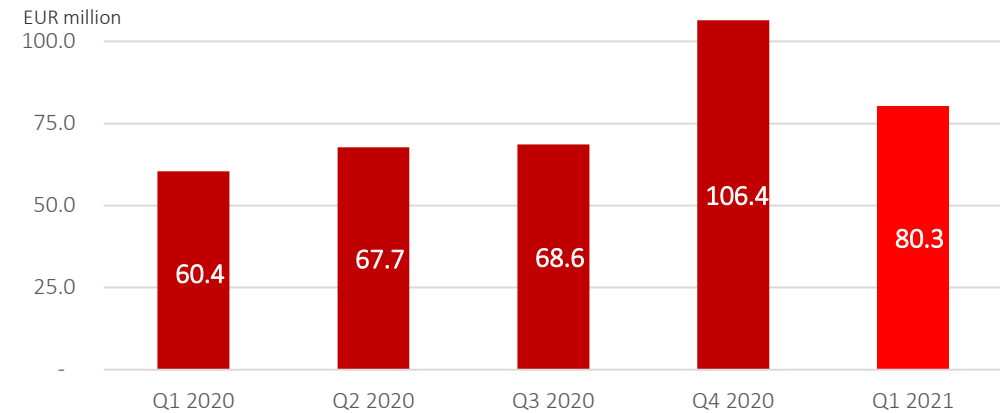
## Revenue growth throughout categories and channels



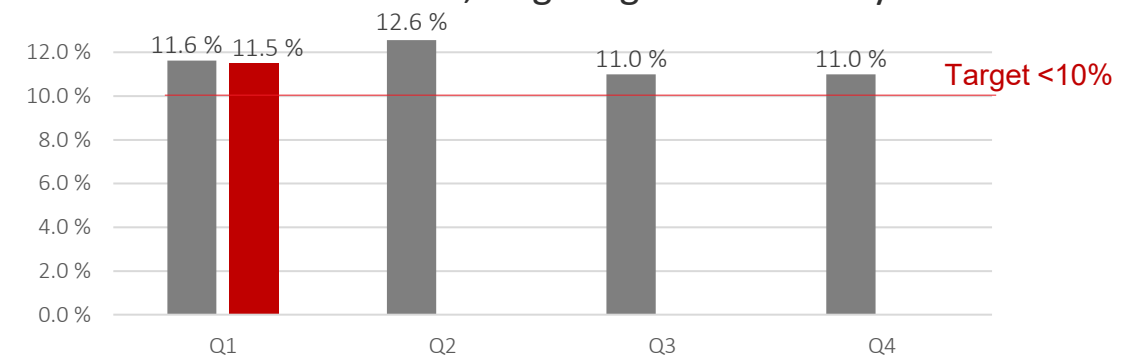
## B2B sales grew by +12%



## Online sales<sup>1)</sup> grew by +33%, online shift continuing



## Fixed cost<sup>2)</sup> to revenue ratio, targeting below 10% by 2025



1) Without Export

2) Excluding advisory costs related to listing



# Income Statement Q1 2021

EUR million	Q1/2021	Q1/2020	Change, %	FY 2020
Revenue	134.0	125.3	7.0%	553.6
Gross profit	21.7	19.4	11.9%	88.4
Gross margin, %	16.2%	15.5%		16.0%
Personnel expenses	-9.1	-8.6	5.0%	-35.6
Other operating expenses	-6.4	-6.3	1.3%	-64.4
Operating profit	5.2	3.4	52.2%	19.6
Operating margin, %	3.9%	2.7%		3.5%
Comparable operating profit	5.2	3.8	38.5%	20.4
Comparable operating margin, %	3.9%	3.0%		3.7%
Net profit	3.9	2.4	57.6%	14.6

- 31<sup>st</sup> consecutive growth quarter
- 5<sup>th</sup> consecutive quarter with profit improvement, increase of EUR +1.8 million
- Quarterly growing dividend of EUR 0.057 per share





# Balance Sheet & Cash Flow

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At the end of Q1 2021:

- Inventories were EUR **79.9** (61.8) million
- Cash flow from operating activities was EUR **-9.1** (3.7) million
- Investments were EUR **0.4** (0.3) million
- Cash, EUR **32.6** (45.0) million
- Equity ratio **20.3%** (24.5%)
- Undrawn revolving credit facilities of EUR **20** million



# Our sustainability focus areas

We have defined our sustainability focus areas, covering areas from customer offering to environmental impact and community to good governance.

Next steps, including:

- measurable and monitored goals for each focus area
- The main focus will be defining our emissions more carefully and to set emissions reduction targets
- One objective is also to engage the entire work community and raise awareness of corporate responsibility themes





# Strategy update



# We continue to develop our operations according to strategy and 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



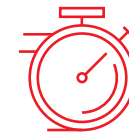




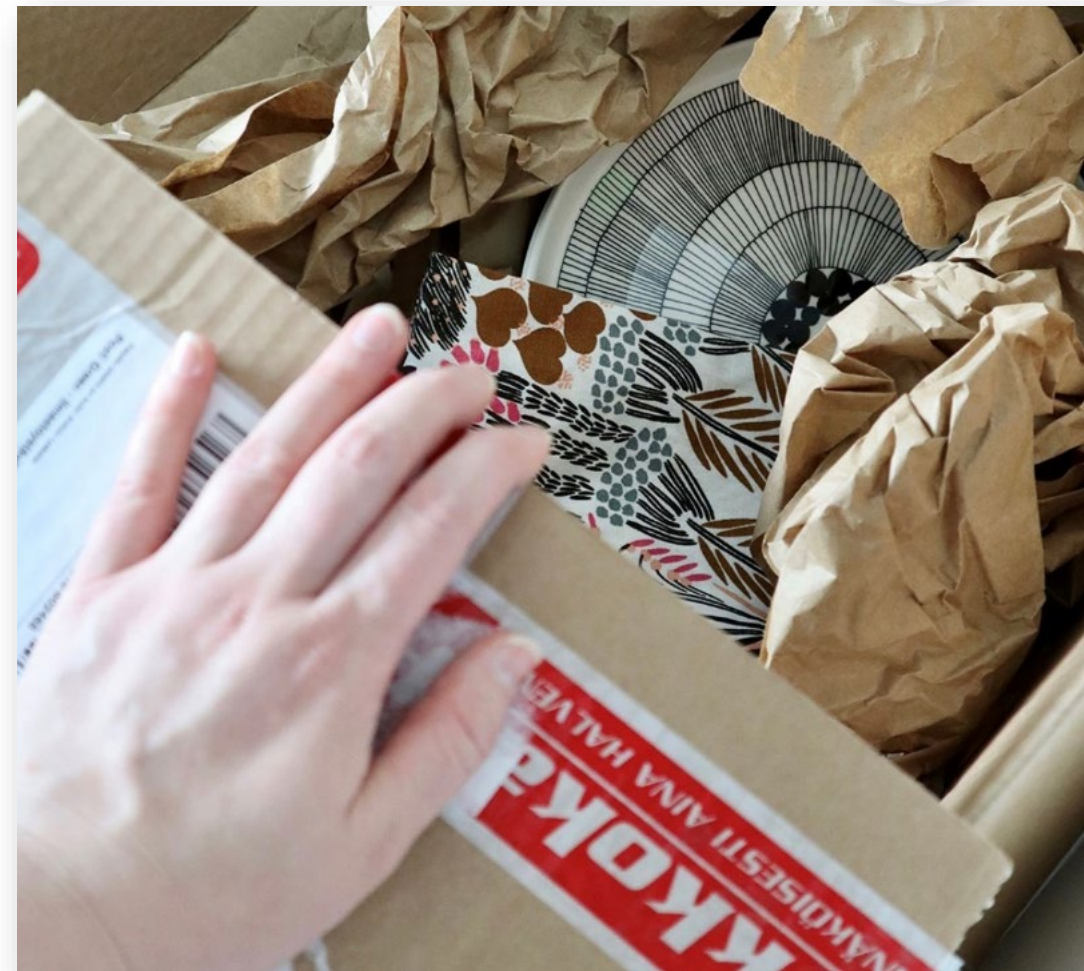


# Delivery experience fuelled by highest availability and convenience

Speed &  
Flexibility



- ✓ Today, Verkkokauppa.com's delivery next day network covers almost 70% of Finns
- ✓ We are continuously improving our delivery options further
- ✓ Strong growth in demand for different delivery options during Q1
  - +49% all home deliveries
  - +96% growth in a same day and express deliveries
  - +29% home deliveries with install and/or recycling service
  - +51% deliveries to parcel lockers





# Jätkäsaari warehouse logistics automation investment

Speed &  
Flexibility



- ✓ The investment will make Jätkäsaari a world-class, automated urban logistics hub
- ✓ Completely automated small item store, AutoStore will be delivered by Swisslog
- ✓ Consists of 36 robots, which can pick up and deliver up to 1,000 articles per hour
- ✓ Total capacity approximately 25,000 articles
- ✓ The building of this warehouse will commence this summer and to be completed early 2022
- ✓ This investment will enable future growth and create cost efficiencies as well as a better customer experience through wider assortment, improved product availability and faster delivery
- ✓ Reduces energy consumption of the warehouse





# Key Operational Priorities 2021

- ✓ Focus on **renewed strategy** and value streams to achieve long term targets
- ✓ First **investment program starting** to automate Jätkäsaari logistics for future scalability and growth
- ✓ Constantly new products and subcategories to provide a **wide and exciting assortment**
- ✓ Projects ongoing to enhance **best possible customer experience** in web and stores
- ✓ Optimize **category management** and secure **availability** for up coming seasons





# Business outlook





# Business outlook

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Our operations are estimated to develop positively in the future

We believe to significantly grow our market share in evolving categories

The strong balance sheet enables us to expand our operations in accordance with our strategy

We expect to further benefit from the shift in consumer behavior to online

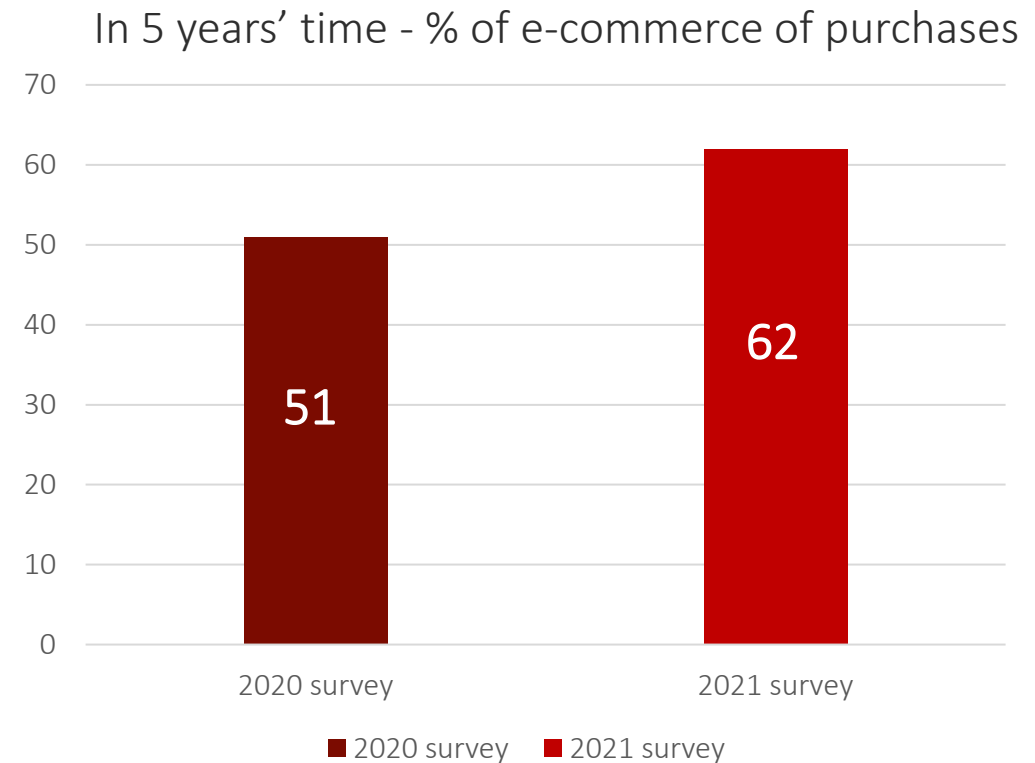
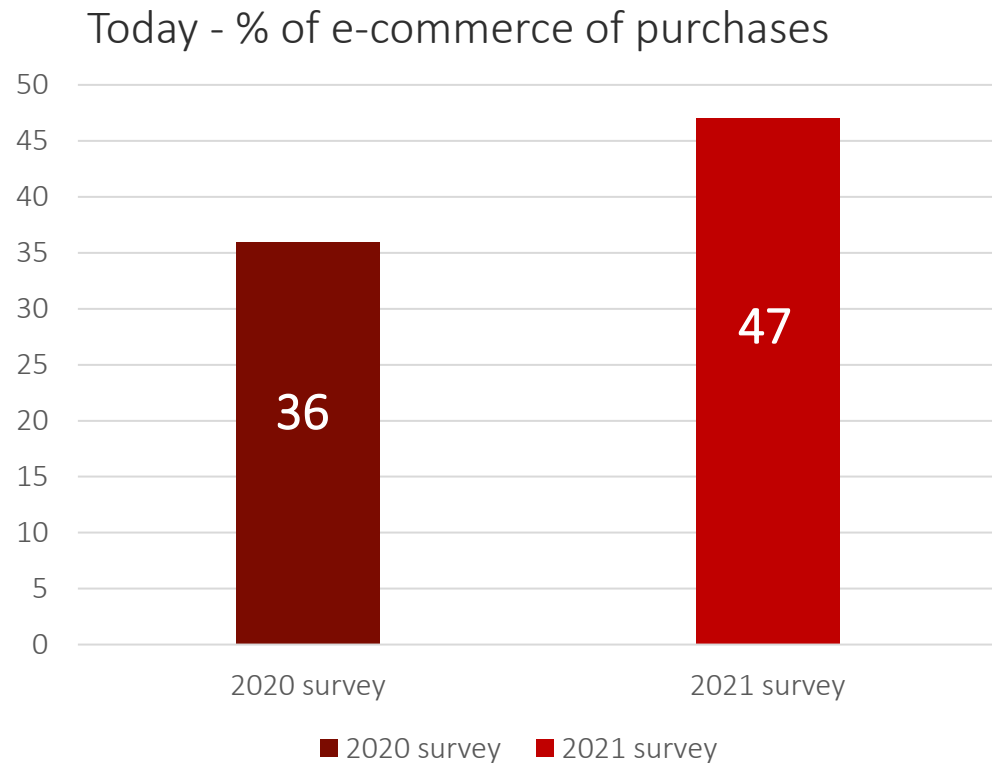
COVID-19 pandemic has accelerated households' spending for goods, but at the same time limited the lower-margin wholesale business

The pandemic may still cause impacts on the overall economic development, consumer demand as well as consumer purchase behavior and B2B sales



# Online winning footprint in B2B

B2B e-commerce already makes up nearly 50% of purchases. The annual growth corresponds approximately with the projection from the last five years



Posti conducted this survey on Jan-Feb 2021, focusing on B2B e-commerce, and interviewed 530 companies.  
<https://www.posti.fi/fi/yriytyksille/vinkit-ja-caset/verkkokauppa/tutkimus-b2b-verkkokauppa-harppasi-vuodessa-viiden-vuoden-kasvun>





# Financial targets and dividend policy - unchanged



## Guidance for 2021

**Revenue:** 570–620 million  
(2020: 554 million)

**Comparable operating profit:**  
20–26 million  
(2020: 20.4 million)



## Targets by the end of 2025

**Revenue:** 1 billion euro  
**EBIT %:** 5 %

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



## Dividend policy

Our goal is to continue to  
pay out a quarterly growing  
dividend



# Key takeaways

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1

Strong performance across all operations, good revenue and profitability improvement

2

The online shift in retail continued, our online sales increased by +33%

3

Solid financial position ensuring growing quarterly dividend and future investments opportunities

4

We are executing our strategy towards set 5-year financial targets

5

The ongoing online shift will benefit all strong e-commerce players

6

Automated Jätkäsaari logistics center will be an important enabler for future growth



# More Information

## Contacts

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## Upcoming events in 2021

Half-year report (January-June) on Friday  
16 July 2021

January-September Interim report on  
Friday 22 October 2021





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