

Verkkokauppa.com Oyj Interim Report January-March 2022

# Verkkokauppa.com's consumer sales softer than expected in the first quarter

28 April 2022 | Panu Porkka, CEO | Verkkokauppa.com Oyj



# Today's agenda

## Business review

- ✓ Q1 highlights
- ✓ Key financials

## Strategic development and market outlook

- ✓ Strategic cornerstones and development
- ✓ Business outlook for 2022 and financial targets
- ✓ Key takeaways





# Challenging market environment

## Sales

- Market continued challenging and consumer sales weaker 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

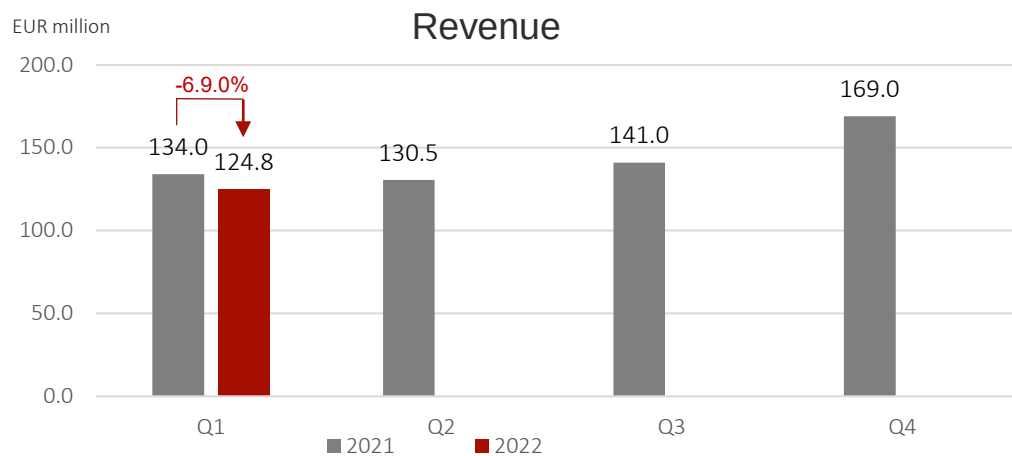
EUR million	1-3/2022	1-3/2021	Change, %	1-12/2021
Revenue	124.8	134.0	-6.9%	574.5
Gross profit	19.3	21.7	-11.4%	91.2
Gross margin, %	15.4%	16.2%		15.9%
Personnel expenses	-10.0	-9.1	10.4%	-36.6
Other operating expenses	-7.4	-6.4	16.9%	-30.3
Operating profit, EBIT	0.7	5.2	-87.3%	20.3
Operating margin,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

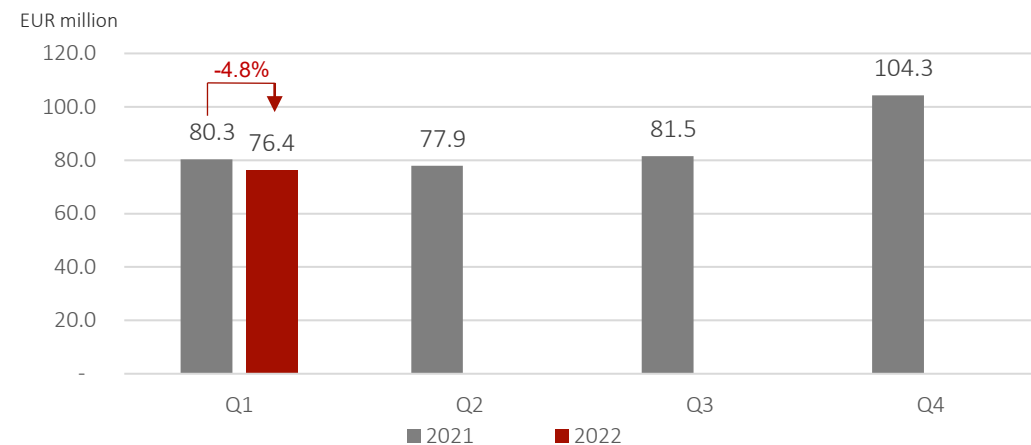


# Q1/2022: The consumer market continued to be challenging, B2B performed strong and grew +12%

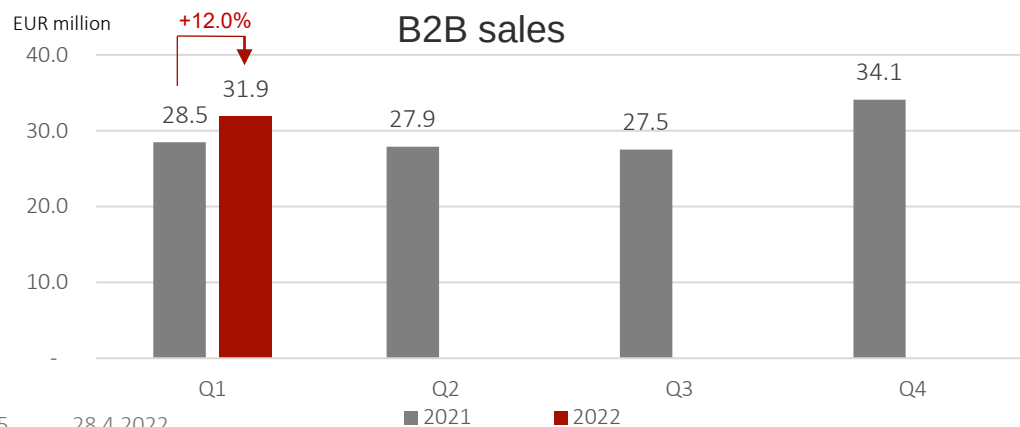
## The consumer market continues soft



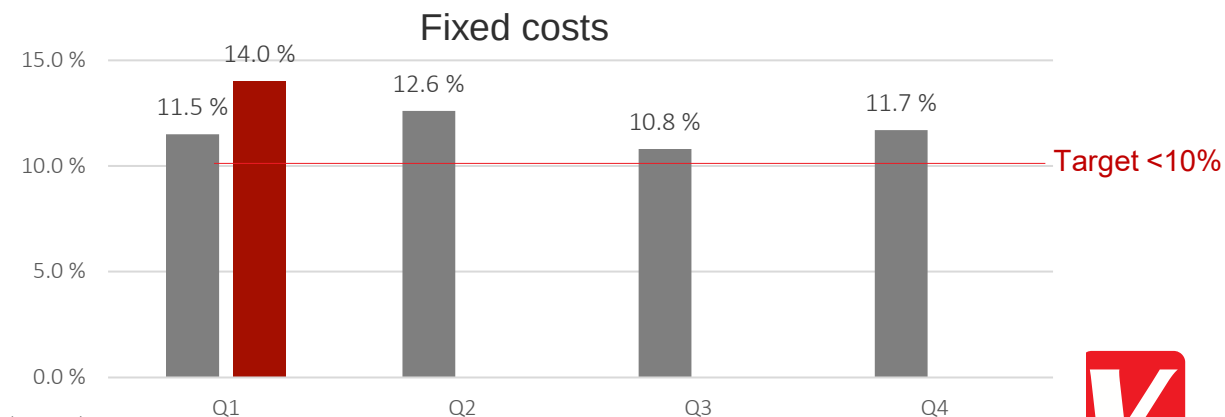
## Online sales<sup>1)</sup> declined slightly



## B2B<sup>1)</sup> solid performance, sales increase by +12.0%



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



1) Without Export  
2) Excluding advisory costs related to listing





# 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





# Update on strategy execution



# 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)

## 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 first quarter onwards
- The integration of the new business into Verkkokauppa.com is well underway



## 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>



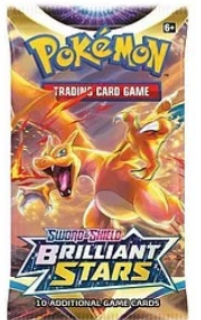


# Assortment development continuing despite challenging business environment



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



**Tili** VERKKO KAUPPA .COM  
TUTUSTU

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

**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%







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

# Business outlook





# 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

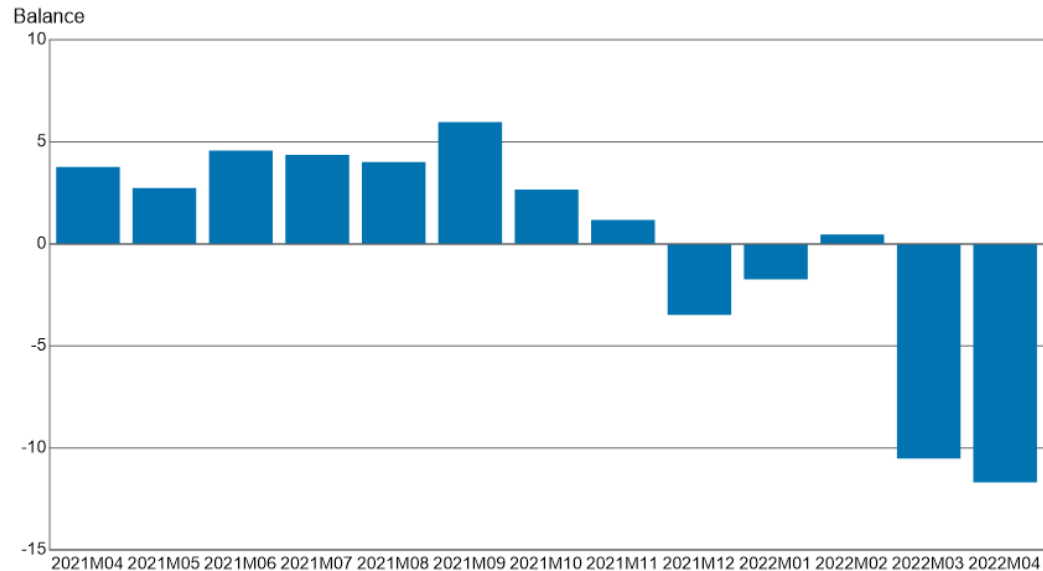
Our strong balance sheet enables us to expand in accordance with the strategy





# Consumer confidence at rock bottom in April – expectations concerning inflation highest ever

## Consumer confidence indicator



Source: Statistics Finland, consumer confidence

27 April 2022: <https://www.stat.fi/en/publication/ckta4k6xs7exh0c4435oxbzo7>

- The consumer confidence indicator stood at -11.7 in April, having been -10.5 in March and 0.5 in February
- Since its measuring history 1995, consumer confidence has been weaker than in April only in April 2020 and at the end of 2008
- In April, expectations concerning consumer's own and Finland's economy were very pessimistic. Compared to last year, all estimates were considerably gloomier
- Very little intentions to spend money on durable goods in April
- In April, expectations concerning inflation were highest ever in the measuring history





## 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)



# 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

6

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



# 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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