

Verkkokauppa.com Q3 2018
26.10.2018, Panu Porkka, CEO

TODAY'S STOREFRONT

RETAIL IS GOING **ONLINE**. COME ALONG.



NASDAQ
FIRST NORTH

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



Agenda

- Q3/2018
- 2018 outlook
- Market development and trends
- Key takeaways
- Q&A



Verkkokauppa.com Q3 2018

Q3 revenue €117m (+11%)

EBITDA* €3.7m (+77%)

Market share gains in most categories, up to 40% in a certain category**

**Q3 dividend €0.047
(Q2 2018 €0.046)**

*) Comparable EBITDA **) Source: GfK

Verkkokauppa.com Q3 2018 Income Statement

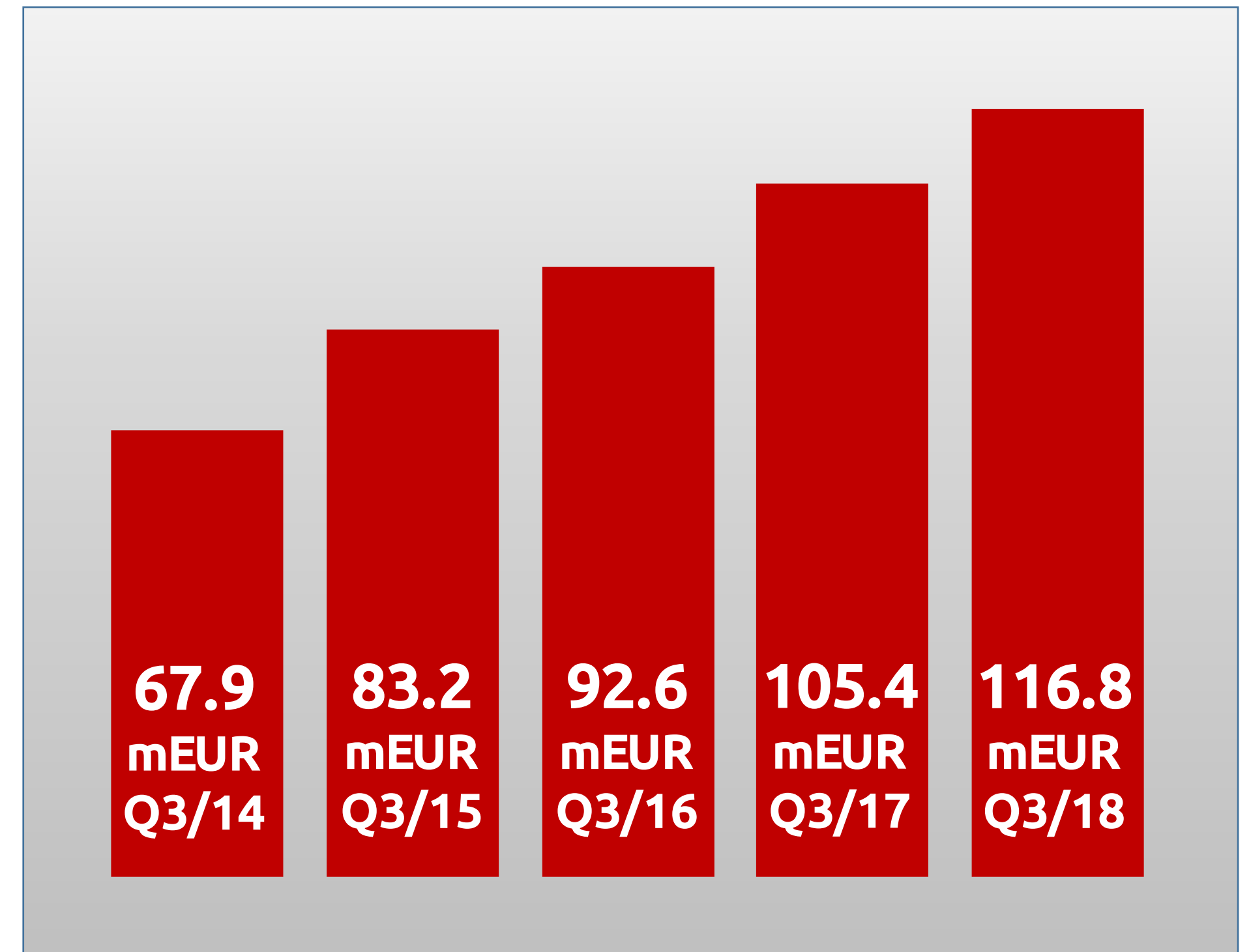
	Q3 2018	Q3 2017	Ch %
Revenue, € million	116.8	105.4	+11%
Gross profit	17.4	13.9	+25%
Gross Margin	14.9%	13.2%	
Personnel expenses	-6.8	-5.7	+19%
Other opex	-7.0	-6.1	+15%
EBITDA	3.7	2.1	+77%
EBITDA margin	3.2%	2.0%	
Operating profit (EBIT)	3.4	1.7	+96%
Net profit	2.7	1.4	+91%

“Verkkokauppa.com’s year on year quarterly revenue has been growing every quarter”



Verkkokauppa.com Q3 2018 sales drivers

- Additional campaigning and marketing
- Aggressive pricing
- Raisio megastore opened March 8
- Retails continues going online
- Finnish economy returning to growth, GDP +3.0% 2018*
- Tough CE market** in 7-8/2018 (Market +1.9%)
- Market share gains in almost all categories



*) Source: The Finnish Ministry of Finance 14 September 2018

***) Source: GfK

Verkkokauppa.com 30/9/2018 Balance Sheet

- Inventory 52.3 (47.0) million euros on 30/9/2018, change +11.3%
- Cash flow from operating activities -18.4 (-4.1) million euros
- Investments 1-9/2018 was 1.0 (1.2) millions euros
- Equity ratio 38.0% (40.2%)
- Cash 26.0 (29.9) million euros, no interest bearing debt.
- 15 million euro revolving credit facility – not being utilized



Highlights in Q3 2018

- Larger campaign themes with wide assortment of product categories
- Successful launch of new iPhone Xs
- Esports events in all stores
- Events in Verkkokauppa.com stores showcasing our product diversity (Hauvantai, Tenavatempaus)
- Outlet auctions going strong



Verkkokauppa.com 1-9/2018

	1-9/2018	1-9/2017	Ch %
Revenue, € million	321.5	304.4	+5.6%
Gross profit	48.3	42.0	+15%
Gross Margin	15.0%	13.8%	
Personnel expenses	-21.1	-17.8	+19%
Other opex	-20.6	-17.1	+20%
EBITDA	6.8	7.1	-4.9%
EBITDA margin	2.1%	2.3%	
Operating profit (EBIT)	5.8	6.1	-5.4%

“Higher revenue growth and profitability are expected for H2 2018”



Verkkokauppa.com 2018 outlook

2018 guidance revenue between €460m - €500m (2017 €432m) and comparable EBITDA €11 - €14m (2017 €13 m).

Medium-term targets of net sales growth of 10-20% per year, growing EBITDA and EBITDA margin of 3-5%.

Policy of paying out growing, quarterly dividend.

Growth drivers for H2/2018

- **Positive outlook on Finnish economy (GDP +3.0% 2018 *)**
- **Q4 CE market expected to remain tough and competitive (7-8/2018 +1.9% **)**
- **Increasing market shares in existing categories**
- **Improvement of brand marketing, media mix and added campaigning**
- **Fourth megastore in Raisio contributing in sales growth**
- **Improvement of omnichannel and instore experience**

*) Source: The Finnish Ministry of Finance 14 September 2018

***) Source: GfK

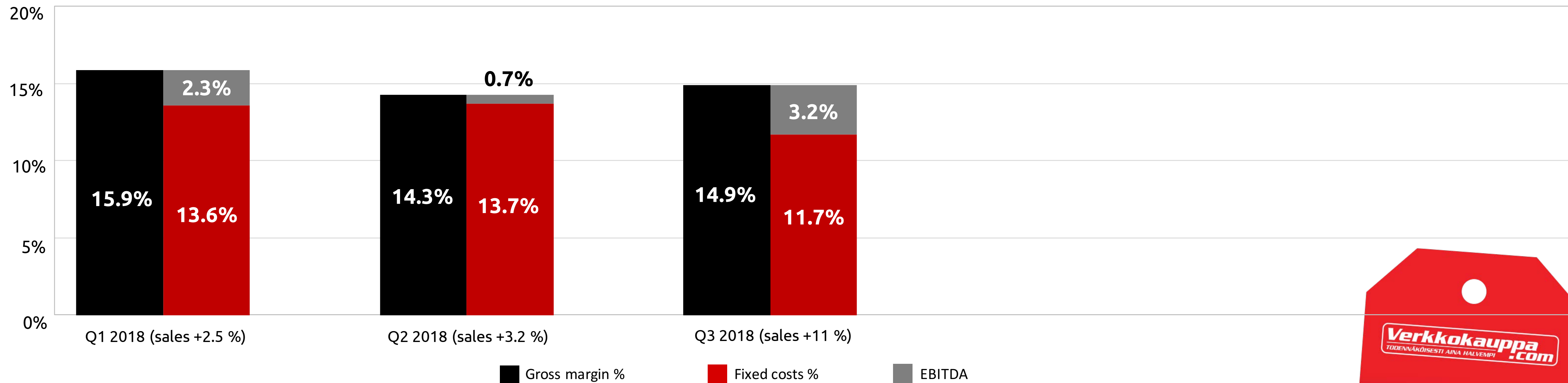
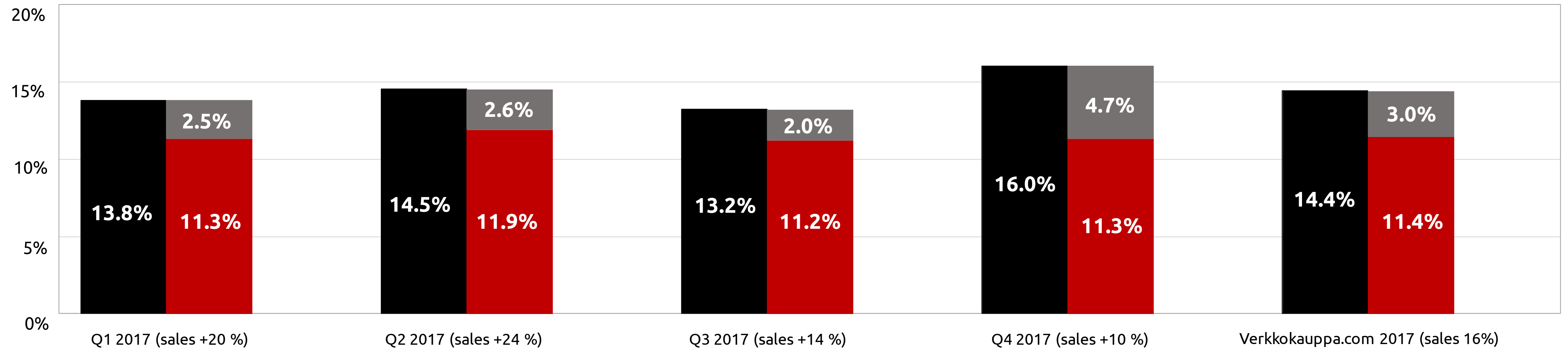
Verkkokauppa.com's targets and categories

Continuous and systematic expansion into new categories that are fully suitable for low-cost online model and efficient logistics.

- Target to be Top 3 e-tailer in each category in Finland
- New categories are planned for 2019
- “Probably always cheaper” price in each category
- Proven business model to support future growth
- Renewed strategy to support growth in the future

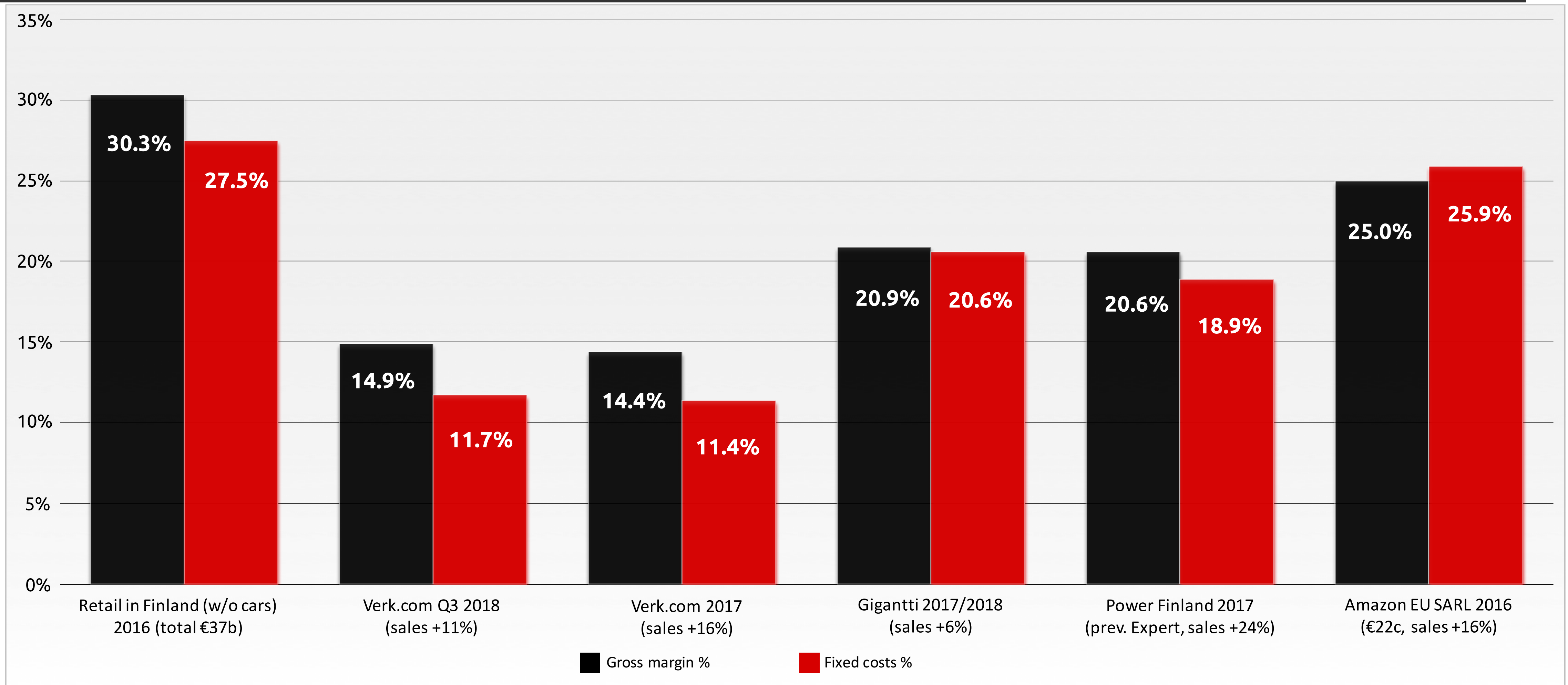


Verkkokauppa.com's gross margin and fixed costs



Gross margin %
 Fixed costs %
 EBITDA

Verkkokauppa.com's business model with lower fixed costs

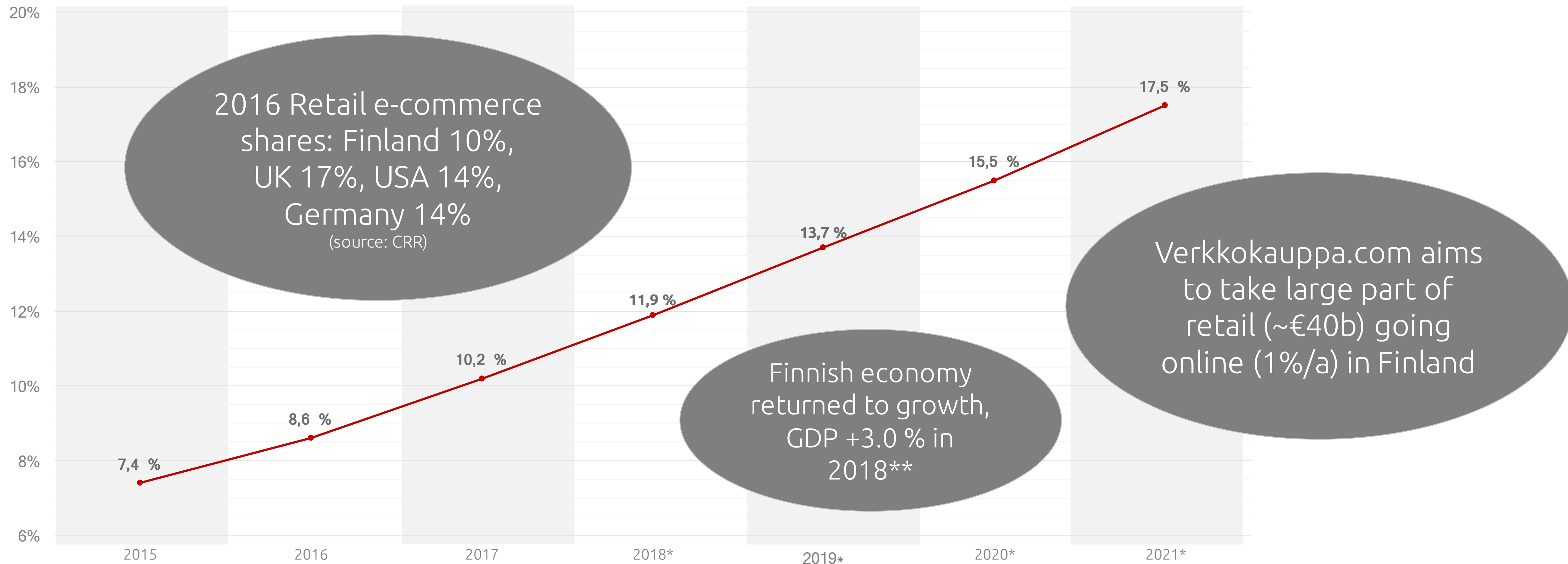


“The company aims to improve its EBITDA margin in the medium-term by increasing share of higher margin categories and private labels in the sales mix and the increasing the share of the Apuraha financing services.”



Global online share forecast 2015-2021*

E-commerce share of total global retail sales from 2015 to 2021



Source: eMarketer; Website (retailtechnews.com) © Statista 2018

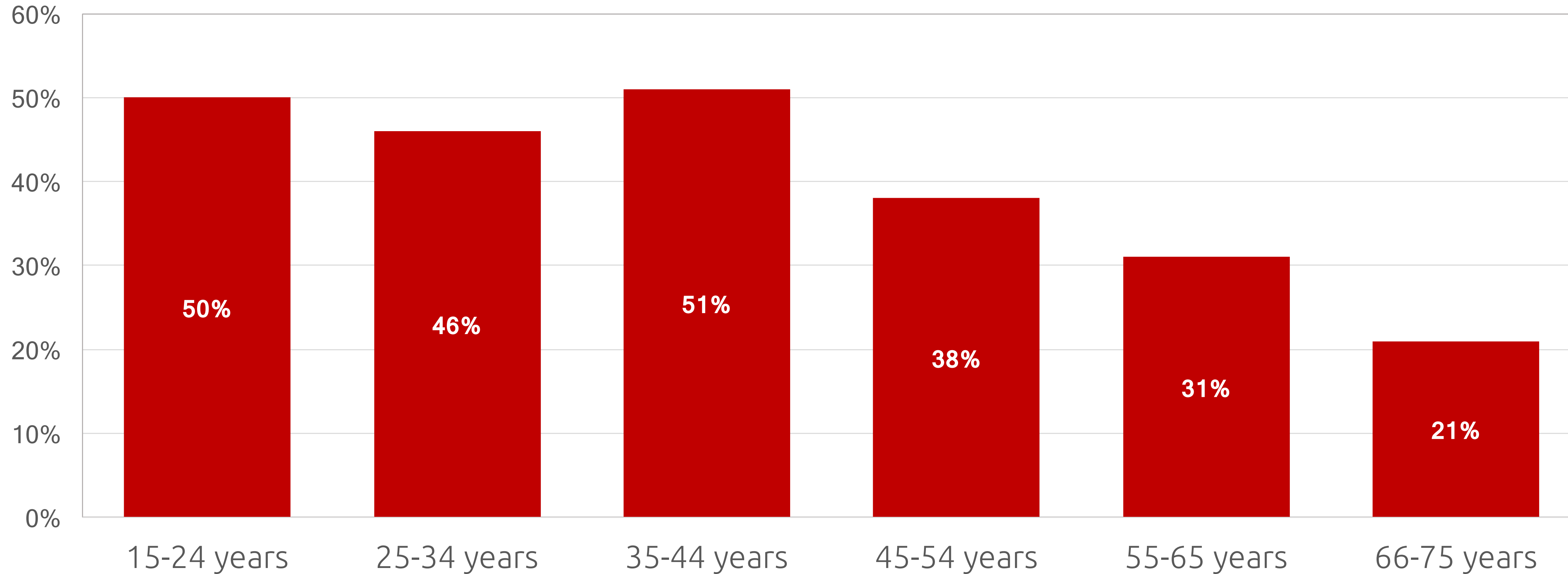
*) Forecast. Includes products or services ordered using the internet via any device, regardless of the method of payment or fulfillment; excludes travel and event tickets.

***) Source: The Finnish Ministry of Finance 14 September 2018



Mobile users are growing

Yes, i have bought online using mobile device in the last



“40 % of Finnish have used mobile device for online shopping during the last three months.”



Web visits last 12 months (desktop and mobile)

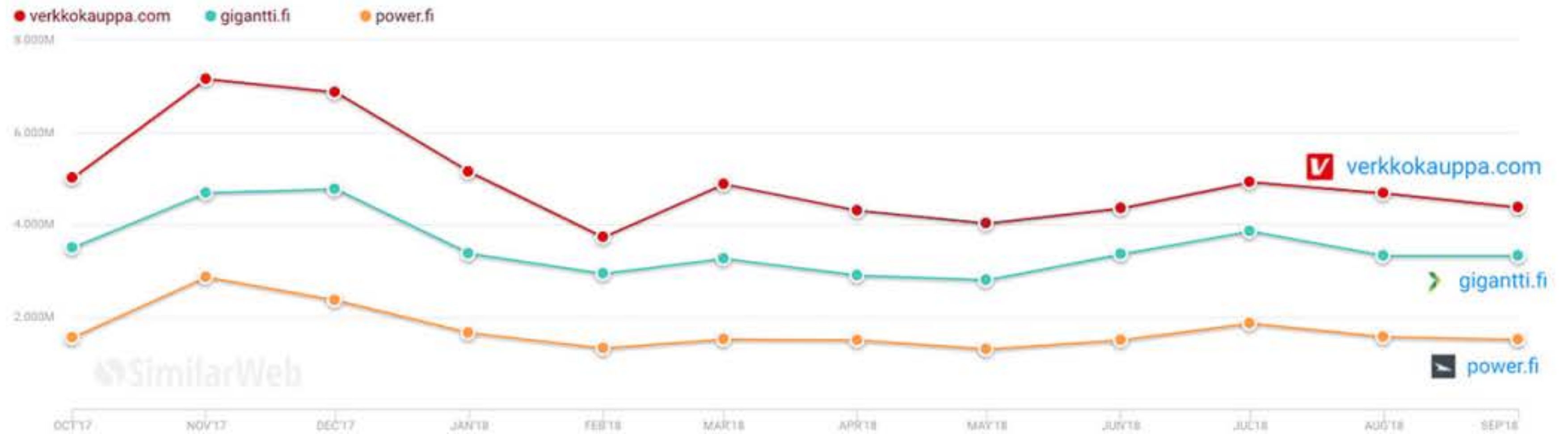


Total Visits ⓘ

Oct 2017 - Sep 2018, Worldwide

Domain

	verkkokauppa.com	59.33M
	gigantti.fi	41.98M
	power.fi	20.37M



Engagement ⓘ

Oct 2017 - Sep 2018, Worldwide

Domain	Monthly Visits	Unique Visitors	Visits / Unique Visitors	Avg. Visit Duration	Pages/Visit	Bounce Rate
	4.944M	1.662M	2.97	00:05:24	5.85	32.57%
	3.498M	1.336M	2.62	00:04:23	4.34	39.55%
	1.698M	742,365	2.29	00:04:02	4.03	37.52%



Key takeaways

- Revenue growth in Q3 +11% inline with company guidance
- Aggressive market share growth in a competitive market
- Raisio megastore contributing in sales growth
- Growth in H2 significantly higher than H1
- Main focus is growth also for the future

RETAIL IS GOING **ONLINE. COME ALONG.**





Air Hogs Thunder Trax
kauko-ohjattava ajoneuvo

Kulkee jopa lumessa ja vedessä

88,90



L.O.L.-yllätyspallot

alk. 12,90 /KPL

Scruffaluvv-lemmikki



Muuntuu hoivaamalla
suloiseksi lemmikiksi

22,90



LEGO Friends 41347 – Heartlake
Cityn lomaviettäpaikka

88,90



LEGO Creative Toolbox

Sisältää yli 840 osaa

Yli 7-vuotiaalle

142,90

Apurahalla 17,00/kk (12 kk)

Thank you and Q&A

Upcoming events:

- Q4/2018, Friday 15 February 2019
- Q1/2019, Friday 10 May 2019
- Q2/2019, Friday 9 August 2019
- Q3/2019, Friday 25 October 2019

Links:

- Investors site - www.verkinvest.com
- Company Releases mailing list - www.joinverk.com
- Company Investor Webcasts - www.verklive.com

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