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Verkkokauppa.com Oyj  
January – September 2021 Interim Report

# Strong growth in online and corporate sales

22 October 2021 | Panu Porkka, CEO, Verkkokauppa.com Oyj

# January-September 2021 results

## Business review

- ✓ Development in Q3 and January – September 2021
- ✓ Key financials

## Strategic overview

- ✓ Strategic cornerstones
- ✓ Trust, assortment & experience - our value proposition
- ✓ Business outlook for 2021 and financial targets
- ✓ Key takeaways



# Solid 3<sup>rd</sup> quarter

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## Sales

- ✓ On-line sales continued to grow, +18.7% y-on-y
- ✓ Robust B2B sales with increase of +22.0%
- ✓ Good performance in core categories, such as TV and computers
- ✓ Also growth in several evolving categories like gaming, sports, toys and home & lighting
- ✓ Export sales turned back to growth path and increased +4.5%
- ✓ Our sales in GfK reported categories was 13.4%, with the growth of +5.7% y-on-y, while market grew +3.7% (GfK data per July-Sep 2021)

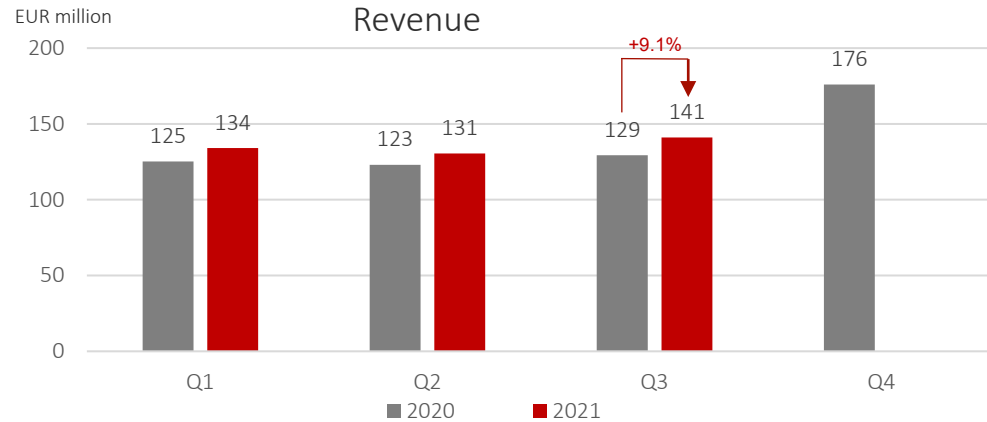
## Profitability

- ✓ Tight competitive environment along with sales mix in favor of lower margin categories having an impact on gross margin
- ✓ Operating profit declined by EUR 0.9 million totaling EUR 4.7 million (5.6)
- ✓ Verkkokauppa.com's Board of Directors has decided today to pay fourth dividend instalment of 0.059 euros per share on 2 November

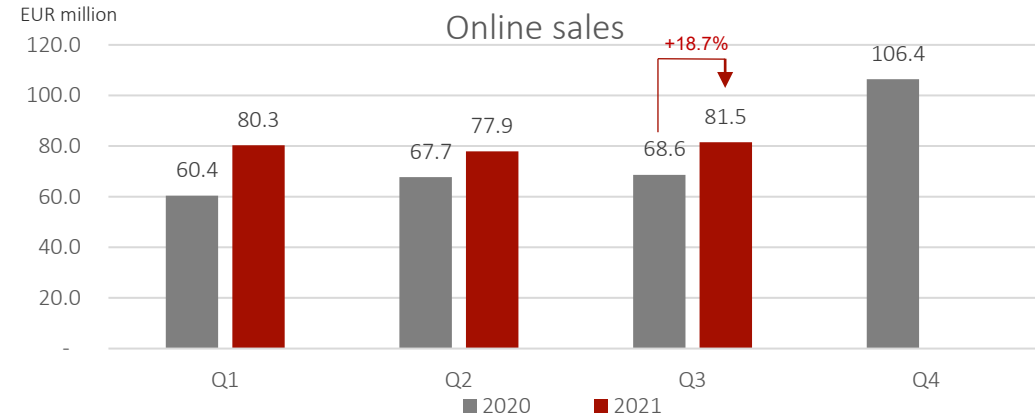


# In Q3/2021, on-line sales<sup>1)</sup> grew by +18.7%

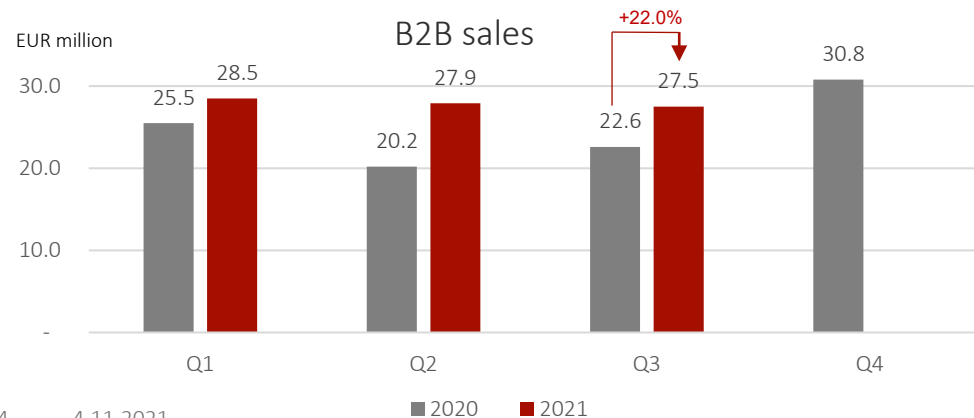
## Market share gains in a competitive market



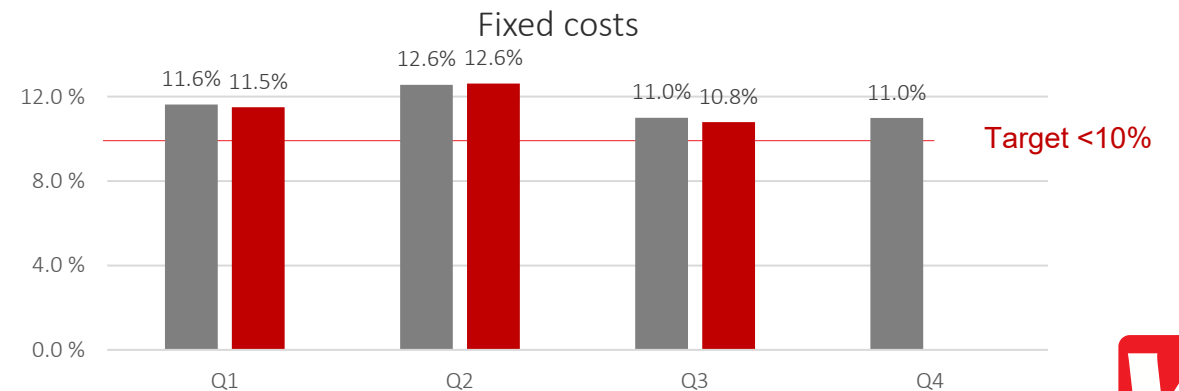
## Online shift continues



## Robust growth in B2B sales



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



# Q3/2021: Robust revenue growth

EUR million	7-9/ 2021	7-9/ 2020	Change, %	1-9/ 2021	1-9/ 2020	Change, %	FY 2020
Revenue	141.0	129.3	9.1%	405.6	377.6	7.4%	553.6
Gross profit	20.9	20.9	-0.3%	65.0	61.8	5.3%	88.4
Gross margin, %	14.8%	16.2%		16.0%	16.4%		16.0%
Personnel expenses	-8.5	-8.1	4.5%	-26.9	-25.1	7.0%	-35.6
Other operating expenses	-6.8	-6.1	10.5%	-20.2	-19.9	1.5%	-28.8
Operating profit	4.7	5.6	-17.0%	15.0	13.4	11.8%	19.6
Operating margin, %	3.3%	4.3%		3.7%	3.5%		3.5%
Comparable operating profit	4.7	5.6	-17.0%	15.0	14.2	5.5%	20.4
Comparable operating margin, %	3.3%	4.3%		3.7%	3.8%		3.7%
Net profit	3.5	4.2	-17.9%	11.1	10.0	11.5%	14.6

- ✓ 33<sup>rd</sup> consecutive growth quarter
- ✓ Robust revenue growth of 9.1%
- ✓ Gross margin decreased due to market environment
- ✓ Quarterly growing dividend of EUR 0.059 per share



# 1-9/2021: Verkkokauppa.com had a brisk growth during first 9 months

**+7.4%**

**Revenue**

**+21.8%**

**Online sales**

**+23,0%**

**B2B sales**

**+ EUR 0.8  
million**

**Comparable EBIT  
EUR 15.0 million**

**+13.6%**

**Earnings per share  
EUR 0.25**

# Balance sheet & Cash flow

At the end of September 2021:

- Inventories were EUR **79.2** (65.7) million
- Cash flow from operating activities was EUR **2.0** (6.5) million
- Investments during Q1-Q3 were EUR **3.0** (0.9) million
- Cash, EUR **21.8** (36.5) million
- Equity ratio **22.4%** (25.9%)
- Undrawn revolving credit facilities of EUR **20** million



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**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



# Verkkokauppa.com ranked as a forerunner in customer experience and loyalty



Trust

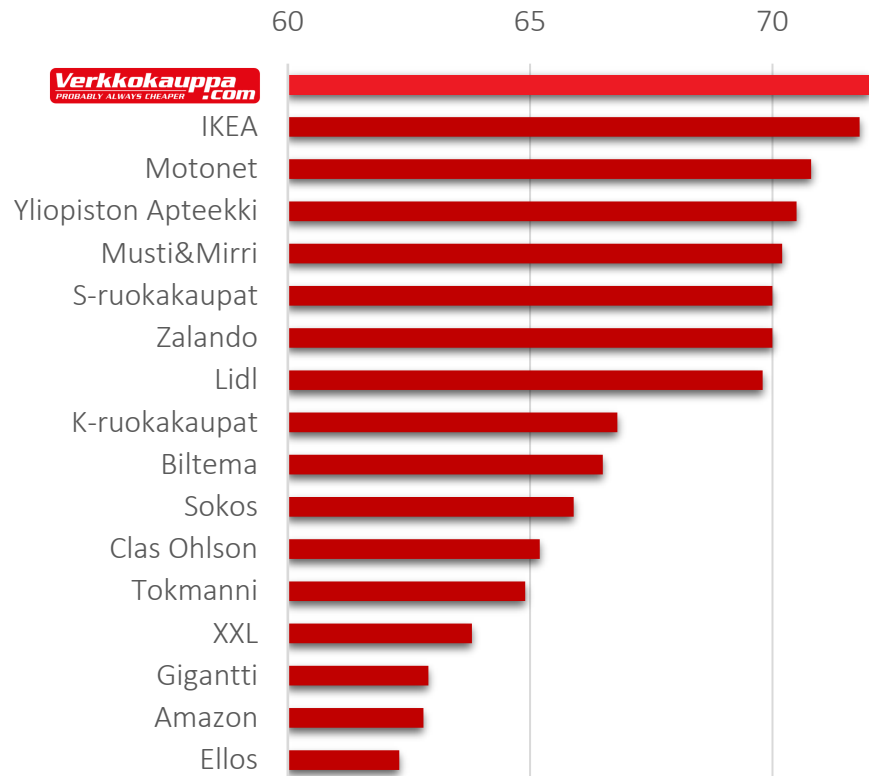
Customer Relationship Index study is the widest annual survey made to investigate customer experience and loyalty. 3 700 consumers assessed the customer experience and loyalty to customers in different companies.

1st position in customer loyalty among retail

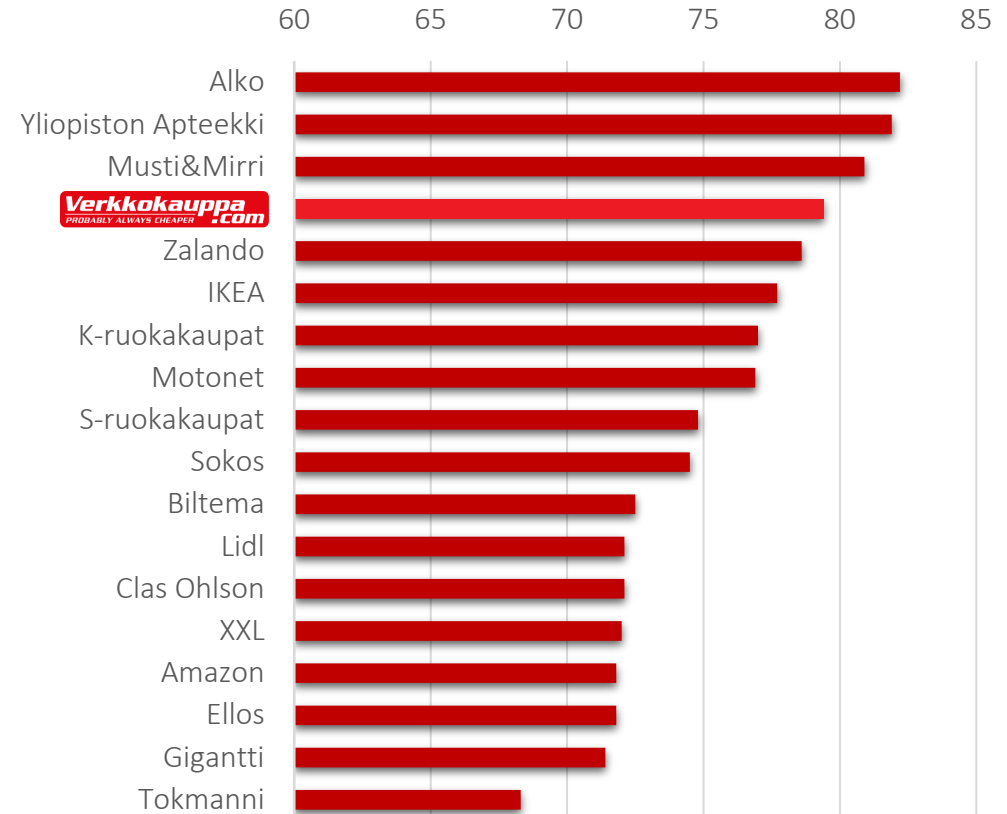


Great improvement in our positioning regarding customer experience

Customer loyalty, retail



Customer experience, retail



# Our assortment is expanding

- 🛒 We are expanding our assortment at a record pace
- 🛒 Up to **100 new product launches daily**
- 🛒 We evaluate new possibilities on a daily basis pursuing to meet the evolving consumer demand
- 🛒 We use growth hacking to find new trends to utilize in product development
- 🛒 Currently up to 80 000 products in our assortment



# New innovations released



**Experience**



## **New Search User interface**

- ★ Hundreds of new search filters
- ★ Clear performance benefits
- ★ Improved conversion for both mobile and desktop users



## **Product recommendations**

- ★ Based on image similarity
- ★ Find and recommend items that looks the same
- ★ Allow customer to easily find interesting items to match his style preference



## **Customer care**

- ★ Order splitting, when all the items in the order are not immediately available
- ★ AI bot for emails – increase speed in customer service

# Continuous progress in sustainability work



Trust

1

We promote responsible working conditions and environmental practices throughout the supply chain

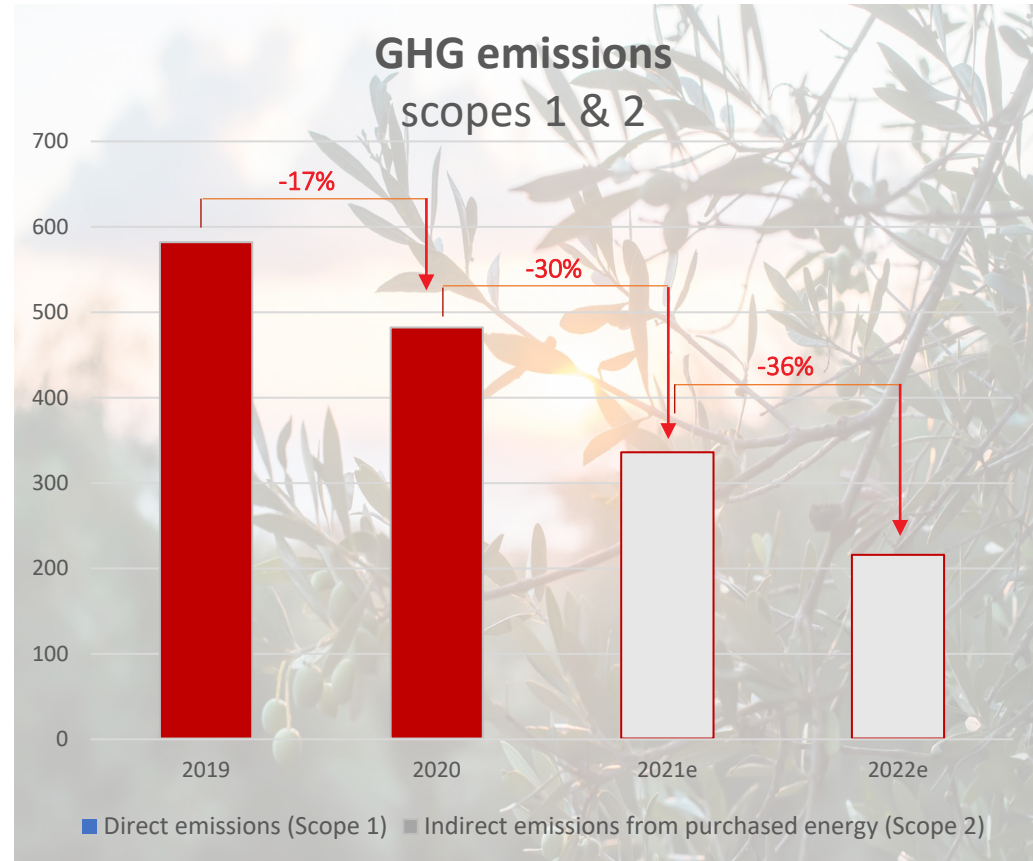
→ By joining amfori BSCI, we are able to further develop this aspect especially in private label sourcing

2

We aim to minimize our impact on the climate

→ We show notable downward trend in GHG emissions from our own operations (scope 1&2)

→ We are preparing emissions calculation for indirect (scope 3) emissions, which cause majority of our climate impact



Our Greenhouse gas emissions (scopes 1 & 2) intensity is very low comparing to peer group: **0.87 tonne CO<sub>2</sub>/ million euros** in 2020



# Business outlook



# Short-term market outlook

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Our operations are estimated to develop positively

We believe to significantly grow our market share in evolving categories

As travelling opens, we will see a gradual opening of export business

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

Component shortages and congested freight services, may have an impact on the availability of some products in the remainder of the year

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



# Financial targets and dividend policy - unchanged



## Guidance for 2021

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

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



## Targets by the end of 2025

**Revenue:** EUR 1 billion  
**EBIT margin:** 5%  
**Fixed costs:** <10% of revenue



## Dividend policy

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



# Key takeaways from 3<sup>rd</sup> quarter

1

Solid performance in our B2B business, sales +22,0%

2

The online shift in retail continued, our online sales increased by +18.7%

3

Strong market share gains in a tight competitive environment and a softer market, with +3.7% market growth

(GFK data per July-September 2021)

4

All focus on upcoming season and ensuring attractive campaigns fueled by good availability

5

Our investment on automated Jätkäsaari logistics hub progress as planned

6

We are executing our strategy towards long-term financial targets by the end of 2025



# More Information



## Upcoming events in 2022-23

- 2021 Financial statements on 10 February 2022
- The Financial Statements for 2021 during the week starting on 28 February (week 9) in 2022
- 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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