

**Verkkokauppa.com Oyj**  
**Interim Report January-September 2022**

# **Weak quarter in a declining market**

27 October 2022 | Panu Porkka, CEO | Verkkokauppa.com Oyj

# Q3 2022 results

## Business review

- ✓ Q3 highlights
- ✓ Key financials

## Strategy execution and market outlook

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



# Operating environment continuing challenging

## Sales

- Market continued challenging and consumer confidence was low
- Overall revenue declined -2.3%
- Online sales declined -3.5%, following dampened discretionary shopping
- B2B sales continued solid and grew +5.0%
- Export business grew +35.1%
- Core categories declined by -5.2%, with positive performance in major home appliances, cameras and TV & audio categories
- Sales in the evolving product categories grew +3.1 percent and totaled 14% of total sales. Especially toys, bags, and home lightning products performed well.

## Profitability

- Gross profit was impacted by the unfavorable product and customer segment mix
- Overall cost level remained high (inventory levels, logistics and inflation)
- External warehouse operations main reasons for cost increases
- Comparable operating profit declined and was EUR 2.1 million (4.7)
- e-ville.com had EUR 0.6 million negative impact on the operating profit
- 3 • Tight cost containment measures throughout operations in focus



# Q3/2022: Sales mix and costs impacting profitability

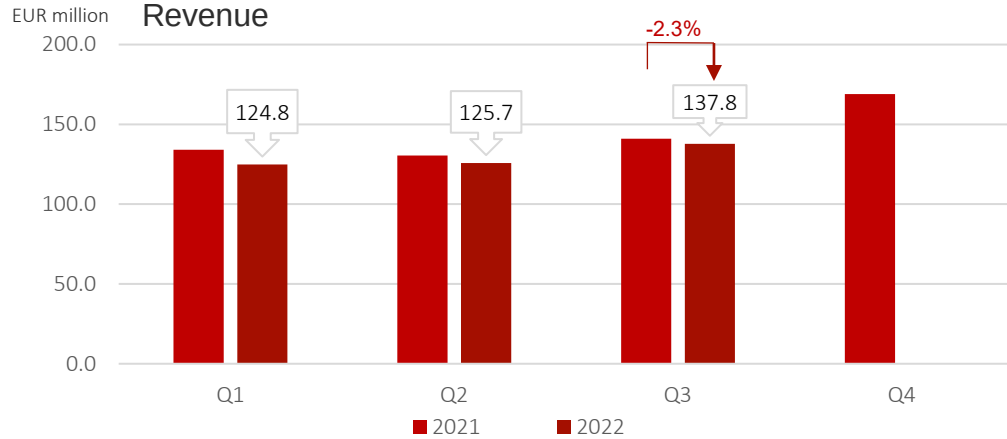
EUR million	7-9/ 2022	7-9/ 2021	Change, %	1-9/ 2022	1-9/ 2021	Change, %	2021
Revenue	137.8	141.0	-2.3%	388.2	405.6	-4.3%	574.5
Gross profit	20.1	20.9	-3.6%	58.7	65.0	-9.7%	91.2
Gross margin, %	14.6%	14.8%		15.1%	16.0%		15.9%
Personnel expenses	-9.1	-8.5	7.8%	-29.1	-26.9	8.2%	-36.6
Other operating expenses	-7.7	-6.8	13.7%	-23.3	-20.2	15.2%	-30.3
Operating profit, EBIT	1.7	4.7	-62.9%	1.5	15.0	-90.1%	20.3
Operating margin, %	1.3%	3.3%		0.4%	3.7%		3.5%
Comparable EBIT	2.1	4.7	-55.3%	2.8	15.0	-81.5%	20.3
Comparable EBIT, %	1.5%	3.3%		0.7%	3.7%		3.5%
Net profit	0.7	3.5	-80.9%	-0.2	11.1	-101.8%	15.1

- ✓ Q3 revenue declined -2.3%
- ✓ Margin was impacted by increased share of sales of low-margin product and customer segments
- ✓ Overall expense level was high, especially logistics and warehouse costs
- ✓ Dividend for the Q3 of 2022: EUR 0.063/ share

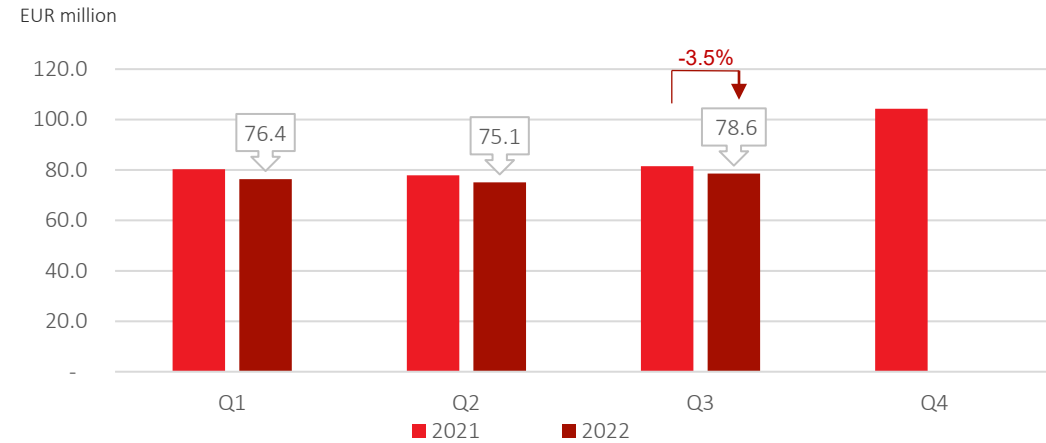


# Q3/2022: General economic uncertainty (the cost-of-living crisis) impacting the consumer market

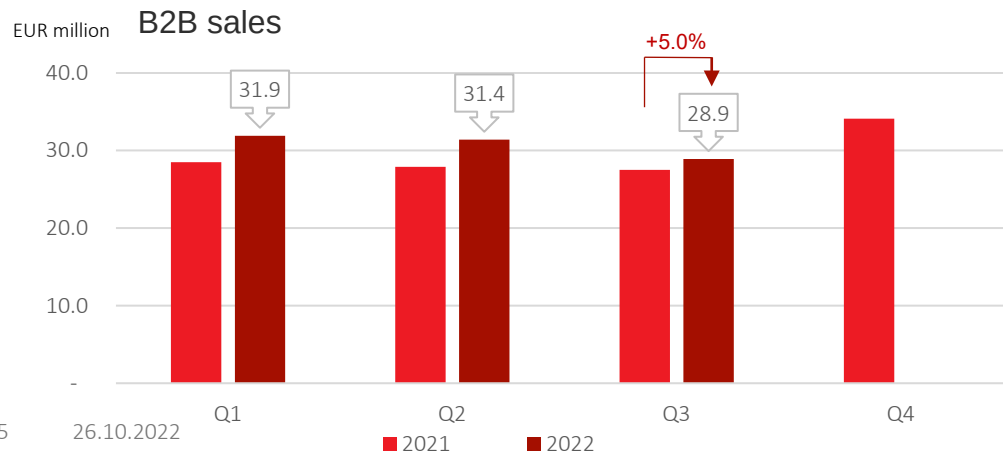
The consumer market continued soft, export rebounded to a level of previous year



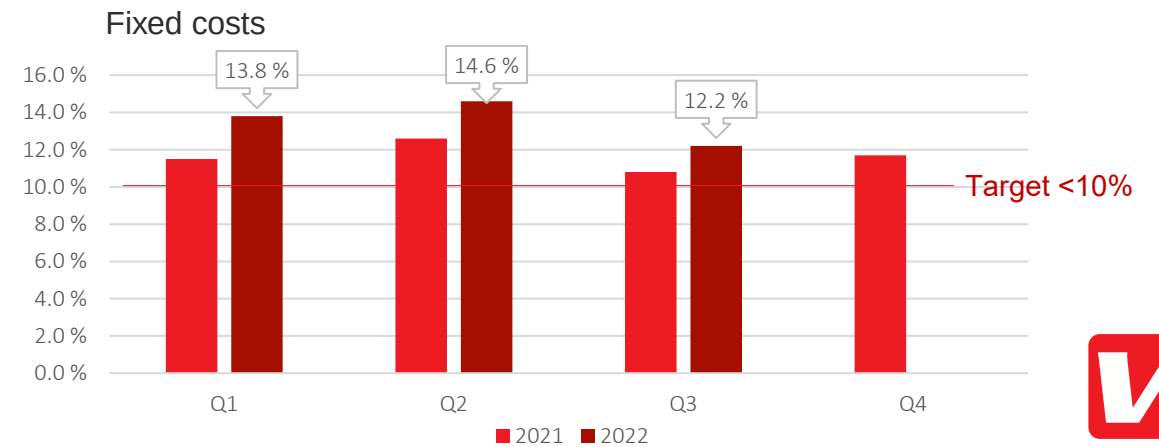
Online sales<sup>1)</sup> declined following overall sales decline



B2B<sup>1)</sup> sales growth slowed down



Fixed cost to revenue ratio, targeting <10% by 2025



# Balance sheet & Cash flow

At the end of September 2022:

- Inventories were EUR 94.8 (79.2) million
- Cash flow from operating activities was EUR -14.0 (2.0) million
- Investments during Q3 were EUR 1.0 (1.0) million
  - Packaging automation , click&collect service among others
- Cash, EUR 13.1 (21.8) million
- Equity ratio 16.3% (22.4%)
- Group had a total of EUR 25 million (0.0) of interest-bearing debt at the end of September



# We ensure that our products are safe, long-lasting and responsibly produced



ESG

## Responsibility barometer

- In August, we carried out an extensive customer survey on the responsibility of electronics and online stores, and we received more than 18,000 responses
- We asked our customers e.g. about their electronics consumption habits and what kind of responsible actions they expect from electronics manufacturers and online stores
- The answers showed readiness to acquire used electronics and to recycle electrical and electronic waste.
- We are now using the obtained results to develop our services and our responsibility work

Disclaimer: In comparison to the general Finnish population, men, city dwellers, single households and abundant users of online stores are overrepresented in the survey sample.



**Strategy  
execution –  
focus on the best  
possible customer  
journey**





# We empower customers to follow their passion



## 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



# Q3/2022 highlights in strategic development

## Completed initiatives

Details to follow



### Assortment

- ▶ Sourcing capabilities integrated from e-ville
- ▶ Dropshipment capability and integrations with two largest distributors and 10+ suppliers
- ▶ Comprehensive consumer study & customer segmentation to enable more precise selection of exciting assortment for our customers



### Experience

- ▶ Inspirational Online Experience: design phase done for our new online and mobile channel
- ▶ Increasing Loyalty and retention through systematic segmenting and modeling
- ▶ Expansion of service portfolio (Tili consumer finance, trade-in service)



### Speed & Flexibility

- ▶ **Warehouse automation (Autostore) ramped up to full capacity**
- ▶ **Packing automation tested and in full operation as of Oct**
- ▶ **Pick-up lockers successfully launched in Sept**



### Trust

- ▶ Launch of customer account based personalized marketing
- ▶ Piloting new "voice of customer" system with customer contact data



# Simultaneously improving operations scalability and customer experience through automation



**Speed & Flexibility**



## **Autostore warehouse system**

- Autostore was commissioned in Jätkäsaari during Q1/22, now ramped up to its full capacity with further optimization ongoing
- First half-year results: picking speed up to 200 articles per hour (>4x faster to past manual process)

## **Packaging automation**

- Automated packaging equipment and process in use as of October
- First measurements show that the process is 5-7 times more efficient than the current manual packaging

## **Pick-up lockers**

- Pick-up lockers launched to end-customers in September
- Capacity to handle >2,000 orders per day, important for year end peak season
- Reduced traffic in store pick-ups



- **Better availability of products**
- **Faster fulfillment**

- **Less waste, greener packaging**
- **Faster fulfillment**

- **Superior experience**
- **Flexibility on pick-up times**



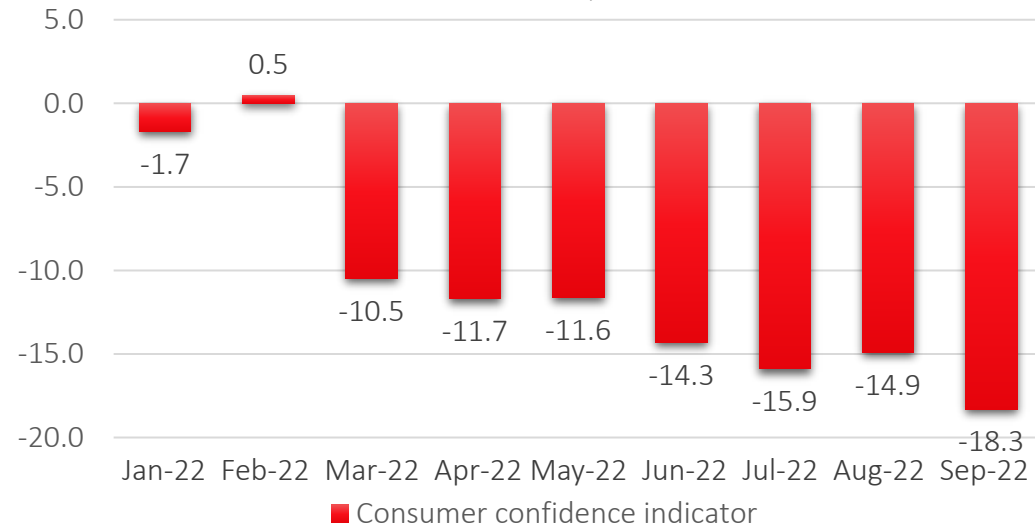
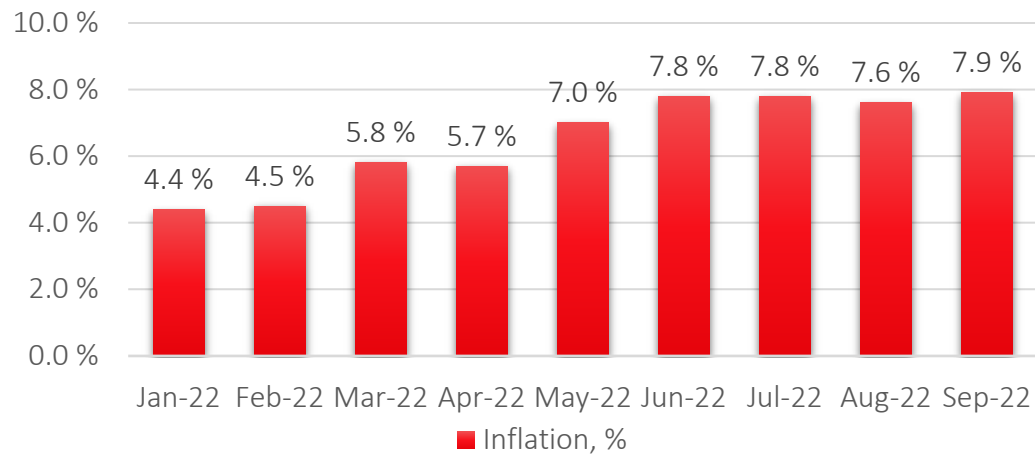


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# Business outlook



# Consumer confidence hit rock bottom in September, however, the long-term shift to shopping online is here to stay



- The energy crisis, inflationary pressures, and rising interest rates weakened consumers' confidence in their own finances, and confidence sank to a new low in September
- Consumer's intentions to spend money on durable goods were record low in September
- + Slow-down in online retail business is seen as rather cyclical than a structural shift
- + Acceleration in online penetration during pandemic is seen as a structural change, and online sales are expected to continue to grow at a similar pace as before, but with a higher level of penetration
- + Consumers increased willingness to shop online during the pandemic has triggered a permanent shift in consumption



# Short-term business and market outlook

- There is uncertainty about the future outlook in relation to geopolitical conflicts, the crisis in Ukraine and the macroeconomics
- The company's growth prospects for the current year are considered challenging
- The strong acceleration in inflation and rise in the interest rates have further undermined consumers' purchasing power
- We estimate consumer demand and business to continue challenging
- 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

# Given the market context, short-term focus will be improving our core performance, while building foundations for future profitability

Short term themes

**A Optimize core retail business and capture full potential across the value chain**

**B Diversify business portfolio and increase platform opportunities**

Improvement actions

## Operational excellence

1. Supply chain flows and automation
2. Inventory optimization
3. Cost efficiencies throughout operations

## Commercial excellence

4. Systematic category management
5. Strategic pricing
6. Efficient customer acquisition and retention

## Profitable (new) business models

7. B2B expansion (incl. sourcing services)
8. Financial and lifecycle services
9. Retail as a media opportunities

Targeted results

**Profitability improvements  
Better cash flow position**

**Structurally more profitable and resilient business**



# Guidance for 2022 & third quarterly dividend



## We updated our guidance for FY 2022 on 24 October 2022

**Revenue:** EUR 530–560 million  
(2021: EUR 574.5 million)

**Comparable EBIT:** EUR 5–9 million  
(2021: EUR 20.3 million)

## Third quarterly dividend

The Board decided that a dividend of **EUR 0.063** per share will be paid on 7 November 2022



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

We will focus in strengthening our core business and improving profitability – prioritizing customer service experience

1

Soft consumer demand throughout the quarter, uncertainties weakened purchasing power

2

Export rebounded to a level of previous year

3

Sales mix and higher logistics and warehouse costs impacted profitability

4

In Jätkäsaari, the warehouse automation was finalized with automated packaging system and click & collect augurated

5

We have taken actions to mitigate pressure on margin, cost levels, and profitability

6

As the challenging market environment continues, we focus on measures aimed at strengthening the core business and improving profitability



Thank you

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# More Information



## Upcoming Financial events

- Interim report for January – September 2022 on 27 October 2022
- Financial statements bulletin for the year 2022 on 9 February 2023
- The Financial Statements for 2022 during the week starting on 27 February in 2023
- Annual general meeting on 30 March 2023 in Helsinki
- Interim report for January – March 2023 on 27 April 2023
- Half-year financial report for January – June 2023 on 20 July 2023
- Interim report for January – September 2023 on 26 October 2023
- Financial statements bulleting for the year 2023 on 8 February 2024



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