

Verkkokauppa.com Q4 2018  
15.2.2019, Panu Porkka, CEO

# TODAY'S STOREFRONT

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

Questions during or after the presentation - [investors@verkkokauppa.com](mailto:investors@verkkokauppa.com)



# Agenda

- Q4/2018 report
- 2018 summary
- 2019 guidance and outlook
- Market development and trends
- Key takeaways
- Q&A



# Verkkokauppa.com Q4 2018 - IFRS

Q4 revenue €156m (+22%)

Operating profit €5.9m (+2.8%)

Strong market share gains in a weak market (+0,7%), sales growth up to 60% in several categories\*\*

2018 dividend €0.198  
(2017 €0.182)

\*) Comparable EBITDA, \*\*) Source: GfK

# Verkkokauppa.com Q4 2018 Income Statement - IFRS

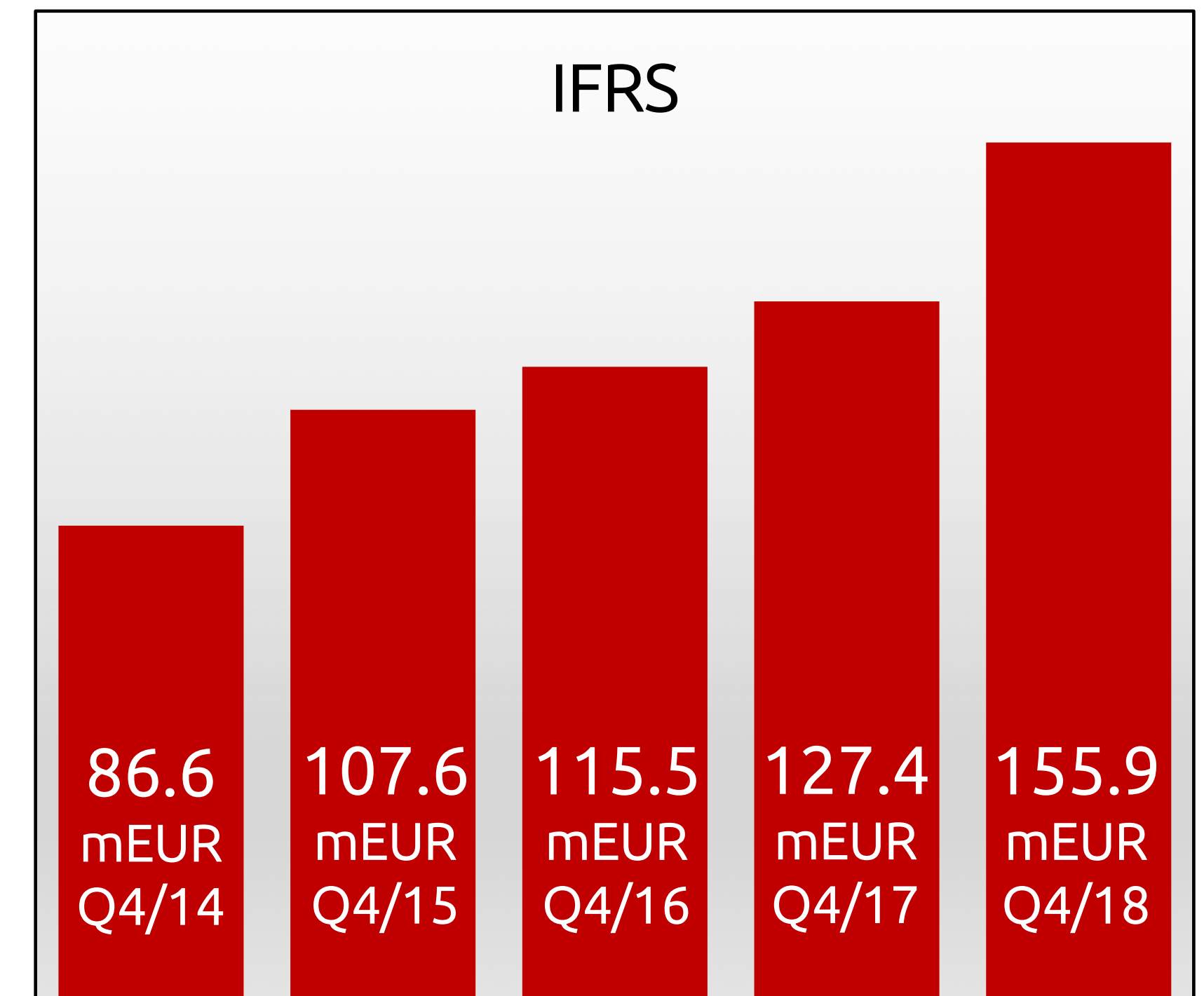
	Q4 2018	Q4 2017	ch %
Revenue, € million	155.9	127.4	+22%
Gross profit	22.9	20.1	+14%
Gross Margin	14.7%	15.8%	
Personnel expenses	-8.4	-7.6	+11%
Other opex	-7.6	-5.5	+37%
Operating profit	5.9	5.8	+3%
Operating margin	2.8%	4.5%	
Net profit	4.4	4.5	-1%

“Verkkokauppa.com’s year on year quarterly revenue has been growing every quarter, growth increasing during 2018”



# Verkkokauppa.com Q4 2018 sales drivers

- Preparations for Q4 season sales started during spring 2018
- Renewed marketing mix incl. nationwide TV-advertising
- Aggressive pricing to match competition
- Record sales during Singles' Day, Black Friday and Cyber Monday
- Raisio megastore opened March 8
- Additional local marketing to support store sales
- Many improvements on our website
- Market share gains in almost all categories
- Tough CE market\* in 10-12/2018 (Market +0.7%)



\*) Source: GfK

# Verkkokauppa.com 31/12/2018 Balance Sheet - IFRS

- Inventory 65.8 (47.0) million euros on 31/12/2018, change +40%
- Cash flow from operating activities +8.9 (+23.2) million euros
- Investments 1-12/2018 was 1.4 (1.5) millions euros
- Equity ratio 23.0% (25.1%)
- Cash 46.7 (51.9) million euros, no interest bearing debt



# Highlights in Q4 2018

- Digimessut –store event had record attendance in October in Jätkäsaari
- Strong presence on Singles' Day
- Black Friday was the most massive campaign in the history of Verkkokauppa.com
- All previous sales and visitor records were broken during the Black Friday week



# Highlights in Q4 2018

- Strong marketing presence nationally on TV, Radio, Leaflet, OOH and different online medias
- Continuing media mix optimization in accordance with company strategy





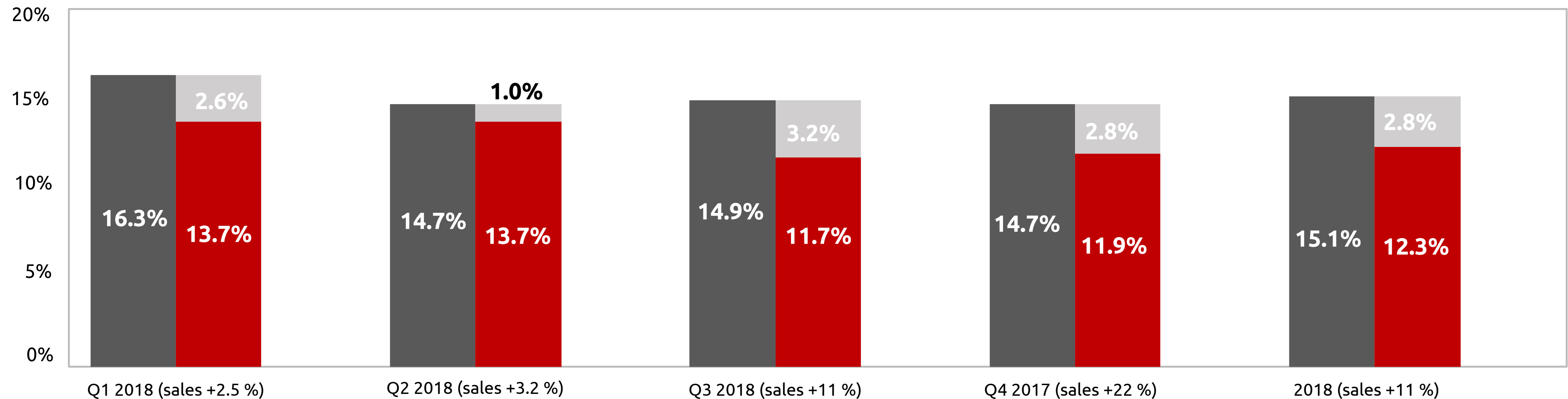
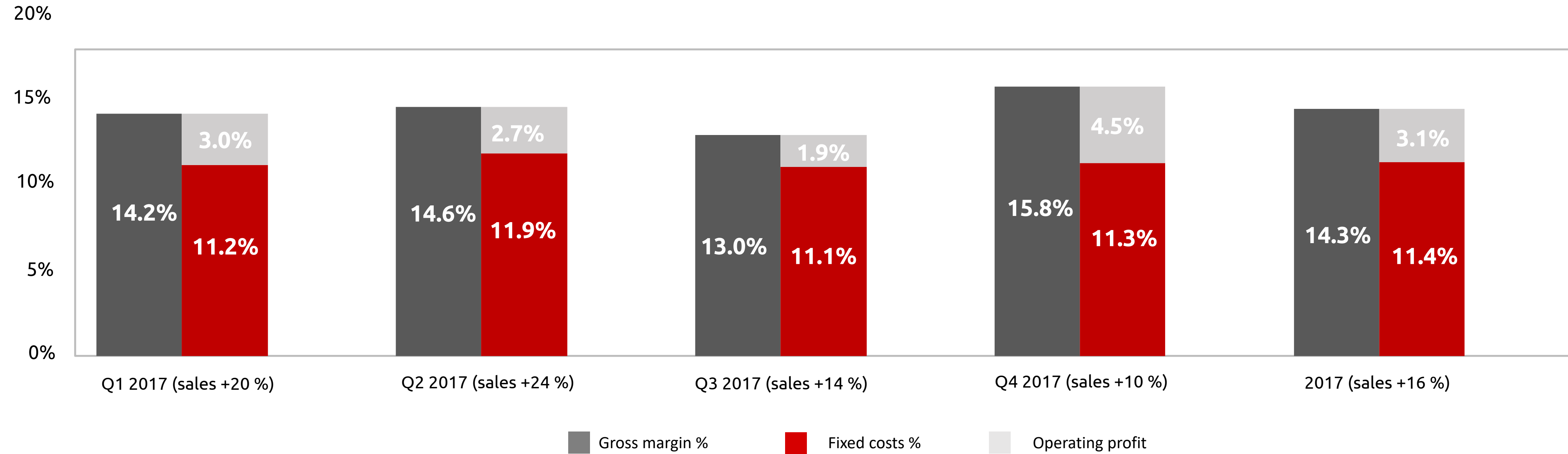
# Verkkokauppa.com 1-12/2018 - IFRS

	1-12/2018	1-12/2017	Ch %
Revenue, € million	477.8	431.9	+11%
Gross profit	72.0	62.5	+15%
Gross Margin	15.1%	14.5%	
Personnel expenses	-30.3	-26.1	+16%
Other opex	-23.7	-18.4	+29%
Operating profit	13.3	13.5	-1%
Operating margin	2.8%	3.1%	
Net profit	9.3	9.4	-1%

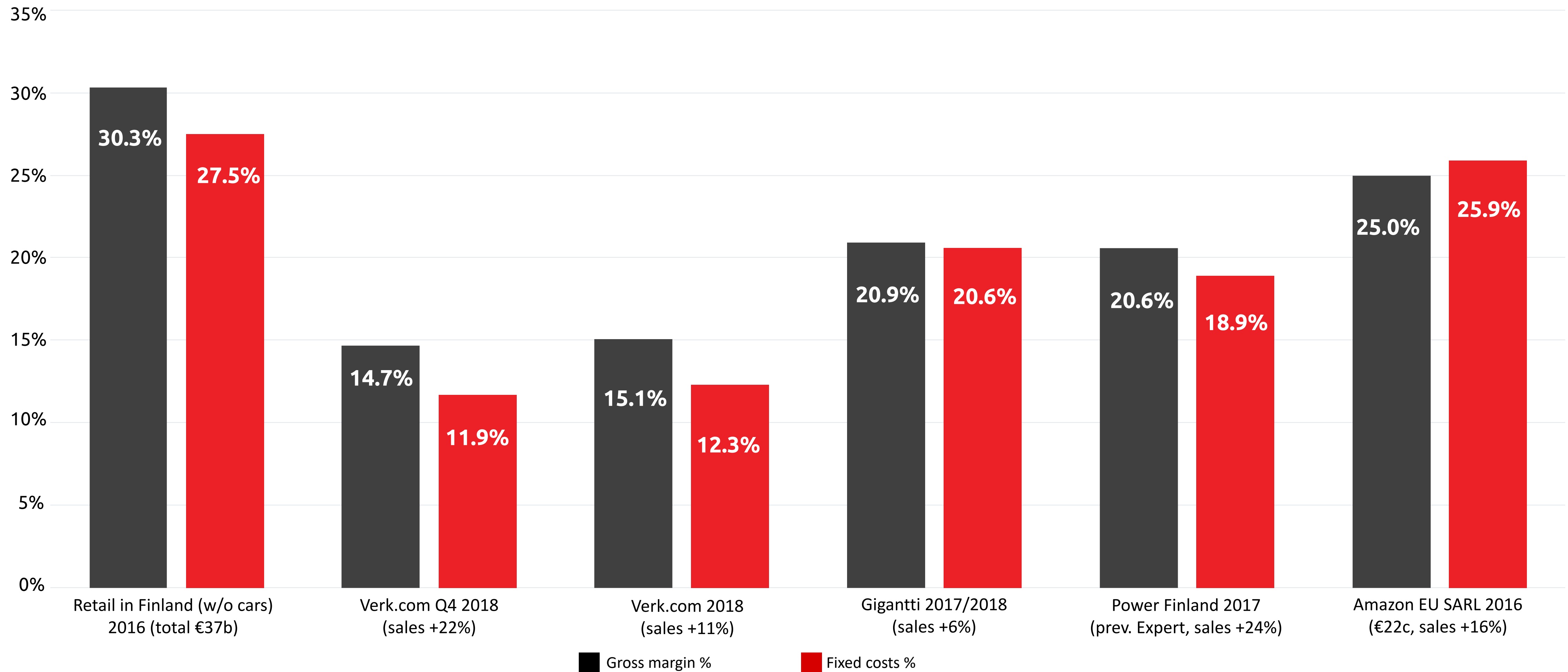
“Strong revenue growth during H2 2018, profitability on same level”



# Verkkokauppa.com's gross margin and fixed costs - IFRS



# 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 increasing the share of the Apuraha financing services.”



Sources: Statistics Finland, Soliditet and D&B. Gross margin includes changes in the inventory and outside services. EBITDA excluding non-recurring items.

# Verkkokauppa.com 2019 guidance - IFRS

2019 guidance revenue between €500m - €550m (2018 €478m) and operating profit €11 - €17m (2018 €13.3 m).

Medium-term targets sales growth between 10-20% per year, growing operating profit and operating margin of 2.5-4.5%.

Policy of paying out growing, quarterly dividend.

# IFRS impacts

	<b>FAS</b>	<b>IFRS</b>	<b>Change</b>
<b>KEY RATIOS</b>	<b>1-12 2018</b>	<b>1-12 2018</b>	
Gross profit, EUR thousand	70 828	72 020	1 192
Gross profit %	14,9 %	15,1 %	
EBITDA, EUR thousand	12 590	18 414	5 824
EBITDA %	2,6 %	3,9 %	
Depreciation	-1 265	-5 090	-3 825
Finance costs	-80	-1 670	-1 591
Operating profit, EUR thousand	11 324	13 324	1 999
Operating profit margin%	2,4 %	2,8 %	
Fixed costs, EUR thousand	-58 627	-53 996	4 632
Fixed costs %	-12,3 %	-11,3 %	





# Verkkokauppa.com's targets and category developments

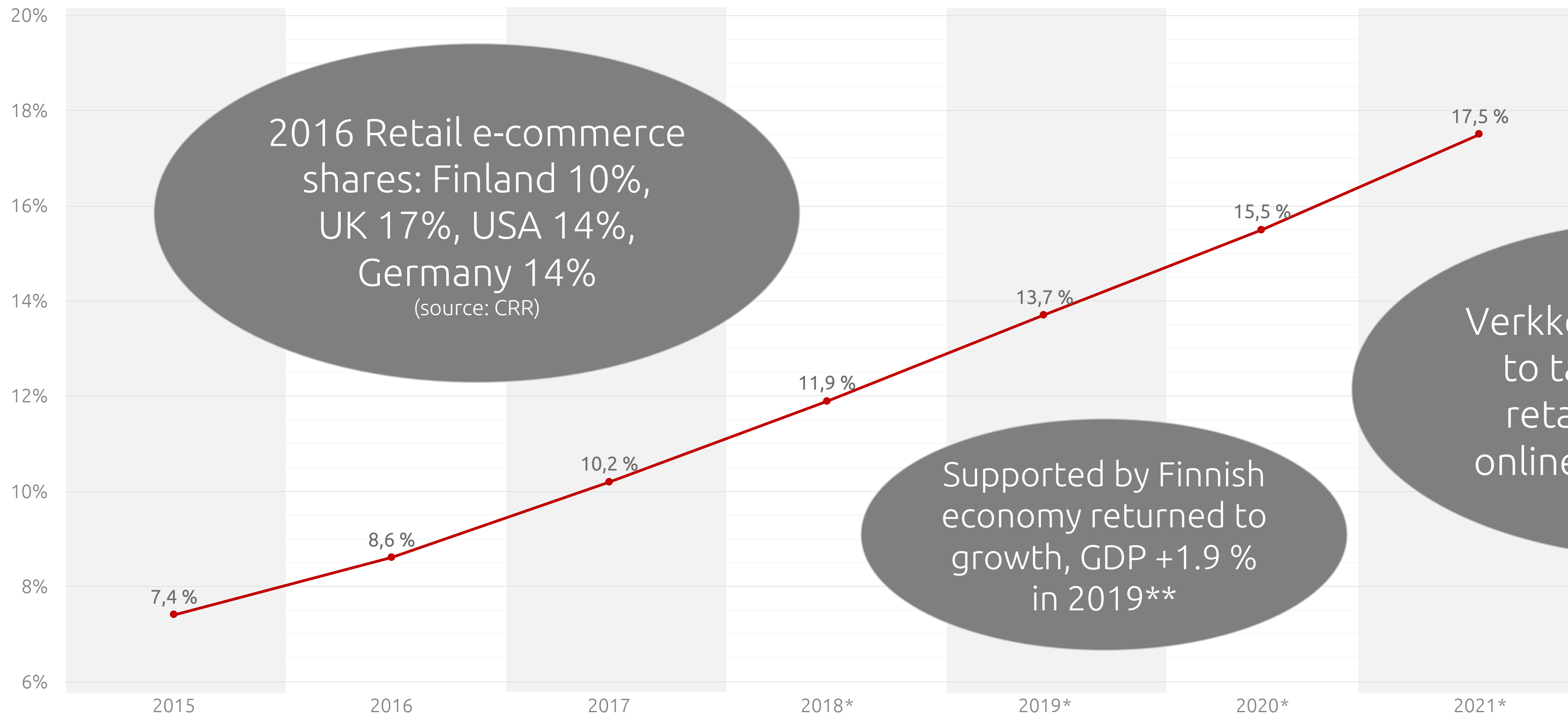
Continuous and systematic expansion into new categories that are fully suitable for low-cost online model and efficient logistics

- New categories are planned for 2019
- “Probably always cheaper” price in each category
- Proven business model to support future growth → strong focus on e-com
- Actively searching for best delivery and logistical solutions
- Improved usage of customer data
- Renewed strategy to support growth in the future



# 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 19 December 2018





# Web visits last 12 months (desktop and mobile)



## Total Visits ⓘ

Feb 2018 - Jan 2019, Worldwide

Domain

verkkokauppa.com

gigantti.fi

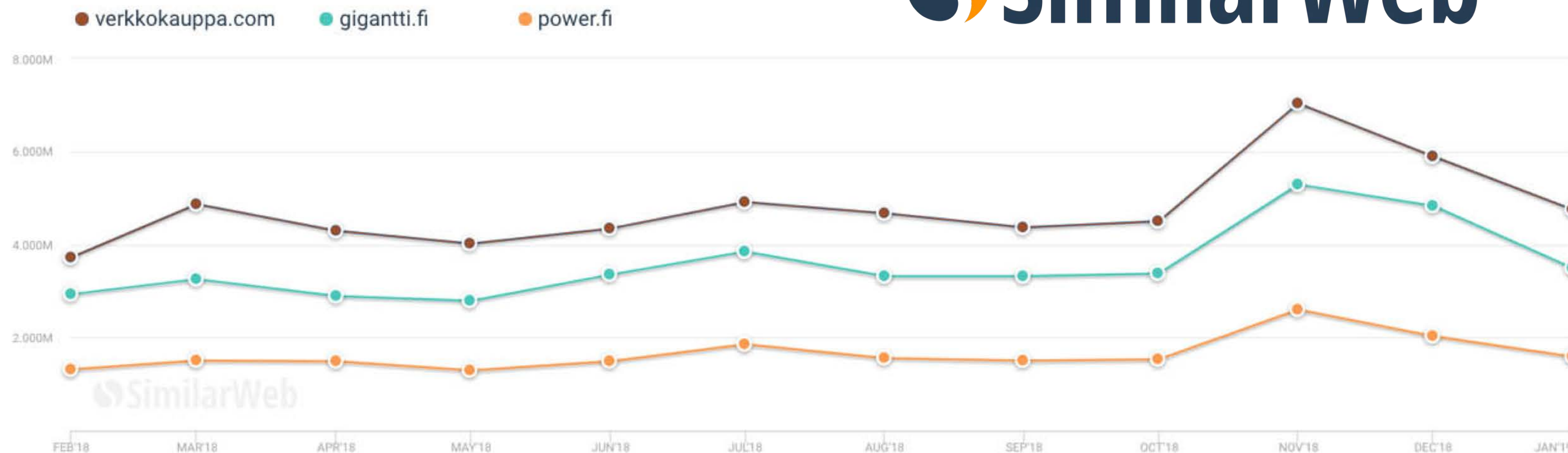
power.fi

% #

57.37M

42.68M

19.72M



## Engagement ⓘ

Feb 2018 - Jan 2019, Worldwide

Domain	Monthly Visits	Unique Visitors	Visits / Unique Visitors	Avg. Visit Duration	Pages/Visit	Bounce Rate
verkkokauppa.com	4.781M	1.597M	2.99	00:05:29	6.02	32.05%
gigantti.fi	3.557M	1.359M	2.62	00:04:25	4.49	39.93%
power.fi	1.643M	742,842	2.21	00:03:58	3.98	39.39%



# Key takeaways

- Revenue growth in Q4 +22%, 2018 +11%
- 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

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# GRILLAAJA

VARMA KEVÄÄN MERKKI



Weber Genesis II E-610 GBS  
-kaasugrilli

**1698,90**

Apurahalla 46,17/kk (60 kk)

# Thank you and Q&A

## Upcoming events:

- Q1/2019, Friday 10 May 2019
- Q2/2019, Friday 9 August 2019
- Q3/2019, Friday 25 October 2019

## Links:

- Investors site - [www.verkinvest.com](http://www.verkinvest.com)
- Company Releases mailing list - [www.joinverk.com](http://www.joinverk.com)
- Company Investor Webcasts - [www.verklive.com](http://www.verklive.com)

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