

Verkkokauppa.com

Q4 2020

Pioneer of Ecommerce

12.2.2021 | Panu Porkka

Today's Agenda

- **Key Figures Q4/2020 and FY2020**
- **Sales and Profitability Development**
- **Business Outlook 2021**
- **Renewed Strategy**
- **Key Takeaways Q&A**



Income Statement Q4

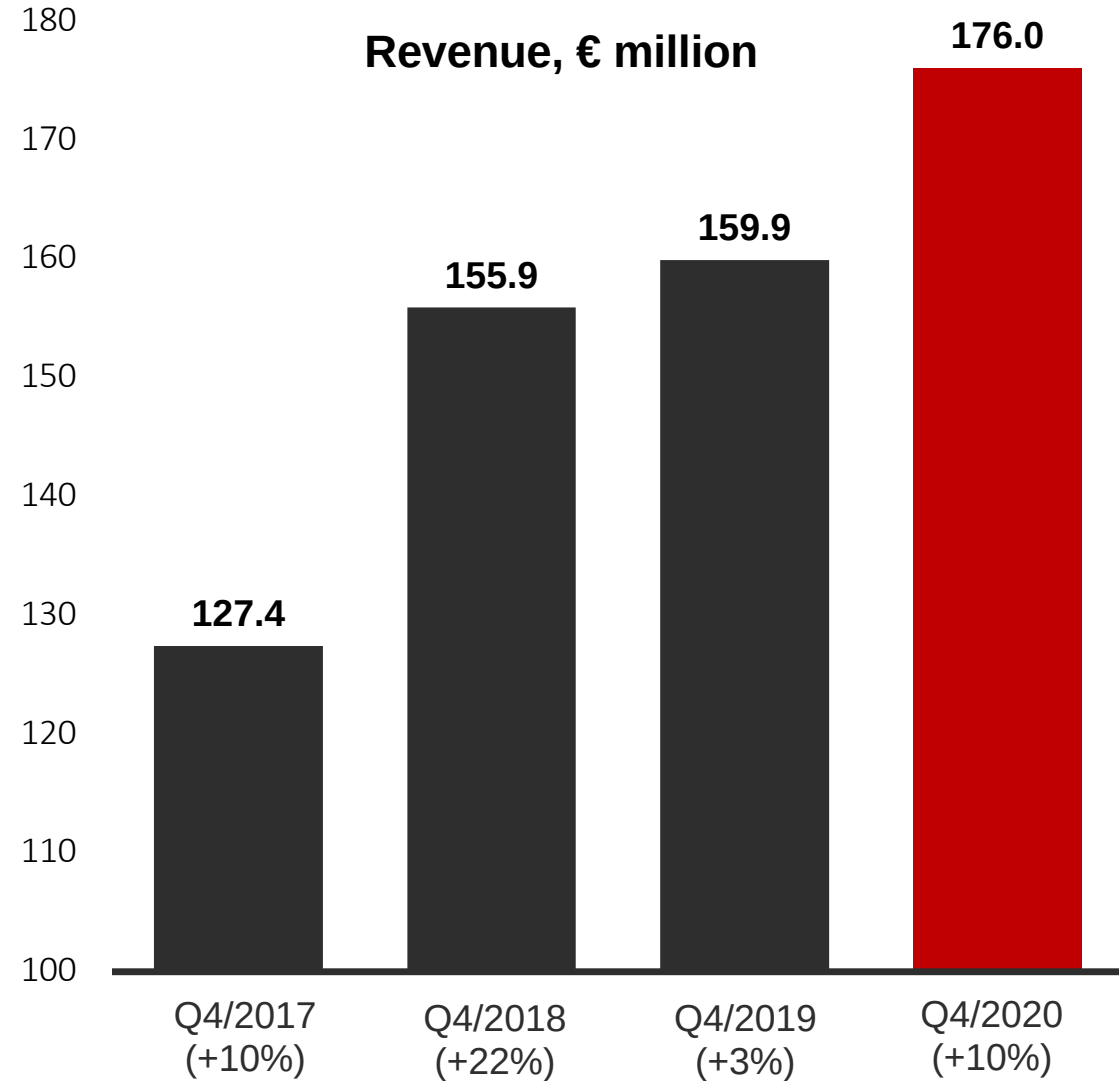
EUR million	Q4/2020	Q4/2019	Change, %
Revenue	176.0	159.9	10.1%
Gross profit	26.7	22.2	20.1%
Gross margin, % of revenue	15.1%	13.9%	9.1%
Personnel expenses	-10.4	-9.1	14.3%
Other operating expenses	-8.9	-7.5	18.6%
Operating profit	6.2	4.5	38.9%
Operating margin, % of revenue	3.5%	2.8%	26.2%
Comparable operating profit	6.2	4.5	38.9%
Comparable operating margin, % of revenue	3.5%	2.8%	26.2%
Net profit	6.2	4.5	44.1%

- 30th consecutive growth quarter
- All time high operating profit, increase of +1.7meur
- 4th consecutive quarter with profit improvement



Sales Development in Q4

- Sales channel development driven by strong consumer web sales
- Number of new online users during Q4 grew by +28%
- Successful campaigns during Single's Day, Black Friday and Cyber Monday
- Strong performance in several evolving categories
 - Toys +84%, BBQ & Cooking +72%, Office & Supplies +69%, Sports +62%, MDA +46%, Home & Lighting +40%
- The headwind in Export continuing due to COVID-19 impact on travel restrictions with -60% sales development



Profitability Development in Q4

- Sales mix having a positive impact on margin, strong consumer sales while Export is declining
- Strong sales increase in evolving categories with higher margins
- Online outlet function to decrease obsolete stock
- New tools and processes and enriched data to improve marketing performance



Balance Sheet & Cash Flow 31.12.2020

- Inventory **75.4** (66.7) million euros on
- Cash flow from operating activities 1-12/2020 **+16.9** (9.7) million euros
- Investments 1-12/2020 were **1.4** (1.2) million euros
- Cash **43.1** (42.5) million euros
- Equity ratio **24.5%** (23.4%)
- Undrawn revolving credit facilities **20** million euros



Verkkokauppa.com 1-12/2020

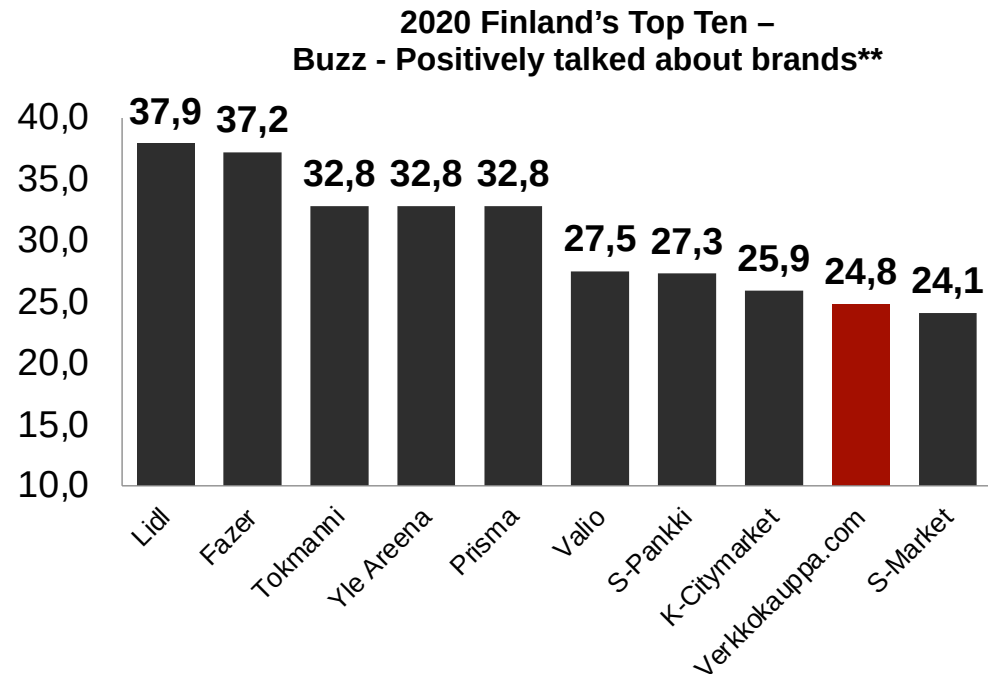
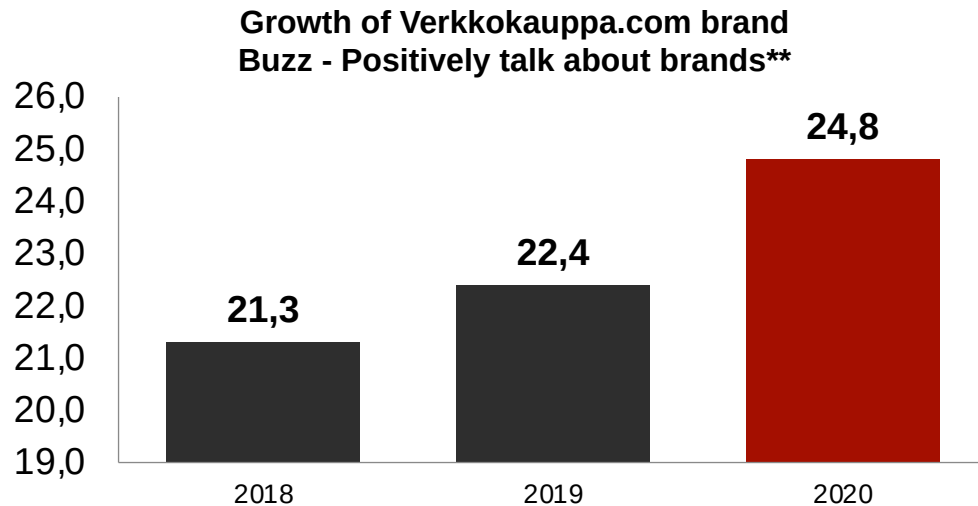
EUR million	1-12/2020	1-12/2019	Change, %
Revenue	553.6	504.1	9.8%
Gross profit	88.4	73.9	19.7%
Gross margin, % of revenue	16.0%	14.7%	9.0%
Personnel expenses	-35.6	-32.6	9.1%
Other operating expenses	-28.8	-25.5	13.0%
Operating profit	19.6	11.3	73.5%
Operating margin, % of revenue	3.5%	2.2%	57.9%
Comparable operating profit	20.4	11.3	80.6%
Comparable operating margin, % of revenue	3.7%	2.2%	64.4%
Net profit	14.6	7.8	87.2%

- *Company reached record revenue and profit during 2020*
- *The Board proposes a total dividend of 0.45 euro per share (0.23 euro quarterly and an additional dividend of 0.22 euro)*



Strong Market Position in Changing Retail Landscape

- Best positioned brand in e-commerce in Finland, most visited website
 - 30 million visits during Q4 (+25%), 87 million during 2020 (+20%)
- Consecutive consumer's choice winner as the best online retailer in Finland 2020*



Excellent Customer Experience

- Search engine optimization through multiple updated category descriptions and content
 - AI based chatbot open 24/7 and served 60% of chats in December
 - SEO work paying off - organic traffic grew +30%
 - New Customer Data Platform implemented
- Record high customer satisfaction throughout operations (NPS 70)

The screenshot shows the Verkkokauppa.com website during a 'Valoksi kotiin' (Light for home) promotion. The header includes the site name, a search bar, and navigation links. The main banner features a yellow background with the text 'Valoksi kotiin' and 'Talven hehkuvimmat tarjoukset'. Below the banner, there are sections for 'Valaisimia alennuksessa!' (Lamps on sale!) and 'Toimitukset' (Deliveries). The main content area displays a grid of light fixtures, each with a product image, name, price, and 'Lisää ostoskoriin' (Add to cart) button. A sidebar on the left provides filters for 'Rajaukset' (Filters) and 'Tuotealueet' (Product areas). A red checkmark icon is visible in the bottom right corner of the screenshot.

Fastest Deliveries in Finland

- Same day & Express deliveries
 - Same day delivery as an option in great Helsinki area and in Tampere region with lowered price 14.99€ since September
 - 3h Express deliveries available already since 2014

→ **+400% growth during Q4**

- Strong growth in demand of different delivery options during Q4
 - Home deliveries +67%
 - Home delivery with install and/or recycling service +57%
 - Deliveries to parcel lockers +60%

→ Fast and home deliveries
set as new standard

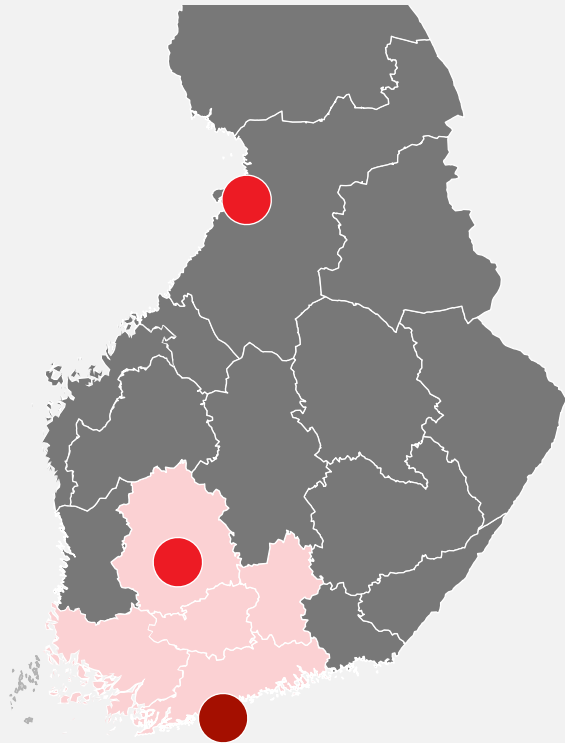


Over the past years we have established superior delivery performance and have room to push further as customer needs evolve

■ >2 day delivery ■ Within next day ■ Same day delivery ● Store ● Logistics center ● Logistics hub & store combination

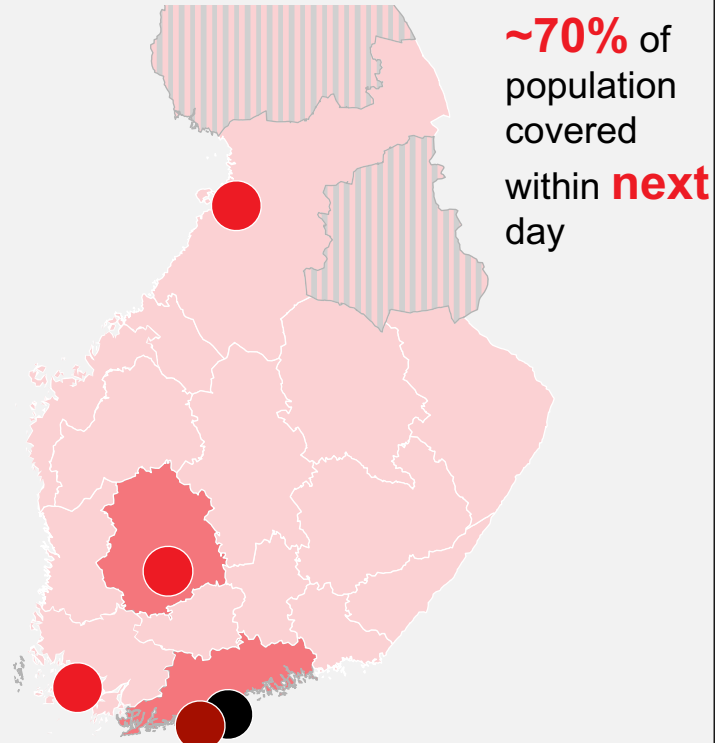
We used to be more reliant on third-party logistics efficiency

2017



Our network covers majority of households within next day

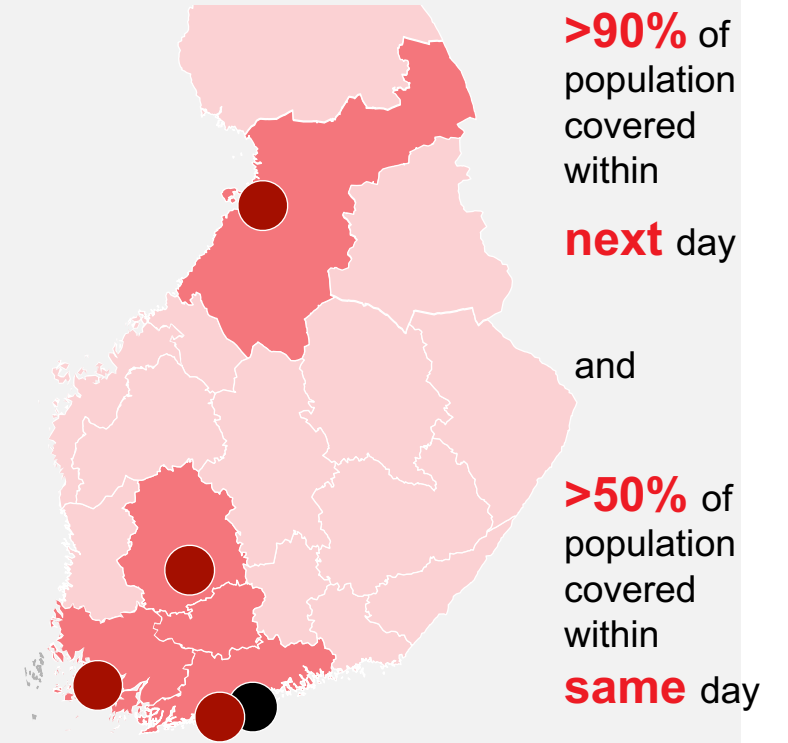
2020



~70% of population covered within **next** day

As customer needs evolve, we are ready to utilize stores as logistic hubs

Future



>90% of population covered within **next** day

and

>50% of population covered within **same** day

Wide Assortment and Best Availability

- MDA market moving online at a faster pace, supported by good availability and appealing assortment
- Largest MDA assortment in Finland, Miele introduced during Q4
- New subcategories, new brands and lots of new products added to the assortment
 - Among others Samsung notebooks, additional Tom Dixon's design lamps, Salli saddle chairs, Ecovacs robot vacuum cleaners and several new baby brands including bObles, Nuby and Najell



Key Achievements during 2020 – Summary

What we said

- *Focus on profitability*
- *Increase of brand marketing to increase awareness and top-of-mind*
- *Improvement of customer experience*
- *Active search for best logistics solutions*
- *Pay out growing dividend*

What we did

- *4 consecutive record quarters in EBIT*
- *Nr1 brand among peer group*
- *Improved product information on web site, new search function and almost fully personalized content (NPS of 70)*
- *Discovery and planning of logistics automation in Jätkäsaari*
- *Company continued its policy of paying quarterly growing dividend*

In addition: Company transferred to the Nasdaq Helsinki main list and renewed long term strategy



Business Outlook and Guidance 2021



2021 Guidance

Revenue

€570m - €620m

(2020 €554m)

Comparable Operating profit

€20m - €26m

(2020 €20.4 m)

New financial targets for strategy period 2021 - 2025:

Revenue 1 billion euros

EBIT 5% by year 2025

Paying out a quarterly growing dividend



Economy Outlook

- The economy is expected to recover by the end of 2021 and return to normal will give an additional boost to the economy in 2022. GDP is expected to grow by 2.5% in 2021 and 2.0% in 2022.*
- Global trade volume growth expected to rebound to 7.2% in 2021**
- Trend of increasing spending in ecommerce
 - During 2020 83 % of Finns made online purchases***
 - 31 % of online shoppers are considering shopping more online***

Consumer price index and wage and salary earnings forecast

from Ministry of Finance's Economy Survey 2020



Sources: Statistics Finland, MoF

VM34170

*Source: Statistics Finland, Ministry of Finance

** World Trade Organization

*** SVEA – Buying and paying online survey 2021



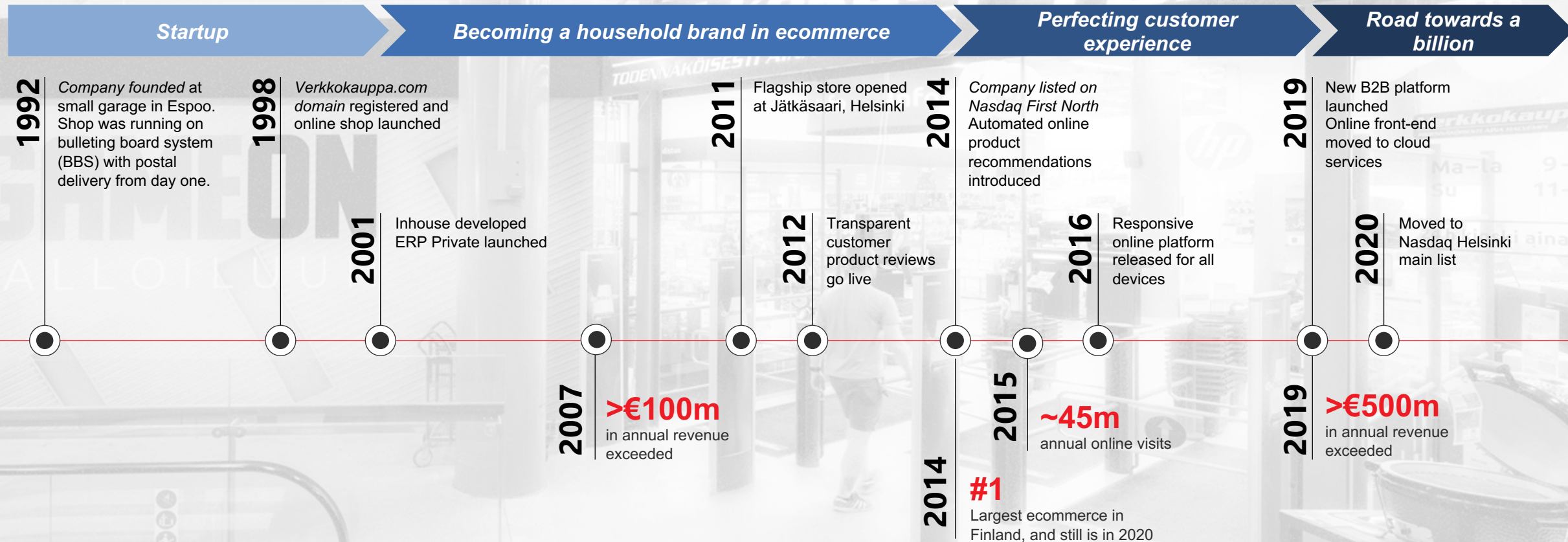
THE ROAD TOWARDS A BILLION

- COMPANY STRATEGY 2021-2025



Verkkokauppa.com - passionate pioneer of ecommerce

We are an online-born – online is at the core of what we do, and what the company has been built around ...



... and we have proven it is a recipe that works, with a track record of ~30 years of consumer and merchant innovation

Our vision is to remain a pioneer of ecommerce in the next decades through continuous innovation

Why will our customers continue to shop first and foremost at Verkkokauppa.com

Our purpose: 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



We continue to be the pioneer in ecommerce and are proud to be the #1 platform in Finland

2020

LARGEST ECOMMERCE¹



€324m

In online revenue

RAPID GROWTH IN ONLINE



~16%

Annual growth
p.a. in 2015-20

MOST VISITED WEBSTORE



+87M

Annual online
visits

BEST ECOMMERCE EXPERIENCE



#1

Voted as best
customer experience²

Did you know that Verkkokauppa.com...

...sells 1/3 of all TVs in Finland³

... is the largest retailer of light electric vehicles in Finland³

...is the largest retailer of robot vacuum cleaners in Finland³

1. Euromonitor
2. Posti – Suuri Verkkokauppatutkimus 2020
3. GFK

We are transparent, interact with our customers, and have established ourselves as the strongest ecommerce brand in Finland

2020



Most product reviews

>400,000
customer reviews



Highest customer satisfaction

70
NPS



Highest customer loyalty

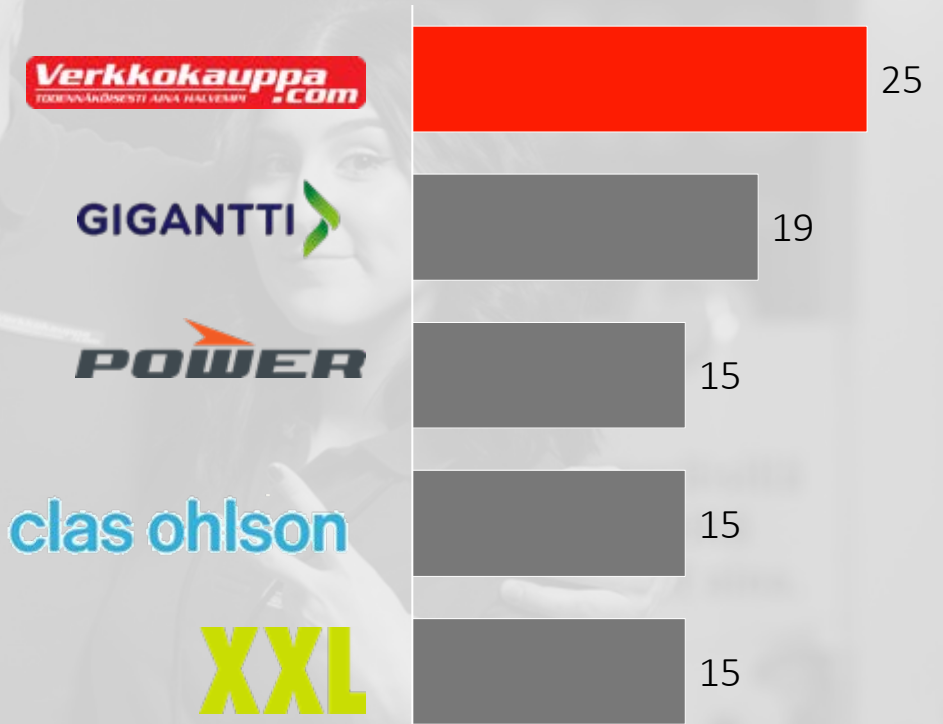
>115,000
Avg. monthly active users, with **+30%** growth YoY



Lowest returns on the market






1.0%
of purchases are returned

Strongest ecommerce brand in Finland



We are **9th** most positively recognized brand in Finland, among brands such as Finnair, Fiskars and Valio

We have built clear competitive advantage in the 2020's ecommerce market

		Local competitors			Global benchmarks	
					 Netherlands	 Sweden
1	Excellent customer experience and strong brand (<i>Brand index, 2020</i>)	25	19	15	n/a	n/a
2	Efficient fulfilment (0-1 day coverage)	~70%	~34% through Budbee coverage ¹	Same day not available, next day only through Posti	100%	Same day not available, partnering with PostNord
3	Superior technology backbone	Inhouse development	Packaged software	Packaged software	Inhouse development	Inhouse development
4	Extensive assortment (SKUs)	65k	35k	20k	n/a Typical department store assortment	>2,000k ² Available including third-party retailers
5	Cost competitiveness (% of fixed costs)	11.5%	14.5% ³	21.6% ⁴	23.2%	Retail n/a

1. Helsinki, Vantaa, Espoo, Turku, Tampere and Oulu 2. As of November 2020 3. May/19-Apr/20 reporting period 4. 2019 figures, including D&A

The road towards a billion – our growth path is primarily organic and online driven

Capitalize on the online shift through assortment

- 1 Capitalize upon the acceleration in online penetration in our core categories
- 2 Spearhead the next wave of online retail in evolving categories
- 3 Continuously identify and test assortment in untapped categories

Leverage our superior platform for current and new business

- 4 Double the B2B business through superior CX
- 5 Continue rapid growth in the private label business
- 6 Augment the service portfolio
- 7 Engage in new business including M&A within the Finnish online landscape

Capture our full potential in profitability

- 8 Benefit from higher margin portfolio mix
- 9 Execute targeted investments into technology, and operational excellence, to further lower our fixed cost base



Revenue €1000m
>10% growth
YOY



EBIT €50m
>5% EBIT-margin



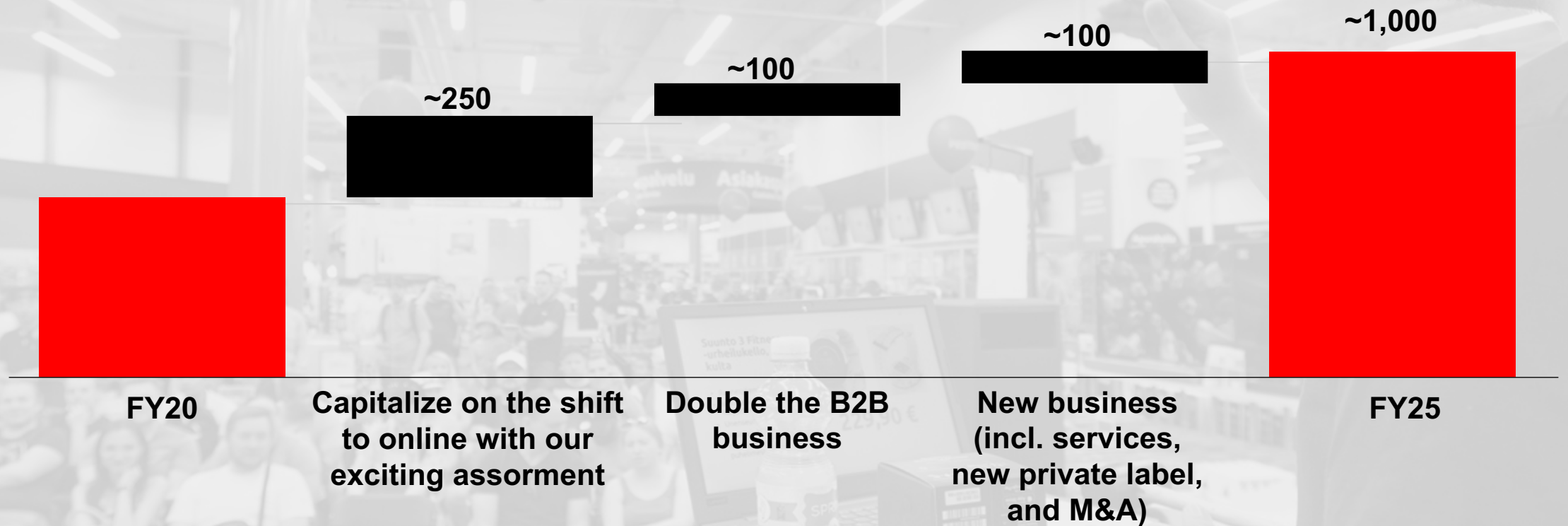
Fixed costs <10%
From 11.5% (FY20)



Growing dividend payout

By capitalizing on the online shift and leveraging our superior platform – we are on a road towards a billion

Verkkokauppa.com revenue development, 2020-25E, €m

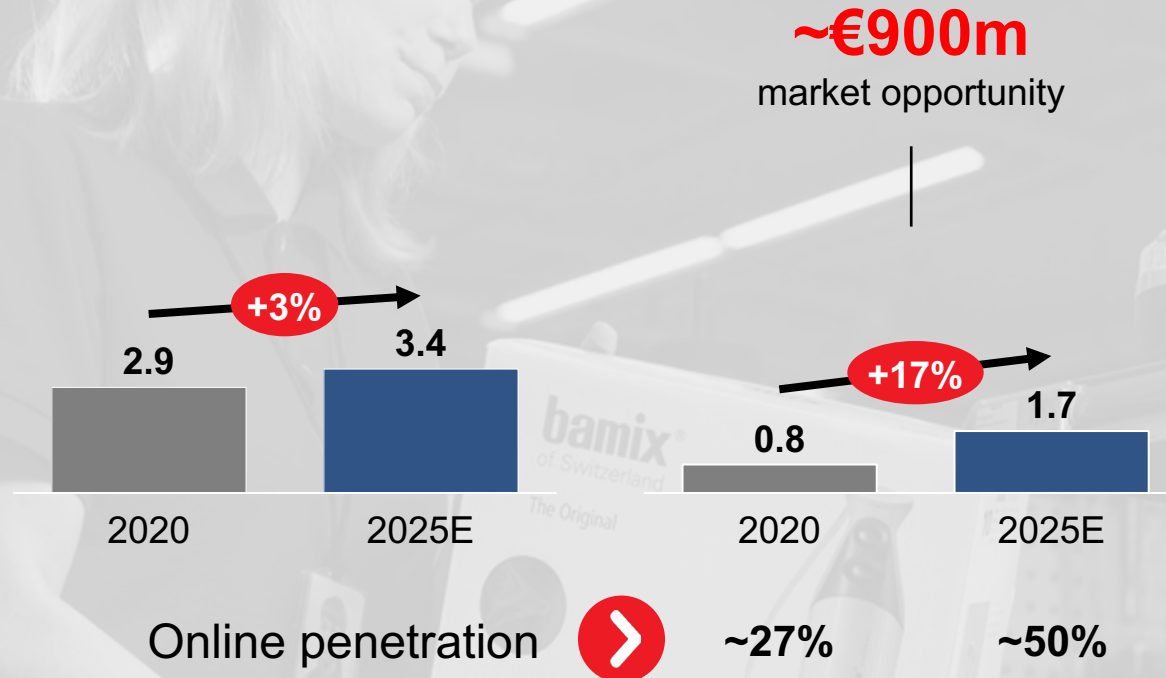


Our core categories will continue accelerated shift to online

Our categories Total addressable market size, 2020-25e, €bn Online addressable market size, 2020-25e, €bn

Our **core** categories

IT
Entertainment
Home appliances
Telecom



Our **core** categories are...

...what we have built the business around for the last ~30 years

...where we will capture bigger share due to our strong position in online

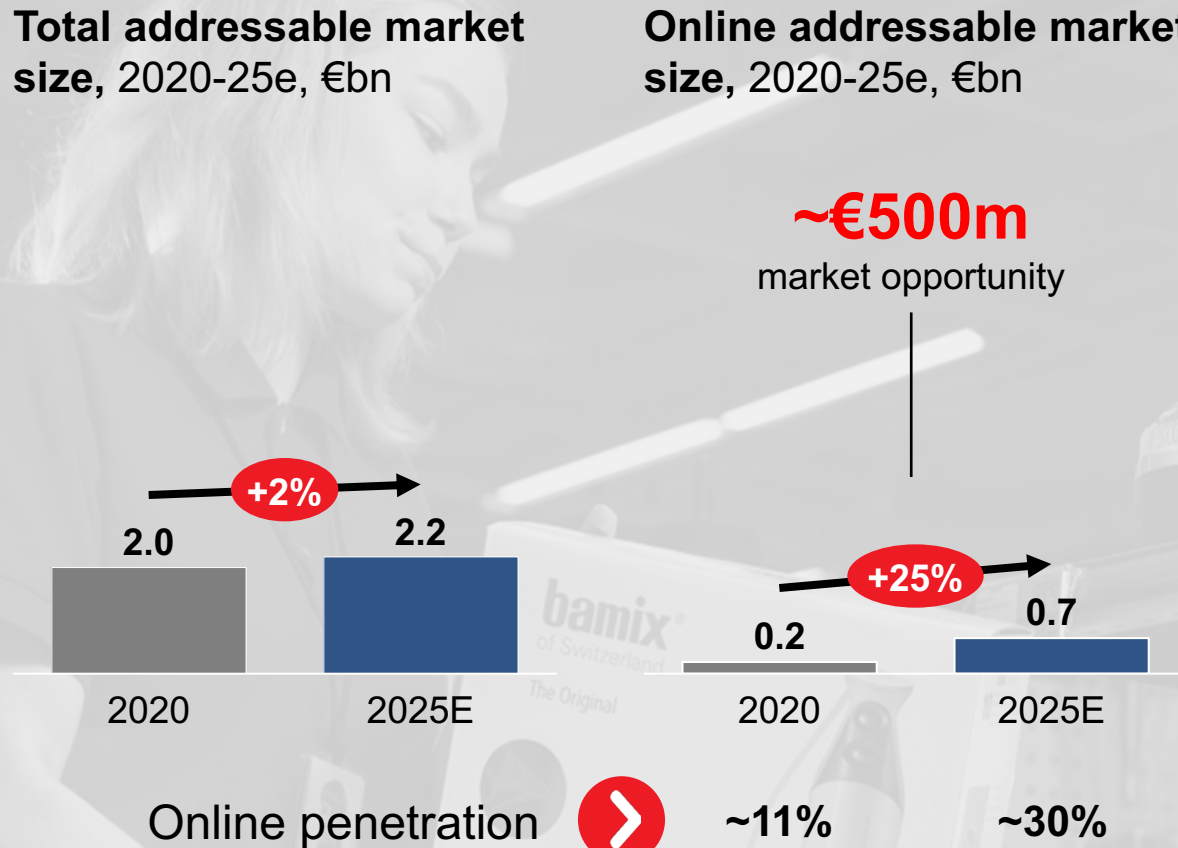
...where we will capitalize on the accelerated shift from offline to online, resulting in a ~€900m market opportunity

We have started to expand into adjacent categories with attractive margins and lower online penetration

Our categories **Total addressable market size, 2020-25e, €bn** **Online addressable market size, 2020-25e, €bn**

Our current evolving categories

Toys
Sports
Home & Lighting
BBQ & Cooking
Baby & Family
Luggage & Travel
Pets. excluding
Food and Drink



Our evolving categories are...

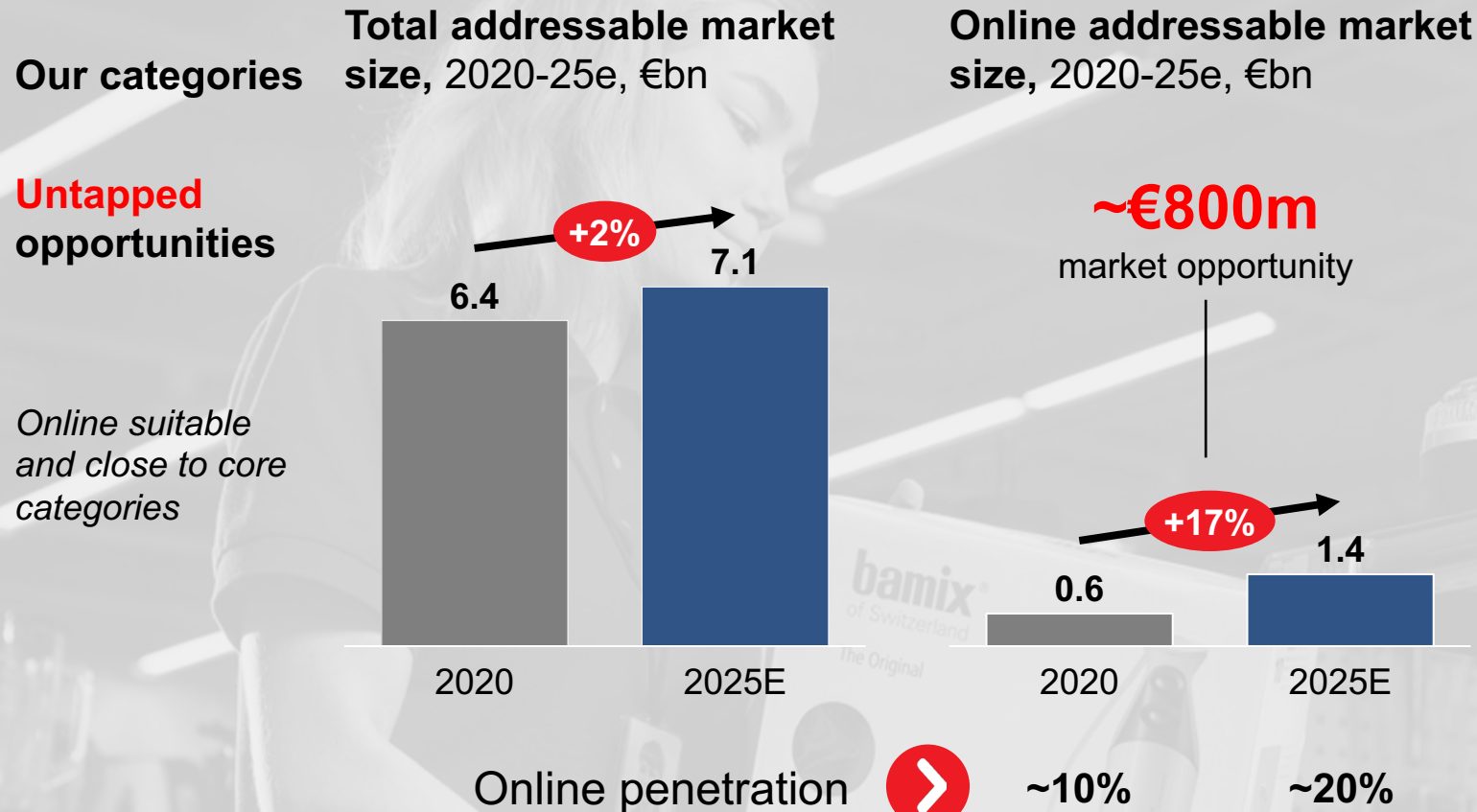
...where we already have started to expand, since 2014

...where online maturity is lower and expected to increase rapidly in next 5 years

...a fragmented landscape, where no established online market leader exists which would have assortment from entry to A-brands

...where we have room for significant growth in the upcoming ~€500m market opportunity

Additionally, we continuously evaluate untapped opportunities



Untapped opportunities are...

...where we have a systemized way to identify and test new categories

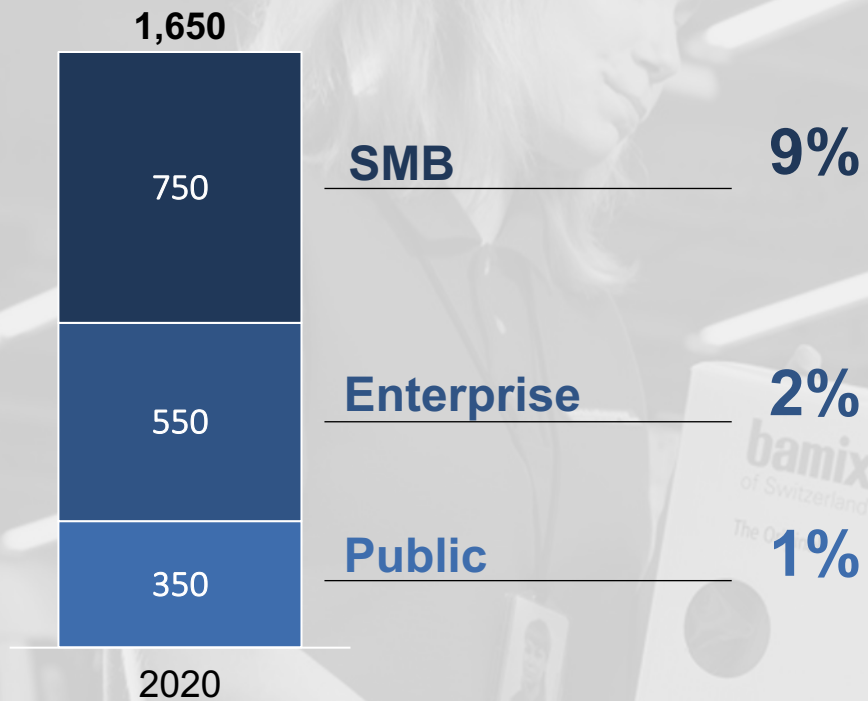
...where online maturity is lower and expected to increase rapidly in next 5 years

...a fragmented landscape, where no established online market leader exists which would have assortment from entry to A-brands

...where we have room for significant growth in the upcoming ~€800m market opportunity

There is room for Verkkokauppa.com to again double the business in B2B

Total addressable market size per B2B segment, 2020, €m



Verkkokauppa.com Market share, %, 2020

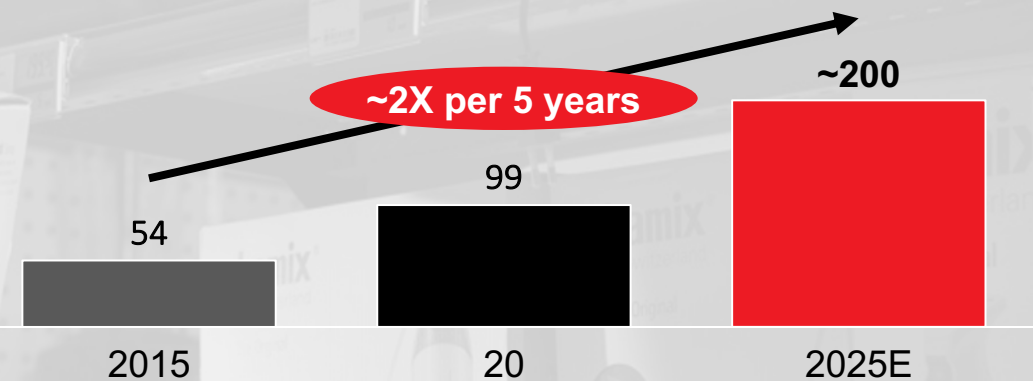
Capture fair share of the market through our unique platform that meets today's B2B customer needs

Defined a dedicated B2B team in 2015


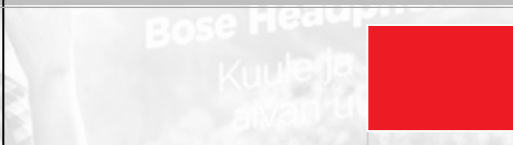




Perfected the online B2B user interface in 2019

Continue strong growth trajectory, supported by evolution of customer expectations (e.g. B2B customers preferring B2C-like customer experience) and dedicated marketing activities

Verkkokauppa.com's B2B revenue development, 2015-2025, €m



Move fixed costs below 10% of revenue through increased scale and AI-driven automated operations

Our focus to optimize fixed cost base	Fixed costs, % of revenue ¹	Our first priorities
Fixed costs in FY20	 11.5%	Starting point of fixed costs at 11.5% already below key peers
Logistics		Apply best-in-class logistics by automatization of Jätkäsaari warehouse
Supply chain & product mgmt.		Optimize efficiency in direct to customer shipping and automated optimizing replenishment cycles
Administrative processes		Rethink our internal processes end-to-end and capture efficiencies with world-class automation
Marketing		Increase ROMI by focusing spend on more 1:1 marketing (social media, personalized campaigns, SEO, analytics)
Fixed costs in FY25	 <10%	Reaching fixed costs of <10% of sales are achievable with limited investment needs

1. Includes scale effect from Verkkokauppa.com targeting €1bn in revenue

Our well-defined road towards a billion by 2025

A We have a strong track record of growth and value creation

B

We have a strong platform to capture a >10% share of the additional €2.2bn online market opportunity

C

We grow our EBIT through scale, by shifting our offering and by executing efficiency initiatives

D

In present business model our investments requirements are light and supported by a healthy balance sheet

E

We are passionate about doing sustainable business and meeting the expectations of our stakeholders



Revenue €1000m
>10% growth
YOY



EBIT €50m
>5% EBIT-margin



Fixed costs <10%
From 11.5% (FY20)



Growing dividend payout

Key Priorities 2021

- Focus on **renewed strategy** and value streams to achieve long term targets
- Monitoring development regarding COVID-19 situation closely to quickly take needed measures
- **Large network of suppliers** and distributors will help secure **availability** during upcoming spring
- Next launch of **brand marketing during Q1** to increase awareness and top-of-mind to secure future growth and maximize opportunities
- First **investment program starting** to automate Jätkäsaari logistics for future scalability and growth



Key Takeaways

- Strong performance across all operations resulting in a record-breaking year
 - COVID-19 impacting consumer demand as more and more categories are shifting online → this change seems to be permanent
 - Successful SEO, category- and campaign management for better product margins
- Strong brand position supporting traffic and perception
 - Solid financial position ensuring growing quarterly dividend and an additional dividend for 2020
 - Positive outlook for 2021 and long-term targets
 - Renewed strategy to guide the future growth





Miele



More Information

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Links

Investors site

www.verkinvest.com

Company Releases mailing list

www.joinverk.com

Company Investor Webcasts

www.verklive.com

Upcoming events in 2021

Q1/2021 on Friday 23 April 2021

H1/2021 on Friday 16 July 2021

Q3/2021 on Friday 22 October 2021



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