

Verkkokauppa.com Oyj Q3/2014
November Roadshow, Samuli Seppälä, CEO

TODAY'S STORE FRONT

RETAIL IS GOING ONLINE. COME ALONG.

Verkkokauppa
PROBABLY ALWAYS CHEAPER **.com**

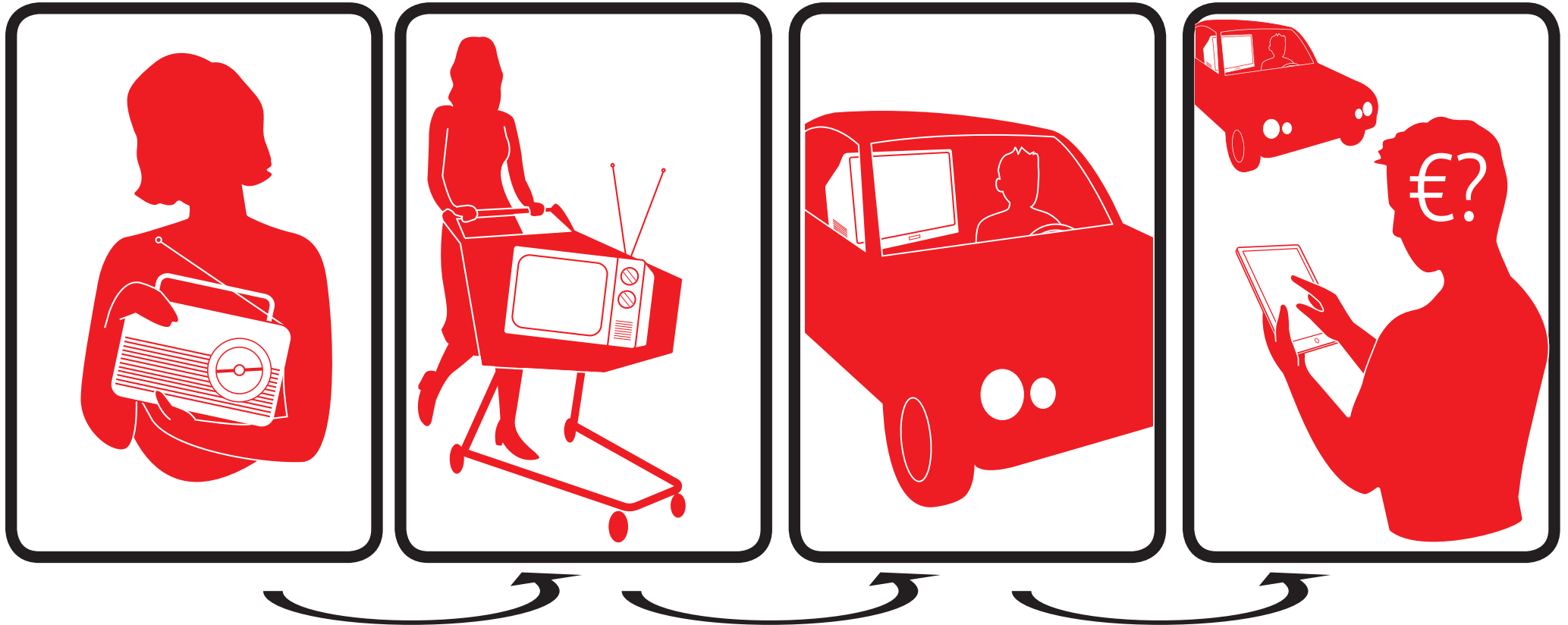


Verkkokauppa.com

- Verkkokauppa.com Oyj (NASDAQ:VERK) is Finland's largest, most known and most visited online retailer that offers over 50 000 different items from 22 main categories at probably always cheaper prices.
- Products sold through three megastores and over 2500 pickup locations including 500+ pickup lockers in Finland, and also home delivered and installed.
- Verkkokauppa.com's proprietary technology platform PRIVATE is robust, secure and scalable - it will support almost all of our business processes.
- Founder-led management team with over 500 employees, company history dating to 1992.

The screenshot shows the Verkkokauppa.com website interface. At the top, the logo 'Verkkokauppa.com' is displayed with the tagline 'TODENNÄKÖISESTI AINA HALVEMPI'. Below the logo, there are logos for various brands: acer, Apple, ASUS, BAKA, Canon, EA, GARDENA, and GA. A blue banner below the logos reads 'Arvostele ostamasi tuote ja voita L...'. The main content area is divided into two sections: 'TUOTEALUEET' (Product Categories) and 'PALVELUT' (Services). The 'TUOTEALUEET' section lists 22 categories with corresponding icons: GPS ja urheilu, Grillaus ja kokkaus, Hifi ja audio, Kaapelit, Kamerateerit, Kodinkoneet, Komponentit, Koti ja piha, Lelut, Musiikki, Muut tuotteet, Oheislaitteet, Ohjelmistot, Pelit ja viihde, Pienkoneet, Puhelimet, Ruoka ja juoma, Tarvike/toimisto, Tietokoneet, TV/Video, and Verkko. The 'PALVELUT' section lists services: Asennus, Huoltopalvelut, Kuvapalvelut, Liittymät, and Yritysmyynti. On the right side, there are two product listings. The first is an Apple iPad Air tabletti, priced at 479,90 €. The second is a Samsung Galaxy Android älypuhelin, priced at 199,90 €.

Verkkokauppa.com - Uniquely Positioned for Consumer Channel Shift and 2nd Wave of E-commerce



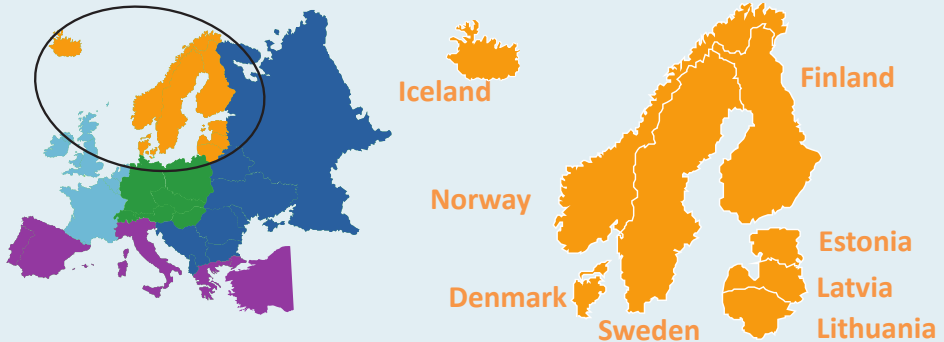
Verkkokauppa.com believes that its lower cost structure compared to other traditional retailers, inexpensive prices, position as the best-known Finnish online retail brand* and own IT-system are strengths that secure the Company's position as a winner while retail evolution continues.

*) Taloustutkimus 2013

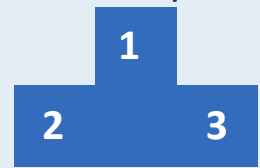
Northern Europe 2013 Key B2C E-commerce data



Northern Europe 2013 Key B2C E-commerce Data of Goods and Services at a Glance

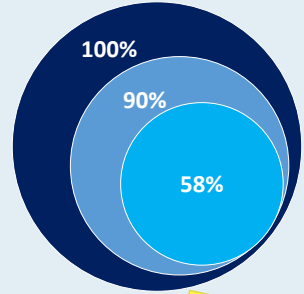


Europe € 364.3 bn +16.3%
 EU 28 € 317.9 bn +14.7%
Northern Europe € 33.2 bn +13.7%
 Total B2C Ecommerce 2013 of goods & services



Ranking Northern Europe in turnover

1.	Norway	€ 8.9
2.	Sweden	€ 8.6
3.	Denmark	€ 8.3
4.	Finland	€ 6.4
5.	Lithuania	€ 0.3
6.	Iceland	€ 0.2
7.	Latvia	€ 0.1
8.	Estonia	€ 0.1



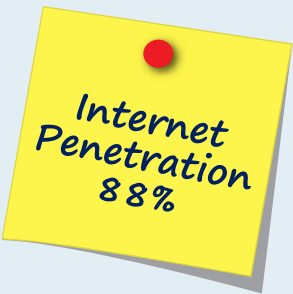
32.2 million people live in Northern Europe
29.2 million people use the Internet
18.7 million people are e-shoppers

€ 33.2 bn
 Turnover E-commerce Goods & Services



7.2% Estimated share of online goods in total retail of goods

Estimated 18 million social media users



National e-commerce Associations:

- D HANDEL** Norway
- FDIH** Denmark
- FINNISH COMMERCE FEDERATION** Finland
- VERKKOTEOLLISUUS** Finland

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<https://www.ecommerce-europe.eu/facts-figures/free-downloads>

Value of Finnish Retail Business is appr. 40 billion euro annually (online + offline,).

Verkkokauppa.com Oyj Q3 sales +19.3%

**Strong sales growth -
investing in future growth
while retail and more product
categories are going online**

Verkkokauppa
PROBABLY ALWAYS CHEAPER **.com**

Verkkokauppa.com Oyj Q3 sales +19.3%

- Revenue was 68.0 (57.0) million euros, growth +19%
- Gross profit was 9.9 million (8.8) million euros, growth +13%
- EBITDA was 1.89 (1.95) million euros, declined -3%
- Operating profit was 1.6 (1.7) million euros, declined -5%
- Operating profit was 2.4% of net sales (3.0%)
- Net profit was 1.4 million euros (1.1), growth +28%
- Earnings per share were 0.18 (0.20) euros
- Cash 28.5 million (10.8) million euros



Verkkokauppa.com's Q3/2014

Key ratios	7-9/2014	7-9/2013	1-9/2014	1-9/2013	1-12/2013
Revenue, € thousands	67,984	57,008	189,163	162,868	238,013
EBITDA, € thousands	1,888	1,946	5,443	4,005	7,526
EBITDA, %	2.8%	3.4%	2.9%	2.5%	3.2%
Operating profit, € thousands	1,642	1,729	4,734	3,344	6,640
Operating profit, % of revenue	2.4%	3.0%	2.5%	2.1%	2.8%
Net profit, € thousands	1,360	1,064	2,354	2,187	4,204
Equity ratio, %	48.4%	12.7%	48.4%	12.7%	14.6%
Equity ratio, % (including subordinate debt)	48.4%	22.0%	48.4%	22.0%	22.5%
Return on investment, %	33.1%	40.3%	33.1%	40.3%	48.3%
Net gearing, %	-76.3%	-58.8%	-76.3%	-58.8%	-196.9%
Earnings per share (EPS) revised by share split, €	0.18	0.20	0.34	0.42	0.80
Earnings per share (EPS) revised by share split (diluted)	0.18	0.17	0.33	0.34	0.65
Number of personnel* at end of period	490	421	490	421	446

*The number of personnel includes both full and part time employees

Verkkokauppa.com Q3/2014 main sales growth drivers

Q3 +19%

Capital efficiency
enabled by the leanest
operating model

LOW PRICES

"Probably always cheaper"

Price according with
slogan - regardless
of sales channel

WIDEST ASSORTMENT

Verkkokauppa
PROBABLY ALWAYS CHEAPER **.com**

BEST 24 H AVAILABILITY

Finland's best source for
product information,
including 120 000 reviews

TRANSPARENT AND CUSTOMER CENTRIC

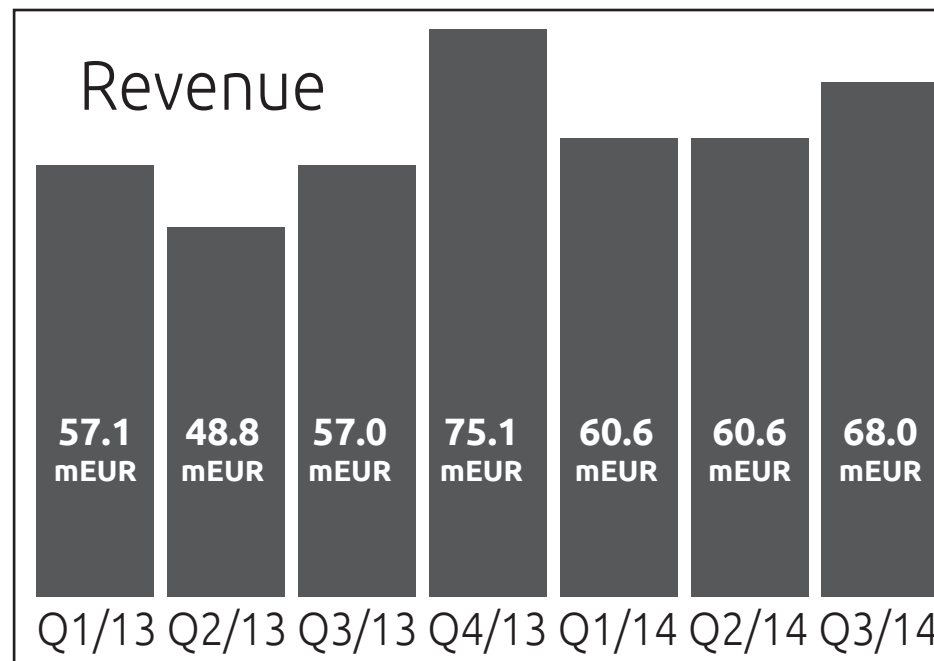
Customer lifetime value
maximisation - a happy
customer will return

Verkkokauppa.com Q3/2014 main sales growth drivers

Q3 +19%

- Digitalization / retail going online
- Phones, computers, consoles
- Bolder, growth oriented pricing
- 22 years of experience and visibility
- NASDAQ First North -publicity
- Brand marketing increased

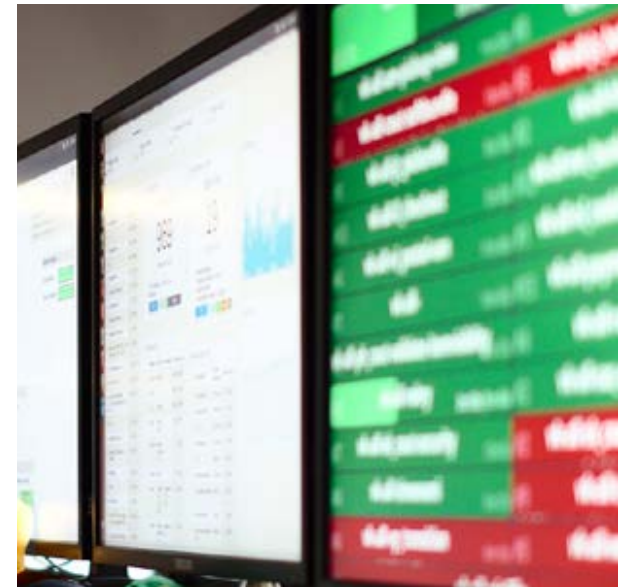
= once again, nearly all main categories had sales increase during Q3, without any new main categories being launched during this quarter.



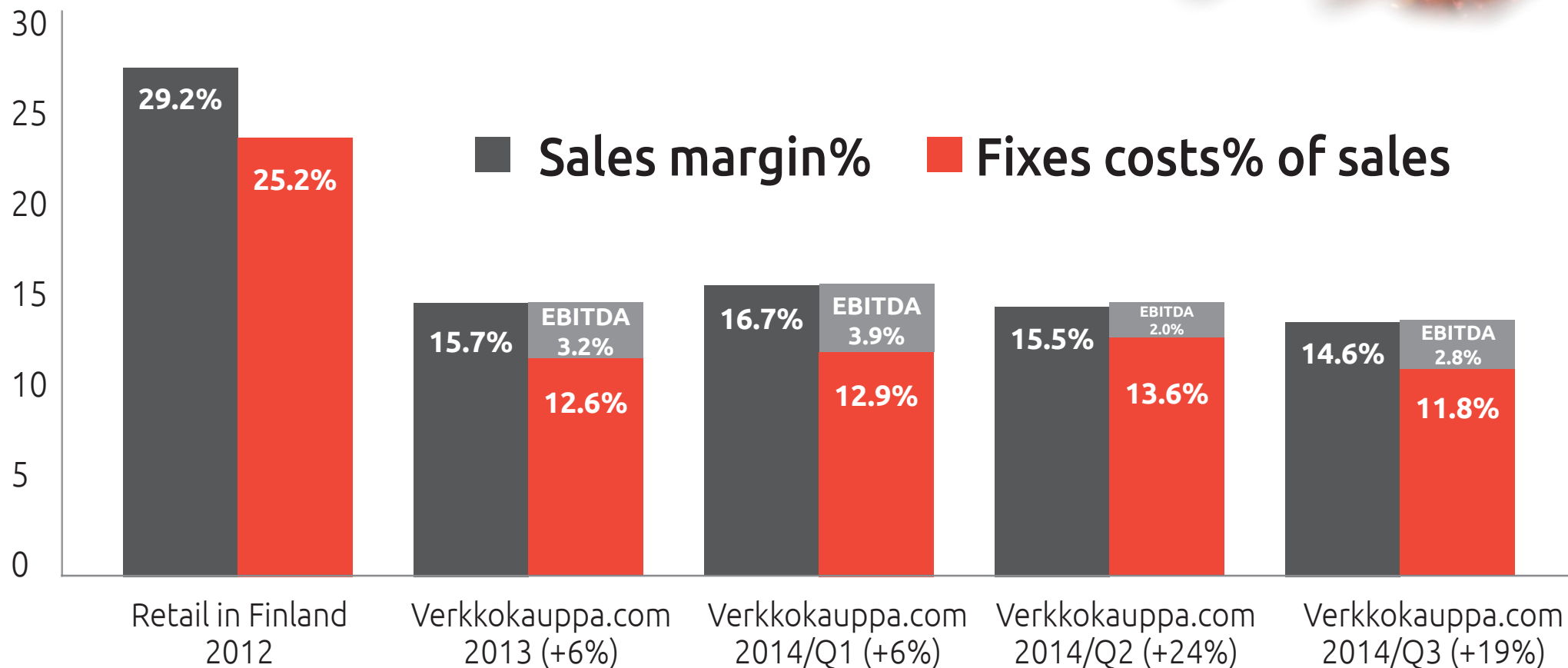
VERK
NASDAQ OMX
FIRST NORTH LISTED

Verkkokauppa.com's Q3/2014 fixed costs

- Fixed costs (other costs + personnel costs) increased +17% being 11.8% of revenue (12.1%)
- Company has hired new personnel for planning of new product categories and consumer financing services.
- Brand marketing has been increased.
- IT-development resources have been increased.
- Verkkokauppa.com has very low fixed costs% compared to other retailers (both online/offline competitors).

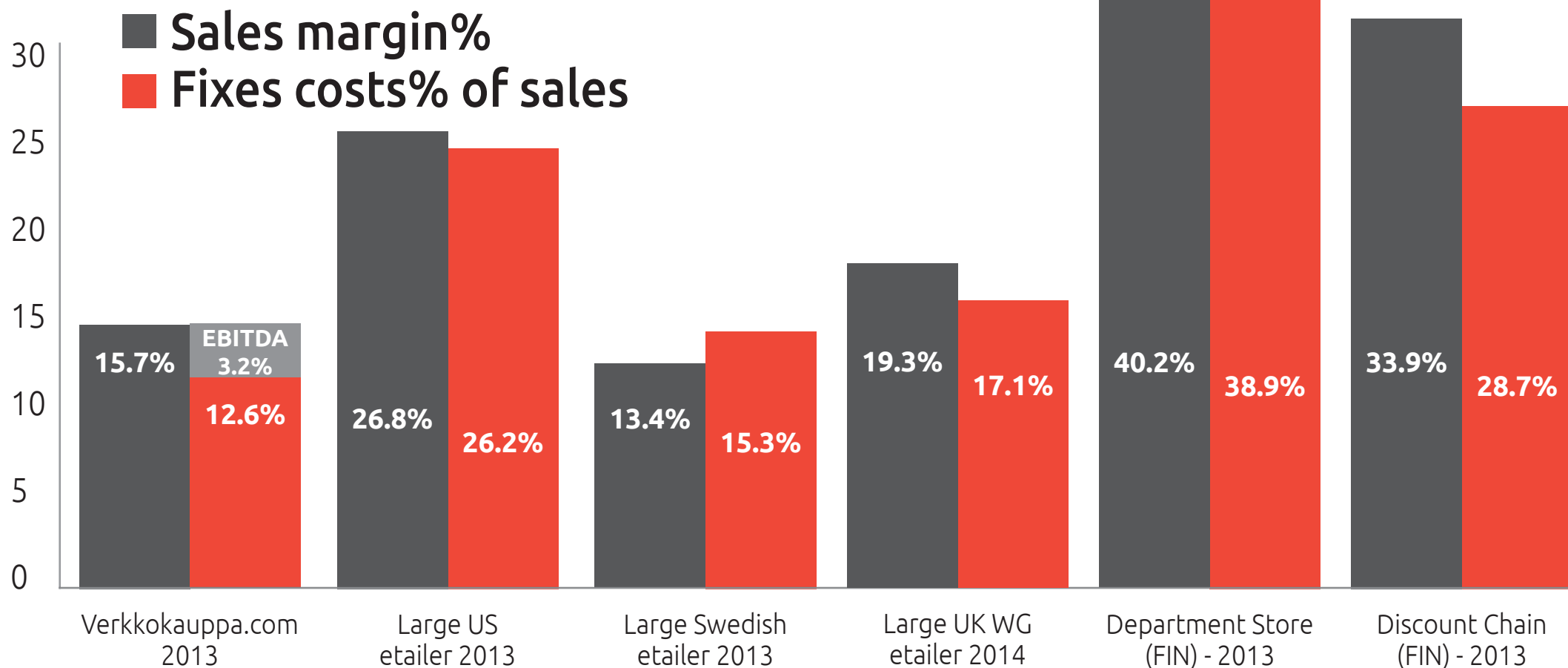


Verkkokauppa.com's sales margin and fixed costs



Sources: Statistics Finland, Soliditet, D&B, retail's annual statements statistics 2012. Numbers are presented as percentages of the total revenue (including sales and other revenue). Sales margin includes changes in the inventory and outside services.

Retailer/etailer sales margin and fixed costs comparison



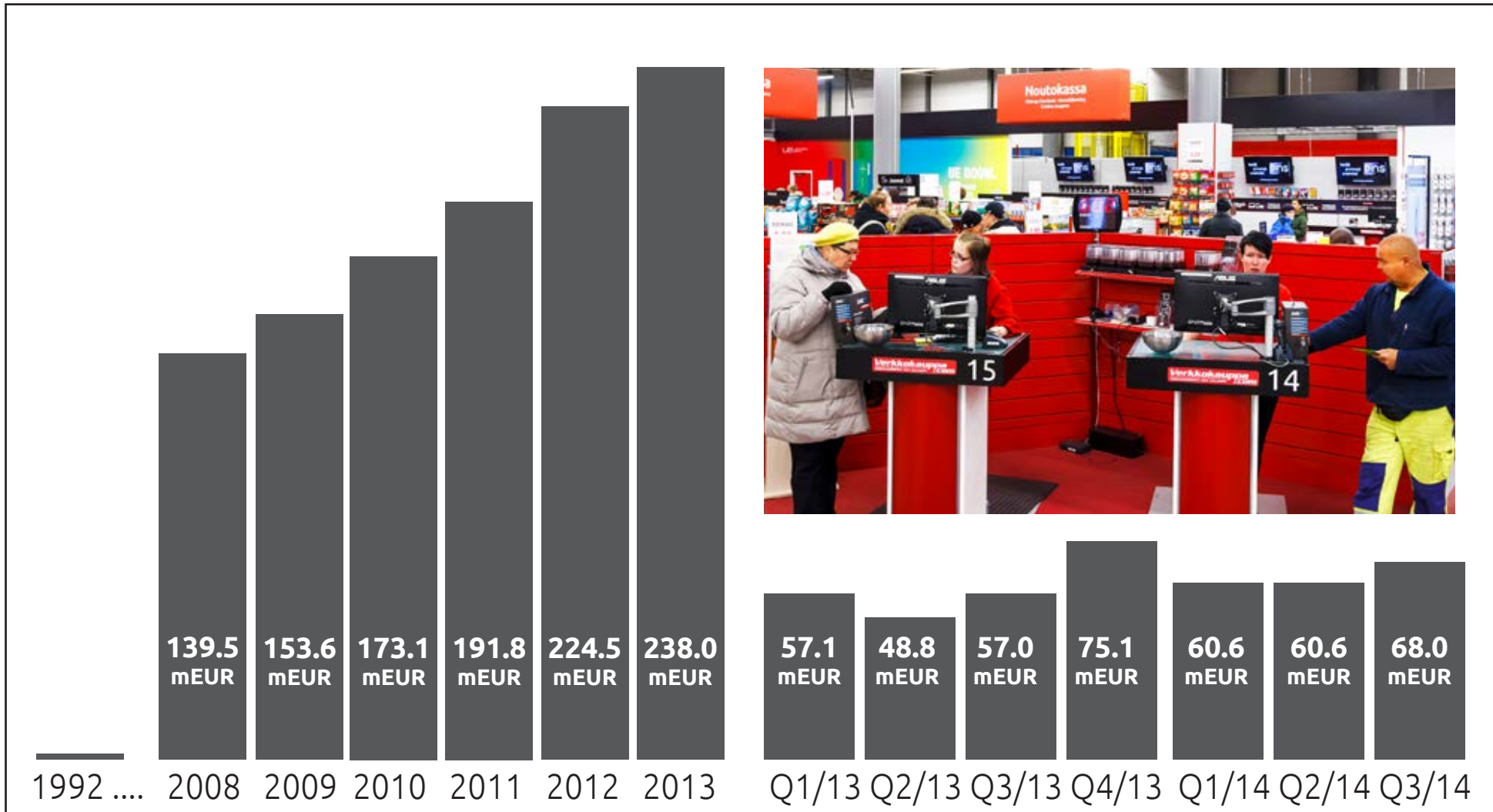
Sources: Statistics Finland, Soliditet, D&B, retail's annual statements statistics 2012. Numbers are presented as percentages of the total revenue (including sales and other revenue). Sales margin includes changes in the inventory and outside services.

Yes, but the foreign competition..

- Amazon, Zalando, CDON, Thomann, eBay, DealExtreme, Lekmer ..
- most of the large international retailers are already in Finland!
- Our very competitive cost level compared any other retailer or e-tailer
- Q3/2014 fixed costs was 11.8% of revenue (12.1%)
- Over 50 000 articles from 22 different main categories (and new categories in the pipeline) - creates stability and safety for our business
- It becomes more expensive every day to enter the Finnish market and Verkkokauppa.com has superior conspicuousness in Finland - we are the most known, most visited and most trusted Finnish online retailer
- Other barriers of entry are logistics, language, Finnish and EU-approvals.



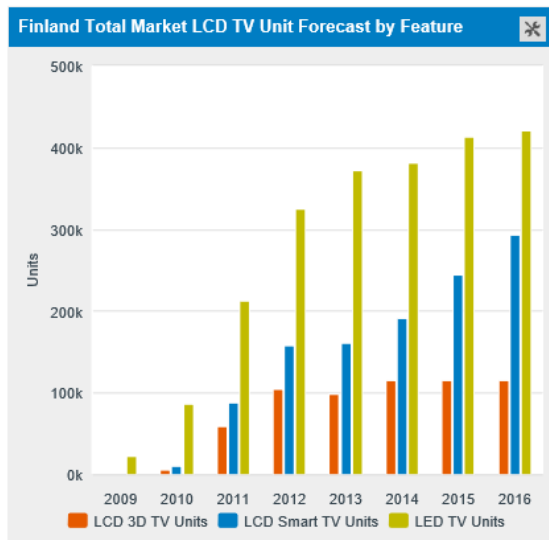
Verkkokauppa.com's revenue development



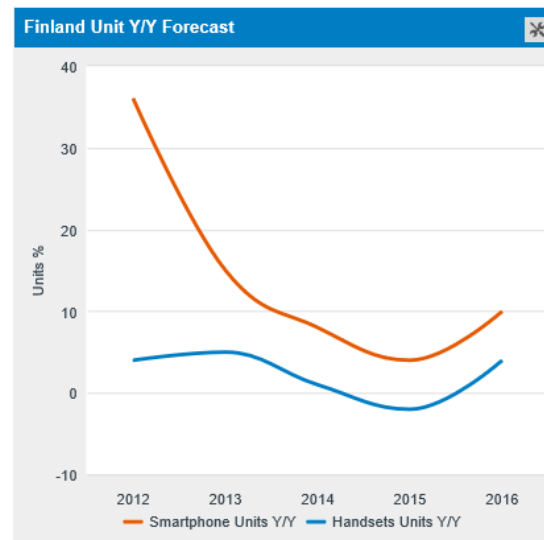
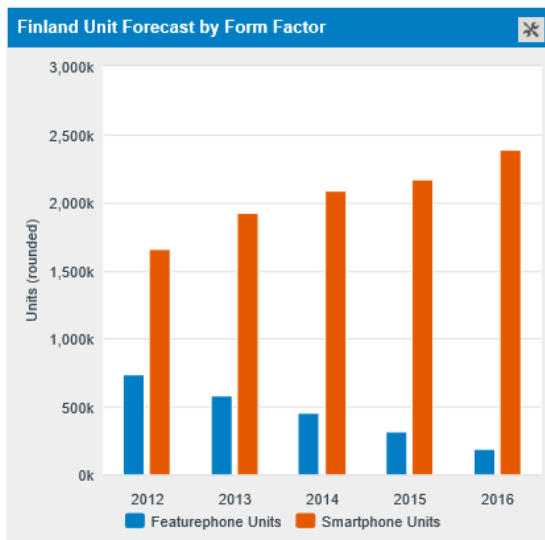
GfK Demand Projector forecasts for Finland

GfK forecasts steady sales in consumer electronics in Finland.

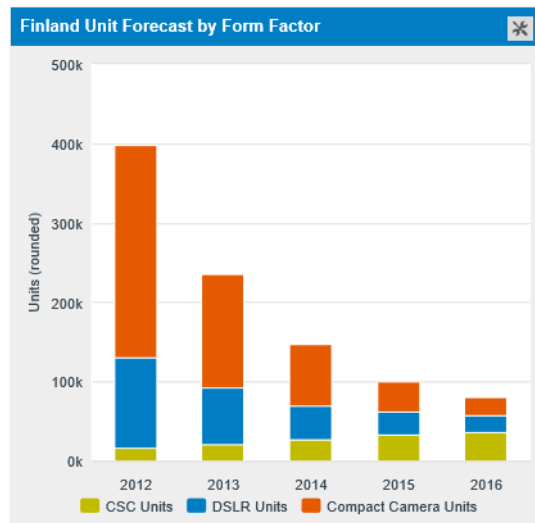
TVs



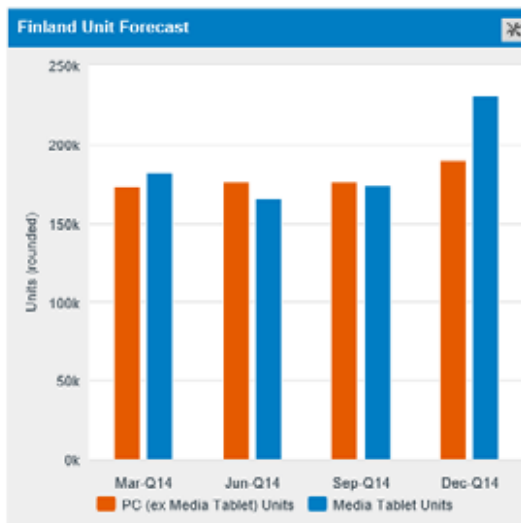
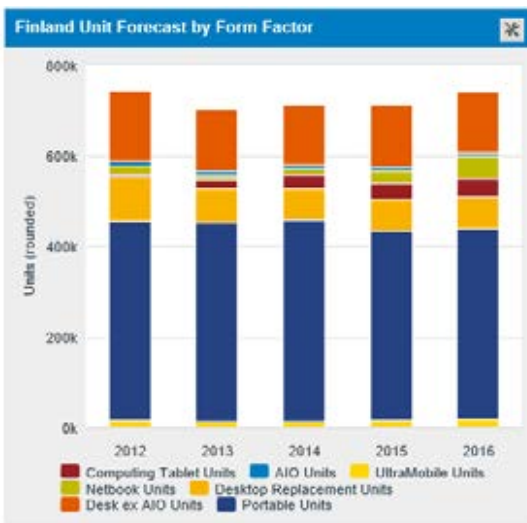
Mobile Phones



Cameras



PCs and tablets



Source: GfK

Ecommerce Europe Sales Growth% Overview

- Finland's lower e-Commerce growth/ share% offers more future opportunities for online retailers.
- Finland's share 4% (TNS) or 9% (EE), Sweden 6% (EE or HUI), USA 8-13% and UK 14%.
- Reliable e-Commerce share% are hard to find/ not always comparable.

Countries	2010	2011	2012	2013	2014(f)
Russia	29.7%	29.2%	32.7%	50.5%	16.1%
Ukraine	88.1%	45.3%	47.1%	48.0%	21.6%
Turkey	N/A	57.4%	35.9%	35.0%	12.3%
Romania	30.7%	41.2%	33.3%	30.0%	15.4%
Germany	17.3%	16.7%	21.7%	26.8%	20.6%
Greece	50.0%	50.0%	42.2%	25.0%	18.8%
Poland	24.2%	33.3%	24.9%	24.9%	19.0%
Baltic States	32.1%	36.1%	26.1%	23.3%	13.4%
Ireland	24.6%	25.1%	25.0%	21.1%	15.0%
CZ Republic	27.8%	15.3%	19.6%	20.0%	13.4%
Hungary	30.9%	9.9%	35.5%	20.0%	17.3%
Sweden	13.6%	12.0%	12.5%	19.4%	8.1%
Italy	17.4%	19.2%	18.4%	17.8%	18.2%
Belgium	13.0%	25.0%	38.3%	16.5%	15.0%
Denmark	25.0%	15.0%	18.9%	14.0%	10.9%
France	24.0%	21.6%	19.4%	13.6%	12.5%
Portugal	13.3%	17.7%	15.0%	13.0%	13.0%
Switzerland	23.8%	14.5%	15.5%	12.1%	10.8%
Austria	30.0%	29.2%	16.6%	11.9%	8.2%
United Kingdom	18.0%	15.9%	14.3%	11.4%	18.8%
Spain	17.4%	19.8%	18.8%	11.1%	16.8%
Norway	7.1%	7.2%	9.8%	9.7%	14.0%
Netherlands	10.7%	9.3%	8.6%	8.5%	9.5%
Finland	10.1%	17.5%	2.2%	5.9%	6.1%



e-Commerce Turn Over and Growth Northern Europe

NORTHERN EUROPEAN E-COMMERCE TURNOVER, 2010 - 2014

Countries	2010	2011	Growth	2012	Growth	2013	Growth	2014 (f)	Growth
Denmark	€5,374mn	€6,180mn	15.0%	€7,348mn	18.9%	€8,383mn	14.1%	€9,300mn	10.9%
Estonia	€50mn	€70mn	50.0%	€100mn	33.3%	€130mn	30.0%	€150mn	15.4%
Finland	€5,107mn	€6,000bn	17.5%	€6,135mn	2.2%	€6,638mn	4.1%	€6,900mn	6.1%
Iceland	€120mn	€160mn	33.3%	€200mn	25.0%	€230mn	15.0%	€250mn	8.7%
Latvia	€90mn	€120mn	33.3%	€150mn	25.0%	€180mn	20.0%	€200mn	11.1%
Lithuania	€200mn	€250mn	25.0%	€300mn	20.0%	€360mn	20.0%	€410mn	13.9%
Norway	€6,956mn	€7,455mn	7.2%	€8,185mn	9.8%	€8,979mn	9.7%	€10,248mn	14.1%
Sweden	€5,744mn	€6,434mn	12.0%	€7,238mn	12.5%	€8,622mn	19.4%	€9,300mn	8.1%
Total	€23,641mn	€26,690mn	12.9%	€29,656mn	11.1%	€33,270mn	12.1%	€36,852mn	10.7%

Source: Ecommerce Europe, 2014

- Finland's low e-Commerce turnover increase% indicated also low e-Commerce share%. Value of Finnish Retail Business is appr. 40 billion euro annually (online + offline, Statistics Finland).
- Google and O&C forecasts that worldwide online sales will multiple five times by year 2020.

Logistics developments

- Special focus on developing logistics for the needs of future growth.
- New feature of picking from store shelves for mail order customers now in place (in certain cases).
- Planning direct deliveries from factories, importers, farms and producers to end customers.
- Logistics needs to be flexible, owning or building large warehouse buildings are not in our focus.
- We'll take part in "Bunkkeri" -logistics building's design competition (adjacent to our Helsinki store)



New categories planned for introduction in 2015

- “Probably always cheaper prices”, efficient logistics and leading low fixed costs base are the foundation for our plans for introducing new product categories during 2015.
- New food and drink and do-it-yourself (hardware store) purchasing teams have been established and key personnel hired. First launch planned to be baby products, baby food and durable goods.
- New categories will not have significant short term impact on sales or profitability.
- Looking also for stronger sales growth in our own brands and products (private labels) - typically offering better sales margin.
- Own customer financing services are still being developed.



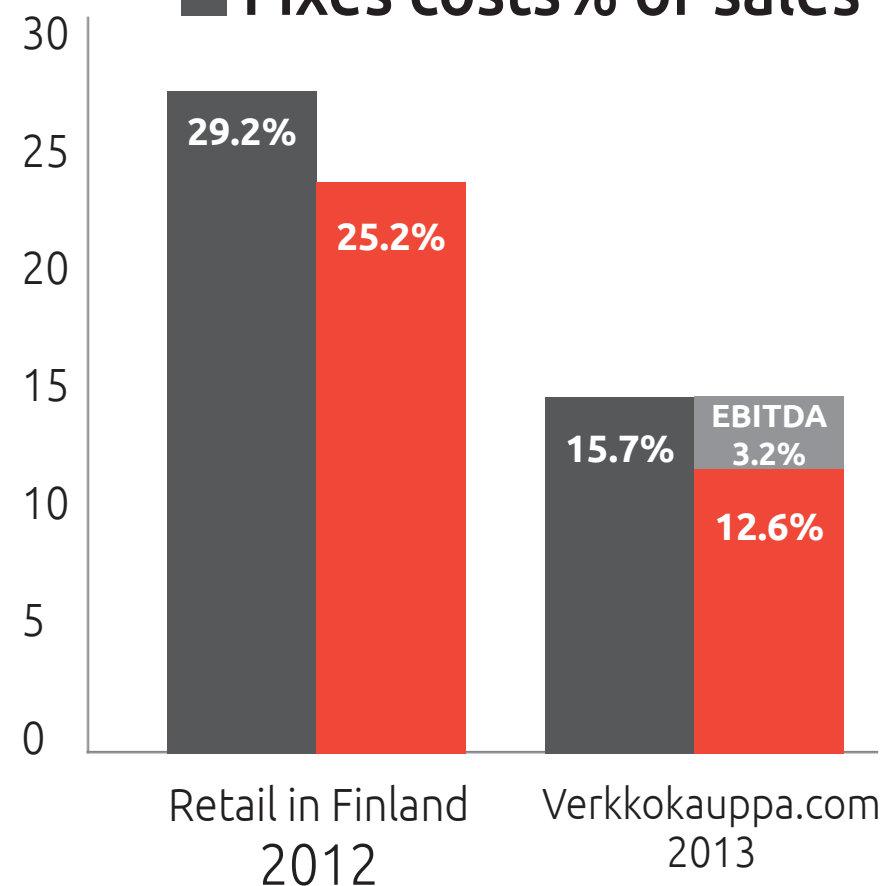
Industry average product margins

- A-Brand Finnish Coffee -5%
- Protein Bars 30%
- Spices / Salt / Pepper 50%

- Tablet Computer 10%
- Mobile Phone 5%
- Television 15%

- A-brand Washing Machine 25%
- Private Label Cable 50%
- Hammers and Drills 25%

■ Sales margin%
■ Fixes costs% of sales



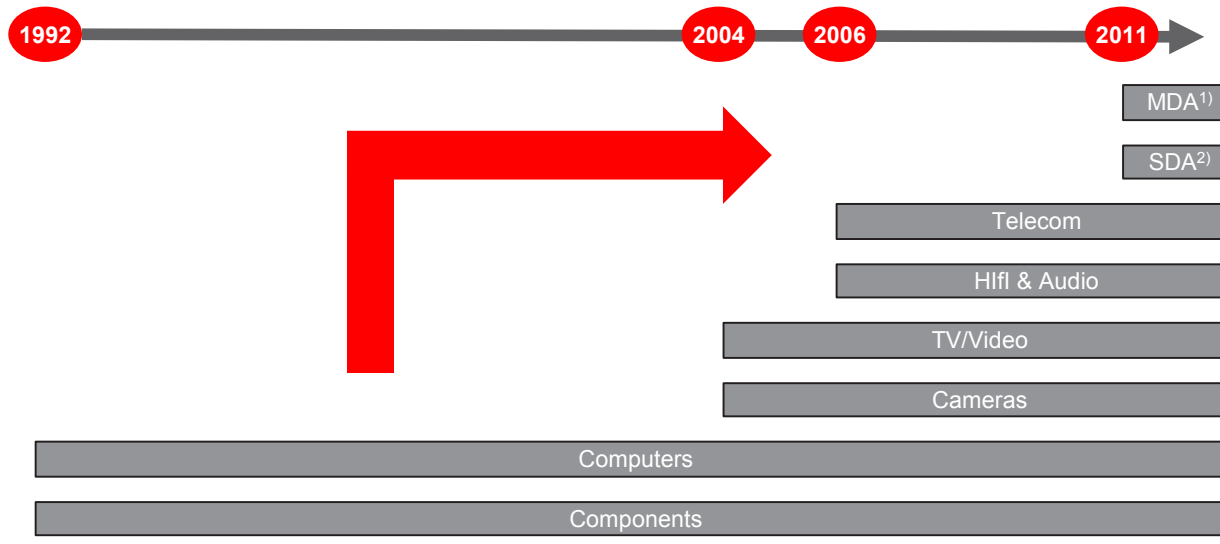
- > Change in our product sales mix has an effect in sales margin%.
- > Financing Services typically increase sales margin% by 3-6%

New product categories

Verkkokauppa.com has continuously expanded into new categories – consistent track record of approx. 1pp market share gain per category per year

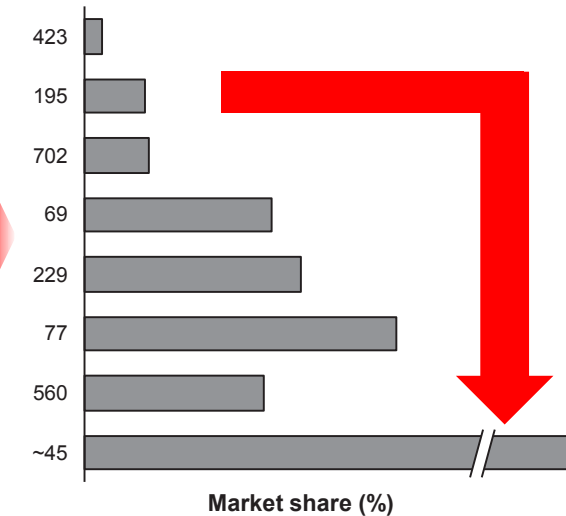
Verkkokauppa.com's multichannel platform enables it to offer an ever widening assortment in a cost and working capital efficient manner...

Verkkokauppa.com's largest selected categories in assortment



...over time leading to market share gain

Finnish market size and share 2013 (EURm)



Key takeaways

- Verkkokauppa.com's potent business model has enabled it to attain sizeable market shares in some of the most competitive categories in retail e.g. computers, telecom, TV/video, cameras, etc.
 - Success in the toughest categories is being replicated in other categories
- Verkkokauppa.com has been able to reach an approx. 1pp. market share gain each year that the current categories have existed
 - ~5% market share in 5 years, ~10% in 10 years

Attractive category maturity profile with higher margin categories set to increase market share

1) MDA = Major domestic appliances
2) SDA = Small domestic appliances

Note: market size includes sales tax (according to Kotek), Components market size is management estimate
Source: Company information, Kotek, management estimates

Online Grocery Business

Google search for "+online grocery" + "makes profit". Results include:

- Ocado makes profit in its first half as sales and EBITDA soar ...**
www.retail-week.com/sectors/food/...makes-profit.../5061756.article
Jul 1, 2014 - Ocado makes profit in its first half as sales and EBITDA soar ... Ocado has been rolling out Morrisons' online grocery service after they signed a ...
- Ocado makes first quarterly profit as it bids to grow range ...**
www.retail-week.com/city-and-finance/ocado.../5021968.article
Feb 4, 2011 - According to food industry body IGD, the online grocery market is expected to grow to nearly ... Ocado makes profit in its first half as sales and EBITDA soar.
- Online grocery to help entrepreneurs reach out to buyers ...**
retail.economictimes.indiatimes.com > E-commerce > E-tailing
Jul 7, 2014 - Online grocery to help entrepreneurs reach out to buyers ... space · Alibaba makes profit in India; Flipkart continues to be in the red ...
- Starting a Grocery Store Business - Innovative Business ...**
www.startupbizhub.com/Starting-a-Grocery-Store-Business.htm
Ever dreamt of having your own grocery store business? Do you ever wonder what it takes to run your own grocery store business? Learn the ABC

Supermarket giants 'lose £100million a year from online delivery services': Cost of delivery means they are effectively paying customers to shop with them

- Customers pay £3 for delivery but price to shops is actually £20
- Double loss for supermarkets when customer decides to shop online
- Retailer incurs extra costs for packing the products, paying transportation costs, wages, fuel and for the cost of the vehicle

By NIKKI MURFITT FOR MAILONLINE

PUBLISHED: 01:00 GMT, 27 July 2014 | UPDATED: 07:57 GMT, 27 July 2014



154 shares

204 View comments

Supermarkets losing £100million a year propping up their online delivery services.

Experts say that while supermarkets often charge £3 or £4 for each home delivery, the actual cost to them is £20. As a result, they are effectively paying customers to shop with them.

Retail analyst Dave McCarthy said: 'The transition from in-store retailing to online retailing in the grocery market is losing the industry £100million profit per annum.'

RetailWeek
George MacDonald
Tesco's Lewis must be allowed time to succeed

Home > Sectors > Food

Tesco reveals online grocery profits as it builds multichannel offer

23 February, 2014 | By Alex Lawson

Tesco has revealed it made £127m of trading profit in its UK online grocery arm last year, lifting a shadowy veil from one of the biggest unanswered questions in grocery.

Tesco's 17-year-old online grocery business makes the profit on £2.5bn of sales a year. Many in the grocery industry, including Ocado boss Tim Steiner, have called for the major grocers to split out the sales and profits of the online food arms amid questions over their profitability.

Tesco said it will focus on making individual customers profitable in all channels rather than focusing on any single channel's profitability, multichannel boss Robin Terrell said.

The retailer is to step up activity in broadening its multichannel offer with the introduction of a free click-and-collect service for food and non-food and dropping the price of grocery home delivery later this year. It also plans to introduce a digital wallet, digital Clubcard vouchers, electronic receipts and more.

Share this article

Related Articles

In quotes: Tesco chiefs on the grocer's accelerated turnaround plan
26 February 2014

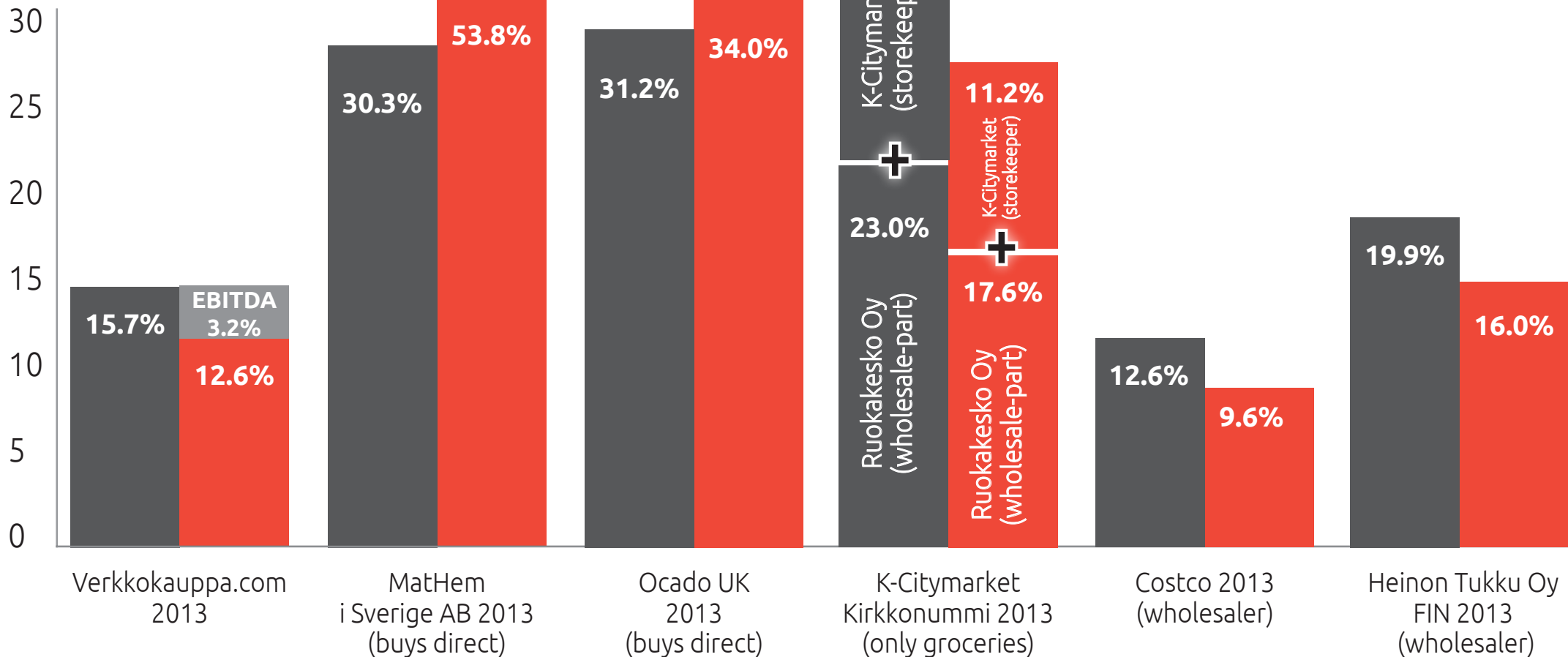
Analysis: Retailers draw the battle lines in the grocery price war



- Where are the profits?
- Why so high fixed costs%?
- Why the average product price is so low?
- Your prices are not very competitive?

Online Grocery Business

■ Sales margin%
■ Fixes costs% of sales



Sources: Statistics Finland, Soliditet, D&B, retail's annual statements statistics 2012 and company's own estimates. Numbers are presented as percentages of the total revenue (including sales and other revenue). Sales margin includes changes in the inventory and outside services.

Bigger packs Bigger savings Every day



CITTI **COSTCO**
WHOLESALE



Verkkokauppa
PROBABLY ALWAYS CHEAPER **.com**

Savings Made Simple

Direct from the farm With bigger **savings**



Verkkokauppa
PROBABLY ALWAYS CHEAPER **.com**

Mobile and tablet friendly website



Beta version of new mobile friendlier website now launched at m.verkkokauppa.com (or m.verk.com)

Ecommerce Europe: "One in ten Finnish consumers have shopped using mobile device."

Near future projects

- Company keeps on developing services, where we focus on increasing traffic to our website (+ mobile website).
- There're lot of visitors who are not (yet) buying online, but only searching for product information and doing price comparisons. **Lot of used products are also sold online.**
- Company sees that instead of opening new stores, there is more need for new types of flexible logistics services, customer financing and other every day consumer services.
- Our own IT-system PRIVATE and IT-development department are in a key role when developing new consumer services. New recruitments to be done also in IT-department.



Medium-term targets

The company retains its existing targets:

- The company strives to grow faster than its operating market and targets an annual revenue growth of over 10 per cent in the medium-term.
- The company's objective is to improve its EBITDA margin in the medium-term compared to the level in 2013.
- The company strives to secure a sufficient equity ratio to finance growth of its business and targets to maintain an equity ratio of over 25 per cent taking into consideration the nature and seasonality of the company's business.



Verkkokauppa.com's Christmas sales was launched with our very own 30-door "+20% better November Chocolate Calendar" on 1.11.



Samuli Seppälä's ownership

49.9%

Why invest to Verkkokauppa.com?

- Verkkokauppa.com is profitable and operates much lower fixed costs compared to other e-tailers and especially traditional retailers.
- Verkkokauppa.com is Finland's most known and largest online retailer, that is listed at NASDAQ. Company sees multitude of opportunities within Finnish retail market alone that is valued at 40 billion euro.
- Verkkokauppa.com is capable of competing against all other e-tailers and retailers using its lower fixed cost percentage, wide product selection under 22 different categories and Finland's best conspicuousness.
- Samuli Seppälä (CEO) owns 49.9% of the company.



Q&A

Upcoming events:

- Financial year 2014 release on Friday 13 February 2015
- Q1/2015 Friday 24 April 2015
- Q2/2015 Friday 7 August 2015
- Q3/2015 October 23 2015

- Company Releases mailing list in English - www.verkkokauppa.com/fi/investors/company-releases#investors-subscription

Contacts:

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Thank you!

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