

Verkkokauppa.com Oyj – January-June 2023 Half-year Report
**Solid implementation of profit
improvement program continued**

20 July 2023 | Panu Porkka, CEO | Verkkokauppa.com Oyj

H1 2023 results

- › Market development
- › Q2 & H1 2023 performance
- › Strategy execution
- › Market outlook and guidance
- › Key takeaways



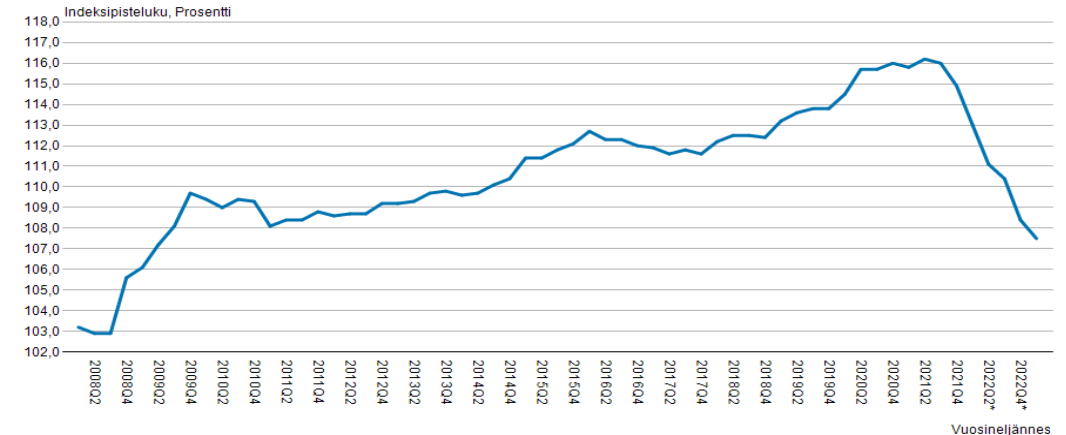
Market development



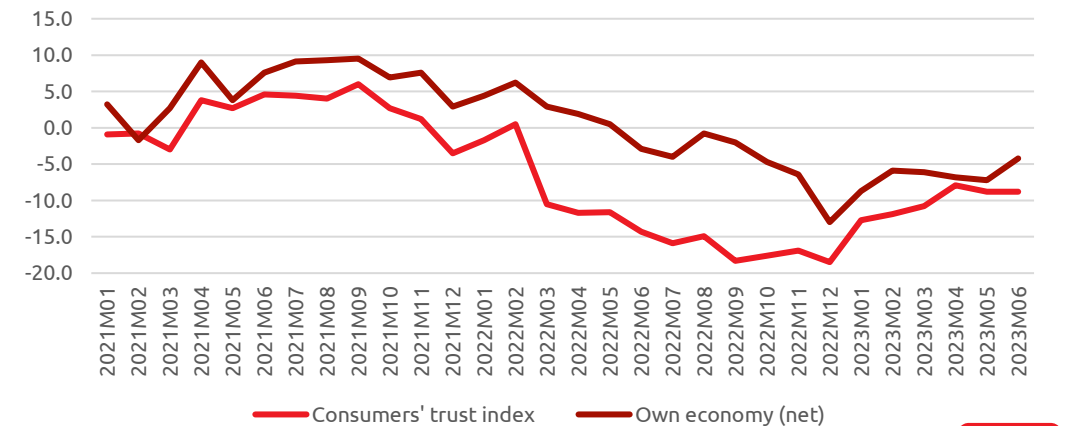
Consumer confidence unchanged during June

- The salary index collapsed, biggest fall since 70's energy crisis
- Consumers' expectations concerning economics were roughly unchanged in June. Intentions to spend money on durable goods weakened slightly compared to May
- Inflation remained unchanged and high. Prices have risen by 7.7% from June last year
- The competitive environment in April-June got tougher and price competition intensified
- Consumers were more price-conscious in their purchasing decisions, also during season sales
- Tighter financing conditions will dampen growth in the euro area economy this year and in 2024, says the Bank of Finland
- The economy's long-term challenges are acute - Inflation which is high and difficult to forecast is detrimental to growth in the economy

Index of wage and salary earnings*



Consumers' economic outlook 2021-2023YTD

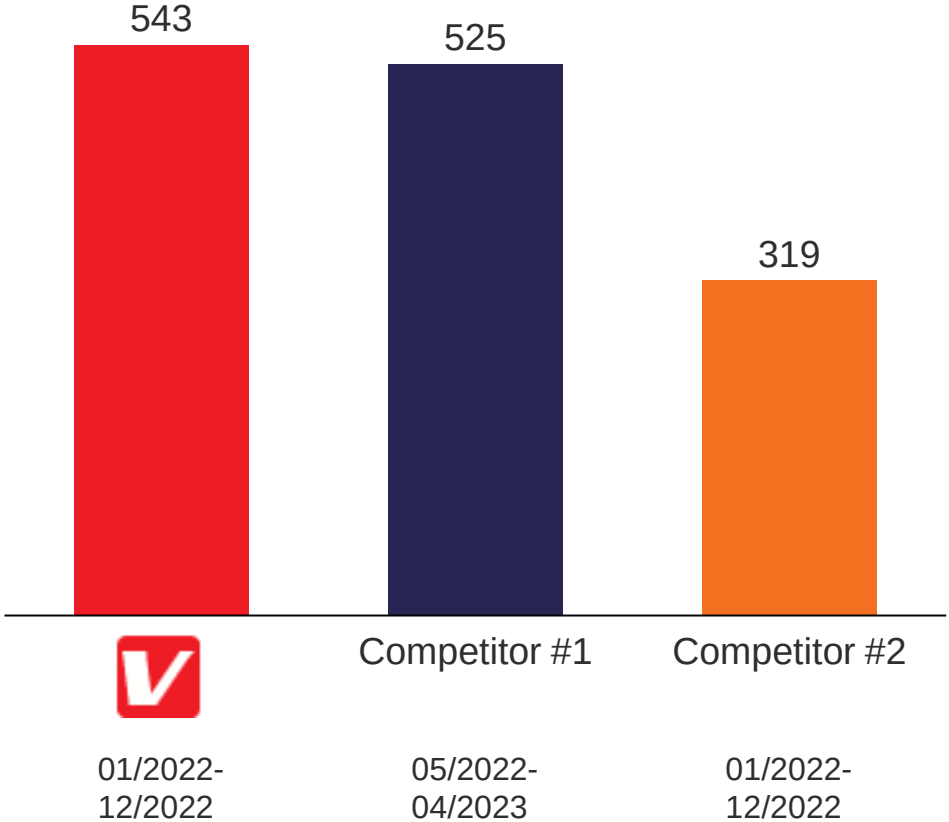


* Index of regular earnings and index of real wage and salary earnings by employer by quarter. All sectors, all employees



In a challenging market, Verkkokauppa.com has become the leader in Finnish consumer electronics retail

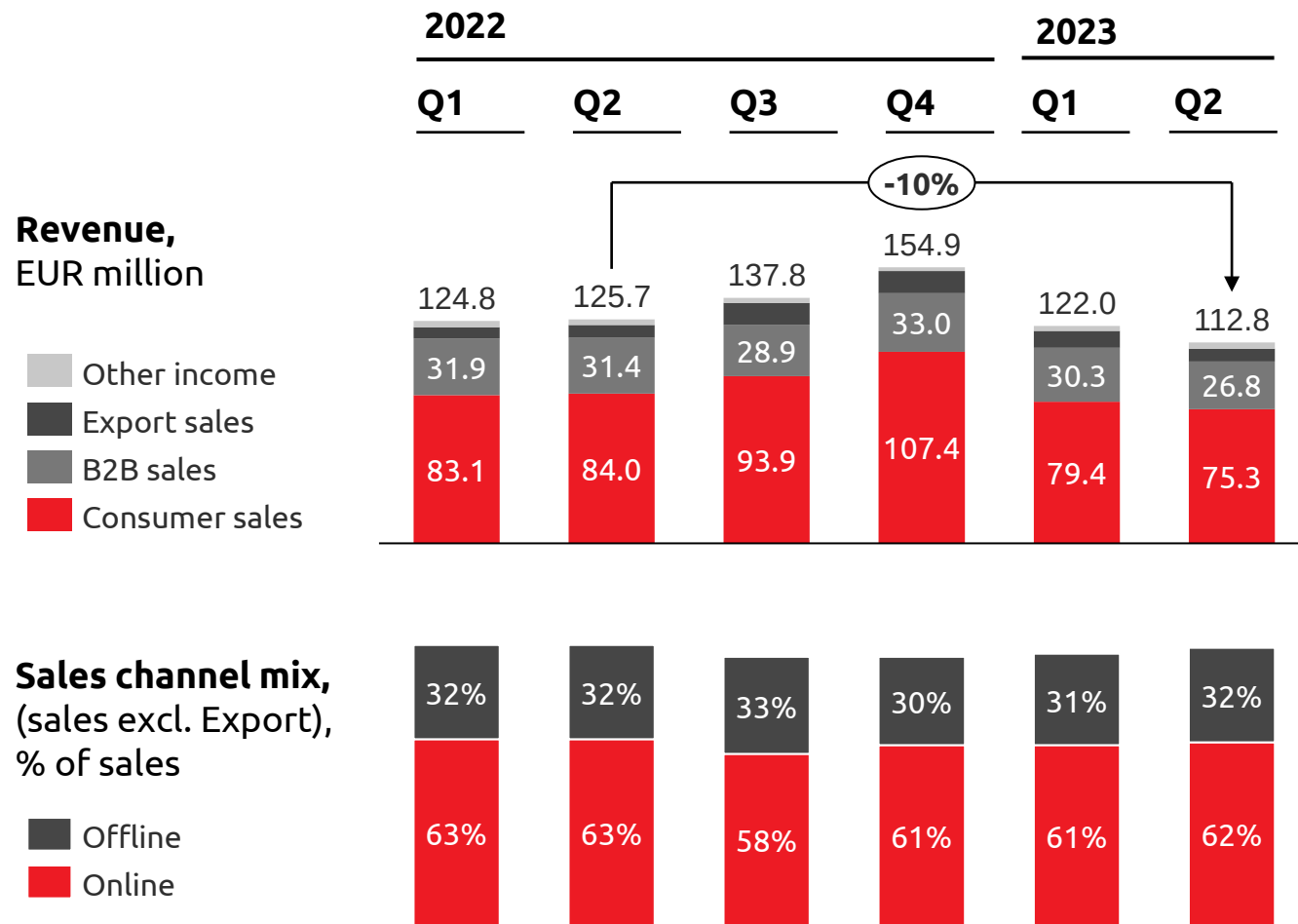
Revenue, latest published fiscal year, million EUR



Q2 & H1 2023 performance



The economic downturn continued to impact demand in all customer segments



Q2/2023 development

Group revenue declined by 10.2% YoY and was EUR 112.8 million (125.7)

Customer segments

- › Consumer segment declined by 10.3%
- › Corporate sales declined by 14.8%
- › Export business was in line with PY, its share of total sales was 7%

Sales channels

- › Online sales declined by 9.9%
- › Website visits declined by 17.5%

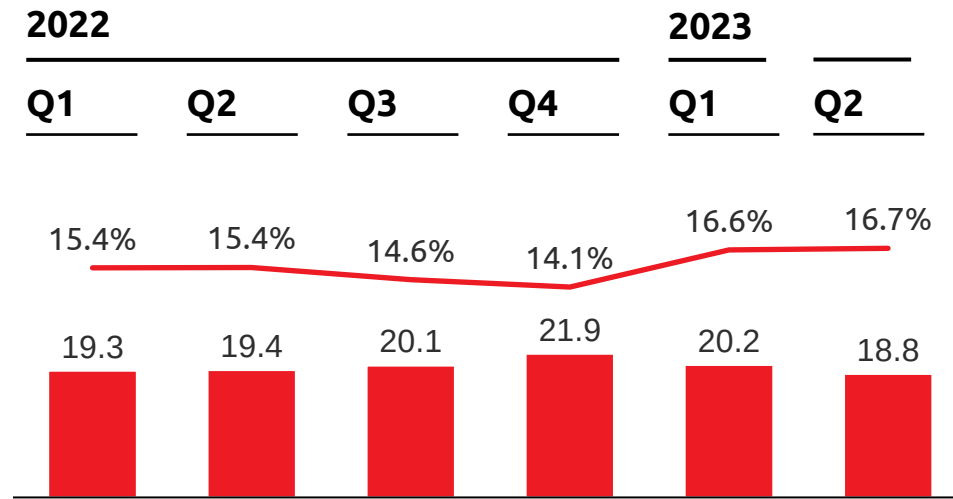
Categories

- › Core categories sales declined by 10.0%, with positive performance in small domestic appliances and gaming
- › Sales in the evolving product categories declined by 16.0%. Well-performing categories were sports and travelling
- › Private Label sales increased by 36%



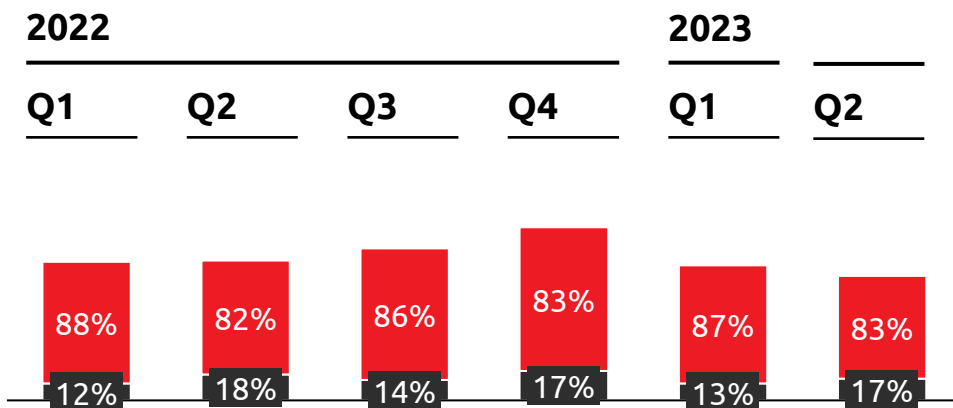
Solid gross margin driven by price and campaign optimization

Gross profit and margin, EUR million and % of revenue



Product mix, % of sales

■ Core categories
■ Evolving categories



Q2/2023 development

Gross profit totaled EUR 18.8 million (19.4) and 16.7% of revenue (15.4%)

- › Gross margin improved due to optimized campaigning and pricing
- › Successful assortment optimization
- › Product mix remained largely unchanged, and margin improvements were executed across the portfolio
- › Positive impact from Private Label sales during the reporting period



Clear profit improvement driven by numerous measures implemented within the profit improvement program

EUR million	Q2/2023	Q2/2022	Change	FY2022
Revenue	112.8	125.7	-10.2%	543.1
Gross profit	18.8	19.4	-0.5 MEUR	80.6
Personnel costs	8.3	10.0	-16.7%	40.2
Other operating expenses	8.3	9.1	-8.7%	33.4
Operating profit	0.8	-0.9	1.7 MEUR	2.3
Comparable operating profit	1.0	-0.2	1.1 MEUR	3.5
Net profit	0.2	-1.1	1.2 MEUR	0.3

EUR million	Q2/2023	Q2/2022	FY2022
Gross margin	16.7%	15.4%	14.8%
Operating margin	0.7%	-0.7%	0.4%
Comparable operating margin	0.8%	-0.2%	0.6%

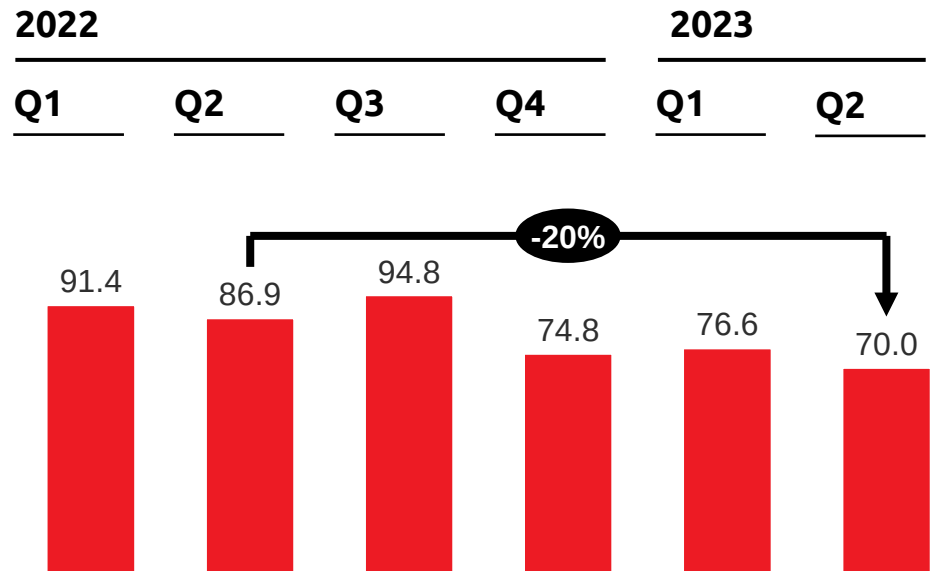
Q2/2023 development

- › Decline in personnel costs was mainly a result of the change negotiations carried out in the spring and the successful adaption of store and logistics personnel to quieter demand
- › As a result of profit improvement program measures, other operating expenses declined by 8.7%
- › With inventory optimization, the costs from the external warehouse declined

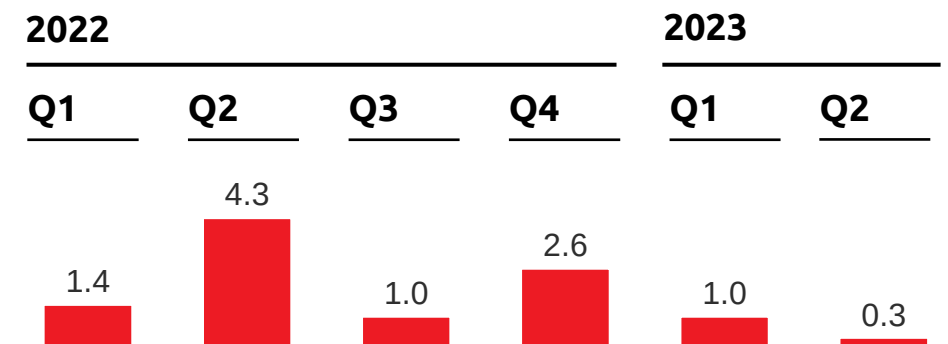


Successful supply chain optimization

Inventories,
EUR million



Investments,
EUR million



Balance sheet & Cash flow on 30 June 2023

- › Group inventory declined by -20% YoY and was EUR 70.0 million (86.9)
- › Investments during H1 were EUR 1.3 million (5.7). The main investments were the website renewal and development related to business analytics
- › H1 Cash flow from operating activities was EUR -0.4 million (-16.5), mainly impacted by the positive development of EBITDA and working capital
- › Cash at hand was EUR 15.5 million (15.9)
- › Equity ratio at the end of June was 16.5% (18.2%)
- › At the end of June, the group had a total of EUR 22.6 million in loans from financial institutions (25.0)



H1/2023 financial highlights



Revenue

EUR 234.8 million
-6.2% vs. H1/2022



Gross profit

EUR 39.1 million
(H1/22: EUR 38.6 million)

Gross margin

16.6%
(H1/22: 15.4%)



Comparable EBIT

EUR 2.3 million
(H1/22: EUR 0.7 million)

H1/23: The items impacting comparability include EUR 1.2 million restructuring costs
(H1/22: The items impacting comparability include EUR 0.9 million costs related to e-ville acquisition)



Operating Cash flow

EUR -0.4 million
(H1/22: EUR -16.5 million)



Strategy execution

Profitability improvement program on track

Profitability improvement program:
capture full potential of core business

Operational performance & cost savings

1. Lean supply chain and inventory
2. Indirect spend reduction
3. Marketing mix optimization
4. Efficiencies across business operations

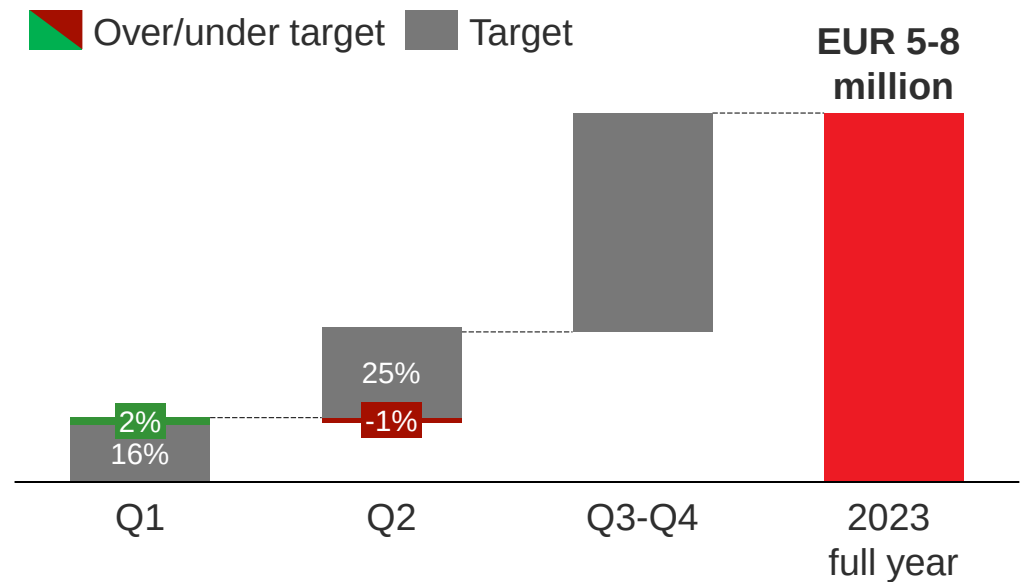
Commercial excellence

4. Assortment optimization
5. Dynamic pricing
6. Efficient customer acquisition, conversion, and retention

**Profit improvement of EUR 10 million per annum,
of which EUR 5-8 million realized in 2023**



Q1-Q2: On track against plan quarterly estimate of impact timing





During H1/2023, company has managed to capture the planned profitability improvements. During second half of the year, we expect to see more gains from commercial actions, while most of the cost savings are already 'banked'.





Q2/2023 highlights in new strategic capabilities

Highlights to follow

-  **Assortment**
 - ▶ First batch of SKUs are priced automatically with dynamic pricing solution
 - ▶ Product assortment has been streamlined to approx. 70,000 SKUs and >90% of delisted stock has been sold out through H1/2023 efforts

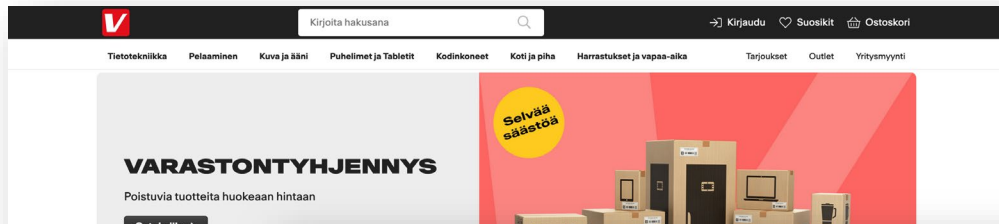
-  **Experience**
 - ▶ **Inspirational Online Experience: home page and navigation were upgraded successfully**
 - ▶ **One-hour express home deliveries expanded to cover >600k residents in the capital area**

-  **Speed & Flexibility**
 - ▶ End-to-end logistics processes improved significantly, leading to approximately 24h reduction in overall customer delivery times
 - ▶ Against inflation in cost base, managed to decrease overall logistics spend by >20% (YTD vs. 2022)

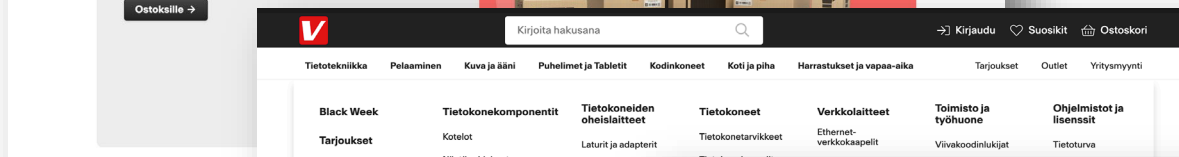
-  **Trust**
 - ▶ Despite moderate marketing spend, brand performed well compared to competition
 - ▶ New marketing concepts finalized and launched



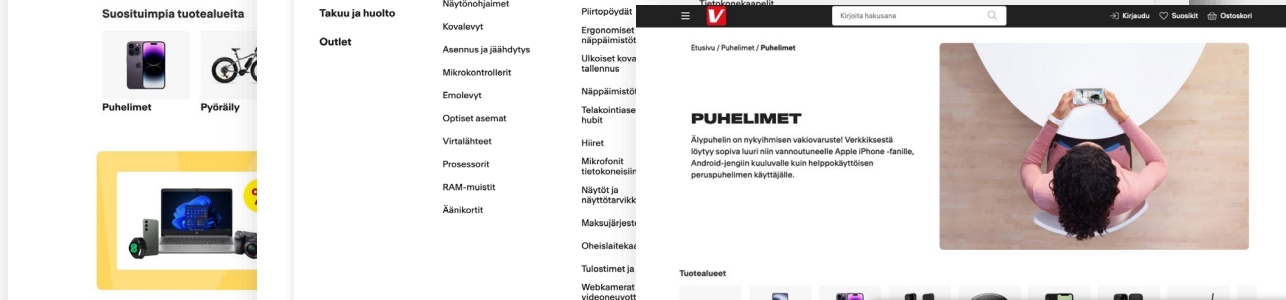
Shopping experience taking leaps forward with our online site renewal



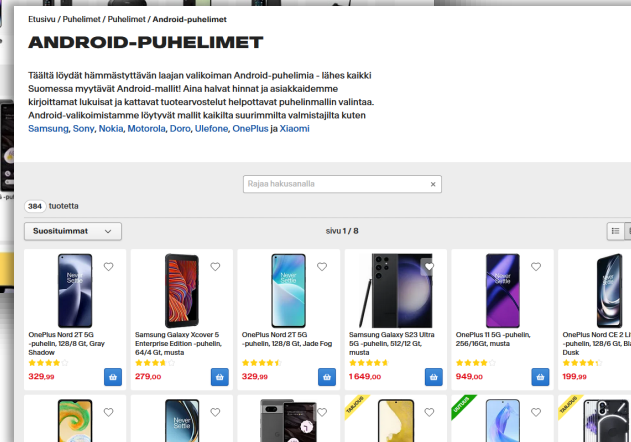
New home page, with personalized recommendations (categories and products)



Upgraded category listing supporting ease of use



Visual category pages offering relevant information and inspiration for shopping



Dynamic product listings to show relevant products and simplified layout to improve product comparison

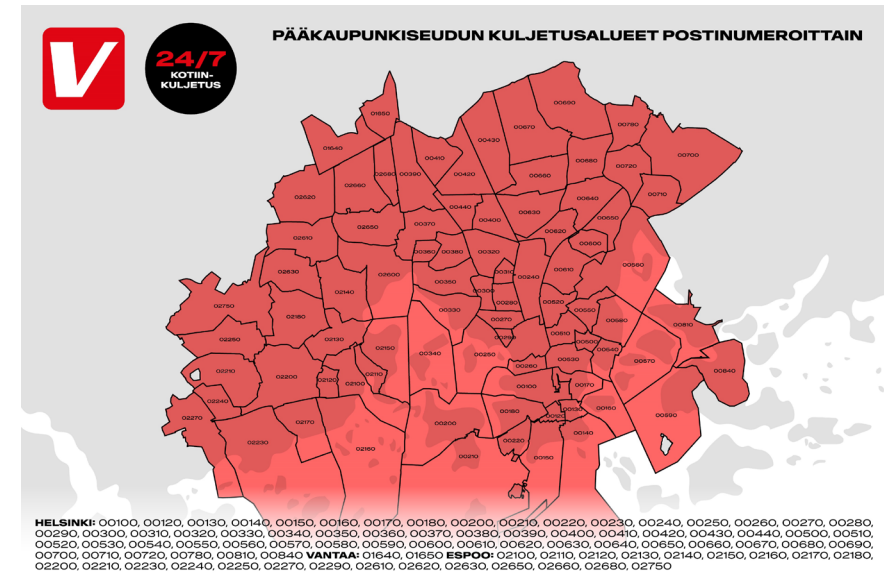


One-hour express deliveries expanded to >600,000 residents and the service is now available 24/7

- › **Doubled the delivery area**, serving over 600 000 residents in Helsinki metropolitan area
- › **Service available 24/7 hours**, with improvements in Jätkäsaari operations and opening times
- › **Customer satisfaction for the service at a world-class level** (CSAT 93), based on an ongoing customer satisfaction survey

Customer feedback has been very positive, with four repeating customer pain points and themes we are solving:

- 1. Convenience:** *"I need to purchase a new smartphone, but I don't have the time to visit a store."*
- 2. Urgent Needs:** *"I need to print some important documents urgently, and to do that, I need a new printer right now."*
- 3. Time-Sensitive Situations:** *"I just realized that I forgot to buy a gift for a friend's birthday party tonight."*
- 4. Impulse Purchases:** *"I would like to shop on Verkkokauppa.com right now for adult Legos, but there is no way I will drive there."*



Market outlook and guidance



Market outlook and short-term expectations

- Global macroeconomic factors such as inflation and the development of financial markets can weaken purchasing power and investment ability of consumers and corporates during H2
- There is ongoing uncertainty about the future outlook in relation to geopolitical conflicts in the world and the crisis in Ukraine
- The company's growth prospects for the current year are considered challenging
- We estimate consumer and B2B demand to continue to be soft during H2

The company believes that:

- ongoing profitability program and investments conducted during 2022 will make the core business significantly more profitable in short and long term
- it will succeed in taking advantage of the online shift and gain market share in chosen product categories



Financial guidance for 2023 – *unchanged*

In 2023, Verkkokauppa.com
expects the revenue to decline
and
comparable EBIT to improve
compared to 2022.

In 2022, revenue was EUR 543.1 million and
comparable EBIT EUR 3.5 million



Key takeaways



Key takeaways from the 2nd quarter of 2023

- › Continued high inflation and increasing interest rates have significantly impacted the purchasing power
 - › We are continuing our profitability improvement actions systematically
 - › Optimizing our core business and streamlining operations and delivery flows have continued according to plan
- › During these tough times we have overtaken the market leader position in Finland for the first time
 - › The largest renewal of our online shop is finalized
 - › We are continuing our update on the long-term strategy



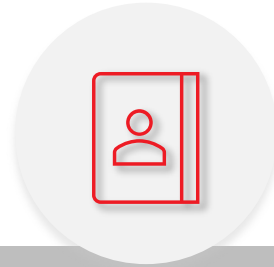
Thank you

More information



Upcoming Financial events

- Interim report for January – September 2023 on 26 October 2023
- Financial statements bulleting for the year 2023 on 8 February 2024



Investor Relations contacts

Marja Mäkinen

Head of Investor Relations &
Corporate Communications

marja.makinen@verkkokauppa.com

+358 40 671 2999

Mikko Forsell, CFO

mikko.forsell@verkkokauppa.com

Panu Porkka, CEO

panu.porkka@verkkokauppa.com

investors@verkkokauppa.com



Links

Visit our Investors website

www.verkinvest.com

Join the mailing list for Company

releases www.joinverk.com



<https://twitter.com/verkkokauppa.com>



<https://www.facebook.com/verkkokauppa.com/>



<https://www.instagram.com/verkkokauppa.com/>



This document is not an invitation to subscribe for or purchase any securities or make any investment decisions in respect of the Company or its securities.

This document is not for publication or distribution, directly or indirectly, in or into Australia, Canada, the Hong Kong special administrative region of the People's Republic of China, Japan, New Zealand, South Africa, Singapore or the United States, or any other jurisdiction in which the distribution or release would be unlawful.

The inclusion of financial information in this presentation should not be regarded as a representation or warranty by the Company, or any of its affiliates, advisors or representatives or any other person as to the accuracy or completeness of such information's portrayal of the financial condition or results of operations of the Group.

This document includes "forward-looking statements" that involve risks, uncertainties and other factors, many of which are outside of the Company's control and could cause actual results to differ materially from the results discussed in the forward-looking statements. Forward-looking statements include statements concerning the Company's plans, objectives, goals, future events, performance and/or other information that is not historical information. The Company undertakes no obligation to publicly update or revise forward-looking statements to reflect subsequent events or circumstances after the date made, except as required by law.

The market and industry data and forecasts included in this presentation were obtained from internal surveys, estimates, experts and studies, where appropriate, as well as external market research, publicly available information and industry publications. The Company and its affiliates, directors, officers, advisors and employees have not independently verified the accuracy of any such market and industry data and forecasts and make no representations or warranties in relation thereto. Such data and forecasts are included herein for information purposes only.



Appendix



Quarterly Key figures

	2023			2022				
	Q1	Q2	Q1-Q2 2023	Q1	Q2	Q3	Q4	FY 2022
Revenue, eur million	122.0	112.8	234.8	124.8	125.7	137.8	154.9	543.1
Gross profit, eur million	20.2	18.8	39.1	19.3	19.4	20.1	21.9	80.6
Gross margin-%	16.6%	16.7%	16.6%	15.4%	15.4%	14.6%	14.1%	14.8%
EBITDA, eur million	1.6	2.3	3.9	2.0	0.5	3.2	2.2	7.8
EBITDA, %	1.3%	2.1%	1.7%	1.6%	0.4%	2.3%	1.4%	1.4%
Operating profit, eur million	0.04	0.8	0.9	0.7	-0.9	1.7	0.8	2.3
Operating profit, %	0.04%	0.7%	0.4%	0.5%	-0.7%	1.3%	0.5%	0.4%
Comparable operating profit, eur million	1.4	1.0	2.3	0.9	-0.2	2.1	0.8	3.5
Comparable operating profit, %	1.1%	0.8%	1.0%	0.7%	-0.2%	1.5%	0.5%	0.6%
Profit for the period, eur million	-0.4	0.2	-0.2	0.2	-1.1	0.7	0.5	0.3
Interest-bearing net debt, eur million	25.6	22.8	22.8	18.2	28.6	29.8	19.7	19.7
Investments, eur million	1.0	0.3	1.3	1.4	4.3	1.0	2.6	9.3
Equity ratio, %	15.8%	16.5%	16.5%	20.2%	18.2%	16.3%	15.8%	15.8%
Gearing, %	98.2%	87.2%	87.2%	54.7%	92.4%	103.2%	74.6%	74.6%
Personnel at the end of period*	720	695	695	753	815	761	838	838
Basic earnings per share, euros	-0.01	-0.00	-0.01	0.00	-0.02	0.01	0.01	0.01
Diluted earnings per share, euros	-0.01	-0.00	-0.01	0.00	-0.02	0.01	0.01	0.01
Number of issued shares, 1,000 pcs	45,355	45,355	45,355	45,065	45,355	45,355	45,355	45,355
Number of treasury shares, 1,000 pcs	258	171	171	298	290	282	271	271
Weighted average number of shares outstanding, 1,000 pcs	45,096	45,183	45,183	44,747	45,047	45,073	45,083	45,083
Diluted weighted average number of shares outstanding, 1,000 pcs	45,354	45,252	45,252	45,189	45,473	45,439	45,342	45,342



Verkkokauppa
TODENNÄKÖISESTI AINA HALVEMPI ***.com***