



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

31 August 2023 | Carnegie Investment Bank

Panu Porkka, CEO | Marja Mäkinen, Head of IR | Verkkokauppa.com Oyj

# Q2 2023 results

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



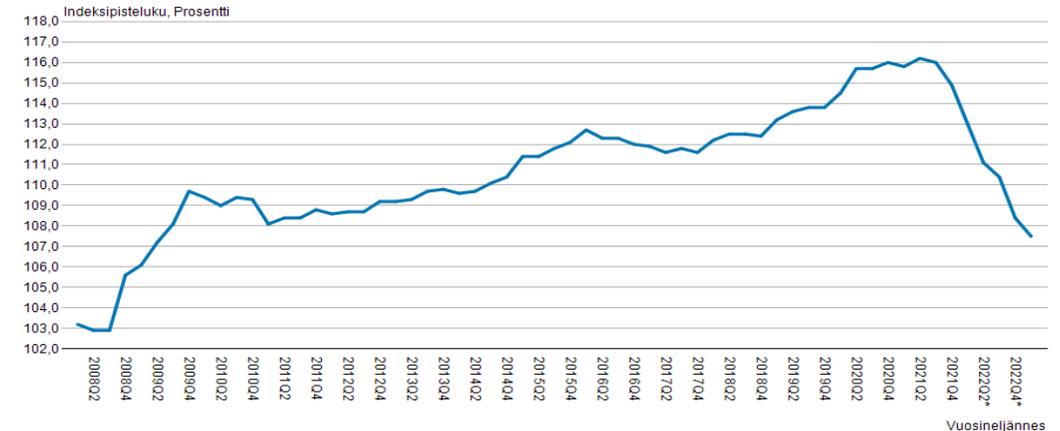
# Market development



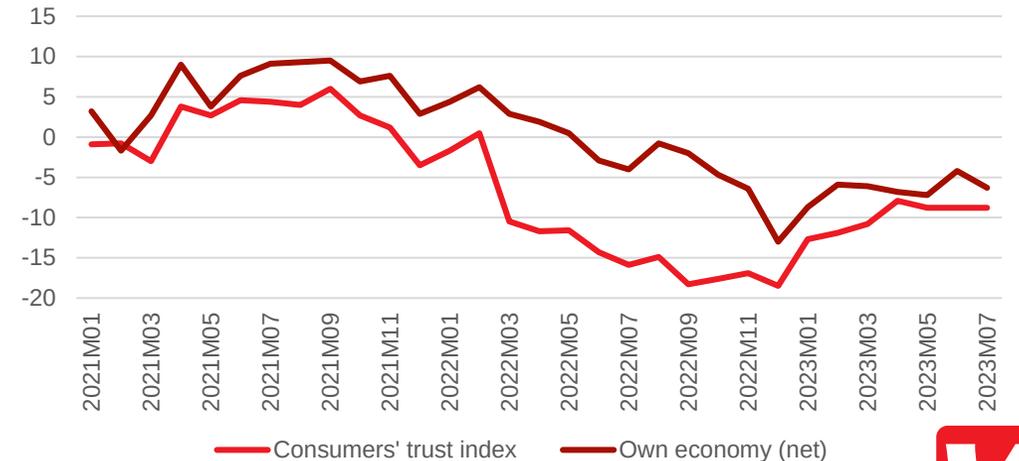
# Consumer confidence steadily weak in August

- The salary index collapsed, the biggest fall since 70's energy crisis
- The estimate concerning consumers' own economy improved slightly from the previous month, but still remained at a very weak level
- Consumers' estimates concerning their own financial situation weakened in August from good to long-term average
- In August, the time was still regarded as very unfavourable for buying durable goods
- Consumer prices have risen by 7.4 percent from August 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

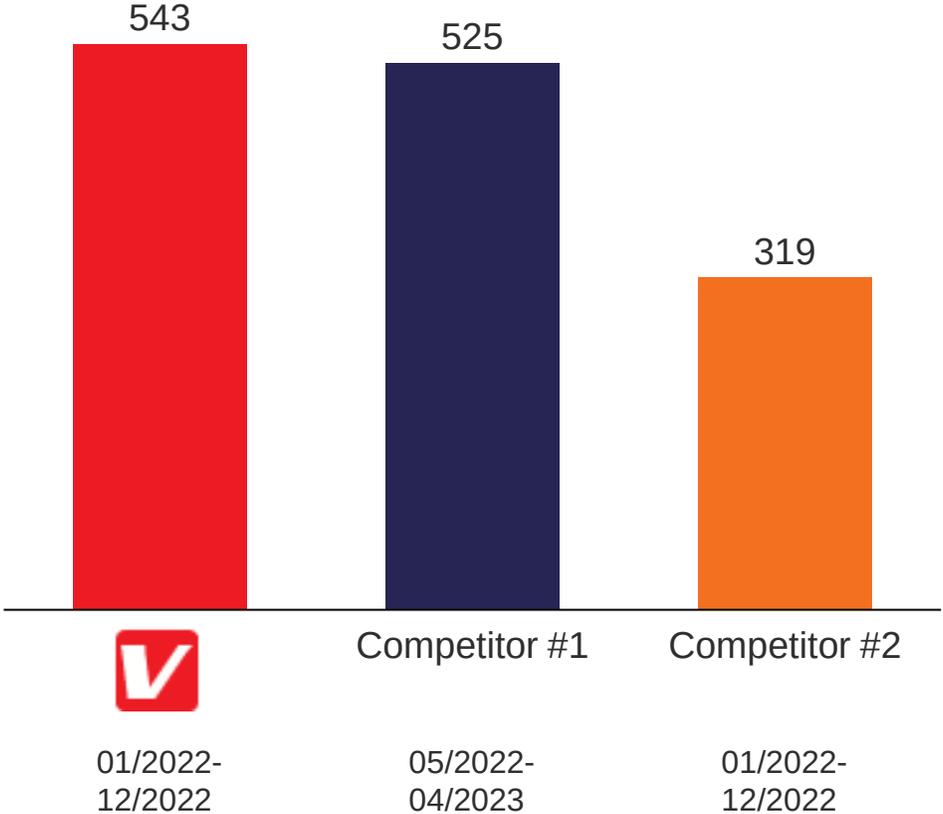


\* Index of regular earnings and index of real wage and salary earnings by employer by quarter. All sectors, all employees



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

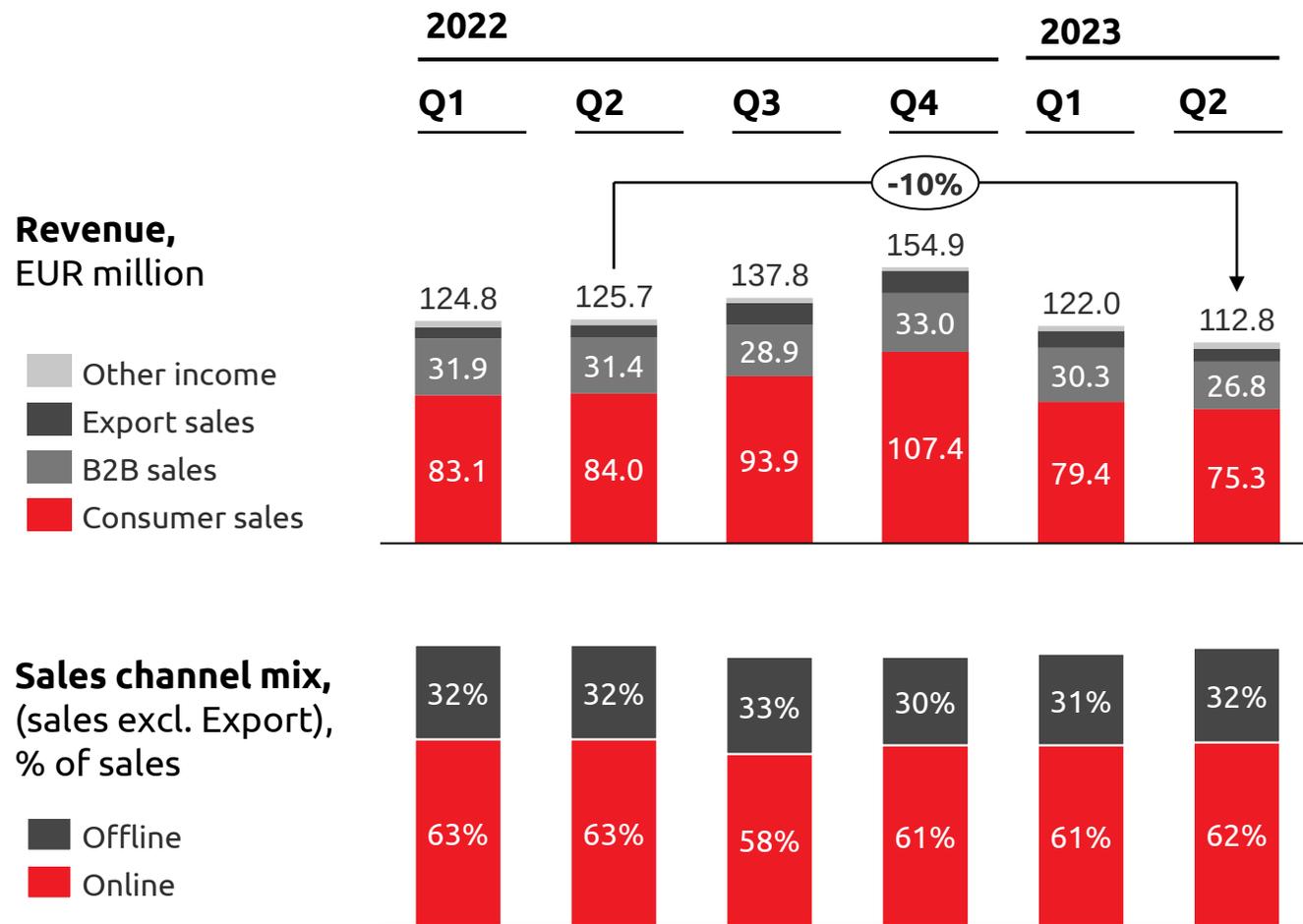
Revenue, latest published fiscal year, million EUR



# Q2 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%

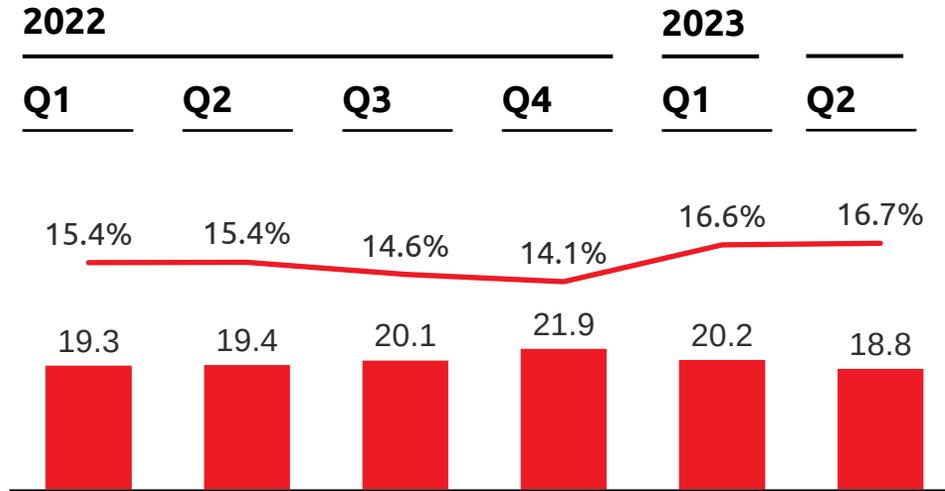
### Categories

- › 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%



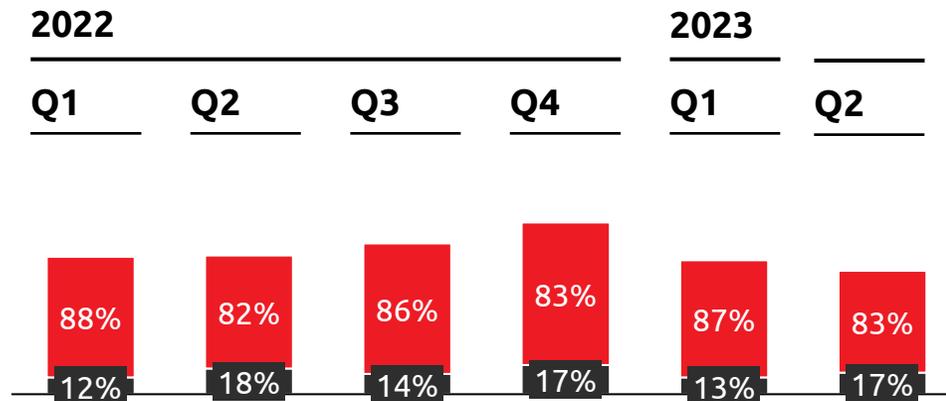
# Solid gross margin driven by price and campaign optimization

**Gross profit and margin, EUR million and % of revenue**



**Product mix, % of sales**

■ Core categories  
■ Evolving categories



## Q2/2023 development

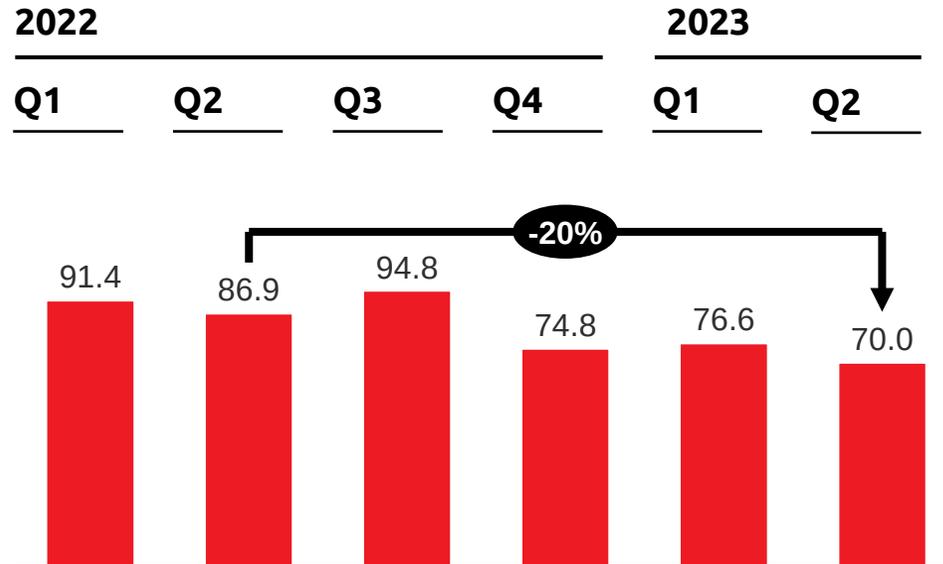
Gross profit totaled EUR 18.8 million (19.4) and 16.7% of revenue (15.4%)

- › 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

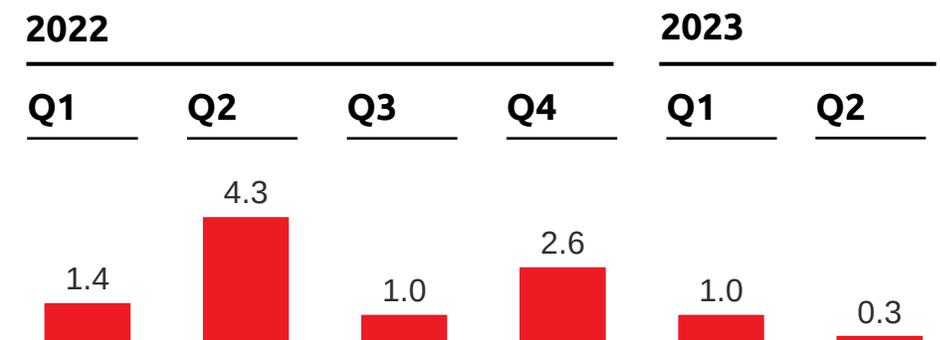


# Successful supply chain optimization

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)



# 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

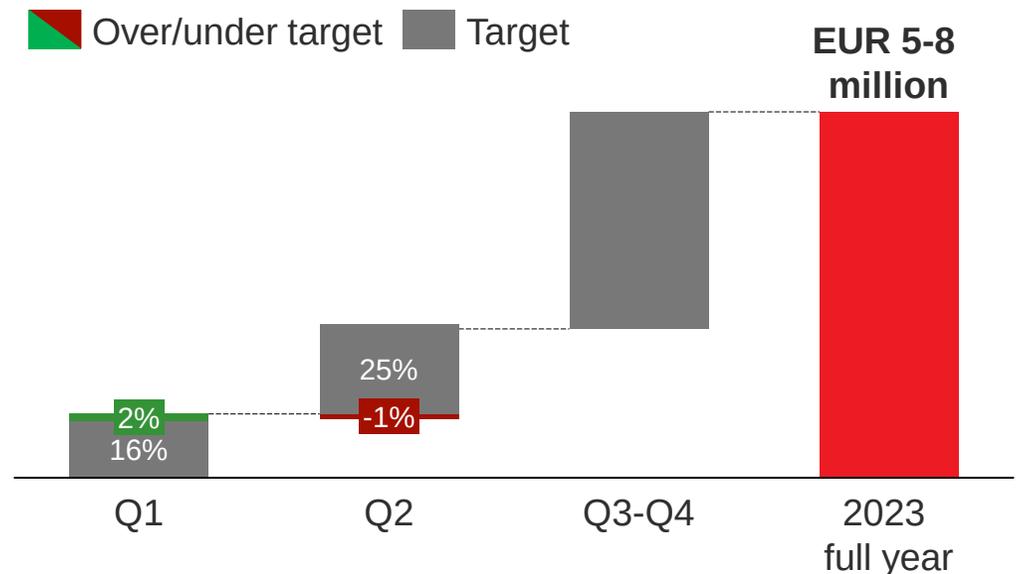
## Commercial excellence

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)

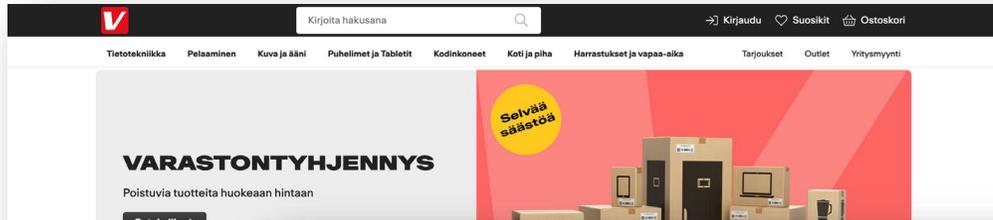


## Trust

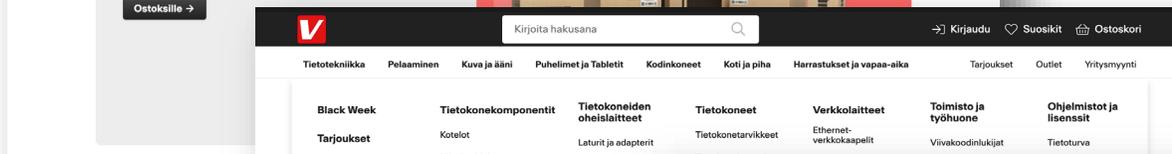
- ▶ Despite moderate marketing spend, brand performed well compared to competition
- ▶ New marketing concepts finalized and launched



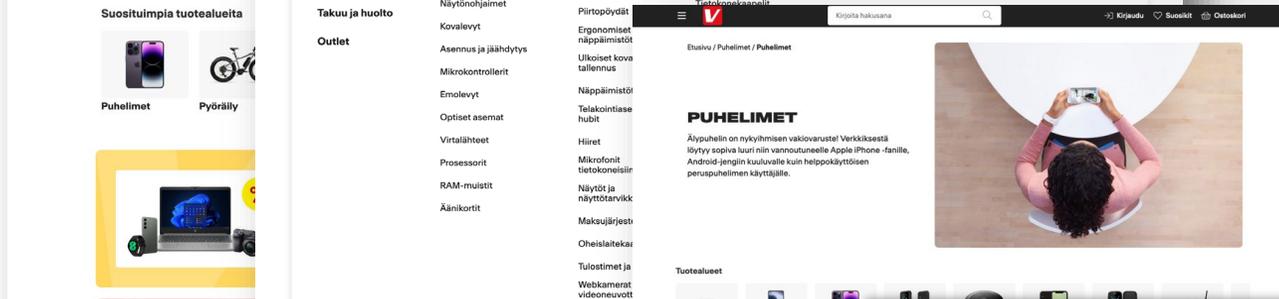
# Shopping experience taking leaps forward with our online site renewal



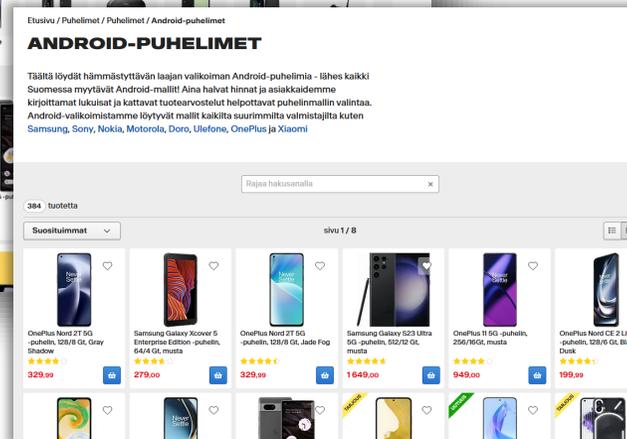
**New home page**, with personalized recommendations (categories and products)



**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

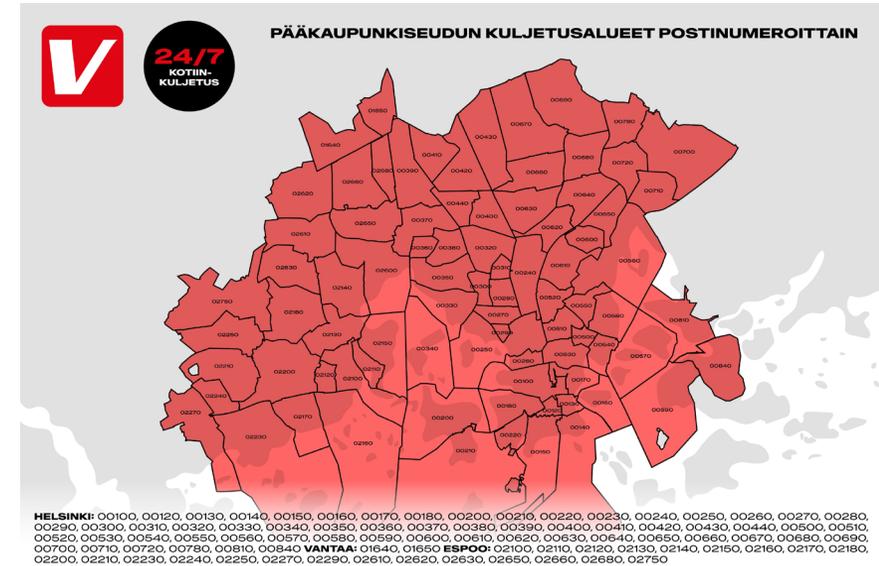


# One-hour express deliveries expanded to >600,000 residents and the service is now available 24/7

- › 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 2<sup>nd</sup> 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



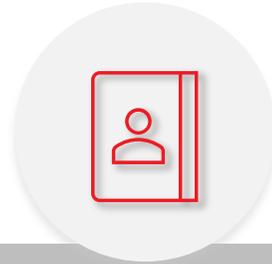
Thank you

# 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



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# Appendix



# Quarterly Key figures

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



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