

# Verkkokauppa.com Oyj – January-September 2023 Interim Report

## Focus on cost efficiency in a declining market

26 October 2023 | Panu Porkka, CEO | Verkkokauppa.com Oyj

# 1-9/2023 results

- › Market development
- › Q3 2023 performance
- › Strategy execution
- › Market outlook and guidance
- › Key takeaways



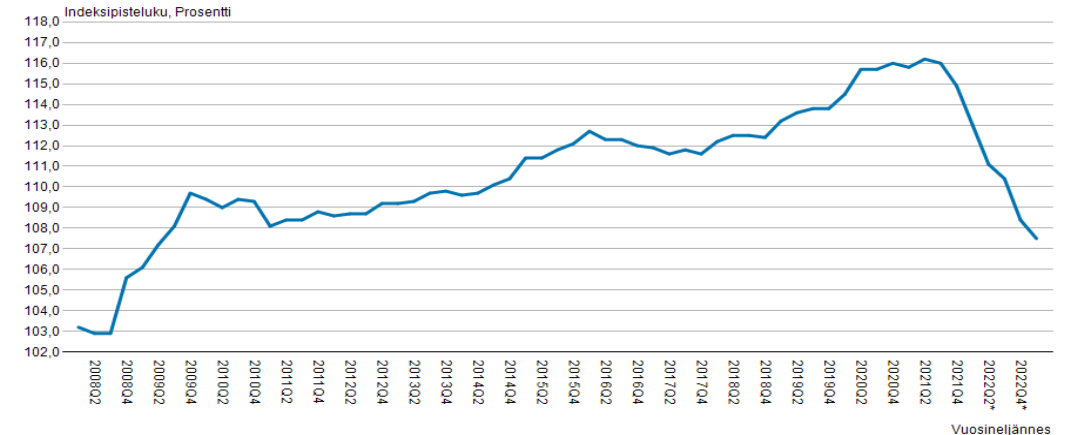
# Market development



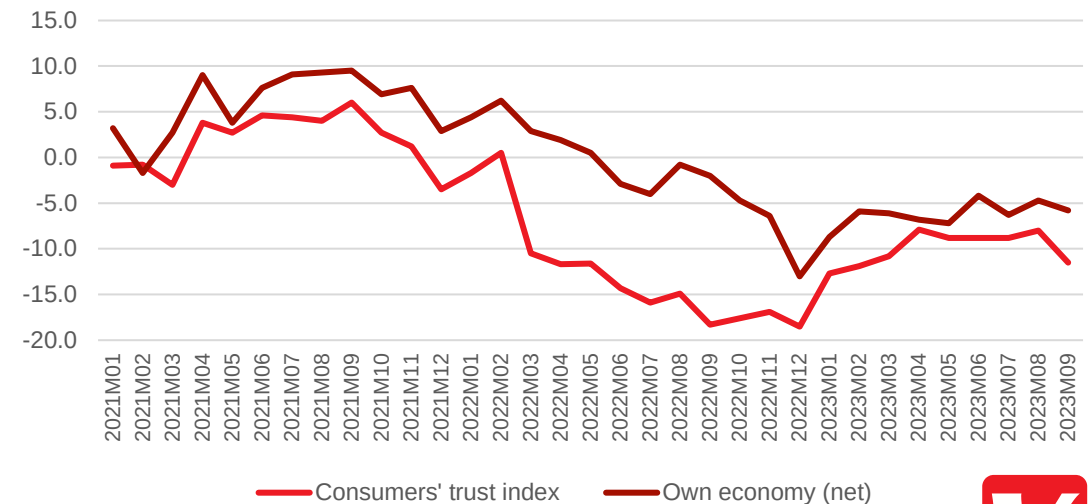
# Consumer confidence weakened in September

- In July-September, online shopping in Finland declined by nearly 40 percent, according to statistics compiled by Vilkas Group
- According to Statistics Finland, consumer confidence indicator stood at -11.5 in September, having been -8.0 in August and -8.8 in July
- Views concerning the consumer's own economy and expectations concerning Finland's economy in 12 months' time were still on a very weak level
- The time was still regarded as very unfavorable for buying durable goods. Purchasing intentions were generally very low.
- Expectations concerning the development of unemployment became much gloomier
- Estimates of inflation remained nearly unchanged on a high level
- The competitive environment in July-September was tough and price competition intensified

## Index of wage and salary earnings\*



## Consumers' economic outlook 2021-2023YTD



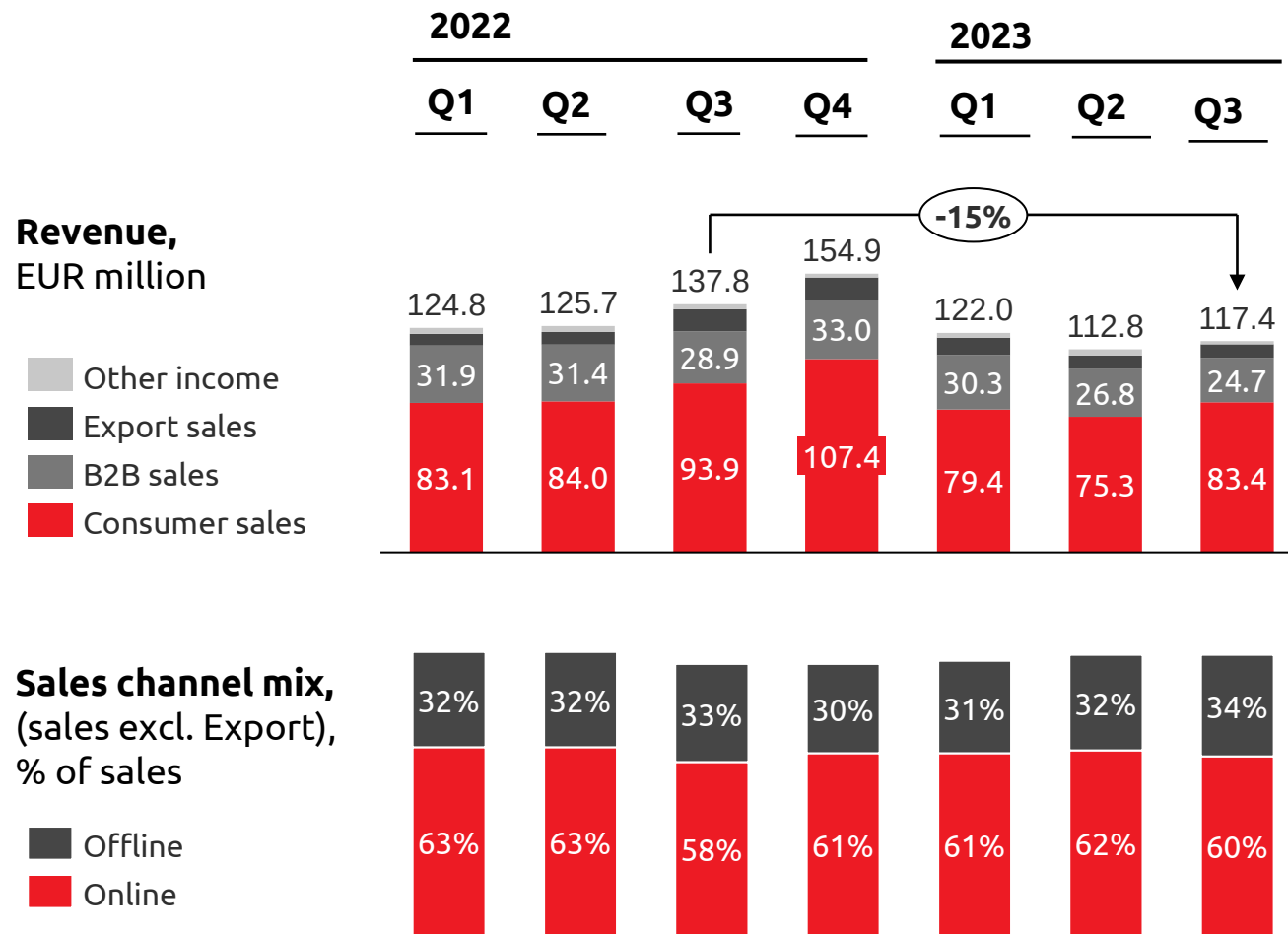
\* Index of regular earnings and index of real wage and salary earnings by employer by quarter. All sectors, all employees





**Q3 & 1-9/2023  
performance**

# Low demand after the summer impacting all channels



## Q3/2023 development

Group revenue declined by -14.7% YoY and was EUR 117.4 million (137.8)

### Customer segments

- › Consumer segment declined by -11.1%
- › Corporate sales declined by -14.5%
- › Export business declined from a strong comparison period and its share of total sales was 7%

### Sales channels

- › Online sales declined by -11.8%
- › Website visits declined by -13.5%

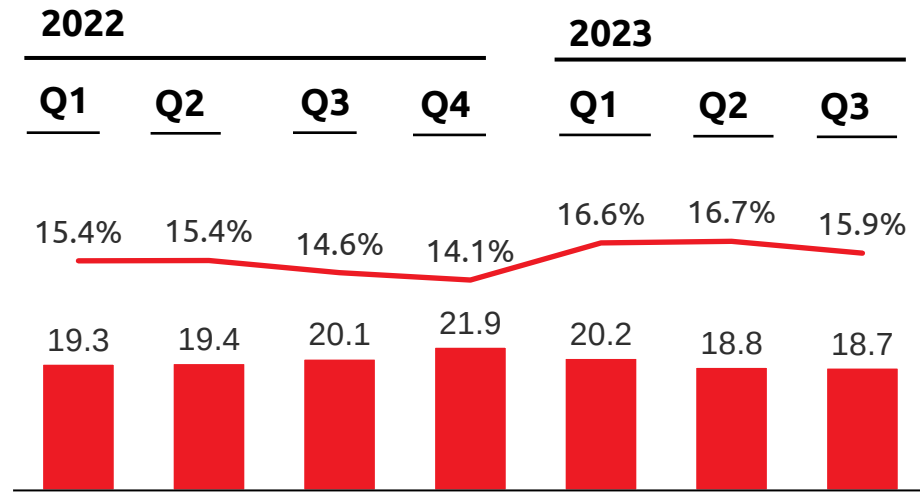
### Categories

- › Core categories sales declined by -10.8%
- › Positive performance in components, gaming and small domestic appliances
- › Sales in the evolving product categories declined by -26.2%, partly due to delisting of unprofitable products
- › Private Label continued strong, sales increased by +20.8%



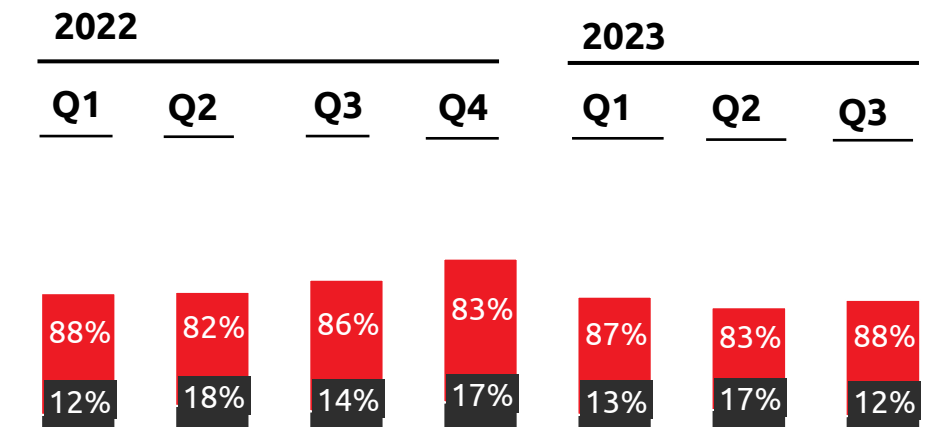
# Gross margin on a healthy level driven by assortment and pricing optimization measures

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



**Product mix, % of sales**

■ Core categories  
■ Evolving categories



## Q3/2023 development

Gross profit totaled EUR 18.7 million (20.1) and 15.9% of revenue (14.6%)

- › Gross margin improved due to optimized campaigning and pricing
- › Also, good demand in consumer financing services impacted positively
- › We continued the assortment optimization measures
- › Product mix remained largely unchanged, and margin improvements were executed across the portfolio
- › Positive impact from increased Private Label sales, +20.8%, with higher margin



# Operative efficiency measures were offsetting the impact of low volumes into profit

EUR million	Q3/2023	Q3/2022	Change	FY2022
Revenue	117.4	137.8	-14.7%	543.1
Gross profit	18.7	20.1	-1.4 MEUR	80.6
Personnel costs	7.5	9.1	-17.6%	40.2
Other operating expenses	7.6	8.0	-5.9%	33.4
Operating profit	2.1	1.7	0.4 MEUR	2.3
Comparable operating profit	2.2	2.1	0.1 MEUR	3.5
Net profit	1.1	0.7	0.5 MEUR	0.3

EUR million	Q3/2023	Q3/2022	FY2022
Gross margin	15.9%	14.6%	14.8%
Operating margin	1.8%	1.3%	0.4%
Comparable operating margin	1.9%	1.5%	0.6%

## Q3/2023 development

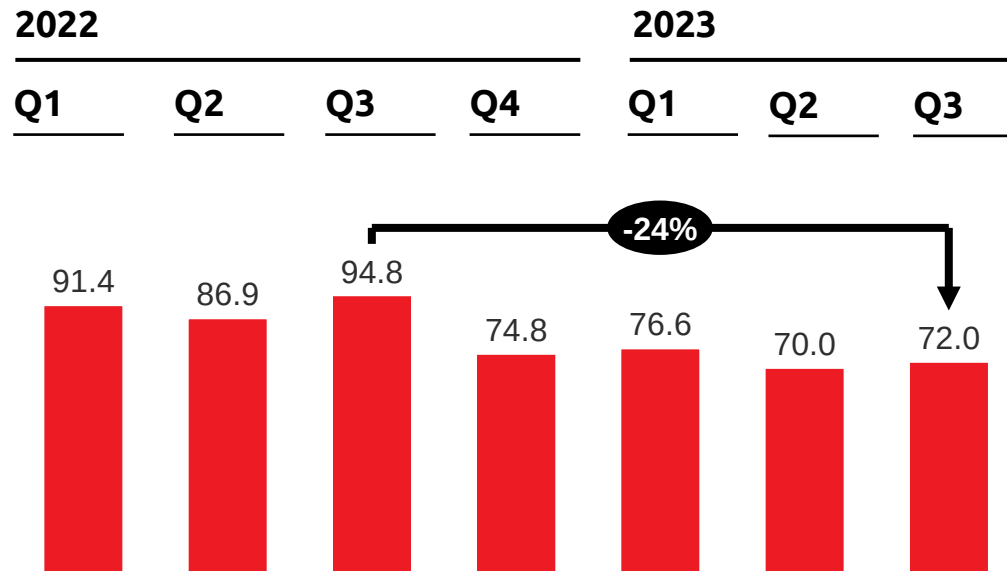
- › Despite continuing cost inflation, we managed to reduce personnel and other operating costs in total by -12%
- › Well managed personnel costs, both internal and external, was offsetting the negative impact of low sales volumes
- › As a result of profit improvement program measures, for example, declined external warehousing, other operating expenses declined by -5.9%
- › Lower marketing investments



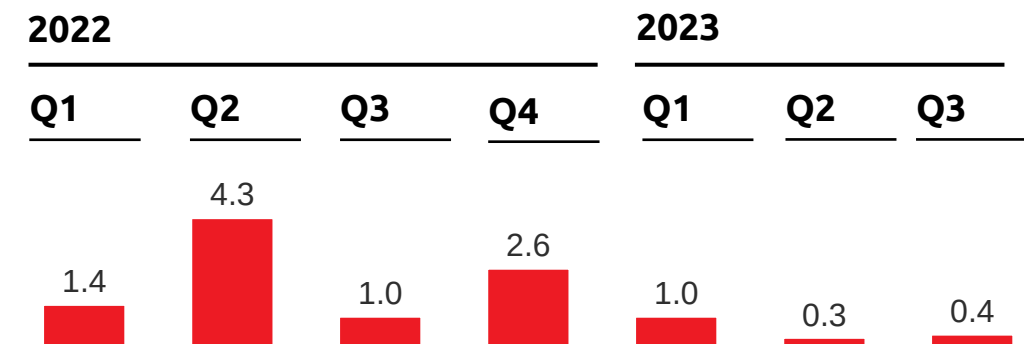


# Successful inventory management

Inventories,  
EUR million



Investments,  
EUR million



## Balance sheet & Cash flow on 30 September 2023

- › Group inventory declined by -24% YoY and was EUR 72.0 million (94.8)
- › Investments during January-September were EUR 1.8 million (6.7). The main investments were the website renewal and development related to business analytics
- › Jan-Sep cash flow from operating activities was EUR 2.5 million (-14.0), mainly impacted by the positive development of declined inventories
- › Cash at hand was EUR 16.3 million (13.1)
- › Equity ratio at the end of September was 16.9% (16.3%)
- › At the end of September, the group had a total of EUR 22.6 million in loans from financial institutions (24.5)



# 1-9/2023 financial highlights



## Revenue

EUR 352.2 million  
-9.3% vs. 1-9/2022



## Gross profit

EUR 57.8 million  
(1-9/22: EUR 58.7 million)

## Gross margin

16.4%  
(1-9/22: 15.1%)



## Comparable EBIT

EUR 4.6 million  
(1-9/22: EUR 2.8 million)

1-9/23: The items impacting comparability include EUR 1.6 million in restructuring and e-ville.com acquisition

(1-9/22: The items impacting comparability include EUR 1.3 million costs related to e-ville acquisition)



## Operating Cash flow

EUR 2.5 million  
(1-9/22: EUR -14.0 million)



# Strategy execution

# Profitability improvement program on track

**Profitability improvement program:**  
capture full potential of core business

## Operational performance & cost savings

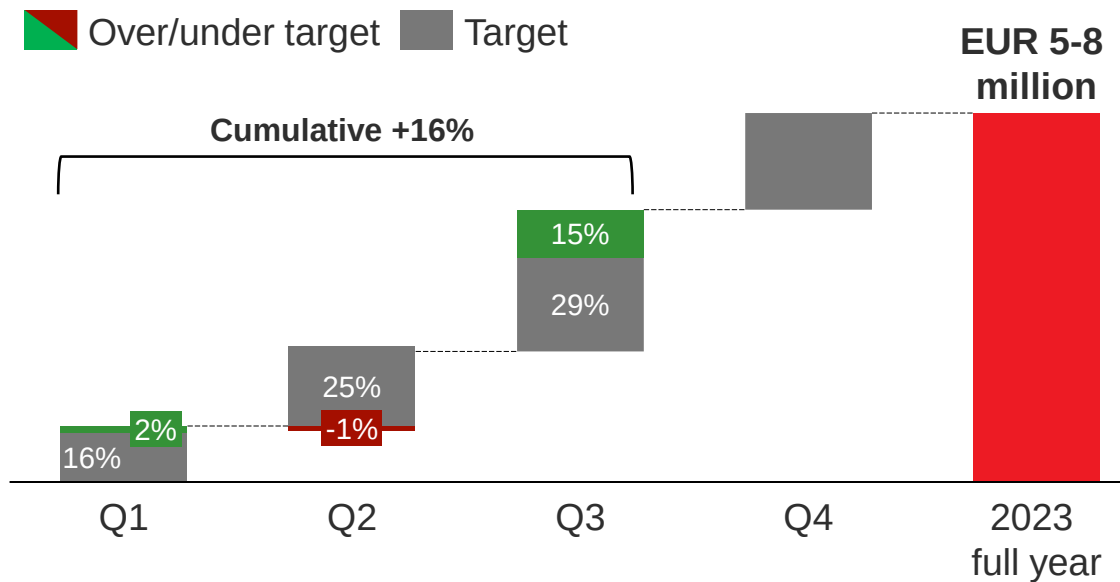
1. Lean supply chain and inventory
2. Indirect spend reduction
3. Marketing mix optimization
4. Efficiencies across business operations

## 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-Q3: Good progress continued and we are ahead of the set plan**  
quarterly estimate of impact timing



**During Q2-Q3 2023, company has managed to capture the planned profitability improvements.** During Q4 we continue the rigid cost control and also see benefits from the commercial improvement plans



# Q3/2023 highlights in new strategic capabilities

Highlights to follow



## Assortment

- ▶ Increased number of SKUs are priced automatically with a dynamic pricing solution. Work continues during Q4
- ▶ Close to 100 percent of delisted stock has been now sold out



## Experience

- ▶ New Verkkokauppa.com site was introduced during Q3 and further improvements to come during Q4
- ▶ Our device buy-back program "Vaihtokauppa", continued very solid traction



## Speed & Flexibility

- ▶ As an industry first, we introduced one hour 24/7 express deliveries to large items for +600 000 residents in the capital area
- ▶ We continued to track our next day delivery targets with high accuracy



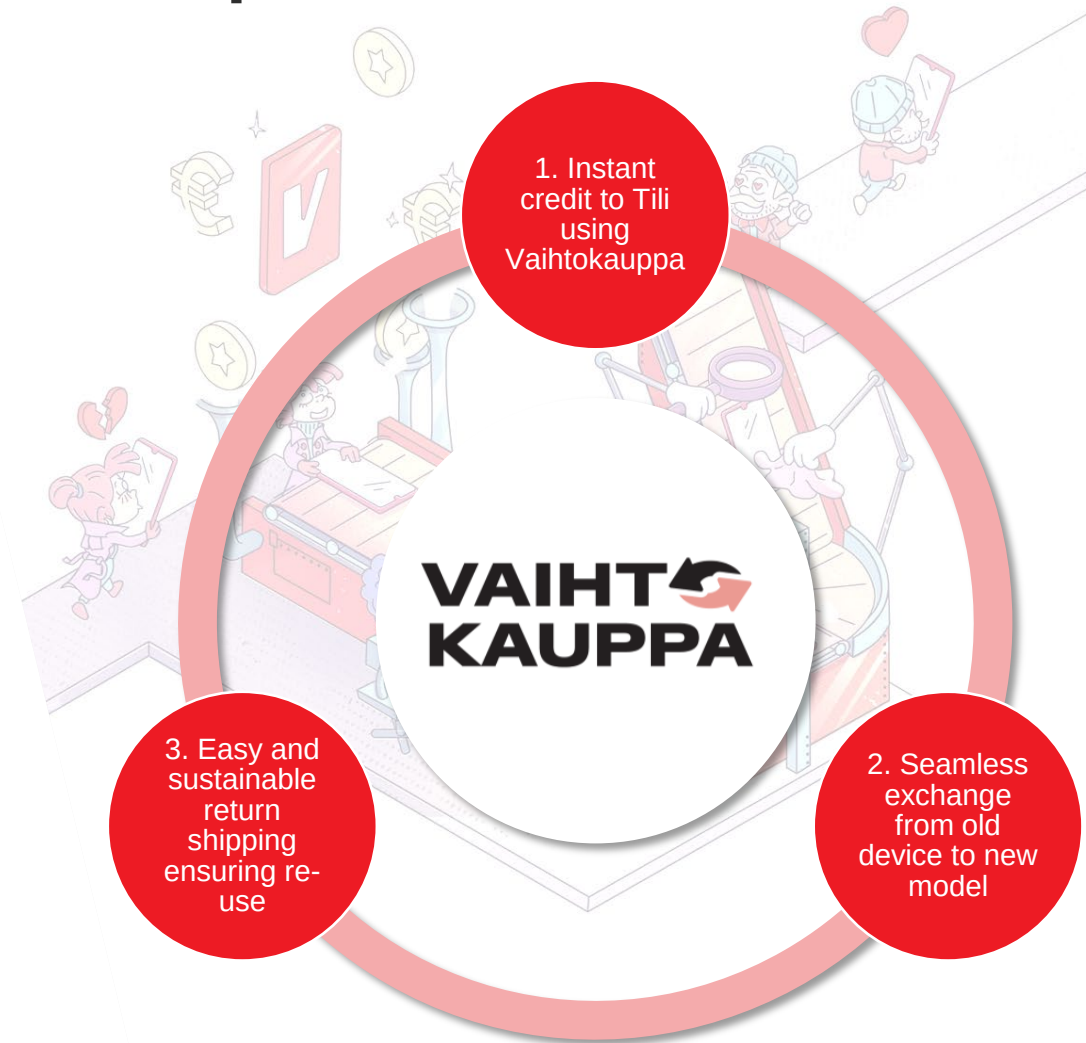
# Vaihtokauppa offers an instant trade-in credit for the customers old device, extends the lifespan of electronics

Vaihtokauppa is an instant credit trade-in service through which customers can sell their old smartphones, laptops, tablets, and smartwatches online or in-store

- Integrated with the Verkkokauppa.com credit account Tili for instant credit and enhanced customer retention
- Majority of exchanges are fully online with phones being the top exchanged item
- The instant trade-in credit promotes quick reuse, thus reducing electronic waste
- Currently this service is offered for approx. 3000SKU's

The service is expanded to include trade-up campaigns for device upgrades, during which customers get even greater benefits for putting their old device into circulation

- Hassle-free device upgrades even with flagships: customers receive new devices before returning the old, ensuring smooth data transfer.



# Market outlook and guidance



# Market outlook and short-term expectations

- › Global macroeconomic factors such as inflation and increasing interest rates continue to weaken the purchasing power and investment ability of businesses towards the end of the year 2023
- › There is ongoing uncertainty about the future outlook in relation to intensified geopolitical conflicts in the world and the ongoing war in Ukraine
- › We estimate consumer and B2B demand to continue to be soft for the remaining of 2023

## The company believes that:

- › Ongoing profitability program and investments conducted during 2022-2023 will make the core business significantly more profitable in the 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



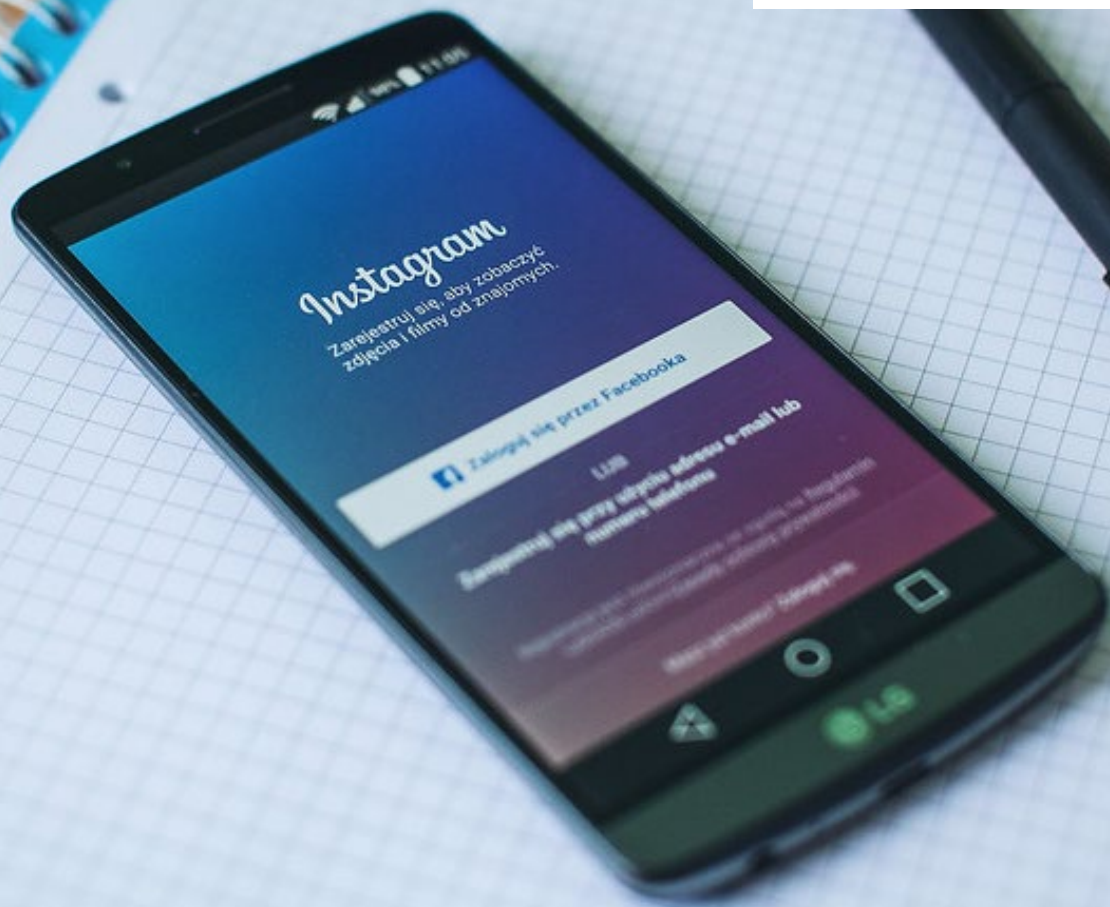
# Key takeaways from the 3<sup>rd</sup> quarter

- › Market environment remained challenging during the third quarter
  - › With continued high interest rates, consumers continued to be cautious in their discretionary purchases
  - › Price-driven campaigning increasing in the market
- › Successful cost- and inventory management in addition to healthy margin yielding in a small profitability improvement
  - › Our own brand product sales increased by 21%
  - › We are continuing our update on the long-term strategy

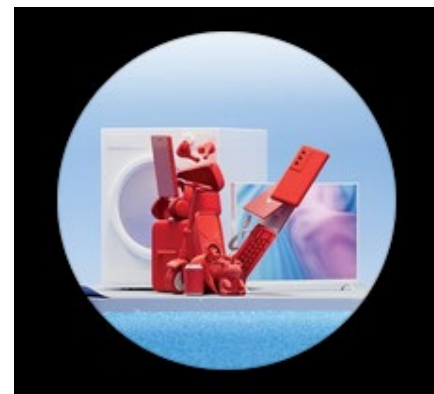




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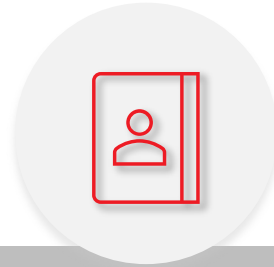
Thank you

# More information



## Upcoming Financial events

- Financial statements bulleting for the year 2023 on 8 February 2024
- The Financial Statements for 2023 during the week starting on 26 February (week 9) in 2024
- Annual general meeting is planned to be held on 4 April 2024 at 2 p.m. EET as a virtual-only AGM
- Interim report for January – March 2024 on Thursday 25 April 2024
- Half-year financial report for January – June 2024 on Thursday 18 July 2024
- Interim report for January – September 2024 on Thursday 24 October 2024
- Financial statements bulleting for the year 2024 on Thursday 6 February 2025.



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# Appendix

> Quarterly Key Figures



# Quarterly Key Figures

	2023				2022				
	Q1	Q2	Q3	Q1-Q3	Q1	Q2	Q3	Q4	Q1-Q4
Revenue, eur million	122.0	112.8	117.4	352.2	124.8	125.7	137.8	154.9	543.1
Gross profit, eur million	20.2	18.8	18.7	57.8	19.3	19.4	20.1	21.9	80.6
Gross margin-%	16.6 %	16.7 %	15.9 %	16.4 %	15.4 %	15.4 %	14.6 %	14.1 %	14.8 %
EBITDA, eur million	1.6	2.3	3.7	7.6	2	0.5	3.2	2.2	7.8
EBITDA-%	1.3 %	2.1 %	3.1 %	2.2 %	1.6 %	0.4 %	2.3 %	1.4 %	1.4 %
Operating profit, eur million	0.04	0.80	2.10	2.90	0.70	-0.90	1.70	0.80	2.30
Operating profit-%	0.0 %	0.7 %	1.8 %	0.8 %	0.5 %	-0.7 %	1.3 %	0.5 %	0.4 %
Comparable operating profit, eur million	1.4	1.0	2.2	4.6	0.9	-0.2	2.1	0.8	3.5
Comparable operating profit-%	1.1 %	0.8 %	1.9 %	1.3 %	0.7 %	-0.2 %	1.5 %	0.5 %	0.6 %
Profit for the period, eur million	-0.4	0.2	1.1	0.9	0.2	-1.1	0.7	0.5	0.3
Interest-bearing net debt, eur million	25.6	22.8	20.3	20.3	18.2	28.6	29.8	19.7	19.7
Investments, eur million	1.0	0.3	0.4	1.8	1.4	4.3	1.0	2.6	9.3
Equity ratio, %	15.8 %	16.5 %	16.9 %	16.9 %	20.2 %	18.2 %	16.3 %	15.8 %	15.8 %
Gearing, %	98.2 %	87.2 %	74.2 %	74.2 %	54.7 %	92.4 %	103.2 %	74.6 %	74.6 %
Personnel at the end of period*	720	695	640	640	753	815	761	838	838
Basic earnings per share, euros	-0.01	0.00	0.03	0.02	0.00	-0.02	0.01	0.01	0.01
Diluted earnings per share, euros	-0.01	0.00	0.03	0.02	0.00	-0.02	0.01	0.01	0.01
Number of issued shares, 1,000 pcs	45,355	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	159	159	298	290	282	271	271
Weighted average number of shares outstanding, 1,000 pcs	45,096	45,183	45,195	45,195	44,747	45,047	45,073	45,083	45,083
Diluted weighted average number of shares outstanding, 1,000 pcs	45,354	45,252	45,264	45,264	45,189	45,473	45,439	45,342	45,342



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