

Verkkokauppa.com Oyj Q3/2014  
24.10.2014, Samuli Seppälä, CEO

# TODAY'S STORE FRONT

RETAIL IS GOING ONLINE. COME ALONG.

**Verkkokauppa**  
PROBABLY ALWAYS CHEAPER .com



Questions during presentation - [investors@verkkokauppa.com](mailto:investors@verkkokauppa.com)





**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 110 000 reviews

**TRANSPARENT AND  
CUSTOMER CENTRIC**

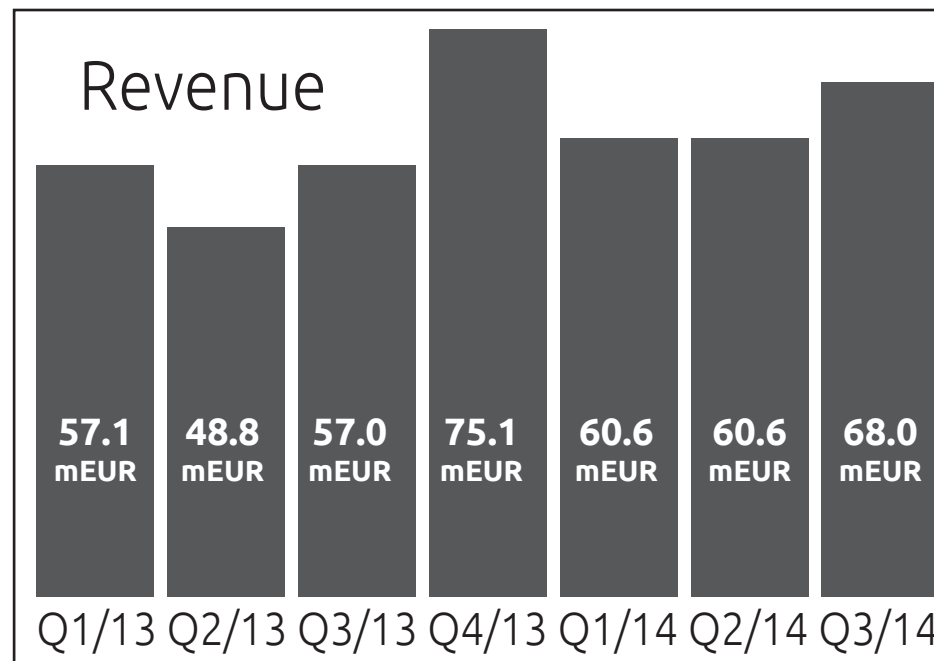
Customer lifetime value  
maximisation - a happy  
customer will return

## Verkkokauppa.com Q3/2014 main sales growth drivers

- 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.

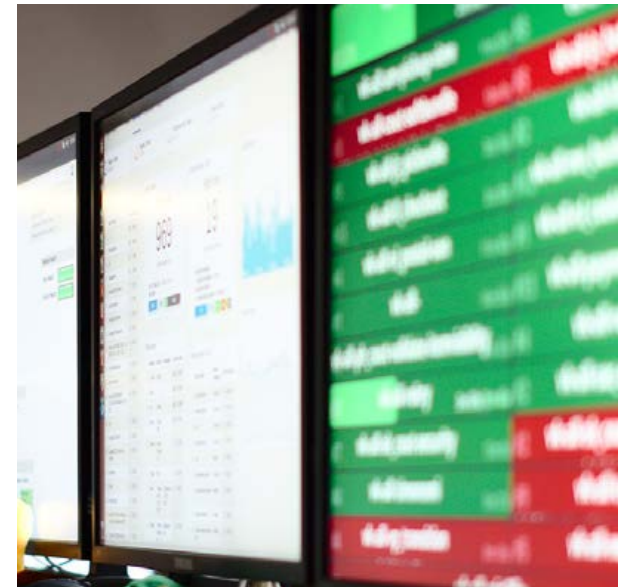
# Q3 +19%



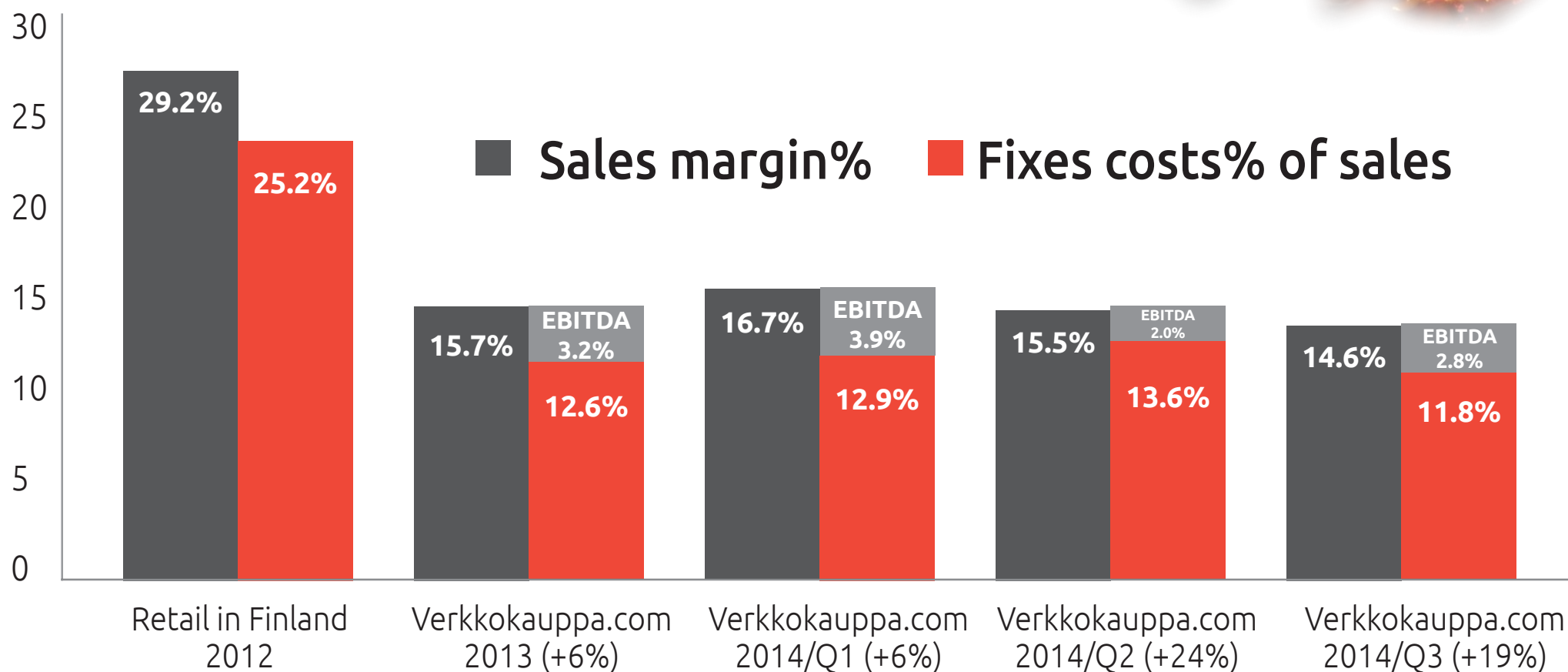
**VERK**  
**NASDAQ OMX**  
FIRST NORTH LISTED

## 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).



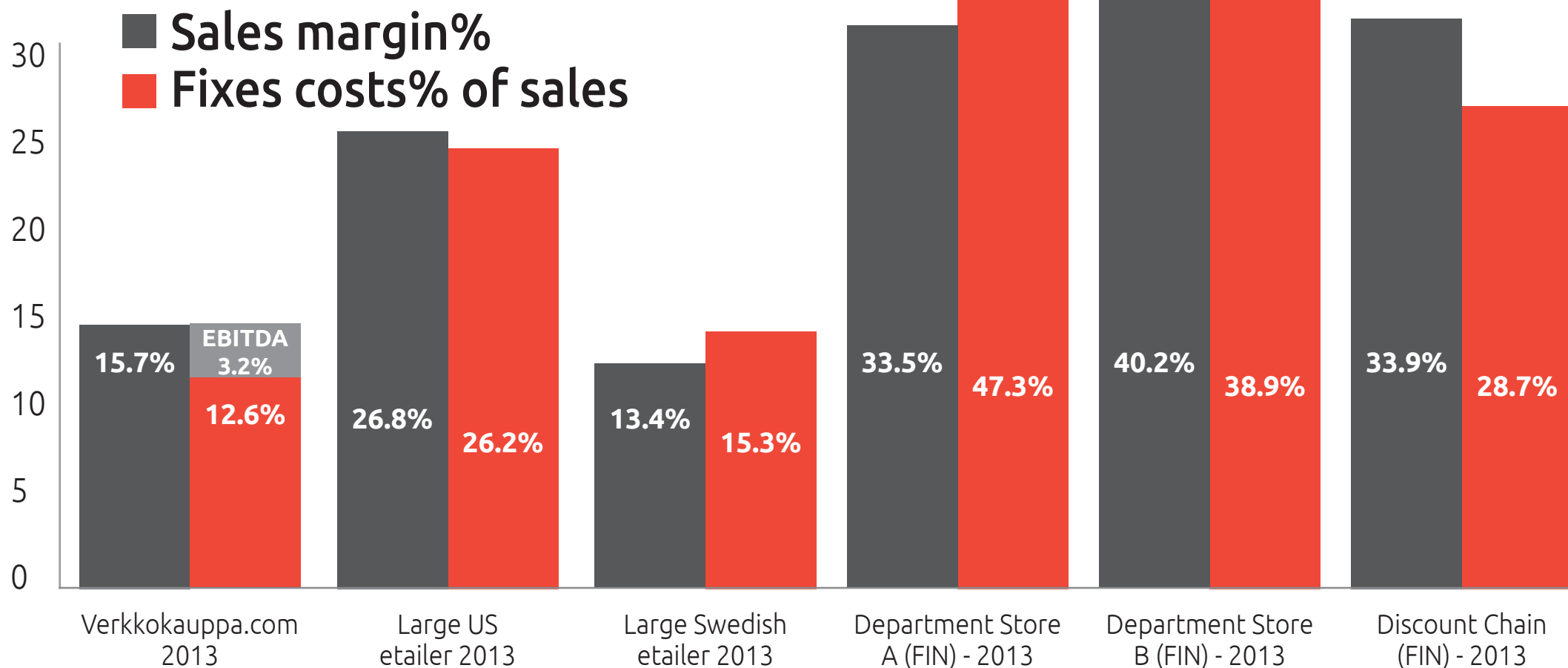
# Verkkokauppa.com's sales margin and fixed costs



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.



# Sales margin and fixed costs comparison

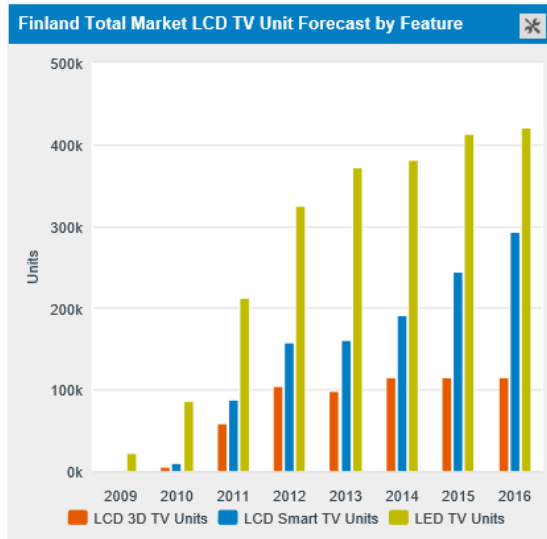


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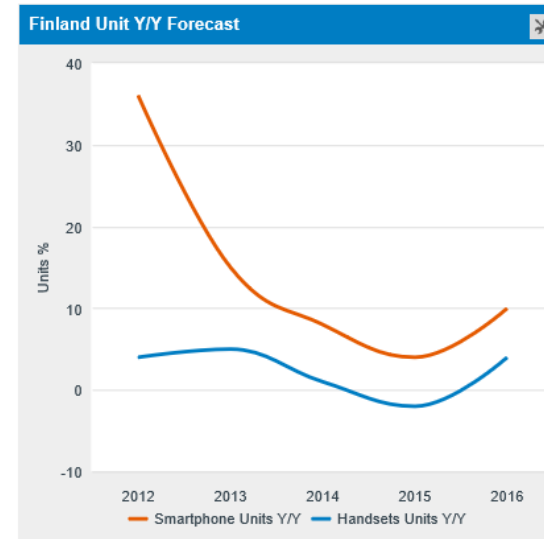
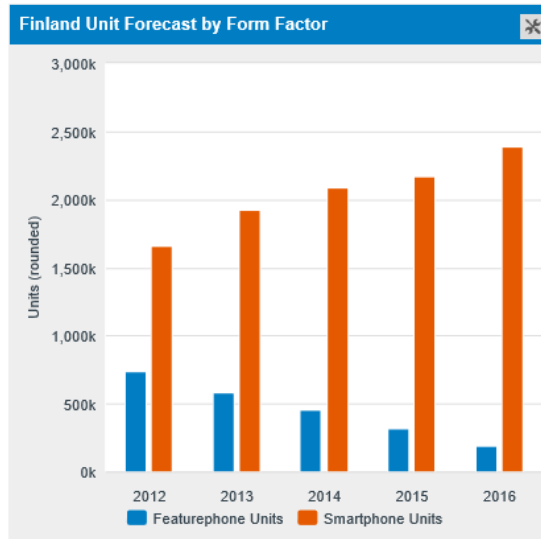
# GfK Demand Projector forecasts for Finland

GfK forecasts steady sales in consumer electronics in Finland.

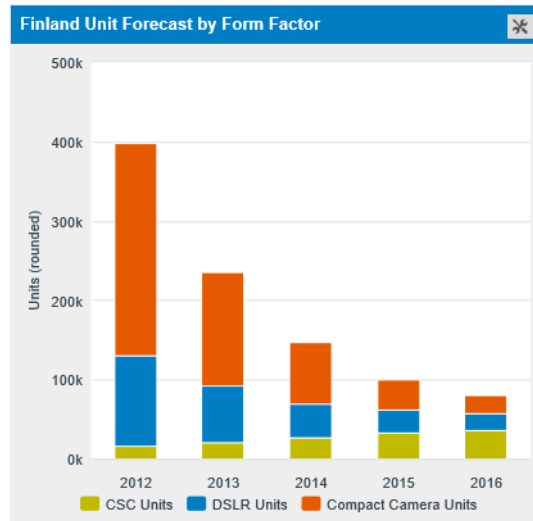
## TVs



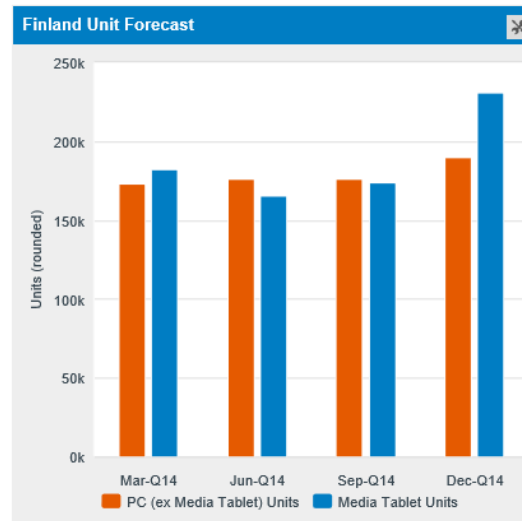
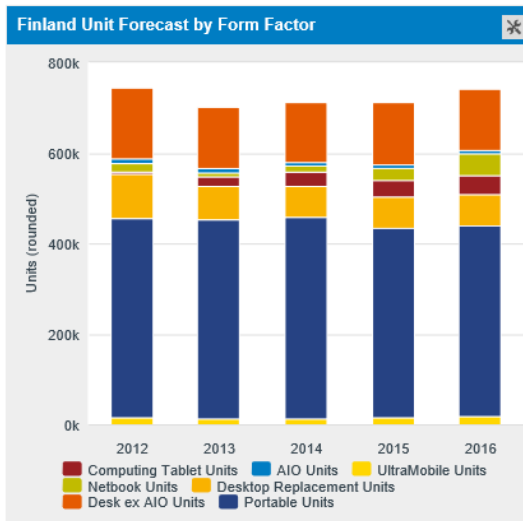
## Mobile Phones



## Cameras



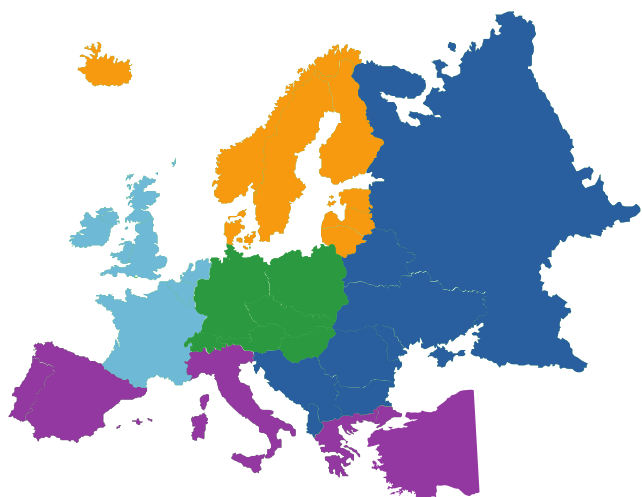
## PCs and tablets



Source: GfK

# eCommerce Europe Sales Growth% Overview

- Finland's lower eCommerce growth/ share% offers more future opportunities for online retailers (Finland's share 4-9%, USA 13%, UK 14%)



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

Source: Ecommerce Europe, 2014

# Logistics developments

- Special focus on developing logistics for the 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)



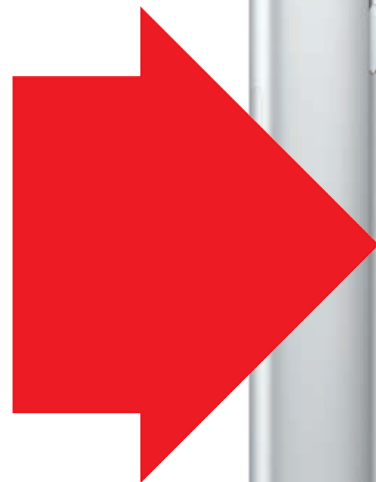


# New categories planned for introduction in 2015

- "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.



# Mobile and tablet friendly website



Beta version of new mobile friendlier website will be launched next week at [m.verkkokauppa.com](http://m.verkkokauppa.com) (or [m.verk.com](http://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 will be  
launched with our  
very own 30-door  
"+20% better  
November Chocolate  
Calendar" on 1.11.



# Q&A

- Financial year 2014 release on Friday 13 February 2015

## **Contacts:**

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# Thank you!

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