

NASDAQ
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Verkkokauppa.com Q1 2020

- Finland's most popular webstore

Panu Porkka, CEO
24 April 2020

Questions during or after the presentation - investors@verkkokauppa.com



Today's Agenda

- Key Figures Q1/2020
- Sales and Profitability Development
- Competitive Advantage's
- Market Outlook 2020
- Key Takeaways
- Q&A



Income Statement Q1

EUR million	Q1/2020	Q1/2019	Change, %
Revenue	125.3	115.8	+8%
Gross profit	19.4	17.4	+12%
Gross margin	15.5%	15.0%	+3%
Personnel expenses	-8.6	-7.8	+11%
Other opex	-6.3	-6.3	-1%
Operating profit	3.4	2.3	+49%
Operating margin	2.7%	2.0%	+37%
Comparable operating profit	3.8	2.3	+63%
Comparable operating margin, % of revenue	3.0%	2.0%	+60%
Net profit	2.4	1.5	+60%

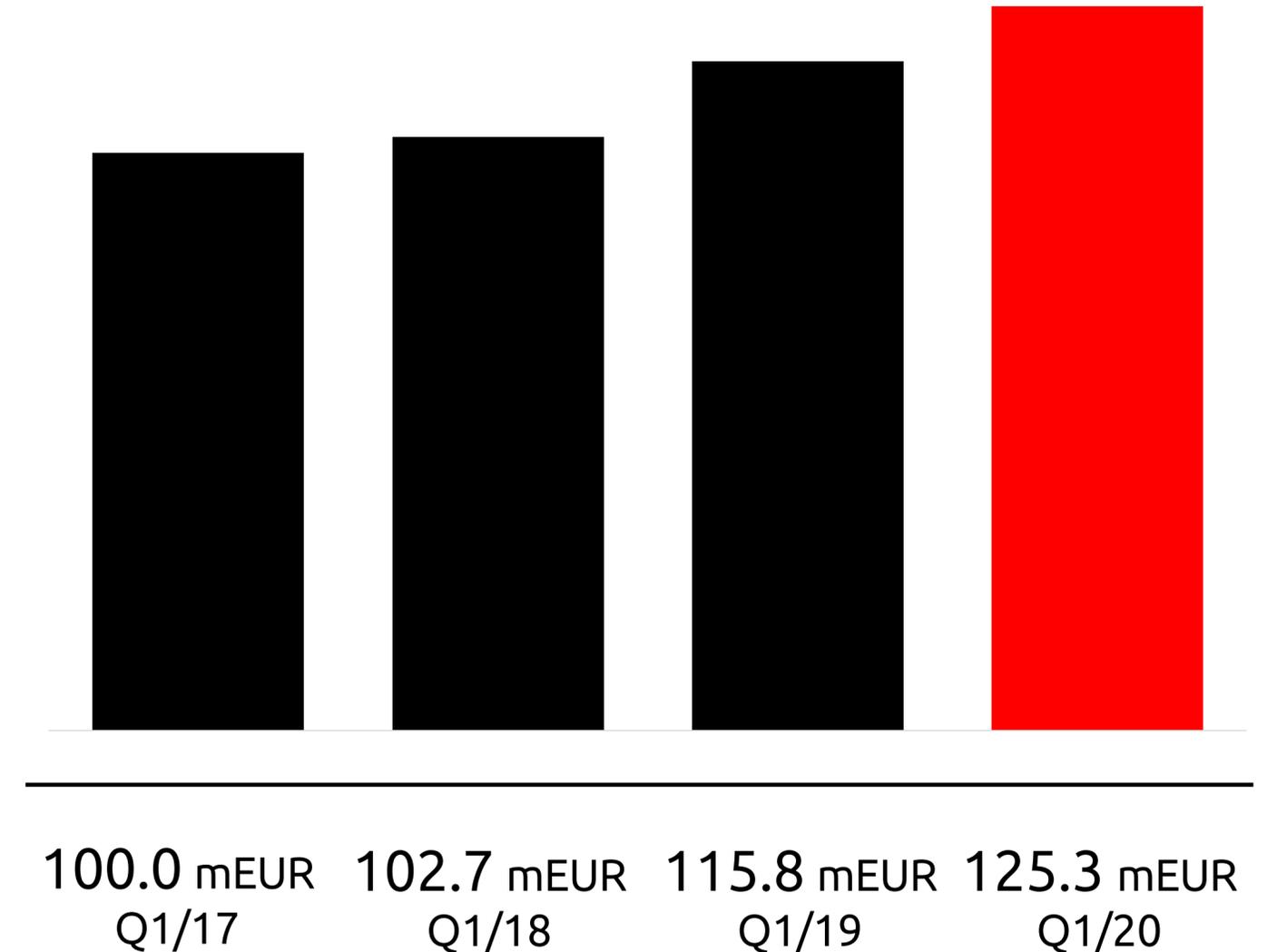


- 25th consecutive growth quarter
- Operating profit increased by +63%
- Quarterly dividend of 0.053eur



Sales Development in Q1

- Positive sales development in all major categories
- Sales channel development driven by strong web sales
 - Web visitors +30% since mid March
- Strong performance in several evolving categories
 - Sports +90%, Home +20%, Grilling +28%
- Effective marketing actions and diversity in campaigns
- Increased online marketing to build up exposure and traffic



Profitability Development in Q1

- Sales mix having a positive impact on gross margin
 - Share of mid size and small categories increasing
- Healthy stock and turnover in big categories
- Improved category management and optimized supply chain management
 - Reduction of slow movers, optimization of stock in bulky product categories
- Effective campaigning with better segmentation and targeting
- Great benefit from business model with strong web channel



Balance Sheet 31.3.2020

- Inventory 61.8 (66.7) million euros on 31/3/2020
- Cash flow from operating activities +3.7 (-11.2) million euros
- Cash 45.0 (42.5) million euros
- Undrawn revolving credit facilities 20 million euros
- 24.5% (23.4%) equity ratio



2020 Guidance - *unchanged*

Revenue

€510m - €530m

(2019 €504m)

Operating profit

€12m - €15m

(2019 €11 m)

Medium-term targets: Sales growth 10 - 20% per year, growing operating profit and operating margin of 2.5 - 4.5%

Policy of paying out growing quarterly dividend



Our Competitive Advantage's





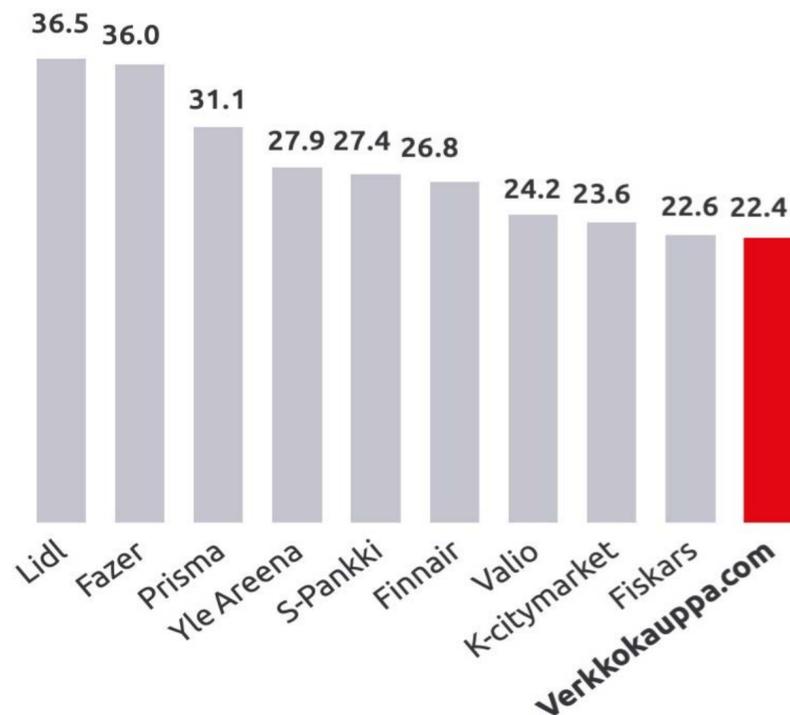
Verkkokauppa.com's vision is to be
a Nordic leader in retail through
cost-efficiency, brand image, own
ecosystem and scalable business model



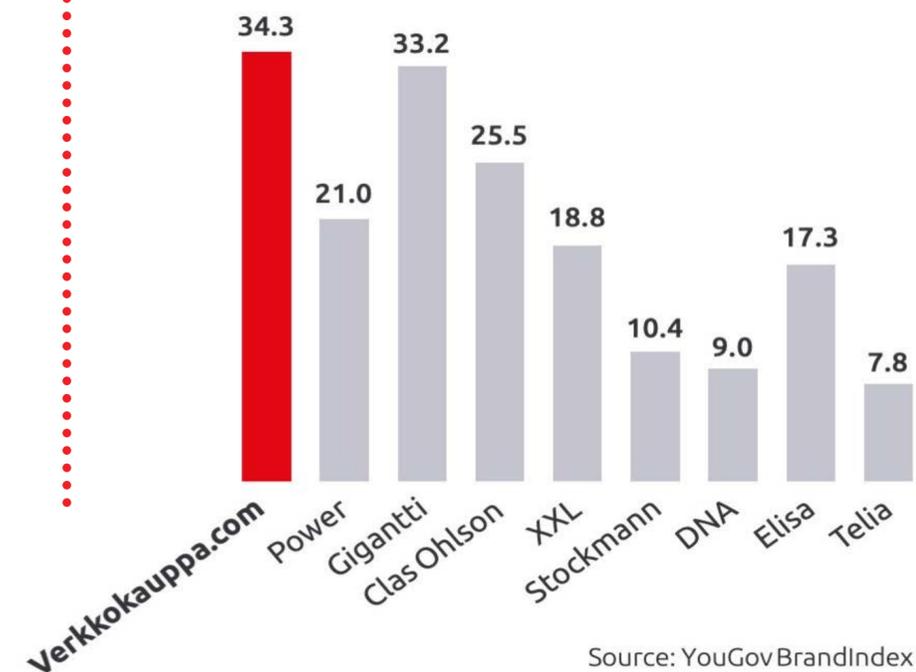
Strong Market Position as Retail Goes Online

- Uniquely positioned brand in e-commerce in Finland
 - Verkkokauppa.com continues to strengthen it's top-of-mind position among customers
 - Cornerstone in Finnish retail, agile to changing environment
- Strong company values drive our development

Finland's most positively talked about brands, Net score



Which of the following brands would you recommend to a friend or colleague?

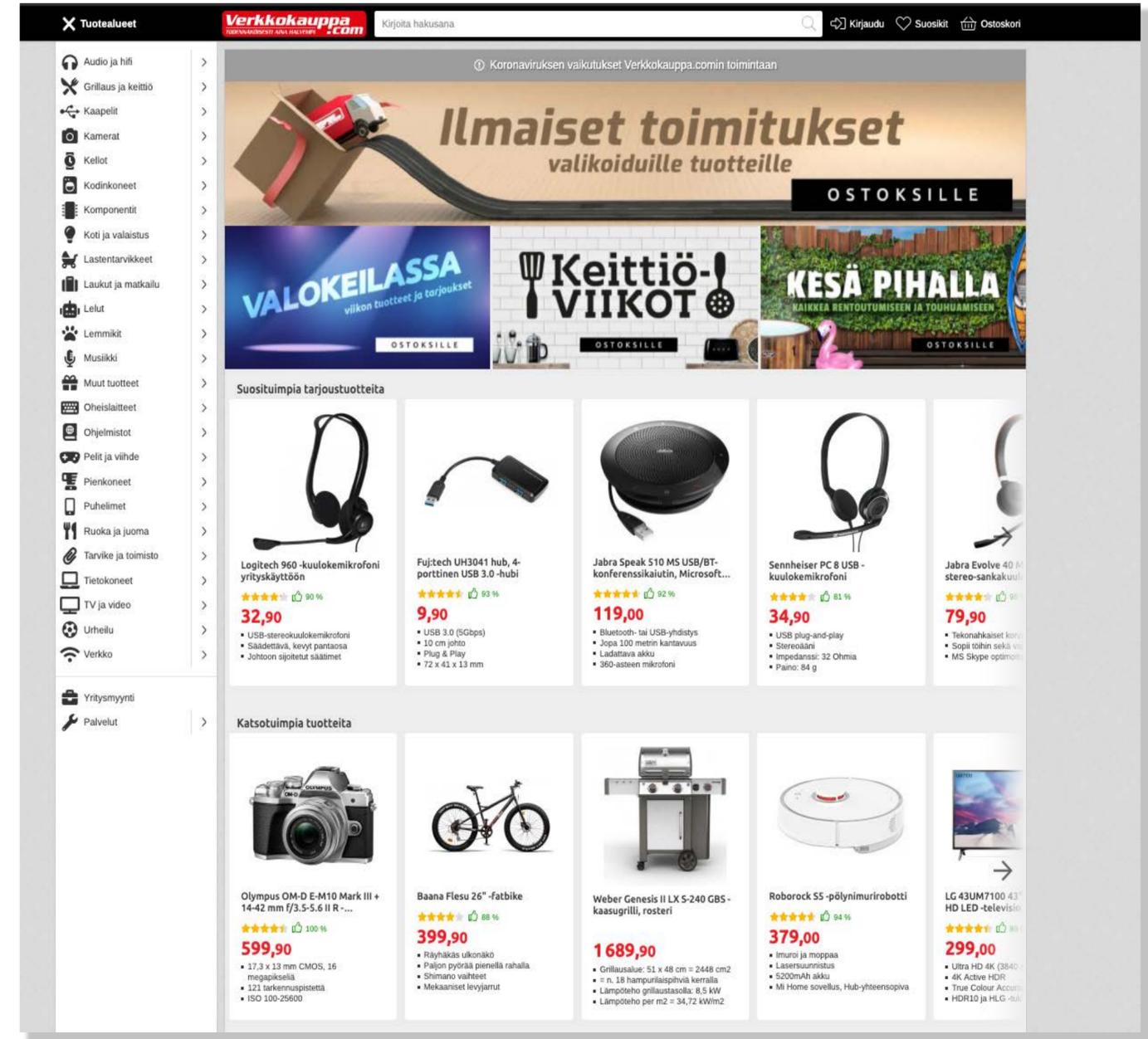


Source: YouGovBrandIndex



Fast and Seamless Customer Experience

- Transparency and fairness are driving forces behind our development in customer experience
- Almost 300k product reviews and transparency regarding returns and service levels
- Latest and ongoing developments:
 - Cloud based web site to support future demand
 - Personalized AI-driven search function implemented
 - Technologies in product information to increase conversion
 - New Customer Data Platform (CDP) during Q2 for better segmentation
 - Improved store pick-up trough account settings
 - New location based price tags for Jätkäsaari store during Q2



Wide Assortment, Best Availability and Delivery Options

- Ongoing development of wide and attractive assortment up to 70.000 SKU
- Focus on latest technology and high quality products in best possible prices, multiple and fast delivery options
- Strong local inventory to maximise availability
- Latest and ongoing developments:
 - Latest launch of new subcategory Home & Garden
 - Several new high-end A-brands under negotiations
 - Demand for 3h deliveries in greater Helsinki area rapidly increasing
 - Same day deliveries for Saturday started
 - Guaranteed next day delivery for Greater Helsinki area during Q2 (for Southern Finland during H2)
 - Same day delivery pilot in Tampere region in Q2



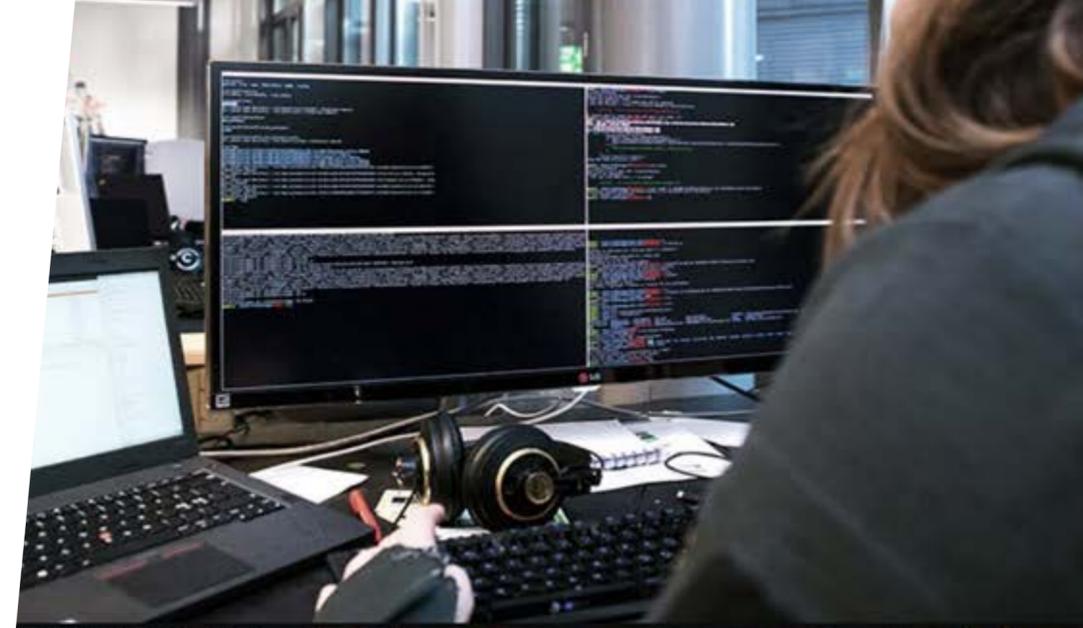
Price Leadership

- Keeping our customer promise “Probably always cheaper” in all major categories
- Competitive prices enabled by the leanest operating model on the market
- Low prices and low costs mentality across the organization
- Latest and ongoing developments:
 - Increase the share of Private Label in product assortment to secure low price points
 - Strong cash position enables fast purchases to utilize opportunities
 - Wide sourcing network across Europe used in negotiations
 - Market shift towards online opens up new potential in supplier co-operations



Agile and Scalable Business Model

- Agile and Tech-driven business model effectively combines webstore and four megastores
- In-house developed IT infrastructure built for omnichannel and online since day one
- Scalable operating model with low relative fixed cost base enables profitable growth
- Latest and ongoing developments:
 - Marketing automation and analytics for improved marketing performance
 - Building up category management capabilities and tools
 - Optimization and automation of supply chain management under investigation



Key Priorities 2020

- Maintain safety, secure operations and react to changing market situation due to Covid-19
- Continue **brand marketing** to increase awareness and top-of-mind to secure future growth
- New category launch in Home & Garden to support customer acquisition and assortment diversity
- Keep **investing in technologies** to build up capabilities and increase scalability
- Focus and development of superior **product information**
- Development in **category-** and **supply chain management** continuing
- Secure strong **cash position** with **growing dividend**



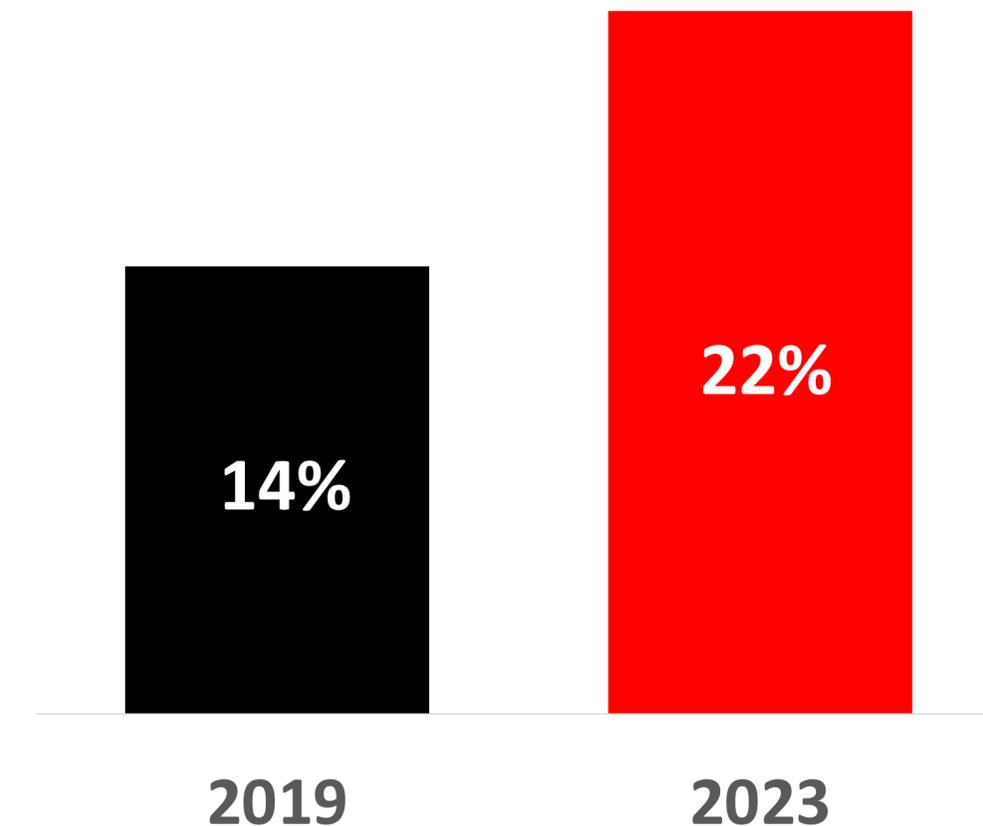
Market Outlook



Global Development

- The worldwide restrictions on movement are having an adverse impact on trade in goods around the globe*
- In 2020 world trade is estimated to decrease by 5%*
- In 2019, e-retail sales accounted for 14 percent of all retail sales worldwide
 - This figure is expected to reach 22 percent in 2023**
- Delays in production might bring availability issues in certain categories and brands during H2

E-commerce share of all retail sales**



* Ministry of Finance 16/4/2020

** Statista Retail e-commerce sales growth worldwide 2014-2023 30/8/2019



Covid-19 Measures

1. Safety:

- Numerous actions made to ensure the safety of our staff and customers

2. Continuity:

- Measures taken in all critical parts to maintain operations

3. Supplychain:

- Utilizing sourcing capabilities to meet the high demand in certain categories

4. Customer experience:

- Scaling the capacity in logistics to meet increased demand

5. Community:

- Hand disinfection products via website to cost price

→ Despite increased uncertainties no negative impact to date, solid position moving forward



Market Outlook

- COVID-19 pandemic limiting mobility and accelerating shift towards online
- Completely new customer groups introduced to e-commerce bringing a permanent shift
- Uncertainty in Finnish economy effecting purchasing power in H2
- Finnish GDP forecast -5.5% to -12% depending on Covid-19 restrictions *

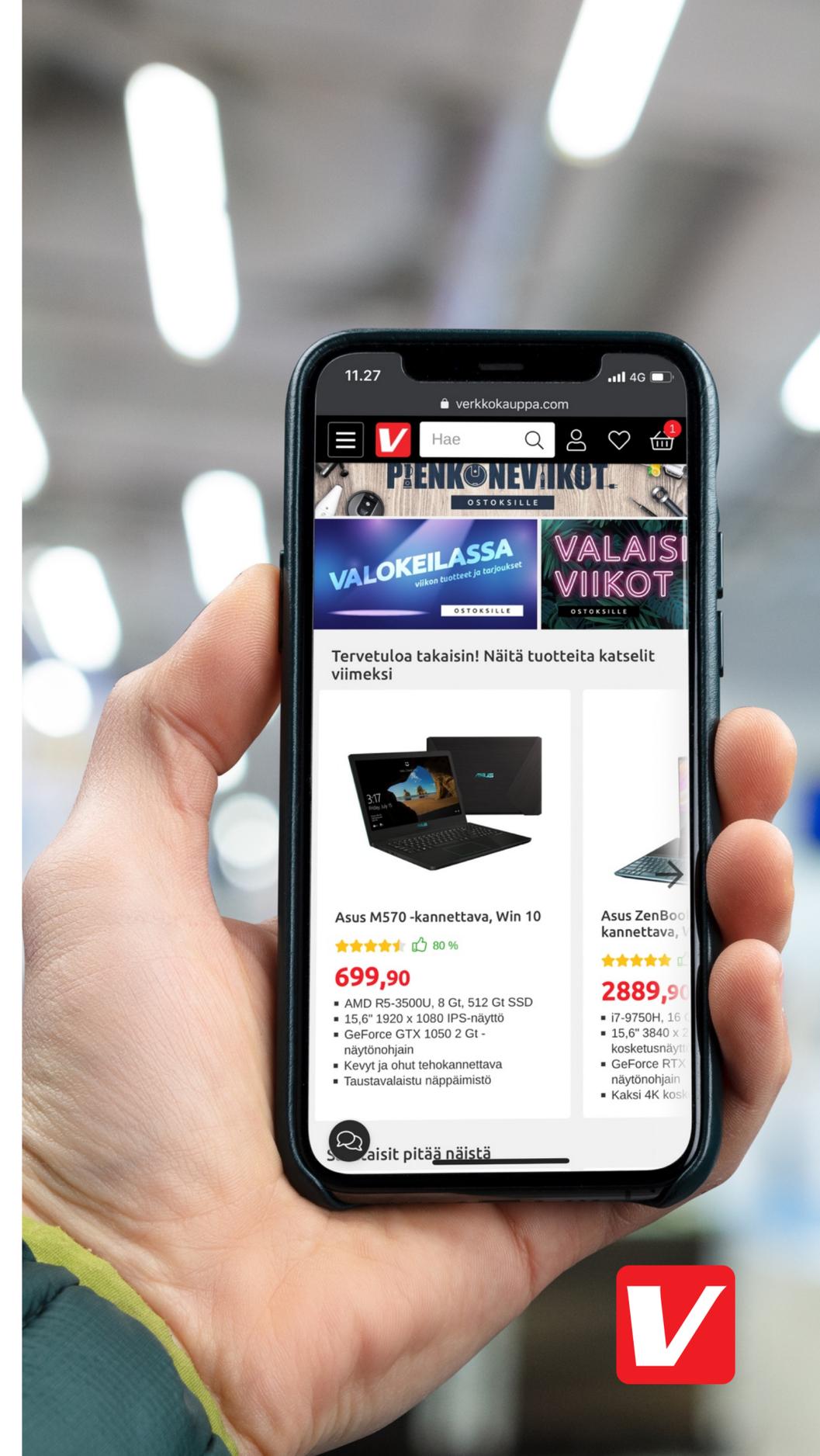


Key Takeaways



Key Takeaways

- Focus on profitability improvement showing positive effect
 - Business model well adaptable to quick changes in market and environment
 - Strong brand and market position of use in uncertain times
 - Wide assortment with diversity in campaigning driving traffic and growth
- Development work for future growth and better scalability
 - Financial situation solid with strong cash position enabling a growing dividend
 - Main focus on profitable growth while gaining market share continuing for 2020
 - Preparation for Nasdaq Helsinki listing continuing as planned



KESÄ PIHALLA

KAIKKEA RENTOUTUMISEEN
JA TOUHUAMISEEN



GAMEON
PALLOILUUN

THANK YOU!

Time for questions

Verkkokauppa.com
TODENNÄKÖISESTI AINA HALVEMPI

Ma-la 9-
Su 11-

24 h kioski aina



More Information

Upcoming events in 2020:

Q2/2020, Friday 24 July 2020

Q3/2020, Friday 23 October 2020

Links:

Investors site
www.verkinvest.com

Company Releases mailing list
www.joinverk.com

Company Investor Webcasts
www.verklive.com

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