

Verkkokauppa.com

Q3 2020

Finland's most popular webstore

23.10.2020 | Panu Porkka

Today's Agenda

- Key Figures Q3/2020
- Sales and Profitability Development
- Competitive Advantage's
- Amazon opportunity
- Market Outlook 2020
- Key Takeaways
- Q&A



Income Statement Q3

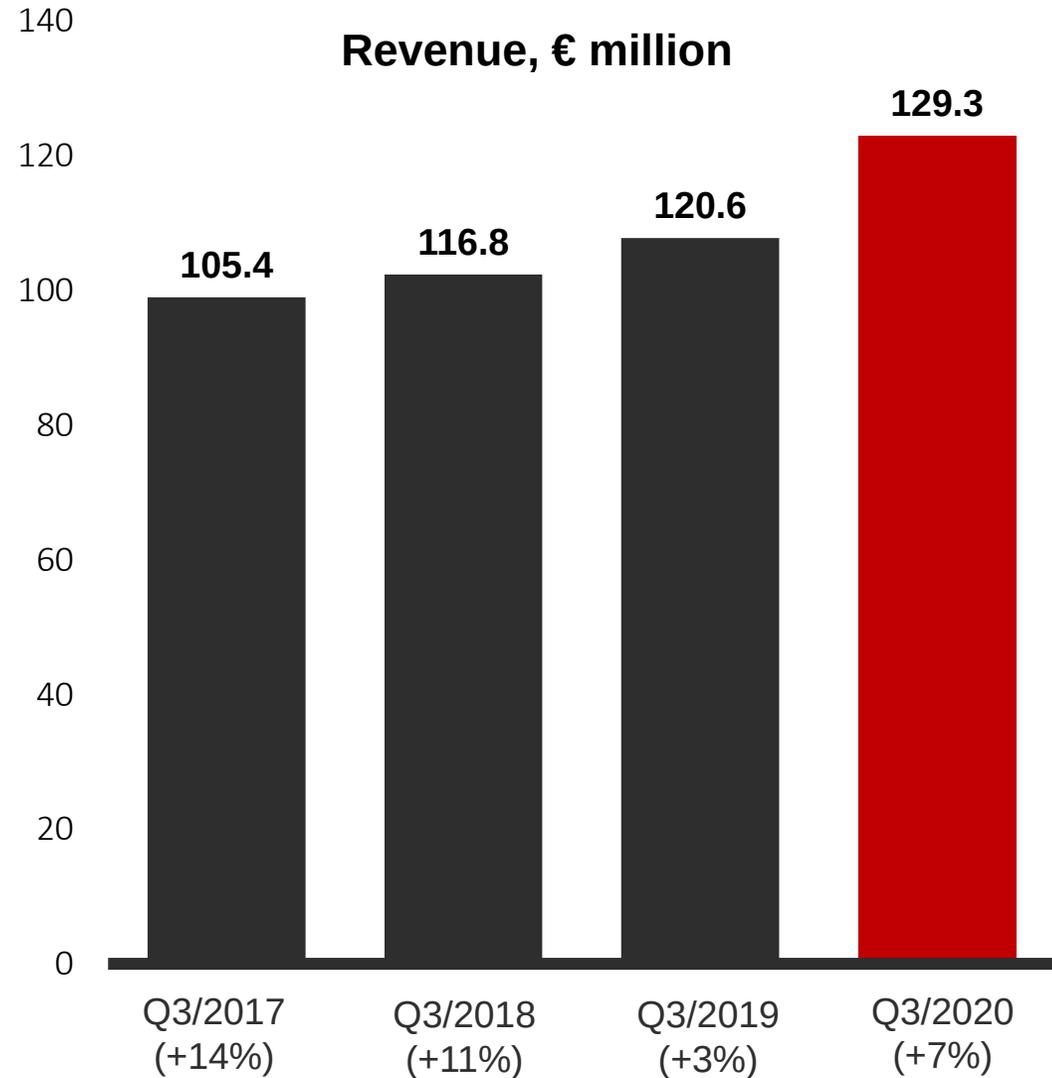
EUR million	Q3/2020	Q3/2019	Change, %
Revenue	129.3	120.1	7.3%
Gross profit	20.9	18.9	10.4%
Gross margin, % of revenue	16.2%	15.7%	3.0%
Personnel expenses	-8.1	-7.6	6.4%
Other operating expenses	-6.1	-5.9	4.3%
Operating profit	5.6	4.3	29.4%
Operating margin, % of revenue	4.3%	3.6%	20.6%
Comparable operating profit	5.6	4.3	29.4%
Comparable operating margin, % of revenue	4.3%	3.6%	20.6%
Net profit	4.2	3.2	31.7%

- 28th consecutive growth quarter
- All time high operating profit, increase of +1.3meur
- Quarterly dividend 0.055 eur /share



Sales Development in Q3

- Sales channel development driven by strong consumer web sales
- Number of new online users during Q3 grew by +20%
- Fast delivery options under high demand (+267%) → accelerating transition towards online
- Strong performance in several evolving categories
 - BBQ & Cooking +50%, MDA +40%, Sports +30%, Office & Supplies +30%, Home & Lighting +30%
- The headwind in Export continuing due to COVID-19 impact on travel restrictions



Profitability Development in Q3

- Sales mix having a positive impact on margin, strong consumer sales while Export is declining
- Strong sales increase in higher margin categories
- Enriched data to improve stock turnover and decrease obsolete stock
- Investments in new tools and processes to improve marketing performance
- Scalable cost structure



Balance Sheet & Cash Flow 30.9.2020

- Inventory **65.7** (60.1) million euros on
- Cash flow from operating activities 1-9/2020 **+6.5** (-2.0) million euros
- Investments 1-9/2020 were **0.9** (0.9) million euros
- Cash **36.5** (34.4) million euros
- Equity ratio **25.9%** (25.6%)
- Undrawn revolving credit facilities **20** million euros



2020 Guidance (*updated on 24th of September*)

Revenue

€525m - €550m

(2019 €504m)

Comparable Operating
profit

€17m - €21m

(2019 €11 m)

Previous guidance: Revenue €520m-€545m and Comparable Operating profit €13m-€18m



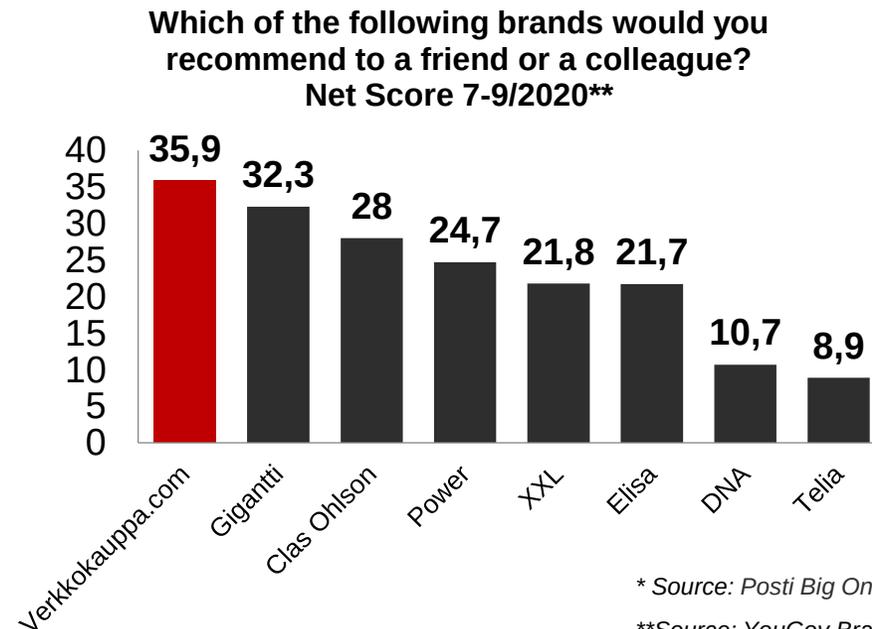
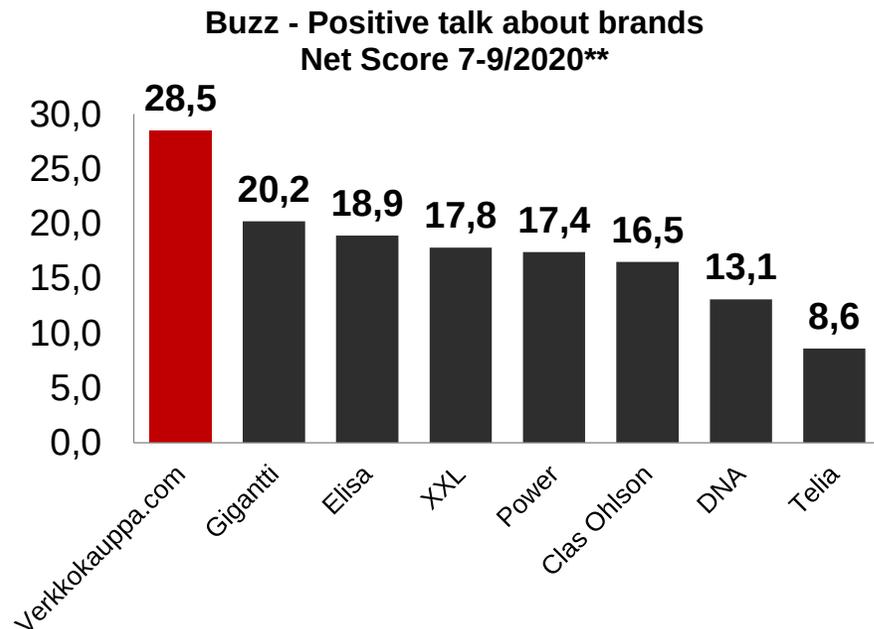


Verkkokauppa.com's vision is to be
a Nordic leader in retail through
cost-efficiency, brand image, own
ecosystem and scalable business model



Strong Market Position in Changing Retail Landscape

- Best positioned brand in e-commerce in Finland, most visited website
 - 20 million visits during Q3, 57 million during Q1-Q3
- Consecutive consumer's choice winner as the best online retailer in Finland 2020*
- Local hero ready for the Amazon opportunity leading into retail going online at a faster pace (price comparison, fast deliveries, local presence)



Fast and Seamless Customer Experience

- Search engine optimization through multiple updated category descriptions and content
- AI pilot started/ongoing to improve and automate chat responses in customer care
- Online Outlet feature completed / to be launched near weeks
- Electronic shelf label pilot in Jätkäsaari store scheduled for Q4

The screenshot displays the Verkkokauppa.com website interface. At the top, there is a search bar with the text "Kirjoita hakusana" and a search icon. To the right of the search bar, there are user account options: "Hei, Seppo! Seppo Niemelä", "Suosikit", and "Ostoskori". Below the search bar, there are filters for "Rajaukset" (Filters) and "Rajaa hakusanalla" (Filter by search term). The main content area shows three product listings, each with a yellow "OUTLET" banner in the top left corner. The first listing is for an Apple MacBook Air 13" Retina 256 Gt SSD -kannettava, hopea, MVFL2, priced at 1025,00 (original price 1199,90). The second listing is for an Apple MacBook Air 13" Retina 256 Gt SSD, 16 Gt -kannettava, tähtiharmaa, MVFJ2, priced at 1399,00 (original price 1639,90). The third listing is for an Apple iPad Pro 11" 512 Gt Wi-Fi, tähtiharmaa, MXTX2, priced at 1045,00 (original price 1099,90). Each product listing includes a star rating, a list of features, a "Yksittäiskappale, heti lähetettävissä" (Single unit, ready for shipping) status, and a green "Osta heti" (Buy now) button. The website also features a "Kuntoluokka" (Membership level) selector with options A, B, C, and D.



Wide Assortment and Best Availability

- New site Verkkokauppa.fi launched to support local suppliers and to strengthen leadership as most desired generalist
- MDA market moving online at a faster pace, supported by good availability and appealing assortment
- Largest MDA assortment in Finland, additional brands introduced during Q4
- Facemasks and disinfection products with fair prices
- Lots of new smaller categories and new brands added to the assortment
 - Tom Dixon's design lamps, Xiaomi TVs, Ulefone mobile phones, Nanlite imaging equipment, lighting category with several new brands



Fastest Deliveries in Finland

- Same day & Express deliveries
 - Same day delivery as an option in great Helsinki area and in Tampere region with lowered price 14,99€ since September
 - 3h Express deliveries available already since 2014
 - +267% growth in same day & Express deliveries during Q3
- Strong growth in demand of different delivery options during Q3
 - Home deliveries +45%
 - Home delivery with install and/or recycling service +31%
 - Deliveries to parcel lockers +22%



Key Focus Areas for Q4

- Monitoring development regarding COVID-19 situation closely to quickly take needed measures
- Last load testing to **secure online operations** and experience during expected record peaks
- Stronger focus on upcoming campaigns as consumption likely in favor of Retail (Singles Day & Cyber Monday)
- **Availability and Delivery experience** key success factors
- Continuing **brand marketing** to increase awareness and top-of-mind to secure future growth and maximize opportunities



Amazon.se



Verkkokauppa.com vs Amazon.se (& other pure players)

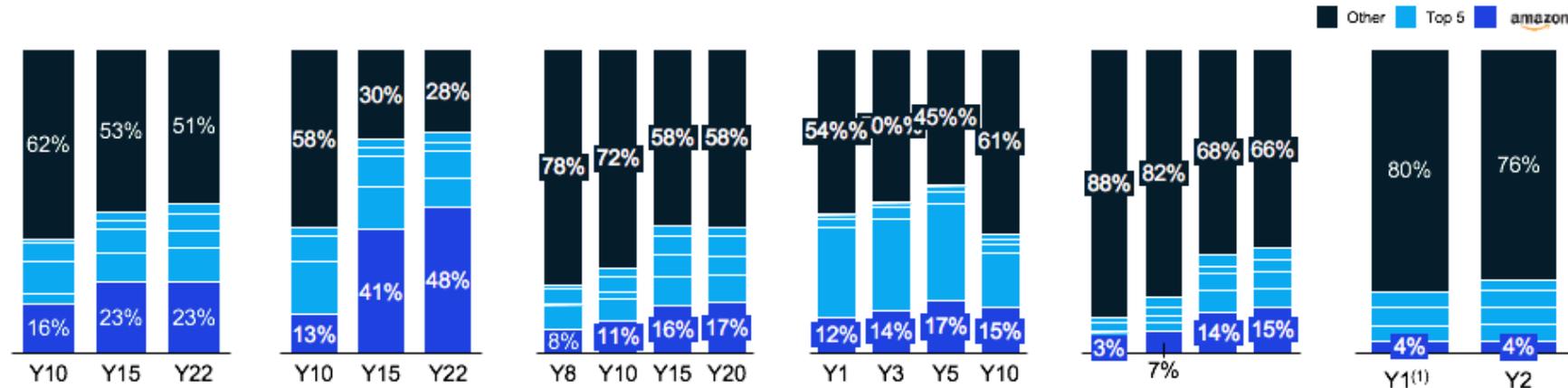
Verkkokauppa.com is strong positioned against international pure players and local competitors due to it's competitive advantages

- **Price**
 - Continuous price matching against Amazon already in practise
 - Competitive price environment in Finland for several years ongoing
 - "Propably always cheaper" as a customer promise
- **Convenience**
 - Local warehouses giving significant advantage
 - Best possible availability with unmatched fast deliveries
- **Assortment**
 - Wide, broad and relevant product offerings in chosen categories
 - Already large offering in local products
- **Experience & Service**
 - Personalized content for every consumer online
 - 4 Megastores as destination to support the best omnichannel experience
 - Wide variety of services through Verkkokauppa.com stores (financing, returns, installment)



New market growth not consistent

Market shares top 5 online retailers, X years after Amazon entry
Share of Retail value RSP, Internet retailing only



Market share trend



Year of entry=Y1



Online competition at entry



Online penetration year of entry



- Amazon possess a strong position across markets, however the market share development have stagnated or started to decrease in all but the German market
- Success in the markets can be attributed partially to the external factors at entry (e.g. online penetration and online competition from incumbents)
 - Amazon's early entry into the German and UK market (<1% online penetration) allowed Amazon to expand with online development of the markets
 - In Australia the maturity of the market (~9% online penetration) and already established incumbents has tampered Amazon's ability to quickly expand

1 Financial data lacking for Coles for this year



Local heroes can succeed and grow alongside Amazon

Selection of top ecommerce companies; non-exhaustive, unordered



1. Total ecommerce market share w.r.t. Retail Value RSP excl. sales tax

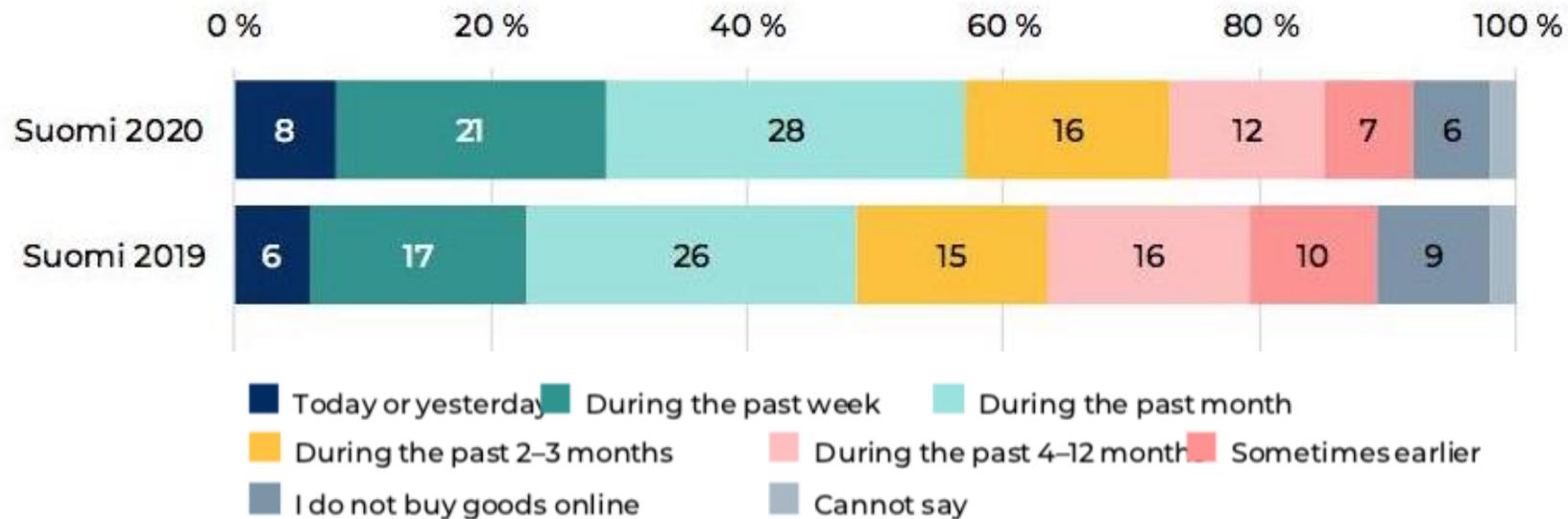


Market Outlook



Market Development

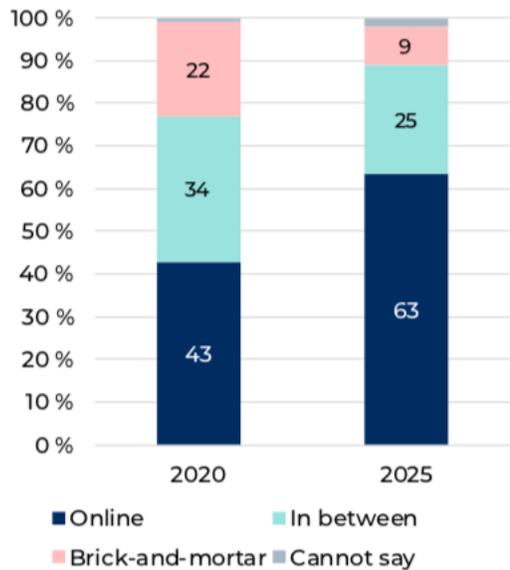
When did you last buy goods from an online store?*



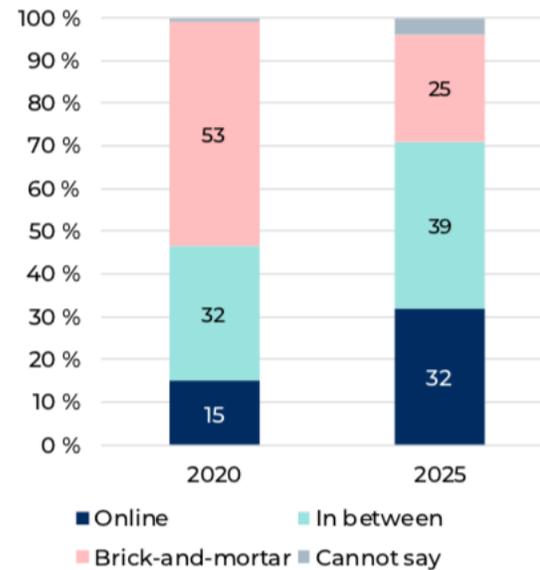
Market Development

Forerunners and basic users estimate that online shopping will increase significantly in the future

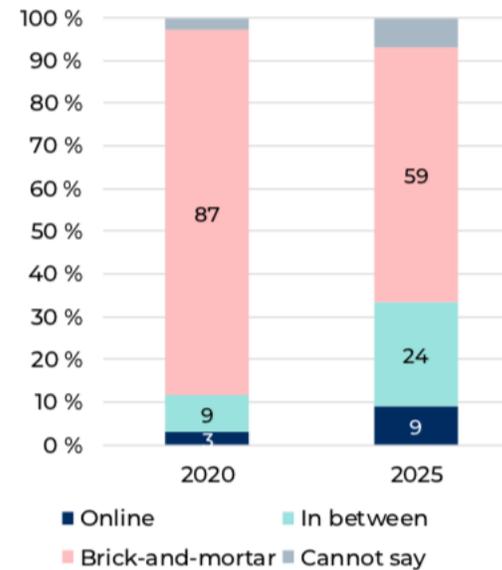
Forerunner or active (20%)



Basic user (38%)



Experimenter or doubter (41%)



On a scale of 1 to 10, describe your attitude towards shopping between brick-and-mortar stores and online stores? (Present 2020, in 2025)



Key Takeaways

- Strong performance across all operation continuing
 - Three consecutive record quarters in profit (Q3 all time high)
 - COVID-19 impacting consumer demand in several categories and shifting sales towards online → this change likely to be permanent
 - Successful category- and campaign management for better product margins
- Guidance updated for 2020 due to strong Q3 and full year outlook
 - Strong brand position supporting traffic and perception
 - Uncertainties regarding Q4 due to market and COVID-19 development remains
 - Strong financial position ensuring growing dividend and opens up opportunities for investments



Don't forget the Christmas presents



More Information

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Investors site

www.verkinvest.com

Company Releases mailing list

www.joinverk.com

Company Investor Webcasts

www.verklive.com

Upcoming events in 2021

Q4/2020 and year 2020 on Friday 12
February 2021

Q1/2021 on Friday 23 April 2021

H1/2021 on Friday 16 July 2021

Q3/2021 on Friday 22 October 2021



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