

Verkkokauppa.com Oyj Interim Report January-March 2021

Revenue grew and profitability improved along the strong online sales

23 April 2021 | Panu Porkka, CEO, Verkkokauppa.com Oyj

Agenda

Business review

- ✓ Development in Q1/2021
- ✓ Key financials
- ✓ Sustainability work
- ✓ Strategy update
- ✓ Business outlook for 2021 and financial targets
- ✓ Key takeaways



Strong start for the year

Sales

- Strong consumer web sales continued, online sales +33% y-on-y
- Almost 3 million more visitors on our online store during Q1, around 20 million visits in total
- B2B sales increased +12%
- Strong performance in several evolving categories like sports, home & lighting and baby & family
- The headwind in Export sales continuing due to COVID-19 impact on travel restrictions with -51% decline

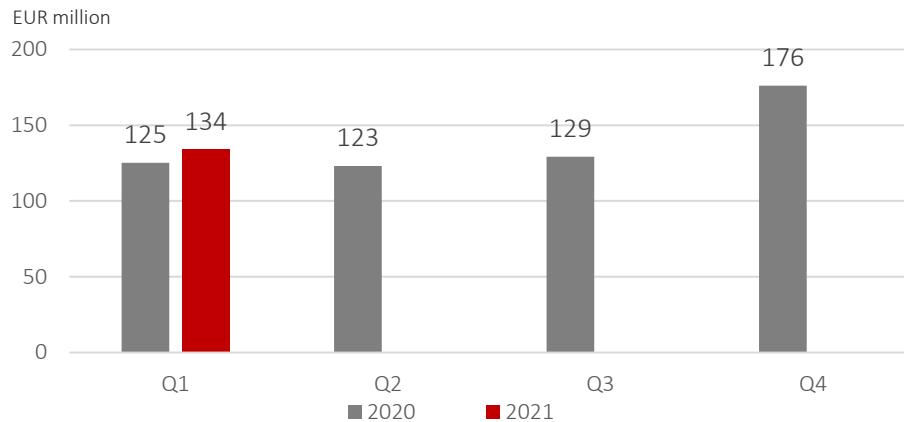
Profitability

- Sales mix having a positive impact on margin, strong consumer sales while Export declined
- Strong sales increase in evolving categories with higher margins
- Personnel costs and opex scaling as revenue is increasing faster than costs
- Once again, Verkkokauppa.com's Board of Directors has decided today to pay first dividend instalment of EUR 0.057 per share on 4 May

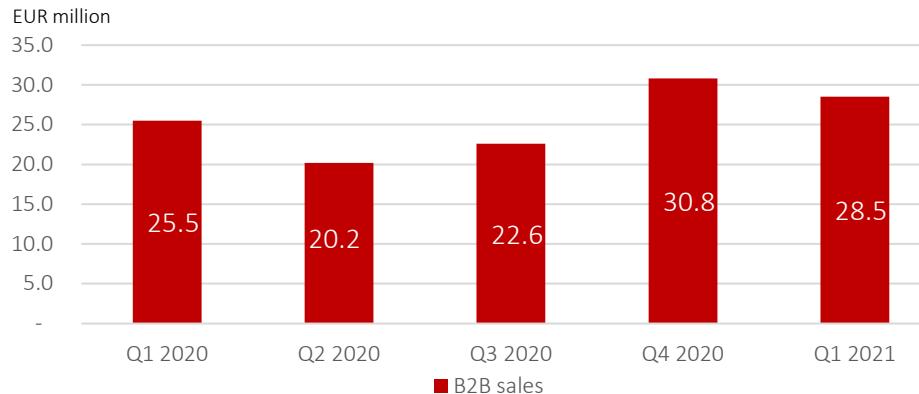


Online sales¹⁾ grew by +33% in Q1

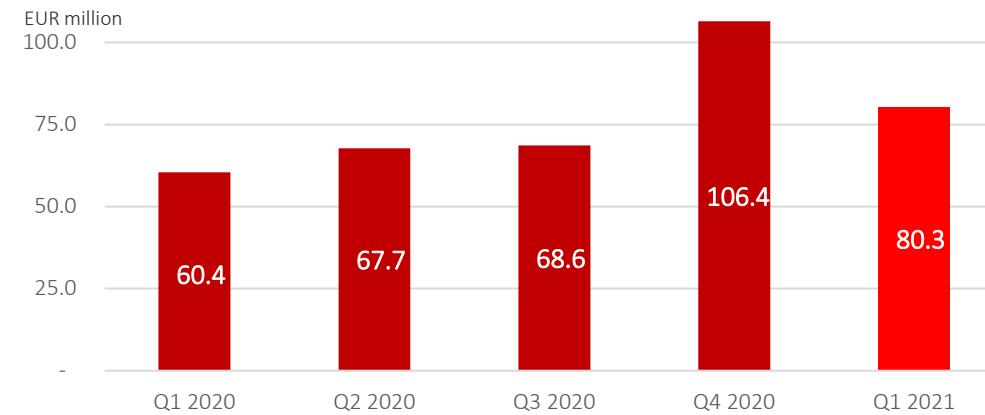
Revenue growth throughout categories and channels



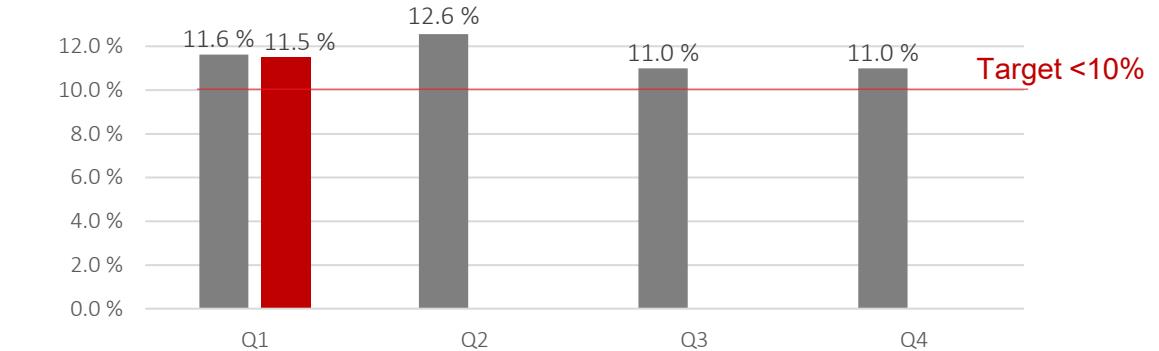
B2B sales grew by +12%



Online sales¹⁾ grew by +33%, online shift continuing



Fixed cost²⁾ to revenue ratio, targeting below 10% by 2025



1) Without Export

2) Excluding advisory costs related to listing



Income Statement Q1 2021

EUR million	Q1/2021	Q1/2020	Change, %	FY 2020
Revenue	134.0	125.3	7.0%	553.6
Gross profit	21.7	19.4	11.9%	88.4
Gross margin, %	16.2%	15.5%		16.0%
Personnel expenses	-9.1	-8.6	5.0%	-35.6
Other operating expenses	-6.4	-6.3	1.3%	-64.4
Operating profit	5.2	3.4	52.2%	19.6
Operating margin, %	3.9%	2.7%		3.5%
Comparable operating profit	5.2	3.8	38.5%	20.4
Comparable operating margin, %	3.9%	3.0%		3.7%
Net profit	3.9	2.4	57.6%	14.6

- 31st consecutive growth quarter
- 5th consecutive quarter with profit improvement, increase of EUR +1.8 million
- Quarterly growing dividend of EUR 0.057 per share



Balance Sheet & Cash Flow

At the end of Q1 2021:

- Inventories were EUR **79.9** (61.8) million
- Cash flow from operating activities was EUR **-9.1** (3.7) million
- Investments were EUR **0.4** (0.3) million
- Cash, EUR **32.6** (45.0) million
- Equity ratio **20.3%** (24.5%)
- Undrawn revolving credit facilities of EUR **20** million



Our sustainability focus areas

We have defined our **sustainability focus areas**, covering areas from customer offering to environmental impact and community to good governance.

Next steps, including:

- measurable and monitored goals for each focus area
- The main focus will be defining our emissions more carefully and to set emissions reduction targets
- One objective is also to engage the entire work community and raise awareness of corporate responsibility themes

The collage includes three pages from the 2020 annual report:

- Top right page (page 11): Value creation for diverse stakeholders**
 - Resources and enablers:**
 - Professionals of Verkkokauppa.com: Company employed an average of 730 persons in 2020.
 - Omnichannel marketplace: The most popular webstore in Finland.
 - Four megastores
 - Maintenance and value-added services
 - Enablers of business:
 - Procurement chain and supplier relations (approx. 750 suppliers)
 - Local warehouses
 - Fast and versatile deliveries
 - Company's own and continuously evolving ERP system and webstore platform
 - Intellectual capital:
 - Brand image and brand awareness
 - Concept of omnichannel customer experience
 - Product knowhow and category management
 - Customer and transaction data
 - Product information and reviews
 - Financial Resources:
 - Balance sheet total EUR 173.7 m
 - Cash and cash equivalents EUR 10.2 m
 - Owners:
 - 14,000 shareholders
 - Center page (page 10): The address of all passions**
 - Excellent customer experience and strong brand**
 - Broad**
 - Efficient order-to-delivery process**
 - Competitive structure**
 - Unparalleled technical back-end system**
 - Bottom left page (page 18): Our values**
 - // Personnel are a key factor of Verkkokauppa.com's success.**

with opportunities to influence operations and to bring forward constructive ideas. In 2020, a workplace communication strategy was implemented throughout the organization, aiming at a more open atmosphere of communication and improved transparency of matters taking place within the Company. Personnel were engaged in development work through, for example, a variety of workshops as well as active discussions on Verkkokauppa.com's internal communication channel regarding ongoing matters.

Personnel are a key factor of Verkkokauppa.com's success. Good work performance and everyday successes were recognized, for instance, by naming an employee of the month and by rewarding the supervisor of the year and employee of the year. The entire personnel were reporting year due to the COVID-19 pandemic. The Company established a task force to coordinate the exceptional situation, with representatives from different parts of the organization including the Management Team. Changes in the COVID-19 situation and the Company's practices were communicated to personnel actively throughout the year via a dedicated COVID-19 communication channel. In addition to increased sanitization and securing a variety of measures in leadership under exceptional circumstances, group trainings for about 50 supervisors, arranged face-to-face and virtual trainings with consideration for the ongoing COVID-19 situation.

Health and well-being a priority
The safety and well-being of personnel and customers were highlighted as special priorities during the reporting year due to the COVID-19 pandemic. The Company established a task force to coordinate the exceptional situation, with representatives from different parts of the organization including the Management Team. Changes in the COVID-19 situation and the Company's practices were communicated to personnel actively throughout the year via a dedicated COVID-19 communication channel. In addition to increased sanitization and securing a variety of measures in leadership under exceptional circumstances, group trainings for about 50 supervisors, arranged face-to-face and virtual trainings with consideration for the ongoing COVID-19 situation.

Focus areas of Verkkokauppa.com's sustainability work

 - AT THE CUSTOMERS' SERVICE AND ON THEIR SIDE**
 - We sell products that customers actually need: our products are safe and of high quality, and product information and communications are transparent.
 - We offer services supporting sustainable consumption.
 - We promote responsible working conditions and environmental practices throughout the supply chain.
 - SMALLER ENVIRONMENTAL IMPACT**
 - We minimize our impact on the climate.
 - We promote the use of responsibly sourced materials and material efficiency.
 - We promote the circulation of materials.
 - VERKKOKAUPPA.COM AS A COMMUNITY**
 - We invest in our community and in a coaching leadership style.
 - We ensure appropriate working conditions and skills development.
 - We value different backgrounds and do not discriminate anyone.
 - PROFITABLE BUSINESS AND GOOD GOVERNANCE**
 - We run profitable business operations.
 - We adhere to good governance principles and manage risks.
 - We ensure strong information security.



Strategy update

We continue to develop our operations according to strategy and towards our targets



Assortment



The widest and most exciting assortment in chosen categories, available from single store/platform.

New (premium) products always available among the first in Finland



Experience



Frictionless omnichannel experience built upon inhouse technology stack. Customer journeys designed around the digital consumer from day 1



Speed & Flexibility



Delivery experience fuelled by highest availability and convenience. Always accurate and transparent offering across all channels and locations



Trust



Most transparent product information platform (online & offline). Fair pricing that you can trust to be "probably always cheaper"

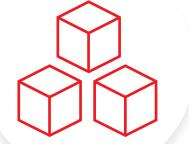


Our mission is to provide the **best possible customer journey** within Nordic retail for selected categories



The widest and most exciting assortment in chosen categories

Assortment



- ✓ Verkkokauppa.com is seeking growth both within its core categories as well as constantly expanding into new products with increased online demand and attractive margin potential
- ✓ Transition to online is here to stay, and further escalating
- ✓ It has brought us lot of new possibilities: during the past 12 months, our assortment has expanded and diversified more than ever before



Delivery experience fuelled by highest availability and convenience

Speed & Flexibility



- ✓ Today, Verkkokauppa.com's delivery next day network covers almost 70% of Finns
- ✓ We are continuously improving our delivery options further
- ✓ Strong growth in demand for different delivery options during Q1
 - +49% all home deliveries
 - +96% growth in a same day and express deliveries
 - +29% home deliveries with install and/or recycling service
 - +51% deliveries to parcel lockers



Jätkäsaari warehouse logistics automation investment

Speed & Flexibility



- ✓ The investment will make Jätkäsaari a world-class, automated urban logistics hub
- ✓ Completely automated small item store, AutoStore will be delivered by Swisslog
- ✓ Consists of 36 robots, which can pick up and deliver up to 1,000 articles per hour
- ✓ Total capacity approximately 25,000 articles
- ✓ The building of this warehouse will commence this summer and to be completed early 2022
- ✓ This investment will enable future growth and create cost efficiencies as well as a better customer experience through wider assortment, improved product availability and faster delivery
- ✓ Reduces energy consumption of the warehouse



Key Operational Priorities 2021

- ✓ Focus on **renewed strategy** and value streams to achieve long term targets
- ✓ First **investment program starting** to automate Jätkäsaari logistics for future scalability and growth
- ✓ Constantly new products and subcategories to provide a **wide and exciting assortment**
- ✓ Projects ongoing to enhance **best possible customer experience** in web and stores
- ✓ Optimize **category management** and secure **availability** for up coming seasons



Business outlook



Business outlook

Our operations are estimated to develop positively in the future

We believe to significantly grow our market share in evolving categories

The strong balance sheet enables us to expand our operations in accordance with our strategy

We expect to further benefit from the shift in consumer behavior to online

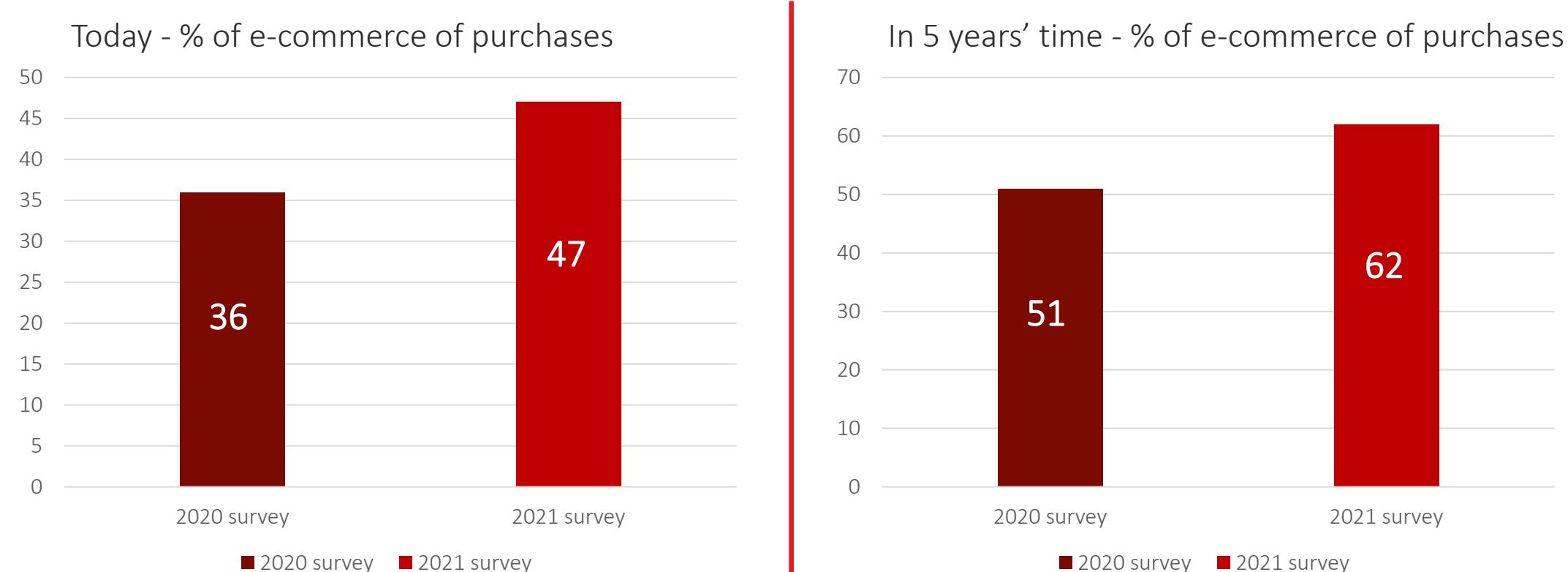
COVID-19 pandemic has accelerated households' spending for goods, but at the same time limited the lower-margin wholesale business

The pandemic may still cause impacts on the overall economic development, consumer demand as well as consumer purchase behavior and B2B sales



Online winning footprint in B2B

B2B e-commerce already makes up nearly 50% of purchases. The annual growth corresponds approximately with the projection from the last five years



Posti conducted this survey on Jan-Feb 2021, focusing on B2B e-commerce, and interviewed 530 companies.
<https://www.posti.fi/fi/yrityksille/vinkit-ja-caset/verkkokauppa/tutkimus-b2b-verkkokauppa-harppasi-vuodessa-viiden-vuoden-kasvun>



Financial targets and dividend policy - unchanged



Guidance for 2021

Revenue: 570–620 million
(2020: 554 million)

Comparable operating profit:
20–26 million
(2020: 20.4 million)

Targets by the end of 2025

Revenue: 1 billion euro
EBIT %: 5 %
Fixed costs: <10% of revenue

Dividend policy

Our goal is to continue to
pay out a quarterly growing
dividend

Key takeaways

1

Strong performance across all operations, good revenue and profitability improvement

2

The online shift in retail continued, our online sales increased by +33%

3

Solid financial position ensuring growing quarterly dividend and future investments opportunities

4

We are executing our strategy towards set 5-year financial targets

5

The ongoing online shift will benefit all strong e-commerce players

6

Automated Jätkäsaari logistics center will be an important enabler for future growth



More Information

Contacts

Panu Porkka, CEO

panu.porkka@verkkokauppa.com

Mikko Forsell, CFO

mikko.forsell@verkkokauppa.com

Marja Mäkinen

Head of Investor Relations &
Corporate Communications

marja.makinen@verkkokauppa.com

+358 40 671 2999

investors@verkkokauppa.com

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Upcoming events in 2021

Half-year report (January-June) on Friday
16 July 2021

January-September Interim report on
Friday 22 October 2021



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