

Verkkokauppa.com Oyj

# Empowering customers to follow their passion

May-June 2021 | Update for major shareholders

Panu Porkka, CEO | Mikko Forsell, CFO | Marja Mäkinen, Head of IR

# Verkkokauppa.com update

## ✓ Sustainability focus areas

- ✓ Latest financials: Q1 2021
- ✓ Strategy update
- ✓ Business outlook & Financial targets
- ✓ IR contact information



# 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



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# Q1 2021 - 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

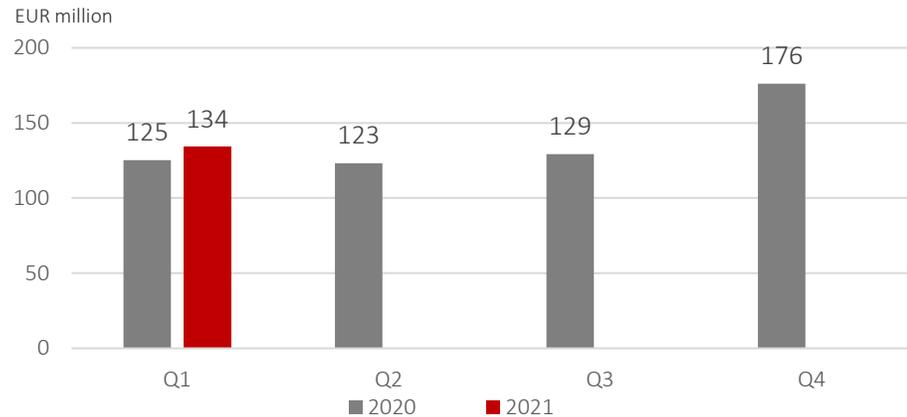
## Profitability

- 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

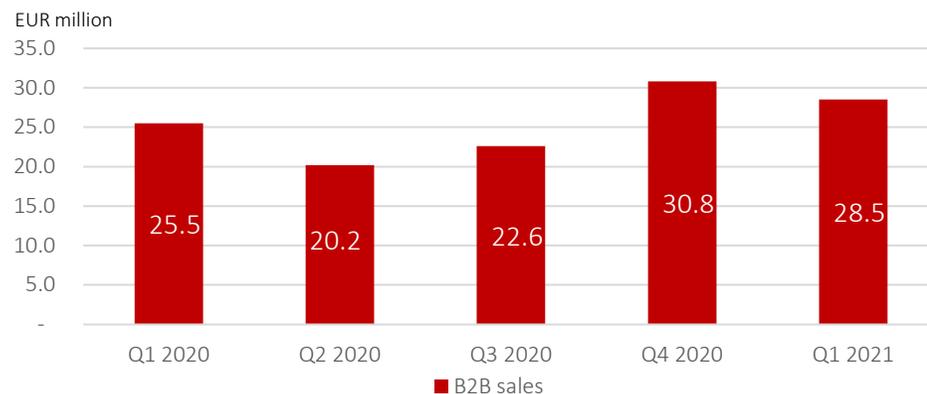


# Q1 2021: Online sales<sup>1)</sup> grew by +33% in Q1

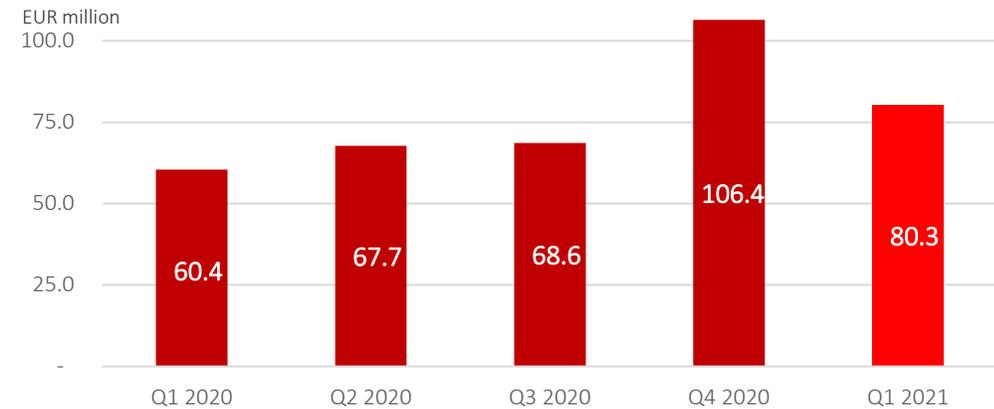
## Revenue growth throughout categories and channels



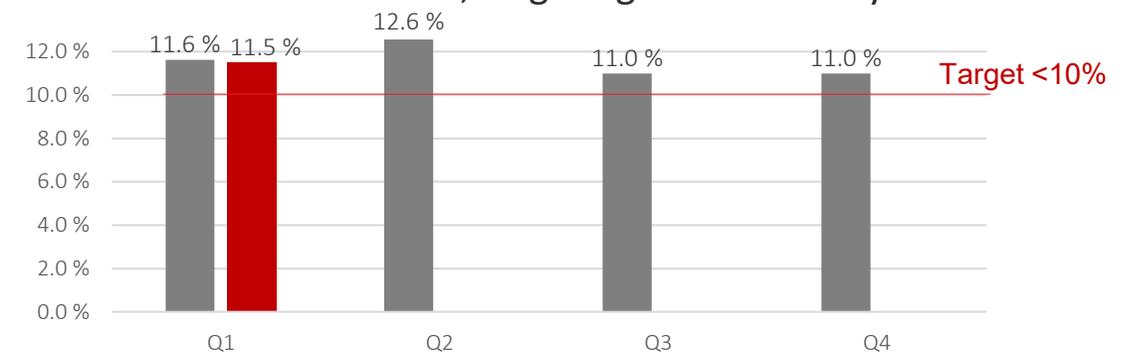
## B2B sales grew by +12%



## Online sales<sup>1)</sup> grew by +33%, online shift continuing



## Fixed cost<sup>2)</sup> 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

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



# Q1 2021

## 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



# Key takeaways from Q1 2021

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

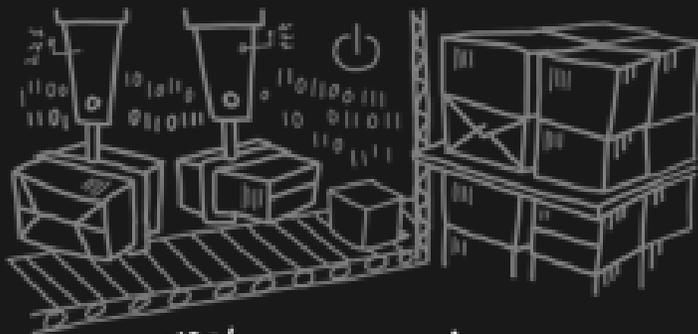
Automated Jätkäsaari logistics center will be an important enabler for future growth



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# Verkkokauppa.com

PROBABLY ALWAYS CHEAPER

2021-2025

## Our Strategy

Remaining  
A PIONEER  
OF COMMERCE  
THROUGH INNO-  
VATION AND  
DEVELOPMENT

THE ROAD  
Towards  
A BILLION!

- NPS! Excellent
- CUSTOMER EXPERIENCE & STRONG BRAND
- EFFICIENT FULFILMENT
- SUPERIOR TECHNOLOGY BACKBONE
- TRUST!
- EXTENSIVE ASSORTMENT
- VAU!
- COST COMPETITIVENESS
- LOVE IT!
- € → €

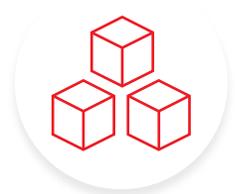


Our values: COURAGE, TRANSPARENCY, AGILITY, COMMUNITY

## Our purpose: empower customers to follow their passion



### 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



Why will our customers continue to shop first and foremost at [Verkkokauppa.com](https://www.verkkokauppa.com)

# We continue to be the pioneer in ecommerce and are proud to be the #1 platform in Finland

2020

**LARGEST  
ECOMMERCE<sup>1</sup>**



**EUR 324m**

In online revenue

**RAPID GROWTH  
IN ONLINE**



**~16%**

Annual growth  
p.a. in 2015-20

**MOST VISITED  
WEBSTORE**



**+87M**

Annual online  
visits

**BEST  
ECOMMERCE  
EXPERIENCE**



**#1**

Voted as best  
customer experience<sup>2</sup>

**Did you know that Verkkokauppa.com...**

**...sells 1/3 of all TVs in Finland <sup>3</sup>**

**... is the largest retailer of light electric vehicles in Finland <sup>3</sup>**

**...is the largest retailer of robot vacuum cleaners in Finland <sup>3</sup>**

1. Euromonitor
2. Posti – Suuri Verkkokauppatutkimus 2020
3. GFK

# We are transparent, interact with our customers, and have established ourselves as the strongest ecommerce brand in Finland

2020



Most product reviews

**>400,000**  
customer reviews



Highest customer satisfaction

**70**  
NPS



Highest customer loyalty

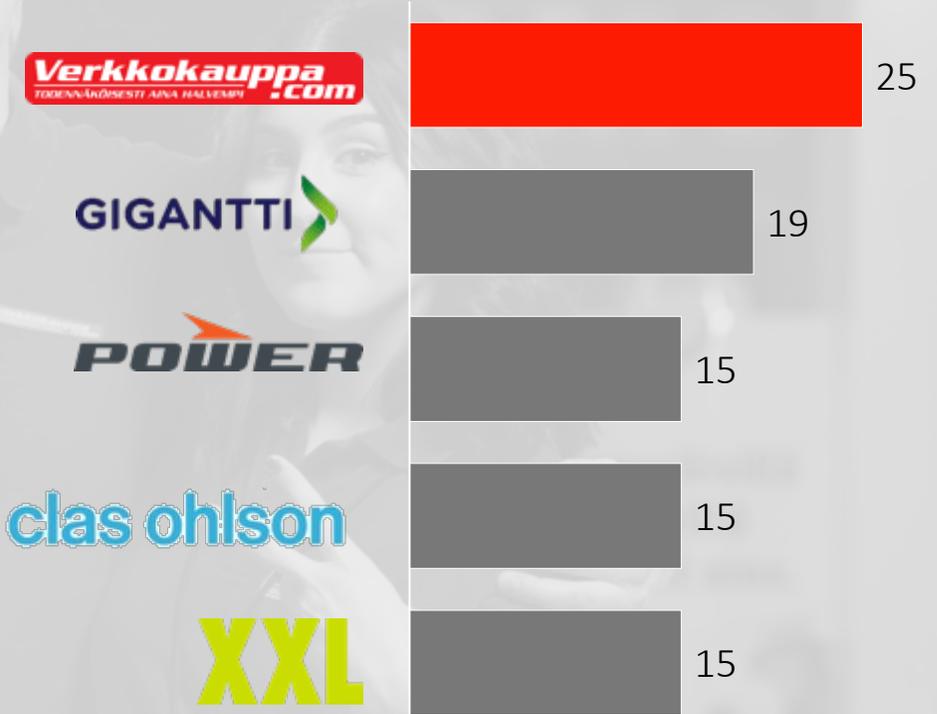
**>115,000**  
Avg. monthly active users, with **+30%** growth YoY



Lowest returns on the market

**1.0%**  
of purchases are returned

## Strongest ecommerce brand in Finland



We are **9th** most positively recognized brand in Finland, among brands such as Finnair, Fiskars and Valio

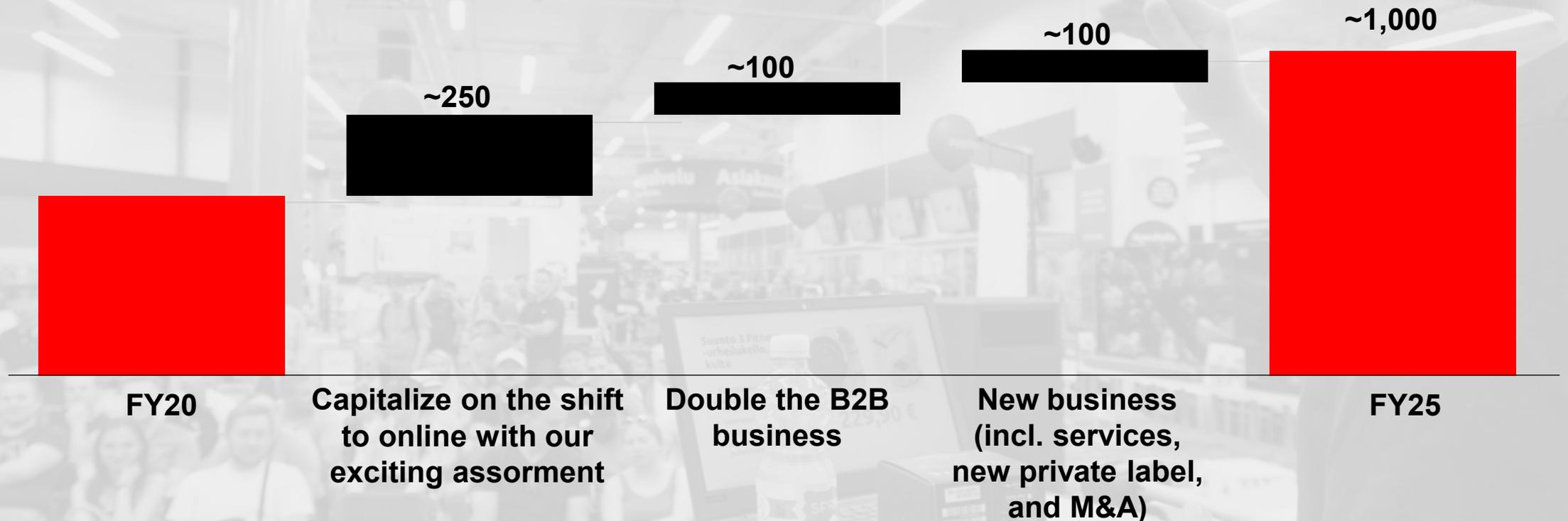
# We have built clear competitive advantage in the 2020's ecommerce market

		Local competitors			Global benchmarks	
					 Netherlands	 Sweden
<b>1</b>	<b>Excellent customer experience and strong brand</b> ( <i>Brand index, 2020</i> )	<b>25</b>	19	15	n/a	n/a
<b>2</b>	<b>Efficient fulfilment</b> (0-1 day coverage)	<b>~70%</b>	~34% through Budbee coverage <sup>1</sup>	Same day not available, next day only through Posti	<b>100%</b>	Same day not available, partnering with PostNord
<b>3</b>	<b>Superior technology backbone</b>	<b>Inhouse development</b>	Packaged software	Packaged software	Inhouse development	Inhouse development
<b>4</b>	<b>Extensive assortment</b> (SKUs)	<b>65k</b>	35k	20k	n/a Typical department store assortment	>2,000k <sup>2</sup> Available including third-party retailers
<b>5</b>	<b>Cost competitiveness</b> (% of fixed costs)	<b>11.5%</b>	14.5% <sup>3</sup>	21.6% <sup>4</sup>	23.2%	Retail n/a

1. Helsinki, Vantaa, Espoo, Turku, Tampere and Oulu 2. As of November 2020 3. May/19 -Apr/20 reporting period 4. 2019 figures, including D&A

# By capitalizing on the online shift and leveraging our superior platform – we are on a road towards a billion

Verkkokauppa.com revenue development, 2020-25E, EUR milj.

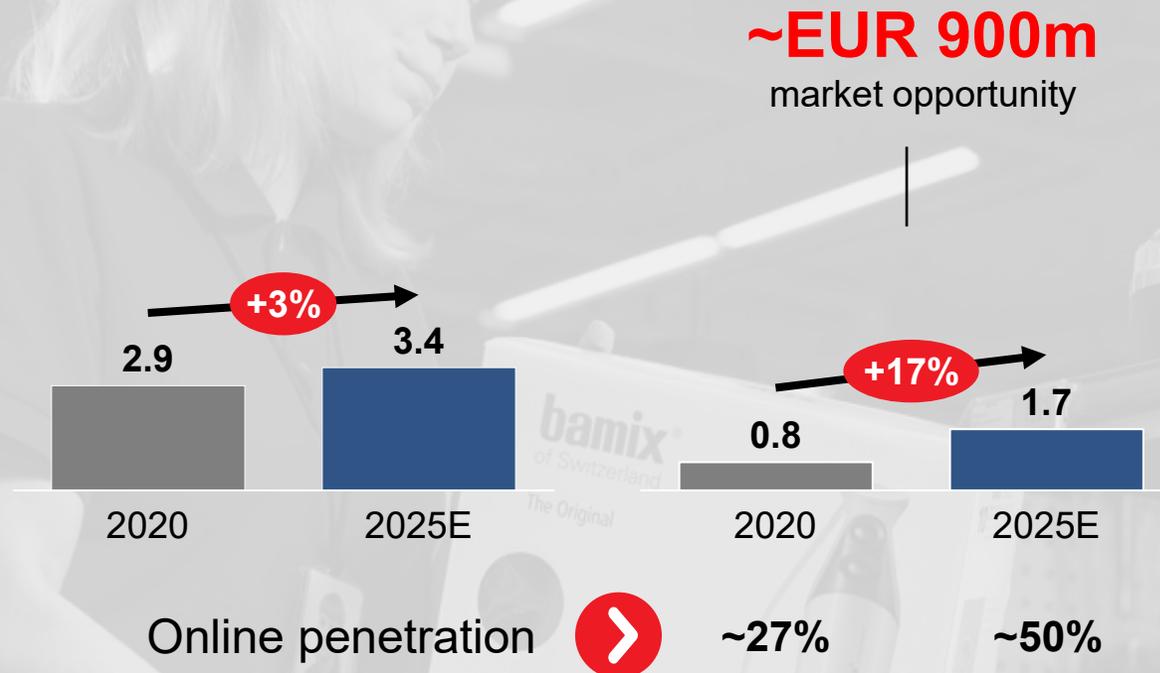


# Our core categories will continue accelerated shift to online

**Our categories**      **Total addressable market size, 2020-25e, EUR bn**      **Online addressable market size, 2020-25e, EUR bn**

**Our core categories**

IT  
Entertainment  
Home appliances  
Telecom



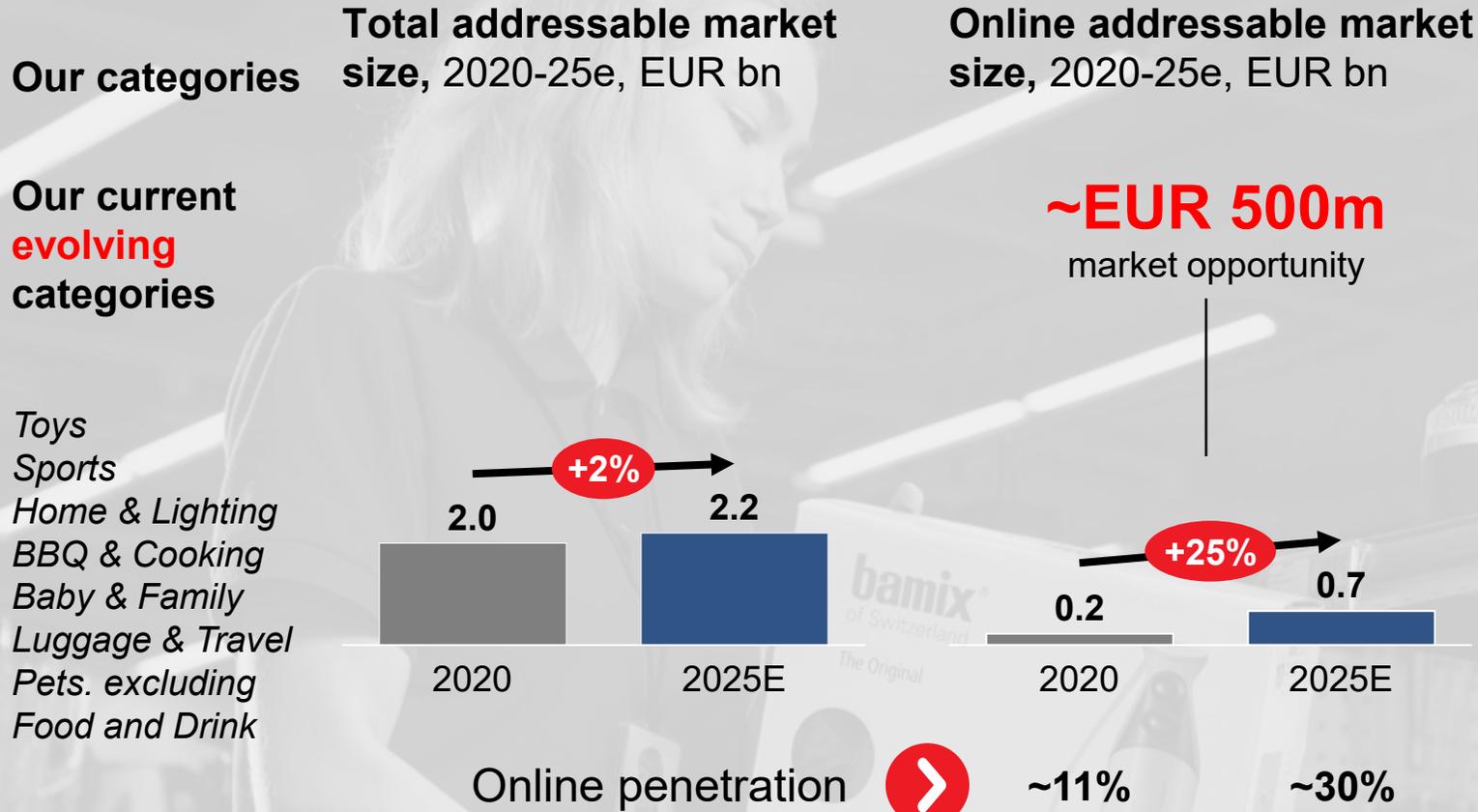
**Our core categories are...**

...what we have built the business around for the last ~30 years

...where we will capture bigger share due to our strong position in online

...where we will capitalize on the accelerated shift from offline to online, resulting in a ~€900m market opportunity

# We have started to expand into adjacent categories with attractive margins and lower online penetration



## Our **evolving** categories are...

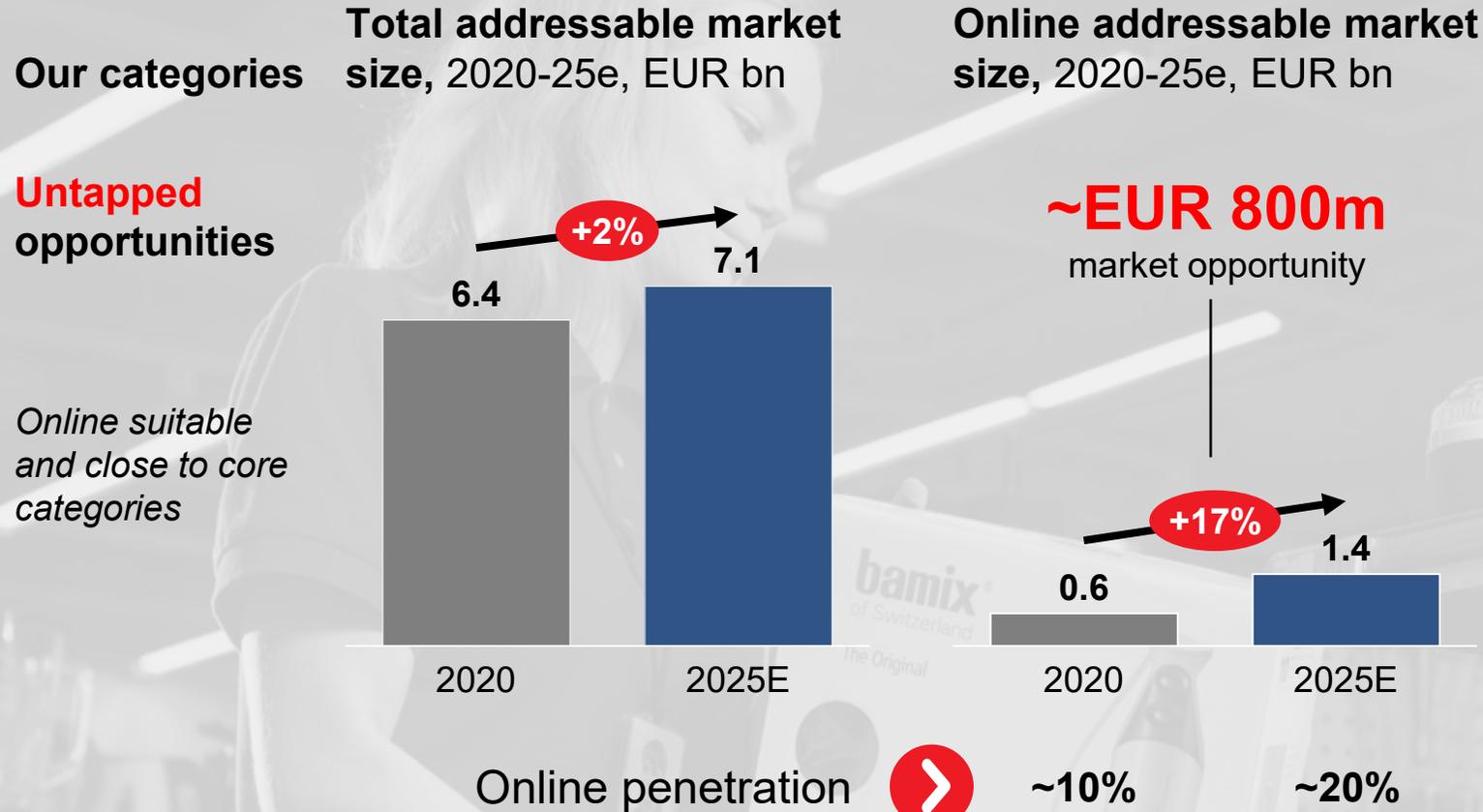
...where we already have started to expand, since 2014

...where online maturity is lower and expected to increase rapidly in next 5 years

...a fragmented landscape, where no established online market leader exists which would have assortment from entry to A-brands

...where we have room for significant growth in the upcoming ~€500m market opportunity

# Additionally, we continuously evaluate untapped opportunities



## Untapped opportunities are...

...where we have a systemized way to identify and test new categories

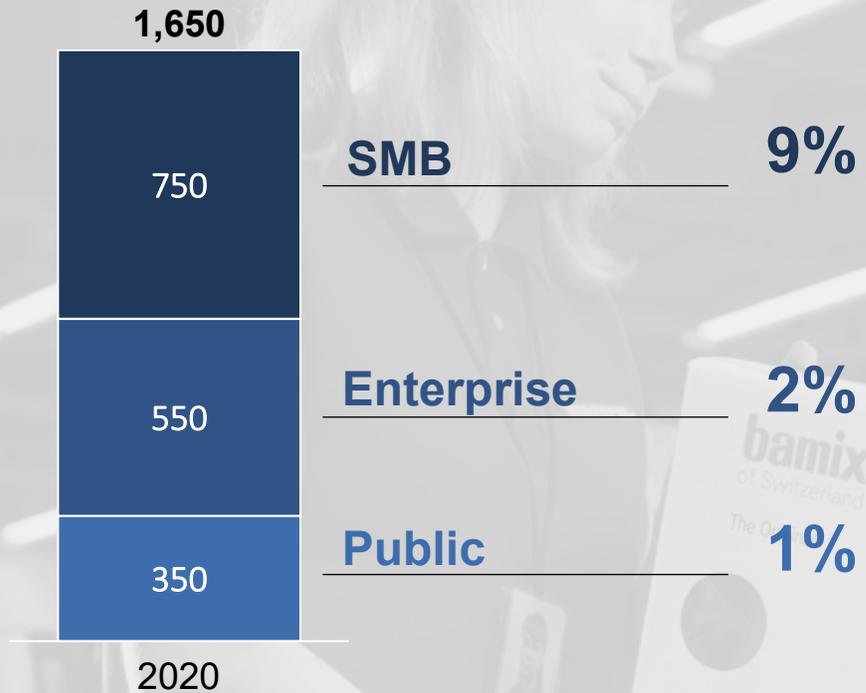
...where online maturity is lower and expected to increase rapidly in next 5 years

...a fragmented landscape, where no established online market leader exists which would have assortment from entry to A-brands

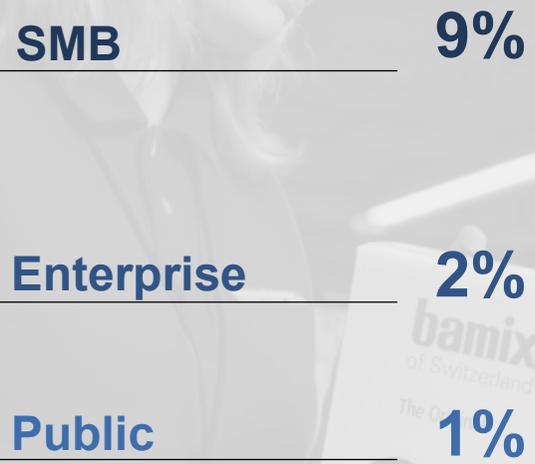
...where we have room for significant growth in the upcoming ~€800m market opportunity

# There is room for Verkkokauppa.com to again double the business in B2B

Total addressable market size per B2B segment, 2020, EUR m



Verkkokauppa.com Market share, %, 2020



Capture fair share of the market through our unique platform that meets today's B2B customer needs

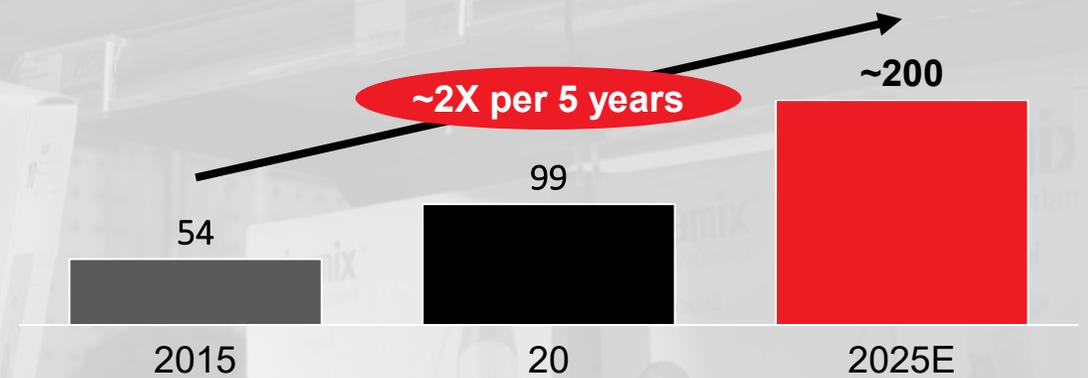
Defined a dedicated B2B team in 2015

Perfected the online B2B user interface in 2019

Continue strong growth trajectory, supported by evolution of customer expectations (e.g. B2B customers preferring B2C-like customer experience) and dedicated marketing activities



Verkkokauppa.com's B2B revenue development, 2015-2025, EUR m

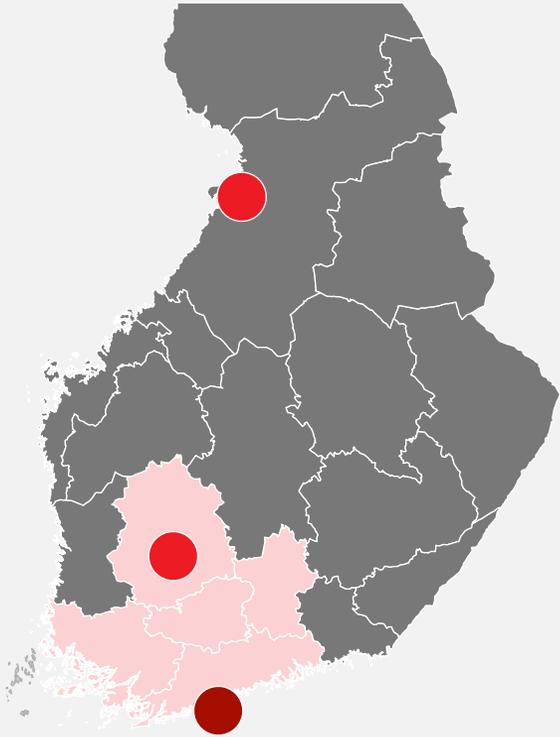


# Today we reach >70% of finns within next day

■ >2 day delivery   ■ Within next day   ■ Same day delivery   ● Store   ● Logistics center   ● Logistics hub & store combination

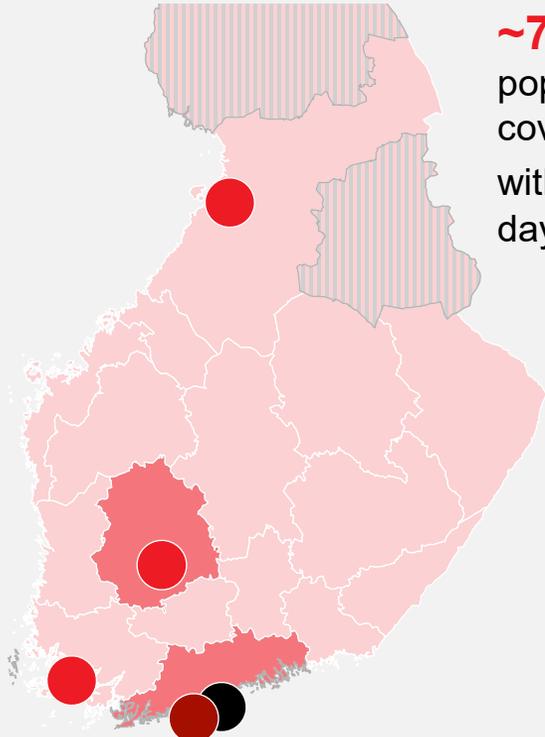
We used to be more reliant on third-party logistics efficiency

2017



Our network covers majority of households within next day

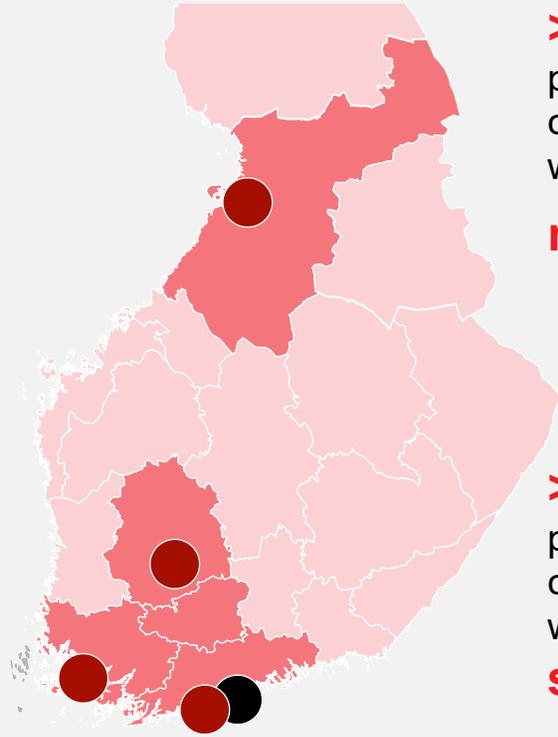
2020



~70% of population covered within **next** day

As customer needs evolve, we are ready to utilize stores as logistic hubs

Future



>90% of population covered within **next** day

and

>50% of population covered within **same** day

# Our well-defined road towards a billion by 2025

**A** We have a strong track record of growth and value creation

**B**

We have a strong platform to capture a >10% share of the additional EUR 2.2bn online market opportunity

**C**

We grow our EBIT through scale, by shifting our offering and by executing efficiency initiatives

**D**

In present business model our investments requirements are light and supported by a healthy balance sheet

**E**

We are passionate about doing sustainable business and meeting the expectations of our stakeholders



**Revenue**  
**EUR 1,000m**  
>10% growth YOY



**EBIT EUR 50m**  
>5% EBIT-margin



**Fixed costs <10%**  
From 11.5% (FY20)



**Growing dividend payout**

# 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



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# Business outlook

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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



# Financial targets and dividend policy - unchanged



## Guidance for 2021

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

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



## Targets by the end of 2025

**Revenue:** EUR 1 billion

**EBIT %:** 5 %

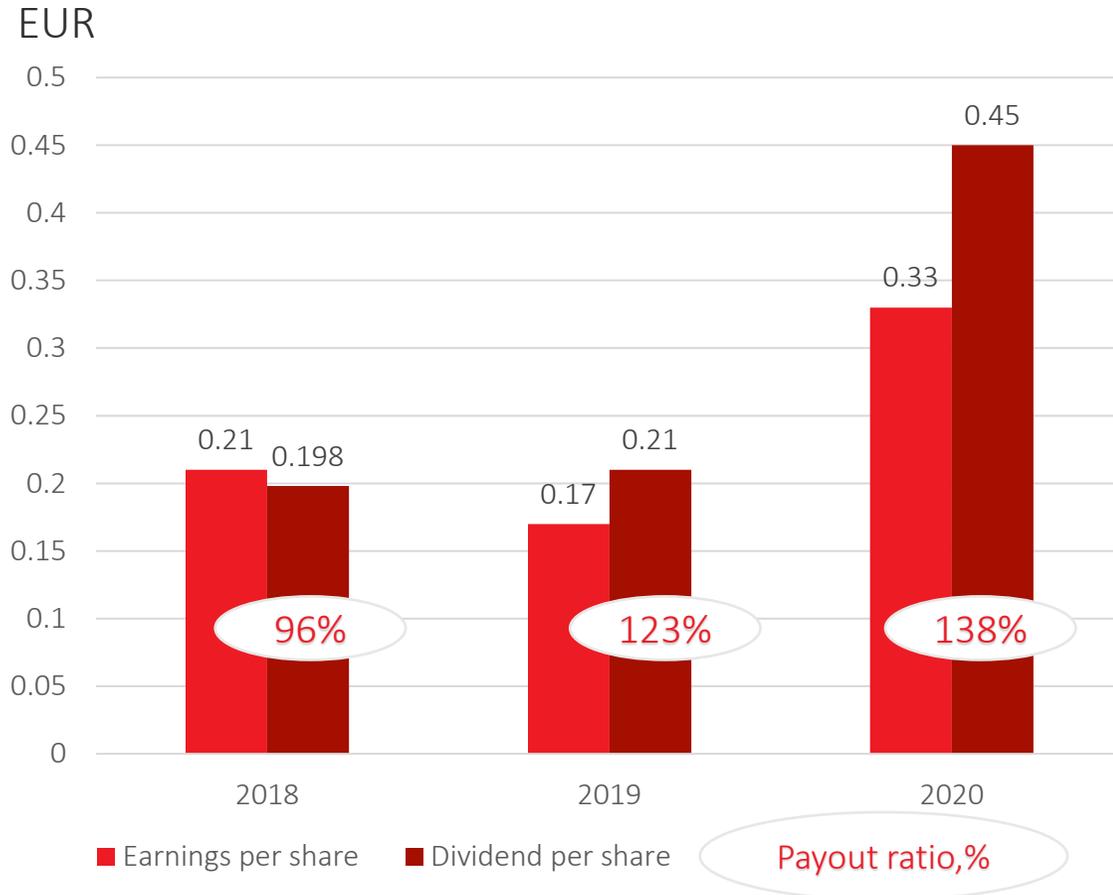
**Fixed costs:** <10% of revenue



## Dividend policy

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

# Quarterly growing dividend to shareholders



## Dividend from 2020 financial year

	EUR	Record date	Payment date
Dividend	0.056		
Extra dividend	0.22		
	<b>0.276<sup>1)</sup></b>	29 March 2021	7 April 2021
<b>Additional Board's authorization to pay quarterly dividend:</b>			
2nd instalment	0.057	27 April 2021	4 May 2021
3rd instalment	0.058	TBA <sup>2)</sup>	27 July 2021
3th instalment	0.059	TBA <sup>2)</sup>	2 Nov 2021
<b>In total:</b>	<b>0.45</b>		

<sup>1)</sup> 2021 AGM's decision.

<sup>2)</sup> Company will separately publish announcements of Board resolutions and dividend record dates.

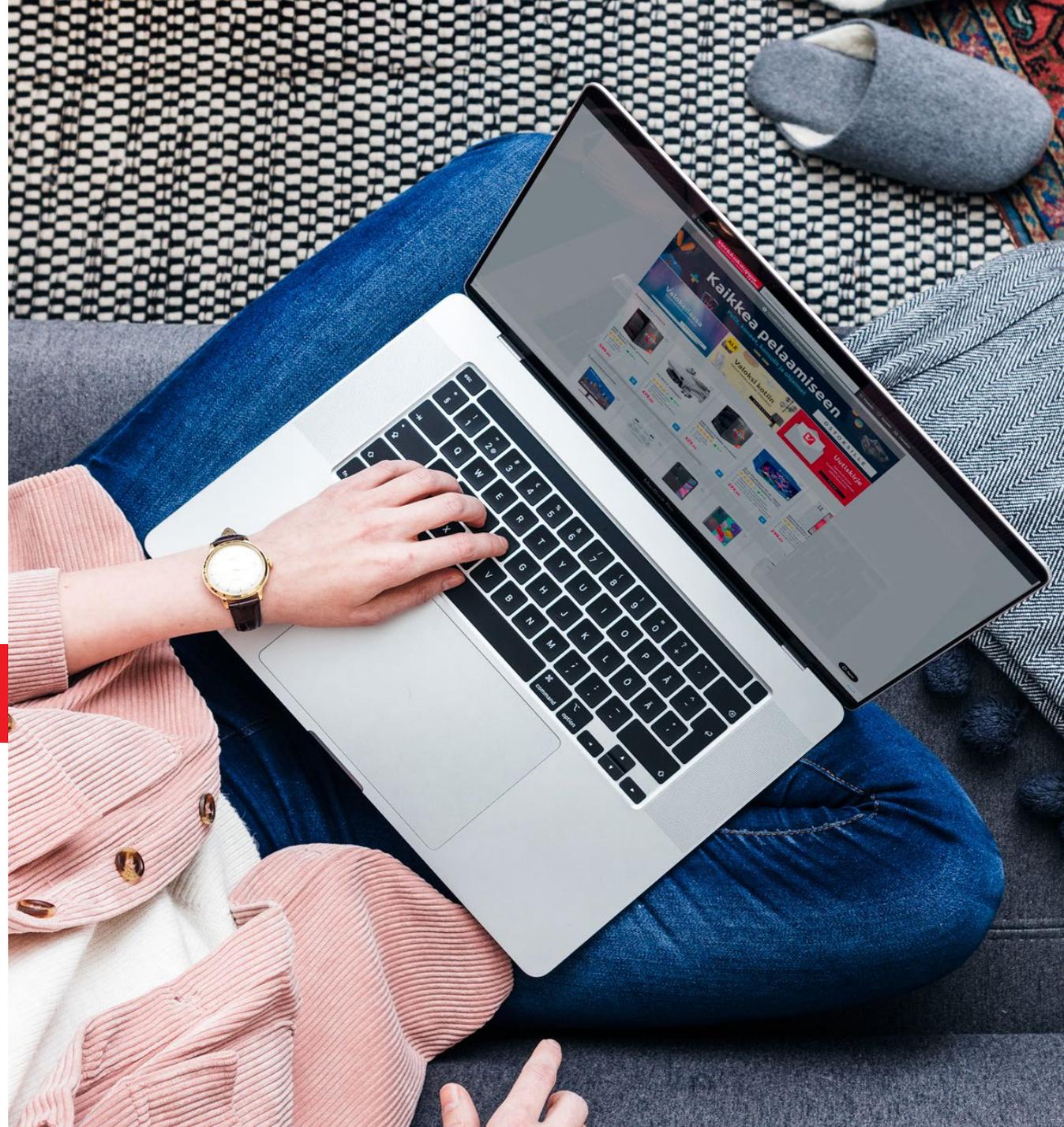
## Verkkokauppa.com's dividend policy

Our goal is to continue to pay a quarterly growing dividend to shareholders.



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# Verkkokaupa.com Investor Relations

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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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