

Verkkokauppa.com Oyj  
Financial Statements bulletin 2021

# Solid performance during 2021 – last quarter in a challenging market environment

10 February 2022 | Panu Porkka, CEO, Verkkokauppa.com Oyj

# Today's agenda

## Business review

- ✓ Q4 highlights and FY 2021
- ✓ Key financials

## Strategic development

- ✓ Strategic cornerstones and development
- ✓ Business outlook for 2022 and financial targets
- ✓ Key takeaways





# Challenging market during 4<sup>th</sup> quarter

## Sales

- 4<sup>th</sup> quarter market was challenging and consumer sales weaker than expected
- Overall revenue declined by -4%
- B2B sales continued solid and increased by +10.7%
- Online sales declined by -2.0%
- From core categories good performance in Computers and Gaming
- Growth coming mainly from evolving categories, such as Toys, Sports, BBQ & Cooking and Home & Lighting
- The consumer electronic market declined by -7.9% during the quarter

(GfK Panel market data per October-December 2021)

## Profitability

- Despite tough market, the y-on-y gross margin improved to 15.5% (15.1%)
- Cost in total slightly above previous year due to higher inventory and external warehousing
- Operating profit declined by EUR 0.9 million totaling EUR 5.3 million (6.2)

3



# Q4/2021: Gross margin held the field

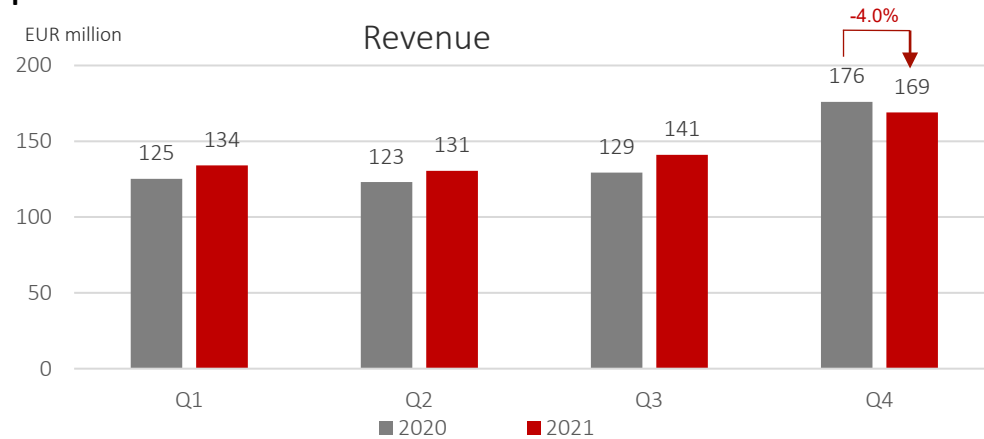
EUR million	10-12/2021	10-12/2020	Change, %	1-12/2021	1-12/2020	Change, %
Revenue	168.9	176.0	-4.0%	574.5	553.6	3.8%
Gross profit	26.2	26.7	-1.8%	91.2	88.4	3.1%
Gross margin, %	15.5%	15.1%		15.9%	16.0%	
Personnel expenses	-9.7	-10.4	-7.2%	-36.6	-35.6	2.8%
Other operating expenses	-10.1	-8.9	12.8%	-30.3	-28.8	5.0%
Operating profit, EBIT	5.3	6.2	-14.0%	20.3	19.6	3.6%
Operating margin, %	3.2%	3.5%		3.5%	3.5%	
Comparable EBIT	5.3	6.2	-14.0%	20.3	20.4	-0.5%
Comparable EBIT, %	3.2%	3.5%		3.5%	3.7%	
Net profit	4.0	4.7	-14.4%	15.1	14.6	3.2%

- ✓ Q4 revenue declined -4.0%
- ✓ Gross margin in a good level despite of tough competition
- ✓ Whole year Ebit matching previous year record level
- ✓ BoD's dividend proposal for 2022  
AGM: EUR 0.246 per share

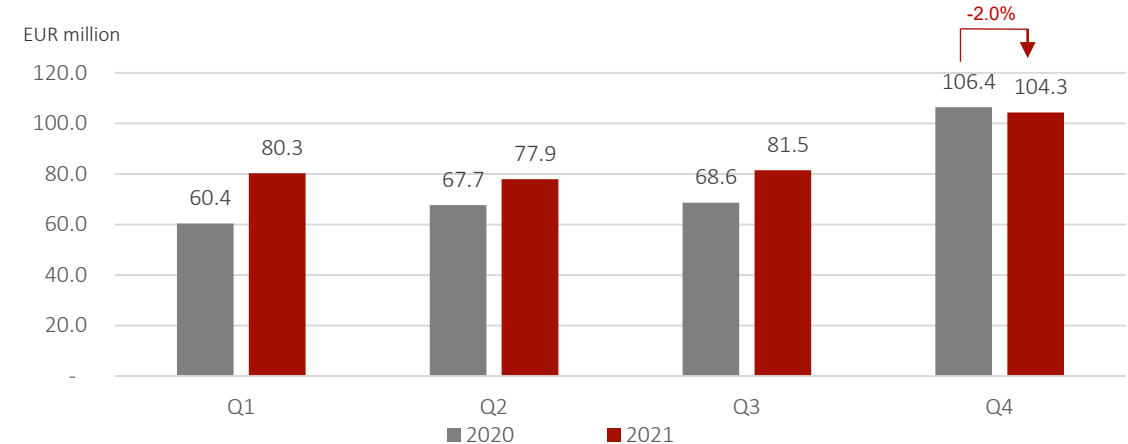


# Q4/2021: Challenging consumer market, B2B performed strong and grew +10.7%

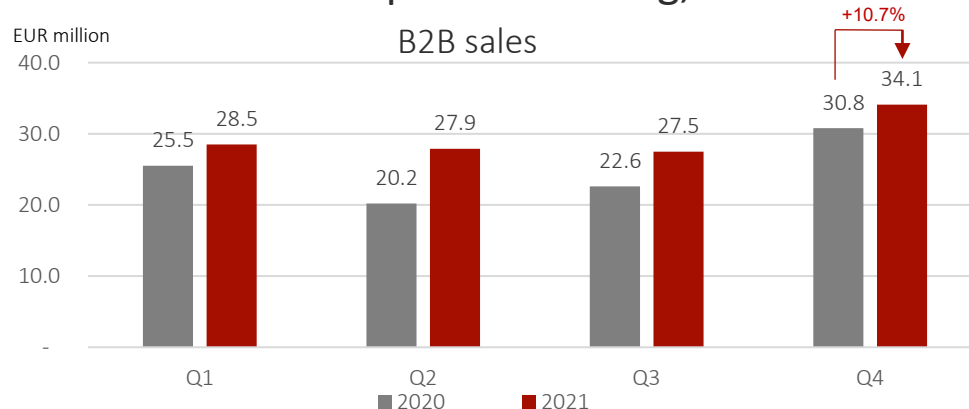
Consumer market soft during the main campaign period and Christmas season



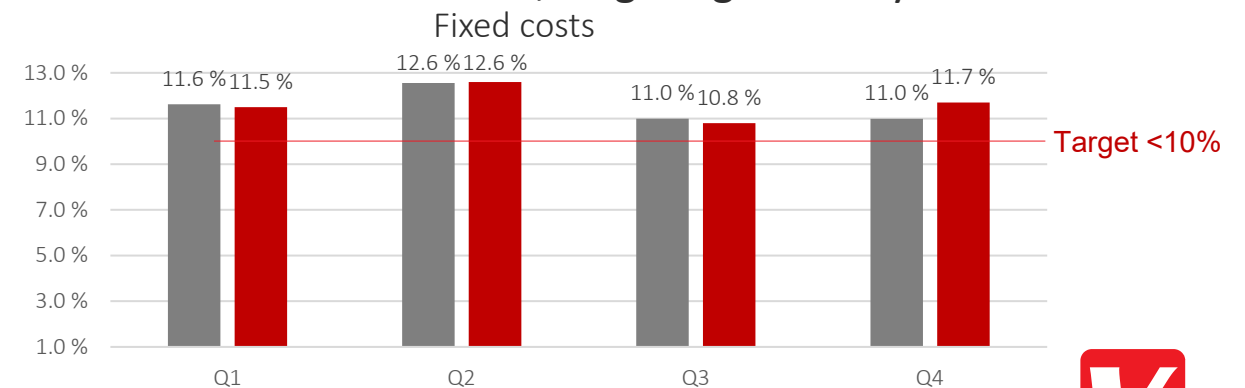
Online sales<sup>1)</sup> declined slightly



B2B<sup>1)</sup> continued to perform strong, +10.7%



Fixed cost<sup>2)</sup> to revenue ratio, targeting <10% by 2025



- 1) Without Export  
2) Excluding advisory costs related to listing



# FY 2021: Solid performance in Online and B2B

EUR  
574.5 milj.

+3.8%

Revenue

EUR  
343.9 milj.

+13.5%

Online sales

EUR  
118.0 milj.

+19.2%

B2B sales

EUR  
20.3 milj.

-0.1 milj.

Comparable EBIT

EUR  
0.34

+3.6%

Earnings per share



# Balance sheet & Cash flow

At the end of December 2021:

- Inventories were EUR **87.8** (75.4) million
- Cash flow from operating activities was EUR **6.7** (16.9) million
- Investments during Q1-Q4 were EUR **4.9** (1.4) million
  - › Mainly related to warehouse automation investment in Jätkäsaari
- Cash, EUR **20.9** (43.1) million
- Equity ratio **21.4%** (24.5%)
- Undrawn revolving credit facilities of EUR **20** million





# Update on strategy execution

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# Strategy execution – developing our operations towards our targets



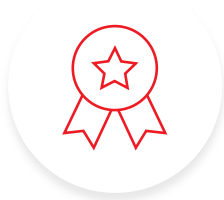
## Assortment



**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 most exciting assortment

- Verkkokauppa.com is seeking growth both within its core categories as well as constantly expanding into new products with attractive margin potential
- Transition to online is accelerating also in traditional/evolving categories
- New possibilities: during the past 12 months, our assortment has expanded at a record pace
- Currently we have up to 80 000 products in our assortment
- The fastest growing product categories during 2021:
  - Gaming, Sports, Grilling and Cooking, Home and Lighting, Office Supplies





# Record high customer satisfaction drives growth in customer base, conversion and loyalty

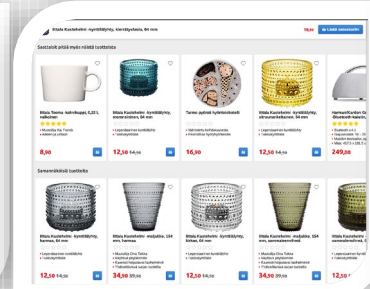


## Experience

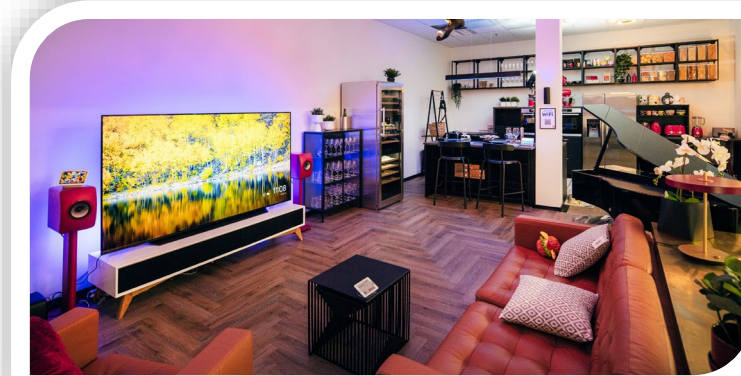
- Verkkokauppa.com strengthens its position as customer experience and customer loyalty leader in retail\*
- Customer satisfaction all time high, **NPS 72**, in stores NPS 74
- Strong satisfaction is reflected in the increased sales by loyal customers
  - B2C: +27% increase in most loyal customer revenue y-o-y
  - B2B: +134% increase in loyal customer revenue y-o-y
- Improved customer experience drives down operating costs; customer care contacts per order down -34% YoY
- Key deliverables during 2021:
  - Various improvements in online experience: **better search UI**, **product recommendations** based on similarity, added hundreds of filtering **facets**, SEO, better product availability, updated ratings & reviews led to all time high conversion (+18%) during December 2021 YoY.
  - Renewal of Jätkäsaari 3rd floor to offer more inspiring shopping experience



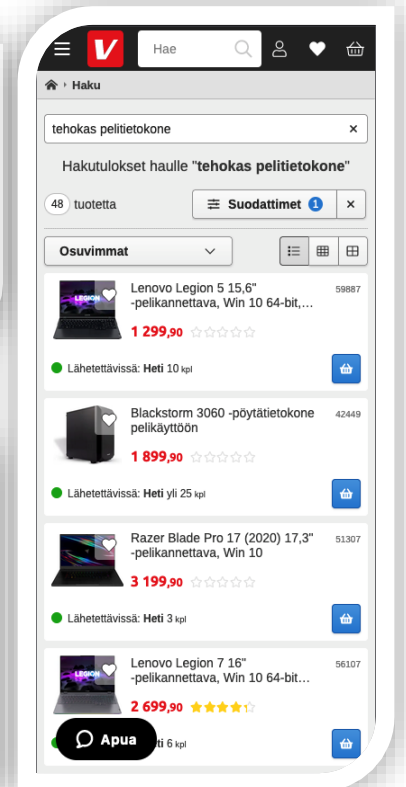
LARGEST LEGO EXPERIENCE DEPT  
IN SCANDINAVIA



AI POWERED PRODUCT  
RECOMMENDATIONS



EXPERIENTIAL RETAIL DEPARTMENT IN JÄTKÄSAARI



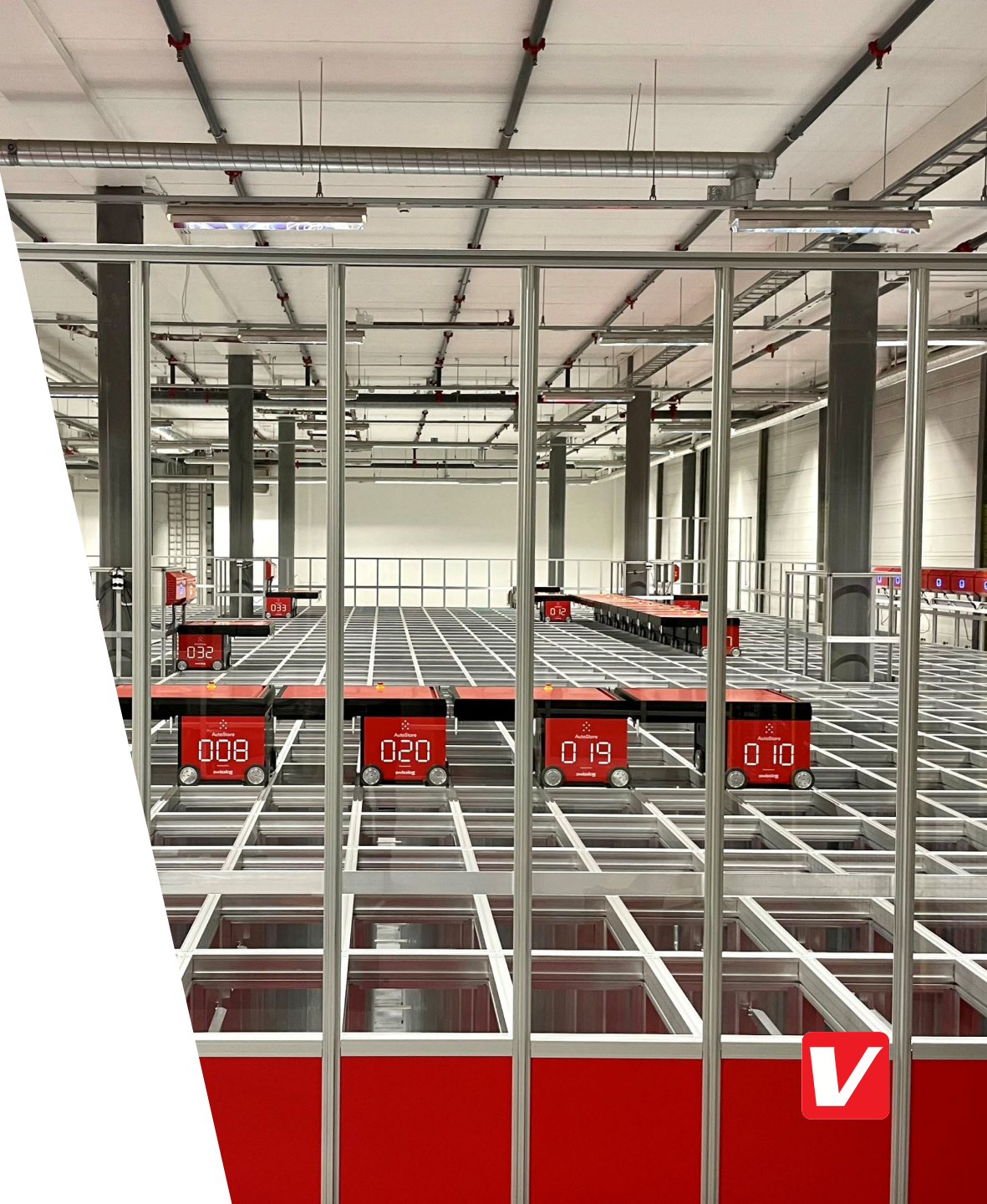
MORE INTUITIVE  
SEARCH AND AVAILABILITY,  
AI POWERED SUPPORT

\* [https://www.asml.fi/asml\\_wp/wp-content/uploads/2021/10/Asiakkusindeksi-2021\\_raportti\\_final-1.pdf](https://www.asml.fi/asml_wp/wp-content/uploads/2021/10/Asiakkusindeksi-2021_raportti_final-1.pdf)



# Warehouse automation investment

- Investment progressed according to plan and schedule
- Final technical testings and personnel deployment training ongoing in the fully automated AutoStore® small item warehouse
- In production by the end of Q1
- The automated robot warehouse will significantly improve the efficiency of space utilization while enabling even faster deliveries and product availability
- AutoStore consists of 36 robots, which can pick up and deliver up to 1,000 articles per hour
- The capacity of the AutoStore warehouse is approximately 25,000 articles





# Verkkokauppa.com to acquire e-ville.com to strengthen own brand offering

## Investment rationale



Focus on speed up assortment in own brands



Extensive experience in sourcing in China



Fast time to market of new products



Additional value creation opportunities

- The acquisition supports our strategy to expand and speed up the assortment in own brands
- Local purchasing organization in the Far East allows for controlling the sustainability of the sourcing channel
- e-ville.com has taken measures to ensure high product quality and standards, BSCI membership
- E-ville has an experienced sourcing organization operating in Shenzhen and Hong Kong, China
- Local presence enables to bring products to market significantly fast
- Over 10 years of experience working with Chinese suppliers
- Potential to develop and deepen sourcing cooperation with our corporate customers
- Additional efficiencies achievable by optimizing current operations and contract terms with suppliers

The purchase price is approx. EUR 5.3 million, of which EUR 3.3 million in cash and EUR 2.0 million in new shares.

An additional purchase prices of up to approx. EUR 6.7 million

The total aggregate purchase price can reach up to EUR 12.0 million.

Impact on Verkkokauppa.com's revenue in 2022 ~ EUR 5-8 million

Acquired business will be consolidated in Verkkokauppa.com from the beginning of Q2/2022

### E-ville.com

Employs ca. 40 people in Finland and China

Approx. 500,000 Finnish customers

Assortment approx. 5,000 sku's

Revenue in 2021\* ~EUR 10 million,

EBIT-% in 2021\* ~5%

E-ville's fiscal year from April to March.



# We made good results in minimizing returns and wastage



We sell products that customers actually need

Through our sustainable sales concept, we were able to keep the **low level of product returns:**

**1%**

of the sold products were returned in 2021



Returns are sold via outlet

Through **online & store outlet**, we are able to resell the returns. Our outlet sales in pcs grew

**+29%** in 2021



We promote circulation of materials

We encourage our customers to return their e-waste. In 2021, we recycled **351 tons of e-waste**, an increase of

**+11%**





# Business outlook

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# Short-term business and market outlook

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Our operations are estimated to develop positively

We believe, we will continue to benefit from the online shift, and the shift to be permanent

We will succeed in further growing our market share in the chosen categories

The strong balance sheet enables the company to continue expanding its operations in accordance with its strategy

The effects of the pandemic will gradually begin to ease, and with the opening of travelling, we expect to see a reopening of export business

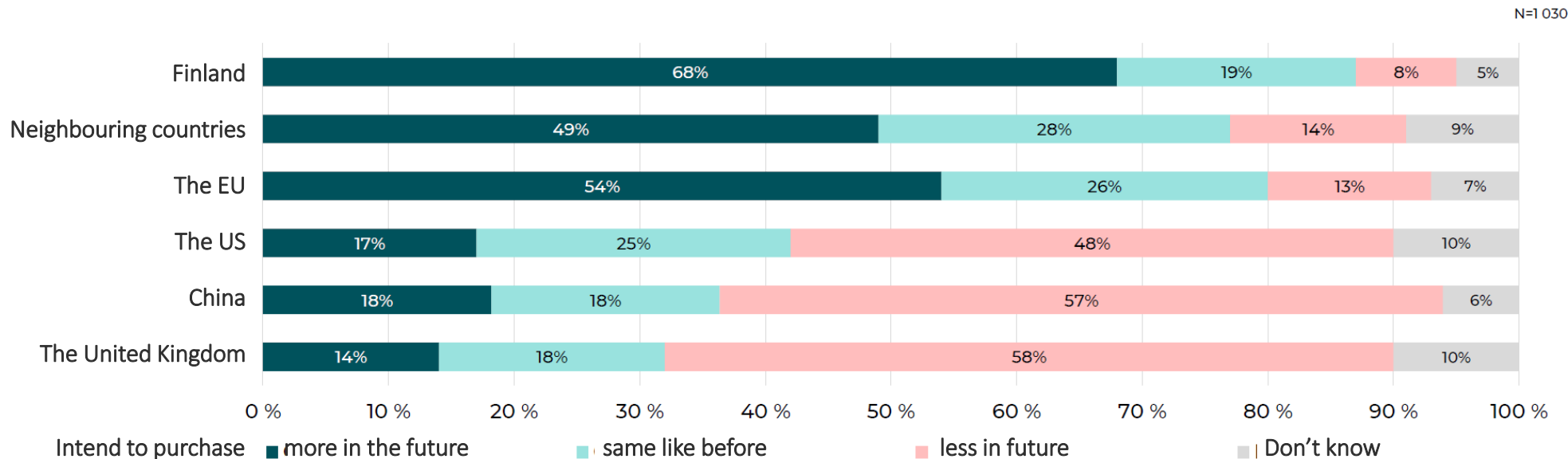
We estimate that many side effects caused by the pandemic, may still have an impact on the availability of some products through 2022





# Growth of e-commerce in Finland will come from Finland

- Finns' interest in the offering of Finnish online stores has increased throughout the COVID-19 pandemic, and the growth shows no signs of stopping
- The majority of Finns (68%) intend to buy more from domestic online stores in the future



To what extent will you buy more online or less online from each of the following countries or regions?

Source: Cross Border E-Commerce Shopper Survey 2021 - Finland Country Report by IPC & Posti Group.  
Posti published Finland related results of the survey in January 2022.





## Guidance for 2022

**Revenue:** EUR 590–640 million  
(2021: EUR 574.5 million)

**Comparable operating profit:**  
EUR 19–25 million  
(2021: EUR 20.3 million)



## Targets by the end of 2025

**Revenue:** EUR 1 billion

**EBIT margin:** 5%

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



## Dividend policy

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

### **Dividend proposal for 2022 AGM:**

EUR 0.246 per share in total

(EUR 0.060 payable following the AGM,  
EUR 0.186 to be divided in three quarters)



# Key takeaways from 4<sup>th</sup> quarter

1

Tough environment and soft consumer demand  
(GfK market -7.9%)

(GfK data per October-December 2021)

2

Solid performance in our B2B business (+10.7%)

3

Despite competition, the gross profit margin improved to 15.5 percent of sales

4

The first acquisition in the history of Verkkokauppa.com; E-ville.com online store to strengthen and expand the assortment in own brands

5

Our investment on automated Jätkäsaari logistics hub progress as planned

6

We are determinedly continuing strategy execution towards long-term targets by the end of 2025

# More Information



## Upcoming events in 2022-23

- The Financial Statements for 2021 during the week starting on 28 February (week 9) in 2022
- Virtual AGM on 24 March 2022
- Interim report for January – March 2022 on Thursday 28 April 2022
- Half-year financial report for January – June 2022 on Thursday 14 July 2022
- Interim report for January – September 2022 on Thursday 27 October 2022
- Financial statements bulletin for the year 2022 on Thursday 9 February 2023.

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