

Verkkokauppa.com Oyj Half-year Report January-June 2022

# B2B a bright spot amidst soft consumer demand

14 July 2022 | Panu Porkka, CEO | Verkkokauppa.com Oyj



# Q2 results presentation

## Business review

- ✓ Q2 highlights
- ✓ Key financials

## Strategy execution and market outlook

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



# B2B a bright spot in a soft consumer demand

## Sales

- Market continued challenging and consumer confidence low
- Overall revenue declined by -3.7%
- Online sales declined by -3.6% following lower total sales
- B2B sales continued solid and increased by +12.6%
- Export business declined by -8.7%
- Core categories declined by -7%, only positive performance in TV and MDA categories
- Online shift continued in evolving product categories where sales grew by 5%, share of sales was 18% (17% PY)

## Profitability

- Gross profit was impacted by the rise in the overall cost level (fuel and energy prices, logistics)
- Prolonged spring postponed the summer sales in higher margin categories
- Tight price competition across categories and actions to reduce over stock, pushing down margins
- External warehouse operations main reasons for cost increases
- Comparable operating profit declined and stood at EUR -0.2 million (5.1)
- We have taken measures to secure healthy margin, such as price optimization, supplier negotiations and adjustment in the delivery services
- Cost containment measures throughout operations



# Q2/2022: Revenue and margin impacting profitability

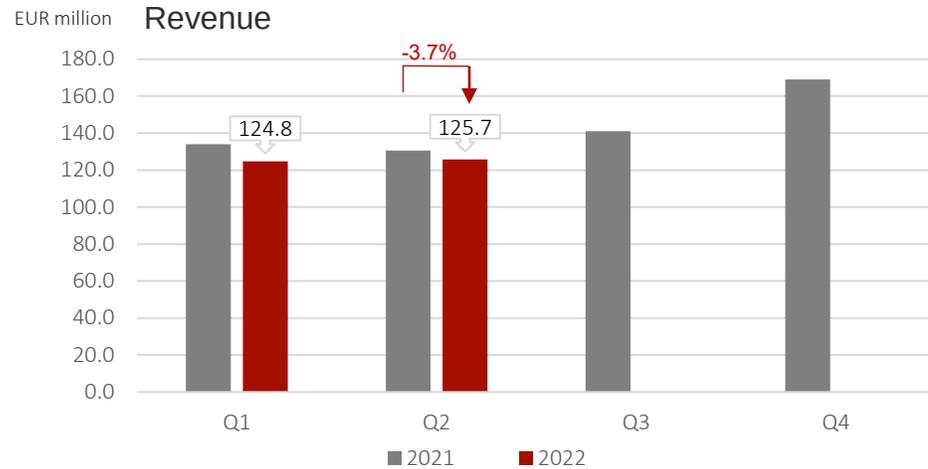
EUR million	4-6/ 2022	4-6/ 2021	Change, %	1-6/ 2022	1-6/ 2021	Change, %	2021
Revenue	125.7	130.5	-3.7%	250.4	264.5	-5.3%	574.5
Gross profit	19.4	22.4	-13.6%	38.6	44.2	-12.5%	91.2
Gross margin, %	15.4%	17.2%		15.4%	16.7%		15.9%
Personnel expenses	-10.0	-9.4	6.5%	-20.0	-18.4	8.4%	-36.6
Other operating expenses	-8.4	-7.1	18.3%	-15.6	-13.4	16.0%	-30.3
Operating profit, EBIT	-0.9	5.1	-117.7%	-0.2	10.3	-102.4%	20.3
Operating margin, %	-0.7%	3.9%		-0.1%	3.9%		3.5%
Comparable EBIT	-0.2	5.1	-103.8%	0.7	10.3	-93.4%	20.3
Comparable EBIT, %	-0.2%	3.9%		0.3%	3.9%		3.5%
Net profit	-1.1	3.8	-127.9%	-0.9	7.6	-111.2%	15.1

- ✓ Q2 revenue declined by -3.7%
- ✓ Tight competition and unfavorable sales mix impacting gross margin
- ✓ Operating expenses higher due to logistics and warehouse costs
- ✓ Dividend for the Q2 of 2022: EUR 0.062/ share

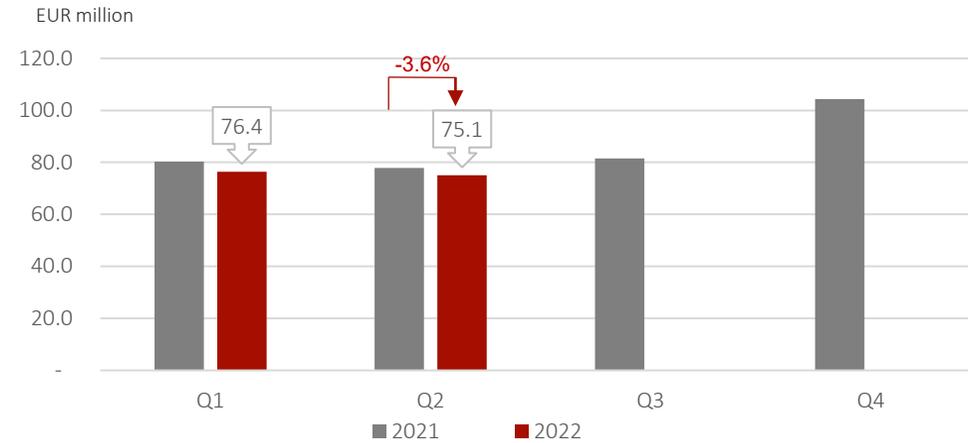


# Q2/2022: Corporate business continued in a growth path, +12.6%

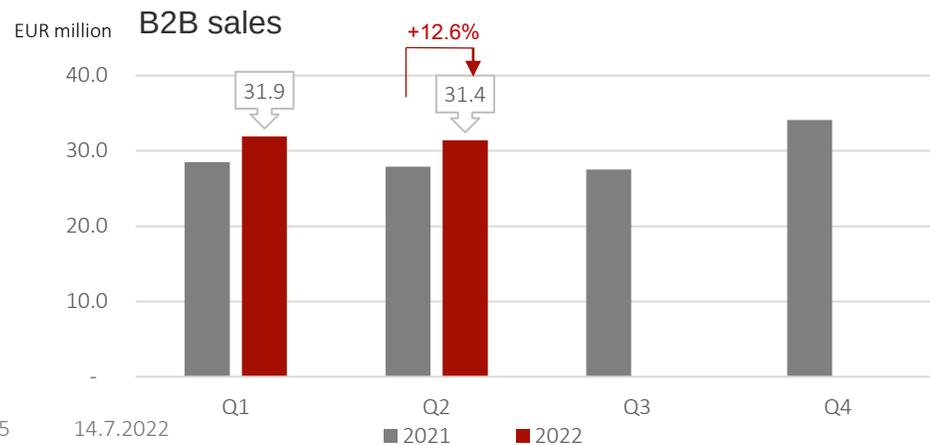
## The consumer market continues soft



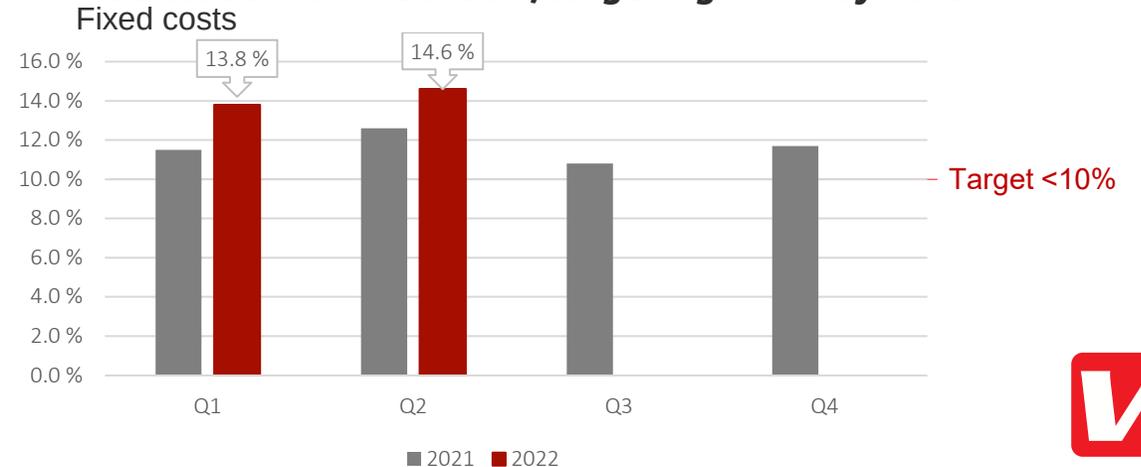
## Online sales<sup>1)</sup> declined by overall sales decline



## B2B<sup>1)</sup> continuing solid performance



## Fixed cost to revenue ratio, targeting <10% by 2025



# Balance sheet & Cash flow

At the end of June 2022:

- Inventories were EUR 86.9 (78.5) million
- Cash flow from operating activities was EUR **-16.5** (-5.5) million
- Investments during Q2 were EUR 4.3 (1.7) million
  - E-Ville acquisition
  - Warehouse automation investment in Jätkäsaari
- Cash, EUR **15.9** (18.6) million
- Equity ratio **18.2%** (23.3%)
- Group had a total of EUR 25 million (0.0) of interest bearing debt at the end of June



# Company aims for carbon neutrality in own operations by 2025

We concluded the company's first carbon footprint calculation for all emissions (scope 1, 2 & 3)

Two main elements of total emissions (scope 1, 2 & 3) comes from indirect operations

**70%**  
of from the production of products sold

226,441 tCO<sub>2</sub>

**22%**  
from the use and life-cycle of products sold

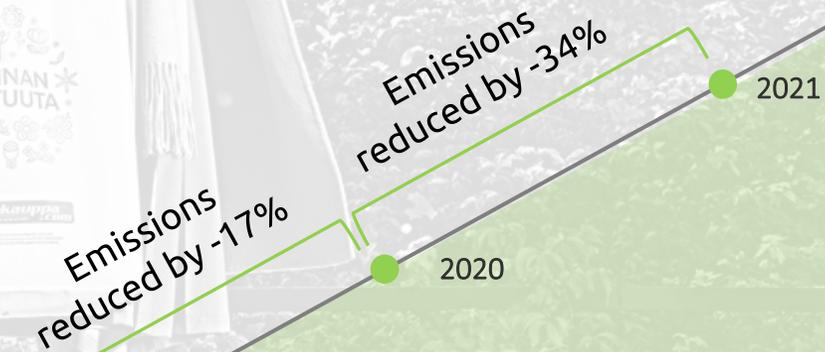
72,287 tCO<sub>2</sub>

**0.1%**  
from our own operations

322 834 tCO<sub>2</sub>

Emissions from our own operations (Scope 1 & 2)

**Goal of carbon neutrality regarding own operations by 2025**



**Emissions reduced from 2019 to 2021 in total 260 tCO<sub>2</sub>**

Equals to



**31,627,088 smartphones charged**

Other elements are for example customers' trips to stores 6.5% and freight and distribution logistics 0.36%.

Strategy  
execution –  
focus on the best  
possible  
customer journey



# We 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



# The best possible customer experience

- We are renewing our eCommerce platform to strengthen superior customer experience and our brand perception
- We are aiming to achieve top-of-mind and consumer preference throughout several categories
- Offering the most inspiring content, product data and expert service
  - To secure future growth and maximize opportunities
  - Supports future category expansion



Experience

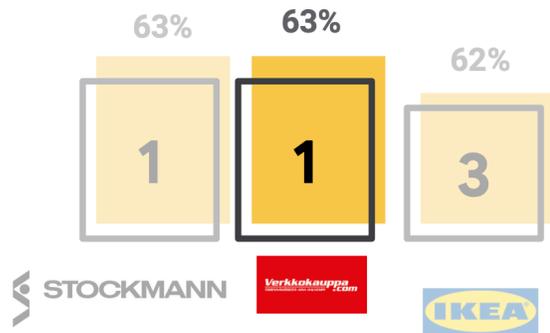


# Verkkokauppa.com recent recognitions



Trust

Verkkokauppa.com won Google's 'Project BOX 3.0' Omni-channel CX benchmark in Finland



\*Google evaluated 137 European retailers based on a set of custom principles and criteria that indicate if retailers have succeeded in creating seamless and frictionless experiences across channels for their customers



**FINNISH  
INNOVATION INDEX**  
*How customers see it*

- In June, for the second year in a row, Verkkokauppa.com was awarded as one of the most innovative companies in Finland
- The Finnish Innovation Index has been developed together with the Norwegian School of Economics
- Verkkokauppa.com was be listed among the Top 10 companies in Finland
- The award was presented by Hanken School of Economics, which conducted a study
- The index is already in use in six countries

<https://www.hanken.fi/en/departments-and-centres/department-marketing/cers/work/research-projects/finnish-innovation-index-0>



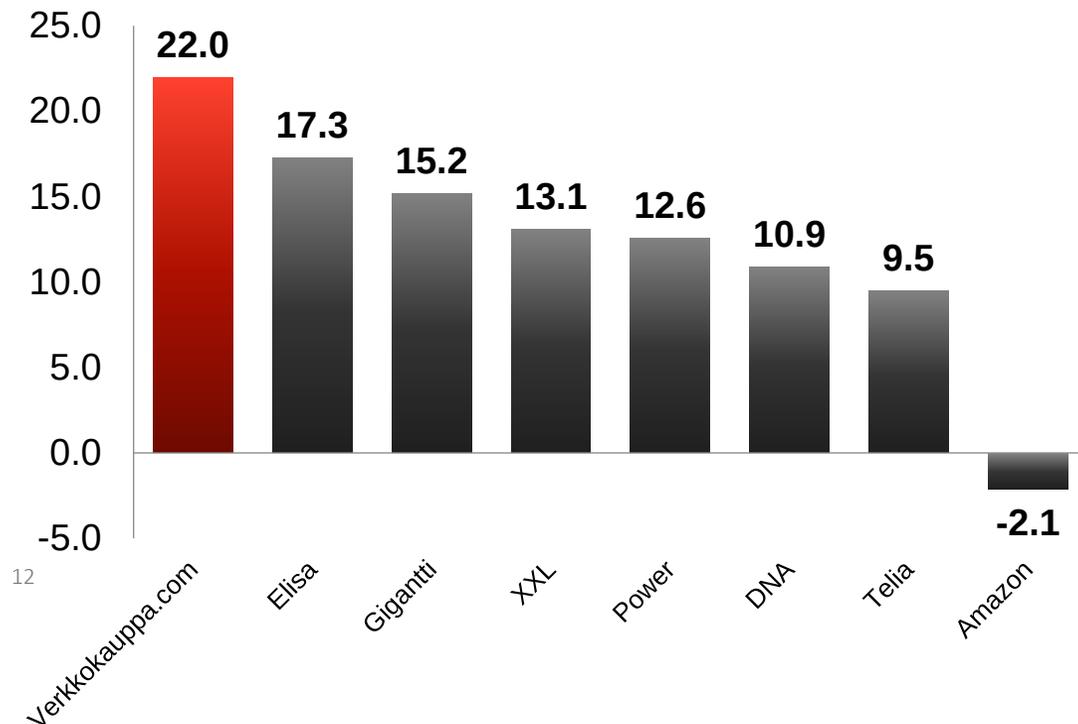
# Brand position durable



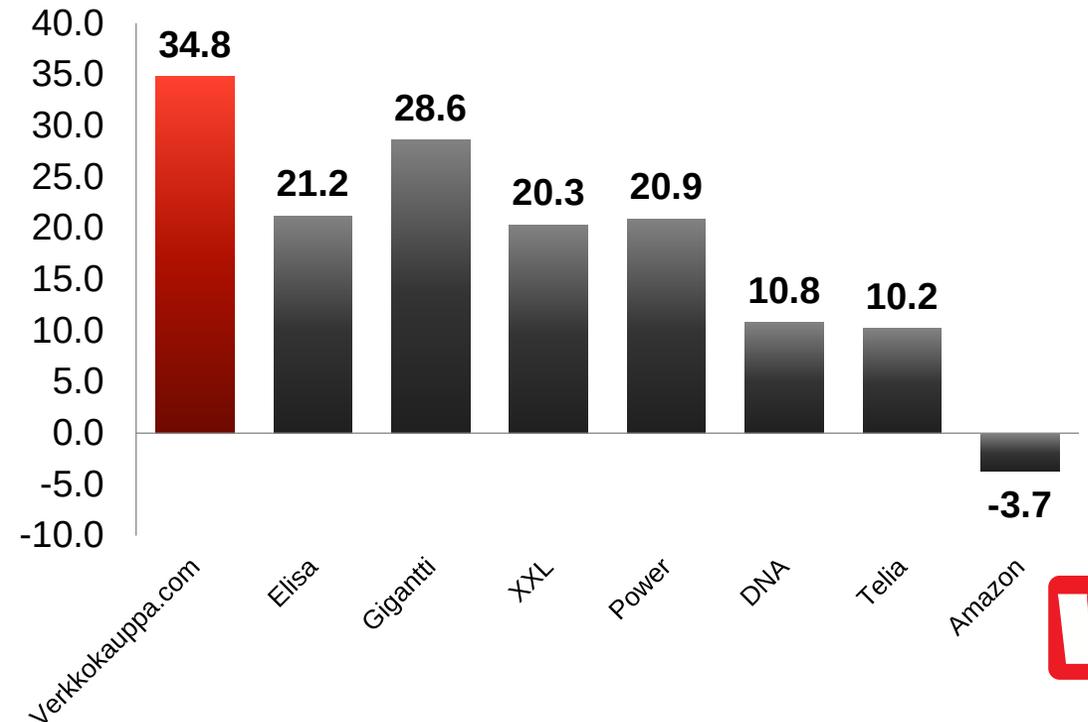
Trust

- ✓ Best positioned brand in e-commerce in Finland, most visited Finnish webstore
- ✓ Exceptionally positioned in YouGov Recommend Ranking compared to retail comparisons

YouGov Brand Buzz - Positive talk about brands  
Net Score 1-6/2022\*\*



YouGov Brand Recommend sector rankings  
Net Score 1-6/2022\*



\*\*Source: YouGov BrandIndex, N=1796



# Next steps for warehouse automation



**Speed &  
Flexibility**

## Autostore at full speed

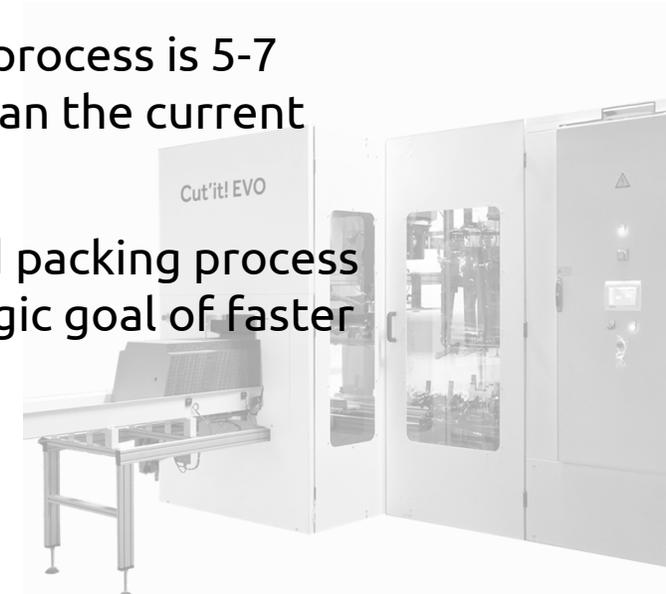
- Autostore automation in Jätkäsaari was finalized during the first quarter
- Automation improves the capacity of the warehouse and the availability of products
- First results on Autostore production very efficient; picking speed up to 200 articles per hour (4x to previous manual picking)



13 14.7.2022

## Next, Packaging automation

- Next phase is to build packaging automation during Q3
- Automated packaging process is 5-7 times more efficient than the current manual packaging
- Automated picking and packing process is an enabler for strategic goal of faster order fulfillment





Assortment

# The continuously evolving assortment

- E-ville integration and own brand product sourcing in China proceed as planned with first co-sourced products arriving in shelves during Q4
- Today our assortment close to **90 000 articles**
- We continue to expand in evolving categories with attractive margins and lower online penetration
- In those categories we have room for significant growth
- Examples of growing product categories during Q2 2022:
  - Luggage and travel +97%, Toys +28%, children's accessories +6%, and TV & video +4%



# Services complements customer experience

## Standalone store & online services

*Over 20 000 passport photos during Q2*



## Installation & set-up services

*+22% growth in sales with installations*



## Maintenance and repair services



## Recycling and disposal services

*+13% growth in sales with recycling pick-up*



## Customer financing services

*+60% monthly growth in Tili credit account customers – in total >7 000 customers*



## Product protection services



## Delivery services





**Verkkokauppa**  
PROBABLY ALWAYS CHEAPER **.com**

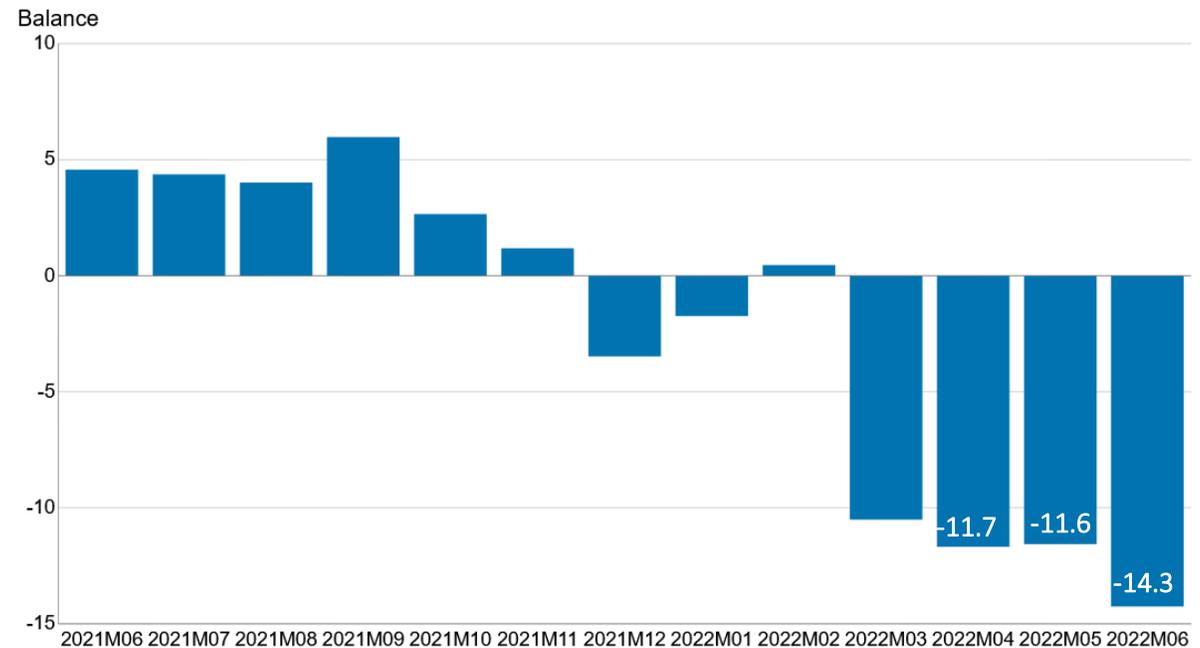
# Business outlook



# Consumer confidence in June on the lowest level ever

- Expectations concerning consumer's own finance and Finland's economy were very pessimistic
- In June, consumers had very little intention to spend money on durable goods. The time was considered the least favorable ever for making purchases
- Estimates and expectations concerning inflation rose even further. Expectations concerning inflation in 12 months were higher in June than ever before in the measuring history
- Consumers' own financial situation was still good in June, and the estimate of the threat of unemployment or temporary lay-off remained fairly bright

Consumer confidence indicator



27 June 2022: Statistics Finland, consumer confidence  
<https://www.stat.fi/en/publication/ckta4nx747iut0c009u7uvy0t>



# Short-term business and market outlook

There is uncertainty about the future outlook in relation to geopolitical conflicts in the world, the crisis in Ukraine and the macroeconomics

The company's growth prospects for the current year are considered challenging due to changes in the operating environment

The strong acceleration in inflation and rise in the interest rates, as well as the crisis in Ukraine, have further undermined household confidence in their economy

We estimate consumer demand and business to continue soft

We will succeed in taking advantage of the online consumer transition, and increase our market share in chosen product categories

The company estimates that the shift of customers to online is permanent





## Guidance for 2022

Updated on 13 July

**Revenue: EUR 530–570 million**

(2021: EUR 574.5 million)

**Comparable EBIT:**

**EUR 8–14 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

We continue to pay out a quarterly growing dividend

**Dividend in 2022:**

**EUR 0.246 per share in total**

(EUR 0.060 per share on 4 April 2022 + Board authorization to pay EUR 0.186, divided in three quarters)

Previous guidance:

Revenue: EUR 530–590 million

Comparable EBIT: EUR 12–19 million

# Key takeaways from the 2<sup>nd</sup> quarter

1

Soft consumer demand throughout the quarter, consumer uncertainties impacting purchasing behavior

2

Good performance in B2B sales, increase of +12.6%

3

Despite competitive environment and soft season sales in higher margin categories, gross margin remained on a good level of 15.4%

4

Automated logistics hub in Jätkäsaari was finalized

5

We have taken actions to mitigate pressure on margin, cost levels and profitability

6

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



# More Information



## Financial events in 2022-23

- The Financial Statements for 2021 on 2 March 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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