

**Verkkokauppa.com Oyj**  
**Financial Statements Review 2022**

**Consumer market remained challenging -  
revenue declined by -8%**

9 February 2023 | Panu Porkka, CEO | Verkkokauppa.com Oyj



# Q4 & FY 2022 results presentation

- Market development
- Q4 & Full year 2022 performance
- Strategy execution
- Market outlook and guidance
- Key takeaways

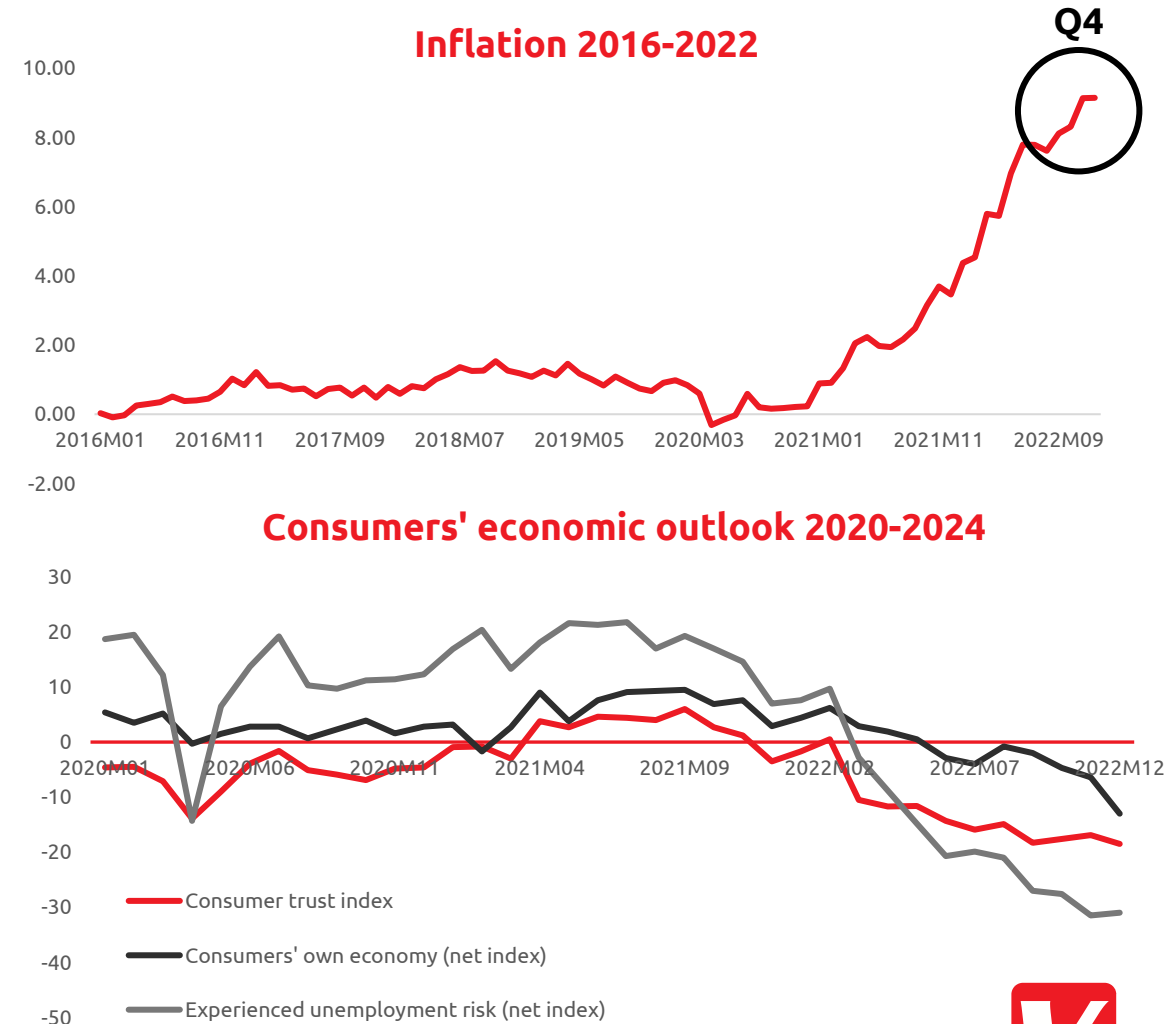


# Market development



# Market during Q4 was challenging: demand kept softening and fight for customers ascended to new highs

- Consumers' views on their own economy during Q4 were ever more pessimistic (in December -18.5%, November -16.9% and -17.6% in October)
- Purchasing intent for consumer durables was cut back heavily. This trend is clearly visible in consumer electronics
- Continued high inflation (+8-9% ) kept lowering consumers purchasing power
- For Christmas season 2022, traffic flow was steady, but consumers were highly price-conscious resulting in offer-driven campaigns
- Same shift is also seen in Small & Mid sized Enterprises, especially during the latter half of 2022
- On a positive note shift to online remained and customers continued to do shopping online - during Q4 over a third of CE market was online

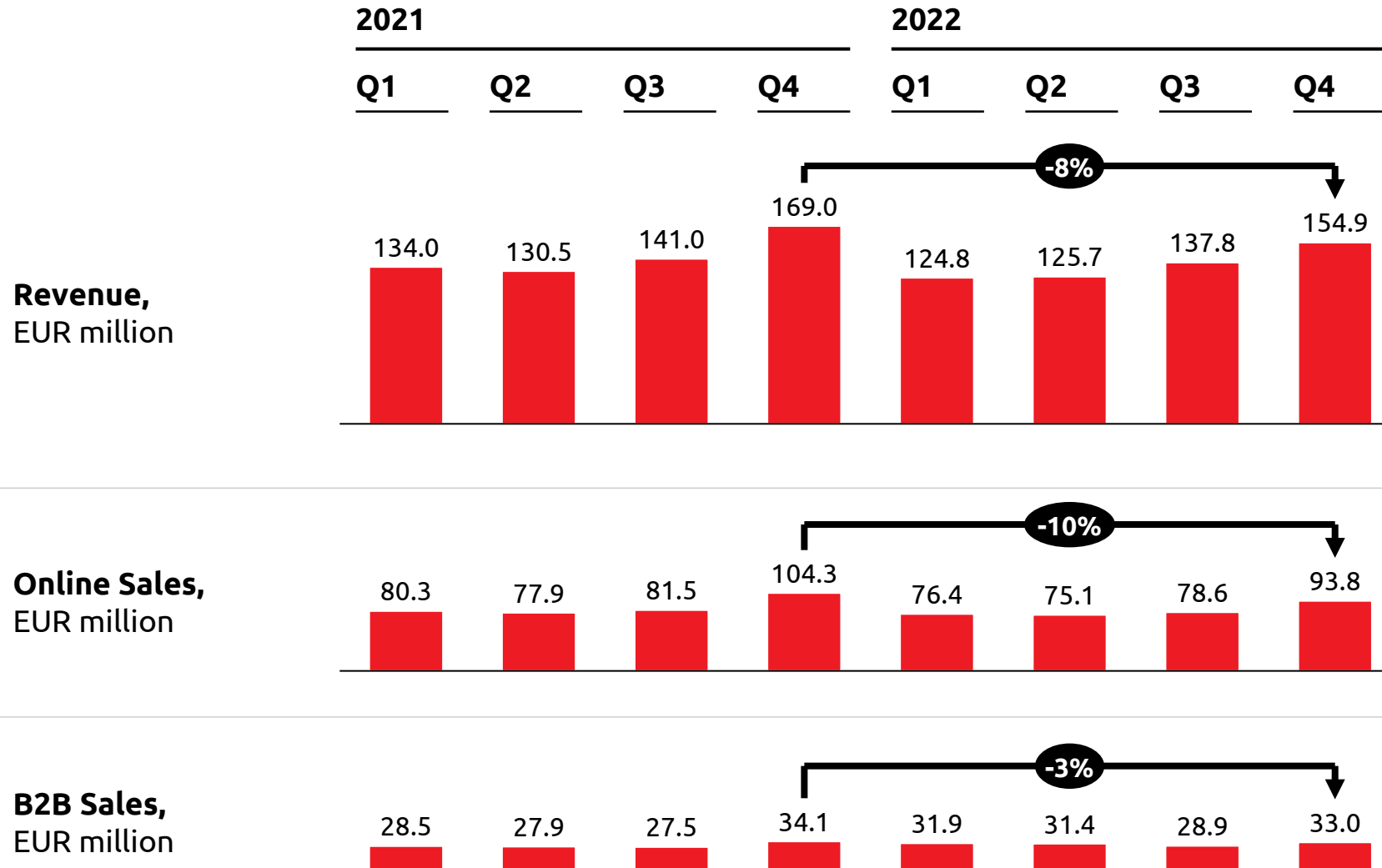




# Q4 & FY2022 performance



# Declined purchasing power and uncertain B2B market impacted revenue development



## Q4/22 development

Overall revenue declined -8.3% YoY

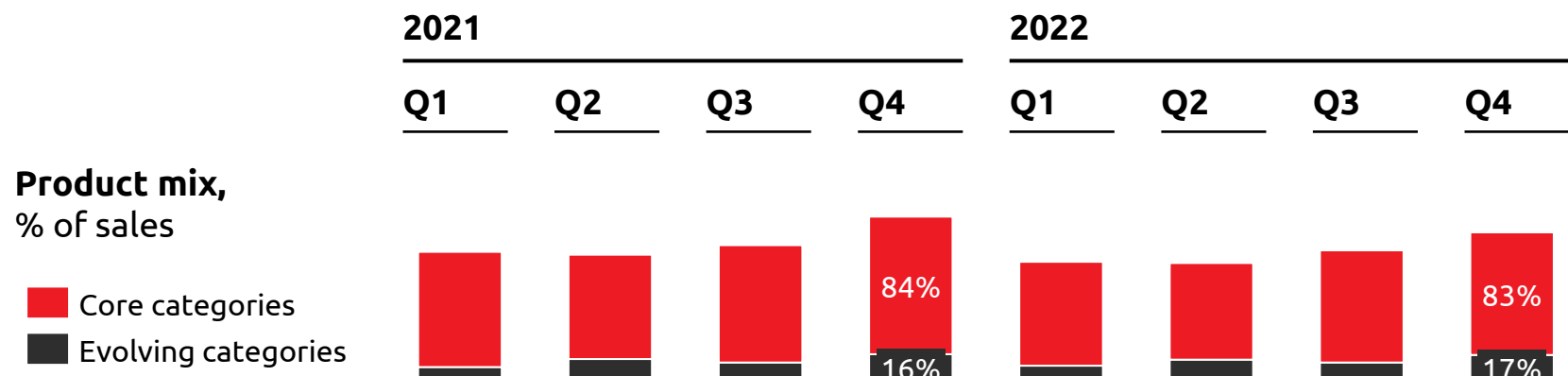
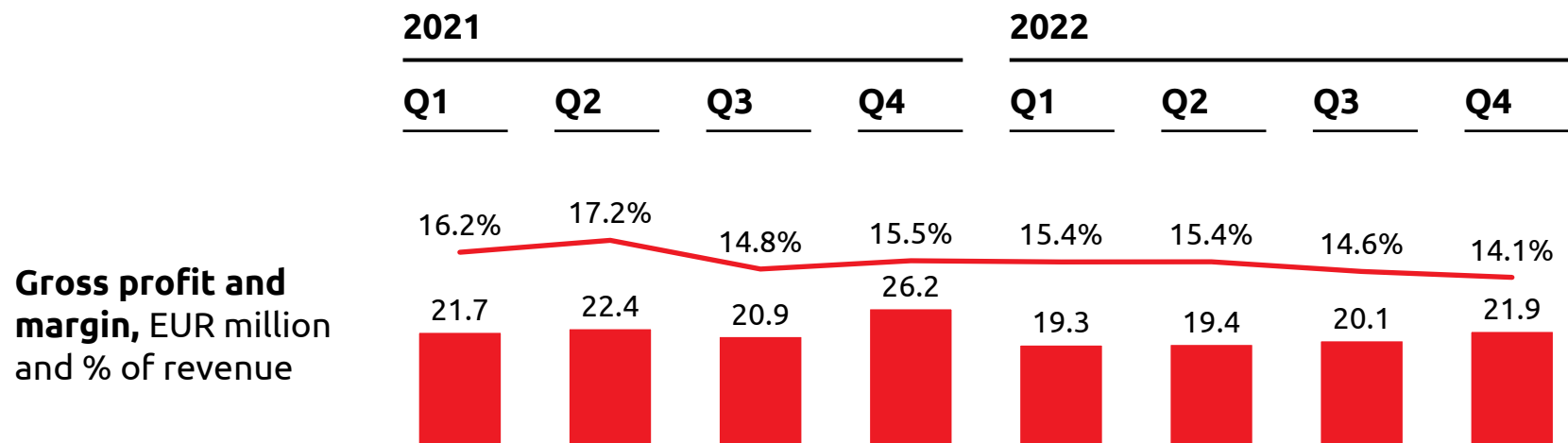
- Online sales declined -10.1%, following dampened discretionary shopping
- Consumer segment -10.9%
- Uncertainty was reflected also in our B2B sales, which after a strong first half, declined -3.3%
- Export business performed well, sales up by +5.1%

Core categories declined by -10.9%, however, positive performance in home appliances

Sales in the evolving product categories were down by -1.7%. Well-performing categories were home & lighting, luggage & travel, and pets.



# Gross profit was impacted by unfavorable sales mix and inventory write-down



## Q4/22 development

Gross profit was negatively impacted by:

- the sale of offers and lower price point products were emphasized in the campaign season
- a write-down of EUR 1.6 million related to the enhancement of the assortment
- Gross margin excl. the write-down was 15.2% in Q4
- successful inventory rundown by - 21% from the end of Q3
- Higher share of lower margin export sales, increase of 5.1%

Positive impact from Private Label sales during Season, increase by +9%



# Declining volumes and additional write-down impacting earnings – other operating expenses down -11.3%

EUR million	10-12			1-12		
	2022	2021	Change, %	2022	2021	Change, %
<b>Revenue</b>	<b>154.9</b>	<b>168.9</b>	-8.3%	<b>543.1</b>	<b>574.5</b>	-5.5%
<b>Gross profit</b>	<b>21.9</b>	<b>26.2</b>	-16.4%	<b>80.6</b>	<b>91.2</b>	-11.6%
<b>Personnel costs</b>	<b>-11.1</b>	<b>-9.7</b>	15.0 %	<b>-40.2</b>	<b>-36.6</b>	10.0 %
<b>Other operating expenses</b>	<b>-8.9</b>	<b>-10.1</b>	-11.3 %	<b>-32.2</b>	<b>-30.3</b>	6,4 %
<b>Operating profit</b>	<b>0.8</b>	<b>5.3</b>	-84.9%	<b>2.3</b>	<b>20.3</b>	-88.7%
<b>Comparable operating profit</b>	<b>0.8</b>	<b>5.3</b>	-85.8%	<b>3.5</b>	<b>20.3</b>	-82.7%
<b>Net profit</b>	<b>0.5</b>	<b>4.0</b>	-86.9%	<b>0.3</b>	<b>15.1</b>	-97.9%

% of revenue	10-12			1-12		
	2022	2021		2022	2021	
Gross margin	14.1%	15.5%		14.8%	15.9%	
Operating margin	0.5%	3.2%		0.4%	3.5%	
Comparable operating margin	0.5%	3.2%		0.6%	3.5%	

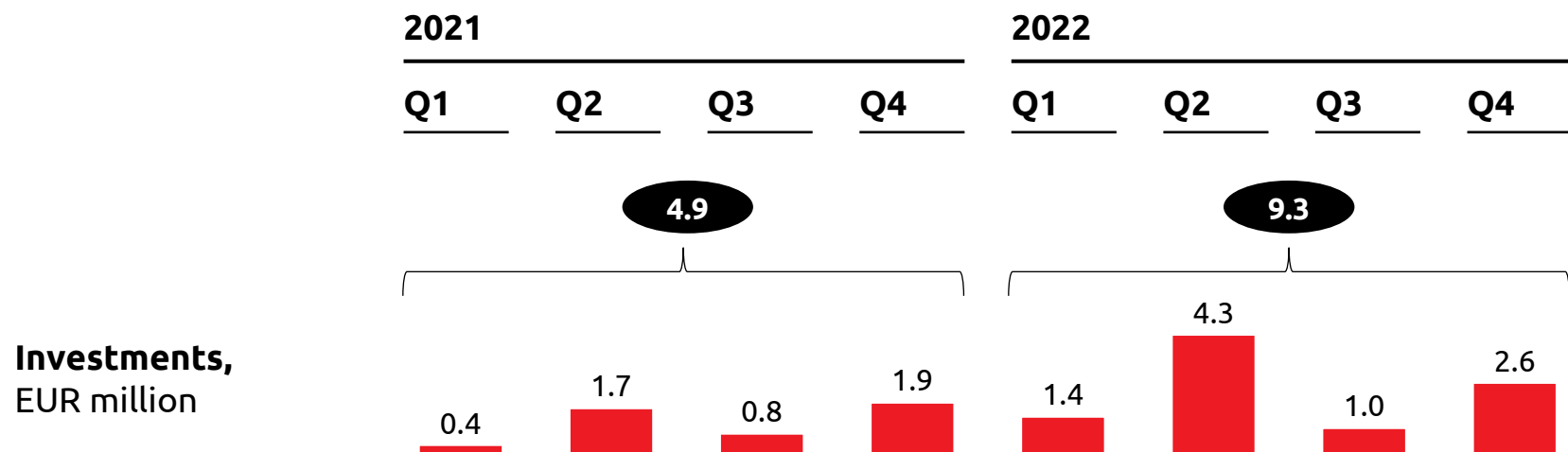
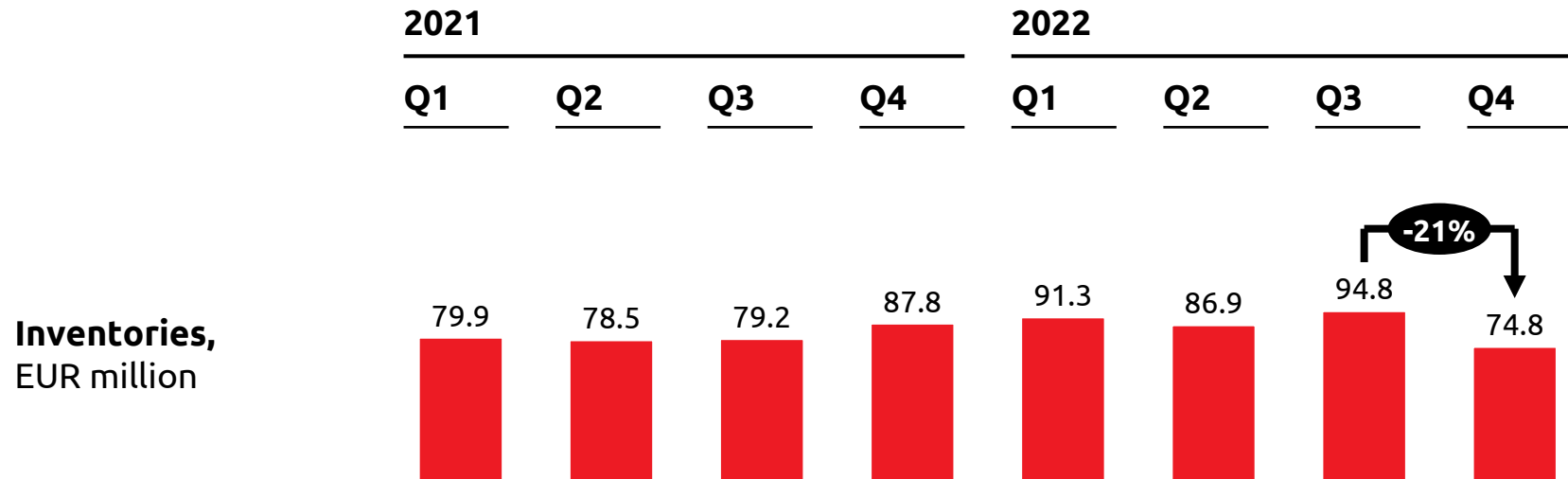
## Q4/22 development

- Main reason for lower profitability was declining volumes
- A write-down of EUR 1.6 million was made related to inventory, and which deteriorated gross profit
- Personnel expenses increased due to long-term strategic capability investments
- Other operating expenses declined by 11.3%, including lower marketing costs





# During Q4 we were able to run down the inventory, down by -21%



## Balance sheet & Cash flow on 31 December 2022

Group inventory declined -15%, and was EUR 74.8 million (87.8)

Investments during Q4 were EUR 2.6 million and EUR 9.3 million in 2022. Main investments were:

- The Jätkäsaari warehouse automation project
- The e-Ville.com acquisition completed in April

Cash flow from operating activities was EUR 15.5 million (4.6)

Cash at hand was EUR 21.2 million (20.9)

Equity ratio at the end of 2022 was 15.8% (21.4%)

Company raised EUR 10 million term loan in March and EUR 15 million term loan in April 2022



# 2022 Highlights

## Operational Highlights



### Warehouse automation

investment was finalized

Our product return rate  
dropped to **0.7%**

First **acquisition** in  
the Company's history  
was closed

**32 000**  
**Tili**

financing account  
customers

Introduced product line of **used computers** and expansion of **maintenance services** to extend product life cycles

## Financial achievements



### Revenue

EUR **543** million  
(-5.5%)

### Operating profit

EUR **2.3** million  
(20.3)

### Investments

EUR **9.3** million  
(4.9)

Inventories declined by

**-21%**

from the end of Q3

**Cash flow** improved  
towards the end of the  
year and cash totalled

EUR **21** million

# Strategy execution





# As disclosed in January, the company has built and started executing a robust short-term profitability improvement program

**Profitability improvement program:**  
capture full potential of core business



## Operational performance & cost savings

1. Lean supply chain and inventory
2. Indirect spend reduction
3. Marketing mix optimization
4. Efficiencies across business operations

**~75%**  
of total

## Commercial excellence

4. Assortment optimization
5. Dynamic pricing
6. Efficient customer acquisition, conversion, and retention

**~25%**  
of total

**Profit improvement of EUR 10 million per annum,  
of which EUR 5-8 million realized in 2023**

Diversify business portfolio  
and develop new opportunities



## Profitable (new) business models

7. Private Label acceleration (incl. sourcing services)
8. Financial and lifecycle services
9. Retail as a media opportunities

Structurally more profitable  
and resilient business



# While main focus is on short term profitability, we continue to develop capabilities to strengthen our customer value proposition

Our purpose is to 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



# Q4/2022 highlights in new capabilities

Highlights to follow



## Assortment

- ▶ Dynamic pricing technology integrations started
- ▶ Introduced product line of used computers



## Experience

- ▶ **Inspirational Online Experience: new online and mobile front-end**
- ▶ Improved payments and financing options, incl. leasing for B2B clients



## Speed & Flexibility

- ▶ Streamlined inbound processes in warehouse operations
- ▶ New last-mile partner pilots for express delivery during Q1-Q2



## Trust

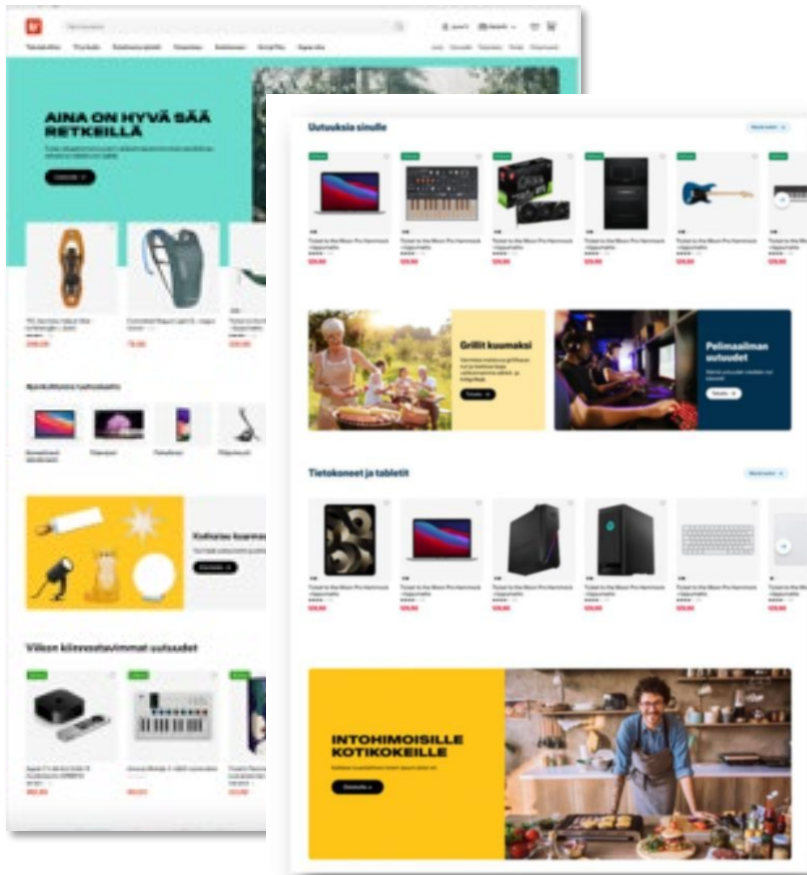
- ▶ Brand has remained robust, outpacing competitors during Q4
- ▶ Maintained record low customer returns at 0.7 %





# Finland's most popular ecommerce site is being renewed

## Example design concepts – not final



In Q4 we have already rolled out:

- **Improved customer ratings** with over 500 000 verified reviews (we collect 3x the number of ratings vs. industry average)
- **New product facets** for highlighting offers and immediately shippable products
- **New algorithmic product listing** system for the optimal shopping experience

During H1 2023, will be rolling out several new customer benefits, for example:

- **Home page experience** with personalized content
- **Customer centric navigation** to improve ease of finding the right categories and products
- **Category listing pages** to help with product findability and inspiration



**Experience**





# Market outlook and guidance

# Market outlook and short-term expectations

- There is uncertainty about the future outlook in relation to geopolitical conflicts in the world, the crisis in Ukraine and macroeconomics
- The company's growth prospects for the current year are considered challenging
- Finland's economy is expected to shrink. The risk of a recession overshadows the development of Finland's economy
- We estimate consumer demand and business to continue to be challenging

The company believes that:

- it will succeed in taking advantage of the online shift and gain its market share in chosen product categories
- this shift of customers to online is permanent in the long term
- taken profitability measures and investments conducted during 2022 will make the core business significantly more profitable in long term







# Financial guidance for 2023 & dividend

## Financial guidance

In 2023, Verkkokauppa.com expects the revenue to decline (2022: EUR 543.3 million) and comparable operating profit (comparable EBIT) to improve (2022: EUR 3.5 million) compared to 2022.

## The Board of Directors' dividend proposal

The board of directors proposes to the Annual General Meeting that Verkkokauppa.com Oyj deviates from its dividend distribution policy, and no dividend will be distributed from the profit of the 2022 financial year.



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

- Soft consumer demand continued throughout the quarter and was reflected also in B2B sales
  - Weakened purchasing power postponed discretionary shopping significantly
  - High season was flavored by discounting campaigns and inventory clearance
  - Successfully reducing inventory levels, down by -21% from the end of Q3
- Decision made to cut down and streamline assortment resulted in a write-down of EUR 1.6 million
  - We launched a profit improvement program with the target of EUR 10 million annual improvement (2023 impact EUR 5-8 million)
  - With these actions taken, we want to ensure the company's profitability and improve competitiveness in our core business





Thank you

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# More Information



## Upcoming Financial events

- The Financial Statements for 2022 during the week starting on 27 February in 2023
- Annual general meeting on 30 March 2023 in Helsinki
- Interim report for January – March 2023 on 27 April 2023
- Half-year financial report for January – June 2023 on 20 July 2023
- Interim report for January – September 2023 on 26 October 2023
- Financial statements bulleting for the year 2023 on 8 February 2024



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