

Verkkokauppa.com Oyj

Rewriting the rules of retail

Danske Bank Small & Mid Cap Seminar

14 March 2024 | Mikko Forsell, CFO | Verkkokauppa.com Oyj

Finland's largest consumer electronics retailer

Founded in
1992

Personnel:
> 600 employees

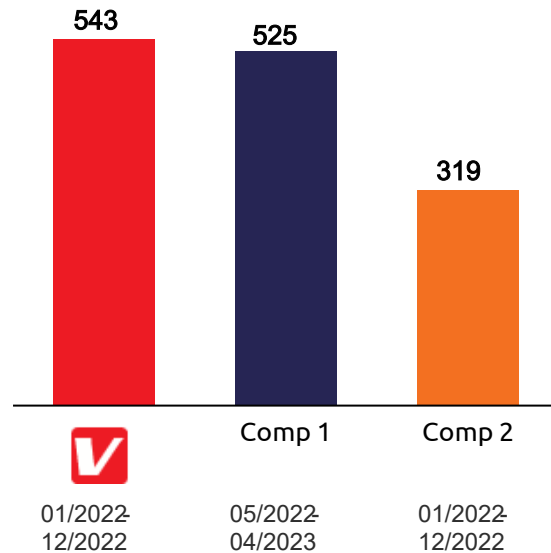
Assortment:
> 70 000 products

> 70 million visits
annually on our website

The most popular
webshop in Finland

The largest consumer electronic *retailer in Finland

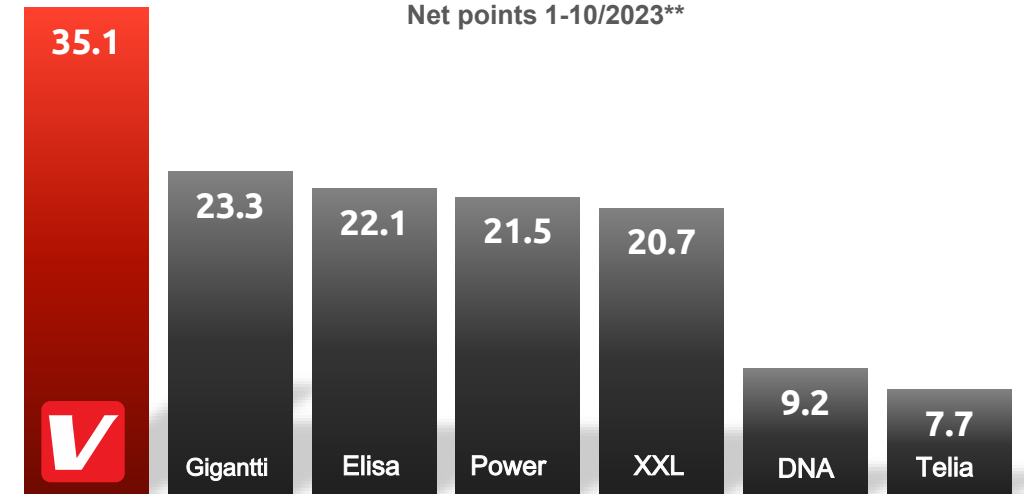
Revenue, milj. eur



Sales channels, 2023



Which of the following brands would you recommend: to a friend or colleague? Net points 1-10/2023**



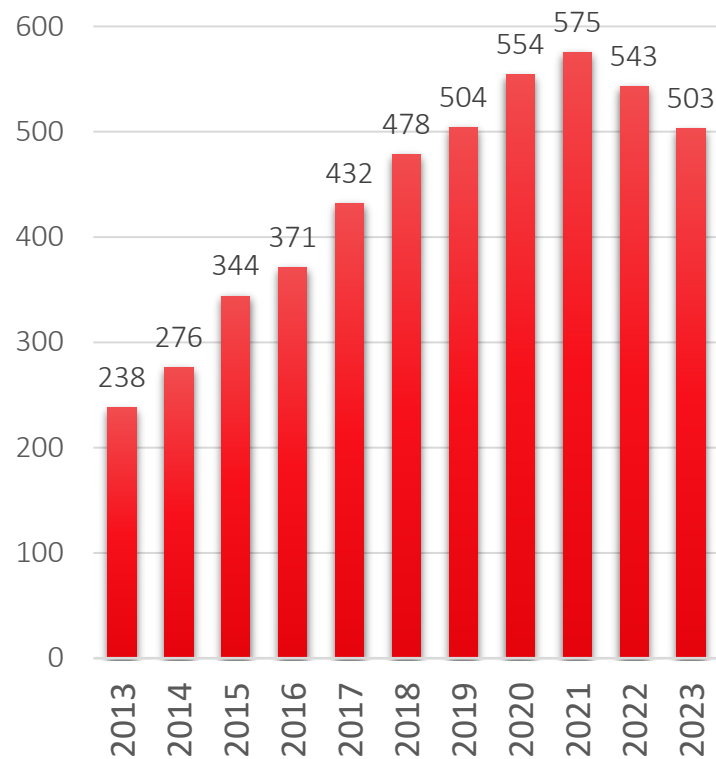
**Source: YouGoBrandIndexN=992



Stable growth over the years, good earnings performance and growing dividend

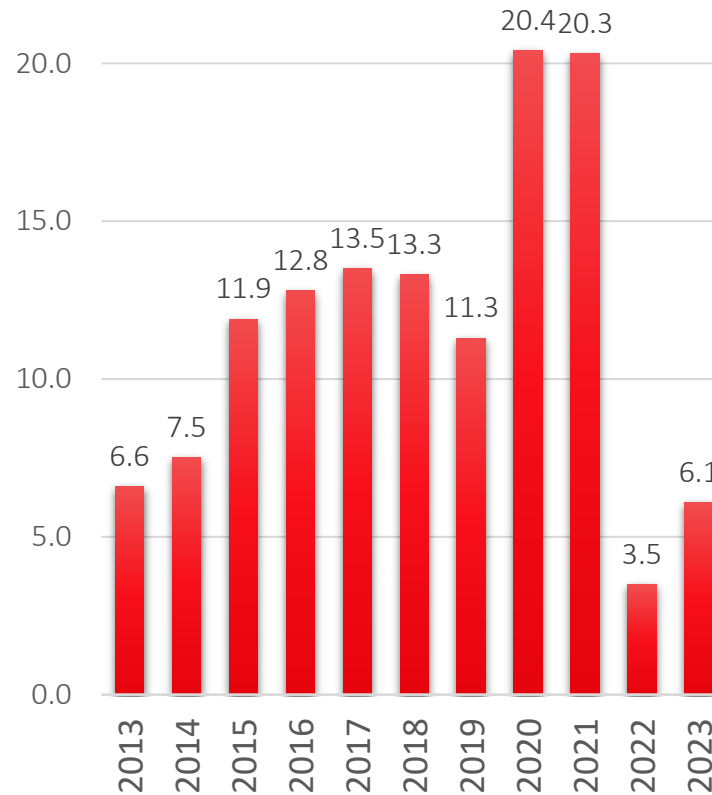
Revenue

Eur million



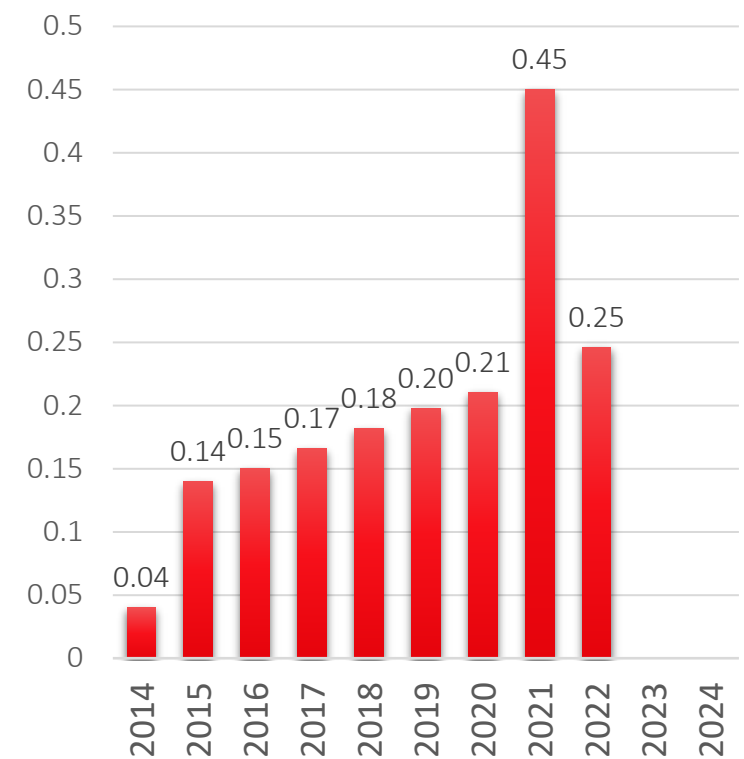
Comparable Operating result

Eur million



Dividend per share, paid out

Eur



Target to pay out 60-80% of annual net profit in quarterly growing dividends



FY 2023 highlights



FY 2023 Financial performance

- year of a profit improvement actions



Revenue

EUR 502.9 million
-7.4% vs. 2022



Gross profit

EUR 80.9 million
(2022: EUR 80.6 million)

Gross margin

16.1%
(2022: 14.8%)



Comparable EBIT

EUR 6.1 million
(2022: EUR 3.5 million)



Operating Cash flow

EUR 20.3 million
(2022: EUR 1.5 million)



2023 operative highlights

1. We focused on securing profitability and managed well to adapt our business on lower demand, to increase flexibility and as a result to improve cost efficiency
2. We optimized assortment and streamlined delivery flows by utilizing automation and technologies
3. We exceeded our target to reduce our inventory value to a healthy level, still securing the availability and good service level
4. We completed a largest-ever renewal project of our online store to provide a superior customer experience
5. We improved our delivery speed by introducing one-hour home deliveries in the Helsinki metropolitan area
6. We launched a trade-in service, which promotes circular economy
7. We sell products that customer actually need and kept the product return rate low: 0.7%
8. We renewed our strategy for the period of 2024-2028 with new financial target

Updated Strategy 2024 - 2028

OUR STRATEGY FOR 2024-2028

We will **accelerate online transition** leading to profitable growth

1

FASTEST FULFILMENT

- Blazing delivery speed a new norm of buying
- The most effortless shopping experience
- Automated product flows and intralogistics

2

CURATED ASSORTMENT

- First one to introduce latest products and innovations
- Full assortment with best availability in selected categories
- High quality Private Label assortment

3

NEW BUSINESS MODELS

- New subscription-based services, new norm of owning
- New profit models e.g Retail as Media
- New fulfilment operating models

4

OPERATIONAL EXCELLENCE

- Most efficient retail operations
- Feature-rich and leading own platform
- Data and AI powered way-of-working

We will make fast deliveries the new norm in Finland

2023

1 hour deliveries available 24/7 in capital region covering >10% of FI population

1 hour deliveries

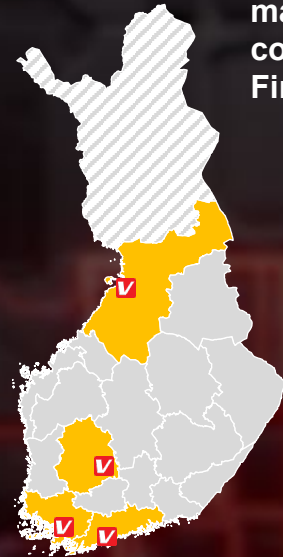


- ✓ Store as delivery hub and click & collect
- ✓ Store as click & collect
- 1 h deliveries in capital region
- Next day deliveries

2025

1 hour deliveries in four major cities in Finland covering >40% of Finland's population

1 hour deliveries



- ✓ Store as delivery hub and click & collect
- 1 h deliveries in major urban areas
- Next day deliveries

2028

1 hour deliveries across Finland in largest cities using cost effective micro fulfilment centers

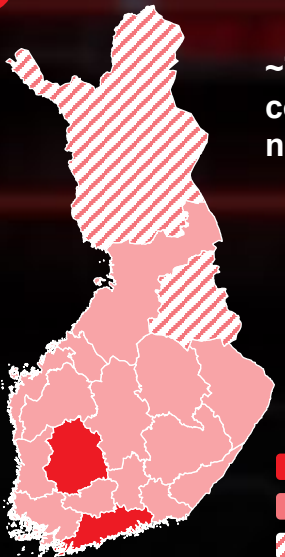
1 hour deliveries



- ✓ Store as delivery hub and click & collect
- Micro fulfilment delivery hubs (location approx.)
- 1 h deliveries in major urban areas
- Fast deliveries for smaller cities/areas
- Next day deliveries

+

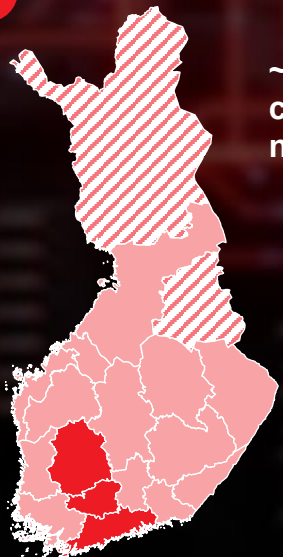
Next day deliveries



~70% of population covered with guaranteed next day delivery

- Same day deliveries
- Next day deliveries
- 1-2 day deliveries with selected areas in next day

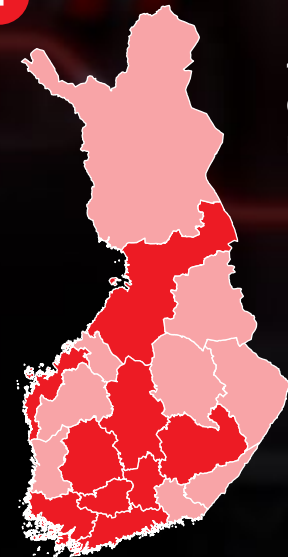
+



~80% of population covered with guaranteed next day delivery

- Same day deliveries
- Next day deliveries
- 1-2 day deliveries with selected areas in next day

+



~90% of population covered with guaranteed next day delivery

- Same day deliveries
- Next day deliveries
- 1-2 day deliveries with selected areas in next day

* All maps are illustrative



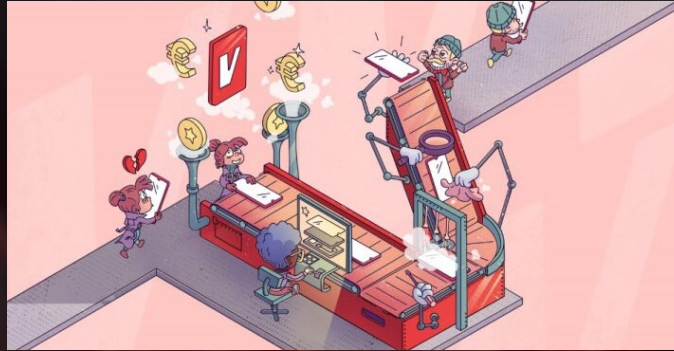
New business models will enable steady growth and improved EBIT



Retail as a media

We will leverage our extensive customer base and 1st party customer data to provide opportunities to our vendors and global brands.

This approach also unlocks the full potential of our unique data-driven insights, providing our partners with unparalleled access to a Finnish audience.



Product life cycle services

Subscription models compliment traditional unit purchase models and transforms how we engage with our customers, fosters long-term relationships, provides a compelling/ steady subscription revenue stream and is a sustainable way forward.



Additional new markets

In addition to existing international wholesales operations, we will expand to new markets with strategic partnerships.



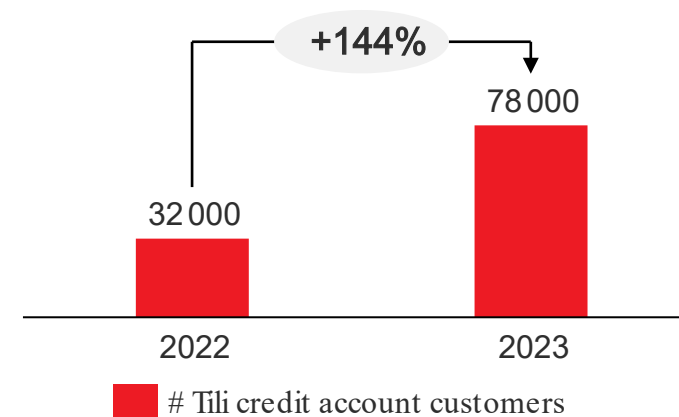
New customer services

Over 78 000 credit account customers with thousands of instant trade-in transactions

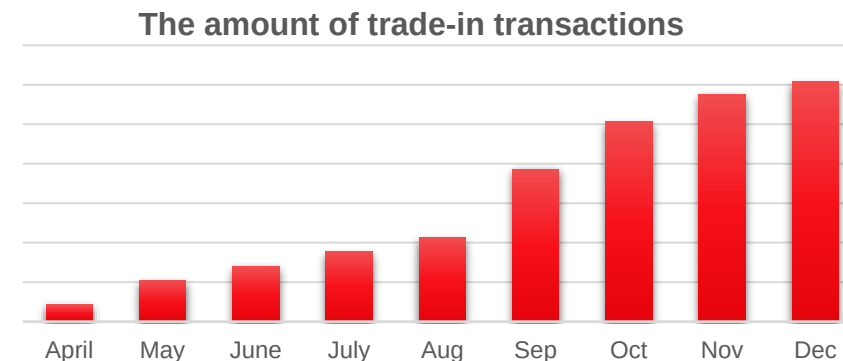
Our new services; customer credit account together with trade-in service are creating the foundation for the new norm of owning

- In 2023, we continued to scale customer credit account service with the total number of customers more than doubling from 2022 to over 78 000 Finnish consumers
- In April 2023, we launched first of its kind fully online instant trade-in service, which is fully integrated into customer credit account
- Trade-in service is accelerating re-commerce shift to online and prolonging the lifecycle of electronics with thousands of transactions to date
- Currently our trade-in service covers +3 000 unique products (phones, laptops, smartwatches, tablets) with plans to extend the range

Total number of opened “Tili” credit accounts



Good development in the demand of trade-in service



Long-term financial targets, by the end of 2028



GROWTH

Top line growth (CAGR) of more than 5%, outgrowing the market

+



PROFITABILITY

EBIT margin above 5%

+



COST-EFFICIENCY

Fixed costs below 10% of revenue

+



APPEALING DIVIDEND PAYOUT POLICY

Target to pay out 60-80% of annual net profit in quarterly growing dividends*

*However, in order to improve the company's equity ratio, the Board will propose to the AGM 2024 that no dividend be paid out for 2023.



We will rewrite the rules of retail

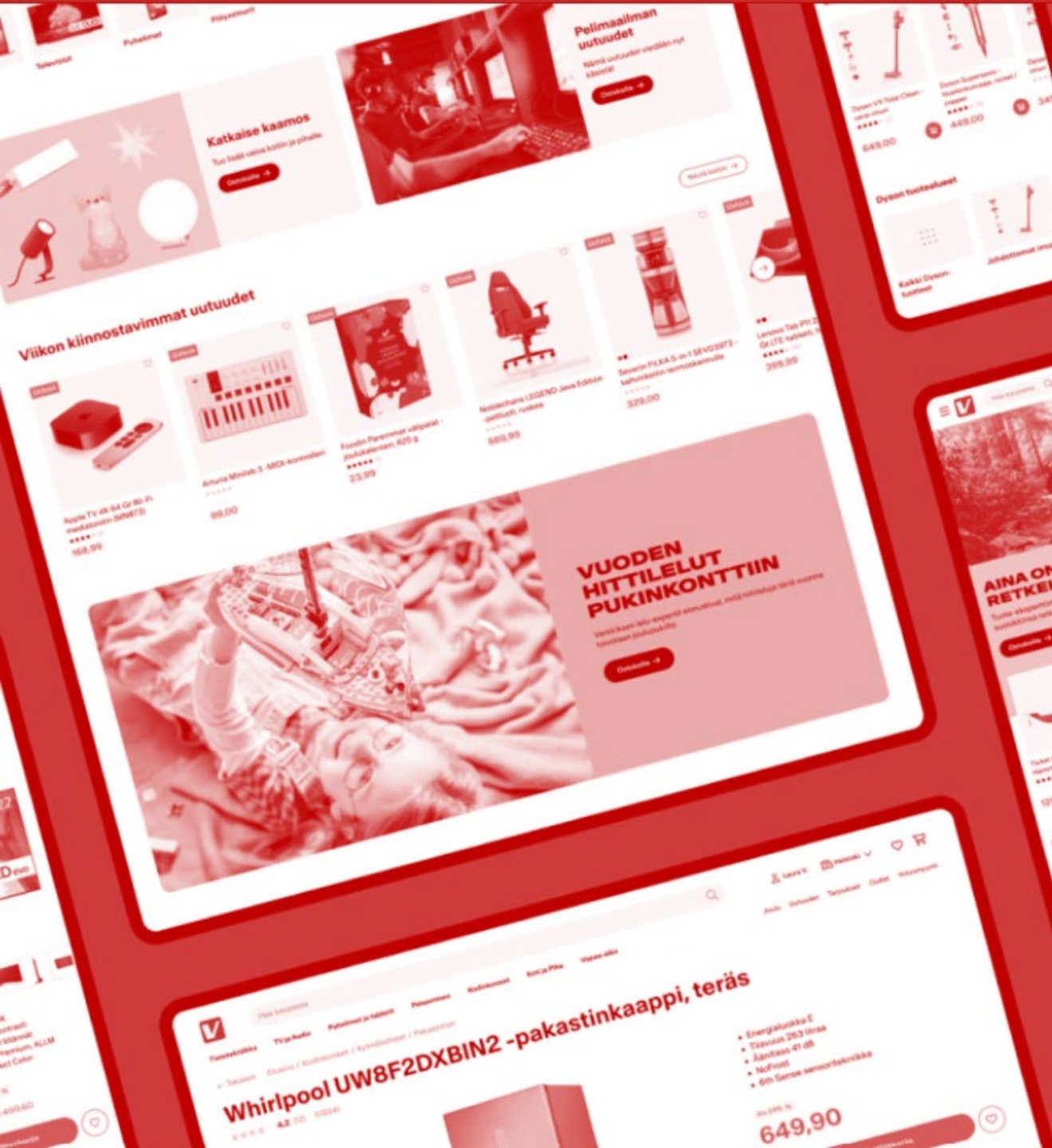


- 1** We are the pioneers of ecommerce
Verkkokauppa.com continues as a forerunner in the market with the vision of creating a new norm for buying and owning.
- 2** We aim to strengthen our market leadership by accelerating the online shift by making buying fast, extremely convenient and affordable

- 4** In line with our values, Verkkokauppa.com offers high quality products for a genuine need and sustainable alternatives for owning products
- 5** Our improved operational efficiency by leveraging technologies and our strategic development investments ensure that we are ready for growth as the market picks up
- 6** The executed profit improvement program provides an excellent starting point for building scalable growth



Financial guidance



Financial guidance for 2024

Verkkokauppa.com expects revenue for 2024 to remain at the 2023 level and comparable EBIT to increase from 2023.

In 2023, revenue was EUR 502.9 million and comparable EBIT EUR 6.1 million.



Thank you

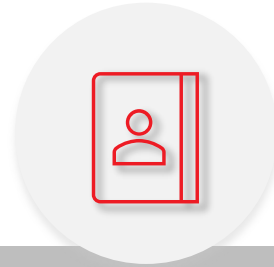


More information



Upcoming Financial events

- The Financial Statements for 2023 during the week starting on 26 February (week 9) in 2024
- Annual general meeting is planned to be held on 4 April 2024 at 2 p.m. EET as a virtual-only AGM
- Interim report for January – March 2024 on Thursday 25 April 2024
- Half-year financial report for January – June 2024 on Thursday 18 July 2024
- Interim report for January – September 2024 on Thursday 24 October 2024
- Financial statements bulleting for the year 2024 on Thursday 6 February 2025.



Investor Relations contacts

Marja Mäkinen

Head of Investor Relations &
Corporate Communications

marja.makinen@verkkokauppa.com

+358 40 671 2999

Mikko Forsell, CFO

mikko.forsell@verkkokauppa.com

Panu Porkka, CEO

panu.porkka@verkkokauppa.com

investors@verkkokauppa.com



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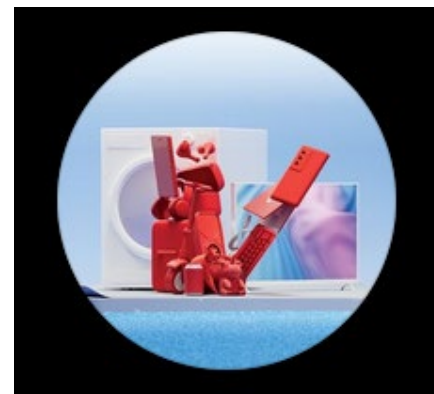
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Appendix

> Quarterly Key Figures

Quarterly Key Figures

	2023					2022				
	Q1	Q2	Q3	Q4	Q1-Q4 2023	Q1	Q2	Q3	Q4	Q1-Q4 2022
Revenue, eur million	122.0	112.8	117.4	150.6	502.9	124.8	125.7	137.8	154.9	543.1
Gross profit, eur million	20.2	18.8	18.7	23.1	80.9	19.3	19.4	20.1	21.9	80.6
Gross margin%	16.6%	16.7%	15.9%	15.3%	16.1%	15.4%	15.4%	14.6%	14.1%	14.8%
EBITDA, eur million	1.6	2.3	3.7	3.5	11.1	2.0	0.5	3.2	2.2	7.8
EBITDA%	1.3%	2.1%	3.1%	2.3%	2.2%	1.6%	0.4%	2.3%	1.4%	1.4%
Operating profit, eur million	0.04	0.8	2.1	1.8	4.7	0.7	-0.9	1.7	0.8	2.3
Operating profit%	0.04%	0.7%	1.8%	1.2%	0.9%	0.5%	-0.7%	1.3%	0.5%	0.4%
Comparable operating profit, eur million	1.4	1.0	2.2	1.6	6.1	0.9	-0.2	2.1	0.8	3.5
Comparable operating profit%	1.1%	0.8%	1.9%	1.1%	1.2%	0.7%	-0.2%	1.5%	0.5%	0.6%
Profit for the period, eur million	-0.4	0.2	1.1	1.2	2.1	0.2	-1.1	0.7	0.5	0.3
Interest-bearing net debt, eur million	25.6	22.8	20.3	6.1	6.1	18.2	28.6	29.8	19.7	19.7
Investments, eur million	1.0	0.3	0.4	0.2	1.9	1.4	4.3	1.0	2.6	9.3
Equity ratio, %	15.8%	16.5%	16.9%	16.2%	16.2%	20.2%	18.2%	16.3%	15.8%	15.8%
Gearing, %	98.2%	87.2%	74.2%	21.5%	21.5%	54.7%	92.4%	103.2%	74.6%	74.6%
Personnel at the end of period*	720	695	640	677	677	753	815	761	838	838
Basic earnings per share, euros	-0.01	0.00	0.03	0.03	0.05	0.00	-0.02	0.01	0.01	0.01
Diluted earnings per share, euros	-0.01	0.00	0.03	0.03	0.05	0.00	-0.02	0.01	0.01	0.01
Number of issued shares, 1,000 pcs	45,355	45,355	45,355	45,355	45,355	45,065	45,355	45,355	45,355	45,355
Number of treasury shares, 1,000 pcs	258	171	159	146	146	298	290	282	271	271
Weighted average number of shares outstanding, 1,000 pcs	45,096	45,183	45,195	45,209	45,209	44,747	45,047	45,073	45,083	45,083
Diluted weighted average number of shares outstanding, 1,000 pcs	45,354	45,252	45,264	45,277	45,277	45,189	45,473	45,439	45,342	45,342



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TODENNÄKÖISESTI AINA HALVEMPI ***.com***