

Verkkokauppa.com Oyj

Verkkokauppa.com – accelerating the online shift

13 September 2024 | Nordea Retail Day 2024, Helsinki
Panu Porkka, CEO | Verkkokauppa.com Oyj

Company update

- › Consumer megatrends
- › Our Strategy
- › H1/2024 performance
 - › Recent market development
- › Market outlook & Consumer trends
- › Key takeaways



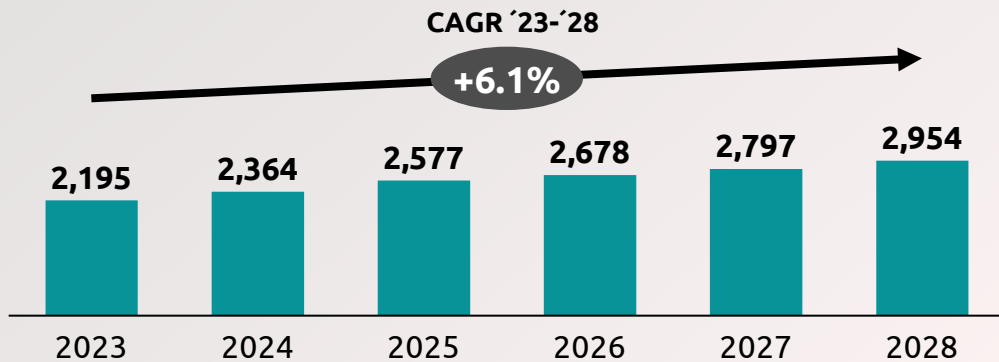


Consumer Megatrends

Retail in Finland is steadily transitioning to online

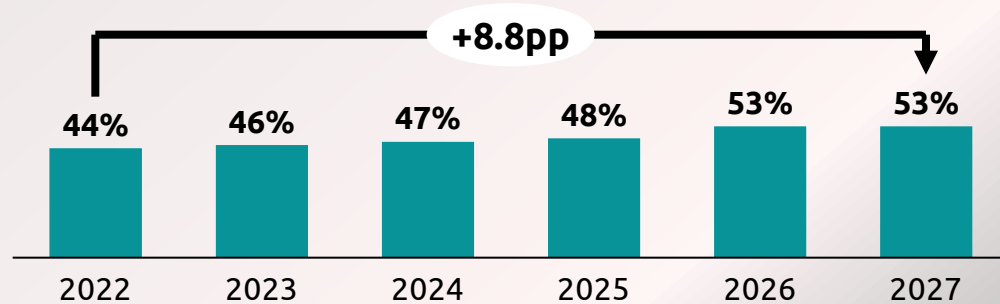
Consumer electronics is one of the top -selling categories online and is experiencing fastest shift to online

Total addressable ONLINE market size (meur) and development, Finland 2023-2028



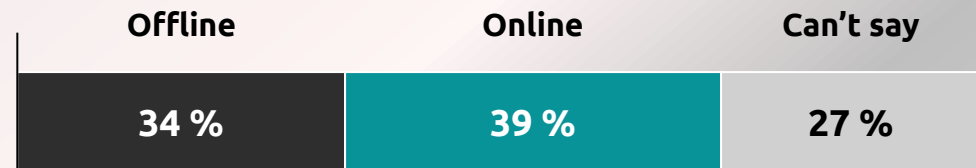
Source: Statista

Online share of sales estimates in consumer electronics, Finland 2022-2027

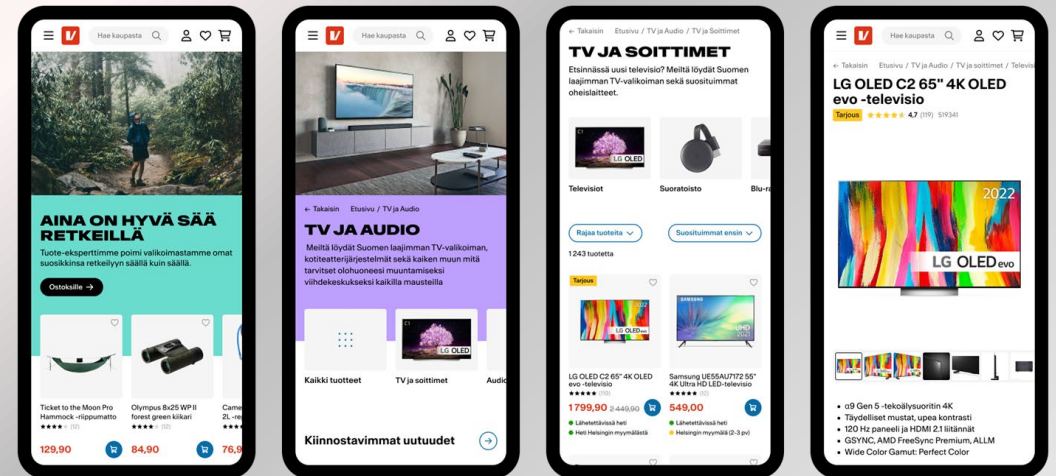


Source: Statista

Consumers preferring to buy electronics online rather than offline in 2023



Source: Digital consumer buying journey, Finnish Commerce Federation Finland 9/2023



Fast deliveries are growing globally at a significant pace

Fast deliveries are a top priority for customers, but Finland lags many other countries in this area

Top preference drivers*

BIGGEST UPLIFT POTENTIAL AS DIFFERENTIATOR

Smooth shopping experience

Fast and handy deliveries

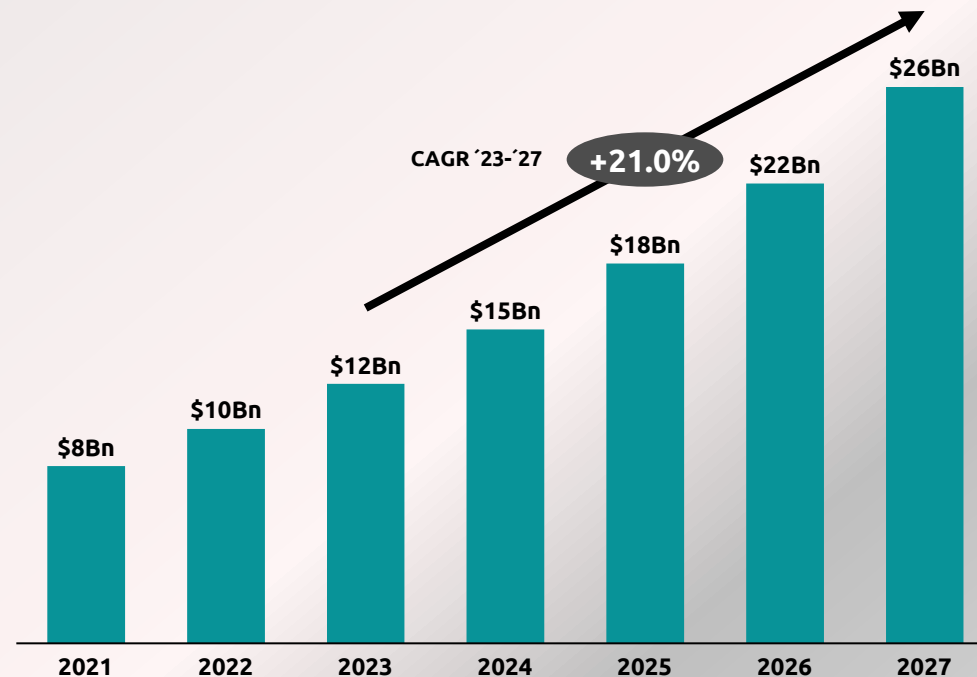
MARKET MUST-HAVES

Good price level

Interesting assortment

**Based on Kantar statistical analysis on Verkkokauppa.com data 07-12/2023, n=2000*

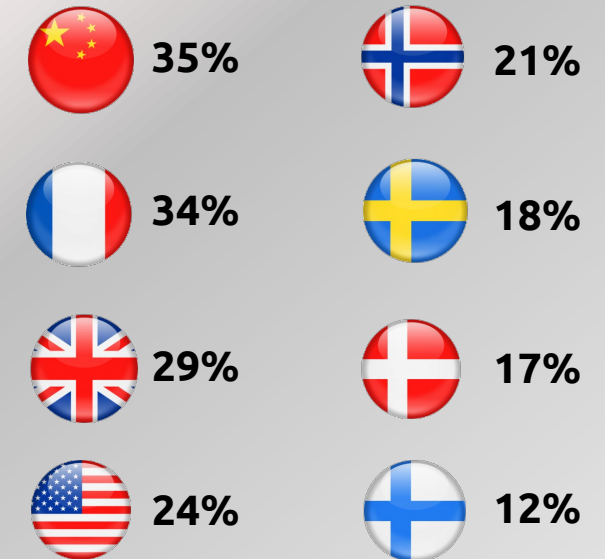
Global same-day delivery market size forecast 2021-2027, BN\$



Source: Statista

The availability of fast delivery increases the preference for fast delivery

"When I order an item, I prefer express shipping"



Source: Statista Consumer Insights Global Survey

The buy now, pay later (BNPL) trend has become increasingly popular worldwide

Finland is no exception, with many consumers opting for this payment method

Majority of Finnish consumers have used BNPL option

Have you used any "Buy now, pay later" options for purchases in the past 12 months? (multi-pick)

47% Yes, in the past 12 months

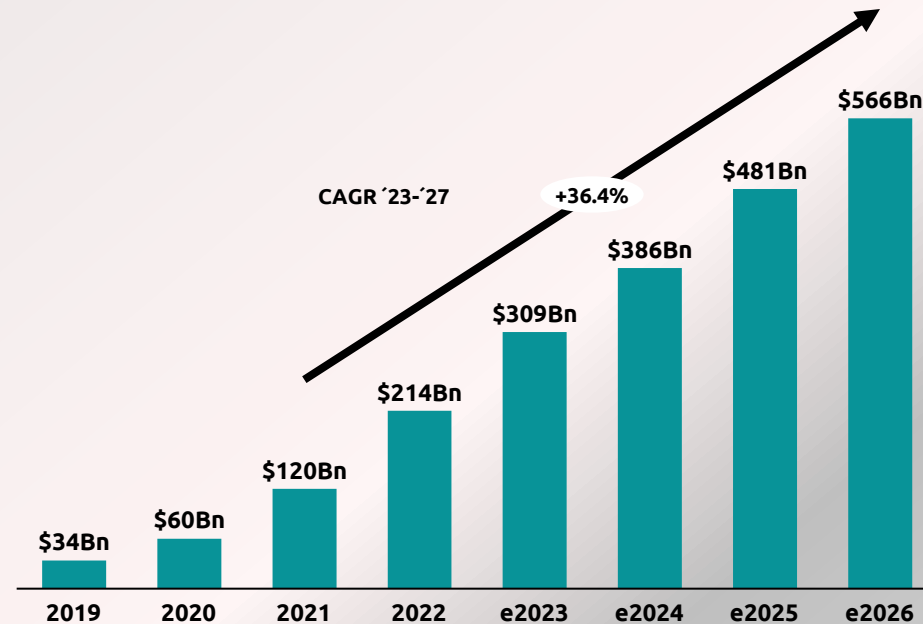
8% Yes, but longer than 12 months ago

14% No, but I could imagine using it in the future

30% No, and I don't consider using it in future

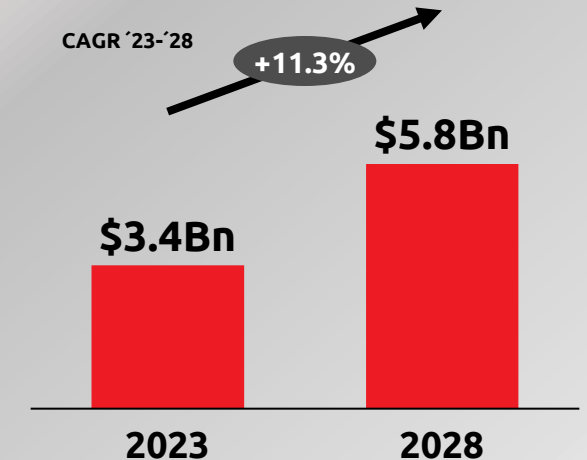
Source: Statista Consumer Insights, 2024, Finnish consumers (n=12 000)

Global transaction value of buy now, pay later (BNPL) in ecommerce 2019-2026 (in billion U.S. dollars)



Source: Statista

Buy Now Pay Later market in Finland (USD)

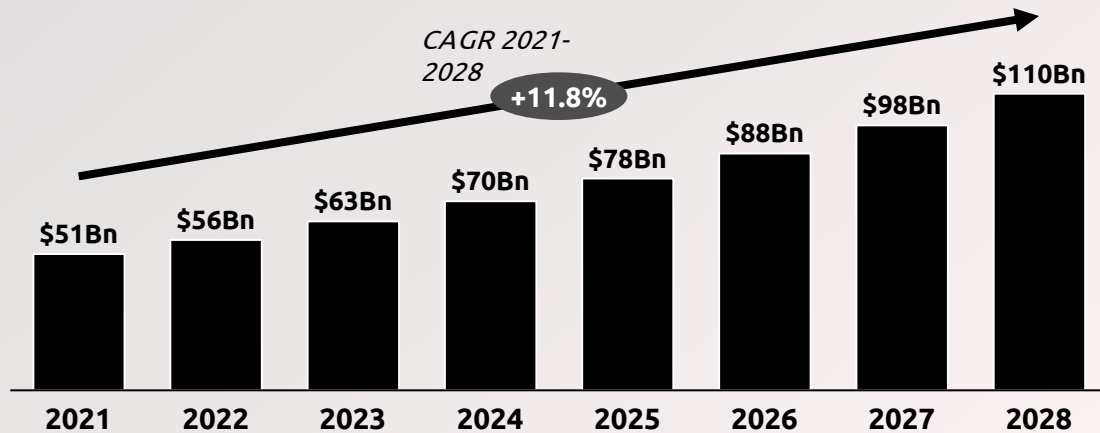


Source: Research and Markets

Circular products becoming more important

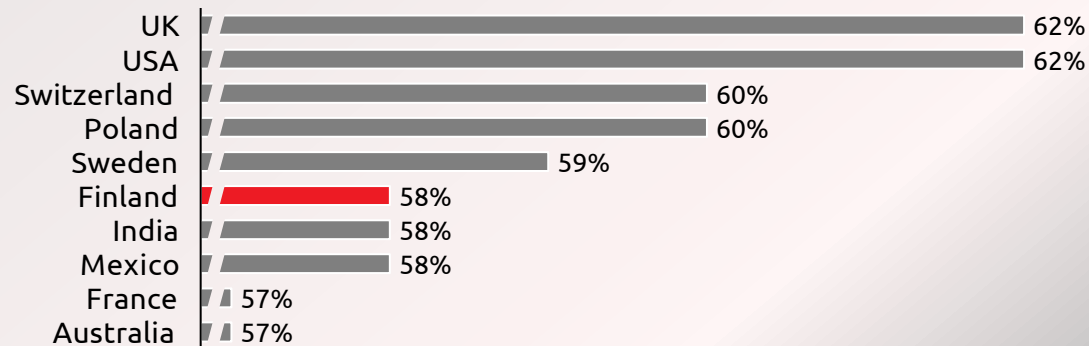
Finland is one of the world's leading countries in second-hand purchasing

Market size of global refurbished phones 2022-2028



Source: Statista

Share of consumers who have bought second hand products in last 12 months



Source: Digital shopping trends and digital purchasing 2023, Finnish Commerce Federation

Majority of Finnish consumers would buy used electronics

"I could buy reliable and serviced used electronics from well-known online stores if there were more available"

Verkkokauppa.com customers

75%

Finnish population

62%

Source: Verkkokauppa.com Consumer Electronics Responsibility Study 04/2024 Finnish population N=1044 Own customer base N=13 347



Our Strategy

For the strategy period 2024 - 2028

OUR STRATEGY FOR 2024-2028

WE WILL **ACCELERATE ONLINE TRANSITION** WITH FOUR CORNERSTONES 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 Own Brand selection

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

Our **VISION** is

to create a new norm for buying and owning

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

Fixed costs
below 10% of
revenue*

EBIT margin
above 5%*

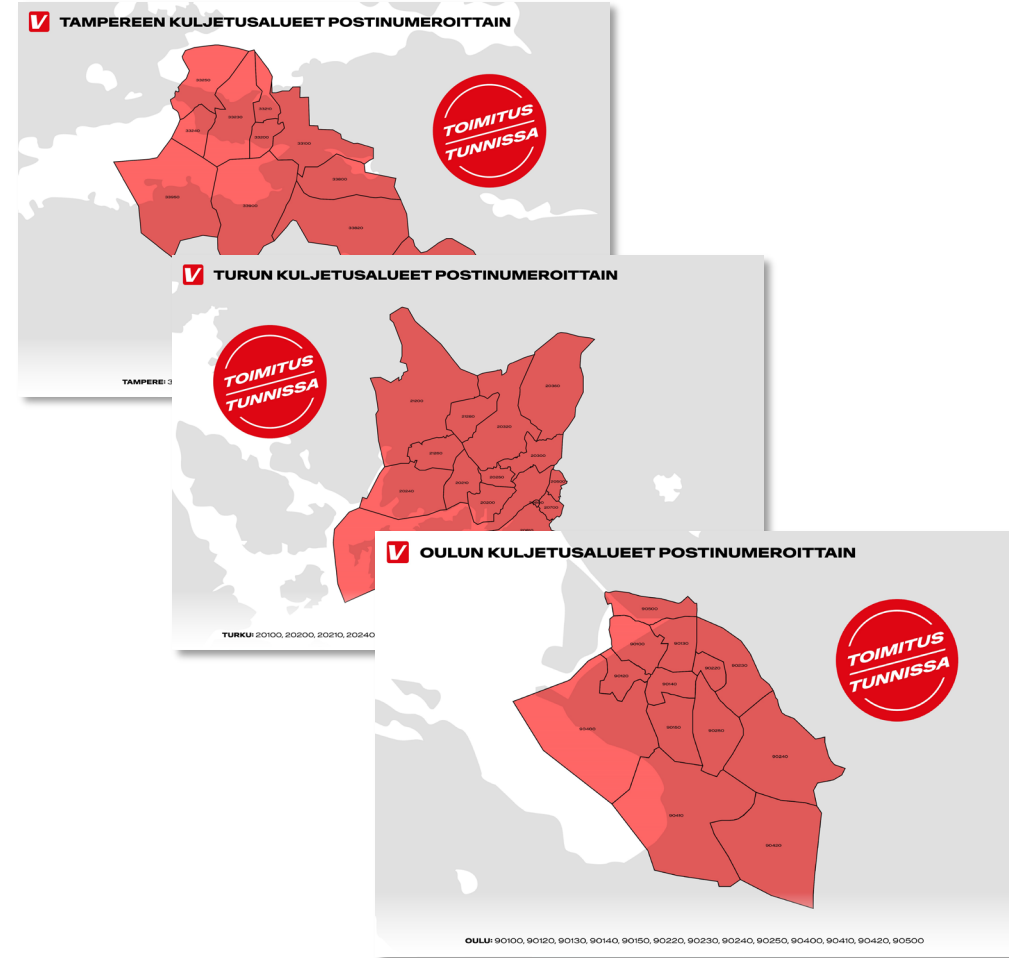
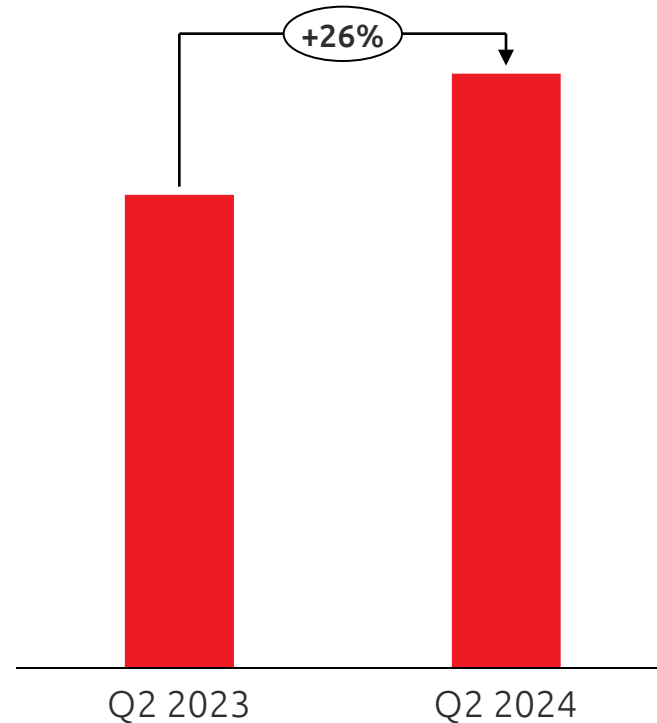


In June, our 1-hour deliveries were expanded into all major cities in Finland

The fastest deliveries in Finland

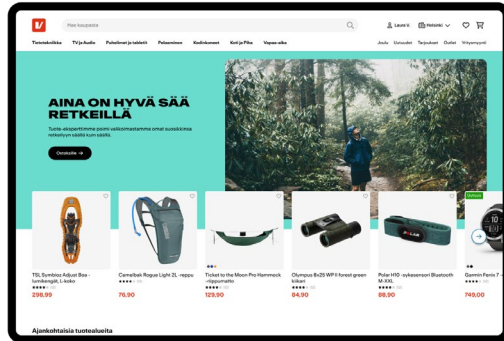
- We expanded ultra-fast One-hour deliveries to all our mega-store areas: Tampere, Turku and Oulu
- Significant strategic milestone achieved, making one-hour deliveries available for over 1.7 million consumers
- The new areas start operations with +5 000 best seller SKUs available for fast delivery from each mega-store
- Overall, the share of fast deliveries continued to grow by 26% y-on-y through Q2 in the service area, driven by the capital region

Share of fast deliveries grew by 26% Y-on-Y



In Q2/2024, key highlights from strategy execution

AI integrations to online experience



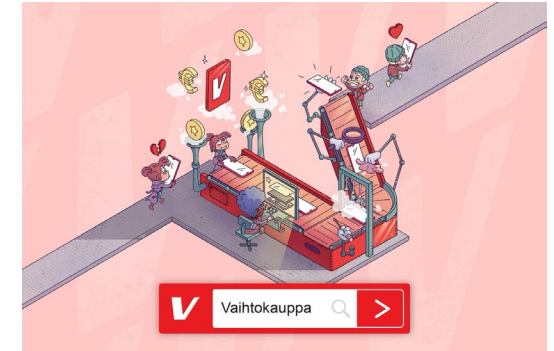
- We are utilizing AI capabilities in product information processes
- Online availability redesigned to represent local store and warehouse availability for fastest deliveries
- We are driving automated dynamic pricing with competitor price analytics

New growth through geographical expansion



- Piloting fast deliveries in Tallinn, starting in July with 10,500 SKUs
- New market with over 400,000 customers
- Operating with the existing partnership - Wolt, through Wolt online platform
- Direct relationship and integration utilizing current logistic and warehouse capability

New categories in Trade-in services



- The service now includes also **smartwatches**
- Phones, laptops and tablets are the most popular items to trade
- The service is provided fully online
- 2/3 of trade-ins are done entirely online



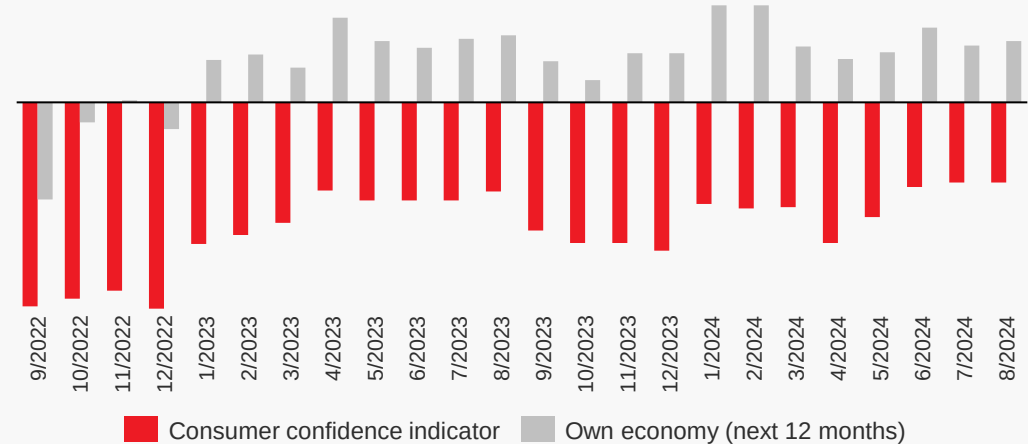


H1/2024 performance

Market recovery postponed

- Consumer confidence was unchanged and weak in August. The confidence indicator stood at -7.2.
- Market recovery seems to be postponed and softer than expected
- Consumers' views of their own economy improved slightly from the previous month
- In August, the time was still regarded as very unfavorable for buying durable goods. Consumers' intentions to spend money on durable goods in the next 12 months continued to be very low.
- The first decrease in interest rates didn't show any boost in demand
- During the summer, the consumer electronics market was heavily driven by stock clearance sales and aggressive pricing

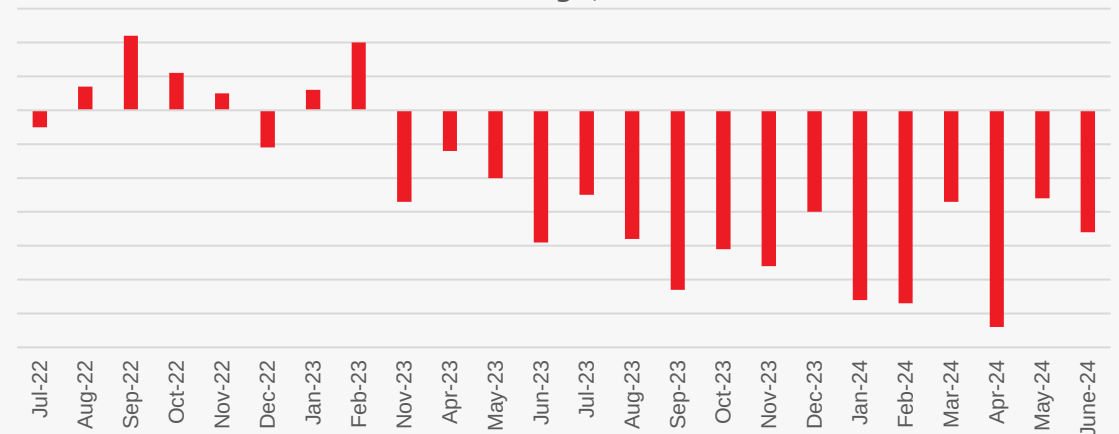
Consumer confidence indicator 9/2022-8/2024



Source: Statistics Finland

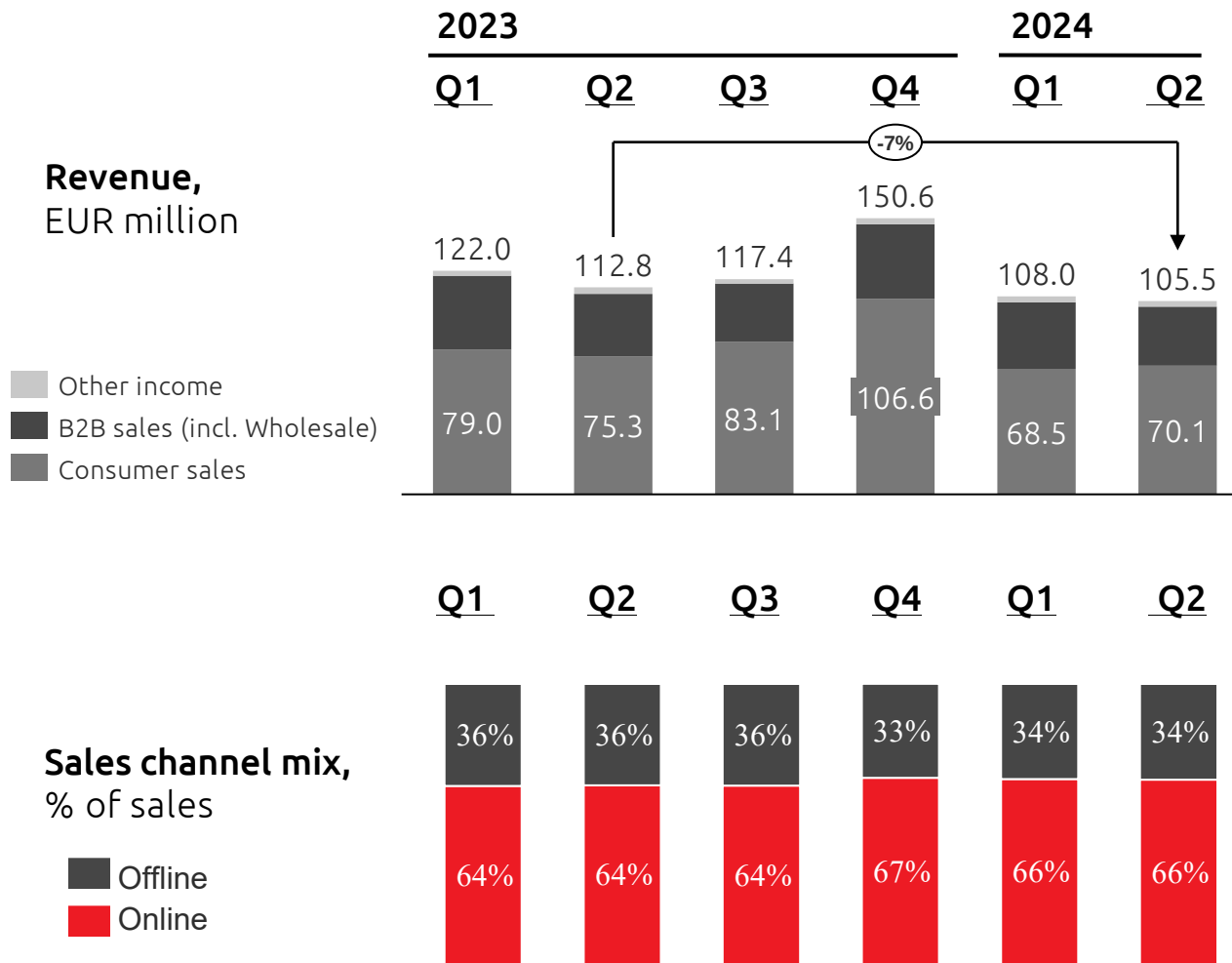
Specialty retail sales declined by -3.6% in June 2024

Revenue change, % from PY



Source: Etu = erikoiskaupan liitto: <https://www.etu.fi/tietopalvelu/tilastot/erikoiskauppa-yhteensa.html>, Statista, Customer-specific business cycle service

Soft demand in all channels, revenue declined by -9% in the first half



Q2/2024 development

- › Consumer sales accounted for 69% of product sales and declined by -7%
- › Season sales got off to a slow start and were softer than expected
- › B2B sales declined by -5% and was 32% of product sales
- › Online sales was 66% of sales and declined by -4%
- › Offline sales totaled 34% of sales and declined by -11%
- › Own brand sales increased by +12% and was 8% of product sales
- › Positive performance in home appliances, watches and IT

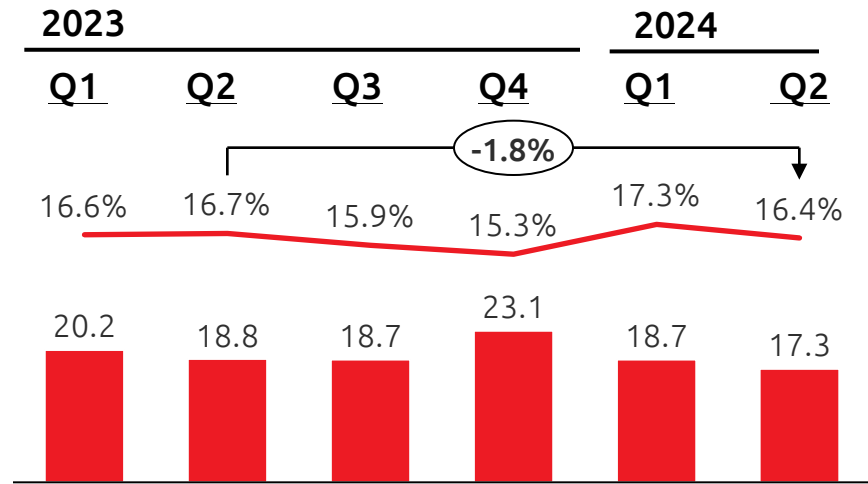
H1/2024 development

- › Total revenue declined by -9.1% and totaled EUR 213.5 million (234.8)



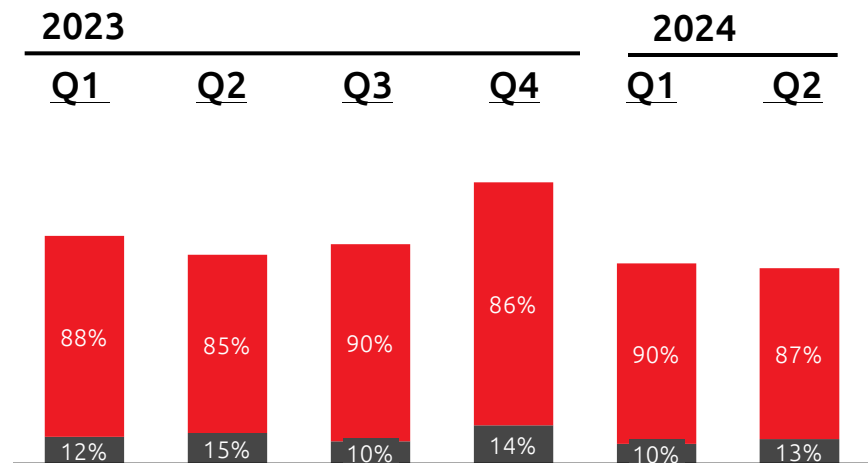
Gross margin impacted by highly price driven and campaign-oriented market

Gross profit and margin, EUR million and % of revenue



Product mix, % of sales

■ Core categories
■ Other categories



Q2/2024 development

- › In a low-demand market, we made active pricing decisions to ensure campaign products' inventory turnover pressuring product margins
- › Also increased logistics costs impacting margins
- › Dynamic pricing activities and supplier negotiations mitigating a bigger drop in margins
- › Good demand in consumer financing services impacting gross margin positively

Sales mix

- › Solid performance within own brands, sales increased by +12% (8% share of all product sales), positive impact on gross margin
- › Core categories share of sales increasing to 87%, negative impact on margin
- › Other product categories declined by -20%, mainly due to assortment optimization

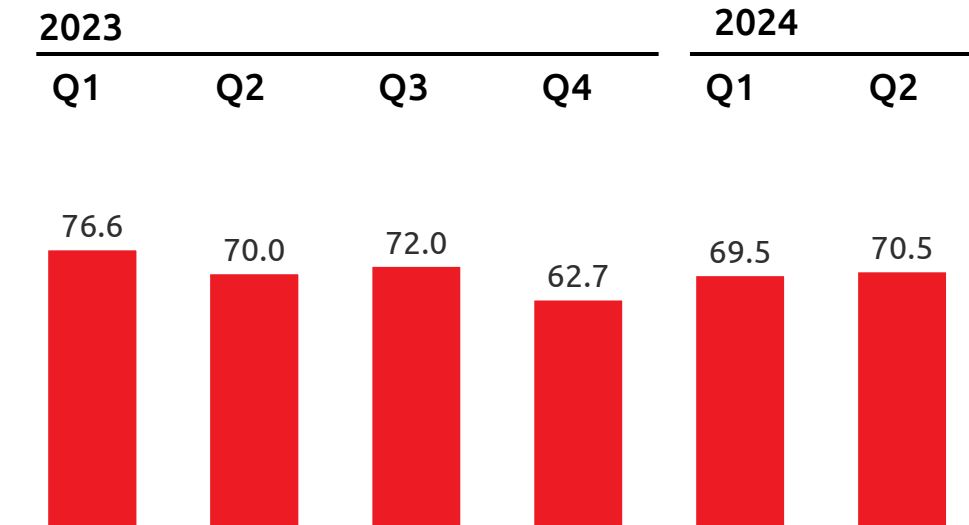
H1/2024 development

- › Gross margin, +0.2pp, 16.8% (16.6%)
- › Comp. EBIT: EUR -1.2 million (2.3)



Active inventory management continued

Inventories,
EUR million




Investments,
EUR million



Balance sheet and cash flow on 30 June 2024

- › Inventory on a solid level, staying flat yoy, and totaled EUR 70.5 million
- › Investments during the first half of the year were EUR 0.9 million (1.3)
 - › mainly related to logistics, business automation and the improvement of online customer experience
- › January–June operating cash flow totaled EUR -10.8 million (-0.4)
- › Cash at hand was EUR 16.3 million (15.5)
- › Equity ratio at the end of June was 15.7% (16.5%)
- › At the end of June, the group had a total of EUR 20 million in loans from financial institutions (22.6)





Market outlook & Consumer trends

Market & consumer tailwinds contributing to future growth and strengthening our position



- › Consumer confidence and expectations concerning the development of general unemployment remained on a weak level



- › A gradual recovery seems to be later and slower than expected



- › Company's addressable market continues transitioning online, cannibalizing traditional brick & mortar



- › Fast and convenient shopping is becoming a new norm for buying

- › New ways of buying and owning are becoming more relevant



- › Rising importance of sustainability and circularity



Key takeaways



Key takeaways

- › Consumer confidence has remained low, and the market has been challenging due to high campaign orientation and intense price competition
- › In a challenging operating environment, we focus on improving operational efficiency and we have started streamlining of our organizational structures
- › The company's strategic growth drivers – online sales and own-brand sales, fared better than average during H1
- › We have reached a significant milestone as we extended one-hour deliveries available to more than 1.7 million customers
- › We will succeed in taking advantage of the online shift and gain market share in chosen product categories
- › We will ensure that we are ready for growth as the market picks up

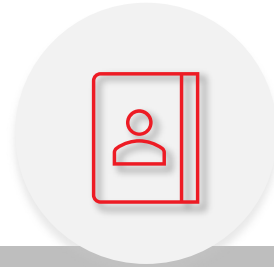


More information



Upcoming Financial events

- Investor presentation in Helsinki on 19 August, arranged by Nordea
- Helsinki Stock Exchange – open doors / Pörssin avoimet ovet
- Nordea Retail Day in Helsinki on 13 September 2024
- Interim report for January – September 2024 on Thursday 24 October 2024
- Investor 2024 event in Messukeskus on 28 November 2024 in Helsinki
- Financial statements bulleting for the year 2024 on Thursday 6 February 2025.



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Appendix

> Quarterly Key Figures

Quarterly Key Figures

	2024			2023				
	Q1	Q2	H1 2024	Q1	Q2	Q3	Q4	FY 2023
Revenue, eur million	108	105.5	213.5	122	112.8	117.4	150.6	502.9
Gross profit, eur million	18.7	17.3	35.9	20.2	18.8	18.7	23.1	80.9
Gross margin-%	17.3 %	16.4%	16.8%	16.6%	16.7%	15.9%	15.3%	16.1%
EBITDA, eur million	1.3	-0.2	1.1	1.6	2.3	3.7	3.5	11.1
EBITDA-%	1.2%	-0.2%	0.5%	1.3%	2.1%	3.1%	2.3%	2.2%
Operating result, eur million	-0.4	-2	-2.4	0	0.8	2.1	1.8	4.7
Operating margin-%	-0.4%	-1.9%	-1.1%	0.0%	0.7%	1.8%	1.2%	0.9%
Comparable operating result, eur million	0.5	-1.7	-1.2	1.4	1	2.2	1.6	6.1
Comparable operating margin-%	0.5%	-1.6%	-0.6%	1.1%	0.8%	1.9%	1.1%	1.2%
Net result, eur million	-1	-2.1	-3.1	-0.4	0.2	1.1	1.2	2.1
Interest-bearing net debt, eur million	20.1	18.5	18.5	25.6	22.8	20.3	6.1	6.1
Investments, eur million	0.3	0.6	0.9	1	0.3	0.4	0.2	1.9
Equity ratio, %	16.7%	15.7%	15.7%	15.8%	16.5%	16.9%	16.2%	16.2%
Gearing, %	72.7%	72.2%	72.2%	98.2%	87.2%	74.2%	21.5%	21.5%
Personnel at the end of period*	644	694	694	720	695	640	677	677
Basic earnings per share, euros	-0.02	-0.05	-0.07	-0.01	0	0.03	0.03	0.05
Diluted earnings per share, euros	-0.02	-0.05	-0.07	-0.01	0	0.03	0.03	0.05
Number of issued shares, 1,000 pcs	45,355	45,355	45,355	45,355	45,355	45,355	45,355	45,355
Number of treasury shares, 1,000 pcs	133	119	119	258	171	159	146	146
Weighted average number of shares outstanding, 1,000 pcs	45,222	45,235	45,235	45,096	45,183	45,195	45,209	45,209
Diluted weighted average number of shares outstanding, 1,000 pcs	45,372	45,386	45,386	45,354	45,252	45,264	45,277	45,277



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