

Verkkokauppa.com Oyj

VERKKOKAUPPA.COM WILL CHANGE THE RETAIL IN FINLAND

5 June 2024 | Panu Porkka, CEO | Verkkokauppa.com Oyj

Company update

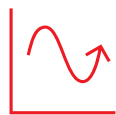
- › Market outlook
- › Q1 2024 performance shortly
- › Strategy execution
- › Market outlook and Key takeaways



MARKET OUTLOOK



Headwinds in the market environment



Subdued economic growth, signs of potential turnaround are visible later in the year¹

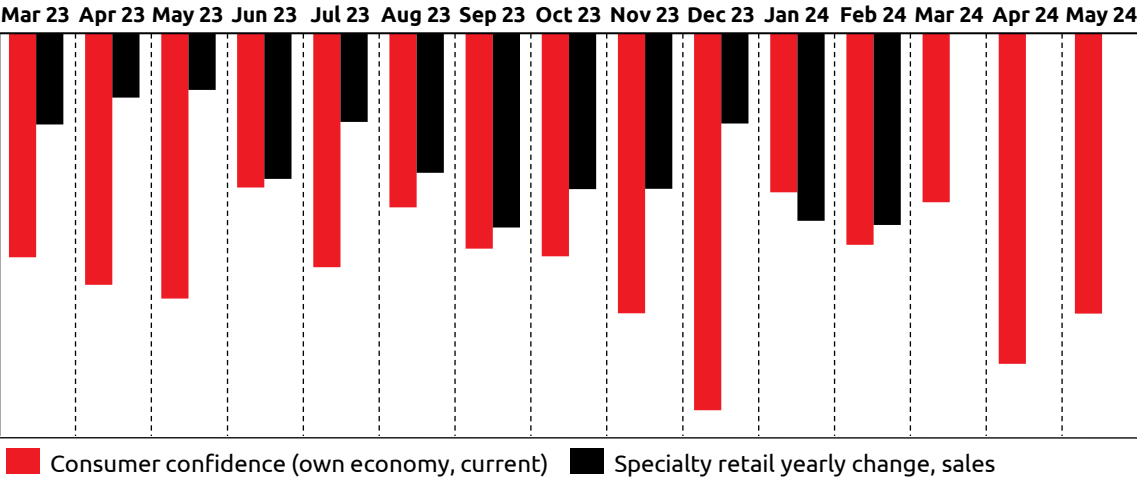


Weak consumer confidence restraining spending on discretionary goods¹

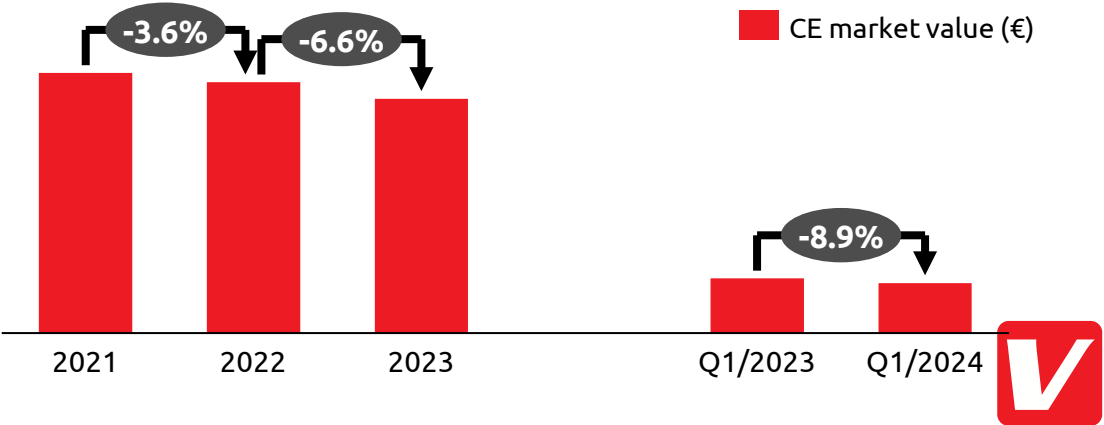


Despite the challenges in the market, signs of a potential turnaround are emerging later in the year as interest rates decrease¹

Consumer confidence in their own finances indicates the development of specialty retail revenue²



Three-year market decline indicates surging demand for upcoming years³



Source: 1) Confederation of Finnish Industries, Bank of Finland, 2) Finnish Commerce Federation (ETU ry), 3) GFK

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



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



Fast and convenient shopping becoming a new norm for buying



New ways of buying and owning becoming more relevant



Artificial intelligence creating new innovations to consumer electronics and household appliances



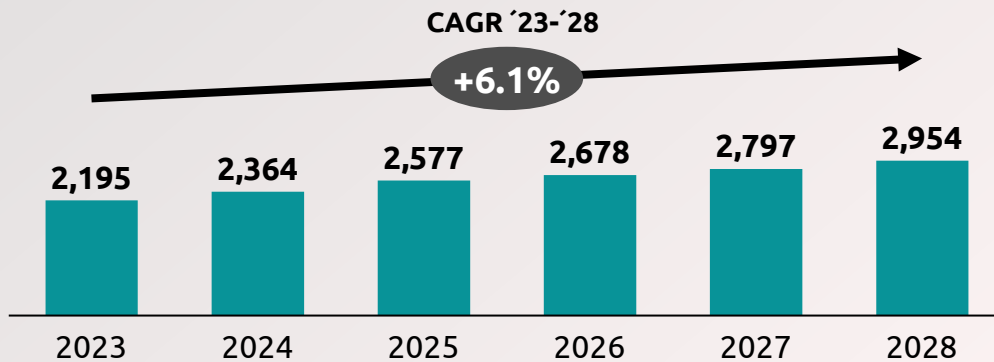
Rising importance of sustainability and circularity



Retail in Finland is steadily transitioning to online

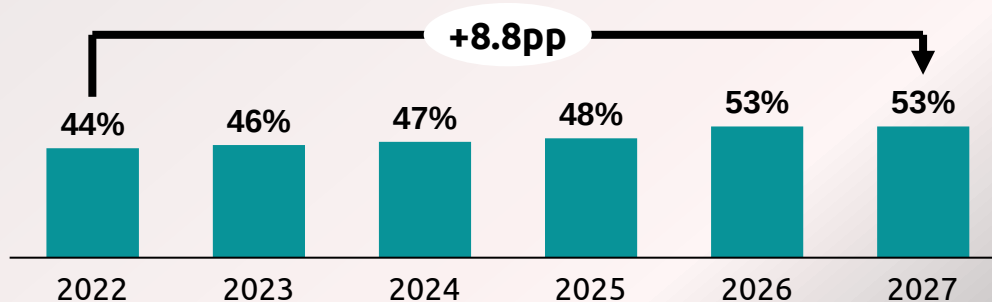
Consumer electronics is one of the top-selling categories online and is experiencing fastest shift to online

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



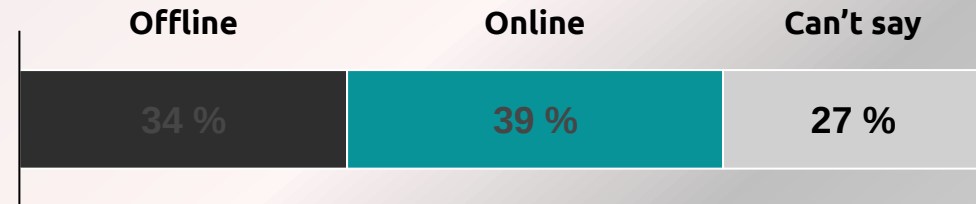
Source: Statista

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

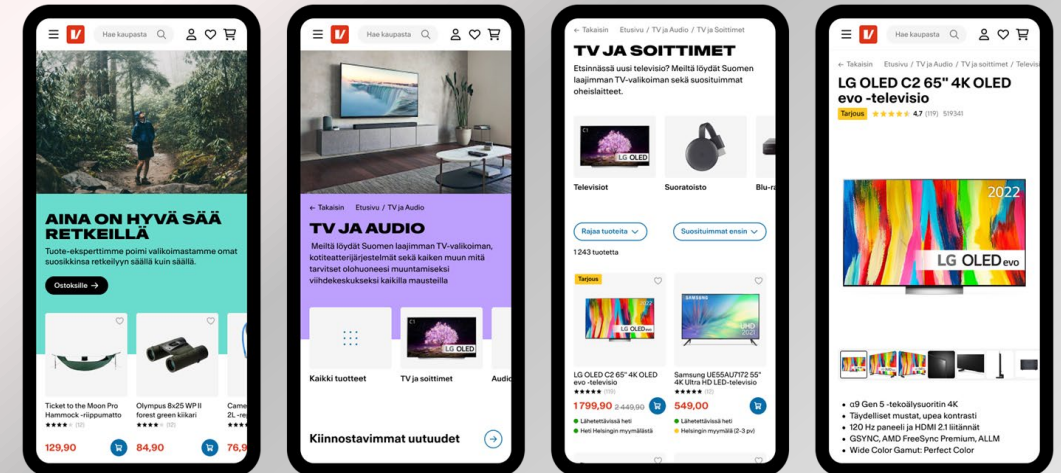


Source: Statista

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

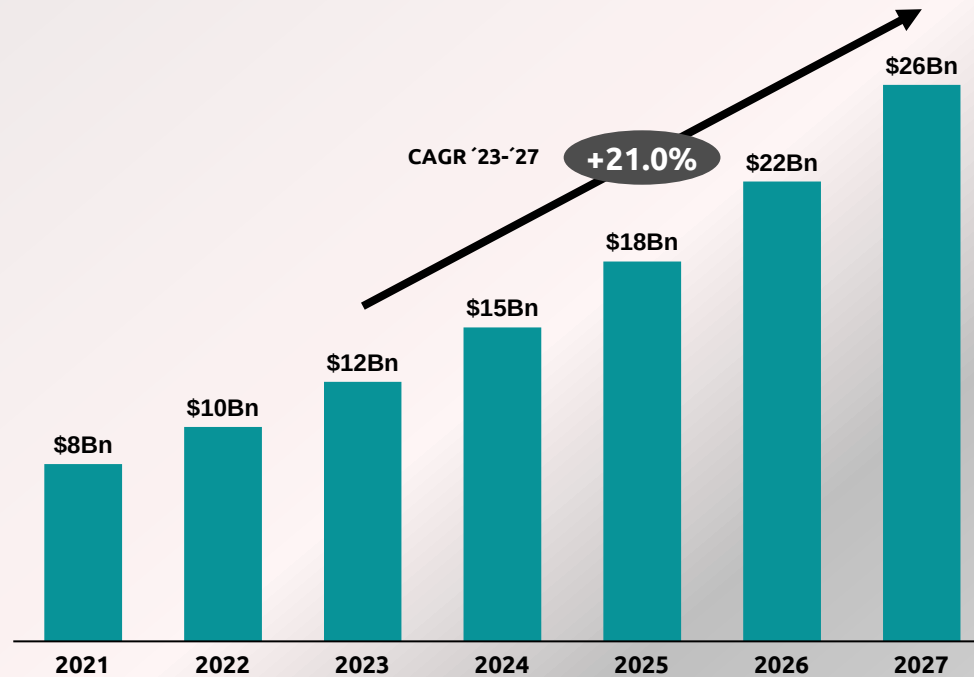
MARKET MUST-HAVES

Good price level

Interesting assortment

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

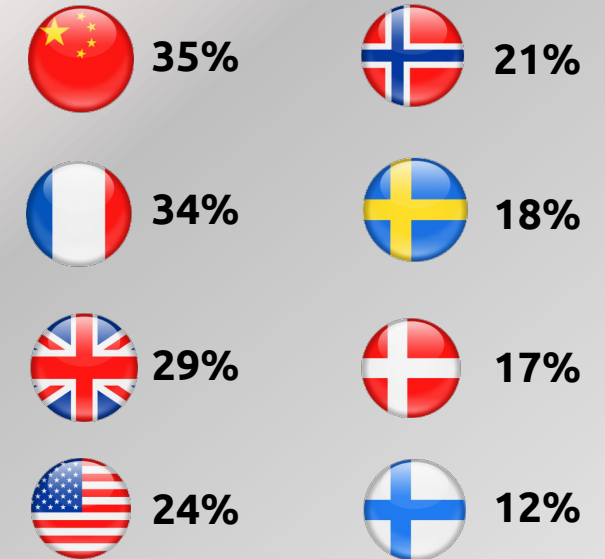
Global same-day delivery market size forecast 2021-2027, BN\$



Source: Statista

The availability of fast delivery increases the preference for fast delivery

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



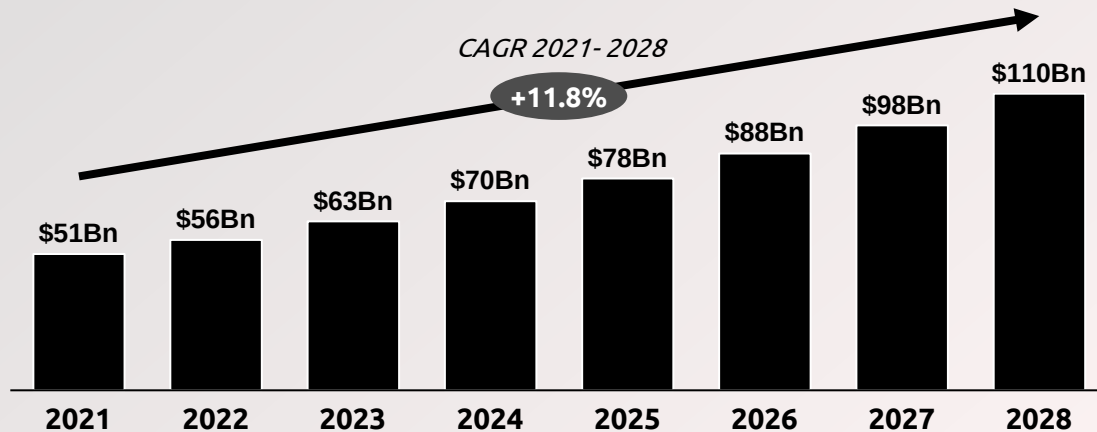
Source: Statista Consumer Insights Global Survey



Circular products becoming more important

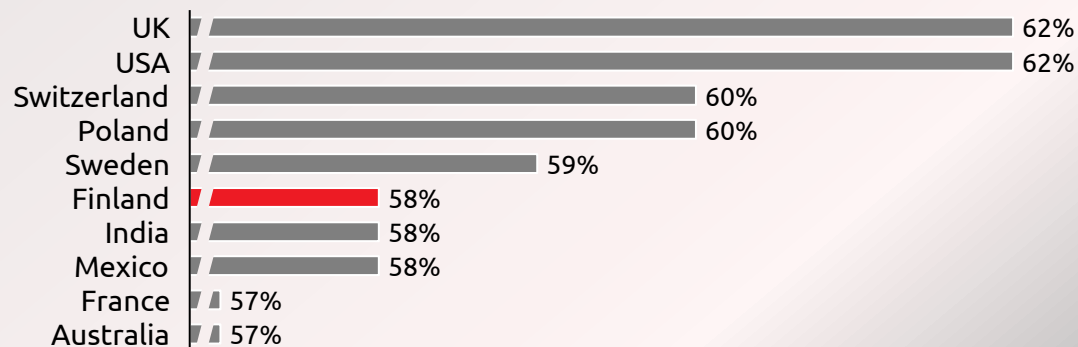
Finland is one of the world's leading countries in second-hand purchasing

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%

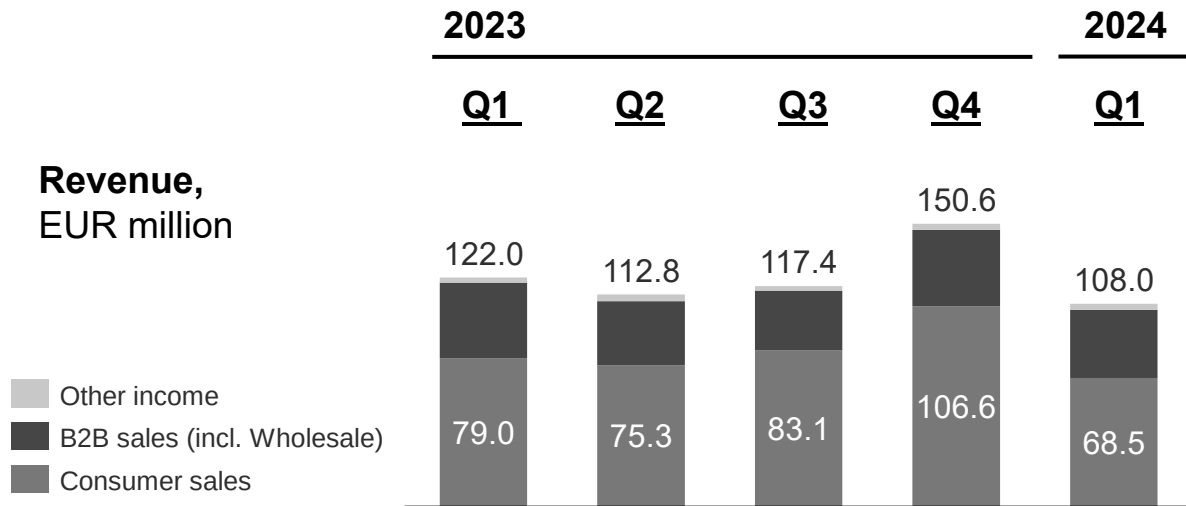
Source: Verkkokauppa.com Consumer Electronics Responsibility Study 04/2024 Finnish population N=1044 Own customer base N=13 347



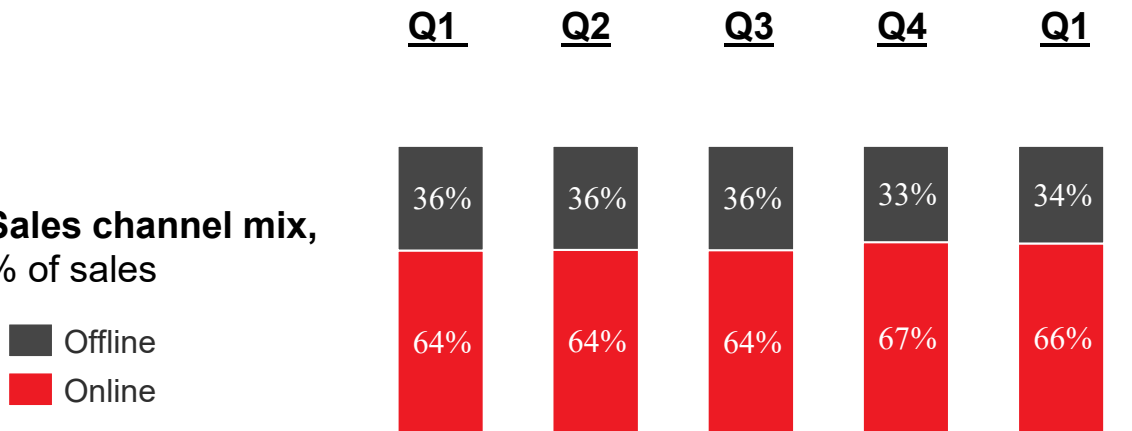
Q1 2024 performance in short

Weak top-line development due to a soft market

Revenue,
EUR million



Sales channel mix,
% of sales



Q1/2024 development

Group revenue was EUR 108.0 million and it declined by -11.5% YoY.

Customer segments

- › Consumer sales accounted for 65% of product sales and declined by -13.3%.
- › B2B sales was 35% of product sales and declined by -9.9%

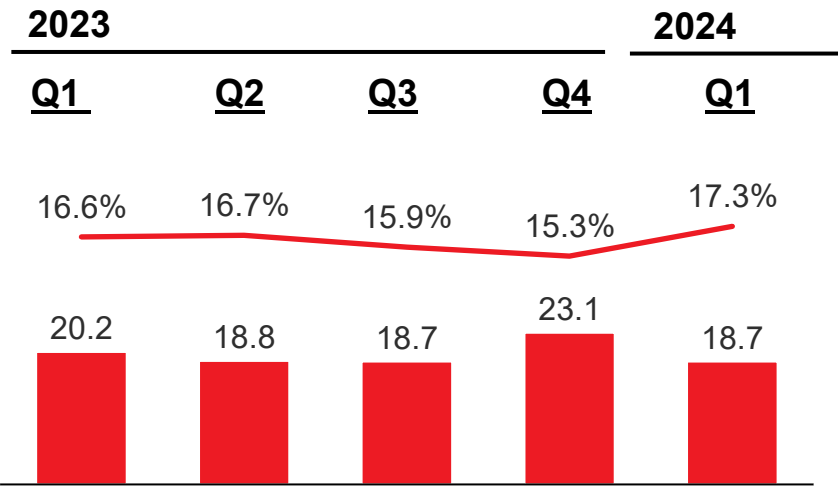
Sales channels and categories

- › Online sales was 66% of sales and declined by -8.7%
- › Offline sales totaled 34% of sales and declined by -18.1%
- › Early easter having a negative impact on March sales
- › Own brand sales increased by +7.1% and was 6% of product sales
- › Positive performance in home appliances, components and office supplies



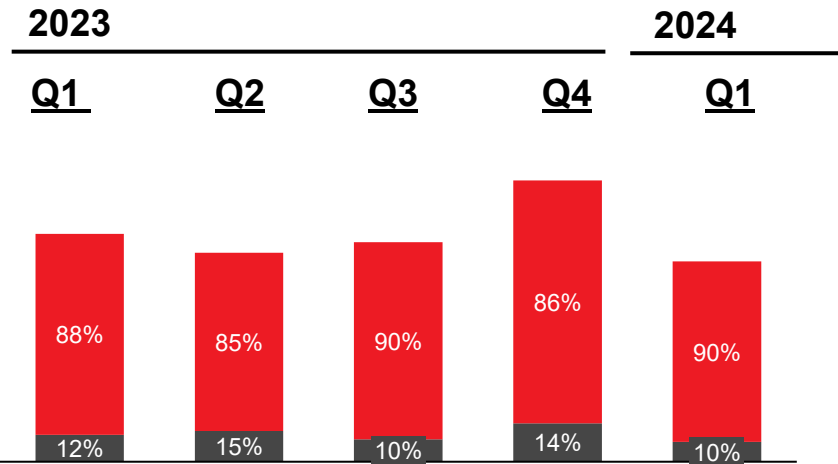
Gross margin impacted by price driven market

Gross profit and margin, EUR million and % of revenue



Product mix, % of sales

Core categories
Other categories



Q1/2024 development

Gross profit totaled EUR 18.7 million and 17.3% of revenue

- › Gross margin was positively impacted by good demand of own brand products and customer financing products
- › Tough price competition and campaigning in the market.
- › Share of campaign sales increasing

Sales mix

- › Core categories sales declined by -10.1%, share of sales increased to 90% of all product sales
- › Other product categories declined by -27.2% due to assortment optimization



Weak demand resulted in low sales and declining profitability

Q1/2024 development

- › Personnel costs declined by -9.5% as a result of the change negotiations executed during the previous year
- › Other operating expenses were on par with previous year and totaled EUR 7.6 million
- › Operating result includes EUR 0.9 million provision mainly related to an administrative fine
- › For the comparison period, a EUR 1.2 million restructuring provision was recorded
- › Comparable operating margin declined due to soft sales

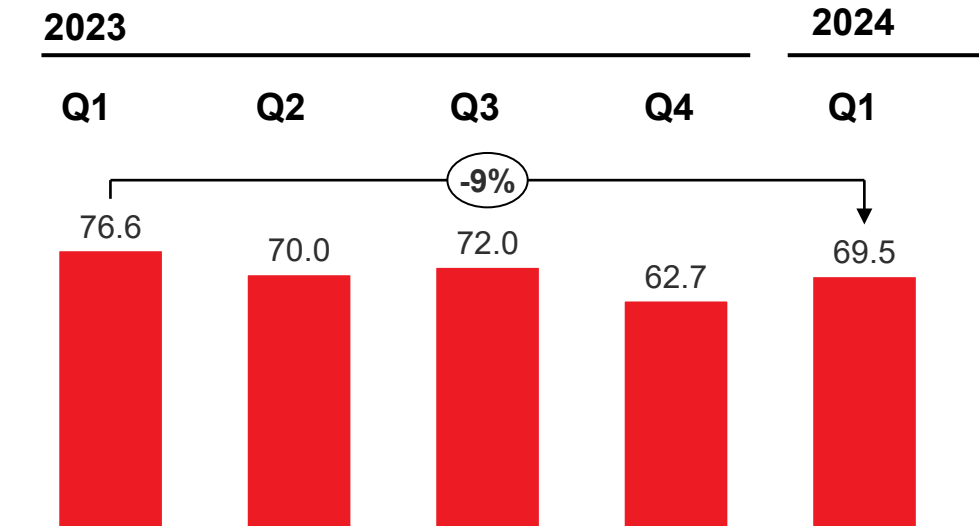
EUR million	Q1/2024	Q1/2023	Change	2023
Revenue	108.0	122.0	-11.5%	502.9
Gross profit	18.7	20.2	-1.6 MEUR	80.9
Personnel costs	9.0	9.9	-9.5%	35.7
Other operating expenses	7.6	7.5	1.1%	33.1
Operating result	-0.4	0.0	-0.5 MEUR	4.7
Comparable operating result	0.5	1.4	-0.9 MEUR	6.1
Net result	-1.0	-0.4	-0.6 MEUR	2.1

EUR million	Q1/2024	Q1/2023	2023
Gross margin	17.3%	16.6%	16.1%
Operating margin	-0.4%	0.0%	0.9%
Comparable operating margin	0.5%	1.1%	1.2%

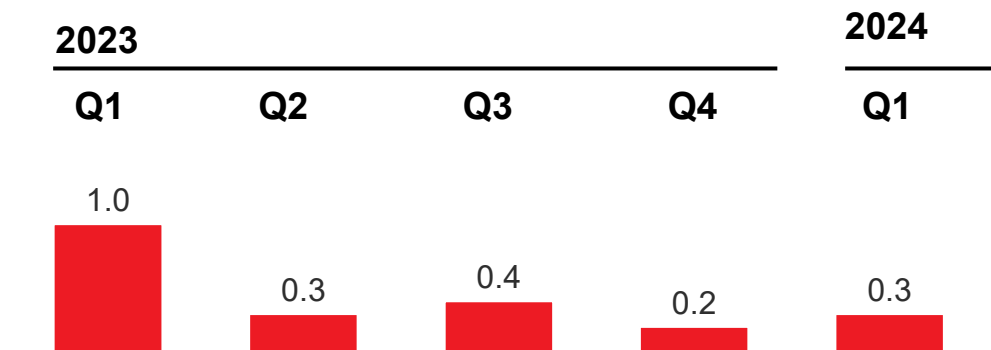


Successful inventory management continued

Inventories,
EUR million



Investments,
EUR million



Balance sheet and cash flow on 31 March 2024

- › Inventory on a healthy level, declined by -9% YoY, and totaled EUR 69.5 million.
- › Investments during January-March were EUR 0.3 million (1.0). There were no major investments for the period.
- › January-March cash flow from operating activities was EUR -13.0 million (-3.6)
- › Cash at hand was EUR 16.8 million (14.8)
- › Equity ratio at the end of March was 16.7% (15.8%)
- › At the end of March, the group had a total of EUR 20.8 million in loans from financial institutions (23.5)





Strategy execution

OUR STRATEGY FOR 2024-2028

WE WILL **ACCELERATE ONLINE TRANSITION** WITH FOUR CORNERSTONES
LEADING TO PROFITABLE GROWTH

1 FASTEST FULFILMENT



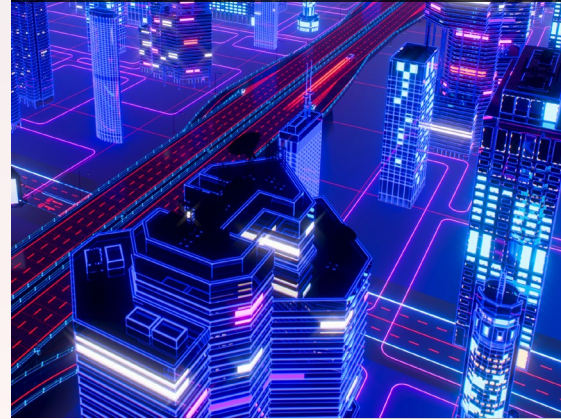
- **Blazing delivery speed** a new norm of buying
- The most **effortless shopping** experience
- Automated product flows and intralogistics

2 CURATED ASSORTMENT



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

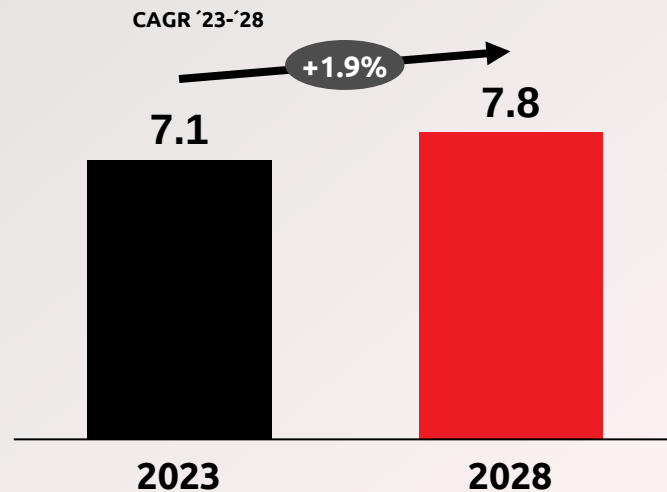
TO CREATE A NEW NORM FOR BUYING AND OWNING



Capitalizing on our unique position in the market: seizing growth opportunities within categories and online market expansion

1 Market offering moderate growth

Total potential market Finland (bnEUR) 2023-2028



Total potential market include:

CURRENT CATEGORIES

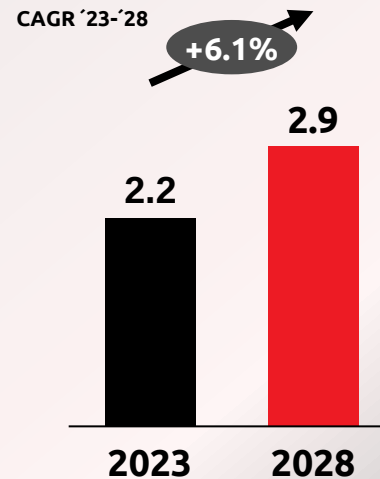
Consumer electronics, Home appliances, Toys & Hobby, Bicycles, Accessories (incl. luggage & bags, watches), Home & Garden, Kitchenware

DISCOVERY CATEGORIES

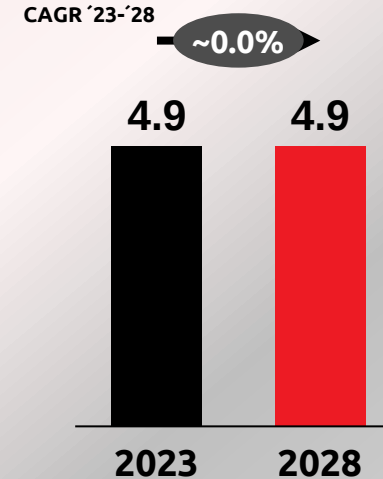
DIY (excl. hardware & building material), Beauty & Personal care, all non-food durable goods (excl. apparel, cars and luxury items)

2 Online growth supporting strong growth opportunities

Online addressable market Finland (bnEUR) 2023-2028



Offline addressable market Finland (bnEUR) 2023-2028

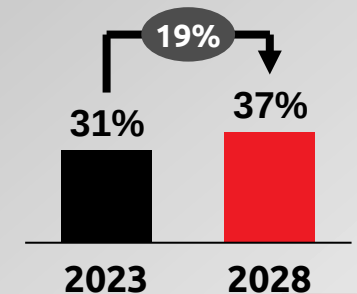


3 Opportunity in total potential market

Market growth
~€700M

Online transition
~€700M

Online share of market, dev-%



We will make fast deliveries the new norm in Finland

1-HOUR DELIVERIES

2024 YTD

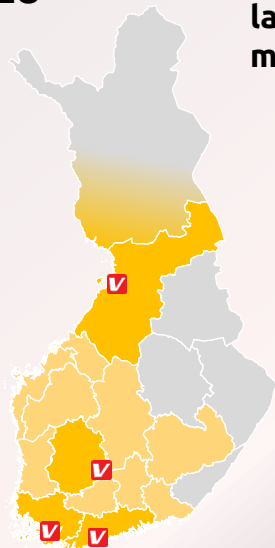
1-hour deliveries available 24/7 in capital region covering >13% of Finnish population



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

2028

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



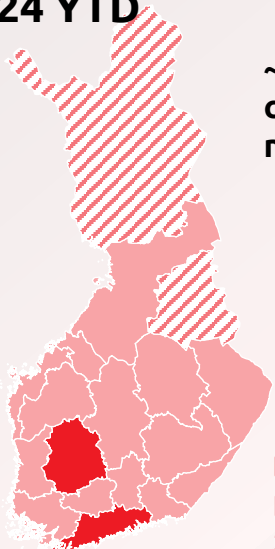
- ✓ Store as delivery hub and click & collect
- Micro fulfilment delivery hubs (location approx.)
- 1-h deliveries in major urban areas
- Fast deliveries for smaller cities/areas
- Next day deliveries



NEXT DAY DELIVERIES

2024 YTD

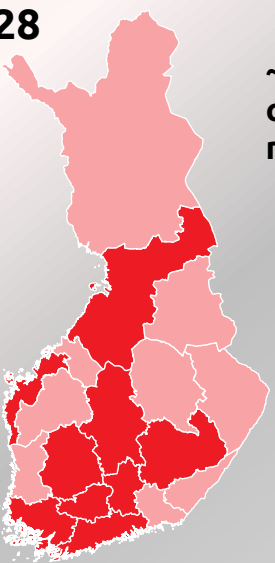
~69% of population covered with guaranteed next day delivery



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

2028

~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



Providing distinct value and maintaining a leading position

Our distinctive competitive advantages

Fastest fulfilment & low costs



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

Leading platform



EBIT margin above 5%*

Most efficient retail operations



Fixed costs below 10% of revenue*

Strong brand with rebel attitude



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

“ Our distinctive competitive advantages focuses on the fast and convenient customer experience with lowest operational costs

Our four customer value propositions

Finland's fastest deliveries with ultimate convenience

Winning assortment assured by customers

Probably always cheaper

Passionately on customer's side

“ Our four customer value propositions help us accelerate online transition



*by the end of 2028

Market outlook & key takeaways



Market outlook and short-term expectations

- › Geopolitical uncertainty remains high and the current state of the economy is still estimated to be weak
- › Employment has remained robust concerning the economic conditions, and inflation has also slowed down and is expected to decline during 2024
- › A gradual recovery in the economy is expected to begin towards the end of 2024
- › Raising the standard VAT rate in Finland (from 24% to 25.5%) is expected to have a weakening effect on consumers' purchasing power
- › We estimate consumer and B2B demand to continue to be soft for at least the first half of 2024

The company believes that:

- › Improved operational efficiency by leveraging technologies and our strategic development investments, will ensure that we are ready for growth as the market picks up
- › We will succeed in taking advantage of the online shift and gain market share in chosen product categories



Key takeaways

- 1 Verkkokauppa.com has built up a robust business model to outstand competition and market headwinds**
- 2 Market & consumer tailwinds contributing for future growth**
- 3 We have a clear strategy on how to scale our business and provide future growth**
- 4 Accelerating online transition through fast deliveries**
- 5 We have a winning team and mentality to strengthen our value proposition as local champion**



Thank you



Verkkokauppa.com Capital Markets Day was held on 30 May 2024

★ ★ Check the presentation recording
★ and materials at investor website,

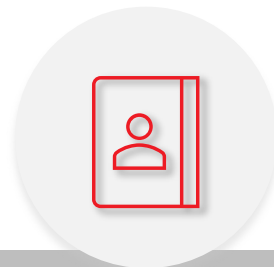
https://investors.verkkokauppa.com/en/investors/cmd_2024

More information



Upcoming Financial events

- **CAPITAL MARKETS DAY** on 30 May 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

Jesper Blomster, CFO

jesper.blomster@verkkokauppa.com

Panu Porkka, CEO

panu.porkka@verkkokauppa.com

investors@verkkokauppa.com



Links

Visit our Investors website

www.verkinvest.com

Join the mailing list for Company releases:

investors.verkkokauppa.com/en/subscribe_to_releases



<https://twitter.com/verkkokauppacom>



<https://www.facebook.com/verkkokauppacom/>



https://www.instagram.com/verkkokauppa.com_sijoittajille/

<https://www.instagram.com/verkkokauppacom/>



This document is not an invitation to subscribe for or purchase any securities or make any investment decisions in respect of the Company or its securities.

This document is not for publication or distribution, directly or indirectly, in or into Australia, Canada, the Hong Kong special administrative region of the People's Republic of China, Japan, New Zealand, South Africa, Singapore or the United States, or any other jurisdiction in which the distribution or release would be unlawful.

The inclusion of financial information in this presentation should not be regarded as a representation or warranty by the Company, or any of its affiliates, advisors or representatives or any other person as to the accuracy or completeness of such information's portrayal of the financial condition or results of operations of the Group.

This document includes "forward-looking statements" that involve risks, uncertainties and other factors, many of which are outside of the Company's control and could cause actual results to differ materially from the results discussed in the forward-looking statements. Forward-looking statements include statements concerning the Company's plans, objectives, goals, future events, performance and/or other information that is not historical information. The Company undertakes no obligation to publicly update or revise forward-looking statements to reflect subsequent events or circumstances after the date made, except as required by law.

The market and industry data and forecasts included in this presentation were obtained from internal surveys, estimates, experts and studies, where appropriate, as well as external market research, publicly available information and industry publications. The Company and its affiliates, directors, officers, advisors and employees have not independently verified the accuracy of any such market and industry data and forecasts and make no representations or warranties in relation thereto. Such data and forecasts are included herein for information purposes only.



Appendix

> Quarterly Key Figures

Quarterly Key Figures

	2024 Q1	2023				
		Q1	Q2	Q3	Q4	Q1-Q4
Revenue, eur million	108.0	122.0	112.8	117.4	150.6	502.9
Gross profit, eur million	18.7	20.2	18.8	18.7	23.1	80.9
Gross margin-%	17.3%	16.6%	16.7%	15.9%	15.3%	16.1%
EBITDA, eur million	1.3	1.6	2.3	3.7	3.5	11.1
EBITDA-%	1.2%	1.3%	2.1%	3.1%	2.3%	2.2%
Operating result, eur million	-0.4	0.0	0.8	2.1	1.8	4.7
Operating margin-%	-0.4%	0.0%	0.7%	1.8%	1.2%	0.9%
Comparable operating result, eur million	0.5	1.4	1.0	2.2	1.6	6.1
Comparable operating margin-%	0.5%	1.1%	0.8%	1.9%	1.1%	1.2%
Net result, eur million	-1.0	-0.4	0.2	1.1	1.2	2.1
Interest-bearing net debt, eur million	20.1	25.6	22.8	20.3	6.1	6.1
Investments, eur million	0.3	1.0	0.3	0.4	0.2	1.9
Equity ratio, %	16.7%	15.8%	16.5%	16.9%	16.2%	16.2%
Gearing, %	72.7%	98.2%	87.2%	74.2%	21.5%	21.5%
Personnel at the end of period*	644	720	695	640	677	677
Basic earnings per share, euros	-0.02	-0.01	0.00	0.03	0.03	0.05
Diluted earnings per share, euros	-0.02	-0.01	0.00	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
Number of treasury shares, 1,000 pcs	133	258	171	159	146	146
Weighted average number of shares outstanding, 1,000 pcs	45,222	45,096	45,183	45,195	45,209	45,209
Diluted weighted average number of shares outstanding, 1,000 pcs	45,372	45,354	45,252	45,264	45,277	45,277



