

Verkkokauppa.com Oyj January – March 2024 Interim Report
**VERKKOKAUPPA.COM FOCUSED ON
PROFITABILITY IN A DECLINING MARKET**

25 April 2024 | Panu Porkka, CEO | Verkkokauppa.com Oyj

Q1 2024 results

- › Market development
- › Q1 2024 performance
- › Strategy update
- › Market outlook and guidance
- › Key takeaways

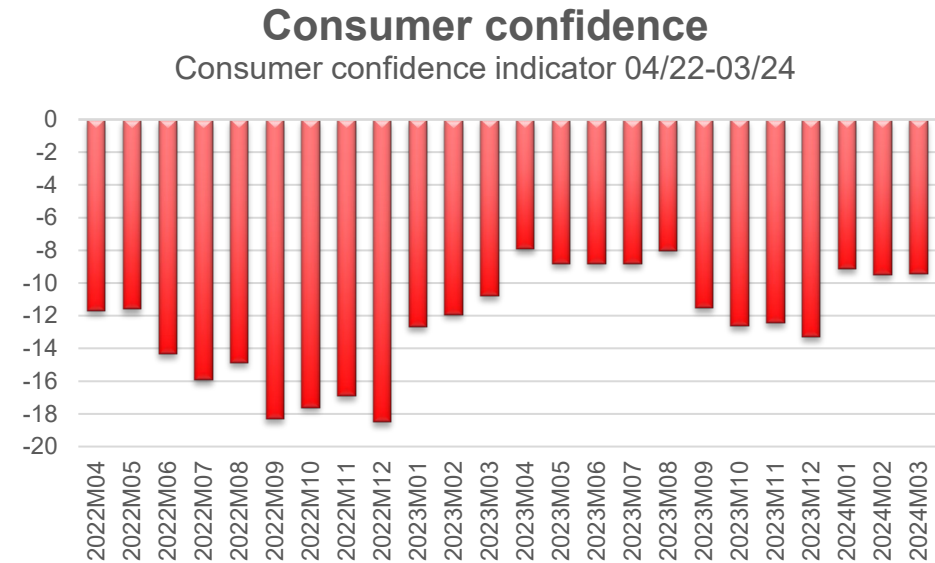




Market development

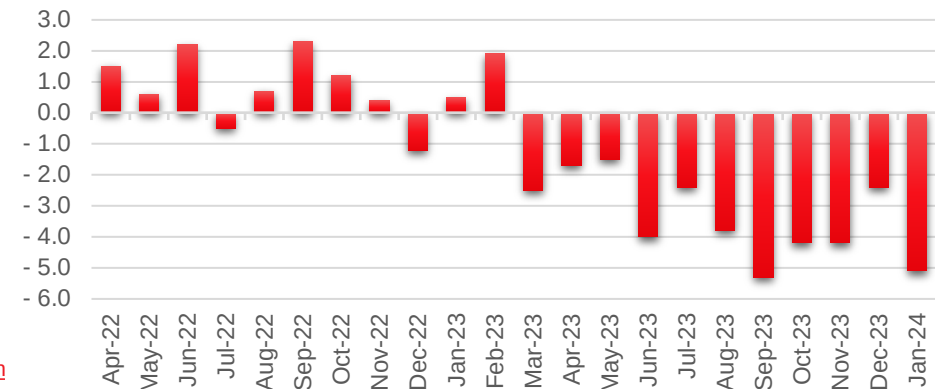
Consumer confidence remained unchanged and weak in March

- The consumer confidence indicator stood at -9.4 in March. Views concerning consumer's own economy at present were very weak
- In March, expectations concerning the general development of unemployment was fairly gloomy
- Current time is regarded as very unfavorable for buying durable goods. Intentions to spend money on consumption were very low
- Remaining high interest rates in Finland seem to be a bottleneck for major recovery in consumption
- The consumer electronic market declined by -9% during the first quarter and remained tough, consumers were very price-conscious
- The economic weakness has been broad-based. Geopolitical uncertainty remains high, weighing on global economic and trade growth



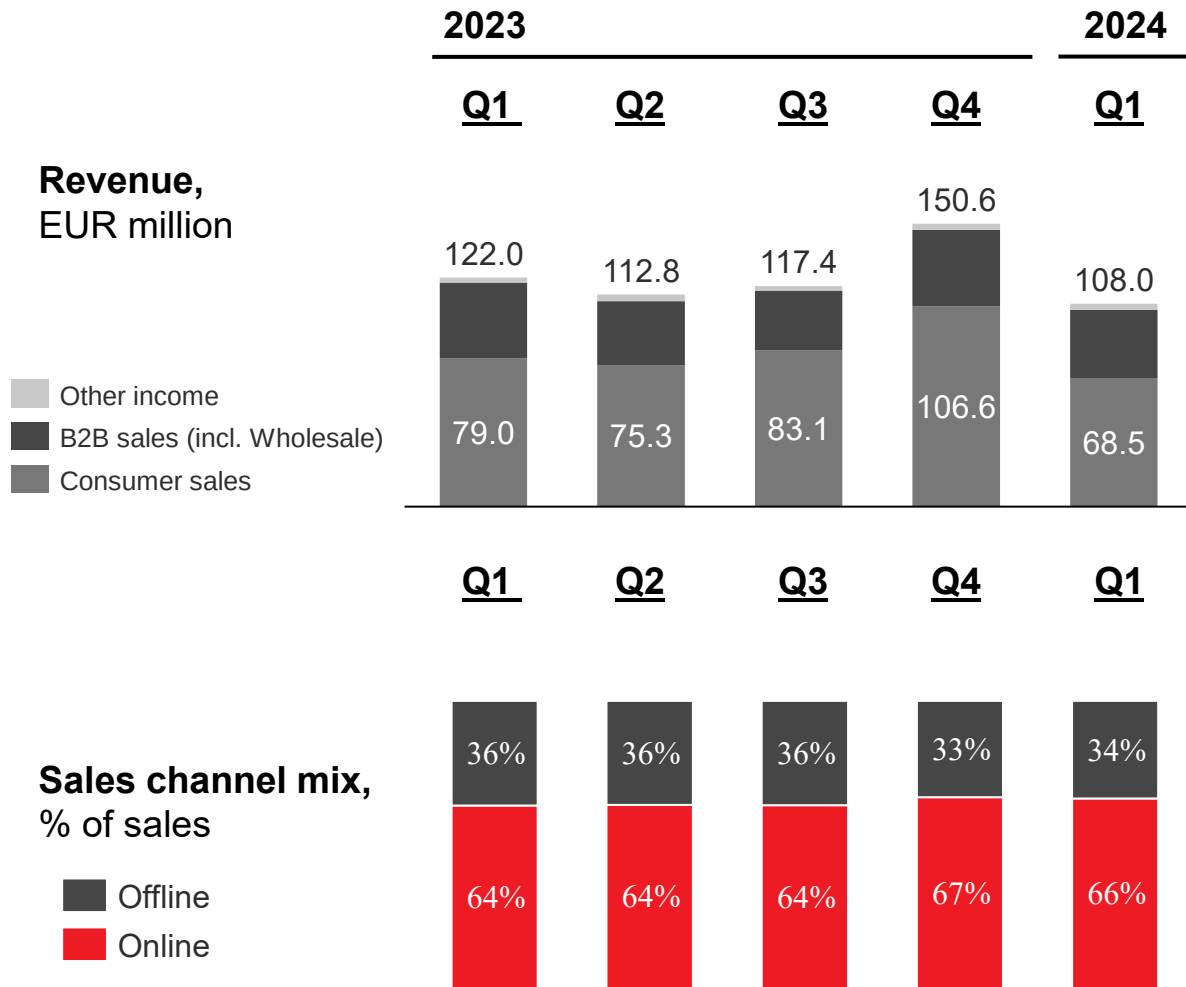
Specialty retail sales declined by 5.1% in January 2024

Revenue change, % from PY



Q1 2024 performance

Weak top-line development due to a soft market



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%

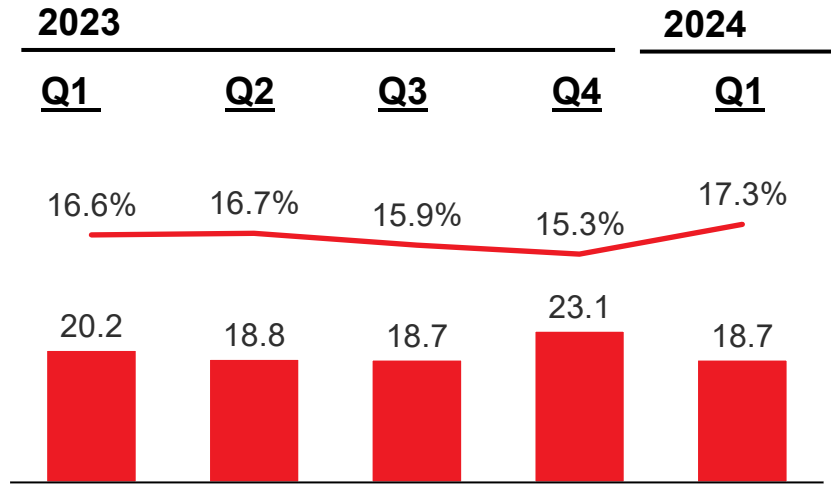
Sales channels and categories

- › 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



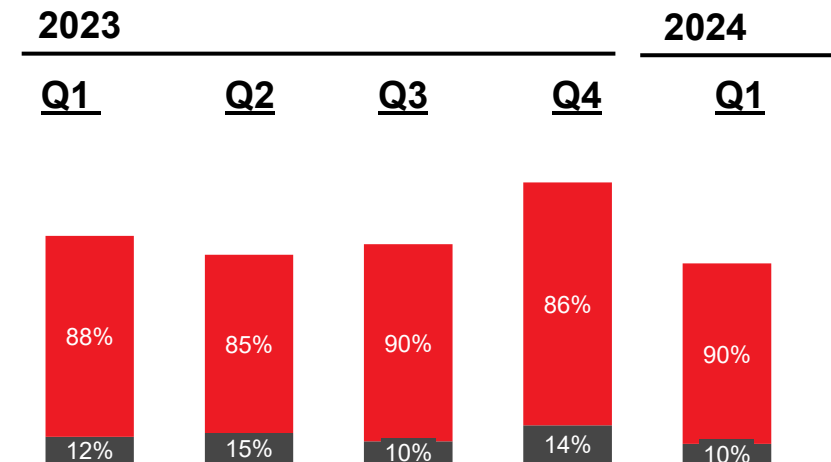
Gross margin impacted by price driven market

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

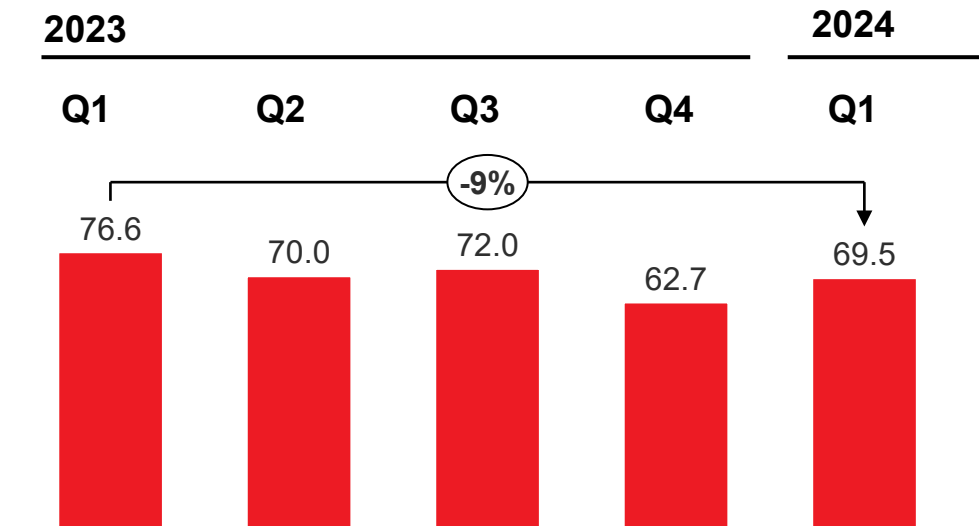
EUR million	Q1/2024	Q1/2023	Change	2023
Revenue	108.0	122.0	-11.5%	502.9
Gross profit	18.7	20.2	-1.6 MEUR	80.9
Personnel costs	9.0	9.9	-9.5%	35.7
Other operating expenses	7.6	7.5	1.1%	33.1
Operating result	-0.4	0.0	-0.5 MEUR	4.7
Comparable operating result	0.5	1.4	-0.9 MEUR	6.1
Net result	-1.0	-0.4	-0.6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

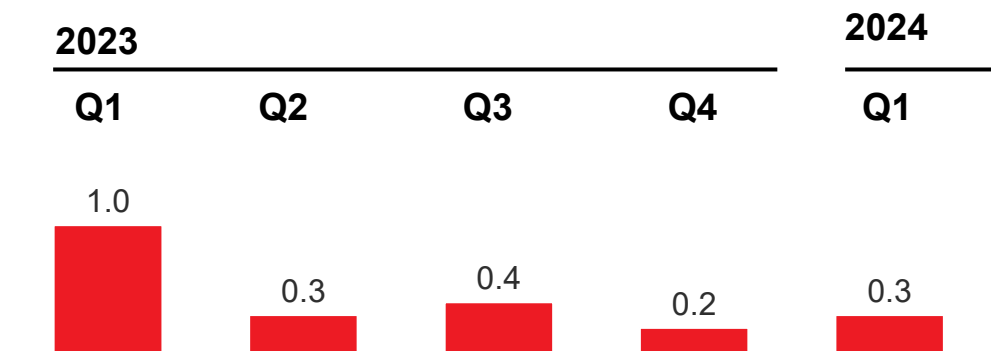


Successful inventory management continued

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)



Update on our sustainability work

- Verkkokauppa.com's Sustainability Report 2023 was published in April. The report extensively discusses the company's sustainability work and its progress, including emissions calculation
- The double materiality analysis is ongoing and serves as a basis for reporting under the EU Sustainability Reporting Directive for the financial year 2024
- We are preparing an update to our Sustainability Program to correspond to the results of the double materiality analysis and the updated strategy
- For the first time, Verkkokauppa.com is an official Pride partner for 2024



Strategy execution highlights

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

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

Fixed costs below 10% of revenue*

EBIT margin above 5%*

Our **VISION** is
to create a new norm for buying and owning



STRATEGIC FOCUS AREAS IN 2024

WE WILL **ACCELERATE ONLINE TRANSITION** WITH FOUR CORNERSTONES SUPPORTED BY OUR STRONG 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

CONCRETE
ACTIONS TO
FOLLOW...



2. OPERATIONAL EXCELLENCE

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



3. CURATED ASSORTMENT

- First one to introduce latest products and innovations
- Full assortment with best availability in selected categories
- High-quality Own Brand selection



4. STRONG BRAND

- The most preferred brand in home electronics to strengthen our market leader position
- Wide and active customer base to retain strong relationship



5. NEW BUSINESS

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

CONCRETE
ACTIONS TO
FOLLOW...

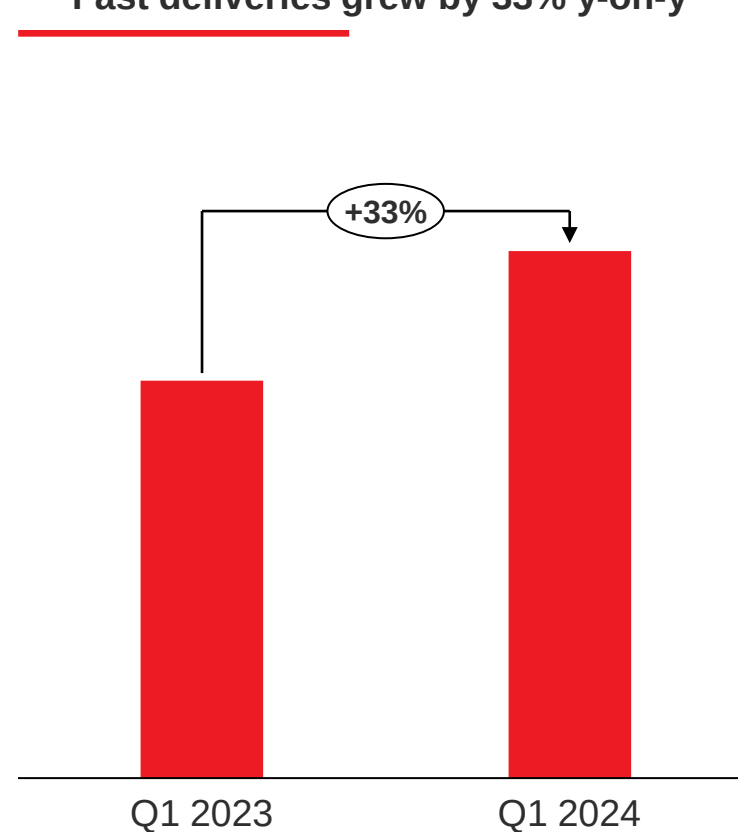


Fastest deliveries creating a new norm in Finland

The fastest deliveries in Finland

- Today, more than every fourth Verkkokauppa.com customer order is fulfilled through express delivery in the service area
- We are reinforcing Verkkokauppa.com's brand for fast shopping experience
- Multiple commercial actions pushing the share of the fastest deliveries
- Maintained exceptional customer satisfaction (NPS=95) with the fastest deliveries
- We are on track to extending fast delivery services to additional major cities across Finland beyond the capital region within the current year

Fast deliveries grew by 33% y-on-y



We went strongly online in circular economy

Verkkokauppa.com's Trade-in Service is evolving as planned

- Trade-in service has now been live for one year and its quickly become established as part of the company's service offering
- We are the only operator with a fully online service for consumer customers
- 66% of trade-ins are done entirely online
- Phones are the most popular trade-in products, followed by laptops, tablets and smartwatches
- The average payback value has been around 133 euros

A trade-in service allows customers to sell back their used electronic devices.



Pictur: Atea's Most Responsible Digital Deed of the Year 2023 competition



Market outlook and guidance

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





Financial guidance for 2024 - intact

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.



Key takeaways

Key takeaways from Q1 2024

- › Consumer confidence continued weak during the quarter
- › The consumer electronic market declined and remained tough and highly price-driven
- › We strategically prioritized gross margin in a declining market
- › Own brand product sales increased by 7 percent during the quarter
- › Fast deliveries and next-day deliveries continue to rise - express home deliveries increased by 33 percent
- › We are confident that our focus on profitability, while declining short-term revenue growth, will ensure our successful financial performance going forward
- › We will arrange a Capital Markets Day on 30 May 2024

Save the date for
Verkkokauppa.com's
Capital Markets Day
on 30 May 2024

Thank you

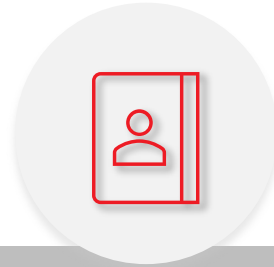


More information



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.



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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



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