



Verkkokauppa.com Oyj January–June 2024 Half-year Report

**Low demand and intense price competition
weakened Verkkokauppa.com's profitability**

18 July 2024 | Panu Porkka, CEO | Verkkokauppa.com Oyj

Q2 2024 results

- › Market development
- › Q2 2024 performance
- › Strategy execution
- › Market outlook and guidance
- › Key takeaways

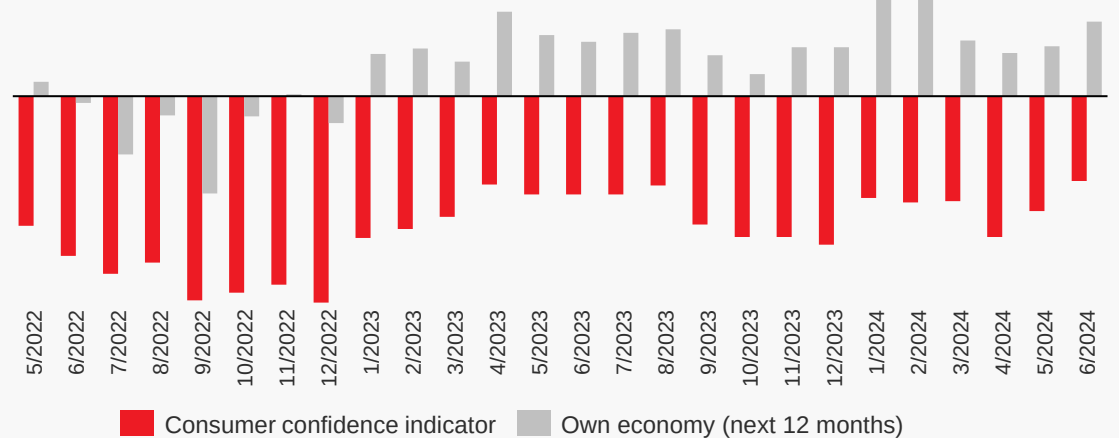


Market development

Market recovery postponed

- Consumer confidence continued on a low level, but the trend is positive. The confidence indicator stood at -7.6 in June.
- Market recovery seems to be postponed and softer than expected
- Consumers' views of their own economy were still very weak driven by the threat of unemployment
- The time was still regarded as very unfavorable for buying durable goods and intentions to spend money on consumption were low
 - In June, 41 percent would reduce their spending on durable goods over the next 12 months
- The first decrease in interest rates didn't show any boost into demand
- The consumer electronics market was heavily driven by stock clearance sales and aggressive pricing

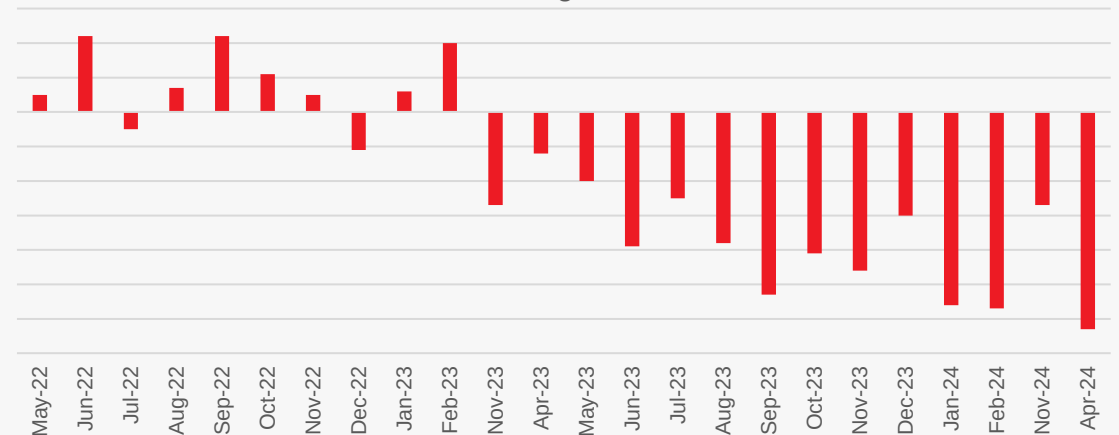
Consumer confidence indicator 5/2022-6/2024



Source: Statistics Finland

Specialty retail sales declined by -6.3% in April 2024

Revenue change, % from PY

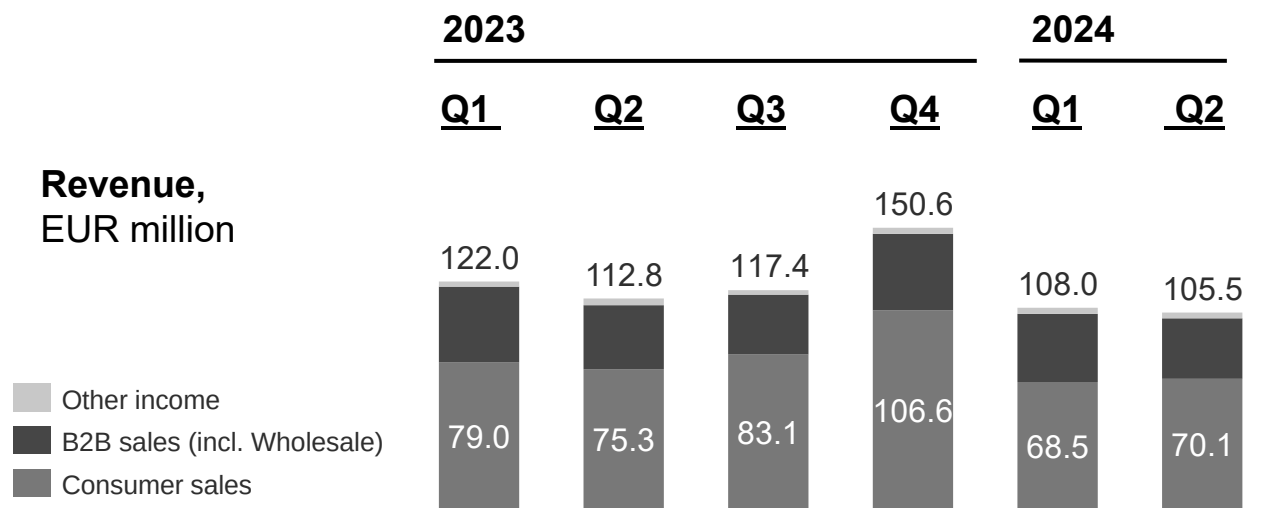


Source: Etu = erikoiskaupan liitto: <https://www.etu.fi/tietopalvelu/tilastot/erikoiskauppa-yhteensa.html>, Statista, Customer-specific business cycle service

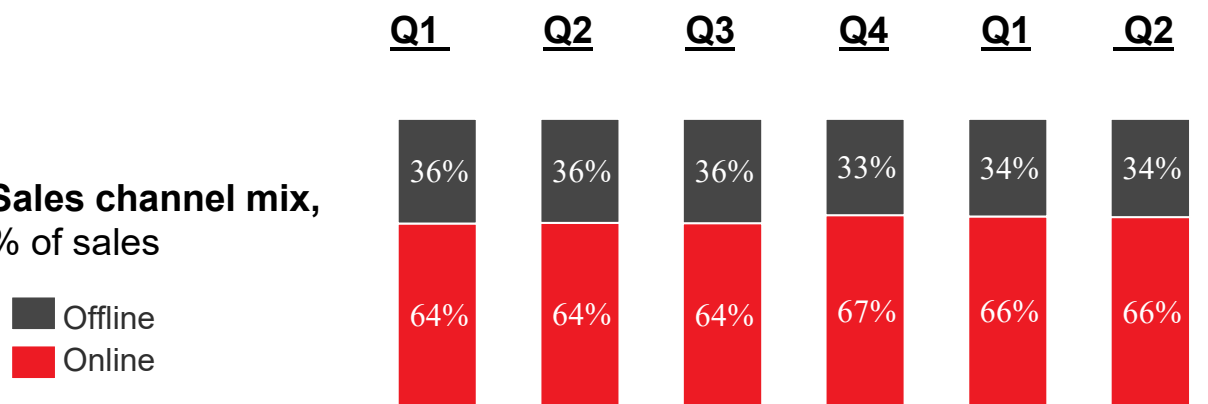
Q2 2024 performance

Soft demand in all channels, revenue declined by -6%

Revenue,
EUR million



Sales channel mix,
% of sales



Q2/2024 development

Group revenue was EUR 105.5 million, declining by -6% YoY. The market has recovered slower than expected and the demand was subdued due to weak consumer confidence

Customer segments

- › 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

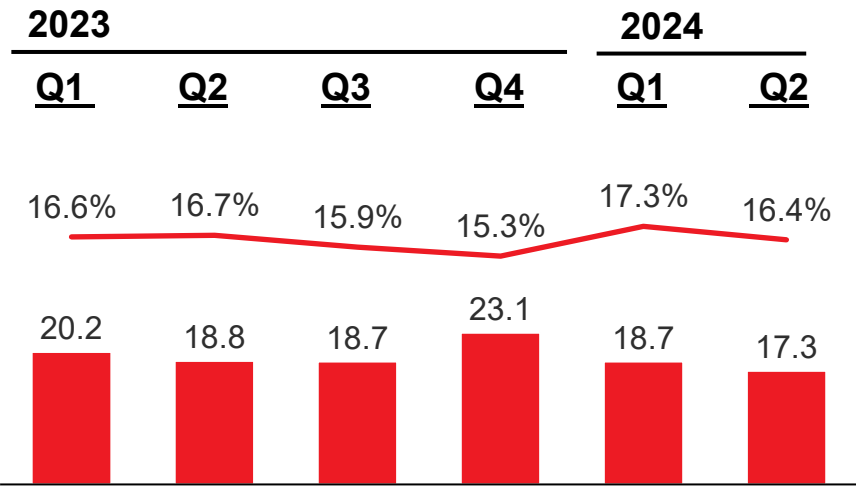
Sales channels and categories

- › 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 components



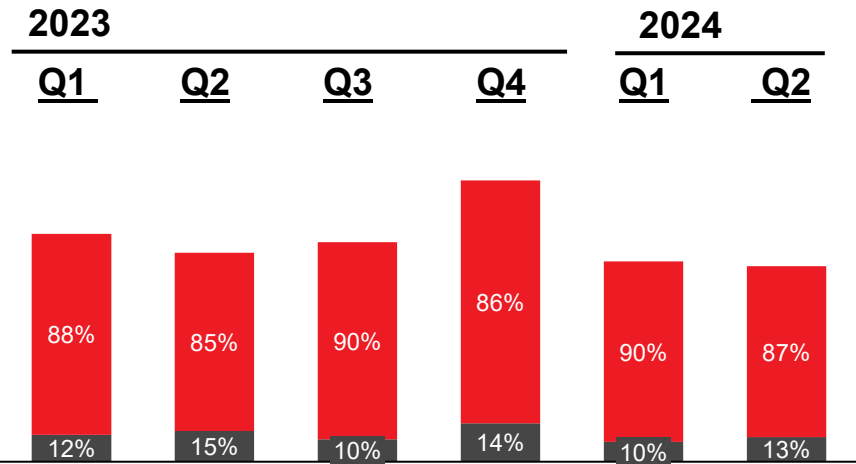
Gross margin impacted by highly price driven and campaign-oriented market

Gross profit and margin, EUR million and % of revenue



Product mix, % of sales

Core categories
Other categories



Q2/2024 development

Gross profit totaled EUR 17.3 million and 16.4% of revenue

- › In a low demand market, 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 consumers 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



Weak sales volume main driver for declined profitability

EUR million	Q2/ 2024	Q2/ 2023	Change	FY 2023
Revenue	105.5	112.8	-6%	234.8
Gross profit	17.3	18.8	-1.6 meur	39.1
Personnel costs	9.3	8.3	11.9%	19.2
Other operating expenses	8.2	8.3	-0.7%	16.2
Operating result	-2.0	0.8	-2.8 meur	0.9
Comparable operating result	-1.7	1.0	-2.7 meur	2.3
Net result	-2.1	0.2	-2.3 meur	-0.2

EUR million	Q2/ 2024	Q2/ 2023		FY 2023
Gross margin	16.4%	16.7%	-0.3pp	16.6%
Operating margin	-1.9%	0.7%	-2.6pp	0.4%
Comp. operating margin	-1.6%	0.8%	-2.5pp	1.0%

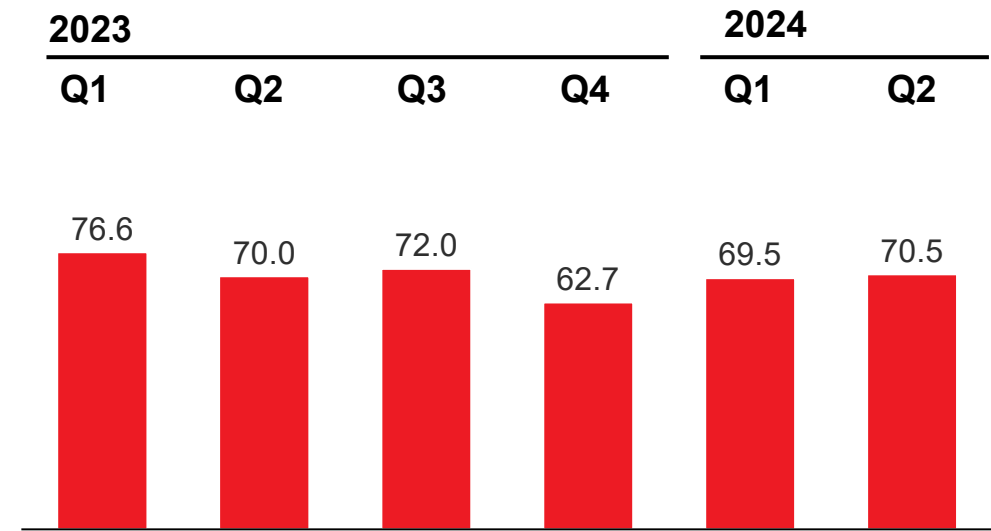
Q2/2024 development

- › Personnel costs increased by 11.9% during the quarter.
 - › Growth was impacted by salary increases due to the collective agreements and strategic recruitments
 - › In comparison year, costs were lower due to the change negotiations and temporary layoffs
- › In H1, personnel costs declined by -4.7%
- › Other operating expenses were on par with the previous year and totaled EUR 8.2 million

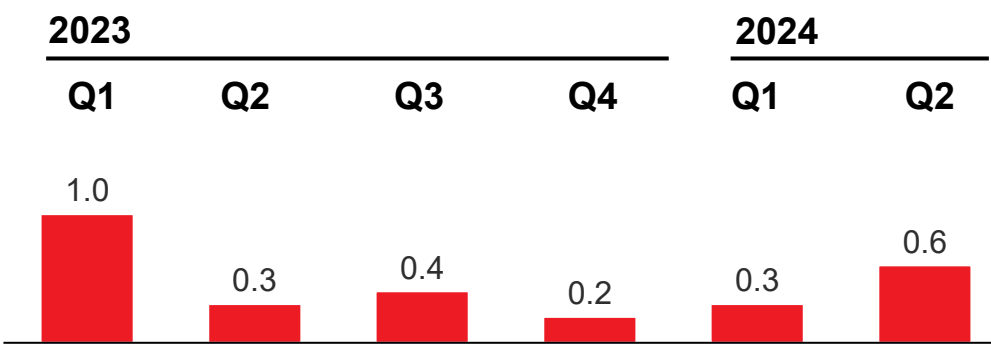


Active inventory management continued

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 second quarter were EUR 0.6 million (0.3)
 - › mainly related to logistics and the improvement of online customer experience
- › April–June cash flow from operating activities was EUR 2.2 million (3.2)
- › 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)



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

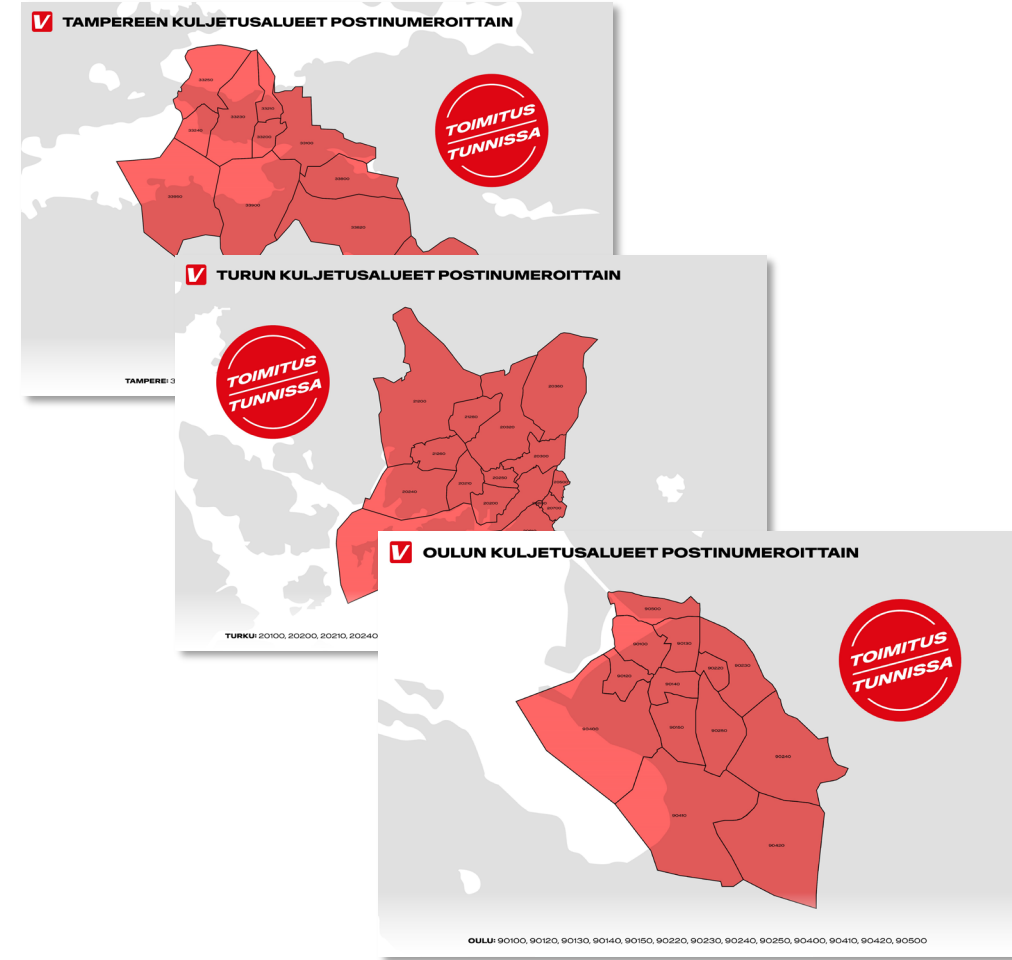
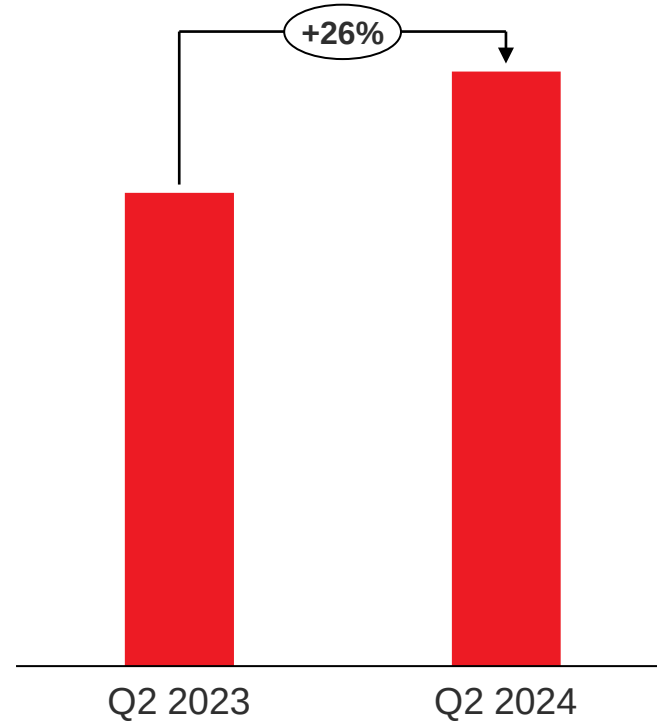


One-hour deliveries expanded into all major cities in Finland

The fastest deliveries in Finland

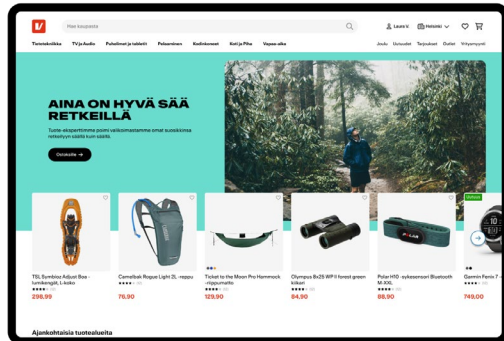
- In June, we expanded ultra-fast One-hour deliveries to all our mega-store areas Tampere, Turku and Oulu
- Significant strategic milestone achieved, making one-hour deliveries available for over 1.7 million consumers
- The new areas start operations with +5 000 best seller SKUs available for fast delivery 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



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



On Demand



Telefonid



Arvutid



Kaamerad



Meelelahutus



Mänguasjad



Sport



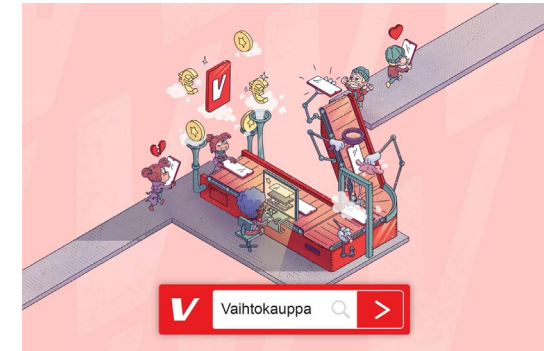
Audio ja hifi



Kellad ja lisad

- 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



Market outlook and guidance



Market outlook and short-term expectations

- › In June, consumer confidence and expectations concerning the development of general unemployment improved slightly in June but remained on a weak level
- › The first interest rate decline didn't boost consumption as expected
- › Still, a gradual recovery in the economy is expected to begin towards the end of 2024. The recovery seems to be later and slower than expected
- › Raising the standard VAT rate in Finland (from 24% to 25.5%) will slightly raise inflation for the rest of the year, and it's expected to have a weakening effect on consumers' purchasing power

The company believes that:

- › Despite the soft market and consumer demand, we believe that the electronics upgrade and replacement cycle will gradually begin during H2
- › 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

updated on 16 July 2024

Verkkokauppa.com expects its revenue and comparable operating result (comparable EBIT) for 2024 to be lower than in 2023 unless there is a positive market turn in the second half of the year.

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

The guidance includes uncertainties related to changes in purchasing power and consumer behavior.

Verkkokauppa.com's business is partly seasonal, and the company's revenue and operating profit depend largely on the sales in the last quarter.



Key takeaways



Key takeaways from Q2 2024



- › Consumer confidence was low, and consumers postponed their purchasing decisions for discretionary products
- › The market was highly campaign-oriented and price competition was intense. Demand picking up slower than expected.
- › The company's strategic growth drivers – online sales and own-brand sales, fared better than average
- › In June, we reached a significant milestone as we extended one-hour deliveries available to more than 1.7 million customers
- › In a challenging operating environment, we focus on short-term measures to improve operational efficiency and adjust costs to the prevailing demand situation, this will continue during the latter half of the year
- › We will continue driving our strategic growth projects to grow our current business and strengthen our position as a forerunner in e-commerce

Thank you

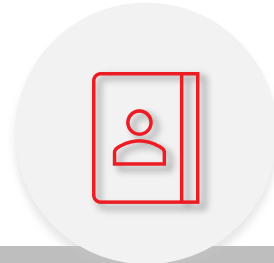


More information



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.



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			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



