

Verkkokauppa.com Oyj January–September 2024 Interim Report

Challenging operating environment and active inventory measures weighed down third quarter profitability

24 October 2024 | Panu Porkka, CEO | Verkkokauppa.com Oyj

Q3 2024 results

- › Market development
- › Q3 2024 performance
- › Strategy execution
- › Market outlook and guidance
- › Key takeaways

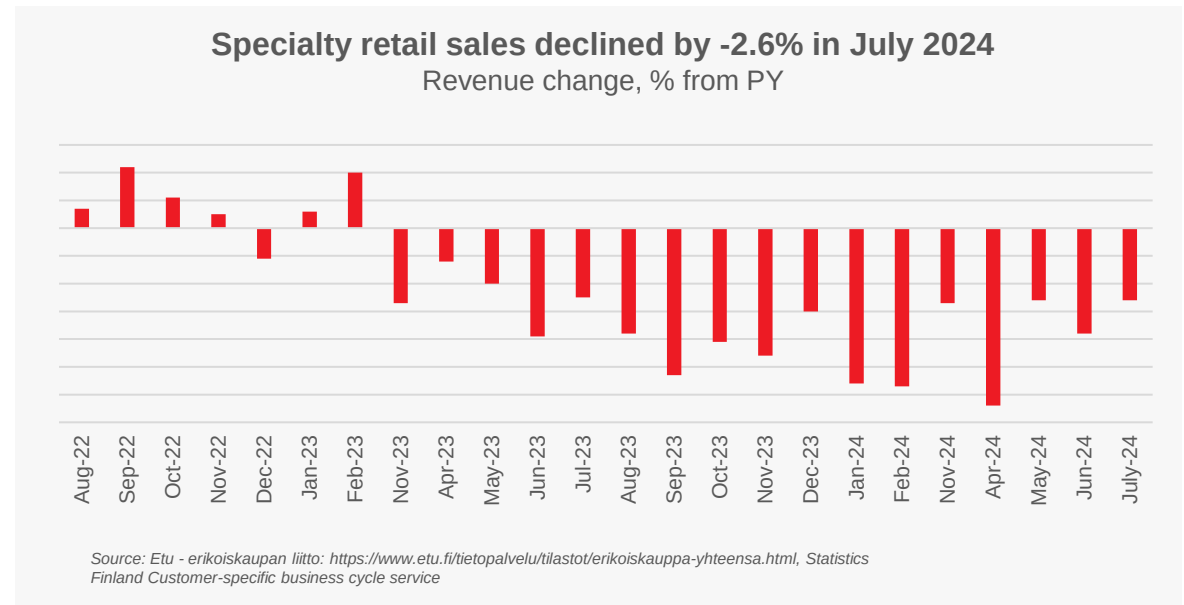
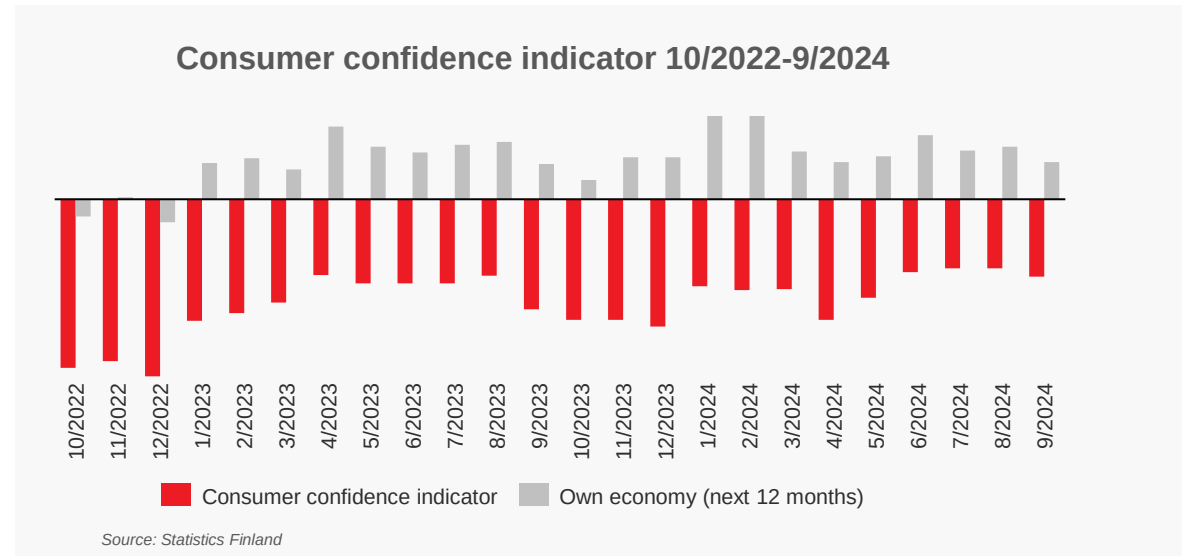


Market development



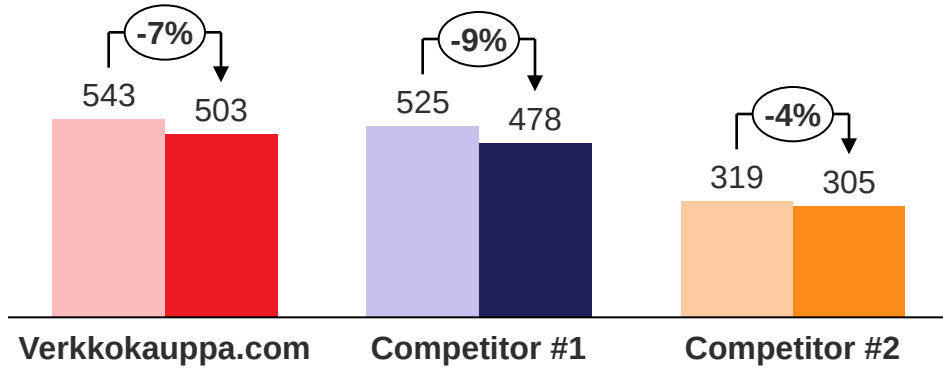
Consumer sentiment unchanged

- According to Statistics Finland, the consumer confidence indicator dropped to -8.1 in September, down from -7.2 in both August and July.
- The time was considered even more unfavorable for purchasing durable goods, and the intention to spend money on consumption remained low.
- Expectations regarding the overall development of unemployment remained rather bleak, and the personal threat of unemployment among consumers was relatively high.
- The consumer electronics market was primarily driven by promotional campaigns and aggressive pricing strategies
- The consumer electronics market in Finland declined by 4 percent during the third quarter (source GfK). Verkkokauppa.com sales in those categories close to PY levels.

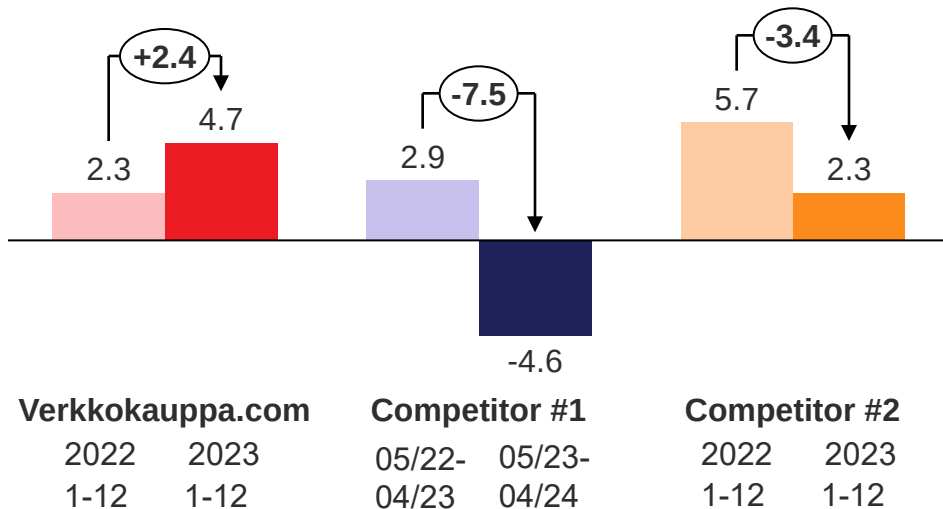


Verkkokauppa.com continued to lead the Finnish consumer electronics retail in 2023

Revenue, two latest published fiscal years, EUR million



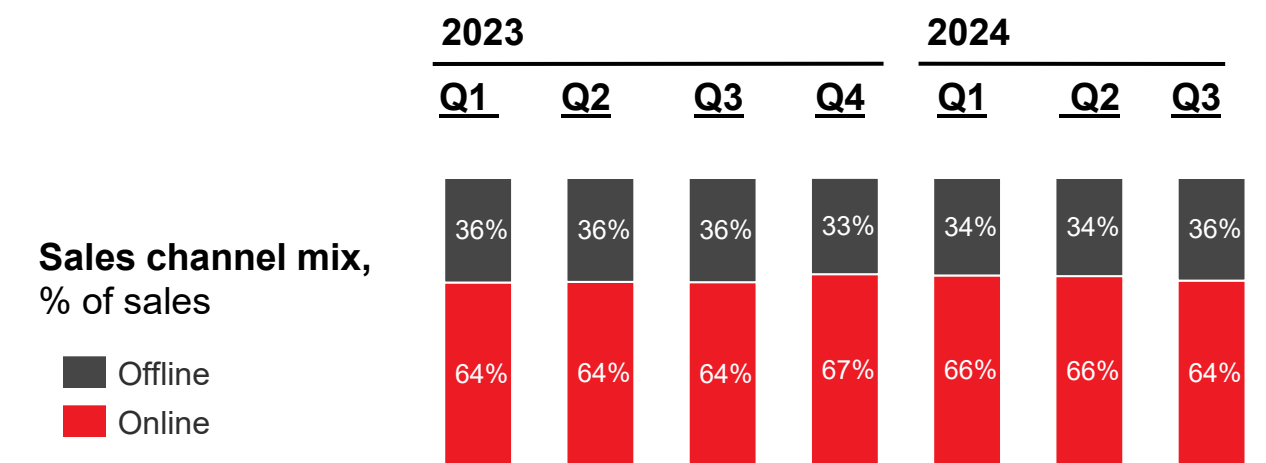
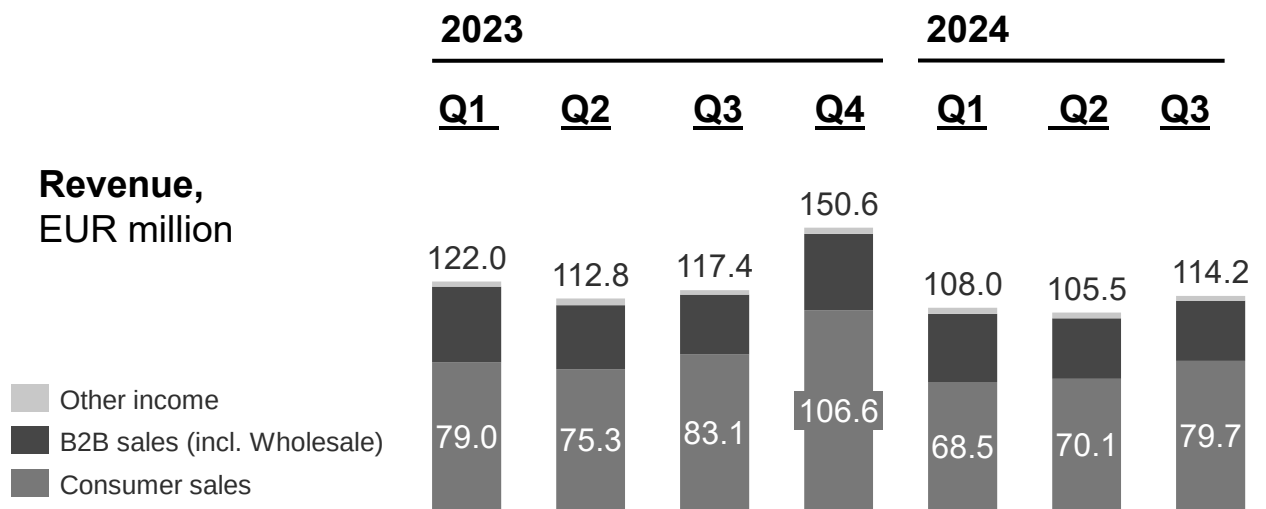
EBIT, two latest published fiscal years, EUR million



Q3 2024 performance



Despite weak demand online revenue close to PY



Q3/2024 development

Group revenue was EUR 114.2 million, declining by 3% YoY. The market was very price-driven, and campaigning was intense.

Customer segments

- › Consumer sales accounted for 71% (72%) of product sales and declined by 4%. Consumer confidence was low, and customers postponed purchasing decisions for discretionary products.
- › B2B sales grew by 1% and was 29% (28%) of product sales. International sales performed well.

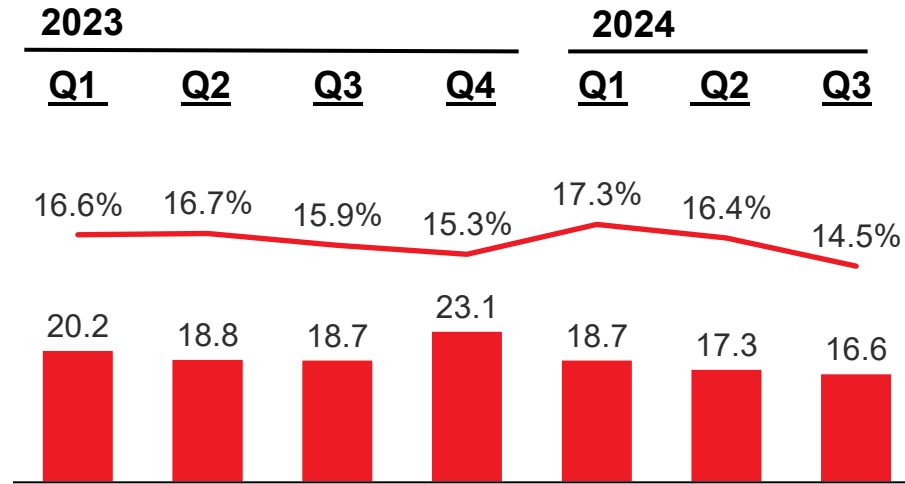
Sales channels

- › Online sales totaled EUR 71.8 million (73.1), declined by 2%
- › Offline sales totaled EUR 39.9 million (41.8) and declined by 5%



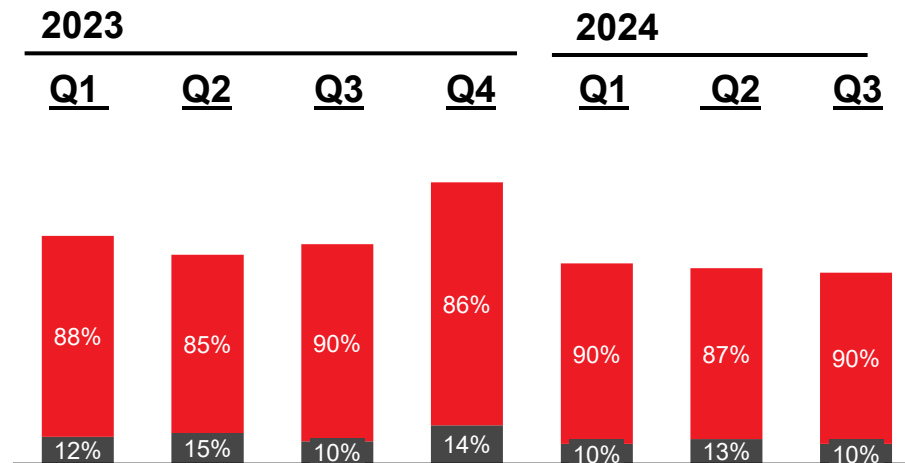
Gross margin was weighed down by low-margin season sales and inventory measures

Gross profit and margin, EUR million and % of revenue



Product mix, % of sales

■ Core categories
■ Other categories



Q3/2024 development

Gross profit totaled EUR 16.6 million and 14.5% of revenue

- › Impacted by low-margin season sales and especially negative margin e-bikes business
- › Also, we made active inventory measures to secure healthy inventories and strengthen our liquidity

Sales mix

- › Strong performance within own brands, sales increased by 53% (8% share of all product sales)
 - › Home appliances, IT and Sports categories continued strong
- › Core category's share of sales declined by 3% and totaled 90% of sales
- › Weak demand especially in discretionary categories like Televisions and Gaming, while Home appliances, Mobile devices and IT performed well



Profitability decline was driven by weak demand and low gross margin

EUR million	Q3/2024	Q3/2023	Change	FY 2023
Revenue	114.2	117.4	-3%	502.9
Gross profit	16.6	18.7	-2.2 meur	80.9
Personnel costs	8.0	7.5	+5.8%	36.7
Other operating expenses	6.9	7.6	-8.8%	33.5
Operating result	0.1	2.1	-2.0 meur	4.7
Comparable operating result	-0.7	2.2	-3.0 meur	6.1
Net result	-0.3	1.1	-1.5 meur	2.1

EUR million	Q3/2024	Q3/2023		FY 2023
Gross margin	14.5%	15.9%	-1.4pp	16.1%
Operating margin	0.1%	1.8%	-1.7pp	0.9%
Comp. operating margin	-0.7%	1.9%	-2.5pp	1.2%

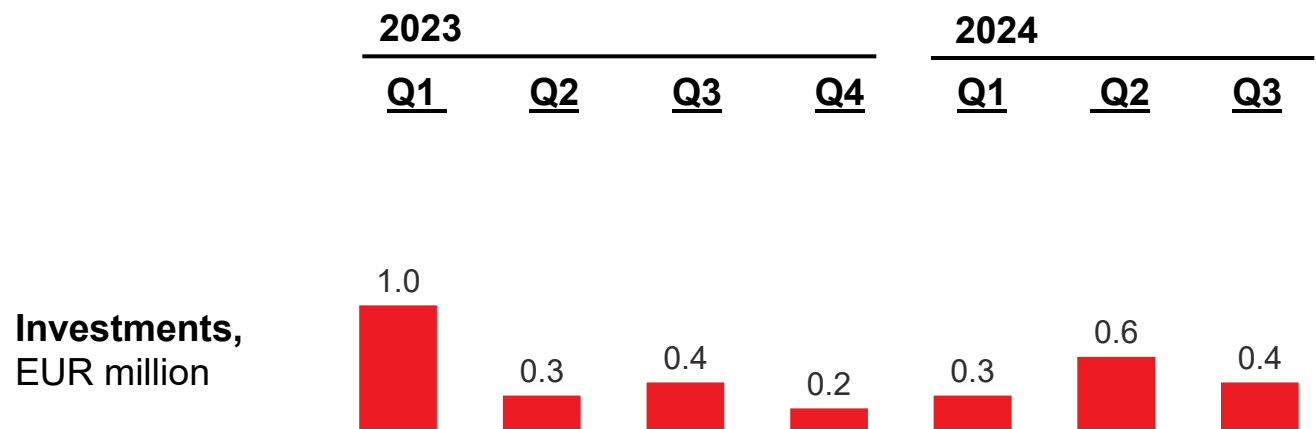
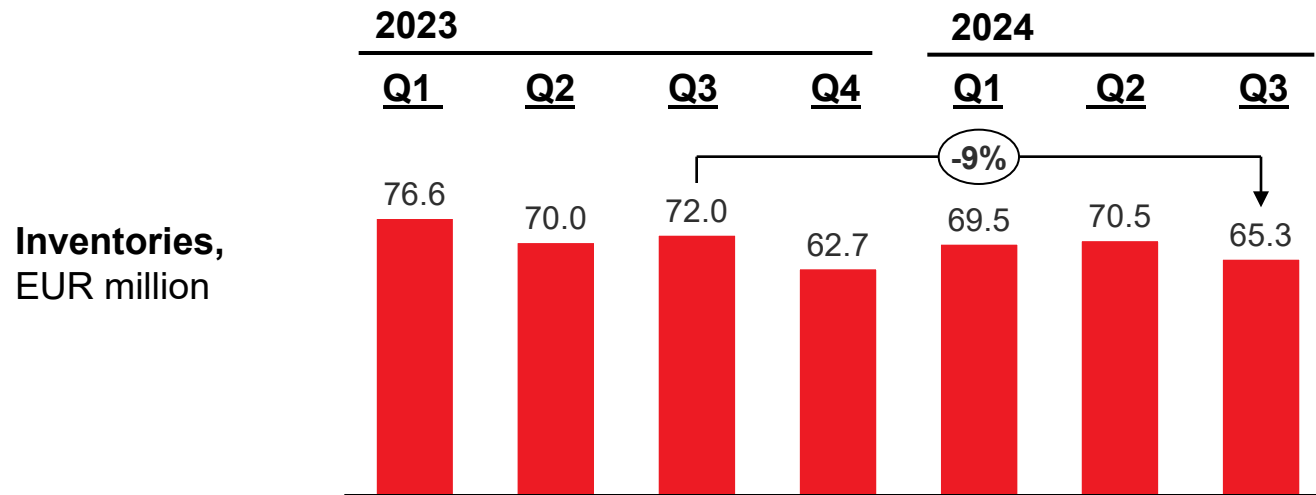
Q3/2024 development

- › Personnel costs increased by 5.8% during the quarter.
 - › Lower personnel costs in the comparison period due to temporary layoffs
 - › Salaries increased due to collective agreements

- › Other operating expenses declined by 8.8% from the previous year and totaled EUR 6.9 million (7.6)
 - › The decline was due to contingent consideration linked to the acquisition of e-ville and has been released (one off item EUR 0.8 million)
 - › Tight cost control continues and we are adjusting costs to the prevailing demand situation



Successful inventory management and solid cash position



Balance sheet and cash flow on 30 September 2024

- › Inventory on a very healthy level, declining by 9 percent from the PY and totaled EUR 65.3 million
- › Investments during the third quarter were EUR 0.4 million (0.4)
 - › mainly related to the improvement of online customer experience
- › July-September cash flow from operating activities was EUR 2.6 million (3.0)
- › Cash at hand was EUR 17.1 million (16.3)
- › Equity ratio at the end of September was 16.3% (16.9%)



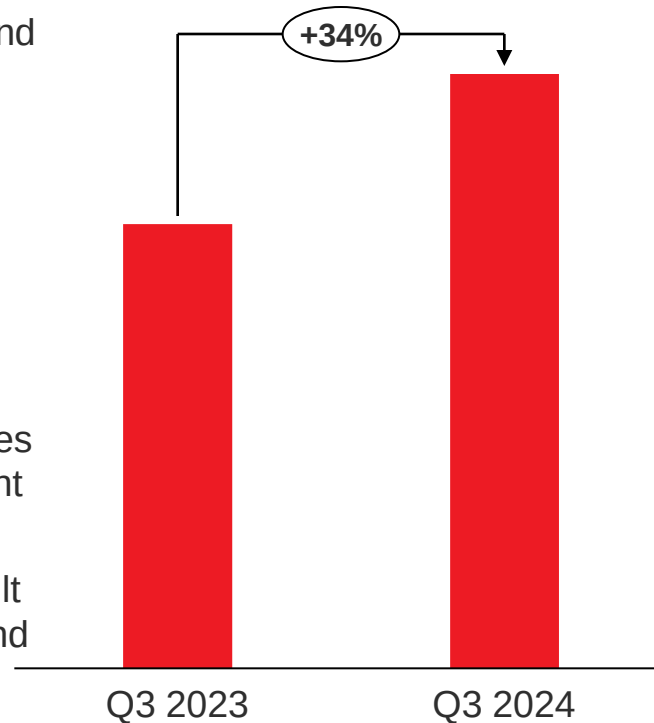
Strategy execution highlights

Fast Deliveries continued rapid growth during Q3

Fastest deliveries in Finland

- To revolutionize retail, we will set new standards on delivery speed and effortless shopping experience and stand out in the market
- The share of fast deliveries in all online orders grew to 16.1% in Q3 (15.0% in Q2)
- So far, our fastest offered experience from payment to customer's doorstep has been 12 minutes
- Customers are choosing faster deliveries when possible and it drives engagement (Fast deliveries NPS 83)
- Ability to deliver within one hour - Result of understanding customer's desires and acting on them; predictive analytics & data science as well as optimized fulfilment and decentralized distribution

Fast deliveries grew by 34% Y-on-Y during Q3/2024



" Express delivery is a really good service, I was able to order a birthday present conveniently without having to go to the other side of the city myself."

" If necessary, the product is available very quickly and the assortment is large. Especially 1h express delivery is absolutely brilliant during these busy times and this is something you can't find from other suppliers."



International expansion proceeding as planned with current & new partners and marketplaces

- › Markets in Sweden, Denmark and Baltics are expected to grow faster than Finland in mid-term (EU sales grew by 8% during Q3)
- › We are driving growth in these areas through existing partnerships and evaluating new partnership opportunities
- › New self-service purchasing platform now in beta phase for selected B2B retail partners. Enables showcasing private label offering and easier product discovery especially for small to mid-size retail partners.



The responsibility of electronics matters to consumers

More than 50% of Finns feel that the responsibility of electronics matters to them, according to the Electronics Responsibility Barometer

Main conclusions:

1

50% of Finns say they are **willing to pay more** for a responsible choice when purchasing electronic products

2

Willingness to purchase used electronics is high

3

Product repairability and repair services are of interest

4

> 60% of Finns would buy more often used electronics if they were better available in well-known online stores

The results of the study will be used for the development of Verkkokauppa.com's offering and responsibility work.



Market outlook and guidance



Market outlook and short-term expectations

- › Overall market demand will be impacted by continuous low consumer confidence and weak expectations concerning general unemployment development for the remaining of the year
- › Reflecting the Bank of Finland's economic review, it takes time before we see the impact of declining inflation and interest rates in consumer behavior. Moderate inflation and higher earnings support the conditions for the recovery of purchasing power towards next year.
- › Competition is expected to continue intense

The company believes that:

- › The ongoing initiatives to drive growth and profitability short term, as well as for the strategy period are well underway
- › We will succeed in taking advantage of the online shift and gain market share through out fast deliveries in chosen product categories



Financial Guidance for 2024

updated on 24 October 2024

Verkkokauppa.com expects its revenue and comparable EBIT for 2024 to be lower than in 2023.

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

The guidance update is based on the market development, and the outlook for the remaining of the year 2024. 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.

The previous guidance: 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.



Key takeaways



Key takeaways from Q3 2024

- › Consumer confidence was low, and customers continued to postpone purchasing decisions for discretionary products
- › We took the necessary measures to improve our price competitiveness and to ensure efficient inventory turnover and strong liquidity
- › Own brands continued strong growth, amounting to 8% of sales
- › We strengthened our market share despite the challenging market, and the company's cash and inventory turnover developed favorably
- › We are well prepared for Q4, our peak season
- › With the structural changes in the company, we aim to strengthen future competitiveness and ensure growth when the market recovers

Thank you!



More information



Upcoming Financial events

- 25 October 2024: 3rd quarter investor presentation in Helsinki, arranged by Danske Bank
- 28 November 2024: Investor 2024 event in Messukeskus
- 6 February 2025: Financial statements bulletin for the year 2024
- 7 February 2025: 4th quarter investor presentation in Helsinki, arranged by SEB
- During the week 11 in 2025: Annual reporting package for 2024, including the Report of the Board of Directors and the Financial Statements, Corporate Governance Statement and Remuneration Report,
- 8 April 2025: virtual-only Annual General Meeting
- 24 April 2025: Interim report for January – March 2025
- 17 July 2025: Half-year financial report for January – June 2025
- 23 October 2025: Interim report for January – September 2025
- 12 February 2026: Financial statements bulletin for the year 2025



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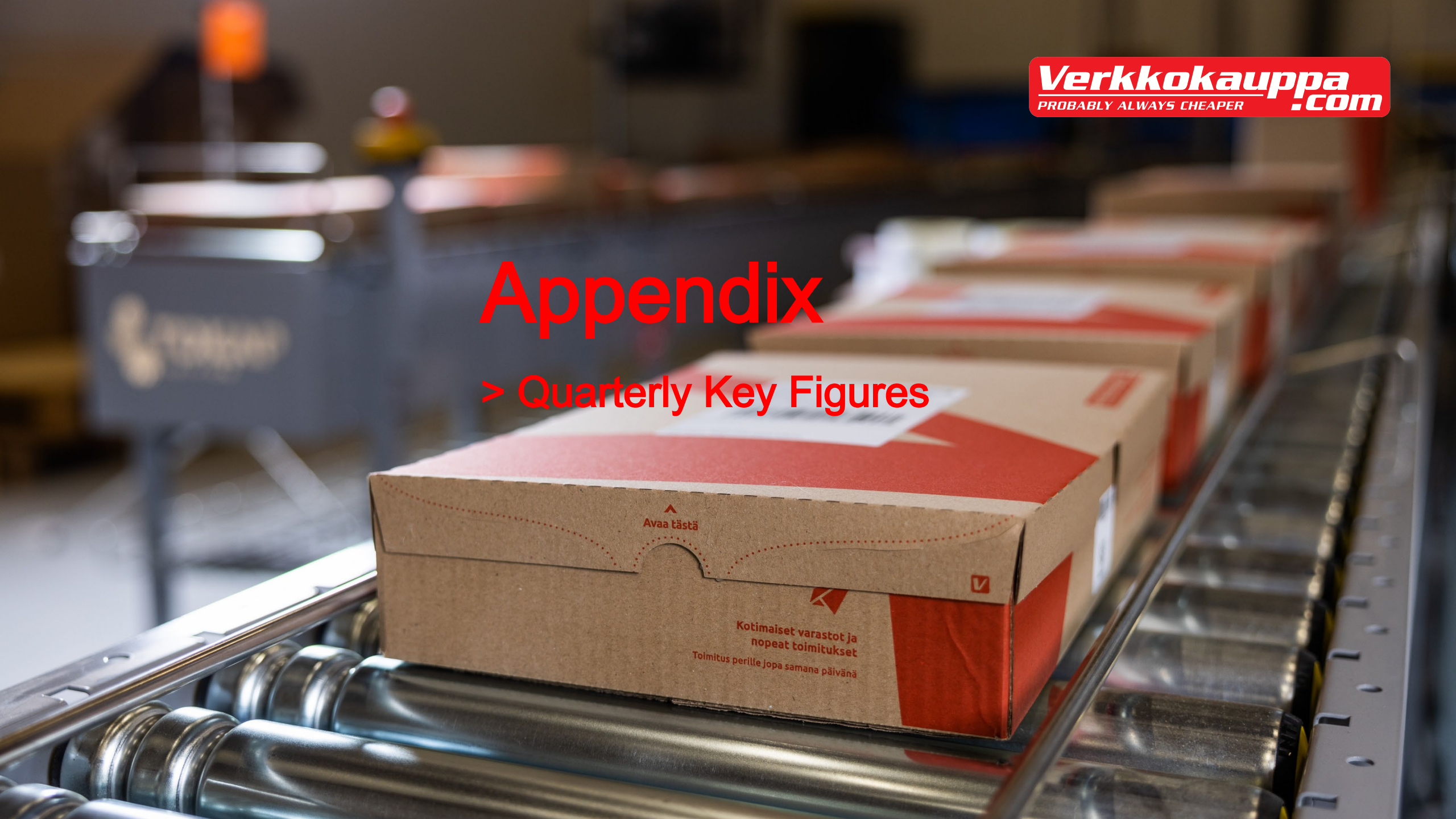
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Appendix

> Quarterly Key Figures



Avaa tästä

Kotimaiset varastot ja
nopeat toimitukset
Toimitus perille jopa samana päivänä

Quarterly Key Figures

	2024				2023				
	Q1	Q2	Q3	Q1-Q3 2024	Q1	Q2	Q3	Q4	Q1-Q4 2023
Revenue, eur million	108.0	105.5	114.2	327.7	122.0	112.8	117.4	150.6	502.9
Gross profit, eur million	18.7	17.3	16.6	52.5	20.2	18.8	18.7	23.1	80.9
Gross margin-%	17.3%	16.4%	14.5%	16.0%	16.6%	16.7%	15.9%	15.3%	16.1%
EBITDA, eur million	1.3	-0.2	1.8	2.9	1.6	2.3	3.7	3.5	11.1
EBITDA-%	1.2%	-0.2%	1.6%	0.9%	1.3%	2.1%	3.1%	2.3%	2.2%
Operating result, eur million	-0.4	-2.0	0.1	-2.3	0.0	0.8	2.1	1.8	4.7
Operating margin-%	-0.4%	-1.9%	0.1%	-0.7%	0.0%	0.7%	1.8%	1.2%	0.9%
Comparable operating result, eur million	0.5	-1.7	-0.7	-1.9	1.4	1.0	2.2	1.6	6.1
Comparable operating margin-%	0.5%	-1.6%	-0.7%	-0.6%	1.1%	0.8%	1.9%	1.1%	1.2%
Net result, eur million	-1.0	-2.1	-0.3	-3.4	-0.4	0.2	1.1	1.2	2.1
Interest-bearing net debt, eur million	20.1	18.5	16.3	16.3	25.6	22.8	20.3	6.1	6.1
Investments, eur million	0.3	0.6	0.4	1.4	1.0	0.3	0.4	0.2	1.9
Equity ratio, %	16.7%	15.7%	16.3%	16.3%	15.8%	16.5%	16.9%	16.2%	16.2%
Gearing, %	72.7%	72.2%	64.6%	64.6%	98.2%	87.2%	74.2%	21.5%	21.5%
Personnel at the end of period*	644	694	622	622	720	695	640	677	677
Basic earnings per share, euros	-0.02	-0.05	-0.01	-0.07	-0.01	0.00	0.03	0.03	0.05
Diluted earnings per share, euros	-0.02	-0.05	-0.01	-0.07	-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	45,355	45,355	45,355
Number of treasury shares, 1,000 pcs	133	119	104	104	258	171	159	146	146
Weighted average number of shares outstanding, 1,000 pcs	45,222	45,235	45,250	45,250	45,096	45,183	45,195	45,209	45,209



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