



KESKO HALF-YEAR FINANCIAL REPORT Q2/2024

# GOOD PERFORMANCE IN A WEAK MARKET

Jorma Rauhala  
President and CEO  
23 July 2024

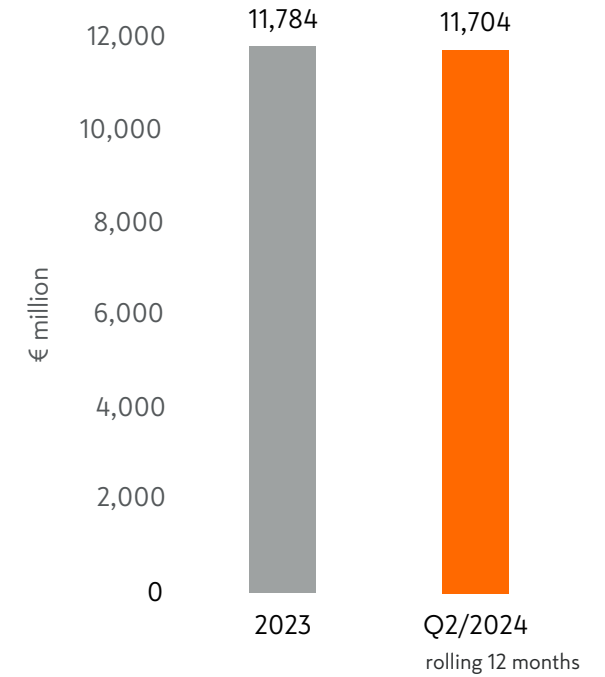
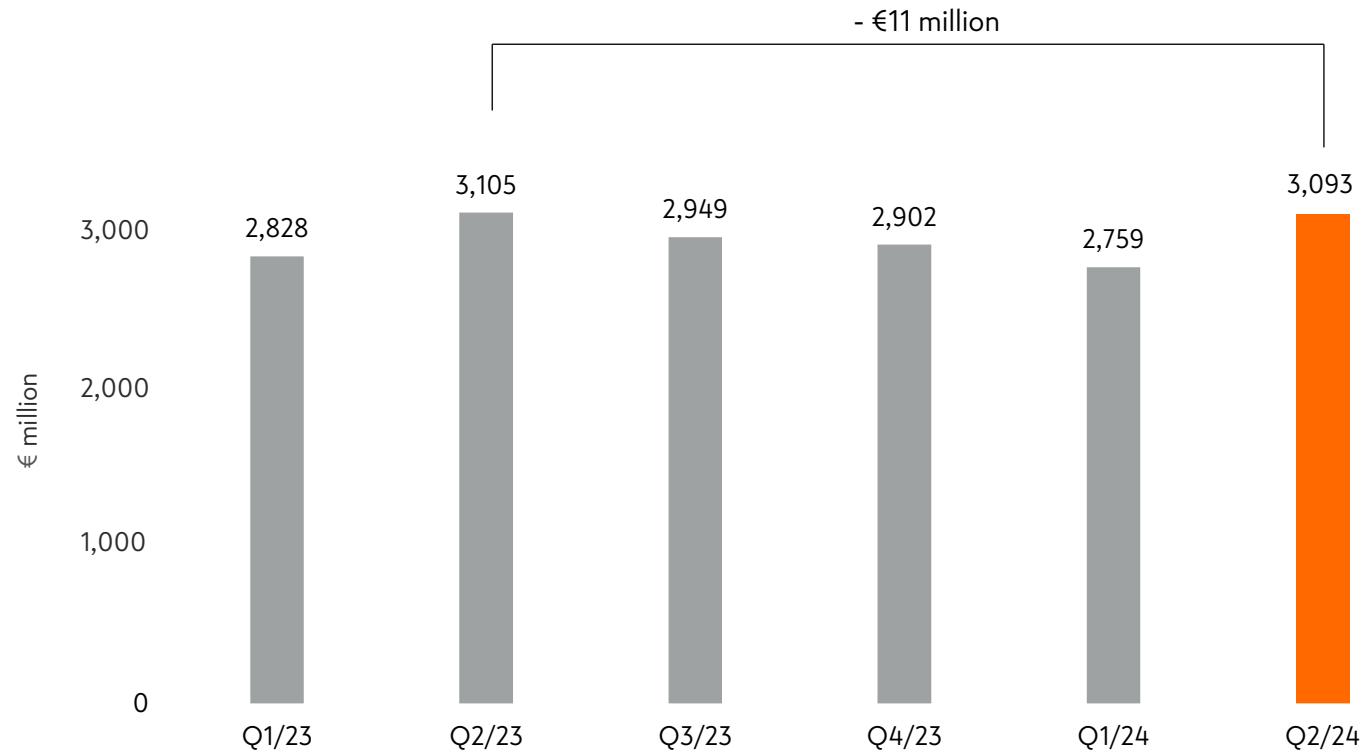
# KEY EVENTS IN Q2/2024

- Net sales and profit decreased as expected, cash flow from operating activities strengthened
- Grocery trade: net sales down, profit at a good level
- Building and technical trade: profitability weakened as expected due to the weak construction cycle, decline slower than in Q1
- Car trade: net sales and profit down. In May, Kesko agreed to acquire the operations of the Autotalo Lohja dealership
- Kesko published an updated strategy: main strategy pillars intact, competitive advantages and objectives for each division refined
- Changes in Group Management Board: Sami Kiiski appointed as President of building and technical trade; Johanna Ali as President of car trade; Anu Hämäläinen as Chief Financial Officer; and Lasse Luukkainen as EVP, Legal and Sustainability

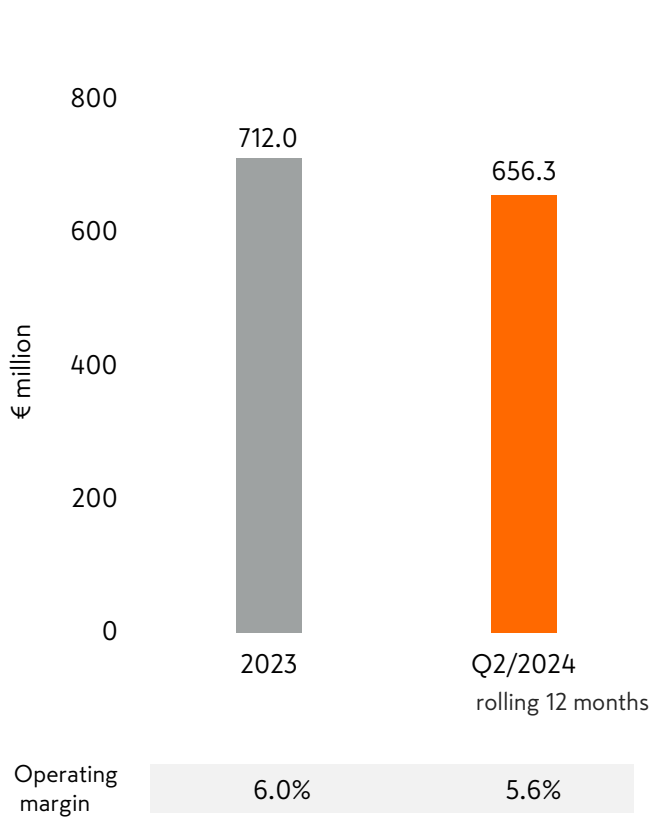
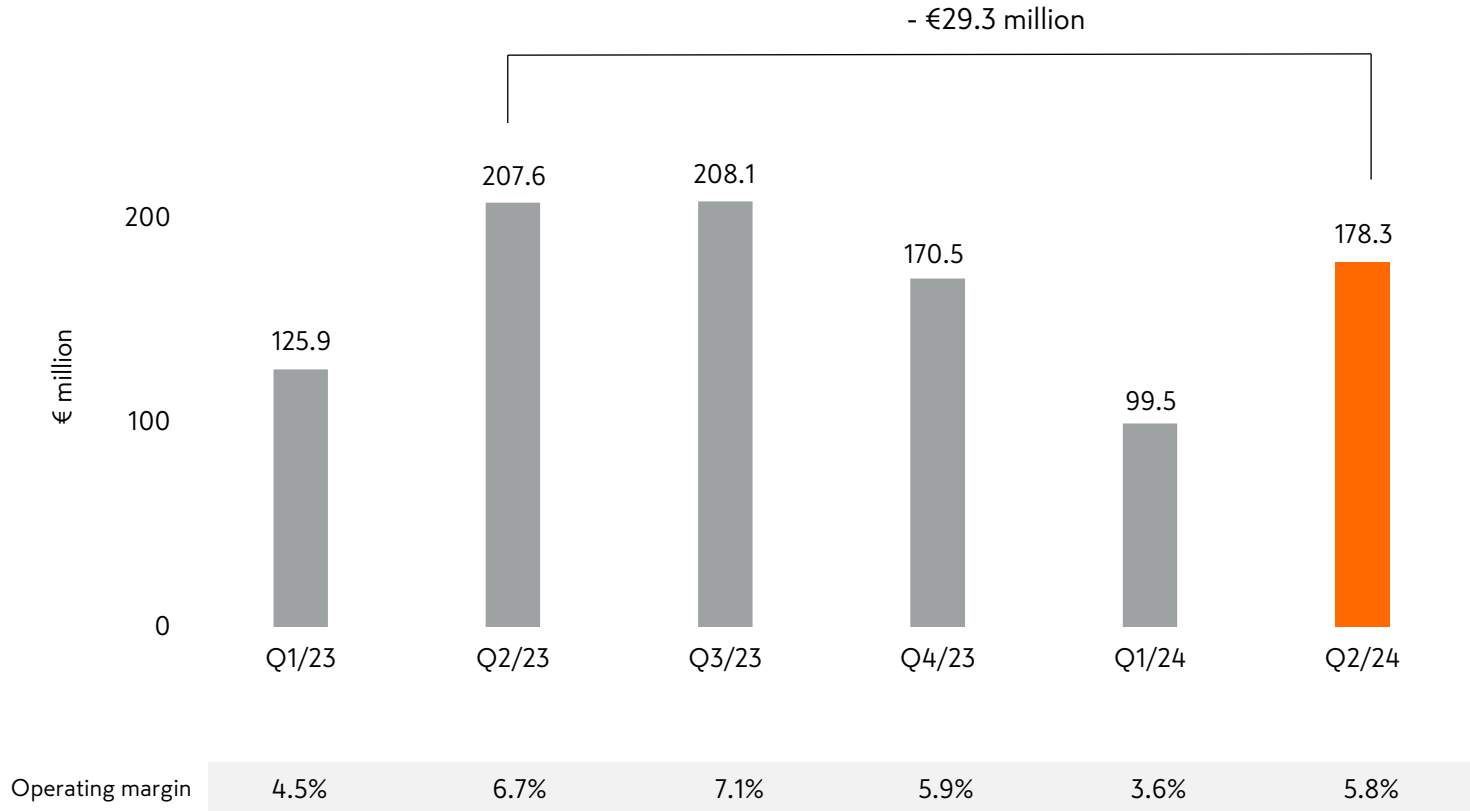
	<b>Q2/2024</b>	<b>Q2/2023</b>
Net sales, € million	<b>3,093.4</b>	<b>3,104.7</b>
Change in net sales, %*	<b>-4.1</b>	<b>-0.8</b>
Operating profit, € million*	<b>178.3</b>	<b>207.6</b>
Operating margin, %*	<b>5.8</b>	<b>6.7</b>
Profit before tax, € million*	<b>150.4</b>	<b>188.9</b>
Earnings per share, basic, €*	<b>0.30</b>	<b>0.38</b>
Cash flow from operating activities, € million	<b>309.0</b>	<b>285.2</b>

\* Comparable

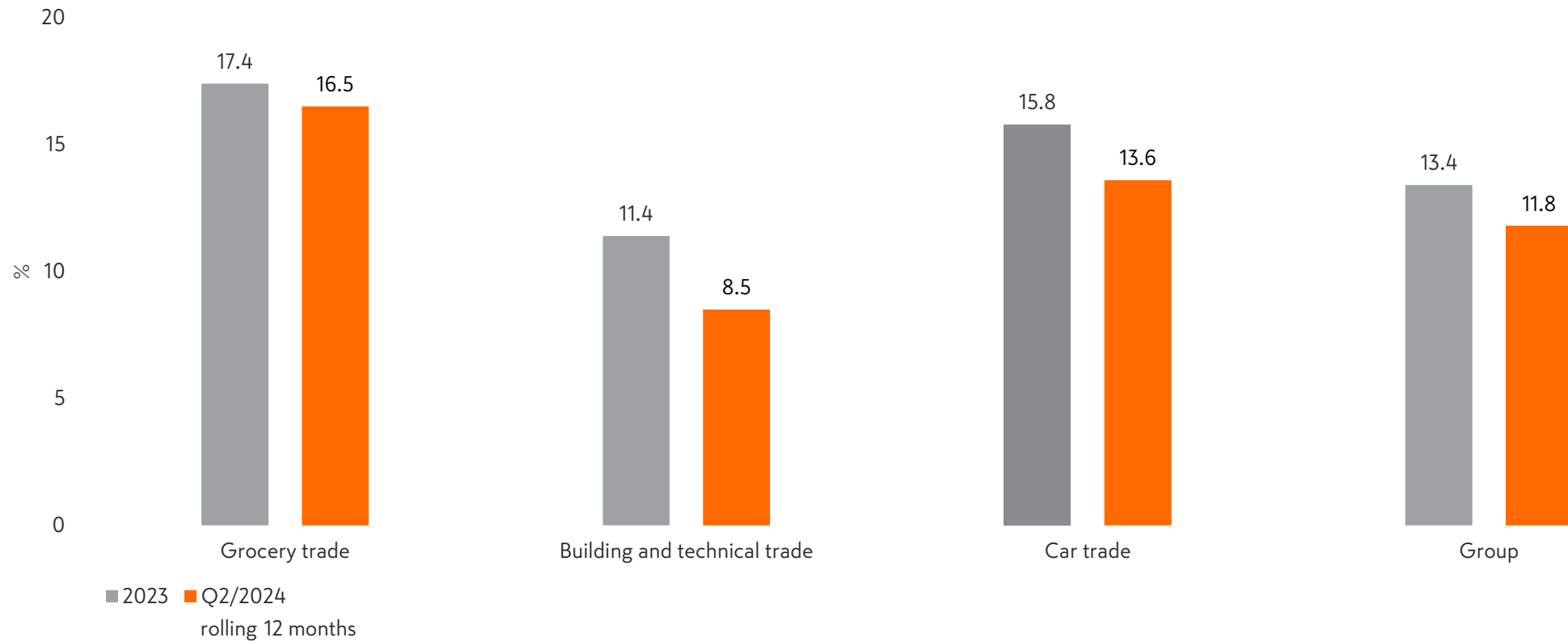
# NET SALES



# OPERATING PROFIT



# RETURN ON CAPITAL EMPLOYED



# FINANCIAL POSITION

	<b>Q2/2024</b>	<b>Q2/2023</b>
Cash flow from operating activities, € million	309.0	285.2
Liquid assets, € million	354.4	271.0
Capital expenditure, € million	128.4	161.2
Interest-bearing net debt excl. lease liabilities, € million	847.3	629.6
Interest-bearing net debt / EBITDA (excl. IFRS 16 impact, rolling)	1.1	0.7
Lease liabilities, € million	2,038.1	2,002.4

# CAPITAL EXPENDITURE

	Q2/2024	Q2/2023
Store sites, € million	68.2	79.2
Acquisitions, € million	-0.0	1.4
IT, € million	5.5	5.6
Other investments, € million	54.7	75.0
Total, € million	128.4	161.2

# EXPENSES

## Expenses up due to the Davidsen acquisition and real estate costs

	Q2/2024	Q2/2023
Fixed costs, € million	531.5	494.9
- Employee benefit expenses, € million	217.9	201.9
- Other expenses, € million	172.5	161.2
- Depreciation, € million	141.1	131.7
Cost ratio, %	17.2	15.9



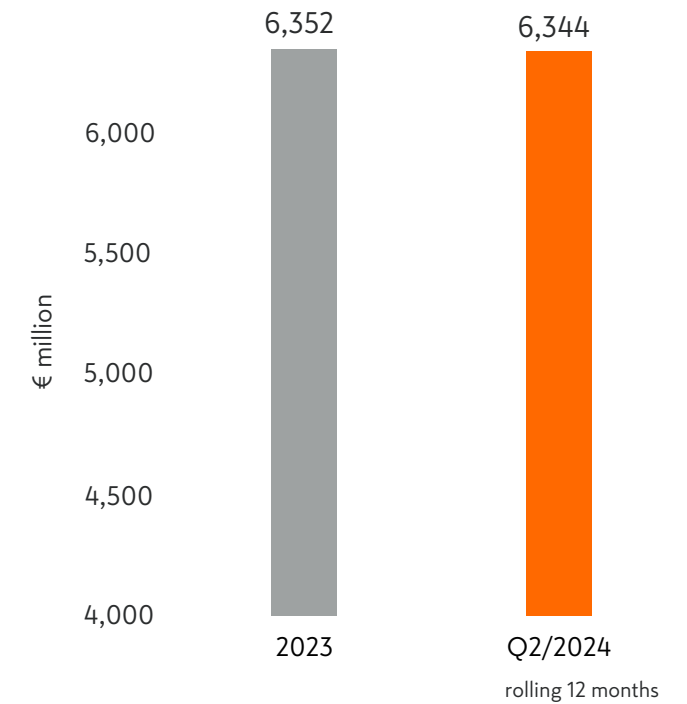
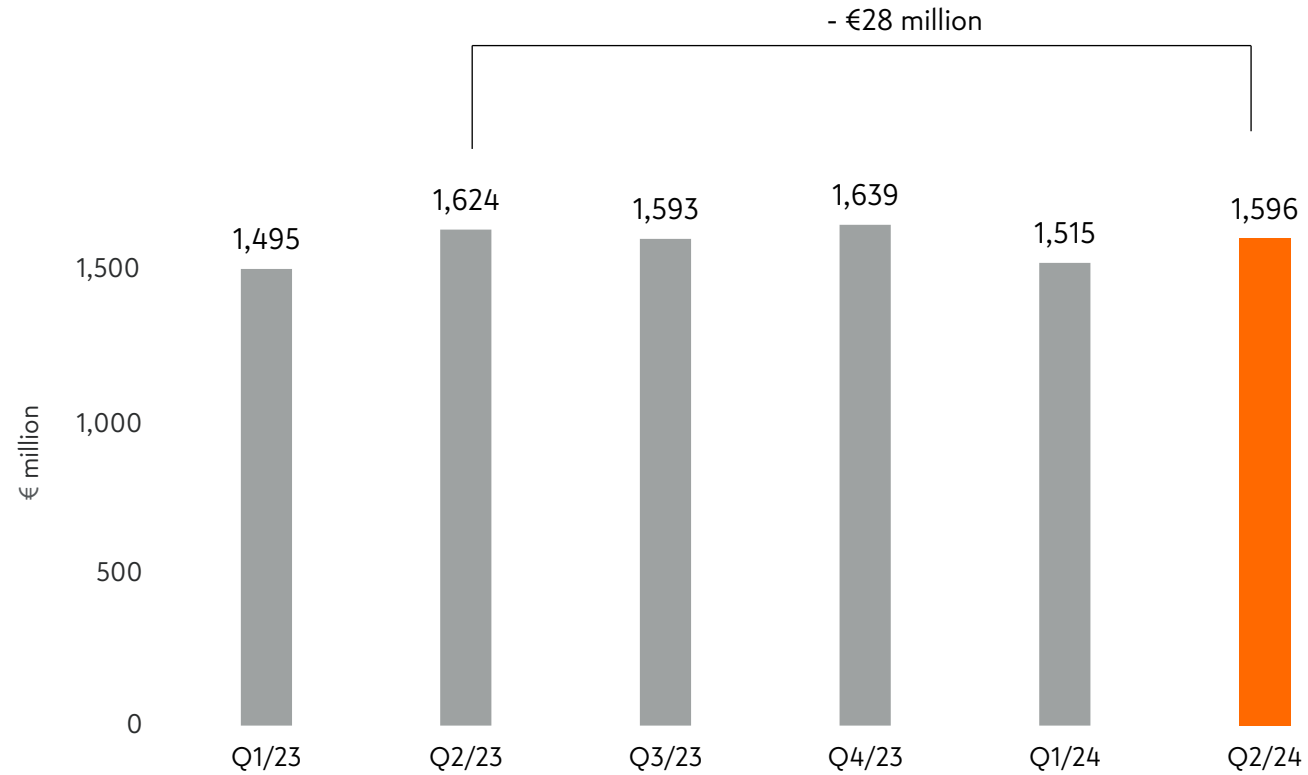


GROCERY TRADE

# PROFITABILITY AT A GOOD LEVEL

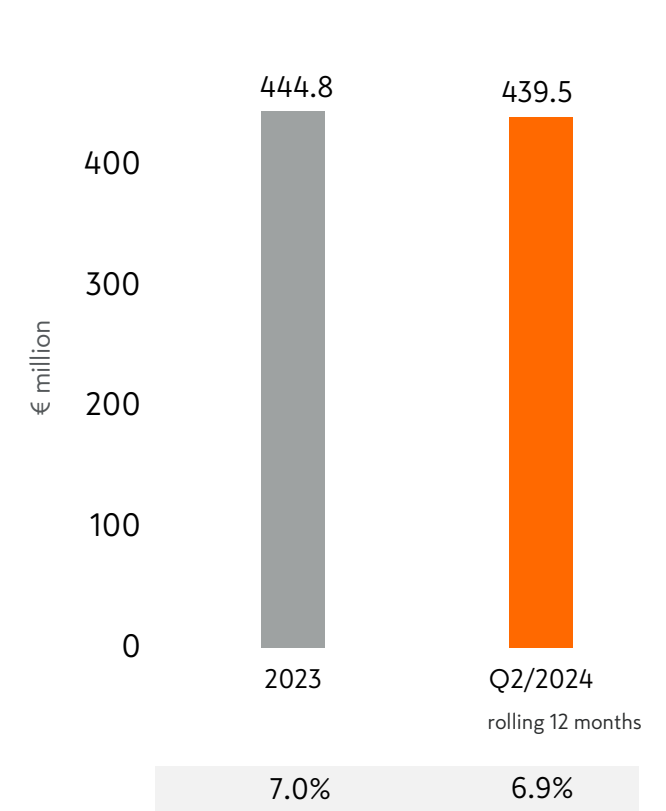
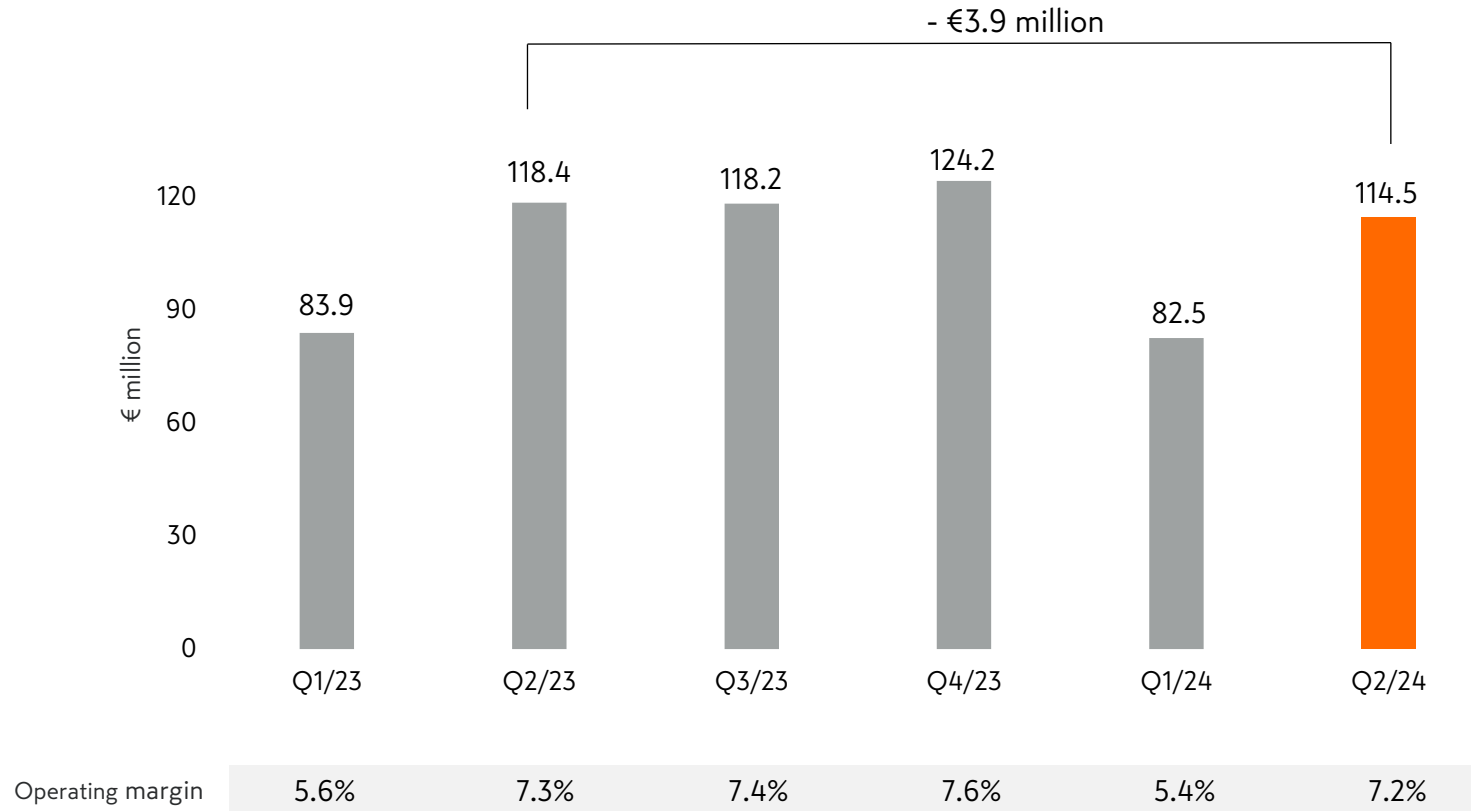


# GROCERY TRADE NET SALES



# GROCERY TRADE

## OPERATING PROFIT



# KEY EVENTS IN GROCERY TRADE IN Q2

- Net sales and profit decreased, operating margin close to flat year-on-year
  - K Group grocery sales down by 1.1%
  - Kespro's net sales down by 1.3%, still again exceeding market growth
  - K-Citymarket non-food sales down by 4.3%
- Online grocery sales up by 13.5% thanks to express deliveries
- Total grocery trade market growth approx. 0.1%, K Group's sales performance slightly below the market
- Grocery price inflation in Finland approx. 0.1% vs. over 10% in Q2/2023
- Customer flows continued to grow thanks to campaigns, but average purchase down



# BEVERAGES WITH 5.6-8.0% ALCOHOL CONTENT SUCCESSFULLY ADDED TO GROCERY STORE SELECTIONS

- Change in Finnish legislation has enabled the sales of beverages with a 5.6-8.0% alcohol content in grocery stores as of 10 June
- Impact of the legislative change on Kesko's sales expected to be around few dozen million euros annually
- Nearly 450 wine products now sold in K Group grocery stores, approx. 1/3 of sales come from products available exclusively in our stores. White wines account for about half of wine sales.
- Some 100 stronger beer products also added to selections; account for a few percent of total beer sales
- New alcohol products introduced to stores in a responsible manner, wine typically bought alongside food
- The possibility to buy stronger alcoholic beverages from a grocery store increases customer convenience and benefits especially smaller stores in rural areas





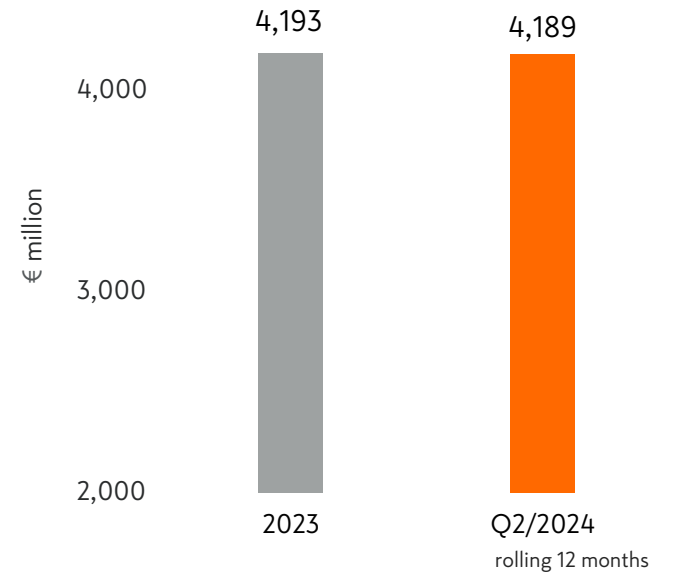
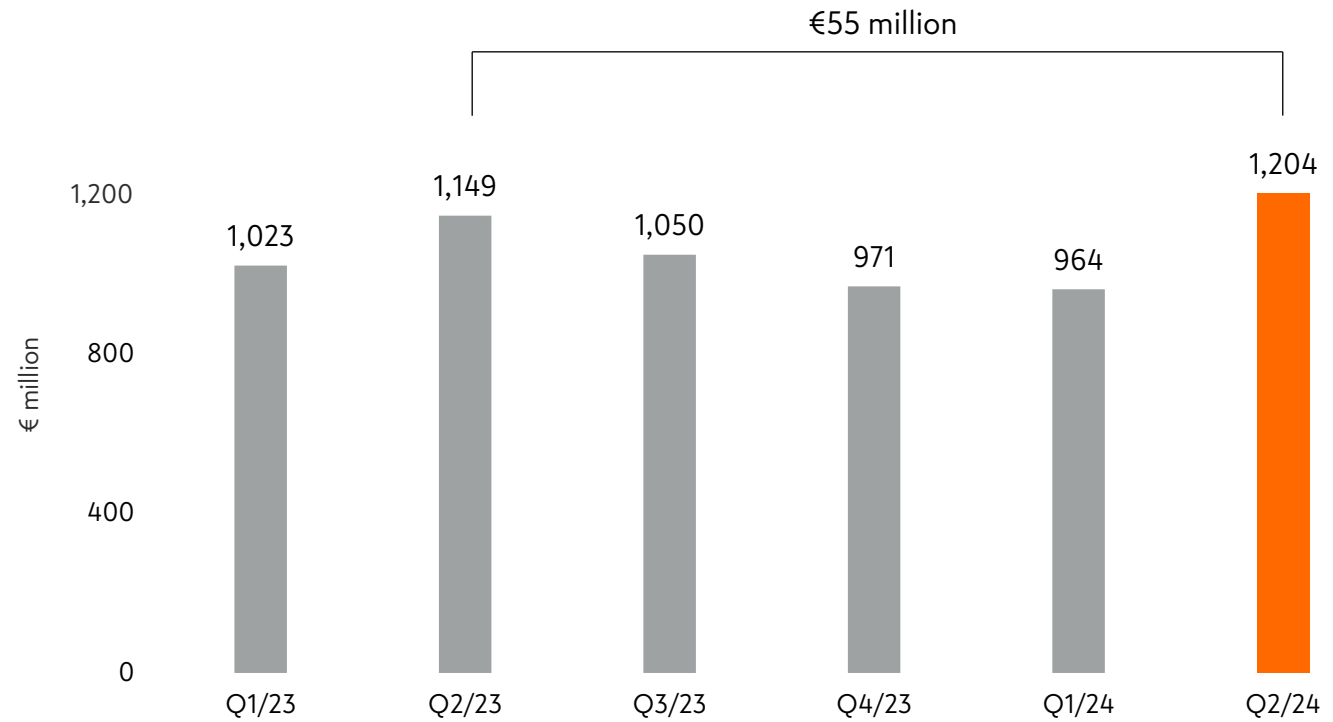
BUILDING AND TECHNICAL TRADE

# RESULT IN LINE WITH EXPECTATIONS IN A DIFFICULT CYCLE



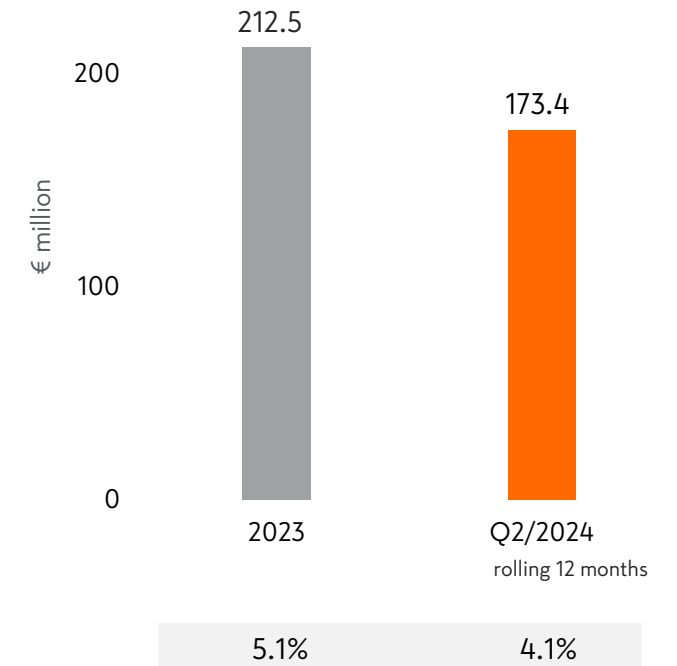
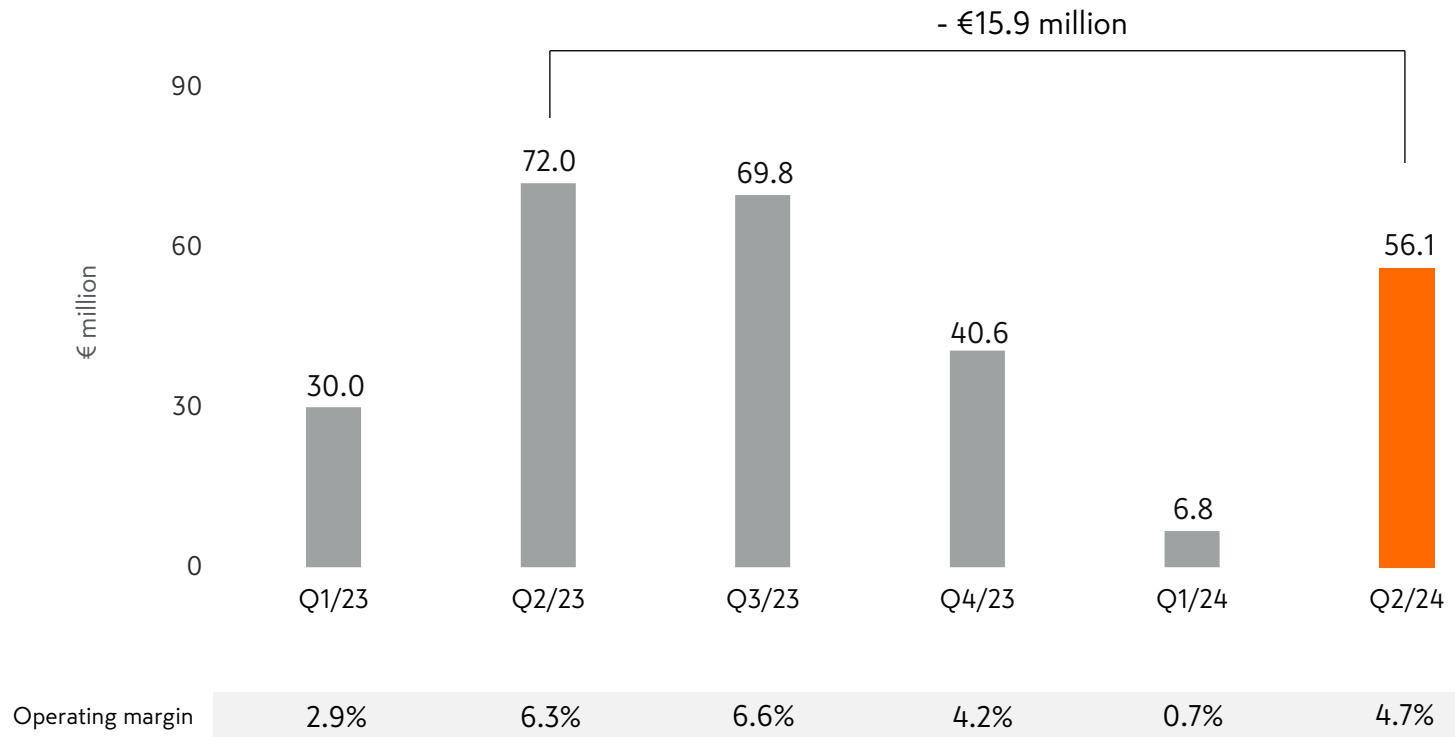
## BUILDING AND TECHNICAL TRADE

# NET SALES



# BUILDING AND TECHNICAL TRADE

## OPERATING PROFIT





# KEY EVENTS IN BUILDING AND TECHNICAL TRADE IN Q2

- Construction cycle still weak in the Nordics; turnaround seen in Poland and the Baltics where Onninen's sales growing
- Overall, net sales and operating profit development in line with expectations, Davidsen included in the figures
- Onninen's operating profit in particular impacted by weaker sales and profitability of solar power products compared to the exceptional levels of Q2/2023
- The allocation of fair value related to the Davidsen acquisition, mainly related to inventories, had a positive €1.2 million impact
- €2.0 million (€1.4 million) written down for trade receivables past due date
- Share of result from Kesko Senukai €6.3 million (€4.6 million)
- Signs of a pick-up in sales in both building and home improvement trade and technical trade

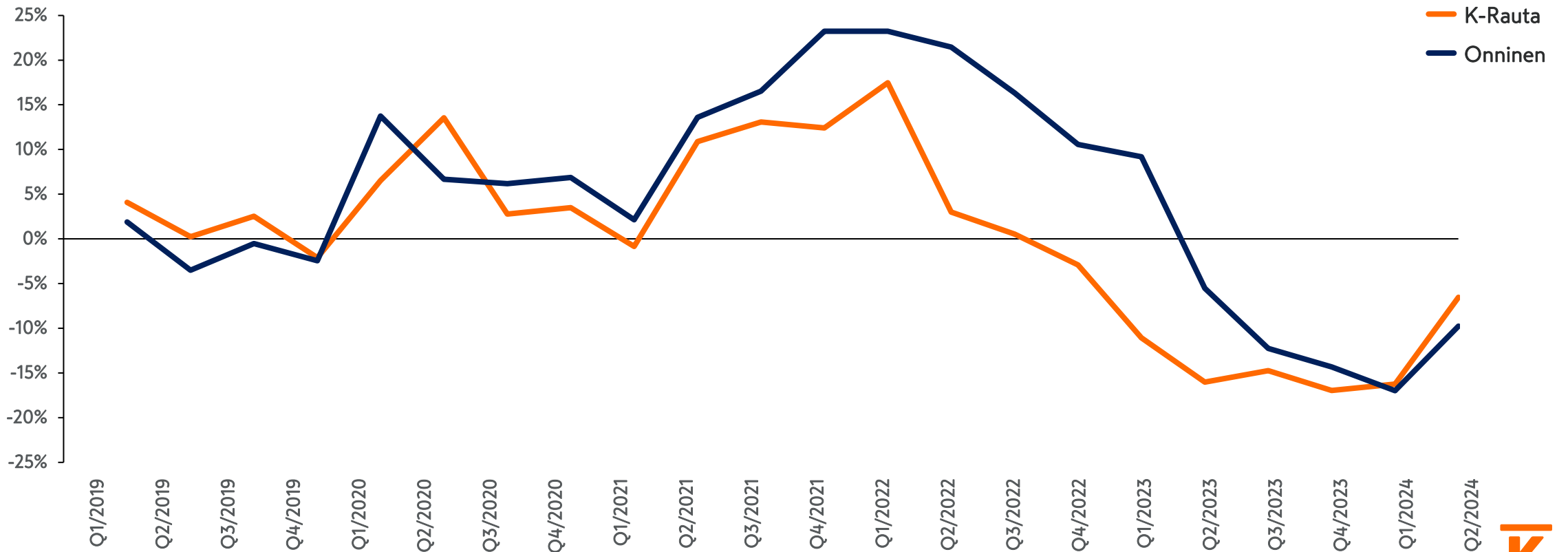
	Q2/2024	Q2/2023
<b>Net sales, € million</b>	<b>1,203.7</b>	<b>1,148.8</b>
Technical trade	583.8	614.1
Building & home improvement trade	635.9	550.7
<b>Operating profit*, € million</b>	<b>56.1</b>	<b>72.0</b>
Technical trade	19.2	33.9
Building & home improvement trade	30.6	33.4
<b>Operating margin, %*</b>	<b>4.7</b>	<b>6.3</b>
Technical trade	3.3	5.5
Building & home improvement trade	4.8	6.1

\*Comparable



# SALES OF K-RAUTA FINLAND AND ONNINEN FINLAND IN 2019-2024

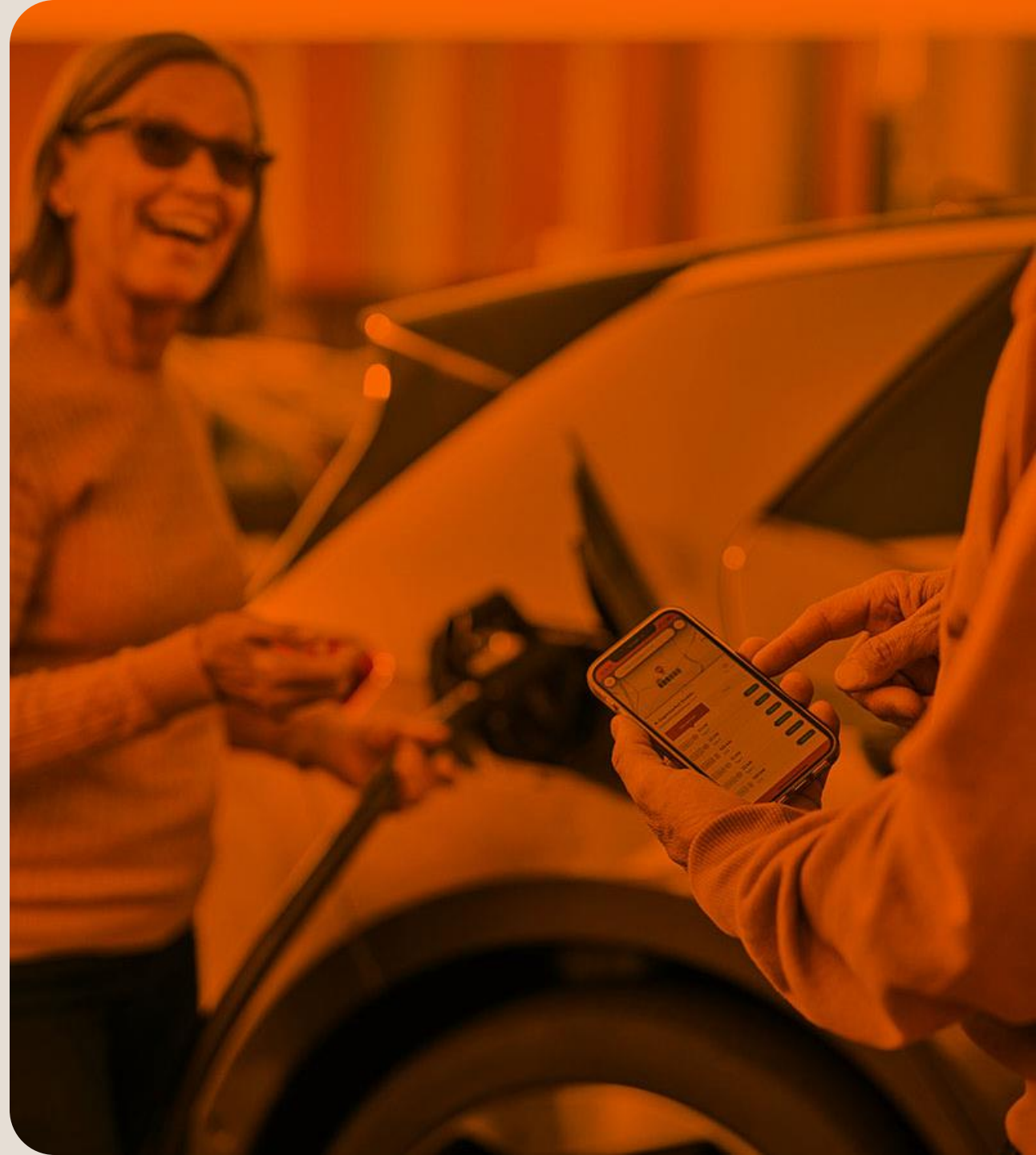
Retail and B2B sales %



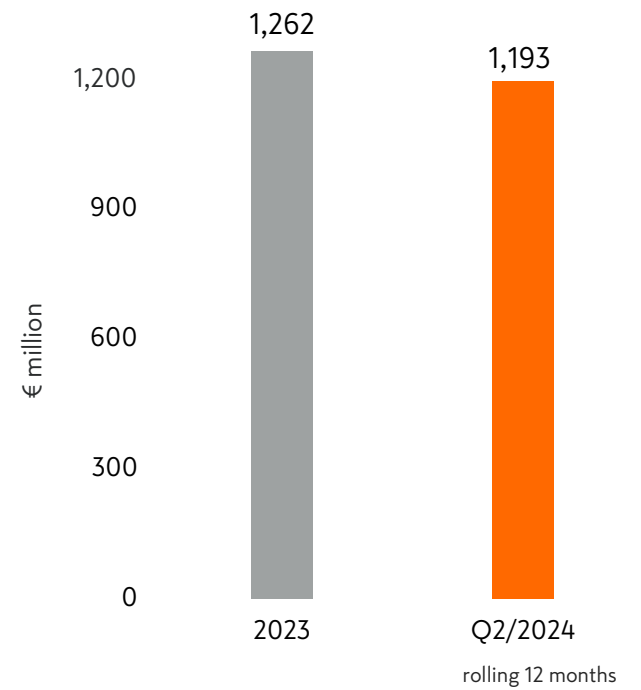
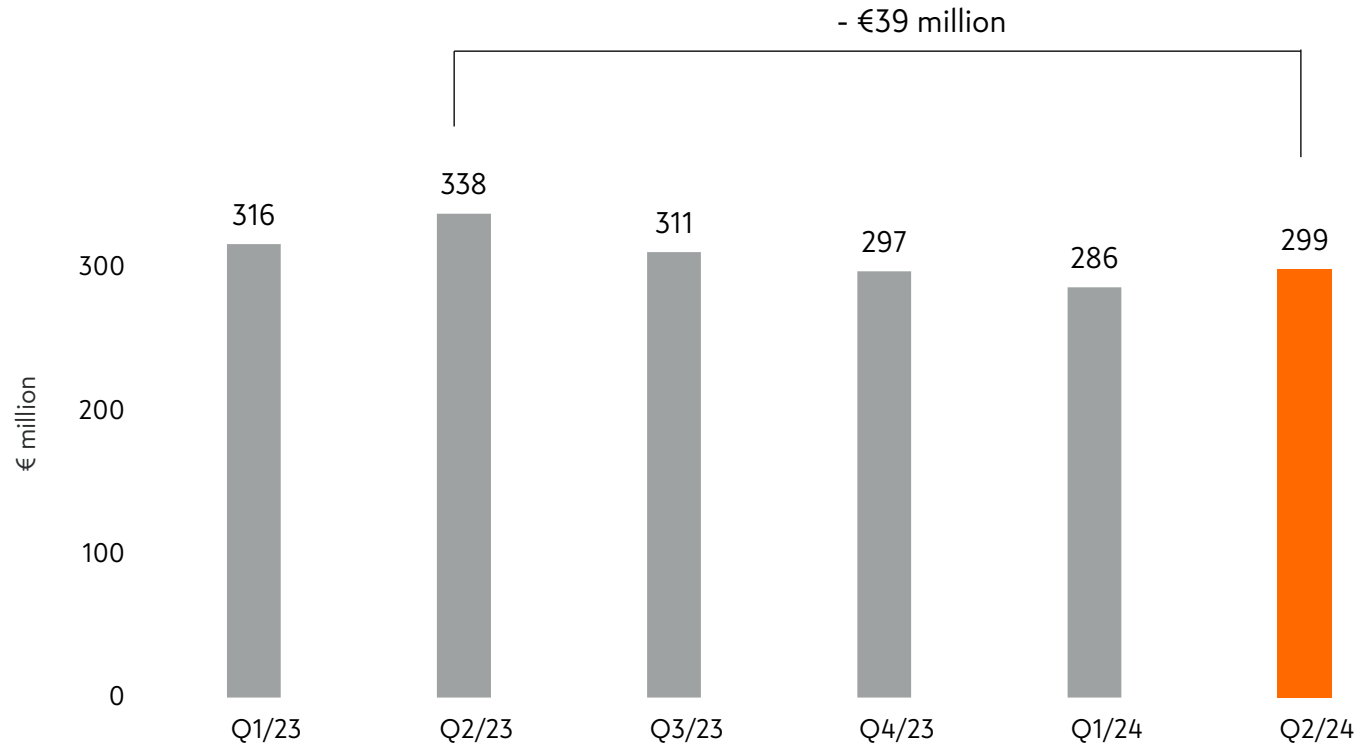


CAR TRADE

# GOOD PERFORMANCE IN A CHALLENGING MARKET

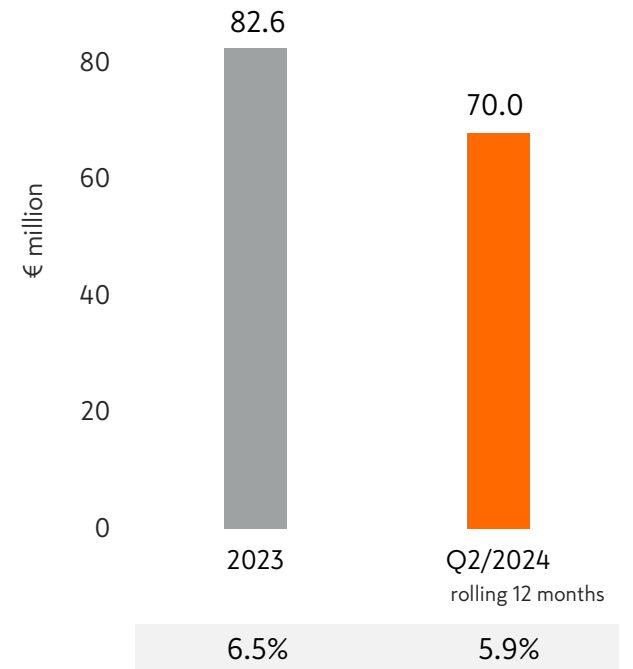
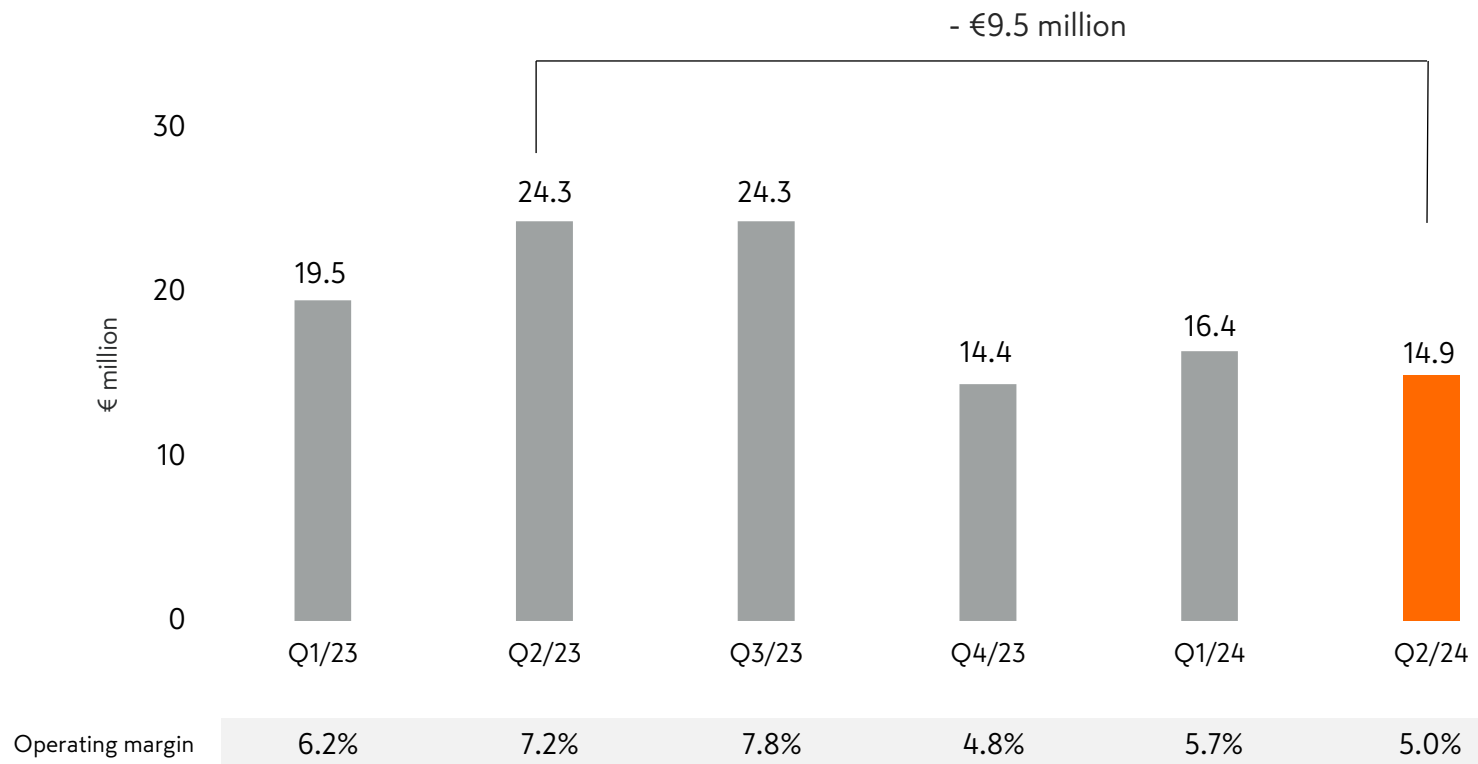


# CAR TRADE NET SALES



# CAR TRADE

## OPERATING PROFIT

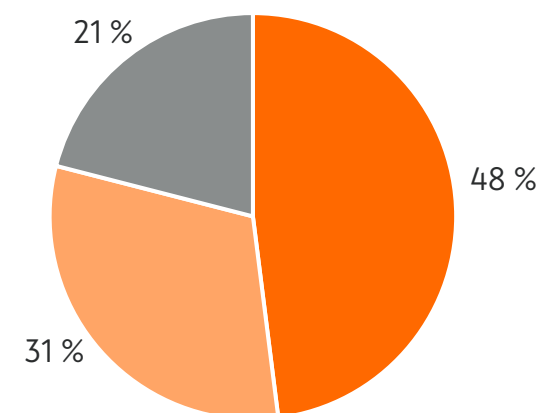


# KEY EVENTS IN CAR TRADE IN Q2

- Market demand for new cars muted, Q2 first registrations in Finland -19.7% (passenger cars and vans); market for used cars up +2.9%
- Net sales and profitability at expected level in a difficult market
- New car sales down, customer demand for new models at a good level
- In used cars, sales growth significantly outpacing the market
- Good growth continued in service sales
- Growth in K-Lataus EV charging proceeded according to plans; over 1,700 charging points, of which 679 fast charging points (373)
- In sports trade, net sales decreased, but market share strengthened

## K-AUTO NET SALES

■ New cars ■ Used cars ■ Services



Net sales for the division's car trade businesses, Q2/2024, €, rolling 12 months

# KEY HIGHLIGHTS



## GROCERY TRADE

- Consumer confidence still weak, but has improved in recent months
- Consumption polarised – price still important, but quality and convenience emphasised
- The development of our store site network continues: 7 new stores to open in H2/2024, 23 stores updated
- Strong position in all areas of food trade

## BUILDING AND TECHNICAL TRADE

- Market showing signs of picking up in all operating countries, though the cycle still weak
- Execution of country-specific strategies continues
- Inventories at a healthier level in both building and home improvement trade and technical trade

## CAR TRADE

- A balanced business portfolio
- New car sales muted, but new models expected to support sales
- Strong sales growth expected to continue in used cars and services





# OUTLOOK AND GUIDANCE



# OUTLOOK

In grocery trade, B2C trade and the foodservice market are expected to remain stable despite tightened price competition, and inflation is expected to slow down in 2024. Profitability in grocery trade is estimated to remain good also in 2024.

In building and technical trade, the market is expected to continue to decline in 2024. The economic cycle will have the biggest impact on new residential building, while the decline in other building construction, renovation building and infrastructure construction is expected to be smaller. The cycle is expected to turn in 2025. Profitability in building and technical trade is estimated to fall short of the 2023 level, but to still remain at a reasonably good level in 2024.

In car trade, new car sales are expected to fall short of the 2023 level. Sales of used cars and services are expected to grow. Profitability in car trade is estimated to still remain good in 2024, but to fall short of the 2023 level.

# GUIDANCE FOR 2024 (SPECIFIED)

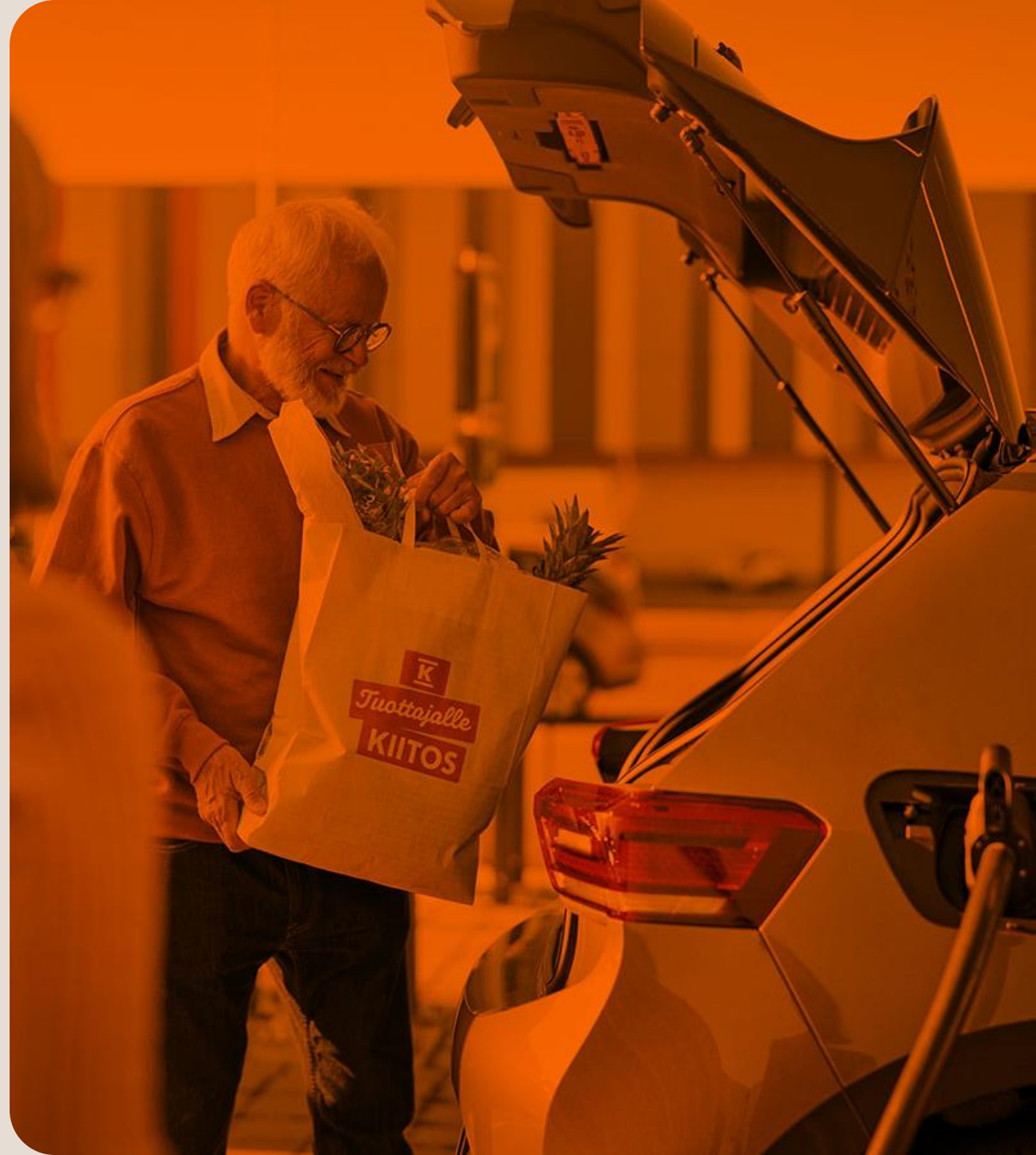
Kesko Group's profit guidance is given for the year 2024, in comparison with the year 2023.

Kesko's operating environment is estimated to remain challenging in 2024.

Kesko's net sales and operating profit are estimated to remain at a good level in 2024 despite the challenges in the company's operating environment. Kesko estimates that its comparable operating profit in 2024 will amount to €620–680 million. Previously, the comparable operating profit was estimated to amount to €620-700 million. The profit guidance specification is based on development in the first year-half and on updated estimates regarding development in building and technical trade and car trade in latter half of the year.



# UPDATED GROWTH STRATEGY



# KESKO GROWTH STRATEGY

## THE LEADING AND MOST ATTRACTIVE TRADING SECTOR GROWTH COMPANY IN NORTHERN EUROPE

### VISION

### STRATEGIC TARGETS

DELIVERING  
PROFITABLE GROWTH

STRENGTHENING  
MARKET POSITION

BUILDING A FOCUSED  
B2C AND B2B  
BUSINESS PORTFOLIO

INCREASING  
CUSTOMER VALUE

### COMPETITIVE ADVANTAGES

OPERATIONAL  
EXCELLENCE

OMNICHANNEL  
CUSTOMER EXPERIENCE

K-RETAILERS &  
COMMERCIAL SPIRIT

FORERUNNER IN  
SUSTAINABILITY

TRUSTED  
K BRAND

### BUSINESSES



GROCERY TRADE



BUILDING AND TECHNICAL  
TRADE



CAR TRADE

### PURPOSE

TOWARDS BETTER TRADE EVERY DAY - CUSTOMER AND QUALITY IN EVERYTHING WE DO

### PRINCIPLES

I OPERATE DIRECTLY,  
OPENLY AND HONESTLY

I SHOW THE PATH

I'M ALL IN

I CREATE TRUST

# GROCERY TRADE: AIM TO GAIN MARKET SHARE

## KEY ACTIONS:

- **STRENGTHENING STORE-SPECIFIC BUSINESS IDEAS:** Focusing on strengthening chosen competitive advantages and raising the quality level of stores.
- **DEVELOPING STORE SITE NETWORK:** Targeted investments in the store site network, focusing on growth centres.
- **IMPROVING PRICE COMPETITIVENESS:** Strengthening price competitiveness and improving price image.
- **CONTINUING GOOD DEVELOPMENT IN KESPRO:** Further strengthening Kespro's market-leading position.

**STORE SITE AND PRICE INVESTMENTS WILL HAVE A SLIGHT IMPACT ON GROCERY TRADE PROFITABILITY IN UPCOMING YEARS**

**HOWEVER, EBIT DEVELOPMENT WILL BE STABLE AND PROFITABILITY CLEARLY ABOVE 6% DESPITE INVESTMENTS DURING THE STRATEGY PERIOD**



# BUILDING AND TECHNICAL TRADE: FOCUSING ON SECURING PROFITABILITY AND GENERATING CASH FLOW

## KEY ACTIONS:

- **FINLAND:** Continuing growth and winning over market share.
- **SWEDEN AND NORWAY:** Stabilising and improving business performance. Integration of acquired companies.
- **DENMARK:** Finalising the integration of Davidsen and improving performance through growth.
- **GROWTH THROUGH ACQUISITIONS:** M&A to boost profitable growth in Northern Europe.

**THE LONG-TERM STRATEGIC TARGET OF A  
6-8 % OPERATING MARGIN STILL VALID**



# CAR TRADE: FOCUS ON OUTPERFORMING THE MARKET IN ALL BUSINESSES

## KEY ACTIONS:

- **CONTINUING WITH GROWTH STRATEGY EXECUTION:**  
Major turnaround and continuous development establish a robust foundation for the next strategy period.
- **MAINTAINING THE BALANCED BUSINESS PORTFOLIO:**  
New cars, used cars and services.
- **COOPERATION WITH THE VOLKSWAGEN GROUP:**  
Continuing the good cooperation with the Volkswagen Group and Porsche AG.
- **SPORTS TRADE:** Continuing as a strong market leader in sports trade.

## SOLID EBIT DEVELOPMENT

#1 IN BRAND AWARENESS AND PREFERENCE





# KESKO GROUP MANAGEMENT BOARD



