



KESKO CORPORATION STOCK EXCHANGE RELEASE 14.10.2021 AT 8.30

# **Kesko Corporation issues a positive profit warning and provides preliminary information on its third-quarter net sales and comparable operating profit**

Kesko raises its profit guidance for 2021. The company now estimates that its comparable operating profit in 2021 will be in the range of €740 – 800 million. Before, the company estimated that the comparable operating profit would be in the range of €650 – 750 million. The guidance upgrade is based on better-than-anticipated sales growth and profit development especially in the building and technical trade division, and the division's more positive outlook for the remainder of the year. In 2020, Kesko's illustrative comparable operating profit totalled €554 million.

In the third quarter of 2021, preliminary net sales totalled approximately €2,902 million (Q3/2020: €2,651.9 million) and comparable operating profit approximately €236 million (Q3/2020: €181.8 million). Net sales and comparable operating profit increased especially in the building and technical trade division, underpinned by a strong market. The changes implemented in the building and technical trade division in recent years have also had a significant positive impact on profitability alongside acquisitions carried out and their successful integration. Comparable operating profit exceeded last year's level also in the grocery trade and car trade divisions. Kesko will publish its third-quarter results on 29 October 2021.

## **Guidance upgrade rationale**

In the building and technical trade division, growth in B2B trade has continued stronger than anticipated in all operating countries. The growth has been underpinned by stronger-than-anticipated volume development in the construction market and continued rise in raw material prices. Raw material prices have risen the most in building materials such as wood products, metals and plastic products. Expectations regarding the remainder of the year especially in the building and technical trade are more positive than before.

In the grocery trade division, retail sales have developed well while Kesko's foodservice business has strengthened compared to the year before.

In the car trade division, sales margin growth and cost adjustments have supported profitability, but availability issues caused by component shortages may weaken profitability in the fourth quarter.

The company has managed to improve its cost ratio in all divisions by further increasing operational efficiency.

Estimates for the remainder of the year are made more difficult by the continuing pandemic and challenges in predicting customer behaviour. Estimates are also made more difficult by uncertainties regarding the availability of goods and price inflation.

**The previous outlook and guidance for 2021, issued on 14 June 2021 and again in connection with Kesko's half-year financial report on 23 July 2021, was as follows:**

#### "OUTLOOK AND GUIDANCE FOR 2021

Kesko Group's outlook is given for the year 2021, in comparison with the year 2020.

Kesko estimates that its comparable operating profit in 2021 will be in the range of €650-750 million.

The company issued a stock exchange release on 14 June 2021 and raised its profit guidance. Before, the company estimated that its comparable operating profit would be in the range of €570-670 million. In 2020, Kesko's illustrative comparable operating profit totalled €554 million.

The guidance upgrade was based on better-than-anticipated sales growth and profit development especially in the building and technical trade division, and the division's more positive outlook for the remainder of the year.

Growth in the building and technical trade division has continued better than anticipated in both B2B trade and B2C trade in all operating countries. The division is also positively impacted by the continued strengthening of the market and general rise in prices.

In the grocery trade division, retail sales have developed well while Kesko's foodservice business has clearly strengthened compared to the year before. In the car trade division, growth in sales and improvement in operational efficiency are proceeding as planned.

Expectations regarding the remainder of the year are more positive than before, especially in the building and technical trade. The outlook for the remainder of the year is more positive also in the grocery trade and car trade.

Due to various uncertainties, the guidance range for the 2021 comparable operating profit remains wide. Especially factors such as consumption predictability, product availability, price inflation and the duration of the pandemic make estimates for the remainder of the year more difficult."

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