



Kesko Corporation issues a positive profit warning thanks to stronger than anticipated sales and improved outlook for the remainder of the year

Kesko raises its guidance for the 2020 comparable operating profit for its continuing operations. Kesko now estimates that the comparable operating profit for continuing operations will be in the range of €510-570 million in 2020. The guidance upgrade is based on better than anticipated sales development in all divisions, improved cost efficiency, and a more positive outlook for the remainder of the year.

On 17 September 2020, Kesko issued a release concerning a change in the consolidation method of Kesko Senukai and impacts of the change. In the operating profit guidance issued now, Kesko Senukai is treated as a joint venture from July 2020 onwards. This change in classification has an approximately €20 million negative impact on the operating profit guidance. The change in classification does not have an impact on Kesko's comparable earnings per share or Kesko's dividend distribution.

Before, the company estimated that the comparable operating profit for continuing operations would be in the range of €430-510 million. In the previous guidance, Kesko Senukai was treated as a subsidiary for the full year 2020.

Guidance upgrade rationale

Retail sales have continued strong in the grocery trade, while the foodservice business has recovered well after the exceptional circumstances of last spring. In the building and technical trade, growth has continued better than anticipated in both B2B trade and B2C trade. At the same time, the company has managed to improve cost efficiency. Expectations for the remainder of the year in the grocery trade and building and technical trade are more positive than before with, for example, household consumption more focused on domestic purchases than previously estimated.

So far, the epidemic situation has remained stable in Kesko's operating countries. However, concerns over the expansion of the Covid-19 epidemic and general economic weakening remain high. A worsened epidemic situation would have a negative impact on Kesko's businesses and, for example, Christmas sales. Therefore, the range for the guidance given on comparable operating profit for 2020 is still wide.

The previous outlook and guidance for 2020, issued in connection with Kesko's half year financial report on 23 July 2020, was as follows:

OUTLOOK AND GUIDANCE FOR 2020

"Outlook for Kesko Group's continuing operations is given for year 2020, in comparison with year 2019.

Kesko estimates that the comparable operating profit for continuing operations will be in the range of €430-510 million in 2020. Before, the company estimated that the comparable operating profit for continuing operations would be in the range of €400-450 million.

The profit guidance upgrade is based on better than anticipated net sales development in the building and technical trade division in various operating countries as well as in the grocery trade. Consumer sales have developed better than anticipated during the exceptional circumstances. B2B sales have also continued stronger than anticipated in both building and home improvement stores and Onninen. Retail sales for all the grocery trade chains have developed better than anticipated, compensating for the decrease in sales in the foodservice business.

In addition to the foodservice business, net sales have clearly decreased in the car trade. Adjustment measures carried out have enabled the company to manage the situation and costs in its various business operations under the challenging circumstances.

Although conditions surrounding the coronavirus have improved in Kesko's operating countries, it is hard to predict the development of the epidemic situation and its economic impact. Therefore, the range for the guidance on comparable operating profit for 2020 is still wide."

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