



KESKO INVESTOR PRESENTATION Q1/2020

Record Q1 Result, Impact of Coronavirus Epidemic Seen from Mid-March Onwards

CFO JUKKA ERLUND



K Group and Kesko Today

#1

Biggest in Finland,
#3 in Northern Europe
with retail sales of over
€13,3bn



Profitable growth
strategy in **3** core
divisions



43,000 employees,
approx. **1,800 stores** and
comprehensive **digital**
services in **8** countries



Strong financial
position with good
dividend capacity



Market cap approx.
€6.0bn with some
50,000 shareholders



World's most
sustainable grocery
trade company

Core Divisions at a Glance

Grocery Trade



- Net sales approximately €5.6bn
- Quality leader in the Finnish grocery market: #2 in grocery retailing, #1 in foodservice B2B
- Rapidly expanding online food store network
- Market share at its highest in >15 years, ~37%
- 1.3m customer visits per day
- 1,200+ stores in the retailer business model
- One of the most profitable players in Europe

Building and Technical Trade



- Net sales approximately €4.4bn
- #1 operator in building and technical trade in Northern Europe
- 535 stores in 8 countries
- Comprehensive digital services
- Serves three customer segments – B2B share approximately 70%
- Strong position to fully benefit from the ongoing consolidation of the market

Car Trade

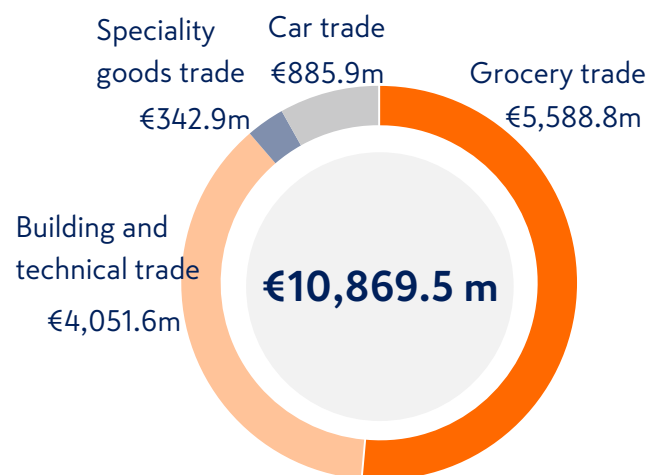


- Market leader with net sales of €0.9bn
- Operating the Volkswagen Group's business in Finland: Audi, Volkswagen, SEAT, Porsche, Bentley and MAN
- Value chain includes importing, retailing, leasing services and after sales as well as an extensive dealer and servicing network
- Various service concepts and wide electric car charging network

Kesko's Footprint

K Group's Retail Sales and Number of Stores

Net sales



Comparable operating profit



	Retail sales 2019, € million	Stores
Finland	10,804	1,592
Sweden	468	52
Norway	744	81
Baltic countries	940	59
Poland	238	36
Belarus	147	17



Growth Strategy

Focus:



Grocery trade



Building and technical trade



Car trade

One unified **K**

Sustainability
and combatting
climate change



Kesko's Financial Targets

Indicator	Target level	Level achieved in Q1 2020
Comparable operating margin, %	5.0%	4.3%
Comparable return on capital employed, %	11.0%	9.6%
Interest-bearing net debt/EBITDA, excluding the impact of IFRS 16	at maximum 2.5	0.9

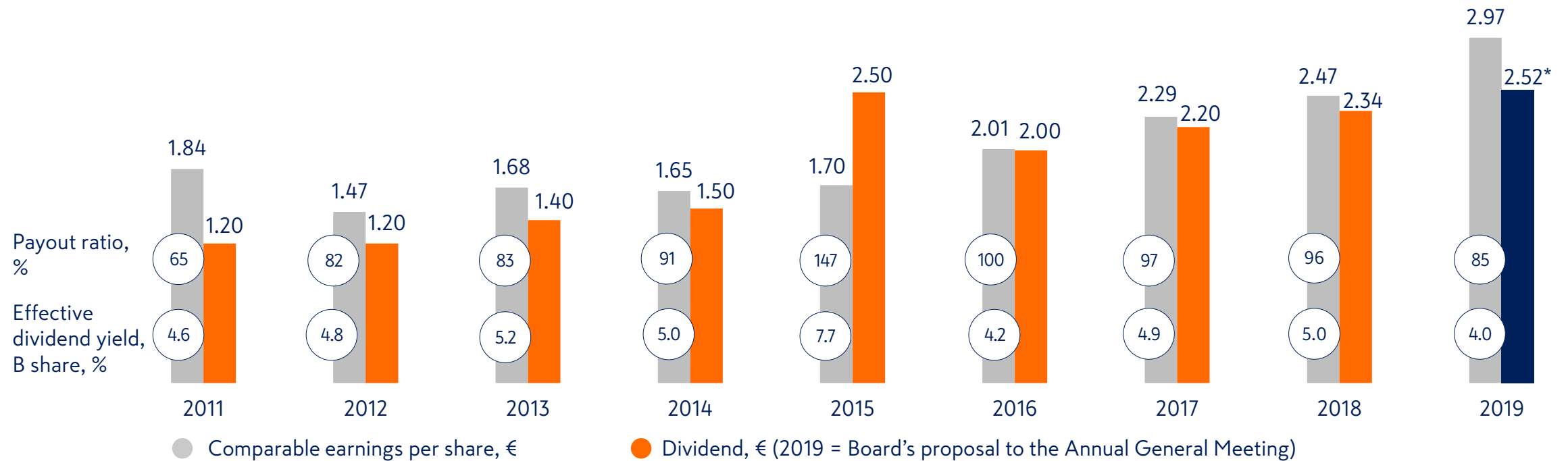
Main themes and actions to achieve the financial targets

- All business division:
 - Customer driven organic growth
 - Improved efficiency
- Improved cash flow generation
- Focused capital expenditure:
 - Selected acquisitions
 - Limited store sites expansion needs
 - Further development of digitalisation

Solid Dividend Track-record

Dividend in two instalments in 2020

Kesko's dividend policy: In the long-term, Kesko aims to distribute a steadily growing dividend of some 60-100% of its comparable earnings per share, taking into account the company's financial position and strategy. Kesko has been paying its dividends in two instalments starting with the dividend paid for the year 2018.





Q1 – Kesko Group and Divisions



Key Events in Q1

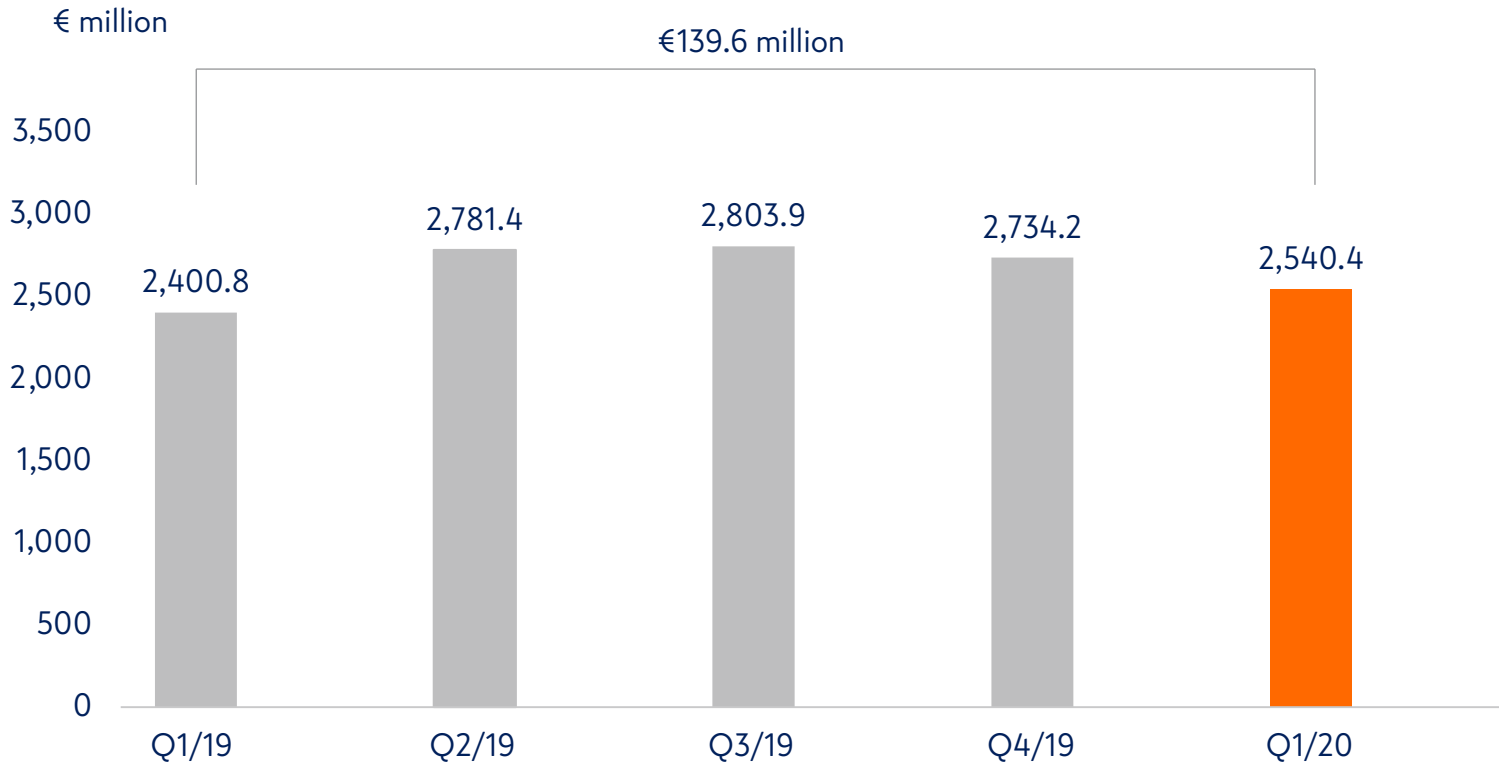
- Market shares strengthened further. K-food stores', K-rauta's and Onninen's market shares growing
- Grocery sales in K-food stores up by 7.8%
- At its highest, online grocery sales growth over 800%
- Strong net sales and profit improvement continued for Onninen
- Konekesko's divestment completed
- Technical wholesale company MIAB acquired in Sweden
- Impact of COVID-19 epidemic seen from March onwards

	1-3/2020	1-3/2019
Net sales, € million	2,540.4	2,400.8
Change in net sales, %	5.8	-0.5
Operating profit, € million*	65.1	57.5
Operating margin, %*	2.6	2.4
Profit before tax, € million*	32.7	34.6
Earnings per share, basic, €*	0.33	0.33
Cash flow from operating activities, € million	135.7	157.0

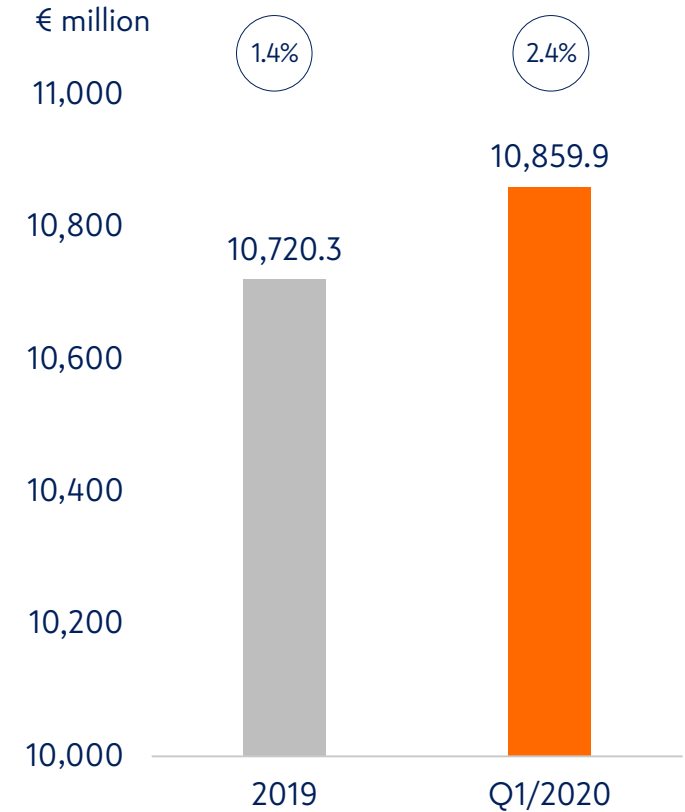
*Comparable

Net Sales

Q1 net sales up by 5.8%, or by 4.0% in comparable terms



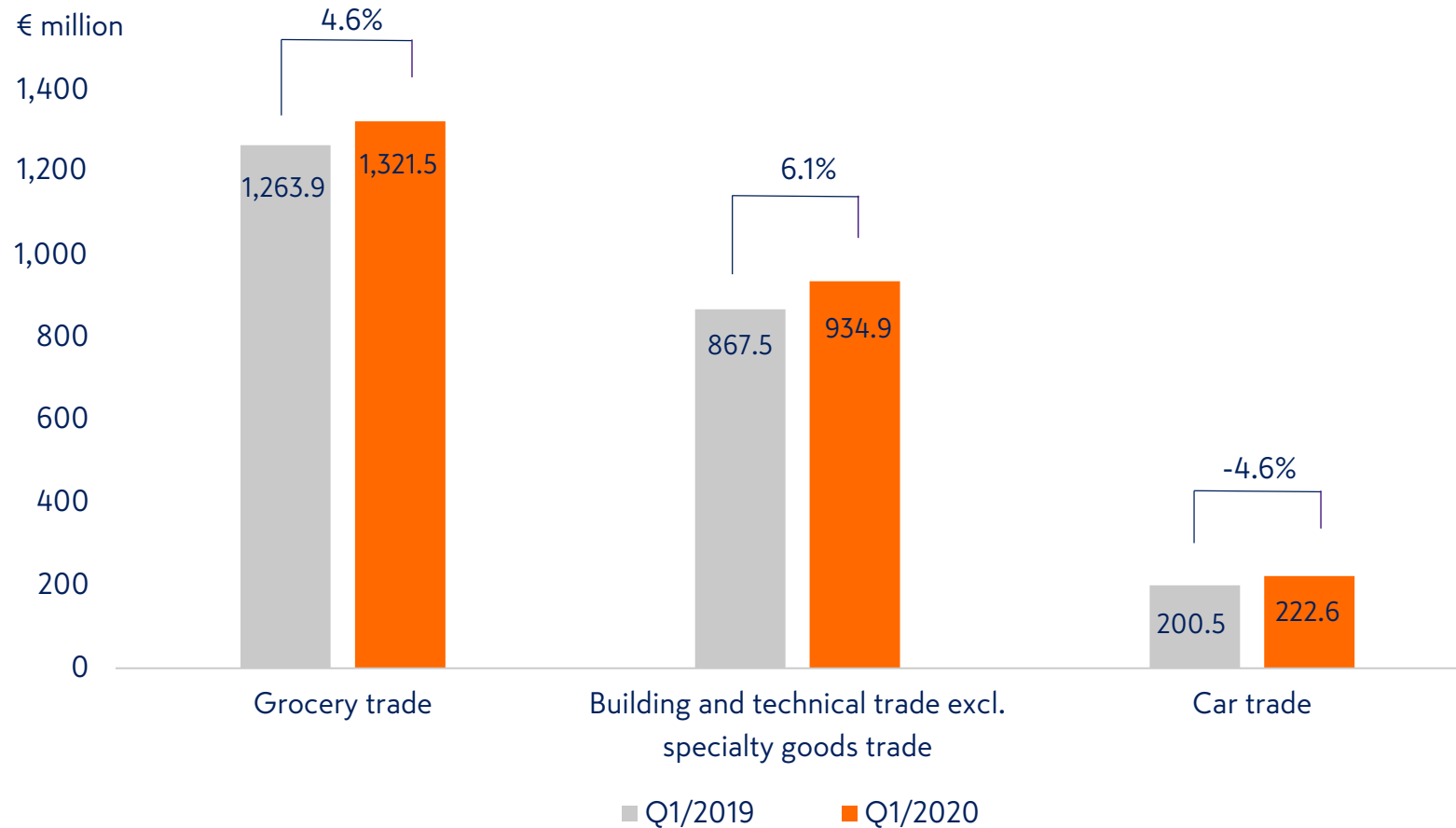
Rolling 12 months



Net Sales by Division

Comparable growth

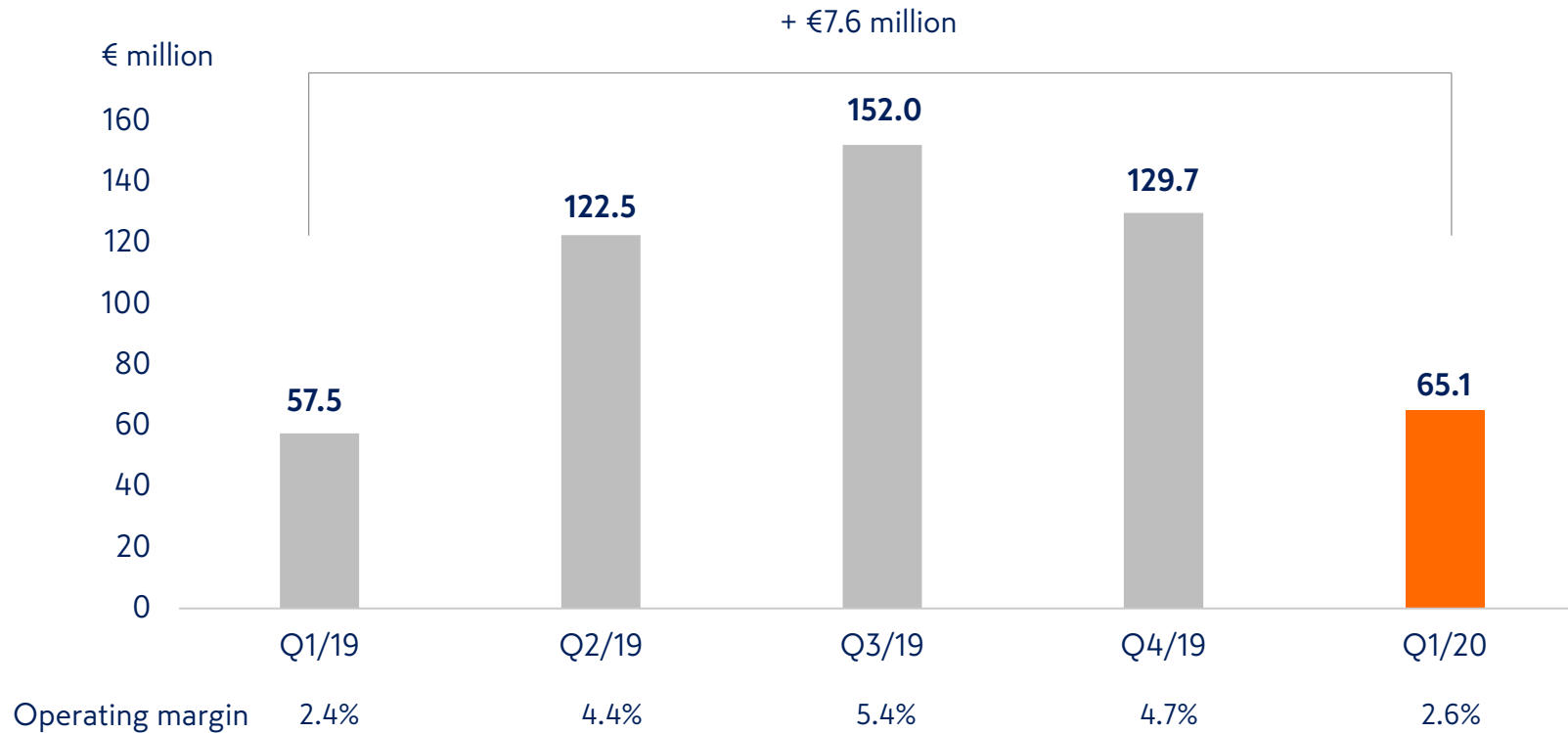
€ million



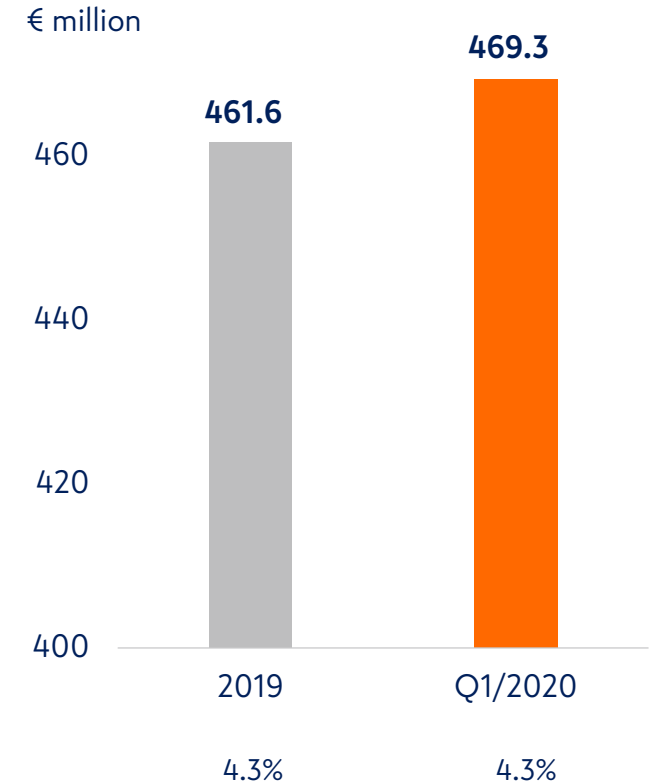
- Grocery trade: net sales grew in all food store chains
- Building and technical trade: net sales continued to grow, growth especially strong for Onninen
- Car trade: net sales grew thanks to acquisitions, comparable net sales down

Operating Profit

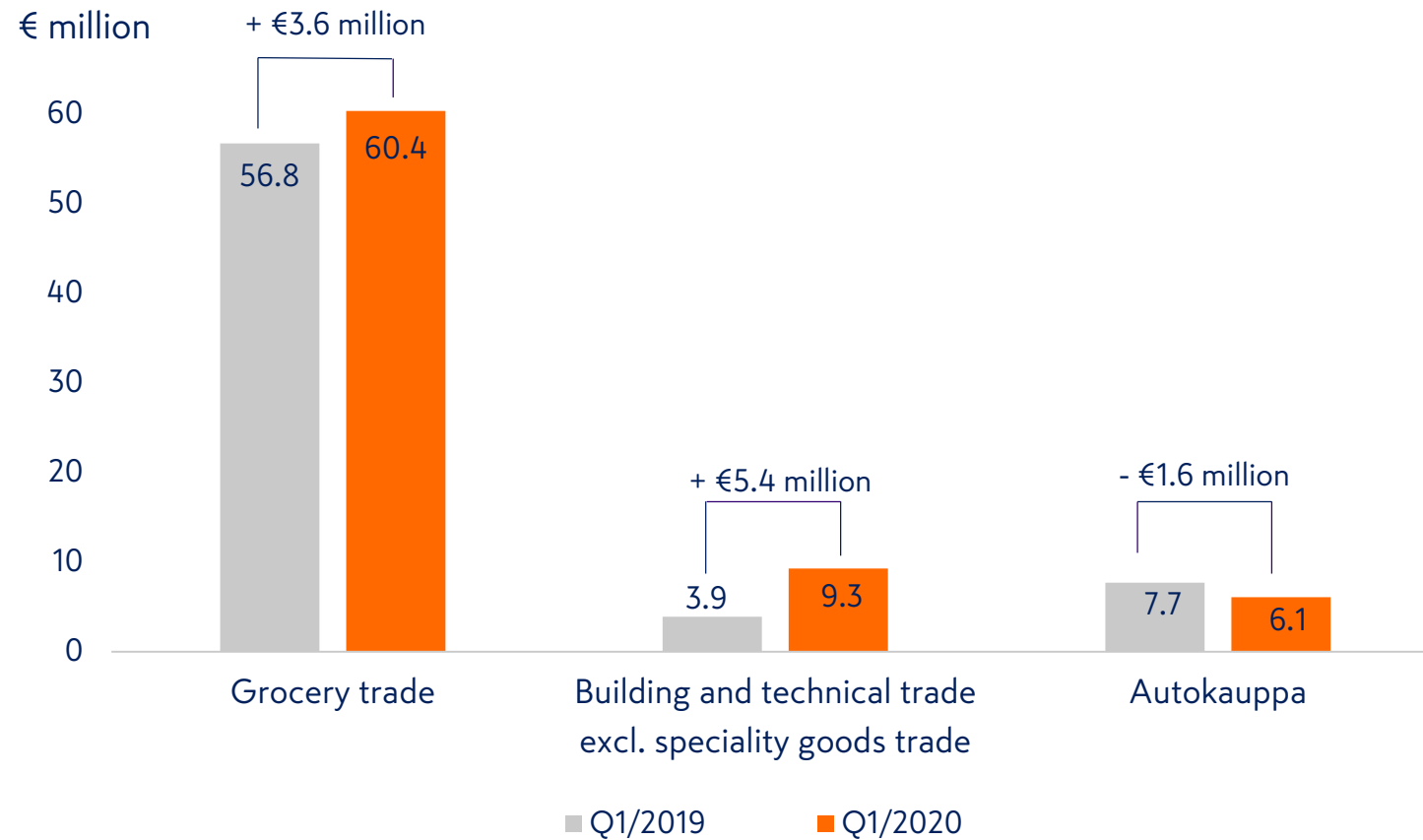
Record operating profit for Q1



Rolling 12 months



Operating Profit by Division



- Grocery trade: profitability improved thanks to strong growth in food sales in K-food stores
- Building and technical trade: operating profit grew thanks to good sales for Onninen and building and home improvement stores
- Car trade: comparable operating profit down due to weakened demand towards the end of the quarter

Strong Financial Position

Operating cash flow improved by €27 million –
Q1/2019 cash flow included €48 million return of surplus assets by Kesko Pension Fund

	Q1/2020	Q1/2019
Cash flow from operating activities, € million	135.7	157.0
Cash flow from investing activities, € million	-35.1	-86.0
Capital Expenditure, € million	99.0	97.3
Liquid assets, € million	265.4	237.6
Interest-bearing net debt excl. lease liabilities, € million	482.4	174.6
Interest-bearing net debt/EBITDA (excl. IFRS 16 impact)	0.9	0.4
Lease liabilities, € million	2,337.4	2,287.1

Impacts of the COVID-19 epidemic and measures taken

Key Measures

- # Ensuring the safety of customers and personnel
- # Ensuring functioning purchasing and supply chains under all circumstances
- # Growing online sales services fast
- # Postponing development projects, focus on dealing with the situation
- # Securing cash flow:
 - Savings in personnel costs, over 1,000 people currently laid off
 - Cuts to other fixed costs
 - Cutting cash flows from investing activities below €200 million in 2020
 - Efficient management of credit risk and amounts due from customers
- # Ensuring the availability and sufficiency of financing



Epidemic well under control in K Group

**Significant investments made in protection,
constant efforts to improve safety**

Testing has begun and will be expanded

Some 40 confirmed cases at the moment

**Preparations to safely return back to normal
have begun**

Impacts Vary within Grocery Trade

Impact on K Group

- Strong food sales growth in K-food stores and online
- Kespro's sales down by approx. 50% due to restrictions on restaurants and cafeterias
- Sales of home and speciality goods in K-Citymarkets down due to lower customer numbers
- Reduced traffic has had a significant impact on sales for Neste K service stations

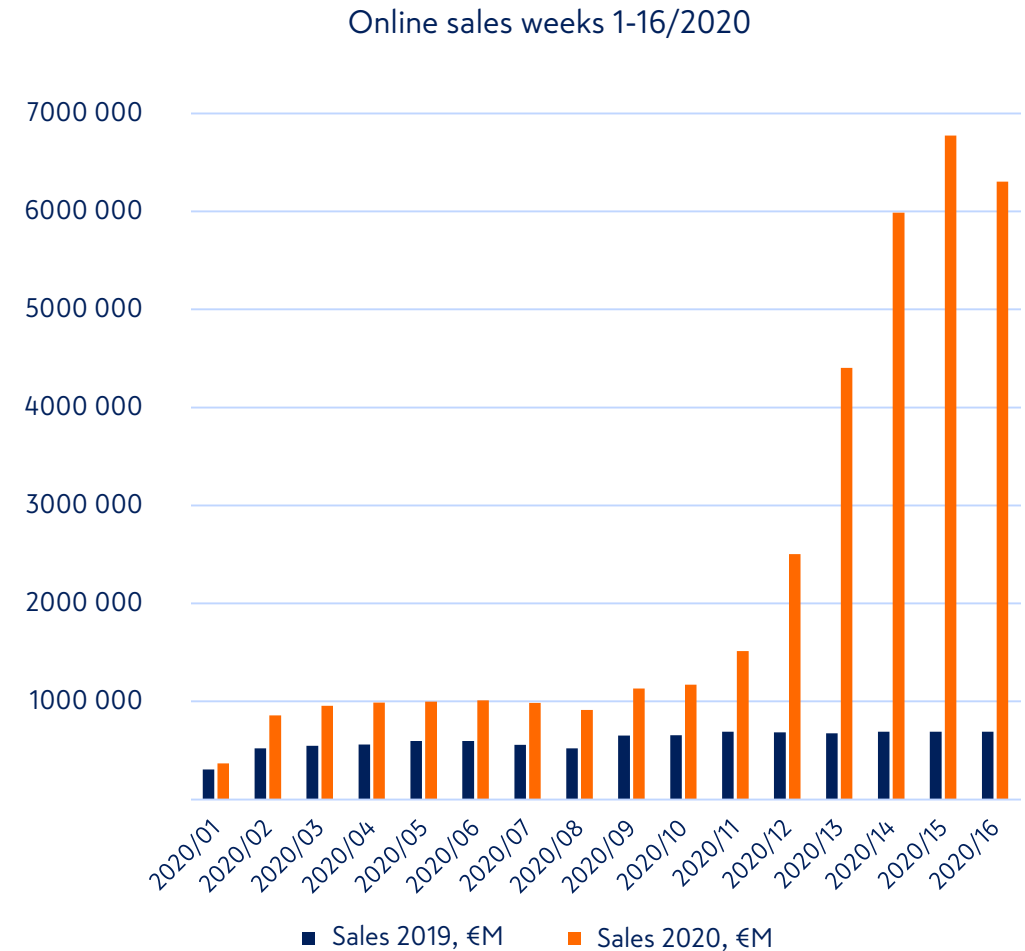
Impact on market

- Significant growth in food retail
- Hoarding seen in individual product categories
- Fewer customer visits, but bigger average purchase
- Strong growth in demand for online sales of groceries
- Strong decrease in demand in the foodservice business due to containment measures
- Service station sales down due to reduce traffic

Strong Growth in Online Grocery Sales

K-ruoka.fi has become the biggest online grocery service in Finland, highest growth rate over 800% a week

- We have been able to successfully respond to strong growth in online demand
- Our K-ruoka.fi network is expanding fast, some 20 new stores added to the network every week
- Currently over 400 K-food stores offer online grocery sales services at K-Ruoka.fi
- Very high customer satisfaction, NPS 82
- Online's share of retail sales rose to 5% in April



Moderate Impact So Far on Building and Technical Trade Sales

Impact on K Group

- Sales development in building and home improvement B2C trade has been good in Finland and Sweden
- Sales levels have also stayed good in B2B trade
- Onninen's sales development very good so far
- Steep drop in sales in Lithuania due to stores being closed until 16 April
- Significant decline in leisure trade sales

Impact on market

- Activity on construction sites has continued without major disruptions
- Home decoration and renovation have increased
- Fewer new construction starts
- Difficult to predict trends in demand in the longer term
- Stimulus measures could accelerate economic turnaround and increase demand

Significant Decrease in Demand in Car Trade

Impact on K Group

- New car sales and orders significantly below normal levels
- Used car sales also clearly down
- Servicing and spare part service sales almost at a normal level
- Production shutdowns at Volkswagen Group plants, but plenty of previously imported cars available for sale
- Car pick-up and return services expanded

Impact on market

- Overall, orders for new passenger cars down by approx. 60%, orders for vans down by 40%
- Demand has weakened significantly among both consumer and corporate customers
- Used car sales also down significantly

Growth Strategy Execution Continues, but Right Now Our Focus Is on Crisis Management



Outlook and Guidance for 2020

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

Due to the COVID-19 pandemic and global economic uncertainty, the company estimates that its comparable operating profit for continuing operations will amount to €400–450 million in 2020, thus falling somewhat short of the 2019 comparable operating profit of €461.6 million.

The company does not issue a guidance regarding net sales.

Kesko estimates that consumer demand for food will remain good despite the exceptional circumstances brought on by the COVID-19 pandemic. Sales are expected to grow in grocery stores and especially in the online sales of groceries. In the foodservice business and home and speciality goods trade, sales are expected to decrease. Under the current circumstances, it is difficult to provide assessments on sales development in the building and technical trade. A weakening in the overall economy is expected to be reflected in sales to B2B customers. In addition, restrictions on store opening hours affect sales development. In the car trade, both new and used car sales are expected to decrease compared to 2019.

Contact

Hanna Jaakkola

Vice President, Investor Relations

+358 40 5666 070

hanna.jaakkola@kesko.fi



