



KESKO FINANCIAL STATEMENTS RELEASE 2020

# Record Result in 2020

Jukka Erlund, CFO

# K Group and Kesko Today

#1

**Biggest in Finland,**  
#3 in Northern Europe  
with retail sales of  
**€14bn**



Profitable growth  
strategy in **3** core  
divisions



**39,000** employees,  
approx. **1,800 stores** and  
comprehensive **digital**  
services in **7** countries



**Strong financial**  
**position** with good  
dividend capacity



Market cap approx.  
**€8.5bn** with over  
**60,000** shareholders

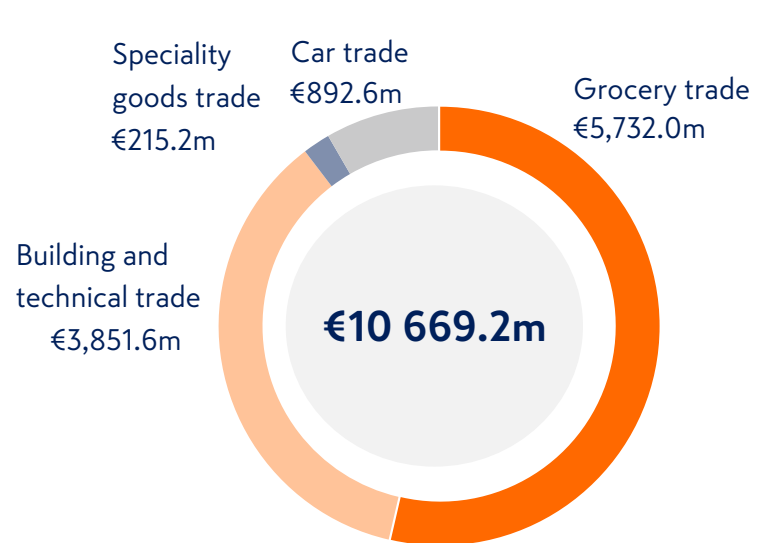


**World's most**  
**sustainable** grocery  
trade company

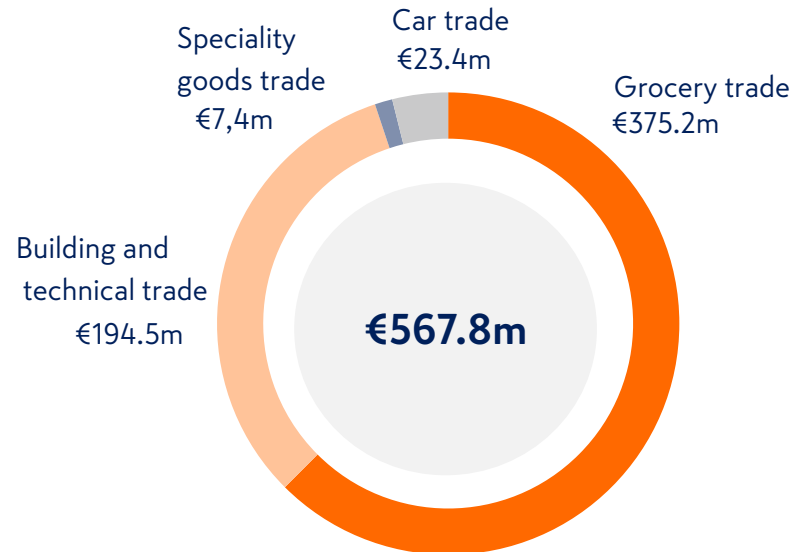


# Kesko in a nutshell

## Net Sales



## Operating profit



# Operations focused in three divisions



€5,732  
million

## Grocery trade

1,240 stores in Finland

K-retailers guarantee quality

#2 in Finnish retail

#1 on the Finnish foodservice market

Net sales 1-12/2020



€3,640\*  
million

## Building and technical trade

Serves three customer segments:  
technical professionals,  
professional builders, and consumers

500 stores in total in 7 countries

#1 in Northern Europe

\* Net sales excl. Kesko Senukai



€893  
million

## Car trade

Volkswagen, Audi, SEAT, Porsche,  
Bentley, and MAN trucks

#1 in Finland



# Our business models

On the Finnish market, Kesko operates a **retailer business model**, in which independent K-retailers engage in retail in Kesko's chains.

**B2B trade** is a significant, growing part of Kesko's business operations.

Outside Finland, we mainly engage in **own retailing** and **B2B trade**. Share of operations outside Finland was 15% in 2020.



- 49% retailer entrepreneurs' retailing
- 33% B2B trade
- 18% Kesko's own retailing



# Growth Strategy

## Focus:



Grocery trade



Building and technical trade



Car trade

One unified **K**

Sustainability  
and combatting  
climate change



# Financial Targets

Indicator	Target	Actual in Q4/2020
Comparable operating margin	5.5%	5.3%
Comparable return on capital employed	12.5%	12.0%
Interest-bearing net debt/EBITDA, excluding IFRS 16 impact	< 2.5	0.4

# Strong Strategy Execution

Over 30 acquisitions and divestments

Investments in growth  
**€3.0 billion**

- ↑ Acquisition of Carlsen Fritzøe Handel AS
- ↑ Acquisition of Fresks stores
- ↑ Byggmakker acquisitions
- ↑ Acquisition of Onninen
- ↑ Acquisition of Suomen Lähikauppa

Divestments  
**€1.0 billion**

- ↓ Divestment of operations in Russia
- ↓ Divestment of agricultural trade
- ↓ Divestment of machinery trade businesses
- ↓ Divestment of Anttila department stores



# Transformation from a Traditional Retailing Company into a Focused K Group

**KESKO**

**K CITYMARKET**

**K SUPERMARKET**

**KESPRO**

**K MARKET**

**K EXTRA**

**K-KAUKA**

**RAUTIA**

**K-MAATALOUS**

**KODIN YKKÖNEN 1**

**ASKO**

**SOTKA**

**ANTILA**

**MUULI**

**YAMARIN**

**MUSTA PÖRSSI**

**KONEKESKO**

**K PYÖKÄ**

**BM BYGGMAKKER**

**VV-AUTO**

**K-PAYTA**

**K**

**K CITYMARKET**

**K Supermarket**

**K Market**

**KESPRO**

**K Rauta**

**onninen K**

**K BYGG**

**BM BYGGMAKKER K**

**K Auto**

**K Plussa**

# Kesko's Sustainability Efforts Recognised Internationally



**MOST SUSTAINABLE  
GROCERY TRADE COMPANY  
IN THE WORLD**

for the seventh year

MEMBER OF  
**Dow Jones  
Sustainability Indices**  
In Collaboration with RobecoSAM



**FTSE4Good**

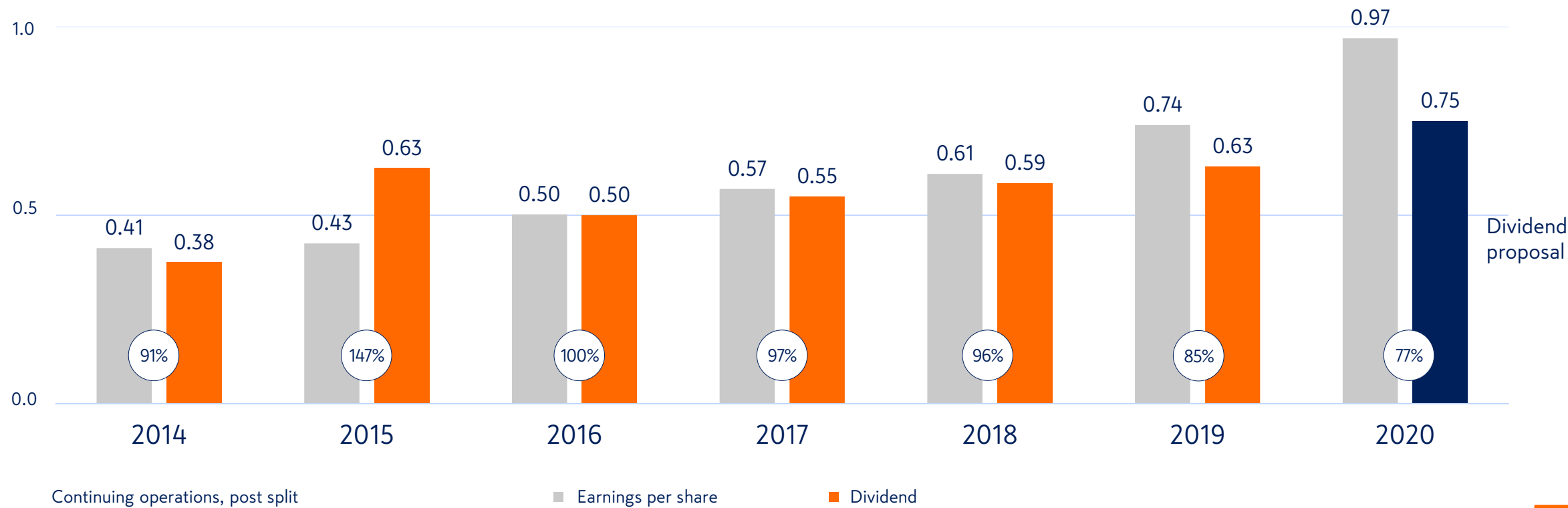
Included in sustainability indices



# Solid Dividend Track-record

## Board's Dividend Proposal: €0.75/Share, Nearly €300 Million

**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 paid dividends in two instalments starting with the dividend paid for the year 2018.





# FY and Q4 2020 results Group and Divisions



# Main Facts for 2020

- The Covid-19 pandemic impacted operations widely
- Sales grew and profitability improved significantly
- Excellent performance by K-food stores
- Good performance in all countries in building and technical trade
- Foodservice business and car trade hit by the pandemic
- Kesko's financial position grew even stronger and cash flow improved markedly
- New financial targets and sustainability objectives

	1-12/2020	1-12/2019
Net sales, € million	10,669.2	10,720.3
Illustrative net sales, € million	10,242.6	9,862.0
Operating profit, € million*	567.8	461.6
Illustrative operating profit, € million*	553.6	434.7
Illustrative operating margin, %*	5.4	4.4
Profit before taxes, € million*	481.9	370.7
Earnings per share, basic, €*	0.97	0.74

\* Comparable figures.

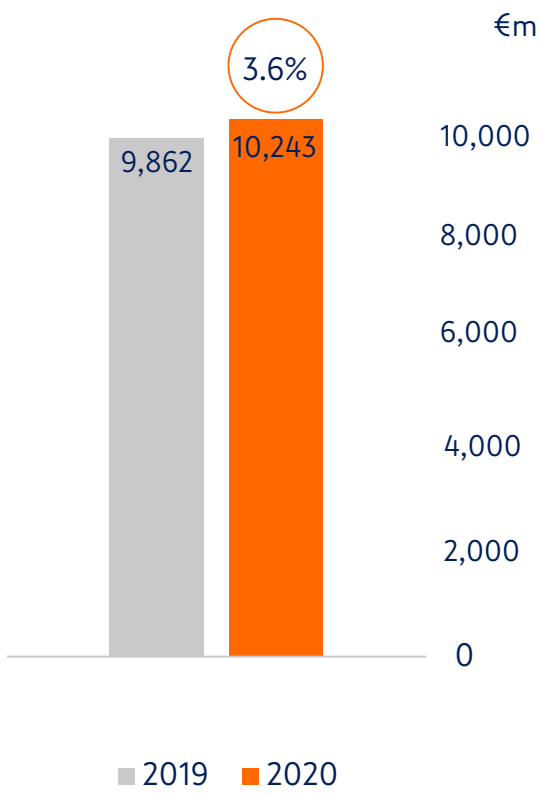
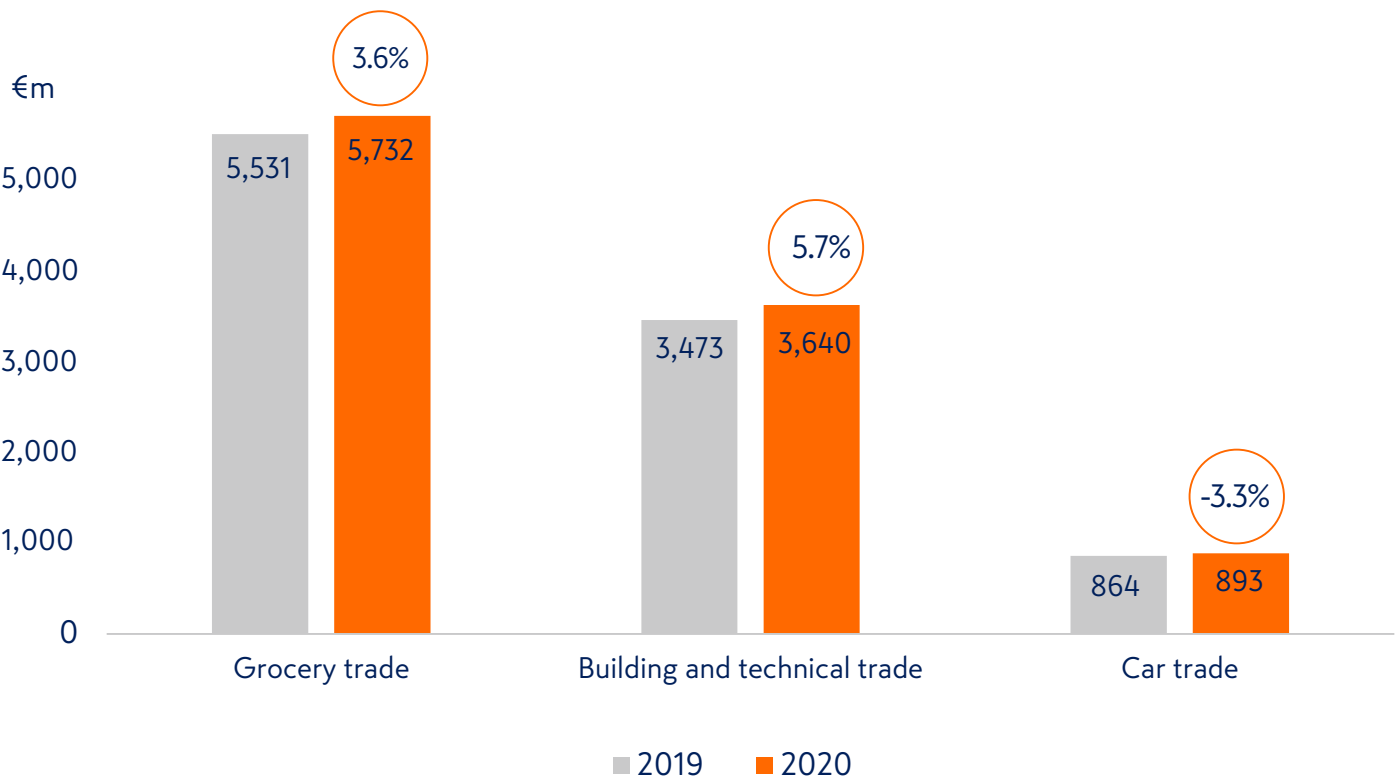
Kesko Senukai treated as a joint venture in the illustrative figures.



# Net Sales

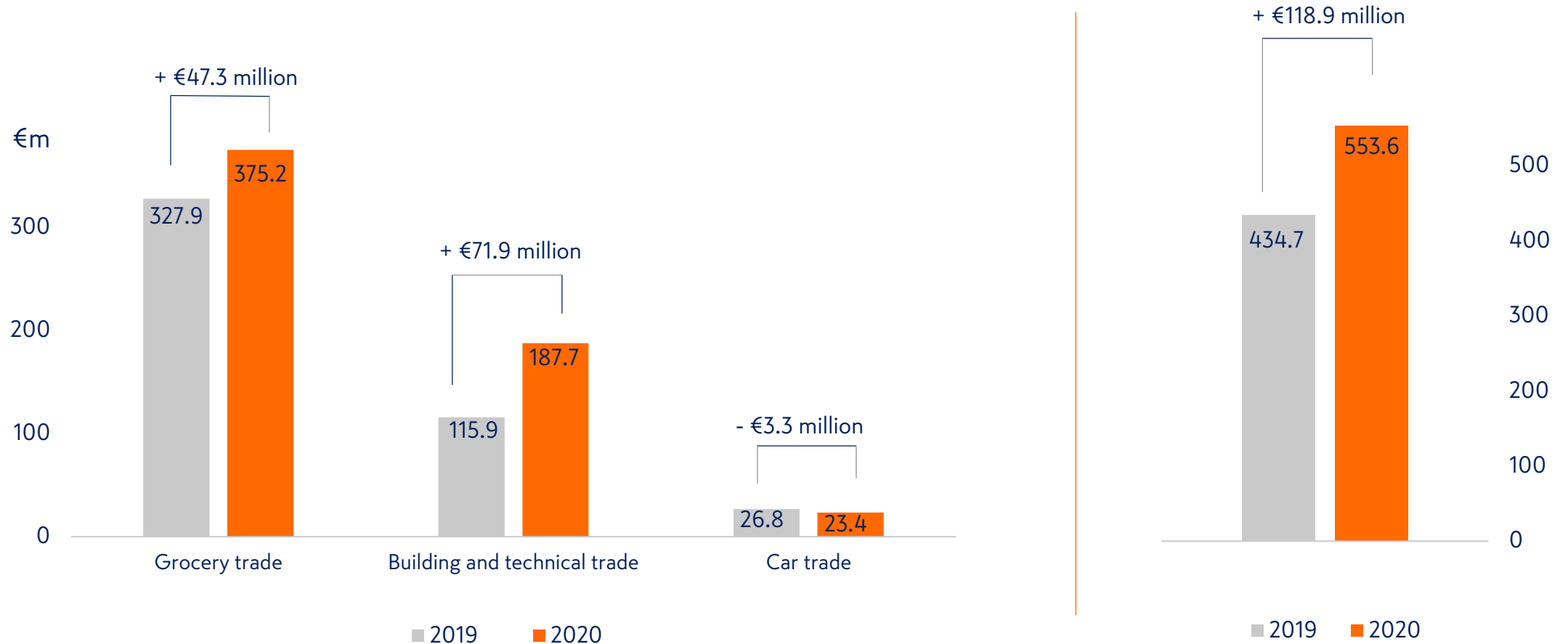
Illustrative figures

Comparable growth, %



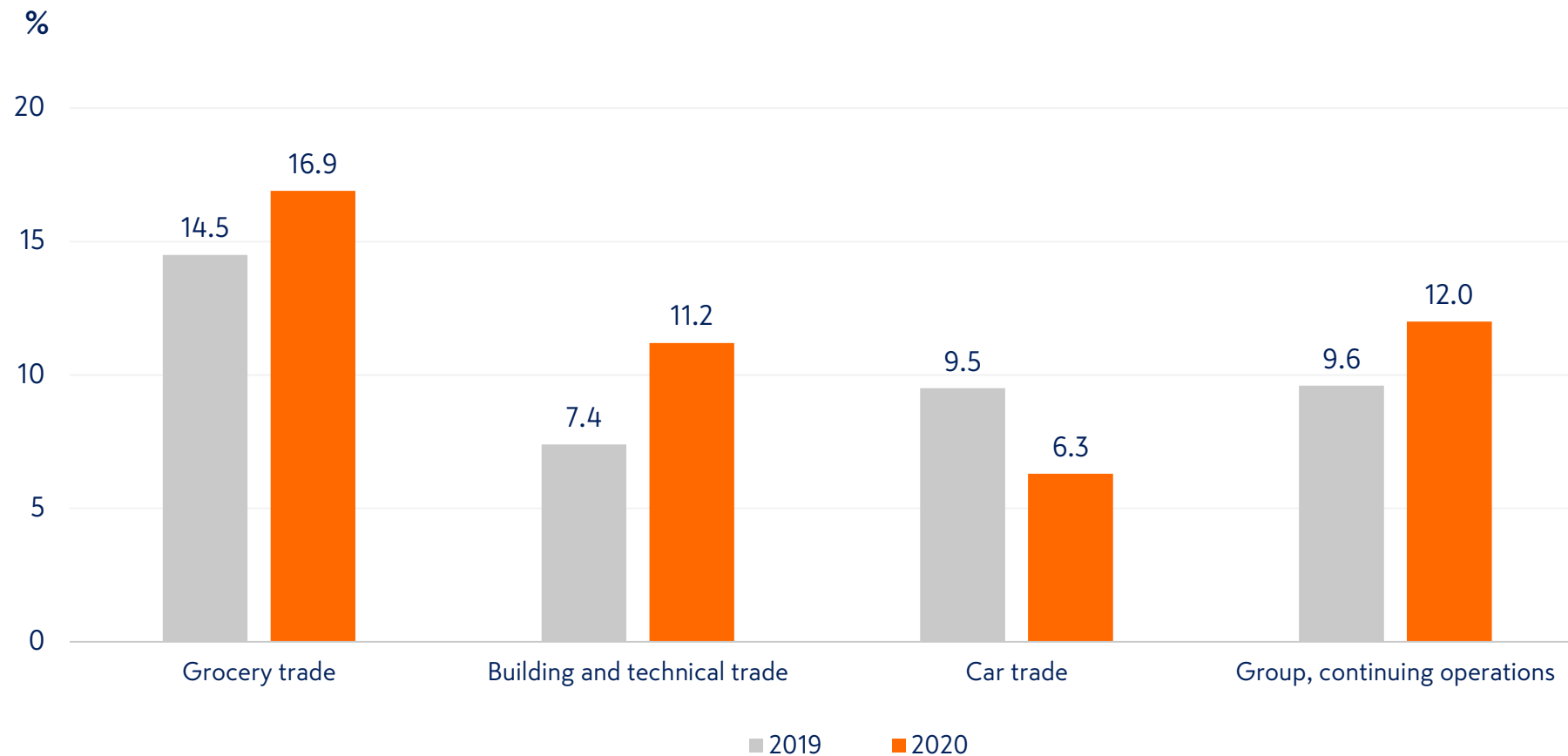
# Comparable Operating Profit

Illustrative figures



# Return on Capital Employed

Comparable



# Very Strong Financial Position

	2020	2019
Cash flow from operating activities, € million	1,152.4	893.1
Liquid assets, € million	306.0	169.0
Interest-bearing net debt excl. lease liabilities, € million	285.3	446.1
Interest-bearing net debt/EBITDA (rolling, excl. IFRS 16 impact)	0.4	0.9
Lease liabilities, € million	2,025.0	2,422.2

# Capital Expenditure in 2020

Investments in sales growth and better operational efficiency continued also during the pandemic

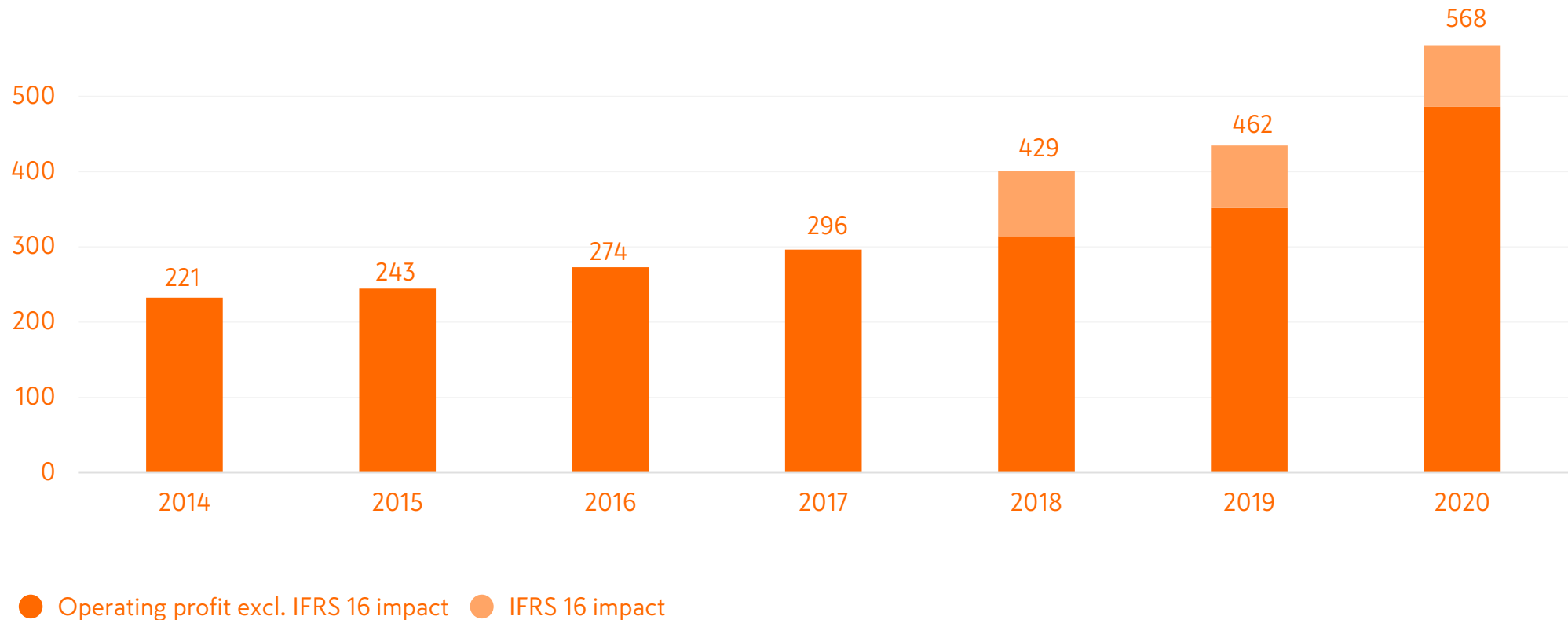
	€ million
Store sites	125.8
Acquisitions	159.1
IT	25.6
Other investments	87.9
<b>Total</b>	<b>398.4</b>



# Strong Profit Improvement Also in 2020

Less than half attributable to the pandemic

Comparable operating profit, reported figures, € million



Continuing operations



# All-Time Best Q4

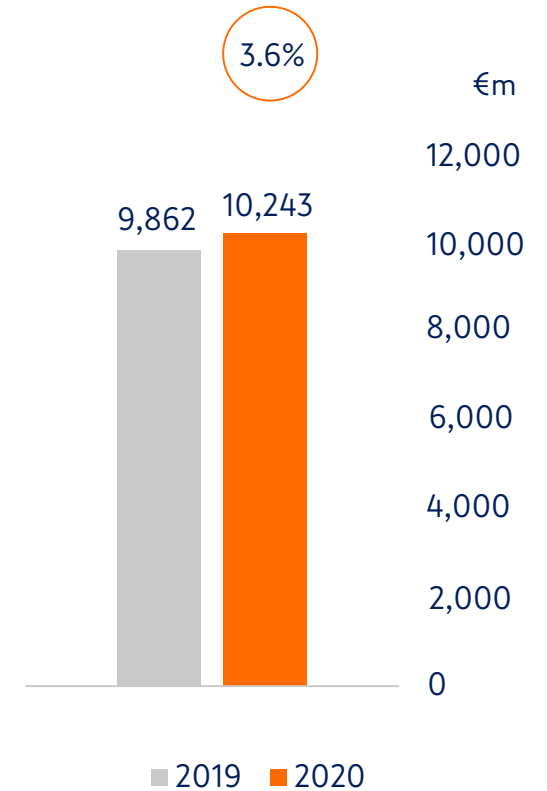
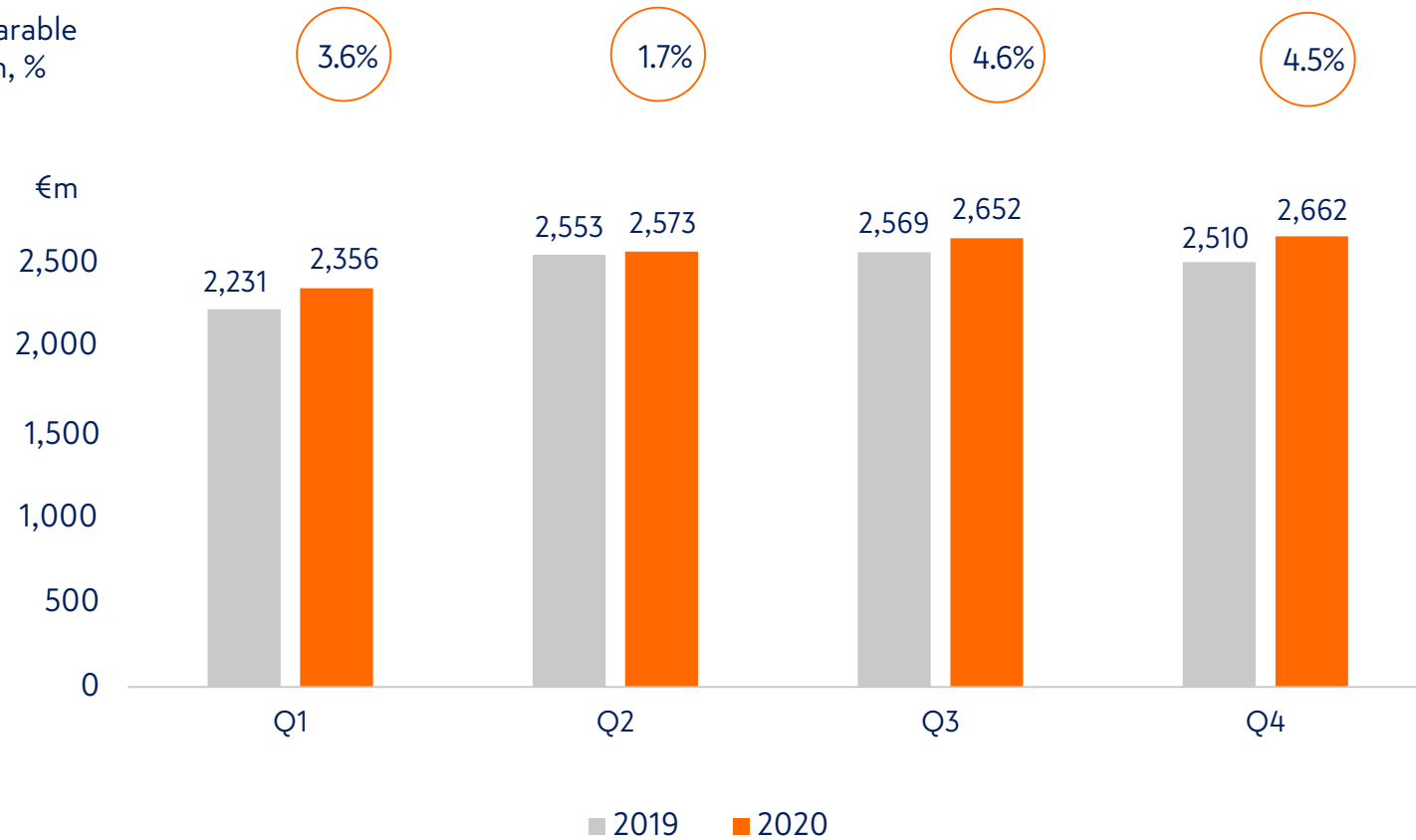
# Q4 Comparable Performance Indicators

	10-12/2020	10-12/2019*
Net sales, € million	2,662.3	2,734.2
Illustrative net sales, € million	2,662.3	2,509.8
Operating profit, € million	165.6	129.7
Illustrative operating profit, € million	165.6	121.1
Illustrative operating margin, %	6.2	4.8
Earnings per share, basic, €	0.31	0.23

# Net Sales

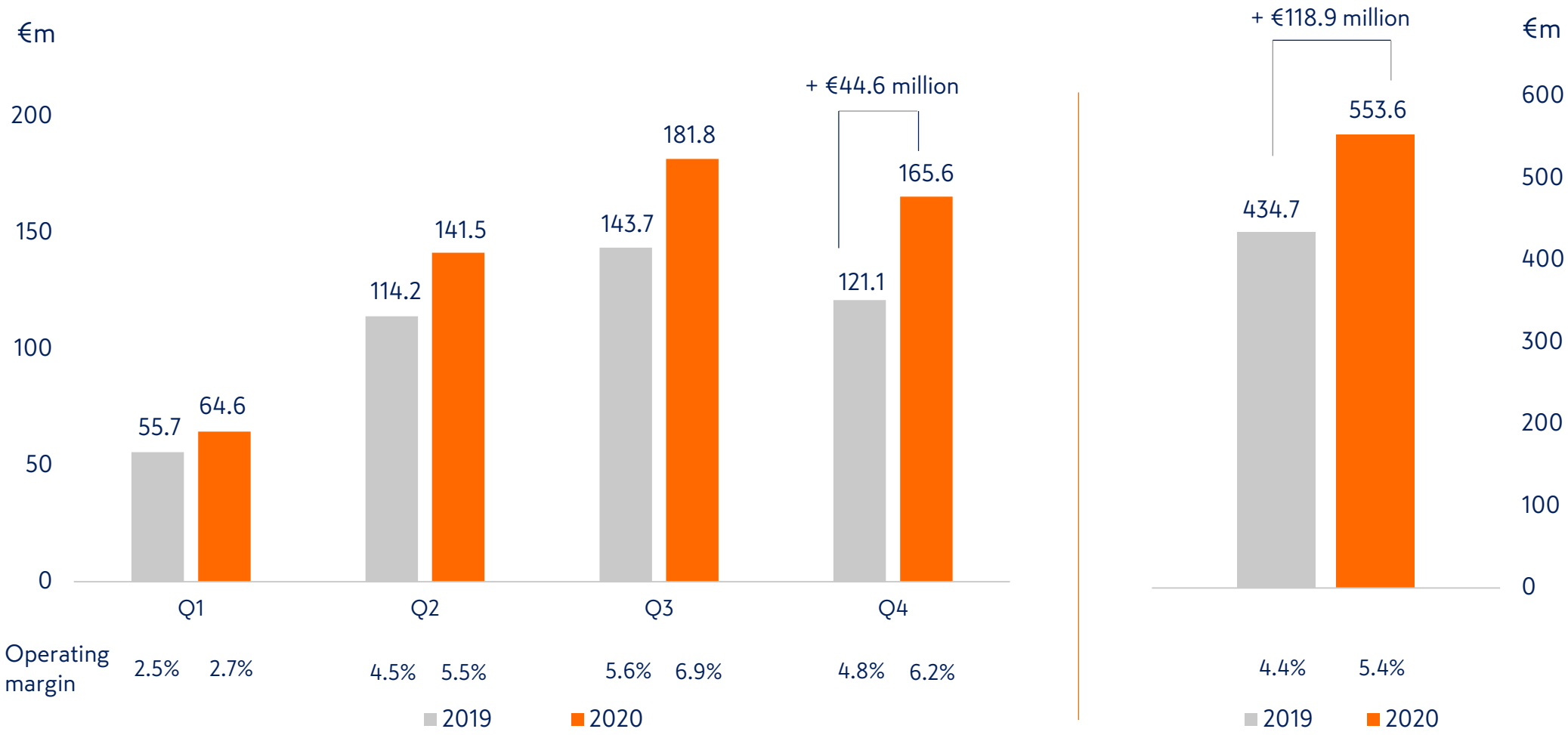
Illustrative figures

Comparable  
growth, %



# Comparable Operating Profit

Illustrative figures



23 Kesko Senukai treated as a joint venture in the illustrative figures.





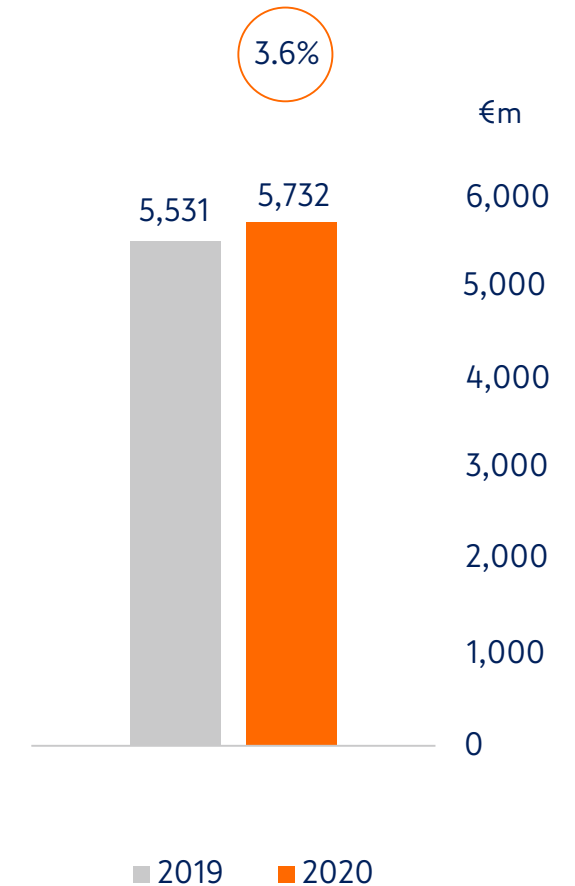
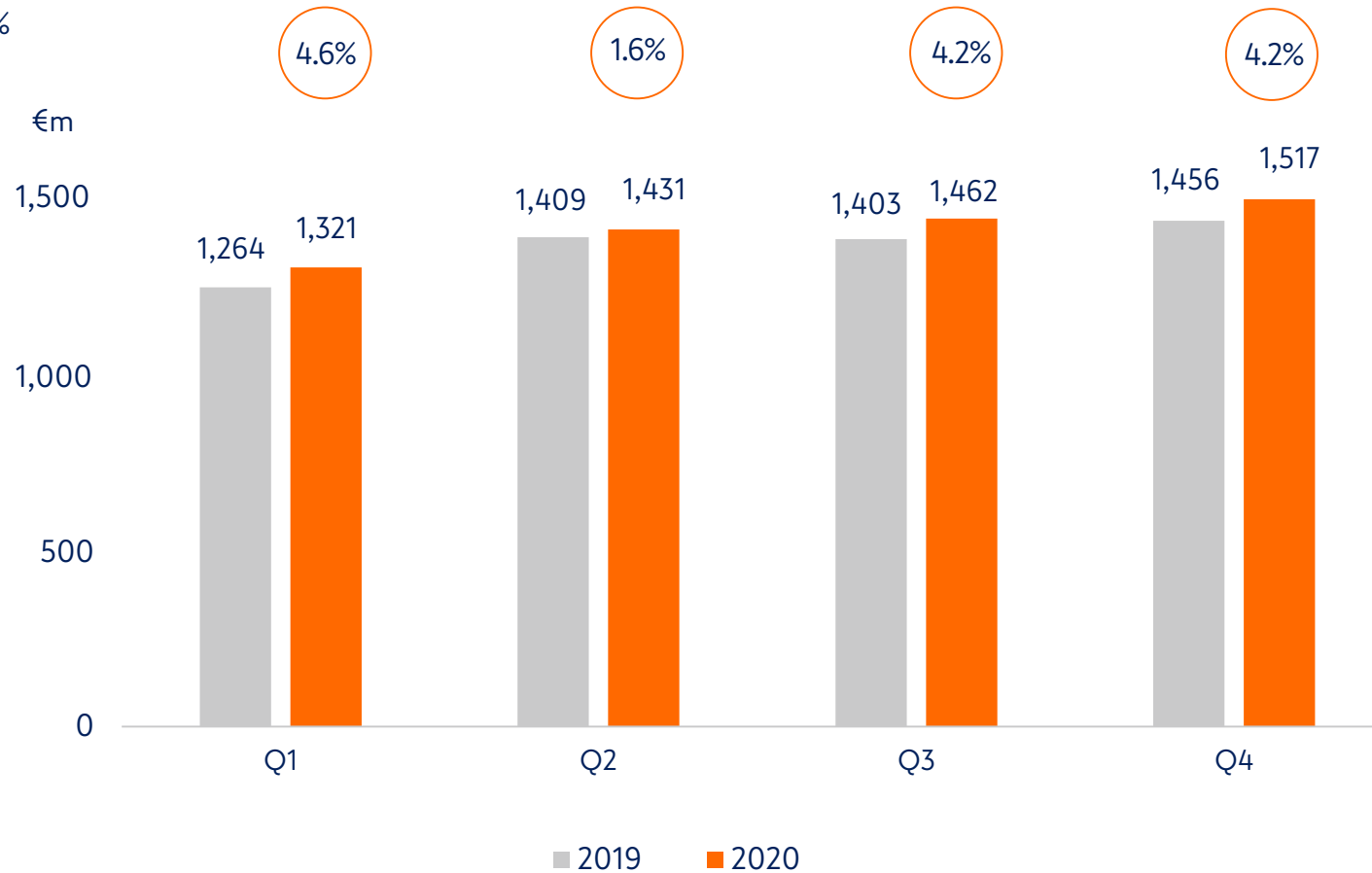
## GROCERY TRADE

# Sales and Profit Growth Continued Strong

# Grocery Trade Net Sales

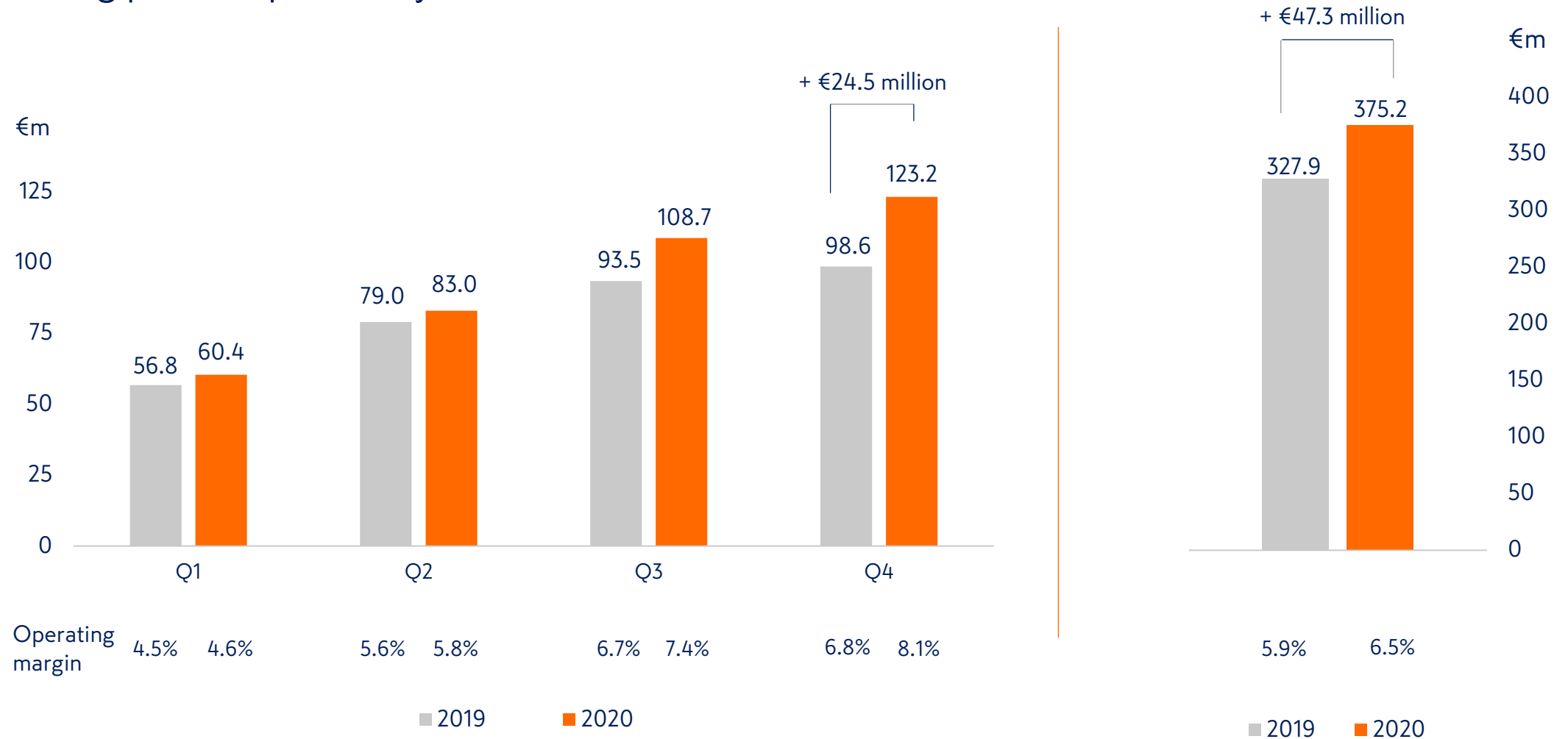
Q4 net sales up by 4.2%

Comparable  
growth, %



# Grocery Trade Operating Profit

Q4 operating profit improved by €24.5 million



# Grocery Trade Q4

## Market Q4

- Total grocery trade market growth 9.4%\*, grocery prices up by 1.4%
- Covid-19 pandemic has caused household consumption to focus on domestic purchases, especially retail
- Growth in demand for online grocery sales has continued strong
- Foodservice volumes down due to the pandemic

## K Group

- Retail sales in K-food stores up by 10.1%
- Sales grew clearly in all chains
- Excellent Christmas sales, market share strengthened markedly also in December
- Growth in K-Ruoka online sales 368%
- Kespro's market share continued to grow, profitability was kept at a good level



Market share growing strongly  
in grocery trade

**37.6%**

31.5% in 2015

Retail sales growth in Finland since 2015

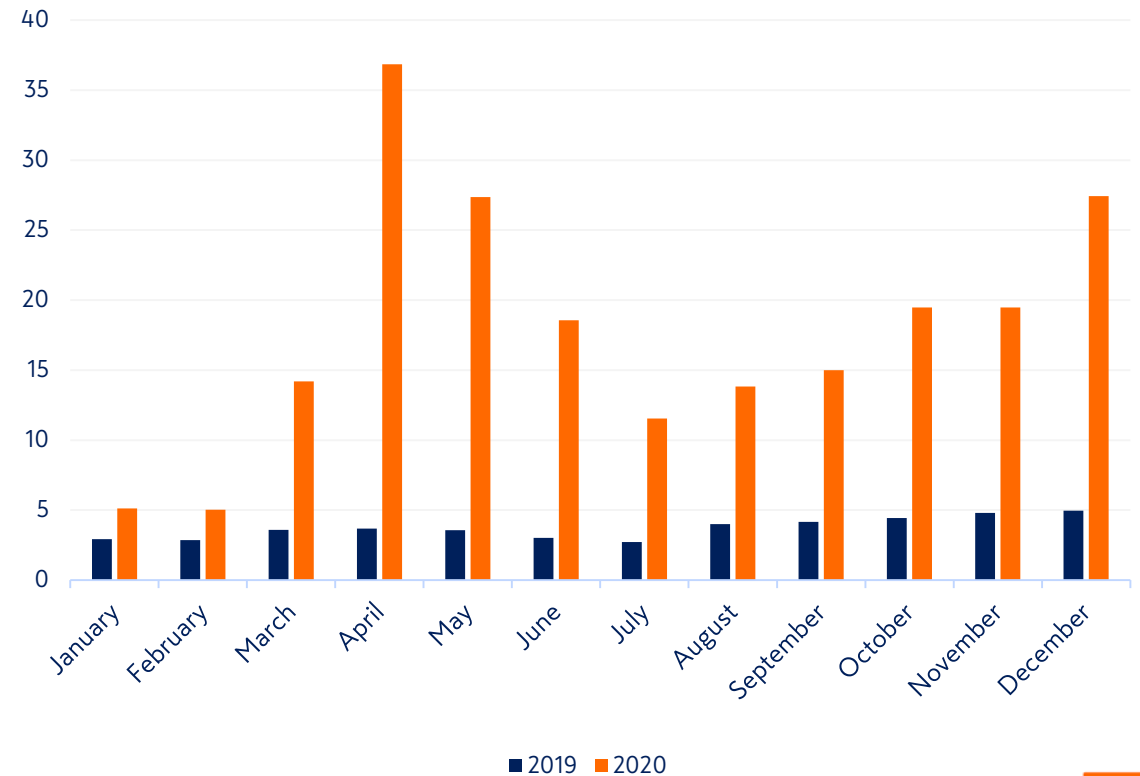
**€1.8 billion**



# Strong Growth Continues in Online Grocery Sales

- Online grocery sales via K-Ruoka up by some 400% in 2020
- K Group's market share now over 50%
- Excellent customer satisfaction: in December, NPS 83
- Some 470 K-food stores now offer online sales services, an increase of 241 stores in 2020
- Online accounts for 3.5% of grocery sales

Online grocery sales, € million



Figures incl. VAT and collection and transport fees

Managing customer experience  
brings results in grocery trade

NPS **65.1**

NPS in 2015: 53.1

Over **2 million**

instances of customer feedback

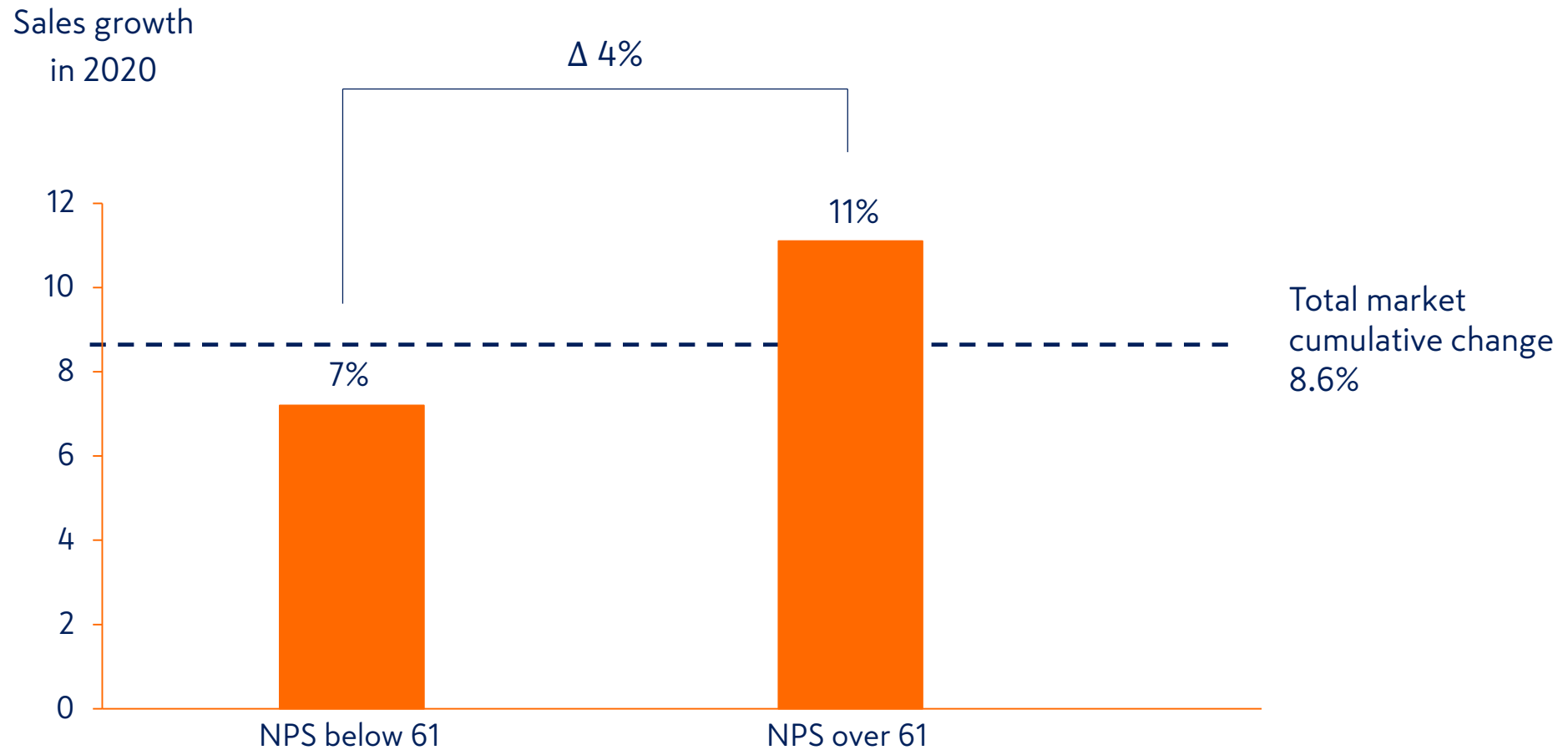
178,000 in 2015



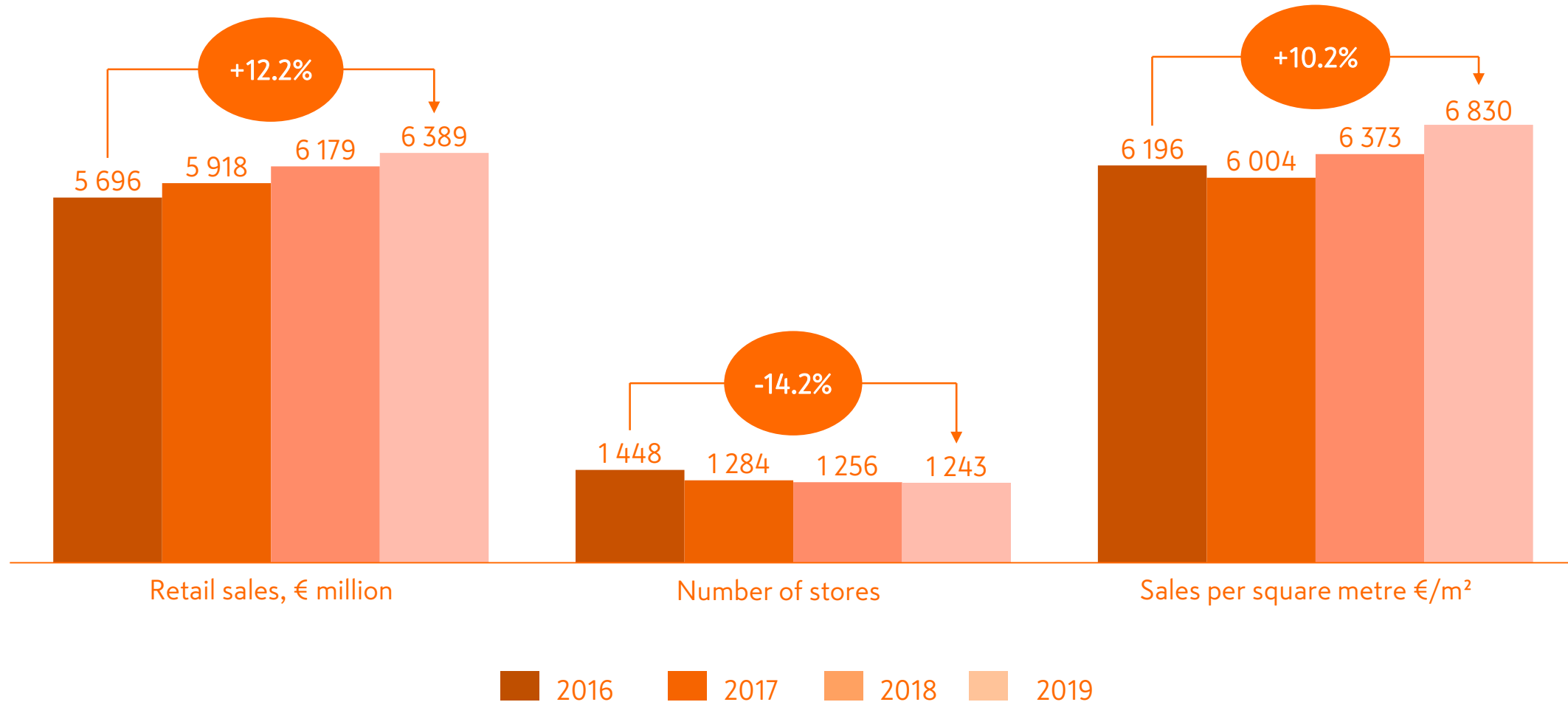


# Growing Sales by Improving Customer Experience

Higher NPS supports faster-than-market growth



# Bigger Sales per Square Metre Boost Result



# Still Plenty of Potential in Implementing Store-Specific Business Ideas

- We have a good and functional retailer business model our competitors cannot copy
- We are developing and changing stores more based on customer data
- Store digitalisation improves customer experience and makes operations more efficient
- Some 50% of K-food stores currently visibly implementing store-specific business ideas widely



# Strong Basis for Continued Growth in the Grocery Trade



Further potential  
to improve  
customer experience



Pioneering  
digital solutions



Strong market position  
in foodservice



Further improving efficiency  
per square metre and other  
operational efficiency



Continued investments in growth and transformation



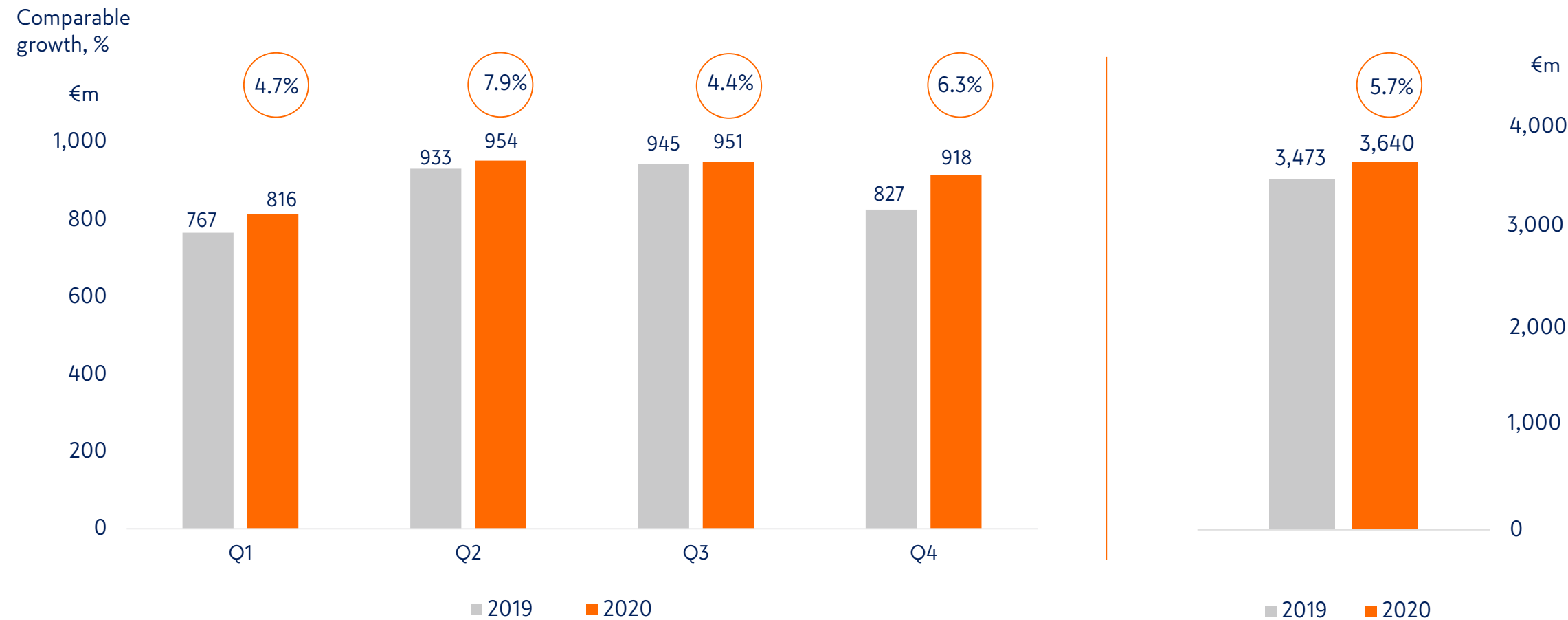


BUILDING AND TECHNICAL TRADE

Good Development Continued in All Areas

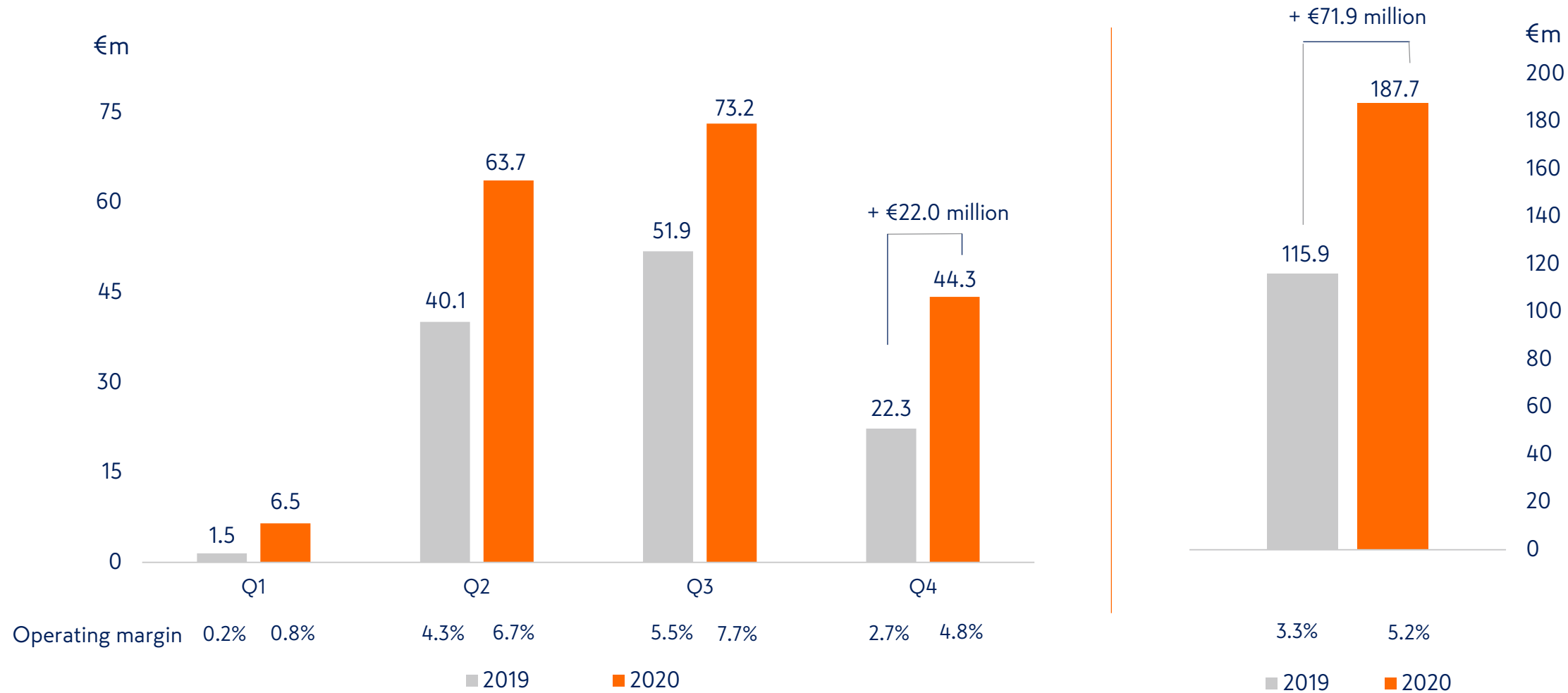
# Building and Technical Trade Net Sales

Illustrative figures



# Building and Technical Trade Operating Profit

Illustrative figures



37 Comparable figures  
 Kesko Senukai treated as a joint venture in the illustrative comparison figures

# Building and Technical Trade Q4

## Market Q4

- Construction activity stayed at a good level in Northern Europe
- Household consumption more focused on domestic purchases because of the pandemic
- B2C trade remained active
- Growth in B2B trade flattened in both building and home improvement trade and technical wholesale

## K Group

- Net sales and profit grew in Finland, Sweden, Norway and Poland
- Sales to consumers grew clearly
- B2B trade continued to grow in both building and home improvement trade and Onninen's technical wholesale
- The acquisitions completed improved profitability



# Fragmented Market Offers Big Potential for Consolidation



Retail market 2019 (€bn)

Market position

Retail sales €bn 2019

Market share

Technical  
trade

2.4

#4-5

0.3

10%

Professional  
builders

3.3

#3

0.5

14%

DIY

1.8

#3

0.2



Technical  
trade

2.2

#1

0.9

38%

Professional  
builders \*

1.8

#1

0.8

43%

DIY \*

1.4

#1

0.5



Retail market 2019 (€bn)

Market position

Retail sales €bn 2019

Market share

Technical  
trade

3.7

#6

0.1

5%\*\*

Professional  
builders \*

2.7

#5-6

0.2

8%

DIY \*

2.1

#5

0.2



Technical  
trade

1.4

#2 #4 #3

0.1

11%, 5%, 3%

DIY

2.3

#2 #2 #1

0.7

19%, 17%, 36%



Retail market 2019 (€bn)

Market position

Retail sales €bn 2019

Market share

Technical  
trade

5.1

#3

0.2

5%



DIY

1.4

#1

0.1

11%

\*) Share of professional builders and DIY, Kesko estimate based on BCG 2017

\*\*) Sweden SEG

# Building and Technical Trade Growing and Performing Well in Finland

Comparable operating profit

**€126.5 million**

B2B's share of sales\*

**74%**



## Significant Turnaround in Sweden

Comparable operating profit

**€15.4 million**

B2B's share of sales

**64%**



## Good Development for Bygghem and Onninen in Norway

Comparable operating profit

**€29.5 million**

B2B's share of sales

**77%**





## Onninen Has Developed Well as Part of Kesko

Net sales

**€1,626 million**

comparable growth nearly 20% on 2015

Comparable operating profit

**€71 million**

growth some €40 million\* compared to 2015



onninen  
express



# Strong Execution of Country-Specific Strategies Enables Growth Also Going Forward



Continue putting  
basics in order and  
improving efficiency



Continue to improve  
customer experience



Continue to develop  
digital sales channels and  
services further

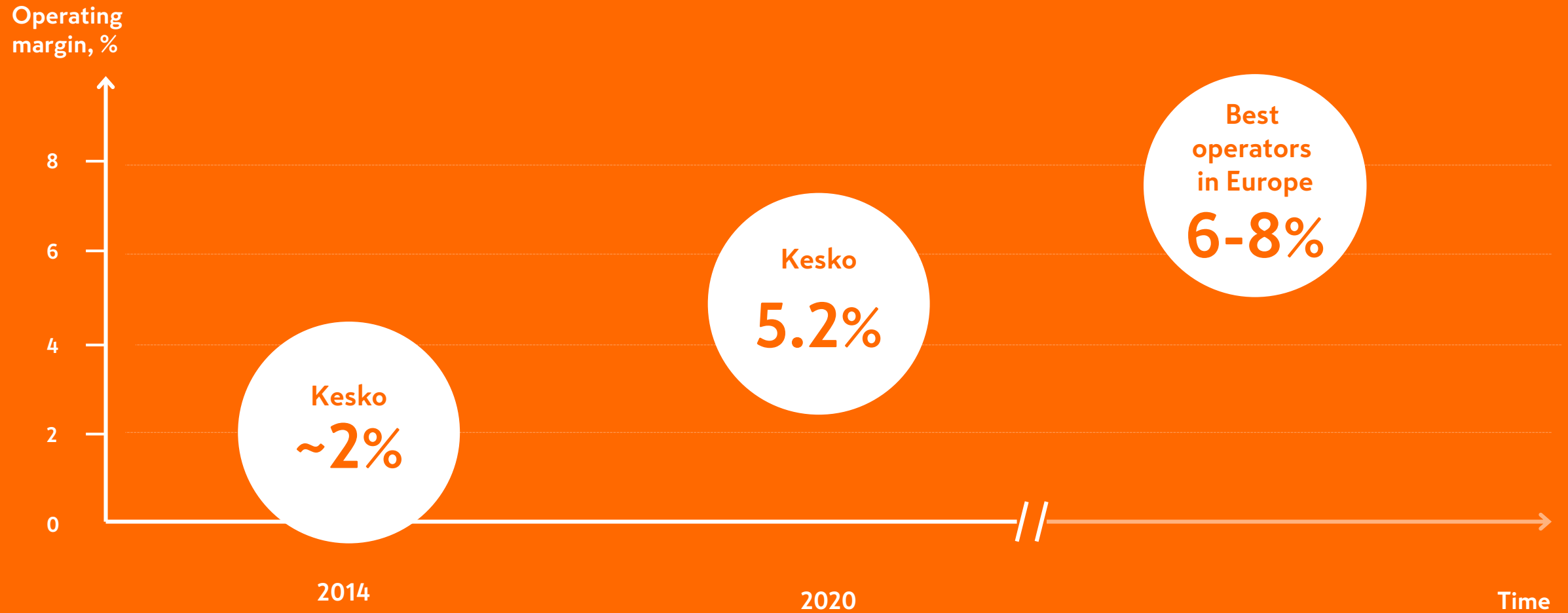


Utilise B2C trade activity  
also going forward



Continue sector consolidation in Northern Europe

# Towards the Best in Europe







CAR TRADE

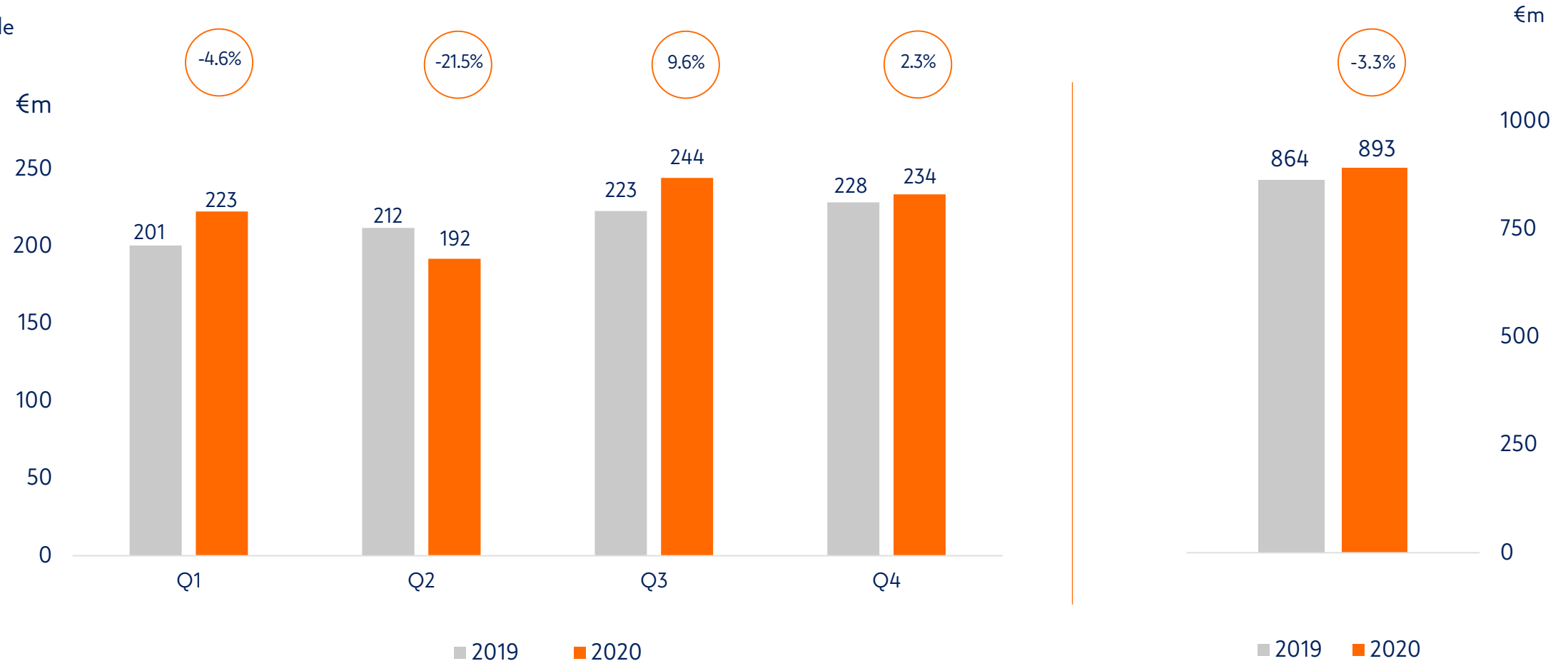
New Models Support Sales Growth



# Car Trade Net Sales

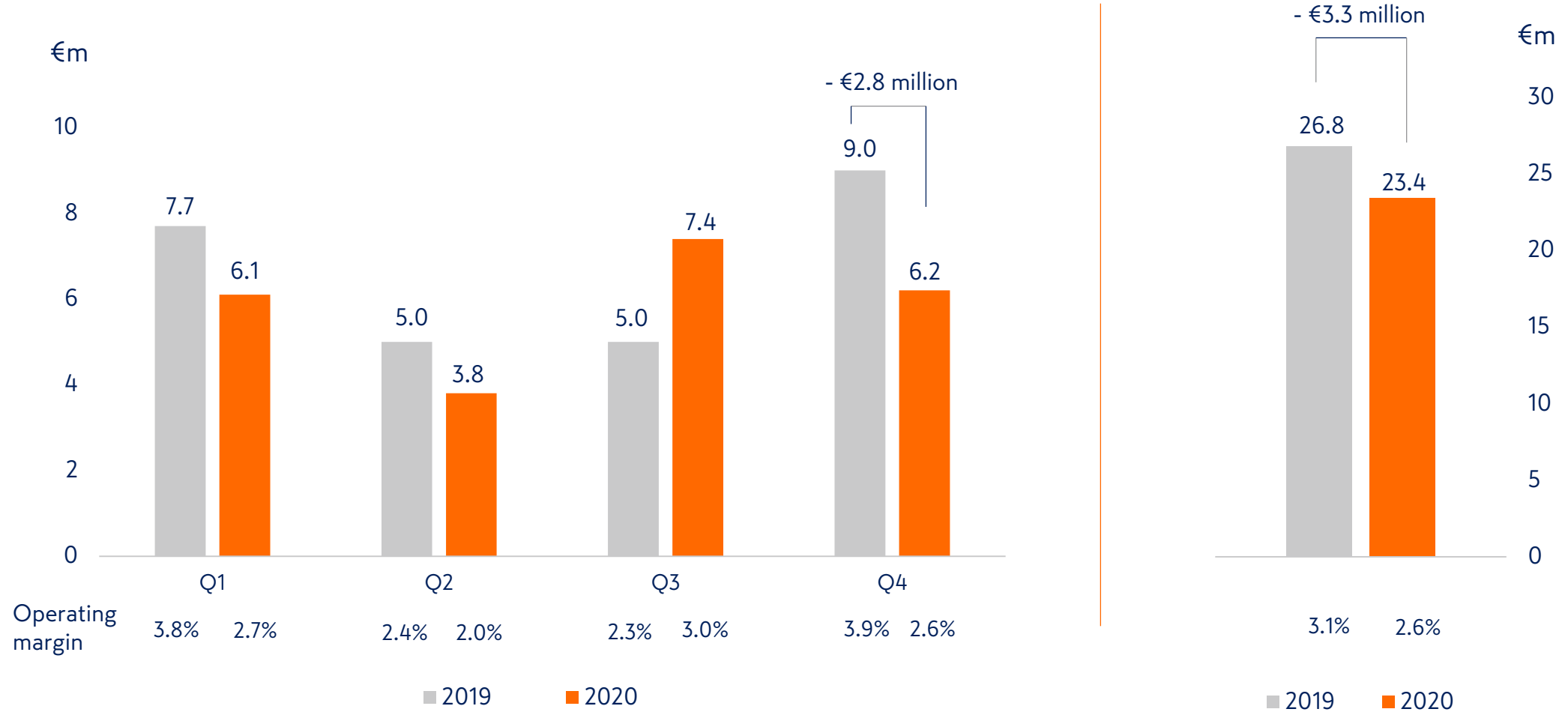
Q4 net sales up by 2.3%

Comparable  
growth, %



# Car Trade Operating Profit

Q4 operating profit down by €2.8 million



# Car Trade Q4

## Market Q4

- First registrations of passenger cars and vans in Finland down by 10.0%
- Market for used cars growing
- Demand for servicing, repair and spare part services at a good level
- Continued active debate over changes to car taxation

## K Group

- K-Auto's sales up by 2.1%
- Order book for new cars +36% at year-end
- Used car sales up by 13.8%
- Own leasing fleet over 3,200 cars in Q4
- Volkswagen the most registered brand of all-electric cars in Finland in 2020

# Large Growth and Profit Potential in the Market

The entire Finnish automotive industry value pool 2019, estimated EBIT, € million

Kesko's position



● 135-160	Import and new car retail	Strong position
● 190-210	Used car retail	Potential for improvement
● 260-280	Aftersales (retail)	Potential for improvement
● 130-150	Financing & Leasing	Potential for improvement



# Outlook



# Outlook

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 €520-620 million. The illustrative comparable operating profit in 2020 was €554 million.**

The range for Kesko Group's 2021 profit guidance is wide due to the uncertainties related to the Covid-19 pandemic. The pandemic situation and progress with vaccinations have a significant impact on the overall economy, consumer behaviour and trading sector demand in Kesko's operating countries. During the pandemic, household consumption has focused on domestic purchases, which is expected to have a positive impact on some of Kesko's businesses also in 2021.

Overall, the outlook for Kesko's business in 2021 is positive. We anticipate moderate growth in Finnish grocery trade. Recovery in the foodservice business largely depends on the pandemic situation. Renovation building is expected to grow in the Northern European construction market. In housing construction, new construction volumes are expected to decrease overall, but to remain stable in the construction of small housing and vacation homes. The Finnish car trade market is expected to grow in 2021.



# KESKO CELEBRATES ITS 80TH ANNIVERSARY

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