



KESKO INTERIM REPORT Q1/2021

# Another Record Quarter

Mikko Helander, President and CEO  
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



K Group has **46,000**  
employees, approx. **1,800**  
**stores** and comprehensive  
**digital** services in **8**  
countries



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



Market cap approx.  
**€10 bn** with over  
**60,000** shareholders

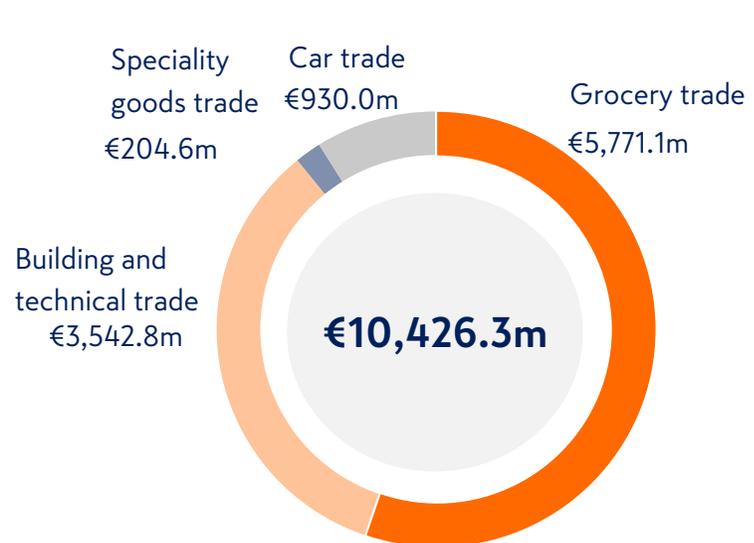


**World's most sustainable**  
grocery trade company



# Kesko in a nutshell

## Net Sales



## Operating profit



# Operations focused in three divisions



**€5,771**  
million

## Grocery trade

1,240 stores in Finland, of which 500 offer on-line services

K-retailers guarantee quality

**#2** in Finnish retail

**#1** on the Finnish foodservice market



**€3,747\***  
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



**€930**  
million

## Car trade

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

**#1** in Finland

# Our business models

Kesko operates a retailer business model in Finnish grocery and DIY/builders' merchant market, where independent K-retailers engage in retail in Kesko's chains. Car trade is Kesko's own retailing.

B2B trade is a significant, growing part of Kesko's business operations. B2B trade include i.a. foodservice and technical trade.

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



# Strong Strategy Execution

Over 30 acquisitions and divestments

Investments in growth  
**€3 billion**

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

Divestments  
**€1 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-RAUTA**

**RAUTIA**

**K-MAATALOUS**

**KODINYKKÖNEN 1**

**ASKO**

**SOTKA**

**ANTILA**

**muuli**

**YAMARIN**

**MUSTA PÖRSSI**

**KONEKESKO**

**K PYOKA**

**BM BYGGMAKKER**

**VV-AUTO**

**K-PAYTA**



**K CITYMARKET**

**K Supermarket**

**K Market**

**KESPRO**

**K Rauta**

**onninen K**

**K BYGG**

**BM BYGGMAKKER K**

**K Auto**

**K Plusa**



# Solid Dividend Track-record

## Dividend for 2020: €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.



Continuing operations, post split

■ Earnings per share

■ Dividend



# Group Management Board Composition



**Mikko Helander**  
President and CEO



**Jorma Rauhala\***  
President, building and  
technical trade

\* Deputy CEO



**Ari Akseli**  
President, grocery  
trade



**Matti Virtanen**  
President, car trade



**Jukka Erlund**  
EVP,  
Chief Financial  
Officer



**Anni Ronkainen**  
EVP,  
Chief Digital Officer



**Matti Mettälä**  
EVP, Human  
Resources



**Karoliina Partanen**  
EVP,  
Communications



**Riikka Joukio**  
EVP, Corporate  
Responsibility and  
Public Affairs

# Sustainability Drives Us in Everything We Do



Responsible  
purchasing and  
sustainable selections



Environment



Good corporate  
governance and  
finance



Working  
community



Customers'  
sustainable lifestyles



Society

# International Recognition for Kesko's Sustainability Efforts



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

for the seventh year



Kesko has been on the list every year since 2005



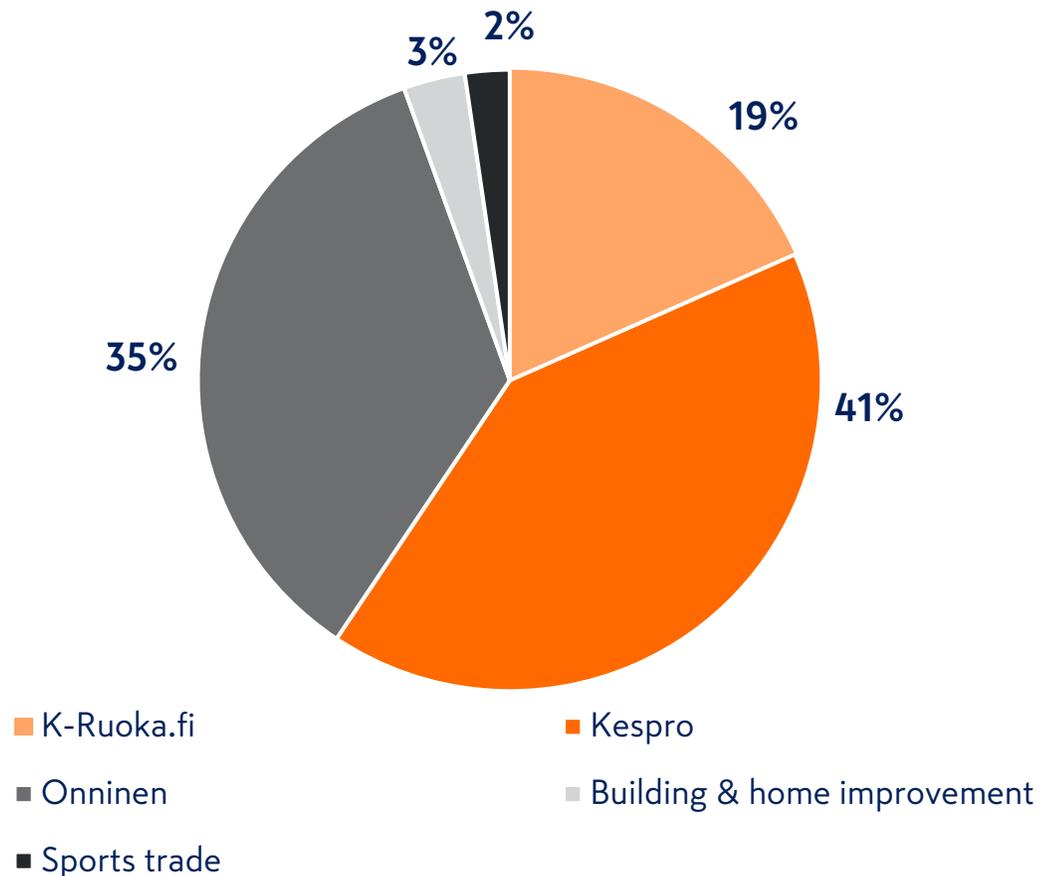
Kesko has been included for 16 years



# Kesko a Leading Operator in Digital Trade in Northern Europe

# Digital Trade Sales of Nearly €1.3 billion

## Online store sales of nearly €1 billion



Digital trade sales, Q1 2021, rolling 12 months

- Online stores for consumers:
  - K-Ruoka, K-Rauta, Bygghemmet, Intersport, Budgetsport
- Online stores for B2B customers:
  - Kespronet, Onninen, K-Rauta, K-RautaPRO, Bygghemmet
- Electronic EDI order system for B2B customers

# Kesko's Online Stores Fast-Growing and Profitable Business

**+343%**  
K-Ruoka.fi

**+74%**  
K-Rauta.fi

**+25%**  
Onninen.fi

**+101%**  
Sports trade

Q1/2021, rolling 12 months

**Rapid online growth thanks to our  
functional and successfully executed  
digital strategy**

# Biggest Online Grocery Operator on the Market

Retail sales

**€230m**

Q1/21, rolling 12 months

Market share

**54%**

in 2020

Growth

**343%**

Q1/21, rolling 12 months



# The Best Online Grocery Customer Experience on the Market

- The most user-friendly online store application on the market
- The biggest selection of up to 30,000 products
- Competitive prices
- Fast and reliable home delivery and pick-up services
- Of the 1,200 K-food stores, 500 now offer online grocery sales services
- Local K-retailers with tailored store-specific business ideas
- Pirkka the best-known private label in Finland
- Loyalty programme and customer-specific marketing



# Solid Foundation in Efficient Processes and Capabilities

- Extensive, versatile supply channels
- Nationwide store network enabling efficient home deliveries
- Collection constantly becoming more efficient
- Nearly all Finnish households part of the K-Plussa loyalty scheme
- Extensive utilisation of data and new technologies
- Efficient and reliable IT and logistics
- Wide-ranging corporate responsibility work with a long-term focus

**Online sales of groceries will grow significantly in Finland during this decade**

**We aim to continue to be the clear market leader in Finnish online grocery trade also going forward**



# Key Figures Q1 2021



# Key Events in Q1

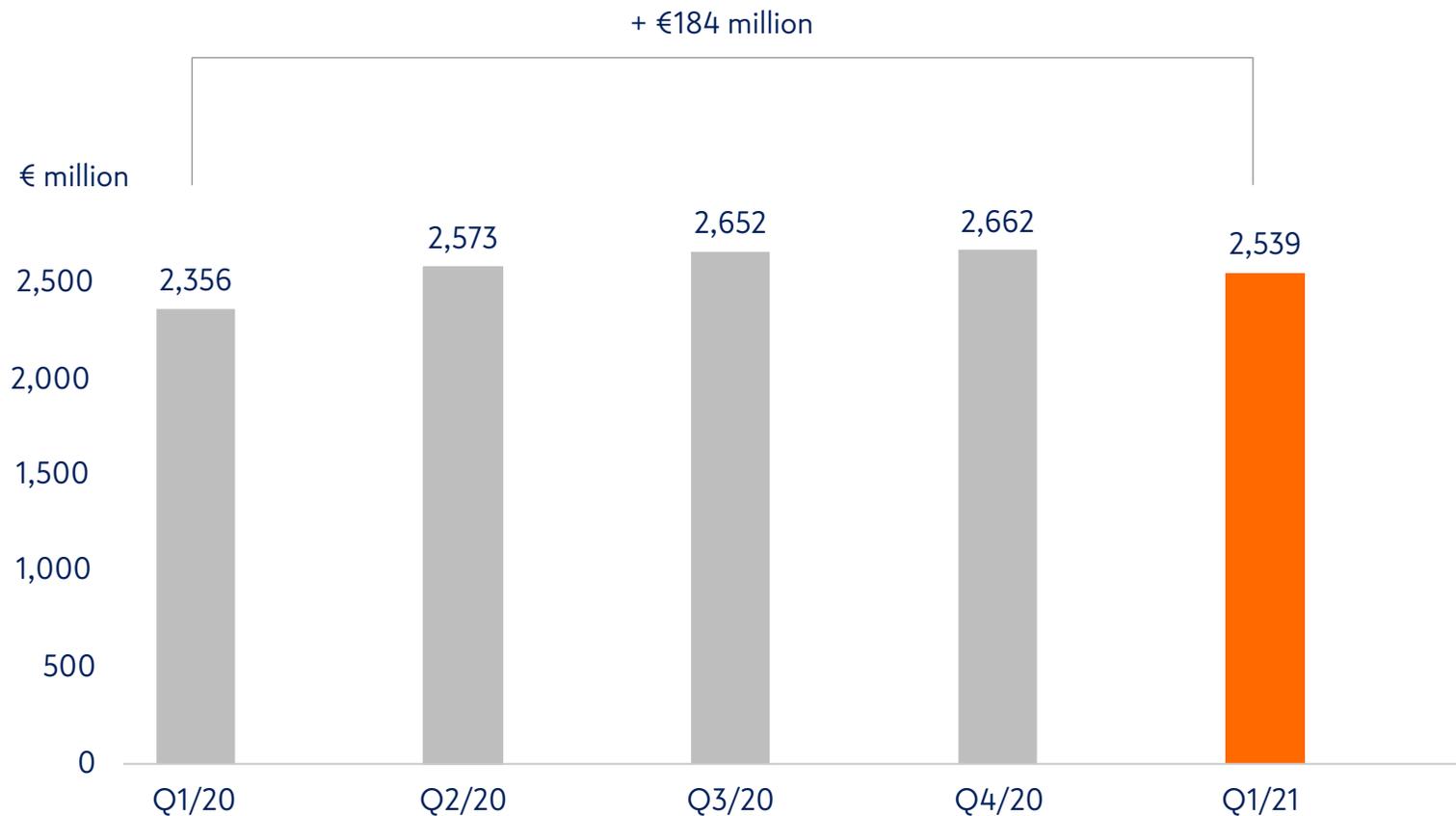
- All-time best Q1 result
- Retail sales growth continued strong in K Group grocery stores
- Sales development good in building and technical trade
- Further improvements in cost efficiency
- Kesko achieved its financial targets
- Kesko ranked as the most sustainable grocery trade company in the world for the 7th time

	1-3/2021	1-3/2020
Net sales, € million	2,539.4	2,540.4
Illustrative net sales, € million	2,539.4	2,355.6
Operating profit, € million*	116.2	65.1
Illustrative operating profit, € million*	116.2	64.6
Illustrative operating margin, %*	4.6%	2.7%
Profit before tax, € million*	99.6	32.7
Earnings per share, basic, €*	0.20	0.08

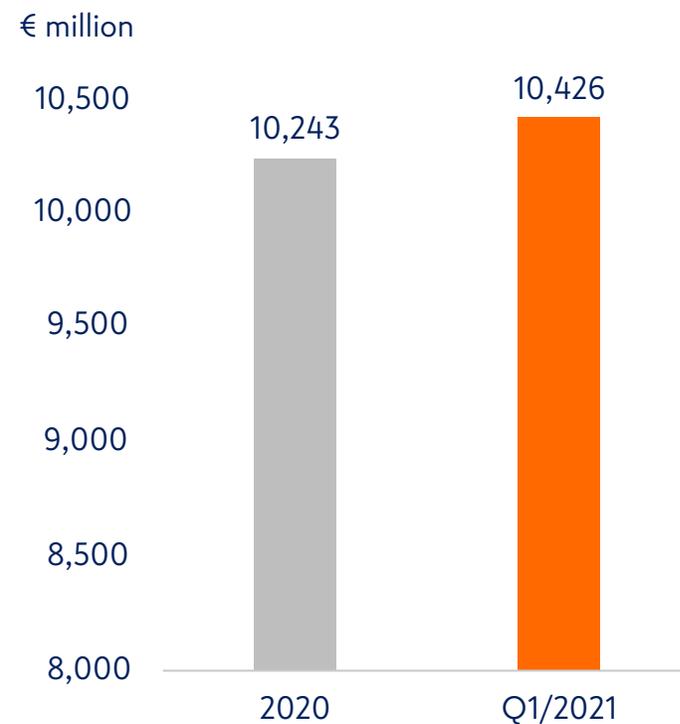
\* Comparable figures  
Kesko Senukai treated as a joint venture in the illustrative figures

# Net Sales

Growth in comparable terms 5.9%

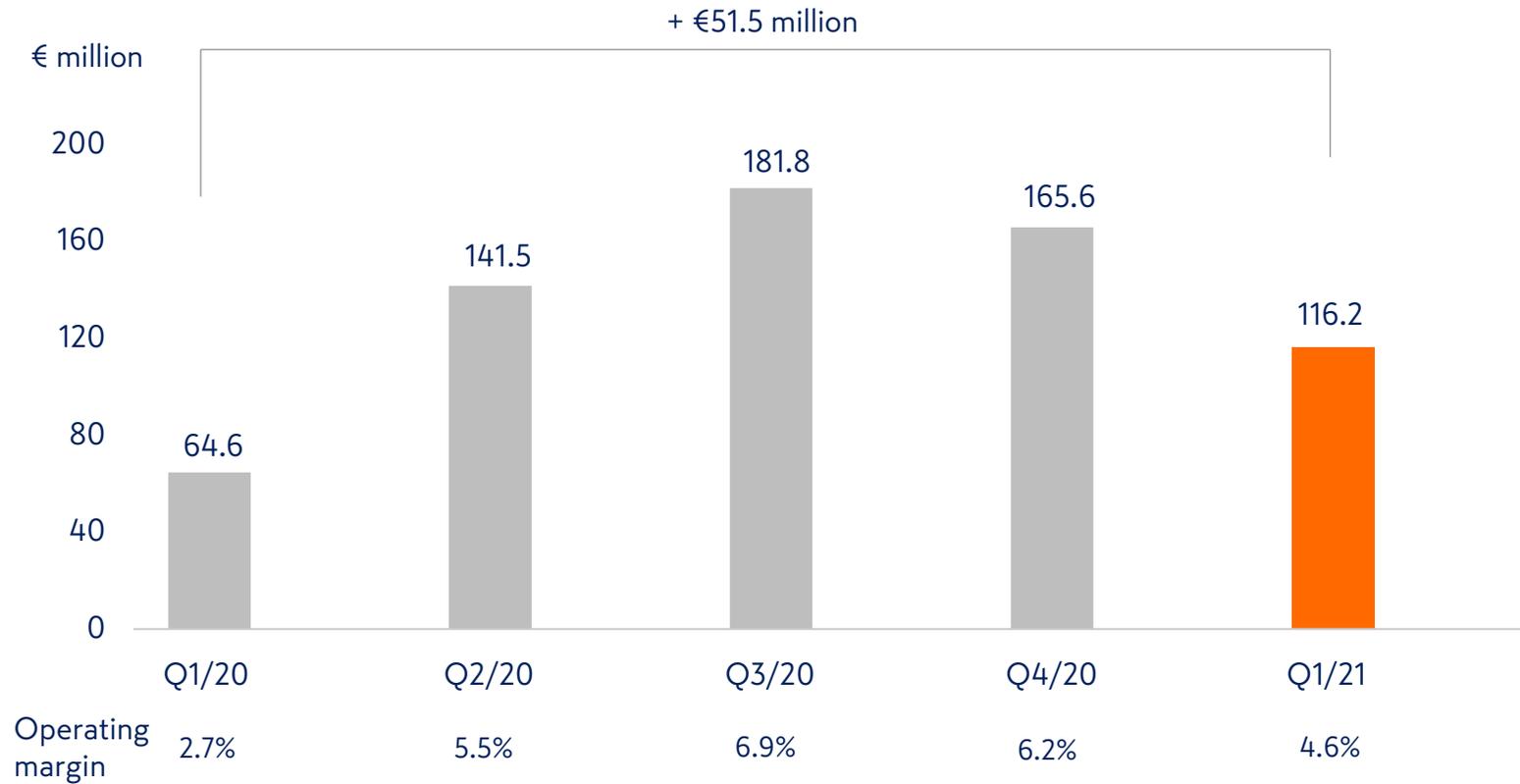


## Rolling 12 months

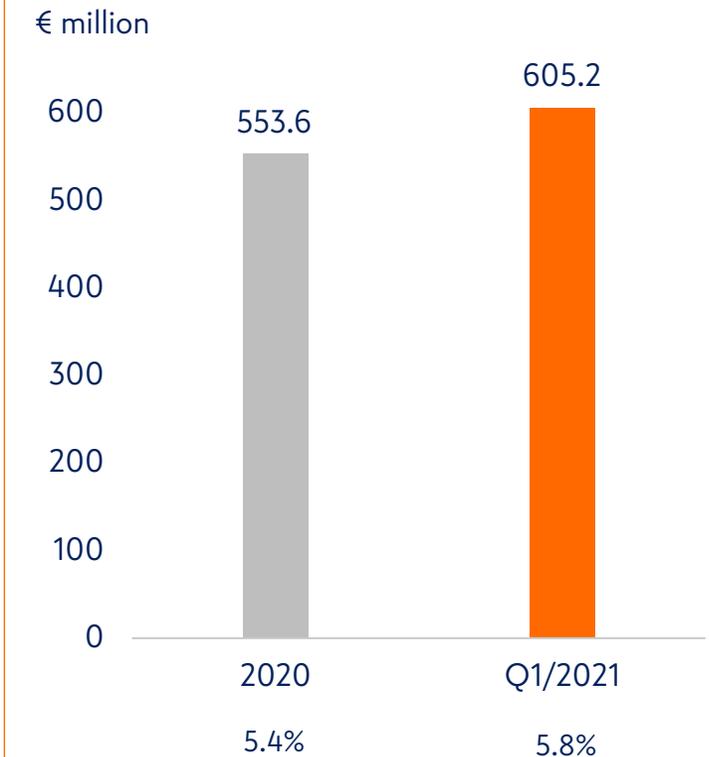


# Comparable Operating Profit

Growth in comparable terms €51.5 million

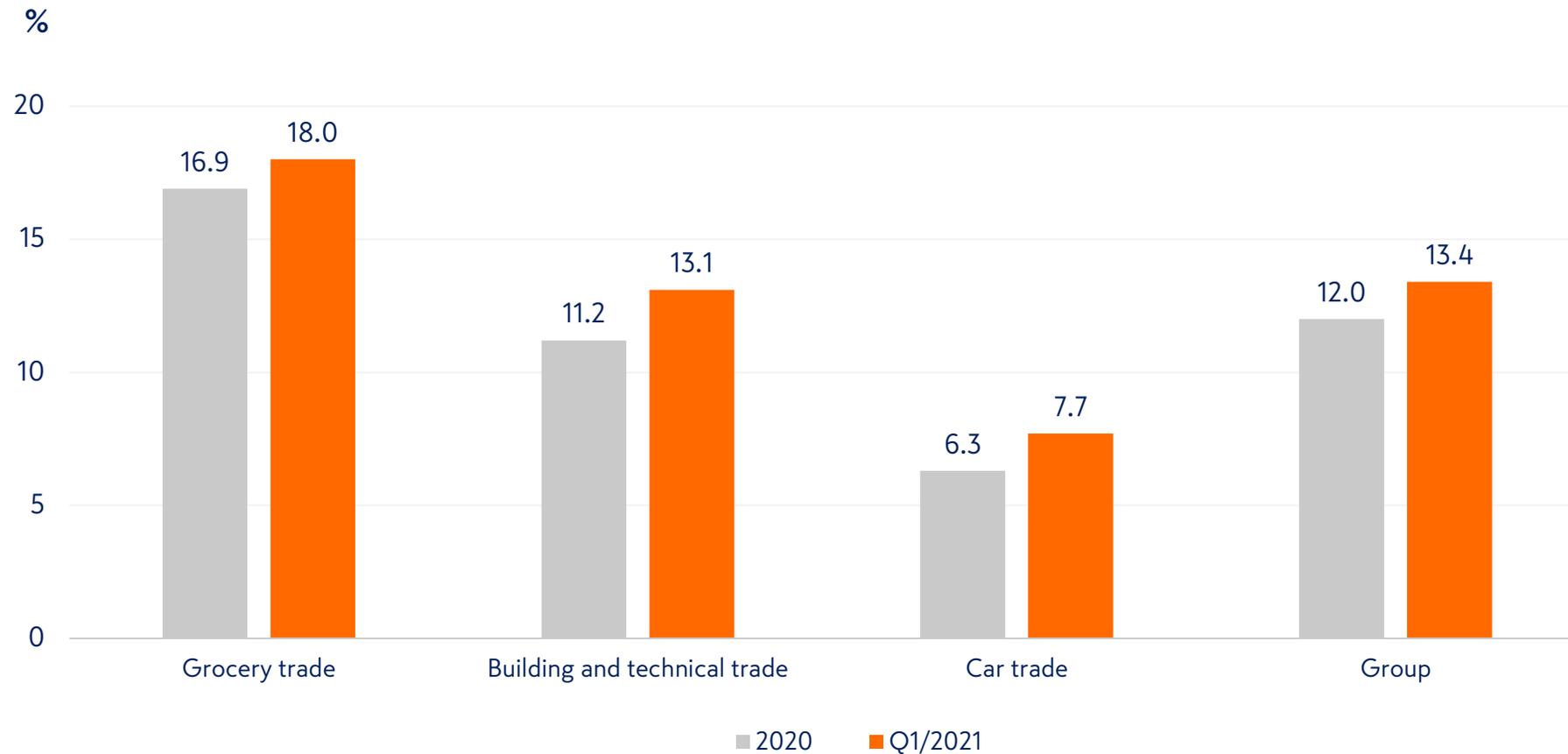


## Rolling 12 months



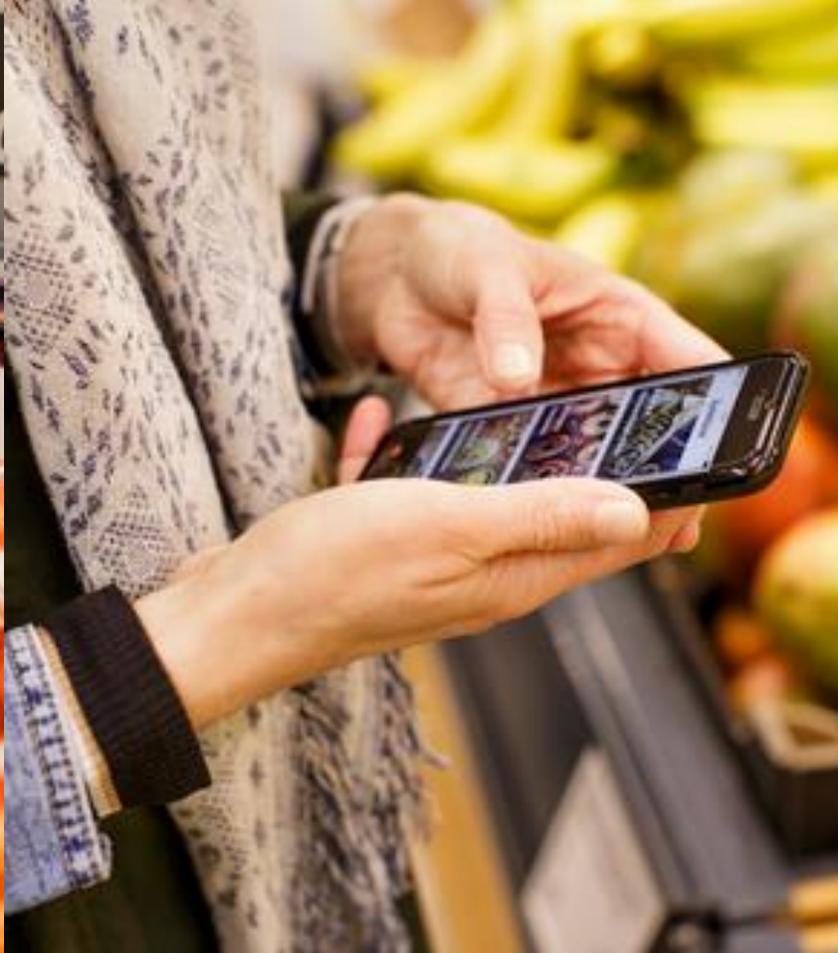
# Return on Capital Employed

ROCE target clearly exceeded



# Strong Financial Position

	Q1/2021	Q1/2020
Cash flow from operating activities, € million	155.1	135.7
Liquid assets, € million	316.3	265.4
Capital expenditure, € million	44.2	99.0
Interest-bearing net debt excl. lease liabilities, € million	249.1	482.4
Interest-bearing net debt/EBITDA (rolling, excl. IFRS 16 impact)	0.3	0.9
Lease liabilities, € million	1,988.8	2,337.4



GROCERY TRADE

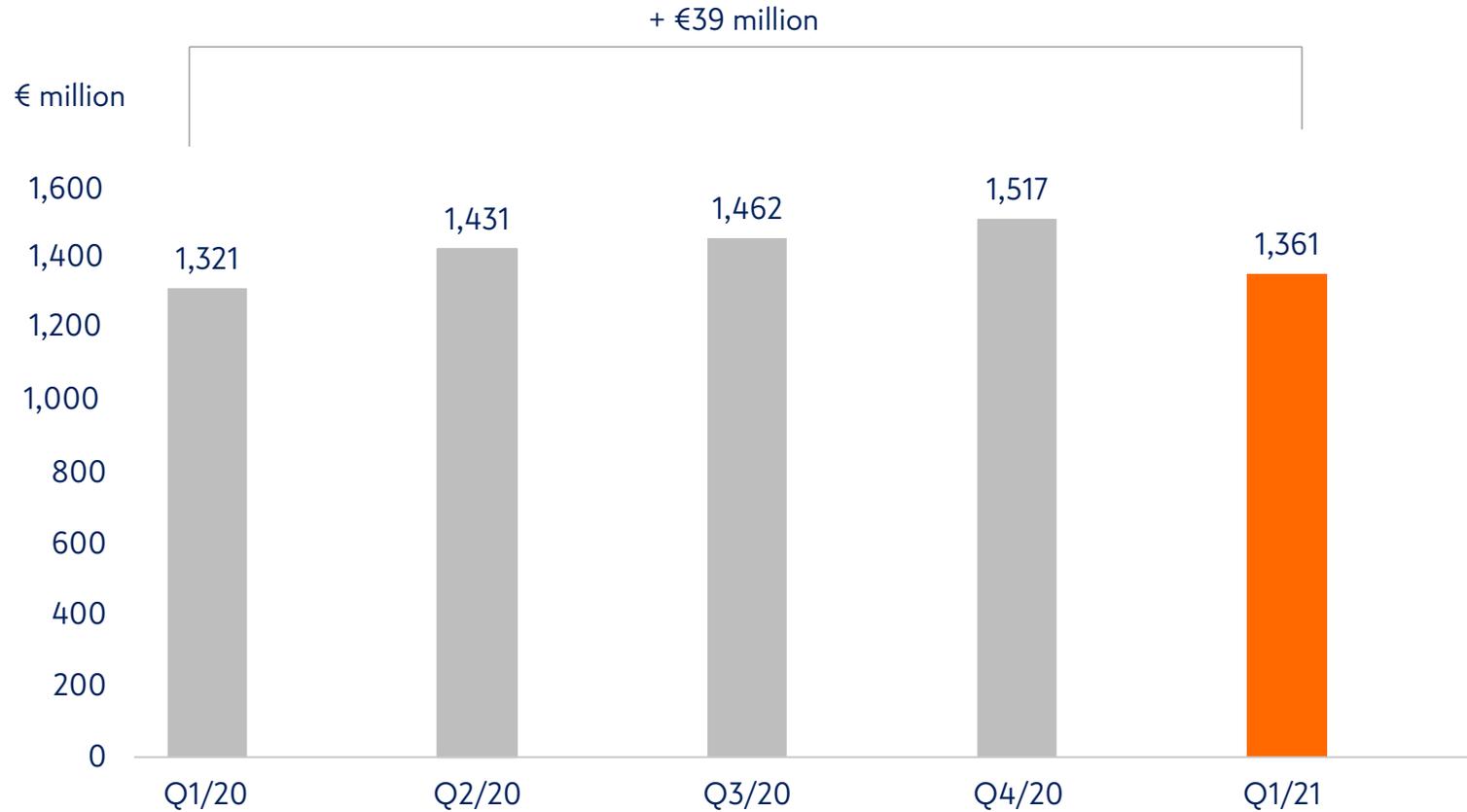
Strong Growth Continued



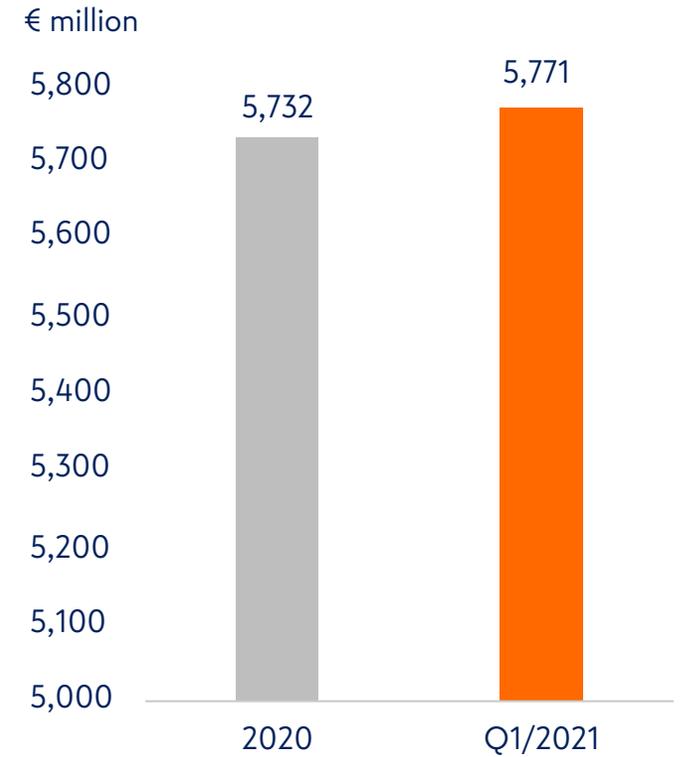
KESKO 80

# Grocery Trade Net Sales

Growth 3.0%

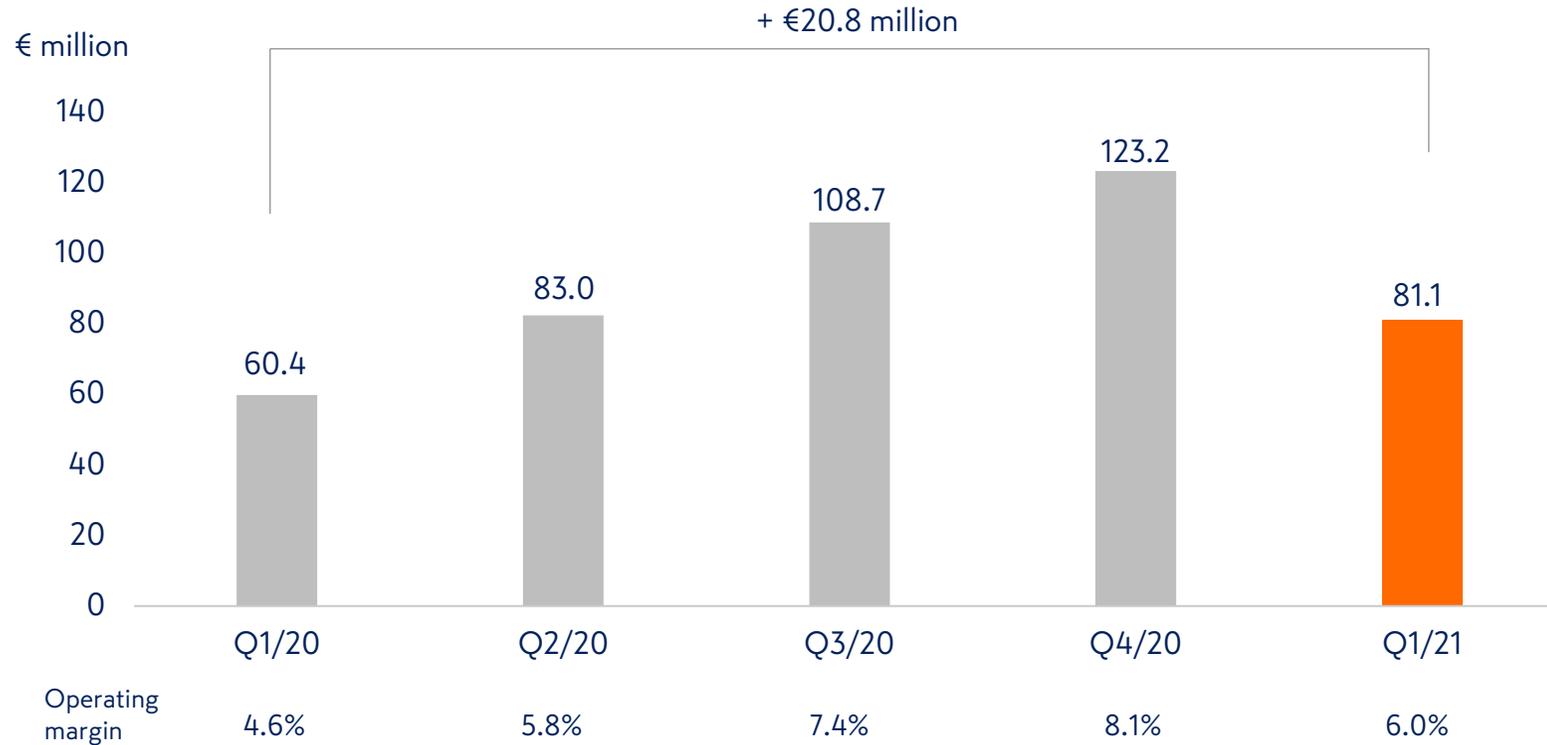


## Rolling 12 months

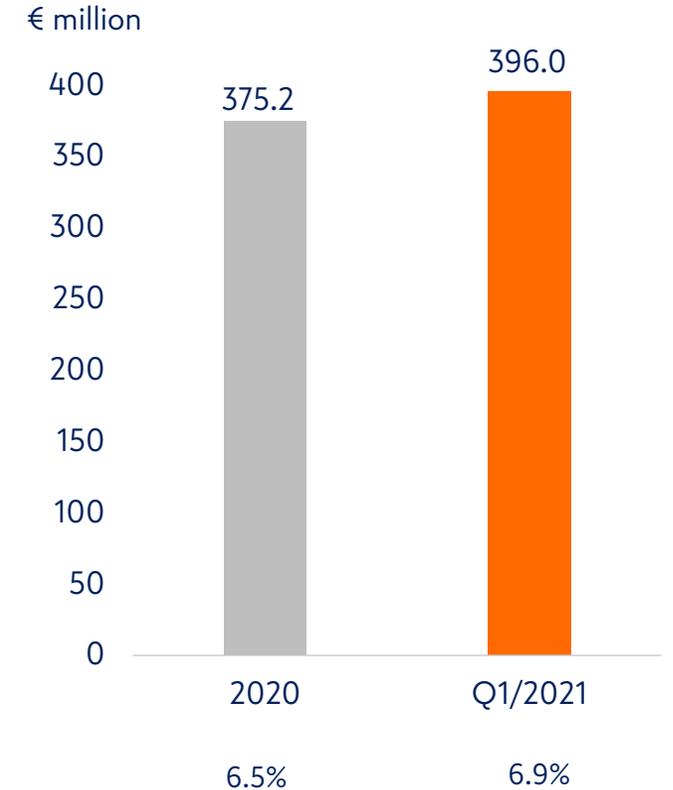


# Grocery Trade Operating Profit

Growth €20.8 million



## Rolling 12 months



# Grocery Trade Q1

## Market Q1

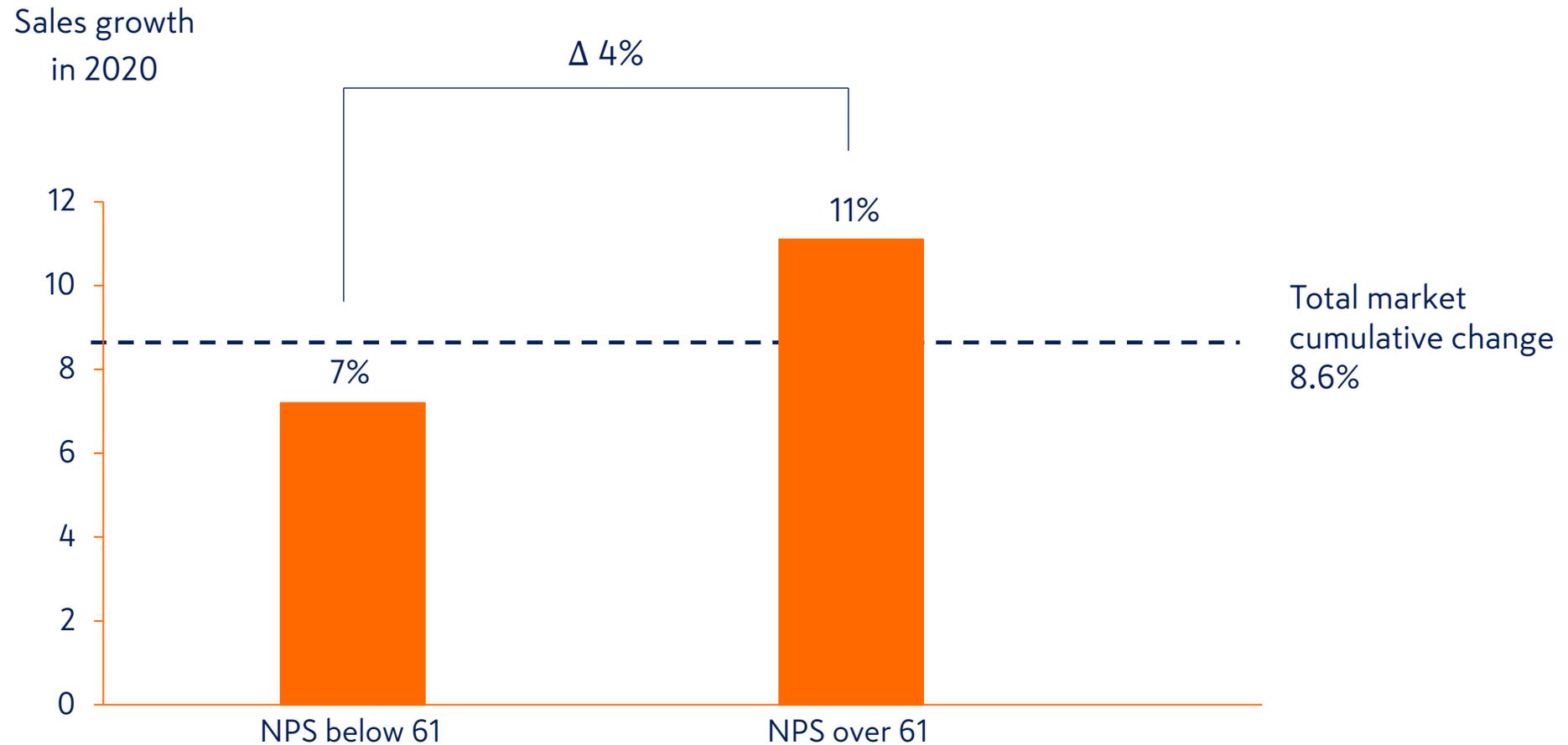
- Total grocery trade market growth 5.8%\*, grocery prices up by 1.4%\*
- Consumption focused on domestic purchases, especially retail
- Growth in demand for online grocery continued strong
- Foodservice market significantly diminished due to the pandemic

## K Group

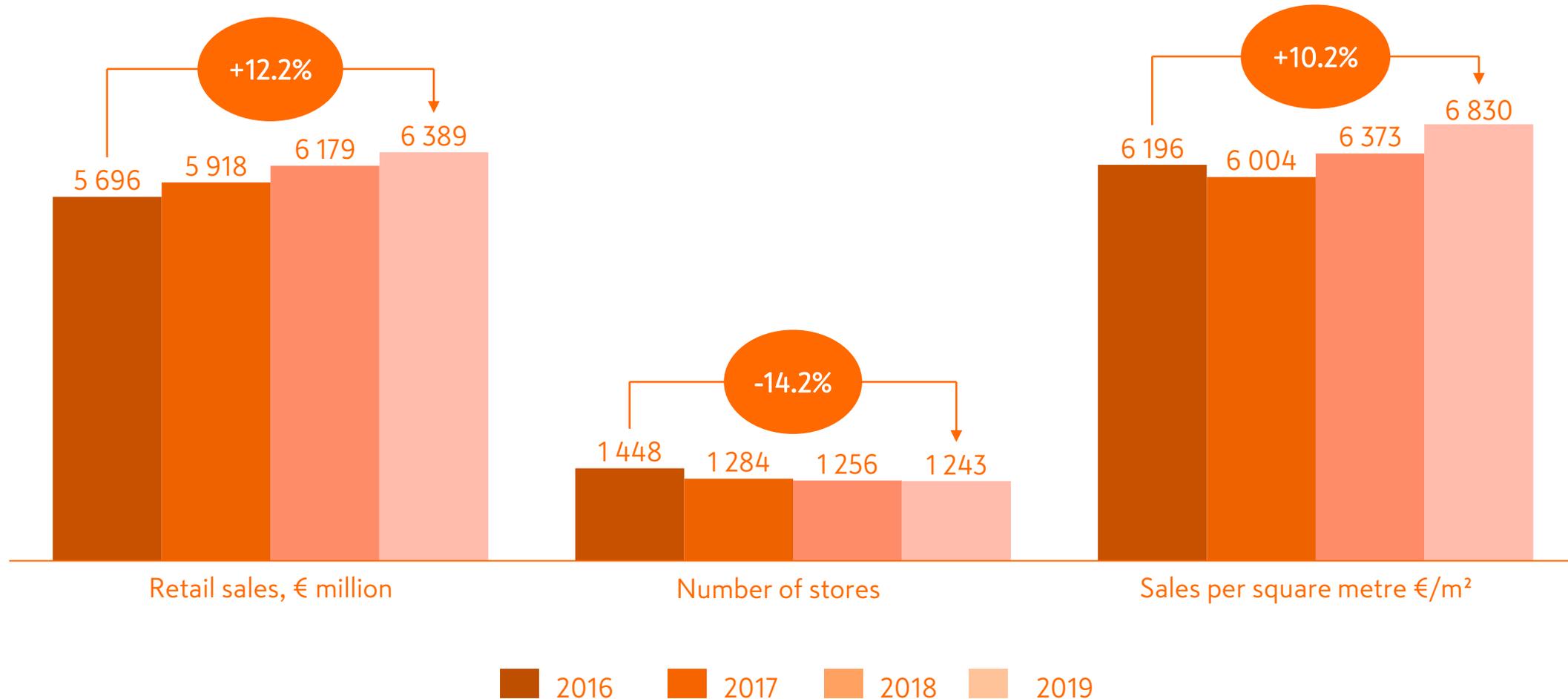
- Grocery sales in K-food stores up by 6.1%
- Sales grew clearly in all grocery store chains
- Our market share rose to 37.8%
- 48% of retail sales growth came from growth in online grocery
- We have managed to keep our foodservice business in profit

# 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



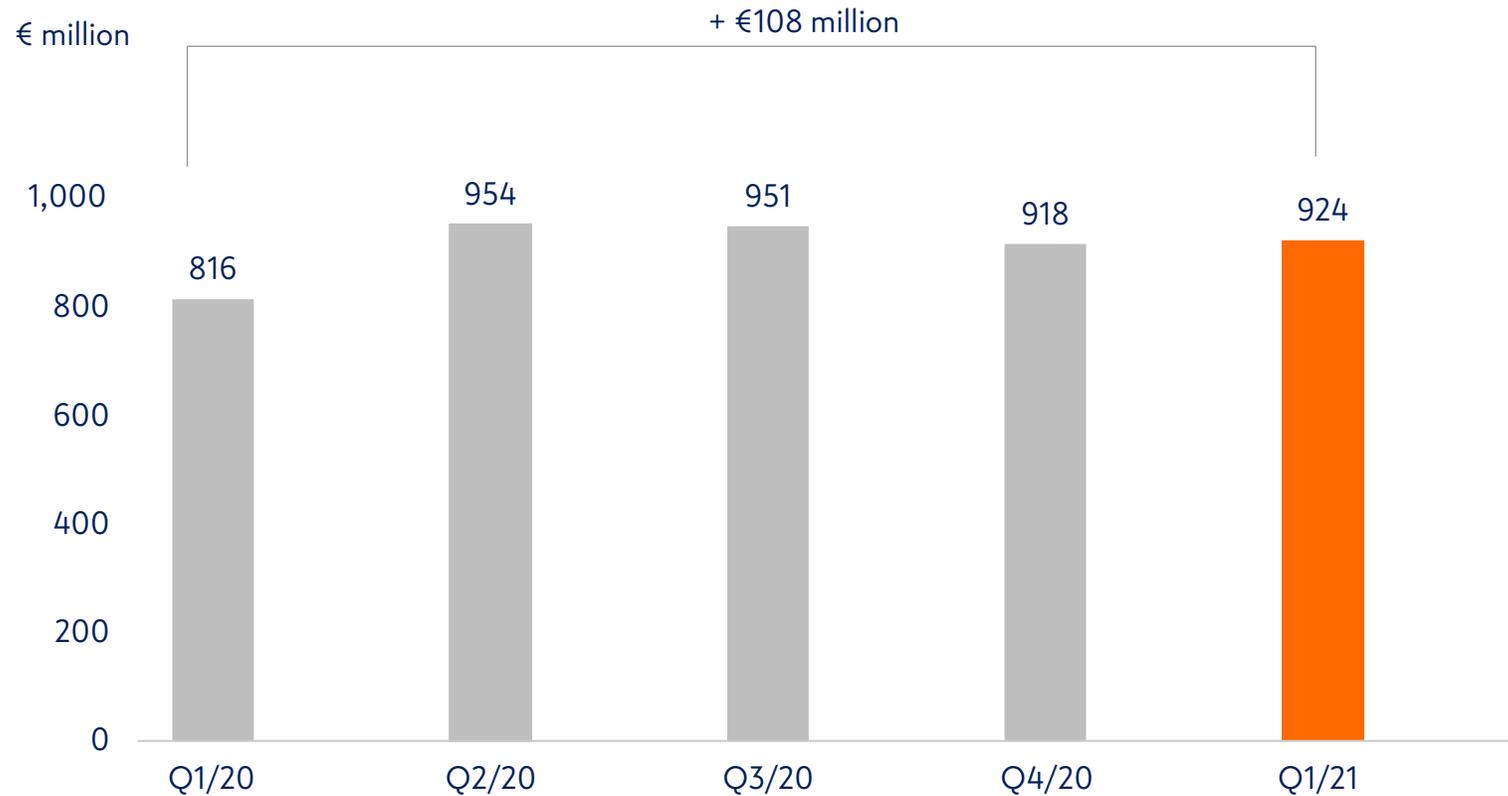
**BUILDING AND TECHNICAL TRADE**

**Strong Development Continued in All Areas**

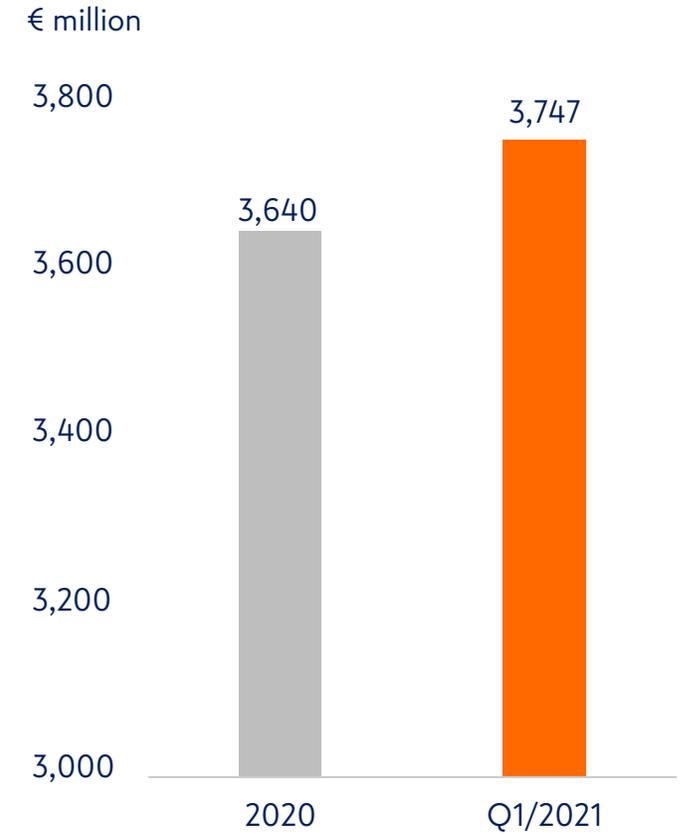


# Building and Technical Trade Net Sales

Growth in comparable terms 7.7%

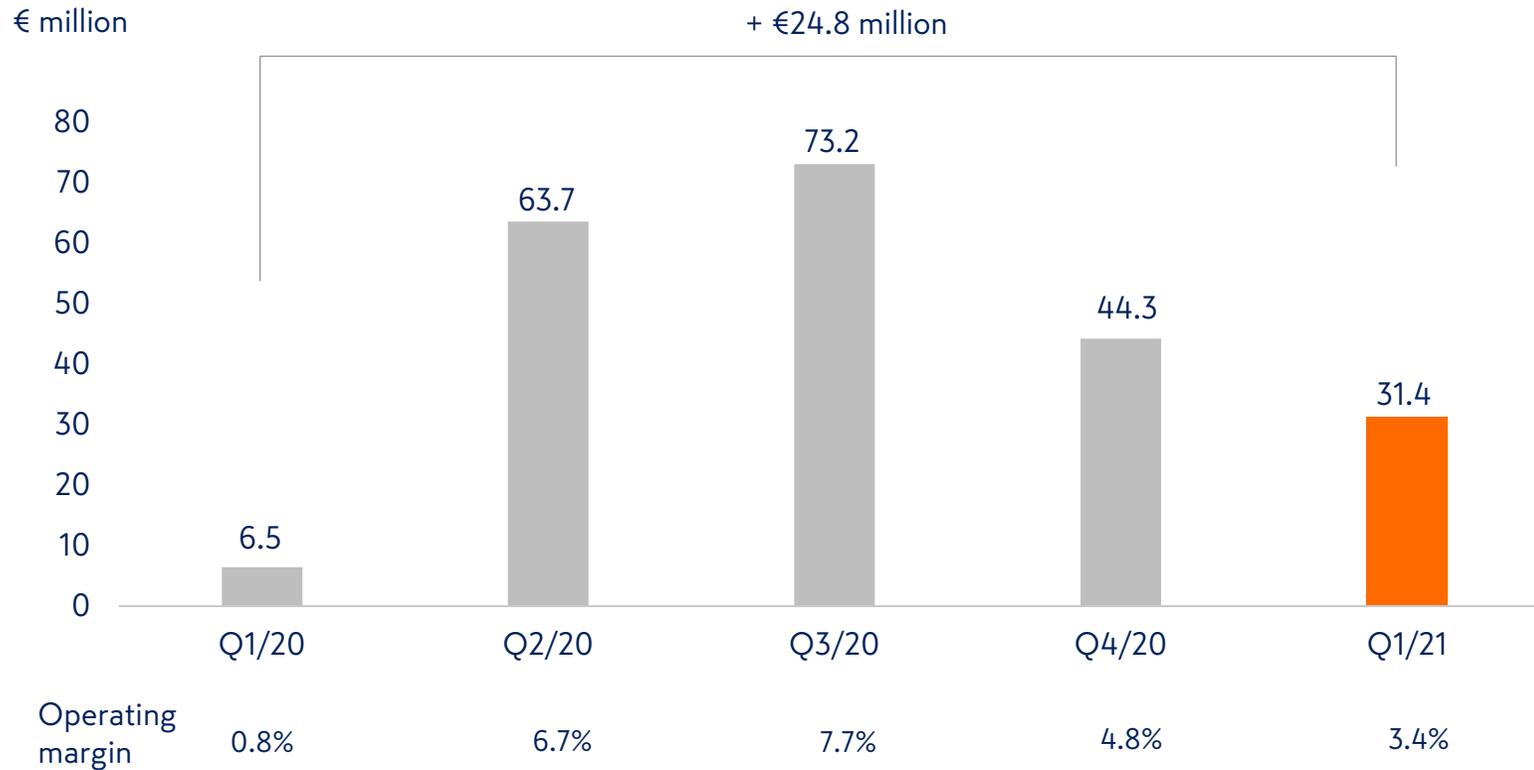


## Rolling 12 months

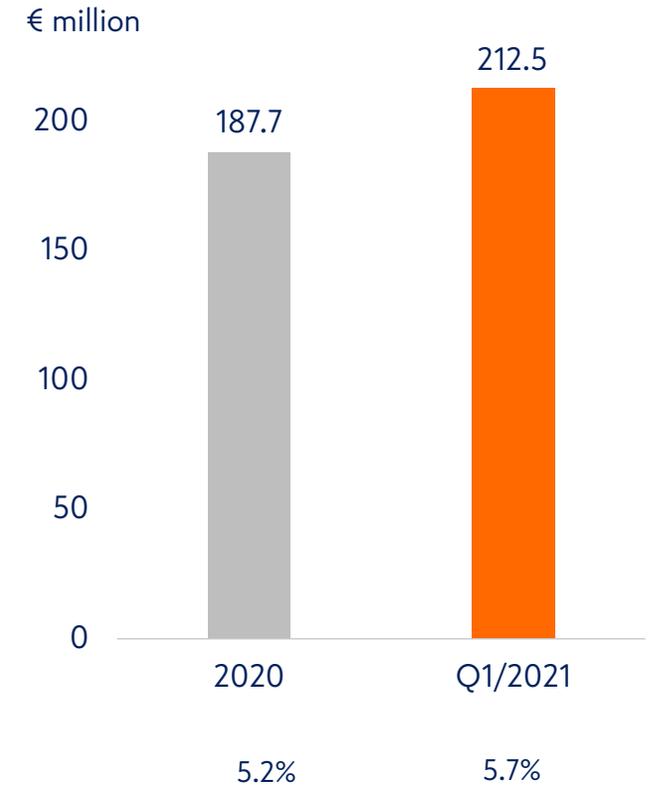


# Building and Technical Trade Comparable Operating Profit

Growth €24.8 million



## Rolling 12 months



# Building and Technical Trade Q1

## Market Q1

- Construction activity remained at a good level in Northern Europe
- B2C trade continued high as consumption was domestically focused
- Demand in technical wholesale has not grown in Finland nor in Sweden
- Increased issues with availability

## K Group

- Good development continued for K-Rauta and Onninen in Finland
- Development in Norway continued strong in all operations
- In Sweden, K-Rauta and K-Bygg did well in the market
- We have been able to ensure product availability
- Sales and profit developed well in the sports trade

# Fragmented Market Offers Big Potential for Consolidation



Retail market 2019 (€bn)  
Market position  
Retail sales €bn 2019  
Market share

Technical trade	Professional builders	DIY
2.4	3.3	1.8
#4-5	#3	#3
0.3	0.5	0.2
10%	14%	



Technical trade	Professional builders *	DIY *
2.2	1.8	1.4
#1	#1	#1
0.9	0.8	0.5
38%	43%	



Retail market 2019 (€bn)  
Market position  
Retail sales €bn 2019  
Market share

Technical trade	Professional builders *	DIY *
3.7	2.7	2.1
#6	#5-6	#5
0.1	0.2	0.2
5%**	8%	



Technical trade	DIY
1.4	2.3
#2 #4 #3	#2 #2 #1
0.1	0.7
11%, 5%, 3%	19%, 17%, 36%

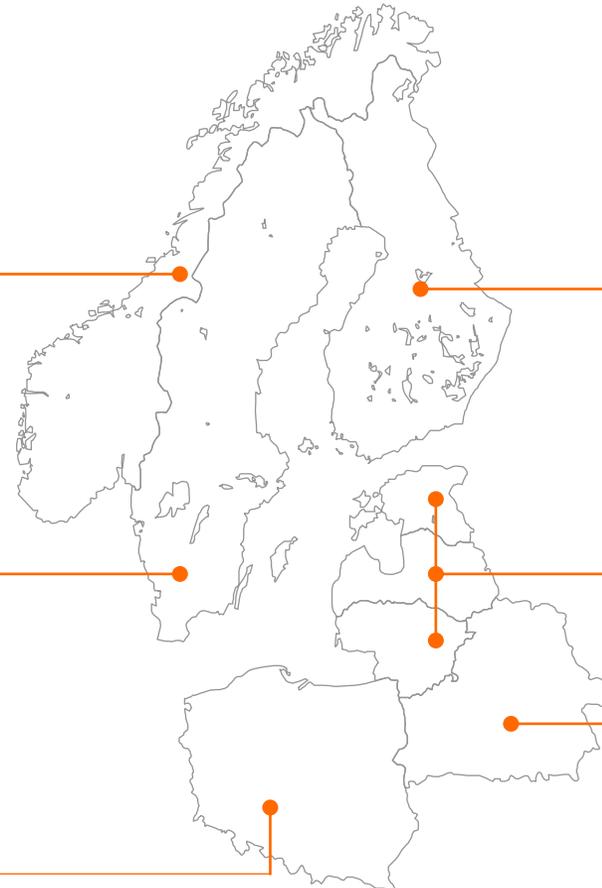


Retail market 2019 (€bn)  
Market position  
Retail sales €bn 2019  
Market share

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

# 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





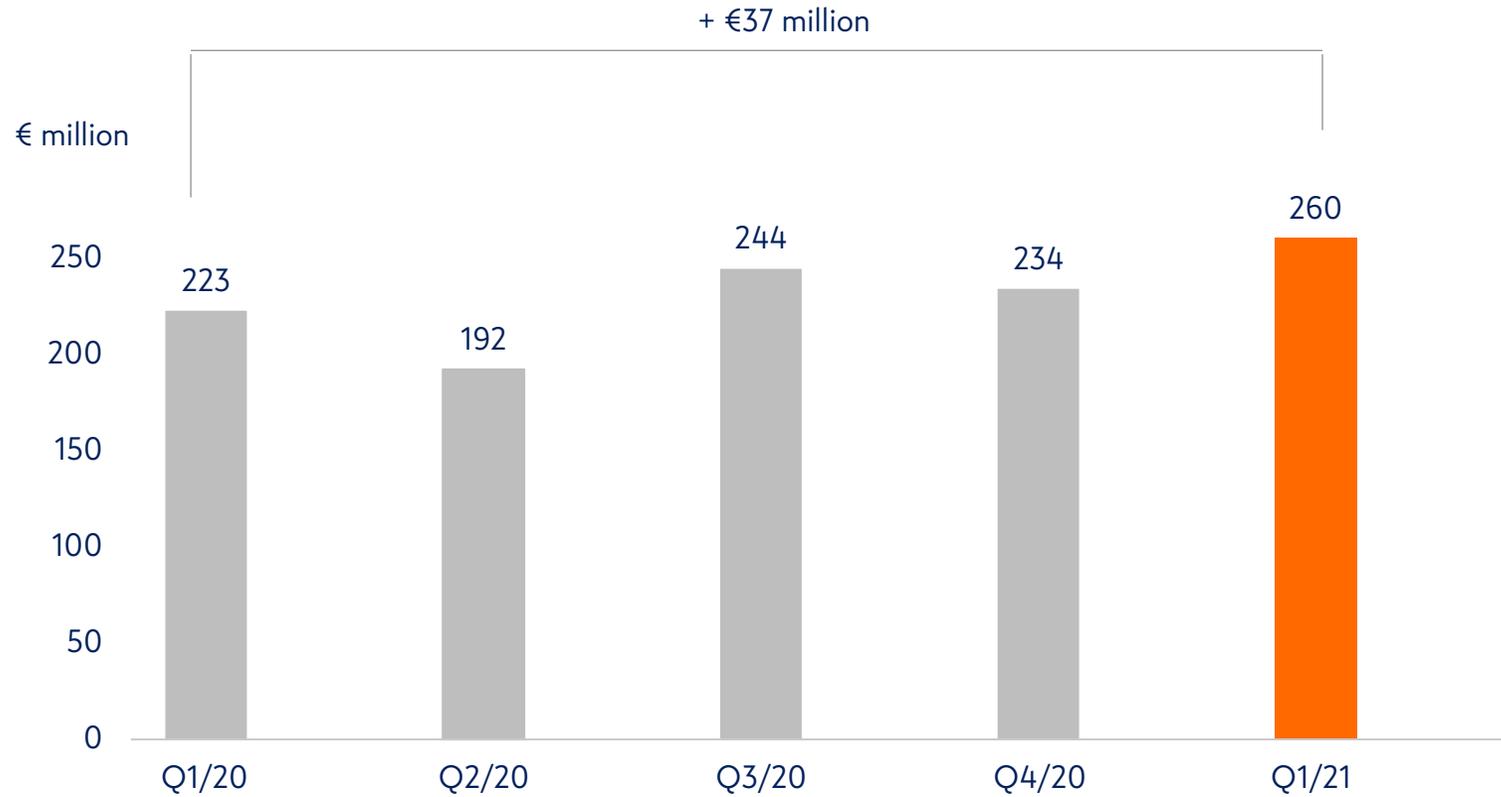
CAR TRADE

Demand Recovering and Sales Up



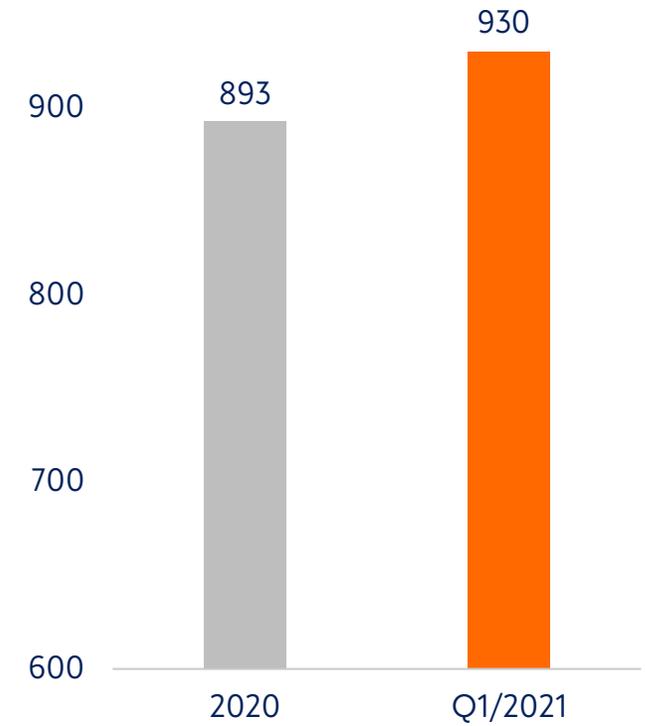
# Car Trade Net Sales

Growth 16.8%



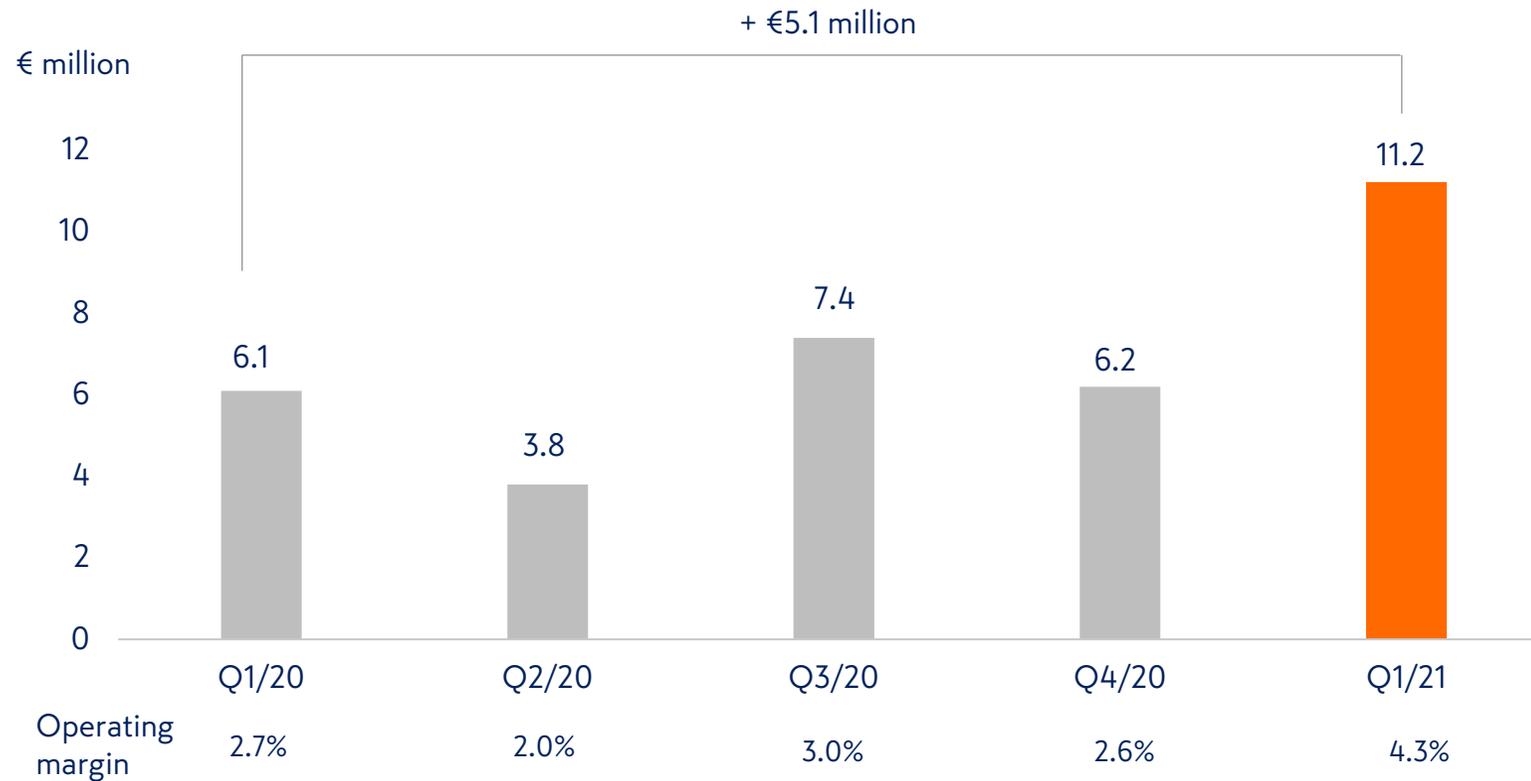
## Rolling 12 months

€ million



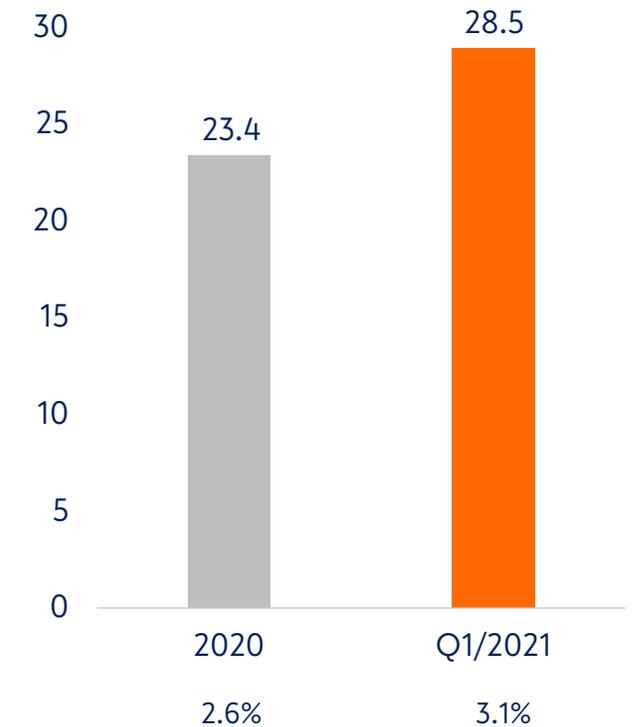
# Car Trade Operating Profit

Growth €5.1 million



## Rolling 12 months

€ million



# Car Trade Q1

## Market Q1

- New car first registrations -0.6%
- Market returning to normal levels
- Used car market continues to grow
- Component shortage a growing issue for the car industry worldwide

## K Group

- Updated strategy for the car trade division
- Sales returned to pre-pandemic levels
- New models support sales, order backlog significantly strengthened
- Growing market shares for brands represented by K Group
- We are forcefully changing and developing our own operations

# 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



**Growth Strategy Will Underpin Strong  
Development Also in Years to Come**

# A Well-Functioning Strategy

**Growth Strategy**

**Focus**

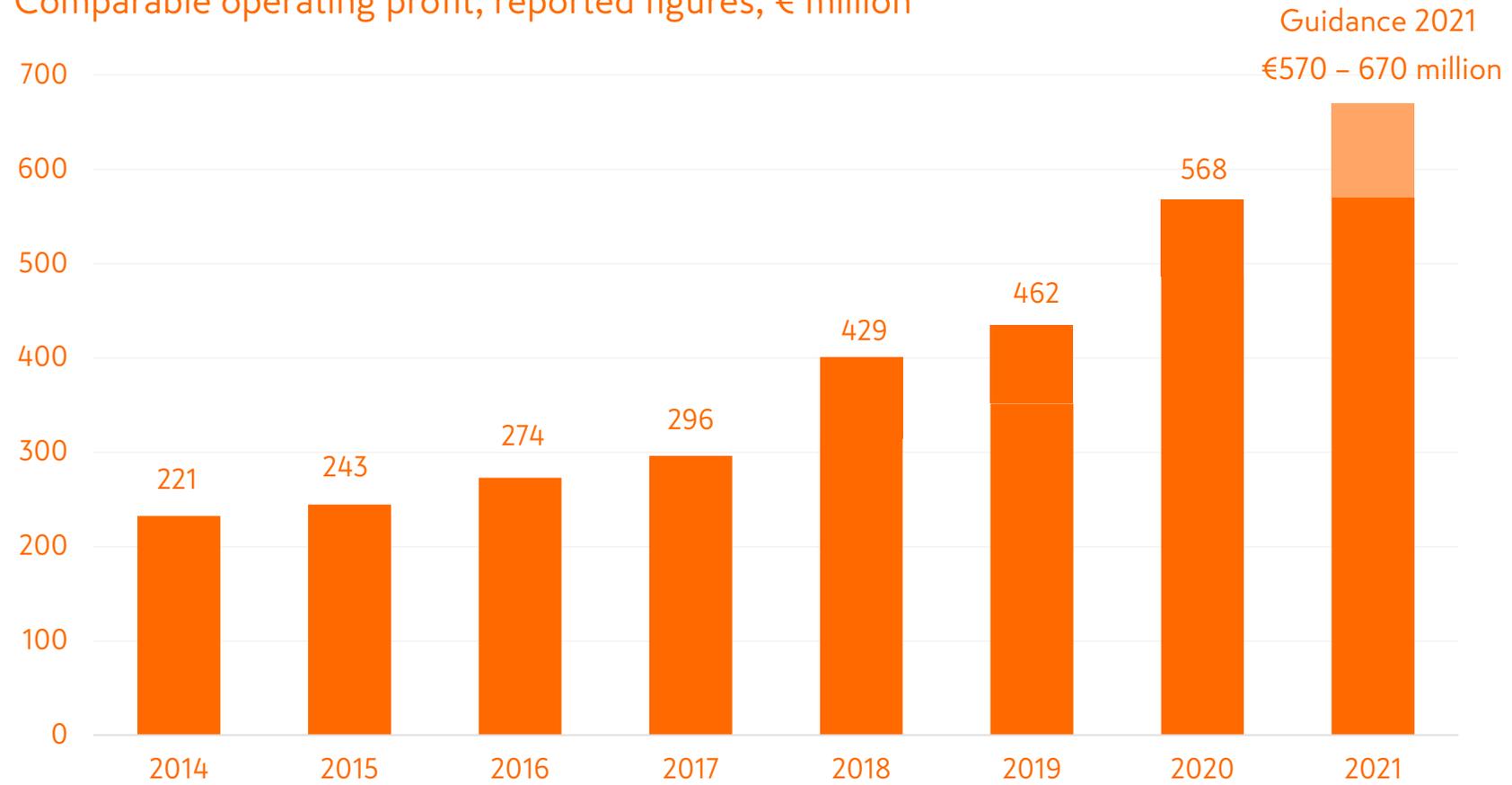
-  Grocery trade
-  Building and technical trade
-  Car trade

One unified **K**

 Sustainability and combatting climate change

# Steady Profit Improvement

Comparable operating profit, reported figures, € million



# Grocery Trade Well-Positioned to Continue Sales Growth Also in Upcoming Years

## Estimates for the Finnish market

- Total demand may stay above pre-pandemic levels
- Foodservice to return to a growth track
- Online grocery sales will remain permanently higher and continue to grow
- Customers value quality and good service, price also important
- Importance of sustainability and locally produced food to increase

## We will continue our own strong actions

- We will continue to redesign stores based on store-specific business ideas
- Utilising customer data in everyday store operations and business development
- Continued strong development of digital services and online sales
- Growing our lead in foodservice

# Strong Country-Specific Actions to Support Growth in Building and Technical Trade Also in Upcoming Years

## Estimates for the Northern European market

- Building and renovation estimated to stay at a good level in Finland and Scandinavia
- Share of B2B trade to continue to grow
- B2C trade expected to return to normal levels
- Growth in digital services and online sales to continue
- Market consolidation to continue

## We seek profitable growth in all operating countries

- In Finland, we will continue to strengthen the market-leading positions of K-Rauta and Onninen
- In Norway, we will continue to further increase the sales and profitability of Byggmakker and Onninen
- In Sweden, we will continue to develop K-Bygg, K-Rauta and Onninen
- Good growth potential also in the Baltics and Poland
- Continued development of digital services and online sales
- Acquisitions to continue especially in Scandinavia

# Transformation in Mobility Offers Growth Potential in Upcoming Years

## Volkswagen Group

- World's leading car manufacturer
- Investing €46 billion in electric mobility
- Iconic brands: Volkswagen, Audi, Porsche etc.

## Market in Finland

- Pressure to update the vehicle stock
- Focus in taxation shifting from car ownership to use
- Increase in fully electric and hybrid cars
- Lower-emission combustion engine cars also needed

## Our transformation continues

- Improving profitability
- Accelerating sales growth
- Improving customer experience
- Tightening our collaboration with the Volkswagen Group
- Growing used car sales



Guidance



# Guidance

Kesko estimates that its comparable operating profit in 2021 will be in the range of €570-670 million.

Before, the company estimated that the comparable operating profit would be in the range of €520-620 million.

The illustrative comparable operating profit in 2020 was €554 million.



# **KESKO CELEBRATES ITS 80TH ANNIVERSARY**

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