



KESKO Q1/2022 INTERIM REPORT

# THE BEST Q1 RESULT IN KESKO'S HISTORY THANKS TO STRONG PERFORMANCE IN BUILDING AND TECHNICAL TRADE

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President and CEO  
29.4.2022

# SUCCESSFUL STRATEGIC CHOICES AND THEIR TIMELY EXECUTION YIELD RESULTS

- Reshaping K-retailer entrepreneurship and chain operations
- Acquisition of Suomen Lähikauppa
- Acquisition of Onninen
- Divesting e.g. department store and speciality goods operations
- Divesting operations in Russia between 2016 and 2018
- Expansion in car trade
- Expansion in building and technical trade in Norway and Sweden through successful acquisitions



# KEY EVENTS IN Q1

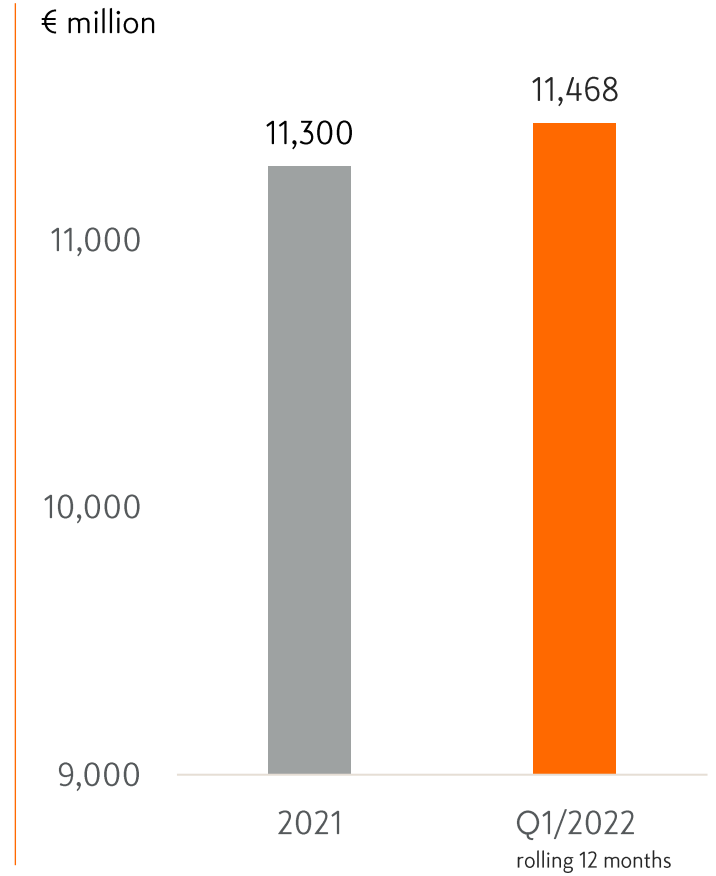
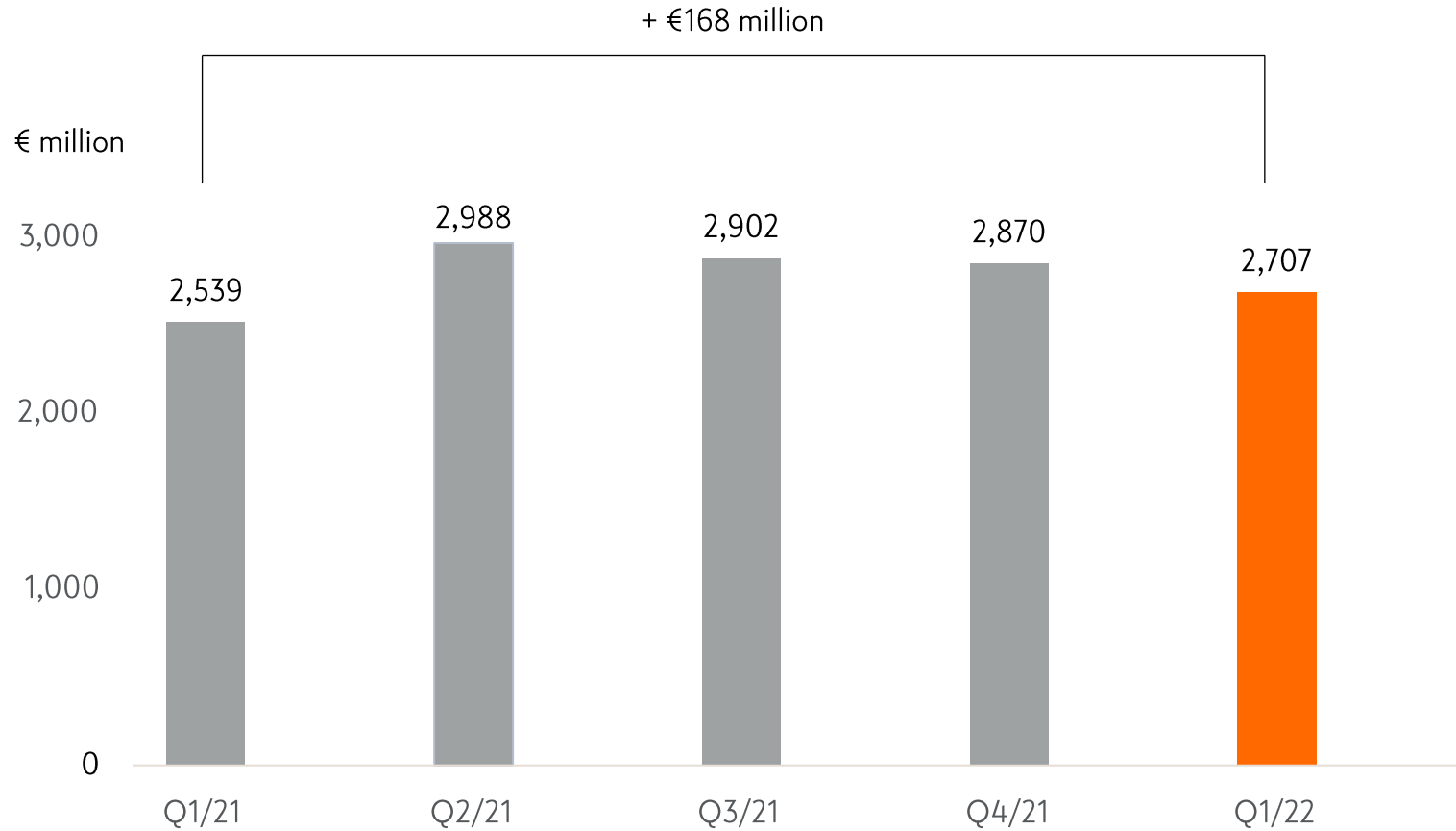
- Best Q1 result in Kesko's history, net sales +6.5%
- Sales growth continued strong in building and technical trade, record-result
- Good result in grocery trade
- Profitability in car trade improved despite availability issues
- New sustainability strategy approved, management compensation tied to sustainability targets

	1-3/2022	1-3/2021
Net sales, € million	2,707.3	2,539.4
Net sales growth*, %	6.5	5.9
Operating profit*, € million	143.7	116.2
Operating margin*, %	5.3	4.6
Earnings per share*, basic, €	0.27	0.20

\* Comparable

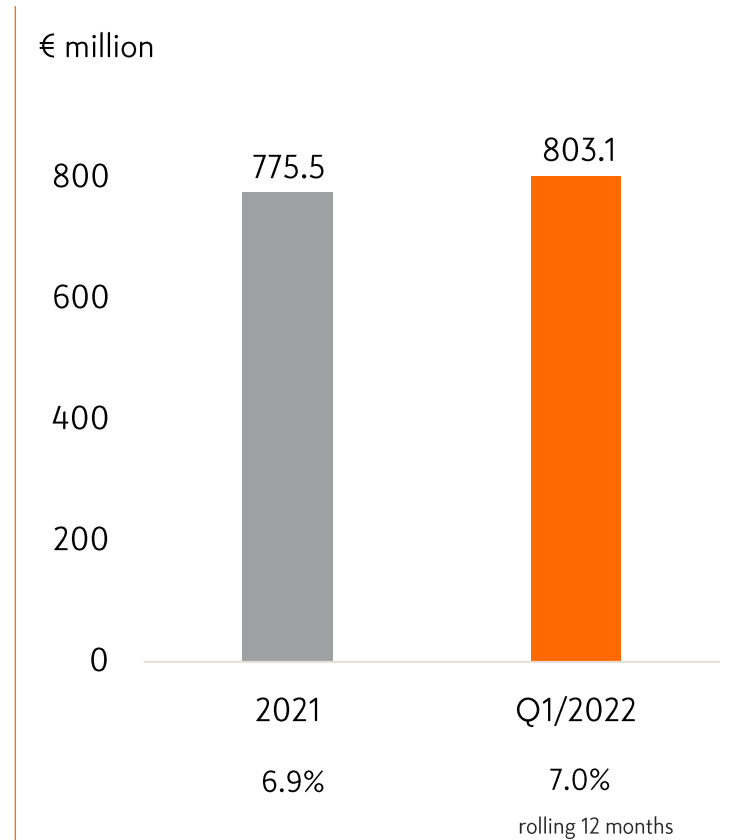
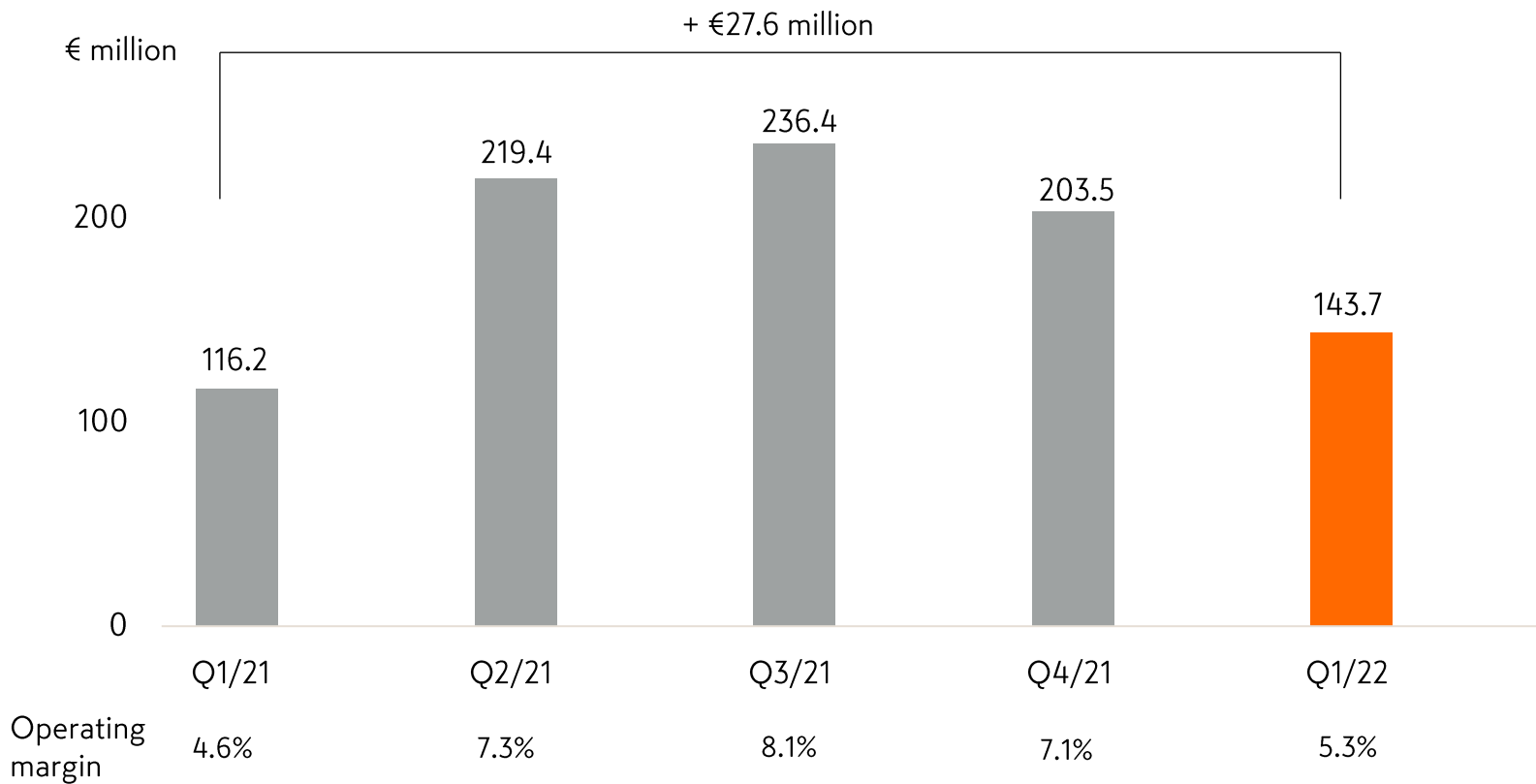
# NET SALES

Growth 6.5% in comparable terms

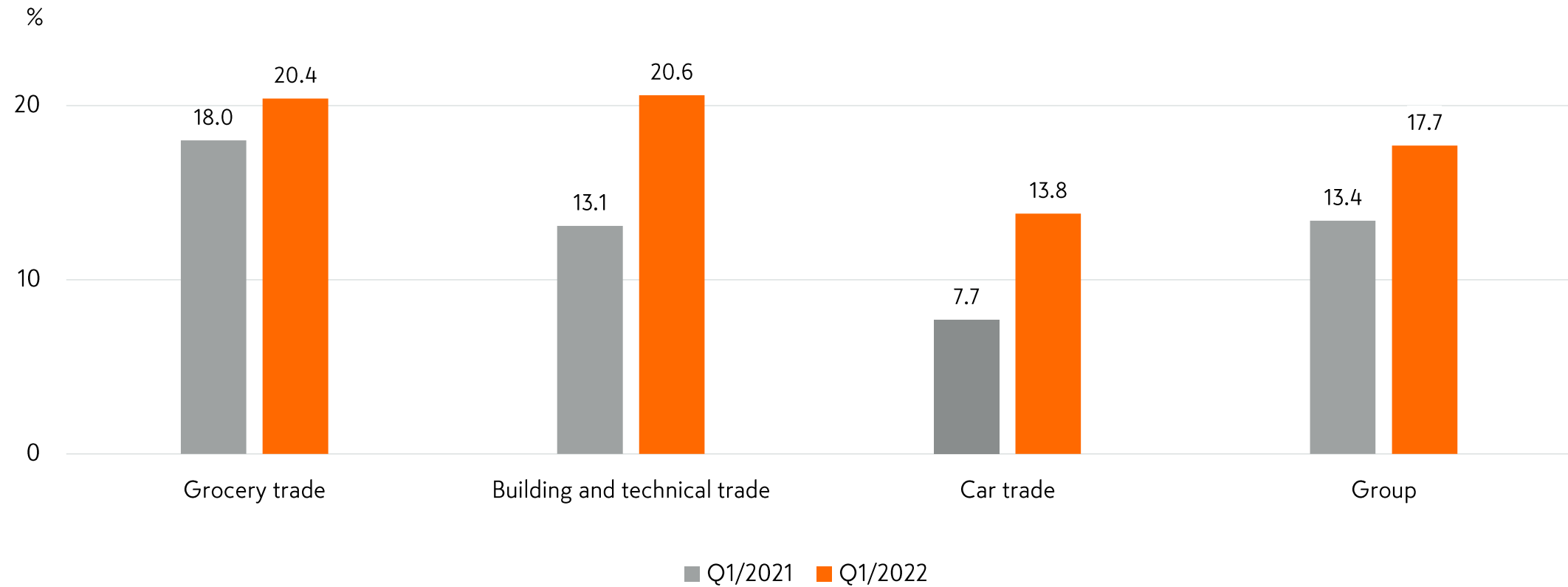


# COMPARABLE OPERATING PROFIT

Growth €27.6 million in comparable terms



# RETURN ON CAPITAL EMPLOYED CONTINUED TO IMPROVE



# STRONG FINANCIAL POSITION

	Q1/2022	Q1/2021
Cash flow from operating activities, € million	71.0	155.1*
Liquid assets, € million	319.6	316.3
Capital expenditure, € million	126.2	44.2
Interest-bearing net debt excl. lease liabilities, € million	72.9	249.1
Interest-bearing net debt/EBITDA (rolling, excl. IFRS 16 impact)	0.1	0.3
Lease liabilities, € million	1,974.5	1,988.8

\*Cash flow from operating activities for the comparison period included a €38.6 million return of surplus assets paid by Kesko Pension Fund.

A photograph of two men in a hardware store. The man on the left is wearing a light-colored jacket and is looking towards the man on the right. The man on the right is wearing a dark jacket with a name tag that says "Rambert" and is holding a drill bit. They are standing in front of a rack of various drill bits. The entire image has a warm, orange-toned filter.

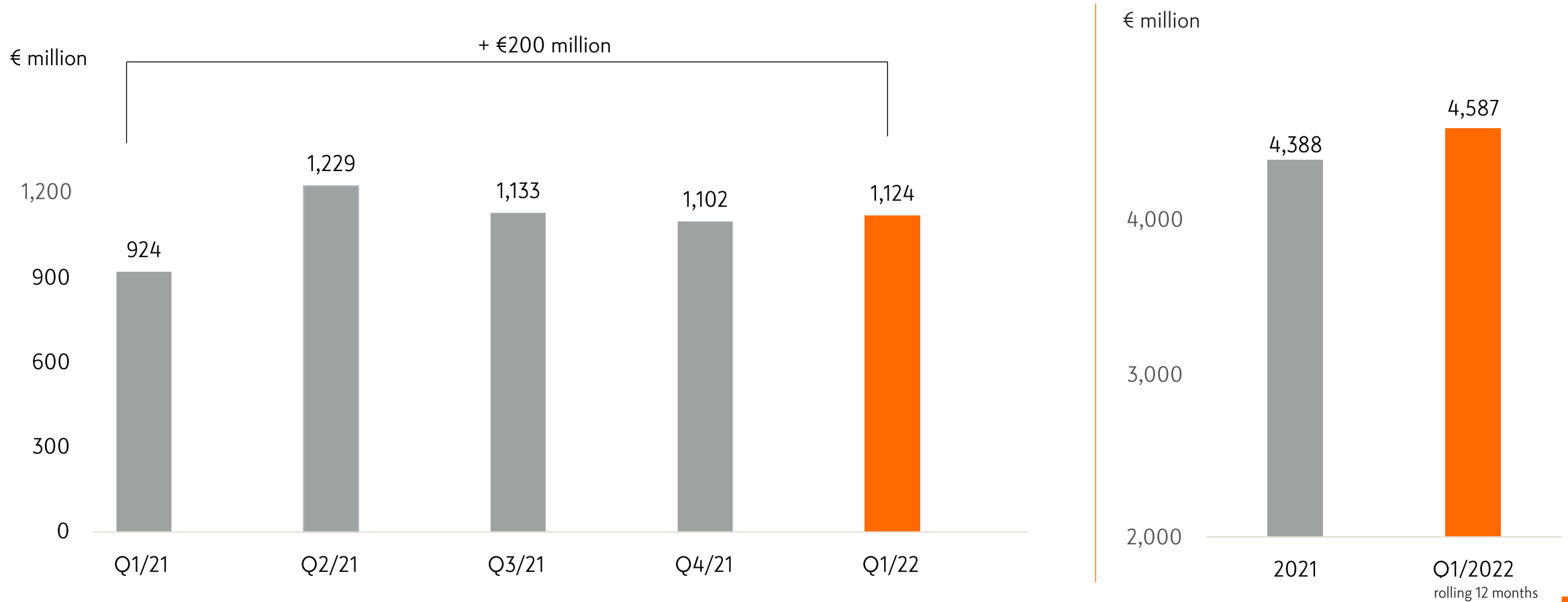
BUILDING AND TECHNICAL TRADE

**SALES GROWTH CONTINUED STRONG  
AND RESULTED IN BEST EVER Q1 RESULT**



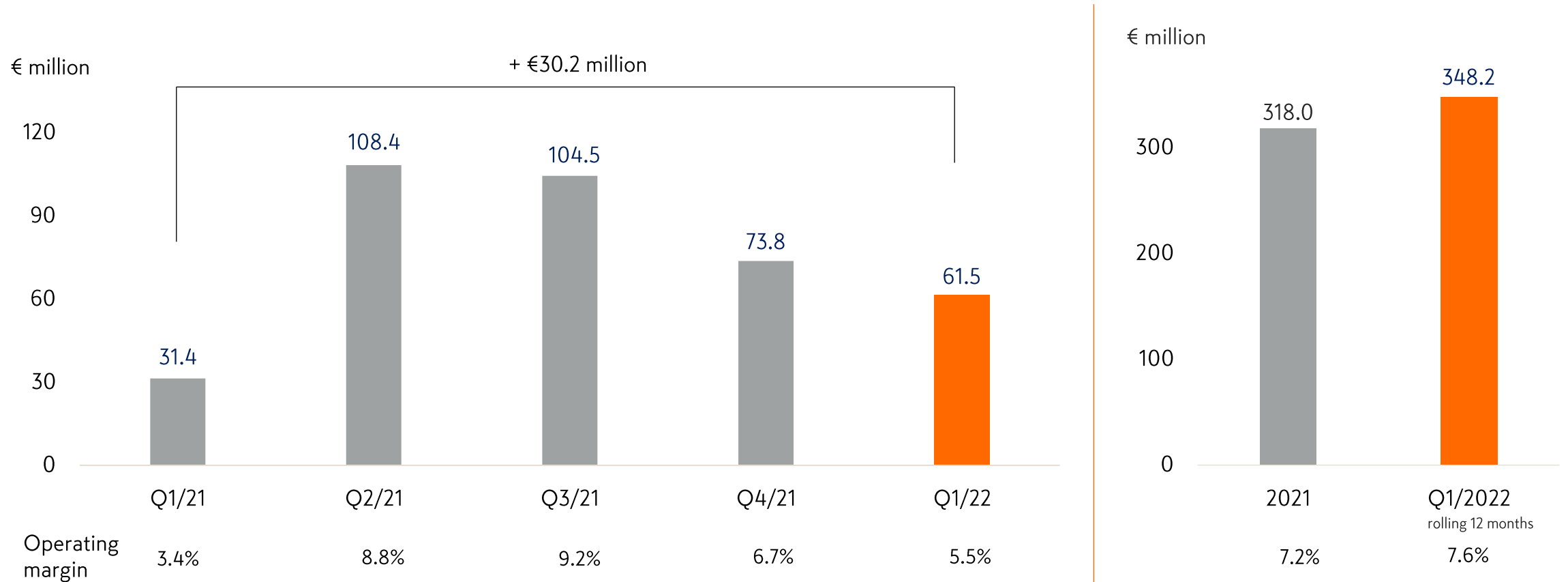
## BUILDING AND TECHNICAL TRADE

# NET SALES GREW SIGNIFICANTLY



# BUILDING AND TECHNICAL TRADE

## OPERATING PROFIT DOUBLED



## BUILDING AND TECHNICAL TRADE Q1

# GOOD PERFORMANCE IN ALL OPERATING COUNTRIES LED TO A RECORD RESULT

- In Finland, Onninen's sales in particular grew clearly and profit improved further, good performance also continued in K-Rauta
- In Norway, Onninen's sales grew and profit improved significantly, Byggmakker's result improved as well
- In Sweden, result improved especially due to strong growth in K-Bygg
- In Poland, Onninen's sales grew clearly and profit improved significantly
- In the Baltics, both Onninen and Kesko Senukai performed well
- Good performance continued also in sports trade



# **MARKET AND OPERATING ENVIRONMENT**

- Building and renovation activity high in Northern Europe
- Plenty of property investment debt in Northern Europe, renovation building growing
- Growth heavily focused on B2B trade
- Increased price inflation causing the building and technical trade market to grow
- Green transition supporting demand
- In the longer term, price inflation may delay new project starts and temporarily decrease construction activity

# STRONG COUNTRY-SPECIFIC ACTIONS BRING GROWTH

- Our leading position in Northern European building and technical trade increases our competitiveness
- Our focus on the growing B2B trade maintains growth, B2C trade supporting the good performance
- Our focus on Northern Europe and further strengthened position in the Nordics form a basis for good profitability
- We strive to accelerate sales growth further with acquisitions



## BUILDING AND TECHNICAL TRADE

# FOCUSING ON THE GROWING B2B SEGMENT YIELDING RESULTS

- B2B trade now accounts for nearly 80% of the division's sales, figure has quadrupled since 2014
- Sales growth particularly strong in Onninen
- In addition to technical trade, the share of B2B has risen to 65% of sales also in building and home improvement trade
- More than 200,000 B2B customers
- Significant further growth potential in B2B trade

### B2B TRADE SHARE OF SALES

**~80%**

### B2B TRADE SALES

**€4 BILLION**

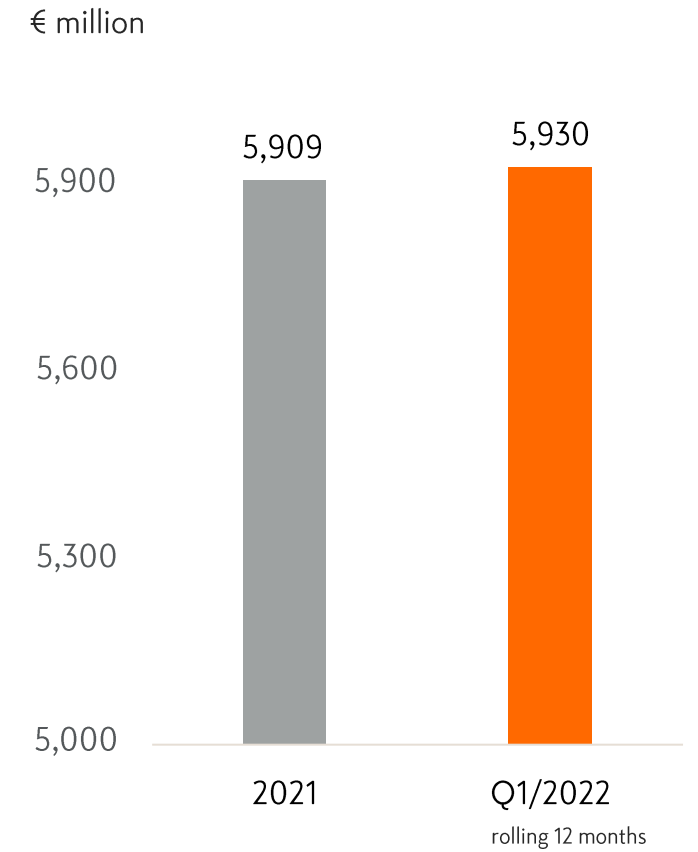
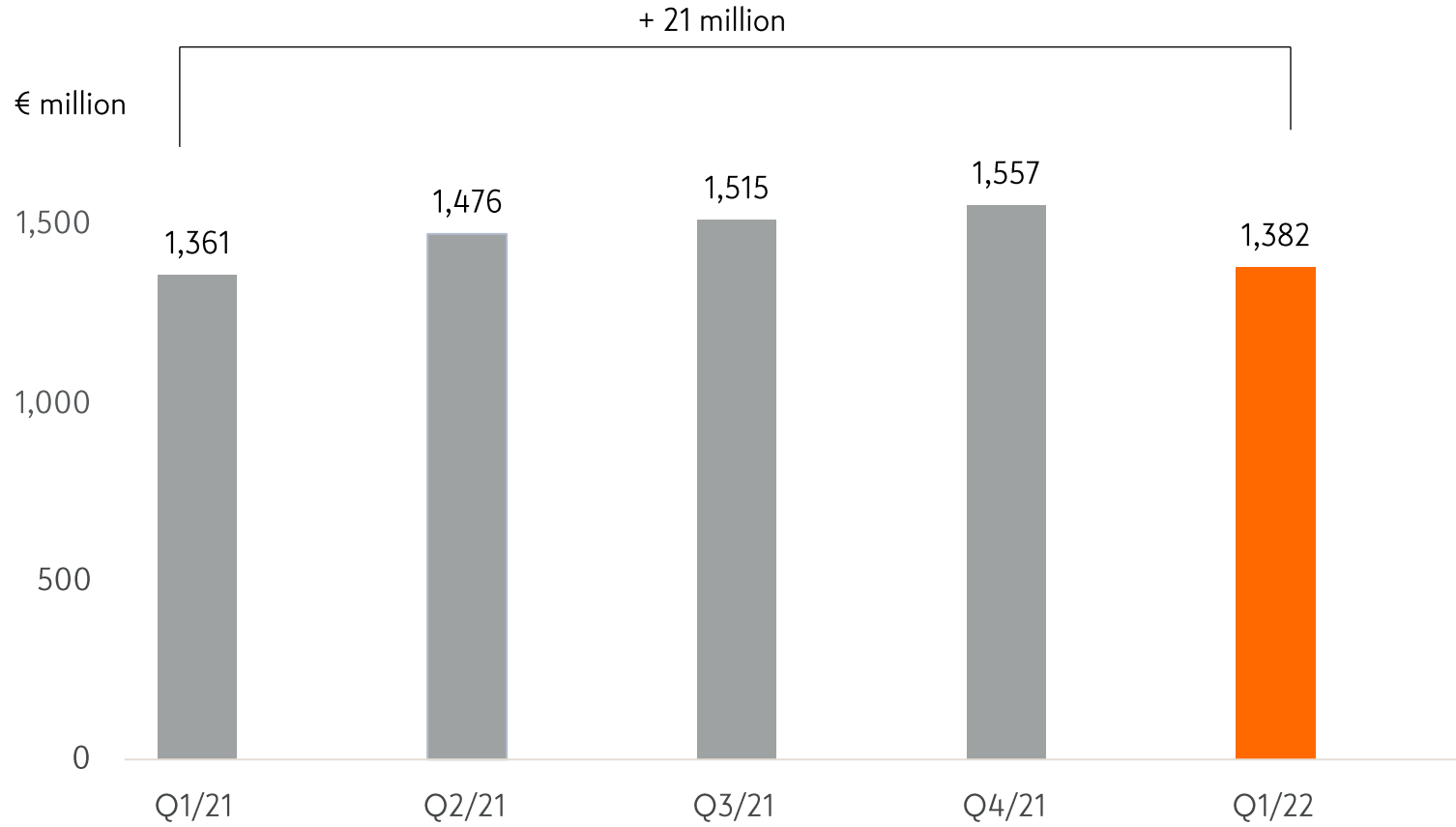


GROCERY TRADE

# ANOTHER GOOD RESULT IN FOOD TRADE

## GROCERY TRADE

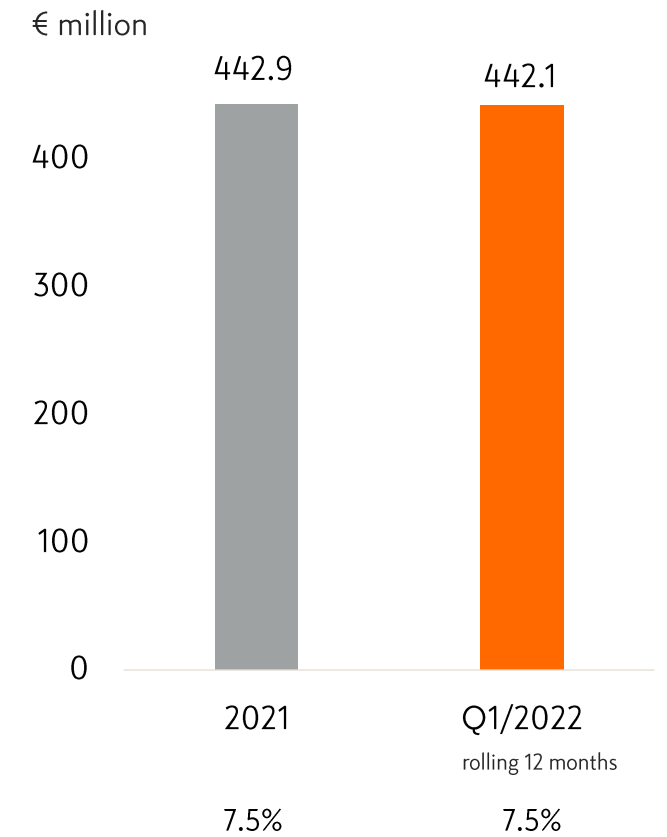
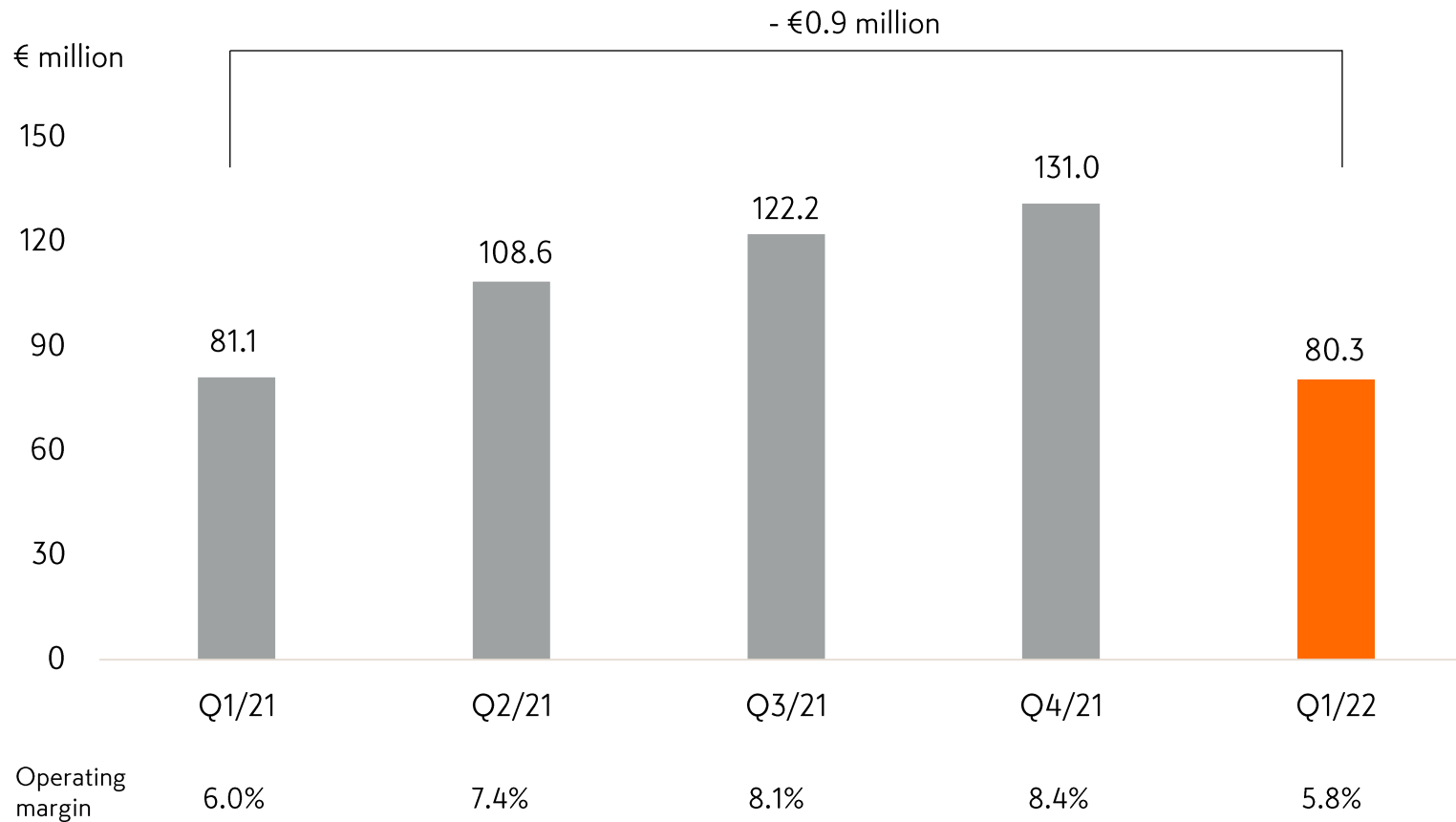
# NET SALES GREW





# GROCERY TRADE

## OPERATING PROFIT GOOD



# FOOD TRADE SALES GROWTH CONTINUED, YIELDING A GOOD RESULT

- Good result in food trade
- Kespro's B2B sales rose to a new record, net sales growth 27.4%
- K-food store retail sales -0.8%
- Online grocery sales nearly at the record peak-pandemic levels seen last year, a steady decrease of some 7% seen across the country
- K-Citymarket home and speciality goods (non-food) sales -4.1%, winter season sold in December
- Good continued cost-efficiency despite rising costs

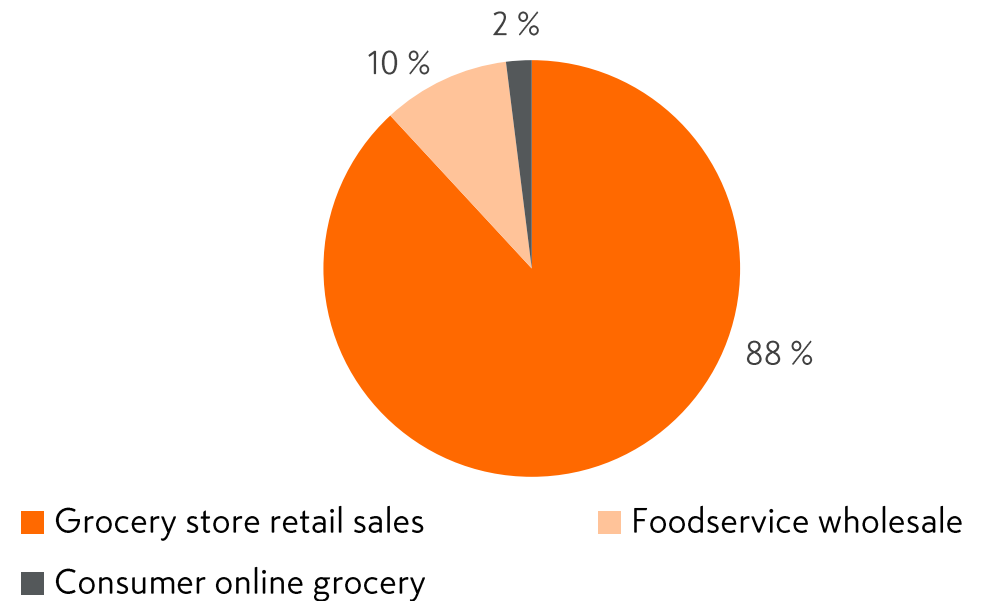


## GROCERY TRADE

# TOTAL FINNISH FOOD TRADE MARKET SOME €20 BILLION

Kesko the only operator that is strong in all three areas

- Sales heavily focused on grocery stores, 88% of total sales
- Foodservice wholesale to companies and public operators the fastest growing area
- Consumer online grocery growing, but accounts for just 2% of the total market



Source: The Finnish Grocery Trade Association PTY

# MARKET AND OPERATING ENVIRONMENT

- Food cost inflation growing the market
- As the pandemic eases, visits to grocery stores and online grocery shopping volumes set to normalise; online grocery still expected to settle above pre-pandemic levels
- Strong growth in the sales of good, high-quality ready meals in grocery stores
- At the same time, restaurant sales growing forcefully, supporting foodservice market growth
- Price will continue to matter, accelerating inflation to impact consumer behaviour
- Consumers' purchasing power and trust in their own finances is good

## GROCERY TRADE

# STRONG POSITION IN ALL FOOD TRADE AREAS YIELDS GOOD RESULTS

- A strong combination of the most extensive network of grocery stores in Finland, Kespro's market-leading foodservice business, and leading online grocery operations
- K-retailers and data-based store-specific business ideas as the basis for success for grocery stores
- Sales growth through existing systems improving operational efficiency further
- Strong own brands and offers targeted based on customer data enable good price competitiveness

## KESKO'S SHARE OF FOOD TRADE

~38%

Includes grocery stores, online sales, and foodservice

## GROCERY TRADE

# KESPRO THE UNDISPUTED MARKET LEADER IN THE FAST GROWING FOODSERVICE WHOLESAL

- Market share nearly 45%
- Kespro's sales close to €1 billion, digital already accounts for some 70% of sales
- A wide customer base from private operators in the restaurant sector to public sector operators
- Significant synergies with K Group grocery stores
- Strong growth in foodservice to continue, underpinned by megatrends





## GROCERY TRADE

# LEADING OPERATOR ALSO IN ONLINE GROCERY

- Consumer online grocery sales accounted for some 3.9% of K Group's grocery trade sales in Q1/2022
- The best customer experience in the business (NPS 83)
- We estimate that we have fared well in the changing landscape of consumer online grocery
- No difference between the Helsinki region and the rest of Finland when it comes to online grocery development despite new players entering the market in the former
- We continue to proactively develop and grow our online grocery operations as part of our strong food trade



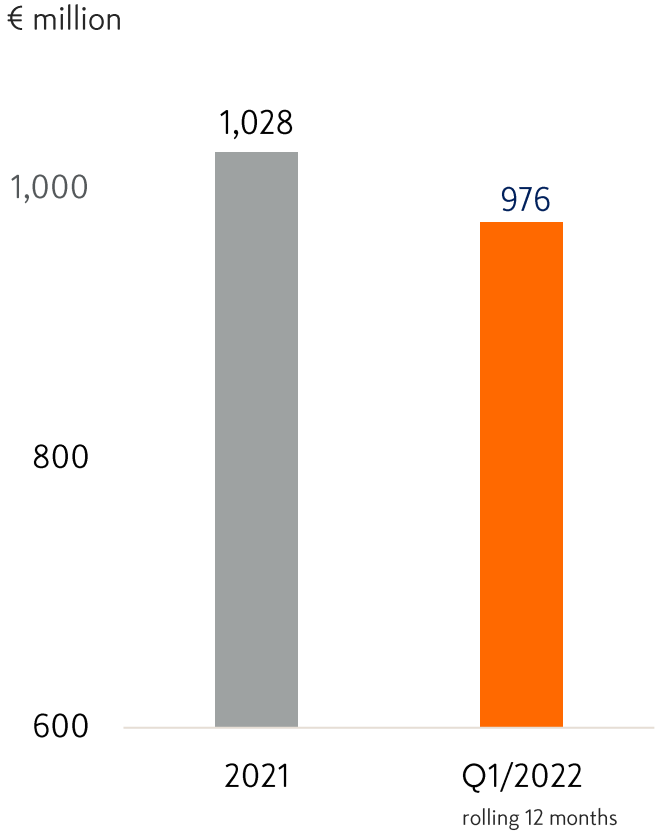
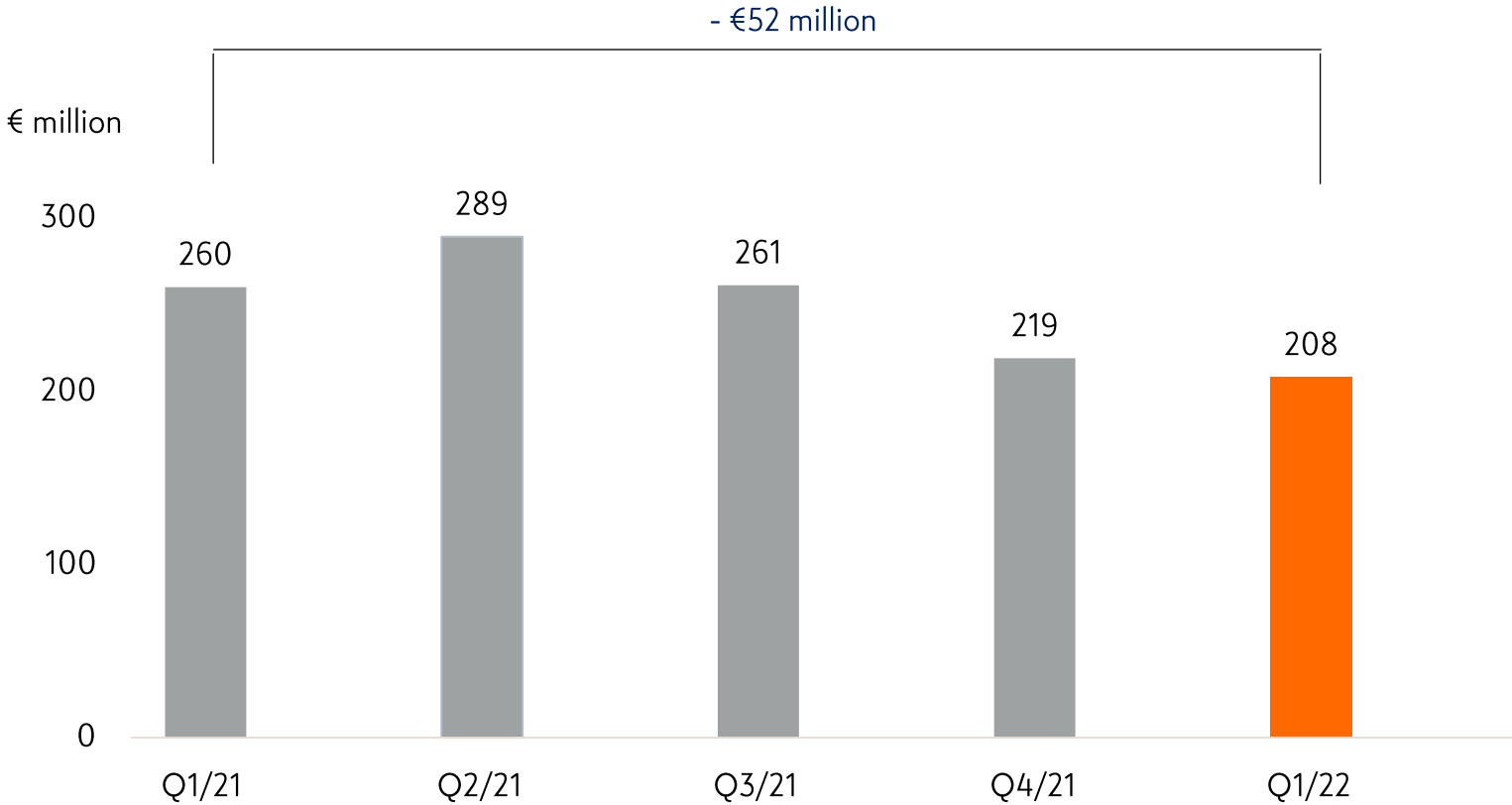
CAR TRADE

# GOOD RESULT DESPITE AVAILABILITY ISSUES



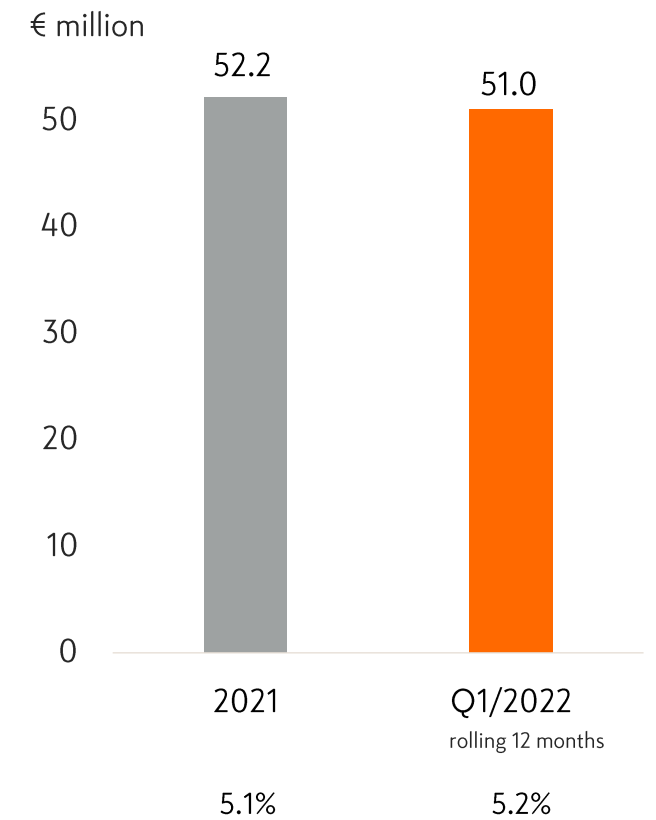
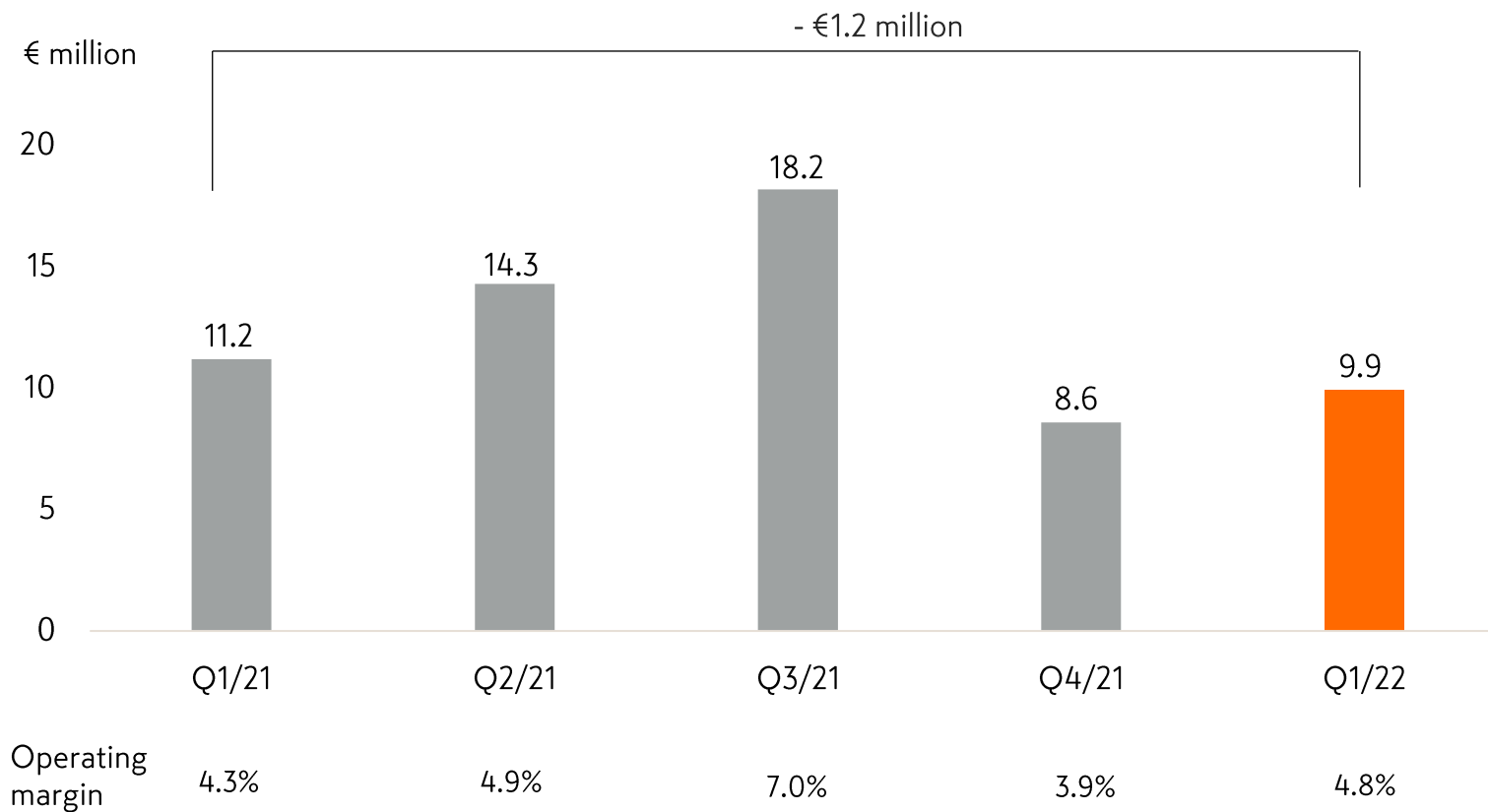
# CAR TRADE

## AVAILABILITY ISSUES CAUSED NET SALES TO DECREASE



## CAR TRADE

# STEADY RESULT IN A DIFFICULT OPERATING ENVIRONMENT



# TRANSFORMATION YIELDED RESULTS

- Net sales down due to delays in new car deliveries
- Profit improved thanks to sales margin growth and cost savings
- Order book for new cars record-high
- Establishment of the used car business proceeding according to plans
- Pandemic weakened the result for the service business
- Good progress made in our extensive efforts to transform operations



## CAR TRADE

# MARKET AND OPERATING ENVIRONMENT

- Overall demand in car trade decreased for new and used cars
- Component shortages and the impacts of the war in Ukraine caused first registrations of new cars to decline
- E-mobility moving forward fast
- The need to reduce traffic emissions and improve traffic safety by updating vehicle stock increases demand

## CAR TRADE

# SUCCESSFUL CHANGES FORM A BASIS FOR GROWTH

- Thanks to our ongoing transformation efforts, Kesko's car trade is strongly part of the wider sector transformation
- Focus on new cars, used cars, and services
- Big order book for new cars supports growth
- Fast growing used car business improving profitability
- Better competitiveness thanks to efforts to improve customer experience, make operations digital, and increase process efficiency

## SHARE OF ORDERS FOR ELECTRIC CARS AND RECHARGEABLE HYBRIDS

~40%

## CAR TRADE

# USED CAR SALES AN IMPORTANT PART OF OUR GROWTH STRATEGY

- Forming a separate business unit for used cars
- New purchasing organisation for Finland and abroad
- Further improving customer experience and operational efficiency
- Profitability in the used car business improved significantly on the comparison period







# TOPICAL THEMES

# KESKO UPDATED ITS SUSTAINABILITY STRATEGY

## MANAGEMENT REMUNERATION TIED TO SUSTAINABILITY TARGETS

### SUSTAINABILITY STRATEGY

#### VISION:

WE ENABLE SUSTAINABLE CHOICES FOR OUR CUSTOMERS AND DRIVE CHANGE THROUGHOUT THE VALUE CHAIN

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#### FOCUS AREAS:

- CLIMATE AND NATURE
- VALUE CHAIN SUSTAINABILITY
- RESPONSIBILITY FOR PEOPLE
- GOOD GOVERNANCE

#### IMPLEMENTATION WITHIN DIVISIONS:

- GROCERY TRADE
  - BUILDING AND TECHNICAL TRADE
  - CAR TRADE
- 

#### INDICES AND ASSESSMENTS AS INDICATORS OF PROGRESS:

Dow Jones World, MSCI ESG, Global 100, CDP



# WAR IN UKRAINE AND ITS IMPACTS

- Kesko divested its operations in Russia between 2016 and 2018 for some €347 million
- We discontinued the purchase of Russian products and food exports to Russia when the war began
- Prolonged war and sanctions will impact the global economy
- We are actively monitoring the situation and will adjust our management and operations as necessary
- We will update our business plans when the situation so requires
- We prepare for possible disruptions in supply chains and for cyber threats



**K GROUP DONATIONS  
TO HELP THE VICTIMS  
OF THE WAR IN  
UKRAINE IN TOTAL  
€350,000**



# GUIDANCE



# GUIDANCE FOR 2022

The outlook for Kesko's business operations has improved

Kesko estimates that its comparable operating profit in 2022 will be in the range of €730–840 million.

In 2021, Kesko's comparable operating profit totalled €776 million.



**FOR  
SHOPPING  
TO BE FUN**

