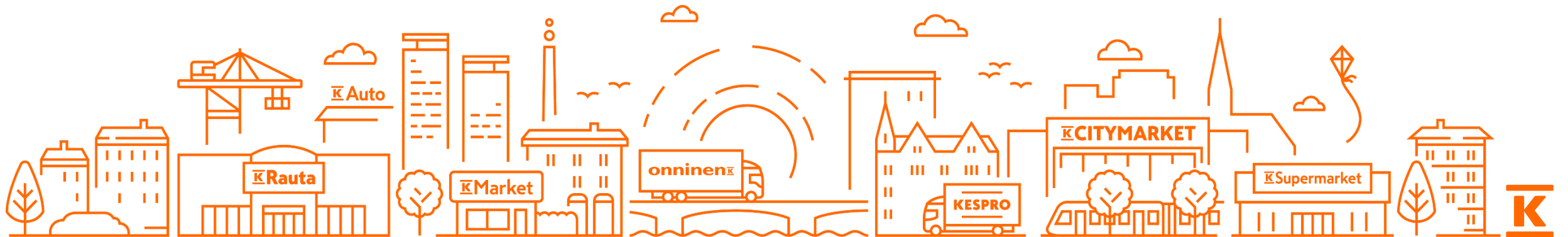


**KESKO INTERIM REPORT Q3/2023**

# **A FINE PERFORMANCE IN A WEAK MARKET**

**MIKKO HELANDER**  
**PRESIDENT AND CEO**  
**26 October 2023**



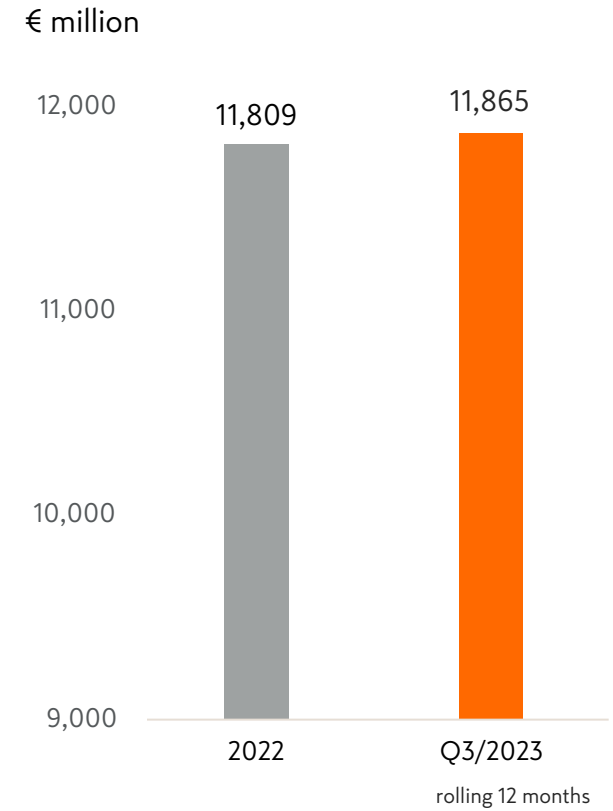
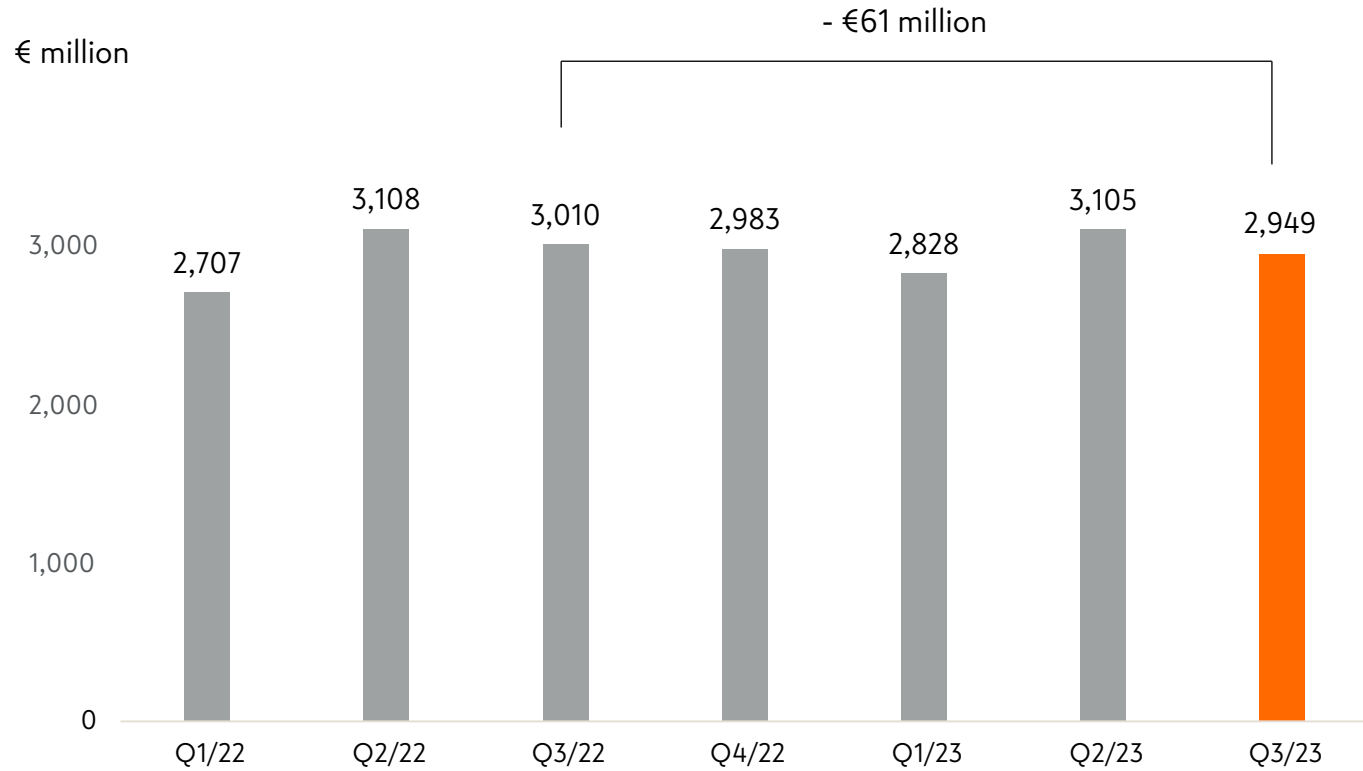
# KEY EVENTS IN Q3

- Grocery trade: sales at a good level
- Building and technical trade: profit decreased as construction volumes weakened
- Car trade: sales and profit grew clearly in all car trade business segments
- Davidsen and expansion to Denmark once the acquisition is completed
- Cost-efficiency improved thanks to measures implemented
- Good cash flow from operating activities, efficient working capital management strengthened cash flow

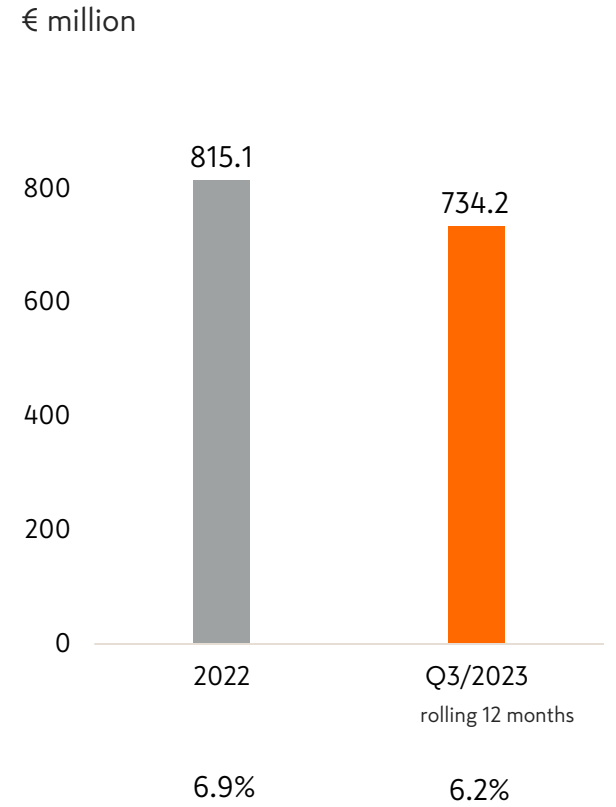
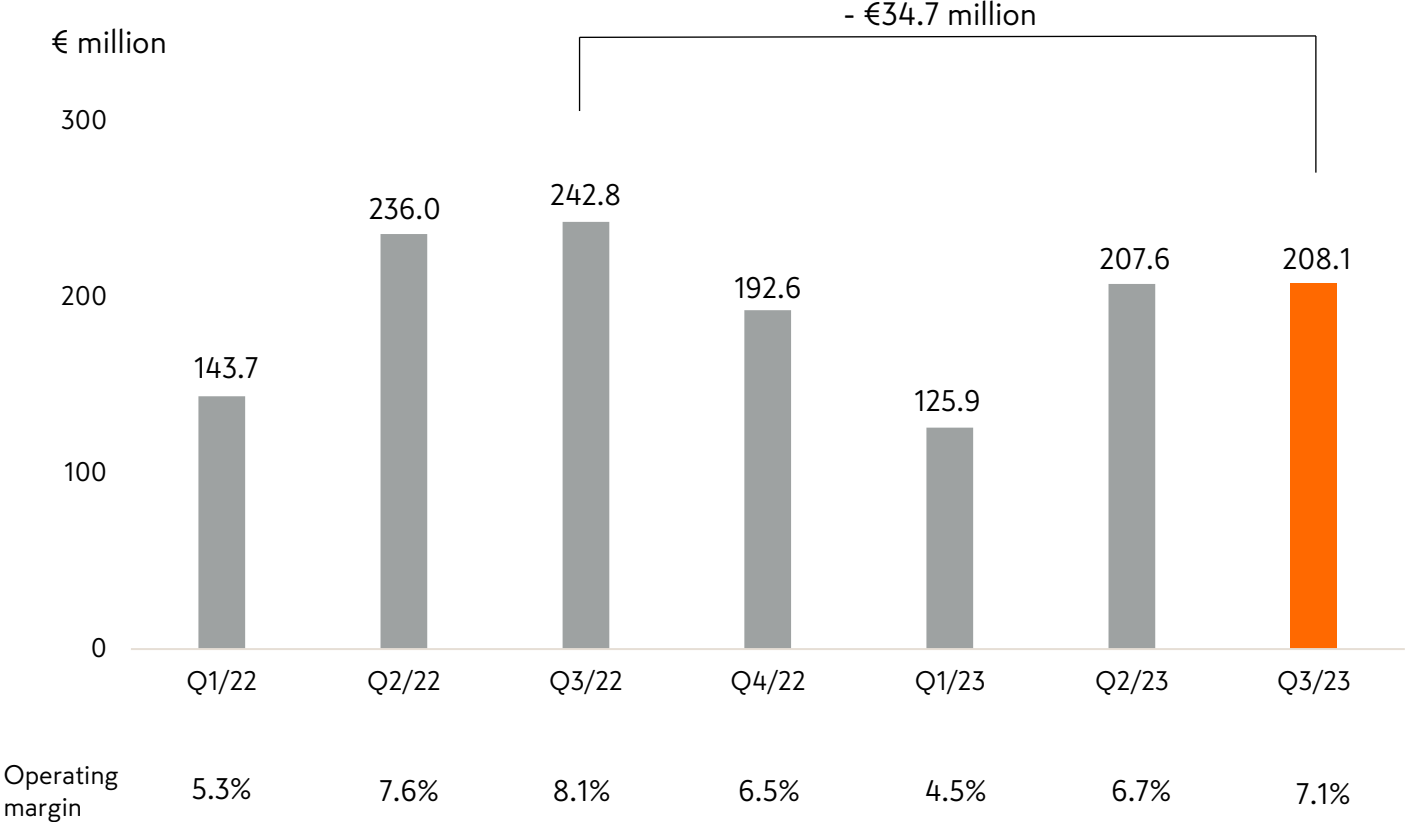
	7-9/2023	7-9/2022
Net sales, € million	2,949.1	3,009.8
Net sales growth, %	-2.0	3.7
Net sales growth, %*	-2.7	3.4
Operating profit, € million*	208.1	242.8
Operating margin, %*	7.1	8.1
Earnings per share, basic, €*	0.38	0.47

\* Comparable

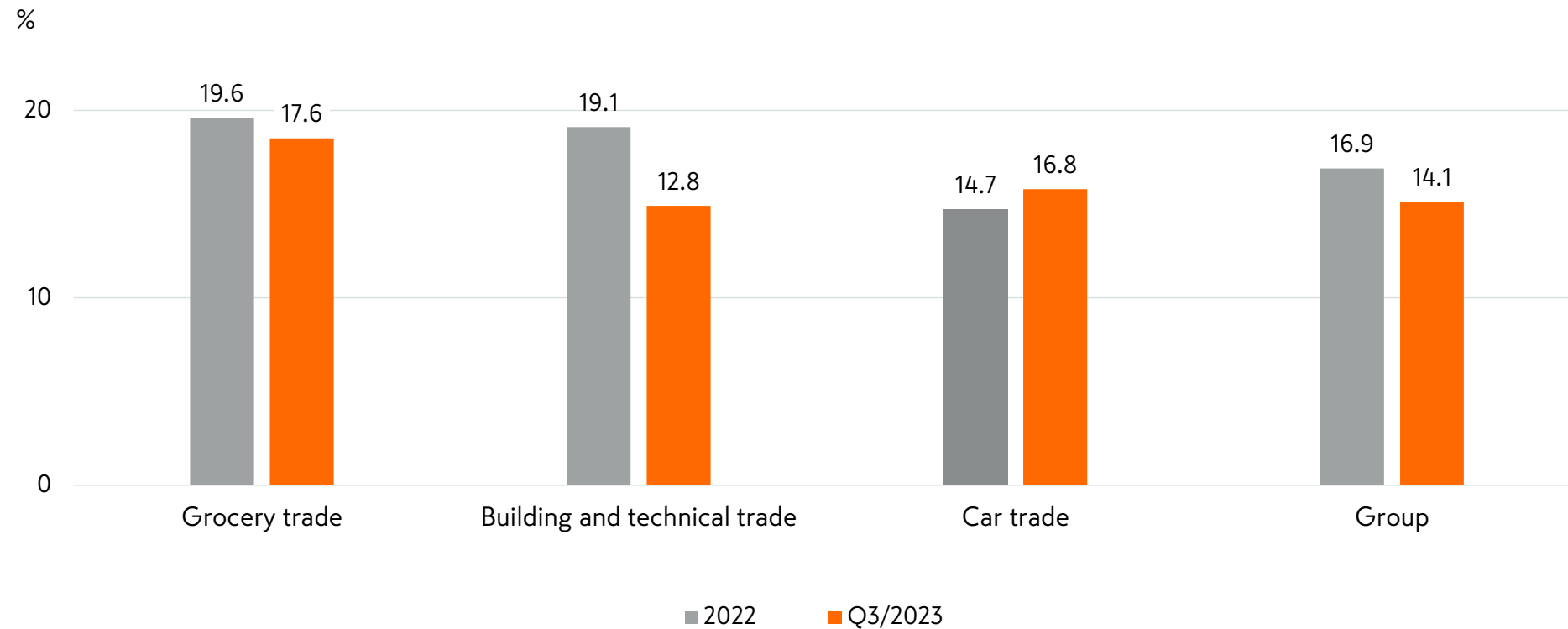
# NET SALES



# OPERATING PROFIT



# RETURN ON CAPITAL EMPLOYED



# STRONG FINANCIAL POSITION

Good cash flow from operating activities

- Cash flow strengthened on the comparison period thanks to further improvement in working capital management in all divisions
- Interest-bearing net debt down on the previous quarter
- Net debt increased on the comparison period as a result of capital expenditure in store sites and logistics, acquisitions, and rise in working capital

	Q3/2023	Q3/2022
Cash flow from operating activities, € million	394.9	318.8
Liquid assets, € million	169.6	313.4
Capital expenditure, € million	127.5	89.9
Interest-bearing net debt excl. lease liabilities, € million	559.8	167.1
Interest-bearing net debt/EBITDA*	0.7	0.2
Lease liabilities, € million	1,994.2	1,948.6

\* Rolling, excluding IFRS 16 impact

# ONGOING IMPROVEMENTS IN COST EFFICIENCY

Fixed costs down by €9 million despite inflation

- Cost cuts and savings in all divisions and Group common operations
- Personnel expenses down by 2.6% despite significant wage inflation
- Foreign exchange rates also impacted costs positively

	7-9/2023	7-9/2022
Fixed costs, € million	<b>451.9</b>	460.8
- Personnel expenses, € million	<b>176.1</b>	180.9
- Other expenses, € million	<b>140.5</b>	155.3
- Depreciation, € million	<b>135.3</b>	124.6
Cost ratio, %	<b>15.3</b>	15.3

Figures excluding items affecting comparability

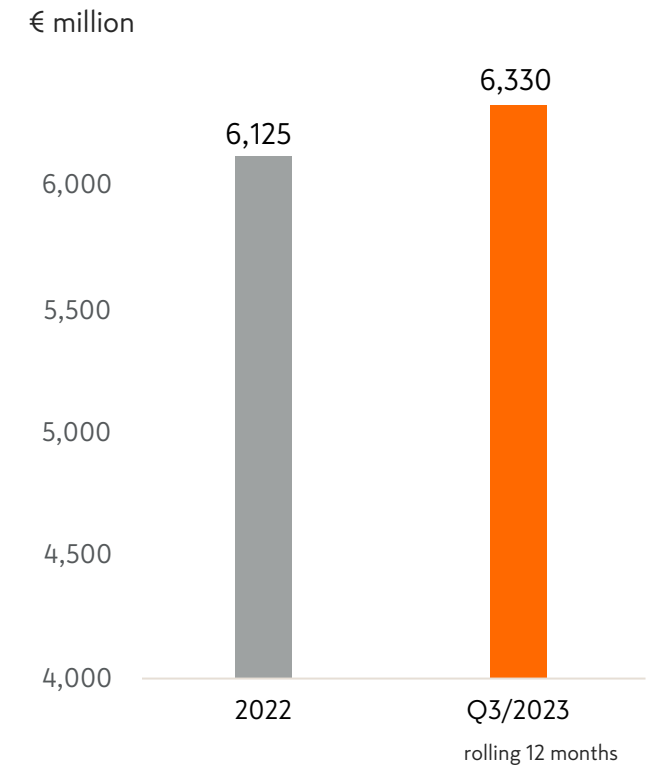
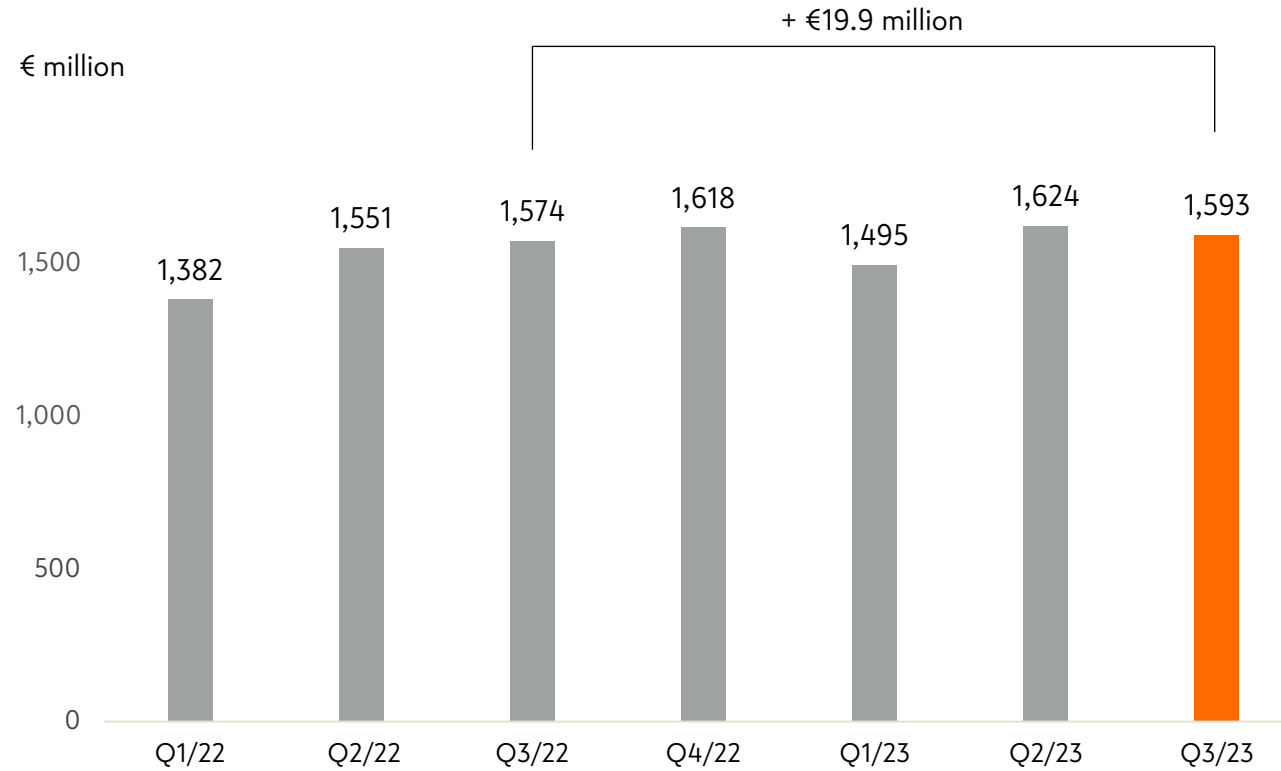


GROCERY TRADE

# STRONG POSITION IN FINNISH FOOD TRADE YIELDING GOOD RESULTS

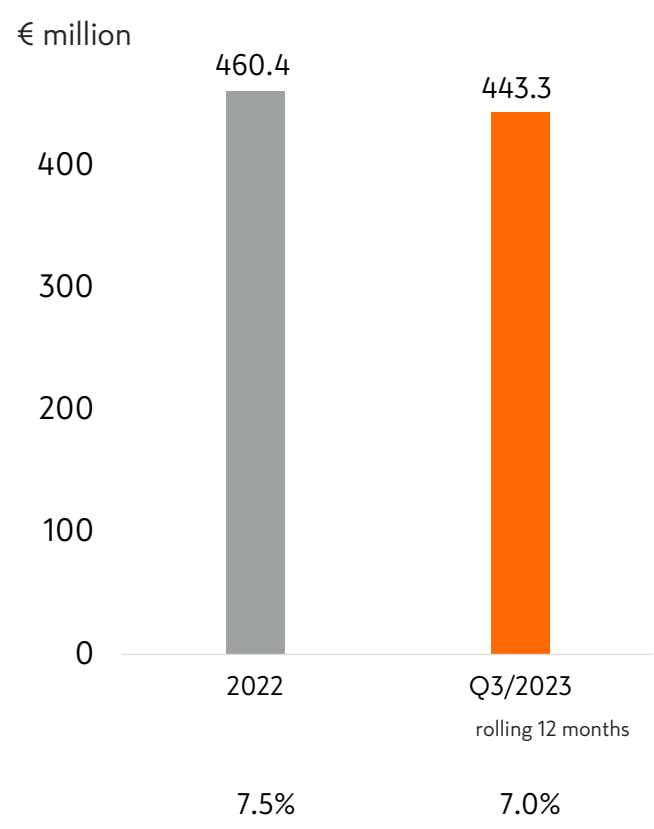
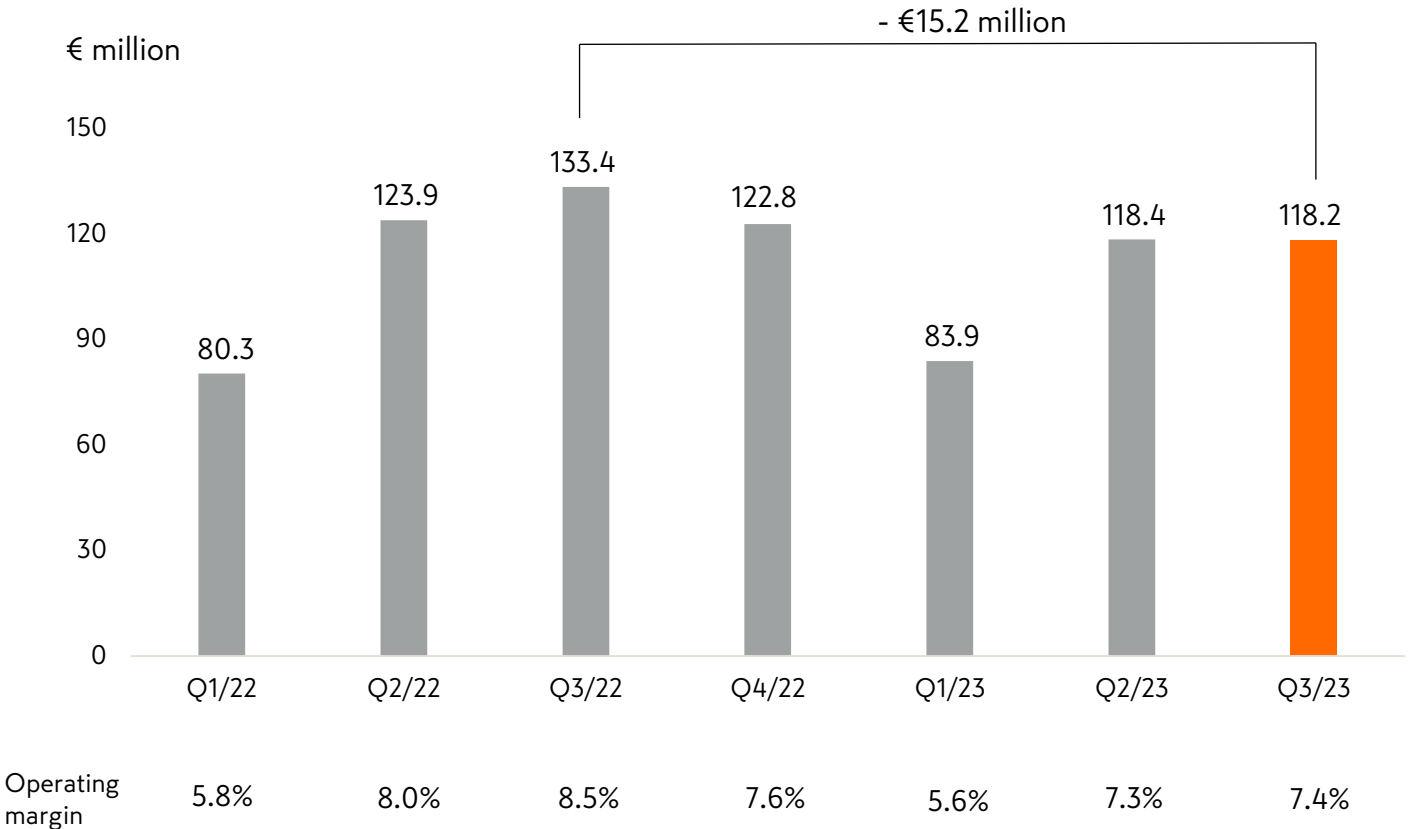


# GROCERY TRADE NET SALES



# GROCERY TRADE

## OPERATING PROFIT



# KEY THEMES IN GROCERY TRADE IN Q3

- Price continues to be important, but demand for premium products has started to recover
- Campaigns and other marketing efforts have caused customer visits and sales in K Group grocery stores to increase
- K Group's grocery sales grew by 3.6%, loss of market share decelerated further
- Kespro's sales up by 4.7%, again clearly exceeding market growth; good profitability in the foodservice business, operating margin 7.3%
- Real estate costs up due to inflation and investments made
- Grocery price inflation continued to decelerate and stood at 6.7%
- K-Citymarket's home and speciality goods (non-food) sales up by 2.0%
- Growth in online grocery sales strengthened and totalled 15.4%



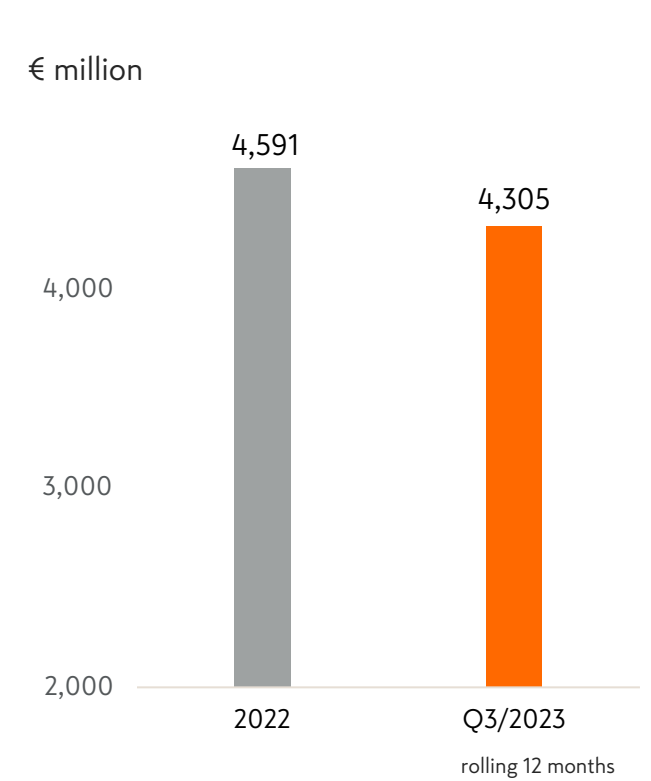
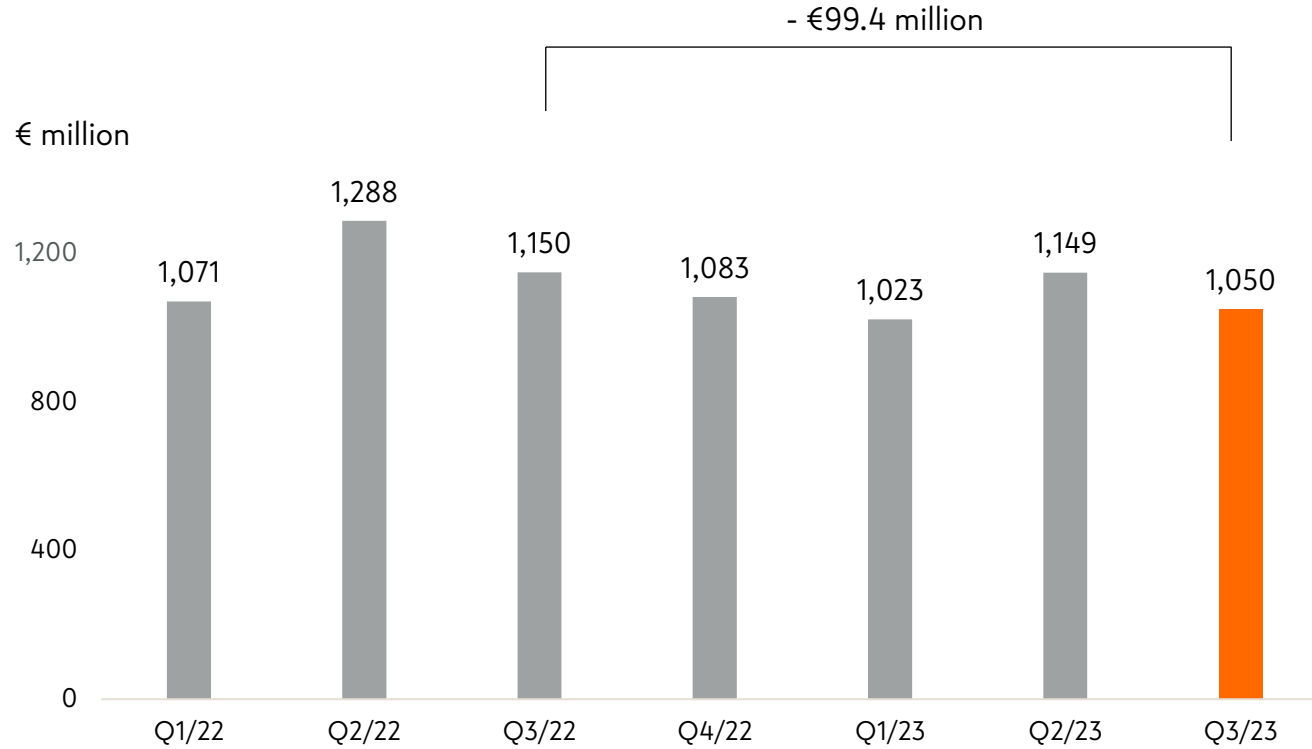


BUILDING AND TECHNICAL TRADE

# A GOOD RESULT IN A BAD ECONOMIC CYCLE

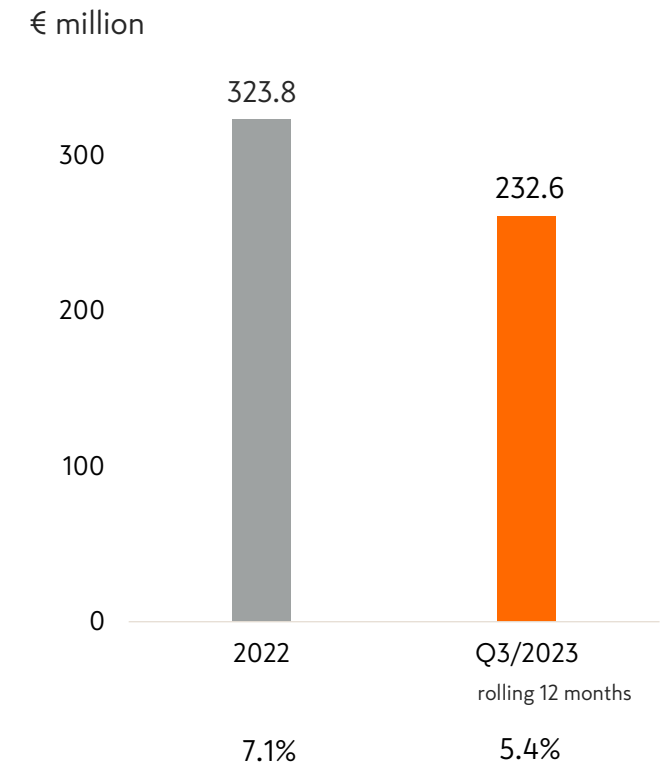
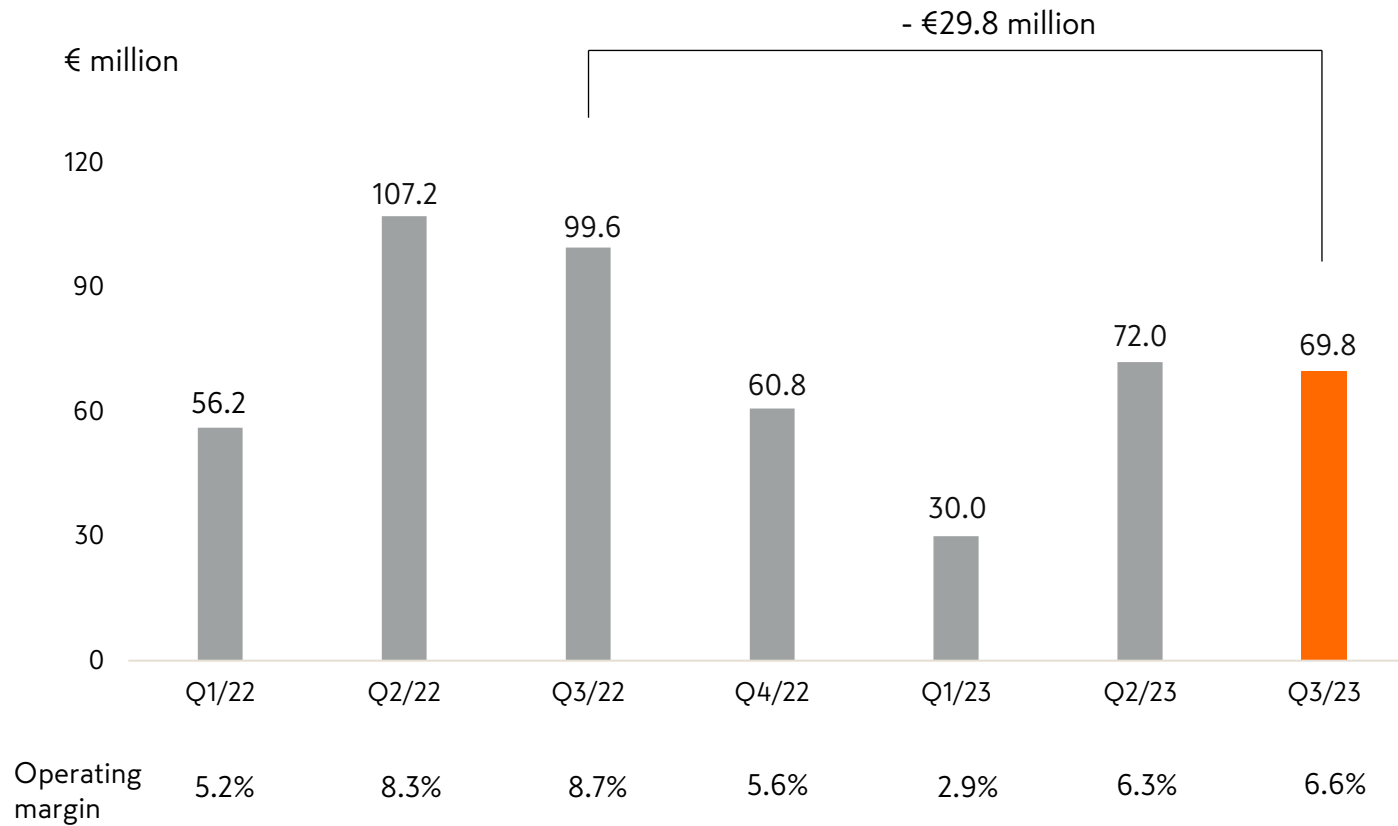
## BUILDING AND TECHNICAL TRADE

# NET SALES



# BUILDING AND TECHNICAL TRADE

## OPERATING PROFIT



# KEY THEMES IN BUILDING AND TECHNICAL TRADE IN Q3

## BUILDING AND HOME IMPROVEMENT TRADE

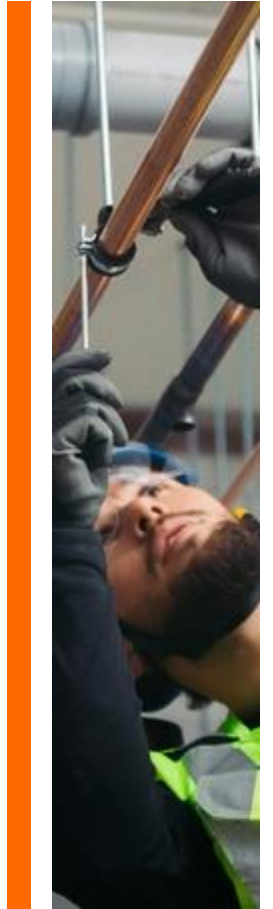
- Construction activity has clearly decreased in Northern Europe as a result of rising inflation and interest rates, especially in residential building
- Good profitability despite market weakening
- Operating profit at a good level of €27.4 million
- Operating margin in our biggest market Finland at a strong level of 7.2%, market share continued to grow
- Net sales for building and home improvement trade down in all operating countries and in both B2B and B2C trade
- Successful cost and working capital management
- Credit losses low



# KEY THEMES IN BUILDING AND TECHNICAL TRADE IN Q3

## TECHNICAL TRADE

- Net sales down by 0.5%, or by 9.4% in comparable terms, due to construction market weakening
- A significant part of the decrease in comparable sales due to solar power products, where sales in the comparison period were exceptionally high due to a fast rise in electricity prices at the time
- Excluding the impact of solar power products, sales for technical trade decreased by 5.5% in comparable terms
- Operating profit at a good level of €37.7 million
- Operating margin in Onninen's biggest market Finland at a strong level of 8.6%.
- Successful cost management
- Credit losses low





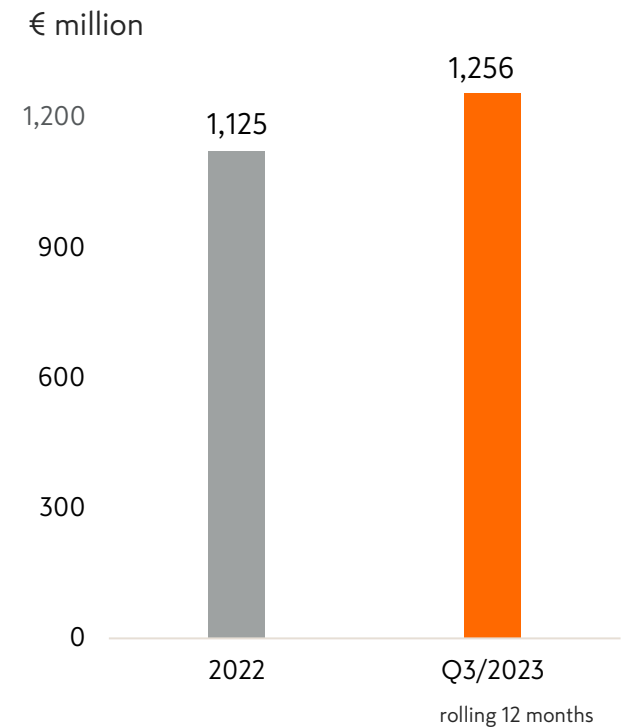
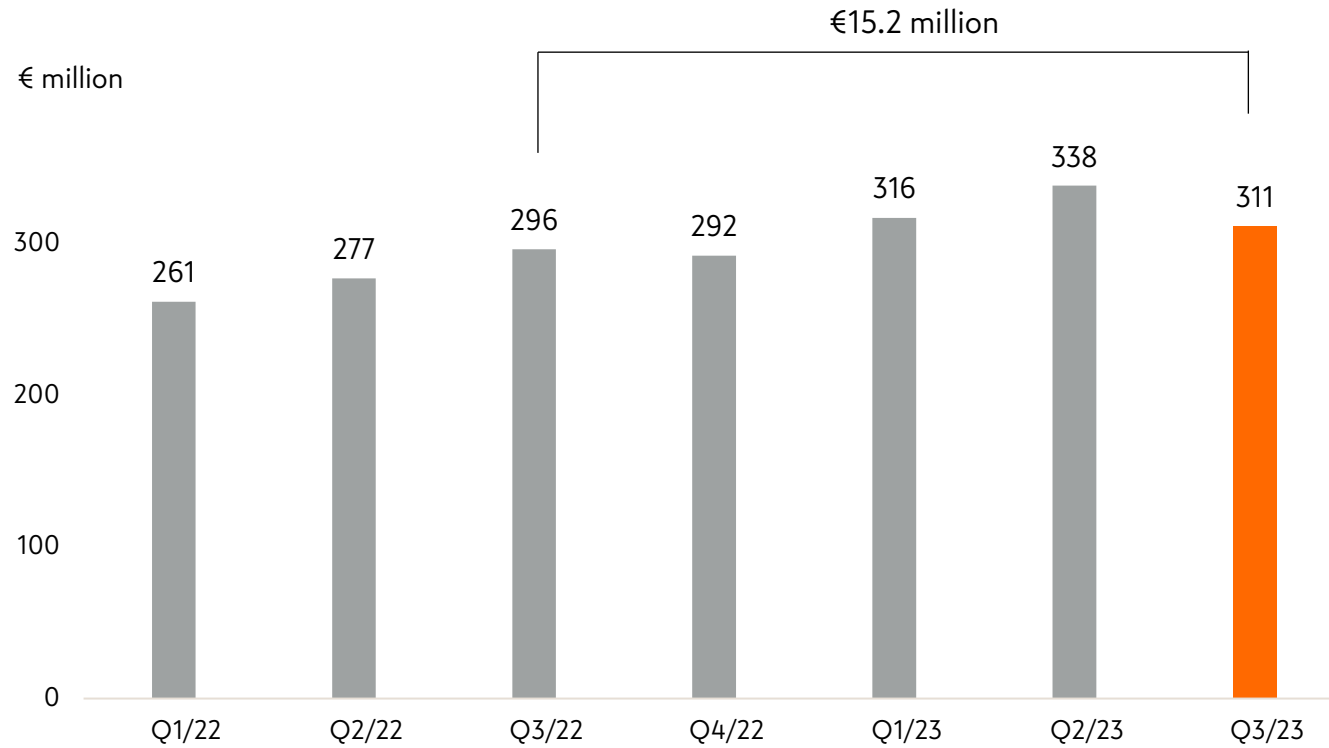
CAR TRADE

# ANOTHER GOOD RESULT IN CAR TRADE

FIN LPU-447

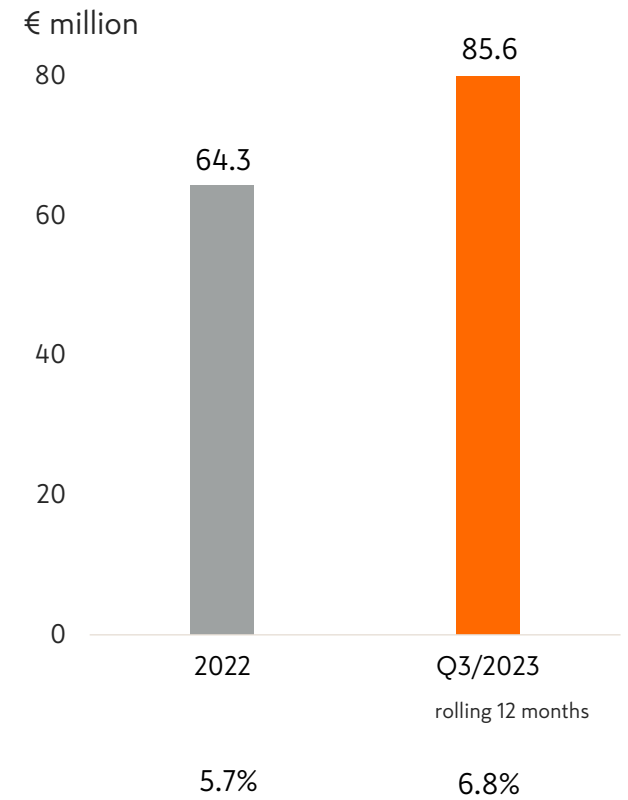
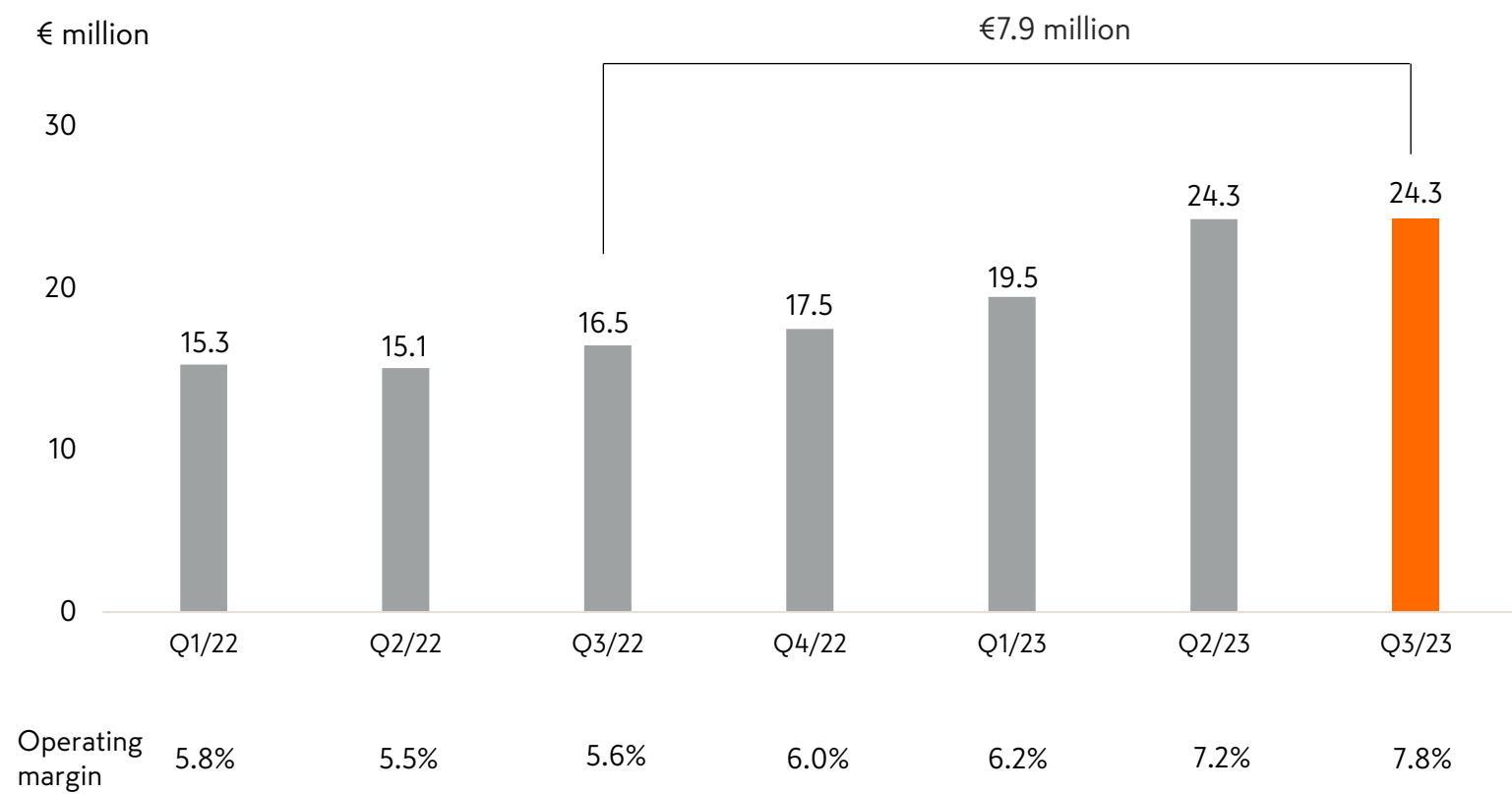
GTX

# CAR TRADE NET SALES



# CAR TRADE

## OPERATING PROFIT



# KEY THEMES IN CAR TRADE IN Q3

- New car deliveries up significantly on the comparison period, resulting in a rise in net sales and operating profit
- Used car sales grew clearly, and market share in used cars strengthened
- Service sales also developed well
- Order book for new cars still at a good level, but coming down
- Demand for new cars and orders clearly below normal levels
- Expanding the K-Lataus EV charging network: currently some 1,500 charging points, utilisation rate high
- Sports trade net sales down by 16.2% due to weakened consumer demand



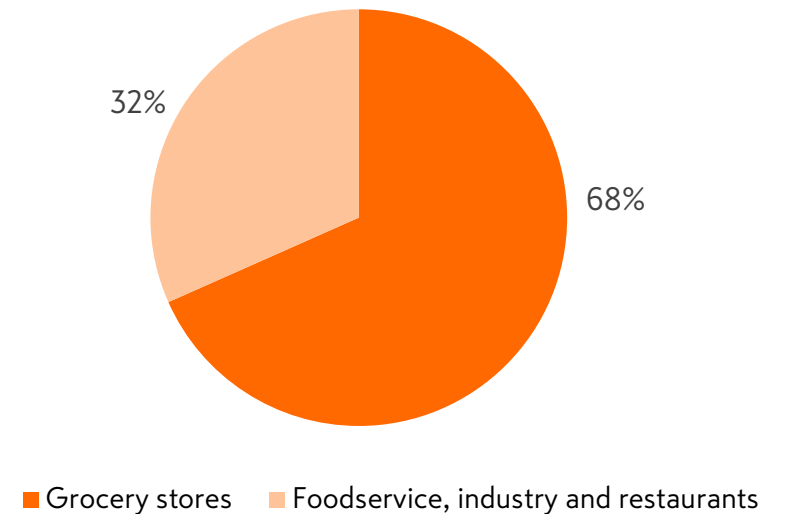
**STRONG POSITION AND PROFITABILITY  
AMONG THE BEST IN EUROPE  
IN FOOD TRADE**

# KESKO HAS A STRONG POSITION IN ALL AREAS OF FOOD TRADE UNLIKE OTHER EUROPEAN OPERATORS

Kesko's retail and B2B sales in food trade over €8 billion

Market share in total Finnish food trade 37.3%

- Total market for grocery stores and restaurants in Finland over €30 billion
- Grocery store sales approx. €22 billion, of which some 3% online
- Foodservice, industry and restaurant sales approx. €10 billion
- Market size up in euros
- Volumes declined in H1, but have now returned to last year's level

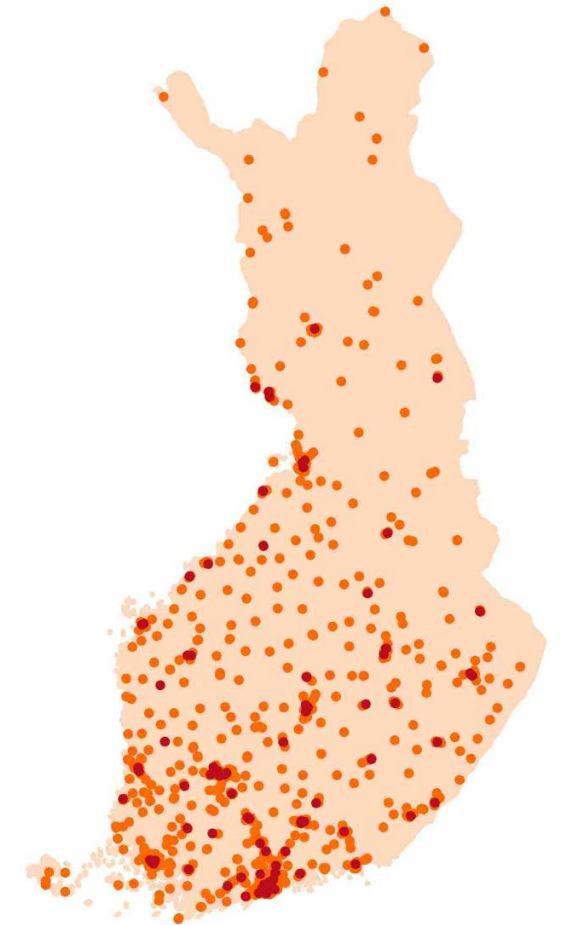


\* The Finnish Grocery Trade Association PTY,  
Kesko's own estimate



# FINLAND'S MOST EXTENSIVE AND VERSATILE NETWORK OF GROCERY STORES WITH 1,200 STORES

- K Group grocery store retail sales approx. €7.2 billion
- Market share over 35%\*, up by some 3 percentage points since 2015
- Some 1.2 million customer visits to the stores every day, customer flows growing
- Market leader in online grocery with an over 40% market share\*\*
- Decline in market share mainly due to competitors opening new stores to an exceptional degree in recent years; market share decline decelerated further in Q3
- K Group new store openings to grow from 2024 onwards



● K-Citymarket  
● K-Supermarket, K-Market and NesteK

# NEW HYPERMARKETS TO BE OPENED IN FINNISH GROWTH CENTRES, NEW NEIGHBOURHOOD STORES ACROSS THE COUNTRY

- K-Supermarket Columbus in Eastern Helsinki to be converted into a K-Citymarket hypermarket in 2024
- New K-Citymarket in Kivistö, Vantaa in 2026
- Planning and permits for K-Citymarket stores in Kuopio and Porvoo close to completion
- A bigger grocery store in the planning for Espoon keskus in Finland's second biggest city
- Nearly 50 grocery stores to be updated and over 10 new stores opened in just 2024
- Investments in store updates and new stores totalling €200-250 million in 2023, same level to be expected in upcoming years



K-Citymarket Kivistö, Vantaa



# KESKO THE ONLY OPERATOR IN THE FOODSERVICE BUSINESS WITH A NETWORK THAT SPANS THE WHOLE COUNTRY

- In addition to its major B2C grocery business, Kesko is the leading operator in Finnish foodservice business, which is exceptional on a European scale
- Enables significant efficiency and synergy benefits in purchasing, logistics and IT
- Foodservice sales already amount to €1.1 billion, of which 70% via digital channels
- A clear market leader with a 46% market share and growing sales
- A wide customer base ranging from private restaurants to public sector operators. Some 70% of sales come from lunch sales, work cafeterias and the public sector

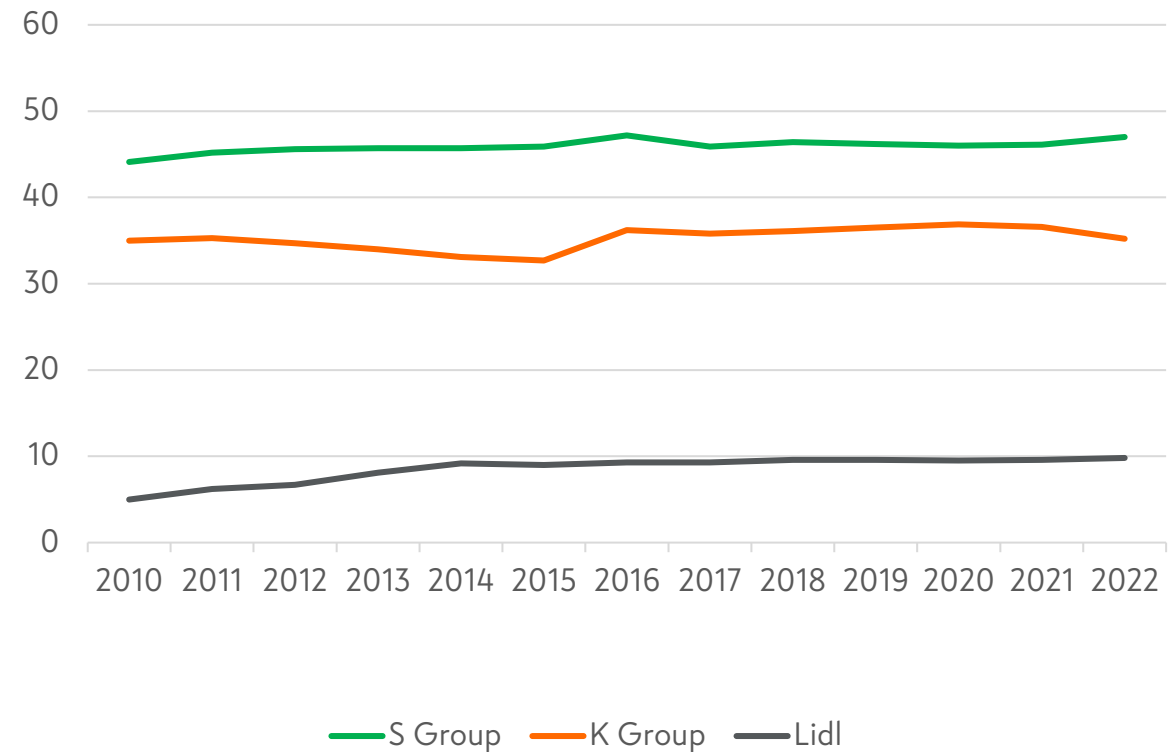
**KESPRO CASH-AND-CARRY OUTLETS  
AND CENTRAL WAREHOUSE**



# FOUNDATION FOR FINNISH GROCERY TRADE HEALTHY

All operators enjoy good profitability, only minor changes in market shares since 2010

- Three main players in Finnish grocery trade
- Profits generated by Kesko, S Group and Lidl Finland at a good European level
- No significant changes in K Group and S Group market shares since 2010
- Lidl opened first stores in Finland in 2002 and its growth has settled at a market share of below 10%



Source: Nielsen

Market share figures for 2016-2022 not comparable to preceding years (include discounters and service stations)



**THE CHALLENGING BUILDING AND  
TECHNICAL TRADE MARKET ALSO  
PRESENTS OPPORTUNITIES**

# KESKO A LEADING OPERATOR IN BUILDING AND TECHNICAL TRADE B2B IN NORTHERN EUROPE

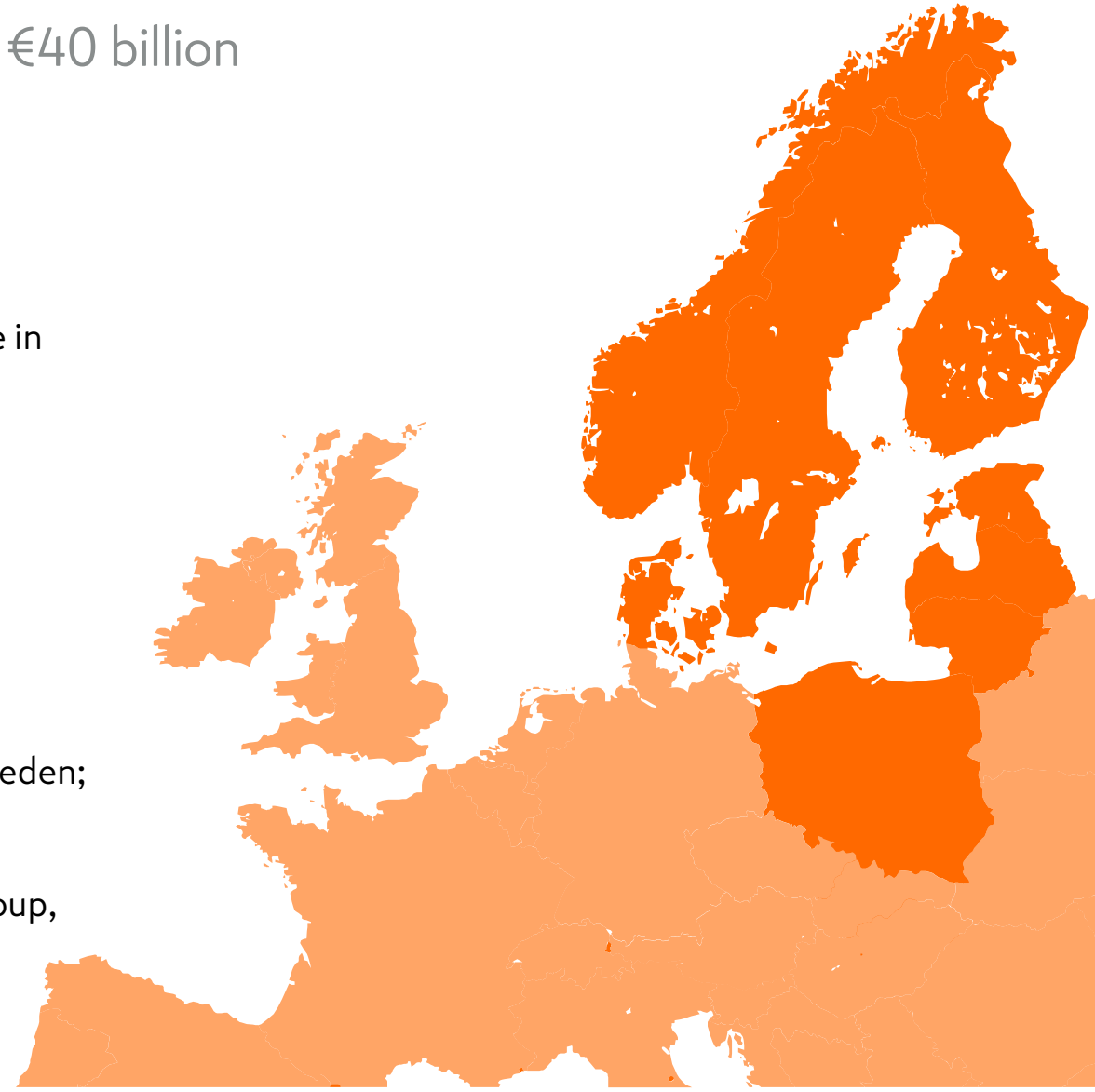
Total market nearly €40 billion

## TECHNICAL TRADE

- Market size in Northern Europe approx. €23 billion
- Kesko the market leader in Finland, and also in electro-technical trade in Norway; strong position in Poland and the Baltics
- Other key players in technical trade: Ahlsell, Dahl and Sonepar

## BUILDING AND HOME IMPROVEMENT TRADE

- Size of the B2B market in Northern Europe approximately €16 billion
- Kesko the market leader in Finland; strong position in Norway and Sweden; expanding to Denmark via the Davidsen acquisition
- Other key players in building and home improvement trade: Stark Group, Optimera and Mestergruppen



# CYCLICAL FLUCTUATIONS ARE NATURAL FOR THE CONSTRUCTION SECTOR

- Downturn impacting new residential building the most, which accounts for 20-30% of all construction, depending on the country
- Decline in other building construction, renovation building, and infrastructure construction smaller
- Urbanisation, renovation and investment debt, infrastructure projects and the green transition uphold construction
- A turnaround in construction expected in 2025\*



# K GROUP IS A LEADING OPERATOR IN BUILDING AND TECHNICAL TRADE IN NORTHERN EUROPE

## NORWAY

Sales €1.5 billion

## SWEDEN

Sales €700 million

## DENMARK

Sales €560 million



## FINLAND

Sales €2.9 billion

## POLAND AND THE BALTICS

Sales €1.6 billion

# **STRONG POSITION AND GOOD PROFITABILITY UNDERPINNED BY THE RIGHT STRATEGIC CHOICES**

Profitability at the level of the best European peers



**FOCUS ON B2B TRADE**



**EXPANSION TO TECHNICAL TRADE**



**GROWTH IN SCANDINAVIA AND MARKET CONSOLIDATION**



**COUNTRY-SPECIFIC APPROACH TO MANAGING THE BUSINESS AND TO STRATEGIES**

# KESKO SET TO CONTINUE GROWTH IN BUILDING AND TECHNICAL TRADE

Slowdown in economic growth accelerating market consolidation

- Kesko intends to continue to take an active part in the consolidation of the building and technical trade B2B market in Northern Europe also going forward
- The objective is to be among the leading operators not only in Finland and Norway but also in Sweden and Denmark
- Growth in technical trade in Poland and the Baltics also important
- The joint venture Kesko Senukai a leading operator in building and home improvement trade in the Baltics



# GUIDANCE AND OUTLOOK

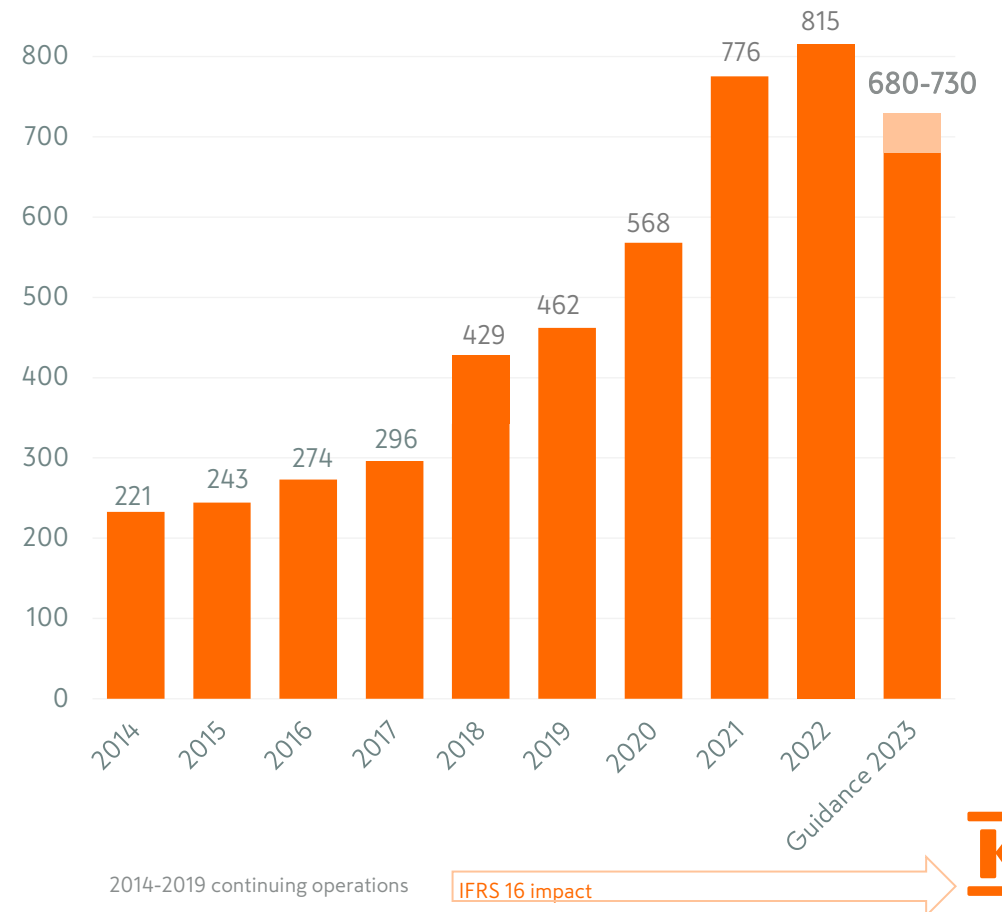
# STRONG PERFORMANCE ALSO IN A WEAKER MARKET

Kesko specifies its profit guidance for 2023

Comparable operating profit in 2023 is estimated to be in the range of €680–730 million

Before, comparable operating profit was estimated to be in the €680–760 million range

Comparable operating profit  
Reported figures, € million



# OUTLOOK FOR 2024

Kesko's operating environment is estimated to remain challenging in 2024. Kesko's operating profit is expected to remain at a good level also in 2024 despite the challenges in the company's operating environment.

In grocery trade, B2C trade and the foodservice market are expected to remain stable, and inflation is expected to slow down in 2024. Profitability in grocery trade is estimated to remain good also in 2024.

In building and technical trade, the market is expected to continue to decline in 2024. The economic cycle will have the biggest impact on new residential building, while the decline in other building construction, renovation building, and infrastructure construction is expected to be smaller. The cycle is expected to turn in 2025. Profitability in building and technical trade is estimated to fall short of the 2023 level, but to still remain at a reasonably good level in 2024.

In car trade, orders for new cars are expected to fall short of the 2023 level. Demand for used cars and services is estimated to stay at a good level. Profitability in car trade is estimated to decrease from the excellent level of 2023, but to continue to remain at a good level in 2024.

**THANK YOU!**

