

KESKO HALF-YEAR FINANCIAL REPORT Q2/2023

STRONG PERFORMANCE IN A CHALLENGING MARKET

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President and CEO
27 July 2023



KEY EVENTS IN Q2

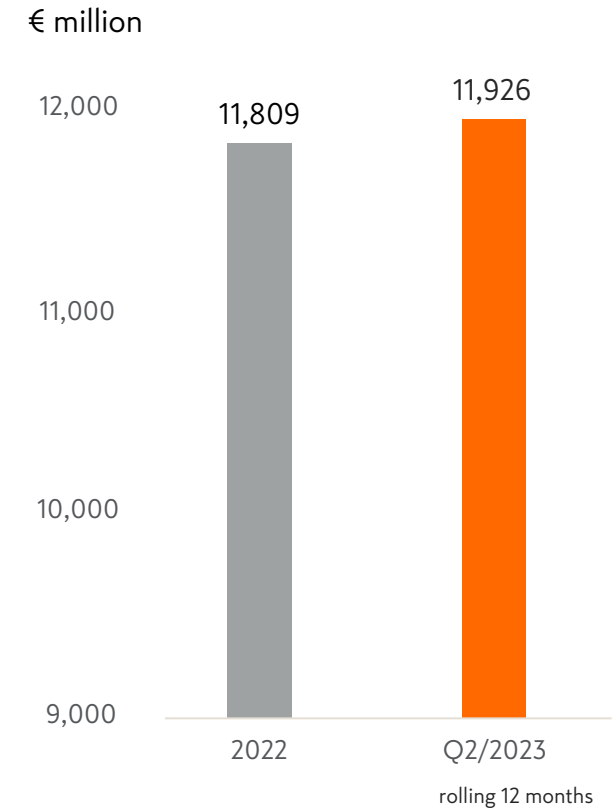
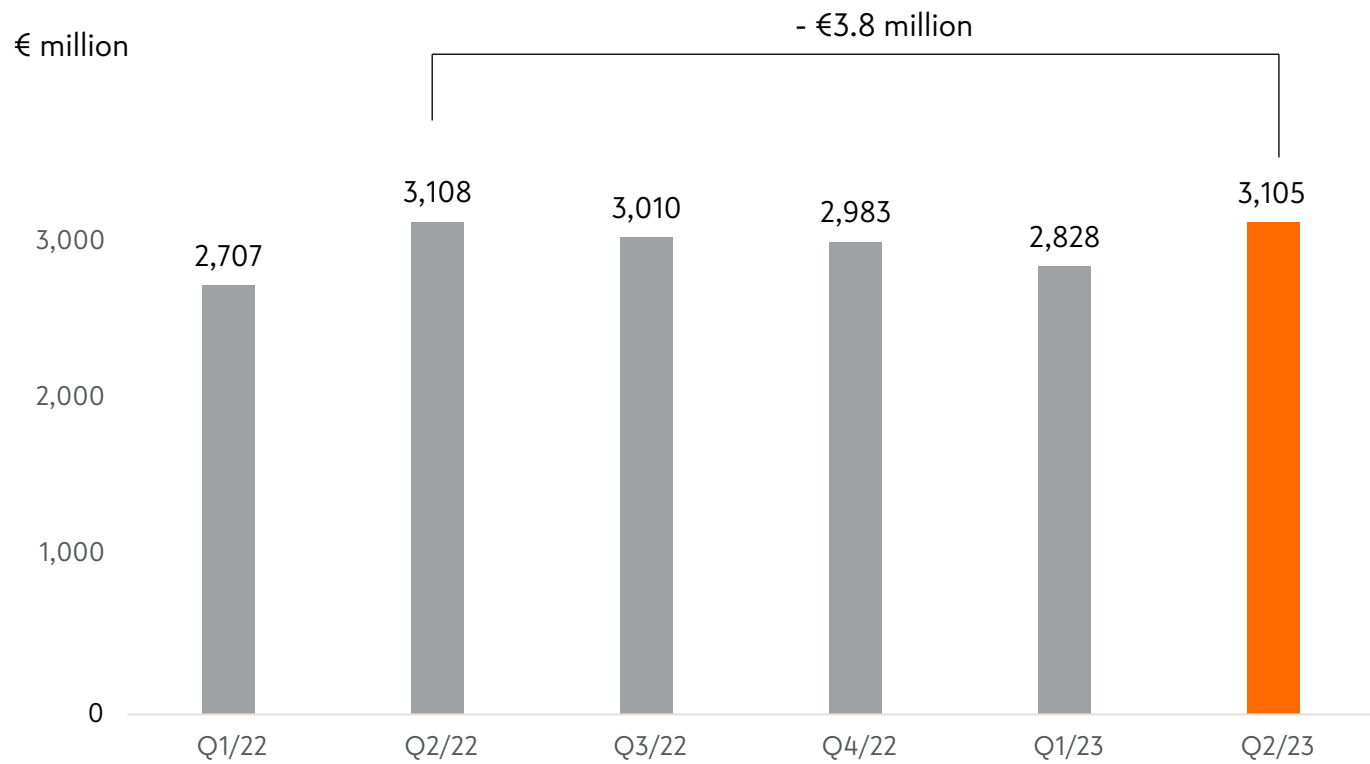
- Grocery trade: sales improved compared to earlier this year, Kespro also continued to perform well
- Building and technical trade: result down due to weakened construction volumes
- Car trade: sales and profit at a record level thanks to deliveries of cars ordered earlier
- Cost-efficiency improved thanks to efficiency improvement measures implemented
- Strong cash flow from operating activities

	4-6/2023	4-6/2022
Net sales, € million	3,104.7	3,108.5
Net sales growth, %	-0.1	4.0
Net sales growth, %*	-0.8	3.9
Operating profit, € million*	207.6	236.0
Operating margin, %*	6.7	7.6
Earnings per share, basic, €*	0.38	0.45

* Comparable

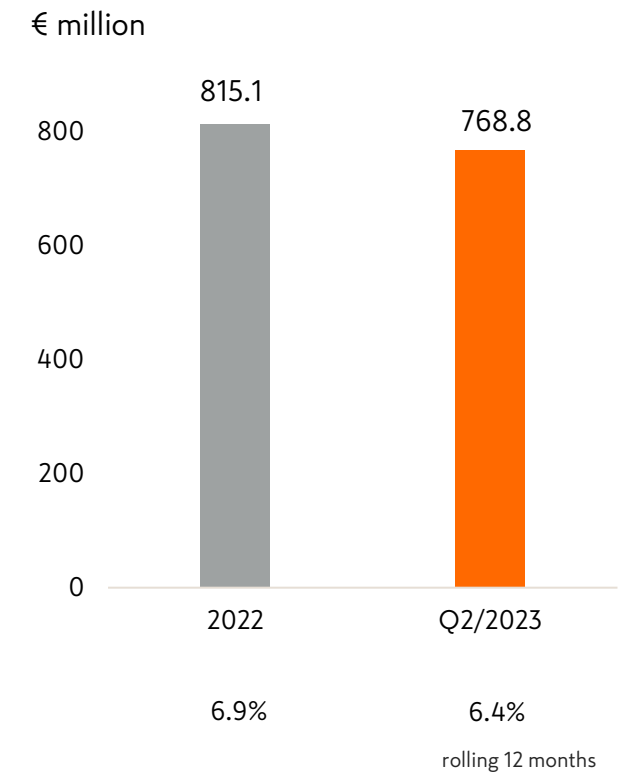
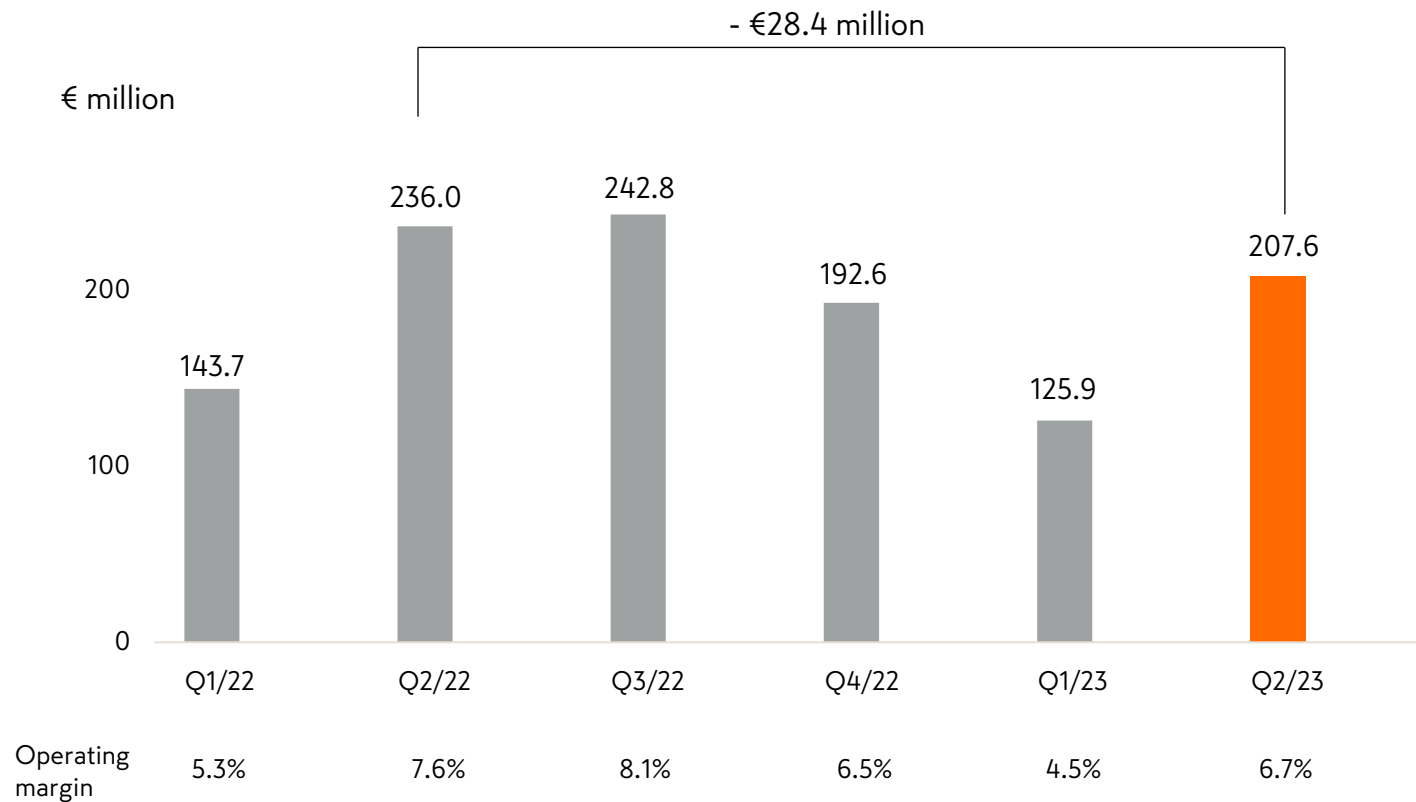
NET SALES

A decrease of 0.1%, or -0.8% in comparable terms

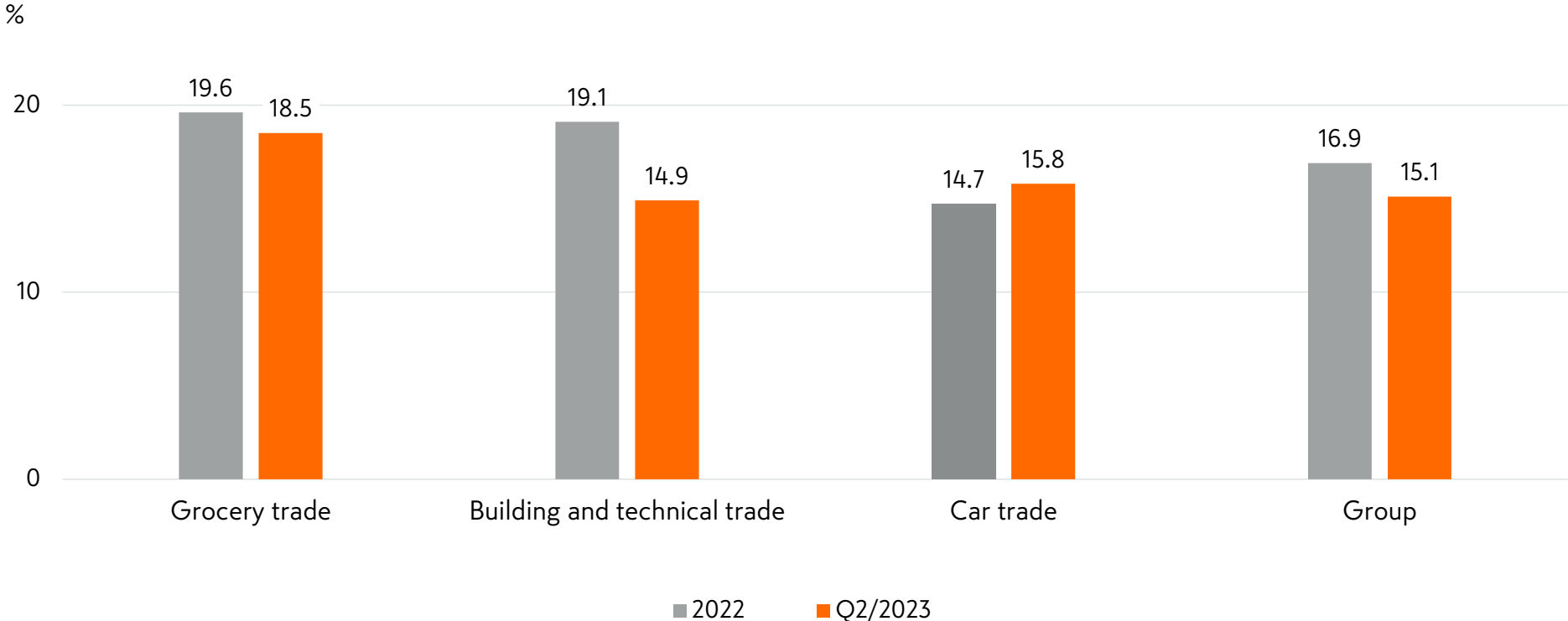


OPERATING PROFIT

Down by €28.4 million



GOOD RETURN ON CAPITAL EMPLOYED



STRONG FINANCIAL POSITION

Good cash flow from operating activities

- Cash flow strengthened year-on-year, as working capital management improved in all three divisions
- Interest-bearing net debt increased as a result of investments in store sites and logistics, acquisitions, and growth in working capital

	Q2/2023	Q2/2022
Cash flow from operating activities, € million	285.2	262.4
Liquid assets, € million	271.0	345.3
Capital expenditure, € million	161.2	124.6
Interest-bearing net debt excl. lease liabilities, € million	629.6	197.8
Interest-bearing net debt/EBITDA*	0.7	0.2
Lease liabilities, € million	2,002.4	1,960.9

*Rolling, excluding IFRS 16 impact

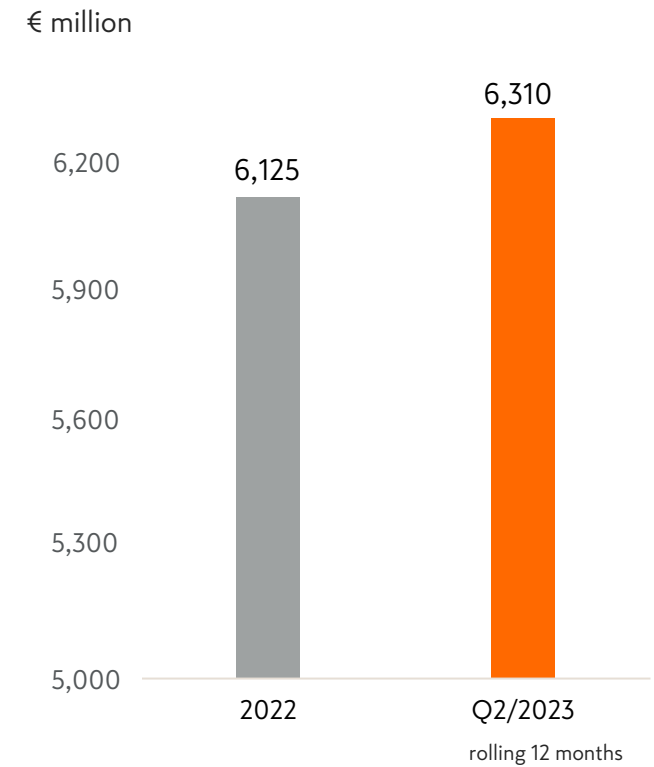
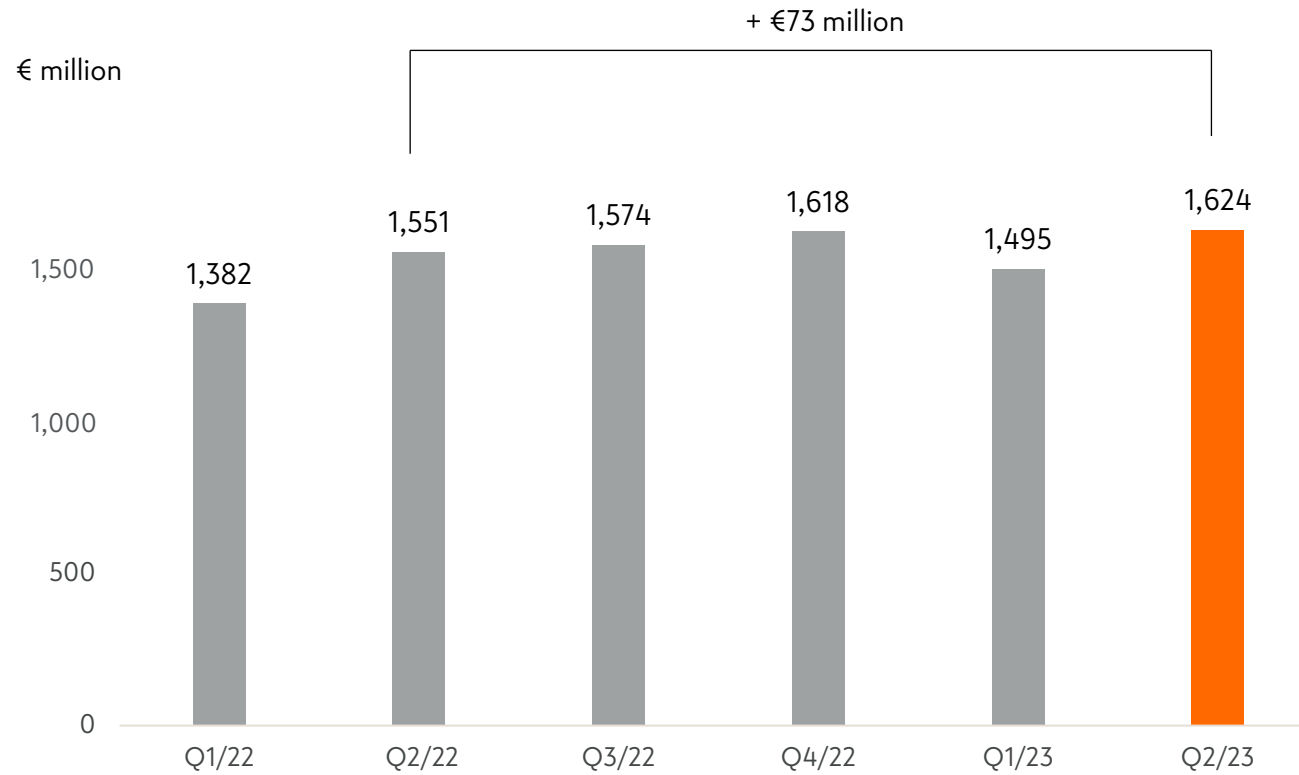


GROCERY TRADE

GOOD RESULT IN FOOD TRADE

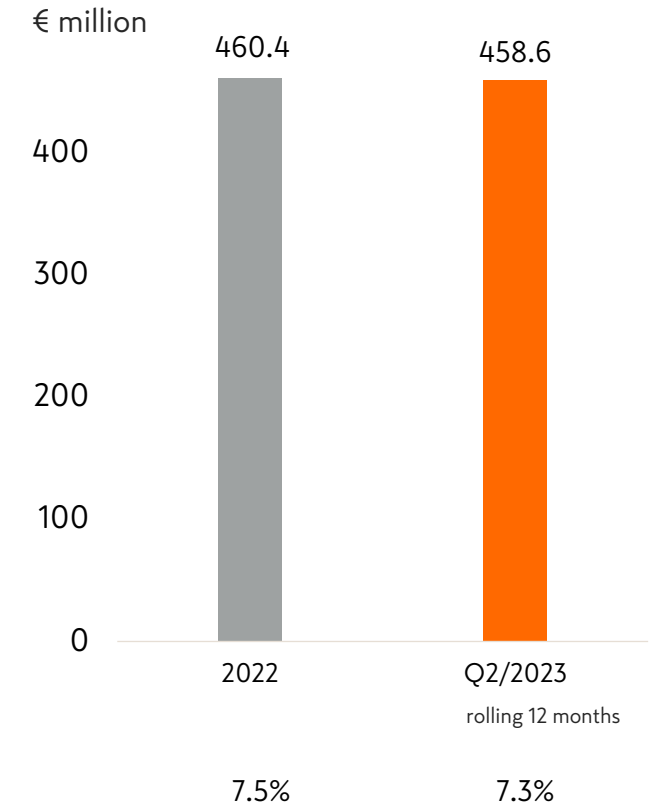
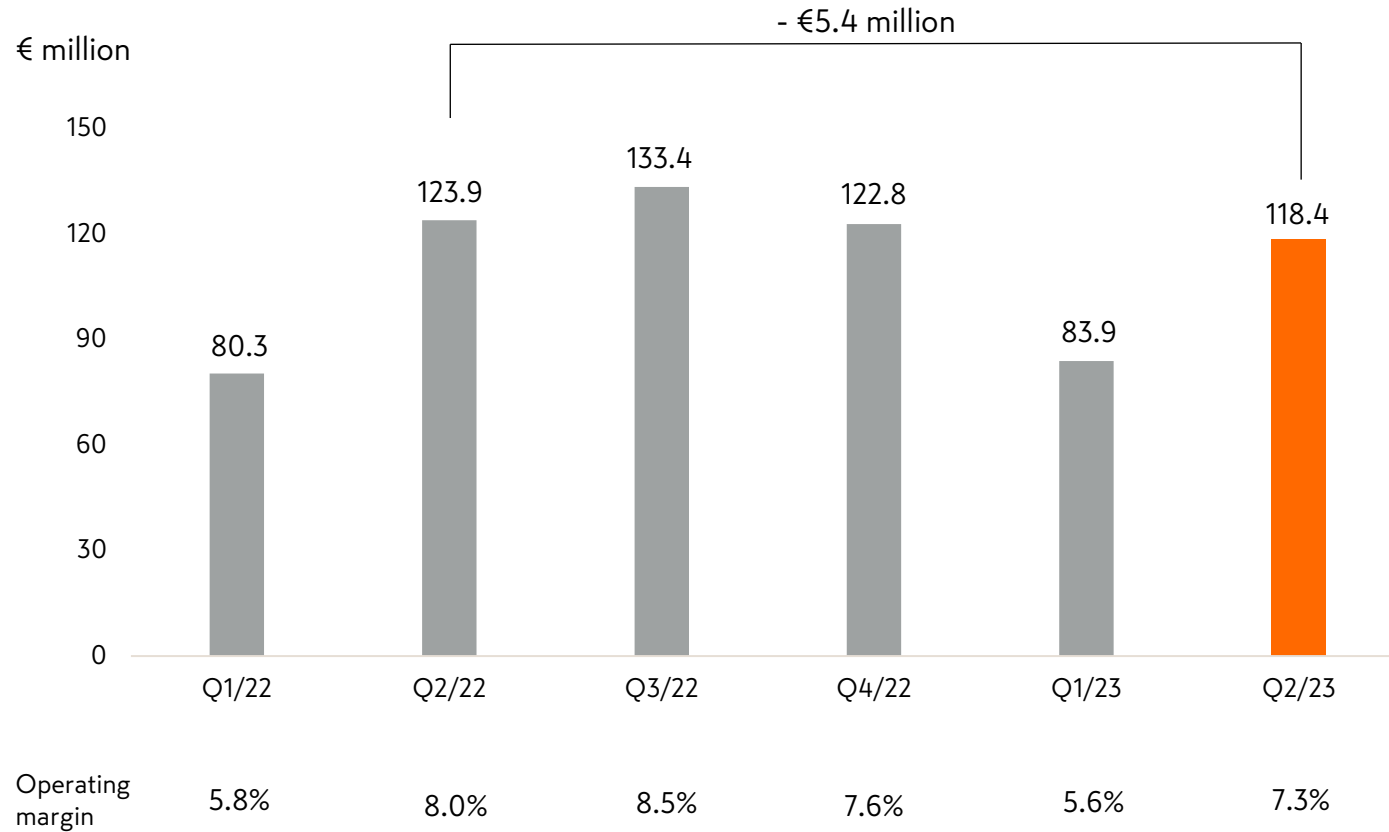
GROCERY TRADE

NET SALES UP BY 4.7%



GROCERY TRADE

OPERATING PROFIT €118.4 MILLION



GROCERY TRADE KEY TOPICS IN Q2

- Market still price-driven, price inflation for groceries at 10.9%
- Campaigns and other marketing efforts saw customer visits and sales in K Group grocery stores increase
- Grocery sales in K Group grocery stores up by 4.6%; this fell short of the market, but less so than in Q1
- Kespro's sales up by 9.8%, exceeding the market
- K-Citymarket's non-food sales up by 1.3%
- Online grocery sales up by 3.8%
- Norwegian online grocery operator Oda announced exit from the Finnish market



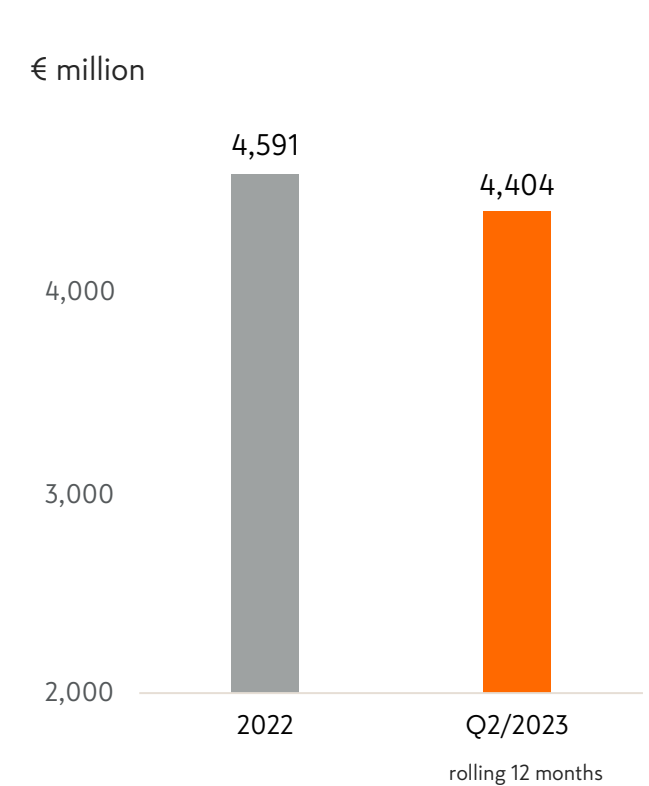
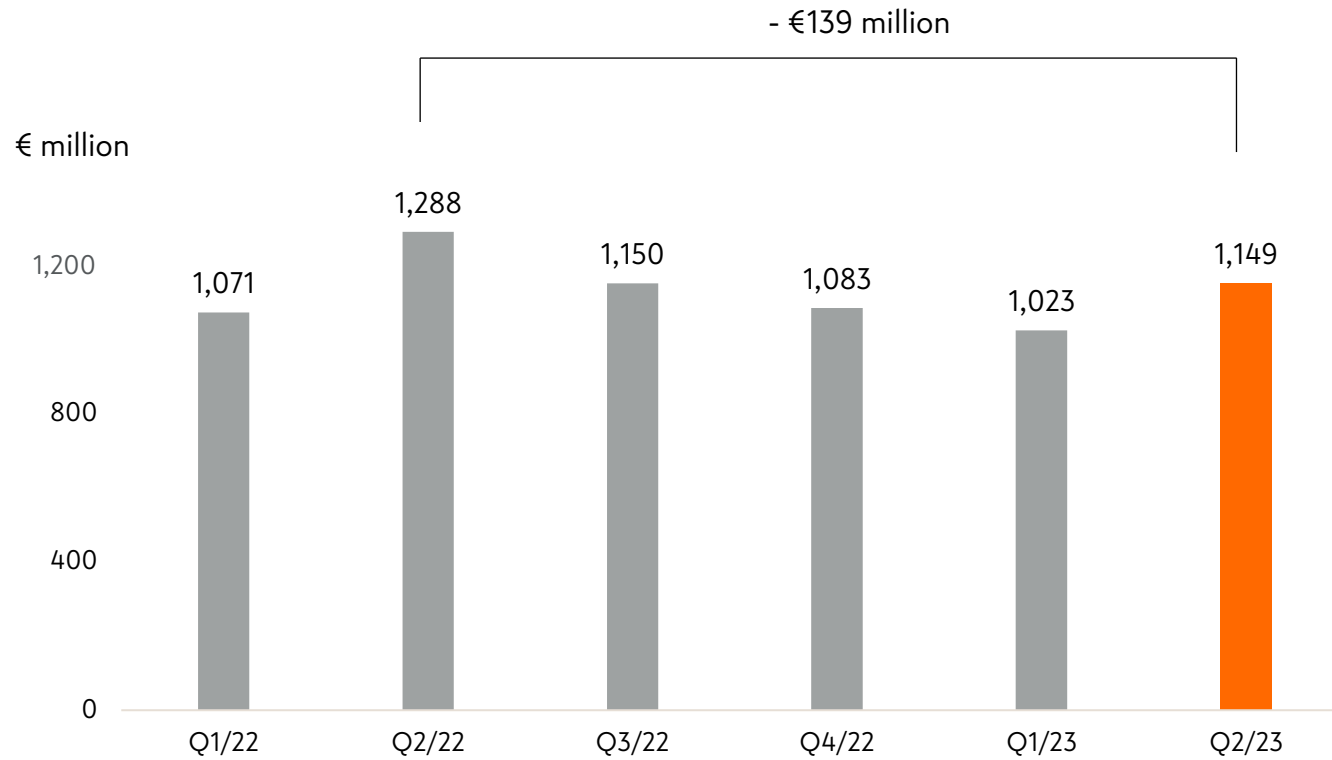
A man and a woman in work clothes are examining a large pipe in a warehouse. The man is on the right, wearing a dark jacket and a watch, and is holding the pipe. The woman is on the left, wearing a dark jacket with 'OR' and 'OK' on it, and is looking at the pipe. The background is filled with stacks of pipes and metal shelving. The entire image has an orange tint.

BUILDING AND TECHNICAL TRADE

PROFITABILITY WEAKENED, BUT STILL REMAINED GOOD

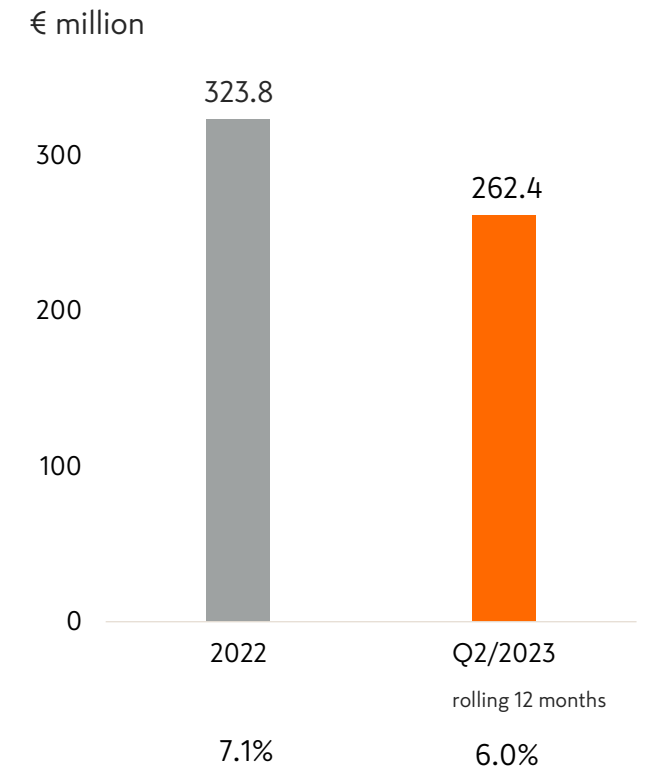
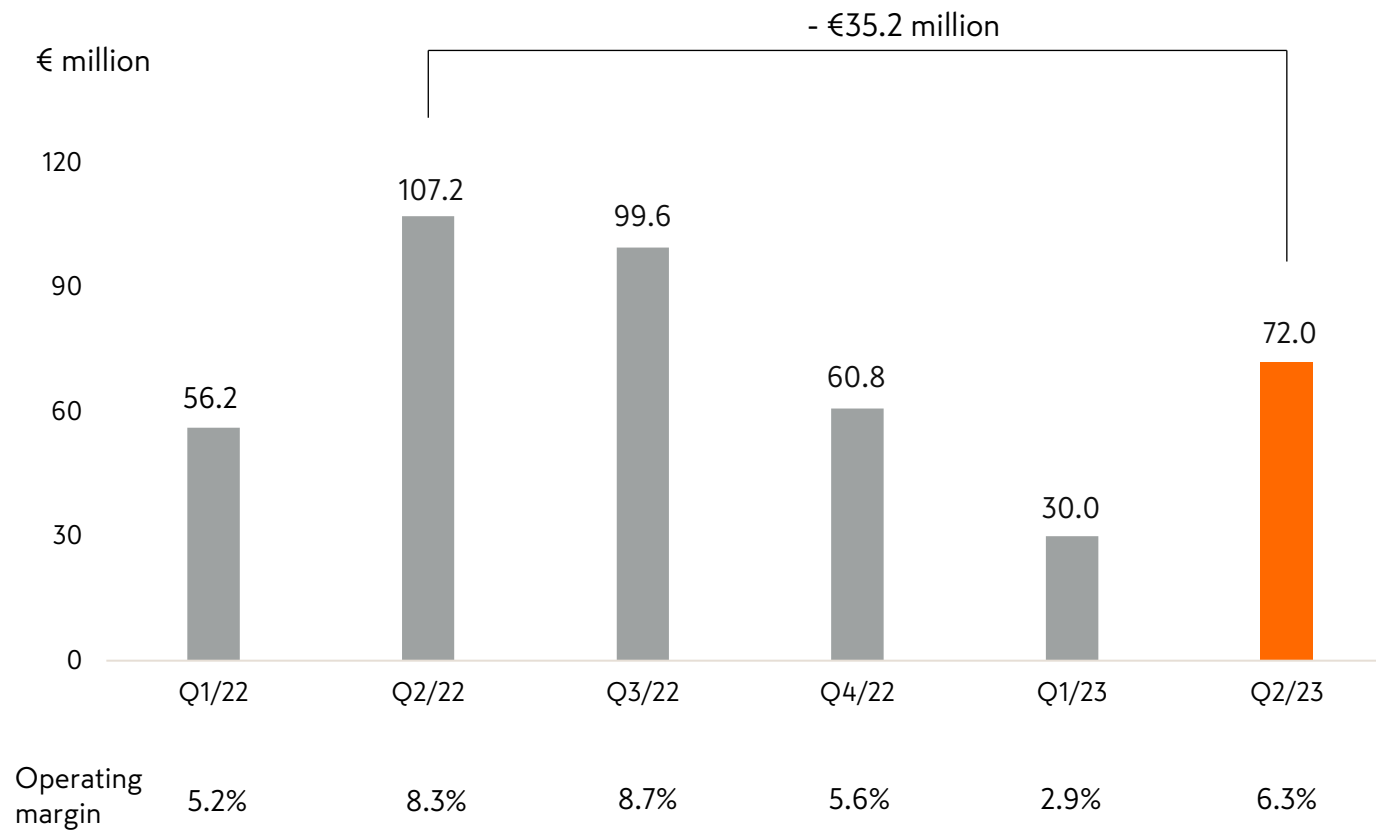
BUILDING AND TECHNICAL TRADE

NET SALES DOWN BY 10.8%



BUILDING AND TECHNICAL TRADE

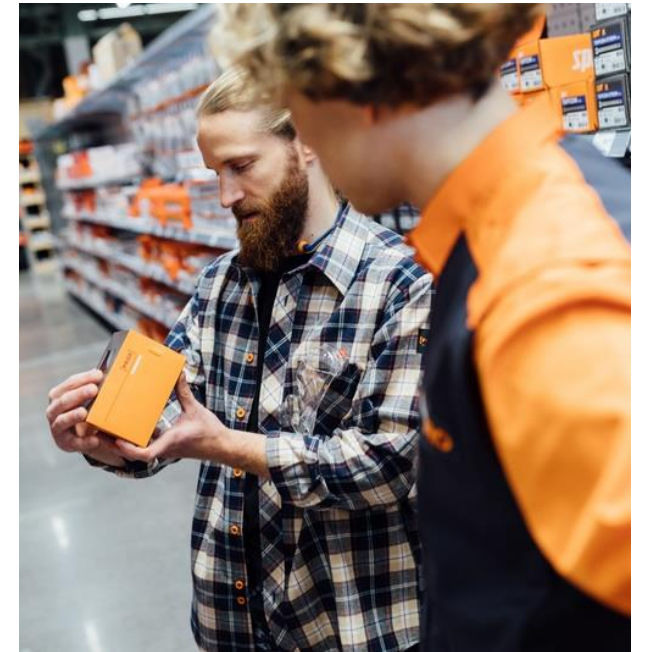
OPERATING PROFIT €72 MILLION



BUILDING AND TECHNICAL TRADE KEY TOPICS IN Q2

BUILDING AND HOME IMPROVEMENT TRADE

- Rising inflation and interest rates have seen construction activity clearly decrease in Northern Europe, especially in new building construction
- Building and home improvement net sales and profit decreased in all operating countries
- Sales decreased in both B2B and B2C trade
- Operating margin for building and home improvement trade at a good level of 6.1% despite market weakening
- Operating margin in the biggest market – Finland – at a good level at 8.3%, market share continued to strengthen further



BUILDING AND TECHNICAL TRADE KEY TOPICS IN Q2

TECHNICAL WHOLESALE

- Net sales up by 3.8%, down by 5.3% in comparable terms
- Sales grew in Norway, but were down in the other operating countries
- Operating margin declined to 5.5%
- Decline in operating margin attributable to, among other factors, the profitability of the acquired company Elektroskandia, which fell short of that of the rest of the business. Integration proceeding according to plan, acquisition expected to bring significant synergies and strengthen Onninen's profitability in Norway in upcoming years.
- Operating margin in Onninen's biggest market – Finland – at a good level at 8.2%, market share continued to grow further



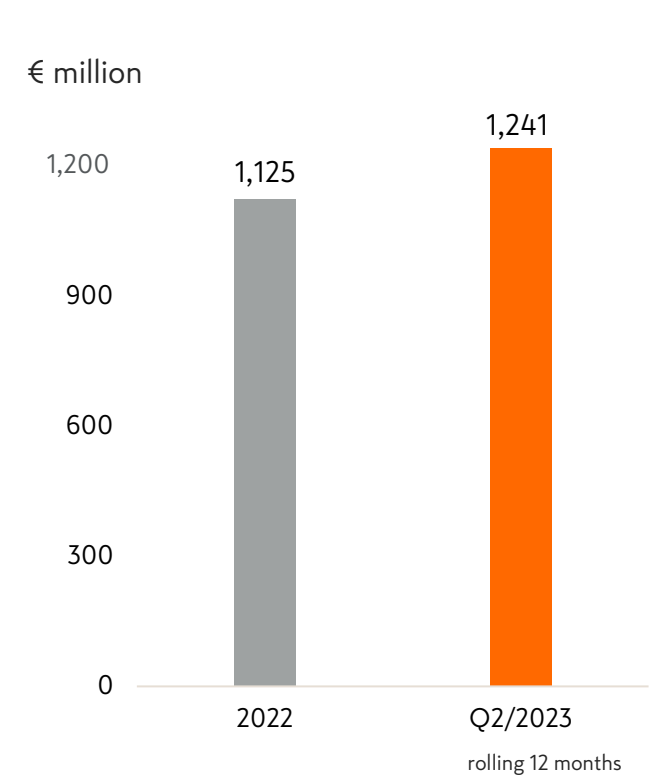
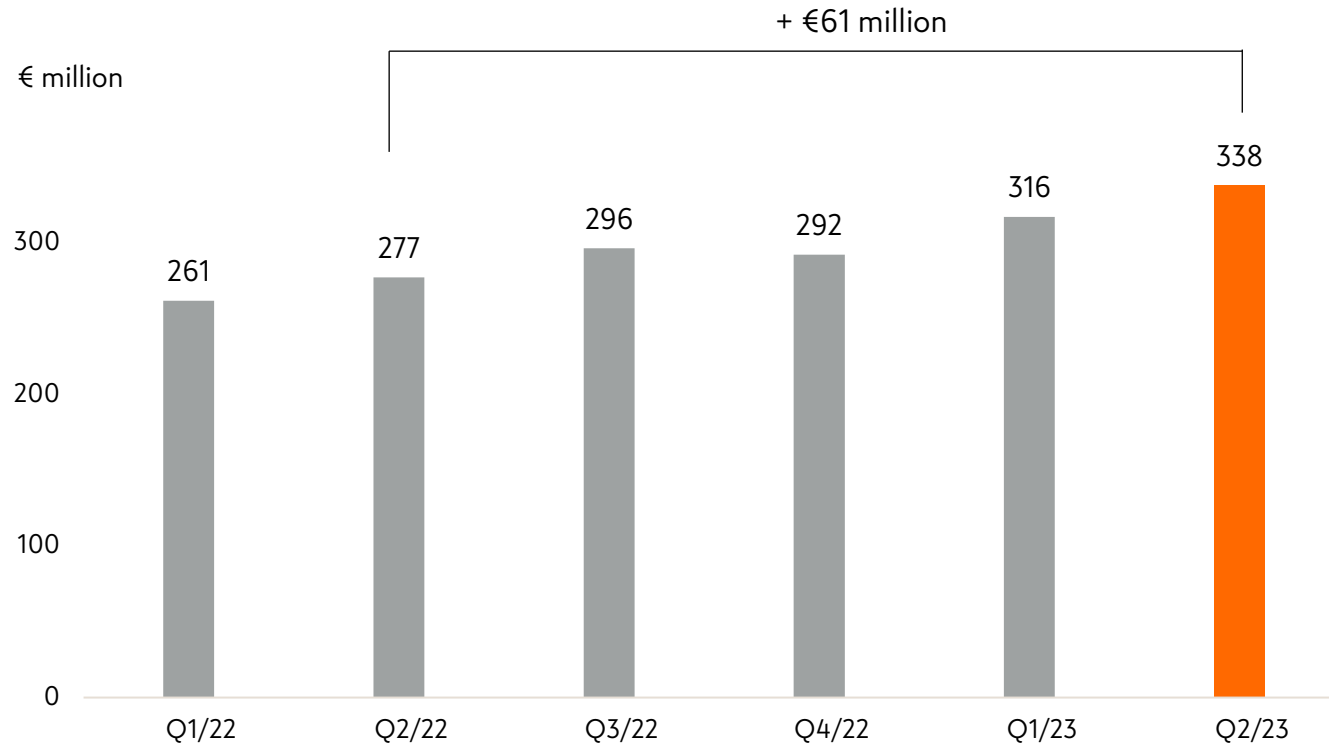
CAR TRADE

STRONG RESULT

FIN LPU-447

CAR TRADE

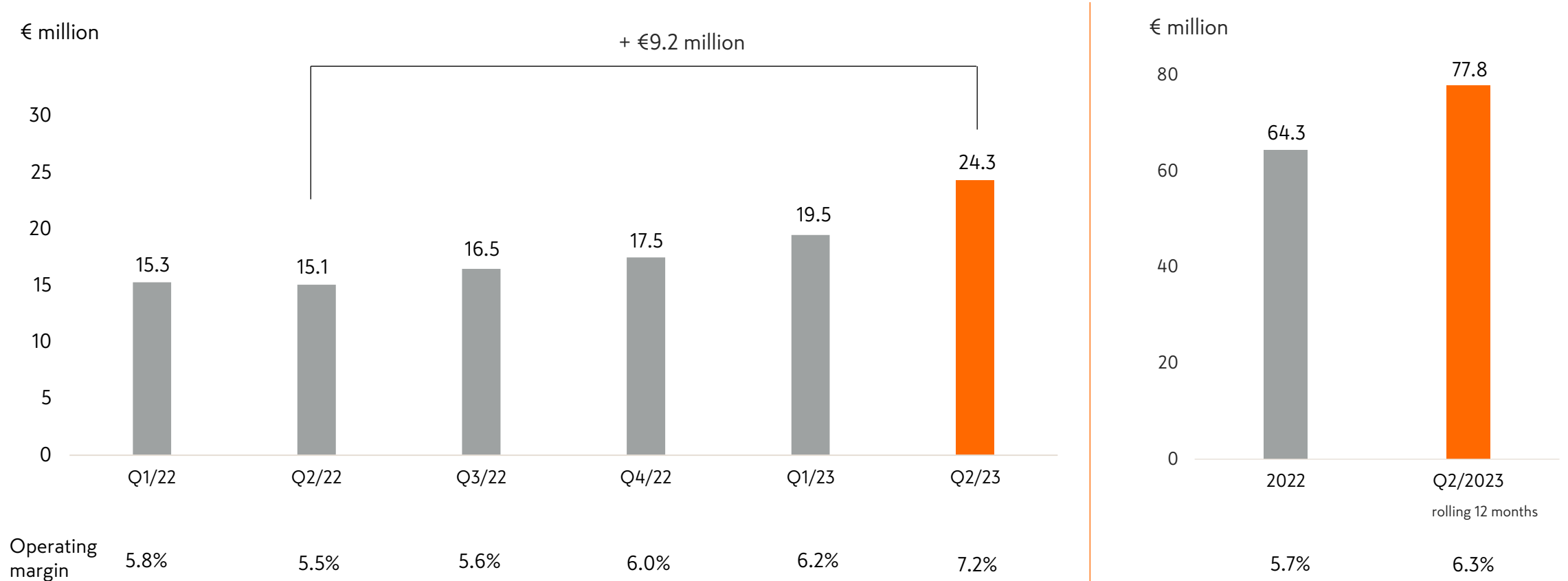
NET SALES UP BY 24.9%*



* Comparable

CAR TRADE

OPERATING PROFIT €24.3 MILLION



CAR TRADE KEY TOPICS IN Q2

- New car deliveries increased significantly year-on-year, causing net sales and operating profit to increase
- Sales development good in used car sales and services
- Order book for new cars remains above normal levels, but weakening market has seen new car orders decrease clearly on the comparison period
- Sports trade part of the car trade division as of 1 April. Sales in sports trade decreased due to weakened consumer demand



EBIT

€208 MILLION

STRONG PERFORMANCE

IN A CHALLENGING MARKET

OPERATING ENVIRONMENT CHALLENGING COMPANIES

- Inflation
- Rising interest rates
- Weakened purchasing power
- High employment
- Energy transformation
- Russia's offensive war in Ukraine
- Geopolitical tensions



THE IMPORTANCE OF STRATEGY GROWS IN A CHALLENGING MARKET

GROWTH STRATEGY

FOCUS:



GROCERY TRADE



BUILDING AND
TECHNICAL TRADE



CAR TRADE

ONE UNIFIED 

CUSTOMER EXPERIENCE

DIGITALISATION

SUSTAINABILITY

IN GOOD SHAPE TO GENERATE PROFITS

- A good strategy: focusing on our own strengths
- Strong customer relationships, some 2 million daily customer visits
- Ability to respond quickly to changes in operating environment
- Continuously improving efficiency and managing cost ratio
- Strong balance sheet and efficient use of capital
- Investments in growth and efficiency
- Acquisitions and their integration

GOOD SUCCESS IN IMPROVING EFFICIENCY AND MANAGING COST RATIO

Fixed costs down by €5.5 million despite inflation

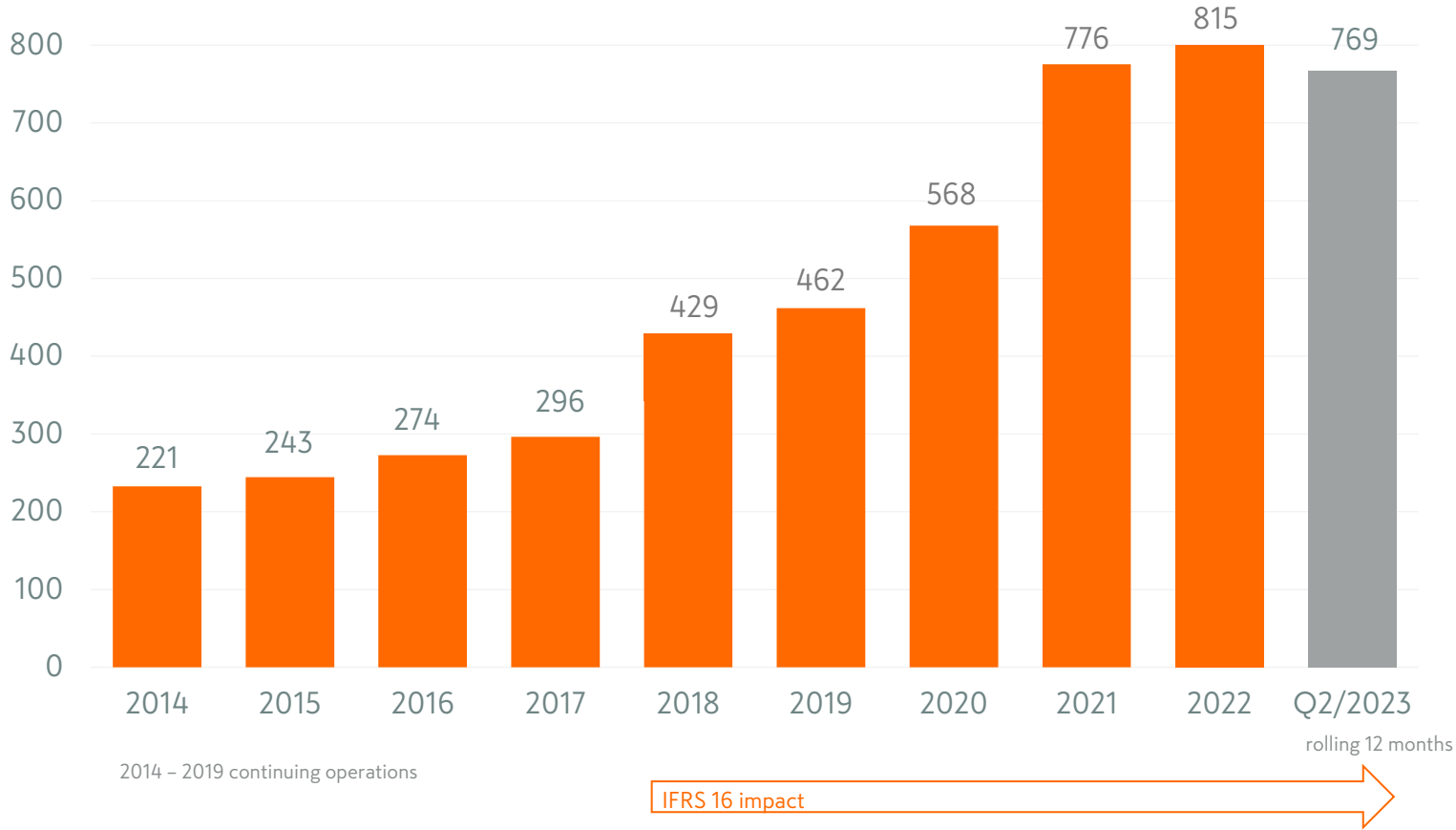
- Cost cuts and savings in all divisions and Group common operations
- A 2.6% reduction in personnel expenses despite significant wage inflation
- Significant savings also with changes in management practices and decision-making authorisations
- Foreign exchange rates have also had a positive impact on costs

	4-6/2023	4-6/2022
Fixed costs, € million	494.9	500.3
- Personnel expenses, € million	201.9	207.4
- Other expenses, € million	161.2	171.1
- Depreciation and amortisation, € million	131.7	121.9
Cost ratio, %	15.9	16.1

Figures excl. items affecting comparability

STRONG PROFIT GENERATION ALSO IN A WEAKER MARKET

Comparable operating profit
Reported figures, € million



OUTLOOK AND GUIDANCE FOR 2023

KESPRO

JOTTA ULKONA SYÖMINEN
OLISI SUOSITUMPA



OUTLOOK FOR 2023

In the grocery trade division, B2C trade is estimated to remain stable, and the foodservice market to grow. Inflation will increase sales, but also causes costs to rise. Operating profit is expected to remain at a good level.

In the building and technical trade division, the market is expected to decline compared to 2022. New building construction is estimated to decrease, but renovation building to grow slightly. Operating profit is expected to remain at a good level.

In the car trade division, car availability has improved, but orders for new cars are expected to remain below last year's level. Demand for used cars and services is estimated to remain at a good level. Profitability is expected to remain good.

GUIDANCE FOR 2023 (SPECIFIED)

Kesko specifies the outlook and guidance first given in its financial statements release on 2 February 2023 and repeated in the first-quarter interim report on 28 April 2023.

Guidance is given for the year 2023, in comparison with the year 2022. Kesko now estimates that its comparable operating profit in 2023 will be €680-760 million. Before, the company estimated that its comparable operating profit would be in the range of €680-800 million.

The specified guidance is based on developments in the first half of the year, as well as updated estimates on weakened development in the construction market. Key uncertainties impacting Kesko's outlook are developments in inflation and interest rate levels, and Russia's ongoing offensive war in Ukraine.

