



KESKO INTERIM REPORT Q1/2024

# A GOOD RESULT IN A CHALLENGING MARKET

Jorma Rauhala  
President and CEO  
25.4.2024

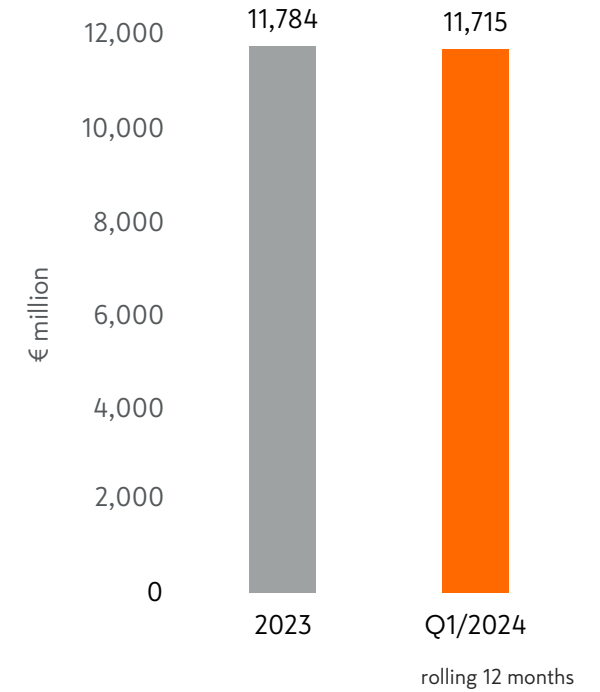
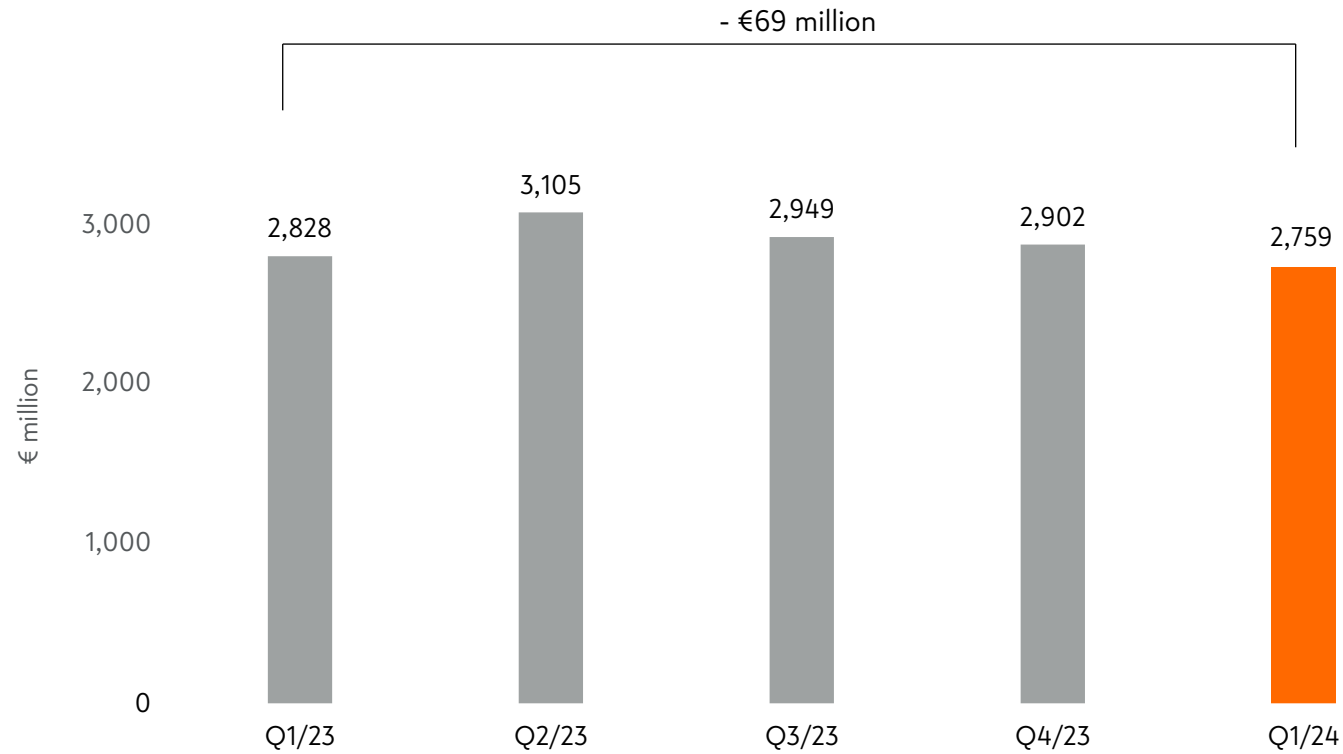
# KEY EVENTS IN Q1/2024

- Result in line with expectations in a challenging market, good cost efficiency and strong cash flow from operating activities
- Grocery trade: net sales increased, profit stable
- Building and technical trade: profitability weakened as expected due to the weak construction cycle
- Car trade: net sales and profit at a good level
- Danish Davidsen part of Kesko's building and technical trade as of 1 Feb. 2024
- Changes in Group Management Board: Jorma Rauhala as new President and CEO, Sami Kiiski as new President of building and technical trade division, Johanna Ali as new acting President of car trade division

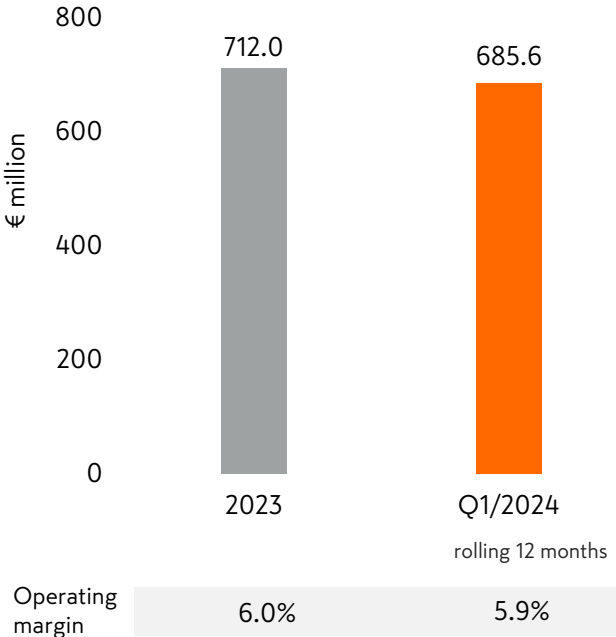
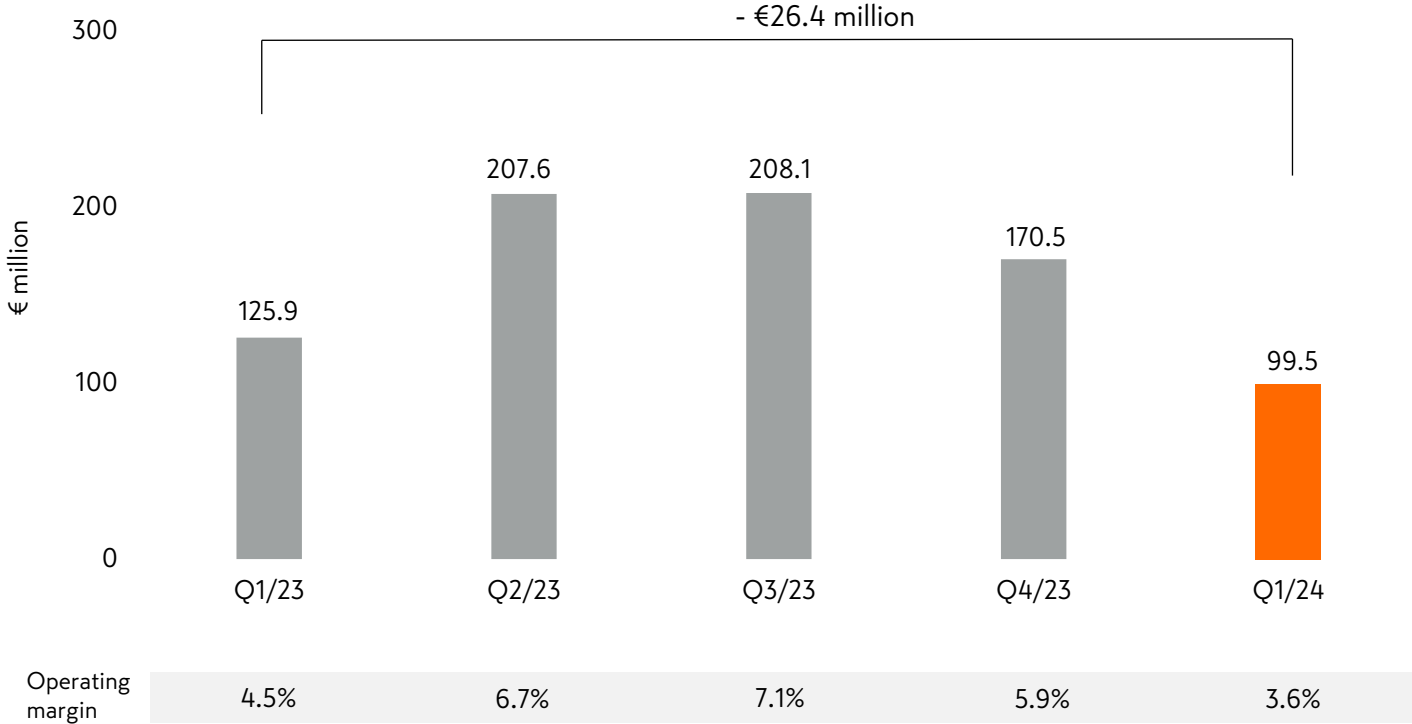
	Q1/2024	Q1/2023
Net sales, € million	2,759.5	2,828.0
Change in net sales*, %	-5.5	+4.4
Operating profit*, € million	99.5	125.9
Operating margin, %*	3.6	4.5
Profit before tax*, € million	77.1	108.0
Earnings per share*, basic, €	0.16	0.22
Cash flow from operating activities, € million	112.6	27.0

\* Comparable

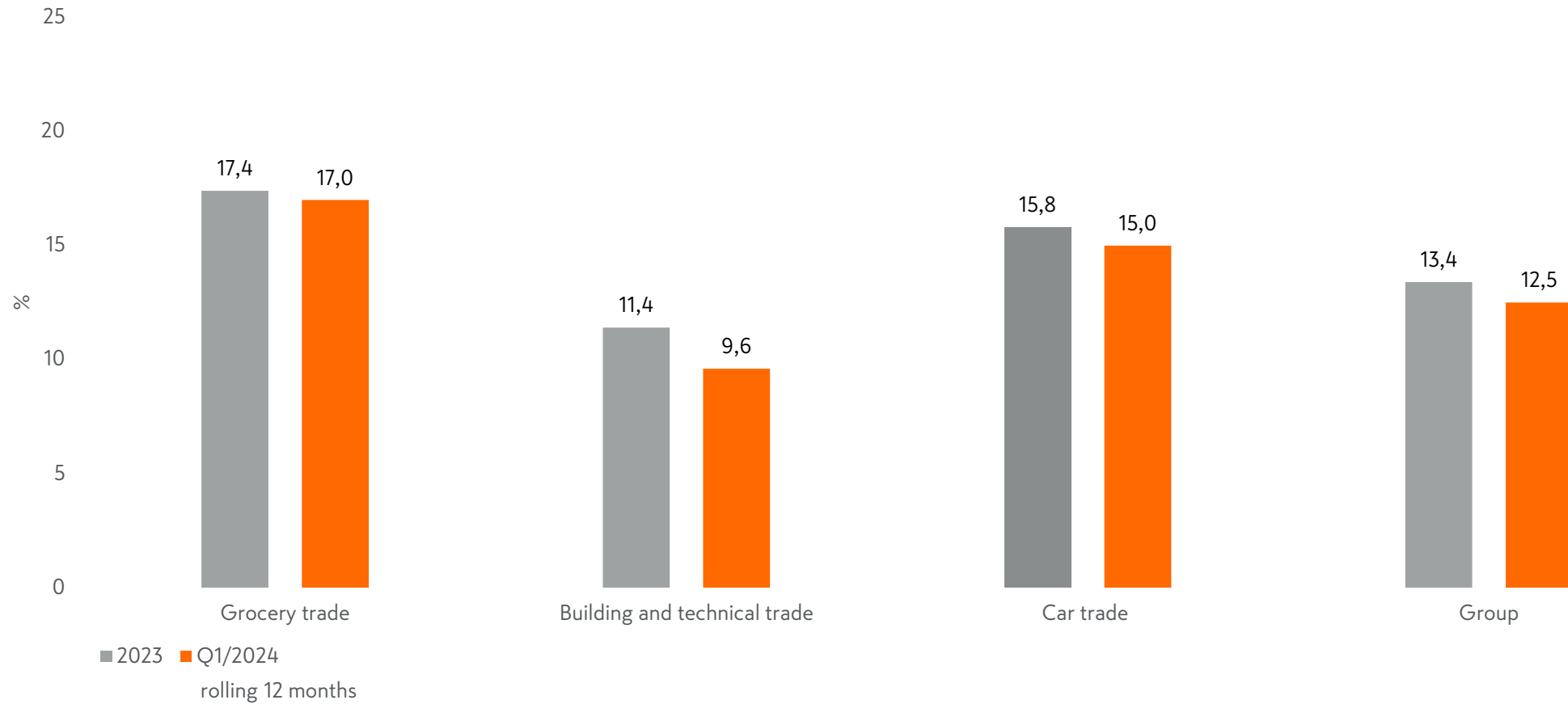
# NET SALES



# OPERATING PROFIT



# RETURN ON CAPITAL EMPLOYED



# FINANCIAL POSITION

	Q1/2024	Q1/2023
Cash flow from operating activities, € million	112.6	27.0
Liquid assets, € million	145.1	159.8
Capital expenditure, € million	329.0	231.8
Interest-bearing net debt excl. lease liabilities, € million	881.7	495.6
Interest-bearing net debt / EBITDA (excl. IFRS 16 impact, rolling 12 months)	1.1	0.6
Lease liabilities, € million	2,023.6	1,984.3

# CAPITAL EXPENDITURE

## Capital expenditure up due to investments in store sites and acquisitions

- Kesko continued investments in its network of grocery store sites
- Two properties acquired from eQ Commercial Properties Fund: the Sinikallio shopping centre in Mankkaa, Espoo, and the property for K-Citymarket Salo
- Kesko acquired Davidsen in Denmark, transaction completed on 31 January 2024
- Other investments include Onninen and K-Auto's shared logistics centre in Hyvinkää, Finland, where construction is expected to be completed in 2025

	Q1/2024	Q1/2023
Store sites, € million	110.3	56.4
Acquisitions, € million	170.0	133.6
IT, € million	6.6	5.5
Other investments, € million	42.2	36.4
Total, € million	329.0	231.8

# EXPENSES

Excluding acquisitions, expenses stable year-on-year

	Q1/2024	Q1/2023
Fixed costs, € million	507.1	487.8
- Employee benefit expenses, € million	204.8	197.5
- Other expenses, € million	162.8	161.3
- Depreciation, € million	139.4	129.0
Cost ratio, %	18.4	17.2



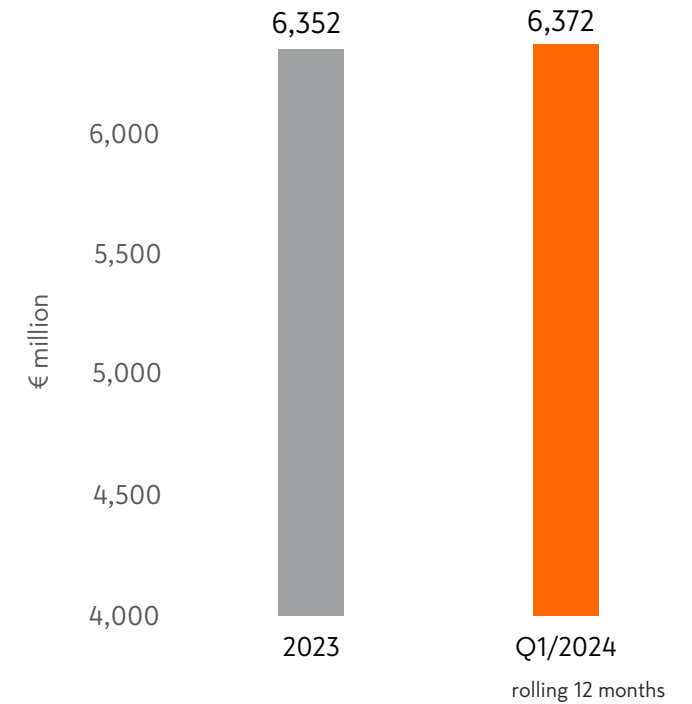
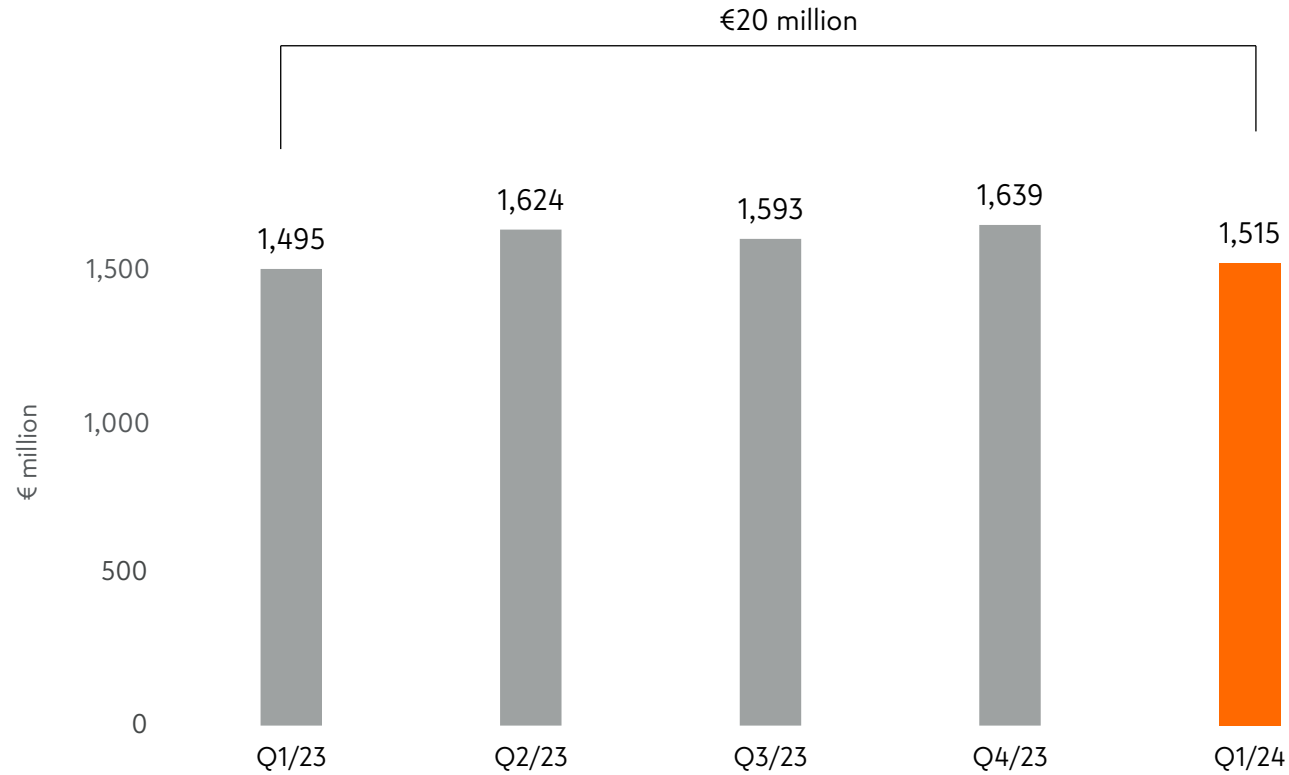


GROCERY TRADE

# GOOD PERFORMANCE IN Q1

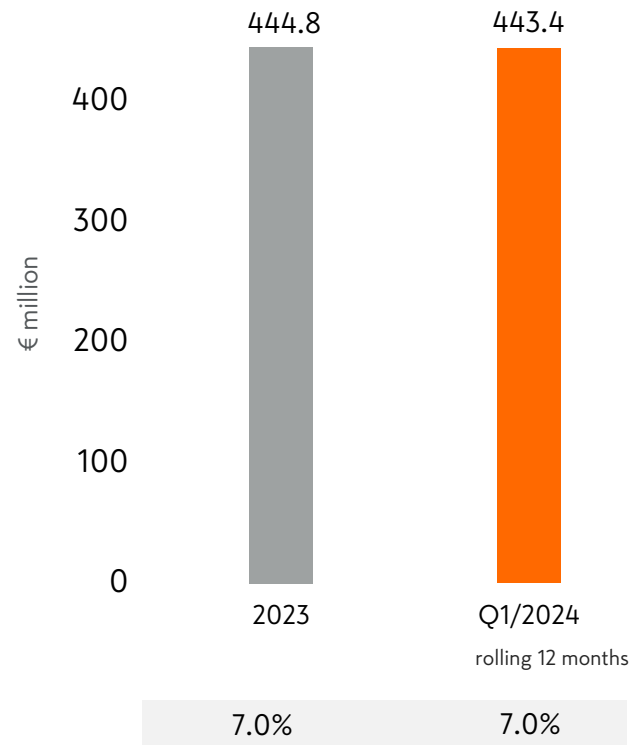
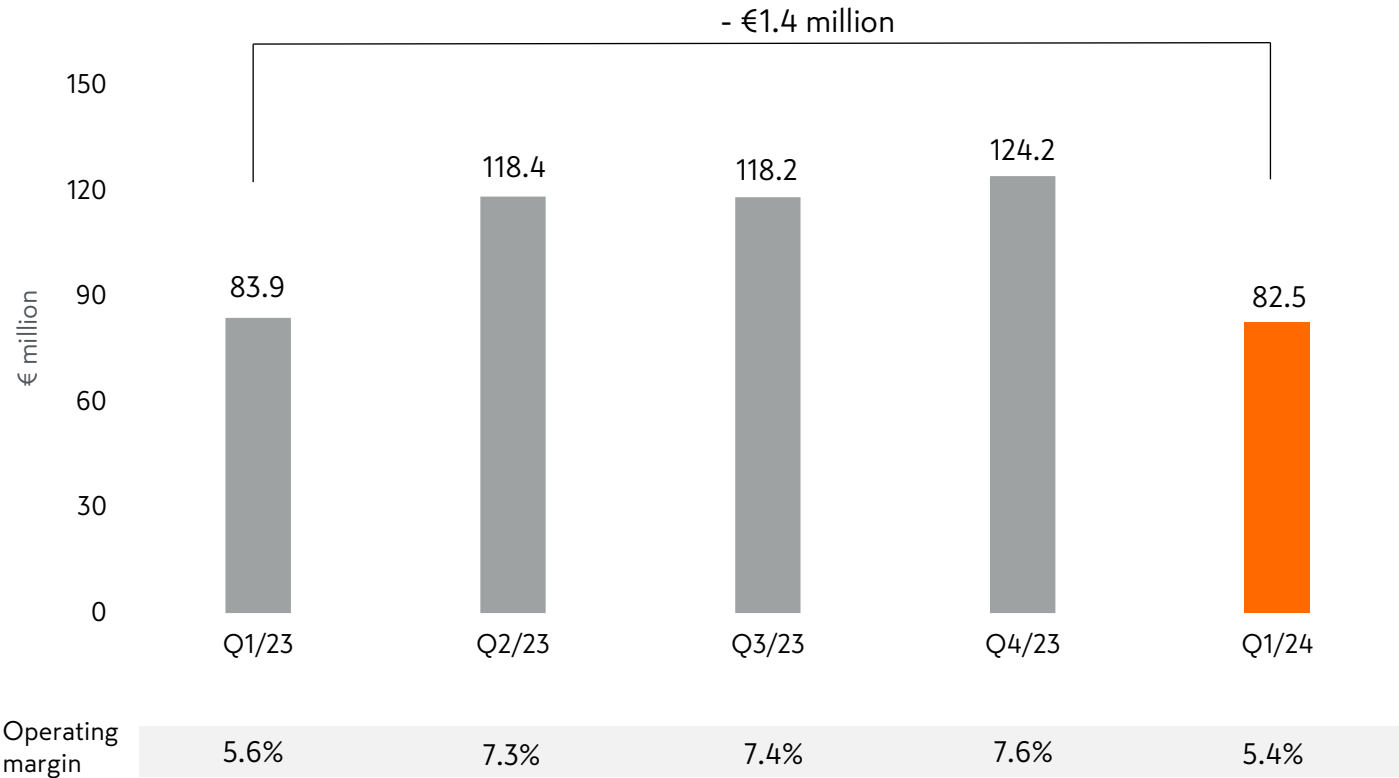


# GROCERY TRADE NET SALES



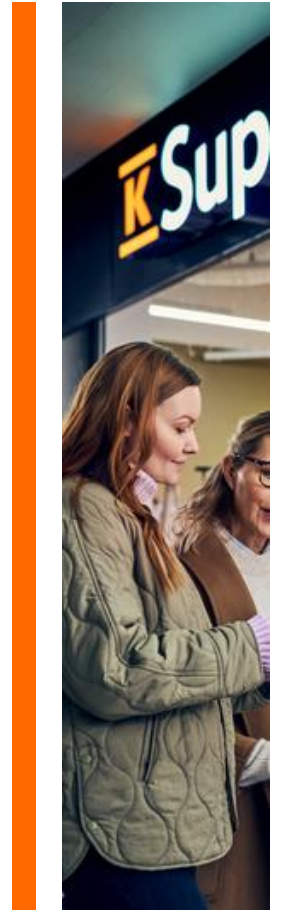
# GROCERY TRADE

## OPERATING PROFIT



# KEY EVENTS IN GROCERY TRADE IN Q1

- Net sales and profit at a good level despite our actions towards more competitive price levels
  - K Group's grocery sales grew by 3.3%, online grocery sales up by 19.9%
  - Kespro's net sales up by 0.7%, growth again outpacing the market
  - K-Citymarket's non-food sales up by 1.1%
- Total grocery market growth approx. 3.9%; K Group's market share decline continued to slow down
- Grocery price inflation in Finland approx. 0.6%
- Consumption has become more polarised: price still an important criterion, but consumers also value quality and convenience
- Customer flows continued to grow thanks to e.g. campaigns





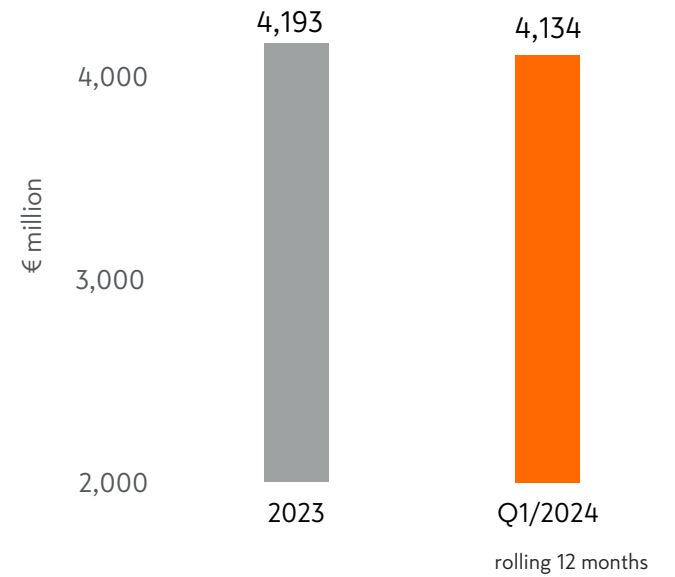
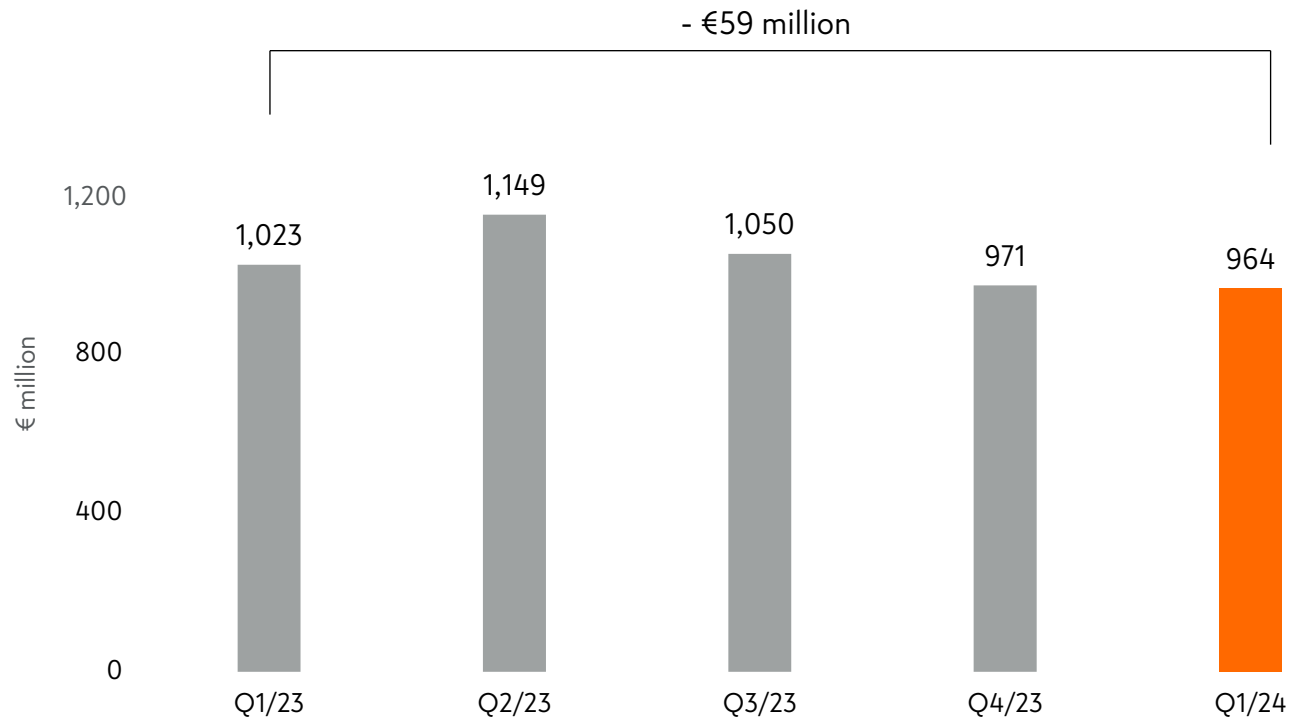
BUILDING AND TECHNICAL TRADE

# RESULT IN LINE WITH EXPECTATIONS IN A WEAK CYCLE



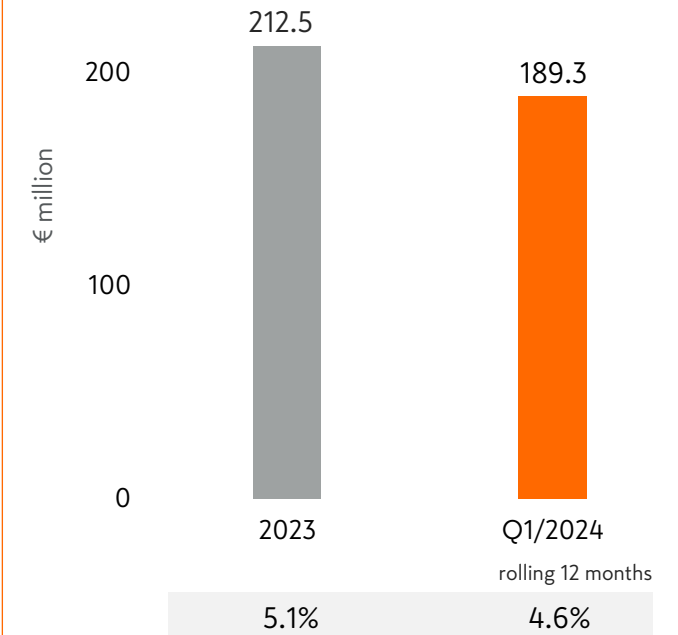
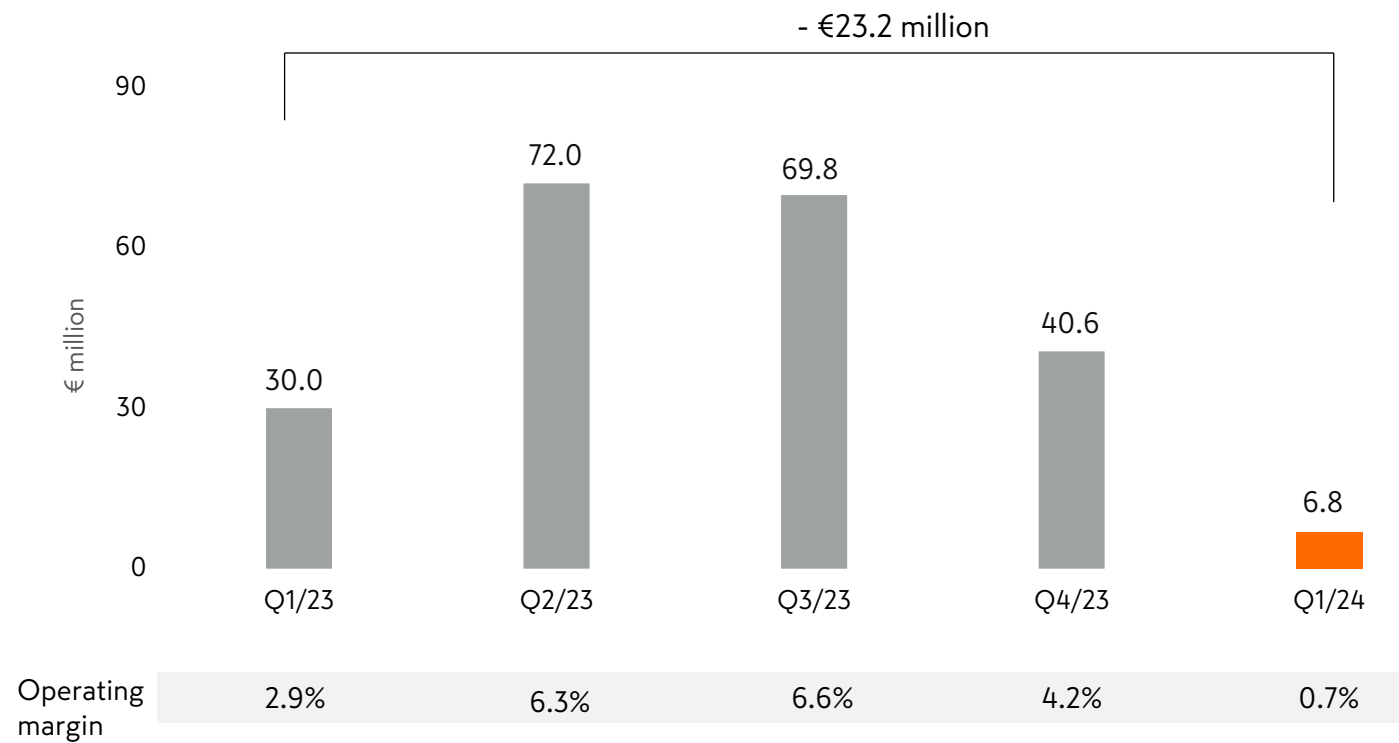
## BUILDING AND TECHNICAL TRADE

# NET SALES



# BUILDING AND TECHNICAL TRADE

## OPERATING PROFIT



# KEY EVENTS IN BUILDING AND TECHNICAL TRADE IN Q1

- Overall, net sales and operating profit development in line with expectations
- Construction cycle weak in all operating countries; net sales and operating profit also impacted by the number of delivery days being down year-on-year due to the timing of Easter, which had a negative impact of over €3 million on operating profit
- In particular, net sales and gross margin for solar power products fell short of the exceptional levels seen in the comparison period amidst the energy crisis
- The integration of Elektroskandia, acquired in Norway a year ago, will be completed this spring – a positive profit impact from H2 onwards
- The conversion of K-Rauta stores into K-Bygg stores proceeding as planned in Sweden; five loss-making K-Rauta stores closed, conversions completed by year-end
- Davidsen in Denmark part of Kesko as of 1 Feb. 2024; comparable operating profit impacted by a €2.7 million expense recorded for the fair value mainly related to Davidsen’s inventories
- Share of result from Kesko Senukai €-0.4 million (€-3.8 million)

	Q1/2024	Q1/2023
<b>Net sales, € million</b>	963.6	1,023.0
Technical trade	522.5	565.0
Building and home improvement trade	455.6	474.7
<b>Operating profit*, € million</b>	6.8	30.0
Technical trade	15.5	34.8
Building and home improvement trade	-8.3	-0.9
<b>Operating margin, %*</b>	0.7	2.9
Technical trade	3.0	6.2
Building and home improvement trade	-1.8	-0.2

\* Comparable



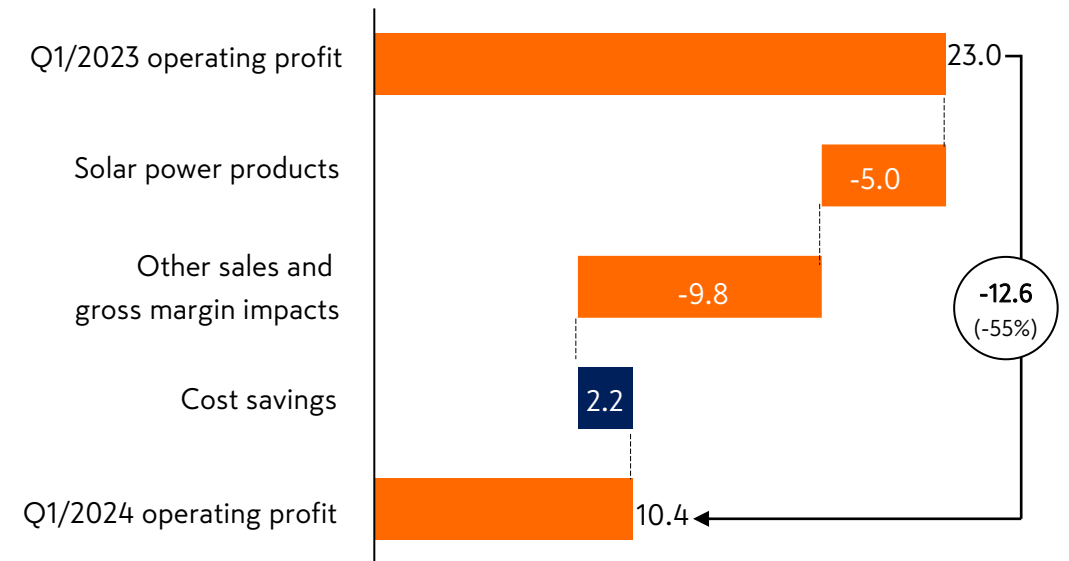


# ONNINEN FINLAND'S OPERATING PROFIT DOWN

## Solar power product sales exceptionally strong in the comparison period

- Technical trade market continued to weaken especially due to the heavy decline in new building construction
- Net sales for Onninen Finland down by 16.8% y/y, totalling €260.9 million
- Onninen's market share in Finland continued to strengthen further
- Onninen Finland's comparable operating profit €10.4 million, some 40% of the decrease due to decline in the net sales and gross margin for solar power products
- Gross margin from solar power products sold in 2023  
Q1: 41%, Q2: 42%, Q3: 13% and Q4: 4%
- Margins down due to excess supply of solar power products on the market, inventories expected to return to normal levels this summer

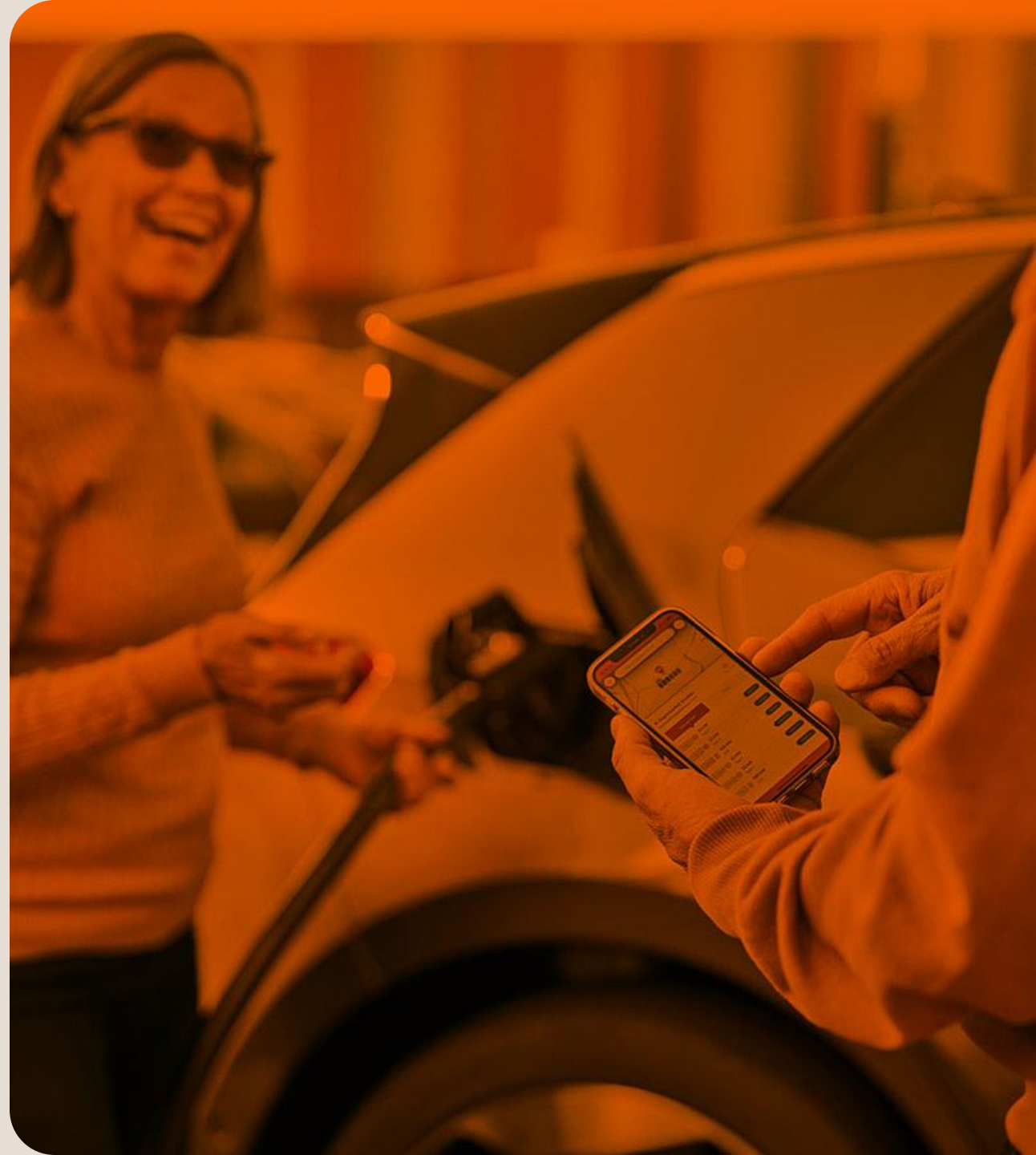
### ONNINEN FINLAND, COMPARABLE OPERATING PROFIT



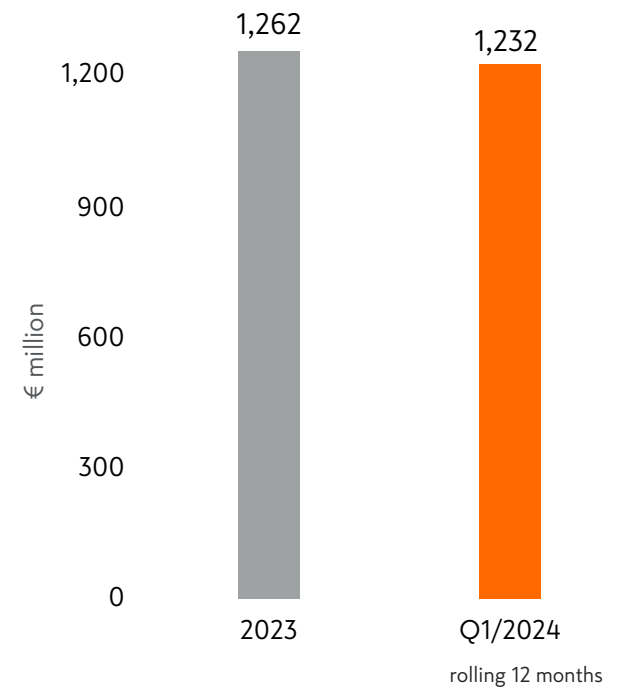
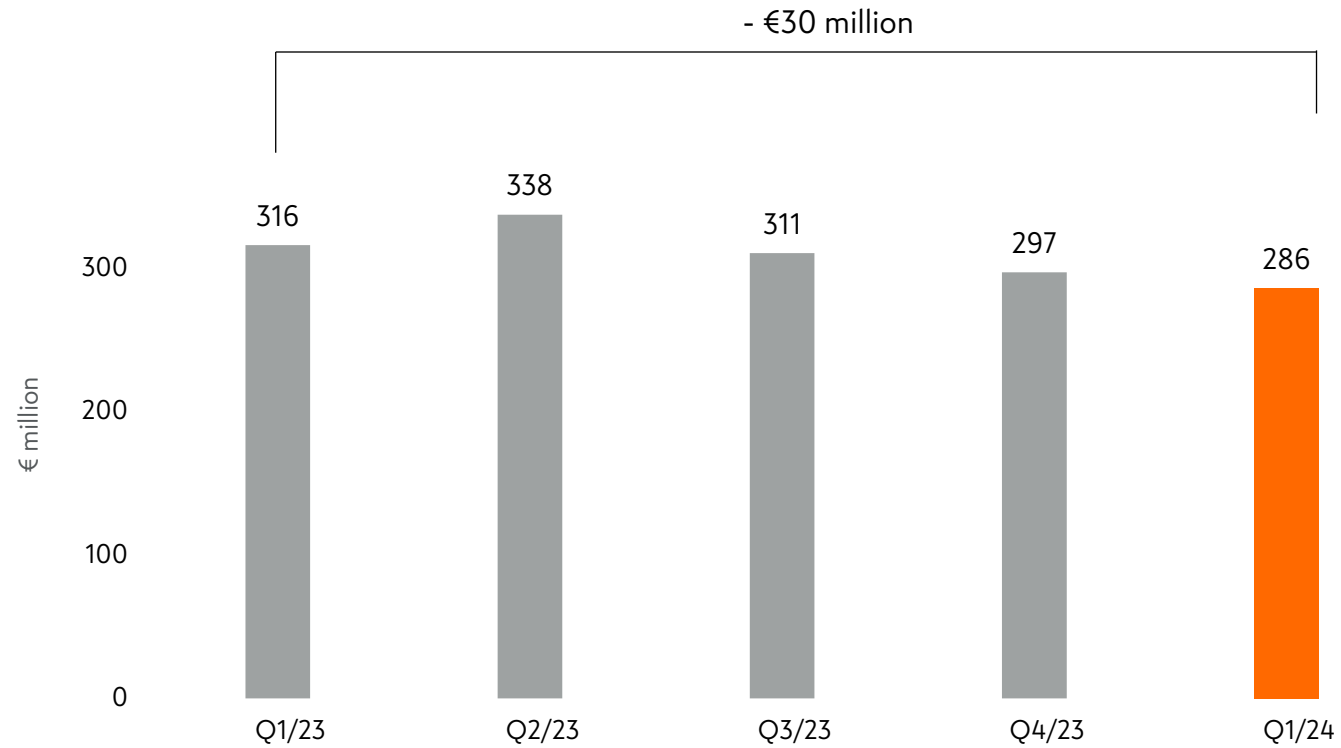


CAR TRADE

# PROFITABILITY AT A GOOD LEVEL

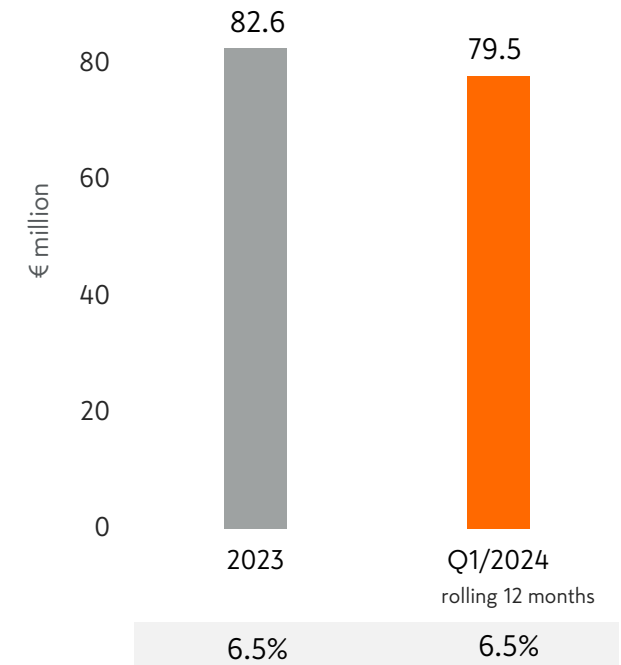
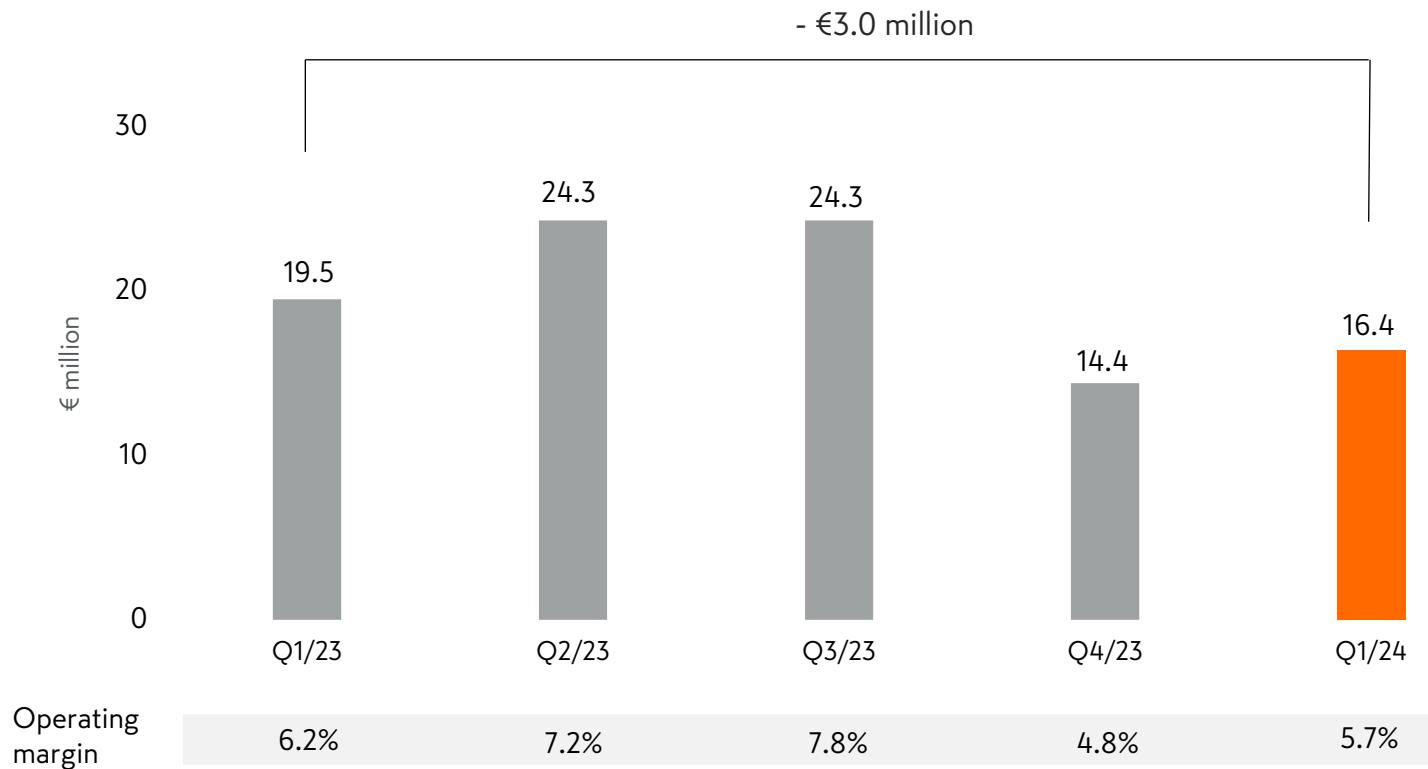


# CAR TRADE NET SALES



# CAR TRADE

## OPERATING PROFIT



Comparable figures

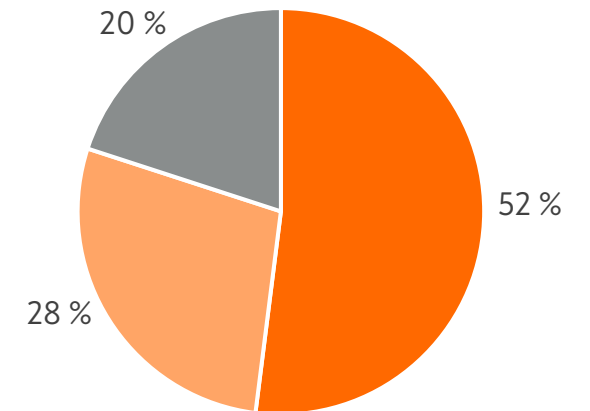
Figures including sports trade

# KEY EVENTS IN CAR TRADE IN Q1

- K-Auto's order book for new cars grew compared to the end of 2023, new car orders exceeded the market
- Used car sales also grew, and market share continued to strengthen
- Positive development in service sales: growth in servicing, damage repairs, and spare parts, strong growth continued in the K-Lataus EV charging business
- Sports trade net sales down by 21.4%, retail sales down by 7.0%; market share in sports trade increased

## K-AUTO, NET SALES

■ New cars ■ Used cars ■ Services



Net sales for the division's car trade businesses in Q1/2024, rolling 12 months

# PROFIT GUIDANCE AND OUTLOOK



# OUTLOOK

In grocery trade, B2C trade and the foodservice market are expected to remain stable despite tightened price competition, 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, new car sales are expected to fall short of the 2023 level. Sales of used cars and services are expected to grow. Profitability in car trade is estimated to still remain good in 2024, but to fall short of the 2023 level.

# PROFIT GUIDANCE FOR 2024

Kesko Group's profit guidance is given for the year 2024, in comparison with the year 2023.

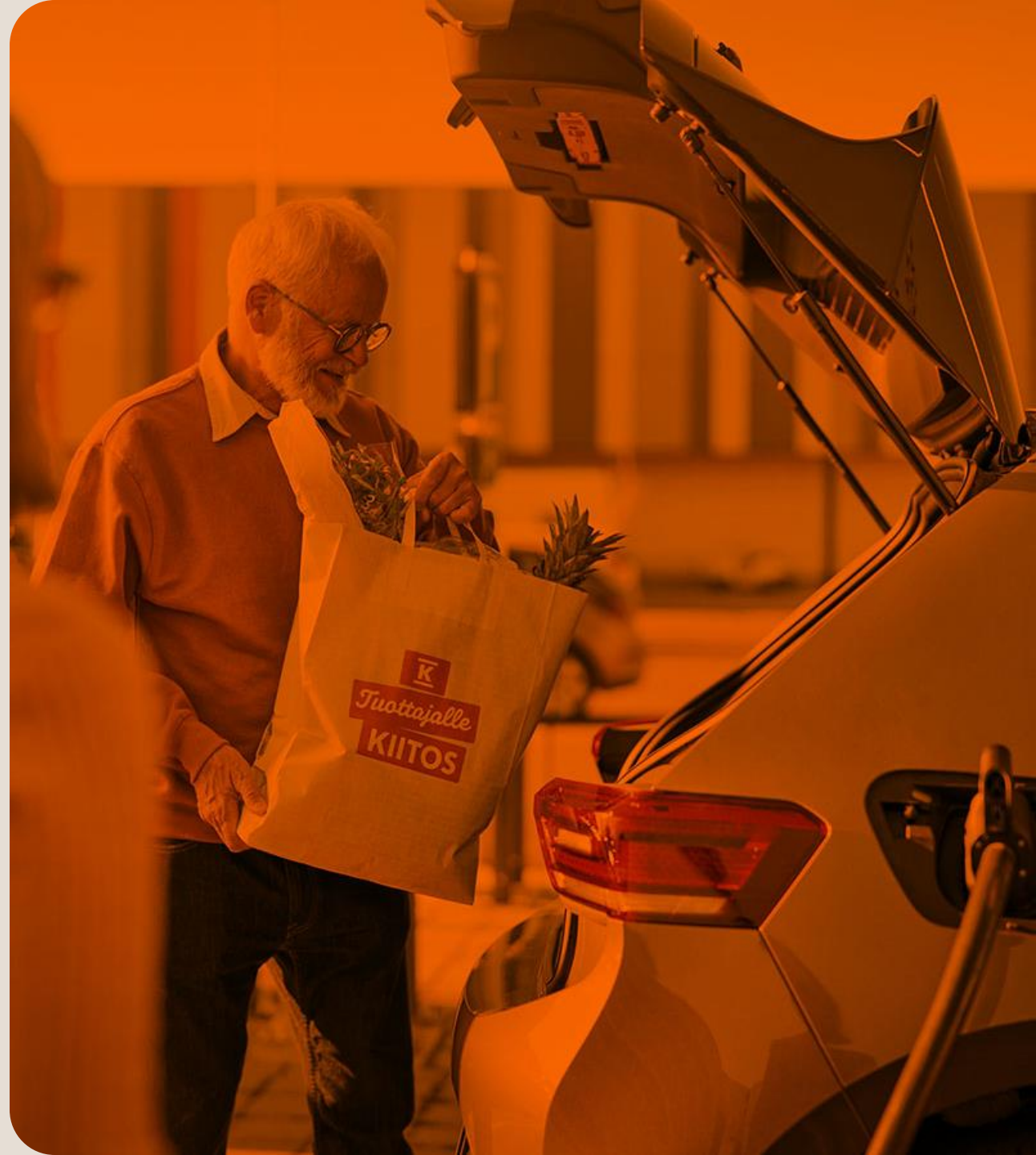
Kesko's operating environment is estimated to remain challenging in 2024.

Kesko's net sales and operating profit are estimated to remain at a good level in 2024 despite the challenges in the company's operating environment. Kesko estimates that its comparable operating profit in 2024 will amount to €620–700 million. Previously, the comparable operating profit was estimated to amount to €620–720 million. The operating profit guidance adjustment is related to the weaker-than-anticipated outlook for construction in 2024.





# TOPICAL THEMES



# PRIORITIES IN GROCERY TRADE

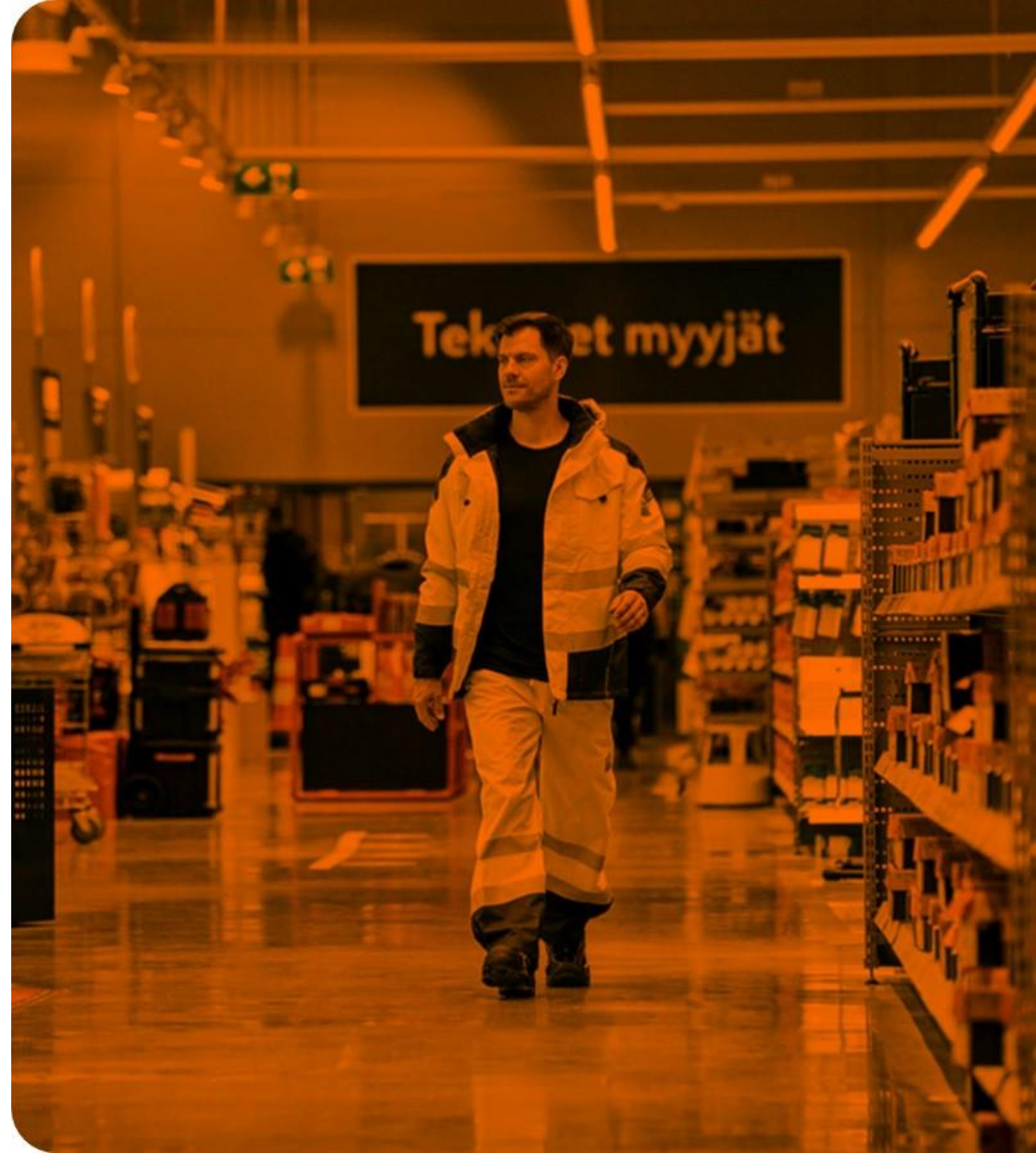
- Development of our store site network continues in 2024
  - 1 new K-Citymarket store, 13 store updates
  - 3 new K-Supermarket stores, 12 store updates
  - 6 new K-Market stores, 20 store updates
- Further development of store-specific business ideas
- Further improvement of operational efficiency
- Actions towards competitive price levels and targeted offers, and improving price image
- Clarifying our competitive advantages as part of the strategy review process this spring





# PRIORITIES IN BUILDING AND TECHNICAL TRADE

- Proactive sales
- Continued cost savings programme
- Developing the Onninen Express network in Finland and the Baltic countries, building central warehouses for Onninen
- Converting K-Rauta stores in Sweden into K-Bygg stores, finalising Zenitec's integration
- Finalising the Elektroskandia integration in Norway
- Combining Davidsen's operations with Kesko's in Denmark
- Potential new acquisitions



# PRIORITIES IN CAR TRADE

- Maintaining good profitability
- Growth that outpaces the market in all business areas
- Launching important new car models
- Continued growth in used cars
- Expanding offering in the service business
- Growing multichannel sales and network
- Further developing and expanding K-Lataus EV charging

