



# Kesko Interim Report Q1/2018

President and CEO Mikko Helander



# K Group today



**Biggest** retailer in Finland, **3rd biggest** retailer in **Northern Europe**



Retail sales of nearly **€13 billion**



Personnel **42,000**



Taxes paid and remitted **€1.2 billion**



Purchases from Finnish industry **some €4.5 billion**



**World's most sustainable** trading sector company

# Highlights Q1/2018

Net sales +3.4%, operating profit +27%  
and return on capital employed 13.5%

Excellent quarter for the grocery trade

Building and technical trade performed as  
planned, operations in Russia divested

Continued strong performance in the car trade

Comparable figures, continuing operations



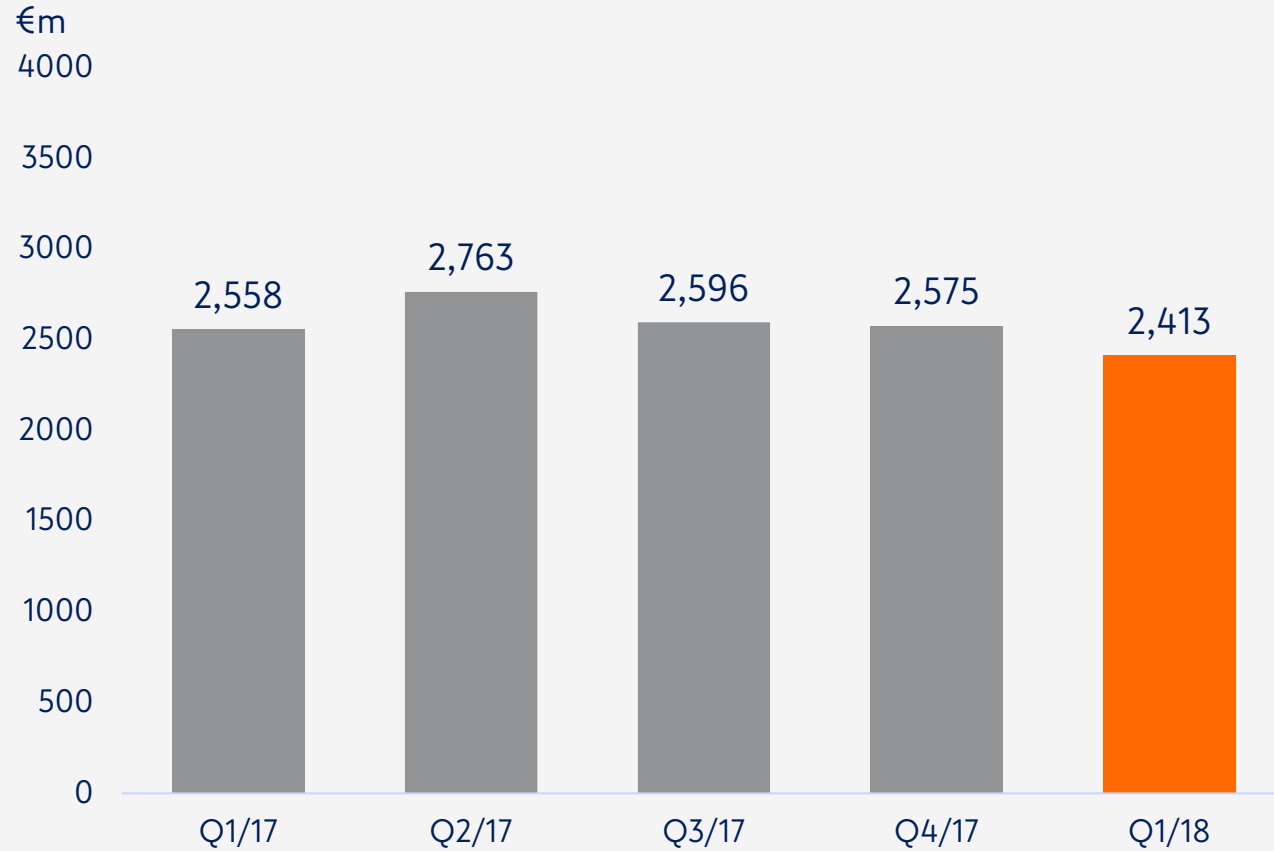
# Growth in Net Sales and Operating Profit

	31.3.2018	31.3.2017
Net sales, € million	2,413	2,558
Net sales growth, %	+3.4%	+2.4%
Operating profit, € million	40.0	31.5
Operating profit, %	1.7%	1.2%
Profit before tax, € million	39.9	36.3
Earnings per share	0.35	0.31
Return on capital employed, rolling 12 months, %	13.5%	12.3%
Return on equity, rolling 12 months, Group, %	10.9%	9.6%

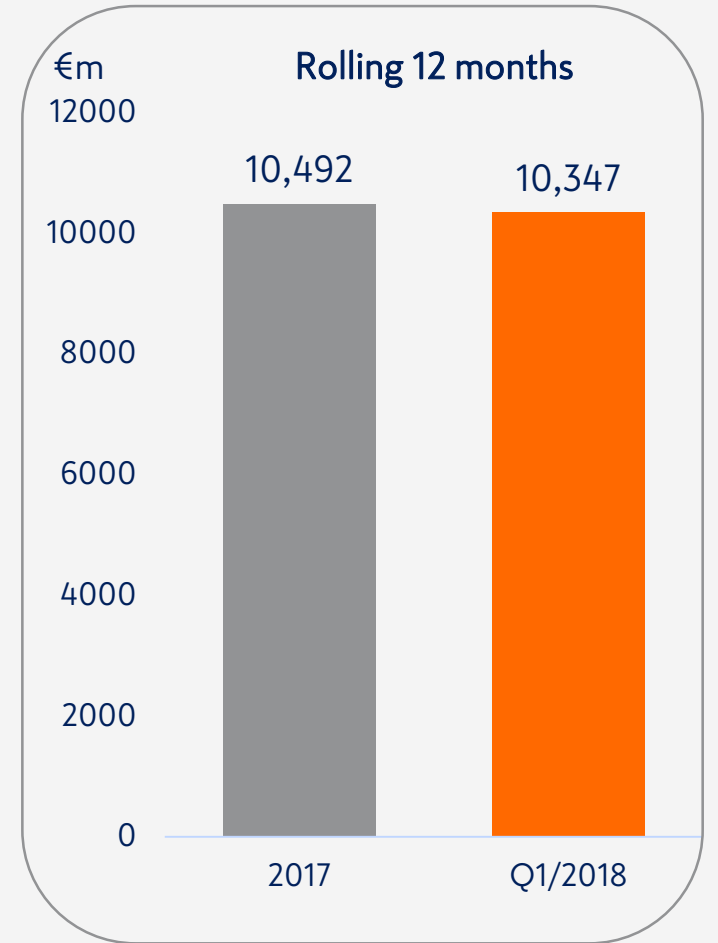
Comparable figures, continuing operations

# Net Sales

Q1 comparable growth 3.4%

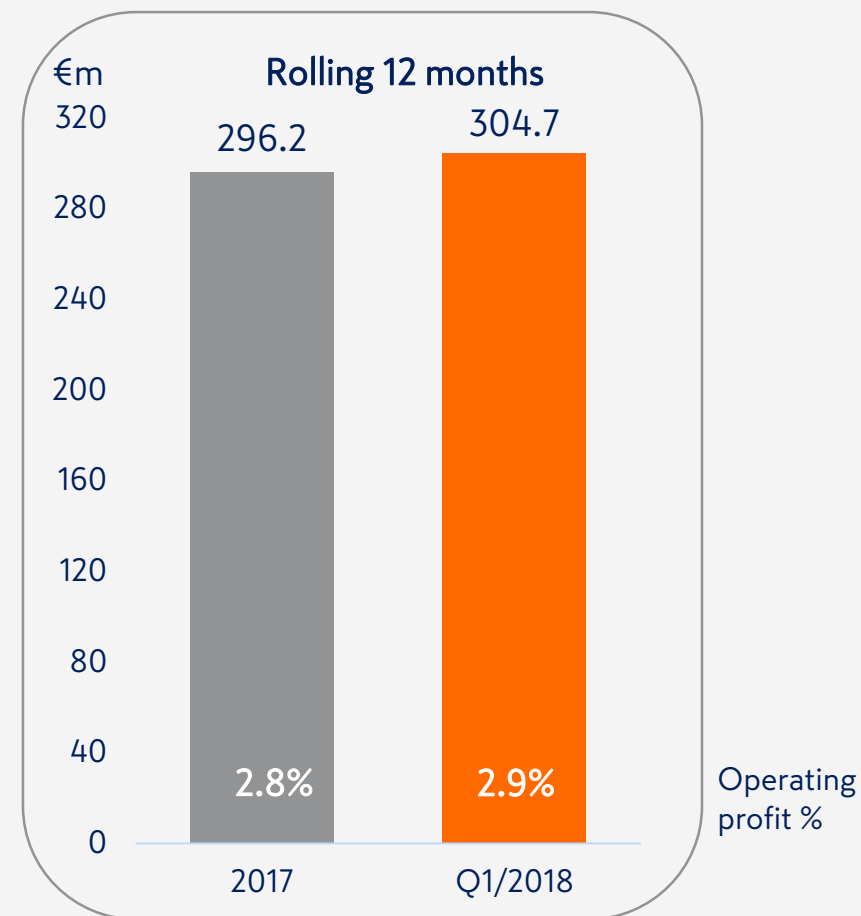
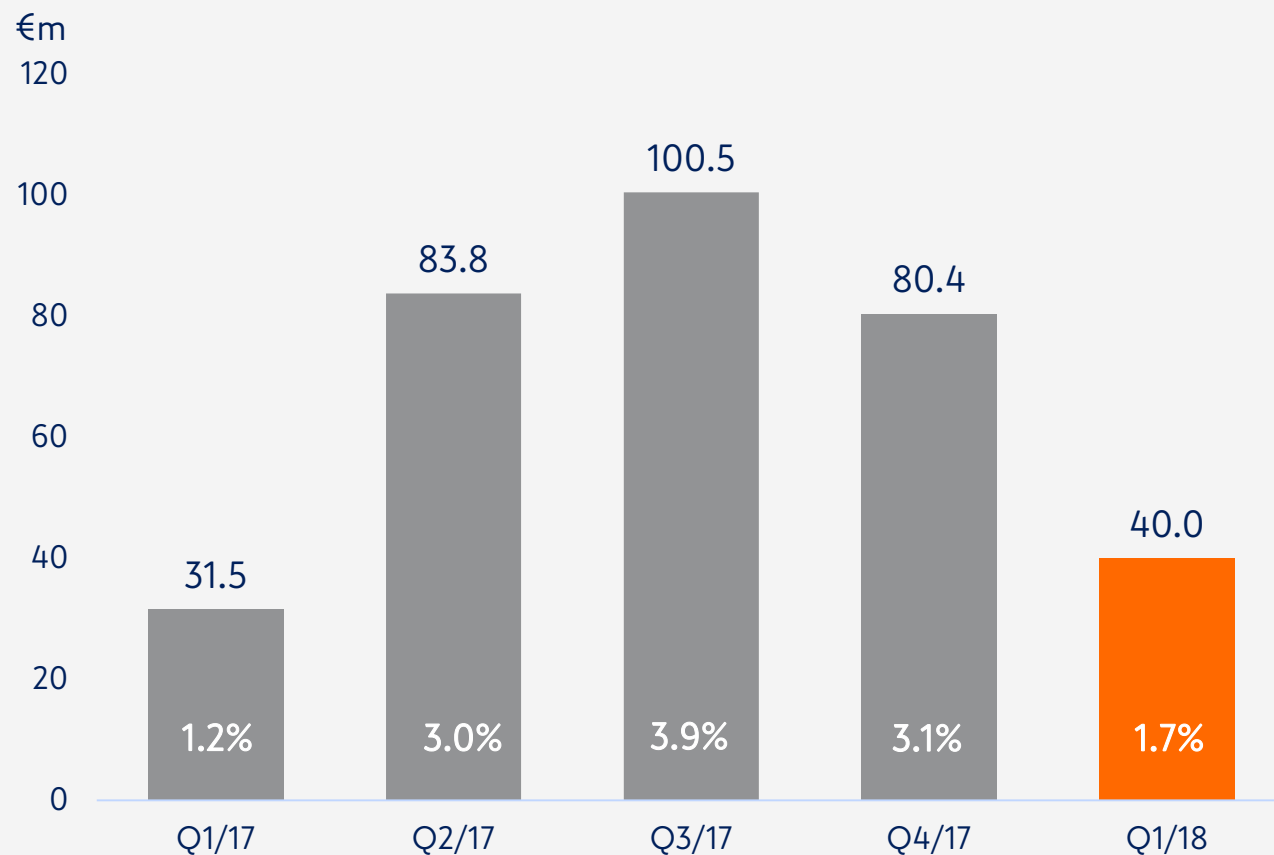


Comparable figures, continuing operations



# Operating Profit

## Q1 profit improvement 49% taking divestments into account



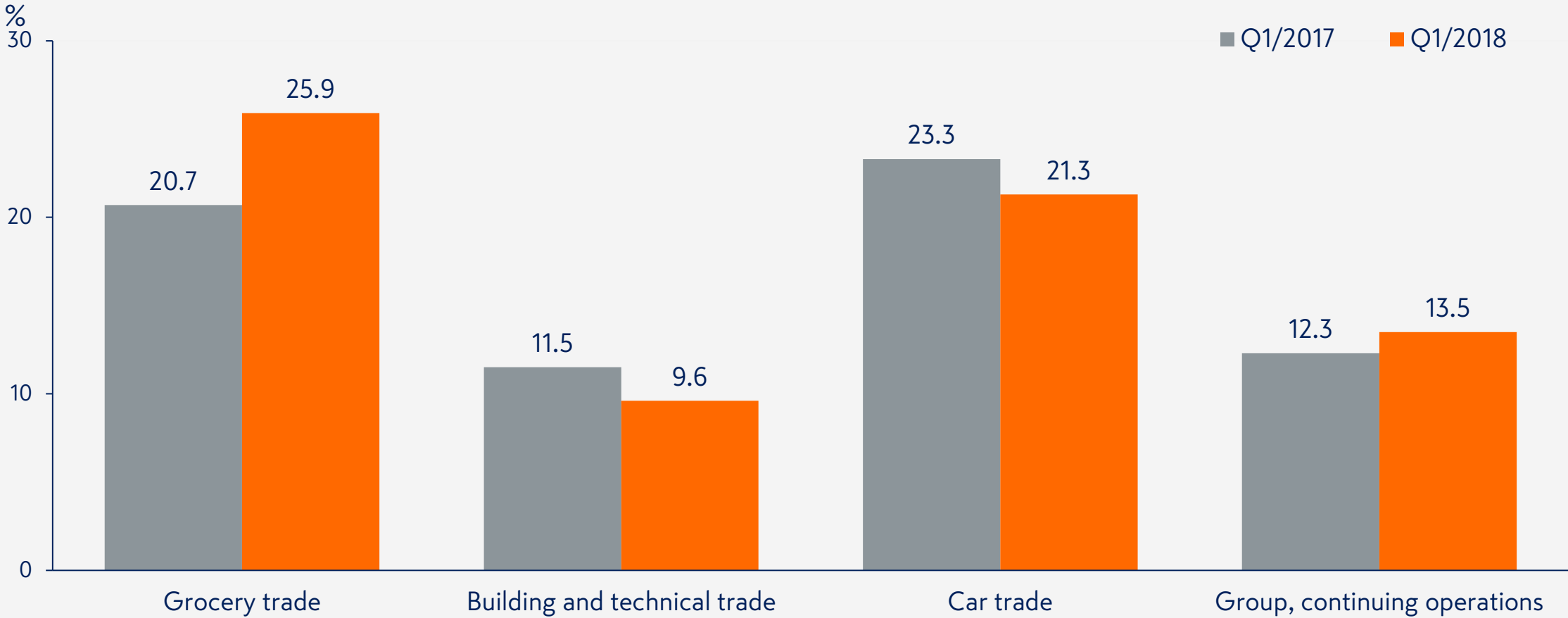
6 Comparable operating profit, continuing operations

Impact on Q1/17 operating profit from the divested Asko and Sotka, K-maatalous and Yamarin operations, Yamaha representation and Baltic real estates: €4.6m



# Return on Capital Employed 13.5%

Comparable, rolling 12 months



# Financial Position Strengthened Further

	31.3.2018	31.3.2017
<b>Group:</b>		
Equity ratio, %	49.3	47.4
Liquid assets, € million	599	365
Interest-bearing net debt, € million	-59	226
Interest-bearing net debt / EBITDA, rolling 12 months	-0.1	0.8
<b>Continuing operations:</b>		
Cash flow from operating activities, Q1, € million	39	-48
Capital expenditure, gross, Q1, € million	55	76

Comparable figures





# Grocery Trade



# Grocery Trade

## The market

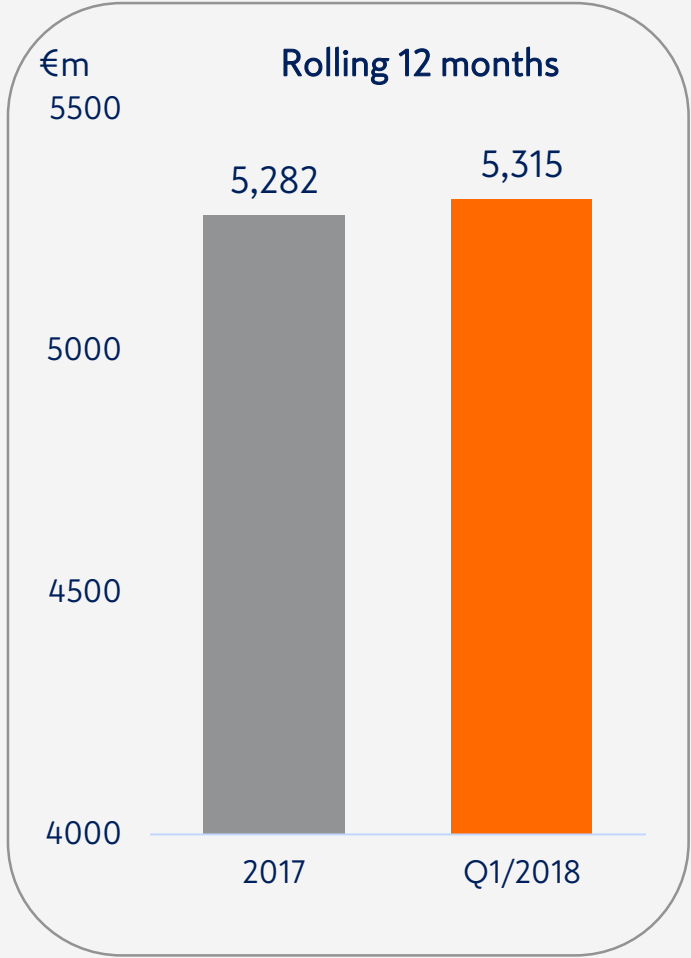
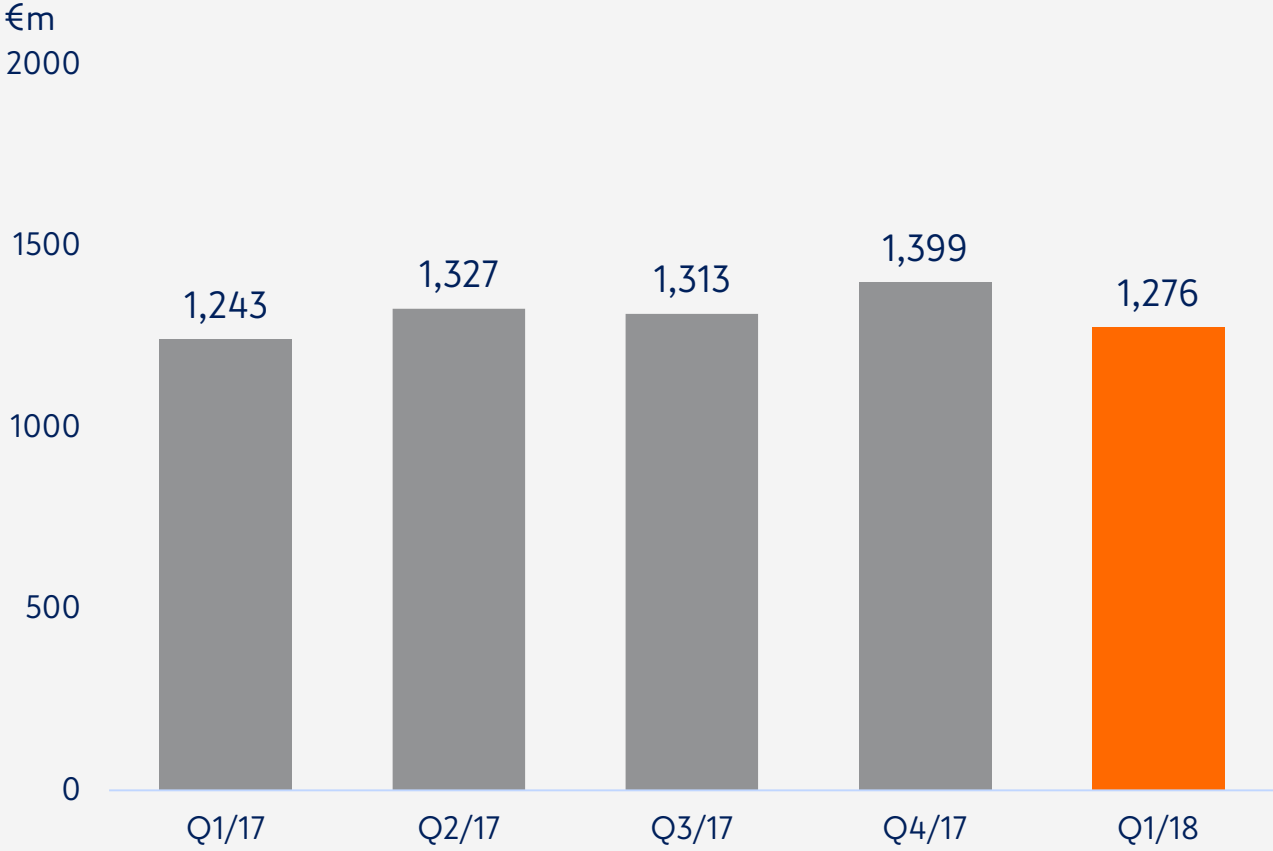
- Overall market growth approx. 5.5%, continued tight price competition
- Market affected by the timing of Easter and increase in alcohol and tobacco taxes
- Importance of quality and premium products rising

## Q1

- Good progress in chain redesigns, sales and customer flows grown in all K-food store chains
- Significant improvement in profitability thanks to new neighbourhood market approach and acquisition of Suomen Lähikauppa
- Kespro's growth and profitability strengthened further

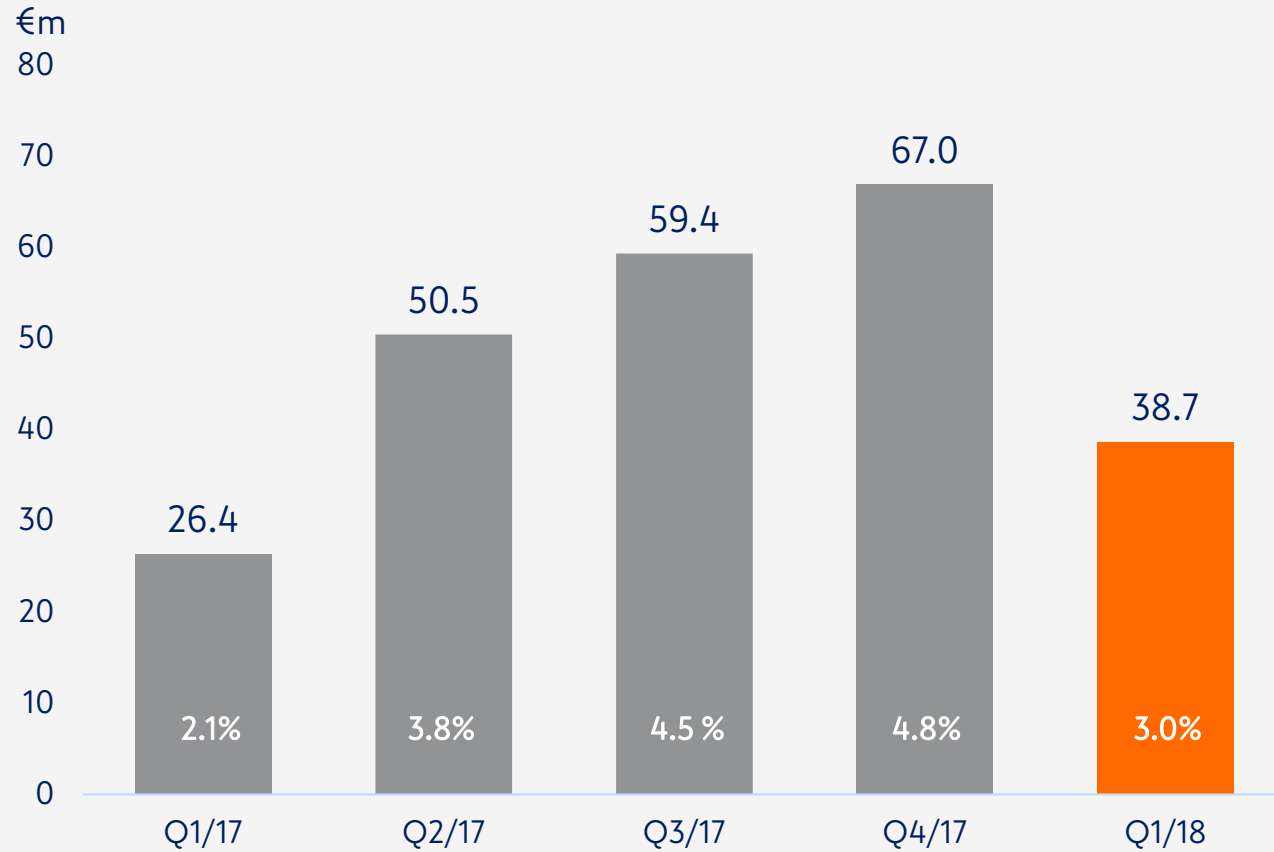
# Grocery Trade Net Sales

Q1 comparable growth 7.4%

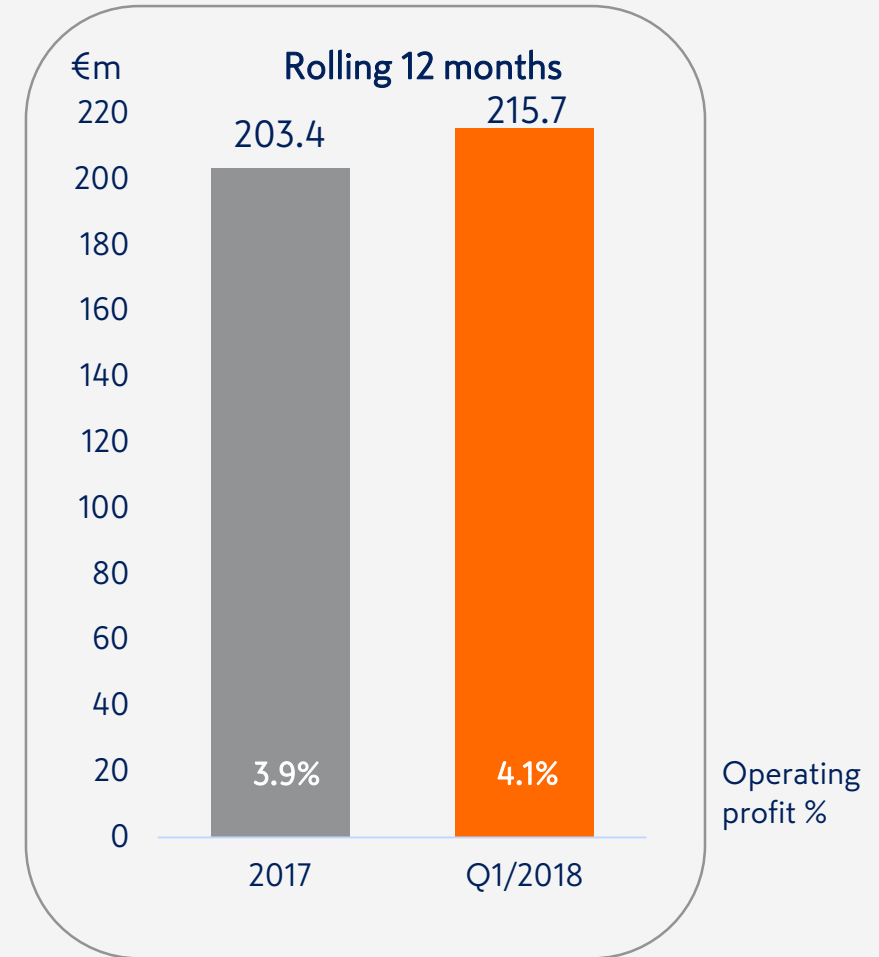


# Grocery Trade Operating Profit

Profitability notably improved by the acquisition and successful integration of Suomen Lähikauppa



Comparable operating profit



# Share of Neighbourhood Market Close to 60%

- Acquisition and successful integration of Suomen Lähikauppa
  - Total investment approximately €120 million
  - Additional sales of almost €700 million, 400 new K-Markets
  - Sales growth approximately 15%, significant synergies
  - All stores transferred to retailers by summer 2018
- Redesign of the K-Market brand and remodelling of over 700 stores
- High-quality neighbourhood market services have also strengthened the sales and market position of K-Citymarket



# Strong Investment in New Online Food Store

- Online food sales growing forcefully
- New online food store service successfully piloted in two K-Citymarkets in the greater Helsinki region
  - Offering K-Citymarkets' extensive selections
  - Efficient deliveries using concentrated K Transport
  - Service expanded to Tampere, Turku, Oulu and Kerava during the spring
- K Group's online food sales services already reach over 3 million Finns



# Building and Technical Trade



Product Name	Price
DIVAANISOHVA JA RAHI LUNA KOLMEN ISTUTAVA	379
SÄHKÖTRIMMERI FXA-220W	1995
PUUVILLAMATTO NEA	990

# Building and Technical Trade

## The market

- Economic growth underpinning market development, outlook continues to be favourable
- Cold winter weather in Europe impacted the market negatively

## Q1

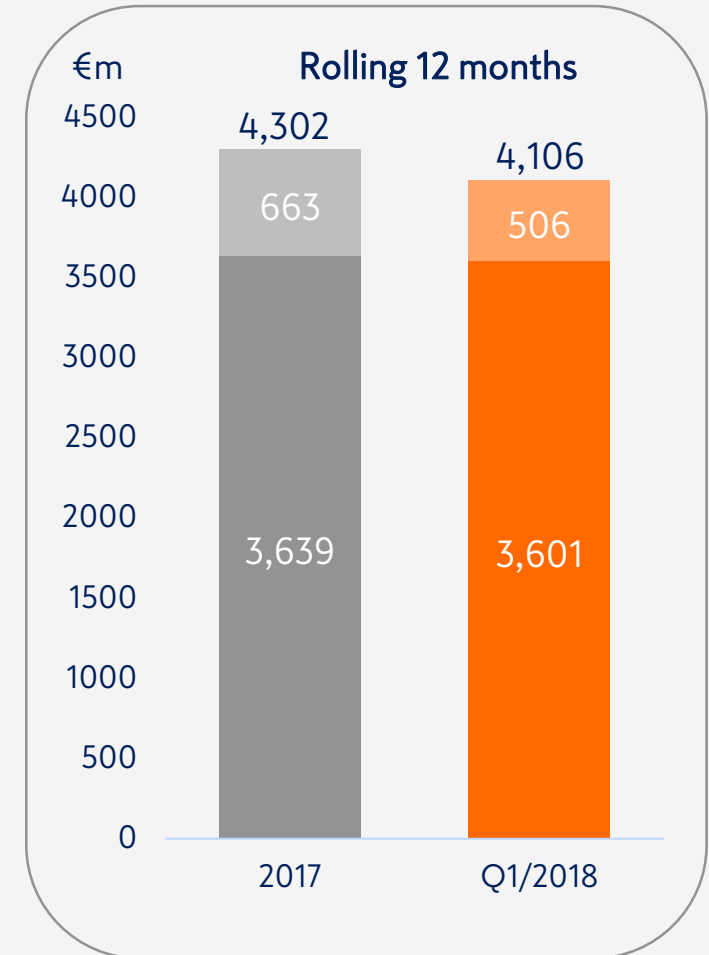
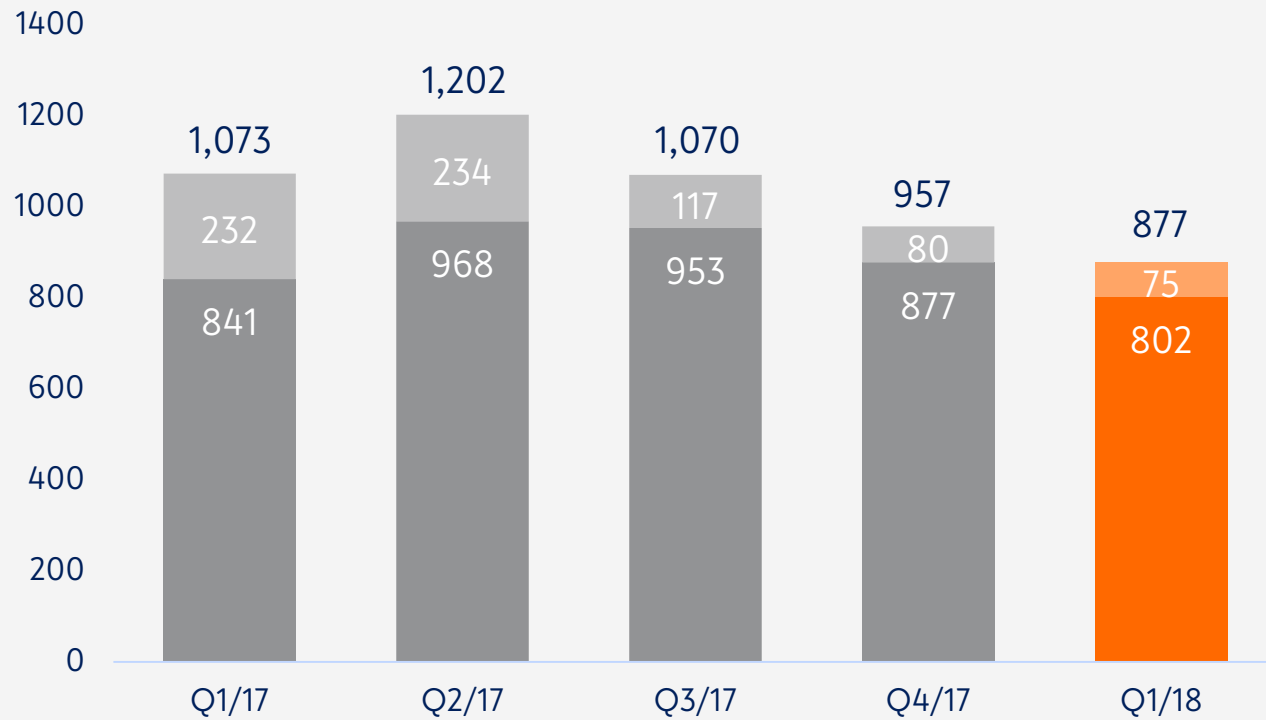
- Q1 performance according to plans, traditionally the softest quarter due to seasonality
- Divestments in speciality goods trade decreased sales and profitability as expected
- Good sales growth in K-Rauta and Onninen in Finland and Kesko Senukai in the Baltics
- Sales burdened by restructuring in Sweden and changes to store network in Norway



# Building and Technical Trade Net Sales

## Comparable Q1 change -2.4%

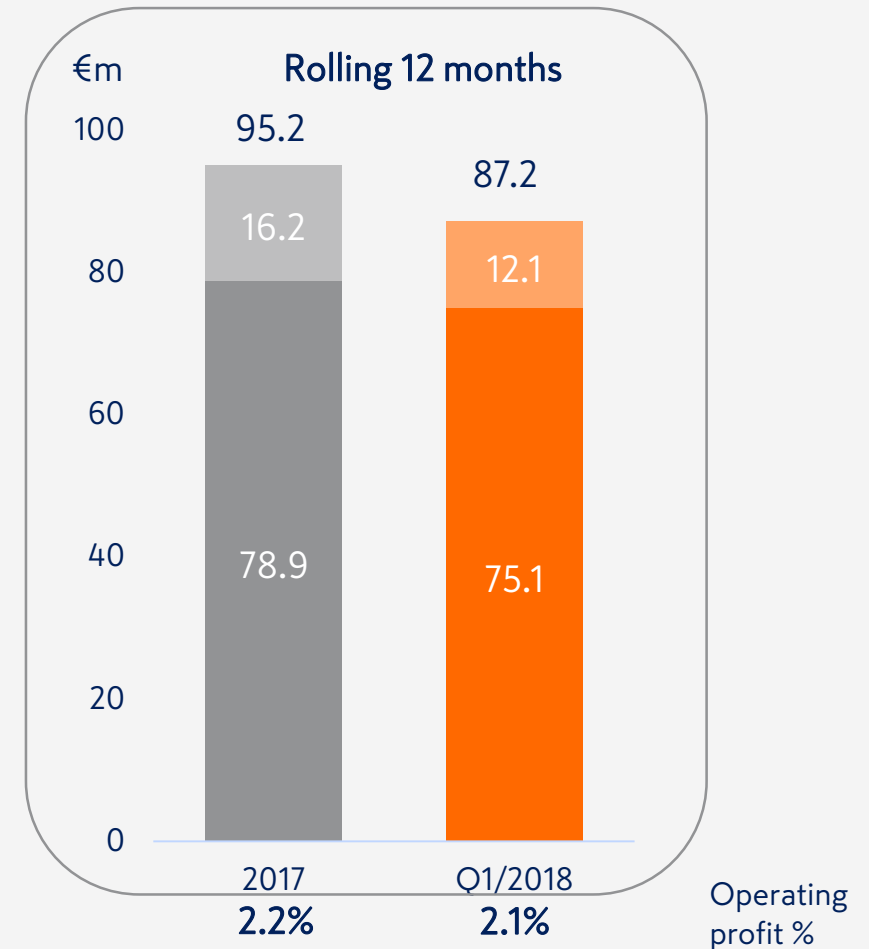
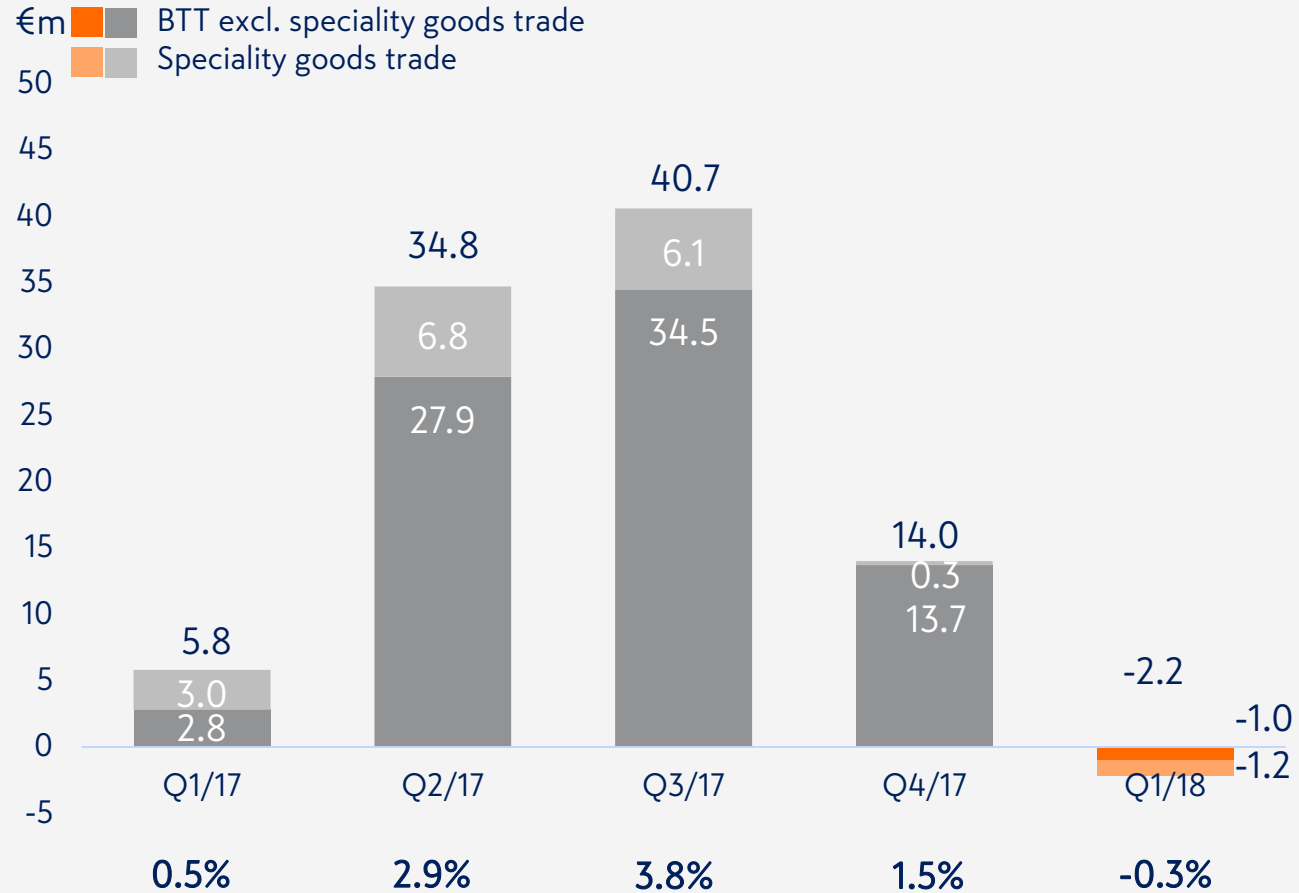
€m ■ BTT excl. speciality goods trade ■ Speciality goods trade



Comparable figures, continuing operations

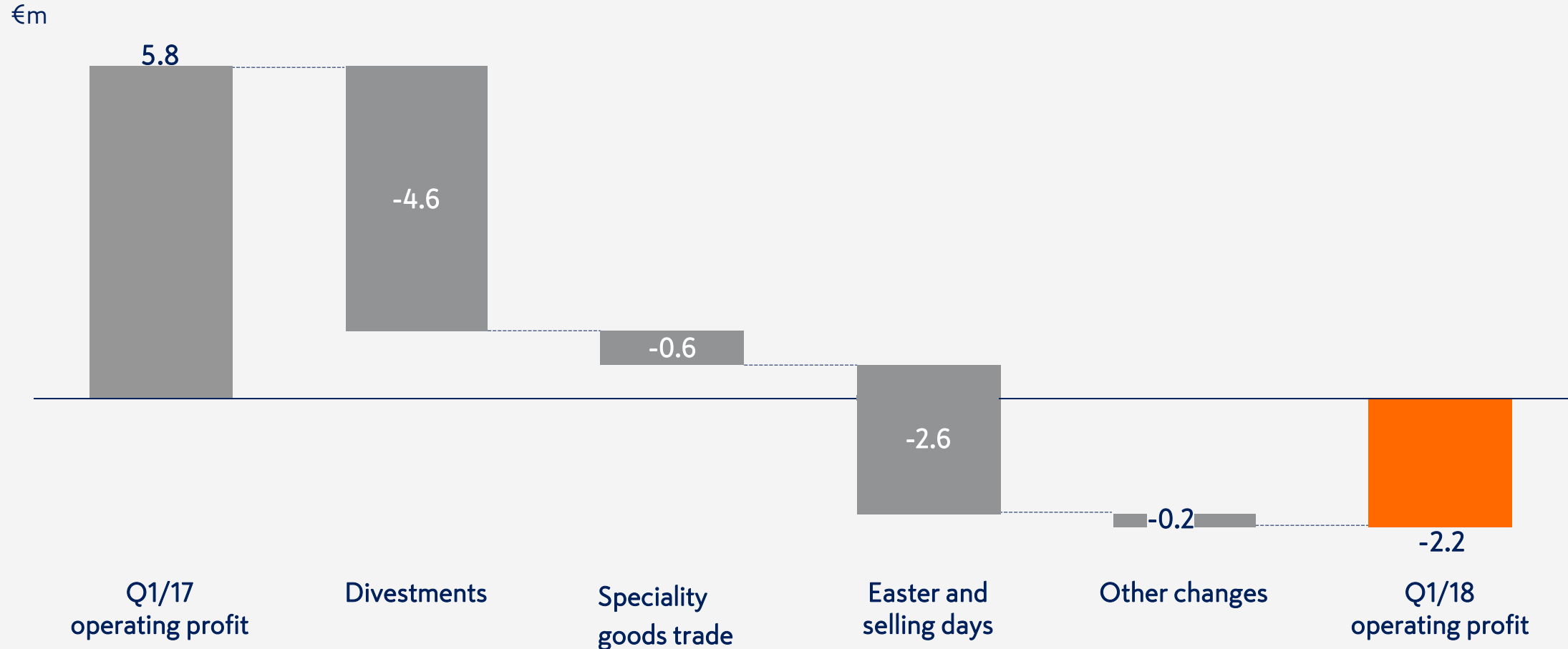
# Building and Technical Trade Operating Profit

## Q1 traditionally the softest quarter



# Building and Technical Trade Operating Profit

Solid operative result, decrease due to divestments and calendar impacts



<sup>19</sup> Comparable operating profit, continuing operations

Impact on Q1/17 operating profit from the divested Asko and Sotka, K-maatalous and Yamarin operations, Yamaha representation and Baltic real estates: €-4.6m



# Reshaping Building and Technical Trade – Towards More Profitable Business

- New customer-oriented organisation and strong geographical focus
- Good progress in improving Onninen's profitability
- Ongoing measures in Sweden to restructure and make operations more efficient
- Divestment of Russian operations will improve return on capital employed
- Ongoing measures to improve cost-efficiency of operations and achieve synergies





Car Trade



# Car Trade

## The market

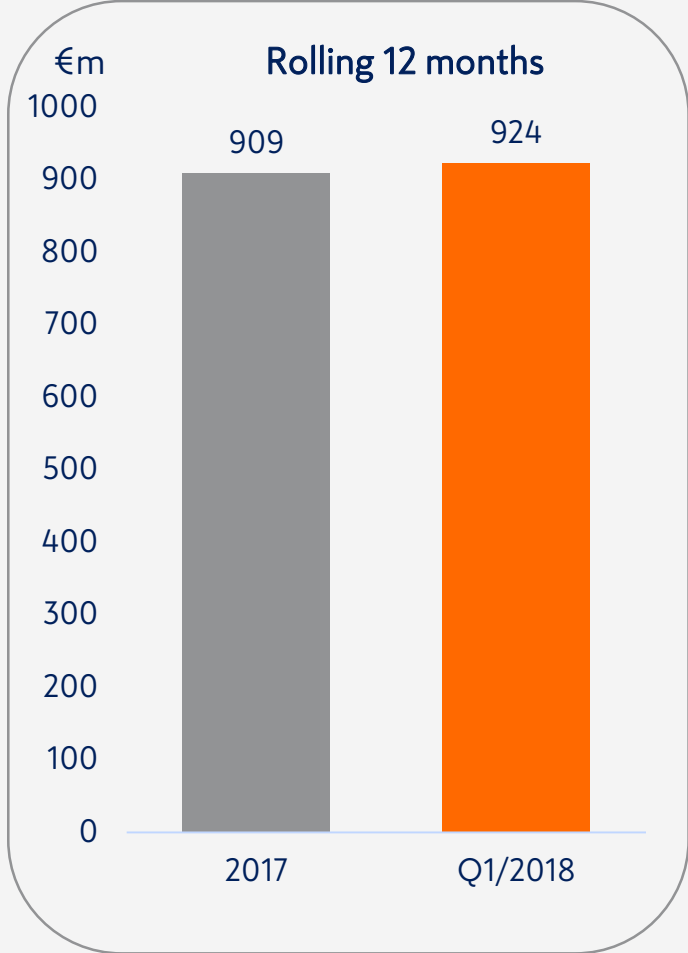
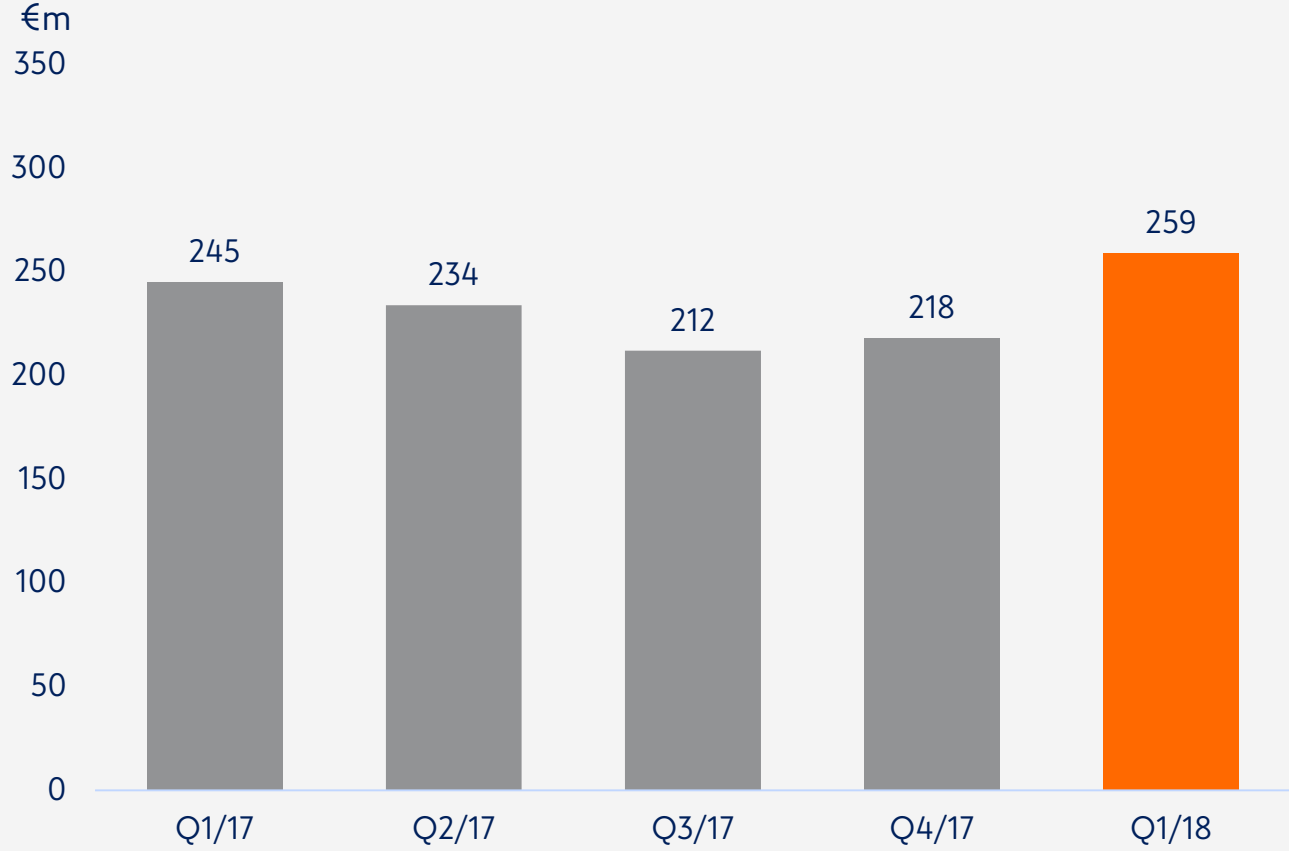
- First registrations of passenger cars and vans up by 3.3%
- New WLTP emissions testing for the whole industry to be implemented next autumn

## Q1

- Strong sales growth and good profit performance
- Growth in Volkswagen, Audi, SEAT and Porsche registrations outpaced market growth
- Market share in passenger cars and vans 19.0% (17.8%)
- New cars order book +21%

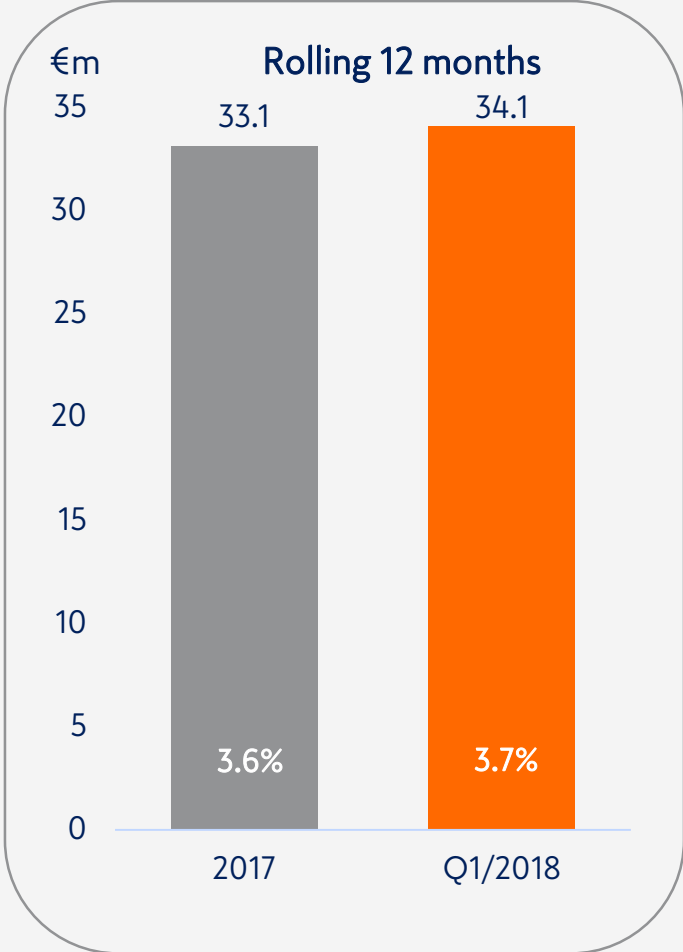
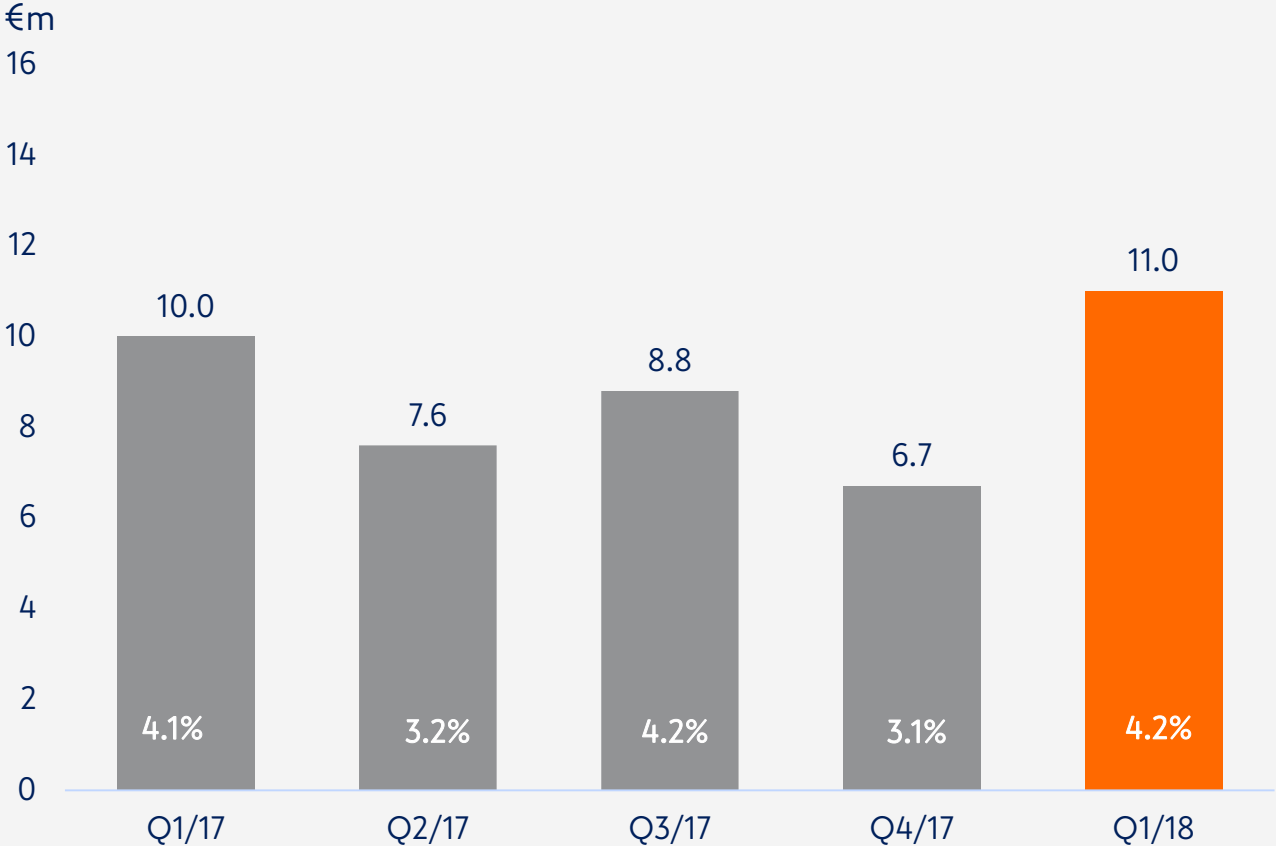
# Car Trade Net Sales

Q1 growth 5.8%



# Car Trade Operating Profit

## Q1 growth 9%





# Car Trade More Tightly Under the K Brand

- We continue to build one unified "K" brand while tightening co-operation across business divisions
- Rebranding will increase awareness of Kesko's car trade division
- Strong presence of the K brand in new mobility services
- The import company VV-Auto Group Oy will become K Auto Oy  
**K Auto**
- The retail company VV-Autotalot Oy will become K Caara Oy  
**K CAARA**





# Outlook



# Outlook

Estimates for the outlook for the net sales and comparable operating profit for Kesko Group's continuing operations are given for the 12-month period following the reporting period (4/2018-3/2019) in comparison with the 12 months preceding the end of the reporting period (4/2017-3/2018).

In comparable terms, the net sales for continuing operations for the next 12 months are expected to exceed the level of the previous 12 months. Due to divestments and restructuring, net sales for Kesko Group's continuing operations for the next 12 months are expected to fall below the level of the previous 12 months. That development results from the divestments of the K-maatalous agricultural business, the Asko and Sotka furniture trade, the Yamarin boat business and Kesko's Yamaha representation as well as store closures and the transfer of Suomen Lähikauppa stores to retailers.

The comparable operating profit for continuing operations for the next 12-month period is expected to exceed the level of the preceding 12 months. However, investments in store openings and redesigns, in the expansion of logistics operations, and in digital services will burden profitability during the period. It should also be noted that the operating profit for the comparison period includes €5.8 million in operating profit from divestments and most of the synergies obtained from the acquisition of Suomen Lähikauppa.



For shopping  
to be fun