



KESKO

# SUCCESSFUL STRATEGY EXECUTION DRIVING GROWTH

December 2023

# KESKO TODAY

## KEY FINANCIALS

	Q3/2023*	2022
Net sales, € million	11,865.3	11,809.0
Operating profit, € million**	734.2	815.1
Operating margin, %**	6.2	6.9
Profit before tax, € million**	663.9	763.2
Cash flow from operating activities, € million	970.0	915.2
Earnings per share, basic, €**	1.33	1.54
Return on capital employed, %**	14.1	16.9
Capital expenditure, € million	629.0	449.2

\*rolling 12 months  
\*\*comparable



**Leading trading sector company in Northern Europe** with retail and B2B sales of over **€16bn**



~45 000 employees, 1,800 stores, 3 divisions, comprehensive **digital** services in **8** countries



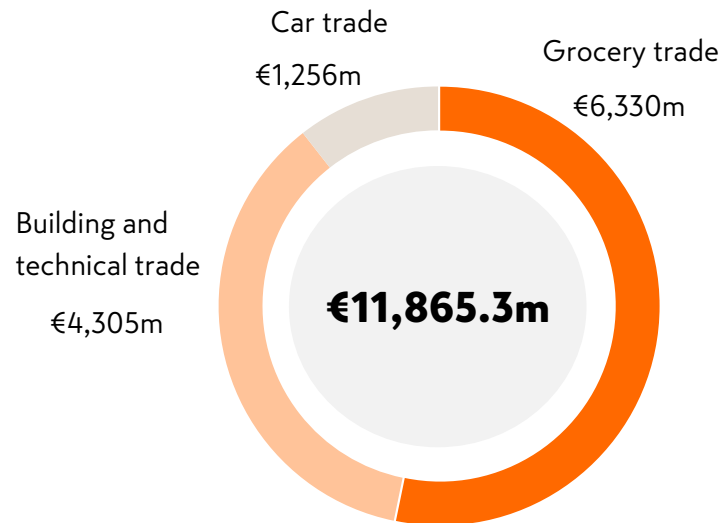
**Sustainability** at the core of the strategy



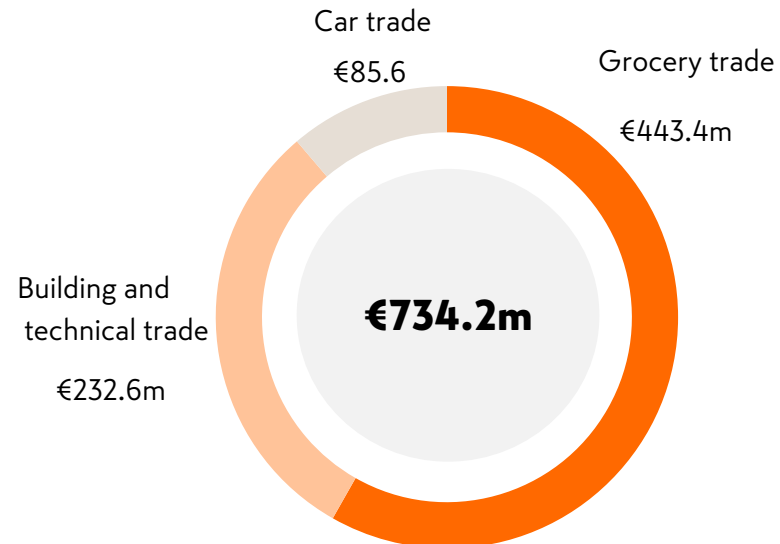
Market cap nearly **€6.5bn** with over **100,000** shareholders

# KESKO SEGMENT KEY FIGURES

## NET SALES



## OPERATING PROFIT



# GROCERY TRADE



## In brief:

Operates in Finland, business comprises three grocery store chains with some 1,200 stores across the country, online grocery services and popular private label products, as well as foodservice trade operations (Kespro).  
Grocery stores are operated by K-retailers

## Customers:

B2C trade 83% (grocery stores), B2B trade 17% (Kespro); some 1.2 million grocery store customer visits each day; foodservice customers include restaurants, workplace cafeterias, and public operators

## Key figures:

Net sales €6,124.7 million; operating profit €460.4 million; operating margin 7.5%



## Market and market shares:

Total Finnish grocery trade market €21–22 billion, food-service market €2.3 billion; market shares 36% (grocery stores) and 46% (foodservice); a leading operator in online grocery

## Growth drivers:

GDP, purchasing power, price competition, urbanization and changes in population structure, customer data and insight, growing trend of eating out

## Competitors and peers:

S Group, Lidl, Ahold Delhaize, Axfood, Coop Group, Tesco, Kroger, Carrefour (grocery stores); Valio Aimo, Meira Nova, Metro-tukku, Marr, Snabbgross, Sysco (foodservice)

# BUILDING AND TECHNICAL TRADE

## TECHNICAL WHOLESALE



### In brief:

Operates in 7 countries. Kesko subsidiary Onninen offers technical wholesale products and services (offering varies between countries) in stores, online and via on-site solutions. Finland accounts for 58 % of net sales

### Customers:

100% B2B trade – customers include technical contractors like plumbers and electricians, industry, infrastructure builders, and retailers

### Key figures:

Net sales €2,286.2 million; operating profit €173.7 million; operating margin 7.6%



### Market and market shares:

Total market (est.) for 8 countries (incl. Denmark) €23 billion; Kesko's market shares Finland 44%, Sweden 11% (infrastructure), Norway 41% (electricals)\*, Poland 5%, Estonia 10%, Latvia 6%, Lithuania 3%

### Growth drivers:

Urbanisation, green transition, building and construction work becoming more technical and being outsourced to professionals, growing renovation need and infrastructure investment debt, digitalisation, market consolidation


### Competitors and peers:


Dahl, Ahlsell, Rexel, Grainger, Würth, Sanistål, Elektroskandia, Solar

## TECHNICAL TRADE


# STILL FURTHER POTENTIAL FOR GROWTH


Market size €23 billion


	Technical trade
Retail market 2021 (€bn)	<b>2.8</b>
Share of current operating market (2022)	<b>41%*</b>

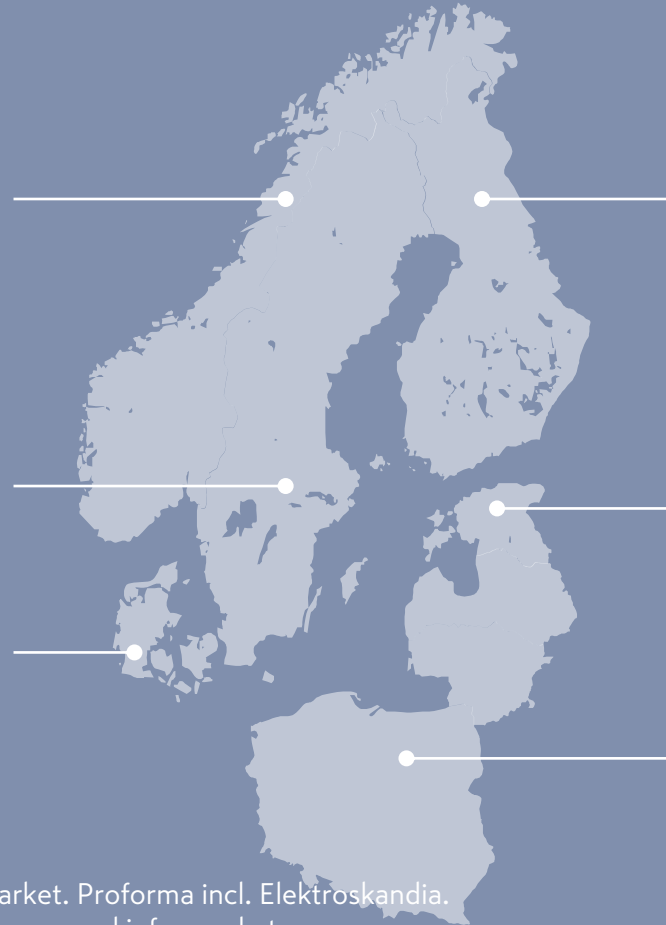
	Technical trade
Retail market 2021 (€bn)	<b>5.4</b>
Share of current operating market (2022)	<b>11%**</b>

	Technical trade
Retail market 2021 (€bn)	<b>3.5</b>

	Technical trade
Retail market 2022 (€bn)	<b>2.8</b>
Market share	<b>44%</b>

	Technical trade
Retail market 2022 (€bn)	<b>2.1</b>
Market share	<b>~10%</b>

	Technical trade
Retail market 2022 (€bn)	<b>6.7</b>
Market share	<b>5%</b>



\* Norway: Kesko currently operates only in the electrical market. Proforma incl. Elektroskandia.

\*\* Sweden: Kesko currently operates only in the water & sewage and infra markets

# BUILDING AND TECHNICAL TRADE

## BUILDING AND HOME IMPROVEMENT



### In brief:

Operates in 6 countries; offers products and services for building, renovation, garden, interior decoration and home furnishing through various store chains, including K-Rauta (FI), K-Bygg (SE), Bygghjælper (NO), Kesko Senukai (Baltics). Finland accounts for 47% of net sales

### Customers:

68% building professionals, 32% consumers (DIY)

### Key figures:

Net sales €2,377.2 million; operating profit €127.5 million; operating margin 5.4%



### Market and market shares:

Total market (est.) for 8 countries (incl. Denmark) €25 billion; Kesko's market shares Finland 45%, Sweden 8%, Norway 13%, Estonia 17%, Latvia 19%, Lithuania 40%

### Growth drivers:

Urbanisation, green transition, building and construction work becoming more technical and being outsourced to professionals, growing renovation need and infrastructure investment debt, digitalisation, market consolidation

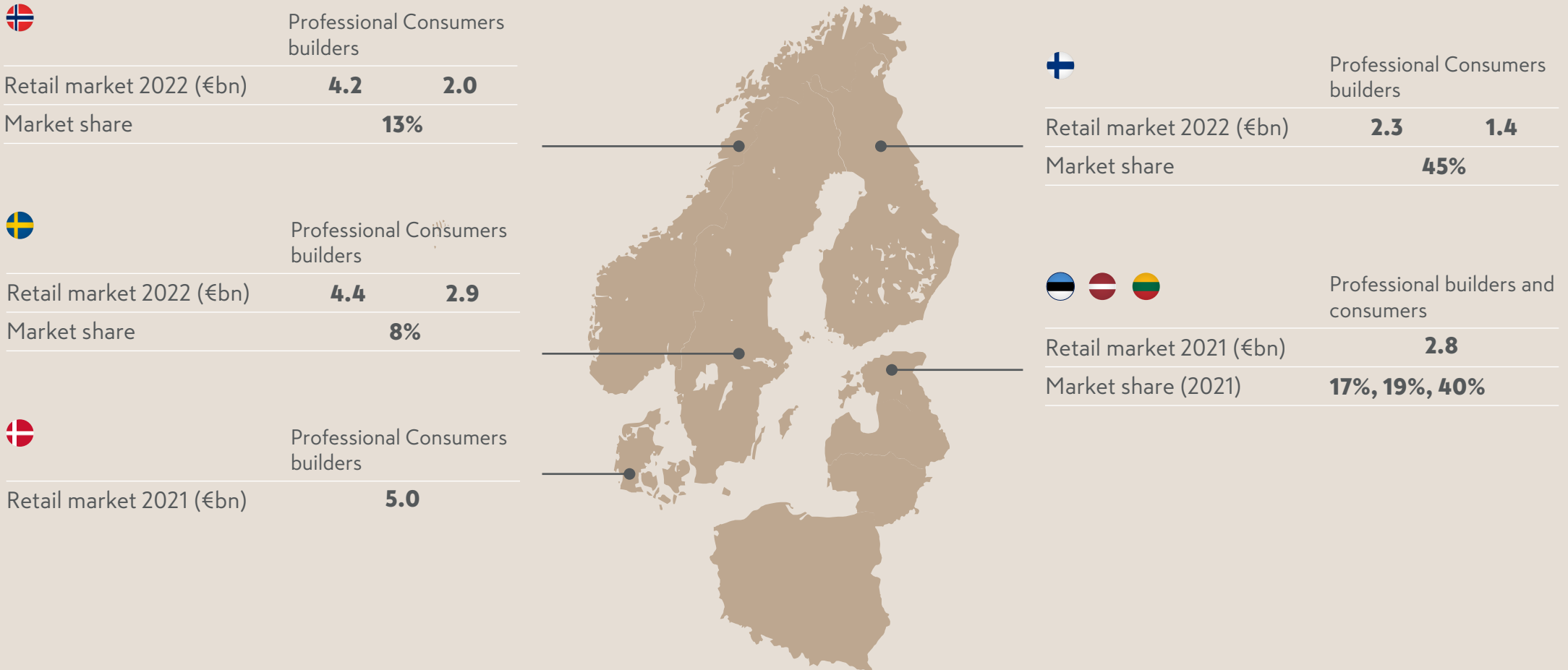
### Competitors and peers:

Stark, Beijer, Optimera, Mestergruppen, Bygma, Travis Perkins, Ferguson

BUILDING AND HOME IMPROVEMENT

# SUCCESSFUL ACQUISITIONS CARRIED OUT – STILL FURTHER POSSIBILITIES

Market size €25 billion





# CAR TRADE



## In brief:

Operates in Finland; imports and sells Volkswagen Group car brands, sells used cars, and offers car-related services (e.g. servicing, leasing, EV charging); division also includes two sports trade chains

## Customers:

Primarily Finnish consumers, also companies when leasing cars

## Key figures:

Net sales €1,125 million; operating profit €64.3 million; operating margin 5.7%



## Market and market shares:

Total first registrations of new cars in Finland approx. 100,000 in 2022, of which Kesko's K-Auto accounted for some 14 %

## Growth drivers:

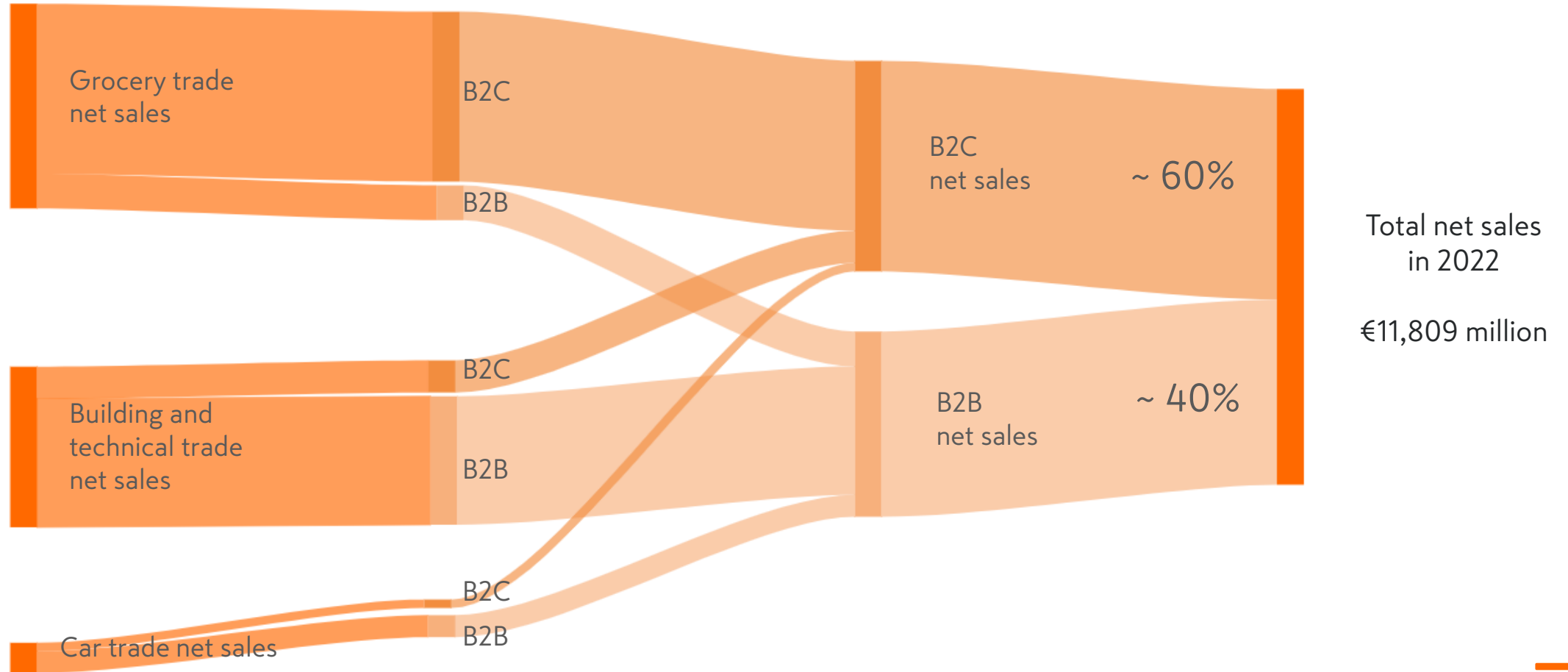
E-mobility, updating Finland's outdated vehicle stock, digitalisation changing customer behaviour and helping to improve operational efficiency, new competitors entering European markets

## Competitors and peers:

Veho, Kamux, Hedin, Rinta-Jouppi, Wetteri (car trade); XXL, Stadium (sports trade)

# NET SALES BREAKDOWN

B2C trade and B2B trade



# SUCCESSFUL STRATEGY

## GROWTH STRATEGY

FOCUS:



GROCERY TRADE



BUILDING AND  
TECHNICAL TRADE



CAR TRADE

ONE UNIFIED



CUSTOMER EXPERIENCE

DIGITALISATION

SUSTAINABILITY

# OUR SUCCESS IS NOT A COINCIDENCE

The right strategic choices and their successful execution



**FOCUSING ON THREE CORE BUSINESSES**



**MASSIVE DIVESTMENTS OF NON-CORE BUSINESSES, INCLUDING RUSSIAN OPERATIONS**



**TRANSFORMING BUILDING MATERIALS TRADE TO BE B2B-DRIVEN**



**EXPANSION TO TECHNICAL TRADE BY ACQUIRING ONNINEN**



**MARKET LEADERSHIP IN NEIGHBOURHOOD STORES THROUGH THE SUOMEN LÄHIKAUPPA ACQUISITION**



**DIGITAL FORERUNNER IN THE EUROPEAN RETAIL INDUSTRY**



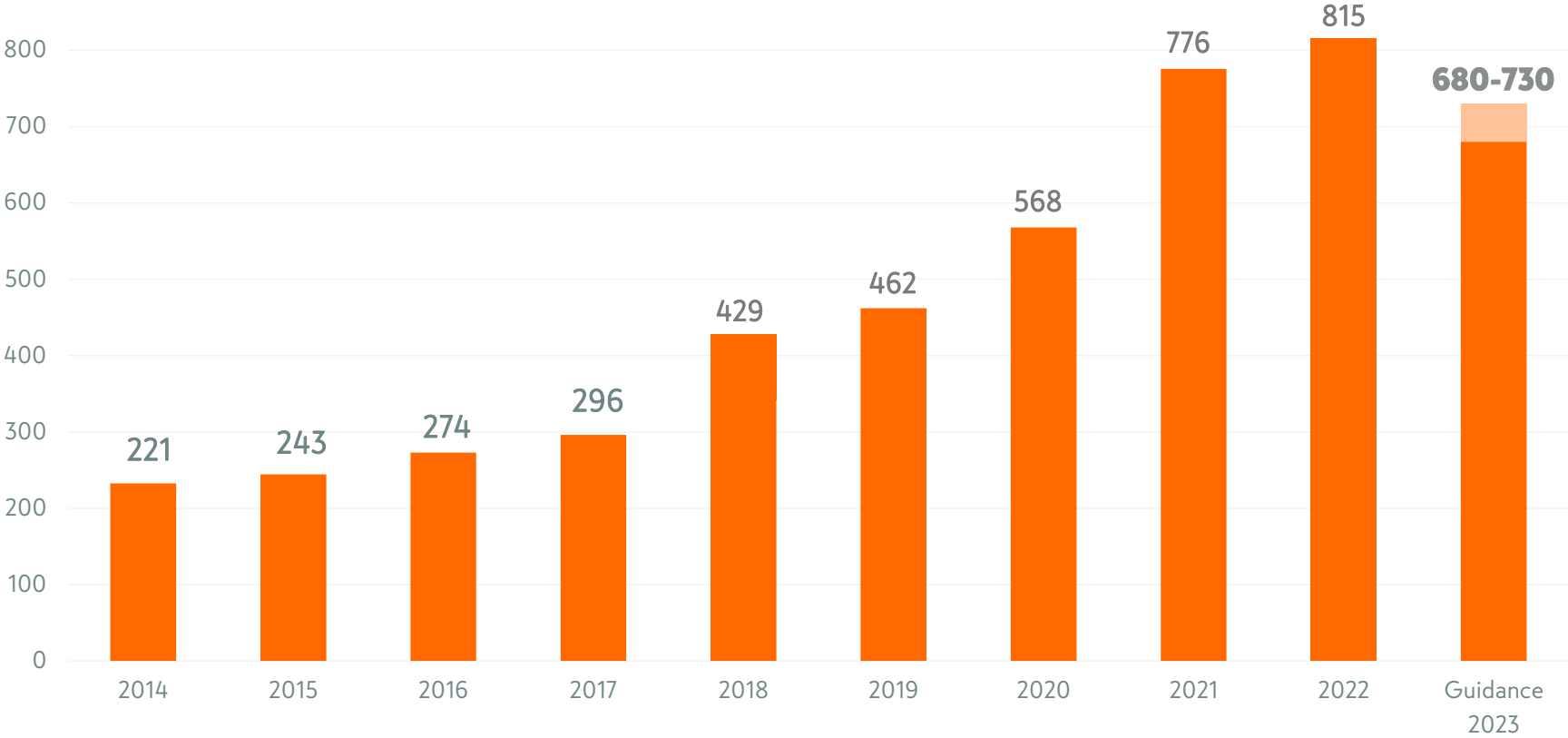
**STRONG GROWTH IN BUILDING AND TECHNICAL TRADE IN NORTHERN EUROPE**



**GLOBAL SUSTAINABILITY FORERUNNER**

# STRONG PROFIT GENERATION ALSO IN A WEAKER MARKET

Comparable operating profit  
Reported figures, € million



2014 - 2019 continuing operations

IFRS 16 impact



# SALES GROWTH THROUGH EXISTING STORES AND SYSTEMS HAS IMPROVED OUR EFFICIENCY

Plenty of additional potential

Retail and B2B sales  
growth for core  
businesses since 2014

**€6.0 bn**

Compared to Q3 2023

Steady cost ratio  
improvement

**16.4%**

2014: 19.2%

Costs / reported Group net sales, Q3 2023, rolling 12 months  
IFRS 16 impact since 2018

# FORERUNNER IN TRADING SECTOR DIGITALISATION

Using digitalisation to improve customer experience and make operations more efficient



## Online and digital sales growing forcefully

Digital sales already  
€2.0 billion

Growth in online sales  
continues

Continuously improving  
online efficiency and  
customer experience



## Data and analytics at the core of business operations

K Group's customer loyalty scheme in  
Finland has 3.3 million customers

Data-based store-specific  
business ideas and services

Extensive utilisation of data  
in everyday decision-making

Versatile data services to partners



## Digitalisation of stores and processes proceeding at a fast pace

Easy-to-use tools to make store  
processes more efficient

Electronic shelf labels help improve  
customer satisfaction and make  
operations more efficient

Electronic in-store displays make  
stores even more effective  
marketing channels

Automation of supply chain and  
background processes



## Digitalisation increases customer loyalty

Targeted marketing

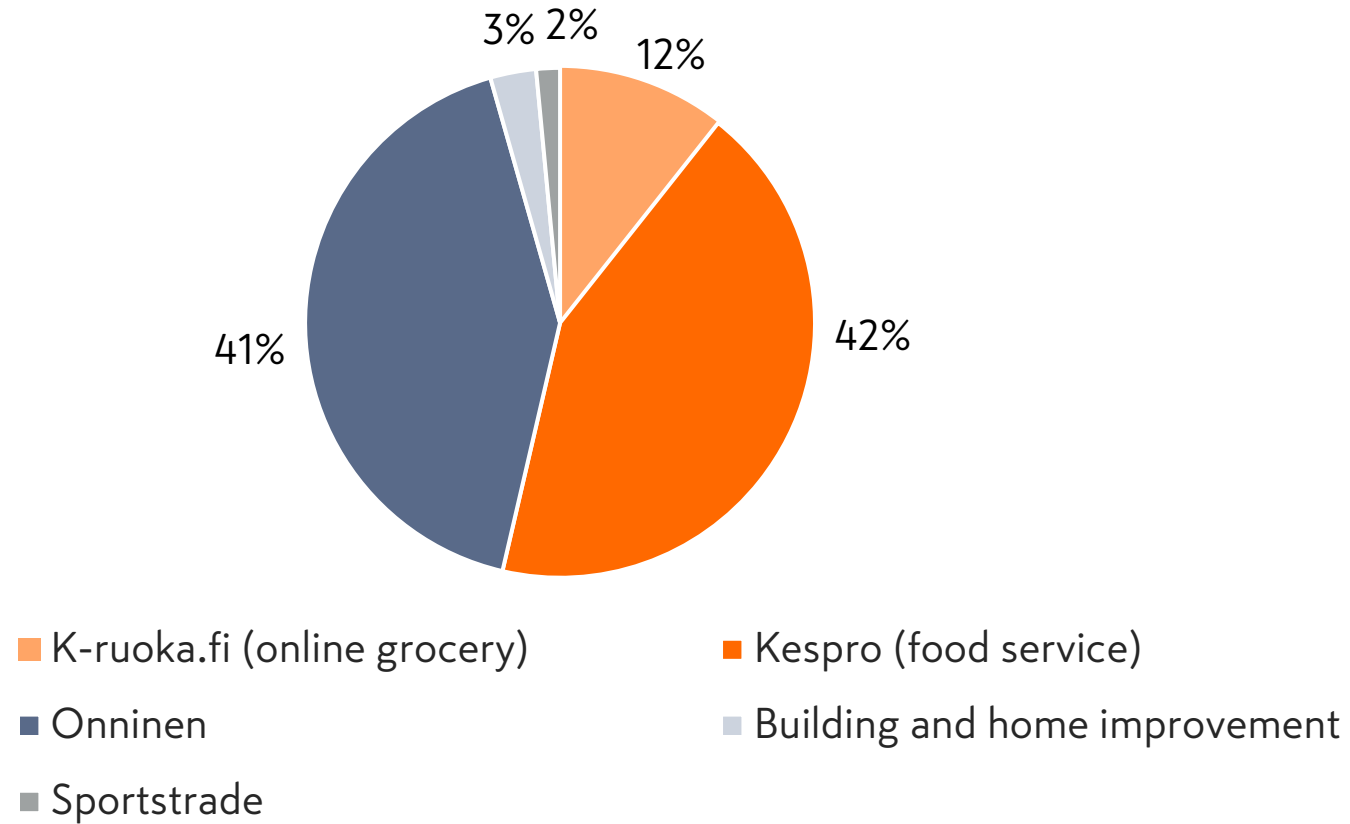
Personal benefits and offers

Digital Plussa money

Personal purchase trackers, e.g.  
carbon footprint calculator

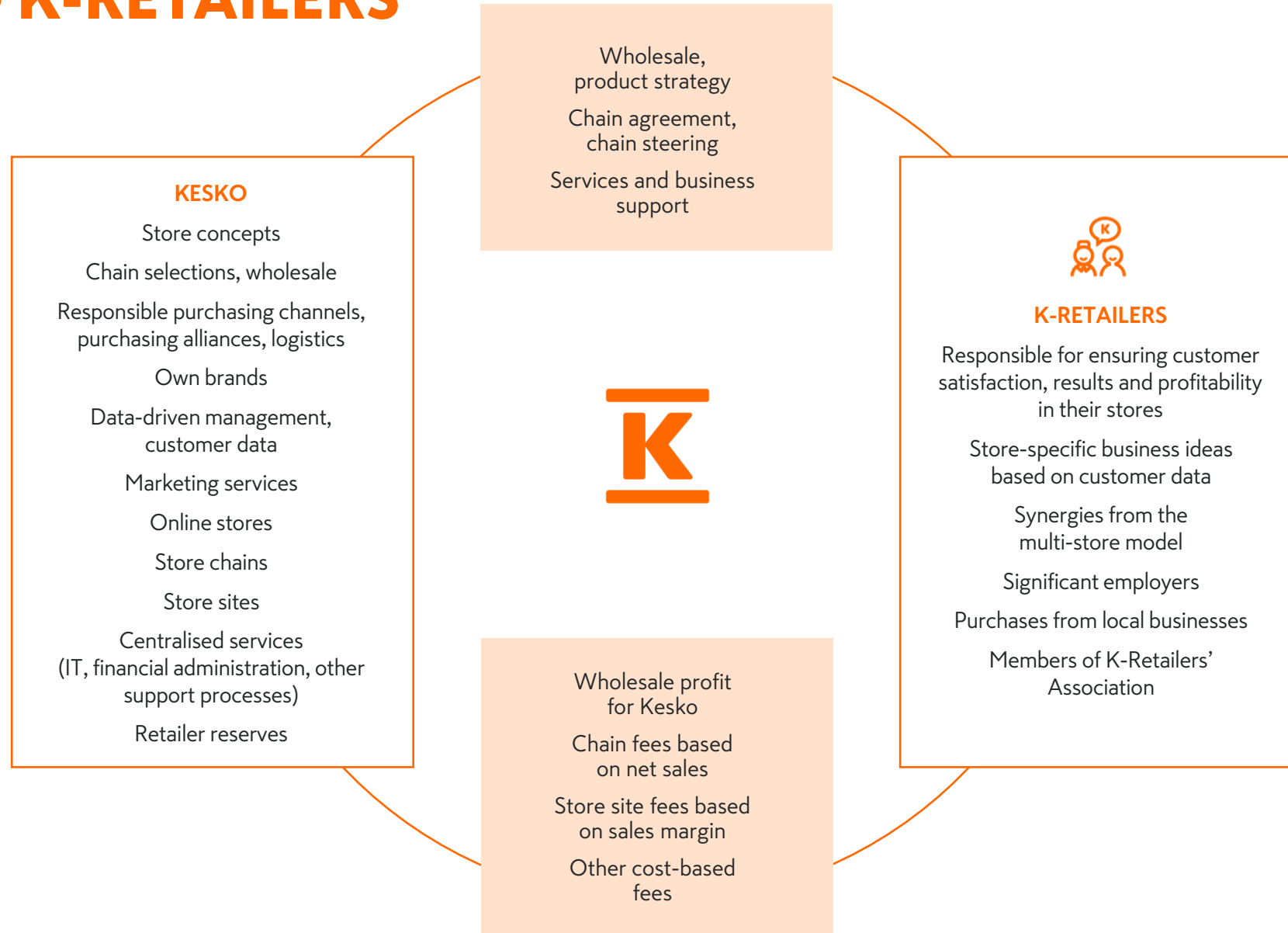
Seamless customer experience  
irrespective of channel

# SALES VIA DIGITAL CHANNELS ALREADY € 2.0 BILLION





# KESKO AND K-RETAILERS



# 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

# FOCUS AREAS AND KEY OBJECTIVES

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



## CLIMATE AND NATURE

### Achieving carbon neutral K Group

- Carbon neutrality by 2025 and zero emissions by 2030 in our own operations and transports
- Challenging our suppliers to set their CO<sub>2</sub> reduction targets
- Reducing emissions from the use of sold products

Kesko commits to reducing greenhouse gas emissions from its whole value chain to net zero by the year 2050.

### Promoting biodiversity

- Continuing our biodiversity work by creating a biodiversity programme and setting goals for our biodiversity impacts

### Enhancing circular economy

- Sustainable packaging for all of our own brand products by 2025
- Reducing food waste by half by 2030



## VALUE CHAIN

### Ensuring sustainability in the supply chain

- 100% of suppliers from high-risk countries audited for social responsibility
- Extending audits to take climate and environmental aspects into account

### Enabling sustainable choices for our customers

- Increasing the share of sustainable products of net sales
- Making sustainable choices attractive through selections, data-based tools and communications

### Creating value for society through sustainable value chains

- Strengthening the Finnish food chain and security of supply



## OUR PEOPLE

### Increasing the safety and wellbeing of our employees

- Supporting people's health, wellbeing and success
- Ultimate target zero injuries

### Fostering diversity, inclusion and equal opportunities for our current and future employees

- Diversity and inclusion programme
- Equal pay
- Gender equality on all levels of the organisation



## GOOD GOVERNANCE

### Committing to K Code of Conduct

Remunerating based on sustainability performance

Strengthening sustainability competencies

Using data in a responsible and ethical way that creates value

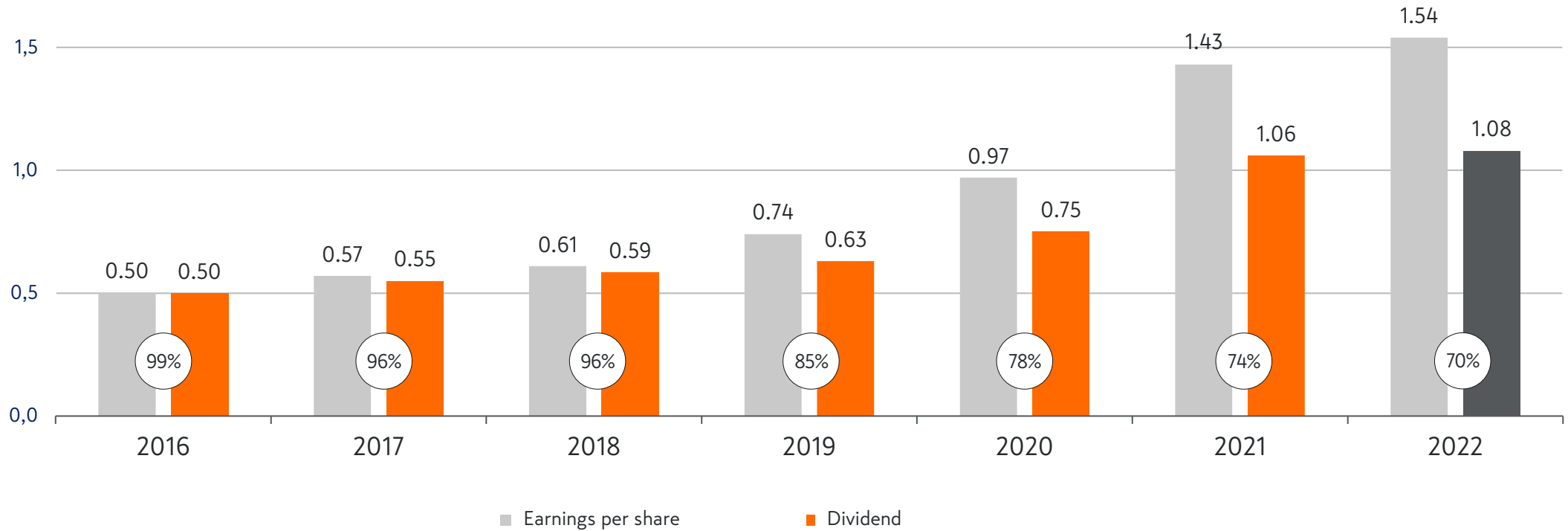
# FINANCIAL TARGETS

FINANCIAL TARGETS	
Operating margin, comparable	Over 6%
Return on capital employed, comparable, %	Over 14.5%
Interest-bearing net debt/EBITDA, excluding IFRS 16 impact	at maximum 2.5

# DIVIDEND

Dividend to be paid in 2023: €1.08 / share in four instalments.

**Kesko's dividend policy:** In the long-term, Kesko aims to distribute a steadily growing dividend of some 60-100% of its comparable earnings per share, taking into account the company's financial position and strategy.



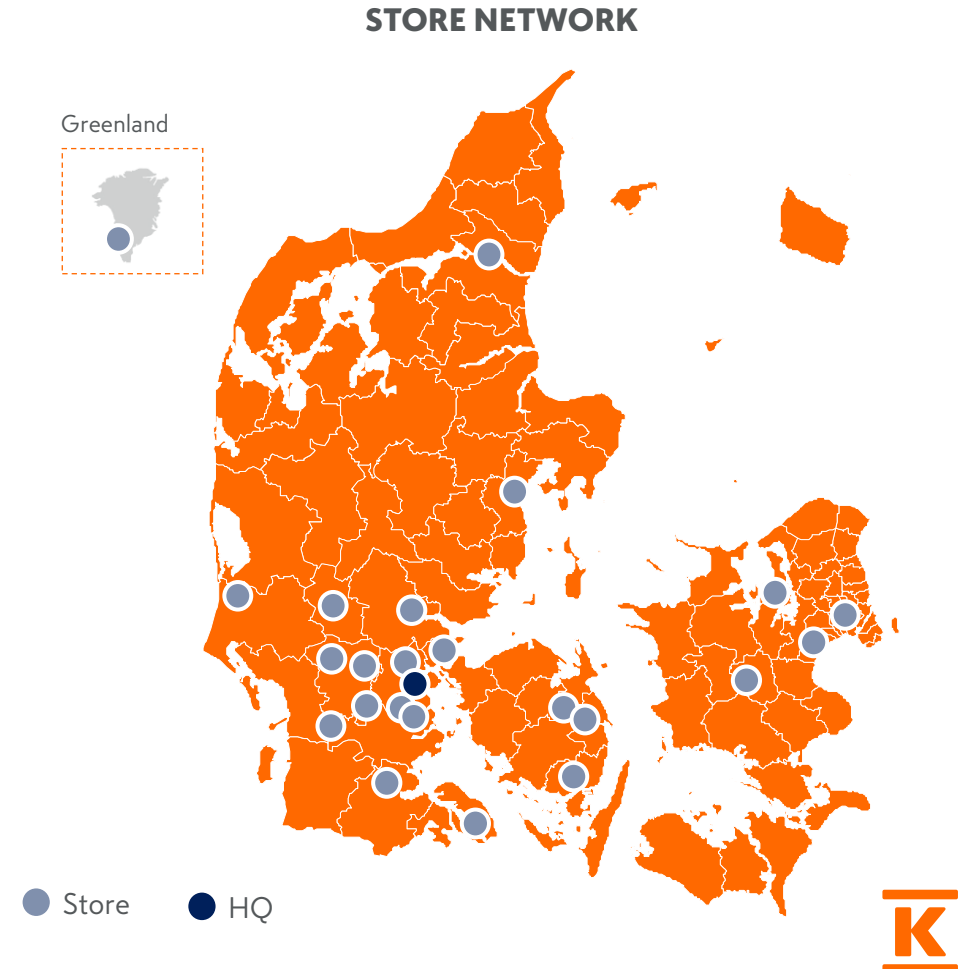


**LATEST NEWS:**

**KESKO ACQUIRES THE DANISH BUILDERS'  
MERCHANT DAVIDSEN AND ENTERS DENMARK**

# DAVIDSEN IN BRIEF

- Kesko acquires 90% of the family-owned Davidsen A/S
- Family-owned builders' merchant company headquartered in Kolding, Denmark
- One of the largest building materials retailers focusing on the B2B segment with ~9% market share, ~30% market share in Southern Denmark
- 23 stores, of which 19 are owned by the company
- Davidsen has some 850 employees
- In 2022, the company's net sales approximately €560 million with an EBITDA of €27 million and EBIT of €23 million (excl. IFRS 16 impact)
- Temporarily sales and profitability are expected to be below 2022 year's level due to economic down-turn and lower construction volumes



# DAVIDSEN TRANSACTION KEY POINTS

- The agreed debt-free enterprise value for 100% of the company is approximately €190 million, of which Kesko will acquire 90%, which equals approximately €170 million
- The Davidsen family continues with a 10% ownership and will support the company's development and expansion
- The company will continue under Davidsen brand and current local management will continue leading the company
- The rationale behind the acquisition is strategic. However, transaction offers some synergies in sourcing, selections and leveraging best-practices
- Kesko finances the acquisition with a customary bank loan
- The acquisition is subject to the EU Commission's merger approval and fulfilment of certain other conditions. The transaction is expected to be completed at the latest in Q1 2024





# BIG POTENTIAL IN BUILDING AND HOME IMPROVEMENT MARKET IN DENMARK

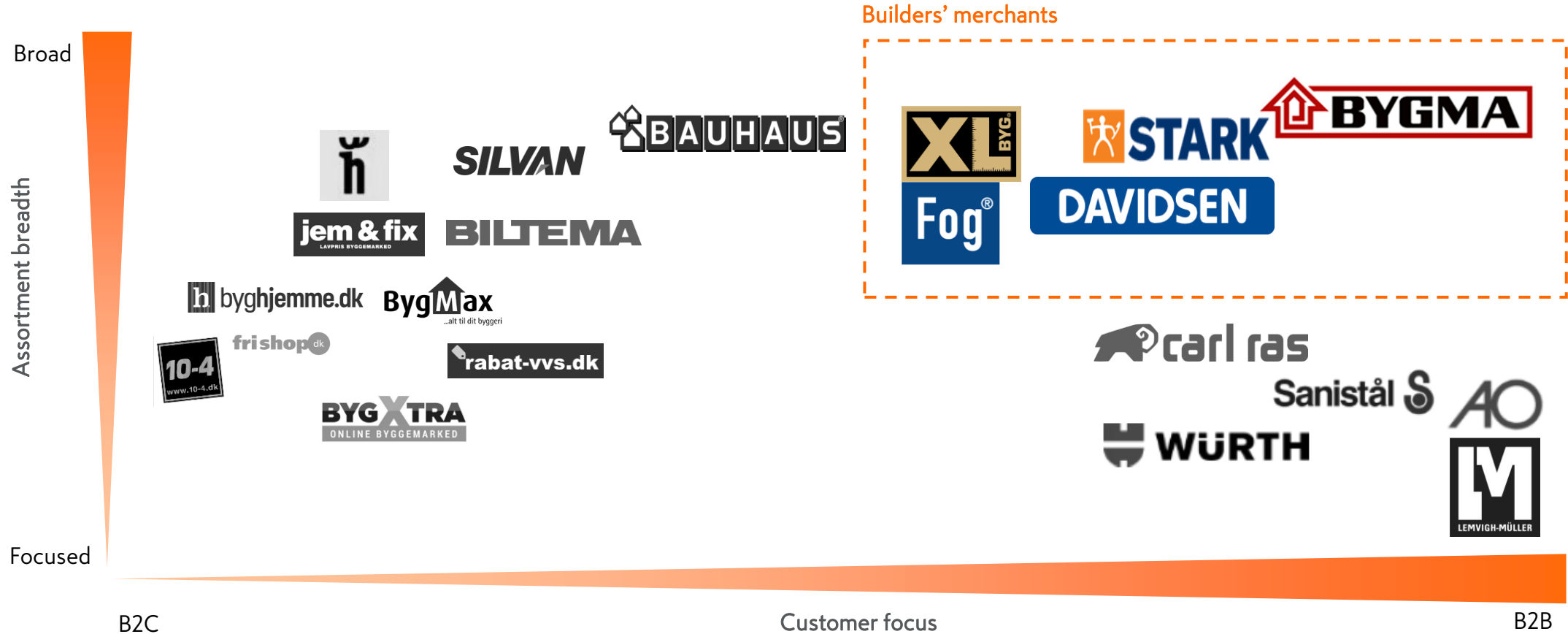
- The Danish building and home improvement market was approximately €5.7 billion in 2022, which is over 1.5x the size of the Finnish market of €3.7 billion
- Three largest builders' merchant companies Stark, Bygma and Davidsen represent some 50% of the market
- Approximately 30 independent retailers form together a broad XL Byg chain, which has some 20% of the market
- There are also a large number of small, local builders' merchant companies
- The Davidsen acquisition creates a good platform to grow and participate in the consolidation of the Danish building and home improvement market



Davidsen Aahlborg

# COMPETITIVE LANDSCAPE IN DANISH BUILDING AND HOME IMPROVEMENT BUSINESS

Competitive landscape and positioning, illustrative



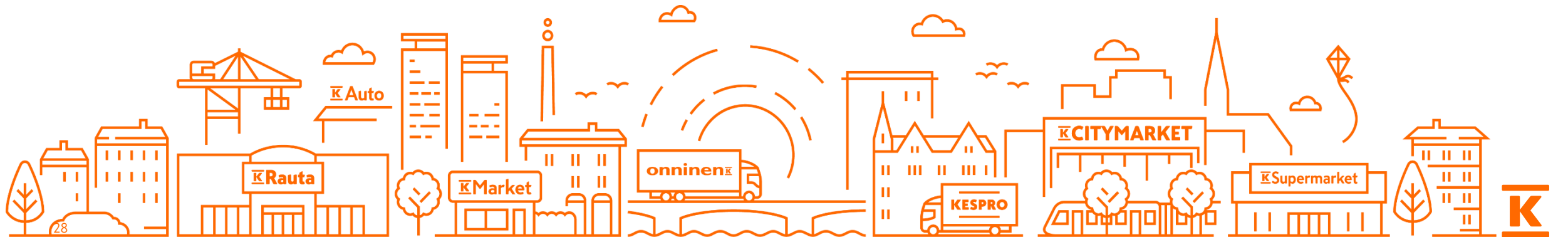
# KESKO SET TO CONTINUE GROWTH IN BUILDING AND TECHNICAL TRADE

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

**KESKO INTERIM REPORT Q3/2023**

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



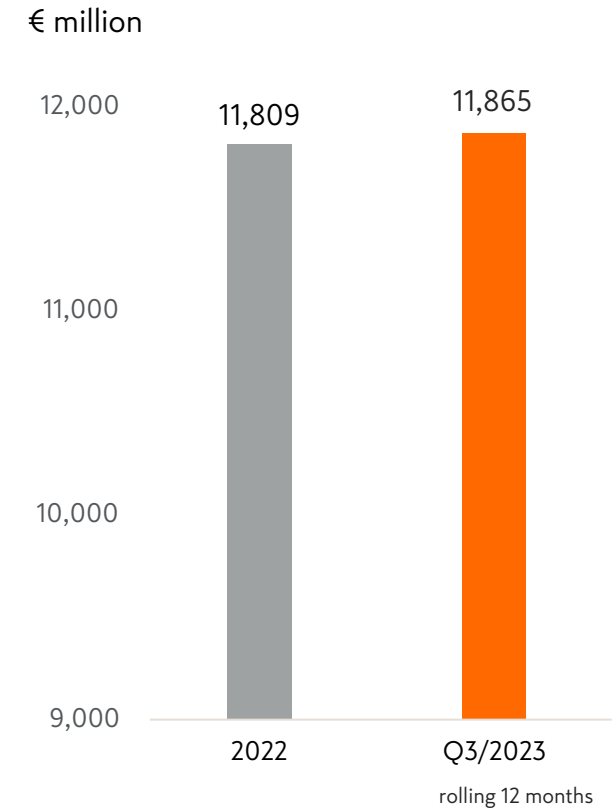
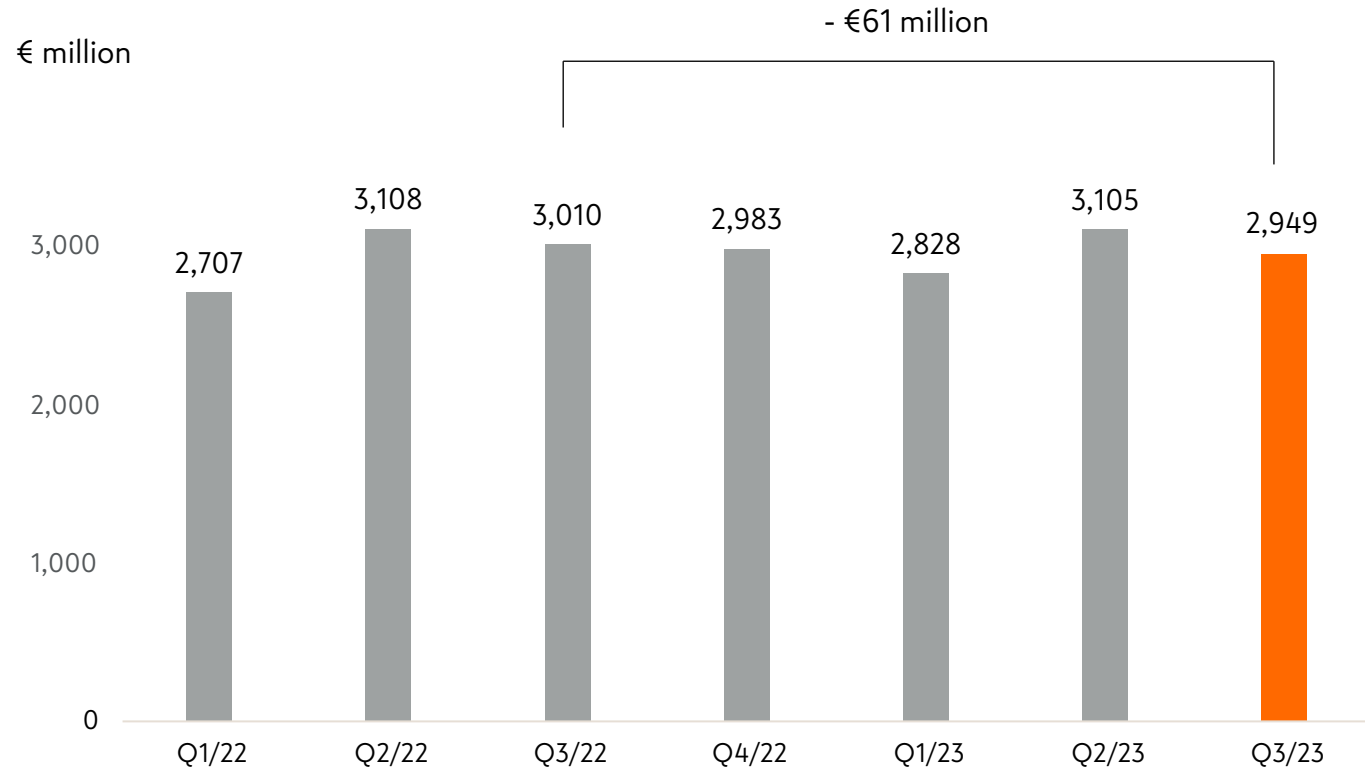
# KEY EVENTS IN Q3

- 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

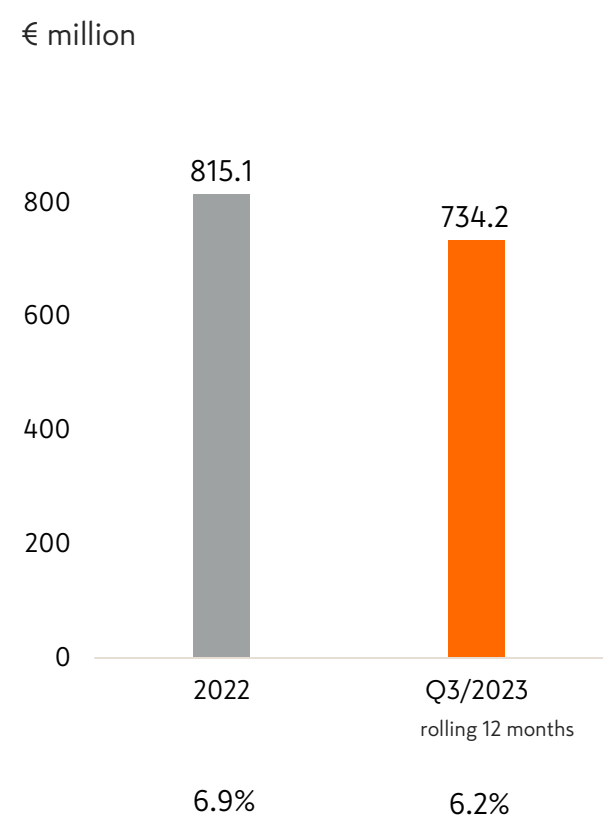
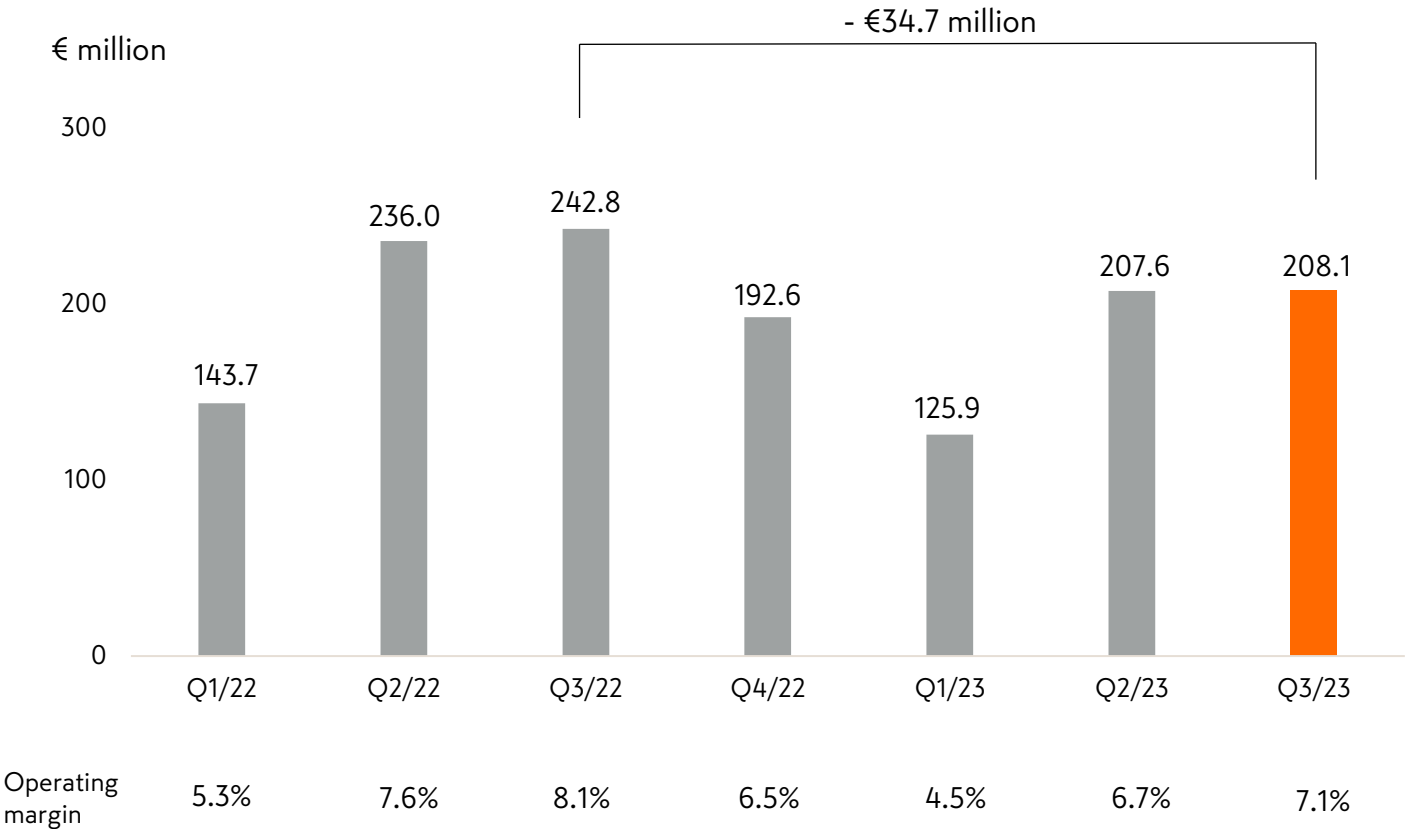
	7-9/2023	7-9/2022
Net sales, € million	2,949.1	3,009.8
Net sales growth, %	-2.0	3.7
Net sales growth, %*	-2.7	3.4
Operating profit, € million*	208.1	242.8
Operating margin, %*	7.1	8.1
Earnings per share, basic, €*	0.38	0.47

\* Comparable

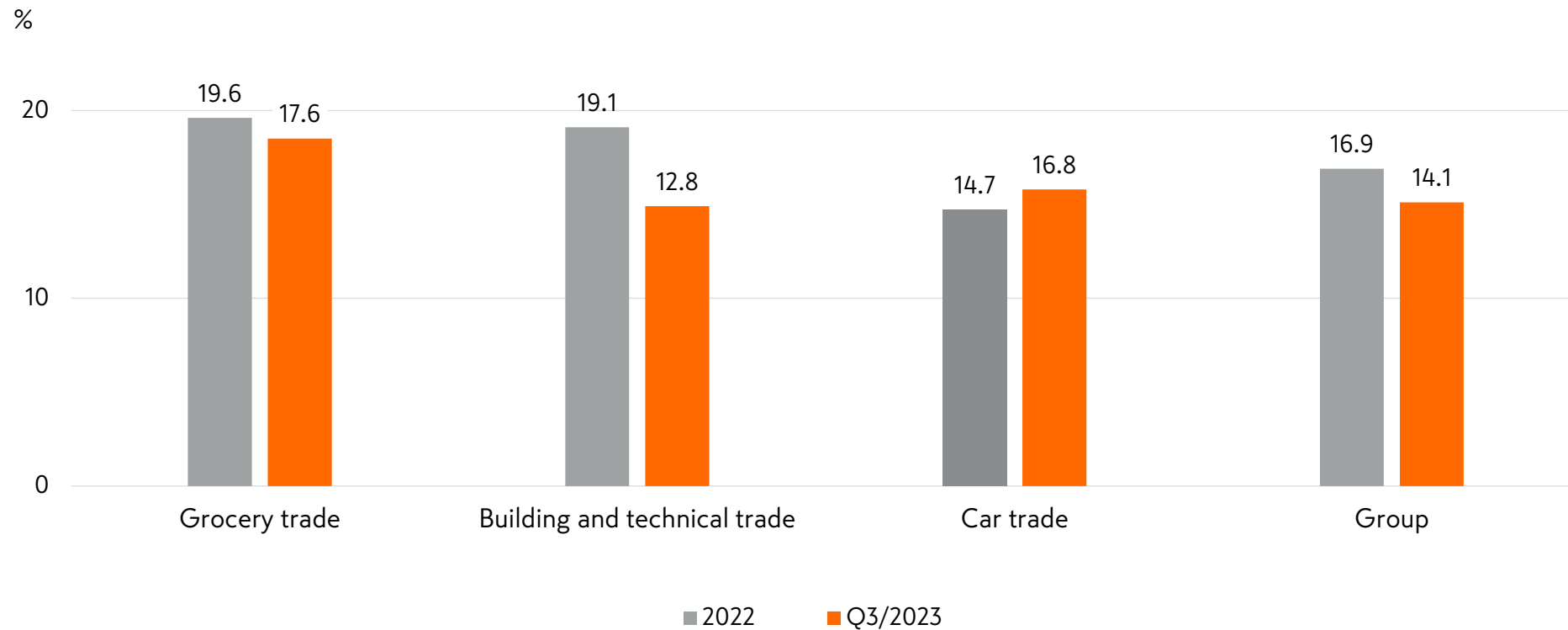
# NET SALES



# 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

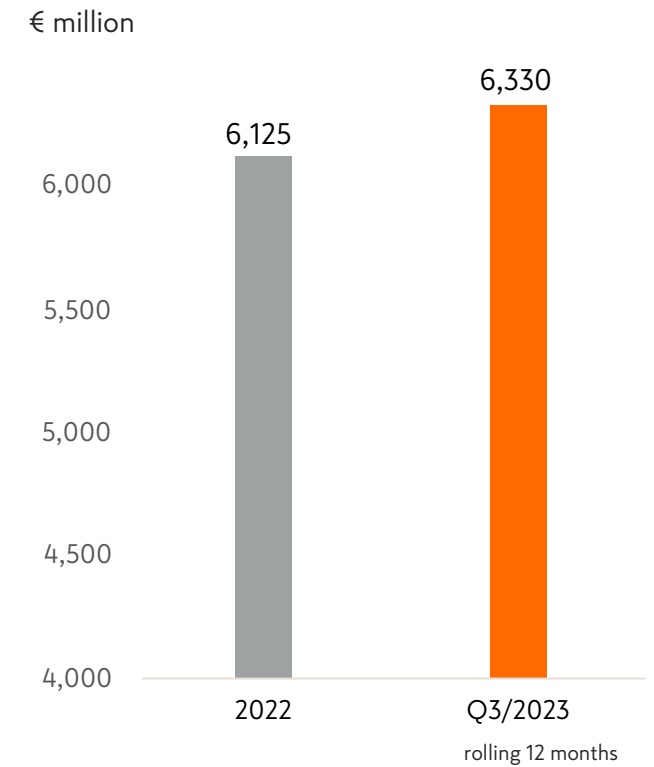
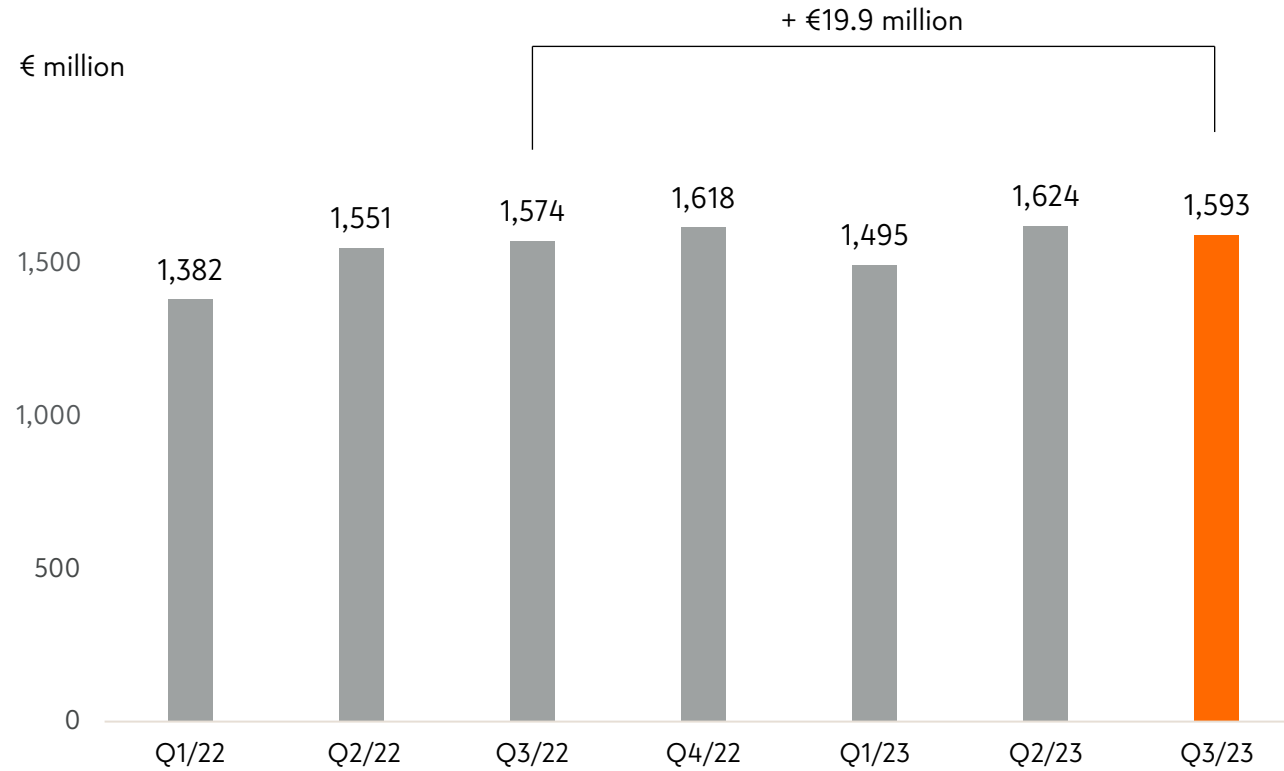
Figures excluding items affecting comparability



GROCERY TRADE

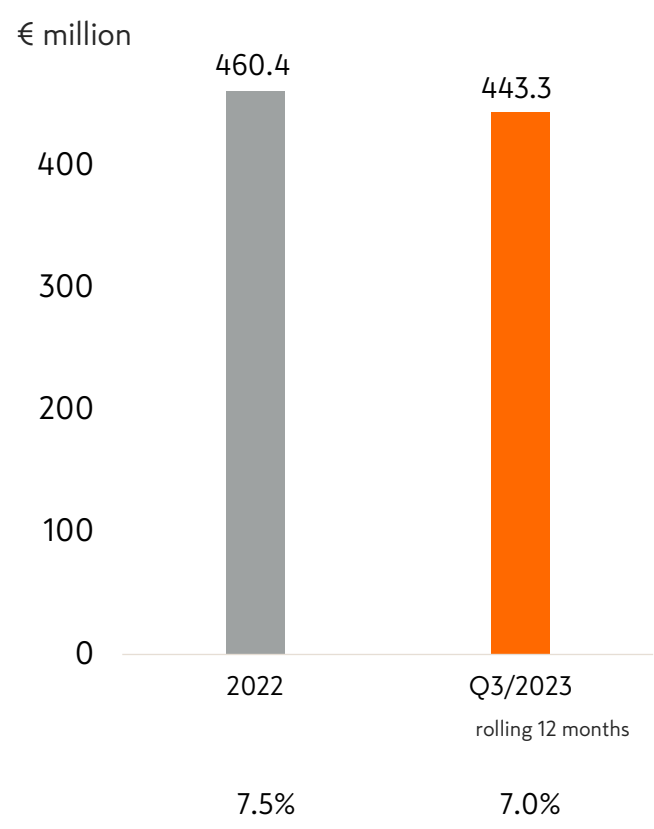
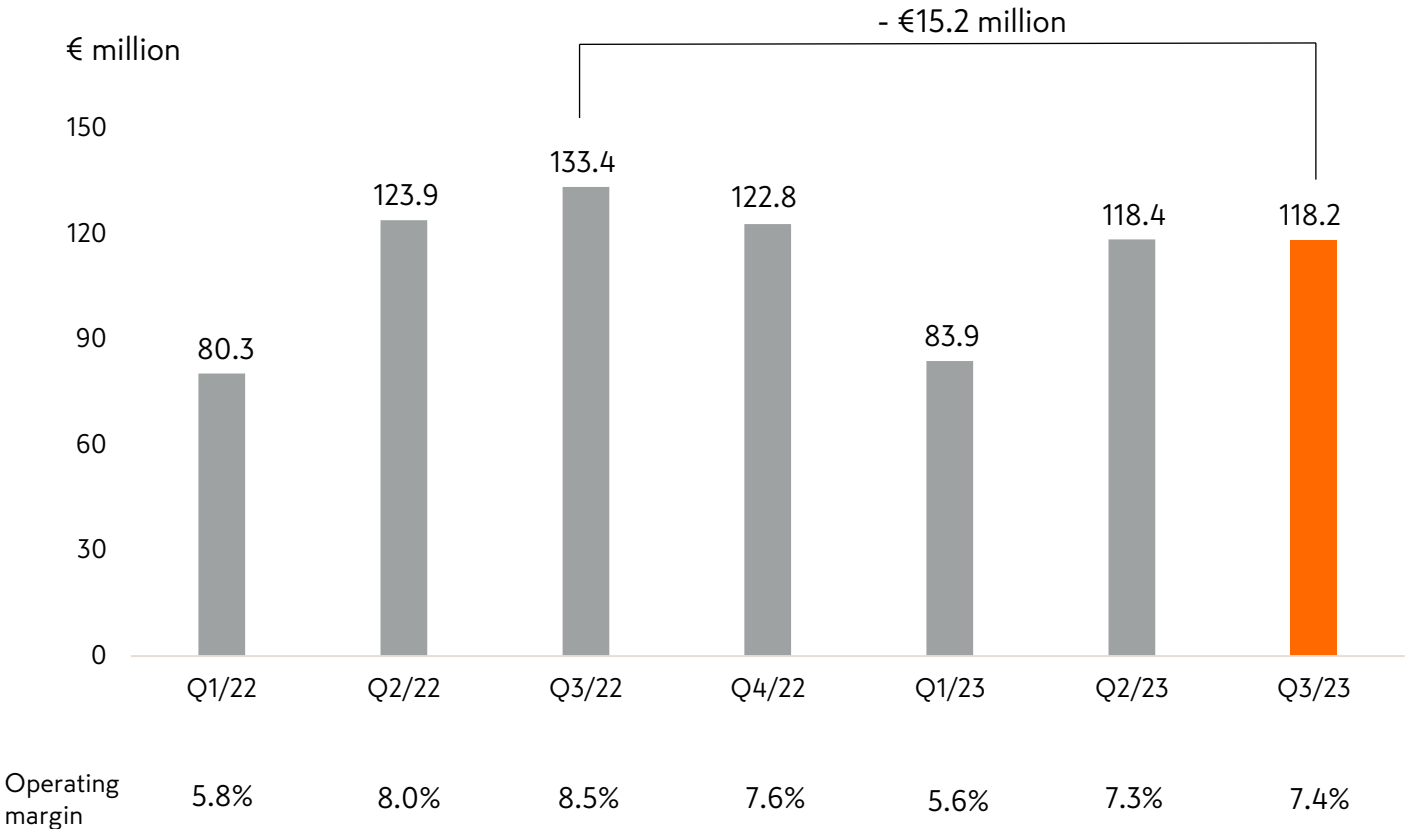
# STRONG POSITION IN FINNISH FOOD TRADE YIELDING GOOD RESULTS

# 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%



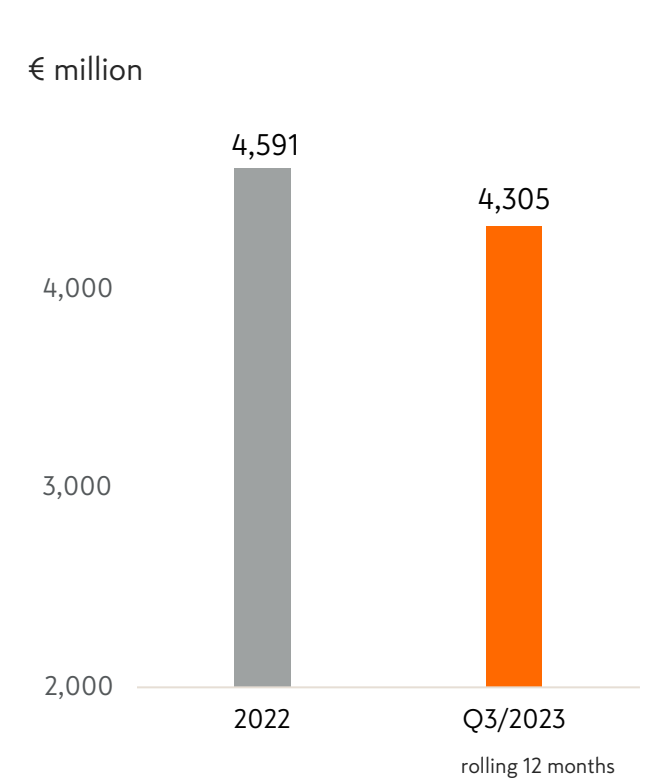
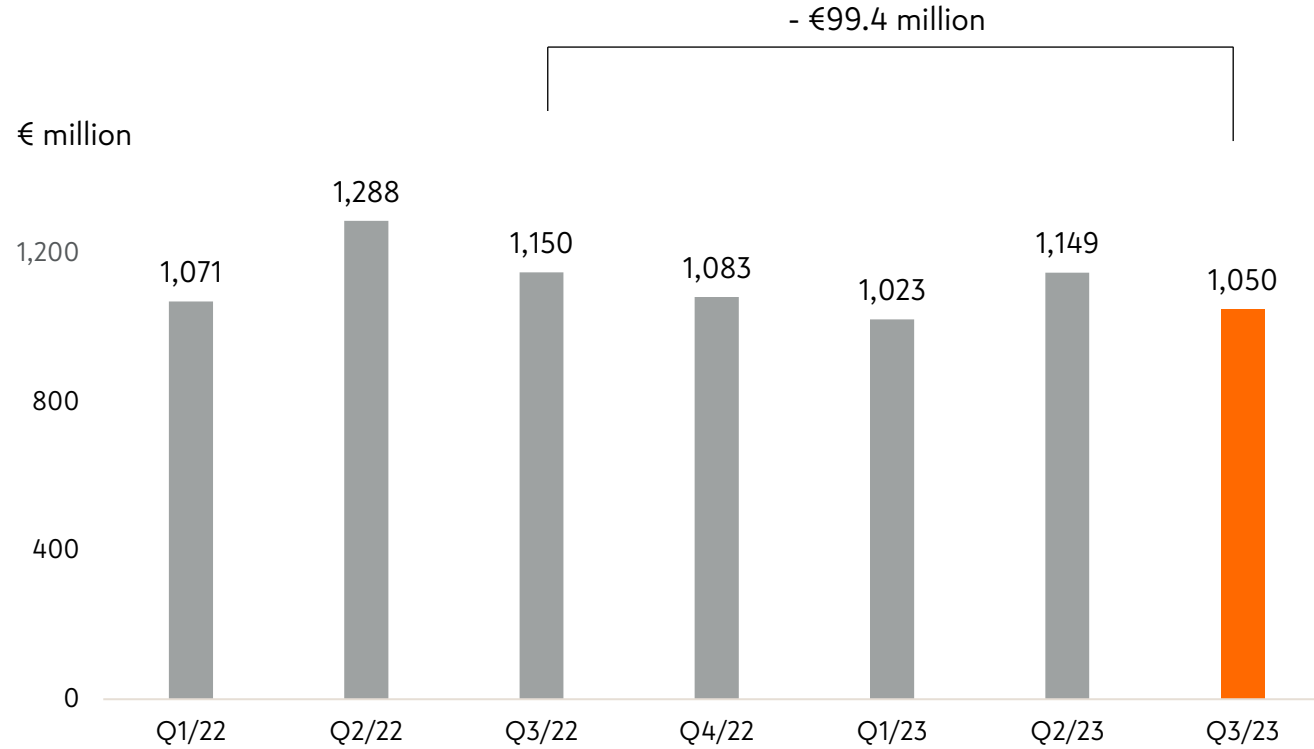


BUILDING AND TECHNICAL TRADE

# A GOOD RESULT IN A BAD ECONOMIC CYCLE

## BUILDING AND TECHNICAL TRADE

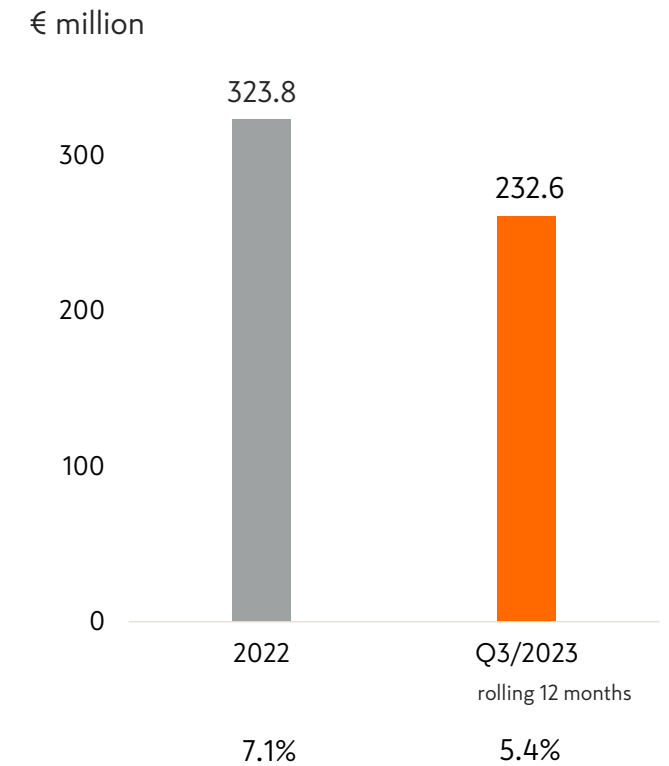
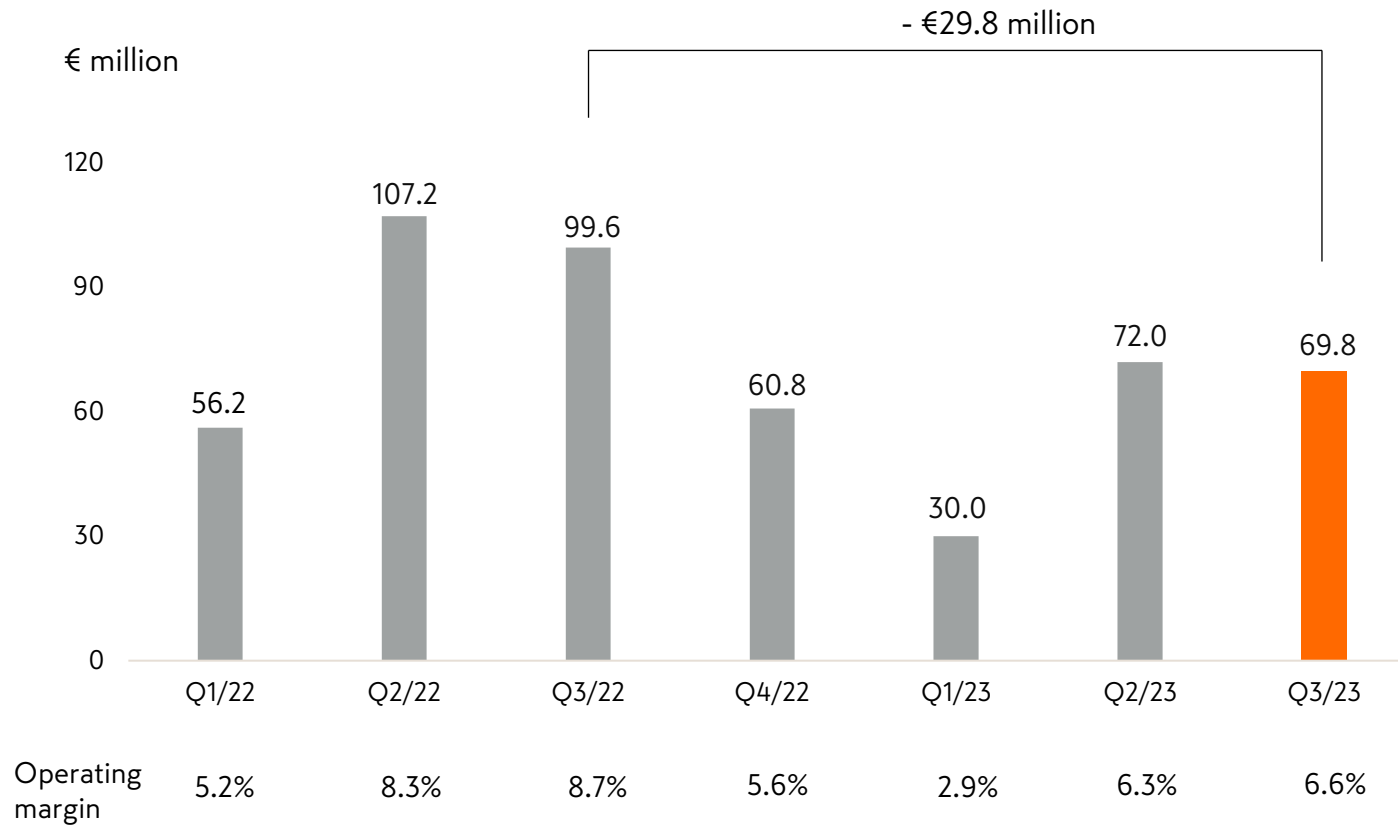
# NET SALES





# BUILDING AND TECHNICAL TRADE

## OPERATING PROFIT



# KEY THEMES IN BUILDING AND TECHNICAL TRADE IN Q3

## BUILDING AND HOME IMPROVEMENT TRADE

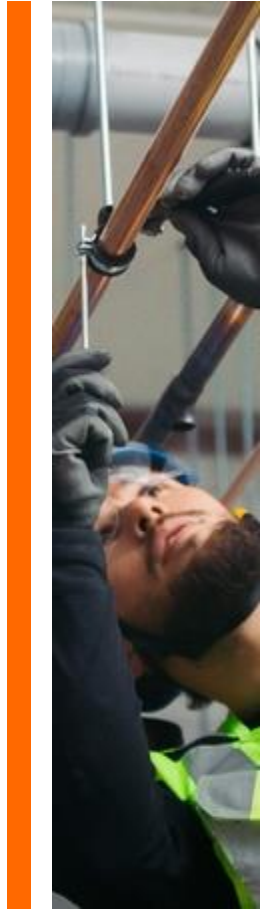
- Construction activity has clearly decreased in Northern Europe as a result of rising inflation and interest rates, especially in residential building
- Good profitability despite market weakening
- Operating profit at a good level of €27.4 million
- Operating margin in our biggest market Finland at 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



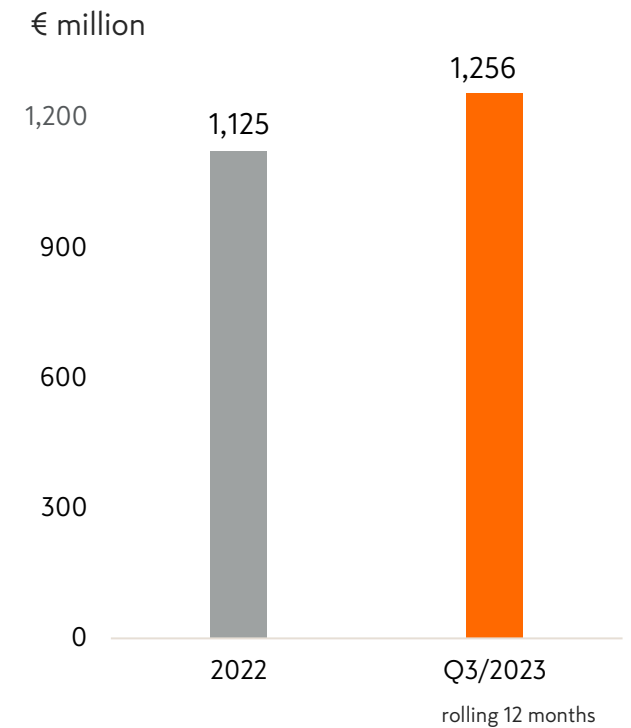
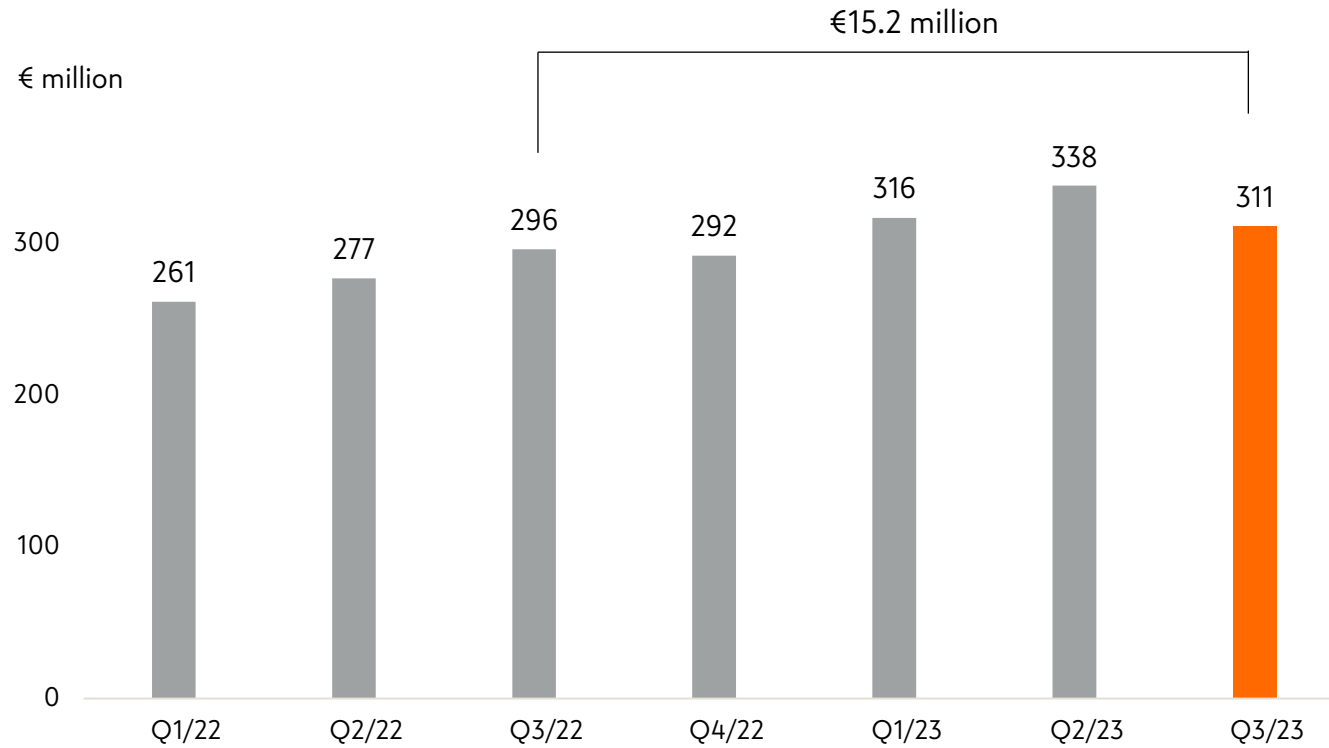
CAR TRADE

# ANOTHER GOOD RESULT IN CAR TRADE

FIN LPU-447

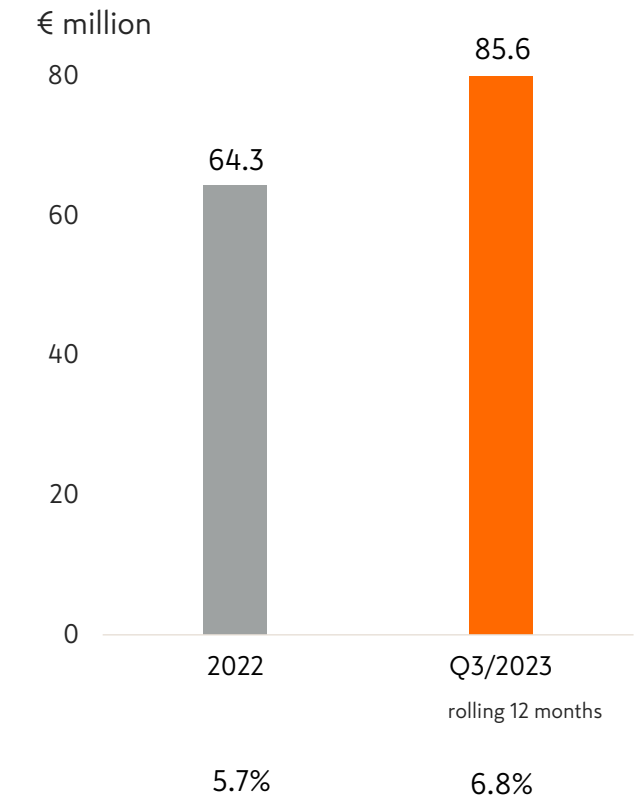
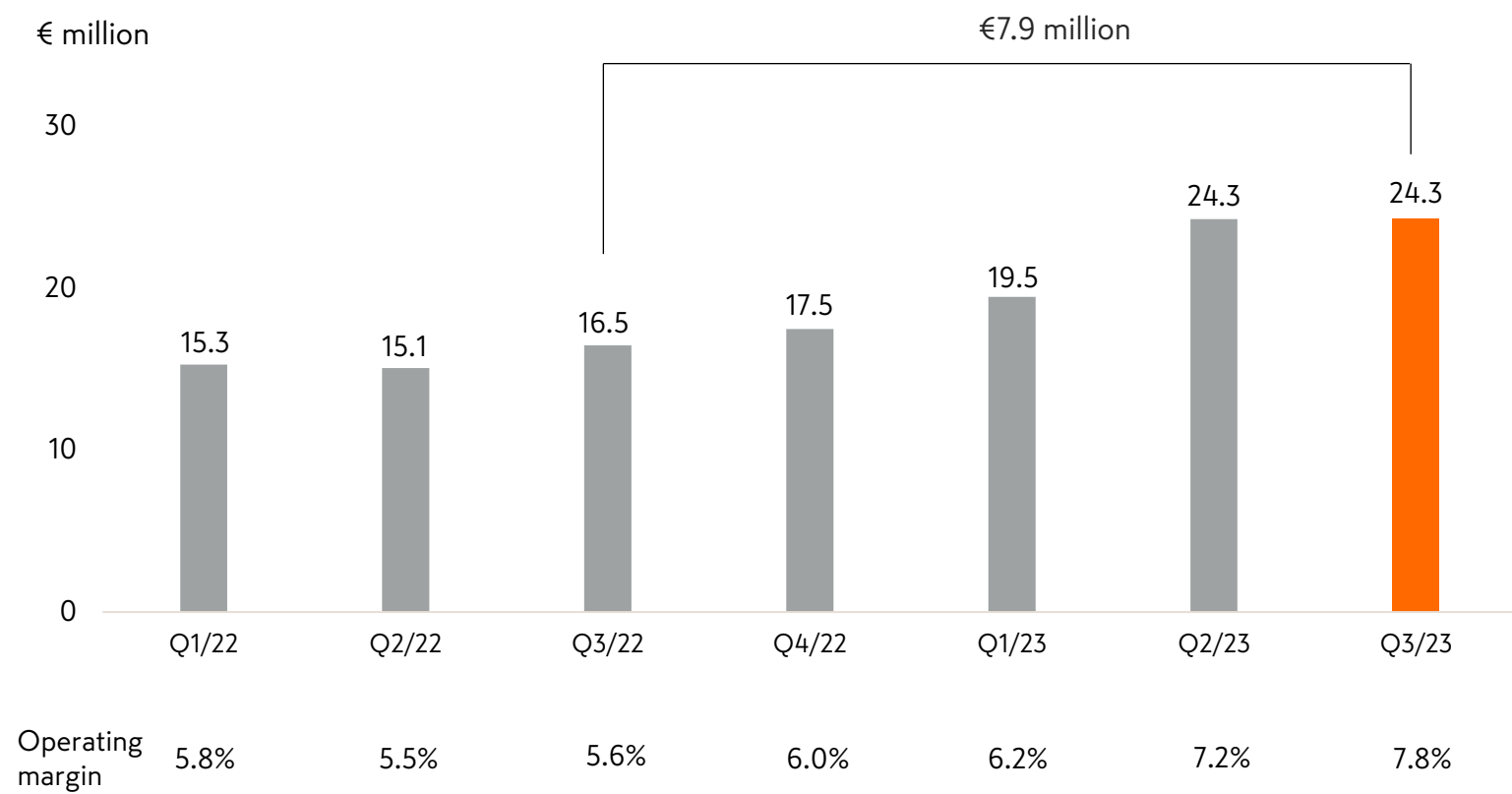
GTX

# CAR TRADE NET SALES



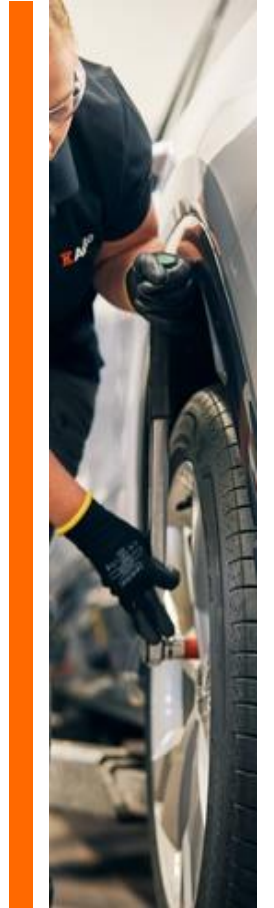
# CAR TRADE

## 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**

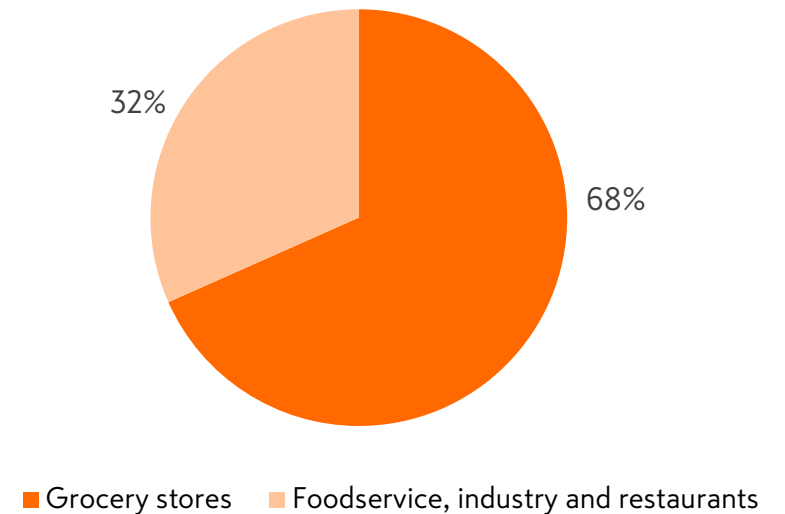


# KESKO HAS A STRONG POSITION IN ALL AREAS OF FOOD TRADE UNLIKE OTHER EUROPEAN OPERATORS

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

Market share in total Finnish food trade 37.3%

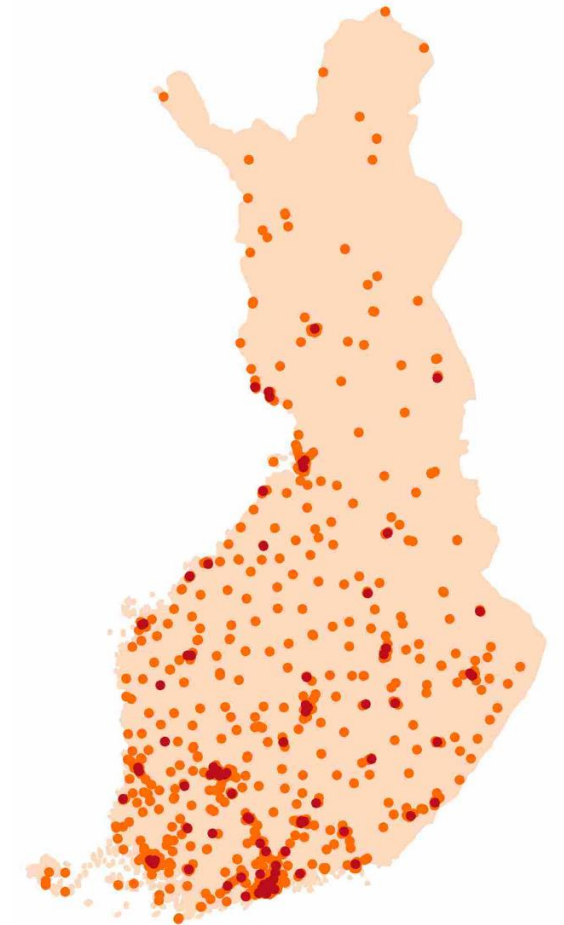
- Total market for grocery stores and restaurants in Finland over €30 billion
- Grocery store sales approx. €22 billion, of which some 3% online
- Foodservice, industry and restaurant sales approx. €10 billion
- Market size up in euros
- Volumes declined in H1, but have now returned to last year's level



\* 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

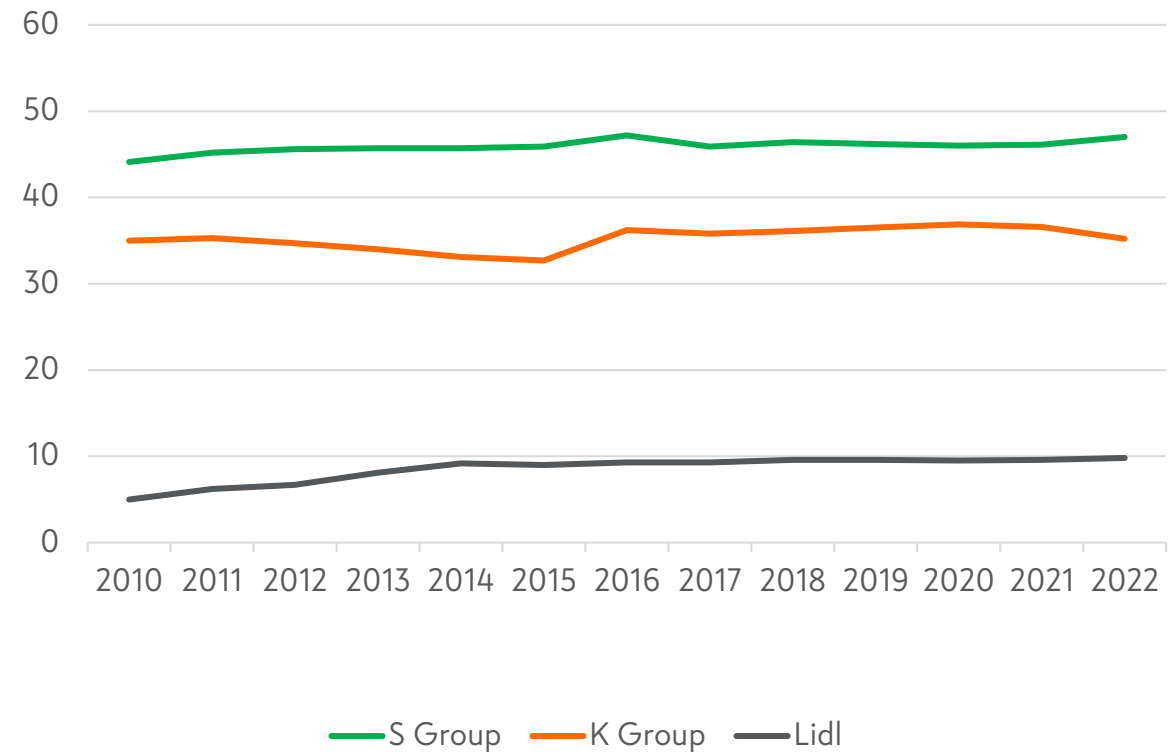
**KESPRO CASH-AND-CARRY OUTLETS  
AND CENTRAL WAREHOUSE**



# 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

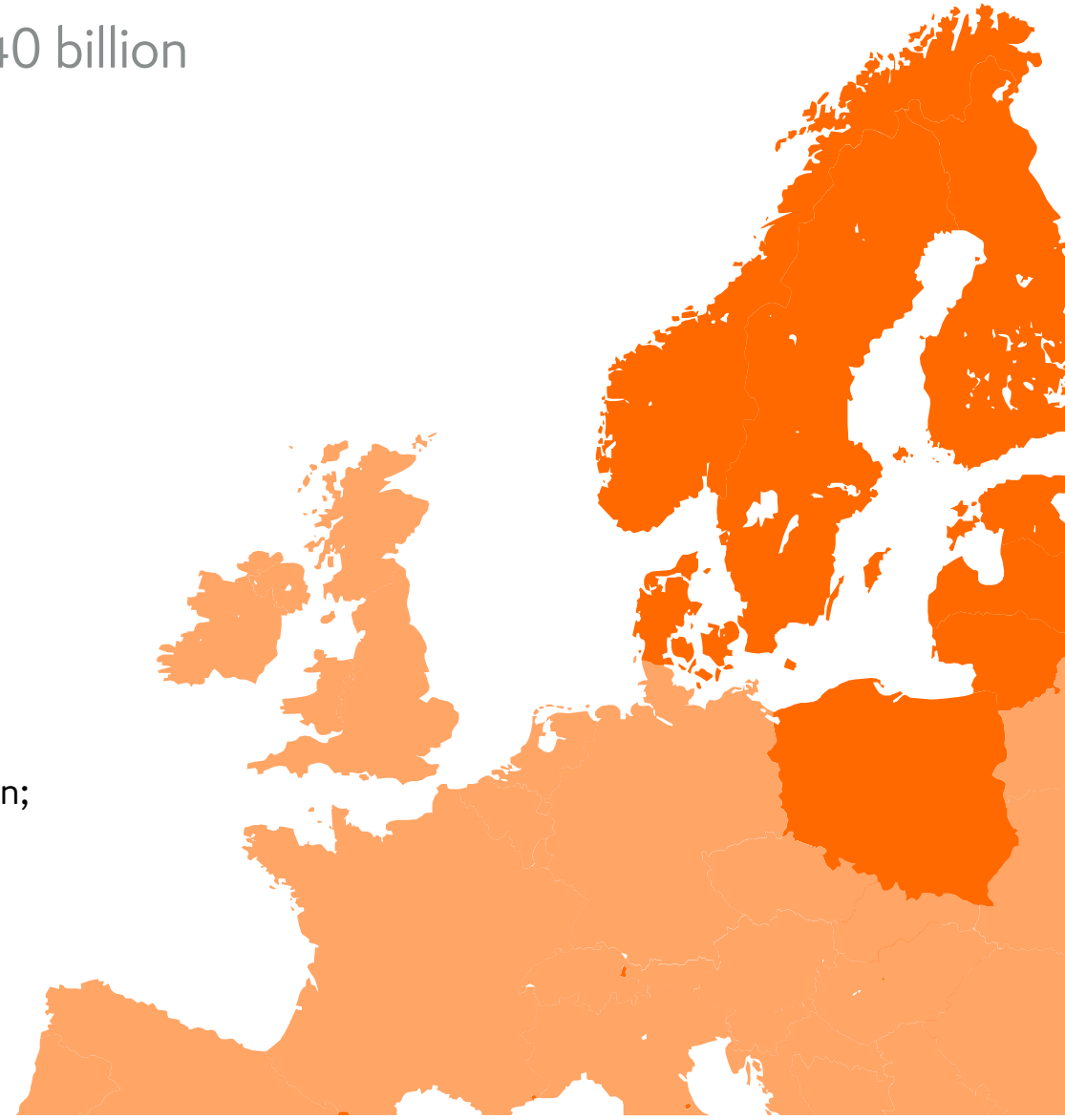
Total market nearly €40 billion

## 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**

# GUIDANCE AND OUTLOOK

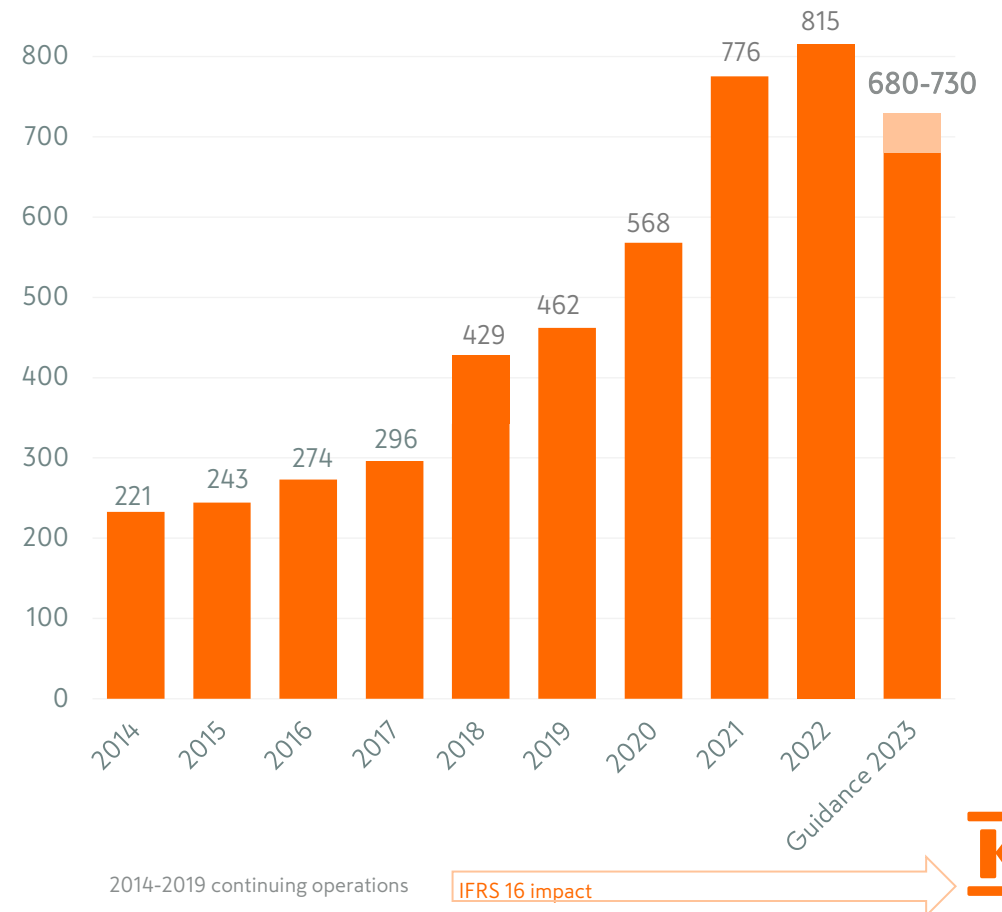
# STRONG PERFORMANCE ALSO IN A WEAKER MARKET

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.

