

## Tokmanni's Business Review for 1 January–30 September 2020

### Revenue grew and comparable EBIT improved in the third quarter

#### THIRD QUARTER 2020 HIGHLIGHTS

- Revenue grew by 13.1% (9.9%) and was EUR 261.7 million. (231.5)
- Like-for-like revenue for stores grew by 11.6% (4.9%)
- Comparable gross profit totalled EUR 89.0 million (82.0), with the comparable gross margin being 34.0% (35.4%)
- Comparable EBIT amounted to EUR 24.0 million (21.9), representing 9.2% of revenue (9.5%)
- Cash flow from operating activities amounted to EUR 6.1 million (18.0)
- Earnings per share, diluted was EUR 0.29 (0.27)

#### JANUARY–SEPTEMBER 2020 HIGHLIGHTS

- Revenue grew by 13.2% (9.5%) and was EUR 746.7 million (659.5)
- Like-for-like revenue for stores grew by 11.8% (4.9%)
- Comparable gross profit totalled EUR 251.4 million (225.1), with the comparable gross margin being 33.7% (34.1%)
- Comparable EBIT amounted to EUR 54.9 million (38.4), representing 7.4% of revenue (5.8%)
- Cash flow from operating activities amounted to EUR 61.5 million (27.5)
- Earnings per share, diluted was EUR 0.63 (0.41)

#### TOKMANNI'S OUTLOOK FOR 2020

Tokmanni forecasts strong growth in revenue and like-for-like revenue in 2020.

Group profitability (comparable EBIT margin) is expected to improve on the previous year.

**CEO Mika Rautiainen:**

## **ROBUST GROWTH IN SALES; TOKMANNI READY FOR THE MOST IMPORTANT SEASON OF THE YEAR**

In the third quarter, Tokmanni's revenue grew by 13.1% to EUR 261.7 million (231.5). The growth in sales of yard and garden furniture, sports and leisure products, detergents and home cleaning, paper products and groceries was particularly strong. Revenue generated by the online store grew by 154.8%.

Discount sales on apparel and a clearly different sales structure led to a lower gross margin in the third quarter. However, we succeeded in reaching the same level of apparel sales as the previous year and achieving an apparel inventory value that is normal for the business.

Strong growth in revenue and strict cost control enabled Tokmanni to improve its EBIT despite the decrease in the gross margin.

The fourth quarter is the most significant quarter for Tokmanni in terms of both revenue and profit. Tokmanni personnel has done excellent job in preparing for the Christmas season. We believe that sales will continue to grow strongly in the fourth quarter and that the gross margin will normalise.

We will do everything we can to ensure that our customers can shop safely and to protect the health of our personnel.

## **IMPACTS OF THE CORONAVIRUS PANDEMIC ON TOKMANNI'S BUSINESS**

Coronavirus infection rates surged in the autumn, and the coronavirus situation deteriorated in the third quarter. Consumer confidence has also weakened, which may be reflected in retail sales over the longer term.

The measures to reinforce customer and employee safety will be continued and increased, if necessary. Tokmanni follows the guidelines of the Finnish Grocery Trade Association and the recommendations of the regional authorities (hospital districts or regional cooperation groups).

During the coronavirus epidemic, Tokmanni has been notified of seven cases of coronavirus among its personnel by the end of September. All of Tokmanni's stores have remained open during the coronavirus epidemic.

Tokmanni has a joint sourcing company in China with the Norwegian general discount retailer Europris. Christmas is the most important season for Tokmanni and imports from China play a key role in this. As planned, Christmas products have arrived in Finland earlier than last year, and some products have already been delivered to the stores.

The reliability of the operations of the logistics centre and supply chain is critical for Tokmanni. Shelf availability at the stores is currently good, and products are being delivered to the stores according to plan. Tokmanni is now better prepared than it was early in the year for any new disruptions the pandemic may cause, and it is employing safety measures widely.

Tokmanni's liquidity is good. At the end of September 2020, the company's cash and cash equivalents and undrawn credit limits totalled EUR 67.0 million (30 September 2019: 65.2). Tokmanni's balance sheet includes a long-term loan of EUR 100 million, which will fall due in October 2021 under its current terms and conditions. The company is in negotiations to extend or refinance the loan.

## Key figures

	7-9/ 2020	7-9/ 2019	Change %	1-9/ 2020	1-9/ 2019	Change %	1-12/ 2019
Revenue, MEUR	261.7	231.5	13.1%	746.7	659.5	13.2%	944.3
Like-for-like revenue development, %	11.6	4.9		11.8	4.9		4.3
Customer visit development %	4.3	7.4		3.6	7.4		6.9
Gross profit, MEUR	89.0	82.4	8.0%	251.3	225.4	11.4%	325.2
Gross margin, %	34.0	35.6		33.7	34.2		34.4
Comparable gross profit, MEUR	89.0	82.0	8.5%	251.4	225.1	11.6%	325.3
Comparable gross margin, %	34.0	35.4		33.7	34.1		34.4
Operating expenses	-49.4	-45.6	8.3%	-151.4	-144.8	4.6%	-198.9
Comparable operating expenses	-49.5	-45.7	8.3%	-150.8	-144.0	4.7%	-197.9
EBITDA, MEUR	40.4	37.6	7.3%	102.7	83.5	22.9%	130.6
EBITDA, %	15.4	16.3		13.8	12.7		13.8
Comparable EBITDA, MEUR	40.3	37.2	8.4%	103.3	84.0	23.1%	131.6
Comparable EBITDA, %	15.4	16.1		13.8	12.7		13.9
Operating profit (EBIT), MEUR	24.1	22.3	7.9%	54.3	38.0	42.9%	69.4
Operating profit margin EBIT, %	9.2	9.7		7.3	5.8		7.3
Comparable EBIT, MEUR	24.0	21.9	9.9%	54.9	38.4	43.0%	70.4
Comparable EBIT, %	9.2	9.5		7.4	5.8		7.5
Net financial items, MEUR	-2.5	-2.6	-3.5%	-7.5	-7.9	-4.2%	-10.5
Net capital expenditure, MEUR*	2.0	3.6	-46.2%	8.3	12.0	-30.7%	15.4
Net debt / comparable EBITDA **	2.6	3.4		2.6	3.4		2.9
Net cash from operating activities, MEUR	6.1	18.0		61.5	27.5		84.0
Return on capital employed, %	4.1	3.9		9.2	6.6		11.8
Return on capital employed %, rolling 12 months	14.2	10.9		14.2	10.9		11.8
Return on equity, %	10.0	10.2		21.6	15.5		26.8
Return on equity %, rolling 12 months	33.1	27.9		33.1	27.9		30.1
Equity ratio, %	24.7	22.4		24.7	22.4		25.3
Number of shares, weighted average during the financial period (thousands)	58 819	58 869		58 830	58 869		58 869
Diluted number of shares, weighted average during the financial period (thousands)	58 851	58 869		58 848	58 869		58 869
Earnings per share, basic (EUR/share)	0.29	0.27		0.64	0.41		0.80
Earnings per share, diluted (EUR/share)	0.29	0.27		0.63	0.41		0.80
Personnel at the end of the period	3 956	3 591		3 956	3 591		3 659
Personnel on average in the period	3 996	3 754		3 811	3 655		3 647

\* Net capital expenditure, excluding non-current receivables from others

\*\* Rolling 12 months comparable EBITDA

## Adjustments affecting comparability

Tokmanni reports EBITDA and EBIT as its key performance indicators and makes adjustments to improve comparability and provide a better view of Tokmanni's operational performance. EBITDA is a non-IFRS indicator that represents operating profit before depreciation. Comparable EBITDA and comparable EBIT represent the same indicators excluding items that Tokmanni's management considers to be exceptional and non-recurring, including changes in the fair value of electricity and currency derivatives, which are adjusted by Tokmanni, as they are unrealised gains or losses related to Tokmanni's open cash flow hedge positions and are therefore not related to Tokmanni's operational performance during the review periods.

Tokmanni's management uses the comparable EBITDA margin and comparable EBIT margin as key performance indicators to assess Tokmanni's underlying operational performance.

Adjustments affecting comparability					
MEUR	7-9/2020	7-9/2019	1-9/2020	1-9/2019	1-12/2019
<b>Gross profit</b>	<b>89.0</b>	<b>82.4</b>	<b>251.3</b>	<b>225.4</b>	<b>325.2</b>
Changes in fair value of currency derivatives	0.0	-0.4	0.1	-0.3	0.1
<b>Comparable Gross Profit</b>	<b>89.0</b>	<b>82.0</b>	<b>251.4</b>	<b>225.1</b>	<b>325.3</b>
<b>Operating expenses</b>	<b>-49.4</b>	<b>-45.6</b>	<b>-151.4</b>	<b>-144.8</b>	<b>-198.9</b>
Changes in fair value of electricity derivatives	0.0	0.0	0.6	0.8	1.0
<b>Comparable operating expenses</b>	<b>-49.5</b>	<b>-45.7</b>	<b>-150.8</b>	<b>-144.0</b>	<b>-197.9</b>
<b>EBITDA</b>	<b>40.4</b>	<b>37.6</b>	<b>102.7</b>	<b>83.5</b>	<b>130.6</b>
<b>Operating profit (EBIT)</b>	<b>24.1</b>	<b>22.3</b>	<b>54.3</b>	<b>38.0</b>	<b>69.4</b>
Changes in fair value of currency derivatives	0.0	-0.4	0.1	-0.3	0.1
Changes in fair value of electricity derivatives	0.0	0.0	0.6	0.8	1.0
<b>Comparable EBITDA</b>	<b>40.3</b>	<b>37.2</b>	<b>103.3</b>	<b>84.0</b>	<b>131.6</b>
<b>Comparable operating profit (adj. EBIT)</b>	<b>24.0</b>	<b>21.9</b>	<b>54.9</b>	<b>38.4</b>	<b>70.4</b>

## MARKET DEVELOPMENT

According to the statistics of the Finnish Grocery Trade Association FGTA ([www.pty.fi](http://www.pty.fi)), the non-grocery market increased by 3.9% in the third quarter of 2020. The revenue of department store and hypermarket chains grew by 7.5%. Tokmanni's revenue grew by 13.1%, and clearly outperformed the rest of the market in terms of growth.

According to the statistics of the FGTA, the non-grocery market increased by 0.5% in January-September 2020. The revenue of department store and hypermarket chains grew by 7.5%. Tokmanni's revenue grew by 13.2%, and clearly outperformed the rest of the market in terms of growth.

The member companies of the FGTA operate the department store and hypermarket chains of K-Citymarket, Prisma, Sokos, Stockmann, Tokmanni and Minimani. However, it is important to note that the statistics compiled by the FGTA only cover part of Tokmanni's addressable market.

## STORE NETWORK DEVELOPMENT

Expanding the store network is one of the key means of growing Tokmanni's revenue and operating profit. Tokmanni has an efficient process of rolling out and ramping up new stores. Tokmanni's target is to expand its store network to include more than 200 stores and to increase its new retail selling space by approximately 12,000 square metres in net terms every year, which means around five new, enlarged or relocated stores.

At the end of September, Tokmanni had 190 stores (30 September 2019: 189). During the first half of the year, Tokmanni opened new stores in the Myyrmanni shopping centre in Vantaa and in Aura and Pudasjärvi and expanded its stores in the Helsinki Citycenter shopping centre and in Kauhajoki. In the same period, Tokmanni closed its store in Tammela in Tampere, its store in the centre of Äänekoski, its store in the Mylly shopping centre in Raisio and its store in the Isomyyri shopping centre in Vantaa. In addition, Tokmanni opened a new store in the REDI shopping centre in Helsinki in October. During the final months of the year, Tokmanni will open one more new store, in Pietarsaari.

Tokmanni is focusing on its store concept and on continuously developing the shopping experience. Under this concept, the stores have such features as wide aisles, informative signage and well-defined product areas.

Tokmanni considers a store to be new or relocated over the duration of its opening year and the following calendar year. On average, a new store becomes profitable after around 12 months and reaches its full capacity within around 24 months. New and relocated stores include new stores opened and store relocations where the store size changes by 30% or more and the assortment increases or is reduced substantially.

## FINANCIAL DEVELOPMENT

### Seasonality

Tokmanni's business is subject to seasonality, which has a significant effect on its revenue, profitability and cash flows. Generally, Tokmanni's revenue, profitability and cash flows are lowest in the first quarter and highest in the fourth quarter due to Christmas sales.

### Revenue

#### July–September 2020

In the third quarter of 2020, Tokmanni's revenue grew by 13.1% (9.9%) to EUR 261.7 million (231.5). The product categories where there was a clear increase in sales in the third quarter compared to the same period in the previous year were yard and garden furniture, sports and leisure products, detergents and home cleaning,

paper products and groceries. Apparel sales were at the same level as the previous year. Sales of Tokmanni's online store accounted for 1.1% (0.5%) of revenue.

Like-for-like revenue grew by 11.6% (4.9%). Like-for-like customer visits in stores grew by 3.6% and the total number of customers grew by 4.3% year-on-year. The like-for-like average basket in stores grew by 7.6% to EUR 18.94 (17.60).

Direct imports accounted for 26.3% of sales (25.9%). These can be broken down into products purchased using Tokmanni's sourcing company in Shanghai, which accounted for 17.0% (15.7%), and into other direct imports, which accounted for 9.3% (10.2%). Tokmanni's private label products, exclusive brands and non-branded products represented 31.2% of third-quarter sales (31.8%).

### **January–September 2020**

Revenue for January–September 2020 grew by 13.2% to EUR 746.7 million (659.5). Like-for-like revenue increased by 11.8% (4.9%). Like-for-like customer visits in stores grew by 2.8% and the total number of customers grew by 3.6% year-on-year. The like-for-like average basket in stores grew by 8.7% to EUR 18.97 (17.45). Sales of Tokmanni's online store accounted for 1.1% (0.6%) of its total revenue.

Direct imports accounted for 25.2% of sales (24.3%). These can be broken down into products purchased using Tokmanni's sourcing company in Shanghai, which accounted for 15.5% (14.2%), and into other direct imports, which accounted for 9.6% (10.1%). Tokmanni's private label products, exclusive brands and non-branded products represented 30.7% of sales in January–September 2020 (30.9%).

### **Profitability**

#### **July–September 2020**

In the third quarter of 2020, gross profit totalled EUR 89.0 million (82.4), corresponding to a gross margin of 34.0% (35.6%). Comparable gross profit was EUR 89.0 million (82.0), corresponding to a gross margin of 34.0% (35.4%). The decrease in margin came as a result of the sales structure and the lower prices offered to customers with the aim of boosting apparel sales.

Operating expenses were EUR 49.4 million (45.6), or 18.9% of revenue (19.7%). Comparable operating expenses were EUR 49.5 million (45.7), or 18.9% of revenue (19.7%). Actions related to the coronavirus epidemic, such as the special arrangements for ensuring the safety of customers and employees, have resulted in extra costs. The largest item in operating expenses was personnel expenses, which increased due to the work shift arrangements made to prevent the spread of the coronavirus epidemic and due to the extra personnel recruited to improve the delivery capabilities of the warehouse. On the other hand, personnel expenses correspondingly decreased due to the statutory and temporary reduction in employee pension (TyEL) payments. The effect of the reduction in TyEL payments on personnel expenses for the quarter was around EUR 0.8 million. Personnel expenses totalled EUR 28.1 million (26.5), or 10.7% of revenue (11.5%).

EBITDA amounted to EUR 40.4 million (37.6), and the EBITDA margin was 15.4% (16.3%). Comparable EBITDA totalled EUR 40.3 million (37.2), and the comparable EBITDA margin was 15.4% (16.1%).

EBIT totalled EUR 24.1 million (22.3), and the EBIT margin was 9.2% (9.7%). Comparable EBIT totalled EUR 24.0 million (21.9), and the comparable EBIT margin was 9.2% (9.5%).

Net financial items totalled EUR -2.5 million (-2.6). The result before taxes was EUR 21.6 million (19.7). Taxes amounted to EUR -4.3 million (-4.0). The net result was EUR 17.3 million (15.8).

Diluted earnings per share were EUR 0.29 (0.27). The return on capital employed was 4.1% (3.9%), and the return on equity was 10.0% (10.2%).

### **January–September 2020**

In January–September 2020, gross profit amounted to EUR 251.3 million (225.4), corresponding to a gross margin of 33.7% (34.2%). Comparable gross profit was EUR 251.4 million (225.1), corresponding to a gross margin of 33.7% (34.1%).

Operating expenses were EUR 151.4 million (144.8), or 20.3% of revenue (21.9%). Comparable operating expenses were EUR 150.8 million (144.0), or 20.2% of revenue (21.8%). The growth in operating expenses was primarily due to high sales volumes. Personnel expenses totalled EUR 87.8 million (84.1), or 11.8% of revenue (12.8%).

EBITDA amounted to EUR 102.7 million (83.5), and the EBITDA margin was 13.8% (12.7%). Comparable EBITDA totalled EUR 103.3 million (84.0), and the comparable EBITDA margin was 13.8% (12.7%).

EBIT totalled EUR 54.3 million (38.0), and the EBIT margin was 7.3% (5.8%). Comparable EBIT totalled EUR 54.9 million (38.4), and the comparable EBIT margin was 7.4% (5.8%).

Net financial items totalled EUR -7.5 million (-7.9). The result before taxes was EUR 46.8 million (30.1). Taxes amounted to EUR -9.4 million (-6.1). The net result was EUR 37.4 million (24.0).

Diluted earnings per share were EUR 0.63 (0.41). The return on capital employed was 9.2% (6.6%), and the return on equity was 21.6% (15.5%).

### **Balance sheet, financing and cash flow**

At the end of September, Tokmanni's inventories amounted to EUR 257.0 million (237.4). The increase in inventories was due in particular to the early arrival of goods intended to be sold during the Christmas season.

The Group's cash flow from operating activities amounted to EUR 6.1 million (18.0) in the third quarter of 2020. Due to the improved net result and the smaller increase in inventories, cash flow in January–September increased year-on-year to EUR 61.5 million (27.5). Tokmanni's cash and cash equivalents stood at EUR 18.0 million (6.2) at the end of September, and the financial position is stable.

At the end of September 2020, Tokmanni's interest-bearing debt totalled EUR 413.8 million (424.6), including EUR 100.0 million (100.0) in non-current corporate bonds and loans from financial institutions and EUR 10.0 million (18.0) in current corporate bonds and loans from financial institutions. The remainder of the liabilities are lease liabilities reported under IFRS 16.

The ratio of net debt to comparable EBITDA (rolling 12 months) was 2.6 (3.4) at the end of September. Tokmanni intends to maintain an efficient long-term capital structure, and its long-term goal is to keep the ratio of net debt to comparable EBITDA below 3.2.

Tokmanni's equity ratio was 24.7% (22.4%) at the end of September 2020.

### **Capital expenditure**

Net capital expenditure in the third quarter totalled EUR 2.0 million (3.6). Capital expenditure was mainly focused on the expansion of the store network and renovations of stores.

Net capital expenditure for January–September 2020 totalled EUR 8.3 million (12.0). Due to the coronavirus epidemic, some of planned investments has been postponed until 2021. Capital expenditure in 2020 is expected to be around EUR 12–13 million.

## **PERSONNEL**

Tokmanni is a significant employer in Finland. At the end of September 2020, the company had 3,956 (3,591) employees. On average, Tokmanni had 3,811 (3,655) employees during January–September 2020.

In January–September 2020 personnel expenses totalled EUR 87.8 million (84.1), representing 11.8% of revenue (12.8%). The salaries of employees covered by the commercial sector's collective agreement were raised by 2.0% on 1 April 2020. Most of Tokmanni's employees are covered by the agreement. Due to the coronavirus epidemic, a statutory and temporary reduction to employee pension (TyEL) payments was instituted for the period of 1 May–31 December 2020. The effect of the reduction in TyEL payments on Tokmanni's personnel expenses in the third quarter was around EUR 0.8 million.

## **RISKS AND BUSINESS UNCERTAINTIES**

Tokmanni's risks and uncertainties are discussed in detail in the Half-year Financial Report 2020. No major changes to these risks have occurred during the review period.

## **EVENTS AFTER THE REVIEW PERIOD**

On 28 October 2020, Tokmanni Group Corporation's Board of Directors decided to specify the remuneration of the CEO within the limits of the Remuneration Policy so that a maximum of 12,000 company shares will be transferred to the CEO, without consideration, during the remuneration period beginning on 1 November 2020 and ending on 31 October 2023.

## **TOKMANNI'S OUTLOOK FOR 2020**

Tokmanni forecasts strong growth in revenue and like-for-like revenue in 2020. Group profitability (comparable EBIT margin) is expected to improve on the previous year.

Mäntsälä 29 October 2020

Tokmanni Group Corporation  
Board of Directors



## IR calendar

Tokmanni Group Corporation will publish its Financial Statement Release, Half Year Financial Report and two Business Reviews during 2021 as follows:

12 February 2021: Financial Statements Review for 2020  
29 April 2021: Business Review for January-March 2021  
29 July 2021: Half Year Financial Review for January-June 2021  
29 October 2021: Business Review for January-September 2021

The 2020 Report by the Board of Directors and Financial Statements will be published during week 8.

Tokmanni's Annual General Meeting is planned to be held on 23 March 2021. Tokmanni's Board of Directors will summon the meeting at a later date.

## Analyst and press conference

Tokmanni's CEO Mika Rautiainen and CFO Markku Pirskanen will present the review to analysts, investors and media representatives today at 10:00 am at Scandic Simonkenttä, Simonkatu 9, 00100 Helsinki, Finland in conference room Balsa-Freda. The conference is in Finnish and will also be webcasted. A webcast in English will be held at 11:30 am (Finnish time).

The live webcast can be accessed via Tokmanni's website at <https://ir.tokmanni.fi/en/investors> or through the link <https://tokmanni.videosync.fi/2020-q3-results>. On-demand version of the presentation will be available on the company's website later during the same day.

The participants can also join a telephone conference that will be arranged in conjunction with the live webcasts. The participants are asked to dial in 5-10 minutes prior to starting time using the Participant Phone Number and Participant Passcodes below.

Finland: +358 9 8171 0310  
Sweden: +46 8 5664 2651  
UK: +44 33 3300 0804  
US: +1 63 1913 1422  
Passcode, English webcast: 24112632#  
Passcode, Finnish webcast: 71317790#

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## Tokmanni in brief

Tokmanni is Finland's leading general discount retailer by number of stores and revenue. In 2019, Tokmanni's revenue totalled EUR 944.3 million, and the company had around 3,700 employees. Tokmanni is also the only nationwide general discount retailer in Finland, and it currently almost 200 around the country.

## Distribution

Nasdaq Helsinki  
Key media