# Elkjøp Capital Markets Day

# 26th September 2024

# Transcript

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Speakers:

- Alex Baldock – Group Chief Executive Officer
- Bruce Marsh – Group Chief Financial Officer
- Fredrik Tønnesen – Chief Executive Officer, Elkjøp Nordic
- Lill Beate Pedersen – Chief Financial Officer, Elkjøp Nordic
- Linda Frid Andresen – Managing Director, Elkjøp Norway

**Alex Baldock:** Good morning everybody, and welcome to Elkjøp. A few words from me before I hand over to Fredrik to talk about why we're here: the Nordics business. First of all, thank you. Thank you for making the trip here. The team are pretty excited and can't wait to show you what we have here. We aim to make your trip worthwhile, and I hope you come away from this seeing, what we believe we have here, which is, sure, a business facing some cyclical challenges, but a fundamentally sound business that has been, and we expect again to be, a substantial contributor to the group.

A group that I won't dwell on because you know us well. In the UK, as in the Nordics, the number one at what we do as technology omnichannel specialist retail, in big and attractive markets, and following a common strategy. A strategy that rests on a simple but important insight that customers find technology exciting, but confusing and expensive, and they need help. They need help to choose the right tech, but also to afford it and enjoy it to the full, help that we're best equipped to give them. How to give them that – well, by evolving what has traditionally been a bricks and mortar retailer of product into an omnichannel retailer and services provider.

And how? First of all, we start with "Capable and committed colleagues" - This isn't just because we're lovely people, that we put colleagues first. It's because in our category, it's very difficult for the experience of the customer to be better than that of the colleague. And that's why we start with having colleagues who want to be here and who know what they're doing. That, in turn, produces satisfied customers. Firstly, by making it easy for those customers, easy to shop, through such retail fundamentals as range, availability, price and service. Through selling customers a complete solution, not just a product on its own, and selling that solution via omnichannel, which is how customers prefer to shop. Having made it easy, we can then build customers for life through such services as credit and other services like repair. How all of this translates into more profit and cash, well, in a depressed environment, our focus has been primarily on self-help margin and costs. But now we're turning not just through the cycle, but also for structural reasons, we've got reasons to believe in renewed top-line growth, for example, through selling more to SME's, something you'll hear more about today.

Not that margin and cost discipline is any less important. We aim to keep it, not least by continuing to make more of the group. So, for example, in areas such as IT, GNFR procurement, offshoring and outsourcing, we've moved to single group functions. And it's not just in GNFR procurement that we can benefit from the group. There are also significant margin synergies in our negotiations with product suppliers. We get the benefits of the group there, and nor do we neglect opportunities to share best practice on such top-line drivers as B2B, as going after SME customers, nor so-called "sold with" solutions, selling credit and other services. In all of this we are making more of the group.

And finally, all of this is underpinned by a stronger balance sheet and liquidity position. We're now in a net cash position of +£96m, or net debt of £(75)m, if you include the pension deficit. Worth saying that that's a +£700m improvement on where we were pre-pandemic. We aim to keep that strong balance sheet and liquidity position, staying net cash even as we reduce the pension deficit and staying in a strong liquidity position now with over one half of £1bn of facilities with four years to run.

So, enough of the group. We're here to hear about the Nordics, and to tell us about that I'm going to hand over to Fredrik.

**Fredrik Tønnesen:** Welcome to Oslo, my name is Fredrik, I am the CEO of Elkjøp. I started actually around 18 months ago here, but I'm not new to the company. Yesterday it was actually 19 years, and I'm 41, so I haven't done so much else than travelling around in Elkjøp. I started in Norway, then went to be a sales director for Elkjøp in the Nordics, then had some years also combining that with Electro World on the MDA small domestic appliances. Then I went back to Norway as Managing Director there for four and a half years. And then I had the COO role here in Elkjøp Nordic for one and a half years, and 18 months ago Alex asked me if I would like to have the responsibility as CEO in Elkjøp, and of course, I would like to do that because that has always been a dream. I think there's not so many people that know the business more than I do. My management group has a problem in tricking me with things while being both in operational and the commercial parts of the business. I'm really excited having you here today.

This is my management team. It's a group of people with more than 250 years' experience in retail. I would say it's a robust and a great team. My aim when I started here as a CEO was to add even more clarity and a clear strategic direction for Elkjøp going forward, because we know that we won't get any help from the market, short term. We need to focus on what we can control. I cannot control the macroeconomics – I won't even try – but I can control the costs, and we can do a lot of things on margin and other things that can help improve the business. We're not sitting here waiting for the market to improve. We control what we can control and we improve that.

Today, I'm going to share some context on the Elkjøp history from 1962. We're going to start from the beginning and take it through what's happened the last 60 years. Then I will talk a little bit about our strategy, and I think much of that will be very familiar to many of you that follow Currys – You will see that it's quite similar in many areas. Then Linda, the Managing Director of Norway, will come up on stage and take you through a little deep dive into Norway in a couple of slides. You will also find in the presentation a couple of slides about Finland, Denmark and Sweden. Then finally, I will hand over to Lill, my excellent CFO, who will tell you a little bit more about the thing I think you are here for, the numbers. It's going to be a great session.

Elkjøp was established in 1962. There were 33 retailers that said, hey, if we go together maybe we'll get better prices if we buy together. That was in Norway and a lot of things have happened since then. We've had a +16% CAGR since we started in '62 until today, and I'm not going into all the details. But in 1999, Currys acquired Elkjøp, and we have been a happy part of that since then. So, what is Elkjøp known for? I think we have always been early adapters to new things like digital innovation. We added warehouse automation in Jönköping, which we're going to talk more about later. Already in 2015 - 2017, we were the first in retail to add electronic shelf labels across the Nordics. We started with that in 2017. And when you visit our stores later, take a look at the electronic shelf labels and also ask the employees: "Do you gain efficiency by having it?" Of course, they will probably tell you that before, six or seven years ago, the first thing they did when they came to work was to print a lot of paper, cut it, and then they went out to the store, putting up new prices. Today that happens automatically and then that gives an advantage both on staff cost but also on smartness when it comes to pricing. So take a look at that later.

**[Video]** Elkjøp history video

**Fredrik Tønnesen:** This is a map of the Nordics. Today we are placed here in Norway, where you see the blue dot. We operate in four countries, and each country has their own language – We are different people, different cultures. They have their own currency – We have NOK in Norway, Swedish krona in Elgiganten, Danish krone in Elgiganten Denmark, and we have Euro in Gigantti. Each country has their own Managing Director and operates with their own P&L. You may ask the question why? Because we know that one of the reasons for Elkjøp's success over many years is the local presence. We know that being local in each country is important for our success over the years. When Linda is going to talk about Norway, she has 100% control over the P&L and the decision-taking there, but of course we follow the group and the Nordic strategy every day. Then they have different names. Elkjøp – that means "electrical", *kjøp* is "buy". I think Elgiganten, that's "the giant".

Gigantti is also quite the same. So what we do is actually a part of our name. The difference is, of course, only the name, but the colour, how you see the stores and everything will be the same. Then we have one place there, a light blue dot. That's where Jönköping is, our central warehouse in Sweden, in the Swedish forest, like 4.5 hours from here. When you drive, the first hour you see houses, and the next 3.5 hours you don't see anything except trees. But there's a reason why we are there. Because that's the best place to be when it comes to delivering goods in an efficient way in the Nordics. And it's also important to say that over 90% of our sales come from products that we have at the central warehouse, so we try to push as much as we can in there because that gains efficiency to our supply chain.

And, this thing, I know it's maybe not what you believe, if you look at the last couple of years of macroeconomics in the Nordics, but we still are a rich people. We are one of the wealthiest in the world, even now. And the good thing for me and Elkjøp is that the people are quite technically advanced. They like to use the new products fast, and that's good when you sell electronic products. So that means that even if we have some headwinds right now, when this goes over, we're still going to be quite wealthy and people are still going to love our products. So that's a good position to be in when you are selling electrical goods.

This is our revenue portfolio. As you can see here, it's quite widespread, all across. For us we have four countries, we have different categories, we deliver in different channels. We don't rely on all countries delivering at the same time. Or we can say that, OK, one category is going a little bit down, but then we have four or five other categories going up. So it's well spread revenue, which means that we have less risk if some of them go down.

Yesterday over dinner we talked a little bit about the competitive landscape in the Nordics. I'm going to do a little bit more of a deep dive on this part. We have a market share of 28% across the Nordics. As you can see here, it varies between the countries. You have Norway as the biggest country, but we are in all countries, the biggest player. That's really important to say, and we are at least two and a half times the size of the next competitor. We are a clear market leader, but the competitor – that varies between the countries. Our biggest competitor with physical stores is Power. I'm going to talk a little bit more about them later, but they have stores now in all four countries and are also an omnichannel retailer. Then we have Komplett / NetOnNet. (They also have Webhallen as they have a couple of brands across the countries). They are more a pure player in this industry with a couple of brands. Then to be more specific, you have Verkkokauppa in Finland, listed in Helsinki, with four big stores, mainly focused around the Helsinki capital area. I could probably stand here talking about 50 to 100 other competitors, but that's more specific to each country – We have some strong on MDA, we have some just focusing on small domestic appliances and so on. But these are the main players in the Nordics right now as I see it.

This slide makes me very proud. Elkjøp, across all markets, is highly rated among our customers. When we ask them "what's your first choice when you're going to buy new things?" or "who is the first you would consider if you're going to buy?" Look at the score in Norway. Remember that we are from a business where the customer isn't so loyal. They choose new players every time, new retailers, maybe based on price or availability. But in Norway we have 90% of people thinking about Elkjøp first. That shows the brand value of Elkjøp, and of course in Finland, 72% is also a high score. That means that the things we have built up the last 30, 40, 50, 60 years are working and that we are the first one the customer thinks about when they are going to buy new stuff. On the right side, you see, Happy or Not – You know, the smiles – You have red and then over to green if you are happy or not? We have measured that for many years, and as you can see, we have now been at 94-95 in the last few years. We decided now to change. It's starting to get difficult when 94% of the customers are happy, but more it's about the fact that we like to compete. Alex has said to me that, please, could we also do NPS as we do in the UK? And Thomas, the COO said, yeah, let's look into that. Three months ago we launched NPS and now we have a healthy competition between Currys and the UK on NPS - Let's see next year when I stand there, who's the best of the best? We have started well, but it's also good to have some common thing to benchmark against.

If you look at the last 12 years, we had an 8% revenue CAGR for 10 years, and then you see that also the profit margin follows the revenue. Then, a couple of years ago something happened. I think I'm going to focus a little bit on the right side here, just to tell you, OK, what did we see from our side, what actually happened after Covid. Let's address that one.

The problem started two and a half years ago. I'm not going to go into a deep dive in macroeconomics. But we have some Nordic analysts here also today, so if you have some questions about how the currency and all this have affected the Nordic market, you could probably ask them in the break later.
What happened?
We saw high inflation. The interest rates in the Nordic countries, as also in the rest of the world, started to pick up. But there's one thing that's very different between, for instance, Norway and the UK or US. That's the amount of households that have their mortgage on a flexible rate, and this is really important. When the government puts up the interest rate, it takes two to three months and then it hits your wallet. That means when we then got 1%, 1.5%, 2% increase over the last 18 months, that means that on average, Norwegian or Swedish households have around £1000 to £1200 less a month in their wallets, and of course, that also has an impact on how much they spend on things in retail. Then you add that you see that the consumer confidence is at an all-time low. I think we have measured it for 50 years in Norway, and it peaked last year at the bottom. Then when you add overstocked market on top of

that, and also that we sold a lot of products during Covid. Mix all that together and you have, you might say, a little cocktail of things happening at the same time.
And what happened?
Our profit collapsed – So we went to EBIT £26m, down £(100)m from pre-Covid numbers. But you know what? We need to focus on what we can do because this is going to turn around. This is history.

Over the last year our recovery started. We gained market share, our gross margin recovered by +1.9%. We did a lot of cost saving, which we saw the effect of last year and also into this year, and our EBIT recovered to £61 million, c+250% up.
I will say pretty good first year as a CEO. I hope you agree on that, but we are not done. This just illustrates what had happened – But what happened to our competitors at the same time in the market?

Power, our largest competitor, present in all four countries and founded by a former Elkjøp franchise retailer, and a lot of the management group are from Elkjøp. They are great competitors. They all do a lot of good things. Last year they acquired the stores of MediaMarkt / Ceconomy in Sweden, meaning that they took over all their stores. For us, I think that's good because then we have the same competitor in all four markets, so it's easier than having MediaMarkt as one competitor in only one country. Their strategy is one thing – It's volume. They go after volume all the time and they also go a little bit against us. We tend to have a little bit smaller stores, downsizing or narrowing the sales area in the stores. They go for bigger stores. So we have a slightly different approach to the market, but of course, I believe in our strategy and think that that's the way to win.

Then when you look at the same time, the other competitors over the past three years. Our revenue was down (2.4)% on a LFL basis. Komplett were (3)% and Verkkokauppa (4.5)% in the same period. When you then look at margin profits, we were down (1.8)% to 1.7% in FY23/24. Komplett were down (2.4)% and Verkkokauppa down (1.7)% to 1.1%. So, this is not an Elkjøp problem that we have seen in the last 18–24 months. It's a macroeconomic thing that happened with the market that made the market go down. But now we're starting to see the light at the end of the tunnel and expect a good recovery in the next couple of years. When you look at this, one thing that I believe is that if you can't make more money in a market over time, then you have a problem with your business model. You need to make money, so you cannot only go after revenue. That's a big part of what we also have done, and Lill is going to talk a little bit about that later – Going after more sustainable profit long term, not just chasing every revenue you can get.

That was a little history of Elkjøp. Now I'm going to move a little bit over to the strategy. So let me show you now what's important to us and how we do this.

This page, I think, is familiar to many of you, especially from the UK. You have seen this. "We help everyone enjoy amazing technology". Now we're going to look into this, and how does this fit in in an Elkjøp context.

Let's start with the colleagues. At Elkjøp we have 10,000 capable and committed colleagues. And every year we spend more than 100 MNOK – that's around £8m – investing in training them. Why - Because I believe that for us, the biggest advantage we have against our competitors, that's them, the 10,000 people there. If we believe in ourselves and them, that's the reason why the customer goes into Elkjøp. That's the reason why you see 90% of the people would like to go to Elkjøp first when they're going to shop electronics. That's because that's the best of the best. I know, you've probably heard a lot of CEOs saying that their colleagues are the best, but I really mean it. Just look, when you are in the store later today and see, feel the engagement, ask them questions and you will see that it's something special.

But of course, you need to do it also in a cost-efficient way. You cannot just train them and take everybody out of the store. The last four or five years, we have put a lot of effort into e-learning. Why – Firstly, it's cheap. I can make a training lesson here today with you, push the button, make it mandatory and tomorrow 10,000 people have actually done that training. Secondly, is that things happen so fast. If you have a new product launch, let's say a new Samsung TV is coming out, we can do the training centrally here in Nordic or at Linda's headquarters, push a button and then we have the knowledge out to the sales staff so they know that when the TV comes, that's the new features on that. Last but not least, our Campus event at Gardermoen. Each year we gather 5,000 people, both from sales and after-sales, to train them and have an event that runs for three and a half weeks. But instead of me talking, let me just show you a movie from Campus this year.

**[Video]** Elkjøp Campus training video

**Fredrik Tønnesen:** To continue with the colleagues and their engagement. As I mentioned earlier, I've been here 19 years, so I know pretty much all there is to know about this company. I'm going to soon show you a movie about our new values. You're the first to see it as we got it yesterday, so it's totally fresh. But for me, I think that this fits perfectly with the Elkjøp DNA. We engaged the frontline workers around Elkjøp, all the colleagues out in the stores, because we have got feedback that our old values were a little bit outdated. We agreed, so we did a lot of workshops, and at Campus this year, we got everyone to sign them, asking them "do you feel that these are the right values for Elkjøp?" We had c600 people gathered in a room – 599 said yes. 1 guy raised his hand and said he didn't agree. I said that's fine, you should have the opportunity to not agree. but in general, all agreed that this is Elkjøp. And the values is win, play, grow and be different together. I am going to show you a movie of that, but first, as you can see, our engagement among the colleagues has increased since April 2023 and we are on a good projection. We are at 78, still a long way to go before we reach the top 5% that Currys has. We are aiming for that first place also, so if we just continue to work and listen to the colleagues, we will be there. This is a great score for us – 78% is a really high engagement score from the colleagues. Here is the new value movie for Elkjøp.

**Video:** Elkjøp Values video

**Fredrik Tønnesen:** Let's go over to Easy to Shop.
As you have heard, Elkjøp is a leading technology destination, but it all starts with Easy to Shop. We know that we have products with a wide assortment, value for money, good availability and high relevance. But when it comes to wide assortment, how do we do it? I mentioned Jönköping earlier, our central warehouse. Here you can see that our own DC has around 15,000 SKUs, meaning that's the most important thing we have. That's the volume. That's 90%, even more. That's the thing we put into Jönköping because we then we get an efficient supply chain. Then we have third-party distribution, 15,000 more on top of that. How do we use that – Every month we look at what's selling at the DC, do we have slow movers, should we move them over to third-party or should we just throw them out. That third part, we do the same - Is something here selling a lot, could we put that into the automation in Jönköping? Everything is a development, all the way just to see how can we be as efficient as possible. And, to top off, we have a Marketplace where we get the really long tail, where we add 150,000 SKUs on top of that, (It varies a little bit between the countries). Marketplace – we have done that for a couple of years, but it's still in the start. We are not going all-in on Marketplace. You maybe heard Ceconomy and MediaMarkt talk about it. We want to build it step by step to get a steady growth, two-digit growth every year. And then let's see how much we will push that the next coming years. But we have the platform and we have everything integrated in our system. So, we are using it today, but it's still in small volumes, but it's growing and I think that over some years it's going to continue to grow. Then last but not least, of course this is really

important for the customers, we have a price match, we have Open Buy and we have delivery and installation. That is the customer offer and guarantees that we have, and that we know the customer likes.

When it then comes to the wide range, this is enabled by, you maybe heard Alex mention, our strong supplier relationships. Both at the Nordic level, at the Currys level and at a group level. Last week I was in the US where I met Google, Intel, Meta, Apple and all the big players and we always get attention, both as Elkjøp and as a group when we meet the suppliers. We have strong supplier relations across the Nordics and the group, and that helps us also to have the most relevant product and brands for the customers. One example that we are really proud of here is that we actually build campaigns together with Apple. We have commercials together with Apple. Not all retailers in the world have that. We are one of the few. We do joint partnership with them and we do a lot of partner marketing.

Elkjøp in the Nordics has always had a strong position in mobile phone handsets. But I need to explain the difference between us and the UK. The biggest difference is that we have a lot of networks. You see there's a lot, but it varies between the countries, for which operator is in each country. Another difference is the revenue agreement. We are on a commission-based agreement with the operators, meaning that we get the cash up front. We are not dividing it over the duration of the contract, and the contract is between 12 and 36 months in the Nordics. So that's a major difference between us and the UK. We are on a commission basis right now and have a strong partnership with almost all of the operators.

When it comes to combining online and stores, Alex talked about true omnichannel, and I agree. We have 55m store visits in the Nordics every year, and that enables us to reach the customer where they are. Many would say to me: "Fredrik, aren't you afraid of Amazon or bigger players taking a bigger part of the Nordic competitive landscape?" Maybe. Of course we should respect them – Amazon is present in Sweden today. But you know what – Do you know how long it takes to send a washing machine from Oslo up to the north – Days. This is because our countries are very long and there are big distances. How can I beat them – I have over 400 local DCs. It's called the stores. I can utilise every store as a local DC. So, when you think I need a washing machine now, you can go online and can get the delivery in three days, if you are unlucky and living on an island up in the north, or you can travel 15–20 minutes to the closest Elkjøp store and pick it up right away. We have both, that's one of our biggest competitive advantages when it comes to the store network. When it comes to our website, it has 287m visits every year. That's a lot of visits when you think that the Nordic population is under 30m, meaning that that's one of the most visited websites across all industries in the Nordics – And that you can monetise on, if you are smart.

When it comes to the store network, you are going to visit the store later today, which is a "big box" store. As you can see, it's between 1,500 and 4,000 m² (I think you can multiply 10x and then you have the size in sq ft). But before you think: "Oh my god, Fredrik has 400 stores. That's more than in the UK and there are over 60 million people." We don't have the same square feet as the UK, because we also have a lot of "small box", that's stores that are selling mobile phones and portable sounds. You will see our typical store down here in the reception area, which you can go down later to see that, but this is our concept. Linda is going to talk more about the "big box" later, then we have a "city" concept, smaller stores but doing the same wide assortment and then the "small box" I talked about. This allows us to be near the customer.

Then we have franchisees. Why – First of all, franchisees have always been a part of the Elkjøp history. We are present with franchisees in Norway, Finland and Sweden. We also have franchise agreements with Iceland, Faroe Islands, Åland and

Greenland. Second, of course, less investments for us, less risk. The franchisees take the risk on the store, they do their own investments, and what do we do – We sell them the goods, of course, with some margin on it. 20% of our revenue comes through franchise stores. It lowers the gross margin a little bit, but the EBIT is the same in the franchise stores versus our own. This is a good concept for us and we have actually converted more stores lately to franchisees. Where do we put franchisees – Outside the big cities, because we see that a franchise store in a smaller area, have high market share, they know their local market and they are better than us at running their stores. This is a part of our strategy now, and it's going to be that also going forward.

When it comes to our website, you will see a movie that goes with the slide. We started with websites in Norway and Sweden in 2000. We had the same price in 2011–2012 and we did a lot of IT investments, starting to plan that in 2015–2016, and then did the rollout during the pandemic, meaning that we have a perfectly modern infrastructure. The latest development for us is that we launched our NXT front-end web page in April, which enables us to improve the customer experience. It's much faster to use and for me, and Lill as a CFO, it's much cheaper to deploy new things. It's faster and easier, and it's developed internally by Julia Paulsen, our eCom manager, who came to us from Zalando, and Marius Rødde, who's sitting here. They've done all the internal work themselves, and this is a fantastic platform that helps us save a lot of money when we're going to add new things to the web page going forward.

Jönköping, I talked about it. I'm not going to spend a lot of time on it because it would have been better to show you how it actually is. But a five-hour drive is maybe a little bit too long to do that, so I'll do it here. It is located in Sweden, here in the forest. There is another retailer that also has their central warehouse there, a small one called Ikea. So there's Elkjøp and Ikea close by. Why do we do it – Because we can reach 80% of the Nordic population within 24 hours. It's easy to get to

Denmark – That's just by car, over the bridge in Malmö. You can easily come to Norway. You can easily, of course, go to Sweden. Finland – a little bit more difficult because you have some water in between, so you need to take a boat, but we have also opened a local DC in Finland to have the accuracy to do the speed if needed. We have one main warehouse as you see there up in the middle. We also have a railway straight into the warehouse, meaning that if Electrolux is sending us 1,000 washing machines, they just put it on the railway and then send it straight into the warehouse and we just put it out and it's in on a shelf there. It's very efficient, and of course it serves seven countries. In addition to that, we have our kitchen business located in Brno that we have now moved to Sweden. We are in a transition now and we are opening 90,000 m² more, but Lill will talk a little bit about that afterwards, just to be even more efficient when it comes to our supply chain.

The next step of the strategy is Customers for Life, the loyalty programme. This is a huge opportunity for us. We started with zero of course, and then built it up to 9 million customer club members, which is over 50% of Nordic households. That gives some opportunities. We see that we have clear customer benefits in the club today, always-on discounts, club deals, VIP shopping, extended warranty. You can see that of course, yes it creates larger baskets, higher shopping frequency, higher margin and a better share of wallet. Of course they are loyal, the people that are in here, but we are just at the start. Going forward, we have a clear roadmap on how we are going to monetise on this. Last year, we identified 3% of the customer going into a web page. Today, 25%. Next year (or at least if I reach my target), we should identify 50%. That creates huge opportunities when it comes to tailor-made communication to the customer. We can say: "Oh, hi Dan, we can see you're on our web page, we know that you are looking for an expensive TV – Have a look at this," and then we can tailor-make the customer experience for them. Then of course, we can add more things into the customer club. We can make more deals, maybe add credit offers and other things. This is a little bit ahead, but we have a roadmap on how to do it, and of course, it's not a big cost for us to send marketing to 9 million people because we have them and we have their permission to do it. Of course, that is much cheaper than doing ads on TV or mass communication, so the customer club is important and it's going to be. The next slide is going to show us a little bit about the service offer we have, so that you all can see that we are very similar to the UK.

**Video:** Elkjøp Services video

**Fredrik Tønnesen:** When it comes to Customers for Life, I'm not going into details here, but of course we aim to sell the complete solution. We want stickier customers. We want the customers to stay with Elkjøp throughout the whole journey. If it is on credit, of course we do benchmarks with the UK and we try to learn and see how we also can get to the same level. When it comes to delivery and installation, we have a great setup today. Repairs, I am going to talk a little bit more about Elcare later and of course the connectivity. You saw that we have a high base. We also like to take a part of that journey and own the whole value chain.

When we look at the strategy, what's important for us to grow profits. I've picked three things here. That's B2B, kitchen and circular business.
B2B – Because we are competing on that small field there, not the whole B2B market. Our market share is much lower in B2B versus B2C, so it's easier to grow. But the good thing with B2B is that we have the store network, we have the store colleagues, so the growth that we see and are aiming for doesn't need to cost much because we can use the same amount of people that we have in the store today and utilise that. Yes, we have some big deals, but we're not targeting them. We are going after SMEs, small and medium-sized businesses around the Nordics. A good thing with that is that they are already shopping with Elkjøp as a private customer. This is a huge advantage for us because we have the

customers in the store today. We just need to add the right offer and build the foundations to be able to grow. We have grown B2B for many years, but now we're ramping it up and we're going to do that by fixing the basics and developing the service that the B2B customer wants, because we know that many of the small businesses want services and a technical setup for their laptops and so on, and Elkjøp should be the one that provides them with those high-margin services and a good customer experience for them.

When we then look at kitchens, here I need to look more into the details. When I mean kitchen, I actually mean kitchen, not the appliances we put in the kitchen, but also the wood, the cabinets. You're going to see it in Lørenskog later today. Kitchen in Elkjøp is branded Epoq, that's our own private brand, and also last year, and this year, we launched Epoq as a major appliances brand. When you're going to buy a kitchen from us, you can buy the kitchen, but you can also choose Electrolux or Miele, but you can also choose Epoq, with a longer warranty on the products at a favourable price. Later today you're going to see the kitchen and we're going to continue to grow, as you can see, we had a good growth for many years. A little dip in the last couple of years, but that's cyclical and will continue to grow when the market now comes back. We also continue to grow market share in all countries. Now, we also move into NDC 3 - We hold the kitchens in Sweden, meaning that we can deliver the kitchen really fast and if something goes wrong we can fix that immediately. The last thing I'm going to mention on kitchen is: Why kitchen? It started in 2009–10, and we ramped it up in 2012. I was a part of that journey. It was not about the kitchens – It was about the appliances that you put in your kitchen. We saw that our market share on built-in appliances were very low versus the market share we have on MDA in general. That was the reason that we started with kitchen, but then we saw that we can make profit on kitchen also and we started to sell kitchen. Now the aim is that, if you sell £100 million worth of kitchen, you should add appliances worth £100 million on top of that. So of course, if we can follow that growth journey over the next few years, that will also add up to the traditional categories that we have today.

The last part: circular business. Why do we do it? One: We are a market leader, so we need to be sustainable and act as a market leader and as a sustainable player in the market. Two: we also like profits, and we believe that we can combine two of those things when it comes to circular share. Elcare I mentioned – We own the Nordics’ biggest repair centre. It’s situated in three repair shops in Kongsvinger in Norway, Linköping in Sweden and Vantaa in Finland. That means that we actually own the whole value chain when it comes to repairs. It’s a little bit smaller than Newark in the UK, but we also have that value chain, so we can take the product from being new and also refurbish it, recycle it, but we can also sell it again. So that’s an important part of the circular business travel for us.

We say that we want 10% of our revenue to come from circular business in the future. We are at 2.6%. So it’s just a modest growth of 4 BNOK that’s needed to achieve that, but what is circular business – It’s everything that helps you, helps us give the product longer life. It could be repair, it could be rental, it could be recycling, trade-in, recommerce, protection… everything – A lot of things that go into the circular share business and this is a potential for us. My dream is to sell a phone to Bruce. He has it for one year. He comes back to me in the store. I give him a new one because he traded it in. Then I send that to Elcare, do the refurbishment. Then I sell it again to Dan, and after 12 months, Dan comes back for another, meaning I can sell it three times. Imagine if you can sell the product three times – That creates a lot of margin, and it also reaches out to different customer groups and segments in the market. We are not there yet, but we have started and we’re going to build upon that over the next few years. So, with that, I’m going to hand over to Linda, who’s the Managing Director for Norway.

**Linda Frid Andresen:** My name is Linda Frid Andresen. I am the Managing Director of Elkjøp Norway. I've been in retail for over 20 years, the past 15 years in top management of different chains in Norway and for the past two years here in Elkjøp. I'm going to give you a very quick run-through of the Norwegian part of the business.

Norway is where it all started, this whole Nordic electronics adventure, 62 years ago. As many of you probably are aware, Norway has a fundamentally strong economy, with the fourth-highest GDP per capita in the world. However, during the past couple of years, we have been through a quite different macroeconomic situation. A more challenging situation with very high inflation, with interest rates being raised 14 times in a row. The combination of that puts pressure on consumer spending power and on the cost levels for businesses. In addition, the currency has been weak and very volatile for the past couple of years. As a country that's importing a lot of the goods that we use, and for Elkjøp as a company that imports most of the goods that we resell, it puts pressure on our margins in combination with customers having less to spend on electronics. But despite the challenging macroeconomic climate, we have managed to improve our EBIT quite a lot because, as Fredrik has said, we have focused on what we ourselves can do something about. We can't do anything about the market and the macroeconomics, but we have a lot of things that we can handle within the company, and we have done so.

Elkjøp is the definitive market leader in the Norwegian market, with Power as the runner-up in second place, quite far behind, and as Fredrik touched upon, I believe that the omnichannel model is one of our biggest assets in this market, and that is probably why some of the pure players, amongst others NetOnNet, are trying to replicate our model by establishing stores in the bigger cities in Norway, as well as Power, as an omnichannel player, are establishing more stores. I've been in retail for many years, and at least for the past 10 to 15 years, people have been talking about online taking over from the physical stores. I don't think that's going to happen. Of course, it has become an increasing part of our business. It's an integral part of our business. A lot of customers start their shopping journey online, but a lot of them also end up in the store. Most of the customers that order goods online actually pick them up in the store. The highest distribution rate, or the mode of distribution, in Norway last year was actually Click and collect. Why is that so? It's because, like Fredrik also touched upon, most people live fairly close to a store, so it's easy to go and pick it up in the store. And also, we are humans. We like to relate to other humans, and a lot of customers like to have the physical store to go to, to touch and to see products. Most of our products are small investments for customers. They like to have a place to go if things go wrong, if there's something wrong with the product, they like to get support, help, service, to get products repaired when they're broken, and ultimately to have them recycled.

And talking about stores, we are very much looking forward to welcoming you to our big flagship store at Lørenskog a little bit later. It was established 16 years ago, 4,600m² of electronics, an annual revenue of almost 0.5 BNOK. 109 of my colleagues are working there, and our engaged colleagues and some of our very competent HQ staff are looking forward to taking you through the full store experience a little bit later, showing you how we sell complete solutions from the product, adding value through services and accessories, giving support, handling repairs and ultimately recycling the products when they are done. So thank you! We are very much looking forward to seeing you there, and I'll hand you over to the competent hands of Lill.

**Lill Beate Pedersen:** Thank you Linda. Now – what you've all been waiting for, some numbers. My name is Lill Beate Pedersen. I'm the CFO here at Elkjøp. I started just in the beginning of Covid, so I've been here about four and a half years, and I must say, it's been a very eventful and exciting journey so far.

Elkjøp has a long track record of generating EBIT and cash flow. Pre-pandemic, we generated £100m worth of free cash flow. The definition I'm using here is before interest and tax and excluding working capital. Last year, 2023/24, we fell to half of that level. We also saw a working capital outflow, but going forward we are confident that we will be able to generate £100m worth of free cash flow, and I'm going to take you through our plans on sales, margin, cost, and Capex to take us back to £100 million worth of free cash flow.

The market is not expected to see a quick recovery, as Fredrik has also mentioned. Our plans going forward are based on prudent assumptions that the market will be below historic levels, both on value and volume. Everybody here who lives in the Nordics knows that Nordic consumers are challenged at the moment with high inflation, with high interest rates. It's important to remember that long term, the Nordic markets are fundamentally healthy and wealthy. And if the market picks up earlier, we will be able to reach our targets sooner and we also might see an upside on the cash flow. When it comes to sales, Fredrik mentioned some of the initiatives we're working on. We are planning some sales growth based on B2B, kitchen and circular economy, and all these are outside the normal markets.

As regards to margin recovery, this will be supported both by gross margin, operating expenses and cost control. Our margin went up to recent levels last year, but it has been higher in the recent past. We are confident in continuing the small increases in gross margin going forward, and I will show you a bit more about the drivers on the next slide. When it comes to cost control, we saw a significant inflation throughout the Covid period. We have reduced the cost since. What we do expect going forward is a slight increase in absolute terms over the years. We will keep the cost low though, based on working on indirect procurement, store rent negotiations and also lower capital expenditures that I will come back to soon, which will give us lower depreciation. If you combine the flat top line, the gains on margin and the cost being more or less flat and having control of that – We will be able to reach the target of 3% EBIT margins. And again, if the market recovers sooner, we should be able to reach that target sooner.

Our gross margin drivers are the same as in the UK, and you can see some of them on the slide. I'm not going to go through all of them, but one key driver is selling solutions, complete solutions. Fredrik mentioned kitchen – not just selling the appliances but selling the complete kitchen - it's one example of a solution. We also have the accessories adoption rate that we increased by 80 bps YoY last year. Another big driver is the service adoption. You can see some of the examples here, also comparing with the UK. Protection plan is one of them which will help us to improve the margin. Not chasing less profitable sales is also an important element, and also working on reducing the supply chain cost, where NDC 3.0 will give a big impact in the next few years. I've taken you through how we plan to get back to the EBIT target, and now I'm going to take you through some of the other elements to get to the free cash flow.

One of the things that gives us confidence in the future cash flow is that we are well invested in logistics, IT and the store infrastructure. We have strong capabilities in all these three areas. When it comes to logistics, we have modern and efficient logistic infrastructure: the centralised distribution centre in Jönköping with best-in-class delivery times supporting online sales. We also have strategically located transportation hubs throughout the Nordics to ensure rapid replenishment of all the stores and home deliveries. In addition, NDC 3.0 will give us the extension to the centralised warehouse, being able to move the kitchen warehouse that we have in the Czech Republic to the Nordics. This is something that's been planned for a long time. We started the planning in 2018 on NDC 3.0. It was approved in 2022. And then starting now, we're in the transition now in 2024 and are planning on closing down the warehouse in the Czech Republic at end of this year. The stores – I will come back to stores on the next slide. But one example here, the flagship store we're going to today, the last big refurbishment there was five or six years ago, and after that it's just had smaller updates. Fredrik mentioned IT: during Covid we did an IT upgrade, supporting new capabilities and also enhancing the customer journey. Based on all these, we do believe that we don't need to carry out massive investments going forward.

Our store portfolio peaked a couple of years ago, and we closed a few stores since. The expectation going forward is to maintain the store count broadly on a similar level. We might do some transition into franchise stores. If the market changes, we do have flexibility with an average lease length of 3.8 years, and two-thirds of the stores have a lease that will expire in five years or less. The evidence of this is that we have closed four stores since year-end.

With the well-invested assets and with our franchise model, we believe that we can keep the Capex at 1.2% of sales going forward. We have spent more in the past, like 2019/20 it was 1.8% of sales. In 2021/22, when we did the last part of the IT upgrade, it was 1.4% of sales. But last year we only spent 0.7%, and this year we're planning on 1%. We believe that 1.2% is a realistic target. As regards exceptional cash costs, the Nordics did incur £20m worth of restructuring, mainly in 2023/24, offsetting some of the inflation we saw during Covid. This gave us more than £25m worth of savings with one year payback. But we don't expect this to occur going forward.

To summarise, we start with the free cash flow we had last year. Our ambition is to stay flat on working capital going forward. We have to add exceptionals that we had last year. We have to increase the Capex to 1.2% of sales. Then we have to add the profit, and the profit is based on prudent assumptions. We assume the market will remain flat and our sales to marginally outperform that based on the initiatives. We're expecting gross margin to increase slightly and we're expecting costs to stay flat in absolute terms. That's going to give us 3% EBIT, which is the target. This will give us a free cash flow of 3.5% of sales. And with £3.5m worth of sales, we will be at more than £100 million worth of free cash flow. To conclude, Elkjøp is a business that has a long track record of generating cash, and we are confident that we will return to doing so. Thank you. I'll hand over to you, Alex, for your closing comments.

**Alex Baldock:** Thanks, Lill. My closing comments will be brief because you've heard a lot already and we want to get to your questions. But what would I leave you with? Maybe three things. First of all, we believe we've got a fundamentally strong business here, that of course is going through some cyclical challenges. But structurally there's a lot of strength here. Second, we believe that strength rests on some capabilities that our competition simply doesn't have. Whether that's the history, the brand, the scale, the omnichannel model, our ability to provide complete solutions of products as well as services. All of this we've got, the competitors haven't got and it's well-invested infrastructure that doesn't require a load more cash going forward. And the evidence of those competitive advantages, we believe, rests in the resilience, relative resilience of the business to the recent market turmoil and our more rapid emergence from it. And third, as you've just heard from Lill, this is a business that will generate more cash, has been resilient in generating cash and will generate more cash. And you don't need to believe in a big cyclical recovery to believe that. The history of the cash flow generation is one pointer. Our ability to generate more cash without help from the cycle is another. And then third, all of this rests on a group balance sheet and liquidity position, which is in pretty good shape. So those are the three things I'd leave you with.

**Q&A:** Questions for management

**Wayne Brown:** Wayne Brown, Panmure Liberum.
On gross margin, just to understand the moving parts there. Clearly you said flat revenues expected. You've got kitchens coming through, which is probably higher selling price, potentially lower gross margin. You've got services, which is good gross margin stuff. Can you just give us an understanding of what the category mix is, what's going on in the core business – Just so we can get an understanding of what the underlying drivers are?

**Alex Baldock:** In terms of the drivers of gross margin, the great thing it that the story in the Nordics is very similar to the UK. The focus is around services, the opportunity that comes from increasing our adoption rate, the opportunity to continue to drive additional 'Sold-With' capabilities. You'll see a lot of that in the store later on. Incredibly well merchandised, if anything, I think the Nordic team is ahead of the UK, and we've been learning a lot from their execution to drive some of the margin improvements we've seen in the UK. But as you know, we generally don't split out the margin performance by category. On average, roughly, if you combine the sale of the product and the services and the attachment across our three key product categories of large white goods, TV, computing, margins are broadly the same, so there isn't too much impact of mix.

**Wayne Brown:** On distribution costs – can you just give us an idea of where distribution costs have been in the past and where you see those efficiencies could potentially land once some of the additional work is done.

And a follow-on question on loyalty. Clearly a lot of customers are coming through that, and you've got great penetration in Nordic households. Can you just give us a feel for how the loyalty programme is driving frequency, driving the shared economics that you have over a longer lifetime?

**Lill Beate**

**Pedersen:** When it comes to the distribution centre, we don't share the details on how it has been, what the cost was, and what is planning on being done going forward. But what we have done, the distribution centre is increasing the cost at this point with the new warehouse, but overall they will drive the efficiency throughout the Nordics with everything we are doing when it comes to delivering to the different countries. In addition to Jönköping, where we have the kitchen that we're moving from Brno to Jönköping, it will not just drive down the cost element and efficiencies, but also the customer journey as when it comes to the kitchen, we'll be able to deliver them quicker and we're also able to fix things quicker if there's something that's not working.

**Fredrik Tonnesen:** To add on to that, we're not going into detail. But of course, when you move the kitchen into the NDC 3.0 together with the major appliances, you also get some efficiency gains when you put that together, when you're going to deliver that on to the customer. So that's one part. And the other part is that when everything is closer and you put it back in the value chain, you get a lot less cost of goods increase on the freight. So there's a lot of synergies going on, doing the kitchen and the MDA at the same time.

Loyalty is an important part of our strategy, and we cover quite a lot of the households. First of all, the customer club gives us a lot of really good data. We have tons of data on our customers, and are we utilising the data? Not yet, but we are certainly on our way to doing it. These 8 million customer club members give us a consent and permissions to talk to them. Today it's mainly used as a sort of a marketing channel where we are informing them about campaigns, but with that data we have an opportunity to also give more personalised communication. We talk about customer data platform, customer engagement platform. Those are the systems we use to sort of merge and stitch all the data from the different systems together so that we can build more meaningful, personalised communication - that is something that we are working really hard on this year. The foundation of that is the identity management that we are doing at the moment by identifying customers without them having to be logged in, giving them sort of a better, a more tailored communication. We have fantastic datasets, both transactional data but also the behavioural data. Merging these together gives an extraordinary, powerful way of communicating and boosting marketing efficiency, and we have some really strong plans in place for that.

**John Stevenson:** John Stevenson, Peel Hunt.
A question on kitchens - can you talk about what your sort of market share is on kitchens and how that's moved over the last couple of years while the market's been tough. And a little bit more info in terms of the sort of price pitch and where you sit in the market.
Second question, just on the impact of FX on gross margin. I presume it's been quite tough over the last couple of years, is that making a recovery or are we just assuming sort of flat positioning going forward?
And final question: obviously, you talk about very tight ship on costs and sort of controlling Capex. To what extent is that controlling it a little bit more than you'd like to at this point? I mean, how long can you sort of keep the reins tight and to what extent will there need to be catch-up in a couple of years' time?

**Fredrik Tonnesen:** I will start first on the kitchen part, I'm not going to go into detail in each country when it comes to market share, but we are top three in Norway now. We are over two digits in the market share and then a little bit further behind in the other countries. The good things that even when the market now is in a decline, it's easy to grow because we have a low market share. We continue to gain it, but there's a lot more sales to go after when it comes to the kitchen.

**Bruce Marsh:** In terms of FX, obviously there's a bit of a double whammy when it's come to the weakness of the NOK on the performance. Number one, the translation of the Elkjøp profits into Sterling has had a negative impact in terms of our overall group EBIT. The second impact is the negative impact it has on our buy price. If you were to look at the cycle of profitability, we obviously had that drop-off in profit in 2022/23. The underpin of that was the 180 basis points drop-off in gross margin. You heard described the various reasons, definitely one of those reasons was the increase in cost of goods sold, and there was a delayed period in being able to pass that on to consumer, predominantly because of the excess stock in the market that was also described. Now, as that stock has diminished and reduced, the market has becomes more orderly and therefore I would suggest that a lot of that headwind that's come through due to adverse FX has been passed on to the consumer. My overall assumption is there's very little impact caused by the movements in FX on overall gross margins.

**Fredrik Tonnesen:** Regarding the question on price positioning, it's about value for money. If you look at the Nordic kitchen market, what's the only thing that has grown for the last ten years? It's flatpack, mount-yourself kitchen like Ikea has. We observed in the B2B segment you can have the kitchen a fully mounted and you've just got to deliver. But in the Nordics we see that the one thing that has increased the last years, and it's also going to continue to increase, is do-it-yourself kitchens, where you get a flatpack kitchen and you mount it yourself. For Elkjøp customers, 60–70% actually get a carpenter to do the job. So that's the biggest market and that's the market that we are going after. We should have the best kitchen in the category at the best price, meaning that we are not targeting an average price. Let's say that the average price on a kitchen in Norway is £15,000 for everything. Then you will typically find Epoq at half the price. So we are close to Ikea, but with much better value and a much better offer, also on the MDA products around. But you will see that in the stores later.

**Linda Frid Andresen:** You have asked are we able to hold it and will it increase going forward? We have initiatives on indirect procurement, store rent negotiations, and also the CapEx itself. We do believe we have to offset inflation, and we're not saying it's going to be an easy job, but it is something we have to do. We do believe that we're able to keep it flat, in absolute terms. Will it then go up later? When it comes to the CapEx, we are well-invested already and we've done massive investments, and with 1.2% of the sales going forward in CapEx, we believe that that should suffice going forward.

**Adam Tomlinson:** Adam Tomlinson, Berenberg.
First question is on services. Looking at some of the stats there, this big opportunity in the Nordics, like credit where the penetration is about half the levels of the UK. Does the consumer in the Nordics behave differently, or is there a reason why that can't get up to the same levels as in the UK?
Second question is on kitchens, being a bigger product, I guess there's more that can go wrong in terms of the supply chain, for example the fitting of that kitchen and the service level. Can you share a little more about that and how you deliver that level of service to the customer, of which installation I guess is a big part of that. Does the teams you send out help install the kitchen for the customers?
Final question, I am very clear that your guidance isn't based on any improvement in the macro. In the UK there's talk of the replacement cycle coming through, I am interested to get your thoughts on how that plays out in Nordics, given Covid and the increased spend that happened in there, when that replacement cycle might come through to give some support as well?

**Alex Baldock:** To start on your credit point, it's true to say that in the past there has been an assumption here that structurally getting credit penetration up to towards UK levels is not possible, but I think Fredrik that you're taking a slightly different view these days.

**Fredrik Tonnesen:** As per the slides, you saw that there's 11.9% versus 20% for credit penetration rates, so there's a lot to go. We need to understand that it’s different markets. So yes it is. We also see that for instance Klarna in the Nordics has a really high position, everybody is using it when they go online, they shop, they put the product in the basket and then just check out and you get an invoice and after 30 days you can decide to pay it or you can postpone it. We know that our customers wants the credit and we see that they use it, they pay in time. We get all the benefit from stickier customer, more products in the basket and increased number of products in the basket. Hence everything is good with credit. So yes, there’s a potential to go more.

The other question was on kitchen. Yes it’s a difficult supply chain. I’ve been through that journey for the last 12 years. That is also a reason why we are moving it to Sweden instead of Czech. If you look into all the peers in the kitchen industry, nobody delivers 100%. At least there are very few that do. So everybody makes some mistakes. The good thing now is that if I sell a kitchen to you when we are operating in Sweden and you are missing one thing, next day I can deliver it to you. We are working really hard on something we call OTIF, that’s on-time in-full, a delivery service KPI to the customer, and it has gone over the last few years from 20% to above 80%. This means that we have started that journey, more to go, but we feel that we are getting more and more benefits from both the Jönköping move but also the system upgrades that we have done. The good thing with that is that also adapts to the other category. We do some fixed and smart supply chain developments in kitchen. That’s also benefits from the home delivery and all the others.

**Adam Tomlinson:** Sorry, just in terms of the personnel that actually install the kitchen, how you make sure they’re of the right quality and installing it well.

**Fredrik Tonnesen:** They are not hired by Elkjøp. We have different partners in the different countries, it could be up to 50 or 60 different companies. For now we say to the customer: use a local carpenter or we can recommend some in your nearby area.

Final question on replacement cycle. If you look into Best Buy, they said that we're starting to see that materialise now. Last week I was visiting Intel and got some outlooks for the whole European market and they said yes, it's going to start now. The recycled market into '24 and over to '25. Have you seen it in, for instance, on laptop? Not yet, but we expect a lot of that to fall through into '25 and '26, because then it's four or five years since they bought things. So I'm optimistic.

**Harald Hjorthen:** Harald Hjorthen, TIND Asset Management.
Nordic investors love a strong, profitable market leader. If you look at markets, especially go to Sweden, look at how these companies are valued. If you were to list Elkjøp in Sweden, the valuation would be much more than that of Currys today alone, just Elkjøp. The simple question is: when can the Nordic investor invest in Elkjøp? Either through, you know, listing a minority stake in Sweden or a secondary option as a dual listing.

**Alex Baldock:** I suppose the history here, as you know, is that we explored looking at a minority IPO a few years ago and there was plenty of appetite to own the asset. There was less appetite for a minority stake in the asset. So we decided not to pursue that at the time. Now obviously in recent history, even if we wanted to pursue separation, this wouldn't be the best time to do so. And you've heard the guys talk about getting Elkjøp back up to historic levels of profitability and cash generation.
Put the timing aside, there are no plans to dispose of Elkjøp and to separate. In fact, as you're hearing, the direction of travel, if anything, is towards making more of the group, and we believe there's further to go on that. You've heard us talk about the hard cost synergies that we get in areas like IT, GNFR, offshoring and outsourcing. You've heard us talk about the hard margin synergies that we get as a benefit when we're negotiating with some pretty big global suppliers, that we like the benefit of our group scale when we're negotiating with those suppliers.

And there's the least tangible, perhaps, but still meaningful benefit that we get in having full open sharing internally with a ready-made benchmark, if you like, on the revenue synergies. The UK is further behind the Nordics in areas like selling to SMEs. We're pretty excited about the growth prospects of SMEs in the UK, just as we are in the Nordics. You've heard Fredrik talk about the Nordics as further behind the UK in areas such as credit, and you've probably picked up a slight spirit of healthy internal competition that comes on both sides of the North Sea, which we're not shy about making more of. In conclusion, we've got no interest… *I've* got no interest in centralising the group for its own sake.

There's a lot of value in allowing the local autonomy and the local variants, but equally there's more value in making more of the group. Now, all I would say on your point about the sum of the parts valuation, we would agree with you. We would agree that the stock is not expensively priced at the moment. Whether you look at the constituent value of the Nordics, whether you look at the iD MVNO that we have in the UK, but we're not here to complain about that. We're here to generate more cash sustainably to make this an ever more attractive investment for you. And I suppose I'd leave with: you can invest in Elkjøp. You just need to invest in Currys at the same time.

**Vandita Sood:** Vandita Sood, Citi.

On the B2B business, which you said is about 10%. Could you talk about the competitive landscape there? Is it quite fragmented? Is it similar players in the rest of the business? Or is it just down to improving your offer? And do you think that actually getting that share will be quite straightforward if you do that?

Second question is on the dynamic on the mobile. Is it structural that you don't have an MVNO here and tend to collaborate with the networks or another reason, because you've obviously talked about the benefits of having an MVNO in the UK.

**Fredrik Tonnesen:** I shall start with the B2B part – yes, when we look at the Nordic market, we have some really big players like Elkjøp in the B2B segment. But please note that our biggest target is the SMEs. Many of the big players tend to go after the big volumes like government agreements, big enterprises buying 5000 laptops, hospitals that need our whole IT infrastructure. That's not where we're targeting. We are targeting businesses like having 8-10 people working there. They don't go to the big players, we know that the SME market is the smallest one. That doesn't mean that we do not want to compete also on big agreements – we do that – we have, today, agreements with the government on laptops, school PCs to the schools around in Norway, we do have agreements with insurance and companies, again utilising the stores of Elkjøp, meaning that if your phone is broken, you can go to the nearest Elkjøp, either get it repaired or get a new one if it's broken.

Our main focus is on the SMEs and we don't see any real big competitor there. It's more like going into competition with Komplett, Power and all the others. I would say that there is a lot for grabs there, if you are clear in your communication.

And of course, the mobile part, we enjoy benchmarking and seeing what they do in the UK, but we have quite a strong partnership with operators in the Nordics right now, we have about 20% of the market and have a great agreement with all the suppliers and network operators. For now, we're just looking and benchmarking with the UK, but we are happy with the position we are in right now.

**Alex Baldock:** On B2B the same answer applies to the UK as well. One of the sweet spot that we're targeting for B2B growth in the UK is 50 seats or less. Big IT resellers who would make for quite formidable competition, but they don't really kick in as interested until 100 seats plus. And as you've heard, from Fredrik, one of the benefits of the group is that the situation in B2B is very similar in that as long as we keep our discipline and chase SMEs, 50 seats or less. Those are the segment of enterprise whose needs are most analogous to consumer, and therefore we can get the operating leverage of adding on growth, leaning on existing infrastructure, existing capabilities without needing to add a load more cost to serve a different kind of market and take different sorts of risks. The one difference is the relevant market is relatively a little bigger in the Nordics. I mean, it’s not far short of the same size as the B2C market in the Nordics. We think it’s about 70–75% of the size in the UK, but still substantial given it’s only 6% of our sales at the moment.

**Ole Martin Westgaard:** Ole Martin Westgaard, DNB Markets.
A topic that you didn’t touch upon - as we see from several competitors, they are really aiming to step up on private label as a key driver of gross margins. I understand that in a world where you are two and a half times the size of your closest competitor, you will always win the brand game in a sense. But how do you see the threat from private label, and how important is this for you? Where is your share of private label at the moment? And what should we think going forward?

**Alex Baldock:** I will start from a group perspective and Fredrik can talk later. I mean, we didn’t talk about it, we do have a substantial private label operation. We have our own sourcing operation based out in Hong Kong, and we use it much as many other retailers do, to plug gaps in the price architecture that the branded suppliers give us and to keep our branded partners honest on terms. We’re able to mix in and mix out of private label more or less flexibly, depending on the terms and the products and the range that we’re getting from branded suppliers. The penetration, we don’t break out the details of of it, but private label penetration is highest in appliances, as perhaps you might expect, and also in TVs. So in the UK, for example, we’ve got exclusive licence to the JVC brand and we make full use of that, and there are a few others in other categories. So it’s not trivial. It plays an important role. But the bulk of our business is with branded suppliers because that’s where the bulk of the customer demand is.

**Fredrik:** To add on that, I mentioned also that we launched our private label Epoq. We have it on kitchen. This year we also have launched it on MDA. You're going to see the products in the store later today on both washing machines, cold products, that's being launched now, and we have seen a fantastic start to it. We see that the customer wants it and we try to make a different evaluation on each category. Some categories we just say that private label, yeah, it fits well with accessories on MDA. We put it in around average price. You can look at computer, that's almost all accessories. And then if you go to small domestic appliances, you should also look for some of our private brands there. So we have launched a lot over the last few years and it's going to be an important part of our journey, also going forward, to add more margin, where we see that we can utilise the Hong Kong and the Currys sourcing office to create value for the customer.

**Charlie Rothbarth:** Charlie Rothbarth, HSBC.
What you think your blue sky EBIT margin for the area is? I appreciate you've put 3% as a number in a presentation before, but my understanding is that's a minimum rather than a maximum. I'm just wondering what the maximum might be.

**Bruce Marsh:** You've answered your own question, which was good. The guidance we're giving is at least 3%. The good news is that the heavy lifting, particularly in the UK, has taken place. And we're at or around 3% already. In the Nordics, as you saw on the slides and Lill described, for more than a decade the Elkjøp business was operating above 3%, closer to three and a half. Clearly, our ambition is for the business to get back to that kind of level. The million dollar question is, how long is it going to take? So if you think about the individual components, obviously, as you've heard me talk about many times, and you heard Lill talk about today, a lot of great work taking place on margin in terms of what we sell, mix, accessories, services etc. A lot of really hard work on cost, particularly in the last 12 months within the Nordic business, but over the last three years within the UK. And that puts us in a really strong position for when the macro comes back. And we all know that the macro environment is probably at a 20-year low. But despite that, we've been able to move our profitability forward as the market comes back, given our operational leverage and the high fixed cost base, that will translate into higher profitability. So at least 3%. I think we can be more optimistic in the UK. In the Nordics, as I shared at the half-year, year-on-two years, Nordic sales have dropped by £350 million, which has negatively impacted EBIT by around 70 million. There's a lot to come back. It does require the macro to step back. And as we described in our first quarter results, whilst the UK was stepping forward, plus 5%, Nordics due to a soft market has continued to step back. So with that backdrop, you've heard a lot about the macro today. I think that's going to be the key driver.

**Wayne Brown:** Wayne Brown, Panmure Liberum.
Three questions. First question on the past. I think slide 40, where you showed the sales growth over a large period of time. It seems like you've held on to a fair amount of the Covid revenue that you generated, slightly off that peak, but certainly relevant to pre-Covid. It's quite well away ahead. I'm just curious as to what's changed, (A) from a market share perspective pre-Covid to where you are now, if competitors have fallen away. But there seems to be quite a certain gain there.

**Fredrik Tonnesen:** When it comes to the market shares, as you can see on the slide, also we are around 28%. We lost some under Covid due to all the stores being closed. Then, the other players won a little bit more, but the market share has been quite stable and in the right projection all the time. And the last 12 months, as we have reported, we have gained market share. But on the chart is that the average price has gone very much up, so the quantity is dramatically down after Covid, but the average price is helping us get that revenue. So yeah, as you can see, if you had removed the Covid, we would probably have followed that projection on the sales part.

**Wayne Brown:** Two more questions. We briefly looked at Marketplace and we spoke about data to a small degree, looking at Marketplace, clearly there's an opportunity there. You've got 130,000 products. So good to hear what your initial feedback and thoughts are on Marketplace and some thoughts about how you're going to scale that. Because if I look at your free cash flow, build into the future wasn't really much of a feature there, but that could be quite a meaningful driver. So how should we probably think about that into the future?

And then on data, for any business to have data on 50% of the households is quite something, that's really powerful and probably has a huge amount of value. Is it right or wrong to think about maybe utilising that data in a retail media way in the future and actually saying, well, that data is so good. Should we be doing more of the credit on our own books as opposed to farming it out? Is there other ways of leveraging that data that maybe we haven't necessarily thought about in today's presentation?

**Fredrik Tonnesen:** Let's start with Marketplace. As I mentioned, we have 150,000 SKUs there. It helps us of course, be more relevant and get to the long tail. But what we have done in the last year is to figure out what do we want to do with Marketplace, because one thing is that when you add a partner on your site, you need to do the translation. You need to get it into maybe four countries, but you also need the sales staff to know how to do it. Because as you, as a customer goes into the Elkjøp web page saying, oh, I want to buy that. Even if that's from Dan Homan's private company, you will look at me if something goes wrong, right? You will go to Elkjøp. So we have used the last couple of years to understand - how can we mix that into the service routines we have? Which kind of partners do we trust and what should we avoid doing? So this is more a try-fail-develop right now. But we have seen that we are selling for a couple of hundred million NOK now in Marketplace and we're going to push that forward. But as I said, we need to do it step by step. But of course, this is also good for our cash because we don't hold any inventory. But we just need to figure out how this can fit into the DNA of Elkjøp and how can we secure that our customers get the right experience when they do it? But the potential is huge, and we have some smart ideas on how to do this going forward. But I'm not going to go into details of all of that here. When it comes to retail media, would you like to start, Alex?

**Alex Baldock:** It's an excellent question and a couple of things to say about the retail media opportunity. First, the likes of Best Buy have already showed what an omnichannel market leader in our category can make of this opportunity. You can read across Best Buy's advantages when it comes to retail media to Currys and to Elkjøp. We are in the early stages of exploring this opportunity. We don't tend to like to talk about things much until we've done them, rather than when they're in the early stages of exploiting the opportunity. But if you wanted to see this as a source of potential future upside, I'm not going to argue with you.