

Company Tallinna Kaubamaja Grupp AS

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Attachments:

- TallinnaKa-10004319061-en.pdf (<http://oam.fi.ee/en/download?id=4901>)
- TallinnaKa-10004319063-et.pdf (<http://oam.fi.ee/en/download?id=4902>)

Currency

Title Unaudited consolidated interim accounts for the third quarter and first nine months of 2020

Segments (EURm)	Q3/20	Q3/19	yoy	9m/20	9m/19	yoy
Supermarkets	134.5	117.6	14.4%	381.0	346.4	10.0%
Department stores	21.6	23.6	-8.3%	58.6	70.8	-17.3%
Cars	34.7	34.9	-0.5%	92.5	96.9	-4.5%
Footwear	1.9	2.2	-12.7%	4.8	6.3	-22.6%
Real Estate	1.4	1.5	-0.8%	3.7	4.3	-13.1%
Total sales	194.2	179.7	8.1%	540.7	524.6	3.1%
Supermarkets	4.4	6.5	-32.0%	12.0	12.5	-3.8%
Department stores	0.3	0.7	-63.1%	-0.7	1.2	-160.1%
Cars	1.0	1.6	-36.3%	1.8	3.8	-52.6%
Footwear	-0.4	-0.3	46.0%	-1.6	-0.9	72.2%
Real Estate	2.9	2.7	5.8%	7.5	8.1	-7.6%
IFRS 16	-0.7	-0.4	92.6%	-1.7	-1.1	49.2%
Total profit before tax	7.4	10.9	-31.7%	17.3	23.5	-26.3%

In the third quarter of 2020, the consolidated unaudited sales revenue of



Tallinna Kaubamaja Grupp was 194.2 million euros, which was 8.1% higher than the sales revenue of the same period in 2019. The sales revenue in the first nine months was 540.7 million euros, which was a 3.1% increase in comparison with the result of the first nine months of 2019, when the sales revenue was 524.6 million euros. The Group's consolidated unaudited net profit of the third quarter of 2020 was 7.4 million euros, which was about a third less than the profit of the comparable period in 2019. The Group's net profit of the first nine months of 2020 was 11.5 million euros, which was also about a third less than the result of the previous comparable period. In the first nine months of 2020, pre-tax profit was 17.3 million euros, which is 26.3% less than the year before. Net profit was affected by the dividend payment, from which 5.8 million euros of income tax was calculated in the first quarter of 2020; 6.5 million euros of income tax was calculated a year before.

Retail consumption in the last months of 2020 was characterised by a surprisingly rapid recovery, where the sales revenue from Estonian retail trade (except motor vehicles and motorcycles) in current prices has demonstrated a slight growth after the decline in April and May. Thereat, the consumer behaviour has changed significantly. The number of visits to city centres has decreased and the consumption has moved more to rural areas. People attempt to visit stores less frequently, but buy more at a time. Understandably, online stores are also preferred more frequently. The Group's sales revenue of the third quarter of 2020 grew faster than the average sales revenue for the Estonian retail trade, primarily due to the sales revenue of ABC Supermarkets AS, which was acquired and added to the supermarket segment in May 2020. The business volumes of the car segment of the Group dropped, but the decline was smaller than the decline of the car market in general. The fashion goods segments of the Group were hit hardest by the crisis, as the demand for those items has dropped due to the lower mobility. In addition to the expenses on virus control supplies for retail stores, the profit has been put under pressure by the one-off costs of numerous developments. Labour force expenses increased by 11.8% in the third quarter, while the number of employees grew by 9.7% due to expansions and the average wages grew by 2.0%.

The largest development projects in the third quarter included preparations for transferring the stores of a new chain acquired at the end of May, which are operating under the Comarket trademark, to under the trademark of Selver and the opening of ABC KING and SHU e-stores. The adjustment of the new factory and the renovation of an existing factory building of Kulinaaria is in progress. Renovation will be completed in the beginning of 2021, after which Kulinaaria will be carrying out its operations in both factories and is focusing on product development in new as well as current food categories to expand its market share and increase its production volumes. Several developments have already been completed in the financial year. The Selver store in Võru was successfully moved to the new location in the Kagukeskus shopping mall in March and it was the latest Selver store to introduce the SelveEkspress service. Selver fully renovated the Suurejõe Selver in Pärnu and extended the sales area at the Rannarootsi Selver in Haapsalu. On 9 July, Selver opened a new store at the WOW mall in Saaremaa, which is the 54th store in the Selver chain. In the last



quarter of the year, it is planned to renovate Mustakivi Selver in Tallinn and launch the transfer of the Comarket stores to under the trademark of Selver ABC. The Group's attention continues to be focused on developing e-commerce and increasing the shopping convenience of customers.

Selver supermarkets

The consolidated sales revenue of the supermarkets business segment was 381.0 million euros in the first nine months of 2020, increasing by 10.0% in comparison with the same period of last year. Excluding the added ABC Supermarket stores, the segment grew by 4.5%. The consolidated sales revenue was 134.5 million euros in the third quarter of 2020, increasing by 14.4% in comparison with the same period of last year. During the first nine months of 2020, 29.9 million purchases were made from the stores, which was 1.3% less than the reference year. The decrease in the number of purchases is impacted by the state of emergency which was announced in spring, during which the customers visited the stores more rarely, but in turn, the average total sum of purchases increased.

In the third quarter of 2020, both the pre-tax profit and net profit were 4.4 million euros, dropping by 2.1 million euros in comparison with the same period the year before. The consolidated pre-tax profit of the supermarkets segment in the nine months of 2020 was 12.0 million euros, dropping by 0.5 million euros in comparison with the previous year. The net profit of the nine months was 9.9 million euros, which is an increase of 1.4 million euros in comparison with 2019. The difference between the net profit and profit before income tax compared to the results from a year earlier is due to income tax paid on dividends - income tax paid on dividends was 1.8 million euros lower in 2020 compared to the year before. All supermarket profit is earned in Estonia. As of 1 June 2020, the results of the supermarkets segment include the results of ABC Supermarkets.

The profit was earned thanks to the increased sales revenue, the investments made in increasing the efficiency of daily processes, and the warmer weather in the beginning of the year, which enabled saving on administrative expenses. The SelveEkspress service was extended to all Selters in the first quarter, which has enabled keeping the labour efficiency at last year's level in the conditions of wage pressure which were prevailing in the beginning of the year. The economic results were impacted by the expenses made on the protection of the customers and employees due to COVID-19. The impacts of COVID-19 were carried over to the third quarter in a lesser extent, with the customers visiting the stores less frequently, but buying more per purchase. In the second quarter, Selver acquired the ABC Supermarkets chain, which will improve the availability of Selver's service and increase the market share thanks to the wider network of stores. On the other hand, the economic result of supermarkets is impacted by the one-off costs related to the purchase of ABC Supermarkets. Selver has fully renovated the Suurejõe Selver in Pärnu and the Merimetsa Selver in Tallinn this year. Both stores were closed to customers during the renovation works. The sales area of the Rannarootsi Selver in Haapsalu has been expanded. In Võru,



Selver moved to new premises at the Kagukeskus shopping mall. In July, Selver opened a new store at the WOW mall in Saaremaa. Due to the state of emergency, the Sepapaja Selver and the Puhvet café at the Kadaka Selver were temporarily closed in the second quarter. Selver is planning to renovate the Mustakivi Selver in Tallinn and launch the process of transferring the stores, which are operating under the trademark of Comarket, to under the trademark of Selver ABC this year. The result of the first nine months includes the costs of launching the new factory of Kulinaaria. The assembly and delivery volumes of e-Selver have been growing rapidly. The e-Selver service area includes all of Harju and Tartu County, Hiiu County, Saare County, a large part of Pärnu County, and a part of Lääne County. Development of the e-commerce remains one of the priorities of the segment.

Department stores

In the nine months of 2020, the Kaubamaja department stores business segment earned a sales revenue of 58.6 million euros, which is 17.3% less than in the same period of last year. The pre-tax loss of the Kaubamaja department stores in the first nine months of 2020 was 0.7 million euros, showing a decrease of 1.9 million euros in the year-on-year comparison. The sales revenue of Kaubamaja department stores in the third quarter of 2020 was 21.6 million euros, which was 8.3% less than during the same period of 2019. The pre-tax profit of the Kaubamaja department stores in the third quarter was 0.3 million euros, showing a decrease of 0.5 million euros in the year-on-year comparison. The sales result of the Kaubamaja department stores in the two last quarters was influenced by the emergency situation declared by the Government of the Republic of Estonia due to the COVID-19 virus, which resulted in a lower number of visitors to the department stores from the middle of March. On 27 March, the Government of the Republic of Estonia ordered the closing of all shopping malls and Kaubamaja also closed all selling spaces of manufactured goods in Tallinn and Tartu, with only the grocery stores remaining open. The department stores were reopened on 11 May. Some changes can be observed in the purchasing behaviour of customers. Even more value is placed on quality and such products are sought and purchased. Fashion items are purchased somewhat more modestly, but the sales of household goods have been quite successful. The Kodumaailm (Home department) at Tallinna Kaubamaja was redesigned for autumn, which has also had a positive impact on the sales figures. On the other hand, due to its central location, Tallinna Kaubamaja has been strongly affected by the drop in the number of tourists and the lower number of people working in the offices in the city centre, as well as the general decline in the visitation of the city centre, especially in the summer period, which has had a negative impact on the sales result of the third quarter. The turnovers of the Kaubamaja online store have multiplied after the crisis, but this has failed to compensate for the decline in the sales of the physical department stores.

In the third quarter of 2020, the sales revenue of OÜ TKM Beauty Eesti, which operates I.L.U. cosmetics stores, was 1.3 million euros, which is 12.3% more than in the third quarter of 2019. In the third quarter of 2020, profit was 0.03 million euros, which was 0.05 million euros more than during the comparable



period in 2019. The result of the third quarter was impacted positively by the continued increase in the sales revenue of the online store, the refreshment of the selection, which was welcomed by the customers, and the successful changes in the marketing campaigns. The sales revenue of the first nine months of 2020 was 3.3 million euros, which is 1.0% less than during the same period of 2019. In the first nine months of 2020, profit was 0.02 million euros, which was 0.22 million euros more than during the comparable period in 2019.

Car trade

The sales revenue of the car trade segment was 92.5 million euros in the first nine months of 2020, which was 4.5% less than the sales revenue of the same period in 2019. The sales revenue for KIAs decreased by 29.1%. The sales revenue of 34.7 million euros of the third quarter of 2020 was 0.5% less than the sales revenue of the same period in 2019, whereas the sales revenue for KIAs decreased by 27.3%. During the first nine months, a total of 3,895 new vehicles were sold, 1,482 vehicles of them in the third quarter. The net profit of the segment in the first nine months of 2020 was 1.2 million euros, which was 2.0 million euros less than the profit of the same period a year before. The pre-tax profit of the segment in the first nine months of 2020 was 1.8 million euros, which is 2.0 million euros less than the profit of the first nine months of 2019. The pre-tax profit of the third quarter of 2020 was 1.0 million euros, which is 0.6 million euros less than the profit of the same period a year before.

In the third quarter, sales revenue and business profit decreased mainly due to the delivery problems of suppliers, which were caused by the coronavirus crisis. The importer of the brands sold by the car segment of the Group experienced issues with the delivery of new cars and the limited stocks. On the other hand, there were also less buyers; thus, the demand and supply were balanced. All showrooms were opened and worked under normal conditions. A change in the consumer behaviour can be observed in the sales of new cars, with the regular customers and small customers having been replaced with large customers and public procurements and with the operations of the car segment of the Group proving quite successful. The volumes of after-sale services have not declined significantly. The new Skoda car showroom of Verte Auto in Riga is still in the launching phase and is showing a monthly growth trend.

Footwear trade

The sales revenue of the footwear trade segment was 4.8 million euros in the first nine months of 2020. In comparison with 2019, the sales revenue of the same period decreased by 22.6%. In the third quarter, the sales revenue of the segment was 1.9 million euros, which is 12.7% less than during the same period in 2019. The loss of the first nine months of 2020 was 1.6 million euros. The loss of the comparable period in 2019 was 0.9 million euros. The loss of the third quarter was 0.4 million euros, which is 0.1 million euros weaker than during the same period of 2019. The sales revenue of the third quarter was impacted by the continuing deep discounts in the realisation of the stocks of the spring season, which were left due to state of emergency announced and



closing of the shopping centres in connection the spread of COVID-19. The SHU store in Haapsalu was closed in September, while the SHU store in Jõhvi was moved to another location at the recently renovated Jewe centre, which has more perspective. Taking into consideration the changes in the consumer behaviour and the development of e-commerce, online stores of ABC KING and SHU were developed and opened to customers in the middle of September.

Real estate

The sales revenue earned in the real estate segment outside the Group was 3.7 million euros in the first nine months of 2020. Sales revenue decreased by 13.1% in comparison with the previous year. The sales revenue earned in the segment outside the Group was 1.4 million euros in the third quarter of 2020. During the reference period, sales revenue decreased by 0.8%. The pre-tax profit in the real estate segment was 7.5 million euros in the first nine months of 2020. Compared to the reference period, profit decreased by 7.6%. The pre-tax profit of the segment in the third quarter was 2.9 million euros, which is 5.8% more than during the same period in 2019.

The segment's sales revenue and profit of the third quarter recovered quickly. The drop in the sales result of the real estate segment in the first nine months reflects the impact of the rent discounts during the state of emergency announced by the Government of the Republic and the closing of department stores. The Tartu Kaubamaja department store and Viimsi Keskus shopping mall were largely closed until 10 May. Grocery stores, telecommunication stores, and stores with a separate entrance were open at the malls. Catering enterprises were open only for take-away. The restriction on movement affected Tartu Kaubamaja department store the hardest - the attendance of the mall decreased by more than 80% during the period that shopping malls were closed. During the same period, the attendance of the Viimsi Keskus shopping mall decreased by nearly 40%. Viimsi Keskus has recovered from the impacts of the state of emergency quicker than Tartu Kaubamaja. Within the segment, the Latvian real estate company improved its results most, having gained a new Shkoda and used cars showroom in Riga in the end of last year. The aftershocks of the coronavirus epidemic will continue to affect the results of the retail rental market for the whole of 2020. As the economic impact of the epidemic is not yet clear, the volumes of and schedule for future developments will be adjusted as and when needed.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

In thousands of euros?

	30.09.2020	31.12.2019
ASSETS		
Current assets		



Cash and cash equivalents	22,700	40,629
Trade and other receivables	14,955	16,904
Inventories	76,197	78,305
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Total current assets	113,852	135,838
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Non-current assets		
Long-term trade and other receivables	275	114
Investments in associates	1,892	1,721
Investment property	60,641	60,458
Property, plant and equipment	378,636	319,192
Intangible assets	21,235	4,990
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Total non-current assets	462,679	386,475
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TOTAL ASSETS	576,531	522,313
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LIABILITIES AND EQUITY		
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Current liabilities		
Borrowings	23,465	46,448
Trade and other payables	90,995	89,831
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Total current liabilities	114,460	136,279
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Non-current liabilities		
Borrowings	252,096	157,876
Provisions for other liabilities and charges	362	322
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Total non-current liabilities	252,458	158,198
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TOTAL LIABILITIES	366,918	294,477
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Equity		



Share capital	16,292	16,292
Statutory reserve capital	2,603	2,603
Revaluation reserve	91,927	93,496
Currency translation differences	-149	-149
Retained earnings	98,940	115,594
TOTAL EQUITY	209,613	227,836
TOTAL LIABILITIES AND EQUITY	576,531	522,313

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In thousands of euros

	III quarter 2020	III quarter 2019	9 months 2020	9 months 2019
Revenue	194,181	179,683	540,685	524,609
Other operating income	316	285	976	682
Cost of sales	-146,012	-133,804	-409,104	-393,038
Other operating expenses	-11,216	-9,657	-31,362	-30,482
Staff costs	-19,139	-17,120	-55,285	-52,665
Depreciation, amortisation and impairment losses	-9,387	-7,728	-25,249	-23,058
Other expenses	-157	-71	-534	-482
Operating profit	8,586	11,588	20,127	25,566
Finance income	1	1	1	1



Finance costs	-1,204	-749	-2,967	-2,215
Finance income on shares of associates	57	60	171	174
Profit before tax	7,440	10,900	17,332	23,526
Income tax expense	-1	0	-5,823	-6,453
NET PROFIT FOR THE FINANCIAL YEAR	7,439	10,900	11,509	17,073
Other comprehensive income:				
Items that will not be subsequently reclassified to profit or loss				
Other comprehensive income for the financial year	0	0	0	0
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR	7,439	10,900	11,509	17,073

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Chairman of the Board

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