Twitter Thread by Professor Kalkyl

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1/x Since I promised a few investors outside Sweden/Nordics to look deeper into $CDON, with my negative customer biases aside, here's a short thread;

Let's first go through the negatives



2/x I really understand the excitement when you put on the "local dominant marketplace"-glasses and start comparing CDON multiples to the likes of $AMZN, $MELI, $SE or whatever. But with boots on the ground I can assure you, that they are *nothing* of the sort. At least yet.

3/x Just looking at GMV/revenue, after >20y in business, an "everything store", CDON doesn't even come near other local niche players like $BHG (8bSEK) or $BOOZT (4bSEK) and other private companies. They are closer to $LYKO in size, who are only selling hair & beauty..

4/x Unfortunately the brand is very much on decline (especially among young ppl) since the website has been mistreated for years and years, so I think they have to work extremely hard on building trust + enhance customer experience to even have

a change long term.

5/x Like I wrote yesterday we have a very divided (in a good way) eCommerce market in the Nordics, with lots of amazing niche players with top notch customer experience. To put it in words you understand, we are a more $SHOP like region with independent businesses.

6/x Therefore I can't really see the value that a big marketplace would bring to the table (also why I think $AMZN are too late), since I believe we are too eCom-established for that type of buying. CDON have tried since 2013 when 3P Marketplace was launched.

7/x Let's say that I'm wrong and the "Everything Store" approach might work here, without incentives for neither customers (very bad experience/history) nor sellers (most of the e-retailers have a wonderful biz on their own) I think it will be hard to get the flywheel going.

8/x BUT the pandemic might have flipped the script a little. Some companies NEED to go online fast, but lack the digital presence/relationship w/ customers, so the CDON Third Party solution is probably a good start. I think that might add a fair amount of GMV growth right now.

9/x Sum of negatives;

Brand on decline, needs a fixer upper.

History of slow growth, still no scale to talk about.

Tough competition $AMZN $ZAL + low incentives for merchants (although "why not, it's low cost" is a fair argument).

No environment for Everything Stores imo.

10/x On the positive side I really enjoy listening to their new CEO who seems competent and aggressive around their growth ambitions. The new facelift on the site also helps with customer experience, even though delivery time varies immensely and communication still is very poor.

11/x The shift to a pure 3P business model is of course great (although I can't figure out why it has taken such a long time to transition, since the launch 2013?) for scalability, which Q3 seem to prove with 80% gross margins (~29% total in Q2 I believe) for marketplace revenue.

12/x So even if I have a hard time seeing $CDON anywhere near as dominant as the $MELI's of the world, they will probably still have a place in the region for the forseeable future. So the bull case is dead in my eyes, but the base case might be alive and kicking...

13/x With the new margin profile in the making + recent growth spurt w/ newly added merchants (+100% GMV in Q3, pandemic boosted or not something is going very right) the stock trades at a discount with consideration to margin expansion, despite the recent run-up.

14/x At ~400 SEK valuation is around 10x LTM Gross Profit, with ongoing margin expansion, or 1.25x GMV.

EV/GP comps (LTM)
$MELI 61x (1/3 fintech + insane network effects)
$OZON 40x
$ZAL 7x
$ETSY 26x
$EBAY 5x
$LYKO 7x
$AMZN 11x
$JD 8x
$ALE.WA 40x
$BOOZT 6x

15/x When looking at "peers", as I said, I still see a discount. But with $ETSY (growing faster + great brand + huge scale) and $ALE.WA (very established + lots of optionality) on 3x GMV, I find a 1-1.5x multiple fair today for CDON considering large execution risk.

16/x So at 100-200 SEK I admit it would probably have been a buy for me, but unfortunately my bias towards CDON as a customer made me look the other way. At 400 I really need to see more great numbers to stay interested, and are not willing to bet on it despite (some) discount.

17/x Some ppl who I wrote with about it yesterday and might be interested @pbcinc @LiviamCapital @AlexWhite1812 @GetBenchmarkCo @deucetrade @hungry_cap @tjylha @outofWACC