Twitter Thread by Benchmark

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■ BUY ALERT $CDON +23% ■

$CDON was founded in 1999 and was part of the Qliro group until September 2020

■■ It was then spun out at started operating as a fully independent retailer

■ It is now a leading e-commerce player, but is still valued as a brick & mortar retailer



The company generated most of its revenue from its own sales (first party sales)

■ It is now moving towards an “e-commerce platform” / marketplace positioning where merchants retail products and send these to clients

The Nordics largest marketplace

CDON

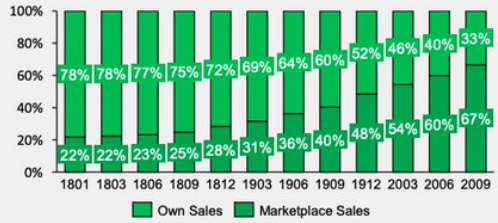
Company overview

- Founded in 1999, as one of the first e-commerce players at scale in the Nordics
- Since inception, CDON has accumulated an unmatched knowledge for Nordic e-commerce
- New management team since 2018 including CEO Kristoffer Väliharju
- 2013 extended assortment by opening up for external merchants
- 2018 accelerated transformation to external merchant and reduced own inventory
- 2019 reaching appx. 50% external sales and positive EBITDA

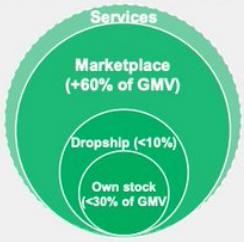
Selected merchants

Cervera, nordicfeel, trademax.se, vitvaruexperten, ellos, Adlibris, vida.se, STYLEPIT

Marketplace Share of total volume (LTM)



Strategy for assortment



- Services – Added as a compliment for typical CDON customers
- Marketplace – Full assortment, including tail for key categories
- Dropship – Short lifecycle products (ie. home electronics)
- Own stock – profit generators (movie, music, games)

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$CDON is the leading e-commerce player in the Nordics, it counts 2m active customers and over 1,300 merchants

■ It retails over 8m products and scored a Gross Merchandise Value of SEK 2.4B ($ 288m) in the 12 months leading to Q3 ’20

CDON is the only local Nordic marketplace at scale

CDON

First mover advantage in market with steady shift to online

CDON is the largest marketplace in the Nordics

- Attractive position on growing Nordic e-commerce market
- +SEK 1.5 billion in marketplace GMV LTM Q3 2020 and growing fast
- Complementary own retailing business providing products in categories not covered by external merchants

Strong value proposition for merchants and consumers

- For merchants: Increased distribution power and access to automated tools to optimize and drive sales
- For consumers: Unmatched product range and a next generation shopping experience under a well-known and trusted brand

Technology driven business characterized by rapidly growing sales and increasing profitability

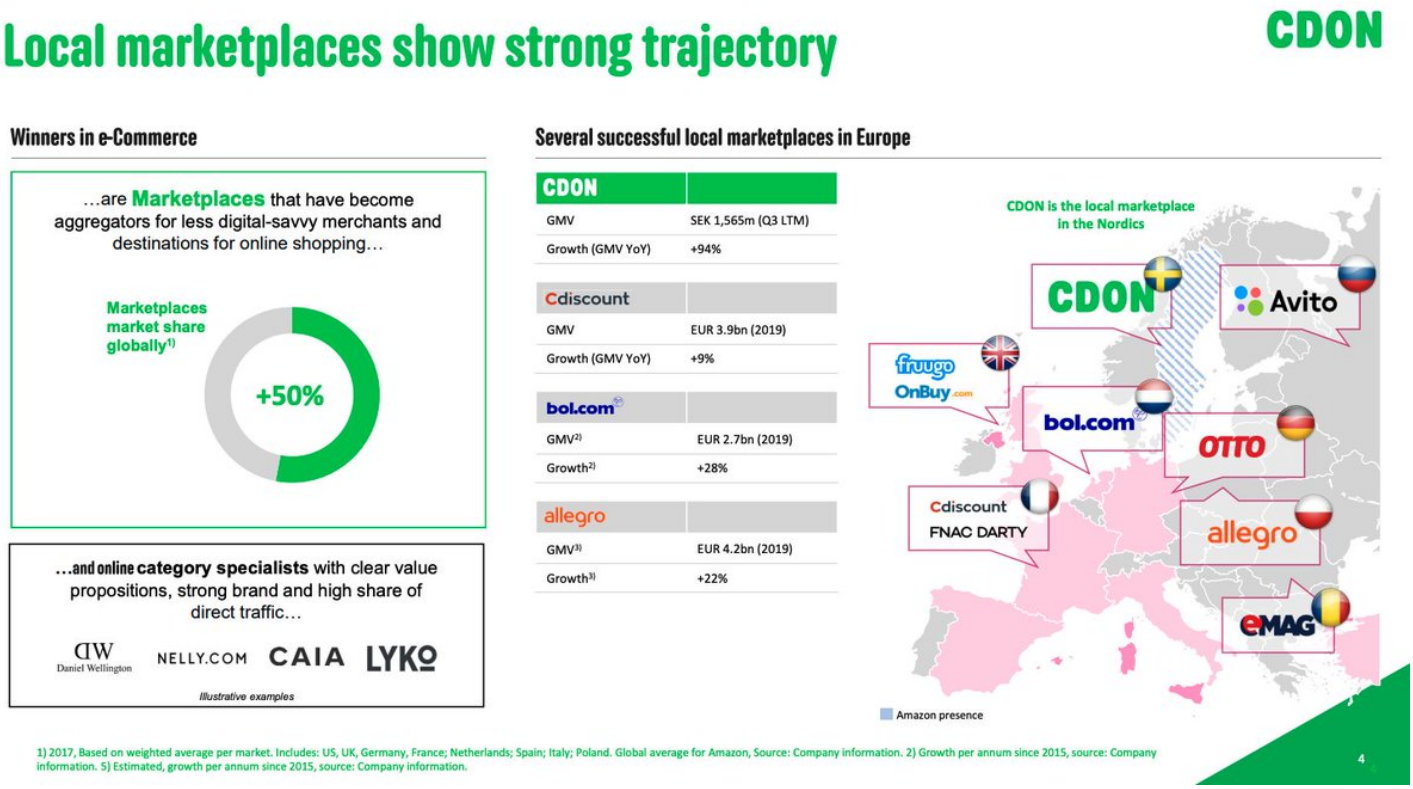
- 100% Marketplace GMV growth Q3 2020
- 80% of gross profit generated from marketplace in Q3 2020
- EBITDA grew +150% to SEK 29 million LTM Q3 2020

~1,300 Merchants	+8m Products	~2m Active customers
35% Growth in # of orders Q3 2020	100% Marketplace GMV growth Q3 2020	80% Marketplace GP growth Q3 2020

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$CDON belongs to a cohort of local e-commerce player which have successfully managed to fight $AMZN’s dominance

■■ https://t.co/jUdtPRTkdU in the Netherlands is the leading e-commerce player with 111m website visits (+30% in H2 ’20) vs 33m for $AMZN (+67% in H2 ’20)



■■ https://t.co/r9rdGvrx9d in France is the N°2 e-commerce player with 84m visits (+21% in H2 ’20) vs 270m for $AMZN (+42% in H2 ’20)

■■ https://t.co/m8OyFnNYNJ in Sweden scored 7m visits (+27% in H2 ’20) vs 10.3m for $AMZN (entered market in 2020)

Following $AMZN’s example, $CDON is turning itself into a marketplace

■ It doesn’t sell products directly to consumers but takes a commission on sales

■ It doesn’t need to manage inventory or insure product quality

■ It generates additional sales through advertising

The marketplace business model is inherently attractive

CDON

Revenue earned through multiple income streams



- High contribution margin based on B2B revenue streams – gross margin close to 100%
- Merchants own the inventory and decide on price and campaigns on the platform
- Negative working capital profile driven by no inventory and deferred payments to merchants for goods purchased on the platform
- Digital and technology driven business model with scalability in operating expenses

- **Transaction revenue:** A fee is charged from the merchant when a transaction is made
- **Ad income:** Advertisements are sold on CDON, generating revenue regardless of whether a transaction is made or not. Advertisers can be both merchants and others
- **Monthly subscription fee:** Merchants are to be charged with a monthly fee
- **Financing commission:** Payment solution provider paying a commission on income earned

➢ *All revenue from the marketplace is made without selling own goods and the related risks*

In order to attract and retain merchants, the company is developing a range of tools

■ Provides data-insights on products sold

■ Integrations to $SHOP and Magento

■ Delivery, warehousing management

CDON Connect – The only tool merchants need to sell online

CDON

Now It's Easier Than Ever to Sell Online!



Imports (Live)

- Boost performance to support more products for scale & stability
- Easy registration - 100% automated onboarding
- Refine data to add more attributes
- Improve categorization quality to enhance Google feed
- Expand plug-in solutions to other e-com platforms (e.g. magento2, shopify etc.)
- Support campaigns input

Merchant center (Live)

Online self services:

- Pricing management
- Content management
- Campaign management
- Accounting services
- Loans
- Last mile deliveries
- Stock management
- Insights and analytics
- Ads and sponsored products

Integrations (Pilot)

- Supporting multiple external marketplaces
- Supporting external sales channels (Let's deal, Groupon etc.)
- Integration as-a-service (Consulting)
- Order management support to fulfilment centres

Product vision

By integrating CDON connect with other platforms, marketplaces, fulfillment centers and accounting services, CDON Connect can offer a complete digital sales channel for brands, manufacturers and merchants

Business case example:
Go-to-market strategy through CDON Connect for a large appliances brand in Sweden

- Premium sales and physical awareness through Elköp
- Mass-market through CDON
- Outlet through Fyndiq
- Bargain goods through Tradera

All in one connection and one dashboard supporting your current infrastructure

Positioning	Easiest integration on the market	Relevant online services	Multiple sales channels in one integration
Objective		Drive revenue via multiple services	Growth – Transaction & Data
Revenue		Merchant fee & add-on services	Transactions fees, kickbacks & consulting fees
Organization	Operations and support team	Innovation & development team	Integration & sales team
Strategy	Continuously increase data quality	Support merchants with new services	Scale up with M&A or grow team organically

Simple integration, lower fees, personal service and access to more relevant data

On the market side, e-commerce penetration is high in the Nordics

■■ Norway: 26%

■■ Denmark: 25%

■■ Sweden: 25%

■■ Finland: 23%

Compared to other European countries:

■■ France: 22%

■■ UK: 21%

■■ EU Average: 18%

https://t.co/5wGqyJQqmd

Nothing too extraordinary for now - What is the pitch?

1■■ $CDON was previously valued as a brick & mortar retailer as its activity-mix consisted mainly in conventional retail operations

2■■ Marketplace sales now account for 67% of total in Q3 ’20, up from 40% a year earlier

3■■ Despite the change in activities, the company still trades at a PS of 1.5

For comparison:

■ $OZON trades at a PS of 8

■ $SE trades at a PS of 30

■ $MELI trades at a PS of 28

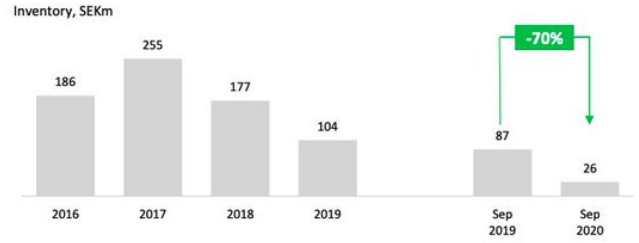
Business model is proven by strong profitable growth

CDON

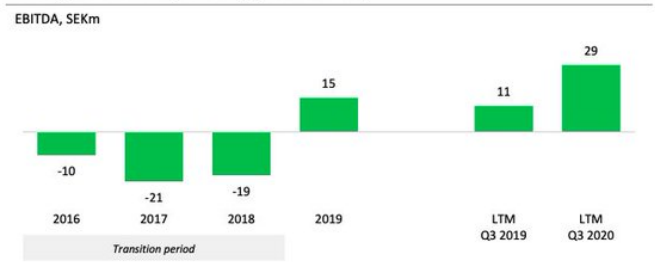
Rapidly growing marketplace



Significantly reduced working capital



Strong trend in operating profitability



- ✓ Technology driven and asset light business model
- ✓ Transformation to marketplace has significantly reduced risk, improved underlying profitability and cash flow
- ✓ Scalability and absolute decrease in operating expenses leading to high EBITDA growth
- ✓ Upside in ongoing initiatives to improve operational excellence further

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4■■ Growth is overshadowed by the decline in its conventional retail activities

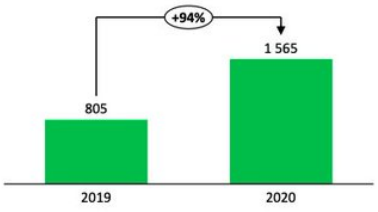
5■■ When looking only at the “marketplace” sales, these are up 94% YoY to SEK 1.5B ($ 180m)

Strong current momentum across several KPIs

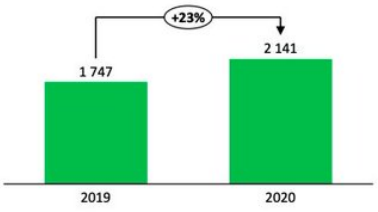
CDON

LTM development as of Q3 2020

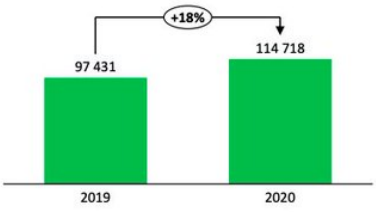
Sales external merchants (GMV), SEKm



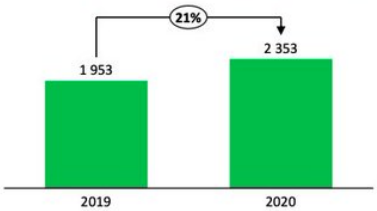
Active customers, ‘000



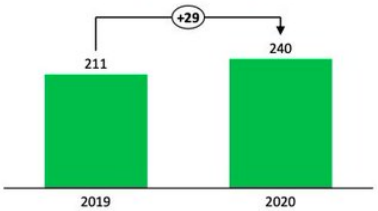
Number of visits, ‘000



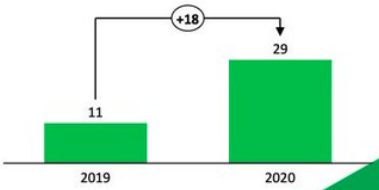
Total Gross merchandise value (GMV), SEKm



Gross profit, SEKm



EBITDA, SEKm



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Thank you @T_I_M_P_P_A for surfacing this gem!

Happy to hear your thoughts!

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@Andan_swe

■■ Other gem worth surfacing ■■

■ $GFG.DE is on the watchlist as well

■ We have a stake in $CDON.ST ■

Disclaimer - This is not investment advice in any form and investors are responsible for conducting their own research before investing.

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