

## Twitter Thread by Benchmark



**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 and 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

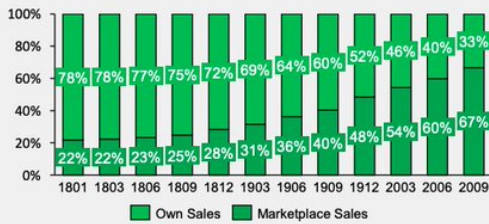
## Company overview

- 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

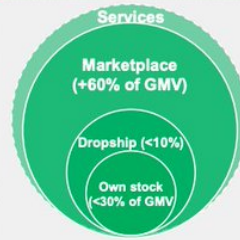
## Selected merchants



## 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

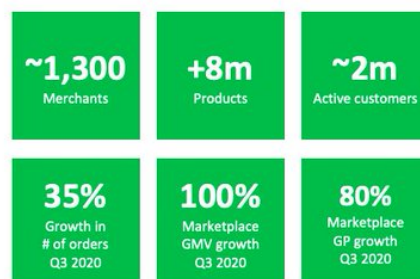
- Attractive position on growing Nordic e-commerce market
- +SEK 1.5 billion in marketplace GMV LTM Q3 2020 and growing fast
- Complementary own retailing business providing products in categories not covered by external merchants

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



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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)

## Local marketplaces show strong trajectory

CDON

### Winners in e-Commerce

...are **Marketplaces** that have become aggregators for less digital-savvy merchants and destinations for online shopping...

Marketplaces market share globally<sup>1)</sup>



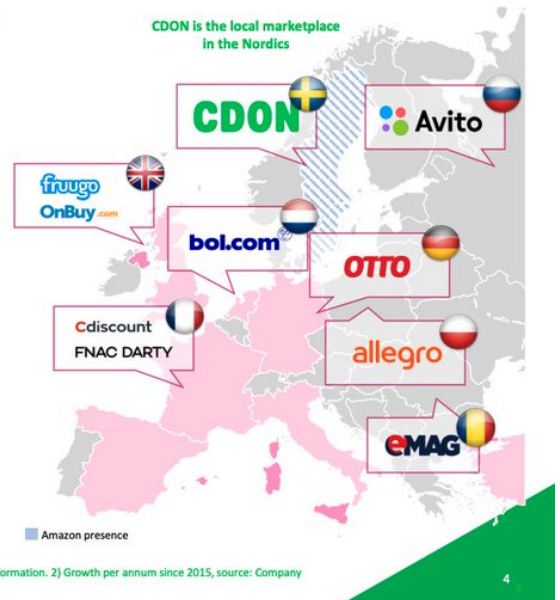
...and **online category specialists** with clear value propositions, strong brand and high share of direct traffic...

DW Daniel Wellington NELLY.COM CAIA LYKO

Illustrative examples

### Several successful local marketplaces in Europe

CDON	
GMV	SEK 1,565m (Q3 LTM)
Growth (GMV YoY)	+94%
Cdiscount	
GMV	EUR 3.9bn (2019)
Growth (GMV YoY)	+9%
bol.com	
GMV <sup>2)</sup>	EUR 2.7bn (2019)
Growth <sup>2)</sup>	+28%
allegro	
GMV <sup>3)</sup>	EUR 4.2bn (2019)
Growth <sup>3)</sup>	+22%



1) 2017, Based on weighted average per market. Includes: US, UK, Germany, France, Netherlands, Spain, Italy, Poland. Global average for Amazon, Source: Company information. 2) Growth per annum since 2015, source: Company information. 3) Estimated, growth per annum since 2015, source: Company information.

■ <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)

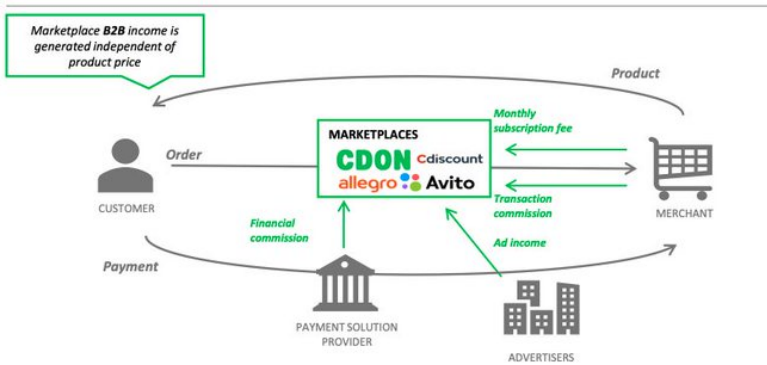
■ <https://t.co/m8OyFnNYNJ> in Sweden scored 7m visits (+27% in H2 '20) vs 10.3m for \$AMZN (entered market in 2020)

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

## 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

**Now It's Easier Than Ever to Sell Online!**

	Imports <span style="float: right; font-size: small;">Live</span>	Merchant center <span style="float: right; font-size: small;">Live</span>	Integrations <span style="float: right; font-size: small;">Pilot</span>
<ul style="list-style-type: none"> <li>Boost performance to support more products for scale &amp; stability</li> <li>Easy registration - 100% automated onboarding</li> <li>Refine data to add more attributes</li> <li>Improve categorization quality to enhance Google feed</li> <li>Expand plug-in solutions to other e-com platforms (e.g. magento2, shopify etc.)</li> <li>Support campaigns input</li> </ul>	<p><b>Online self services:</b></p> <ul style="list-style-type: none"> <li>Pricing management</li> <li>Content management</li> <li>Campaign management</li> <li>Accounting services</li> <li>Loans</li> <li>Last mile deliveries</li> <li>Stock management</li> <li>Insights and analytics</li> <li>Ads and sponsored products</li> </ul>	<ul style="list-style-type: none"> <li>Supporting multiple external marketplaces</li> <li>Supporting external sales channels (Let's deal, Groupon etc.)</li> <li>Integration as-a-service (Consulting)</li> <li>Order management support to fulfilment centres</li> </ul>	
<p><b>Positioning</b> → Easiest integration on the market</p> <p><b>Objective</b> → Relevant online services</p> <p><b>Revenue</b> → Drive revenue via multiple services</p> <p><b>Organization</b> → Merchant fee &amp; add-on services</p> <p><b>Strategy</b> → Innovation &amp; development team</p> <p>Continuously increase data quality</p>	<p>Multiple sales channels in one integration</p> <p>Growth – Transaction &amp; Data</p> <p>Transactions fees, Kickbacks &amp; consulting fees</p> <p>Integration &amp; sales team</p> <p>Scale up with M&amp;A or grow team organically</p>	<p><i>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</i></p> <p><b>Business case example:</b> Go-to-market strategy through CDON Connect for a large appliances brand in Sweden</p> <ul style="list-style-type: none"> <li>Premium sales and physical awareness through Elköp</li> <li>Mass-market through CDON</li> <li>Outlet through Fyndiq</li> <li>Bargain goods through Tradera</li> </ul> <p><b>All in one connection and one dashboard supporting your current infrastructure</b></p>	

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

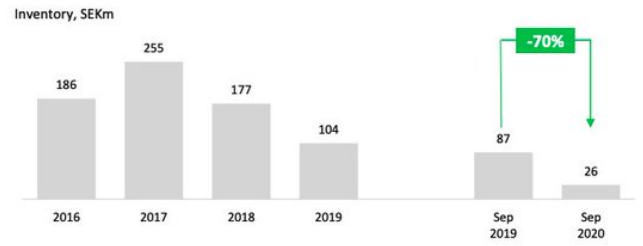
■ \$MELI trades at a PS of 28

# Business model is proven by strong profitable growth

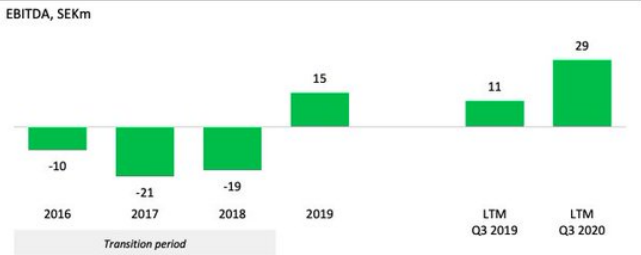
## Rapidly growing marketplace



## Significantly reduced working capital



## Strong trend in operating profitability



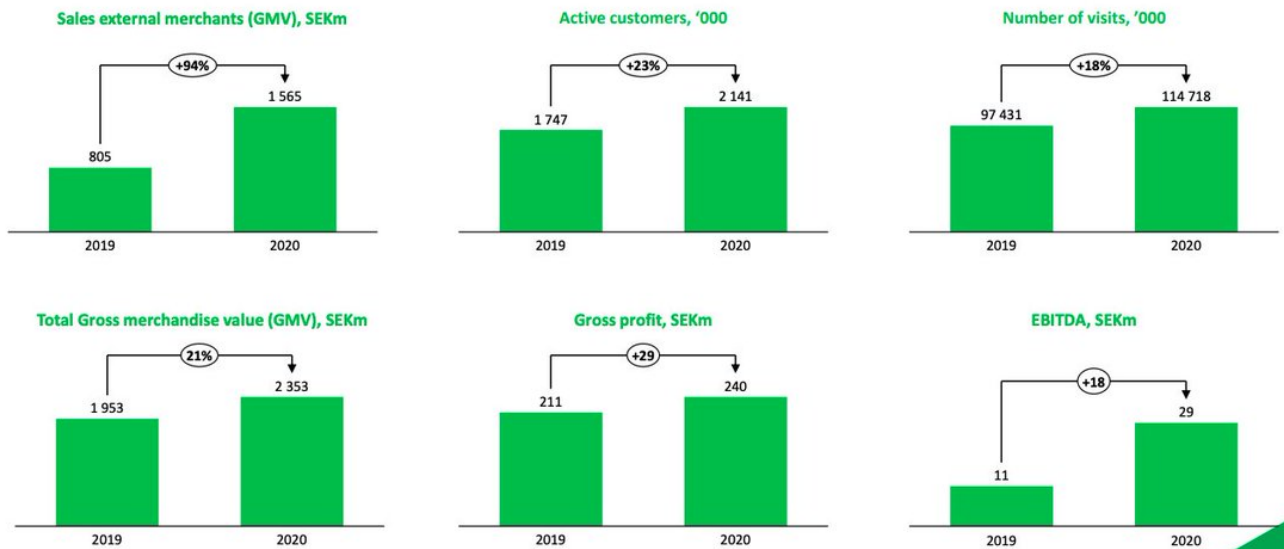
- ✓ Technology driven and asset light business model
- ✓ Transformation to marketplace has significantly reduced risk, improved underlying profitability and cash flow
- ✓ Scalability and absolute decrease in operating expenses leading to high EBITDA growth
- ✓ Upside in ongoing initiatives to improve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

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

## LTM development as of Q3 2020



Thank you @T\_I\_M\_P\_P\_A for surfacing this gem!

Happy to hear your thoughts!

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■■ 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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<https://t.co/IQ6ay1zmm2>