



# Capital Markets Day

November 16, 2023





**Welcome to a deep dive into  
the **vision** and **strategy** of  
CDON Group and the  
marketplace industry**

**SEB analyst, and  
e-commerce  
specialist, Nicklas  
Fhärm will guide you  
as the moderator**

## **Nicklas Fhärm**

Research Management/Corporate  
Research at SEB Joined SEB 1997





# Speakers on stage

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**Fredrik Norberg**

Chief Executive Officer

- Co-founded Fyndiq '10
- CEO of CDON April '23



**Carl Andersson**

Chief Commercial Officer

- Ex management consultant at Kearney
- Joined as Integration Manager in April '23 and promoted to CCO in June '23



**Kattis Åström**

Chief Experience Officer

- Previously CXO at Fyndiq
- Ex customer strategist at Adlibris



**Mark Nidefelt**

Chief Supply Officer

- Previously CSO at Fyndiq
- Ex senior buyer at Groupon



“

**Great  
potential, and  
we have the  
blueprint to  
realize it”**

# AGENDA

**CDON Group's Vision, Mission  
& the Segments**  
(Fredrik, CEO)

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**Market Overview**  
(Carl, CCO)

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**What Great Looks Like**  
(Video interview Erik Segerborg)

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**Coffee Break**  
15 mins

## **The strategic foundation**

(Fredrik, CEO)

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## **Deep dive, Massively increase supply**

(Mark, CSO)

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## **Deep dive, Excellent customer experience**

(Kattis, CXO)

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## **Financial attractiveness of our business**

(Fredrik, CEO, and Carl, CCO)

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## **Concluding remarks**

(Fredrik, CEO)

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## **Q&A**

(Nicklas, Moderator)

# AGENDA

“  
**We are  
executing  
along a clear  
path to realize  
the potential”**



“  
**Great potential** and  
we have the **blueprint**  
to realize it



# CDON GROUP'S VISION, MISSION & THE SEGMENTS

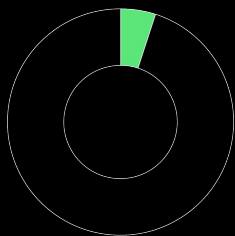


A family consisting of a man, a woman, and two children are gathered around a wooden kitchen island. They appear to be preparing food together. The man is wearing a dark shirt and apron, the woman is in a light-colored top, and the children are also engaged in the activity. The kitchen has white tiled walls and various kitchen items are visible on shelves and the counter.

“  
CDON Group’s vision is to  
unleash the power of the  
marketplace to give the  
best shopping experience  
in the Nordics

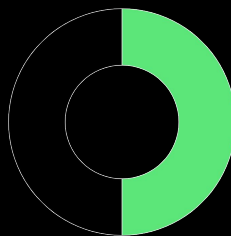
## Great potential

**Marketplaces is the dominant way of shopping online, however not in the Nordic region...yet**



**~5%**

Marketplaces  
market share in  
the **Nordics**<sup>1</sup>



**+50%**

Marketplaces  
market share  
**globally**<sup>2</sup>

<sup>1</sup>Euromonitor 2021 <sup>2</sup>Webretailer 2020. Excludes marketplaces specialized in B2B trade and services



# Enormous assortment attracts customers, and additional sales attracts merchants to the marketplace



## Definition

A marketplace is a platform that facilitates the buying and selling of goods, services, or information between multiple parties



## Why customers love marketplaces

- Enormous assortment
- Competitive prices
- Convenience of a one stop shop



## Why merchants use marketplaces

- Additional sales
- New markets
- No need for marketing or tech skills

# Two distinct brands catering to diverse needs and occasions, yet harnessing the synergy from a unified platform and organization

Two brands that are counter-cyclical to each other



Quality products



Discount products

## CDON/Fyndiq Acquisition logic



Marketplaces needs volume



Organisational synergies



One technology platform



Lower customer and merchant competition



Opposite brand positions



At **CDON** you  
will find the best  
of the most!

“

**CDON's mission is to offer our customers  
the best selection of quality products in  
a reliable and convenient way**

”







At **FYNDIQ** you  
will always  
strike a bargain!

“

**FYNDIQ's mission is to offer value  
conscious consumers unbeatable bargains  
with a best-in-class shopping experience**

”

**FYNDIQ**

**The perception  
of a retailer is  
mainly defined  
by the products  
they sell**



**Oral-B  
original**

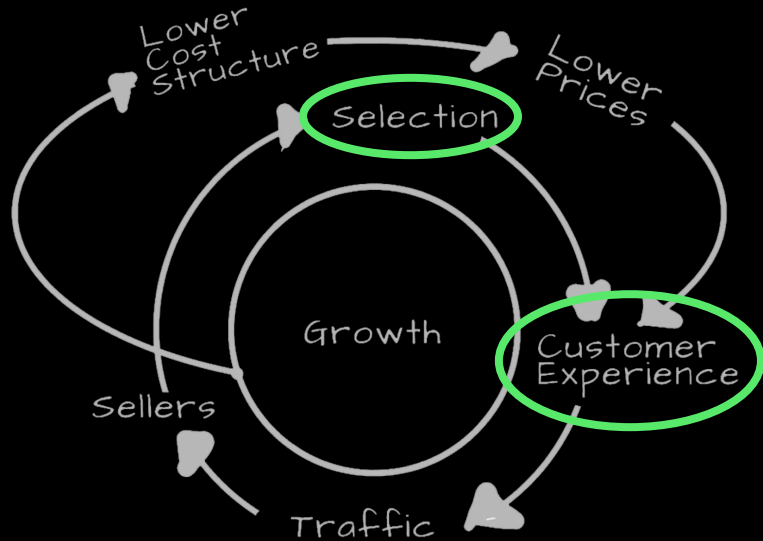


**FYNDIQ**

**Oral-B  
compatible**



# The marketplace business model is asset light and highly scalable, and fueled by the “marketplace flywheel”



**The flywheel** takes a lot of effort at the start, but once it gets spinning, it continues to quickly gain momentum and spin faster

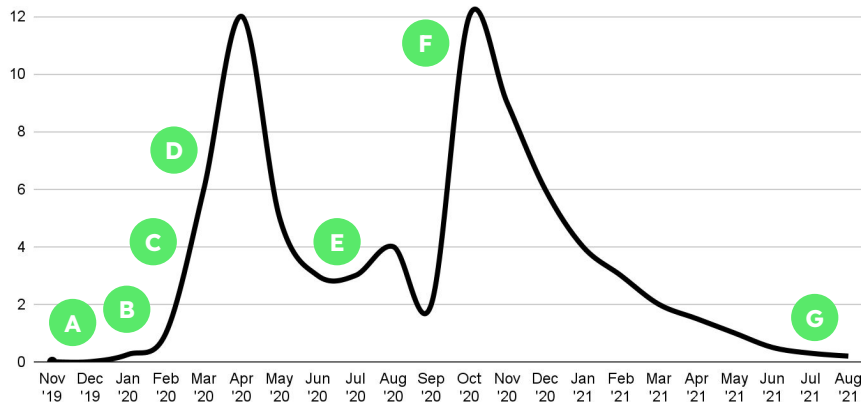
Feeding any of these areas, impacts the whole flywheel positively

Our main strategies concerns Selection, and Customer Experience



## GMV from Face Masks

MSEK



### Face mask case 2020-2022 (Per marketplace in Sweden)

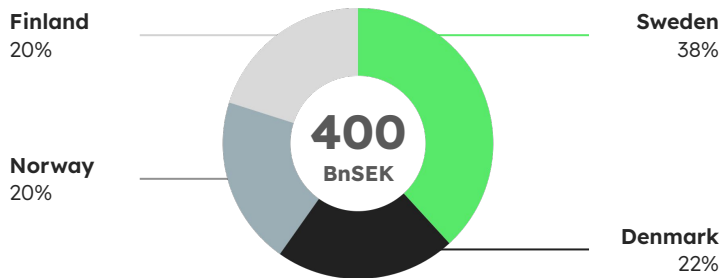
- A.** 1-2 merchants selling 5-10 different face masks, mainly to nail salons
- B.** Corona outbreak
- C.** These few merchants gets a lot of sales, restocks, and can maintain high prices with low competition
- D.** +100 merchants sells +10 000 different face masks, creating the largest assortment of face masks, with the lowest prices due to the competition
- E.** Still largest assortment with lowest prices, but without warehouse or inventory cost during low sales
- F.** Second Corona peak occurs
- G.** Demand goes to zero, we have no costs in excess stock and can focus the marketing on next trending product category

**The  
marketplace  
business  
model catches  
new trends  
fast, without  
getting caught  
with excess  
inventory**

# MARKET OVERVIEW

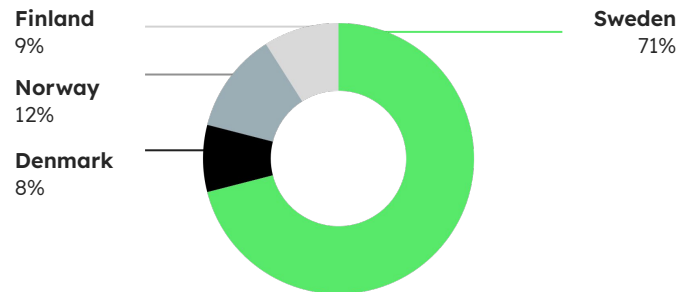


# The Nordic e-commerce market is valued at **~400 BnSEK**



## Nordic addressable market 2022, by country<sup>1</sup>

- Comparable online spending behavior across the Nordics - Size of each market driven by population
- Largest categories include Electronics, Fashion and Groceries
- CDON currently address ~50% of total e-commerce market<sup>2</sup>

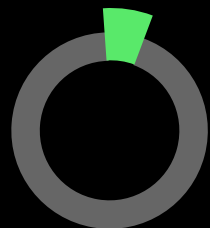


## CDON Group GMV 2023 YTD, by country<sup>3</sup>

- Significant untapped potential in the neighbouring Nordic countries
- Total market share of ~1%, however our relatively strong Swedish footprint equals ~2% local market share

<sup>1</sup>E-barometern 2022. Estimated avg. online spend per consumer equal to 13,000 SEK. <sup>2</sup>Konsumtionsrapporten 2023. <sup>3</sup>CDON Group YTD 2023

# The Nordic market is an exception in marketplace adoption



**~5%**

Marketplaces market share in the **Nordics**<sup>1</sup>



**+50%**

Marketplaces market share **globally**<sup>2</sup>

In many European markets Amazon and local marketplaces co-exist



CDiscount + Amazon



Otto + Amazon



Bol + Amazon

## Reason for difference in the Nordics?

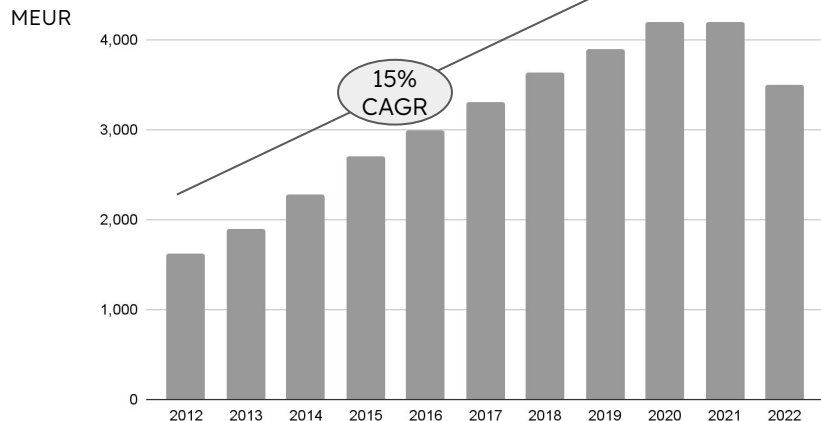
Strong presence of local retailers with well-established brands and e-commerce capabilities

High digital maturity led to early e-commerce adoption favoring existing brands

Efficient delivery network that local retailers have been able to utilize

# Establishing a leading marketplace takes time - we are at the beginning of an exciting journey!

## CDiscount GMV 2012-2022



CDiscount grew to a leading marketplace, from an existing online retailer position, over more than 10 years

<sup>1</sup> CNova annual reports 2012-2022

## Why now?

With the strength of a combined company, a new management team, and clear strategy CDON Group have an opportunity to shape the future of the Nordic e-commerce industry

Supporting macro trends likely to spark the journey

- Increased appetite for value-oriented shopping
- Higher adoption of marketplaces among younger generations

# WHAT GREAT LOOKS LIKE





# **Two marketplace journeys to the **Billion Dollar Club** with CDON board member Erik Segerborg**

**+** Presentation





# COFFEE BREAK

15 MIN

# THE STRATEGIC FOUNDATION

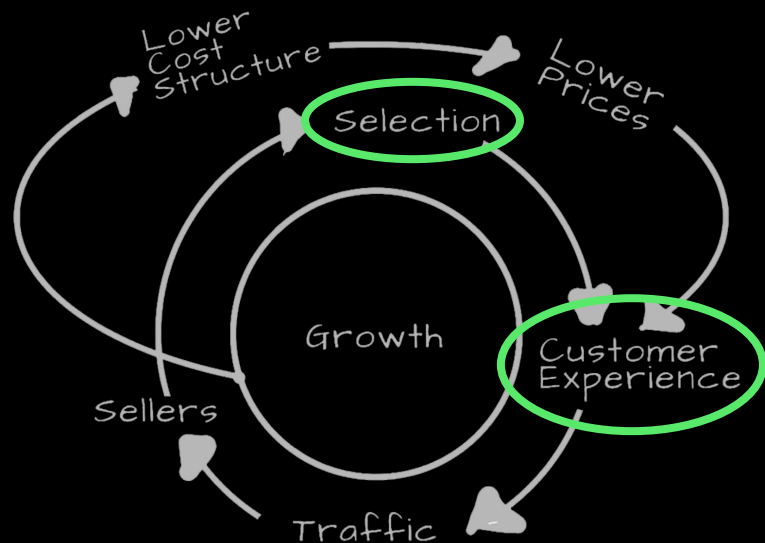




“

**We are executing along  
a clear path to realize the  
great potential**

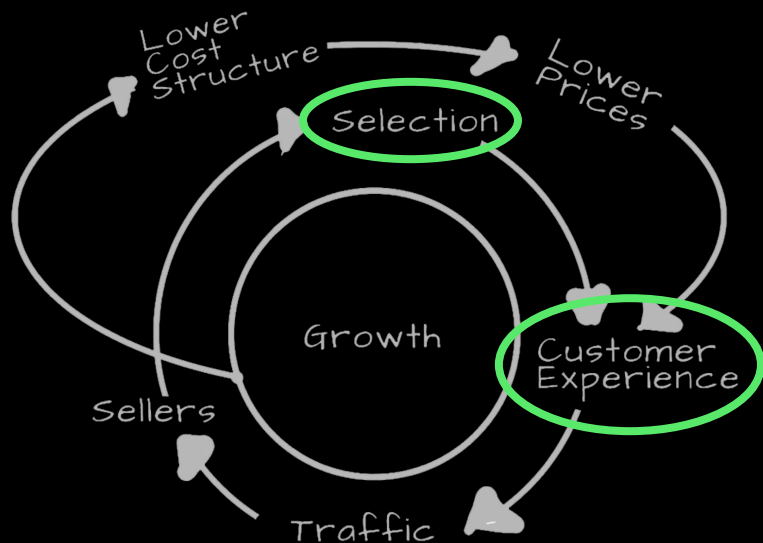
# A massive increase of supply and excellent customer experience will steer our path to becoming the leading Nordic marketplace



**It's really not rocket science,**  
feed the flywheel with a lot of  
supply that people really like  
with good prices, and transact  
them in a way that leaves them  
with a good experience



# A massive increase of supply and excellent customer experience will steer our path to becoming the leading Nordic marketplace



## Main strategies



### Massively increase supply

Provide more of the products that people want, and utilize the low margin costs of bringing in more supply



### Improve customer happiness

Get CDON to the high levels Fyndiq have managed to reach the last couple of years, and continue from there

# MASSIVELY INCREASE SUPPLY

Deep  
Dive



# The marketplace model, with low marginal cost for additional supply, provides the possibility of a massive assortment

## Additional supply

Leads to even wider assortment in each category and further competition on existing supply (product quality (rating & reviews), product-card quality, pricing and delivery time)

## Adding supply on a big scale

Leads to adding further qualitative supply and well-known brands

## Reaching marketplace maturity

Leads to “attract” well established local A-brands to join the marketplace, given it’s strong marketplace penetration

	GMV (EUR)	Merchants	Products	Products/ Merchant
<b>Allegro (PL)<sup>1</sup></b>	10 B	135 K	70 M	520
<b>Bol (NL)<sup>2</sup></b>	5 B	52 K	41 M	790
<b>Cdiscount (FR)<sup>3</sup></b>	4 B	15 K	80 M	5 300
<b>CDON (SE)</b>	0,15 B	1,2 K	13 M	11 000
<b>Fyndiq (SE)</b>	0,05 B	1 K	18 M	18 000

# We are growing our supply through a combination of aggregators, international merchants (EU & CN) and local merchants

## Foundation (API-aggregators)

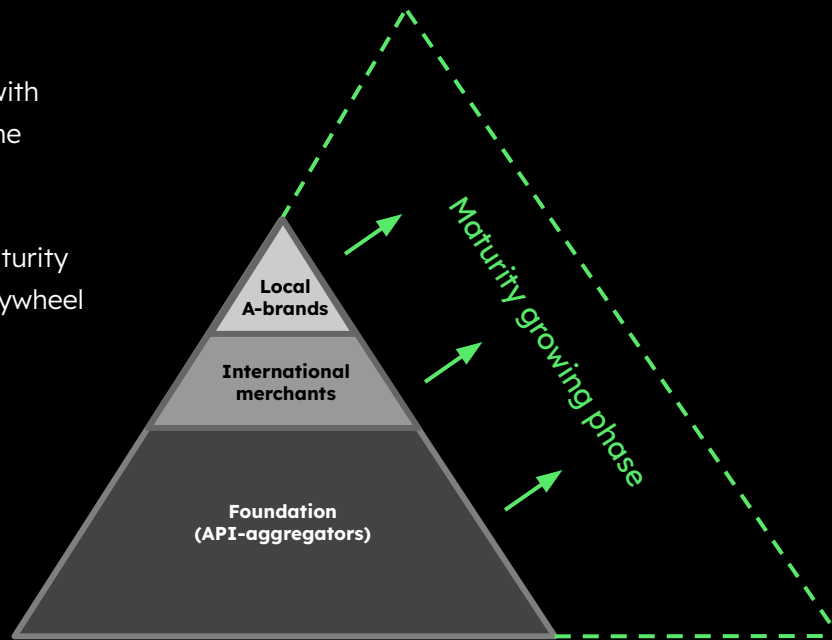
- Software companies, specialised to gather merchants within one API
- Reaching thousands of merchants and millions of products
- Enables strong international brands as well as European local brands

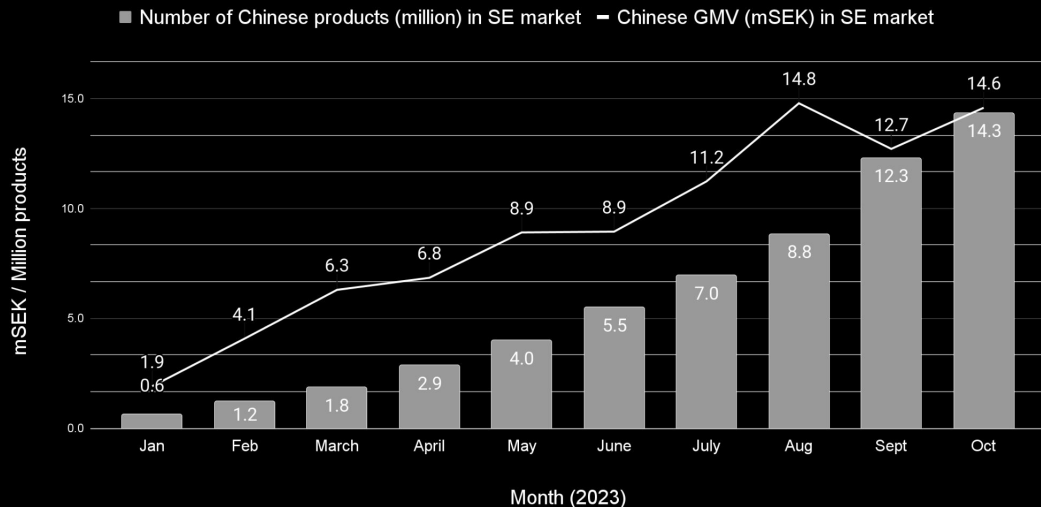
## International merchants

- Integrate directly with the marketplace (A, B-brands)

## Local A-brand merchants

- We “attract” e-tailers with strong brands to join the marketplace
- The Supply machine is complete, reaching maturity and the marketplace flywheel effect is efficient





## Proven case of correlation between massively increase of supply and sales growth

Massively increased supply leads to rapid increase in sales

**Specific example: Rapid Chinese supply growth on **Fyndiq**, a source of growth in challenging time**

- +15M products
- +200 merchants
- All categories
- From Chinese aggregators

# At Fyndiq we're refining our assortment while at CDON we're opening up to massively increase supply



- Massively increase supply with aggregators
  - Mostly branded products
  - 2 new international merchants
  - New faster onboarding process (agreement, KYC)
  - 1p, enables supply that can't be acquired by 3p
- 

The FYNDIQ logo, consisting of the word 'FYNDIQ' in white, set against a pink hexagonal background.

- Massively increased supply with 15M products
  - Mostly non-branded products
  - Refining the assortment
  - After refining the assortment we increase again
-



# **Why a giant like CDDiscount is using CDON and Fyndiq in the Nordics**

**+** Interview



# EXCELLENT CUSTOMER EXPERIENCE

Deep  
Dive



**Great learnings  
of the  
importance of  
the **customer  
experience** from  
Nordics' largest  
online book  
store, Adlibris**



A brand position is worthless if not implemented through the whole customer journey



The best brand marketing is happy customers that comes back over and over again



What matters for a customer is that we make sure they always find what they are looking for

# We have to create customer experiences that matches our brands' different value propositions



## **CDON group:** Unleash the marketplace

We will offer our customers the convenience of a massive product assortment, with a great customer experience



## **CDON:** Find the best of the most

CDON will offer our customers a great selection of quality products at competitive prices



## **FYNDIQ:** Always strike a bargain

Fyndiq will offer our customers great bargains and trending products

# We need to use different tactics to strengthen each brand's position

CD  
ON

CDON enjoys strong brand awareness but lacks positive brand perception

Furthermore, actual customer experience does not exceed this negative public perception

## Challenge

Customer experience isn't improving brand reputation

## Key action

Improve customer experience and take full responsibility

FYNDIQ

Fyndiq is relatively well known, but the public perception of the brand is to deliver a poor customer experience

On the contrary, actual customers express high satisfaction and associate the experience with "Reliability", "Fast delivery" and "Wide assortment"

## Challenge

Low perception of brand from non-customers

## Key action

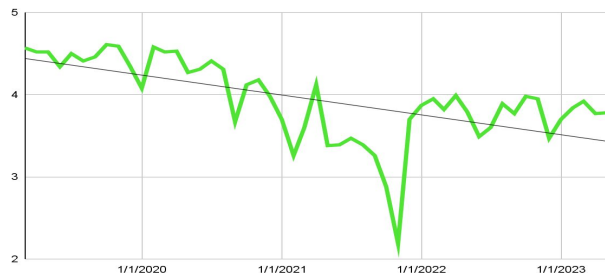
Improve public perception and conversion of new site visitors



# A consistently high-quality shopping experience is the key to unleash the potential



Despite the high-quality supply, CDON has experienced a declining customer satisfaction



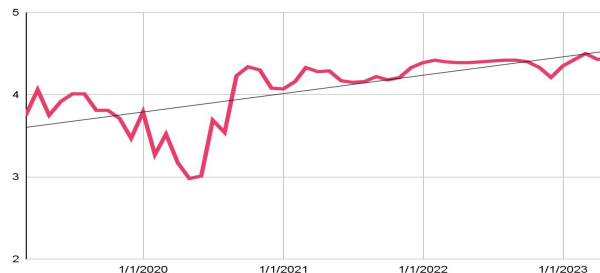
## Changes to implement for CDON

- Shifting from a merchant-centric to a customer-centric approach
- Customers service mandate to act in customers' favor
- Utilizing data to identify causes of poor customer experience

<sup>1</sup>Trustpilot



Fyndiq has managed to reach high customer satisfaction, despite the low price supply



## Reason for positive development for Fyndiq

- Customer-first approach from all departments
- Merchant performance thresholds with clear consequences, and confidence to cancel merchants
- Product development focusing on key pain points

**“The reason it seems that  
price is all your customers  
care about is that you  
haven’t given them  
anything else to care about”**

-Seth Godin, *American best-selling author*

# Financial attractiveness of our business



# Main KPI's

**We focus on  
three KPIs  
when steering  
our business**

		Business KPI's	Our definition
01	GMV	Gross Merchandise Value	the attractiveness of our proposition to consumers
02	GPAM	Gross Profit After Marketing	the operational efficiency of our business
03	EBITDA	Earnings before interest, taxes, depreciation and amortization	the operational efficiency of the company

## Quarterly EBITDA CDON Group<sup>1</sup> (2019-2023)



## EBITDA shows a strong improvement

### Progress in 2023

- Focused on profitable marketing and consistently grew GPAM
- Restructured the OPEX base, generating 3 consecutive quarters of positive EBITDA
- Grew supply at Fyndiq leading to organic GMV growth in Q3 2023

### Focus for future profitable growth

- Maximize GPAM and profitable growth
- Massive increase of supply and prepare for long-term GMV growth
- Complete platform migration and ensure full synergy realization

### Cash flow

- Capital light nature of marketplaces means that EBITDA converts efficiently to free cash flow

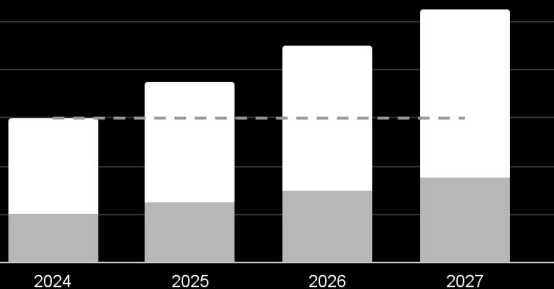
# Continued EBITDA growth is derived from three levers: top-line growth, take rate increase or operational efficiency

## ILLUSTRATIVE FIGURES

### 1. GMV growth

Only top-line growth

— GPAM/GMV ■ GMV ■ whereof GPAM

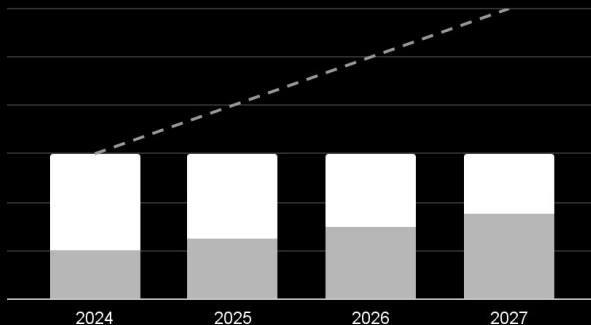


Lever 1

### 2. GPAM margin increase

Only GPAM margin increase

— GPAM/GMV ■ GMV ■ whereof GPAM

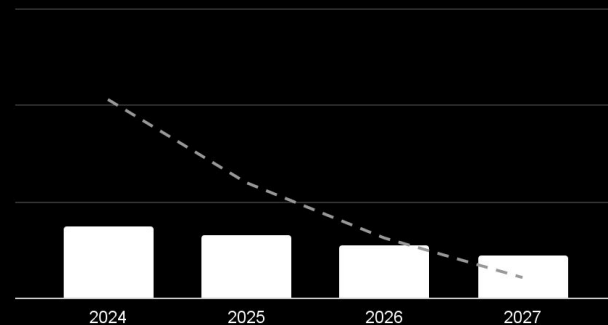


Lever 2

### 3. OPEX efficiency

Only lower OPEX

— OPEX/GPAM ■ OPEX



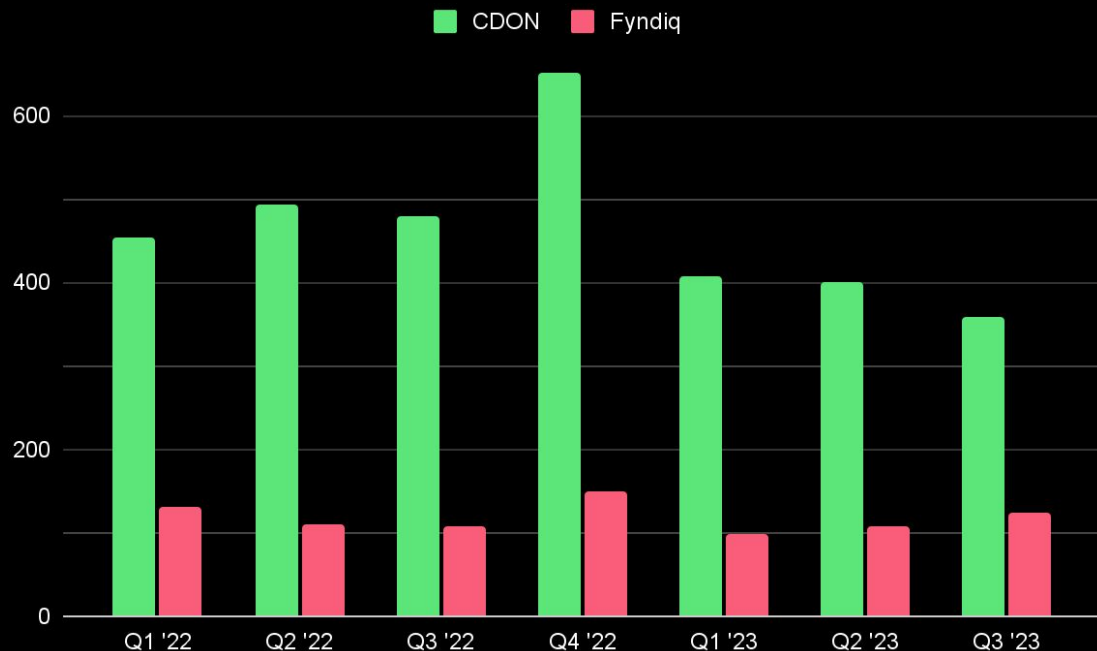
Lever 3

Three levers that all effect EBITDA separately and independent of each other

(GPAM can increase with either increased **GMV**, increased **take rate** or better **marketing efficiency**)

# 1. GMV growth

## Gross Merchandise Value, Group, by segment (2022-2023), MSEK



## We are cleaning up unprofitable sales at CDON

### Comments

- Challenging market sentiment with an overall decline in e-commerce market of ~6% YTD, (-19% in September)<sup>1</sup>
- -18% GMV YTD for CDON following focus on profitable sales and well performing merchants
- -5% GMV for Fyndiq, due to a poor Q1 affected by Chinese Covid-19 lock-downs
- However a massive increase of supply and rapid Nordic expansion has led to GMV growth in Q2-Q3



# 1. GMV growth

## Profitable GMV growth potential going forward by focusing on the core elements of the marketplace model

### Massively increase supply

Leverage aggregators

Onboard Chinese supply in a qualitative way

Attract the A-brands

### Happy customers

Improved customer experience

Personalized site experience

Loyalty rewards to strengthen retention and frequency

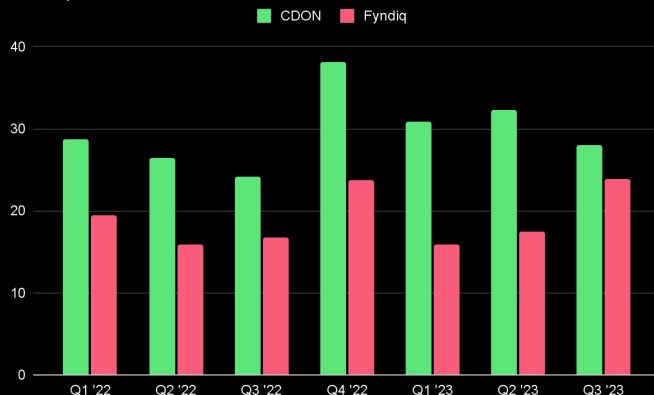
### Marketing efficiency

Data driven customer acquisition

Strengthened brand awareness and organic traffic

## 2. GPAM margin increase

Gross Profit After Marketing, Group, by segment  
(2022-2023), MSEK



GPAM as % of GMV							
CDON	6%	5%	5%	6%	8%	8%	8%
Fyndiq	15%	14%	16%	16%	16%	16%	19%
Growth % vs. LY							
CDON					8%	22%	16%
Fyndiq					-18%	9%	42%

GPAM can increase with either increased **GMV**, better **marketing efficiency** or increased **take-rate**

**Substantial improvements to our main KPI, GPAM, across both segments**

### Comments

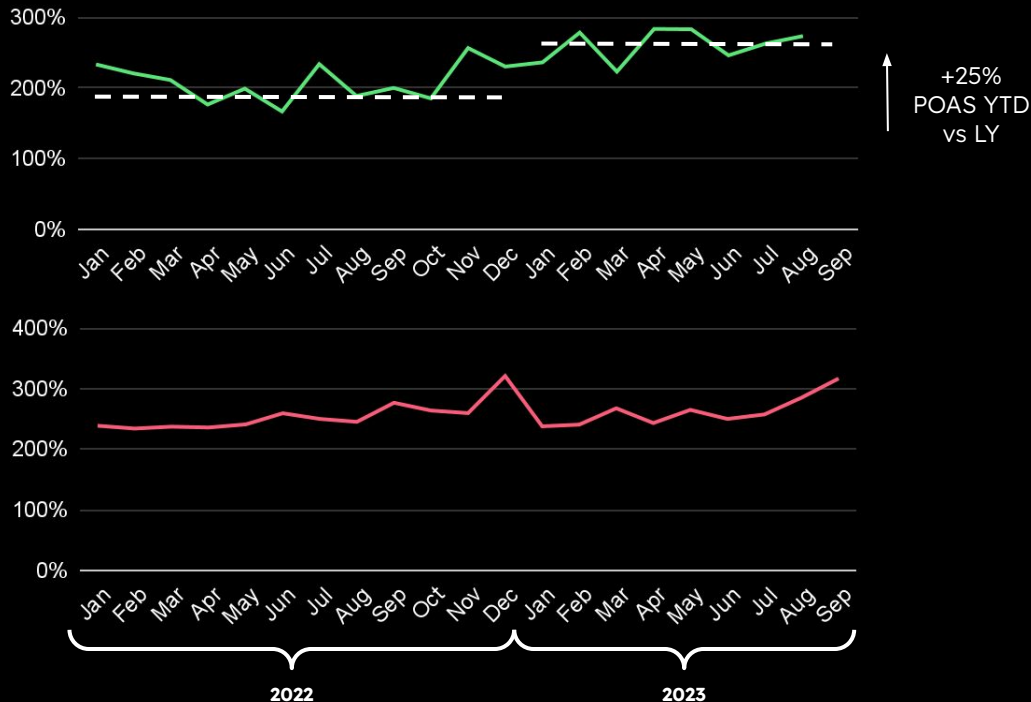
- Despite 16% lower GMV, the Group has increased GPAM by 13% YTD
- Increased commissions and higher marketing efficiency for CDON
- Increased shipping fee in Q3 explaining higher GPAM for Fyndiq

## 2. GPAM margin increase

Profit on ad spend (2022-'23)<sup>1</sup>

CDON

FYNDIQ



<sup>1</sup> Gross profit / advertising spend = POAS

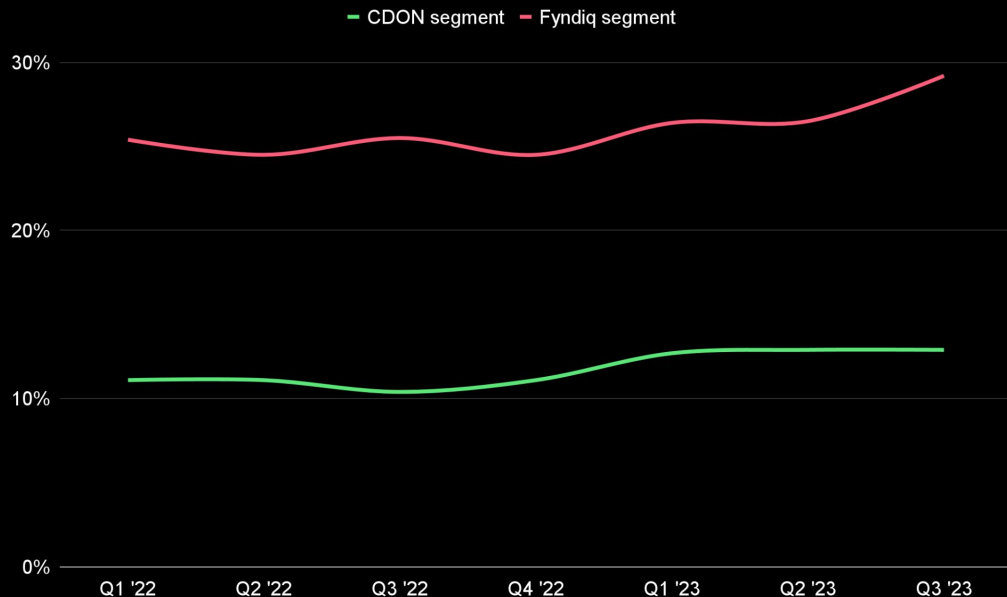
**Improved returns on marketing spend in CDON segment following new principles and strategy**

### Comments

- Profitability focus has led to higher POAS requirements in traffic acquisition
- Technical improvements to enable simpler upload of products to partners
- Shift to Performance-Max campaign format on Google

## 2. GPAM margin increase

### Take rate, by segment (2022-2023)



Take rate (%) =  
$$\frac{\text{Merchant commission \& Fees} + \text{Value-Added Services} + \text{Customer Revenues}}{\text{Gross Merchandise Value}}$$

**Take rate has increased in '23, driven by commission increase on CDON and shipping fee for Fyndiq**

#### Comments

- Take rate primarily influenced by marketplace commission
- Little variation and seasonality due to steadiness in commission structure

## 2. GPAM margin increase

### Current commission setup to be optimized to better support wanted brand position and increase profits

#### Current commission models

Commission - <i>Electronics</i>	<u>Standard</u> commission	<u>Actual</u> commission
	5 - 17%	~7%
	12.5% (across all categories)	~12
Peers <sup>1</sup>	7 - 15%	7 - 15%

- Unnecessary granularity in subcategories for CDON, while insufficient granularity for Fyndiq
- Low actual commission achieved, on CDON, due to individual agreements with merchants

<sup>1</sup> Merchant portal Amazon and CDiscount



#### Updated commission model

- Simpler category commissions to improved transparency toward merchants and ultimately improved prices for customers
- Commission levels to better match wanted position of each segment
- Stringent application across merchant base to foster competition on site

## 2. GPAM margin increase

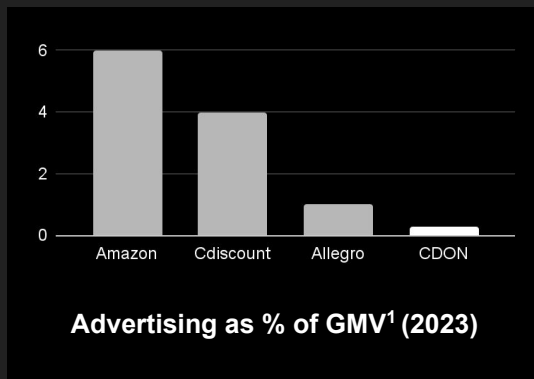
**Merchant ads is an opportunity to increase the take rate by offering an established service to marketplace merchants**

Common practice on all leading marketplaces, appreciated by merchants

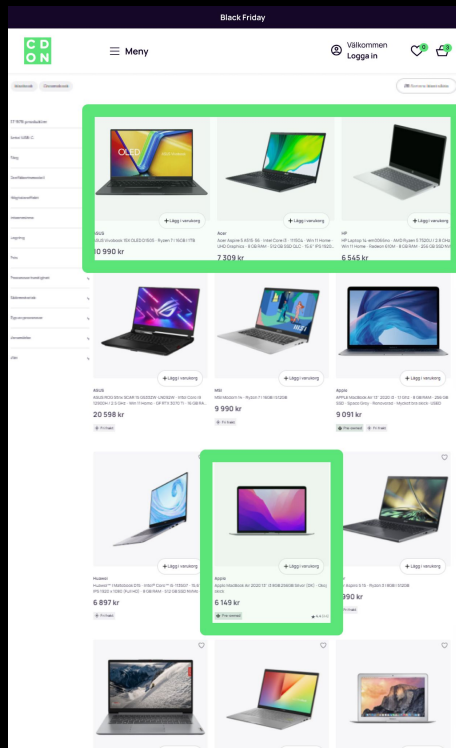
Significant revenue potential, with limited COGS for the marketplace

Improved product discovery and access to quality products

Leading marketplaces are able to realize up to 6% of GMV in advertising revenues



Advertising as % of GMV¹ (2023)



Sponsored products

Organic results

## 2. GPAM margin increase

**Main gap to leading peers in value added services**

### Take-rate break down

	CDON	Fyndiq
<b>Merchant commissions</b>	12%	19%
<b>Value added services</b>		
Merchant ads	0.5%	0%
Fulfilment services	0%	0%
<b>Customer revenues</b>		
Shipping	0%	10%
<b>Other</b>	0.5%	0.5%
<b>Total</b>	<b>13%</b>	<b>30%</b>

### Benchmark from industry leaders<sup>1</sup>

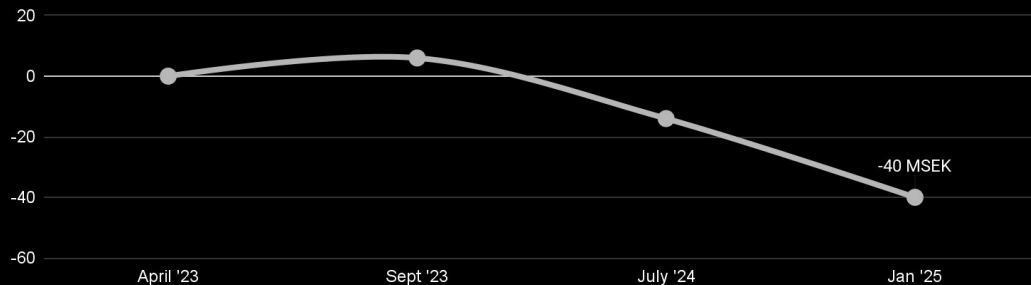
	Leding peers
<b>Merchant commissions</b>	10-20%
<b>Value added services</b>	
Merchant ads	4-6%
Fulfilment services	15-30%
<b>Customer revenues</b>	
Shipping	5-10%
<b>Other</b>	0-5%
<b>Total</b>	<b>~20-40% + Fulfilment</b>



### 3. OPEX efficiency

## Further reduction of OPEX, following the platform migration and integration efforts, to strengthen EBITDA

### Operational expenses reduction, (2023-2025)<sup>1</sup> MSEK



<sup>1</sup> Previously communicated run-rate saving of 40 MSEK to be achieved by end of Q4 2024. July 2024 data point for illustration purpose only. Not to be considered further guidance on the timing of the realization of such effect

#### April 2023

Baseline set at the completion of the acquisition of Fyndiq

#### September 2023

Current OPEX is higher than April '23, due to ongoing integration efforts

Several actions have been taken to reduce OPEX, yet effect not visible in run-rate

#### 2024-2025

Gradual reduction of OPEX during '24 through reduced systems/software costs and elimination of temporary integration costs. Most significant cost saving following completion of the platform migration to achieve -40 MSEK run-rate reduction

# Combining all three levers

# Isolating the EBITDA potential of each action

<u>Only</u> GMV growth (rest fixed) - annually					
	Illustrative base*	Year 3	Year 5		
GMV Increase		15%	15%		
EBITDA <sup>1</sup>	29	147	258	<b>CAGR</b>	<b>55%</b>

<u>Only</u> GPAM margin increase (rest fixed) - annually					
Take Rate Increase		5%	5%		
Marketing Cost Efficiency		5%	5%		
EBITDA <sup>1</sup>	29	104	158	<b>CAGR</b>	<b>41%</b>

## Assumptions for illustration

### GMV growth

- A CAGR of 15%, in line with the CAGR of the Swedish e-commerce market 2012-2019 and CDiscout during the same period

### GPAM margin increase

- Combination of take rate increase, primarily driven by value-added service, and improved marketing efficiency
- Such improvements would lead to a GPAM margin for CDON group of 14% year 3 and 16% year 5, compared to current margin of 10%

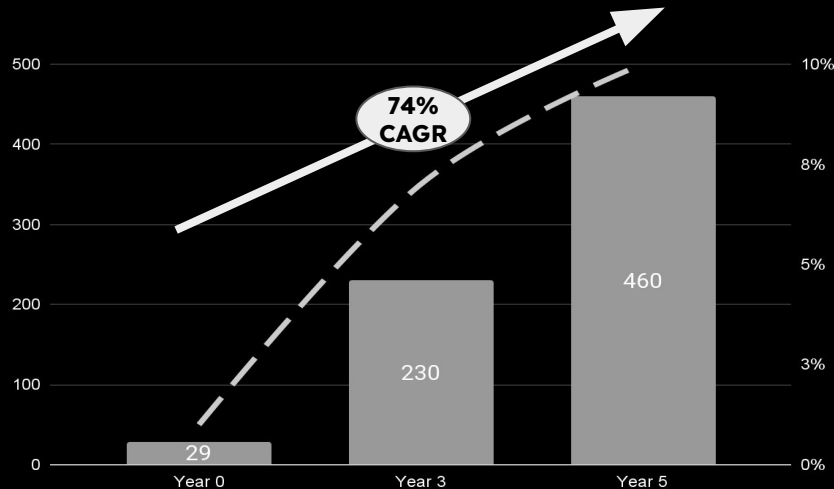
<sup>1</sup> Illustrative EBITDA base is based on SEB's latest estimate

# Combining all three levers

**Under a scenario with GMV growth and profitability improvements, the scalability of our business model becomes clear**

## Illustrative EBITDA development (Year 0-5)

MSEK/%



### Assumptions (Annual effect)

15% GMV growth + 5% GPAM margin increase + 5% OPEX cost increase

## Profitable growth scenario simulation

- Some underlying cost pressure from inflation and salaries assumed
- Yet, the full effect of the integration cost synergies, -40 MSEK, would offset the simulated OPEX increase (equivalent CAGR of -4.5% for the same period)
- Combined CAGR of 74%, leading to an EBITDA potential of 460 MSEK
- 10% EBITDA margin in line with leading international marketplace players

\*Illustrative EBITDA base is based on SEB's latest estimate

# CONCLUDING REMARKS



# CDON investment highlights

01

The **underpenetrated market** in the Nordics provides a great opportunity

02

Two marketplaces with **distinct separate positions**

03

**Highly scalable business model:** Strong working capital dynamics with a scalable GMV growth and relatively fixed OPEX base allows for rapid growth in profitability

04

The foundation laid for **profitable growth** is expected to deliver shareholder value for the years to come

**It's really not rocket science,  
feed the flywheel with a lot of supply  
that people really like,  
with competitive prices,  
and transact them in a way that  
leaves them with a good experience,  
and we have the blueprint for this**



**Q&A**



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