



SEB investigates

The merchant of merchants

We initiate coverage of CDON with a midpoint DCF equity value of SEK 850. CDON is the leading marketplace in the Nordic region, with 2.3m customers (8% of the population) and over 1,500 connected merchants. CDON offers an exposure to structural growth as consumption shifts online and high margin potential reflecting the oligopolistic nature of marketplaces. Growth is asset light (commission model, no WC need), which also drives a high ROCE.

Key Data (2021E)

Price (SEK)	535.00
Reuters	CDON.ST
Bloomberg	CDON.SS
Market cap (SEKm)	3,205
Market cap (USDm)	385
Market cap (EURm)	318
Net debt (SEKm)	(205)
Net gearing	(219%)
Net debt/EBITDA (x)	(3.9)
Shares fully dil. (m)	6.0
Avg daily turnover (m)	0.0
Free float	74%

The leading Nordic marketplace – an oligopoly-like margin opportunity

Our analysis shows that the top-three marketplace operators typically take a combined 45-50% share of total online spend in a market. The inherent strength in a marketplace business builds from a mutual benefit of “all” buyers being able to find “all” sellers and vice versa. Here, CDON has carved out a position as the leading consumer brand and marketplace across the Nordic four country markets. We believe Amazon.se will accelerate the consumer shift to online and drive the marketplace channel share of total retail spend. The commission-based revenue model requires no working capital and gross margins are close to 95%. We reckon this drives EBIT margin expansion and resulting high ROCE.

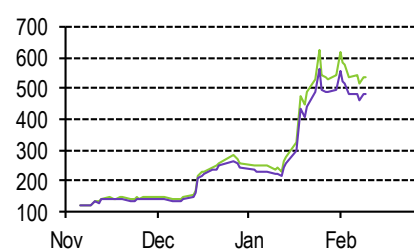
We expect 3P GMV CAGR of 26%, EBIT CAGR of 79% in 2021 to 2023

We forecast CDON Marketplace to grow its third-party (3P) GMV from SEK 2.5bn in this year to almost SEK 4bn in 2023, implying a CAGR of 26%. Assuming take rates of 10-11%, gross margins of 93-94% and some operating cost leverage, we expect EBIT to increase to SEK 110m in 2023, equal to a 79% three-year CAGR. Based on its negative WC position, our OCF forecasts are also higher.

We set our midpoint DCF equity value at SEK 850 (1.40x 2022 EV/GMV)

We believe investors will value CDON based on EV-to-GMV. Our marketplace peer group is now being valued at 1.40x 2022 EV/GMV median estimates, which compares to our forecasts in CDON implying 0.80x next year's EV/GMV (a 43% discount). At our midpoint DCF value CDON would trade on par with peers.

Share Price (12M)



Absolute (green) / Relative to Sweden (purple).

Marketing communication commissioned by: CDON

Financials (SEK)

Year end: Dec	2019	2020	2021E	2022E	2023E
Revenues (m)	1,112	795	755	772	846
Adj. EBIT	(1)	11	34	69	110
Pre-tax profit (m)	(2)	(6)	35	69	111
EPS	(0.26)	(0.98)	5.76	9.05	14.5
Adj. EPS	(0.26)	1.26	5.76	9.05	14.5
DPS	14.1	0.00	0.00	0.00	0.00
Revenue growth (%)	(28.8)	(28.5)	(5.1)	2.3	9.6
Adj. EBIT growth (%)	n.m.	n.m.	209.4	100.1	60.5
Adj. EPS growth (%)	n.m.	n.m.	357.9	57.0	60.4
Adj. EBIT margin (%)	(0.1)	1.4	4.6	8.9	13.0
ROE (%)	(1.0)	(5.7)	45.3	45.0	45.5
ROCE (%)	(0.8)	10.8	45.3	57.2	57.9
PER (x)		204.2	92.8	59.1	36.9
Free cash flow yield (%)		0.4	1.1	1.7	3.5
Dividend yield (%)		0.0	0.0	0.0	0.0
P/BV (x)		26.14	34.31	21.71	13.66
EV/Sales (x)		1.72	3.98	3.81	3.35
EV/Adj. EBITDA (x)	0.0	26.6	57.2	32.9	20.9
EV/Adj. EBIT (x)	0.0	123.4	87.4	42.9	25.7
Operating cash flow/EV (%)		2.2	2.0	2.7	5.0
Net debt/Adj. EBITDA (x)	(12.91)	(4.97)	(3.90)	(2.89)	(2.75)

Source for all data on this page: SEB (estimates) and Millstream/Thomson Reuters (prices)

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Investment conclusion

Initiating coverage, DCF value of SEK 850

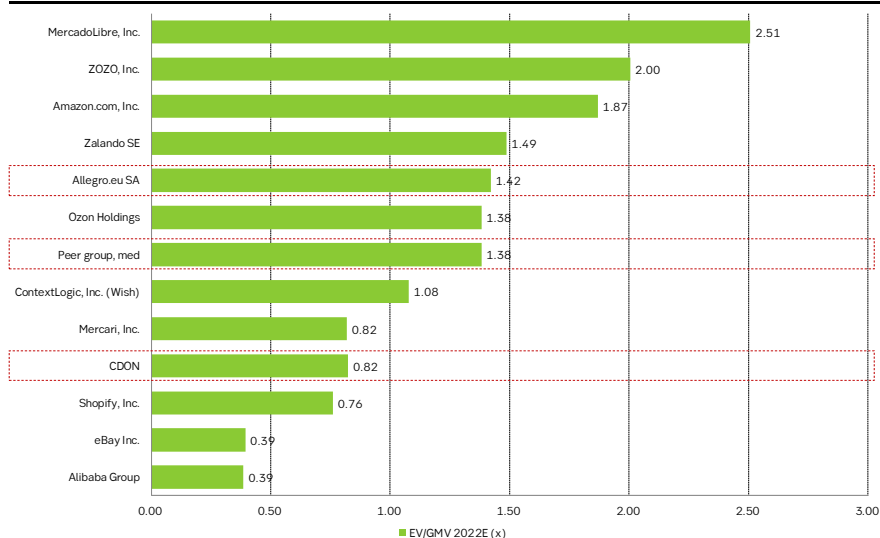
Equity valuation range summary

Mid-point DCF value (SEK)	850.00		
Share price (SEK)	535.00		
2022 EV/GMV (x)	0.82		
2022E EV/Sales (x)	3.81		
2022E EV/EBIT, adj. (x)	42.9		
Valuation potential	Low	High	Mid-point
DCF valuation range (SEK)	723.00	978.00	850.50
Equity potential (%)	35	83	59
2022 EV/GMV at DCF valuation range (x)	1.14	1.57	1.35
2022 EV/Sales at DCF valuation range (x)	5.27	7.25	6.26
2021E DPS yield (%)	0.0	0.0	0.0
Total return potential	35	83	59

Source: SEB

We initiate coverage of CDON, the leading online marketplace in the Nordic region, with a midpoint DCF based equity value of SEK 850 per share. This implies return prospects of 65% from current share price levels. Based on our forecasts, we believe CDON is today valued at 0.80x next year's EV/Gross merchandise value (GMV), which corresponds to over a 40% discount to its international marketplace peer group median valuation of 1.40x EV/GMV. At our midpoint equity value of SEK 850 per share, this would imply a valuation in line with main the sector median, as well as main peer Polish Allegro.eu.

Selected marketplace operator peer group: 2022E EV/GMV (x)

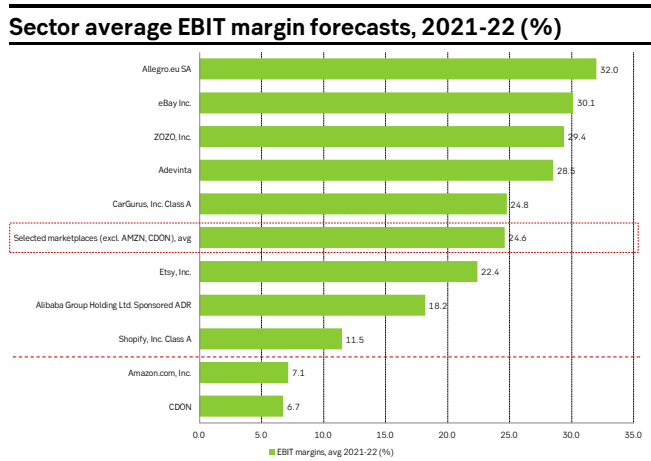


Source: SEB, Factset

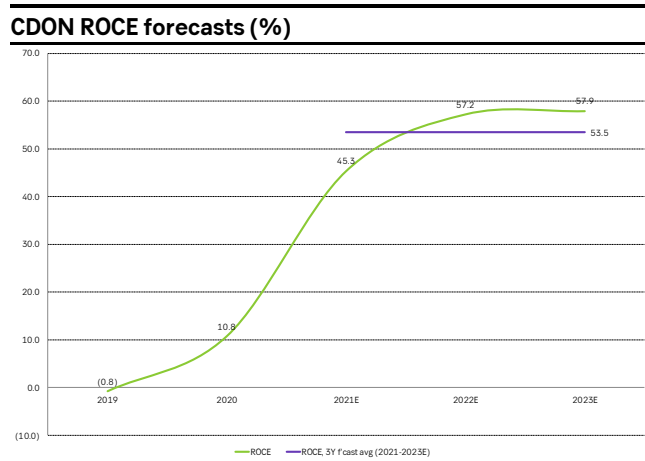
We believe the online marketplace sector offers investors an exposure to structural growth and well-protected margins. For CDON, holding a prominent market and brand position amongst Nordic consumers, we argue the following key market characteristics add to our company investment case:

- Structural growth:** while consumer sales reflect real disposable income growth and discretionary budget decisions, the accelerating shift in consumer behaviour (increased online presence and spend) will bolster growth in the Nordic e-commerce market for years ahead. Here, CDON has built a market leading position in the Nordic region. Our estimates imply a CAGR of 25.7% in marketplace (3P) GMV over our forecast period to 2023

- Oligopoly-like markets:** Just like in search advertising (Google), local and yellow pages (Solocal) and classified advertising (Adevinta), the inherent strength in a marketplace business builds from a mutual benefit of “all” buyers being able to find “all” sellers and vice versa. The top-three marketplace operators today take closer to 45% share, or more, of the local e-commerce market. Over time, we argue, this market structure lends support to a lower equity risk premium in the sector and in CDON
- High margins:** Along with increasingly high barriers to entry, this market structure also means an opportunity for high margins. Based on our current business mix assumptions, we reckon EBIT will expand from 4.5% of sales in this year, to 13% in 2023. Serving as a long-term indication of margin opportunities, margin consensus estimates for a peer group of marketplaces is currently averaging 25% in 2021-22
- Asset light:** the third-party (3P) marketplace model is largely based on drop shipments, which allows CDON to operate with minimal working capital (inventories), resulting in a high return on capital employed. In 2021-23, we estimate CDON to generate an average ROCE of 53.5% (57% in 2023). We note that these ROCE forecasts are burdened by its debt-free balance sheet, as well as sub-industry EBIT margins, reflecting its business mix (in transition) and expected growth investments



Source: SEB, Factset

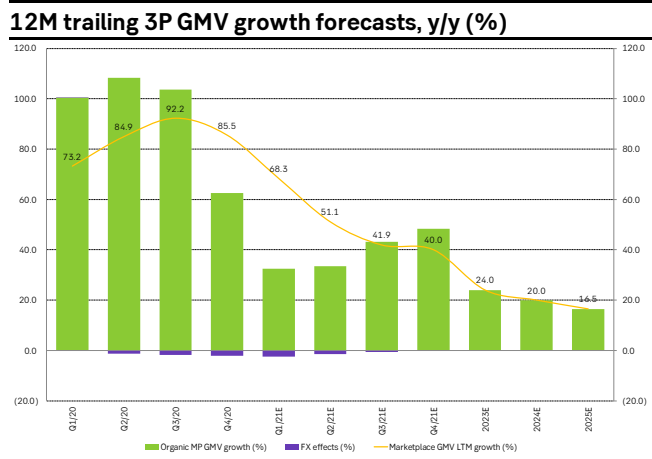


Source: SEB

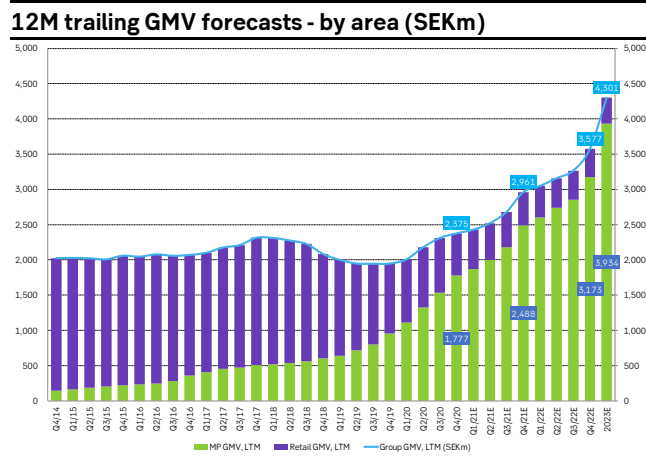
Marketplace forecasts in summary

In recent years, CDON has consistently converted its own online retail operations to a marketplace, offering Nordic consumers a large assortment of goods in a wide range of product categories – and at competitive prices. In last year CDON Marketplace had over 1,500 associated merchants on the platform, including CDON's own retail store (complementary offering of mostly legacy media products, which will continue to decline ahead).

In the Nordic region, CDON Marketplace now counts an impressive 2.3m active customers across its four dedicated country sites, equal to 8% of the population. Last year these customers generated a total GMV of SEK 2.4bn, including SEK 1.8bn in 3P GMV. CDON earns a take rate commission on 3P GMV that we estimate to be in the range of 10-11% (2020E: 10.7%).



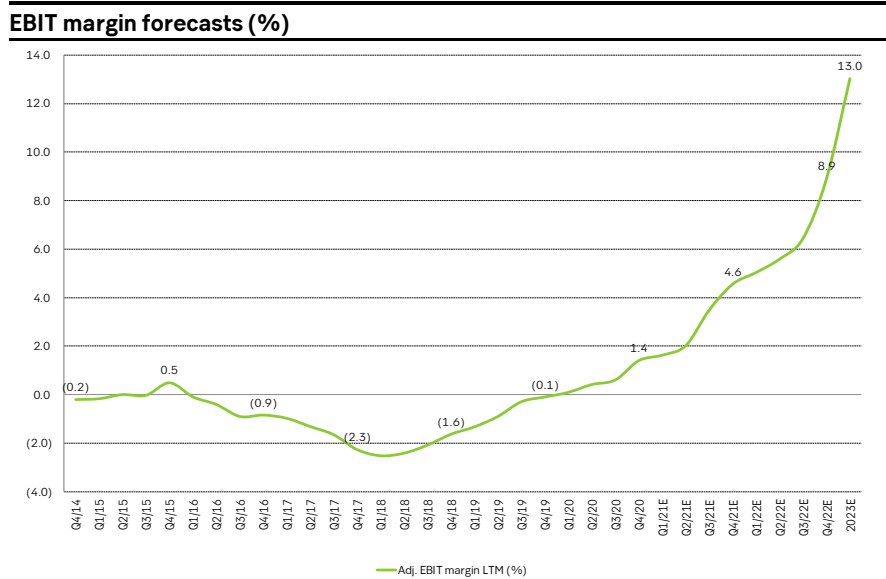
Source: SEW



Source: SEB

Since CDON Retail will gradually be phased out, we believe investors will use CDON’s 3P GMV as the most important KPI for estimating sales (commissions) and earnings growth prospects. Here, our forecasts build from a three-year CAGR of 26% to almost SEK 4bn in 2023 (growing to SEK 5.5bn in 2025). Since there are no particular costs associated with take rate income (gross margins are in the range of 93-94%), we also expect CDON to generate strong EBIT margin expansion from levels of about 4.5% in this year to 13% in 2023 (and 17% in 2025).

As outlined above, its more mature marketplace peers generate average margins of about 25%, which we argue would be a long-term potential for CDON too. In all, we forecast CDON to record EBIT of SEK 110m in 2023, equal to a CAGR of 79% from this year’s EBIT estimate of SEK 34m.



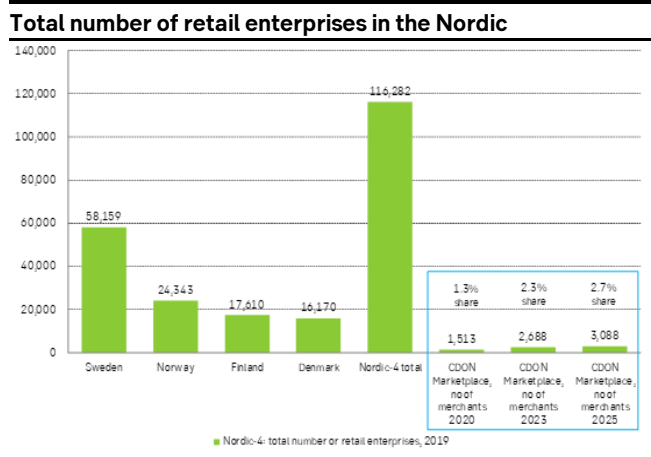
Source: SEB

Connect – Marketplace-as-a-Service

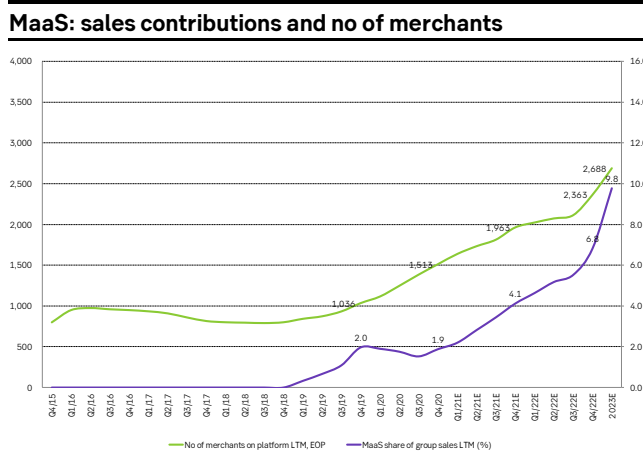
While still in its infancy, CDON is developing its CDON Connect e-commerce platform that will gradually enable the company to generate new income streams from subscription-based and other merchant services. Much like a software-as-a-service (SaaS) provider, where customers pay a subscription fee for using the software stored in the cloud, generating monthly or annual recurring revenue (MRR, ARR) for the provider, CDON Connect is a marketplace-as-a-service (MaaS). In summary, we identify four auxiliary income streams for CDON Connect over our forecast period:

- Monthly merchant subscription fees (launched in Q4/20).
- Take rate commission on external marketplace GMV.
- Merchant services (fulfilment services, for example) and supplier kickbacks (payments, for example).
- Advertising income (sponsored products).

Estimating the total addressable market (TAM), there are over 115,000 registered retail companies in the Nordic countries (of which almost 60,000 are registered in Sweden). While most of these enterprises are very small (employing no more than five people), market research, covering small and medium-sized retailing companies, shows that the global average revenue per merchant (ARPM) is USD 1,653 per annum. Using these metrics as a very rough calculation for the Nordic market, we arrive at an estimated base case market value of SEK 0.8-1.6bn, where the range is based on the number of addressable companies.



Source: SEB, Statistics Sweden, Denmark, Finland and Norway



Source: SEB

Key risks and investment concerns

- **Amazon:** we base our earnings forecasts on (rather) high growth in CDON Marketplace GMV. We see Amazon.se as a new price leader in the Nordic market and which may eventually feed through to pressure on merchant margins. Elsewhere, Amazon has consistently been sacrificing margins over growth for the past tow decades. For this reason our estimates are based on a declining take rate for CDON over the forecast years. Our take rate assumptions, which largely builds our gross profit estimates, could prove too high. This said, in our opinion we conclude that Amazon.se will likely be an important driver for the online marketplace channel share ahead and so bolster growth on CDON's marketplace as well

- While its first version of CDON Connect, the e-commerce platform, has been launched and generates some income, the company will clearly continue to invest capex and opex in the platform from this year onwards. Our forecast assumptions build from all four new income streams generating income as of 2022. We are concerned that there may be delays in this product development. Also, for example, while we assume a considerably lower (2.5%) take rate on GMV generated by merchants connected to external marketplaces via CDON Connect, these levels could prove too high and the revenue share model may be constructed in another way that makes our CDON Connect estimates too high
- In 2015, the Finnish Tax Authority claimed that CDON Alandia, a subsidiary of CDON, should pay a total of EUR 6.9m in additional taxes and fees covering undeclared VAT sales in Finland for the year 2012. CDON settled the tax payment in full in January 2017 and has disputed the claim until a final appeal to the Finnish Administrative Court was dismissed in October 2019. Five previous board members in CDON Alandia were charged with tax fraud. The Finnish Tax Authority has also raised claims against four of these individuals. In the event that these claims become valid, CDON has agreed to assume responsibility for the vast majority of any such costs – and which levels are unknown
- CDON's financial disclosure and track record as a listed company is limited. For competitive reasons, the company does not disclose important KPIs, like actual 3P take rates for example. Given the volatile development in 3P GMV recently (exceptionally strong in the past year, while slowing in Q4 due to the launch of its new platform) this suggests a higher equity risk premium is appropriate for CDON in the near term. Any future improvements to reporting disclosure, we argue, could also better earnings visibility, forecast certainty and lower the valuation risk premium for equity investors

Midpoint DCF valuation sensitivities – cost of equity and equity capital weight

		Cost of equity (%)				
		5.5	6.0	6.5	7.0	7.5
Equity capital weight (%)	80	1,346	1,217	1,108	1,015	936
	90	1,174	1,060	964	883	812
	100	1,037	936	850	777	715
	100	1,037	936	850	777	715
	100	1,037	936	850	777	715

Source: SEB

Midpoint DCF equity valuation summary

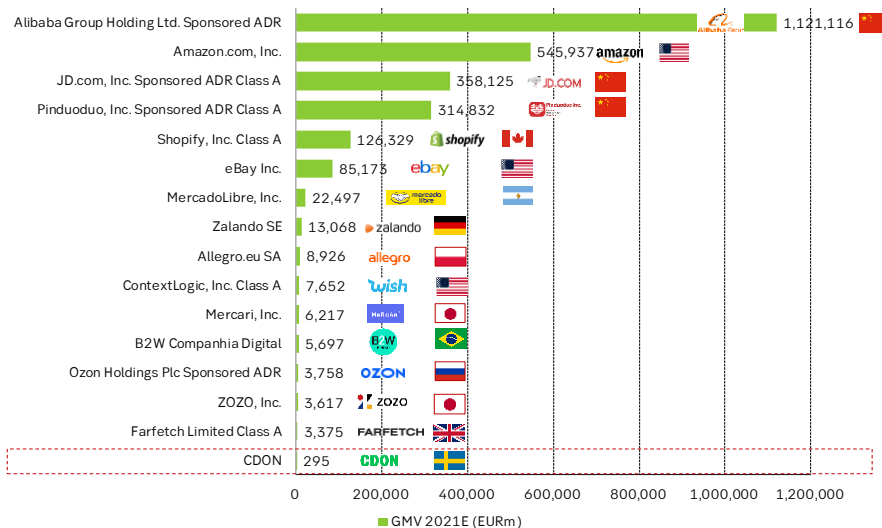
DCF valuation (SEKm)		Weighted average cost of capital (%)	
NPV of FCF in explicit forecast period	1,314	Risk free interest rate	2.5
NPV of continuing value	3,574	Risk premium	4.0
Value of operation	4,888	Cost of equity	6.5
Net debt	(205)	After tax cost of debt	1.8
Share issue/buy-back in forecast period	-		
Value of associated companies	-	WACC	6.5
Value of minority shareholders' equity	-		
Value of marketable assets	-	Assumptions	
DCF value of equity	5,093	Number of forecast years	10
DCF value per share (SEK)	850	EBIT margin - steady state (%)	24.4
Current share price (SEK)	535.00	EBIT multiple - steady state (x)	11.0
DCF performance potential (%)	59	Continuing value (% of NPV)	73.1

Source: SEB

Marketplace business model

The virtuous circle is spinning

Gross merchandise value forecasts, 2021E (EURm)

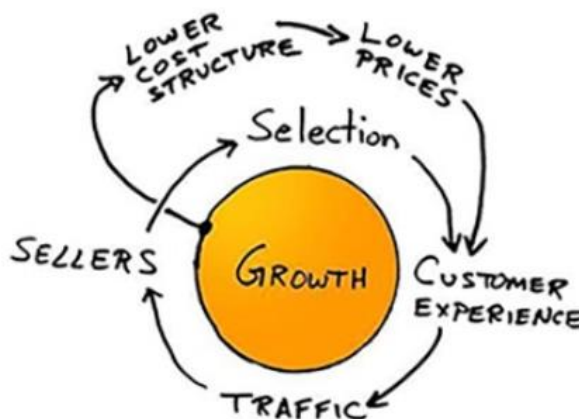


Source: SEB, Factset

Reflecting Amazon's strong growth track record in its core US marketplace business, adding geographical expansions (now operating from 16 dedicated country sites, including amazon.se since October last year), new products (such as Prime, the subscription service) and segment expansions (such as cloud service AWS and the acquisition of US Whole Foods), Amazon last year generated an estimated GMV in excess of USD 500bn. According to Factset consensus, estimates imply a growth in Amazon's GMV of 26% in this year to around USD 635bn (or EUR 518bn – see chart).

China's Alibaba (operating T-Mall, Taobao and more) is the world's largest marketplace in terms of generated GMV. Based on our EUR 322m GMV forecast in 2021, CDON is the largest local marketplace operator in the Nordic markets.

Executive Chairman and founder Mr Jeff Bezos' virtuous circle



Source: Amazon

Amazon's mission "to be Earth's most customer-centric company" is based on the napkin sketch by founder Jeff Bezos, outlining a virtuous circle. Starting from the customer experience, building site traffic and attracting more merchants to the platform, this further improves the selection available. The higher volumes generated on the marketplace makes it possible to scale costs and to lower prices, which again improves the customer experience and so on.

CDON flywheel: putting numbers to the virtuous circle

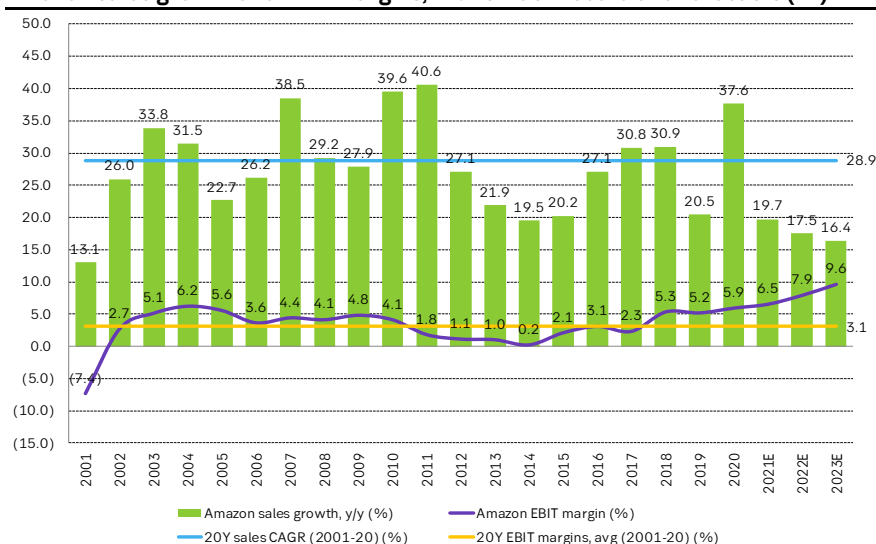
CDON	2020
Traffic/Customers	Site visits +28%, Active customers +27%
Merchants	+477 to 1,513
Product range	+8m products
Lower cost structure	Automation and scale
Lower prices	Competition between increased no of merchants
Customer experience	Improved selection, lower prices

Source: SEB, CDON

This flywheel is building the strategic plan for Amazon and for CDON alike. For brand owners (growing its direct-to-consumer sales on marketplace platforms – compare Nike, Puma, Adidas/Reebok and more) and retailers, this highlights several opportunities (long-tail, geographical expansion, volumes), as well as threats (brand control, pricing/margins).

Based on product and brand positioning and economics, including decisions on fulfilment (for example, Amazon offers both Fulfilment by Amazon, FBA and Fulfilment by Merchant, FBM at various associated fees), we believe the strategic decisions on how to use marketplaces will increasingly impact growth and margin developments for the consumer goods companies operating in the Nordic markets. As established earlier in this report, research suggests that in more mature markets, the top-three marketplace operators take a combined 45% share of the market.

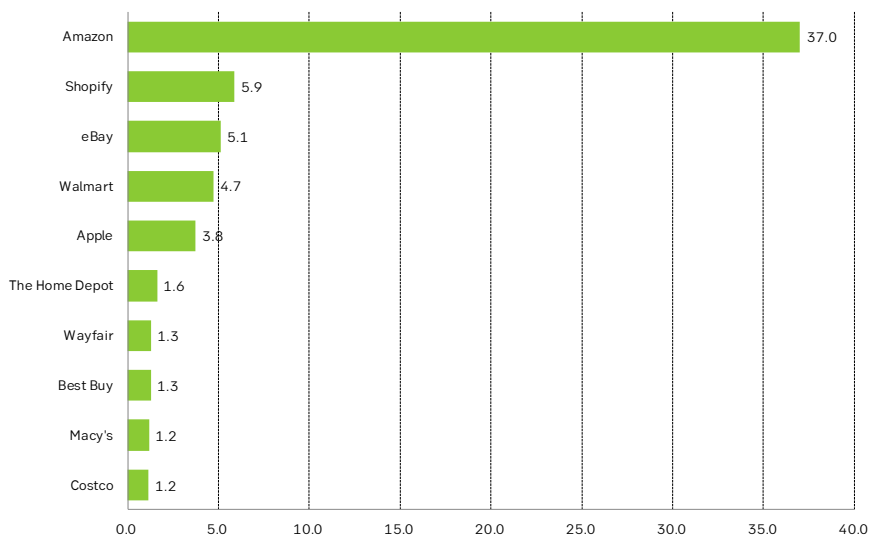
Amazon sales growth and EBIT margins, -20Ys track record and forecasts (%)



Source: SEB, Factset

Looking at Amazon's financial track record over the past two decades to 2020, the group has generated an impressive sales compound average growth rate (CAGR) of 28.9% and an EBIT CAGR of 34.8% in the 19 years from 2002, its first profitable year, to 2020. This means that Amazon is estimated to take a market share of about 37% of all online retail sales in the US.

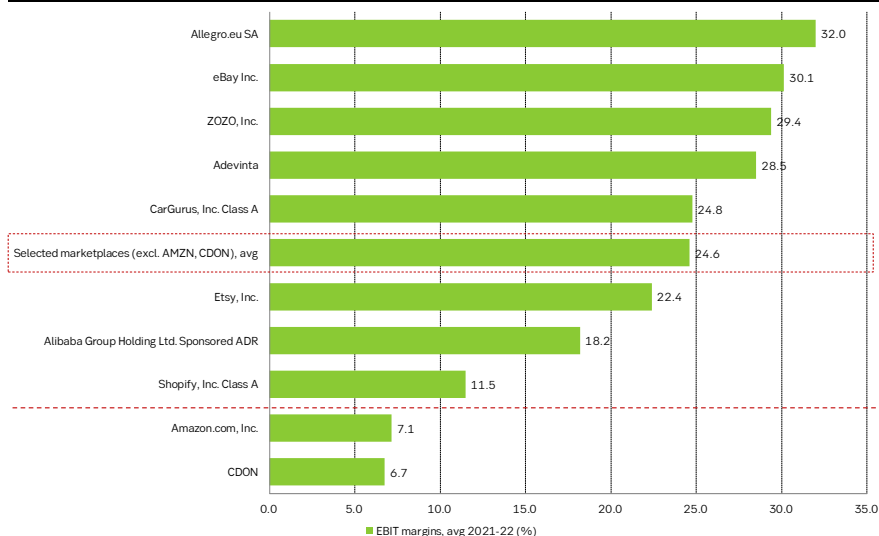
US online retail sales (GMV) market shares, 2019 (%)



Source: Shopify, eMarketer (May 2020)

Amazon's operating margins have been rather thin so far: averaging 3.1% over the past 20 years. This is well below other industry players and comparable peers. To us, this suggests that the group has rather prioritized growth over earnings and that its key focus has remained on improving the customer experience, i.e. lowering prices for consumers rather than lifting its margins.

Selected marketplaces: average EBIT margins, 2021-22E (%)



Source: SEB, Factset

Looking elsewhere in the sector and perhaps at more mature marketplaces, such as eBay, or marketplaces based on classified advertising, such as Adevinta, or other peers like Alibaba and Allegro.eu, operating margins average closer to 25% based on consensus forecasts for 2021-22.

We argue these margin levels reflect the highly profitable commission business model of marketplaces, enhanced by the oligopoly-like market structure and could serve as an estimate for the long-term margin potential in CDON as well.

Comparing Marketplace and Retail P&Ls

CDON P&Ls by business model – Marketplace vs. Retail

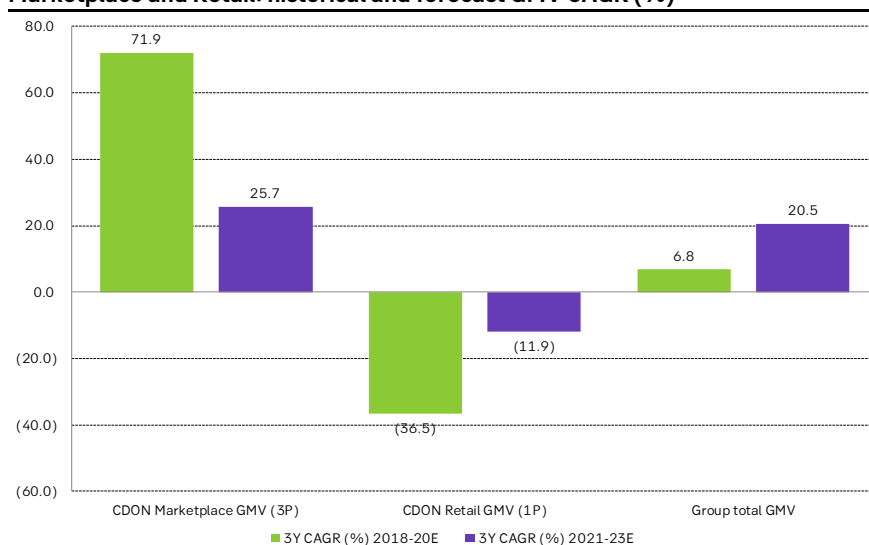
P&Ls by area 2020 (SEKm)	Marketplace (3P)	Retail (1P)	Group
Gross merchandise value	1,777	598	2,375
Net sales	205	590	795
External GMV take rate (%)	10.7	-	
Cost of goods	-	Yes	
Fulfilment	-	Yes	
Postage	-	Yes	
Freight	-	Yes	
Other (incl. credit card fees, bank costs)	Yes	Yes	
Total cost of goods sold	(12)	(535)	(547)
Gross profit	193	55	248
Gross margin (%)	94.1	9.4	31.2
GP-to-GMV (%)	10.9	9.3	10.5
Adj. EBITDA			34
Adj. EBITDA margin (%)			4.3

Source: SEB, CDON

In a marketplace business with a high share of third-party (3P) GMV, contribution margins are high, since the associated costs are limited, and the nominator (sales) are comprised of take rate on the transaction sales value. For CDON, the need for working capital investments (mainly inventories) is decreasing too, reflecting the group's strategic decision to phase out CDON Retail over the coming years. Going into 2021 CDON Retail's remaining product category is media products, such as for example CDs and which will continue to decline in demand going forward. CDON aims to maintain its CDON Retail media business for as long as contribution profits are positive.

Since 3P "sales" generated in a marketplace are equivalent to the take rate (or referral fee at Amazon), this income does not require the corresponding costs of sales as in a retail model. As outlined in the table above, a retail business needs to assume all the costs associated with any sales: including the cost of goods, cost of fulfilment, cost of shipping, etc.

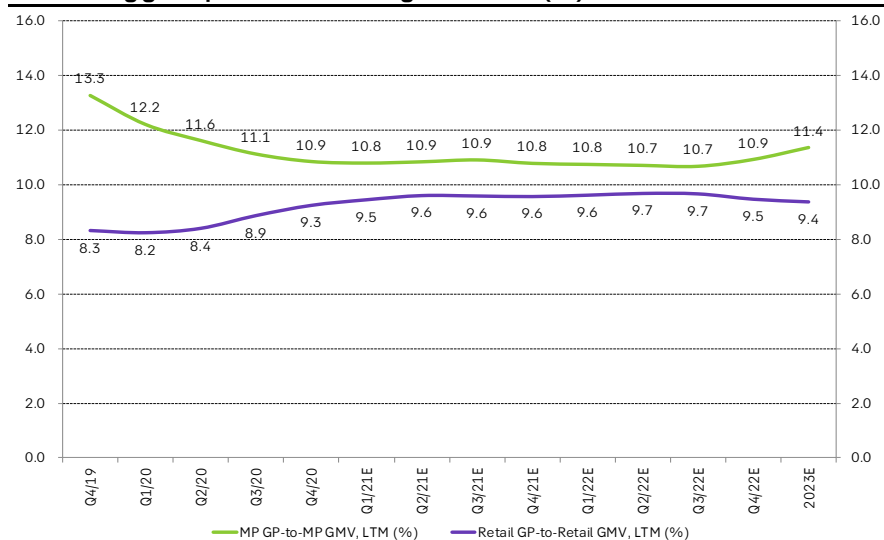
Marketplace and Retail: historical and forecast GMV CAGR (%)



Source: SEB

In order to compare the two different business models and to benchmark the financial performance, we propose analysing profits in relation to GMV, rather than in relation to net sales. This way, we conclude that our CDON Marketplace margin forecasts, expressed as gross profit-to-GMV in the chart below, are more similar to margin levels in CDON Retail (where net sales by definition equals GMV).

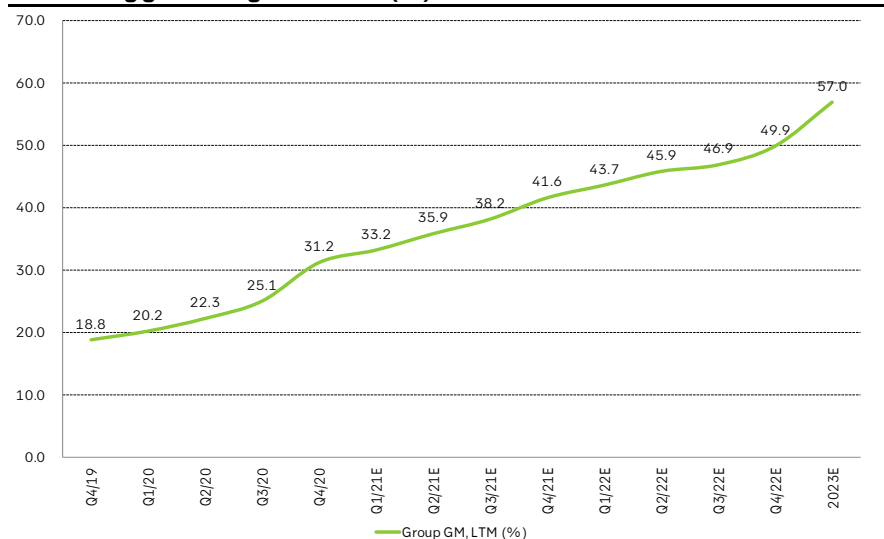
12M trailing gross profit-to-GMV margin forecasts (%)



Source: SEB

On a consolidated basis, margin expansion reflects our growth forecasts for 3P GMV, as well as the concurrent decline in net retail sales. We expect CDON's reported gross margins (i.e. to sales) to increase from 31.2% in last year to 41.6% in this year and to 57.0% at the end of our forecast period in 2023.

12M trailing gross margin forecasts (%)

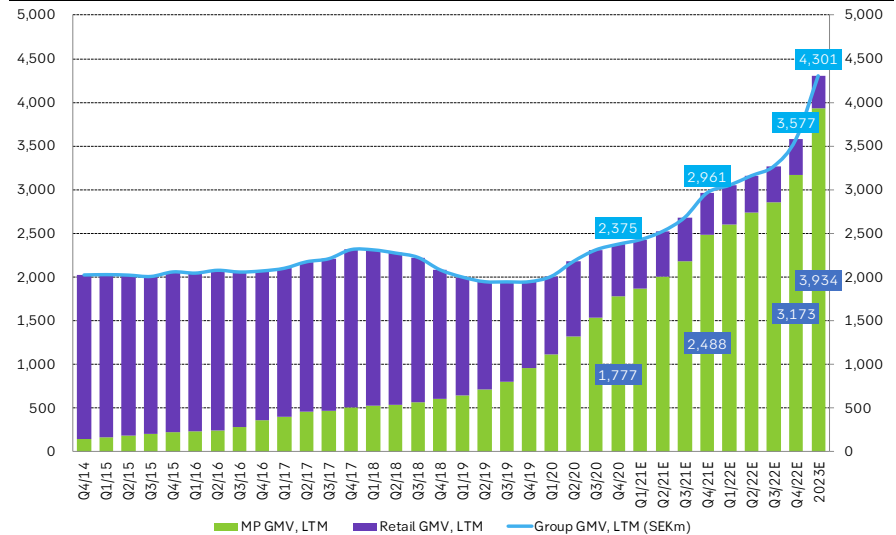


Source: SEB

Financial forecasts

Asset-light growth and margin expansion

GMV forecasts – by area (SEKm)

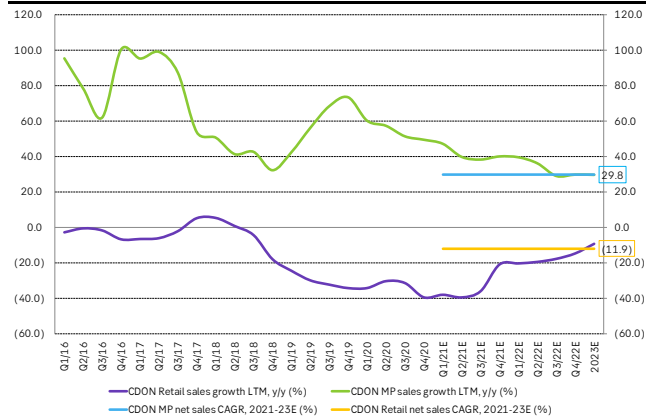


Source: SEB

CDON has two business areas: CDON Marketplace and CDON Retail. CDON Retail acts as one of over 1,500 merchants on the marketplace platform, focusing on retailing media products, such as CDs and DVDs, etc. Reflecting the structural decline in demand for such products, we expect CDON Retail to record a negative CAGR in net sales (which equal GMV in a retail business) of 12% over our forecast period ending 2023.

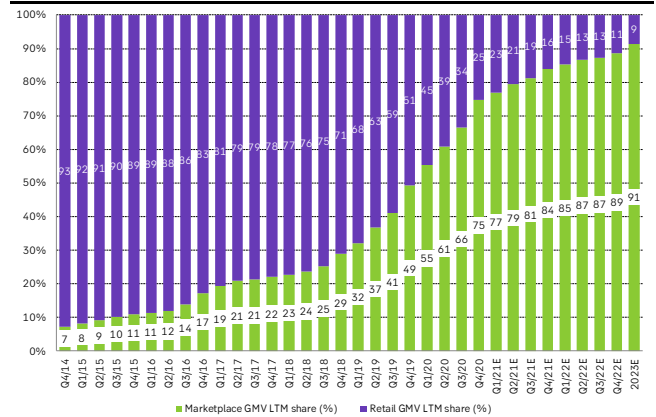
For CDON Marketplace, where sales mainly reflect the take rate commission income on third-party (3P) GMV generated on the platform, we forecast a GMV CAGR of 26% and a CAGR of 30% in net sales. Increasingly over our forecast period, we expect net sales in CDON Marketplace to include income from new merchant services, i.e. other than the 3P take rate commissions.

12M trailing net sales growth – by area, y/y (%)



Source: SEB

12M trailing GMV contribution forecasts – by area (%)

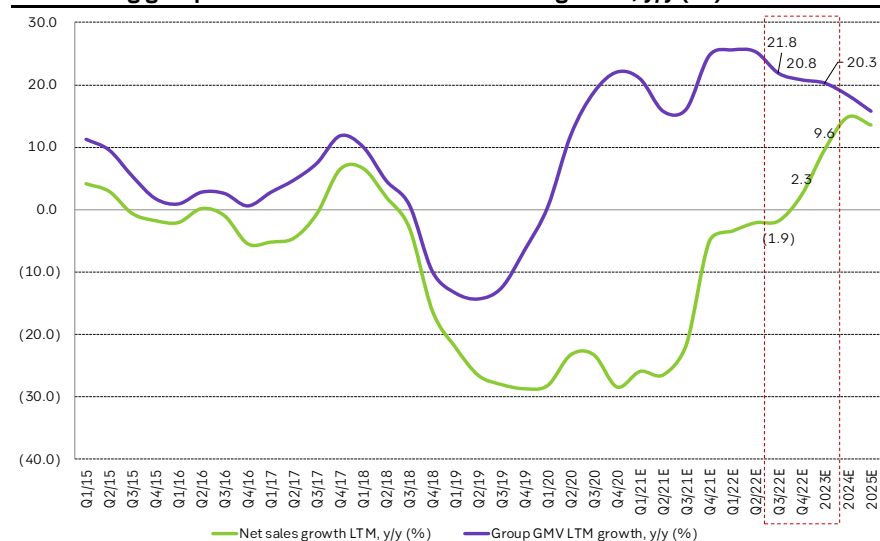


Source: SEB

Group net sales will continue to decline until Q4 next year

Based on these growth forecasts and the resulting mix between 1P and 3P GMV, this means that the group's trailing total net sales will continue to decline until Q4 next year. We estimate this period to be the inflection point where the contribution from trailing 3P commission sales growth, to group total growth, will be higher than the negative contribution from the decline in 1P retail sales. Eventually, if and when CDON retail sales go to zero, group total GMV growth would also equal net sales growth, less the sales contributions from other merchant services, such as subscriptions, kickbacks and advertising, for example.

12M trailing group total GMV versus total net sales growth, y/y (%)



Source: SEB

GMV and net sales growth forecasts

GMV and GP - by business area (SEKm)	Q1/20	Q2/20	Q3/20	Q4/20	Q1/21E	Q2/21E	Q3/21E	Q4/21E	2020	2021E	2022E	2023E
GMV												
CDON Marketplace GMV (3P)	302.6	414.9	419.0	640.9	393.4	547.7	597.0	950.2	1,777.3	2,488.3	3,172.6	3,934.0
CDON Retail GMV (1P)	152.0	152.1	106.5	187.2	113.3	113.5	88.0	158.4	597.7	473.1	404.0	366.9
Group total GMV	454.5	567.0	525.5	828.1	506.6	661.1	685.0	1,108.6	2,375.0	2,961.4	3,576.6	4,300.9
GMV growth, y/y (%)												
CDON Marketplace GMV, growth (%)	100.6	107.1	101.9	60.4	30.0	32.0	42.5	48.3	85.5	40.0	27.5	24.0
CDON Retail GMV, growth (%)	(37.5)	(22.0)	(43.0)	(48.5)	(25.5)	(25.4)	(17.4)	(15.4)	(39.5)	(20.8)	(14.6)	(9.2)
Group total GMV growth (%)	15.4	43.5	33.2	8.6	11.5	16.6	30.4	33.9	22.0	24.7	20.8	20.3
Share of GMV (%)												
CDON Marketplace GMV share (%)	66.6	73.2	79.7	77.4	77.6	82.8	87.2	85.7	74.8	84.0	88.7	91.5
CDON Retail GMV share (%)	33.4	26.8	20.3	22.6	22.4	17.2	12.8	14.3	25.2	16.0	11.3	8.5
Group total GMV share (%)	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Net sales												
MP commissions	31.0	45.6	46.9	66.6	38.7	58.1	64.5	95.0	190.2	256.3	320.4	401.3
MP MaaS	2.5	2.3	1.6	8.6	4.4	6.4	6.4	13.9	15.0	31.1	52.9	82.7
CDON Marketplace sales	33.5	47.9	48.5	75.2	43.1	64.5	70.9	109.0	205.2	287.4	373.3	484.0
CDON Retail sales	150.8	148.9	105.9	184.6	112.4	111.1	87.5	156.2	590.2	467.2	398.9	362.3
Group net sales	184.2	196.8	154.5	259.8	155.5	175.6	158.4	265.1	795.3	754.6	772.3	846.3
Sales growth, y/y (%)												
MP commissions growth (%)	54.2	88.6	81.9	47.3	24.9	27.2	37.4	42.7	64.9	34.8	25.0	25.2
MP MaaS growth (%)	(47.5)	(44.7)	(66.9)	4.1	75.7	182.9	302.2	61.4	(31.7)	107.7	70.0	56.4
CDON Marketplace sales growth (%)	34.8	69.2	58.7	40.6	28.7	34.6	46.1	44.8	49.5	40.1	29.9	29.6
CDON Retail sales growth (%)	(36.0)	(21.4)	(41.6)	(49.8)	(25.5)	(25.4)	(17.4)	(15.4)	(39.4)	(20.8)	(14.6)	(9.2)
Group net sales growth (%)	(29.3)	(9.6)	(27.1)	(38.4)	(15.6)	(10.8)	2.6	2.0	(28.5)	(5.1)	2.3	9.6

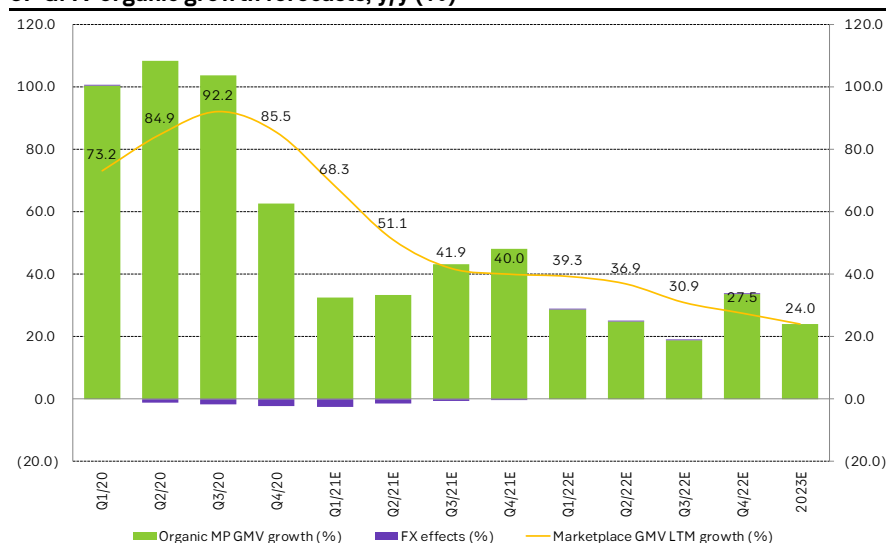
Source: SEB

All eyes on GMV

Reflecting CDON’s marketplace business model and also its strategic decision to maintain CDON Retail’s declining media sales as complementary category on its marketplace (for as long as the NPV of cash flow contributions is positive), we argue growth in GMV is a more important financial KPI than sales growth.

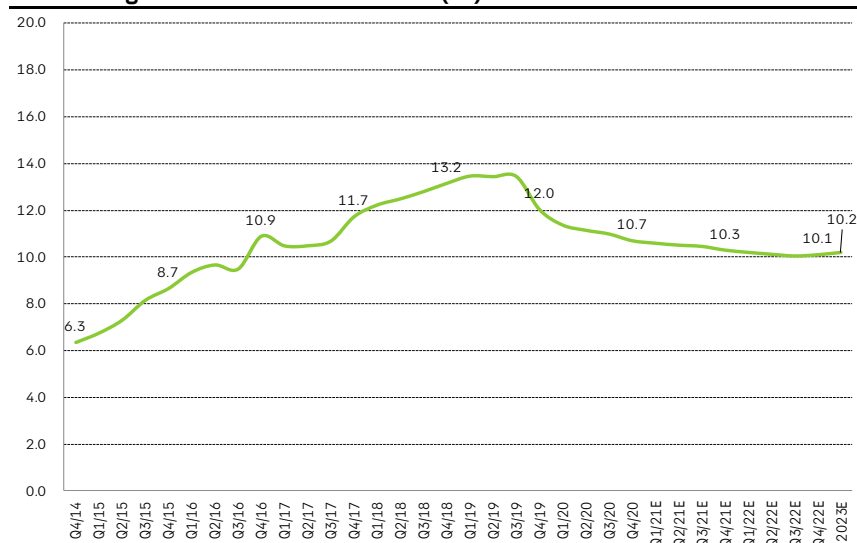
Specifically, we propose looking at 3P GMV growth since this represents the take rate commission opportunity for a marketplace operator. Here, we expect the very high growth rates in last year to moderate in 2021, while still at high levels of about 40%. We reckon the launch of its new platform in Q4 last year and the resulting impact on the consumer experience to continue to weigh on GMV growth in the beginning of this year. Over our forecast period to 2023, we estimate a CAGR in 3P GMV of 26% to close to SEK 4bn.

3P GMV organic growth forecasts, y/y (%)



Source: SEB

12M trailing 3P GMV take rate forecasts (%)



Source: SEB

While we argue that Amazon's launch in the Nordic marketplace sector will help drive the total online channel share of spending ahead, i.e. bolstering growth prospects for CDON, our analysis also points to Amazon being a price leader in the market. This could have a negative impact on merchants' margins and some of this price pressure could eventually have to be absorbed by CDON, affecting its take rate ahead. In last year we estimate CDON's take rate on 3P GMV at 10.7%. We expect a slightly lower take rate in 2021-2023 of closer to 10%.

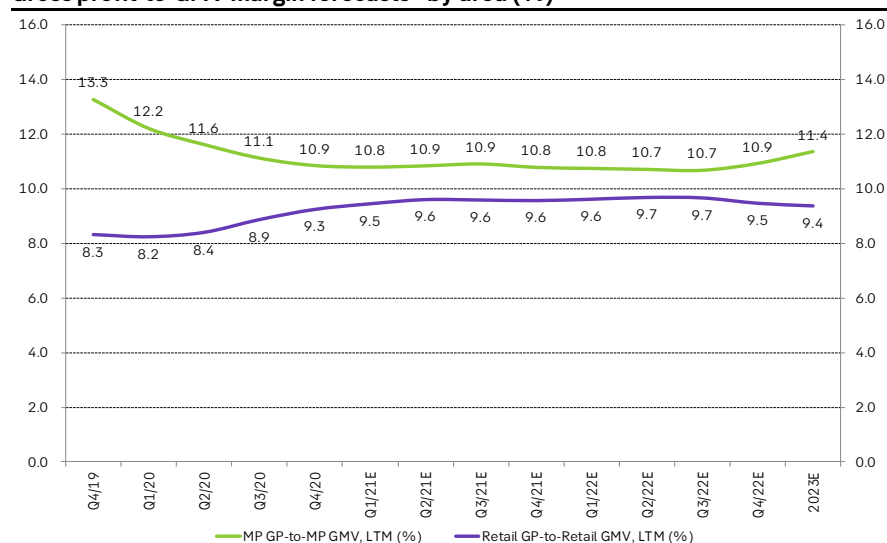
With these assumptions we also expect significant growth in gross profits reflecting 3P gross margins being at levels of about 93% (again, commission income does not require the associated cost of goods, etc as in the retail model). In all, we expect the changing business mix to drive group total gross margins from 31.2% of sales in 2020 to 53% in 2023. Since this also reflects the lower reported net sales, we propose looking at gross profit-to-GMV margins when analysing contribution margins in a marketplace. This way our marketplace forecasts are also more comparable to our retail margin estimates, we argue.

Gross profit forecasts - by area (SEKm)

(SEKm)	Q1/20	Q2/20	Q3/20	Q4/20	Q1/21E	Q2/21E	Q3/21E	Q4/21E	2020	2021E	2022E	2023E
Gross profit												
CDON Marketplace GP	31.3	44.9	45.8	71.1	40.1	60.2	66.7	101.8	193.1	268.7	347.2	447.7
CDON Retail GP	12.6	13.0	10.2	19.6	10.2	10.1	8.3	16.7	55.3	45.3	38.3	34.4
Group total gross profit	43.9	57.8	56.0	90.7	50.3	70.3	75.0	118.5	248.4	314.0	385.5	482.1
GP growth, y/y (%)												
CDON MP GP growth (%)	36.7	69.6	58.9	44.9	28.1	34.0	45.4	43.1	51.7	39.1	29.2	28.9
CDON Retail GP growth (%)	(39.8)	(14.1)	(23.3)	(40.5)	(19.2)	(21.9)	(18.2)	(14.6)	(32.7)	(18.0)	(15.5)	(10.1)
CDON group GP growth (%)	0.2	39.2	33.0	10.6	14.6	21.5	33.9	30.7	18.6	26.4	22.7	25.1
Gross margin (%)												
CDON Marketplace GM (%)	93.5	93.7	94.5	94.5	93.1	93.3	94.1	93.4	94.1	93.5	93.0	92.5
CDON Retail GM (%)	8.3	8.7	9.6	10.6	9.0	9.1	9.5	10.7	9.4	9.7	9.6	9.5
Group total gross margin (%)	23.8	29.4	36.3	34.9	32.3	40.0	47.3	44.7	31.2	41.6	49.9	57.0
GP-to-GMV margin (%)												
CDON Marketplace GMV margin (%)	10.3	10.8	10.9	11.1	10.2	11.0	11.2	10.7	10.9	10.8	10.9	11.4
CDON Retail GMV margin (%)	8.3	8.5	9.6	10.5	9.0	8.9	9.5	10.6	9.3	9.6	9.5	9.4
Group GP-to-GMV margin (%)	9.6	10.2	10.7	11.0	9.9	10.6	10.9	10.7	10.5	10.6	10.8	11.2

Source: SEB

Gross profit-to-GMV margin forecasts - by area (%)



Source: SEB

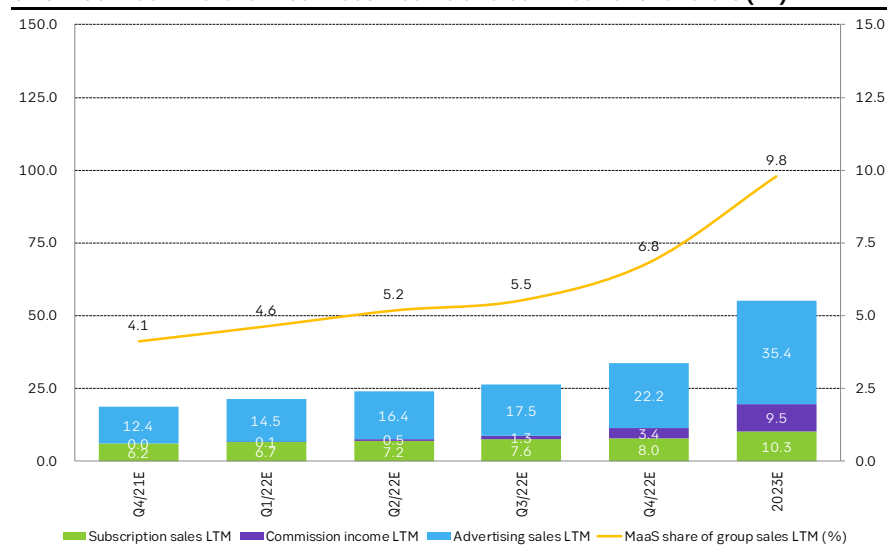
CDON Connect: MaaS income forecasts

Its e-commerce platform CDON Connect will increasingly enable CDON to add new merchant services to its offering – often as subscriptions similar to a software-as-a-service (SaaS), while we use the term marketplace-as-a-service (MaaS). In addition to 3P take rate commission income, the company started with merchant subscription fees in Q4 last year. Also, the company has a kickback agreement with its payment solutions provider (Qliro), which adds another income stream to the group.

In the future, we expect CDON Connect to enable its merchants to connect also to external marketplaces in an easy and cost-efficient way. This would entitle CDON to a take rate also on the GMV that its merchants generate on external platforms. We estimate these take-rates will be closer to 2.5%, i.e. considerably lower than CDON's current take rate on its own marketplace GMV. Finally, CDON Connect will allow CDON to offer new advertising products, based on performance fees or sponsored advertising where merchants can bid for listings and rankings on CDON marketplace.

While still in its infancy, we believe that CDON Connect could increasingly become another high margin revenue generator for CDON. We estimate that revenue contributions from CDON Connect will approach 10% of group total sales in 2023.

CDON Connect: merchant services income and contributions to totals (%)



Source: SEB

Sales forecasts by area: CDON Marketplace (MP commissions and MP MaaS income) and CDON Retail

	Q1/20	Q2/20	Q3/20	Q4/20	Q1/21E	Q2/21E	Q3/21E	Q4/21E	2019	2020	2021E	2022E	2023E
CDON sales - by product area (SEKm)													
MP commissions	31.0	45.6	46.9	66.6	38.7	58.1	64.5	95.0	115.3	190.2	256.3	320.4	401.3
MP MaaS	2.5	2.3	1.6	8.6	4.4	6.4	6.4	13.9	21.9	15.0	31.1	52.9	82.7
CDON Marketplace	33.5	47.9	48.5	75.2	43.1	64.5	70.9	108.9	137.2	205.2	287.4	373.3	484.0
CDON Retail	150.8	148.9	105.9	184.6	112.4	111.1	87.5	156.2	974.5	590.2	467.2	398.9	362.3
CDON Group net sales	184.2	196.8	154.5	259.8	155.5	175.6	158.4	265.1	1,111.7	795.3	754.6	772.3	846.3
Growth - by area (%)													
MP commission growth (%)	54.2	88.6	81.9	47.3	24.9	27.2	37.4	42.7	45.2	64.9	34.8	25.0	25.2
MP MaaS growth (%)	(47.5)	(44.7)	(66.9)	4.1	75.7	182.9	302.2	61.1	n.a.	(31.7)	107.7	70.0	56.4
CDON Marketplace growth (%)	34.8	69.2	58.7	40.6	28.7	34.6	46.1	44.8	72.8	49.5	40.1	29.9	29.6
CDON Retail growth (%)	(36.0)	(21.4)	(41.6)	(49.8)	(25.5)	(25.4)	(17.4)	(15.4)	(34.2)	(39.4)	(20.8)	(14.6)	(9.2)
CDON Group sales growth (%)	(29.3)	(9.6)	(27.1)	(38.4)	(15.6)	(10.8)	2.6	2.0	(28.8)	(28.5)	(5.1)	2.3	9.6

Source: SEB

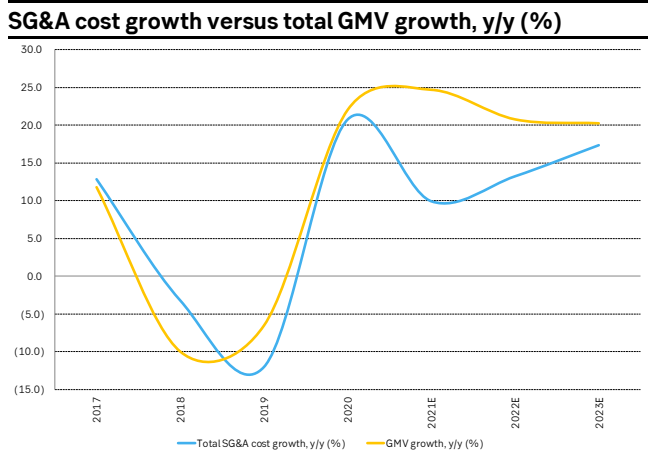
Detailed KPI and sales forecast assumptions – by product area

CDON - Main sales assumptions (SEKm)	Q1/20	Q2/20	Q3/20	Q4/20	Q1/21E	Q2/21E	Q3/21E	Q4/21E	2020	2021E	2022E	2023E
1 Marketplace												
No. of visits ('000)	23,346	29,735	28,255	41,893	26,615	35,088	36,167	49,391	123,231	147,260	169,350	189,671
Conversion rate (%)	3.02	2.97	3.05	3.12	2.97	2.92	3.07	3.19	3.05	3.06	3.09	3.19
No. of orders ('000)	705	883	863	1,305	790	1,024	1,112	1,577	3,756	4,503	5,229	6,047
No. of orders per active customer	1.70	1.69	1.67	1.67	1.65	1.65	1.66	1.70	6.03	5.54	5.45	5.61
No. of active customers, LTM ('000)	1,827	1,988	2,141	2,255	2,330	2,409	2,551	2,651	2,255	2,651	3,042	3,482
Average basket (calculated) (SEK)	645	642	609	634	641	645	616	703	632	658	684	711
Group total GMV	455	567	525	828	507	661	685	1,109	2,375	2,961	3,577	4,301
CDON Marketplace GMV (3P)	303	415	419	641	393	548	597	950	1,777	2,488	3,173	3,934
CDON MP, take rate (%)	10.2	11.0	11.2	10.4	9.8	10.6	10.8	10.0	10.7	10.3	10.1	10.2
Commission income	31.0	45.6	46.9	66.6	38.7	58.1	64.5	95.0	190.2	256.3	320.4	401.3
Growth, y/y (%)	54.2	88.6	81.9	47.3	24.9	27.2	37.4	42.7	64.9	34.8	25.0	25.2
2 Connect - MaaS income												
No of merchants on platform, EOP	1,117	1,248	1,385	1,513	1,638	1,733	1,813	1,963	1,513	1,963	2,363	2,688
No of merchants, increase, y/y	274	374	451	477	521	485	428	450	477	450	400	325
No of merchants on platform, avg, q/q	1,077	1,183	1,317	1,449	1,576	1,686	1,773	1,888	1,275	1,738	2,163	2,526
Subscription fee, monthly (SEK)	n.a.	n.a.	n.a.	299	299	299	299	299	299	299	319	339
Subscription fee, increase, y/y (SEK)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	20	20
Subscription sales	0.0	0.0	0.0	0.2	1.4	1.5	1.6	1.7	0.2	6.2	8.3	10.3
Growth, y/y (%)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	681.8	n.a.	n.a.	32.8	24.1
Share of merchants on external MPs (%)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	7.0	12.0
No of merchant on external MPs, EOP	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	165	323
No of merchant on external MPs, avg	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	244
Merchants' GMV on external MPs (SEKm)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0	135	380
Take rate on external GMV, avg (%)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0.0	2.5	2.5
Commission income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	n.a.	0.0	3.4	9.5
Growth, y/y (%)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	181.9
Service income/CDON MP GMV (%)	0.2	0.0	0.2	0.9	0.5	0.5	0.5	0.5	0.4	0.5	0.6	0.7
Merchant fee income	0.5	0.2	0.7	5.9	2.0	2.7	3.0	4.8	7.3	12.4	19.0	27.5
Growth, y/y (%)	(80.3)	(81.8)	(67.5)	28.7	304.7	1,252.0	300.7	(19.1)	(30.0)	70.4	53.0	44.7
Service income, total	0.5	0.2	0.7	5.9	2.0	2.7	3.0	4.8	7.3	12.4	22.4	37.0
Growth, y/y (%)	(80.3)	(81.8)	(67.5)	28.7	304.7	1,252.0	300.7	(19.1)	(30.0)	70.4	80.1	65.3
Advertising sales/CDON MP GMV (%)	0.7	0.5	0.2	0.4	0.3	0.4	0.3	0.8	0.4	0.5	0.7	0.9
Advertising sales	2.0	2.1	0.8	2.6	1.0	2.2	1.8	7.5	7.5	12.4	22.2	35.4
Growth, y/y (%)	(11.7)	(31.0)	(66.3)	(31.7)	(50.8)	5.6	113.8	192.6	(35.1)	66.7	78.5	59.4
Connect MaaS income												
Subscription sales	0.0	0.0	0.0	0.2	1.4	1.5	1.6	1.7	0.2	6.2	8.3	10.3
Commission income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	n.a.	0.0	3.4	9.5
Merchant fees	0.5	0.2	0.7	5.9	2.0	2.7	3.0	4.8	7.3	12.4	19.0	27.5
Advertising sales	2.0	2.1	0.8	2.6	1.0	2.2	1.8	7.5	7.5	12.4	22.2	35.4
Connect - MaaS sales	2.5	2.3	1.6	8.6	4.4	6.4	6.4	13.9	15.0	31.1	52.9	82.7
Subscription sales growth (%)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	681.8	n.a.	n.a.	32.8	24.1
Commission income growth (%)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	181.9
Merchant fee growth (%)	(80.3)	(81.8)	(67.5)	28.7	304.7	1,252.0	300.7	(19.1)	(30.0)	70.4	53.0	44.7
Advertising sales growth (%)	(11.7)	(31.0)	(66.3)	(31.7)	(50.8)	5.6	113.8	192.6	(35.1)	66.7	78.5	59.4
Connect - MaaS growth (%)	(47.5)	(44.7)	(66.9)	4.1	75.7	182.9	302.2	61.1	(31.7)	107.7	70.0	56.4
3 CDON Retail												
Retail GMV	152.0	152.1	106.5	187.2	113.3	113.5	88.0	158.4	597.7	473.1	404.0	366.9
Retail sales	150.8	148.9	105.9	184.6	112.4	111.1	87.5	156.2	590.2	467.2	398.9	362.3
Growth, y/y (%)	(36.0)	(21.4)	(41.6)	(49.8)	(25.5)	(25.4)	(17.4)	(15.4)	(39.4)	(20.8)	(14.6)	(9.2)

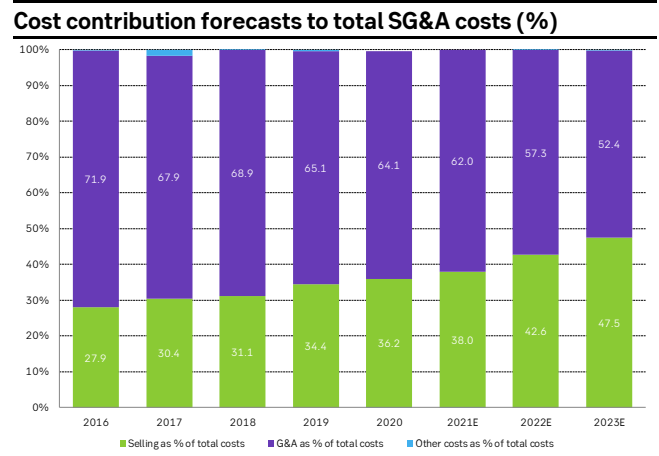
Source: SEB

EBIT margin expansion to 13% in 2023

CDON reports two cost lines: selling costs and general and administrative costs. Selling costs include, for example, marketing costs, which should be variable and linked to GMV and sales growth. General and administrative costs should be rather fixed going forward and which would add to operating leverage, we estimate. Reflecting the decline in net sales, again from decreasing sales in CDON Retail, this should also drive cost-to-sales ratios up over our forecast period 2021-2023. Still, our SG&A cost assumptions imply a three-year CAGR of 15.3% in the same years, which could be compared to our GMV CAGR of 20.5%.



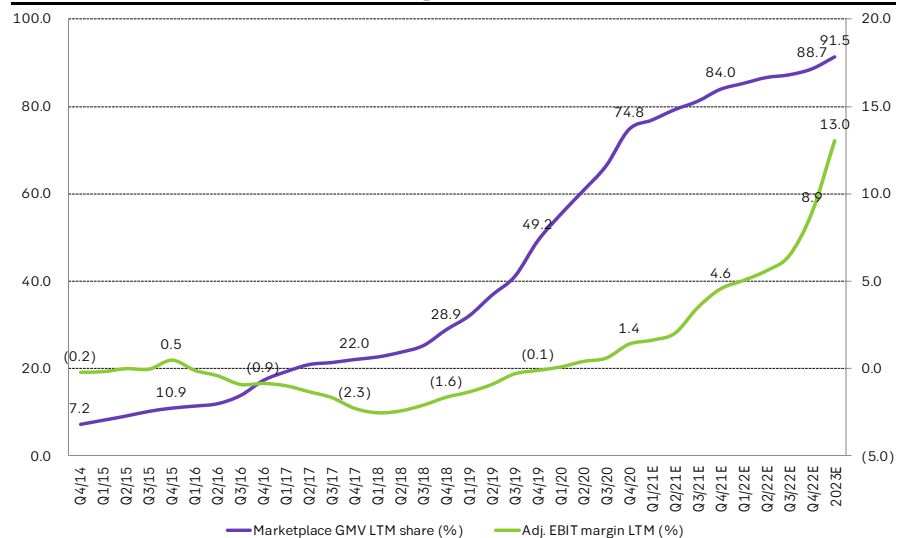
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Source: SEB

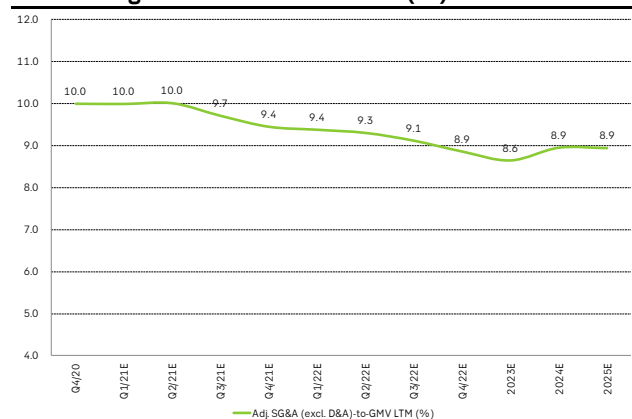
This means that we expect a significant increase in operating profits. From a level of 1.4% of sales in last year, we forecast EBIT margins to reach 13% in 2023. Adding to a positive operating leverage from SG&A costs, our 3P GMV assumptions also drive EBIT margins in CDON. Similar to our earlier analysis of gross profits and gross margins, we propose looking at SG&A, EBITDA and EBIT-to-GMV (rather than as a relation to net sales) in order to compare marketplace performance with retail performance.

3P share of total GMV versus EBIT margin forecasts (%)



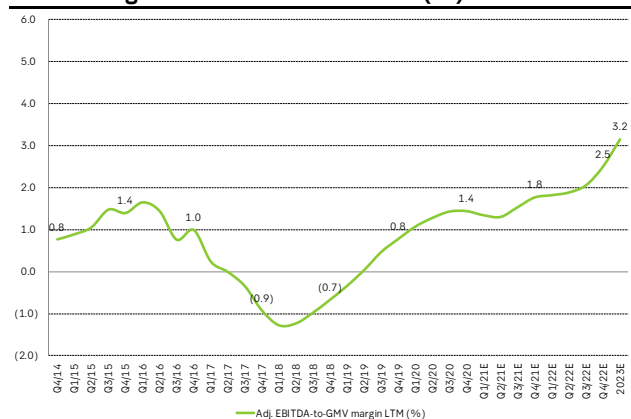
Source: SEB

12M trailing SG&A-to-GMV forecasts (%)



Source: SEB

12M trailing EBITDA-to-GMV forecasts (%)



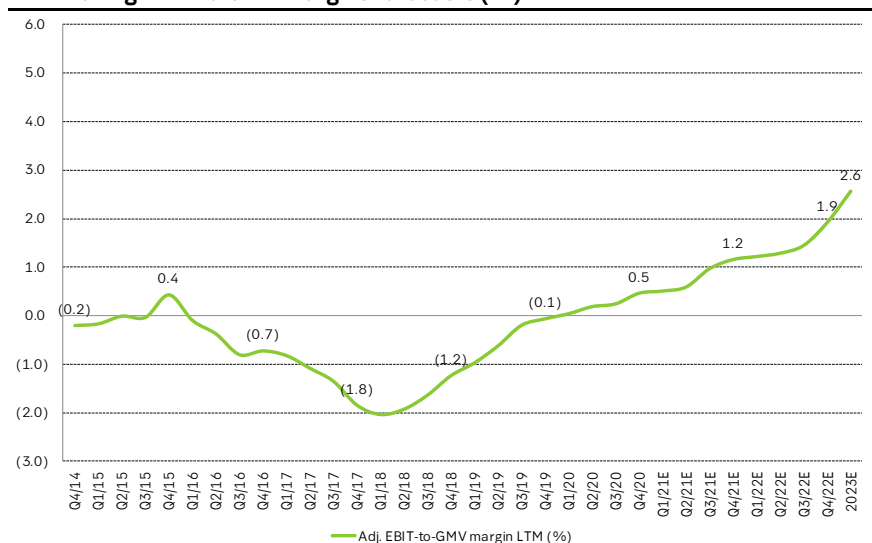
Source: SEB

CDON: main growth and margin assumptions (%)

Growth and margins (%)	Q1/20	Q2/20	Q3/20	Q4/20	Q1/21E	Q2/21E	Q3/21E	Q4/21E	2020	2021E	2022E	2023E
Total GMV growth (%)	15.4	43.5	33.2	8.6	11.5	16.6	30.4	33.9	22.0	24.7	20.8	20.3
Marketplace GMV growth (%)	100.6	107.1	101.9	60.4	30.0	32.0	42.5	48.3	85.5	40.0	27.5	24.0
Net sales growth (%)	(29.3)	(9.6)	(27.1)	(38.4)	(15.6)	(10.8)	2.6	2.0	(28.5)	(5.1)	2.3	9.6
Adj. SG&A cost growth (%)	(3.7)	26.7	28.9	5.1	9.7	15.9	14.4	28.7	12.7	17.9	13.3	17.4
Adj. EBITA growth (%)	n.a.	n.a.	n.a.	31.3	n.a.	n.a.	1,205.4	36.7	n.a.	209.4	100.1	60.5
Adj. EBIT growth (%)	n.a.	n.a.	n.a.	31.3	n.a.	n.a.	1,205.4	36.7	n.a.	209.4	100.1	60.5
Pre-tax profit growth (%)	n.a.	n.a.	n.a.	(28.8)	n.a.	n.a.	1,210.5	143.8	n.a.	n.a.	99.7	60.4
Adj. EPS growth (%)	n.a.	n.a.	n.a.	15.8	n.a.	n.a.	948.4	53.4	n.a.	357.9	57.0	60.4
Gross margin (%)	23.8	29.4	36.3	34.9	32.3	40.0	47.3	44.7	31.2	41.6	49.9	57.0
GMV chg, y/y (pp)	7.0	10.3	16.4	15.4	8.5	10.6	11.1	9.8	12.4	10.4	8.3	7.0
Adj. SG&A costs/sales (%)	28.3	31.5	35.7	26.2	36.8	40.9	39.8	33.1	29.8	37.1	41.0	43.9
Adj. SG&A costs/sales, chg, y/y (pp)	7.5	9.0	15.5	10.8	8.5	9.4	4.1	6.8	10.9	7.2	4.0	2.9
EBITDA margin (%)	(0.3)	1.3	4.9	5.6	(1.4)	1.6	10.1	13.6	3.0	7.0	11.6	16.0
EBITA margin (%)	(4.5)	(2.1)	0.6	4.8	(4.4)	(0.9)	7.6	11.6	0.1	4.6	8.9	13.0
Pre-tax profit margin (%)	(8.3)	(2.1)	0.6	4.9	(4.4)	(0.9)	7.6	11.7	(0.7)	4.6	8.9	13.1
Adj. EBITA margin (%)	(4.5)	(2.1)	0.6	8.7	(4.4)	(0.9)	7.6	11.6	1.4	4.6	8.9	13.0
Adj. EBIT margin (%)	(4.5)	(2.1)	0.6	8.7	(4.4)	(0.9)	7.6	11.6	1.4	4.6	8.9	13.0
GP-to-GMV margin (%)	9.6	10.2	10.7	11.0	9.9	10.6	10.9	10.7	10.5	10.6	10.8	11.2
SG&A costs-to-GMV (%)	11.5	10.9	10.5	8.2	11.3	10.9	9.2	7.9	10.0	9.4	8.9	8.6
Adj. EBITDA-to-GMV margin (%)	(0.1)	0.4	1.4	3.0	(0.4)	0.4	2.3	3.2	1.4	1.8	2.5	3.2
Adj. EBIT-to-GMV margin (%)	(1.8)	(0.7)	0.2	2.7	(1.4)	(0.2)	1.7	2.8	0.5	1.2	1.9	2.6

Source: SEB

12M trailing EBIT-to-GMV margins forecasts (%)



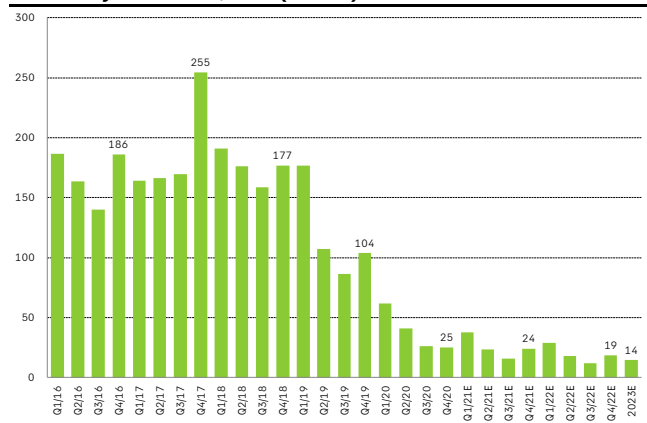
Source: SEB

Balance sheet and cash flow forecasts

Since generating commission income in CDON Marketplace does not require working capital investments, CDON's transition from retail to a marketplace has also had a significant impact on inventories. Here, stock-in-trade to sales have continued to come down, from peak levels of SEK 255m (14.1% of trailing retail sales) in Q4 2017, to SEK 25m at the end of Q4 last year (4.3% of trailing retail sales). Similar to in many online business models, where retailers and marketplace operators collect payments in advance of paying suppliers, this results in a negative working capital position.

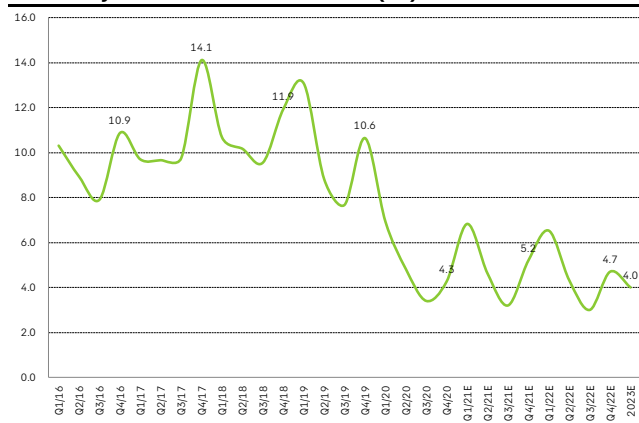
Based on our capital employed forecasts and our adjusted EBIT estimates, which we expect to increase from SEK 11m in last year, to SEK 110m in 2023, we calculate CDON to generate an average return on capital employed (ROCE) of 53.5% in 2021-2023 (57.9% in 2023).

Inventory forecasts, EOP (SEKm)



Source: SEB

Inventory-to-retail sales forecasts (%)



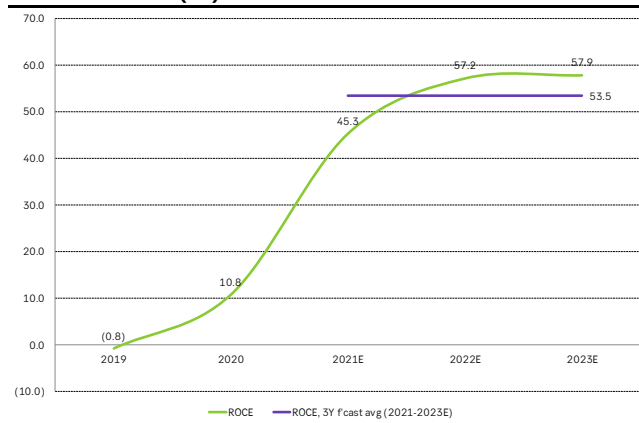
Source: SEB

Working capital-to-group sales forecasts (%)



Source: SEB

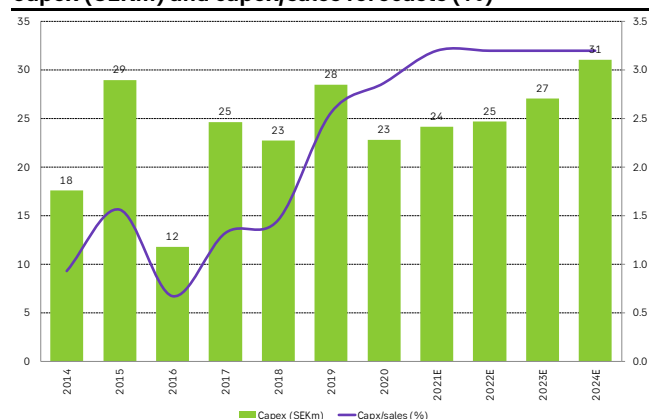
ROCE forecasts (%)



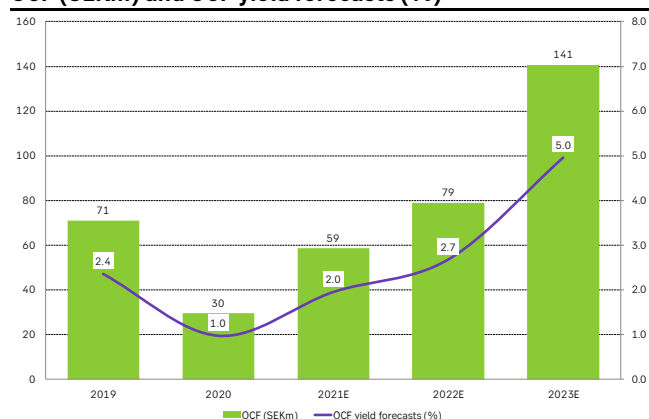
Source: SEB

Limited capex bolster growth in OCF forecasts in 2021-2023

We estimate capital expenditure of between SEK 25-27m per year in 2021-23. This would correspond to about 3.2% of group net sales, highlighting a limited need for investments. That said, we expect some of the necessary investments in, for example, the development of CDON Connect to be charged to its P&L as opex. In all, this implies that we expect a similar strong cash flow generation in CDON over our forecast period. Here, we expect CDON to increase operating cash flow from SEK 30m in last year, to SEK 140m in 2023. This would correspond to a prospective OCF yield of 5% in 2023.

Capex (SEKm) and capex/sales forecasts (%)

Source: SEB

OCF (SEKm) and OCF yield forecasts (%)

Source: SEB

CDON Group: financial forecasts

Consolidated P&L (SEKm)	Q1/20	Q2/20	Q3/20	Q4/20	Q1/21E	Q2/21E	Q3/21E	Q4/21E	2020	2021E	2022E	2023E
Gross merchandise value	454.5	567.0	525.5	828.1	506.6	661.1	685.0	1,108.6	2,375.0	2,961.4	3,576.6	4,300.9
Revenue	184.2	196.8	154.5	259.8	155.5	175.6	158.4	265.1	795.3	754.6	772.3	846.3
Cost of goods sold	(140.4)	(138.9)	(98.4)	(169.1)	(105.2)	(105.3)	(83.4)	(146.6)	(546.9)	(440.5)	(386.8)	(364.2)
Gross profit	43.9	57.8	56.0	90.7	50.3	70.3	75.0	118.5	248.4	314.0	385.5	482.1
SG&A total (excl. D&A)	(44.5)	(55.3)	(48.4)	(76.0)	(52.5)	(67.5)	(59.0)	(82.6)	(224.2)	(261.6)	(295.9)	(346.4)
EBITDA	(0.6)	2.5	7.6	14.7	(2.3)	2.8	15.9	35.9	24.2	52.5	89.6	135.7
Depreciation	(7.6)	(6.7)	(6.7)	(2.2)	(4.7)	(4.4)	(4.0)	(5.1)	(23.2)	(18.1)	(20.9)	(25.4)
EBITA	(8.2)	(4.2)	0.9	12.5	(6.9)	(1.6)	12.0	30.8	1.0	34.3	68.7	110.3
Amortization	(7.0)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(7.0)	0.0	0.0	0.0
EBIT	(15.2)	(4.2)	0.9	12.5	(6.9)	(1.6)	12.0	30.8	(6.0)	34.3	68.7	110.3
o/w: total NRIs	(7.0)	0.0	0.0	(10.1)	0.0	0.0	0.0	0.0	(17.1)	0.0	0.0	0.0
Adj. EBIT	(8.2)	(4.2)	0.9	22.6	(6.9)	(1.6)	12.0	30.8	11.1	34.3	68.7	110.3
Associates	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Interest income	0.0	0.0	0.0	0.2	0.0	0.0	0.0	0.0	0.1	0.2	0.2	0.3
Interest expenses	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Foreign exchange items	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Lease interest expenses	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other financial items	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Pre-tax profit	(15.2)	(4.2)	0.9	12.7	(6.9)	(1.5)	12.0	30.9	(5.9)	34.5	68.9	110.6
Minorities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Tax paid on pretax profit	0.0	0.0	0.0	0.0	1.4	0.3	(2.4)	0.7	0.0	0.0	(14.8)	(23.7)
Paid tax rate, %	0.0	0.0	0.0	0.0	20.0	20.0	20.0	(2.4)	0.0	0.0	21.4	21.4
Tax deferred	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Full tax rate, %	0.0	0.0	0.0	0.0	20.0	20.0	20.0	(2.4)	0.0	0.0	21.4	21.4
Reported after tax profit	(15.2)	(4.2)	0.9	12.7	(5.5)	(1.2)	9.6	31.6	(5.9)	34.5	54.2	86.9
Total adjustments	7.0	0.0	0.0	10.1	0.0	0.0	0.0	0.0	17.1	0.0	0.0	0.0
Tax effect of adjustments (incl. in taxes)	(1.5)	0.0	0.0	(2.2)	0.0	0.0	0.0	0.0	(3.7)	0.0	0.0	0.0
Adjusted profit after tax	(9.7)	(4.2)	0.9	20.6	(5.5)	(1.2)	9.6	31.6	7.5	34.5	54.2	86.9
Adjustments												
Non-cash NRIs	(7.0)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(7.0)	0.0	0.0	0.0
Cash NRIs	0.0	0.0	0.0	(10.1)	0.0	0.0	0.0	0.0	(10.1)	0.0	0.0	0.0
Total NRIs	(7.0)	0.0	0.0	(10.1)	0.0	0.0	0.0	0.0	(17.1)	0.0	0.0	0.0
EPS	(2.54)	(0.69)	0.15	2.12	(0.92)	(0.20)	1.61	5.28	(0.98)	5.76	9.05	14.51
Adj. EPS	(1.63)	(0.69)	0.15	3.44	(0.92)	(0.20)	1.61	5.28	1.26	5.76	9.05	14.51
Total D&A	(14.6)	(6.7)	(6.7)	(2.2)	(4.7)	(4.4)	(4.0)	(5.1)	(30.2)	(18.1)	(20.9)	(25.4)
Depr. of fixed assets	(0.8)	(0.7)	(0.7)	(0.2)	(0.5)	(0.4)	(0.4)	(0.5)	(2.3)	(1.8)	(2.1)	(2.5)
Depr. of ROU asset (IFRS16)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Depr. of development costs	(6.8)	(6.0)	(6.0)	(2.0)	(4.2)	(4.0)	(3.6)	(4.6)	(20.9)	(16.3)	(18.8)	(22.8)
Amortization	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Impairments	(7.0)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(7.0)	0.0	0.0	0.0
Adj. SG&A costs (excl. NRIs)	(52.1)	(62.0)	(55.1)	(68.1)	(57.2)	(71.9)	(63.0)	(87.7)	(237.3)	(279.7)	(316.8)	(371.8)
Adj. EBITDA	(0.6)	2.5	7.6	24.8	(2.3)	2.8	15.9	35.9	34.3	52.5	89.6	135.7
Adj. EBITA	(8.2)	(4.2)	0.9	22.6	(6.9)	(1.6)	12.0	30.8	11.1	34.3	68.7	110.3
Adj. EBIT	(8.2)	(4.2)	0.9	22.6	(6.9)	(1.6)	12.0	30.8	11.1	34.3	68.7	110.3
No of shares, avg., f. dil, adj. (m)	5.991	5.991	5.991	5.991	5.991	5.991	5.991	5.991	5.991	5.991	5.991	5.991

Source: SEB

Equity valuation

Midpoint DCF equity value of SEK 850

Equity valuation summary and DCF-based valuation range			
Mid-point DCF value (SEK)	850.00		
Share price (SEK)	535.00		
2022 EV/GMV (x)	0.82		
2022E EV/Sales (x)	3.81		
2022E EV/EBIT, adj. (x)	42.9		
Valuation potential	Low	High	Mid-point
DCF valuation range (SEK)	723.00	978.00	850.50
Equity potential (%)	35	83	59
2022 EV/GMV at DCF valuation range (x)	1.14	1.57	1.35
2022 EV/Sales at DCF valuation range (x)	5.27	7.25	6.26
2021E DPS yield (%)	0.0	0.0	0.0
Total return potential	35	83	59

Source: SEB

The attraction of the marketplace business model builds from a combination of growth prospects, reflecting the ongoing digitization of retail shopping channels and high margin commission income, rather than retail sales (that require investments in cost of goods and various other selling costs). Also, growth prospects are not dependent on the corresponding investments in working capital, as merchants ship goods sold from their own inventories. This results in an asset-light balance sheet and drives a high return on equity and capital employed – key metrics in our fundamental equity valuation.

We arrive at a midpoint DCF-based equity value of SEK 850 per share for CDON. This is based on 6.5% cost of equity and weighted average cost of capital (WACC) since the company holds net cash on its balance sheet. We are using a 10-year model, after which we assume a steady-state EBIT margin of about 24%. While this is much above current margins, this is rather in line with the average margin levels in its marketplace peer group. We base our valuation on a 2% long-term inflation rate and negative working capital forecasts of about 25% of sales (broadly the same levels as today).

Midpoint DCF equity valuation

DCF valuation (SEKm)		Weighted average cost of capital (%)	
NPV of FCF in explicit forecast period	1,314	Risk free interest rate	2.5
NPV of continuing value	3,574	Risk premium	4.0
Value of operation	4,888	Cost of equity	6.5
Net debt	(205)	After tax cost of debt	1.8
Share issue/buy-back in forecast period	-	WACC	6.5
Value of associated companies	-		
Value of minority shareholders' equity	-	Assumptions	
Value of marketable assets	-	Number of forecast years	10
DCF value of equity	5,093	EBIT margin - steady state (%)	24.4
DCF value per share (SEK)	850	EBIT multiple - steady state (x)	11.0
Current share price (SEK)	535.00	Continuing value (% of NPV)	73.1
DCF performance potential (%)	59		

Source: SEB

In the tables below, we outline various sensitivity analyses and the impact on our midpoint equity valuation range based on incremental changes to four key valuation drivers: capital weights and cost of equity and sales growth and margins.

DCF valuation scenario: equity weight and cost of equity

		Cost of equity (%)				
		5.5	6.0	6.5	7.0	7.5
Equity capital weight (%)	80	1,346	1,217	1,108	1,015	936
	90	1,174	1,060	964	883	812
	100	1,037	936	850	777	715
	100	1,037	936	850	777	715
	100	1,037	936	850	777	715

Source: SEB

DCF valuation scenario: sales growth and margins

		Absolute change in EBITDA margin - all years				
		-2%	-1%	0	+1%	+2%
Abs. change in sales growth - all years	-2%	705	734	764	793	823
	-1%	744	775	806	837	868
	0	784	817	850	883	916
	+1%	827	862	897	931	966
	+2%	872	909	945	982	1,019

Source: SEB

Detailed midpoint DCF equity valuation assumptions

(SEKm)	2021E	2022E	2023E	2024E	2025E	Average year 6	Average year 7-8	Average year 9-10
Sales growth (%)	(5.1)	2.3	9.6	14.8	13.5	13.5	19.1	16.5
EBITDA margin (%)	7.0	11.6	16.0	18.9	20.6	25.0	28.0	28.0
EBIT margin (%)	4.6	8.9	13.0	15.6	17.0	21.4	24.4	24.4
Gross capital expenditures as % of sales	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2
Working capital as % of sales	(23.7)	(23.7)	(25.0)	(24.9)	(25.1)	(25.1)	(20.1)	(12.5)
Lease repayments as % of sales	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Sales	755	772	846	971	1,103	1,251	1,626	2,251
Depreciation	(18)	(21)	(25)	(32)	(40)	(45)	(59)	(81)
Intangibles amortisation	0	0	0	0	0	0	0	0
EBIT	34	69	110	151	188	268	397	549
Taxes on EBIT	(10)	(21)	(33)	(45)	(56)	(80)	(119)	(165)
NOPLAT	24	48	77	106	131	187	278	385
Gross capital expenditure	(24)	(25)	(27)	(31)	(35)	(40)	(52)	(72)
Increase in working capital	6	4	28	31	35	37	(24)	(13)
Lease repayments	0	0	0	0	0	0	0	0
Free cash flow (incl. lease repayments)	24	48	104	138	171	230	260	381
ROIC (%)	25.7	32.6	32.9	52.2	80.5	155.1	313.2	305.1
ROIC-WACC (%)	19.2	26.1	26.4	45.7	74.0	148.6	306.7	298.6
Share of total net present value (%)	0.0	0.9	1.8	2.3	2.7	3.3	6.9	8.9

Source: SEB

Peer group valuation

CDON compares rather well to Polish marketplace operator Allegro.eu

There are large differences in the strategies for the marketplace operators listed below, including geographic ambition and exposure (growth prospects), product revenue mix (Wish aims at growing its 1P sales; CDON aims at phasing out its 1P sales) and in capital employed (for example, in-house fulfilment services). Amongst the listed marketplace companies, we believe the Polish marketplace Allegro.eu to be more comparable to CDON.

Marketplaces active in Europe and platform KPIs

Q3/20 LTM* (EURm)	Main markets	Visits (m)	Customers	GMV	MP GMV	MP / tot. GMV (%)		Take	Net sales	EBITDA/ GMV (%)
		Dec-20	LTM (m)			LTM	Target (%)	rate (%)		
Allegro.pl	Poland	231.0	12.6	6,857	6,809	99	n.a.	9.2	771	4.7
Amazon.com	Global	1,905.3	n.a.	417,425	254,629	61	n.a.	15.6	318,469	9.5
Bol.com (Ahold Delhaize)	Netherlands, Belgium	111.5	10.5	2,800	1,316	47	>45	n.a.	n.a.	n.a.
Cdiscount (Casino)	France	83.9	10.0	3,900	1,806	46	>50	n.a.	1,966	1.8
CDON	Nordic-4	1.5	2.3	235	176	75	>	10.7	79	1.4
Ebay	Global	1,043.0	183.0	78,704	78,704	100	100	9.1	8,434	3.6
OZON	Russia	100.5	11.4	1,803	747	41	n.a.	15.3	947	(9.3)
Wish (Contextlogic)	Global	n.a.	64.5	7,100	7,100	100	<100	20.8	2,049	(2.5)
Zalando	DACH	17.4	35.6	9,683	n.a.	n.a.	n.a.	n.a.	7,395	5.7
Marketplace operators, avg						71		13.5		1.9
Marketplace operators, med						68		13.0		2.7

EURUSD 1.21, EURPL 4.54, EURSEK 10.11

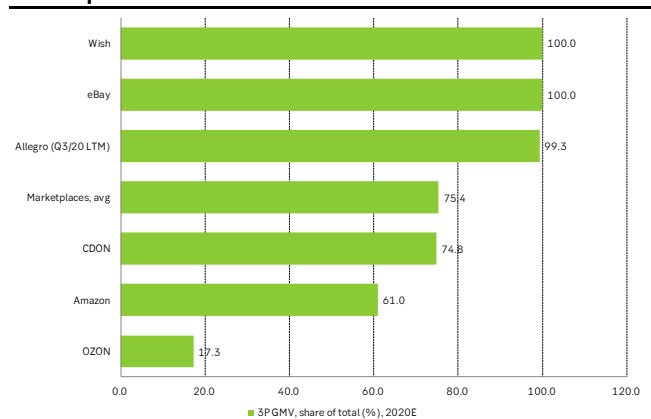
*LTM: Bol.com (Q4/19), Cdiscount.com (Q2/20), AMZN, CDON and WISH (Q4/20). Ozon take rate: FY/19. Amazon site visits: Europe Big-5 and Sweden

Source: SEB

CDON is a smaller company, with GMV of EUR 235m versus Allegro's EUR 6,850, but GMV in both companies are largely being generated from 3P merchants. This implies that commission income also contributes a higher share of group revenue at Allegro and CDON, respectively. Estimated take rates are also rather similar at levels of between 9% and 11% of 3P GMV, respectively.

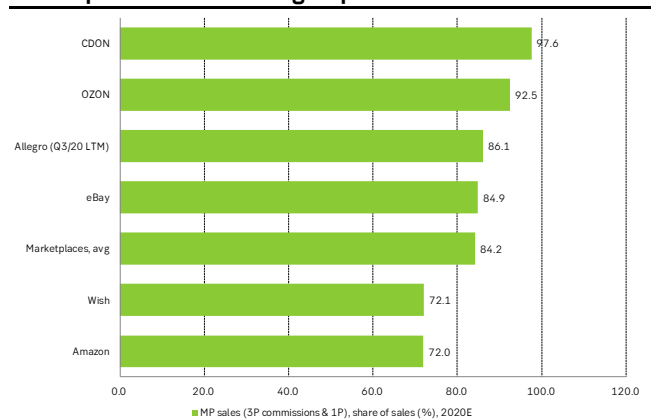
Allegro's EBITDA-to-GMV margins are higher than CDON's (current) margins. We believe a higher share of advertising on Allegro's platform provides some of the explanation. Allegro derives 8% of sales from advertising products (Q3/20 LTM), while we estimate CDON's advertising sales to be below 1% in 2020. Consensus forecasts for the peer group imply an average sales contribution of 6.4% in 2020E, serving as an indication of the long-term potential in CDON.

Marketplace GMV as % of total GMV



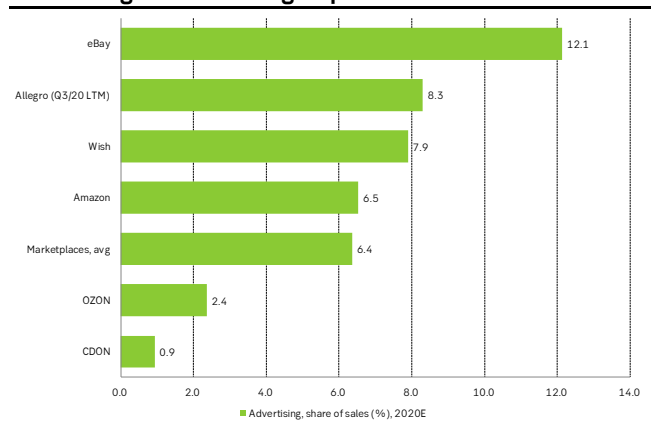
Source: SEB, Factset, company data

Marketplace sales as % of group total sales



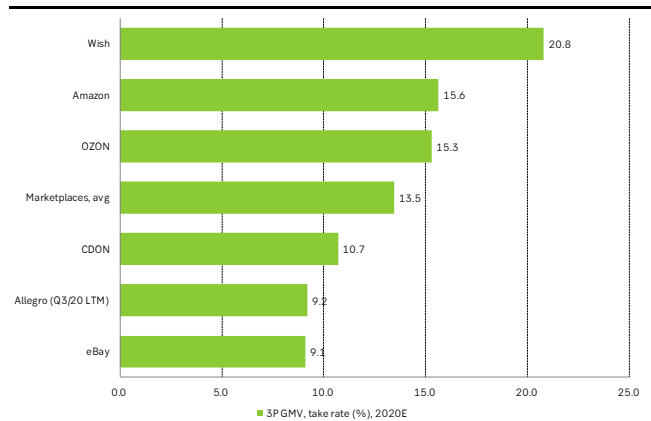
Source: SEB, Factset, company data

Advertising sales as % of group total sales



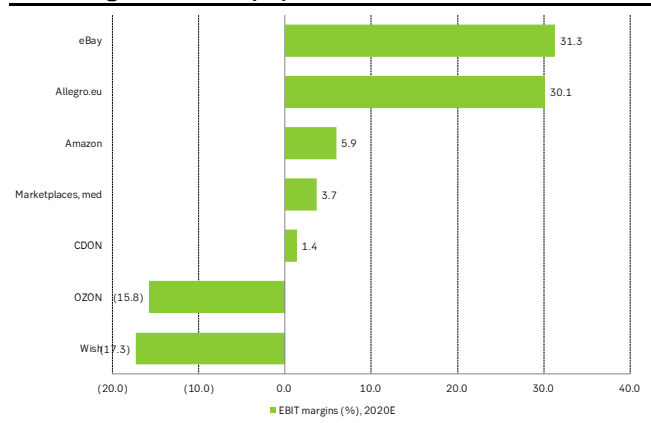
Source: SEB, Factset, company data

Estimated take rate as % of 3P GMV



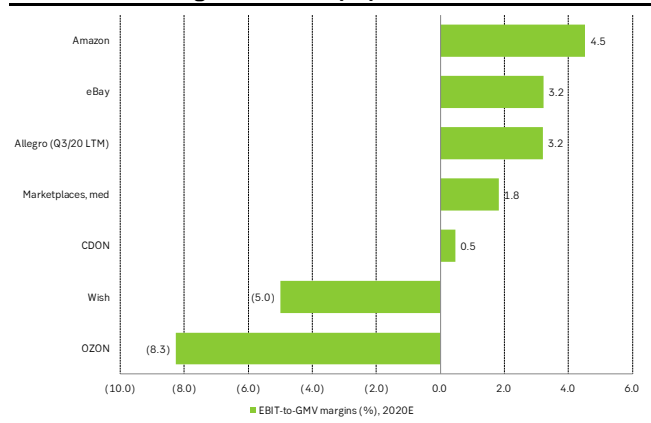
Source: SEB, Factset, company data

EBIT margin forecasts (%)



Source: SEB, Factset, company data

EBIT-to-GMV margin forecasts (%)

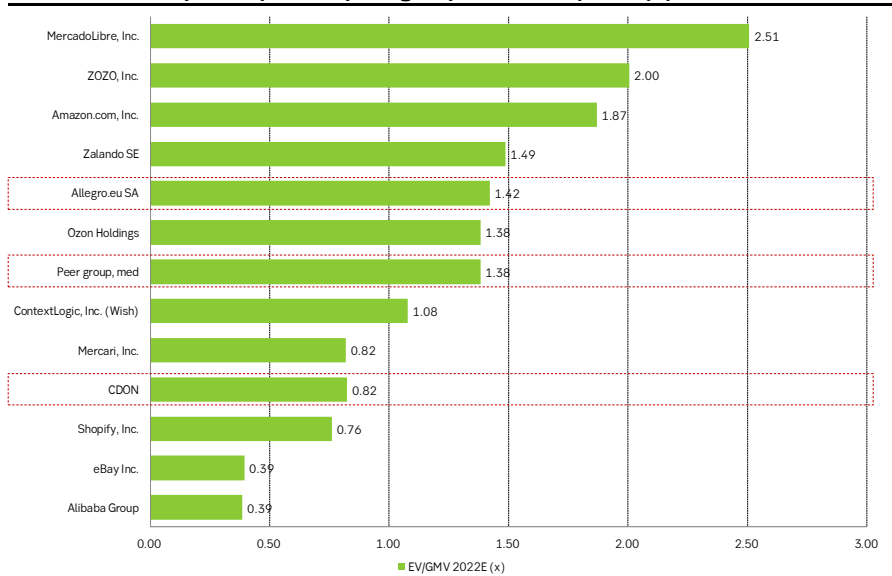


Source: SEB, Factset, company data

We believe the market will value CDON's equity based on EV-to-GMV. Looking at our GMV forecasts for next year, we argue CDON is now being valued at about 0.80x 2022E EV/GMV.

This implies a rather significant discount of 43% to its peer group median currently trading at closer to 1.40x next year's EV/GMV estimates. Main peer Allegro too is being valued at (slightly above) 1.40x 2022 EV/GMV.

Selected marketplace operator peer group: 2022E EV/GMV (x)



Source: SEB, Factset

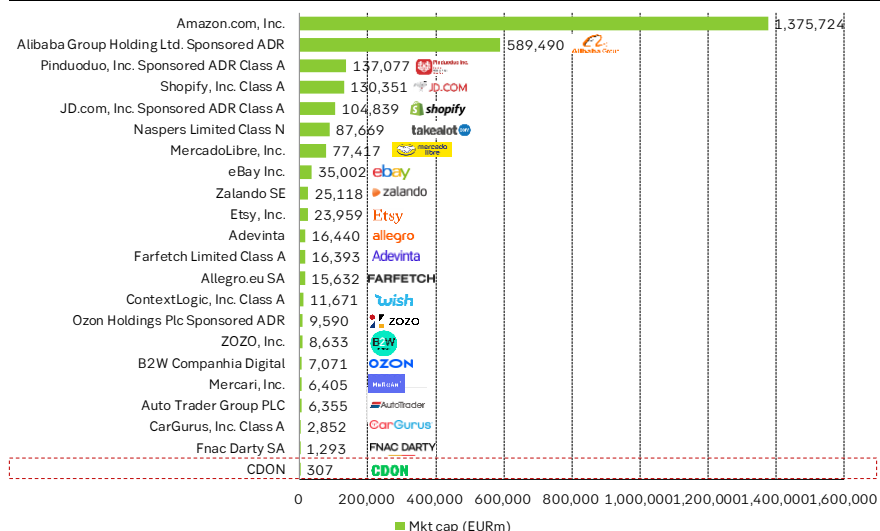
Based on current share price levels, we see 59% equity valuation potential to our midpoint DCF based equity value of SEK 850 per share. At our midpoint DCF valuation, this would imply a prospective EV/GMV of 1.40x our 2022 estimates and a valuation more in line with its sector peer group median.

Peer group valuation, EBIT margins and share price performance

Online marketplace peers	RIC	EV/GMV (x)		EV/Sales (x)		EV/EBIT (x)		EBIT marg 2022E (%)	Abs. performance (%)		
		2021E	2022E	2021E	2022E	2021E	2022E		1M	3M	12M
Adevinta	ADE.OL	n.a.	n.a.	13.28	10.16	49.5	33.6	30.2	3.2	(7.7)	16.6
Alibaba Group	BABA.K	0.44	0.39	4.88	4.02	27.9	21.1	19.0	12.8	(8.3)	23.1
Allegro.eu SA	ALEP.WA	1.80	1.42	n.a.	n.a.	n.a.	n.a.	32.2	(15.2)	(24.6)	n.a.
Amazon.com, Inc.	AMZN.O	2.37	1.87	3.59	3.05	55.6	39.3	7.8	3.8	5.1	58.9
ContextLogic, Inc. (Wish)	WISH.O	1.26	1.08	5.74	4.72	n.a.	n.a.	(0.5)	45.0	n.a.	n.a.
eBay Inc.	EBAY.O	0.43	0.39	4.12	3.85	13.8	12.7	30.3	14.2	28.8	71.9
Etsy, Inc.	ETSY.O	n.a.	n.a.	16.13	13.34	76.9	56.0	23.8	30.9	89.7	363.1
MercadoLibre, Inc.	MELI.O	3.38	2.51	16.62	12.07	n.a.	n.a.	6.3	9.2	41.1	190.7
Mercari, Inc.	4385.T	1.00	0.82	7.07	5.69	n.a.	44.6	12.8	(3.9)	13.4	120.7
Ozon Holdings	OZON.O	2.43	1.38	n.a.	n.a.	n.a.	n.a.	(7.2)	37.7	n.a.	n.a.
Shopify, Inc.	SHOP.O	1.00	0.76	43.75	31.84	n.a.	n.a.	12.4	20.5	58.8	199.4
Zalando SE	ZALG.DE	1.87	1.49	2.61	2.21	67.9	50.7	4.4	0.8	24.0	119.6
ZOZO, Inc.	3092.T	2.23	2.00	6.73	6.25	23.2	21.0	29.7	28.3	18.3	94.0
Peer group, avg		1.66	1.28	11.32	8.84	45.0	34.9	15.5	14.4	21.7	125.8
Peer group, med		1.80	1.38	6.73	5.69	49.5	36.4	12.8	12.8	18.3	106.8
CDON	CDON.ST	0.97	0.79	3.82	3.66	83.9	41.1	8.9	105.2	318.7	n.a.

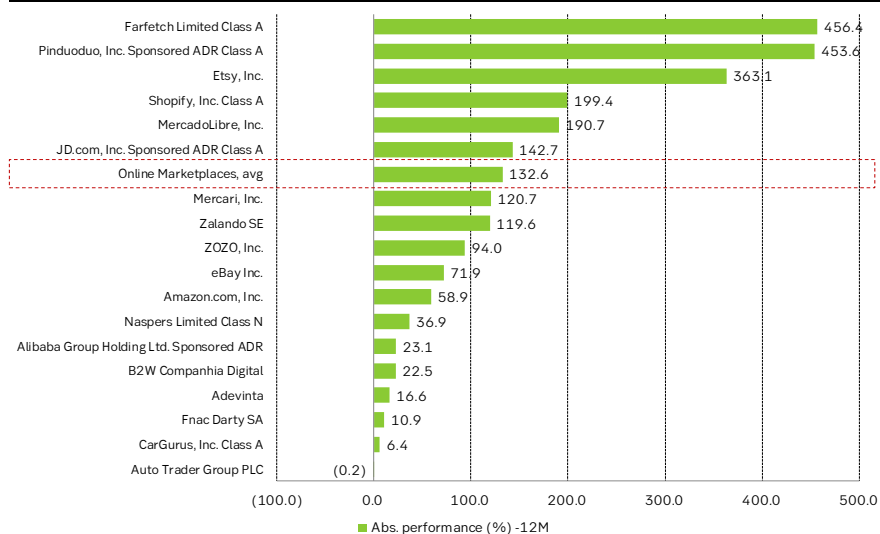
Source: SEB, Factset

Online marketplace peers: market capitalization (EURbn)



Source: SEB, Factset

Online marketplace peers: share price performance, -12M (%)

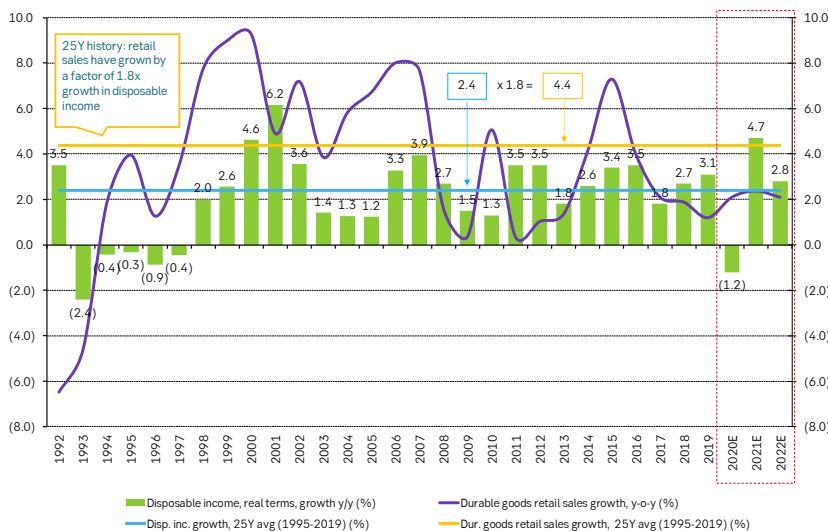


Source: SEB, Factset

Consumption outlook

Our baseline for discretionary spending

Sweden 25Y avg: durables spending at 1.8x disposable income growth



Source: SEB, Sweden's National Institute of Economic Research

Over the past two- and a half decades, discretionary spending on durable goods has grown by an average of 4.4% p.a. This is equal to 1.8x the corresponding growth in disposable income, suggesting a solid growth outlook for retail sales in the Nordic market

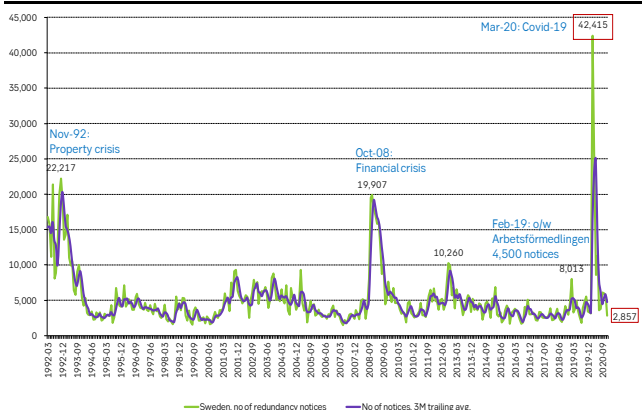
From a cyclical perspective, we base our 2021-22 consumer spending forecasts on a rebound in Nordic consumption growth to a weighted average level of about 3.9% p.a. This reflects more normalizing unemployment concerns (a correlation well-established) and should be viewed in context of 2020 recording the weakest consumption growth on record, so far, amid the Covid-19 pandemic situation. More importantly, over the past two- and a half decades, discretionary spending on durable goods has grown by an average of 4.4% p.a. This is equal to 1.8x the corresponding growth in disposable income, suggesting a solid growth outlook for retail sales in the Nordic market.

Nordic-4: Private consumptions growth forecasts

Consumption, vol. chg, y/y (%)	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020E	2021E	2022E
Denmark	(4.3)	1.9	(0.5)	(0.1)	0.1	0.9	2.0	2.3	2.1	2.6	1.4	(3.5)	3.6	5.0
Finland	(2.7)	3.1	2.9	0.3	(0.5)	0.8	1.7	1.8	1.8	1.8	0.8	(4.6)	3.5	2.3
Norway	0.2	3.7	2.5	3.0	2.1	1.7	2.1	1.5	2.2	1.9	1.4	(7.6)	6.6	4.5
Sweden	(0.4)	3.7	2.1	1.6	1.9	2.2	2.7	2.2	2.2	1.7	1.3	(3.5)	2.5	3.6
Nordic-4, weighted avg.	(1.7)	3.1	1.7	1.2	1.1	1.5	2.2	2.0	2.1	1.7	1.1	(4.6)	3.9	3.9

Source: SEB

Sweden: normalizing no of redundancy notices



Source: SEB, Swedish Public Employment Service

Nordic private consumption growth forecasts, y/y (%)

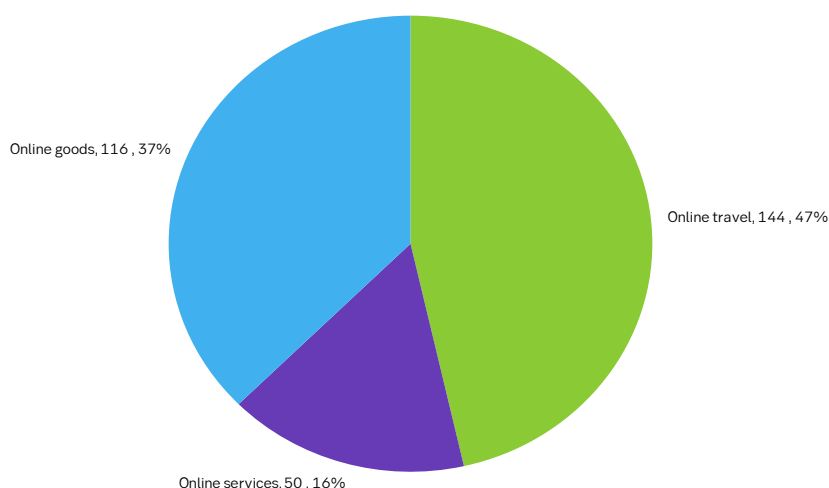


Source: SEB

TAM forecasts – marketplace

Secular drivers top cyclical spending

Sweden: total online retail of goods, travel and services, 2019E (SEKbn)



Source: Nets, Svensk Handel, SEB

While estimates for the online market could include different revenue streams, the chart above, using Sweden as an example, breaks down the market value by the three main segments Goods, Services and Travel, which today contributes almost half of total online spending. In our estimates of the total addressable market (TAM) for CDON's Marketplace, we exclude Travel, such as hotel bookings and online ticketing; and Services, such as music and video streaming and food deliveries, for example. Our analyses also exclude online business-to-business sales. Market forecasts for e-commerce-based retail sale of goods, points to growth rates well-above general consumption growth in the Nordic region and in international markets.

Nordic online retail sales of goods: market value estimates (SEKbn)

Online market forecasts (SEKbn)*	2019E	2024E	CAGR (%)
Sweden	77.3	151.3	14.4
Denmark	34.6	55.2	9.8
Finland	32.9	46.4	7.1
Norway	25.2	39.2	9.2
Nordic-4	170.0	292.1	11.4
CDON total GMV (SEKbn)	2.0	5.1	20.9
CDON market share, Nordic-4 (%)	1.2	1.8	0.6

Source: SEB, CDON (Euromonitor), PostNord (E-commerce in Europe 2020). *Based on spend in 15-79ys population

Based on consumer surveys, indicating an average annual spend per capita of EUR 856 in the Nordic four countries, the total online retail market for goods could be estimated at SEK 170bn, of which Sweden is the largest market (SEK 77bn) in the Nordic region. This survey is based on spending in the 15-79 years' age group which could partly explain some of the difference between other (higher) market estimates. According to CDON, Euromonitor forecasts imply a market CAGR of 11.4% in the period 2019-24, with growth expectations ranging from 7% (Finland) to 14% (Sweden). This implies that the total Nordic market value would grow to SEK 292bn in 2024.

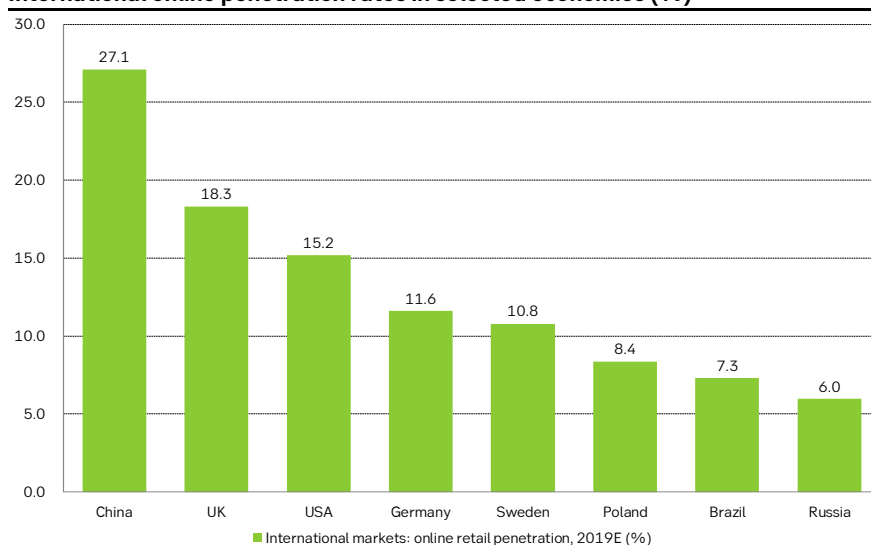
Based on these market estimates and our financial forecasts for CDON (we expect its total GMV to increase from SEK 2bn in 2020, to above SEK 5bn in 2024), this implies that CDON would approach 2% share of the Nordic online market. According to Boston Consulting Group (BCG), Amazon's market share in Sweden is estimated at about 2%. This has been achieved without a dedicated country site and without local fulfillment, i.e. based on cross-border sales and shipping. Amazon launched in Sweden on 28 October last year. BCG expects Amazon to take a 5% market share over the same period, which we agree looks reasonable. At these levels and based on the market forecasts, Amazon would generate a GMV of closer to SEK 15bn (compare CDON at SEK 5bn in 2024E). We argue this points to the still fragmented local market suggesting room for growth and further market share gains for both Amazon and CDON ahead.

Amazon.se: what if scenario analyses

	2019E	2024E	2024E	2024E
What if: Amazon market share scenarios (SEKbn)				
Amazon market share, Nordic-4 (%)	2.0	5.0	7.5	10.0
Amazon total GMV, implied	3.4	14.6	21.9	29.2
CDON total GMV	2.0	5.1	5.1	5.1
Others GMV	164.6	272.4	265.1	257.8
Total e-commerce market	170.0	292.1	292.1	292.1
What if: Market shares based on Amazon scenarios (%)				
Amazon	2.0	5.0	7.5	10.0
CDON	1.2	1.8	1.8	1.8
Others	96.8	93.2	90.7	88.2
Total market	100.0	100.0	100.0	100.0

Source: SEB, CDON (Euromonitor), PostNord, BCG

International online penetration rates in selected economies (%)

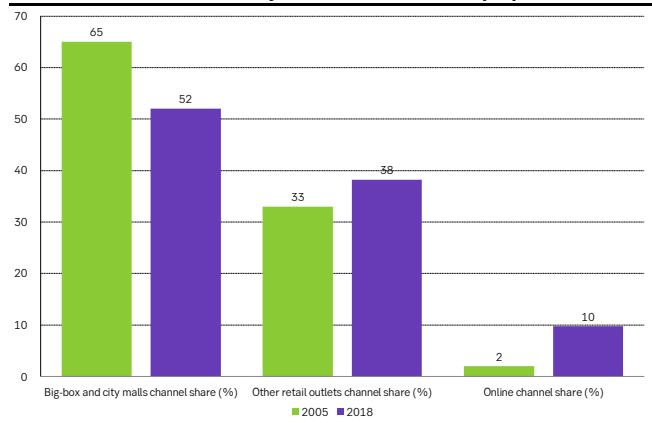


Source: SEB, PostNord, Allegro.eu (OC&C), Ozon Holding (INFOLine Russia, Euromonitor)

Most online growth assumptions, across sectors and country markets, build from low penetration levels and reflect the accelerating change in consumer behavior. Here, consumers increasingly choose online retail stores and marketplaces, such as Amazon and CDON, when shopping for goods and services.

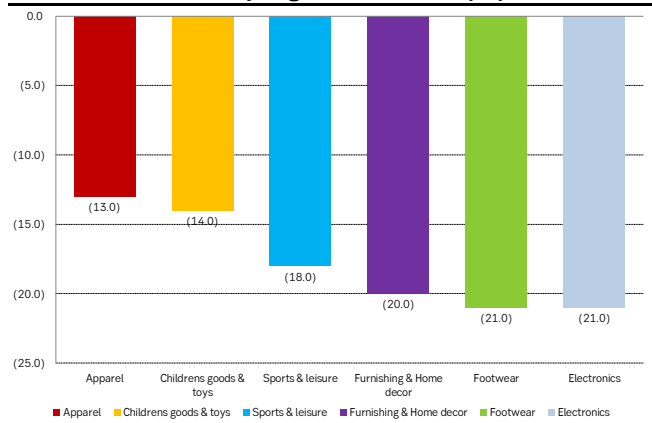
Corroborating our arguments for increasing online penetration rates, physical retailers have adapted to the retail channel shift by closing about one-fifth of their store networks in segments like sports & leisure and electronics. In all, with online sales in Sweden crossing 10% of total spend already in 2018 (up from 2% in 2005), the big-box and city mall retail channel has come down from a 65% share of spending in 2005, to levels approaching 50%.

Sweden: market share by channel, 2005-18 (%)



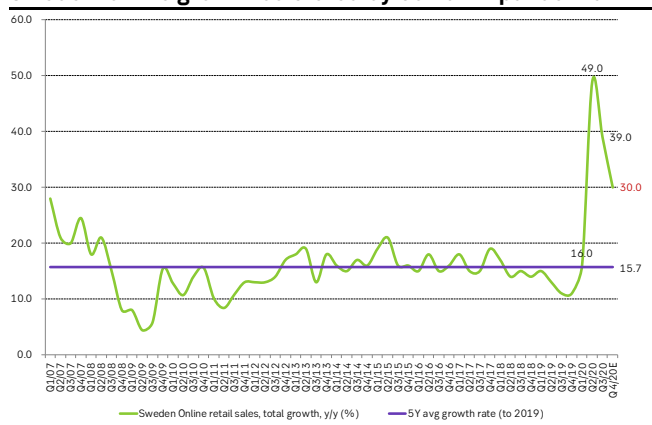
Source: SEB, Svensk Handel

Retail store closures by segment, 2011-17 (%)



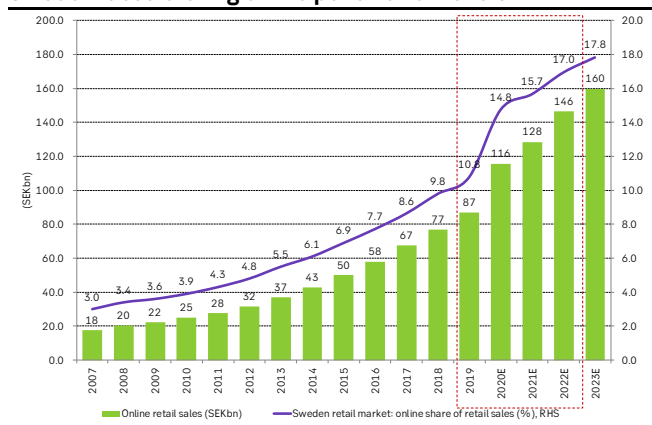
Source: SEB, Svensk Handel

Sweden: online growth bolstered by Covid-19 pandemic



Source: SEB, PostNord (E-handelsbarometern)

Sweden: accelerating online penetration levels



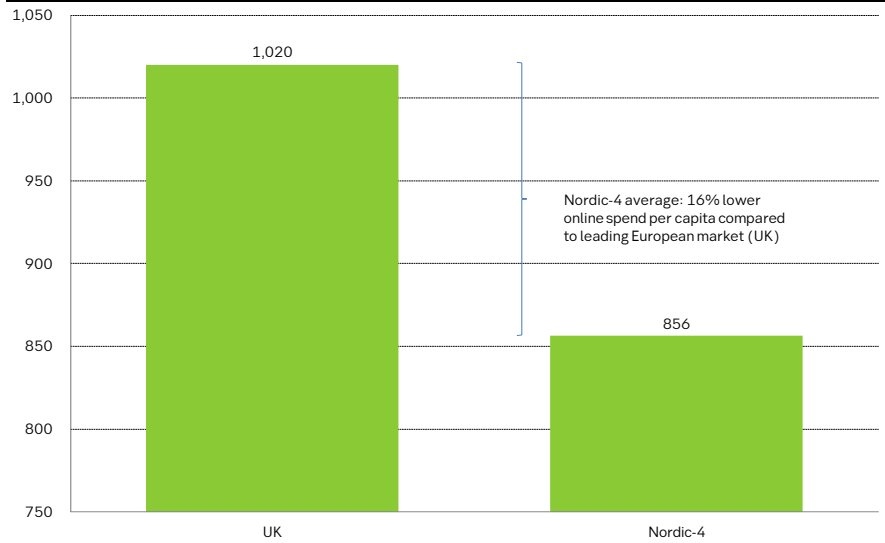
Source: SEB, PostNord (E-handelsbarometern)

In the shorter term, the Covid-19 pandemic has clearly boosted online developments. In Sweden, growth increased from 16% y/y in Q1/20 (the average growth rate over the past 14 years) to 49% y/y in Q2/20. Also, less developed online segments, such as Groceries have recorded a marked uptick in sales growth over the past three quarters. Pick-up points outside grocery stores and home delivery services have been a key driver here and, we argue, should have added new consumers to the total online population going forward.

PostNord estimates the Swedish online market to grow by one-third in 2020 to levels of about SEK 116bn. Based on our forecasts for private consumption and total retail spend in Sweden, this would imply an online penetration rate of 14.8%. Admittedly, this rate increase is partly driven by the denominator, reflecting our estimates for a 2.8% y/y decline in total retail spending in 2020.

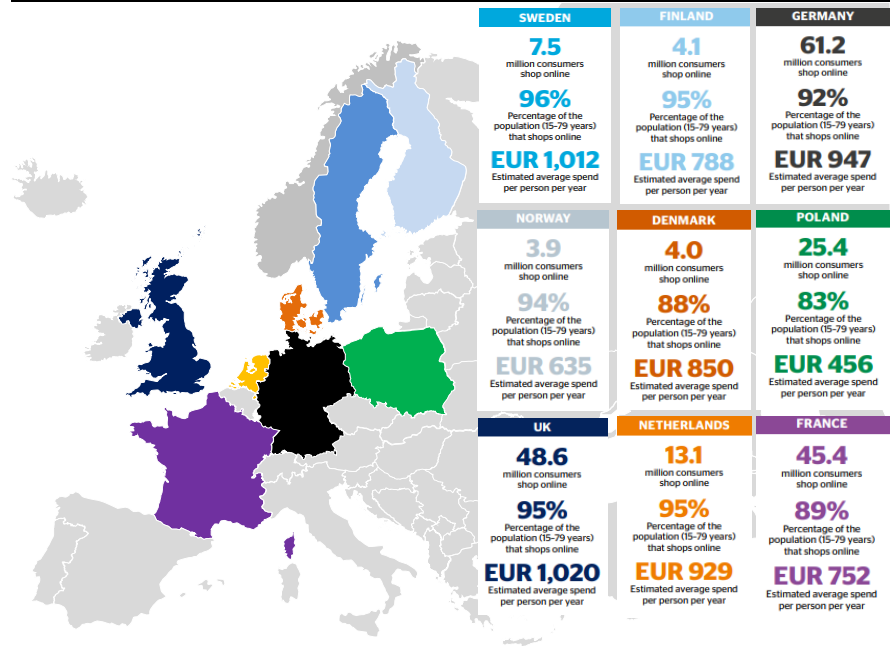
In the longer-term, based on spending per capita estimates and comparing the Nordic-4 markets (EUR 856) to the leading European online market (the UK), this suggests a 16% gap potential compared to the average annual spend of EUR 1,020 in this market.

Online spending/capita



Source: SEB, PostNord (E-commerce in Europe 2020)

European online spending per capita – selected markets, 2019E (EUR)



Source: PostNord (E-commerce in Europe 2020), SEB (adapted)

Selected online market estimates

	Total pop. (m) (all ages)	Total pop. (m) (15-79ys)	Online pop. (%) (15-79ys)	Online pop. (m) (15-79ys)	Online spend per cap. (EUR)	Online spend (EURbn)*	Online spend (SEKbn)*
European e-Commerce spend 2019E*							
Sweden	10.2	7.8	96	7.5	1,012	7.6	76.4
Denmark	5.8	4.5	88	4.0	850	3.4	34.2
Finland	5.5	4.3	95	4.1	788	3.2	32.5
Norway	5.3	4.1	94	3.9	635	2.5	24.9
Nordic-4	26.8	20.8	94	19.5	856	16.7	168.2
France	67.0	51.0	89	45.4	752	34.1	343.8
Germany	83.0	66.5	92	61.2	947	58.0	583.7
Italy	60.4	47.9	82	39.3	674	26.5	266.8
Spain	46.9	37.1	90	33.4	921	30.8	309.8
UK	66.6	51.2	95	48.6	1,020	49.6	499.2
Europe Big-5	323.9	253.7	90	227.9	873	198.9	2,003.3

Source: SEB, PostNord (E-commerce in Europe 2020). *Estimated spending based on consumer surveys in target group (15-79ys). EURSEK = 10.07

CDON ended 2020 with about 2.25m active customers across its Nordic-4 sites. This was up 27% y/y from 1.8m customers in 2019. This implies a “market share” of over 8% of the Nordic population. Based on our estimates, we expect CDON to count almost 3.5m active customers at the end of our explicit forecast period in 2023, which would correspond to 12.7% of the Nordic population forecast. Outlining our estimates until 2025, we reckon this share will continue to increase to over 15% of the population. This implies 4.25m active customers at year-end 2025 and a five-year CAGR of 12.5% in 2021-25.

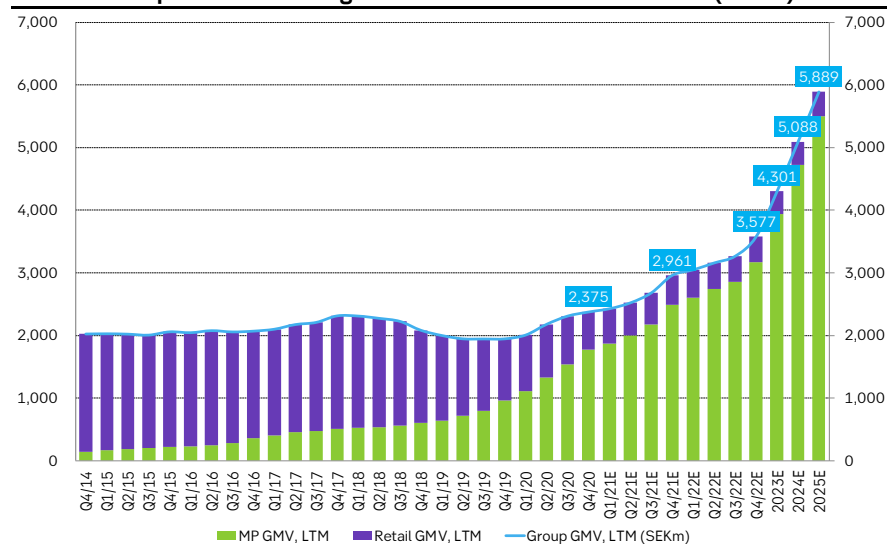
Population growth and CDON active customer forecasts

Population, mid-year (m)	2019	2020	2021E	2022E	2023E	2024E	2025E	5Y CAGR 2021-25 (%)
Sweden	10.122	10.202	10.283	10.362	10.439	10.514	10.587	0.7
Denmark	5.842	5.869	5.654	5.666	5.677	5.688	5.698	0.2
Finland	5.555	5.572	5.587	5.600	5.612	5.622	5.631	0.2
Norway	5.421	5.467	5.512	5.555	5.598	5.641	5.682	0.8
Nordic-4	26.940	27.111	27.035	27.183	27.327	27.465	27.598	0.5
Growth (%)	n.a.	0.6	(0.3)	0.5	0.5	0.5	0.5	
CDON active customers	1.771	2.255	2.651	3.042	3.482	3.891	4.245	12.5
Growth (%)	n.a.	27.3	17.5	14.8	14.5	11.7	9.1	
Market share (%)	6.6	8.3	9.8	11.2	12.7	14.2	15.4	

Source: SEB, US Census Bureau

Adding our take rate forecasts for CDON Marketplace and our retail sales assumptions for CDON Retail to our customer projections, we estimate total GMV to more than double, from SEK 2.4bn in last year, to SEK 5.1bn in 2024. Again, this would result in a market share of about 2% of the Nordic online retail market.

CDON Marketplace and Retail: gross merchandise value forecasts (SEKm)



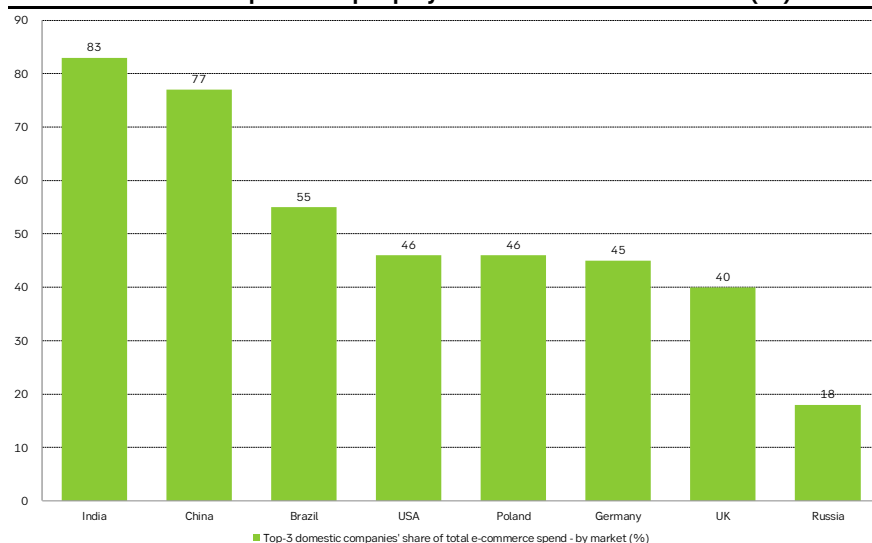
Source: SEB

The market for marketplaces

The mutual benefits of an oligopoly

Just like in search advertising (Google), local and yellow pages (Solocal) and classified advertising (Adevinta), the inherent strength in a marketplace business builds from a mutual benefit of “all” buyers being able to find “all” products and sellers and vice versa. This is corroborated by the top-three marketplace operators in the US and in Europe today taking closer to 45% share of the local e-commerce market respectively.

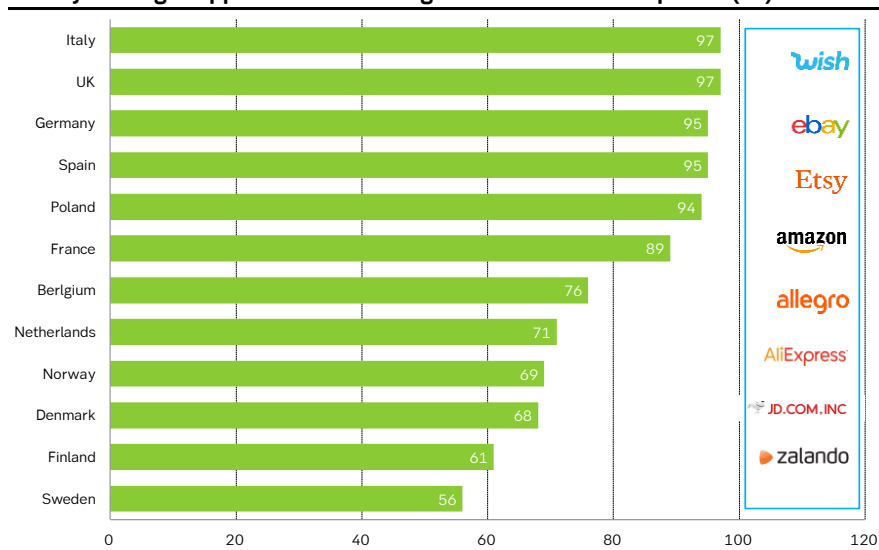
The benefits of marketplaces: top-3 players' combined market shares (%)



Source: SEB, Ozon Holdings (INFOLine, Euromonitor)

Also, in many of the surveyed markets outlined in the chart below, marketplaces are very commonly used. We note that the survey focuses on the usage of international marketplaces and therefore CDON is not included.

Survey: having shopped at the following international marketplaces (%)



Source: SEB, PostNord (E-commerce in Europe 2020)

According to PostNord, between 16% (Sweden) and 24% (Denmark) of the Nordic online population states that they have shopped with Amazon. In the same survey, Zalando is today the most used international marketplace in the Nordic region, with more than one-third of population as customers.

The recent launch of Amazon in Sweden, already taking an estimated 2% share of the market from cross-border sales only, should help build the marketplace market in the Nordic countries, we argue. With local sales and local (same day) deliveries from its new distribution centre (DC), planned to open in February 2020, this should improve the customer experience with *amazon.se*. Here, Khuene Nagel, the logistics company, has confirmed that they will operate a 15,000 sq m DC for Amazon, located in Eskilstuna, Sweden.

Survey: having shopped on the following *international* marketplaces

2019 (%)	Sweden	Denmark	Finland	Norway
Zalando	36	37	32	38
Wish	20	27	17	29
Amazon	16	24	17	17
eBay	14	20	22	26
AliExpress	5	9	11	9
JD.com	3	4	2	1
Etsy	2	3	3	3
Allegro	1	1	2	1

Source: SEB, PostNord (E-commerce in Europe 2020)

Amazon and Zalando: high market shares across European online markets

Online market share by country 2019 (%)	Amazon	Zalando
Germany	28	9
Netherlands	28	6
UK	15	1
Italy	11	11
Spain	7	12
France	6	4
Sweden	2	7
Denmark	n.a.	10
Finland	n.a.	9
Norway	n.a.	8

Source: SEB, PostNord (E-commerce in Europe 2020), BCG

Nordic-4: combined market share of top-3 online players

Market share – by country (%)	2012	2017
Sweden: Top-3	20	13
No 1	Qliro Group*	Waldir*
No 2	Waldir	Qliro Group
No 3	Bonnier	Komplett
Others	80	87
Denmark: Top-3	8	9
No 1	Expert	Zalando
No 2	Dixons Carphone	Dixons Carphone
No 3	Amazon	Nemlig.com
Others	92	91
Finland: Top-3	16	18
No 1	Verkokauppa	Verkokauppa
No 2	Stockmann	Amazon
No 3	Amazon	Zalando
Others	84	82
Norway: Top-3	8	9
No 1	Komplett	Komplett
No 2	Dixons Carphone	Dixons Carphone
No 3	Apple	Apple
Others	92	91

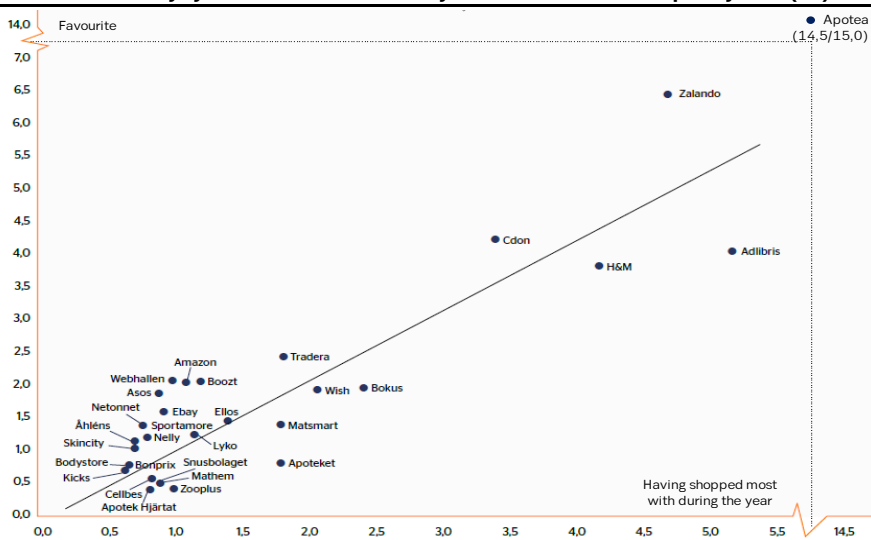
*Qliro Group including CDON. Waldir including SIBA, Netonnet

Source: SEB, BCG

Browsing down virtual high street

CDON maintains a strong brand and position in the local retail market and ranks as one of Sweden’s most favoured online sites. Consumers also rank CDON highly when asked where they have mostly shopped during the past year. This position is shared with a cluster of other prominent retailers including H&M and Zalando, as well as online book-store Adlibris and outlier Apotea, the online pharmacy.

Consumer survey: your favourite site and your most used site in past year? (%)



Source: PostNord (e-handelsbarometern 2019), SEB (adapted)

Other competing marketplaces in the Nordic region include Fyndiq (local) and Fruugo (UK). Fyndiq’s consumer proposition is based on being the to-go-to site for bargains and could be described as an online outlet (compare membership-based campadre.se). Fruugo’s four Nordic sites are part of UK-based Fruugo Ltd. Fruugo operates a total of 42 dedicated country marketplace sites across Europe, Asia and the US and the business idea is to facilitate non-domestic consumer product sales in local markets. As such, its marketplace connects local consumers with retailers from around the world.

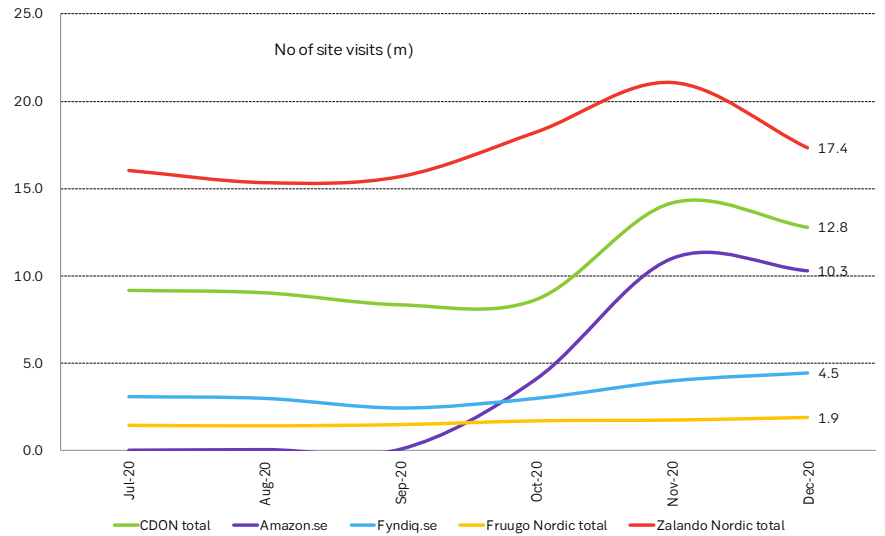
Importantly, all brand propositions outlined for the leading international or local marketplaces below indicate a focus on different segments of the retail market. The exception would be Amazon and CDON, which share the proposition of being the online department stores in the market.

Nordic and Sweden: major and/or local online marketplaces and their brand propositions

Company	Brand	Market position	Brand proposition
Amazon (USA)	amazon.se	Department store	"Earth's most customer-centric company"
CDON (Swe)	cdon.se	Department store	"The Nordic region's largest marketplace"
Fyndiq (Swe)	fyndiq.se	Discount/outlet	"Sweden's largest marketplace for bargains"
Fruugo (UK)	frugo.se	Cross-border store	"Thousands of retailers from all over the globe"
ContextLogic (USA)	wish (app)	Discount/private labels	"Direct from merchants to consumers"
Zalando (Ger)	zalando.se	Fashion destination	"Europe's leading online fashion platform"

Source: SEB

Nordic-4 site traffic model: share of site visits (m)



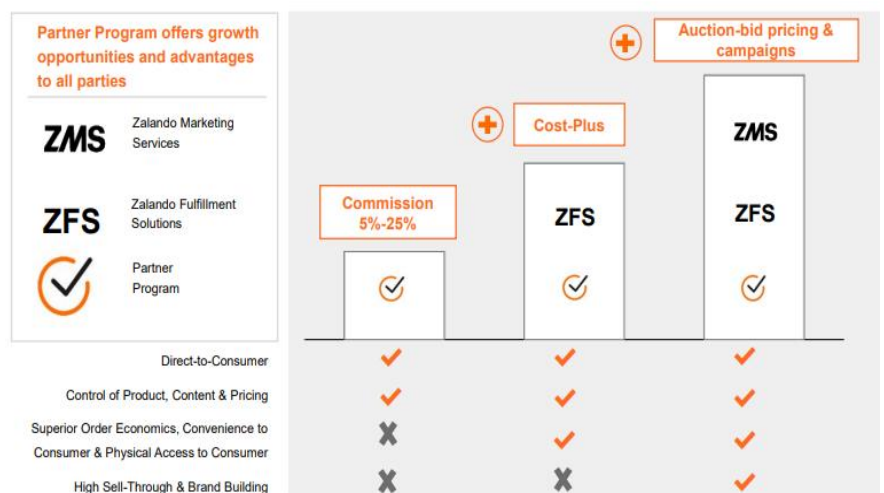
Source: SEB, Similarweb

Online fashion company Zalando is estimated to take a share of between 7% and 10% of apparel and footwear sales in the Nordic four country markets. In December 2020 the group recorded 17.4m of combined site visits to its Nordic sites.

This makes Zalando the largest player in the Nordic region and 36% larger than the runner-up CDON, with a total of 12.8m visits. Zalando has previously announced its intention to wind down its private label sales. Instead the group’s strategic focus is to build its marketplace by offering the reach and distribution benefits to other retailers and brand owners. The communicated average take rate levels in its Partner Program corresponds to 15% of processed GMV.

In December 2020, about two months after the launch of Amazon in Sweden, the company site amazon.se reached 10.3m visits. In all, this forms a cluster of three marketplaces that are clearly larger than others in the Nordic region (Zalando, CDON and Amazon) and where Fyndiq and Fruugo’s reach combine to about half the levels recorded by CDON.

Zalando Partner Program: proposed models for retailers and brand owners



Source: Zalando, SEB

Major online marketplaces in Nordics/Sweden – consumer offering and merchant fees

Marketplace offerings (SEK)	No of Products (m)	1P Freight costs	3P Free delivery	Merchant Subscription fee**	No of merchants	Average Take rate (%)**
Amazon	150	0	>229	410	n.a.	15.6
CDON	8	29-49*	>100*	299	1,513	10.7
Fyndiq	1	9	No	0	1,700	10.0
Fruugo	10	n.a.	n.a.	0	1,000	14.4
Wish	150	n.a.	n.a.	n.a.	500,000	20.8

**CDON+ membership: one-off cost of SEK 299, or SEK 199 in connection with a purchase over SEK 599 = free freight on orders > SEK 100.

For stipulated product categories freight costs are SEK 59, SEK 79, SEK 99 and SEK 199

**Subscription fee excl. VAT. Take rate estimated average based on GMV incl. freight costs and VAT. Fruugo: 15% on GMV excl. VAT + 2.35% on GMV incl. VAT

Source: SEB, Amazon, CDON, Fyndiq, Contextlogic, Fruugo.se, The Sunday Times Tech Track 100 (2019)

Benchmarking a selected number of marketplaces in the Nordic region from a consumer perspective (assortment, freight costs and deliveries) and from a merchant perspective (fees) we note some important differences.

Wish – from China to the world

Wish, the app-only marketplace, owned by US Contextlogic Inc., imports private and white labels from mainly China and retails these goods at steep discounts of “up to 85%”. Wish is one of the top-three international marketplaces preferred by consumers in all four Nordic countries. While the company has about 500,000 merchants on its platform, distorting the benchmarking to other players above, Wish targets the specific market segment for bargains and discounted non-branded goods. We believe the low sales value of goods could also explain why take rates at Wish are well-above marketplace average levels.

Consumer survey: top-3 international marketplaces (having shopped?)

(%)	Amazon	Ebay	Wish	Zalando
Sweden	16		20	36
Denmark	24		27	37
Finland		22	17	32
Norway		26	29	38

Source: SEB, PostNord (E-handeln i Europa 2020)

Amazon.se – a truly strong consumer proposition

While the launch of Amazon.se was ridiculed in local media for machine made mistranslations of product descriptions, etc. (errors are still left on the site), Amazon's local consumer offering is strong, including a large selection of products and across many categories. In addition, amazon.de or amazon.co.uk are still a click away, for those products that ship to Sweden. Standard delivery freight cost is zero on deliveries from its own inventory (first party – 1P). When consumers choose a product from a third-party (3P) store on the marketplace, free delivery thresholds are met at an average basket value of SEK 229. Similar to in other markets, our price comparison survey, while limited, suggests that Amazon is positioned as the price leader in Sweden.

Adding the imminent launch of local distribution (allowing for same day deliveries), we conclude that Nordic consumers should find shopping with Amazon increasingly attractive. As Amazon gains share of the Nordic e-commerce market, allowing for scaling of costs and leading to ever-lower prices, this also risk feeding through to pressure on margins for retailers and brand companies.

The number of merchants that have signed up with Amazon in Sweden so far is undisclosed by the company. Amazon's seller portal (Amazon Services Europe) lists the current merchant subscription fee at SEK 410 per month (excluding VAT). On top of this, we estimate that the Amazon group average merchant take rate in 2020 was about 15.5% of GMV.

Cdon.com – a better merchant proposition

CDON, the leading marketplace in the Nordic region, reported a total of just over 1,500 merchants on its platform at year-end 2020. This corresponds to an increase of about 475 merchants compared to in 2019. Reflecting its new e-commerce platform for merchants on its marketplace being rolled out in Q4 last year, we expect CDON to continue to grow the number of merchants to closer to 2,700 in 2023 (2021-23 CAGR of 17%). In connection with the change in platform, CDON also introduced monthly subscription fees for its merchants, priced at SEK 299 per month (excluding VAT). In all, adding our estimated take rate of 10.7% of its 3P GMV in 2020, total merchant costs are clearly lower at CDON compared to Amazon.

Consumers can get free shipping (on orders over SEK 100 in value) with a CDON+ membership. CDON+ costs SEK 299, or SEK 199 in connection with one order over SEK 599 in value. Elsewhere, for the vast majority of its product categories, freight costs are typically quoted in the range of SEK 29-49.





















We believe that CDON offers Nordic merchants an attractive proposition: either as a choice over Amazon, or as a complement to Amazon. CDON is an established (unaided top-of-mind) consumer brand in its Nordic home markets. Also, merchant pricing is set at a discount. We also believe that the ongoing phase-out of CDON Retail will eventually make CDON a pure operator of a marketplace for merchants and without competing with its retail clients. The table below summarizes select key reasons why merchants choose CDON over Amazon, according to CDON.

CDON versus Amazon.se

CDON vs. Amazon - for merchants	CDON	Amazon	Why CDON?
Marketplace	Nordic-4	16 countries	Merchants that want to grow in the Nordic markets
Brand	Local leader	Global leader	Established consumer brand in its Nordic home markets
Integration	Easier	More cumbersome	Pitched as easy and fast integration
Take rates (2020E)	10.7%	15.6%	Market price leader (on average "about 25% lower take rates")
Support	Personal	Automated	Dedicated account managers
Retail GMV (2020E)	25%	39%	Dedicated to the success of its merchant customers
Big data	More transparent	Less transparent	Low share of retail sales limits competitive issues with sharing data
Platform policy	Flexible	Structured	Dialogue with merchants possible on a case-by-case basis

Source: CDON, SEB, Factset

CDON Marketplace propositions for its merchants

 <p>Access to new segments and markets Serve customer segments or markets not previously targeted</p>	▶	  
 <p>Range expansion Extend online offering and test new product lines</p>	▶	 
 <p>Brand building Build an internationally recognized brand and be visible amongst brands complementing value proposition and positioning</p>	▶	    
 <p>Improved customer experience Offer products in a new context or channel</p>	▶	  
 <p>Access to more advanced technology and data Improve customer insights and predictive tools to increase efficiency and reduce cost of sales</p>	▶	 

Source: CDON

Shopping comparison, 3 February 2020 (SEK)

Product: Melitta water kettle, Prime Aqua, 1.7l - stainless steel	Cdon.se	Amazon.se	Fyndiq.se	Bygghemma.se	Amzn/Cdon (%)
Retailer	Teknikproffset	Amazon	n.a.	Bygghemma.se	
Fulfilment	Teknikproffset	Amazon	n.a.	Bygghemma.se	
Delivery (standard)	1-3 days	2 days	n.a.	2-3 days	
Recommended RSP incl. VAT	549	549	n.a.	399	
RSP incl. VAT	398	371	n.a.	379	
Freight or expedition costs*	49	Free	n.a.	49	
Total cost	447	371	n.a.	428	(17)
Product: Electrolux water kettle, 2400W, 1.7l - stainless steel	Cdon.se	Amazon.se	Fyndiq.se	Bygghemma.se	Amzn/Cdon (%)
Retailer	Teknikproffset	n.a.	Fyndiq	n.a.	
Fulfilment	Teknikproffset	n.a.	Fyndiq	n.a.	
Delivery (standard)	1-3 days	n.a.	1-3 days	n.a.	
Recommended RSP incl. VAT	1,149	n.a.	n.a.	n.a.	
RSP incl. VAT	598	n.a.	799	n.a.	
Freight or expedition costs*	49	n.a.	9	n.a.	
Total cost	647	n.a.	808	n.a.	n.a.
Product: Wilson Ultra Team padel tennis racket - 2020	Cdon.se	Amazon.se	Fyndiq.se	Nordic Padel	Amzn/Cdon (%)
Retailer	Padelspecialisten.com	Sporttime Store	n.a.	Nordic Padel	
Fulfilment	Padelspecialisten.com	Sporttime Store	n.a.	Nordic Padel	
Delivery (standard)	1-3 days	5-8 days	n.a.	5-8 days	
Recommended RSP incl. VAT	1,295	1,295	n.a.	n.a.	
RSP incl. VAT	1,045	889	n.a.	1,295	
Freight or expedition costs*	49	Free	n.a.	Included	
Total cost	1,094	889	n.a.	1,295	(19)
Product: Thule Lithos backpack, 16l	Cdon.se	Amazon.se	Fyndiq.se	Teknikproffset.se	Amzn/Cdon (%)
Retailer	CDON (Retail)	Amazon	Fyndiq	Teknikproffset	
Fulfilment	CDON (Retail)	Amazon	Fyndiq	Teknikproffset	
Delivery (standard)	1-4 days	7 days	1-3 days	5 days	
Recommended RSP incl. VAT	701	701	701	701	
RSP incl. VAT	377	463	589	354	
Freight or expedition costs*	49	Free	9	59	
Total cost	426	463	598	413	9
Product: Adidas Get Ready! For him, EDT, 100ml	Cdon.se	Amazon.se	Fyndiq.se	Cdon.se	Amzn/Cdon (%)
Retailer	StylingAgenten	StylingAgenten	Fyndiq	ComputerSalg A/S	
Fulfilment	StylingAgenten	StylingAgenten	Fyndiq	ComputerSalg A/S	
Delivery (standard)	1-3 days	2-4 days	1-3 days	5-6 days	
Recommended RSP incl. VAT	199	199	199	199	
RSP incl. VAT	61	89	198	135	
Freight or expedition costs*	39	28	9	0	
Total cost	100	117	207	135	17

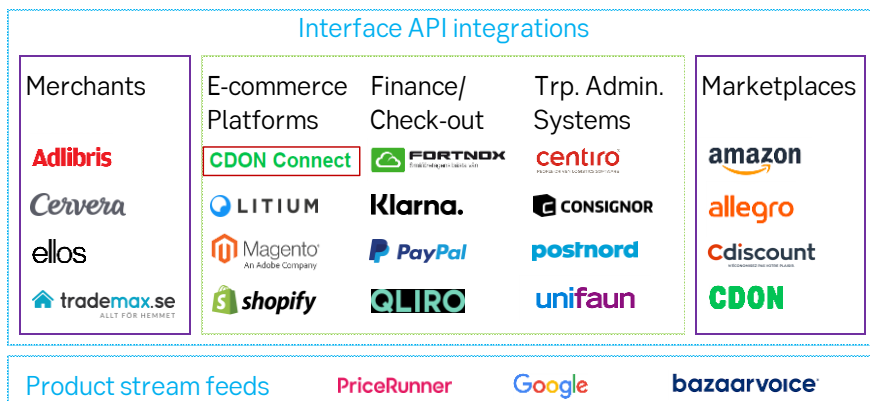
*CDON+ membership: one-off cost of SEK 299 (or SEK 199 in connection with one purchase > SEK 599) = free freight on all orders > SEK 100

Source: SEB

TAM forecasts – MaaS

CDON Connect as a Service

The marketplace eco-system in brief



Source: SEB

Last year, one of Europe’s largest marketplace operator, Cdiscount (owned by Food retailer Casino) started trading on CDON Marketplace. Cdiscount’s initial offering added about 50,000 SKUs for Nordic consumers within primarily the Electronics, Home, Baby and Children’s Toys product categories. Cdiscount is now developing its own marketplace-as-a-service (MaaS) offering said to address a market of “about 900,000 European e-commerce web sites”.

CDON’s future growth strategy also builds from adding various new merchant services through its proprietary merchant platform, called CDON Connect. These services are in part composed of recurring revenue and could be compared to a software-as-a-service (SaaS), offered by companies like Shopify and Adobe’s Magento. Here, merchant customers pay a subscription fee based on usage, while the software is cloud-based. CDON’s ambition is that CDON Connect eventually could manage all aspects of selling online for a merchant.

CDON Connect: Imports and Merchant centre

Connect interface

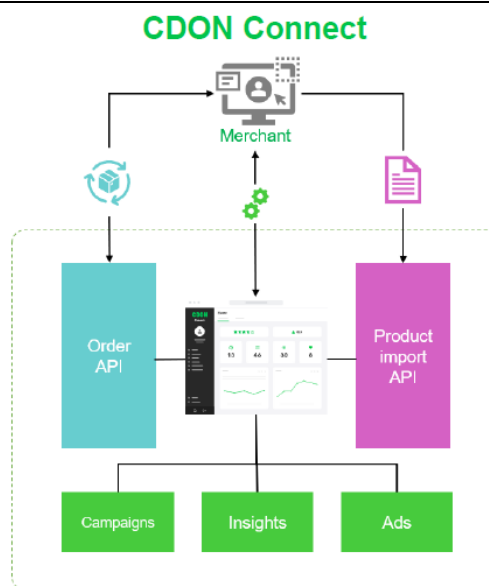
- Import products and handle orders (can also be done using API integrations)
- Gather user and product insights
- Direct access to sales and user interactions
- Include products in campaigns to target specific customers and make products more visible using ads

Product import

- Product import API is fully separated from Connect and part of a self-contained system architecture allowing it to work in the background

Order API

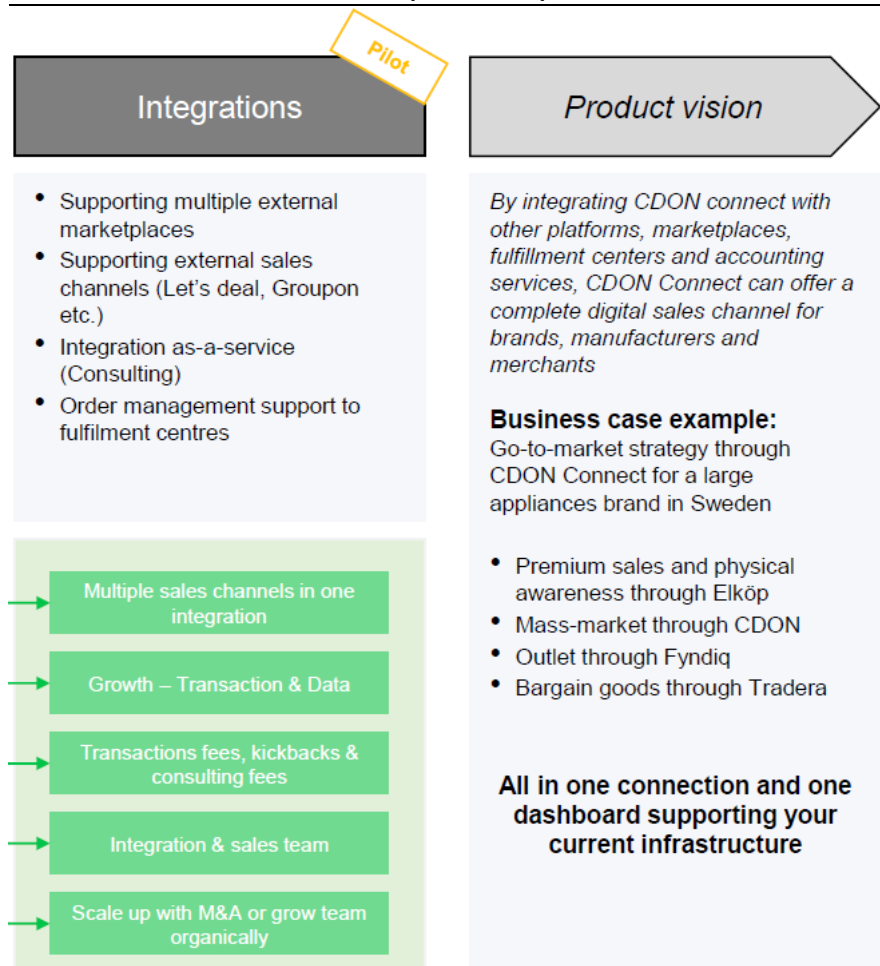
- Currently resides in previous Marketplace system (on premise) – in progress to be linked with Connect Interface code



Source: CDON

CDON Connect will integrate (add-on) with its new marketplace platform version was rolled-out in Q4 last year. While the company experienced some initial negative effects on customer experience and conversion rates in the period, CDON expects this to allow for new integrations and new revenue streams in the future, such as CDON Connect.

CDON Connect – current MaaS developments and product vision



Source: CDON

Specifically, we believe CDON Connect will allow the group to also offer Nordic retailers an easy and cost-efficient alternative to connect with marketplaces outside of the Nordic region. While still in its infancy, this will create new revenue streams from a take rate on the merchant GMV generated also on the external marketplace. We estimate these take rates to be lower, at about 2.5% of GMV, compared to levels of about 10-11% on GMV at its own marketplace.

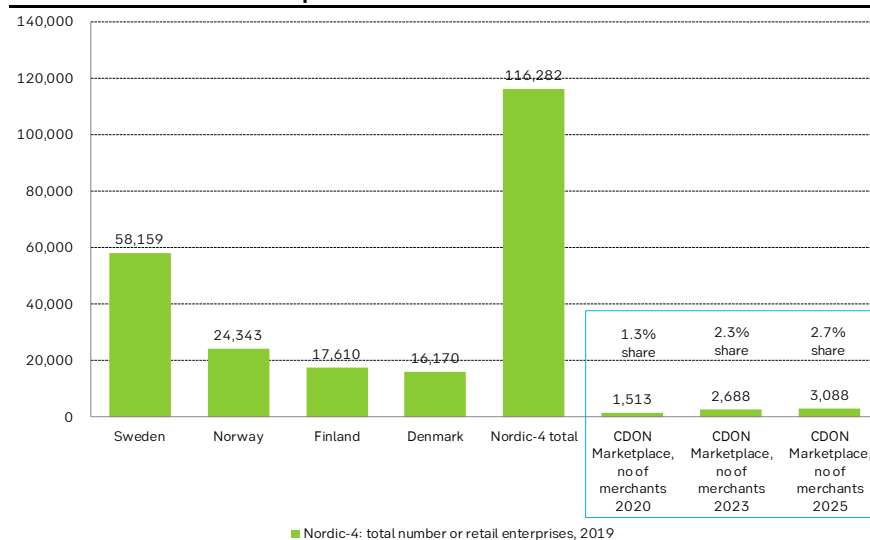
The new CDON Connect technology will also enable more advertising solutions, such as various sponsored advertising products. This would allow merchants to buy visibility and ranking results on the marketplace in order to drive sales.

In all we have identified four main future revenue streams, based on continuing developments of its CDON Connect e-commerce platform in 2021:

- Monthly merchant subscription fees (launched in Q4/20)
- Take rate commission on external marketplace GMV
- Merchant services (fulfilment services, for example) and supplier kickbacks (kickbacks on payments through Qliri are in place)
- Advertising income

Estimating the total addressable market (TAM), there are over 115,000 registered retail companies in the Nordic countries (of which almost 60,000 are registered in Sweden). While most of these enterprises are very small (employing no more than five people), market research, covering small and medium-sized retailing companies, shows that the global average revenue per merchant (ARPM) is USD 1,653 per annum. According to Shopify, this suggests that the global market value for e-commerce platforms is estimated at USD 78bn.

Total number of retail enterprises in the Nordic economies



Source: SEB, Statistics Sweden, Denmark, Finland and Norway

Global market for Retail SME e-commerce platforms

Global TAM, SMEs, retail enterprises, 2019	USD	SEK
Annual ARPM	1,653	13,852
No of retail merchants (<500 FTEs) (m)	47.0	47.0
Global TAM, Retail SME segment (bn)	78	651

Source: Shopify, AIM Partners, SEB

Using these metrics as a very rough calculation for the Nordic market, we arrive at an estimated base case market value of SEK 0.8-1.6bn, depending on the assumptions for the actual number of addressable companies. Including also larger companies, we reckon these ARPM assumptions are too low. For CDON we estimate the number of connected merchants to grow from about 1,500 in last year to about 2,700 in 2023 (and over 3,000 in 2025), then corresponding to 2.7% of the total number of registered retail enterprises in the Nordic market.

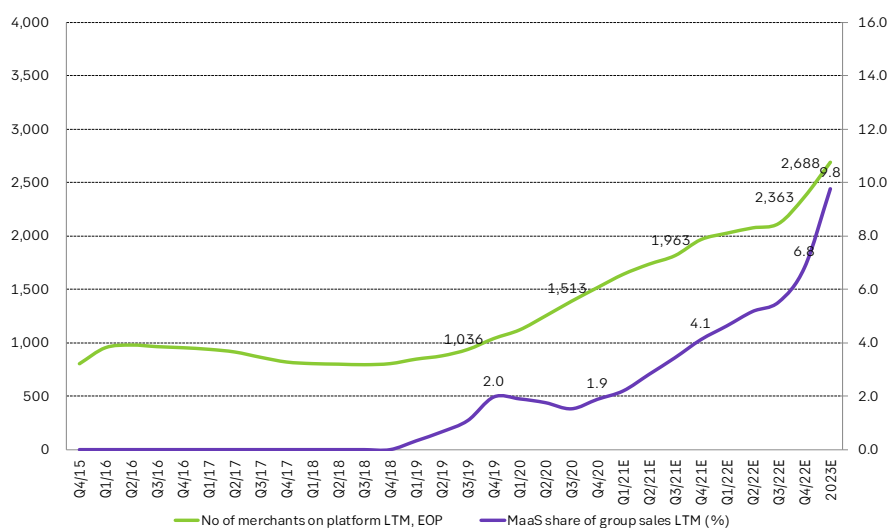
TAM scenarios: Nordic e-commerce platform spend in the SME segment (SEKbn)

(SEKbn)	What if (%)	Annual ARPM (SEK)						
		9,696 (30)	11,082 (20)	12,467 (10)	13,852 0	15,237 10	16,623 20	18,008 30
Addressable no of Nordic retail companies								
116,282	100.0	1.13	1.29	1.45	1.61	1.77	1.93	2.09
104,654	90.0	1.01	1.16	1.30	1.45	1.59	1.74	1.88
93,026	80.0	0.90	1.03	1.16	1.29	1.42	1.55	1.68
81,397	70.0	0.79	0.90	1.01	1.13	1.24	1.35	1.47
69,769	60.0	0.68	0.77	0.87	0.97	1.06	1.16	1.26
58,141	50.0	0.56	0.64	0.72	0.81	0.89	0.97	1.05

Source: SEB

Based on our forecast assumptions for MaaS income, we believe CDON Connect could generate sales of SEK 31m in this year, SEK 53m in 2022 and SEK 83m in 2023. This would correspond to almost 10% of our group revenue forecast in this year. Importantly, as highlighted below using Shopify as a case example, these revenue also come with high gross margins.

No of merchants and Marketplace-as-a-Service share of sales forecasts (%)



Source: SEB

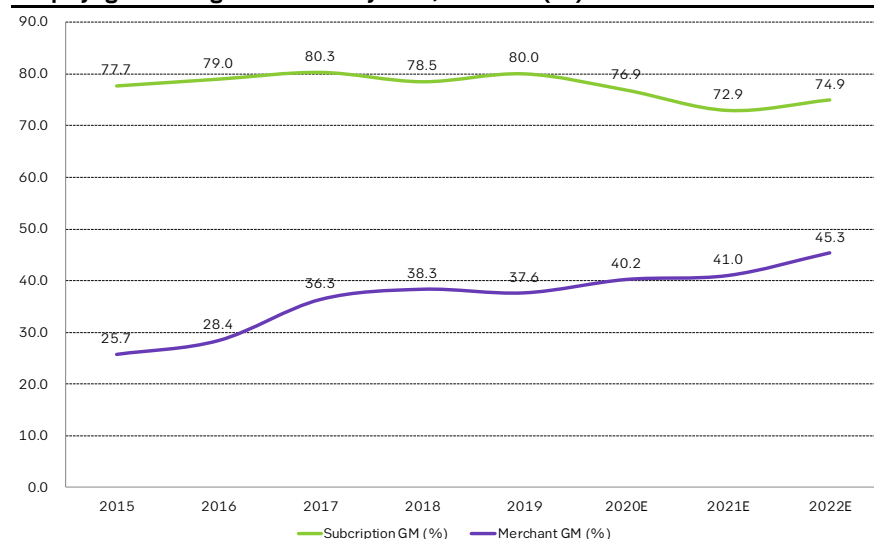
Shopify – the e-com subscription model

Shopify’s e-commerce platform is used by companies to run their retail business across sales channels, including web and mobile storefronts, physical retail locations, social media storefronts and marketplaces. Shopify’s platform enables merchants to manage products and inventory, process orders and payments, fulfil and ship orders, build customer relationships, source products, leverage analytics and reporting and access financing – all from one integrated back office.

Shopify reports two revenue streams: subscription-based sales and merchant solutions sales. Merchant solutions include mainly payment processing fees, but also take rate commissions and shipping and fulfilment fees linked to the GMV processed through its platform. Subscription income is being generated from monthly subscription agreements with merchants, covering variable platform fees, sales of themes and apps, as well as income from domain name registrations.

Reflecting a higher share of sales from apps and platform fees, Shopify's subscription solutions revenues have grown faster than its annual recurring revenue (ARR) over the past years. Still ARR probably better reflects the long-term value of its relationship with its merchant customers. Also, we note the high gross margins generated in its subscriptions solutions area in the past years. Based on consensus forecasts, gross profits are estimated at between 73% and 77% of sales in 2021-23.

Shopify: gross margin forecasts by area, 2021-23 (%)



Source: Factset

Shopify: short P&L forecasts (USDm)

Shopify (USDm)	2015	2016	2017	2018	2019	2020E	2021E	2022E
KPIs								
GMV through platform	7,780	15,400	26,300	41,100	61,100	117,306	151,916	196,435
Growth (%)	n.a.	97.9	70.8	56.3	48.7	92.0	29.5	29.3
Annual recurring revenue (ARR*)	n.a.	222	275	491	647	768	846	936
Growth (%)	n.a.	n.a.	23.8	78.7	31.7	18.7	10.2	10.6
P&Ls								
Subscription solutions	112	189	310	465	642	895	1,147	1,389
Merchant solutions	93	201	363	608	936	1,968	2,644	3,626
Group net sales	205	389	673	1,073	1,578	2,863	3,791	5,015
Growth (%)	n.a.	89.6	73.0	59.4	47.0	81.4	32.4	32.3
Subscription sales growth (%)	n.a.	68.4	64.4	50.0	38.1	39.4	28.2	21.1
Merchant sales growth (%)	n.a.	115.1	81.0	67.4	53.9	110.3	34.3	37.1
Subscription sales share (%)	54.6	48.4	46.0	43.3	40.7	31.3	30.3	27.7
Merchant sales share (%)	45.4	51.6	54.0	56.7	59.3	68.7	69.7	72.3
Subscription GP	87	149	249	365	514	688	836	1,041
Merchant GP	24	57	132	235	352	791	1,083	1,644
Other	0	4	(1)	(2)	(0)	39	95	74
Gross profit	111	210	380	596	866	1,518	2,014	2,759
Gross margin (%)	54.1	53.8	56.5	55.6	54.9	53.0	53.1	55.0
Subscription GM (%)	77.7	79.0	80.3	78.5	80.0	76.9	72.9	74.9
Merchant GM (%)	25.7	28.4	36.3	38.3	37.6	40.2	41.0	45.3

Source: SEB, Factset. *ARR based on monthly recurring revenue (MRR), as reported

Peer benchmarking and KPIs

CDON - Short P&L and KPI forecasts

CDON (EURm)	2018	2019	2020E	2021E	2022E	Q1/20 LTM	Q2/20 LTM	Q3/20 LTM
No of merchants ('000)	801	1,036	1,513	1,963	2,363	1,117	1,248	1,385
No of active customers (m)	1.8	1.8	2.3	2.7	3.0	1.8	2.0	2.1
3P GMV take rate (%)	13.2	12.0	10.7	10.3	10.1	11.4	11.1	11.0
GMV, total	206	192	235	293	354	198	215	228
MP total sales (3P & Retail)	154	108	77	72	71	100	99	93
Advertising sales	0	1	1	1	2	1	1	1
Other sales	0	1	1	2	3	1	1	1
Net sales	154	110	79	75	76	102	100	95
MP share of sales (%)	100.0	98.0	97.6	95.9	93.2	98.1	98.2	98.5
Advertising share of sales (%)	0.0	1.0	0.9	1.6	2.9	1.1	1.0	0.9
Other share of sales (%)	0.0	0.9	1.5	2.5	4.0	0.8	0.7	0.6
EBITDA margin (%)	(0.9)	1.4	4.3	7.0	11.6	2.1	2.8	3.5
EBIT margin (%)	(1.6)	(0.1)	1.4	4.6	8.9	0.1	0.4	0.6
EBITDA/GMV margin (%)	(0.7)	0.8	1.4	1.8	2.5	1.1	1.3	1.4
EBIT/GMV margin (%)	(1.2)	(0.1)	0.5	1.2	1.9	0.0	0.2	0.2

Source: SEB, CDON

Allegro.eu – Short P&L and KPI forecasts

Allegro.eu (EURm)	2018	2019	2020E	2021E	2022E	Q1/20 LTM	Q2/20 LTM	Q3/20 LTM
No of merchants ('000)	n.a.	117.0	n.a.	n.a.	n.a.	n.a.	n.a.	117.0
No of active customers (m)	10.4	11.4	13.2	14.3	15.4	11.7	12.3	12.6
3P GMV take rate (%)	8.9	9.3	n.a.	n.a.	n.a.	9.3	9.1	9.2
GMV, total	4,003	5,019	7,584	8,816	10,841	5,396	6,262	6,857
MP total sales (3P & Retail)	368	488	n.a.	n.a.	n.a.	526	604	664
Advertising sales	36	46	n.a.	n.a.	n.a.	50	57	64
Other sales	32	37	n.a.	n.a.	n.a.	39	42	43
Net sales	435	571	872	1,074	1,352	615	704	771
MP share of sales (%)	84.5	85.4	n.a.	n.a.	n.a.	85.6	85.9	86.1
Advertising share of sales (%)	8.2	8.0	n.a.	n.a.	n.a.	8.1	8.2	8.3
Other share of sales (%)	7.3	6.6	n.a.	n.a.	n.a.	6.3	6.0	5.6
EBITDA margin (%)	55.5	51.1	42.2	42.2	41.4	49.3	46.6	41.5
EBIT margin (%)	34.2	34.2	30.1	31.8	32.2	33.4	32.5	28.4
EBITDA/GMV margin (%)	6.0	5.8	4.9	5.1	5.2	5.6	5.2	4.7
EBIT/GMV margin (%)	3.7	3.9	3.5	3.9	4.0	3.8	3.6	3.2

Source: SEB, Factset, Allegro.eu

Amazon - Short P&L & KPI forecasts

Amazon (EURm)	2018	2019	2020E	2021E	2022E	Q1/20 LTM	Q2/20 LTM	Q3/20 LTM
No of merchants ('000)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
No of active customers (m)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
3P GMV take rate (%)	12.1	15.5	15.6	14.7	13.4	15.5	15.3	15.6
GMV, total	301,945	287,695	417,425	531,397	663,279	305,138	338,965	369,865
MP total sales (3P & Retail)	136,714	160,865	229,149	278,839	320,819	169,519	186,905	203,845
Advertising sales	11,687	15,847	20,794	25,785	31,007	16,848	17,955	19,287
Other sales	43,710	54,695	68,526	83,845	103,742	58,033	60,582	63,893
Net sales	192,111	231,406	318,469	388,469	455,568	244,400	265,442	287,025
MP share of sales (%)	71.2	69.5	72.0	71.8	70.4	69.4	70.4	71.0
Advertising share of sales (%)	6.1	6.8	6.5	6.6	6.8	6.9	6.8	6.7
Other share of sales (%)	22.8	23.6	21.5	21.6	22.8	23.7	22.8	22.3
EBITDA margin (%)	11.9	13.0	12.5	14.9	16.1	12.3	12.3	12.6
EBIT margin (%)	5.3	5.2	5.9	6.5	7.8	4.8	5.2	5.7
EBITDA/GMV margin (%)	7.6	10.4	9.5	10.9	11.1	9.8	9.7	9.7
EBIT/GMV margin (%)	3.4	4.2	4.5	4.7	5.4	3.8	4.1	4.4

Source: SEB, Factset, Amazon

Ebay - Short P&L and KPI forecasts

eBay (EURm)	2018	2019	2020E	2021E	2022E	Q1/20 LTM	Q2/20 LTM	Q3/20 LTM
No of merchants ('000)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
No of active customers (m)	179.0	174.0	185.0	188.4	191.2	174.0	182.0	183.0
3P GMV take rate (%)	8.3	8.9	9.3	10.3	10.8	8.9	9.0	9.1
GMV, total	74,101	70,538	82,492	84,491	87,840	70,281	74,942	78,704
MP total sales (3P & Retail)	6,118	6,251	7,672	8,730	9,472	6,264	6,726	7,159
Advertising sales	1,866	1,786	801	813	825	1,534	1,256	1,023
Other sales	881	872	0	209	145	688	488	252
Net sales	8,865	8,909	8,473	9,752	10,441	8,485	8,469	8,434
MP share of sales (%)	69.0	70.2	90.5	89.5	90.7	73.8	79.4	84.9
Advertising share of sales (%)	21.0	20.0	9.5	8.3	7.9	18.1	14.8	12.1
Other share of sales (%)	9.9	9.8	0.0	2.1	1.4	8.1	5.8	3.0
EBITDA margin (%)	27.2	27.8	37.0	34.9	35.4	29.2	31.7	33.2
EBIT margin (%)	20.7	21.5	31.3	29.8	30.4	22.8	25.3	26.9
EBITDA/GMV margin (%)	3.2	3.5	3.8	4.0	4.2	3.5	3.6	3.6
EBIT/GMV margin (%)	2.5	2.7	3.2	3.4	3.6	2.7	2.9	2.9

Source: SEB, Factset, Ebay

Ozon - Short P&L and KPI forecasts

Ozon Holding (EURm)	2018	2019	2020E	2021E	2022E	Q1/20 LTM	Q2/20 LTM	Q3/20 LTM
No of merchants ('000)	602	6,418	n.a.	n.a.	n.a.	9,200	13,500	18,152
No of active customers (m)	4.8	7.9	0.0	0.0	0.0	9.0	10.2	11.4
3P GMV take rate (%)	8.7	15.3	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
GMV, total	550	1,030	2,082	3,728	6,255	1,239	1,557	1,803
MP total sales (3P & Retail)	446	709	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Advertising sales	4	18	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Other sales	39	39	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Net sales	489	766	1,092	1,640	2,457	809	878	947
MP share of sales (%)	91.3	92.5	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Advertising share of sales (%)	0.8	2.4	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Other share of sales (%)	8.0	5.1	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
EBITDA margin (%)	(13.7)	(27.9)	(10.8)	(7.9)	(3.0)	(27.1)	(22.0)	(17.8)
EBIT margin (%)	(15.0)	(32.2)	(15.8)	(12.5)	(7.2)	(31.8)	(27.0)	(23.1)
EBITDA/GMV margin (%)	(12.2)	(20.8)	(5.7)	(3.5)	(1.2)	(17.7)	(12.4)	(9.3)
EBIT/GMV margin (%)	(13.3)	(24.0)	(8.3)	(5.5)	(2.8)	(20.8)	(15.2)	(12.2)

Source: SEB, Factset, Ozon Holding

Wish - Short P&L and KPI forecasts

Contextlogic Inc. (Wish) (EURm)	2018	2019	2020E	2021E	2022E	Q1/20 LTM	Q2/20 LTM	Q3/20 LTM
No of merchants ('000)	n.a.	n.a.	500	n.a.	n.a.	n.a.	n.a.	500
No of active customers (m)	64.0	62.0	64.5	67.1	72.0	63.0	70.0	68.0
3P GMV take rate (%)	n.a.	n.a.	20.8	23.2	24.1	n.a.	n.a.	n.a.
GMV, total	n.a.	n.a.	7,100	7,591	8,663	n.a.	n.a.	n.a.
MP total sales (3P & Retail)	1,244	1,215	1,477	1,758	2,091	n.a.	n.a.	n.a.
Advertising sales	177	240	162	215	267	n.a.	n.a.	n.a.
Other sales	5	113	410	623	803	n.a.	n.a.	n.a.
Net sales	1,425	1,568	2,049	2,596	3,161	1,560	1,792	1,916
MP share of sales (%)	87.3	77.5	72.1	67.7	66.1	n.a.	n.a.	n.a.
Advertising share of sales (%)	12.4	15.3	7.9	8.3	8.5	n.a.	n.a.	n.a.
Other share of sales (%)	0.3	7.2	20.0	24.0	25.4	n.a.	n.a.	n.a.
EBITDA margin (%)	(12.2)	(6.7)	(8.5)	(3.3)	1.3	(14.4)	(12.9)	(9.3)
EBIT margin (%)	(12.9)	(7.6)	(17.3)	(6.3)	(0.5)	(15.3)	(13.6)	(10.3)
EBITDA/GMV margin (%)	n.a.	n.a.	(2.5)	(1.1)	0.5	n.a.	n.a.	n.a.
EBIT/GMV margin (%)	n.a.	n.a.	(5.0)	(2.2)	(0.2)	n.a.	n.a.	n.a.

Source: SEB, Factset, Contextlogic

Zalando - Short P&L and KPI forecasts

Zalando (EURm)	2018	2019	2020E	2021E	2022E	Q1/20 LTM	Q2/20 LTM	Q3/20 LTM
No of merchants ('000)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
No of active customers (m)	26.4	31.0	40.9	47.9	53.4	31.9	34.1	35.6
3P GMV take rate (%)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
GMV, total	6,638	8,208	10,283	12,329	14,542	8,451	9,118	9,683
MP total sales (3P & Retail)	5,388	6,482	7,955	9,370	11,052	6,629	7,066	7,395
Advertising sales	0	0	0	0	0	0	0	0
Other sales	0	0	0	0	0	0	0	0
Net sales	5,388	6,482	7,955	9,370	11,052	6,629	7,066	7,395
MP share of sales (%)	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Advertising share of sales (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other share of sales (%)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBITDA margin (%)	4.8	5.4	8.1	7.4	7.7	4.9	6.1	7.4
EBIT margin (%)	3.2	2.4	5.3	4.5	4.9	1.8	3.3	4.6
EBITDA/GMV margin (%)	3.9	4.3	6.2	5.6	5.9	3.8	4.8	5.7
EBIT/GMV margin (%)	2.6	1.9	4.1	3.4	3.8	1.4	2.5	3.5

Source: SEB, Factset, Zalando

Company description

Connecting consumers and merchants

CDON is a Swedish company established in 1999 as a pioneer online retailer of mainly media products, such as CD records, in the Nordic market. In 2013, the group opened the platform to external retailers. CDON was previously a division in Qliro Group which decided upon Lex Asea dividends and separate listings of both former divisions CDON and Qliro, the consumer bank, to its shareholders. CDON started trading on Nasdaq First North Growth market on 6 November 2020.

CDON's marketplace today offers consumers several different categories ranging from home electronics to sports and leisure items, clothing, shoes and toys. There are over 1,500 external merchants on CDON marketplace that sell and market their products reaching over two million Nordic active customers on the platform. CDON's business idea is to offer its registered merchants a commission-based sales platform. In the future, CDON may receive additional fees in the form of membership fees, advertisements, additional services and more. The marketplace model gives CDON the opportunity to expand its operations without the associated investments in working capital (inventory, distribution centrals) while at the same time offering consumers a wide assortment in a range of product categories – and at competitive prices. CDON is headquartered in Sweden but also operates local marketplaces in Norway, Denmark and Finland.

Business model and logistics

CDON allows traders to conduct their sales on its marketplace in exchange for a commission (called take rate, or referral rate). CDON retail has its warehouse in Ljungby, Sweden, which is owned and operated by PostNord. Since the remaining business category in CDON Retail is the sale of CDs and DVDs and similar media products that are in structural decline, CDON Retail will be operating as a retailer on CDON Marketplace for as long as the NPV of cash flow is positive. At CDON Marketplace, each merchant handles their own logistics and deliveries to end-consumers. CDON forwards information about all purchases on its marketplace to the merchant, that assumes the responsibility of delivery.

A limited portion of products are sold through drop shipment partners. These products are handled by 10 different warehouses mainly in Southern Sweden. These warehouses are owned by the retailer and the retailers handle products within mobile, data, components, and more. The products are stocked at each retailer, but everything else is handled by CDON. The products are sold on the CDON marketplace and when an order is placed, all handling is transferred to CDON. To create the best possible value add for consumers, CDON offers different shipping options, such as "fast delivery" and home delivery.

Strategy and focus in 2021

CDON's goal and strategy for 2021 is to continue to strengthen its position as the Nordic region's leading local marketplace for merchants. By increasing the number of merchants and the range of goods and services this will improve the consumer experience on the platform. CDON will continue with its Retail sales but only within the media product category (where CDON is the leading retailer in Sweden). CDON will also continue to invest in technology and its new platform CDON Connect. These investments aim at improving the e-commerce experience for consumers and merchants on CDON Marketplace, but also to enable the company to launch new merchant services and add new revenue streams ahead.

More and more people use mobile devices when buying goods and services online. Euromonitor estimates that sales through mobile devices will account for 44% of e-commerce in Sweden in 2024. New technology investments are an important part of the development of e-commerce. The technology makes it possible to automate processes and process more complex information. "Big Data" helps merchants to create customized offers and improve the user experience ranging from purchase to payment and deliveries.

Payments and check-out solutions are an important part of the e-commerce offering. Here, CDON has a partnership agreement with Qliro until January 2024. Qliro ensures that consumers have several different options to choose between, including card payments and direct bank transfers

Disputes and legal matters

In 2015, the Finnish Tax Authority claimed that CDON Alandia, a subsidiary of CDON, should pay a total of EUR 6.9m in additional taxes and fees covering undeclared VAT sales in Finland for the year 2012. CDON settled the tax payment in full in January 2017 and has disputed the claim until a final appeal to the Finnish Administrative Court was dismissed in October 2019. Five previous board members in CDON Alandia were charged with tax fraud. The Finnish Tax Authority has also raised claims against four of these individuals. In the event that these claims become valid, CDON has agreed to assume responsibility for the vast majority of these costs.

Shareholder structure

CDON: top-10 shareholders, free float and foreign ownership (%)

No	Owners	No of sh (m)	Shares (%)	Votes (%)	Domicile	Verified
1	Rite Ventures	1.575	26.29	26.29	Sweden	31/12/20
2	Mandatum Life Insurance Company	0.588	9.81	9.81	Finland	31/12/20
3	Avanza Pension	0.271	4.52	4.52	Sweden	31/12/20
4	eQ Asset Management Oy	0.252	4.21	4.21	Finland	31/12/20
5	Lancelot Asset Management AB	0.240	4.01	4.01	Sweden	31/12/20
6	Far View Partners LP	0.234	3.90	3.90	USA	31/12/20
7	Adrigo Asset Management	0.107	1.78	1.78	Sweden	31/12/20
8	Nordnet Pensionsförsäkring	0.090	1.49	1.49	Sweden	31/12/20
9	Catella Fonder	0.062	1.04	1.04	Sweden	31/12/20
10	Oryx Förvaltning AB	0.058	0.97	0.97	Sweden	31/12/20
	Top-10	3.476	58.02	58.02		
	Others	2.515	41.98	41.98		
	Total	5.991	100.00	100.00		
	Free float (%)	74.0				
	Foreign ownership (%)	41.0				

Source: SEB, Holdings

Management and board of directors

Executive management team

Kristoffer Väliharju owns 12,561 shares in CDON and has been the CEO of CDON since september 2018. Kristoffer joined CDON as chief operating officer and a member of CDON's management team in June 2017. Kristoffer has extensive experience in the retail sector, most recently three years at Dustin Group, including as sales manager for small and medium sized companies in the nordic region and before that 10 years at Dell, most recently as head of distribution in the Nordic region. Kristoffer is also a board member of Svedbergs i Dalstorp AB.

Niclas Szieger owns 10,539 shares in CDON and he was appointed as the chief financial officer of CDON in March 2018 and he has been the CFO of CDON ever since that. He joined CDON as head of business control in September 2017. Niclas has experience in financial management from Kährs Group, Akzo Nobel and Axis Communications. Mr Szieger holds a Master's degree in Economics from Lund University and a bachelor's degree from Georgia College & State University.

David Olhed owns 128 shares in CDON and has been the Commercial manager (CCO) since June 2014. David started at CDON in 2008 and has held a number of different senior positions within the Company, including as chief financial officer (CFO) and controller. Mr Olhed holds a Master's degree in Economics and trained business lawyer from Lund University.

Peter Rosenfors has been Technical Manager (CTO) since May 2020. Peter has extensive experience from leading positions in development. He most recently came from Axis Communications, where he was engineering manager and has previously worked at Palette Software and FordonData. Mr Rosenfors holds a Master of Science in Geographic IT.

Kajsa Helmbäck has been HR manager (CHRO) at CDON since January 2020. Kajsa has extensive experience in recruitment, personnel issues and cultural development. Kajsa most recently came from FordonsData, where she was HR manager and has previously worked at, for example, Svevia, Manpower and Bravida. Ms Helmbäck studied staff and working life orientation at Lund University.

Rasmus Jung Demse has been Product Manager (CPO) at CDON since September 2020. Rasmus has extensive experience in product development and project Management, most recently as PMO manager at Resurs Bank. Prior to that, Rasmus was IT Manager at Phonera/ ComHem B2B. Mr Jung Demse holds a Bachelor's degree in economics from Lund University.

Board of directors

Markus Lindqvist owns 3,666 shares in CDON and has held the chairman of the board position since August 2016. Markus was president and CEO of Qliro group from August 2016 to June 2020. Prior to that, he came from the role of head of B2B Sweden & products within Dustin Group. Markus has previously been Sweden's head of Hewlett Packard's PC division and was responsible for DELL's channel operations in the Nordic region. Markus is also a board member of Catena Media Plc. Mr Lindqvist holds a University degree in business administration from FEI in Stockholm.

Christoffer Häggblom has been a board member of CDON since June 2018. Christoffer owns 1 574,782 shares via Rite Ventures. He is the Founder and Managing Partner for Rite Ventures and Christoffer has 20 years of experience in technology-focused growth companies, both as an entrepreneur and investor. Christoffer is the chairman of the board of Verkkokauppa.com which is Finland's largest e-commerce company listed on Nasdaq Helsinki, and is also a board member of the SaaS company Lemonsoft and Acervo which is an investment company focused on listed stocks and bonds. Christoffer is also Chairman of the board of Qliro Group. Mr Haggblom holds a Master's degree in Financial Economics from the Hanken School of Economics in Helsinki.

Josephine Salenstedt has been a board member of CDON since September 2020. She is a partner in Rite Ventures and she has assignments as chairman of the board of Söder Sportfiske AB and is a board member of Qliro Group, paradox, Interactive AB and Doro AB, among others. Previously, Josephine has, among other things, been chairman of the board of Skincity. Ms Salenstedt holds a Master of Business Administration from the Stockholm School of Economics.

Niklas Andersson has been a board member of CDON since April 2020. Niklas has previously been CTO at Doktor24, Fishbrain and Keycrunch, among others. He is today Head of Data at Mathem and adviser to Kinnevik on technology issues. Mr Andersson studied at Chalmers University of Technology in technical physics and computer science.

Kristina Lukes owns 436 shares in CDON and she has been a board member of CDON since September 2020. Kristina is the CEO of Nelly since April 2020. She has previously worked with business development, sales and marketing and product development of fast-moving consumer goods. Kristine has also been the CEO of one of McCann's communications and advertising agencies located in Gothenburg. Her latest establishment was at Paulig, where she was responsible for Santa Maria's and Risenta's brand and range. Ms Lukes holds a Master of Business administration from the School of Business, Economics and Law at the University of Gothenburg.

Peer snapshots

Adevinta

Adevinta is a major global pure play online classifieds company with generalist, real estate, cars, jobs and other marketplaces in 16 markets across the world. Its portfolio spans more than 30 different products and online classifieds sites and attracts an average of more than 1.5bn monthly visits (source: Schibsted) across markets with a combined population of 800m people. Pending regulatory approval, Adevinta is in agreement to acquire eBay Classified Group (eCG), which we estimate will more than double our estimated sales in this year to EUR 1.45bn and to EUR 2.85bn in 2022 (full consolidation).

Alibaba Group Holding

Alibaba Group is the world's largest marketplace as measured by GMV. Its businesses are comprised of e-commerce, cloud computing, digital media and entertainment, and various innovation initiatives. Ant Group (unconsolidated, but related party), provides payment services and offers financial services for consumers and merchants on its platforms. In Q3 2020, the group reported 779m active customers across its marketplaces, including T-Mall and Tabao in China.

Allegro.eu

Allegro is a Polish company founded in 1999. Online auction website QXL Ricardo PLC acquired Allegro in March 2000, which was subsequently acquired by Naspers in 2008. In 2016, Naspers Allegro sold the company to a group of investor funds and Allegro was listed on the Warsaw Stock Exchange in connection with its IPO on 29 September last year. Allegro.eu conducts e-commerce and is the largest marketplace in Poland and one of the largest e-commerce websites in Europe. In its marketplace, there are over 125,000 stores offering over 200m services in a wide range of categories. It has over 20m visitors every month with the equivalent of 80% of all internet users in Poland. Factset consensus expects Allegro to record EUR 7.6bn in GMV in 2020.

Amazon, Inc.

Amazon is today a world-leading e-commerce and cloud service company. The company offers a wide range of services including online sales of consumer goods and cloud-based solutions via Amazon Web Services for its corporate customers. Its business is conducted on a global level and it has customers in several sectors. In full-year 2020 Amazon reported a GMV of about EUR 417bn, making it the second largest marketplace operator in the world. In 2019 Amazon is estimated to take a 37% share of total online retail spend in the US market.

B2W Digital

B2W Digital is a Brazilian company that primarily conducts e-commerce business. B2W handles digital platforms that sell various goods via the internet, TV, catalogues and distribution channels. Brands on the platform include Americanas.com, Submarino, Shoptime and Soubarato. B2W also offers payment, credit and financial services through brands such as Digital Finance, Submarino Finance and AME. The company is controlled by Lojas Americanas. Consensus expects B2W Digital to record GMV of EUR 4.3bn in 2020.

Contextlogic, Inc. (Wish)

Contextlogic is the parent and operator of mobile app marketplace Wish and other sites. The company was founded in 2010 and is headquartered in San Francisco, USA. Its platform has grown rapidly in recent years to connect more than 100m active users each month, spread across over 100 countries with about 500,000 merchants around the world (mostly from China). Wish is today the most downloaded global shopping app and has been so for each of the last three years. Wish is expected to generate EUR 7.1bn in GMV in 2020, according to consensus estimates.

eBay

eBay inc is a global online trading company that gives its consumers the opportunity to sell and buy products through their online auction site. Either through eBay's app or its website. Here, both small and large companies and individuals can advertise new and used products. Everything from consumer electronics to clothes and books are sold and bought. eBay is a leading trading company operating local marketplaces in 190 countries around the world. eBay is in the process (pending regulatory approval) to divest its classifieds business (eCB) to Norway's Adevinta. In 2020, the group reported EUR 82.7bn in total GMV.

Etsy, Inc.

Etsy is a marketplace providing e-commerce services for sellers, buyers and collectors. Their marketplace gathers millions of buyers and sellers from all over the world. The site has over 1 million unique stores and about 30 million members. What is advertised at Etsy's marketplace must be over 20 years old, handmade or craft material. The company was founded in 2005 and is expected by consensus to record sales of EUR 1.3bn in 2020.

Farfetch Limited

Farfetch is an English company that operates a technology platform and marketplace for the global luxury fashion industry. Farfetch connects brands, retailers and consumers on its multilingual platform. As of June 2020 the company's marketplace catered 2.5m active customers with goods from 1,200 merchant sellers. Consensus expects full-year 2020 GMV to reach EUR 2.6bn.

JD.com, inc.

JD.com is China's largest online retailer. JD.com offers a wide range of products through its websites and mobile applications, selling all kinds of products to both private individuals and corporate customers. JD.com was founded in 1998 and is headquartered in Beijing, China. For 2020 consensus expects JD.com to generate a GMV of EUR 238bn.

MercadoLibre, Inc

MercadoLibre is the largest e-commerce company in Latin- and South America. Mercado is present in 18 countries, including in Brazil, Argentina and Mexico. It claims about 125m active users and benefits from one of the fastest growing internet penetration rates in the world. In addition to its marketplace business, MercadoLibre also operates a large FinTech business (37% of revenue in Q3 2020), offering payment solutions. Consensus estimates is for the group to generate GMV of EUR 17.2bn in 2020.

Mercari

Mercari is a Japanese e-commerce company founded in 2013. The company operates the mobile app mercari – a consumer-to-consumer marketplace for second-hand goods. Also the company provides “easy and inexpensive” shipping options from its partnerships with delivery companies and convenience stores across the country. Consensus estimates Mercari to record a GMV of EUR 6.2bn in this year.

Ozon Holdings Plc

Ozon is one of the largest online marketplaces in Russia. It offers consumers a wide selection of over 9m SKUs across 24 product categories. Also it is Russia's largest parcel locker network with 7,500 locker across the country. Ozon Holdings listed ADRs in connection with its IPO on 24 November last year. Consensus expects Ozon to record GMV of EUR 2.1bn in 2020 growing to EUR 3.8bn in this year.

Shopify

Shopify is a Canadian company operating a cloud-based e-commerce platform mostly used by small- and medium-sized retail companies. The company derives revenue from subscription and merchant solutions, where their software platform helps merchants with all aspects of running an online retail store and across all retail channels (online, offline to omni-retail). The GMV generated by retailers through its e-commerce platform is expected by consensus at EUR 97bn in 2020. In 2019 Shopify took a market share of almost 6% of the US online retail market, second only to Amazon with an estimated 37% share of the market.

ZOZO

ZOZO operates online fashion shopping sites. The Company sells apparel, garment accessories, bags, tableware, magazines, and other products. ZOZO also provides communication services relating to apparel such as blogs by fashion moguls and internet chat rooms for users. ZOZO was created in May 1998 in Tokyo, Japan. Based on consensus forecasts, ZOZO is expected to record GMV of EUR 3.3bn in 2020.

Overview

Investment case

We argue CDON's strong market and brand position across the Nordic region support our high growth assumption in 3P GMV to almost SEK 4bn in 2023. Based on our take rate assumptions and gross margins closer to 93%, we reckon EBIT margin expansion will be significant too. Looking at its marketplace peers, the long-term margin potential could be closer to 25%. Growing marketplace commission income does not require the corresponding working capital investments as in a retailer, which also generates high ROCE.

Company profile

CDON operates the largest online marketplace in the Nordics. With over two million active customers in Sweden, Denmark, Finland and Norway CDON is also one of the best-known e-commerce brands in the region. In addition to CDON Retail (1P), offering media products, CDON's marketplace offers consumers products from over 1,500 external merchants (3P). Product categories range from consumer electronics to sports and leisure articles, clothing, shoes and toys. In 2020 external merchants and drop shipping partners (fulfilment directly from a supplier's warehouse) accounted for over 75% of CDON's total gross merchandise value (GMV). Based on the 3P GMV, CDON earns a take rate commission. This model offers CDON an opportunity to grow without the corresponding inventory capital resulting in an asset-light balance sheet. The ongoing rollout of CDON Connect, a platform for integrating merchants with external marketplaces, will increasingly add subscription-based income (SaaS) to its commission sales.

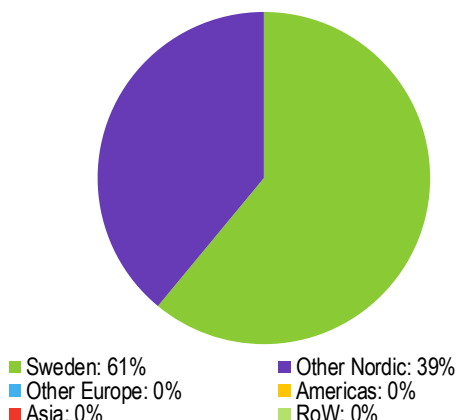
Valuation approach

We argue the market will value CDON based on EV/GMV. Here its peer group median and its main peer Allegro.eu trades at 1.40x 2022 estimated EV/GMV, which compares to CDON at 0.80x, we estimate. We arrive at a midpoint DCF equity value of SEK 850, using a WACC of 6.5% and a steady-state EBIT margin assumption of 24%. At this level the company would be valued in line with its peer group at 1.40x 2022E EV/GMV.

Target price risks

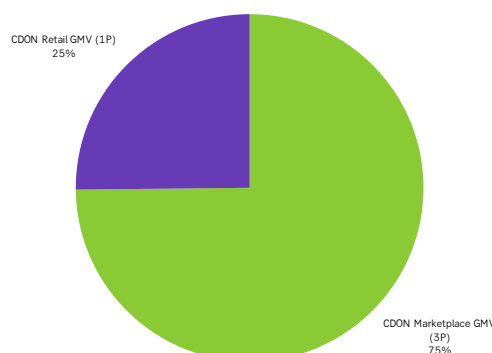
Amazon.se, being a new price leader in the Nordic market, could impact in form of price pressure feeding through to lower merchant margins as well. This may imply pressure on marketplace take rates. For this reason we base our current forecasts on declining take rates for CDON over the coming years. While the shift from retail to online is an important driver of marketplace GMV growth for many years ahead, the underlying market is based on growth in household disposable income and discretionary spending.

Revenues by region



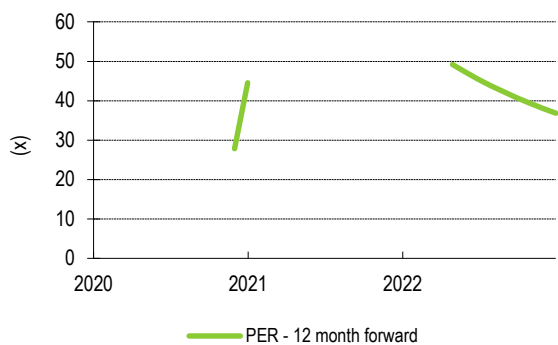
Source: SEB

Gross merchandise value by area



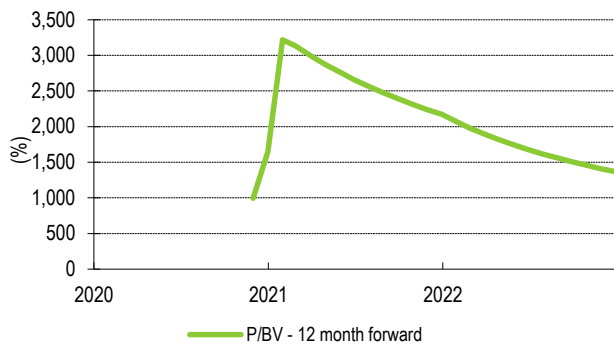
Source: SEB

PER - 12 month forward



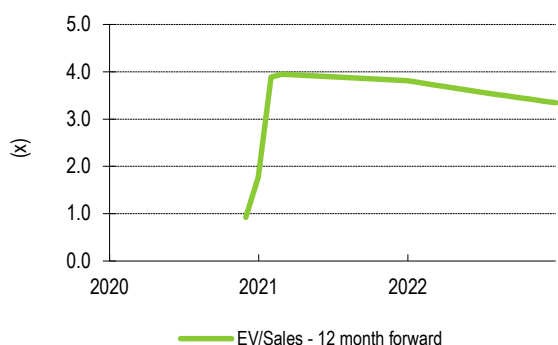
Source: SEB

P/BV - 12 month forward



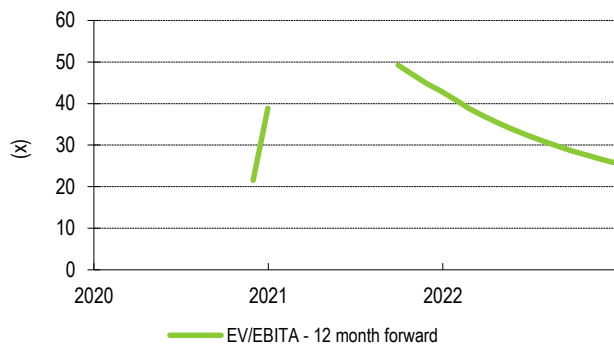
Source: SEB

EV/Sales - 12 month forward



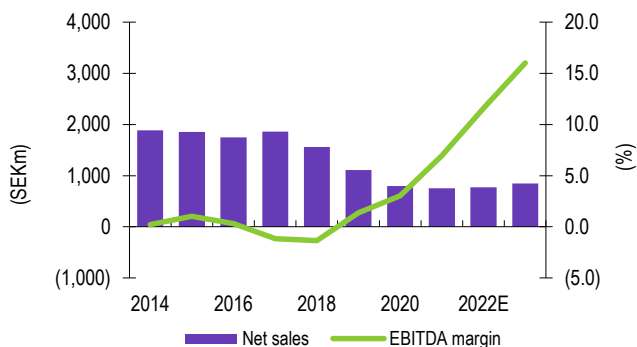
Source: SEB

EV/EBITA - 12 month forward



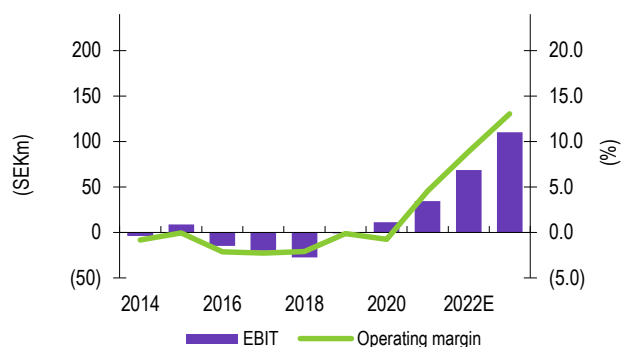
Source: SEB

Net sales & EBITDA margin



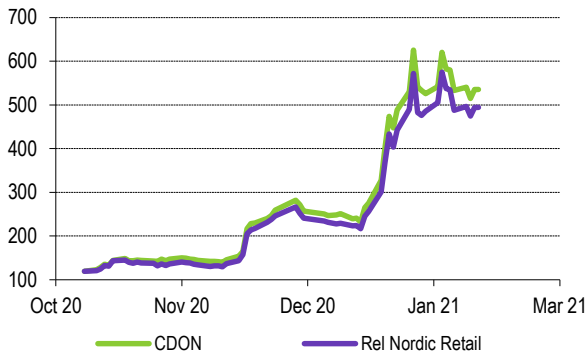
Source: SEB

EBIT & Operating margin



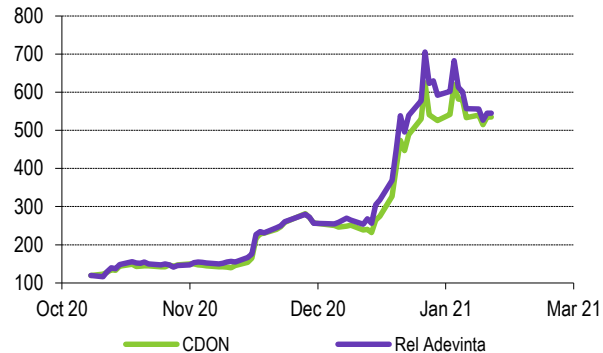
Source: SEB

Comparison with sector index - 1 year



Source: SIX

Comparison with Adeinta - 1 year



Source: SIX

Profit & loss statement - CDON										
(SEKm)	2014	2015	2016	2017	2018	2019	2020	2021E	2022E	2023E
Net Sales	1,888	1,854	1,751	1,863	1,561	1,112	795	755	772	846
Other revenues	0	0	0	0	0	0	0	0	0	0
Total revenues	1,888	1,854	1,751	1,863	1,561	1,112	795	755	772	846
Total expenses	(1,884)	(1,835)	(1,746)	(1,885)	(1,581)	(1,096)	(771)	(702)	(683)	(711)
Profit before depreciation	4	19	5	(21)	(21)	15	24	52	90	136
Depreciation - Fixed assets	(2)	(2)	(4)	(2)	(1)	(2)	(2)	(2)	(2)	(3)
Depreciation - Other assets	(18)	(18)	(32)	(19)	(11)	(15)	(21)	(16)	(19)	(23)
Amortisation - Goodwill	0	0	0	0	0	0	0	0	0	0
Amortisation - Other intangibles	0	0	(7)	0	0	0	(7)	0	0	0
Operating profit	(16)	(1)	(37)	(43)	(33)	(1)	(6)	34	69	110
Net interest expenses	0	0	0	(4)	(4)	(0)	0	0	0	0
Foreign exchange items	0	0	0	0	0	0	0	0	0	0
Other financial items	0	0	0	0	0	0	0	0	0	0
Value changes - Fixed assets	0	0	0	0	0	0	0	0	0	0
Value changes - Financial assets	0	0	0	(23)	2	0	0	0	0	0
Value changes - Other assets	0	0	0	0	0	0	0	0	0	0
Reported pre-tax profit	(16)	(1)	(37)	(69)	(35)	(2)	(6)	35	69	111
Minority interests	0	0	0	0	0	0	0	0	0	0
Total taxes	0	0	0	0	(0)	0	0	0	(15)	(24)
Reported profit after tax	(16)	(1)	(37)	(69)	(35)	(2)	(6)	35	54	87
Discontinued operations	0	0	0	0	0	0	0	0	0	0
Extraordinary items	0	0	0	0	0	0	0	0	0	0
Net Profit	(16)	(1)	(37)	(69)	(35)	(2)	(6)	35	54	87
Adjustments:										
Discontinued operations	0	0	0	0	0	0	0	0	0	0
Interest on convertible debt	0	0	0	0	0	0	0	0	0	0
Minority interests (IFRS)	0	0	0	0	0	0	0	0	0	0
Value changes	0	0	0	23	(2)	0	0	0	0	0
Goodwill/intangibles amortisations	0	0	7	0	0	0	7	0	0	0
Restructuring charges	12	10	15	0	7	0	10	0	0	0
Other adjustments	0	0	0	0	0	0	0	0	0	0
Tax effect of adjustments	(3)	(2)	(5)	(5)	(1)	0	(4)	0	0	0
Adjusted profit after tax	(7)	7	(20)	(51)	(31)	(2)	8	35	54	87
Margins, tax & returns										
Operating margin	(0.8)	(0.0)	(2.1)	(2.3)	(2.1)	(0.1)	(0.8)	4.6	8.9	13.0
Pre-tax margin	(0.8)	(0.0)	(2.1)	(3.7)	(2.2)	(0.1)	(0.7)	4.6	8.9	13.1
Tax rate	0.0	0.0	0.0	0.0	(0.1)	0.0	0.0	0.0	21.4	21.4
ROE	0.0	0.0	0.0	972.5	(51.3)	(1.0)	(5.7)	45.3	45.0	45.5
ROCE	0.0	0.0	0.0	281.0	(40.2)	(0.8)	10.8	45.3	57.2	57.9
Growth rates y-o-y (%)										
Total revenues	n.a.	(1.8)	(5.5)	6.4	(16.2)	(28.8)	(28.5)	(5.1)	2.3	9.6
Operating profit	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	100.1	60.5
Pre-tax profit	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	99.7	60.4
EPS (adjusted)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	357.9	57.0	60.4
Cash flow										
(SEKm)	2014	2015	2016	2017	2018	2019	2020	2021E	2022E	2023E
Net profit	(16)	(1)	(37)	(69)	(35)	(2)	(6)	35	54	87
Non-cash adjustments	20	20	43	(12)	65	16	28	18	21	25
Cash flow before work cap	4	19	5	(81)	30	15	22	53	75	112
Ch. in working capital / Other	0	0	0	61	(7)	56	7	6	4	28
Operating cash flow	4	19	5	(19)	23	71	30	59	79	141
Capital expenditures	(18)	(29)	(12)	(25)	(23)	(28)	(23)	(24)	(25)	(27)
Asset disposals	0	0	0	0	0	0	0	0	0	0
L/T financial investments	0	0	0	0	0	(50)	(20)	0	0	0
Acquisitions / adjustments	0	0	0	0	0	0	0	0	0	0
Free cash flow	(14)	(10)	(7)	(44)	0	(8)	(13)	34	54	113
Net loan proceeds	0	0	0	44	202	0	0	0	0	0
Dividend paid	0	0	0	0	0	0	(14)	0	0	0
Share issue	0	0	0	0	0	0	0	0	0	0
Other	14	10	7	2	0	1	1	0	0	0
Net change in cash	0	0	0	2	202	(7)	(26)	34	54	113
Adjustments										
C/flow bef chng in work cap	4	19	5	(81)	30	15	22	53	75	112
Adjustments	0	0	0	0	0	0	0	0	0	0
Int on conv debt net of tax	0	0	0	0	0	0	0	0	0	0
Cash earnings	4	19	5	(81)	30	15	22	53	75	112
Per share information										
Cash earnings	0.67	3.17	0.87	(13.5)	5.03	2.46	3.74	8.79	12.5	18.7
Operating cash flow	0.67	3.17	0.87	(3.24)	3.85	11.8	4.94	9.78	13.2	23.5
Free cash flow	(2.27)	(1.67)	(1.1)	(7.35)	0.05	(1.26)	(2.2)	5.75	9.06	18.9
Investment cover										
Capex/sales (%)	0.0	0.0	0.0	0.1	0.0	0.0	0.2	0.5	0.5	0.5
Capex/depreciation (%)	0	0	0	115	42	16	82	222	198	178

Source for all data on this page: SEB

Balance sheet - CDON										
(SEKm)	2014	2015	2016	2017	2018	2019	2020	2021E	2022E	2023E
Cash and liquid assets	0	0	0	2	204	197	170	205	259	373
Debtors	0	0	0	44	44	23	39	27	36	35
Inventories	0	0	0	255	177	104	25	24	19	14
Other	0	0	0	176	55	61	0	0	0	0
Current assets	0	0	0	476	480	384	234	256	314	422
Interest bearing fixed assets	0	0	0	0	0	0	0	0	0	0
Other financial assets	0	0	0	0	0	50	0	0	0	0
Capitalized development cost	0	0	0	43	55	67	60	64	66	65
Goodwill	0	0	0	0	0	0	0	0	0	0
Other intangibles	0	0	0	0	0	0	0	0	0	0
Fixed tangible assets	0	0	0	3	2	2	2	4	6	8
Other fixed assets	0	0	0	0	0	0	0	0	0	0
Fixed assets	0	0	0	46	57	119	62	68	72	73
Total assets	0	0	0	522	537	503	296	324	385	495
Creditors	0	0	0	341	238	200	110	114	118	130
Other trade financing	0	0	0	88	82	94	75	71	73	80
S/T interest bearing debt	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	107	66	60	52	45	46	51
Current liabilities	0	0	0	536	386	354	237	230	238	260
L/T interest bearing debt	0	0	0	0	0	0	0	0	0	0
Other long-term liabilities	0	0	0	0	0	0	0	0	0	0
Convertible debt	0	0	0	0	0	0	0	0	0	0
Pension provisions	0	0	0	0	0	0	0	0	0	0
Other provisions	0	0	0	0	0	0	0	0	0	0
Deferred tax	0	0	0	0	0	0	0	0	0	0
Long term liabilities	0	0	0	0	0	0	0	0	0	0
Minority interests	0	0	0	0	0	0	0	0	0	0
Shareholders' equity	0	0	0	(14)	151	149	59	93	148	235
Total liabilities and equity	0	0	0	522	537	503	296	324	385	495
Net debt (m)	0	0	0	(2)	(204)	(197)	(170)	(205)	(259)	(373)
Working capital (m)	0	0	0	(62)	(110)	(167)	(173)	(179)	(183)	(211)
Capital employed (m)	0	0	0	(14)	151	149	59	93	148	235
Net debt/equity (%)	0	0	0	11	(135)	(132)	(289)	(219)	(175)	(159)
Net debt/EBITDA (x)	0.0	0.0	0.0	0.1	14.7	(12.9)	(5.0)	(3.9)	(2.9)	(2.7)
Equity/total assets (%)	0	0	0	(3)	28	30	20	29	38	47
Interest cover	0.0	0.0	0.0	(10.5)	(7.6)	(2.9)	0.0	0.0	0.0	0.0

Valuation										
(SEK)	2014	2015	2016	2017	2018	2019	2020	2021E	2022E	2023E
No of shares, fully dil. (y/e)	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
No of shares, fully dil. avg.	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0	6.0
Share price, y/e							257.0	535.0	535.0	535.0
Share price, high							289.0	658.0		
Share price, low							99.0	225.0		
Share price, avg							168.3	433.0		
EPS (reported)	(2.60)	(0.15)	(6.23)	(11.5)	(5.84)	(0.26)	(0.98)	5.76	9.05	14.5
EPS (adjusted)	(1.09)	1.13	(3.31)	(8.60)	(5.18)	(0.26)	1.26	5.76	9.05	14.5
Cash earnings/share	0.67	3.17	0.87	(13.5)	5.03	2.46	3.74	8.79	12.5	18.7
Dividend/share	0.00	0.00	0.00	0.00	0.00	14.1	0.00	0.00	0.00	0.00
Enterprise value/share							229	501	492	473
Book value/share	0.0	0.0	0.0	(2.4)	25	25	9.8	15.6	25	39
Adjusted equity/share	0.0	0.0	0.0	(2.4)	25	25	9.8	15.6	25	39
PER (adjusted)							n.m.	92.8	59.1	36.9
CEM							68.7	60.9	42.7	28.5
Dividend yield							0.0	0.0	0.0	0.0
EV/EBITDA							39.9	57.2	32.9	20.9
EV/EBITA							123.4	87.4	42.9	25.7
EV/EBIT							123.4	87.4	42.9	25.7
EV/Sales (x)							1.72	3.98	3.81	3.35
Price/Book value							26.14	34.31	21.71	13.66
Price/adjusted equity							26.14	34.31	21.71	13.66
Free cash flow/Market cap (%)							0.4	1.1	1.7	3.5
Operating cash flow/EV (%)							2.2	2.0	2.7	5.0
EV/Capital employed (x)							23.2	32.1	20.0	12.1

Main shareholders			Management			Company information		
Name	(%)	Votes	Capital	Title	Name	Contact		
Rite Ventures	26.3		26.3	COB	Marcus Lindqvist	Internet		www.cdon.com
Mandatum Life	9.8		9.8	CEO	Kristoffer Väliharju	Phone number		0
Avanza Pension	4.5		4.5	CFO	Niclas Szieger			
Foreign owners (total)	51.0		51.0	IK				

Source for all data on this page: SEB

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