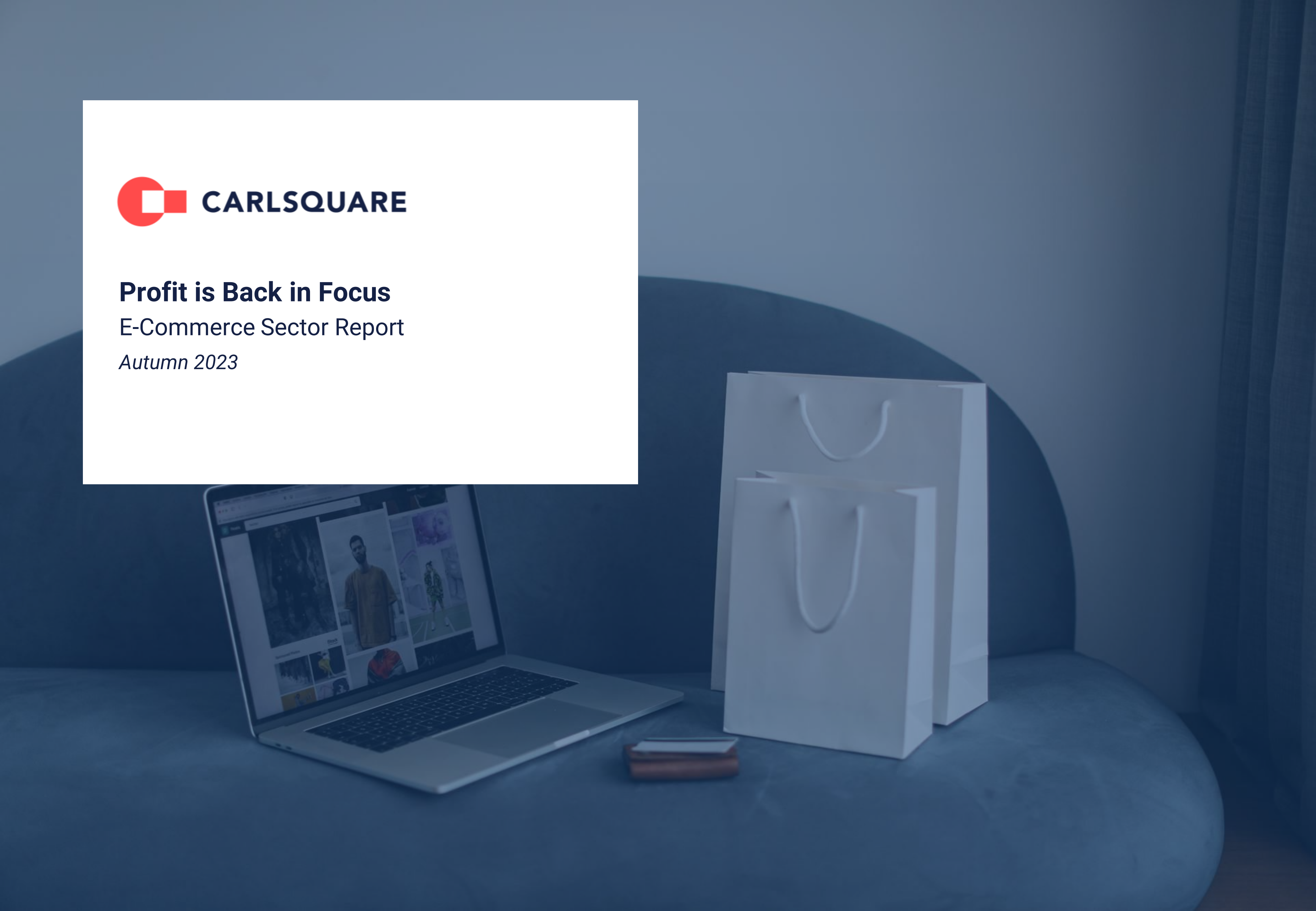
CARLSQUARE

Profit is Back in Focus

E-Commerce Sector Report

Autumn 2023



As high interest rates make M&A and financings more challenging, the focus in e-commerce has switched from growth to profitability

Carlsquare report findings

Profitability and growth: a new paradigm

- Investors now prioritize profitability, favouring businesses with proven models and strong market positions. The valuation gap between high-growth companies and their slow-growth peers has turned on its head. Previously-unloved profitable companies are back in vogue.
- In the current high-interest-rate environment, growth companies are reversing years of overinvestment under cheap capital and reducing headcount. As they emerge from the near-universal 2022 supply chain crisis, businesses must achieve higher profitability sooner.

Rise of the e-commerce enablers

- Brands are nimbler than ever. Thanks to subscription tools that allow them to establish a scalable e-commerce proposition, companies can come to market quickly – and with a smaller upfront investment.
- Companies that offer online shopping infrastructure, fulfilment, lending, payments, insurance and post-purchase services have been greatly rewarded by investors, achieving solid valuations.

A "return to the historical growth curve", but penetration continues to increase

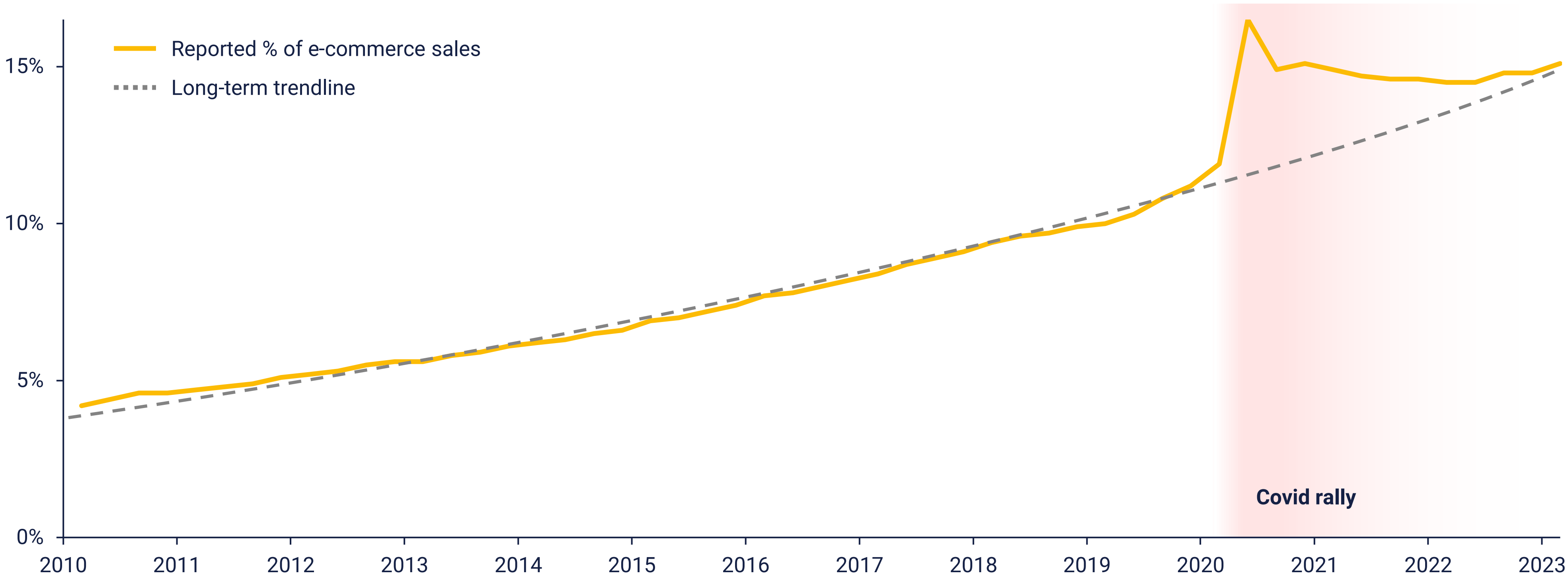
- Showing resilience after the end of the Covid-induced spike, e-commerce as a % of total retail returned to its pre-Covid growth trajectory.
- Investors have become more cautious in the present high-interest-rate environment. Public market valuations have declined, especially for high-growth, low-profitability companies. Nevertheless, e-commerce companies with omnichannel distribution, strong underlying communities driving high repeat revenue and double-digit profitability remain very attractive.

European e-commerce companies are trailing behind their American peers

- In the last two years, European companies have consistently achieved higher growth but lower levels of profitability. However, since European company valuations have fallen more steeply over the past 18 months, American companies still enjoy higher valuations.
- American companies have a broader investor base with greater access to capital. The US e-commerce market is also larger and has a higher growth potential than the European. Hence the discrepancy in valuations.

After spiking in the early months of the pandemic, the online share of retail sales has reverted to its long-term growth trend

Quarterly US e-commerce sales as % of total retail sales



- Online sales peaked in spring 2020, as retailers deemed nonessential were forced to close their doors during the pandemic.
- Since 2022, aided by the easing of supply-chain difficulties, consumers have been returning in force to brick-and-mortar stores, driving down the % of e-commerce sales.
- In some ways, the retail landscape looks as if the pandemic had never happened.

Source(s): The US Census Bureau of the Department of Commerce, Carlsquare analysis

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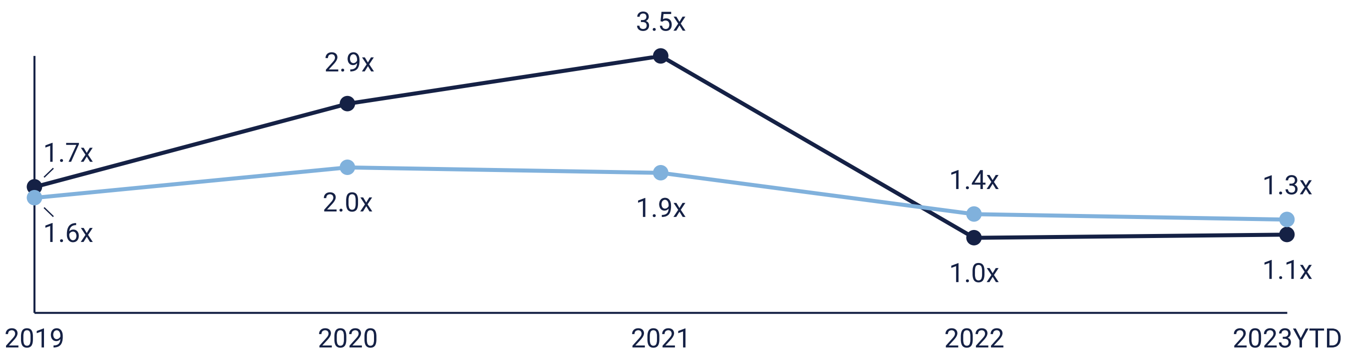
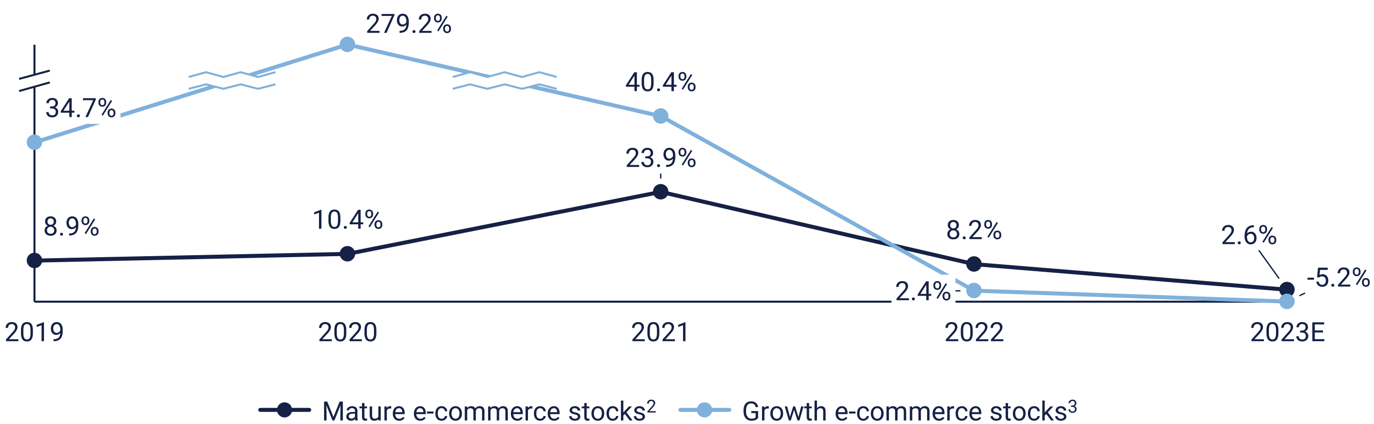
For the first time since Carlsquare has tracked these indices, growth companies have lower valuations than their more-profitable mature peers

Evolution of Total EV/Total sales multiples split by maturity stage for a diversified basket of e-commerce[1] stocks in Europe and North America

Median EV/Revenue multiples



Median revenue growth YoY



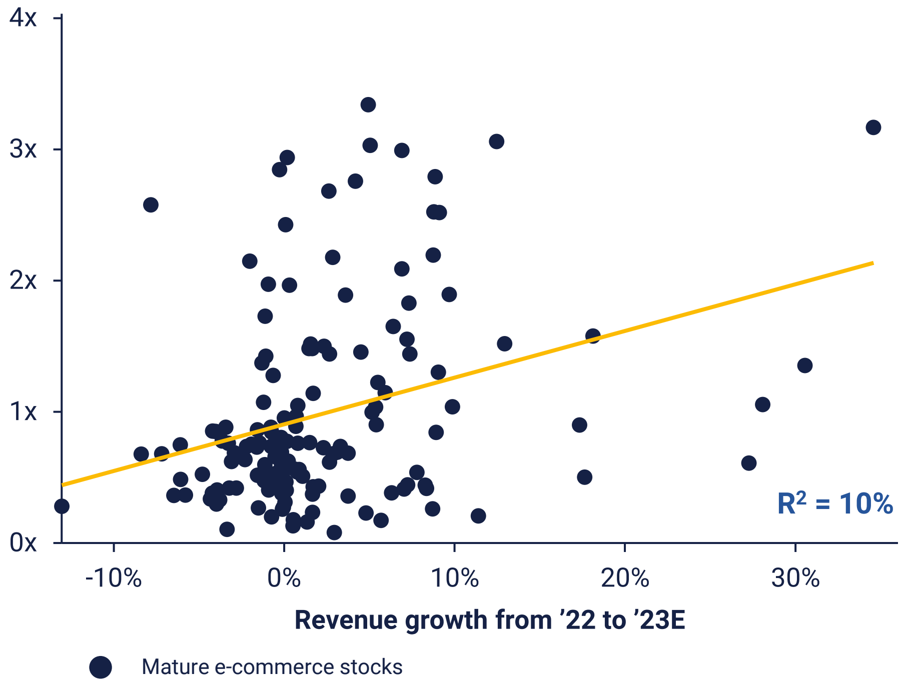
Source(s): S&P CapitalIQ; Carlsquare analysis
1. Listed e-commerce businesses with at least EUR 10m in revenues
2. Profitable companies defined as EBITDA>0 in the latest FY; n(mature) = 172
3. Unprofitable companies defined as EBITDA<0 in the latest FY; n(growth) = 58

Comments

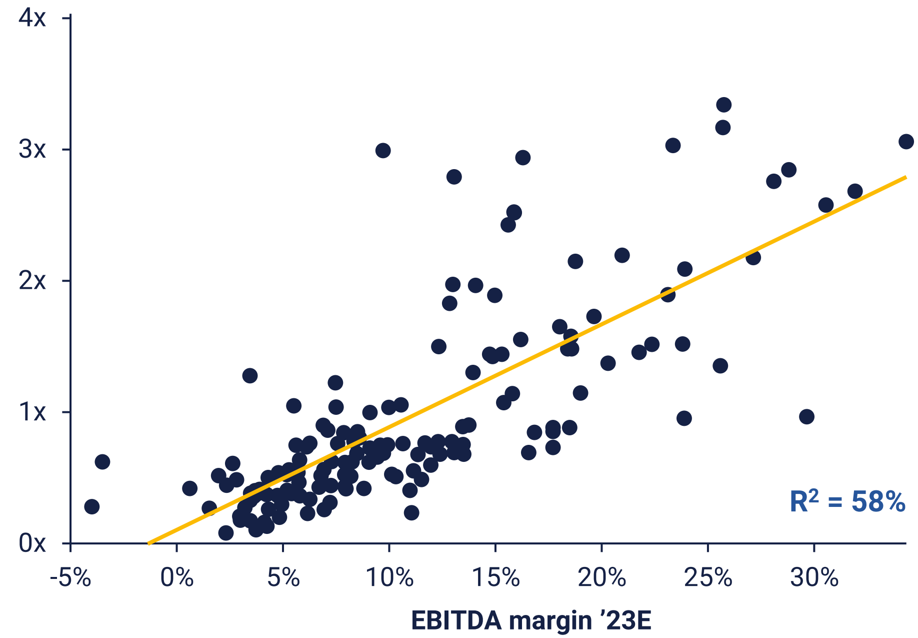
- To survive in this market, a high-growth but unprofitable e-commerce company must quickly transition to profitability. As a result, after volume growth during the pandemic, the cohort of growth companies is shrinking.
- Unprofitable e-commerce companies have shown higher top-line growth than their profitable peers, suggesting that there's a trade-off between growth and profitability.
- The pattern of unprofitable companies achieving lower valuations than their profitable peers changed during Covid. This change was primarily driven by the widening growth gap. It signalled a positive outlook on expanding e-commerce companies who focused on growth instead of profitability.
- Although unprofitable e-commerce businesses have consistently grown at higher rates than their profitable peers, the gap has now narrowed considerably due to the post-Covid reduction in online-spending and to general macroeconomic uncertainty.
- The valuation gap has reversed and mature e-commerce players are commanding higher median valuations than their growth peers.

For mature e-commerce stocks, the EBITDA margin is a good predictor of variation in revenue multiples. Revenue growth is not a reliable predictor

EV/LTM revenue vs revenue growth from ’22 to ’23E



EV/LTM revenue vs EBITDA margin ’23E[2]

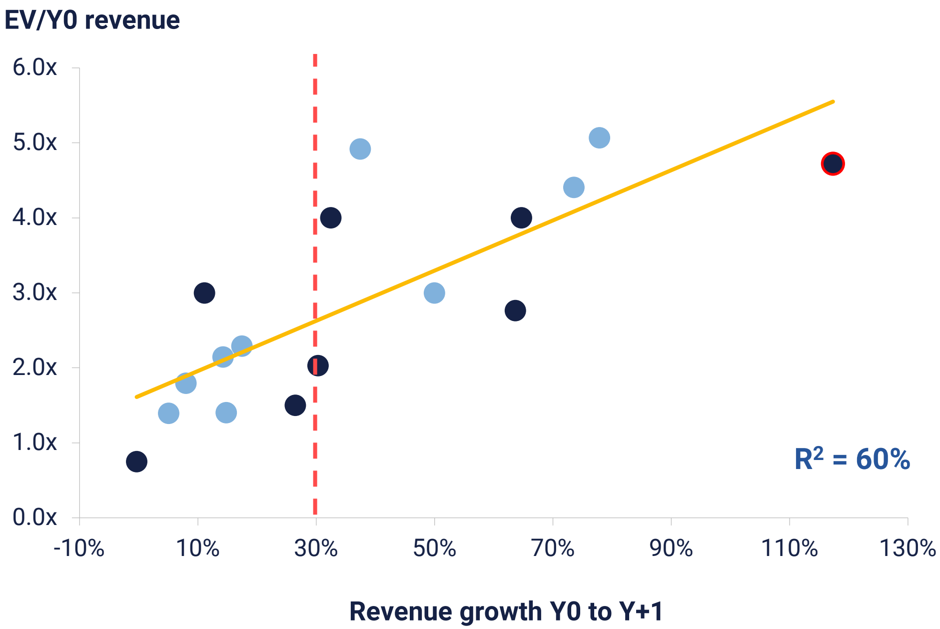


- The above chart represents the listed diversified basket[1] of European and North American mature e-commerce stocks across horizontal and vertical e-commerce, marketplaces, classifieds and e-commerce enablers sectors.
- The R^2 measures indicate that the EBITDA margin explains a significant part of the EV/LTM revenue variation for mature e-commerce companies. This result aligns with our earlier findings. When valuing e-commerce businesses, investors are paying closer attention to profitability, while revenue growth is now less important.

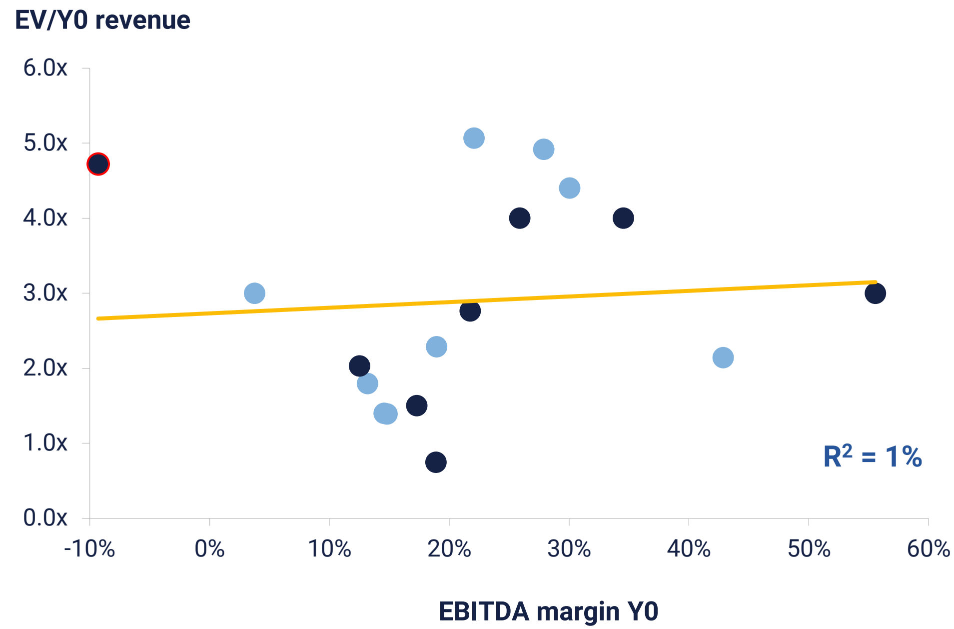
Note(s): Data as of 24.06.2023; charts display unweighted correlation
Source(s): Pitchbook, S&P CapitalIQ, Carlsquare analysis
1. Forecasted revenue growth and profitability data is based on 153 mature e-commerce stocks in Europe and North America
2. Profitability is determined by FY22 EBITDA, and 2 companies are expected to achieve negative EBITDA margins in FY23E

However, Carlsquare's D2C transactions (including years when profitability emphasis was not there), show that revenue growth is strongly correlated with EV/Revenue multiples

EV/Y0 revenue vs revenue growth Y0 to Y+1



EV/Y0 revenue vs EBITDA margin Y0



- CSQ deals occurring after Mar-22
- CSQ deals occurring before Mar-22
- Deals where CSQ's client had a negative EBITDA margin at Y0

- These charts represent Carlsquare's D2C deals over the last two years. We have stratified all deals that came after the invasion of Ukraine, since the subsequent inflationary environment was less favourable for D2C companies.
- The R^2 measure indicates that 60% of the variation in the EV/Revenue multiple can be explained by variations in revenue growth. The inverse of the public market phenomenon shows the lag of private market M&A in following stock market trends.

Source(s): Carlsquare deals analysis
Note(s): YO represents the year in which the deal was closed; Y+1 represents the year after the deal closing

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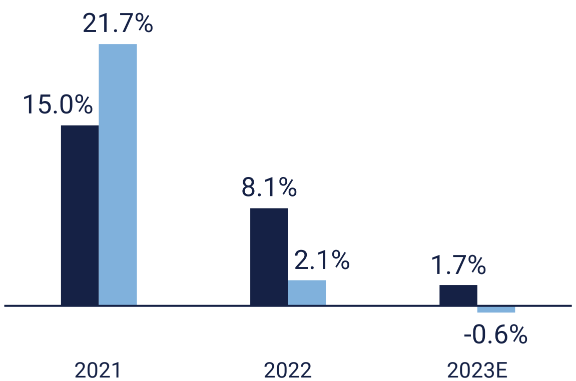
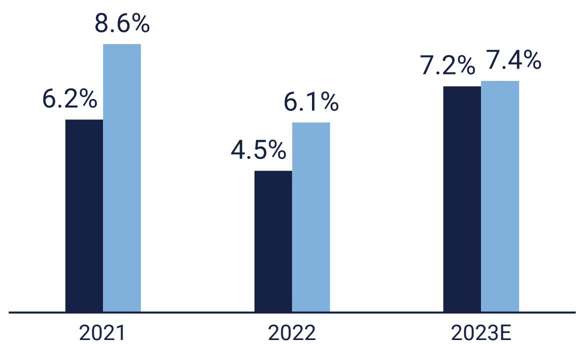
American e-commerce companies are achieving higher valuations than their less-profitable European peers

Regional comparison[1]

Revenue growth development

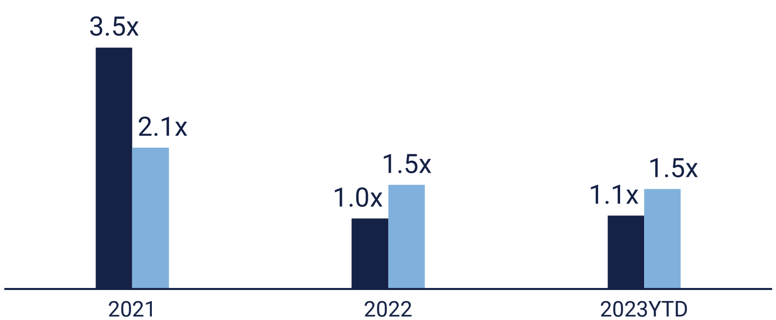


EBITDA margin development



Europe US

EV/Revenue development



Europe US

Comments

- The American e-commerce companies in our selection have achieved higher profitability than their European peers throughout this period.
- While American e-commerce companies are predicted to achieve a negative YoY top-line growth of -2.8% between 2022 and 2023E, their European counterparts have a positive forecasted growth rate.
- In terms of valuation, American e-commerce companies are ahead of their European peers, achieving an EV/Revenue premium 1.5x in 2023YTD – the lowest in recent years.
- This valuation gap is the result of investors shifting their focus to profitability. Since American e-commerce companies exhibit a higher median EBITDA margin, they enjoy a valuation premium over European peers.

Note(s): YTD data until 24.07.2023;Source(s): S&P Capital IQ, Carlsquare analysis
1. Median data for 104 European and 126 American e-commerce stocks

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Due to its discretionary nature, e-commerce is experiencing an overall slowdown. This slowdown is forcing consolidation by M&A in order to drive future efficiency

Global e-commerce M&A overview[1]

LTM

EUR 42bn
Disclosed deal value

LTM

c. 4,200
# of deals

YoY 2021-22

(13.8%)
Deal count decrease

LTM

19.9x
Median EV/EBITDA

LTM

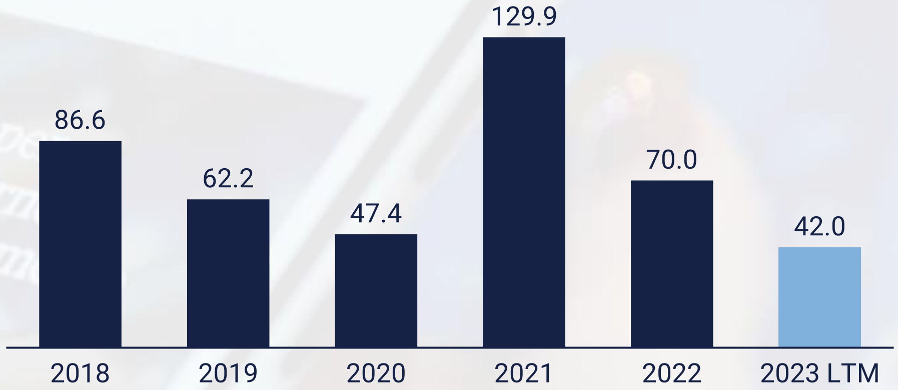
1.1x
Median EV/Revenue

LTM

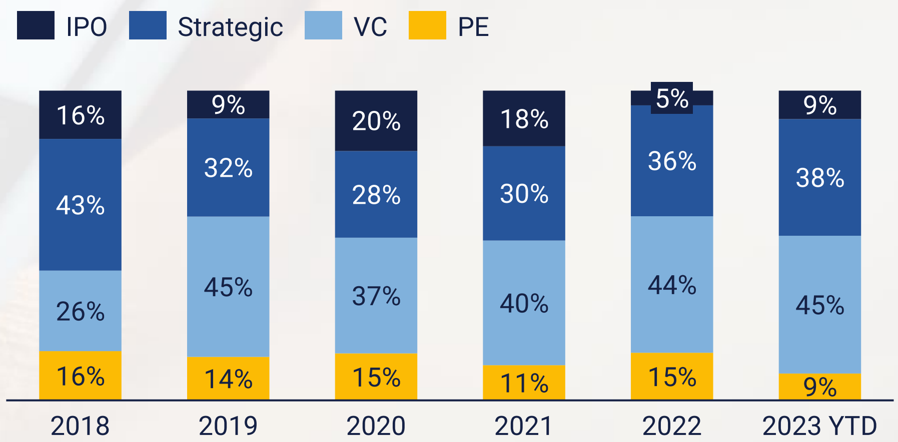
0.6m
Median capital invested in a fundraising

Investments over time

Deal volume (EURbn)



Deal volume (%)



Note(s): YTD and LTM data as of 24.07.2023, Source(s): Pitchbook
1. Historical data shown in the appendix

Vertical commerce and e-commerce enablers are at the heart of the dynamic e-commerce M&A market

Recent flagship e-commerce deals

Date	Country	Target	Subsector	Target description	Investor/Acquiror	EV (EURm)	Revenue multiple
Jul 23	USA	SKIMS*	Vertical e-commerce	Retailer of undergarments and loungewear	WELLINGTON MANAGEMENT	3,660	5.1x
May 23	USA	zulily	Marketplace	Household goods marketplace	REGENT	n.a.	n.a.
May 23	Singapore	SHEIN*	Vertical e-commerce	Online, tech-enabled, fast-fashion retailer	SEQUOIA	60,000	1.1x
Apr 23	Germany	home24	Vertical e-commerce	Furniture retailer with a focus on the European market	XXXLutz	360	0.8x
Jan 23	UK	MATALAN	Vertical e-commerce	Online clothing retailer	Invesco	405	n.a.
Jan 23	USA	POSHMARK	Marketplace	Second-hand clothing marketplace	NAVER	1,066	3.2x
Jan 23	USA	ADORE ME	Vertical e-commerce	Lingerie and swimwear boutique	VICTORIA'S SECRET	377	1.6x
Dec 22	Germany	GORILLAS	Vertical e-commerce	Grocery delivery platform	getir	1,110	2.7x[1]
Nov 22	France	generix GROUP	E-commerce enablers	Software solutions for supply-chain management	Montefiore	168	2.0x[2]
Nov 22	USA	channeladvisor	E-commerce enablers	SaaS solutions for retailers and manufacturers	CommerceHub	578	3.3x
Oct 22	USA	TCGPLAYER	Marketplace	Collectibles marketplace with specialized trading cards	ebay	232	n.a.
Oct 22	Spain	deporvillage	Vertical e-commerce	Online retailer of sportswear and equipment	JD Group	143	0.9x[3]
Oct 22	Sweden	APOTEK	Vertical e-commerce	Online platform for pharmaceutical products	apoteksgruppen	700	n.a.
Aug 22	Australia	MyDeal	Vertical e-commerce	Online retailer for household goods	Woolworths Group	162	3.5x
Jul 22	UK	buyagift	Vertical e-commerce	Online gifting platform	moonpig group plc	145	2.5x
Jul 22	USA	Deliverr	E-commerce enablers	Tech-enabled e-commerce fulfilment services	flexport.	2,005	n.a.
Jun 22	Canada	points	E-commerce enablers	Loyalty program solutions	Plusgrade	241	0.6x
Jun 22	Singapore	2c2p	E-commerce enablers	Secure payment processing for e-commerce	蚂蚁集团 ANT GROUP	558	9.5x

Consolidation is the "name of the game": large strategics are buying up smaller competitors to drive scale and the march to profitability

Source(s): Pitchbook, * Fundraise
1. Estimated via 2022A run-rate revenue of €411m
2. Estimated via 2022A revenue of €85m
3. Estimated via 2021A revenue of €161m

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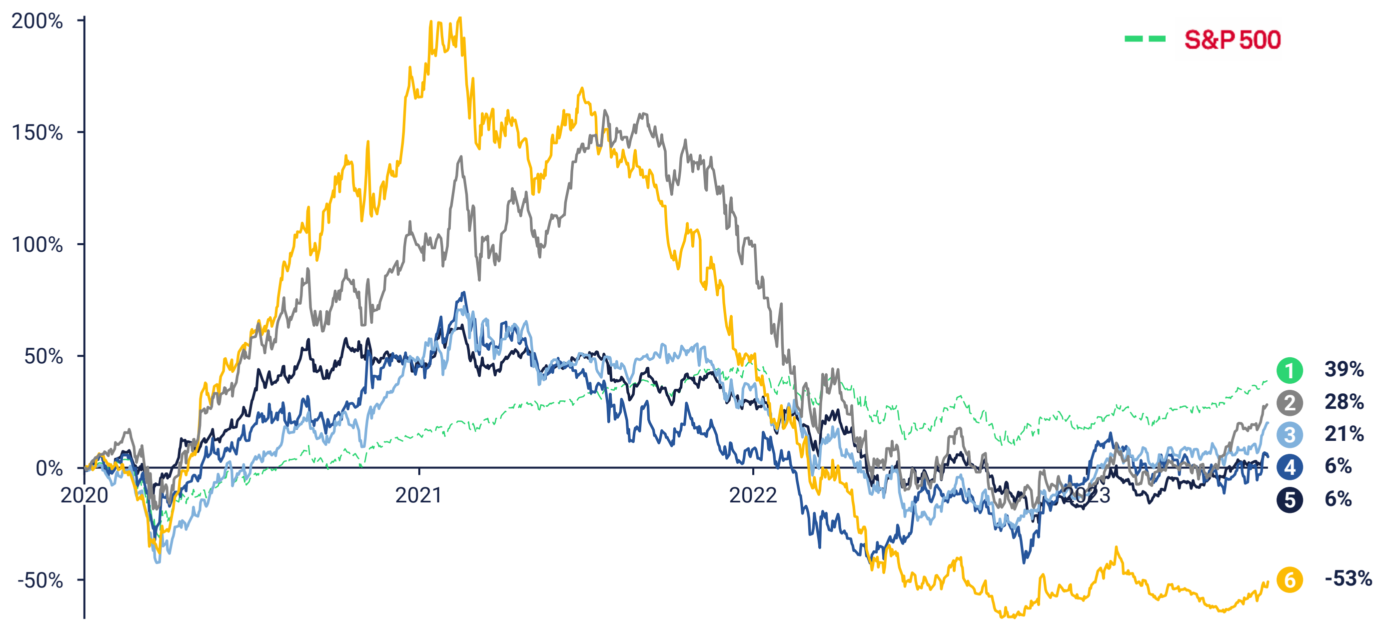
The best public e-commerce valuations go to software-focused businesses with recurring revenue components and high profitability

Subsector	Description	Carlsquare index constituents	'21-'23E revenue CAGR	'23E gross profit margin	Revenue multiple '23E	EBITDA multiple '23E
Horizontal e-commerce	Companies that combine various services to provide a one-stop-shop experience	mercado libre, Alibaba Group, overstock, amazon, Walmart, ebay, Tencent, Rakuten, JD.COM	6%	45%	1.4x	12.9x
Classifieds	Businesses that are active in classified advertising	Adevinta, yelp, Pinterest, NASPERS, prosus	11%	35%	5.8x	16.5x
Marketplaces	Providers of third-party products and services	Etsy, CarGurus, GROUPON, cars.com, Takeaway.com, Booking.com, REDFIN, shutterstock, Zillow, Angi, TheRealReal, MERCARI, Chegg, QuinStreet, CARVANA	4%	68%	2.0x	13.1x
Vertical e-commerce	Product/service providers in a specific industry or market	1800flowers.com, asos, boohoo, REVOLVE, STITCH FIX, zalando, wayfair, FARFETCH, THREDUP, ocado, PELOTON	-5%	29%	0.6x	10.6x
E-commerce enablers	Solutions providers for e-commerce companies	Adobe, SPS, shopify, HubSpot, DESCARTES, pitney bowes, yext, GoDaddy, BLOCK, PayPal	11%	56%	6.6x	20.0x
			Median: 6%	Median: 45%	Median: 2.0x	Median: 13.1x

Note(s): All subsector comparables data is median of the constituent stocks as of 08.07.2023

Share prices within the e-commerce subsectors have broadly returned to pre-Covid levels

Market capitalisation development: e-commerce subsectors[1]



Illustrative constituents[2]

Horizontal e-commerce: amazon, Tencent

Classifieds: yelp, Pinterest

Marketplaces: Booking.com, Etsy

Vertical e-commerce: STITCH FIX, asos

E-commerce enablers: Adobe, shopify

Comments

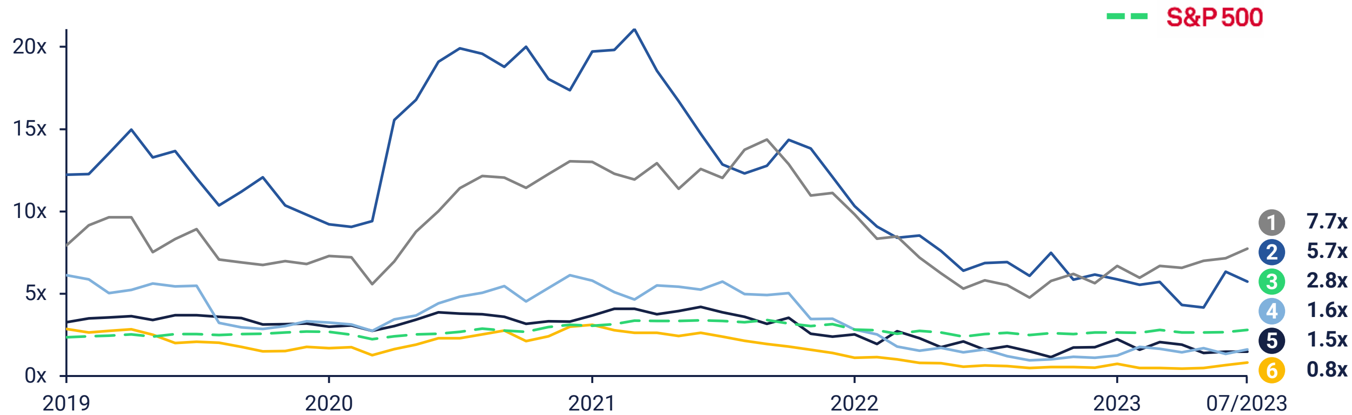
- As the world opened up after the pandemic, the e-commerce sector was hit by the desire of shoppers to return to brick-and-mortar stores and by inflation that reduced discretionary spending.
- The post-Covid sell-off of digital commerce stabilised in 2023. Share prices mostly have reached their pre-Covid level or higher.
- The decline of physical retail accelerated during the pandemic, but this trend reversed in 2021 as the world opened up. Investors were forced to readjust both growth and profitability expectations of e-commerce stocks.
- When looking at real (i.e., adjusted-for-inflation) market capitalisation changes, the decline is much more marked.
- The overall scale of stock price volatility since 2020 greatly differs among the e-commerce subsectors as well as for e-commerce in general compared with traditional indices like the S&P 500.
- Interestingly, vertical e-commerce, the best-performing subcategory during the pandemic, has experienced the largest negative share-price return since 2020.

Note(s): Data as of 24.07.2023; Source(s): S&P CapitalIQ
1. Graphs show market capitalisation trend for selected companies from 01.01.2020 (inflation is not accounted)
2. The full composition of Carlsquare e-commerce sector indices can be found earlier in the deck

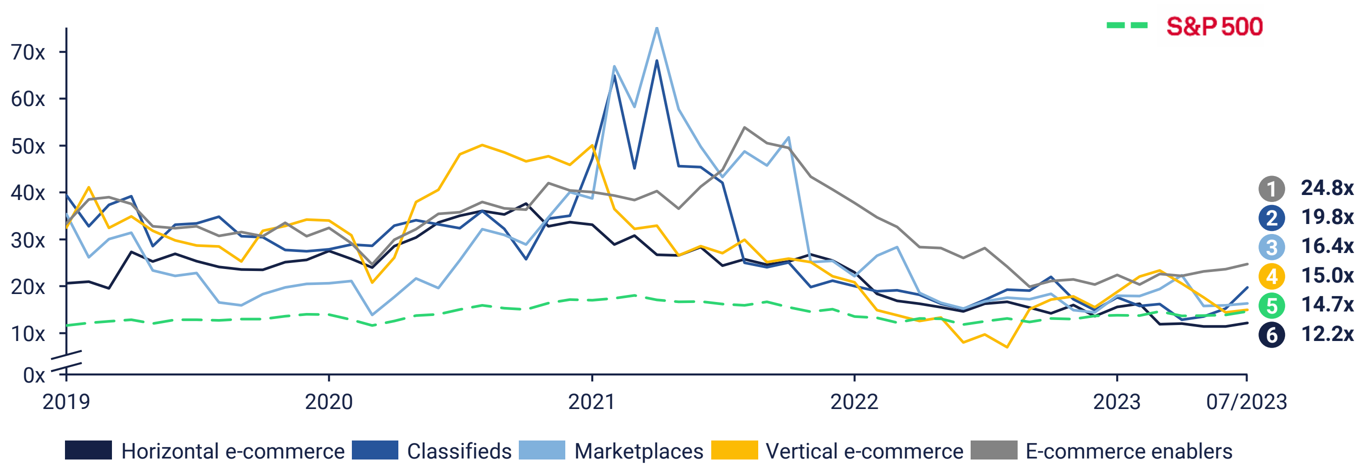
Valuations have fallen after their Covid highs, as investors prioritize profitability

Median[1] monthly LTM EV/Revenue vs. EV/EBITDA valuation evolution

EV/Revenue



EV/EBITDA[2]



Comments

- E-commerce has traditionally been a sector in which companies sacrificed profitability for high growth.
- This is well demonstrated by non-meaningful EV/EBITDA multiples for all e-commerce subsectors before 2022.
- As the pandemic ended and investors' perception of e-commerce changed, all valuation multiples decreased, while EV/EBITDA became a meaningful valuation method.
- This shift reflects investors' new focus on profitability as a key determinant of e-commerce stock value. In the present high-interest-rate environment, growth has become more expensive and investors are seeking a safer profit multiple.

Note(s): Data as of July 2023, Source(s): S&P Capital IQ, Carlsquare analysis
1. Data includes median monthly valuations for individual stocks in each subsector
2. Note that EV/EBITDA data for negative EBITDA businesses has not been included

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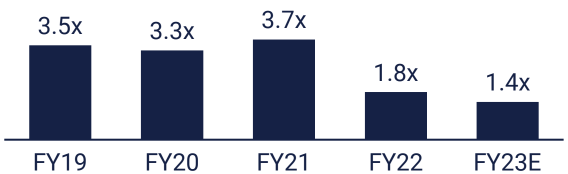
Across marketplaces, e-commerce enablers and vertical e-commerce, EV/Revenue multiples are showing signs of recovery in 2023

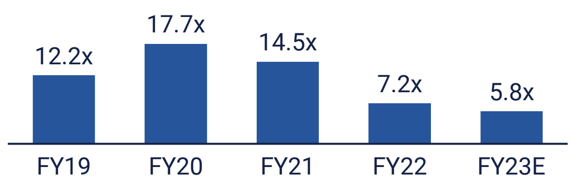
Horizontal e-commerce

amazon, overstock, mercado libre, Tencent, Rakuten, ebay, Alibaba Group, JD.COM, Walmart



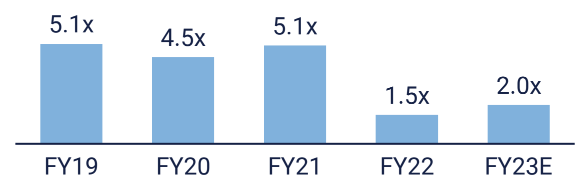
Classifieds

Adevinta, Pinterest, yelp, prosus, NASPERS



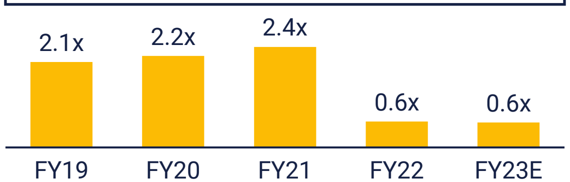
Marketplaces

Booking Holdings, Etsy, CarGurus, QuinStreet, GROUPON, REDFIN, cars.com, CARVANA, The RealReal, Angi, MERCARI, shutterstock, Chegg, Zillow, Takeaway.com



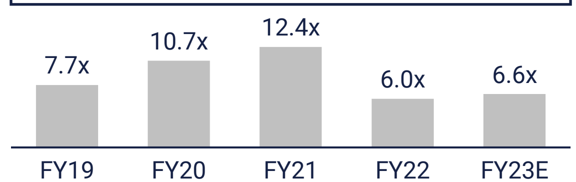
Vertical e-commerce

1800 flowers.com, asos, STITCH FIX, ocado GROUP, boohoo, FARFETCH, wayfair, PELOTON, zalando, THREDUP, REVOLVE



E-commerce enablers

Adobe, GoDaddy, HubSpot, PayPal, BLOCK, shopify, DESCARTES, YEXT, pitney bowes



Median EV/Revenue multiples YoY change (FY22 – FY23E)

Note(s): Illustrative companies are shown with their respective logos for each e-commerce subsector and reflect the entire data set used for the shown analysis. Historical multiples are calculated using median monthly EVs for the respective year
Source(s): CapitalIQ

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EV/Revenue multiples for private companies are broadly between 1.0x and 2.5x. At lower levels of growth, there has a been a shift towards EBITDA multiples

To determine the right value, investors consider a wide range of factors

Revenue multiple	<1.0x	1.0x – 2.0x	>2.0x
Revenue growth	<20%	↔	>40%
Recurring customers	<20%	↔	>40%
Gross margin	<30%	↔	>40%
EBITDA margin[1]	<10%	↔	>15%
LTV/CAC[2]	<3x	↔	>4x
Synergies with the buyer	Limited	↔	Broad
Market position / brand	Limited	↔	Strong
Management team	Less experienced	↔	Strong
Breadth of offering / target groups	Narrow	↔	Wide

- Despite current macroeconomic uncertainties, high-quality e-commerce businesses continue to achieve premium valuations of 2.0x and above.
- Several factors can lead to premium valuations. If sellers improve in these areas, they increase their chances of achieving a stellar exit.
- Carlsquare has observed that investors are framing valuation around a profit multiple for companies with growth levels below 10-20%.

Quantitative factors | Qualitative factors

1. Sometimes, domestic margin can be substituted for group margin, where growth markets are mixed with mature markets
2. Other KPIs, such as cost per order, average order value and net promoter score, are important for determining the value

Carlsquare has identified the proof points that enable e-commerce businesses to achieve premium valuations

The proof points

Business model is scalable to EUR +100m

Investors will investigate the potential to scale up the business model and turn the company into a market leader in Europe and North America.

Digital capabilities to scale the business

The business needs established e-commerce infrastructure that enables further growth in the future. Flexible and rapid employee ramp-up allow for faster growth.

Advanced social commerce and social media exposure

The company must have broad social media exposure in order to show that it can meet the increase in the proportion of purchasing via social commerce.

Clear brand strategy for online and offline channels

The company needs to prove that it has a clear brand strategy and is successfully building brand equity in new markets.

Technological advantage

Investors seek to invest in companies with a clear technological advantage that their competitors cannot easily replicate.

High new customer rates and further brand KPI's

Investors will examine the company's ability to generate new customers across all channels (CAC), as well as assessing customer loyalty, purchase frequency and customer lifetime value.

Growth potential of EBITDA margin

Investors will examine the potential for a sustainable increase in the EBITDA margin – a key component of future performance.

Management willing to grow the company with an investor[1]

Investors want an experienced management team who are willing to stay on-board and drive the business to the next level.

1. Especially important for certain types of financial investors

Thanks to continuous growth, Carlsquare has become one of Europe's leading partner-owned M&A advisory firms

"Closing Deals."

We advise on the whole company lifecycle, from growth equity and M&A to debt advisory and ECM.

Our locations

Berlin
Copenhagen
Frankfurt
Hamburg
London
Munich
Paris
San Francisco
Stockholm
Warsaw

Track record	Focus areas	Global reach	Clients	Organisation
110+ transactions in the past 2 years, 520+ transactions over the past 20 years	M&A: >80% entrepreneur-side and <20% buy-side ECM, Equity Research and Debt Advisory	Partner of Globalscope International reach	Entrepreneurs & profitable growth companies Financial investors	150+ employees 19 partners 10 locations

Navigating M&A with Carlsquare: a proven path to success

Corporate Finance

We assist entrepreneurs, management teams and owners with executing transactions (M&A) and securing equity and debt financing.

110+
Deals completed in 2021 & 2022

6bn
Transaction volume

60%
Cross-border transactions

55%
Deals that involve a private equity fund

Overview of recently-completed transactions

- More Nutrition, ESN, GOT7 Nutrition sold to CVC
- SNOCKS sold a minority stake to Cathay Capital
- bears with benefits sold to Havea, a portfolio company of BC Partners
- OceansApart sold to ALTOR
- erlich textil sold to CALIDA
- Fishing-King sold a majority stake to Afinum
- BlessedCBD sold to High Tide Inc.
- ARDIAN acquired VT Industries

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Carlsquare is a leading M&A advisor for European consumer brands

Carlsquare sell-side mandate

my junior
GRACE flowerbox
KLARSTEIN
MERMAID + ME
Seventyseven urban streetwear
KERBHOLZ
LILLYDOO
DR SMILE
faye
ICRUSH
GOT7 NUTRITION
Lizza
NEOSUPPS
SHAPE REPUBLIC
REISHUNGER
colibri SKINCARE
GLOSSYBOX
Hotel Mino
nakt
Rookie
distorted people
Emma
LETHAL COSMETICS
PH
ALPHA FOODS
oatsome
ROSENTAL
natural mojo
HelloBody
Swedish Fall
MYCS
SASSYCLASSY
SMILODOX
DYKON A/S
everdrop
salted.
HORIZN STUDIOS
3Bears
Averie
hobbii
CANYON
ESN
GOT BAG.
OCEANSAPART
smile secret
medical
Konges sløjd
GUBI
GPM
allup
by Aylin Koenig
ANKERKRAUT
FLEURS DE PARIS
POMÉLO+CO
slaycold APPAREL
SNOCKS
URBANARA
springlane
FORMEL Skin
KoRo
mymuesli
Stapelstein
Wildling
Every.
erlich
filoo
InnoNature
Boetiq
LEVLUP
HELLO FRESH
The Female Company
emma & noah
ARMEDANGELS
Reform
PAUL VALENTINE
yfood
VT INDUSTRIES
bears with benefits
wellvita Sundhed direkte til dig
fitvia
PURELEI
FREELETICS
UND GRETEL BERLIN
BRAINEFFECT
JUNGLÜCK
MORE NUTRITION
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ZOEVA
vetsak
BioKinder Das gesunde Kinderzimmer
FITZ & HUXLEY
JUST SPICES
PETS DELI
vitamaze
BURNHARD
True Gum
gitti conscious beauty
Miss Pompadour
Hi-Life
ZOÉ LU
PORTOFINO CERAMICA
nucao
XOUXOU
EMMIE GRAY
AVA & MAY
JuwelKerze
MANIKO

At Carlsquare we are experts in innovative retail and distribution concepts. That's why we have an unmatched record of high valuations with strong transaction security

Trusted partner for leading innovative D2C brands on a strong growth path

- More Nutrition / ESN sold to CVC
- LEVLUP sold to glanbia
- ARDIAN acquired YT Industries
- fitvia sold a majority stake to Dermapharm AG
- # received an investment from TEV and INVUS
- ANKERKRAUT sold a minority stake to emz

Understanding of relevant KPIs and trends for high valuation levels

- Alpha Foods sold to Sylphar, a portfolio company of Vendis Capital
- VIVA Wine Group acquired VICAMPO
- SNOCKS sold a minority stake to Cathay Capital
- VIBES CBD sold to HIGHTIDE Inc.
- vitamaze amazing life sold to visionhealthcare
- Fishing-King sold a majority stake to Afinum

Proven and sustainable industry expertise with long-term approach

- bears with benefits sold to Havea, a portfolio company of BC Partners
- OceansApart sold to ALTOR
- MORE NUTRITION merged with ESN
- Afinum sold MERIDIAN Spa & Fitness to David Lloyd Clubs, a portfolio company of TDR Capital
- OceansApart received investment from ALTOR and AUSTER CAPITAL
- More Nutrition / ESN acquired GOT7 Nutrition

Realized EV of

9	**125**	**2.6x**	**11.9x**
D2C deals LTM	on average (EURm)	Ø sales multiple	Ø EBITDA multiple

Carlsquare has unrivalled expertise in the European consumer industry. Time and again we have demonstrated the superior deal execution capabilities that result in premium valuations.

CARLSQUARE

We have grown into Europe's leading M&A advisory boutique for the mid-market

2000
We are founded by Michael Moritz and Mark Miller

2010
We join the Globalscope network

2012
We open a Munich office

2018
We open a Berlin office

2018
We acquire Acris/Centric Advisors in London

2018
We merge with Jarl securities and rebrand to Carlsquare

2019
We open a Copenhagen office

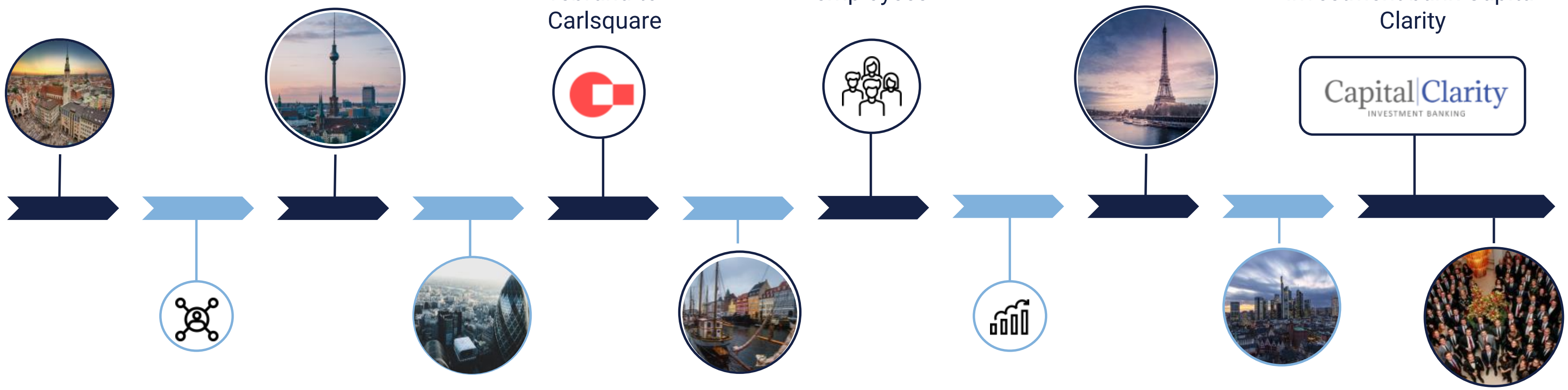
2021
Carlsquare now has more than 80 employees

2021
Our revenue tops EUR 50m in a record-breaking year for Carlsquare

2022
We open a Paris office

2023
We open a debt advisory office in Frankfurt

2023
Carlsquare merges with Silicon-Valley-based tech investment bank Capital Clarity



150+ employees

Carlsquare has been providing integrated cross-border M&A advice for companies and investors since 2000. After merging with Jarl Securities in 2018, we rebranded. In 2023, following a period of strong growth, Carlsquare merged with San-Francisco-based investment bank Capital Clarity. We now have a US presence, connecting our eight European offices to the world's largest technology hub.

To meet ambitious targets, you need the right advisors

Your partners in the e-commerce sector

Michael Moritz
Managing Partner
Germany
Berlin

Mark Miller
Managing Partner
Germany
Hamburg

Daniel Garlipp
Managing Partner
Germany
Hamburg

Arnold Holle
Managing Partner
United Kingdom
London

Erik Lundberg
Partner
Sweden
Stockholm

Anders Bo
Managing Partner
Denmark
Copenhagen

Alex Carré de Malberg
Managing Partner
France
Paris

Berthold Stauffenberg
Managing Partner
France
Paris

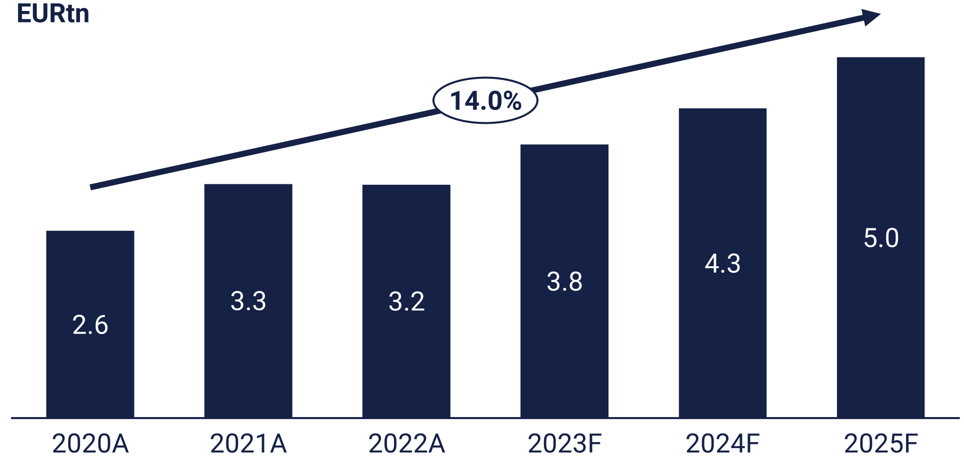
Let’s get in touch

Technological improvements and online comfort drive growth in e-commerce and D2C

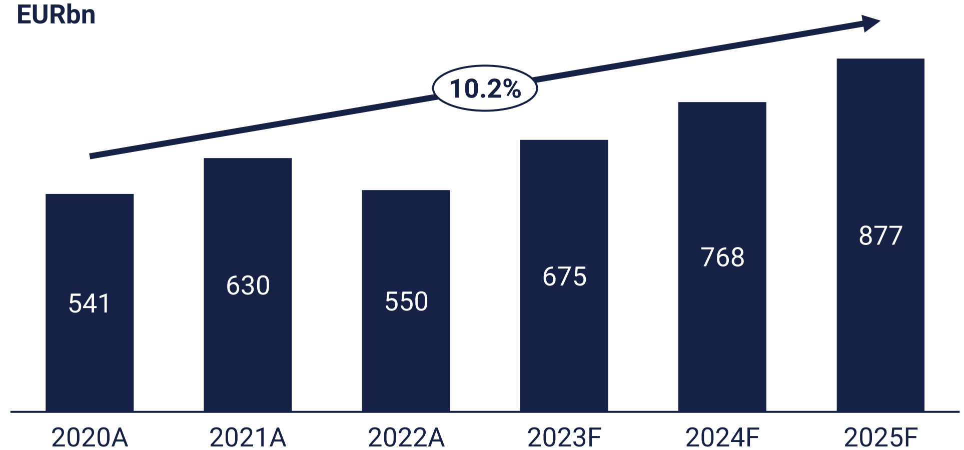
Market drivers

1. Significant technological advancements in AI, VR, AR, ML[1] and data analytics allow improved UX, customer acquisition, inventory management and KYC capabilities.
2. New technologies offer affordable, flexible and secure online payment options.
3. Improved supply chain logistics create cost and efficiency gains.
4. Digitally-native generations account for a growing portion of purchasing power.
5. Because of its convenience, channel demand is shifting towards online purchasing.
6. The pandemic led to higher adoption and knowledge of technology by non-millennials and Gen Z.
7. After experiencing the convenience of online purchasing, pandemic consumers became retained customers.

Global e-commerce retailing market revenue



Europe e-commerce retailing market revenue



Source(s): Statista, Calrsquare market analysis

1. Artificial intelligence, virtual reality, augmented reality, machine learning

Consumer preference and awareness are redefining business requirements. Businesses are also now leveraging data to expand their offerings

E-commerce market trends

We are seeing a **demand for personalisation** and an increasing standard for **unique UX.** Driving these trends are the purchasing power of digital natives, consumer awareness and a fragmented middle-market of e-commerce and D2C.

Increased and **evolving consumer engagement** means companies must rethink and redesign their marketing and develop a **relatable and interactive reputation.**

Consumers are looking for **further customisation rather than diverse product choices**, e.g. for product complements, tailored support services, visual product design and payment plans.

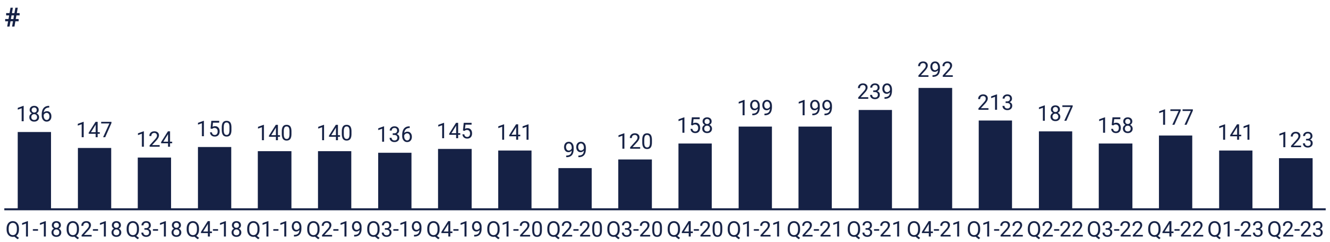
The combination of **data analytics** and **the flexibility of UX design** enables companies to better optimize the experience of individual customers.

The market is starting to prioritize the **convenience of consumption through fast and home delivery.** The growth of an adept online population and Covid-induced changes in daily routines explain this shift.

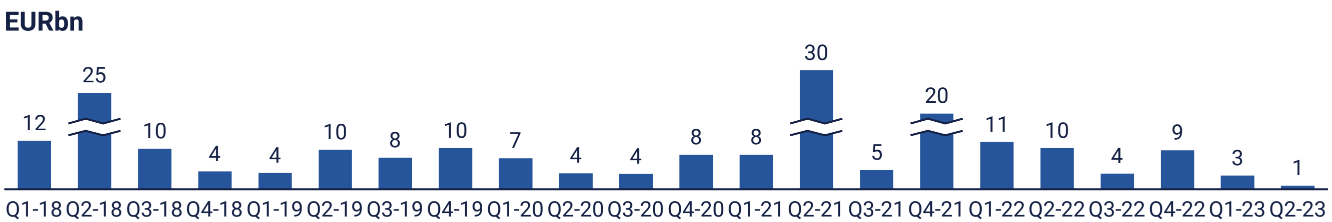
The **conscious consumer** now has significant purchasing power, putting pressure on companies to adopt social and ethical practices.

After accelerating as a result of the pandemic, e-commerce M&A volumes and deal values have returned to their long-term growth trajectory

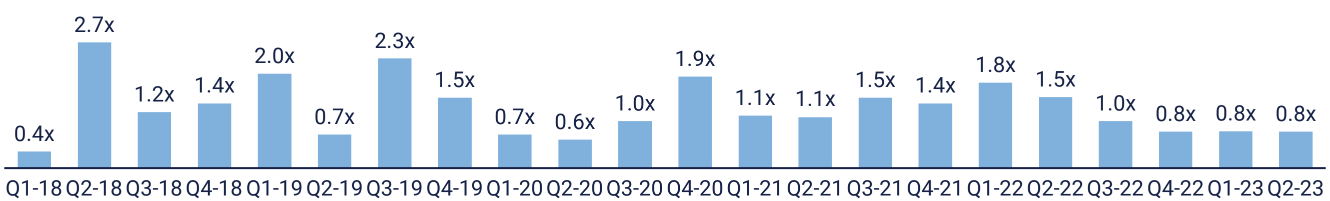
E-commerce M&A activity



Disclosed e-commerce deal value



Disclosed e-commerce median EV/Revenue multiples



Comments

- E-commerce M&A has experienced a slow start to 2023 in comparison with the Covid spike of 2021-22.
- However, the market is now showing signs of recovery. If we do not take into account the Covid-induced period of accelerated growth, the market remains on its normal growth path.
- E-commerce deal value is also down. A small number of very large deals (>1bn) and a vast quantity of smaller deals underpin the market. This shows that the overall market depends on a few behemoths in each subsector.
- In 2023, e-commerce company valuations have so far remained stable relative to the end of 2022. That said, there has been an overall slump in M&A activity because of economic uncertainty.
- The broadness of the market explains large fluctuations in valuation. Some subsectors are trading higher than others on a revenue basis.

Source(s): Pitchbook

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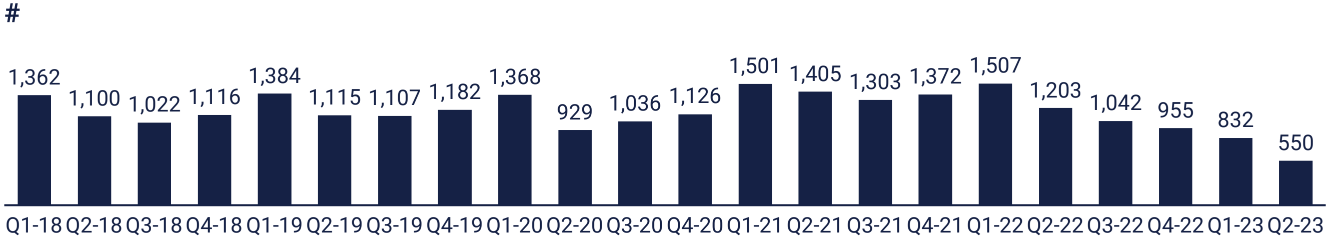
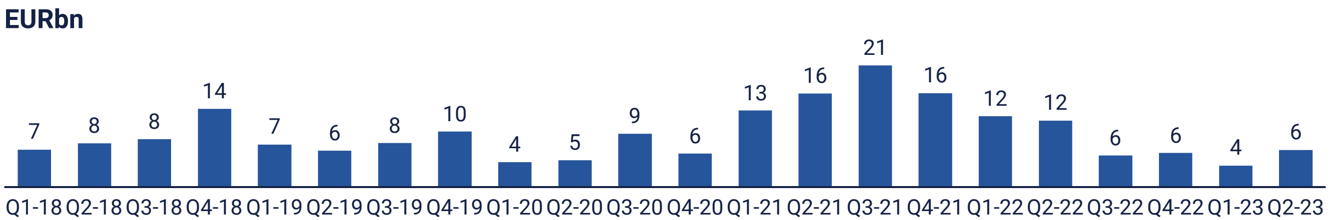
Funding volumes are experiencing similar trends to M&A. Macroeconomic uncertainty and high interest rates have led to a low appetite for non-profitable companies

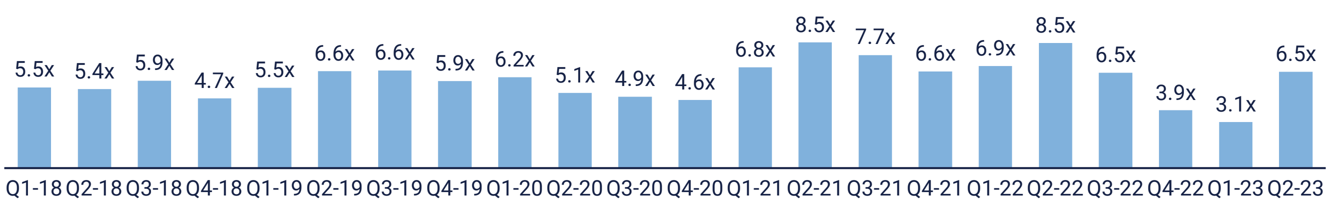
E-commerce funding activity



Disclosed e-commerce funding value



Disclosed e-commerce median EV/Revenue multiples



Comments

- Funding activity has taken the biggest hit, largely because of changing investor sentiment, higher interest rates and macroeconomic uncertainty. E-commerce had especially benefited from the period of 'free money' that has now run dry.
- As expected, funding activity peaked in 2021, though the change in the number of fundraises does not follow the same general trends as the funding value.
- Disclosed funding value peaked in Q3 2021, mostly driven by online retail platforms and direct-to-consumer business models that relied on the economy's upward momentum.
- Valuation/Revenue multiples have taken a hit as economic conditions deteriorated, falling from a high of 8.5x in Q2 2021 to 2.9x in Q1 2023. However, Q2 2023 has seen a recovery to 6.5x.
- In general, fundraising multiples are higher than M&A due to inherently lower revenue actuals and higher growth potential at companies raising funds.

Source(s): Pitchbook

CARLSQUARE

Trading comparables: the companies that make up our horizontal e-commerce index

Horizontal e-commerce

HQ	Company	Description	Enterprise value (EURm)	Sales growth '21A – '23E	EBITDA margin '23E	Sales multiple '23E	EBITDA multiple '23E[1]
USA	amazon	Online and physical retail of consumer products	1,215,121	17.4%	15.9%	2.4x	15.2x
USA	Walmart	Global retail and wholesale operations	410,495	10.0%	5.9%	0.7x	12.1x
China	Tencent 腾讯	Value-added services, fintech and advertising worldwide	350,711	11.4%	33.1%	4.5x	13.6x
China	Alibaba Group	Global provider of technology infrastructure for businesses	158,976	8.2%	19.8%	1.4x	6.9x
Uruguay	mercado libre	Online commerce platforms in Latin America	58,021	68.9%	15.2%	4.8x	nm
China	JD.COM	Supply-chain technologies and services in China	36,987	11.5%	3.8%	0.8x	7.1x
USA	ebay	International marketplace connecting buyers and sellers	21,679	(2.1%)	31.9%	2.4x	7.5x
Japan	Rakuten	E-commerce, fintech and digital content services in Japan	9,183	23.0%	3.0%	0.7x	22.7x
USA	overstock.com	US-based online retail platform	464	(39.5%)	1.4%	0.3x	23.8x

	Sales growth '21A – '23E	EBITDA margin '23E	Sales multiple '23E	EBITDA multiple '23E[1]
25th %:	8.2%	3.8%	0.7x	7.4x
Median:	11.4%	15.2%	1.4x	12.9x
75th %:	17.4%	19.8%	2.4x	17.1x

Source(s): S&P CapitalIQ, data as of 24.07.2023
1. Note that the multiples above 30x or in the event of a negative EBITDA margin are considered as non-material and are not used in the median calculation

CARLSQUARE

Trading comparables: the companies that make up our classifieds index

	HQ	Company	Description	Enterprise value (EURm)	Sales growth '21A – '23E	EBITDA margin '23E	Sales multiple '23E	EBITDA multiple '23E[1]
Classifieds		prosus	E-commerce and internet business	76,776	51.0%	(6.9%)	10.8x	nm
		NASPERS	Global consumer internet company	50,798	23.7%	(5.6%)	6.4x	nm
		Pinterest	Global visual discovery engine	12,408	12.2%	17.0%	4.6x	27.1x
		Adevinta	Online classifieds site operator	10,603	35.3%	35.3%	5.8x	16.5x
		yelp	Connects consumers with local businesses	1,797	21.6%	23.0%	1.5x	6.6x
					25th %: 21.6%	(5.6%)	4.6x	11.6x
					Median: 23.7%	17.0%	5.8x	16.5x
					75th %: 35.3%	23.0%	6.4x	21.8x

Source(s): S&P CapitalIQ, data as of 24.07.2023
1. Note that the multiples above 30x or in the event of a negative EBITDA margin are considered as non-material and are not used in the median calculation

Trading comparables: the companies that make up our marketplaces index

	HQ	Company	Description	Enterprise value (EURm)	Sales growth '21A – '23E	EBITDA margin '23E	Sales multiple '23E	EBITDA multiple '23E[1]
Marketplaces	US	Booking Holdings	Travel and restaurant reservation services	81,413	65.1%	33.0%	4.4x	13.3x
	US	Etsy	Two-sided online marketplace	10,204	17.1%	27.5%	4.1x	14.9x
	US	Zillow	Mobile and web-based real estate brands	8,199	31.1%	19.5%	4.8x	24.6x
	US	Carvana	Digital marketplace for used cars	8,041	(23.6%)	(0.6%)	0.8x	nm
	NO	Just Eat	Online food-delivery marketplace	3,443	25.9%	4.6%	0.6x	13.1x
	JP	mercari	Marketplace applications for buying and selling	2,606	30.0%	7.0%	2.3x	nm
	US	Redfin	Residential real-estate brokerage	1,813	(49.3%)	(2.7%)	1.8x	nm
	US	CarGurus	Online automotive marketplace	1,722	(22.1%)	16.0%	2.0x	12.7x
	US	Angi	Connects home professionals and consumers	1,613	(9.7%)	7.5%	1.1x	15.3x
	US	shutterstock	Content and creative workflow solutions provider	1,568	8.0%	27.1%	2.0x	7.5x
	US	Chegg	Direct-to-student learning platform and services	1,554	(9.4%)	30.7%	2.4x	8.0x
	US	cars.com	Automotive digital marketplace	1,450	8.4%	28.2%	2.4x	8.4x
	US	The RealReal	Online marketplace for resale luxury goods	422	7.8%	(13.2%)	0.8x	nm
	US	QuinStreet	Marketing and customer acquisition services	397	(1.3%)	3.0%	0.8x	25.2x
	US	Groupon	Marketplace connecting subscribers and merchants	274	(42.4%)	6.4%	0.6x	9.7x
					25th %: (15.9%) Median: 7.8% 75th %: 21.5%	3.8% 7.5% 27.3%	0.8x 2.0x 2.4x	9.1x 13.1x 15.1x

Source(s): S&P CapitalIQ, data as of 24.07.2023

1. Note that the multiples above 30x or in the event of a negative EBITDA margin are considered as non-material and are not used in the median calculation

CARLSQUARE

Trading comparables: the companies that make up our vertical e-commerce index

Vertical e-commerce

HQ	Company	Description	Enterprise value (EURm)	Sales growth '21A – '23E	EBITDA margin '23E	Sales multiple '23E	EBITDA multiple '23E[1]
Germany	zalando	Online platform for fashion and lifestyle	6,922	3.5%	6.1%	0.6x	10.6x
US	wayfair	E-commerce business, US and international	6,730	(10.3%)	0.8%	0.6x	nm
UK	ocado GROUP	Online grocery retailer, UK and international	4,258	14.8%	1.3%	1.3x	nm
US	PELOTON	Interactive fitness platform, global operations	3,685	(26.0%)	(2.7%)	1.4x	nm
UK	FARFETCH	Luxury fashion platform, globally	2,484	21.5%	1.1%	1.0x	nm
UK	asos	Online fashion retailer worldwide	1,370	(9.2%)	3.0%	0.3x	11.1x
US	revolve group	Online fashion retailer	789	11.5%	5.7%	0.8x	13.8x
UK	boohoo group plc	Online clothing retailer, international presence	704	(16.2%)	3.7%	0.4x	10.0x
US	1800 flowers.com	Gift provider for various occasions	683	(8.9%)	5.1%	0.4x	7.5x
US	STITCH FIX	Apparel and accessories retailer, US and UK	319	(25.8%)	(6.3%)	0.2x	nm
US	THREDUP	Online resale platform, US and international	182	20.8%	(5.8%)	0.6x	nm

	Sales growth '21A – '23E	EBITDA margin '23E	Sales multiple '23E	EBITDA multiple '23E[1]
25th %:	(13.3%)	(1.0%)	0.4x	10.0x
Median:	(8.9%)	1.3%	0.6x	10.6x
75th %:	13.1%	4.4%	0.9x	11.1x

Source(s): S&P CapitalIQ, data as of 24.07.2023

1. Note that the multiples above 30x or in the event of a negative EBITDA margin are considered as non-material and are not used in the median calculation

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Trading comparables: the companies that make up our e-commerce enablers index

E-commerce enablers

HQ	Company	Description	Enterprise value (EURm)	Sales growth '21A – '23E	EBITDA margin '23E	Sales multiple '23E	EBITDA multiple '23E[1]
US	Adobe	Cloud-based product design and development	170,950	19.5%	49.3%	9.9x	20.0x
US	PayPal	Cloud-based product design and development	63,018	14.5%	25.6%	2.4x	9.3x
Canada	shopify	Cloud-based CRM platform for businesses	62,656	39.4%	4.8%	10.4x	nm
US	BLOCK	Commerce platform and services, global reach	32,484	25.1%	6.7%	1.7x	26.1x
US	HubSpot	Cloud-based logistics and supply chain solutions	22,502	47.7%	16.5%	12.0x	nm
US	GoDaddy	Cloud-based supply chain management solutions	12,793	9.6%	25.5%	3.3x	13.0x
US	DESCARTES	Digital payments technology platform	5,911	26.3%	43.2%	11.8x	27.2x
Canada	SPS COMMERCE	Tools for card payments and analytics	4,923	31.9%	29.6%	10.4x	nm
US	pitney bowes	Shipping, mailing, and business services	2,283	(7.1%)	10.6%	0.7x	7.0x
US	yext	Organizes business facts for consumer answers	963	1.6%	11.2%	2.7x	23.7x
				25th %: 10.8%	10.8%	2.4x	11.1x
				Median: 22.3%	21.0%	6.6x	20.0x
				75th %: 30.5%	28.6%	10.4x	24.9x

Combined multiples for all trading comparables

Sales growth '21A – '23E	EBITDA margin '23E	Sales multiple '23E	EBITDA multiple '23E
25th %: (8.4%)	3.0%	0.7x	8.6x
Median: 11.4%	6.8%	2.0x	13.1x
75th %: 23.5%	24.9%	4.3x	18.6x

Source(s): S&P CapitalIQ, data as of 24.07.2023

1. Note that the multiples above 30x or in the event of a negative EBITDA margin are considered as non-material and are not used in the median calculation

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CARLSQUARE

“Closing Deals.”
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