Initiation of coverage

CDON AB

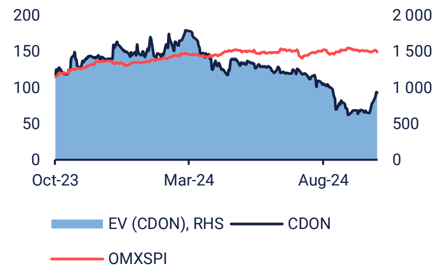
CDON AB (CDON, the company or the group) operates an online marketplace in Sweden and other Nordic regions. The company's marketplace allows customers to select and compare prices of products from a range of Nordic and international merchants.

CEO: Fredrik Norberg
CoB: Christoffer Norman
https://investors.cdon.com/

List: Nasdaq First North Stockholm
Last: SEK 93
Market cap: SEK 1,000m
Enterprise value: SEK 932m

Bloomberg: CDON:SS
Refinitiv Eikon: CDON.ST

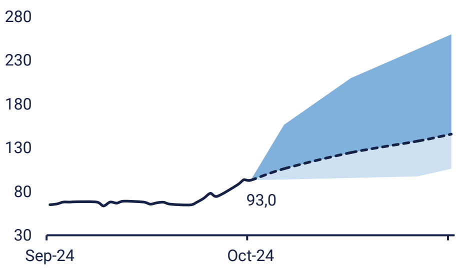
SHARE DEVELOPMENT



	12M	YTD	6M	1M
Development (%)	-26	-34	-30	43

Source: S&P Capital IQ

VALUATION RANGE



	BEAR	BASE	BULL
Share price (SEK)	106	146	260
Up-/downside (%)	14	57	180

Source: S&P Capital IQ and Carlsquare estimates

CARLSQUARE EQUITY RESEARCH

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A new platform to build marketplace excellence

Carlsquare Equity Research initiates coverage of CDON. While growth dynamics are challenging in the short term, the merger with Fyndiq creates a stronger Nordic online marketplace group with a broader customer offering. Technical and organisational integrations will be completed in 2024. We believe this provides the stepping stone for markedly improved financial performance.

A new chapter has started for a leading Nordic marketplace

In 2023, CDON merged with Fyndiq to consolidate its position as the leading Nordic marketplace. That was a timely move, as size and network effects are critical for profitability. This is demonstrated by the high margins of larger international peers, as well as CDON turning EBITDA positive last year following the merger. CDON has also strengthened its position in the bargain segment, which is growing more rapidly than the general market. The CDON board and management have long experience building successful Internet businesses, and there is significant insider ownership.

Growth headwinds could fade towards the end of the year

Major changes to online search and advertising algorithms and competition from Chinese platforms create choppy waters for many Nordic marketplaces and etailers. GMV for the group has decreased (year-on-year) for the last four quarters. On the bright side, consumer spending is recovering from the doldrums of 2022-2023. Also, we estimate that marketplace penetration in the Nordic is still low compared to the rest of the world, and there is plenty of room for growth.

A play on Nordic e-commerce converging towards global trends

As a (soon-to-be) pure-play marketplace provider, CDON is a rare animal among listed Nordic internet companies. Compared to most Nordic online retailers, CDON has a larger TAM because it offers a broader range of product categories, and there are no apparent constraints on capacity. We expect robust scalability and operating leverage if and when growth picks up.

Actions to unlock the profitability potential of the marketplace model

We estimate that total traffic to CDON group sites has likely bottomed. Management is taking several steps to improve customer experience. In parallel, the migration to a shared back-end platform for CDON and Fyndiq was recently completed. That should help CDON achieve profitable growth (GMV) in the current quarter. Assuming a return to double-digit growth, we expect CDON to make headway in narrowing the margin gap to its larger international peers (EBITDA-margin 20 per cent+) in the coming years.

We calculate a fair value per share of SEK 146 in a base case scenario, equivalent to an EV/Sales of 3.2x (2025E). That corresponds to a premium to international peers (median) motivated by catch-up potential.

Key figures (SEKm)

	2021	2022	2023	2024E	2025E	2026E
Net sales	542	459	469	445	464	530
Total operating income	542	461	469	445	464	530
Gross profit on net sales	227	227	324	337	379	448
EBITDA	-53	-115	23	17	75	100
EBIT	-64	-152	-58	-81	-26	-2
EBT	-64	-152	-69	-82	-25	1
Basic EPS	-10.2	-23.3	-7.0	-7.6	-2.3	0.1
Growth, net sales	-32.0%	-15.3%	2.0%	-4.9%	4.3%	14.1%
Gross margin	41.9%	49.4%	69.0%	75.7%	81.6%	84.5%
EBITDA margin	-9.7%	-25.0%	4.9%	3.8%	16.3%	18.8%
EBIT margin	-11.8%	-33.1%	-12.4%	-18.2%	-5.7%	-0.3%
EV/Sales	5.3x	2.4x	3.0x	2.0x	1.9x	1.7x
EV/EBITDA	NM	NM	61.7x	51.9x	11.7x	8.9x
EV/EBIT	NM	NM	NM	NM	NM	NM
P/E	NM	NM	NM	NM	NM	NM

Source: Company information and Carlsquare estimates

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Investment case

Carlsquare Equity Research believes CDON is taking vital steps to align one of the leading Nordic e-commerce marketplaces with the changing dynamics of online shopping. 2024 is a pivotal year to achieve technical and organisational integration following the merger with the bargain champion, Fyndiq, and we see , encouraging signs of progress despite a challenging market. The business model promises substantial operating leverage once growth returns. An experienced management team should help the company successfully navigate current external headwinds.

A new platform to build marketplace excellence

- **Sweden's leading online marketplace brand with owner/founder behind the wheel.** CDON estimates it is one of the leading online marketplaces in the Nordics. However, the market share is still minuscule at some one per cent of the addressable e-commerce market in the region. Despite the hefty drop in 2023, the GMV of the core CDON Marketplace business has grown some twelve per cent annually since 2019. Following the merger with Fyndiq, the co-founder of Fyndiq, Fredrik Norberg, has stepped in as CEO of the new group. After a previously high turnover at management positions, investors likely wish for stability at the top. In our view, Fredrik Norberg and his team have the experience and incentives to build CDON beyond the integration phase for the long term. Also, Fredrik is one of the largest owners of CDON.

An online marketplace is an e-commerce website where product or service information is provided by multiple third parties.

In an online marketplace, consumer transactions are processed by the marketplace operator and then delivered and fulfilled by the participating retailers or wholesalers.

- **CDON could benefit if Nordic e-commerce remoulds according to global trends.** Unlike most other regions, marketplaces correspond to only a tiny percentage of Nordic e-commerce (~5 per cent, according to CDON). The dynamics have arguably started to change following the opening of Amazon's Swedish operations in 2020. While increased competition from "The Everything Store" could appear ominous, there are many examples of local or regional marketplaces thriving alongside Amazon in other countries, e.g., Germany and Poland. The new dynamics could help CDON gain market share if it continues to build a better customer experience.
- **Return to organic GMV growth in Q4 2024?** Despite growth headwinds, several performance indicators are improving, and CDON has massively increased its supply. Management is taking several steps to improve customer experience including deeper collaboration with partners in, e.g., customer support, payment services and delivery experience. In parallel, the platform migration was successfully completed in September 2024. While GMV has contracted nine per cent 2024 YTD, comparables will be favourable towards the back-end of the year. We believe a return to positive organic growth should inspire renewed confidence in the company's ambitious growth plans and work as a share-price catalyst.

Gross merchandise volume (alternatively gross merchandise value or GMV) indicates a total sales monetary value for merchandise sold through a particular marketplace over a certain time frame. GMV includes any fees or other deductions which a seller might calculate separately. Marketplace revenue comes from fees and is different from the monetary-value of items sold

- **Combination with Fyndiq improves the value proposition to consumers**. In 2023, CDON merged with Fyndiq, significantly strengthening its position in the bargain segment. In a challenging e-commerce market, Fyndiq's GMV increased by ten per cent in H2 2023.
- **Cost efficiency measures.** CDON Group aims for cost synergies of SEK 40m from the combination of the CDON and Fyndiq entities. Starting already in 2023, we trace a positive underlying trend in costs.

- **Chinese discounters under scrutiny**. There is mounting pressure to increase regulation of ultra-discount online channels such as Temu and Shein. Policymakers are concerned about their impact on the environment and working conditions, such as the textile industry in low-cost countries. Increased taxes and a ban on advertising have already been introduced in, e.g., France. The EU Commission is reportedly discussing imposing customs duties also on imported goods valued at less than EUR 150. Admittedly, such measures directed against "unfair" Chinese competition are something of a double-edged sword for CDON, as ~40 per cent of Fyndiq vendors are Chinese. Hence, future growth for Fyndiq could be hampered by a more restrictive EU trade policy vs. China. Overall, however, signals of stricter regulations against Chinese discount e-commerce could improve sentiment for shares in European e-commerce companies.
- **Huge scalability and limited working capital needs.** CDON marketplace and Fyndiq operate as marketplaces enabling e-commerce rather than retailers. Hence, they typically never carry any stock, and there are no apparent constraints on capacity. Compared to most online retailers, CDON has a larger TAM (Total Addressable Market), offering a more comprehensive range of product categories. Once the GMV improves and "the flywheel" starts spinning faster, we believe underlying profitability and cash flow conversion should be strong.
- **Strong earnings growth in the cards from high operating leverage.** As the transition to a full-fledged e-commerce marketplace continues, Nordic e-commerce recovers, and CDON realises the full benefits of the Fyndiq merger, we believe CDON can make significant headway in profitability. It should be able to narrow the margin gap to its larger international peers in the coming years, and we assume an EBITDA margin of around 24 per cent in five years (4.8 per cent in 2023). That should translate into a CAGR EBITDA increase of nearly 70 per cent.

Compared to other regions, the Nordics is still a fragmented e-commerce market. According to Channel IX, marketplaces globally accounted for 35 per cent of online purchases in 2022. According to CDON, this figure is closer to 50 per cent (CDON Capital Markets Day, November 2023). That is markedly higher compared to only five per cent in the Nordics (as estimated by CDON).

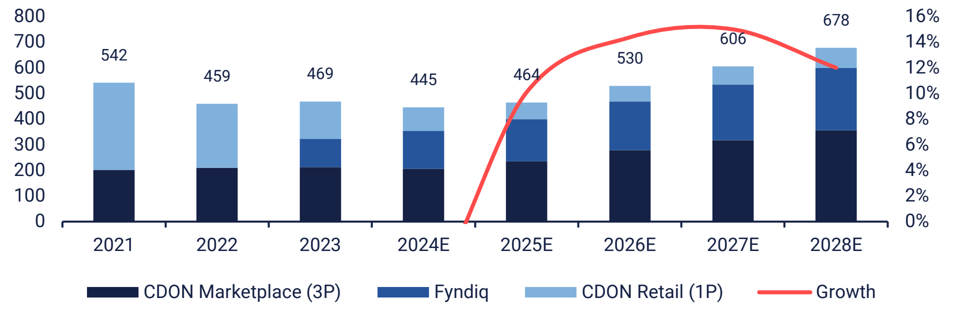
Estimates and assumptions

Significantly improved profitability when growth picks up

In the short term, we expect a gradual pick-up in GMV growth in Q4, following an overall decline YTD including Q3 2024. That results in a contraction overall in 2024. Sales visibility beyond 2024 is still low. However, we believe Nordic e-commerce can grow in the high single digits over time.

We expect that CDON will regain market share in 2025-2026 following the completion of the platform migration. Solid growth for international marketplaces suggests that the marketplace model is growing faster than the general market in the Nordics. We assume 3P GMV will increase some 13 per cent on average from 2025 to 2028. This translates into a net sales growth of about eleven per cent on average, as lower 1P sales in line with the long-term transformation of CDON will mitigate the GMV growth and an increased take rate.

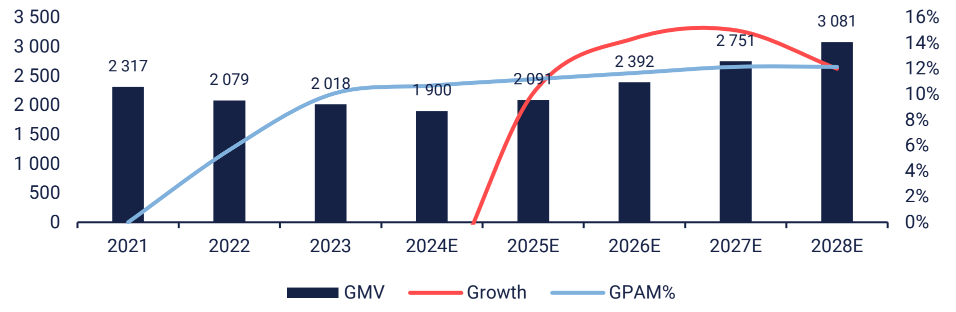
Net sales (SEKm) & growth (%)



Source: Company information and Carlsquare estimates

Besides top-line growth, CDON targets increased gross margins after marketing and OPEX efficiency to realise strong incremental margins and drive EBITDA higher. Anticipating improvement in gross and GPAM margins and contained OPEX, we see the potential for solid operating leverage and a rapid earnings increase.

GMV (SEKm) and GPAM (%)

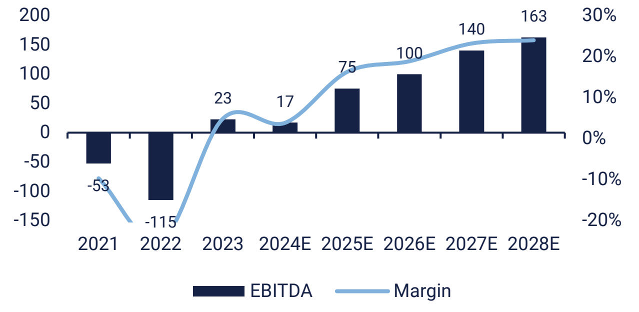


GPAM = Gross profit after marketing. GPAM% = Gross profit after marketing over GMV. Source: Company information and Carlsquare estimates

For 2024, we expect the group's EBITDA margin to contract to 3.9 per cent (4.8) and then propel to some 16 per cent in 2025. Factors such as resumed GMV growth, an increasing take rate, and lower OPEX should drive higher profitability next year.

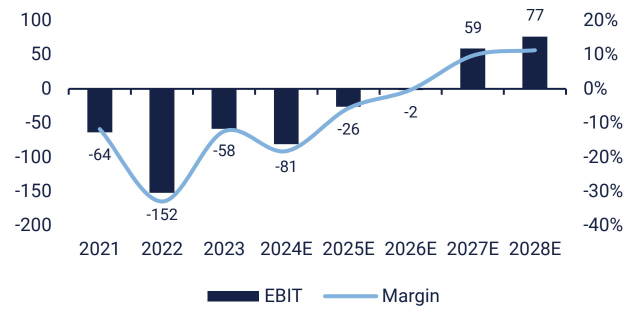
In the long term, we forecast CDON to reach an EBITDA margin of around 24 per cent in five years. At the end of the forecast period, we assume the EBIT margin will increase to 12 per cent (or 16 per cent excluding goodwill amortization according to Swedish K3 accounting), in line with larger international peers.

EBITDA (SEKm) & margin (%)



Source: Company information and Carlsquare estimates

EBIT (SEKm) & margin (%)



Source: Company information and Carlsquare estimates

Valuation

Using a DCF valuation, we calculate a fair value per share at SEK 146 per share. Our valuation corresponds to an EV/Sales 2025 multiple of 3.2x and an EV/EBITDA 25E multiple of 19.9x. The peer group trades at an EV/Sales 2025 multiple of 2.4x and an EV/EBITDA 2025 multiple of 11.3x.

Fair value within a range

Resumed growth could entail premium valuation

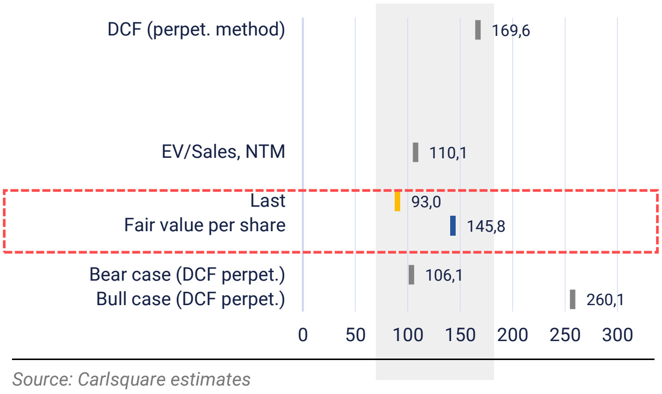
In a base case scenario, we combine a DCF model with a multiple valuation to calculate a fair value of SEK 146 per share. The valuation is predicated on a return to organic growth next year and rapidly improving margins.

Fair value (SEK/share), base case

		weight	
Currency, SEK/SEK			1.0
EV/Sales, NTM	SEK	40%	110.1
DCF valuation	SEK	60%	169.6
Fair value per share	**SEK**		**145.8**
Potential up-/downside			57%
Shares outstanding, fully financed	M		10.8
Equity value	SEKm		1 567
Cash (last rep. Q)	SEKm		67.6
Debt (last rep. Q)	SEKm		0
PV cash from equity financing	SEKm		0,0
EV	SEKm		1 499

Source: Carlsquare estimates

Fair value within a range (SEK/share)



Source: Carlsquare estimates

Implicit valuation multiples, base case

	2022	2023	Curr. NTM	NTM	2024E	2025E	2026E	2027E	2028E
EV/Sales	2.4x	3.0x	2.0x	3.3x	3.4x	3.2x	2.8x	2.5x	2.2x
EV/EBITDA	-9.5x	61.7x	13.5x	21.7x	87.8x	19.9x	15.0x	10.7x	9.2x
EV/EBIT	-7.2x	-24.1x	-29.4x	-47.2x	NM	NM	NM	25.5x	19.6x
P/E	-7.8x	-20.0x	-32.9x	-51.5x	NM	NM	NM	46.4x	39.7x

Source: Carlsquare estimates

In a bull case scenario, we assume an average 50 per cent higher growth rate in the forecast period 2023 to 2033 compared to the base case scenario. We also assume about five percentage points higher margins from increased economies of scale.

In contrast, in a bear-case scenario, we pencil in a 20 per cent lower growth rate, corresponding to an average five per cent net sales increase. Consequently, we also calculate with lower margins (around five percentage points).

Evaluation, three scenarios

	BEAR	BASE	BULL
Rev. growth assumtions			
CAGR, 2023-26	3.0%	4.2%	7.0%
CAGR, 2026-29	9.0%	11.2%	16.8%
CAGR, 2023-33	6.0%	7.6%	11.6%
Assumptions, EBITDA margins			
AVG, 2024-26	9.7%	13.0%	16.3%
AVG, 2027-29	18.7%	23.7%	28.7%
AVG, 2024-33	16.1%	20.5%	25.1%
2033	18.9%	23.8%	28.9%
Calculated value per share (SEK)	**106.1**	**145.8**	**260.1**

Source: Carlsquare estimates

DCF evaluation

DCF valuation, base case scenario

DCF valuation						
PV(UFCF)	SEKm	771	Disc. rate			
PV(TV)	SEKm	985	Risk-free rate	2.3%	Tax adjust. r on debt	4.8%
Enterprise value	SEKm	1 755	Market risk premium	6.1%	Leverage	0.0%
Net debt (+), last Q	SEKm	-68	Size premium	2.2%	WACC	10.6%
Value, associated comps.	SEKm	0.0	Beta	1.0x	Comp. spec. premium	0.0%
Value, minority interest	SEKm	0	Req. return on equity	10.6%	**Discount rate**	**10.6%**
Shareholder value	SEKm	1 823	Assumptions			
PV(equity financing proceeds)	SEKm	0.0	CAGR, 2022-33E	7.6%		
Shareholder value, after financing	SEKm	1823	EBITDA-margin, 2033E	23.8%		
Current shares outstanding	M	10.8	EBIT-margin, 2033E	16.1%		
New shares	M	0.0	Tax rate	20.6%		
Shares outstanding after financing and dilution	M	10.8	Implied multiples			
Value per share (before financing and dilution)	SEK	169.6	EV/Sales, NTM	3.8x	EV/EBITDA, NTM	102.8x
Value per share (after financing and dilution)	SEK	169.6	EV/Sales, 24E	3.8x	EV/EBITDA, 24E	23.3x
Currency	SEK/SEK	1.0	P/S, NTM	4.0x	EV/EBIT, NTM	NM
Value per share (before financing and dilution)	SEK	169.6	P/S, 24E	3.9x	EV/EBIT, 24E	NM
Value per share (after financing and dilution)	**SEK**	**169.6**	EV/Gross prof., NTM	4.8x	P/E, NTM	-22.3x
Potential up-/downside		82%	EV/Gross prof., 24E	4.6x	P/E, 24E	-73.2x

Source: Carlsquare estimates

Multiple valuation

Multiple evaluation median EV/Sales NTM, base case scenario

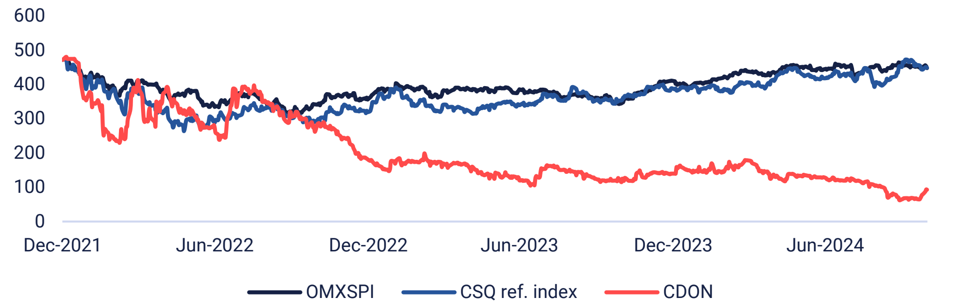
		Median Mcap (USDm)	Sales CAGR, 2023-26	µEBIT marg, 2023-25	EV/Sales, NTM
Ref. group, Median		9 471	8%	21%	2.4x
Ref. group, Average		234 877	12%	20%	2.7x
Discount					0.0%
Applied multiple					2.4x
Net sales, NTM	SEKm				461.0
Enterprise value	SEKm				1 115.7
Net cash(-), last Q	SEKm				-67.6
Value, associated comps.	SEKm				0.0
Value, minority interest	SEKm				0.0
PV(equity financing proceeds)	SEKm				0.0
Shareholder value, after financing	SEKm				1 183
Current shares outstanding	M				11
New shares	M				0.0
Shares outstanding after financing and dilution	M				11
Exchange rate	SEK/SEK				1.0
Fair value per share after financing and dilution	**SEK**				**110.1**

Source: S&P Capital IQ and Carlsquare estimates

Share and valuation trends

The chart below illustrates the performance of the CDON share relative to OMXSPI and a CSQ reference index of twelve relevant e-commerce marketplace peers. It is evident that the share has demonstrated relative weakness compared to OMXSPI and the CSQ reference index. We believe a drawn-out transition to growth following the pandemic has contributed to the share price depreciation. The shares have performed strongly in conjunction with the announcement of the merger with Fyndiq and also the Q2, 2023, and Q4, 2023 reports. The share price drop in Q3 2024 was steep, especially before and after the large share transaction announced on 19 September. Following the Q3 report, the shares have recovered about half of that loss.

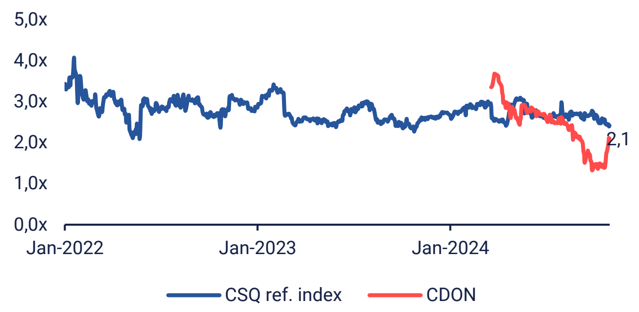
Share price development (SEK per share)



Source: S&P Capital IQ and Carlsquare

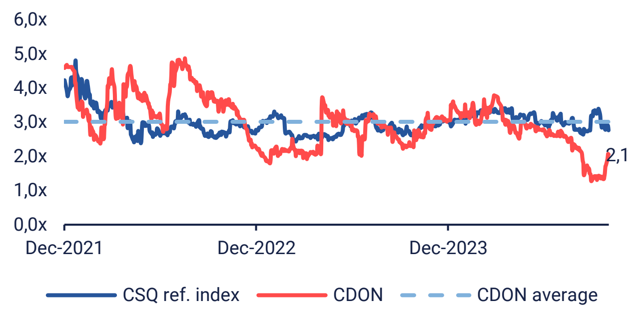
Below is the revenue valuation trend. Note that the forward (NTM) valuation multiples are calculated on a rolling 12-month forward forecast. There is limited data, but we conclude that CDON, following the share price drop YTD, is valued at a discount to peers. Peer valuation, in turn, is largely unchanged in 2024. Since the beginning of 2022, we estimate that the peer group has, on average, traded at an EV/Sales (NTM) multiple of 2.8x.

EV/Sales, NTM



Source: S&P Capital IQ and Carlsquare

EV/Sales, LTM



Source: S&P Capital IQ and Carlsquare

Risks and Challenges

Increasing competition

There is a risk of increased competition from multinational players such as Amazon and Temu. Also, leading Nordic online retailers have started to broaden to more categories (e.g., Clas Ohlson into spare parts, Boozt in Home and Beauty) or marketplace business (e.g., Elgiganten). If CDON is not able to secure suppliers that can offer competitive prices in its top categories, it may lose market shares. Alternatively, it might have to lower commissions to attract top suppliers.

Historically, CDON's profitability has been low

CDON has historically struggled to show consistent and profitable organic growth. In fairness, this is partly a result of the lengthy, gradual transition from a traditional e-tailer to a marketplace. However, it is still uncertain whether CDON will reach sufficient scale to achieve profitability similar to that of its larger international peers.

Dependency on Nordics

CDON addresses the Nordic markets, and it will be challenging to grow significantly outside this region without acquisitions. To some extent, this limits growth opportunities. However, we believe the Nordics represent an attractive opportunity due to relatively low e-commerce penetration, high average order values, and, so far, lack of any dominating marketplaces.

Fragile consumers

The value of the Swedish e-commerce market has declined for two years in a row. However, there are signs that retail sales will improve in 2024, and vendors have gradually become more optimistic at the beginning of the year, according to a survey by HUI (the research arm of the Swedish Retailers Association). However, high interest rates, inflation, and rising unemployment in Sweden are still concerns for consumers.

Winds of change in search and digital advertising

Changes to Google's algorithm have impacted traffic to some online channels severely, including CDON, since the end of 2023 It is difficult to decipher the long-term impact on CDON and other marketplaces. Companies with solid organic traffic and access to high-quality logged first-party data could emerge as relative winners. CDON's ad revenue, which today is tiny, could benefit as vendors seek new advertising channels.

CDON at first glance

CDON Group's vision is to offer the best e-commerce marketplace shopping experience in the Nordic region and aims to build the leading marketplace in the Nordics. It operates through two distinctive business to consumer (B2C) marketplace sites: CDON and Fyndiq. The value of goods traded on CDON's platforms is around SEK 2bn annually. CDON focuses on categories such as Home Electronics, Home & Garden and Sports & Leisure. Meanwhile, Fyndiq is the largest online bargain marketplace in the Nordic region. The focus is on Mobile Accessories, Electronics and Household Goods. CDON marketplaces generate revenue through commissions and fees for value-added services.

Defining a marketplace

Brands and retailers in the B2C space rely on two main channels to sell products online:

- A retail website owned and managed by the retailer or brand,
- and/or a marketplace like CDON.

In addition to the above-mentioned channels, social commerce and affiliate programmes, such as PriceRunner, can be added as additional methods or channels to reach the consumer. Nevertheless, each channel excels in certain areas. Conversely, each channel has limitations. Thus, by strategically combining channels, retailers and brands can leverage the strengths of each.

Carlsquare Equity Research describes a marketplace as an online platform that connects and facilitates commercial transactions between buyers and sellers. The principal business model of a classic marketplace, as per our definition, is centred around revenue sharing and the marketplaces' crucial role in facilitating the money transfers involved in a transaction.

Additionally, we differentiate a classic marketplace from classifieds, such as Blocket. For classifieds, the traditional business model was to charge the seller a fee per ad. However, recently, the revenue stream of classifieds has typically become more dependent on advertising and premium features offered to sellers. Nevertheless, as marketplaces are diversifying their revenue streams and share common ground with classifieds from several perspectives, we label classifieds as a category of marketplaces.

Furthermore, a significant distinction between a marketplace and other e-commerce channels/models, such as social commerce and affiliate programmes, is its practice of not redirecting the consumer to external websites. Instead, the buyer carries out the purchase on the marketplace platform.

Product categories set marketplaces apart

A marketplace can be niched towards a specific product vertical, such as Getty Images, which is niched towards digital photos and videos, or Zalando, which is niched towards fashion. In contrast to specialist marketplaces, general marketplaces, such as CDON, offer ranges in various product verticals.

Different operational models for marketplaces

A marketplace can operate exclusively as an intermediary, serving third-party sellers; eBay is a prime example of this model. Alternatively, a marketplace might blend its role as an intermediary with the sale of products from its own brands or inventory, as exemplified by Zalando and CDON.

According to our definition, a marketplace can have several revenue models related to its role as an enabler. Often, revenue sharing on transactions is the most important (as for CDON). However, fixed fees revenues from e.g., advertising can also be significant as demontrated by e.g. eBay. Other sources of revenue encompasses supplementary services for logistics and delivery support to merchants (and consumers), with Amazon being a notable instance of this category. In addition to the business model, the operational model that is being utilised affects the margins. However, in absolute terms, it is obvious that a larger service offering has a larger potential.

A general marketplace is typically operated by a third party, such as eBay, while specialised marketplaces are not too seldom run by a retailer, such as Zalando or Asos. In the latter, it has been natural to develop into a marketplace to broaden the product range.

CDON: Revitalizing a Nordic online icon

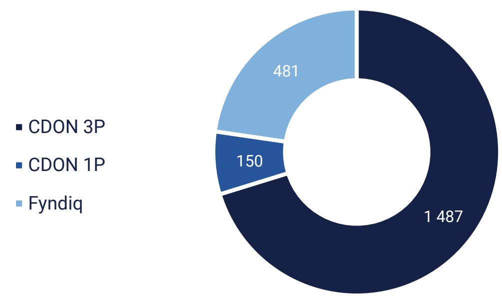
A microcosm of Swedish e-commerce history

CDON has been in the business for ~25 years

Since its launch in 1999, CDON has evolved from a pioneering online vendor of media and entertainment as well as home electronics in the Nordics, carrying its own inventory, to a marketplace model. In 2013, CDON opened for the first time to third-party vendors, and in 2016, the decision was made to transform the company into a digital marketplace.

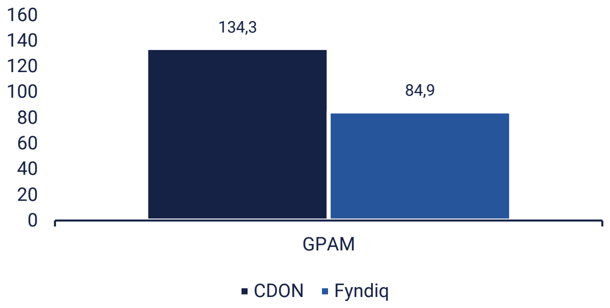
CDON was originally part of the MTG Group. The CDON group was demerged from MTG in 2010 and consisted of online retail operations in entertainment, fashion, sports, and health. In 2011, it acquired Tretti.se, a leading Swedish etailer of well-known home appliance brands. 2014, the CDON group launched proprietary payment and financing solutions and was renamed Qliro Group. In 2020, Qliro Group was split into three as Qliro AB and CDON AB were distributed to its shareholders and separately listed.

Gross merchandise value (GMV) (SEKm) (2023)



Source: Company information and Carlsquare

Gross profit after marketing (2023) (SEKm)

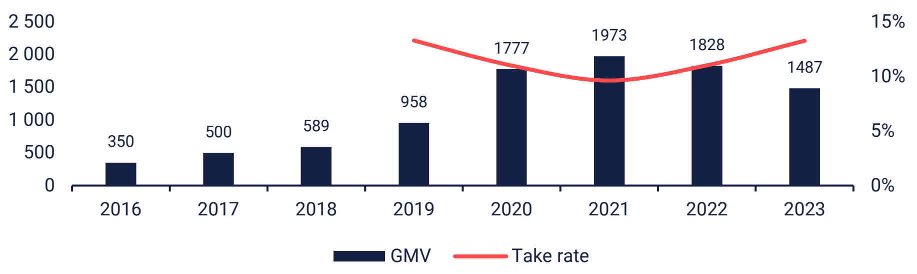


Source: Company information and Carlsquare

The transition to marketplace is almost completed

The change in strategy makes it hard to assess financial performance over time. Net sales for the CDON group have decreased considerably over time due to the shift from first-party to third-party sales. However, CDON marketplace has demonstrated good growth since the new direction towards a marketplace was adopted in 2016. We estimate some 20 per cent CAGR in GMV until 2023. In recent years, CDON marketplace revenue has contracted. Still, we estimate GMV growth of some 12 per cent CAGR since 2019, which is in line with the overall e-commerce market in Sweden.

CDON Marketplace Gross merchandise value (GMV) (SEKm) and take rate (%)



Source: Company information and Carlsquare

The reasons behind the lower GMV since 2021 are the slowdown in retail and e-commerce sales in 2022-2023 and CDON deliberately "cleaning out" some vendors deemed unprofitable. CDON has not specified the impact of terminating these vendor accounts. However, as we understand, vendors are continuously reviewed. Moreover, increased competition from, e.g., Amazon.se, and Chinese marketplaces with heavily discounted goods has likely also been a factor.

Fyndiq: A Nordic discount veteran

Sales underpinned by platform upgrade and Nordic expansion

Fyndiq was launched in 2010 as a channel for Swedish retailers to sell residual stock online. The founders included current CDON CEO Fredrik Norberg and entrepreneurs Dinesh Nayar and Micael Widell.

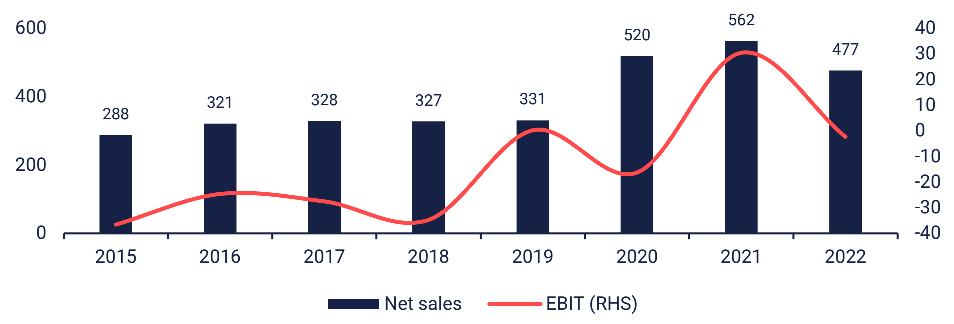
Fyndiq was founded by internet entrepreneurs

According to our estimates, Fyndiq's turnover increased by an average of around seven per cent annually between 2015 and 2023. A caveat is that this calculation is based on Fyndiq's previous recognition of net sales. Fyndiq grew rapidly in the first half of the last decade, boosted by strong customer growth in Sweden and cross-border sales. Subsequently, however, sales growth waned until 2020, when Fyndiq switched to a proprietary e-commerce platform and started expansion to other Nordic countries. Also helped by the strong online activity during the pandemic, sales increased to above SEK 500m and remained close to these levels until 2023.

Fyndiq is making juicy fees from bargain offering

The take rate (i.e., commissions and service fees) is about twice as high for Fyndiq compared to CDON due to the mix in GMV (e.g., accessories have higher commissions as a percentage compared to branded home electronics devices), and Fyndiq also reports other customer revenues (from shipping).

Fyndiq Net sales and EBIT, SEKm

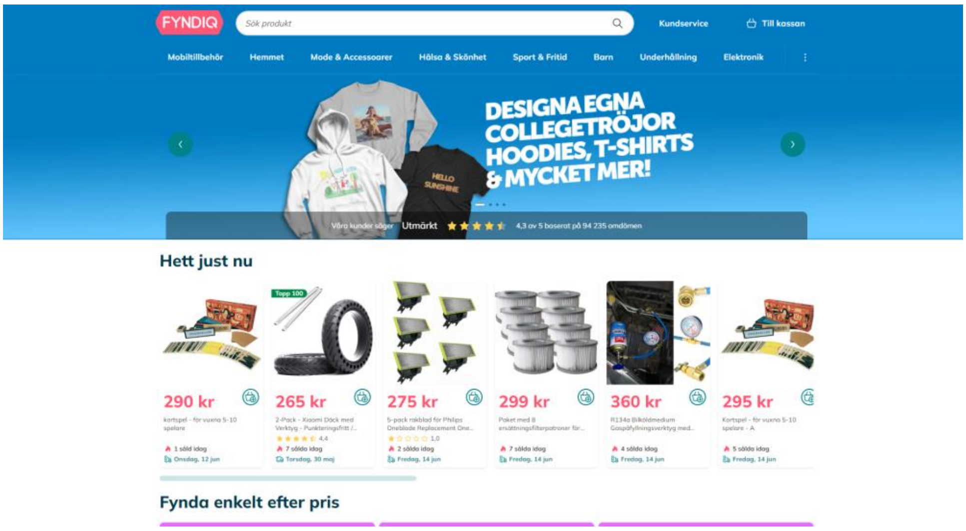


Source: Company information and Carlsquare

Fyndiq has reported a positive EBITDA since 2018, except in 2020. Since its conception and until the merger with CDON, Fyndiq has raised some SEK 205m in equity financing.

In 2018, Fyndiq launched the “Fyndiq Superbilligt” app to sell discount products directly from Chinese vendors. “Superbilligt” thus imitated the concept of Wish, a very popular shopping app during this period. However, Fyndiq scrapped the concept after some six months. In a *BreakIt* interview, Mr Nayar (the CEO at the time) stated that the app launch itself had been successful but that “the planet would be better off without Wish or Wish competitors”.

Fyndiq.se site



Source: Company information and Carlsquare

Despite eventually withdrawing the app, we believe it is reasonable to assume that the Fyndiq organisation gained some valuable experience and insight. Further, this knowledge is likely helpful as Fyndiq is massively increasing its supply from China again. The feeling of déjà vu is exacerbated by the dramatic surge in the flow of goods from China, following in the footsteps of the successes of Temu and Shein on a much larger scale than Wish.

Strategy and goals

Aiming to build the leading Nordic marketplace

CDON Group's vision is to unleash the power of the marketplace to offer the best shopping experience in the Nordic region. It aims to build the leading marketplace in the Nordics with two primary objectives:

- Massively increase supply
- Greatly improve customer satisfaction

Two brands with supplementary positions

CDON offers a wide selection of quality products by well-known brands. It focuses on categories such as Home Electronics, Home & Garden and Sports & Leisure. Meanwhile, Fyndiq is the largest online bargain marketplace in the Nordic region. The focus is on Mobile Accessories, Electronics and Household Goods. Thus, CDON and Fyndiq are positioned to cater to diverse needs. Also, the combination should provide sales synergies, as well as organisational and technological synergies and increased economies of scale from combined volumes. At the same time, there is less competition for customers and merchants.

Ambitious long-term goal of double-digit market share

The company states the following financial directives:

- CDON Group's marketplace business shall continuously gain market share in the Nordic e-commerce market.
- CDON Group's marketplace take rate shall increase over time.
- CDON Group shall enjoy strong incremental margins as a result of its high gross margin marketplace business and the relatively fixed nature of administrative and general costs.

CDON Group currently holds a market share of approximately 1.0-1.5 per cent in the Nordic e-commerce market. The long-term goal is to achieve a double-digit market share. CDON considers this a realistic target, as it is low compared to the market share of leading e-commerce marketplaces in most developed countries.

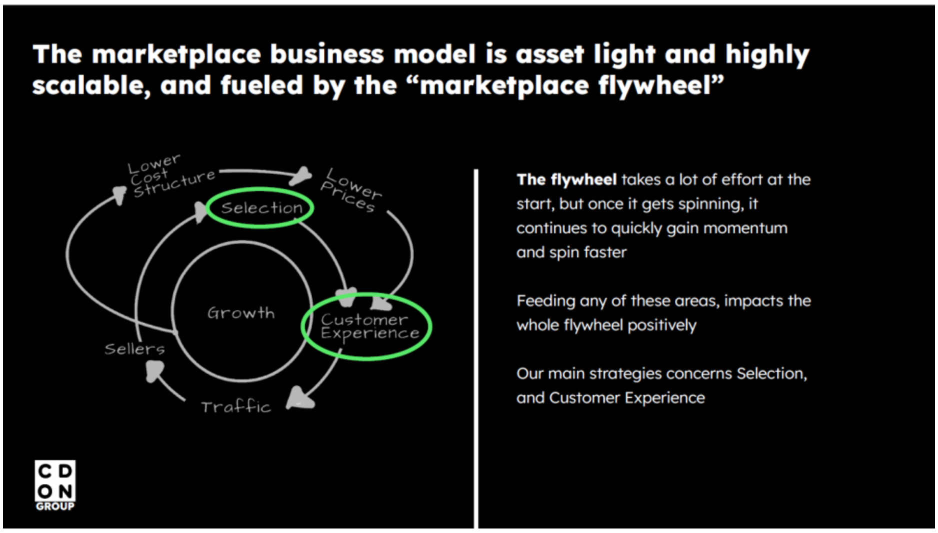
Creating a stronger e-commerce group

The Flywheel

The Flywheel is a concept launched by author Jim Collins to illustrate how companies went from good to great. According to this theory, the transition was typically not caused by a single action or event but through a relentless process of "pushing the flywheel" to gain momentum, i.e., a series of good decisions well executed. The idea is then to keep pushing and compounding the positive momentum. Collins famously presented the concept to Amazon's management in late 2001. Amazon adopted its version of the Flywheel starting with lower prices, leading to increased customer visits and attracting more third-party sellers, which leads to more revenue for Amazon to expand with, which grows revenue per fixed costs, which allows for lower prices for customers, which increases customer visits…and infinitum.

For CDON, the focus is on improving supply/selection and customer experience.

The Marketplace Flywheel according to CDON



Source: Company information and Carlsquare

Selection

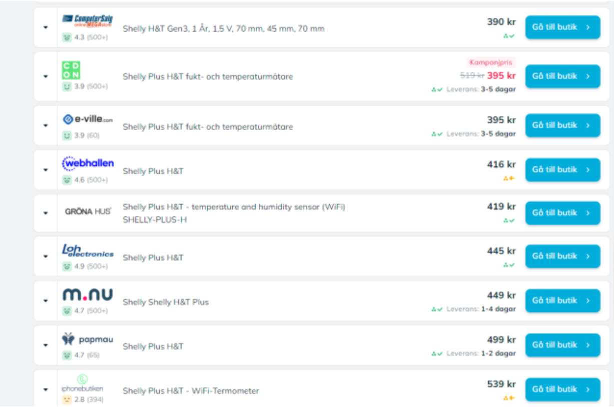
The lifeblood of a marketplace is supply. CDON claims it offers 31 million products (CMD November 2023), including Fyndiq. We consider this a fairly high number, given its size. We estimate that CDON tends to, on average, work with fewer but larger suppliers compared to other marketplaces. Fyndiq has increased the number of merchants since H2, 2023. CDON's vendor base has declined following a review of old vendors and delayed recruitment of before the completion of the technological platform migration. However, the new platform should facilitate a further expansion of supply going forward.

Customer experience

Customer experience involves several facets. Like in the original Amazon Flywheel, price is certainly one of the most important. Product quality, delivery times, customer support and return policies are other examples.

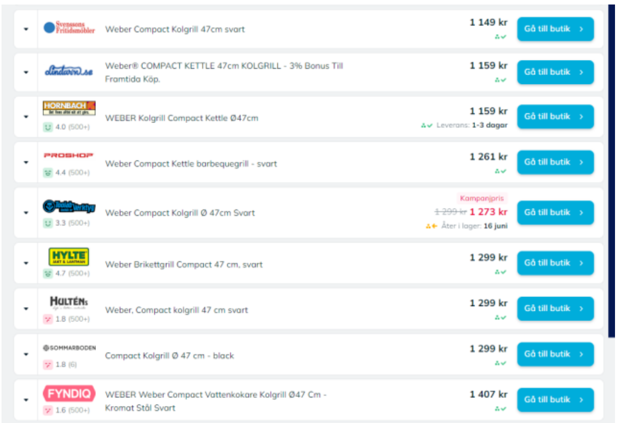
Our view is that CDON offers relatively attractive pricing in several cases, but not always. In conjunction with the Q2 2024 report, management acknowledged that it trailed behind in its offering of competitive enough prices for the top merchandise in the CDON segment.

Price comparison WiFi thermometer



Source: Prisjakt.se and Carlsquare

Price comparison small charcoal grill



Source: Prisjakt.se and Carlsquare

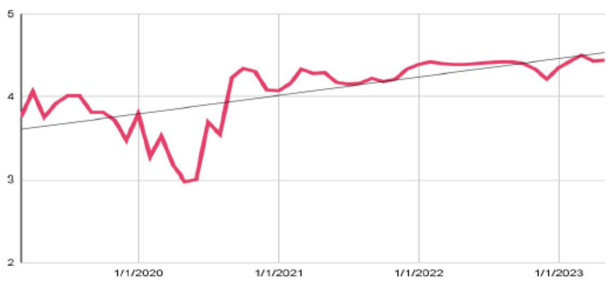
In terms of delivery times, it appears to be similar to amazon.se. Given the diversity of vendors and categories, it is not surprising that there are variations in delivery times. However, we should note that Amazon Prime subscribers typically enjoy substantially faster delivery.

CDON marketplaces have experienced a declining trend in recent years regarding customer experience, as reported on Trustpilot.com. The poor reviews in Denmark and Finland especially could mean an uphill battle to grow in these local markets. It is uncertain if any significant investments will eventually be required to improve the customer experience meaningfully. Reviewers are criticizing, e.g., difficulty in returning items (CDON does not offer free returns) and, to some extent, delivery times and availability of customer services.

Customer satisfaction CDON

Source: CDON and Carlsquare

Customer satisfaction Fyndiq



Source: CDON and Carlsquare

Trustpilot.com reviews

Source: Trustpilot.com and Carlsquare

Fyndiq has a relatively strong score and sets an encouraging example for the rest of the group. Judging from reviews, customers appreciate the low prices and friendly service.

CDON says it is adopting a more customer-centric approach, and in Sweden, at least, the score has stabilized. The customer support function has recently been outsourced (to the same partner previously used by Fyndiq), and CDON reported at the Q1 2024 conference call that so far, customer satisfaction is unchanged in CDON and has increased for Fyndiq.

In contrast, the reviews of amazon.se are still terrible. Despite this, Amazon has shown good growth in the Nordics. That demonstrates that the relationship between reviews and sales growth is not always straightforward.

Platform migration should boost efficiency and development

Currently, the most important integration project is the migration to a single technology platform. CDON expects that around half of the targeted SEK 40m in cost synergies from the merger to be related to the migration. Two very different platforms will be replaced by one back end (however, CDON will continue to operate with the CDON and the Fyndiq front ends). One back end, as opposed to the previous two, will help reduce fixed costs related to platform operations, including personnel. CDON also emphasizes that the migration will allow for speedier continuous future development of both sites, which is a reasonable expectation in our view.

A changing e-commerce landscape

According to CDON management, the Nordic e-commerce landscape differs significantly from the rest of the world due to the low share of sales from B2C marketplace platforms. One explanation is the early adoption of online commerce by leading Nordic retailers such as Adlibris, Elgiganten, and H&M. Unlike e.g. Germany, Amazon was also late to the game in the Nordics. It remains to be seen if Amazon's increased presence could trigger any major transformation.

In 2020, Boston Consulting Group predicted that Amazon would gain a market share between 5 and 10 per cent in Nordic e-commerce (excluding services) by 2025. That forecast now appears optimistic, however. The development suggests that it will still take some time for marketplaces to become dominant in the Nordic space. Admittedly, M&A could speed up a defragmentation process to create Nordic marketplace champions, and acquisitions have been key to Amazon's growth in Europe (e.g., Telebook in Germany and Bookpages in the UK in 1998). The merger of CDON and Fyndiq could partly be seen as a response to the threat from competition such as Amazon.

Amazon.pl was launched in Poland in 2021. According to ECDB, sales were USD 333m (226) in 2023, which suggests a solid start and strong growth. However, Amazon is still far behind the main competition, such as Allegro, one of Europe's largest online marketplace giants.

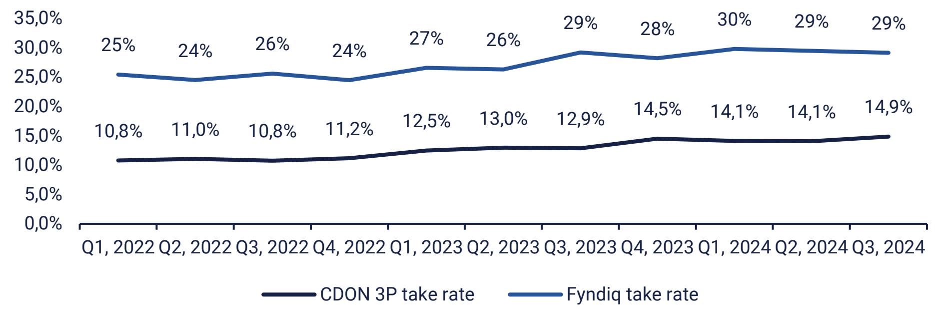
For merchants, it makes sense to collaborate with several marketplaces to be able to address as large a share of the market as possible. The caveats are that the marketplaces need to be sufficiently large to be attractive and that fulfilment is efficient.

Marketplaces have increased take rates

In the last four years, CDON's gross profit has, on average, increased in line with GMV despite some fluctuations in the take rate. The take rate (i.e. the fees online marketplaces collect for enabling third-party transactions) is mostly commissions but also includes, e.g., ad revenues. Typically, commissions vary with product mixes and are often relatively lower for, e.g., electronics.

As illustrated below, Fyndiq has enjoyed much higher commissions and customer revenues compared to CDON. Discounted items are typically associated with a higher take rate in percentage terms. It is reasonable to assume that large vendors with well-known branded products have more bargaining power in relation to wholesalers and marketplaces compared to sellers of non-branded items. Fyndiq also records customer revenues from shipping in its take rate. However, Fyndiq itself does not provide shipping to consumers. As we understand it, the rationale behind this line of fees is that its vendors, in turn, typically apply a charge to Fyndiq for delivery.

CDON and Fyndiq Take rate development



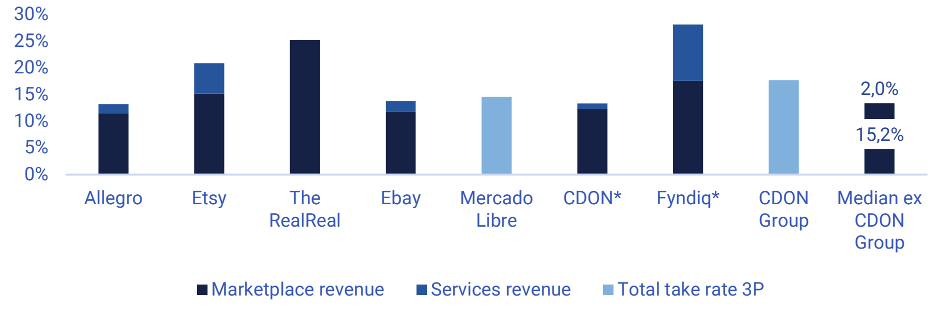
Source: Company information and Carlsquare

Many peers also charge for fulfilment services, boosting the take rate (at the cost of higher OPEX). CDON Group currently offers fulfilment to a small number of vendors in collaboration with third-party logistics provider Bring Shelfless. It is quite early days, but the company sees potential to expand this service.

Fulfilment is the process of storing inventory, picking and packing products, and shipping online orders to customers.

A comparison indicates that the take rate for the CDON Group as a whole is similar to that of other marketplaces. Fyndiq has a high take rate from an industry perspective, while the CDON commissions are slightly below the median. There are, however, significant variations, and besides service levels, product mix and the relative bargaining power of vendors are likely key factors. In the group below, we separate "marketplace revenue" (i.e., commissions/transaction fees) from "service revenue" (e.g., advertising, and logistics).

Take rate (2023), comparison

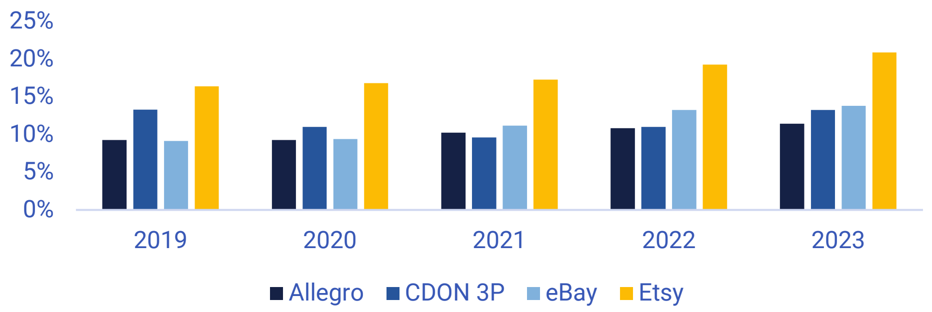


*Source: Company information and Carlsquare. * Estimates of take rate break down based on CMD November 2023 presentation*

Amazon which is absent from our set of peers does not report the breakdown of its take rate. According to Marketplace Pulse, Amazon charges around 15 per cent in transaction fees and 20 to 35 per cent in fulfilment fees. In addition, advertising and promotion fees correspond to up to 15 per cent of GMV. We have yet to verify this data specifically, but it is evident that Amazon has proven an exceptional ability to monetise its marketplace.

We calculate a median take rate of 15.2 and two per cent on take rates from commissions and service revenue, respectively. CDON Group aims to increase the take rate over time. The trend has been positive in recent quarters. Notably, we observe a similar development for its peers. Just as for CDON, increased commissions appear to be an essential driver.

Take rate, five-year development



Source: Company information (CMD November 2023) and Carlsquare

In the medium term, increasing advertising revenue is an obvious focus area. The company has not communicated any significant changes to its fee structure. In the short term, there could be a trade-off between the take rate and growing CDON's vendor base.

ESG and other initiatives

Implementation of an environmentally conscious logistic strategy

Logistics are an integral part of CDON's ESG engagement. In 2022, CDON started cooperation with Bring, a Nordic postal and logistics group that develops and delivers comprehensive solutions within post and logistics.

Adopting sustainable practices in logistic and internal operations can significantly reduce the carbon footprint and environmental impact of transportation and storage. It is not just environmentally friendly; it can also lead to cost reductions and improved efficiency. Cooperation with Bring includes the delivery of parcels, packaging, and handling through Bring's automated warehouse in Arlandastad. Moreover, the electricity required for operation is generated from solar panels invested by CDON. Every facility operated by Bring in the Nordic region has BREAAM certification, proof again that each site has met a set of stringent requirements which can lead to promoted sustainability.

Engagement and contribution to the circular economy

CDON has collaborated with GIAB since 2019. Founded in 2009, GIAB is an innovative growth company whose business is optimising product flows based on circular economy principles. GIAB is targeting more efficient resource utilization by increasing the economic value of goods, products and components. Nearly 97 per cent of returned CDON products have been successfully reused. In 2023, this collaboration led to "savings of 22.7 tons of CO2 plus 786 recycled products."

Through its site, Fyndiq offers a huge volume (some 15m articles) of discounted products produced in China. An increasing number of Chinese vendors on the site ship their goods directly to the Nordic consumer. The impact on the environment is difficult to track. There is a risk that Fyndiq may be perceived as contributing to rapid and unsustainable consumption and lose market share over time if regulators and consumers begin to shun heavily discounted products from China.

Climate compensation through gold standard projects

According to CDON's own report, the Fyndiq platform adopted a positive approach to counteract the carbon impact, nearly equivalent to offsetting about 110 per cent of the emissions generated. In fact, Fyndiq bought offsets for SEK 3,438,534 in 2023, and such compensation has been invested in gold standard projects.

Still largely unexplored opportunity in the preowned segment

CDON tries to take advantage of the growing demand for pre-owned products. Such a trend creates opportunities for business models that can adapt to the circular economy. Furthermore, customers are able to buy sustainable products at a lower price.

In 2023, the CDON platform generated over SEK 28 million in sales with 23,000 units sold. This compares to SEK 30m in 2022. In addition, Fyndiq generated SEK 9.1m of sales in the preowned segment.

Employees' well-being engagement

CDON continues to promote company health insurance plans through better pension conditions and comprehensive health insurance. The focus on this plan is disease prevention and long-term employee well-being. Besides wellness allowance is also included.

One approach to gain insight into employees' mental well-being and engagement is "employee surveys, " distributed weekly. However, this method has several disadvantages, such as subjective responses from employees, survey accuracy being questioned due to respondents' different intentions, or poor survey design, which can lead to incorrect conclusions and unintentional biases. Thus, this method is not totally reliable.

Clear demands on ethics and respect for employees and zero tolerance for corruption and bribery

CDON strives for all employees' interests, and that is the main reason why CDON puts the content of the Code of Conduct into practice. It also ensures that all partners know its contents and meaning. The company seeks to balance its responsibility to humanity and the planet with its commitment to customers. While China is making significant strides to align with global practices, and Chinese companies are increasingly aware that sound ESG practices can lead to better financial performance and, more importantly, better access to global capital, its transparency and accountability are still debatable.

The company has zero tolerance for corruption and bribery.

Effective management of data protection

Companies prioritize data privacy and demonstrate their commitment to protecting personal information. In this way, they gradually build a reputation for reliability and integrity. In a business context, data privacy goes beyond the so called "personally identifiable information" of both employees and customers. The privacy of customer data is properly handled in accordance with current legislation. Moreover, they have internal policies and guidelines regarding personal data management/ data protection in place. Lastly, the concept "data privacy" also concerns the information that helps to develop the company operation.

Progress on gender equality at the corporate board level and across the whole company

Looking at the gender ratio of the entire company, the proportion of female employees increased from 38% to 43% in 2023. From the Group management's perspective, the proportion of female enhanced from 17% to 25% in 2023. At the same time gender distribution of Board of directors decreased from 33% to 20 in 2024%.

Management, incentive schemes and owners

Since the resignation of the previous CFO, Thomas Pehrsson, in November 2023, the management team has been entirely composed of old "Fyndiq people". The deal announced in February 2023 valued Fyndiq at some SEK 735m, and the previous Fyndiq owners were paid mainly in new CDON shares. Subsequent to the deal, they owned 40 per cent of the capital. CDON had been looking for a new foundation for growth, and Fyndiq was identified as an attractive target. From the get-go, Fyndiq CEO Fredrik Norberg was appointed CEO of the new group. While the overhaul of the organisation is striking we believe it reflects the new ownership structure. Also, the leadership becomes clearer, and there might be less risk of conflicting management cultures.

The management team

Fredrik Norberg is the company's CEO and co-founder of Fyndiq. As a co-founder and CEO, Fredrik has been extensively involved in Fyndiq's development and success over many years, showcasing his leadership and entrepreneurial qualities. Fredrik holds directly and indirectly 268,516 ordinary shares in CDON as well as 65,503 C-shares.

Carl Andersson has been CFO since November 2023 and Chief Commercial Officer since June 2023. He has a background as a management consultant from AT Kearney, Alvarez and Marsal, and Applied Value. He holds 1,770 shares.

Atra Azami is the group's CTO. He previously held the corresponding position at Fyndiq. He holds an M.Sc. in Engineering from the Royal Institute of Technology in Stockholm. He owns 19,217 ordinary shares and 48,353 C-shares in CDON.

Kattis Åström is Chief Commercial Officer. She also has a background from the former Fyndiq management team. Previously, she held a position as Customer experience strategist at leading online book retailer Adlibris. Kattis owns 7,104 ordinary shares in CDON and 17,142 class C shares in CDON.

Niklas Öhman is the Chief Product Officer (CPO). He joined Fyndiq in 2018 as CPO and is responsible for product development. He has a background in I-gaming, including IGT and Entraction. Ownership: 10,019 ordinary shares in CDON and 24,176 class C shares in CDON.

Vesa Järveläinen is the Chief Supply Officer since October 2024**.** He is responsible for supply strategy, partnerships, and business development. He was previously member of the management team of Verkkokauppa for seven years, most recently as Commercial Director.

Source: Company information

Board

Christoffer Norman is the Group's Chairman of the Board since 2023. He is COO of Alva Labs. Prior to Alva Labs, Christoffer was an investor with venture capital firm Northzone and COO of Avito, the world's largest online classifieds company. He owns (indirectly) 350,780 shares.

Erik Segerborg has been a board member since 2023. He has a background from online classifieds champions such as Avito and Hemnet. Erik indirectly holds 52,854 ordinary shares in CDON through the holding company Zamok Topp AB.

Brad Hathaway has been a board member since 2022 and is the managing partner at Far View Capital Management, which owns 436,606 ordinary shares.

Josephine Salenstedt has been a board member since 2020 and served as chair of the board 2021-2023. She is a partner at Rite Ventures, which owns 1,574,782 ordinary shares. She is s Chair of the Board in Söder Sportfiske AB.

Richard Shapiro is a board member since 2024. He is the founder and Chief Investment Officer of family office Ridge Run Partners. Mr Shapiro and related parties hold 12,000 shares.

Source: Company information

Shares and incentive programs

CDON's ordinary shares are listed on the Nasdaq First North Growth Market under the ticker "CDON." There are currently 10,751,313 issued shares outstanding, of which 10,540,867 are ordinary shares and 210,446 class C shares. The C-shares will be converted into ordinary shares after a four-year measurement period on the condition of compliance with performance-based terms.

CDON was spun off from Qliro Group in November 2020. In August 2021, CDON raised some SEK 200m before issuing expenses in a directed share issue of 440,000 shares. In April 2023, CDON completed the merger with Fyndiq. The consideration was paid mostly in 4,101,892 newly issued ordinary shares in CDON and 241,543 newly issued Class C shares in CDON. In addition, CDON has issued a small number of shares in conjunction with the acquisitions of Xales Tech Lab Oy and Commerce8 Oy.

Ten largest shareholders in CDON Group

The ten largest shareholders include the Chairman and the CEO, hedge funds, and other professional investors.

Ten largest shareholders in CDON Group

Owner	% capital	% votes	Verified
Nantahala Capital Management	21.17%	21.55%	2024-09-19
Rite Ventures	14.65%	14.91%	2024-09-26
Bisslinge Förvaltning Aktiebolag	5.95%	6.06%	2024-09-26
Mandatum Life Insurance Company	5.85%	5.95%	2024-09-26
Kanen Wealth Management LLC	5.54%	5.64%	2024-04-24
Bandera Partners LLC	4.67%	4.75%	2024-04-24
Far View Capital Management	4.06%	4.13%	2024-10-24
Christoffer Norman	3.26%	3.32%	2024-04-29
Fredrik Norberg	3.11%	2.60%	2024-09-26
Blackwell Partners LLC	2.16%	2.20%	2024-09-26

*Source: Holdings.se and Carlsquare. *Position yet to be updated.*

In September, CDON announced that Nantahala Capital Management had acquired approximately 2.2m shares to become the largest owner. Nantahala was previously reported to have owned 76,301 shares (source: Holdings).

The identy of the seller was not disclosed at the time, and the company has not issued any new shares. According to business daily Dagens Industri, Rite Ventures (the second largest owner before the transaction) has confirmed it is not a seller. Hence, in our view, given the size of the transaction, it most likely involves ADW Capital. ADW:s latest reported holding amounted to 1.8 million shares (sources: Holdings, CDON). According to Holdings, ADW Capital is no longer a shareholder in CDON.

ADW Capital Management is a hedge fund run by American value investor Adam David Wyden. ADW started building its position in the market shortly following the listing on First North in 2020, during which time the shares in CDON soared, and in an interview in February 2021 with Dagens Industri he argued for a fair value of SEK 3,000 per share based on high expectations for growth, and relative valuation. We do not know the reason behind the sale.

While the change is significant, is too soon to evaluate the new ownership structure. However, it demonstrates that an existing owner is prepared to increase its stake significantly. Also, if our assumptions are correct, a latent share overhang has been cleared. If Nantahala Capital assumes a place on the board, we believe it would be a positive signal.

Rite Ventures is a Stockholm-based PE firm that invests in Swedish and Finnish companies within IT-services, Software as a Service, and e-commerce. As owners of Qliro group, Rite became the largest owner immediately following the spin-off.

Bisslinge Förvaltning is a family office owned by members of the Bonnier family. Prior to the merger, Bisslinge was the second-largest owner in Fyndiq.

We view the quite large holdings by several insiders as a positive. On the flip side, share liquidity is relatively weaker compared to similar companies listed in Sweden, measured by, e.g., turnover as a percentage of market cap.

Since the listing, the share saw an initial boom followed by a drawn-out bust. Especially in 2022, the share performed very poorly as the boost in e-commerce from the pandemic came to a grinding halt. However, the value depreciation should be put in the perspective of shares in European “e-tailers” such as Asos or Zalando, which also had dismal performances in that timeframe.

Markets

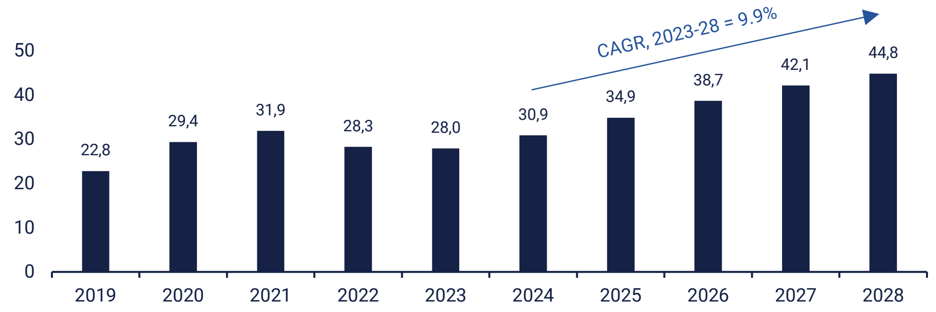
The e-commerce market in the Nordic region is expected to expand in 2024 after two contracting years post lockdowns in the wake of the pandemic. Marketplaces are gaining ground in the Nordics, mainly due to the entry of Amazon. Nevertheless, marketplaces are still lagging in popularity in the Nordics. Cultural factors may explain, but as demographics change, marketplaces are set to gain market shares. Such a scenario would favour players such as CDON Group.

E-commerce

In the early 2000s, the Nordic e-commerce sector began experiencing considerable growth. This surge was driven by enhanced digital infrastructure (such as broadband access) and growing consumer confidence in online transactions. Over the past 15 years, the market has shown signs of maturation. However, the pandemic caused a marked increase in online shopping activity due to lockdowns and the necessity of social distancing. As these restrictions have eased, there has been a noticeable decline in e-commerce sales. The Swedish e-commerce market has declined for two consecutive years in 2022 and 2023, by -7 and -2 per cent, respectively. That was significantly lower than the long-term trend, around a 10-15 per cent growth rate.

However, it is important to note that the market is still above pre-COVID levels in 2019, and it is anticipated to regain its upward trajectory in the current year, 2024. According to Statista, CAGR, 2023-2028, is projected to be 9.9 per cent in the Nordics. Although the overall market declined in 2023, some categories stand out positively. Clothing and footwear grew to some extent, and pharmacy and beauty performed very strongly in relative terms. The growth of Apotea and Lyko are clear examples. Developments for home improvement products, on the other hand, were subdued.

Nordic e-commerce market, B2C (EURbn)



Source: Statista and Carlsquare

Key drivers of expected market growth

Growth is expected to be driven by several factors, including:

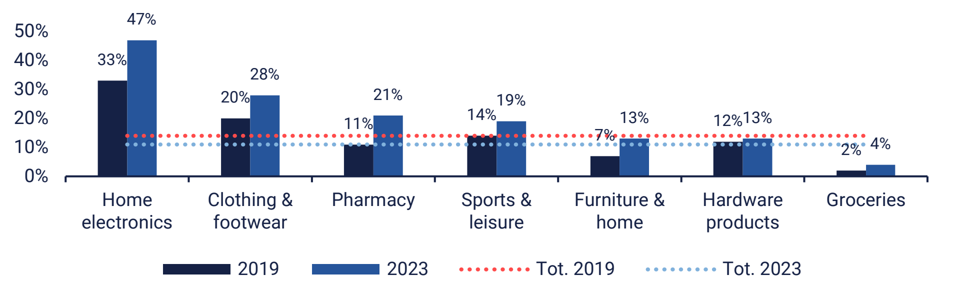
- **Technological advancements:** AI and other new technologies are expected to improve the online shopping experience by making it more convenient, personalised, and efficient. The improved overall customer satisfaction is expected to increase sales and thus drive market growth.

- **Improvements in logistics and delivery:** Enhancements in logistics and delivery services, including faster and more efficient shipping options, will improve the online shopping experience, driving sales and market growth.
- **Increased cross-border e-commerce:** The growth of cross-border e-commerce will open up new markets and customer segments for Nordic e-commerce businesses.

Home electronics, the largest product category

Different product categories have achieved varying levels of penetration in the e-commerce market. As depicted in the chart below, home electronics boasts the highest market penetration in Sweden, followed by clothing & footwear and pharmacy.

E-commerce penetration by product category in Sweden

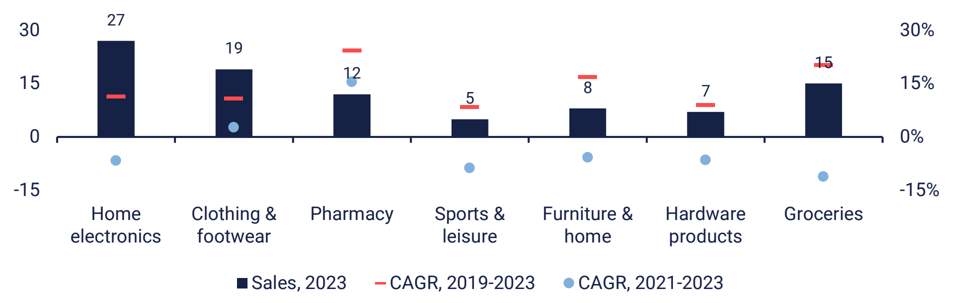


Source: PostNord E-barometern and Carlsquare. The dotted lines represent total e-commerce penetration.

Home electronics is the product category with the highest e-commerce market value, specifically around SEK 27bn in 2023, according to PostNord's e-barometern. This is followed by clothing and footwear, as well as pharmacy products. Amazon launched Amazon Pharmacy in the US in 2020, bolstered by its acquisition of the delivery service PillPack.

The pandemic provided a boost to all product categories. Over the last four years, from 2020 to 2023, pharmacy products have shown the fastest growth in Sweden, followed by groceries and then furniture and home products. It's particularly noteworthy that both the pharmacy and clothing and footwear categories have maintained a positive average growth rate over the past two years, following the peak of the e-commerce market in 2021. On the other hand, home electronics, representing CDON Group's principal product category, have experienced comparatively more negative growth than the overall market over the past two years.

Sales 2023 (SEKbn) and growth rates (%) by product category in Sweden



Source: PostNord E-barometern and Carlsquare

Pre-owned, an emerging product segment
It is certainly noteworthy that both CDON and Fundiq offer pre-owned goods across various product categories. Pre-owned or refurbished items represent a product segment anticipated to expand more rapidly than the e-commerce sector in its entirety over the forthcoming years. In this regard, the Nordic region aligns with a worldwide trend. The global market for refurbished electronics is projected to grow at a compound annual growth rate (CAGR) of 13.2 per cent from 2022 to 2032, as reported by Market Research Future.

Key product segments include laptops and mobile phones. There is an increasing focus on sustainability among both producers and consumers, coupled with the affordability of premium products, which are significant drivers of this market. Distribution channels encompass both physical stores and online shops.

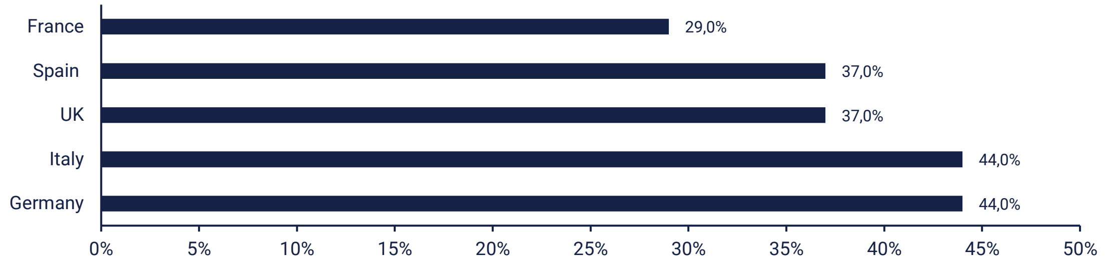
Marketplace as a share of e-commerce

Marketplace popularity varies between geographical areas. They are popular in large economies, such as Spain, Germany, and France. Meanwhile, the Nordics are the geographical market where marketplaces are least popular in all of Europe.

Several sources point to low marketplace penetration in the Nordics

According to Statista, marketplaces share of e-commerce transactions in the five largest Western European countries varies between 29 and 44 per cent (as per January 2024). We note that estimates of marketplace shares varies considerably between different sources. A possible explanation for the magnitude of the deviation is divergent definitions of marketplaces (including mixed and retailer-run marketplaces as well as classifieds could potentially boost the estimate of traffic share compared to more conservative estimates).

Share of marketplaces out of total e-commerce market in Europe in January 2024, by country



Source: Statista and Carlsquare

As previously mentioned, CDON has provided an estimate of the marketshare of pure marketplaces in the Nordics at around five per cent in 2021. It highlights the low share of marketplaces in the region. Once again, different definitions of marketplaces are also a factor. According to ehandel.se, Amazon Sweden revenue was SEK 1.96bn, or 184 MEUR, in 2022. If this report is correct, we believe it supports CDON's estimate of the relatively limited penetration of pure marketplaces in the Nordics, given an estimated total e-commerce market of some EUR 28bn in the region.

Generation Z and women important focus groups

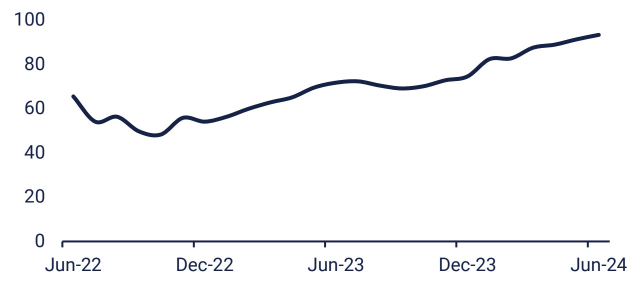
Other than general shopping behaviour, it is difficult to point out clear explanatory variables that influence marketplaces' popularity differences. Nevertheless, one can speculate that given the fact that the Nordic countries are early adopters, strong local brands and retailers early on in the development of e-commerce managed to establish trusted relationships with consumers. The value proposition given by marketplaces that entered the market at a later stage was not considered strong enough.

Looking at this from a static perspective, a relatively low interest for marketplaces in the Nordics is less positive for CDON. At the same time, Zalando has long been popular among Swedes, and it offers the marketplace model as well as traditional wholesale. According to e-barometern, in Sweden, men are more prone to shop on marketplaces (one in three men say their most recent e-commerce purchase was in a market place vs one in four or one in five among women). However, interestingly, among Generation Z:ers, there is a higher willingness to shop at marketplaces, and the difference in frequency between men and women is smaller compared to other age groups. That could bode well for the future and points to categories that appeal to young women as possible growth areas for marketplaces.

Consumer confidence and retail sales have bottomed out

As illustrated in the charts below, consumer confidence and retail sales seem to have bottomed out in all key markets. We expect market conditions to continue improving over the coming quarters.

Consumer confidence, SE



Source: Investing.com and Carlsquare

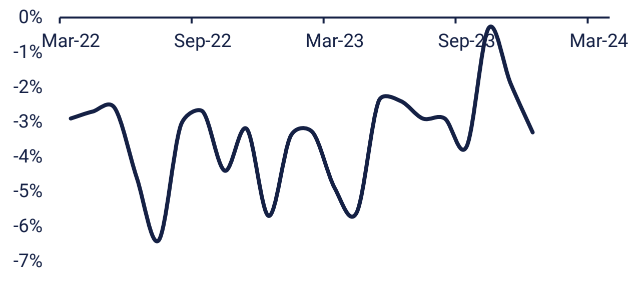
Retail sales YoY, SE

Source: Investing.com and Carlsquare

Consumer confidence, FI

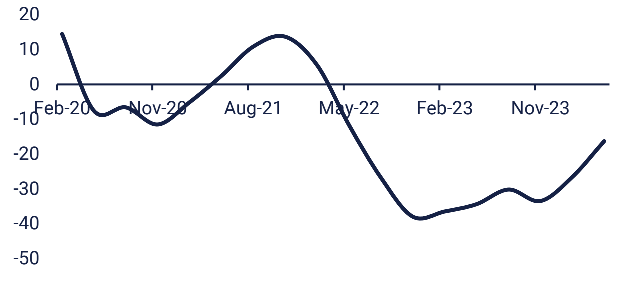
Source: Investing.com and Carlsquare

Retail sales YoY, FI



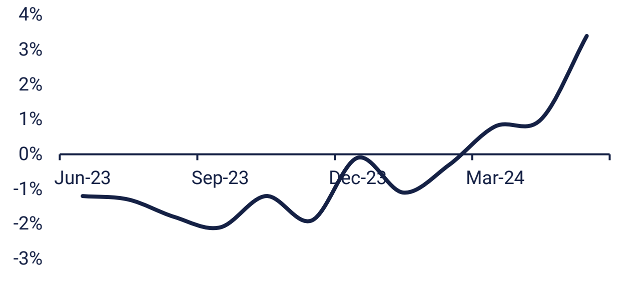
Source: Country Economy and Carlsquare

Consumer confidence, NO



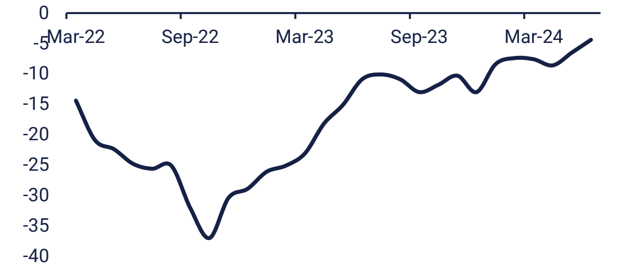
Source: Investing.com and Carlsquare

Retail sales YoY, NO



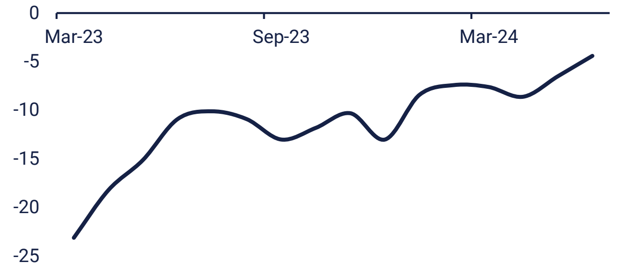
Source: Trading economics and Carlsquare

Consumer confidence, DK



Source: Investing.com and Carlsquare

Retail sales YoY, DK



Source: Investing.com and Carlsquare

Reference group evaluation and competition

There are few regional pure ecommerce marketplaces active currently in the Nordics. Instead, we believe CDON's most relevant peers are European and international companies. The comparison shows that CDON is a small player in an international perspective. Despite some very large and successful companies, e-commerce and online marketplaces operate on still very fragmented markets.

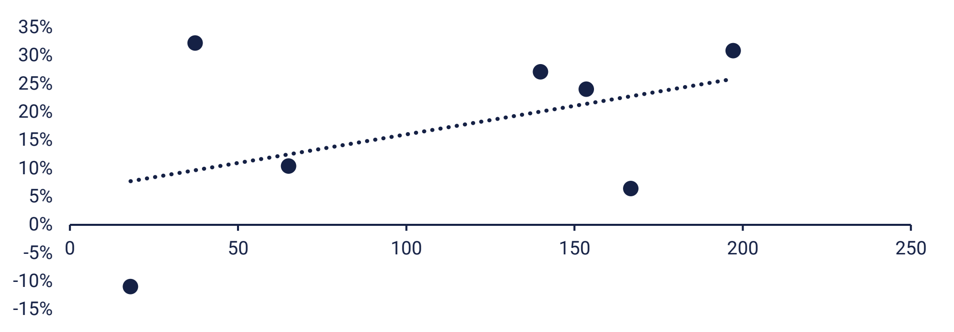
Despite e-commerce becoming prolific, it is difficult to find suitable peers for CDON. Compared to other listed marketplaces, CDON is much smaller. While profitability varies between different business models, there is a positive correlation between size and margins.

Fulfillment economics depends on scale

We believe there is a trend towards offering more fulfilment services, probably due to competitive pressure. Once operations get sufficiently large, fulfilment could become economical. However, economics is also dependent on getting enough scale in the respective categories.

A comparison between Amazon and eBay could perhaps illustrate the long-term benefit to growth from having fulfilment or logistics operations in-house. At the beginning of the century, eBay was often regarded as the better quality company (Stone, B.,*"The Everything Store")*. However, in the long run, Amazon's integration strategy (in addition to innovation) was clearly the winner, as Amazon has shown incredibly consistent and high growth.

Marketplace GMV (SEKbn) and EBITDA margin (%) (2023)



Source: Capital IQ and Carlsquare.. Peer group: Realreal, ZOZO, Mercari, Etsy, Allegro, Zalando, and Ebay.

From this perspective, CDON has less scale advantage than most peers. CDON is relatively more reliant on sales commissions compared to larger peers. However, we believe it is looking to increase other revenue streams, including merchant ad income and fulfillment, moving in the same direction of most other marketplaces.

There are no perfect peers. Allegro, Etsy and the RealReal are closest in terms of size and offering. Also the profitability (median) is similar to what we believe CDON could achieve in a few years' time. The valuation of these companies is in line with the marketplace peer group overall.

Sector colleagues

Listed sectoral colleagues

Allegro (ticker: WSE:ALE)

Allegro claims to be the largest e-commerce platform in Poland. It operates e-commerce marketplaces, a price comparison site, consumer lending services and logistics solutions. Allegro reported total revenue of PLN 10.2bn in 2023 (+14 per cent). In Q1, 2024, GMV for the Polish operations increased by ten per cent. Consolidated trading in April and May was running in the low double-digit percentage range, supporting the financial targets for 2024E (9-10 per cent growth).

Alibaba (ticker: NYSE:BABA)

Alibaba is one of the largest e-commerce groups globally. It operates several e-commerce platforms, video, data storage, and logistics services. In the full fiscal year 2023/2024, total revenue increased by about eight per cent to USD 130bn.

Amazon.com (ticker: AMZN)

Amazon's name is almost synonymous with the emergence of the internet. It has an unparalleled story of consistent growth (25+ per cent annual increase on average since 2000), propelled by solid innovation and establishing itself as the world's largest cloud service company with the AWS division. As described elsewhere, Amazon has notably increased its presence in the Nordics since 2020.

Etsy (ticker: ETSY)

Etsy operates two-sided marketplaces in North America, Europe and Australia, including a fashion resales market. In 2023, total revenue increased by seven per cent to USD 2.7bn.

MercadoLibre (ticker: MELI)

MercadoLibre operates online e-commerce platforms, financial services and logistics. It is the largest e-commerce site in Latin America, with ~145 million active users. Despite its size, total revenue still increased by a whopping 37 per cent in 2023.

Temu (ticker: PDD)

Temu is an online marketplace operated by PDD Holdings, owner of e-commerce companies with a China connection. Temu offers heavily discounted products that are mostly shipped directly from vendors in China. Since its launch in 2022, it has rapidly achieved a huge amount of traffic to its site due to extensive advertising on social media and the Super Bowl. In 2023, owner PDD reported a 90 per cent increase in revenue to USD 34.9bn. Growth appears to have accelerated further in 2024 (+131 per cent for Q1).

Due to its size, Temu could face increased scrutiny. Temu has said it has 75 million visitors in Europe per month. The EU sets a lower bar of 45 million for companies to be required by law to undergo external audits and risk assessments. The EU has to formally designate companies for such scrutiny. Failure to adhere to EU laws in terms of e.g., measures to prevent illegal distribution of goods, could lead to hefty fines. The Chinese online fashion platform Shein is going through the process of designation. In the US, politicians have raised concerns over the treatment of

Temu’s suppliers and the impact on supply chains of the massive inflow of goods from China. Temu is in a fierce competition with Chinese rival Shein for global market shares, involving legal battles as well.

Others

Currys plc (ticker: CURY)

Currys is a British electronics retailer created through the merger of Dixons Retail and Carphone Warehouse Group. It is the owner of Nordic chains Elkjøp, Elgiganten (in Sweden) and Gigantti. Like-for-like sales in the Nordics fell three per cent in May 2023 to April 2024. Notably, Elgiganten operates Elgiganten Marketplace, a 3P marketplace for e.g., accessories, fitness, home and garden and kitchen products. Hence, the market place operations target similar product segments as CDON.

Bol.com (ticker: AD)

Bol.com is the leading e-commerce marketplace in Belgium and the Netherlands. It was acquired in 2012 by Ahold for a consideration of EUR 350m. Since then bol’s GMV has been bolstered to EUR 5.75 billion (2023) compared to EUR 355 million in 2011. 3P sales are at 63 percent with over 50,000 merchants.

Valuation multiples and estimations

Based on a peer group comparison, we conclude that CDON is valued at a premium to similar (albeit generally larger) companies. This is based on our sales and earnings forecasts for the next two to three years compared to consensus forecasts for the peer group. The peer group is expected to display high single-digit sales growth on average from 2023 to 2026, whereas we see low single-digit sales sales overall for CDON (mainly due to expected lower sales for 2024).

Valuation, reference group

	HQ	Mcap (USDm)	EV (USDm)	Sales CAGR	µEBIT marg	EV/Sales		EV/EBITDA		EV/EBIT		P/E	
				2023-26	2023-25	NTM	2025E	NTM	2025E	NTM	2025E	NTM	2025E
Amazon.com, Inc.	US	2 022 811	2 091 561	10.7%	8.8%	3.1x	3.0x	14.3x	13.2x	31.0x	27.4x	37.3x	33.2x
Alibaba Group Holding Limited	CN	224 862	212 000	7.4%	14.2%	1.5x	1.4x	7.6x	7.1x	10.3x	9.6x	11.1x	10.0x
PDD Holdings Inc.	IE	167 861	129 996	36.3%	28.3%	1.9x	1.8x	6.7x	6.0x	6.5x	5.8x	9.6x	8.6x
MercadoLibre, Inc.	UY	102 445	100 978	27.9%	14.7%	4.4x	4.0x	25.5x	22.5x	30.9x	26.6x	47.3x	40.8x
eBay Inc.	US	30 626	33 637	3.0%	28.0%	3.2x	3.2x	10.2x	9.9x	11.3x	11.0x	12.4x	12.1x
Etsy, Inc.	US	5 507	6 896	4.2%	12.5%	2.4x	2.4x	8.9x	8.5x	18.2x	17.1x	10.3x	9.9x
Allegro.eu S.A.	LU	9 449	10 199	11.0%	17.7%	3.4x	3.2x	12.3x	11.3x	17.2x	15.4x	20.7x	18.2x
ZOZO, Inc.	JP	9 471	9 219	4.5%	30.5%	6.5x	6.2x	19.6x	18.8x	21.1x	20.2x	NA	NA
Zalando SE	DE	8 007	7 013	4.4%	4.1%	0.6x	0.6x	7.6x	7.2x	13.0x	12.1x	26.6x	24.1x
Mercari, Inc.	JP	2 284	2 270	9.3%	12.2%	1.7x	1.6x	14.3x	12.7x	14.4x	12.5x	NA	NaN
The RealReal, Inc.	US	330	732	8.0%	-11.6%	1.2x	1.2x	48.3x	30.1x	NA	NA	NA	NA
Median		**9 471**	**10 199**	**8.0%**	**14.2%**	**2.4x**	**2.4x**	**12.3x**	**11.3x**	**15.8x**	**14.0x**	**16.5x**	**15.2x**
Average		234 877	236 773	11.5%	14.5%	2.7x	2.6x	15.9x	13.4x	17.4x	15.8x	21.9x	19.6x
CDON (curr.)*	**SE**	**94**	**87**	4.2%	-8.1%	**2.0x**	**2.0x**	**13.5x**	**12.4x**	**NM**	**NM**	**NM**	**NM**
CDON (CSQ)*	**SE**	**135**	**141**	4.2%	-8.1%	**3.3x**	**3.2x**	**21.7x**	**19.9x**	**NM**	**NM**	**NM**	**NM**

**Based on Carlsquare estimates. Source: S&P Capital IQ and Carlsquare estimates*

Estimate of reference group, growth and margins

	Sales growth		EBIT marg.		Sales CAGR		µEBITDA marg.		µEBIT marg.		µProfit marg.	
Company name	NTM	2025E	NTM	2025E	2020-23	2023-26	2020-22	2023-25	2020-22	2023-25	2020-22	2023-25
Amazon.com, Inc.	10.1%	10.8%	10.1%	10.9%	14.2%	10.7%	14.9%	20.8%	4.5%	8.8%	4.0%	7.3%
Alibaba Group Holding L	10.0%	7.8%	14.3%	14.7%	9.9%	7.4%	23.0%	20.1%	11.1%	14.2%	12.1%	11.2%
PDD Holdings Inc.	43.6%	28.3%	29.8%	30.7%	56.5%	36.3%	12.1%	27.9%	10.6%	28.3%	6.8%	25.3%
MercadoLibre, Inc.	33.3%	22.0%	14.3%	15.1%	53.9%	27.9%	9.5%	17.9%	6.4%	14.7%	1.9%	9.0%
eBay Inc.	2.9%	3.4%	28.3%	28.7%	-0.5%	3.0%	36.7%	31.3%	31.6%	28.0%	14.9%	18.6%
Etsy, Inc.	2.8%	4.4%	13.3%	13.8%	16.8%	4.2%	30.2%	27.3%	19.9%	12.5%	4.8%	11.8%
Allegro.eu S.A.	14.8%	12.7%	19.6%	20.6%	34.3%	11.0%	35.4%	26.3%	16.5%	17.7%	3.2%	11.1%
ZOZO, Inc.	14.0%	7.7%	30.5%	30.9%	0.1%	4.5%	31.5%	32.7%	30.3%	30.5%	21.3%	21.8%
Zalando SE	6.7%	5.7%	4.6%	4.8%	4.7%	4.4%	6.5%	7.4%	3.9%	4.1%	1.8%	1.9%
Mercari, Inc.	12.9%	10.8%	12.0%	13.0%	9.4%	9.3%	-0.1%	12.2%	-0.1%	12.2%	-2.7%	8.9%
The RealReal, Inc.	9.1%	7.8%	-5.6%	-4.6%	22.6%	8.0%	-29.5%	-2.2%	-35.2%	-11.6%	-47.5%	-17.2%
Median	10.1%	7.8%	14.3%	14.7%	14.2%	8.0%	14.9%	20.8%	10.6%	14.2%	4.0%	11.1%
Average	14.6%	11.0%	15.6%	16.2%	20.2%	11.5%	15.5%	20.1%	9.1%	14.5%	1.9%	10.0%
CDON (CSQ)*	**0.9%**	**2.0%**	**-6.9%**	**-5.7%**	**-25.5%**	**4.2%**	**-11.9%**	**8.3%**	**-15.2%**	**-12.1%**	**-15.3%**	**-12.8%**

Source: S&P Capital IQ and Carlsquare estimates

Carlsquare forecasts

CDON took a major leap forward to becoming a pure e-commerce player via the acquisition of Fyndiq in 2023. The integration should entail significant synergies, with the full benefit expected next year. While the demand outlook is hard to predict in a volatile retail and e-commerce environment, several factors point to GMV growth next year.

Strategic measures to take leverage from structural trends

According to Nordea, e-commerce as a share of Nordic retail sales reached 20 per cent during the pandemic but later fell back to 14 per cent, a slightly higher share than before the lockdowns. If e-commerce should be able to climb back to pandemic levels over the next five years, we estimate an average market growth of about 9-10 per cent.

We believe CDON Group should be able to grow at least in line with the overall market. Key factors for our estimates are trends in visitors, conversion rates, and take rates. The company has a target of gaining market share in the Nordic e-commerce market but in recent years, this has been a challenging task. However, there are silver linings regarding growth opportunities:

- **Increased adoption of marketplaces in the Nordics**. We believe CDON Group, should be able to grow at least in line with the overall market. Key factors for our estimates are trends in visitors, conversion rates, and take rates. The company has a target of gaining market share in the Nordic e-commerce market but in recent years, this has been a challenging task. However, there are silver linings regarding growth opportunities:
- Fyndiq should benefit from its **focus on bargains** and refurbished items. In contrast to a contracting retail market in general, the bargain segment showed positive growth in the low to mid-single digits (like-for-like sales) in 2023, as demonstrated by, e.g., Rusta and Tokmanni. Over the last five years, discounters have outperformed the general retail market in Sweden. Hence, Fyndiq looks well-positioned for current consumer trends.

Internal growth drivers

Reviewing merchant base and increasing supply

Fyndiq has **massively increased supply** from Chinese vendors. The success of Chinese discounters underlines a strong demand for bargain products, and it is logical for Fyndiq to seek to gain further from this trend.

Since Q4 2023, the total number of selling merchants for CDON Group has increased (there is currently no breakdown per segment). We should note that the definition of merchants changed in Q4, as vendors selling to several geographic markets counted as separate vendors, bolstering the total number compared to the previous accounting up to and including Q3 2023. Hence, a comparison to prior periods is not possible. However, according to comments from the management, Fyndiq has expanded the base of vendors.

Conversely, CDON's growth has suffered as it has “cleaned out” vendors who did not generate profitable business. Eventually, there should be room for growth to bounce back with better-quality merchants. The CEO also acknowledges that CDON vendors have not offered competitive enough prices for the top merchandise in the CDON segment, and traffic and GMV have suffered as a result. Management has worked intensely since Q2 to refine the process of finding the right supply, The company stated that it expects to begin to see the benefits after the summer.

Besides supply, **improving customer experience** was highlighted at the CMD in November 2023 as a key focus area to accelerate growth. To this end, CDON Group has established new collaborations or expanded old ones with well-established partners in payment services, delivery experience, and customer support. Hence, CDON management is taking steps to address perceived weak links in the customer experience chain. The aim is to increase conversion rates and customer loyalty, which we believe are key ingredients to future growth.

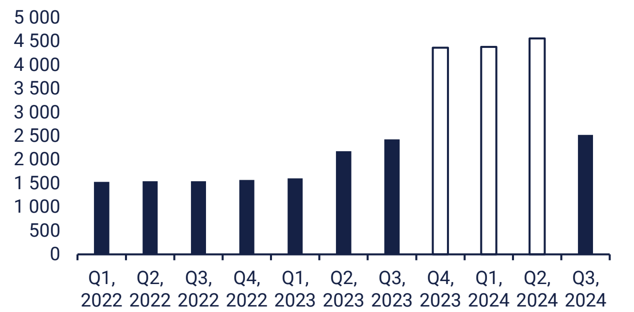
Increased take rate from mix and commission adjustments

The take rate is trending upwards, bolstered by the merger with Fyndiq, which records significantly higher commissions compared to the old CDON. Also, CDON has raised commissions and is working to improve the margin mix (products and vendors). In the past, some CDON merchants have negotiated lower commissions.

As discussed above, we believe with the existing structure the current take rate at some 18 per cent for the group is in line with other marketplace peers. Longer-term, we believe that CDON will consider steps to increase the share of value-added services to further bolster the take rate. In the medium term, merchant ads are a natural focus point to improve once the platform migration is completed. It is only a minor source of income currently (~0.5 per cent of GMV). While it is likely to remain a relatively small part of the business compared to commissions, bringing in more advertising could help increase the overall take rate towards 20 per cent, we believe. In our model, we assume the take rate will increase gradually to 19 per cent in 2027.

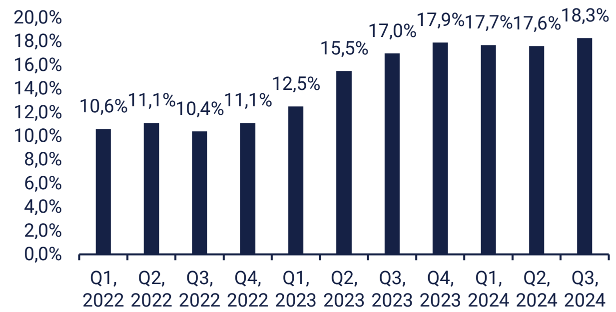
The other side of the coin is a downward pressure on average order value.

Selling merchants CDON AB



Source: Company information and Carlsquare estimates

Group take rate (%)



Source: Company information and Carlsquare estimates

Growth headwinds

Sharp slowdown in site traffic

Traffic to CDON Group has been much slower than expected in the last nine months. Management cites changes to Google's algorithms as a major factor.

Surely enough, the traffic downturn coincides with announced major updates from the search giant. In November 2023, Google released significant algorithm changes to improve valuable and dependable search results. According to Google, a March 2024 update concerned surfacing "the most helpful information on the web and reduce unoriginal content in search results". Hence, the update seems to follow a similar vein to what happened in 2023. Also, new spam policies were introduced and implemented at the beginning of May.

The slow traffic to the CDON marketplace, exacerbated by Google algorithm changes, has significantly impacted GMV. GMV for CDON 3P dropped 27 and 20 per cent in Q1 and Q2 2024, respectively. Although GMV for the segment improved sequentially in Q3, 2024, it still declined by 24 per cent year-on-year. For the first nine months, Group GMV dropped by nine per cent, despite the full inclusion of Fyndiq (since 12 April 2023). The main negative factors are lower visits (minus 17 per cent) and lower average order value (-17 per cent), mitigated by a higher conversion rate at 5.4 per cent (4.1). At the same time, Fyndiq has fared better in this environment as GMV increased by three percent. In fact net sales (like-for-like) grew six per cent.

It is not entirely clear why traffic to CDON apparently has been impacted more severely than most other sites. However, the weak performance of price comparison sites during the same period hints at a possible correlation.

Google makes many algorithm updates per year, but most are small. So-called core updates are less frequent and occur a few times a year. However, they seem to have increased recently, which appears partly related to AI-generated search becoming more common. In addition, there is uncertainty about the implications of tighter regulations on how data is gathered and used based on online traffic e.g., from the implementation of the EUs Digital Markets Act (DMA). For example, the deadline for complying with the DMA for identified big tech platforms, or "gatekeepers", such as Apple, Google and Meta, was March 6, 2024. The gatekeeper companies appear to have acted ahead of this date. There is a risk of short and long-term adverse effects on traffic to European e-commerce sites.

European win for independent price comparison sites could help turn the tide

In September, the EU Court of Justice dismissed Google's appeal against a previous ruling against Google's Shopping platform last year with strong language on Google's self-preferencing of its services. From the face of it, this is a win for the competing price comparison sites such as Pricerunner and Prisjakt. The decision cannot be appealed.

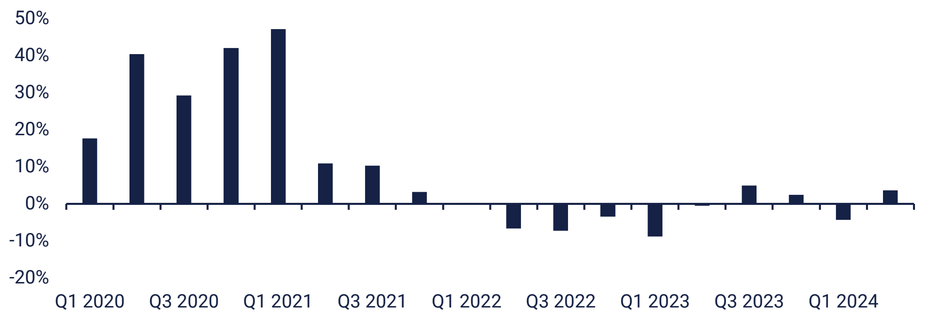
Google claims that it has already adapted to the original decision by the European Commission since 2017. It is unclear if the search giant will make further changes following the appeal to prevent possible future fines. Also, Google has been sued by, e.g., Pricerunner, and may stand to lose these cases as a result of the ruling by the Court of Justice.

CDON Group relies on independent price comparison sites as well as Google Shopping to attract traffic. We believe the ruling is positive, albeit not wholly unexpected. It remains to be seen if Google will make algorithm changes as a result and what the impact on traffic will be.

Conflicting evidence for Swedish e-commerce in 2024

As a reference, according PostNord's ehandelsbarometern, the overall growth of Swedish online retail sales amounted to a modest one per cent in Q1 2024. However, it improved to three per cent in the April to June quarter. Our review of listed Swedish etailers seems to confirm a slow start to 2024 for the median company with sales picking up in Q2. All in all, the market appears volatile, perhaps accentuated by the late spring.

Organic growth (median) of listed Swedish etailers, y-o-y change (%)

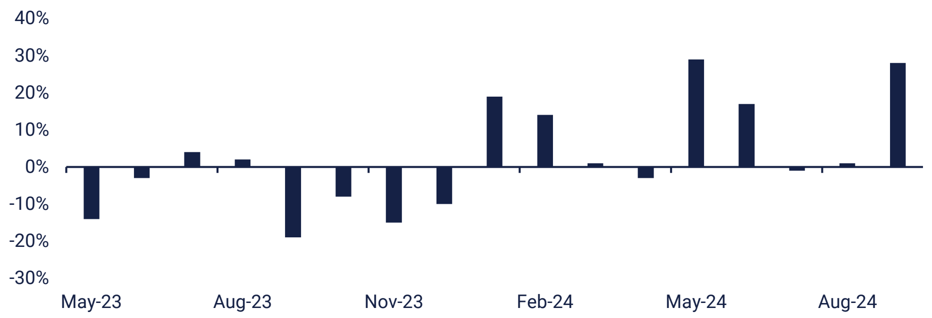


Source: Company data, Carlsquare

According to another often cited source, Svensk Handel, e-commerce turnover e-commerce sales increased by eleven per cent in Q1 and 14 per cent in Q2. According to the same source, Q3 had a slow start as turnover was about flat in July and August before surging by 28 per cent (!) in September. While the Svensk Handel data is provided monthly and hence is a fast indicator, we note it is a survey among consumers. The somewhat surprising magnitude of the increase year-to-date (+11 per cent) could be explained by purchases on overseas platforms, likely driven by Chinese discounters.

Across the surveys, groceries, beauty, pharmacy and clothing and footwear are highlighted as strong categories, while sales of home electronics and home improvement products remain weak.

Turnover in Swedish e-commerce, y-o-y change (%)



Source: Svensk Handel and Carlsquare

Platform migration has temporarily hampered CDON growth

The lower growth appears to be self-inflicted to some extent due to the migration to a single back-end platform.The decision is conscious to improve the durability of the platforms. However, the onboarding of new merchants in the CDON segment has been challenging during platform integration, and some vendors were likely holding off until completion. As the company now has announced it has completed the work according to plan, we see good reason to believe traffic and sales should bounce back from Q4 and onwards.

CDON 1P a known unknown

Declining CDON 1P sales have hampered net sales growth. Currently, it consists exclusively of legacy media products, and sales have been contracting continuously. However, the new management views 1P sales as a strategic tool, e.g., to access supply that would otherwise be difficult to secure. The future performance is consequently difficult to forecast. We assume sales will level out at some 2.5 per cent of GMV. Online electronics retailers such as Komplett or Dustin are low-margin operations. Hence, CDON 1P only represents a small part of the value of the group.

Countermeasures well underway

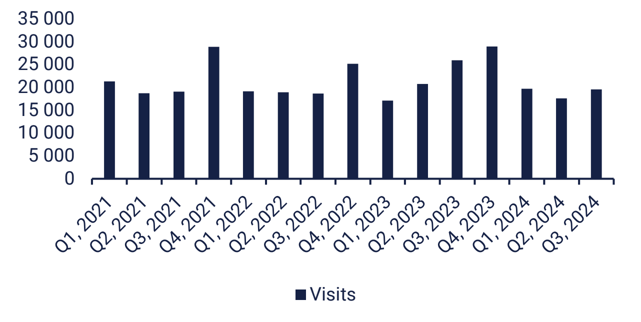
While the first nine months of 2024 could be considered a perfect storm, with several growth-impeding factors coinciding, CDON is taking active measures.

For one thing, CDON says it has sufficient internal resources to make the necessary technical adjustments to adapt to the new Google algorithms, and some changes have already been implemented. Most likely, the major positive effect from adjustments should become visible once CDON has migrated to the Fyndiq platform. According to CDON, the algorithm change was not telegraphed as well ahead as previous major updates from Google. This has added to the initial troubles to adapt. The platform migration addresses not only the algorithm changes per se but also aims to optimize search engine marketing more broadly by, e.g., improving product category search on the CDON site.

In addition, CDON highlights two major changes focused on customer experience:

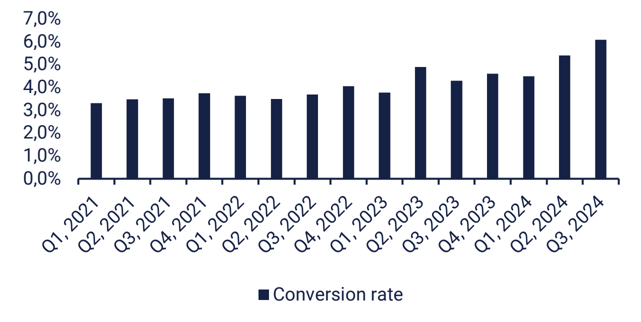
- A new merchant agreement that includes stricter service level requirements, such as delivery times. If merchants do not comply with the agreed service level, they risk being penalized eventually. However, CDONs policy is to warn vendors and offer coaching before resorting to penalties.
- As mentioned above, the outsourcing of customer support is finalized. We believe it should facilitate scaling the customer support capacity as the company grows in the future.

Visits, '000s



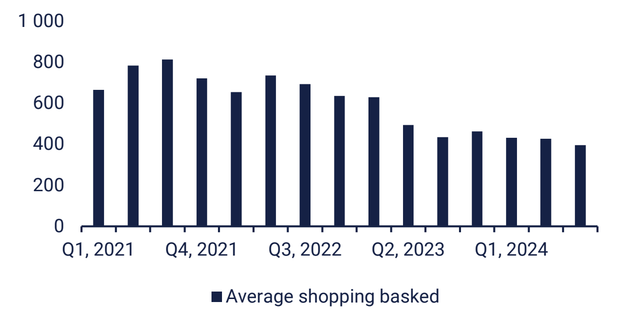
Source: Company information and Carlsquare estimates

Conversion rate



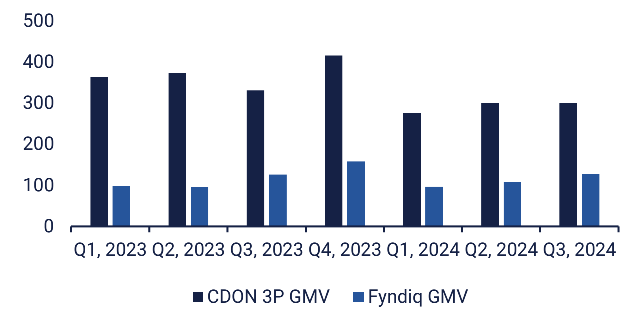
Source: Company information and Carlsquare estimates

Average order value (SEK)



Source: Company information and Carlsquare estimates

GMV (SEKm)



Source: Company information and Carlsquare estimates

Cost reduction programs look successful

Besides top-line growth, CDON targets increased gross margins after marketing and OPEX efficiency to realise strong incremental margins and drive EBITDA higher.

In 2022, CDON implemented a restructuring program to reduce costs by SEK 60-65m. A significant part was achieved already in 2023. Notably, there has been a major reduction in staff in the old CDON units (from 124 to around 12 on average in Q3 2024). At the same time, this has been partly offset by the addition of Fyndiq people following the merger (some 46 employees) and CDON Group also plans to hire a total of some 25 additional staff in Stockholm to compensate for the closing of the Malmö office and interim consultants who are leaving. CDON is outsourcing the customer service function. Consequently, we expect some personnel cost reductions to be offset by external costs.

Synergies from technical and organisational integration

All in all, the board targets OPEX synergies of SEK 40m from the merger. About one-half is expected to come from the platform migration. At the beginning of the year, CDON announced the closure of the Malmö office at an expected cost of SEK 7-9m in 2024. The centralisation should generate additional cost synergies from moving to a single office.

Headwinds could fade at the back end of the year

Due to the abovementioned growth headwinds, EBITDA turned to a loss of SEK -6.1m (5.7) for the first nine months. However, this includes a negative effect of SEK -6.9m of restructuring costs related to the closing of the Malmö site.

Cash flow from operating activities declined in the first nine months to SEK -64.5m (-59.5). A steeper loss and higher working capital have contributed to the increased cash burn. However, the CFO states that cash flow will be positive in Q4.

Q3 heralds a turning point for profitability

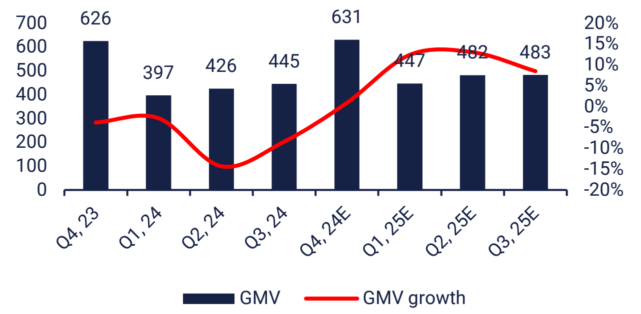
We believe CDON has demonstrated improved cost efficiency during the last 18 months, which bodes well going forward. However, in 2024, OPEX has been elevated by restructuring and other temporary costs related to CDON's major projects of 1) Centralising operations to one office and 2) the platform migration. For example, it has faced dual costs for systems and consultants during the migration. Marketing costs increased in Q3 due to paid traffic to Fyndiq sites outside of Sweden, resulting in a decrease in GPAM. However, due to lower OPEX excluding marketing, adjusted EBITDA rose to SEK 7.3m (3.2), bucking the trend of the previous quarters.

Total traffic in Q3 was markedly slower than in the same period the previous year (-24 per cent). However, the decline was largely in line with our expectations, and there was still a sequential increase of 11 per cent. CDON says blocked traffic from bots following the migration hurt traffic volumes. Hence, a year-over-year comparison probably overstates the magnitude of the drop.

Still, the decline in GMV was limited to eight per cent due to a strong conversion rate, which jumped to 6.1 per cent from 4.3 per cent year-on-year. Conversely, the blocking of bots likely explains some of the increase in the conversion rate. The take rate is higher in the new structure, also boosted by an increased commission fee for CDON and a changed shipping fee for Fyndiq during last year, and expanded to 17.9 per cent in the January to September 2024 period (15.2).

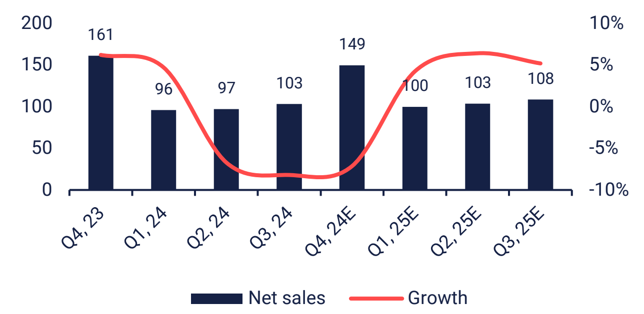
We believe traffic to the CDON group is improving from the lows in Q2, albeit the pace of the rebound is hard to gauge. The current quarter is crucial from an earnings perspective due to strong seasonality. We estimate GMV growth will turn slightly positive in Q4, mainly from a sequential improvement in site traffic and a solid conversion rate. As we assume lower OPEX in Q4 year-on-year, we predict solid operating leverage and a double-digit EBITDA margin.

GMV (SEKm) and growth (%)



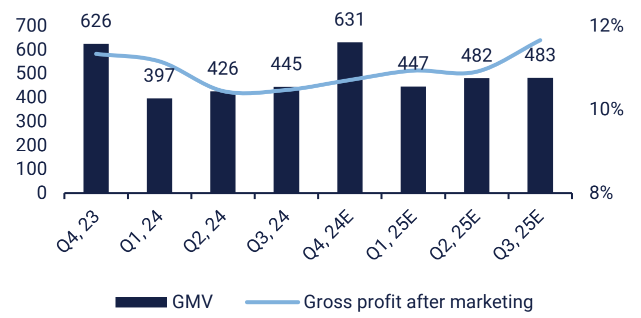
Source: Company information and Carlsquare estimates

Net sales (SEKm) and growth (%)



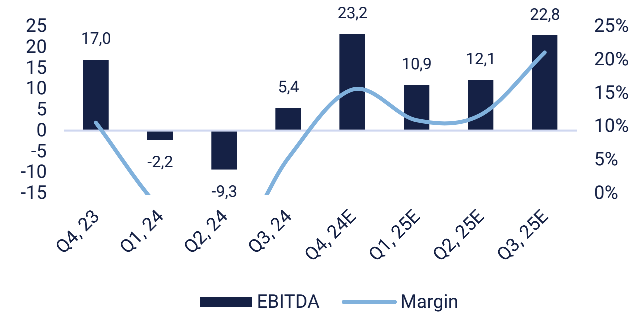
Source: Company information and Carlsquare estimates

GMV (SEKm) and GPAM (%)



Source: Company information and Carlsquare estimates

EBITDA (SEKm) and margin (%)



Source: Company information and Carlsquare estimates

Actions will likely pay off in 2025

2024 is a transition year where CDON takes important incremental steps to improve customer experience and operational efficiency. It would be very disappointing if these measures do not result in positive growth and higher profitability next year. However, the key to success is traffic returning and growing. Despite the headwinds, we are optimistic that CDON management can deliver on customer experience and return to growth. We believe the improvement will materialise gradually in a "Flywheel" manner, i.e., incremental positive changes on many fronts. This includes changes for better SEO and expanding payment options (Pay Now or Pay Later) for CDON and Fyndiq customers with Payment Service Provider Qliro. Other measures, as previously mentioned, involve increasing the number of vendors and outsourcing customer support. Many of these changes should ultimately improve the scalability of the platform and the organisation and facilitate profitable growth.

Recently, CDON also announced a collaboration with Ingrid, an e-commerce enabling solutions company headquartered in Stockholm that offers a delivery and return platform connecting retailers/marketplaces, carriers, and consumers. Ingrid boasts several well-known Nordic retailers among its customers, e.g., Adlibris, and has raised a total of EUR 30m in 2023 and 2024 from Schibsted Ventures SEB, BLQ Invest, and Verdane.

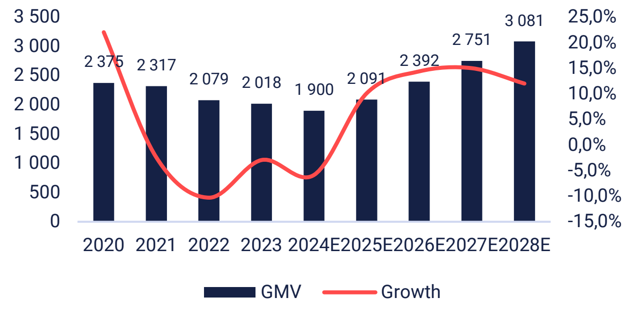
CDON expects the collaboration to increase checkout conversion rates by, for example, offering multiple and precise delivery options. Through an improved customer experience, CDON also targets increased customer loyalty.

Growth set to bounce back

The visibility beyond 2024 is still low. However, we believe Nordic e-commerce can grow in the high single digits over time. We assume that CDON will regain market share in 2025-2026 following the completion of the platform migration. Solid growth for international marketplaces suggests that the marketplace model is growing faster than the general market in the Nordics; however, the sales data set is not available.

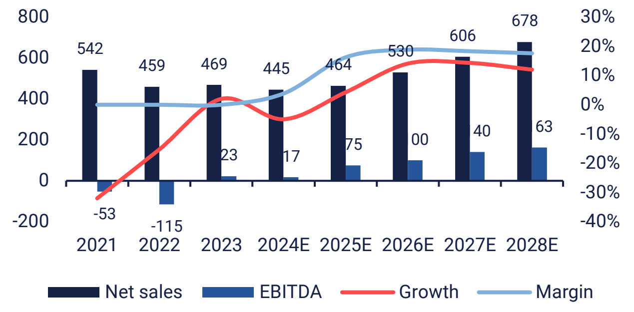
We assume 3P GMV will increase by 12.9 per cent on average from 2025 to 2028. This translates into a net sales growth of about eleven per cent on average, as lower 1P sales in line with the long-term transformation of CDON will somewhat mitigate the GMV growth and an increased take rate.

GMV (SEKm) and growth (%)



Source: Company information and Carlsquare estimates

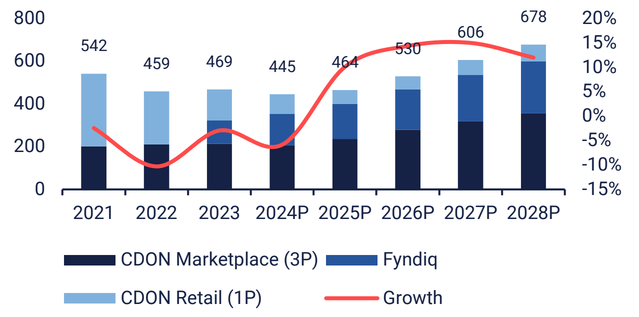
CDON Net sales and EBITDA (SEKm, %)



Source: Company information and Carlsquare estimates

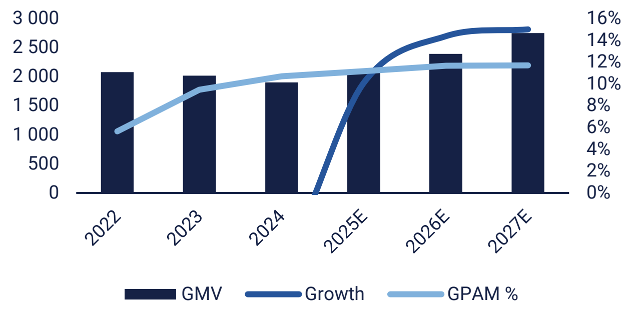
Anticipating improvement in gross and GPAM margins and contained OPEX, we see the potential for solid operating leverage and a rapid earnings increase. We forecast CDON to reach an EBITDA margin of around 24 per cent in five years, compared to 4.8 per cent in 2023. At the end of the forecast period, we assume the EBIT margin will increase to 12 per cent (or 16 per cent excluding goodwill amortization according to Swedish K3 accounting) , in line with larger international peers.

Net sales (SEKm) & growth (%)



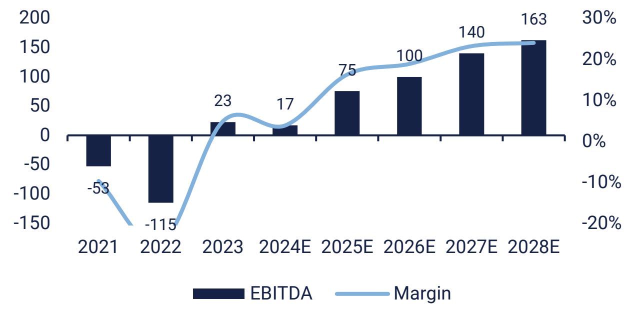
Source: Company information and Carlsquare estimates

GMV (SEKm) and GPAM (%)



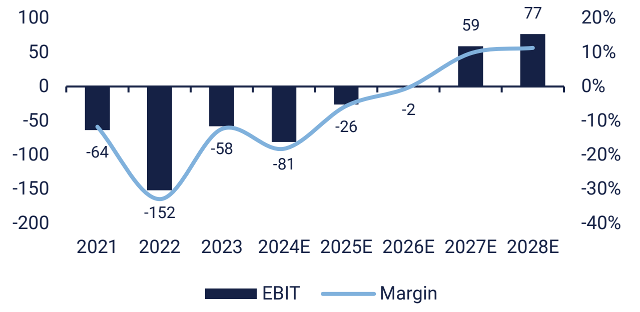
Source: Company information and Carlsquare estimates

EBITDA (SEKm) & margin (%)



Source: Company information and Carlsquare estimates

EBIT (SEKm) & margin (%)

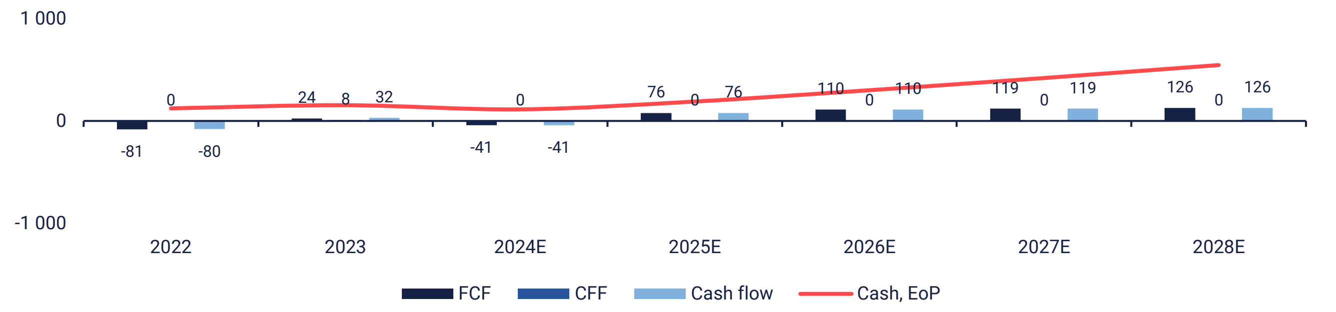


Source: Company information and Carlsquare estimates

The float should boost cash flow once growth returns

One attractive financial characteristic of e-commerce marketplaces is the so-called "float," i.e., the ability to operate with negative working capital. This reduces financial restraints on growth. Typically, the marketplace receives the payment from the shopper/payment service provider the next day. The vendor receives payment sometime after delivery. CDON does not have to separate the cash that is due to vendors from other liquid funds. Admittedly, CDON has yet only had limited benefit from the "float effect". One reason is the drawn-out transition from an e-commerce retailer to a marketplace. Also, negative organic growth in recent years has hampered cash flow. However, the float should improve with the take rate. The inflexion point is probably if and when CDON can resume meaningful organic growth.

Cash flow (SEKm) 2022-2028P



Source: Company information and Carlsquare estimates

Valuation

Using a DCF valuation, we calculate a fair value per share at SEK 146 per share. Our valuation corresponds to an EV/Sales 2025 multiple of 3.2x and an EV/EBITDA 25E multiple of 19.9x. The peer group trades at an EV/Sales 2025 multiple of 2.4x and an EV/EBITDA 2025 multiple of 11.3x.

Fair value within a range

Resumed growth could entail premium valuation

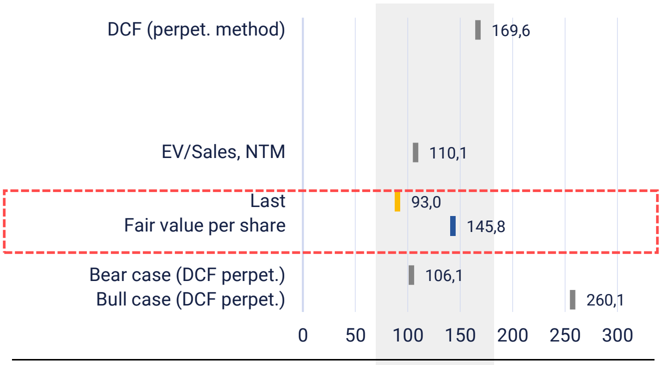
In a base case scenario, we combine a DCF model with a multiple valuation to calculate a fair value of SEK 146 per share. The valuation is predicated on a return to organic growth next year and rapidly improving margins.

Fair value (SEK/share), base case

		weight	
Currency, SEK/SEK			1.0
EV/Sales, NTM	SEK	40%	110.1
DCF valuation	SEK	60%	169.6
Fair value per share	**SEK**		**145.8**
Potential up-/downside			57%
Shares outstanding, fully financed	M		10.8
Equity value	SEKm		1 567
Cash (last rep. Q)	SEKm		67.6
Debt (last rep. Q)	SEKm		0
PV cash from equity financing	SEKm		0,0
EV	SEKm		1 499

Source: Carlsquare estimates

Fair value within a range (SEK/share)



Source: Carlsquare estimates

Implicit valuation multiples, base case

	2022	2023	Curr. NTM	NTM	2024E	2025E	2026E	2027E	2028E
EV/Sales	2.4x	3.0x	2.0x	3.3x	3.4x	3.2x	2.8x	2.5x	2.2x
EV/EBITDA	-9.5x	61.7x	13.5x	21.7x	87.8x	19.9x	15.0x	10.7x	9.2x
EV/EBIT	-7.2x	-24.1x	-29.4x	-47.2x	NM	NM	NM	25.5x	19.6x
P/E	-7.8x	-20.0x	-32.9x	-51.5x	NM	NM	NM	46.4x	39.7x

Source: Carlsquare estimates

In a bull case scenario, we assume an average 50 per cent higher growth rate in the forecast period 2023 to 2033 compared to the base case scenario. We also assume about five percentage points higher margins from increased economies of scale.

In contrast, in a bear-case scenario, we pencil in a 20 per cent lower growth rate, corresponding to an average five per cent net sales increase. Consequently, we also calculate with lower margins (around five percentage points).

Evaluation, three scenarios

	BEAR	BASE	BULL
Rev. growth assumtions			
CAGR, 2023-26	3.0%	4.2%	7.0%
CAGR, 2026-29	9.0%	11.2%	16.8%
CAGR, 2023-33	6.0%	7.6%	11.6%
Assumptions, EBITDA margins			
AVG, 2024-26	9.7%	13.0%	16.3%
AVG, 2027-29	18.7%	23.7%	28.7%
AVG, 2024-33	16.1%	20.5%	25.1%
2033	18.9%	23.8%	28.9%
Calculated value per share (SEK)	**106.1**	**145.8**	**260.1**

Source: Carlsquare estimates

DCF evaluation

DCF valuation, base case scenario

DCF valuation						
PV(UFCF)	SEKm	771	Disc. rate			
PV(TV)	SEKm	985	Risk-free rate	2.3%	Tax adjust. r on debt	4.8%
Enterprise value	SEKm	1 755	Market risk premium	6.1%	Leverage	0.0%
Net debt (+), last Q	SEKm	-68	Size premium	2.2%	WACC	10.6%
Value, associated comps.	SEKm	0.0	Beta	1.0x	Comp. spec. premium	0.0%
Value, minority interest	SEKm	0	Req. return on equity	10.6%	**Discount rate**	**10.6%**
Shareholder value	SEKm	1 823	Assumptions			
PV(equity financing proceeds)	SEKm	0.0	CAGR, 2022-33E	7.6%		
Shareholder value, after financing	SEKm	1823	EBITDA-margin, 2033E	23.8%		
Current shares outstanding	M	10.8	EBIT-margin, 2033E	16.1%		
New shares	M	0.0	Tax rate	20.6%		
Shares outstanding after financing and dilution	M	10.8	Implied multiples			
Value per share (before financing and dilution)	SEK	169.6	EV/Sales, NTM	3.8x	EV/EBITDA, NTM	102.8x
Value per share (after financing and dilution)	SEK	169.6	EV/Sales, 24E	3.8x	EV/EBITDA, 24E	23.3x
Currency	SEK/SEK	1.0	P/S, NTM	4.0x	EV/EBIT, NTM	NM
Value per share (before financing and dilution)	SEK	169.6	P/S, 24E	3.9x	EV/EBIT, 24E	NM
Value per share (after financing and dilution)	**SEK**	**169.6**	EV/Gross prof., NTM	4.8x	P/E, NTM	-22.3x
Potential up-/downside		82%	EV/Gross prof., 24E	4.6x	P/E, 24E	-73.2x

Source: Carlsquare estimates

Multiple valuation

Multiple evaluation median EV/Sales NTM, base case scenario

		Median Mcap (USDm)	Sales CAGR, 2023-26	µEBIT marg, 2023-25	EV/Sales, NTM
Ref. group, Median		9 471	8%	21%	2.4x
Ref. group, Average		234 877	12%	20%	2.7x
Discount					0.0%
Applied multiple					2.4x
Net sales, NTM	SEKm				461.0
Enterprise value	SEKm				1 115.7
Net cash(-), last Q	SEKm				-67.6
Value, associated comps.	SEKm				0.0
Value, minority interest	SEKm				0.0
PV(equity financing proceeds)	SEKm				0.0
Shareholder value, after financing	SEKm				1 183
Current shares outstanding	M				11
New shares	M				0.0
Shares outstanding after financing and dilution	M				11
Exchange rate	SEK/SEK				1.0
Fair value per share after financing and dilution	**SEK**				**110.1**

Source: S&P Capital IQ and Carlsquare estimates

Accounts and key figures

Income statement (SEKm), quarterly basis

	Q4, 23	Q1, 24	Q2, 24	Q3, 24	Q4, 24E	Q1, 25E	Q2, 25E	Q3, 25E
Net sales*	161	96	97	103	149	100	103	108
Total revenue	161	96	97	103	149	100	103	108
Gross profit on net sales	112	70	75	81	110	79	85	92
EBITDA	17	-2	-9	5	23	11	12	23
EBITA	17	-2	-9	5	23	11	12	23
Adj. EBITA	0	-2	-9	5	23	11	12	23
EBIT	-8	-27	-34	-19	-2	-14	-13	-3
EBT	-8	-27	-34	-19	-1	-14	-13	-2
Net profit/loss	-8	-27	-34	-19	-1	-14	-13	-2
Basic EPS (SEK)	-0.73	-2.52	-3.19	-1.78	-0.13	-1.28	-1.19	-0.23
Growth	Q4. 23	Q1. 24	Q2. 24	Q3. 24	Q4. 24E	Q1. 25E	Q2. 25E	Q3. 25E
Net sales*	6%	5%	-7%	-8%	-7%	4%	6%	5%
Total revenue	6%	5%	-7%	-8%	-7%	4%	6%	5%
Gross profit on net sales	55%	36%	-3%	-1%	-1%	12%	14%	13%
EBITDA	0%	-414%	-589%	69%	36%	NM	NM	323%
EBIT	88%	-424%	-37%	10%	78%	47%	61%	85%
EBT	88%	-453%	0%	12%	83%	49%	63%	87%
Net profit/loss	88%	-453%	0%	12%	83%	49%	63%	87%
Margins	Q4. 23	Q1. 24	Q2. 24	Q3. 24	Q4. 24E	Q1. 25E	Q2. 25E	Q3. 25E
Gross margin	69%	73%	77%	79%	74%	79%	83%	85%
EBITDA margin	11%	-2%	-10%	5%	16%	11%	12%	21%
EBITA margin	11%	-2%	-10%	5%	15%	11%	12%	21%
Adj. EBITA margin	0%	-2%	-10%	5%	15%	11%	12%	21%
EBIT margin	-5%	-28%	-35%	-18%	-1%	-14%	-13%	-3%
EBT margin	-5%	-28%	-35%	-19%	-1%	-14%	-12%	-2%
Profit margin	-5%	-28%	-35%	-19%	-1%	-14%	-12%	-2%

Source: Company information and Carlsquare estimates

Income statement (SEKm)

	2020	2021	2022	2023	2024E	2025E	2026E
GMV	2,375	2,317	2,079	2,018	1 900	2 091	2 392
Fyndiq	0	0	0	110	147	165	189
Net sales	797	542	459	469	445	464	530
Total operating income	797	542	461	469	445	464	530
COGS	-547	-315	-234	-145	-108	-85	-82
Gross profit on net sales	0	227	227	324	337	379	448
Tot. operating expenses less COGS and D&A	-257	-280	-342	-301	-320	-304	-348
EBITDA	-7	-53	-115	23	17	75	100
Depreciation of tangible assets incl. leasing	0	52	115	-23	0	0	0
EBITA	0	0	0	0	17	75	100
Adj. EBITA	0	0	0	0	17	75	100
Amortisation of intangible assets	0	-63	-152	-58	-98	-102	-101
EBIT	-7	-64	-152	-58	-81	-26	-2
Net finances	0	0	0	-11	-1	1	3
EBT	-7	-64	-152	-69	-82	-25	1
Tax	0	0	0	0	0	0	0
Net profit/loss	-7	-64	-152	-68	-82	-25	1
Adj. net profit/loss	0	-63	-152	-69	-82	-25	1
Tot. comp. PL attributed to parent company	0	-63	-150	-69	-82	-25	1
Adj. PL attributed to parent company	0	-63	-150	-69	-82	-25	1
Basic EPS	0.00	-10.24	-23.29	-7.46	-7.61	-2.32	0.11
EPS aft. dilution	0.00	-9.27	-21.17	-6.96	-7.61	-2.32	0.11
No. of share, EoP	33.0	6.4	6.4	10.8	10.8	10.8	10.8
Avg. no. of shares	32.8	19.7	6.4	8.6	10.8	10.8	10.8
Growth	**2020**	**2021**	**2022**	**2023**	**2024E**	**2025E**	**2026E**
Net sales	-28%	-32%	-15%	2%	-5%	4%	14%
Total operating income	-28%	-32%	-15%	2%	-5%	4%	14%
Gross profit on net sales	NaN	NaN	0%	43%	4%	12%	18%
EBITDA	-101%	-640%	-119%	NM	-25%	342%	32%
EBITA	NaN	NaN	NaN	NaN	-25%	342%	32%
Adj. EBITA	NaN	NaN	NaN	NaN	NaN	342%	32%
EBIT	-101%	-799%	-138%	62%	-39%	67%	94%
EBT	-101%	-800%	-138%	55%	-19%	70%	NM
Net profit/loss	-101%	-800%	-138%	55%	-19%	70%	NM
Basic EPS	NaN	NaN	-129%	67%	-9%	70%	NM
Margins	**2020**	**2021**	**2022**	**2023**	**2024E**	**2025E**	**2026E**
Gross profit on net sales	0%	42%	49%	69%	76%	82%	84%
EBITDA	-1%	-10%	-25%	5%	4%	16%	19%
EBITA	0%	0%	0%	0%	4%	16%	19%
Adj. EBITA	0%	0%	0%	0%	4%	16%	19%
EBIT	-1%	-12%	-33%	-12%	-18%	-6%	0%
EBT	-1%	-12%	-33%	-15%	-18%	-5%	0%
Net profit/loss	-1%	-12%	-33%	-15%	-18%	-5%	0%

Source: Company information and Carlsquare estimates

Balance sheet (SEKm)

	2020	2021	2022	2023	2024E	2025E	2026E	2027E	2028E	2029E
Tot. intangible assets	69	86	62	692	621	541	461	402	339	273
Tot. tangible assets	43	2	1	1	1	1	1	1	1	2
Tot. other fixed assets	143	26	11	30	30	30	30	30	30	30
Total LT assets	255	115	75	724	652	572	493	434	371	305
Inventories	424	19	9	10	6	5	5	6	7	7
Accounts receivables	616	0	0	0	0	0	0	0	0	0
Other current assets	10	44	31	67	38	39	45	53	63	64
Cash & cash eqv.	42	203	123	154	113	190	300	419	546	675
Total current assets	1 171	267	163	231	157	233	350	478	615	745
Total assets	1 426	381	238	954	**809**	**805**	**843**	**912**	**987**	**1 050**
Total equity	398	200	45	687	605	580	581	615	655	699
Provisions	0	7	20	4	2	2	2	2	2	2
LT debt to creditors	47	0	0	0	0	0	0	0	0	0
Other LT liabilities	111	0	0	7	7	7	7	7	7	7
Tot. long-term liabilities	159	0	0	7	7	7	7	7	7	7
ST debt to creditors	29	0	0	0	0	0	0	0	0	0
Accounts payable	399	0	0	0	0	0	0	0	0	0
Other current liabilities	442	174	173	257	195	216	252	288	323	342
Tot. short-term debt	870	174	173	257	195	216	252	288	323	342
Tot. equity and debt	1 426	381	238	954	**809**	**805**	**843**	**912**	**986**	**1 049**
Liquidity	2020	2 021	2 022	2 023	2024E	2025E	2026E	2027E	2028E	2029E
Current ratio	1.3x	1.5x	0.9x	0.9x	0.8x	1.1x	1.4x	1.7x	1.9x	2.2x
Quick ratio	0.8x	1.2x	0.7x	0.6x	0.6x	0.9x	1.2x	1.5x	1.7x	2.0x
CF operations/current liabs.	0.2x	NA	-0.3x	0.0x	-0.1x	0.5x	0.5x	0.5x	0.5x	0.4x
Leverage	2020	2 021	2 022	2 023	2024E	2025E	2026E	2027E	2028E	2029E
Net debt(+)/Net cash(-)	72	-203	-123	-154	-113	-190	-300	-419	-546	-675
Net debt(+)/Net cash(-), excl. leasing	34	-203	-123	-154	-113	-190	-300	-419	-546	-675
Net debt/EBITDA	0.7x	3.9x	1.1x	-6.8x	-6.6x	-2.5x	-3.0x	-3.0x	-3.4x	-3.9x
Tot. debt/Equity	29%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Tot. equity/tot. assets	28%	52%	19%	72%	75%	72%	69%	67%	66%	67%
Efficiency	2020	2 021	2 022	2 023	2024E	2025E	2026E	2027E	2028E	2029E
ROA	NA	-7%	-49%	-4%	-9%	-3%	0%	4%	4%	4%
ROE	NA	-21%	-123%	-6%	-13%	-4%	0%	6%	6%	6%
ROIC	NA	-6%	-82%	-2%	-9%	-3%	0%	5%	6%	7%

Source: Company information and Carlsquare estimates

Cash flow (SEKm),

	2022	2023	2024E	2025E	2026E	2027E	2028E
CFO b4 delta WC	-79	15	15	77	103	115	125
Delta WC	21	-16	-29	21	30	27	24
CF operations	-59	0	-14	98	133	142	149
CF investing	-22	24	-27	-22	-22	-23	-23
FCF	-81	24	-41	76	110	119	126
CF financing	0	8	0	0	0	0	0
Cash flow	-80	32	-41	76	110	119	126
Cash, BoP	0	123	154	113	190	300	419
Cash, EoP	123	154	113	190	300	419	546
Key ratios	2022	2023	2024E	2025E	2026E	2027E	2028E
Delta WC/Total operating income	5%	-3%	-6%	5%	6%	4%	4%
CF operations/Total operating income	-13%	0%	-3%	21%	25%	23%	22%
CF operations/EBITDA	51%	2%	-81%	130%	133%	101%	92%
CF investing/Total operating income	-5%	5%	-6%	-5%	-4%	-4%	-3%
FCF/EBITDA	NM	107%	-238%	101%	111%	85%	78%

Source: Company information and Carlsquare estimates

Key figures (SEK), 2021-2028P

	2021	2022	2023	2024E	2025E	2026E	2027E	2028E
SEK/SEK	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Share price	472.4	181.9	140.0	93.0	93.0	93.0	93.0	93.0
Market cap	3 044	1 172	1 505	1 000	1 000	1 000	1 000	1 000
EV	2 858	1 098	1 406	887	932	932	932	932
P/S	5.6x	2.6x	3.2x	2.2x	2.2x	1.9x	1.7x	1.5x
P/E	Neg.	Neg.	Neg.	Neg.	Neg.	844.8x	29.6x	25.3x
P/CF operations	NaN	Neg.	3 763.0x	Neg.	10.2x	7.5x	7.0x	6.7x
EV/Sales	5.3x	2.4x	3.0x	2.0x	2.0x	1.8x	1.5x	1.4x
EV/Gross profit	12.6x	4.8x	4.3x	2.6x	2.5x	2.1x	1.8x	1.6x
EV/EBITDA	Neg.	Neg.	61.7x	51.9x	12.4x	9.3x	6.6x	5.7x
EV/EBIT	Neg.	Neg.	Neg.	Neg.	Neg.	Neg.	15.8x	12.2x
CSQ fair value per share	472.4	181.9	140.0	145.8	145.8	145.8	145.8	145.8
CSQ market cap	3 044	1 172	1 505	1 567	1 567	1 567	1 567	1 567
CSQ EV	2 858	1 098	1 406	1 454	1 377	1 267	1 148	1 021
P/S. CSQ implied	5.6x	2.6x	3.2x	3.5x	3.4x	3.0x	2.6x	2.3x
P/E. CSQ implied	Neg.	Neg.	Neg.	Neg.	Neg.	1324.1x	24.8x	19.0x
P/CF operations. CSQ implied	NaN	Neg.	3 763.0x	Neg.	16.0x	11.8x	11.0x	10.5x
EV/Sales. CSQ implied	5.3x	2.4x	3.0x	3.3x	3.0x	2.4x	1.9x	1.5x
EV/Gross profit. CSQ implied	12.6x	4.8x	4.3x	4.3x	3.6x	2.8x	2.2x	1.8x
EV/EBITDA. CSQ implied	Neg.	Neg.	61.7x	85.2x	18.2x	12.7x	8.2x	6.3x
EV/EBIT. CSQ implied	Neg.	Neg.	Neg.	Neg.	Neg.	Neg.	19.5x	13.3x
Shares outstanding (EoP)	6.4	6.4	10.8	10.8	10.8	10.8	10.8	10.8
Shares outstanding (Avg.)	19.7	6.4	8.6	10.8	10.8	10.8	10.8	10.8
Shares outstanding. fully dil. (Avg.)	19.7	6.4	8.6	10.8	10.8	10.8	10.8	10.8
EPS (SEK)	-10.24	-23.29	-7.00	-7.61	-2.32	0.11	3.14	3.67
DPS (SEK)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
BV per share (SEK)	10.1	6.9	79.9	56.3	54.0	54.1	57.2	60.9
tBV per share (SEK)	0.1	0.2	0.1	0.1	0.1	0.1	0.1	0.1
EV per share (SEK)	144.7	170.4	163.6	82.5	86.7	86.7	86.7	86.7
Equity per share	10.1	6.9	79.9	56.3	54.0	54.1	57.2	60.9
Dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
FCF yield	NA	Neg.	1.6%	Neg.	7.6%	11.0%	11.9%	12.6%
FCF yield (unleveraged)	Neg.	Neg.	3.1%	Neg.	8.6%	11.6%	14.2%	15.8%

Source: Company information and Carlsquare estimates

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