



PRESS RELEASE

Malmö, Sweden

14:00 CET, Thursday, 16 February 2023

CDON's Q4 and full year (year-end) report 2022

Restructuring program executed – CDON well-positioned for profitable growth

FOURTH QUARTER FOR THE GROUP

- Gross merchandise value (GMV) for CDON Marketplace (3P) decreased by 17% to SEK 565.3 (678.1) million. Excluding sales from fraudulent merchant activity in 2021¹. CDON Marketplace GMV decreased by 8% compared to the same period last year.
- Net sales for CDON Marketplace decreased by 7% to SEK 66.7 (71.8) million. CDON Retail net sales decreased according to plan by 20% to SEK 84.7 (106.4) million due to the process of reducing sales of our own inventory.
- Gross margin increased by 1.1 percentage points to 47.5% (46.4%).
- Profit/loss before depreciation and amortisation amounted to SEK -48.2 (-10.4) million. Adjusted for costs related to one-off nature, EBITDA amounted to SEK -8.1 million.
- Profit/loss for the period amounted to SEK -64.9 (-16.9) million.
- Earnings per share amounted to SEK -10.25 (-2.62).

FULL YEAR 2022 FOR THE GROUP

- Gross merchandise value (GMV) for CDON Marketplace (3P) decreased by 7% to SEK 1,828.3 (1,973.2) million. Excluding sales from fraudulent merchant activity in 2021¹, CDON Marketplace GMV decreased by 1% for the full year compared to last year.
- Net sales for CDON Marketplace increased by 5% to SEK 210.6 (201.4) million. CDON Retail net sales decreased according to plan by 27% to SEK 248.9 (340.8) million due to the process of reducing sales of our own inventory.
- Gross margin increased by 7.3 percentage points to 49.2% (41.9%).
- Profit/loss before depreciation and amortisation amounted to SEK -115.1 (-41.6) million. Adjusted for costs related to one-off nature, EBITDA amounted to SEK -62.4 million.
- Profit/loss for the period amounted to SEK -151.9 (-62.6) million.
- Earnings per share amounted to SEK -23.24 (-10.18).

Letter from the CEO

“On December 8, 2022, CDON announced a restructuring program to achieve the financial directive of being at least EBITDA break-even during 2023². After an intensive period of activities to improve commercial processes and a reduction of both staff-related and other costs, we have managed to generate positive EBITDA in January 2023³.

In context, January is one of our weakest months of the year because of seasonally lower activity after the increased consumer spending during the adjacent holiday season. As a result of this, our confidence in reaching our EBITDA target of at least break-even for the full year of 2023 remains intact.

During the quarter CDON Marketplace gross merchandise value (3P GMV) declined by 17%. Excluding sales from the fraudulent merchant in 2021, the 3P GMV declined 8%. Net sales declined by 7% year-over-year.

The commission gained from CDON Marketplace increased to 10.2% in comparison to 8.9% in the same period last year. EBITDA amounted to SEK -48.2 million for the quarter. Adjusted for costs related to one-off nature, EBITDA amounted to SEK -8.1 million.

Our 3P GMV during the quarter was heavily disappointing, and as a result we are making significant changes to implement learnings. Our main points from the Q4 3P GMV analysis are the following:

- **Lack of attractive products:** During the quarter, our significant merchant Xstra Digital filed for bankruptcy. As the termination of Xstra Digital was in the middle of an intense sales period, we were not able to substitute enough products through other merchants at attractive enough prices to drive GMV during our critical holiday season.
- **Profitable marketing spending:** During the quarter, we deeply analysed our marketing channels and removed areas of non-economic spend. While the spending was more efficient in the quarter, we lost traffic from the channels we de-emphasised, hurting GMV.
- **Less new merchants:** During 2022, we failed to attract enough new merchants to continue to expand and deepen our offering of attractive products. As a result, revenues from new merchants were significantly lower during the quarter compared to the same period last year. As part of our December restructuring, we addressed organisational issues that were a key factor in this underperformance. Merchant acquisition will continue to be a key priority in 2023.

The majority of the previously communicated cost reductions of SEK 60-65 million were implemented before the end of the quarter. A major part of the cost reductions derives from lay-offs, with personnel mostly having notice periods between one to three months. To quickly implement the new lower cost structure in our reported figures, the operational expenses for the quarter include salary cost for notice periods, meaning for example that if a person has a three months' notice period the full cost for that salary will be taken in Q4 2022. These costs will have a negative impact on our cash flow in Q1 2023. The restructuring program required a lot of focus from the organisation during the quarter which had a short-term negative impact on the employee motivation, however, the program is now executed, and employee motivation is back at a high level.

Path to profitability

In the Q3 2022 report, CDON introduced financial directives and targets to facilitate investors' understanding of CDON's marketplace business (3P): The short-term target of at least break-even EBITDA in FY 2023 and the mid-term target of 2.5% market share by the end of FY 2025 from the currently estimated 1%.

CDON marketplace is built on a highly scalable business model where CDON's main source of income is commissions from selling on our platform. The cost for CDON per new merchant is very limited, allowing almost fixed operational expenses while the sales on the platform increase. This means that the revenue from our commission and additional revenue streams translates to gross profit at a very high rate. The 3P marketplace business model also means that we do not tie any capital in inventory which explains our ability to grow without increasing working capital.

In the near-term, CDON has the least control over the 3P GMV growth as it is influenced by macro factors such as consumer confidence. Therefore, to reach our target for 2023 of becoming at least EBITDA break-even we have implemented the following actions:

- **Increase Take Rate** - Our take rate is determined by the commission paid by the merchants based on their sales on the CDON platform and additional revenue streams such as financial income, ads, insurance, etc. On January 23, we implemented a 15% commission increase to merchants which will have a positive impact on our total take rate and increase our EBITDA. Over the long-term, we have other opportunities to increase take rate by providing additional value-added services to our merchants.
- **Profitable Performance Marketing Spending** - During Q3 and Q4 2022, we have been more focused on profitable marketing spend compared to the first half of the year. We have done this by improving the efficiency of our marketing channels by taking several actions including removing unprofitable marketing channels and optimising product feeds. While the actions have been effective in improving the returns on our marketing spend, we see significant room to improve our CRM efforts, a high-return marketing channel which historically has not received enough focus.
- **Operational Expense Decrease** - For the full year 2022, operational expenses were SEK 217.3 million which included SEK 42 million costs related to one-off nature. The costs included within one-off nature are restructuring costs (see above), costs related to redundant office space, costs related to the bankruptcy of Xstra Digital in Q4, legal expenses during Q1 related to the acquisitions of the subsidiaries Xales and Commerce8, and accrual in Q4 for potential IMY

sanction fee. Normalised operational expenses amounted to SEK 175 million for the full year 2022. In December of 2022, CDON announced a significant restructuring program which is estimated to decrease costs by SEK 60-65 million on a yearly basis from the 2022 normalised level.

2022 Operational Expenses (Excl. Marketing and D&A)	217
2022 Costs related to one-off nature ⁴	(42)
2022 Operational Expenses - Normalised	175
Restructuring- December 2022	(60)
Go Forward Operational Expenses	115

As a result of these actions and the impact we have seen in January, we remain confident in our ability to achieve our EBITDA target of at least break-even in 2023.

Current focus

While the fourth quarter was a heavily transformative quarter, the list of commercial activities and opportunities that will be executed on in Q1 and Q2 2023 is still significant. In addition to improving our cost structure, the December restructuring reduced critical bottlenecks in the organisation, allowing us to execute more efficiently on commercial activities.

Our priorities moving forward, where we also see the highest potential, are to speed up the process of acquiring high-quality merchants and to significantly improve our CRM, which today is at a very low level. This involves our direct-to-consumer communication but also our loyalty program CDON+. This project shows significant progress as CDON+ members already display a much greater purchase frequency than non-members.

We are also excited for the launch of CDON 2.0 which took place on January 31, 2023. This update brings a new modern appearance for our website providing a significantly improved experience for customers and improved product discovery. We look forward to seeing how CDON 2.0 transforms the customer experience in 2023.

As a final remark, I can say that during my time at CDON I have not before seen this pace of execution, level of energy in the team and the shared dedication to reaching the common goals. With a leaner organisation the ownership and responsibilities are clearer, decisions quicker and execution more effective. I look forward to the results of our improved organisation in 2023.

¹ For further information refer to press release: <https://investors.cdon.com/investor-relations/pressmeddelanden/trading-update-merchant-issue-during-black-week-impacts-ebit-92254?page=3>.

² Target for FY 2023

CDON's business shall be at least EBITDA break-even in FY 2023 – unless:

- CDON finds growth investment opportunities where CDON believes the IRR significantly exceeds CDON's cost of capital.
- The macro environment undergoes further material deterioration from the low levels expected in Q4 2022.

³ As a rule, we do not disclose monthly targets and/or outcome, this is an exception. Our previously announced financial directives give the guidance for us to be at least EBITDA break-even during 2023 as a whole.

⁴ Restructuring costs, costs related to redundant office space, merchant bankruptcy costs, acquisitions related costs, and accrual for potential IMY sanction fee.

Webcast and teleconference

Analysts, investors and the media are invited to a webcast and webcast today at 15:00 CET.

To take part in the presentation and participate via the webcast, please go to the link below. Via the webcast, there is an opportunity to ask written questions.

Link to webcast:

<https://ir.financialhearings.com/cdon-q4-2022>

If you wish to participate via teleconference, please register on the link below. After registration you will be provided phone numbers and a conference ID to access the conference. You can ask questions verbally via the teleconference.

Link to teleconference:

<https://conference.financialhearings.com/teleconference/?id=5007810>

The presentation material and the webcast will be published on

<https://investors.cdon.com/en/investor-relations/presentations/>

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This information is information that CDON AB is required to disclose under the EU Market Abuse Regulation. The information was released for publication through the agency of the above contacts at 14:00 CET on 16 February, 2023.

Certified Adviser

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About CDON

CDON AB (publ) ("CDON") was founded in 1999 and is now the biggest marketplace in the Nordic region. Customers can choose to buy and compare prices for millions of products at CDON, by far the widest range of all Nordic e-retailers. Over 1,500 merchants use CDON's platform and technology to increase their sales. This gives CDON a wide range of products within, movie, music, computers, games, office supplies, books, toys, consumer electronics, household appliances, sport, outdoor, beauty care, fashion, shoes, computers, and computer products. CDON's shares are listed on Nasdaq First North Growth Market with the abbreviation CDON.