



Q1, 2024 Earnings Call

April 25, 2024



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Welcome to CDON's Q1 earnings call



Fredrik Norberg
CEO

*“Addressing
short-term
challenges with a
steady focus on our
long-term objective”*



Carl Andersson
CFO

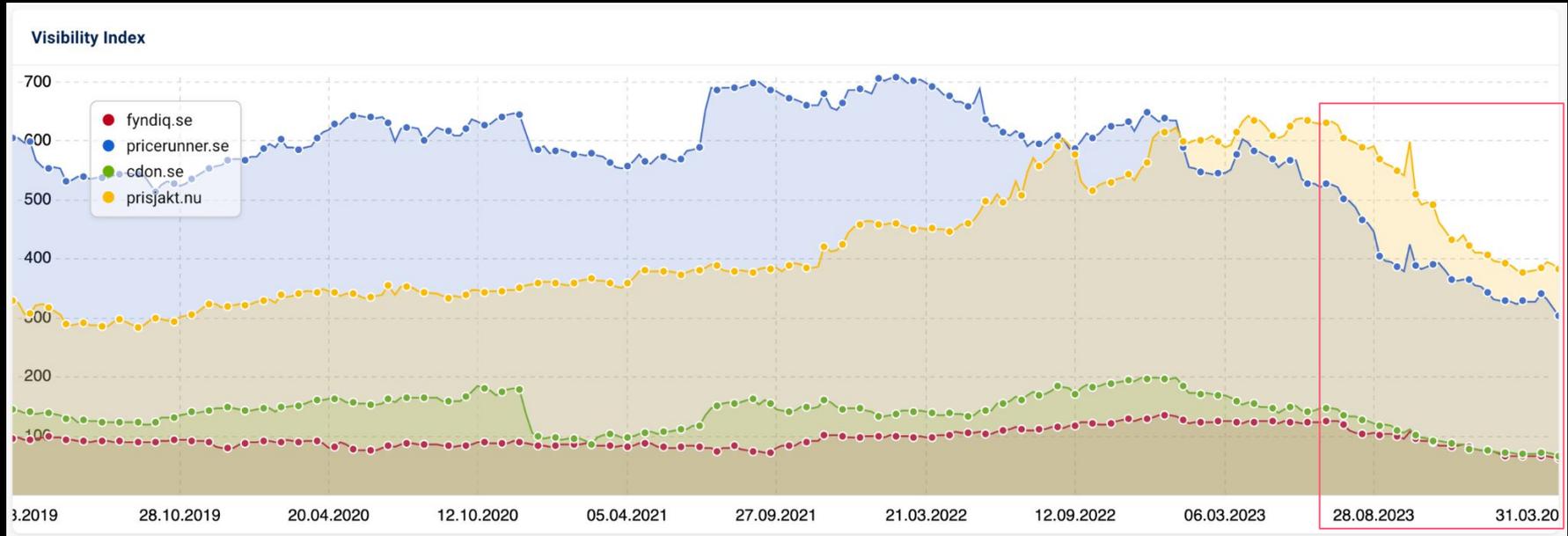
*“Lower GMV, but
stable EBITDA
during a turbulent
period”*

Executive summary

- **We faced three distinct challenges, which presented some short-term difficulties:**
 1. **Google algorithm changes:** loss of important organic traffic due to big changes in Google search algorithm
 2. **Closing of the Malmö office:** consuming team and management focus
 3. **Platform migration:** as expected, the ongoing platform migration also consumed significant resources
- **Lower sales in a seasonally weak quarter, EBITDA remain stable during restructuring, but was negative at -2.2 mSEK**
- **Short term challenges, but we still have good faith in the mid- to long term view**

Challenge 1: Google search algorithm changes

Google have lately made several core updates to it's search algorithm, affecting established price comparison sites and marketplaces negatively



Challenge 1: Google search algorithm changes

Nordic's largest price comparison site confirms the negative impact

BREAKIT NYHETER RAPPORTER DATA PREMIUM KURSER EVENT KONTAKTA OSS

Den här artikeln kan bara du som har Breakit Premium läsa

Prisjakt varslar – och ger upp i två länder

PRISJAKT 13 feb 2024, kl 16:22



Peter Greberg, vd Prisjakt. Foto: Preo

Prisjakt planerar att säga upp en stor andel av personalstyrkan och retirerar dessutom från två marknader.

Bolagets vd Peter Greberg berättar vad som ligger bakom och pekar särskilt på två faktorer.

Orsakerna

Prisjakt's avstannande tillväxt under hösten sammanföll tidsmässigt med att Google gjorde förändringar i logiken bakom sökningar och sökresultat. Konsekvensen blev mindre trafik till tjänster som Prisjakt's.

"Många av prisjämförelsesajterna i Europa har blivit drabbade av det här. Aggregerande tjänster har drabbats vad gäller synbarheten i sökresultatet. Varumärken och handlare prioriterades upp", säger Peter Greberg.

[English translation]

The Reasons

The stagnation in Prisjakt's growth during the fall coincided with Google making changes to the logic behind searches and search results. The consequence was less traffic to services like Prisjakt.

"Many of the price comparison sites in Europe have been affected by this. Aggregating services have been impacted in terms of visibility in the search results. Brands and retailers were given priority," says Peter Greberg.

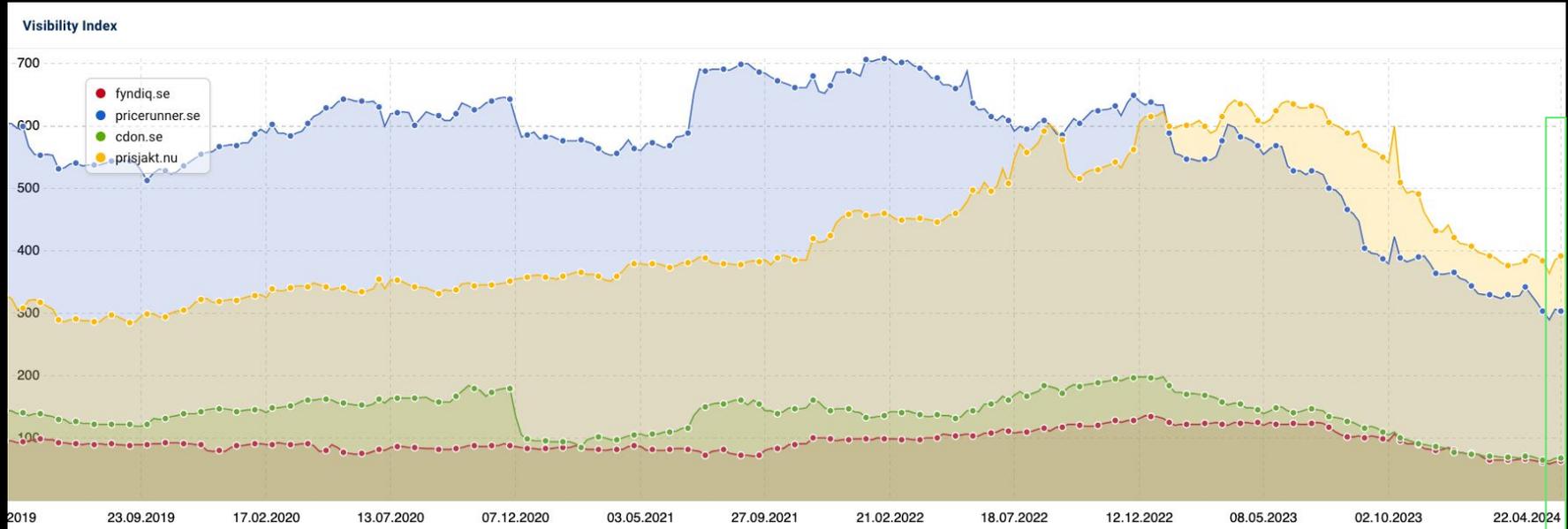
Challenge 1: Google search algorithm changes

Amazon is also highly affected, yet not in Sweden, probably due to the recency of the Amazon.se launch

Amazon Market	02.01.23 Visibility	01.01.24 Visibility	Difference (%)
United Kindgom 	3388.10	3188.56	-5.9%
United States 	3322.49	2967.78	-10.7%
Germany 	3187.75	3054.04	-4.2%
Italy 	2680.03	2640.65	-1.5%
France 	2300.15	1892.88	-17.7%
Spain 	2257.49	2130.57	-5.6%
Sweden 	242.90	262.20	7.9%
Netherlands 	241.43	128.55	-46.8%
Norway 	97.50	87.24	-10.5%
Denmark 	59.91	42.82	-28.5%
Finland 	36.45	31.65	-13.2%
Total 	17814.20	16426.95	-7.8%

Challenge 1: Google search algorithm changes

However, we have implemented several technical adjustments, and we see some signs that we are at the low ebb



The closing of the Malmö office has temporarily diverted employee and management focus, creating some inefficiencies in Q1

- Announced Feb 13th
- The majority of handovers are completed
- Good talent pool for the 25 recruitments to Stockholm office
- No major extraordinary costs affecting Q1, but instead in Q2



Shift from inhouse to outsourced Customer service has shorten response time and improved customer service satisfaction. **On CDON we are already at the same levels as the inhouse numbers, while on Fyndiq we have improved this KPI with more than 5%**

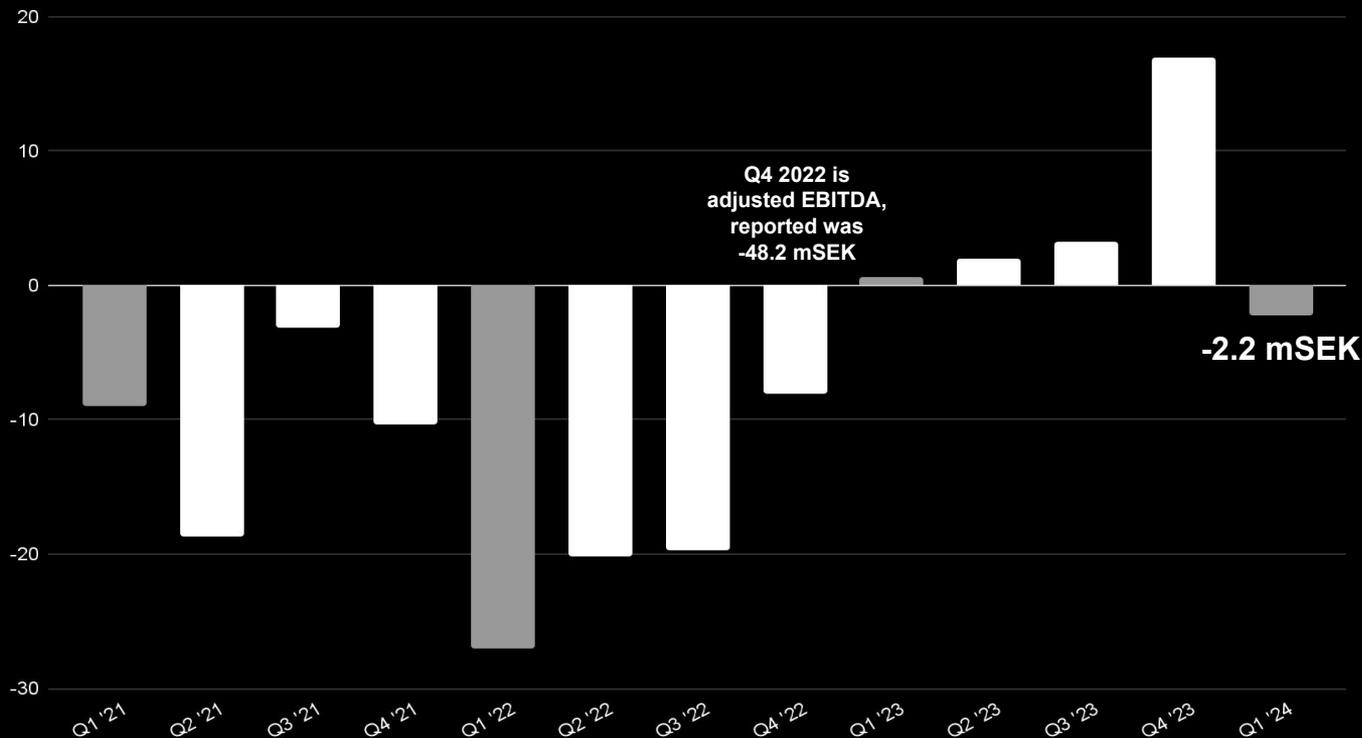
Challenge 3: Platform migration

All work streams are making sound progress, and we remain confident in realizing the migration before Q4

- September deadline still intact

Lower volumes in a seasonally weak quarter, with stable EBITDA during restructuring. However, the first negative quarter for a year.

Quarterly EBITDA 2021-2024



We still see a bright future, and to reverse the GMV trend, we continue to believe in the core elements of the marketplace model

- Massively increase supply
- Greatly improve customer satisfaction

Supply growth is on a halt to fix some technical bottlenecks, while the customer satisfaction continues to improve

Greatly improved customer satisfaction

Customer review score for the CDON-segment



Successful execution of our strategic focus on **improving customer happiness** for CDON



Continued momentum from improvement in customer experience sees **increase from 3.8 to 4.3 in customer review score** for Q1'24 compared to the same period in 2023 for CDON-segment



Quality curation of merchants and products has resulted in **an increase of 11% better reviews of the products we sell** on the CDON-segment

Financial performance



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Profit and Loss Highlights - As reported¹ (2023-2024), MSEK

CDON Group - Post Acq	2024 Jan-Mar	2023 Jan-Mar	Δ	2023 Jan-Dec
Total gross merchandise value (GMV)	397.2	408.5	-3%	2,017.7
Net sales	95.8	91.5	5%	468.7
Cost of goods sold	-25.4	-39.6	-36%	-145.3
Gross profit (GP)	70.4	51.8	36%	323.4
Take rate (%)	17.7	12.7	5.0	16.0
Marketing Cost	-26.1	-21.0	-24%	-122.0
Gross profit after marketing (GPAM)	44.3	30.9	44%	201.4
OPEX	-46.5	-29.8	56%	-177.8
Share in associate's profit/loss after tax	0.0	-0.5	-100%	-0.9
EBITDA	-2.2	0.6	N/A	22.7
D&A	-24.5	-5.8	324%	-80.9
EBIT	-26.7	-5.1	420%	-58.2

Despite lower volumes in a seasonally weak quarter EBITDA remain stable during restructuring

Comments

- -3% lower reported GMV in the quarter compared to last year
- Increased Net sales of 5%, following commission increases and mix effects
- Significantly higher GP and GPAM given Fyndiq's inclusion and structurally higher Gross Profit margin
- EBITDA stable despite lower volumes in a seasonally weak quarter.

1. CDON Group's results include Fyndiq from 12th April 2023 and onwards. 2023 results does not include Fyndiq in Q1 and only partly for FY23, hence are not comparable on an operational level.

Gross Merchandise Value, by segment (2022-2024), MSEK



The following section of the presentation will include comparable periods for the Fyndiq segment and Group

Mixed results in Q1

Comments

- Tough Q1 for **CDON**, -27% vs. '23, with particularly weak performance in Home & Garden segment
- Less negative development in Sport & Outdoor and Health & Beauty highlighting the importance of diversification
- **Fyndiq** segment show a slight decline in GMV, 3% vs LY
- Strong start to the quarter, with double digit growth vs LY, but supply-related effects from Chinese New Years heavily impacted remaining months

Gross Profit, by segment (2022-2024), MSEK

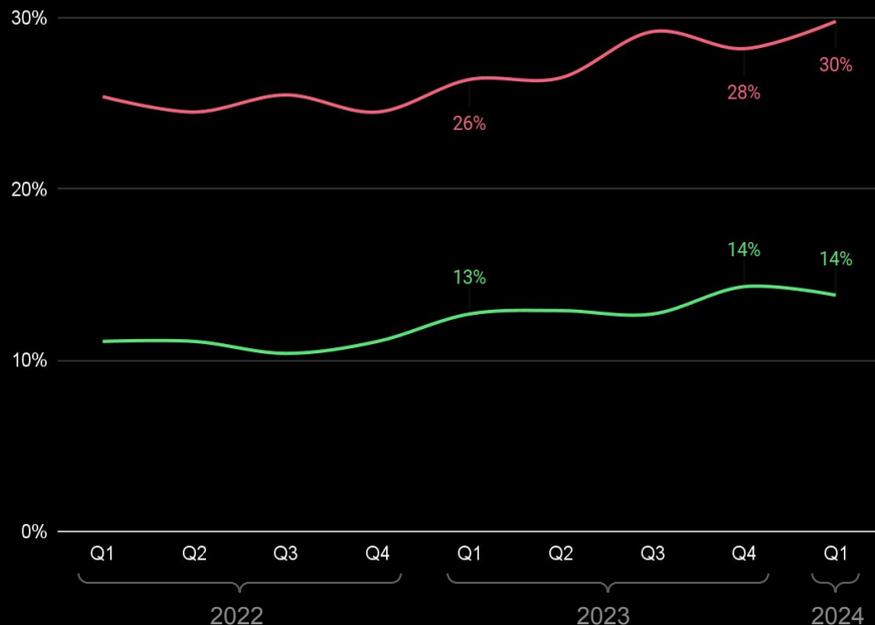


Stronger gross margins in Q1

Comments

- The **CDON** segment maintaining high gross profit margin at 63% (57%), mainly attributed to lower 1P share of business. The margin is also positively impacted by a retroactive minimum order fee (2 p.p)
- The **Fyndiq** segment sustaining its very high gross profit margin, now at 97%
- Q1 gross profit of 70 (78) MSEK for the group

Take rate, by segment (2022-2024), MSEK, % of GMV



Take rate (%) = Merchant Commission & Fees + Value-Added Services + Customer Revenues / Gross Merchandise Value

Maintained, or expanded, take rate across segments

Comments

- The **CDON** segment has experienced a steady take rate in the quarter following several revisions in 2023
- **Fyndiq**'s take rate continuing its increasing trend, impacted by some seasonality from Black Friday in Q4

Gross Profit After Marketing, by segment (2022-2024), MSEK

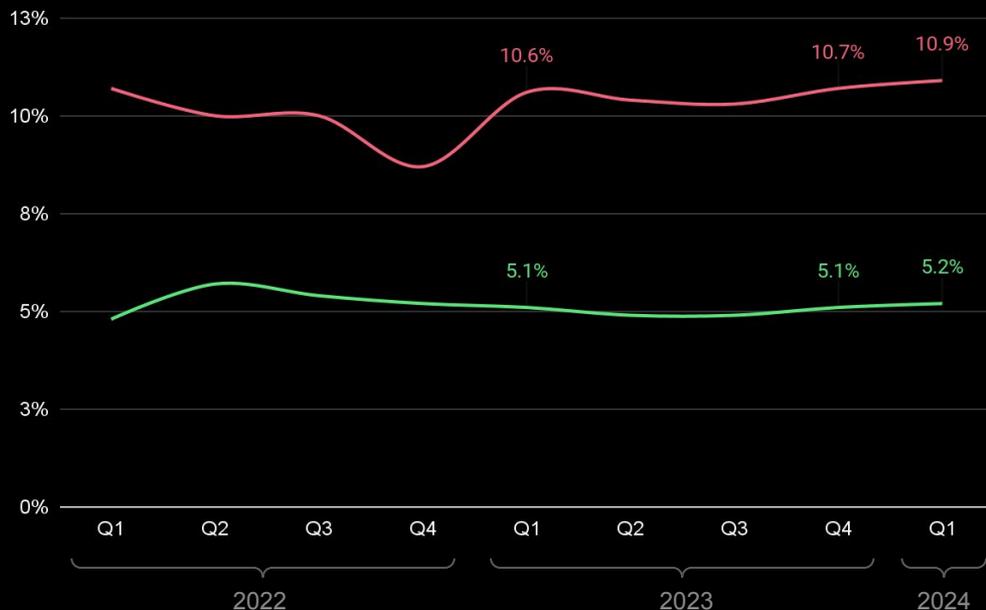


GPAM as % of GMV still strong

Comments

- GPAM declined 16% for the **CDON** segment in Q1 stemming from headwinds and GMV decreasing 27%
- GPAM as a % of GMV increased to 8.7% from 7.6% last year
- **Fyndiq** grew GPAM by 15%, despite a 3% decline in GMV
- GPAM as a % of GMV increased to 18.9% from 15.9% last year.

Marketing cost as % of GMV, by segment (2022-2024), MSEK

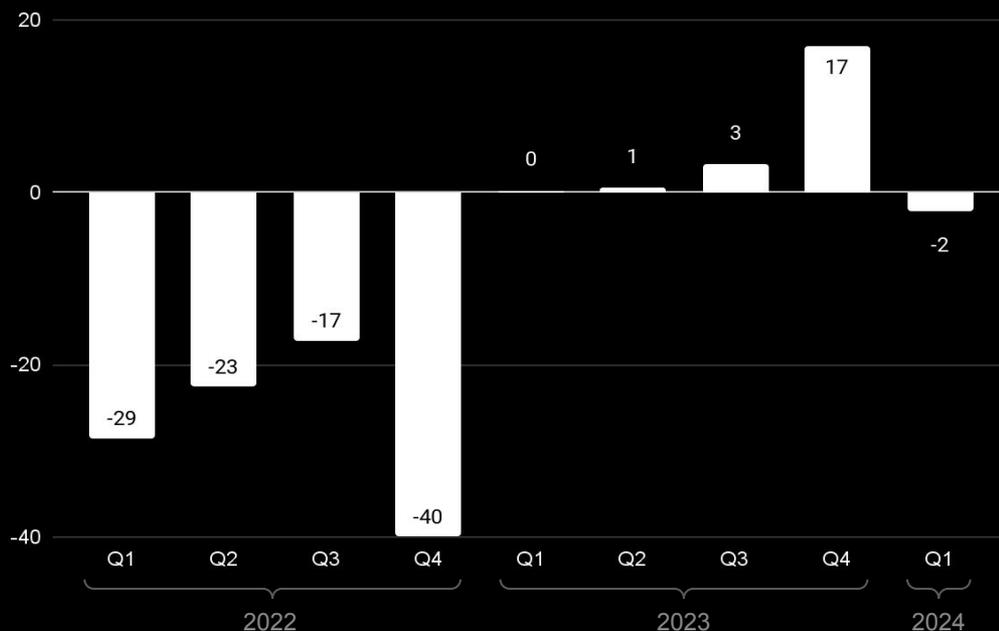


Some headwinds with traffic acquisition but Marketing costs stills stable

Comments

- Marketing costs for **CDON** on a stable level despite some headwinds in POAS
- **Fyndiq**'s higher average marketing cost as % of GMV is consistent with the higher take

EBITDA, Segment (2022-2024), MSEK

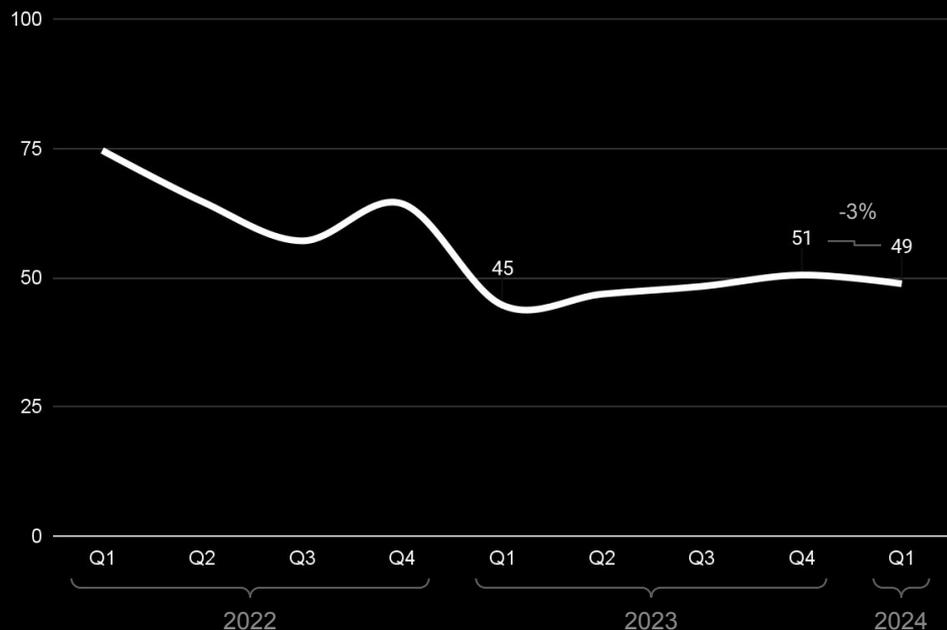


Negative EBITDA attributed to changes in Google algorithm and Malmö office closure

Comments

- Negative EBITDA in the quarter disappointing but ongoing initiatives necessary to put the CDON Group in the best position going forward
- We remain positive about future outlook and should be more profitable in 2024 vs 2023

Adjusted Operational expenses, Group (2022-2024)¹, MSEK



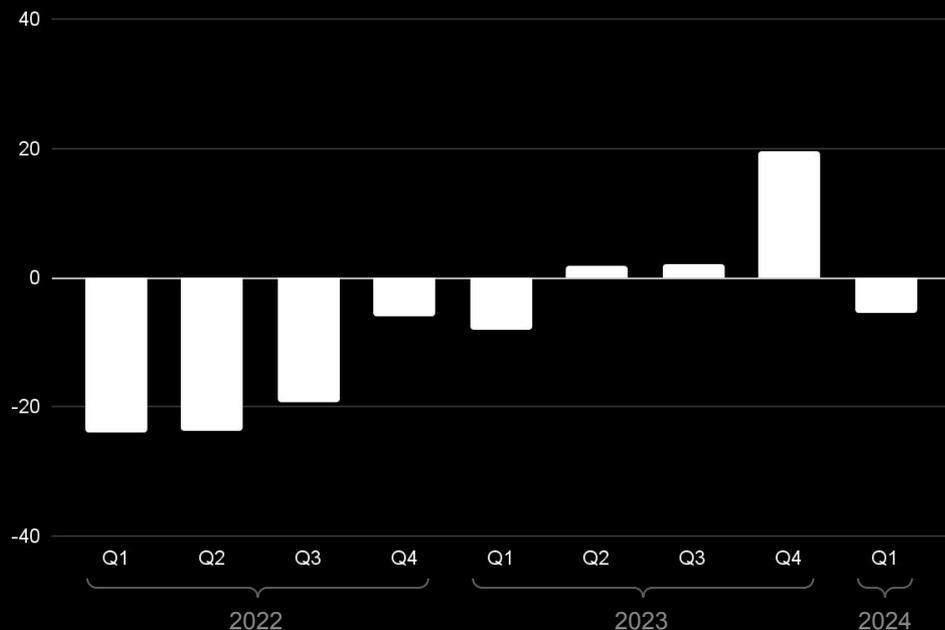
Continued advancements in reducing our cost base

Comments

- Costs going in the right direction and down sequentially despite additional costs from office closure and migration work ongoing
- Limited additional costs from office closure, in the range of 1 mSEK
- As mentioned, some one-off costs associated with the centralization will impact the OPEX in 2024
- We remain confident that our underlying cost base will continue to decline in 2024

¹ Adjusted for FX and costs related to one-off nature Q4 22 (restructuring) and Q2 (Fyndiq transaction)

Operating Cash Flow before changes in working capital, Group (2022-2024), MSEK



Cash flow going in the right direction in seasonally weak quarter

Comments

- Cash flow negative in seasonally weak quarter, but improved compared to same period last year
- Negative impact from aforementioned operational initiatives but also a timing effect of supplier debt being paid before the end of the quarter (historically after) impacted cash flow negatively with roughly 20 MSEK in Q1.

Summary

- **We faced three distinct challenges, which presented some short-term difficulties:**
 1. **Google algorithm changes**
 2. **Closing of the Malmö office**
 3. **Platform migration**
- **We have the first negative EBITDA quarter**
- **But we still believe in our main strategies to deliver a mid- to long term effect**

Q&A



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