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DEALMAKERS SERIES

eCommerce and the Future of Digital Transactions

Presented by:
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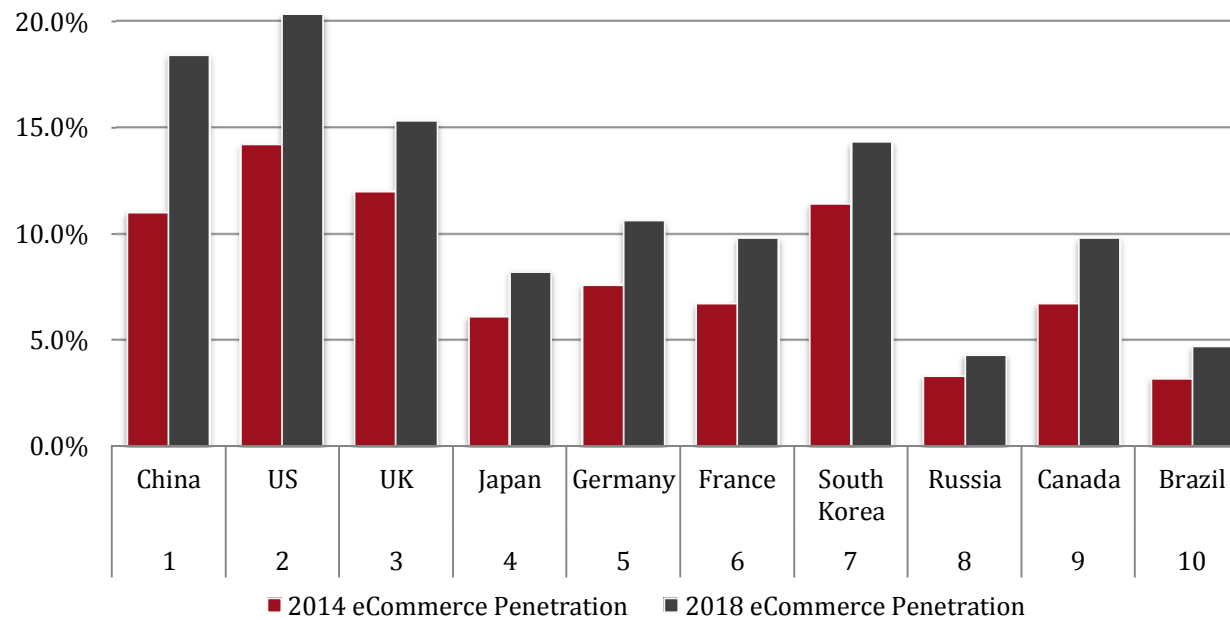
eCommerce Sales are Growing Rapidly

- Global eCommerce sales (in US dollars) expected to exceed \$1.1 trillion in 2014 and almost double by 2018, with China and the US leading the way.

Rank	Country	eCommerce Sales (\$Bln)	Growth vs. 2013
1	China 	\$457	46%
2	US 	\$295	16%
3	UK 	\$67	12%
4	Japan 	\$62	12%
5	Germany 	\$49	16%
6	France 	\$40	15%
7	South Korea 	\$29	11%
8	Russia 	\$22	29%
9	Canada 	\$22	15%
10	Brazil 	\$17	26%

eCommerce Penetration

Global eCommerce penetration for 2014 is expected to be 8.6%, growing to 13.2% by 2018



Top Ten eCommerce Companies (2013 revenues)

- Amazon is by far the largest eCommerce company in the world: \$74 billion in eCommerce revenues.
- Walmart making inroads through eCommerce acquisitions: 12 eCommerce/digital retail deals in past three years.

Rank	Company	Country
1	Amazon 	US 
2	JD.com 	China 
3	Walmart 	US 
4	eBay 	US 
5	Otto Group 	Germany 
6	Alibaba 	China 
7	Cnova 	France 
8	Tesco 	UK 
9	Rakuten 	Japan 
10	Best Buy 	US 

Sources: Research and Markets, ystats.com

eCommerce Leaders by Country

- eCommerce companies who are market leaders in three primary categories - clothing, shoes and consumer electronics.

Rank	Country	Category					
		Clothing		Shoes		Consumer Electronics	
1	China	Tmall/Taobao		Tmall/TaoBao		Tmall/Taobao	
2	US	Amazon		Amazon		Amazon	
3	UK	Other/M&S		Amazon/Asos		Amazon	
4	Japan	Rakuten		Rakuten		Amazon	
5	Germany	Amazon		Amazon		Amazon	
6	France	Other/Laredoute		Zalando		Amazon	
7	Russia	AliExpress		AliExpress		Other/Ozon	
8	Brazil	Dafiti		Dafiti		Americanas	
9	Australia	eBay		Others/eBay		eBay/JB HiFi	
10	India	Flipkart		Flipkart		HomeShop18	

Sources: AlphaWise, Morgan Stanley

eCommerce Valuations are Double Those of Brick-and-Mortar Retailers

Public Companies	Rev. Multiple	EBITDA Multiple
Leading eCommerce Companies (27)	1.8x	17.4x
Leading Brick-and-Mortar Retailers (29)	0.9x	9.4x

- eCommerce companies include:
 - Angie's List, Amazon, ASOS, Blue Nile, eBay, Expedia, Groupon, Orbitz, Overstock.com, Wayfair, etc.
- Brick-and-mortar companies include:
 - Bed Bath & Beyond, Best buy, Dick's Sporting Goods, Hudson's Bay, GNC, Macy's, Marks & Spencer, Tesco, Home Depot, etc.

Source: CapitalIQ

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Important eCommerce Trends for 2015

- Emerging trends in eCommerce:
 - Mobile dominance: 60% of 2014 holiday sales for Amazon
 - Content accompanying commerce, and as driver of commerce (i.e. Refinery29)
 - Multichannel strategy – retailers intertwining their online and retail efforts
 - Increasing pressure on brick-and-mortar retailers to match online prices

D+P's Worldview for eCommerce

- Explosive growth for the next 10 years
 - Mobile is a big driver
 - US growth could accelerate even more after 2018
 - Developing markets are starting from much lower penetration rates

- Greater globalization: fewer boundaries vs. brick-and-mortar

- Unlimited specialization: the Casper mattress, bulbs.com, calendars.com

- Convergence of online and offline
 - Brick-and-mortar retailers already top 10 eCommerce players (i.e., Walmart, Best Buy)
 - eCommerce businesses are establishing brick-and-mortar operations (i.e., Birchbox, Warby Parker, Bonobos ... maybe Amazon)

D+P's Worldview (and the Implications for M&A)

- M&A will be key in helping players scale and compete
 - Explosive growth means larger M&A multiples
 - Cross-border M&A activity will become even more elevated
 - eCommerce companies in developed countries will eventually target upstarts in developing countries
 - Companies will build greater scale by acquiring highly-specialized eCommerce businesses
 - M&A activity between online and offline will increase dramatically

eCommerce M&A Activity

Company	Headquarters	Operating Location	Cross Border Acquisitions	US Acquisitions
Groupon	Chicago, IL	Worldwide 48 countries	16	20
Opentable	San Francisco, CA	US, Canada, Germany, Japan, Mexico, UK	1	9
Kayak	Norwalk, CT	Worldwide	2	1
Hertz	Naples, FL	Worldwide	18	11
Tripadvisor	Newton, MA	Worldwide (except South America)	8	15
Travelocity	Southlake, TX	US, Canada, Asia, Africa, South America, Europe, Australia, South Pacific, Mexico, Central America, Caribbean	7	4
Priceline	Norwalk, CT	Worldwide	7	6
Homeaway	Austin, TX	190 Countries	10	9
Expedia	Bellevue, WA	Worldwide, Canada, UK, German France, Italy, Spain, Netherlands, Norway, Denmark, Australia, Japan, China	15	9
AirBnB	San Francisco, CA	Worldwide, 190+ countries	3	3

Interesting Cross-Border Deals, 2013 & 2014:

- Expedia buys Wotif (Australia)
- TripAdvisor buys Tripbod (UK)
- Priceline buys Qlicka (Israel)
- Expedia buys Autoescape (France)
- HomeAway buys TravelMob (Singapore)
- Yelp buys CityVox (Europe)
- Groupon buys LivingSocial Korea (Korea)

Source: D+P Database

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D+P Case Study



The world's largest travel review website
has acquired:



A leading Dutch restaurant review and booking site

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