

**eCommerce Quarterly: Q3 2020**

# Sizing Up the reCommerce Market

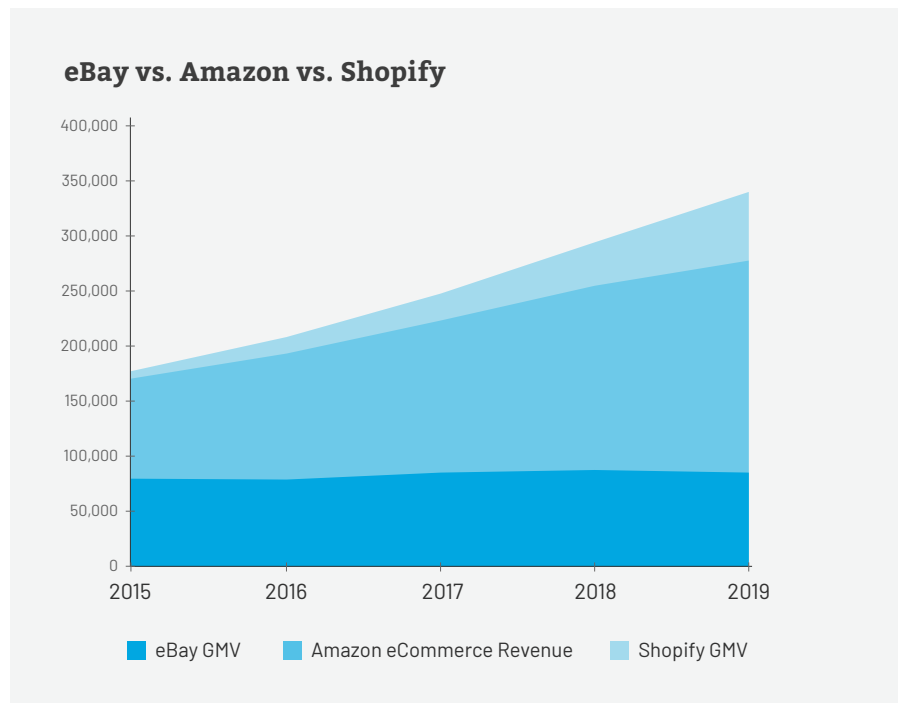
We view reCommerce, the buying and selling of secondhand goods over the Internet, as a particularly interesting phenomenon within the overall eCommerce market.



Sure, there were garage sales before, but this is one area where the power of the Internet along with changes in consumer interests have completely transformed markets for physical goods. eBay was the pioneer, but new entrants subsequently focused on specific verticals with deeper levels of expertise and improved customer support and are taking reCommerce to a new level. These goods range from clothing to electronics. The digitization of commerce allowed reCommerce to flourish because of:

- **Market Pricing Transparency** – Pre-internet, item pricing was more subjective. Frequent, transparent transaction data creates market liquidity and transparency, which benefits both buyers and sellers.
- **Easier Returns** – Fraud and poor quality is inherent in the secondhand market. Many reCommerce platforms assist with returns and refunds.
- **Seller Reputation Transparency** – Lack of information on sellers makes consumers hesitant to buy. ReCommerce platforms track sellers and allow users to see their ratings.
- **Democratization of Shipping** – Before companies such as Stamps.com, shipping packages was cumbersome. Being able to remotely print a label makes it easier to sell and send goods.
- **Globally Connected Market** – This allowed secondhand sales to become a global exchange, rather than a local one.

The reCommerce market began with eBay in 1995. With a current Gross Merchandise Value (GMV) of \$91B<sup>1</sup>, eBay is the largest of the reCommerce companies and earns revenue from earning a “Take Rate” from the sellers on its website. While eBay is large, it has failed to keep pace with major eCommerce companies. As seen in the graph<sup>2</sup>, eCommerce as a whole (using Amazon and Shopify as a proxy) is growing but eBay is roughly flat. This is not to suggest that reCommerce has not grown. Other reCommerce companies have made up for eBay’s lack of growth.

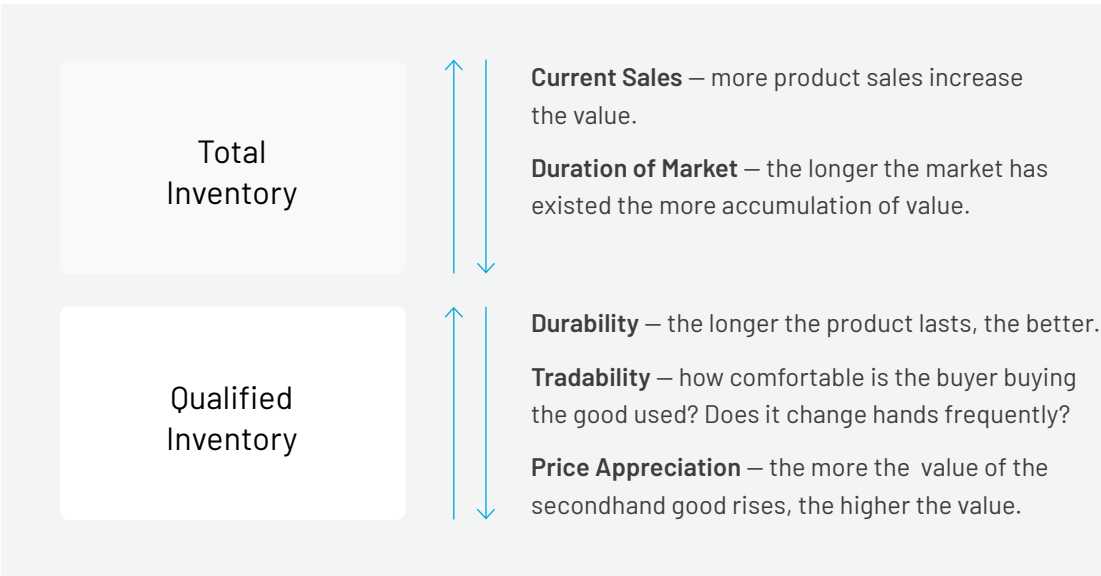


1 This is TTM GMV as of 1H 2020. For more info, see Q2 2020 10-Q and FY19 10-K.

2 Amazon’s eCommerce Revenue is defined as revenue from “Online Stores” and “Third-party Seller Services”.

eCommerce TAM analyses typically look at penetration of a total market. For example, you can estimate the clothing eCommerce market in terms of its penetration of the entire clothing market. However, these analyses typically only involve new goods. It is a different dynamic to measure used goods. While the reCommerce market is part of an existing market of secondhand goods, the total market for this is hard to estimate. Many of these sales happen person-to-person and the price is not recorded. While there is data on thrifting, this would only apply to roughly one market – clothing. Because of this lack of data on secondhand markets, it's not ideal to estimate a reCommerce market in terms of its penetration of a total secondhand market. It requires a different framework.

In theory, the potential value of a reCommerce market is the *accumulation* of all new and used goods ever sold in that category. For example, all new clothes ever sold could be resold ad infinitum. We'll call this accumulation of all clothes "Total Inventory". However, not all Total Inventory will make up a reCommerce market. Clothes can be thrown out, become unfashionable, or remain in use by their owner. Only a portion of those clothes could or would be resold – clothes that are not wanted anymore and are still in sufficient condition so that someone would buy them. Let's call this "Qualified Inventory."



To illustrate this framework, let's look at three existing reCommerce categories: Clothing, Luxury Watches, and Luxury Sneakers.

	CLOTHING	LUXURY WATCHES	LUXURY SNEAKERS
<b>Total Inventory</b>	High	Low	Medium
<b>Durability</b>	Low	High	Medium
<b>Tradability</b>	Medium	Medium	High
<b>Price Appreciation</b>	Low	Medium	High

## Clothing

Thrifting was and is a viable way to buy clothing. While consignment sales of clothes existed before, it was typically a physical and local enterprise. Usually, clothes were donated to a company such as Goodwill and sold at standardized, low prices. An opportunity to make money off clothes rather than donate them arose with the internet. As seen in companies, such as The RealReal, ThredUp and others, many companies now facilitate this successfully.

Clothing is a large market – sized at nearly \$1 Trillion.<sup>3</sup> This equates to a large amount of Total Inventory; however, many are still not motivated to sell or buy used clothing in the same way that they are for other goods. Many prefer to buy clothing new. Trends come and go, leaving clothes from past trends mostly worthless. Frequently worn clothing accumulates wear and tear, further decreasing its value. While Total Inventory may be the largest out of the three groups we analyzed, its Qualified Inventory is a smaller percentage. Even so, the size of Qualified Inventory may still be the largest of the three markets. There's clearly enthusiasm about this opportunity, with the sector attracting the most investor capital of the three markets: >\$1B in both private and public capital.

GRAILED

 POSHMARK

TRADESY

TheRealReal

THREDUP

## Luxury Watches

Worldwide luxury watch sales were valued at \$5.7B in 2020.<sup>4</sup> While luxury watches have high ASPs, they are not bought frequently like clothing. This likely contributes to the smaller market size. Nevertheless, the market for luxury watch reCommerce has attracted many companies. This is likely due to a luxury watch's ability to retain its value and people's enthusiasm about them (e.g., Rolex and Patek Phillippe), which causes many watches to increase in value over time. The durability of the materials keeps watches working well for years and the comparability and uniformity of watch models enables luxury watches to thrive in the reCommerce market. The market attracts collectors and users alike. It also attracts much fraud. As a result, many of the companies above offer authentication and restoration services. Without this service, tradability would likely suffer.

CHRONEXT

 chrono24

 CROWN & CALIBER

WATCHBOX

<sup>3</sup> <https://www.businesswire.com/news/home/20191025005178/en/Global-1182.9-Billion-Clothing-Apparel-Market-Analysis>

<sup>4</sup> <https://www.marketwatch.com/press-release/global-luxury-watch-market-2020-industry-analysis-size-share-trends-market-demand-growth-opportunities-and-forecast-2026covid-19-impact-2020-09-10>

## Luxury Sneakers

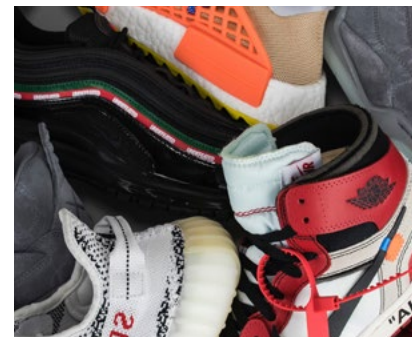
The recent emergence of a secondary market for luxury sneakers is in some ways more unique than clothing and luxury watches. Luxury sneakers are being traded like stocks, with people buying and selling them for profit rather than to clean out their closet. The emergence of companies like StockX, which became a Unicorn in 2019 and has raised \$290M to date, illustrates the popularity of this phenomena. There is a large amount of Total Inventory as well - the luxury sneaker market is currently valued at \$32B.<sup>5</sup> While enthusiasm for the clothing reCommerce market is due to the value of the Total Inventory, it is likely due to the Qualified Inventory for luxury shoes. Many of these shoes rise in value immediately after being sold new from a first-party (e.g., Adidas). Customers can take that same product and sell on websites like StockX immediately after for a quick profit, which is a major driver of growth of this market.

stockX

GOAT

## Conclusion









As sales in any category grow, so will the potential for the various reCommerce markets. When trying to ascertain the size and valuation of these markets, it is best to analyze them individually. Each of these markets has its own dynamics. Trying to determine the size of the total reCommerce market would involve exhaustive analysis or a fair amount of guestimates. Most importantly, it will be interesting to see how the growth of reCommerce changes shopping behavior. Will shoppers begin frequently buying used clothing rather than new? Will companies who only sell new clothes start buying up their secondhand items and reselling them? Only time will tell, but it's clear that the early stages of this reCommerce market are already taking shape and will certainly impact the new and secondhand market for commerce.



<sup>5</sup> <https://www.statista.com/outlook/21030200/100/luxury-footwear/worldwide>

# Private Market

## Notable M&A Transactions<sup>6</sup>









BUYER	SELLER	DATE ANNOUNCED	ENTERPRISE VALUE	EV/TTM REV
		07-21-2020	\$9,200	N/A
<p><b>Synopsis:</b> eBay sold off its Classifieds business unit to Adevinta, a Norway-based classified ads publisher. The deal is valued at \$9.2 billion, which includes eBay getting \$2.5 billion in cash and 540mm Adevinta shares. The deal makes eBay a 44% owner of Adevinta, with a 33.3% voting stake.</p>				
		08-07-2020	\$18	N/A
<p><b>Synopsis:</b> Babyshop group acquired the French childrenswear retailer Melijoe from the Belgian investment company Gimv, Melijoe founder Nathalie Genty and other minority shareholders. Babyshop group is a Swedish high-end children's clothing company.</p>				
		08-21-2020	N/A	N/A
<p><b>Synopsis:</b> Forma Brands, which owns Morphe Brands, has added another brand to their portfolio, Playa Beauty. According to the company, its portfolio of multi-category brands is "focused on serving Millennial and Gen Z audiences and addressing opportunities in the marketplace within the broader beauty landscape, including color cosmetics, skin care, body care, hair care, and health &amp; wellness.</p>				
		08-25-2020	N/A	N/A
<p><b>Synopsis:</b> Bare Necessities is an online seller of intimates and swimwear. Walmart had acquired Bare Necessities in 2018, seeking to bolster its DTC brand portfolio. This isn't the first of the DTC brands that Walmart has sold, having sold ModCloth and Shoes.com previously.</p>				

<sup>6</sup> Deal values shown in millions










BUYER	SELLER	DATE ANNOUNCED	ENTERPRISE VALUE	EV/TTM REV
		08-28-2020	N/A	N/A
<p><b>Synopsis:</b> RTW Retailwinds, an online specialty apparel retail platform for powerful celebrity and consumer brands, agreed to sell their eCommerce business and related assets to Saadia Group. The sale was approved by Bankruptcy Court on September 4.</p>				
		08-28-2020	\$250	N/A
<p><b>Synopsis:</b> Bluestem has been acquired out of bankruptcy by Cerberus Capital Management. The deal consisted of forgiveness of \$250M in debt in exchange for control of Bluestem. Bluestem Brand sells merchandise through catalogs and eCommerce sites under such brands as Fingerhut, Gettington, Appleseed's, Draper's &amp; Damon's, and Blair.</p>				
		09-01-2020	N/A	N/A
<p><b>Synopsis:</b> CaféPress is an online platform that sells custom shirts, mugs, and various other goods. Planet Art also specializes in personal products and acquired CafePress from Shutterfly.</p>				
		09-23-2020	\$3,000	N/A
<p><b>Synopsis:</b> 1-800 Contacts is the largest seller of contact lenses in the U.S., serving more than 20mm customers for the last 25 years. KKR purchased 1-800-Contacts from AEA investors, which purchased them in 2016. The sale follows many years of strong growth and technology innovation for the vision brand.</p>				

## Notable Financings<sup>7</sup>

PROMINENT INVESTORS	COMPANY	DATE OF INVESTMENT	AMT. RAISED	PRE-MONEY VALUE
 <b>TEMASEK</b>	<i>sociolla</i>	07-06-2020	\$58	N/A
<p><b>Synopsis:</b> Sociolla is an Indonesian online shopping platform of beauty products. They have raised over \$110mm to date, originally raising their seed round in 2015. The company offers a range of hair care and makeup products such as lip gloss, serum, lipstick, eyeshadow palette, hair oil, face masks, and perfumes.</p>				
 	AQUIS	08-20-2020	\$8	\$20
<p><b>Synopsis:</b> Based in San Francisco, Aquis specializes in hair care products that include hair towels and shampoo. They had raised two previous rounds, doubling their pre-money valuation from 2019.</p>				
 	WARBY PARKER	08-27-2020	\$120	N/A
<p><b>Synopsis:</b> Warby Parker's perscription glasses and sunglasses have developed a viral following. This is the second round they have raised this year, having raised \$75mm in June.</p>				
  	VERISHOP	08-28-2020	\$26	\$125
<p><b>Synopsis:</b> Verishop is an LA-based eCommerce platform that provides retail products that include everything normally found in a department store. They have raised over \$70mm since their founding.</p>				

<sup>7</sup> Deal values shown in millions



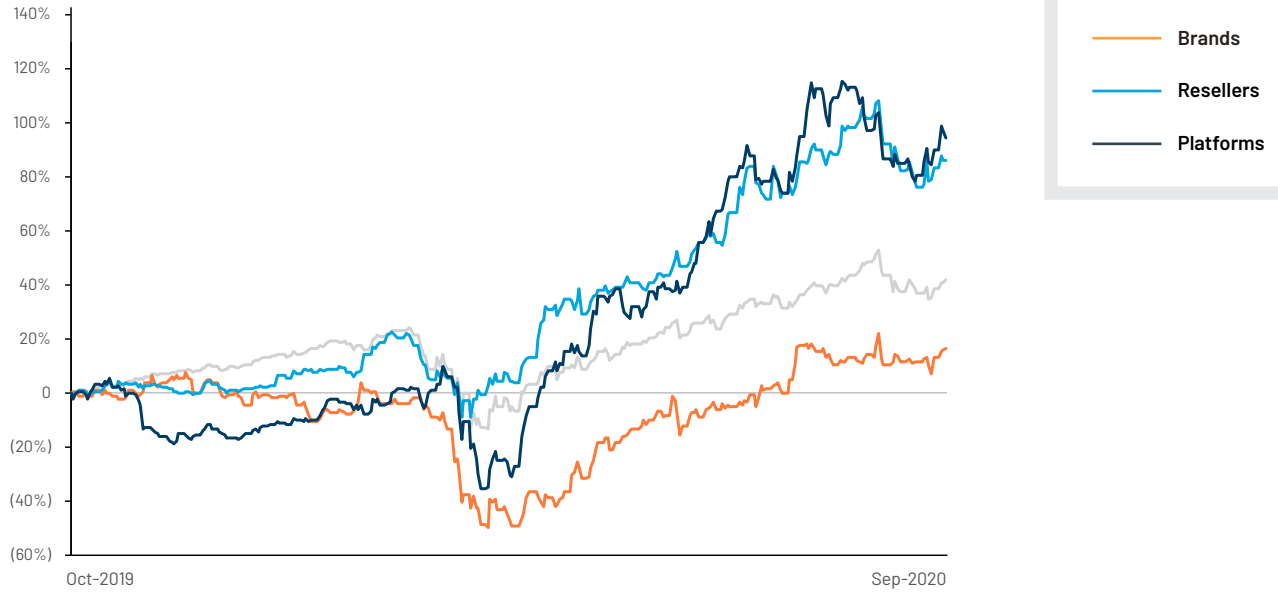
PROMINENT INVESTORS	COMPANY	DATE OF INVESTMENT	AMT. RAISED	PRE-MONEY VALUE
		08-29-2020	\$10	\$65
<p><b>Synopsis:</b> Outdoor Voices sells activewear online for both men and women. The company also raised money in February at a pre-money valuation of \$35mm. The company has raised \$107mm to date.</p>				
 		09-01-2020	\$19	N/A
<p><b>Synopsis:</b> Art of Sport is an online seller of body care products designed for athletes. Their products include deoderants, antiperspirants, hair and body wash. This was the company's first round of funding and included investment from James Harden, the NBA star.</p>				
		09-23-2020	\$100	\$1,650
<p><b>Synopsis:</b> GOAT is a prominent player in the reCommerce industry and specializes in sneakers. The company will use the funds to expand into new apparel and product categories. Along with this, the company plans to use the funds to help brands sell directly on their platform.</p>				

# Public Markets<sup>8</sup>

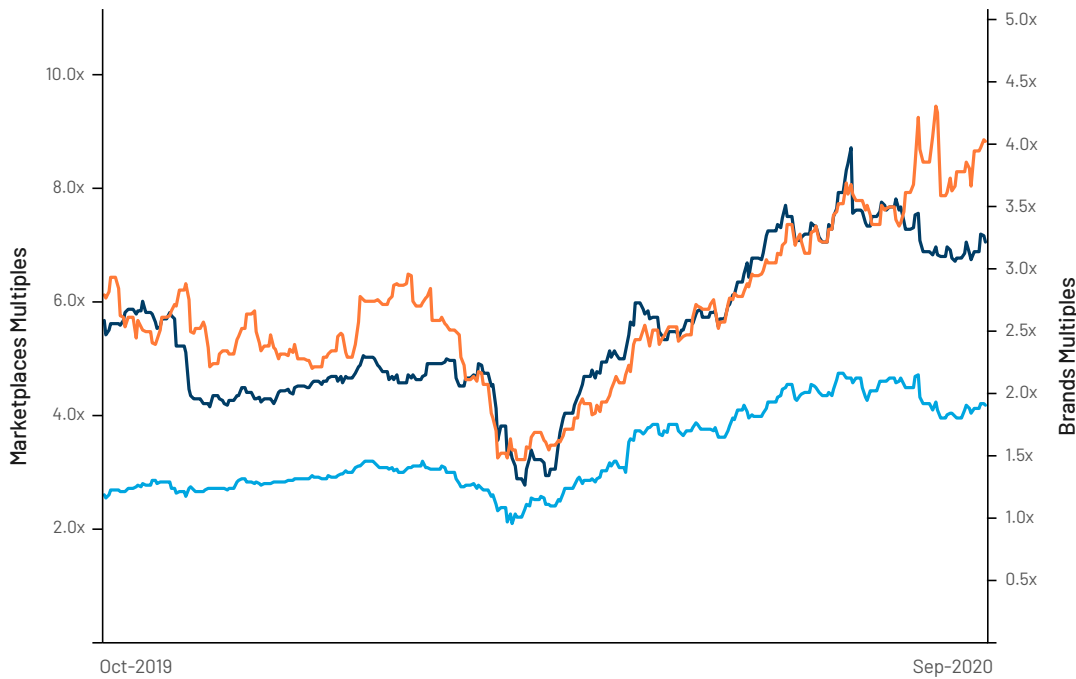
USDS M	Stock Price 2020-09-30	Market Cap	Enterprise Value	Revenue		Growth %		EBITDA		Revenue Multiples		
				TTM	NTM	TTM	NTM	TTM	NTM	TTM	NTM	
<b>BRANDS</b>												
1-800-Flowers.com	\$24.94	\$1,606	\$1,529	\$1,490	\$1,701	19%	14%	\$113	\$163	1.0X	0.9X	
Blue Apron	7.16	126	170	427	N/A	-23%	N/A	(46)	N/A	0.4X	N/A	
Casper	7.19	289	206	478	560	24%	17%	(87)	(32)	0.4X	0.4X	
Cimpress	75.16	1,946	3,532	2,481	2,633	-10%	6%	247	453	1.4X	1.3X	
Leaf Group	5.02	135	130	169	215	8%	27%	(10)	6	0.8X	0.6X	
Peloton Interactive	99.24	28,649	28,169	1,826	3,614	100%	98%	(44)	275	15.4X	7.8X	
Purple Innovation	24.86	1,349	1,291	529	716	58%	35%	(16)	89	2.4X	1.8X	
SmileDirectClub	11.68	4,504	4,569	681	738	9%	8%	(636)	(0)	6.7X	6.2X	
Lower Quartile		173	179	439	560	-5%	8%	(77)	(0)	0.5X	0.6X	
Mean		4,825	4,950	1,010	1,454	23%	29%	(60)	136	3.6X	2.7X	
Median		1,478	1,410	605	738	14%	17%	(30)	89	1.2X	1.3X	
Upper Quartile		3,864	4,310	1,742	2,633	49%	35%	82	275	5.6X	6.2X	
<b>RESELLERS</b>												
Amazon	3,148.73	1,577,166	1,615,626	321,781	398,857	28%	24%	40,016	59,771	5.0X	4.1X	
Chegg	71.44	9,181	9,841	504	702	40%	39%	60	231	19.5X	14.0X	
Chewy	54.83	22,617	22,725	5,906	7,631	40%	29%	(204)	97	3.8X	3.0X	
Groupon	20.40	586	363	1,878	1,272	-25%	-32%	(104)	84	0.2X	0.3X	
Overstock.com	72.65	3,106	2,856	1,852	2,315	13%	25%	(34)	66	1.5X	1.2X	
PetMed Express	31.62	641	554	300	315	9%	5%	38	43	1.8X	1.8X	
REVOLVE	16.43	1,142	1,015	591	665	7%	13%	51	63	1.7X	1.5X	
Stitch Fix	27.13	2,829	2,850	1,712	2,009	9%	17%	(31)	84	1.7X	1.4X	
Wayfair	291.01	27,760	28,430	11,474	14,803	43%	29%	(389)	569	2.5X	1.9X	
Lower Quartile		891	785	547	683	8%	9%	(154)	65	1.6X	1.3X	
Mean		182,781	187,140	38,444	47,619	18%	17%	4,378	6,779	4.2X	3.2X	
Median		3,106	2,856	1,852	2,009	13%	24%	(31)	84	1.8X	1.8X	
Upper Quartile		25,188	25,577	8,690	11,217	40%	29%	55	400	4.4X	3.5X	
<b>PLATFORMS</b>												
eBay	52.10	36,464	44,546	10,709	10,186	3%	-5%	3,348	3,817	4.2X	4.4X	
Etsy	121.63	15,402	15,585	1,125	1,596	60%	42%	207	446	13.9X	9.8X	
Farfetch	25.16	8,551	8,359	1,334	1,809	87%	36%	(480)	(8)	6.3X	4.6X	
The RealReal	14.47	1,268	1,241	313	380	19%	21%	(124)	(81)	4.0X	3.3X	
Lower Quartile		3,089	3,021	516	684	7%	2%	(391)	(63)	4.0X	3.5X	
Mean		15,421	17,433	3,370	3,493	42%	23%	738	1,043	7.1X	5.5X	
Median		11,976	11,972	1,229	1,702	40%	28%	42	219	5.2X	4.5X	
Upper Quartile		31,198	37,306	8,365	8,092	80%	40%	2,563	2,974	12.0X	8.5X	

<sup>8</sup> TTM is as of 6/30/2020, except for Chewy and Stitch Fix, which are both as of 7/31/2020. NTM is projected as of 6/30/2021, except for Chewy and Stitch Fix, which are both as of 7/31/2021. Data sourced by Pitchbook.

## % Change in Average Stock Prices



## Average Revenue Multiples<sup>9,10</sup>



9 Revenue Multiples are based off TTM as of 6/30/2020, except for Chewy and Stitch Fix, which are both as of 7/31/2020.

10 Full-year data is not available for Casper and they're excluded from the revenue multiple calculation.

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