Capital Markets Day
A Deep Dive into Digital Commerce
6 October 2021
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Agenda

14:00  
Overview of Digital Commerce and Market Opportunity  
Duncan Painter

14:10  
The Digital Commerce Ecosystem  
Chip DiPaula, Xian Wang

14:40*  
Product Session: Managed Execution  
Alex McCord, Amber Chen

15:20*  
Product Session: Measurement & Benchmarking  
Deren Baker, Tony Ren

16:00*  
Product Session: Self-Serve Execution & Third Party Content Optimisation  
Rosco Hill, Ben Faw

16:40  
The Ascential Platform  
Patrick Miller

17:00  
Summary and Levers for Growth  
Mandy Gradden

17:20  
Q&A and Refreshments

*Timing refers to main stage (sessions will rotate between main stage and break-out rooms)
Digital Commerce and Market Opportunity

Duncan Painter
Our Digital Commerce mission

To help brands and marketplaces win by optimising and accelerating their digital commerce performance
Digital commerce is the primary growth channel for brands

By 2026 our experts\(^2\) forecast global digital commerce sales to total $5.6tn

Global digital commerce is expected to account for 39% of total retail sales by 2026

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US digital commerce sales
(US$tn \(^1\))

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales (US$tn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>0.6</td>
</tr>
<tr>
<td>2020</td>
<td>0.8</td>
</tr>
<tr>
<td>2021</td>
<td>0.9</td>
</tr>
<tr>
<td>2022</td>
<td>1.1</td>
</tr>
<tr>
<td>2023</td>
<td>1.3</td>
</tr>
<tr>
<td>2024</td>
<td>1.4</td>
</tr>
<tr>
<td>2025</td>
<td>1.6</td>
</tr>
</tbody>
</table>

CAGR

- CAGR +25%
- CAGR +15%

Source: 1. eMarketer, May-21; 2. Edge Retail Insight
Digital commerce is local and fragmented but brands are global

Fragmented landscape

Global brands
To win, brands need to manage exponential complexity at scale

- Hundreds of levers
- Hundreds to thousands of SKUs
- Tens to hundreds of marketplaces

It is not an option for brands to do it alone
We are building capabilities to address these challenges and cement our position as the leading industry platform.

Building **capabilities** organically and via M&A...

powered by our **joined-up technology** and infrastructure...

creating the **industry platform** for brands and marketplaces to drive growth and profits.
We know which capabilities are important and are well underway.

### Execution Platform

<table>
<thead>
<tr>
<th>Enterprise Brands</th>
<th>Content Optimisation</th>
<th>New Marketplaces</th>
<th>Retailer Enablement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Challenger Brands</td>
<td>Influencer / Livestream</td>
<td>Product Trend / Discovery</td>
<td>Supply Chain</td>
</tr>
</tbody>
</table>

### Measurement & Benchmarking

<table>
<thead>
<tr>
<th>Insight &amp; Advisory</th>
<th>Digital Shelf</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market Share</td>
<td>Last Mile Optimisation</td>
</tr>
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</table>

*Core offering*, *Build out phase*, *New and nascent capabilities*
We are well positioned to win

**Large and growing opportunity** to create joined up platform to succeed across a fragmented digital commerce landscape

**Strong M&A track record** and proposition to entrepreneurs

**Difficult to replicate data and coverage advantage** - massive global datasets joined together and leveraged across all our products

**World-class platform**, and increasing focus on **innovation and organic development**

**Powerful business models** - recurring subscription and performance based models, benefiting both brand and retailer

**Blue-chip clients** - addressing the most complex challenges for the most demanding clients
Today you will see:

1. How we solve customers’ global challenges
2. How large the opportunity is
3. Why we will win
The Digital Commerce Ecosystem

Chip DiPaula, Xian Wang
Speakers

Chip DiPaula
Ascential Digital Commerce
Co-President

Xian Wang
Edge by Ascential
Retail Insight VP
The Digital Commerce Ecosystem:
Introduction to Ascential Digital Commerce
Digital Commerce
Measurement and execution for explosive digital commerce growth.

Empowering brands to act today and win tomorrow at a global level

In digital commerce, Ascential is the only well-capitalised player of scale providing consumer brands both global measurement and execution across key retailer marketplaces to grow market share and drive business success.
We have a truly global footprint with experts across the world

Location of our c.1,400 expert team members

- United Kingdom & Ireland: 240 (17%)
- China: 412 (30%)
- Other Asia: 22 (2%)
- North America: 621 (45%)
- Rest of Europe: 12 (1%)
- South America: 69 (5%)
Ascential Digital Commerce - Revenue by product

LTM June 2021 revenue (£m, Proforma)

- Flywheel (Managed Execution) - 41%
- DZ (Managed Execution) - 5%
- Perpetua (Self-Serve Execution) - 3%
- Edge Market Share (Market Share) - 9%
- Edge Digital Shelf (Digital Shelf) - 12%
- ASR (Content Optimisation) - 10%
- OneSpace (Content Optimisation) - 6%
- Yimian (Market Share / Digital Shelf) - 6%
- Edge Retail Insight (Insight and Advisory) - 6%
- Intellibrand (Digital Shelf) - 1%

Execution: 66%
Measurement & Benchmarking: 34%
The Ascential Digital Commerce growth engine

Digital Commerce revenue (£m)

A support structure to drive growth

- Tech innovation
- Decision science modeling
- Additional clients
- New marketplaces
- Global expansion

Proforma for all businesses at 2020, as if acquired January 2014

*Capabilities added in 2021 via acquisition
Ascential Digital Commerce - Capability Roadmap

### Execution Platform

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<tr>
<td>flywheel</td>
<td>flywheel</td>
<td>flywheel</td>
<td>flywheel</td>
</tr>
<tr>
<td>OneSpace</td>
<td>OneSpace</td>
<td>perpetua</td>
<td>perpetua</td>
</tr>
<tr>
<td>dz Duo Zhun</td>
<td>dz Duo Zhun</td>
<td>OneSpace</td>
<td>OneSpace</td>
</tr>
<tr>
<td></td>
<td>ASR</td>
<td></td>
<td>ASR</td>
</tr>
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</tr>
</thead>
<tbody>
<tr>
<td>EDGE by Ascential &amp; YIMIAN</td>
<td>EDGE by Ascential &amp; YIMIAN</td>
</tr>
<tr>
<td>INTELLIBRAND</td>
<td>INTELLIBRAND</td>
</tr>
</tbody>
</table>

Last Mile Optimisation

Core offering | Build out phase | New and nascent capabilities
The Digital Commerce Ecosystem:
Customer Challenges and the Underlying Market
The pandemic-led acceleration of digital commerce is here to stay

Digital Commerce share of global retail sales

Source: Edge by Ascential Retail Insight 2021
Digital marketplaces will drive industry growth

1900's
- GENERATION 1
  - Informal and Fragmented
  - KEY CHALLENGE: Distribution/access to products

1950-2000
- GENERATION 2
  - Chain Concentration
  - KEY CHALLENGE: Scale/trade terms

2000-2010
- GENERATION 3
  - Scaled Ecommerce vs. Stores
  - KEY CHALLENGE: Transforming legacy assets and managing transparency in digital world

Now
- GENERATION 4
  - Algorithm-Driven Commerce
  - KEY CHALLENGE: Speed to market (real time retail)

2025 Onwards
- GENERATION 5
  - Mass Personalisation
  - KEY CHALLENGE: Product delivery pace and global flexibility

KEY CHALLENGE

The landscape will remain extremely fragmented

<table>
<thead>
<tr>
<th></th>
<th>China</th>
<th>USA</th>
<th>Western Europe</th>
<th>APAC (India, SEA, Australia)</th>
<th>LATAM</th>
</tr>
</thead>
<tbody>
<tr>
<td>Digital Commerce</td>
<td>$2,300bn</td>
<td>$800bn</td>
<td>$560bn</td>
<td>$120bn</td>
<td>$100bn</td>
</tr>
<tr>
<td>Sales¹ (FY20)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Marketplaces**

1. Alibaba.com
2. JD.com
3. Amazon
4. Walmart
5. eBay
6. Instacart

**Last Mile**

1. Uber
2. Eats
3. DoorDash
4. Rakuten
5. Tokopedia

**Social**

1. TikTok
2. WeChat
3. Line

Source: eMarketer
Traditional brands have just begun their journey to expand their digital commerce footprint

Digital commerce share of total sales for leading CPG manufacturers, 2018 vs. 2020 (%)

Source: respective companies’ investor materials

It is only a matter of time before digital commerce becomes the primary channel for brands.
While digital is driving growth, CPGs are under pressure on margin

Cost margins, % (excludes cost of goods sold)

<table>
<thead>
<tr>
<th></th>
<th>Amazon.com</th>
<th>Omnichannel website (eg, Walmart.com)</th>
<th>Omnichannel brick-and-mortar store</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Returns</td>
<td>2.4</td>
<td>2.3</td>
<td>2.2</td>
</tr>
<tr>
<td>Promotional allowances</td>
<td>8.9</td>
<td>10.5</td>
<td>11.3</td>
</tr>
<tr>
<td>Trade merchandising</td>
<td>9.2</td>
<td>8.2</td>
<td>9.2</td>
</tr>
<tr>
<td>On-site advertising</td>
<td>9.2</td>
<td>7.2</td>
<td>5.7</td>
</tr>
<tr>
<td>Shipping/warehousing</td>
<td>9.3</td>
<td>7.7</td>
<td>7.3</td>
</tr>
<tr>
<td>Other (eg, transaction costs)</td>
<td>60.9</td>
<td>64.1</td>
<td>64.3</td>
</tr>
</tbody>
</table>

Margin

Source: High growth, low profit: The e-commerce dilemma for CPG companies, McKinsey March 22, 2021

“...the most crucial success factor is a company’s ability to optimize, in a precise and data-driven manner, the three main profit-and-loss (P&L) drivers: marketing investment, costs associated with revenue-growth management (such as trade and promotional spending), and supply-chain costs”
Challenger brands are benefiting from the online channel and taking share from traditional players

Amazon GMV*
(US, $bn)

<table>
<thead>
<tr>
<th>Year</th>
<th>1P GMV</th>
<th>3P GMV</th>
<th>CAGR (18-20)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>277</td>
<td>160</td>
<td></td>
</tr>
<tr>
<td>2019</td>
<td>335</td>
<td>200</td>
<td>+27%</td>
</tr>
<tr>
<td>2020</td>
<td>490</td>
<td>300</td>
<td>+37%</td>
</tr>
</tbody>
</table>

1P primarily traditional large Enterprise brands, using Amazon as a distributor

3P primarily smaller challenger brands, using Amazon as a marketplace

(1): GMV refers to Gross Merchandise Value

Source: (1) Marketplace Pulse
Succeeding in digital commerce requires a new set of capabilities

Three layers:

1. Plan
2. Operate
3. Innovate
... and huge execution complexity to master

What does a brand have to do to operate in digital commerce?

1. **Execute** on growth levers
   (e.g. content, reviews, organic search, paid position, price, fulfillment, customer service, etc.)

2. Repeat **across every marketplace**
   Each with different rules and characteristics

3. Repeat **for each SKU** in the brand portfolio

4. Measure performance within and across marketplaces

5. **Optimise between each marketplace**
## Case example: Each marketplace has own rules to master

<table>
<thead>
<tr>
<th>Capability</th>
<th>TESCO</th>
<th>ASDA</th>
<th>Sainsbury's</th>
<th>Ocado</th>
<th>Morrisons</th>
<th>Waitrose &amp; Partners</th>
<th>Amazon</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Image Count</strong></td>
<td>4</td>
<td>4</td>
<td>1</td>
<td>8 + video</td>
<td>2</td>
<td>1</td>
<td>7-15</td>
</tr>
<tr>
<td><strong>Enhanced Content</strong></td>
<td>No</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>Yes, Marketing Style, A+ Content</td>
</tr>
<tr>
<td><strong>Mobile Hero Images</strong></td>
<td>Optimised Yes / Hero format no</td>
<td>Optimised Yes / Hero format no</td>
<td>Yes - mix of standards</td>
<td>Optimised Yes / Hero format no</td>
<td>Yes - mix of standards</td>
<td>Optimised Yes / Hero format no</td>
<td>Yes on .com No text on Prime Now</td>
</tr>
<tr>
<td><strong>Product Title length</strong></td>
<td>40 - 56</td>
<td>40-55</td>
<td>48-65</td>
<td>45 - 58</td>
<td>44 - 48</td>
<td>40 - 55</td>
<td>100-200</td>
</tr>
<tr>
<td><strong>Bullets</strong></td>
<td>In description only</td>
<td>In description only</td>
<td>In description only</td>
<td>In description only</td>
<td>In description only</td>
<td>No</td>
<td>250/each</td>
</tr>
<tr>
<td><strong>Hidden keywords</strong></td>
<td>Yes but limited impact</td>
<td>Yes - impacts search visibility</td>
<td>Yes - impacts search visibility</td>
<td>Yes - impacts search visibility</td>
<td>Yes - impacts search visibility</td>
<td>Yes but limited impact</td>
<td>Yes - impacts search visibility</td>
</tr>
<tr>
<td><strong>Review Capabilities</strong></td>
<td>Organic + Syndicated (new)</td>
<td>Organic and Syndicated</td>
<td>Organic and Syndicated</td>
<td>Organic Only</td>
<td>Organic Only</td>
<td>Organic and Syndicated</td>
<td>Organic and Syndicated</td>
</tr>
<tr>
<td><strong>Search algorithm</strong></td>
<td>Rate of sale driven, Keywords, Shelf</td>
<td>Rate of Sale</td>
<td>Title keyword matches order of products matches taxonomy order</td>
<td>Taxonomy based - if keyword in shelf name will display shelf / promos shown first</td>
<td>Taxonomy based - if keyword in shelf name will display shelf / promos shown first</td>
<td>Rate of Sale driven, keywords</td>
<td>Most complex, most semantically advanced</td>
</tr>
</tbody>
</table>

Source: Edge by Ascential Advisory 2021
Advertising is a major growth and profit driver for marketplaces

Amazon Advertising
Amazon Operating Income Estimates (2020, $bn)

Other marketplaces following suit
Some examples
In conclusion

- Fragmented and dynamic ecosystem
- Increasingly sophisticated and complex to execute on
- Highly competitive market

**Brand challenges**

- Positive market economics (large, fast growing, nascent, non commoditized)
- Critical long-term role to play supporting brands and the marketplace ecosystem
- Highly defensible moat

**The opportunity**
Summary and Levers for Growth

Mandy Gradden
Our opportunity

Brand challenges
- Fragmented and dynamic ecosystem
- Increasingly sophisticated and complex to execute on
- Highly competitive market

Our solution
- To create the industry technology platform for brands to enable their growth
  - Across digital commerce marketplaces
  - Managed and self-service
  - Measurement and execution

The opportunity
- Positive market economics (large, fast growing, nascent, non commoditized)
- Critical long-term role to play supporting brands and the marketplace ecosystem
- Highly defensible moat
We are only getting started

Digital Commerce revenue (£m)  Expansion of our products, marketplaces and geographic coverage

Proforma for all businesses at 2020, as if acquired January 2014

>6x

LTM June 2021 Proforma*  
*Capabilities added in 2021 via acquisition
Our growth levers

- Increased Gross Merchandise Value
- Increased Ad Spend
- Enterprise brands
- Challenger brands
- Ecosystem (agencies, publishers, etc.)

- Execution (Media+Retail)
- Measurement (Media+Retail)
- Supply Chain
- Product trend/discovery
- Social Commerce / Influencer
- Marketplace coverage
- Geographical coverage

Supported by market tailwinds and underpinned by the Ascential Platform
Our ambition

We are seeking to more than double the current run rate revenues* of our Digital Commerce business in the next three years....

....while maintaining adjusted EBITDA margins of at least 20%.

In addition, we plan to execute carefully selected M&A to extend our capabilities and reach.

* Revenue for 12 months ending 30 June 2021, proforma for the full year effect of recent acquisitions, was £149m.
Summary

**Large and growing opportunity** to create joined up platform to succeed across a fragmented digital commerce landscape

**Strong M&A track record** and proposition to entrepreneurs

**Difficult to replicate data and coverage advantage** - massive global datasets joined together and leveraged across all our products

**World-class platform**, and increasing focus on **innovation and organic development**

**Powerful business models** - recurring subscription and performance based models, benefiting both brand and retailer

**Blue-chip clients** - addressing the most complex challenges for the most demanding clients