



The Manager  
Company Announcements  
Australian Securities Exchange  
Level 5, 20 Bridge Street  
SYDNEY NSW 2000  
By E-Lodgement

## ASX ANNOUNCEMENT

22 March 2017

### **iBuyNew announces Management and Board changes and provides an update on strategic priorities**

iBuyNew Group Limited (**ASX: IBN**) (**iBuyNew** or **Company**) announces changes to the Management and Board of the Company in support of the next phase of its growth and to provide an update on corporate developments highlighted in its Company Update to the ASX on 28 February 2017.

#### Key points:

##### *Management and Board changes*

- Alex Caraco appointed as CEO and iBuyNew Board as Executive Director
- Mark Mendel rotates from CEO role to new position as Head of Strategy
- John Kolenda retires as Non-Executive Director
- Andrew Jensen will transition from Executive Director to Non-Executive Director
- Streamlined three-person Board now comprises Calvin Ng, Andrew Jensen and Alex Caraco

##### *Progress on growth priorities*

- Exclusive distribution partnership signed with Fulee Real Estate from Chengdu, China
- IBN commission-only sales team growth accelerated, from 2 agents at 31-Dec-16 to 12 today
- New hires in Nyko to accelerate partner relationship development displaying early traction

##### *Financial outlook*

- Cost reduction plan initiated, expected to deliver c.\$700k annualised net saving from 1-Jul-17
- Illustrative sales scenario of 240 units, and planned reduction in overhead costs, would result in EBITDA breakeven in FY 2018 (based on expected settlement income from sales in prior periods)\*

\* **Illustrative scenario only and not a forecast.** No assurance can be given that this level of sales will be achieved, costs will be reduced or that EBITDA breakeven will be achieved. See accompanying presentation for further assumptions.

#### CEO Appointment

Alex Caraco has been appointed as Chief Executive Officer of the Company and joins the Board as Executive Director with immediate effect.

Alex joined the Company in 1H17, bringing 36 years' experience across the real estate sector, with a particular focus on high volume sales and management. Prior to joining the Company, Alex was the former CEO and master franchisor of Coldwell Banker Australia for 11 years.

The Board is confident that, with investment in the Company's IT platform largely complete, now is the right time for fresh leadership to drive a higher level of sales through IBN. The Company wishes to note that Alex's promotion to CEO will not increase group fixed remuneration costs as upside in his remuneration will be linked to sales growth.



New CEO, Alex Caraco, commented:

*“iBuyNew is at a turning point: Real Estate is traditionally about exceptional People and Property. Today you can include Technology. We have now set the foundation for stellar growth: I see great potential with an invigorated team and am excited to be leading the next phase of growth into FY18 and beyond. Using the technology platform that has been built in iBuyNew, it will be far easier than ever before to scale this business both nationally and globally in the years to come”*

#### Head of Strategy Appointment

Mark Mendel, iBuyNew Founder and outgoing Chief Executive Officer of the Company, has been appointed as Head of Strategy, reporting to Alex Caraco. In his new role, Mark will focus on further enabling iBuyNew’s digital/technical capabilities, systems, processes and information to scale leads and sales volumes. Mark is fully committed to the success of the Company and wishes to note that he has no plans to sell any of his shareholding. As part of the restructure, Mark’s remuneration and benefits have been adjusted accordingly.

#### Director retirement and Board changes

John Kolenda, Non-Executive Director, has announced his retirement from the iBuyNew Board with immediate effect. John was appointed to the Board in February 2013. The Chairman of iBuyNew, Calvin Ng, said

*“John has been an outstanding director of the Company and the whole Board thanks him for his professionalism and commitment. We wish him all the best for the future”*

John’s retirement, together with the appointment of Alex Caraco, results in a streamlined, three-person Board structure. The new Board now comprises Calvin Ng (Non-Executive Chairman), Andrew Jensen (Executive Director) and Alex Caraco (Executive Director).

In the coming months, Andrew Jensen will transition from Executive Director to Non-Executive Director, with a new part-time CFO fulfilling his executive duties; a further ASX announcement will be released when this transition takes place.

#### Progress on growth priorities and financial outlook

iBuyNew released a Company Update on 28 February 2017, providing an update on the Company’s strategy and vision, available on the ASX website [here](#). The Company Update document identified several future corporate developments with potential to accelerate the Company’s growth and path to profitability.

iBuyNew is pleased to report that in the weeks since the Company Update was released, the Company has achieved material progress on a number of dimensions and wishes to update the market accordingly.

***Please refer to the slide presentation forming part of this announcement for further details.***

#### **Further enquiries:**

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# Management and Board changes and update on strategic priorities

22 March 2017

ASX ticker: IBN

# Context

**iBuyNew released a Company Update on 28-Feb-17, providing an update on the Company's strategy and vision**

- Presentation available on the ASX website [here](#)
- Market participants should read this document in conjunction with the Company Update

**The Company Update document identified a number of future corporate developments with potential to accelerate the group's growth and path to profitability** (see slide 15 of that document); these included:

- Actions to leverage the direct sales platform of iBuyNew.com.au
- Opportunities for distribution partnerships
- Actions to reduce costs and achieve synergies from the acquisition of Nyko

**iBuyNew is pleased to report that in the weeks since the Company Update was released, the Company has achieved material progress on these dimensions and wishes to update the market accordingly**

# Executive Summary

iBuyNew announces actions to support path to sustainable shareholder value in our next phase of growth

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## New CEO and Board changes

(slide 4)

**Alex Caraco appointed as CEO and joins Board as Executive Director; John Kolenda retires from Board**

- Alex joined iBuyNew in late 1H17 as Head of IBN Projects and brings 36 years' experience in Real Estate; his promotion reflects our strong focus on driving sales through the existing iBuyNew platform
- Alex joins the Board with immediate effect, replacing John Kolenda, who has announced his retirement
- Mark Mendel, iBuyNew Founder, appointed to new role of Head of Strategy to drive scale across our platforms

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## Progress on growth initiatives

(slides 5-8)

**Progress on growth priorities continues in 2H17, with several key actions completed in current quarter**

- Signed exclusive distribution partnership with Fulee, a prominent real estate group in China with 1,000 staff across 75 offices; IBN-led training of Fulee agents commenced in February
- Accelerated hiring of IBN commission-only sales team: now 12 (from 2 in 2Q), on track for 18 by 30-Jun-17
- 3 BDMs hired into Nyko to accelerate partner relationship development displaying early traction

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## Material cost initiative

(slides 9-11)

**~\$700k in annualised cost reduction expected, net of spend on growth initiatives**

- Cost reduction focuses on overhead and avoids impacting our plans for growth
- Actions to be completed in FY17 with lower run-rate cost base in place from July 2018

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## Financial outlook

(slide 12)

**Illustrative sales scenario of 240 units, and reduction in overhead costs, would result in EBITDA breakeven in 2018**

- Full-year contribution from Nyko and major expansion of commission-driven sales team in IBN anticipated to drive sales growth in FY18
- EBITDA breakeven scenario based on anticipated settlements flowing into the business of net \$2.0m in FY 2018.

# Management and Board changes

CEO rotation aligns management structure with iBuyNew's growth priorities



## Alex Caraco appointed as CEO, effective immediately

- Alex joined iBuyNew in 1H17, bringing 36 years' experience across the real estate sector, with a particular focus on high volume sales and management
- Prior to iBuyNew, Alex was the former CEO and master franchisor of Coldwell Banker Australia for 11 years
- The Board is confident that, with investment in our IT platform largely complete, now is the right time for fresh leadership to drive a higher level of sales through IBN
- Alex's promotion will not increase group fixed costs – upside in his remuneration will be linked to sales growth

*"iBuyNew is at a turning point: Real Estate is traditionally about exceptional People and Property. Today you can include Technology. We have now set the foundation for stellar growth: I see great potential with an invigorated team and am excited to be leading the next phase of growth into FY18 and beyond. Using the technology platform that has been built in iBuyNew, it will be far easier than ever before to scale this business both nationally and globally in the years to come"*

*- Alex Caraco, iBuyNew CEO*



## Mark Mendel appointed to new role of Head of Strategy

- Mark's focus will be on further enabling IBN's digital/technical capabilities, systems, processes and information to scale leads and sales volumes
- Mark is fully committed to the success of iBuyNew and has no plans to sell any of his shareholding
- As part of the restructure, Mark's remuneration and benefits have been adjusted accordingly

## New streamlined three-person Board structure

- Alex Caraco joins the Board as an Executive Director, replacing John Kolenda (NED) following his resignation
- Andrew Jensen will transition from ED to NED, with a new part-time CFO fulfilling his executive duties
- New Board comprises Calvin Ng (Non-Executive Chairman), Andrew Jensen (NED) and Alex Caraco (Executive Director)

# Update on actions to drive sales growth

## Signing exclusive Chinese distribution partnerships

*(slide 6)*

### **First Chinese distribution partnership executed with Fulee in 3Q 17**

- Fulee is a prominent real estate group operating in Chengdu China (population 14 million)
- iBuyNew commenced a training programme in February designed to maximise awareness of the new property opportunity in Australia and support lead generation and sales
- IBN has added two sales executives to drive relationship with Fulee, who contribute marketing resources and administrative assistance to support our sales efforts

### **iBuyNew remains in discussions with distributors in other Chinese cities**

## Accelerating iBuyNew sales team growth

*(slide 7)*

### **Accelerated hiring of commission-only sales staff to drive growth without adding fixed cost**

- Commission-only sales team has grown significantly this quarter, from 2 at 31-Dec-17 to 12 today
- The ten new commission-only sales consultants hold an average of 15 years' experience in real estate and sales and hold significant contact databases compiled over their careers

## Strengthening Nyko's Corporate Partnerships

*(slide 8)*

### **Nyko growth plan continues to be executed**

- Additional BDMs added since acquisition to service major mortgage aggregation and financial services groups
- Strong partnership pipeline of financial institutions and positive growth across key metrics

# Fulee: our first exclusive Chinese distribution partner

## Fulee completes tens of thousands of real estate transactions per year

- Operating for 17 years, Fulee has 1,000 employees across 75 offices
- Fulee operates an established real estate and migration services arm with highly-experienced consultants trained in Australian migration policies

## iBuyNew executed an exclusive distribution agreement with Fulee in Feb-17

- iBuyNew has recruited two experienced full time Sales Executives to manage iBuyNew's relationship in China
- Attractive loans for foreign investors have been sourced by iBuyNew

## iBuyNew is training Fulee's team in Australian real estate opportunities

- Initial training completed and will continue as iBuyNew introduces new projects
- On target to roll out systems and processes to enable Fulee employees to refer clients directly to iBuyNew's platform
- iBuyNew is ready to handle exchange and settlement working with Fulee



Alex Caraco, iBuyNew CEO, presenting to Fulee sales conference in February



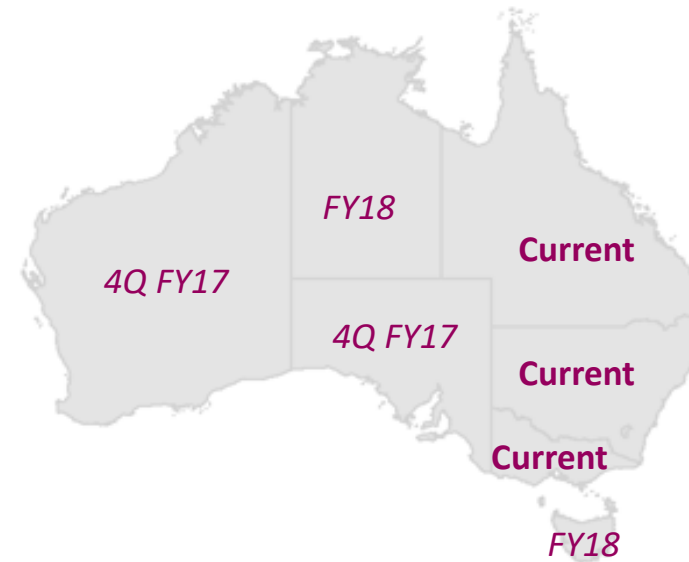
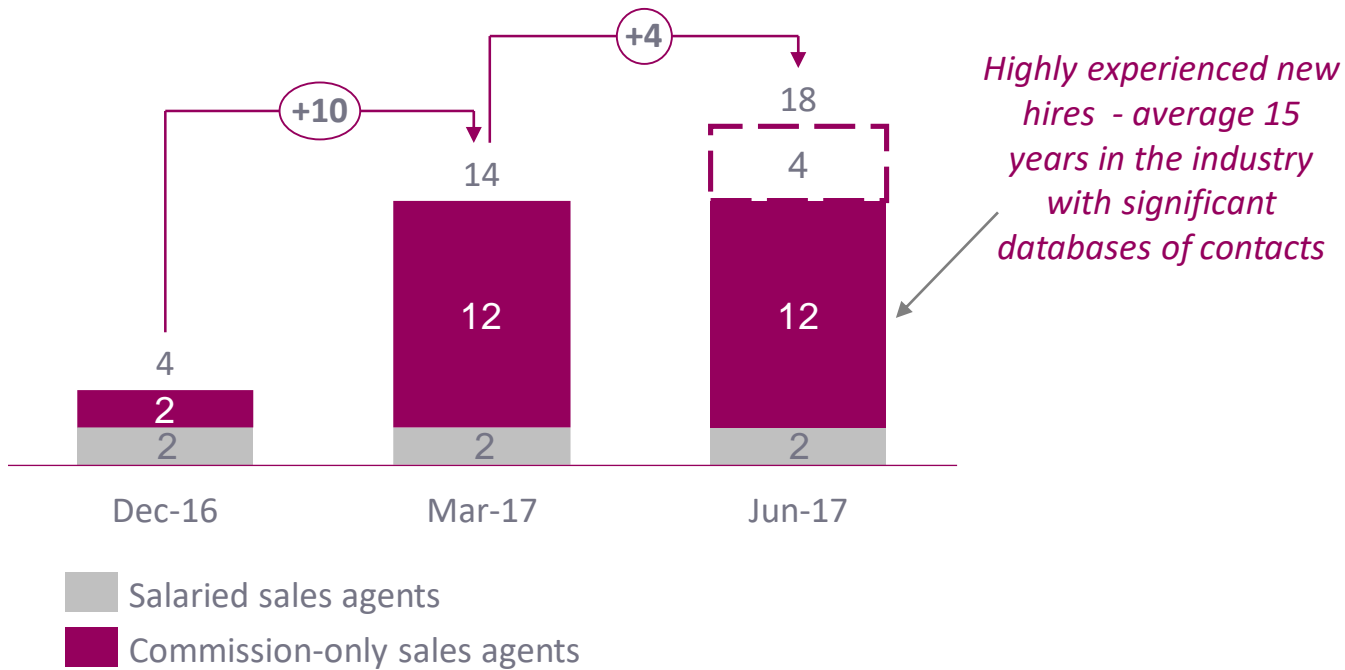


# Accelerated IBN sales team growth

We are rapidly onboarding commission-only sales consultants to better leverage our sales platform and processes

10 consultants added since December –  
on track for team of 18 consultants by June

National expansion to continue over the next 12 months  
– continue to target highly experienced consultants



# Strengthening Nyko's partnerships

## Increasing B2B Sales Activity

- 2 x new experienced Business Development Managers hired to service Sydney, a new market for Nyko with huge potential
- Nyko's efforts to date have been focused on strengthening relationships and activating referral activity from the corporate partners

## Corporate Partners Growth

- Recently on-boarded 2 major new corporate accounts (1,800 mortgage brokers nationwide)
- Nyko continues discussions with a significant referral partner generating 1,000s of leads per month
- Nyko now has access to over 4,000 corporate partners

## Scaling sales growth

- Nyko is now utilising IBN's platform to streamline and increase sales
- IBN platform supporting business efficiencies by lowering the average sales cycle time

Based on new hires, growth in corporate partnerships and additional leads from integration with iBuyNew, Nyko anticipates ~40% sales growth for FY17 vs FY16

# Cost initiative to reduce 'overhead' by net \$0.7m

Management is implementing a clear plan to reset the group cost base while maintaining growth

*Principals for cost initiative:*

**Maintain spend on business growth**

**Cost reduction will not impact ability to generate leads and grow the business**

- e.g. marketing spend is optimised through procurement changes
- e.g. website development to continue as planned

**Focus on Group and iBuyNew.com costs**

**Address legacy costs from DVI structure, Nyko integration and iBuyNew cost base**

- Clear opportunity to remove DVI legacy costs and review iBuyNew costs on line-by-line basis
- Integration of Nyko now complete, resulting in savings from overlapping corporate services – no further Nyko costs in scope for savings due to focus on executing growth plan

**Address 'overhead' cost (not sales commissions)**

**Cost programme focuses on the non-variable portion of costs only**

- Compensation for majority of sales staff is linked to sales – we plan for these costs to rise
- Cost reduction focuses on overhead, i.e. the 'fixed' costs that create financial leverage

**Achieve full run-rate benefits in FY18**

**Actions are in progress now, ensuring benefits will be rapidly captured**

- All required actions are now in progress and will be complete by year-end FY17
- Full benefits to be reflected in 1H FY18 financials

# Example cost reduction actions and investments

## ~\$1m annualised cost savings, plus elimination of one-off costs in 1H 2017

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- **Reduction in staff salary and benefits** from management and staff role changes
- **Streamlined Board structure** and reduced remuneration
- **Synergies from Nyko acquisition**, including:
  - Elimination of overlapping expenses
  - Reduction in professional services fees
  - Optimisation of office footprint
- **Optimisation of marketing spend** (e.g. introduction of success fees)

## ~\$0.3m offsetting investments

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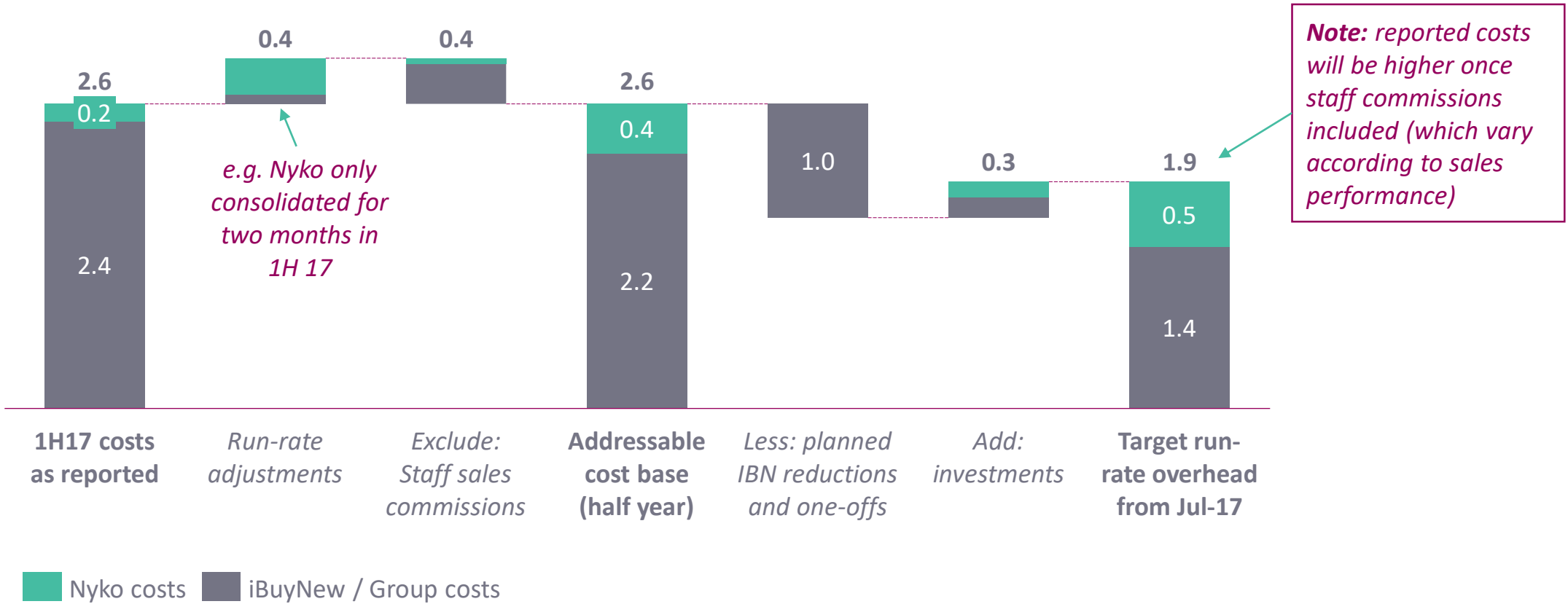
- **2x BDMs in IBN Projects** (*complete*)
- **3x BDMs in Nyko** (*complete*)
- **Part-time CFO and Company Secretary**, representing a net saving after considering current spend on external suppliers (*underway*)

*Additionally, the group cost base will benefit from the elimination of ~\$0.5m one-off costs incurred in 1H 17*

# Cost initiative targets material overhead reduction

Note: reported expenses include commissions paid to staff – not in scope for cost reduction

## iBuyNew cost walk – half-year basis (A\$m)



# Sales and EBITDA outlook

Cost management supports path to breakeven at around 240 unit sales/year

	<u>FY 2016</u> <u>Pro Forma</u> <i>(actuals)</i>	<u>FY 2017</u> <u>Pro Forma</u> <i>(illustrative)</i>	<u>FY 2018</u> <u>Illustrative</u> <u>Breakeven</u> <u>Scenario</u>	<u>Commentary</u>
<b>iBuyNew unit sales</b>	165	95-105 (1H actual: 54)	>140	<ul style="list-style-type: none"> <li>Impact of strong growth in commission-only sales team (from 2 at 31-Dec-16 to 16 by 31-Jul-17) to support FY18 unit sales</li> <li>Strategic distribution arrangements with new partners offer additional scope to build on FY17 baseline sales</li> </ul>
<b>NYKO* unit sales</b>	53	65-75 (1H actual: 37*)	>100	<ul style="list-style-type: none"> <li>Addition of 3 x BDMs since acquisition drives growth into FY 2018</li> </ul>
<b>Total IBN Group unit sales</b>	<b>218</b>	<b>160-180</b>	<b>&gt; 240</b>	<ul style="list-style-type: none"> <li><b>180 pro-forma sales in FY 2017</b> would lead to 2H17 reported EBITDA of \$-0.5m to \$-0.6m based on current cost trajectory and expected settlement income from sales in prior periods</li> <li><b>240 sales in FY 2018 would result in EBITDA breakeven</b> based on projected cost base and expected settlement income from sales in prior periods</li> </ul>

Note: EBITDA breakeven is subject to the timing of settlement income received in FY 2018; assumptions have been based on information provided by developers which are subject to settlement. **These are illustrative scenarios only and are not a forecast.** The scenarios are premised on the expectation that budgeted reductions to overhead costs are achieved and that sales mix between IBN and Nyko remains constant. No assurance can be given that these levels of sales will be achieved, costs will be reduced or that illustrative EBITDA outcomes will be achieved.

**THANK YOU**

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