ASX Code: FDV
6 March 2018

FY17 results conference call transcript

Frontier Digital Ventures Limited ("**Frontier**", ASX: FDV) wishes to advise that the CEO and Founder, Shaun Di Gregorio, hosted a conference call for investors and media to discuss the FY17 results on 28 February 2018.

A copy of the transcript is attached (with minor edits), which is intended to be read in line with the FY17 results presentation released to the market on 27 February 2018.

- ENDS -

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About Frontier Digital Ventures Limited

Frontier Digital Ventures is a leading operator of online classifieds businesses in underdeveloped, emerging countries or regions. With a track record of building and supporting market leading online businesses, Frontier Digital Ventures are experts in the online classifieds space with a particular focus on property and automotive verticals and general classifieds websites. Its portfolio currently consists of 15 leading companies, operating businesses across 15 markets. With the extensive support offered to the local operating companies, coupled with their own energy and work ethic, Frontier Digital Ventures is bringing outstanding companies of global significance to their full potential and setting a new global standard of excellence in the field.

FY17 RESULTS CONFERENCE CALL - TRANSCRIPT

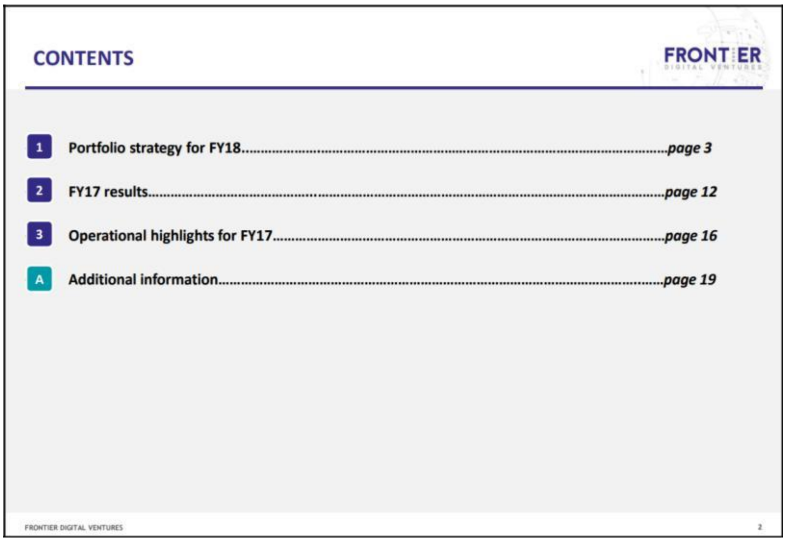
Date: 28 February 2018

Time: 2:00pm AEDT

[START OF TRANSCRIPTION]

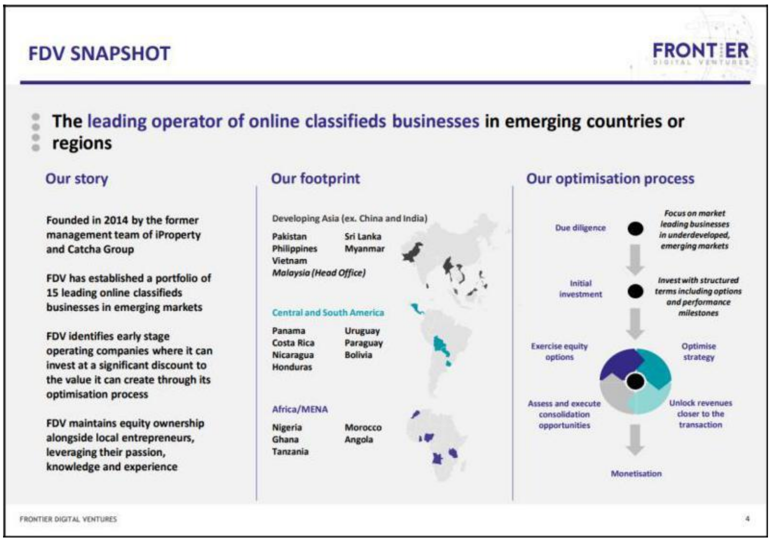
Shaun Di Gregorio:

Hi. Morning, everyone, or afternoon actually, I think for most of you. Thanks for dialing in. I hope now you've got in front of you the full year results presentation that we lodged with our financials earlier this week. We're going to be going through that this morning.

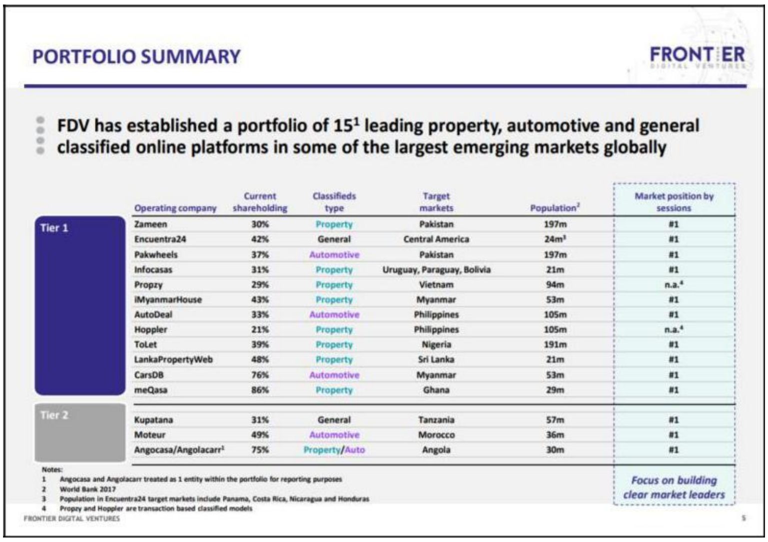


There's largely three components to what we've reported or what we want to talk about this morning. We obviously publish our quarterly revenue numbers, so in terms of the full year for those of you who follow our company, there won't be too many surprises in the full year numbers. It's simply a sum of the quarterlies that we've announced through the course of the year. We'll touch on the financials. First up though, consistent with the flow of the results presentation, we'll talk a bit about strategy. In understanding our business I think it's really important that people understand our strategy. It's evolved over the period that we've been listed and we continue to work on that. The second item will be to touch on the financials. There's a couple of slides in there. We can then go on to the third part of the presentation to give an update on any of the portfolio companies. We might do that by exception rather than go through them, but I'll certainly give you a flavour of some of the highlights from the portfolio performance in that order.

We’re going to start with a quick update on our strategy, so I’m looking at the presentation. I’m on slide four.

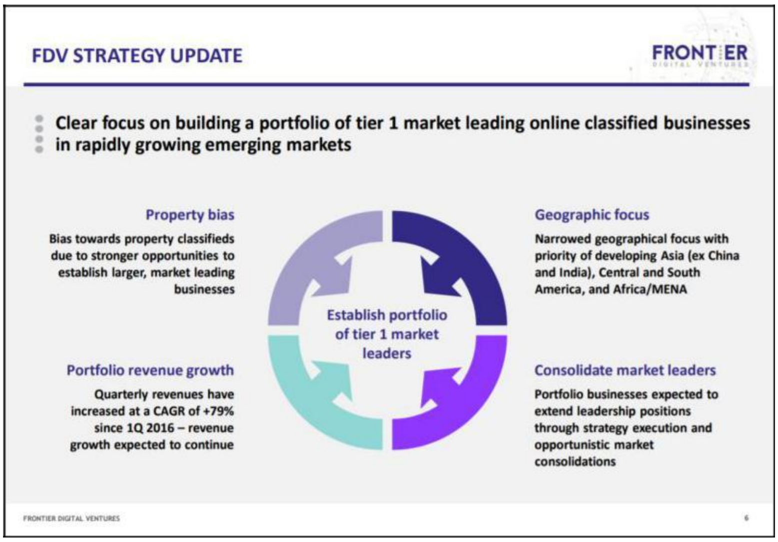


Slide 4. Just generally speaking, Frontier is a very unique business in that we focus on the online classifieds models in underdeveloped or emerging markets. We’ve been at it now for almost four years, founded in 2014. Our point of difference is that while we invest in online classifieds we’re very, very focused on investing in local entrepreneurs. We generally take a minority position, sometimes with control in those entities, and work with the local entrepreneurs to help grow those businesses. We’ve done that primarily in Asia, developing Asia, Central and South America, and to a lesser extent in Africa. Our process is quite simple. We look for businesses where we can invest at a discount to perhaps what the business might otherwise be worth. We work very diligently with the entrepreneur growing the business and over the journey our goal is to buy more of those businesses we like and obviously unlock the value that sits within those businesses over the course of our investment.

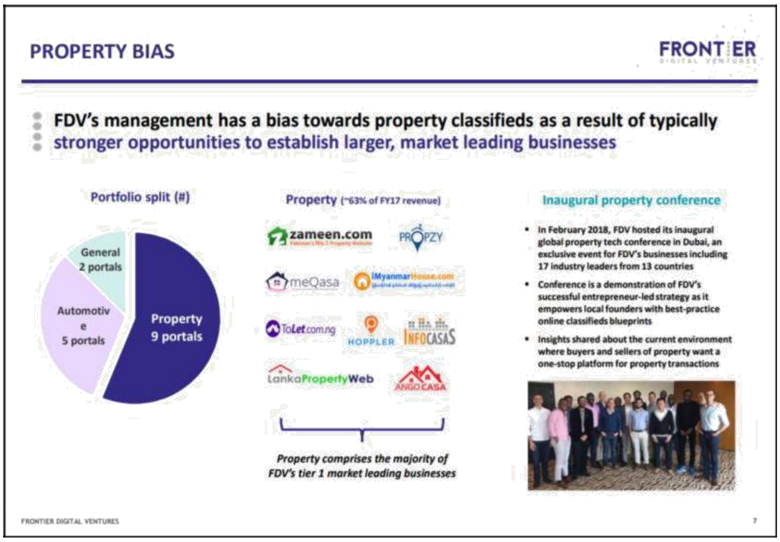


Slide 5: If we go onto slide number five, this gives you a bit of a snapshot of where we finished the year. Our portfolio is now 15 businesses. We now have optimised our way into having 12 of those 15 into what we consider to be clear market leadership and now significantly generating revenue off the back of that leadership position and there remains three of our portfolio investments in Tier 2.

There is some data in the rest of the side deck which shows you what this portfolio looked like at the beginning of the year. I think we had six Tier 1 companies, maybe five in Tier 2 and the balance in tier three. We've done a lot of work through the course of the year to improve the makeup of our portfolio. One thing that is absolutely critical, and I think what this slide five seeks to highlight, is that you absolutely want to be the market leader in these markets. It's very, very difficult to operate at a number two. These are not markets where a Domain can exist as number two. You really want to be number one, and our number one motivating factor in how we think about our portfolio and how we assist the entrepreneurs with growing their business is to ensure that we can claim market leadership. Those familiar with the model will know that once you get to market leadership your ability to generate revenue out of the market is very doable compared to perhaps being a number two. A big part of our focus this year has been getting all of our portfolio into market leadership positions and, as they get to market leadership, graduating them into that Tier 1 category where they're now starting to generate some significant revenue off the back of that market position.



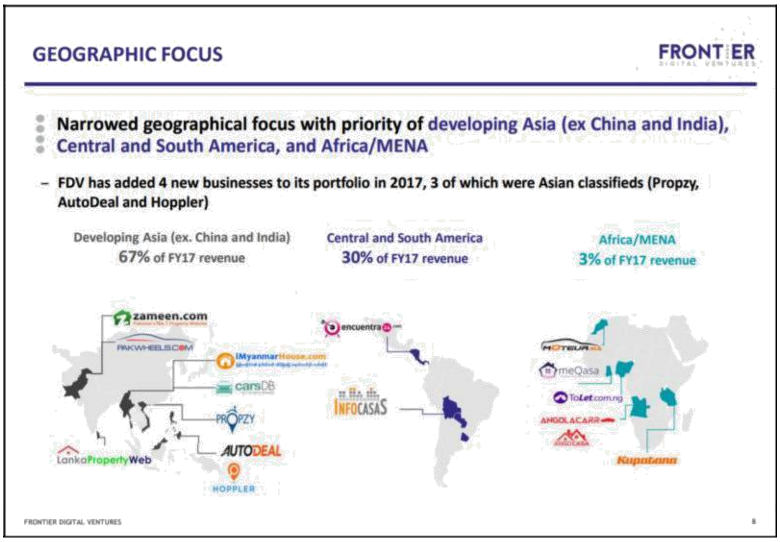
Slide 6: If you move on to slide six, we also give a pretty crisp snapshot of our strategy which really has four components to it.



Slide 7: If you move on to slide seven, it just talks to the makeup of our portfolio. We have a clear bias toward the property vertical. Our history or our background has been primarily in the property vertical. We also like the auto space. Auto space in these markets tends to evolve earlier than the property space, but what we do know over time is that the highest value vertical is still the property vertical. Our portfolio is weighted toward property and that continues to be our bias.

We have by virtue of the makeup of that portfolio been able to now genuinely start to share learnings. We got together a lot of our property partners in February this year in Dubai and spent two days with them. This is the important point about the property vertical in emerging and frontier markets.

Thematically, we got all of these guys together in Dubai and continued to talk about the evolution of the model. Those of you who have followed the online classifieds model will know that it's been primarily about selling ads. It's now evolving quite rapidly towards these platforms assisting with property transactions. A lot of our time is spent with our entrepreneurs talking to them about the establishment of their market leadership based on their classifieds business and then being able to evolve that market position into the ability to assist with and facilitate transactions. That's the term we use. It's really about facilitating property transactions in these markets. That bit is a very topical pursuit for property verticals, particularly property verticals in frontier and emerging markets. We're now at a size and scale where we can actually get all of our partners together who are in the property verticals and share a lot of those learnings. We obviously have some businesses in our portfolio that people are familiar with, like Zameen, for example, who are a fair way down the path of that strategic goal - and that's to be the clear classifieds leader - but also then to be able to leverage that position into facilitating transactions. The economic opportunity around facilitating transactions is obviously quite significant and that remains a long-term goal for most of our partners.

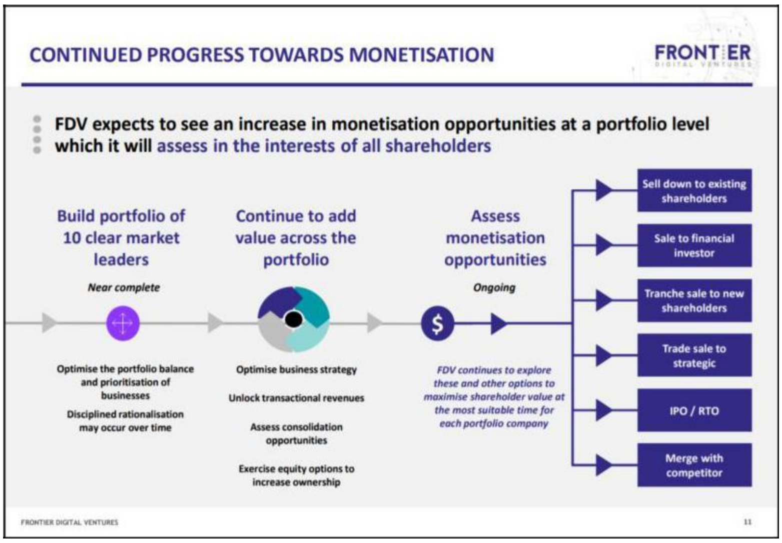


Slide 8: If you shift on to slide eight, we have over the course of the year a very defined geographic hierarchy that we work to. Asia is the best performing region for us and continues to be our primary area of focus. It's delivered two-thirds of our revenue and the growth rates in the region are very strong. In most markets you can find a good business, and we continue to comb the region for opportunities. Central and South America are very selective in the markets we go into. We have two really good businesses there that are clear market leaders in markets that are otherwise not very competitive, and that continues to be an area we look at. Less so for us is the Africa/MENA region where we have some early stage investments that are consolidating their way into market leadership positions, but our hierarchy of geography is very clear.

Slide 9: If you move on to slide nine, a third part of our strategy is where we had the opportunity to consolidate markets. We did a couple of deals toward the end of the last year where we managed to consolidate market leadership in a couple of markets and exited another one. What we see in

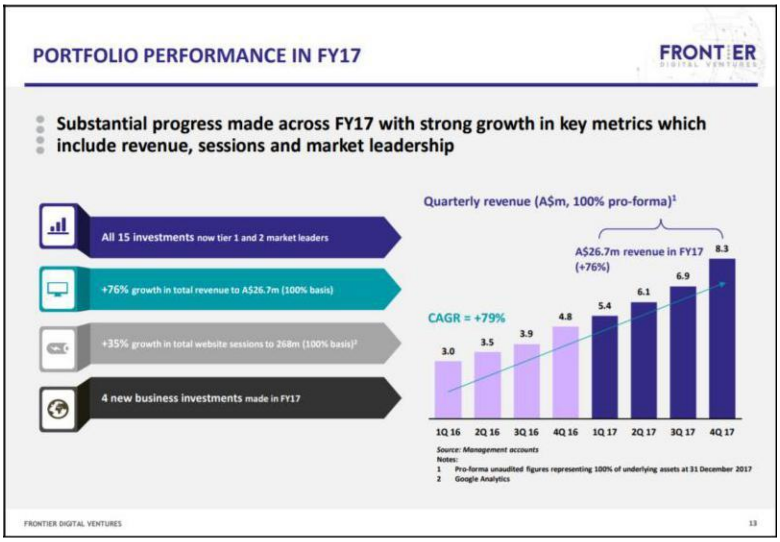
these markets is they're rapidly growing but you really want to be the clear market leader. We continue to look for opportunities to consolidate within our existing markets and improve our position with the ultimate goal, of course, being able to generate more revenue and ultimately put yourself in a position where you can start to move down that value chain and facilitate transactions.

Slide 10: The sum of those three strategic goals is demonstrated on slide number 10 which goes to our quarterly revenue growth. Now, all of these numbers are already published. As I mentioned earlier, we do that every quarter. It gives you a snapshot. Keep in mind this is at 100% view. This is top line. This is the 100% view of our portfolio and you can see that the quarter on quarter picture is one of consistent growth, and that's what we aim to do. If you look at the breakdown you can see the property bias is pretty clear, albeit that the general and automotive are growing nicely, and similarly with the geographic breakdown you can see that the bias in Asia as a really well performing geography for us is clear there as well. To the uninitiated, our statutory results take a little bit of getting used to. We have 15 investments. We consolidate 10 of them and we equity account for five of them. Our statutory numbers tell part of the story, but in order to get greater clarity around the whole story it's important to look at that 100% view. That ignores the statutory/equity accounting and simply says, "This is an 100% view of all of the investments that we have."



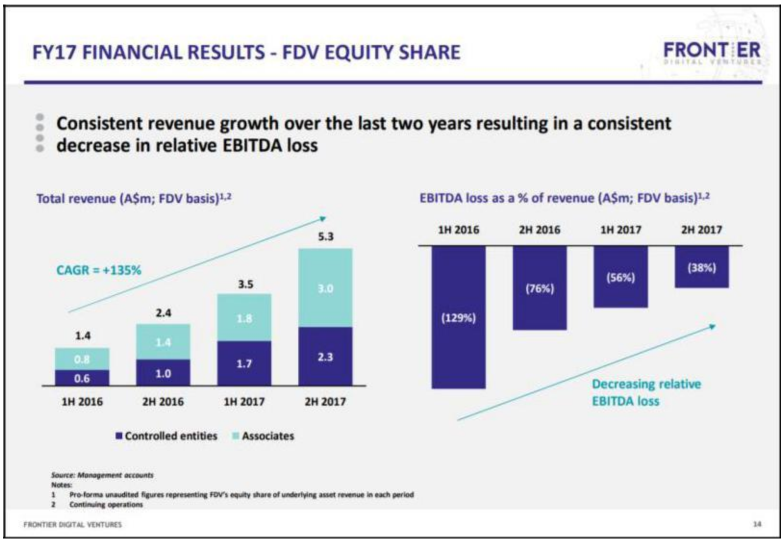
Slide 11: If you wanted to tease this story out - and we get asked the question about, "Where does this strategy lead?" - we know that building clear market leaders in our portfolio is the most critical thing we can do. We optimise the value that we see inside those businesses over time and we're very confident that at a point in the future there'll be opportunities to monetise those assets. That doesn't keep us up at night, that part of the journey, but all of our experience tells us if we run these

businesses well, opportunities can monetise those assets, down the track they will take care of themselves, and we have one eye on that goal, but we're very, very focused on working at the portfolio at the moment and that answer should evolve.



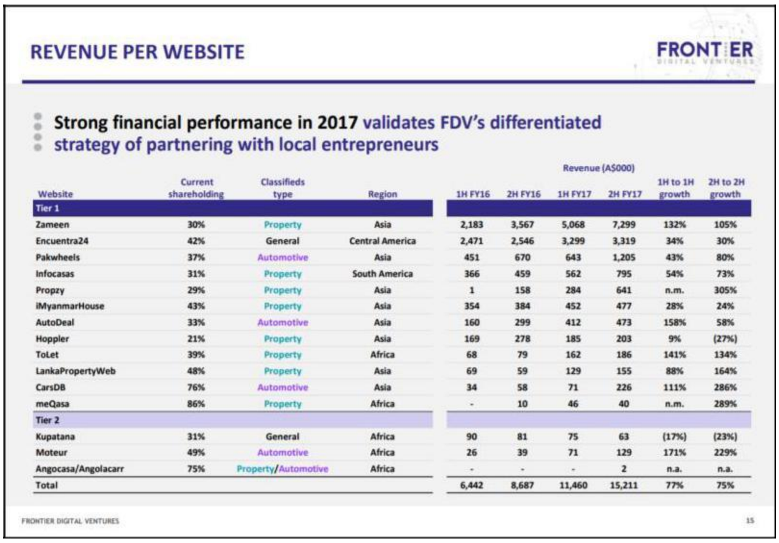
Slide 13: If you go on to slide 13, this takes you down a bit more commentary on the financials. As you can see, the CAGR remains very strong. Our overarching goal is to come back to investors every quarter and be able to demonstrate consistent growth in our top line and prudent management of our capital by way of investing into these businesses and working them through to a breakeven.

Slide 13 really just goes to highlight some of those achievements that we've had in the last calendar year, so I won't repeat those.



Slide 14: If you then want to look at the economic share of what we do, which is probably the next way in which to assess our progress putting aside the statutory accounts, we tend to look at the 100% view of our portfolio and then we look at the equity share we have of that portfolio. Again, what we

aim to do is deliver consistent growth across our portfolio and exercise prudent management on an EBITDA basis. Our goal is to progress all of our investments through to profitability. We know that a few of them will get there this calendar year and our foot is on the gas as far as generating revenue as quickly as we can in order to give ourselves a really good position then to manage their EBITDA through to a breakeven on an investment by investment basis.


REVENUE PER WEBSITE

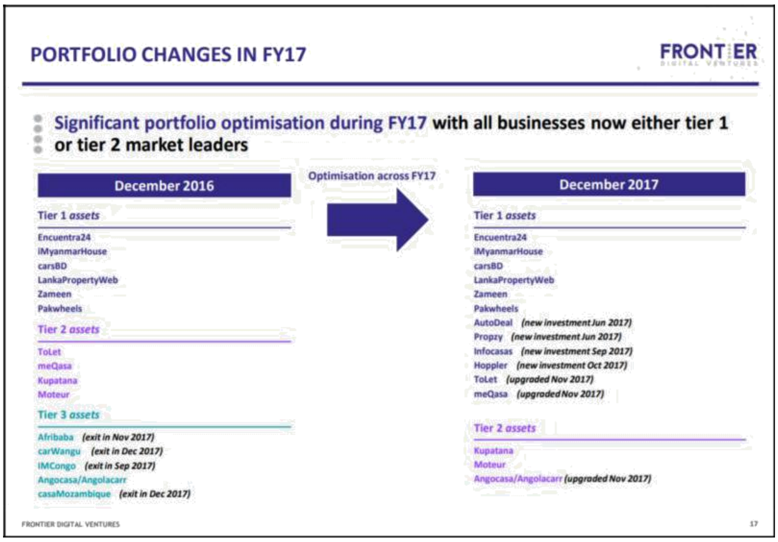
FRONTIER DIGITAL VENTURES

Strong financial performance in 2017 validates FDV's differentiated strategy of partnering with local entrepreneurs

Website	Current shareholding	Classifieds type	Region	1H FY16	2H FY16	1H FY17	2H FY17	1H to 1H growth	2H to 2H growth
				Revenue (A$000)					
Tier 1									
Zameen	30%	Property	Asia	2,183	3,567	5,068	7,299	132%	105%
Encuentra24	42%	General	Central America	2,471	2,546	3,299	3,319	34%	30%
Pakwheels	37%	Automotive	Asia	451	670	643	1,205	43%	80%
Infocasas	31%	Property	South America	366	459	562	795	54%	73%
Propzy	29%	Property	Asia	1	158	284	641	n.m.	305%
iMyanmarHouse	43%	Property	Asia	354	384	452	477	28%	24%
AutoDeal	33%	Automotive	Asia	160	299	412	473	158%	58%
Hoppler	21%	Property	Asia	169	278	185	203	9%	(27%)
ToLet	39%	Property	Africa	68	79	162	186	141%	134%
LankaPropertyWeb	48%	Property	Asia	69	59	129	155	88%	164%
CarsDB	76%	Automotive	Asia	34	58	71	226	111%	286%
meQasa	86%	Property	Africa	-	10	46	40	n.m.	289%
Tier 2									
Kupatana	31%	General	Africa	90	81	75	63	(17%)	(23%)
Moteur	49%	Automotive	Africa	26	39	71	129	171%	229%
Angocasa/Angolacarr	75%	Property/Automotive	Africa	-	-	-	2	n.a.	n.a.
Total				6,442	8,687	11,460	15,211	77%	75%

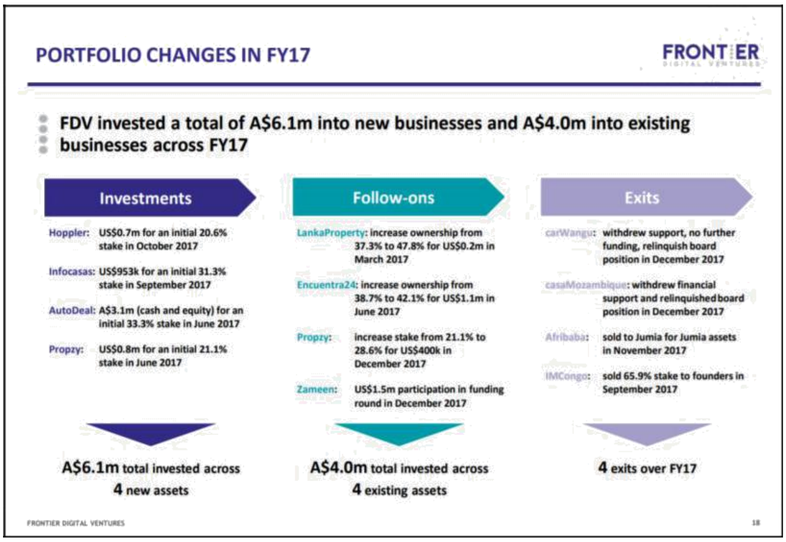
FRONTIER DIGITAL VENTURES 15

Slide 15: If you go one layer down, on slide 15 you get a clear snapshot of the quarterly performance of each of the businesses. You'll see there that there's one or two businesses that we have in Tier 1 that actually have similar revenue to the Tier 2 guys. The qualification as a Tier 1 business is absolute clear market leadership and off the back of that generating meaningful revenues. The Tier 2 businesses we now have as clear market leaders and they're starting to generate revenue off that position. I'd love to come back to you by the end of this year, for example, and be able to tell you that all of our businesses are Tier 1. That's just a categorisation that we think of from a financial perspective.

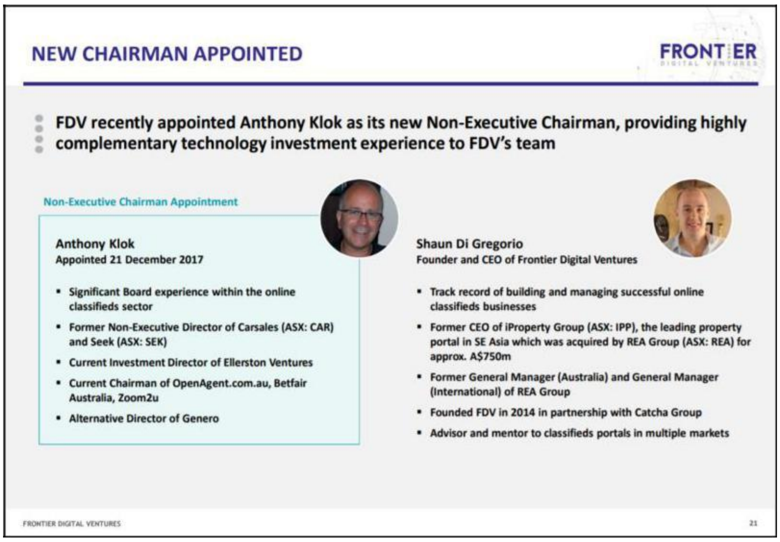


Slide 17: On to the third section, which again is our operational highlights. I'm not going to go into the individual companies, but just as a commentary, slide 17 gives you a sense of the progress we made over the calendar year in the optimisation of our portfolio. We shifted from having five businesses in tier three to the end of the year having only Tier 1 and Tier 2 assets. We continue to look at ways to upgrade each of those assets. There's lots of corporate activity out there at the moment, that's for sure. I think what we're seeing in the market is people continuing to realise that these businesses are not simple to run. They're not easy, particularly if you're doing them from a distance or if you have a centralised model. We're seeing significant contraction in companies who operate a centralised model and try to operate remotely in a number of emerging markets. That model is breaking. We're seeing it break down, and on the back of that there's a lot of corporate activity. Our model, which is distinctly different which is investing in the local entrepreneur, is becoming a very sustainable and successful model in our mind and we think that's evidenced by the performance of our assets, but on top of that we're seeing the alternative model, which is the centralised model, start to break down.

FRONTIER DIGITAL VENTURES



Slide 18: Now, slide 18, just finishing off on the portfolio highlights. We do three things: we look for new deals; we look for new investments that we think make sense; we like to try and buy more of the businesses we like and on occasion we'll exit the ones that we don't think are going to work. Slide 18 demonstrates some of that activity through the course of the last year.



Slide 21: The last thing I'll leave you with, or the last comment I'll make - and we can go to questions after that - is to highlight our chairman, Anthony Klok who joined us at the end of last year. Our chairman who saw us through our IPO, David Baxby, is now a full-time employee of Wesfarmers, running their industrial division, and the consequence of that is that he can't hold outside directorships. Now, the upside for us is we were able to bring in Anthony who many of you will know, having been a director of Carsales and Seek, a director at Ellerston and a part of the PBL stable for a long time and is now chairman in some really interesting early stage technology companies like OpenAgent.

Anthony joined our board last year as chairman, so we were pretty pleased to have someone of Anthony's background and experience, and I think he provides a steady hand on what we're doing. He spent the last week up here getting acquainted with everyone and understanding our business a bit more, so very pleased to have Anthony join the board right at the end of 2017. The rest of the deck goes into individual company updates, which I'm not going to touch on, but just wanted to give a 20-minute high-level update on our year. We can go to questions now, which I think Brayden, you're going to manage.

[START OF QUESTIONS]

Ivor Ries: Good afternoon, Shaun. Just on Zameen, obviously they had two cracking halves in a row now. In that second half did you get any uplift at all from some of these products like banking and insurance or is it basically all that revenue growth is still being driven by the commission model on transactions?

Shaun Di Gregorio: There's not been the significant contribution from ancillary revenues like the banking agreement that they struck towards the end of last year. Just on that, in these markets we look at three things, which is the ad dollars which is the first opportunity; revenue opportunities from finance products; and then ultimately assisting with the transactions. The revenue opportunities around the finance products are probably limited, and the way we think about that as an ancillary service is that if you want to progress from just selling ads to ultimately facilitating transactions, it makes it a heck of a lot easier if you have a finance product in-between. To me they've been very diligent in saying, "Well, we have a really solid classifieds business. We're now facilitating more and more transactions." A key to making that work well is having a finance offering. We haven't seen a huge contribution from that in a revenue sense but we probably see it more as a strategic part of growing the transaction business over time.

Ivor Ries: And you probably don't know the answer to this, but what percentage of new apartment launches are you participating in at the moment in Zameen as a selling agent?

Shaun Di Gregorio: I don't know the number of new or the percentage of new, but I know that the number of transactions that they're facilitating is less than 2% of the market. The progress that they've made on their top line revenue growth which is founded in their classifieds businesses but increasingly are growing on the back of the transaction model is a fraction of the market as it sits today. Now, that's probably a bigger percentage of the new build market, and if you boiled it down and said, "What's the percentage of new builds in Lahore?" for example, it's probably a bit higher again, but as a percentage of the overall market it's still just a fraction.

Ivor Ries: Right, thanks.

Shaun Di Gregorio: And I think just on that, we don't see long-term the transaction model being a national product in that sense. It's going to be a product that is very specific to new builds. It's going to be a product to urban new builds that have a strong sell-through potential. It will evolve over time, but that's what's working now.

Operator: Thank you. Your next question comes from John Cunningham, shareholder. Please go ahead.

John Cunningham: Good day, Shaun. I was just wondering if you could comment on your cash situation and getting to break even and put some commentary around that.

Shaun Di Gregorio: We have our 15 partners and we look at them in terms of their relative maturity and our end goal is to have them all to profitability. We don't provide forward-looking guidance per se, but if you look at the run rates of our businesses, you'd expect three or four of them to be profitable this year, and then we hope that five or six of them next year. We always said 2020 was the point at which we would want our portfolio partners to be all profitable. We remain on track: three or four this year; five or six next year; and the remainder after that. It's just - I won't say steady as she goes, because our markets are emerging markets and they have their moments. It's not a linear journey for us but it's very much about getting the larger ones through to break even this year and then the remainder next year and whatever remains in 2020. That's been our clear goal from the start and it really remains unchanged.

John Cunningham: So you're fairly confident that you've got enough cash to get you through to break even at this stage?

Shaun Di Gregorio: It's a relative term because if you look at these businesses - and people have conflicting views of this classifieds model where you say, "If you invested more, could you grow revenue faster in order to give you a bigger business once you become profitable?" and it's never quite as clear-cut as that. But if there's opportunities to accelerate growth where we think we could invest more, then we'd obviously contemplate that, but that's true of any business. Secondly, over the journey we'd like to buy potentially more of the good ones. We'd like to get bigger equity positions in some of these better businesses, but that's very much a 'watch as we go'. We don't have a point at which we say, "June 30 we want to buy another 10% of Company X." It's opportunistic and it might involve the vendor selling down, it might involve a little new money going in. As we sit here today we're fine, but over the journey I would like to think we'd try and acquire a bit more of the better companies. Under that circumstance you'd probably say, "Well, we might get some cash to do it," but we're like any other business, we're well funded, but if we think there's opportunities in the future to accelerate, then under that scenario you might get some more capital, but it's certainly not the case at the minute.

John Cunningham: Okay, thanks. I just wanted a bit of a flavour on that, thanks.

Operator: Thank you. Once again, if you wish to ask a question, please press star, one on your telephone and wait for your name to be announced.

	Your next question comes from Darren Craike from Bell Potter. Please go ahead.
Darren Craike:	Hi, Shaun. First of all, congratulations on a great result. It looks like you've got some great momentum. I just noticed obviously you acquired or invested in another four businesses in FY17. Are you seeing more opportunities with additional businesses to add to the portfolio or are you more focused now on investing in your existing assets?
Shaun Di Gregorio:	Look, our focus has probably shifted more toward optimising our current portfolio. Don't expect to see a rapid succession of announcements around new investments from us. We still look, but the stuff we're looking at is probably a bit bigger, probably a slightly longer process and there's nothing pressing at the moment. We wanted to get a few more Tier 1 assets into the portfolio. We did that last year, and they were opportunities, incidentally. Of the four, AutoDeal we'd been talking to for two years. Infocasas, Propzy and Hoppler - we'd known Hoppler for about 18 months, we'd been watching that business. Both Infocasas and Propzy approached us, but they were deals that were germinating over a period of time. We still look. We still think that there's a bit of corporate activity out there, there's some consolidation opportunities. But you won't see our portfolio grow dramatically in terms of the number of investments as it perhaps has in the past.
Darren Craike:	Okay, thank you, Shaun.
Operator:	Thank you. Once again, if you wish to ask a question, please press star, one on your telephone. Your next question comes from Sam Robinson from Canaccord. Please go ahead.
Sam Robinson:	Hi, Shaun. Just curious about the exit strategy on some of your portfolio investments. I know you've said in the deck that you would contemplate some of these businesses listing in their own right or you might realise some value through a trade sale or put flags in the ground for valuation by raising external capital in some of these

businesses. Just wondering if based on the maturity of some of the businesses in the portfolio, without having a crystal ball, whether you think we might see something in the next 12 months in terms of a material realisation of any assets?

Shaun Di Gregorio: Well, it's always possible. I'd be reluctant to do it. I just look at the growth rates in these businesses that we're still seeing, and we'd be probably dumb to exit any one of the better ones any time soon. That said, I've always maintained that if someone came along and wanted to invest desperately and put forward a really good deal, then you're duty-bound to contemplate it. I think a more realistic scenario is that we engineer a result where we get some external funding in one or two of these businesses which validates the value that we've been talking about. What we see as these businesses get a bit bigger, a bit more high-profile and being part of Frontier, they are regarded as relatively transparent for the markets in which they operate.

When you're operating emerging markets there's always this nervousness around your opaqueness of reporting and actual results. All of the businesses in our portfolio are obviously audited and very transparent, so they're in good shape. Investors see that track record over the past couple of years and they're starting to attract more interest, and that's probably something we're keen to cultivate. Whether something eventuates, we don't know, but it is something we want to cultivate for the longer term. If that translates into realising some value by way of an investment into the business, that would be great. We still think that there's an awful lot of value in these businesses, given how rapidly they're growing, so we're conscious of not pulling the trigger on that sort of stuff too early.

I think getting external validation is an important step for these businesses, and we achieved that with Zameen and we look to do that with some of the more mature or the larger ones that are in our portfolio over the next 12 months.

Operator: Thank you. There are no further questions at this time. I will now hand back for closing remarks.

Shaun Di Gregorio: I think that's to me. Thanks, everyone, for dialling in. I think most of you know how to contact me anyway on the phone or via email if you want to have a follow-up chat. That said, I'll be in Melbourne Monday, Tuesday, Sydney Wednesday, Thursday and Friday. Vesparum Capital are assisting with our scheduling because I'm in Malaysia. Look forward to meeting up and having a chat face to face. As I said, I think most of you know how to contact me on the phone or via email anyway, so I'll welcome any follow-up questions through the course of the next few days.

[END OF TRANSCRIPTION]