

ASX Code: FDV

3 March 2020

FY19 Results Conference Call Transcript

Frontier Digital Ventures Limited ("FDV") is pleased to release the transcript from its FY19 Results conference call held at 9:30am AEDT on 27 February 2020.

A recording of the conference call and the results presentation are now available on FDV's website: <https://frontierdv.com/corporate-presentations/>

Transcript of the FY19 Results conference call:

Operator: Thank you for standing by and welcome to the Frontier Digital Ventures FY19 Results conference call. All participants are in a listen-only mode. There will be a presentation followed by a question and answer session. If you wish to ask a question, you will need to press the star key followed by the number one on your telephone keypad. I would now like to hand the conference over to Mr. Shaun Di Gregorio, CEO and Founder. Please go ahead.

Shaun Di Gregorio: Thank you for that. Good morning everyone. Welcome to our 2019 Full-Year Results presentation. You all will have access to our investor presentation, which was lodged with the ASX this morning. I'm going to reference this presentation as we go through it this morning.

You'll see on page two that it's in three sections. The first section will talk to the results themselves. We'll go into a bit of detail on the headline numbers and some of the individual companies. The second section gives a strategy update. You will note in the second section, if you've been following us for some time, that there is what might seem like some information from earlier presentations. For example, information that was in our investor deck from a year or two ago. In recent times we have been receiving an increased volume of interest from new investors outside of Australia, particularly North America and we have accommodated these new investors in this deck, to provide them a bit of background on the business that otherwise might seem repetitive. Then in section three, there is a fairly extensive appendix, which also just reminds people about accounting treatment of the various entities into which we've invested. There's a one-page in there on most of the individual businesses as well.

We'll go into the first section, section one, which is our 2019 results. If you flip through to slide four, you'll see a slide titled 'Rapid Revenue Growth'. That again, just demonstrates the half-on-half growth since we listed in the first half of 2016.

Two ways in which we report our results to the market, one is at 100%-level portfolio level, which is 100% of everything. Then beside that chart, you'll see the portfolio share, this is the

percentage of the portfolio that we own. We carve that out, so investors can get a clear understanding of the percentage of the revenue that can be attributed to FDV. We're really happy with the performance of FDV in 2019. I think it's been the best year in FDV's short history, where our revenue actually accelerated in 2019 versus 2018. Not many companies can lay claim to that. What we've continued to deliver is really solid results, half-on-half.

Underlying that has been the structure of our business, which is, as you know, to invest in local entrepreneurs running marketplace businesses in emerging markets. We've got a portfolio that has really increased in quality now. As a result, we're able to come back to market and consistently deliver on our results, and more importantly, I think continue to deliver on what we said we were going to do, right back to 2016 when we listed. Our full-year of revenues are there, as everyone can see and as I said, our growth actually accelerated year-on-year, which is a pretty impressive result. You'll also see the continued rapid growth on FDV's economic share of that.

If you flip over to the next slide, you see that a feature of our portfolio is that now all of the individual businesses are now starting to perform better and better. That means more of them are getting closer to profitability. We always talk about our business in a portfolio sense. We will increasingly be talking to investors about our portfolio on an individual business level, as each of the businesses are becoming larger and more material. While we will always come back to that portfolio view, what drives that is the performance of the underlying businesses. It's very pleasing to see that they've all had really solid years and generally all delivered improved EBITDA results. It means that at a portfolio level, FDV continues to deliver on what we said we would do and you can see that the EBITDA performance has significantly improved over each year. We're really pleased with where that's got us to in 2019.

Some of the operating metrics you can see on slide number six. These are obviously a lot of lead indicators for us, these are what drive the businesses. We see really consistent growth over many half's and that comes back to the nature of our portfolio, where we're across a number of markets and across a couple of verticals. It does ensure that the indicators, the metrics, across our portfolio have continued to grow really strongly in 2019, as well.

We'll move on to slide seven. It's a really important slide for people to understand. It includes on the left side the operating companies, it also includes the percentage of those companies that we own, the vertical that they operate in, and their FY18 on FY19 revenue, and the relative growth. Besides that, we break out for you the FDV economic share of that. You can see that we grew faster in FY19 than we did in FY18. A big part of that was we had a couple of businesses really had 'breakout years' and performed really well.

A feature of the markets we invest in is that they're not always smooth. What we do focus on though, is the trajectory from quarter-to-quarter and half-to-half. Different things happen in different markets, but our portfolio is structured in such a way that it all evens out, and we've been able to deliver a really strong result. I won't go into the individual businesses there, but I'm sure anyone on the call who is viewing the deck can look through that list and see that it's

been pretty solid contributions across the board, and now getting more and more of our businesses (and we would have referenced this in our previous investor presentations) up over that million-dollar revenue mark. We have a couple there that are in the nine hundreds in FY19, with only a couple that were really still around that half million dollar mark in total revenue.

It's really important to remember that when we listed in 2016, I think half of our portfolio only had a couple of hundred thousand dollars in revenue in total. It's been really pleasing to watch even the small businesses in our portfolio start to develop some size, and scale, and generate some growth over the course of the calendar year. That's really all for the financials, we will go to questions at the conclusion of my presentation, so we can come back to some financials based on the Q&A.

We have updated our strategy section and continued to communicate a really consistent strategy. I think if you go back through our previous investor decks, you'll see that much of this narrative remains really consistent. We have included some strategy slides to provide new investors and those who are interested in our business, which I said earlier, has become a longer list, a bit more background.

Essentially, our footprint on slide 10 is now very much focused around Asia and LATAM markets. We've done less and less in Africa and have exited a couple of businesses there during the course of FY19. Our focus is very much around two geographies, developing Asia, mainly Southeast Asia and South Asia, and some LATAM markets. The LATAM businesses did really well in FY19.

As you know, while we continue to invest in automotive, we are very focused around the property verticals. Our business over recent years has matured quite a bit in that we are really focused on only a couple of regions and a couple of verticals. You can see that reflected in the slide titled, 'Geographic Breakdown', on slide 10. We break that out a bit more, just to help people understand the emphasis on property verticals. You'll see that seven of our portfolio businesses are 'property', four are 'automotive' and we have one 'general classifieds' business. Again, a big focus for us, whether it's property, automotive or other, is market leadership and we've continued to drive our investments to focus on their market leadership and what they can leverage with that market leadership, once they become a trusted brand in their individual market.

Further to that on slide 12, is an extrapolation and update on the model. When we started investing in online classifieds businesses, it was very much the traditional model that everyone understood, which is consumers coming to a website, finding a house, finding a car, clicking on an ad, and then effectively disappearing into the ether. What is happening now in all of our markets, and what we're really excited about, is that as these classifieds businesses become market leaders, they increasingly extend their leadership in a given market and start to become trusted intermediaries. They evolve into becoming marketplaces, this is a really interesting dynamic. We're seeing the online classifieds model evolve rapidly around the

world in developed markets. It's interesting that the online classifieds model has developed and evolved, perhaps even more rapidly, in emerging markets. Many of our brands, obviously market leaders, are now starting to leverage that leadership position, not just to sell ads to property agents, or property developers, or car dealers, or car manufacturers, but leveraging that position to play a much more active role in facilitating transaction.

We talk about this in the context of it being a 2.0 world. It's a very well-used label, but it is very much a rapid evolution of what's happening in classifieds. One could argue that what's happening now or starting to happen, is a genuine disruption of the model. I think, historically, the evolution of online classifieds was improving on a process that was otherwise a bit clunky. It was helping property agents sell more properties at a better price, was helping consumers find properties, but this has now evolved to the point where the portals are starting to become marketplaces where people go, not just to click and then leave, but actually remain in that ecosystem, within that marketplace that's been created, and getting much closer to the transaction, and in many cases starting to complete the transaction. With the portal being up close to that process and in many occasions now, portals starting to take some of the commission that's generated at the point of transaction.

What that's done is opened up markets, so when we look at markets, we're not just thinking about advertising revenues as possibilities. We're thinking about advertising revenues, but on top of that we're thinking about transaction-based revenues and many other revenue streams that come out of a process, such as buying a property. It's a really exciting part of our business, and one that we're very, very focused on. It's very, very interesting to see how these businesses are leveraging their leadership positions into transactions.

If you go over to slide 13, you'll see that as markets open up more opportunities for each online classifieds business, many of our businesses are starting to improve their trading performance. Obviously, growing revenue is very important. You can see from the data that we're also seeing a general improvement in profitability, which means less cash burn, which means that more and more businesses are becoming self-sustaining, which is important from a financial perspective and from a management perspective, as well. Where that leaves FDV is with a strong balance sheet and well-positioned as we head into 2020.

We've been pretty busy over the last six months or so. If I think back to early 2019, we were very focused on consolidating and improving the operational capabilities of our investment companies. That was a big focus for us over the last number of months. Part of our strategy, is to then start to acquire larger stakes in the businesses in our portfolio. We know the entrepreneurs very well now. We know the businesses really well. If I refer back to December, we increased our position in Infocasas, which is a great business in some of the LATAM markets. We increased our stake in AutoDeal in the Philippines. It's the leading auto site in the Philippines and exceeded 3 million visits for the first time in January. No other auto site has done that. We're really, really impressed with how they're tracking.

Beginning of 2020, we came off a really positive 2019 where we saw a number of our partners trade profitably for the full year. We saw another couple of our partner companies trade profitably in Q4, so the underlying performance of a lot of our businesses has really started to improve. As we rolled into the start of 2020, we also have increased our stake in iMyanmarhouse. It's a property portal in Myanmar, which is a market we really like. We've increased our stake in Sri Lanka, as well. At the same time, we managed for the first time to make an exit of one of our investments, which was Propzy, a portal in Vietnam. That was done for a number of reasons. We were very, very pleased with that outcome and it delivered a substantial return to shareholders and in some respects, as a proof of concept of our model where we were able to achieve an exit. However, at the same time we continue to invest in businesses that we can see are scalable, growing, and can be ultimately profitable businesses.

Just on slide 15 again, this is addressing a wider and wider investor audience. We try to talk to our potential investors about the pathway generating returns to shareholders. We are very focused on the fact that we will deliver returns to shareholders. There are many opportunities for us to do that, one of which is monetization opportunities, which is documented on page 15.

I'm conscious of time here, there are a couple more slides here which go back to the history of FDV as well as a bit of information about the register. If you look in the back, at the appendix (Section C or the third section of the deck), as I said earlier on the call, there's a little more information on the accounting treatment of the portfolio, because it's not clear when you look at our statutory reports, how it relates to the performance of our portfolio. There is a slide which helps people understand the accounting treatment of the various investments we've made. And further into the deck, you'll see a one-page update on most of our portfolio businesses to demonstrate their track record and some highlights of 2019 and how they've progressed.

So on that note, I'll pass back to the moderator who was going to facilitate the Q&A. I think it's been the best year in FDV's short history. We're really pleased with how the year has finished, and really very pleased with the progress of our portfolio. And as I said, I think it maps very consistently to the strategy that we laid out. And we're very excited about what 2020 holds, and beyond, as we continue to grow this business. On that note, I'm going to hand over to the moderator who is going to facilitate any questions that might be there from people who have dialed into the call.

Operator: Thank you. If you wish to ask a question, please press star one on your telephone, and wait for your name to be announced. If you wish to cancel your request, please press star two. If you are on a speaker phone, please pick up the handset to ask your question. Your first question comes from Ivor Ries, from Morgans Financial. Please go ahead.

Ivor Ries: Good Morning Shaun. I might just kick off with a question on Zameen. Obviously, last year was a great year, you had some quite sensational growth in the Zameen business. I just wondered, what is the potential this year for growth? I mean obviously the main driver

of growth is the number of projects which are participating and I just wondered what this year looks like, in terms of the growth rate you could achieve?

Shaun Di Gregorio: Thanks Ivor. You're right. Zameen, once again, the team there did a great job. They exceeded their own budget expectations and they exceeded our expectations, which was tremendous. Keeping in mind that the market in Pakistan last year was pretty tough, with significant currency depreciation. But even in the face of that, the management team there delivered an outstanding result. Again, when we look forward into 2020, there's probably some green shoots in terms of things getting a bit better as the year progresses. And we think the business will have another really strong year. It's difficult for us to say how much it's going to grow by, but the guys have always overdelivered. We generally go in with fairly conservative expectations, but the management team there have done a great job and have overdelivered in every single year we have been invested.

I think if they can get anything like they did this year, we'll be very happy. A big, big factor is the volume of transactions that they can facilitate and they are still only a relatively small part of that market. The agency market in Pakistan is probably starting to flatten off for them, they've got most agents, and they are getting more spend out of them. Like a lot of the more mature portals, it becomes a bit more of a challenge, but you know, the volume of new transactions is still pretty good, and that's a part of the model that they are really focused on. So yeah, we remain pretty optimistic about the year ahead, and we know we've got a great team running that business.

Ivor Ries: They obviously made a small EBITDA profit, would you expect them to be running better than breakeven in 2020?

Shaun Di Gregorio: Well, they were ahead of the curve this year. We didn't think that they would get there on a full year basis, but they did. So again, it was above our expectations, and I think our message to the management team is just keep growing as fast as you can. Where that leaves EBITDA, we will probably know halfway through the year. But it's a pretty mature management team and they know what they're doing. We still think there's a lot of top line growth, and we would never strangle the business for it to deliver big margins if we thought that there was still a lot of top line growth to be had. So I guess it's finding that balance.

Ivor Ries: If it's okay with you, I'll ask you a supplementary question on Infocasas. Obviously, they had an absolutely tremendous second half, and I'm just wondering whether there's an element of seasonality in their business? What I'm trying to work out is whether the second half, which was just an absolute blinder in terms of revenue, whether that's the new base or whether it's seasonal growth we should anticipate?

Shaun Di Gregorio: Yeah. If you look back historically, and I don't have the exact numbers in front of me, but I can anecdotally tell you that they're second half is generally better than their first, from memory. And again, I've not got all of that data in front of me.

There's probably three things driving that business, and it all started to come together in the second half. They have a really strong management team, Ricardo and his team have been at it now for a few years. They know their markets really well and they actually execute very well. As you appreciate, Ivor, in emerging markets, strategy in one thing, but execution is almost everything else. They've done a really good job of that. Number two is they've increasingly got better at leveraging their classifieds base. They have got a really strong classifieds businesses, and they're now leveraging that as the playbook suggests into facilitating transactions.

So they're actually getting much better at that. And the way in which they go about it is quite efficient. It's a very tech driven way in which they help consumers connect with property developers and sellers, and it's a low-cost way of doing it as well. So it's very efficient. Number three, they've put their toe into the market in Peru, which we're pretty excited about. Peru is the size of their other three markets combined from a GDP perspective, so it's a really big opportunity for them, but they've done it in a really thoughtful way.

They haven't gone in all guns blazing, they haven't gone in and bet the farm on the market. They're doing it smart, they're doing it low cost, and they're doing it very segment-specific around urban areas. So those are the things that started to drive the business in the second half. All of those remain in place, but in the first half seasonality does come into it, and there are few local factors which will probably make their second half stronger than their first, which won't be dissimilar to last year.

Ivor Ries: Thanks, Shaun.

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. We will pause momentarily for questions to enter the queue. Your next question comes from Ryan Evans, a private investor. Please go ahead.

Ryan Evans: Oh, hi Shaun. Thanks for the opportunity to ask questions. Just wondering what you've seen so far or what you anticipate you might see in terms of Coronavirus impact? Particularly in some of these emerging markets that may not have as good infrastructure to deal with an outbreak? Thanks.

Shaun Di Gregorio: Yeah, it's very topical. I think the interesting thing is that all of our businesses are very domestic, so they're not cross-border businesses. They don't rely on trade per se. They don't rely on movement of people or goods. They are very local businesses, which to some extent insulates them from international dynamics, such as coronavirus. Not to say that they are immune from it, of course they're not. We just haven't seen a tangible, or any evidence of that impacting the businesses so far. But I think it remains one of those things that no one is quite sure where it's going to finish. And when one gets different information every day about how it's being managed, it's a bit difficult to put a finger on how it's going to

affect our businesses. But I think if I were to look at what are the mitigating factors, each business is very domestic and it's very local.

They don't rely on anything that is cross-border. And to that extent, they are probably on the right side of the ledger for the type of business you want to be in that might not be affected. On the other hand, you're dead right. I mean, in emerging markets coronavirus does seem to be going around a lot, but we just haven't seen it impact the businesses in a tangible manner. But it's wait and see I guess, but so far, no material impact. It will be interesting in three to six months to see where it lands.

Ryan Evans: 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 is a followup from Ivor Ries from Morgans. Please go ahead.

Ivor Ries: Oh, hi Shaun. Everyone else seems to be shy here, so I'll just barge in. With AutoDeal, obviously, they had a strong second half, and I was a little bit surprised to sell how well the revenue growth translated through to the EBITDA margin. Can you give us a flavour of how far penetrated you think they are at the moment, of the revenue potential for what they're doing, and also if you can give us a flavour on whether you think the EBITDA margin that we're generating in the second half is now the new normal for them?

Shaun Di Gregorio: Yeah, it's a business that has got better with time, as obvious as that might sound. It has been a momentum business. When they started the auto portal, what is now the number one in Philippines, those of you who know the history will know that they started with a big emphasis on new cars. New cars is a far more lucrative part of the auto market in emerging markets than in secondhand cars. So their legacy is quite interesting, or slightly unusual, to be where they are now, which is a market leader. A big part of that momentum has been their product. They're very product focused. It really is an excellent product if you're a car dealer in Philippines. If you use their product, their backend is very strong, and it's given them a sense of momentum. And we started to see that momentum gather pace in the second half. I think they had a pretty good result from an EBITDA perspective.

But again, it's not a business that we're likely to strangle to get big margins out of because if you look at the market there, they are still relatively small vis-a-vis the entire auto market. While they are very large in the online market, in the online auto space, the clear number one with good penetration with dealers. It's probably only in the second half of the year where the market started to appreciate the fact that what Autodeal generated was a tonne of car transactions. They'd been measured in the past, as a business that was a leads business, that generated visits to a website and maybe inquiries to dealers. Where it started to come together was when they marketed themselves far more strongly to their customer base, to dealers, and correlated the fact that what they were generating to dealers was transactions

of cars and not just leads. Not just people coming in and inquiring, but they were responsible for most of the transactions.

We started to see that comes through the revenue number, which certainly helped the EBITDA number. I'm excited about what they can do in 2020. A lot of business, we're not going to strangle for big margins. We really think that they're in a great position. It's taken them a long time to get there, and we're quite excited about what lies ahead. But again, similar with Zameen, we're not going to strangle them on margin while we think that there is still a heck of a lot of opportunity in what is a pretty big market, the Philippines, of which they have penetrated a relatively small proportion.

Ivor Ries: In terms of the way they are growing, are they wiping out a competitor in that market?

Shaun Di Gregorio: Are they wiping out a competitor? I wouldn't say that. Well there's no one ahead of them doing what they're doing. They are number one. It has become a hell of a lot harder if you're behind them. Carmudi really struggled, which was one of their competitors. There's a few people popping up trying to do transactions. But they're fast becoming the gorilla in the room when it comes to people using Internet to find cars. The market is still relatively in its infancy though, so we think that there's a long way to go. I wouldn't want to be anyone else than AutoDeal if I were in the Philippines.

Ivor Ries: And if there's no one else in the queue, I'll ask another one. Obviously, Hoppler had some issues last year and some problems emerged with the business model, and it's transitioning over to a different kind of business model. How long do you think it's going to be before we see whether that new business model is working or not?

Shaun Di Gregorio: It's a good question because it goes to the challenge that is out there which is the idea of portals moving into facilitating transactions. And there's one thing we do know about portals moving into transactions, is that as predictable as the classifieds business model was, the transactions model is less clear. So we're seeing a lot of variations on how portals are facilitating transactions, from high touch versions where there's a lot of involvement in helping people buy a house or a car, to a more technical or tech-based solutions to helping people buy a house or a car.

Hoppler had a model where they were very engaged in co-broking with networks around Manila, that was proving difficult to scale. They have pivoted, they're now engaging more directly with brokers. So more brokers are starting to come under the Hoppler brand. If you would imagine real estate agents in Australia, starting to operate under the REA brand, for example, they're now getting more brokers to operate under their own brand. This gives them a couple of advantages. It gives them a bit more control over what's happening. It enables them to pay commissions slightly different. But there has been some kinks as they pivot from their old model to what they are doing now. They're now starting to get some momentum back and I think the early signs this year are good. But it's going to take probably the better

part of this year, maybe three quarters of this year, to really see that new model start to work in a way that we think is right and we can see a scalable, profitable business at the end of it.

As i said the early signs are good. But it has taken a fair bit of work to pivot to a slightly different version of what they were doing. It does point to the fact that when portals get involved in transactions, it is less clear as to what the answer is and you've got to be really good at it. But the Hoppler pivot is on and they've had a much better start to this year, than where they finished last year, put it that way.

Ivor Ries: Thanks Shaun and well done to everyone this year. You've really shot the lights out.

Shaun Di Gregorio: Thanks, Ivor.

Operator: Thank you. Your next question comes from Kevin Bertoli from PM Capital. Please go ahead.

Kevin Bertoli: Hi Shaun. Just a couple of questions from me. Firstly, on PakWheels. That's obviously one you've had in the portfolio for a long time. You've often said that the underlying dynamics of that business, in terms of the share of eyeballs that it has, it was always a great starting point and probably one of the more dominant classifieds businesses that you've seen in that regard. It's been probably been disappointing for a few years now, given what's happening within the auto space in Pakistan. With the green shoots that you see when you talk about Zameen, do you see similar things like that impacting the auto space in Pakistan? Or is that really more property-related?

Shaun Di Gregorio: There were some significant regulatory changes made in Pakistan that affected consumers' ability to buy big ticket items. We know that there was a change in government midway through '18. Mandate to the government was to increase the tax base. Not many people pay tax, not many people lodge tax returns. Just to give anyone who's on the call a flavour of that, I think only 2% of the population lodge a tax return. The government introduced a regulation that said if you're going to buy a new car, you've got to have lodged a tax return and you've got to produce that tax return when you buy a new car. So, there were regulatory changes that gave that business a real whack.

It also suffered from the fact that the currency depreciated significantly and again, Zameen was somewhat insulated because properties trade in local currency. Cars being imported to Pakistan are imported in U.S. Dollars so a Camry went from 40 grand to 55 in a matter of a month. They had the perfect storm. They weathered that through last year. What we saw at the tail end of last year was some improvements in the operating metrics, which are normally a predictor of an improvement in the financial performance of the business. We saw some improvement in the latter half of last year, more toward the end of last year to be fair. And we're starting to see those continue into this year. And the signs are positive, although we're cautiously optimistic about PakWheels. And the interesting thing about that business as you pointed out, Kevin, is that based on its metrics, based on its brand, it's extremely dominant.

They only have one competitor, which is a horizontal. Horizontals always tend to get the low end of the market. PakWheels continues to be a dominant brand.

Interestingly, its consumer traffic has continued to grow. It's probably grown in popularity over the last 12 months to be even more dominant. It's taken some time for those regulatory changes to wash through. Things are slowly starting to normalise. We're starting to see some positive signs and we're cautiously optimistic. But you're right, it's a business we've been invested for a long time. It does demonstrate that second-hand cars in emerging markets is not always easy. There's a big emphasis and focus on the new car market.

So, we're encouraged, and we continue to work closely with the operators on getting that business back to where we think it should be, save for the fact that it got whacked around by a lot by unforeseen changes and probably things that were out of their control, to be fair. The core business itself still looks really good. We're just hopeful the macro picture improves so that the business can improve as well.

Kevin Bertoli: Thanks for that. And secondly, on a couple of the transactions that occurred this year and how you kind of compare the opportunity subset? If you look at Propzy, probably the fastest growing business from a revenue perspective last year, but a lot of investment back into the business. You mentioned with a couple of your comments earlier on that you don't want to hamstring a business by not allowing it to invest. So I was just curious, when we look at that Propzy example and the revenue growth we saw last year, was there anything in there that was non-reoccurring? Because it looks like it was a pretty solid opportunity, even though it was requiring further investment? And then how do you compare that to say something like, iMyanmarhouse where it's at profitability, but you're willing to increase the investment in that business, where it's growing a bit slower and your increasing the stake at what looks like a higher multiple?

Shaun Di Gregorio: Yes it's interesting. The Propzy business, when we invested, we liked it, we liked the model we liked the direction it was going in and we thought that it was building a sustainable, scalable business. It is heavily focused around transactions. It was the business in our portfolio that was most focused on pure transactions. And we certainly liked its trajectory. It'd be fair to say that that trajectory started to shift and we saw the ability to generate results, to generate revenue, become more expensive to the point where spending a dollar on marketing to get a dollar in revenue we thought was problematic.

Some of the direction that the entrepreneur wanted to take that business in, we didn't think was a sustainable, scalable direction. And it became evident to us that to pursue that path was going to be extremely expensive and require a heck of a lot of capital. Our view on that was that it was not necessarily the right way to go. And, that was probably when we started to reassess the investment.

The other part for us, Kevin, is that our model is premised around owning more of businesses, not less of them. We're an operator, we are buying more of our better businesses. And with

that, we like to have strategic oversight. We like to have operational input and we like to be partners with the entrepreneur.

In the case of Propzy, it was heading in exactly the opposite direction where we were headed and we were going to be diluted significantly and we weren't going to have the level of influence and control we like to have. So in the end it didn't fit in our portfolio from a strategic perspective.

When we put those factors together, we looked at the model, we looked at where it was going and looked at what it was going to cost. As much as we liked it earlier, we probably fell out of love with it and when we looked at the ability of how we view our investments and how we want to operate, it was no longer a fit for us. So we took the opportunity to exit and we're very, very pleased with that outcome.

When you want to compare it to something like, iMyanmarhouse, quite a different business. It's a business that we think has a really solid growth platform. It's the leader in its market, on a classifieds basis. It has leadership in the classifieds category, which we think is really important for scale and sustainability. If you want to then augment that with transactions, it's got a model that doesn't burn a tonne of cash, which we quite like as well. And we're able to work with the entrepreneur in a really productive way and we think that that's a really good recipe for us. It satisfies our strategy of wanting to be strategically and operationally involved. We're very happy with the progress of that business because we think it's built on a really solid base and we think it is scalable and we think it is sustainable. I guess we didn't feel the same way about Propzy, necessarily, over time. We liked Propzy early on, but it just wasn't going in a direction that we thought was scalable and sustainable. So we took the opportunity to exit.

Kevin Bertoli: Okay. Thanks mate.

Operator: Thank you. Your next question is from James Filius from Bell Potter Securities. Please go ahead.

James Filius: Good morning Shaun, well done on the results. I just had a quick question on the West African part of the portfolio. It's tended to lag the rest of the investments. I just wanted to know what are the dynamics that you like about the region and what strategy do you have, or what strategies do the companies need to have in that area to drive growth and penetration in the market?

Shaun Di Gregorio: Yeah look James, I think if you look at our deck, you'll see that our priorities are in Asia and LATAM markets and the African markets are less of a priority. We have optimised our portfolio to the point where we're in the two largest speaking English markets, which are Nigeria and Ghana and they make up that West Africa entity. And we're in Morocco, which is probably the most developed market in Africa, except for South Africa.

In terms of those West Africa markets, Ghana and Nigeria, they're a slow burn. We've got what we think are really solid businesses there. They're market leaders and they're growing a bit, they are operationally tricky markets to get right. But we're kind of satisfied with where they're at. But we know, and it's true of the markets in that part of the world, that they are going to take a bit longer and we have to be a bit more patient. We think of the outcome, the long term prize, and we do take pride in the fact we make long-term decisions. We do think the long-term outcome in those markets is still pretty positive. We know that they're going to take a bit longer than Asia. We know they're probably going to take a bit longer than LATAM but we do fundamentally like the two businesses, so they get a tick and we remain committed to those two markets.

James Filius: All right, great. Thanks for that.

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.

There are no further questions at this time. I'll now hand back to Mr. Di Gregorio for closing remarks.

Shaun Di Gregorio: Thanks everyone. Thanks for the questions. Much appreciated that there's a level of interest in what we're doing. Again, I think FY19 from our perspective, was our best year yet in our short history. It's fantastic that we're getting better at this, and our proof of concept is coming through. We're seeing that in the level of interest in our business and in the size and make-up of the register now, which is significantly bigger than it was when we listed. We look forward to 2020 and we are pretty excited about what's happening across our group of companies. And again I'd like to thank everyone for dialing in and their continued support and as I said, we are really excited about 2020.

[END OF TRANSCRIPT]

This announcement is authorised for release by the Board of Directors of Frontier Digital Ventures Limited.

For more information, please contact:

Shaun Di Gregorio

Founder and CEO

Tel: +60 17 207 6221

Email: shaundig@frontierdv.com

About FDV Limited

FDV focuses on developing online classifieds businesses in underdeveloped, emerging countries or regions. With a track record of supporting market leading online businesses,

FDV's management are experts in the online classifieds space with a particular focus on property and automotive verticals and general classifieds websites. FDV's portfolio currently consists of investments in 11 market leading operating businesses across 13 markets. With extensive support offered to the local operating companies, coupled with the energy and work ethic of its management team, FDV is bringing outstanding companies to their full potential.