

ASX Code: FDV
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FDV LATAM strategy update

- **FDV has appointed Ricardo Frechou as CEO of FDV LATAM and Guillermo Tavidian as CTO of FDV LATAM, from their current roles as CEO and CTO of InfoCasas, respectively**
- **InfoCasas, Encuentra24, Fincaraíz and Yapo will operate as more integrated businesses under FDV LATAM, as the parent company for the region**
- **The locally based FDV LATAM leadership team will comprise Ricardo and Guillermo together with key executives from the four businesses across LATAM**
- **FDV and the FDV LATAM leadership teams are co-creating a value creation plan, which in the longer term, considers the potential for a NASDAQ listing of FDV LATAM**
- **Key shareholders of InfoCasas and Encuentra24 have agreed to exchange a minimum proportion of their expected future cash earn-out payments for equity in FDV LATAM**
- **The cash earn-out for equity exchange represents a strong endorsement of the FDV LATAM strategy from local management and reduces the final contingent consideration payments for InfoCasas and Encuentra24**

Frontier Digital Ventures Ltd (“**FDV**” or the “**Company**”) is pleased to provide an update on the continued evolution of FDV LATAM with the appointment of Ricardo Frechou and Guillermo Tavidian as CEO and CTO of FDV LATAM, respectively. In parallel, FDV has entered into conditional agreements with the founders of InfoCasas and Encuentra24, as well as key management executives of InfoCasas, to exchange a minimum proportion of their expected future cash earn-out payments¹ for equity in FDV LATAM.

FDV LATAM EVOLUTION

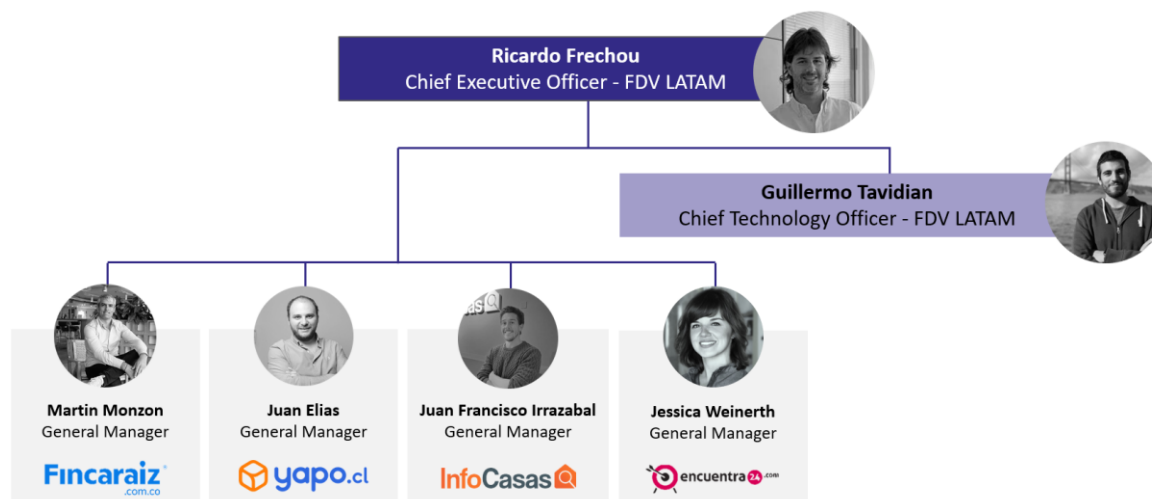
FDV Group is structured across three geographic regions (LATAM, Asia and MENA) to support FDV at full potential. The introduction of a management team at the FDV LATAM holding company level is designed to unify the four operating companies and accelerate FDV’s ability to unlock the growth potential of the region. The locally based FDV LATAM leadership team will be led by Ricardo Frechou, who will provide the strategic vision and operational direction for the business. Ricardo has a proven track record in successfully scaling classifieds marketplaces across Latin America.

Moving towards a more streamlined structure with centralised key leadership roles is expected to drive efficiencies across product and technology development, as well as the finance, human resources and administrative functions. In addition, it is expected to allow FDV LATAM to focus on leveraging intellectual property across the organisation, including scaling InfoCasas’ transactional capabilities and proprietary technology platform across FDV LATAM’s other businesses, which are at an earlier stage of facilitating transactions. This change is expected to optimise FDV LATAM’s platform

¹ The cash earn-out payments may become payable in accordance with the separate sale agreements under which FDV agreed to acquire the remaining shares that it did not already own in InfoCasas and Encuentra24 as announced to ASX on 9 June 2021 and 17 December 2021 respectively (“**Sale Agreements**”).

for growth and make the business more attractive as a potential partner to other companies in the region.

Figure 1: Illustrative FDV LATAM organisational structure



FDV LATAM has continued to perform strongly, achieving A\$22.3m revenue in 1H 2022, an increase of 41% on 1H 2021 (100% basis). FDV LATAM was EBITDA positive during 1H 2022 and was operating cash flow positive in 2Q 2022 (100% basis). FDV LATAM continues to build significant scale and engagement across its classifieds marketplaces, which underpins its market leadership positions and opportunity to facilitate property and auto transactions.

Table 1: FDV LATAM key audience metrics, 1H 2022

	Total sessions	Total users	Total leads	Total advertisers
FDV LATAM	274m	85m	27m	4m

FDV intends to continue reporting on each of the four businesses operating under FDV LATAM, in line with current disclosure practices.

FDV’s Founder and CEO, Shaun Di Gregorio said:

“It is with great pleasure FDV announces Ricardo Frechou and Guillermo Tavidian have accepted new roles as CEO and CTO of FDV LATAM respectively. These appointments continue FDV’s long association with Ricardo and his team, which continues to deliver significant value for shareholders. We are incredibly excited by the enormous opportunity ahead of FDV LATAM and our shared ambition in relation to future monetisation plans.

In parallel with these appointments and the evolution of FDV LATAM’s operating structure, the cash earn-out for FDV LATAM equity exchange aligns the FDV LATAM leadership team to the value creation plan. Today is a significant milestone in FDV LATAM’s journey and is in line with FDV’s long-term value creation strategy for shareholders.”

FDV LATAM AT FULL POTENTIAL

FDV and the FDV LATAM leadership team are co-creating a value creation plan. The implementation of the value creation plan is expected to incorporate the following key targets:

- Consolidation of key operational and corporate functions
- Consolidation of FDV LATAM's position as a leading classifieds and transactions marketplace in the LATAM region
- Development of transactional capabilities and technology platform across the LATAM region and achievement of significant transaction volumes
- Implementation of corporate and governance structures to support continued growth
- Increase revenue from ~US\$30m² to ~US\$100m revenue p.a. in the medium term through a combination of organic and inorganic growth initiatives

In connection with the value creation plan for FDV LATAM, FDV will continue to assess value creation transactions and monetisation opportunities where it considers them to be in the best interests of shareholders. In particular FDV may, in the longer term, consider the potential for a NASDAQ listing of FDV LATAM. FDV currently believes the NASDAQ is the logical exchange for a potential listing of FDV LATAM, as it provides access to investors with proximity to, and familiarity with, Latin America.

FDV LATAM would be following a similar liquidity pathway to other LATAM classifieds and technology companies, including Mercado Libre (NASDAQ: MELI) and dLocal (NASDAQ: DLO). There is no guarantee of FDV LATAM listing on the NASDAQ or otherwise, and any transaction would be subject to necessary shareholder and regulatory approvals.

CASH EARN-OUT FOR EQUITY EXCHANGE

FDV has entered into conditional subscription agreements with the founders of InfoCasas and Encuentra24, as well as key management executives of InfoCasas ("**Subscribers**"), to exchange a minimum percentage of their cash earn-out payments, expected to be paid under the Sale Agreements in 2Q 2023, for equity in FDV LATAM. For the purposes of the calculating the earn-out exchange consideration, the parties have agreed to value FDV LATAM using a revenue multiple of 5x FY22 FDV LATAM revenue, reflecting an opportunity for the Subscribers to co-invest with FDV on terms which reflect their value and importance to the business.

The InfoCasas executives have agreed to exchange at least 50% of their earn-out cash consideration for equity in FDV LATAM. The Encuentra24 founders have agreed to exchange at least 25% of their earn-out cash consideration for equity in FDV LATAM. Under the agreements, the participants can elect to exchange additional cash earn-out consideration between the minimum percentages and 100% of the expected cash earn-out at an election date in 2Q 2023.

The exchange is conditional on satisfaction of certain conditions precedent, including a shareholders' agreement being agreed between FDV and the Subscribers, and finalisation of the terms of employment of Ricardo Frechou and Guillermo Tavidian as CEO and CTO of FDV LATAM respectively.

FDV may also put in place equity incentive arrangements for key employees at the FDV LATAM level, to further align key employees with the FDV LATAM value creation plan.

² FDV LATAM 1H 2022 revenue annualised

The proportion of the expected cash earn out payments being exchanged as equity consideration in FDV LATAM is expected to materially reduce the aggregate cash contingent consideration payable to the Subscribers, which was A\$39.0m as at 30 June 2022. This reduction, combined with FDV Group's recent achievement of operating EBITDA breakeven in 1H 2022, and with both FDV LATAM and FDV Asia operating cash flow positive in 2Q 2022, highlights FDV's balance sheet flexibility.

FDV LATAM's CEO, Ricardo Frechou said:

"We would like to thank Shaun and the FDV team for the trust and confidence they continue to place in us. We see an enormous opportunity to unlock value in the Latin American region. The increased scale and profile of the combined business will fast track both organic and inorganic growth and we are starting from a position of financial strength given FDV LATAM was operating cash flow positive in 2Q 2022.

We are incredibly excited about the opportunity to build a tech unicorn in LATAM, as reflected by the significant financial commitment we are making through the cash earn-out for equity exchange. We have an amazing local team currently running the businesses and we know a unified FDM LATAM with clearer monetisation plans will make us more appealing to other people and companies in the region."

- ENDS -

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

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About FDV

Frontier Digital Ventures (FDV) is a leading owner and operator of online marketplace businesses in fast growing emerging markets. Currently, FDV's portfolio consists of 16 market leading companies, operating across 20 markets in FDV LATAM, FDV Asia and FDV MENA. FDV works alongside local management teams across property, automotive and general classifieds, providing strategic oversight and operational guidance which leverages FDV's deep classifieds experience and proven track record. FDV seeks to unlock further monetisation opportunities beyond the typical classifieds revenue, to grow the equity value of its operating companies and realise their full potential. Find out more at frontierdv.com.