

# Trade Me Full year results

For the 12 months ended 30 June 2014

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Jon Macdonald CEO

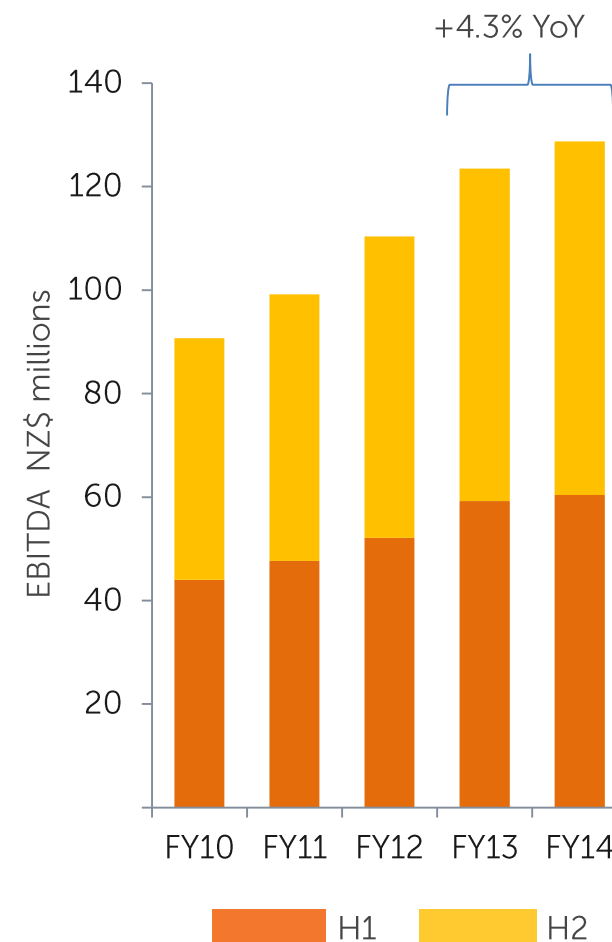
Jonathan Klouwens CFO

# Presentation agenda

Overview	Jon Macdonald
Divisional performance	Jon Macdonald
Financials	Jonathan Klouwens
Trading and outlook	Jon Macdonald
Questions	Jon Macdonald and Jonathan Klouwens

# Overall results: Financials

NZD \$'000	H2 F14			F14		
	Actual		Prior year variance	Actual		Prior year variance
Revenue	94,453	10,719	12.8%	180,104	15,990	9.7%
Expenses	26,165	6,681	34.3%	51,385	10,733	26.4%
EBITDA	68,288	4,038	6.3%	128,719	5,257	4.3%
<i>EBITDA margin</i>	72.3%			71.5%		
Depreciation	6,974	2,563	58.1%	12,313	3,578	41.0%
EBIT	61,314	1,475	2.5%	116,406	1,679	1.5%
<i>EBIT margin</i>	64.9%			64.6%		
Finance costs	2,908	582	25.0%	4,924	(335)	(6.4%)
Income tax	16,315	30	0.2%	31,371	499	1.6%
NPAT	42,091	863	2.1%	80,111	1,515	1.9%

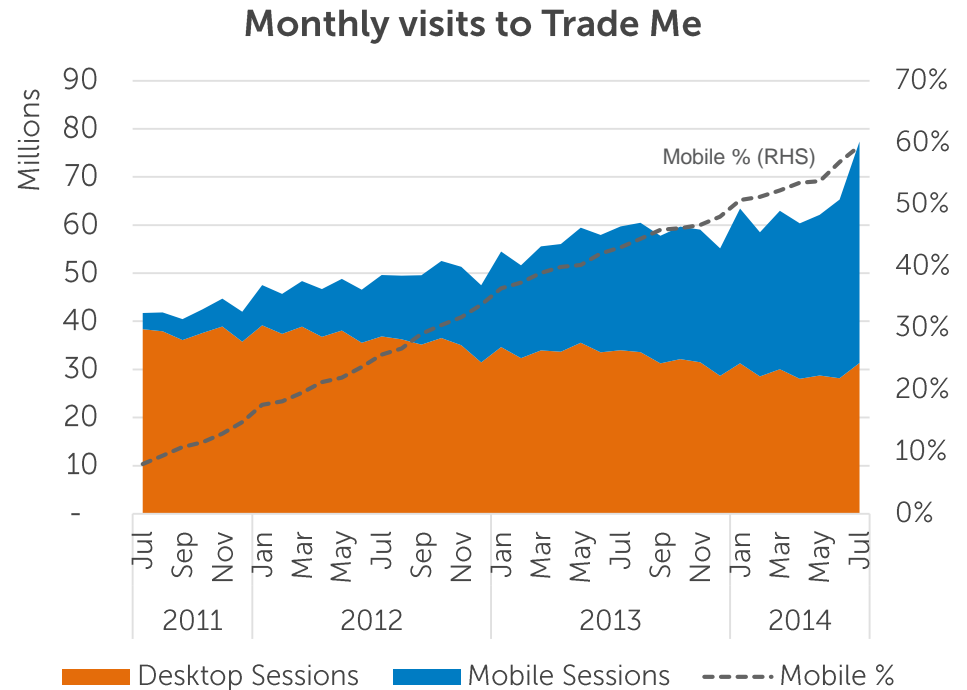


Final dividend of 8.4cps, fully imputed, up 1.2% YoY.

Note: all figures are derived from the statutory financial statements and should be read in conjunction with the accompanying notes

# Business overview – audience and activity

- **Mobile majority:** mobile growth continues; 61% of all sessions on Trade Me web pages & apps are now via a mobile device. Up 11%pts in 6 months.
- In July, for the first time, more sessions took place on our apps (51.5% across Touch, Android & iPhone) than on [www.trademe.co.nz](http://www.trademe.co.nz)
- Total sessions to Trade Me increased from 59.7m in July 2013 to 77.4m in July 2014.
- Android usage grew strongly – Android sessions up 94% in the last 12 months.
- Major releases in F14 included a new iPhone app for Trade Me Jobs, overhauled iPhone and Android apps for Trade Me, and upgraded iPhone and iPad apps for Trade Me Property.
- A significant investment in mobile focused teams is planned in F15 (11 to 23 mobile dedicated people)



## DESKTOP SITE VS MOBILE APPS (NATIVE + TOUCH)



48.5% (-9.0%pts YoY)

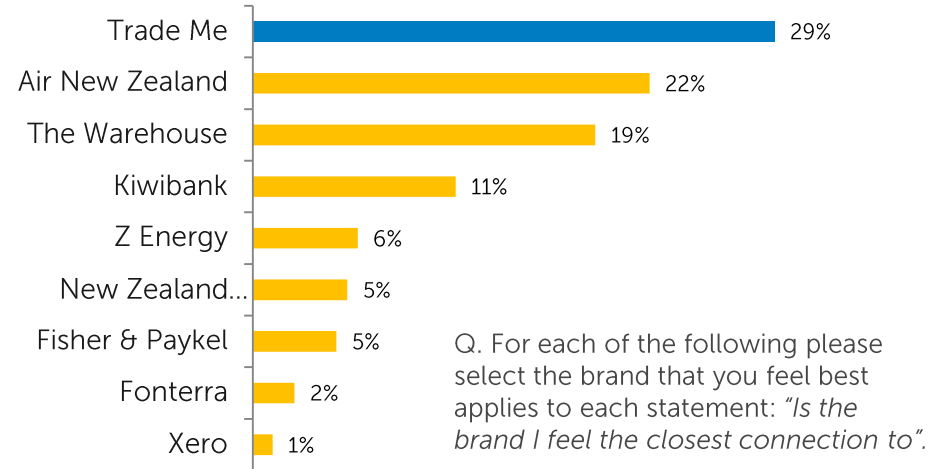


51.5% (+8.0%pts YoY)

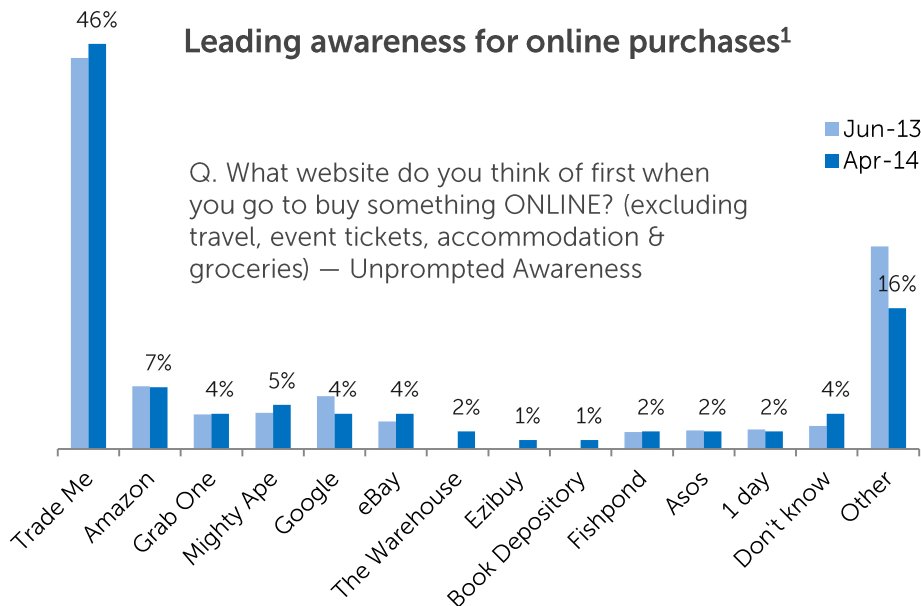
# Business overview – brand and engagement

- Brand connection outranks other iconic NZ brands – favourability also strong, with 83% of respondents rating their reaction to Trade Me very or somewhat favourable.
- Awareness in online purchases significantly stronger than any local or international player.
- Trade Me Property the main channel for house hunters (61% rate it their primary channel<sup>2</sup>) and more buyers (38%) found their house on Trade Me Property than anywhere else.

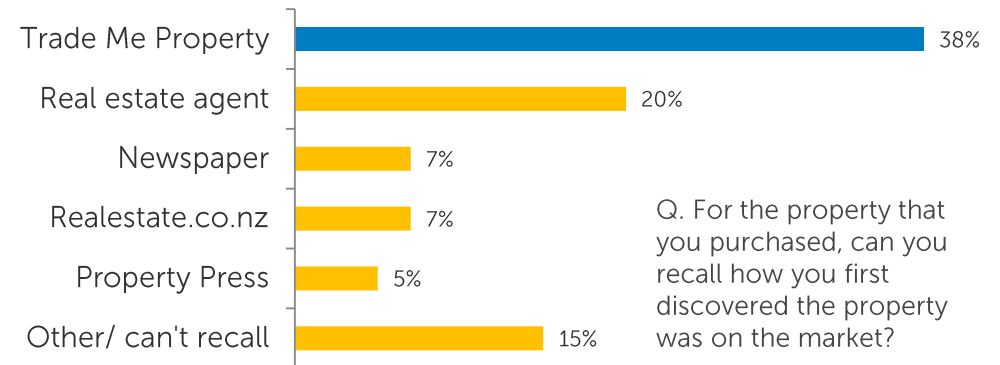
## Brand connection very strong<sup>1</sup>



## Leading awareness for online purchases<sup>1</sup>



## Buyers find their house on Trade Me Property<sup>2</sup>



Sources:

1. Perceptive independent market research – April 2014
2. Perceptive independent market research of recent home buyers – June 2014

# Business overview – plans and priorities

## Purpose

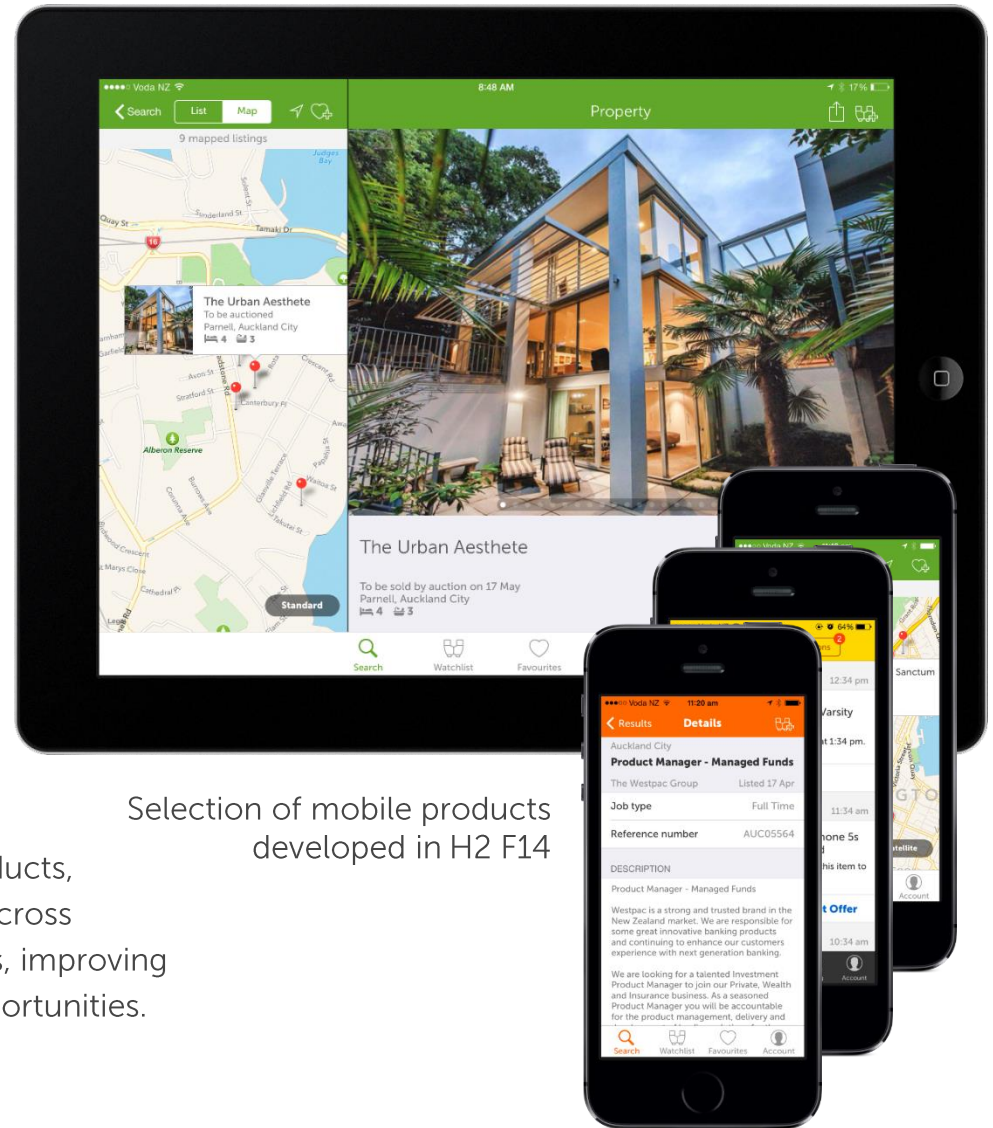
We provide online marketplaces that connect people to undertake a transaction or form a relationship – in a way that is trusted, great value, and empowers the consumer.

## Priorities

- Make our products better – to further improve our value to our customers, and to further cement our market positions.
- Mobile in all our products and plans.
- Capture the opportunity in our classifieds businesses, through new products and great account management.
- Build a great marketplace experience for our users – in both new and used goods.
- Enter new businesses and grow new revenue streams.

## Investment

We've continued to hire strongly and develop additional products, especially in our marketplace and property businesses, and across mobile. This investment is aimed at building a better business, improving our market positions and setting Trade Me up for growth opportunities.



Selection of mobile products developed in H2 F14

# Divisional performance

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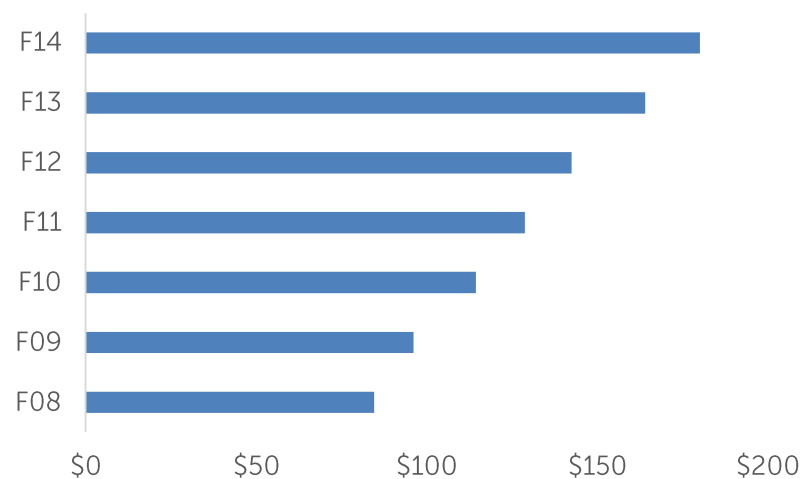


# Revenue – good growth despite flat General Items

NZD \$'000	H2 F14			F14		
	Actual	Prior year variance		Actual	Prior year variance	
		Var \$	Var %		Var \$	Var %
General Items	32,163	(184)	(0.6%)	64,792	(704)	(1.1%)
Classifieds	47,028	10,414	28.4%	85,591	15,883	22.8%
Other	15,262	489	3.3%	29,721	811	2.8%
<b>Total</b>	<b>94,453</b>	<b>10,719</b>	<b>12.8%</b>	<b>180,104</b>	<b>15,990</b>	<b>9.7%</b>

- **General Items:** Declining slightly with revenue down \$704k (1.1%) but flat excluding one-off \$800k upside in F13.
- **Classifieds:** Strong YoY revenue growth of \$15.9m (22.8%). All businesses delivering. Motors maintains its strong market position, Jobs again an over-performer, and despite a transitional challenge we've seen Property growing well.
- **Other:** YoY revenue growth of \$811k (2.8%). On a like-for-like basis (excluding Treat Me and LifeDirect), revenue is up \$1.2m (4.7%).

REVENUE GROWTH \$m'S



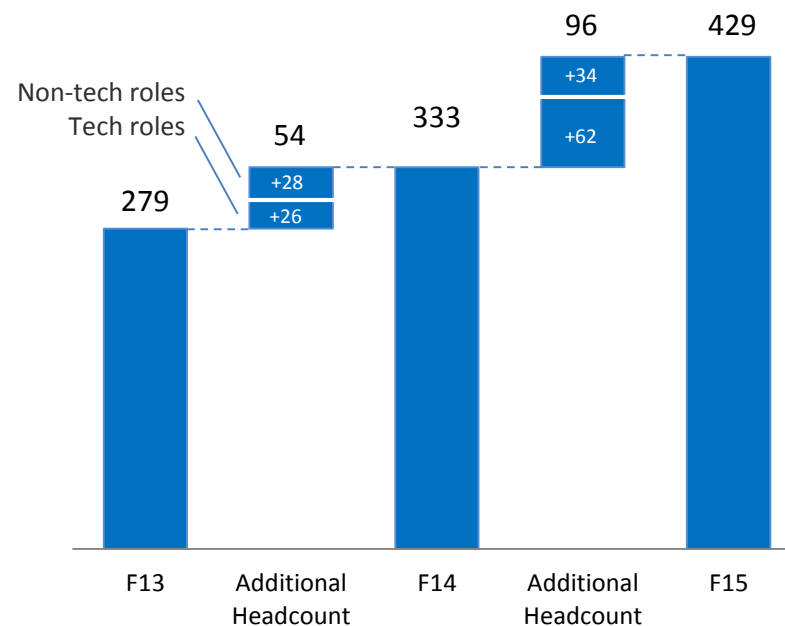


# Expenses – investing to build the business

NZD \$000's	H2 F14			F14		
	Actual	Prior year variance		Actual	Prior year variance	
Employee benefit expense	11,625	1,833	18.7%	24,629	3,426	16.2%
Web infrastructure expense	1,568	164	11.7%	3,176	160	5.3%
Promotion expense	4,154	2,672	180.3%	7,360	4,610	167.6%
Other expenses	8,818	2,012	29.6%	16,220	2,537	18.5%
<b>Total</b>	<b>26,165</b>	<b>6,681</b>	<b>34.3%</b>	<b>51,385</b>	<b>10,733</b>	<b>26.4%</b>

- As signalled, over the past year we invested an additional \$10.7m to build product development capability, our senior team, and to promote our businesses.
- Continuing to strengthen senior leadership and capability in Property, Advertising, Product and Design. Improving capacity and capability, especially in property and technology.
- Up-weighted investment in promotions with varied outcomes: subdued results in GI, but LifeDirect and Jobs very strong.
- Investment and inclusion of new businesses has reduced total margin.

## INCREASING TRADE ME HEADCOUNT (FTEs)



# General Items

Growth YoY	H2	F14	
Gross sales value	(1.2%)	(0.4%)	H2 performance deteriorated slightly
Items sold	(2.9%)	(4.5%)	Fewer items sold aligned with shift to ecommerce
Average sale price	1.6%	4.3%	Continuing progression to fewer higher priced items
Watchlist adds	5.6%	4.9%	Proxy for buyer intent
Avg monthly unique logins	0.5%	1.6%	User engagement continues to remain very high
Revenue	(0.6%)	(1.1%)	Note F13 included \$800k one-off benefit

## Product investment

- Focus on improving the buyer experience. An end-to-end overhaul is underway. Good progress made including shopping cart, combined shipping, attribute boxes, and Supergrid.
- Fashion has upgraded with personalisation and brand presence.
- Upgrading seller tool for 8,000 big sellers and new seller site.

## Sourcing supply

- Pleasing progress on targeted international vendors to meet unrequited demand. Highly targeted and efficient. Recent sellers include mytools, surfstitch, cosmeticsnow, apparelsave
- Generating >\$1m per month in GMS: up from \$200k per month a year ago.
- On-boarding does take longer than we would like, but is improving; ~50% of new sellers are live within 2-8 weeks

Snapshot of international sellers



# General Items: Supergrid upgrade

## CURRENT VIEW

The current view shows a search bar at the top with 'in shoes' selected. Below it is a navigation bar with 'Women', 'Men', 'Girls', and 'Boys'. The 'Men' category is selected. A left sidebar contains filters for 'Shoes', 'Size', 'Colour', 'Brand', 'Price', 'Location', and 'Keyword'. The main content area displays a list of shoes with the following items:

Image	Product Name	Price	Additional Info
	Reebok ZQuick TR Gray Shoes 10	\$81.89	10% off + Free Shipping, Buy Now! Ends 18 August!
	Dr. Martens Pendleton Tan Boots UK 7	\$178.19	10% off + Free Shipping, Buy Now! Ends 18 August!
	Reebok Sub Lite Duo Running Shoe - US10	\$99.00	Buy Now
	KEEN Newport Sandal - US10	\$119.00	Buy Now



## SUPERGRID UPGRADE

The supergrid upgrade view shows a search bar at the top with 'in shoes' selected. Below it is a navigation bar with 'Women', 'Men', 'Girls', and 'Boys'. The 'Men' category is selected. A left sidebar contains filters for 'Shoes', 'Size', 'Colour', 'Brand', 'Price', 'Location', and 'Keyword'. The main content area displays a grid of shoes with the following items:

Image	Product Name	Price	Additional Info
	Vans Authentic Canvas Maroon Shoes Size 11	\$35.00	Reserve Met
	Converse Chuck Tayl...	\$85.00	
	Vans Authentic Spec...	\$69.00	
	Dickies Men's Work B...	\$99.99	
	Dr Martens 1461 Yell...	\$200.00	
	Chuck Taylors	\$50.00	Reserve Met
	Asics Gel-Fierce Running S...	\$105.99	Buy Now
	Reebok Classic Running S...	\$95.99	Buy Now
	Adidas Rh Instinct Sneaker...	\$98.99	Buy Now

- New layout for a substantially improved buyer experience. In final stage development, for trial release in some categories soon.

# Classifieds: Property performance

- Revenue up 12.0% YoY and 9.4% H2 YoY – fewer homes for sale in NZ, and dip in listings after shift to pay-per-listing model.
- Direct for-sale listings decreased 9% in H2 and 9.1% for the full year. Significant mix impact given the H2 avg yield of \$340 vs \$123 for agents.
- Agent revenue grew 20.4% with listing revenue up 12% and premium revenue up 42%. Volumes in for-sale H2 decreased 29.6%, resulting in full year decline of 15%.
- Product enhancements in the last 6 months: school zone and boundary information, multi-suburb and map-based search, iPad and iPhone upgrade (strong downloads)
- Promotional support to demonstrate the strength of audience and ecosystem (audience triple nearest competitor), and #1 source of property buyers (more than five times nearest online competitor).

## SCHOOL ZONE INFORMATION

The screenshot displays a web interface for school zone information. At the top, there are three tabs: 'Map view' (selected), 'Street view', and 'Schools nearby'. Below the tabs are two dropdown menus: 'Secondary' and 'All zones'. A list of schools is shown on the left, including St Cuthbert's College (Epsom) at 1.3 km, Marcellin College at 1.4 km, Diocesan School For Girls at 2.1 km, Dilworth School at 2.1 km, Onehunga High School at 2.4 km, Epsom Girls' Grammar School at 2.4 km, and Auckland Grammar at 3.2 km. The main area is a map of Auckland with a pop-up window for 'AUCKLAND GRAMMAR' at Mountain Road, Epsom, Auckland City 1149. The pop-up provides details: 'Year 9-15 (Secondary), State', '2417 boys school', '3.2 km from property', 'In Zone' (checked), and 'Decile rating 10'. The map shows various suburbs and roads, with a scale bar at the bottom indicating 2 km.

# Classifieds: Property pricing update

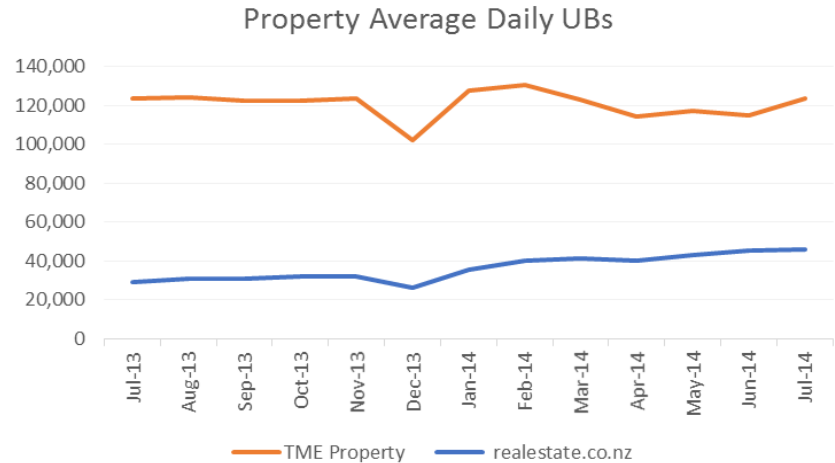
- New head of property (Nigel Jeffries) started in April. Solicited feedback from the industry.
- Pay-per-listing is working for many agents, but not for everyone.
- Reviewed pricing structure and added options (for regional & non-vendor funding areas) in August. Acknowledge that one size does not fit all: different locations & circumstances
- Added a subscription model for agents to pay a monthly fee for unlimited listings. Have also differentiated the listing price with the introduction of a lower tiered listing price for houses below \$450,000.
- See a clear path to pay-per-listing via vendor funding, which is working for many offices



# Classifieds: Property outlook

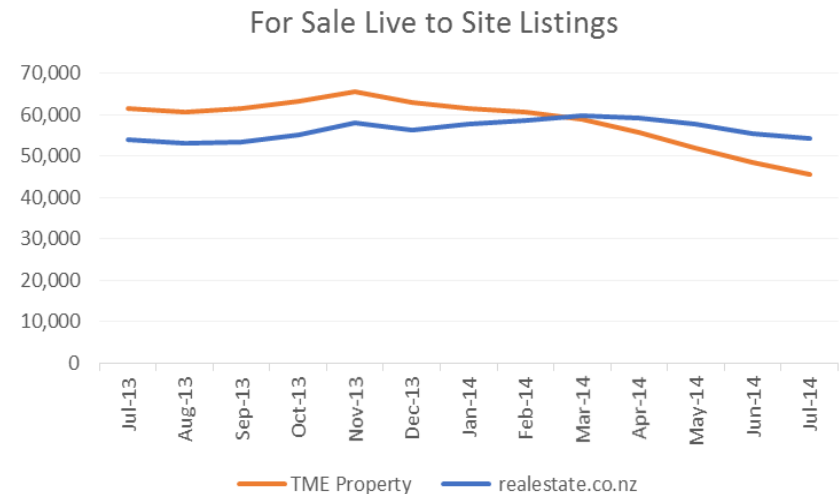
- Maintained strong audience lead: approx 3 times the number of visitors per day, and more than 300,000 visitors per month more than any other real estate website in NZ at >500k per month.
- Added functionality and features and committed to being the most popular and functional property portal in NZ. Increasing tech resources by 150%.
- Adding the subscription option is a genuine conciliatory move. Will continue to listen to the real estate industry, vendors and buyers.
- Working with agents and offices to help them decide best model. We know we help them sell houses.
- Ramping up our account servicing capacity.
- We are committed to our long-term vision.

We have the highest number of daily browsers...



Source: Nielsen Online July 2014

Have amended our pricing model to recoup listings...



# Classifieds: Motors dominant market position

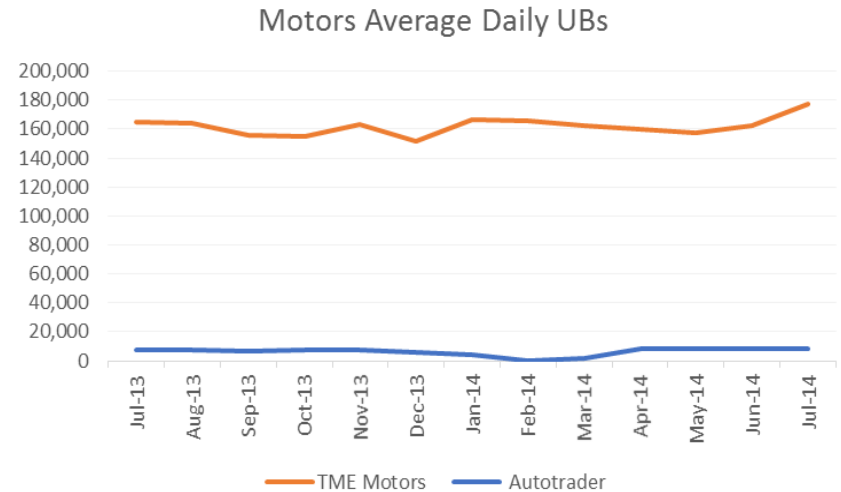
- Revenue for F14 up 28.9% YoY, led by dealer revenue, premium uptake, & MotorWeb in H2. (Excluding MotorWeb: revenue up 14%)
- Listings grew in H2: directs +4.0%; dealer subscriptions +11.4%. Yield also increasing in H2: Direct +2.8%, Dealers +15.7%
- Premium spend: dealer premiums up 44% for F14 , and up 41% in H2.
- Performance vs competitor: listings, audience & time on site (65 mins TME vs 37 mins AT) all improving
- MotorWeb: integrating account management and site tools; site traffic has doubled
- New functionality: List by licence plate: decreases listing friction & improves data quality (search/data options).

## Car Details

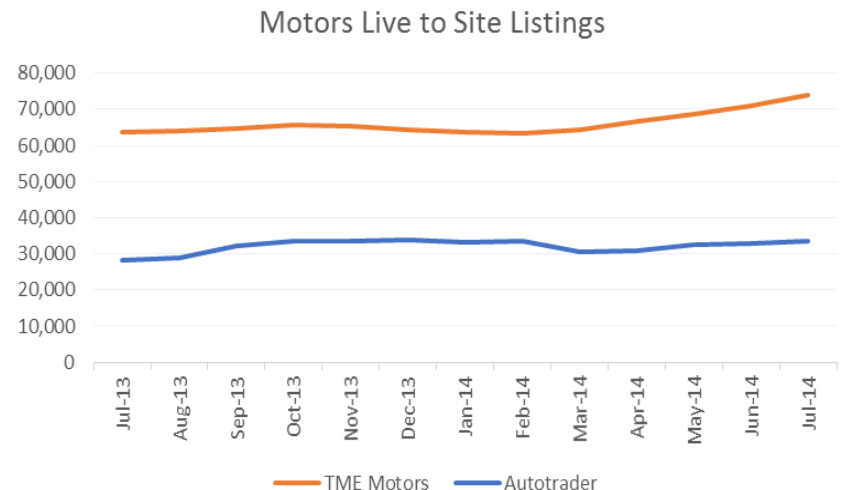
Please enter your number plate or VIN.  
We use this information to make it easier to list your car.

Or enter your car details manually ▾

Motors strengthens its market position...



Source: Nielsen Online July 2014

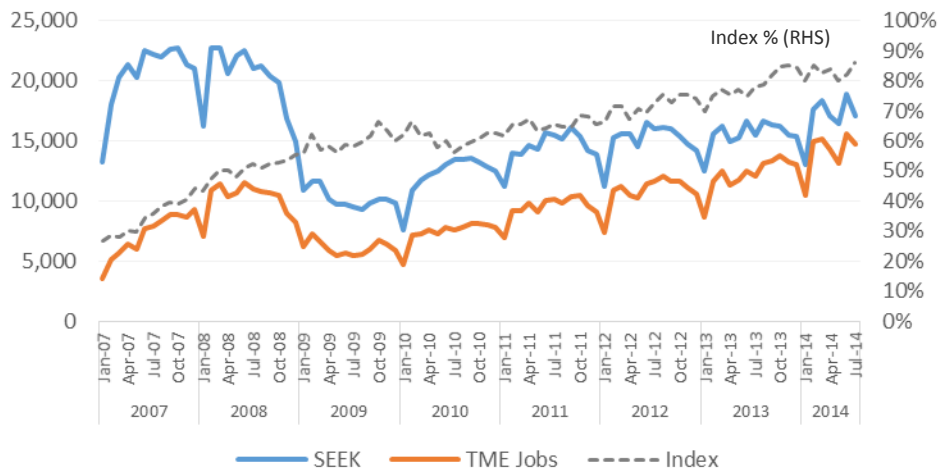


# Classifieds: Jobs continues to deliver revenue growth

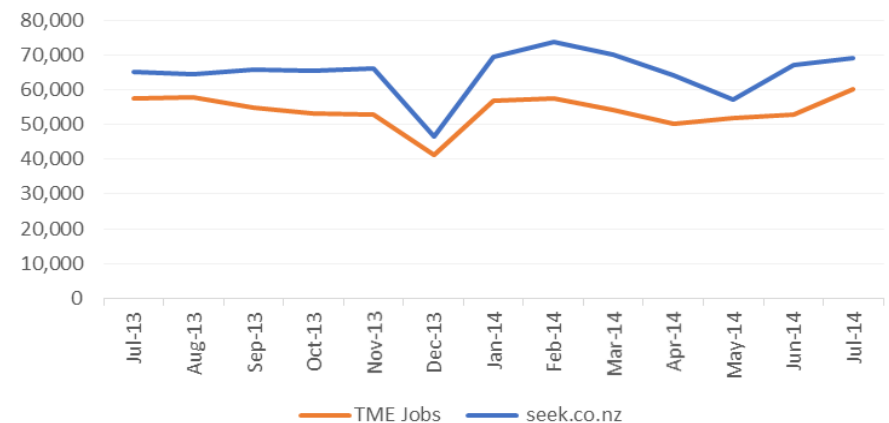
- Revenue in F14 up 26.4% YoY based on both volume and yield, with H2 up 30.7%.
- Listings: Total listing growth of 18.2% full year, and 21.1% for H2. Listings volumes steady versus Seek.
- Yield: H2 direct yields increased 8.9% whilst job packs and volume plans increased 5.6%; we will not actively drive yields given listing growth.
- New products: Talent Chaser now live on site (in beta) leveraging our audience.
- Longer term opportunity to continue to leverage our wider audience and data.
- Investment: we continue to build capability with new product and marketing managers. Increasing the tech team solely focussed on Jobs. Looking to drive incremental listing growth in low share segments



Jobs Live to Site Listings



Jobs Average Daily UBs



Source: Nielsen Online July 2014

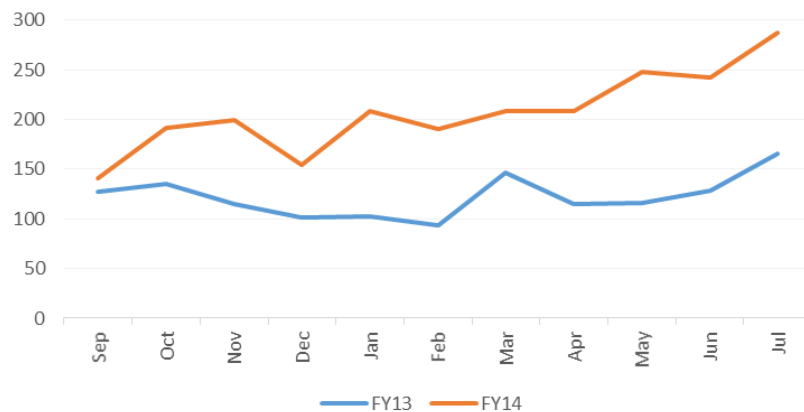


# Other: Recent acquisitions

## LifeDirect by trademe

- LifeDirect continues to deliver ahead of the acquisition case. Policy numbers up 69% on last year
- Expansion into the new product lines of income protection and mortgage insurance

Life Direct Policies Issued

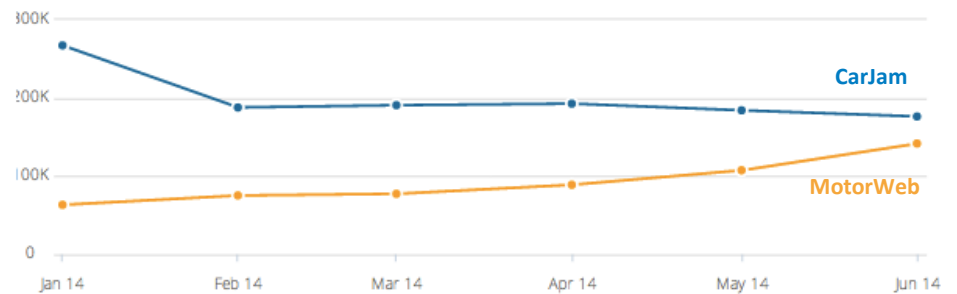


## MotorWeb™ Vehicle Information Authority

- Performing slightly ahead of the acquisition case
- Integration into TME listings has begun– more to come
- Traffic has increased (100%) via integration
- Product enhancement around public VIRs and website to improve conversion rates and provide additional information
- Australian presence growing – adding additional products (Web ID), and signed contracts with insurers (now 4 out of 8)
- Integrating customer service and account management

## Monthly Visits

in last 6 months



Source: Google Analytics

# Financials

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# Financials: Full year and H2 recap

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General Items	32,163	(184)	(0.6%)	64,792	(704)	(1.1%)
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<b>EBITDA</b>	<b>68,288</b>	<b>4,038</b>	<b>6.3%</b>	<b>128,719</b>	<b>5,257</b>	<b>4.3%</b>
Depreciation and amortisation	6,974	2,563	58.1%	12,313	3,578	41.0%
<b>EBIT</b>	<b>61,314</b>	<b>1,475</b>	<b>2.5%</b>	<b>116,406</b>	<b>1,679</b>	<b>1.5%</b>
Net finance costs	2,908	582	25.0%	4,924	(335)	(6.4%)
Income tax expense	16,315	30	0.2%	31,371	499	1.6%
<b>NPAT</b>	<b>42,091</b>	<b>863</b>	<b>2.1%</b>	<b>80,111</b>	<b>1,515</b>	<b>1.9%</b>
<b>EPS</b>	<b>10.62</b>	<b>0.21</b>	<b>2.0%</b>	<b>20.20</b>	<b>0.36</b>	<b>1.8%</b>

Note: all figures are derived from the statutory financial statements and should be read in conjunction with the accompanying notes

# Financials: Net finance costs

- Finance income decreases in H2 due to lower funds on hand, primarily due to \$20m MotorWeb acquisition in December 2013
- Finance costs increase in H2 due to the increase in OCR on the non-fixed portion of debt
- Net finance costs increased \$0.6m YoY in H2 F14; full year costs decreased \$0.3m YoY
- Continue to fix approx. 50% of our net debt

## F14 Net Finance Costs

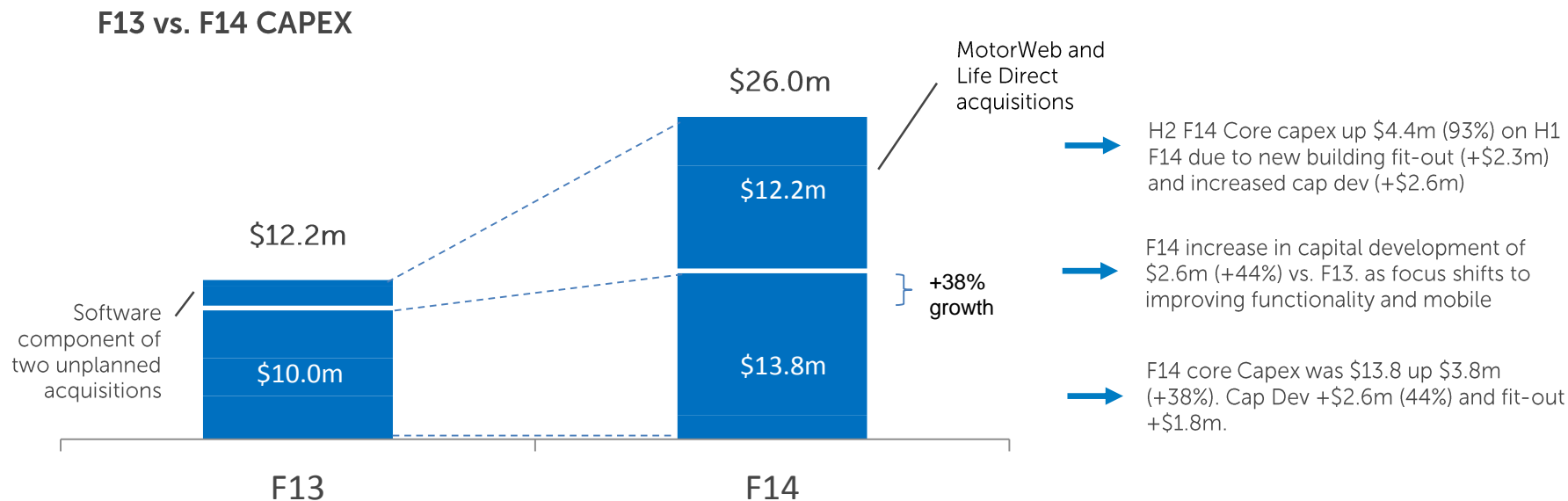
\$000's	Finance income	Finance costs	Net finance costs
<b>F14</b>	1,915	6,839	4,924
<b>F13</b>	1,926	7,185	5,259
<b>Var</b>	(11)	(346)	(335)
	(0.6%)	(4.8%)	(6.4%)

## H2 F14 Net Finance Costs

\$000's	Finance income	Finance costs	Net finance costs
<b>H2 F14</b>	863	3,771	2,908
<b>H2 F13</b>	987	3,313	2,326
<b>Var</b>	(124)	458	582
	(12.6%)	13.8%	25.0%

# Financials: Capex spend (including software acquisition)

- Total F14 capex including software component of acquisitions: \$26.0m. F14 core capex was \$13.8 up \$3.8m
- F15 core capex is estimated to be ~\$21m with on-going investment in infrastructure +\$2m to \$4m (core platform) and capitalised software development +60% to ~\$14m (operating capability, including mobile)
- Continue to look for relevant acquisitions & investing in capital development



# Financials: Acquisitions – impact on depreciation & amortisation

- YoY increase in D&A of \$3.6m in F14: \$2.6m driven by acquisition activity, \$1m from core capex
- Acquisitions: Life Direct, MotorWeb, AutoBase, Tradevine and Holiday Homes
- D&A will continue to increase as we invest more in capital development

Depreciation & Amortisation (\$m)	F13	H1 F14	H2 F14	F14	F14 % var
Core Capex D&A	\$5.1	\$2.6	\$3.5	\$6.1	19.6%
D&A on acquired businesses	\$3.6	\$2.7	\$3.5	\$6.2	72.2%
<b>Total D&amp;A</b>	<b>\$8.7</b>	<b>\$5.3</b>	<b>\$7.0</b>	<b>\$12.3</b>	<b>41.0%</b>



F15 D&A will be approx. \$17m

# Financials:

## Cash flow

- Operating cash flow increasing faster than profit before tax due to higher supplementary dividends (and consequently lower tax) and the increasing D&A.
- \$23.5m spent on business acquisitions in F14
- Cash held decreases despite increased operating cash flow, due to MotorWeb and LifeDirect acquisitions.

	F14	F13	Var
Profit before tax	111,482	109,468	2,014
<b>Non cash adjustments</b>			
Depreciation and Amortisation	12,313	8,735	3,578
Share-based payment expense	639	776	-137
Finance costs	6,839	7,185	-346
Loss/(Gain) on disposal of property	29	-890	919
Other	380	24	356
<b>Working capital adjustments:</b>			
Increase in trade and other receivables	(2,251)	(3,098)	847
Increase in trade and other payables	920	489	431
Income tax paid	(22,514)	(27,525)	5,011
<b>Cash flows from operating</b>	<b>107,837</b>	<b>95,164</b>	<b>12,673</b>
Purchase of property, plant and equipment	(4,087)	(3,490)	(597)
Payment for purchase of intangibles	(9,350)	(5,964)	(3,386)
Business acquisition	(23,500)	(3,327)	(20,173)
Proceeds from disposal of business	400	350	50
<b>Cash flows used in investing</b>	<b>(36,537)</b>	<b>(12,431)</b>	<b>(24,106)</b>
Dividends paid	(71,192)	(66,000)	(5,192)
Interest paid on borrowings	(7,312)	(7,011)	(301)
<b>Cash flows used in financing</b>	<b>(78,504)</b>	<b>(73,011)</b>	<b>(5,493)</b>
<b>Net increase (decrease) in cash</b>	<b>(7,204)</b>	<b>9,722</b>	<b>(16,926)</b>

# Financials: Balance sheet

	30 Jun 14	31 Dec 13	Var
Cash & cash equivalents	41,653	25,985	15,668
Trade and other receivables	11,775	10,217	1,558
Property, plant & equipment	6,807	5,167	1,640
Goodwill & Intangibles	804,515	804,219	296
Other assets	1,920	2,635	(715)
<b>Total Assets</b>	<b>866,670</b>	<b>848,223</b>	<b>18,447</b>
Trade and other payables	14,169	13,447	722
Long Term Debt	165,784	165,734	50
Other Liabilities	12,245	6,633	5,612
<b>Total Liabilities</b>	<b>192,198</b>	<b>185,814</b>	<b>6,384</b>
<b>Net Assets</b>	<b>674,472</b>	<b>662,409</b>	<b>12,063</b>

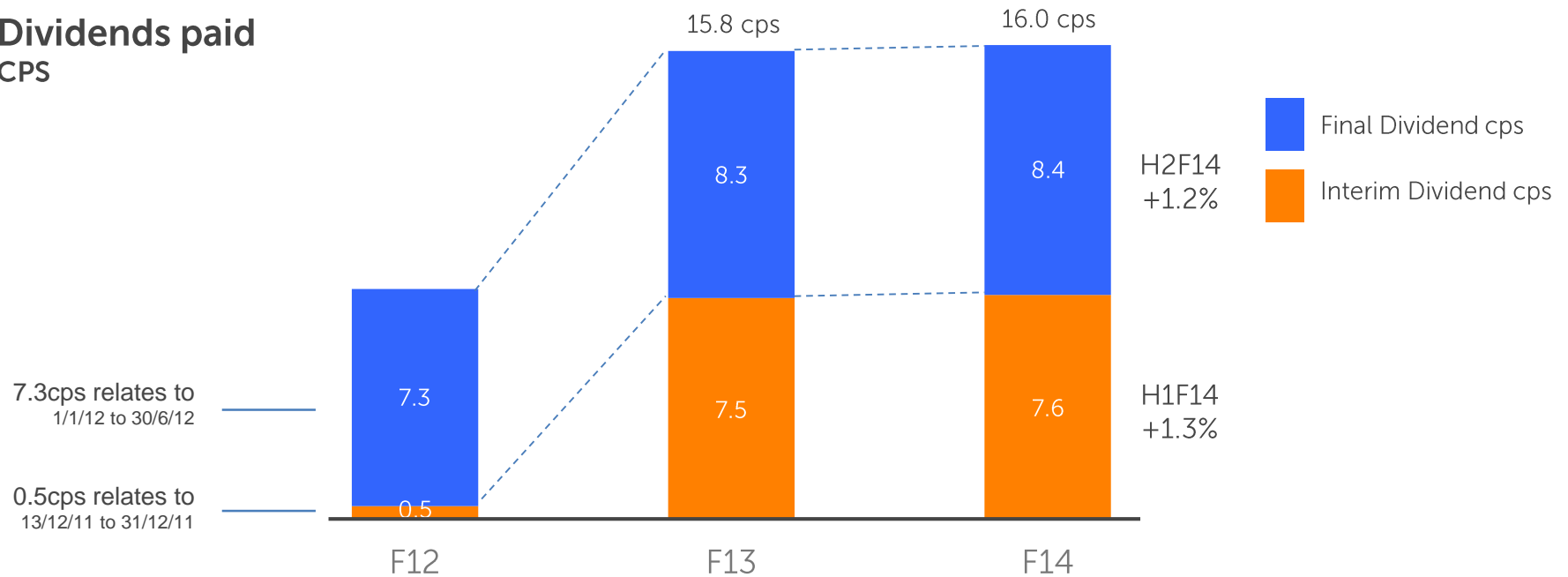
- Cash increased with operating performance
- Extended debt facility from Dec 2014 to Sept 2016
- Continue to fix ~50% of net debt to secure certainty
- Other Liabilities increase due to the timing of provisional tax payments
- Significant head room in all debt covenants
- Net debt below 1x times EBITDA



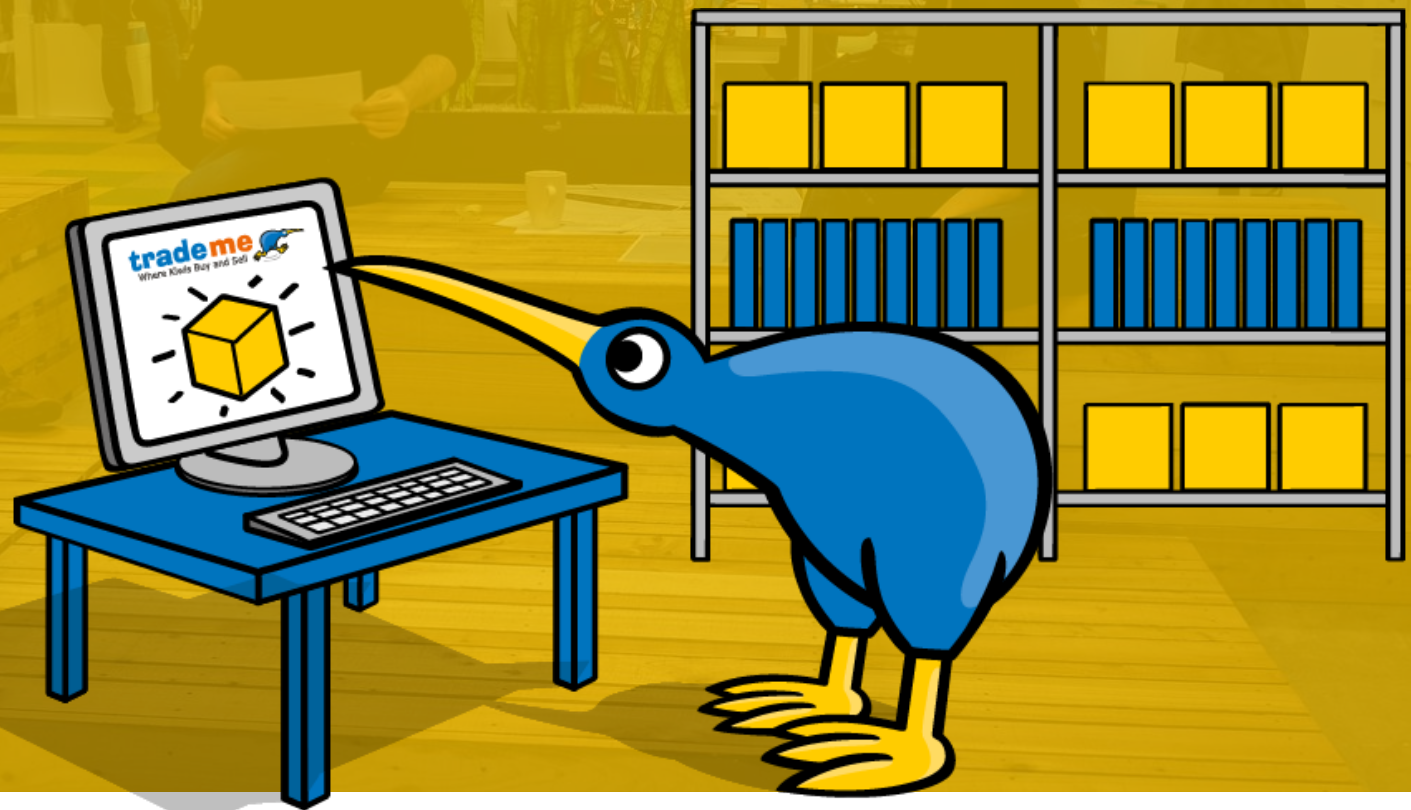
# Financials: Proposed dividend

- Fully imputed final dividend of 8.4cps.
- Supplementary dividend for non-residents of 1.4824cps.
- Dividend record date: 5pm Friday 12 September 2014 and payment date of Tuesday 23 September 2014.

## Dividends paid CPS



# Outlook



# Outlook

- A year ago we signalled our intention to invest strongly in the business. In F14 this resulted in an expense increase of \$11m (+26%). We have seen the benefit of this in Jobs and Motors, but do not yet have good traction in our General Items marketplace business. We are confident in Property, but there is some risk and still a lot of work to do.
- In F15 we have already made significant changes to the way the businesses are structured and will be run. Jobs, Motors, Property and General Items are now self-contained business units, with tech responsibility in each business. Each will fill out its respective resourcing requirements over the coming months.
- Coupled with the need to continue to build competitive advantage into each business, we will continue to invest heavily in those parts of the business where we see material opportunity.
- Revenue is forecast to grow at low double-digits (percentage growth), but F15 will be another year of significant investment as we position the business for the longer term. Expense growth will come from: people costs (as we build products and manage our B2B relationships); promotional expenses (to defend and grow our commercial businesses); COGS increases for MotorWeb, Jobs and Advertising; and general expenses associated with the growth in FTEs.
- We forecast another year of subdued EBITDA growth.
- Through this investment we will build a better business – improving the products we offer, strengthening our sales and account management, and ensuring our return to stronger growth in the medium to long term.

# Questions?

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