



Year end results
30 June 2016

Jon Macdonald CEO
Caroline Rawlinson CFO
Colin Rohloff IR

Overview

	Revenue	Expenses	EBITDA ¹	Operating NPAT ¹	Dividend
Full year	\$218m	\$76m	\$140m	\$83m	16.8cps
YoY	+9.2%	+17.8%	+4.5%	+3.5%	+3.7%
H2	\$112m	\$38m	\$74m	\$44m	9.0cps
YoY	+9.4%	+16.9%	+6.4%	+6.5%	+5.9%

Trade Me has returned to profit growth after a period of sustained investment.

Revenue was up 9.2% on the prior year, consistent with our five year CAGR of 8.9%. Growth of 9.4% in H2 was higher than that achieved in H1, with General Items demonstrating revenue growth for the first time in three years.

Expense growth rates continue to decline; H2 growth was 16.9% as we complete our recent period of investment.

EBITDA was up 4.5% on F16 and operating NPAT 3.5% for the full year driven by a solid H2 performance. Reported NPAT was down 6.5% on F15 due to FindSomeone impairment¹.

A final dividend of 9.0cps will be paid in September (fully imputed). An interim dividend of 7.8cps was paid in March.

In F17 we expect total revenue to grow at a similar rate (in percentage terms) to that of F16. We expect expense growth for the F17 full year of circa 10% as our recent period of investment draws to completion. This will deliver year-on-year EBITDA and operating NPAT growth rates in excess of F16.

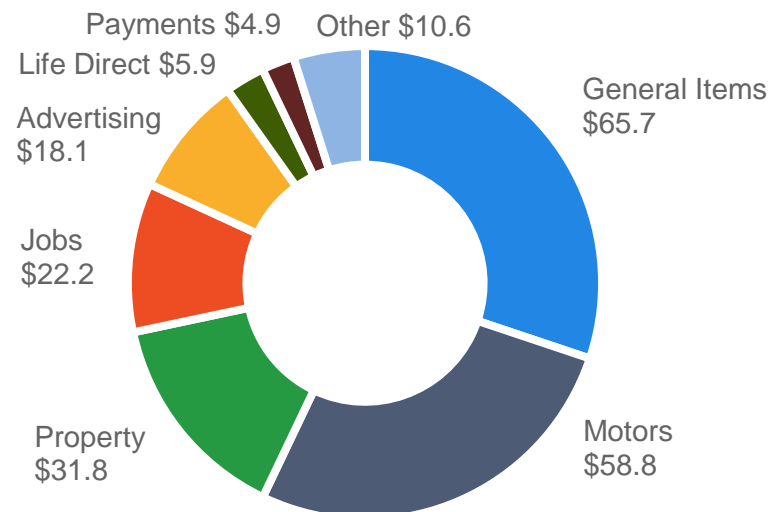
Overview: Solid revenue growth continues

General Items: Return to growth in H2 with revenue up 7.0% (3.5% YoY) driven by increased gross merchandise sales (GMS) 7.1% and take rate increasing to 8.25% (Q4 average)

Classifieds: Strong YoY revenue growth (13.2%) with good contribution from all three businesses due to focus on premium revenue generation and product enhancements

Other: Payments (+30.3%), LifeDirect (+14.1%) and Advertising (+4.6%) delivered revenue growth over F16. This was offset by weaknesses in non-core businesses TravelBug (travel) and FindSomeone (online dating).

Full Year Revenue Composition (\$m)



NZ \$'000	F16	F15	Movement	H2 F16	H2 F15	Movement		
General Items	65,726	63,480	2,246	3.5%	33,543	31,336	2,207	7.0%
Classifieds	112,782	99,635	13,147	13.2%	58,484	51,975	6,509	12.5%
Other	39,541	36,579	2,962	8.1%	20,451	19,484	967	5.0%
Total revenue	218,049	199,694	18,355	9.2%	112,478	102,795	9,683	9.4%

Overview: H2 shows investment coming to fruition

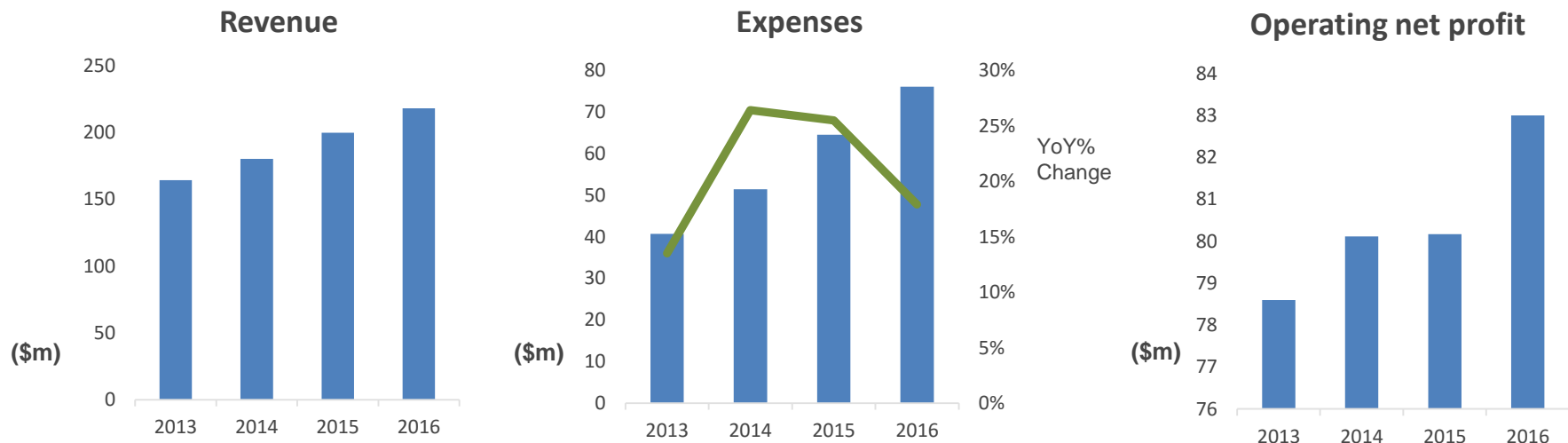
In 2013 Trade Me was still growing, but needed additional investment due to a dated product offering, increased competition and the increasing importance of mobile

Since then, we have substantially strengthened the business by doubling staff numbers, increasing marketing spend, improving our product offering and enhancing our sales capability

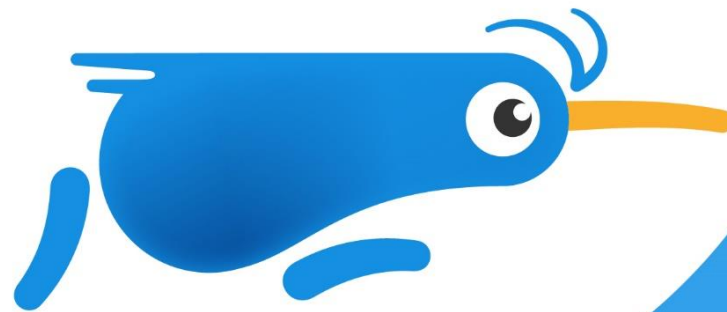
In H2 we decided to divert investment from FindSomeone, Holiday Houses and Travelbug (combined annual revenue is \$6.5m) back into our core businesses

The investment in, and focus on, our Marketplace and Classified businesses has delivered on expectations in F16

This has produced positive momentum in core operating metrics and revenue growth, and will increasingly translate into earnings growth as our rate of cost increase slows



Divisional performance



Marketplace: Initiatives deliver revenue growth

KEY METRICS

GMS growing over last 5 consecutive quarters. New Goods +9.0% YoY ; Used +6.1%; Total +7.1%

Range expansion improved listing volumes (+26.7% YoY), driven by new goods +30.7%

This was converted into +4.7% lift in the volume of sold items (reaching 13.3m items)

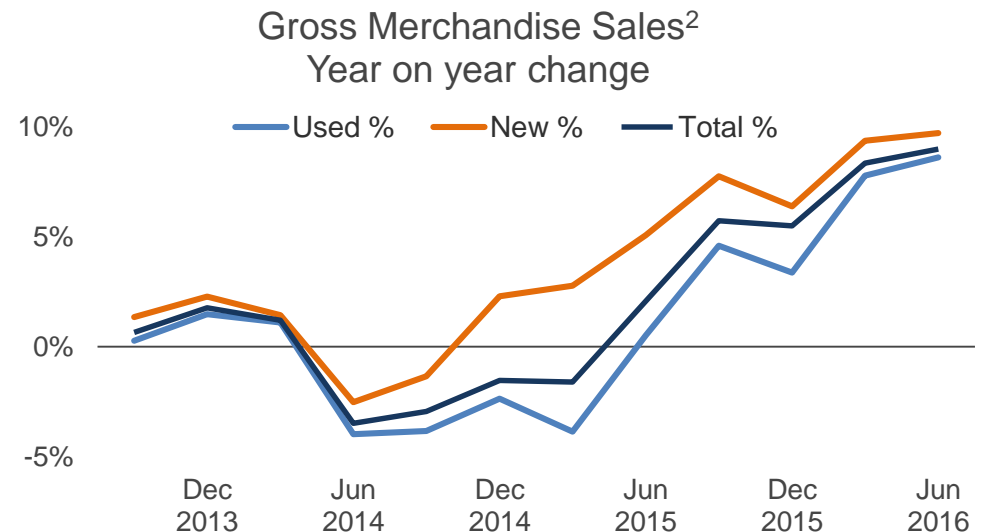
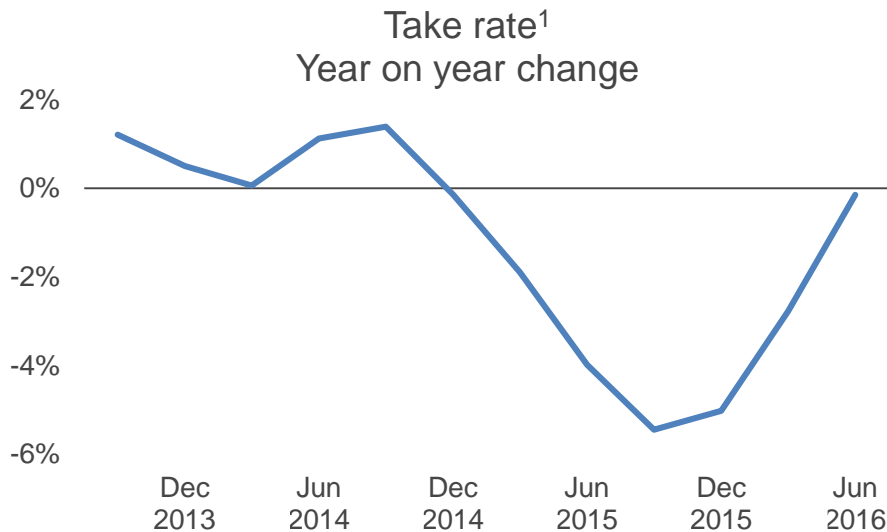
Take rate trend has reversed during the last 2 quarters and risen to 8.25% in Q4 after pricing change in February

PRODUCT & INVENTORY

Courier booking service (reached a milestone of 1,000 in a day in late July 2016). Improves the economics and experience for both buyers and sellers

Was/Now pricing (items selling at double the sell through rate with similar average sale price)

February pricing changes (e.g. free photos for all listings) encouraging sales activity



¹ Take rate is the yield Trade Me derives from sales, and is calculated as revenue divided by GMS

² GMS is the total value of sales that Trade Me facilitates, excluding Classifieds, commercial radio auctions and vehicles but including motors parts & accessories

Property: New products increasing listings and premiums

KEY METRICS

Revenue +15.9% YoY to \$31.8m, directs +2.1% to \$9.9m, agents +23.4% to \$21.9m

Agent For Sale listings +11.2% YoY, agent Rental listings +8.5% YoY

Agent For Sale yield +12.7% YoY (driven by premium revenue +51.1% to \$7.4m)

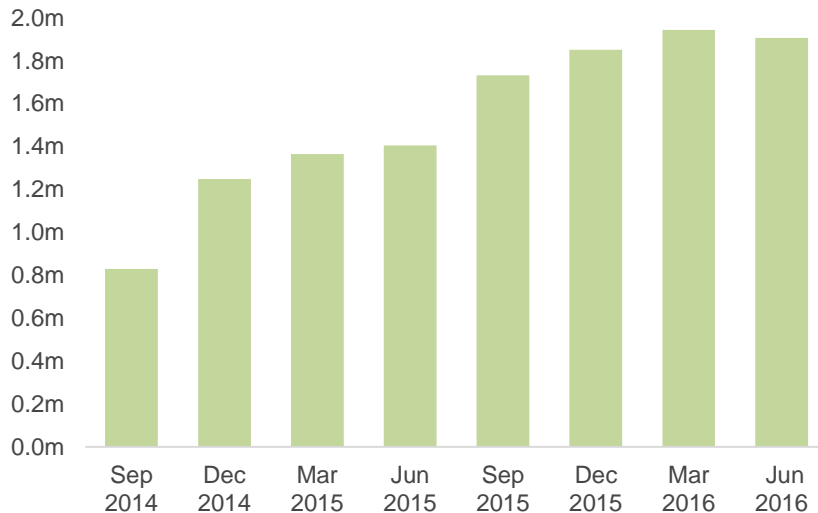
PRODUCT & INVENTORY

OneHub agent portal launched in April with > 2,500 registrations

Free rating valuation and sales information now available

Listings market share improving, with leadership in select regions of New Zealand

Property agent for sale premiums (NZ\$m)



Motors: Strong premium growth

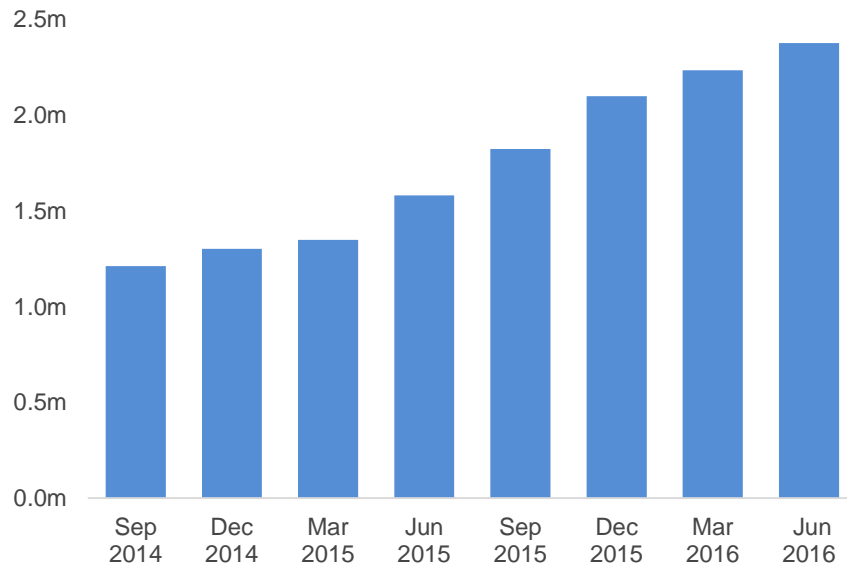
KEY METRICS

Revenue +11.2% YoY to \$58.8m, led by dealers +26.4% and MotorWeb +14.5%

Total listings up 4.3% YoY; Dealer numbers (subs) up 6.0%

Dealer premium revenue +56.8% YoY

Motors dealer premiums (NZ\$)



PRODUCT

Editorial news and reviews for cars is now available with new content added daily

Data insights provided to dealers via our new Account Manager Dashboard

Redesign of our MotorWeb industry site completed with a fully responsive site now in place

Latest Reviews



2016 Hyundai Tucson Review

By Darren Cottingham | Published 28/02/2016

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Jobs: Strong growth driven by yield and listings

KEY METRICS

Total revenue +14.6% on the prior year

Listings +3.2% YoY largely driven by directs +8.3%

Yield growth +11.0% YoY driven by directs +8.2% and bulk buyers +10.2%

Premium revenue up 35.5% YoY

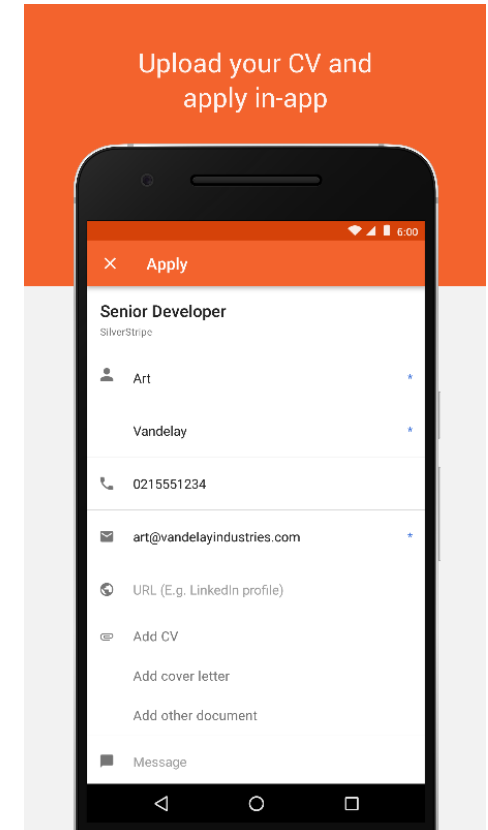
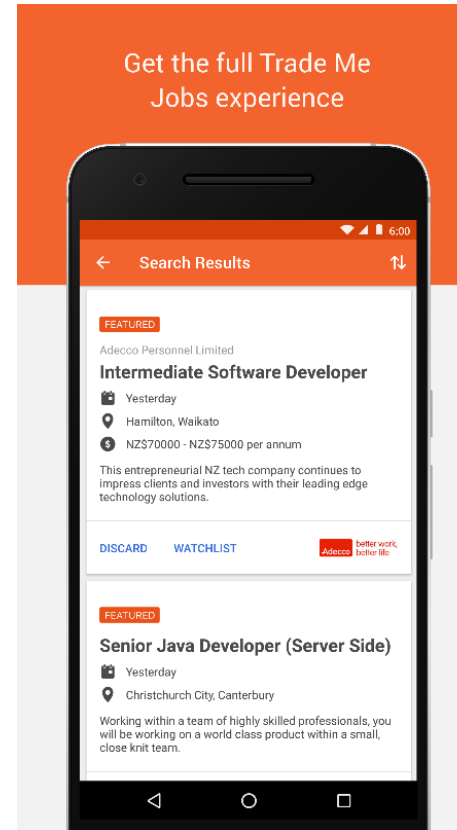
Applications Started +9% YoY. Members with a CV uploaded up 31% YoY

PRODUCT

New Trade Me Jobs Android app early access release in Beta format. Full release on Android / iOS due in H1 F17

Launched the recommendation network in March, designed to get the most relevant jobs in front of users

Released a job hunting guide and an advertising guide



Advertising: strong growth in eCPMs

PERFORMANCE

Display revenue +12.8% YoY

Desktop impressions continue to decline whilst mobile impressions are increasing strongly. Mobile revenue has more than doubled from the prior year (although off a small base)

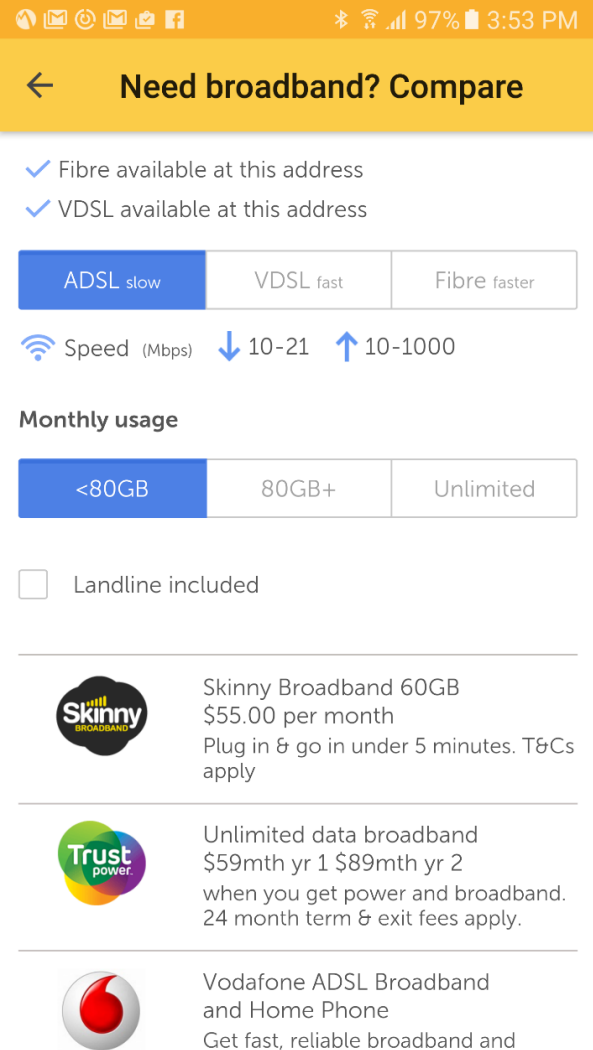
Business Partnership revenue continues move from traditional ads in favour of data personas and new and interesting user-focused tools, like this broadband availability and comparison tool

DATA and PROGRAMMATIC

Data and programmatic continuing to drive eCPMs (effective yield) higher

More than 20% of premium campaigns are utilising our first party data personas

Programmatic revenue (advertising sold through platforms rather than our sales force) now makes up 17% of total display revenue and has grown 80% YoY



The screenshot shows a mobile app interface for broadband comparison. At the top, there's a status bar with various icons and a battery level of 97% at 3:53 PM. Below that is a yellow header with a back arrow and the text "Need broadband? Compare". The main content area has two checked items: "Fibre available at this address" and "VDSL available at this address". There are three tabs: "ADSL slow" (selected), "VDSL fast", and "Fibre faster". Below the tabs, it shows "Speed (Mbps)" with a downward arrow for "10-21" and an upward arrow for "10-1000". Under "Monthly usage", there are three tabs: "<80GB" (selected), "80GB+", and "Unlimited". A checkbox for "Landline included" is present and unchecked. At the bottom, there are three broadband offers listed with their respective logos: "Skinny Broadband 60GB" for \$55.00 per month, "Trust power" for unlimited data broadband at \$59/mth yr 1 and \$89/mth yr 2, and "Vodafone ADSL Broadband and Home Phone".

Financials



Summary financial performance

NZD \$000s	F16	F15	F16 Movement	
General Items	65,726	63,480	2,246	3.5%
Classifieds	112,782	99,635	13,147	13.2%
Other	39,541	36,579	2,962	8.1%
Total revenue	218,049	199,694	18,355	9.2%
Cost of sales	13,648	10,967	2,681	24.4%
Net revenue	204,401	188,727	15,674	8.3%
Employee benefit expense	33,644	28,842	4,802	16.6%
Web infrastructure expense	5,386	4,089	1,297	31.7%
Promotion expense	10,547	9,434	1,113	11.8%
Other expenses	12,701	11,135	1,566	14.1%
Total expenses	62,278	53,500	8,778	16.4%
EBITDA before associate	142,123	135,227	6,896	5.1%
Associate losses (Harmony)	(1,643)	(846)	(797)	94.2%
EBITDA	140,480	134,381	6,099	4.5%
Depreciation and amortisation	18,867	15,284	3,583	23.4%
EBIT¹	121,613	119,097	2,516	2.1%
Net finance costs	5,555	7,542	(1,987)	(26.3%)
Profit before tax¹	116,058	111,555	4,503	4.0%
Income tax expense	33,062	31,387	1,675	5.3%
Net operating profit¹	82,996	80,168	2,828	3.5%
Goodwill impairment charge	8,053	-	8,053	100.0%
Net profit	74,943	80,168	(5,225)	(6.5%)

Revenue growth driven by Classifieds

Rate of operating expense growth decreasing (17.8% vs 25.5% in F15)

Equity accounted losses of associate (Harmony) reduce net profit growth by 1.0%pts

Depreciation and amortisation in line with guidance and will continue to increase until broadly in line with annual capex

Net interest cost decreasing due to favourable movement in fair value of swaps, declining floating interest rates and reduction in net debt

Fair value adjustment from interest rate swaps increases net profit growth by 1.8%pts

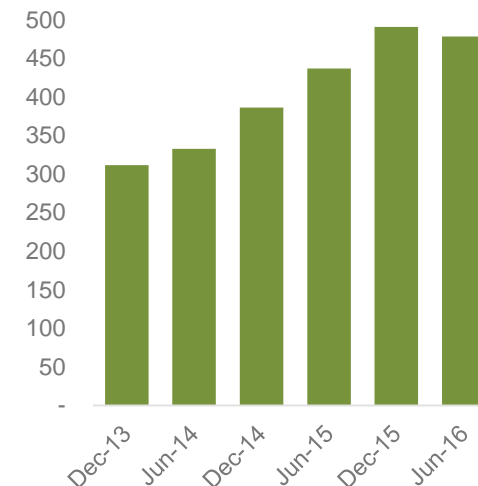
Fully imputed dividend 9.0cps, supplementary dividend 1.5882cps, record date 9 September 2016, payment date 20 September 2016

Impairment of goodwill associated with the FindSomeone business is due to declining revenue in the face of increased competition (revenue in F16 was \$2.3m, down 13%)

Expense growth decreasing in line with guidance

NZD \$000s	F16	F15	Movement		H2 F16	H2 F15	Movement	
Cost of Sales	13,648	10,967	2,681	24.4%	7,086	5,631	1,455	25.8%
Employee benefit exp	33,644	28,842	4,802	16.6%	17,315	14,309	3,006	21.0%
Web infrastructure exp	5,386	4,089	1,297	31.7%	2,691	2,070	621	30.0%
Promotion expense	10,547	9,434	1,113	11.8%	4,925	5,349	(424)	(7.9%)
Other expenses	12,701	11,135	1,566	14.1%	5,636	4,840	796	16.4%
Total	75,926	64,467	11,459	17.8%	37,653	32,199	5,454	16.9%
Excluding cost of sales	62,278	53,500	8,778	16.4%	30,567	26,568	3,999	15.1%

FTEs F14-F16



Rate of expense growth is decreasing year-on-year (+17.8% vs +25.5% in F15)

People costs continue to be the main driver of expense growth but headcount growth is slowing (+104 FTEs in F15 vs +41 FTEs in F16) and new headcount in F17 will be mostly filling current vacancies

Cost of sales grew faster than total revenue with lower margin businesses growing strongly – PayNow and MotorWeb Australia revenue up 25% and 53% respectively

Web infrastructure increase is partially driven by some F15 flow through costs, but largely due to new licenses purchased

Advertising and promotion expense growth driven by the launch of Trade Me Insurance and creative spend for our master brand campaign, which went live in early July 2016

Financials: Balance sheet highlights

Strong cash position; \$34m cash as at 30 June 2016 and net debt reduced to \$102m

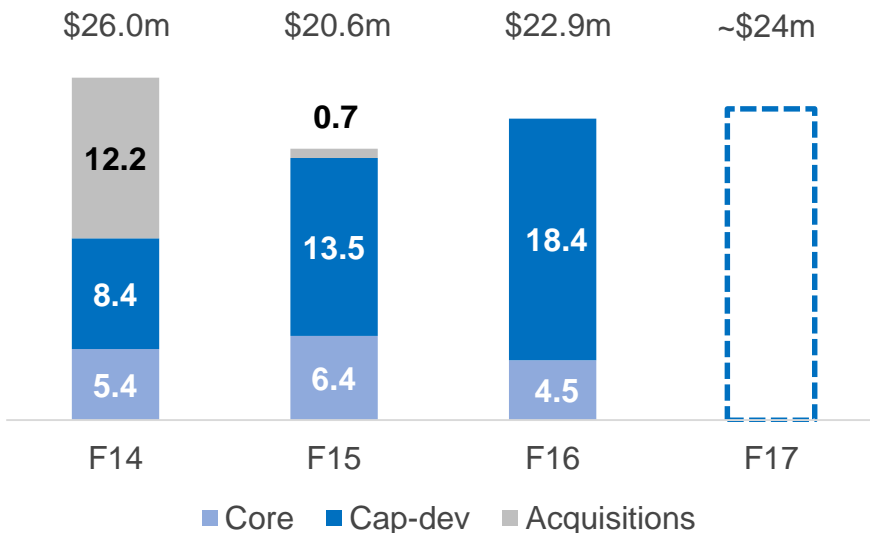
All debt covenants comfortably met – leverage, interest cover, size of the guaranteeing group

Slight improvement in interest margins from refinancing our debt facility in December 2015, \$70m fixed via interest rate swaps over next 12 months

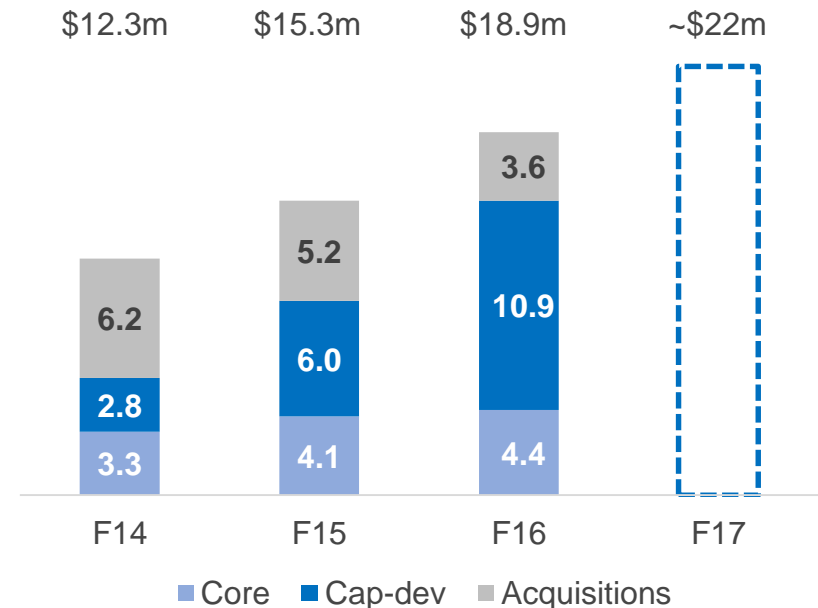
F16 capex of \$23m slightly behind previous guidance due to timing of projects and cost savings

F17 capex expected to be circa \$24m and depreciation and amortisation circa \$22m

Capital expenditure



Depreciation & Amortisation

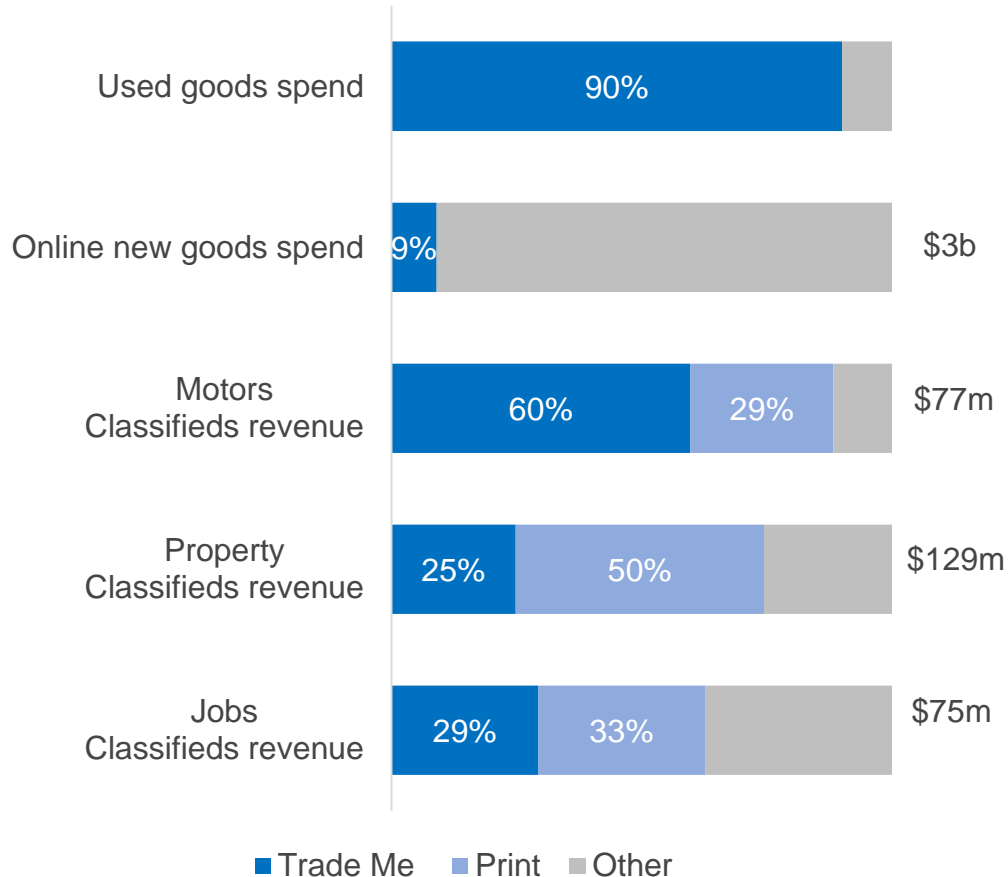


Outlook



Looking ahead: We have big addressable markets

Addressable markets: Trade Me core businesses



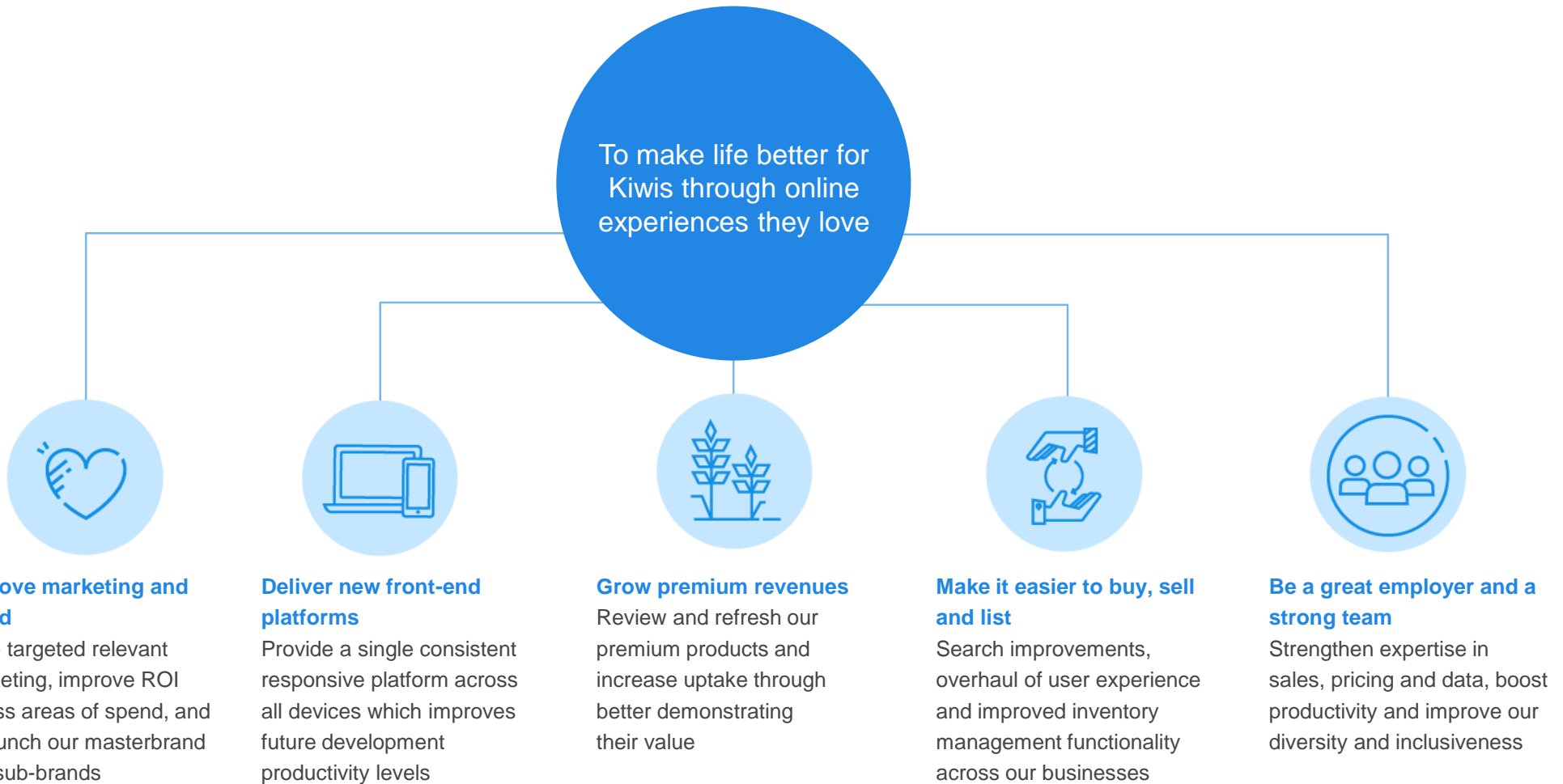
Structural tailwinds exist in our core businesses as classified advertising continues to transition from print to online

NZ GDP growth remains strong, driven by strong private consumption growth which our consumer-facing businesses are exposed to and underlying consumer confidence remains net favourable

New goods retailing continues to transition from bricks & mortar to online, with annual growth in online retail spend by New Zealanders in excess of 10% p.a.

Looking ahead: Our strategic priorities

We are well positioned for growth in F17; there are market share upsides in our core markets and we have strong competitive advantages. To capitalise on these our strategic priorities are:



Investment in our brand

Trade Me was recognised as NZ's most influential brand by Ipsos in their 2016 survey (released August 2016)

Previous marketing efforts have been disparate and sometimes confusing across our different businesses

In F17, we'll connect our brand to all the millions of experiences and crucial life moments Kiwis experience using Trade Me

In doing so, we seek to increase emotional connection to our brand and establish a platform to support our sub brands

New logo and master brand campaign launched in July 2016. Early results positive with brand preference up 4% since May 2016



Life lives here.
trademe 

Development of a new interface for Trade Me

MOBILE CONTEXT

Over 60% of visits to Trade Me are from mobile devices

33% of GMS was purchased via apps in the June quarter

28% of our users only access us on mobile, versus 24% only on desktop

People who use Trade Me across multiple platforms spend more than twice as much as those using a single device

PREVIEW – TRADE ME'S NEW WEB PLATFORM

New responsive design provides a more contemporary and consistent experience across all devices

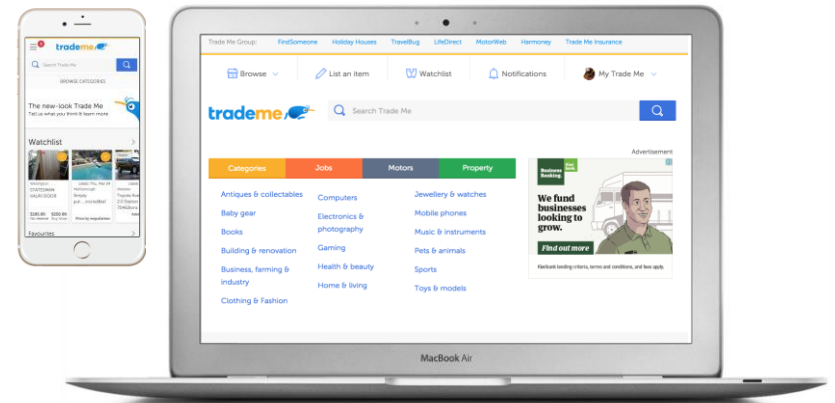
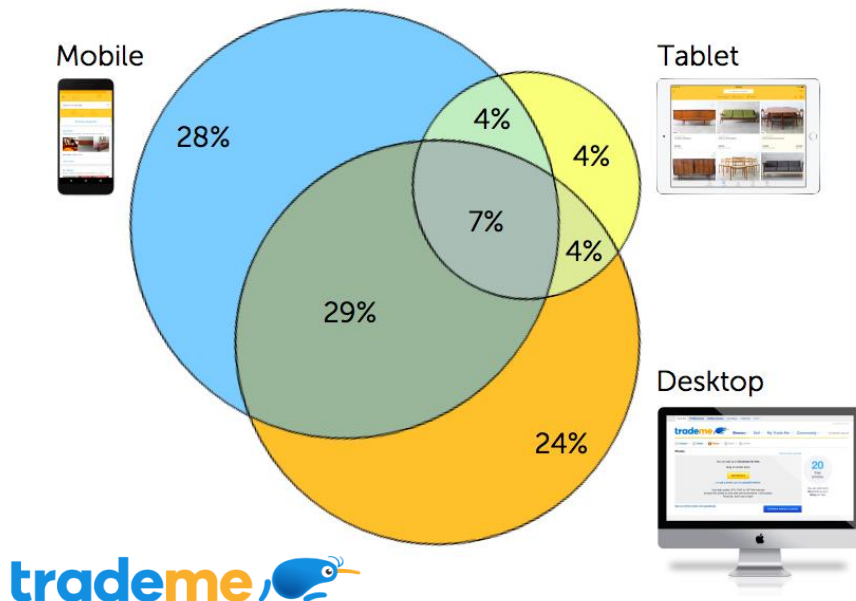
Substantially reduces development time of new features

Includes improvements on previous version – e.g. a streamlined selling process

Already available to all members via our smartphone-optimised site (preview.trademe.co.nz)

Will eventually replace the desktop site (www.trademe.co.nz)

How users access Trade Me



Looking ahead: F17 financial outlook

Our investment over the last three years is increasingly showing return.

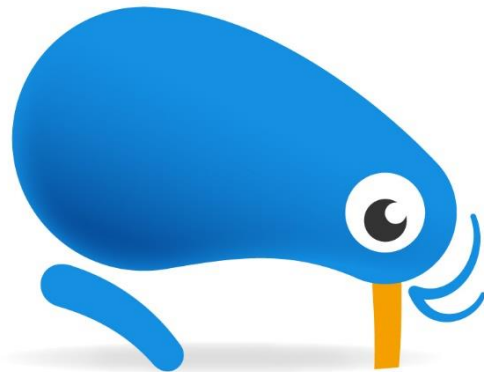
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The profit uplift will be delivered by our core Marketplace and Classified businesses. This will be driven by the increasing ease-of-use of all our products and conversion of premium revenue opportunities. We expect Marketplace to deliver a full year revenue percentage growth rate at a similar level to H2 F16.

Trade Me has good forward momentum. We will continue to derive benefit from our investment journey over the past three years, and we are better placed than ever to capitalise on the opportunities in front of us.



Questions?



Email investors@trademe.co.nz

Web investors.trademe.co.nz