

Trade Me Investor Briefing

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Disclaimer

This presentation may contain projections or forward looking statements regarding a variety of items. These forward-looking statements are based upon current expectations and involve risks and uncertainties.

Actual results may differ materially from those stated in any forward-looking statement based on a number of important factors and risks.

Although management may indicate and believe the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could prove inaccurate or incorrect. There can be no assurance that the results contemplated in the forward-looking statements will be realised.

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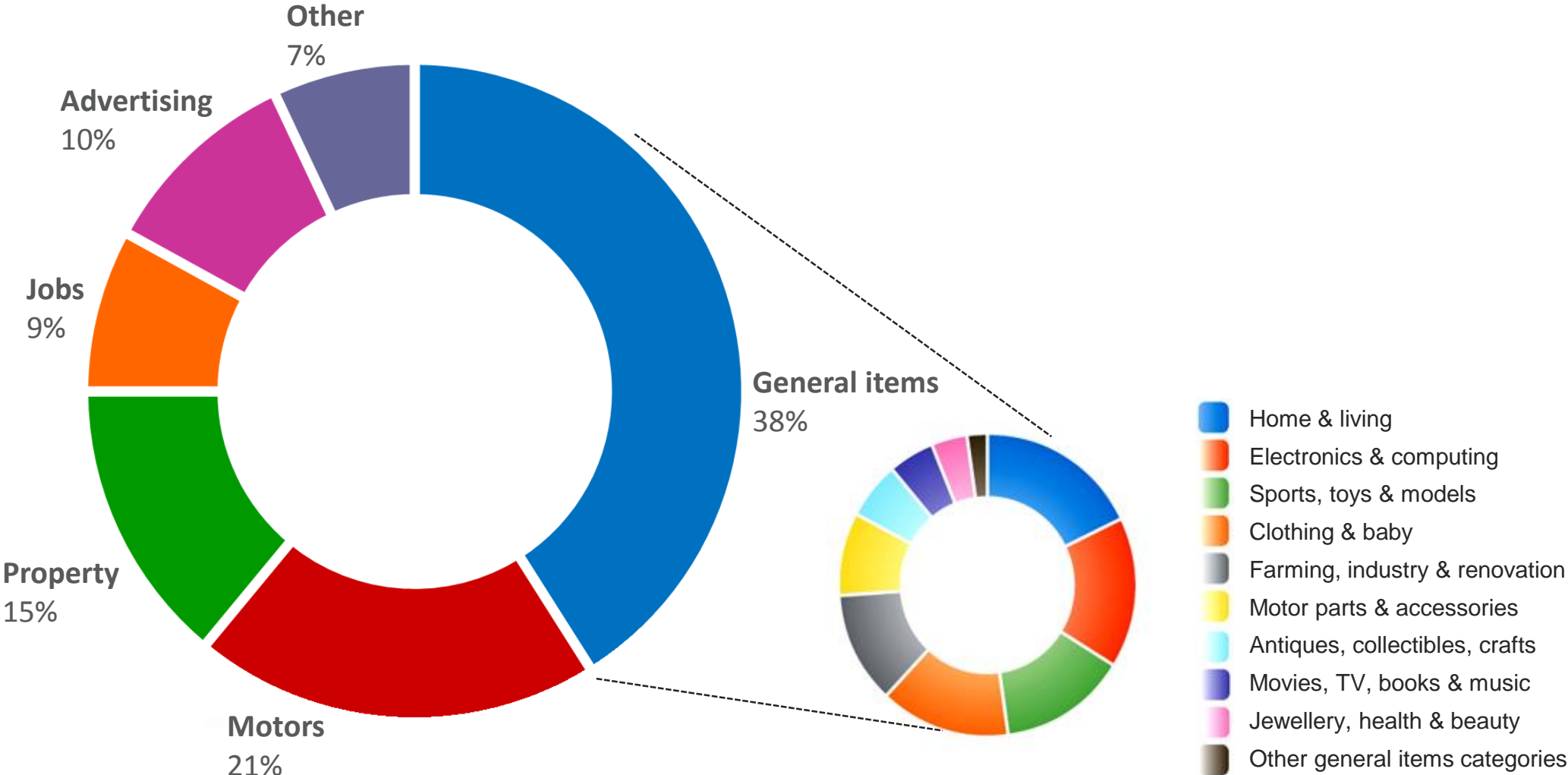
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Business overview

- Trade Me operates online auctions, online classifieds and display advertising businesses in New Zealand.
- Trade Me has market leading positions across a broad range of categories:
 - 650,000+ visitors per day
 - 2 million+ listings
 - Strong positions in general items (#1), motors (#1), property (#1) and jobs (#2)
 - Niche sites in travel, online dating, and insurance comparison
- Trade Me connects people, allowing them to undertake a transaction or form a relationship



Overview: Revenue contribution



Overview: Our purpose 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.
- Business priorities:
 - Capture opportunities in our classifieds businesses (including pulling across spend from traditional media), through new products and pricing changes.
 - Defend and grow our general items marketplace, through product improvement, onboarding relevant inventory and smart marketing.
 - Extend into new businesses and grow new revenue lines from our core.
 - Ingrain mobile into all our product and business decisions, plus develop new opportunities
 - Make our products better, with a focus on findability and smart use of our data to deliver improved experiences for users
- Capability growth:
 - Improved product development and project delivery.
 - Strengthening the team – especially product development and senior leadership.
 - Better use of data to improve our products and decisions.

All underpinned by strong operations, and a focus on empowering consumers by delivering effective, trusted marketplaces and great customer service.

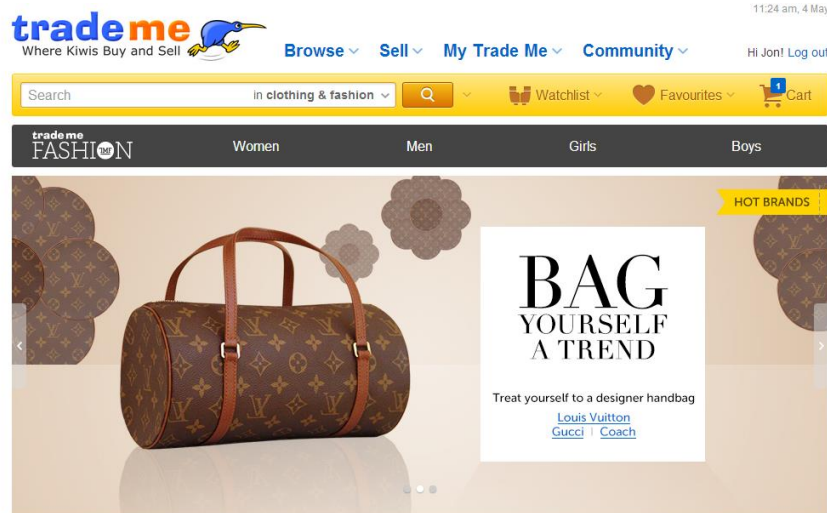
Overview: H1F14 Results summary

- **Revenue** of \$85.7m delivering YoY growth of 6.6%.
- **NPAT** of \$38.0m, up 1.7% YoY. **EBITDA** of \$60.4m with YoY growth of 2.1%
- **Interim dividend of 7.6 cps**, fully imputed, up 1.3% YoY.
- **Classifieds** continue to be strong: \$38.6m revenue (up 16.5% YoY). Continue to be driven by yield and premium uptake.
- **Marketplace** continues to be flat as we work to improve the offer to buyers and sellers: \$32.6m revenue (down 1.6% YoY, but up 0.8% YoY removing the one-off accounting benefit in F13).
- **Underlying performance:** on a like-for-like basis, revenue grew 9.2%, and Net Profit Before Tax was up 5.1% (removing the one-off accounting benefit in F13, Treat Me, LifeDirect and MotorWeb).
- **Investment:** has been focused on product development, promotion and people in our bigger businesses as we begin to fill them out for their next phases of growth.

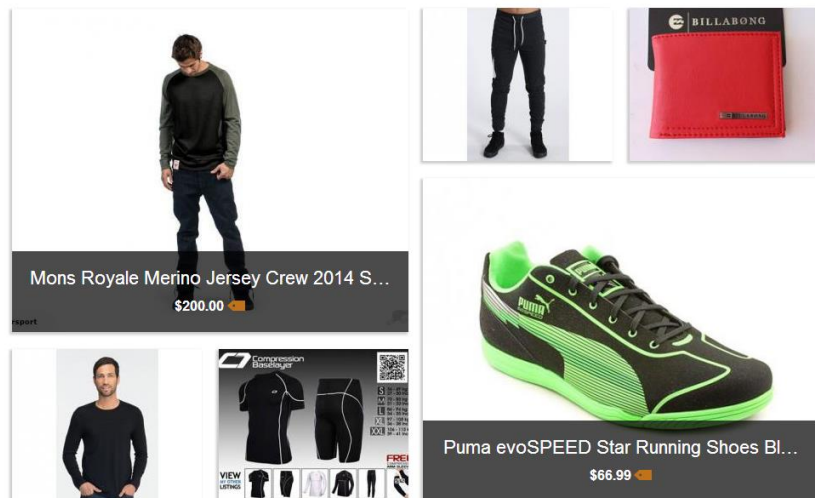
Overview: Vital stats

- Listed on the NZX and ASX on 13 December 2011
- Share price: \$4.09 NZD (at 2nd May 2014 - up 51% from IPO)
- Market capitalisation: NZD \$1.6 billion
- Indices: NZX10, 20 and 50 S&P/ASX 200 and All Ordinaries
- Dividend policy: 80% of NPAT
- Debt: \$166m term debt (matures FY17)

General Items: Progress



Fashion you like



Recommended Men's listings



- Significant team changes over the financial year.
 - New product, marketing and supply roles; existing business development team restructured.
 - Marketplace tech team bolstered to speed up product development and project execution.
- Refocus on product development to improve buyer experience – to keep our active buyers and convert passive visitors to engaged buyers.
- Major rework of fashion category underway.
 - New landing pages, with focus on brands and personalised content.
 - Better data capture and search functionality.
 - Rework of search results to image-rich format – includes fundamental change to our premium products.

General Items: Product development

- Shopping cart functionality released, in pilot to 70,000 members.
- Category infrastructure work complete – ongoing category improvements continue.
- Major refresh of our clothing offering under way.
- Payments significantly improved, with new and improved Buy Now / Pay Now purchasing.
- Presentation changes to promote free shipping, more to come.
- Raised the profile of New Goods via renovated filter bar & homepage changes.
- Many other small user improvements.

The screenshot shows the Trade Me website's shopping cart interface. At the top, the Trade Me logo is displayed with the tagline "Where Kiwis Buy and Sell". Navigation links for "Browse", "Sell", "My Trade Me", and "Community" are visible. The user is logged in as "Hi Jon!". The cart contains items from two sellers: "sunglassesshop" and "ruzeshoes".

Shopping Cart

Listings from **sunglassesshop** (181)

	RAY BAN RB2132 710 BROWN WAYFARER SUNGLASSES	Remove
Quantity: <input type="text" value="1"/>	x \$186.25 8 available	\$186.25
Shipping: Free shipping within New Zealand		

Listings from **ruzeshoes** (340)

	Puma Ferrari Future Cat M1 SF NM Blue Shoes 12	Remove
Price \$185.99		\$185.99
Shipping: Free shipping within New Zealand		

Item subtotal	\$631.24
Total to pay	\$631.24

[← Continue shopping](#) [Proceed to checkout](#)

Property progress in H2

- Agent pricing: Changes aim to properly reflect the marketing value we provide through a per-listing structure, and to enable a move to vendor funding which reduces agent overheads. Previous model based on a combination of subscription and per-listing, usually with an office or franchise cap.
- Agents representing ~80% of the total agent listings have now progressed to the new pricing model. The remaining franchises will move to the new model in the next few months. Agents represent 90% of total listings, the remainder are private listings.
- Industry reaction continues to be widely mixed including some strong negative sentiment. Other agents are embracing of the model. For 25% of offices, costs decrease under the new pricing.
- We have lost some listings (~10%) due to boycotting activities of agitated agents, and in the last few weeks have just ceded our listings leadership to our industry-owned competitor. Trade Me Property maintains the largest audience at more than 3 times our nearest competitor.
- At \$159 per listing (or less for agents with good volume) we provide outstanding value given i) our audience and ii) relative to the overall transaction, agent commissions and the cost of marketing alternatives.
- Our new Head of Property has started – industry expert Nigel Jeffries (recently CEO of Property IQ)
- We will continue to push ahead with the transition with a three pronged approach detailed over the next few slides: 1) continue to drive product improvements, 2) promote our marketing value – directly to agents and prospective vendors, as well as more broadly to potential buyers and the NZ public, and 3) work on breaking down myths and misconceptions and rebuilding our relationship with agents.

Property: 1) driving product improvements

Many consumer facing changes released in the last two months, including:

Map based search

11:54 am, 4 May

trade me
Where Kiwis Buy and Sell

Browse Sell My Trade Me Community

Search in for sale Watchlist Favourites Cart

Residential Open homes Rural Lifestyle Commercial Retirement villages List my property

NEW FEATURE
Map-based search

Introducing map-based search on Trade Me Property. Try it out now by selecting 'Map' view.

Ok, got it

Sort Featured first

View Map

Opportunity Options To be auctioned

View listing Add to Watchlist

Trade Me Property > Residential > For Sale > Auckland > Search results

Search results

Keywords: 'grammar', \$1,000,000 or more

Save this search and email me the latest properties & open homes

Sort Featured first

View Map

Classic Revival
Price by negotiation
Remuera, Auckland City
5 3

View listing Street view Add to Watchlist

School zones

Map view Street view Schools

All schools In zone

AUCKLAND GRAMMAR
Mountain Road, Epsom, Auckland City 1149

Year 9-15 (Secondary), State
2417 boys school
800 m from property
In Zone
Decile rating 10

Secondary

Epsom Girls' Grammar School
200 m

Auckland Grammar 800 m

Intermediate

Auckland Normal Intermediate
1.4 km

Primary

Newmarket School 500 m

Detailed high resolution boundary details

Map view Street view Boundary view Schools Demographics

Property: 2) promoting our advantage

Promoting the audience based advantage



- National TV advertising.
- Regional radio, billboard and print activity – targeted towards priority areas.
- Heavy online activity – both Trade Me and external sources.
- Targeted direct marketing to those vendors that have been affected by boycott.
- More generic direct marketing to both vendors and potential vendors (using analytics).

Vendor direct marketing

Hi there!

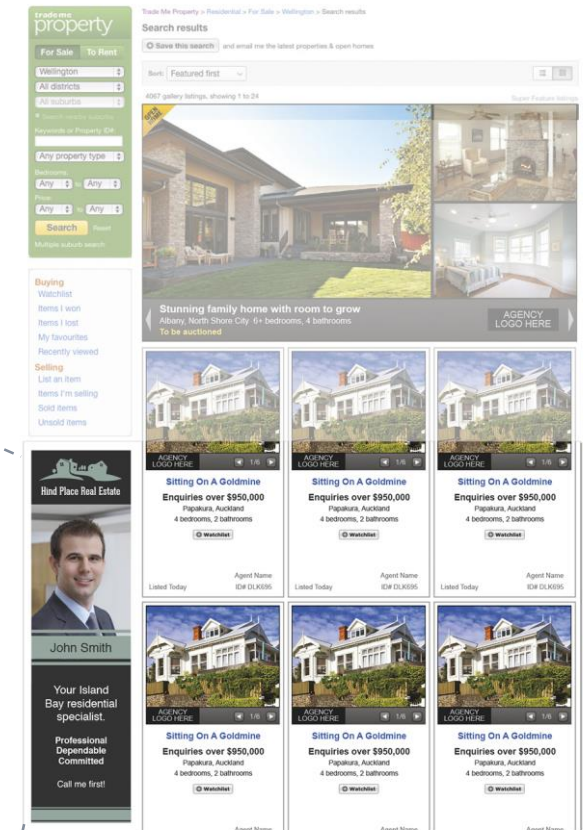
We see your place at <XXX Street name, Suburb name> is on the market, but it's not advertised on New Zealand's most visited property website.* How come? You're missing out!

Over 500,000 Kiwis visit 'Trade Me Property every month*', and its daylight to second. And importantly for you, 'Trade Me Property has significantly more Hawke's Bay visitors than any other property site.

Advertising on 'Trade Me Property means more people viewing your property for sale. This means you're more likely to achieve a sale at a better price.

Property: 3) help agents sell houses

- Provide more value to agents:
 - Targeted display ads for brand building, new developments and lead generation.
 - Activity reports and better data to demonstrate our marketing value and to help agents inform their vendors.
 - More branding opportunities for agents and offices on listings.
- Break down myths and misconceptions.
- Rebuild and strengthen agent relationships.



Hind Place Real Estate

John Smith

Your Island Bay residential specialist.

Professional Dependable Committed

Call me first!

Trade Me Property activity report

Take Me to the Limit

To be auctioned | Listed: Tue 04 Feb, 04:11 am | Report generated on 18 Feb 2014

Location: 32 Cowan Street
Ponsonby
Auckland City
Auckland

Agency ref #: 1650296

TM ID#: DRZ685

Total views: 2578

Total email enquiries: 1

Total watchers: 76

Featured listing: Yes

Super featured: Yes (expires 25 Feb, 10:53 am)

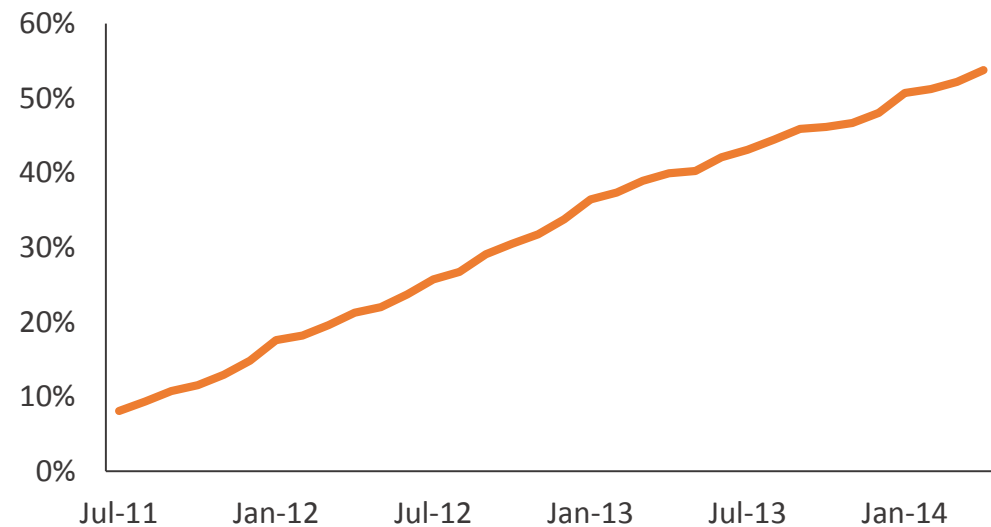
Summary for 11/02/2014 - 17/02/2014

Page views	Watchlist adds
136	10
119	1

Mobile

- **Mobile majority:** sessions from mobile devices now outnumber desktop visits.
- Following user research, an updated Search & Browse experience for Touch (web app) & Android (native app) was released in April – iPhone release to follow soon.
- Substantial updates to Property iPhone and iPad apps released in March and April.
- New Jobs iOS app released in April.
- Personalised experience coming to the Trade Me iPhone app soon, along with an iOS7 update.
- Mobile-focused staff increasing in line with industry shift.

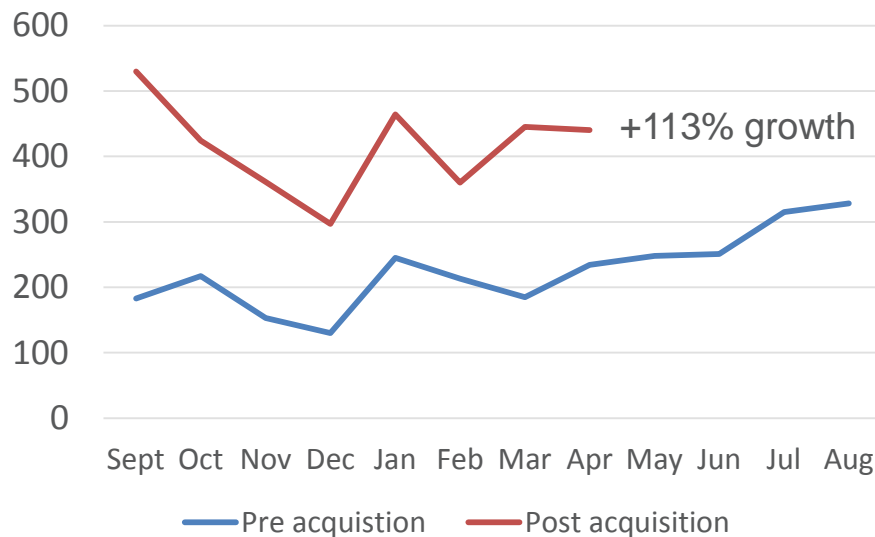
Mobile sessions on Trade Me



Acquisition update: LifeDirect

- Increasing use of Trade Me data to drive applications.
- Product line extensions to date include income protection and mortgage insurance with more to come.
- Introduction of e-signatures which has resulted in a 40% uplift in conversions. Soon to begin trials of our smart application with online acceptance.
- Mobile - development of new responsive site being built on UX research.

Growth in completed applications post acquisition.



LifeDirect by trademe Contact Us | 0800 800 400
Mon - Fri 8:30am - 5pm

Your quote LIFE COVER ? DISPLAY QUOTES

Male, non-smoker, aged 45 \$350,000 FORTNIGHTLY

+ Add Partner Update

HAVE YOU CONSIDERED?
+ Add Trauma Cover ?
\$50,000 from only \$24.25

Sort by **FINANCIAL STRENGTH** Can't decide? Try PolicyMatcher™ Email Quotes

Insurer	FIDELITYLife	AMP	Asteron Life	OnePath	partnersLIFE	SOVEREIGN
Monthly Premium	\$35.25	\$35.25	\$35.25	\$35.25	\$35.25	\$35.25
Net Cost after 20% cashback	\$29.24	\$29.24	\$29.24	\$29.24	\$29.24	\$29.24
Financial Strength	AA-S & P	AA-S & P	AA-S & P	AA-S & P	AA-S & P	AA-S & P
Policy Features	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★
Customer Service	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★

LifeDirect's Overall Customer Rating

LifeDirect customers rate our service. Here's our live rating:



Acquisition update: MotorWeb

Overview

- Uses car data from government registries plus its own IP to create and sell vehicle reports to businesses/public.
- Deal announced & executed in December 2013.
- Strategically aligned: customers, industry, data
- Helps strengthen our customer connectivity, grow revenue in a new/growing market.
- Small international exposure to Australia where reports are provided to the insurance industry; attractive future growth options here.
- Annual revenue of approx. \$9m.

Progress

- Integration of the company is progressing well.
- MotorWeb advertising is fully integrated within our internal ads allocation.
- MotorWeb VIR promotion has been placed throughout the site including saved search emails.
- Actively adding MotorWeb products to pages within Trade Me and DealerBase.

MotorWeb™
Vehicle Information Authority

0800 843 847
Mon - Fri 8:30am - 5pm

Home Why use us? Take a tour Car buyer's guide \$100,000 guarantee Account holders

Get a free Vehicle Information Report™ Enter plate View Report

Powered by Trade me

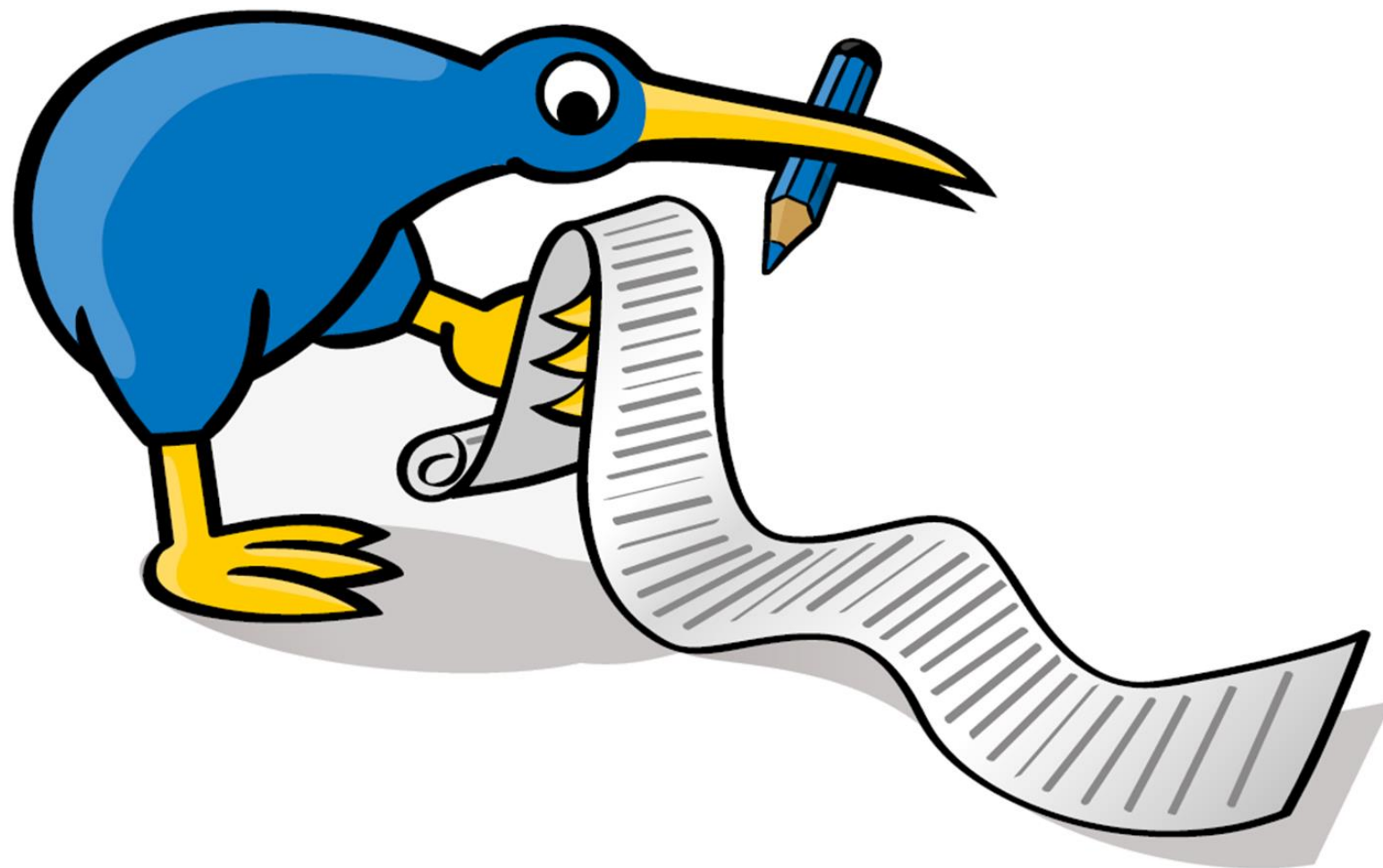
If you're about to purchase a vehicle you should get a MotorWeb Vehicle Information Report™ to find out

- If there is money owing**
A finance company can repossess the vehicle to recover past unpaid loans.
- If the odometer is inconsistent**
The vehicle could be worth far less than was paid for it.
- If the vehicle is reported stolen**
Police could seize the vehicle to return it to the rightful owner.
- If the seller is the registered owner**
Be confident the seller has the right to legally sell the vehicle

Summary investment proposition

- Strong market positions in models with strong natural advantage to the #1 player.
- Have invested in this current F14 year to secure future growth in each of the verticals and the marketplace business.
- Robust revenue models that have stood the test of time.
- Diverse set of businesses in different industries.
- Low CAPEX requirements.
- Growth sector business with good prospects.
- Balanced with a good yield.
- All with good exposure to a strong New Zealand economy.

Appendix:



Financials: H1 F14 recap

NZD \$000's	H1 F14	YoY variance	
General items	32,629	(520)	(1.6%)
Classifieds	38,563	5,469	16.5%
Other	14,459	322	2.3%
Total revenue	85,651	5,271	6.6%
Employee benefit expense	13,004	1,593	14.0%
Web infrastructure expense	1,608	(4)	(0.2%)
Promotion expense	3,206	1,938	152.8%
Other expenses	7,402	525	7.6%
Total expenses	25,220	4,052	19.1%
EBITDA	60,431	1,219	2.1%
Depreciation and amortisation	5,339	1,015	23.5%
EBIT	55,092	204	0.4%
Net finance costs	2,016	(917)	(31.3%)
Income tax expense	15,056	469	3.2%
NPAT	38,020	652	1.7%
EPS	9.59	0.16	1.7%

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

H1 F14 Revenue by segment

NZD \$000's	Actual	H1 F14	
		YoY variance	
		Var \$	Var %
General items	32,629	(520)	(1.6%)
Classifieds	38,563	5,469	16.5%
Other	14,459	322	2.3%
Total	85,651	5,271	6.6%

- General Items:** Flat with YoY revenue declining \$0.5m, however up \$0.3m on a like-for-like basis. Investment continues but payoff not expected for some months.
- Classifieds:** YoY revenue growth of \$5.5m (16.5%) spread across the Classified businesses. Motors maintains its strong market position, Jobs was a surprise over-performer, and Property maintains strong future prospects.
- Other:** YoY revenue growth of \$0.3m (2.3%). On a like-for-like basis (excluding Treat Me and Life Direct), revenue is up \$1.3m (10.2%) with Pay Now and Holiday Houses growing revenue at >30%.

Expenses – investing to build the business

NZD \$000's	H1 F14	Prior year variance	
Employee benefit expense	13,004	1,593	14.0%
Web infrastructure expense	1,608	(4)	(0.2%)
Promotion expense	3,206	1,938	152.8%
Other expenses	7,402	525	7.6%
Total	25,220	4,052	19.1%

- Building product development capability. Product development, design and technology headcount has increased from 80 in Dec 12 to 105 in Dec 13.
- Building the senior team. Senior Management Team hires in Analytics, Design and FindSomeone, with hires in Property and Advertising coming.
- Building more stand-alone strength in our Classifieds verticals.
- Building our brands. Increase in promotions expenditure driven by above the line campaigns in Jobs and Marketplace, with more planned for Property.
- Building out our business lines. The additions of LifeDirect and MotorWeb have both been EBITDA-positive, but both increase our expenses and reduce our margins.

General Items: H1 Performance

- **Revenue** fell \$520k YoY (note H1 F13 included a one-off accounting adjustment of \$800k).
- **GMS** up 0.4% YoY. Better recent performance over December (+4% YoY) and January (+2% YoY). New goods and used goods both flat when aggregated across all categories.
- **Items sold** declined 3.9% with fewer lower priced items being transacted (e.g. clothing)
- **Average sale price** increased 4.3% overall due to category mix. ASP for used increased 7.5% to \$70; new goods ASP rose 0.7% to \$47.
- **Categories:** Farming (+14%), Building & Renovation (+7%), and Home & Living (+4%) enjoyed growth. Laggards include non-digital media e.g. DVD's (-17%) Books (-11%) and Gaming (-6%).
- **Investment:** An additional ~\$1.4m invested in promotion and people in H1 YoY (capitalised development additional to this). Focused on the buyer experience and functionality, and consumer promotions.

Growth YoY	H1 F14
Items sold	(3.9%)
Gross sales value	0.4%
Revenue	(1.6%)

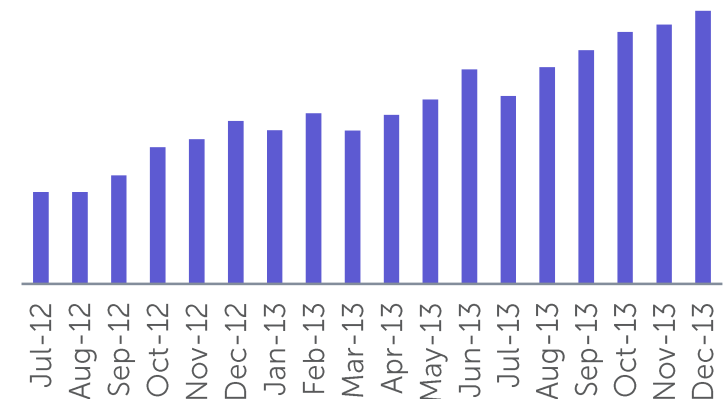
Classifieds: Motors in H1

- **Revenue** up 16% YoY lead by dealer revenue and premium uptake.
- **Listing volumes grew** 1.8% (directs +0.8%; dealers +3.5%) - expect this to remain flat.
- **Yield increased** from ongoing premium products & dealer price increases. Direct yield +9.2%, with Dealer yield +23.3%.
- **Premium spend:** average spend per dealer was \$288/month (+38% YoY).
- **Delivered innovation:** sell process improvements, DealerBase, boats category & new premium products.
- **Future growth levers** include product enhancements (sell process and data), yield opportunities (premium products) & people (account management & tech).
- **Investment:** MotorWeb acquisition and some promotional and Trade spend.

Motors Superfeature product



Monthly dealer premium revenue



Classifieds: Property performance in H1

- **Revenue** up 15% YoY – a strong result given the headwinds from falling For Sale listings in the NZ property market.
- **Direct listings** decreased in line with market - corresponding mix impact.
- **Agent revenue** grew strongly with premium products & a small rate-card impact. Volumes declined slightly (2.1%) as per expectation.
- **Product enhancements** include agent branding on super-feature, automatic reporting for agents & introducing the API.
- **ATL campaign** – clearly articulating the benefits of listing on Trade Me Property.
- **Investment:** an additional ~\$800k H1 YoY expense. Additional people, infrastructure and promotional spend to increase capability, improve usability, and defend our leadership position. Capital Development spend additional to this.



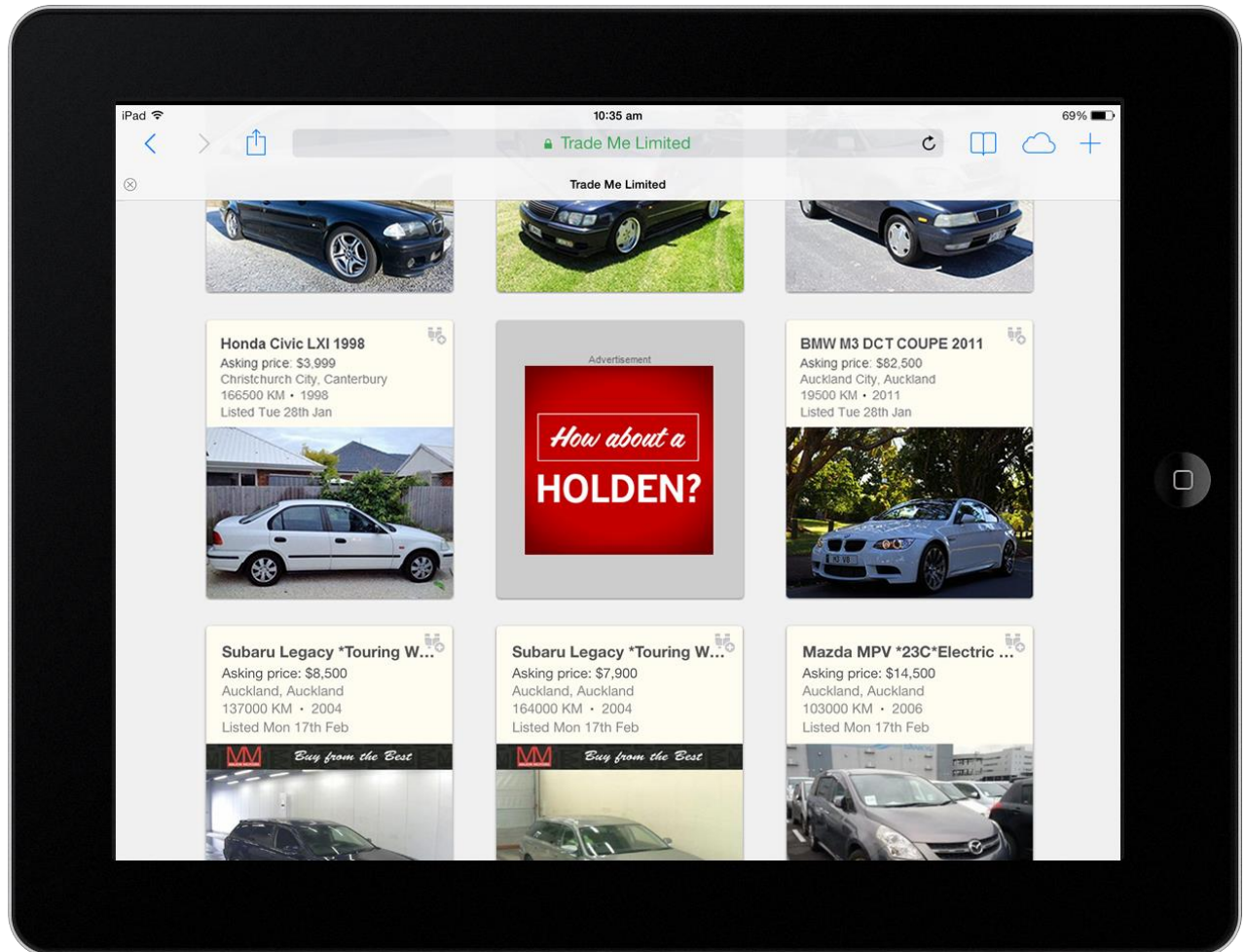
Classifieds: Jobs in H1

- **Revenue** up 21% YoY based on both volume and yield.
- **Listings:** Ongoing volume increase; listing growth of 18% YoY. Listings index vs. Seek improved to 82% at the end of H1 (76% six months ago), driven by good account management, advertising and a growing market. 85% share currently.
- **Yield:** both direct and agent grew marginally; outlook flat.
- **New products:** have included agent branding, new >\$100k and Executive categories.
- Targeting revenue growth via improved product and consumer awareness.
- Longer term opportunity to improve the relevance of search results and email job alerts. We're awake to the the threat of disruptive models and the evolution required for jobs boards.
- **Investment:** an additional ~\$430k YoY H1 expense in people and promotional spend to increase capability in management (dedicated product and marketing managers), and continuing to build the brand for both consumers and the trade (recruitment community). Capital development spend additional to this.



Other: Advertising

- Modest display revenue growth of 6.2% YoY; and a slight decline in partnership income.
- Now selling partnership opportunities in mobile – still a nascent market in NZ, but great potential.
- Invested in new senior team: Operations manager started September 2013. New Head of Advertising started in April 2014.



Other: Smaller businesses H1 performance

LifeDirect
by trademe

LifeDirect has exceeded internal targets & continues to benefit from TME ownership and audience. Policy numbers up 50-60% last year.

Holiday Houses
For better places to stay

Holiday Houses delivered revenue growth of 48.5% YoY (including Holiday Homes). The combined business has a strong platform and will benefit from ongoing investment.

travelbug **bookit**

Travelbug & BookIt revenue growth of 10.3% YoY.

findsomeone 
helping you find someone special

FindSomeone revenue growth slowed slightly with 9.3% growth. New head of FSO appointed and plans to stimulate activity.

PayNow

PayNow revenue growth of 32.3%; investing to further expand its use (from ~17% of total GMS currently).

trademe
services

Services revenue growth of 20.9%.

Financials: Net finance costs

- **Finance income** increased via funds on term deposit.
- **Finance cost** decreased with smaller net debt and improved effective rates.
- Net finance costs decreased \$0.9m YoY in H1F14.
- Committed cash advance facility extended to September 2016 (& reduced to \$166m).
- Continue to fix a greater portion of our term debt - increased cash flow certainty.

H1 Net Finance Costs

\$000's	Finance income	Finance costs	Net finance costs
H1 F14	1,052	3,068	2,016
H1 F13	939	3,872	2,933
Var	113	(804)	(917)
	12.0%	(20.8%)	(31.3%)

Financials: Cash flow

- Operating cash flow increasing faster than revenue in H1 F14
- \$24m spent on acquisitions in H1 F14
- Cash held decreases; despite increased operating cash flow, it was more than offset by increasing dividends and acquisitions

	H1 F14	H1 F13	Var
Cash flows from operating			
Receipts from customers	95,548	91,744	3,804
Payment to suppliers & employees	(35,909)	(35,578)	(331)
Income tax (paid)	(15,401)	(20,850)	5,449
Interest received	1,084	892	192
Cash flows from operating	45,322	36,208	9,114
Cash flows from investing			
Payment for purchase of PPE	(1,010)	(879)	(131)
Payment for purchase of intangibles	(2,939)	(907)	(2,032)
Receipts from loan	150	-	150
Business acquisitions	(23,500)	(3,327)	(20,173)
Cash flows used in investing	(27,299)	(5,113)	(22,186)
Cash flows from financing			
Dividends paid	(37,111)	(30,888)	(6,223)
Interest paid on borrowings	(3,784)	(3,323)	(461)
Cash flows used in financing	(40,895)	(34,211)	(6,684)
Net decrease in cash	(22,872)	(3,116)	(19,756)
Cash at beginning of period	48,857	39,135	9,722
Cash at end of period	25,985	36,019	(10,034)

Financials: Balance Sheet

	31 Dec 13	30 June 13	var
Cash & cash equivalents	25,985	48,857	(22,872)
Trade and other receivables	10,217	9,004	1,213
Property, plant & equipment	5,167	5,449	(282)
Goodwill and Intangibles	804,219	776,375	27,844
Other assets	2,635	1,767	868
Total Assets	848,223	841,452	6,771
Trade and other payables	13,447	11,522	1,925
Long Term Debt	165,734	165,858	(124)
Other Liabilities	6,633	7,006	(373)
Total Liabilities	185,814	184,386	1,428
Net Assets	662,409	657,066	5,343

- Cash decreased due to acquisitions
- As previously indicated we lengthened debt facility from Dec 2014 to Sept 2016 and reduced the facility (now syndicated) from \$200m to \$166m
- Increased our debt hedging with ~60% of term debt, and lengthened our debt maturity to secure certainty
- Significant headroom in debt covenants.