



## **Chairman's Address to Annual Meeting, 8 November 2018**

### *Welcome*

In 2018, the financial performance of your company continued to be strong. The company grew revenue by just under 7% year-on-year, and net operating profit by 4% over the same period. New records were achieved again in both revenue and earnings.

2018 was a year in which costs grew faster than revenue, but we feel confident these investments will deliver good returns in the future.

I have said this many times in the past, but I think it is important to repeat: the Board and management always takes the long-term view when investing your money.

The total regular dividend payment for 2018 was 19.6c per share, an increase of 6% on the previous year.

In addition, the Board decided to pay a special dividend of 22.0c per share in September this year. Since listing, Trade Me has consistently paid down debt. After the payment of the special dividend, the company has about the same amount of debt it had when first listed, and about the same gearing as Australian peers in the same sorts of businesses. We retain plenty of balance sheet flexibility for future investment.

As you know, Trade Me's two main businesses are a Marketplace business selling new and used goods and a suite of three classified advertising businesses, Trade Me Property, Trade Me Motors and Trade Me Jobs.

In 2018, the Classifieds grew revenue at 12.3% per annum, with all three businesses producing double-digit revenue growth. The Marketplace grew revenue at just 1.3% in 2018, which was lower than previous years. The team are working hard to accelerate growth, particularly in new goods.

Ignoring 'Other Revenue', Classifieds contributed 66% of revenue and Marketplace 34% of revenue in 2018. Trade Me's prospects continue to be increasingly tied to the performance of its Classifieds' businesses.

We are always looking for opportunities to boost and grow the Classifieds businesses, so we were disappointed the Commerce Commission prevented our purchase of Motorcentral during the year. We disagree with the Commission's assessment and believe they over-complicated the analysis, but we do accept their role as the referee in these matters. What we found very frustrating was the length of time it took them to assess the issues and

come to a conclusion. They took 8 months to come to a conclusion on our proposal to acquire a 16-person business, and over 2 months more to release their written decision. That's not acceptable in a business world which is technology-based and fast moving. In the interests of New Zealand business generally, the process of the Commerce Commission needs to improve.

The Board believes there are opportunities for Trade Me to play a part in a wider range of transactions in sectors of the New Zealand economy where we are not currently participating. We are beginning to take our first steps to achieve this and the small investment we made in Sharesies late in the year is one example.

As I always do at this time, on behalf of the Board and shareholders, I thank Jon Macdonald and his team very much for everything they have achieved together in 2018. The team has worked very hard to continue Trade Me's growth and to position the company for continuing success.

Perhaps the biggest news of all this year came in June when Jon announced his intention to step down. He has been Chief Executive of Trade Me for more than 10 years. He has led the company through a period in which it has increased in value by at least a billion dollars.

Jon adapted from leading a division of a large corporate, to leading a public company, and from leading a predominately Marketplace business to a predominantly Classifieds business. He has led Trade Me through a more than 4-fold increase in employees, and from one Wellington office to established bases in Auckland, Wellington and Christchurch.

His openness to change, clarity of thinking and ability to marshal a great team have been central to the success of Trade Me over the last 10 years.

The Board is engaged in the recruitment of a new CEO, and I will let you know as soon as we have news to share on that.

On behalf of the directors, employees, shareholders and perhaps most important of all, hundreds of thousands of Trade Me buyers, sellers and customers, I thank Jon very much for all he has contributed to this iconic New Zealand business and wish him all the best in the future.

Ends.