

Trade Me Half year results

For the 6 months ended 31 December 2014

Jon Macdonald

CEO

Jonathan Klouwens

CFO

Agenda

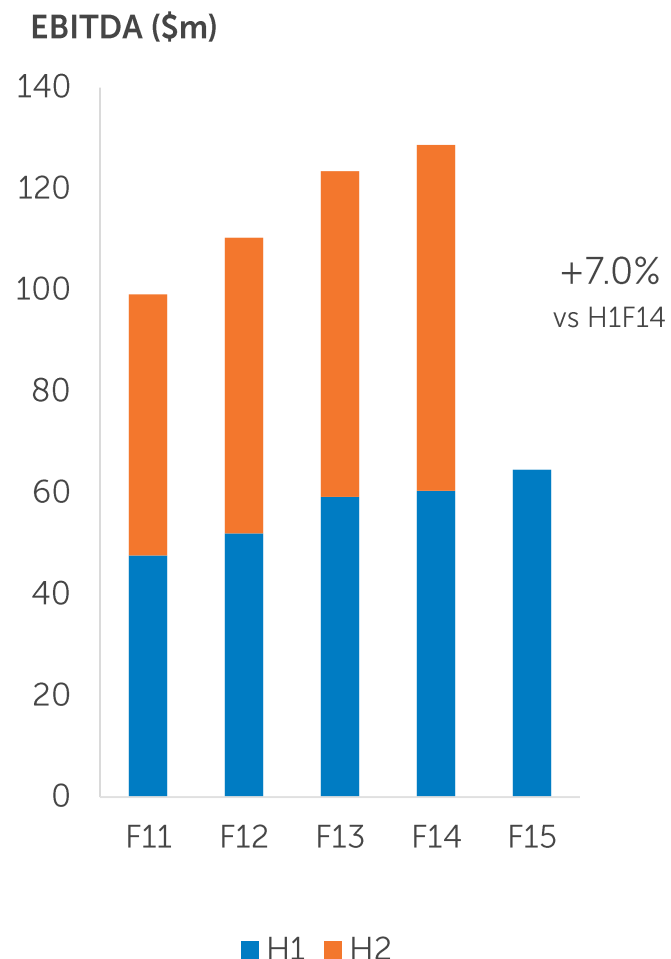
Overview	Jon Macdonald
Divisional performance	Jon Macdonald
Financials	Jonathan Klouwens
Trading and outlook	Jon Macdonald
Questions	Jon Macdonald and Jonathan Klouwens

Summary

- Revenue up 13% year-on-year to a record \$96.9m, underpinned by strength in Classifieds, where revenue was up 24% year-on-year to \$47.7m.
- EBITDA for H1 F15 was \$64.6m, up 7% year-on-year. Net profit after tax of \$38.4m for H1, up 1.1% year-on-year. Earnings per share of 9.69 cents, up from 9.59 cents last year.
- Good delivery on stated plans to invest in and strengthen the business.
- Significant retooling of the business completed. Jobs, Motors, Property and General Items marketplace are now more self-contained business units, with tech responsibility in each business.
- Executive team upsizing complete with two key appointments: Trent Mankelow (Product) and Stuart McLean (Marketplace). 65 other new hires in the year to January. 62 more hires expected by the end of F15.
- Motors and Jobs growing well. Property stable, with stronger team and products improving. General Items marketplace still flat. Smaller businesses growing and becoming more meaningful.
- Increased the options and opportunities with investment in Harmony (a peer-to-peer lending business) and acquisitions of the Paystation Group (payments) and Viewing Tracker (rentals management).
- On track for full year results to deliver on intentions set in August 2014 – low double-digit revenue growth, elevated expense growth, and therefore subdued EBITDA growth.
- Trade Me is growing stronger through this work and investment – with better products, improved sales and account management, and great future options via both organic and acquired means.

Overall results: Financials as per guidance

NZD \$'000	F15 H1	F14 H1	Prior year variance	
Revenue	96,899	85,651	11,248	13.1%
Expenses	32,268	25,220	7,048	27.9%
EBITDA	64,631	60,431	4,200	7.0%
<i>EBITDA margin</i>	<i>66.7%</i>	<i>70.6%</i>		
Depreciation	7,435	5,339	2,096	39.3%
EBIT	57,196	55,092	2,104	3.8%
<i>EBIT margin</i>	<i>59.0%</i>	<i>64.3%</i>		
Net interest cost	3,716	2,016	1,700	84.3%
Profit before tax	53,480	53,076	404	0.8%
Income tax	15,040	15,056	(16)	-0.1%
Net profit	38,440	38,020	420	1.1%
Earnings per share	9.69	9.59	0.1cps	1.0%



Interim dividend of 7.7cps, fully imputed, up 1.3% YoY.

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

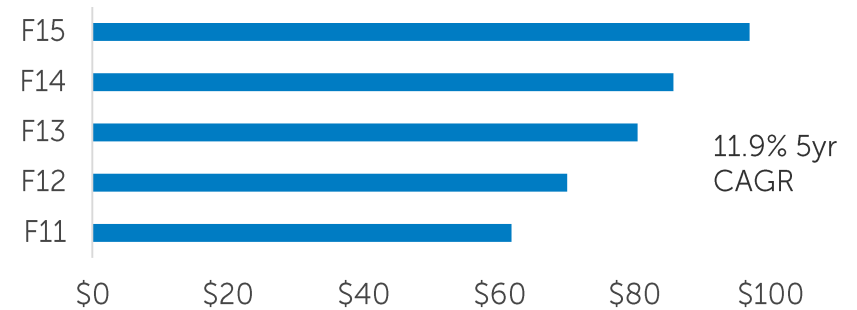
F15 H1 progress: Delivering on our plan

What we said we'd do	What we've achieved
A year of investment, principally in tech staff	<ul style="list-style-type: none"> • Headcount increased from 355 at June 2014 (332 FTE) to 424 at January 2015 (399 FTE). Tech staff increase from 134 to 189 FTEs by the end of January • Moved to a new purpose built environment with productivity benefit. Material improvement in measured engagement (IBM Kenexa); finalist in NZ Best Places To Work 2014
Improving the products we offer	<ul style="list-style-type: none"> • Created and filled a Chief Product Officer role (Trent Mankelow) reorganising tech squads around this key function. ~60 additional people focused on product; 50 more planned in H2 • Released product improvements: Supergrid released in 9 of 23 categories, Motors data and MotorWeb integration, Jobs Talent Chaser, Property agent leads prototypes
Strengthen our sales and account management capability	<ul style="list-style-type: none"> • Strategic review of Property sales force completed and hiring commenced. Now reviewing Motors and Jobs • Created 13 new sales/commercial roles in Property, doubling that part of the team
Use mobile as a platform for growth	<ul style="list-style-type: none"> • Mobile app focussed tech staff increased from 12 to 21 people • Development progress includes: iPhone app, iPad app, iOS property app upgraded for iOS8 and iPhone 6, Android navigation upgrades, and mobile shopping cart
Get into new businesses and grow new revenue streams	<ul style="list-style-type: none"> • Acquisition of Viewing Tracker, the Paystation Group and minority investment in Harmony (fast-growing P2P lender). • Nurturing LifeDirect with H1 revenue growth of 178% (~65% on a like-for-like basis)

Revenue: Pleasing total growth

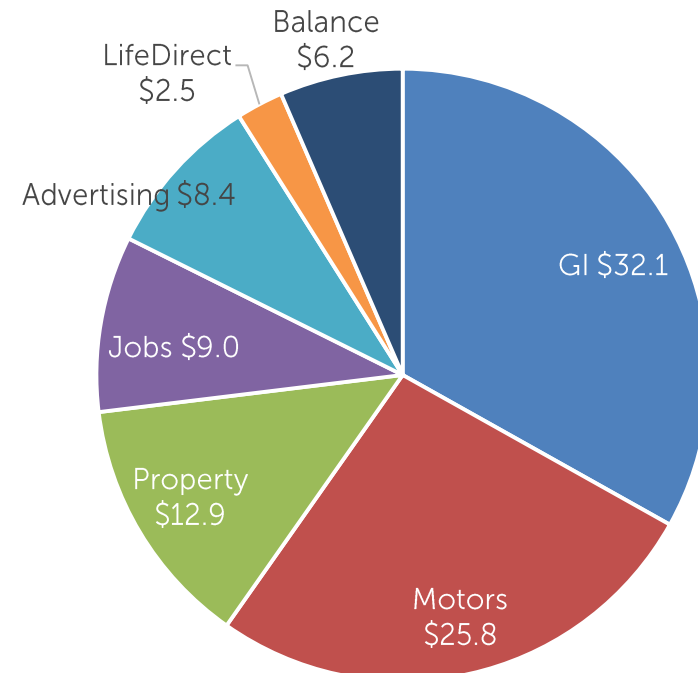
NZD \$'000	F15 H1	F14 H1	Prior year variance	
General Items	32,144	32,629	(485)	(1.5%)
Classifieds	47,660	38,563	9,097	23.6%
Other	17,095	14,459	2,636	18.2%
Total	96,899	85,651	11,248	13.1%

H1 Revenue Growth (\$m)



- **General Items:** Declining slightly with revenue down \$485k (1.5%) on H1 F14.
- **Classifieds:** Strong YoY revenue growth of \$9.1m (23.6%) with all 3 businesses delivering growth. The result is driven by Motors with the inclusion of MotorWeb in F15 as well as strong growth in Jobs and the remainder of the Motors business.
- **Other:** YoY revenue growth of \$2.6m (18.2%), led by a full six months of LifeDirect (7.8% excluding LifeDirect).

H1 Revenue composition (\$m)

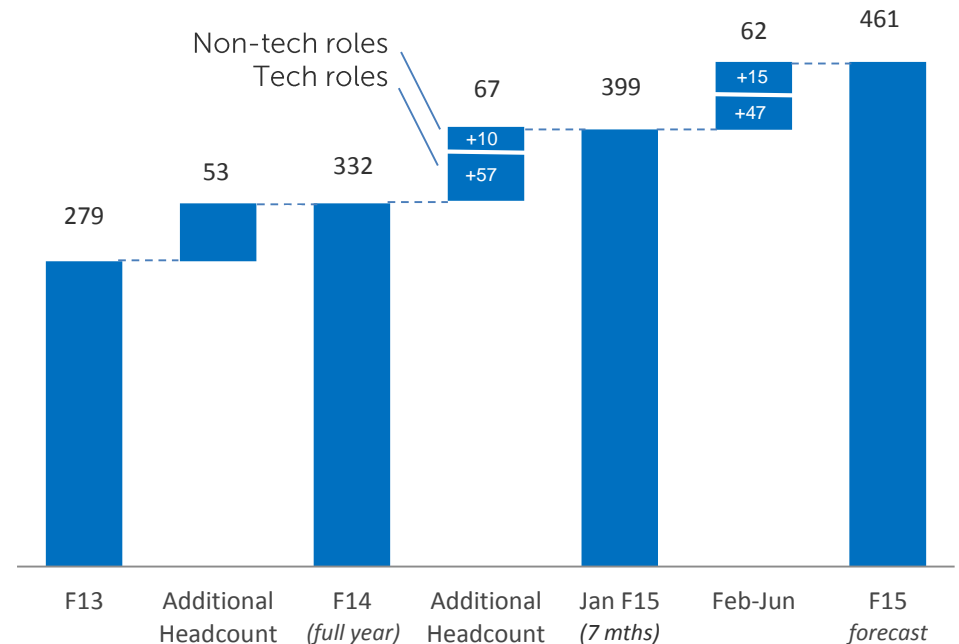


Expenses: Investing to build the business

NZD \$000's	F15 H1	F14 H1	Prior year variance	
Cost of sales	5,336	3,352	1,984	59.2%
Employee benefit expense	14,533	13,004	1,529	11.8%
Web infrastructure expense	2,019	1,608	411	25.6%
Promotion expense	4,085	3,206	879	27.4%
Other expenses	6,295	4,050	2,245	55.4%
Total	32,268	25,220	7,048	27.9%

- As signaled, over the past year we have continued to invest to build product development capability (mostly capitalised), our senior team, and to promote our businesses (note that \$2.3m of the increase is due to MotorWeb – 9%pts of the 28%).
- Filling in and strengthening leadership capability, tech capacity, product & design, and commercial resource – both capability and capacity.
- A similar increase (~\$7m) in absolute investment is planned for H2.
- Phasing of this investment will naturally have flow on implications to F16.

Jan YTD Headcount change (FTEs)



Divisional performance



General Items: Increased product delivery

Growth YoY	F15 H1	
Gross sales value	2.4%	But declined slightly (1%) when excluding one-off high value radio spectrum auctions
Items sold	0.1%	Items sold flat
Average sale price	(1.7%)	Mix shift to New goods with lower ASP
Watchlist adds	2.0%	Buyer intent continues to grow
Unique buyers	0.9%	Another 7,000 buyers on the site in the last 6 months
Revenue	(1.5%)	Revenue largely followed gross sales

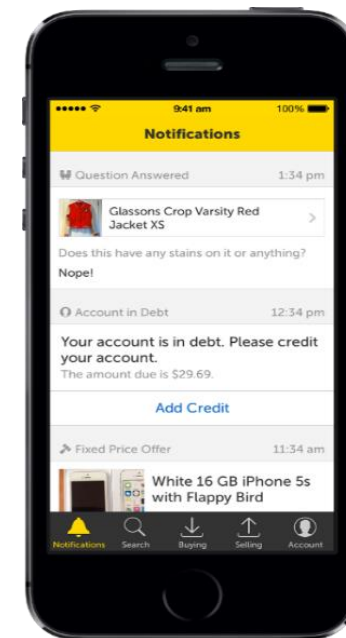
Stuart McLean started in early February to lead this business – ex-head of ANZ Google Enterprise and Xero CRO

Product investment

- Improving buyer experience. Supergrid launched to nine (of 23) categories; the balance in H2.
 - Positive lift of ~2% in success fees; unique buyers and watch-listing up 2-3%, but with 12% drop in premium fees.
 - Results vary based on competitiveness of category and suitability for visual treatment.
 - Revenue slightly negative, but better engagement.
- Shopping Cart launched for all buyers, including product recommendations on cart page.
- Combined Shipping capability rolled out for buyers and sellers. Approx. 650 sellers offering combined shipping deals.
- New listing detail page increases focus on New Goods launched to mobile categories. Initial results show improved purchase conversion. Further roll-out now under way.

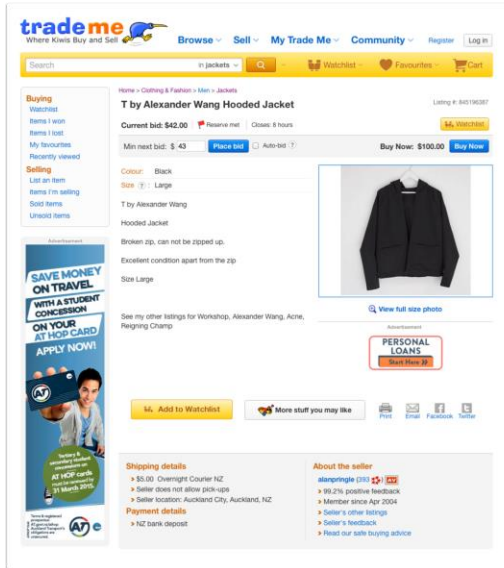
Sourcing supply

- Account managed supply generated \$1.6m in gross sales value in December. Up from \$1m in June 2014.

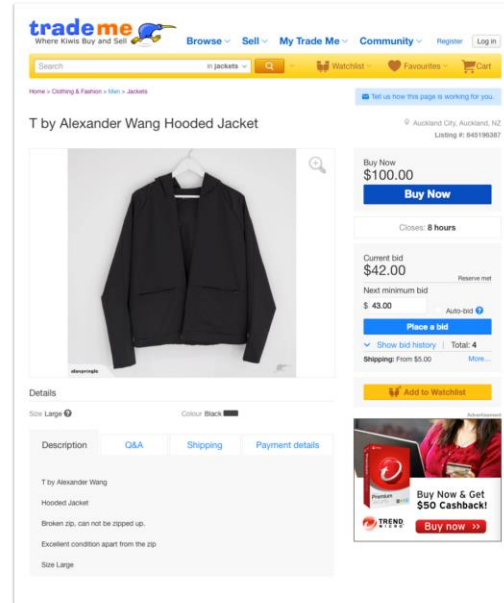


General Items: New listing pages

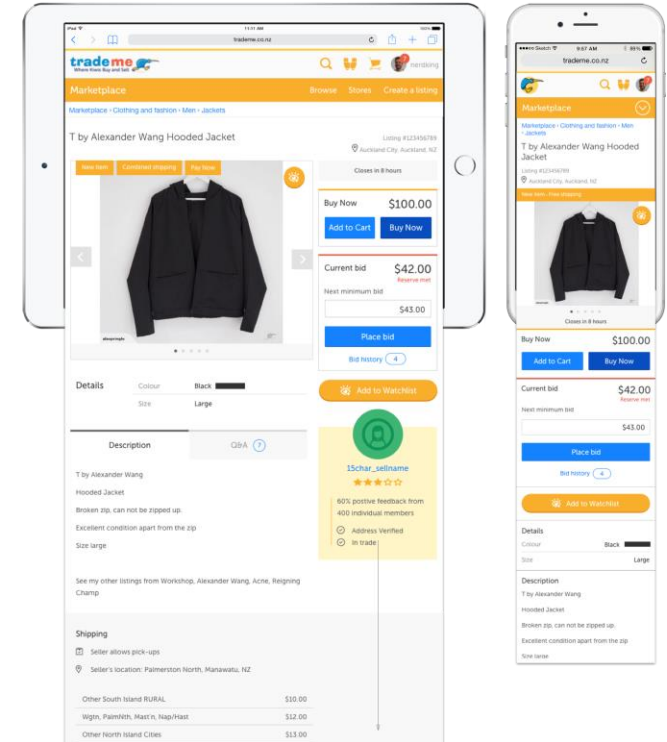
From the old...



to the new...



towards fully responsive.



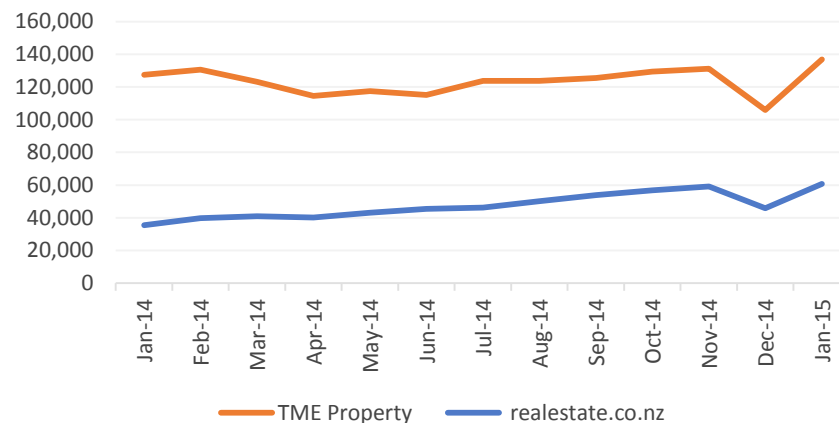
- New listing pages have resulted in cleaner layouts, better aligned with the modern e-commerce experience.
- Purchase conversion has improved as a result – now being rolled out across the site.
- Future responsive design ensures the images and layout are optimised on all devices regardless of size or operating platform.

Classifieds: Property progress

- Revenue up 2.4% YoY – fewer homes for sale in NZ, and a dip in listings after the shift to pay-per-listing model
- Direct for-sale listings decreased 11.0% in H1 largely driven by market contraction. Direct 'for sale' revenue down 12.4%
- Agent revenue grew 11.5%. Volumes in 'for sale' decreased 26.5%, yield up 45%. Subscription is ~45% of total listings
- Agent rental revenue up 30.9%; yield up 36.1% and volumes down 3.9%
- Maintaining large audience lead: average daily UBs increasing; +3% vs H2 F14. January: 136k per day
- Product enhancements in the last 6 months: Agent Information Centre, Windows 8 App, For sale & For rent price index, and agent leads modelling and programme
- Viewing Tracker acquired to make it easier for our customers to manage their rental property inventory

We continue to have a huge audience advantage...

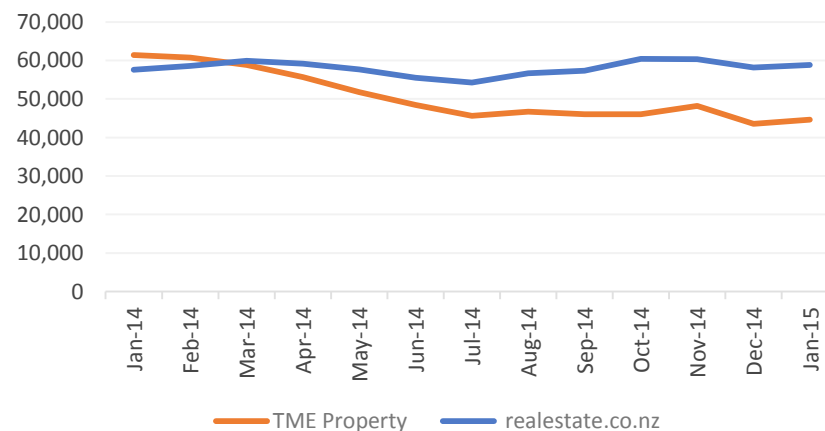
Property Average Daily UBs



Source: Nielsen Online January 2015

...and have stabilised For Sale listings

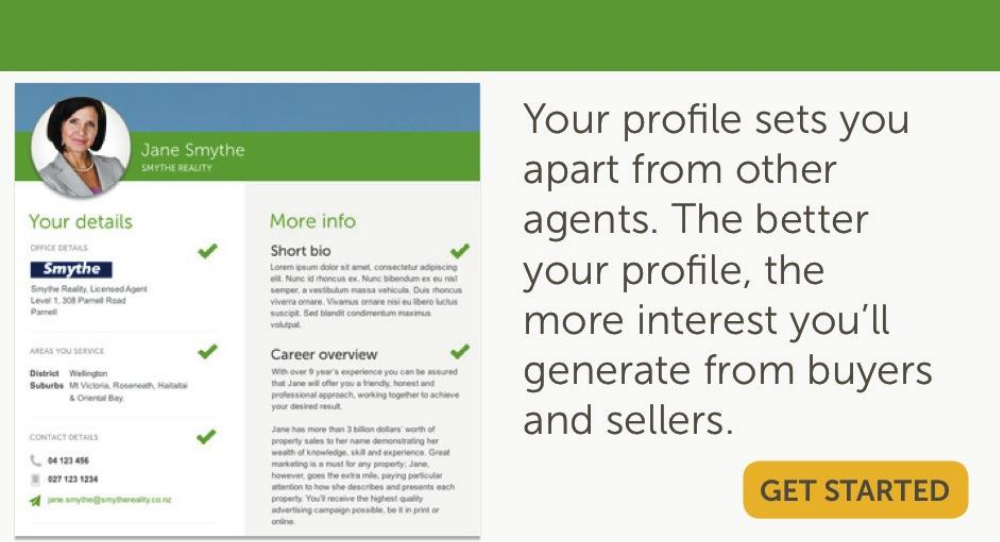
For Sale Live To Site Listings



Classifieds: Ongoing property priorities

- **Strategic review of sales team completed;** implemented with growing sales headcount (~50% during H1). New sales director from Spark started in February.
- **Working directly with Agents and Offices** – showing value of TMP to those who sell properties.
- **Ongoing Product and mobile improvements:** Increased Property tech head count by ~75%. Still filling roles in H2. New head of Product – Alistair Helm.
- **Targeted regional activity** – investing in under-resourced regions; slow going but worthwhile.
- Continue to think about the whole property value chain and where **we can add value** with our huge audience and product advantages.

Providing stronger links between agents and sellers



The image shows a digital profile for Jane Smythe, a real estate agent. The profile is divided into several sections, each with a green checkmark indicating it is complete or verified. The sections include:

- Your details:** Office details for Smythe Realty, Licensed Agent, Level 1, 308 Parnell Road, Parnell.
- Areas you service:** District: Wellington; Suburbs: Mt Victoria, Roseneath, Hattala & Oriental Bay.
- Contact details:** Phone numbers 04 123 456 and 027 123 1234, and email jane.smythe@smytherealty.co.nz.
- More info:** Short bio and Career overview.

The Career overview section states: "With over 9 year's experience you can be assured that Jane will offer you a friendly, honest and professional approach, working together to achieve your desired result." Below this, it says: "Jane has more than 3 billion dollars' worth of property sales to her name demonstrating her wealth of knowledge, skill and experience. Great marketing is a must for any property. Jane, however, goes the extra mile, paying particular attention to how she describes and presents each property. You'll receive the highest quality advertising campaign possible, be it in print or online."

At the bottom right of the profile, there is a prominent yellow button with the text "GET STARTED".

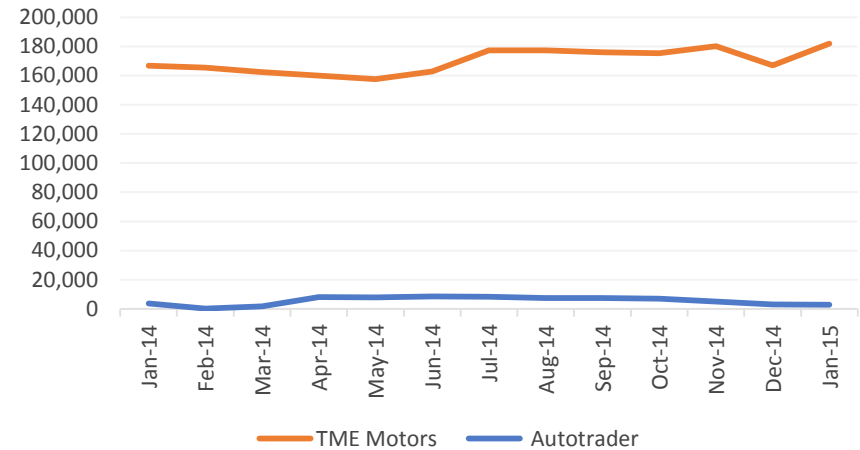
Your profile sets you apart from other agents. The better your profile, the more interest you'll generate from buyers and sellers.

Classifieds: Motors strengthens its market position

- Revenue up 40.6% YoY, led by dealer revenue, premium uptake, & MotorWeb in F15 H1. (Excluding MotorWeb: revenue up 14.2%)
- Listings growth: directs +4.1%; dealer numbers (subs) +10.2%
- Yield also increasing in H1: directs +4.2%, dealers +10.6%
- Premium spend: dealer premiums and other services up 36% for H1
- MotorWeb: site redesign, pre-purchase packs, listing integration, bundle deals, and selling VIRs
- New functionality: Dealer product bundled offerings, VIR packages plus a number of new initiatives pending release

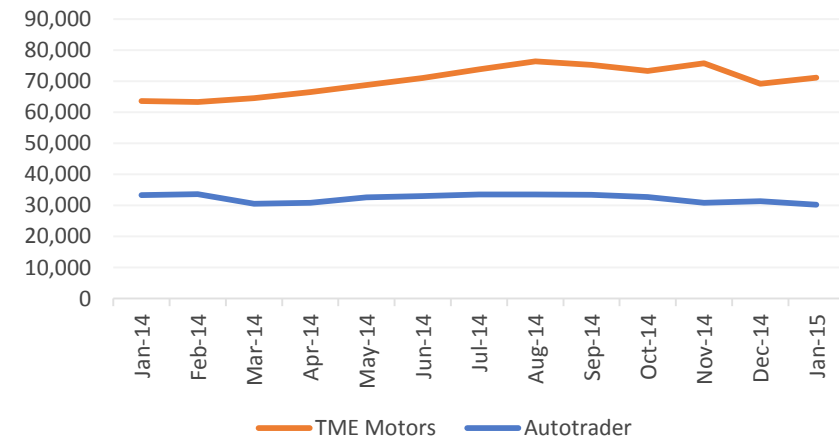
Motors grows both audience and listings advantage...

Motors Average Daily UBs



Source: Nielsen Online January 2015

Motors Live To Site Listings



MotorWeb VIR Packs

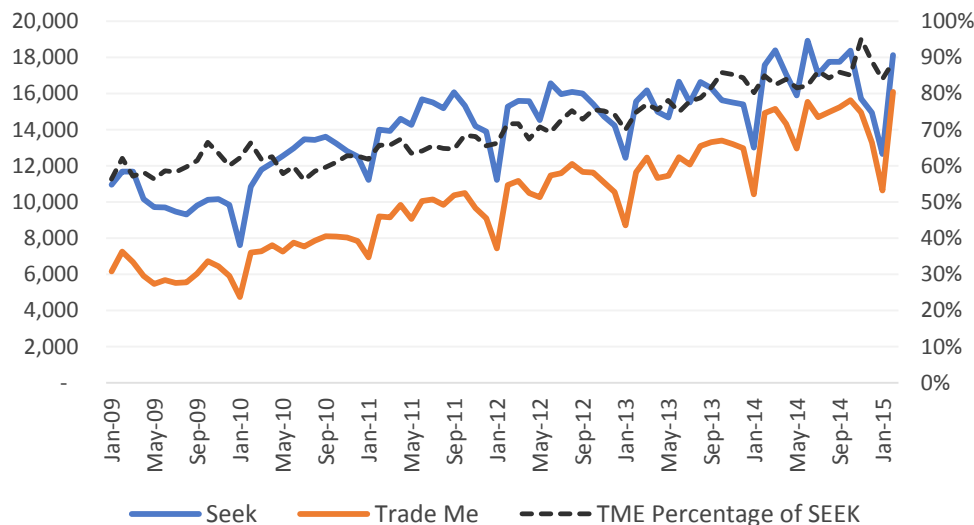
The graphic features three circular icons labeled 'Report 1', 'Report 2', and 'Report 3'. Report 1 shows a yellow car, Report 2 shows a blue motorcycle, and Report 3 shows a red SUV. Below these is a teal banner that reads 'FOR A LIMITED TIME'. To the right, a large teal '\$39' is displayed with a smaller circle indicating 'SAVE \$20.85'. At the bottom right is an orange button that says 'Buy the Pack'.

Classifieds: Jobs still rolling on

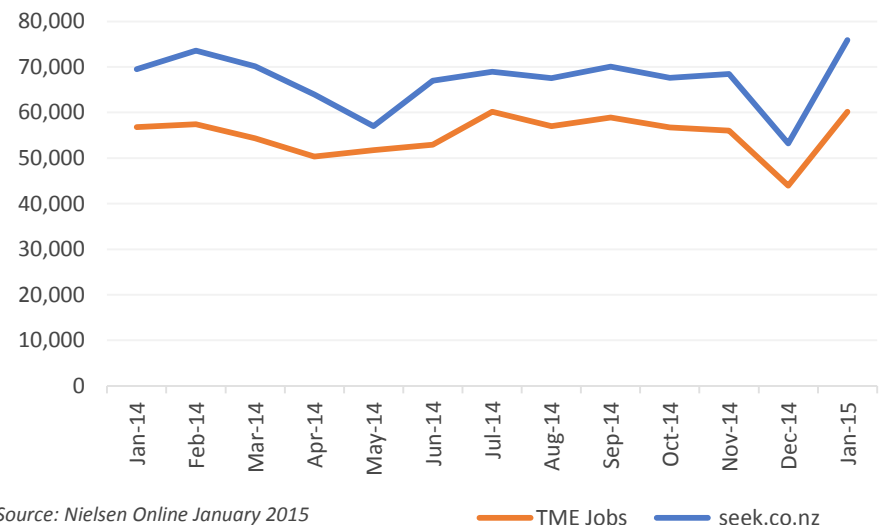
- Revenue up 17.8% YoY driven predominantly by listings growth.
- Listings: Total listing growth of 15.3% from F14 H1. Continue to gain on Seek with ~90% of its listings volume.
- Yield: Direct yields increased 6.1% whilst job packs and volume plan yield remained flat.
- New products: Talent Chaser (targeted ads to candidates using display inventory and member data) has been well received driving incremental trade interest.
- Accelerated product development will now be possible with a larger team – core product health, personalisation and connection opportunities.



Jobs Live To Site Listings



Jobs Average Daily UBs



Source: Nielsen Online January 2015

TME Jobs seek.co.nz

Acquisitions: Creating great growth opportunities



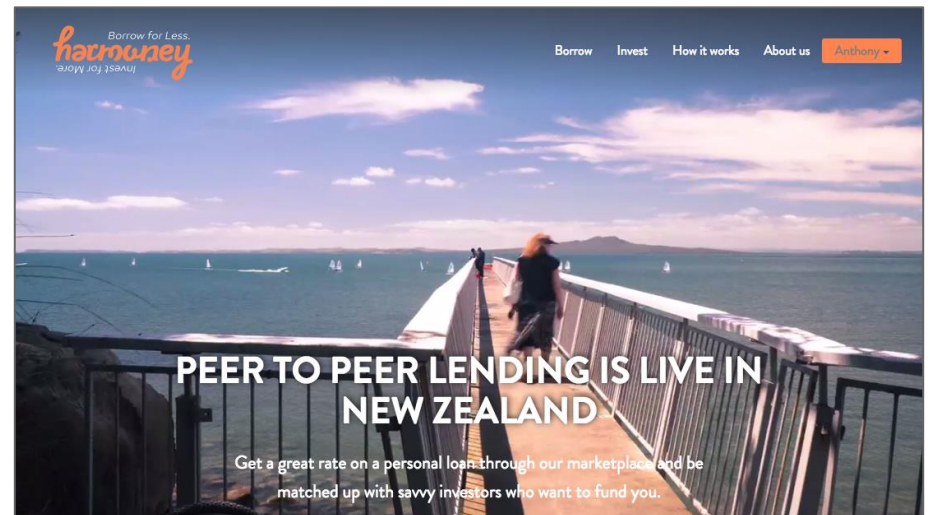
- Acquired Paystation Group in September 2014
- Modest revenue contribution since acquisition
- Significantly enhances our payments capability and improves resilience in our credit card processing
- Provides growth options for PayNow



- Acquired Viewing Tracker in December 2014
- Automated tenant booking software
- Significant product enhancement to our property rental classifieds business
- Part of overall plan to continue to expand TMP's reach in the property market and our members' real estate journeys



- Acquired 15% of peer-to-peer lending platform Harmony for \$7.7m in January 2015
- Commercial arrangement for promotion across Trade Me
- Strategically Harmony is highly aligned with our existing business, and has good future customer segmentation and acquisition opportunities
- Will be equity accounted

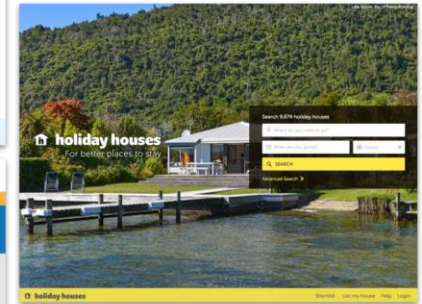
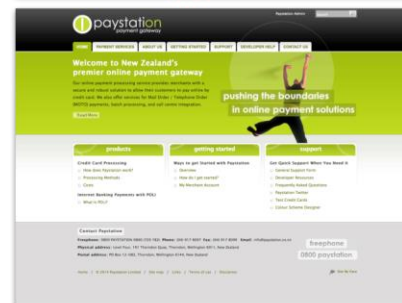
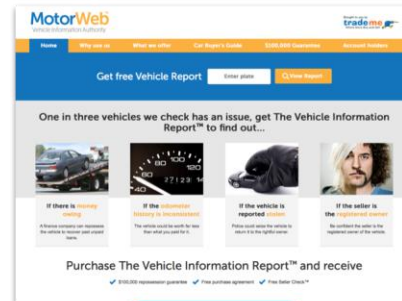


Acquisitions: Rationale

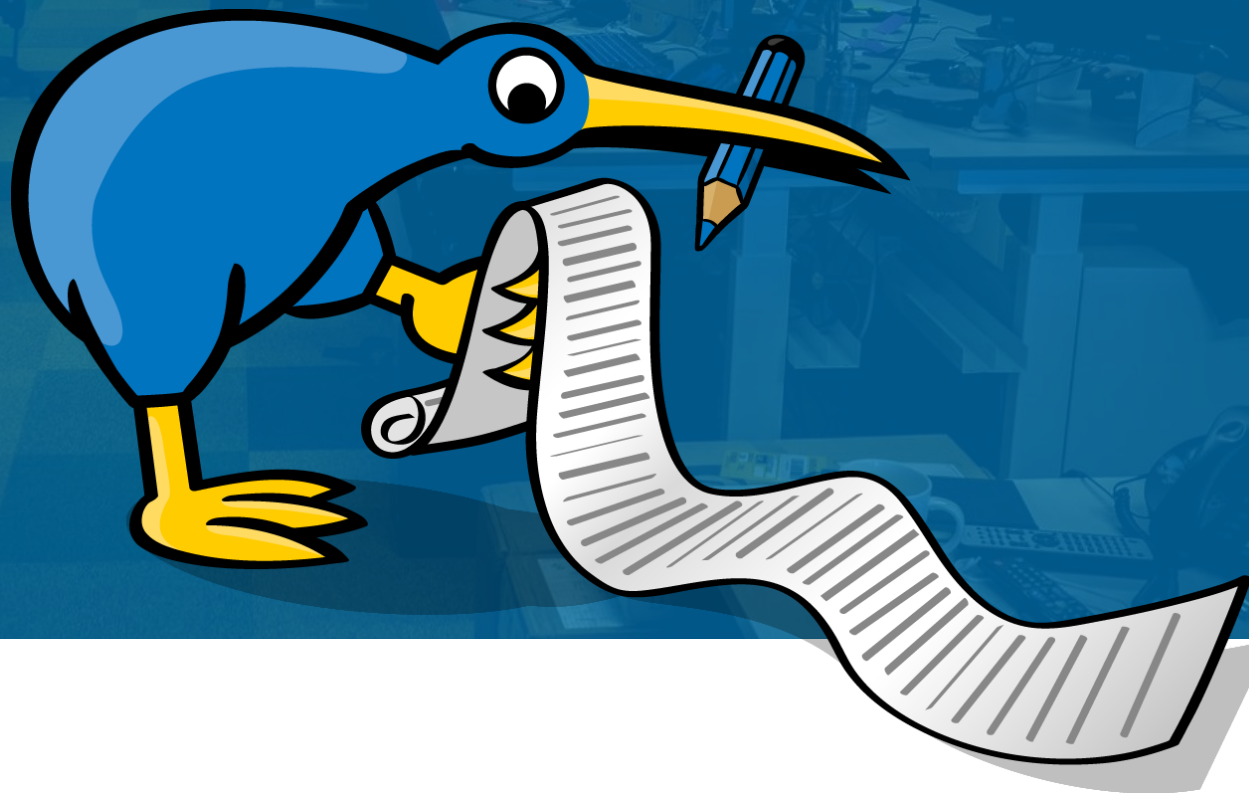
We look to make these acquisitions where:

- We can improve the performance or offerings of one of our existing businesses (e.g. AutoBase)
- There is natural market consolidation (e.g. Holiday Houses)
- There is a natural adjacency (e.g. MotorWeb extends Trade Me Motors)
- Our audience and data rapidly advances someone else's offering (e.g. LifeDirect and Harmony)
- We accelerate our capability to deliver faster product innovation (e.g. Playstation Group and Tradevine)
- It provides us with the opportunity to sensibly expand overseas. May be NZ-based businesses (NB: MotorWeb has an Australian offering) or offshore.

We'll continue to hunt for new, interesting or disruptive opportunities. Have invested in capability to do this with hiring of Alan Clark as corporate development manager.



Financials



Financials: H1 recap

NZD \$000's	F15 H1	F14 H1	YoY variance	
General Items	32,144	32,629	(485)	(1.5%)
Classifieds	47,660	38,563	9,097	23.6%
Other	17,095	14,459	2,636	18.2%
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Earnings per share	9.69	9.59	0.10	1.0%

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: small increase due to favourable term deposit rates
- Finance costs: increase almost entirely due to swing in fair value of interest rate swaps: H1 F14 included a net gain on revaluing swaps of \$0.5m while H1 F15 includes a net loss on revaluing swaps of \$0.9m
- Net finance costs increased \$1.7m YoY
- Hedging coverage currently around 64% of net debt
- Excluding the fair value adjustment for interest rate swaps, profit before tax has increased 3.4% YoY

F15 Net Finance Costs

\$000's	Finance income	Finance costs	Net finance costs
F15 H1	1,151	4,867	3,716
F14 H1	1,052	3,068	2,016
\$ Variance	99	1,799	1,700
% variance	9%	59%	84%

Underlying profit excluding impact of swaps at reporting date

NZD \$000's

Profit before tax

Exclude impact of swaps fair value

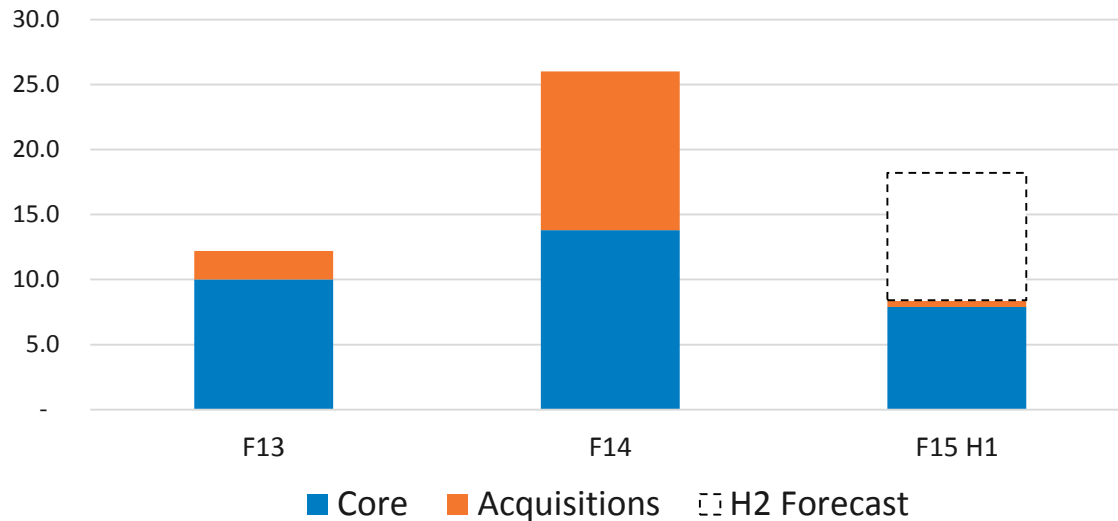
Profit before tax and fair value adjustments

	F15 H1	F14 H1	YoY variance	
	53,480	53,076	404	0.8%
	856	(550)	1,406	
	54,336	52,526	1,810	3.4%

Financials: Capex spend

- Total F15 H1 core capex (excluding software component of acquisitions) is \$7.9m, compared to F14 full year core capex of \$13.8m.
- Capitalised development (cap-dev) of \$5.6m continues to increase as we invest in our tech capacity for product development.
- Majority of cap-dev focused on improving functionality (especially in GI, Property and Motors) and mobile.
- F15 core capex likely to be below the \$20m-\$21m signaled at F14 results due to slightly slower than planned onboarding of new tech staff and lower than expected core hardware costs.
- Continue to investigate relevant acquisitions (note Harmony is not included in capex as it is an 'investment in associate')

Capex \$m



→ FY F15 forecast core capex expected to be approx. 28% growth on F14

→ First thinking of F16 capex expected to be increased on F15 forecast due to phasing of new dev heads, and increased productivity

Financials: Impact of acquisitions on depreciation & amortisation

- YoY increase in D&A of \$2.1m (39.3%) in H1, driven by increased investment in capital development
- Acquisitions all driving amortisation expense: LifeDirect, MotorWeb, AutoBase, Tradevine, Holiday Homes, Paystation Group
- Depreciation and amortisation tracking below full year estimate of \$17m

Depreciation & Amortisation (\$m)	H1 F14	H2 F14	F14	H1 F15	YoY % var
Core Capex D&A	\$2.6	\$3.5	\$6.1	\$4.7	80.8%
D&A on acquired businesses	\$2.7	\$3.5	\$6.2	\$2.7	0.0%
Total D&A	\$5.3	\$7.0	\$12.3	\$7.4	39.3%

Financials: Strong operating cash flow

- Operating cash flow (+16.4% vs pcp) increasing faster than profit before tax due to favourable working capital movements.
- \$4m spent on business acquisitions in H1 F15: Viewing Tracker, Paystation Group and Harmony (\$5.7m paid after reporting date).
- Cash held decreases slightly as increased operating cash flow is offset by increased capex and acquisitions.

	H1 F15	H1 F14	Var
Profit before tax	53,480	53,076	404
Adjustments to reconcile to net cash flows			
Depreciation and Amortisation	7,435	5,340	2,096
Share-based payment expense	(34)	462	(496)
Finance costs	4,867	3,068	1,799
Loss/(Gain) on disposal of property	(12)	29	(41)
Other	207	(572)	779
Working capital adjustments			
Decrease (inc) in trade and other receivables	1,042	(872)	1,914
Increase in trade and other payables	1,584	198	1,386
Income tax paid	(15,800)	(15,400)	(400)
Cash flows from operating	52,769	45,322	7,447
Purchase of property, plant and equipment	(1,827)	(1,010)	(817)
Payment for purchase of intangibles	(5,694)	(2,939)	(2,755)
Business acquisition	(2,000)	(23,500)	21,500
Receipts from loan	-	150	(150)
Investment	(2,000)	-	(2000)
Cash flows used in investing	(11,521)	(27,299)	15,778
Dividends paid	(37,770)	(37,111)	(659)
Interest paid on borrowings	(3,924)	(3,784)	(140)
Cash flows used in financing	(41,694)	(40,895)	(799)
Net decrease in cash	(446)	(22,872)	22,426

Financials: Balance sheet remains strong

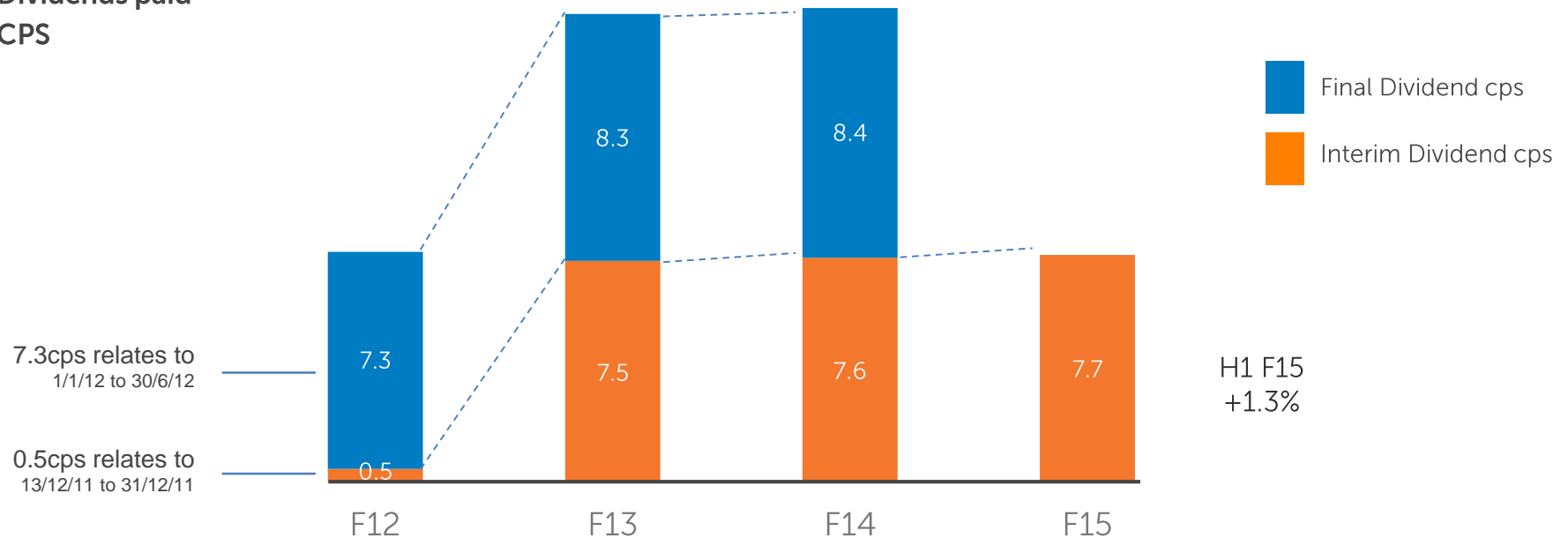
	31 Dec 14	30 Jun 14	Var
Cash & cash equivalents	41,207	41,653	(446)
Trade and other receivables	10,891	11,775	(884)
Property, plant & equipment	7,316	6,807	509
Goodwill & intangibles	806,743	804,515	2,228
Other assets	4,406	1,920	2,486
Total Assets	870,563	866,670	3,893
Trade and other payables	16,722	14,169	2,553
Long term debt	165,834	165,784	50
Other Liabilities	8,400	12,245	(3,845)
Total Liabilities	190,956	192,198	(1,242)
Net Assets	679,607	674,472	5,135

- Goodwill and intangibles increase with business acquisitions and capitalised development investment
- Other assets increase with Harmony acquisition deposit
- Trade and other payables increased with timing of GST payments
- Other liabilities decrease due to the timing of provisional tax payments
- Significant headroom in all three debt covenants (leverage, interest cover, and proportion of EBITDA in guaranteeing group)

Financials: Interim dividend

- Fully imputed interim dividend of 7.7cps (+1.3% on pcp)
- Supplementary dividend for non-residents of 1.3588cps
- Dividend record date: 5pm Friday 13 March 2015 and payment date of Tuesday 24 March 2015

Dividends paid CPS

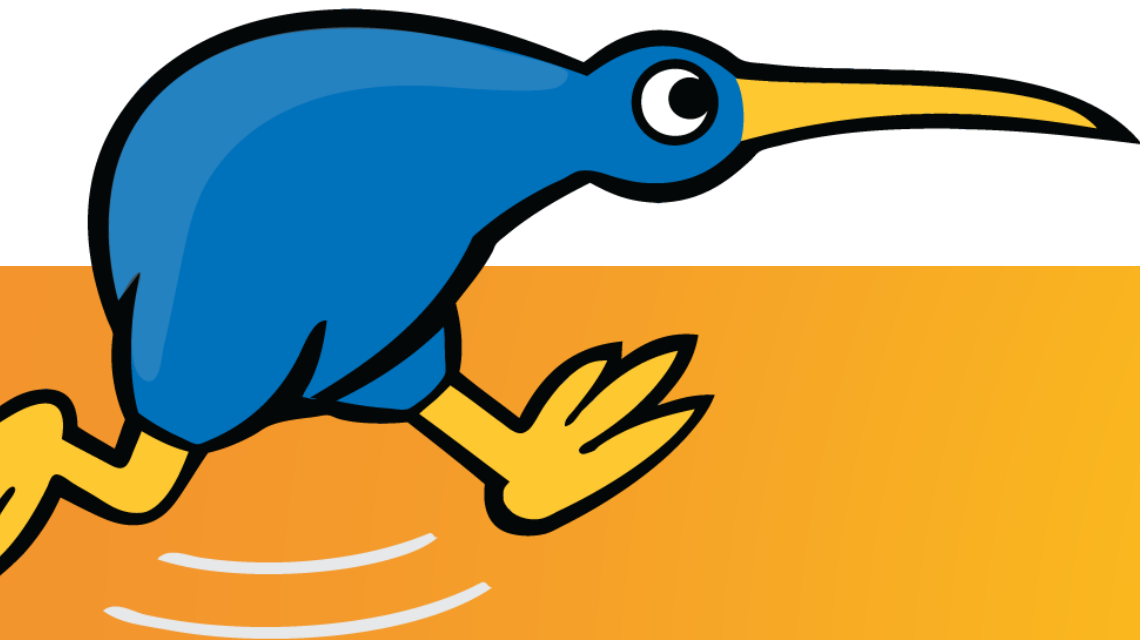


Outlook



Outlook

- We expect our F15 full year results to be in line with the expectations we set in August 2014; low double-digit revenue growth, with continued investment in the business, and therefore subdued EBITDA growth.
- H2 will not have the same YoY revenue and expense growth rates due to the MotorWeb acquisition completed in December 2013.
- We are well-positioned for the long term, as growth in mobile, and the migration of advertising and commerce online all evolve in our favour.



Questions?

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