

Trade Me Half year results

31 December 2015



Jon Macdonald CEO
Jonathan Klouwens CFO

Highlights

Total revenue

▲ 8.9%



\$105.6m

Expenses

▲ 18.6%



\$38.3m

EBITDA*

▲ 4.1%



\$67.3m

NPAT

▲ 0.3%



\$38.5m

Dividend

▲ 1.3%



7.8cps

Revenue was up 9% year-on-year to another record - underpinned by strength in Classifieds (up 14% year-on-year) and our Other segment (up 12% year-on-year). General Items marketplace also returned to revenue growth.

Marketplace gross merchandise sales (GMS) extended its positive momentum.

Trade Me Property demonstrated on-going stability and strength, with good yield and listing growth resulting in revenue up 21% year-on-year.

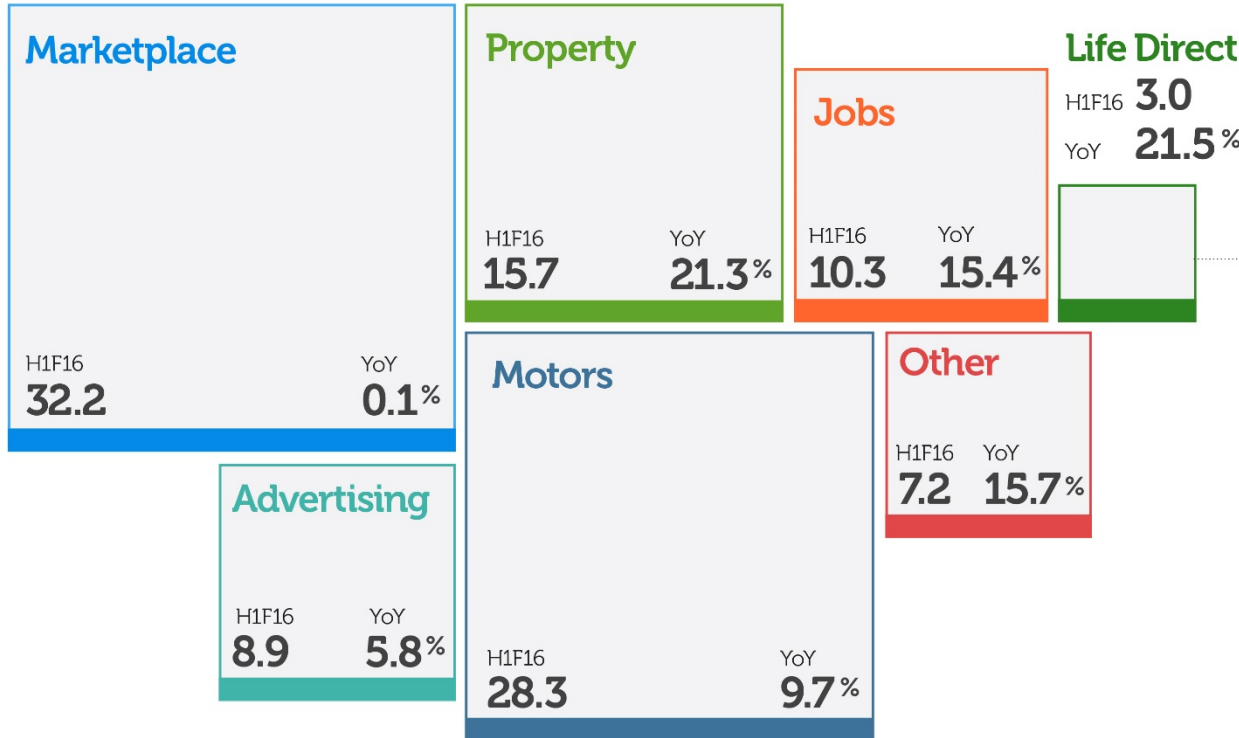
Core product improvements yielded operational and financial benefits in Marketplace, Property, Motors and Advertising.

Expense growth declining in line with expectations following reinvestment in the business and headcount growth.

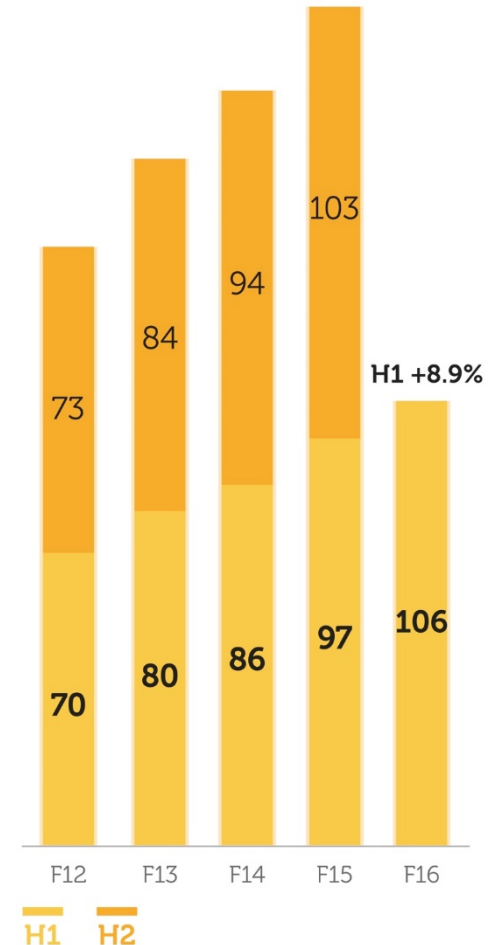
Outlook for H2 is for moderately greater year-on-year EBITDA and NPAT growth compared with the growth rates we have recorded in the first half. We expect revenue growth in General Items to return and the reduction in our cost growth to continue, tempered by the flow-through in amortisation to occur from capitalised development costs. The business is demonstrating good momentum.

Revenue: H1 growth of 8.9%

Half year revenue contribution (\$m)



Consistent H1 (and full year) revenue growth (\$m)

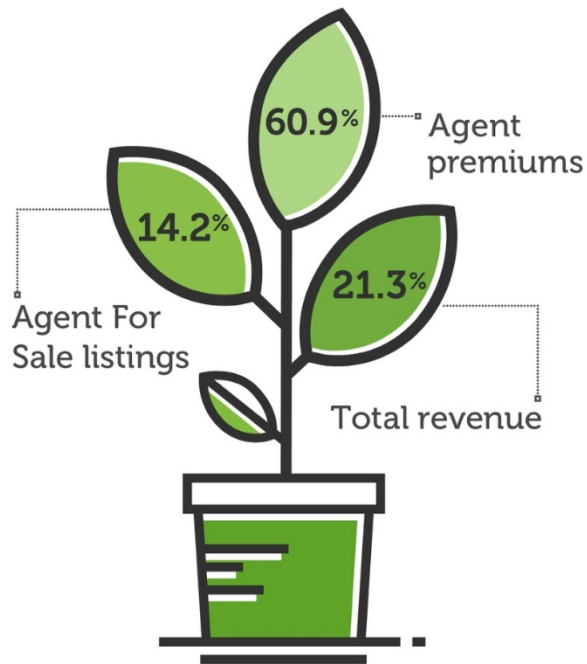


Box size denotes relative revenue size
 General Items segment is Marketplace
 Classified segment is Motors, Property and Jobs
 Other segment is Advertising, Life Direct and Other

Operational highlights: current and ongoing growth

Property:

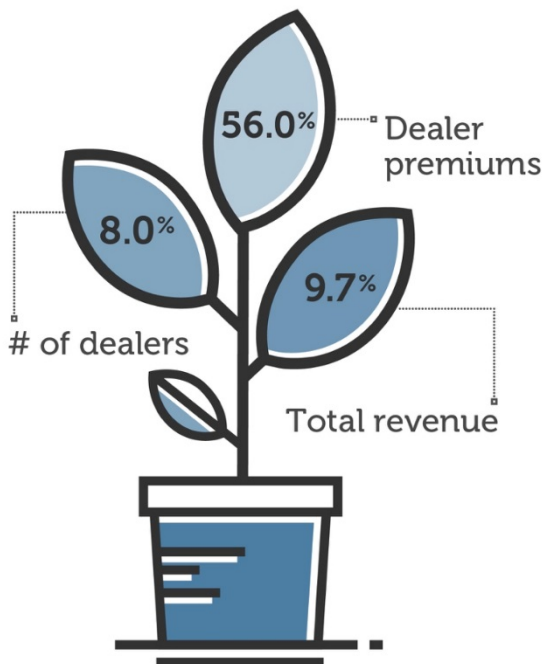
Stabilised and delivering strong revenue growth and premium uptake



Property growth

Motors:

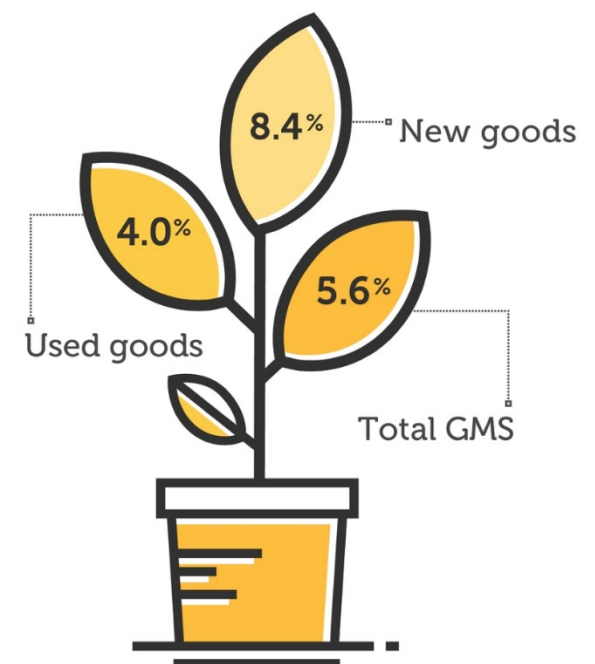
Revenue and earnings growth from improved sales channel



Motors growth

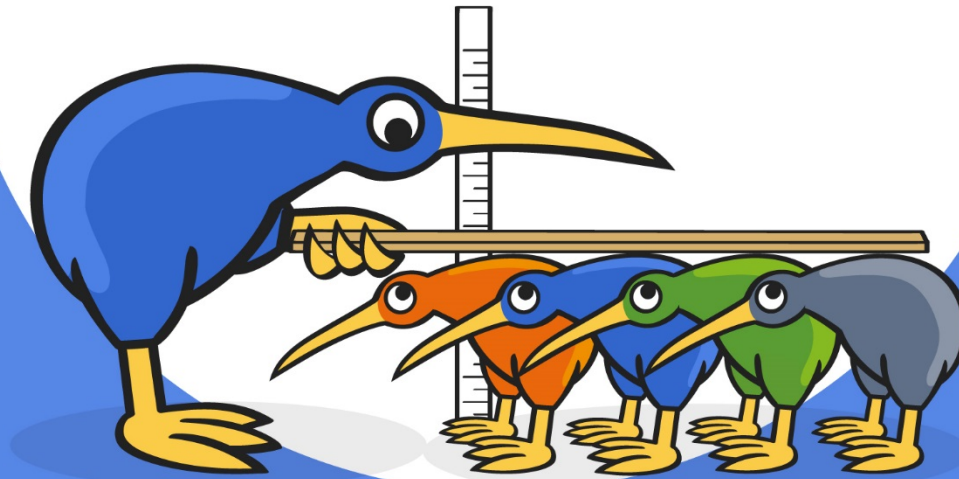
Marketplace:

Gross merchandise sales (GMS) at growth levels not seen for five years



GMS growth

Divisional Performance



Marketplace: GMS and revenue growth

KEY METRICS

New goods GMS YoY +8.4%; Used +4.0%

Total GMS YoY +5.6%

Sold items +3.3% to 6.6m items (New items +8.1%)

Total take rate decreased to 8.1% - however expected to increase slightly with the 1 Feb price change

Price change; simplified pricing with flat success fee of 7.9%, free photos, and better seller experience (small yield increase)

MARKETING

Successful trials of marketing automation across Marketplace (and Classifieds). Creates personalised communication and offers. Very powerful tool to be scaled up in H2

Unique buyers increased 2.3% YoY (circa 50,000 buyers)

PRODUCT

Shipping – beta release of a new shipping offering (refer image)

Deals and merchandising for sellers ("was/now" promo pricing) launched in November generating \$1.1m GMS in December from 18k buyers

SUPPLY

Better range and products. Listings +23.2% YoY, driven by new goods +27.7%

GMS from international suppliers \$3m in Dec 2015 (+88% YoY)

Average sale price +2.3% to \$61 (higher quality and large items)

Trade Me Shipping

It's cheap, easy and saves you time



1. Package up your item in a box or bag.



2. Enter the package details and select your courier service.



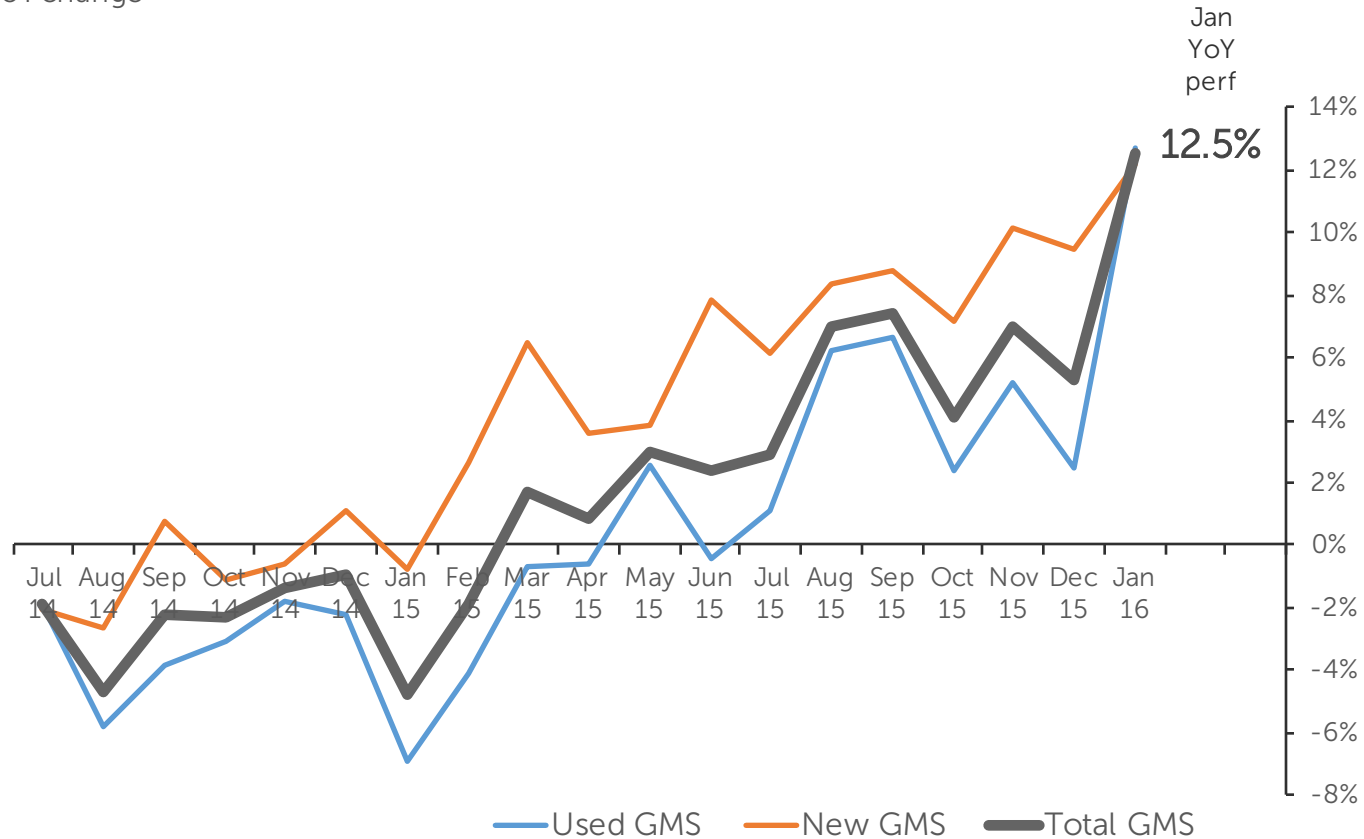
3. The courier will pick up the package from your chosen address then deliver it to your buyer.

[Start booking](#)

GMS growth is significant: 5.6% total & 8.4% new goods

GMS growth continues – revenue growth will follow as take rate changes have been made

YoY change



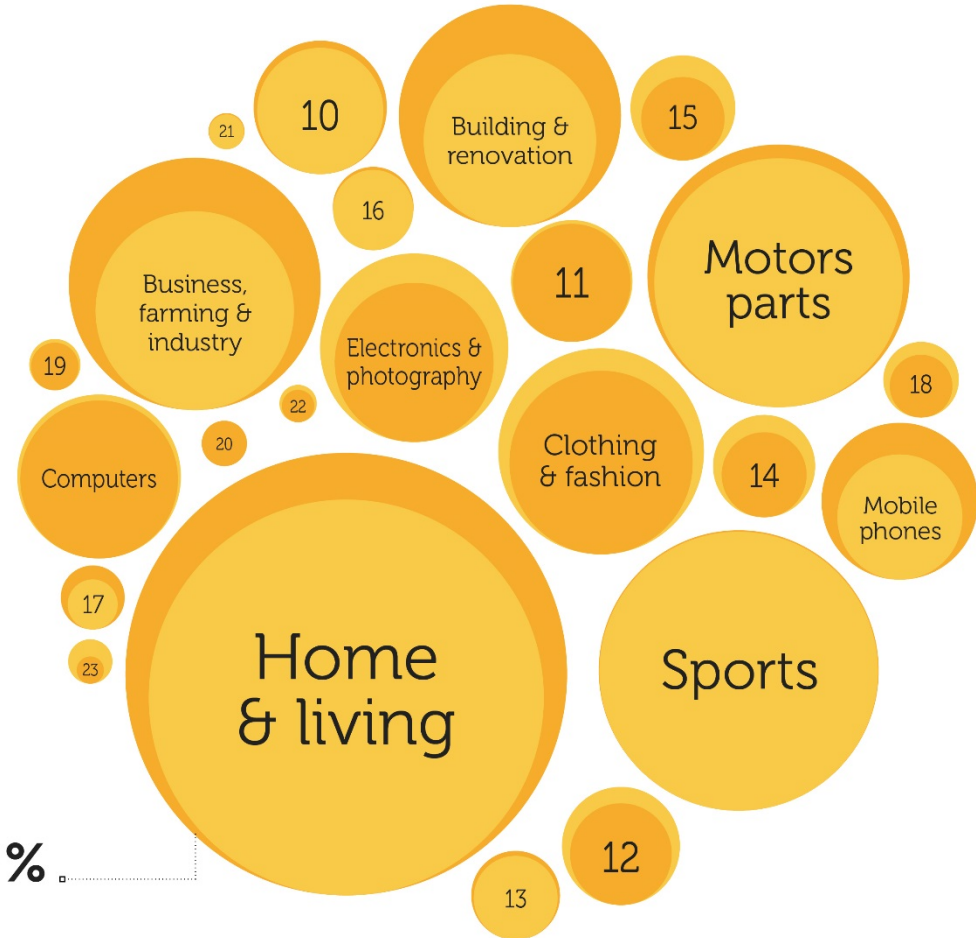
Further volume growth opportunity ahead with simpler pricing, targeted communication and personalisation

GMS by category: how it's changing



Categories

- | | |
|---------------------------------------|---------------------------------------|
| 1 Home & living | 12 Music & instruments |
| 2 Sports | 13 Health & beauty |
| 3 Motors parts | 14 Baby gear |
| 4 Business, farming & industry | 15 Gaming |
| 5 Building & renovation | 16 Jewellery & watches |
| 6 Clothing & Fashion | 17 Pets & animals |
| 7 Electronics & photography | 18 Books |
| 8 Computers | 19 Crafts |
| 9 Mobile phones | 20 Travel, events & activities |
| 10 Antiques & collectables | 21 Art |
| 11 Toys & models | 22 Pottery & glass |
| | 23 Movies & TV |



Property: listings growth and product improvement

H1 F16 FINANCIALS

Total revenue +21.3% YoY to \$15.7m, directs +6.1% to \$4.9m, agents +29.7% to \$10.8m

Agent For Sale listings +14.2% YoY, agent Rent listings +8.2%

Agent For Sale yield +16.5% YoY (premium +46.0%)

PRODUCT

Taken a 13% stake in homes.co.nz – property information and data specialists

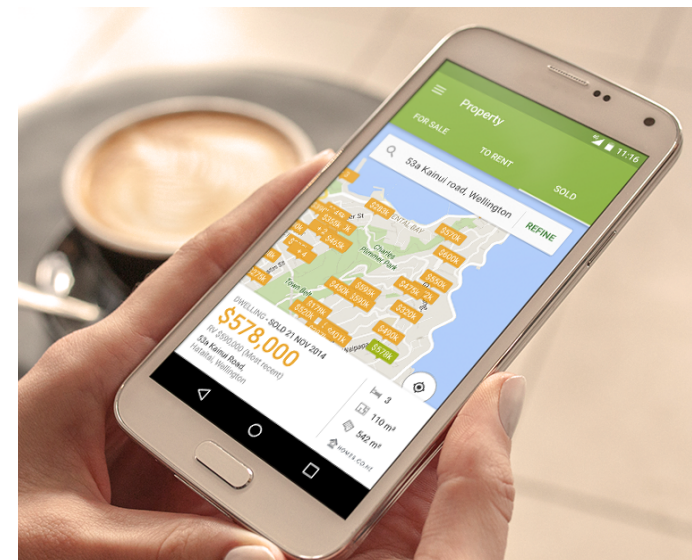
Free rating valuation and historical sales information released in mobile first (data provided by homes.co.nz). Delivered very high usage and engagement levels

AUDIENCE

Holding clear audience share lead on desktop, but experiencing huge mobile growth. New TME Property app is now ranked number 1 on total mobile downloads (combined iOS & Android)

Onsite engagement increasing through richer content – video, floorplans, 3D walkthrough now make up circa 10% of listings

Weekly sessions on the iOS Property app



Motors: Strong premium growth

H1 F16 FINANCIALS

Revenue +9.7% YoY to \$28.3m, dealers +28.9%, directs -3.2%, Motorweb +8.9%

Some small dealers migrating from 'direct' transactions to dealer channel (circa 7% listings)

Total listings growth of +5.0% YoY; Dealer numbers (subs) +8.0%

Dealer premiums +56.0% YoY

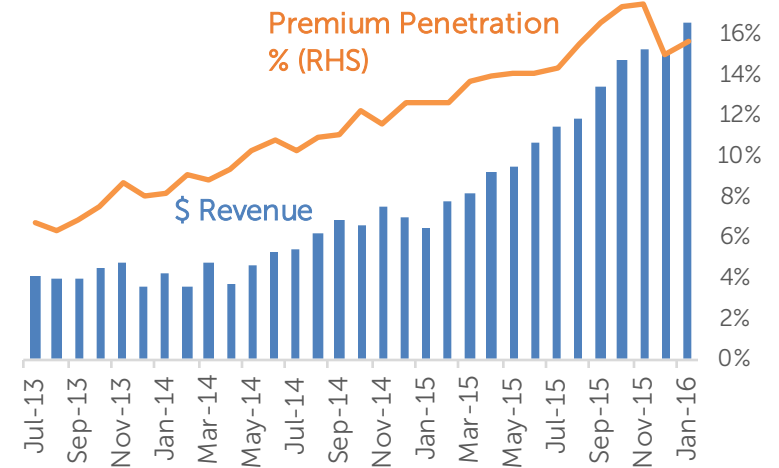
PRODUCT & MARKETING

Initiatives include consumer vehicle information reports, improved search and listing attributes for bikes, relaunched social media, and video products

	TM Motors	Nearest competitor	Outperforming the competition
Listing numbers	72,942	29,930	2.4x
Unique daily browsers*	167,450	5,950	28.1x

* Nielsen: average daily UBs (excludes mobile)

Motors premium revenue growth strong



MotorWeb
Vehicle Information Authority

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Jobs: growth in the face of economic headwinds

H1 F16 FINANCIALS

Pleasing revenue growth +15.4% YoY in the face of a slowing economy

Listings flat; growth in direct listings with slight contraction via bulk buyers (economy related)

Yield growth +15.5% driven by direct +7.1% and bulk buyers +17.5%

MARKETING

Successful TGIM (Thank God It's Monday) campaign – drove direct listings growth +8.4% during period

'Application sent/job' were +14% due to the campaign (product improvements also drove some of this)

Market share index has remained at circa 90% of the listings number of our main competitor

PRODUCT

Feature penetration increased from 13% to 16% due to better product improvement including branding options

Video options introduced for all listings

Job application conversion ratio improved from 4.4% to 5.3% YoY post launch of new listing details page



Advertising: data's pivotal role in future growth

PERFORMANCE

Display revenue +8.3% YoY

Desktop impressions continue to decline with the shift to mobile, but the yield increases are more than offsetting this. Mobile native ads in place for Android and just released for iOS

Business Partnership revenue transitioning out of ads (circa \$0.4m YoY) as we bring more partnership products in-house (e.g. Insurance)

DATA and PROGRAMMATIC

Data and programmatic underpinning significant increases in eCPMs – a key competitive advantage. Provides the platform for market leadership

A new inventory source; started trading data (independently to banner inventory). Demand is strong but nascent – a market ramp ahead

Ensured privacy protection for our members via opt out

Using data – highly targeted advertising via Personas

We are replacing historical 3rd party data used to enhance audiences with our own audience personas derived directly from our 1st party data. These have created new opportunities for members to receive relevant ads across the site.

70+ Personas (for example 'Boy Racers' and 'Making an Impression') are built from demographic and intent filters in real-time from member information and browser activity.

CAR BUYERS

This audience is a wide mix of petrol heads, first time buyers, upgraders, luxury car buyers and everything in between.

All these members use Trade Me Motors as a point of reference and research in the process of buying their vehicle. This group is represented all over NZ with varying incomes but has a skew towards males.

UNIQUE USERS
1.6M

BOY
RACERS

204K



LUXURY
CARS

16K



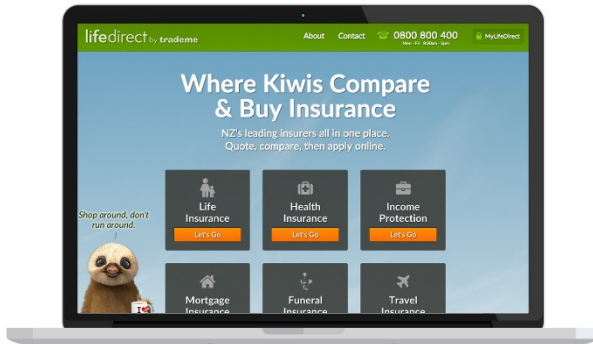
MAKING AN
IMPRESSION

16K



Financial Services: future growth options

lifedirect
by trademe



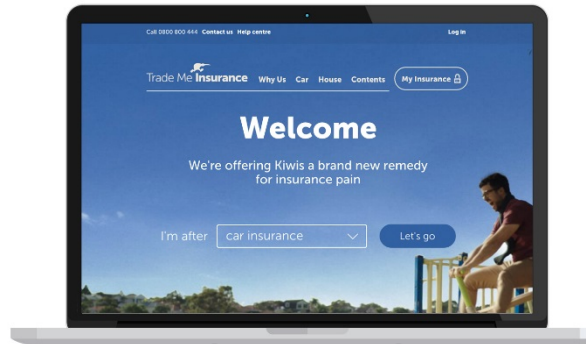
LIFEDIRECT

Revenue growth +22%; EBITDA growth +119%

Strong consumer proposition

Beginning targeted personalised marketing

Trade Me **Insurance**



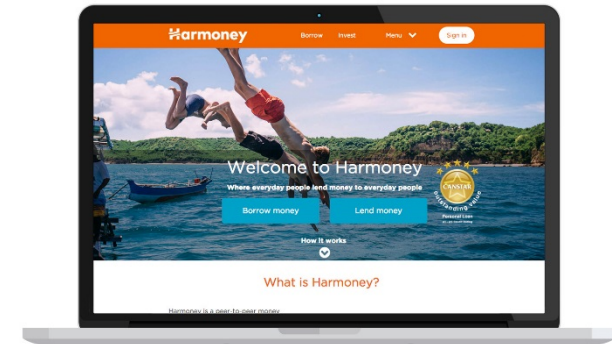
TRADE ME INSURANCE

Embryonic business

Established brand and processes. Brand awareness (>30%) and consideration scores (circa 10%) encouraging after only 3 months of launching

Yet to begin leveraging our competitive advantage; trials underway

Harmony



HARMONEY

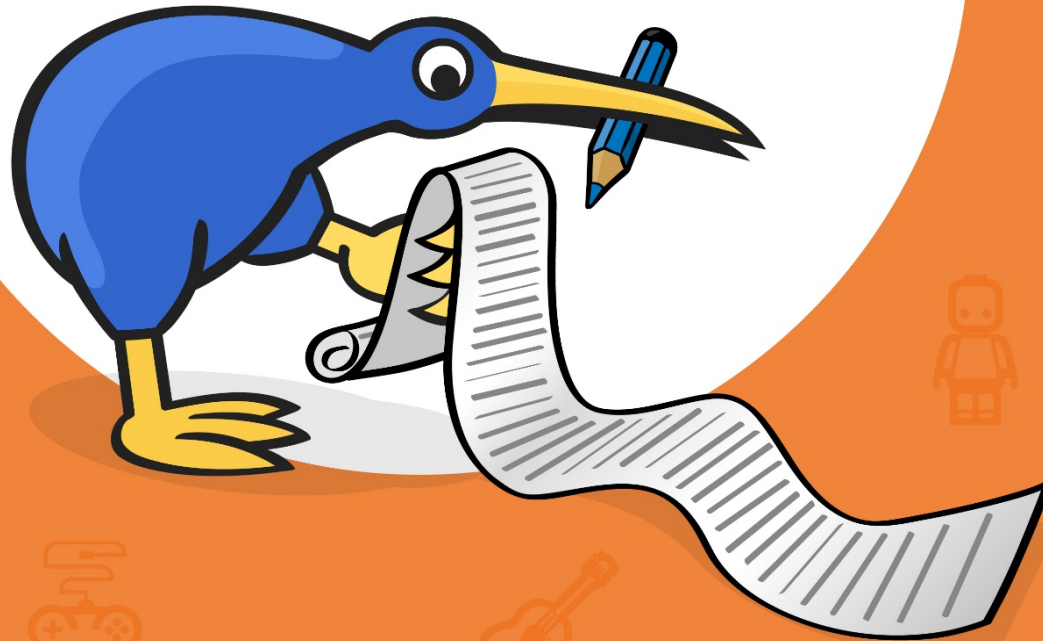
Harmony wrote loans of \$190m in its first 18 months (greater than expectation)

Sound consumer proposition

January capital raise of \$8.5m at \$100m valuation (TME entry was at \$42m)

Contributes \$1.0m loss to TME (2.6%pts off NPAT growth)

Financials



Summary financial performance: on track results

NZD \$000s	H1 F16	H1 F15	VARIANCE	
General Items	32,183	32,144	39	0.1%
Classifieds	54,298	47,660	6,638	13.9%
Other	19,090	17,095	1,995	11.7%
Total revenue	105,571	96,899	8,672	8.9%
Cost of sales	6,561	5,336	1,225	23.0%
Employee benefit expense	16,329	14,533	1,796	12.4%
Web infrastructure expense	2,695	2,019	676	33.5%
Promotion expense	5,622	4,085	1,537	37.6%
Other expenses	7,066	6,295	771	12.2%
Total expenses	38,273	32,268	6,005	18.6%
EBITDA before associates	67,298	64,631	2,667	4.1%
Associate losses	1,045	-	1,045	-
EBITDA	66,253	64,631	1,622	2.5%
Depreciation and amortisation	9,219	7,435	1,784	24.0%
EBIT	57,034	57,196	(162)	(0.3%)
Net finance costs	2,984	3,716	(732)	(19.7%)
Profit before tax	54,050	53,480	570	1.1%
Income tax expense	15,508	15,040	468	3.1%
Net profit	38,542	38,440	102	0.3%
Earnings per share	9.71	9.69	0.02	0.2%
Dividend (cents per share)	7.8	7.7	0.1	1.3%

Revenue growth driven by Classifieds

Rate of expense growth decreasing (18.6% vs 27.9% in H1 F15)

Equity accounted losses of associates reduce net profit growth by 2.7%pts

Depreciation and amortisation continues to increase following growth in capitalised development

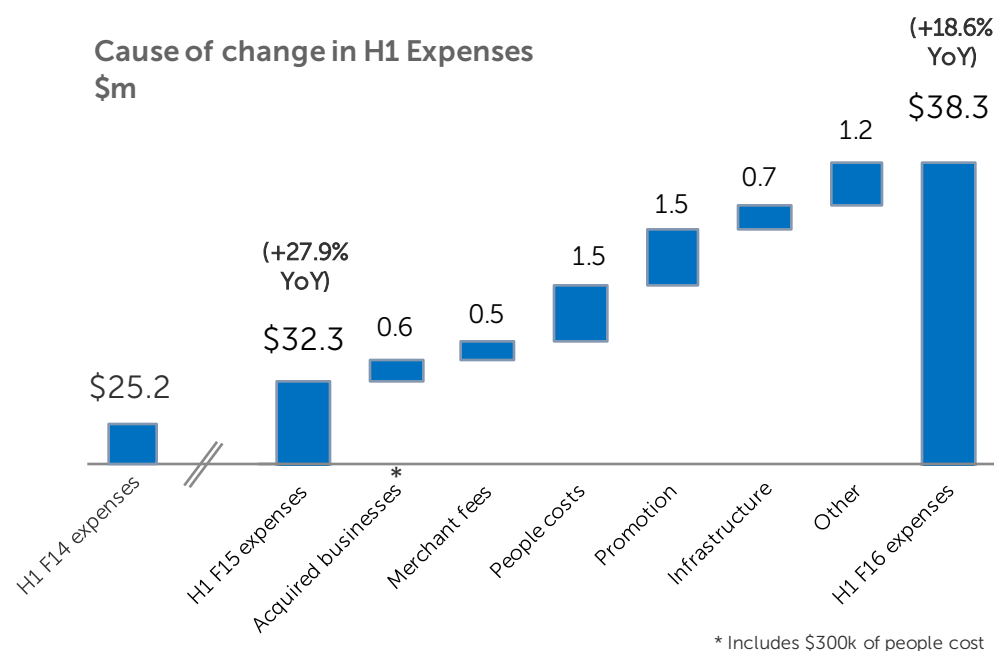
Fair value adjustment from hedges increases net profit growth by 1.8%pts

Effective tax rate increases due to associate losses being non-deductible

Fully imputed dividend 7.8cps, supplementary dividend 1.3765cps, record date 11 March 2016, payment date 22 March 2016

Expense growth decreasing in line with guidance

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Cost of Sales	6,561	5,336	1,225	23.0%
Employee benefit exp	16,329	14,533	1,796	12.4%
Web infrastructure exp	2,695	2,019	676	33.5%
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Other expenses	7,066	6,295	771	12.2%
Total	38,273	32,268	6,005	18.6%



Rate of expense growth is decreasing year-on-year (+18.6% vs +27.9%)

Promotion expense growth driven by Property, LifeDirect and Trade Me Insurance launch advertising

Cost of sales growth (+\$1.2m) driven by merchant fees from increased sales using PayNow (\$0.3m), growth in MotorWeb data costs as revenue grows (\$0.3m) and a full six months of Paystation costs (\$0.2m)

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

People costs driven by headcount growth; +53 FTEs in H1 F15 vs +37 FTEs in H1 F16 – growth rates now significantly lower and slowing

Financials: Balance sheet highlights

Strong cash position, with \$47m at 31 December 2015. Net debt of \$119m

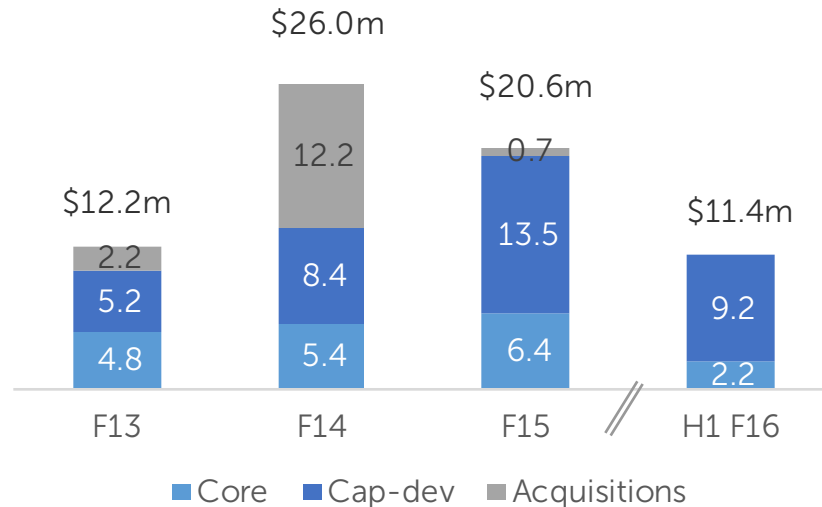
Lots of covenant headroom

Completed the refinancing of our debt facility. Key terms remain the same, except the facility has been split into two equal tranches maturing in December 2018 and December 2019

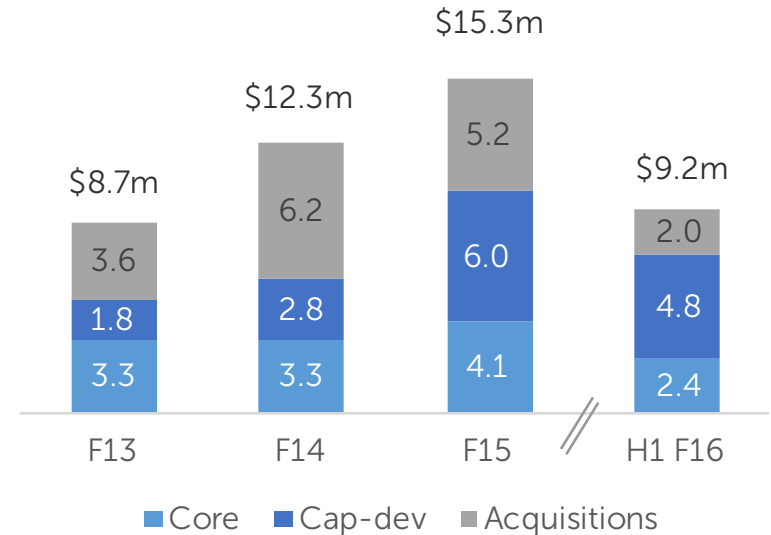
Total H1 F16 capex was \$11.4m, most of which is capitalised development. Increasing capitalised development is flowing through to increased amortisation

Full year F16 capex is still on track to be approximately \$25m; D&A will be approximately \$19m

Capex NZD \$m F13-H1 F16



Depreciation & Amortisation NZD \$m F13-H1 F16



Outlook



Outlook

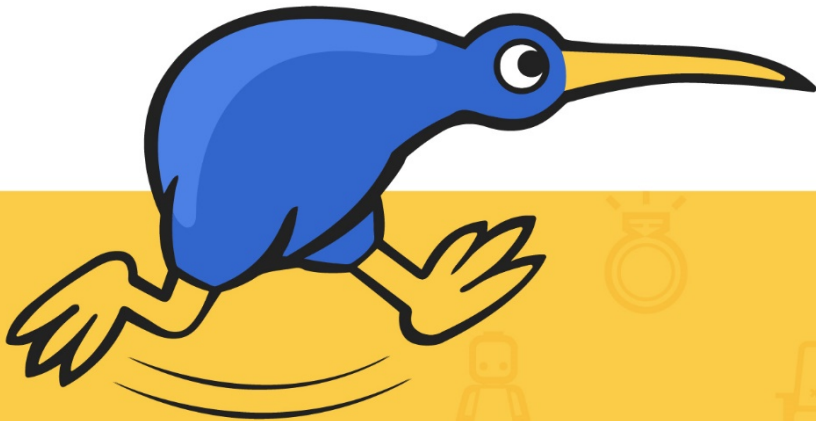
Our H1 results were in line with the outlook we provided at our last results announcement and our AGM.

We expect to deliver moderately greater year-on-year EBITDA and NPAT growth compared with the year-on-year EBITDA and NPAT growth we recorded in the first half. This is consistent with the intentions we've held for investment in the business, but also ensuring we show a return on that investment.

We expect to see revenue growth in General Items return from the sustained increase in gross sales, coupled with our recent pricing changes. This is despite the flow through impact of lower year-on-year yield that we have sacrificed for improved user experience.

Expense growth will continue to slow in percentage terms. Our rate of hiring has decreased, however the year-on-year impact of those hires is still flowing through. We also expect to spend less on promotions in H2 F16. The amortisation of capitalised development costs from those hires will continue to increase in H2 F16 and F17.

The business is demonstrating good momentum. We are well positioned to defend and grow our existing core business, and to convert on new opportunities.



Questions?



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