Trade Me Group Limited

18 February 2014

Market Announcements Office
NZX Limited
Level 2, NZX Centre
11 Cable Street
WELLINGTON

Dear Sir/Madam

**TRADE ME GROUP LIMITED (TME)**
**INTERIM RESULT (FOR THE SIX MONTHS TO 31 DECEMBER 2013)**

Please find attached the financial information required by Listing Rule 10.4 together with a copy of the Company's Interim Result presentation and the Trade Me Group financial statements for the six-month period ended 31 December 2013.

Attached:

1. Appendix 1 (NZX LR 10.4.2) detailing the preliminary announcement for the six month period ended 31 December 2013;
2. Media release;
3. Interim report for the six month period ended 31 December 2013;
4. Appendix 7 (NZX LR 7.12.2) detailing a dividend of 7.6cps to be paid on 25 March 2014 to those shareholders on the company's share register as at 5pm on 14 March 2014;
5. Analyst presentation.

Yours faithfully

Sarah Hard
Company Secretary

# Appendix 1

TRADE ME GROUP LIMITED

## RESULTS FOR ANNOUNCEMENT TO THE MARKET

Reporting period: six months to 31 December 2013
Previous reporting period: six months to 31 December 2012

| | Amount NZ $000's | Percentage change |
|---|---|---|
| Revenues from ordinary activities | 85,651 | 7% |
| Profit from ordinary activities after tax attributable to security holders | 38,020 | 2% |
| Net profit attributable to security holders | 38,020 | 2% |

| Dividends – ordinary shares | Amount per security NZ cents | Imputed amount per security NZ cents |
|---|---|---|
| Interim dividend | 7.6 | 2.9556 |

Record date: 14 March 2014
Payment date: 25 March 2014

For commentary on the results please refer to the half-year report and media announcement attached.

### Financial information

The appendix 1 should be read in conjunction with the consolidated financial statements for the 6 months ended 31 December 2013 as contained in the half-year report attached.

## NET TANGIBLE ASSETS PER SECURITY

| | 31 December 2013 NZ cents | 31 December 2012 NZ cents |
|---|---|---|
| Net tangible assets per security | -36 | -33 |

**Announcement: Trade Me**
19 February 2014

# Trade Me revenue up 7%, now over half all visits from mobile

## Highlights

- *Revenue up 7% YoY to $85.7m*
- *Net profit after tax up 2% YoY to $38.0m*
- *EBITDA* up 2% YoY to $60.4m*
- *Dividend of 7.6 cents per share to be paid on 25 March*
- *Year of reinvestment signalled in August proceeding as planned*
- *Acquisitions of LifeDirect and MotorWeb completed*
- *More than 50% of all visits to Trade Me are now via a mobile device*

Online marketplace and classified advertising business Trade Me Group Ltd ("Trade Me") released its half-year financial results for the 6 months to 31 December 2013 this morning.

Chairman David Kirk said execution on the plans to reinvest in the business had gone well and that Trade Me would continue to "invest assertively" in the second half of the year.

"As we signalled at our F13 results and reiterated at our shareholder meeting in October, we've embarked on a period of reinvestment which will impact short-term earnings growth but ensure the company's long-term growth and success," he said. "We are convinced this is the right approach for Trade Me and we believe investment now will result in stronger market positions and greater growth opportunities in the future."

## Revenue

Trade Me CEO Jon Macdonald said the **Classifieds** businesses had performed well over the period, with revenue growth of 17% compared to the first half of F13. Trade Me Motors had been strengthened with the acquisition of MotorWeb, while Trade Me Jobs continued to gain market share against its main rival, Seek.

"We're under way with a major change to how Trade Me Property charges real estate agents – this is disruptive, but we believe it is in the best interests of vendors, buyers, Trade Me and the real estate industry in the long term."

Mr Macdonald said sales in Trade Me's **General Items** marketplace remained flat. "Our efforts to restore growth in this part of our business continue and we're optimistic about reviving growth here – but we do need to be patient and perseverant."

In the **Other** segment, revenue was up 2% year-on-year. "However if we exclude the Treat Me divestment and the LifeDirect acquisition, revenue in this segment grew 10% compared to a year ago," Mr Macdonald said. Treat Me was divested in April 2013, while LifeDirect has been a revenue contributor since October 2013.

## Expenses

Mr Macdonald said Trade Me's expenses were up 19% year-on-year. "This is a hefty increase in costs, but it's necessary for us to properly convert on the opportunities in front of us and position the business for the longer term."

The main contributors to the increase were people costs and marketing. Including acquisitions, Trade Me's headcount is now approximately 350 people, up from 300 people six months ago.

**Acquisitions**

The acquisition of **LifeDirect**, an online aggregator of life and health insurance, was finalised in September 2013. Mr Macdonald said the business had performed well and that Trade Me "continued to be excited" about its prospects. "The model of providing consumers with a single venue to compare insurance products easily and efficiently is sound, and fits well with Trade Me's core purpose," he said. "We can help LifeDirect grow."

In December 2013 Trade Me acquired **MotorWeb**, an online business that packages and sells motor vehicle information and reports to finance companies, insurers, car dealers and the general public. "MotorWeb is an excellent fit for us, given its great reputation and strong expertise in vehicle data," Mr Macdonald said. "There's a lot of potential around broadening and deepening the products we provide for buyers and sellers of motor vehicles."

**Mobile**

In January 2014, more than half of all visits to Trade Me came from mobile devices and Mr Macdonald said the strong growth of mobile was expected to continue apace. "We've put an enormous amount of work into making Trade Me a great experience across tablets and smartphones. We're very happy with the progress we've made, but there's still a lot to be done and we'll continue to build our set of mobile products through 2014."

**Outlook**

Mr Macdonald said the future remained bright for Trade Me. "Major ecommerce trends such as growth in mobile, the migration of advertising revenue to online and the continued growth in online retail are all in our favour," he said. "We expect stronger profit growth over the course of F15 as we roll out new products, phase in yield improvements in the Classifieds, and increase activity in our General Items marketplace."

* *EBITDA (a non GAAP measure) represents earnings before income taxes (a GAAP measure) excluding interest income, interest expense, depreciation and amortisation, as reported in the financial statements.*

**-ends-**

**More information:** Trade Me investor website: http://investors.trademe.co.nz/

**Contact:** Paul Ford, Trade Me, +64 4 803 2611, paul@trademe.co.nz

# Trade Me Group Limited

## Half Year Report

FOR THE SIX MONTHS ENDED 31 DECEMBER 2013

# Contents

# Highlights

Revenue has increased to $85.7m, up 7% year-on-year, and driven by strong growth in the Classifieds segment.

Net profit after tax was $38.0m, up 2% year-on-year. We will pay a dividend of 7.6 cents per share on 25 March 2014.

Earnings growth has continued with EBITDA* of $60.4m, up 2% year-on-year.

Execution on the year of reinvestment indicated at our F13 full year results has proceeded as planned.

The acquisitions of LifeDirect and MotorWeb were completed successfully, and both businesses continue to impress.

We've made a range of senior hires across the business and kicked off advertising campaigns for General Items and Trade Me Property.

We've reached a milestone for mobile: more than half of all visits to Trade Me are now via a smartphone or tablet.

*EBITDA (a non-GAAP measure) represents earnings before income taxes (a GAAP measure), excluding interest income, interest expense, depreciation and amortisation, as reported in the financial statements.

# Commentary

Thank you for your continued support. As we stated at our F13 full year results last August, we have been busy as we reinvest in the business to ensure its long-term growth and success.

Dear shareholders,

Thank you for your continued support. As we stated at our F13 full year results last August, we have been busy as we reinvest in the business to ensure its long-term growth and success. Our execution on those plans has gone well and, as we flagged six months ago, our earnings growth has been slower than in previous years.

## THE NUMBERS

In the first half of F14, Trade Me grew its revenue to $86m, a rise of 7% compared to the same period last year. The company's net profit grew by 2% year-on-year to $38m as we invested more in the business. The resulting earnings per share increased by 2% year-on-year to 9.59 cents per share.

We intend to pay a dividend of 7.6 cents per share, consistent with our policy of paying dividends based on approximately 80% of net profit after tax. We expect the dividend to be paid to shareholders on 25 March 2014.

## OPERATING PERFORMANCE

Gross sales in our **General Items** marketplace has been flat, and accordingly our revenue has also been flat (year-on-year this was down 2%, but up 1% when last year's one-off benefit from a change in the revenue recognition estimation process is removed). Our efforts to restore growth in this part of our business are continuing. We remain optimistic that we will revive growth in our marketplace, but acknowledge this will require patience and perseverance.

The **Classifieds** businesses have performed well over the period, with revenue growth of 17% year-on-year. We have embarked upon a major change to how **Trade Me Property** charges real estate agents – this is disruptive, but we believe it to be in the best interests of vendors, buyers, Trade Me and the real estate industry in the long term. We have strengthened **Trade Me Motors** with the acquisition of MotorWeb. **Trade Me Jobs** has gained further market share against its main rival.

In our **Other** segment, revenue grew 2% year-on-year. We divested Treat Me in April last year, which reduced our revenue, but also our expenses. Our smaller businesses in dating and travel performed as expected. LifeDirect contributed revenue for the last three months of the period. On a like-for-like basis (excluding both Treat Me and LifeDirect), revenue in this segment grew 10% over the corresponding period in F13.

Our **expenses** were up 19% year-on-year. This is a hefty increase in costs, but is necessary for us to properly convert on the opportunities in front of us and position the business for the longer term. The main contributors to this cost increase were new staff (primarily to speed up our product development) and marketing (to ensure we put our best foot forward to the New Zealand public).

## ACQUISITIONS AND DIVESTMENTS

In September we finalised the acquisition of **LifeDirect**, an online aggregator of life and health insurance. The business has performed well and met all of our expectations. We continue to be excited by LifeDirect and its prospects. We believe that the model of providing consumers with a single venue to compare insurance products easily and efficiently is sound, and fits well with Trade Me's core purpose of connecting two parties to undertake a transaction or form a relationship. We see that Trade Me can help LifeDirect grow.

In December we acquired **MotorWeb**, an online business that packages and sells motor vehicle information and reports to finance companies, insurers, car dealers and the general public. MotorWeb is an excellent fit for Trade Me given its great reputation and strong expertise in vehicle data. It has a lot of potential to complement our existing Trade Me Motors business and will give us the chance to broaden and deepen the products and data we provide for buyers and sellers of motor vehicles.

## MOBILE

In January 2014, we reached a milestone as more than half of all visits to Trade Me came from mobile devices, and we expect the strong growth of mobile to continue. We've put an enormous amount of work into making Trade Me a great experience across tablets and smartphones, and we're very happy with the progress we've made, however there is still much to be done.

Over the coming year we will continue to build our set of mobile products. However, we expect to talk about mobile less rather than more as it becomes completely ingrained in the business, rather than separate to our websites.

## BUILDING THE TEAM

We have continued to strengthen our senior team. In the past six months we have hired three new people into our Senior Management Team in the roles of Head of Design, Head of Analytics and Head of FindSomeone.

We have Nigel Jeffries joining us in April 2014 to take the reins of Trade Me Property, and we've embarked on a search to find a new Head of Advertising. These hires will further increase our senior capability.

## TALKING MORE ABOUT TRADE ME

Following our success advertising Trade Me Jobs on TV and other media over the last year, we've expanded our advertising efforts to include our General Items marketplace and, most recently, Trade Me Property. We expect higher advertising expenses to continue and for the investment to deliver us a good financial return.

## OUTLOOK

One of the challenges for any company is maintaining the balance between delivering good financial results in the short term and positioning the business for long-term success.

Trade Me has embarked on a period of reinvestment in the business with slow growth in short-term earnings, as costs rise faster than revenue. We are convinced this is the right approach for the business and believe that investment now will result in stronger market positions and greater growth opportunities in the future. In the second half of the year we will continue to invest assertively.

We are confident about the prospects for our business. Major trends such as growth in mobile, the migration of advertising revenue online and the growth in online retail are all in our favour. We expect stronger profit growth over the course of F15 as we roll out new products, phase in yield improvements in the Classifieds, and increase activity in our General Items marketplace.

David Kirk
CHAIRMAN

Jon Macdonald
CEO

# Interim consolidated statement of comprehensive income

FOR THE SIX MONTHS ENDED 31 DECEMBER 2013

| | Notes | Unaudited 31 December 2013 $000's | Unaudited 31 December 2012 $000's |
|---|---|---|---|
| General Items | | 32,629 | 33,149 |
| Classifieds | | 38,563 | 33,094 |
| Other | | 14,459 | 14,137 |
| **Total revenue** | | **85,651** | **80,380** |
| Employee benefit expense | | (13,004) | (11,411) |
| Web infrastructure expense | | (1,608) | (1,612) |
| Promotion expense | | (3,206) | (1,268) |
| Other expenses | | (7,402) | (6,877) |
| **Total expenses** | | **(25,220)** | **(21,168)** |
| **Earnings before interest, tax, depreciation and amortisation** | | **60,431** | **59,212** |
| Depreciation and amortisation | | (5,339) | (4,324) |
| **Earnings before interest and tax** | | **55,092** | **54,888** |
| Finance income | | 1,052 | 939 |
| Finance costs | | (3,068) | (3,872) |
| **Profit before income tax** | | **53,076** | **51,955** |
| Income tax expense | | (15,056) | (14,587) |
| **Profit and total comprehensive income for the period** | | **38,020** | **37,368** |
| **Earnings per share** | | | |
| Basic and diluted (cents per share) | 4 | 9.59 | 9.43 |

# Interim consolidated statement of financial position

## AS AT 31 DECEMBER 2013

| | Notes | Unaudited 31 December 2013 $000's | Audited 30 June 2013 $000's |
|---|---|---|---|
| **Assets** | | | |
| Cash and cash equivalents | | 25,985 | 48,857 |
| Trade and other receivables | | 10,217 | 9,004 |
| **Total current assets** | | **36,202** | **57,861** |
| Trade and other receivables | | 1,032 | 814 |
| Derivative financial instruments | | 610 | 78 |
| Property, plant and equipment | | 5,167 | 5,449 |
| Other intangible assets | | 57,724 | 45,672 |
| Goodwill | | 746,495 | 730,703 |
| Deferred tax asset | | 993 | 875 |
| **Total non-current assets** | | **812,021** | **783,591** |
| **Total assets** | | **848,223** | **841,452** |
| **Liabilities** | | | |
| Trade and other payables | | 13,447 | 11,522 |
| Derivative financial instruments | | 7 | 24 |
| Income tax payable | | 2,510 | 6,953 |
| **Total current liabilities** | | **15,964** | **18,499** |
| Interest bearing loans and borrowings | 8 | 165,734 | 165,858 |
| Other non-current liabilities | 7.1 | 4,116 | 29 |
| **Total non-current liabilities** | | **169,850** | **165,887** |
| **Total liabilities** | | **185,814** | **184,386** |
| **Equity** | | | |
| Contributed equity | 6 | 1,069,196 | 1,069,196 |
| Share based payment reserve | | 774 | 557 |
| Other reserves | | (485,737) | (485,737) |
| Retained earnings | | 78,176 | 73,050 |
| **Total equity attributable to owners of the Company** | | **662,409** | **657,066** |
| **Total equity and liabilities** | | **848,223** | **841,452** |

For and on behalf of the Board of Directors who authorised these interim financial statements for issue on 18 February 2014:

David Kirk
CHAIRMAN

Joanna Perry
CHAIR OF THE AUDIT AND RISK MANAGEMENT COMMITTEE

# Interim consolidated statement of changes in equity

FOR THE SIX MONTHS ENDED 31 DECEMBER 2013

| | Notes | Ordinary shares $000's | Share based payment reserve $000's | Retained earnings $000's | Other reserves $000's | Total equity $000's |
|---|---|---|---|---|---|---|
| **Balance at 1 July 2013** | | **1,069,196** | **557** | **73,050** | **(485,737)** | **657,066** |
| Profit and total comprehensive income | | – | – | 38,020 | – | 38,020 |
| Dividends | 5 | – | – | (32,894) | – | (32,894) |
| Supplementary dividends | | – | – | (4,217) | – | (4,217) |
| Tax credit on supplementary dividends | | – | – | 4,217 | – | 4,217 |
| Share based payments | | – | 217 | – | – | 217 |
| **Balance at 31 December 2013 (unaudited)** | | **1,069,196** | **774** | **78,176** | **(485,737)** | **662,409** |

| | Notes | Ordinary shares $000's | Share based payment reserve $000's | Retained earnings $000's | Other reserves $000's | Total equity $000's |
|---|---|---|---|---|---|---|
| **Balance at 1 July 2012** | | **1,069,051** | **200** | **55,065** | **(485,737)** | **638,579** |
| Profit and total comprehensive income | | – | – | 37,368 | – | 37,368 |
| Dividends | 5 | – | – | (30,888) | – | (30,888) |
| Supplementary dividends | | – | – | (1,500) | – | (1,500) |
| Tax credit on supplementary dividends | | – | – | 1,500 | – | 1,500 |
| Share based payments | | – | 292 | – | – | 292 |
| Shares issued to employees | | 145 | – | – | – | 145 |
| **Balance at 31 December 2012 (unaudited)** | | **1,069,196** | **492** | **61,545** | **(485,737)** | **645,496** |

# Interim consolidated statement of cash flows

FOR THE SIX MONTHS ENDED 31 DECEMBER 2013

| | Notes | Unaudited 31 December 2013 $000's | Unaudited 31 December 2012 $000's |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts from customers (inclusive of GST) | | 95,548 | 91,744 |
| Payment to suppliers and employees (inclusive of GST) | | (35,909) | (35,578) |
| Income tax paid | | (15,401) | (20,850) |
| Interest received | | 1,084 | 892 |
| **Net cash flows from operating activities** | | **45,322** | **36,208** |
| **Cash flows from investing activities** | | | |
| Payment for purchase of property, plant and equipment | | (1,010) | (879) |
| Payment for purchase of intangibles | | (2,939) | (907) |
| Receipts from loan | | 150 | – |
| Business acquisitions | 7 | (23,500) | (3,327) |
| **Net cash flows (used in) investing activities** | | **(27,299)** | **(5,113)** |
| **Cash flows from financing activities** | | | |
| Dividends paid | | (37,111) | (30,888) |
| Interest paid on borrowings (including facility fees) | | (3,784) | (3,323) |
| **Net cash flows (used in) financing activities** | | **(40,895)** | **(34,211)** |
| **Net (decrease) in cash and cash equivalents** | | **(22,872)** | **(3,116)** |
| Cash and cash equivalents at beginning of period | | 48,857 | 39,135 |
| **Cash and cash equivalents at end of period** | | **25,985** | **36,019** |
| **Cash comprises:** | | | |
| Cash at bank | | 10,985 | 11,019 |
| Short term deposits | | 15,000 | 25,000 |
| **Total cash and cash equivalents** | | **25,985** | **36,019** |

# Notes to the interim consolidated financial statements

FOR THE SIX MONTHS ENDED 31 DECEMBER 2013

## 1. GENERAL INFORMATION

The interim consolidated financial statements presented are for Trade Me Group Limited (the "Company"), and its subsidiaries (together the "Group"), a company domiciled in New Zealand and registered under the Companies Act 1993.

The interim financial statements are for the six months ended 31 December 2013 and have been prepared in accordance with NZ GAAP. Trade Me Group Limited is a profit-oriented entity.

The nature of the operations and principal activities of the Group are to operate and manage all Trade Me websites including online marketplaces, classifieds, advertising, insurance comparison, travel, holiday accommodation and online dating.

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The accounting policies applied to the preparation of the consolidated interim financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 30 June 2013.

These general purpose consolidated interim financial statements for the six months ended 31 December 2013 have been prepared in accordance with NZ IAS 34 Interim Financial Reporting and IAS 34 Interim Financial Reporting. These consolidated interim financial statements do not include all the notes of the type normally included in an annual financial report and should be read in conjunction with the audited financial statements of the Group for the year ended 30 June 2013.

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars ($000's).

## 3. SEGMENT REPORTING

### (a) Identification of reportable segments

The group has determined its operating segments based on the reports reviewed by the Group's Chief Executive Officer to assess performance, allocate resources and make strategic decisions. The reportable segments are based on aggregating operating segments based on the similarity of the services provided.

The Group's reportable segments are as follows:

General Items

The General Items segment is our online marketplace business. Revenue is generated from listing fees, premium fees and success fees and performance is driven by both the number of completed transactions and the total sales value of completed transactions.

Classifieds

The Classifieds segment represents advertising revenue from each of our three classified advertising sites: Motors, Property and Jobs. Revenue is generated primarily from basic and premium listing fees.

Other

The Other segment reflects all other businesses, including advertising, travel, online dating, Pay Now and online insurance comparison.

## (b) Segment revenues, EBITDA and reconciliation to overall result

The following is an analysis of the Group's revenue and EBITDA from continuing operations by reportable segment.

| Reporting segments | Revenue 31 December 2013 $000's | Revenue 31 December 2012 $000's | EBITDA* 31 December 2013 $000's | EBITDA* 31 December 2012 $000's |
|---|---|---|---|---|
| General Items | 32,629 | 33,149 | 24,478 | 26,046 |
| Classifieds | 38,563 | 33,094 | 28,643 | 26,357 |
| Other | 14,459 | 14,137 | 7,310 | 6,809 |
| **Total for continuing operations** | **85,651** | **80,380** | **60,431** | **59,212** |
| **Reconciliation to overall result** | | | | |
| Depreciation and amortisation | | | (5,339) | (4,324) |
| Finance income | | | 1,052 | 939 |
| Finance costs | | | (3,068) | (3,872) |
| **Profit before Income Tax** | | | **53,076** | **51,955** |

*EBITDA (a non-GAAP measure) reflects earnings before interest, tax, depreciation and amortisation.

The accounting policies of the reportable segments are the same as the Group's accounting policies as outlined in the annual financial statements for the year ended 30 June 2013.

Segment revenue reported above represents revenue generated from external customers. Immaterial inter-segment revenues have been excluded from the above segment results (2012: Nil).

## (c) Segment assets and liabilities

The assets and liabilities of the Group are reported to and reviewed by the Chief Executive Officer in total and are not allocated by operating segment. Therefore, operating segment assets and liabilities are not disclosed.

### (d) Other information

Geographical

The Group operates within New Zealand, and derived no material revenue from foreign countries for the six months ended 31 December 2013 (2012: Nil).

Information about major customers

No single customer contributed 10% or more to the Group's revenue for the six months ended 31 December 2013 (2012: Nil).

## 4. EARNINGS PER SHARE

The earnings and weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share are as follows:

| | Unaudited 31 December 2013 | Unaudited 31 December 2012 |
|---|---|---|
| Earnings used for the calculation of basic and diluted earnings ($000's): | 38,020 | 37,368 |
| Weighted average number of shares on issue (000's) | 396,434 | 396,154 |
| Basic and diluted earnings per share (cents) | 9.59 | 9.43 |

Basic earnings per share is calculated by dividing the Group profit for the six month period by the weighted average number of ordinary and restricted shares outstanding during the period. Diluted earnings per share equals basic earnings per share, since there are no potentially dilutive ordinary shares.

## 5. DIVIDENDS

| | Unaudited 31 December 2013 $000's | Unaudited 31 December 2012 $000's |
|---|---|---|
| Fully imputed dividends: 8.3 cents per share (2012: 7.8 cents per share) | 32,894 | 30,888 |
| Dividends declared after reporting date, but not recorded as a liability in these financial statements: 7.6 cents per share (2012: 7.5 cents per share) | 30,138 | 29,723 |

## 6. CONTRIBUTED EQUITY

| | Unaudited 31 December 2013 $000's | Unaudited 31 December 2012 $000's |
|---|---|---|
| **Balance at beginning of period** | **1,069,196** | **1,069,051** |
| Ordinary shares issued during the period | – | 145 |
| **Balance at end of the period** | **1,069,196** | **1,069,196** |

## 7. BUSINESS COMBINATIONS

### 7.1 LifeDirect acquisition

On 13 September 2013 the Group purchased LifeDirect, an online insurance premium quoting comparison and application business. The business was acquired via an asset purchase and was acquired to further grow the Group's "Other" business segment.

### Assets and liabilities acquired at the date of acquisition:

| | $000's |
|---|---|
| Software | 2,654 |
| Customer list | 1,618 |
| Other | 41 |
| Revenue in advance | (300) |
| Goodwill | 4,089 |
| **Total identifiable net assets and liabilities attributable to the Group** | **8,102** |
| **Satisfied by** | |
| Cash paid on acquisition date | 4,000 |
| Fair value of contingent consideration to be paid in September 2015 and 2016. | 4,102 |
| **Fair value of consideration paid** | **8,102** |

The business has not had a significant impact on revenue or profit for the six months ended 31 December 2013. Had the acquisition occurred at the beginning of the reporting period, there would have been no significant change to the consolidated statement of comprehensive income with regard to revenue and profit for the period.

Under the terms of the acquisition agreement, the Group must pay the former owners of LifeDirect two additional cash payments based on meeting revenue and EBITDA targets in the years ending 31 August 2015 and 31 August 2016. The range of undiscounted payments in respect of the year ending 31 August 2015 is $0–$4.5 million, and the payment in respect of the year ending 31 August 2016 is tied to revenue and is uncapped.

The fair value of contingent consideration included in Other non-current liabilities has been determined using the present value of a weighted average range of possible earn out payments based on the Group's assessment of the probability of achieving each of the revenue and EBITDA targets within the range. The discount rate used is 5.37%. The effects on the fair value of risk and uncertainty in the future cash flows are dealt with by adjusting the estimated cash flows rather than adjusting the discount rate.

If the probabilities of reaching the revenue targets in the upper half of the range of possible payment hurdles were increased by 5% and those in the lower half decreased by 5%, it would increase the fair value of the contingent consideration by $0.5 million. If the converse was applied, it would reduce the contingent consideration by $0.5 million.

Acquisition-related costs included in other expenses in the statement of comprehensive income were immaterial.

### 7.2 MotorWeb acquisition

On 20 December 2013 the Group purchased MotorWeb, an online vehicle information service. The business was acquired via a combination of asset and share purchases and was acquired to complement the Group's "Motors" business.

#### Assets and liabilities acquired at the date of acquisition:

| | $000's |
|---|---|
| Software | 7,800 |
| Property, plant and equipment | 71 |
| Other | 6 |
| Trade and other payables | (80) |
| Goodwill | 11,703 |
| **Total identifiable net assets and liabilities attributable to the Company** | **19,500** |
| **Satisfied by** | |
| Cash paid on acquisition date | 19,500 |
| **Fair value of consideration paid** | **19,500** |

The business has not had a significant impact on revenue or profit for the six months ended 31 December 2013. Had the acquisition occurred at the beginning of the reporting period, the consolidated income statement would have included additional revenue of $4.2 million. There would have been no significant change to profit for the period.

Goodwill arising from the two acquisitions includes synergies expected to be achieved as a result of combining the acquired businesses with the rest of the Group. The acquired work forces and future growth opportunities are also key factors contributing to the goodwill acquired during the reporting period. None of the goodwill is expected to be deductible for tax purposes.

Acquisition-related costs included in other expenses in the statement of comprehensive income were immaterial.

## 8. INTEREST BEARING LIABILITIES

| | Unaudited 31 December 2013 $000's | Audited 30 June 2013 $000's |
|---|---|---|
| Committed cash advance facility | 166,000 | 166,000 |
| Deferred funding costs | (266) | (142) |
| **Total interest bearing liabilities** | **165,734** | **165,858** |

The Commonwealth Bank of Australia had provided a $200 million revolving cash advance loan facility to the Group, of which $166 million was drawn down as at 30 June 2013. During the six month period ended 31 December 2013, the Group cancelled the undrawn facility and refinanced the lending through syndication as follows:

| Lender | Balance $000's | Maturity date |
|---|---|---|
| Commonwealth Bank of Australia | 116,000 | 11 September 2016 |
| Westpac Banking Corporation | 50,000 | 11 September 2016 |

The facility is guaranteed by the Company and its wholly owned subsidiary Trade Me Limited. The covenants entered into by the Group require specific calculations of the Group's net debt to EBITDA, and interest cover.

There have been no covenant breaches.

The facility incurs interest based on market floating rates that are re-set every 90 days.

## 9. FINANCIAL INSTRUMENTS

### 9.1 Fair value

Financial instruments included in these financial statements include cash and cash equivalents, trade and other receivables, trade and other payables, interest bearing loans and borrowings and derivative financial instruments. The carrying amounts of these financial instruments are a reasonable approximation of their fair values.

Derivative financial instruments and the liability for contingent consideration outlined in note 7.1 are both classified as "fair value through profit or loss" and are categorised into one of three levels based on the quality of inputs used to determine fair value:

- Level 1 – quoted prices in active markets for identical assets or liabilities
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs)

Derivative financial instruments are classified as level 2 and the liability for contingent consideration is classified as level 3.

The fair value of derivative financial instruments has been determined using observable market interest rate data as at balance date. The basis for valuation of the liability for contingent consideration is outlined in note 7.1. The only movement in fair values of items classified within level three of the fair value hierarchy has been the initial recognition of the LifeDirect contingent consideration.

## 10. SUBSEQUENT EVENTS

As outlined in note 5, on 18 February 2014, the directors declared a dividend of $30,138,000, which is not recorded as a liability in these interim financial statements.

Building a better working world

Chartered Accountants

**Review Report to the Shareholders of Trade Me Group Limited ("the company") and its subsidiaries (together "the group")**

We have reviewed the interim financial statements on pages 6 to 15. The interim financial statements provide information about the past financial performance of the group and its financial position as at 31 December 2013. This information is stated in accordance with the accounting policies set out in the group's annual financial statements dated 20 August 2013.

This report is made solely to the company's shareholders, as a body, in accordance with our engagement letter. Our review has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in a review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders as a body, for our review work, for this report, or for our findings.

**Directors' Responsibilities**

The directors are responsible for the preparation of interim financial statements which comply with generally accepted accounting practice in New Zealand as it relates to interim financial statements and which present fairly the financial position of the group as at 31 December 2013 and the results of its operations and cash flows for the six month period ended on that date.

**Reviewer's Responsibilities**

We are responsible for reviewing the interim financial statements presented by the directors in order to report to you whether, in our opinion and on the basis of the procedures performed by us, anything has come to our attention that would indicate that the interim financial statements do not present fairly the matters to which they relate.

**Basis of Statement**

A review is limited primarily to enquiries of group personnel and analytical review procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, do not express an audit opinion.

We have reviewed the interim financial statements of the group for the six month period ended 31 December 2013 in accordance with the Review Engagement Standards issued by the External Reporting Board. These standards require that we plan and perform the review to obtain moderate assurance as to whether the statements are free of material misstatement whether caused by fraud or error. We also evaluated the overall adequacy of the presentation of information in the interim financial statements.

Partners and employees of our firm may deal with the group on normal terms within the ordinary course of trading activities of the business of the group. We have no other relationship with, or interests in, the group.

EY
Building a better working world

Chartered Accountants

**Statement of Review Findings**

Based on our review nothing has come to our attention that causes us to believe that the accompanying interim financial statements, set out on pages 6 to 15, do not fairly present the financial position of the group as at 31 December 2013 and its financial performance and cash flows for the six month period ended on that date in accordance with generally accepted accounting practice in New Zealand as it relates to interim financial statements.

Our review was completed on 18 February 2014 and our findings are expressed as at that date.

Ernst & Young

Wellington

# Directory: Trade Me Group Limited

Registered office

Trade Me Group Limited
Level 3, NZX Centre
11 Cable Street
Wellington

Board of directors

| | |
|---|---|
| David Kirk | Chairman |
| Gail Hambly | Non-Executive Director |
| Paul McCarney | Non-Executive Director |
| Sam Morgan | Non-Executive Director |
| Joanna Perry | Non-Executive Director |

Executive team

| | |
|---|---|
| Jon Macdonald | Chief Executive Officer |
| Jonathan Klouwens | Chief Financial Officer |
| Mike DelPrete | Head of Strategy |
| Sarah Hard | Company Secretary |
| Fiona Ireland | Head of Human Resources |
| Jimmy McGee | Chief Commercial Officer |
| Mike O'Donnell | Chief Operating Officer |
| Dave Wasley | Chief Technology Officer |

Investor information

The Trade Me investor relations website is at:
http://investors.trademe.co.nz/

Share registrar

If you have a shareholder-related query, please contact our share registrar, Link Market Services Limited:

New Zealand

Phone (09) 375 5998
Email enquiries@linkmarketservices.com
Address PO Box 91976, Auckland

Australia

Phone 1300 554 474
Email registrars@linkmarketservices.com.au
Address Locked Bag A14, Sydney South, NSW

Auditor

Ernst & Young
100 Willis Street
Wellington
New Zealand

EMAIL: announce@nzx.com

# Notice of event affecting securities

*NZSX Listing Rule 7.12.2. For rights, NZSX Listing Rules 7.10.9 and 7.10.10.*
*For change to allotment, NZSX Listing Rule 7.12.1, a separate advice is required.*

*Number of pages including this one (Please provide any other relevant details on additional pages)*: 1

*Full name of Issuer*: Trade Me Group Limited

*Name of officer authorised to make this notice*: Jonathan Klouwens

*Authority for event, e.g. Directors' resolution*: Directors' resolution

*Contact phone number*: +64 (0) 272 10 6505

*Contact fax number*: +64 4 803 2699

*Date*: 18 / 2 / 2014

**Nature of event**
*Tick as appropriate*

- *Bonus Issue* ☐
- *If ticked, state whether:* *Taxable* ☐ */ Non Taxable* ☐
- *Conversion* ☐
- *Interest* ☐
- *Rights Issue Renouncable* ☐
- *Rights Issue non-renouncable* ☐
- Capital change ☐
- Call ☐
- Dividend ☑
- If ticked, state whether: Interim ☑ Full Year ☐ Special ☐
- DRP Applies ☐

**EXISTING securities affected by this**

*If more than one security is affected by the event, use a separate form.*

*Description of the class of securities*: Ordinary and Restricted Shares

*ISIN*: NZTMEE0003S8
*If unknown, contact NZX*

**Details of securities issued pursuant to this event**

*If more than one class of security is to be issued, use a separate form for each class.*

*Description of the class of securities*:

*ISIN*:
*If unknown, contact NZX*

*Number of Securities to be issued following event*:

*Minimum Entitlement*:

*Ratio, e.g* ① *for* ② : *for*

*Conversion, Maturity, Call Payable or Exercise Date*:
*Enter N/A if not applicable*

*Treatment of Fractions*:

*Tick if pari passu* ☐ *OR provide an explanation of the ranking*:

*Strike price per security for any issue in lieu or date Strike Price available.*:

***Monies Associated with Event***

*Dividend payable, Call payable, Exercise price, Conversion price, Redemption price, Application money.*

*In dollars and cents*

*Amount per security (does not include any excluded income)*: $0.076

Source of Payment: Retained Earnings

*Excluded income per security (only applicable to listed PIEs)*:

*Currency*: NZ Dollars

Supplementary dividend details - NZSX Listing Rule 7.12.7
- *Amount per security in dollars and cents*: $0.013412
- *Date Payable*: 25 March, 2014

*Total monies*: $30,138,113

***Taxation***

*Amount per Security in Dollars and cents to six decimal places*

*In the case of a taxable bonus issue state strike price*: $

Resident Withholding Tax: $0.005278

Imputation Credits (Give details): $0.029556

Foreign Withholding Tax: $0.013412

FDP Credits (Give details):

***Timing*** (Refer Appendix 8 in the NZSX Listing Rules)

***Record Date 5pm***
*For calculation of entitlements -*: 14 March, 2014

***Application Date***
*Also, Call Payable, Dividend / Interest Payable, Exercise Date, Conversion Date. In the case of applications this must be the last business day of the week.*: 25 March, 2014

***Notice Date***
*Entitlement letters, call notices, conversion notices mailed*:

***Allotment Date***
*For the issue of new securities. Must be within 5 business days of application closing date.*:

**OFFICE USE ONLY**
Ex Date:
Commence Quoting Rights:
Cease Quoting Rights 5pm:
Commence Quoting New Securities:
Cease Quoting Old Security 5pm:

Security Code:

Security Code:

NZX

# Trade Me Half Year Results

For the 6 months ended
31 December 2013


| | |
|---|---|
| Jon Macdonald | CEO |
| Jonathan Klouwens | CFO |


trade me
Trade Me Group Limited

# 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.

A number of non-GAAP financial measures are used in this presentation due to the fact they are widely accepted financial indicators used by investors and analysts to analyse and compare companies. You should not consider any of these in isolation from, or as a substitute for the information provided in the consolidated financial statements.

While all reasonable care has been taken in compiling this presentation, Trade Me accepts no responsibility for any errors or omissions. This presentation does not constitute investment advice.

# Presentation agenda

| | |
|---|---|
| Overview | Jon Macdonald |
| Divisional Performance | Jon Macdonald |
| Financials | Jonathan Klouwens |
| Trading and Outlook | Jon Macdonald |
| Questions | Jon Macdonald and Jonathan Klouwens |

# Overall Results: Highlights

- **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.
- **Outlook**: on track, and in line with guidance in August & October. EBITDA and NPAT growth to remain subdued for the full year as we continue to invest. H2 has started in line with expectations. We expect stronger profit growth over the course of F15.

# Overall Results: Financials

| NZD $000's | | F14 H1 Actual | Prior year variance | |
|---|---|---|---|---|
| Revenue | | 85,651 | 5,271 | 6.6% |
| Expenses | | 25,220 | 4,052 | 19.1% |
| EBITDA | | 60,431 | 1,219 | 2.1% |
| | *EBITDA margin* | *70.6%* | | |
| Depreciation and amortisation | | 5,339 | 1,015 | 23.5% |
| EBIT | | 55,092 | 204 | 0.4% |
| | *EBIT margin* | *64.3%* | | |
| Net finance costs | | 2,016 | (917) | (31.3%) |
| Income tax expense | | 15,056 | 469 | 3.2% |
| NPAT | | 38,020 | 652 | 1.7% |

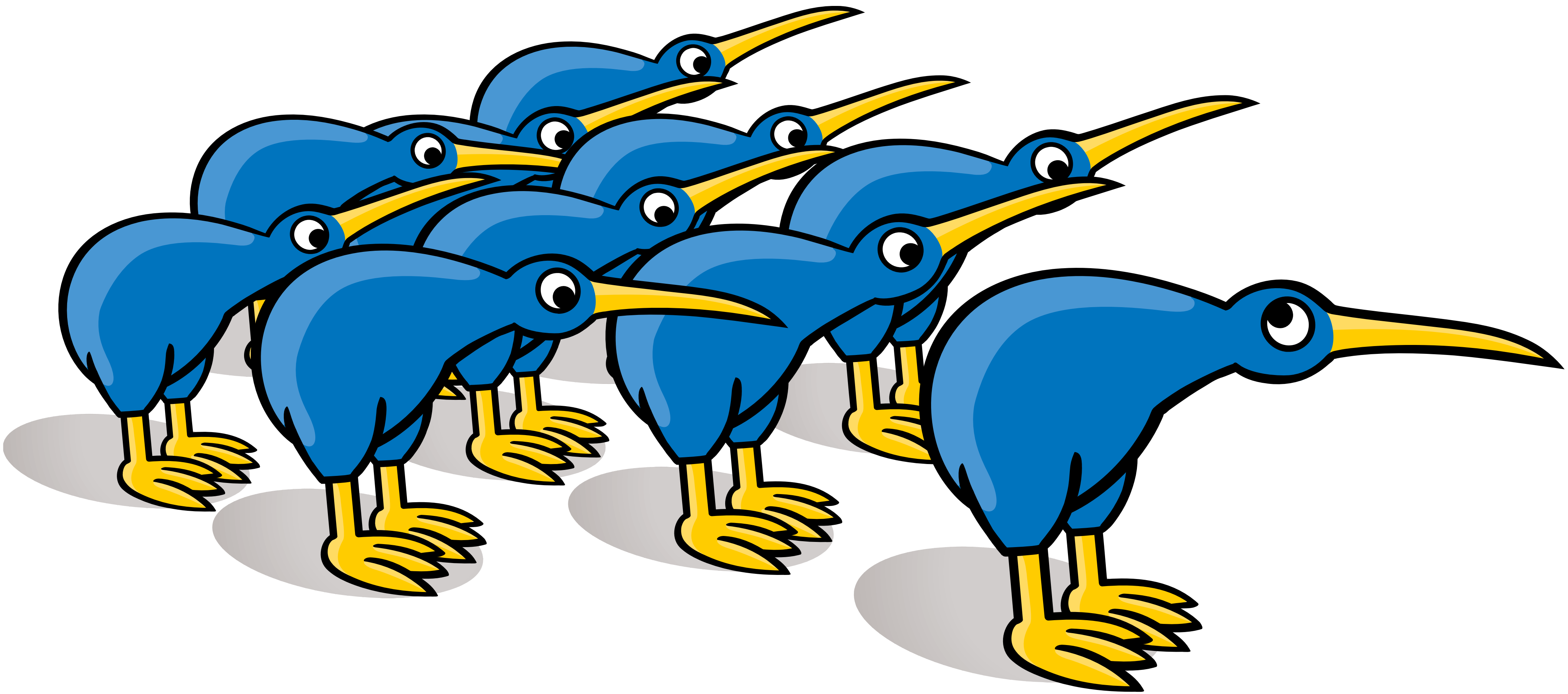
Note: all figures are derived from the statutory financial statements and should be read in conjunction with the accompanying notes

Trade Me Group Limited

# 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 the opportunity in our classifieds businesses, through new products and pricing changes.
  - Defend and grow our general items marketplace, through product improvement, on-boarding 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.
  - Make our products better.
- 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.

# Divisional Performance



# Revenue by segment

| NZD $000's | H1 F14 Actual | 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: Performance

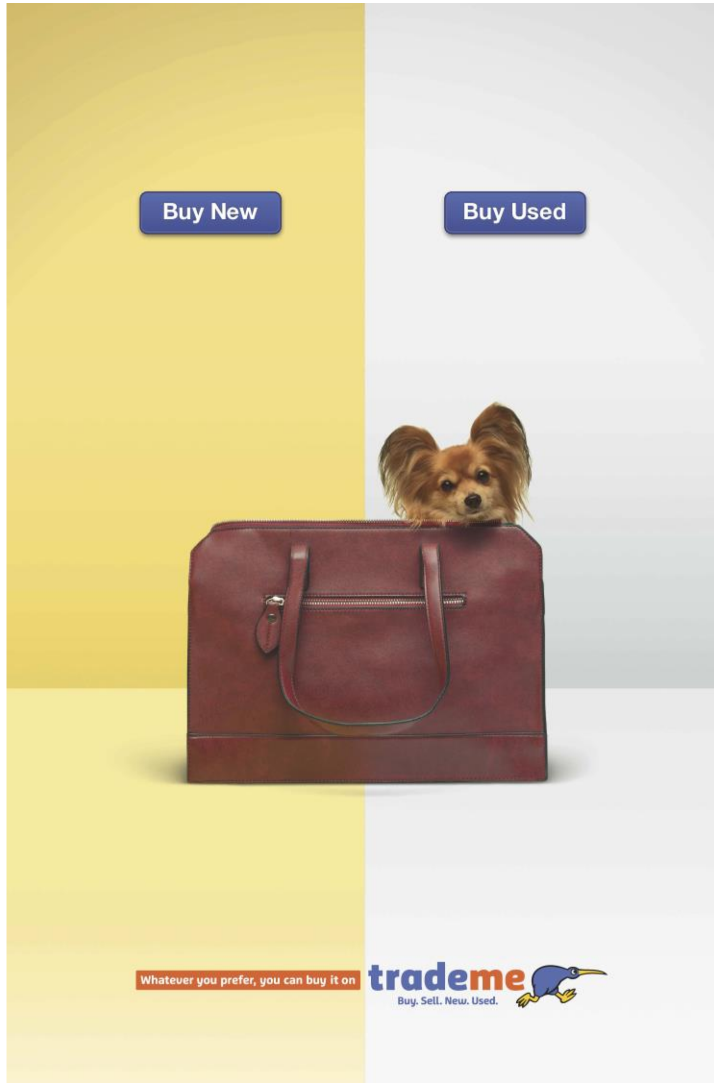
- **Revenue** fell $520k YoY (note H1 F13 included a one-off accounting adjustment of $800k).
- **GMS** up 0.4% YoY. Better recent performance over December (+4% YoY) and January (+2% YoY). New goods and used goods both flat when aggregated across all categories.
- **Items sold** declined 3.9% with fewer lower priced items being transacted (e.g. clothing)

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

- **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.

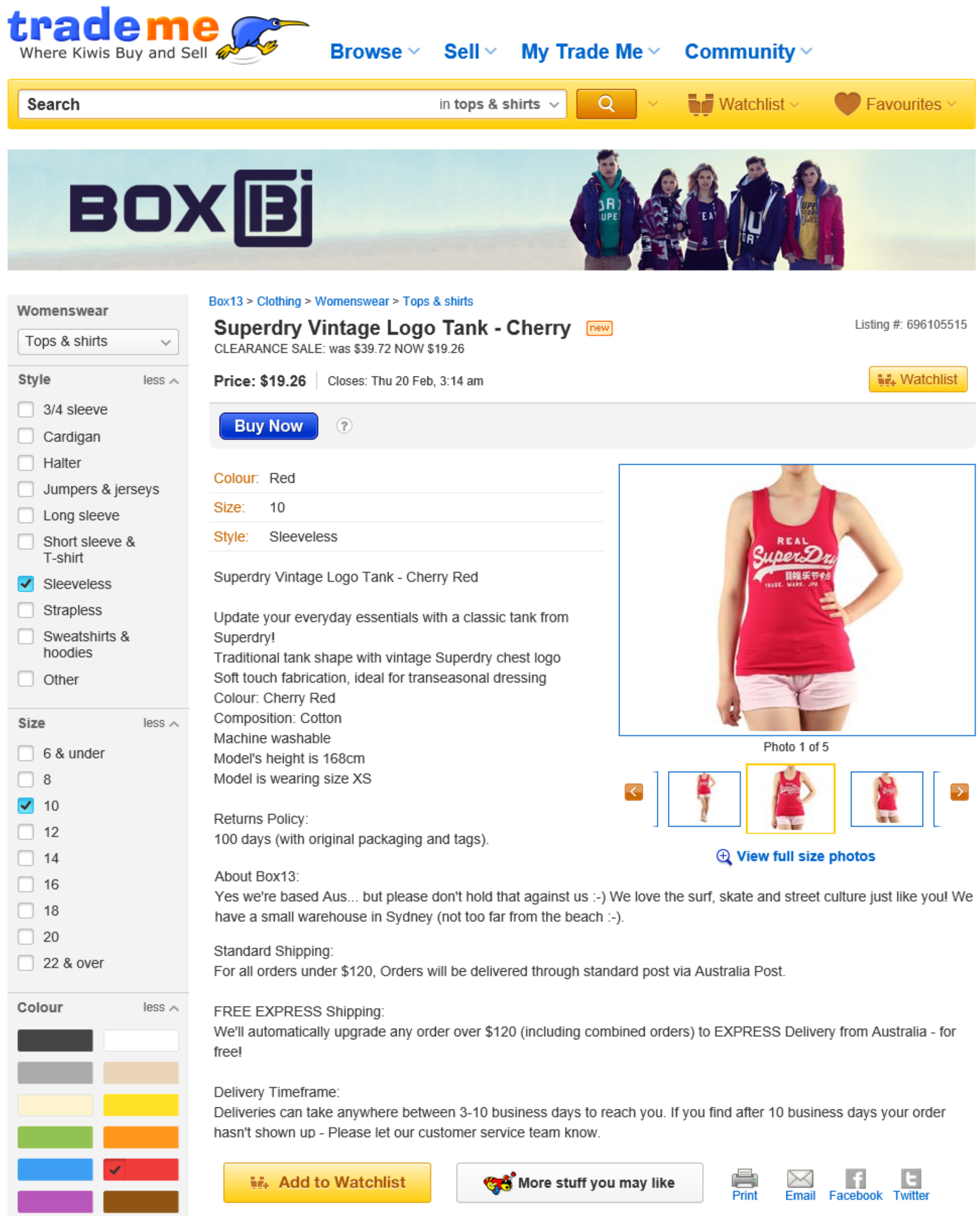
# General Items: Progress

- Significant team changes over the past six months
  - 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 – expanded upon on the next page.
- Focus on targeted international vendors to meet unrequited demand:
  - A more targeted approach to securing new supply has been more effective (and efficient).
  - Secured major Ebay sellers including Shoe Metro, Eforcity, Toolking, Beauty Seller, Gem Avenue.
- Run our first above-the-line campaign – achieved increasing awareness and consideration for new goods as measured by independent market research, but only small sales stimulation.



# General Items: Product development

- Refocus on product development to improve buyer experience to **retain active buyers** & **convert passive visitors** into engaged buyers:
  - 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

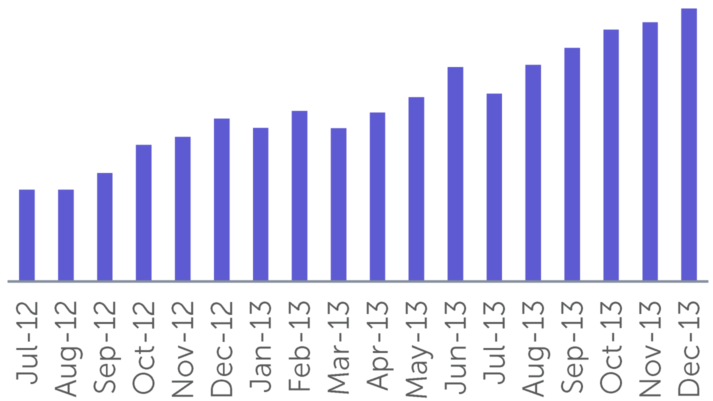


# Classifieds: Motors

- **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




trade me motors

# Classifieds: Property performance

- **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.

trade me property

# Classifieds: Property outlook

- Agent pricing: Changes aim to properly reflect the marketing value we provide through a per-listing structure. Previous model based on a combination of subscription and per-listing, usually with an office or franchise cap.
- Industry reaction has been mixed and negative, with some areas of strong agitation.
- We'll do all we can to retain relationships with agents, including flexibility where it helps, however we're confident in our long-term success and the fundamentals of our proposition:
  - Trade Me has the largest audience – over 4x our nearest online competitor.
  - Around half of all house purchases come from Trade Me Property, and two-thirds of recent property buyers said they used Trade Me Property as their #1 search channel. Trade Me was measured as 10x more effective than print advertising.
  - At $159 per listing (or less for agents with good volume) we provide outstanding value relative to the overall transaction, agent commissions and the cost of marketing alternatives.
- Appointed a Head of Property – industry expert Nigel Jeffries (recently CEO of Property IQ).
- Opportunities to promote revenue growth remain: depth products and market data.

trade me property

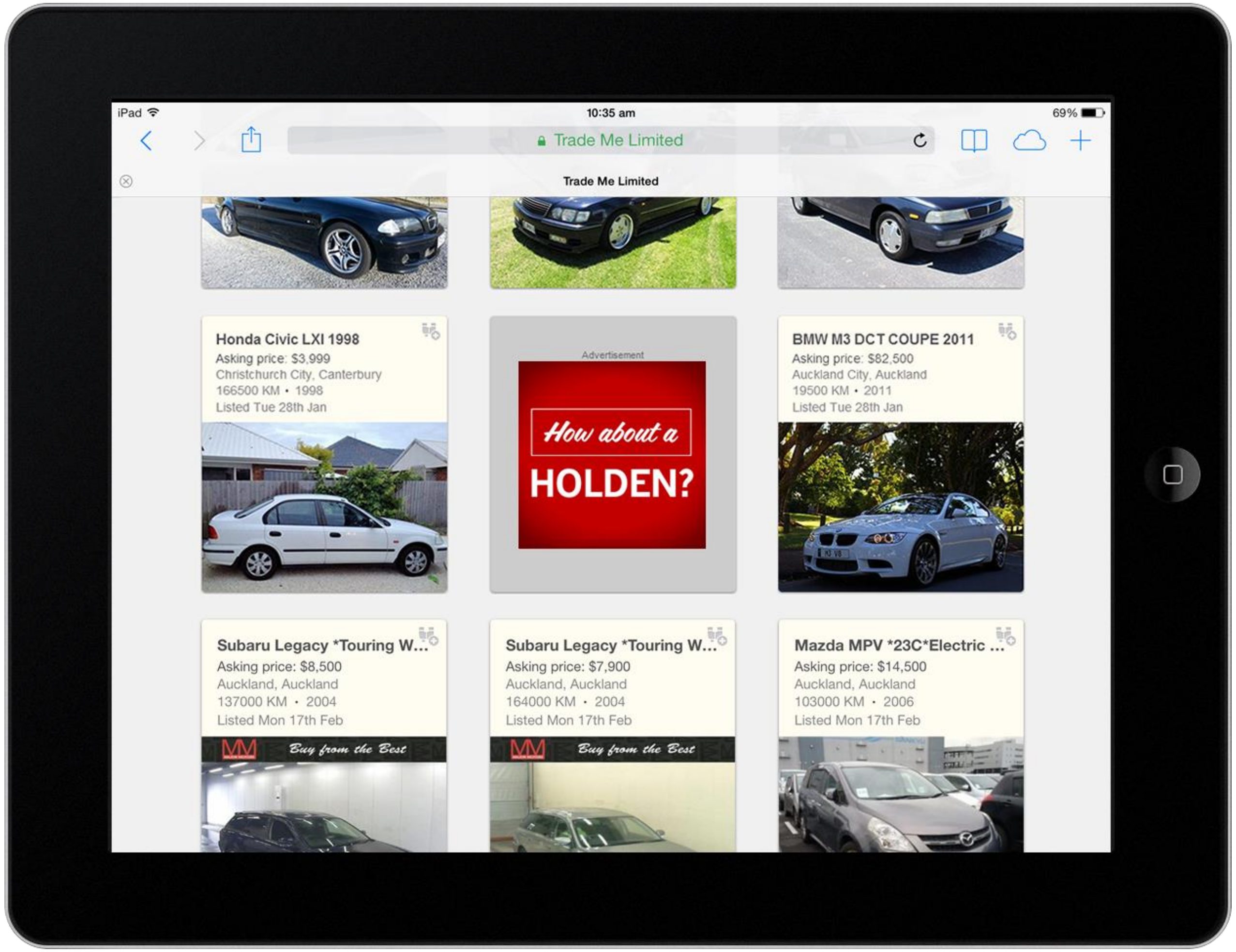
# Classifieds: Jobs


- **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.

trade me JOBS

# 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:** National sales manager started July 2013, Operations manager started September 2013. Recruiting for new Head of Advertising and Insights Manager.



# Other: Smaller businesses

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

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

**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.

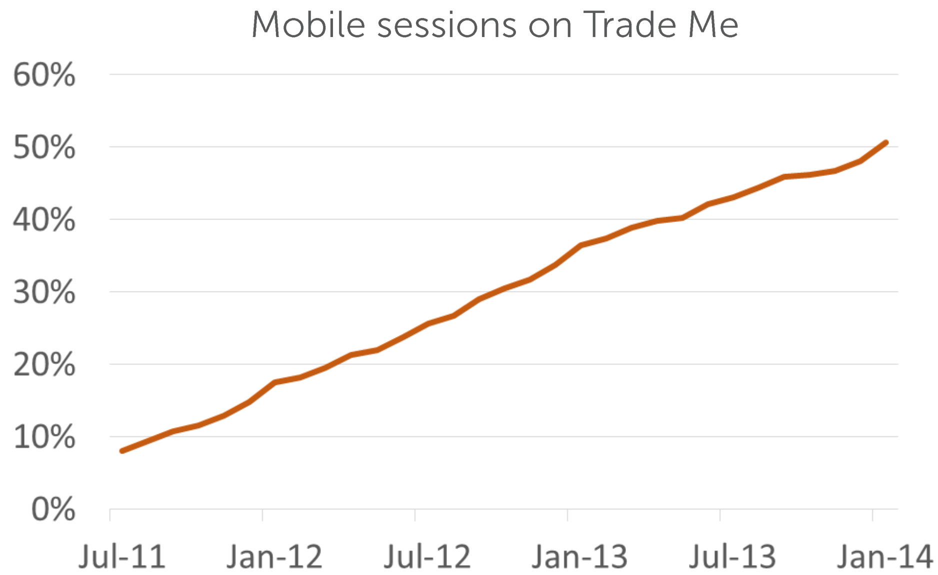
**PayNow** revenue growth of 32.3%; investing to further expand its use (from ~17% of total GMS currently).

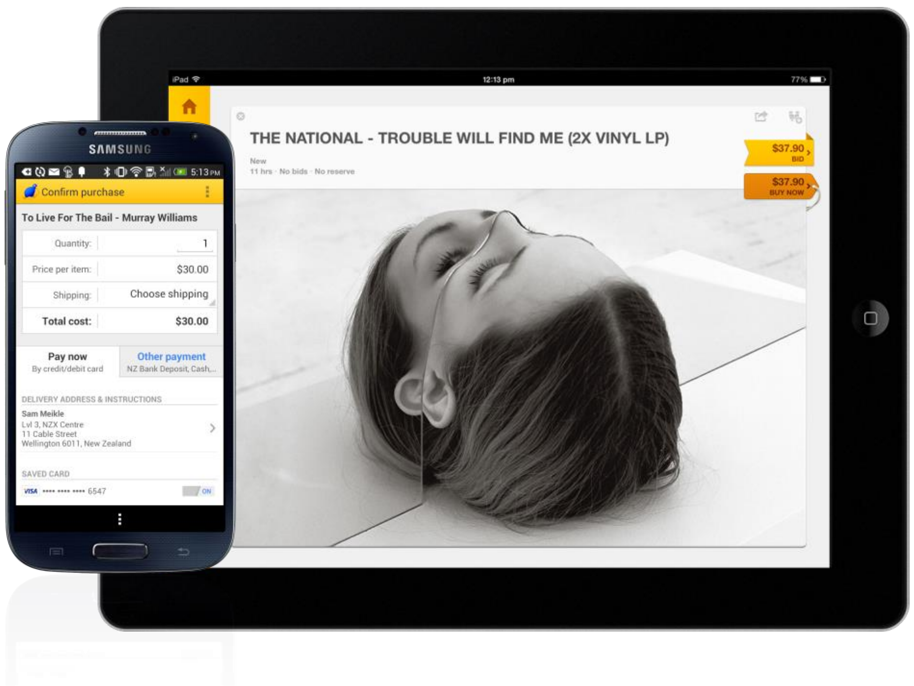
**Travelbug & BookIt** revenue growth of 10.3% YoY.

**Services** revenue growth of 20.9%.

# Mobile

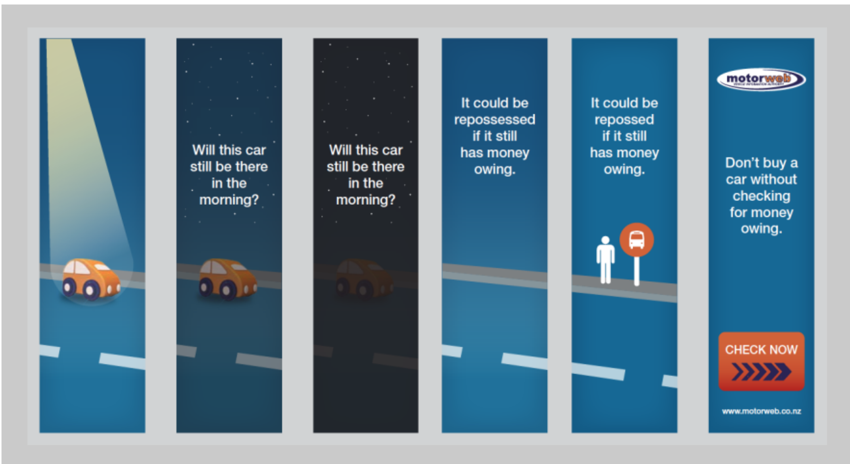
- **Mobile majority:** mobile sessions now outnumber desktop visits with more than 50% of all visits via mobile.
- Substantial updates under way to improve the Browse experience across mobile.
- Substantial changes to mobile home-screens underway, that will provide a personalised experience.
- Mobile-focused staff increasing in line with industry shift.
- PayNow now accessible on all devices: Integration (incl. Pay Now Instant) to all mobile interfaces, including our mobile apps.




Trade Me Group Limited

# MotorWeb acquisition


MotorWeb: an automotive data company

- Uses car data from government registries plus its own IP to create and sell vehicle reports to businesses/public.
- Deal announced & executed in December.
- Modest acquisition cost, clean purchase at an attractive multiple. Earnings accretive, funded from cash.
- Strategically aligned: customers, industry, data
- Opportunity to strengthen our customer connectivity, grow revenue and learnings in a new/growing market.
- Small international exposure to Australia where reports are provided to the insurance industry; attractive future growth options here.
- Key management remaining with the business.
- Annual revenue of approx. $8m.

# Financials

# 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

# 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**

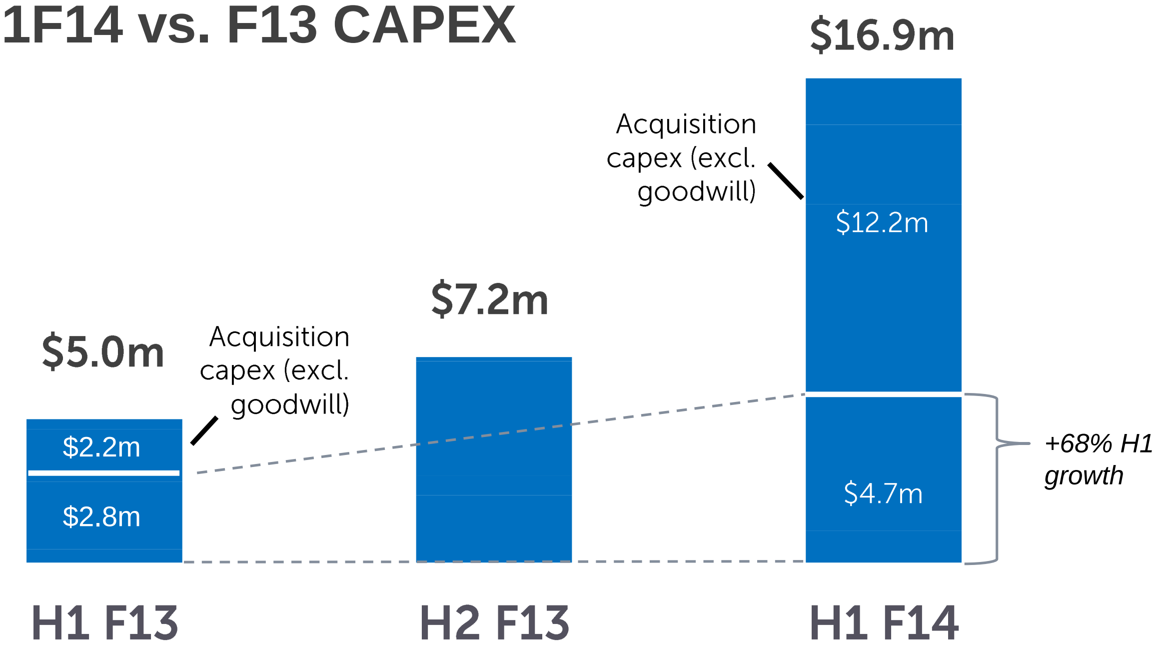
| $000's | Finance income | Finance costs | Net finance costs |
|---|---|---|---|
| **H1 F14** | 1,052 | 3,068 | 2,016 |
| **H1 F13** | 939 | 3,872 | 2,933 |
| **Var** | 113 | (804) | (917) |
| | 12.0% | (20.8%) | (31.3%) |

Trade Me Group Limited

# Financials: Capex spend (including Software acquisition)

- Capex including software component of acquisitions: $16.9m ($4.7m if H1 F14 acquisitions excluded)
- Capital development increased by ~$1m (52%) YoY in line with previous guidance that we would focus on building better functionality and product
- H2/F14 capital development spend will continue to increase as more resource invested in functionality of the operating platform (including mobile)

## H1F14 vs. F13 CAPEX




- H1 F14 core capex up $1.9m (68%) YoY
- H1 F14 cap dev spend up 52%
- Total capex spend is still small relative to the size of the balance sheet

Trade Me Group Limited

# Financials: Acquisitions – impact on depreciation & amortisation

- YoY increase of $1.0m in H1F14; driven by recent and historic acquisition activity and capitalised development
- Acquisitions in H1: MotorWeb & LifeDirect
- MotorWeb amortisation is $260k/month ($7.8m / 30 months); LifeDirect $90k/month ($2.7m / 30 months)

| Depreciation & Amortisation ($m) | H1 F13 | F13 | H1 F14 | H1 % var |
|---|---|---|---|---|
| Core capex D&A | $2.6 | $5.1 | $3.2 | +21.4% |
| D&A on acquired businesses | $1.7 | $3.6 | $2.1 | +26.7% |
| **Total D&A** | **$4.3** | **$8.7** | **$5.3** | **+23.5%** |

Total D&A will continue to **increase** as we invest more in capitalised development, and as the software component of acquisitions is amortised

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# 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

| Cash flows from operating | H1 F14 | H1 F13 | Var |
|---|---|---|---|
| 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) |

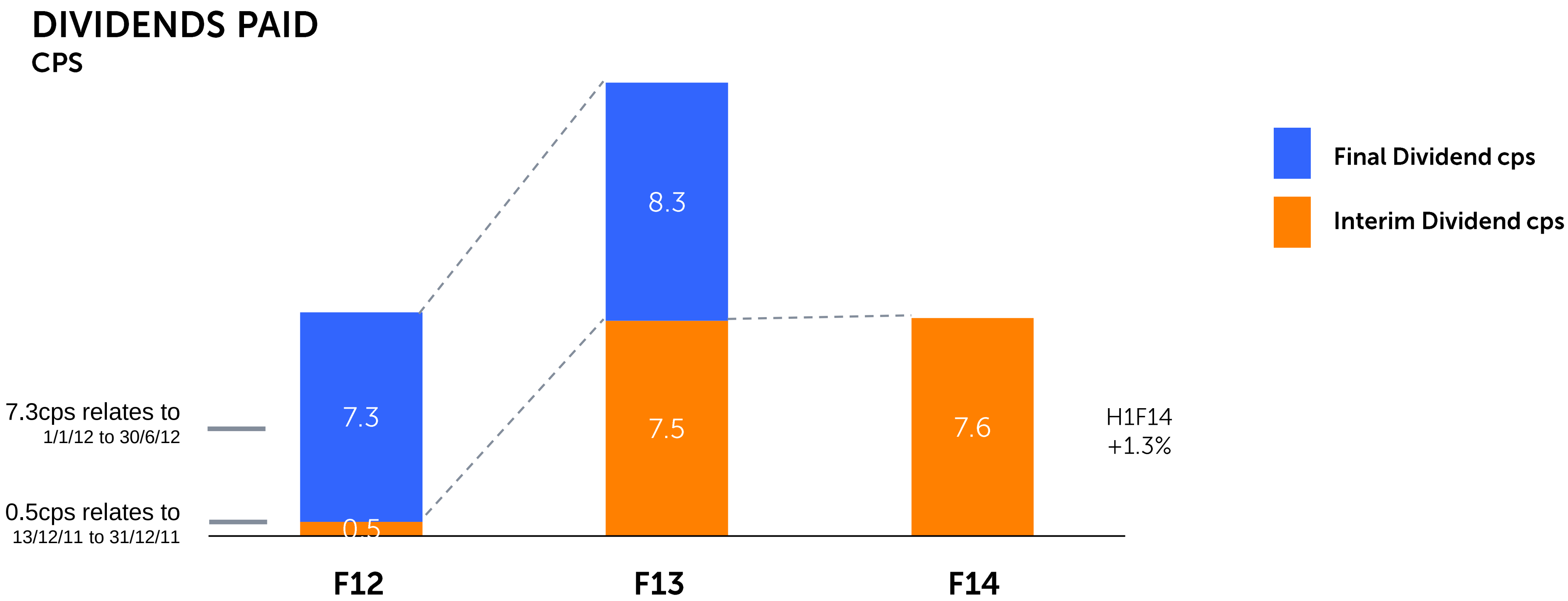
# Financials: Balance Sheet

| | 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.

# Financials: Proposed Dividend

- Fully imputed interim dividend of 7.6cps;  ~80% pay-out ratio of $38.0m net profit
- Supplementary dividend for non-residents of 1.3412cps
- Dividend record date: 5pm Friday 14 March and payment date of Tuesday 25 March

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# Outlook

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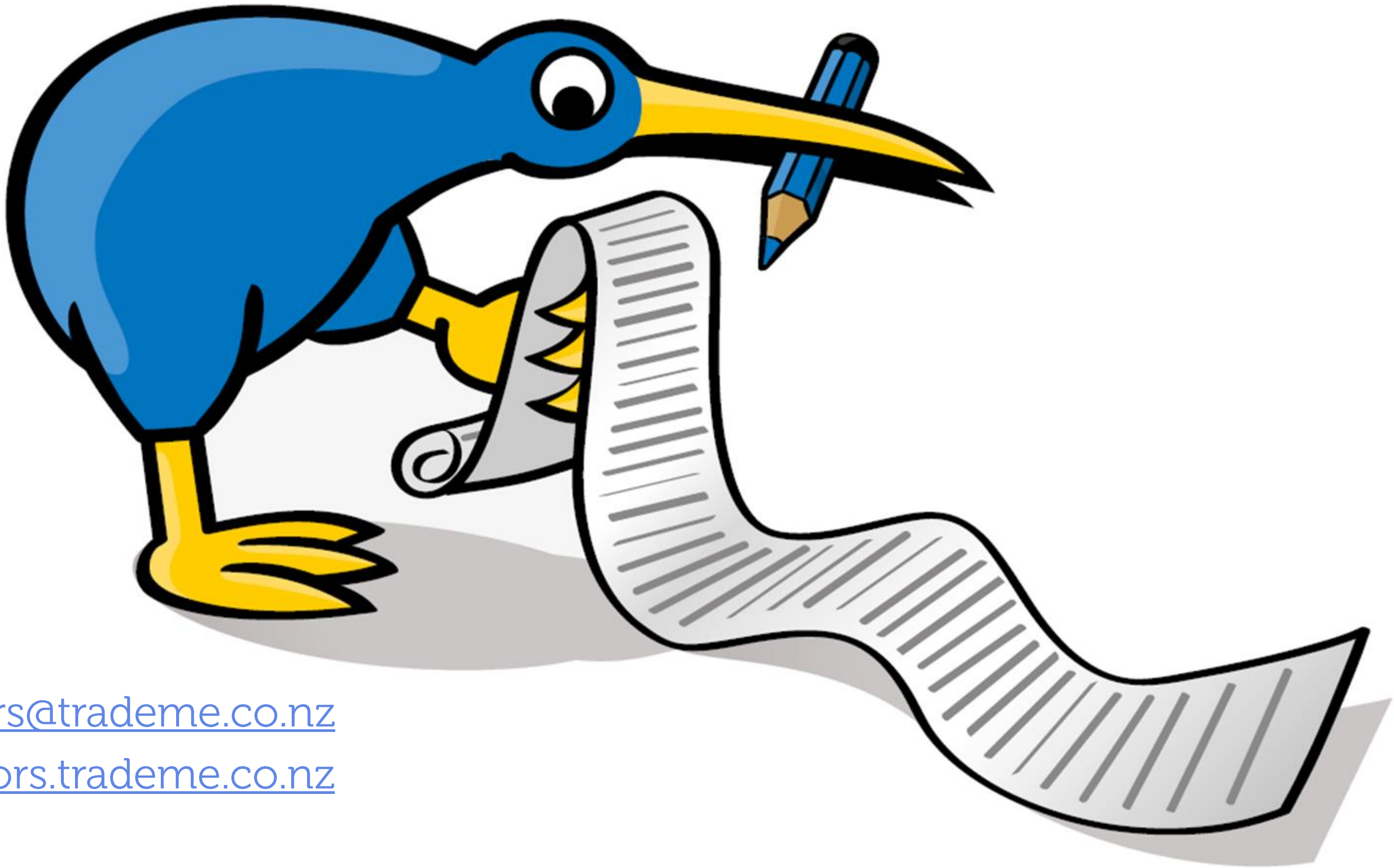
- In H2 F14 we expect a modest increase in revenue growth based on some recovery in General Items (note slow growth of other domestic retailers in NZ) supported by the core strength of our classifieds.
- In H2 F14 we expect our expenses to grow at a faster rate than H1 based on people and marketing investment. The main contributors to this greater level of expense growth:
  - Full-period impact of the hires made in H1
  - Investment to ensure the success of our property yield work
  - Expense contribution of MotorWeb and LifeDirect
- EBITDA and NPAT growth to remain subdued for the full year as we continue to invest. H2 has started in line with expectations.
- Beyond F14: This year's investment will pay off in the coming years. We expect stronger profit growth over the course of F15 as we roll out new products, phase in yield improvements in the Classifieds, and increase activity in our General Items marketplace.

# More information



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