



back to the future of property classifieds + marketplaces

Bangkok March 1st, 2023

european internet ventures.

who I am

Malcolm Myers

15 years of marketplaces

former head of m&a at Naspers

former m&a advisor to Scout24

CEO of eiv

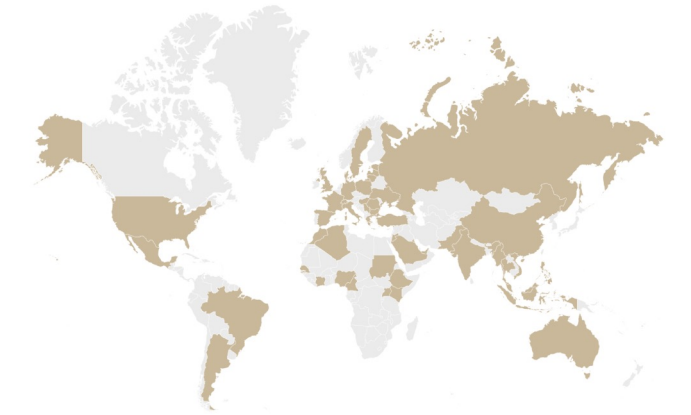
what we do

advisory firm dedicated to
online classifieds + marketplaces

m&a

capital raising

where we work



some of our transactions.

real estate



automotive



jobs



horizontals



contents.

1. what's been happening?

2. which models will win?

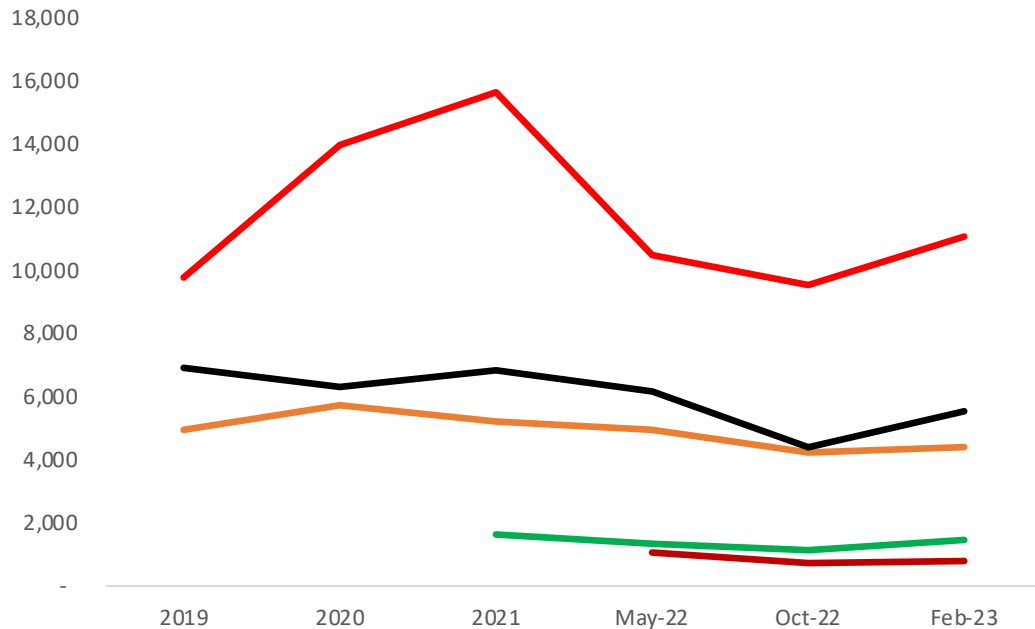
3. options for portals

4. back to the future

1 what's been happening?

today, classifieds valuations are at, or below, where they were when we last met at PPW Bangkok.

\$M MARKET CAP_ REAL ESTATE CLASSIFIEDS



CHANGE
12/19 – 10/22

EBITDA MULTIPLES
2019 2022

-3%

27.4

22.6

-36%

21.1

15.2

-15%

14.0

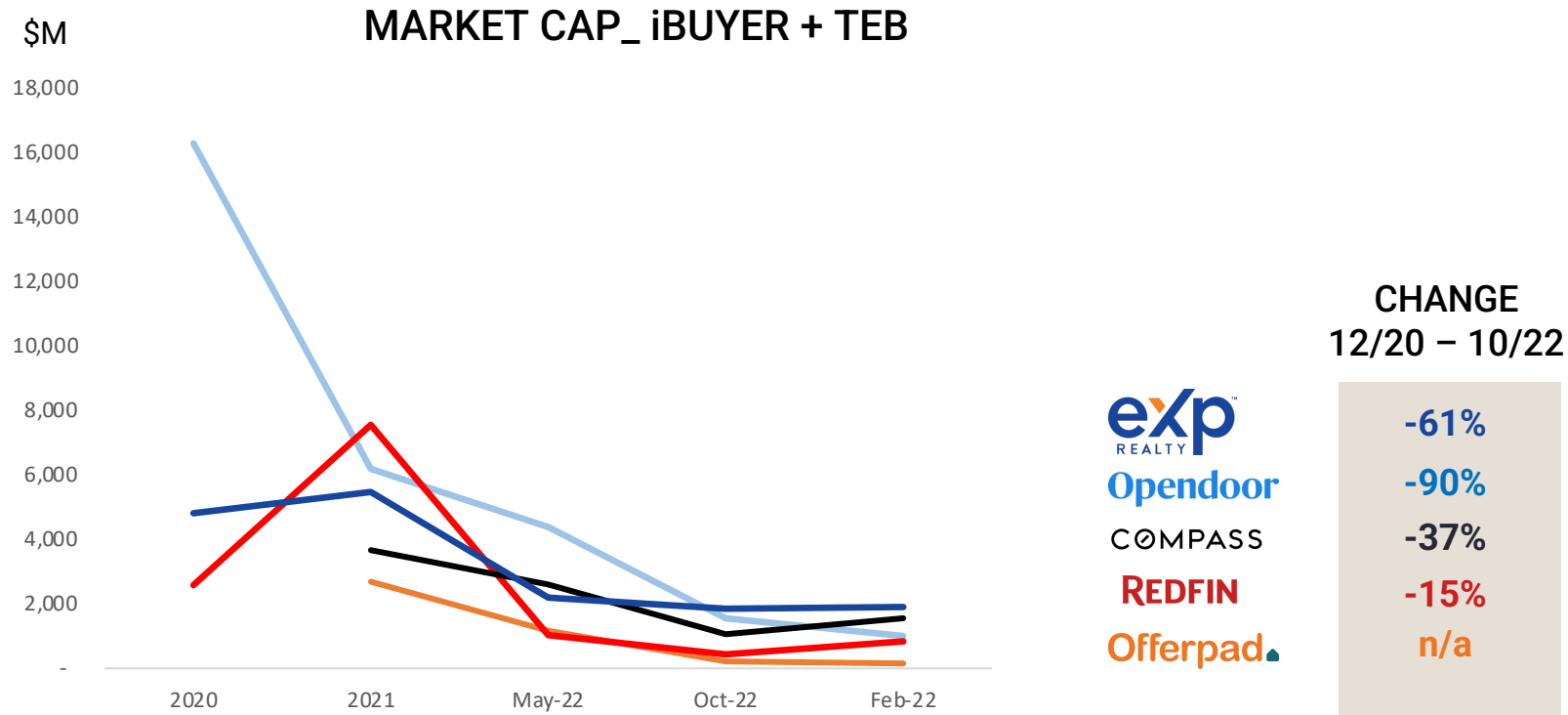
16.6

n/a

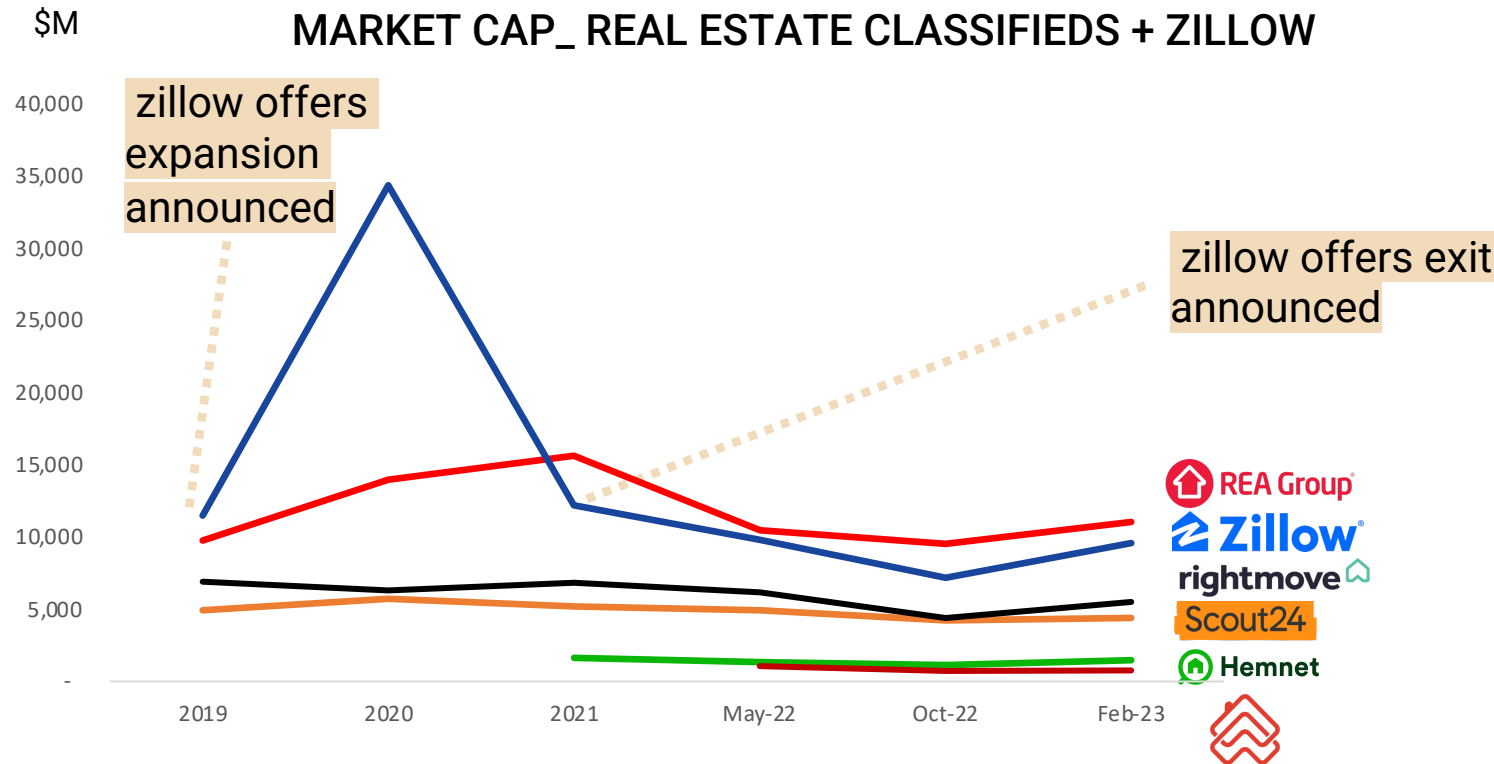
n/a

19.0

the transactional platforms generated much investor excitement... and then lost it.

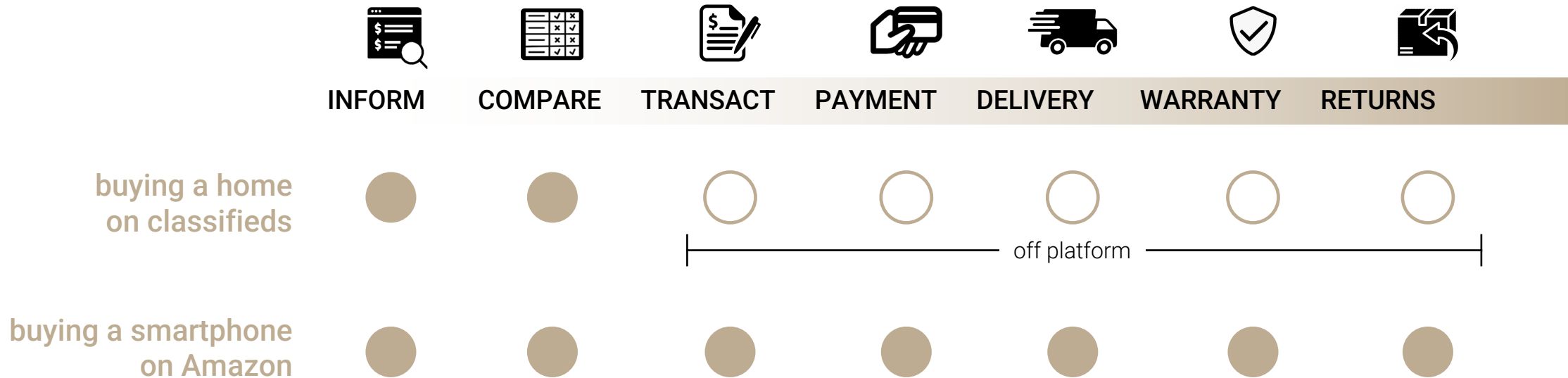


zillow went from classifieds to iBuyer... and back.



so was the market wrong to get so excited about pure transaction platforms?

the core classifieds process remains largely broken.



what can we learn from the automotive segment? (1/3)

transactional models from non-classifieds players

C2B

instant cash offer from platform



direct offers from selected dealers

motorway

B2C

iDealer



what can we learn from the automotive segment? (2/3)

transactional models from non-classifieds players

C2B

instant cash offer from platform



direct offers from selected dealers



B2C

iDealer



transactional models adopted by classifieds players

C2B

instant cash offer from platform



classifieds partners B2B

classifieds buys C2B

direct offers from selected dealers



Direkt-Verkauf



B2C

commission sharing



e-commerce overlay to digitally enable dealer stock



in house iDealer



iDealer buys classifieds

what can we learn from the automotive segment? (3/3)

Sell it on Carlist.my

Create an ad to sell your car

List your car on Carlist.my and get direct enquiries from interested buyers.

Selling Price ★★★★★

Selling Time ★★★☆☆

Convenience ★★★★★

[Create An Ad](#)

Sell via CAR SOME

Sell your car to Carsome

Safe, secure & fast transactions in 24 hours. Free Inspection.

Selling Price ★★★★★

Selling Time ★★★★★

Convenience ★★★★★

[Book Appointment Now](#)

1. many classifieds players have used M&A to accelerate business transition e.g. OLX acquiring FCG to enter C2B transactions, or iCarAsia (classifieds) being sold to Carsome (iDealer) ; M&A can provide expertise and rapid route to scale
2. models which offer a role for traditional dealers, often scale the fastest and with lower capital needs e.g. AutoScout24 smyle
3. classifieds brands can be used to co-brand iDealers (AutoScout24 smyle)
4. it is possible for classifieds platforms to also become dealers, without alienating subscription paying dealer clients

similar models have been introduced in real estate.

transactional challenger models from non-classifieds players

C2B

instant cash offer from platform

direct cash offers to sellers
from vetted dealers

n/a

B2C

yet real estate classifieds players are responding more slowly.

transactional challenger models from non-classifieds players

C2B

instant cash offer from platform



direct cash offers to sellers from vetted dealers

n/a

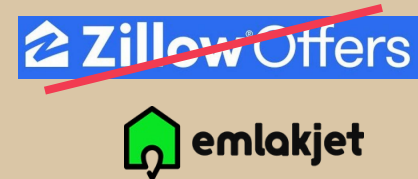
B2C



transactional models adopted by classifieds players

C2B

instant cash offer from platform



direct offers from selected dealers

classifieds players sell vendor leads to preferred agents;



Zillow refers sellers, wanting a fast cash sale, to Opendoor

B2C

commission sharing



e-commerce overlay to digitally enable dealer stock transaction digitization services from classifieds emerging in rentals space

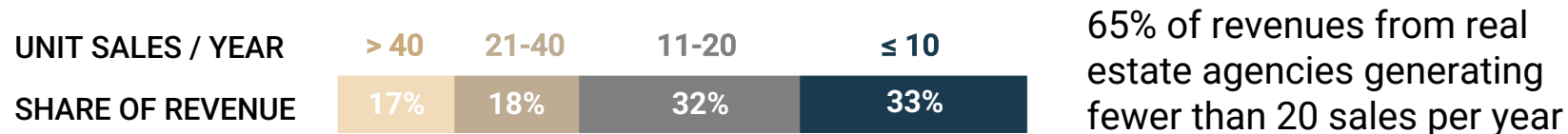


in house TEB



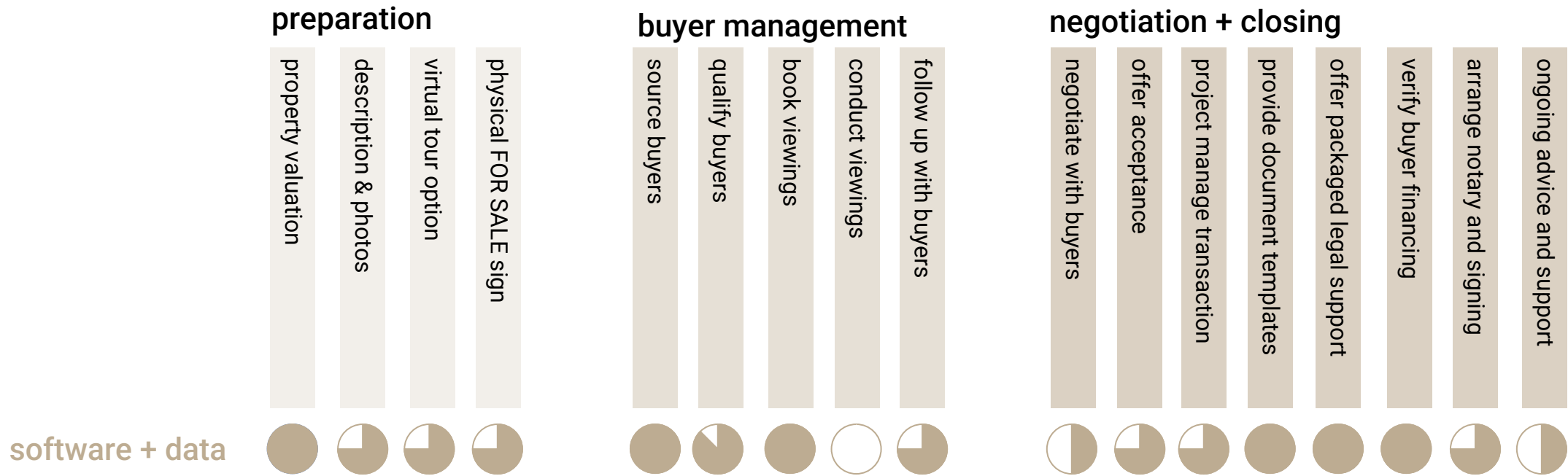
2 which models will win?

most real estate portals rely heavily on subscription revenues from long tail real estate agents.



dependence upon the long tail of small / mid sized intermediaries looks highly risky

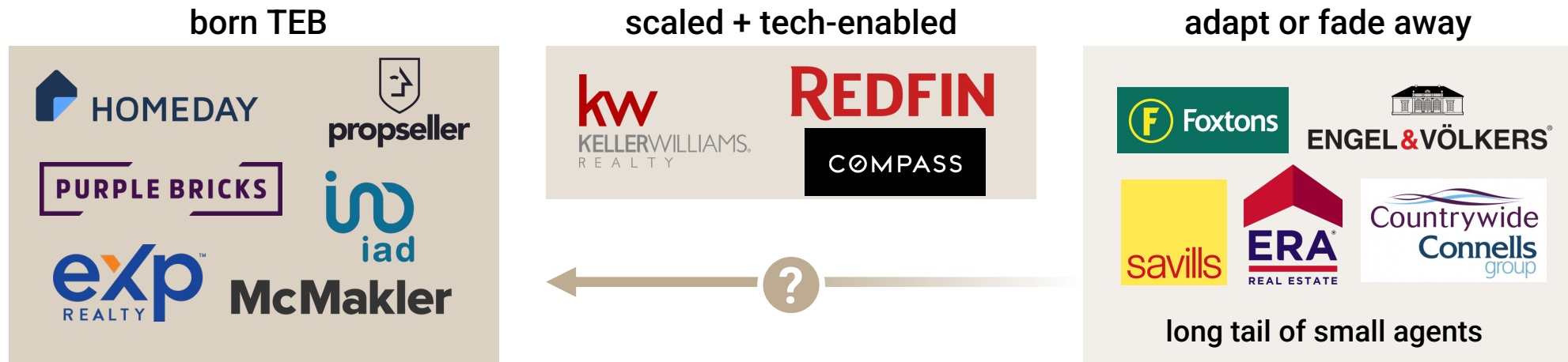
much of what real estate agents do today can be done better, faster and cheaper with software + data



traditional real estate agents can excel at conducting viewings, negotiating with buyers, and in providing ongoing advice to sellers

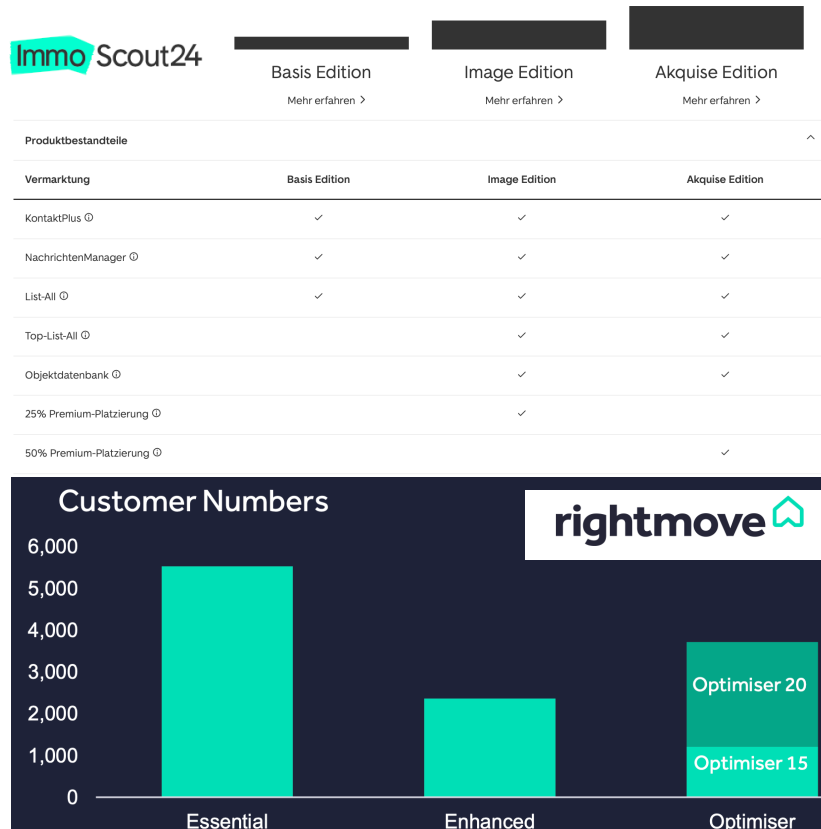
TEBs, who can match on these 3 services, while industrializing with software and data the rest, can offer superior service at far more attractive unit economics

which means that over time, the real estate agency landscape is likely to see rapid consolidation into a small number of large TEBs.



- the internet has brought comparable disruptions to other “high street” services including retail, banking, travel agents, and banks, all who have seen the emergence of powerful online-only businesses
- while some “Born TEBs” will fail, the best will become “super brokers” and aim to reduce dependence on portals both for vendor and buyer leads; Redfin now generates an impressive 25% of the traffic of Zillow
- A harsher macro environment, with higher interest rates and lower transaction volumes is likely to accelerate this trend

today's subscription models will fail to capture the full marketplace opportunity.



traditionally seen as the best model to ensure a dependable income stream
scope to upsell agents to products delivering higher visibility and more market insights

package pricing typically depends upon...

- # listings
- # premium slots
- # agents (seats/offices)

fails to align lead value and price paid

discourages fast and accurate matching

provides limited incentive to portals to deliver seller leads

future revenue growth will require...

- value-based leads pricing
- progressive introduction of commission sharing on seller and buyer leads

zillow is transitioning classifieds into a performance-based + increasingly commission-based model.

Zillow

revenue per customer transaction	\$4,100
# customer transactions	0.36M
total transactions revenue	\$1,500M
other services revenue	\$609M
total revenue	\$2,109M
# market transactions	6.1M

rightmove

avg revenue per advertiser (ARPA/yr.)	£22,591
# subscribing agencies + developers	18,969
other services revenue	£24M
total revenue	£305M
# market transactions	1.5M

both Zillow and Rightmove's core business is providing buyer and seller leads; but by moving to performance-based revenue models, Zillow has greater scope to increase revenue per home listed / sold

Rightmove agents pay according to package features, and generates ca. £275 per unique for sale home it lists

Zillow Premier Agents either pay according to segment specific "share of voice" (c.a. PPL), or share final buy/sale commission (Zillow Flex)

\$4,100 equates to 1.1% of the national average 2021 home price

Zillow targets \$5,200 per transaction and 0.73M or 6% transaction market share

inventory shortages during the pandemic have accelerated focus on generating vendor leads.



strategic importance

pre-pandemic, most classifieds players had been focusing on delivering buyer leads*



potential sellers drawn to website via AVM tool allowing them to value their home for free



service forwards mandate leads to agents most qualified to assist potential seller; model is moving from agents subscribing for vendor leads to commission sharing on vendor leads resulting in a sale (rightmove is still using the subscription model)



Zillow sees \$100B revenue potential (SAM) from real estate transaction referral fees, or 1/3 of the total US buyer and seller agent pot

...and has ended the taboo on commission sharing in Europe and US

iBuyers have expanded into broader fintech-powered real estate platforms.

	Opendoor	Offerpad	knock	Orchard
NCO	yes	yes	yes	yes
BBYS	yes	yes	yes	yes
partner with agents	yes	no	yes	no
iBuy	core	core	last resort	last resort
home prep + manage sale	yes when iBuyer	yes	yes	yes

win-win-win

home buyer is more likely to make a winning bid and enjoys the convenience of moving into their new home while the iBuyer takes care of prepping and selling their old home; iBuyer can raise transaction velocity without taking the same financial risk as with outright purchase; agents differentiate themselves by making these products available to their vendor or buyer clients thereby winning more buy/sell mandates and reducing time to close

Non-Contingent Offers (**NCO**) are financing arrangements allowing buyers to become 100% cash buyers when they bid for a new home, e.g. in event a mortgage approval came up too late or too short

Buy Before You Sell (**BBYS**) uncouples the purchase of a new home from the sale of the current home; it makes the offer on the new home an all-cash offer, while also allowing the seller to move into their new home while the iBuyer takes care of selling their old home

the most profitable iBuyers are likely to be those who generate the most seller leads, while actually buying the **least** number of homes.

Opendoor

You're in control of your home sale

Explore all your selling options in one place, and pick the one that works best for you.

Sell to Opendoor

We'll make you a competitive cash offer so you get a stress-free sale without listing.

- ✓ **Get an instant offer and get paid**
Sell directly to us and get paid in a matter of days, so you'll have the cash you need to buy your next home.
- ✓ **Skip showings and repairs**
Do a video walkthrough and skip the showings. If repairs are needed, you can let us handle the work.
- ✓ **Move on your schedule**
We believe in an easier home sale. Choose your close date to avoid double-moves and double-mortgages.



An offer as strong as cash

We'll back your offer with our cash to give you an edge over other buyers.

List with Opendoor

We'll help you put your home on the market to get a great offer.

- ✓ **Test the market**
Put your home on the market for a chance to attract multiple offers.
- ✓ **Get expertise at every step**
From setting the right list price to closing, you'll be supported by local industry experts.
- ✓ **Save on fees**
Pay just 5% in fees. That's 1% less than the traditional 6% and thousands in savings.



We can buy it for you

If finances get in the way of closing on time, Opendoor can buy the home, so no one else gets it.

knock.

Simple and certain solutions



Knock GO™ (Guaranteed Offer)

I'm only buying

Make cash-backed offers, so you can beat out other buyers without paying more.

Benefits:

- **Compete with cash**
Make cash-backed offers and be 4 times more likely to win your dream home¹ than other buyers.
- **\$0 extra fees**
Get the buying power of cash at no additional cost.
- **Appraisal fee refund**
If your appraisal comes in low, we'll cover the cost of the appraisal fee up to \$1,000.

[Get Started](#)

[Learn More](#)



Knock Home Swap™

I'm buying and selling

Win the home you want, before selling the house you have.

Benefits:

- **Win bidding wars**
Make non-contingent offers on your dream home, before listing your old house.
- **Stress less**
Skip living through showings and repairs. Move only once, so no double moves or double mortgages.
- **Sell for top dollar**
Get \$25,000 in Home Prep and the support of our expert concierges, so you can list for the best price.

[Get Started](#)

[Learn More](#)

Europe's iBuyers are partnering with agents to access more capital-efficient commission streams.

Kodit.io cash offer

Selling a home does not have to be a marathon. Get a fast cash offer and forget about fees, waiting and uncertainty.

- **Make a fast sale**
Save your time and avoid unnecessary waiting and uncertainty. With us, you can get a fast cash offer and get paid in a matter of days.
- **Save on fees**
Eliminate lengthy arrangements and extra costs. Thanks to Kodit.io cash offer you skip the agent commission fee, repairs and open house circus.
- **Move on your schedule**
Transaction schedule is agreed flexibly on your terms. Lease your old apartment from us for as long as you like and avoid temporary arrangements.

Kodit.io real estate brokerage

We combine the power of technology and local expertise to help you achieve your goals in the real estate market.

- **Maximized sale price**
We bring together tech and local expertise to get the highest possible sale price for you. If repairs are needed we can manage the project on your behalf.
- **Sales powered with data**
Whether it's about defining the right price, predicting demand or identifying most attractive buyers, the data boost our expertise to set up the right sales tactics.
- **Superb customer experience**
Our highly qualified agents act fast to make sure no opportunity gets unnoticed and provide you with the smoothest home selling experience on the market.

Sell to Casavo

We purchase your house whenever you want: if you're in a hurry, even in less than 30 days

- ✓ Receive our purchase offer within 24 hours, without a home visit
- ✓ At no cost to you ⓘ

Sell with Casavo

We find the perfect buyer for you and maximize the value of your house

- ✓ We use our technology and our network of partner agencies to find the best offer for you
- ✓ Cost of service: 1-2%

Europe's iBuyers trail US players in launching BBYS services; local commission structures and regulations make this harder, but not impossible

expanding the number of potential sales by partnering with agents, without putting more capital at risk, provides additional avenues for growth

Casavo's recent acquisition of French TEB Proprioo, confirms this trend

we are now seeing the emergence of fully transactional online marketplaces.



- initially an iBuyer, Loft is now a real estate marketplace
- brokers currently list 13k properties for free in return for Loft commission share
- demand generated by Loft's brand, SEO and digital marketing plus buy side brokers
- backers include a16z and valued at **\$2.9B** 6/2021



- started as a managed rentals platform, developed collaborative model with agents, giving them commission share in return for inventory
- runs C2C property sales via direct listings from owners and collaborative model with independent agents
- valued at **\$5.1B** in 8/2021



- started as a mortgage platform
- has expanded to become a digital platform for home sales
- partners with agents who bring inventory
- Huspy gets a commission share, and a shot at selling more mortgages
- Raised **\$32M** Series A June 2022



- started as an auction platform to sell reposessed bank properties, with demand gen via digital marketing and agents
- has launched a C2C business
- sources properties for sale from sell-side agents, in house telesales and own digital channels
- raised **\$7.5M** to date

it is in emerging markets, with less-developed real estate agency groups, that we see the most advanced transactional real estate marketplaces

3 options for portals.

the current market offers classifieds businesses the most extreme set of opportunities + threats we have seen so far.



in terms of unit economics, a dominant classifieds portal is hard to beat.

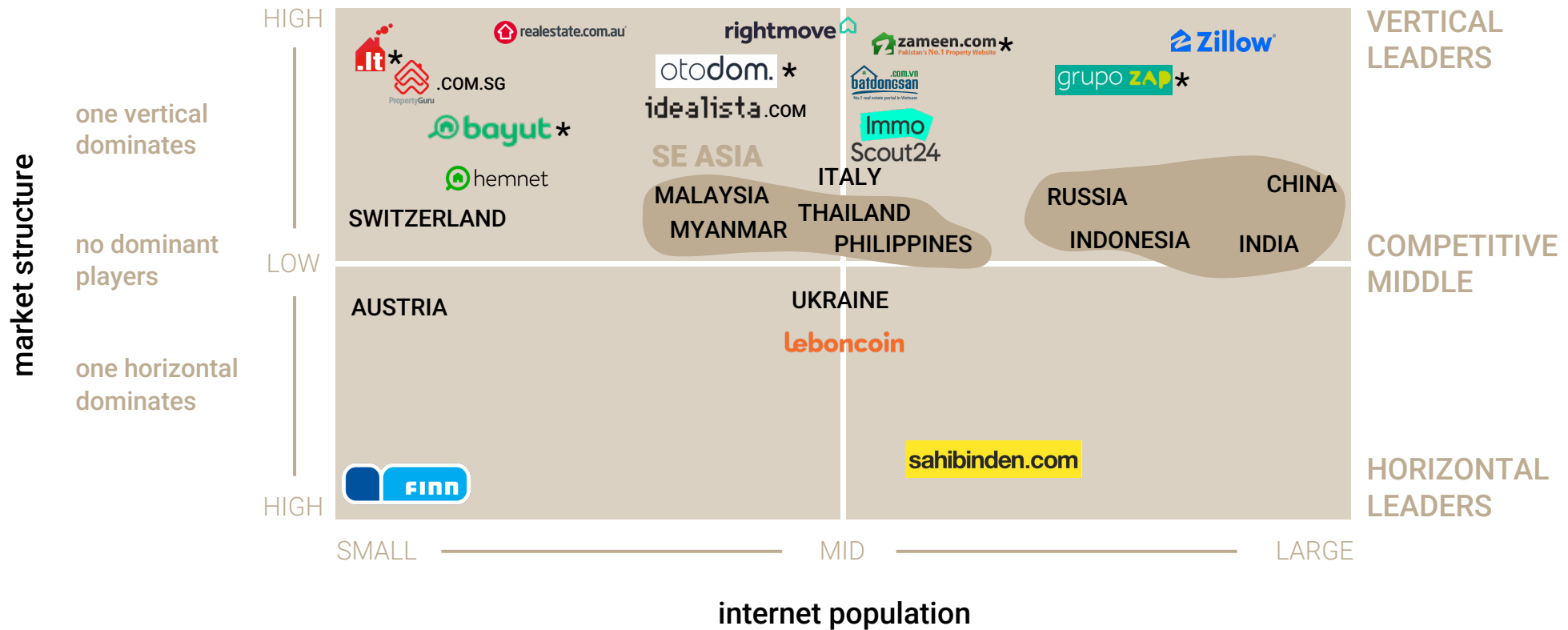
	classifieds rightmove	TEB COMPASS	iBuyer Opendoor
# Transactions in USD/Transaction	1,108,500	225,272	36,908
Revenue	315	28,503	239,035
Cost of Sales	18.1	23,088	197,545
Gross Profit	297	5,416	19,779
Gross Margin	94%	19.0%	8.3%
Sales & Marketing	27.2	2,109	14,739
G&A	30	3,392	20,429
EBITDA	240	(86)	(15,390)
EBITDA Margin	76%	-0.3%	-6.4%

the classifieds advertising model is able to generate EBITDA margins in excess of 75%; it is also able to monetize >75% or more of all home sales (if these are listed on its portal)

on the flip side, monetization in terms of % of brokerage commission captured (about 8% in the case of Rightmove) or % of value of object sold is arguably still low, relative to value provided

TEB and possibly iBuyer, at a certain scale, are likely to be delivering materially more EBITDA per sale

but not every market will produce a REA, rightmove, or Zillow.



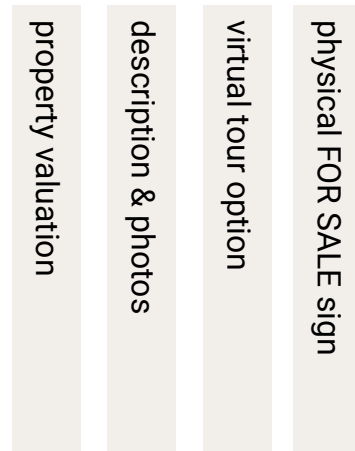
unit economics for TEB's vary substantially, but clearly aren't delivering yet.

# Transactions	444,367	225,272	93,079	40,141
Share of #Transactions	n/a	1.9%	0.8%	3.7%
<i>in USD/Transaction</i>				
ASP	351,290	1,127,526	555,119	n/a
Revenue	8,486	28,503	9,705	1,803
Agent / Sales Commissions	7,820	23,088	6,482	597
Gross Profit	666	5,416	3,223	1,206
Gross Margin	7.8%	19.0%	33.2%	66.9%
Sales & Marketing	27	2,109	1,491	723
G&A	562	3,392	1,893	736
EBITDA	77	(86)	(160)	(254)
EBITDA Margin	0.9%	-0.3%	-1.6%	-14.1%

- only **exp** was profitable in 2021, but only generated \$77 per transaction; they have the lowest cost structure amongst peers, but their high commission sharing structure severely limits EBITDA potential
- **Compass** stands out in terms of the average property value and net revenue per transaction, but their 19% gross margin is insufficient to generate positive EBITDA, Compass is trying to lower agent commission share while reducing S&M and G&A
- **Redfin's** higher gross margins reflect their largely inhouse sales team; again high S&M and G&A are holding them back from profitability – presumably exacerbated by the Redfin Now iBuyer business (which has been eliminated from these calculations)
- the highly competitive UK market limits **Purplebricks'** revenue per transaction, so that even with a reasonable cost structure, EBITDA margins are still negative

for portals, buying a TEB would provide a short cut to becoming fully transactional.

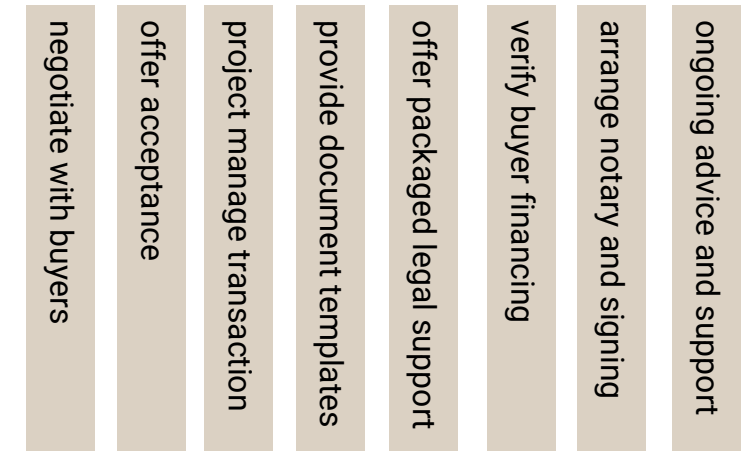
preparation



buyer management



negotiation + closing



standalone TEB

- rudimentary AVM
- data gaps e.g. in regions

portal + TEB

- state of the art **AVM**
- more end transaction data
- deep, **national coverage**
- portals can access far more **seller leads** since most buyers are also sellers





- heavy investment in brand
- reliant on classifieds for leads
- massive volume of traffic + high conversion to leads
- buyer behaviour on portal provides deep buyer insight + enhanced **ability to match** buyers to properties
- portal can **augment lead quality** via bots + call center e.g. move timeframe, mortgage status

- most are well-placed to offer negotiation and closing services
- portals add scale from which to offer a broader range of **financing packages**
- portals can bring the additional resources to fully automate the title transfer and closing workflow

4 back to the future.

review of previous recommendations.

June 2020

	CLASSIFIEDS 3.0+	"SHOPIFY"	OWN LABEL TEB
new services	virtual tours as standard home survey / conveyancing marketplace bridge funding or rent to own	provide core property transaction service infrastructure, either co-branded or agency branded	offer own label TEB services like a Purple Bricks or Compass; offer bridge finance and/or rent to own
role of agent	brings seller mandate, runs the transaction the old way	brings seller mandate, still runs the transaction but via a faster, more digitized process	unchanged – will still get high quality leads and be able to run own brokerage service
net revenue growth	material although extra costs to manage fintech activities	material although taps into conveyancing spend rather than agent commission pools	most upside especially if combined with fintech services
inspired by	  	 	 

adopted
virtual tours as standard conveyancing services



"kind of" adopted
TEB beginning to combine with classifieds, and classifieds now accessing commissions on seller mandates & on buy side



not adopted yet
BBYS fintech play
Shopify model provided by classifieds for home sales, (it is happening for rentals)



conclusion_real estate.

without developing **on-portal transaction capability**, classifieds portals will either fail to monetize (as in emerging markets), or in maturer ones increasingly lose out, as long tail agents disappear and the better funded TEBs consolidate share

by proactively embracing the transactional opportunity, classifieds portals can build stronger businesses, delivering higher satisfaction from home buyers and sellers alike, due to the inherent benefits of integrating classifieds with on- platform transactional capabilities; **revenue sharing on seller leads is a great first step**

Quinto Andar / Loft / Tapu.com show how in less structured markets, **collaborative transactional businesses** can be agent inclusive, and **more transactions like dotproperty+FazWaz can be expected**

In maturer markets, with high market concentration from large brokerage networks, providing **chain-breaking BBYS products** offers a win-win formula for classifieds businesses to raise revenue/transaction while helping agents generate commissions faster



thank you

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