



THE FUTURE OF CLASSIFIEDS

june 2019

european internet ventures.

who I am

Malcolm Myers

12 years of classifieds

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



“The future is already here - it’s just not very evenly distributed”

William Gibson

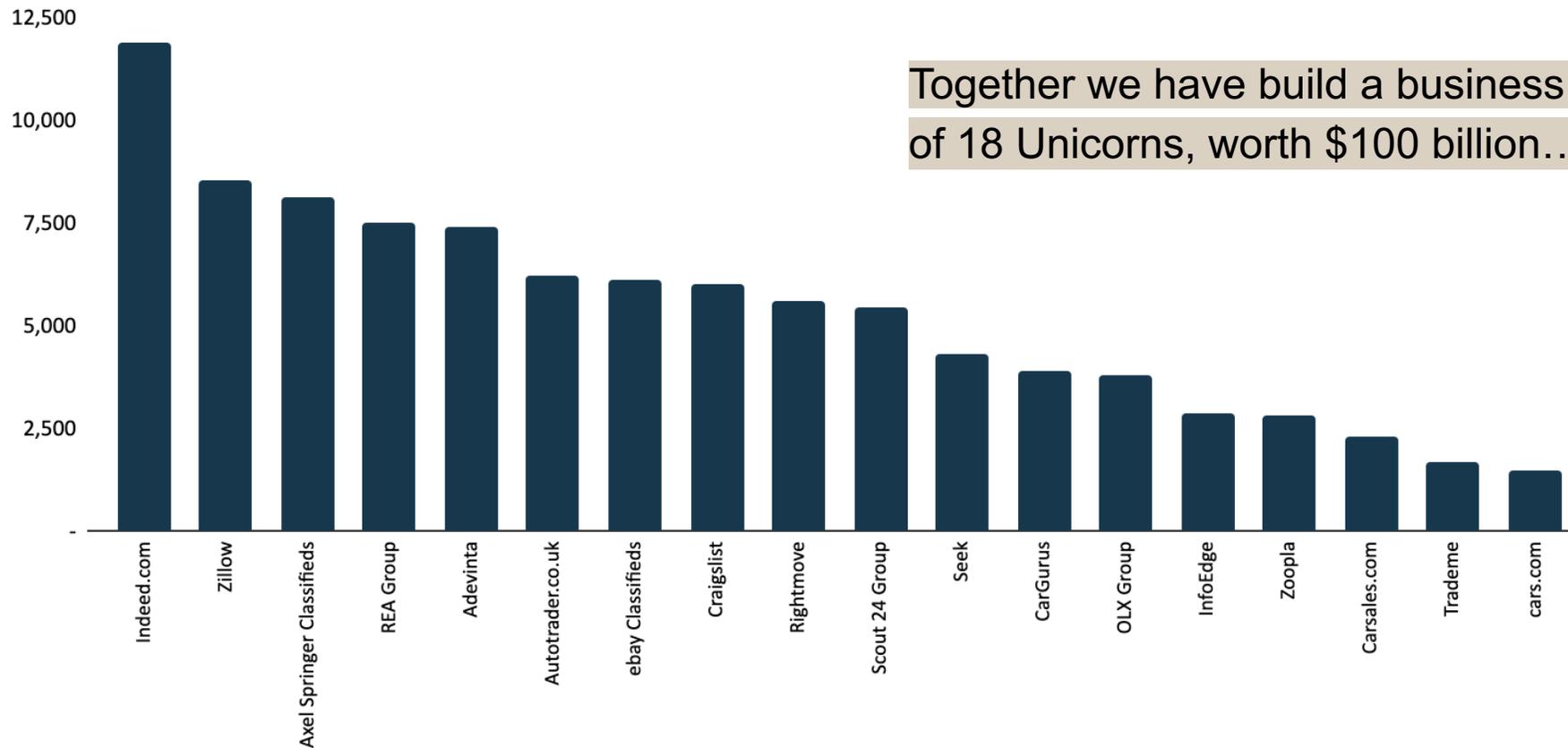
contents.

1. state of classifieds
2. disruptive challengers
3. options for incumbents

1 state of classifieds

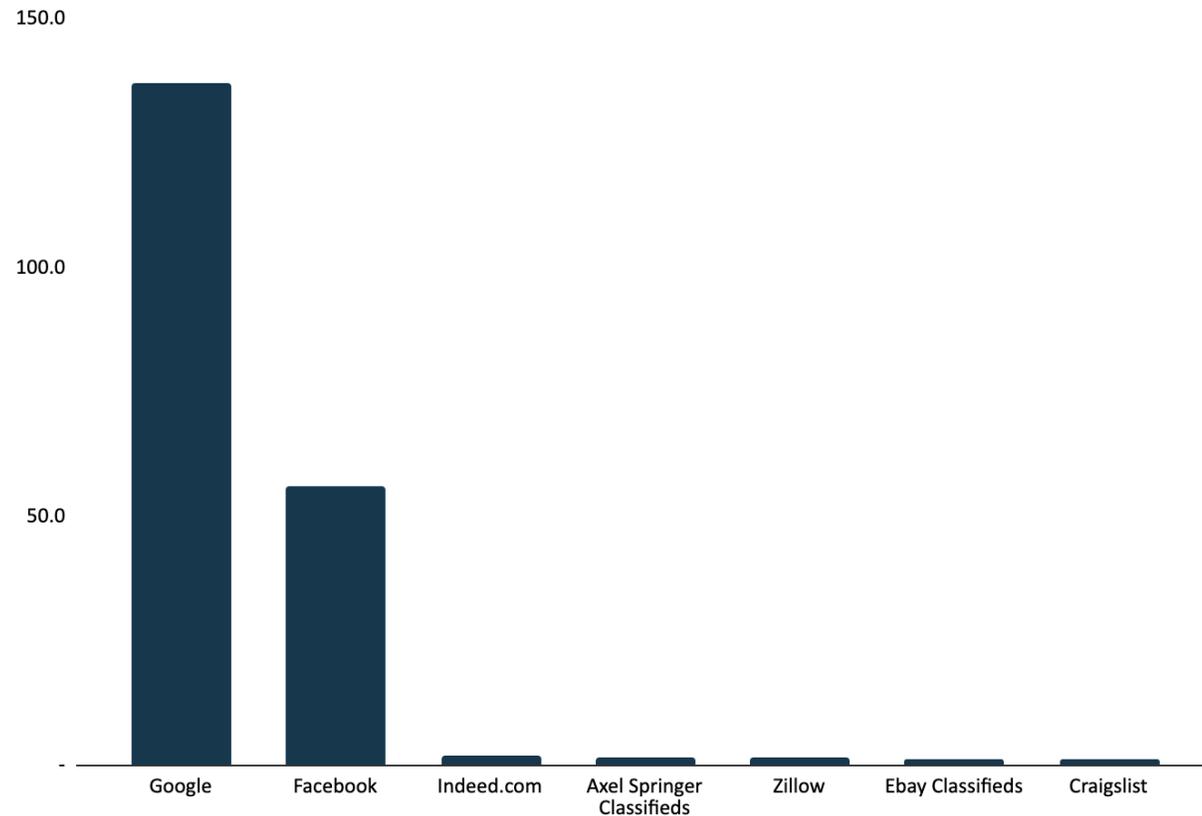
\$100 billion of value created.

MUSD classifieds ranking by actual/implied market cap



are we advertising businesses?

BUSD ranking by 2018 revenues



Compared to the top global advertising businesses, even the “giants” of classifieds are just tiny niche players

are we becoming marketplaces?

est. take rates 2018

REAL ESTATE

US

| | |
|-----------------------|-------|
| Home Sales (\$B) | 1,800 |
| Zillow Revenues (\$B) | 1.3 |
| Implied take rate | 0.1% |

Europe

| | |
|---------------------|------|
| Home Sales (\$B) | 750 |
| Top 10 Revenues (B) | 2.0 |
| Implied take rate | 0.3% |

AUTOMOTIVE

Australia

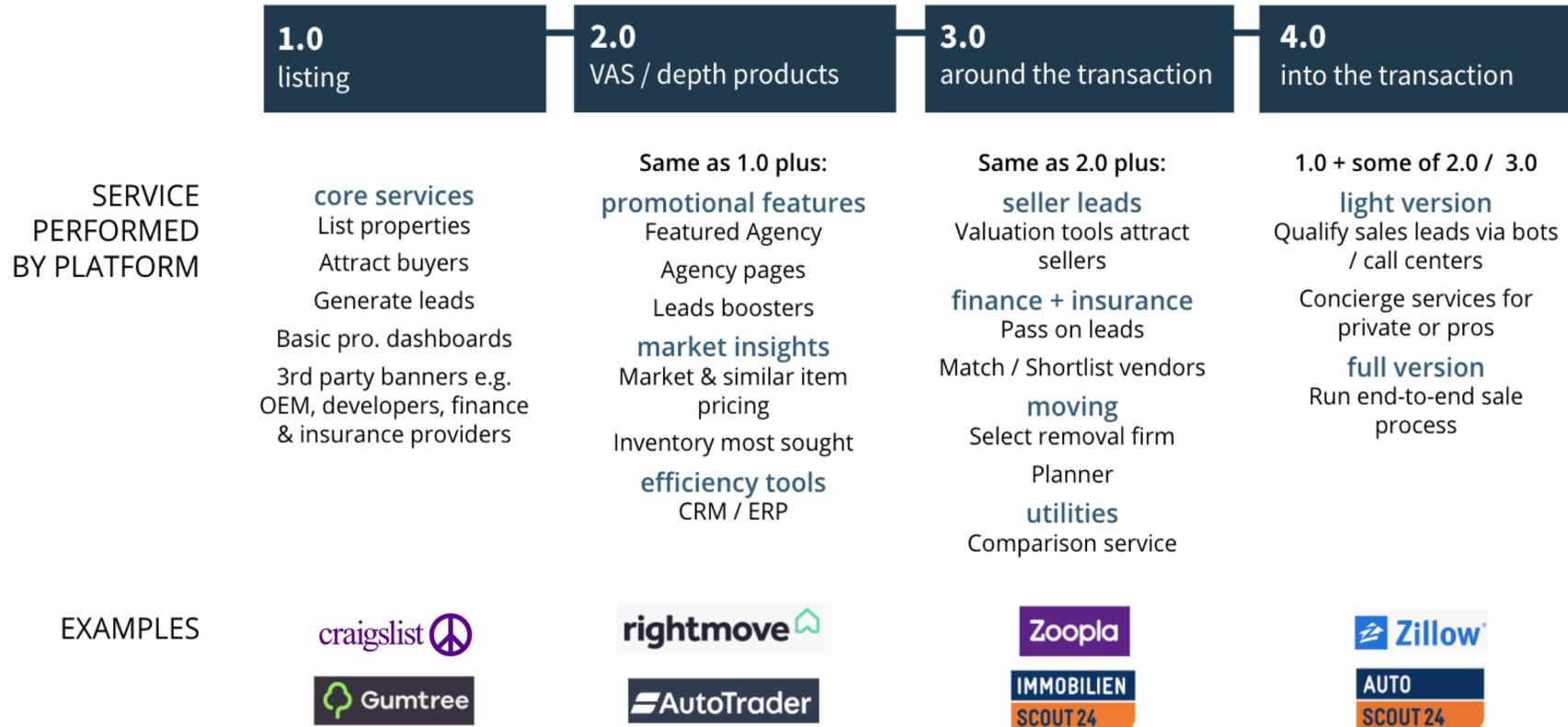
| | |
|------------------------------|------|
| Used Car Sales \$B | 54.0 |
| Revenues of top player (\$B) | 0.24 |
| Implied take rate | 0.4% |

UK

| | |
|------------------------------|------|
| Used Car Sales \$B | 80.6 |
| Revenues of top player (\$B) | 0.42 |
| Implied take rate | 0.5% |

If you were to evaluate today's classifieds leaders as marketplaces, take rates are incredibly low

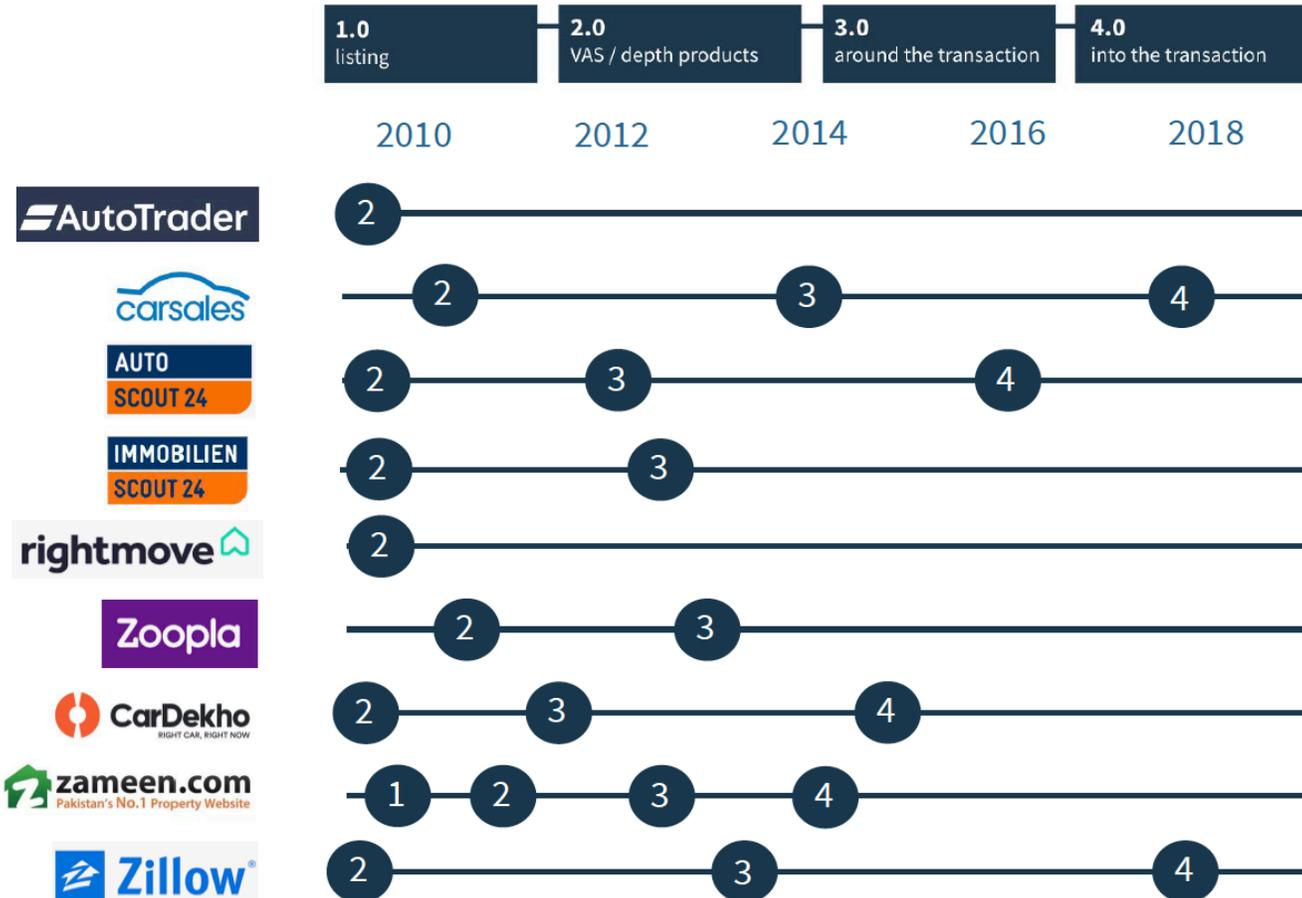
classifying classifieds.



Some incumbent classifieds players have taken the first steps to transacting at the core

But the majority are focused on 3.0 - building ancillary services

pace of evolution.



In higher GDP/capita markets, evolving from advertising businesses to marketplaces is taking time

In emerging markets, absence of strong intermediaries has allowed classifieds operators to build their own sales teams and get early into the transaction

is the future in being around the transaction?

| | ANCILLARY SERVICES | % REVENUES | % EBITDA | EBITDA MARGIN |
|----------------|--|------------|----------|---------------|
| Zoopla | uSwitch – energy, broadband Money – loans, insurance, mortgages | 50.0% | 42.4% | 33.5% |
| Scout24 | Car and home loans and insurance Organic and from 2018 acquisition of Finanzcheck | 18.8% | 10.8% | 31.6% |
| Carsales | Car loans | 15.4% | 4.9% | 14.8% |
| Realestate.com | White label mortgages, mortgage broking (incl. Smartline acquisition) | 3.6% | 2.3% | 36.8% |

limitations of around the transaction.

UK AGENT

principal options when
looking to sell a home

rightmove 

Zoopla

strong pricing power
mostly organic traffic

CONSUMER

options when looking to
arrange a mortgage

comparison companies



banks / building societies



real estate agents



weak pricing power
mostly inorganic traffic

it is easier to sell services AROUND the transaction if you are IN the transaction

2 disruptive challengers

disruptive models_automotive.

transaction platforms

portal / broker commission sharing

| | C2P | P2C | D2C |
|---|-----|-----|-----|
|  | ● | | |
|  | ● | | |
|  | ● | | |
|  | ◐ | ● | |
|  | ● | ● | |
|  | ● | ● | |
|  | ● | ● | |
|  | ● | ● | |
|  | ● | ● | ● |

carwow

non-ownership models “CaaS”

Carvolution

DRIVER

fair

AUTO1 model has been emulated globally.

AUTO1.com

AUTO1 Group operates in
30+ COUNTRIES

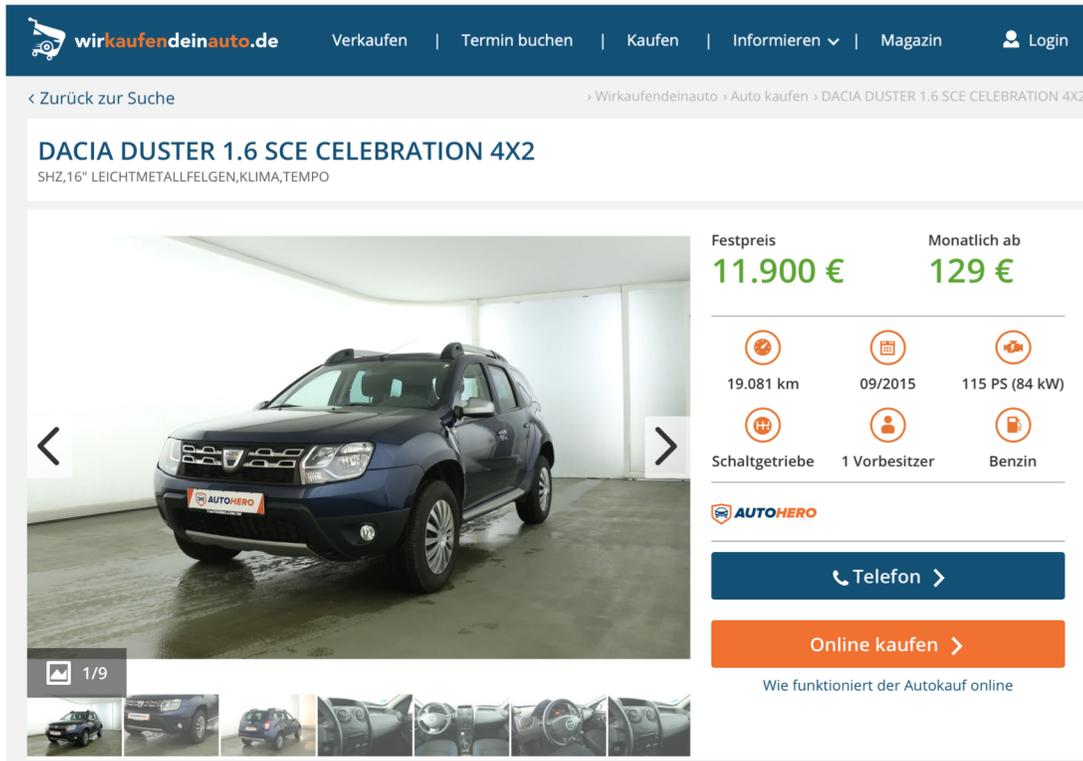


phase 1

1. consumer sells to AUTO1
2. AUTO1 sells to dealer
3. dealer lists on classifieds
4. dealer sells to new consumer



C2P + P2C = C2C



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DACIA DUSTER 1.6 SCE CELEBRATION 4X2

SHZ, 16" LEICHTMETALLFELGEN, KLIMA, TEMPO

Festpreis **11.900 €** | Monatlich ab **129 €**

19.081 km | 09/2015 | 115 PS (84 kW)

Schaltgetriebe | 1 Vorbesitzer | Benzin

AUTOHERO

☎ Telefon >

🛒 Online kaufen >

Wie funktioniert der Autokauf online

Onlinehändler Service



Kostenlose Lieferung & Zulassung



TÜV geprüft mit Garantie



14-Tage Rückgaberecht

phase 2

1. consumer sells to AUTO1
- ~~2. auto1 sells to dealer~~
- ~~3. dealer lists on classifieds~~
4. dealer **AUTO1** sells to new consumer
(using the AUTOHERO brand)

the dealer is no longer AUTO1's sole focus for selling cars
...and AUTO1 is just one of many...

value propositions.

consumer needs when buying a used car

SELECTION advise which type of car is right for me

PRICING provide objective pricing data

CONDITION provide independent inspection

CERTIFICATION prove the seller owns the car

WARRANTY provide a 3-12 month warranty on major faults

RETURNS 7 day money back guarantee

TRADE IN market price offer on my old car

dealer

C2C transactions platforms



online transactions platforms have the potential to match or beat traditional dealers on every criteria

how do the unit economics compare?

classifieds vs. AUTO1 model

| £ |  |  |
|-----------------|---|---|
| revenue per car | 112 | 4,202 |
| opex per car | 43 | 4,097 |
| EBITDA per car | 69 | 105 |
| margin | 62.0% | 2.5% |

dealer vs. peer to peer vs. C2C platform

| € | C2B2C | P2P | C2C |
|-----------------|--------|--------|--------|
| seller receives | 10,000 | 11,500 | 11,000 |
| end buyer pays | 12,800 | 11,500 | 12,000 |
| gross profit | 2,800 | N/A | 1,000 |

AUTOTRADER

UK's dominant car classifieds
ca. 3 million cars listed in FY 2018
3x visits more than closest competitor

WEBUYANYCAR

operating the "AUTO1" model for over a decade
bought 219k cars from consumers in 2018
average holding period 10 days

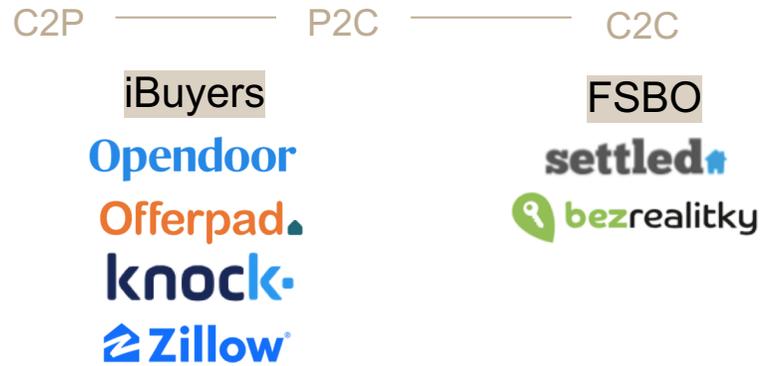
C2C PLATFORM (EUROPE)

gross profit of €1000 on an €11,500 car
seller gets €1000 more than by selling to a dealer
buyer pays €800 less than from a dealer

transaction platforms that can succeed at C2C promise to offer both buyers and sellers a superior deal

disruptive models_ real estate.

transaction platforms



portal direct sales



online brokers



portal / broker commission sharing



non-ownership models



value propositions.

| consumer needs when selling a home | iBuyer | realtor | classifieds |
|---|--------|---------|-------------|
| PRICING provide objective pricing data | ◐ | ◐ | ● |
| FIND BUYERS | ● | ◐ | ● |
| SCREEN BUYERS | n/a | ◐ | ◐ |
| help with VIEWINGS | n/a | ◑ | ◐ |
| NEGOTIATE highest sale price for seller | n/a | ◐ | ○ |
| TITLE TRANSFER take care of title transfer | ● | ◐ | ○ |

iBuyers provide sellers a superior experience than realtors on all aspects - except net sale price
classifieds platforms are arguably contributing more than realtors to getting homes sold

economics.

| USD | iBuyer | Realtor | Zillow Classifieds |
|-------------------------|--------------|-------------|-----------------------|
| Revenue per \$300k home | 300,000 | 9,000 | 222 |
| Cost of Sales | 288,000 | 500 | 222 |
| Gross Profit / sale | 12,000 | 8,500 | 176 |
| Gross Margin | 4% | 94% | 79% |
| EBITDA per Sale | 6,000 | high | 46 |

iBuyers are targeting gross margins of about 4% in return for tying up capital and managing refurbishment and the transaction

realtors might spend \$500 to advertise a property that nets a \$9k commission

classifieds players are running a 100% gross margin ad model,

but even top performers are only receiving \$222 per property for finding the buyer

who gets the best deal here?

FSBO.



| | | | |
|--|--|--|--|
|  <p>Real estate photography</p> <p>Show your people the real face of your property. Professional photos will bring you more people.</p> <p>apartment 2 +1 for 1.990 CZK</p> <p>I want a photographer</p> |  <p>Property price estimate</p> <p>How to get the highest possible amount for your property? Get a professional estimate.</p> <p>from 99 CZK</p> <p>I want an estimate</p> |  <p>Purchase contract</p> <p>Plus, save yourself the hassle and expense of courts and lawyers. Our professionals will prepare you a customized contract with all the essentials.</p> <p>3.990 Kč</p> <p>I want a purchase contract</p> |  <p>Real Estate Sales Guide</p> <p>Thinking about selling real estate? We have prepared a simple guide for you to help you with the process.</p> <p>View the guide</p> |
|--|--|--|--|

Increasingly, private sellers will elect to sell without using an agent

For Sale by Owner services seek to provide sellers with the tools and support they need to sell their homes like a pro but without the brokerage fees

For classifieds players, this presents an opportunity to transform a \$10-\$50 listing fee into a matching product and a set of services for hundreds of dollars

Will facilitation of FSBO become the C2C property transactions platform of the future?

3 options for incumbents

time for radical change?

Classifieds leaders are only capturing a fraction of the value they bring to buyers and sellers

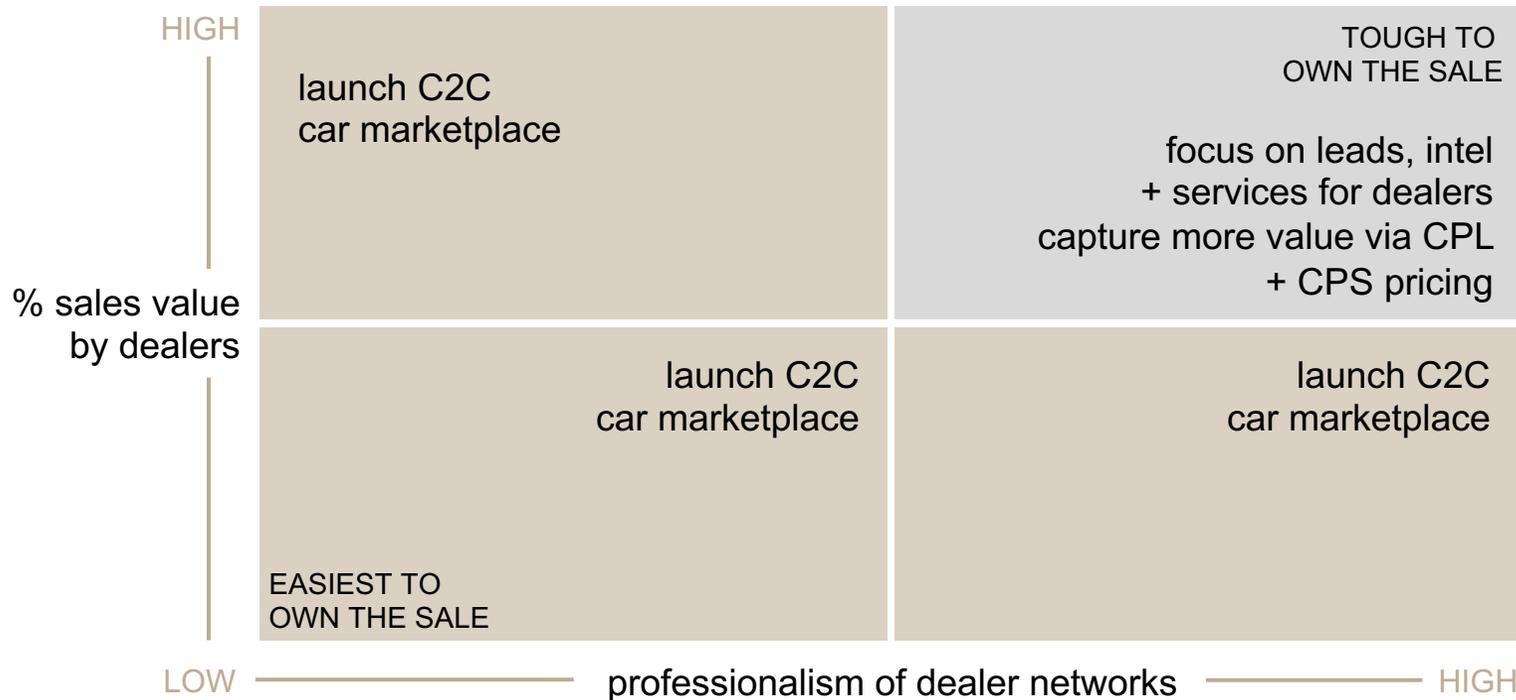
The comfortable world of “winner takes all” advertising-based listings models are looking challenged by the e-commerce driven models of transaction-focused players – certainly in automotive and potentially in real estate

Ancillary services can partially help compensate for slowing revenues from listings, but at much lower EBITDA margins

The extreme reliance of some of today’s greatest success stories from Classifieds 2.0 upon intermediaries - professional real estate brokers and car dealers - is likely to make their business model look increasingly vulnerable as trust-enabled peer-to-peer transaction platforms gain traction

so what can you do?

options for classifieds_automotive.

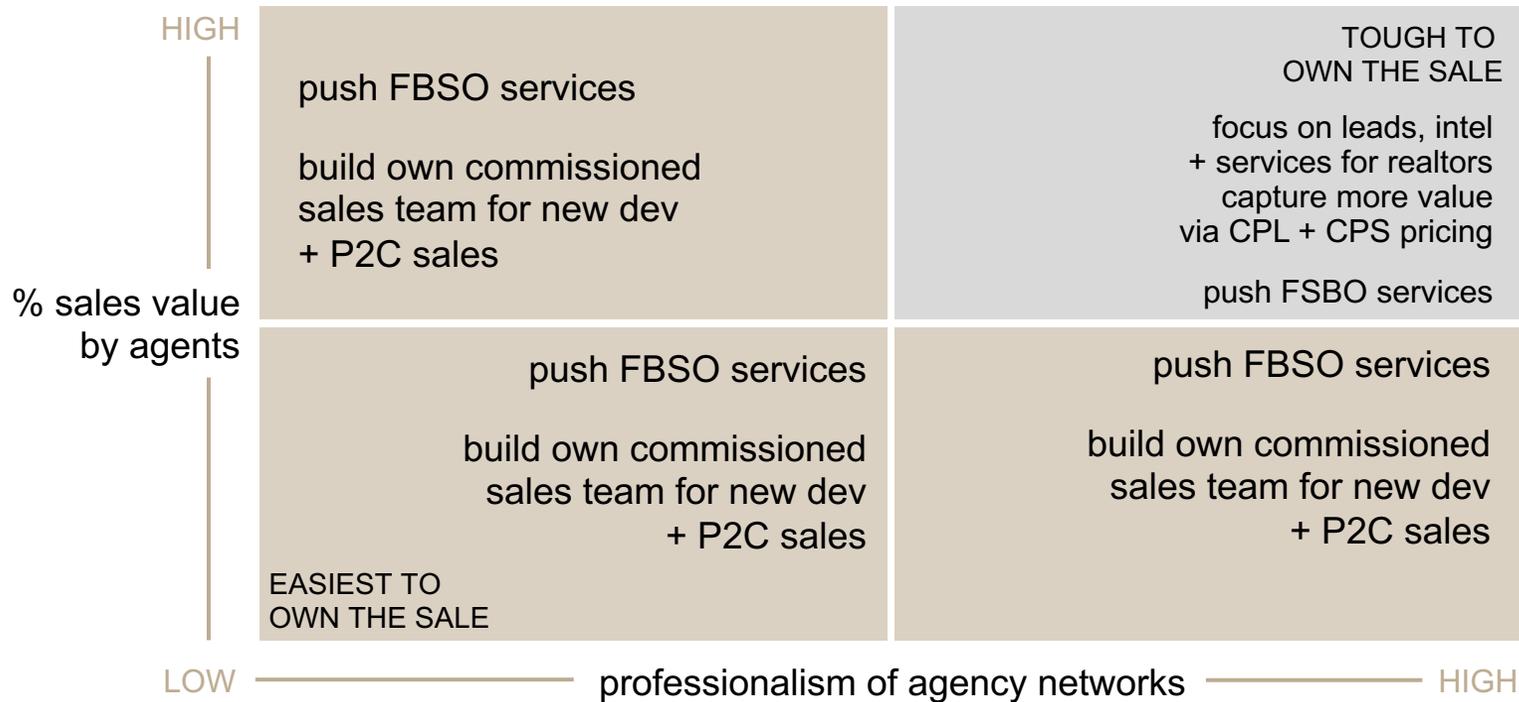


In markets in the grey quadrant (usually with high GDP/cap), classifieds operators will need to focus on building dealer reliance on their leads, market, competitor and customer data

Performance-based pricing models should help capture more value for classifieds operators

In the **gold quadrants**, operators have the opportunity to build C2C platforms and capture more value for themselves, while potentially still supporting dealers with leads and services

options for classifieds_ real estate.



In markets in the grey quadrant, (usually with high GDP/cap), classifieds operators will need to focus on *building realtor reliance* on their leads, market, competitor and customer data; FSBO products might also be an option
Performance-based pricing models should help capture more value

In the **gold quadrants**, operators have the opportunity to *build their own sales teams for selling new developments and potentially existing homes (P2C)*; there is also considerable potential for FSBO, *while still supporting dealers with leads and services*

potential recommendations for incumbents.

Go **around the transaction** - access ancillary revenue streams, but be realistic about revenue and EBITDA growth upsides from ancillary services alone

Reduce reliance on intermediaries (brokers, dealers, agents) by:

automotive

Launching a C2C transactions platform, based on trust and transparency;
if you don't, someone else will

real estate

Build own sales team to access new transaction segments – developer sales, FSBO, while supporting agency model for specific segments where agents are clearly adding value

Maybe in a few years we will see much larger marketplace companies growing out of today's fragmented, advertising leaders



thank you

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