back to the future of property classifieds + marketplaces

Madrid October 26th, 2022

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

- Bureaux Locaux
- empg
- idealista
- imobiliare.ro
- Immo Scout24

automotive

- Spot A' Wheel
- CapCar – Vendez bien. Achetez serein.
- AutoScout24
- machinio.com
- Buscacarros
- Auto Scout24
- LaCentrale

jobs

- pracuj.pl
- AfricaJobs Network
- Joblift
- cornerjob
- rozee.pk

horizontals

- BCG Baltic Classifieds Group
- 4Sale
- carousell
- allegro

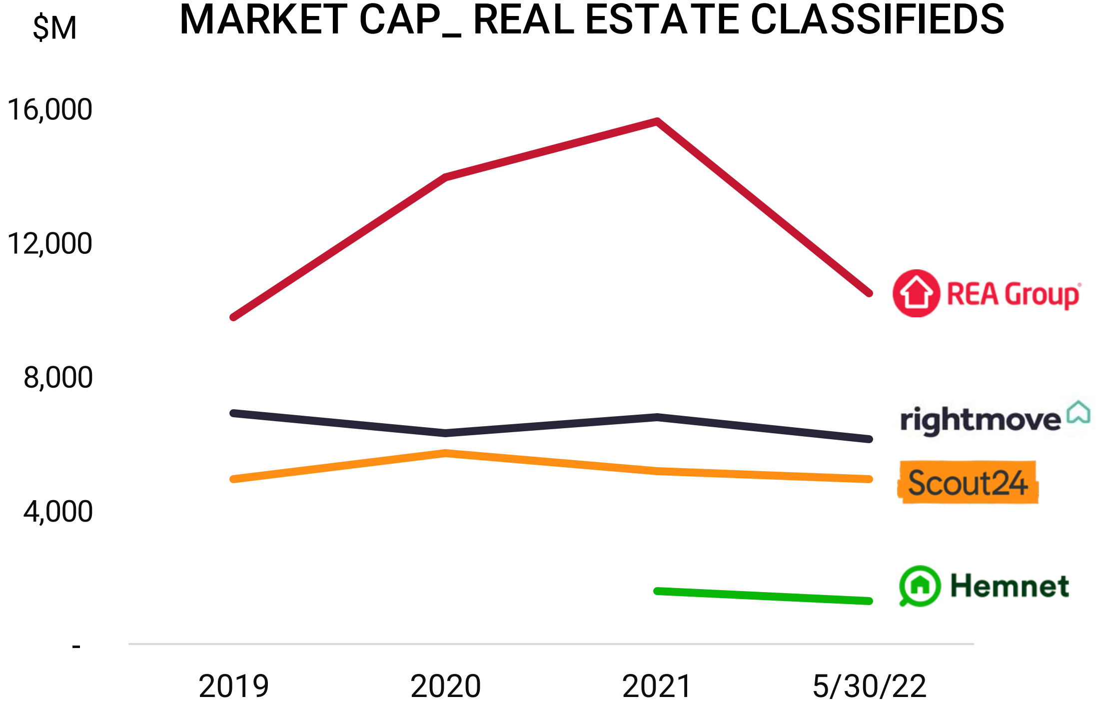
note: includes selective capital raising, M&A sell side and CDD mandates

contents.

1 what’s been happening?

today, classifieds valuations are roughly where they were when we last met at PPW Madrid.

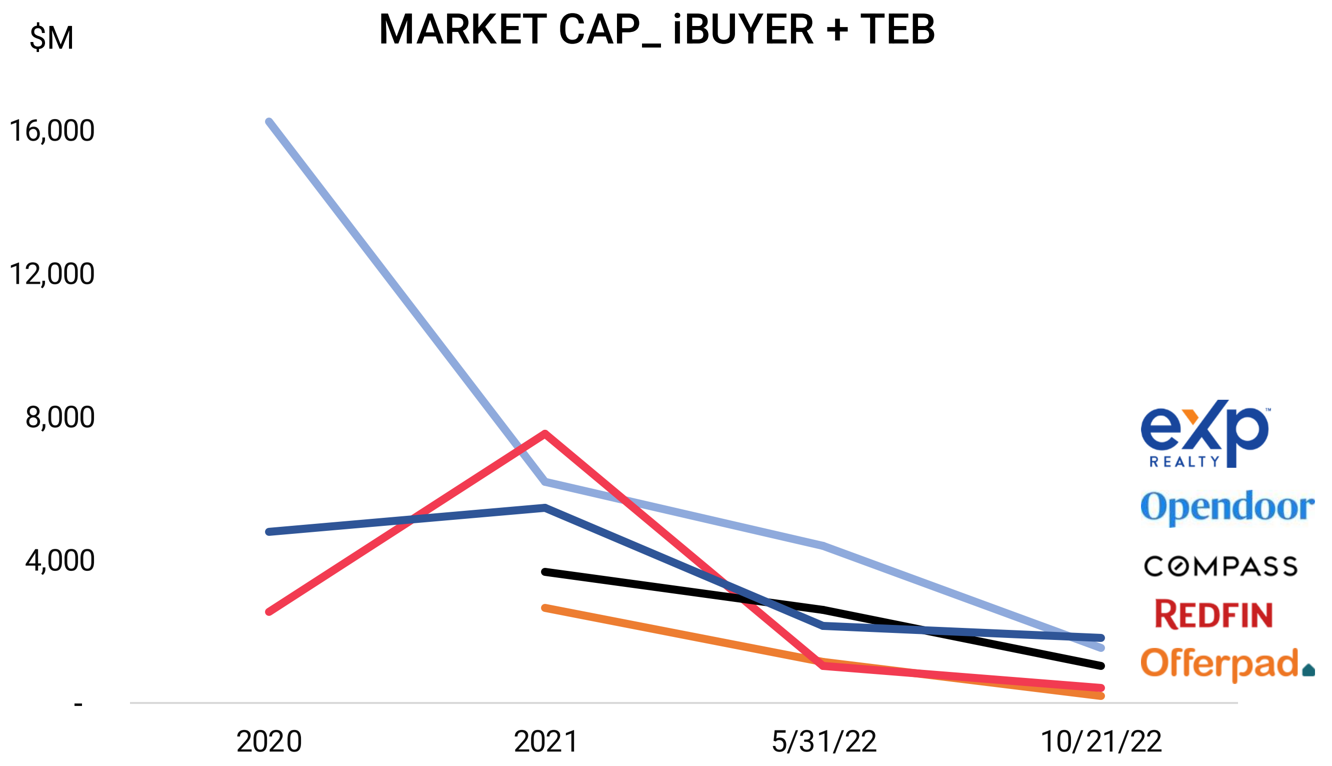
MARKET CAP_ REAL ESTATE CLASSIFIEDS



	CHANGE 12/19 – 10/22	EBITDA MULTIPLES 2019	2020
REA Group	-2.5%	27.4	22.6
rightmove	-36.4%	21.1	15.2
Scout24	-14.5%	14.0	16.6
Hemnet	n/a	n/a	19.0

source: REFINITIV 1st June 2022 note: charts depict market cap in MUSD; years refers to year end

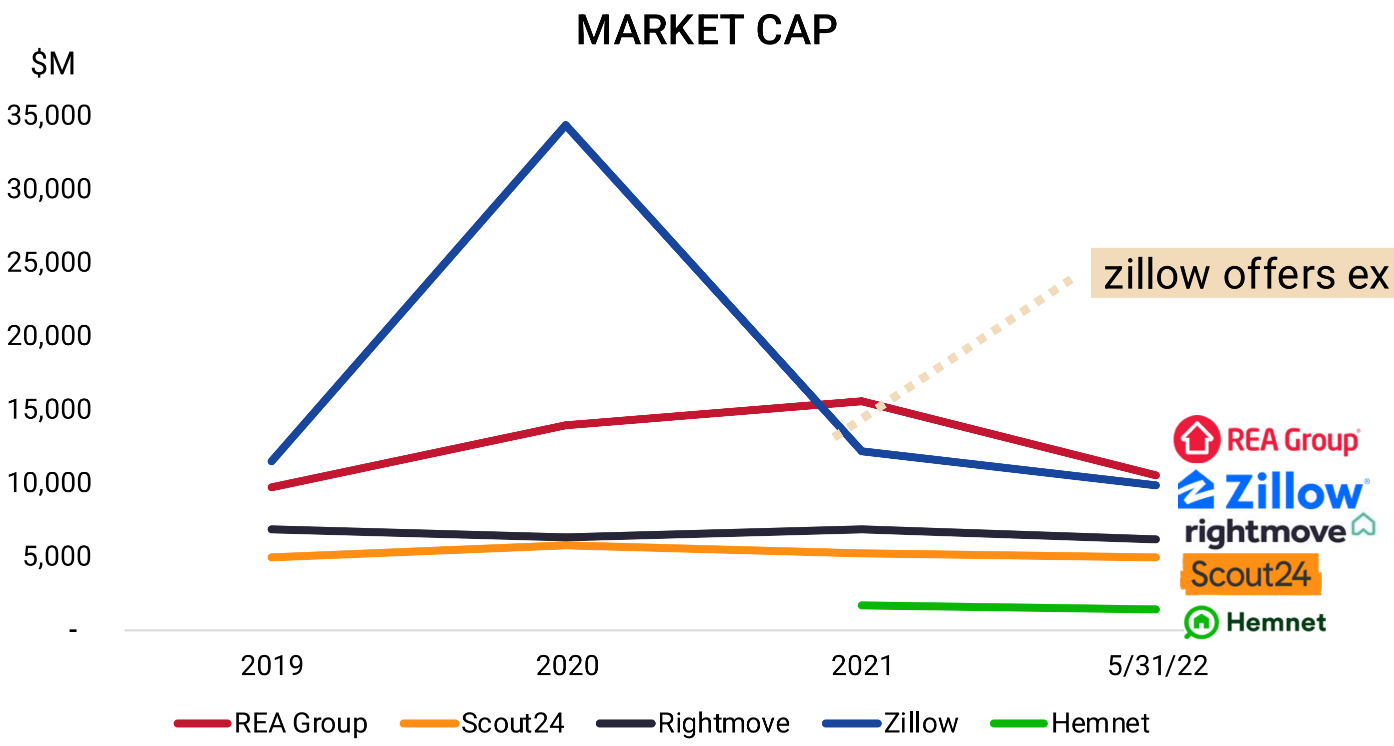
the transactional platforms generated much investor excitement… and then lost it.



	CHANGE
eXp Realty	-61%
Opendoor	
Compass	-36.4%
Redfin	-14.5%
Offerpad	n/a

source: REFINITIV 1st June 2022   note: charts depict market cap in MUSD; years refers to year end

zillow went from classifieds to iBuyer… and back.



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

source: REFINITIV 1st June 2022 note: charts depict market cap in MUSD; years refers to year end

eiv

European Internet Ventures

the core classifieds process remains largely broken.

	INFORM	COMPARE	TRANSACT	PAYMENT	DELIVERY	WARRANTY	RETURNS
buying a home on classifieds	●	●	○	○	○	○	○
			off platform				
buying a smartphone on Amazon	●	●	●	●	●	●	●

source: EIV Analysis

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

transactional models from non-classifieds players

C2B

instant cash offer from platform

FCG FRONTIER CAR GROUP

webuyanycar.com
The UK's favourite car buying service

AUTO1.com

CARSOME

CARS24

direct offers from selected dealers

motorway

B2C

iDealer

cinch

AUTOHERO

CAZOO

Aramisauto.com

CARVANA

KAVAK

source: EIV Analysis; note: examples are illustrative, not exhaustive

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

transactional models from non-classifieds players

C2B

instant cash offer from platform

FCG FRONTIER CAR GROUP, webuyanycar.com (The UK's favourite car buying service), AUTO1.com, CARSOME, CARS24

direct offers from selected dealers

motorway

B2C

iDealer

cinch, AUTOHERO, CAZOO, Aramisauto.com, CARVANA, KAVAK

transactional models adopted by classifieds players

C2B

instant cash offer from platform

AutoTrader, MANHEIM Cox Automotive — classifieds partners B2B

olx AUTOS — classifieds buys C2B

direct offers from selected dealers

mobile.de Direkt-Verkauf, AutoScout24 Direkt, Autotrader, carsales INSTANT OFFER

B2C

commission sharing

heycar

e-commerce overlay to digitally enable dealer stock

AutoScout24 smyle, carsales SELECT

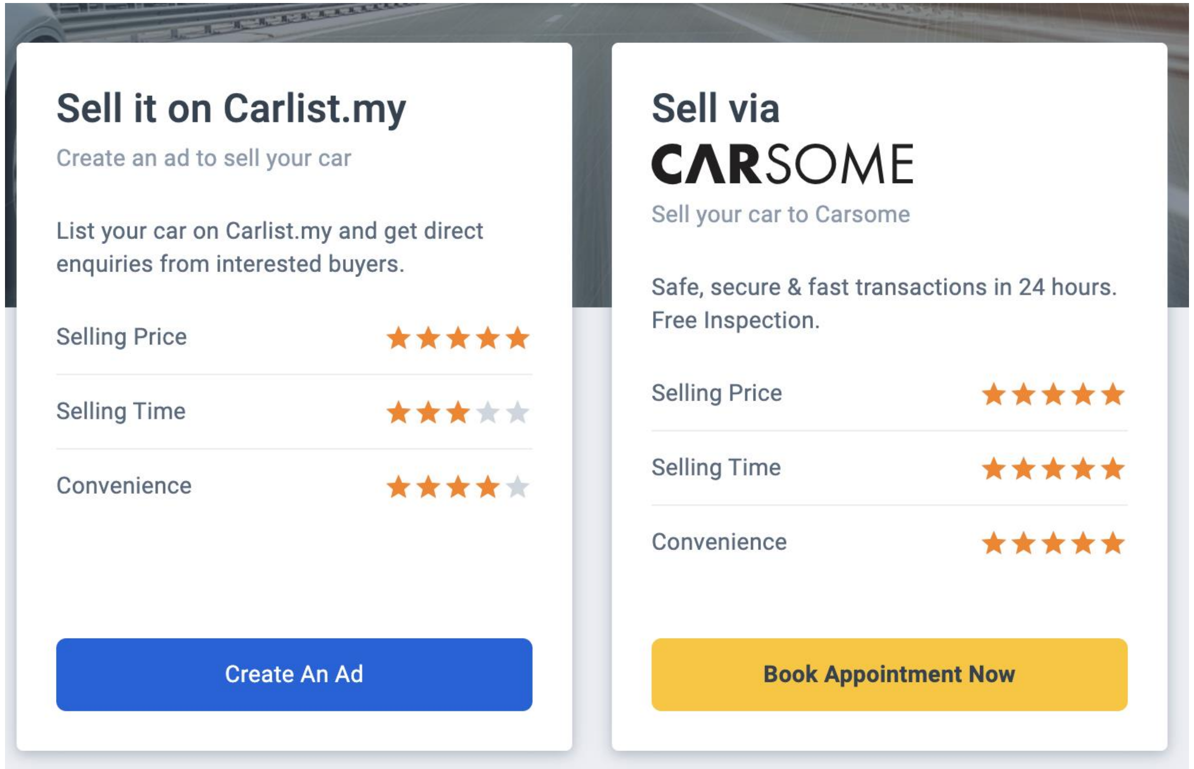
in house iDealer

iCarAsia, olx AUTOS, otoplus

iDealer buys classifieds

source: EIV Analysis; note: examples are illustrative, not exhaustive

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



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

source: EIV Analysis

real estate classifieds players are responding more slowly.

transactional challenger models from non-classifieds players

C2B

instant cash offer from platform

Opendoor
clikalia
CASAVO
Offerpad
TiKO

direct cash offers to sellers from vetted dealers

n/a

B2C

TEB

HOMEDAY
REDFIN
eXp REALTY
McMakler
PURPLE BRICKS
iad
COMPASS
housell

transactional models adopted by classifieds players

C2B

instant cash offer from platform

~~Zillow Offers~~
emlakjet

direct offers from selected dealers

classifieds players sell vendor leads to preferred agents; -

Opendoor | Zillow

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

B2C

commission sharing

meilleurs agents
empg
immoverkauf24 Die Experten für Ihren Immobilienverkauf
Zillow PREMIER AGENT

e-commerce overlay to digitally enable dealer stock

transaction digitization services from classifieds emerging in rentals space

rightmove

in house TEB

贝壳

2 which models will win?

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

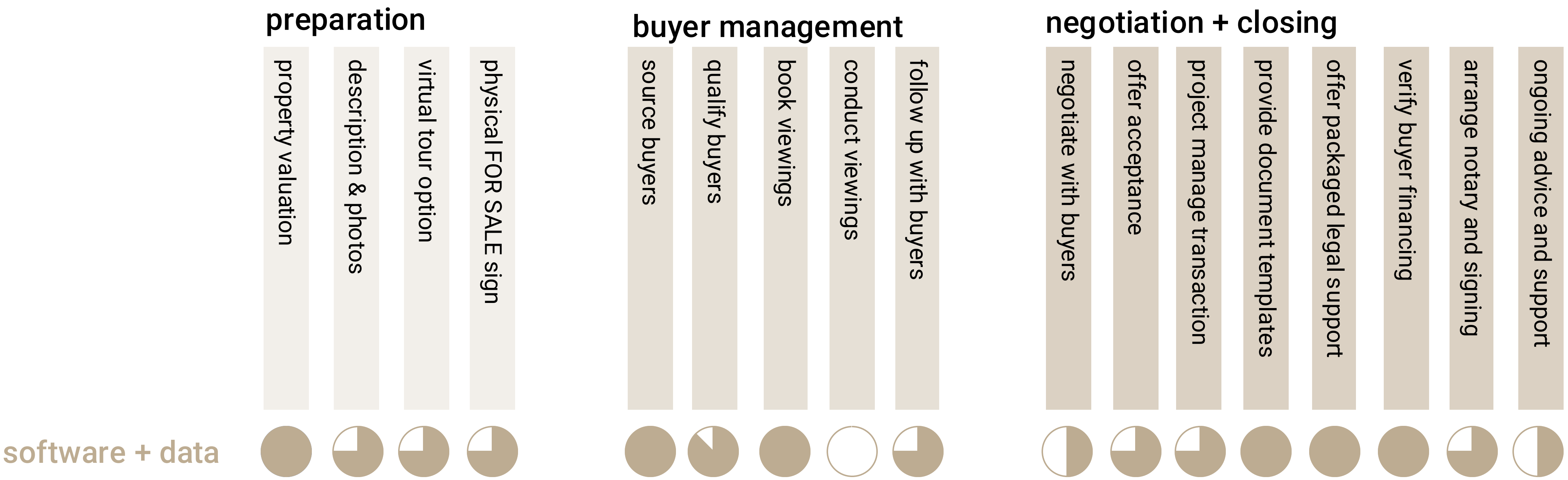
UNIT SALES / YEAR	> 40	21-40	11-20	≤ 10
SHARE OF REVENUE	17%	18%	32%	33%

65% of revenues from real estate agencies generating fewer than 20 sales per year

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

source: the bar chart reflects the revenue mix in 2020 of a typical European real estate classifieds player

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

source: EIV Analysis

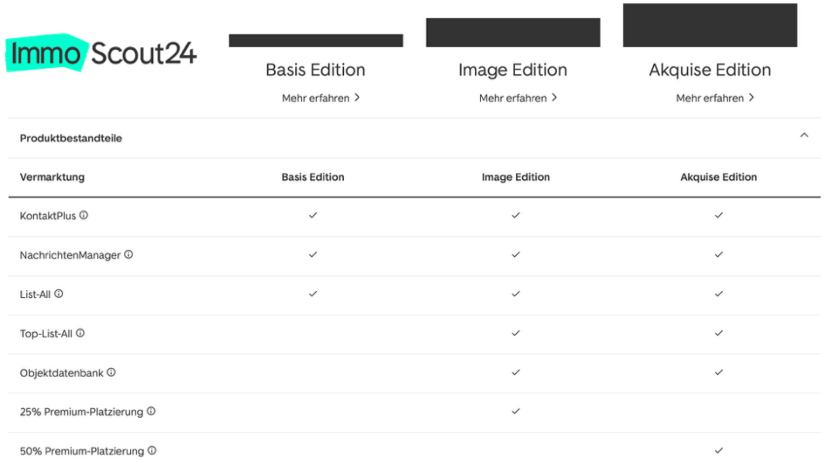
which means that over time, the real estate agency landscape is likely to see rapid consolidation into a small number of large TEBs.

born TEB	scaled + tech-enabled	adapt or fade away
		long tail of small agents

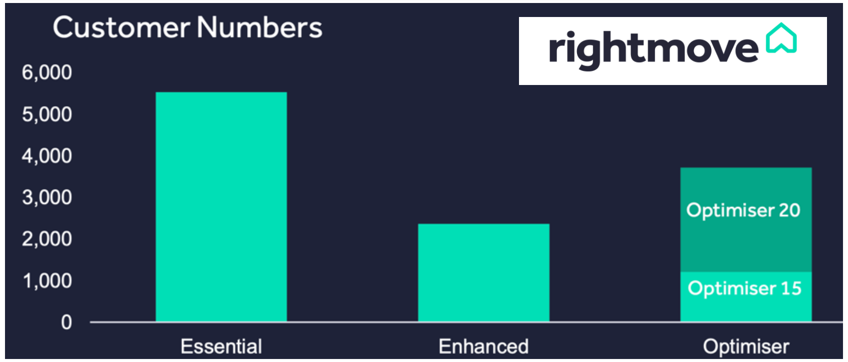
- the internet has brought comparable disruptions to other “high street” services including retail, banking, travel agents, and banks, all who have seen the emergence of powerful online-only businesses
- while some “Born TEBs” will fail, the best will become “super brokers” and aim to reduce dependence 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

source: EIV Analysis

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



ImmoScout24	[redacted] Basis Edition	[redacted] Image Edition	[redacted] Akquise Edition
	Mehr erfahren ›	Mehr erfahren ›	Mehr erfahren ›
Produktbestandteile			
Vermarktung	**Basis Edition**	**Image Edition**	**Akquise Edition**
KontaktPlus ⓘ	✓	✓	✓
NachrichtenManager ⓘ	✓	✓	✓
List-All ⓘ	✓	✓	✓
Top-List-All ⓘ		✓	✓
Objektdatenbank ⓘ		✓	✓
25% Premium-Platzierung ⓘ		✓	
50% Premium-Platzierung ⓘ			✓



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

source: company websites

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

source: 2021 company accounts
note: customer transactions are home sales where final transaction involved a Zillow Premier Agent on the buy or sell side; a Zillow home loan or closing services product; attribution looks low

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 (MA being the exception)

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

source Zillow Investor Presentation February 2022 p.17:

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

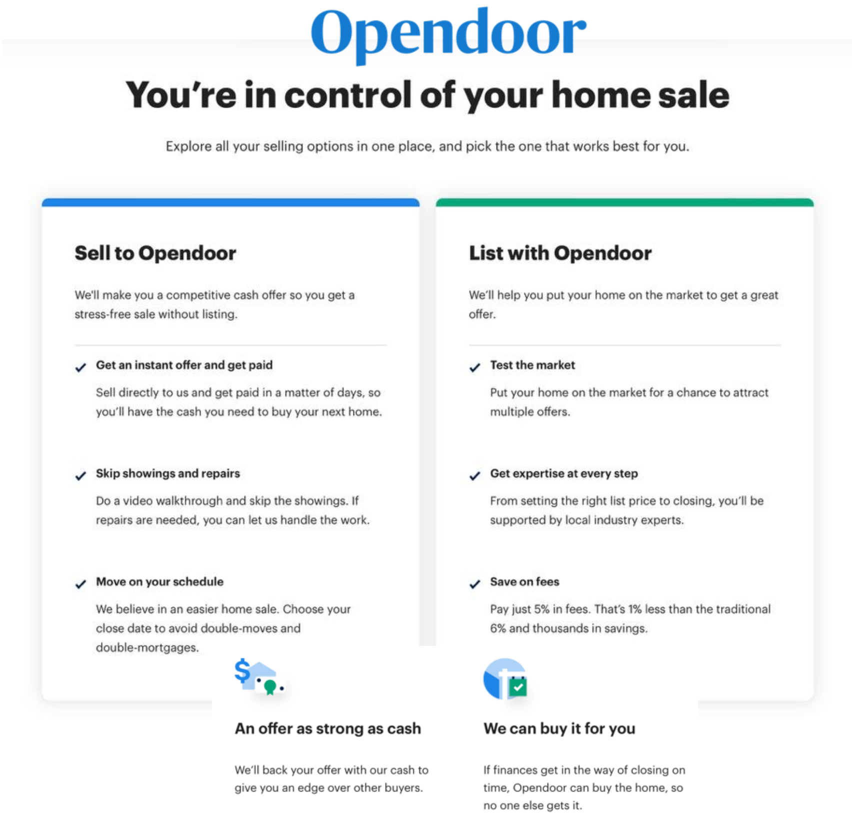
	Opendoor	Offerpad	knock	Orchard
NCO	yes	yes	yes	yes
BBYS	yes	yes	yes	yes
partner with agents	yes	no	yes	no
iBuy	core	core	last resort	last resort
home prep + manage sale	yes when iBuyer	yes	yes	yes

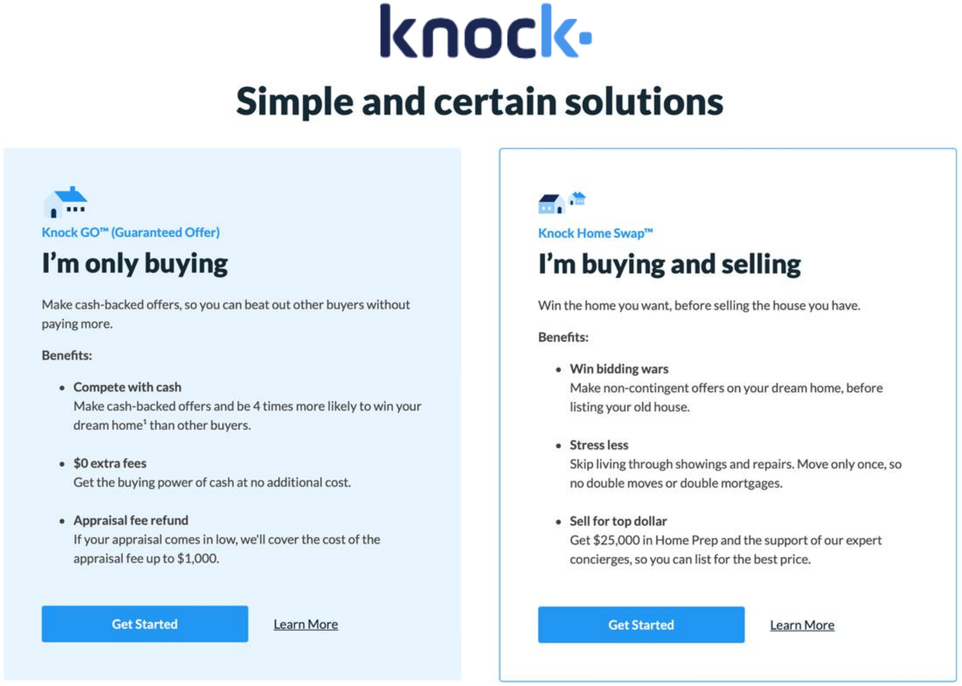
win-win-win
home buyer is more likely to make a winning bid and enjoys the convenience of moving into their new home while the iBuyer takes care of prepping and selling their old home; iBuyer can raise transaction velocity without taking the same financial risk as with outright purchase; agents differentiate 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

source: company websites

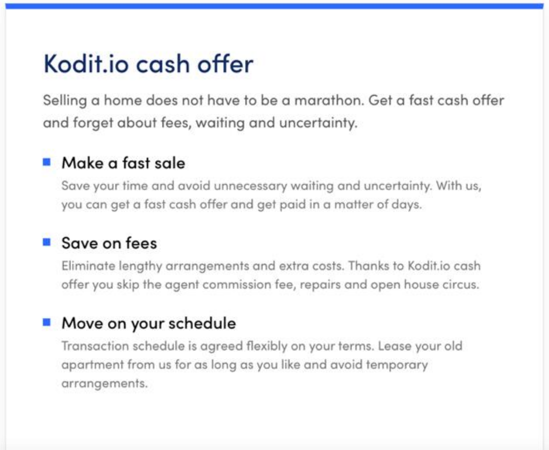
the most profitable iBuyers are likely to be those who generate the most seller leads, while actually buying the **least** number of homes.

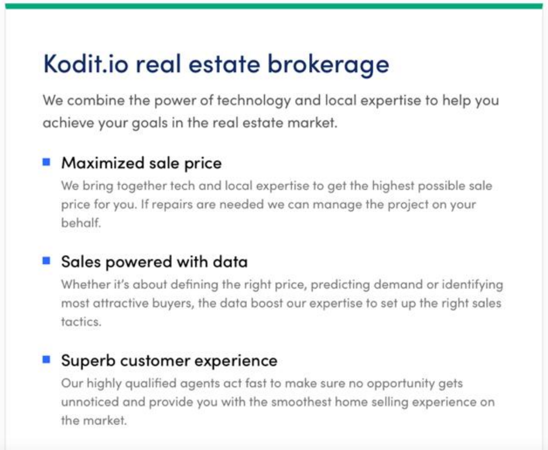


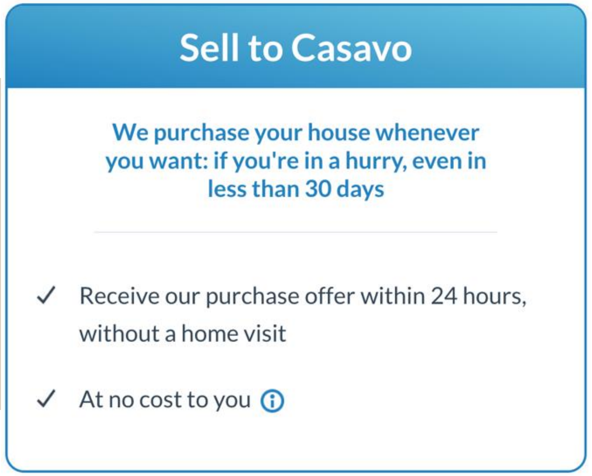


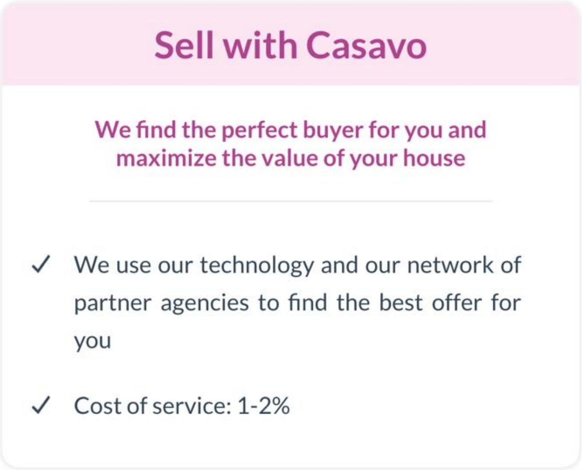
source: company websites

europe’s iBuyers are partnering with agents to access more capital-efficient commission streams.









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

source: company websites

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

loft

- 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

QuintoAndar

- 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

Huspy™

- 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

tapu.com

- 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 **$7M** to date

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

source: company websites

3 options for portals.

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

MAJOR → MINOR	threats	opportunities
	falling transaction volumes	build/buy in house TEB
	long tail agents disappear	offer BBYS products
	TEBs consolidate market share	provide vendor leads on a revenue share basis
	younger buyers expect e-commerce experience	migrate pricing from subscriptions to PPL / PPS
	developers going direct	provide open transactional infrastructure for selective agency partners
	co-Living / LaaS lowers #transactions	
	buy-to-let marketplaces take transaction volume away from classifieds	

source: EIV Analysis

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

		classifieds	TEB	iBuyer
		rightmove	COMPASS	Opendoor
	# Transactions	1,108,500	225,272	36,908
(in USD)	Revenue per Transaction	315	28,503	239,035
	Cost of Sales	18.1	23,088	197,545
	Gross Profit /Transaction	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%

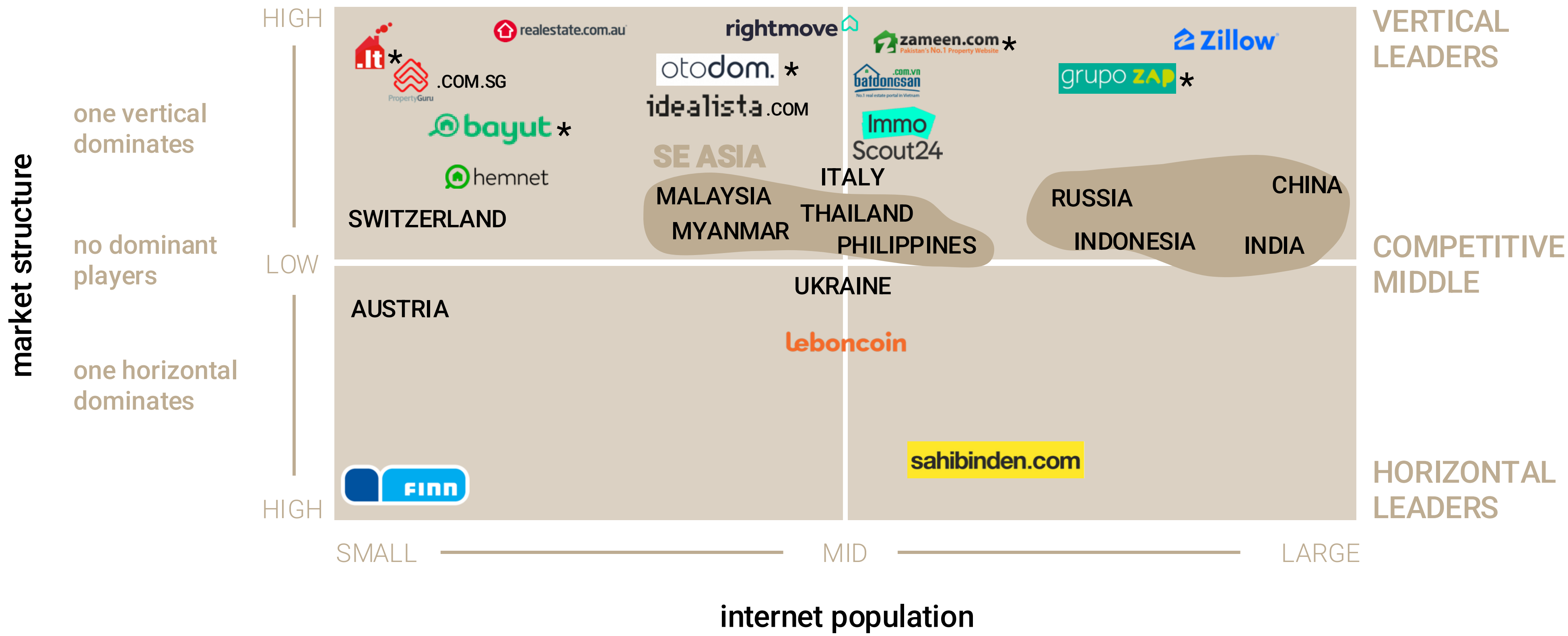
the classifieds advertising model is able to generate EBITDA margins in excess of 75%; it is able to monetize 75% or more of all home sales (if these are listed on its portal)

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

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

source: Company Accounts, EIV Analysis note: data refers to Jan-Dec 2021 GBP concerted to USD at 1.15; rightmove CoS, S&M, G&A splits are estimates; Opendoor # transactions refers to purchases only in 2021

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



source: internetworldstats.com, EIV analysis

note: *dominant vertical and dominant horizontal belong to same group

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

	eXp Realty	Compass	Redfin	Purple Bricks
# Transactions	444,367	225,272	93,079	40,141
Share of #Transactions	n/a	1.9%	0.8%	3.7%
in USD:				
ASP	351,290	1,127,526	555,119	n/a
Revenue / Transaction	**8,486**	**28,503**	**9,705**	**1,803**
Agent / Sales Commissions	7,820	23,088	6,482	597
Gross Profit /Transaction	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	76.80	(85.51)	(160.09)	(253.51)
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 sale 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

source: Company Accounts, EIV Analysis   note: data refers to Jan-Dec 2021 except for Purplebricks, which is 12M to March 2022; Redfin G&A data is pro-rata to RES sales for G&A; GBP concerted to USD at 1.15

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

	preparation	**buyer management**	**negotiation + closing**
	property valuation; description & photos; virtual tour option; physical FOR SALE sign	source buyers; qualify buyers; book viewings; conduct viewings; follow up with buyers	negotiate with buyers; offer acceptance; project manage transaction; provide document templates; offer packaged legal support; verify buyer financing; arrange notary and signing; ongoing advice and support
standalone TEB	• rudimentary AVM • data gaps e.g. in regions	• heavy investment in brand • reliant on classifieds for leads	• most are well-placed to offer negotiation and closing services
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	• 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	• 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

source: EIV analysis

4 back to the future.

options for classifieds_ real estate.

% sales value by agents	LOW professionalism of agency networks	HIGH
HIGH	build own commissioned sales team for new dev launch own hybrid agent	**TOUGH TO OWN THE SALE** focus on leads, intel + services for realtors capture more value via CPL + CPS pricing test your own hybrid agent for specific segments
LOW	build own commissioned sales team for new dev launch hybrid agent or full C2C marketplace **EASIEST TO OWN THE SALE**	build own commissioned sales team for new dev launch own hybrid agent

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; potentially test hybrid agent for specific segments *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 existing homes via a hybrid agent model*, *while* still supporting dealers with leads and services eiv

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	ribbon, Divvy, Orchard	PRONTOPISO, ONE DOME	COMPASS, PURPLE BRICKS

adopted
virtual tours as standard
conveyancing services

Zillow ClosingServices

"kind of" adopted
no TEB acquisitions yet, but classifieds now accessing commissions on seller mandates & on buy side e.g. Zillow flex

immoverkauf24 Die Experten für Ihren Immobilienverkauf
Zillow Zillow Flex Program

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 increasingly lose out as long tail agents disappear and well-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
In western 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

European Internet Ventures

thank you

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