Online Marketplaces

European Internet Ventures

Global Online Marketplaces Summit 2020 VIRTUAL EDITION

VALUE CREATION IN A NEW WORLD

June 17th, 2020

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

contents.

1. has the classifieds growth engine stalled?

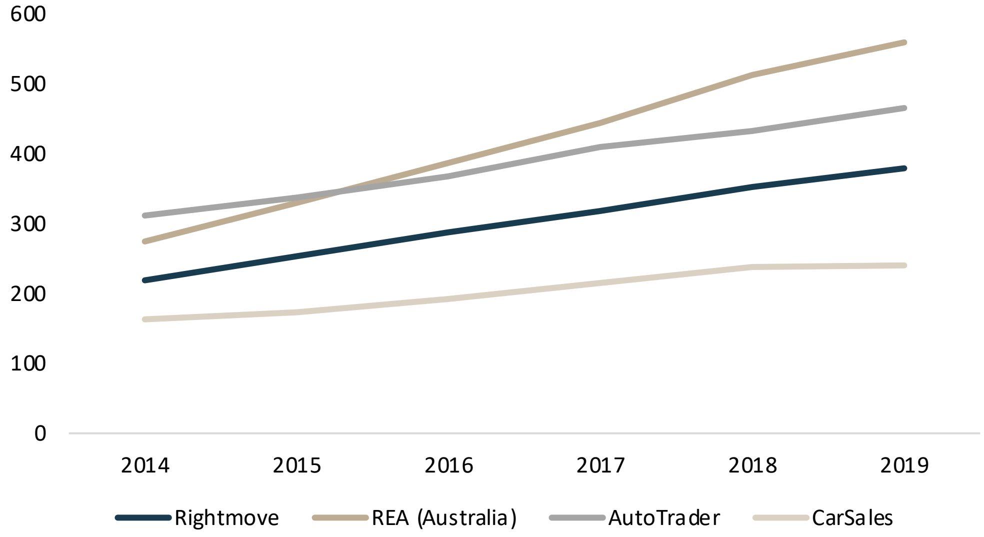
2. classifieds, marketplace or platform?

3. paths to value creation

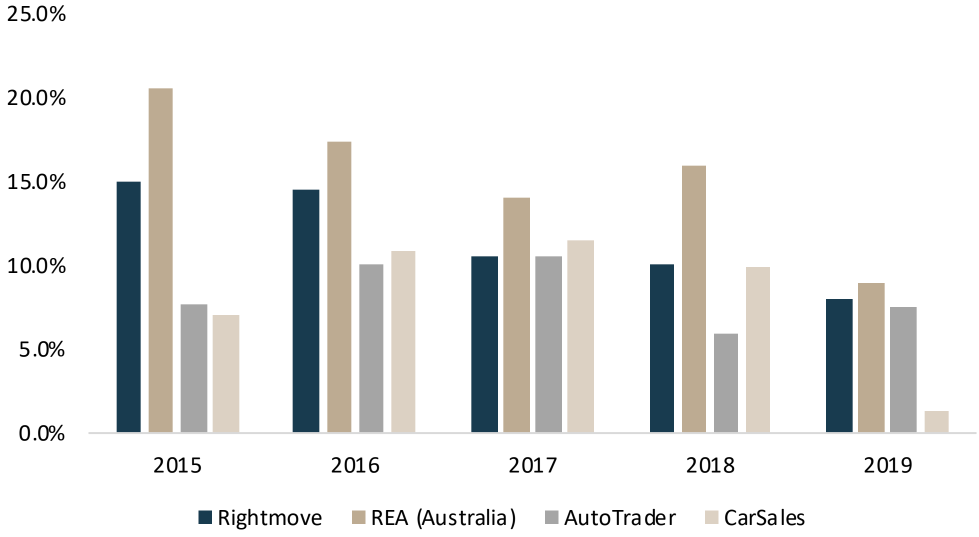
1 has the classifieds growth engine stalled?

even before C-19,
revenue growth rates were slowing.

REVENUE ($M)



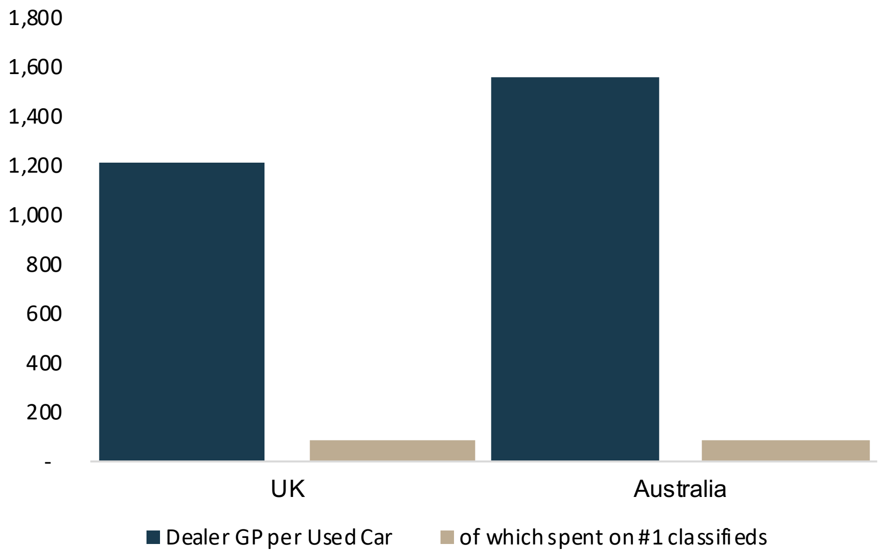
REVENUE GROWTH y/y



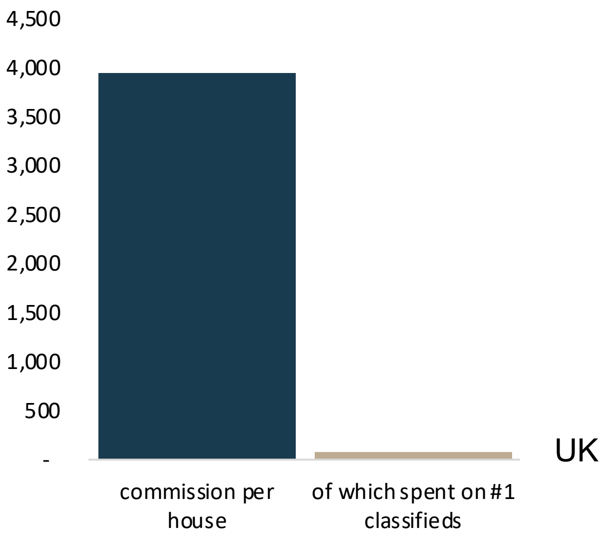
source: company presentations, GBP + AUD converted on 31.12.19

however, viewed as a share of intermediary commission, classifieds revenues still look low.

CAR DEALER #1 CLASSIFIEDS SPEND VS COMMISSION ($)



REAL ESTATE SALES COMMISSION VS #1 CLASSIFIEDS SPEND ($)



- a used car dealer listing on AutoTrader might spend $90 to sell a car that generates a $1200 commission (7.5%)
- Rightmove generates about $125 per home listed or about 3% of a $4,000 agent sales commission, or perhaps 6%-7% on a blended basis (incl. rentals)

source: company annual reports, EIV Analysis
note: bars reflect estimated average commissions on sales by agents and dealers

traditional classifieds lives off a broken consumer experience.

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

eiv
European Internet Ventures

dependence upon intermediaries looks even more precarious post C-19.

- high cost, high street presence economically challenging
- fewer opportunities for face to face client contact makes it harder to differentiate with tech enabled brokerages
- margin pressure from TEBs

- high cost / declining relevance of holding inventory and operating forecourts in central locations
- economics of building up dealer brands is challenging

classifying classifieds.

	1.0 listing	2.0 VAS / depth products	3.0 around the transaction	4.0 into the transaction
SERVICE PERFORMED BY PLATFORM	**core services** List properties Attract buyers Generate leads Basic pro. dashboards 3rd party banners e.g. OEM, developers, finance & insurance providers	Same as 1.0 plus: **promotional features** Featured Agency Agency pages Leads boosters **market insights** Market & similar item pricing Inventory most sought **efficiency tools** CRM / ERP	Same as 2.0 plus: **seller leads** Valuation tools attract sellers **finance + insurance** Pass on leads Match / Shortlist vendors **moving** Select removal firm Planner **utilities** Comparison service	1.0 + some of 2.0 / 3.0 **light version** Qualify sales leads via bots / call centers Concierge services for private or pros **full version** Run end-to-end sale process
EXAMPLES	craigslist Gumtree	rightmove PropertyGuru	Zoopla IMMOBILIEN SCOUT24 CarGurus AutoTrader	Zillow zameen.com

most classifieds started at 1.0

some classifieds players have taken the first steps to transacting on platform

but the majority are focused on 3.0 - building ancillary services

source: company websites, EIV analysis

massive markets.

Home Sales TAM	US	EU+ UK
Homes Sold / year (M)	6	6.2
ASP ($)	225'000	210'000
Value of sales $B	1'350	1'302
Commissions	5.7%	2.5%
Marketplace TAM $B	**77.0**	**32.6**

Home Rentals TAM	US	EU+ UK
Homes Rented/ year (M)	9.5	13.4
Average rent/month ($)	1'200	900
Commission	8.3%	8.3%
Marketplace TAM $B	**11.4**	**12.0**

Used Car TAM	US	EU+ UK
Used Cars & SUVs Sold / year (M)	40.2	33.2
ASP ($)	8'700	9'650
GMV of Used Vehicles Sold in $B	349.7	320.4
Target Commission	7.0%	8.0%
Marketplace TAM $B	**24.5**	**25.6**

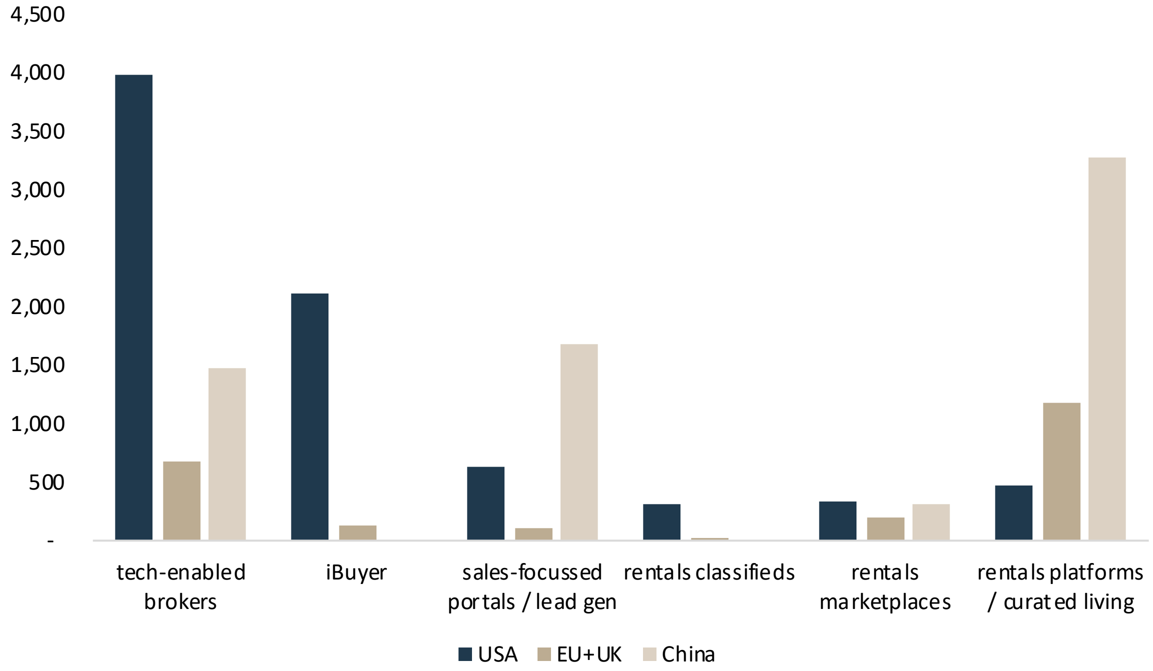
the net revenue opportunity within which classifieds players operate is massive

- For real estate sales, higher commission levels make the US market ($77.0B) more the double the size of EU+UK ($32.6B)
- In contrast, US, EU+UK offer approximately the same TAM for home rentals ($11.4B-$12B) and used car sales (ca. $25B each)

source: Zillow, Zumper, Deloitte European Housing Report 2019, Eurostat, EIV analysis
note: estimates based on 2018 data and assume commissions can be earned on all transactions; the cheapest 40% of rentals have been excluded from the analysis

$17B of private capital invested in real estate platforms.

GROWTH CAPITAL RAISED- REAL ESTATE ($M)

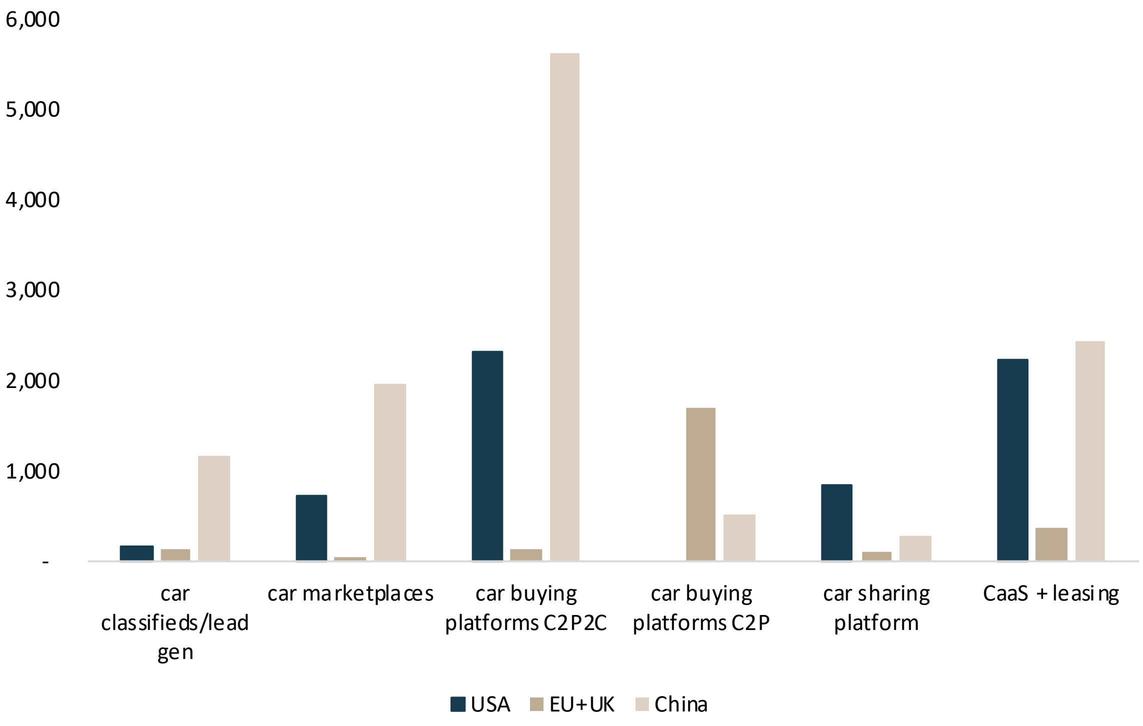


- private capital raised for real estate platforms amounts to $7.8B in US, $2.3B in EU+UK and $6.7B in China
- investment per capita in US-based platforms is 4.6x China and 4.9x EU+UK
- in US, investment has focused on TEBs such as Compass ($4.0B) and iBuyers like Opendoor ($2.1B)
- In contrast in China $3.3B has been invested into rentals / co-living platform businesses such as Zirooms, $1.7B into portals (incl. $1.2B into ke.com), and $1.5B into TEBs
- EU+UK investment is dominated by $1B raised by Luxembourg-based global co-living operator Quarters; TEBs raised $0.7B

source: crunchbase accessed 4/2020; excludes post IPO capital raises incl. Zillow   note:

$21B of private capital invested in automotive platforms.

GROWTH CAPITAL RAISED- AUTOMOTIVE ($M)



- private capital raised for automotive platforms amounts to $6.3B in US, $2.5B in EU+UK and $12.0B in China
- investment per car in circulation in China is 2.2x the US and 5.9x EU+UK
- in the US, investment has focused on direct-to-consumer car buying platforms such as Carvana and Vroom; CaaS is dominated by the $2B raised by Fair
- similarly, in China $5.6B has been invested into direct to consumer car buying platforms (Guazi, Uxin, Renrenche), with a further $2.0B going into dealer-centric marketplaces (Chemao, Souche etc.)
- EU+UK investment has mostly gone to car dealer-centric C2B platforms Auto1 and EM-focused FCG; investment in direct-to-consumer car buying platforms is minimal compared to US/China

source: crunchbase accessed 4/2020 note: C2P2C is a platform buying cars from and selling to consumers without involvement of 3rd party car dealers

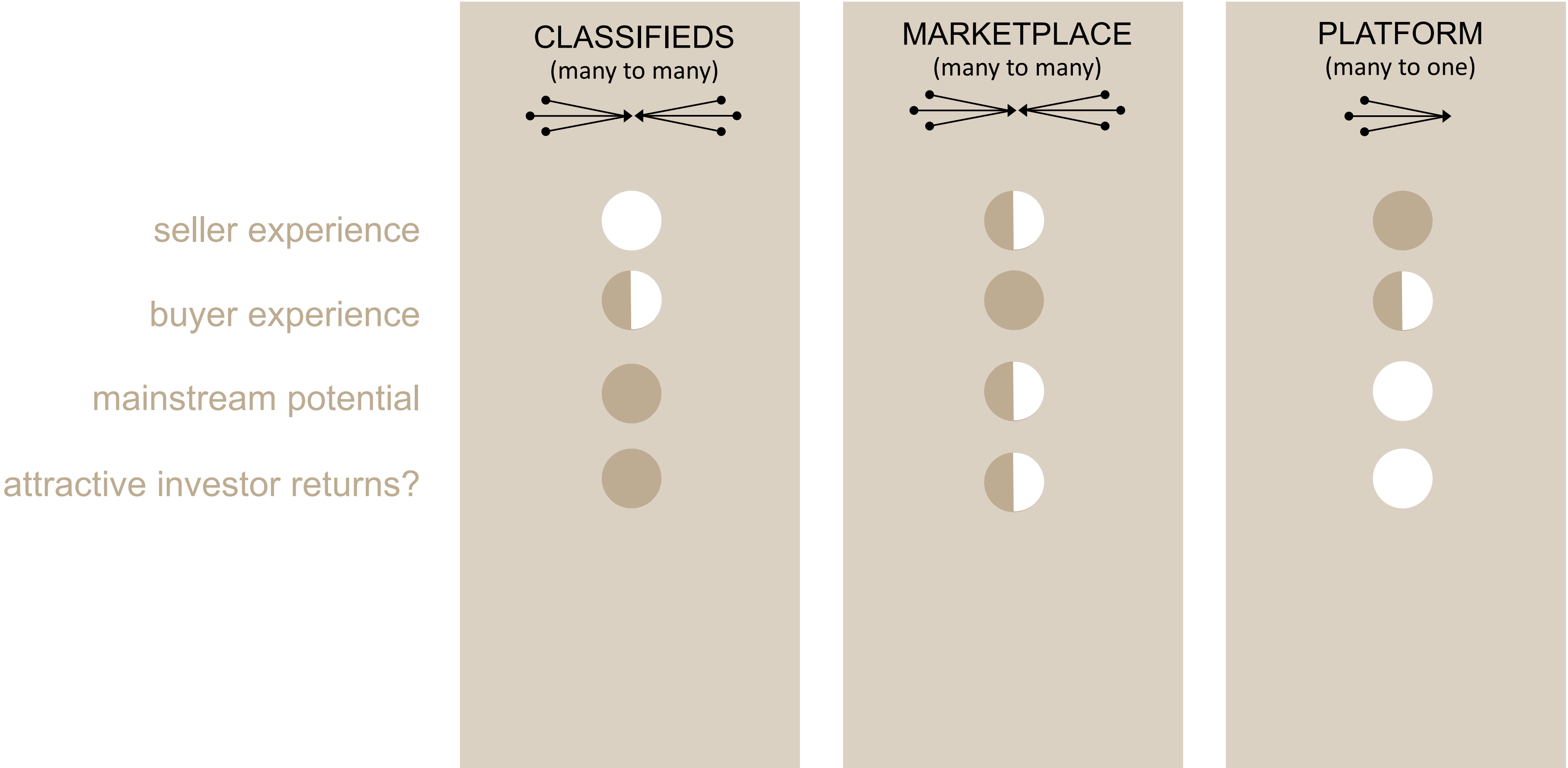
2 classifieds, marketplace or platform?

selling a home:
different models try to solve the same problem.

	CLASSIFIEDS (many to many)	MARKETPLACE (many to many)	PLATFORM (many to one)
who buys the home?	consumers	consumers	platform
client focus	intermediaries	both buyers + sellers	consumers
#1 objective	leads	sales	transactions
transaction occurs…	off platform	on platform	on platform
examples			
US	Zillow	AUCTION.COM	Opendoor, Zillow Zillow Offers
EU + UK*	rightmove, idealista	AUCTION HOUSE LONDON, tapu.com	CASAVO INSTANT BUYER IMMOBILIARE, kodit.io
CHINA	贝壳 找房大平台		

note: Tapu is based in turkey

… but no model today combines a compelling customer experience, mainstream potential and financial viability.



renting a home:
different models try to solve the same problem.

	CLASSIFIEDS (many to many)	MARKETPLACE (many to many)	PLATFORM (many to one)
client focus	intermediaries	both buyers + sellers	consumers
#1 objective	leads	transactions	transactions
transaction occurs…	off platform	on platform	on platform
rental contract with…	owner/ owner's agent	owner/ owner's agent	platform
in tenancy mgt.	owner/ owner's agent	owner/ owner's agent	platform
examples US	zumper		BUNGALOW SONDER
EU + UK		OpenRent SPOTAHOME	Residently QUARTERS Co-Living
CHINA		ziroom 自如 创 享 生 活	蛋壳公寓 DANKE APARTMENT ziroom 自如 创 享 生 活

platforms offer the most compelling proposition to the would-be tenant and landlord.

Moving made simple

Residently

Easy viewings

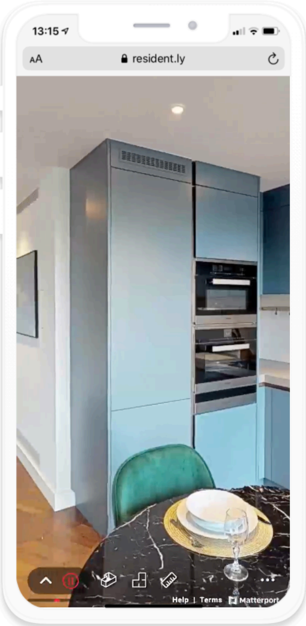
Virtual or in-person, book a viewing when it suits you.

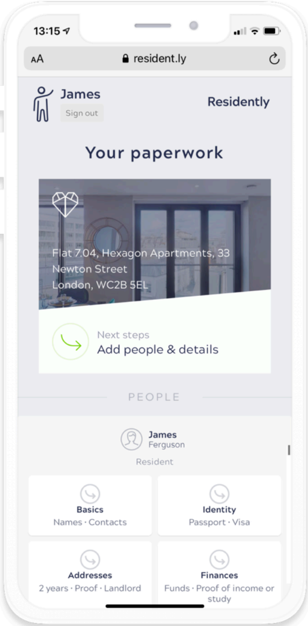
Speedy application

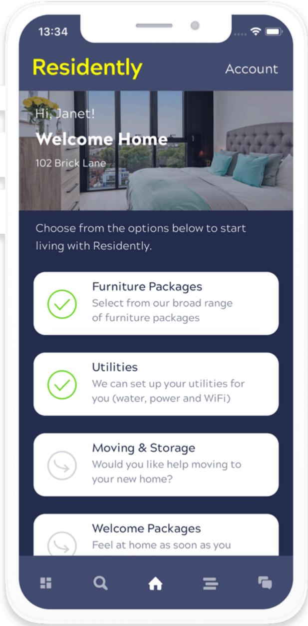
From viewing to contract in as little as an hour.

Make it your own

Our move-in services make it feel like home from day one.







- high quality listings make in-person visit optional
- rental agreement via the app
- assistance with moving, furnishings, utilities
- landlords sign long term leases with the platform– property management fully outsourced to platform

rentals:
consumer value proposition comparison.

	INFORM	COMPARE	TRANSACT ONLINE	PAY ONLINE	INSURTECH	CURATED LIVING	PROPERTY MGMT
classifieds	●	●	○	○	○	○	○
marketplace	●	●	●	●	◐	●	◐
rental platforms	●	●	●	●	●	●	●

classifieds model relies on passing the tenant lead on to a landlord or his agent

rentals marketplaces aim to transform rentals transactions into a fully-digitized, service

- richer and more comprehensive listings, making a physical visit less necessary
- rental agreement in app/on website
- deposits or guarantees replaced by an “insurtech” product for small monthly fee

rentals platforms take the marketplace one level higher

- platform as sole point of contact for both transaction and property management
- branded styles, furniture, amenities

rentals marketplaces-
more value added, more EBITDA?

ILLUSTRATIVE FINANCIALS PER UNIT

USD	Classifieds 2.0	Rentals Marketplace	Rentals Platform
Revenue per Listing/Letting	**20**	**3000**	**6000**
Gross Margin	95%	8%	11%
Gross Profit	**19**	**240**	**660**
Sales & Marketing Costs	-2	-225	-225
Refurbishment (annualized)	0	0	-250
Operations	-1	-60	-120
Product & Tech Costs	-1	-50	-125
EBITDA / Property	**15**	**-95**	**-60**
EBITDA Margin 2019	75%	-3.2%	-1.0%
Target EBITDA at scale / Property	**15**	**108**	**231**
Target EBITDA Margin at Scale	75.0%	3.6%	3.9%

classifieds rentals pricing varies from free to ca. $50 per listing, with EBITDA margins of 75% achievable for sites with traffic dominance

rentals marketplaces are getting about 8% of annual rent

- higher operational costs and much higher sales and marketing costs to acquire inventory and tenants

rentals platforms earn higher take rates but incur higher outlays for refurbishment, tenant management and service; Chinese player Danke Apartments lost $656 per unit in 2019, including $342 per unit for sales & marketing alone

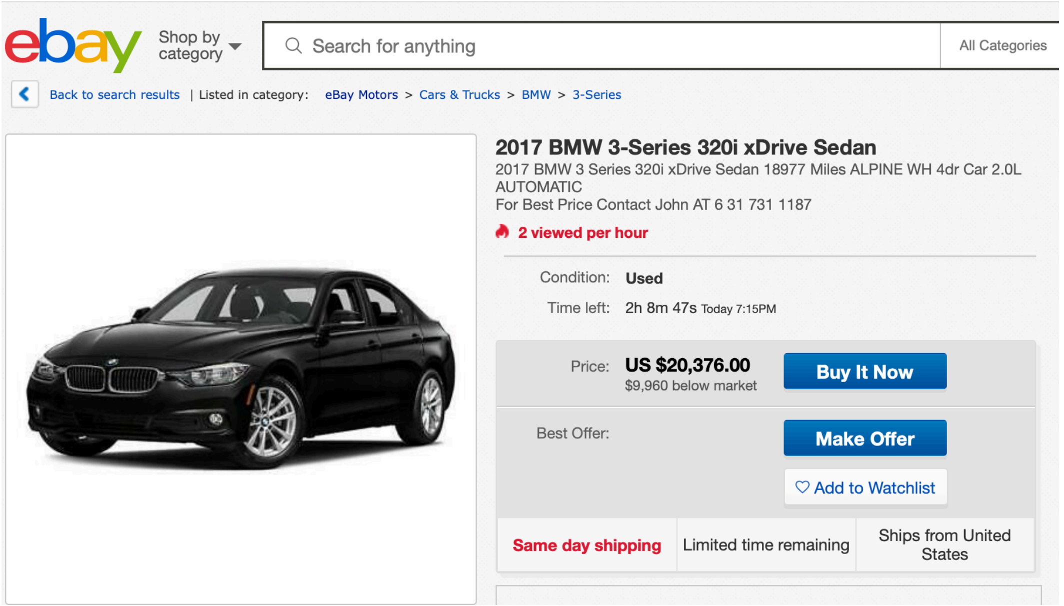
- profitability looks compelling if the required scale can be reached

source: EIV Analysis, Danke IPO filing

buying a used car:
different models try to solve the same problem.

	CLASSIFIEDS (many to many)	MARKETPLACE (many to many)	PLATFORM (many to one)
who owns the car?	consumers or dealers	consumers or dealers	platform
client focus	intermediaries	both buyers + sellers	consumers
#1 objective	leads	sales	sales
transaction occurs…	off platform	on platform	on platform
operate showrooms?	no	no	no (Europe + US) yes (China)
examples			
US	CarGurus, Autotrader	ebay	CARVANA, vroom
EU + UK	AutoScout24, AutoTrader, mobile.de	ebay, CapCar	AUTO1.com, CAZOO, Aramisauto
CHINA	汽车之家 autohome.com.cn, 易车		瓜子, 优信 UXIN GROUP

ebay has provided an online marketplace for buying and selling cars for years...



- ❌ only 6 photos
- ❌ no inspection
- ❌ no warranty

can pay to check accident history, title and mileage

….but unfortunately the key elements required to provide peace of mind to the buyer and enable an effective marketplace are missing

in contrast, today's platforms are transforming the customer experience.

CAZOO

Great value cars

We own all the cars we list and have thoroughly inspected and reconditioned each one to the highest standards.

Buy entirely online

Select from our wide range of high-quality cars and complete your purchase or financing fully online.

Free home delivery

Pick a slot to have your car delivered to your door in as little as 72 hours, at a time that's convenient to you.

Complete car buying confidence

CAZOO QUALITY ASSURED

Cazoo Quality Assured

Not only are our cars thoroughly checked and reconditioned, but each one has had a recent service and MOT (if required) and also shows the number of previous owners.

£ MONEY BACK GUARANTEE

Money Back Guarantee

Enjoy your Cazoo car for up to 7 days to make sure it fits in with your lifestyle. If you don't love it, just let us know and we'll collect it for free and give you a full refund.

90 DAY WARRANTY

90-Day Warranty

Drive with total confidence in your Cazoo car. We provide a free comprehensive 90-day warranty and RAC roadside assistance, so you can have total peace of mind.

buying a used car:
consumer value proposition comparison.

	INFORM & COMPARE	DETAILED INSPECTIONS	TRANSACT ON PLATFORM	FINANCE ONLINE	PAY VIA PLATFORM	CAR DELIVERED	WARRANTY & RETURNS
classifieds	●	●	○	◐	○	○	○
platform	●	●	●	●	●	●	●

classifieds pass the buyer lead on to a dealer, which usually requires a physical visit to purchase and finance the car

warranties standard only for newer cars from franchise dealers

online **platforms**

- richer and comprehensive listings including full inspection report
- leasing and purchase 100% online
- car delivered with warranty and option to return within the first 7-30 days

the models have very different economics.

Economics Per Car ($)	AutoTrader UK 2019	Carvana 2019	Carvana Target
Revenue	163	22'109	22'109
GM	100%	12.9%	17.0%
GP	**163**	**2'852**	**3'758**
Advertising	(8)	(1'150)	(276)
SG&A	(39)	(3'029)	(1'105)
EBITDA	**116**	**(1'327)**	**2'377**
EBITDA Margin	71%	-6.0%	10.8%
cars listed / year (M)	2.76	0.18	?

- in 2019 AutoTrader UK listed ca 2.8M cars and made $252M in EBITDA
- in contrast, Carvana sold 0.18M cars at an EBITDA loss of $230M
- the classifieds model, where market dominant, has a highly attractive financial profile with ca. 100% gross margins and EBITDA margins >70%
- in contrast, Carvana's platform model has a GM of 13%, and is currently spending >$1,000 per car sold in marketing alone
- at scale, Carvana expects to generate over $2k in EBITDA per car or **20x** the level of AutoTrader UK
- today there is no publicly-listed, consumer-focused automotive platform in the world which is profitable

source: AutoTrader FY 2019 results, Carvana May 2020 presentation and FY results

3 paths to value creation

home sales:
strategic options for real estate classifieds.

	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

home rentals:
strategic options for real estate classifieds.

	CLASSIFIEDS 3.0+	RENTALS MARKETPLACE
focus	digitally enable Intermediaries	enable landlords to transact directly with tenants
new services	book virtual tours, tenant "passports", deposit insurance, online transaction facilitation	marketplace responsible for acquiring listings from landlords, verification, listing quality management; deposit insurance, tenant referencing, transaction management
role of agent	acquire listings, upload content, select tenant, close contract for landlord	contribute listings to platform in return for commission share
net revenue growth	**material** ARPA growth in return for enhanced services commissions on deposit insurance sales and selling reference products	**step change** in revenue per listing higher opex, but faster route to profitability given existing platform liquidity
inspired by	Mudhut, LeaseLock, swiftcourt	SPOTAHOME, QUINTOANDAR, aptuno

strategic options for automotive classifieds.

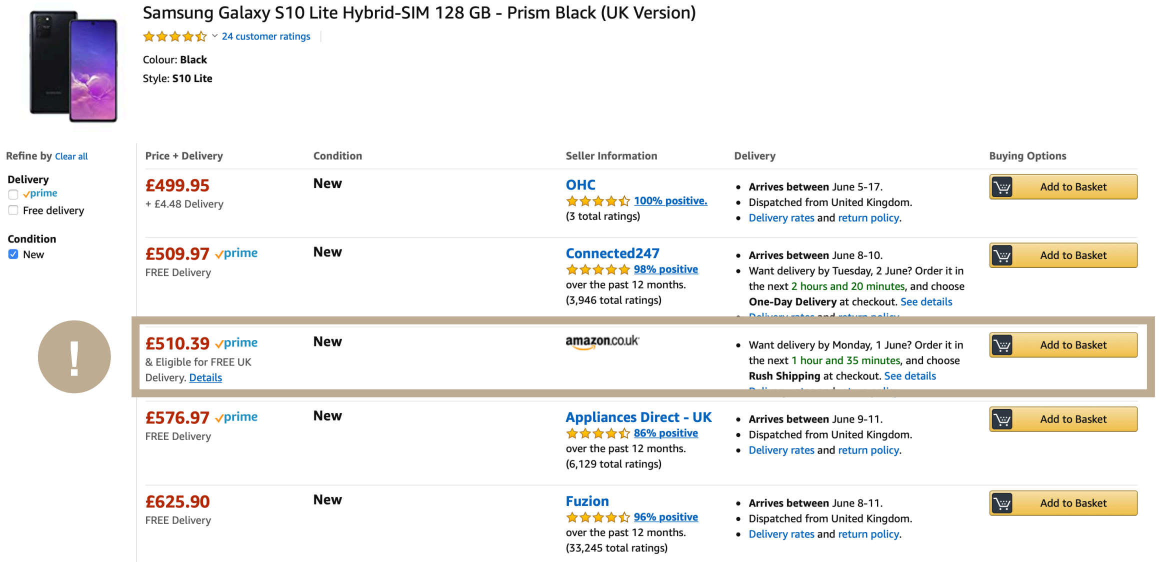
	CLASSIFIEDS 3.0+	"SHOPIFY"	OWN LABEL TED
new services	own branded inspections + warranty services sold to private sellers and/or dealers buyers pre-qualified for leasing up to $x/month	offer dealers a co-branded or dealer branded e-commerce capability to purchase used cars online;	acquire listings from private sellers; perform inspections and offer warranty to buyer in return for a sales commission
role of dealer	unchanged	unchanged but more efficient sales process	unchanged – will still get high quality leads and be able to run own dealership
net revenue growth	**material** from better monetizing private sellers and non-franchise dealerships; higher opex and insurance costs	**material** from SaaS and commissions from e-commerce service	**high**; in many cases platform can sell car without taking ownership
inspired by	车猫 认证二手车	大搜车家选 只选30%二手好车	CapCar Vendez bien. Achetez serein. CARVANA

examples from outside classifieds.

BRANDED

OWN LABEL

MARKETPLACE OWN STOCK RANKED AMONGST INDEPENDENT MERCHANTS



Price + Delivery	Condition	Seller Information	Delivery	Buying Options
£499.95 + £4.48 Delivery	New	OHC 100% positive. (3 total ratings)	Arrives between June 5-17. Dispatched from United Kingdom. Delivery rates and return policy.	Add to Basket
£509.97 prime FREE Delivery	New	Connected247 98% positive over the past 12 months. (3,946 total ratings)	Arrives between June 8-10. Want delivery by Tuesday, 2 June? Order it in the next 2 hours and 20 minutes, and choose One-Day Delivery at checkout. See details	Add to Basket
£510.39 prime & Eligible for FREE UK Delivery. Details	New	amazon.co.uk	Want delivery by Monday, 1 June? Order it in the next 1 hour and 35 minutes, and choose Rush Shipping at checkout. See details	Add to Basket
£576.97 prime FREE Delivery	New	Appliances Direct - UK 86% positive over the past 12 months. (6,129 total ratings)	Arrives between June 9-11. Dispatched from United Kingdom. Delivery rates and return policy.	Add to Basket
£625.90 FREE Delivery	New	Fuzion 96% positive over the past 12 months. (33,245 total ratings)	Arrives between June 8-11. Dispatched from United Kingdom. Delivery rates and return policy.	Add to Basket

conclusion.

- for classifieds players, a continued focus on lead generation and sales of ancillary services is unlikely to deliver expected returns
- to re-ignite growth, classifieds players will need either to evolve into fintech plays in partnership with intermediaries (real estate sales), or become true marketplaces themselves (real estate rentals, used car sales)
- upside to taking meaningful commission share of the vast markets they dominate from a lead gen perspective, is arguably worth the potential risk of agent / dealer defection

European Internet Ventures

thank you

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