



22 February 2017

**TRADE ME GROUP LIMITED (TME)  
INTERIM RESULTS FOR THE SIX MONTHS TO 31 DECEMBER 2016**

Please find attached the following documents relating to Trade Me Group's half-year results for the six months ended 31 December 2016:

1. NZX Appendix 1;
2. Media release;
3. Half-year report including financial statements for the six-month period ended 31 December 2016;
4. NZX Appendix 7; and
5. Interim Results presentation (the presentation will be given at 11.00 a.m. (NZ time) on 23 February 2017).

ASX Appendix 3A.1 as to dividend will be filed separately.

A handwritten signature in black ink, appearing to read "Sarah Hard".

Sarah Hard  
Company Secretary

# Appendix 1

## Trade Me Group Limited

### Results for announcement to the market

Reporting period: 6 months to 31 December 2016

Previous reporting period: 6 months to 31 December 2015

	Amount NZ \$'000	Percentage Change
Revenue from ordinary activities	114,878	Up 8.8%
Profit from ordinary activities after tax attributable to security holders	46,109	Up 19.6%
Net profit attributable to security holders	46,109	Up 19.6%

Interim Dividend	Amount per security (cents)	Imputed amount per security (cents)
Interim Dividend	8.5	3.3056
Record date	10 March 2017	
Payment date	21 March 2017	

### Commentary on results for the period

For commentary on the results please refer to the Directors' Report and media announcement attached.

### Financial information

The appendix 1 should be read in conjunction with the consolidated interim financial statements for the 6 months ended 31 December 2016 as contained in the interim report attached.

### Net tangible assets per security

Net tangible assets per security	2016 (cents)	2015 (cents)
Net tangible assets per security	-24	-29

23 February 2017



## TME: Good profit growth as investment delivers on promises

### Highlights

- Revenue up 8.8% YoY to \$114.9m
- EBITDA<sup>1</sup> up 14.2% YoY to \$75.7m
- NPAT up 19.6% YoY to \$46.1m; operating NPAT up 16% YoY to \$44.7m
- Earnings per share for H1 17 was 11.61 cents, up from 9.71 cents in H1 16
- Fully imputed interim dividend of 8.5 cps to be paid on 21 March 2017
- General Items healthy and strong
- Trade Me Jobs a stand-out in the Classifieds segment
- Outlook for F17 unchanged: year-on-year EBITDA and operating NPAT growth rates in excess of F16

Online marketplace and classified advertising business Trade Me Group Ltd (“Trade Me”) released its interim financial results for the six months to 31 December 2016 this morning.

Chairman David Kirk said Trade Me had delivered an “excellent result” to investors. “The return to good profit growth in the first half of this year marks the successful completion of our multi-year investment phase. We’ve strengthened the business and set it up well for further growth, and we’re very pleased to have achieved our ambitions from this investment.”

### The numbers

CEO Jon Macdonald said Trade Me had delivered record revenue of \$114.9m in the first half of F17, up 8.8 per cent on a year ago. Expenses were up just 5 per cent year-on-year, with cost growth down significantly from 19 per cent year-on-year growth in the first half of F16.

Mr Macdonald said that there had been a strong focus on following through on promises made to investors. “We said we would reinvest in people, product development, marketing and sales in order to build a better business and then deliver growth, and that’s what we’ve done. As well as delivering on our investment, it’s pleasing that we’ve shown our ability to contain costs as forecast too.”

Earnings per share increased to 11.61 cents (up from 9.71 cents a year ago), and a fully imputed interim dividend of 8.5 cents per share will be paid on 21 March.

### Performance by segment

Mr Macdonald said he was very pleased to see the **General Items** marketplace continue to accelerate its revenue growth. “Revenue in this segment of our business was up 9.3 per cent in the first half of the 2017 financial year, having increased by 7 per cent in the second half of the 2016 financial year. It’s as healthy and strong as we’ve seen it for several years.”

A range of product improvements have been well-received, including the roll-out of a new Buyer Protection programme earlier this month. The Book a Courier service launched in April 2016 continues to grow in popularity, with up to 2,200 packages sent each day.

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<sup>1</sup> 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

The **Classifieds** segment delivered another good result, with revenue up 9.9 per cent year-on-year. Mr Macdonald said there was a contribution from all three businesses, but the employment business was the stand-out. “Revenue in Trade Me Jobs has continued to perform strongly, and was up by 23.3 per cent year-on-year, off the back of strong sales of premium products and the buoyant New Zealand employment market.”

Mr Macdonald said Trade Me Property reported subdued revenue growth of 4.8 per cent, due to a soft property listings market, but noted there was still good progress. “We’ve made some exciting product gains in recent months, with the highlight being automated valuation estimates for residential properties across the country. Off the back of this we have seen 1.6 million records searched via our Property Insights portal.”

Trade Me Motors reported a revenue increase of 7.5 per cent year-on-year. “We’ve focused on our business customers with premium revenue from our suite of products for dealers increasing by 28.1 per cent over the past year, and we’ve also upgraded our DealerBase vehicle management site.”

In the **Other** category, comprising advertising, dating, insurance and payments businesses, revenue was up 5.1 per cent year-on-year, driven by growth in payments and advertising.

## People

As at 31 December 2016 there were 541 staff (514 FTEs) at Trade Me, up slightly from 511 staff (491 FTEs) a year earlier. Mr Macdonald said the small increase reflected the fact that hiring “had slowed down significantly” after the company’s investment phase.

There was one change to the Trade Me board in December 2016, with Auckland-based Simon West appointed, replacing Sam Morgan as an independent director. Simon has extensive experience in retail and technology businesses, and is currently the executive director of Max Fashions.

## Outlook

Looking ahead, Mr Macdonald reiterated the guidance for investors. “There is no change to our previously stated ambition for year-on-year EBITDA and operating NPAT growth rates in excess of F16 for the full financial year.

“Looking to F18 and beyond, we’re stronger and better positioned than ever to grow and defend our existing businesses. We will continue to invest as needed to further strengthen our trust and relevance with the New Zealand public, and to make the most of the opportunities in front of us.”

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## More information:

Trade Me investor website: [investors.trademe.co.nz](http://investors.trademe.co.nz)

## Contacts:

Media: Paul Ford, Trade Me, [paul@trademe.co.nz](mailto:paul@trademe.co.nz)

Investors: Colin Rohloff, Trade Me, [investors@trademe.co.nz](mailto:investors@trademe.co.nz)



# Half Year Report

FOR THE SIX MONTHS  
ENDED 31 DECEMBER 2016



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## Highlights

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Operating net profit after tax<sup>1</sup> was up 16.0% year-on-year to \$44.7m. This return to good profit growth marks the successful completion of the multi-year investment phase where we have strengthened the business and set it up well for further growth.

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Revenue was up 8.8% year-on-year to a record \$114.9m, underpinned by continued growth in General Items (up 9.3% YoY), and ongoing strength in the Classifieds (up 9.9% YoY). Revenue in our Other segment was up 5.1% year-on-year.

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The return to revenue growth in General Items is particularly pleasing, and demonstrates better health and strength in that business than we have seen for several years.

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Expenses were up 5.0% year-on-year, and this demonstrates the completion of our investment phase, and our ability to contain our costs as signalled.

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EBITDA<sup>2</sup> was \$75.7m, and up 14.2% year-on-year. Earnings per share for H1 F17 was 11.61 cents, up from 9.71 cents in H1 F16. A fully imputed interim dividend of 8.5 cents per share will be paid on 21 March 2017.

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We have continued to make core product improvements to deliver strategic and financial benefits across many areas of the business. Highlights include the recent launch of our Buyer Protection programme, the inclusion of estimated property values in our Property Insights portal, and the News and Reviews content hub on Trade Me Motors.

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We sold two of our travel businesses, Travelbug and BookIt, on 1 December 2016.

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On the Trade Me board, there was one change as we bid farewell to our founder Sam Morgan, and appointed Auckland-based Simon West as a new independent director.

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Looking ahead to the end of F17, there is no change to our previously stated ambition for year-on-year EBITDA and operating NPAT growth rates that are in excess of what we achieved in F16.

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For F18 and beyond, we are stronger and better positioned than ever to grow and defend our existing businesses. We will continue to invest as needed to further strengthen our trust and relevance with the New Zealand public, and to make the most of the opportunities in front of us.

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<sup>1</sup> Operating NPAT excludes one-off gain-on-sale and earn-out revaluation. Reported NPAT was \$46.1m, and up 19.6% YoY.

<sup>2</sup> 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 from the Chairman and CEO

Dear Shareholders,

Thank you for your support as a Trade Me investor. We have delivered an excellent H1 F17 result, in line with guidance we provided at our results announcement in August 2016 and the annual shareholder meeting in October 2016.

## The numbers

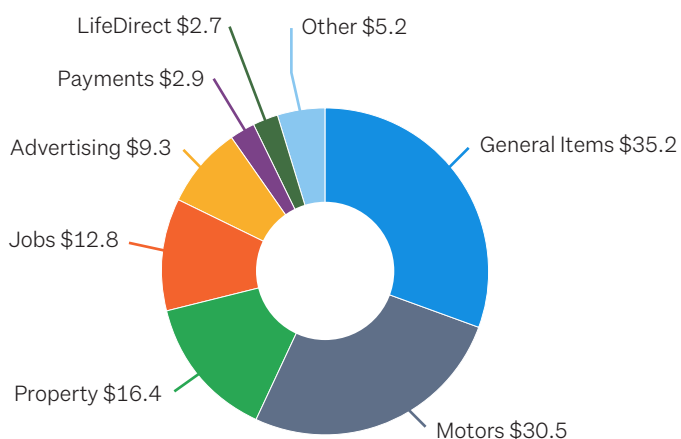
For the six months to 31 December 2016, Trade Me delivered record revenue of \$114.9m, up 8.8 per cent from \$105.6m in H1 F16.

Operating net profit after tax was up 16.0% year-on-year to \$44.7m. Meanwhile, reported net profit after tax in H1 F17 was \$46.1m, up 19.6 per cent on a year ago.

The return to good profit growth marks the successful completion of the multi-year investment phase where we have strengthened the business and set it up well for further growth. We are pleased we have accomplished our ambitions from this investment.

Earnings per share increased to 11.61 cents, up from 9.71 cents a year ago. We intend to pay a fully imputed interim dividend of 8.5 cents per share on 21 March 2017. The record date for the dividend is 10 March 2017.

## Operating performance



H1 Revenue Composition (\$m)

We are at the successful end of a period of accelerated reinvestment in people, product development, marketing and sales as we build a better business and focus on delivering growth in the medium to long term.

In the first half of F17, we've seen expense growth of just 5.0 per cent year-on-year, down from 18.6 per cent a year ago. We do expect our expense growth to be slightly higher in the second half of F17.

Overall this is a clear demonstration of the completion of our investment phase, and our ability to contain costs as forecast.

We are particularly pleased to see the continued acceleration in revenue growth in our **General Items** marketplace, up 9.3 per cent on H1 F16. This follows on from the 7.0 per cent year-on-year increase we reported in the second half of F16. This business is healthier and stronger than it has been for several years.

Across our marketplace, we've continued to make product improvements, including the roll-out of a new Buyer Protection programme earlier this month. The Book a Courier service we launched in April 2016 continues to grow in popularity, with up to 2,200 packages sent each day.

The **Classifieds** delivered another good result, with revenue up 9.9 per cent year-on-year. There was a contribution from all three businesses, after a continued focus on generating premium revenue and improving our products.

Trade Me Jobs has continued to perform strongly with revenue increasing by 23.3 per cent year-on-year, due to a strong team performance and a buoyant employment market. The increase was largely driven by premium revenue (up 54.7 per cent), and underpinned by a series of product releases including upgrades to our premium features and mobile apps.

Trade Me Motors, the largest of our classified verticals, reported a revenue increase of 7.5 per cent year-on-year. We've upgraded our DealerBase vehicle management site, and launched a News & Reviews content hub to help inform buyers as they research and purchase their next vehicle. Premium revenue from our suite of products for dealers increased by 28.1 per cent year-on-year.

Trade Me Property reported revenue growth of 4.8 per cent, landing below expectations in a soft property listings market. We've made some exciting product gains here in recent months, with the highlight being automated valuation estimates for residential properties across the country. Off the back of this we have seen 1.6 million records searched via our Property Insights product, and elsewhere we have continued to roll out our OneHub portal to agents.

In the **Other** category comprising our advertising, dating, insurance and payments businesses, revenue was up 5.1 per cent year-on-year, driven by growth in payments (up 22.7 per cent) and our advertising business (up 4.3 per cent).



## Divestments

As our priorities change, we are unafraid to divest where it makes sense. On 1 December 2016, we announced the sale of two of our travel businesses: Travelbug (an accommodation aggregator we launched in 2007) and Bookit (an online booking engine we acquired in 2010).

It was becoming increasingly difficult for us to justify prioritising time and money for these small businesses, given the other opportunities we have across Trade Me.

## Brand

We are pleased with the first iteration of our 'Life Lives Here' brand campaign. It has successfully provided us with a strong platform to nurture and grow our brand, with our research showing an increase in "preference" (and reflecting the extent to which Kiwis prefer to use Trade Me versus our competitors) has risen from 57 per cent in May 2016 before the campaign launched, to 64 per cent in January 2017.

## People

The number of staff at Trade Me has grown from 511 (491 FTEs) in December 2015 to 541 (514 FTEs) as at 31 December 2016. This small increase reflects the fact that our hiring has slowed down significantly after our investment phase.

We've recently appointed Alan Clark as our new head of Trade Me Motors, replacing Darren Wiltshire. Alan has been our head of strategy since January 2015. Darren started as our sole Trade Me Motors employee, and grew the team to over 50 people. We're very appreciative of his contribution.

We've also appointed Jaime Monaghan as our new head of insurance, running the LifeDirect and Trade Me Insurance businesses (she originally joined Trade Me in August 2015). We farewellled Conor Sligo, the previous head of insurance and one of the founders of LifeDirect. We're very grateful for Conor's efforts, as well as the efforts of the other LifeDirect founders, Tim von Dadelszen and James Punnett.

## Governance

There was one change to the Trade Me board in December 2016, with Auckland-based Simon West appointed, replacing Sam Morgan as an independent director. Simon has extensive experience in retail and technology businesses, and is currently the executive director of Max Fashions.

We farewellled Trade Me founder Sam Morgan in December, as signalled to shareholders back in October. Sam has been an incredible contributor across the company's 18-year history, and as David Kirk put it back in October: "Trade Me has allowed many, many New Zealanders to build thriving businesses and many, many more New Zealanders to find that quirky second-hand thing, car, house, job or even partner they were looking for. All because Sam had a good idea and worked hard to make it happen."

## Outlook

We expect our full year F17 revenue growth rate to be slightly lower than in H1 F17. Assuming there is continued softness in property listing volumes, we expect Trade Me Property to continue its subdued performance through the remainder of F17.

With the deferral of some F17 marketing spend from H1 to H2, we expect our year-on-year expense growth in H2 will be ahead of H1, but below our August 2016 guidance of circa 10 per cent. Our previously stated ambition to deliver year-on-year EBITDA and operating NPAT growth rates in F17 that are in excess of F16 remains unchanged.

Looking to F18 and beyond, we are stronger and better positioned than ever to grow and defend our existing businesses. We will continue to invest as needed to further strengthen our trust and relevance with the New Zealand public, and to make the most of the opportunities in front of us.

David Kirk  
CHAIRMAN

Jon Macdonald  
CEO

## Interim consolidated statement of comprehensive income for the six months ended 31 December 2016


	Note	Unaudited 31 December 2016 \$'000	Unaudited 31 December 2015 \$'000
General Items		35,163	32,183
Classifieds		59,654	54,298
Other		20,061	19,090
<b>Total revenue</b>		<b>114,878</b>	<b>105,571</b>
Cost of sales		(7,209)	(6,561)
<b>Net revenue</b>		<b>107,669</b>	<b>99,010</b>
Employee benefit expense		(17,610)	(16,329)
Web infrastructure expense		(2,841)	(2,695)
Promotion expense		(5,932)	(5,622)
Other expenses		(6,612)	(7,066)
<b>Total expenses</b>		<b>(32,995)</b>	<b>(31,712)</b>
Non-operating items	4	1,416	-
<b>Earnings before interest, tax, depreciation, amortisation, and associates</b>		<b>76,090</b>	<b>67,298</b>
Share of losses from associates		(413)	(1,045)
<b>Earnings before interest, tax, depreciation and amortisation</b>		<b>75,677</b>	<b>66,253</b>
Depreciation and amortisation		(10,164)	(9,219)
<b>Earnings before interest and taxation</b>		<b>65,513</b>	<b>57,034</b>
Finance income		682	966
Finance costs		(2,766)	(3,950)
<b>Profit before income tax</b>		<b>63,429</b>	<b>54,050</b>
Income tax expense		(17,320)	(15,508)
<b>Profit</b>		<b>46,109</b>	<b>38,542</b>
<b>Other comprehensive income</b>			
<b>Items that may be reclassified subsequently to profit and loss</b>			
Exchange differences on translation of foreign operations		(5)	4
Effective portion of changes in fair value of cash flow hedges		619	(13)
Income tax effect of changes in fair value of cash flow hedges		(173)	4
<b>Other comprehensive income</b>		<b>441</b>	<b>(5)</b>
<b>Total comprehensive income</b>		<b>46,550</b>	<b>38,537</b>
<b>Earnings per share</b>			
Basic and diluted (cents per share)	5	11.61	9.71

The above statement should be read in conjunction with the accompanying notes.


# Interim consolidated statement of financial position as at 31 December 2016

	Note	Unaudited 31 December 2016 \$'000	Audited 30 June 2016 \$'000
<b>ASSETS</b>			
Cash and cash equivalents		47,512	34,113
Trade and other receivables		13,172	14,008
<b>Total current assets</b>		<b>60,684</b>	<b>48,121</b>
Property, plant and equipment		8,572	9,504
Intangible assets		806,802	804,542
Investment in associates		5,815	5,556
Deferred tax asset		1,898	1,510
<b>Total non-current assets</b>		<b>823,087</b>	<b>821,112</b>
<b>Total assets</b>		<b>883,771</b>	<b>869,233</b>
<b>LIABILITIES</b>			
Trade and other payables		21,289	20,164
Provisions		103	2,527
Derivative financial instruments		936	845
Income tax payable		3,884	7,687
<b>Total current liabilities</b>		<b>26,212</b>	<b>31,223</b>
Interest bearing loans and borrowings	7	145,905	135,853
Derivative financial instruments		49	1,177
Other non-current liabilities		391	434
<b>Total non-current liabilities</b>		<b>146,345</b>	<b>137,464</b>
<b>Total liabilities</b>		<b>172,557</b>	<b>168,687</b>
<b>EQUITY</b>			
Contributed equity		1,069,927	1,069,814
Share based payment reserve		321	578
Other reserves		(486,192)	(486,633)
Retained earnings		127,158	116,787
<b>Total equity attributable to owners of the Company</b>		<b>711,214</b>	<b>700,546</b>
<b>Total equity and liabilities</b>		<b>883,771</b>	<b>869,233</b>

For and on behalf of the Board of Directors who authorised these financial statements for issue on 22 February 2017:



David Kirk  
CHAIRMAN



Joanna Perry  
CHAIR OF THE AUDIT AND  
RISK MANAGEMENT  
COMMITTEE

The above statement should be read in conjunction with the accompanying notes.

## Interim consolidated statement of changes in equity for the six months ended 31 December 2016

	Note	Ordinary shares \$'000	Share based payment reserve \$'000	Retained earnings \$'000	Other reserves \$'000	Total equity \$'000
<b>As at 1 July 2015</b>		<b>1,069,814</b>	<b>461</b>	<b>106,428</b>	<b>(485,872)</b>	<b>690,831</b>
Profit		-	-	38,542	-	38,542
Currency translation differences		-	-	-	4	4
Movement in cash flow hedge reserve (net of tax)		-	-	-	(9)	(9)
<b>Total comprehensive income</b>		<b>-</b>	<b>-</b>	<b>38,542</b>	<b>(5)</b>	<b>38,537</b>
Dividends paid	6	-	-	(33,735)	-	(33,735)
Supplementary dividends		-	-	(4,587)	-	(4,587)
Tax credit on supplementary dividends		-	-	4,587	-	4,587
Share based payments		-	(94)	124	-	30
<b>As at 31 December 2015 (unaudited)</b>		<b>1,069,814</b>	<b>367</b>	<b>111,359</b>	<b>(485,877)</b>	<b>695,663</b>
<b>As at 1 July 2016</b>		<b>1,069,814</b>	<b>578</b>	<b>116,787</b>	<b>(486,633)</b>	<b>700,546</b>
Profit		-	-	46,109	-	46,109
Currency translation differences		-	-	-	(5)	(5)
Movement in cash flow hedge reserve (net of tax)		-	-	-	446	446
<b>Total comprehensive income</b>		<b>-</b>	<b>-</b>	<b>46,109</b>	<b>441</b>	<b>46,550</b>
Dividends paid	6	-	-	(35,738)	-	(35,738)
Supplementary dividends		-	-	(5,151)	-	(5,151)
Tax credit on supplementary dividends		-	-	5,151	-	5,151
Share based payments		113	(257)	-	-	(144)
<b>As at 31 December 2016 (unaudited)</b>		<b>1,069,927</b>	<b>321</b>	<b>127,158</b>	<b>(486,192)</b>	<b>711,214</b>

The above statement should be read in conjunction with the accompanying notes.

## Interim consolidated statement of cash flows for the six months ended 31 December 2016

	Note	Unaudited 31 December 2016 \$'000	Unaudited 31 December 2015 \$'000
<b>Operating activities</b>			
Profit before income tax		63,429	54,050
<b>Adjustments to reconcile profit before income tax to net operating cash flows:</b>			
Depreciation of property, plant and equipment		1,721	1,856
Amortisation of intangible assets		8,443	7,363
Gain on sale of Travelbug and BookIt	4	(497)	-
Release of earn out provision	4	(919)	-
Finance costs		2,766	3,950
Share of losses from associates		413	1,045
Other		176	279
<b>Working capital adjustments:</b>			
Decrease in trade and other receivables		449	992
Increase in trade and other payables		1,839	1,986
Income tax paid		(16,533)	(15,827)
<b>Net cash flows from operating activities</b>		<b>61,287</b>	<b>55,694</b>
<b>Investing activities</b>			
Purchase of property, plant and equipment		(1,892)	(4,179)
Purchase/capitalisation of intangibles		(10,950)	(10,304)
Business disposals		1,150	400
Deferred payments from business acquisitions		(1,553)	-
Investment in associates		(672)	(750)
Loan repayments made to the Group		-	500
<b>Net cash flows (used in) investing activities</b>		<b>(13,917)</b>	<b>(14,333)</b>
<b>Financing activities</b>			
Dividends paid		(40,889)	(38,322)
Drawdown of debt		10,000	-
Interest paid on borrowings (including facility fees)		(3,082)	(4,078)
<b>Net cash flows (used in) financing activities</b>		<b>(33,971)</b>	<b>(42,400)</b>
Net increase/(decrease) in cash and cash equivalents		13,399	(1,039)
Cash and cash equivalents at beginning of period		34,113	48,277
<b>Cash and cash equivalents at end of period</b>		<b>47,512</b>	<b>47,238</b>

The above statement should be read in conjunction with the accompanying notes.

# Notes to the financial statements for the six months ended 31 December 2016

## 1 General information

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Trade Me Group Limited (the “Company”) is a company incorporated and domiciled in New Zealand, registered under the Companies Act 1993 and listed on the New Zealand Stock Exchange (“NZX”) and the Australian Stock Exchange (“ASX”). The Company is a FMC Reporting Entity under the Financial Markets Conduct Act 2013. The address of its registered office and primary place of business is Level 5, 2 Market Lane, Wellington, New Zealand.

The interim consolidated financial statements comprise the Company and its subsidiaries (together referred to as the “Group”).

The interim consolidated financial statements are for the six months ended 31 December 2016 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 provide online marketplaces that connect people to undertake a transaction or form a relationship. The Group’s businesses include providing a new and used goods marketplace, classified advertising for motor vehicles, real estate and employment, online advertising services and other ancillary online businesses.

## 2 Basis of preparation and accounting policies

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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 2016.

These general purpose consolidated interim financial statements for the six months ended 31 December 2016 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 2016.

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

## 3 Segment reporting

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### (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, dating, payments, travel, life and health insurance comparison, and general insurance.

### (b) Segment revenues, EBITDA\* and reconciliation to profit before income tax

The following is an analysis of the Group’s revenue and EBITDA\* by reportable segment.

## Operating Segments

	Revenue		EBITDA*	
	31 December 2016 \$'000	31 December 2015 \$'000	31 December 2016 \$'000	31 December 2015 \$'000
General Items	35,163	32,183	26,173	24,278
Classifieds	59,654	54,298	40,533	36,330
Other	20,061	19,090	7,968	6,690
<b>Total</b>	<b>114,878</b>	<b>105,571</b>	<b>74,674</b>	<b>67,298</b>
Non-operating items			1,416	–
			<b>76,090</b>	<b>67,298</b>
<b>Reconciliation to overall result</b>				
Share of losses from associates			(413)	(1,045)
<b>EBITDA*</b>			<b>75,677</b>	<b>66,253</b>
Depreciation and amortisation			(10,164)	(9,219)
Finance income			682	966
Finance costs			(2,766)	(3,950)
<b>Profit before income tax</b>			<b>63,429</b>	<b>54,050</b>

\*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 2016.

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

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.

The Group operates largely within New Zealand. The Group owns an Australian subsidiary, Motorweb Australia Pty Limited, which generates revenues in Australia, and the Group has international sellers generating revenues overseas, largely in the marketplace business. Revenues from foreign countries amounted to \$4.0m for the six months ended 31 December 2016 (2015: \$3.0m).

No single customer contributed 10% or more to the Group's revenue for the six months ended 31 December 2016 (2015: nil).

### 4 Non-operating items

	Unaudited 31 December 2016 \$'000's	Unaudited 31 December 2015 \$'000's
Gain on sale of Travelbug and BookIt	497	–
Release of earn out provision	919	–
	<b>1,416</b>	<b>–</b>

On 1st December 2016, the Group sold its accommodation website Travelbug and online booking engine BookIt. The net gain on sale amounted to \$497,000.

In 2013 the group purchased the LifeDirect business and the purchase price included an earn out provision based on future business performance. The final earn out payment has been made and the remaining provision has been reversed.

## 5 Earnings per share

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

	Unaudited 31 December 2016 \$000's	Unaudited 31 December 2015 \$000's
Earnings used for the calculation of basic and diluted earnings (\$000's)	46,109	38,542
Weighted average number of shares on issue (000's)	397,120	396,980
Basic and diluted earnings per share (cents)	11.61	9.71

Basic earnings per share amounts are calculated by dividing 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.

## 6 Dividends

	Unaudited 31 December 2016 \$000's	Unaudited 31 December 2015 \$000's
Final dividend for 2016 at 9 cents per share (2015: 8.5 cents per share)	35,738	33,735
Dividends declared after reporting date, but not recorded as a liability in these financial statements: 8.5 cents per share (2015: 7.8 cents per share)	33,759	30,987

## 7 Interest bearing liabilities

The Group has a \$166 million revolving cash advance loan facility with Commonwealth Bank of Australia (70%) and Westpac Banking Corporation (30%). \$146 million was drawn down as at 31 December 2016.

Description	Maturity Date	Unaudited 31 December 2016	Audited 30 June 2016
Tranche 1	11 December 2018	83,000	83,000
Tranche 2	11 December 2019	63,000	53,000
Loan establishment costs		(95)	(147)
<b>Total interest bearing liabilities</b>		<b>145,905</b>	<b>135,853</b>

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 drawn down portion of our facility incurs interest based on market floating rates that are re-set every 90 days.

Interest-bearing loans and borrowings are initially measured at fair value, less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Loans and borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.



## 8 Financial instruments

### Fair values

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 (being solely interest rate swaps). The carrying amounts of these financial instruments are a reasonable approximation of their fair values.

Interest rate swaps are 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)

Interest rate swaps are classified as level 2.

The fair value of interest rate swaps has been determined using observable market interest rate data as at balance date.

Refer to below table, which shows movements in the fair value of interest rate swaps:

	Unaudited 31 December 2016 \$000's	Unaudited 31 December 2015 \$000's
Changes in fair value of interest rate swaps recognised in finance costs	418	122
Effective portion of changes in fair value of cash flow hedges recognised in other comprehensive income	619	(13)
<b>Gain in fair value of interest rate swaps</b>	<b>1,037</b>	<b>109</b>

## 9 Subsequent events

As outlined in note 6, on 22 February 2017, the directors declared a dividend of \$33,759,000, which is not recorded as a liability in these interim financial statements.

## 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 13, which comprise the statement of financial position of the group as at 31 December 2016, and the statement of comprehensive income, statement of changes in equity and statement of cash flows of the group for the six months ended on that date, and a summary of significant accounting policies and other explanatory information.

This report is made solely to the company’s shareholders, as a body. 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 and fair presentation of interim financial statements which comply with New Zealand Equivalent to International Accounting Standard 34: *Interim Financial Reporting* and for such internal control as the directors determine is necessary to enable the preparation and fair presentation of the interim financial statements that are free from material misstatement, whether due to fraud or error.

### Reviewer’s Responsibilities

Our responsibility is to express a conclusion on the interim financial statements based on our review. We conducted our review in accordance with NZ SRE 2410 *Review of Financial Statements Performed by the Independent Auditor of the Entity*. NZ SRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the financial statements, taken as a whole, are not prepared in all material respects, in accordance with New Zealand Equivalent to International Accounting Standard 34: *Interim Financial Reporting*. As the auditor of the group, NZ SRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial statements.

### Basis of Statement

A review of interim financial statements in accordance with NZ SRE 2410 is a limited assurance engagement. The auditor performs procedures, primarily consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

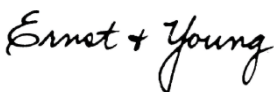
The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand). Accordingly we do not express an audit opinion on those financial statements.

Other than in our capacity as auditor we have no relationship with, or interests in, the group.

### Conclusion

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 13, do not present fairly, in all material respects, the financial position of the group as at 31 December 2016 and its financial performance and cash flows for the six month period ended on that date in accordance with New Zealand Equivalent to International Accounting Standard 34: *Interim Financial Reporting*.

Our review was completed on 22 February 2017 and our findings are expressed as at that date.



**Ernst & Young**  
Wellington

# Directory: Trade Me Group Limited

## Registered office

Trade Me Group Limited  
Level 5  
2 Market Lane  
Wellington 6011

## Board of directors

David Kirk	Chairman
Katrina Johnson	Non-Executive Director
Paul McCarney	Non-Executive Director
Simon West	Non-Executive Director
Joanna Perry	Non-Executive Director

## Executive team

Jon Macdonald	Chief Executive Officer
Caroline Rawlinson	Chief Financial Officer
Sarah Hard	Company Secretary
Fiona Ireland	Head of Human Resources
Nigel Jeffries	Head of Trade Me Property
Trent Mankelov	Chief Product Officer
Jimmy McGee	Head of Commercial
Stuart McLean	Head of Marketplace
Dave Wasley	Head of Platform & Operations

## 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](mailto:enquiries@linkmarketservices.com)  
Address PO Box 91976, Auckland

## Australia

Phone 1300 554 474  
Email [registrars@linkmarketservices.com.au](mailto:registrars@linkmarketservices.com.au)  
Address Locked Bag A14, Sydney South, NSW

## Auditor

Ernst & Young  
100 Willis Street  
Wellington  
New Zealand

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

Contact phone number: **+64 21 860 821** Contact fax number: [ ] Date: **22 / 2 / 2017**

**Nature of event**  
Tick as appropriate: Bonus Issue  If ticked, state whether: Taxable  / Non Taxable  Conversion  Interest  Rights Issue Renounceable   
Rights Issue non-renounceable  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: [ ] Treatment of Fractions: [ ]

Strike price per security for any issue in lieu or date Strike Price available: [ ] Tick if *pari passu*  OR provide an explanation of the ranking: [ ]

**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): **\$0.085** 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: **\$0.015000**  
Total monies: **\$33,758,750** Date Payable: **21 March, 2017**

**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: **\$0.005903** Imputation Credits (Give details): **\$0.033056**  
Foreign Withholding Tax: **\$0.015000** FDP Credits (Give details): [ ]

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

**Record Date 5pm** *For calculation of entitlements -* **10 March, 2017** **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.* **21 March, 2017**

**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: [ ] Security Code: [ ]  
Commence Quoting Rights: [ ] Security Code: [ ]  
Cease Quoting Rights 5pm: [ ]  
Commence Quoting New Securities: [ ]  
Cease Quoting Old Security 5pm: [ ]





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Half year results  
31 December 2016

Jon Macdonald    CEO  
Caroline Rawlinson    CFO

# Overview

	Revenue	Expenses	EBITDA <sup>1</sup>	EBIT <sup>1</sup>	Operating NPAT <sup>1</sup>	Dividend
H1	\$115m	\$40m	\$74m	\$64m	\$45m	8.5cps
YoY	+9%	+5%	+12%	+12%	+16%	+9%

A record revenue performance, along with low expense growth, has resulted in a strong 16.0% increase in operating net profit

This is an excellent half-year result. It marks the successful completion of our multi-year period of investment. We have accomplished our ambitions

Revenue was up 8.8% on H1 of last year. This was underpinned by an excellent uplift in Jobs revenue and our Marketplace business continuing to grow. Property revenue growth was subdued, due to soft market listings volumes

We have continued to put in place meaningful building blocks for the long term – e.g. free residential real estate data with Property Insights, and Buyer Protection in our Marketplace

Reported profit after tax was up 19.6% YoY. As well as operating performance, this was driven by an improvement in contribution from associates, lower financing costs, a small gain on sale and a small revision down of an earn-out provision

An interim fully imputed dividend of 8.5 cps will be paid in March 2017

There is no change to our previously stated ambition for year-on-year EBITDA and operating NPAT growth rates in excess of F16 for the full financial year

# Overview: Investment period a success

In 2013 we commenced a period of substantial investment in the business through increasing headcount in product development, sales and marketing as well as increasing our marketing spend

Simultaneously we maintained consistent levels of revenue growth in our classified businesses

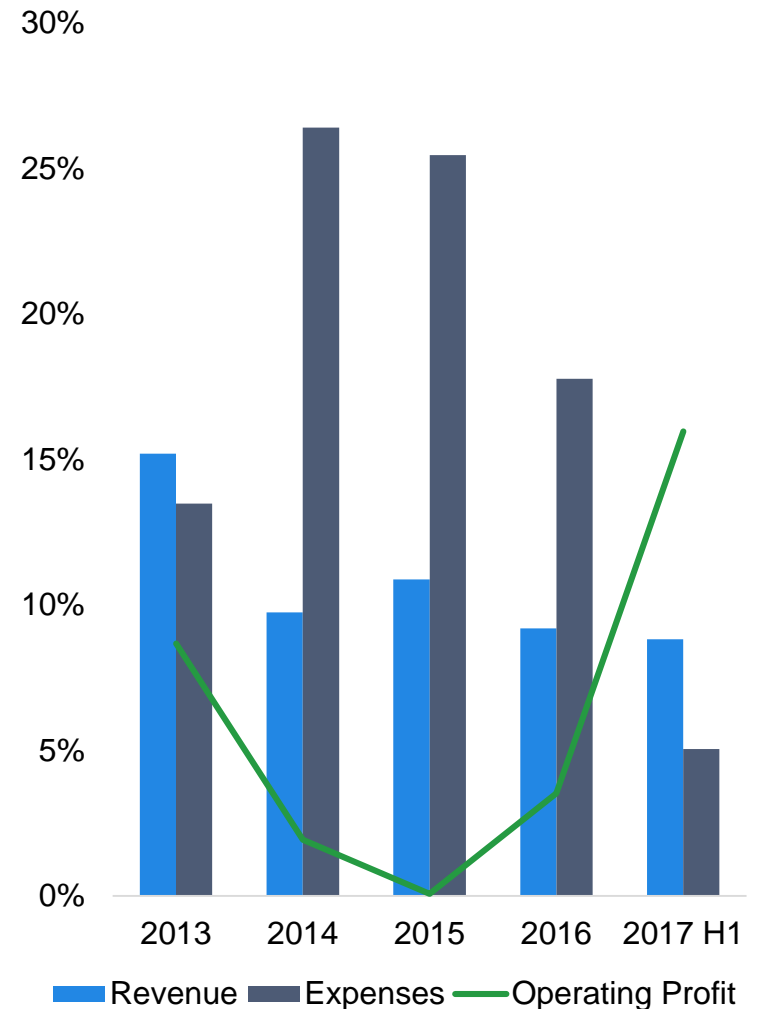
In H2 F16 our rate of expense growth declined and H1 F17 continues this trend. Our annual rate of cost growth has now dropped below the rate of revenue growth for the first time since 2013

Major achievements during this recent investment period include:

- Marketplace returned to revenue growth
- Property business stabilised and strengthened
- Product development velocity substantially increased
- Refresh of the Trade Me brand and 7% increase in brand preference
- Improved premium uptake from improved product offers, sales capability and customer engagement (shown with B2C premium revenues up 28% in Motors, 26% in Property and 55% in Jobs for the half)
- A smooth transition from desktop to mobile centricity; over 60% of visits are now from mobile devices

We are now stronger and better positioned than ever to maintain and grow our relevance to Kiwis. We continue to focus our efforts on strengthening our competitive advantages given increased global competitor activity

## YoY Growth Rates



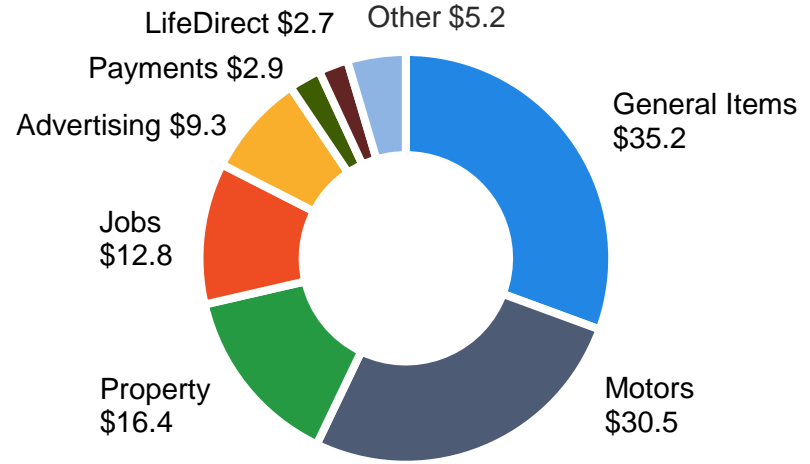
# Overview: Revenue growth in line with expectations

**General Items:** Growth was higher than H2 F16 with revenue up 9.3% YoY. This was driven by gross merchandise sales (GMS) growth of 5.6% YoY and improvement in the take rate to 8.3%

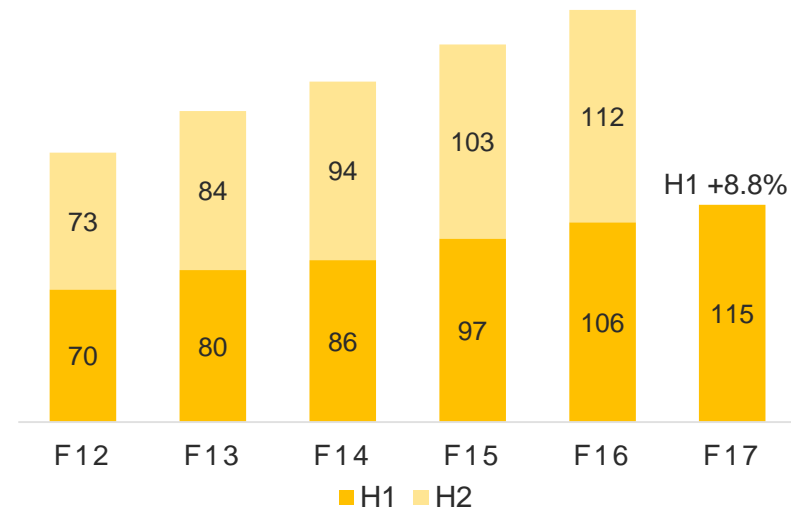
**Classifieds:** Overall Classifieds revenue was up 9.9% YoY. Jobs was the stand out classified performance with 23.3% YoY revenue growth with a buoyant employment market; Property was below expectations at 4.8% YoY growth due to soft market volumes; Motors delivered 7.5% YoY revenue growth

**Other:** Payments (+22.7% YoY) and Advertising (+4.3% YoY) delivered healthy revenue growth. LifeDirect revenue is behind last year (-11.3%) after re-weighting traffic back to our core. Two of our non-core businesses, Travelbug and BookIt, were divested in December 2016

H1 Revenue Composition (\$m)

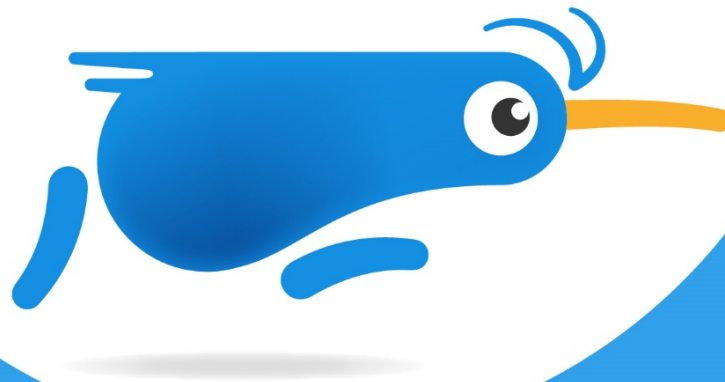


Revenue Growth (\$m)





# Divisional performance



# Marketplace: GMS and revenue growth continues

## KEY METRICS

Solid GMS<sup>1</sup> growth of +8.0% in new goods and +4.1% in used goods. Total GMS growth of +5.6% to \$422m

Range expansion continues with listing volumes +20.6% YoY. New goods +21.8% YoY

Member engagement increasing with items purchased and unique buyers both up on the prior year (+2.5% and 4.1% respectively)

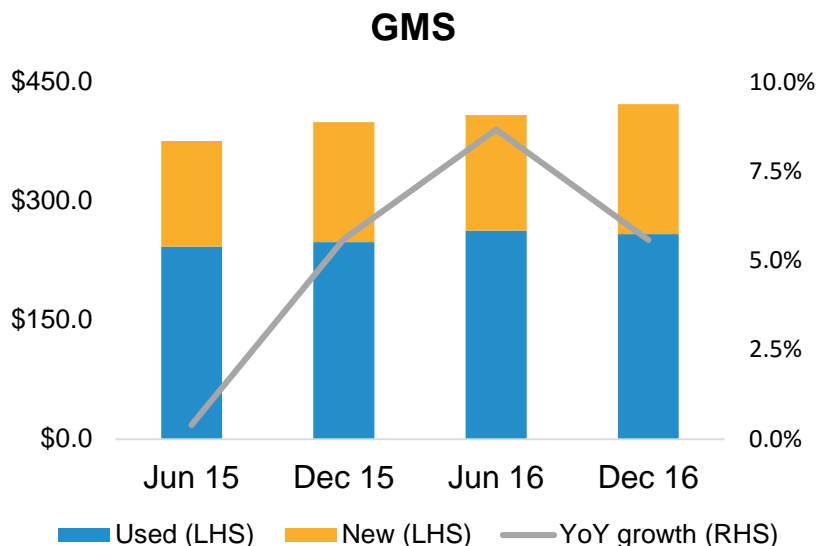
Overall take rate has improved to 8.3%

## PRODUCT & INVENTORY

Buyer Protection programme launched in February, providing our members with easier recourse if the product is not delivered or is not as described

Machine learning frameworks in the iOS listing process providing suggestions for categories, prices and closing times – speeding up the sell process

Book-a-courier re-use rate now at 82%, demonstrating strong demand from our members (Dec bookings 35k). The service is also now available on mobile and in native apps



We've got your back – it's now even safer to buy.

From 21 February, buy an eligible Marketplace item using our card payment system and if it never turns up or isn't as described, we can refund your money up to \$2,500.

Millions of items are sold on Trade Me each year, and nearly all of those trades go off without a hitch. On the off chance something goes wrong, we've got your back. [Conditions apply.](#)

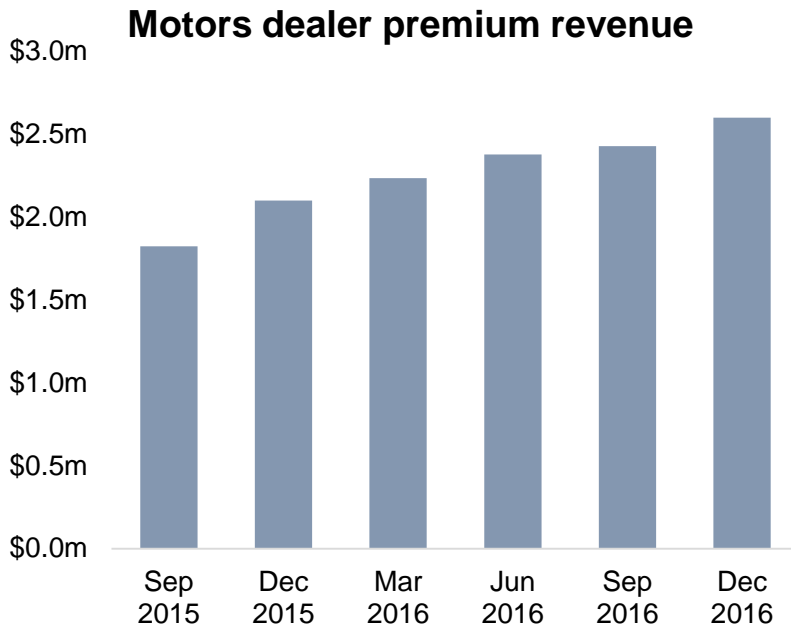
# Motors: Premium revenue and yield growth delivered

## KEY METRICS

Revenue +7.5% YoY to \$30.5m, led by dealers +13.1%

Total listings up 2.0% YoY, further strengthening market leadership position

Dealer premium revenue continuing its strong growth at +28.1% YoY. MotorWeb revenue up +13.3% YoY



## PRODUCT & AUDIENCE

Editorial news and reviews' unique audience has rapidly grown to ~40k/mth since launch, supported by daily articles. Through CY2017 this will scale further with tailoring of content to target segments and deeper integration within Trade Me Motors

DealerBase (our vehicle management system) design improvements have made listings and premium product management easier for our dealers

The introduction of a new lower pricing tier for cars <\$500 at a lower price point (of \$19) has more than doubled listing volumes in this price bracket – increasing total revenue from this segment

New leadership in place; Alan Clark appointed to Head of Motors role effective 1 January 2017

# Property: Share and yields improved but market volumes soft

## KEY METRICS

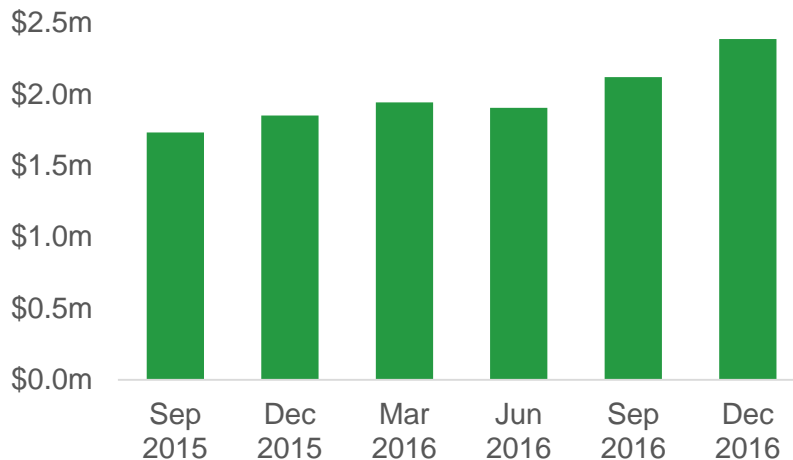
Revenue +4.8% YoY to \$16.4m; Directs -10.8% to \$4.4m, Agents +11.1% to \$12.0m

Agent For Sale listings +5.6% YoY and Agent For Rent listings basically flat (-0.6% YoY)

Market volume soft; new listings to Dec 16 were down 4.6% on the prior 6 month period

Agent For Sale yield +6.2% YoY (driven by premium revenue +26% to \$4.5m)

Property agent for sale premium revenue

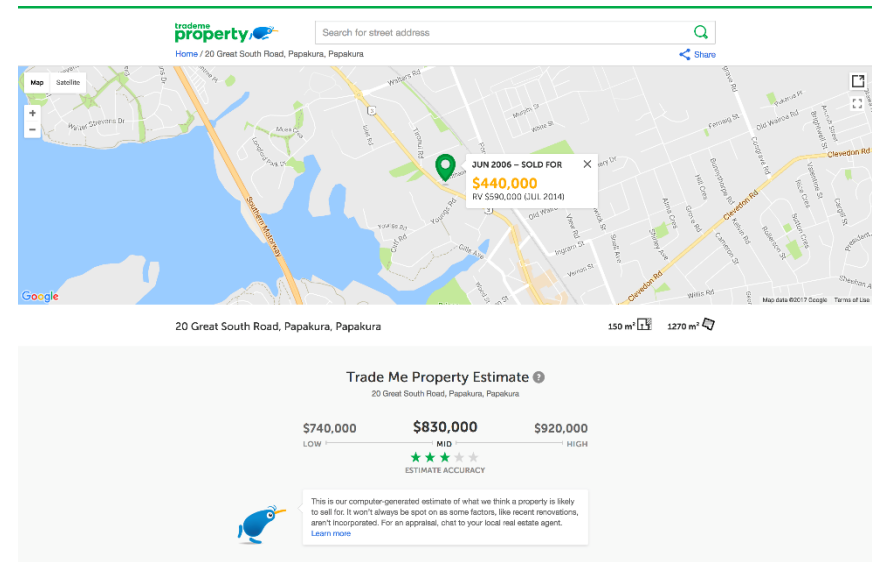


## PRODUCT & AUDIENCE

Property insights launched in October with ~1.6m property records searched. Our property value estimation tool has driven very strong engagement from members with more than 400k properties viewed in the first 3 months

Total sessions were up 26% YoY across native apps, mobile and desktop

TMP's net promoter score has more than doubled in the 12 months to December 2016



# Jobs: Strong growth driven by buoyant economy

## KEY METRICS

Economic tailwinds helping deliver excellent revenue growth of +23.3% YoY

Listings +14.8% YoY; largely driven by job packs and volume plans +16.8%

Yield growth of +9.9% in directs and +8.1% in job packs and volume plans driven by price changes and increased premium penetration

As at Dec our listing share relative to nearest competitor has risen from 88% to 94%

Total premium revenue up +54.7% YoY

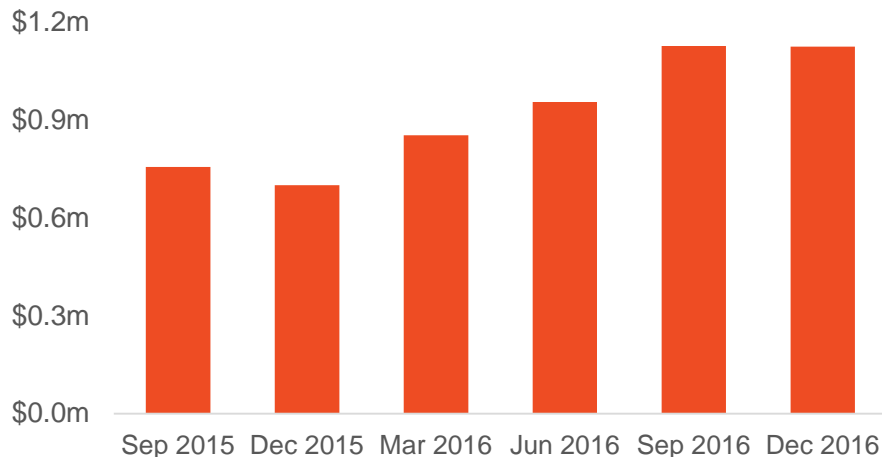
Members with a CV uploaded up +27% YoY



dream maker Trade Me Jobs ▾



## Jobs premium revenue



## PRODUCT

New Trade Me Jobs Android app released. iOS due for release in H2 F17

Video mega-stripe launched allowing advertisers to showcase their workplace on the Trade Me home page and Trade Me Jobs landing page

Other improvements made to feature products

# Other: Payments and Ads performing strongly

## Advertising

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Strong display income growth of 18.1% but total revenue growth a modest 4.3% due to a reduction in Google AdSense and business partnership revenue

Display revenue continues to be bolstered by programmatic growth and building momentum in our mobile advertising products

Advertising on mobile devices becoming more mature industry-wide. Provides good opportunity given portion of engagement with Trade Me on mobile devices

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## Non-core businesses

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The divestment of Travelbug and BookIt (TB/BI) on 1 December reflects a desire to eliminate management distraction of non-core businesses with weak sources of competitive advantage and limited growth prospects (revenue for TB/BI the five months to 1 December was \$619k, -18% YoY)

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## Payments

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Another strong result for Payments, with 22.7% growth on the prior year with both Paystation (+36.2%) and Pay Now (+20.0%) showing strong growth

Pay Now revenue grew 20%, due to GMS growth and an increase in penetration. 32% of GMS now transacted via Pay Now due to improvements to our offering

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## Insurance

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LifeDirect revenue YoY decline of 11.3% caused by a drop in traffic following a planned redesign of the Trade Me home page – which redirected traffic to core Trade Me classifieds

TMI platform rebuild delivering immediate improvement in sales volumes (albeit off a small base)

New leadership is in place and work underway to better leverage TME's audience with positive early signs

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# Summary financial performance

NZD \$000s	F17 H1	F16 H1	Movement	
General Items	35,163	32,183	2,980	9.3%
Classifieds	59,654	54,298	5,356	9.9%
Other	20,061	19,090	971	5.1%
<b>Total revenue</b>	<b>114,878</b>	<b>105,571</b>	<b>9,307</b>	<b>8.8%</b>
Cost of sales	7,209	6,561	648	9.9%
<b>Net revenue</b>	<b>107,669</b>	<b>99,010</b>	<b>8,659</b>	<b>8.7%</b>
Employee benefit expense	17,610	16,329	1,281	7.8%
Web infrastructure expense	2,841	2,695	146	5.4%
Promotion expense	5,932	5,622	310	5.5%
Other expenses	6,612	7,066	(454)	(6.4%)
<b>Total expenses</b>	<b>32,995</b>	<b>31,712</b>	<b>1,283</b>	<b>4.0%</b>
<b>EBITDA<sup>1</sup> before associate</b>	<b>74,674</b>	<b>67,298</b>	<b>7,376</b>	<b>11.0%</b>
Associate losses (Harmony)	(413)	(1,045)	632	(60.5%)
<b>EBITDA<sup>1</sup></b>	<b>74,261</b>	<b>66,253</b>	<b>8,008</b>	<b>12.1%</b>
Depreciation and amortisation	10,164	9,219	945	10.3%
<b>EBIT<sup>1</sup></b>	<b>64,097</b>	<b>57,034</b>	<b>7,063</b>	<b>12.4%</b>
Net finance costs	2,084	2,984	(900)	(30.2%)
<b>Profit before tax<sup>1</sup></b>	<b>62,013</b>	<b>54,050</b>	<b>7,963</b>	<b>14.7%</b>
Income tax expense	17,320	15,508	1,812	11.7%
<b>Net operating profit<sup>1</sup></b>	<b>44,693</b>	<b>38,542</b>	<b>6,151</b>	<b>16.0%</b>
Non-operating items	1,416	-	1,416	n/m
<b>Net profit</b>	<b>46,109</b>	<b>38,542</b>	<b>7,567</b>	<b>19.6%</b>

Revenue growth driven by Classifieds and General Items

Operating expenses growth low following the completion of our re-investment phase albeit some is due to timing of promotional spend

Equity accounted losses of Harmony are reducing as the company reduces its cost to acquire new customers and improves cash generation

Depreciation and amortisation growth slowed considerably and at \$10.2m is only slightly lower than capex for H1 of \$12.1m (of which \$10.4m was capitalised development costs)

Net finance cost decreasing due to favourable movement in fair value of swaps (+\$418k vs +\$122k in F16), and the reduction in net debt

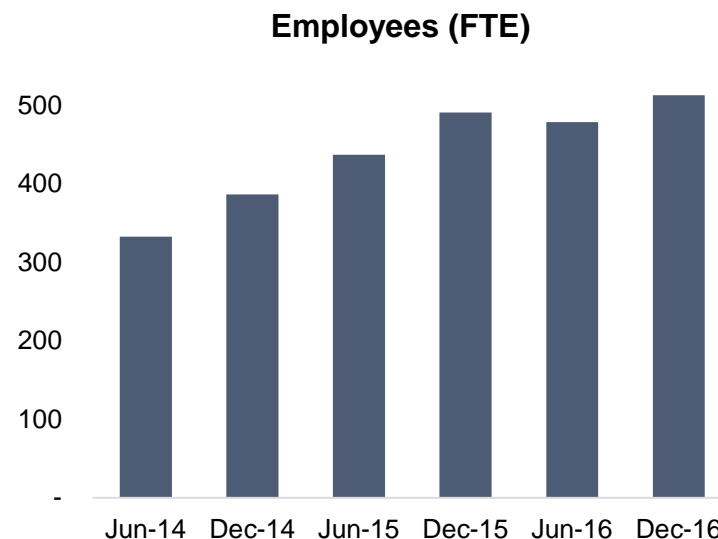
Fully imputed dividend 8.5cps, supplementary dividend 1.5cps, record date 10 March 2017, payment date 21 March 2017

Non-operating items include a gain on the sale of our Travelbug and BookIt businesses (effective 1 December) and the reversal of surplus provision for earn out payments in connection with our acquisition of LifeDirect (\$3.6m paid of total \$4.5m)



# Expense growth less than half that of revenue growth

NZD \$000s	F17	F16		Movement
Cost of Sales	7,209	6,561	648	9.9%
Employee benefit exp	17,610	16,329	1,281	7.8%
Web infrastructure exp	2,841	2,695	146	5.4%
Promotion expense	5,932	5,622	310	5.5%
Other expenses	6,612	7,066	(454)	(6.4%)
<b>Total</b>	<b>40,204</b>	<b>38,273</b>	<b>1,931</b>	<b>5.0%</b>
<b>Excluding cost of sales</b>	<b>32,995</b>	<b>31,712</b>	<b>1,283</b>	<b>4.0%</b>



Rate of expense growth (excluding cost of sales) at 4.0% now lower than rate of revenue growth (8.8%)

Low growth in headcount over the last 12 months has resulted in single digit people cost growth (December headcount numbers include approx. 15 summer internships each year)

Cost of sales grew broadly in line with revenue growth; although slightly faster given the strong growth of our lower margin Payments and MotorWeb businesses

Advertising and promotional expenses are slightly lower than expected due to project timing

Reduction in other expenses driven by lower rent costs as we optimise our tenancies and non-recurring F16 expenses



# Looking Ahead: Outlook for H2

We have delivered an excellent half-year result, in line with guidance we provided at our last results announcement and AGM

We expect the full year total revenue growth rate to be slightly lower than H1. Assuming continued softness in property market listing volumes, we expect Trade Me Property to continue its subdued performance through the remainder of F17

With the deferral of some marketing spend from H1 to H2, we expect year-on-year expense growth in H2 to be ahead of H1 but below our August 2016 guidance of ~10%

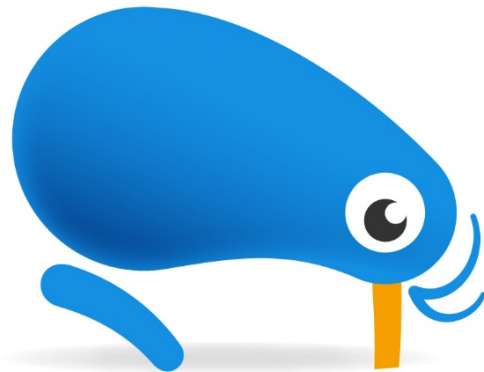
Full year D&A and capex expectations remain unchanged at \$22m and \$24m respectively

There is no change to our previously stated ambition for year-on-year EBITDA and operating NPAT growth rates in excess of F16 for the full financial year

Looking to F18 and beyond, we are stronger and better positioned than ever to grow and to defend our existing businesses. We will continue to invest as needed to further strengthen our trust and relevance with the New Zealand public, and to make the most of the opportunities in front of us



Questions?



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