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2021 half year results call transcript

Frontier Digital Ventures Limited ("**FDV**" or the "**Company**") is pleased to release an edited transcript from its 2021 half year results briefing held at 12:00pm AEST on 25 August 2021.

The full recording of the results briefing is available on the FDV website: https://frontierdv.com/corporate-presentations/

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Operator: Thank you for standing by and welcome to the Frontier Digital Ventures half-year results briefing. All participants are in a listen-only mode. There will be a presentation followed by a question-and-answer session. For the phone parties, to register a question, please press star one on your telephone. For the webcast viewers, please type your question into the 'Ask a Question' box. I would now like to hand the conference over to Shaun Di Gregorio, Founder and CEO. Please go ahead.

Shaun Di Gregorio: Welcome to our half-year results presentation. As per usual, we released a fairly substantive quarterly update to the market at the end of last month. Those who have followed our company for a while will know that this gives you a pretty good sense of our half-year. This morning we released our audited accounts to the market and have provided a presentation which pulls out some of the highlights.

Thematically it's very consistent with what we communicated back in July. What we told you then was that we'd had a really strong quarter and it had rolled into a really strong half for the business. As such, we are quite pleased with our progress and will share some of the highlights with you today. We've got up to an hour, whether we'll need that, we'll see. We'll walk through this for the first 20 to 30 minutes, and then we can go to Q&A where I'm happy to answer any questions that folks on the line might have about our results.

Just to recap our portfolio as it sits today, it looks very different from what it was this time last year. We used the second half of last year and the first part of this year to build our portfolio through some strategic acquisitions, which are now contributing quite significantly to our financials. We're pretty pleased with that, and will give you more information about those businesses through the course of this presentation.

As we get to the finish of the full financial year, we'll be in a really good position to provide our investors with a far more granular recount of the performance of the 100% owned entities that sit in our portfolio. We now have six 100% owned entities we'll talk a little bit about those today.

We mentioned back in July that our revenue run rate has increased significantly and we're very pleased with what is now a significant period in time where economies are opening up post-COVID. We're now seeing a lot of traction, which particularly goes to the strength of market leadership over the past 18 months. We're pleased that our businesses are already strong market leaders, and now is the opportunity for them to make the most of this.

Our ambition, as we've communicated regularly, is to be the leading operator of the best online marketplaces in emerging markets. While there are some big players in the field who are familiar names to those that are in the industry, we have aspirations to be a global leader. We will not be in every emerging market, we'll be in select emerging markets. We'll be in those emerging markets where we think we can leverage market leadership and add the ability to grow product offerings to consumers. We're very selective about where we go and we feel like we're right on track to achieving those ambitions.

Just to give you a sense of what I'll walk you through today, there will be a trading update to July, we will talk through the results and operational update, and also some strategy reference material for those who might be a little newer to the FDV story.

We have had a really strong start to Q3. This is a consequence of the businesses continuing to improve their revenue trajectories through the course of the middle of this year. This time last year, I think we were just seeing the seeds of recovery, we saw some green shoots in July and August. It has certainly been an interesting journey, but we're now seeing pretty consistent and pretty strong recovery across the Group.

Encouragingly, some of the bigger businesses are performing well, which bodes well for our overall performance. In July we had a little over $5.5m in economic share of revenue. As you're aware, we report on a 100% basis but then we carve out the economic share. You'll see that the trajectory is now really strong. We mentioned back in July that our run rate out of Q2 had us at about $52m. Our run rate out of July, if you do the math, has this above $60m.

As mentioned, our good businesses are performing well, and we're seeing some real momentum across the portfolio. This is off the back of excellent market leadership which is a really strong part of the recipe when we're thinking about the performance of the businesses. It puts us in a great position as we continue to build the revenue story in our businesses and invest for growth. As such, we are very pleased with where July landed us off the back of what was a really strong Q2.

We want to continue updating the market around the movement from pure classified revenue toward more transaction-based revenue. Our skillset is around identifying really strong classified leaders that have upside potential. One way to think about that is that having classifieds leadership is critical. This is, in essence, what we do, we go out and find good, strong classified leaders. We then work with the businesses to help grow them faster than they otherwise would.

More often than not, this involves two key things. One is, of course, optimising the existing classifieds business. But moreover, it's getting involved in the facilitation of transactions across the board, whether that's for houses, cars, or general classifieds. Consequently, what we bring to these businesses is our ability to grow them faster through unlocking not just their core business, but facilitating this movement toward transactions. We've been talking about the model evolving toward transactions for a long time, and it is reassuring to see that you're now seeing an increasing amount of the revenue being generated from transactions.

The businesses we acquired from Adevinta have zero transaction revenue, meaning they are just good, strong classifieds businesses. They're what we love to get our hands on. Based on the percentage of revenues coming from transactions, there's a lot of headroom in these businesses to grow them faster and to get their core businesses running better, but also get them involved in transactions and improve their trading performance. This means seeing growth return on the revenue side of these businesses, and also improving trading performance. We want to see them get closer to breakeven and ultimately profitability. We are in a phase of investing for growth, and this is one area where we're seeing that growth emerge.

When we look now to the results, we see what is probably my favourite chart, it shows the revenue performance of the business from IPO. On the left, you'll see the 100% view. On the right, we have carved out what we own. Just to put it in context, in July, we did more revenue than we did in the second half of 2017. In July, you can see $5.5m on an economic share basis, whereas in the second half of 2017, we did $5m as a whole business. You can see that our trajectory is increasing rapidly.

So when you look at the growth trajectory, we think we've retooled the business. We have put ourselves on a much more aggressive revenue growth trajectory and are going to continue investing to grow revenue across the portfolio. We are very pleased with where the first half got us on an economic share basis and how July, and this quarter, is looking as well. I think the fact we have done more in July than we did in the entire second half of 2017 bodes well for our investors.

When we look at the EBITDA view, our goal, from when we owned smaller portions of the businesses that were losing a significant amount of money, was to then grow our position and ownership of these businesses as they got closer to break even.

Our ambition is to be able to sustain ourselves on a break-even basis while we invest for growth over the next 18 to 24 months. We see a really big opportunity to grow our revenues significantly. We think we’re in a position where we've got a really sustainable performance. Even our new investments have had a really strong July on an EBITDA basis. We would obviously look more profitable if you stripped out these new ones, but we are really investing for growth. We have moved past the days of losing lots of money back in 2016 and 2017, and the business is running on a really sustainable basis.

This is right on point in terms of our strategy. It illustrates why we increase our ownership of these businesses over time as they trade better. It truly goes to our ability to identify really strong classifieds businesses with market leadership, and grow them faster as they expand their offering into things like transactions. Getting them to around break even first and then investing for growth is the key focus. We feel like we're really on track. We're really pleased that we were able to get to this point, given the volume of M&A activity we've had. What we’re now seeing now is what these businesses can do with a bit of input from FDV. We are helping them focus on growing their revenues on an efficient basis and get them to breakeven as well.

The Australian dollar this time last year was something in the 60 cents, whereas now we’re looking at mid-seventies. So when we look through the portfolio you will see that by adding back a lot of the currency exchange, these businesses have grown even faster. This has been fantastic and we are really pleased with it. Even businesses that don’t look like they have performed in a stellar way such as AutoDeal from a local currency view, have had a pretty strong period. Interestingly, AutoDeal is one that actually grew through COVID in 2020. While there are some smaller ones which we might need to think through and consider their positions in our portfolio, they are all performing as we would hope.

So again, what we found was our really good businesses have started to perform really well. We do have some work to do with a couple of them, being a couple of the smaller ones, but the ability to grow these businesses, certainly through the back half of last year and into this half, has been right on point for us.

Perhaps one of the more encouraging things we've seen has been a steady recovery in Myanmar. We actually had an interesting accounting treatment of iMyanmarHouse, where we'd effectively, according to the auditors, lost control, but then regained control in the same reporting period. There was a fairly modest impairment of about $100k on iMyanmarHouse through that accounting mechanism, which we had to lose to regain control within the same reporting period. The encouraging thing about Myanmar is that iMyanmarHouse had revenues in July of around $85k, demonstrating that they are now starting to track back really well. Back in April and May they'd effectively shut the businesses down while the domestic politics played out but now in July, they have had a really strong comeback. The nervousness we had around Myanmar is subsiding. iMyanmarhouse is back in business and CarsDB is not too far behind.

This quote essentially reflects what I've spoken about over the last 15 to 20 minutes. We've had a really strong half. Our revenues are annualizing at a rapid rate. Given our July performance was more than our entire second half of 2017, our strategy is on point in terms of what we've done over the last few years, increasing our stakes in these businesses as they get to that break-even point. We've added to our portfolios and businesses, creating a tremendous amount of opportunity for us to grow. We're able now to do that at break-even and invest for growth over the next 18 to 24 months. This positions us really well in terms of our vision, which is to be a global leader in this field.

We look at big players and we look at what we've achieved in a reasonably short timeframe without rushing, but without going too slow, we think we've got the pace about right. The acquisitions were about the right size and at the end of the day, we're really fixed on how we create long-term value for our shareholders. So that gives a bit of a sense of the results over the first half.

Just by way of a quick operational update, you'll see that we expanded our footprint with some new acquisitions. We have increased our stakes in Hoppler during the last couple of months, and in Moteur in Morocco back earlier in the year. We also bought out the rest of InfoCasas which took effect in late June. We will see the benefits of these acquisitions as the year unfolds, resulting from the fact that we’ve got greater economic share of businesses that are performing really well. Key markets for us, like Pakistan, have recovered really strongly and we're seeing both of those businesses perform well.

We had some palpitations back in February, March in Myanmar but again, those businesses are now back up and running and operating really well. There are still patchy moments around with COVID, but fundamentally we think we're past the worst of it and we're actually now seeing really strong sustained recoveries. The benefit coming out of that period was having strong classifieds foundations and leveraging those brands and that strength into providing more services around the transaction. We are now really focused on making sure the businesses we like grow really well.

A couple years ago, we were critiqued for being too reliant on one business. However, now we think we have spread that risk really well. We have a number of businesses which are all strong and growing. Looking at our portfolio performance, the bar for minimum performance keeps getting higher and higher. A few years ago we said we wanted to get all our businesses above a million Aussie dollars in revenue, and you will see that most of them are there now. As such, we set that bar higher again. We have a portfolio of really strong market leaders, split across geographies. So, we’ve diversified our risk on many measures over the past 6 to 12 months.

In terms of some of those activities I mentioned previously, we try to keep ourselves busy and you can see what has gone on in our business over the last 6 months across 4 pretty good companies. I won't go line by line, but you can see that all of these are market leaders, they are in markets that we really like, whether that's LATAM, MENA or Developing Asia, and are all important in the development of our portfolio and the value that we're creating.

We are taking consumers, advertisers and investors on this journey of being really strong classifieds market leaders, running those businesses well, and leveraging those positions to develop these transaction revenue streams. It is important to keep in mind that these transaction streams are going to vary from market to market, which is a really fascinating part of what we are doing.

Now for a bit of a strategy recap. As we've mentioned in the past, our skill is really identifying good early-stage businesses. We track around 1,200 classifieds sites every month across 50 different countries in target emerging markets. From this, we know which are the best ones and who the market leaders are, and we seek those out. We then try to invest in those businesses and acquire them on terms that are favourable.

As the businesses grow, we increase our stake. For example, a couple years ago, we owned mostly minority stakes as a lot of these businesses were losing and burning money. Since then, they have evolved, they’ve got their models right, they’ve got their leadership positions entrenched, and that’s when we like to step up and own more of them. Once you’ve done that, you can really leverage that position into dominating markets. It is not just about being a classifieds leader, it is about becoming a marketplace.

There are some terrific examples in our portfolio, whether that is Zameen, who everyone knows about, or InfoCasas, who has been hitting it out of the park in recent times. We are also really pleased with the progress of Fincaraíz in Colombia. These businesses are starting to flex their muscle as they become marketplaces in each of their geographies. This puts them in a really strong position to leverage what they do. Again, these businesses have all of those early-stage characteristics about them. Our opportunity now is to grow them faster and do it on a more sustainable basis, i.e. reduce losses and ultimately breakeven, with profitability in the near term.

Our model has always been to tease out the value in having a strong traditional online classifieds environment, and moving into the real long-term value in these markets, which is becoming a marketplace. In that marketplace, there are opportunities around the transaction that create even more value. When you're doing ancillary services and products around just a classifieds space, it's fairly limiting. When you start to think about the transaction, not just advertising and emails, when you start to think about the entire transaction of the goods on your marketplace, those ancillary opportunities are far more value creating. Whether that's finance, which once upon a time when you're running an auto site or a classifieds property site, is pleasant, but not that impactful. When you're now down the path of saying, well, you know what, we're facilitating this transaction, providing finance for consumers is far more relevant in a transaction-based environment. It's far more relevant when someone's about to buy something, than just looking at it.

When we talk about transaction-based marketplaces, fundamentally, we're talking about the economic event of their car, the house, or the goods being bought and sold. When you think about it as a marketplace, all of those ancillary products and services you were trying to sell, when you were just running a classifieds business, they start to make a whole lot more sense to consumers and sellers when you are actually talking about the transactions.

This is a continued evolution of the customer journey, how the seller's journey connects around the transaction and how all of those other products and services can be put to these consumers and sellers at that point. They make a whole lot more sense because they're relevant. If I'm looking for a house, I'm probably thinking about finance, but I'm not going to apply for a loan if I'm just talking to a real estate agent or a car seller. If I'm actually talking to that car seller, or I'm talking to that real estate agent about the actual transaction, then things like finance and other products and services make a whole lot more sense. And of course, this is what we live and breathe every day.

When we step back and look at the overall strategy we're right in this phase of building value. It's about the current business and optimising them. It's about the transactional opportunities. And it's about our ability to own more of the companies that are doing well and get ourselves into a far stronger position. If you want a mission for the next six months for us, going into next year, it's about really strengthening our company and getting us into next year in a really strong position so that the next 18 to 24 months are really productive. We're really focused on that outcome.

We're always asked about demonstrating the ability to monetize what we've done, and that's not lost on us. It doesn't keep me up at night, but I'm obviously aware of it. I've been running public companies for a long time so we're very aware of opportunities that might be on the horizon to ultimately monetize these things but there's just so much value that we're seeing coming out of these businesses. If investors get their heads past classifieds and start to think about the role that classifieds platforms play around transactions over time, the amount of value is sitting there is significant.

If we're looking at a classifieds business, we size it up by counting ads and counting advertisers and thinking about the percentage we might get our hands on. But when you think about transactions, you're resizing these markets significantly, and that's where the opportunity is in these businesses. We think we're doing that in a really organised way and we're very optimistic about the value that's going to be created over the near and medium term.

I love promoting the fact that you've got to stick at this story for a while. We're not a flash-in-the-pan company. If you look back at my background, it's very considered and consistent. REA for a long time, running iProperty for a long time. We think with FDV, we're still much closer to the beginning than the end of this journey. We like to focus our mission on running our business well, and we know if we do that, then these sorts of graphs take care of themselves.

Just a quick snapshot of our register, which is probably far better balanced than it was 6 to 12 months ago, with liquidity that is improving. Our market cap, which is just neatly above $500 million, is great. I'd love it to be more than that and we passionately believe we can build a $3 to $5 billion business. If you look at our revenue trajectory, you look at the trading multiples, people start to look through and see the value in our portfolio, you start to see the share price catch up. I can't remember a business that I've run where it galloped ahead, it's always caught up to what we were doing. Certainly what we're doing now in emerging markets with the model around ownership, the ability to increase our stakes over time and this dynamic around transactions becoming such a significant part of the equation, investors and our share price will continue to catch up to our story over time. If you run these businesses well, and you're doing all the right things, these things tend to take care of themselves anyway.

The appendix just reminds people that, when you try to figure out our statutory accounts, it's a bit difficult because two of our biggest and profitable businesses are not consolidated. It's a bit of a challenge to be muddling through the statutory numbers so I would just continue to point you back to the economic share view, which carves out what we own and is the best way to track our progress. We're really pleased with the momentum that's building in the business at the moment.

I'm going to go back to the moderator at this point, open up the call to any questions that anyone might have.

Operator: Thank you. For the phone parties to register a question, please press star one on your telephone and wait for your name to be announced. For those on the webcast, please type your question into the ask a question box. The first phone question today comes from Anthony Porto from Morgans Financial. Please go ahead.

Anthony Porto: Hey, Shaun. Thanks for the call and well done on July. Moving down that transactional path and the competitive environment it brings you into, I'm wondering about the larger competitors that are there. I looked recently at Columbia with La Haus raising US$100 million to attack that transactional opportunity. You've generally got a smaller funding envelope in most of your markets, and you've shown a propensity to fund within the limitations of a business. So what is your ability to go and get to that aspirational target if it does become a land grab in that area?

Next, July revenue profile looks pretty good. 9% growth on the strong June. Is any of that currency based? I don't think the Pakistani rupee did you any favours in the month. So, I guess in constant currency terms, is that better or worse?

And then the transaction revenue profile, 48% in the first half. What does that look like ex-Zameen, to get a sense of the uplift potential in the other assets? I know you mentioned that the Adevinta ones virtually have none. Thanks, Shaun.

Shaun Di Gregorio: So there's a couple of ways you can look at it. You can look at markets having new competitors come in and raising lots of cash to pursue a model that is still unclear as to what's the best version of it. A lot of those companies are trying to buy what the incumbents have developed over many years of work in those markets. So, Fincaraíz is the clear leader and that's something that is really valuable when you want to go down the path of opening up transactions. I'm sure if you look across all of the markets, there's money being thrown around like its confetti chasing the transaction model from a starting point of zero. It's tremendously expensive and difficult to go into a market where there's an incumbent and try to launch yourself into doing transactions from scratch. It takes a tonne of money and it's extremely risky. There will be those that pull it off and there'll be a longer list of those that don't.

Part of our thesis has always been that the best starting point for understanding how you can leverage into transactions is being the market leader and we're very comfortable with that. For us, La Haus is arguably educating the market and we're also very comfortable with that. We will continue to trial transactions in Colombia and the yearly results are pretty good. If it becomes a spend fest, I'm also pretty comfortable. If I look back at the history of those competitive moments, I just don't subscribe to blowing tens of millions of dollars chasing something that I don't think you're best positioned to pursue. So, if I was going to pursue, for example, transactions in Colombia, I'm going to do it from the position of absolute leadership in a classified sense, having all of the customers and all of the consumers. That's my favourite starting point. If it becomes a spend fest, well then, let them educate the market and we'll happily take advantage of that.

You mentioned whether July was helped by some currency. It goes both ways. It was just a strong month, put bluntly. InfoCasas had a terrific month, Yapo had a really strong month, Zameen had a great month. There might've been a little currency, Anthony, but I don't think it was material in making it look better than it otherwise was.

I think your third question was what's the revenue split ex-Zameen on transactions versus traditional revenue? Two thirds of their revenue is probably coming from transactions now. So it blurs the line a bit when we strip it back. When we look at all of the other businesses the volume of revenues is fairly modest on a transaction basis. But, we have a couple of great emerging case studies in Zameen and increasingly InfoCasas, who are shifting the share of revenue more and more toward transactions. So, it is heavily weighted by Zameen, but at a portfolio level that's what it looks like. There's a tremendous amount of opportunity in most of the businesses on this model, it's just execution and time.

Operator: The next question comes from Mark Devcich from Pie Funds.

Mark Devcich: Hi, Shaun. Just to clarify, Digital Classifieds Group are running portals up in frontier Asia and the Pacific. Is that an asset you'd be interested in? It seems to fit quite nicely into your portfolio.

Shaun DI Gregorio: I don't know, mate. Are they on the call?

Mark Devcich: I don't know. They probably are.

Shaun Di Gregorio: I know the guys really well and have known them for a few years. It's been really fun talking to them over their journey. For any new business we look at, I have a view that it would need to have a million dollars in revenue or more. That's our benchmark now. As much as I love what the guys at the Digital Classifieds Group are doing, if you'd asked the question five years ago, maybe. But for us now, they're very small markets that they're in. We want scalable markets that can deliver businesses with 3, 5 and then $10 million in revenue. Whether it's PNG, or Fiji, they might be in Cambodia and maybe one other that I've missed, there's certainly opportunity there but it's probably not for us. We're probably looking for slightly bigger opportunities if we were to go down that path.

Mark Devcich: Yeah, got it. So we're seeing Property Guru do a SPAC in the US. I think it's coming on 17x revenue, round there. You have been able to acquire assets at much lower valuation. Is there a pressure on valuations in the market given some of these public transactions that are happening at much higher multiples now?

Shaun Di Gregorio: It's an intriguing one, isn't it? We're growing faster than Property Guru, we trade better, and we're arguably better positioned from a risk perspective. So, I love the fact that they've managed to do what they're doing, and I think it shines a light on the model and the business is 100% classifieds. They're getting a multiple of twice what we're currently trading at, yet arguably we've got a better business. We have an ability to seek out businesses that we see value that's not apparent to the casual user, like Fincaraíz for example.

Valuations, as you would appreciate, from region to region, from entrepreneur to entrepreneur, vary wildly. When you see some tiny businesses and their comparables are to REA or Carsales, you say to yourself, 'I'm just not sure they're in the same ballpark'. Equally, there are some businesses where we think that they're undervalued and that's premised around not having extracted all of the value from their classifieds base, but also the lost opportunity around market leadership and transactions.

It's still a bit of a wild ride on valuation. I think if you're in the public markets, it's clearly more transparent and it's audited, and they're worth more. The unlisted businesses you see vary wildly depending on who you're talking to and where they are. We continue be really thorough and consistent in how we look at the opportunities. We're not suckered in to overpaying for stuff, but at the same time, there's some really good quality stuff you might be prepared to pay for if you can see that long term opportunity. It's a moving feast, to be fair, in emerging markets.

Mark Devcich: Do you think you'll do acquisitions this year, or is it more an integration year?

Shaun Di Gregorio: We are now in late August, almost September. I think that our priority at the moment is bedding down the new businesses, getting them running how we want them to run. That means getting growth back into their revenue line and improving the trading performance, reducing OpEx and getting them running more efficiently. We've stepped up in a number of other businesses as well. We want to make sure that what we've done lands really well. Last November we raised a tonne of cash and we went and invested it all.

Operator: Moving on to the next question, it comes from Ivor Ries, private investor. Please go ahead.

Ivor Ries: Hi, Shaun. Thanks for taking the question. On the recent acquisitions of Avito and Tayara, do you have a rough idea of the timeline to get those businesses to break even?

Shaun Di Gregorio: They're both getting whacked by COVID at the moment, which has been unfortunate. We had a pretty good period through April and May. The last six weeks has been a bit tough, their COVID cases have increased and they're in lockdowns. But next year is the goal for those two. We feel pretty comfortable about it. It's just about getting a few of the moving parts moving in at the pace we'd like them to move. Both of them have really strong brands, dominant brands in the market. What crept into the businesses was just a bit of happiness and hubris. So we're trying to get them to be far more focused on outcomes and not just about today. They were pretty much run for the now and our focus at the moment is to get them to think about, next quarter, next half, next year, and how we get growth back into the businesses and run at a far more efficient pace. A lot of the analysis we've done internally demonstrates that they're not the most efficient businesses when it comes to where they spend and how they spend versus other businesses in our portfolio. So that's a real clear marker for us. There's opportunity to run it more efficiently.

Ivor Ries: On Yapo in Chile, the window for a general classified business is pretty much closed, given that what's happening in that general classified space with MercadoLibre. Is your plan to convert Yapo into a dedicated real estate site over the next 12 months?

Shaun Di Gregorio: No, MercadoLibre are moving toward an Amazon model to be accurate. In our mind that hands the classifieds market to Yapo and the Yapo brand. It's the most trafficked brand of any business in our portfolio, it's quite extraordinary. That strength is underestimated by the people running the business and the people who sold the business, in my mind. It's got a tremendously strong traffic presence, it's got a tremendously strong brand, and it's got opportunities. It leads in property, it leads in auto and it's got a strong classified space. So, we're not going to flip it into a property portal. MercadoLibre are very much in the Amazon fight now so, there's tremendous opportunity in Yapo.

Ivor Ries: Isn't the general merchandise market just moving to the MercadoLibre model anyway? I think their traffic in Chile now is five, eight times Yapo's.

Shaun Di Gregorio: Well, they're going down an Amazon path, so they're not that interested in classifieds. I don't think that will see the general classifieds fall to nowhere, that's very much the bread and butter of Yapo.

Ivor Ries: One last question on Fincaraíz, how long will it be before you've got the full suite of products from InfoCasas rolled out there in that business?

Shaun Di Gregorio: First things first, the brand's being updated and you're going to see over the next week, the new site launched, which is pretty exciting. It's something that the team have been working on for many months, since earlier this year. The new site will go live in the next week. That then clears a lot of legacy technology issues and puts us in a position where we can start to add components to the business i.e. things that work well in InfoCasas for example. But the first thing we needed to do was to get the site redone and that'll happen in the next week. Once that's done it puts us in a good position to then say, right, how can we add to this business things that work in businesses like InfoCasas.

Ivor Ries: So you're not likely to have any kind of material, transactional revenue there for the next sort of 12 to 18 months?

Shaun Di Gregorio: I would say we'll have material transaction revenues in that timeframe, but it's a process, right? When we get the site, right, you've got the platform, right. You've got to set the site up so that you can do things to it and the technology legacy in the Adevinta platforms is an accumulation of technology over time, which makes it extremely difficult to do anything and to do it quickly. Small changes take a lot of effort until you unpick that you are wasting your time trying to do transactions because you actually can't move your product fast enough for that market. You need flexibility in that market because the classified basis is pretty generic now. It's pretty much the same when you're looking down the path of transactions, you're thinking what version of this model am I going to do? What products do I need? How do I tinker with it? Is it just a recycling of leads product? Or is it a full-service product? Or I'm going to absolutely displace the project marketing teams of the property developers that are in the market. So for those variables, you need to be really well set on your platform. That's the first thing we're getting right at Fincaraíz.

Operator: The next question comes from Alex Hughes via the webcast. Alex would like to ask, how likely are you to make a new investment or buy another business in the next 12 months?

Shaun Di Gregorio: It's a very open-ended question, Alex. I might regret the answer to this because I know it's being recorded, but as I said earlier, our priority is bedding down what we have. That's the most important thing for us to do. Number two is looking at opportunities to increase our stakes in businesses where we can and that's ongoing. We've seen evidence of that over the last six months. Number three, for us to do another acquisition, we'd want to do it from a position of real strength. So our ambition is to get ourselves into a really strong position. That means continued revenue growth on a breakeven investing for growth model as we get all of the businesses, like the ones I've mentioned and get them to pay for themselves sooner rather than later. Build a position of strength to continue to support our investors and then if in the course of next year, there are M&A opportunities, it's a question of are they a fit for us? Whether they're the right size and whether they're the right businesses. The answer depends on a lot of factors, but our first and foremost priority is getting the businesses we've acquired running well, looking for opportunities to increase our stakes in the good ones in our portfolio. That's the best time for us to continue to build strength in our company by way of our P&L performance and on our balance sheet so that, if opportunities do come up, we can look at them and if they're good, move fast, and if they're not move on.

Operator: The next question comes from the phones. It's from Roger Colman private investor. Please go ahead.

Roger Colman: Shaun, congratulations. Into the future, will we have a consolidated balance sheet on a 100% basis of the net cash position of the group? Secondly, I like would like to address how are you going to move net cash and what the internal gearing for each one of these business segments you've got around the groups so you can make acquisitions without coming to the equity market. Then in terms of trading existing assets, should you want to make more acquisitions, the lesson from all these verticals is to never sell like from realestate.com, 26 cents to $190, right? So it's most important that you appraise us and the market as to when there's an excess cash build up. Are the operating companies willing to gear up and have a capital return? Could you gives us an idea of a philosophy and your thinking behind shifting cash surpluses around the group so you can utilise them.

Shaun Di Gregorio: Given we've got a number of 100% owned businesses now we'll provide more granular reporting on them at the conclusion of the year. So that'll take care of itself early next year. So the hundred percent businesses, if there's cash sitting in them, we can move it around, that's not difficult or hard. Then those that we own a fraction of, in the shareholder agreements there are very explicit and clear policies around returns. For returns to shareholders, dividends, the mechanism certainly exists.

We absolutely do have the capacity to move cash around and obviously we want over time to grow our cash balance organically, and that'll come from the profitable performance of the businesses and many of them are pretty close. That was all always part of our long play, to get to that point. That goes to the idea that we want to grow these businesses faster than otherwise would when we found them and doing it on a more efficient basis. That then falls straight down onto their own balance sheets, which piles up for us and allows us flexibility around funding deals or otherwise. Then the other way to fund deals, of course, is sometimes it's as easily done with the smaller guys using FDV equity. Now that's not part of our playbook per se, but we have that flexibility.

When we set up this business, we had a long-term vision having been in businesses like iProperty and REA. Number one, selling these things is probably not a great idea too early. There was a number of people that told us to sell Zameen two years ago, just to prove a point around monetization. Zameen's revenue is probably going to be north of $50 million Australian dollars this year so we would have looked a bit stupid if we sold it. It's always been a long view on this stuff and for that matter, we always had to be. You want to get to the point where you can generate your own cash, and that gives you flexibility around what you do and it's very much part of how we do view our purpose.

Operator: Thank you. We're showing no further questions at this time. I'll hand back to Mr. Di Gregorio for closing remarks.

Shaun Di Gregorio: Once again, thanks everyone for dialing in. I think we probably had more people than ever on this call, which is great. We're really pleased that our story, our narrative, has remained consistently strong over the period where we've been listed. I think we're far closer to the beginning than the end of this story. If you look at the trajectory that we're starting to generate in the portfolio and the value sitting in it, and our understanding of what we do, I think there's tremendous opportunity for FDV as a business. Obviously I'd love investors to recognise what we're doing and continue to support us along the way. So thanks to everyone for tuning in. We'll talk to you when we release our Q3 update in October.

- ENDS -

The release of this announcement was authorised by the Board of Directors of Frontier Digital Ventures Limited.

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About FDV

Frontier Digital Ventures (FDV) is a leading owner and operator of online marketplace businesses in fast growing emerging markets. Currently, FDV's portfolio consists of 16 market leading companies, operating across 20 markets in Developing Asia, Latin America and MENA. FDV works alongside local management teams across property, automotive and general classifieds, providing strategic oversight and operational guidance which leverages FDV's deep classifieds experience and proven track record. FDV seeks to unlock further monetisation opportunities beyond the typical classifieds revenue, to grow the equity value of its operating companies and realise their full potential. Find out more at frontierdv.com.