

ASX Code: FDV

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2022 Annual General Meeting CEO's Remarks

Frontier Digital Ventures Limited ("FDV", ASX: FDV) is pleased to release an edited transcript of CEO and Founder, Shaun Di Gregorio's remarks from the 2022 Annual General Meeting held at 1pm AEST on 17 May 2022.

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Welcome to our 2022 Annual General Meeting. It's great to see a record number of attendees on the call, we appreciate everyone dialing in.

Slide 6:

I wanted to start off with some highlights from what was a really strong Q1 2022. Our March 2022 revenue on an FDV % share basis is now annualizing at ~\$88m, which we think is a really good run rate. We've also run our portfolio profitably on a sum of the parts basis, which is an important hallmark given what's going on around us.

I want to talk to some performance achievements over the last year and certainly the first quarter. We've now got 16 market leading businesses in about 20 countries. Those who follow our business closely will understand that market leadership is a strong predictor of future value creation.

It would probably surprise some people to know how big our audience is across our network. There were over 250 million website sessions in Q1 2022. Any way you put it, it's a big number that is growing every quarter, meaning that will be over 1 billion again this year. This is obviously critical to market leadership - having a large audience, generating lots of leads and driving revenue growth.

Taking a step back and looking at what we've achieved since being listed, we have grown in every quarter with the exception of a couple COVID quarters. We have had a really strong lineal revenue growth trajectory – this is important to us as we've built these companies to ensure that we continue to deliver every quarter, every half. The nature of emerging markets means that sometimes things get a bit funky and a bit wobbly, but the way we have built our portfolio is designed to mitigate a lot of that risk. We are in 3 regions – FDV LATAM, FDV Asia and FDV MENA, and we focus on the 2 high-value verticals – property and auto.

In recent times, we have again demonstrated our ability to run these businesses while delivering improved operating metrics and performance. We continue to achieve strong sustainable growth, while focusing on getting all of our businesses to breakeven and ultimately profitability. That is always been a priority for our group and something we have a strong commitment to, even when we invest in businesses that we recognize are early stage and might be burning cash or losing money. We have a strong track-record that has been demonstrated across our portfolio in moving these businesses through to breakeven and profitability.

An important point for people to understand is the opportunity we see in taking our core business of online classifieds businesses or 'marketplaces' and moving them closer to facilitating transactions and the benefit of generating transactions through our platforms. Our core classifieds businesses, including all our corporate costs, were cash flow positive for Q1 2022 – this is really important. We do, however, see the opportunity to invest in the capability to facilitate transactions, which means

investing in a bit of product, a bit of tech and a bit of marketing. As you do that, you take these market-leading online marketplace businesses, and tap into the fees that exist around the transactions that are being generated through the platform.

If you step back and think about what we're doing, it's essentially taking the economics of really well-performing online classifieds businesses and matching those to the opportunities we see in the fees that are around transactions flowing through our platforms.

Slide 7

This slide gives a reminder of where we are and what we're doing. We completed our restructure into FDV LATAM, Asia and MENA over the course of the end of last year and into this year. This helps give real definition to our portfolio and means we've got a strong group of 100% owned companies in LATAM, strong group of companies that we're building in Asia, and a strong group of companies we own 100% of in MENA.

As I speak its Monday evening where I am in Santiago, Chile, which is where our Yapo business is. I have also been visiting Fincaraíz in Colombia, these last few days, and I'll be off to see the folks at InfoCasas and Encuentra24 over the next week. The world is now opening up again and we can travel and connect with the businesses that we've been running, and we'll be doing more of that. It has certainly been really refreshing getting back into the swing of things.

Slide 8

This slide is essentially a timeline of what we achieved over the course of last year, as you can see, we remained quite busy. There are 4 companies that we increased our stake in during the earlier part of the year, including a move to 100% ownership of InfoCasas in the middle of the year. We then acquired the remaining stake in Encuentra24 toward the end of the year, enabling us to reach 100% of FDV LATAM. As you can see that activity was something that kept us busy through the course of 2021 and really enabled us, as we got toward the end of the year, to then launch our restructure, which will guide us as we progress over the coming years.

Slide 9

As you can see in this chart, our March run rate puts us at a healthy annualised revenue number. We think we'll exceed that, as we're only still in the early part of the year, but it is notable how we have seen really strong growth, particularly in the last couple of years. We think we have made the most of the situation that has been presented to us. We have been able to acquire some assets that we think were undervalued, continue their revenue growth story by adding FDV Group level experience, but also achieved this on a sustainable basis, which means aiming for cash flow breakeven and ultimately, profitability.

Slide 10

I do want to just stop for one moment and remind our shareholders that we are very focused on growth but doing it on a sustainable basis. As I said earlier, this means getting all of the businesses growing at a rate that we like – some of the activities that are going on to do this are listed on the right-hand side. But fundamentally, it's about improving not only their growth profile, but their sustainability, and that means getting them through to profitability. It means getting them through to cash flow breakeven. As you can see, in Q1 2022 we had 12 of the portfolio companies all profitable, and we improved on the ones that weren't. All of those points added up to the portfolio performing really strongly.

There is a delicate balance between absolutely striving for growth but doing it on a sustainable basis, which means that these businesses ultimately have to be profitable and obviously cash flow breakeven as well. We have seen really strong performance in LATAM group of companies. We now own 100% of the region, and there's lots of activities going on to tap into the potential of these companies.

In Asia, we continue to build our stakes in these companies. We're up over 50% for all of them except the two in Pakistan, which we equity accounted. And of course, we own 100% of the key businesses in FDV MENA, which we've been doing a lot of work on those over the last couple of quarters.

The key message here is that we're very focused on growth, but we are absolutely crystal clear on the need for these businesses to be sustainable, and that means profitability and cash flow performance.

Slide 11

A couple of critical things are happening that we want to surface a bit more as we continue to communicate our progress over the course of the year. Shareholders will recognize that we've spent a lot of time and energy building our portfolio, getting our hands on what we think are really good assets: market leaders in high-value verticals that have really strong classified DNA, really strong marketplace DNA, and have built comprehensive ecosystems in each of their markets. Once we've reached that point, we're able to take a geographically focused view. We've got 3 specific regions we operate in. Now that we've brought these groups of companies together, we've done a lot of work on improving their performance, growing the companies and getting them on a sustainable path.

The opportunity we now see is to leverage our FDV Group expertise across the portfolio. There are some pretty exciting things happening from an internal perspective. We are now starting to trial the use of AI across the portfolio. What that means is you've got a tremendous opportunity to take what you've built in a classified sense and you're pointing all of that classified strength towards tapping into transactions.

As mentioned earlier in the presentation, we have a really large audience coming to brands they trust and want to transact on. They're doing a lot of search and discover, but they're also now moving towards wanting to transact. AI allows us to make that whole process work faster and more efficiently. For the core classifieds business, this could involve providing the ability to better analyze listings and then tag likely search terms. AI is also starting to enable us to look at the buyer behavior and consumer behavior and put far more intelligence in terms of marketing products to them. And that's just in the core classifieds business.

When we look at transactions, there are documentation and completion processes that we think can be vastly improved by the applicability of some of the AI technology we're trialing. And of course, when we're looking at transactions, the ability to provide predictive pricing is extremely important to helping consumers gain confidence in making a purchase.

A really important point is that we have built our portfolio such that everyone is a market leader with strong classifieds DNA in select geographic regions, and they're all launching into transactions where we know there's a whole lot of value. That in itself is exciting. But our ability as a Group to start to leverage technology to not only make all of the processes more efficient, but to help us scale and grow is a really critical part of the next phase of FDV.

You'll hear us talk more about this over the course of this year and beyond. A really critical evolutionary step in our journey is to apply Group level expertise to make not only the core classifieds work more efficiently, but critically start to use that in terms of how we think about the opportunities around transactions.

Slide 12

We will be surfacing more data around transactions to help our investors understand this journey. It's all about high-value property and automotive transactions in emerging markets. As you can see, over the past couple of years we've had a good number of transactions going through our network. If you take what we did in March and take a pro forma or annualized view, we're tracking at about 25,000 transactions generated through the platform.

The key message here is that there's a lot of momentum building around transactions. And of course, there's a lot of value around those transactions. We're really well positioned to capture that value, by not only improving day-to-day operational capabilities like product and technology, which we've invested in, but to apply intelligence and expertise around making sure the process is optimized.

Slide 14

This slide gives you a sense of why we like this strategy – a compelling one that we're seeing take hold right around the world. We've been at it for a few years, so we think we've got a really good leadership position in how people are thinking about both transactions as an adjunct to strong classifieds businesses. But there's been a definable change in consumer behavior. There has been an evolution, also driven by COVID tailwinds where we saw an increasing number of consumers transacting high-value items online.

The logic in this is that online marketplaces have really strong brands. They're operating in emerging markets where there's a lack of trust, meaning these marketplaces become trusted intermediaries between buyers and sellers. Initially, demand was really driven by consumers who were searching on these sites so they could find a house or car but wanting to stay in that environment and transact. That was the origin of how this took hold a number of years ago. A critical piece to understand is that these sites act as more than just search and discover platforms. They are intermediaries for commerce in emerging markets, and we just happen to be in the two high-value verticals.

From a business perspective, it's essentially taking what are really strong classifieds businesses and augmenting them with the opportunity to build transaction revenue, which is the long-term growth and value opportunity here. We're starting to see that come out of the businesses that have cracked the code on transactions and doing more of them and our ability then to move that experience and intelligence around the Group as well.

We know that the opportunity in transactions is hugely significant. There's a material amount of revenue growth and margin we can get from the core classifieds businesses alone. But we know that when we look at the market opportunity around transactions, it's hugely significant. It's all predicated around the commissions and the fees, but also the marketing of these transactions, whether it's houses, cars or all of the other ancillary products consumers purchase as they do more and more transactions online.

The strategy has been really clear in our mind for a long time, and it represents a really compelling earnings profile in the future. We're excited about the progress that's been made across the Group.

Slide 15

A couple of quick case studies. For those who follow our Group you'll know that Zameen has been a stellar performer. They've essentially cracked the code on transactions. They facilitated over 7,000 transactions last year. They are very effective at identifying the high-value parts of the transaction market. Their core business continues to perform very strongly, with agents paying for advertising every month. They've now cracked the code on the next evolution of this, and that's transactions. You

can see the equity value that can be built in these businesses when you do. And it's a really good pointer for other businesses in our portfolio – we continue to populate that intellect, knowledge and experience around the rest of the Group.

Slide 16

Another good example is InfoCasas, this is a really intriguing business. What is interesting is that they provide us with a really good example of how technology is starting to impact the process of facilitating transactions. Online classifieds businesses or marketplace businesses are largely built by sales teams and pretty simple technology. The team at InfoCasas have built these wonderful ecosystems and really strong economics in classifieds businesses which have created a large loyal consumer audience and of course, dependent sellers, boding well for the economics, growth profile and margin.

The really great thing about what we're learning, and what InfoCasas has demonstrated, is the ability to use technology to improve their business. A whole stream of processes have been developed in a proprietary sense, for example how they use big data when looking at their consumer audience. When you've got millions of people coming to your site, your ability to analyze that data and identify those consumers which are more likely to purchase is incredibly important. We have proprietary technology around how we think about the leads that are being generated, and also an AI-powered digital sales engine. This allows us to identify a large consumer audience who are more probable to click on ads, generate an inquiry and potentially be a buyer. This allows us to work really effectively with our sellers in matching their product to buyers.

This is again another great example of a strong classifieds business using technology primarily to tap the transaction opportunity, which builds a really compelling long-term revenue growth story, but also a margin story. Both InfoCasas and Zameen being profitable is a good indication for the possibility around this whole model.

Slide 17

When we think about just the journey that we're on, the graph of the left is a simple way to think about the value that you see in this sort of strategy. From left to right, you start by building your classifieds businesses, they become marketplaces and it gives you an opportunity to enter the transaction market where there are substantial fees being generated. If you can do that, you become this intermediary where you control the market with really strong classifieds business, and you then start to look at the high-value parts of the transaction opportunity, which in most of our cases is real estate in urban areas, new builds and working with property developers, not so much in the secondary market. But if you get this right, and we are getting it right more often in many more of our businesses, you can see considerable value.

And of course, when we think about our responsibility to generate return to shareholders, there is a number of options that surface when you get this strategy right. So, this is a slide we've put in most of our decks over time because it's an important one. We do understand that responsibility. We're very aware of growing these businesses, doing it sustainably and of course, getting to profitability. And if you do that, most of these monetization or liquidity opportunities tend to take care of themselves.

Slide 18

The message out of today is we've had a really strong 2021 and a really strong start to 2022. We have got businesses that are now really well established in their leadership positions in the key classifieds marketplace businesses. Every single business in our portfolio is doing transactions in one form or

another and we have really started to leverage expertise across the Group. We continue to focus on the increased use of technology and AI, and our ability to scale and grow these businesses to be cash flow breakeven and profitable. With travel being more available, we have a really busy 2022 ahead of us. We are really focused on the organic opportunity that's in front of us. Thank you to all of our investors for continuing their support.

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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 FDV LATAM, FDV Asia and FDV 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.