



# ***Selling Complex Stories in Simple Words at High Prices***

**May 2014**

*Strictly Private and Confidential*



## NOAH Advisors - Europe's Leading Internet Corporate Finance Boutique

### Unique Industry Know-How

- 100% focused on Internet companies, covering over 25 sub-verticals
  - 20+ years coverage of leading European Internet and investors
- Deep understanding of industry dynamics
- Ability to add value beyond banking advice
  - Facilitates overall process and minimizes management distraction

### Unmatched Network and Relationships

- NOAH Advisors is globally very well connected and has direct access to virtually all key players in the industry
  - Knowledge of and strong relationships with potential buyers' key decision makers
  - Coverage of over 200 companies and 4,000 individuals
  - Proactively finds and unlocks attractive investment opportunities for leading investors (e.g. Bigpoint)
- Annual NOAH Conference

### Strong Investment Banking Competence

- The NOAH team has 20+ years of media investment banking experience
  - Routine execution of M&A and financing transactions with sizes of several billion euros
- The team has been working together closely for 10 years (including 6 years at Lehman Brothers)
- 16 successfully completed NOAH Advisors transactions underline successful transfer of competencies to the Internet sector

### Full Commitment - We Are Entrepreneurs!

- The NOAH team are entrepreneurs and focused on growing the business and establishing a reputation for excellence
- Full commitment to deliver top quality results in short time frames
- Highly success-based compensation structures align interests of clients and NOAH Advisors, and demonstrate conviction to deliver top results

## The NOAH Advisors Core Team



**Marco Rodzynek**  
Managing Director  
and Founder

**Contact Details**  
marco.rodzynek@noah-advisors.com



**Jan Brandes**  
Director

**Contact Details**  
jan.brandes@noah-advisors.com

## Selected Completed NOAH Transactions

February 2013

**softonic**  
enjoy software!  
Growth equity investment from  
 **Partners Group**  
Passion for Private Markets  
for a 30% stake alongside Softonic's Founders and  
Angel Investors at a valuation of €275m  
Exclusive Financial Advisor to  
Softonic and its shareholders  
**NOAH**  
ADVISORS

May 2012

**fotolia**  
150 million growth equity investment from  
**KKR**  
for a 50% stake alongside Fotolia's Founders and  
**TA Associates**  
Additional \$150 million senior debt financing  
Total \$300 million investment  
Financial Advisor to Fotolia and its Shareholders  
**NOAH**  
ADVISORS

April 2012

Sale of a 100%-stake in  
**Toprural**  
to  
 **HomeAway**  
Financial Advisor to Toprural and its Shareholders  
**NOAH**  
ADVISORS

November 2011

Sale of a majority stake in  
 **grupfoni**  
Sehir arak daha guzell!  
to  
**Quants Financial Services AG**  
Exclusive Financial Advisor to  
grupfoni and its Shareholders  
**NOAH**  
ADVISORS

July 2011

Sale of a majority stake in  
 **EnGrande S.L.**  
Online booking: Hotels, hotels, apartments  
 **budgetplaces.com**  
to  
 **Palamon**  
Capital Partners  
Advisor to EnGrande  
**NOAH**  
ADVISORS

April 2011

**SUMMIT PARTNERS** **TA Associates**  
have acquired a majority stake in  
 **BIGPOINT**  
for \$350m from  
 **Comcast** **GMT** **GE**  
Exclusive Advisor to  
Summit Partners and TA Associates  
**NOAH**  
ADVISORS

April 2011

Sale of a majority stake in  
 **Yatego**  
to  
 **ACTON**  
CAPITAL PARTNERS  
Advisor to Yatego  
**NOAH**  
ADVISORS

December 2009

Partial sale of  
 **softonic.com**  
Let's download!  
to  
 **Digital River**  
Valuing Softonic at €175m  
Advisor to Softonic  
**NOAH**  
ADVISORS

# Walla! Sells Yad2 to Axel Springer Digital Classifieds for \$228m



NOAH Advisors acts as exclusive sell-side advisor to Bezeq, Walla! And Yad2 in the sale of Israel's leading classifieds website

May 2014



sold 100% of



for \$228m to



a joint venture between



Exclusive Financial Advisor to Yad2 and its Shareholders



## Deal Teams



Ilan Yeshua, CEO (Chairman Yad2)  
Gil Benyamini, CFO



Yavin Gill-More, CEO  
Ariel Kessel, CFO



Marco Rodzynek, Jan Brandes,  
Nikhil Parmar, Marija Sevcenko

## Transaction Summary

- On 6 May 2014, Walla!, Israel's leading portal and fully owned subsidiary of telecommunications giant Bezeq, sold 100% of the shares in Coral-Tell Ltd, operator of the leading classifieds and advertising portal Yad2 (Yad2.co.il) to Axel Springer Digital Classifieds (ASDC) for USD 228 million in an all-cash transaction
- Bezeq and Walla! will use the proceeds to invest in strategic growth areas and de-leverage
- Yad2 will join ASDC's portfolio of leading online classifieds brands which include SeLogger, StepStone and Immonet among others

## Overview of Yad2

- Yad2 (Yad2.co.il) is the leading classifieds and advertising portal in Israel, with local brand awareness of almost 100%, built through wide presence across TV, radio, print, online and large scale fairs
- Around 10,000 new ads are placed on the site daily from the strong user base of 3.8 million monthly unique visitors
- Yad2 became the dominant brand in Israeli classifieds across its broad offering in real-estate, vehicles, second hand goods and more, despite having just been founded in 2005 by serial entrepreneur Shone Tell
- Yad2 solidified its market leadership under the ownership of Walla! Communications, which acquired 75% in July 2010 and the remainder in November 2013
- The Tel Aviv based company has around 100 employees and is run by a strong management team under the leadership of CEO Yavin Gill-More and Chairman Ilan Yeshua

## NOAH Advisors' Role

- NOAH Advisors acted as exclusive financial advisor to Yad2 and its shareholders, exploring options with a number of strategic and financial investors
- Yad2 has been a close relationship of NOAH Advisors for over 2 years and presented as one of the "Rising Stars" at the NOAH Conference 2012
- A steadfast execution was facilitated based on in-depth knowledge of the company, the industry, and intelligence around the best potential acquirers

# Overview of the NOAH Conference 2013

## Europe's #1 Business Conference for Internet Industry Leaders

### Introduction

- The NOAH Conference is Europe's leading annual Internet business conference taking place once a year in London, focused on top management from Internet start-ups to global media companies as well as senior investment professionals
- NOAH's goal is to create a marketplace for the European Internet eco-system to discuss key trends, generate business and facilitate investment transactions
- Over the past 4 years numerous high-profile speakers presented at NOAH, including over 100 CEOs at each event
- The NOAH Conference was founded in 2009 and is organised by NOAH Advisors, a corporate finance boutique focused on European Internet M&A

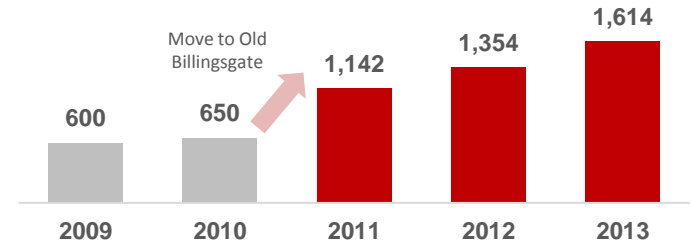
### NOAH13 Overview

- NOAH '13 took place on 13/14 November 2013 at Old Billingsgate in London
- Fantastic line-up of 145 speakers from 20 countries in keynotes, presentations, fireside chats and panels on 3 stages
- 111 CEO company presentations, over 800 CEOs joining
- 1,614 attendees from over 50 countries – 46% from Internet companies, 24% from investors, 29% from corporates and 1% press representatives
- Seven Ventures Pitch Day / 7 startups pitch for €7m in TV and media
- AlphaSights Ibiza party with 1,000+ guests at a fully transformed Old Billingsgate
- Extremely positive feedback from numerous attendees, in the press and on Twitter

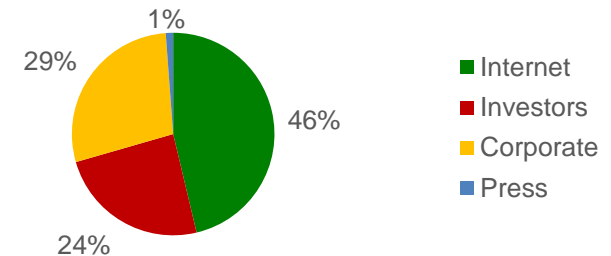
### Conference Sponsors 2013



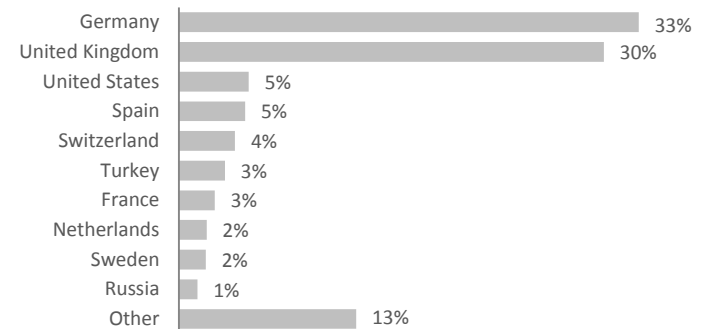
### Attendance 2009 - 2013



### Attendees by Type



### Attendees by Country



# Business Model: Getting Closer to the Transaction

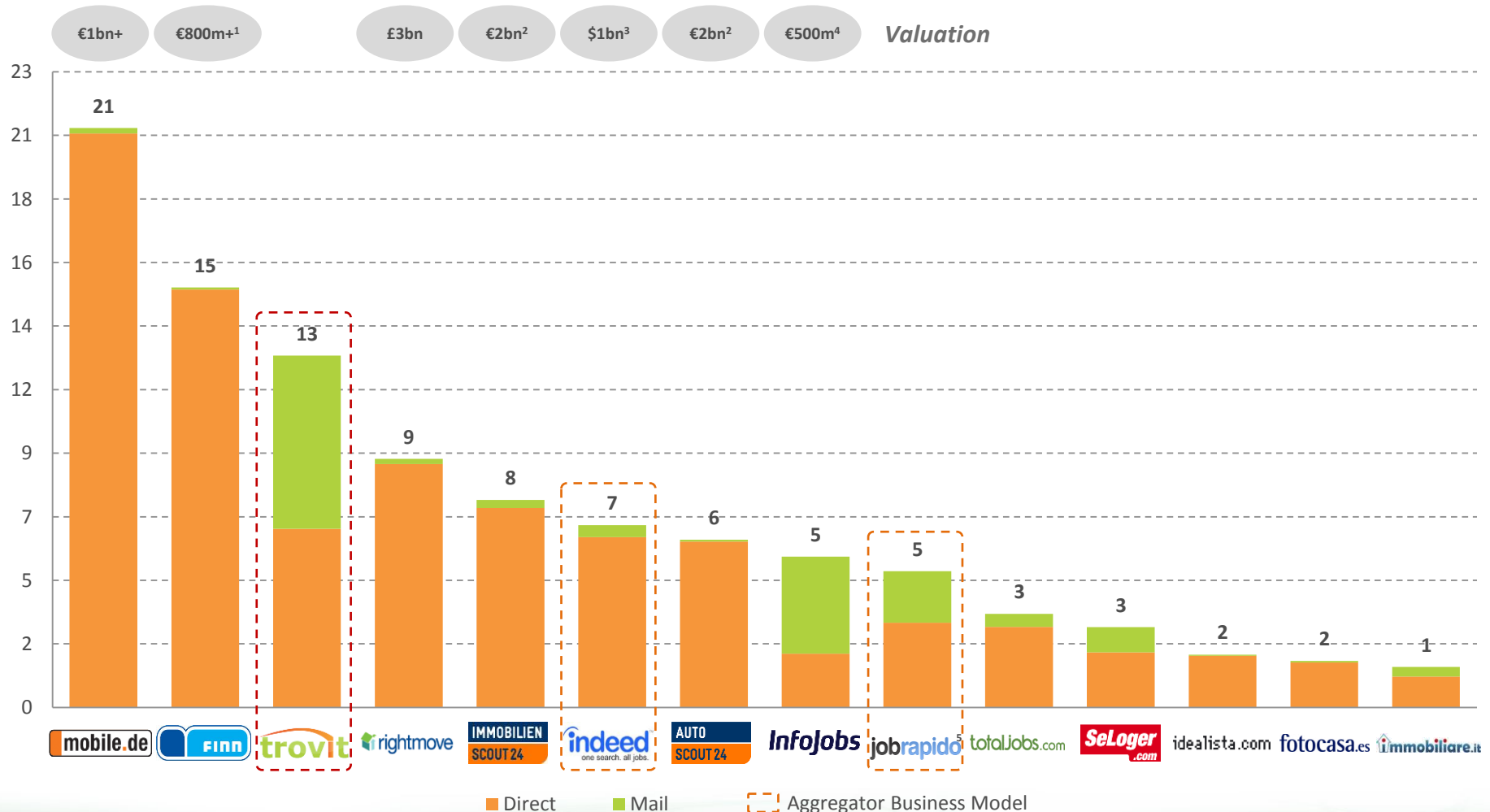
There are several ways to monetise classified portals on the desktop. Mobile is still developing.

<b>Google AdSense</b>	<ul style="list-style-type: none"><li>▪ The fastest and least complicated monetisation option</li><li>▪ Examples: OLX, Trovit</li><li>▪ Cons: dependency on Google and in some cases not the most efficient revenue model to monetise traffic</li></ul>
<b>Display Advertising</b>	<ul style="list-style-type: none"><li>▪ In order to achieve high CPMs, it often requires an in-house team which brings fix costs</li><li>▪ Examples: Softonic, Yad2</li><li>▪ Cons: only pays off with a minimum traffic liquidity, often perceived negative by users</li></ul>
<b>Listings</b>	<ul style="list-style-type: none"><li>▪ Advertisers pay to be included in a search result or boosted on top of a list. Prices vary by listing volume</li><li>▪ Examples: most classified players</li><li>▪ Cons: hard to increase prices without adding additional value</li></ul>
<b>CPC</b>	<ul style="list-style-type: none"><li>▪ Advertisers pay if users click on the link. Users then get transferred to the advertisers site</li><li>▪ Examples: trivago, trovit, kayak</li><li>▪ Cons: the user leaves the site</li></ul>
<b>CPA</b>	<ul style="list-style-type: none"><li>▪ Portals get paid at a successful user transaction</li><li>▪ Examples: most insurance lead gen players like Check24, moneysupermarket and many others</li><li>▪ Cons: none. In classified hard to implement</li></ul>
<b>Agency</b>	<ul style="list-style-type: none"><li>▪ The portal takes transaction risk. With pricing data, portal makes a price recommendation and gets a commission after the transaction</li><li>▪ Example: not yet implemented to our knowledge, but several players are thinking about it</li><li>▪ Cons: competing with customers</li></ul>

# Direct Visits are a Key Valuation Driver

Direct traffic is perceived as the jewel of a classified story, 50%+ of traffic should be direct for a sustainable / quality business

Direct Visits in January 2014 in Comparison with European Classifieds Players (m)

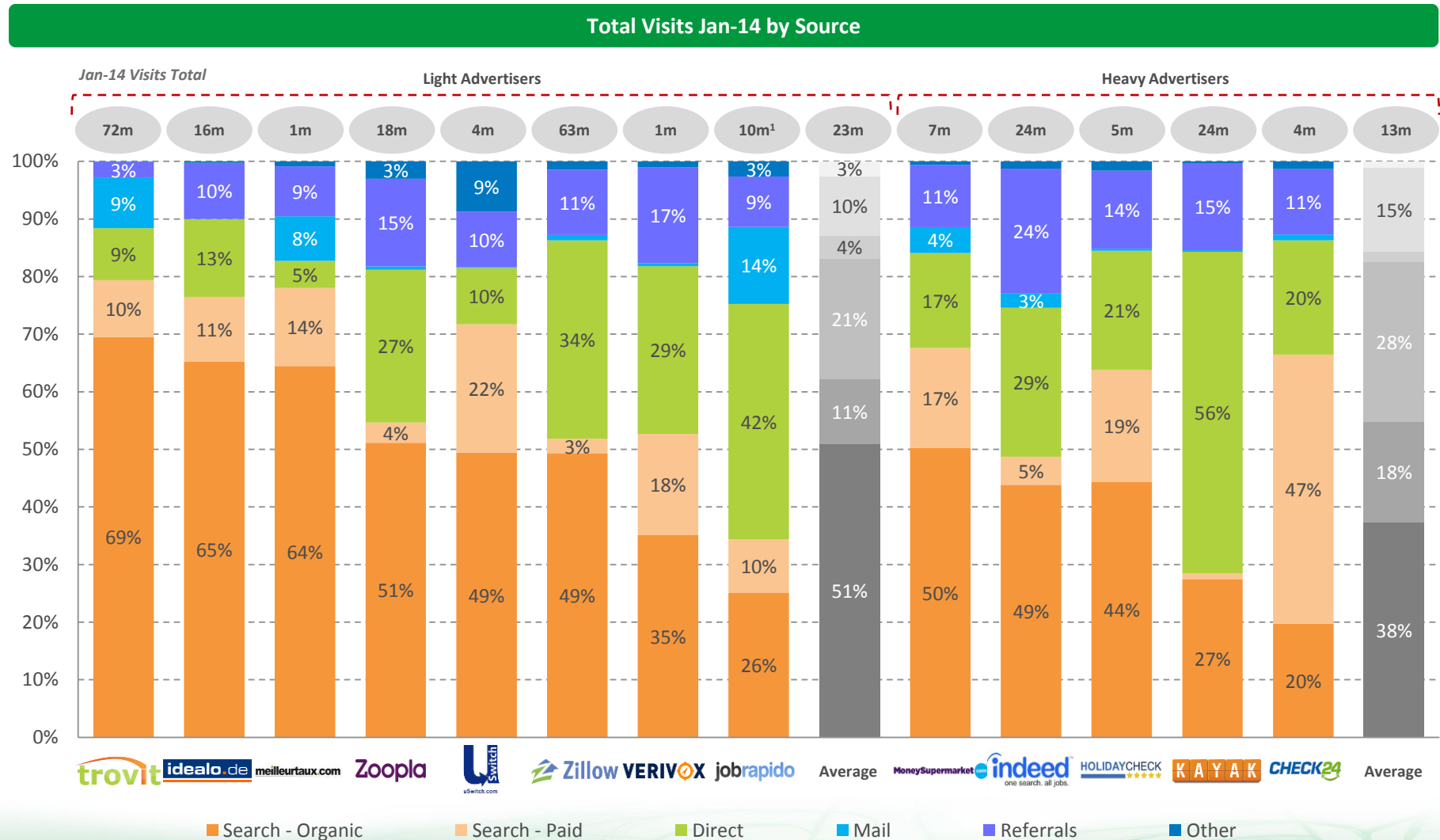


Source: SimilarWeb.

Note: 1. Part of Schibsted. 2. Part of Scout24 (acquired by HF). 3. Acquired by Recruit. 4. Acquired by Schibsted. 5. Includes largest markets: Italy & UK.

# Not All Traffic is Created Equal

Companies like Kayak have successfully demonstrated how brand marketing (mainly TV) can increase direct traffic



Source: SimilarWeb.

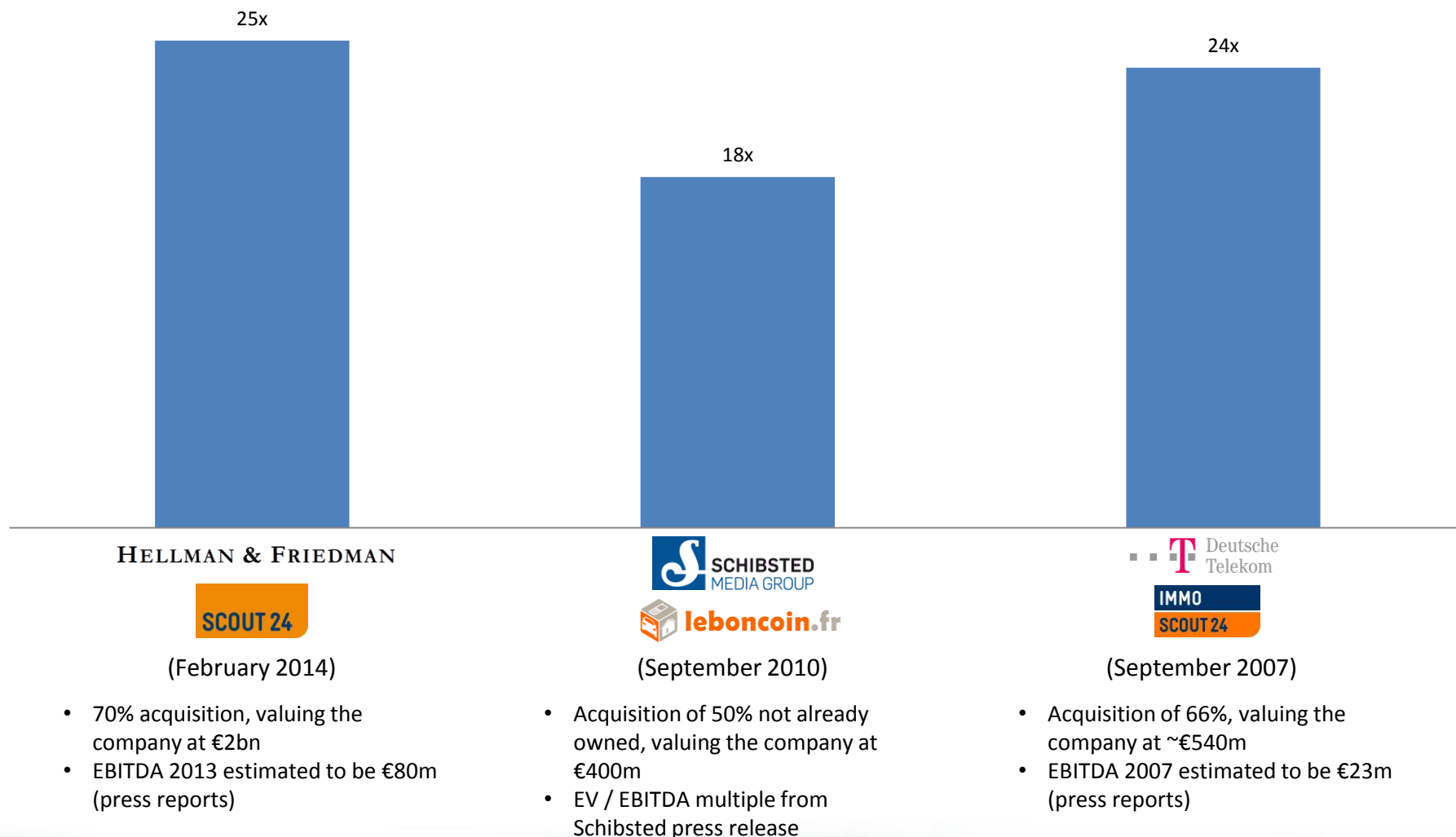
Note: 1. Includes largest markets: Italy & UK.

# Classifieds Trading Comparables



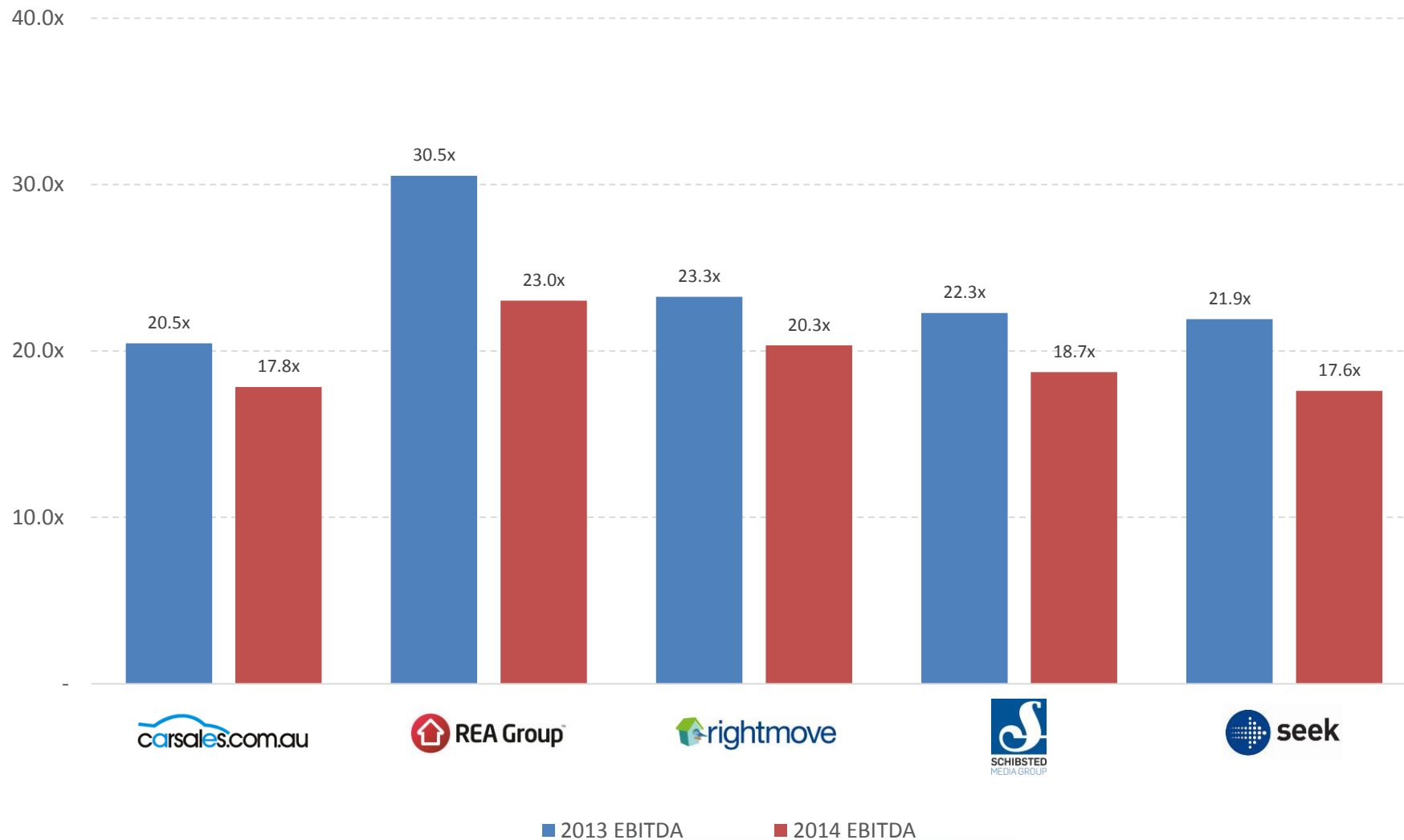
<i>(EURm except share price)</i>													
Company	Country	Currency (Share Price)	Share Price 6-May-14	Market Cap	Enterprise Value	EV/Revenues		CAGR	EV/EBITDA			CAGR	Margin
						2014E	2015E	13-15E	2013E	2014E	2015E	13-15E	2013E
Schibsted	Europe	NOK	336.00	4,388	4,517	2.4x	2.3x	3.9%	22.3x	18.7x	14.6x	23.5%	11.0%
Axel Springer	Europe	EUR	43.93	4,353	4,327	1.5x	1.4x	(4.7%)	7.6x	8.2x	7.6x	(0.4%)	16.9%
Rightmove	Europe	GBp	2,423.22	2,949	2,944	14.9x	13.1x	14.6%	23.3x	20.3x	17.8x	14.4%	74.3%
eBay	US	USD	52.00	47,516	47,973	3.6x	3.2x	14.1%	12.3x	11.1x	9.9x	11.2%	33.7%
Zillow	US	USD	107.94	3,061	3,120	14.7x	10.8x	42.0%	NM	NM	53.0x	65.9%	15.0%
Trulia	US	USD	35.01	914	919	5.0x	3.8x	51.6%	74.5x	61.3x	24.1x	75.7%	11.9%
Seek	AsiaPac	AUD	17.29	3,844	3,980	7.6x	6.7x	14.4%	21.9x	17.6x	14.9x	21.1%	40.1%
REA Group	AsiaPac	AUD	48.00	4,162	3,982	12.4x	10.5x	21.3%	30.5x	23.0x	18.8x	27.4%	50.6%
Carsales.com	AsiaPac	AUD	11.04	1,742	1,772	10.5x	9.5x	10.8%	20.5x	17.8x	15.9x	13.4%	56.9%
Trade Me	AsiaPac	AUD	3.78	1,080	1,163	9.2x	8.3x	10.1%	13.9x	13.0x	11.8x	8.6%	72.7%
Naspers	Africa	ZAR	1,022.00	29,177	30,190	6.0x	5.1x	20.1%	61.0x	49.0x	39.9x	23.7%	12.0%
<b>Overall Mean</b>						<b>8.0x</b>	<b>6.8x</b>	<b>18.0%</b>	<b>28.8x</b>	<b>24.0x</b>	<b>20.8x</b>	<b>25.9%</b>	<b>35.9%</b>
<b>European Mean</b>						<b>6.3x</b>	<b>5.6x</b>	<b>4.6%</b>	<b>17.7x</b>	<b>15.8x</b>	<b>13.3x</b>	<b>12.5%</b>	<b>34.1%</b>
<b>U.S. Mean</b>						<b>7.8x</b>	<b>6.0x</b>	<b>35.9%</b>	<b>43.4x</b>	<b>36.2x</b>	<b>29.0x</b>	<b>50.9%</b>	<b>20.2%</b>
<b>Asia-Pacific Mean</b>						<b>9.9x</b>	<b>8.8x</b>	<b>14.2%</b>	<b>21.7x</b>	<b>17.9x</b>	<b>15.4x</b>	<b>17.6%</b>	<b>55.1%</b>

# Selected Classifieds Deals

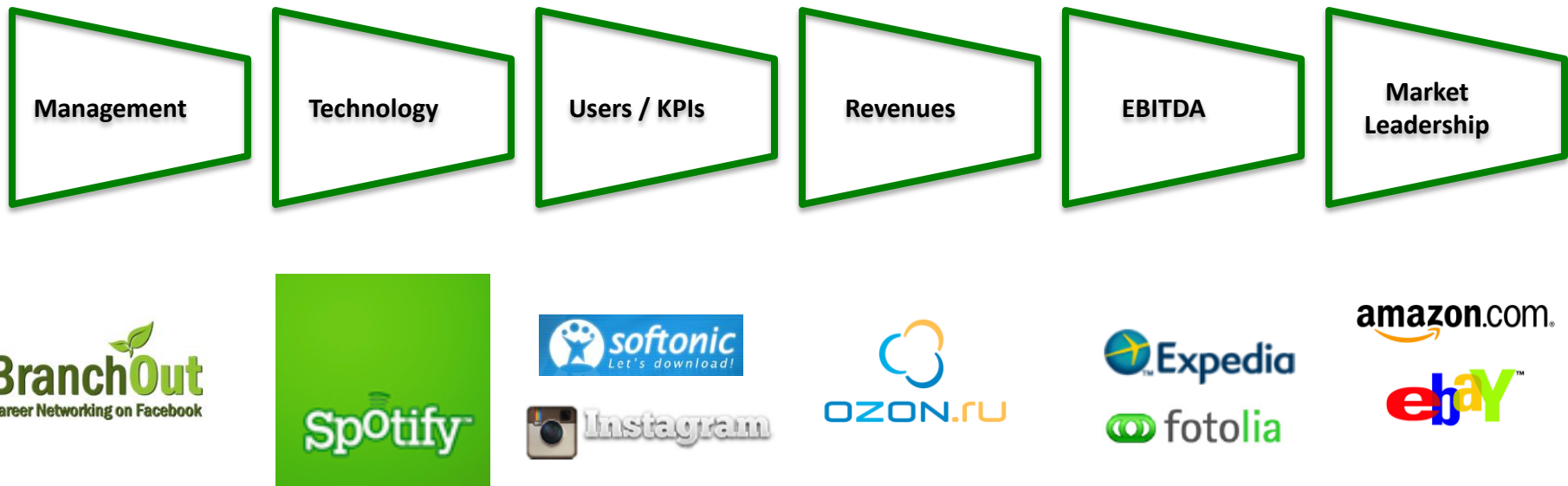


# Classifieds Trading Comparables

## EV / EBITDA Multiple



# Valuation in the Context of the Development Stage



Increasing valuations – However Multiples Get More Reasonable (in Theory)

Decreasing Execution Risk and Benefit of the Doubt

**(GROWTH \* MARGIN) <sup>Predictability</sup> = Valuation Multiple**

# Not Every Deal is Created Equal

Valuation is only one side of the medal

## Loss of Control / New Investor Rights

- Governance rights
  - Board seats / Information rights
  - Veto rights
- Management commitment to stay
- Path to control for new investor?
  - Call option
  - First right of refusal
- Performance-based earn-outs/ratchets
- Exit rights
  - Liquidation preference
  - IPO right
  - Put option
  - Tag and drag rights
  - Minimum valuation criteria

## ▪ Process objectives:

- Fast process with limited disruptions / leaks
- Premium valuation
- Minority investment with limited rights (no liquidation preference, no path to control, customary governance rights, exit rights TBD)

## ▪ Key success factors in creating:

- Growth profile and supportive KPIs
- Equity story: simple terms with 3-5 key points
- Access to, understanding of and relationship with relevant contacts at key potential investors. Trust matters the most!

## ▪ Key success factors for getting investors “to the finish line”:

- Management focus and engagement
- Seamless process execution
- No negative due diligence findings
- Strong performance during deal phase

## Valuation Drivers

- Significant premium for (path to) control
- Governance and exit rights
- (Perceived) competition in process
- Operational out-performance during the process
- Due diligence findings
- Macro-economic and M&A environment
- Quality of motivation of management
- Availability of debt leverage
- Funding currency and hedging cost
- Negotiation skills (shareholders, NOAH and lawyers)

## The Basics

- If you want to sell, don't be for sale
- Don't be greedy
- A good day today is better than a great deal tomorrow (time value of money and opportunity costs)
- Do a deal when you can, not when you have to
- Work with a professional banker
- Always work with several buyers not one. Not the loudest is usually the best buyer
- Know about 3 prices:
  - the price at which you sell
  - the price of the best buyer
  - the price of the cover bidderUse this dynamic wisely
- Be honest, simple and analytical

## The Valuation Drivers

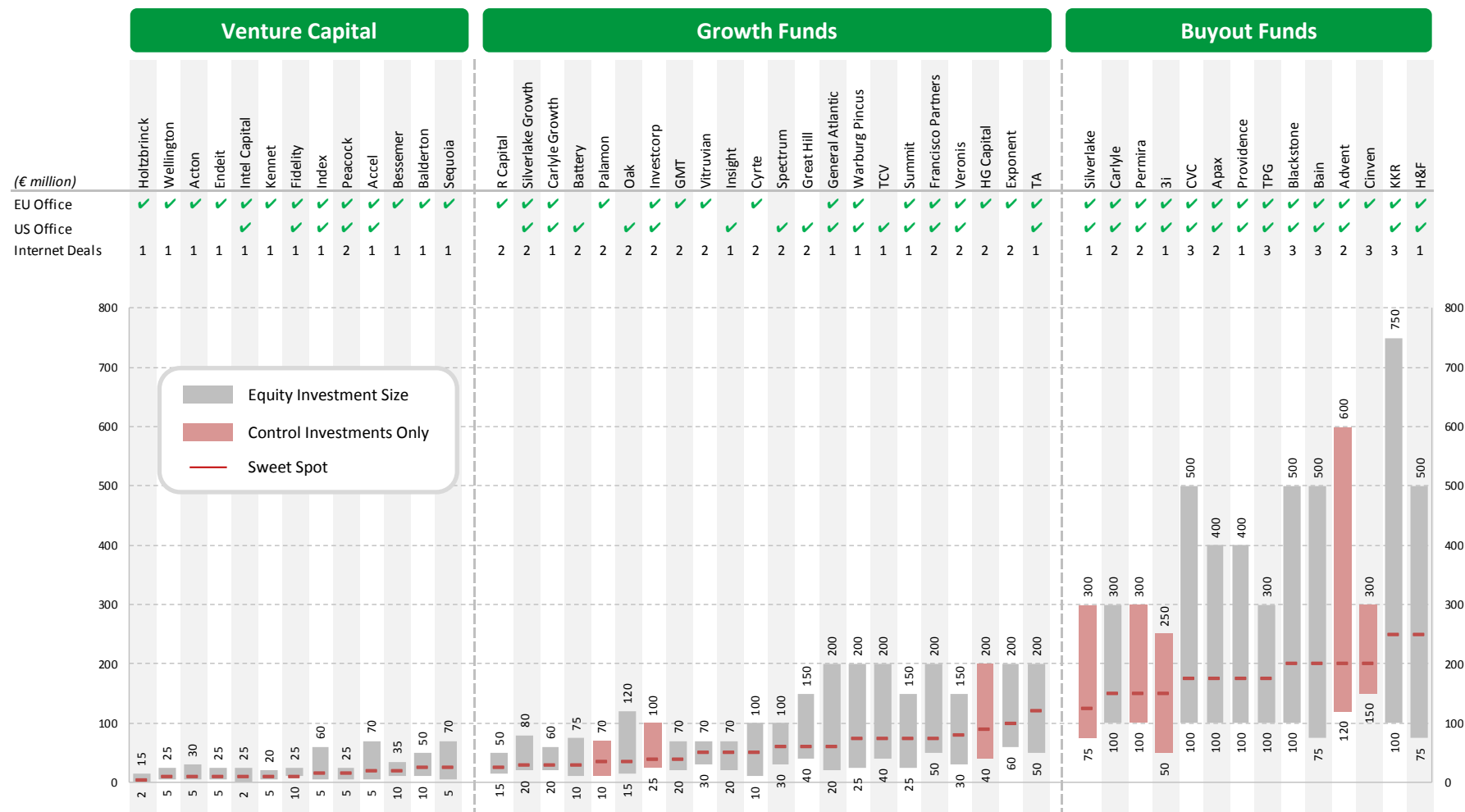
- Valuation is the sum of all future cash flows after tax discounted by the expected rate of return (usually hire then risk free interest rates, around 10%)
- Market Size
- Market share
- Predictability of success
- Synergies for the buyer
- Comparable company and transaction analyses
- A nature of a deal:
  - must have, nice to have, could have, shouldn't have
- Perceived management quality
- Luck. One dumb deal does not mean it gets repeated. Focus on your story not of others' luck
- Forget the public market

## The Tough Lessons Learnt

- M&A is hard work
- You have to be 100% prepared before you start
- Dictate a timetable and bring all parties on the same schedule
- NEVER deliver below your projections during a process
- Don't change your mind. No one likes it
- There are many buyers who all want to hear a story tailored to them. No your value to parties
- Always give parties an understanding that they are not alone but not too many
- If they sense you HAVE to do a deal, they won't give you a deal
- Motivate, it is a love story
- Be patient and don't rush



Equity investment/check size, geography, minority/majority, growth profile are key ways to differentiate them



*Note: Number of previous European Internet deals: 1 - many, 2 - a few, 3 - new to the segment.*