

Online classifieds business: Youla



Investment highlights

- 1 Present in a fast growing online classifieds market with potential to grab offline adjacencies
- 2 Product-driven company with unique and first-to-market features led by the founder
- 3 One of the largest mobile-first classifieds platforms globally, less than 4 years since launch
- 4 Clear vision to exploit horizontal model advantages: inexpensive high-frequency user acquisition with monetization opportunities across diversified verticals
- 5 Advanced tech and significant two-sided synergies within MRG ecosystem
- 6 Rapidly growing asset in terms of monetization with sector proven EBITDA margin of 50%+
- 7 Capital & asset-light business model with low CAPEX and NWC requirements

Our team, led by the founder, is a core to success



Egor Abramets
CEO & Founder



Egor Danilov
CPO



Yuriy Novikov
Head of monetization

- Deep knowledge of e-commerce, social networks & advertising markets. Previously worked in Yandex Group's projects - Yandex.Market, Yandex.Metrics, Yandex.Direct, and Gazprom-media
- Prior to launch of Youla, was the head of advertising product development in VK.com

- 10+ years experience in product management & business development
- Launched & managed product in ivi.ru (online cinema), built from scratch mobile games platform at OK.ru

- Built & executed monetization strategy in e-commerce, classifieds, marketplaces, incl. Yandex and Avito
- Wide experience in creation of new revenue streams & running go-to-market strategies



Boris Kaptelov, CFA
COO



Ayk Sargsyan
CTO



Shamil Valishev
CMO

- Operational excellence based on Boston Consulting Group experience
- 5 years in C-level positions

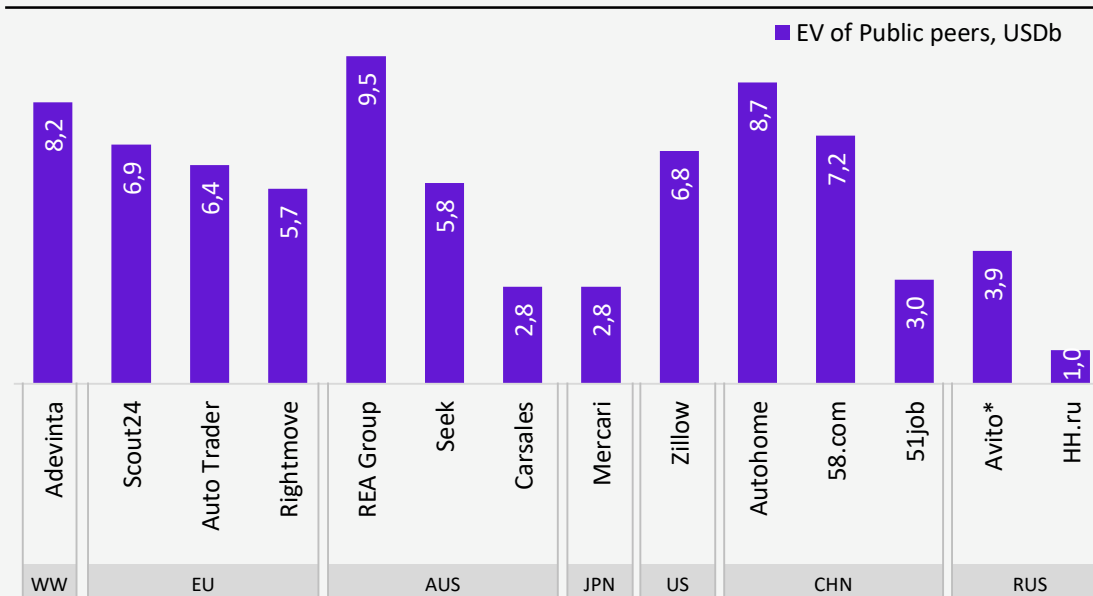
- In Youla since launch. Built high-load backend from scratch, developed it to a comparable with the market leader size. Previously developed high-load backend in sportbox.ru, one of the largest media platforms

- 5-year experience in mobile marketing, management of traffic acquisition channels, SEO, brand marketing. Prior to Youla, managed performance marketing in Avito and Yandex

Addressable market and Youla position

Classifieds - globally proven business model

Business model proven by valuation of publicly listed peers⁽¹⁾

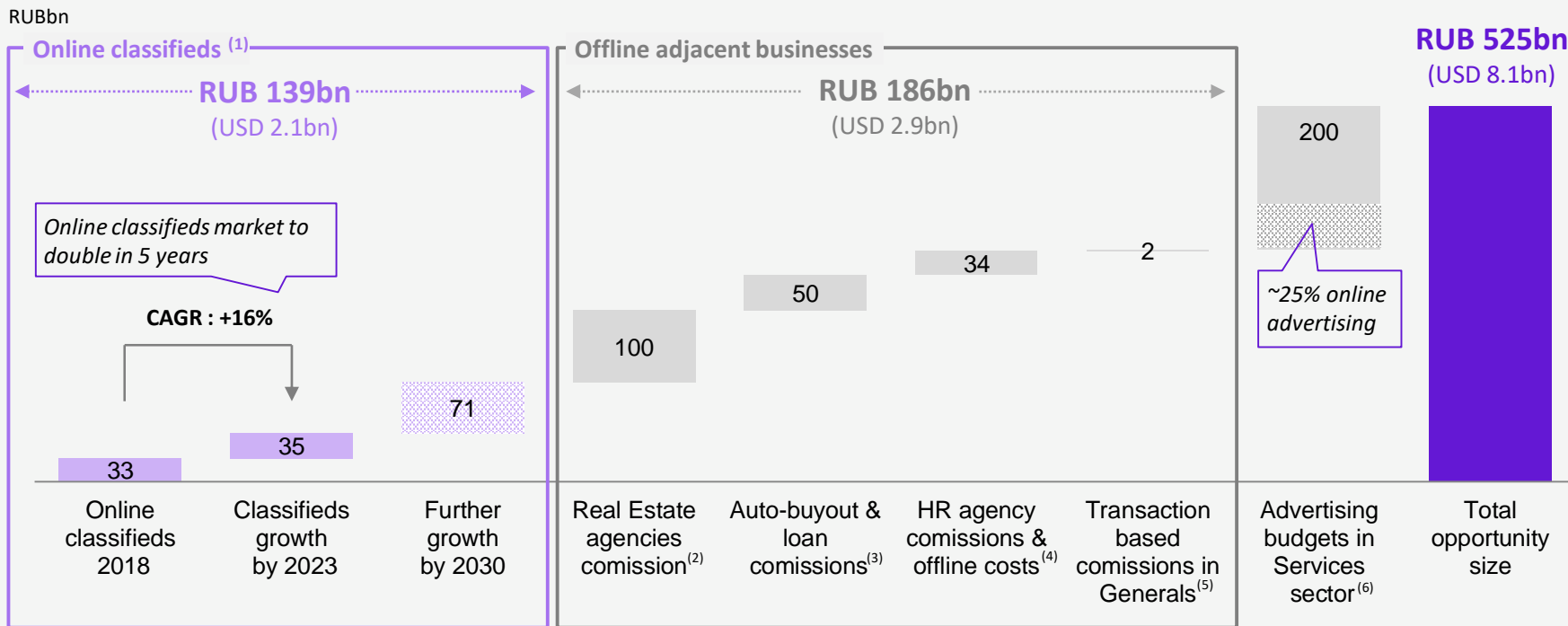


Source: (1) Internal analysis based on CapIQ data as of Aug'19

* Avito is a privately held company. Implied enterprise value as per the acquisition of Avito by Naspers announced on Jan'19

Addressable market opportunity







In addition to the rapidly growing online classifieds market in Russia, there is a potential to grab revenue share from adjacent offline businesses through innovation leadership



Source: (1) Goldman Sachs research; (2) internal analysis based on assumptions provided on page 17; (3) internal analysis based on Autostat data; (4) HH.ru prospectus; (5) internal analysis based on Data Insight data on C2C market GMV in 2017 of RUB 300bn multiplied by assumed 10% penetration of transaction based model and 5% deal commission rate; (6) internal analysis based on Data Insight and assumptions provided on page 16

Youla is one of the world's largest mobile-first platforms

World's largest mobile-first classifieds

App	Dominant country	Year of launch	Daily active users on Android platform ⁽¹⁾
	Russia	Q4'2015	1.5m
	US	Q2'2011	1.2m
	Japan	Q1'2013	1.2m
	US, Turkey	Q1'2015	0.9m in US 1.0+m in Turkey
	Germany, UK, Austria	Q3'2012	0.5m
	Spain	Q4'2013	n/a

- Youla is among the world's largest apps which were initially launched as mobile-first platforms. Such platforms include Youla, OfferUp, Mercari, LetGo and Wallapop. The rest are far smaller, as stated in the latest AIM Group report⁽¹⁾

Source: (1) AIM Group Marketplaces Report, Vol.20 No.11, May 2019. Daily active users on Android platform were sourced from the aforementioned report. SimilarWeb is provided as the original source in this report. The report does not contain any data on IOS platform

Rapidly growing multi-vertical online classified in Russia...



Competitive landscape

Multi-vertical



Online

Real Estate: CIAN.RU

Focus on one vertical

Auto: auto.ru

Jobs: hh.ru SuperJob

Services: PROFI.RU you do

Offline

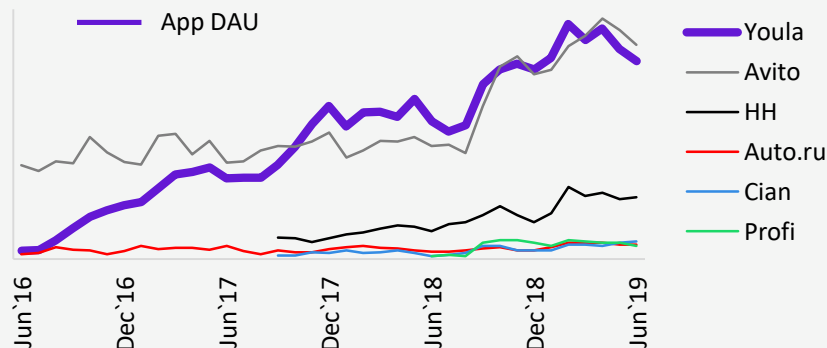
Focus on one vertical

Real Estate: n-muzh

Auto: MAJOR
АВТОМОБИЛЬНЫЕ КОМПЬЮТЕРЫ

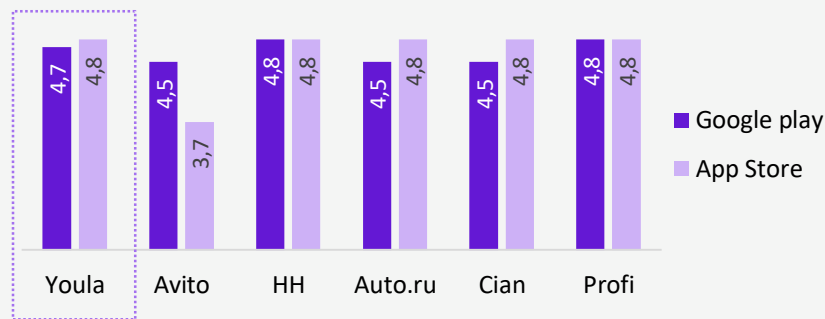
HR: KELLY ancor

Youla reached one of the leading positions ~ 2 years since launch⁽¹⁾



...and is highly rated by its users⁽²⁾

App ratings, Aug'19

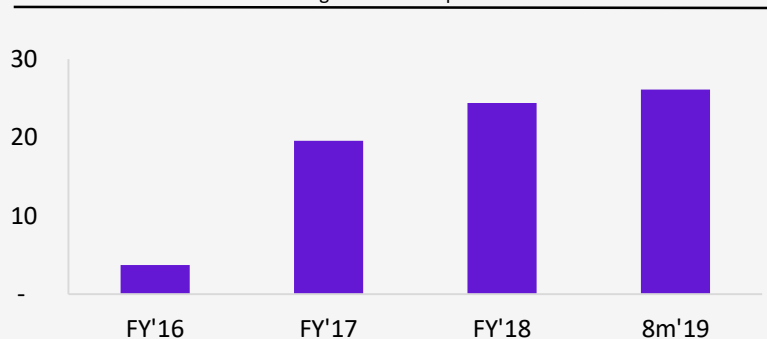


Sources: (1) Mediascope, cities with 700k+ population, age 12-64; (2) App Stores, as of Aug'19

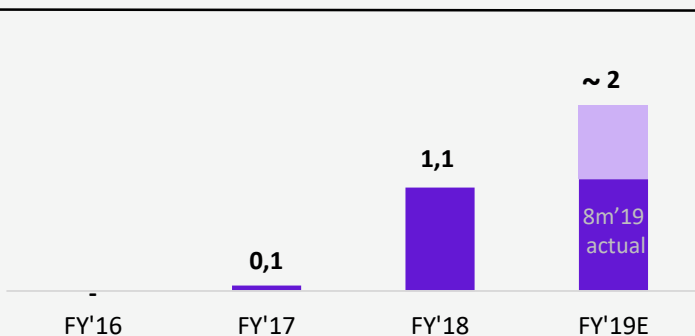
...continually improving its key metrics

MAU at all platforms, m users

averaged over each period

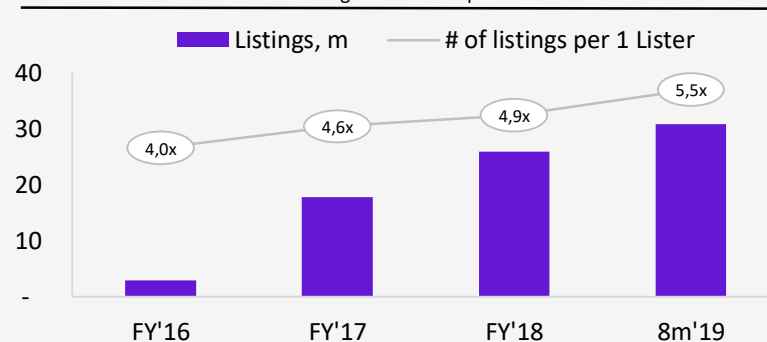


Revenue, RUBb



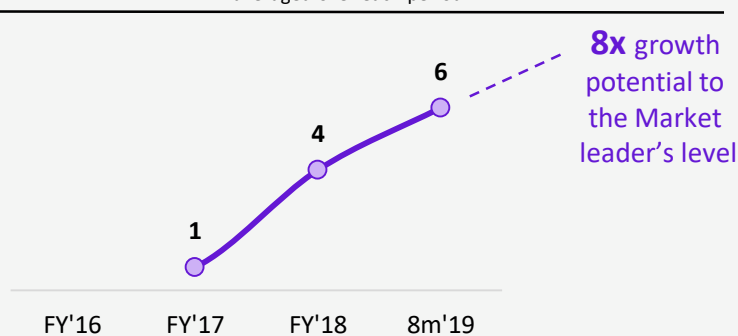
Listing base

averaged over each period



Monthly ARP-MAU, RUB

averaged over each period



Product overview



Product-driven company with unique and first-to-market features keeping it in line with the latest global trends

First-to-market features launched by Youla

Location-based search

Quick registration with phone number

Escrow payments

C2C delivery

Gamification

Subscription on sellers

Rankings across users

Smart personalized listings feed

C2C discounts

In-app P2P calls

App in App integration in social networks

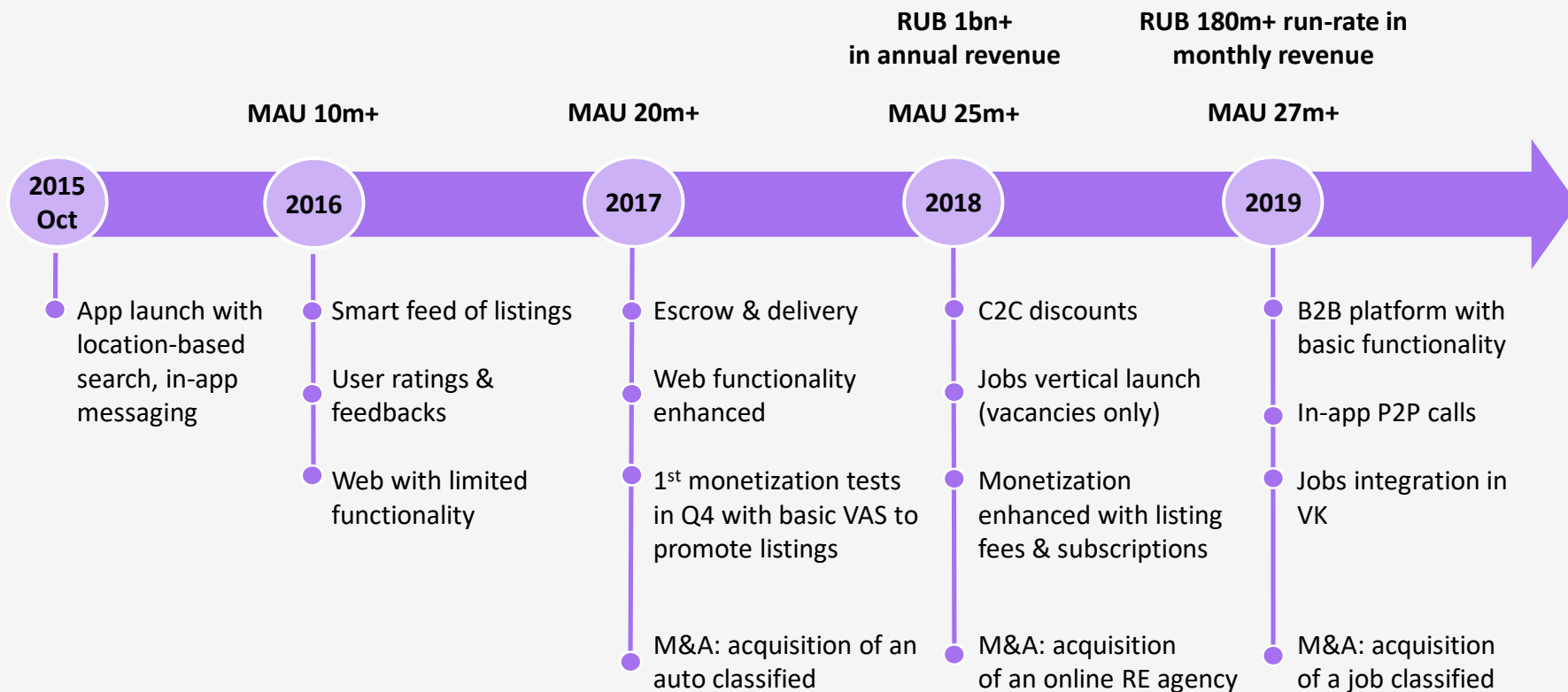
Global trends in classifieds products ⁽¹⁾

Mobile-first innovations

Escrow payments and delivery to get deeper into a transaction

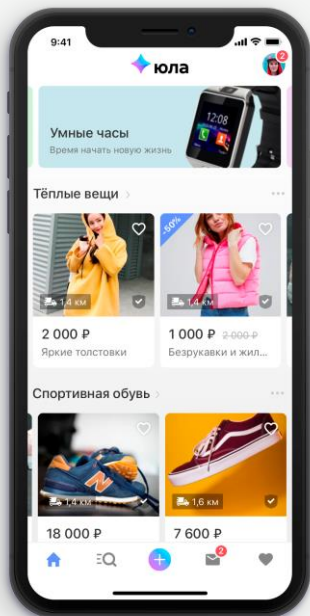
Focus on improvement of user experience

Youla – execution milestones since launch

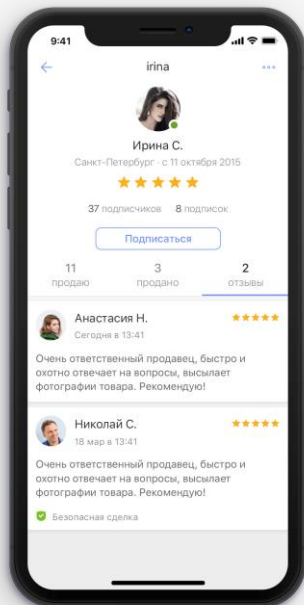


Improving user experience over the journey

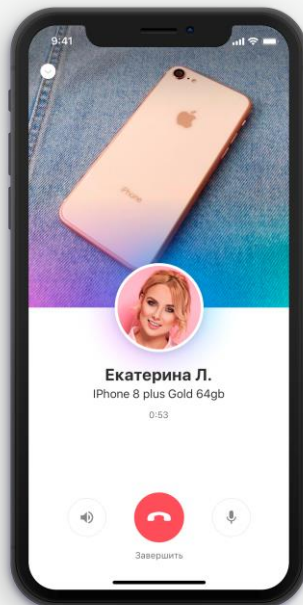
Location-based search with customized feed



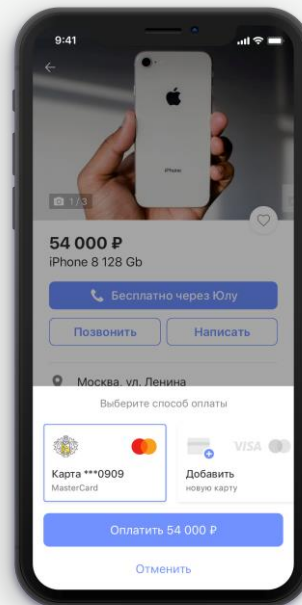
User ratings and feedbacks



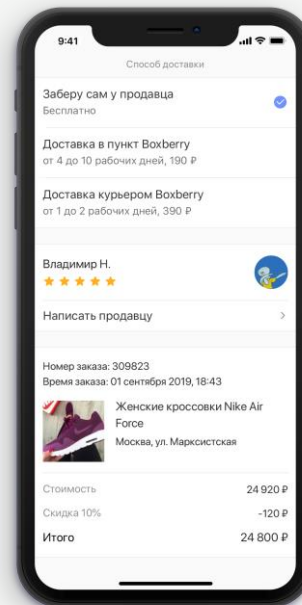
In-app messaging and p2p calls



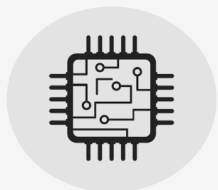
Payment options



Delivery options



Advanced tech behind the interface



Customization of listings feed

- Based on unique data set collected within MRG ecosystem
- Processed with MRG's proprietary algorithms
- Takes user interests into account
- Mechanic of ranking listings based on probability of sale



Automated moderation of content

- Elimination of duplicates and prohibited content
- Anti-spam



Dynamic pricing with personalized discounts for listing VAS based on multi-factor data analysis

- Private vs professional seller
- Seller's VAS purchase experience
- Product price, supply/demand within category and region



- Better response quality to user search requests

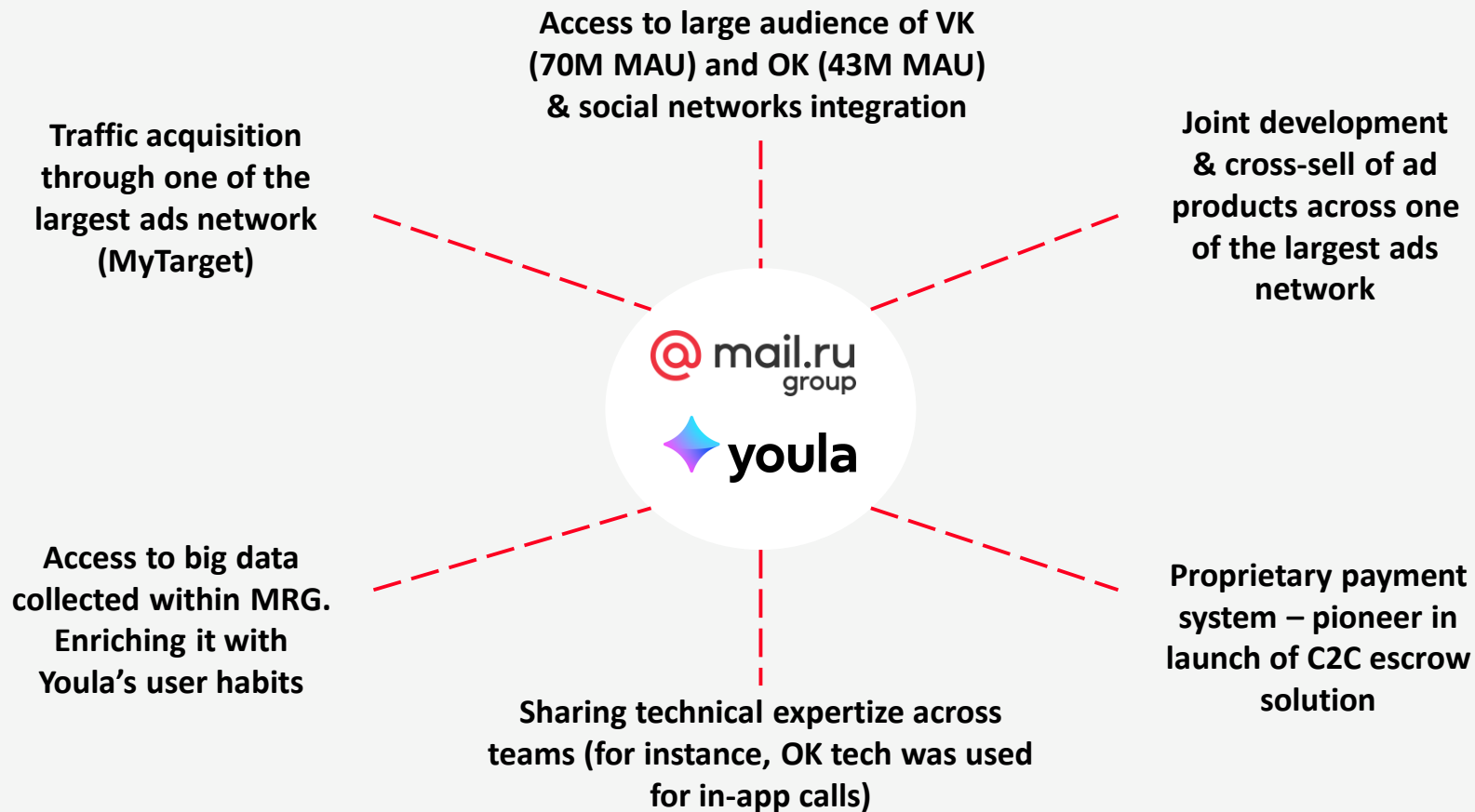


- High-quality listing base
- Keeps moderational costs at reasonable levels while the listing base is growing



- Optimized revenue
- Improved ROI for listers

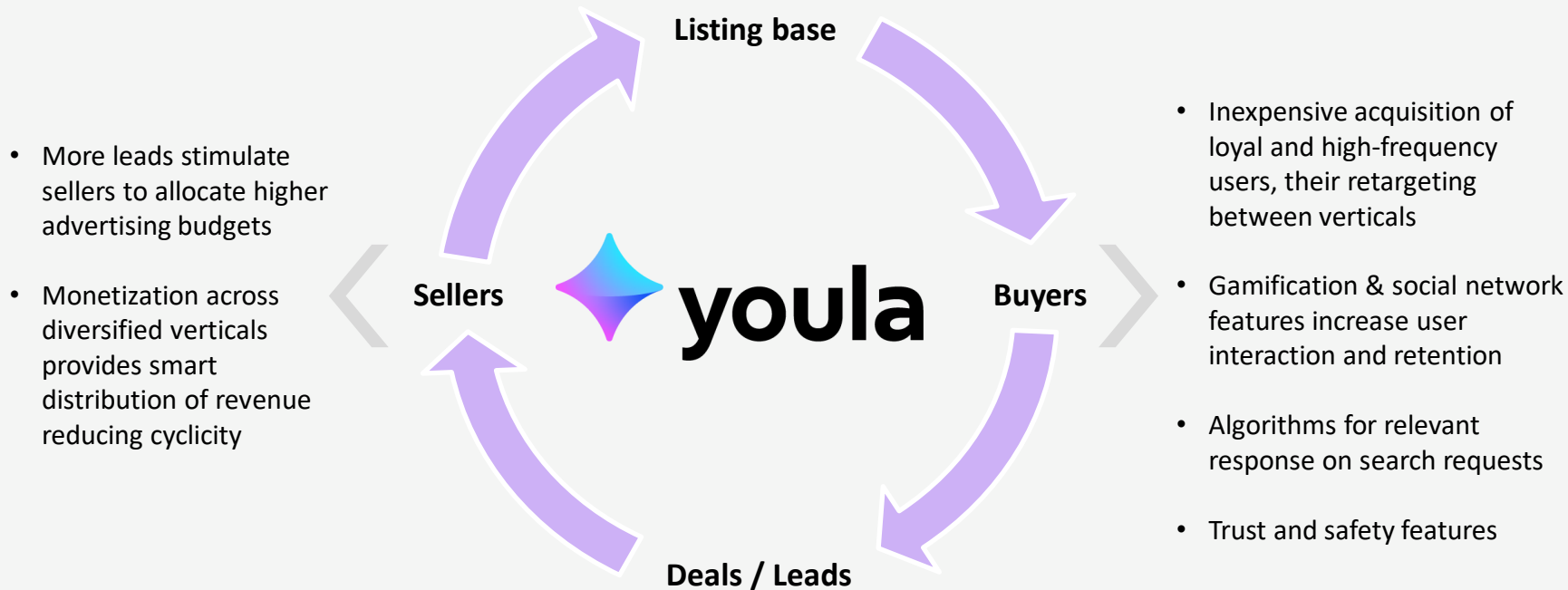
Synergies from being within the broader MRG ecosystem



Verticals overview



Youla exploits advantages of the horizontal model...



...and is presented in all verticals

Three of them are the current focus for development

Current focus

- Generals
- Jobs (blue-collar)
- Services

High-frequency users
Clear synergy with social networks
Less concentrated segments



Ranking of verticals by share in Youla's revenue, 1H'19

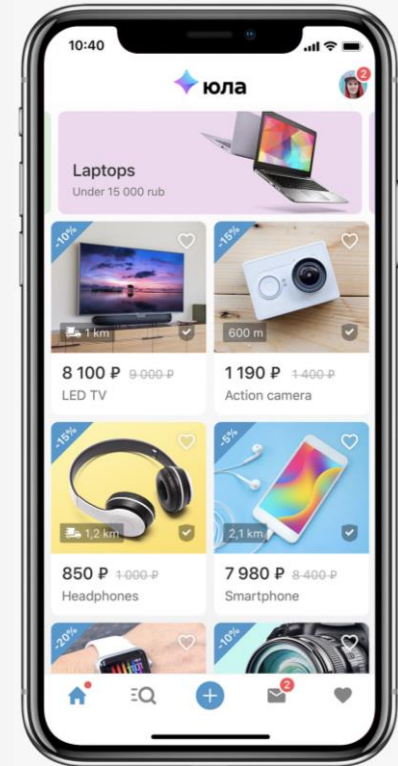
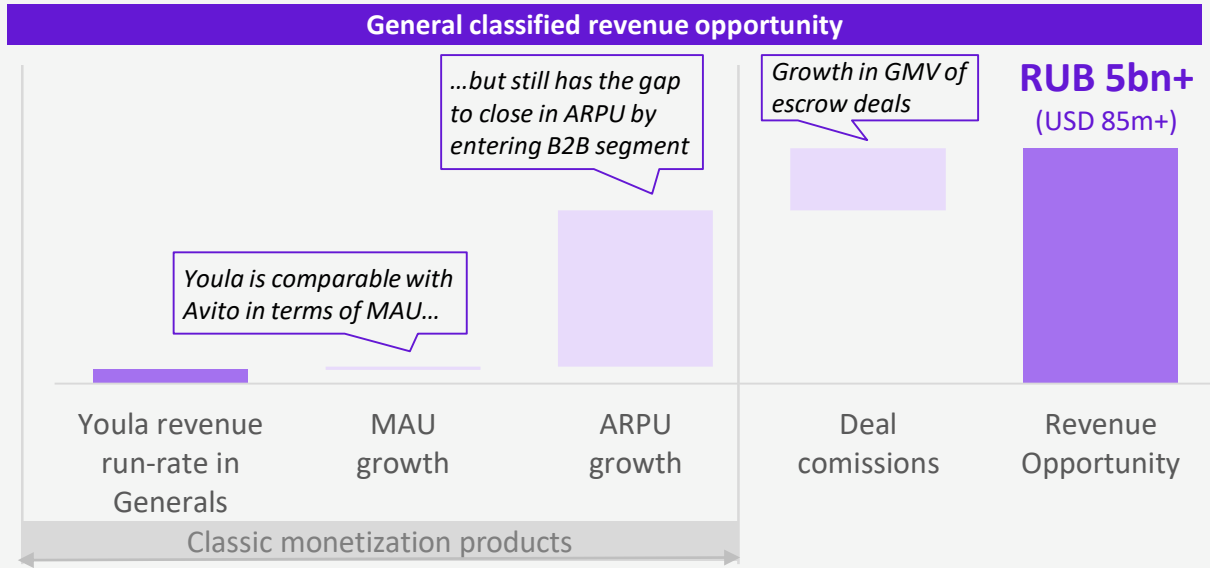
Generals	#1
Services	#2
Real estate	#3
Jobs	#4
Auto	#5

Future potential

- Real estate
- Auto

Low-frequency users with
high acquisition costs and high tickets
Highly concentrated segments

Generals classified: USD 85m+ in annual revenue opportunity. ARPU growth is the key driver



- Development of existing Listing Fee and VAS products + launch of new ones
- Using appropriate business model: freemium for C2C and subscriptions for B2B clients
- Pricing optimization: separate approach for B2B and C2C increasing pricing power
- Building proper distribution channels: self-service for SMB and sale-house for Enterprise

Jobs: targeting fastest growing blue collar segment

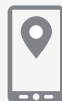
- Online hiring solution with unique characteristics. Vertical was launched in Jun'18 and doubled its MAU since
- Location-based Job classified Worki was acquired in May'19 to strengthen value proposition



Personalized jobs feed based on users' social profiles on OK and VK **provides employers with high quality candidates**



Location based jobs search is a crucial feature for **the fastest growing blue collars segment**



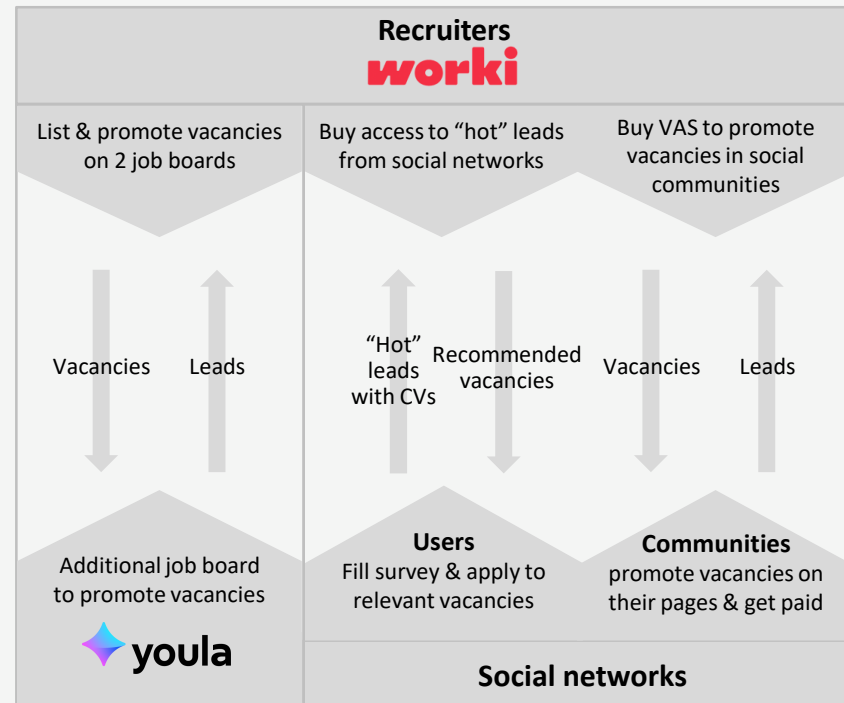
MRG advertising solutions will allow **recruiters to track the most promising candidates even outside of Youla**



Comparing to stand-alone online recruitment players Youla already has advantage of **significant mobile penetration**

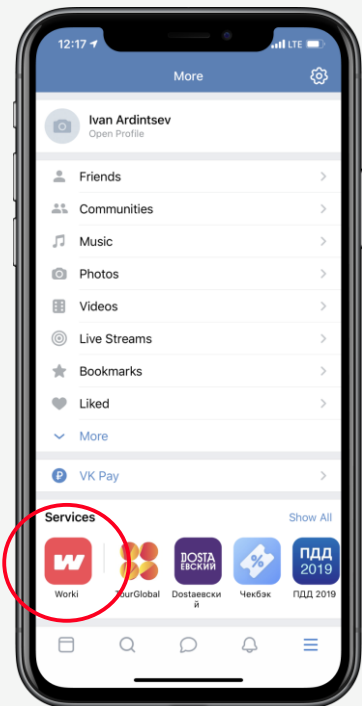
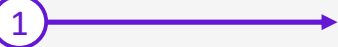
worki

HR product within Youla family **tailored to recruiters needs**, acting as a main entry point for them and enriched with Youla audience capacities

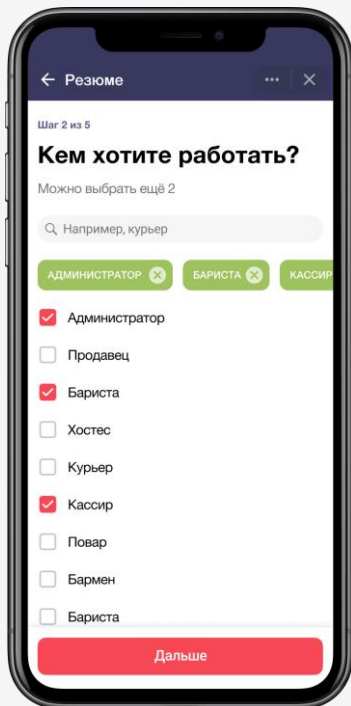


Integration of Worki and social network VK

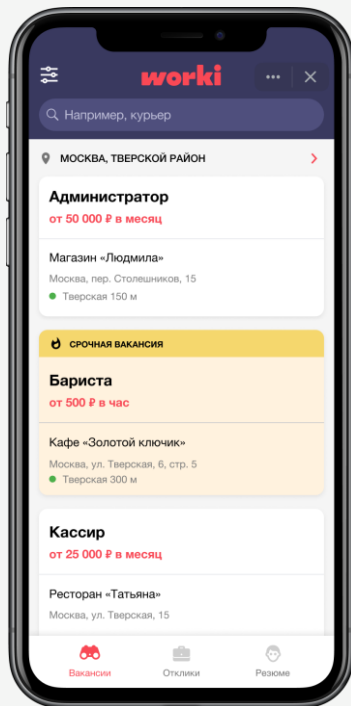
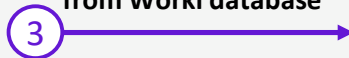
Candidate enters via info block in VK



...fill-in a short survey-based CV...



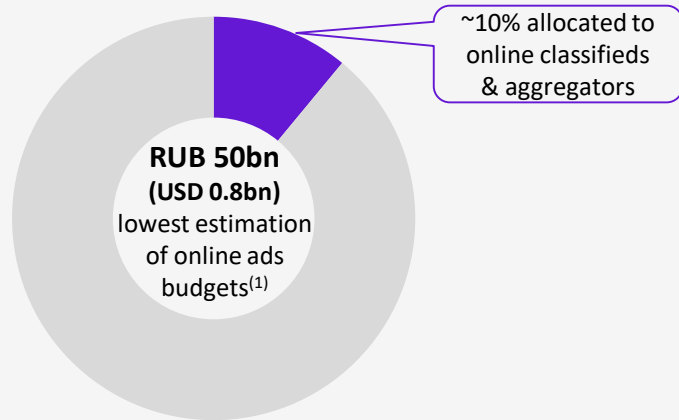
...and get relevant vacancies from Worki database



- Candidate who has fully completed the survey demonstrates increased motivation to find a job
- His/her CV will be sent to relevant employers
- Higher demand for such candidates from employers who buy an access to CV database
- Advanced analytics based on surveys

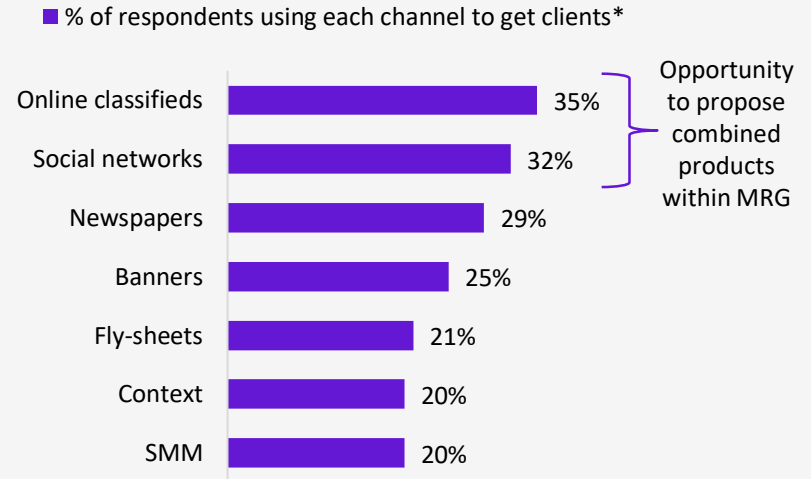
Services: Fragmented market with opportunity to grow beyond online classifieds business model

Online classifieds & aggregators comprise ~10% of total online advertising costs of service providers



5 major players in classified & aggregator segment
No dominant player in terms of revenue

Online classifieds and social networks - the most popular channels of customer acquisition. Sale of combined products within MRG – competitive advantage to grab the market share



Source: (1) Youla analysis based on Data Insight report. The lowest estimation of online advertising budgets is based on: a) Revenue of individuals and small&medium enterprises providing services (market volume) – RUBbn 5,500 (Data Insight); b) Advertising budgets equaled to ~3-4% of services market volume (~18% according to Data Insight); c) 25% of which is allocated to online channels (Data insight)

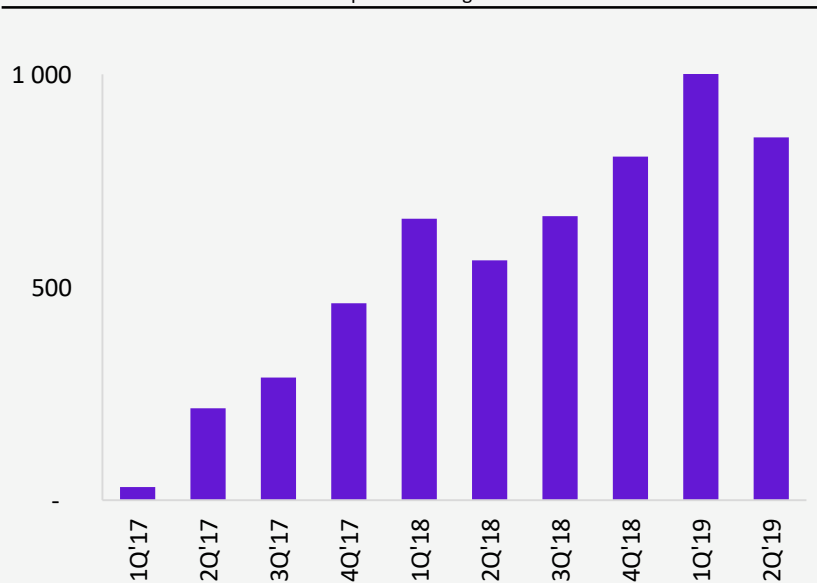
* Research by Data Insight. The graph includes channels which are used by more than 20% of respondents

Real estate: Capture offline market commission pool

- Youla's online Real Estate was launched as a separate vertical in mid 2017
- In Apr'18 Youla acquired an online real estate agency 33 Slona, which helps to drive the network effect for classified business and capture offline market commissions

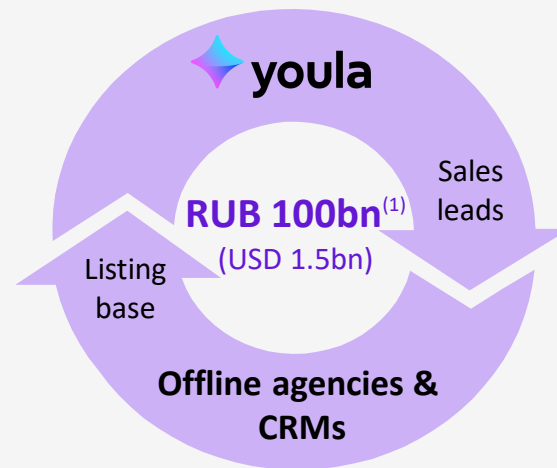
Listing base in Real estate, k listings

quarter average

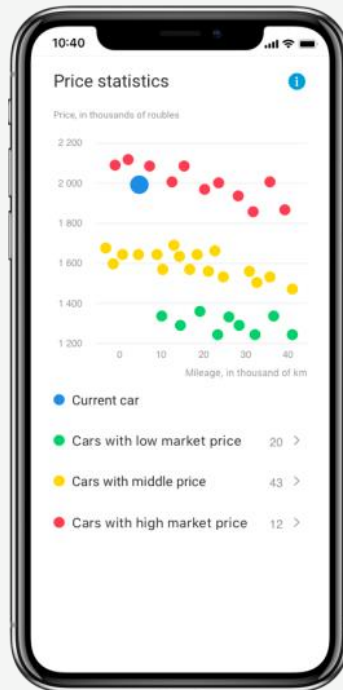
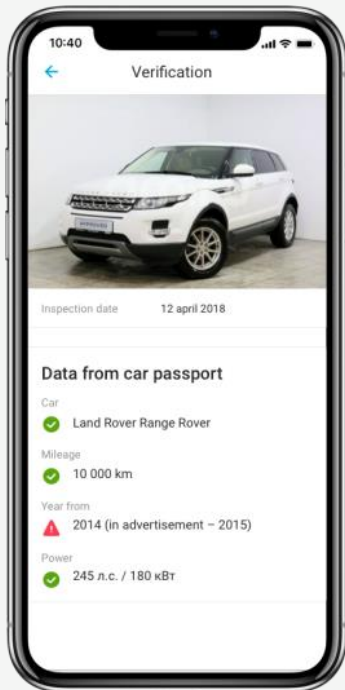
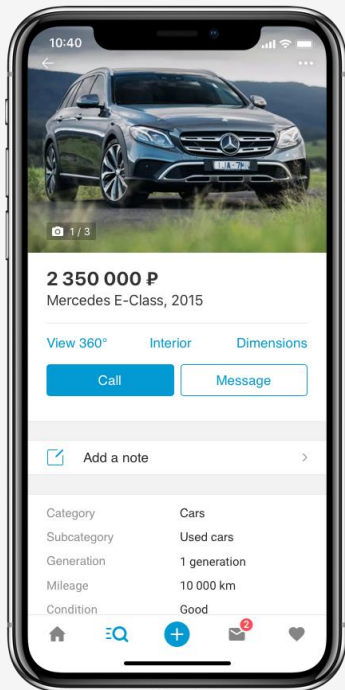


Real estate agent commissions market volume

- 2 million flats sold every year with average price of RUBm 2.5-3.0
- 70% share of agency market
- Average agent commission of 3%



Transport and Autoparts: vertical with unique features



Price-related and other info features

- Price statistics across listing base
- User reviews
- Professional reviews

Car history and verification

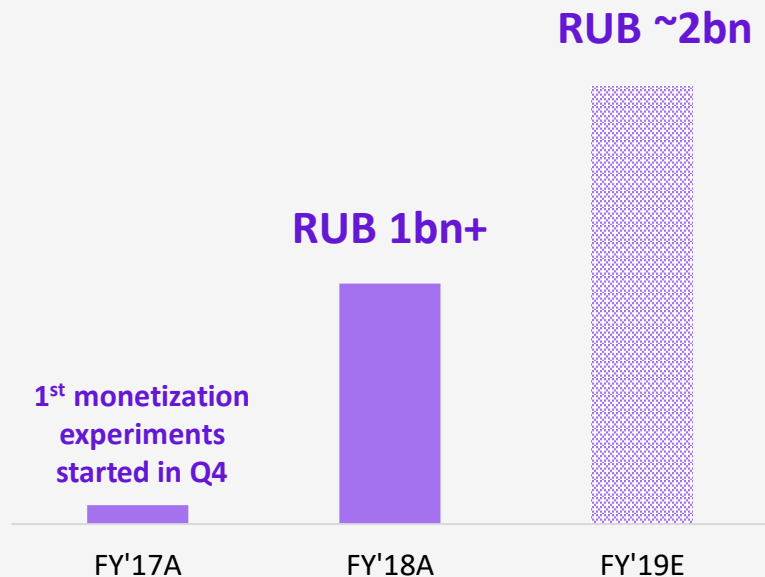
- Real data from car passport
- Incidents history
- Legal status and reselling history

Financial targets

~RUB2bn revenue target for FY'19

Further growth driven by B2B

Over RUB 1bn in revenue reached in 1st year of monetization, i.e. 3 years since launch. Twice faster than any competitor did in Russia

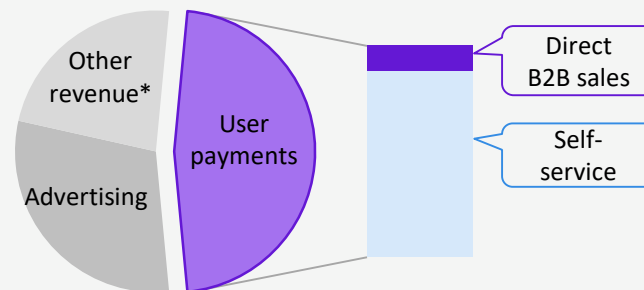


Source: Internal statistics

* Other revenue includes revenue from context targeting and real estate deal commissions

User payments accounted for ~half of revenue
Self-service customers are the largest contributors

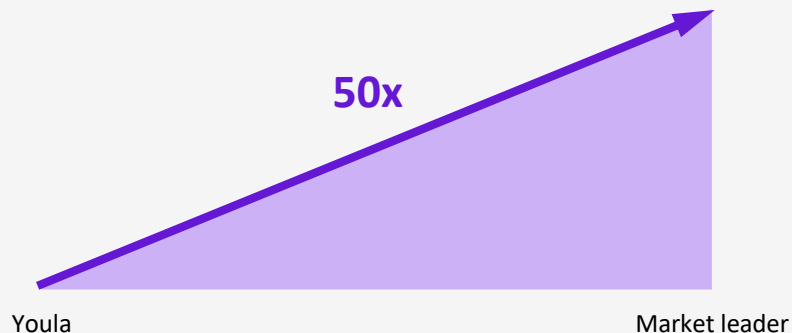
Revenue split in 1H'19



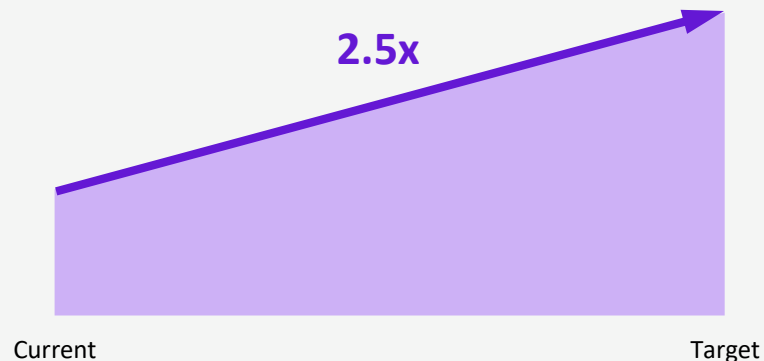
- Self-service customers were the main contributors to past results. Direct B2B sales comprised non-meaningful share of revenue
- Basic version of B2B platform recently launched in 2Q'19 - starting point for B2B stream development (see next page)
- Growing share of subscription based revenue in line with B2B expansion. Advertising revenue share to decline

B2B revenue drivers

Driver 1:
50x growth in # of B2B clients ⁽¹⁾



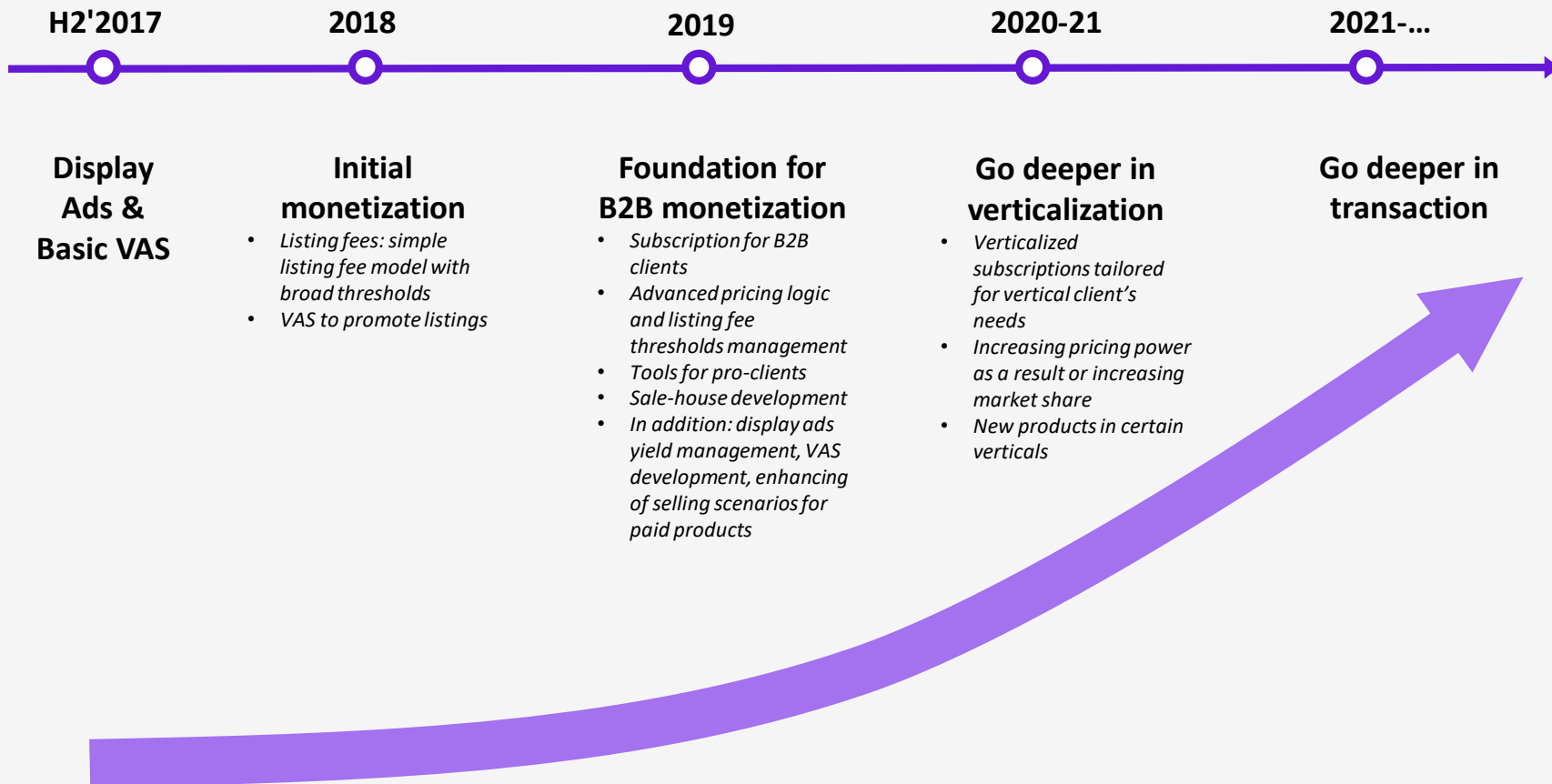
Driver 2:
ARPPU of B2B clients to grow 2.5x over current levels ⁽²⁾



B2B initiatives

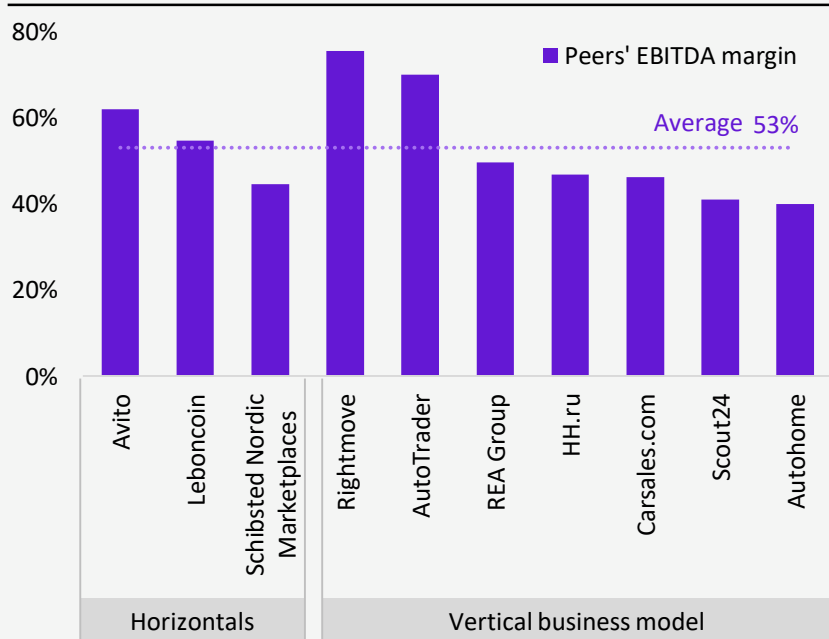
- Subscriptions with features tailored for vertical needs and value-based pricing
- B2B platform with detailed data-driven analytics, performance management solutions, and automated billing
- Further enhancing distributions channels, including expansion of internal sales force

Monetization development path

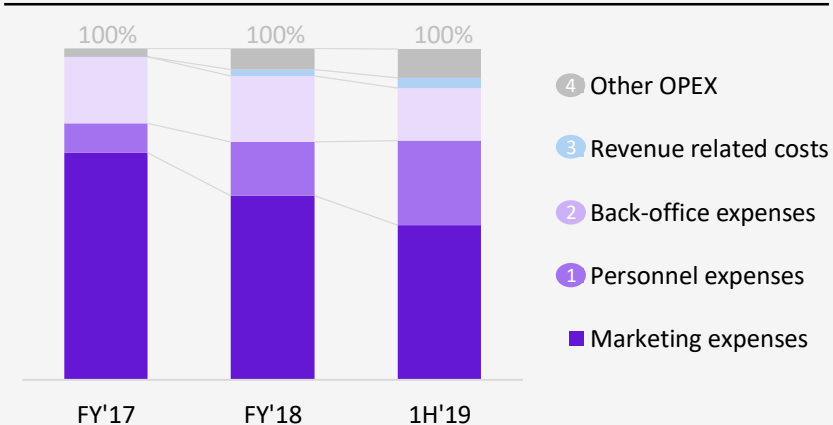


Sector proven margin of 50%+

Target EBITDA margin reaching 50%+



Cost breakdown

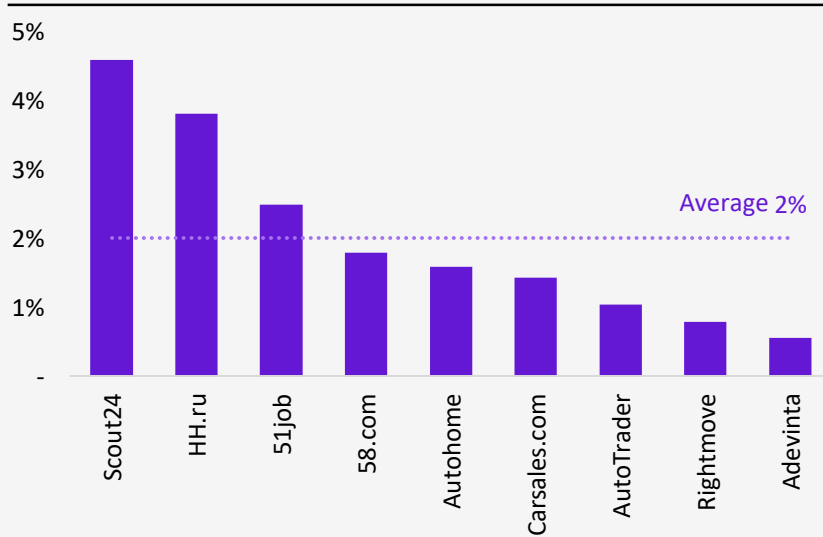


- 1 Team expansion to support each vertical
- 2 Expenses of centralised corporate services
- 3 Real estate agent fees, card processing costs related to Youla revenue (acquiring)
- 4 Maps, SMS notifications, IT software costs, outsource of user support functions

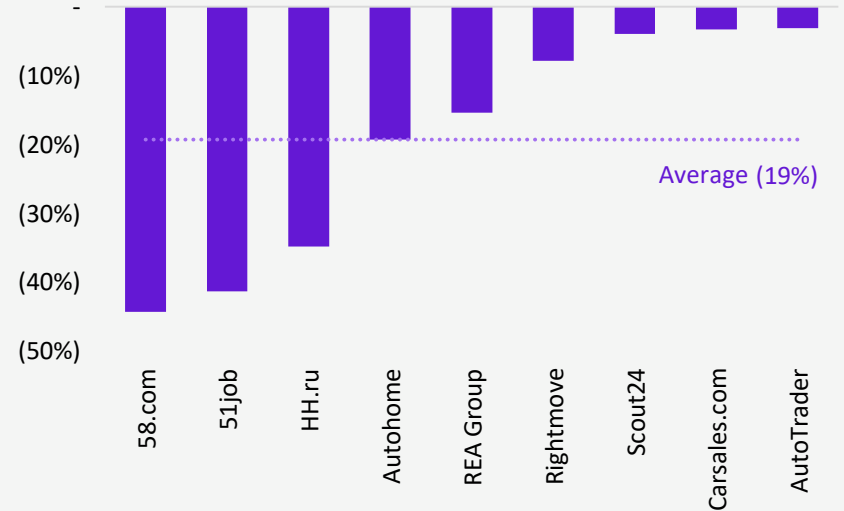
Source: Internal analysis based on CapIQ and peer companies' reports for the last 12 reporting months
Avito's EBITDA margin is sourced from Vostok New Ventures reports covering 12 months ending Sep'18

Asset-light model with high cash generation due to low CAPEX and NWC requirements

Peers' CAPEX to Revenue ratios



Peers' NWC to Revenue ratios Negative NWC prevails due to subscription based models



Source: Internal analysis based on CapIQ and peer companies' reports. Ratios were averaged for last 3 years

Reference comps

Publicly listed companies⁽¹⁾

Peer company	Vertical	Country	Revenue 3-year CAGR, %	EV / Revenue, 2019E	EV / EBITDA, 2019E
Scout24 AG	Auto, Real Estate	EU	12%	10,1x	19,4x
Rightmove Plc	Real estate	UK	11%	16,0x	20,9x
AutoTrader Group	Auto	UK	8%	15,5x	20,9x
REA Group	Real estate	Australia	18%	15,0x	30,1x
Carsales.com	Auto	Australia	7%	10,0x	21,6x
SEEK	Jobs	Australia	17%	5,5x	22,0x
Developed markets average			12%	12,0x	22,5x
HH.ru	Jobs	Russia	25%	8,3x	16,7x
Autohome	Auto	China	22%	7,2x	17,2x
51job	Jobs	China	22%	5,0x	n/a
58.com	Horizontal	China	28%	3,3x	16,2x
Adevinta ASA	Horizontal	Global	n/a	10,8x	37,2x
Emerging markets average			24%	6,9x	21,8x
Global average			17%	9,7x	22,2x

Transaction based valuation⁽²⁾

Peer company	Vertical	Country	Revenue 3-year CAGR, %	EV / Revenue, 2018A	EV / EBITDA, 2018A
Avito (Jan'19 deal)	Horizontal	Russia	48%	13,6x	21,8x

Source: (1) Internal analysis based on CapIQ and peer companies' reports as of Aug'19;

(2) Internal analysis based on: a) Implied enterprise value on Naspers acquisition of Avito announced on Jan'19 (USD 3.85bn converted to RUB using 66 RUB/USD exchange rate); b) revenue and EBITDA for 12 month period from Oct'17 to Sep'18 sourced from Vostok New Ventures reports

Q&A session

