

Notice of Meeting & Scheme Booklet

In relation to the proposed acquisition of all of the Shares in Trade Me Group Limited by Titan AcquisitionCo New Zealand Limited for NZ\$6.45 cash per Share under a scheme of arrangement

TRADE ME'S DIRECTORS UNANIMOUSLY RECOMMEND THAT YOU VOTE IN FAVOUR OF THE SCHEME, IN THE ABSENCE OF A SUPERIOR PROPOSAL

Your vote is very important

A special meeting to consider, and vote on, the Scheme will be held at:

TIME: 2.00pm (New Zealand time)

DATE: Wednesday, 3 April 2019

PLACE: Icon Room, Museum of New Zealand Te Papa Tongarewa, 55 Cable Street, Wellington, New Zealand

For further information, you can also call the Shareholder information line on 0800 630 110 (toll free within New Zealand) or 1800 129 431 (toll free within Australia) between 8.30am and 5.00pm (New Zealand time), Monday to Friday

IMPORTANT

This is an important document and requires your immediate attention. You should read it carefully and in its entirety before deciding whether or not to vote in favour of the Scheme. If you are in doubt as to any aspect of the Scheme, you should seek advice from your broker or your financial, taxation or legal adviser immediately.

If you have sold all of your Shares in Trade Me, please disregard this Scheme Booklet.

An Independent Adviser's report on the merits of the Scheme accompanies this Scheme Booklet and should be read carefully.



What do you need to do?

- Read this Scheme Booklet carefully and completely.
- Decide whether or not you are in favour of the Scheme. **The Directors unanimously recommend that you vote in favour of the Scheme, in the absence of a Superior Proposal.**
- Note the date and time of the Scheme Meeting – 2.00pm, 3 April 2019. You can attend in person (in Wellington) or online. You can also vote online during the Scheme Meeting.
- If you are not attending the Scheme Meeting in person or online, complete the Proxy Form accompanying this Scheme Booklet, including directing your proxy how to vote. Submit your proxy to Trade Me’s share registrar, Link Market Services, as set out on the form. You can do that online at vote.linkmarketservices.com/tme, or by other means, but your proxy instructions must be received by Link Market Services by 2.00pm on 1 April 2019.
- You can also watch for further announcements about the Scheme, including announcements submitted by Trade Me via the NZX and ASX market announcements platforms or otherwise circulated to Shareholders.
- If you need further information, you can also call the Shareholder information line on 0800 630 110 (toll free within New Zealand) or 1800 129 431 (toll free within Australia) between 8.30am and 5.00pm (New Zealand time), Monday to Friday.
- Your vote is very important. For the Scheme to be approved:
 - At least 75% of the votes of Shareholders in each interest class *who are entitled to vote* and *who actually vote* must be voted in favour of the Scheme Resolution,
 - and**
 - More than 50% of the votes of all Shareholders *entitled to vote*, whether or not actually voted, must be voted in favour of the Scheme Resolution.
- If you are in doubt as to what you should do, please seek advice from your financial, taxation or legal adviser.

Important Information

Purposes of this Scheme Booklet

The purposes of this Scheme Booklet are to:

- provide you with information about the proposed acquisition of Trade Me by Titan under the Scheme;
- explain the terms and effect of the Scheme;
- explain the manner in which the Scheme will be considered and, if approved, implemented;
- provide you with information that could reasonably be expected to be material to your decision whether to vote in favour of, or against, the Scheme; and
- communicate the information required under law and as required by the Takeovers Panel in relation to the Scheme.

One section of this Booklet (section 3.17) also serves as the disclosure statement that is required to be given to all Shareholders under section 61(5) of the Companies Act in relation to the buyback of a small number of restricted Shares if the Scheme is approved. This Scheme Booklet is not a product disclosure statement.

Your decision

This Scheme Booklet does not take into account your individual investment objectives, financial situation or needs. You need to make your own decisions and seek your own advice in this regard.

The information and recommendations contained in this Scheme Booklet do not constitute, and should not be taken as constituting, financial product advice.

If you are in any doubt as to what you should do, you should seek advice from your financial, taxation or legal adviser before making any decision regarding the Scheme.

Not an offer

This Scheme Booklet does not constitute an offer to Shareholders (or any other person), or a solicitation of an offer from Shareholders (or any other person), in any jurisdiction.

Laws of New Zealand

This Scheme Booklet has been prepared in accordance with New Zealand law. Accordingly, the information in it may not be the same as might have been disclosed had the Scheme Booklet been prepared in accordance with the laws and regulations of another jurisdiction.

Forward looking statements

This Scheme Booklet contains certain forward looking statements, which are subject to risks (both known and unknown), uncertainties, assumptions and other important factors that could cause the actual conduct, results, performance or achievements of Trade Me to be materially different. Deviations as to future conduct, market conditions, results, performance and achievements are normal and are to be expected.

Forward looking statements generally may be identified by the use of forward looking words such as ‘aim’, ‘anticipate’, ‘believe’, ‘estimate’, ‘expect’, ‘forecast’, ‘foresee’, ‘future’, ‘intend’, ‘likely’, ‘may’, ‘outlook’, ‘planned’, ‘potential’, ‘should’, or other similar words.

Neither Trade Me, its Directors nor any other person gives any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward looking statements in this Scheme Booklet will actually occur. You are cautioned against relying on any such forward looking statements.

Privacy and personal information

Trade Me and Titan, and their respective agents, may collect personal information in the process of implementing the Scheme. Such information may include the name, contact details and shareholdings of Shareholders and the name of persons appointed by those persons to act as a proxy or corporate representative at the Scheme Meeting. The primary purpose of the collection of personal information is to assist Trade Me and Titan to conduct the Scheme Meeting and implement the Scheme.

Personal information of the type described above may be disclosed to Link Market Services, design, print and mail service providers, proxy solicitation firms, Related Companies of Trade Me and Titan and Trade Me’s and Titan’s service providers and advisers. Shareholders have certain rights to access personal information that

has been collected. You should contact Link Market Services in the first instance if you wish to access your personal information. Shareholders who appoint a named person to act as their proxy or corporate representative should make sure that person is aware of these matters.

Responsibility for information

Other than as set out below, this Scheme Booklet has been prepared by, and is the responsibility of, Trade Me:

- the Titan Information has been prepared by, and is the responsibility of, Titan. Trade Me and its Directors, officers and employees have not been involved in preparing or verifying any of the Titan Information and will not assume any responsibility for the accuracy or completeness of the Titan Information. Titan and its Related Companies and affiliated entities and their respective Representatives do not assume any responsibility for the accuracy or completeness of any information in the Scheme Booklet other than the Titan Information;
- the Independent Adviser’s Report included as Annexure A has been prepared by, and is the responsibility of, the Independent Adviser. Trade Me, Titan and their respective Related Companies and Representatives do not assume any responsibility for the accuracy or completeness of the Independent Adviser’s Report; and
- the information in section 7 of this Scheme Booklet (Tax implications) has been prepared by Deloitte. Trade Me, Titan and their respective Related Companies and Representatives do not assume any responsibility for the accuracy or completeness of the information in section 7. The information in section 7 is generic in nature and is not tax advice specific to your circumstances. Deloitte does not assume any responsibility to you if you rely on the information in section 7. You should seek your own tax advice specific to your circumstances.

Websites

Any reference in this Scheme Booklet to any website is for informational purposes only. No information contained on any website forms part of this Scheme Booklet and, to the maximum extent permitted by law, Trade Me and its Directors, officers, employees and advisers disclaim any responsibility for the content of any website referenced in this Scheme Booklet.

Timetable and dates

All references to times in this Scheme Booklet are references to New Zealand time, unless otherwise

stated. Any obligation to do an act by a specified time in New Zealand time must be done at the corresponding time in any other jurisdiction.

Diagrams, charts, graphs and tables

Any diagrams, charts, graphs and tables appearing in this Scheme Booklet are illustrative and may not be to scale.

Effect of rounding

A number of figures, amounts, percentages, prices, estimates, calculations of value and fractions in this Scheme Booklet are subject to the effect of rounding. Accordingly, actual calculations may differ from amounts set out in this Scheme Booklet.

Role of Takeovers Panel and Court

The fact that the Takeovers Panel has provided a letter indicating that it does not intend to object to the Scheme (or subsequently issues a no-objection statement in respect of the Scheme), or that the Court has ordered that a meeting be convened, does not mean that the Takeovers Panel or the Court:

- have formed a view as to the merits of the proposed Scheme or as to how Shareholders should vote on this matter. Shareholders must reach their own decision; or
- have prepared, or are responsible for the content of, the Scheme Booklet or any other material.

Notice of the Final Court Hearing

If you wish to oppose the Scheme at the Final Court Hearing (which will take place after the Scheme Meeting), you must file by 8 April 2019 a notice of appearance or a notice of opposition together with supporting documents at the Court and serve a copy at the offices of Russell McVeagh in Auckland (at Level 30, Vero Centre, 48 Shortland Street, Auckland 1010, New Zealand) or Wellington (at Level 24, Dimension Data House, 157 Lambton Quay, Wellington 6011, New Zealand).

Defined terms

Capitalised terms set out in this Scheme Booklet have the meanings given to them in the Glossary in section 8.

Date of this Scheme Booklet

This Scheme Booklet is dated 13 March 2019.

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Key dates

Event	Indicative date and time (2019)
Scheme Booklet circulated	19 March
Proxy Forms due	1 April, 2.00pm
Voting Record Date	1 April, 7.00pm – the date on which eligibility to vote at the Scheme Meeting is determined
Scheme Meeting	3 April, 2.00pm, at Icon Room, Museum of New Zealand Te Papa Tongarewa, 55 Cable Street, Wellington, New Zealand
If the Scheme is approved by Shareholders	
Deadline for filing a notice of opposition in respect of the Final Court Orders	8 April, 5.00pm (or such date as the Court directs)
Final Court Hearing	16 April, 10.00am (or such date as the Court directs)
Trading Halt Date	2 May – Shares are expected to be suspended from trading on both the NZX and ASX from close of trading on this date
Scheme Record Date	6 May, 7.00pm – the date on which the Shareholders entitled to be paid the Scheme Consideration are determined
Implementation Date	8 May – the date on which the Scheme Shareholders are paid
Delisting date	8 May (or shortly thereafter) – the date on which Trade Me ceases to be listed on the NZX and ASX
End Date	12 July (or such later date as Trade Me and Titan may agree)

All dates in the table above are indicative only (except for the End Date), and, among other things, are subject to the satisfaction or waiver (if capable of waiver) of all Conditions, including the approval of the Court. The Implementation Date will not occur before 8 May 2019.

Any changes to the above timetable will be announced to the NZX (at nzx.com/companies/TME) and ASX (at asx.com.au) and notified on Trade Me's website (at investors.trademe.co.nz).

Any obligation to do any act by a specified time in New Zealand time must be done at the corresponding time in any other jurisdiction.

If the Conditions to the Scheme have not been satisfied or waived (if capable of waiver) by the End Date, the Scheme may not proceed unless Trade Me and Titan agree to extend the End Date.

SECTION 1:

Chairman's letter

13 March 2019

Dear Shareholders,

We announced on 12 December 2018 that Trade Me had entered into a Scheme Implementation Agreement with Titan (a New Zealand company owned by the Apax IX Fund, a private equity fund that is advised by Apax Partners) under which Titan agreed to acquire 100% of the Shares in Trade Me for NZ\$6.45 cash per Share by way of a scheme of arrangement.

For the Scheme to proceed, it must be approved by Shareholders at the Scheme Meeting, which is scheduled to be held at 2.00pm on 3 April 2019. A Notice of Meeting is included in section 2 of this Scheme Booklet. Although consent has now been received by Titan from the Overseas Investment Office, the Scheme remains subject to the satisfaction of certain other Conditions, including the approval of the Court.

I am pleased to provide you with this Scheme Booklet on behalf of the Trade Me Board. It contains all the information you should need to assess the merits of the Scheme before you vote. I encourage you to read it carefully.

If the Scheme is approved by the required majorities by the Shareholders, all other Conditions are satisfied and if you are a Shareholder on the Scheme Record Date, you will receive **NZ\$6.45 in cash for each Share** you hold. This will be the entire amount payable to you in relation to your Shares. This amount is expected to be paid to Shareholders on or about 8 May 2019, assuming all Conditions are satisfied prior to that time. You will not receive the dividend Trade Me usually pays in March. The Directors took this factor into account when assessing the value of the offer and in making their unanimous recommendation for you to vote in favour of the Scheme.

Directors' recommendation

All of the Directors **recommend that you VOTE IN FAVOUR of the Scheme** in the absence of a Superior Proposal. Subject to that qualification, each Director intends to **vote all the Shares** he or she holds or controls **IN FAVOUR** of the Scheme.

In reaching this conclusion, we have carefully considered the advantages and disadvantages of Titan's proposal. The Directors consider that NZ\$6.45 is an attractive price for your Shares and unanimously believe the reasons for you to vote in favour of the Scheme significantly outweigh the reasons for you to vote against the Scheme. We set out these reasons in detail in section 3 of the Scheme Booklet. In summary, we recommend that you vote in favour of the Scheme for the following key reasons:

- **Independent Adviser:** The Scheme Consideration that Titan is offering of NZ\$6.45 per Share is **above** the Independent Adviser's valuation range of NZ\$5.93 to NZ\$6.39 per Share.
- **Premium to pre-announcement trading:** The Scheme Consideration of NZ\$6.45 per Share represents a material premium to the price at which Shares traded prior to the announcement of the Scheme on a variety of measures, including a 26.5% premium to Trade Me's closing Share price on the NZX on 20 November 2018, the last trading day prior to the announcement of Titan's non-binding indicative offer (see section 3.5 for further detail).
- **You can realise the value of your Shares now for 100% cash consideration:** While the Board has a positive outlook for Trade Me and is confident that the business is well positioned to deliver growth in the long term, the Scheme Consideration of NZ\$6.45 per Share provides you with certainty of value for your Shares (subject to the Scheme becoming Effective). There is no assurance that you will be able to achieve returns that are equivalent to or better than the Scheme Consideration of NZ\$6.45 per Share at any time in the future.
- **No better offer:** No better offer for your Shares (defined as a "Superior Proposal" in this Scheme Booklet) has emerged up to the date of this Scheme Booklet and the only other approach that Trade Me received was withdrawn shortly after the Scheme was announced. While the Board retains the discretion to deal with a Superior Proposal if any is received in order to comply with their fiduciary or statutory duties (subject always to Titan's right to match that Superior Proposal), there can be no expectation or assurance that any further proposals will emerge at any time.

- **No brokerage:** Generally, Shareholders should not be required to pay any brokerage charges on the transfer of their Shares to Titan under the Scheme.

We have also carefully considered the disadvantages of the Scheme proceeding. In particular, if the Scheme is approved and implemented, you will receive the Scheme Consideration but you will no longer be a Shareholder in Trade Me. You won't participate as an investor in Trade Me's future financial performance, including potential dividends. Given this, you may consider that you will receive greater value through your investment in Trade Me over the longer term than you will receive under the Scheme now. Alternatively, you may consider that a better offer for Trade Me is still likely to emerge or that the Scheme is otherwise not in your own best interests (including if you decide that you disagree with the Independent Adviser's valuation range for the Shares).

Independent Adviser

We appointed Grant Samuel & Associates Limited as the Independent Adviser to assess the merits of the Scheme. The Independent Adviser has concluded that the Scheme Consideration of NZ\$6.45 is **above** its valuation range for the Shares of NZ\$5.93 to NZ\$6.39.

The Independent Adviser's Report is included as Annexure A to this Scheme Booklet. Please be aware that this report was finalised by the Independent Adviser for filing with the Court before Titan obtained consent from the Overseas Investment Office. Accordingly, references to the requirement for Titan to obtain Overseas Investment Office consent in the Independent Adviser's Report should be read on the basis that this consent has now been obtained.

No unusual Conditions and OIO Condition satisfied

The Scheme was agreed subject to the usual Conditions for a transaction of this nature, including approval by Shareholders at the Scheme Meeting, Court approval and consent from the Overseas Investment Office. It is not subject to any unusual conditions, including any foreign regulatory conditions. Titan has recently satisfied one of the main Conditions to the Scheme

by obtaining Overseas Investment Office consent to acquire Trade Me. Trade Me has no reason to believe that any of the other outstanding Conditions will not be able to be satisfied, including within the indicative timetable set out in this Scheme Booklet.

How to vote

Your vote is very important, no matter how many Trade Me Shares you own.

The Scheme will be implemented if it is approved by the required majorities of Shareholders at the Scheme Meeting and all other Conditions are satisfied. If the Scheme is implemented, your Shares will be transferred to Titan for the Scheme Consideration irrespective of whether or how you voted. **It is therefore very important that you take this opportunity to have your say on the Scheme by voting.**

You can vote by attending the Scheme Meeting in person or online. Or you can exercise your right to vote by completing a Proxy Form.

There are instructions for online attendance and voting, and appointment of a proxy, in the Notice of Meeting. A personalised Proxy Form accompanies this Scheme Booklet, but a proxy can also be appointed online by going to vote.linkmarketservices.com/tme.

Further information

As well as reading this Scheme Booklet you may wish to seek independent legal, financial, taxation or other professional advice.

For further information, you can also call the Shareholder information line on 0800 630 110 (toll free within New Zealand) or 1800 129 431 (toll free within Australia) between 8.30am and 5.00pm (New Zealand time), Monday to Friday.

Conclusion

On behalf of all of the Directors of Trade Me, I would like to reiterate our support for the Scheme. We strongly encourage you to vote and to vote **IN FAVOUR** of the Scheme. We look forward to your participation either at the Scheme Meeting at 2.00pm on Wednesday, 3 April 2019 or through your proxy vote.

Yours sincerely,



David Kirk
Chairman

SECTION 2:

Notice of Meeting

Notice is given that a special meeting of Shareholders of Trade Me Group Limited will be held at:

Time: 2.00pm

Date: Wednesday, 3 April 2019

Where: Icon Room, Museum of New Zealand Te Papa Tongarewa, 55 Cable Street, Wellington, New Zealand and online at virtualmeeting.co.nz/TME19

Shareholders may attend the meeting online as an alternative to attending in person. If you attend online you will be able to watch the Scheme Meeting, ask questions and vote, by logging on from a computer anywhere a broadband connection is available. Further information, including how to register for the online Scheme Meeting, can be found in paragraph 7 of the explanatory notes below.

Agenda

1. Chairman's introduction

2. Scheme Resolution

To consider and, if thought fit, to pass the following resolution:

That the Scheme under which all of the Shares in Trade Me are to be transferred to Titan Acquisition Co New Zealand Limited for NZ\$6.45 per Share (the terms of which are described in the Scheme Booklet) is approved.

Explanatory notes to the Scheme Resolution and the Scheme are set out below.

By order of the Board

Sarah Hard

Company Secretary

13 March 2019

Explanatory notes

1. The Scheme Booklet (which includes this Notice of Meeting) provides you with information on the Scheme, how it came about, the reasons it is proposed and unanimously recommended by the Directors, the Scheme Resolution and how the Scheme will be implemented if approved. In the Scheme Booklet, for ease, you will see that Titan AcquisitionCo New Zealand Limited is simply called “Titan”.
2. The Scheme is to be implemented by way of a Court approved scheme of arrangement under Part 15 of the Companies Act pursuant to the Scheme Plan included as Annexure B of the Scheme Booklet. Trade Me obtained Initial Court Orders from the Court on 6 March 2019 specifying how Trade Me is to proceed with the Scheme. These Initial Court Orders are available to view at Trade Me’s investor website at investors.trademe.co.nz. The next significant step in the Scheme process is the approval of the Shareholders by voting on the Scheme Resolution.
3. For the Scheme to be approved by the Shareholders:
 - at least 75% of the votes of Shareholders in each interest class *who are entitled to vote* and *who actually vote* must be voted in favour of the Scheme Resolution; and
 - more than 50% of the votes of all Shareholders *entitled to vote*, whether or not actually voted, must be voted in favour of the Scheme Resolution.
4. Both of the voting thresholds set out in paragraph 3 above must be met for the Scheme Resolution to be approved. Trade Me has only one class of shares, all of which are fully paid up, ordinary shares with identical voting rights. That, combined with the fact that neither Titan nor the substantial shareholders in Titan as at the Implementation Date (being Apax IX Fund and Selhurst, see section 4.2) hold (or will hold immediately prior to implementation) any Shares in Trade Me, means that, at the date of the Scheme Booklet, there is only one interest class. This is expected to remain the case at the time of the Scheme Meeting.
5. Because the second voting threshold referred to in paragraph 3 above requires more than 50% of the total Shares on issue to be voted in favour of the Scheme, **it is very important that you take this opportunity to have your say on the Scheme.**
6. You are entitled to attend and vote at the Scheme Meeting on 3 April 2019 if you are recorded in the Register as a Shareholder at the Voting Record Date.
7. Shareholders who are eligible to vote can vote:
 - in person** – by attending the Scheme Meeting. Please bring your personalised Proxy Form (which accompanies this Scheme Booklet);
 - online** – at virtualmeeting.co.nz/TME19. Information on attending online, how to ask questions and vote, is available in the Virtual Meeting Online Guide available at linkissuers.co.nz/virtualmeetings;
 - by proxy** – by lodging your Proxy Form online or otherwise completing it in accordance with the instructions on that form; or
 - by corporate representative** – a company which is a Shareholder may appoint a person to attend the Scheme Meeting on its behalf in the same manner as appointing a proxy.
8. To appoint a proxy, completed Proxy Forms must be received by Link Market Services by no later than 2.00pm (New Zealand time) on 1 April 2019. Completed Proxy Forms can be submitted:
 - **online:** vote.linkmarketservices.com/tme. New Zealand Register holders will require their CSN/Holder Number and FIN to appoint a proxy online. Australian Register holders will require their Holder Number and postcode. Please note that if you have previously registered a Link Investor Centre Portfolio, you should log in to your portfolio and select the “voting” option from the top menu
 - **by mail:** by sending to:
 - Link Market Services
 - PO Box 91976
 - Victoria Street West
 - Auckland 1142
 - New Zealand
 - **by fax:** +64 9 375 5990
 - **by scan and email:** meetings@linkmarketservices.com
 - **in person:** by delivering to:
 - Link Market Services
 - Level 11, Deloitte Centre
 - 80 Queen Street
 - Auckland 1010
 - New Zealand

If you appoint a proxy, you can either direct your proxy how to vote or let them decide on your behalf by ticking the box marked “proxy discretion”. If you don’t tick a box for the Scheme Resolution, then your proxy will be treated as having discretion on how to vote.

The proxy you appoint does not need to be a Shareholder. You can appoint the Chairman or another Director as your proxy if you wish. The Chairman and all other Directors intend to vote discretionary proxies in favour of the Scheme Resolution unless they are instructed otherwise by the person who appoints them.

If you intend to attend the Scheme Meeting in person, please bring your personalised Proxy Form with you to help us with your registration on the day.

9. If you are not in favour of the Scheme you can vote against the Scheme Resolution. As a Shareholder, you also have the right to appear, and be heard, at the Final Court Hearing. Further details on these rights are set out in section 3 of the Scheme Booklet (Information about the Scheme) at section 3.13.
10. If the Scheme Resolution is passed and the Scheme is implemented, all of the Shares you hold on the Scheme Record Date will be transferred to Titan, regardless of whether or how you voted on the Scheme Resolution, and you will be paid NZ\$6.45 per Share in cash. **It is therefore very important that you have your say by voting on the Scheme Resolution, regardless of how many Shares you hold.**
11. Capitalised terms used in this Notice of Meeting have the meanings given to them in section 8 (Glossary) of the Scheme Booklet.

SECTION 3:

Information about the Scheme

3.1 Summary of the Scheme

Titan, a New Zealand company owned by Apax IX Fund, a fund advised by Apax Partners, has agreed to buy all of the Shares in Trade Me for NZ\$6.45 cash per Share under a scheme of arrangement. That is the “Scheme” referred to in this Scheme Booklet.

For the Scheme to be implemented, the Shareholders need to approve the Scheme and certain other outstanding Conditions must be satisfied, including the approval of the Court. (Progress against those other Conditions is covered in section 3.10.)

If the Scheme is to be implemented, all Shares will be transferred to Titan and the Shareholders will receive NZ\$6.45 cash for each Share they hold in Trade Me as at the Scheme Record Date (estimated to be 7.00pm, 6 May 2019).

3.2 How the Scheme came about

Apax Partners, L.P. (a subsidiary of Apax Partners incorporated in the United States of America), approached the Board with a non-binding indicative offer to acquire Trade Me on 11 October 2018 at a price of NZ\$6.40 per Share. More information about Apax Partners is included in section 4 (Information about Titan and Apax Partners) of this Scheme Booklet.

Following initial confidential discussions, Apax Partners L.P. began confirmatory due diligence with the intention of progressing to a binding offer on behalf of the Apax IX Fund.

On 21 November 2018, the Board became aware of speculation in the media about a potential offer having been made to acquire Trade Me and announced the non-binding, indicative offer received from Apax Partners L.P.

While Apax Partners L.P. was completing its due diligence, Trade Me received a further non-binding indicative offer from another private equity fund at a higher price of NZ\$6.45 per Share. The Directors agreed to continue to

engage with both prospective bidders in the interests of maximising value for Shareholders.

On 10 December 2018, with due diligence completed, Titan made a binding offer to acquire Trade Me at an increased price of NZ\$6.45 per Share, matching the non-binding indicative price offered by the other private equity fund, and confirmed that its offer was binding (subject to the parties agreeing the terms of a scheme implementation agreement and the conditions in that agreement being satisfied).

Trade Me and Titan signed the Scheme Implementation Agreement on 12 December 2018, and Trade Me agreed to propose the Scheme under which all of the Shares in Trade Me would be bought by Titan for NZ\$6.45 cash per Share. The other prospective bidder withdrew its indicative offer at that point and informed Trade Me that it did not intend to pursue a superior proposal to acquire Trade Me.

A copy of the Scheme Implementation Agreement agreed between Trade Me and Titan is available on Trade Me's investor relations website at investors.trademe.co.nz. For ease of reference, a summary of certain key terms of the Scheme Implementation Agreement is also set out in section 6.10 of this Scheme Booklet.

As at the date of this Scheme Booklet, there are no other proposals. However, the Board retains the discretion to consider other proposals received, should any emerge, if it is necessary for the Board to respond to the proposal to comply with their fiduciary or statutory duties and if the proposal is reasonably capable of becoming a Superior Proposal. These rights are subject always to Titan's right to match any such Superior Proposal.

3.3 What you will receive under the Scheme if it's approved and implemented

If all of the Conditions are satisfied, and the Scheme is implemented, each Scheme Shareholder will receive NZ\$6.45 cash per Share from Titan for each Share held as at the Scheme Record Date (estimated to be 7.00pm on 6 May 2019).

Trade Me is not permitted to pay any further dividends to Shareholders (including the dividend normally paid in March), without Titan's prior approval. The Directors took this factor into account when assessing the value of the offer and in making their unanimous recommendation for you to vote in favour of the Scheme.

You will not receive any further dividends from Trade Me once the Scheme is implemented, because your Shares will be held by Titan as the sole shareholder in Trade Me.

3.4 As the Directors, we unanimously recommend that you VOTE IN FAVOUR of the Scheme, in the absence of a Superior Proposal

Each Director intends to vote all of the Shares he or she holds or controls in favour of the Scheme, in the absence of a Superior Proposal. Our interests as Directors in Shares are explained in section 6 (Target company information) of this Scheme Booklet.

3.5 "For" – reasons to vote in favour of the Scheme

Here are the key reasons why the Directors believe that NZ\$6.45 is an attractive price for your Shares and why they unanimously recommend that you vote **in favour** of the Scheme at the Scheme Meeting to be held on 3 April 2019:



NZ\$6.45 per Share is above the Independent Adviser's valuation range of NZ\$5.93 to NZ\$6.39 per Share

We appointed Grant Samuel & Associates Limited as the Independent Adviser to prepare an Independent Adviser's Report in connection with the Scheme. The Takeovers Panel approved the appointment of Grant Samuel for that role. The Independent Adviser's Report is included as Annexure A of this Scheme Booklet and you are encouraged to read it.

Grant Samuel has assessed the value of the Shares in Trade Me to be in the range of NZ\$5.93 to NZ\$6.39 per Share. That assessment includes a premium for control of Trade Me. The Scheme Consideration of NZ\$6.45 cash per Share is **above** this range determined by the Independent Adviser.



You can realise the value of your Shares now for 100% cash consideration

While the Board has a positive outlook for Trade Me and is confident that the business is well positioned to deliver growth in the long term, the Scheme Consideration of NZ\$6.45 per Share provides you with certainty of value for your Shares (subject to the Scheme becoming Effective). You will not be subject to the business risks and investment risks that would apply if you continued to hold your Shares.

If the Scheme does not proceed, there will be uncertainty about the amount you will be able to realise by selling your Shares or by receiving dividends. You will continue to be subject to the benefits and risks associated with Trade Me's business and other general benefits and risks relating to any investment in a publicly listed company. There is no assurance that you will be able to achieve returns that are equivalent to or better than the Scheme Consideration of NZ\$6.45 per Share at any time in the future.



NZ\$6.45 per Share represents a material premium to the price at which Shares traded (prior to the announcement of the Scheme) on a variety of measures

- 26.5% premium to Trade Me's closing price on the NZX on 20 November 2018, the last trading day prior to the announcement of Titan's non-binding indicative offer;
- 27.0% premium to Trade Me's volume weighted average price (VWAP) on the NZX for the month to 20 November 2018;
- 25.9% premium to Trade Me's VWAP on the NZX for the three months to 20 November 2018;
- 31.7% premium to Trade Me's VWAP on the NZX for the six months to 20 November 2018; and
- 36.4% premium to Trade Me's VWAP on the NZX for the 12 months to 20 November 2018.

Figure 1: Offer price premiums to share price on and before 20 November 2018





Shares in Trade Me may trade at less than NZ\$6.45 if the Scheme does not proceed and no Superior Proposal emerges

We can't predict the price at which Shares in Trade Me will trade in the future, but we believe that if the Scheme is not implemented, and in the absence of any Superior Proposal emerging, the Shares are likely to trade at less than the NZ\$6.45 per Share being offered by Titan.

We announced Titan's initial non-binding indicative offer to acquire Trade Me on 21 November 2018. At the close of trading on NZX on 20 November 2018, the last trading day prior to announcement, Shares in Trade Me closed at NZ\$5.10. Since market close on 20 November 2018, Trade Me's Share price has increased 25.1%, up to NZ\$6.38 on 8 March 2019, being the last practicable date before the date of this Scheme Booklet.

In addition, the future trading price of Shares will continue to be subject to any market volatility. This contrasts with the certainty of value of the cash payment of the Scheme Consideration of NZ\$6.45 per Share under the Scheme.



No Superior Proposal has emerged since the Scheme was announced and there can be no expectation or assurance that any further proposals will emerge

Since we announced on 12 December 2018 that Trade Me had entered into the Scheme Implementation Agreement with Titan, and as of the date of this Scheme Booklet, no Superior Proposal has been received. The alternative, non-binding indicative offer, which was then matched by Titan, was withdrawn on 13 December 2018 and the third party that submitted the alternative indicative offer confirmed to Trade Me that it did not intend to pursue a superior proposal to acquire Trade Me.

While the Board retains the discretion to consider any other proposal that is reasonably capable of becoming a Superior Proposal (provided that it is necessary for the Board to respond to such proposal to comply with their fiduciary or statutory duties and subject always to Titan's right to match that Superior Proposal), there can be no expectation or assurance that any further proposals will emerge at any time. The Board would also need to take into account the break fee payable to Titan, referred to in section

3.9, in deciding whether to engage on any new proposal.



Generally, no brokerage charges will be charged on the transfer of your Shares to Titan if the Scheme proceeds

This is in contrast to selling your Shares on the NZX or on the ASX where you will generally incur brokerage charges.

It is very important that you have your say by voting on the Scheme Resolution. For the above reasons, your Directors UNANIMOUSLY RECOMMEND that your vote be IN FAVOUR of the Scheme.

3.6 "Against" – reasons you may vote against the Scheme

Here are some of the reasons why you may decide to vote against the Scheme. While we acknowledge these, we believe that the reasons to vote for the Scheme significantly outweigh the reasons to vote against it.



You could consider that the Scheme is not in your best interests and disagree with the Independent Adviser's valuation range

Put simply, you might have a different view of the value of the Shares or otherwise believe that the Scheme is not in your individual interests.



You might consider that Trade Me has greater value over the longer term than you will receive under the Scheme

If the Conditions of the Scheme are satisfied (including Shareholder approval), the Scheme is expected to be implemented on or about 8 May 2019. You might consider that your Shares in Trade Me will have greater value by this time or over a longer term, because you believe that they have growth potential.

If that's the case, you might think that it would be better for the Scheme not to proceed so that you can retain your Shares and realise the value of them over the longer term. If you would like to consider the Independent Adviser's view of what a continued existence as a listed company means for Trade Me, please refer to section 5.6 of the Independent Advisers' Report.

 **You may wish to maintain an investment in a publicly listed company with the specific characteristics of Trade Me in terms of industry, operations, profile, size, capital structure and potential dividend stream**

If the Scheme is approved and implemented, Titan will pay for your Shares in cash and you will no longer be a Shareholder. You won't participate as an investor in Trade Me's future financial performance, including potential dividends.

While the Board has a positive outlook for Trade Me, there is no guarantee of Trade Me's future financial performance, including its ability to pay dividends.

 **You may consider that there is a possibility that a Superior Proposal could emerge**

It's a possibility – but we cannot give any assurance that a better offer than Titan's will be received, given that:

- no Superior Proposal has emerged during the period between the announcement of the Scheme Implementation Agreement on 12 December 2018 and the date of this Scheme Booklet;
- the alternative non-binding indicative offer, which was matched by Titan, was withdrawn on 13 December 2018 and the third party that submitted the alternative indicative offer informed Trade Me that it did not intend to pursue a Superior Proposal of Trade Me; and
- as at the date of the Scheme Booklet, the Board has not been approached in respect of an alternative proposal and Trade Me is not engaged with any third party in respect of any alternative proposal.

If another proposal is submitted, we are entitled to deal with it if it is reasonably capable of becoming a Superior Proposal and if it is necessary for the Board to respond to such proposal to comply with their fiduciary or statutory duties. If it becomes a Superior Proposal, we can elect to terminate the Scheme Implementation Agreement with Titan, if Titan does not match that Superior Proposal within a short period.

If another proposal is made before the Scheme is implemented and:

- that proposal is announced before the Scheme Implementation Agreement is terminated and completed within 12 months after it is announced; or

- any Director otherwise withdraws, qualifies or changes his or her recommendation that Shareholders vote in favour of the Scheme, a break fee of NZ\$19,199,400 plus GST (if any) would likely be payable by Trade Me to Titan. Further details about the break fee and all of the circumstances in which it is payable are described in section 3.9 below.

 **The tax implications of the Scheme may not suit your current financial position**

If the Scheme is approved and implemented, it will potentially result in tax implications for you, which may arise earlier than if you'd sold the Shares at a time of your choosing. Tax implications will vary among Shareholders. See section 7 (Tax Implications) of this Scheme Booklet for general information about the New Zealand and Australian tax implications of this Scheme for Shareholders.

 **You may consider that the Scheme is subject to conditions that you consider unacceptable**

The Scheme was agreed subject to a number of Conditions, including the main Conditions of Shareholder approval, Court approval and Overseas Investment Office consent, as well as certain customary deal protection Conditions in favour of Titan. These are usual conditions for a transaction of this nature. Titan recently obtained consent from the Overseas Investment Office on 8 March 2019.

The outstanding Conditions as at the date of this Scheme Booklet are summarised in section 3.10 below.

If the Conditions are not satisfied or waived (where capable of being waived) by the End Date, Trade Me and Titan will discuss whether to extend the End Date. If an extension is not agreed, the Scheme can then be terminated by either Titan or Trade Me, even if it has already been approved by Shareholders. In those circumstances you would retain your Shares and would not receive any payment from Titan.

The Court also has the power to order that the Scheme is subject to other terms and conditions as it sees fit, which could impact the implementation of the Scheme.

We will announce on the NZX and ASX the satisfaction of the main Conditions as they occur, including the results of the Scheme Meeting.

While we acknowledge the reasons to vote against the Scheme, **WE BELIEVE THE ADVANTAGES OF THE SCHEME SIGNIFICANTLY OUTWEIGH THE DISADVANTAGES**, and therefore we unanimously recommend that you vote in favour of the Scheme, in the absence of a Superior Proposal.

3.7 What happens if the Scheme is not approved?

If the Scheme is not approved by Shareholders or the Court, or the other Conditions are not satisfied or waived (if capable of waiver):

- you will not receive the Scheme Consideration;
- your Shares will not be transferred to Titan (they'll still be yours);
- Trade Me will continue to operate as a publicly listed, stand-alone company;
- Trade Me expects to resume paying dividends, subject always to the Board's discretion to alter the dividend policy from time to time and Trade Me's performance;
- you will continue to be exposed to the benefits and risks associated with an investment in Trade Me for so long as you hold Shares (as with the general benefits and risks of any investment in a publicly listed company); and
- the trading price of Shares may fall.

3.8 If you are not in favour of the Scheme

If you are not in favour of the Scheme, you can vote against it at the Scheme Meeting. See the Notice of Meeting and the accompanying explanatory notes in section 2 of this Scheme Booklet for more information on this.

As a Shareholder, you're also entitled to appear and be heard at the Final Court Hearing (which is expected to occur on **16 April 2019** at the Auckland Registry of the Court), provided you have complied with the obligations set out under section 3.13 below.

The Takeovers Panel may also consider an objection by a shareholder or other interested party that may arise to the Scheme when determining whether to provide a "no objection statement" (see section 3.11 for an explanation of this statement). Written complaints can be submitted directly to the Takeovers Panel

(whether or not a "no objection statement" is granted) by email: takeovers.panel@takeovers.govt.nz.

3.9 Additional matters for you to consider

We believe you should also carefully consider the following when deciding whether to vote in favour of the Scheme:

You may sell your Shares on the NZX or ASX at any time before the Shares are suspended from trading (expected to be at the close of trading on 2 May 2019)

If you don't want to hold your Shares and participate in the Scheme you may sell your Shares on the NZX or ASX at any time before the close of trading on the Trading Halt Date (expected to be 2 May 2019).

However, you need to be aware that the price you receive may not be the same as the Scheme Consideration of NZ\$6.45 cash per Share, and you are likely to incur brokerage charges on your sale. If you propose to do this, we suggest you first seek independent professional advice to determine if your individual financial or taxation circumstances mean it's better for you to sell your Shares before trading is suspended.

The Scheme may be implemented even if you do not vote at the Scheme Meeting or you vote against the Scheme

If the Scheme Resolution is passed and the Scheme is implemented, all of your Shares will be transferred to Titan, regardless of whether or how you voted on the Scheme Resolution. If that occurs, you will be paid NZ\$6.45 per Share in cash for all of your Shares held on the Scheme Record Date.

The Scheme Implementation Agreement contains exclusivity obligations in favour of Titan

In the Scheme Implementation Agreement, Trade Me has agreed certain exclusivity protections in favour of Titan. These include typical "no shop", "no talk" and "no due diligence" provisions which generally prohibit Trade Me from pro-actively soliciting proposals to acquire Trade Me from third parties, engaging in negotiations or discussions in relation to any proposal, or providing a third party with

information about Trade Me in the context of a potential proposal.

There is an exception to the “no talk” and “no due diligence” prohibitions if Trade Me receives a Competing Proposal that is, or is reasonably capable of becoming, a Superior Proposal and if it is necessary for the Board to respond to such proposal to comply with their fiduciary or statutory duties. In that case, Trade Me can deal with the Competing Proposal, subject to Titan’s right to match any Superior Proposal that eventuates. If Titan exercises its matching right by offering a counterproposal that is no less favourable than the Superior Proposal, Trade Me must endeavour to enter into revised terms with Titan rather than the third party.

If, however, Titan fails to provide a counterproposal within the matching period or the Board otherwise determines that the counterproposal provided by Titan taken as a whole is less favourable to Shareholders than the relevant Competing Proposal, Trade Me may enter into an agreement in respect of the relevant Competing Proposal and terminate the Scheme Implementation Agreement. This termination right can be exercised prior to the date of the Final Court Orders, regardless of whether the Scheme has already been approved by Shareholders. In that case, the break fee discussed below would likely be payable to Titan.

For more information in relation to these exclusivity arrangements, and the Scheme Implementation Agreement generally, please refer to section 6.10 of this Scheme Booklet.

A break fee may be payable in some circumstances

Either Trade Me or Titan may have to pay the break fee (or “reverse” break fee in the case of Titan) to the other party in certain circumstances. The amount of the break fee (and reverse break fee) is NZ\$19,199,400 plus GST (if any). This amount constitutes approximately 0.75% of the aggregate purchase price Titan has agreed to pay for all of the Shares. We consider that the size of this break fee (as a percentage) is at the lower end of the scale of break fees that have been included in recent transactions of a similar nature to the Scheme.

In general terms, the break fee is payable by Trade Me to Titan in the following circumstances:

- If at any time before the Scheme Implementation Agreement is terminated a Competing Proposal is announced and within 12 months after the date of that announcement the Competing Proposal is completed.
- If any Director changes, qualifies, or withdraws either their recommendation that Shareholders vote in favour of the Scheme or their voting undertakings contained in this Scheme Booklet.
- If Titan terminates the Scheme Implementation Agreement as a result of any of the warranties given by Trade Me, or obligations or undertakings of Trade Me, in the Scheme Implementation Agreement being materially breached in circumstances where the consequences of that breach are material in the context of the Scheme and the Trade Me Group taken as a whole.

A break fee is not payable by Trade Me just because the Scheme Resolution is not passed by Shareholders

A “reverse” break fee (for the same amount as the break fee) is payable by Titan to Trade Me if Trade Me terminates the Scheme Implementation Agreement as a result of any:

- of the warranties made by Titan in the Scheme Implementation Agreement being materially breached; or
- obligations or undertakings of Titan in the Scheme Implementation Agreement being materially breached in circumstances where the consequences of that breach are material in the context of the Scheme.

Trade Me also has other rights and remedies in certain circumstances against Titan, including the rights to sue for specific performance of the Scheme or for damages.

By voting for the Scheme, you are authorising Trade Me to implement the Scheme on your behalf

If the Scheme is approved, Trade Me is authorised to implement the Scheme on your behalf.

If the Scheme is implemented, Trade Me will be delisted from the NZX and ASX

If the Scheme is to be implemented, Trade Me will apply:

- for termination of the official quotation of the Shares of Trade Me on the NZX and ASX; and
- to be removed from the NZX and the official list of the ASX from close of business on the Implementation Date (or shortly thereafter).

3.10 Status of Conditions

The Scheme is not subject to any unusual conditions, including any foreign regulatory conditions. The Scheme was agreed subject to a number of usual Conditions, including the main Conditions of Shareholder approval, Court approval and Overseas Investment Office consent. Titan has already satisfied one of these main Conditions by obtaining Overseas Investment Office consent to acquire Trade Me, which it received on 8 March 2019.

At the date of this Scheme Booklet, the main outstanding Conditions in the Scheme Implementation Agreement required to be satisfied are as follows:

- **Shareholder Approval:** Approval of the Scheme by the Shareholders by passing the Scheme Resolution by the required majorities at the Scheme Meeting. This Scheme Booklet, including the Notice of Meeting, has been prepared and circulated by Trade Me for the purposes of satisfying this Condition in a timely manner.
- **Court approval:** Approval of the Scheme by the Court. Initial Court Orders were granted on 6 March 2019. Subject to Shareholder approval being obtained, final approval by the Court is expected to be obtained at the Final Court Hearing on or about 16 April 2019. More information on the Court approval process, and the Initial Court Orders that have been granted, is set out in section 3.13 below.

There are also some Conditions which have been included in the Scheme Implementation Agreement to protect Titan and which apply until 8.00am on the Implementation Date. These protections require that there is:

- no law, judgment, order, restraint or prohibition by any Government Agency being in effect as at 8.00am on the Implementation

Date, which prohibits, prevents, materially delays or makes illegal the implementation of the Scheme; and

- no Prescribed Occurrence occurring between the date of the Scheme Implementation Agreement and 8.00am on the Implementation Date (this covers matters such as changes to Trade Me's capital structure, constitution, remuneration of Directors or senior employees, insolvency events and various other specific events).

Trade Me has no reason to believe that any Conditions will not be able to be satisfied, including within timeframes to allow completion of the Scheme as contemplated in this Scheme Booklet.

If any Conditions are not satisfied or waived (where capable of being waived) by the End Date, Trade Me and Titan will discuss whether to extend the End Date. If an extension is not agreed, the Scheme can then be terminated, even if it has already been approved by Shareholders. In those circumstances you would retain your Shares and would not receive any payment from Titan.

The Court is also able to order that the Scheme is subject to other terms and conditions as it sees fit, which could impact the implementation of the Scheme.

We will announce on the NZX and ASX the satisfaction of the main Conditions as they occur, including the results of the Scheme Meeting.

3.11 Takeovers Panel's no objection statement

As part of the legal process for a scheme of arrangement, Trade Me may request a statement from the Takeovers Panel indicating that it has no objection to the Court making the Final Court Orders to approve the Scheme. This is commonly referred to as a "no objection" statement.

If that statement is issued, the Takeovers Panel is not commenting on the merits of the Scheme. Rather, the Takeovers Panel will consider whether the Takeover Code's disclosure requirements have been complied with, the extent to which interest classes of Shareholders have been properly identified, and whether there are other protections available to Shareholders under or in connection with the Scheme. With the latter consideration in mind, the Takeovers Panel will consider whether Shareholders are adversely

affected by the Scheme being implemented as a scheme of arrangement under the Companies Act rather than a takeover offer under the Takeovers Code.

Trade Me has applied for a no-objection statement from the Takeovers Panel. The Takeovers Panel will determine whether to issue that statement after the Scheme Meeting. However, and in the meantime, the Takeovers Panel has provided Trade Me with a “letter of intention” indicating that on the basis of the documents and information provided to it, it intends to issue a final “no objection statement” on or before the date specified for Final Court Orders in the timetable.

3.12 Voting requirements to approve the Scheme

For the Scheme to be approved by the Shareholders:

- At least 75% of the votes of Shareholders in each interest class who are **entitled to vote and who actually vote** must be voted in favour of the Scheme Resolution; and
- More than 50% of the votes of all Shareholders **entitled to vote**, whether or not actually voted, must be voted in favour of the Scheme Resolution.

Both of the voting thresholds set out above must be met for the Scheme Resolution to be approved by the required majorities. Trade Me has only one class of shares, all of which are fully paid up, ordinary shares with identical voting rights. That, combined with the fact that neither Titan nor the substantial shareholders in Titan as at the Implementation Date (being Apax IX Fund and Selhurst – see section 4.2) hold (or will hold immediately prior to implementation) any Shares in Trade Me, means that, at the date of this Scheme Booklet, there is only one interest class.¹ This is expected to remain the case at the time of the Scheme Meeting.

3.13 Court approval of the Scheme

As the Scheme is to be implemented by a Court approved scheme of arrangement under Part 15 of the Companies Act, the Court is able to

make orders that legally bind Trade Me, the Shareholders, Titan and any other affected parties.

Initial Court Orders were granted by the Court on **6 March 2019** and are available to view on Trade Me’s investor website at investors.trademe.co.nz and in person at the offices of Trade Me (refer to the Directory) or the offices of Trade Me’s solicitors, Russell McVeagh, in Auckland (at Level 30, Vero Centre, 48 Shortland Street, Auckland 1010, New Zealand) or Wellington (at Level 24, Dimension Data House, 157 Lambton Quay, Wellington 6011, New Zealand). Those Initial Court Orders require Trade Me to convene the Scheme Meeting.

If the Scheme Resolution is passed at the Scheme Meeting (see section 3.12 for the required majorities) and the other requirements to implement the Scheme (as set out in this Scheme Booklet) are satisfied, Trade Me will seek Final Court Orders from the Court. Those orders will make the Scheme binding on Trade Me, Titan and all the Scheme Shareholders, regardless of whether or how individual Shareholders voted on the Scheme Resolution.

If the Court considers a hearing of the Final Orders Application to be necessary, this hearing will be held at the Court at Auckland on **16 April 2019**. In accordance with the Initial Orders, the only persons entitled to appear and be heard at this hearing will be:

- Trade Me;
- Titan;
- the Takeovers Panel;
- Shareholders who file and serve a notice of appearance or a notice of opposition to the Final Orders Application by 5.00pm on **8 April 2019**; and
- any other persons who claim to have an interest in the Scheme who file and serve an application for leave to be heard and a notice of opposition to the Final Orders Application by 5.00pm on **8 April 2019**, and who are subsequently granted leave to appear and be heard at the hearing of the Final Orders Application.

1 This position has been reached having regard to the factors that a Court would consider when determining interest classes for the purposes of a scheme of arrangement, including those principles set out in Schedule 10 of the Companies Act.

If the hearing of the Final Orders Application is adjourned, only those persons referred to above need be served with notice of the adjourned date.

The Initial Court Orders include the following:

- **Shareholder rights in respect of Final Court Hearing:** Any Shareholder who wishes to appear and be heard on the Final Orders Application must file a notice of appearance or a notice of opposition (both containing an address for service within New Zealand) and, if they oppose the application, any affidavits and a memorandum of submissions on which they intend to rely by 5.00 pm on **8 April 2019** and serve a copy on Trade Me at the offices of Russell McVeagh either in Auckland (at Level 30, Vero Centre, 48 Shortland Street, Auckland 1010, New Zealand) or Wellington (at Level 24, Dimension Data House, 157 Lambton Quay, Wellington 6011, New Zealand). Trade Me will serve upon that holder at their address for service a copy of all documents filed in support of the Final Orders Application (as well as any papers filed in reply to that notice of opposition) by 5.00 pm on **11 April 2019**.
- **Third party rights in respect of Final Court Hearing:** Any other person (other than a Shareholder) claiming to have an interest in the Scheme who wishes to appear and be heard must file an application for leave to be heard on the Final Orders Application (containing an address for service within New Zealand), a notice of opposition, any affidavits and a memorandum of submissions upon which that person intends to rely by 5.00 pm on **8 April 2019** and serve a copy on Trade Me at the offices of Russell McVeagh either in Auckland (at Level 30, Vero Centre, 48 Shortland Street, Auckland 1010, New Zealand) or Wellington (at Level 24, Dimension Data House, 157 Lambton Quay, Wellington 6011, New Zealand). Trade Me will serve upon that holder at their address for service a copy of all documents filed in support of the Final Orders Application (as well as any papers filed in reply to that notice of opposition) by 5.00 pm on **11 April 2019**.

3.14 Shareholder warranties

Every Scheme Shareholder is deemed to have warranted to Titan that all their Scheme Shares (including any rights and entitlements attaching to those Scheme Shares) which are transferred under the Scheme to Titan will, at the time of

transfer, be free from all encumbrances and interests of third parties of any kind.

3.15 Payment of Scheme Consideration

Payment of the Scheme Consideration of NZ\$6.45 per Share is to be made on the Implementation Date, currently expected to be on or about 8 May 2019.

Payment will be made in New Zealand dollars unless you were paid the most recent dividend from Trade Me (in September 2018) in Australian dollars or if you have given Link Market Services (Trade Me's share registrar) sufficient details to meet the requirements for payment in Australian dollars.

If you have arranged for payments to be made to you in Australian dollars, Trade Me may instruct Link Market Services to pay you in Australian dollars (with any foreign currency conversion undertaken in a manner determined by Link Market Services), but this will be a matter between Trade Me and the applicable Scheme Shareholder. Titan will pay the Scheme Consideration in New Zealand dollars and so will not be responsible for foreign currency payments ultimately made to Scheme Shareholders.

Payment will be made to you by direct credit if Link Market Services has your bank account details recorded. If Link Market Services does not have appropriate bank account details it will pay you by cheque, sent to your address on the Register. If you have not previously provided bank account details and want to be paid by electronic transaction, please contact Link Market Services directly by the Scheme Record Date (expected to be 6 May 2019) or visit investorcentre.linkmarketservices.co.nz.

If you do not have a registered address, or Trade Me or Link Market Services consider that you are not known at the registered address and no bank account has been nominated, your payment will be held by Link Market Services on behalf of Trade Me until claimed or forfeited under Trade Me's constitution and the relevant laws dealing with unclaimed money (and otherwise in accordance with the Scheme Plan included as Annexure B). For more general information about the tax implications of the Scheme, please refer to section 7.

3.16 Scheme Record Date

Those Shareholders on the Register on the Scheme Record Date will be entitled to receive the Scheme Consideration.

Dealings on or prior to the Scheme Record Date

- For the purpose of determining which Shareholders are eligible to participate in the Scheme, dealings in Shares will be recognised only if:
 - in the case of dealings of the type to be effected through NZX’s or ASX’s clearing and settlement system, the transferee is registered on the Register as the holder of the Shares as at 7.00pm on the Scheme Record Date; or
 - in all other cases, registrable transmission applications or transfers in respect of those dealings or valid requests in respect of other alterations are received by Link Market Services on or before 7.00pm on the Scheme Record Date.
- For the purpose of determining entitlements under the Scheme, Trade Me will not accept for registration or recognise any transmission or transfer applications in respect of Shares received after 7.00pm on the Scheme Record Date. Trade Me intends to apply to NZX and ASX for trading in Shares to be suspended from close of trading on the date which is two Business Days before the Scheme Record Date. This is expected to be 2 May 2019.

Dealings after the Scheme Record Date

- For the purpose of determining entitlements to the Scheme Consideration, Trade Me must maintain the Register in its form as at the Scheme Record Date until the Scheme Consideration has been paid to the Scheme Shareholders. The Register in this form will solely determine entitlements under the Scheme.
- After 7.00pm on the Scheme Record Date, each entry of a Shareholder on the Register (other than entries on the Register in respect of Titan through the implementation of the Scheme) will cease to have effect, except as evidence of entitlement to the Scheme Consideration in respect of the Shares relating to that entry.

3.17 Treatment of “restricted” Shares under the LTI Plan and disclosure statement

As at the date of this Scheme Booklet, Trade Me has issued 578,602 ordinary shares that are treated as “restricted Shares” and are held by TMG Trustee Limited as trustee for certain employees of Trade Me under Trade Me’s LTI Plan.

Key features of the LTI Plan that Shareholders should be aware of:

- Of the total number of restricted Shares, 138,695 do not have an underlying employee beneficiary and are not capable of “vesting” (i.e. becoming unrestricted Shares that are transferred to LTI participants and participate in the Scheme). This is either because the relevant beneficial holders have left Trade Me’s employment or the restricted Shares did not qualify for vesting (e.g. because the relevant performance hurdles were not met). These Shares will be bought back by Trade Me from TMG Trustee Limited and cancelled before the Scheme Record Date. At the Scheme Meeting, TMG Trustee Limited will not exercise the votes attached to any Shares it holds under the LTI Plan that are not capable of vesting and in respect of which there is no longer an underlying employee beneficiary.
- The remaining 439,907 restricted Shares are capable of “vesting” and becoming unrestricted ordinary shares (and therefore participating in the Scheme) under the rules of the LTI Plan. TMG Trustee Limited will exercise the votes attached to these restricted Shares that are capable of vesting in accordance with specific directions of each of the beneficial holders of those Shares (in the same manner as an ordinary shareholder may direct a proxy to vote at the Scheme Meeting on his or her behalf). TMG Trustee Limited will contact participants in the LTI Plan in advance of the Scheme Meeting to seek their voting directions.
- Under the LTI Plan, the Board is permitted to accelerate the vesting of any restricted Shares (that remain capable of vesting) in response to a takeover transaction of the nature of the Scheme. Accordingly, after the Scheme Meeting, the Directors intend to accelerate the vesting of some or all of these 439,907 restricted Shares that remain

- capable of vesting under the rules of the LTI Plan, conditional on the Scheme receiving all required approvals. In this regard, the Board has a discretion to determine the number of restricted Shares in respect of which it will accelerate vesting, with the overarching intention being to achieve a fair outcome for participants and Trade Me. The actual vesting of these restricted Shares will occur immediately before the Scheme Record Date.
- The holders of the restricted Shares that vest prior to the Scheme Record Date will be transferred the legal title to those Shares by TMG Trustee Limited (and will be treated in the same manner as all other Shareholders under the Scheme). At the same time, and as set out in the LTI Plan, Trade Me will procure that the holders of those Shares that are vested are paid a bonus, which, on an after tax basis, is equal to the amount of the loan that was provided to them in connection with the original issue of the restricted Shares (with that bonus immediately applied by each participant to repay their loan).
 - Any restricted Shares that the Board determines will not vest will be forfeited under the LTI Plan and subsequently bought back by Trade Me from TMG Trustee Limited and cancelled (**Forfeited Shares**) before the Scheme Record Date. There will be no more than 578,602 Forfeited Shares (including those 138,695 Shares which are currently held by TMG Trustee Limited but are not capable of vesting).
 - **Disclosure statement:** This section 3.17 also serves as the disclosure statement that is required to be given to all Shareholders under section 61(5) of the Companies Act in relation to the buyback of the Forfeited Shares.
 - The Forfeited Shares will be bought back by Trade Me from TMG Trustee Limited at their original issue price. The proceeds will be used to repay a loan that was provided to TMG Trustee Limited on issue of the Forfeited Shares, so no gain or loss will be made by either party (and, for clarity, no bonus will be paid to the holder of the Forfeited Shares under the LTI Plan to extinguish this loan or otherwise). No Director has any interest in the Forfeited Shares. The buyback of the Forfeited Shares will occur at least 10 working days after this Scheme Booklet is sent to Shareholders and prior to the Scheme Record Date.
 - The Directors have resolved that the buyback of the Forfeited Shares is in the best interests of Trade Me and its other Shareholders, and that the terms are fair and reasonable to Trade Me and its other shareholders, for these reasons:
 - Trade Me is exercising a buyback option it has available to it under the LTI Plan, which was an option given in consideration of a loan Trade Me made to TMG Trustee Limited in connection with the LTI Plan;
 - the buyback and cancellation is a key part of the LTI Plan, which was intended to increase the alignment of interests between participating senior staff of Trade Me and other shareholders; and
 - the buyback price is the same as the original issue price for each of the Shares when issued for the relevant participants under the LTI Plan.
 - The foregoing disclosure statement in this section 3.17 is provided to you for your information and you are not required to take any action in relation to it.

3.18 Variation to the rules of Trade Me's "One Incentive Plan"

Trade Me also operates an incentive scheme known as "One Incentive Plan" that was recently introduced and under which certain senior employees are generally entitled (assuming performance hurdles are met) to incentives which are partly paid in cash and partly paid in Shares. In connection with the Scheme, and as permitted under the One Incentive Plan rules, the One Incentive Plan rules will be varied prior to the Scheme Record Date so that all entitlements of current or future participants to receive or be allocated Shares are converted into rights to be paid a cash incentive (which is intended to provide substantially equivalent value as the share rights). Beyond this simple variation, the Board does not intend to otherwise vary the terms of the One Incentive Plan in connection with the Scheme, including with respect to the amount of the potential entitlements under the One Incentive Plan.

3.19 Conclusion – Directors' recommendation

No other proposal has emerged since the Scheme was announced. While the Board retains the

discretion in certain circumstances to consider an alternative proposal in accordance with the Scheme Implementation Agreement, there can be no expectation or assurance that any further proposal will eventuate.

As your Directors, it is our view that, **the Scheme Consideration of NZ\$6.45 provides attractive value to Shareholders.**

WE UNANIMOUSLY RECOMMEND THAT YOU VOTE IN FAVOUR OF THE SCHEME, in the absence of a Superior Proposal. The Directors will be voting all Shares they own or control, as well as the undirected proxies they hold, in favour of the Scheme, in the absence of a Superior Proposal.

SECTION 4:

Information about Titan and Apax Partners

4.1 Information about Titan

Information in this section has been prepared by Titan. The information concerning Titan, Apax IX Fund and Apax Partners, and the intentions, views and opinions contained in this section are the responsibility of Titan. Trade Me, members of the Trade Me Group and their directors, officers and advisers do not assume any responsibility for the accuracy or completeness of this information.

The intentions of Titan have been formed on the basis of facts and information concerning Trade Me, the general business environment, and the circumstances affecting the business of the Trade Me Group as at the date of this Scheme Booklet, in each case as to the extent known by Titan.

4.2 Titan

If the Scheme is implemented, Titan will acquire all of the Scheme Shares. Titan is a New Zealand limited liability company that was incorporated on 7 December 2018 for the sole purpose of acquiring the Scheme Shares.

If the Scheme is implemented, Titan will be held, as to a majority interest, by the Apax IX Fund, and, as to a minority interest of approximately 20%, by Selhurst. Selhurst is 100% owned by GIC Ventures, which is in turn 100% owned by MOF Inc. GIC Ventures is an investment holding company for investments managed by GIC Special Investments Private Limited, the private equity and infrastructure arm of GIC Private Limited (**GIC**). GIC is wholly owned by the Government of Singapore.² In addition, before or after implementation, other limited partners in funds advised by Apax Partners and other investors may subscribe for separate minority

² GIC was incorporated in 1981 under the Singapore Companies Act. It was set up with the sole purpose of managing Singapore's foreign reserves. GIC invests well over US\$100 billion internationally in a wide range of asset classes and instruments. As a rule, GIC invests outside of Singapore.

interests (not exceeding 5% each) in Titan. The exact percentages of the minority interests to be held by Selhurst and the other investors are not yet settled and are subject to change, but such final interests held will not result in the Apax IX Fund holding less than a majority interest. Further details about Titan are set out in section 5.

4.3 Overview of Apax Partners

Apax Partners advises the Apax IX Fund and is a leading global private equity advisory firm, with offices in the United States, the United Kingdom, Germany, Israel, China and India. Apax Partners has raised over \$50 billion across all funds advised by Apax Partners since the founding of the firm nearly 50 years ago.

Funds advised by Apax Partners invest in companies across four global sectors of tech and telco, services, healthcare and consumer. Within these four sectors, Apax Partners seeks to identify attractive sub-sectors that display unique characteristics or compelling investment themes for the funds advised by Apax Partners. Apax Partners often aims to drive repeat success by investing in proven sub-sectors over time and across geographies.

Digital marketplaces is a key sub-sector for Apax Partners and one where it has significant experience with funds advised by Apax Partners having invested \$2 billion of equity. This includes in companies such as the leading automotive marketplaces in the United Kingdom and Canada (AutoTrader Group and Trader Corporation), leading property portals in China and Spain (SouFun and Idealista), North America and Europe's leading online marine marketplace (Boats Group) and leading marketing and management software solutions (Dealer.com and Realpage).

SECTION 5:

Takeover offer equivalent information

This section contains information, to the extent applicable, equivalent to the information that would be provided by Titan in a takeover offer document in accordance with Schedule 1 of the Takeovers Code.

The information set out in this section has been prepared by Titan. Titan is solely responsible for information contained in this section. Titan has not prepared, and is not responsible for, information which is referred to in this Section, but which is set out in another section of this Scheme Booklet.

5.1 Date

This section was prepared and is current as at 8 March 2019.

5.2 Titan and its directors

The name and address of Titan is:

Titan AcquisitionCo New Zealand Limited
c/ – Bell Gully
Level 22, Vero Centre
48 Shortland Street
Auckland 1010
New Zealand

The directors of Titan are:

Donald Bruce Cotterill
Steven Foster Kooyers
Roy Gordon Mackenzie
Mitchell Loeb Truwit

Apax IX GP Co. Limited, which acts as the General Partner of the Apax IX Fund and is advised by Apax Partners, will become a controller of an increased percentage of voting securities in Trade Me as a result of the Scheme.

The directors of Apax IX GP Co. Limited are:

Simon Bernard Cresswell
Andrew William Guille
Katriona Ann Maria Le Noury
Martin Charles Halusa
Nicholas John Kershaw
David Payne Staples

See section 4 for further information on Apax Partners.

5.3 Scheme company

The name of the company to which the Scheme relates is Trade Me Group Limited.

5.4 Ownership of equity securities of Trade Me

None of the following persons hold or control any equity securities of any class of Trade Me as at the date of this Scheme Booklet:

- Titan;
- any Related Company of Titan;
- any person acting jointly or in concert with Titan; and
- any director of any of the persons described in the three preceding bullet points.

5.5 Trading in Trade Me equity securities

None of the persons referred to in paragraph 5.4 above have acquired or disposed of any equity securities in Trade Me during the six-month period ending on the date of this Scheme Booklet.

5.6 Agreements to vote in favour of Scheme

No person has agreed with Titan conditionally or unconditionally to vote in favour of the Scheme as at the date of this Scheme Booklet other than the Directors who hold or control Shares as contemplated by the statements in this Scheme Booklet.

5.7 Arrangements to pay consideration

Titan confirms that resources will be available to it sufficient to meet the total Scheme Consideration to be provided to Scheme Shareholders upon the Scheme being implemented.

Titan has executed the Deed Poll pursuant to which it has undertaken in favor of each Scheme Shareholder to pay the Scheme Consideration to which each Scheme Shareholder is entitled under the Scheme, subject to the Scheme being implemented.

5.8 Arrangements between Titan and Trade Me

Except as set out below, as at the date of this Scheme Booklet, no agreement or arrangement (whether legally enforceable or not) has been made, or is proposed to be made, between Titan or any of its Associates and Trade Me or any Related Company of Trade Me, in connection with, in anticipation of, or in response to, the Scheme.

- Trade Me and Apax Partners, L.P. (a subsidiary of Apax Partners incorporated in the United States of America) entered into a confidentiality agreement dated 5 November 2018 setting out the terms on which Trade Me would provide Apax Partners, L.P. with access to information for due diligence purposes. This confidentiality agreement was amended by the parties on 11 December 2018.
- Trade Me and Apax Partners, L.P. entered into an exclusivity and process letter dated 20 November 2018 setting out the terms on which Apax Partners, L.P. would be granted exclusive access to undertake confirmatory due diligence, subject to Trade Me retaining an ability to respond to unsolicited proposals from third parties.
- Trade Me and Titan entered into the Scheme Implementation Agreement and a related Disclosure Letter on 11 and 12 December 2018 (respectively).
- Trade Me and Titan entered into a letter agreement dated 30 January 2019 for the purposes of setting key dates for the parties to work towards for the Scheme Meeting and a targeted Implementation Date of no earlier than 8 May 2019.

More information in relation to these agreements is set out in section 6.10.

5.9 Arrangements between Titan and directors and senior managers of Trade Me

No agreement or arrangement (whether legally enforceable or not) has been made, or is proposed to be made, between Titan or any Associates of Titan, and any director or senior manager of Trade Me or any of Trade Me's related companies (including particulars of any payment or other benefit proposed to be made or given by way of compensation for loss of office, or as to their remaining in or retiring from office) in connection with, in anticipation of, or in response to the Scheme. For completeness, and as disclosed in section 3.18 of this Scheme Booklet, Trade Me intends to vary the One Incentive Plan to convert it into an entirely cash-based plan, rather than a plan which partly provides participants with entitlements to receive Shares. This change reflects that Trade Me will not be a listed company after the implementation of the Scheme.

5.10 Financial assistance

As noted in section 5.7 arrangements are in place to pay the total Scheme Consideration upon the Scheme being implemented. Thereafter, Trade Me and its subsidiaries will be wholly-owned by Titan and may join the financing arrangements of the Titan Group, which arrangements may include those put in place to pay the Scheme Consideration.

5.11 Intentions about material changes to Trade Me

Given that, if the Scheme is implemented, Titan will acquire all of the Shares on issue, Titan is not required to disclose its intentions for Trade Me.

5.12 Pre-emption clauses in Trade Me's constitution

There is no restriction on the right to transfer equity securities to which the Scheme relates contained in the constitution of Trade Me which has the effect of requiring the holders of the equity securities to offer the equity securities for purchase to Shareholders of Trade Me or to any other person before transferring the equity securities.

5.13 No escalation clause

There is no agreement or arrangement (whether legally enforceable or not) under which any existing holder of equity securities in Trade Me will or may receive in relation to, or as a consequence of, the Scheme any additional consideration or other benefit from Titan or any of its Associates over and above the Scheme Consideration, or any prior holder of equity securities in Trade Me will or may receive any consideration or other benefit from Titan or any of its Associates as a consequence of the Scheme.

5.14 Classes of securities

No report is required to be obtained by Titan as to the fairness and reasonableness of the consideration and terms of the Scheme as between different classes of financial products as there is only one class of equity securities of Trade Me on issue.

SECTION 6:

Target company Information

This section contains the applicable information that would be provided by Trade Me in a target company statement under Schedule 2 of the Takeovers Code, to the extent not otherwise disclosed elsewhere in this Scheme Booklet.

6.1 Directors of Trade Me

The Directors of Trade Me are:

David Kirk, Chairman (Independent Director)
Katrina Johnson (Independent Director)
Paul McCarney (Independent Director)
Joanna Perry (Independent Director)
Simon West (Independent Director)

6.2 Ownership of equity securities of Trade Me

The table below sets out the number and the percentage of Shares held or controlled by a Director or Senior Manager³ (or their Associates) of Trade Me. These figures:

- include the **maximum** number of restricted Shares held or controlled by Senior Managers under the LTI Plan that are capable of vesting if the Scheme is to be implemented

³ The Senior Managers of Trade Me for the purposes of this Scheme Booklet are Jon Macdonald, Chief Executive Officer and the executive team, who currently report to him, and Trade Me's Company Secretary, being Caroline Rawlinson, Alan Clark, Nigel Jeffries, Jeremy Wade, Stuart McLean, Simon Young, Annie Brown, Regan Savage and Sarah Hard.

- (see section 3.17 for more information about restricted Shares); and
- for clarity, exclude the 138,695 restricted Shares that are held by TMG Trustee Limited and which are not capable of vesting.

No other Director or Senior Manager or their Associates holds or controls any equity securities of Trade Me.

Name	Number of Shares held or controlled	Percentage of total Shares
David Kirk	157,625	0.040%
Paul McCarney	30,000	0.008%
Joanna Perry	26,000	0.007%
Jon Macdonald (CEO)	330,915	0.083%
Caroline Rawlinson (CFO)	28,804	0.007%
Alan Clark (Head of Motors)	26,013	0.007%
Nigel Jeffries (Head of Property)	39,500	0.010%
Jeremy Wade (Head of Jobs)	19,034	0.005%
Stuart McLean (Head of Marketplace, Audience & Payments)	46,339	0.012%
Simon Young (Chief Product & Technology Officer)	22,069	0.006%
Annie Brown (Head of People & Capability)	16,931	0.004%
Sarah Hard (Company Secretary)	28,317	0.007%
Regan Savage (acting Chief Customer Officer)	2,939	0.001%

Notes:

1. This information is taken from disclosures made by the Directors and Senior Managers.
2. Percentages have been rounded to three decimal places.
3. Pursuant to the terms of LTI Plan, the Board intends to accelerate the vesting of some or all of the 439,907 restricted ordinary Shares that are held by TMG Trustee Limited and are capable of vesting, to enable those Shares to be unrestricted (and therefore to be treated on exactly the same basis as other Shares) before the Scheme Record Date. Conversely, restricted Shares that do not vest will be forfeited under the LTI Plan and bought back and cancelled by Trade Me prior to the Scheme Record Date. See section 3.17 for further information.

6.3 Issues of equity securities

During the two-year period ending on the date of this Scheme Booklet, the following equity securities in Trade Me were issued to Directors or Senior Managers or their Associates. These are restricted Shares that have not yet vested under the LTI Plan but are all capable of vesting if the Scheme is implemented:

Name	Position	Number of Shares Issued	Reason for issue	Consideration per share (NZ\$) ⁴	Date of transaction
Jon Macdonald	CEO	77,508	Terms of employment (LTI round 6)	\$0.00	15 November 2017
Caroline Rawlinson	CFO	16,254	Terms of employment (LTI round 6)	\$0.00	15 November 2017
Alan Clark	Head of Motors	13,771	Terms of employment (LTI round 6)	\$0.00	15 November 2017
Nigel Jeffries	Head of Property	14,899	Terms of employment (LTI round 6)	\$0.00	15 November 2017
Jeremy Wade	Head of Jobs	11,513	Terms of employment (LTI round 6)	\$0.00	15 November 2017
Stuart McLean	Head of Marketplace, Audience & Payments	16,254	Terms of employment (LTI round 6)	\$0.00	15 November 2017
Simon Young	Chief Product & Technology Officer	4,617	Terms of employment (LTI round 6)	\$0.00	15 November 2017
Annie Brown	Head of People & Capability	16,931	Terms of employment (LTI round 6)	\$0.00	15 November 2017
Sarah Hard	Company Secretary	8,127	Terms of employment (LTI round 6)	\$0.00	15 November 2017
Regan Savage	Acting Chief Customer Officer	2,939	Terms of employment (LTI round 6)	\$0.00	16 April 2018

⁴ Issued under terms of the LTI Plan, which is a loan and bonus scheme. The Shares were issued at \$4.4299 per Share (20-day VWAP) but the cost was met by a loan, which is repaid by a later bonus to the employee subject to Trade Me's performance for a specified period.

6.4 Trading by Directors and Senior Managers of Trade Me

The following Shares were acquired or disposed of by Directors or Senior Managers of Trade Me or their Associates during the six-month period from 1 September 2018 to 8 March 2019 (being the latest practicable date before the date of this Scheme Booklet).

Name	Position	Number of Shares acquired or disposed of	Consideration per share (NZ\$)	Date of transaction
Stuart McLean	Head of Marketplace, Audience & Payments	6,498 (disposed)	\$4.905	10 September 2018

6.5 Ownership interests of substantial product holders of Trade Me

The table below sets out the number and the percentage of Shares held or controlled by any other person holding or controlling 5% or more of the Shares, to the knowledge of Trade Me.

Name	Number of Shares held or controlled	Percentage of total Shares
Pinnacle Investment Management Group and subsidiaries (including Hyperion Asset Management Limited)	37,745,983	9.51%
Commonwealth Bank of Australia (as custodian as set out in the substantial product holder notice dated 31 January 2019)	28,155,932	7.09%
Morgan Stanley and subsidiaries	25,757,375	6.49%
Credit Suisse Holdings (Australia) Limited for Credit Suisse Group AG and affiliates	24,415,051	6.15%
Vanguard Group, Inc	22,641,629	5.70%

To Trade Me's knowledge no other person holds or controls more than 5% of a class of equity securities of Trade Me.

Notes:

1. This information is based on information provided to Trade Me at 8 March 2019 (the latest practicable date before the date of this Scheme Booklet).
2. Percentages have been rounded to two decimal places.

6.6 Trading by substantial product holders of Trade Me

The table below sets out details of any Shares acquired or disposed of during the six-month period before 8 March 2019 (the latest practicable date before the date of this Scheme Booklet) by any person holding or controlling 5% or more of the Shares, based on information provided to Trade Me at 8 March 2019.

Pinnacle Investment Management Group Limited (and its subsidiaries)

Acquisition or disposal	Total consideration	Number of securities	Weighted average consideration (A\$)	Week commencing
Acquisition	525,463	128,037	\$4.10	8-Apr-18
Acquisition	177,852	42,706	\$4.16	15-Apr-18
Acquisition	130,111	29,808	\$4.36	29-Apr-18
Acquisition	275,502	62,665	\$4.40	3-Jun-18
Acquisition	67,016	15,000	\$4.47	10-Jun-18
Acquisition	1,541,490	345,106	\$4.47	24-Jun-18
Acquisition	1,365,162	320,884	\$4.25	1-Jul-18
Acquisition	222,641	50,040	\$4.45	15-Jul-18
Acquisition	1,921,587	430,747	\$4.46	22-Jul-18
Acquisition	2,131,755	500,000	\$4.26	29-Jul-18
Acquisition	1,856,947	400,000	\$4.64	19-Aug-18
Acquisition	2,772,677	570,819	\$4.86	26-Aug-18
Acquisition	486,825	100,000	\$4.87	2-Sep-18
Acquisition	548,605	120,000	\$4.57	9-Sep-18
Acquisition	480,376	100,000	\$4.80	30-Sep-18
Acquisition	45,064	10,000	\$4.51	14-Oct-18
Disposal	2,006,251	489,874	\$4.10	11-Mar-18
Disposal	420,139	100,000	\$4.20	18-Mar-18
Disposal	686,155	167,405	\$4.10	1-Apr-18
Disposal	2,498,593	560,000	\$4.46	6-May-18

Source: Information taken from the substantial product holder notice filed by each substantial holder as per below:

- i) Pinnacle Investment Management Limited – 22-October-2018
- ii) Hyperion Asset Management Limited – 26-Oct-2019, 19-Feb-2019
- iii) The Vanguard Group – 19-Dec-2019
- iv) Commonwealth Bank of Australia – 20-Dec-2018, 17-Jan-2019, 31-Jan-2019
- v) Credit Suisse Holdings (Australia) – 4-Feb-2019, 21-Feb-2019
- vi) Morgan Stanley – 18-Feb-2019

Note: For the purposes of presenting this data, securities lending transactions and options/derivatives have not been included in the analysis. Where currency of transaction is not disclosed in the substantial product holder notice, the currency has been determined based on comparison of weighted average price to the respective weekly volume weighted average price.

Acquisition or disposal	Total consideration	Number of securities	Weighted average consideration (A\$)	Week commencing
Disposal	293,686	66,743	\$4.40	13-May-18
Disposal	727,752	163,959	\$4.44	20-May-18
Disposal	403,812	92,000	\$4.39	3-Jun-18
Disposal	544,679	123,450	\$4.41	24-Jun-18
Disposal	2,272,235	528,103	\$4.30	1-Jul-18
Disposal	812,732	190,048	\$4.28	29-Jul-18
Disposal	3,121,582	736,014	\$4.24	5-Aug-18
Disposal	13,409	3,121	\$4.30	12-Aug-18
Disposal	218,009	47,333	\$4.61	19-Aug-18
Disposal	543,339	120,000	\$4.53	2-Sep-18
Disposal	3,696,087	798,542	\$4.63	9-Sep-18
Disposal	573,481	120,000	\$4.78	16-Sep-18
Disposal	1,264,821	264,401	\$4.78	23-Sep-18
Disposal	291,530	65,232	\$4.47	7-Oct-18
Disposal	297,844	65,444	\$4.55	14-Oct-18

Hyperion Asset Management Limited⁵

Acquisition or disposal	Consideration	Number of securities	Weighted average consideration (A\$)	Date range
Disposal	1,777,049	365,974	\$4.86	23-Mar-17 to 24-Oct-18
Disposal	415,800	100,407	\$4.14	23-Mar-17 to 24-Oct-18
Disposal	4,408,392	942,844	\$4.68	23-Mar-17 to 24-Oct-18
Disposal	6,056,941	1,393,695	\$4.35	23-Mar-17 to 24-Oct-18
Disposal	2,068,832	482,965	\$4.28	23-Mar-17 to 24-Oct-18

Source: Information taken from the substantial product holder notice filed by each substantial holder as per below:

- i) Pinnacle Investment Management Limited – 22-October-2018
- ii) Hyperion Asset Management Limited – 26-Oct-2019, 19-Feb-2019
- iii) The Vanguard Group – 19-Dec-2019
- iv) Commonwealth Bank of Australia – 20-Dec-2018, 17-Jan-2019, 31-Jan-2019
- v) Credit Suisse Holdings (Australia) – 4-Feb-2019, 21-Feb-2019
- vi) Morgan Stanley – 18-Feb-2019

Note: For the purposes of presenting this data, securities lending transactions and options/derivatives have not been included in the analysis. Where currency of transaction is not disclosed in the substantial product holder notice, the currency has been determined based on comparison of weighted average price to the respective weekly volume weighted average price.

5 Detailed breakdown of transactions not available for Hyperion Asset Management.

Acquisition or disposal	Consideration	Number of securities	Weighted average consideration (A\$)	Date range
Disposal	14,739,134	3,850,086	\$3.83	23-Mar-17 to 24-Oct-18
Disposal	1,710,132	274,710	\$6.23	23-Mar-17 to 24-Oct-18
Disposal	1,603,651	261,607	\$6.13	25-Oct-18 to 19-Feb-19
Disposal	855,828	215,248	\$3.98	25-Oct-18 to 19-Feb-19
Disposal	1,294,472	211,170	\$6.13	25-Oct-18 to 19-Feb-19
Disposal	12,346,655	2,397,996	\$5.15	25-Oct-18 to 19-Feb-19
Disposal	9,983,374	1,641,903	\$6.08	25-Oct-18 to 19-Feb-19

The Vanguard Group, Inc

Acquisition or disposal	Total consideration	Number of securities	Weighted average consideration (NZ\$)	Week commencing
Acquisition	82,254	17,665	\$4.66	12-Aug-18
Acquisition	85,657	16,899	\$5.07	19-Aug-18
Acquisition	144,412	29,579	\$4.88	2-Sep-18
Acquisition	128,321	25,156	\$5.10	9-Sep-18
Acquisition	366,808	70,858	\$5.18	16-Sep-18
Acquisition	292,270	57,886	\$5.05	23-Sep-18
Acquisition	155,814	30,011	\$5.19	30-Sep-18
Acquisition	48,216	10,341	\$4.66	7-Oct-18
Acquisition	222,920	47,243	\$4.72	14-Oct-18
Acquisition	119,881	26,195	\$4.58	21-Oct-18
Acquisition	124,258	26,397	\$4.71	28-Oct-18
Acquisition	120,101	24,792	\$4.84	4-Nov-18
Acquisition	184,402	35,666	\$5.17	11-Nov-18

Source: Information taken from the substantial product holder notice filed by each substantial holder as per below:

- i) Pinnacle Investment Management Limited – 22-October-2018
- ii) Hyperion Asset Management Limited – 26-Oct-2019, 19-Feb-2019
- iii) The Vanguard Group – 19-Dec-2019
- iv) Commonwealth Bank of Australia – 20-Dec-2018, 17-Jan-2019, 31-Jan-2019
- v) Credit Suisse Holdings (Australia) – 4-Feb-2019, 21-Feb-2019
- vi) Morgan Stanley – 18-Feb-2019

Note: For the purposes of presenting this data, securities lending transactions and options/derivatives have not been included in the analysis. Where currency of transaction is not disclosed in the substantial product holder notice, the currency has been determined based on comparison of weighted average price to the respective weekly volume weighted average price.

Acquisition or disposal	Total consideration	Number of securities	Weighted average consideration (NZ\$)	Week commencing
Acquisition	1,171,633	196,850	\$5.95	18-Nov-18
Acquisition	124,644	20,730	\$6.01	25-Nov-18
Acquisition	597,450	101,106	\$5.91	2-Dec-18
Acquisition	49,358,970	7,758,040	\$6.36	9-Dec-18
Disposal	51,259	10,860	\$4.72	12-Aug-18
Disposal	48,393	9,253	\$5.23	19-Aug-18
Disposal	11,995	2,433	\$4.93	2-Sep-18
Disposal	8,045	1,306	\$6.16	2-Dec-18

Commonwealth Bank of Australia

Acquisition or disposal	Total consideration	Number of securities	Weighted average consideration (NZ\$)	Week commencing
Acquisition	69,818	13,099	\$5.33	2-Sep-18
Acquisition	799,239	155,430	\$5.14	9-Sep-18
Acquisition	1,875,901	357,820	\$5.24	16-Sep-18
Acquisition	1,994,866	381,718	\$5.23	23-Sep-18
Acquisition	12,659	2,425	\$5.22	30-Sep-18
Acquisition	3,440	705	\$4.88	7-Oct-18
Acquisition	17,367	3,409	\$5.09	14-Oct-18
Acquisition	188,065	39,872	\$4.72	21-Oct-18
Acquisition	1,468,847	304,381	\$4.83	28-Oct-18
Acquisition	361,090	72,562	\$4.98	4-Nov-18
Acquisition	94,694	15,756	\$6.01	18-Nov-18

Source: Information taken from the substantial product holder notice filed by each substantial holder as per below:

- i) Pinnacle Investment Management Limited – 22-October-2018
- ii) Hyperion Asset Management Limited – 26-Oct-2019, 19-Feb-2019
- iii) The Vanguard Group – 19-Dec-2019
- iv) Commonwealth Bank of Australia – 20-Dec-2018, 17-Jan-2019, 31-Jan-2019
- v) Credit Suisse Holdings (Australia) – 4-Feb-2019, 21-Feb-2019
- vi) Morgan Stanley – 18-Feb-2019

Note: For the purposes of presenting this data, securities lending transactions and options/derivatives have not been included in the analysis. Where currency of transaction is not disclosed in the substantial product holder notice, the currency has been determined based on comparison of weighted average price to the respective weekly volume weighted average price.

Acquisition or disposal	Total consideration	Number of securities	Weighted average consideration (NZ\$)	Week commencing
Acquisition	88,990	14,917	\$5.97	25-Nov-18
Acquisition	77,137	12,703	\$6.07	9-Dec-18
Acquisition	326,403	51,624	\$6.32	16-Dec-18
Acquisition	3,722	589	\$6.32	6-Jan-19
Acquisition	3,722	589	\$6.32	6-Jan-19
Disposal	434,391	83,495	\$5.20	9-Sep-18
Disposal	33,857	6,486	\$5.22	16-Sep-18
Disposal	433,799	82,770	\$5.24	23-Sep-18
Disposal	186,646	30,448	\$6.13	25-Nov-18
Disposal	165,008	27,274	\$6.05	2-Dec-18
Disposal	44,783	7,400	\$6.05	9-Dec-18
Disposal	18,871	3,005	\$6.28	16-Dec-18
Disposal	99,319	15,790	\$6.29	23-Dec-18
Disposal	513,642	81,273	\$6.32	30-Dec-18
Disposal	5,597	886	\$6.32	20-Jan-19
Disposal	46,905	7,375	\$6.36	27-Jan-19

Acquisition or disposal	Total consideration	Number of securities	Weighted average consideration (A\$)	Week commencing
Acquisition	122,031	25,217	\$4.84	2-Sep-18
Acquisition	345,698	75,427	\$4.58	9-Sep-18
Acquisition	63,407	13,275	\$4.78	16-Sep-18
Acquisition	118,300	24,661	\$4.80	23-Sep-18

Source: Information taken from the substantial product holder notice filed by each substantial holder as per below:

- i) Pinnacle Investment Management Limited – 22-October-2018
- ii) Hyperion Asset Management Limited – 26-Oct-2019, 19-Feb-2019
- iii) The Vanguard Group – 19-Dec-2019
- iv) Commonwealth Bank of Australia – 20-Dec-2018, 17-Jan-2019, 31-Jan-2019
- v) Credit Suisse Holdings (Australia) – 4-Feb-2019, 21-Feb-2019
- vi) Morgan Stanley – 18-Feb-2019

Note: For the purposes of presenting this data, securities lending transactions and options/derivatives have not been included in the analysis. Where currency of transaction is not disclosed in the substantial product holder notice, the currency has been determined based on comparison of weighted average price to the respective weekly volume weighted average price.

Acquisition or disposal	Total consideration	Number of securities	Weighted average consideration (A\$)	Week commencing
Acquisition	48,851	10,328	\$4.73	30-Sep-18
Acquisition	99,789	21,718	\$4.59	7-Oct-18
Acquisition	4,472,072	958,293	\$4.67	14-Oct-18
Acquisition	773,384	177,577	\$4.36	21-Oct-18
Acquisition	743,387	166,344	\$4.47	28-Oct-18
Acquisition	587,976	130,394	\$4.51	4-Nov-18
Acquisition	1,534,485	320,830	\$4.78	11-Nov-18
Acquisition	24,817	4,408	\$5.63	18-Nov-18
Acquisition	540,112	95,772	\$5.64	25-Nov-18
Acquisition	57,912	10,070	\$5.75	2-Dec-18
Acquisition	93,936	15,879	\$5.92	9-Dec-18
Acquisition	273,418	45,722	\$5.98	16-Dec-18
Acquisition	53,982	9,060	\$5.96	16-Dec-18
Acquisition	43,411	7,238	\$6.00	23-Dec-18
Acquisition	8,850	1,480	\$5.98	6-Jan-19
Acquisition	5,625	939	\$5.99	13-Jan-19
Acquisition	90,255	15,144	\$5.96	13-Jan-19
Acquisition	105,194	17,658	\$5.96	20-Jan-19
Acquisition	54,571	9,035	\$6.04	27-Jan-19
Disposal	399,801	88,473	\$4.52	2-Sep-18
Disposal	39,653	8,634	\$4.59	9-Sep-18
Disposal	208,099	43,354	\$4.80	16-Sep-18
Disposal	20,117	4,246	\$4.74	30-Sep-18

Source: Information taken from the substantial product holder notice filed by each substantial holder as per below:

- i) Pinnacle Investment Management Limited – 22-October-2018
- ii) Hyperion Asset Management Limited – 26-Oct-2019, 19-Feb-2019
- iii) The Vanguard Group – 19-Dec-2019
- iv) Commonwealth Bank of Australia – 20-Dec-2018, 17-Jan-2019, 31-Jan-2019
- v) Credit Suisse Holdings (Australia) – 4-Feb-2019, 21-Feb-2019
- vi) Morgan Stanley – 18-Feb-2019

Note: For the purposes of presenting this data, securities lending transactions and options/derivatives have not been included in the analysis. Where currency of transaction is not disclosed in the substantial product holder notice, the currency has been determined based on comparison of weighted average price to the respective weekly volume weighted average price.

Acquisition or disposal	Total consideration	Number of securities	Weighted average consideration (A\$)	Week commencing
Disposal	115,964	25,340	\$4.58	7-Oct-18
Disposal	4,392,863	940,845	\$4.67	14-Oct-18
Disposal	4,076,752	932,412	\$4.37	21-Oct-18
Disposal	664,980	149,509	\$4.45	28-Oct-18
Disposal	368,550	81,060	\$4.55	4-Nov-18
Disposal	5,703,236	1,187,955	\$4.80	11-Nov-18
Disposal	9,019,719	1,674,434	\$5.39	18-Nov-18
Disposal	174,964	31,098	\$5.63	25-Nov-18
Disposal	23,036	3,919	\$5.88	2-Dec-18
Disposal	10,144,600	1,691,785	\$6.00	9-Dec-18
Disposal	3,238,906	541,102	\$5.99	16-Dec-18
Disposal	9,552,671	1,599,847	\$5.97	16-Dec-18
Disposal	1,851,745	311,257	\$5.95	23-Dec-18
Disposal	2,017,871	336,128	\$6.00	30-Dec-18
Disposal	6,617,824	1,107,070	\$5.98	6-Jan-19
Disposal	3,373,716	562,177	\$6.00	13-Jan-19
Disposal	4,220,412	708,255	\$5.96	13-Jan-19
Disposal	11,839,246	1,982,369	\$5.97	20-Jan-19
Disposal	8,996,820	1,488,806	\$6.04	27-Jan-19

Source: Information taken from the substantial product holder notice filed by each substantial holder as per below:

- i) Pinnacle Investment Management Limited – 22-October-2018
- ii) Hyperion Asset Management Limited – 26-Oct-2019, 19-Feb-2019
- iii) The Vanguard Group – 19-Dec-2019
- iv) Commonwealth Bank of Australia – 20-Dec-2018, 17-Jan-2019, 31-Jan-2019
- v) Credit Suisse Holdings (Australia) – 4-Feb-2019, 21-Feb-2019
- vi) Morgan Stanley – 18-Feb-2019

Note: For the purposes of presenting this data, securities lending transactions and options/derivatives have not been included in the analysis. Where currency of transaction is not disclosed in the substantial product holder notice, the currency has been determined based on comparison of weighted average price to the respective weekly volume weighted average price.

Credit Suisse Holdings (Australia) Limited
(on behalf of Credit Suisse Group AG and its affiliates)

Acquisition or disposal	Total consideration	Number of securities	Weighted average consideration (NZ\$)	Week commencing
Acquisition	94	18	\$5.22	30-Sep-18
Acquisition	5	1	\$5.08	7-Oct-18
Acquisition	80	17	\$4.70	21-Oct-18
Acquisition	58	12	\$4.85	28-Oct-18
Acquisition	3,757	774	\$4.85	4-Nov-18
Acquisition	11,279	2,182	\$5.17	11-Nov-18
Acquisition	3,343,915	565,216	\$5.92	18-Nov-18
Acquisition	2,996,500	500,000	\$5.99	25-Nov-18
Acquisition	6	1	\$6.24	2-Dec-18
Acquisition	21,139,462	3,345,732	\$6.32	9-Dec-18
Acquisition	8,649,699	1,371,513	\$6.31	16-Dec-18
Acquisition	1,521,383	242,705	\$6.27	23-Dec-18
Acquisition	10,033,406	1,587,893	\$6.32	30-Dec-18
Acquisition	12,433,572	1,965,139	\$6.33	6-Jan-19
Acquisition	39,037,807	6,157,636	\$6.34	13-Jan-19
Acquisition	21,010,124	3,312,384	\$6.34	20-Jan-19
Acquisition	5,540,121	872,659	\$6.35	27-Jan-19
Acquisition	18,850	2,964	\$6.36	20-Jan-19
Acquisition	6,494,494	1,024,528	\$6.34	27-Jan-19
Acquisition	3,073,102	485,983	\$6.32	3-Feb-19
Acquisition	16,474,305	2,585,679	\$6.37	10-Feb-19
Acquisition	3,289,707	515,113	\$6.39	17-Feb-19

Source: Information taken from the substantial product holder notice filed by each substantial holder as per below:

- i) Pinnacle Investment Management Limited – 22-October-2018
- ii) Hyperion Asset Management Limited – 26-Oct-2019, 19-Feb-2019
- iii) The Vanguard Group – 19-Dec-2019
- iv) Commonwealth Bank of Australia – 20-Dec-2018, 17-Jan-2019, 31-Jan-2019
- v) Credit Suisse Holdings (Australia) – 4-Feb-2019, 21-Feb-2019
- vi) Morgan Stanley – 18-Feb-2019

Note: For the purposes of presenting this data, securities lending transactions and options/derivatives have not been included in the analysis. Where currency of transaction is not disclosed in the substantial product holder notice, the currency has been determined based on comparison of weighted average price to the respective weekly volume weighted average price.

Acquisition or disposal	Total consideration	Number of securities	Weighted average consideration (NZ\$)	Week commencing
Disposal	16	3	\$5.22	30-Sep-18
Disposal	2,546	511	\$4.98	14-Oct-18
Disposal	3,329	715	\$4.66	21-Oct-18
Disposal	869	166	\$5.23	11-Nov-18
Disposal	529,857	88,331	\$6.00	25-Nov-18
Disposal	380,568	60,000	\$6.34	13-Jan-19
Disposal	286,178	45,000	\$6.36	20-Jan-19
Disposal	2,609,149	411,223	\$6.34	27-Jan-19
Disposal	53,180	8,388	\$6.34	3-Feb-19

Acquisition or disposal	Total consideration	Number of securities	Weighted average consideration (A\$)	Week commencing
Acquisition	174,749	33,349	\$5.24	11-Nov-18
Acquisition	1,473,139	240,909	\$6.11	25-Nov-18
Acquisition	33,003	5,455	\$6.05	2-Dec-18
Disposal	106,416	16,761	\$6.35	20-Jan-19

Source: Information taken from the substantial product holder notice filed by each substantial holder as per below:

- i) Pinnacle Investment Management Limited – 22-October-2018
- ii) Hyperion Asset Management Limited – 26-Oct-2019, 19-Feb-2019
- iii) The Vanguard Group – 19-Dec-2019
- iv) Commonwealth Bank of Australia – 20-Dec-2018, 17-Jan-2019, 31-Jan-2019
- v) Credit Suisse Holdings (Australia) – 4-Feb-2019, 21-Feb-2019
- vi) Morgan Stanley – 18-Feb-2019

Note: For the purposes of presenting this data, securities lending transactions and options/derivatives have not been included in the analysis. Where currency of transaction is not disclosed in the substantial product holder notice, the currency has been determined based on comparison of weighted average price to the respective weekly volume weighted average price.

Morgan Stanley and its Subsidiaries

Acquisition or disposal	Total consideration	Number of securities	Weighted average consideration (A\$)	Week commencing
Acquisition	390,458	84,132	\$4.64	14-Oct-18
Acquisition	1,324,921	301,619	\$4.39	21-Oct-18
Acquisition	1,741,949	395,716	\$4.40	28-Oct-18
Acquisition	2,125,326	465,782	\$4.56	4-Nov-18
Acquisition	2,228,162	460,430	\$4.84	11-Nov-18
Acquisition	1,624,121	303,295	\$5.35	18-Nov-18
Acquisition	1,316,260	231,990	\$5.67	25-Nov-18
Acquisition	1,100,169	187,084	\$5.88	2-Dec-18
Acquisition	6,491,736	1,045,300	\$6.21	9-Dec-18
Acquisition	21,063,617	3,363,020	\$6.26	16-Dec-18
Acquisition	3,249,772	537,905	\$6.04	23-Dec-18
Acquisition	4,229,283	1,017,912	\$4.15	30-Dec-18
Acquisition	10,437,523	1,689,036	\$6.18	6-Jan-19
Acquisition	7,758,277	1,239,600	\$6.26	13-Jan-19
Acquisition	7,747,574	1,253,447	\$6.18	20-Jan-19
Acquisition	5,982,717	972,812	\$6.15	27-Jan-19
Acquisition	4,150,991	686,373	\$6.05	3-Feb-19
Acquisition	21,765,252	3,424,666	\$6.36	10-Feb-19

Source: Information taken from the substantial product holder notice filed by each substantial holder as per below:

- i) Pinnacle Investment Management Limited – 22-October-2018
- ii) Hyperion Asset Management Limited – 26-Oct-2019, 19-Feb-2019
- iii) The Vanguard Group – 19-Dec-2019
- iv) Commonwealth Bank of Australia – 20-Dec-2018, 17-Jan-2019, 31-Jan-2019
- v) Credit Suisse Holdings (Australia) – 4-Feb-2019, 21-Feb-2019
- vi) Morgan Stanley – 18-Feb-2019

Note: For the purposes of presenting this data, securities lending transactions and options/derivatives have not been included in the analysis. Where currency of transaction is not disclosed in the substantial product holder notice, the currency has been determined based on comparison of weighted average price to the respective weekly volume weighted average price.

6.7 Intentions to vote in favour of the Scheme

As at the date of this Scheme Booklet, every Director and Senior Manager who holds Shares (as set out in section 6.2 above) has advised Trade Me in writing that he or she intends to vote all of their Shares in favour of the Scheme, in the absence of a Superior Proposal.

6.8 Ownership of equity securities of Titan

Neither Trade Me, nor any Director, Senior Manager or any of their Associates, holds or controls any equity securities of Titan or any Related Companies of Titan.

6.9 Trading in equity securities of Titan

None of Trade Me, its Directors, Senior Managers or any of their Associates, have acquired or disposed of any equity securities of Titan or any Related Companies of Titan during the six month period before 8 March 2019 (the latest practicable date before the date of this Scheme Booklet).

6.10 Arrangements between Titan and Trade Me

Except as set out below, no agreement or arrangement (legally enforceable or not) has been made or proposed between Titan or any Associates of Titan and Trade Me or any Related Company of Trade Me, in connection with, in anticipation of, or in response to, the Scheme.

Confidentiality agreement

Trade Me and Apax Partners, L.P. (a subsidiary of Apax Partners incorporated in the United States of America) entered into a confidentiality agreement dated 5 November 2018 (and amended on 11 December 2018) setting out the terms on which Trade Me would provide Apax Partners, L.P. with access to information for due diligence purposes. The key obligations are as follows:

- the recipient of confidential information must maintain the information in confidence and not disclose the information without the provider's prior written consent (except if required by law, the information is independently acquired or developed by the

recipient without the benefit or use of such information, the information is or becomes public other than through a breach of the agreement or the information is received by the recipient from a third party not owing any obligation of confidence to the provider). This is a mutual obligation on both Trade Me and Apax Partners, L.P., which generally continues until 5 November 2021 (i.e. three years after the agreement was signed); and

- Apax Partners, L.P. acknowledged on signing that neither it nor its related parties held any relevant interest in Trade Me or had entered into any agreement or arrangement with any person involving the conferring of rights, the economic effect or which is equivalent or substantially equivalent to the acquisition, holding or disposal of financial products in Trade Me. Apax Partners, L.P. agreed to maintain this effective standstill for a period of 12 months from the date of the agreement, subject to certain limited exceptions (including circumstances where a third party makes a takeover offer under the Takeovers Code).

Exclusivity and process agreement

Prior to the entry into the Scheme Implementation Agreement, Trade Me and Apax Partners, L.P. entered into an exclusivity and process letter agreement dated 20 November 2018 under which the Board granted Apax Partners, L.P. exclusive access to undertake confirmatory due diligence until 12 December 2018. During the exclusivity period, Trade Me could not (directly or indirectly):

- (no shop) solicit, initiate or encourage solicitation of, offers, bids or proposals from;
- (no talk) accept or discuss any offer, bid or proposal from or, engage in, or encourage, any discussions, correspondence or negotiations with;
- (no due diligence) provide access to due diligence information or any other non-public information concerning Trade Me (unless such information had already been disclosed to Apax Partners, L.P. prior to the agreement) to; or
- (no deal) enter into any agreement, understanding or arrangement (whether legally binding or not) with,

any person, other than Apax Partners, L.P. and its representatives, with respect to the terms of any transaction which would effectively result

in the acquisition of all or a material part of the shares in, or assets of, Trade Me.

Trade Me was not required to comply with these exclusivity obligations if it received an unsolicited proposal from a third party, in which case the Board was able to respond to such proposal to the extent that the Directors considered it reasonably necessary (acting in good faith) to fulfil their fiduciary duties or their, or Trade Me's, statutory obligations. Trade Me was required to promptly inform Apax Partners, L.P. if it received a proposal from a third party, including the amount and form of consideration to be offered and the material conditions to which that proposal was subject.

Scheme Implementation Agreement

Trade Me and Titan entered into the Scheme Implementation Agreement on 12 December 2018 (and a related disclosure letter dated 11 December 2018). The key legal terms of the Scheme Implementation Agreement are as follows:

- (Conditions) Implementation of the Scheme is subject to a number of Conditions, which must be satisfied or waived (if capable of being waived) prior to the Scheme being implemented. The Conditions are set out in section 3.10. They include Court approval, Shareholder approval, consent from the Overseas Investment Office and certain customary deal protection Conditions in favour of Titan. Titan has recently satisfied one of these main Conditions by obtaining consent from the Overseas Investment Office to acquire Trade Me.
- (Obligations) The parties are required to do everything reasonably necessary, including by procuring that their representatives work in a timely and co-operative manner, to implement the Scheme in accordance with the agreement, including the agreed timetable.
- (Recommendations) Trade Me is required to ensure that each Director recommends the Scheme to Shareholders and undertakes to vote, or procure the voting of, all of the Shares held or controlled by him or her in favour of the Scheme, in each case subject to there being no Superior Proposal and the Independent Adviser's Report concluding that the Scheme Consideration is within or above the Independent Adviser's valuation range for the Shares. More generally,

Trade Me is required to provide reasonable co-operation to Titan in promoting the merits of the Scheme to Shareholders.

- (Exclusivity) Certain rights of exclusivity have been granted by Trade Me in favour of Titan for the period until the agreement is validly terminated. These include customary "no shop", "no talk" and "no due diligence" restrictions, which Trade Me must comply with and procure that its Related Companies and Representatives comply with. In general terms, the "no talk" and "no due diligence" restrictions do not apply in respect of a bona fide Competing Proposal if:
 - the Board has determined, after taking advice from its external financial adviser, that the Competing Proposal is, or is reasonably capable of becoming, a Superior Proposal or would be reasonably likely to constitute a Superior Proposal if it were to be proposed; and
 - acting in good faith and after having taken advice from its external legal advisers, the Board has determined that it is necessary to respond to such Competing Proposal in order to fulfil the fiduciary duties or statutory obligations of any member of the Board.

Broadly, a "Competing Proposal" includes a takeover offer (including a partial offer) or scheme of arrangement involving Trade Me, or another transaction, however structured, which has the effect of a third party acquiring more than 20% of the Shares. A "Superior Proposal" is a written bona fide Competing Proposal received by Trade Me and which the Board determines (acting in good faith and after taking appropriate legal and financial advice) is reasonably capable of being valued and implemented, taking into account all aspects of the Competing Proposal (including its conditions precedent) and is more favourable to Shareholders than the Scheme with Titan, taking into account all of the terms and conditions of the Competing Proposal and the Scheme.

If Trade Me receives a Competing Proposal which is, or is reasonably likely to constitute, a Superior Proposal it is required to notify Titan as soon as reasonably practicable of that proposal, following which Titan has five Business Days (the "matching period") in which to match the Competing Proposal with its own counter proposal. The Board

must consider the counter proposal in good faith and, if it determines that the terms and conditions of the counter proposal taken as a whole are no less favourable to Shareholders than those in the relevant Competing Proposal, the parties must use reasonable endeavours to give effect to that counter proposal as soon as reasonably practicable (and Trade Me must use its best endeavours to procure that each Director makes a public statement recommending the counter proposal to Shareholders). If Titan fails to match the Competing Proposal within the matching period (or the Board determines that the terms and conditions of the counter proposal proposed taken as a whole are less favourable to Shareholders than the relevant Competing Proposal), Trade Me may enter into an agreement in respect of the Competing Proposal.

- (Break Fee) Trade Me has agreed to pay a break fee (and Titan has agreed to pay a “reverse” break fee) in certain circumstances. The amount of the break fee (and reserve break fee) is NZ\$19,199,400 plus GST (if any). The circumstances in which the break fee (and reverse break fee) may be payable are set out in section 3.9. The break fee (or reverse break fee) is not payable only because Shareholders do not approve the Scheme, and is not payable if the Scheme is implemented.
- (Termination) The Scheme Implementation Agreement contains the following termination provisions (characterised below in general terms).
 - Titan may terminate if:
 - any Director fails to recommend the Scheme or give the voting undertaking in respect of the Scheme, or changes, qualifies or withdraws (or make any statement inconsistent with) that recommendation or undertaking;
 - any of the warranties given by Trade Me, or obligations or undertakings of Trade Me, in the Scheme Implementation Agreement are materially breached and (except for certain fundamental warranties) the consequences of that breach are material in the context of the Scheme and the Trade Me Group taken as a whole;
 - a Prescribed Occurrence occurs between the date of this agreement and 8.00am on the Implementation Date (a Prescribed Occurrence includes meaningful changes to Trade Me or its governance, such as the issuance of new Shares or options by Trade Me, changes to Trade Me’s constitution, entry into a major transaction by the Trade Me Group and changes to the remuneration of Trade Me’s directors);
 - the Trade Me Group is subject to a Material Adverse Change the effect of which is continuing at the time such termination rights are exercised. This covers a matter, event, condition or change in circumstances which has or is reasonably likely to have reduced Trade Me’s consolidated net tangible assets by \$112m or more, or the consolidated EBITDA of the Trade Me Group (for the financial years ended 30 June 2020 or 30 June 2021) by 15% or more, subject to some specific exceptions as described in the definition of Material Adverse Change in section 8; or
 - an insolvency event occurs in respect of the Trade Me Group;
- Trade Me may terminate if:
 - the Independent Adviser’s Report concludes that the Scheme Consideration is not within or above the Independent Adviser’s valuation range for the Shares;
 - prior to the date of the Final Court Orders, if Trade Me receives a Competing Proposal that is, or is reasonably capable of becoming, a Superior Proposal and Titan fails to provide a counter proposal within the matching period or the Board otherwise determines that the terms and conditions of Titan’s counter proposal taken as a whole are less favourable to Shareholders than those in the relevant Competing Proposal, and Trade Me has entered into an agreement in respect of a Competing Proposal, or is subject to a takeover offer, which is a Superior Proposal without Trade Me having breached the Scheme Implementation Agreement;

- any of the warranties given by Titan in the Scheme Implementation Agreement are materially breached;
- any of the obligations or undertakings of Titan in the Scheme Implementation Agreement are materially breached and the consequences of that breach are material in the context of the Scheme; or
- an insolvency event occurs in respect of Titan;
- the Scheme Implementation Agreement will terminate automatically if, at the Scheme Meeting, the Scheme Resolution is not passed; and
- either party may terminate the Scheme Implementation Agreement by giving notice in writing to the other if all of the Conditions have not been satisfied or waived (if capable of waiver) by the End Date, subject to certain specific exceptions.
- (Funding) Titan has warranted to Trade Me that through its binding debt commitments and equity commitments it has an amount of funding available to it which is sufficient to satisfy its payment obligations under the Scheme Implementation Agreement, including payment of the Scheme Consideration.
- (Interim period) The Scheme Implementation Agreement includes a number of obligations on Trade Me with regard to the ongoing operation of the business in respect of the period between signing of the agreement until the implementation of the Scheme. These positive and negative obligations are generally designed to enable Trade Me to continue to run its business in the normal course, while also recognising that it is appropriate for certain material actions to require Titan's prior approval, given the potential change of ownership of Trade Me under the Scheme.

A full copy of the Scheme Implementation Agreement is available on Trade Me's investor relations website at investors.trademe.co.nz.

Letter agreement relating to the Scheme Implementation Agreement

Trade Me and Titan entered into a supplementary letter agreement relating to the Scheme Implementation Agreement dated 30 January

2019. Under the terms of this letter agreement, the parties agreed to work towards holding the Scheme Meeting on 3 April 2019 and also confirmed that the Implementation Date would not occur earlier than 8 May 2019, which allows for the Court process and other steps to occur following the Scheme Meeting.

6.11 Relationship between Titan and Directors and Senior Managers of Trade Me

There is no agreement or arrangement (legally enforceable or not) made or proposed between Titan and any Associates of Titan, and any Director or Senior Manager of Trade Me or any Related Company of Trade Me in connection with, in anticipation of, or in response to, the Scheme.

None of the Directors or Senior Managers of Trade Me are also directors or senior managers of Titan (or of any Related Company of Titan).

6.12 Agreements or arrangements between Trade Me and its Directors and Senior Managers

During 2018, Jon Macdonald, the current CEO, announced his intention to end his employment after a long period leading Trade Me. Trade Me then began to seek to identify and appoint a new CEO.

In December 2018, Trade Me reached an agreement for the current CEO, Jon Macdonald, to continue as CEO to facilitate a smooth transition to a new owner of Trade Me or a new CEO. The extension was on terms approved by Trade Me's Human Resources and Compensation Committee and included both a base salary and a One Incentive Plan component (see 6.13 below).

Except for that, no agreement or arrangement (legally enforceable or not) is made or proposed between Trade Me or any Related Company of Trade Me and any Directors, Senior Managers or their Associates of Trade Me or its Related Companies, under which payment or other benefits may be given as compensation for loss of office, or as to the Directors or Senior Managers remaining in or leaving office in connection with, in anticipation of, or in response to, the Scheme.

The amount of the OIP component is based on 75% of base salary, is dependent on both

Trade Me's and Mr Macdonald's achievement of certain performance measures set by the Board, and will be in the range of NZ\$0 to NZ\$1,196,033.

6.13 Executive and Management Long Term Incentive plans

There are currently no long-term incentive plans in place for Trade Me executives which involve the issue or transfer of Shares. Trade Me has a legacy LTI Plan, which is described in section 3.17. No new entitlement offers will be made under the legacy LTI Plan and it is closed to new participants.

For completeness, Trade Me also operates an incentive scheme known as "One Incentive Plan" that was recently introduced and under which certain senior employees are generally entitled (assuming performance hurdles are met) to incentives which are partly paid in cash and partly paid in Shares. In connection with the Scheme, and prior to the Scheme Record Date, the One Incentive Plan rules will be varied so that all entitlements of current or future participants to receive or be allocated Shares are converted into rights to be paid a cash incentive (with the other terms of the One Incentive Plan to remain unaffected).

6.14 Interests of Directors and Senior Managers of Trade Me in contracts of Titan or its related companies

No Director or Senior Manager or their Associates has an interest in any contract to which Titan, or any related company of Titan, is a party.

6.15 Interests of Trade Me's substantial security holders in material contracts of Titan or its related companies

As far as the Directors and Senior Managers are aware as at 8 March 2019 (being the latest practicable date before the date of this Scheme Booklet), no person who, to the knowledge of the Directors or the Senior Managers holds or controls 5% or more of any class of equity securities of Trade Me, has an interest in any material contract to which Titan or any Related Company of Titan is a party.

6.16 Additional information

In the opinion of the Directors, no additional information, to the knowledge of Trade Me, is required to make the information in this Scheme Booklet correct or not misleading.

6.17 Actions of Trade Me

Except for those agreements referred to in section 6.10 of this Scheme Booklet, there are no material agreements or arrangements (legally enforceable or not) of Trade Me or any Related Company of Trade Me which have been entered into as a consequence of, in response to, or in connection with, the Scheme.

There are no negotiations underway as a consequence of, in response to, or in connection with the Scheme that relate to or could result in:

- an extraordinary transaction, such as a merger, amalgamation, or reorganisation, involving Trade Me or any of its Related Companies; or
- the acquisition or disposition of material assets by Trade Me or any of its Related Companies; or
- an acquisition of equity securities by, or of, Trade Me or any Related Company of Trade Me; or
- any material change in the equity securities on issue, or policy relating to distributions, of Trade Me.

6.18 Equity securities of Trade Me

Trade Me has 396,973,029 ordinary shares on issue. All Shares are fully paid.

Subject to certain conditions in the constitution of Trade Me and the NZX Listing Rules, each Share confers upon the holder the right to:

- an equal share in dividends authorised by the Board;
- an equal share in the distribution of surplus assets on liquidation of Trade Me;
- participate in certain further issues of equity securities by Trade Me; and
- vote on a show of hands or cast one vote per Share on a poll, at a meeting of Shareholders on any resolution, including a resolution to:
 - appoint or remove a Director or auditor;
 - alter Trade Me's constitution;
 - approve a major transaction;

- approve an amalgamation involving Trade Me; and
- put Trade Me into liquidation.
- As at the date of this Scheme Booklet, Trade Me has issued 578,602 ordinary shares that are treated as “restricted shares” and are held by TMG Trustee Limited as trustee for certain employees of Trade Me under Trade Me’s LTI Plan.
- 138,695 of these restricted shares are not capable of “vesting” (becoming Scheme Shares) because the relevant beneficial holders have left Trade Me’s employment or the shares did not qualify for vesting. Those shares are to be cancelled before the Scheme Record Date (and will be cancelled regardless of whether the Scheme is implemented).
- 439,907 restricted shares are eligible to vest and participate in the Scheme under the rules of the LTI Plan.

The Board intends to accelerate the vesting of some or all of the 439,907 restricted shares under the rules of the LTI Plan. Any restricted shares that vest under this LTI Plan will participate in the Scheme, provided the Scheme is implemented. The balance of those restricted shares are to be cancelled before the Scheme Record Date.

6.19 Financial information

A copy of Trade Me’s most recent annual report (for the year ended 30 June 2018) and its half year report (for the 6 months ended 31 December 2018) are available on Trade Me’s website at investors.trademe.co.nz.

Each person who is eligible to vote on the Scheme is also entitled to obtain a hard copy of Trade Me’s most recent annual report or half year report by making a written request to Link Market Services using the contact information set out in this Scheme Booklet’s directory.

Other than as set out in this Scheme Booklet, the Independent Adviser’s Report, Trade Me’s most recent annual meeting presentation, its half year report for the six months ended 31 December 2018 and its earnings guidance released to NZX and ASX on 27 February 2019, there have not been any material changes in the financial or trading position, or prospects, of Trade Me since the annual report was prepared and sent to Shareholders.

6.20 Asset valuations

No information provided in this Scheme Booklet refers to a valuation of any asset of Trade Me.

6.21 Prospective financial information

The Independent Adviser’s Report contains prospective financial information in relation to Trade Me. The principal assumptions on which the prospective financial information is based are set out in the Independent Adviser’s Report.

Other than the prospective financial information referred to above, this Scheme Booklet does not refer to any other prospective financial information about Trade Me. No assurance is given that any results in the prospective financial information will be achieved, and Trade Me gives no undertaking to update the market at any time in relation to its performance against the prospective financial information.

6.22 Sales of unquoted equity securities under the Scheme

There are no unquoted equity securities that are subject to the Scheme.

6.23 Market prices for quoted equity securities

The Shares are quoted on the NZX and ASX.

The closing price on NZX and ASX of Shares on:

- 20 November 2018, the last day on which NZX and ASX were open for business before the date on which Trade Me announced that it had received a non-binding indicative offer from Titan, was NZ\$5.10 on NZX and A\$4.78 on ASX; and
- 8 March 2019, being the latest practicable working day before the date on which this Scheme Booklet was sent to Shareholders, was NZ\$6.38 on the NZX and A\$6.15 on ASX.

The highest and lowest closing market prices of Shares on NZX and ASX (and the relevant dates) during the six months to 20 November 2018 (being the last day on which NZX and ASX were open for business before the date on which Trade Me announced that it had received a non-binding indicative offer from Titan), were as follows:

- the highest closing market price was NZ\$5.37 per Share on NZX and A\$4.92 per Share on ASX (on 31 August 2018); and
- the lowest closing market price was NZ\$4.55 per Share on NZX and A\$4.17 per Share on ASX (on 2 July 2018).

The Board does not consider that any issuance or distributions on the Shares during that six month period has affected the market prices of the Shares referred to above, except for the special dividend paid by Trade Me to Shareholders on 18 September 2018.

6.24 Other information

The Directors are not aware of any additional information, which is not otherwise disclosed or referred to in this Scheme Booklet, that could reasonably be expected to be material to the Shareholders when making a decision to vote for, or against, the Scheme Resolution.

6.25 Board approval of Trade Me Information

The contents of the Scheme Booklet have been approved by the Board, other than:

- the Titan Information, which the board of directors of Titan has approved;
- the Independent Adviser's Report, which has been prepared by the Independent Adviser; and
- section 7 (Tax implications), which has been prepared by Deloitte.

SECTION 7:

Tax implications

7.1 Introduction

Tax may affect your returns from the disposal of your Shares under the Scheme.

This section sets out a general summary of the New Zealand and Australian tax implications of disposing of Shares under the Scheme for Shareholders. It does not however include the tax implications that may arise in jurisdictions other than New Zealand and Australia.

This summary:

- is based on the New Zealand and Australian taxation law and administrative practices as at the date of this Scheme Booklet;
- does not constitute tax advice and should not be relied upon as tax advice;
- is an indicative guide and is not intended to be, and should not be seen as a substitute for, individual tax advice;
- is general in nature and the individual circumstances of each Shareholder may affect the taxation implications arising for that Shareholder;

- is not intended to be an authoritative or exhaustive statement of the tax legislation applicable to all Shareholders; and
- for Australian shareholders only considers the Australian tax implications for Shareholders who hold Shares on capital account for Australian tax purposes.

Tax law is complex and subject to change periodically (including retrospectively), as is the interpretation of the law by the courts and revenue authorities. Accordingly, you should obtain your own independent professional advice that considers the taxation implications arising in relation to the Scheme and taking into account your own specific circumstances.

This summary does not consider the tax implications for Shareholders who:

- are in the business of share trading, banking, dealing in securities or otherwise hold shares on revenue account or as trading stock (except where expressly stated);
- are tax residents of New Zealand or Australia that currently hold, or have held, Shares as part of an enterprise carried on, at or through a permanent establishment outside of New Zealand or Australia;

- are non-residents of New Zealand or Australia for tax purposes that currently hold, or have held, Shares as part of an enterprise carried on, at or through a permanent establishment in New Zealand or Australia;
- are financial institutions, insurance companies, listed investment companies, partnerships (including limited partnerships), tax exempt organisations, trusts (except where expressly stated), superannuation funds (except where expressly stated) or dealers in securities;
- are subject to special taxation rules, including in respect of Australian taxpayers, the Taxation of Financial Arrangements rules contained in Division 230 of the Income Tax Assessment Act 1997 in relation to gains and losses on Shares;
- acquired the Shares through an employee share plan or scheme; or
- are non-residents of Australia for tax purposes who held Shares at the time when they ceased being tax residents of Australia.

These Shareholders should seek their own tax advice to determine any tax implications arising in relation to the Scheme.

All capitalised terms in this summary have the same meaning as those contained in section 8 unless the context requires otherwise.

7.2 New Zealand tax implications

Are you a New Zealand tax resident?

Your tax residence status may affect how New Zealand income tax applies to you.

If you are a natural person you will be a New Zealand tax resident if you have:

- a permanent place of abode in New Zealand; and/or
- been present in New Zealand for more than 183 days in a 12 month period, and not subsequently absent from New Zealand for more than 325 days in a 12 month period.

A company is tax resident in New Zealand if it is incorporated in New Zealand, if it has its head office or centre of management in New Zealand, or if its directors exercise control of the company in New Zealand.

Generally, shares held by a trust will be treated as being held by a New Zealand tax resident if a current New Zealand tax resident has settled, or otherwise contributed to, the trust.

If you are a New Zealand tax resident and are also a tax resident in another country, the following summary applying to New Zealand tax residents may not apply to you and you should seek your own tax advice.

Portfolio investment entities are subject to a specific income tax regime in New Zealand and this general summary does not consider their specific tax situation. Portfolio investment entities who are Shareholders should seek their own tax advice in relation to their participation in the Scheme.

New Zealand income tax implications for New Zealand resident shareholders

Although New Zealand does not currently have a general capital gains tax, there are instances where New Zealand tax resident Shareholders will be subject to New Zealand income tax on gains made on the disposal of Shares under the Scheme.

Accordingly, you will need to consider your individual circumstances to determine whether any gain on the disposal of your Shares will be taxable.

Generally, you will be subject to income tax on any gain arising from the disposal of your Shares under the Scheme if you:

- are in the business of dealing in shares; or
- acquired your Shares as part of a profit-making undertaking or scheme; or
- acquired your Shares with the dominant purpose of selling them; or
- otherwise hold your Shares on “revenue account”.

In those circumstances, your taxable gain will be the difference between the original cost of your Shares and the amount received for their disposal under the Scheme. If you have a taxable gain you will be required to include that gain in a New Zealand income tax return (or an equivalent filing) relating to the tax year in which the disposal under the Scheme occurs, unless you are exempt from filing an income tax return. You will need to pay any tax owing in respect of that gain at your applicable rate.

New Zealand income tax implications for non-resident shareholders

Although New Zealand does not currently have a general capital gains tax, there are instances where Shareholders who are not New Zealand tax residents will be subject to New Zealand income tax on gains made on the disposal of Shares under the Scheme.

Accordingly, you will need to consider your individual circumstances to determine whether any gain on the disposal of your Shares will be taxable in New Zealand.

Generally, you will be subject to New Zealand income tax on any gain arising from the disposal of your Shares under the Scheme if you:

- are in the business of dealing in shares; or
- acquired your Shares as part of a profit-making undertaking or scheme; or
- acquired your Shares with the dominant purpose of selling them; or
- otherwise hold your Shares on revenue account.

In those circumstances, your taxable gain will be the difference between the original cost of your Shares and the amount received for their disposal under the Scheme.

If you are a tax resident of a country which has a double tax agreement with New Zealand, then subject to the particular provisions of the relevant double tax agreement, any New Zealand income tax liability on gains you derive from the disposal of Shares under the Scheme (as described above) may be relieved.

You will need to confirm with your tax advisor whether any double tax agreement relief from New Zealand income tax is available to you. The terms of each double tax agreement entered into by New Zealand are different. Most double tax agreements will not provide relief from New Zealand income tax on the disposal of shares in a New Zealand incorporated company (such as Trade Me) if the holder of those shares has a permanent establishment in New Zealand through which the shares are held.

If you derive a taxable gain on the disposal of your Shares under the Scheme and the New Zealand tax liability is not relieved under a double tax agreement, you will be required to include that gain in a New Zealand income tax return (or equivalent filing) relating to the tax year in which the disposal occurs and pay tax on the gain in New Zealand at your applicable rate, unless you are exempt from filing an income tax return.

New Zealand goods and services tax (GST) and stamp duty

New Zealand has a goods and services tax but there will be no GST payable on the disposal of Shares under the Scheme.

New Zealand does not have stamp duty or other transfer tax which would apply to the disposal of Shares under the Scheme.

7.3 Australian tax implications

Income tax implications — Australian tax resident shareholders

If the Scheme is approved, capital gains tax (CGT) event A1 should occur when you dispose of your Shares under the Scheme on the Implementation Date.

You should, in respect of each Share, make:

- a capital gain from CGT event A1 if the capital proceeds from the disposal of your Share is greater than the cost base of your Share; or
- a capital loss from CGT event A1 if the capital proceeds from the disposal of your Share is less than the reduced cost base of your Share.

Capital proceeds from your disposal of Shares

Your capital proceeds from the disposal of your Shares should be equal to the Scheme Consideration received of NZ\$6.45 (or an amount in A\$ where you have elected to receive A\$) for each Trade Me Share you held on the Scheme Record Date.

Cost base or reduced cost base Shares

Your cost base or reduced cost base in Shares should generally be the amount you paid (or are deemed to have paid) to acquire your Shares, as well as incidental costs (if any) you have incurred in relation to the acquisition or disposal of your Shares.

Capital gains tax discount on capital gains

If you are an individual, a trust or a complying superannuation fund or a trust, and you have held your Shares for at least 12 months prior to the date of disposal, you may be eligible to reduce any capital gain on the disposal of your Shares.

Where the capital gains tax discount rules apply, the rules should enable your net capital gain (i.e. after the application of current and prior year capital losses) arising from the disposal of your Trade Me Shares to be reduced as follows:

- 50% if you are an individual or a trust; and
- 33 1/3% if you are a complying superannuation entity.

The capital gains tax discount concession is not available if you are a company (including corporate beneficiaries of trusts).

Capital losses

Your capital gains and capital losses are aggregated to determine whether you have a net capital gain or net capital loss for the income year.

Any net capital loss is not deductible from your assessable income. Instead, it may be able to be carried forward and offset against your capital gains derived in future years (subject to the satisfaction of various requirements).

You should seek your own independent professional tax advice in relation to the operation of these rules.

Foreign exchange issues

The Australian tax rules relating to foreign exchange gains or losses may apply to you upon receipt of the Scheme Consideration. You should seek your own independent professional tax advice in relation to the operation of these rules.

Shareholders who are non-resident for Australian tax purposes

If you have not at any time been a resident for Australian tax purposes, you should not be subject to Australian income tax on the disposal of your Shares under the Scheme.

If you have at anytime been a resident for Australian tax purposes, you should obtain your own independent tax advice regarding the implications of participating in the Scheme in Australia and in your country of residence.

Stamp duty

You should not be required to pay any stamp duty on the disposal of your Shares.

Australian goods and services tax (Australian GST)

Your disposal of Shares under the Scheme should not attract Australian GST. However, your ability to recover Australian GST incurred on expenses (if any) that relate directly or indirectly to the disposal of your Shares may be restricted in part or full.

This is a complex area of the Australian GST law. If you are Australian GST registered, you should seek your own independent professional tax advice in this regard.

SECTION 8:

Glossary

The meaning of terms used in this Scheme Booklet are set out below:

Apax IX Fund	means Apax IX EUR L.P., Apax IX USD L.P., Apax IX EUR Co-Investment L.P. and Apax IX USD Co-Investment L.P.
Apax Partners	means Apax Partners LLP in its capacity as adviser to Apax IX GP Co Limited, the general partner of the Apax IX Fund
Associate	has the meaning given in section 4 of the Takeovers Code
ASX	means ASX Limited or Australian Securities Exchange, as the context requires
Board	means the board of Directors of Trade Me
Business Day	means a day other than a Saturday, Sunday or statutory public holiday in Auckland or Wellington, New Zealand and excludes any day NZX is not open for trading
Chairman	means the chairman of Trade Me
Companies Act	means the Companies Act 1993

Competing Proposal	<p>means any proposed:</p> <ul style="list-style-type: none"> (a) takeover (whether a full or partial takeover under the Takeovers Code) in respect of Trade Me by a Third Party; (b) scheme of arrangement in respect of a Trade Me Group member involving a Third Party; (c) transfer or issuance of financial products of Trade Me to a Third Party, where the Shareholders' approval is required under the Takeovers Code; (d) sale of assets or financial products of the Trade Me Group to a Third Party, where such sale constitutes a division or similarly material part of the Trade Me Group's Business (and, for clarity, will not include any sale, disposal of assets or winding up in relation to any business, division, subsidiary or other interest of the Trade Me Group having a value of less than \$10 million); or (e) any strategic alliance, joint venture, partnership, economic or synthetic merger or other transaction which, would have the effect of a Third Party, directly or indirectly, having a Relevant Interest in more than 20% of the Shares. <p>For the purposes of the definition of "Competing Proposal":</p> <ul style="list-style-type: none"> (f) any such proposal may be indicative, conditional or otherwise non-binding; (g) paragraphs (c) and (d) above include any agreement (within the meaning of section 6 of the FMCA) whereby such a transaction is effected through a series of linked or related transactions which if conducted as a single transaction would constitute a "Competing Proposal" within the meaning of paragraphs (c) and (d) above; and (h) "Third Party" means a person other than a member of the Titan Group or its Associates
Conditions	means the conditions of the Scheme referred to in section 3.10 of this Scheme Booklet
Court	means the High Court of New Zealand
Directors or Director	means a director or directors of Trade Me
Deed Poll	means the deed poll entered into by Titan in favour of the Scheme Shareholders dated 4 March 2019 and reproduced for reference as Annexure C of this Scheme Booklet
EBITDA	means earnings before interest, tax, depreciation and amortisation
Effective	means, when used in relation to the Scheme, the coming into effect under section 236(3) of the Companies Act of the order of the Court made under section 236(1) of the Companies Act in relation to the Scheme and all of the Conditions having been satisfied or waived (where capable of being waived) in accordance with the Scheme
End Date	means 12 July 2019 or such later date as Trade Me and Titan agree in writing
Final Court Orders	means orders of the Court that the Scheme will be implemented, which shall be binding on Trade Me, Titan, Scheme Shareholders and such other persons or classes of persons as the Court may specify in accordance with section 236(1) (and section 237, if applicable) of the Companies Act

Final Court Hearing	means the final hearing of the Court in respect of the Final Court Orders, which is expected to take place on 16 April 2019 or such later date as the Court directs
Final Orders Date	means the date on which the Final Court Orders are sealed
FY18	means the financial year from 1 July 2017 to 30 June 2018
FMCA	means the Financial Markets Conduct Act 2013
GIC Ventures	means GIC (Ventures) Pte Ltd
Government Agency	means any government, any department, officer or minister of any government and any governmental, semi-governmental, regulatory, administrative, fiscal, judicial or quasi-judicial agency, authority, board, commission, tribunal or entity, in any jurisdiction, and includes (for the avoidance of doubt) the Overseas Investment Office, the Takeovers Panel and the Financial Markets Authority
Implementation Date	means the day on which the Scheme is to be implemented, being the date two Business Days after the Scheme Record Date, or such other date as Titan and Trade Me agree in writing
Independent Adviser or Grant Samuel	means Grant Samuel & Associates Limited, an independent advisory firm appointed by Trade Me and approved by the Takeovers Panel as independent adviser to prepare the Independent Adviser's Report
Independent Adviser's Report	means the report prepared by the Independent Adviser in relation to the Scheme included as Annexure A of this Scheme Booklet
Initial Court Orders	means the orders by the Court in connection with the Scheme for the purposes of section 236(2) of the Companies Act, dated 6 March 2019, and available to view at Trade Me's investor website at investors.trademe.co.nz
Link Market Services	means Link Market Services Limited
LTI Plan	means Trade Me's Executive Long-term Incentive Plan
Material Adverse Change	<p>means any matter, event, condition or change in circumstances or thing that occurs, or is announced, after the date of the Scheme Implementation Agreement (Specified Event) which has, or is reasonably likely to have, either individually or when aggregated with any other matters, events or circumstances of a similar kind or category, the effect of:</p> <p>(a) diminishing the consolidated net assets of the Trade Me Group taken as a whole by at least \$112,000,000; or</p> <p>(b) diminishing the consolidated EBITDA of the Trade Me Group (excluding any non-recurring items to the extent that the impact of such items on the consolidated EBITDA of the Trade Me Group is recovered under the Trade Me Group's insurance) in either the financial year ending 30 June 2020 or 30 June 2021 by 15% or more against what it would reasonably have been expected to be but for the Specified Event,</p>

in each case other than matters, events or circumstances:

- (c) required or specifically permitted by the Scheme Implementation Agreement or the Scheme;
- (d) to the extent that it was fairly disclosed to Titan in the due diligence material provided to Titan or by Trade Me through the NZX market announcements platform two Business Days before the date of the Scheme Implementation Agreement;
- (e) done or not done at the written request or with the written approval of Titan;
- (f) resulting from the actual or anticipated change of control of Trade Me contemplated by the Transaction;
- (g) resulting from changes in general economic or political conditions, the publicly traded securities market in general or law; or
- (h) resulting from changes in generally accepted accounting principles or the judicial interpretation of them,

provided however, that with respect to clause (g), such matter does not have a materially disproportionate effect on the Trade Me Group

MOF Inc	means Minister for Finance (Inc.), a body corporate set up by the Government of Singapore pursuant to the Minister for Finance (Incorporation) Act to own and administer government assets
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Notice of Meeting	means the notice of meeting relating to the Scheme Meeting, which is set out in section 2 of this Scheme Booklet
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NZX	means NZX Limited or the NZX Main Board, as the context requires
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OIO	means Overseas Investment Office
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Prescribed Occurrence	means an occurrence of any of the events set out in Schedule 1 of the Scheme Implementation Agreement, including matters such as certain changes to Trade Me's capital structure or business, insolvency events and various other prescribed events, other than an event agreed to by Titan in writing or expressly required or permitted by the Scheme Implementation Agreement
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Proxy Form	means the voting and proxy form which accompanies this Scheme Booklet
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Register	means the register of Shares maintained by Link Market Services on behalf of Trade Me
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Related Company	<ul style="list-style-type: none">(a) has the meaning given to that expression in section 2(3) of the Companies Act, provided that, for this purpose, references to "company" in that section will extend to any body corporate wherever incorporated or registered; and(b) in respect of Titan, includes any fund, limited partnership or other collective investment vehicle which is managed or controlled by an entity which also manages or controls Titan or is a related company (as contemplated by paragraph (a) of this definition) of Titan of any of those parties
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Relevant Interest	has the meaning given in section 235(1) of the FMCA
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Representatives	in relation to a person means any director, officer, employee or agent of, and any accountant, auditor, financier, financial adviser, legal adviser, technical adviser or other expert adviser or consultant to, that person
Scheme or Scheme of Arrangement	means a scheme of arrangement under Part 15 of the Companies Act under which all of the Shares held by Scheme Shareholders will be transferred to Titan and the Scheme Shareholders will be entitled to receive the Scheme Consideration, in accordance with the Scheme Plan, subject to any amendment or modification made pursuant to section 236(2) of the Companies Act
Scheme Booklet	means this document which is a combined notice of meeting and scheme booklet, including its annexures
Scheme Consideration	means NZ\$6.45 cash in respect of each Share held by a Scheme Shareholder on the Scheme Record Date
Scheme Implementation Agreement	means the scheme implementation agreement between Trade Me and Titan dated 12 December 2018
Scheme Meeting	means the special meeting of Shareholders ordered by the Court to be convened pursuant to the Initial Court Orders in respect of the Scheme and includes any adjournment of that meeting
Scheme Plan	means the scheme plan included as Annexure B to this Scheme Booklet, subject to any alterations or conditions approved by Trade Me and Titan in writing and which are disclosed to the Court prior to the Court making the Final Court Orders
Scheme Record Date	means 7.00 pm (New Zealand time) on the date which is two Business Days after the Trading Halt Date
Scheme Resolution	means the resolution set out in the Notice of Meeting to be put to Shareholders at the Scheme Meeting to approve the Scheme
Scheme Shares	means all of the Shares on issue as at the Scheme Record Date
Scheme Shareholder	means each person who is a Shareholder as at the Scheme Record Date
Shareholder	means a person who is registered in the Register as the holder of one or more Shares from time to time
Share	means a fully paid ordinary share in the capital of Trade Me
Selhurst	means Selhurst Investment Pte Ltd
Superior Proposal	<p>means a written bona fide Competing Proposal received after the date of the Scheme Implementation Agreement that the Board determines, acting in good faith and after having taken advice from its external financial and legal advisers:</p> <p>(a) is reasonably capable of being valued and implemented, taking into account all aspects of the Competing Proposal, including its conditions precedent; and</p> <p>(b) is more favourable to Shareholders than the Scheme, taking into account all the terms and conditions of the Competing Proposal and the Scheme</p>

Takeovers Code	means the takeovers code approved in the Takeovers Regulations 2000 as amended
Takeovers Panel	means the Takeovers Panel established by section 5(1) of the Takeovers Act 1993
Titan	means Titan AcquisitionCo New Zealand Limited, New Zealand Company Number 7170554, the entity acquiring all of the Scheme Shares under the Scheme
Titan Group	means Titan Parent New Zealand Limited and its direct and indirect wholly-owned subsidiaries, including Titan
Titan Information	means information about Titan and the Titan Group given by Titan to Trade Me in writing for inclusion in this Scheme Booklet, and is contained in in section 4 and section 5 of this Scheme Booklet
Trade Me	Trade Me Group Limited (NZX and ASX: TME)
Trade Me Group	means Trade Me and its Related Companies
Trade Me Information	means all information contained in this Scheme Booklet, other than the Titan Information, the Independent Adviser's Report and section 7 (Tax implications) of this Scheme Booklet
Trading Halt Date	means the later of 2 May 2019 and the date which is two Business Days after the later of: (a) the Final Orders Date; or (b) the date on which the last of the Conditions is satisfied or, if capable of waiver, waived in accordance with the terms of the Scheme Implementation Agreement, or such other date as Titan and Trade Me agree in writing
Transaction	means the acquisition by Titan of all the Scheme Shares through the implementation of the Scheme
Voting Record Date	means the time for determining eligibility to vote at the Scheme Meeting, expected to be 7.00pm on 1 April 2019 or, if the Scheme Meeting is adjourned, being 7.00pm on the day which is 48 hours before the adjourned meeting time for the Scheme Meeting



INDEPENDENT REPORT IN RELATION TO THE SCHEME OF ARRANGEMENT FOR THE ACQUISITION OF ALL OF THE TRADE ME SHARES BY TITAN

Grant Samuel confirms that it:

- has no conflict of interest that could affect its ability to provide an unbiased report; and
- has no direct or indirect pecuniary or other interest in the proposed transaction considered in this report, including any success or contingency fee or remuneration, other than to receive the cash fee for providing this report.

Grant Samuel has satisfied the Takeovers Panel, on the basis of the material provided to the Takeovers Panel, that it is independent under the Takeovers Code for the purposes of preparing this report.

Note to Shareholders: Overseas Investment Office consent to the Titan acquisition was received after this Independent Adviser's Report was prepared and filed in the High Court. The Scheme is no longer conditional on Overseas Investment Office consent. Please note that in particular in relation to the following sections of this Report: Section 5.4 (Factors affecting the Outcome of the Scheme) and 5.5 (Other Merits of the Scheme).

GRANT SAMUEL & ASSOCIATES LIMITED
FEBRUARY 2019

Proposed Acquisition of Trade Me Group Limited

1 Introduction

On 12 December 2018 Trade Me Group Limited (**Trade Me**) announced that it had entered into a Scheme Implementation Agreement (**SIA**) with Titan AcquisitionCo New Zealand Limited (**Titan**) to acquire 100% of the issued capital of Trade Me for a cash consideration of \$6.45 cash per share (the **Scheme**). The Proposed Scheme is subject to several key conditions that are set out in the SIA, including the approval of Trade Me shareholders.

The Scheme is to be implemented through a scheme of arrangement under the Companies Act 1993 (**Companies Act**) between Titan and Trade Me's shareholders. The Directors of Trade Me have engaged Grant Samuel & Associates Limited (**Grant Samuel**) to prepare an Independent Adviser's Report on the merits of the Scheme. This executive summary contains a summary of Grant Samuel's main conclusions in relation to the merits of the Scheme and its assessment of the price being offered to the Trade Me shareholders.

2 Key Conclusions

▪ **The outcome of the Scheme is binary.**

Trade Me shareholders are being asked to vote to approve or reject the implementation of the Scheme. For the Scheme to be approved, more than 50% of the total number of voting securities in Trade Me must be voted in favour of the Scheme and a majority of at least 75% of the total votes cast in each interest class must be in favour of the resolution. Grant Samuel understands there is only one interest class in respect to the Scheme.

If the shareholding voting thresholds are satisfied and the High Court approves the Scheme and the other conditions (including obtaining New Zealand Overseas Investment Office (**OIO**) consent) are satisfied, the Scheme will proceed and all the shares in Trade Me will be acquired. The possible outcomes of the Scheme are a function of Trade Me shareholders' endorsement (or not) of the scheme construct and are summarised below:

- ***The voting thresholds to approve the Scheme are not achieved.***

If either of the voting thresholds to approve the Scheme are not achieved, the Scheme will not proceed, and no shares in Trade Me will be acquired by Titan. Trade Me will remain a listed company and will have no further obligation to Titan. No break fees will be payable by either Trade Me or Titan unless the terms of the SIA have been breached.

- ***The voting thresholds to approve the Scheme are achieved.***

If the voting thresholds to approve the Scheme are achieved and all other conditions are satisfied, the Scheme will be implemented. In that circumstance all shareholders in Trade Me will have their shares acquired at \$6.45 per share. Voting in favour of the Scheme will only realise cash for Trade Me shareholders if the voting thresholds are achieved, the other conditions are satisfied, and the transaction is therefore implemented. If the transaction is implemented Trade Me will be delisted.

The outcome of the shareholder vote on the Scheme is binary – either the voting thresholds are achieved in which case the Scheme will be effected in its entirety (provided all other conditions are satisfied), or the voting thresholds are not achieved in which case the Scheme will not be implemented. It is important that shareholders exercise their right to vote for or against the Scheme.

- **Grant Samuel has valued Trade Me in the range \$2.35 billion to \$2.54 billion or \$5.93 to \$6.39 per share.**
 - The Scheme price of \$6.45 per share is above Grant Samuel’s assessed value range for Trade Me shares. In Grant Samuel’s opinion the full underlying value of Trade Me shares is in the range of \$5.93 to \$6.39 per share. This value represents the value of 100% of the equity in Trade Me and therefore includes a premium for control.

- **Trade Me shareholders will receive a traditional premium for control.**
 - The Scheme represents a premium of 26.5% relative to the closing price of \$5.10 per share on 20 November 2018 being the last trading day prior to the initial announcement of the receipt of the initial non binding indicative proposal from Apax Partners and a premium of 27% over the volume weighted average share price (VWAP) over the 30 trading days prior to 20 November 2018 of \$5.08 per share. The premium for control is consistent with the premium of control generally observed in successful takeovers of other listed companies.

- **The likelihood of competing proposals is low.**
 - Grant Samuel understands that Trade Me did not solicit the approach from Apax Partners or undertake a competitive process once it had received the approach from Apax Partners. Trade Me is only able to address a competing proposal if the board has determined that the competing proposal is or is reasonably capable of becoming a superior proposal and that it is necessary to respond to such a proposal in order to fulfil the fiduciary duties. The restrictions imposed on Trade Me under the Scheme significantly lower the probability of Trade Me receiving a competing proposal;
 - The more time that elapses from the announcement of the Scheme, the less likely a competing proposal will emerge as Trade Me can only provide due diligence to bona fide proposals that have not been encouraged, solicited or invited, and that are reasonably capable of becoming superior to the Titan Proposal. In this regard, Trade Me has advised Grant Samuel that, as at the date of this report, no alternative proposals have been received; and
 - If the voting thresholds are not achieved, theoretically Titan could elect to increase the price it is prepared to pay for Trade Me. Any price increase would require a revised scheme of arrangement proposal and the timetable to commence again. However, there is no certainty that a revised proposal would be tabled. Unless a competing takeover offer from another party is anticipated by the market, Trade Me’s shares are likely to trade at levels below the Scheme price of \$6.45 per share if the Scheme does not achieve the necessary voting thresholds and does not proceed.

- **Any significant delays to the Scheme are potentially detrimental to Trade Me shareholders.**
 - The Scheme includes restriction on the payment of dividends. The dividend that would otherwise be typically paid by Trade Me in March 2019 will not be declared or paid. In 2018 the March dividend was 9.1 cents per share. As there is a restriction on the payment of dividends under the Scheme the value of the Scheme remains unchanged at \$6.45 per share regardless of when the transaction is ultimately settled (if it is approved). Significant delays in implementing the Scheme caused by a delay in satisfying the conditions, such as OIO consent would therefore arguably be beneficial to Titan and detrimental to Trade Me shareholders. The restriction on dividends prevents Trade Me’s shareholders from sharing in any profits of the company since the announcement of the Scheme; and
 - The Scheme is conditional on Titan receiving approval from the OIO in the “significant business assets” category. Grant Samuel understand that Trade Me’s Directors have no reason to believe that this consent will not be forthcoming.

■ **The support of the major shareholders is likely to influence the success of the Scheme.**

- Approximately 39.7% of the issued shares in Trade Me are held by the top ten registered shareholders. The support or otherwise of the larger shareholders in relation to the Scheme is likely to be material in determining whether or not Trade Me achieves the voting thresholds. Many takeovers or schemes of arrangement feature voting commitment arrangements whereby certain larger shareholders are approached as part of the proposal and agree to accept the agreed offer when it is made, thereby providing the proposed transaction with momentum with a significant head start, and thereby improving the probability of success. The Scheme does not feature any voting commitment arrangements. The support or rejection of the larger shareholders to the proposed transaction will therefore be instrumental to the success of the Scheme.

■ **Trade Me is a strong business with substantial market share and identified growth opportunities.**

A consideration for Trade Me shareholders is whether, in time, an investment in Trade Me will yield a higher value outcome than the Scheme. If Trade Me can deliver on its initiatives and achieve the earnings growth it anticipates in FY20 and beyond, then higher value outcomes may eventuate:

- Trade Me's strengths include its trusted brand and its deep knowledge of the New Zealand markets it operates in. The high percentage of the population that interact with Trade Me on a daily basis provides the company with ongoing opportunities to increase revenue. In addition to strengthening its core propositions, Trade Me is planning to create adjacent revenues by creating new business models that complement the existing service offering. It is also evaluating partnering with specialist providers and taking a percentage of revenue generated from a sale facilitated by Trade Me. Such services could include the expansion of its logistics offering and the promotion of consumer finance and insurance products offered by its customers;
- Future growth will depend in part on Trade Me's ability to increase penetration of its classified depth products and increase prices over time. Further yield growth is expected to be achieved due to the continually enhanced value Trade Me is providing to its clients; and
- Trade Me management is forecasting continuing growth in earnings, particularly in classified advertising as more customers choose premium listings which attract significantly higher margins. On the other hand, Trade Me is expecting an increase in competition from *Facebook*, *Amazon* and *Google*. Trade Me's strong position in the New Zealand market has to date kept Australian comparable companies such as REA, Domain Group and Car Sales from entering the New Zealand market. This situation is unlikely to change in the near term.

As with any equity investment there are risks associated with the market in which Trade Me operates. Any event which had a material impact on consumer trust and Trade Me's brand reputation would likely have a significant impact on the business, as would any significant weakening in the New Zealand economy. Trade Me is also exposed to certain technological risks and the advent of increased competition.

3 Other Matters

Voting for or against the Proposed Scheme is a matter for individual shareholders based on their own view as to value and future market conditions, risk profile, liquidity preference, portfolio strategy, tax position and other factors. In particular, taxation consequences will vary widely across shareholders.

These are investment decisions upon which Grant Samuel does not offer an opinion and are independent of a decision on whether to vote in favour of the Scheme. Shareholders should consult their own professional adviser in this regard.

This is a summary of Grant Samuel's opinion. The full report from which this summary has been extracted is attached and should be read in conjunction with this summary. A detailed assessment of the merits of the Scheme is outlined in section 5 of this report. Grant Samuel's opinion is to be considered as a whole. Selecting portions of the analyses or factors considered by it, without considering all the factors and analyses together, could create a misleading view of the process underlying the opinion. The preparation of an opinion is a complex process and is not necessarily susceptible to partial analysis or summary.

GRANT SAMUEL & ASSOCIATES LIMITED

19 February 2019

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GLOSSARY

TERM	DEFINITION
Allsorts	Allsorts Limited
Code	The Takeovers Code
Companies Act	Companies Act 1993
DCF	Discounted Cash Flow
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
FY15	Financial year ended 30 June 2015
FY16	Financial year ended 30 June 2016
FY17	Financial year ended 30 June 2017
FY18	Financial year ended 30 June 2018
FY19F	Forecast for the financial year ending 30 June 2019
GDP	Gross Domestic Product
GMS	Gross Merchandise Sale
Grant Samuel	Grant Samuel and Associates Limited
Harmony	Harmony Corp Limited
NZX	New Zealand Stock Exchange
OIO	Overseas Investment Office
Scheme	The Scheme of Arrangement between Trade Me and Titan
Sharesies	Sharesies Limited
SIA	Scheme Implementation Agreement
Titan	Titan AcquisitionCo New Zealand Limited
Trade Me	Trade Me Group Limited



1 Terms of the Scheme

1.1 Background

On 12 December 2018 Trade Me announced that it had entered into a SIA with Titan to acquire 100% of the issued capital of Trade Me for a cash consideration of \$6.45 cash per share. The Scheme is to be implemented through a scheme of arrangement under the Companies Act between Titan and Trade Me's shareholders.

The Scheme is subject to several key conditions that are set out in the Scheme Booklet, including:

- approval from the OIO;
- Trade Me shareholder approval; and
- approval of the Scheme by the New Zealand High Court.

The full list of conditions to the Scheme are set out in the Scheme Booklet.

1.2 Profile of Apax Partners

Titan is ultimately owned by the Apax funds and was incorporated for the sole purpose of acquiring all of the shares in Trade Me. Apax Partners (in its capacity as investment adviser to the Apax funds) approached the Trade Me Board on 11 October 2018 with a non-binding indicative offer to acquire all of the shares of Trade Me.

Apax Partners is a global private equity advisory firm founded nearly 50 years ago. During that time, Apax Partners has raised and advised funds with aggregate commitments in excess of US\$50 billion. The Apax funds invest in companies across four global sectors of Tech & Telco, Services, Healthcare and Consumer. The Apax funds have a track record of investing in online classified businesses including Auto Trader (classifieds/UK), Trader Corporation (classifieds/Canada), Boats Group (classifieds/USA), Idealista (real estate/Spain) and SouFun (real estate/China). Apax Partners will no doubt be seeking to transfer some of this digital investment experience through to Trade Me



2 Scope of the Report

2.1 Purpose of the Report

The Independent Directors of Trade Me have engaged Grant Samuel to prepare an Independent Report to assess the Scheme. Grant Samuel is independent of Trade Me and Titan and has no involvement with, or interest in, the outcome of the Scheme. The Scheme is governed by the Companies Act and is required to be approved by the High Court of New Zealand in order to proceed. The High Court will not approve a scheme that affects the voting rights of a company unless:

- it is satisfied that the shareholders of the company will not be adversely affected by the use of a scheme rather than the Takeovers Code (**Code**) to effect the change involving the Code company; or
- the Court is presented with a no-objection statement from the Takeovers Panel. The Takeovers Panel will state in writing that it has no objection to a scheme if an applicant satisfies the Takeovers Panel that:
 - all material information relating to the scheme proposal has been disclosed;
 - the standard of disclosure to all shareholders has been equivalent to the standard that would be required by the Code in a Code-regulated transaction;
 - the interest classes of shareholders were adequately identified; and
 - other matters referred to in the Takeovers Panel’s Guidance Note on Schemes of Arrangement have been addressed, and there are no other reasons for the Takeovers Panel to object to the scheme.

Trade Me is a Code company under the Code. Although the provisions of the Code do not apply to schemes of arrangement once the final orders are issued by the High Court, the practice of the Takeovers Panel (which is responsible for administering and enforcing the Code) is to conduct a review to establish whether it considers appropriate information is placed before a Code company’s shareholders when they are being asked to consider a proposed scheme of arrangement. Although there is no legal requirement under the Companies Act or the Code for an Independent Adviser’s Report as a result of the Scheme, the practice of the Takeovers Panel (except in very limited circumstances) is to require the preparation of an Independent Adviser’s Report (similar to a Code Rule 21 report) before it will consider issuing a final no-objection statement. Trade Me has requested that the Takeovers Panel issue a no-objection statement in relation to the Scheme to present to the High Court to assist with its deliberations.

Rule 21 of the Code requires the Independent Adviser to report on *the merits of an offer*. The term “merits” has no definition either in the Code itself or in any statute dealing with securities or commercial law in New Zealand. While the Code does not prescribe a meaning of the term “merit”, the Takeovers Panel has interpreted the word “merits” include both positives and negatives in respect of a transaction.

A copy of this report will accompany the Scheme Booklet and it will be sent to all Trade Me shareholders. This report is for the benefit of the shareholders of Trade Me. The report should not be used for any purpose other than as an expression of Grant Samuel’s opinion as to the merits of the Scheme. This report should be read in conjunction with the Qualifications, Declarations and Consents outlined in Appendix A.

This report has been prepared without taking into account the objectives, financial situation or needs of individual Trade Me shareholders. Accordingly, before acting in relation to their investment, shareholders should consider the appropriateness of the advice having regard to their own objectives, financial situation or needs. Shareholders should read the Scheme Booklet issued by Trade Me in relation to the Scheme.

Voting for or against the Scheme is a matter for individual shareholders based on their views as to value and business strategy, their expectations about future economic and market conditions and their particular circumstances including risk profile, liquidity preference, investment strategy, portfolio structure and tax position. Shareholders who are in doubt as to the action they should take in relation to the Scheme should consult their own professional adviser.

Similarly, it is a matter for individual shareholders as to whether to buy, hold or sell securities in Trade Me. These are investment decisions upon which Grant Samuel does not offer an opinion and are independent of



a decision on whether to vote for or against the Scheme. Shareholders should consult their own professional adviser in this regard.

2.2 Basis of Evaluation

Grant Samuel has evaluated the Scheme by reviewing the following factors:

- the terms of the Scheme;
- the potential impact of the Scheme on the ownership and control of Trade Me;
- the estimated value range of Trade Me and the price of the Scheme when compared to the estimated value range;
- the likelihood of an alternative offer and alternative transactions that could realise fair value for Trade Me shareholders;
- the likely market price and liquidity of Trade Me shares in the absence of the Scheme;
- any advantages or disadvantages for Trade Me shareholders of accepting or rejecting the Scheme;
- the current trading conditions for Trade Me;
- the timing and circumstances surrounding the Scheme; and
- the attractions and risks of Trade Me's business.

Grant Samuel's opinion is to be considered as a whole. Selecting portions of the analyses or factors considered by it, without considering all the factors and analyses together, could create a misleading view of the process underlying the opinion. The preparation of an opinion is a complex process and is not necessarily susceptible to partial analysis or summary.

2.3 Approach to Valuation

In Grant Samuel's opinion the price to be paid under a full takeover or scheme of arrangement has the same economic intention and effect and should reflect the full underlying value of the company. Grant Samuel believes that the appropriate assessment of value under a full or partial takeover offer where the offeror will gain control is the full underlying value, prorated across all shares.

If the Scheme is approved by Trade Me's shareholders and if all other conditions are satisfied, the Scheme will be implemented and 100% of the shares in Trade Me would be acquired by Titan. Trade Me would be delisted in that circumstance. The Scheme therefore is similar to a full takeover in that it represents a potential change of control event. Consistent with the valuation principles Grant Samuel applies to the assessment of a full or partial takeover offer, the value assessment under a scheme of arrangement where control of the company could change, should also be of the full underlying value of the company. Grant Samuel has therefore estimated the value range of Trade Me with reference to its full underlying value.



3 Profile of Trade Me

3.1 Introduction

Trade Me is the leading online marketplace and classified business in New Zealand with local scale across a breadth of service offerings including auctions, fixed price sales for new and used goods (**Marketplace**) and classified advertisements for automotive (**Motors**), real estate (**Property**) and employment (**Jobs**). Trade Me also has web businesses specialising in accommodation, insurance, payments and online dating.

Trade Me's core premise is to connect people and businesses, and to provide them with the information and tools they need to undertake a transaction, for example to purchase a new bike, a used car or to find a new home or a job.

Due to its scale, Trade Me has a unique leadership position in New Zealand's online industry. Trade Me currently has approximately:

- over 1 million monthly purchases in the Marketplace;
- over 2 million daily interactions;
- over 4.5 million accounts;
- over 7.4 million items for sale; and
- more than 3 times the motor vehicle inventory than its nearest competitor.

3.2 Background and History

A summary of the history of Trade Me is set out below:

COMPANY TIMELINE

1999	- Established by Sam Morgan
2003	- Trade Me Motors launched
2005	- Trade Me Property launched
2006	- Trade Me Jobs launched - Trade Me is acquired by Fairfax
2008	- 1 million concurrent listings achieved
2009	- Acquisition of Holiday Houses, a property rental platform
2010	- iPhone application launched - Acquisition of BookIt, an online bookings platform specialising in tourism
2011	- Trade Me lists on NZX and ASX
2012	- Acquisition of AutoBase, a vehicle listing aggregator and Tradevine, an ecommerce management business
2013	- Acquisition of LifeDirect, a life and health insurance platform and MotorWeb, a motor vehicle information aggregator and reporter
2014	- Acquisition of Paystation, an online credit card processing and payments gateway and Viewing Tracker, a property management company
2015	- Launched Trade Me Insurance - Invested in peer to peer lending service, Harmoney (Harmoney Corp Limited)
2016	- Book a courier launched - BookIt and Travelbug sold
2017	- Launch of Buyer Protection and buy now/pay later - Launch of new front end user interface
2018	- Launch of payment platform Ping - Invested in Sharesies (Sharesies Limited)



3.3 Trade Me Platform

Online marketplaces and classifieds businesses are interlinked networks of buyers and sellers. As these networks gain scale, the benefits accruing to new and existing users increase.

Users of Trade Me benefit from this “network effect” by having access to the largest network of buyers and sellers in the New Zealand online industry. Buyers benefit from having access to a growing selection of goods and services which provides for increased choice and price transparency. Sellers benefit from having access to a larger pool of buyers which drives demand for listed goods and services and increases the proportion of successful sales. As these benefits accrue, more users are attracted to the Trade Me platform. This “network effect” provides Trade Me with a material competitive advantage in the markets in which it operates.

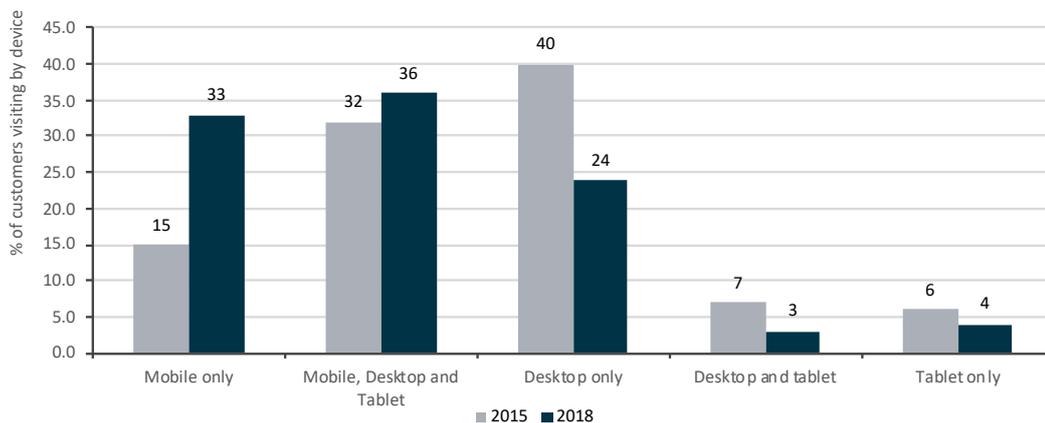
To create this “network effect” Trade Me has focused on ensuring its platform is easy to use and secure. The following table summarises the key features of the Trade Me platform:

KEY FEATURES OF THE TRADE ME PLATFORM

SELLERS		BUYERS
<ul style="list-style-type: none"> - Access to the largest online audience in New Zealand - Cost effective compared to traditional channels - Ability to actively manage inventory and listings in real time - Cost structure designed to benefit both frequent and casual users - Ability to increase prominence of advertisements through premium features - Simplification of product delivery through Book a courier 		<ul style="list-style-type: none"> - Access to the largest source of goods and services in New Zealand - Secure and trusted platform, with access to seller history - Advanced search functionality - Ability to access the platform through mobile devices - Features to ensure buyer protection and safety - Multiple payment methods (bank deposit, credit card, buy now/pay later)

Mobile accessibility has continued to be an important component to continue to drive and maintain the “network effect”. Trade Me has continued to invest heavily in its mobile application development. In 2018, approximately 65% of all customers accessed Trade Me via a mobile device, up from 47% in 2015. The shift in mobile usage is illustrated below:

% OF CUSTOMERS VISITING THROUGH DIFFERENT DEVICES OVER ONE MONTH



Source: Trade Me



3.4 Divisions

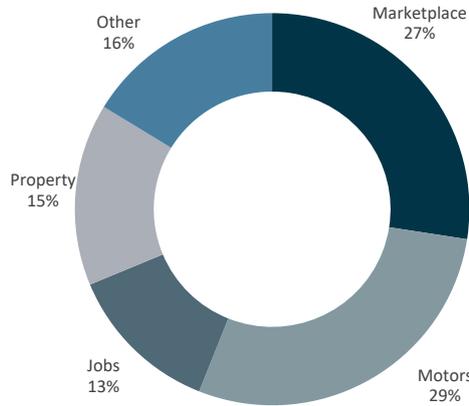
Trade Me’s divisions comprise:

BUSINESS DIVISIONS

MARKETPLACE		- Marketplace includes all product listings (new and used, sold via auction and fixed price) including items such as books, clothing, sports equipment and furniture.
CLASSIFIEDS	MOTORS	- Motors includes the listing and sale of new/used cars, motorbikes, boats, and other vehicles as advertised and sold by dealers and private sellers and supplementary services.
	PROPERTY	- Property includes the listing of residential and commercial properties for sale and rent as advertised by realtors and private sellers.
	JOBS	- Jobs includes the listing of full-time, part-time, contracting and temping roles by recruiters and employers.
OTHER		- Other includes all other businesses, including advertising, dating, payments gateway, life and health insurance comparison and general insurance.

A summary of Trade Me’s revenue by business division is illustrated below:

DIVISIONAL FY18 REVENUE SEGMENTATION



A summary and financial commentary by business division is set out below.



3.5 Marketplace

3.5.1 Overview

Marketplace is Trade Me's founding business and is the largest ecommerce website in New Zealand. In FY18, Trade Me generated gross merchandise sales (**GMS**¹) of approximately \$840 million.

Marketplace provides buyers with a wide range of new and used goods that can be bought via competitive auctions (where prospective buyers compete by bidding) and fixed price transactions (where buyers confirm their purchase instantly).

Revenue is largely generated from listing fees, premium listing services (**depth fees**²) and success fees and performance is driven by both the number of completed transactions and the total sales value of completed transactions.

3.5.2 Industry Overview

Marketplace competes in New Zealand's used and new goods industry.

Used Goods Industry

Trade Me pioneered selling used goods online in New Zealand following its establishment in 1999. Trade Me's market share of the used goods market and online used goods sales market is estimated at approximately 47% and 80% respectively.

The development of the online used goods sales industry in New Zealand is consistent with the experience of other developed countries such as the United States, the United Kingdom and Australia, where the industry is typically led by a cornerstone participant with highly engaged audiences. These market players are generally underpinned by strong infrastructure around payments and security, recognised branding and these market participants have established the "network effect" making it challenging for new entrants to compete. In 2016 *Facebook* entered the online used goods sales market in New Zealand and due to its established network it has been able to grow market share in the lower value consumer to consumer segment of the online market. *Facebook* does not currently charge commissions on sales and generates revenues from the sale of advertising making it an attractive proposition for price sensitive sellers.

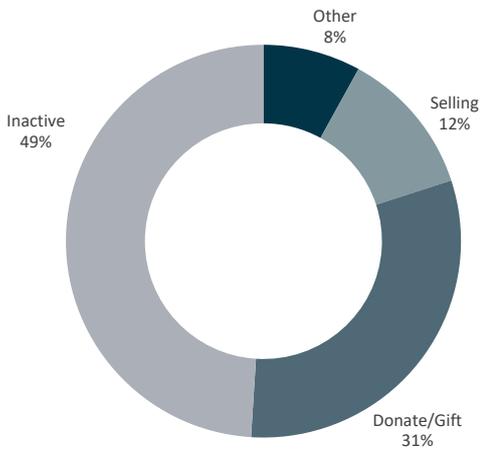
The New Zealand used goods economy is estimated to be worth approximately \$9.3 billion per annum of which only 12% or \$1.1 billion is estimated to be actually traded annually. The majority of the available used goods for sale are either stored away and over time disposed of or donated or gifted to charity.

¹ GMS is the total value of sales that Trade Me facilitates and includes most listings, motor parts and accessories, but excludes vehicles and property.

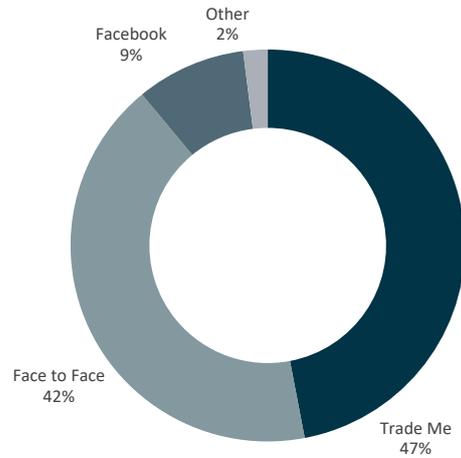
² Depth is an alternative term for premium listings which attract a higher price for an improved visual experience and better positioning.



MARKET SHARE OF NZ'S USED GOODS ECONOMY



MARKET SHARE OF NZ'S USED GOODS SELLING MARKET

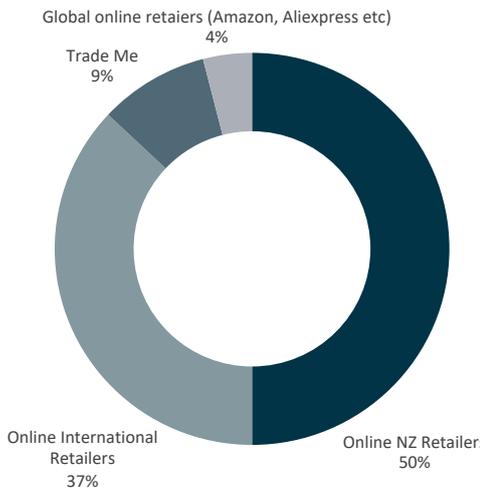


Source: Trade Me Investor Day Presentation 2017 - Gumtree Australia Survey, Kijiji Second Hand Economy Index 2017 Report

New Goods Industry

The size of the New Zealand new goods economy is estimated to be approximately \$70 billion per annum, of which \$40 billion is considered to be a potentially addressable market³ for online platforms. Of the addressable market approximately \$4.5 billion or 11.4% is currently sold online and this has grown over 10% over the last 12 months⁴.

MARKET SHARE OF NZ'S NEW GOODS ONLINE MARKET



Source: Trade Me Investor Day Presentation 2017 - Stats NZ Retail Trade Survey (Dec 17), BNZ Marketview report

Trade Me's market share of the new goods online market is estimated at approximately 9% and it competes against domestic retailers, international retailers selling online and delivering to New Zealand, as well as large global online retailers such as *Amazon*, *Wish* and *AliExpress*. *Amazon* entered Australia in December 2017 with limited success and to date, it has not announced any plans to launch in New Zealand, likely due to the relatively small size of the New Zealand market. From October 2019 all foreign companies selling goods into New Zealand will be required to be registered with the IRD to collect GST on all goods sold which will enable local retailers and Trade Me to compete on a more level playing field against global online retailers.

³ Non addressable retail sales include supermarket and grocery spend, specialised food and liquor.

⁴ BNZ Online Retail Sales – October 2018.



Trade Me is losing market share each year of the online market, as total online retail spending grows faster than Trade Me’s growth.

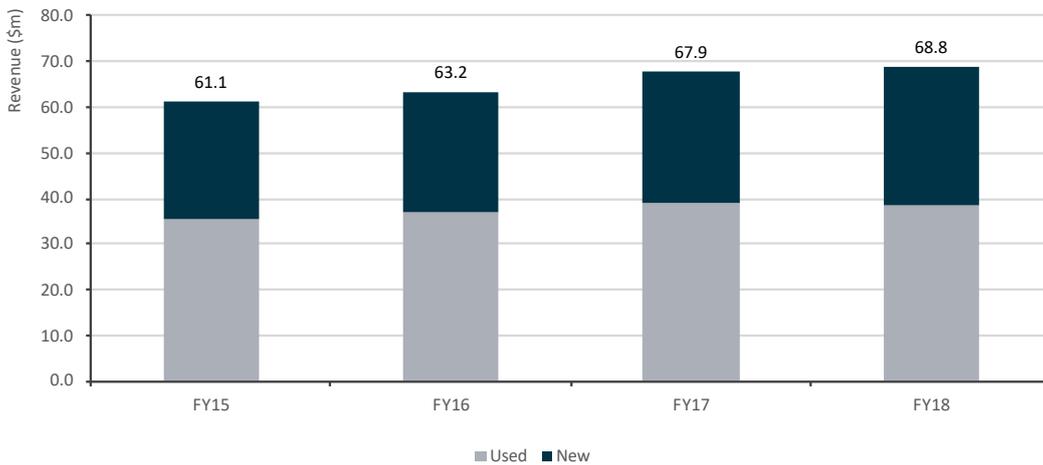
The percentage of online retail revenue generated in New Zealand is significantly lower than other developed nations. Online retail sales penetration is predicted to rise significantly over the next three to five years to over 20%, to be more in line with other developed nations⁵.

Trade Me believes new and existing consumers are still discovering the convenience and efficiency of the online retail platform. Trade Me is expecting higher growth to come from the new goods sector relative to the used good sector, as well as a continued increase in item sell prices.

3.5.3 Historical Performance Summary

A summary of Marketplace revenue from FY15 to FY18 is illustrated below:

HISTORICAL MARKETPLACE REVENUE BY USED AND NEW PRODUCTS (\$ MILLIONS)



Source: Trade Me

- From FY15 to FY18 Marketplace delivered a revenue compound annual growth rate (CAGR) of 4.0%;
- In FY18 “Used” goods revenue declined, largely due to the maturity of the used goods market and competitive pressure from *Facebook*. Despite the decline in revenue, Trade Me has grown the average basket size since FY15 from \$73.63 to \$80.04 as it has largely lost market share at the lower value end of the market;
- From FY15 to FY18, “New” products exhibited a revenue CAGR of 6.1% and in FY18 revenue grew approximately 6.3%. The New product revenue growth was driven by inventory growth (new listings up 41%), the additional of 175 new retailers and the basket size increasing to approximately \$55; and
- Trade Me increased its total take rate to 8.5%⁶ in FY18 from 8.4%. This increase in take rate is in part due to a change in the success fee model to include shipping costs to encourage more free or low cost shipping and to drive sales.

⁵ NZ Herald – Secrets of online shopping September 2018.

⁶ Take rate is the yield Trade Me derives from sales and is calculated as revenue divided by GMS.

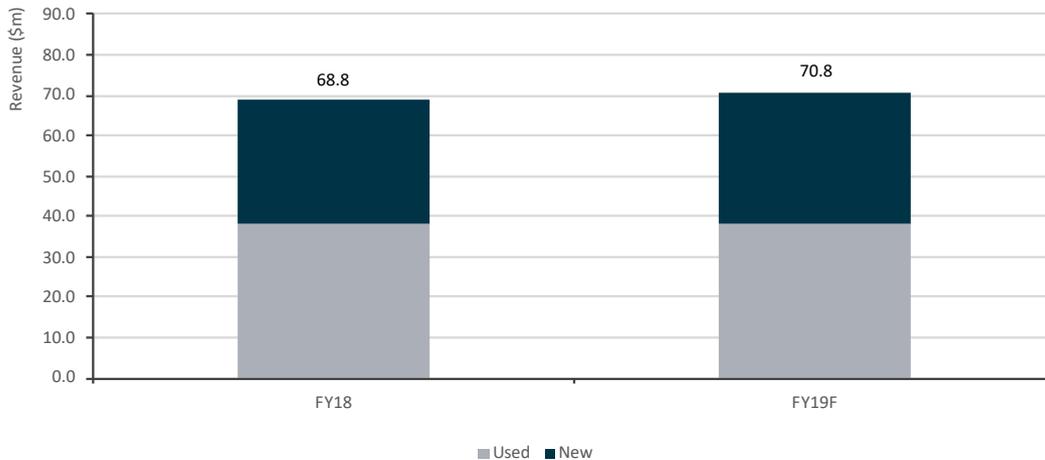
3.5.4 Forecast and Strategy

Trade Me's strategic focus for its Marketplace business includes:

- **Building preference.** One of the most notable trends in online retail is the rise of subscription models such as *Amazon Prime* and *Mighty Ape's Primate* that enable features such as unlimited shipping for a fixed monthly fee. Trade Me has plans to launch a pilot of a subscription model in 2019 and it has other strategic initiatives being developed to drive loyalty;
- **Increasing purchases per member.** Trade Me is focused on driving sales by optimising the shopping experience by improving existing functions such as search, and refinement of its category structure to improve the ability to filter search results;
- **Improving the retail proposition.** Trade Me plans to improve the functionality on its website to provide retailers with the features they require to promote their products effectively online and differentiate the store brand within the site; and
- **Generating used goods growth.** Trade Me is investing in the Marketplace platform to simplify and streamline the end to end selling process by reducing the effort and listing, maintenance of inventory, payment and delivery. Trade Me also has plans to be more active in its promotional activity to drive listings, while minimising revenue loss. An example of the ideas Trade Me is developing is the use of artificial intelligence (AI) to speed up the listing process by recognising a photo that is uploaded in relation to a potential listing and recommending the category, price and title.

A summary of the forecast revenue for Marketplace to FY19F is illustrated below:

FORECAST MARKETPLACE REVENUE BY USED AND NEW PRODUCTS (\$ MILLIONS)



Source: Trade Me

Trade Me has forecast Marketplace revenue to grow to \$70.8 million in FY19F. Over the next 24 months growth is predicated on Trade Me continuing to win a share of the growth in New Zealand online retail sales as usability improvements and loyalty programmes drive GMS growth. It is anticipated that used good revenue is forecast to return to growth in FY20 due to the impact of the new front end website (both desktop and mobile), promotional activity and other features that will be introduced to improve the buying and selling experience.



3.6 Motors

3.6.1 Overview

Motors is the largest online automotive classifieds site in New Zealand and provides buyers with access to new and used vehicles for sale. It includes car, boat, motorbike listings and other vehicles. Sellers can also choose to sell their vehicle by competitive auction.

Motors inventory is derived both from automotive dealers and private sellers. Most automotive dealers who list vehicles in the classified format do so via *Dealerbase*, an integrator of dealer-only vehicles.

Motors also provides detailed vehicle information and provides protection mechanisms when buying, selling and financing vehicles, assists in legal compliance and enables online vehicle transactions.

MOTORS SEGMENTS

	DEALERS	DIRECT / PUBLIC	MOTOR WEB
% OF FY18 MOTORS REVENUE	- ~40%	- ~40%	- ~20%
CUSTOMERS	- Franchises - Independents	- Public - Small Dealers	- Financial service and Insurance companies - Dealerships - Repairers - Consumers In Australia and New Zealand
PRODUCTS	- Classified listings - Depth products	- Classified listings - Online auctions	- Vehicle data reports
REVENUE MODEL	- Monthly subscription based on the number of vehicles listed (e.g. \$439 per month for up to 10 vehicles) - Depth fee per listing or per dealership location	- Price per listing plus commission on sale up to \$99 for online auctions - Price per listing based on the value of the car. Prices are up to \$99 - Depth fee per listing	- Price per report

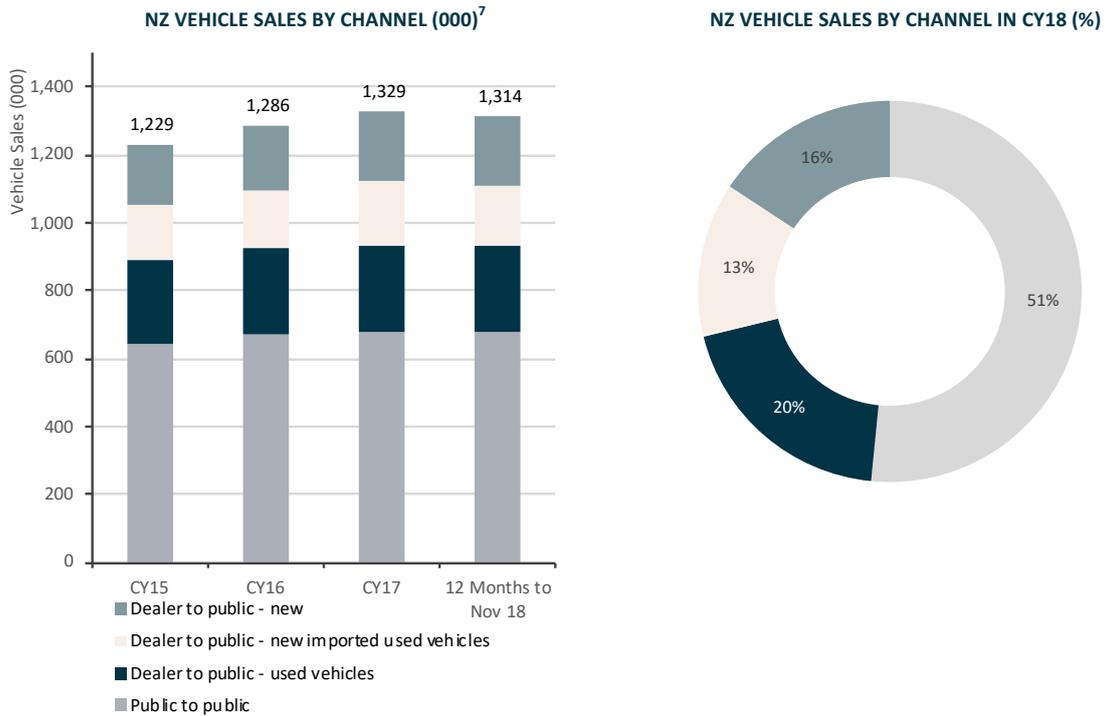
Motors' contribution to Trade Me's total classified revenue is almost equal to that of Property and Jobs combined.



3.6.1 Industry Overview

Motors primarily competes in the motor vehicle classified market against a broad range of market participants including specialist online providers such as *Driven* and *Auto Trader*, traditional print media (such as *NZME*) and disruptive new entrants (e.g. *Google* and *Facebook*) in the Direct/Public segment.

A primary driver of the Motors’ business is the number of vehicle sales in New Zealand. Between 2015 and 2018, the total number of vehicles sold increased on average by 2.2% per annum. In 2018, vehicle supply into New Zealand was impacted by biosecurity issues which likely contributed to a decline in sales in 2018. Approximately 50% of vehicles sold in New Zealand are public to public transactions:



Source: NZTA Change of ownership statistics, includes all vehicle types

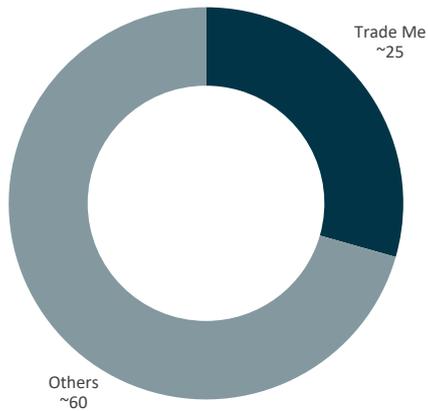
Motors generates approximately 41% of its revenue from New Zealand motor vehicle dealers. In New Zealand there are approximately 1,500 – 2,000⁸ registered motor vehicle dealers, of which approximately 75% are independent (i.e. not a franchised dealer). The high proportion of independent motor vehicle dealers is a significant factor behind Trade Me’s success in the motor vehicle market as its online model facilitated a way for small independent dealerships to advertise their vehicles to a large audience simply and efficiently. This contrasts with Australia where approximately 40% of registered motor vehicle dealers are independent.

Trade Me estimates that New Zealand car vehicle dealers spend approximately \$85 million per annum on online classified and non-classified advertising (e.g. print media is estimated to be \$20 - \$30 million). Trade Me estimates its market share of dealer advertising to be approximately 30%. It is estimated that approximately 70% of motor vehicle dealer advertising spend is now online and it is expected that the rate of growth away from traditional media formats will slow as the level of expenditure on online media reaches its peak⁹.

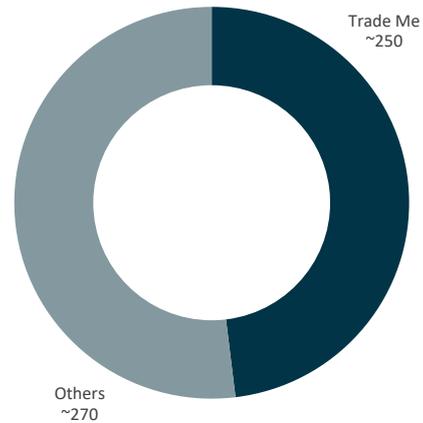
⁷ Calendar year.

⁸ Trade Me estimate based on active dealers.

⁹ UBS Trade Me Report 27 July 2018.

DEALER ADVERTISING REVENUE (\$M)¹⁰

PUBLIC CAR SALES (000'S)



Source: Trade Me

Trade Me is well positioned to continue to win a large proportion of the advertising expenditure that migrates online due to:

- approximately 75% of all vehicle sales in New Zealand are listed on Trade Me;
- Trade Me has approximately three times the inventory of its nearest competitor; and
- an ability to leverage its data to provide value to consumers and a unique advertising service offering to the dealer market.

Trade Me also competes in Australia with its MotorWeb service offering. From 2013 to July 2018, MotorWeb had the exclusive use of AustRoads information (which provides all vehicle registration information) and combined this data with information from the Federal Chamber of Automotive Industries (**FCAI**) and Redbook. During this exclusive period, MotorWeb contracted with the majority of the Australian insurance providers in Australia who have integrated MotorWeb's services into their platforms. In July 2018, MotorWeb signed a new agreement with AustRoads which enables MotorWeb to sell outside of the insurance industry. There is currently no other player in Australia that matches MotorWeb's service offering and given how tightly MotorWeb is integrated into the various insurance IT platforms, there is a reasonable confidence that the existing revenue will be retained in the short to medium term.

Trade Me does not currently provide any advertising services specially tailored to car manufacturers. Trade Me estimates that car manufacturers spend over \$80 million per annum¹¹ on advertising.

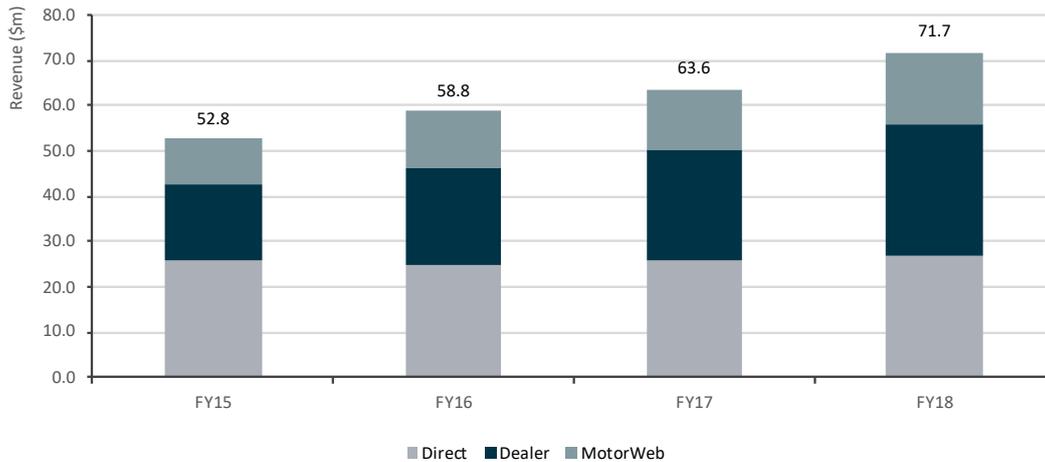
¹¹ Trade Me estimate based on industry intelligence.



3.6.2 Historical Performance Summary

A summary of the revenue for Motors from FY15 to FY18 is illustrated below:

HISTORICAL MOTORS REVENUE BY SALES CHANNEL (\$ MILLIONS)



Source: Trade Me

- From FY15 to FY18, Motors has achieved a CAGR of 10.7%;
- In FY18 revenue grew by 12.7% attributable in part to:
 - an improvement in yield¹² which was primarily driven by an increase in depth product uptake (depth revenues increased by 41%). Trade Me also launched a series of new analytical tools for dealers and a price estimation guide for consumers to complement new depth features including dealer branding, was/now pricing and transparency of weekly repayment rates;
 - a 1.9% increase in the number of listings influenced by an increase in the number of dealers;
 - MotorWeb achieving 40% revenue growth in Australia; and
- Through the introduction of new depth products over the last four years Motors has successfully increased Direct market yield per vehicle listed by 9.3% and Dealer market yield by 36.4%.

As discussed above, Motors recent revenue growth has been driven by growth in depth products. The following images help to explain the difference between a depth products and standard listings.

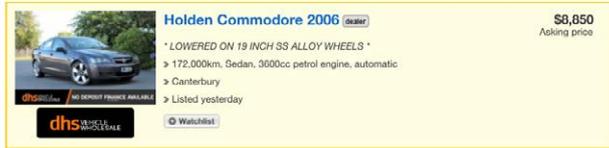
¹² The amount of revenue from a single listing.



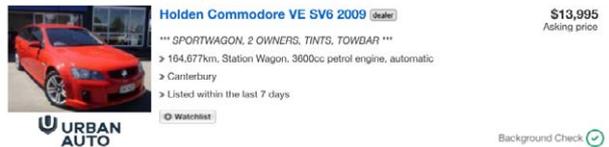
MOTOR VEHICLE DEALERS DEPTH PRODUCT EXAMPLES



Super feature listing



Feature Listing



Standard Listing

3.6.3 Forecast and Strategy

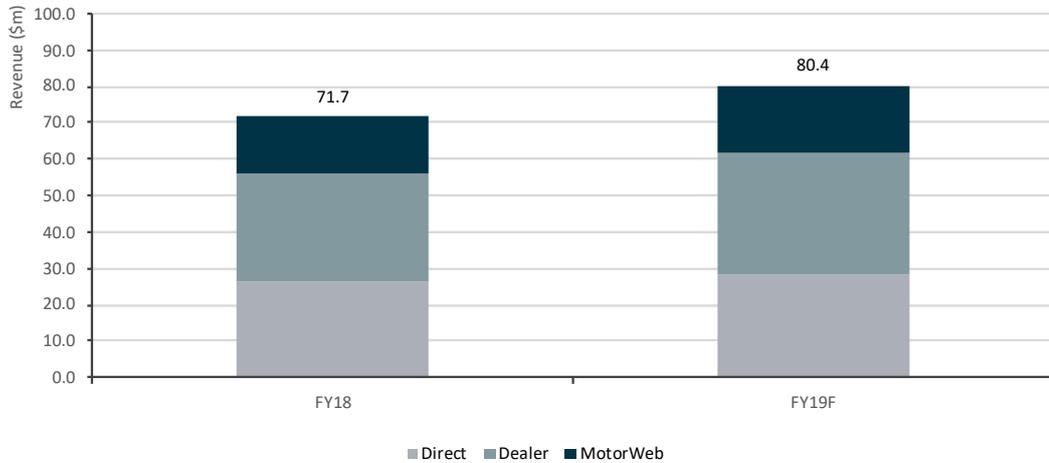
Trade Me’s strategic focus for its Motors’ business includes:

- **Expanding the core offering.** Through improved sales and marketing and an enhanced product, Trade Me is focused on continuing to drive depth products into the dealer market; and
- **Creating new revenue streams.** Trade Me is considering developing a number of adjacent revenue streams designed to improve the overall customer experience and leverage Trade Me’s existing competitive advantage. These new revenue streams may include promoting insurance and finance products offered by dealers and expanding the range of services offered by MotorWeb.

A summary of the forecast revenue for Motors’ to FY19F is illustrated below:



FORECAST MOTORS REVENUE BY SALES CHANNEL (\$ MILLIONS)



Source: Trade Me

Trade Me has forecast Motors’ revenue to grow to \$80.4 million in FY19F. Similar growth is anticipated in FY20 as Trade Me is expected to:

- drive uptake of its depth products in the dealer market;
- win a larger proportion of non-classified advertising as it shifts to online media; and
- grow MotorWeb’s Australian client base beyond insurance providers.

3.7 Property

3.7.1 Overview

Property is the largest online property classifieds site in New Zealand. It provides homebuyers and renters with information on properties for sale and for rent across the country and enables prospective buyers and tenants to make contact with sellers and landlords (or their agents).

Property sources the majority of its inventory from real estate agents across New Zealand, and Trade Me has established relationships with all of the major real estate franchises. Private property owners also use Trade Me Property to advertise their properties for sale or rent. A summary of Trade Me’s Property division is set out below:

PROPERTY SEGMENTS

	AGENTS & PROPERTY MANAGERS	DIRECT
% OF FY18 PROPERTY REVENUE	- ~75%	- ~25%
CUSTOMERS	- Real Estate Agents - Property Managers	- Public - Small Real Estate agencies
PRODUCTS	- Classified listings - Depth products	- Classified listings - Depth products
REVENUE MODEL	- Monthly subscription or price per listing - Depth fee per listing	- Price per listing - Depth fee per listing



3.7.2 Industry Overview

Property primarily competes in the classified real estate advertising market against a broad range of market participants including specialist online providers such as *RealEstate.co.nz* and *Homes.co.nz* and traditional print media. The market has become more competitive with the entrance of *Google*, *Facebook* and *Neighbourly* and NZME's *OneRoof* which has quickly gained market share.

Approximately 50% to 55% of Property's revenue is generated from real estate agents working for New Zealand's Real Estate Agencies of which *Ray White*, *LJ Hooker*, *Barfoot & Thomson*, *Harcourts* and *Bayleys* represents approximately 70% of the market. It is estimated that these top five real estate agents have over 80% of the residential property marketing spend¹³ in New Zealand. It is noteworthy that the same real estate agents own 50% of Trade Me's largest competitor - *Realestate.co.nz*. The concentration of marketing spend and ownership of Trade Me's competitor by these five real estate agents limits Trade Me's ability to significantly raise its prices.

Trade Me estimates that approximately \$135 million per annum is spent on classified property advertising revenue in the residential and commercial market, of which approximately \$82 million (60%) is spent on traditional print media. The proportion of money spent on traditional print media for real estate advertising in New Zealand is significantly higher than in other developed markets that have progressively migrated much of this expenditure to online. For example in Australia, print listings only represents 16.3% of the total residential real estate advertising expenditure¹⁴.

Consistent with the Australian online property market, Trade Me Property operates the vendor pay model whereby the real estate agents sell their clients onto the Trade Me platform. Agents are incentivised to encourage vendors to take depth advertising as these allow for increased buyer lead generation through the enhanced exposure of the property, which also helps facilitate the agents' job. In addition, premium advertising packages better promote the agent and the agency.

Trade Me estimates its market share of the property classified advertising market (in residential and commercial) to be approximately 30% and believes there is significant growth opportunity available as money that agents currently spend on traditional media progressively shifts online. Trade Me considers that it is well positioned to win a large proportion of revenue that is shifted online due to its:

- unique audience, which is over two times larger than its nearest competitor;
- level of agent inventory which is almost at parity with its largest competitor *Realestate.co.nz*;
- mobile application penetration in New Zealand and ability to add product features; and
- ability to leverage its data to provide value to customers and consumers.

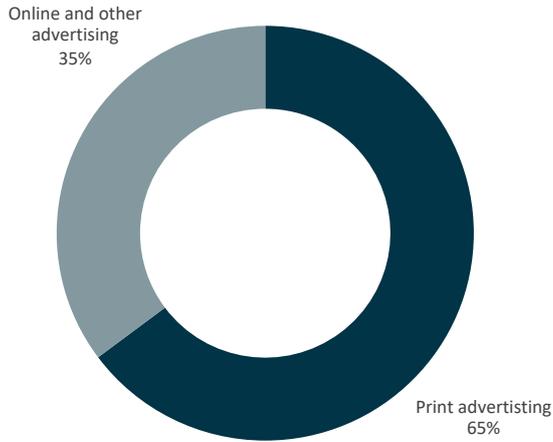
Trade Me also estimates that approximately \$60 million is spent on advertising for new homes by property developers and \$50 million is spent by Agents advertising their own brands. Trade Me's market share of these markets is minimal, representing a potential a growth opportunity for Trade Me.

¹³ IHS report on "Economic Impact of Automotive Retailing in Australia (August 2016).

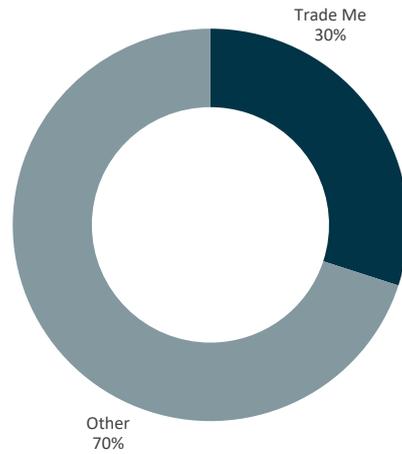
¹⁴ IBISWorld - Residential Real Estate Advertising in Australia April 2018.



AGENT RESIDENTIAL FOR SALE CLASSIFIED NEW ZEALAND ADVERTISING REVENUE (%)



AGENT RESIDENTIAL FOR SALE PROPERTY CLASSIFIED NEW ZEALAND ADVERTISING MARKET SHARE (%)

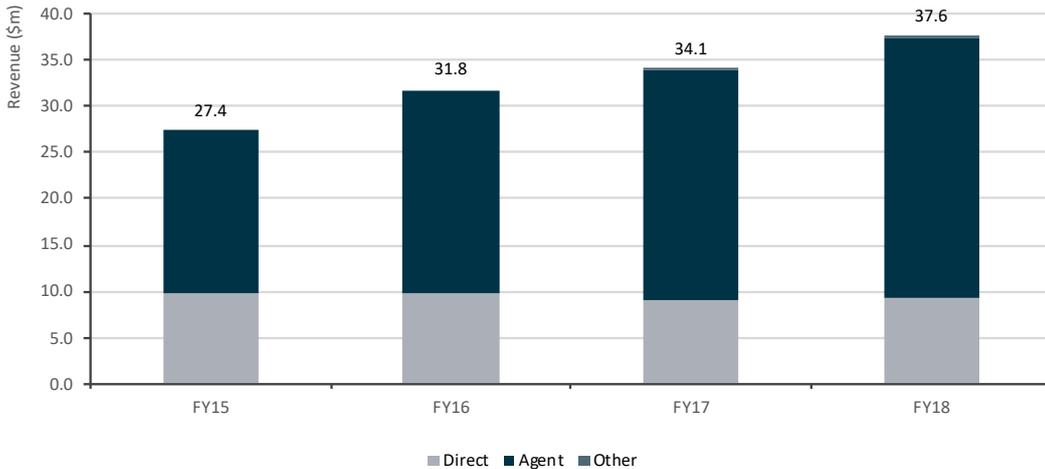


Source: Trade Me

3.7.3 Historical Performance Summary

A summary of the revenue for Property from FY15 to FY18 is illustrated below:

HISTORICAL PROPERTY REVENUE BY SALES CHANNEL (\$ MILLIONS)



Source: Trade Me

- From FY15 to FY18 Property delivered a CAGR of 11.1%, which is largely due to the growth of the agent channel as advertising expenditure progressively shifted from print advertising to online;
- Direct property revenues declined in 2017 due to low yield growth and lower listing volumes reflecting such influences as the Government election, higher property prices and further legislative changes (in particular immigration changes and the imposition of Reserve Bank lending restrictions). These factors combined with competition between agents chasing inventory and lowering commissions improves the agent value proposition which should progressively drive the transfer of revenue from Direct to Agent;
- In FY18 overall listing volumes declined but Trade Me increased its inventory share; and



- In FY18 revenue grew by 10.3% reflecting in part an improvement in yields which was primarily driven by an increase in depth product uptake which increased depth revenues by 38.2%. Trade Me released a new depth product which provided better branding and visuals for both agents and vendors in March 2018. By 31 December 2018, approximately 17% of existing Agent customers had purchased the new depth product.

3.7.4 Forecast and Strategy

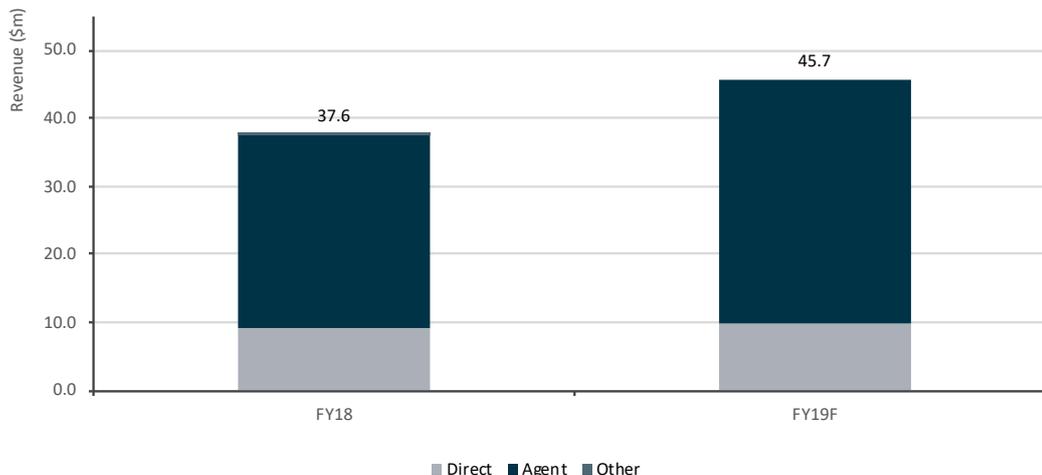
Trade Me’s strategic focus for its Property business includes:

- **Maintaining the audience in the residential market.** Trade Me’s goal is to maintain its audience strength and improve customer engagement and preference by continuing to enhance the platform’s functionality;
- **Expanding depth products.** The company will continue to develop new depth products to enable agents to differentiate their advertising. As with other categories, a high proportion of property advertising remains in traditional media and Trade Me wants to ensure its product set is sufficient to capture a large proportion of the spend that shifts online; and
- **Growing inventory.** Trade Me is focused on increasing its inventory to match the inventory of its largest competitor, *RealEstate.co.nz*. This is targeted to occur through improved marketing and sales of the Property product set.

Over the longer term Trade Me plans to expand into adjacent revenue streams that leverage Trade Me’s existing competitive advantages. This could include promoting new home and land packages for developers which has proved to be an attractive sector for REA Group in Australia.

A summary of the forecast revenue for Property to FY19F is illustrated below:

FORECAST PROPERTY REVENUE BY SALES CHANNEL (\$ MILLIONS)



Source: Trade Me

Trade Me has forecast Property revenue to grow to \$45.7 million in FY19F. Similar growth is anticipated in FY20 as Trade Me is expected to:

- grow agent yields through continued depth product uptake and bundling of advertising offers; and
- achieve small inventory share gains on a low level of listing volume growth.



3.8 Jobs

3.8.1 Overview

Trade Me's Jobs is one of the two leading online employment classifieds sites in New Zealand, providing a classified advertising platform to the employment industry.

Job listings comprise agent listings from recruitment companies, employers and casual listings. Agent and employer listings are managed directly by the Trade Me Jobs account managers, or by resellers who on sell Trade Me listing placements for commission.

JOB SEGMENTS

	ACCOUNT MANAGED	DIRECT
% OF FY18 JOB REVENUE	- ~50%	- ~50%
CUSTOMERS	- Recruitment companies - Resellers - Large businesses	- Medium to small business
PRODUCTS	- Classified listings - Depth products	- Classified listings - Depth products
REVENUE MODEL	- Monthly subscription for a set number of monthly listings - Single prices for bundles of job listings for use over 6 months - Depth fees per listing	- Price per listing - Depth fee per listing

3.8.2 Industry Overview

Trade Me's Jobs competes in the employment classified advertising market against a broad range of market participants including specialist online providers such as *SEEK*, *LinkedIn*, *indeed* and *Yudu*, traditional print media and disruptive new entrants such as *Facebook* and *Google* (expected to launch a jobs format in 2019) and job listing aggregators such as *Adzuna*. The majority of classified advertising for employment roles has already migrated online, and now represents approximately 95% of the total spend on job classifieds. The total expenditure on job advertising in New Zealand is estimated at approximately \$90 million.

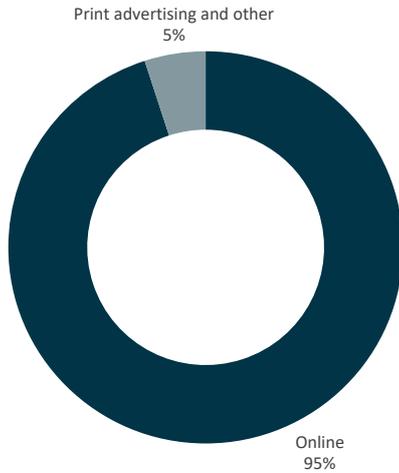
SEEK is the largest market participant in the online employment classified advertising. Trade Me estimates that it has approximately 37% market share of the online market spend and a larger market share in the advertising of blue collar roles and jobs in regional centres of New Zealand.

Despite the increase in competition Trade Me's Jobs has continued to grow its revenue, which is attributable to:

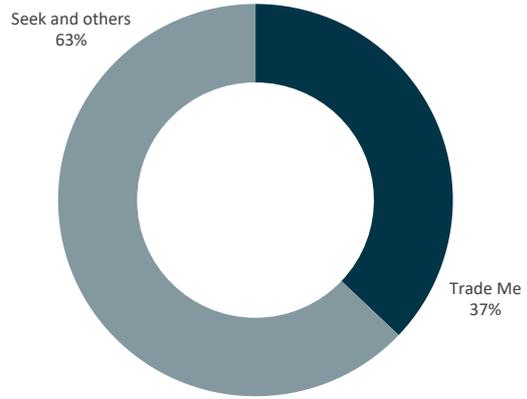
- improved brand awareness and audience;
- its scale and breadth of service offering lowers the cost to acquire a listing opportunity relative to competitors;
- the account management function ensures Trade Me can tailor its offering specific to the New Zealand market; and
- the blue collar market and regional markets where Trade Me has a higher market share than *SEEK* are seen as being less attractive markets for global players.



JOBS' CLASSIFIED ADVERTISING REVENUE (%)



JOBS' ONLINE CLASSIFIED ADVERTISING MARKET SHARE

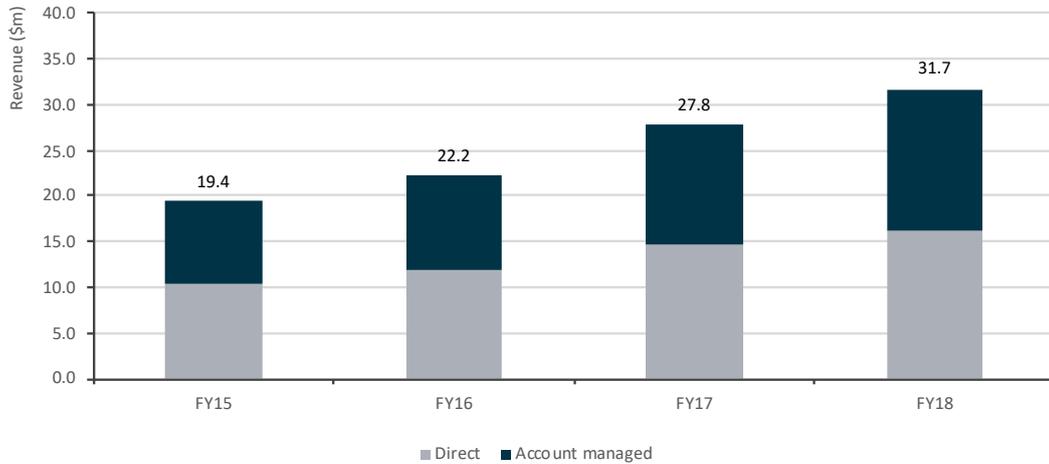


Source: Trade Me

3.8.3 Historical Performance Summary

A summary of the revenue of the Jobs' business from FY15 to FY18 is illustrated below:

HISTORICAL JOBS REVENUE BY SALES CHANNEL (\$ MILLIONS)



Source: Trade Me

- From FY15 to FY18, Trade Me's Jobs business delivered a CAGR of 17.9% through growth in both the Direct and Account managed sales channels; and
- In FY18 revenue grew by 14.1%, largely due to a 34.3% increase in depth revenues reflecting the release of new features, as well as a 1.3% increase in total job listings.



3.8.4 Forecast and Strategy

Trade Me's strategic focus for its Jobs' business includes:

- **Improving the customer value proposition.** This includes improving search functions and increasing listing inventory;
- **Expanding the core offering.** An example of this expansion is the launch of Job Profiles in November 2017, which provided recruiters with a database of passive job hunters to approach with relevant roles. Trade Me wants to continue to evolve such services by extracting skills from job hunters to improve the ability to match candidates with employment opportunities; and
- **Enhancing the Direct offering.** This includes adding functionality to make it easier for small businesses to hire through Trade Me.

A summary of the forecast of the Jobs' revenue to FY19F is illustrated below:

FORECAST JOBS REVENUE BY SALES CHANNEL (\$ MILLIONS)



Source: Trade Me

Trade Me has forecast Jobs' revenue to grow to \$34.3 million in FY19F. Similar growth is anticipated in FY20 as Trade Me is expected to:

- grow listing volumes broadly in line with population growth; and
- increase prices annually relatively consistent with inflation and supported by an improved product offering.

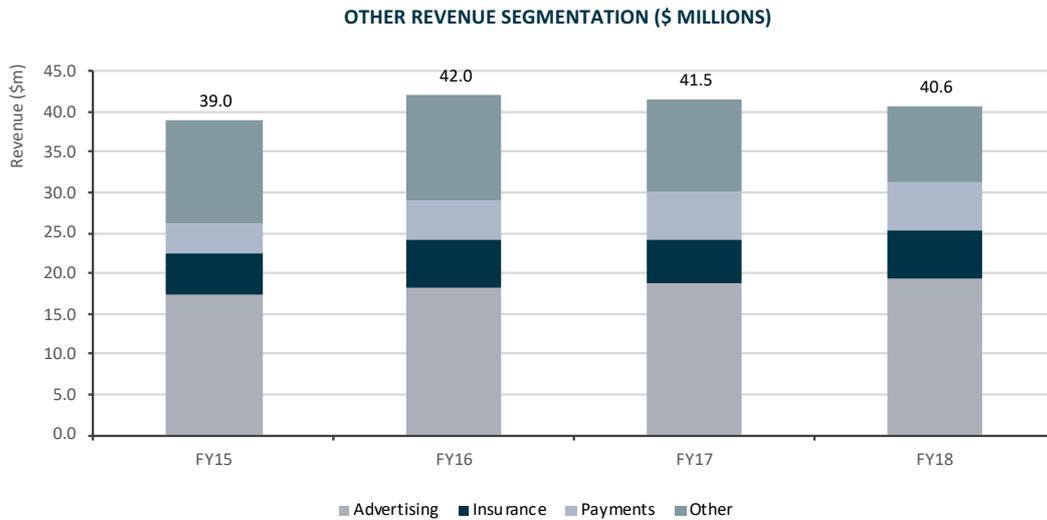


3.9 Other

Trade Me generates approximately \$40 million from other revenue streams including:

- **Advertising.** Trade Me has a number of relationships with agencies and direct clients who pay to display their advertisements across Trade Me’s portfolio of websites. This includes website banners, newsletter placements, and tailor-made tiles for business partners. Trade Me also has an arrangement with *Google AdSense* whereby Trade Me displays *Google AdSense* in selected parts of its websites;
- **Insurance.** The majority of insurance revenue is generated from *Life Direct*, an online life and health insurance comparison site which was acquired in August 2013. By FY16, *Life Direct’s* revenue doubled under Trade Me’s ownership to \$6 million, but recently it has declined to \$5 million due to lower new business quotes and application volumes. The recent growth in total insurance revenue is attributable to the success of Trade Me’s general insurance product which was launched FY16 in partnership with Tower Insurance;
- **Payments.** Trade Me has two payments businesses, the largest is Ping/ Paynow which is an electronic wallet enabling instant payments from bank accounts, account balances or credit/debit cards on the Marketplace. Ping was launched to all members in June 2018. The second is the payment gateway business, Paystation which was acquired in 2014. This serves Trade Me and 2,500 external customers and processed \$1 billion in transaction value in 2018; and
- **Other revenue.** Trade Me generates other revenues from small business units such as Services, dating website FindSomeone and Holiday Houses.

A summary of Trade Me’s Other revenue from FY15 to FY18 is illustrated below:



Source: Trade Me

3.10 Financial Performance

The historical financial performance of Trade Me for the years ended 30 June 2015 (FY15), 2016 (FY16), 2017 (FY17) and 2018 (FY18) and the forecast period to 30 June 2019 (FY19F) is summarised below:

FINANCIAL PERFORMANCE (NZ\$ MILLIONS)

YEAR END 30 JUNE	2015	2016	2017	2018	2019F
Classifieds (Jobs, Property and Motors)	99.6	112.8	125.5	141.0	160.4
Marketplace	61.1	63.2	67.9	68.8	70.8
Other	39.0	42.0	41.5	40.6	38.1
Total revenue	199.7	218.0	234.9	250.4	269.3
Cost of sales	(11.0)	(13.6)	(15.5)	(17.8)	(18.3)
Net revenue	188.7	204.4	219.4	232.6	251.0
Employee benefit	(28.8)	(33.6)	(35.8)	(39.9)	(43.9)
Web infrastructure	(4.1)	(5.4)	(5.6)	(5.5)	(6.2)
Promotional	(9.4)	(10.5)	(11.0)	(10.2)	(11.0)
Other expenses	(11.1)	(12.7)	(12.3)	(12.5)	(11.8)
Total operating expenses	(53.5)	(62.3)	(64.7)	(68.2)	(73.0)
Normalised EBITDA	135.2	142.1	154.6	164.4	178.1
Depreciation and amortisation	(15.3)	(18.9)	(21.1)	(25.6)	(26.3)
Normalised EBIT	119.9	123.3	133.5	138.8	151.8
Non operating items	-	(8.1)	1.4	-	(5.8)
Share of losses from associates	(0.8)	(1.6)	(0.3)	(0.6)	(0.2)
Net finance costs	(7.5)	(5.6)	(3.8)	(3.6)	(5.3)
Net profit before tax	111.6	108.0	130.7	134.6	140.5
Tax	(31.4)	(33.1)	(36.3)	(38.0)	(39.3)
Net profit	80.2	74.9	94.4	96.6	101.2
Ratios:					
<i>Classified revenue growth</i>	16.4%	13.2%	11.3%	12.3%	13.8%
<i>Marketplace revenue growth</i>	2.7%	3.6%	7.3%	1.3%	2.9%
<i>Revenue growth</i>	10.9%	9.2%	7.7%	6.6%	7.6%
<i>Net revenue margin %</i>	94.5%	93.7%	93.4%	92.9%	93.2%
<i>Operating expense growth %</i>	22.5%	16.4%	4.0%	5.3%	7.1%
<i>EBITDA margin %</i>	67.7%	65.2%	65.8%	65.7%	66.1%
<i>EBIT margin %</i>	60.1%	56.5%	56.8%	55.4%	56.4%

Source: Trade Me Financial Statements and Management Forecast

- In FY16 Trade Me continued to increase its capital expenditure on the core Trade Me online platform and also directed resources away from non core assets such as FindSomeone, Holiday Houses and Travel Bug into the core business. This led to Marketplace returning to growth and Classified (Jobs, Property and Motors) revenue growing by 16.4%;
- Since FY15 Trade Me has achieved a revenue CAGR of 8% per annum. The majority of this growth is due to the success of the Classifieds division which has consistently achieved double digit revenue growth. Jobs, Property and Motors have all benefited from the migration of advertising expenditure from traditional print media to online. Over this same period the Marketplace revenue growth rate has declined as the used goods market approaches maturity and faces competition, particularly from Facebook. The future growth of Marketplace is likely to be dependent on new goods growth;
- Other revenue has grown since FY15 due to advertising and growth from Trade Me's payment platforms. The decline in other revenue in FY18 is due to the divestment of the travel businesses Bookit and TravelBug in December 2017;



- Trade Me generates almost all of its revenue within New Zealand and therefore its earnings are not materially impacted by movements in foreign exchange. In FY18 only \$7.4 million of revenue was generated from selling MotorWeb services in Australia;
- Cost of sales primarily relates to merchant fees, MotorWeb and other data costs and advertising. Net revenue margin has declined since FY15 as the company's lower margin businesses are growing at a faster rate;
- Employment is Trade Me's largest expense, representing approximately 60% of total operating expenses. Since FY15 employment expenses have increased by \$11.1 million due to total team members increasing from 431 to 594 at the end of June 2018. Over half of Trade Me's employees are technical and approximately 75% of technical employment costs are capitalised as this expense primarily relates to the development of the Trade Me platform. The cost of the platform development is amortised over three years and the increase in amortisation expense reflects the increase in investment. Trade Me has estimated that an additional 30-40 employees are required each year to deliver on growth forecasts;
- Investment in associates losses include losses from the investment in Harmony and Allsorts Limited (**Allsorts**) (a job matching tool) and Sharesies;
- Non operating items in FY16 relates to the impairment of FindSomeone goodwill due to increased competition. In FY17 it relates to the gain on sale of Travelbug and BookIt and the release of an earnout provision associated with the acquisition of Life Direct;
- The forecast for FY19F reflects the year to date trading and has been normalised to remove the costs being incurred by Trade Me in connection with the Scheme. Management's current forecast is based on the following assumptions :
 - a slight increase in Marketplace yields. Marketplace revenue growth is anticipated due to mid-single digit percentage new goods GMS growth when compared with FY18;
 - continued growth in motor vehicle dealer yields (through continued migration of dealers to turbo packages);
 - strong growth in Property driven by the new Premium Listing product continuing to increase its penetration and improving Agents yields. Slight volume growth is also anticipated through market share gains and general market activity; and
 - Jobs listings are forecast to remain largely flat with revenue growth driven by price changes announced in November 2018 and continued good penetration of premium products.

3.11 Financial Position

The financial position of Trade Me as at 30 June 2016, 2017 and 2018 and 31 December 2018 is summarised below:

FINANCIAL POSITION (NZ\$ MILLIONS)

	AS AT 30 JUNE			AS AT 31 DECEMBER
	2016	2017	2018	2018
Trade and other receivables	14.0	16.4	17.4	16.8
Trade and other payables	(20.2)	(22.2)	(22.4)	(28.8)
Working capital	(6.2)	(5.8)	(5.0)	(12.0)
Property plant and equipment	9.5	8.1	6.7	7.1
Intangible assets	31.8	36.5	39.2	39.4
Goodwill and Brand	772.8	781.7	781.8	781.7
Investment in associates	5.6	6.1	6.6	10.9
Income tax payable	(7.7)	(8.9)	(9.9)	4.3
Deferred tax	1.5	(7.8)	(7.9)	(6.6)
Other	(5.0)	(1.1)	(0.7)	(0.7)
Net operating assets	802.3	808.8	810.8	824.1
Cash and cash equivalents	34.1	52.8	72.1	64.9
Borrowings	(135.9)	(136.0)	(135.9)	(226.0)
Net debt	(101.7)	(83.1)	(63.8)	(161.1)
Net assets	700.5	725.7	747.0	663.0
<i>Net debt to EBITDA times</i>	0.9	0.7	0.5	1.1
<i>Gearing¹⁵</i>	12.7%	10.3%	7.9%	19.6%

Source: Trade Me Financial Statements and Management Accounts

- Trade Me has negative working capital because it receives a significant proportion of its revenue at the time of sale;
- The majority of the goodwill on the balance sheet relates to the company restructure that was undertaken prior to the listing of the company on the New Zealand Stock Exchange (NZX) and ASX in December 2011;
- As at 30 June 2018 intangible assets primarily related to the online platform development (\$36.4 million and acquired software \$2.3 million);
- In September 2018 Trade Me paid its final dividend for FY18 of 10.5 cents per share and a special dividend of 22.0 cents per share. Trade Me has consistently accumulated cash and reduced debt and as a result the Board elected to make a special distribution to better align gearing with Trade Me's Australasian peer group. Net debt increased from \$63.9 million as at 30 June 2018 to \$161.1 million as at 31 December 2018 largely due to the payment of the special dividend. Trade Me's target long run net debt to EBITDA ratio is approximately 1 times;
- The financial position as at 31 December 2018 has been adjusted for the impact of recent changes in accounting principles (NZ IFRS 15 – Revenue from Contracts with Customers). NZ IFRS has not had a material impact on the balance sheet; and
- As at 31 December 2018, investment in associates relates to Trade Me's:
 - 12.9% ownership in Harmony;
 - 15.4% ownership in Sharesies (Sharesies provides an online platform for people to make regular, small share investments in a range of funds); and
 - 50% in Allsorts which provides a tool to match Job hunters and employers.

¹⁵ Gearing is net borrowings divided by net assets plus net borrowings.



3.12 Cash Flow

Trade Me's cash flow from FY15 to FY18 is summarised below:

CASH FLOW (NZ\$ MILLIONS)

YEAR END 30 JUNE	2015	2016	2017	2018
Normalised EBITDA	135.2	142.1	154.6	164.4
Movement in working capital	(0.2)	1.7	(0.9)	(0.3)
Income tax paid	(23.8)	(23.4)	(25.3)	(26.6)
Other	(0.3)	0.4	0.5	0.6
Operating cash flow before net borrowing costs	111.0	120.8	128.9	138.1
Purchase of property, plant and equipment	(2.4)	(5.5)	(2.4)	(3.0)
Purchase / capitalisation of intangibles	(14.4)	(19.6)	(22.3)	(24.7)
Business disposals and acquisitions	(9.7)	(1.1)	(0.7)	-
Other	0.3	0.5	(0.9)	(1.0)
Net cash flows (used in) investment activities	(26.3)	(25.7)	(26.3)	(28.7)
Dividends paid	(72.5)	(73.6)	(79.3)	(86.3)
Movement in borrowings	-	(30.0)	-	-
Net financing costs	(5.6)	(5.7)	(4.6)	(3.8)
Net financing cash flow	(78.1)	(109.3)	(83.9)	(90.1)
Net cash flow	6.6	(14.2)	18.7	19.3

Source: Trade Me Financial Statements

- In FY15, Trade Me invested \$7.7 million in Harmony. Trade Me has subsequently invested a further \$1.7 million in the business;
- The capitalisation of intangibles primarily relates to the capitalisation of internal development on the online platform; and
- In September 2018 Trade Me invested \$4 million to acquire a 15.4% shareholding in Sharesies.



3.13 Capital Structure and Ownership

Trade Me has 396,973,029 ordinary shares on issue. As at 20 December 2018 Trade Me had approximately 10,000 registered shareholders. The top 10 shareholders own approximately 40% of the ordinary shares on issue:

TRADE ME - MAJOR SHAREHOLDERS AS AT 20 DECEMBER 2018

	NUMBER OF SHARES (000S)	PERCENTAGE
Hyperion Asset	38,400	9.7%
Investors Mutual	19,565	4.9%
Devon Funds	15,309	3.9%
Accident Compensation Corp	14,750	3.7%
Schroder Investment	14,633	3.7%
Realindex Investments	13,390	3.4%
Goldman Sachs Asia	13,074	3.3%
Vanguard Group	10,194	2.6%
Yarra Capital	9,232	2.3%
Colonial First State	9,069	2.3%
Subtotal - Top 10 shareholders	157,614	39.7%
Other shareholders	239,359	60.3%
Total	396,973	100.0%

Source: Orient Capital

Trade Me's only substantial shareholder is Hyperion Asset Management (9.7% as at 20 December 2018).

3.14 Share Price Performance

3.14.1 Liquidity

The following table shows the volume of Trade Me shares traded on the NZX in the 12 months prior to the announcement of the receipt of the non binding indicative proposal from Apax Partners on 21 November 2018:

TRADE ME - SHARE PRICE HISTORY

TIME PERIOD	LOW	HIGH	VWAP ¹⁶	VOLUME (000S)
1 month	4.57	5.28	5.08	7,677
3 months	4.57	5.40	5.14	23,326
6 months	4.55	5.40	4.90	56,192
12 months	4.25	5.40	4.73	115,781

Source: NZX Company Research

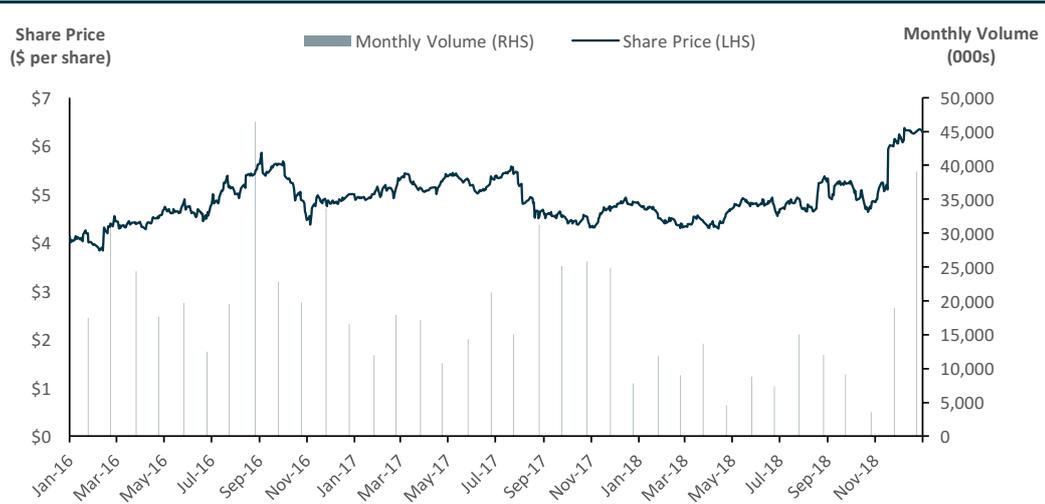
¹⁶ Volume weighted average share price (VWAP)



3.14.2 Share Price Performance

The share price and trading volume history of Trade Me shares since the beginning of 2016 is depicted below:

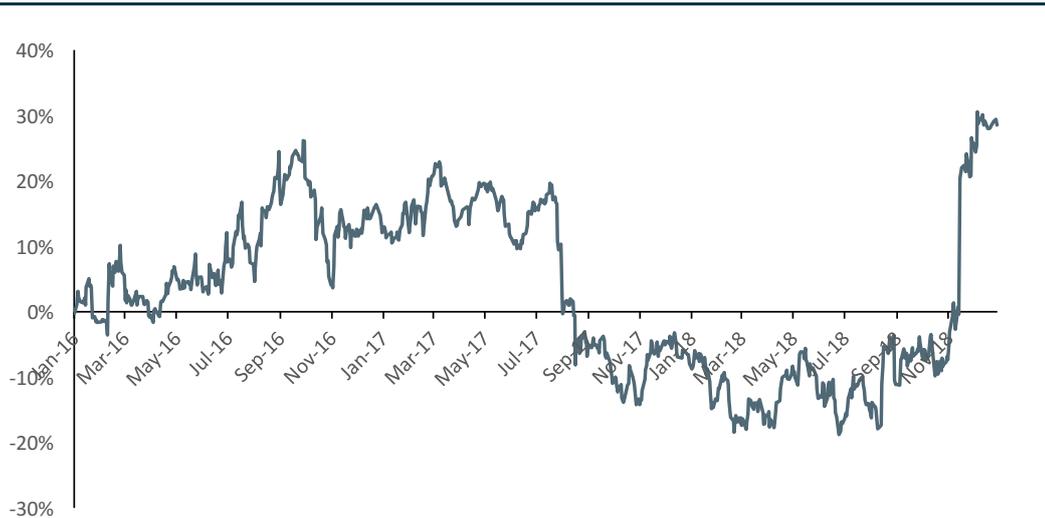
TRADE ME SHARE PRICE PERFORMANCE SINCE THE BEGINNING OF 2016



Source: Capital IQ

The performance of Trade Me shares relative to the NZX Capital Index since the beginning of 2016 is depicted below:

TRADE ME SHARE PRICE PERFORMANCE VERSUS NZX50 CAPITAL INDEX



Source: Capital IQ

Trade Me outperformed the NZX Capital Index between January 2016 and July 2017 and underperformed in the period between August 2017 and 20 November 2018 (prior to the announcement of the receipt of the initial non binding indicative proposal from Apax Partners). The reason for the decline in share price in July 2017 was due to the announcement of Amazon launching into Australia which impacted all retail stocks in the Australasian region. On 11 December 2018, the last trading day prior to the announcement of the SIA, Trade Me's share price closed at \$6.12 per share.



4 Valuation of Trade Me

4.1 Methodology

4.1.1 Overview

Grant Samuel's valuation of Trade Me has been estimated on the basis of fair market value as a going concern, defined as the estimated price that could be realised in an open market over a reasonable period of time assuming that potential buyers have full information. The valuation of Trade Me is appropriate for the acquisition of the company as a whole and accordingly incorporates a premium for control. The value is in excess of the level at which, under current market conditions, shares in Trade Me could be expected to trade on the share market. Shares in a listed company normally trade at a discount of 15 – 25% to the underlying value of the company as a whole, but the extent of the discount (if any) depends on the specific circumstances of each company.

The most reliable evidence as to the value of a business is the price at which the business or a comparable business has been bought and sold in an arm's length transaction. In the absence of direct market evidence of value, estimates of value are made using methodologies that infer value from other available evidence. There are four primary valuation methodologies commonly used for valuing businesses:

- capitalisation of earnings or cash flows;
- discounting of projected cash flows (DCF);
- industry rules of thumb; and
- estimation of the aggregate proceeds from an orderly realisation of assets.

Each of these valuation methodologies has application in different circumstances. The primary criterion for determining which methodology is appropriate is the actual practice adopted by purchasers of the type of business involved. A detailed description of each of these methodologies is outlined in Appendix D.

4.1.2 Preferred approach

Grant Samuel has placed primary reliance on the capitalisation of earnings methodology in determining a value range for Trade Me. This is primarily due to the availability of quality information that can be analysed to determine an applicable multiple range. This information includes the earnings multiples implied from the prices of comparable transactions, IPO's and the sharemarket ratings of listed companies.

In addition, Grant Samuel has undertaken a discounted cash flow valuation as a cross check against the capitalisation of earnings methodology. Discounted cash flow analysis relies on a detailed forecast of future earnings and cash flows. Trade Me management provided Apax Partners, and Hellman & Friedman and Grant Samuel with a high level longer term forecast. Grant Samuel has used Trade Me management's forecast and created a range of ten year forecasts to capture a range of different growth characteristics for each of Trade Me's business divisions.



4.2 Summary

Grant Samuel has valued the equity in Trade Me in the range of \$2,354-\$2,538 million, which corresponds to a value of \$5.93 to \$6.39 per share. The valuation is summarised below:

TRADE ME - VALUATION SUMMARY (\$ MILLIONS)

	VALUE RANGE	
	LOW	HIGH
Enterprise value	2,462	2,636
Net debt for valuation purposes	(122)	(122)
Other assets	14	24
Equity value	2,354	2,538
Fully diluted shares on issue (millions)	396.9	396.9
Value per share	\$5.93	\$6.39

The value includes a premium for control and exceeds the price at which, based on current market conditions, Grant Samuel would expect Trade Me shares to trade on the NZX in the absence of a takeover offer or proposal similar to the Scheme with Titan. The valuation reflects the strengths and weaknesses of Trade Me and takes into account the following factors:

- Trade Me has significant scale in the New Zealand market and is able to leverage this across all of its sectors to drive customers and advertisers to its site. Historically Trade Me’s “*network effect*” has provided a competitive advantage, as evidenced by the number of companies that have entered the market to try and compete against Trade Me in the used goods market and have generally not succeeded. However, more recently due to its market presence in New Zealand, *Facebook* has been able to gain market share in the used goods and used motor vehicle market with some success;
- Trade Me has evolved from an online auction platform for used goods to a multifaceted online platform selling new and used goods. It is now a major service provider for classified advertising in three separate major categories – Motors, Jobs and Property. The Trade Me Classified division now represents approximately 60% of revenue and 65% of EBITDA. Motors and Property are both experiencing growth in revenue and operating margins primarily due to the introduction and success of sale depth products;
- Trade Me’s used goods revenue is beginning to decline slightly which Trade Me management attribute to the free services that began by *Facebook* in 2016. Trade Me’s management is confident that by improving the buying and selling experience through the development of mobile and desktop interfaces and by using promotional tools it will be able to achieve moderate growth in the short to medium term;
- Trade Me has the leading market position in Marketplace, Property and Motors and is second to *SEEK* in the job market. Trade Me management is confident that it can grow market share in each segment but acknowledge it may become increasingly more difficult and expensive to do so;
- Trade Me has faced an increase in competition in recent years primarily from *Facebook*, *Google*, *LinkedIn* and other new entrants such as *Neighbourly* and NZME’s *One Roof*. As New Zealand is a relatively small economy and given Trade Me’s existing market presence in key online markets, it is uncertain the extent to which *Facebook* and other large global players such as *Google* and *Amazon* will invest significant resources to obtain market share. Trade Me’s management believe the company’s audience, local presence and knowledge including account management teams looking after the classified customers, collectively creates a point of difference when compared to global operators. This point of difference should assist Trade Me in retaining market share in the near future;
- MotorWeb is a successful business and has the potential to grow substantially in Australia. In FY19F year to 31 December 2018 revenue in Australia is up 21% and is accelerating on the back of the service it provides to the majority of the large insurance providers. Strong revenue growth is forecast for MotorWeb in Australia as its product will be sold into an Australian client base beyond insurance providers;



- Operating expenses are well controlled but as growth becomes harder in the more mature segments, it is likely that EBITDA margins will decline;
- Trade Me has made a number of small acquisitions historically and has been evaluating some new opportunities. There are no material active acquisitions being contemplated. As a result the valuation does not incorporate any potential value uplift from new acquisitions; and
- Trade Me generates strong free cash flows¹⁷ due to its high EBITDA margins, minimal working capital requirements and relatively low level of capital expenditure. From FY15 to FY18, Trade Me’s free cash flow increased by approximately \$21 million (CAGR of 8.7% over this period).

4.2.1 Net debt for valuation purposes

Grant Samuel has adopted forecast net debt for valuation purposes of \$121.7 million as at 30 April 2019. The forecast net debt as at 30 April 2019 has been used as this is the last balance sheet before the expected settlement date of the Scheme. Trade Me currently generates operating cash flow, less capital expenditure of approximately \$12.5 million per month. The forecast net debt for valuation captures the earnings that will be generated prior to settlement which will not be distributed to shareholders under the Scheme.

4.2.2 Other assets

Trade Me has shareholdings in the following companies:

- Harmony – 12.9%;
- Sharesies – 15.4%; and
- Allsorts – 50.0%.

With the exception of Allsorts, Trade Me view these as long term investments which in time should complement the existing classified divisions.

Grant Samuel has valued Trade Me’s investments in the range of \$14.0 and \$24.0 million as summarised below:

TRADE ME – OTHER ASSETS (\$ MILLIONS)

	LOW	HIGH
Harmony	10.0	20.0
Sharesies	4.0	4.0
Other assets	14.0	24.0

- Grant Samuel has attributed a value to Harmony in the range of \$75 to \$150 million. The value above represents the value of Trade Me’s 12.9% shareholding. Shares in Harmony have over the last 12 months been traded at prices significantly below this valuation range. Trade Me believe that these small volume transactions do not reflect the true value of Harmony;
- In September 2018 Trade Me invested \$4 million to acquire its shareholding in Sharesies; and
- No value has been attributed to Allsorts as this company is no longer trading.

¹⁷ Normalised EBITDA, less working capital, less tax (EBIT x 28%) less capital expenditure.



4.3 Earnings Multiple Analysis

4.3.1 Implied multiples

Grant Samuel’s valuation of Trade Me implies the following multiples:

TRADE ME – IMPLIED VALUATION MULTIPLES

DATE	EARNINGS (\$ MILLION)	RANGE OF MULTIPLES	
		LOW	HIGH
Enterprise Value range (\$million)		2,462	2,636
Multiple of EBITDA (times)			
Year ended 30 June 2018	164.4	15.0	16.0
Year ending 30 June 2019	178.1	13.8	14.8
Multiple of EBIT (times)			
Year ended 30 June 2018	138.8	17.7	19.0
Year ending 30 June 2019	151.8	16.2	17.4

Average earnings multiples implied by the share prices of comparable listed companies and the multiples implied by the transaction price of successful transactions are summarised below:

MARKET MULTIPLES

	HISTORIC	FORECAST
EBITDA multiples from transaction evidence	17.6	18.2
EBITDA multiples for comparable companies	21.5	18.5

While none of these companies or transactions are directly comparable with Trade Me, the implied EBITDA multiples provide some framework to assess the valuation of Trade Me.

The implied multiples from Grant Samuel’s valuation of Trade Me are slightly below the multiples implied by the share prices of comparable companies and the multiples implied by recent transaction evidence in the wider sector.

There are a number of factors specific to Trade Me that would serve to constrain the multiples that would be appropriate to value Trade Me:

- As set out in Section 4.3.3 there is an observable correlation whereby companies in Trade Me’s sector that are growing at faster rates, tend to have higher implied EBITDA multiples. Trade Me’s growth, particularly in its Marketplace business is becoming constrained, which warrants lower multiples for that business; and
- Trade Me operates in the New Zealand market, which is substantially smaller than a number of international markets. The opportunities to grow established businesses such as Trade Me in New Zealand, are often a challenge.

On the other hand, there are a number of positive factors that underpin a high multiple for Trade Me:

- Trade Me has a strong brand and a market leadership position in New Zealand, which provides a barrier to entry;
- Trade Me should benefit from the continued growth in online retail and the proportion of online advertising expenditure, as it migrates away from traditional media; and
- Trade Me has been successful in developing depth products and is exploring partnership relationships that have been shown in Australia and the UK to fuel growth and enhance the customer interface.

Having regard to these factors, Grant Samuel considers that the EBITDA multiples implied by the midpoint of the value range of 15.5 times (historic) to 14.3 times (forecast) to be appropriate.



4.3.2 Transaction Evidence

The valuation of Trade Me has been considered having regard to the earnings multiples implied by the price at which broadly comparable companies and businesses have changed hands. A selection of recent transactions involving online classifieds and marketplace businesses is outlined below:

RECENT TRANSACTION EVIDENCE

DATE	TARGET	ACQUIRER	IMPLIED ENTERPRISE VALUE (NZ\$ MILLIONS) ¹⁸	EBITDA MULTIPLE (TIMES)		EBIT MULTIPLE (TIMES)	
				HISTORIC	FORECAST	HISTORIC	FORECAST
ONLINE HORIZONTAL CLASSIFIEDS							
Pending	Scout24 AG	Hellman & Friedman	9,340	22.8	18.1	27.9	21.8
May 17	Grays eCommerce	Eclix	195	13.5	n.a.	14.5	n.a.
Sep 15	Scout24	Initial public offering	7,190	21.4	18.1	23.8	18.1
Oct 14	Trovit Search	NEXT Co Ltd	130	13.6	n.a.	13.6	n.a.
Nov 13	70% of Scout24	Hellman & Friedman	3,240	n.a.	16.3	n.a.	n.a.
Group Average				17.8	17.5	20.0	20.0
ONLINE AUTOMOTIVE CLASSIFIEDS							
Nov 17	50.01% of SK Encar	Carsales.com	540	24.6	22.8	n.a.	n.a.
Sep 16	Cars.com	Spinoff	2,560	8.7	7.9	11.7	10.5
Aug 16	IronPlanet	Ritchie Auctioneers	1,060	13.0	n.a.	n.a.	n.a.
Jul 16	Paragon Automotive	BCA Marketplace	235	12.1	n.a.	n.a.	n.a.
Jun 15	Dealertrack Technology	Cox Enterprises	6,340	36.1	19.1	n.a.	n.a.
Mar 15	Auto Trader Group	Initial public offering	5,740	20.7	16.7	21.1	17.0
Jan 14	Auto Trader Group	Apax Partners	4,970	19.0	n.a.	19.5	n.a.
Mar 11	Trader Corporation	Apax Partners	980	10.0	n.a.	n.a.	n.a.
Group Average				18.0	16.6	17.4	13.8
ONLINE PROPERTY CLASSIFIEDS							
May 18	ZPG PLC	Silver Lake	4,790	25.3	20.0	30.0	21.6
Feb 18	50% of Review Property	Domain Holdings	78	9.0	n.a.	n.a.	n.a.
Nov 14	Move Inc.	REA Group	1,210	n.m.	24.7	n.m.	n.m.
Group Average				17.2	22.4	30.0	21.6
ONLINE JOBS CLASSIFIEDS							
Mar 18	SEEK Asia	SEEK	1,300	16.0	n.a.	n.a.	n.a.
Jan 13	Zhaopin	SEEK	790	16.0	n.a.	n.a.	n.a.
Average (all transactions)				17.6	18.2	20.3	17.8
Median (all transactions)				16.0	18.1	20.3	18.1

Source: Grant Samuel analysis¹⁹, Capital IQ

n.a means not available n.m means not meaningful

Further details on these transactions are set out in Appendix B. When observing the table above the following points should be noted:

- Grant Samuel has grouped the transaction evidence based on the type of classified business - automotive, property, jobs or general goods. Where a company operates in more than one type of classifieds area

¹⁸ The implied enterprise value of transactions has been converted to New Zealand dollars using the spot exchange rate on the date the transaction was announced.

¹⁹ Grant Samuel's analysis is based on company announcements and, in the absence of company published financial forecasts, brokers' reports. Where company financial forecasts are not available, the median of the financial forecasts prepared by a range of brokers has generally been used to derive relevant forecast value parameters. The source, date and number of broker reports utilised for each company depends on analyst coverage, availability and recent corporate activity.



- these are defined as horizontal classifieds. The size of transactions range from implied enterprise values of ~NZ\$80m to NZ\$9.3 billion;
- The differences in the implied earnings multiples of the transactions is largely due to the differences in the growth levels of the target companies. Companies achieving higher growth tend to transact at higher multiples of EBITDA and EBIT. For most transactions listed above, EBIT was not disclosed;
 - Multiples of forecast EBITDA (and EBIT) are generally more useful than historical multiples for assessing the transactions. Historical multiples can be distorted if earnings are demonstrating strong growth. The average multiple of forecast year 1 EBITDA for the transactions is 18.2 times;
 - There are two companies in the transaction evidence that undertook initial public offerings (**IPO's**) in 2015 - Scout24 AG (**Scout24**) that operates automotive and property classifieds in Germany and other European countries, and Auto Trader Group PLC (**Auto Trader**) that operates the UK's largest online auto classifieds business. Private equity firm Hellman & Friedman acquired a 70% shareholding in Scout24 in November 2013 from Deutsche Telekom. Just over two years later, in September 2015, Scout24 listed on the Frankfurt Stock Exchange. Scout24 is currently subject to a full takeover offer from Hellman & Friedman and The Blackstone Group. The takeover offer price implies a multiple of 18.1 times forecast EBITDA.
 - Apax funds initially bought into Auto Trader UK in 2007. In January 2014, Apax funds acquired the remaining 50.01% taking its shareholding to 100%. Funds managed by Apax Partners then undertook an IPO of this business in March 2015. The IPO price implied multiples of 16.7 times forecast EBITDA and 17.0 times forecast EBIT. The company is currently trading at a multiple of 18.0 times forecast EBITDA;
 - Other transactions involving online automotive classifieds businesses have transacted at a range of multiples. The US based company Cars.com Inc. (**Cars.com**) was spun-off from TEGNA Inc. in September 2016. The implied trading multiples at the time of the spin-off were relatively low (at 7.9 times forecast EBITDA), although this is due to lower earnings growth – EBITDA has declined slightly since the spin-off transaction. Cars.com is currently trading at 9.9 times forecast EBITDA;
 - Another transaction involving Apax Partners and funds managed by it was the acquisition of Canadian auto classifieds business Trader Corporation in 2011. The business was later sold to another private equity firm Thomas Bravo in 2016. While the implied multiples for the 2016 transaction were not disclosed it, was reported that the implied EBITDA multiple for the 2011 transaction was approximately 10.0 times EBITDA;
 - Dealertrack Technologies Inc. was a listed auto classifieds and technology business that was acquired by Cox Enterprises in June 2015 for US\$6.24 billion. It was growing rapidly and as a consequence the historical multiple was very high (at 36.1 times EBITDA). However, the forecast EBITDA multiple of 19.1 times is broadly in line with the implied multiples for other transactions involving target companies of similar size (i.e. Scout24 and Auto Trader);
 - IronPlanet is a specialist heavy equipment online auction business that was acquired by Ritchie Brothers Auctioneers in August 2016 at an implied multiple of 13.0 times, while Paragon Automotive was a UK based auto auction business that was acquired by BCA Marketplace in July 2016 at an implied multiple of 12.1 times. SK ENCAR is a South Korean auto auction business. When Carsales.com Ltd (**Carsales.com**) acquired the remaining 50.1% shareholding in November 2017 the transaction implied a multiple of 22.8 times forecast EBITDA. The relatively high multiple reflects the high growth levels being achieved by the company;
 - Property classifieds transactions include private equity firm Silver Lake's acquisition of US based ZPG Inc (**ZPG**) (previously called Zoopla Inc.), REA Group Limited's acquisition of US based Move Inc. (**Move**) and Domain Holding Group Limited's acquisition of an additional 50% shareholding in Review Property. The implied multiples for the transactions involving ZPG and Move are high (20.0 times forecast EBITDA and 24.7 times forecast respectively), reflecting the high growth rates of these companies. Review Property was a more mature (and smaller) business and the implied multiple (approximately 9.0 times historical EBITDA) reflects this; and

- The two transactions involving online job classifieds businesses were both undertaken by SEEK Limited (SEEK). Both businesses were transacted at prices equivalent to 16.0 times historical EBITDA. Zhaopin is an online recruitment business in China and SEEKAsia Limited operated online job portals in Asia.

4.3.3 Sharemarket Evidence

The valuation of Trade Me has been considered in the context of the multiples implied by the share market prices of listed companies in the online marketplace and classifieds industries:

SHAREMARKET RATINGS OF COMPARABLE COMPANIES²⁰

ENTITY	MARKET CAP. (NZ\$ MILLIONS)	EBITDA MULTIPLE (TIMES) ²¹			EBIT MULTIPLE (TIMES)		
		HISTORIC	FORECAST YEAR 1	FORECAST YEAR 2	HISTORIC	FORECAST YEAR 1	FORECAST YEAR 2
Trade Me (pre-offer price) ²²	2,025	12.8	11.8	11.0	15.1	13.9	13.0
Trade Me (current price)	2,497	15.6	14.4	13.5	18.5	17.0	15.9
Trade Me (scheme price)	2,560	16.0	14.8	13.8	19.0	17.4	16.3
ONLINE HORIZONTAL CLASSIFIEDS							
58.com	14,943	39.7	24.3	18.1	54.2	28.5	21.3
Schibsted ASA	13,249	30.7	24.8	19.9	40.6	31.9	23.8
Scout24 ²³	8,392	22.4	19.9	17.4	24.2	20.9	18.2
Group average		30.9	23.0	18.5	39.7	27.1	21.1
ONLINE AUTOMOTIVE CLASSIFIEDS							
Autohome Inc.	13,778	25.6	19.0	15.6	26.7	20.6	16.8
Auto Trader Group plc	8,013	20.4	18.2	17.0	20.8	19.3	17.7
Bitauto.com	1,875	22.9	18.5	15.4	28.0	25.3	18.7
carsales.com	3,088	16.1	14.4	13.2	17.6	15.8	14.3
Cars.com Inc.	2,581	9.6	10.6	10.0	12.8	14.0	12.2
Copart Inc.	18,779	17.5	16.5	14.9	19.4	18.6	16.6
Group average		18.7	16.2	14.4	20.9	18.9	16.1
ONLINE PROPERTY CLASSIFIEDS							
Domain Holdings Australia	1,548	13.9	14.4	12.4	17.9	20.0	16.2
REA Group	10,831	22.8	19.6	17.3	25.5	21.8	19.0
Rightmove plc	8,046	23.6	20.9	19.5	23.8	21.3	19.7
Zillow	11,148	27.8	32.5	28.8	39.5	50.4	42.6
Group average		22.0	21.9	19.5	26.7	28.4	24.4
ONLINE JOBS CLASSIFIEDS							
51.job	6,613	23.3	17.0	13.5	24.9	19.2	14.8
SEEK	6,329	16.5	15.6	13.7	19.5	19.6	17.2
Group average		19.9	16.3	13.6	22.2	19.4	16.0
ONLINE MARKETPLACE							
eBay Inc.	49,704	11.5	9.4	8.9	15.0	11.7	11.0
Average – all companies		21.5	18.5	16.0	25.7	22.4	18.8
Median – all companies		22.6	18.4	15.5	24.0	20.3	17.5

Source: Grant Samuel analysis, Capital IQ n.m. means not meaningful * denotes outliers

²⁰ The companies selected have a variety of year ends. The financial information presented in the historic column corresponds to the most recent actual annual result. The forecast column corresponds to the forecast for the subsequent year.

²¹ Represents gross capitalisation (that is, the sum of the market capitalisation adjusted for minorities, plus borrowings less cash as at the latest balance date) divided by EBITDA.

²² Implied multiples are based on brokers consensus and net debt as at 30 June 2018.

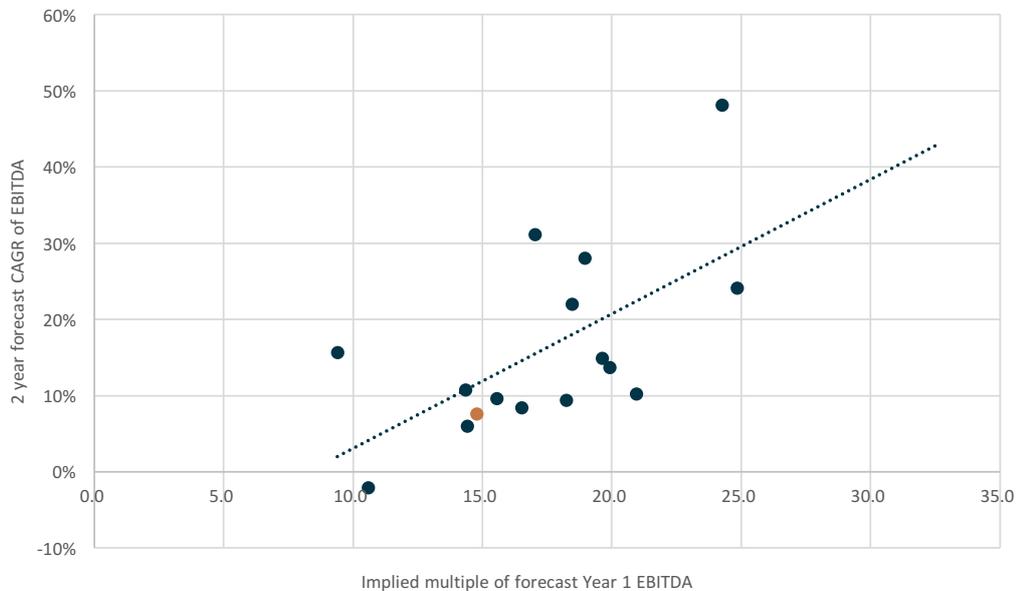
²³ Scout24 AG is currently subject to a full takeover offer.



A description of each of the companies above is set out in Appendix C. When observing the table above the following points should be noted:

- The listed companies have also been categorised based on the type of classifieds business they operate. In total Grant Samuel identified 15 classifieds businesses operating across automotive, property, jobs and general goods. The average implied EBITDA multiple for all companies was 18.5 times forecast EBITDA and 22.4 times forecast EBIT;
- The graph below shows the implied multiples of forecast Year 1 EBITDA versus the forecast CAGR of EBITDA from the historical year to Forecast Year 2. A correlation can be seen whereby companies growing at faster rates tend to have higher implied EBITDA multiples. Most of the companies have forecast EBITDA growth rates between the high single digits and mid-teen double digitals (i.e. between 7.5% - 15.0%) and trade at multiples of between 13-19 times forecast year EBITDA. Companies that are forecast to achieve significantly higher growth in EBITDA tend to trade at higher multiples – for example Schibsted ASA (24.8 times and EBITDA CAGR of 24% p.a.), 58.com Inc. (24.3 times and EBITDA CAGR of 48%) and AutoHome Inc. (19.0 times EBITDA and EBITDA CAGR of 28%). 58.com and AutoHome are both focused on the Chinese market which has attractive growth;

IMPLIED YEAR 1 FORECAST EBITDA MULTIPLES VERSUS 2 YEAR FORECAST CAGR OF EBITDA



- eBay Inc. (**eBay**) is trading at a relatively low multiple of 9.4 times forecast EBITDA. This is well below the average EBITDA multiple of 18.5 times. eBay’s EBITDA multiple has historically been very closely linked to the marketplace Gross Merchandise Value (**GMV**) which has been falling very rapidly since the end of the 2017 calendar year. Analysts are predicting a low 1%-2% rate of growth of GMV in 2019 and as a result the EBITDA multiple has reduced from 12.5 times at December 2017 to circa 9.4 times currently;
- Cars.com is trading at a multiple of 10.6 times forecast EBITDA. The multiple reflects a flat earnings outlook in its EBITDA over the forecast period; and
- The multiples have been calculated using the closing share prices as at 15 February 2019. Company descriptions are outlined in Appendix C.



4.4 DCF Valuation

Grant Samuel has prepared a high level DCF analysis of Trade Me as a cross check to the capitalisation of earnings based valuation. The following table provides a summary of the DCF valuation:

TRADE ME – DCF VALUATION SUMMARY (\$ MILLIONS)

	VALUE RANGE	
	LOW	HIGH
Enterprise value	2,389	2,524
Net debt for valuation purposes	(122)	(122)
Other assets ²⁴	19	19
Equity value	2,286	2,421
Fully diluted shares on issue (millions)	396.9	396.9
Value per share²⁵	\$5.76	\$6.10

The DCF model has been developed by Grant Samuel having regard to Trade Me Management's high level long run forecast.

Grant Samuel has analysed a number of scenarios that represent differing combinations of key assumptions for the financial years ending 30 June 2019 to 30 June 2029. A summary of Grant Samuel's key scenario assumptions are outlined below:

TRADE ME – SCENARIO ASSUMPTIONS

	SCENARIO 1	SCENARIO 2	SCENARIO 3
Total Revenue average growth rate	6.1%	6.5%	7.4%
Marketplace average growth rate	2.6%	3.7%	4.5%
Classified average growth rate	7.8%	7.9%	9.0%
EBIT margins	Decline to 50.5% by FY29	Decline to 53.0% by FY29	Decline to 54.5% by FY29
Capital expenditure Average Growth Rate	6.8%	6.3%	6.8%

- Marketplace revenue growth is assumed under each scenario largely due to growth of the new goods segment. The percentage of retail revenue generated online in New Zealand is currently still significantly lower than other developed nations. The forecast assumes that online retail sales penetration will rise and Trade Me will win a share of this growth;
- Strong revenue growth in Classifieds is forecast, primarily due to Property and Motors as both divisions improve yields through increasing uptake of depth products and revenue growth as a large proportion of traditional media advertising shifts to online media;
- EBIT margins decline under each scenario due to the continued investment in employees to develop the online platform to provide the features required to support the revenue growth and investment in sales and marketing to drive sales and audience;
- Capital expenditure increases reflecting the increase in technical development team levels, of which 75% of the technical development employment costs are capitalised; and
- A corporate tax rate of 28%.

²⁴ The midpoint of Grant Samuel's high and low range as outlined in section 4.2.2.

²⁵ Based on the average of the three scenarios as shown in section 4.4.2.



4.4.1 Discount Rate and Terminal Growth

The discount rate derived using the Capital Asset Pricing Model (**CAPM**) is below 8.0%. In Grant Samuel’s opinion this is too low and is not representative of the expected rate of return that a potential investor is likely to expect having regard to the risks associated with the future cash flows of the underlying businesses. Selection of the appropriate discount rate to apply to forecast cash flows of any business enterprise is fundamentally a matter of judgement. The CAPM is probably the most widely accepted and used methodology for determining the cost of capital. While the theory underlying CAPM is rigorous, the practical application is subject to substantial shortcomings and limitations. Valuation is an estimate of what real world buyers and sellers of assets would pay and must therefore reflect criteria that will be applied in practice. Having regard to the long-term risk free rate averages and brokers consensus, Grant Samuel has selected a discount rate range of 8.5%.

Grant Samuel has used a terminal growth rate of 2.5% and 3.0%, which is in line with New Zealand’s average GDP growth over the last 20 years.

4.4.2 DCF Scenario Analysis

The DCF valuations from each of the scenarios listed above are summarised in the chart below. The range of outcomes produced by the DCF scenario analysis is wide. The average of the scenarios falls within Grant Samuel’s valuation range:

TRADE ME – DCF VALUATION ANALYSIS RESULTS (PRICE PER SHARE (\$))



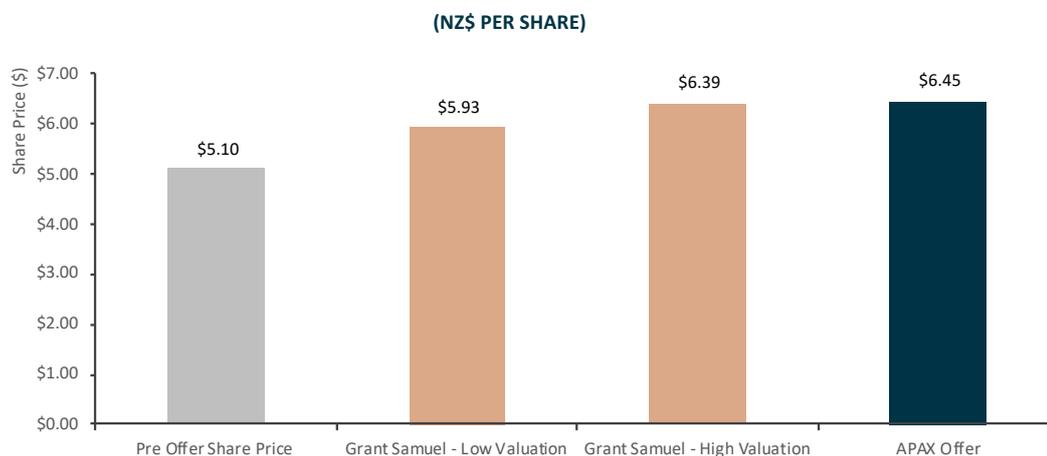
5 Merits of the Scheme

5.1 The value of the Scheme

The value of the Scheme can be assessed with reference to a number of factors:

- Grant Samuel's assessment of the value of Trade Me.** In Grant Samuel's opinion the full underlying value of Trade Me shares is in the range of \$5.93 to \$6.39 per share as set out in Section 4.2. This value represents the value of acquiring 100% of the equity in Trade Me and therefore includes a premium for control. In Grant Samuel's opinion the offer price under a takeover offer or scheme of arrangement where the offeror will gain control should be within, or exceed, the pro-rated full underlying valuation range of the company. **The Scheme price of \$6.45 per share is above Grant Samuel's assessed value range for Trade Me shares.** The chart below compares the Scheme price with Grant Samuel's assessed value range for Trade Me shares and the Trade Me share price immediately prior to the announcement of the non binding indicative proposal from Apax Partners;

TRADE ME SCHEME VERSUS GRANT SAMUEL VALUATION RANGE AND PRE OFFER SHARE PRICE ²⁶



- The premium implied by the Scheme.** The Scheme represents a premium of 26.5% relative to the closing price of \$5.10 per share on 20 November 2018 being the last trading day prior to the initial announcement of the receipt of the initial non binding indicative proposal from Apax Partners and a premium of 27% over the volume weighted average share price (VWAP) over the 30 trading days prior to 20 November 2018 of \$5.08 per share. The premium for control is consistent with the premium of control generally observed in successful takeovers of other listed companies. Since the announcement on 12 December 2018 of the Scheme at a price of \$6.45 per share, Trade Me shares have traded in the range of \$6.25 to \$6.39 per share; and
- Comparable company and comparable transaction data.** The Scheme implies multiples of 16.0 times historical EBITDA and 14.8 times forecast EBITDA for FY19F. Grant Samuel's analysis suggests the historical EBITDA multiple implied by the Scheme are consistent with multiples paid for controlling shareholdings in comparable companies, given Trade Me's size and geography.

5.2 The timing and circumstances surrounding the Scheme

- The announcement of the Scheme followed a flurry of corporate activity involving Trade Me in late 2018. On 21 November 2018 Trade Me announced that it had received a preliminary, non binding, indicative proposal from Apax Partners to acquire 100% of the shares in Trade Me at a cash price of NZ\$6.40 per share. On 5 December 2018 Trade Me advised the market that it had received an alternative proposal for 100% of the shares in the company from Hellman & Friedman at a price of \$6.45 per share. Hellman &

²⁶ The Pre Offer share price is at 20 November the day before the receipt of the non binding indicative proposal from Apax Partners.



Friedman's proposal was indicative, non-binding and subject to certain conditions, including the completion of due diligence. A little under a week later on 12 December 2018 Trade Me announced that it had entered into a SIA with Titan at a revised price of \$6.45 per share, subject to certain conditions, including OIO consent, shareholder approval and Court approval. The revised proposal from Apax Partners followed the completion of due diligence. The following day Trade Me was informed by Hellman & Freidman that it did not intend to pursue a superior proposal to acquire Trade Me;

- Trade Me has a high profile history of mergers and acquisitions activity. Trade Me was founded in 1999 by Sam Morgan and after rapid growth was sold to Fairfax in 2006 for \$700 million. The business continued to grow and was listed on the NZX in 2011, where the market value of the company at listing was \$1.1 billion. The approach from Apax Partners was unsolicited, but not entirely unexpected given the high profile of Trade Me and the relatively detailed financial and operating information that is disclosed by the business to the market on a regular basis;
- Apax Partners is a global private equity advisory firm that has been in existence for nearly 50 years and raised and advised funds with aggregate commitments in excess of \$50 billion. The Apax funds have a track record of investing in online classified businesses including Auto Trader (classifieds/UK), Trader Corporation (classifieds/Canada), Boats Group (classifieds/USA), Idealista (real estate/Spain) and SouFun (real estate/China). Apax Partners will no doubt be seeking to transfer some of this digital investment experience through to Trade Me; and
- The private equity acquisition model typically involves some equity commitment from management as the funds themselves do not profess or desire to be managers of the companies they invest in. As transaction sizes increase the opportunity for management to acquire or own meaningful shareholdings becomes difficult. Apax Partners has undertaken some substantial transactions and the Scheme with an offer price of \$2.6 billion is certainly substantial. Trade Me has advised that no commitment for share ownership has been made by Titan to management in respect of the business post the potential ownership change.

5.3 Possible outcomes of the Scheme

The Scheme needs the support of 75% of the shares voted by interest class by a special resolution and more than 50% of the total number of voting securities in the company to be voted in favour of the Scheme for it to proceed (assuming any other conditions are satisfied).

Trade Me only has one class of shares, all of which are fully paid up ordinary shares, with identical voting rights. Provided the 50% threshold of the total number of voting securities voted in favour of the Scheme is met, the 75% approval threshold for approving the Scheme is measured by reference to the number of votes actually cast. Given it is unlikely that 100% of Trade Me shareholders will vote their shares in relation to the Scheme, then a lesser number of shares will be required to reach the 75% approval threshold. Trade Me has 396,973,029 shares on issue, which means that more than 198,486,514 must be voted in favour of the Scheme for it to proceed. If for example 300,000,000 shares were voted in relation to the Scheme, then 75% of these or 225,000,000 shares would need to be voted in favour of the Scheme to meet the special resolution threshold. In that circumstance the Scheme would reach the requisite shareholder support levels from holders of only 57% of the voting securities on issue. At the extreme, if only 50.01% of the Trade Me shares were voted in relation to the Scheme and all were in favour of the Scheme, then the 75% special resolution threshold would be met by default. The probability of a full takeover being successfully completed under a scheme structure is therefore materially increased provided the threshold of more than 50% of the total number of voting securities being voted in favour can be achieved.

Trade Me shareholders will vote to approve or reject the implementation of the Scheme. To be passed, more than 50% of the total number of voting securities in Trade Me must be voted in favour and at least 75% of the votes of shareholders entitled to vote and voting must be in favour of the resolution. If the two tests are satisfied and the High Court approves the Scheme and the other conditions (including obtaining OIO consent) are satisfied, the Scheme will proceed and all the shares in Trade Me will be acquired by Titan.



The possible outcomes of the Scheme are a function of Trade Me shareholders' endorsement (or not) of the scheme construct and are summarised below:

- **The voting thresholds to approve the Scheme are not achieved.**

If either of the voting thresholds to approve the Scheme are not achieved, the Scheme will not proceed, and no shares in Trade Me will be acquired by Titan. Trade Me will remain a listed company and will have no further obligation to Titan. No break fees will be payable by either Trade Me or Titan unless the terms of the scheme implementation arrangement have been breached.

- **The voting thresholds to approve the Scheme are achieved.**

If the voting thresholds to approve the Scheme are achieved and all other conditions are satisfied, the Scheme will be implemented. In that circumstance all shareholders in Trade Me will have their shares acquired at \$6.45 per share. Voting in favour of the Scheme will only realise cash for Trade Me shareholders if the voting thresholds are achieved, the other conditions are satisfied, and the transaction is therefore implemented. If the transaction is implemented Trade Me will be delisted.

The outcome of the shareholder vote on the Scheme is binary – either the voting thresholds are achieved in which case the Scheme will be effected in its entirety (provided all other conditions are satisfied), or the voting thresholds are not achieved in which case the Scheme will not be implemented. It is important that shareholders exercise their right to vote for or against the Scheme.

5.4 Factors affecting the outcome of the Scheme

- Approximately 39.7% of the issued shares in Trade Me are held by the top ten registered shareholders. The support or otherwise of the larger shareholders in relation to the Scheme is likely to be material in determining whether or not Trade Me achieves the voting thresholds. Many takeovers or schemes of arrangement feature voting commitment arrangements whereby certain larger shareholders are approached as part of the proposal and agree to accept the agreed offer when it is made, thereby providing the proposed transaction with momentum with a significant head start, and thereby improving the probability of success. The Scheme does not feature any voting commitment arrangements. The support or rejection of the larger shareholders to the proposed transaction will therefore be instrumental to the success of the Scheme;
- Since the announcement of the Scheme on 12 December 2018 to 18 February 2019, 86.4 million shares in Trade Me have traded, representing 21.8% of the total shares on issue;
- The Trade Me share price has traded slightly below the Scheme price since the Scheme was announced suggesting the market is expecting the Scheme to be successfully implemented. However, the market may also in part be reacting to a better understanding of the future prospects for Trade Me as a consequence of the approaches by both Apax Partners and Hellman & Friedman, which itself may have contributed to a re-rating of the company; and
- The Scheme is conditional on Titan receiving approval from the OIO in the “significant business assets” category. Trade Me does not own sensitive land. In order to obtain that consent, Apax Partners must meet financial commitment, “good character”, business experience and acumen criteria under the OIO legislation. Grant Samuel understands Trade Me’s Directors have no reason to believe that this consent will not be forthcoming. The last date for the conditions to be satisfied, including obtaining OIO consent, is 12 July 2019, being seven months from the signing date of the SIA, unless otherwise extended by agreement by Titan and Trade Me. If OIO consent is not obtained, the Scheme will lapse and Titan will not acquire any shares in Trade Me. The scheme of arrangement process being pursued by Titan will result in it acquiring either no shares or 100% of the shares in Trade Me.



5.5 Other merits of the Scheme

- The Scheme restricts Trade Me's conduct of business from the signing of the Scheme on 12 December 2018 until the date the Scheme is settled or is cancelled. The restrictions are common for transactions of this nature and its purpose is to ensure that, from the date the Scheme is signed, Trade Me carries on its business in the ordinary course and, it does not make any significant change to the nature or scale of its business without the approval of Titan. Under the Scheme Trade Me is subject to certain obligations in respect of the business including positive obligations such as carrying on the business in the normal course and maintaining the assets of the business, and negative obligations such as not incurring any more debt, not providing any guarantees, or acquire or dispose of any material assets;
- The SIA includes restriction on the payment of dividends. The dividend that would otherwise be typically paid by Trade Me in March 2019 will not be declared or paid. In 2018 the March dividend was 9.1 cents per share. As there is a restriction on the payment of dividends under the Scheme the value of the Scheme remains unchanged at \$6.45 per share regardless of when the transaction is ultimately settled (if it is approved). Significant delays in implementing the Scheme caused by a delay in satisfying the conditions, such as OIO consent would therefore arguably be beneficial to Titan and detrimental to Trade Me shareholders. The restriction on dividends prevents Trade Me's shareholders from sharing in any profits of the company since the announcement of the Scheme;
- The Scheme specifies an end date of 12 July 2019, seven months from the date of signing the Scheme. The transaction timetable set out in the Scheme Booklet provides for the Scheme to be put to shareholders in April 2019. If shareholders approve the Scheme and provided OIO approval is received, the transaction timetable anticipates the Final Orders from the court to be received on or about 18 April 2019, with the Implementation Date for the Scheme occurring shortly thereafter in approximately 8 May 2019;
- In some takeovers and share transactions there are factors that suggest that even if the price of a proposed takeover or scheme transaction is below the assessed value range shareholders should consider accepting the offer or voting in favour of the offer or scheme. In this instance there does not appear to be any compelling reason for shareholders to support any proposal that is below full underlying value;
- The Scheme includes a Material Adverse Change clause which is common in transactions of this nature. Under this clause, Titan may cancel the Scheme if there are events or circumstances which occur between the signing of the Scheme and the settlement which has or is reasonably likely to (individually or in aggregate) have the effect of:
 - diminishing the consolidated EBITDA of Trade Me (excluding any non-recurring items to the extent that the impact of such items on the consolidated EBITDA of Trade Me is recovered under Trade Me's insurance) in either the financial year ending 30 June 2020 or 30 June 2021 by 15% or more against what it would reasonably have been expected to be absent the relevant event; or
 - diminishing the consolidated net assets of Trade Me taken as a whole by at least \$112 million;
- The Scheme details a range of circumstances or events that are excluded when determining a Material Adverse Change (i.e. Titan may not cancel the Scheme if the Material Adverse Change is caused by the excluded events). The excluded events include any matter or event disclosed in due diligence, changes resulting from any change in general economic or political conditions (if the condition does not have a materially disproportionate effect on the Trade Me), changes in generally accepted accounting principles or the judicial interpretation of them. The excluded events reduce the likelihood of the Material Adverse Change clause being breached;
- The break fee structure agreed between Titan and Trade Me provides for Trade Me to pay a fee of \$19.2 million if (amongst other things) a Director of Trade Me does not recommend the Scheme or if a competing transaction is announced and completed or if Trade Me breaches the SIA and Titan terminates. The existence of the break fee structure has implications. Firstly, it provides Trade Me and its Directors with an incentive to promote the Scheme. Secondly, it implies that the Directors have formed the view



- that the Scheme is priced fairly. The break fee would make it marginally more expensive for another bidder to make a successful equivalently priced offer;
- A break fee of the same amount is payable by Titan to Trade Me (the Reverse Break Fee) where Titan breaches certain material obligations under the SIA. Neither the Break fee nor the Reverse Break Fee is payable if the Scheme becomes effective;
 - If the voting thresholds are not achieved, theoretically Titan could elect to increase the price it is prepared to pay for Trade Me. Any price increase would require a revised scheme of arrangement proposal and the timetable to commence again. However, there is no certainty that a revised proposal would be tabled. Unless a competing takeover offer from another party is anticipated by the market, Trade Me's shares are likely to trade at levels below the Scheme price of \$6.45 per share if the Scheme does not achieve the necessary voting thresholds and does not proceed;
 - The use of a scheme of arrangement mechanism provides the acquirer with the absolute certainty that, if the resolutions are passed and the Court orders approved and all other conditions are satisfied, it will secure 100% of the shares on issue. Titan has demonstrated a desire to own 100% of Trade Me. While the scheme of arrangement structure is likely to be preferred by Titan by virtue of the lower acceptance levels to be able to successfully acquire 100% of Trade Me, it may elect to launch a conventional takeover offer if the Scheme does not proceed; and
 - Trade Me shareholders who choose not to vote in favour the Scheme have either decided they want to retain their investment in Trade Me for the longer term or may be expecting that Apax Partners or another bidder may make another offer at a higher price. There is no certainty regarding the ongoing performance of Trade Me or that a subsequent offer or scheme proposal from Apax Partners will be forthcoming if the Scheme is rejected by Trade Me shareholders. The risks and benefits associated with an investment in Trade Me are outlined at Section 5.6 below.

5.6 Consequences if the Scheme is rejected

If the Scheme is rejected by Trade Me shareholders Trade Me will remain as a listed company with no shares acquired by Titan as a consequence of the Scheme. The status quo scenario is therefore very relevant to Trade Me shareholders in deciding whether to support or reject the Scheme. In respect of the status quo scenario:

- Trade Me's strengths include its trusted brand and its deep knowledge of the New Zealand markets it operates in. The high percentage of the population that interact with Trade Me on a daily basis provides the company with ongoing opportunities to increase revenue. In addition to strengthening its core propositions, Trade Me is planning to create adjacent revenues by creating new business models that complement the existing service offering. It is also evaluating partnering with specialist providers and taking a percentage of revenues generated from a sale facilitated by Trade Me. Such services could include the expansion of its logistics offering and the promotion of consumer finance and insurance products offered by its customers;
- Future growth will depend in part on Trade Me's ability to increase penetration of its classified depth products and increase prices over time. Further yield growth is expected to be achieved due to the continually enhanced value Trade Me is providing to its clients;
- Trade Me collects a vast array of data points across its business. To date, Trade Me is making only limited use of that data and it is currently investing in developing a data platform to enable the company to develop data service offerings to demonstrate value of its service offering to classified consumers and for targeting its own customers to grow existing and new revenue streams;
- Trade Me management is forecasting continuing growth in earnings, particularly in classified advertising as more customers choose premium listings which attract significantly higher margins. On the other hand, Trade Me is expecting increase in competition from *Facebook*, *Amazon* and *Google*. Trade Me's strong position in the New Zealand market has to date kept Australian comparable companies such as REA,



Domain Group and Car Sales from entering the New Zealand market. This situation is unlikely to change in the near term;

- Aside from encouraging advertisers to choose premium listings, Trade Me has identified potential growth opportunities from the full or partial acquisition of adjacent businesses which complement its existing sectors, and through the generation of additional revenue from Trade Me's very large domestic customer base; and
- Trade Me produces strong operating cash flows, the majority of which (approximately 80%) is distributed by way of dividends. In September 2018 Trade Me paid a special dividend at a cash cost of nearly \$100 million. Trade Me's high cash generation and relatively low capital expenditure is one of the features that is likely to have attracted Apax Partners. If the Scheme does not succeed, Trade Me can reasonably be expected to pay another special dividend over the next three to four years to maintain a level of gearing, similar to the Australian comparable companies.

A consideration for Trade Me shareholders is whether, in time, an investment in Trade Me will yield a higher value outcome than the Scheme. If Trade Me can deliver on its initiatives and achieve the earnings growth it anticipates in FY20 and beyond, then higher value outcomes may eventuate.

As with any equity investment there are risks associated with the market in which the company operates.

The risks associated with an investment in Trade Me include:

- Trade Me relies on its strong brand and consumer confidence. Any material event which had an adverse event on consumer trust and brand reputation would likely have a significant impact on the business. An example of an event which may have an impact would be a significant security breach that would result in personal information being released;
- All of Trade Me's businesses are to some degree subject to influence by the strength of the New Zealand economy. Trade Me relies on discretionary spending by consumers, so it is exposed to changes in economic activity and consumer sentiment. Since the three classified businesses have become major players in the New Zealand market, there has not been a significant downturn in the economy and a slowdown in volume growth in recent years has been largely offset by an improvement in yields. The timing of an economic downturn is unknown and the impact it may have on revenues is difficult to predict. A downturn in the economy may lead to:
 - a softening in the housing market which may lead to a lower level of listings. A lower level of listings may over the medium term have an impact on property revenues due to lower volumes and lower yield growth. However, a downturn in the economy may also stimulate listing growth as it did during the global financial crisis in 2008. Trade Me considers that it provides a cost effective advertising solution to the real estate market. In the event property vendors become more cost conscious there are currently few alternatives to Trade Me's services;
 - a decline in the number of job listings. New Zealand is near full employment and Trade Me Jobs is facing increasing competition. A decline in job listing numbers is likely to intensify competition and limit Trade Me's ability to increase its prices and drive depth products;
 - a decline in vehicles listings. Motor vehicle sales are very sensitive to changes in the economy;
 - a decline in Marketplace revenue as new goods sales decline. However in that circumstance this may be partially offset by growth in used goods as consumers may be more willing to list and buy used goods to supplement income and to acquire items cheaply;
- The shift of advertising expenditure from traditional media to online platforms takes longer than anticipated. A significant proportion of Trade Me's revenue growth is dependent on its ability to win its market share of advertising spend that shifts online;
- A failure to execute its current growth strategy which includes expanding existing businesses and creating adjacent revenues by developing partnerships or by creating new business models. There is a risk these growth plans may be unsuccessful or require higher than expected levels of expenditure;



- A technical issue which results in the website being offline for an extended period of time. Trade Me is dependent on the information technology systems, servers, networks, hardware and software that it has in place. Although it has systems and processes in place to mitigate any potential issues, there is still the potential for a system failure to occur which directly impact both financial performance and consumer trust and confidence; and
- An increase in competitive activity which decreases market share in its key markets and lowers margins. Trade Me has a strong market position in many of its key businesses but operates in competitive markets. There is no guarantee that Trade Me will maintain these strong positions. Emerging technologies may also quickly change the competitive landscape. It is difficult to predict what this could be but any new service which directly impacted Trade Me's ability to retain its audience or enables new competitors to create the "network effect" quickly would adversely impact Trade Me's financial performance.

5.7 Likelihood of alternative offers

- The prospect of an acquisition of Trade Me was announced on 21 November 2018, followed shortly thereafter by the Hellman & Friedman proposal. The dual interest in a high profile company like Trade Me would have thrust the opportunity into the international spotlight and potentially other entities would have considered evaluating the business;
- Grant Samuel understands that Trade Me did not solicit the approach from Apax Partners or undertake a competitive process once it had received the approach from Apax Partners. Trade Me is only able to address a competing proposal if the board has determined that the competing proposal is or is reasonably capable of becoming a superior proposal and that it is necessary to respond to such a proposal in order to fulfil the fiduciary duties. The restrictions imposed on Trade Me under the Scheme significantly lower the probability of Trade Me receiving a competing proposal;
- The scheme arrangement between Titan and Trade Me provides a typical exclusivity framework in favour of Titan such that Trade Me has agreed to "no shop, no talk, no due diligence" restrictions. Under this framework, Trade Me is prohibited from engaging on any competing proposals unless the Trade Me Board has, after taking external advice, determined that the competing proposal is capable of becoming, or is reasonably likely to constitute a more favourable offer for shareholders than the Scheme. In addition, Titan must be notified of any competing proposal and has the opportunity to match a proposal that the Trade Me Board considers to be more favourable than the Scheme. If there is such a proposal, Trade Me is prohibited from entering into any binding documentation and no recommendation or endorsement can be made by Trade Me or the Directors unless Titan has been given at least five business days to match the competing proposal. If Titan does make another proposal within this timeframe and it is, as a whole, no less favourable to shareholders than the competing proposal then Trade Me must use its best endeavours to enter into documentation to give effect and to implement the revised Titan proposal as soon as possible and Trade Me's Directors must recommend Titan's revised proposal to shareholders. If Titan does not make a counter-proposal or the Trade Me Board determines the Titan revised proposal is, as a whole, less favourable to shareholders, the matching right will end in respect of that competing proposal. Conceptually in those circumstances, the Trade Me Board would be recommending the competing proposal to shareholders;
- The more time that elapses from the announcement of the Scheme, the less likely a competing proposal will emerge as Trade Me can only provide due diligence to bona fide proposals that have not been encouraged, solicited or invited, and that are reasonably capable of becoming superior to the Titan Proposal. In this regard, Grant Samuel note that Trade Me has advised that, as at the date of this report, no alternative proposals have been received;
- Any competing proposal, whilst unlikely given the advanced state of the Scheme, may come by way of a traditional takeover offer with potentially lower acceptance thresholds (e.g. a takeover for 100% of the company, conditional on 50.01% acceptance), or a partial offer for less than 100% of the shares; and
- The Titan break fee of \$19.2 million will be payable if Trade Me completes a competing proposal within 12 months of its announcement.



5.8 Voting for or against the Scheme

Voting for or against the Scheme is a matter for individual shareholders based on their own view as to value and future market conditions, risk profile, liquidity preference, portfolio strategy, tax position and other factors. In particular, taxation consequences will vary widely across shareholders. Shareholders will need to consider these consequences and, if appropriate, consult their own professional adviser(s).

GRANT SAMUEL & ASSOCIATES LIMITED

19 February 2019



APPENDIX A - QUALIFICATIONS, DECLARATIONS AND CONSENTS

1. *Qualifications*

The Grant Samuel group of companies provides corporate advisory services in relation to mergers and acquisitions, capital raisings, corporate restructuring and financial matters generally. One of the primary activities of Grant Samuel is the preparation of corporate and business valuations and the provision of independent advice and expert's reports in connection with mergers and acquisitions, takeovers and capital reconstructions. Since inception in 1988, Grant Samuel and its related companies have prepared more than 400 public expert and appraisal reports.

The persons responsible for preparing this report on behalf of Grant Samuel are Michael Lorimer, BCA, Simon Cotter, BCom, MAppFin, F Fin, Christopher Smith, BCom, PGDipFin, MAppFin, and Jake Sheehan, BCom (Hons). Each has a significant number of years of experience in relevant corporate advisory matters.

2. *Limitations and Reliance on Information*

Grant Samuel's opinion is based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time. The report is based upon financial and other information provided by the directors, management and advisers of Trade Me. Grant Samuel has considered and relied upon this information. Grant Samuel believes that the information provided was reliable, complete and not misleading and has no reason to believe that any material facts have been withheld.

The information provided has been evaluated through analysis, enquiry, and review for the purposes of forming an opinion as to the underlying value of Trade Me. However, in such assignments time is limited and Grant Samuel does not warrant that these inquiries have identified or verified all of the matters which an audit, extensive examination or "due diligence" investigation might disclose.

In any event, an analysis of the merits of the Scheme is in the nature of an overall opinion rather than an audit or detailed investigation. In addition, preparation of this report does not imply that Grant Samuel has audited in any way the management accounts or other records of Trade Me. It is understood that, where appropriate, the accounting information provided to Grant Samuel was prepared in accordance with generally accepted accounting practice and in a manner consistent with methods of accounting used in previous years.

An important part of the information base used in forming an opinion of the kind expressed in this report is the opinions and judgement of the management of the relevant enterprise. That information was also evaluated through analysis, enquiry and review to the extent practicable. However, it must be recognised that such information is not always capable of external verification or validation.

The information provided to Grant Samuel included projections of future revenues, expenditures, profits and cash flows of Trade Me prepared by the management of Trade Me. Grant Samuel has used these projections for the purpose of its analysis. Grant Samuel has assumed that these projections were prepared accurately, fairly and honestly based on information available to management at the time and within the practical constraints and limitations of such projections. It is assumed that the projections do not reflect any material bias, either positive or negative. Grant Samuel has no reason to believe otherwise.

However, Grant Samuel in no way guarantees or otherwise warrants the achievability of the projections of future profits and cash flows for Trade Me. Projections are inherently uncertain. Projections are predictions of future events that cannot be assured and are necessarily based on assumptions, many of which are beyond the control of management. The actual future results may be significantly more or less favourable.

To the extent that there are legal issues relating to assets, properties, or business interests or issues relating to compliance with applicable laws, regulations, and policies, Grant Samuel assumes no responsibility and



offers no legal opinion or interpretation on any issue. In forming its opinion, Grant Samuel has assumed, except as specifically advised to it, that:

- the title to all such assets, properties, or business interests purportedly owned by Trade Me is good and marketable in all material respects, and there are no material adverse interests, encumbrances, engineering, environmental, zoning, planning or related issues associated with these interests, and that the subject assets, properties, or business interests are free and clear of any and all material liens, encumbrances or encroachments;
- there is compliance in all material respects with all applicable national and local regulations and laws, as well as the policies of all applicable regulators other than as publicly disclosed, and that all required licences, rights, consents, or legislative or administrative authorities from any government, private entity, regulatory agency or organisation have been or can be obtained or renewed for the operation of the business of Trade Me, other than as publicly disclosed;
- various contracts in place and their respective contractual terms will continue and will not be materially and adversely influenced by potential changes in control; and
- there are no material legal proceedings regarding the business, assets or affairs of Trade Me, other than as publicly disclosed.

3. Disclaimers

It is not intended that this report should be used or relied upon for any purpose other than as an expression of Grant Samuel's opinion as to the merits of the Scheme. Grant Samuel expressly disclaims any liability to any Trade Me security holder who relies or purports to rely on the report for any other purpose and to any other party who relies or purports to rely on the report for any purpose whatsoever.

This report has been prepared by Grant Samuel with care and diligence and the statements and opinions given by Grant Samuel in this report are given in good faith and in the belief on reasonable grounds that such statements and opinions are correct and not misleading. However, no responsibility is accepted by Grant Samuel or any of its officers or employees to the extent allowed by law for errors or omissions however arising in the preparation of this report, provided that this shall not absolve Grant Samuel from liability arising from an opinion expressed recklessly or in bad faith.

Grant Samuel has had no involvement in the preparation of the Scheme Booklet issued by Trade Me and has not verified or approved any of the contents of the Scheme Booklet. Grant Samuel does not accept any responsibility for the contents of the Scheme Booklet (except for this report).

4. Independence

Grant Samuel and its related entities do not have any shareholding in or other relationship or conflict of interest with Trade Me or Trade Me that could affect its ability to provide an unbiased opinion in relation to the Scheme. Grant Samuel had no part in the formulation of the Scheme. Its only role has been the preparation of this report. Grant Samuel will receive a fixed fee for the preparation of this report. This fee is not contingent on the outcome of the Scheme. Grant Samuel will receive no other benefit for the preparation of this report. Grant Samuel considers itself to be independent for the purposes of the Code.

5. Information

Grant Samuel has obtained all the information that it believes is desirable for the purposes of preparing this report, including all relevant information which is or should have been known to any Director of Trade Me and made available to the Directors. Grant Samuel confirms that in its opinion the information provided by Trade Me and contained within this report is sufficient to enable Trade Me security holders to understand all relevant factors and make an informed decision in respect of the Scheme. The following information was used and relied upon in preparing this report:



5.1 Publicly Available Information

- Scheme Implementation Agreement between Titan and Trade Me;
- Trade Me's Annual Reports for the financial years ended 30 June 2016-2018;
- Trade Me's investor presentation May 2018;
- Trade Me's recent AGM presentations; and
- Broker research, industry reports and press articles.

5.2 Non Public Information

- Trade Me budget pack for year ending 30 June 2019;
- Trade Me management presentation to Apax Partners;
- Trade Me's management accounts for 2017, 2018 and 2019YTD;
- Trade Me's management forecast for FY19F; and
- Trade Me's management high level five year forecast model.

6. *Declarations*

Trade Me has agreed that it will indemnify Grant Samuel and its employees and officers in respect of any liability suffered or incurred as a result of or in connection with the preparation of the report. This indemnity will not apply in respect of the proportion of any liability found by a Court to be primarily caused by any conduct involving gross negligence or wilful misconduct by Grant Samuel. Trade Me has also agreed to indemnify Grant Samuel and its employees and officers for time spent and reasonable legal costs and expenses incurred in relation to any inquiry or proceeding initiated by any person. Where Grant Samuel or its employees and officers are found to have been grossly negligent or engaged in wilful misconduct Grant Samuel shall bear the proportion of such costs caused by its action. Any claims by Trade Me are limited to an amount equal to the fees paid to Grant Samuel.

Advance drafts of this report were provided to the directors and executive management of Trade Me. Certain changes were made to the drafting of the report as a result of the circulation of the draft report. There was no alteration to the methodology, evaluation or conclusions as a result of issuing the drafts.

7. *Consents*

Grant Samuel consents to the issuing of this report in the form and context in which it is to be included in the Scheme Booklet to be sent to security holders of Trade Me. Neither the whole nor any part of this report nor any reference thereto may be included in any other document without the prior written consent of Grant Samuel as to the form and context in which it appears.



APPENDIX B – COMPARABLE TRANSACTIONS

ONLINE HORIZONTAL CLASSIFIEDS:

Scout24 AG / Hellman & Friedman LLC and The Blackstone Group L.P.

On 18 January 2019, private equity firms Hellman & Friedman LLC and The Blackstone Group L.P. expressed an interest to acquire Scout24 AG (**Scout24**) at an offer price of €43.50 per share. On 15 February 2019 the offer price was revised to €46.00 per share, implying an equity value of approximately €4.9 billion. On 15 February 2019, the Management Board and Supervisory Board of Scout24 announced that they welcomed the offer and that they would accept the offer for their shares. The offer price implied multiples of 18.1 times forecast EBITDA and 22.8 times historical EBITDA. Further information on Scout24 is provided in Appendix C.

Scout24 AG / Initial public offering of shares

On 18 September 2015, Scout24 AG (**Scout24**), an operator of digital automotive and real estate marketplaces in Germany and other European countries, lodged a prospectus for a public offering of shares on the Frankfurt Stock exchange. Shares commenced trading on 5 October 2015. For the 12 months to 31 December 2015 Scout24 generated operating EBITDA of approximately €190 million and EBITDA less capital expenditure (a proxy for underlying EBIT before amortisation of goodwill arising from acquisitions) of approximately €170 million. At a listing price of €28.75 per share and net debt of €0.92 billion on listing, the listing price implied multiples of approximately 21.4 times 2015 EBITDA and approximately 23.8 times 2015 EBITDA less capital expenditure. Based on Scout24's actual results for 2016 the listing price implied multiples of 18.1 times EBITDA and 19.8 times EBIT.

Trovit Search S.L. / NEXT Co., Ltd.

On 6 October 2014 NEXT Co., Ltd (**NEXT**) agreed to acquire the online classifieds business Trovit Search S.L. for €80 million. Trovit has classifieds advertisements for real estate, jobs, motor vehicles and vacation rentals. The company is based in Spain. NEXT, which has since been renamed Lifull Co, Ltd. provides real estate information services in Japan. The purchase price implied multiples of 13.6 times historical EBITDA and EBIT. The depreciation & amortisation charge for Trovit was very small resulting in the EBITDA and EBIT multiples being the same. Trovit's operating profit declined from 2012 and 2013 due to a reduction in the profit margin from 43% to 33%. However sales increased by 20%. Trovit's forecast operating profit for 2014 was not disclosed at the time the transaction was announced and as a result Grant Samuel is unable to assess whether profit rebounded the following year. The multiple paid is at the low end of transactions involving classifieds business. This is likely attributable to the smaller size of the business and the decline in profit from 2012 to 2013.

Scout24 AG / Hellman & Friedman Capital Partners

On 21 November 2013, private equity firm Hellman & Friedman Capital Partners (**Hellman & Friedman**) entered into an agreement to acquire a 70% stake in Scout24 Holding GmbH (**Scout24**) from Deutsche Telekom AG for approximately €1.5 billion in cash. Scout24 operates online marketplaces in the real estate and property sectors in Germany and other European countries. The purchase price valued Scout24 at an enterprise value of approximately €2.0 billion. It was reported that Scout24's EBITDA was approximately €122.5 million. The purchase price implies a multiple of 16.3 times historical EBITDA.

ONLINE AUTOMOTIVE CLASSIFIEDS:

50.01% of SK Encar / carsales.com

On 20 November 2017 carsales.com Ltd (**carsales**) signed an agreement to acquire the remaining 50.1% stake in South Korea's number one online auto classifieds business SK ENCARSAL.COM Ltd (**SK ENCAR**) for approximately KRW 210 billion (equivalent to approximately A\$244 million). carsales purchased 49.9% on SK ENCAR in April 2014 and since that time the business had grown significantly. The purchase price for the remaining shares implied multiples of 24.6 times historical EBITDA and 22.8 times forecast EBITDA. The relatively high multiples reflect the long term growth potential of the South Korean market, ENCAR's



leading market position and the strong historical performance of the business. Carsales.com is the leading auto classifieds business in Australia. A description of the company is provided in Appendix C.

Cars.com / Spin-off transaction

On 7 September 2016, TEGNA Inc. (**TEGNA**) announced that it would spin-off its Cars.com business to TEGNA shareholders. Cars.com is an automotive marketplace for consumers, dealers and OEM's. It had 35 million monthly visits at the time of the spin-off transaction and the company had a track record of growth in revenue and EBITDA. Cars.com generated revenue of US\$597 million in 2015 and adjusted EBITDA of US\$239m (adjusted EBITDA margin of 40%). The implied enterprise value of Cars.com on the spin-off date was US\$1.85 billion and the implied multiple of trailing historical reported EBITDA was 8.7 times. Cars.com is currently trading at a higher multiple of 12.8 times trailing 12-month EBITDA. Cars.com's EBITDA deteriorated from US\$235 to US\$177 million for the 12 months ended 30 September 2018. The relatively low multiples at listing and the current trading multiples likely reflect the subdued performance of Cars.com in recent years.

Iron Planet, Inc. / Ritchie Bros. Auctioneers Inc

On 29 August 2016, Ritchie Bros. Auctioneers Inc (**Ritchie Bros.**) agreed to acquire IronPlanet Inc. from Caterpillar Inc. and other shareholders for approximately US\$760 million. IronPlanet operates an online marketplace for buying and selling used heavy equipment. At the date of the acquisition it had operations in the US, Canada, Mexico, Australia and Europe. The transaction implied a multiple of 13.0 times IronPlanet's estimated 2017 adjusted EBITDA. Ritchie Bros. is the world's largest heavy equipment auctioneer. The acquisition accelerated Ritchie Bros' strategy of becoming a one-stop, multi-channel company by producing an online marketplace.

Paragon Automotive / BCA Marketplace

On 19 July 2016 BCA Marketplace plc (**BCA**) announced that it had acquired UK motor services group Paragon Automotive Limited for an initial enterprise value of £105 million with further earn-out payments up to a maximum of £30 million subject to the achievement of financial targets for the 2017 and 2018 financial years. Paragon's revenue and normalised EBITDA were £158.2 million and £11.0 million for the year ended March 2016. The purchase price implied multiples of 9.6 times historical EBITDA (excluding the earn-out) and 12.1 times historical EBITDA (including the earn-out).

Dealertrack Technologies Inc. / Cox Automotive Inc.

On 15 June 2015, Cox Automotive, Inc. entered into an agreement to acquire 100% of the shares in Dealertrack Technologies, Inc. (**Dealertrack**) for US\$63.25m per share, implying a value of approximately US\$3.56 billion and enterprise value of US\$4.46 billion. Dealertrack provides web-based software solutions and services to the automotive retail industry in the US and Canada. Its products include websites, digital advertising and other digital marketing offerings to assist dealers. Cox Automotive Inc. provides digital marketing, software and related solutions to consumers, dealers and manufacturers globally. It is privately owned by Cox Enterprises. The purchase price implied a multiple of 19.1 times forecast EBITDA. The multiple of historical EBITDA is very high (at ~36x) which is due to the high growth levels of Dealertrack.

Auto Trader Group PLC / Initial Public Offering

On 19 March 2015, Auto Trader Group PLC (**Auto Trader**), an operator of UK's largest online automotive marketplace, lodged a prospectus for a public offering of 590 million shares at a price of £2.35 per share on the London Stock Exchange. The implied market capitalisation at listing was £2.35 billion. Auto Trader had approximately £520 million of net debt at listing, implying an enterprise value of approximately £2.87 billion. For the year ended 31 March 2015, Auto Trader generated EBIT of £136 million and for the year ended 31 March 2016 (the first year after listing) the company generated EBIT of £169 million. The enterprise value at listing implied multiples of ~21.1 times FY15 EBIT and ~17.0 times actual FY16 EBIT. Auto Trader is currently trading at multiples of 18.2 times forecast EBITDA and 19.3 times forecast EBIT. This is broadly in line with the implied multiples upon listing.



Remaining 50.1% stake in Trader Media Group Limited / Apax Partners LLP

On 21 January 2014, Apax Partners announced that it would acquire the remaining 50.1% stake in Trader Media Group Limited (now known as Auto Trader) for £619 million. Auto Trader operates the largest digital automotive marketplace in the UK and Ireland. For the year ended 31 March 2013, Auto Trader generated EBITDA of £131.6 million on revenues of £251.8 million. The purchase price implied multiples of 19.0 times historical EBITDA and 19.5 times historical EBIT. Auto Trader was subsequently listed on the London Stock Exchange in March 2015. Further detail on the transaction is outlined above.

Trader Corporation Limited / Apax Partners Worldwide LLP

On 25 March 2011 Apax Partners Worldwide LLP signed an agreement to acquire the assets of Trader Corporation from Yellow Media Inc. for approximately CA\$750 million. The assets acquired comprised online media, automotive consumer marketplaces and automotive digital marketing solutions in Canada. The purchase price implied a multiple of approximately 10 times historical EBITDA.

ONLINE PROPERTY CLASSIFIEDS:

ZPG PLC / Silver Lake

On 11 May 2018, Silver Lake made an offer to acquire ZPG PLC (**ZPG**) for £4.90 per share in cash, valuing the equity in Zoopla at approximately £2.148 billion. ZPG is a diversified property technology business in the UK including portals (*Zoopla* and *Prime Location*), comparison websites for utilities, mortgages and other products (*uSwitch*, *Money.co.uk*), agency software (*PSG*) and data (*Hometrack*). Silver Lake is an American technology-focused private equity firm with US\$39 billion under management. The purchase price for ZPG implied multiples of 20.0 times forecast EBITDA and 21.6 times forecast EBIT (based on broker consensus).

50% of Review Property / Domain Holdings Australia Limited

On 26 February 2018, Domain Holdings Australia Limited (**Domain**) announced that it had agreed to acquire an additional 50% of the shares in Review Property Pty Ltd (**Review Property**). Review Property owns and operates a listings website in Australia. The consideration comprised A\$36 million in Domain shares based on projected performance and a valuation of A\$72 million, equivalent to 9 times FY17 EBITDA of A\$8 million. The consideration was payable in three tranches comprising a completion payment of A\$18 million and two deferred payments of up to \$11 million each the 2018 and 2019 results, subject to the 2018 and 2019 EBITDA results of Review Property. The maximum consideration is approximately A\$40 million of Domain shares. Domain operates as a real estate media and technology services company in Australia. Further information on the company is outlined in Appendix B.

Move Inc. / News Corporation

On 30 September 2014, News Corporation entered into an agreement to acquire Move Inc. (**Move**), an operator of real-estate search websites in North America, for US\$21 per share in cash. The implied equity value was approximately US\$890 million. The purchase price implied a multiple of 25.8 times forecast EBITDA based on broker consensus. The following month (i.e. November 2014), listed Australian real estate portal REA Group Limited acquired a 20% stake in Move for US\$198.7m.

ONLINE JOBS CLASSIFIEDS:

SEEKAsia Limited / SEEK Limited

On 4 March 2018, SEEK Limited (**SEEK**) announced that it had agreed to acquire the remaining 13.75% stake in SEEKAsia Limited (**SeekAsia**) from News Corporation for approximately A\$160 million. SEEKAsia operates online job recruitment portals in Asia. For the year ended 30 June 2017, SEEKAsia reported EBITDA of A\$76 million. The purchase price implied an enterprise value of A\$1.216 billion and was transacted at a purchase price multiple equivalent to 16.0 times historical EBITDA. The purchase price multiple for acquiring the additional shares in SEEKAsia was the same as the multiple paid for the additional shareholding in Zhaopin Limited by SEEK in 2013 (refer below)

***Additional 16.8% shareholding in Zhaopin Limited / SEEK Limited***

On 11 January 2013, SEEK announced that it has agreed to acquire an additional 16.8% shareholding in Zhaopin Limited (**Zhaopin**), increasing its stake from 55.5% to 72.3%, for total consideration of US\$105 million. Zhaopin operates a leading online employment marketplace in China. The transaction implied an enterprise value of US\$558 million, which equated a multiple of 16.0 times historical EBITDA.

ONLINE GENERAL GOODS MARKETPLACE:***Grays eCommerce Group Limited / Eclipx Group***

On 4 May 2017, Leasing Finance (Australia) Pty Ltd, a subsidiary of Eclipx Group Ltd (**Eclipx**) entered into a scheme implementation deed to acquire Grays eCommerce Group Limited (**Grays**) from investors for approximately A\$180 million. Grays had four operating businesses: Plant & Equipment Auction, Auto Auction, GraysWine and Other Consumer. The Plant & Equipment and Auto Auction segments contribute ~90% of net revenue. The acquisition provided an opportunity for Eclipx to cross-sell its finance and insurance product offerings to customers of the auto and commercial equipment businesses and provided ownership of a key disposal channel for Eclipx' end-of-lease vehicles. The purchase price implied multiples of 13.5 times historical EBITDA and 14.5 times historical EBIT.



APPENDIX C – COMPARABLE COMPANIES

ONLINE HORIZONTAL CLASSIFIEDS:

58.com

58.com operates online classifieds and listing platforms in China. It operates multi-content category online classified platforms primarily under the *58* and *Ganji* names and *Anjuke*, an online real estate listing platform. The company's platforms provide various content categories including jobs, real estate, used goods, automotive, yellow pages and other local service categories. 58.com's revenue and EBITDA has grown strongly in recent years and this is forecast to continue in the future. 58.com is currently trading at multiples of 24.3 times forecast EBITDA and 28.5 times forecast EBIT.

Schibsted ASA

Schibsted ASA (**Schibsted**) operates as a digital media company with operations in 22 countries, headquartered in Norway. Schibsted is currently planning to divide the company into two separate companies during the second quarter of 2019 – one business will comprise Schibsted's international classifieds business (called MPI) and the other will comprise the Norwegian, Swedish and Finnish operations (together the Nordic operations). Schibsted's Nordic operations consist of marketplaces Finn.no (jobs, housing, cars and travel services), Blocket.se (motor vehicles, general goods and jobs) and tori.fi (motor vehicles and general goods). Schibsted's other businesses within the Nordic operations include digital news services and a portfolio of fintech and price comparison websites. The primary countries for MPI are France, Spain and Brazil. Schibsted is currently trading at multiples of 24.8 times forecast EBITDA and 31.9 times forecast EBIT.

Scout24 AG

Scout24 AG (**Scout24**) operates digital marketplaces specialising in the real estate and automotive sectors in Germany and selected other European countries. The Company's primary brands are:

- *ImmobilienScout24*, which is a real estate classified portal. It has approximately 450,000 listings (1.8x the next competitor). It is the largest real estate classifieds portal in Germany. For the year ended 31 December 2017 the business contributed EBITDA of €186 million on revenue of €299 million (62% margin); and
- *AutoScout24*, which is a classifieds portal for motor vehicles. It is the largest European digital marketplace with operations in Germany, the Netherlands, Italy, Belgium, Austria and Italy. For the year ended 31 December 2017 the business contributed EBITDA of €86 million on revenue of €175 million (50% margin).

The company has approximately 1,240 employees. For the financial year ended 31 December 2017 Scout 24 generated operating EBITDA of €253 million on revenue of €480 million. Scout24 is currently subject to a takeover offer from private equity firms Hellman & Freidman and The Blackstone Group. The current share price implies multiples of 17.4 times forecast EBITDA and 20.9 times forecast EBIT.

ONLINE AUTOMOTIVE MARKETPLACES:

Autohome Inc.

Autohome Inc. (**Autohome**) operates an online destination for automobile consumers in China. The company, through its Websites, autohome.com.cn and che168.com, delivers content to automobile buyers and owners including articles and reviews, pricing trends, new and used vehicle listings, promotional information and user generated content and forums. It also offers advertising services for automakers and dealers; dealer subscription services that allow dealers to market their inventory and services through its online platforms. Autohome has a track record of strong in revenue and EBITDA and this is forecast to continue driven by revenue growth and higher margins. Autohome is currently trading at multiples of 19.0 times forecast EBITDA and 20.6 times forecast EBIT.



Auto Trader Group plc

Auto Trader Group Limited (**Auto Trader**) is the UK's largest digital automotive marketplace, attracting 55 million platform visits each month. Over 80% of UK automotive retailers advertise on autotrader.co.uk and there are approximately 450,000 vehicles listed on the platform at any one time. Auto Trader is now a 100% digital business starting life as a local classified magazine in 1977. The company listed on the London Stock Exchange in March 2015. For the year ended 31 March 2018 Auto Trader generated EBIT of GBP 221 million on revenue of GBP 330 million (67% EBIT margin). 85% of revenue is derived from trade customers (i.e. motor vehicle dealers), 9% from consumer services and 6% from manufacturers and agencies. As at 31 March 2018 the company had 824 employees. Auto Trader's EBIT growth in FY17 and FY18 has been driven by an increase in average revenue per retailer from GBP1,384 in FY16 to GBP1,695 in FY18. This growth has been achieved through increases in the price charged to dealers, and an increase in the volume of product advertised and sold on the platform. Brokers are forecasting revenue growth to continue in FY19F – FY21 driven by further growth in revenue and margin improvement resulting in EBIT growth in the range of 8-9% per annum. Auto Trader's current share price implies a multiple of 18.2 times broker consensus EBITDA for FY19F. The relatively high trading multiples reflect Auto Trader's leading market position and outlook for continued high single digit EBIT growth. When Auto Trader listed on the London Stock Exchange in March 2015 the listing price implied multiples of 16.7 times forecast EBITDA. Further detail on this transaction is outlined in Appendix B.

Bitauto Holdings Limited

Bitauto Holdings Limited (**Bitauto**) provides internet content and marketing services, and transaction services for the automobile industry in China through the bitauto.com website and mobile apps. Bitauto's business consists of three segments, advertising and subscription business, transaction services and digital marketing solutions. Bitauto's revenue has grown strongly in recent years, although EBITDA has remained flat as the company has invested in developing its businesses and growing top line revenue. The company is currently trading at multiples of 18.5 times forecast EBITDA and 25.3 times forecast EBIT.

carsales.com Ltd

carsales.com Ltd (**carsales.com**) is the largest online automotive, motorcycle and marine classifieds business in Australia. Its websites include carsales.com.au, motoring.com.au, bikesales.com.au, boatsales.com.au, RedBook.com.au as well as leading caravan, truck and machinery classifieds websites. The Australian operations contributed 84% of revenue and 88% of EBITDA on a 'look through' basis for the year ended 30 June 2018. The company employs 600 people in Australia. Carsales.com has international operations in Mexico, South Korea, Brazil, Chile and Argentina. Despite the share of revenue and earnings from the international operations being relatively low, they are growing faster than the domestic Australian operations and are a key part of carsales.com's long term growth strategy. carsales.com's current share price implies a multiple of 15.8 times broker consensus EBIT for FY19F.

Cars.com Inc.

Cars.com Inc. (**Cars.com**) operates as a digital automotive marketplace that connects dealers with consumers in the United States. Its platforms host approximately 4.9 million new and used vehicle listings and serves approximately 20,000 car dealers. Cars.com was spun-off from TEGNA Inc. in May 2017. Further information on this transaction is provided in Appendix B. EBITDA has declined since the listing date and brokers and forecasting EBITDA to remain flat over the next two years. The company is trading at multiples of 10.6 times forecast EBITDA and 14.0 times forecast EBIT. This is below the multiples of other online automotive marketplaces, reflecting the subdued growth outlook for the company.

Copart, Inc.

Founded in 1982 as a single salvage yard in California, Copart Inc. (**Copart**) provides online auctions and vehicle remarketing services in the USA and internationally (Canada, Brazil, Middle East, UK, Ireland, Germany, Spain and Finland). Copart operates from 200 locations in 11 countries and auctions over 125,000 vehicles every day and sells over 2.0 million vehicles globally each year. As at 31 July 2018, the company had 6,030 employees. Copart's revenue has grown strongly in recent years driven by strong US performance.



EBITDA is forecast to continue to grow strongly in FY19F and FY20 driven by continued revenue growth and improvement in operating margins. Copart's current share price implies multiples of 16.5 times forecast EBITDA and 18.6 times forecast EBIT.

ONLINE PROPERTY CLASSIFIEDS:

Domain Holdings Australia Limited

Domain Holdings Australia Limited (**Domain**) operates as a real estate media and technology services company in Australia. For the year ended 30 June 2018 the company generated 68% of its revenues from core digital services, 23% from print services and 9% from transaction and other services. Domain is currently trading at multiples of 14.4 times forecast EBITDA (based on broker consensus) and 20.0 times forecast EBIT (based on broker consensus).

REA Group Limited

REA Group Limited (**REA**) provides advertising services to the real estate industry in Australia and Asia. It advertises property and property-related services on its websites and mobile apps. For the year ended 30 June 2018, the company generated 91% of its revenues from the Australian market. REA is currently trading at multiples of 19.6 times forecast EBITDA (based on broker consensus) and 21.8 times forecast EBIT (based on broker consensus).

Rightmove PLC

Rightmove PLC (**Rightmove**) operates as a property portal in the UK. The company operates through two primary business segments – Agency, which is involved in the advertisement and sale of properties; and New Homes, which provides property advertising services to new home developers and housing associations. The company has achieved consistent growth in revenues and EBITDA over recent years and brokers are forecasting this to continue. Rightmove is currently trading at multiples of 20.9 times forecast EBITDA and 21.3 times forecast EBIT. The relatively high multiples reflect the strong forecast growth of the company.

Zillow Group Inc.

Zillow Group Inc. (**Zillow**) operates real estate and home-related information marketplaces on mobile and websites in the United States. The company offers a portfolio of products that enable consumers to find information about homes and connect with local professionals. Its brands include *Zillow*, *Trulia*, *StreetEasy*, *HotPads*, *Naked Apartments*, *RealEstate.com*, and *OutEast.com*. Zillow has achieved very strong growth in recent years and this is forecast to continue with EBITDA growing from US\$83 million in 2017 to US\$314 million by 2020 (based on broker consensus). Zillow's current trading multiples of 32.5 times forecast EBITDA and 50.4 times forecast EBIT reflect the expectations for continued strong growth in the earnings of the business. The implied multiples of historical EBITDA and EBIT are very high as a result of the high growth rates of the business.

ONLINE JOBS CLASSIFIEDS:

51.job, Inc.

51.job, Inc. (**51.job**) provides online human resource services in China. The company offers recruitment advertising services through its websites 51job.com, yingjesheng.com, 51jingying.com and lagou.com and mobile applications. The company has grown strongly in recent years and its earnings are forecast to continue to grow strongly in future periods driven by revenue growth and increasing margins. 51.com's current trading multiples of 17.0 times forecast EBITDA and 19.2 times forecast EBIT reflect the high growth levels of the company.

SEEK Limited

SEEK Limited (**SEEK**) provides online employment marketplace services in Australia and internationally. For the year ended 30 June 2018 SEEK generated 41% of its revenues from Australia, 36% from China, 12% from South East Asia and 11% from other international markets. SEEK is currently trading at multiples of 15.6 times forecast EBITDA (based on broker consensus) and 19.6 times forecast EBIT (based on broker consensus).

**ONLINE GENERAL GOODS MARKETPLACE:*****eBay Inc.***

eBay Inc. (**eBay**) is a multi-national e-commerce platform that facilitates consumer-to-consumer and business-to-consumer sales. For the year ended 31 December 2017 eBay generated 43% of its revenues from the US, 15% from Germany, 14% from the UK, and 28% from other countries. As at 31 December eBay employed 14,100 people globally including 7,300 in the US. eBay had approximately 177 million active buyers as at 30 September 2018. eBay is currently trading at relatively low earnings multiples relative to other online marketplace and classifieds businesses (9.4 times forecast EBITDA and 11.7 times forecast EBIT). The company's trading multiples have declined over recent years as revenue growth has reduced. The value of transactions on the platform was flat in 2018.



APPENDIX D – VALUATION METHODOLOGY DESCRIPTIONS

Capitalisation of Earnings

Capitalisation of earnings or cash flows is most appropriate for businesses with a substantial operating history and a consistent earnings trend that is sufficiently stable to be indicative of ongoing earnings potential. This methodology is not particularly suitable for start-up businesses, businesses with an erratic earnings pattern or businesses that have unusual expenditure requirements. This methodology involves capitalising the earnings or cash flows of a business at a multiple that reflects the risks of the business and the stream of income that it generates. These multiples can be applied to a number of different earnings or cash flow measures including EBITDA, EBITA, EBIT or net profit after tax. These are referred to respectively as EBITDA multiples, EBITA multiples, EBIT multiples and price earnings multiples. Price earnings multiples are commonly used in the context of the share market. EBITDA, EBITA and EBIT multiples are more commonly used in valuing whole businesses for acquisition purposes where gearing is in the control of the acquirer.

Where an ongoing business with relatively stable and predictable earnings is being valued Grant Samuel uses capitalised earnings or operating cash flows as a primary reference point. Application of this valuation methodology involves:

- estimation of earnings or cash flow levels that a purchaser would utilise for valuation purposes having regard to historical and forecast operating results, non-recurring items of income and expenditure and known factors likely to impact on operating performance; and
- consideration of an appropriate capitalisation multiple having regard to the market rating of comparable businesses, the extent and nature of competition, the time period of earnings used, the quality of earnings, growth prospects and relative business risk.

The choice between the parameters is usually not critical and should give a similar result. All are commonly used in the valuation of industrial businesses. EBITDA can be preferable if depreciation or non-cash charges distort earnings or make comparisons between companies difficult, but care needs to be exercised to ensure that proper account is taken of factors such as the level of capital expenditure needed for the business and whether or not any amortisation costs also relate to ongoing cash costs. EBITA avoids the distortions of intangible amortisation. EBIT can better adjust for differences in relative capital intensity.

Determination of the appropriate earnings multiple is usually the most judgemental element of a valuation. Definitive or even indicative offers for a particular asset or business can provide the most reliable support for selection of an appropriate earnings multiple. In the absence of meaningful offers, it is necessary to infer the appropriate multiple from other evidence.

The primary approach used by valuers is to determine the multiple that other buyers have been prepared to pay for similar businesses in the recent past. However, each transaction will be the product of a unique combination of factors, including:

- economic factors (e.g. economic growth, inflation, interest rates) affecting the markets in which the company operates;
- strategic attractions of the business - its particular strengths and weaknesses, market position of the business, strength of competition and barriers to entry;
- rationalisation or synergy benefits available to the acquirer;
- the structural and regulatory framework;
- investment and sharemarket conditions at the time; and
- the number of competing buyers for a business.



A pattern may emerge from transactions involving similar businesses with sales typically taking place at prices corresponding to earnings multiples within a particular range. While averages or medians can be determined it is not appropriate to simply apply such measures to the business being valued. The range will generally reflect the growth prospects and risks of those businesses. Mature, low growth businesses will, in the absence of other factors, attract lower multiples than those businesses with potential for significant growth in earnings. The most important part of valuation is to evaluate the attributes of the specific business being valued and to distinguish it from its peers so as to form a judgement as to where on the spectrum it appropriately belongs.

An alternative approach in valuing businesses is to review the multiples at which shares in listed companies in the same industry sector trade on the sharemarket. This gives an indication of the price levels at which portfolio investors are prepared to invest in these businesses. Share prices reflect trades in small parcels of shares (portfolio interests) rather than whole companies and it is necessary to adjust for this factor. To convert sharemarket data to meaningful information on the valuation of companies as a whole, it is market practice to add a “premium for control” to allow for the premium which is normally paid to obtain control through a takeover offer. This premium is typically in the range 20-35%.

The premium for control paid in takeovers is observable but caution must be exercised in assessing the value of a company or business based on the market rating of comparable companies or businesses. The premium for control is an outcome of the valuation process, not a determinant of value. Premiums are paid for reasons that vary from case to case and may be substantial due to synergy or other benefits available to the acquirer. In other situations premiums may be minimal or even zero. It is inappropriate to apply an average premium of 20-35% without having regard to the circumstances of each case. In some situations there is no premium. There are transactions where no corporate buyer is prepared to pay a price in excess of the prices paid by institutional investors through an initial public offering.

Acquisitions of listed companies in different countries can be analysed for comparative purposes, but it is necessary to give consideration to differences in overall sharemarket levels and ratings between countries, economic factors (economic growth, inflation, interest rates) and market structures (competition etc.) and the regulatory framework. It is not appropriate to adjust multiples in a mechanistic way for differences in interest rates or sharemarket levels.

The analysis of comparable transactions and sharemarket prices for comparable companies will not always lead to an obvious conclusion as to which multiple or range of multiples will apply. There will often be a wide spread of multiples and the application of judgement becomes critical. Moreover, it is necessary to consider the particular attributes of the business being valued and decide whether it warrants a higher or lower multiple than the comparable companies. This assessment is essentially a judgement.

Discounted Cash Flow

Discounting of projected cash flows has a strong theoretical basis. It is the most commonly used method for valuation in a number of industries, and for the valuation of start-up projects where earnings during the first few years can be negative. DCF valuations involve calculating the net present value of projected cash flows. This methodology is able to explicitly capture the effect of a turnaround in the business, the ramp up to maturity or significant changes expected in capital expenditure patterns. The cash flows are discounted using a discount rate, which reflects the risk associated with the cash flow stream. Considerable judgement is required in estimating future cash flows and it is generally necessary to place great reliance on medium to long-term projections prepared by management. The discount rate is also not an observable number and must be inferred from other data (usually only historical). None of this data is particularly reliable so estimates of the discount rate necessarily involve a substantial element of judgment. In addition, even where cash flow forecasts are available the terminal or continuing value is usually a high proportion of value. Accordingly, the multiple used in assessing this terminal value becomes the critical determinant in the valuation (i.e. it is a “de facto” cash flow capitalisation valuation). The net present value is typically extremely sensitive to relatively small changes in underlying assumptions, few of which are capable of being predicted



with accuracy, particularly beyond the first two or three years. The arbitrary assumptions that need to be made and the width of any value range mean the results are often not meaningful or reliable. Notwithstanding these limitations, DCF valuations are commonly used and can at least play a role in providing a check on alternative methodologies, not least because explicit and relatively detailed assumptions need to be made as to the expected future performance of the business operations.

Industry Rules of Thumb

Industry rules of thumb are commonly used in some industries. These are generally used by a valuer as a “cross check” of the result determined by a capitalised earnings valuation or by discounting cash flows, but in some industries rules of thumb can be the primary basis on which buyers determine prices. Grant Samuel is not aware of any commonly used rules of thumb that would be appropriate to value Trade Me. In any event, it should be recognised that rules of thumb are usually relatively crude and prone to misinterpretation.

Realisation of Assets

Valuations based on an estimate of the aggregate proceeds from an orderly realisation of assets are commonly applied to businesses that are not going concerns. They effectively reflect liquidation values and typically attribute no value to any goodwill associated with ongoing trading. Such an approach is not appropriate in Trade Me’s case.



APPENDIX E – INTERPRETATION OF MULTIPLES

Earnings multiples are normally benchmarked against two primary sets of reference points:

- the multiples implied by the share prices of listed peer group companies; and
- the multiples implied by the prices paid in acquisitions of other companies in the same industry.

In interpreting and evaluating such data it is necessary to recognise that:

- multiples based on listed company share prices do not include a premium for control and are therefore often (but not always) less than multiples that would apply to acquisitions of controlling interests in similar companies. However, while the premium paid to obtain control in takeovers is observable (typically in the range 20-35%) it is inappropriate to simply add a premium to listed multiples. The premium for control is an outcome of the valuation process, not a determinant of value. Premiums are paid for reasons that vary from case to case and may be substantial due to synergy or other benefits available to the acquirer. In other situations premiums may be minimal or even zero. There are transactions where no corporate buyer is prepared to pay a price in excess of the prices paid by share market investors;
- acquisition multiples from comparable transactions are therefore usually seen as a better guide when valuing 100% of a business but the data tends to be less transparent and information on forecast earnings is often unavailable;
- the analysis will give a range of outcomes from which averages or medians can be determined but it is not appropriate to simply apply such measures to the company being valued. The most important part of valuation is to evaluate the attributes of the specific company being valued and to distinguish it from its peers so as to form a judgement as to where on the spectrum it belongs;
- acquisition multiples are a product of the economic and other circumstances at the time of the transaction. However, each transaction will be the product of a unique combination of factors, including:
 - economic factors (e.g. economic growth, inflation, interest rates) affecting the markets in which the company operates;
 - strategic attractions of the business – its particular strengths and weaknesses, market position of the business, strength of competition and barriers to entry;
 - the company’s own performance and growth trajectory;
 - rationalisation or synergy benefits available to the acquirer;
 - the structural and regulatory framework;
 - investment and share market conditions at the time, and
 - the number of competing buyers for a business;
- acquisitions and listed companies in different countries can be analysed for comparative purposes, but it is necessary to give consideration to differences in overall share market levels and rating between countries, economic factors (economic growth, inflation, interest rates), market structure (competition etc.) and the regulatory framework. It is not appropriate to adjust multiples in a mechanistic way for differences in interest rates or share market levels;
- acquisition multiples are based on the target’s earnings but the price paid normally reflects the fact that there were cost reduction opportunities or synergies available to the acquirer (at least if the acquirer is a “trade buyer” with existing businesses in the same or a related industry). If the target’s earnings were adjusted for these cost reductions and/or synergies the effective multiple paid by the acquirer would be lower than that calculated on the target’s earnings;



- while EBITDA multiples are commonly used benchmarks they are an incomplete measure of cash flow. The appropriate multiple is affected by, among other things, the level of capital expenditure (and working capital investment) relative to EBITDA. In this respect:
 - EBIT multiples can in some circumstances be a better guide because (assuming depreciation is a reasonable proxy for capital expenditure) they effectively adjust for relative capital intensity and present a better approximation of free cash flow. However, capital expenditure is lumpy and depreciation expense may not be a reliable guide. In addition, there can be differences between companies in the basis of calculation of depreciation; and
 - businesses that generate higher EBITDA margins than their peer group companies will, all other things being equal, warrant higher EBITDA multiples because free cash flow will, in relative terms, be higher as capital expenditure.

ANNEXURE B:

Scheme Plan

SCHEME OF ARRANGEMENT PURSUANT TO PART 15 OF THE COMPANIES ACT 1993

PARTIES

TRADE ME GROUP LIMITED (“**Trade Me**”)

TITAN ACQUISITION CO NEW ZEALAND LIMITED
 (“**Titan**”)

Each person who is registered in the Register as the holder of one or more Scheme Shares as at the Record Date (together the “**Scheme Shareholders**”)

1. DEFINITIONS AND INTERPRETATION

1.1 DEFINITIONS: In this Scheme Plan, unless the context otherwise requires:

“**ASX**” means ASX Limited or Australian Securities Exchange, as the context requires;

“**Business Day**” means a day other than a Saturday, Sunday or statutory public holiday

in Auckland or Wellington, New Zealand and excludes any day NZX is not open for trading;

“**Companies Act**” means the Companies Act 1993;

“**Conditions**” means:

- (i) the conditions precedent set out in the first column of the table in clause 3.1 of the Scheme Implementation Agreement; and
- (ii) such other conditions made or required by the Court under section 236(1) of the Companies Act and approved in writing by Trade Me and Titan in accordance with clause 3.2 of the Scheme Implementation Agreement;

“**Court**” means the High Court of New Zealand;

“**Deed Poll**” means the deed poll entered into by Titan in favour of the Scheme Shareholders dated 4 March 2019;

“End Date” means 12 July 2019 or such later date as Titan and Trade Me agree in writing;

“Final Court Orders” means orders of the Court that the Scheme shall be given effect, which shall be binding on Trade Me, Titan, Scheme Shareholders and such other persons or classes of persons as the Court may specify in accordance with section 236(1) (and section 237, if applicable) of the Companies Act;

“Final Orders Date” means the date on which the Final Court Orders are sealed;

“Government Authority” means any government, any department, officer or minister of any government and any governmental, semi-governmental, administrative, fiscal, judicial or quasi-judicial agency, authority, board, commission, tribunal or entity in any jurisdiction, and includes (for the avoidance of doubt) the Overseas Investment Office, the Takeovers Panel and the Financial Markets Authority;

“Implementation Date” means the day on which the Scheme is to be implemented, being the date two Business Days after the Record Date, or such other date as Titan and Trade Me agree in writing;

“Link Market Services” means Link Market Services Limited;

“NZX” means NZX Limited;

“Record Date” means 7.00 pm on the date which is two Business Days after the Trading Halt Date;

“Register” means the register of Shares maintained by Link Market Services on behalf of Trade Me;

“Registered Address” means, in relation to a Shareholder, the address shown in the Register as at the Record Date;

“Scheme” means this scheme of arrangement, subject to any alterations or conditions made or required by the Court under Part 15 of the Companies Act and approved by Titan and Trade Me in writing;

“Scheme Booklet” means the notice of meeting (including proxy form) and scheme booklet dated 13 March 2019 prepared by Trade Me in relation to the Scheme;

“Scheme Consideration” means **NZ\$6.45** cash in respect of each Scheme Share held by a

Scheme Shareholder as adjusted in accordance with the Scheme Implementation Agreement;

“Scheme Implementation Agreement” means the scheme implementation agreement dated 12 December 2018 between Titan and Trade Me;

“Scheme Meeting” means the special meeting of Shareholders ordered by the Court to be convened pursuant to section 236(2)(b) and 236A(2) of the Companies Act in respect of the Scheme (and includes any adjournment of that meeting);

“Scheme Shareholder” means a person who is registered in the Register as the holder of one or more Scheme Shares as at the Record Date;

“Scheme Shares” means all of the Shares on issue at the Record Date;

“Share” means a fully paid ordinary share in the capital of Trade Me;

“Shareholder” means a person who is registered in the Register as the holder of one or more Shares from time to time;

“Takeovers Code” means the takeovers code approved in the Takeovers Code Approval Order 2000 (SR 2000/210) as amended, including by any applicable exemption granted by the Takeovers Panel under the Takeovers Act 1993;

“Trading Halt Date” means the later of 2 May 2019 and the date which is two Business Days after the Unconditional Date, or such other date as Titan and Trade Me agree in writing.

“Unconditional Date” means the later of:

- (a) the Final Orders Date; or
- (b) the date on which the last of the Conditions (as that term is defined in the Scheme Implementation Agreement) is satisfied or, if capable of waiver, waived in accordance with the terms of the Scheme Implementation Agreement.

1.2 INTERPRETATION: In this Scheme Plan, unless the context otherwise requires:

- (a) headings are to be ignored in construing this document;
- (b) the singular includes the plural and vice versa;
- (c) a reference to a statute or other law includes regulations and other instruments

- under it and consolidations, amendments, re-enactments or replacements of any of them (whether before or after this date of this agreement);
- (d) reference to any document includes reference to that document (and, where applicable, any of its provisions) as amended, novated, supplemented, or replaced from time to time;
 - (e) reference to a party, person or entity includes:
 - (i) an individual, partnership, firm, company, body corporate, corporation, association, trust, estate, state, government or any agency thereof, municipal or local authority and any other entity, whether incorporated or not (in each case whether or not having a separate legal personality); and
 - (ii) an employee, sub-contractor, agent, successor, assign, executor, administrator and other representative of such party, person or entity;
 - (f) **“written”** and **“in writing”** include any means of reproducing words, figures or symbols in a tangible and visible form;
 - (g) the words **“including”** or **“includes”** do not imply any limitation;
 - (h) a reference to any time is a reference to that time in New Zealand; and
 - (i) references to money are to New Zealand dollars.

1.3 BUSINESS DAY: Where the day on, or by which, any thing is to be done is not a Business Day, that thing must be done on or by the next Business Day, unless otherwise indicated.

2. CONDITIONS

2.1 The implementation of the Scheme is conditional in all respects on:

- (a) all of the Conditions having been satisfied or waived in accordance with the terms of the Scheme Implementation Agreement by 8.00 am on the Implementation Date; and
- (b) neither the Scheme Implementation Agreement nor the Deed Poll having been terminated in accordance with its terms before 8.00 am on the Implementation Date.

3. IMPLEMENTATION SEQUENCE

3.1 Subject to any amendments or variations as may be required by the Court and the conditions set out in clause 2 being satisfied or waived in accordance with the provisions of the Scheme Implementation Agreement, the following will occur on the dates specified and in the sequential order specified below:

- (a) Following the sealing of the Final Court Orders:
 - (i) Trade Me will advise NZX of the grant of the Final Court Orders and, once known, the Trading Halt Date and Record Date;
 - (ii) at the close of trading on the Trading Halt Date, trading in Shares on the NZX and ASX will be suspended; and
 - (iii) the Scheme Shareholders entitled to participate in the Scheme will be determined as those persons registered as the holders of one or more Scheme Shares on the Register on the Record Date. The Register in this form will solely determine entitlements to the Scheme Consideration.
- (b) At no later than 4.00pm on the Business Day before the Implementation Date (and subject to the Scheme Implementation Agreement not having been terminated), Titan must deposit (or procure the deposit of) an amount equal to the aggregate amount of the Scheme Consideration payable to Scheme Shareholders in immediately available cleared funds into a New Zealand denominated trust account operated by Link Market Services (and

which is in compliance with the details set out at clause 4.1 below) (the “**Link Trust Account**”).

- (c) Commencing at 9.00 am on the Implementation Date, the following steps will occur sequentially:
 - (i) without any further act or formality, all the Scheme Shares, together with all rights and entitlements attaching to them as at the Implementation Date, will be transferred to Titan, and Trade Me must enter, or procure the entry of, the name of Titan in the Register in respect of all of the Scheme Shares; and
 - (ii) subject to compliance in full with clause 3.1(c)(i), Titan must instruct Link Market Services to pay or procure the payment from Link Trust Account of the Scheme Consideration to each Scheme Shareholder based on the number of Scheme Shares held by such Scheme Shareholder as set out in the Register on the Record Date.

3.2 DEALINGS AND REGISTER:

- (a) Trade Me must not accept for registration, nor recognise for any purpose (except a transfer to Titan pursuant to this Scheme Plan), any subsequent transfer or transmission application or other request received after 7.00 pm on the Record Date, or received prior to such times but not in registrable or actionable forms.
- (b) A holder of Scheme Shares (and any person claiming through that holder) must not dispose of, or purport or agree to dispose of, any Scheme Shares or any interest in them, after close of trading on the Trading Halt Date otherwise than pursuant to this Scheme Plan, and any attempt to do so will have no effect and Trade Me and Titan shall be entitled to disregard any such disposal.
- (c) All statements of holding for Shares (other than statements of holding in favour of Titan) will cease to have effect after 7.00 pm on the Record Date as documents of title in respect of those shares and, as from that date, each entry current at that date on the Register (other than entries on the Register in respect of Titan) will cease to have effect except as evidence of

entitlement to the Scheme Consideration in respect of Shares relating to that entry.

- (d) As soon as possible on the first Business Day after the Record Date and in any event by 7.00 pm on that day, Trade Me must make available to Titan in the form Titan reasonably requires, details of the names, Registered Addresses and holdings of Shares for each Scheme Shareholder as shown in the Register on the Record Date.

4. LINK TRUST ACCOUNT AND DIRECTION

4.1 DETAILS OF LINK TRUST ACCOUNT:

- (a) Subject to clause 4.1(b), the Link Trust Account will be held and operated by Link Market Services on the basis that the funds are held on trust for Titan and to its order, such that only Titan may direct how the funds will be paid from the Link Trust Account.
- (b) Clause 4.1(a) is subject to a standing direction from Titan to Trade Me and Link Market Services to make payment of the Scheme Consideration to the Scheme Shareholders upon transfer of the Scheme Shares to Titan under clause 3.1(c)(ii).
- (c) The details of the Link Trust Account will be provided to Titan by (or on behalf of) Link Market Services not less than 3 Business Days before the Implementation Date.

- 4.2 INTEREST:** Any interest earned on the amount deposited will be payable to Titan by Link Market Services as directed by Titan (less bank fees and other third party charges relating to the account).

5. PAYMENT OF THE SCHEME CONSIDERATION

5.1 METHOD OF PAYMENT: The payment under clause 3.1(c)(ii) will be satisfied by:

- (a) where a Scheme Shareholder has, prior to the Record Date, made a valid election in accordance with Trade Me’s requirements (acting through Link Market Services) to receive payments from Trade Me by electronic funds transfer to a bank account nominated by that Scheme Shareholder, paying the relevant amount by electronic transfer in accordance with that election

- or an election made in accordance with the instructions in the Scheme Booklet (unless Link Market Services in its absolute discretion elects to make the payment in accordance with clause 5.1(b)); or
- (b) otherwise dispatching, or procuring the dispatch of, a cheque for the relevant amount to the Scheme Shareholder by prepaid post to their Registered Address (as at the Record Date), such cheque being drawn in the name of the Scheme Shareholder (or in the case of joint holders, in accordance with the procedures set out in clause 5.3).

5.2 AUSTRALIAN DOLLARS: For the purposes of clause 5.1(a), if Trade Me requires, where a Scheme Shareholder is to be paid the relevant Scheme Consideration in Australian dollars, then Trade Me may procure that the payment pursuant clause 5.1 can be made in Australian dollars, provided however that this will be a matter between Trade Me and the applicable Scheme Shareholder. Titan will satisfy its obligation by complying with clause 3.1(b).

5.3 JOINT HOLDERS: In the case of Scheme Shares held in joint names:

- (a) subject to clause 5.1, the Scheme Consideration is payable to the joint holders and any cheque required to be sent under this Scheme will be made payable to the joint holders and sent to either, at the sole discretion of Trade Me, the holder whose name appears first in the Register as at the Record Date or to the joint holders; and
- (b) any other document required to be sent under this Scheme Plan, will be forwarded to either, at the sole discretion of Trade Me, the holder whose name appears first in the Register as at the Record Date or to the joint holders.

5.4 SURPLUS IN LINK TRUST ACCOUNT: To the extent that, following satisfaction of the obligations under clause 3.1(c)(ii), there is a surplus in the Link Trust Account that surplus (less any amount retained under clause 5.6(b)) shall be paid to Titan.

5.5 UNCLAIMED MONIES:

- (a) Titan may cancel a cheque issued under clause 5.1(b) if the cheque is returned to Trade Me or has not been presented for payment within one year after the Implementation Date.
- (b) During the period of one year commencing on the Implementation Date, on request in writing from a Scheme Shareholder to Trade Me, Trade Me must reissue, or procure the reissue of, a cheque that was previously cancelled under clause 5.5(a).

5.6 ORDERS OF A COURT OR GOVERNMENT

AUTHORITY: Notwithstanding any other provision of this Scheme Plan, if written notice is given to Trade Me on or prior to the Record Date of an order or direction made by a court of competent jurisdiction or a Government Authority that:

- (a) requires consideration to be provided to a third party in respect of Scheme Shares held by a particular Scheme Shareholder, which would otherwise be payable to that Scheme Shareholder in accordance with clause 3.1(c)(ii), Trade Me will be entitled to procure that provision of that consideration is made in accordance with that order or direction; or
- (b) prevents the consideration from being provided to any particular Scheme Shareholder in accordance with clause 3.1(c)(ii), or the payment of such consideration is otherwise prohibited by applicable law, the payment (equal to the number of Scheme Shares held by that Scheme Shareholder multiplied by the Scheme Consideration) will be retained in the Link Trust Account until such time as provision of the consideration to the Scheme Shareholder in accordance with clause 3.1(c)(ii) is permitted by that order or direction or otherwise by law. Any amount so retained under this clause 5.6(b) may be held by Trade Me or any of Trade Me's related companies, provided that Titan procures that such company complies with the obligations under this clause to pay such consideration to any applicable Scheme Shareholders,

and such provision or retention (as the case may be) will constitute the full discharge of Titan's

and Trade Me's obligations under clause 3.1(c)(ii) with respect to the amount so provided or retained.

6. GENERAL PROVISIONS

6.1 TITLE TO AND RIGHTS IN SCHEME SHARES:

- (a) To the extent permitted by law, the Scheme Shares (including all rights and entitlements attaching to the Scheme Shares) transferred under this Scheme Plan to Titan will, at the time of transfer to Titan, vest in Titan free from all mortgages, charges, liens, encumbrances, pledges, security interest (including any "security interests" within the meaning of section 17(1)(a) of the Personal Property Securities Act 1999) and interests of third parties of any kind, whether legal or otherwise, and free from any restrictions on transfer of any kind).
- (b) Each Scheme Shareholder is taken to have warranted to Titan on the Implementation Date that all their Scheme Shares (including any rights and entitlements attaching to those shares) which are transferred under this Scheme Plan will, at the time of transfer, be fully paid and free from all mortgages, charges, liens, encumbrances, pledges, security interests (including any 'security interests' within the meaning of section 17(1)(a) of the Personal Property Securities Act 1999) and interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind, and that they have full power and capacity to transfer their Shares to Titan together with any rights and entitlements attaching to those shares.

6.2 AUTHORITY GIVEN TO TRADE ME: Each Scheme Shareholder, without the need for any further act:

- (a) on the Final Orders Date, irrevocably appoints Trade Me and each of its directors (jointly and each of them severally) as its attorney and agent for the purpose of enforcing the Deed Poll against Titan (but without limiting each Scheme Shareholder's right to itself enforce the Deed Poll); and
- (b) on the Implementation Date, irrevocably appoints Trade Me and each of its directors (jointly and each of them severally) as its attorney and agent for the purpose

of executing any document or doing or taking any other act necessary, desirable or expedient to give effect to the Scheme and the transactions contemplated by it,

and Trade Me, for itself and on behalf of each of its directors, accepts each such appointment. Each such attorney and agent, may sub-delegate its actions, authorities or powers under this clause 6.2 to one or more of Trade Me's officers.

6.3 BINDING EFFECT OF SCHEME:

- (a) The Scheme binds:
 - (i) Trade Me;
 - (ii) Titan; and
 - (iii) all of the Scheme Shareholders (including those who did not attend the Scheme Meeting to vote on this Scheme, did not vote at the Scheme Meeting, or voted against this Scheme at the Scheme Meeting).
- (b) In the event of any inconsistency, this Scheme Plan overrides Trade Me's constitution.

6.4 END DATE: The Scheme must be implemented by the End Date. If the Scheme has not been implemented by the End Date, this Scheme Plan will become void and be of no further force or effect (other than any provision of the Scheme or this Scheme Plan relating to the repayment to Titan of any funds deposited in accordance with clause 2 and the interest thereon (less bank fees and other third party charges directly in connection with the account)).

6.5 NO LIABILITY WHEN ACTING IN GOOD FAITH: Each Scheme Shareholder agrees that none of the directors, officers or employees of Trade Me or Titan, will be liable for anything done or omitted to be done in the performance of the Scheme in good faith.

6.6 GOVERNING LAW: This Scheme Plan is governed by and must be construed in accordance with the laws of New Zealand. The parties submit to the exclusive jurisdiction of the courts of New Zealand in respect of all matters arising out of or relating to this Scheme Plan, its performance or subject matter. The parties irrevocably waive any objection to the venue of any legal process in these courts on the basis that the process has been brought in an inconvenient forum.

ANNEXURE C:

Deed Poll

This Deed Poll is made on 4 March 2019

BY

Titan AcquisitionCo New Zealand Limited
(NZCN 7170554, a company incorporated in New Zealand, with its registered office at Level 22, 48 Shortland Street, Auckland, New Zealand) (“Titan”)

IN FAVOUR OF

Each registered holder of ordinary shares in Trade Me Group Limited (“Trade Me”) on issue as at the Scheme Record Date.

BACKGROUND

- A. Trade Me and Titan have entered into the Scheme Implementation Agreement.
- B. Trade Me has agreed under the Scheme Implementation Agreement to propose a scheme of arrangement between Trade Me, Titan and the Scheme Shareholders, the effect of which will be that all Scheme Shares will be transferred

to Titan and Titan will provide or procure the provision of the Scheme Consideration to the Scheme Shareholders.

- C. Titan is entering into this deed poll for the purpose of covenanting in favour of the Scheme Shareholders to pay the Scheme Consideration to Scheme Shareholders in accordance with the Scheme Plan.

IT IS DECLARED:

1. DEFINITIONS AND INTERPRETATION

- 1.1 **DEFINITIONS:** In this deed poll, unless the context otherwise requires:

“Final Orders” means, on application of Trade Me, orders that the Scheme will be binding on Trade Me, Titan, Shareholders and/or such other persons or class of persons as the Court may specify, in accordance with section 236(1) (and section 237, if applicable) of the Companies Act;

“**Scheme Implementation Agreement**” means the Scheme Implementation Agreement entered into between Trade Me and Titan dated 12 December 2019; and

“**Scheme Plan**” means the scheme plan attached as Schedule 5 to the Scheme Implementation Agreement, subject to any alterations or conditions approved by Titan and Trade Me in writing and which are disclosed to the Court prior to the Court making the Final Orders,

and words defined in the Scheme Plan which are not separately defined in this deed poll have the same meaning when used in this deed poll.

1.2 INTERPRETATION: Clause 1.2 of the Scheme Implementation Agreement applies to the interpretation of this deed poll, except that references to “this agreement” are to be read as references to “this deed poll”.

1.3 NATURE OF DEED POLL: Titan acknowledges that:

- (a) this deed poll is intended to confer a benefit upon, and therefore be relied upon and enforced by, any Scheme Shareholder in accordance with its terms under part 2 of the Contract and Commercial Law Act 2017 (but not otherwise) even though the Scheme Shareholders are not party to it; and
- (b) under the Scheme Plan, each Scheme Shareholder irrevocably appoints Trade Me and each of its directors and officers (jointly and each of them severally) as its agent and attorney to enforce this deed poll against Titan on the date prescribed for such appointment in connection with the Scheme (but without limiting each Scheme Shareholder’s right to itself enforce this deed poll).

Notwithstanding the foregoing, this deed poll may be varied in accordance with clause 7.3 without the approval of any Scheme Shareholder.

2. CONDITIONS TO OBLIGATIONS

2.1 CONDITIONS: This deed poll, and the obligations of Titan under this deed poll, are conditional in all respects on the Scheme becoming Effective.

2.2 TERMINATION: The obligations of Titan under this deed poll to the Scheme Shareholders will automatically terminate, and the terms of this deed poll will be of no force or effect, if:

- (a) the Scheme Implementation Agreement is terminated in accordance with its terms before the Scheme becomes Effective; or
- (b) the Scheme is not Effective on or before the End Date,

unless Titan and Trade Me otherwise agree in writing.

2.3 CONSEQUENCES OF TERMINATION: If this deed poll terminates under clause 2.2 then Titan is released from its obligations to further perform this deed poll.

3. SCHEME CONSIDERATION

3.1 Subject to clause 2, Titan:

- (a) undertakes in favour of each Scheme Shareholder to deposit, or procure the deposit of, in immediately available cleared funds, by no later than 4.00pm on the Business Day before the Implementation Date, an amount equal to the aggregate amount of the Scheme Consideration payable to all Scheme Shareholders as set out in the Scheme Plan, such deposit to be made into a New Zealand dollar denominated trust account operated by Link Market Services Limited to be held and dealt with in accordance with the Scheme Plan; and
- (b) irrevocably acknowledges and agrees that, subject to compliance in full with clause 3.1(c)(i) of the Scheme Plan, the Scheme Consideration deposited into the trust accounts referred to in clause 3.1(a) above must be applied to the Scheme Shareholders in satisfaction of their respective entitlements to receive Scheme Consideration under the Scheme in accordance with the Scheme Plan.

4. WARRANTIES

4.1 Titan represents and warrants in favour of each Scheme Shareholder that:

- (a) **Validly existing:** it is a company validly existing under the laws of New Zealand;
- (b) **Corporate power:** it has the corporate power to enter into and perform its obligations under this deed poll and to carry out the transactions contemplated by this deed poll;
- (c) **Corporate action:** it has taken all necessary corporate action to authorise its entry into this deed poll and has taken or will take all necessary corporate action to authorise the performance of this deed poll and to carry out the transactions contemplated by this deed poll;
- (d) **Deed Poll valid:** this deed poll is valid and binding on it and enforceable against it in accordance with its terms; and
- (e) **No conflict:** this deed poll does not conflict with, or result in the breach of or default under, any provision of its constitution, or any writ, order or injunction, judgment, law, rule or regulation to which it is a party or subject or by which it is bound.

5. CONTINUING OBLIGATIONS

5.1 This deed poll is irrevocable and, subject to clause 2, remains in full force and effect until:

- (a) Titan has fully performed its obligations under this deed poll; or
- (b) the earlier termination of this deed poll under clause 2.

6. NOTICES

6.1 **FORM OF NOTICE:** A notice or other communication in respect of this deed poll (“Notice”) must be in writing and may be delivered or sent by post or email to Titan as follows:

Attention: The Directors
Address: Level 22, Vero Centre, 48 Shortland Street, Auckland, New Zealand
Email: anna.buchly@bellgully.com

with a copy (which does not constitute notice) to:

Attention: Roy Mackenzie, Apax Partners
Address: 601 Lexington Avenue, 53rd Floor, New York, NY 10022
Email: Roy.Mackenzie@apax.com

Any notice or other communication sent by post must be sent by prepaid ordinary post (if the country of destination is the same as the country of origin) or by airmail (if the country of destination is not the same as the country of origin).

6.2 **WHEN NOTICE GIVEN:** Any notice or other communication is deemed to have been given:

- (a) if delivered, on the date of delivery; or
- (b) if sent by post, on the third day after it was put into the post (for post within the same country) or on the fifth day after it was put into the post (for post sent from one country to another); or
- (c) if sent by email, upon the generation of a receipt notice by the recipient’s server or, if such notice is not so generated, upon delivery to the recipient’s server,

but if the notice or other communication would otherwise be taken to be received after 5.00 pm or on a Saturday, Sunday or public holiday in the place of receipt then the notice or communication is taken to be received at 9.00 am on the next day that is not a Saturday, Sunday or public holiday in the place of receipt.

6.3 **PROOF OF SERVICE:** In proving service of a notice or other communication, it shall be sufficient to prove that delivery was made or that the envelope containing the communication was properly addressed and posted either by prepaid post or by prepaid airmail or that the email was properly addressed and transmitted as the case may be.

7. GENERAL

7.1 **GOVERNING LAW AND JURISDICTION:**

- (a) This deed poll is governed by the laws of New Zealand.
- (b) Titan irrevocably submits to the exclusive jurisdiction of courts exercising jurisdiction in New Zealand in respect of any

proceedings arising out of or in connection with this deed poll. Titan irrevocably waives any objection to the venue of any legal process in these courts on the basis that the process has been brought in an inconvenient forum.

7.2 WAIVER:

- (a) Titan may not rely on the words or conduct of any Scheme Shareholder as a waiver of any right unless the waiver is in writing and signed by the Scheme Shareholder granting the waiver.
- (b) For the purposes of this clause 7.2:
 - (i) **“conduct”** includes delay in the exercise of a right;
 - (ii) **“right”** means any right arising under or in connection with this deed poll and includes the right to rely on this clause; and
 - (iii) **“waiver”** includes an election between rights and remedies, and conduct which might otherwise give rise to an estoppel.

7.3 VARIATION:

- (a) Subject to clauses 7.3(b) and 7.3(c), this deed poll may not be varied.

- (b) Before the date on which the Final Orders are made, this deed poll may be varied by agreement in writing between Titan and Trade Me, in which event Titan and Trade Me will enter into a further deed poll in favour of the Scheme Shareholders giving effect to the variation.
- (c) If the Court orders that it is a condition of the Scheme that Titan enter into a new deed poll which has the effect of reversing any variation under clause 7.3(b), then, if Titan so agrees, Titan must promptly enter into a further deed poll in favour of the Scheme Shareholders to give effect to the reversal of that variation.

7.4 CUMULATIVE RIGHTS: The rights, powers and remedies of Titan and the Scheme Shareholders under this deed poll are cumulative and do not exclude any other rights, powers or remedies provided by law independently of this deed poll.

7.5 ASSIGNMENT: The rights and obligations of Titan and each Scheme Shareholder under this deed poll are personal. They cannot be assigned, charged or otherwise dealt with at law or in equity. Any purported dealing in contravention of this clause 7.5 is invalid

7.6 FURTHER ACTION: Titan will, at its own expense, do all things and execute all documents reasonably required to give full effect to this deed poll and the transactions contemplated by it.

EXECUTED AS A DEED POLL

SIGNED on behalf of **Titan AcquisitionCo New Zealand Limited** by:

Steven Kooyers
Director

Roy Mackenzie
Director

Directory

Directors

David Kirk (Chairman)
Katrina Johnson
Paul McCarney
Joanna Perry
Simon West

Company secretary

Sarah Hard

Registered Office

Level 5
2 Market Lane
Wellington 6011
New Zealand

Australian office

Level 5
1 Darling Island Road
Pyrmont
NSW 2009
Australia

Financial Adviser

Goldman Sachs

Solicitor

Russell McVeagh

Share Registrar

Link Market Services Limited
Level 11, Deloitte Centre
80 Queen Street
Auckland 1010
New Zealand

T: 0800 990 057 or (+64) 9 375 5998
E: enquiries@linkmarketservices.com

For other investor enquiries, please email:
investors@trademe.co.nz or visit
investors.trademe.co.nz