



**CHAIRMAN'S ADDRESS: F14 ANNUAL SHAREHOLDER MEETING**

**(David Kirk)**

**With those preliminary matters addressed, I'll make some general comments about the past year at Trade Me and what we are working on.**

Your Chief Executive Jon Macdonald will talk in more detail about the performance of the business in 2014 and the strategy and business initiatives.

Any of you that were here last year and those of you who have read the last two Annual Reports will know that Trade Me is in a period of accelerated investment. We are investing strongly in people, marketing and the development of software to improve the performance of the company.

Some of this accelerated investment is a catch-up of investment that did not occur in earlier years – this need for catch-up will come to an end - but most of it is necessary to ensure that Trade Me maintains its capacity for strong growth in the face of changing market circumstances.

The F14 full year financial numbers are consistent with accelerated investment. In 2014 revenue grew at just under 10%, and earnings grew at just 2%. In the middle, as you can see, costs grew at 26%.

The best way to analyse Trade Me's growth prospects – and to determine whether the accelerated investment program we are undertaking is likely to result in stronger growth in the future - is to look at Trade Me in three parts.

These three parts are the marketplace or General Items business, the Classified business – which is really three businesses in Jobs, Property and Motors but their economics, competitive position and growth expectations are similar so we can group them together - and the not very imaginatively named but important Other.

The General Items business is where a lot of our thinking and investment has gone in 2014. We have invested in people, largely software developers and associated product related people, as well as marketing to improve this business.

There has been no demonstrable improvement in the growth rate of the General Items business in 2014 compared to 2013 but a great deal has been done to improve the site as an e-commerce marketplace for buyers and sellers.

Jon will talk more about this but I want to assure you that the Board is confident that the work we are doing on the marketplace is making a positive difference to the experience for buyers and sellers and will result in stronger growth rates in the future.

We cannot say when this will occur. We hope in 2015 but can't be sure. We think it's unlikely that the marketplace business will get back to double digit revenue growth, but we do believe solid single digit growth at the customary high margins this business has, will be achievable.

And when we do achieve this, this will have a material influence on the growth in overall earnings of Trade Me.

The Classified business remains the most important growth business for Trade Me, and all three businesses performed well in 2014. We expect this to continue in 2015.

You may have read and heard about some disagreements we had with some parts of the real estate industry in 2014. We work very closely with real estate agents, offices and franchises and we add a great deal of value to their businesses by helping them find buyers for the properties they sell.

We know we deliver good value. By a significant margin, Trade Me Property remains the most visited property site by browsers and potential buyers. The price paid to reach the audience of potential homebuyers via Trade Me Property is very low compared to alternatives such as newspapers and very, very low on a 'per person seeing the ad' basis.

However, the changes we rolled out didn't work for everyone. We did a lot of talking and listening with real estate agency business owners about our approach and intentions. We took on board feedback that different markets are at play across the country, and that affordability from vendors and real estate businesses varies too.

We made some important changes in response to their concerns. We have now implemented a system that, we believe, and most agents tell us they believe also, works much better for everyone and provides agents with much more choice and flexibility.

We have opportunities to add to our Classifieds businesses. In late 2013 we added MotorWeb, an online business that packages and sells motor vehicle information and reports to finance companies, insurers, car dealers and the public. MotorWeb benefits from our very large audience of car buyers and sellers. It has a growing business in Australia, which we like too.

'Other', our third category of earnings, contains our Travel, dating, advertising, payments, holiday house rentals, and insurance comparison businesses. It will become an increasingly important part of the Trade Me growth story. The important thing to know about growth in the 'Other' category is that it is at least partly based on a large and enduring asset of Trade

Me: our audience, the number of people that come to our site, which remains at more than 700,000 per day.

In August last year we acquired a new business that sits in Other, an online insurance comparison website called LifeDirect. The founders of this business are very good at what they do and the combination of their smarts, established business and market knowledge with our very large audience has super-charged the business. We are confident we can continue to grow this business well together.

Holiday Houses, our holiday home accommodation rental business is in Other and that business grew well in 2014.

I want to wrap up and sit down by thanking our management team on your behalf. You have a top team running this company and we are adding new senior executives to make it even better. Jon will talk more about that when he speaks.

The team is very well led by Jon and the Board thanks him very much for all he has done for the staff, customers and shareholders of Trade Me in what has been a very demanding year.

Finally, this year saw the retirement of long-term Trade Me-er, Mike O'Donnell. Known to us all as MOD. No more floral shirts and coloured beanies and less talk of motorbike rallies around the office. We thank MOD for his wide and important contribution to Trade Me over the years and wish him well.

That's it from me. Thank you for your continued support of the company as an investor, and thanks also to Trade Me members and supporters around country.