

ASX Code: FDV

6 October 2017

Investment into leading SE Asian property agent portal

Frontier Digital Ventures Limited ("Frontier", ASX: FDV) today announces an investment into Hoppler (www.hoppler.com.ph).

Highlights

- Hoppler is an innovative online platform used by vendors, buyers and real estate agents in the Philippines to enable property transactions
- Hoppler's unique business model creates an efficient solution for agents and consumers in a highly fragmented Filipino real estate agent industry
- Its complete end-to-end platform means Hoppler is able to share up to 50% of the commission pool with partner real estate agents
- US\$0.7m cash investment in Hoppler for an initial 20.59% ownership; Frontier will increase ownership to 40.23% for US\$1.03m payable subject to revenue targets
- Founders have strong experience with top tier international online businesses and remain as key management personnel
- Investment follows Frontier's strategy of evolving its revenue mix to be closer to the transaction and partnering with local entrepreneurs
- Frontier maintains a strong balance sheet and will fund the transaction from its A\$20.1m cash balance as at 30 June 2017

Frontier's CEO and Founder, Shaun Di Gregorio said: "Hoppler has built an incredibly scalable business model that is effectively digitizing the real estate brokerage market in Manila and progressively over the broader Philippines market. Importantly, the Hoppler digital real estate agency business model has evolved organically in the Philippines due to localized issues with the existing real estate broking model. Our investment into Hoppler will allow rapid growth of their sales team and implementation of best-in-class management models to help the Hoppler entrepreneurs capitalise on their significant market opportunity."

Philippines real estate market

The existing real estate broking model in the Philippines, and some other frontier markets, have several inefficiencies compared to more developed markets. The buying and renting process is significantly hamstrung by duplicate listings, unqualified brokers, fake property listings and often the requirement for buyers to work with a multitude of decentralised real estate brokers. These issues are prevalent in other frontier markets and provide an opportunity for a market leading online

classifieds portal to form a new market through its strong branding and reputation with consumers and agents.

The Philippines real estate market is expected to grow strongly in line with its expanding economy and population of c. 101 million people. There has been a heavy focus on mixed development and residential townhouse construction around Manila and suburban areas like Quezon City, Paranaque and Las Pinas in order to meet surging domestic and foreign investment demand with the potential relaxation of foreign ownership restriction.

Hoppler's unique business model

The founders of Hoppler identified the inefficiencies in the local market and developed a network of professional brokers connected through the use of Hoppler's proprietary deal management technology, Kumita. When a potential buyer or renter applies through the Hoppler portal, the lead is passed on to one partner broker in order to provide an efficient, streamline process for the user. Hoppler improves the user experience by carefully aggregating and screening listings and real estate brokers. As a result of the optimised process, Hoppler has a 6% average close rate from online leads generated, compared to 2% for non-Hoppler leads.

Hoppler has developed a pure transactional revenue model where it can share up to 50% of the sales commission with partner brokers once a transaction completes. Hoppler currently receives an average commission of US\$2,000 for its operations around affluent areas in Manila. This business model is similar to the commission-based businesses Redfin (www.redfin.com) and Compass (www.compass.com) based in the USA.

Further details on how Hoppler works with partner brokers can be found on their partner website: www.hoppler.com.ph/partner-brokers.

Hoppler's leadership team

Hoppler was founded by Ramon Balleca, an experienced Silicon Valley entrepreneur who was previously a senior manager at Epiq Systems (NASDAQ: EPIQ) and a senior project manager for CaseCentral (subsequently acquired by Guidance Software). Ramon is the Chief Executive Officer of Hoppler and has been integral in establishing Hoppler as the premier transaction focused property portal in South East Asia.

The team of 26 employees at Hoppler is also led by Raymond Gonzalez (Chief Operating Officer) and Ronald Wenceslao (Product Manager / Head of Information Technology). Before joining Hoppler, Raymond was Senior Vice President of Sales at Sotheby's Philippines.

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Investment terms

Under the investment terms, Frontier will invest US\$1.73m into Hoppler over two tranches; US\$0.7m for an initial 20.59% ownership, and US\$1.03m within 12 months to increase ownership to 40.23% subject to revenue targets.

The tranches include:

- US\$0.7m in upfront cash consideration for primary (US\$0.4m) and vendor shares (US\$0.3m)
- US\$1.03m in cash consideration after 12 months based on achieving US\$500,000 in revenue in the previous 12 months (split US\$0.9m for primary shares and US\$0.13m for vendor shares)

Table 1: Frontier's current portfolio and key metrics

	Frontier ownership (%)	1H 2017 A\$000 Revenue (100% basis) ¹	Target markets	Target population (m)
Companies currently monetising				
Zameen	30%	5,068	Pakistan	189
Encuentra24.com	42%	3,299	Central America	23
Pakwheels	37%	643	Pakistan	189
iMyanmarhouse	43%	452	Myanmar	54
Infocasas	31%	428	Uruguay, Paraguay, Bolivia	21
AutoDeal	33%	412	Philippines	101
Hoppler	21%	376	Philippines	101
Propzy	21%	284	Vietnam	92
LankaPropertyWeb	48%	129	Sri Lanka	21
carsDB	76%	71	Myanmar	54
Pre-monetisation stage				
ToLet	39%	162	Nigeria	182
Kupatana	31%	75	Tanzania	53
Moteur	49%	71	Morocco	34
meQasa	66%	46	Ghana	28
Growing operating metrics				
Casamozambique	42%	144	Mozambique	28
Afribaba	65%	42	West Africa	61
carWangu	60%	1	DR Congo	77
TechAfrica (Angocasa/Angolacarr)	60%	0	Angola	25

1. Converted to AUD at an exchange rate of 0.753 AUDUSD

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About Frontier Digital Ventures Limited

Frontier Digital Ventures is a leading operator of online classifieds businesses in underdeveloped, emerging countries or regions. With a track record of building and supporting market leading online businesses, Frontier Digital Ventures are experts in the online classifieds space with a particular focus on property and automotive verticals and general classifieds websites. Its portfolio currently consists of 18 leading companies, operating businesses across 22 markets. With the extensive support offered to the local operating companies, coupled with their own energy and work ethic, Frontier Digital Ventures is bringing outstanding companies of global significance to their full potential and setting a new global standard of excellence in the field.

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