

Frontier Digital Ventures Ltd

A portfolio approach to growing online classifieds

Frontier Digital Ventures owns a portfolio of online classifieds companies in underdeveloped and emerging economies and regions. Headquartered in Malaysia, the company owns stakes in 12 operating companies across Asia, Africa and Central and South America, bringing management expertise to these early stage businesses. The company seeks four key outcomes from its investment strategy: delivering economies of scale, consolidate market leadership, achieve portfolio-wide profitability and focus on long term shareholder value (through proving the equity value within each of its investments as it exits). FDV listed on the ASX in August 2016 after raising \$30m at \$0.30/share. It has returned to the equity capital markets three times since listing: in 2018 FDV undertook a 1 for 10 entitlement offer at \$0.65/share to raise \$14.4m; in 2019 the company made a share placement to a US fund to raise \$5.2m at \$0.775/share and in July 2020, it finalised a strategic placement with US funds for \$6.5m at \$0.975/share, a 1.3% premium to the 15-day volume weighted average price (VWAP).

Business model

Frontier Digital Ventures has taken a portfolio approach to investing in early stage online classifieds opportunities in underdeveloped and emerging economies. The company holds stakes in 12 operating companies, 7 of which are focused on real estate, four on automobiles and one on general classifieds. The company owns from 30% to 65% of these companies. FDV reports revenues and earnings based on its economic interest but provides a look through on 100% basis to allow investors to see how the group is performing on a like for like basis against peers.

Recent company commentary

The company has reported that five of its 12 operating companies had reported positive EBITDA in Q2 despite the impact of COVID-19 which was evident in group sales declining 13% to \$27.1m on a 100% basis, and 7% down on FDV ownership basis to \$9.8m. The operating loss (EBITDA) on FDV ownership basis was \$0.33m, which was greater than the \$0.12m operating loss posted in Q1 FY20. Since June 30, FDV has secured additional funding from a \$6.5m strategic placement with US funds. Estimated cash on hand is now \$22.8m. The company noted with its H1 FY20 results that there had been clear signs of recovery in July 2020 with revenues on an FDV group ownership basis up 32% relative to the previous three months. FDV highlighted that there had been a strong recovery in direct and indirect traffic.

Consensus for expanded loss in FY20, trading below iCarAsia

We consider iCarAsia, which has developed a network of automotive marketplaces across Asia, as a close peer to FDV in terms of market capitalisation while WPP AUNZ has both wholly owned entities and associated companies within its portfolio of assets. Its market capitalisation is also at a similar level. On a total group revenue basis (ie all investee companies at 100%), FDV is trading on historic EV/Revenue of 3.6x, versus iCar Asia on 8.6x and WPP AUNZ on 0.66x. We view this as the most appropriate multiple to consider against these peers. We note that consensus forecasts (two analysts) for the company for FY20 are for revenue of \$19.8m, an EBITDA loss of \$5.2m and Net Loss of \$8.1m.

Historical earnings and ratios (in A\$m)

Year end	Group revenue ^A	Revenue	EBITDA Adj.*	NPAT Adj.*	NPAT Rep.	EPS Adj.*(c)	EPS Rep.	#EV/Group rev x	#EV/Revenue x
12/16a	15.13	2.1	(5.23)	(3.17)	(3.67)	(2.8)	(3.2)	2.2	16.0
12/17a	27.01	9.19	(5.46)	(12.23)	(13.89)	(5.6)	(6.3)	3.0	9.0
12/18a	41.73	12.63	(5.71)	(5.73)	(6.35)	(2.4)	(2.7)	1.4	4.6
12/19a	72.66	15.35	(4.13)	(1.51)	(2.39)	(0.6)	(1.0)	2.7	12.6

Source: Company data *EBITDA and NPAT adj for one-time, non-cash items ^Agroup revenue includes all investments at 100% share #Year end prices used

Online classifieds

4 September 2020

Share details

ASX Code	FDV
Share price (3-Sep)	\$1.06
Market Capitalisation	\$282.0M
Shares on issue	263.56M
Net cash post share placement	~\$22.8M
Free float	38.0%

Share performance (12 months)



Upside Case

- Leveraged to early stage, high growth online classifieds markets in emerging markets
- Portfolio approach allows greater reach
- Gaining interest and support from US funds

Downside Case

- Complicated structure minority interests
- COVID-19 has impacted operations
- Still loss-making, further capital may be required

Catalysts/upcoming events

Securing operating profitability across the portfolio

Group performance metrics beyond COVID-19

Comparable companies (Aust/NZ)

iCar Asia (ASX:ICQ), WPP AUNZ (ASX:WPP)

Top 5 shareholders

Catcha Group (Patrick Grove/Luke Elliott)	33.4%
Shaun Di Gregorio (Founder/CEO)	14.1%
Smallco Investment Management	8.3%
Barca Global Master Fund, L.P.	7.4%
Futurenow Ventures Ltd.	1.4%

Company contacts

Shaun Di Gregorio +60 17 207 6221
(CEO/Founder)
shaundig@frontierdev.com

RaaS Advisory contacts

Finola Burke +61 414 354 712
finola.burke@raasgroup.com



FINANCIAL SERVICES GUIDE

RaaS Advisory Pty Ltd

ABN 99 614 783 363

Corporate Authorised Representative, number 1248415

of

BR SECURITIES AUSTRALIA PTY LTD

ABN 92 168 734 530

AFSL 456663

Effective Date: 26th November 2018



About Us

BR Securities Australia Pty Ltd (BR) is the holder of Australian Financial Services License (“AFSL”) number 456663. RaaS Advisory Pty Ltd (RaaS) is an Authorised Representative (number 1248415) of BR.

This Financial Service Guide (FSG) is designed to assist you in deciding whether to use RaaS’s services and includes such things as

- who we are
- our services
- how we transact with you
- how we are paid, and
- complaint processes

Contact Details, BR and RaaS

BR Head Office: Level 14, 344 Queen Street, Brisbane, QLD, 4000

RaaS. 20 Halls Road Arcadia, NSW 2159

P: +61 414 354712

E: finola.burke@raasgroup.com

RaaS is the entity providing the authorised AFSL services to you as a retail or wholesale client.

What Financial Services are we authorised to provide? RaaS is authorised to

- provide general advice to retail and wholesale clients in relation to
 - Securities
- deal on behalf of retail and wholesale clients in relation to
 - Securities

The distribution of this FSG by RaaS is authorized by BR.

Our general advice service

Please note that any advice given by RaaS is general advice, as the information or advice given will not take into account your particular objectives, financial situation or needs. You should, before acting on the advice, consider the appropriateness of the advice, having regard to your objectives, financial situation and needs. If our advice relates to the acquisition, or possible acquisition, of a particular financial product you should read any relevant Prospectus, Product Disclosure Statement or like instrument. As we only provide general advice we will not be providing a Statement of Advice. We will provide you with recommendations on securities

Our dealing service

RaaS can arrange for you to invest in securities issued under a prospectus by firstly sending you the offer document and then assisting you fill out the application form if needed.

How are we paid?

RaaS earns fees for producing research reports. Sometimes these fees are from companies for producing research reports and/or a financial model. When the fee is derived from a company, this is clearly highlighted on the front page of the report and in the disclaimers and disclosures section of the report.

We may also receive a fee for our dealing service, from the company issuing the securities.

Associations and Relationships

BR, RaaS, its directors and related parties have no associations or relationships with any product issuers other than when advising retail clients to invest in managed funds when the managers of these funds may also be clients of BR. RaaS’s representatives may from time to time deal in or otherwise have a financial interest in financial products recommended to you but any material ownership will be disclosed to you when relevant advice is provided.

Complaints

If you have a complaint about our service you should contact your representative and tell them about your complaint. The representative will follow BR’s internal dispute resolution policy, which includes sending you a copy of the policy when required to. If you aren’t satisfied with an outcome, you may contact AFCA, see below. BR is a member of the Australian Financial Complaints Authority (AFCA). AFCA provide fair and independent financial services complaint resolution that is free to consumers.

Website: www.afca.org.au; Email: info@afca.org.au; Telephone: 1800931678 (free call)

In writing to: Australian Financial Complaints Authority, GPO Box 3, Melbourne, VIC, 3001.

Professional Indemnity Insurance

BR has in place Professional Indemnity Insurance which satisfies the requirements for compensation under s912B of the Corporations Act and that covers our authorized representatives.

DISCLAIMERS and DISCLOSURES

This report has been prepared and issued by RaaS Advisory Pty Ltd. This research is issued in Australia by RaaS Advisory and any access to it should be read in conjunction with the Financial Services Guide on the preceding two pages. All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable. Opinions contained in this report represent those of the principals of RaaS Advisory at the time of publication. RaaS Advisory provides this financial advice as an honest and reasonable opinion held at a point in time about an investment's risk profile and merit and the information is provided by the RaaS Advisory in good faith. The views of the adviser(s) do not necessarily reflect the views of the AFS Licensee. RaaS Advisory has no obligation to update the opinion unless RaaS Advisory is currently contracted to provide such an updated opinion. RaaS Advisory does not warrant the accuracy of any information it sources from others. All statements as to future matters are not guaranteed to be accurate and any statements as to past performance do not represent future performance. RaaS Advisory's principals, employees and associates may hold shares in companies that are covered and, if so, this will be clearly stated on the front page of each report.

Assessment of risk can be subjective. Portfolios of equity investments need to be well diversified and the risk appropriate for the investor. Equity investments in listed or unlisted companies yet to achieve a profit or with an equity value less than \$50 million should collectively be a small component of a balanced portfolio, with smaller individual investment sizes than otherwise. Investors are responsible for their own investment decisions, unless a contract stipulates otherwise. RaaS Advisory does not stand behind the capital value or performance of any investment. Subject to any terms implied by law and which cannot be excluded, RaaS Advisory shall not be liable for any errors, omissions, defects or misrepresentations in the information (including by reasons of negligence, negligent misstatement or otherwise) or for any loss or damage (whether direct or indirect) suffered by persons who use or rely on the information. If any law prohibits the exclusion of such liability, RaaS Advisory limits its liability to the re-supply of the Information, provided that such limitation is permitted by law and is fair and reasonable. Copyright 2020 RaaS Advisory Pty Ltd (A.B.N. 99 614 783 363). All rights reserved.