

Transcript for the Webinar on Search Partnership Expansion in AU/NZ – June 4, 2019

Let's get started. I am Michelle Gerzon, part of partner global center of revenue or COR as we are more commonly called at Verizon media. Today we have Paul and Huw here from our Verizon media team in Australia. Paul is managing director and HUW is our product manager with a hand in many products. They're based in Sidney and we are thankful that they've been able to join us bright and early their time tomorrow. These guys are excited about the new partnership business in the region. Without further adieu let's jump in and I will hand it off now.

Thanks Michelle. Good afternoon. A very warm welcome. From the agenda perspective, we wanted to set the scene and give you an introduction to Verizon media as our market is slightly different in the region. We want context of the advertising market in Australia new Zealand. I will hand that over for more insight and we will talk more about partners and have some Q and A.

Moving on Michelle to slide 5, next slide please, great, just in terms of context, the joint venture was surrounded in Australia in 2006 and the premise to take \$1 billion from channel 7 and media, one of the largest in Australia and a billion dollars worth of tech and content from Yahoo 7. In '06 media operated in silos. You had television, digital. As a result the joint venture was successful for around 12 years delivering tens of millions of dollars back to both shareholders. Historically in the market the business did focus on joint venture brands. The brands that we use to really dial up with the brands like seven use, seven sport, plus seven which was the number one video on demand destination in Australia for ten years. With the Yahoo to Verizon it was a time to visit JV and they took back the video content. That really was the catalyst to wind down our joint venture. Last year was very much a reset year and we focused on winding down JV and spent time and energy getting divorced in the business sense of the word. That all went as planned and we really focused on building out and launching Verizon media. So that was really successful. Interestingly we are now dialing up and launching new brands. We still attract over half of the audiences in Australia and New Zealand even though the brands have never had local investment or marketing. The opportunity now is really to dial up a lot of the consumer facing brands. A last point as Verizon is relatively new in the region, Australian market has been quick to embrace Verizon media and that's quantified in a survey we conducted. We have around 4300 respondents and Verizon media was number two digital company in Australia which is great. Up from number seven, it is great to see market confidence.

We will now move to the next slide. I thought it would be helpful to take you through the page which we affectionately call our house. The purpose is really to build brands members love. Our vision and the way that we see the future which is unique to Australia and New Zealand, we are a community of pioneers building truly valuable experiences for our members and brand partners. We've got pretty lofty aspirations. We are growing revenue, growing audiences. We want to be sure we are a top three ranked media and tech business and we are at number two, so we are pushing for number one. We want to ensure we've got really engaged people within our business. Off the back of that, there are initiatives that we are working through to deliver that, accelerating super channels is really around focusing on consumer facing brands. We've got around 70 journalists to create local content and lots of product people and we leverage the content. We focus on driving revenue through our advertising business and that's primarily video and display and we are focusing really on diversification and growth, lots of opportunities that we didn't take as a joint venture and now we have business with Verizon Media and there is quite a lot of things we can leverage. Search is very much top of the list. In the JV, out source goal AI and that wasn't an area that we focused on. Now

we are Verizon media and are looking at building that capability. That's why we are really excited to have you on the call. Last initiative is about people, building a company and making sure we can attract and retain great people. You will hopefully feel that from a partnership perspective.

Moving to the Australian ANZ market if we can go to the next slide. A little bit about the market, might not be aware of the dynamics. It is still a market with over \$10 billion in USC. When you look at the size and shapes of revenue, you can see that the internet has a 51% market share followed by TV at 24% and then 7%. When you look to the right hand side you see the advertiser across Australia is projected to grow around 3% this year. It's still a relative market but there are winners and losers. You see that digital and internet is forging ahead around 6% followed by outdoor at 5 and radio at 1%. You see newspapers and magazines are experiencing structural shifts and as a result they're contracting respectively. That's the sort of macro view of the AU media landscape. I would like to hone in on the digital market in Australia.

If we can move to the next slide, that will be great. What we can see is Australia is the 5th largest digital market globally in terms of advertising revenue. A good size market. There are currently 21 million population online and Verizon media is roughly 50%. You see Australia has a higher digital spend per internet user compared to the UK and U.S. In Australia it is around \$296, \$277 in UK and \$269 in U.S. This rings true where we have run a number of global market campaigns. An example of one of those would be campaigns for products. What we have observed is our acquisition costs are higher than U.S. and UK. Globally the lifetime value of the customer in Australia is highest by far. I think this is really interesting in terms of when you are thinking of extending your businesses to our region that high cost on the value is key. The table on the right provides a breakdown of the Australian internet advertising expenditure, cross search display and you can see search is in red and has the largest contribution at \$2.83 billion and growing followed by video, classified, display. You can see there is a big search market there and the opportunity and why we are excited is that we can sort of access that and give you the ability to leverage or lower benefits from that. That's the view of the market in Australia. I will hand it to Huw who will dive into the search market.

Thanks, Paul. Thank you everyone for joining us. Good afternoon. I will take you through the search market in Australia and New Zealand and really understand the market size, happens in Australia and new Zealand and national regions. Next slide please. As you will see in the middle graph, this is Australia in serve market landscape. Yahoo has about 1% of market share in Australia and Google like international markets is dominant with just over 90%. You will notice there are a number of key competitors in markets. We have binge, duck duck go in market. The importance of the market in the region globally and there is heavy investment and active presence in market, shows the importance of that. We don't have stats necessary for New Zealand but it is similar and all the same competitors are in that market as well. What I will talk about shortly is just the fact that it is the lowest barrier to entry in the region along with New Zealand. I will talk you through that. As Paul said, we had a partnership in the last seven years and we are transitioning from that not only as part of the joint venture but we are moving to BI NG globally in Australia and New Zealand. It will be a big focus for us as we transition from Google to binge. What ultimately we will like to do is take market share from Google and as well. On the left and right, left demonstrating U.S. market and right demonstrating UK. They operate similar in capacity and market share. What our aspirations really are for Yahoo search, Australia and New Zealand is to grow to a similar size not only to UK which is double but to the U.S. We would like everyone to join us on that journey. Next slide please.

As you will see, Australian market size is around 4 billion in Australia and that equates to 2.9 billion U.S. dollars. It is very, very significant. Year on year we have had a growth of 8% percent. This is the four previous quarters. That's been consistent year on year for the past nine or so years and even before actually we started really recording the data. You can see that it has sustained periodic growth year on year and as other areas drop and classified previously, to maintain market size or actually continued to grow. The main drive of this is mobile search. You can integrate that within your strategies for investing in this market. Mobile is going faster than desktop which is declining which consists across Australia, New Zealand, U.S., UK, other international markets. 44% of all time spent online is spent on search. Whether that's search ads or similar activities. That's by general display and then classified ads. Yahoo has small market share, it is preparing to grow. We did encourage to join us on the journey as we invest and actually grow our market share. Next slide please.

I will delve into user activity in market, where they're looking and what's most popular and fastest growing areas within the search engine world. We have auto and vehicle. That's been consistently popular over the last five years across Australia and New Zealand. Key areas within that, caravans, RVs, accessories is a consistent area of search activity. In this market, hybrid and electric cars. In the U.S. for example that's been around for a long time. It's new to this market, especially with brands like Tesla. We have growing popularity around vehicle maintenance, doing it yourself. That's consistent with business and local listings where users are searching for local garages and similar connectivity in the space. Popular areas are trucks and SUVs which lines with the Australian landscape. This is consistent area within search engines in Australia and New Zealand for five years. The key is online purchase of cosmetics. We have face, body care, make up. We have online purchase of hair care which is similar. As I mentioned with auto and vehicles, we have local listings which is a very big area. You have things like local hairdressers, gym, fitness, yoga studios. Also a very popular growing area. We have business which I understand obviously encompasses a lot of areas. This has been a consistently popular area for five years plus in Australia. New Zealand is slightly different and it is going slightly downwards over the last 12 years. Key popular areas is business news, our local investment market, we have a lot of interest in Dow Jones and other US markets and other popular area. We have a lot of interest around advertising market and services around those, with a previous in local listings. Energy and utility online purchasing is a big growth area, transitioning from offline experience to the online and similarly comparison services around those. Finally travel is also a consistently popular area. Within that we have car rental taxi services. It is also a very popular area. We also have speciality travel. We have things like tours, weekend get-aways, etc. They seem to be very popular areas as well as emergence of online luggage, baggage, backpacks, etc. One thing to note with the popular areas is this is consistent not only with desktop but also on mobile. I know in some markets it is between different device types. The fastest growing areas, four key ones. Starting with home and garden, this is increased popularity gradually over five years across Australia and new see land. Key growth areas, within Australia and New Zealand, ownership to rental markets. Within that you have things like home improvements, DIY is a very popular area. Within that, we have our most popular like Home Depot and purchase behaviors change from offline experience going into the store to online experience. We have home furnishings, things like lighting. We have IKEA which has merged in the market in the last years. We have garden and landscapes. A lot of people search for this as well as DIY, etc. Finally we have kitchen and bathroom renovations. So areas around that is a very popular emerging area. Similarly as I mentioned previously, we have offline purchasing to online. Within the home and garden we have home appliances. We have things like fridges and brands that the popular market include DYSON and espresso. Pets and animals. This is an increase in the last years. We have had

emergence of animals in the last 18 months we had we believe has shifted purchase behavior from offline to online. We have things like pet food. Fish and aquatics is a very popular online purchase experience. Then also similar local listings, dog grooming for your animals. Food and drink is a popular area. This has increased across Australia and New Zealand. We have local listings. We have markets, restaurants, even culinary training classes as a popular area. We also have a lot of users searching for recipes and cooking instructions. This has been an area in the last 12 months. Within the last two years in the Australian market we have had emergence of online grocery shopping. This is a new trend in the last 18 months. Also health is a key area for users. This has had a gradual emergence in the last five years but more predominantly within the last six months in 2019 across Australia and New Zealand. Key growth areas are things like detoxing, dieting, cleansing. We have diet tips which align that. Also health news as you become more self conscious about health and there is self diagnosis in healthcare. Obviously we also have as within the other areas we've had local business listings for things like healthcare and nursing. Finally nutrition aligns with the diet and detoxing. We have things like calories and protein which users are interested in. There is various target within those. That goes to what the most popular areas are in Australia and New Zealand, consistent across the last five years and also the fastest growing. The predictions are that that will continue in the next 12 months for the fast growing areas.

I would like to talk on Yahoo search in Australia and New Zealand and how partners can enter the markets. We have a small team, my receive as product manager. I have experience as part of my Germania German yahoo search. Building long term road maps for this to increase performance and provide the best user experience. I will also be focused on partnerships in market. I have a wide knowledge of the Australia New Zealand search market. You can leverage my knowledge and also you can leverage Brian who is our business manager and he will be focused on local within Australia New Zealand and strengthen existing with international partners within Australia and New Zealand. We also can leverage global resources. We have the team with a wealth of knowledge regarding international search marketed for products or the team which we'll work with over the next 12 months. We have the engineering resource with building integrations. Next slide please.

We look at what search products and features will be available in the market. This is to ensure we adhere to local data and privacy laws. We are estimating around 90% that will be available in the market. Obviously from yourselves maximize production and increase market exposure for everyone involved. Next slide please.

There are a few considerations for entering Australia New Zealand market. Localization is a very important point within this. We need to ensure all campaigns and offerings are localized to ANZ market to help with approval and maximize performance. We are English speaking. However we use British English rather than U.S. English. obviously that will minimize performance. It's really important to localize campaigns when you roll these out in market. It's a very low barrier of entry in APAC. We are English speaking market within the region and also importantly 80% of the Australia New Zealand population have some form of internet connectivity. Finally it's probably most importantly, a very undiluted market. We have had very little activity within Australia New Zealand for the past five plus years. Demonstrated it's a growing market in terms of spend and that is predicted to continue across **SO WE WANT OUR PARTNERS TO JOIN US ON THIS VERY IMPORTANT JOURNEY AND RECLAIM MARKET SHARE AND WORK TOGETHER AND ACTUALLY TAKE BACK SOME OF THE MARKET. WHAT I WOULD LIKE TO DO IS TALK YOU THROUGH THE NEXT STEP, THE PARTNERS, WHOMEVER IS INTERESTED. THANK YOU.**

ALL RIGHT. THANK YOU, HUGH. SO NEXT STEP, WHAT DO PARTNERS DO NEXT? FIRST OF ALL, WE WANT TO MAKE SURE THAT OUR PARTNERS DETERMINE EXACTLY WHICH IMPLEMENTATIONS YOU WANT TO LEVERAGE IN THE REGION. AS YOU MENTIONED OUR LEGAL TEAM HAS SPOKEN ABOUT EXACTLY WHAT HAS BEEN LEGAL, AND IT'S LOOKING POSITIVE BUT MOST THINGS IN EUROPE AND THE U.S. WILL BE AVAILABLE, MOST THINGS, AND WE WILL HAVE SPECIFICS ON THAT VERY SOON, SO STAY TUNED. ONCE YOU HAVE A PLAN FOR WHAT YOU WANT TO LAUNCH, MAYBE WE CAN GET YOU SET UP WITH THE RIGHT TAGS AND DETAILS TO GET YOU LAUNCHED PROPERLY, AND KEEP AN EYE ON THE DATA ESPECIALLY IF THIS IS A NEW MARKET, AND OPTIMIZE TO GROW QUALITY TRAFFIC IN THE REGION. AND NOW WE'LL MOVE ON TO Q AND A.

IF YOU HAVE QUESTIONS THAT WERE PRESUBMITTED AHEAD OF TIME, WE'LL START WITH THOSE. MEANTIME IF YOU HAVE ANY OTHER QUESTIONS FOR THE SPEAKER TODAY, PLEASE TYPE THEM IN THE CHAT BOX TO THE BOTTOM RIGHT SIDE OF THE SCREEN AND ALL PANELISTS, AND SUBMIT THEM AND WE WILL ADDRESS THEM AS WELL. I THINK THIS FIRST QUESTION MIGHT BE FOR PAUL, PROBABLY. IT IS, ARE THERE OPPORTUNITIES OUTSIDE OF CHURCH THAT WE CAN BE INVOLVED IN, PRODUCT CONTRIBUTION, ANYTHING LIKE THAT? ABSOLUTELY IS THE ANSWER TO THAT. SO DEPENDING THE NATURE OF THE INTEREST WHETHER IT'S, YOU KNOW CONTENT, PARTNERSHIP, OR DEPENDING WHETHER IT'S THE DISPLAY, ABSOLUTELY. SO I THINK IN ORDER TO KEEP THINGS SIMPLE, PROBABLY CHANNELING IT THROUGH HUGH OR MYSELF, BUT THE GENTLEMAN RUNS IT ALL, SO THOSE ARE THE OPTIONS THAT WE CAN EXPLORE TOGETHER. ALL RIGHT. THANK YOU, PAUL. SECOND QUESTION? ANY DIFFERENCE BETWEEN AUSTRALIA AND NEW ZEALAND? LET ME TAKE YOU THROUGH. GENERALLY, THEY ARE VERY SIMILAR, AND IT'S A SIMILAR FOOTPRINT OF PARTNERS IN MARKETS, AND WITH THE COMPETITIVE MARKET AND SIMILARLY, A LOT OF BEHAVIOR THAT IS SIMILAR ACROSS AUSTRALIA AND NEW ZEALAND, POPULAR AREAS OF SEARCH AS WELL ACROSS AUSTRALIA AND NEW ZEALAND. SEMI RELATED. SO ALTHOUGH IT'S A SMALL MARKET, WE ESTIMATE TO BE MAYBE AROUND AN 8th OF THE MARKET SIZE OF AUSTRALIA. AND AS PAUL MENTIONED, AS A WHOLE, IT'S VERY HIGH WITH AUSTRALIA BEING NUMBER ONE, AND NEW ZEALAND BEING NUMBER 5 WITHIN THAT -- WITHIN USER AVERAGE. IF ANYONE HAS SPECIFIC QUESTIONS RELATED TO MARKET SIZE OR DYNAMICS, JUST LET US KNOW. WE CAN PROVIDE THE DATA AFTER THE COURSE. PERFECT. THANK YOU, GUYS. THE NEXT QUESTION MIGHT BE FOR ME, MAYBE. I HAVE GLOBAL MARKETS IN MY CONTACTS FOR MY IMPLEMENTATIONS. CAN I START SENDING TRAFFIC TO AUSTRALIA AND NEW ZEALAND NOW? THE ANSWER IS IT'S A BRAND NEW MARKET THAT WE ARE STILL SETTING UP. DO REACH OUT TO MANAGEMENT BEFORE DOING THAT. PLEASE MAKE SURE THAT YOU HAVE ALL THE NECESSARY RIGHTS. LET ME JUST CHECK HERE. ALL RIGHT. I THINK THAT'S ALL THE QUESTIONS. OKAY.

SO THAT WILL CONCLUDE OUR WEBINAR. THANK YOU FOR JOINING US. IF YOU HAVE ANY ADDITIONAL QUESTIONS, METEOROLOGIST REACH OUT TO YOUR PARTNER MANAGERS. AS A REMINDER YOU WILL RECEIVE AN E-MAIL AFTER THE WEBINAR FOR A RECORDING OF THE EVENT AND A COPY OF THE SLIDES TO REVIEW AT YOUR CONVENIENCE. IF YOU WANT LIKE TO LEARN MORE, JUST GO TO OUR WEBSITE, AND THANK YOU FOR YOUR TIME IN JOINING US TODAY AND HOPE TO SEE YOU FOR OUR NEXT WEBINAR. HAVE A GREAT EVENING. THANK YOU, GUYS.

THANKS, EVERYONE.