

Adevinta – How a Classified Business Became a Trophy Asset

Company Description

Adevinta[OTCMKTS:ADEVF] operates numerous classified brands which together make up the largest European internet platform. The firm was created by the Nordic media conglomerate Schibsted, as a response to the rise of online platforms like StepStone, which had disrupted Schibsted’s original newspaper advertising business. Over time, Schibsted organically developed online-classified brands such as FINN and acquired other international leading platforms such as Infojobs.

In 2018, they spun-off their their internet platforms outside the Nordics, which created Adevinta as a public entity. Two years later, Adevinta acquired the classifieds portfolio from eBay for \$9.2bn in 2020. This turned the company into the world’s largest classifieds player, comprising leading brands such as eBay[NASDAQ:EBAY], Kleinanzeigen, leboncoin, or OLX. As Adevinta partly financed the transaction through shares, eBay became the largest shareholder of Adevinta with a 44% stake. However, under pressure from regulators, eBay had to sell c. 10% of their stake to Permira at a share price of NOK 157.

The merger promised \$150-185m in annual synergies but no plans of merging any of the brands. As a result, investors started to wonder whether this “internet-conglomerate”-structure provides any benefits. If brands continue operating separately, synergy potential remains limited and the group’s complexity reduces agility.



Deal Rationale and Structure

As this deal involved multiple parties, we must understand the motives of each of the individual players to derive why this deal unfolded.

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The main driver of the deal was eBay. The company faced numerous activist campaigns and was pressured to first sell PayPal, then its ticketing business StubHub, and finally its classifieds operations. The rationale for activist investors was to unlock value and force the company to re-focus on its core e-commerce operations.

Selling its classifieds arm to Adevinta meant taking the highest offer while also holding on to potential upside in an attractive asset. However, this thesis was tested by general downward pressure in the e-commerce market, with Adevinta's stock sliding c. 60% from the time of the transaction to July 2022.

Moreover, despite being the leading classifieds company by revenue, Adevinta traded at a discount to peers that focused on one vertical, such as Rightmove. The valuation discount was also attributable to attempts by Schibsted to sell a part of their 30% stake in the open market. The original parent of Adevinta promised investors to exit its stake in the "long term". However, when they attempted to place blocks of shares in the open market they were met with limited investor appetite and had to accept discounts. The market started pricing in further sales and thereby widened the discount to peers. As a result, eBay knew that monetizing its stake on the open market would mean accepting a 10-20% discount on the current share price.

However, selling their stake in exchange for control could result in a premium. Permira was the perfect candidate for such a transaction. In the process of raising its biggest ever fund, P8 at €16.7bn, the firm was eager to do a big deal. They knew Adevinta very well after acquiring the 12% stake and the deal team had already convinced its investment committee at a price level of NOK 157. So, anything close to the price level of NOK 100-120 shouldn't be a problem.

The valuation discount to its peers also opened up the room for a multiple expansion thesis. Combined with EBITDA margins north of 40%, steady top-line growth, and market-leading positions, it's easy to see why this asset was so attractive to Permira.

Ultimately, Permira ended up bringing Blackstone, General Atlantic, and TCV on board to announce an offer of NOK 115, a premium of 53% over the 3-month VWAP. Blackstone had previously partnered with Hellman & Friedman in the take-private of German classifieds company Scout24 and General Atlantic holds several classifieds assets such as Swiss Marketplace Group.

The offer would be financed through a new record €4.5bn private credit cheque by Blackstone, GIC, and Sixth Street. This eclipses the previous record of a \$4.8bn unitranche loan for Finastra, set by Oak Hill, Blue Owl, and HPS. The €4.5bn loan should roughly cover the acquisition of half of eBay's 33% stake plus two-thirds of Schibsted's 28% stake. The remaining 28% free float of c. €3bn is likely to be financed by equity from the consortium.

Adevinta's board did not support the offer, arguing they would create more value than the offer, but acknowledged the offer was "fair". As eBay and Schibsted publicly supported the deal, the consortium already secured over 72% of the shares outstanding.

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Classifieds Market Overview

Classified ads are types of print or online advertising that appear in a publication grouped into categories or classes, hence the name “classified”. Before the internet gained popularity, classified ads were placed in local and national newspapers, which provided inexpensive advertising space for a variety of products. Advertisements were often short because they were charged by the line or word, and they took up one newspaper column. Nowadays, classified advertising has mostly shifted online. Since online classified ads do not often employ per-line price structures, they are typically longer. They are also searchable, unlike printed information.

Northern Illinois & Southern Wisconsin

For Classified Advertising Call


(815) 877-4044
Fax: (815) 654-4857

Classifieds

Business Hours:

Mon.-Fri. 9:00 am-5 pm
For your convenience
Visa & Mastercard
are accepted



EMPLOYMENT

FOR SALE

AUTOMOTIVE

To place an ad in our **Help Wanted Section**
Call Mary Jane at
(815) 654-4850 Ext. 22

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MEADOW PARK APARTMENTS
703 Meadow Park Drive, Clinton. One bedroom apartment. Includes stove, refrigerator, all utilities, laundry room, locked lobby, parking, you pay 30% of income for rent. Equal Housing Opportunity. 608-676-4278.



To place an ad in our **Real Estate Section**
Call Mary Jane at
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Announcements

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SAWMILLS FROM ONLY \$4397.00- MAKE & SAVE MONEY with your own bandmill! Cut lumber any dimension. In stock ready to ship! **FREE Info/DVD:** www.NorwoodSawmills.com 800-567-0404 Ext.300N (CNOW)

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Sporting Goods

700+ GUNS AT Auction! Saturday Oct. 13th @ 9AM Kramer Auction-Prairie du Chien, WI Preview: Friday, Oct. 12th 2-7 PM www.KramerSales.com (608) 326-8108 (CNOW)

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FREON R12 WANTED: CERTIFIED BUYER will PICK UP and PAY CASH for R12 cylinders or cases of cans. (312) 291-9169; www.refrigerantfinders.com (CNOW)

TOP CASH PAID! FOR OLD MOTORCYCLES! 1900-1979. DEAD OR ALIVE! 920-371-0494 (CNOW)

Automobiles

'03 **FORD TAURUS** 117K, good runner, needs muffler. \$1200 OBO. 847-838-1155.

1998 **GMC YUKON** 285,000 mi., \$1,800 414-254-0906

2001 **HONDA CIVIC** 182K, new a/c, alternator & tires. \$1,100 OBO. 262-534-5777.

2008 **HYUNDAI AZERA** LTD. 170 K, 2nd owner, new tires, brakes. \$5200 OBO. 262-662-0538.

2010 **CHRYSLER 300** Black, Arizona car, exceptionally clean, like new tires, 65,500 mi. \$8,500 847-508-4365 Lm or text.

2013 **NISSAN ALTIMA SV** 129,000 mi., \$7500. Bike rack hitch, clean, 262-308-0874.

2014 **COROLLA** 76k, 36 MPG, standard, new tires, \$8000 OBO. 262-757-0707.

Automobiles Wanted

GET UP TO \$500 for your unwanted junk truck. 262-758-1807.

Boats

18FT. **LUND DEEP V** on 18 ft. Easy Loader Trailer, newer tires & bearings. Convertible top, mooring cover, all set up for Lake Michigan. Very clean. Many amenities. \$4,900. 847-922-6341.

1989 **PONTOON BOAT** 18 ft. with trailer. 40 hp. Browns Lake \$3000 OBO. 262-210-6871

2012 **Voyager** 18 Ft. Pontoon Boat Duck hunting and Bow Fishing Boat Comes with Honda 75 HP motor and trailer. Runs Great. No Problems \$13, 990 OBO 815-541-7414

BASS BOAT G3 150HP Yamaha, V-max, trolling motors & ladders, clean. Trailer & cover. \$13,500 Firm. 815-904-1729.

Campers and RVs

2004 **NOMAD 5TH WHEEL** 23 feet. Asking \$6,000. Has one slide out. 815-233-2628

2013 **KEYSTONE PASSPORT** 2300BH. Grand Touring Travel Trailer. \$14,500. Contact 815-482-7680.

Motorcycles

1982 **HONDA CB 900 CUSTOM** All original. Asking \$1,200 OBO. 262-210-4618.

2018 **RAZOR E300S** Electric Scooter. \$250 OBO 847-265-9541 or Cell # 224-419-3767 / msg or text

LINHAI PASSPORT Z SCOOTER LIKE NEW . \$475 815-968-8546

NEW KINETICTFR 150 mph per gal., great for college. \$800 224-518-6491

Sport Utilities

2015 **DODGE DURANGO LIMITED** All wheel drive, 22,000 mi., great condition, asking \$25,000 224-522-5410

Trucks & Trailers

1990 **GMC 1/2 TON 4 wheel drive**, A/C, power windows - \$1800/OBO. Call 608-921-4012

FIND YOUR NEXT VEHICLE IN THE CLASSIFIEDS

1996 **FORD F250 XLT EXTENDED CAB** 460, Auto, White, Excellent Condition, Runs Perfect, Only has two little rust spots. No body work. New Brakes, New Exhaust, Good Tires, Too Much To List. \$8700.00. 262-378-2123.

Vans, Mini Vans

2003 **FORD WINDSTAR LIMITED** 112K, leather int., good condition, too many options to list. \$1,750 OBO. 815-238-0741.

FREE

Are you selling a single item for **LESS THAN \$100?**

IF SO, WE WILL RUN YOUR AD IN THE CLINTON TOPPER AT **No Charge!**

Private Party Only
Just fill out the coupon below and drop off at one of our local drop boxes or mail to:
Rock Valley Publishing, FREE Ad,
11512 N. 2nd, Machesney Park, IL 61115
Write your ad below, One Word Per Box, be sure to include your price

Ads will not be accepted without the following information: Only one free ad per month.

YOUR NAME _____ PHONE _____
ADDRESS _____

The Online Classified Ads market, generating \$80bn in worldwide revenue in 2022, is a segment of the general advertising market, which recorded \$856bn of revenues during that year. The main product categories are: Motor,

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which accounts for approx. 15% of the total shares; Property, with a market share of 20%; and Jobs & General, which accounts for the remaining 65%.

The online classified business model can be segmented into a horizontal model and a vertical model. The former offers advertisements for a wide variety of categories in a single space. Gumtree in the UK, Kijiji in Canada, and Craigslist and Groupon in the US are some of the industry leaders in the horizontal ad market. On the other hand, the latter focuses on a specific market segment. The leaders in the vertical advertising sector are Cars.com for automotive ads, Zillow for real estate ads, and Booking.com for travel ads.

Classified advertisers can choose from multiple monetization strategies to maximize their revenues. The most common are: Featured listing: sellers are charged for listing their products. Determining whether to implement this method can be a challenging decision. Offering free listings may attract more listers, thereby enhancing the appeal of the offerings for potential searchers; Pay per ad view: sellers' fees are determined by the views they receive. It serves as a result-oriented technique and includes low risk; Pay per fee lead: sellers pay a percentage after each sale.

Role of Private Equity in the Classifieds Space

Private Equity investors have shown significant involvement in the Classified Advertising space, especially in recent years. The market presents attractive investment prospects for PE investors due to several reasons. First, digitalization has increased the top-line growth of classified advertising companies: Online advertising has seen double-digit annual revenue growth rates in emerging markets, and c. 10% were observed in more developed markets. Future predictions indicate that this trend will persist.

The pricing power wielded by many classified advertisers is a defining trait, often stemming from their near-monopolistic positions in local markets. Consider Rightmove, which holds over 80% of the UK's classified ads market in real estate. Despite market fluctuations, real estate agents perceive advertising on Rightmove as essential due to its vast reach and audience. This vast reach is because customers typically favor a single dominant platform in their local area, seeking convenience in accessing comprehensive listings. It aligns with customers' desires for streamlined searches, preferring one go-to website over several options. This dominant position allows Rightmove to dictate its pricing, capitalizing on high demand.

Additionally, classifieds companies usually have exceptionally high EBITDA margins. Compared to traditional businesses, they frequently have lower overhead costs because of their digital nature. Since more listings or users usually do not necessitate a corresponding rise in costs, revenues can grow more quickly than expenses. Furthermore, the elevated profits stem from minimal investment requirements, as the service is primarily web-based and has seen little change over the past two decades. Finally, these high earnings are a result of substantial pricing power attributed to the monopolistic characteristics that we previously examined. Consider Rightmove, which incurred only \$2m in CAPEX, yet yielded a Net Income of \$197m and has an impressive 80% EBITDA margin.

Hellman & Friedman, a US-based private equity firm with \$80bn AUM, is one of the most active players in the market. In December 2019, the company acquired AutoScout24, the largest digital car marketplace in Europe, in a \$6.4bn deal working with Blackstone. Over 10 million people used AutoScout24 each month, with 2.5 million cars listed and 45,000 car dealers as clients at that date. Another significant player is General Atlantic, an American growth equity firm with \$70bn AUM, that has made various investments in the Digital classified sector. Notably, GA, in collaboration with TX Group AG, Ringier AG, and la Mobilière, invested in SMG Swiss Marketplace, which was established by the merger between Scout24 and TX Markets in November 2021. Finally, KKR is an active player in this industry. In 2019 KKR became the biggest shareholder of German media group Axel Springer,

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paying \$3.2bn for a 44% stake. Along with Axel Spring, KKR made significant investments in classified spaces. One such platform is Stepstone, a German business that serves the job classified ads sector.

Advisors

The consortium was advised by ABG Sundal Collier and Goldman Sachs. eBay was advised by LionTree and Adevinta was advised by Citi and J.P. Morgan.

Conclusion

The take-private of Adevinta is likely to be Europe's largest leveraged buy-out in 2023 and marks the largest private credit cheque ever. The deal allows majority shareholders eBay and Schibsted to monetize their stakes at a premium to the market price and leaves the consortium led by Permira with the chance to restructure the business to sell it at a multiple in line with peers in a few years.

The consortium could either be more aggressive in creating synergies across the different brands or sell assets that do not benefit from the group structure. This could result in some exciting IPO stories within the next few years, for example, mobile.de, Germany's largest car platform.

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