XING - #1 European Professional Social Network



**US Roadshow Presentation**Stefan Gross-Selbeck (CEO), Ingo Chu (CFO), Patrick Moeller (IR)
April 2011

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Executive Summary

**Agenda** 

#1 Professional Social Network in German Speaking Europe

**OB** Clear Strategy for Growth

04 Strong Economics

05 Outlook

## 1 Executive Summary



- Leading social media network among professionals in Europe's largest economy (D-A-CH)<sup>1</sup>
- Large and loyal customer base creating strong barriers to entry
- Strong top and bottom line performance
- Successful revenue diversification
- Large growth potential in core markets

① 1 Executive Summary

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#1 Professional Social Network in German Speaking Europe

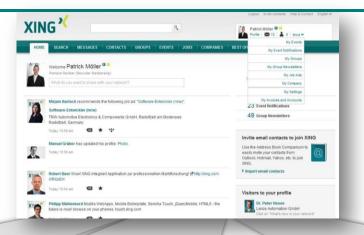
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## Why People use XING







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Ortszeit: 15:21



Efficient Tools
for Corporates

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## Our business model



### PAID MEMBERSHIP

### **VERTICALS**

- > "Freemium"
  Subscription
  model:
- > Pricing:
  3M @ €6.95 p.m.
  12M @ €5.95 p.m.
  24M @ €4.95 p.m.
- > Total of 745k payers
  16% payer ratio

Premium Member



Advertising Events E-recruiting

- > E-recruiting
  - Job ads (Fix price and click price)
  - Recruiter membership:
  - 3M @ €49.95 p.m.
  - 6M @ €39.95 p.m.
  - 12M @ €29.95 p.m.
- Advertising
  - CPM model
  - Company Profiles Standard @ €24.90 p.m.
  - Plus @ €129 p.m.
- > Events (as of Feb'11)
  - Provision to XING 5.9% of ticket price & €0.99 per ticket sold

#### **BASIC MEMBERSHIP**

- Core networking functions
- > Free of charge
- > Total:10.5m (D-A-CH: 4.5m)

### Our Core Region: German Speaking Europe (D-A-CH)





<sup>1)</sup> Source: http://en.wikipedia.org/wiki/List\_of\_countries\_by\_GDP\_%28nominal%29

<sup>2)</sup> Source: Forsa

<sup>3)</sup> Source: Wirtschaftskammer Österreich (2010); EU: Eurozone's 17 nations

## Our Competitive Strength



# XING vs. next competitor in Germany

Member base <sup>1</sup>	4	:	1
New members <sup>2</sup>	3	:	1
Activity (PI's) <sup>3</sup>	17	:	1
"I prefer the product" <sup>4</sup>	5	:	1
Brand awareness <sup>5</sup>	5	:	1
ARPU <sup>6</sup>	~13€	:	4€

#### **Outstanding Product**

- High customer satisfaction (Net promoter score of +7)
- High Customer Loyalty (90% Renewal rate)
- Unique offline-networking opportunities
- Deep local integration

#### **High Barriers to Entry**

- > Network Effects
- Every 4th business pro in major German cities is on XING
- > Tailored to local needs
- Only social network fully compliant with local privacy laws

<sup>(1)</sup> Source: XING analysis

<sup>(2)</sup> Source: XING analysis

<sup>(3)</sup> Source: Quantcast/Comscore reports (DACH) for december 2010

<sup>(4)</sup> Source: Survey among 1,600 XING users: Question:"If you could use either LinkedIn or XING, which platform would you choose?"

<sup>(5)</sup> Source: forsa study January 20110

<sup>(6)</sup> Source: XING ARPU = D-A-CH service revenues / Avg, D-A-CH member base; Competitor ARPU: US service revenues according to SEC filing in € (/1.4) / avg. US member base in 2010

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### Our Strategic Levers To Drive Growth





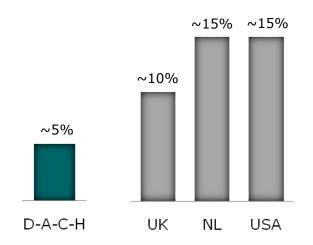
### Grow And Activate: Long Runway For Growth





## Penetration gap promises Upside

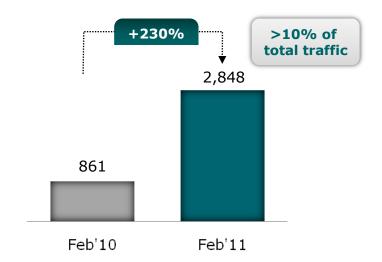
Business Networking penetration in selected countries<sup>1</sup>



- Significant Growth potential in D-A-CH
- Addressable market D-A-CH: 19m people

## Growth opportunity from mobile "revolution"

XING mobilie visits in m



- Social networks are main beneficiary of mobile revolution<sup>2</sup>
- > High willingness to pay<sup>3</sup>

<sup>&</sup>lt;sup>1</sup> Source: XING analysis

<sup>&</sup>lt;sup>2</sup> Source: Comscore MobilLens, 3mon avg. ending Dec-2010 vs. Dec 2009

<sup>&</sup>lt;sup>3</sup> Source: Onsite-Poll on TFM-network; n=5.537; Januar 2011

# 03 Conversion: Established Tactics In Place To Drive Payer Growth



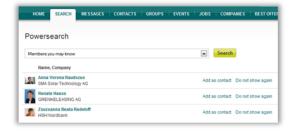


### **Why Members Pay**

- Visitors to your profile (Leads)
- Extended & pro-active usage of XING through i.e. advanced search, messages to non-contacts, references, attachments to profile
- No advertising / privacy protection

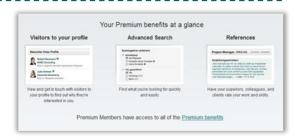
# High Payer Ratio and Strong Loyalty

- > 716k payers = 16% of members (D-A-CH)
- > >90% renewal rate



### **Growth Opportunities**

- New premium features
- New membership types
- Funnel optimization



# Develop And Build: Expanding Leadership In Social Recruiting





## Market Opportunity

- Social media is rapidly gaining traction as efficient recruiting tools for corporates
- Platforms for business professionals are unique channels to target job seekers – both active & latent

## Why XING?

- Millions of talented professionals best profile database in D-A-CH
- Attractive service offer of XING has already attracted recruiters from more than 300 companies

# **Growth Strategy**

- Increase traffic by expanding base of recruiters and further improve matching
- Double e-recruiting sales force in 2011 and implement further partnerships (i.e. Jobs.ch)



Revenues from E-Recruiting up by 61% to €7.1 million in FY 2010





## Market Opportunity

- 20% estimated growth rate expected for display advertising market for 2011
- Social networks are among the fastest growing channels for digital advertising

## Why XING?

- Detailed information on customers available for targeting
- Unique community attracts strong brands and quality advertisers

# **Growth Strategy**

- Create new ad formats
- Provide new targeting options
- Continue to concentrate advertising on basic membership



Revenues from Advertising up by 64% to €2.4 million in FY 2010







### Market **Opportunity**

- > Total addressable market for events promotion: ~€5bn
- Great opportunity for disruptive web based services offering events-management services
  - > promotion, participant registration, payment, ticketing, entrance management

### Why XING?

- Installed base of ~180k events annually generated by XING community
- Effective social media tools for event promotion

### Growth **Strategy**

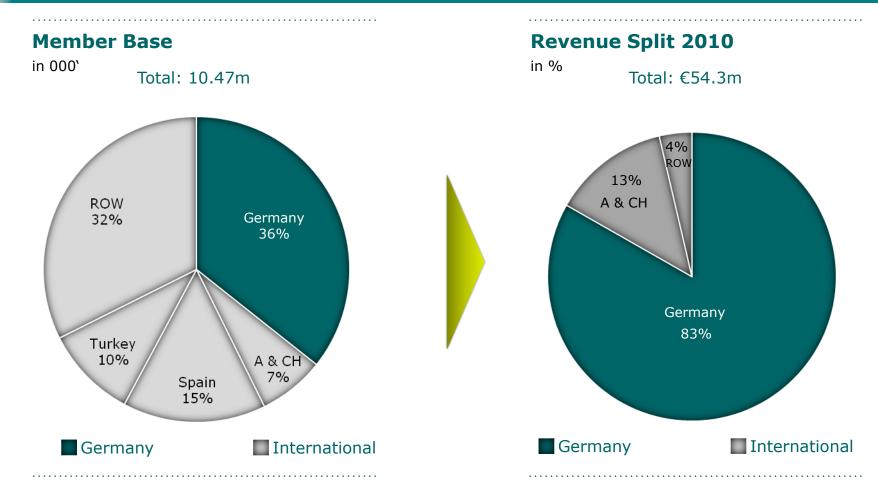
- Leverage recently acquired technology of amiando AG European leader for web based event management
- Begin to monetize >70k "paid" offline events annually



Fully integrated ticketing solution successfully launched in early 2011

## 1 International: Clear Focus







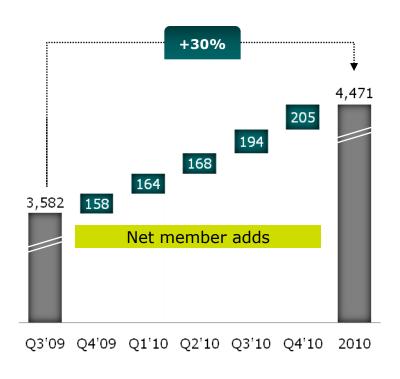
**Biggest Monetization Opportunity in German Speaking Europe** 

## **Strong Growth Momentum In 2010**



## Member Adds (D-A-CH): Accelerating Growth

in 000'



#### "Verticals": Accelerating Growth

Revenues from "verticals" (recruiting, advertising, events) in €m incl. yoy growth in %



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### **XING Has Strong Economics**



- >
- Attractive revenue growth of 20% in 2010 with further growth potential ahead
- >
- Strong profitability with EBITDA margin of >30%
- >
- Business model with strong cash-flow generation
- **>**

Low invested capital

**>** 

Plan to return €20m in excess cash to shareholders

## 04

### Revenues €54m, EBITDA €16.7m with 31% Margin



## **P&L** in €m

	2010		200	09	Δ	7
	Abs.	in %¹	Abs.	in %¹	Abs.	in %
Total Revenue <sup>2</sup>	54.3	100%	45.1	100%	+9.2	+20%
Costs	-37.6	-69%	-33.2	-74%	-4.3	-13%
EBITDA	16.7	31%	11.8	26%	+4.9	+41%
Depreciation	-5.2	-10%	-10.9	-24%	+5.7	+48%
Financial Result	0.0	0%	0.3	0%	-0.3	-97%
Taxes	-4.3	-8%	-2.9	-6%	-1.4	-48%
Net Result	7.2	13%	-1.7	-4%	+8.9	NA

<sup>(1)</sup> Of revenue

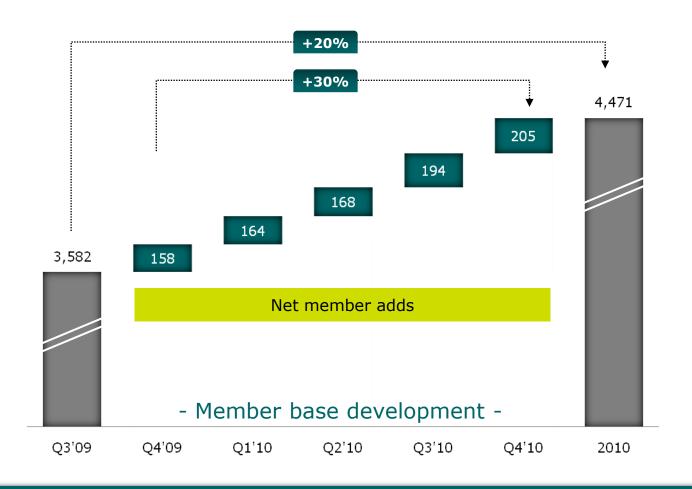


Attractive growth and strong profitability

<sup>(2)</sup> Including other operating income

# 104 Large And Growing Member Base As Basis For Future Growth





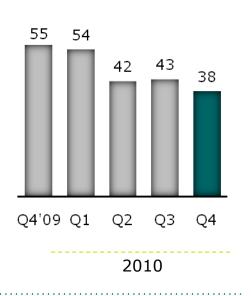


- Significant growth potential left with addressable market of 19m people
- Re-acceleration of growth achieved in 2010
- Mobile revolution additional opportunity

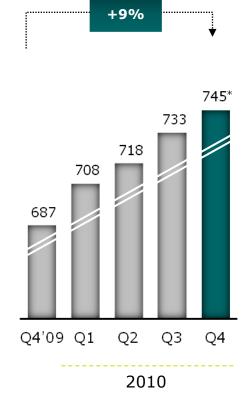
### Payer Base Continues To Grow



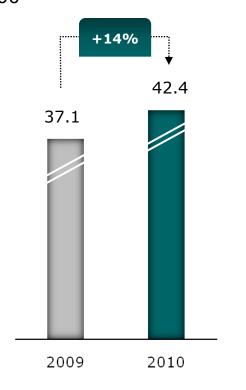
## Payer gross adds in 000'



Payer base in 000'



## "Subscription" revenues in 000"



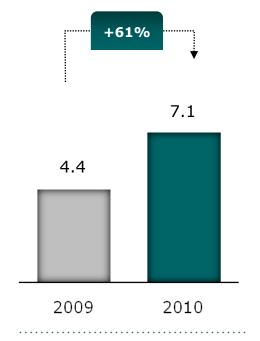


2011: Resources in place to re-accelerate payer conversion

### **Strong Growth In Vertical Business**



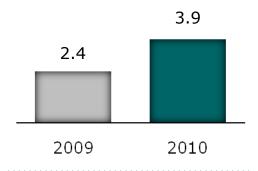




### **Advertising**

(incl. Company Profiles) in €m







2010: Strategy to invest in attractive adjacent markets is paying off

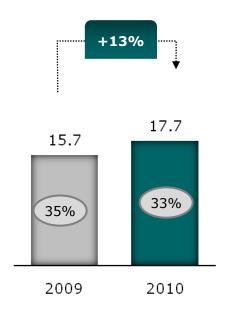
2011: Develop existing verticals and build new verticals

# Personnel Expenses Are Main Investment Area To Further Drive Company Growth



#### **Personnel**

in €m in % of total revenue

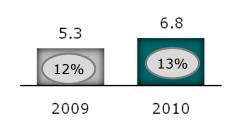


- Employees are our productive capital (Engineering, product & sales
- > 270FTE's
- Shift from one-product to multi-product company

### **Marketing**

in €m in % of total revenue



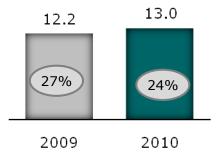


- Member acquisition & product marketing
- Display, SEM, affiliate
- Selected offline campaigns

### **Other Expenses**

in €m in % of total revenue





- External Services, Legal, audit& consulting
- Payment processing, Server hosting
- Rent & other costs

# XING Business Model With Strong Cash Flow Generation FY10 Operating Cash Flow €22m



in €m

	2010	2009	Δ
	Abs.	Abs.	Abs.
EBITDA	16.7	11.9	4.9
Interest/Tax/ESOP	-1.5	-0.6	-0.9
Net Working Capital	7.1	2.8	4.3
<b>Operating Cashflow</b>	22.3	14.1	8.3
Investment - Operating	-5.7	-6.8	1.1
Investment – Acquisitions	-1.1	-7.1	6.0
Financing incl. Share Buyback	0.6	-0.2	0.7
Other	-0.0	-0.1	0.1
Free Cash Flow	16.2	-0.1	16.2



### **Exceptionally strong FCF in 2010 due to:**

- Positive one-off (€3.5m) by improved NWC-management
- Tax cash exceptionally low due to ramp up of taxable income/phasing

### **Low Invested Capital From Shareholders' Perspective**



#### in €m

	2010
	Abs.
Assets	95.6
Operating Assets	19.3
Acquisitions / International	16.6
TAX A/R	0.6
Cash	59.0
Liabilities	95.6
Equity	61.2
Deferred Income	20.2
Liabilities	6.5
Tax Liabilities	7.7
Other	0.0

Invested Capital w/o cash	-€7.5m
Liabilities	-€6.5m
Deferred Income	-€20.2m
Operating Assets	€19.3m



Plan to return €20m of cash to shareholders

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### **Strategic**

- Expand D-A-CH leadership
- > Further develop "verticals"

### **Operational**

- Maintain net member growth rates
- Increase member activity
- Push conversion of base to premium membership

### **Financial**

- Continue to deliver profitable growth and strong operating cash flow
- Plan to return up to €20m excess cash or €3.7 per share to shareholders

## **Backup**

POWERING RELATIONSHIPS WWW.XING.COM

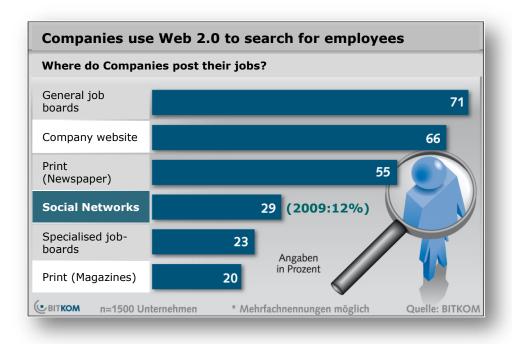
### **Verticals: E-Recruiting**



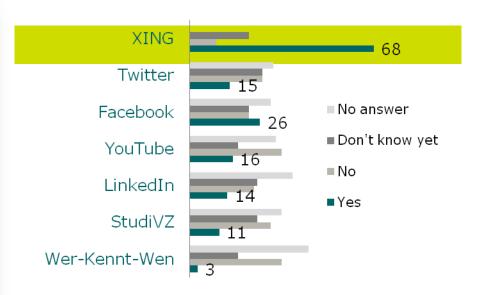


## Recruitment through social networks is growing quickly\*

In %



# What kind of social media HR services are you going to use in the future?\* In %



<sup>\*</sup> Source: BITKOM

<sup>\*</sup> Source: Social Media HR Report 2010

### **XING AG IR stats**

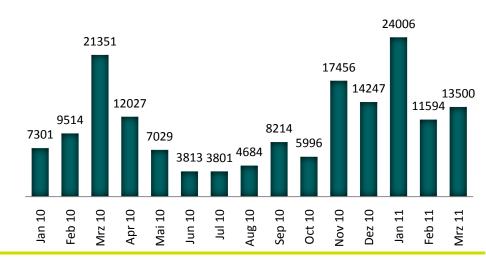
### Market cap: ~€210m / ~€60m cash / No debt

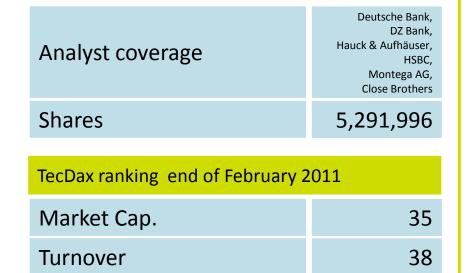


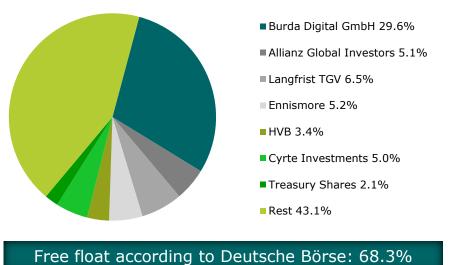
Consensus (March, 2011)

i				
	2011e	2012e	2013e	
Total revenues	64.8	74.6	87.1	
EBITDA	20.0	24.3	29.8	
Margin	31%	33%	34%	
Depreciation	-5.9	-6.6	-7.0	
EBIT	14.1	17.8	22.8	
Margin	22%	24%	26%	
Net income	9.7	12.3	16.0	
EPS in €	1.84	2.34	3.04	
Free cash flow	6.7	11.4	14.3	

Average Trading	Volume	per day	(XETRA)
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