A European foothold

Naspers has been awarded ACQ's Deal of the Year Award for its acquisition of Tradus earlier this year. Kristen Lackajis spoke to Christian Unger, CEO MIH Internet Europe, about the deal.

Tradus plc

> "Overall, I do believe that there is going to be a merge between publishing houses/media houses and pure online players, and I think that is probably the next generation and we need to look at how we can smartly convert our pure online activities together with publishing activities. Before Tradus I was doing pure online activities for around 12 years running a lot of offline activities and I think that will be the next step which will differentiate us from competitors and make us even more powerful."
>
> **Christian Unger**

"The company started life as QXL and was created 10 years ago, but the name was changed to Tradus at the end of last year as we wanted to have a neutral umbrella brand," begins Unger.

"We are an online auctioning company, so the business model is somewhat comparable to eBay. In some countries, we are a pure fixed price player, similar to Amazon in some respects, plus we have the price comparison site in some countries too. We are active in 12 Eastern European countries. In terms of size we are one of the largest e-commerce companies in Eastern Europe.

"I was CEO of Tradus while it was stock-listed in London and then I sold the company at the beginning of the year for nearly a billion pounds to Naspers, which is a South African media company. After the acquisition, I was appointed as CEO of MIH Internet Europe covering. Naspers acquired Tradus mainly because it wanted to have a foothold in Europe."

The Rationale

"The number one rationale was definitely that Naspers wanted to expand internationally and it wanted to acquire market leaders in certain countries. Tradus was able to prove to Naspers that it was the clear market leader in these countries.

"Naspers bought a foothold in Europe by acquiring Tradus. To date, Naspers did not have a huge presence in Europe, but it was dominant in South Africa. Naspers holds a stake in the leading Internet portal in China, which is a very important asset. It also has activities in Asia, India and Russia. With Tradus, they are now present all over Europe and especially Eastern Europe.

"The second rationale was that Naspers wanted to buy a strong management team as well, because when you buy a company with a multiple of around 45x EBITDA you buy the future, and the next 5 to 10 years' performance.

"Naspers bought a strong management team that is an expert in online media and also an expert in the offline and global media dimensions, so over the next 5 to 10 years we can expect to see high growth of Tradus together with Naspers.

The Competitive Edge

"What sets us apart from the rest is our position in the market. In all the 12 countries we have a presence in, we are the number one player, which means we have a market share of perhaps 70-80%, with the number two slot occupying around 20%.

"The last country where we had a strong competitor was Hungary, but we have now acquired the competitor there, so we are now able to integrate this player into our activities and become a much stronger player in that market.

"What makes us different from other players is that we have a clear orientation towards market leadership and we are only operating in countries where we are the dominant player. This is probably one of the reasons why Naspers paid such a high price – it got the guarantee that it was acquiring the market leader in all these countries. Naspers also saw, and were quite positive about the fact, that it was visible that there is no other in all these markets that could really succeed or develop into a market leader, grabbing market share from our position.

"I think the other players which are comparable to us in other countries, like eBay in the U.K., all have similar business models and their characteristics are also the same, but in our operation, we only kept the countries and the activities where we are the clear market leader.

"Overall, I do believe that there is going to be a merge between publishing houses/media houses and pure online players. I think that is probably the next generation and we need to look at how we can smartly convert our pure online activities together with publishing activities. Before I was doing pure online activities at Tradus, I was running a lot of offline activities for around 12 years and I think that will be the next step which will differentiate us from competitors and make us even more powerful."

2008 Highlights

"Before the Naspers deal we had the quarterly update with the analyst and we have acquired some new companies, for example our competitor in Hungary. We have also acquired the market leader in the Baltics so we are now market leader in Latvia and Lithuania, and we opened two more countries so we are now running an auction site in Austria and in Greece. Greece is a very emerging country when it comes to Internet and e-commerce activities. We are pursuing a very aggressive growth strategy and we are well above budget in terms

"Tradus is an online auctioning company, so the business model is somewhat comparable to Ebay. In some countries, Tradus is a pure fixed price player, so is similar to Amazon in some respects, plus we have the price comparison site in some countries too. We are active in 12 Eastern European countries. In terms of size we are one of the largest E-commerce companies in Eastern Europe."

Christian Unger

of top-line but also in terms of bottom-line. We are performing better than what we presented in December before the deal happened, so I think it looks quite good."

The Crunch

"In all honesty, we have not been affected by the crunch – first of all, in Eastern Europe where we have the most exposure, the climate is still very positive. People there have more to spend every year so we benefit from that, but also one of the major drivers for our growth is that the Internet penetration is still going up dramatically in these Eastern European countries. These two factors overcompensate some turbulence you see in the U.S. or in the big European markets.

"Also, we have many footholds in several different areas, so if one area is going down a little bit, the other area is growing. Our portfolio is building up so that we are quite robust against any economical frictions which you see at the moment on a global level."

The Future

"Moving forward, I think we will still open up two to four countries per year, as we did over the last two years. Also, due to Naspers we can get exposure and access countries where we do not have a presence, such as India and Asia which we are looking at currently. It might well be that in 12 months time we want to go into these markets. Otherwise, in terms of business, we will continue also to expand in the markets we are already in.

"In terms of growth, we are growing by above 60% per year, and I think this will also be what we see next year ."

DETAILS

Christian Unger

Christian Unger has been CEO of MIH Internet Europe B.V., the European Internet subsidiary of South African media corporation Naspers [JSE: NPN], since May 2008. Naspers is a global media company specializing in the print and electronic segments. He has been responsible for executing on Naspers' Internet acquisition strategy in Western and Eastern Europe. MIH Internet Europe's brands include the Allegro and Ricardo Groups and leading portals like mail.ru (Russia) and Gadu-Gadu (Poland) in which the company holds stakes.

Unger began his career with the German Bertelsmann concern where he gathered extensive experience in print media over a 12-year period. At the age of 28, Unger became Managing Director of two Bertelsmann Group non-fiction publishing companies, overseeing the creation and launch of the Internet portal multimedica.de (sales €8 million). Thereafter, he headed up the Marketing, Sales, Internet and Business Development units as executive board member of the France Loisirs Group (Bertelsmann France) through 2001. Unger was responsible for the successful restructuring of Belgique Loisirs (net profit 1998: €2 million, 2000: €6 million) and numerous acquisitions.

In 2002, Unger was appointed CEO of Bertelsmann China based in Shanghai, where he established five joint ventures in the cities of Shanghai, Beijing and Hong Kong employing a total workforce of 1,900. Under his leadership, Bertelsmann became one of China's leading media firms, playing a principal role in building up Gruner + Jahr Magazine Publishing, the bookstore chain 21st Company and several online platforms. While there, he worked intensively to cultivate relationships and contacts with the government, banks and prominent figures in Asian media (China, Japan and Korea).

In 2005, Unger was appointed board member of Arcandor AG as Head of Foreign Activities, and was responsible for international operations. This spanned 12 different global companies, 3,500 employees and sales of €820 million (2006), including their expansion into the Russian market. He initiated and oversaw the transformation of the enterprise from a basic mail-order organization to a multi-channel corporation with distribution through the Internet, TV shopping, catalogue sales, retail stores and an international dealer network.

In 2007, Unger became CEO of Tradus plc, London Stock Exchange listed. Tradus operates leading online auction platforms and e-commerce portals in 12 countries including Poland, the Czech Republic, Switzerland, Denmark and Norway. Unger also acquired an interest of the Russian e-commerce market leader for Tradus. Tradus' market capitalization quadrupled under Unger's leadership, a rise that culminated in its acquisition by Naspers in 2008 for roughly £950 million. **ACQ**

Christian Unger (born 1967) studied philosophy and art history at the University of Munich from 1987 to 1989, and business administration at the European Business School in Oestrich-Winkel. He is married and the father of three children. Besides German, Unger also speaks fluent French, English and Spanish, as well as basic Mandarin.

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