



# DIGITAL BRANDS THAT MATTER

November 2018

# Disclaimers

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This presentation contains, and our officers and representatives during this presentation may from time to time make, certain forward-looking statements, which statements involve substantial risks and uncertainties. All statements other than statements of historical fact contained in this presentation, including statements regarding Leaf Group's future results of operations and financial condition, business strategy, plans and objectives for future operations, are forward-looking statements. Such statements are subject to change and to a number of risks, uncertainties, and assumptions, and investors are cautioned not to place undue reliance on these statements. Actual results could differ materially from those expressed or implied, and reported results should not be considered as an indication of future performance.

Risks that contribute to the uncertain nature of the forward-looking statements include, among others, risks associated with Leaf Group's ability to successfully drive and increase traffic to its marketplaces and media properties; Leaf Group's ability to attract new and repeat customers and artists to its marketplaces and successfully grow its marketplace businesses; the impact of increasing mobile usage on Leaf Group's marketplace businesses; changes in the methodologies of internet search engines, including ongoing algorithmic changes made by Google, Bing and Yahoo!; the effects of shifting consumption of media content and online shopping from desktop to mobile devices and/or social media platforms; and the effect of management changes and business initiatives (including acquisitions), as well as other risks listed or described from time to time in Leaf Group's filings with the Securities and Exchange Commission, which are incorporated herein by reference. Except as required by law, Leaf Group undertakes no obligation to update or revise any forward-looking statements for any reason after the date of this presentation to conform these statements to actual results or to changes in Leaf Group's expectations.

## **Non-GAAP Disclosure:**

This presentation includes reference to Adjusted EBITDA and Operating Contribution, each of which is a non-GAAP measure. These non-GAAP measures are in addition to, not a substitute for or superior to, measures of financial performance prepared in accordance with GAAP. The non-GAAP measures used by Leaf Group may differ from the non-GAAP measures used by other companies. Leaf Group considers these non-GAAP financial measures to be important because they provide a useful measure of the operating performance of Leaf Group and are used by Leaf Group's management for that purpose, as discussed in greater detail in our earnings releases, which can be found on the Investor Relations section of Leaf Group's corporate website at <http://ir.leafgroup.com>. In addition, a reconciliation of non-GAAP measures to the most directly comparable GAAP measures is available in the Appendix to this presentation.

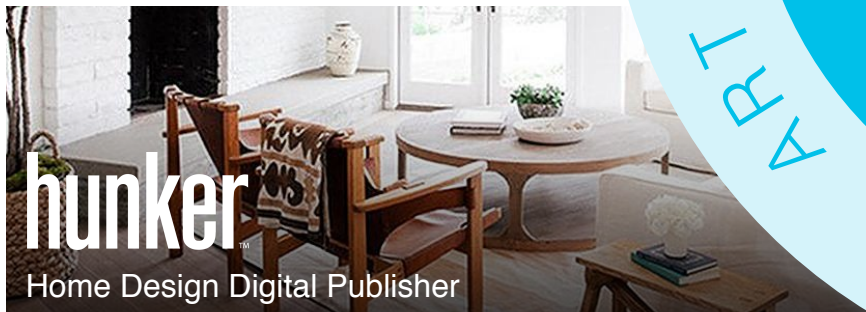
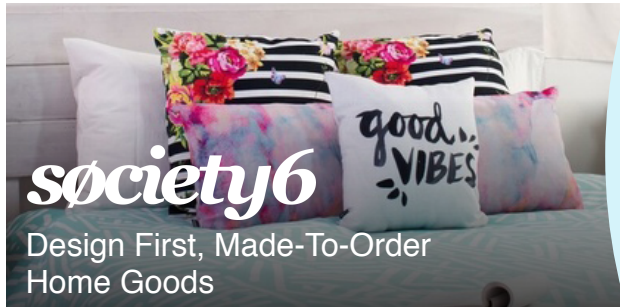


As large markets continue to move online ...

**brands** increasingly matter



# Building Digital First Brands in Rapidly Growing Lifestyle Categories



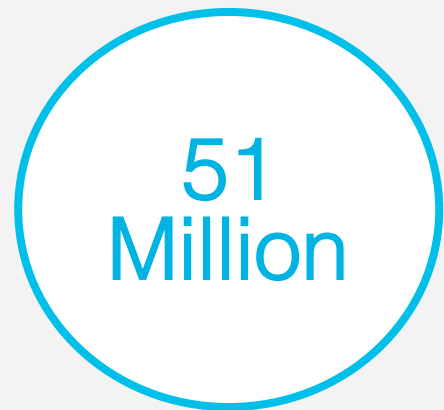


# Established Platform reaching one-fifth of US Internet Population



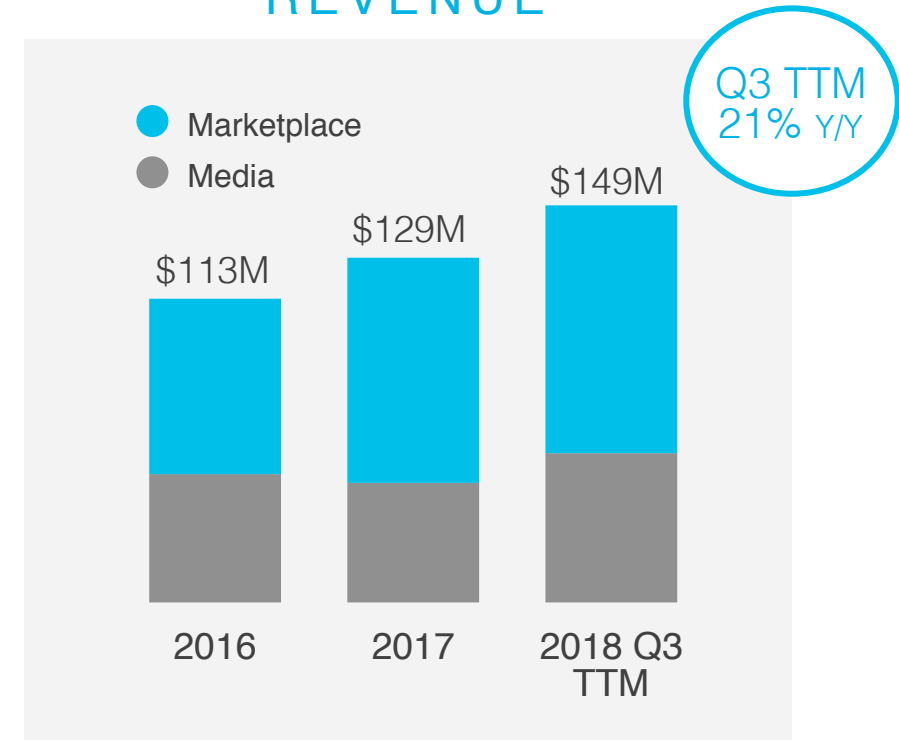
## AUDIENCE<sup>(1)</sup>

Leaf Group Unique Monthly US Visitors



Total US Internet 257M

## REVENUE



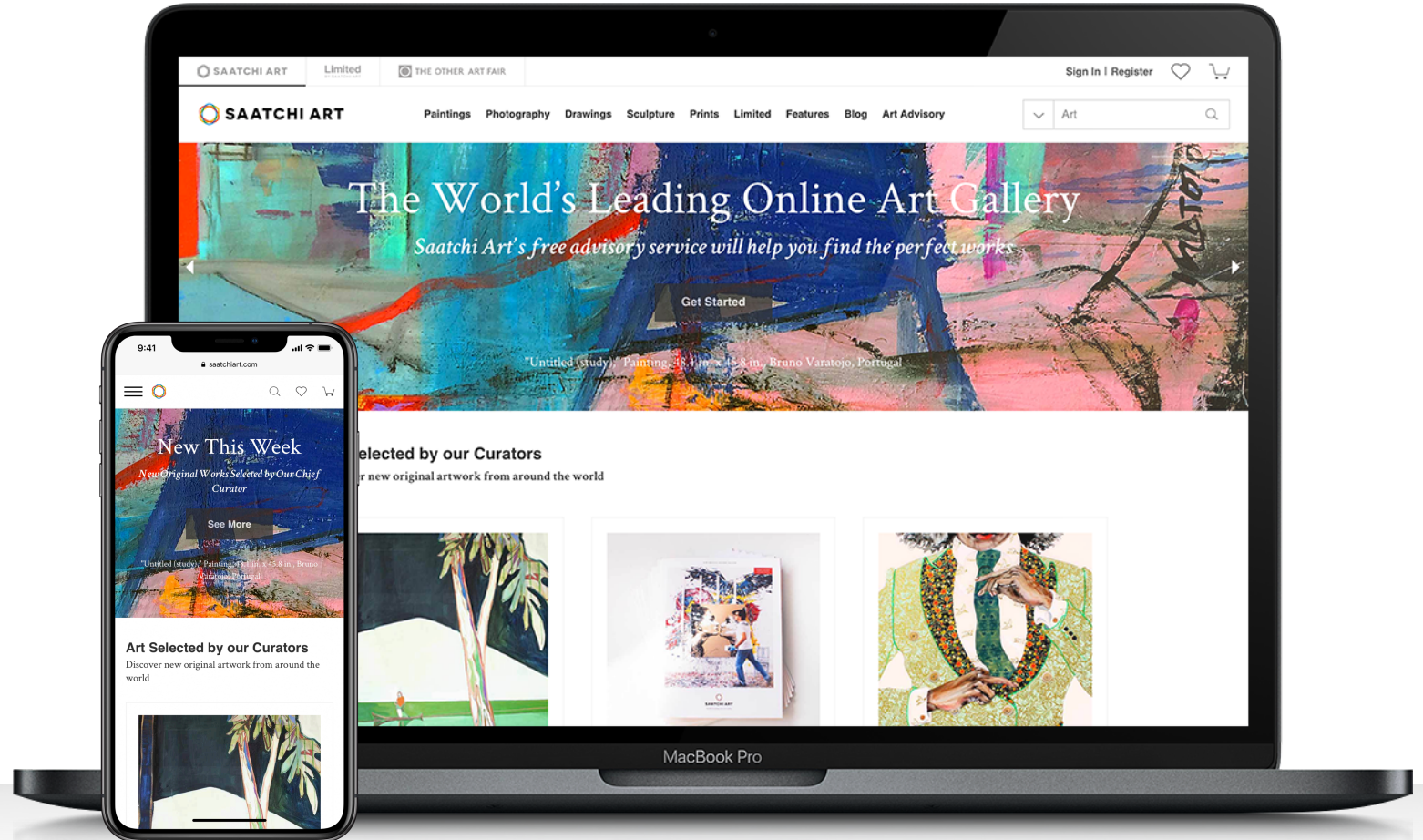
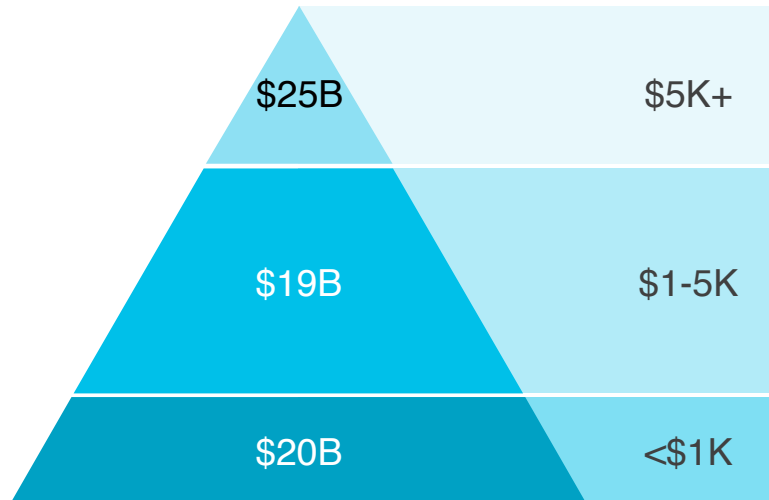
Consistent performance with significant room for long term growth



**\$64B**  
GLOBAL  
ART MARKET

**\$5B**  
ONLINE

## PRICE



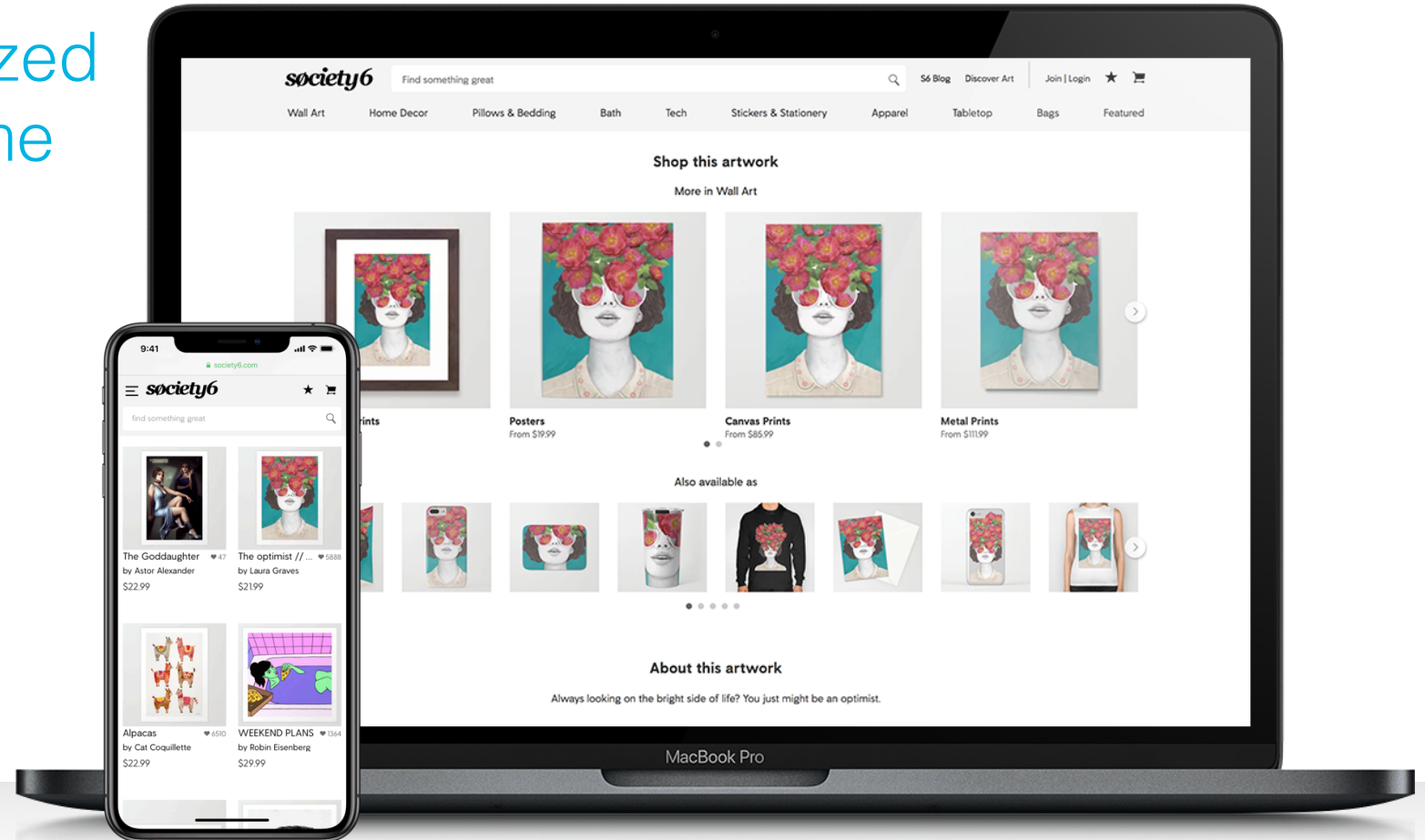
“For me as an artist working together with Saatchi Art and their curatorial team is one of the highlights of my artistic career. I am very glad that I could sell quite a lot of work with Saatchi.”

– MANUELA KARIN KNAUT, ARTIST



## Creative and Personalized Experience for the Home

1. Design First Shopping
2. Made to Order
3. Every Purchase Pays an Artist



“I love that you have such a great selection of items to customize. I love that the artist receives a payment when I use their work. I love the quality of your products and all the talented artists.”

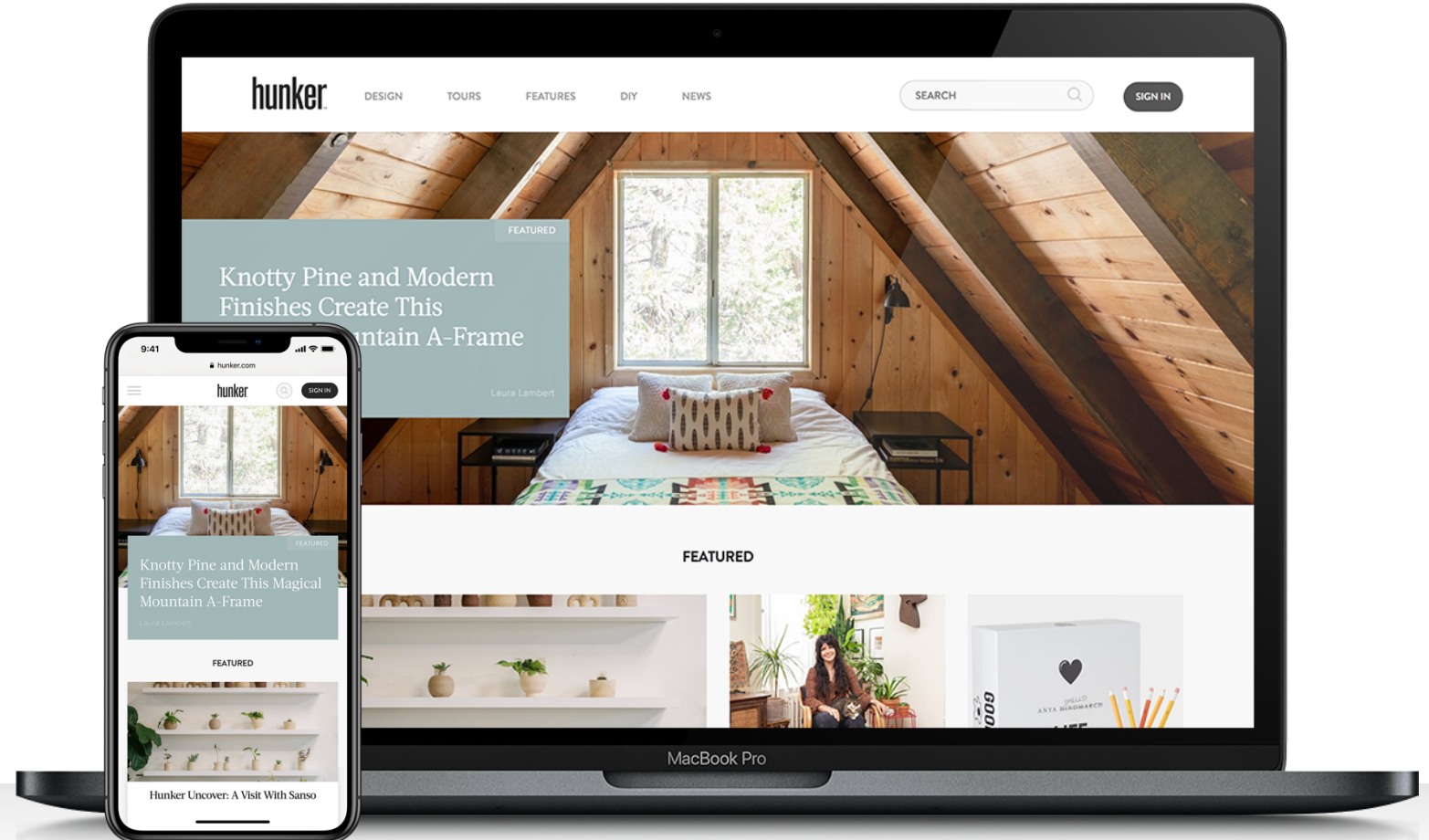
– RENEE LENON, CUSTOMER





## Home Design Digital Publisher

- Launched in-house March 2017
- 9M monthly unique visitors<sup>(1)</sup>
- 3<sup>rd</sup> largest individual home site<sup>(1)</sup>
- Highly engaged audience



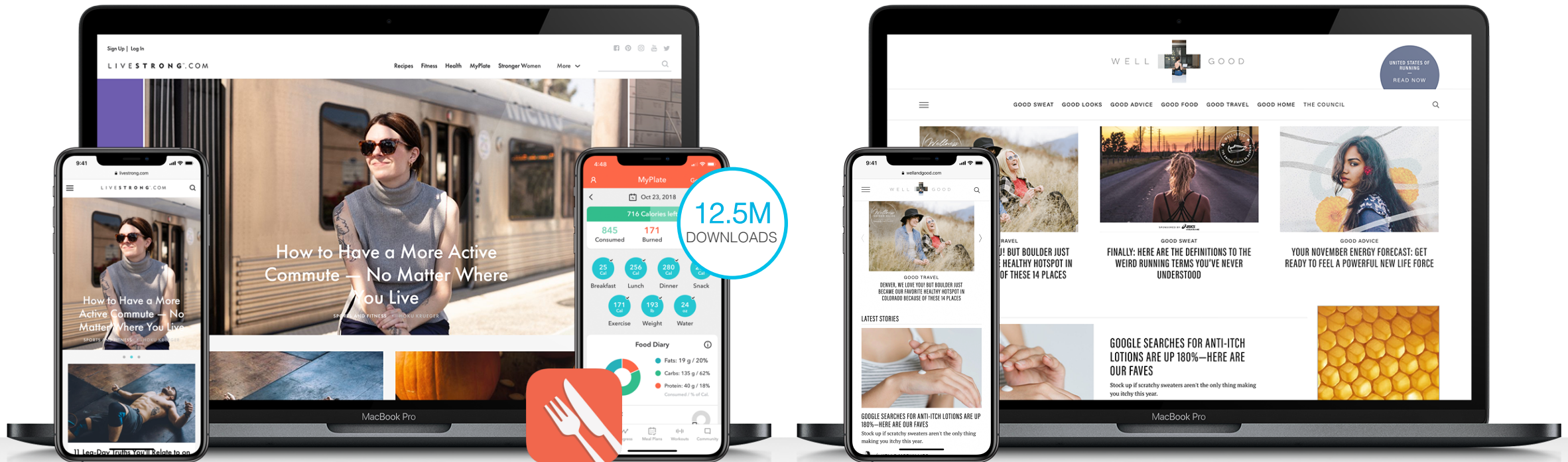
Hunker helps first-timers improve their homes – with inspiring home tours, practical solutions, and design advice for real people.

# Leading Fitness and Wellness Brands



L I V E S T R O N G <sup>SM</sup> . C O M

W E L L + G O O D



With 25M unique monthly visitors,<sup>1)</sup> our fitness and wellness brands are category leaders and a must-buy for advertisers

1) ComScore September 2018, not de-duped



# Growth Strategy


20%  
per year growth

- Diverse portfolio of Digital First Brands
- Category leadership built on product and service quality
- Platform for strong organic growth and strategic M&A



# Proven, Multi-Brand Growth Model



	LVMH	IAC	leaf GROUP
EXAMPLE BRANDS	   SEPHORA MARC JACOBS	   match.com   	     LIVESTRONG.COM
LIFESTYLE CATEGORIES	Fashion and Goods, Wine and Spirits, Cosmetics and Perfume	Dating, Publishing, Home Services, Information Services	Art and Design, Fitness and Wellness

Customer understanding and scale can drive a diversified group of brands

# Yearly and Quarterly Strong and Consistent Growth



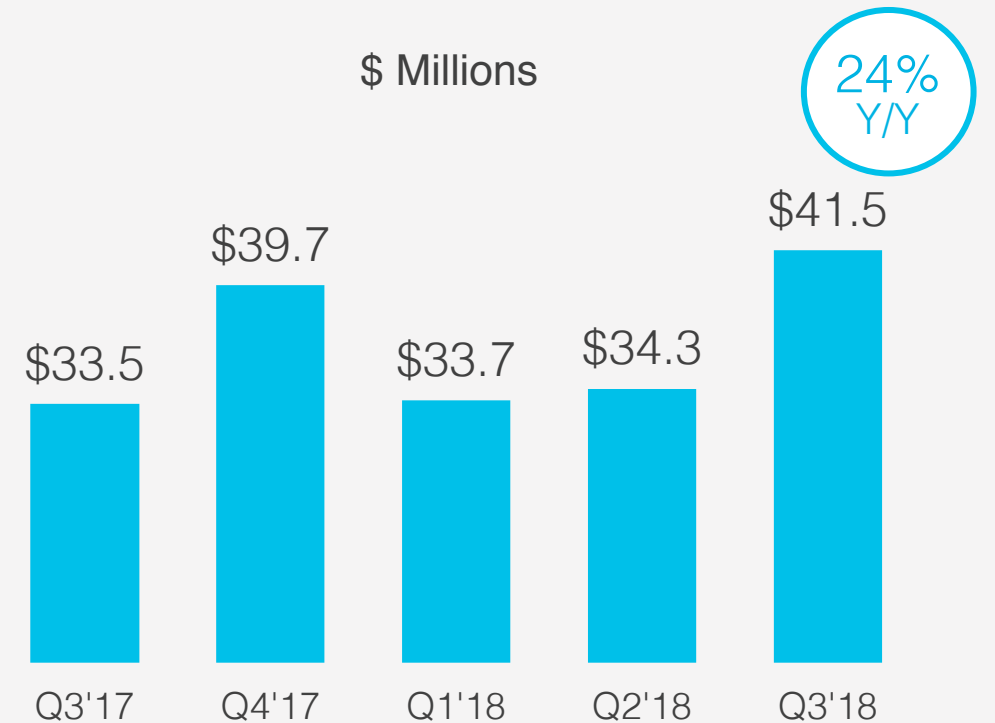
## ANNUAL

\$ Millions



## QUARTERLY

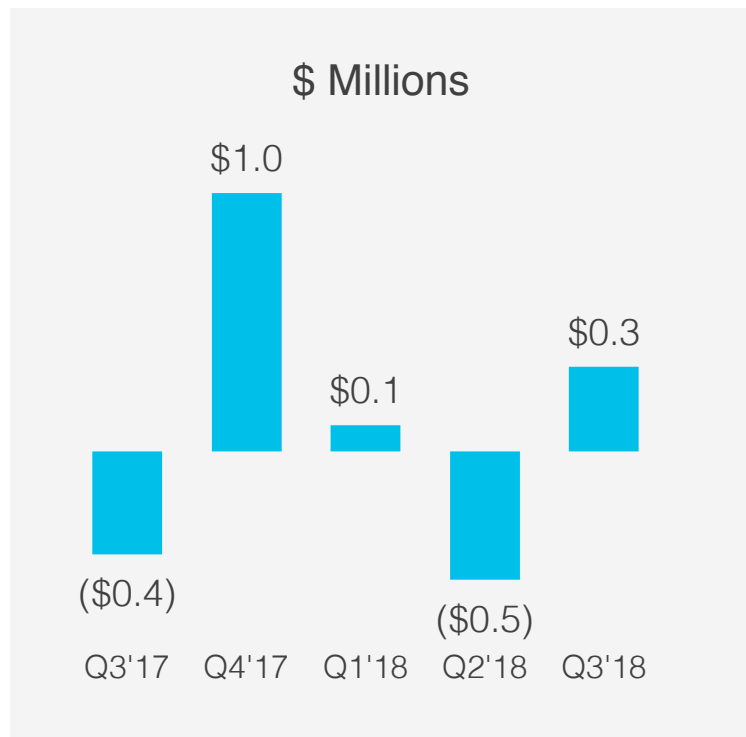
\$ Millions



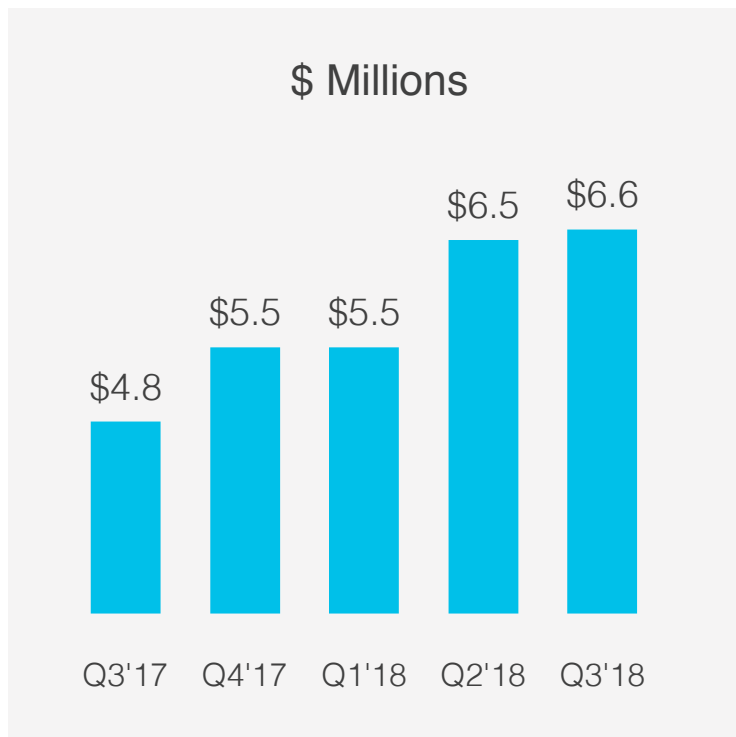
# Strong Operating Leverage



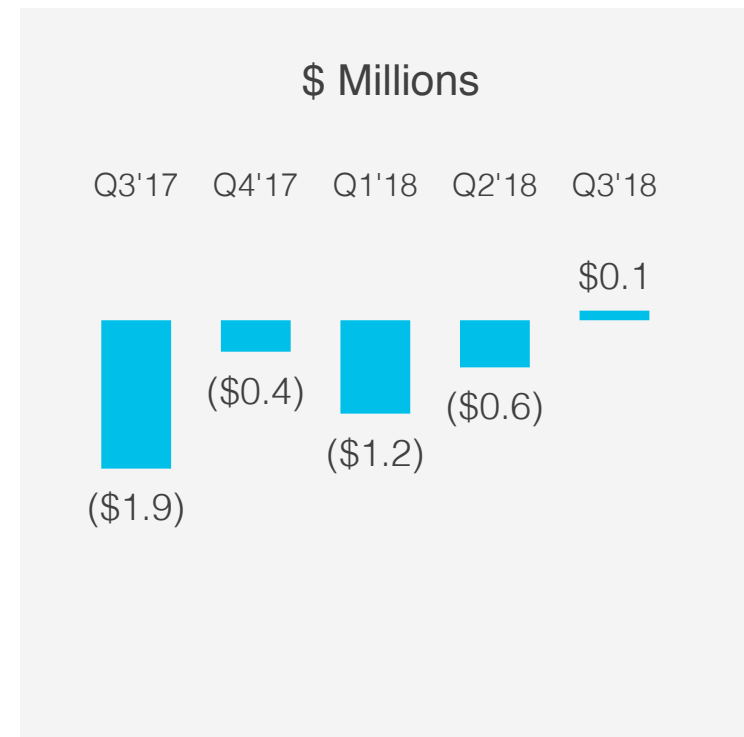
## MARKETPLACES CONTRIBUTION<sup>(1)</sup>



## MEDIA CONTRIBUTION<sup>(1)</sup>



## ADJUSTED EBITDA<sup>(2)</sup>



Strong leverage of corporate overhead as % of revenue

(1) Segment operating contribution reflects earnings before corporate and unallocated expenses and also excludes: (a) depreciation expense; (b) amortization of intangible assets; (c) share-based compensation expense; (d) interest and other income (expense); (e) income taxes; and (f) contingent payments to certain key employees/equity holders of acquired businesses. See Appendix for a reconciliation of Operating Contribution, a non-GAAP financial measure, to net loss, the most directly comparable GAAP financial measure.

(2) Adjusted EBITDA reflects net income (loss) excluding interest (income) expense, income tax expense (benefit), and certain other non-cash or non-recurring items impacting net income (loss) from time to time, principally comprised of depreciation and amortization, stock-based compensation, contingent payments to certain key employees/equity holders of acquired businesses and other payments attributable to acquisition, disposition or corporate realignment activities.



# Leaf Group has completed three acquisitions since 2016



2016



- \$1.5M acquisition
- 2.1x revenue multiple LTM
- Bootstrapped & Founder led

2017



- \$12M acquisition
- 1.4x revenue multiple LTM
- Bootstrapped & Founder led

2018

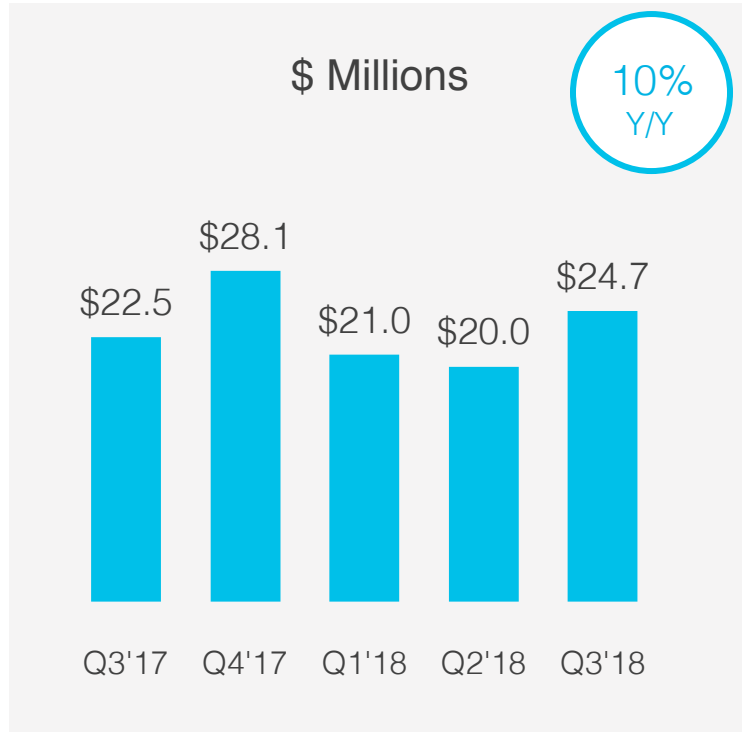


- \$19M acquisition
- 1.8x revenue multiple LTM
- Bootstrapped & Founder led

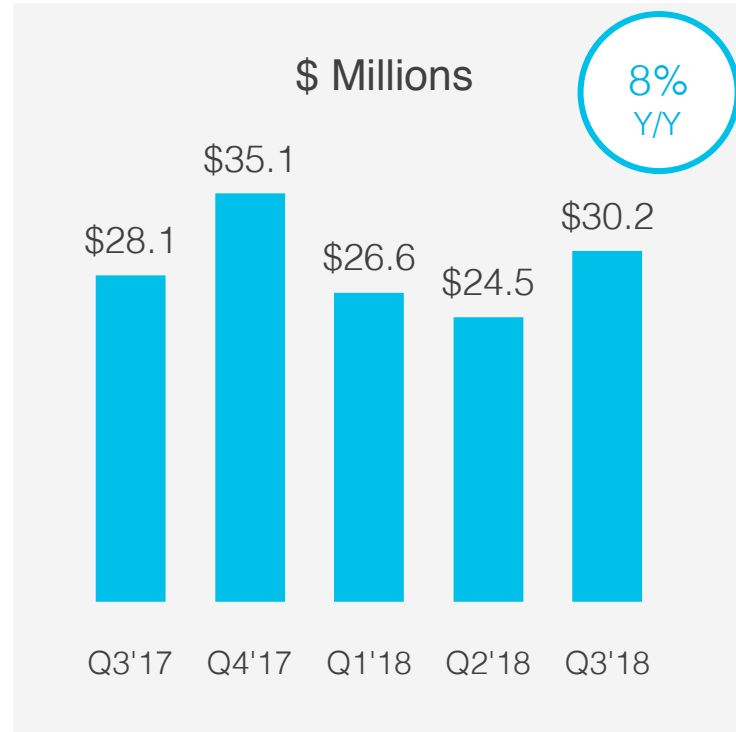
# Marketplaces Operating Metrics



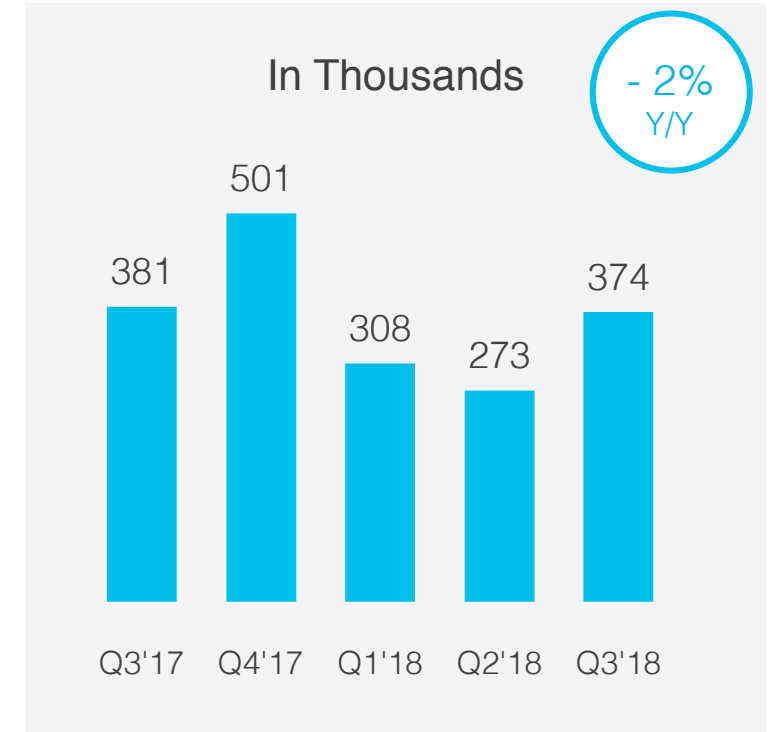
## REVENUE



## GROSS TRANSACTIONAL VALUE



## TRANSACTIONS

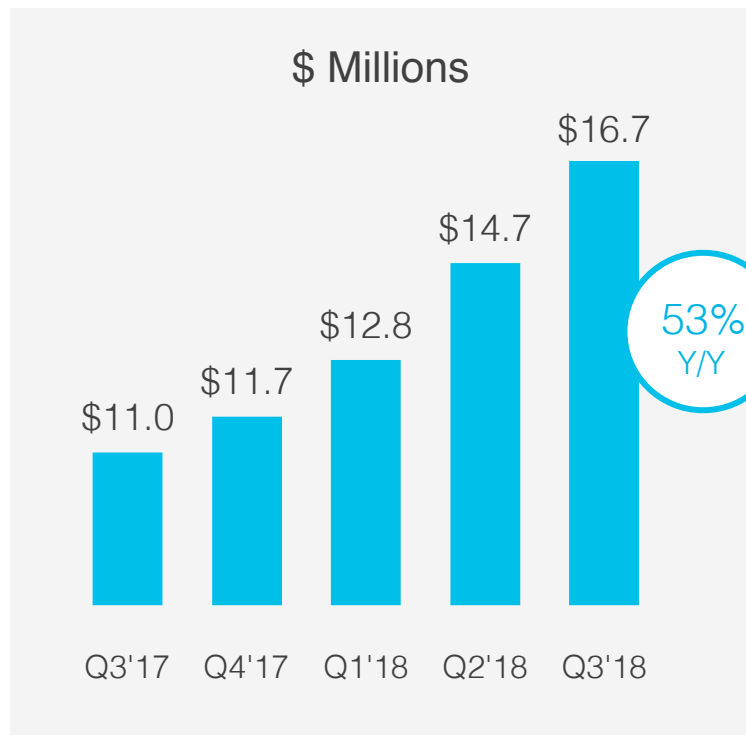


Asset-light business model with minimal inventory,  
limited capex and negative working capital

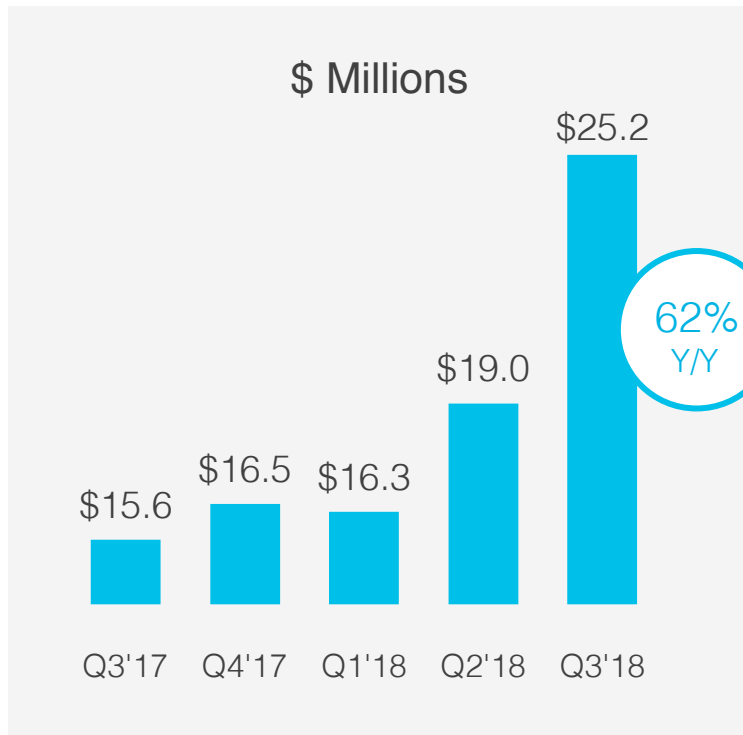
# Media Operating Metrics



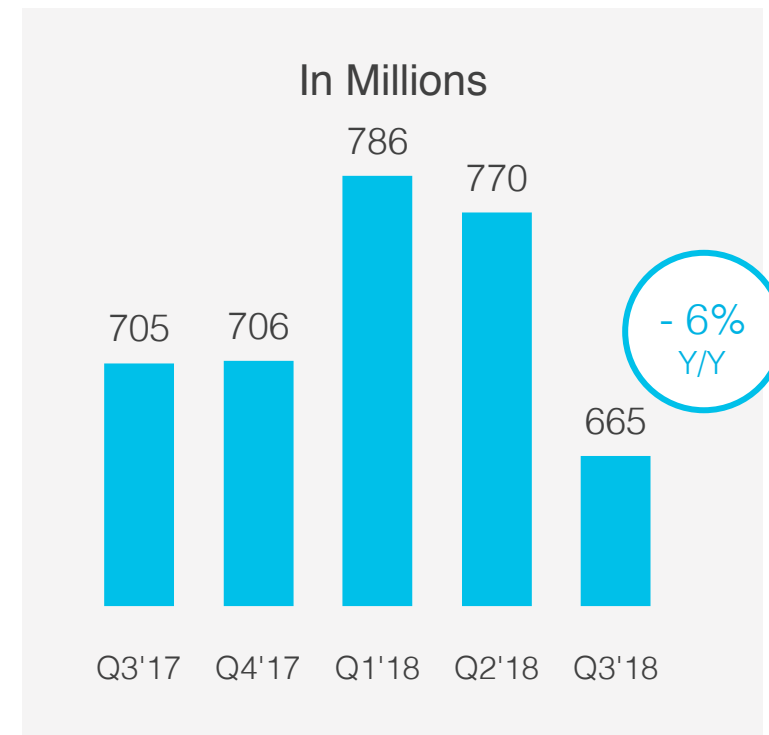
## REVENUE



## REVENUE PER VISIT



## VISITS



Highly intent driven audience with significant room for further ad stack monetization



# Significant Media Operating Leverage



DIRECT  
> \$10 CPMs

Deals entail custom sponsored content, video, high impact ad units, social media, email, and events = highest CPMs and cost-of-sale



PROGRAMMATIC  
\$5 CPMs

Leaf Private Marketplace with ad agencies and brands that bid directly on ad inventory enabling access to our targeting capabilities, and ensuring brand safety



OPEN AUCTION  
\$3 CPMs

Intermediaries buy ad inventory at the most efficient prices on behalf of brands and agencies



GOOGLE ADSENSE  
≤ \$1 CPMs

Our CPMs are higher than most sites because of the intent-driven nature of our traffic



# Leaf Group Healthy Balance Sheet



Approximately \$190M in Federal and \$65M in State NOLs <sup>(1)</sup>

As of September 30, 2018 (\$ in millions)

## ASSETS

Cash & Cash Equivalents	32.8
Other Current Assets	15.8
Property and Equipment, Net	12.5
Other Long Term Assets <sup>(2)</sup>	35.4
<b>Total Assets</b>	<b>\$ 96.5</b>

## LIABILITIES and STOCKHOLDERS' EQUITY

Accounts Payable, Accrued Expenses, and Other Current Liabilities	21.2
Deferred Revenue	3.2
Non-current Liabilities	2.4
Stockholders' Equity	69.7
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 96.5</b>

(1) Leaf Group had federal net operating loss ("NOL") carryforwards of approximately \$189.9 million as of December 31, 2017, which expire between 2021 and 2037. In addition, Leaf Group had state NOL carryforwards of approximately \$65.4 million, which expire between 2019 and 2037. As of December 31, 2017, Leaf Group has a full valuation allowance against our net operating loss carryforwards.

(2) Includes intangible assets, net, goodwill and other assets.

# Investment Highlights

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Diverse portfolio of digital first brands in large, growing lifestyle categories shifting rapidly online



Large intent driven audience with 50M+ monthly unique visitors; one-fifth of U.S. internet population<sup>(1)</sup>



Significant room for monetization, revenue diversification and international expansion



Unique platform for strategic M&A



Sustainable opportunity to deliver against 20% annual revenue growth target

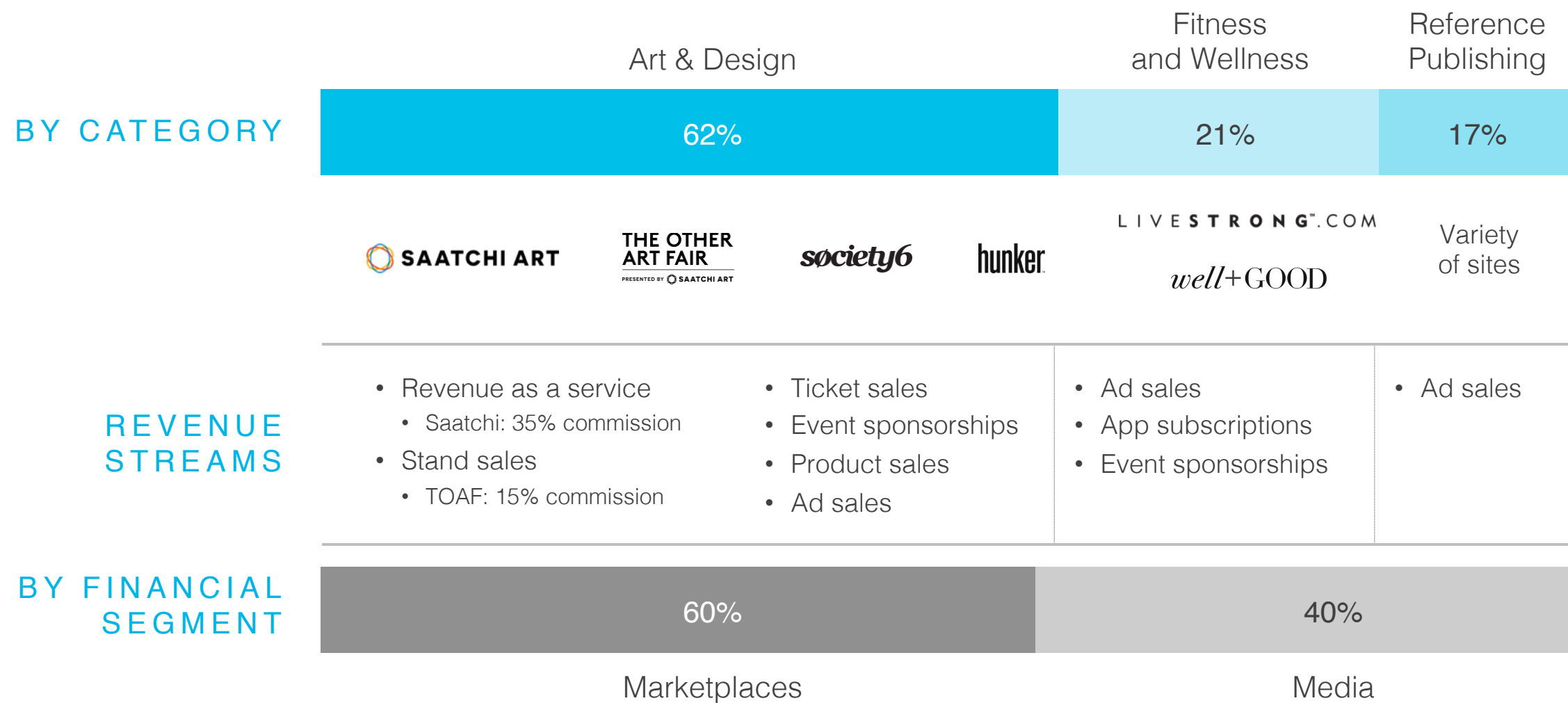


Strong Balance Sheet with \$32.8M in cash and \$190M Federal NOL's + \$65M State NOL's



Management team with deep consumer internet/brand building and M&A experience

# Diversified Revenue Model – below as of Q3 2018



# Experienced Leadership and Management Team



**SEAN MORIARTY**  
CEO

- CEO at Saatchi Art
- President, CEO at Ticketmaster
- EVP, Technology at Citysearch



**JANTOON REIGERSMAN**  
CFO

- CFO at Ogin
- Investor at Goldman Sachs
- Investment banking at Morgan Stanley



**BRIAN PIKE**  
COO & CTO

- CTO at Rubicon Project
- CTO at Ticketmaster



**ADAM WERGELES**  
EVP & General Counsel

- EVP, Business and Legal Affairs, and General Counsel at Serviz, Inc.
- Chief Legal Officer at ReachLocal



**JILL ANGEL**  
EVP, People

- VP Operations at Saatchi Art
- Team leader at Cocodot, Swirl by DailyCandy, and GSI Commerce



**DION CAMP SANDERS**  
EVP, Corp Dev

- Vice President, Emerging Businesses within the Labs Group at Disney
- Founder and CEO of Pacific Edison



**MITCHELL PAVAO**  
SVP, Digital Media

- SVP Product and Technology at MySpace
- VP Product at SpinMedia



**ALEXIA BRUE**  
SVP & GM,  
Fitness & Wellness

- CEO and Co-Founder of Well+Good
- Journalist for Vogue, New York Times and Luxury SpaFinder



**ANDREA STANFORD**  
SVP & GM, Society6

- SVP Marketing and Partnerships at Everything But the House
- Senior management at One Kings Lane



**JEANNE ANDERSON**  
SVP & GM, Saatchi Art

- SVP Product Marketing and Optimization at ZipRecruiter
- Leadership roles at DogVacay and NetQuote

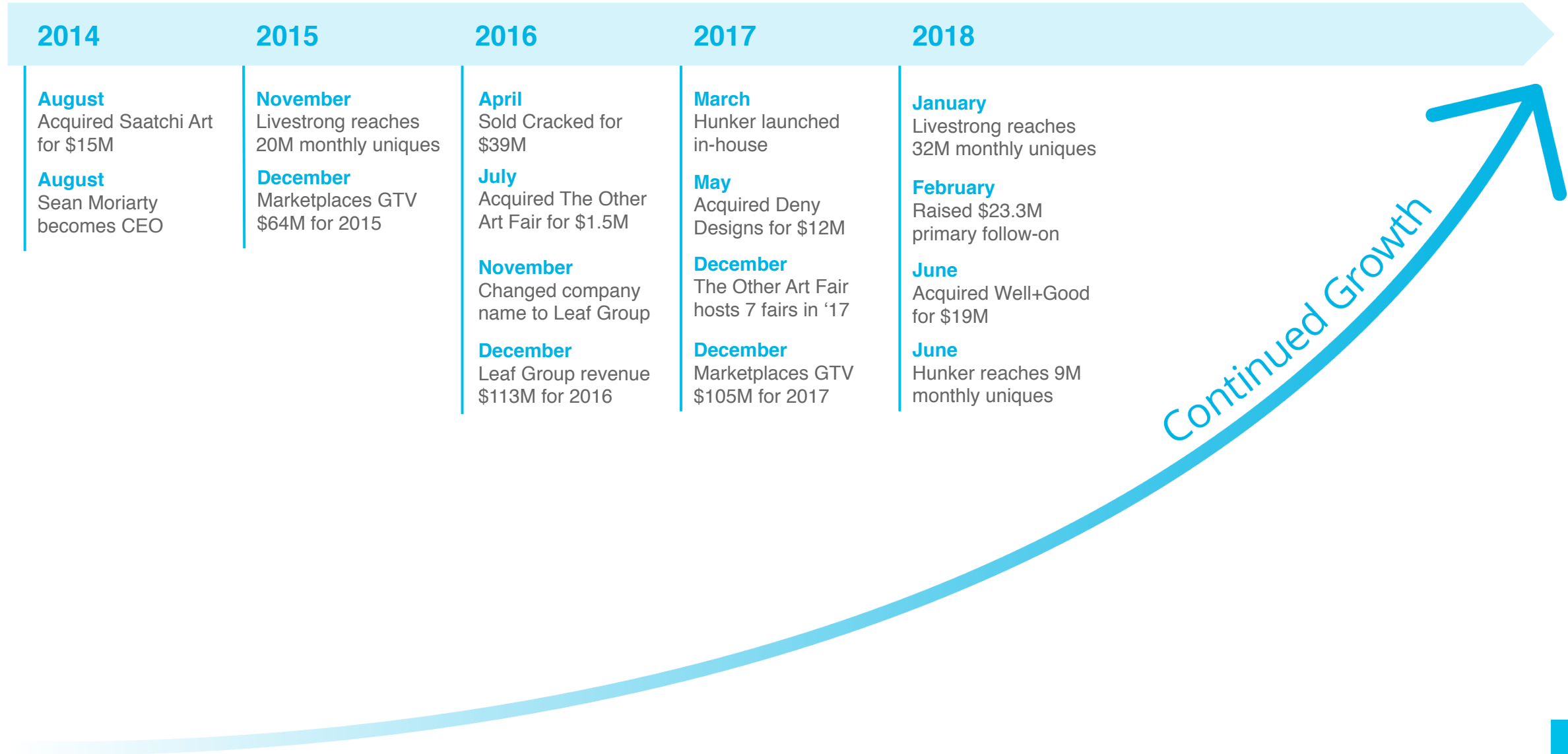


**SCOTT MESSER**  
VP & GM, Media

- BD for IMG Media, National Lampoon and private equity firms



# Established Track-Record and Platform for Growth



# Reconciliation of Segment Disclosure and Adjusted EBITDA



(\$ in thousands)

	Q1' 16	Q2' 16	Q3' 16	Q4' 16	Q1' 17	Q2' 17	Q3' 17	Q4' 17	Q1' 18	Q2' 18	Q3' 18
<b>Segment Revenue:</b>											
Marketplaces	\$ 13,462	\$ 13,409	\$ 16,650	\$ 22,618	\$ 15,876	\$ 17,691	\$ 22,493	\$ 28,065	\$ 20,967	\$ 19,655	\$ 24,712
Media	13,507	11,026	11,409	11,371	11,362	10,874	10,967	11,662	12,780	14,666	16,744
Total revenue	\$ 26,969	\$ 24,435	\$ 28,059	\$ 33,989	\$ 27,238	\$ 28,565	\$ 33,460	\$ 39,727	\$ 33,747	\$ 34,321	\$ 41,456
<b>Segment Operating Contribution:</b>											
Marketplaces <sup>(1)</sup>	\$ 139	\$ (202)	\$ 793	\$ (104)	\$ (1,405)	\$ (1,743)	\$ (376)	\$ 993	\$ 61	\$ (548)	\$ 326
Media <sup>(1)</sup>	2,063	741	4,053	3,946	3,615	4,398	4,779	5,456	5,457	6,534	6,559
Add (deduct):											
Corporate expenses <sup>(2)</sup>	(7,432)	(6,832)	(7,102)	(6,479)	(6,915)	(6,607)	(6,290)	(6,879)	(6,765)	(6,824)	(6,774)
Acquisition, disposition and realignment costs <sup>(3)</sup>	175	1,122	99	—	280	19	—	—	—	224	17
Adjusted EBITDA <sup>(4)</sup>	\$ (5,055)	\$ (5,171)	\$ (2,157)	\$ (2,637)	\$ (4,425)	\$ (3,933)	\$ (1,887)	\$ (430)	\$ (1,247)	\$ (614)	\$ 128
<b>Reconciliation to consolidated pre-tax income (loss):</b>											
Adjusted EBITDA <sup>(4)</sup>	\$ (5,055)	\$ (5,171)	\$ (2,157)	\$ (2,637)	\$ (4,425)	\$ (3,933)	\$ (1,887)	\$ (430)	\$ (1,247)	\$ (614)	\$ 128
Add (deduct):											
Income tax benefit (expense)	(11)	(69)	32	58	(12)	(80)	(57)	187	(24)	(22)	(13)
Interest income (expense), net	2	23	33	34	41	38	64	46	17	29	114
Other income (expense), net <sup>(5)</sup>	980	38,182	(31)	1,041	3	(6)	(6)	(9)	(8)	(25)	(59)
Depreciation and amortization <sup>(6)</sup>	(5,731)	(4,857)	(4,447)	(3,055)	(3,267)	(2,799)	(2,749)	(2,988)	(2,455)	(2,446)	(2,687)
Stock-based compensation <sup>(7)</sup>	(1,919)	(2,519)	(1,680)	(1,661)	(2,078)	(2,166)	(2,182)	(2,139)	(2,208)	(2,676)	(2,502)
Acquisition, disposition, realignment and contingent payment costs <sup>(8)</sup>	(175)	(1,122)	(99)	—	(280)	(19)	—	—	—	(539)	(1,016)
Net Loss	\$ (11,909)	\$ 24,467	\$ (8,349)	\$ (6,220)	\$ (10,018)	\$ (8,965)	\$ (6,817)	\$ (5,333)	\$ (5,925)	\$ (6,293)	\$ (6,035)

(1) Segment operating contribution reflects segment revenue less operating expenses that are directly attributable to the operating segment, not including corporate and unallocated expenses and also excluding: (a) depreciation expense; (b) amortization of intangible assets; (c) share-based compensation expense; (d) interest and other income (expense); (e) income taxes; and (f) contingent payments to certain key employees/equity holders of acquired businesses.

(2) Corporate expenses include corporate and unallocated operating expenses that are not directly attributable to the operating segments, including: corporate information technology, marketing and general and administrative support functions and also excludes the following: (a) depreciation expense; (b) amortization of intangible assets; (c) share-based compensation expense; (d) interest and other income (expense); and (e) income taxes.

(3) Represents such items, when applicable, as (a) legal, accounting and other professional service fees directly attributable to acquisition, disposition or corporate realignment activities, (b) employee severance, and (c) other payments attributable to acquisition, disposition or corporate realignment activities, excluding contingent payments to certain key employees/equity holders of acquired businesses.

(4) Adjusted EBITDA reflects net income (loss) excluding interest (income) expense, income tax expense (benefit), and certain other non-cash or non-recurring items impacting net income (loss) from time to time, principally comprised of depreciation and amortization, stock-based compensation, contingent payments to certain key employees/equity holders of acquired businesses and other payments attributable to acquisition, disposition or corporate realignment activities.

(5) Primarily consists of income from the disposition of certain businesses, including Cracked sold in 2016, and non-core media properties.

(6) Represents depreciation expense of the Company's long-lived tangible assets and amortization expense of its finite-lived intangible assets, including amortization expense related to its investment in media content assets, included in the Company's GAAP results of operations.

(7) Represents the expense related to stock-based awards granted to employees as included in the Company's GAAP results of operations.

(8) Represents such items, when applicable, as (a) legal, accounting and other professional service fees directly attributable to acquisition, disposition or corporate realignment activities, (b) employee severance, (c) contingent payments to certain key employees/equity holders of acquired businesses, and (d) other payments attributable to acquisition, disposition or corporate realignment activities.

# Reconciliation of Segment Disclosure and Adjusted EBITDA



(\$ in thousands)	Twelve Months Ended December 31, 2016	Twelve Months Ended December 31, 2017
<b>Segment Revenue:</b>		
Marketplaces	\$ 66,139	\$ 84,126
Media	47,313	44,864
Total revenue	\$ 113,452	\$ 128,990
<b>Segment Operating Contribution:</b>		
Marketplaces <sup>(1)</sup>	\$ 626	\$ (2,530)
Media <sup>(1)</sup>	10,803	18,248
Add (deduct):		
Corporate expenses <sup>(2)</sup>	(27,845)	(26,691)
Acquisition, disposition and realignment costs <sup>(3)</sup>	1,396	299
Adjusted EBITDA <sup>(4)</sup>	\$ (15,020)	\$ (10,674)
<b>Reconciliation to consolidated pre-tax income (loss):</b>		
Adjusted EBITDA <sup>(4)</sup>	\$ (15,020)	\$ (10,674)
Add (deduct):		
Income tax benefit (expense)	10	37
Interest income (expense), net	92	190
Other income (expense), net <sup>(5)</sup>	40,172	(19)
Depreciation and amortization <sup>(6)</sup>	(18,090)	(11,803)
Stock-based compensation <sup>(7)</sup>	(7,779)	(8,565)
Acquisition, disposition, realignment and contingent payment costs <sup>(8)</sup>	(1,396)	(299)
Net Loss	\$ (2,011)	\$ (31,133)

- (1) Segment operating contribution reflects segment revenue less operating expenses that are directly attributable to the operating segment, not including corporate and unallocated expenses and also excluding: (a) depreciation expense; (b) amortization of intangible assets; (c) share-based compensation expense; (d) interest and other income (expense); (e) income taxes; and (f) contingent payments to certain key employees/equity holders of acquired businesses.
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THANK YOU