



# Investor Presentation

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November 2017

# Our Mission

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We build platforms for communities of creators to reach passionate audiences in large and growing lifestyle categories.



# Our Portfolio



## Media

LIVESTRONG.COM

cuteness hunker Sapling eHow Techwalla

Content Partners

### Ad Supported Model

33% of total revenue in Q3'17

\$11M in Revenue in Q3'17, -2% Y/Y<sup>(1)</sup>



## Marketplaces

society6

DenyDesigns.

SAATCHI ART

### Marketplace Model

67% of total revenue in Q3'17

\$22M in Revenue in Q3'17, +35% Y/Y

50M Uniques<sup>(2)</sup>

(1) The change in revenue is calculated on a pro forma basis net of certain other non-strategic properties that were disposed of in 2016

(2) Average monthly unique visitors in the U.S. reached by all Leaf Group properties in Q3'17 across desktop and mobile (Source: July – September 2017 U.S. comScore)



# Strong Media Brands With Passionate, Audiences<sup>(1)</sup>



Leaf Group: #23 Publisher in comScore's Top 100 Publisher Report  
(Up from # 27 a year ago)

(1) Represents numerical ranking in applicable comScore ad supported category (Livestrong – Health Information; Hunker –Lifestyle Home; Cuteness – Lifestyle Pets;) and average monthly unique visitors in the US across desktop and mobile (Source: July – September 2017 US comScore).

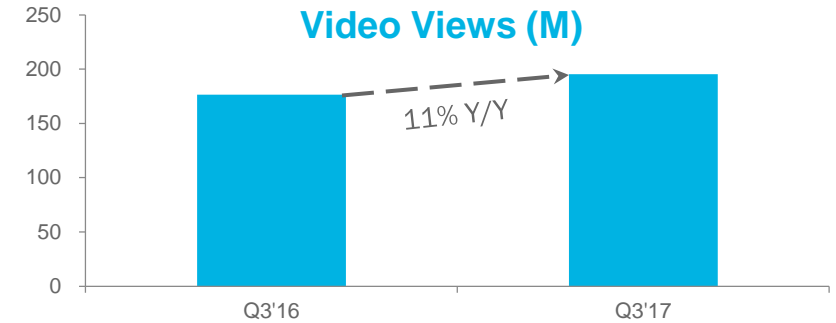
# Expanding Audience and Content Distribution



Growing Audience

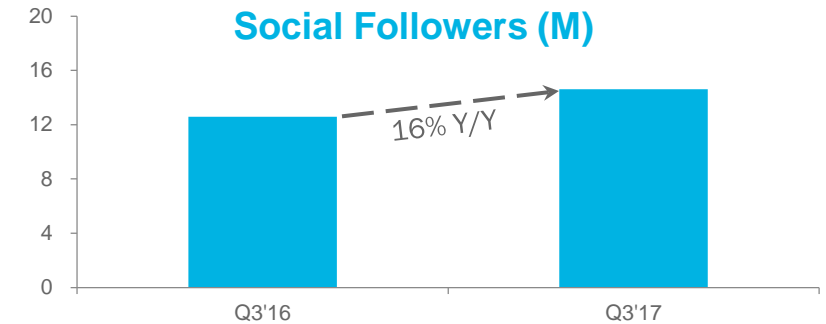
## Video

- Nearly 200M video views on Facebook and YouTube in Q3'17; up 11% y/y
- In-house studio and production teams



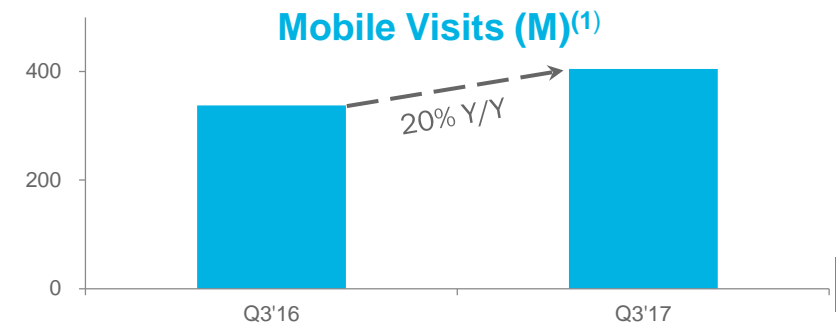
## Social

- 15M followers on Facebook, Instagram, Pinterest and YouTube; up 16% y/y
- Engaged with 20M users on Facebook in Q3'17; up 14% y/y



## Mobile

- Mobile visits<sup>(1)</sup> grew 20% y/y to 405M visits in Q3'17; total visits up 9% y/y
- Mobile traffic makes up 58% of total; up from 53% in Q3'16



(1) Visits shown on a pro forma basis net of certain other non-strategic properties that were disposed of in 2016.



Over 210M  
Visits Across  
Partner Sites  
in Q3'2017

25 Sites  
Spanning  
Multiple  
Categories

Multi-year  
Partnerships  
with Key  
Publishers

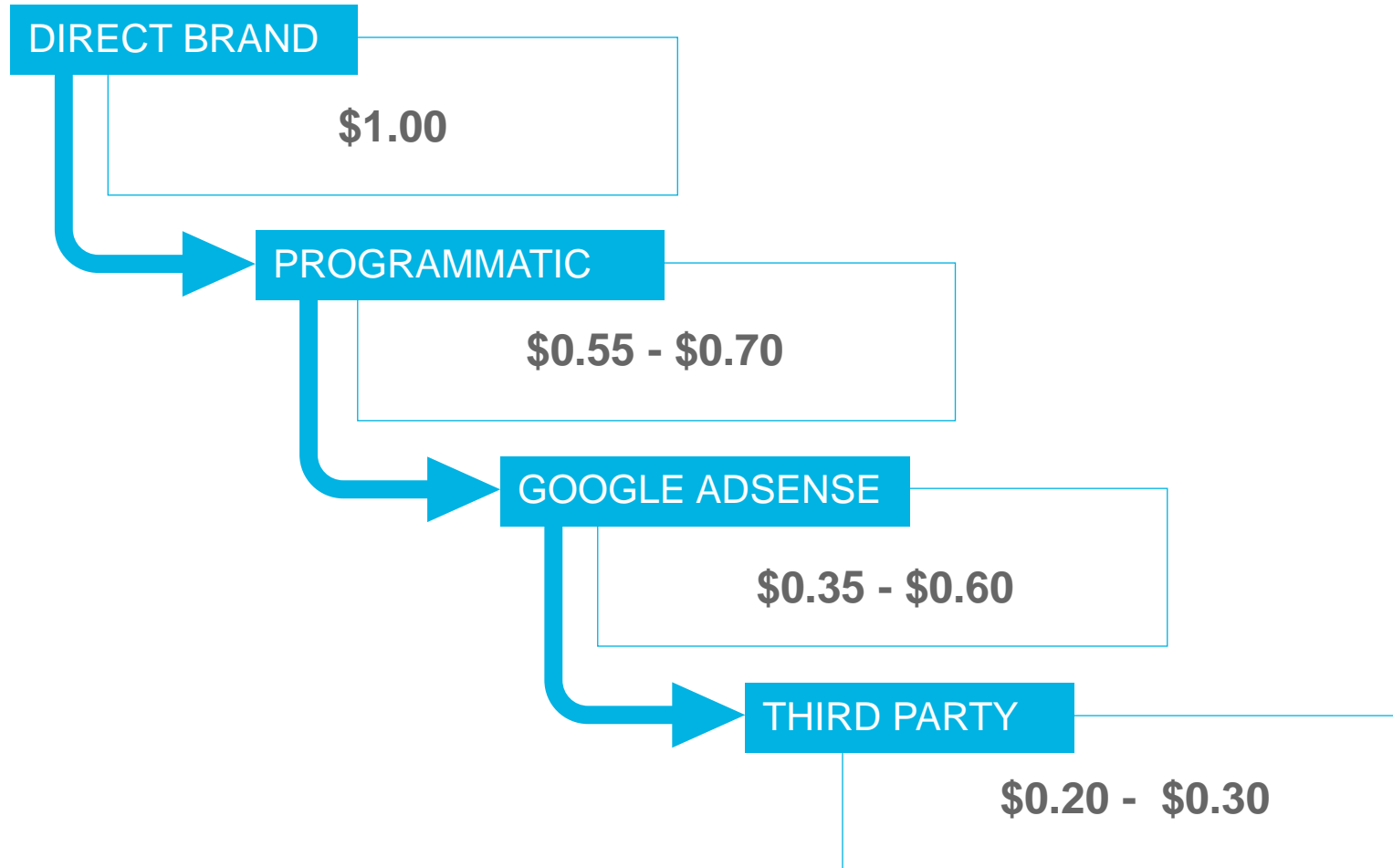
# Content Partners



# Opportunity For Improvement In Monetization



## Monetization Ad Stack<sup>(1)</sup>



## Select Advertising Partners

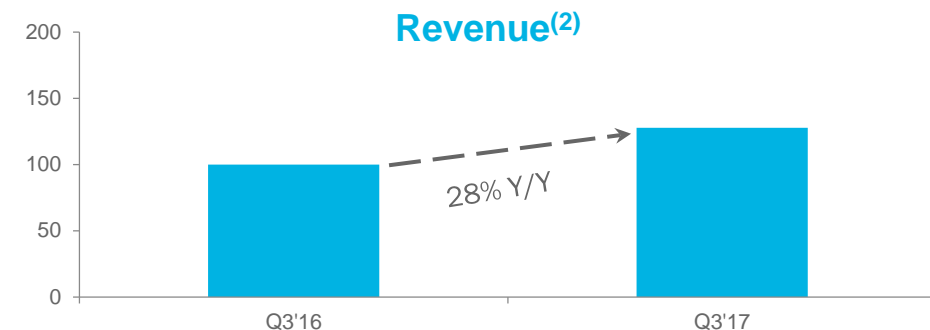
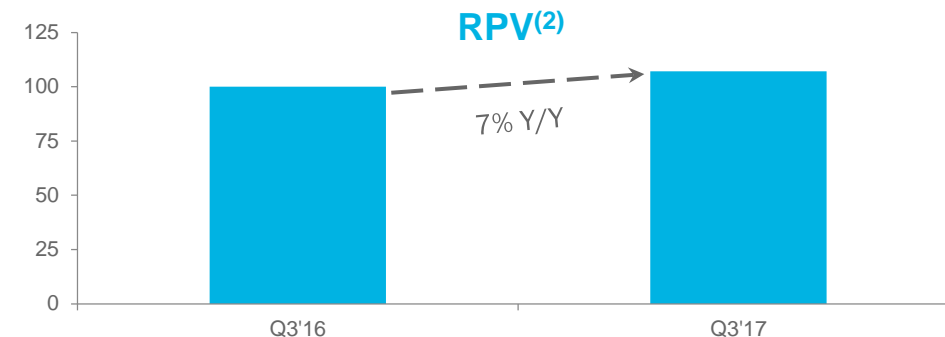
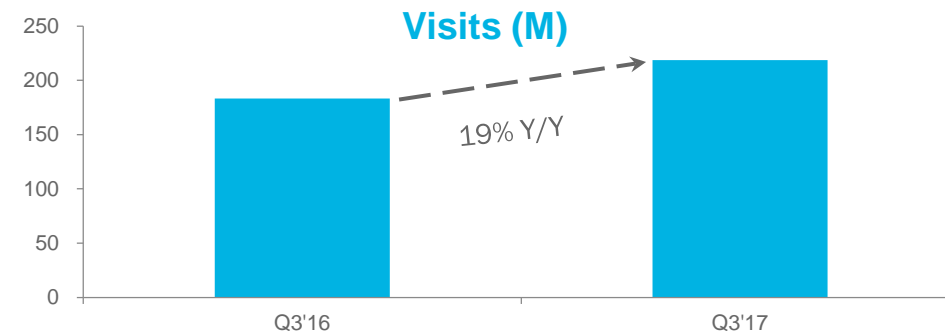


(1) Source: Internal Data as of Q3'17. CPMs are based on relative scale with Direct Brand CPMs equal to \$1.00.

# LIVESTRONG.COM: Driving Media Growth



- Audience growth for 7 straight quarters
- Revenue growth for 5 straight quarters - up 28% y/y in Q3'17
- Reaches 26M monthly unique users<sup>(1)</sup>
- Diversifying revenue with MyPlate app:
  - 102% y/y growth in subscription revenue
  - 63% y/y growth in app downloads

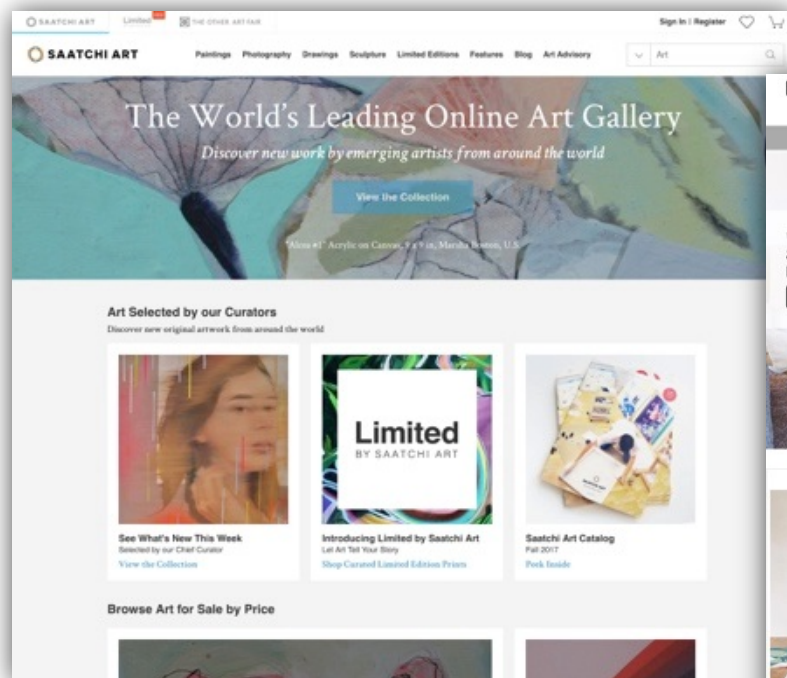


(1) Source: July – September 2017 U.S. comScore.

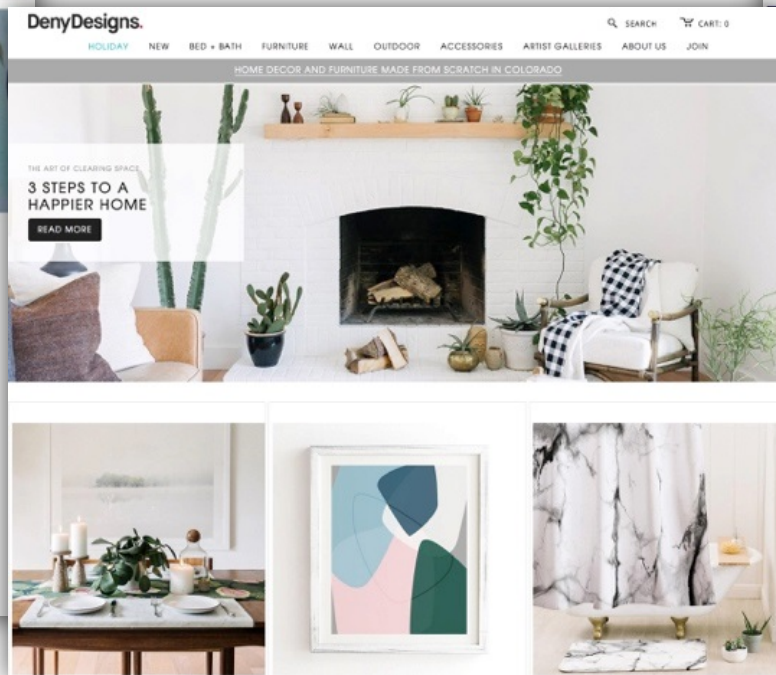
(2) Indexed to 100 in Q3'16.



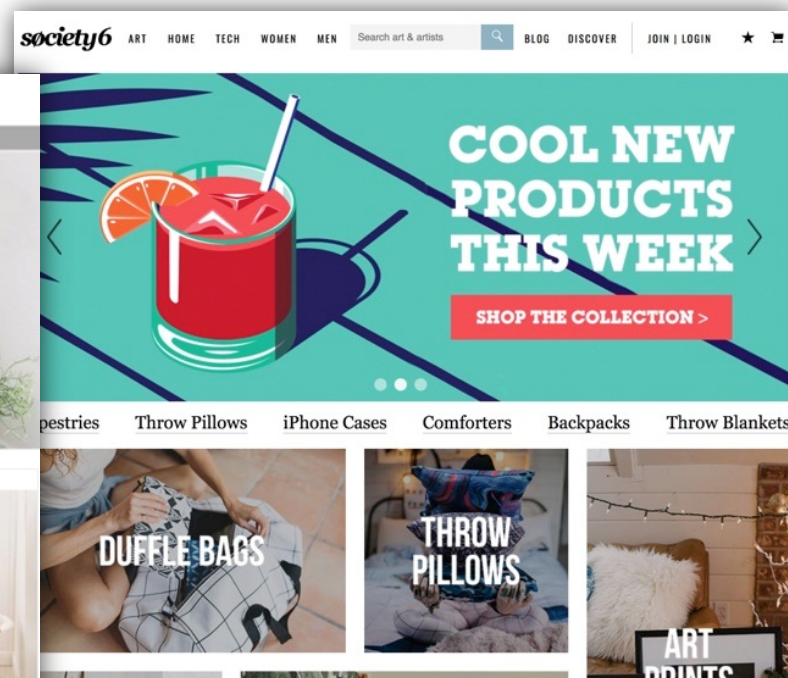
# Strong & Growing Marketplace Businesses



 **SAATCHI ART**



**DenyDesigns.**



**society6**

## Marketplaces Segment

67% of total revenue in Q3'17  
\$22M in Revenue in Q3'17, +35% Y/Y

## Artists & Creators

Approximately 320,000<sup>(1)</sup>

## Paid to Artists & Creators


Approximately \$21M in 2016<sup>(2)</sup>

(1) Total Artists: number of active Artists for Society6 and Saatchi Art in 2016; based on internal data.

(2) Total paid to artists: full year 2016 for Society6 and Saatchi Art plus content contributor payments for the Media Businesses; based on internal data.

# Marketplaces: Building Brands in Art, Design & Home Décor



|  |  <b>SAATCHI ART</b> | <b>DenyDesigns.</b>                              | <b>society6</b>                                  |
|--|--|--|--|
| Category                               | Original Artwork<br>(paintings, photography,<br>sculpture)   | Home Décor &<br>Accent Products                  | Home Décor, Accessories<br>& Apparel             |
| Addressable Market                     | \$35B Art Market <sup>(1)</sup>  | \$27B Online Home<br>Goods Market <sup>(2)</sup> | \$27B Online Home<br>Goods Market <sup>(2)</sup> |
| Core Demographic                       | GenX & Baby Boomers  | Female<br>Millennials & GenX                     | Female<br>Millennials                            |
| Gross Transaction Value <sup>(3)</sup> | \$21M <sup>(6)</sup>   | —  | \$74M  |
| Average Order Value <sup>(4)</sup>     | \$1,200  | \$130  | \$60   |
| Revenue Growth <sup>(5)</sup>          | 47% <sup>(6)</sup>   | —  | 19%  |

(1) Source: Global Art Sales less Global Auction sales, TEFAF 2016.

(2) Source: eMarketer, 2015 data.

(3) Gross Transaction Value is shown on a trailing twelve months basis for Q4'16 – Q3'17.

(4) Average Order Value for Society6 and Saatchi Art , inclusive of The Other Art Fair, is as of Q3'17; Deny Designs is for DenyDesigns.com is for FY16.

(5) Revenue growth is shown on a trailing twelve months basis (Q4'16 – Q3'17 vs Q4'15 – Q3'16).

(6) Inclusive of The Other Art Fair.





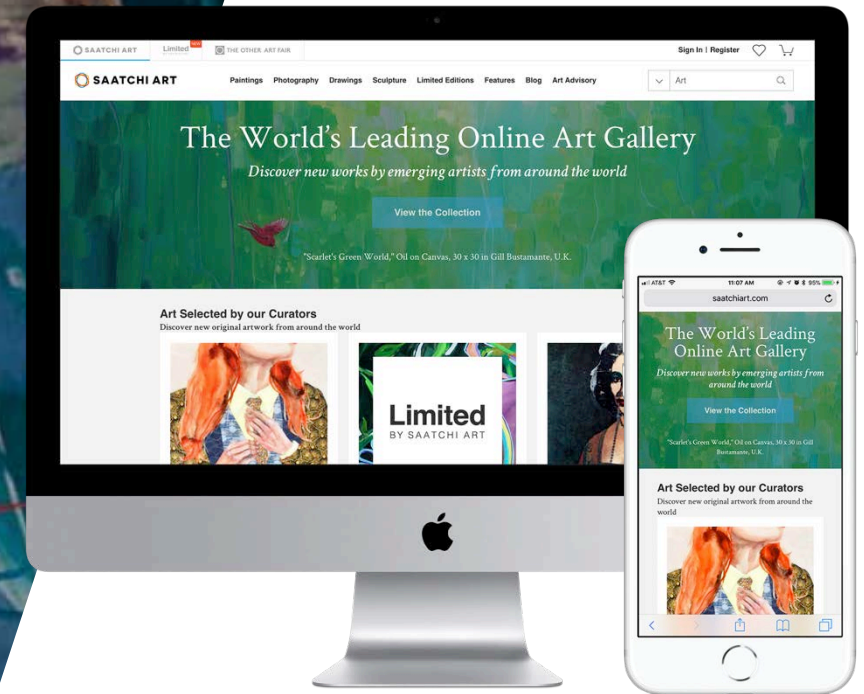
Global  
Community of  
~100,000  
Artists with  
\$2B of Art  
Available for  
Sale

23% Y/Y  
Revenue  
Growth in  
Q3'17<sup>(1)</sup>



The Other Art  
Fair Acquired  
2016

Average  
Order Value  
~\$1,200



Source: Figures based on internal data for Q3'17.  
(1) Includes Saatchi Art and The Other Art Fair.





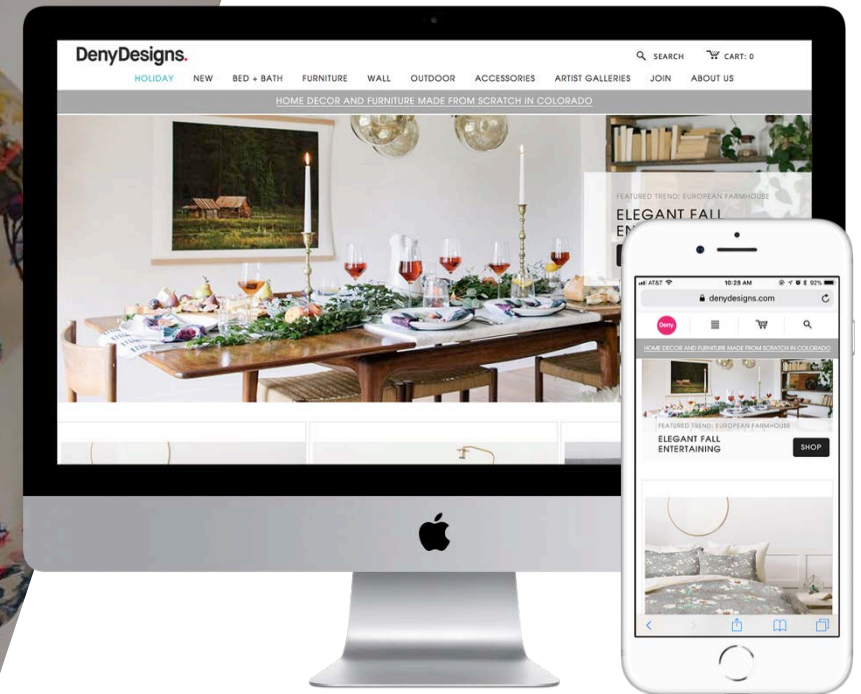
Strong  
wholesale  
and retail  
partnerships

Average  
Order Value  
~\$130<sup>(1)</sup>

# DenyDesigns.

Artist-driven  
marketplace  
for home  
goods and  
accent  
products

Acquired  
May 2017



(1) Source: Figures based on internal data for FY16.



\$67M TTM  
Revenue

+19% Y/Y

Over 260,000  
Artists and  
4.5M Original  
Designs

society6

Over 285,000  
Customers in  
Q3'17

+19% Y/Y



Source: Figures based on internal data for Q3'17.



# Financials

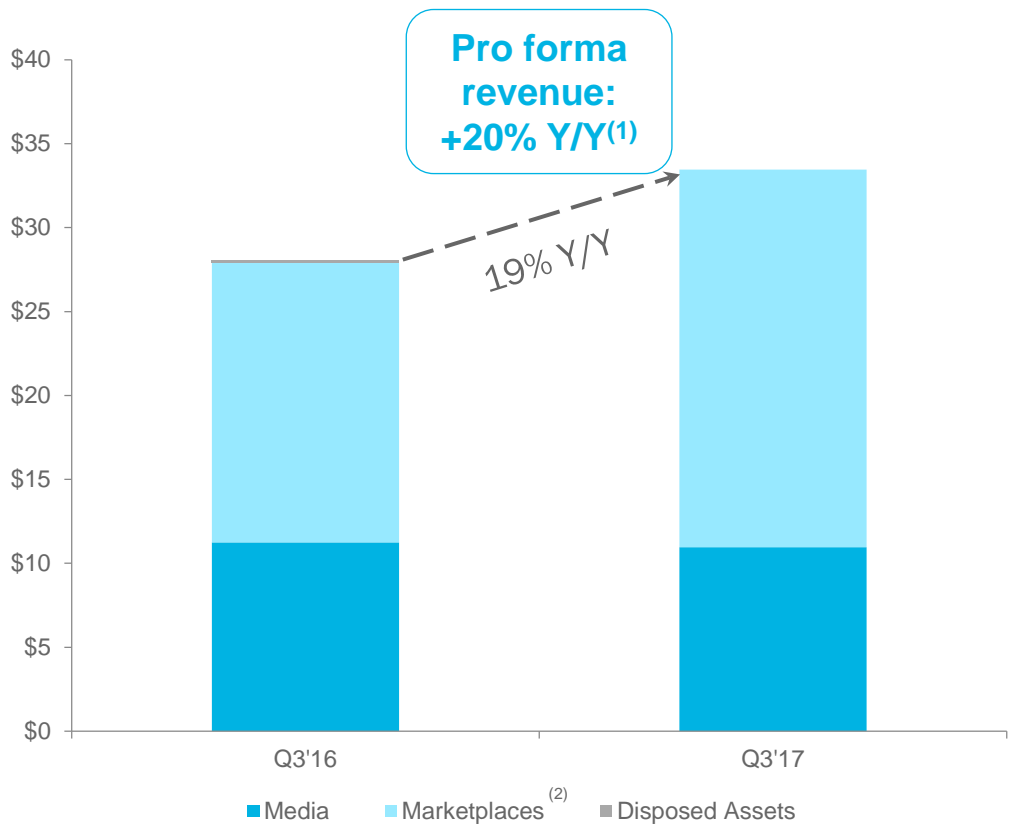
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# Accelerating Revenue Growth

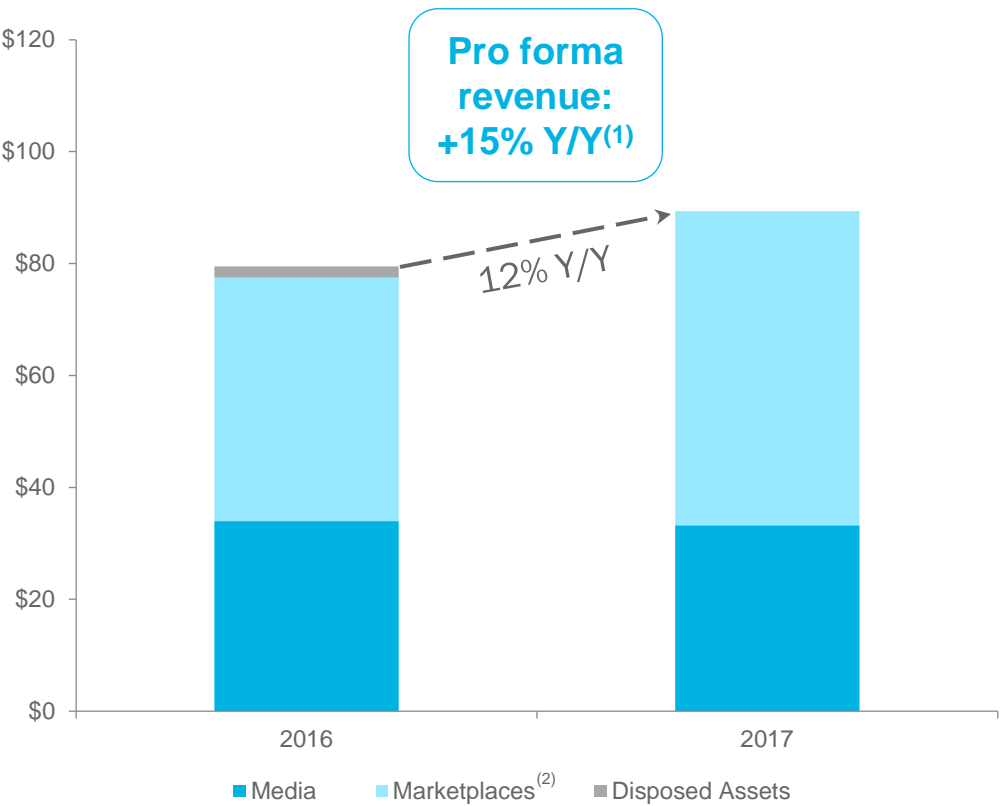


(\$ in millions)

## Q3'16 vs Q3'17 Revenue



## 9 Months Ended Sept 30, 2017 vs 2016 Revenue



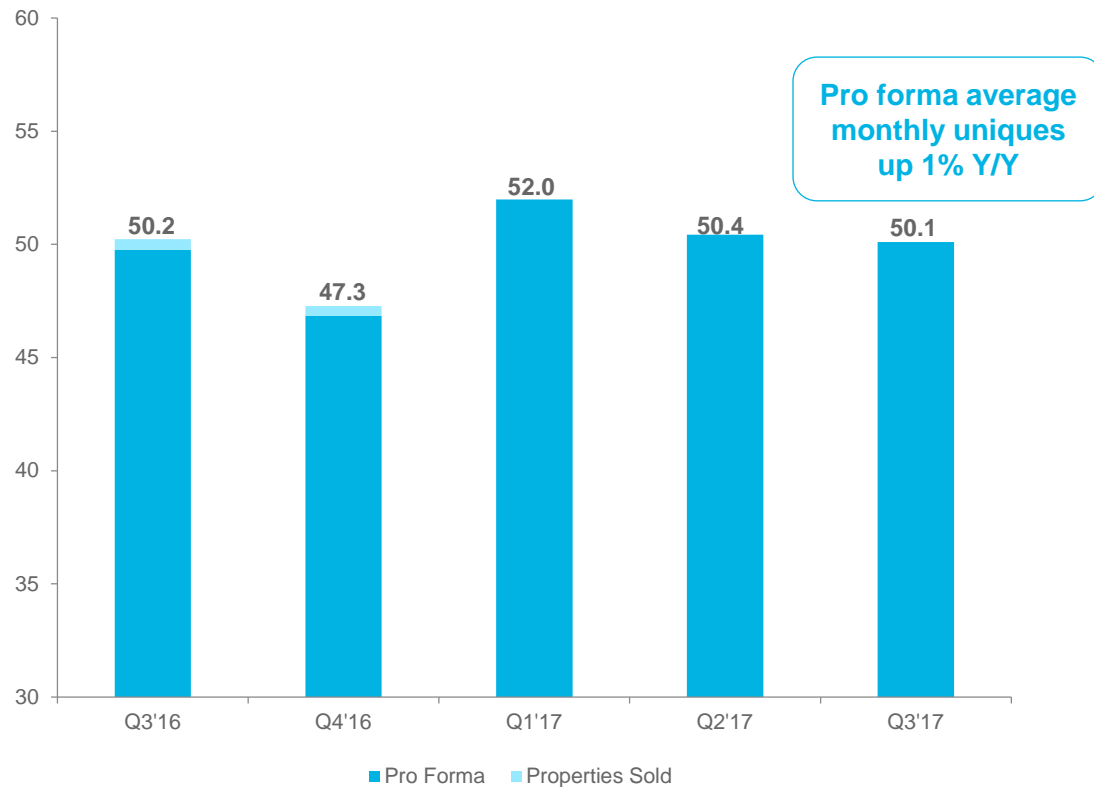
(1) Media revenue is shown on a pro forma basis net of Cracked and certain other non-strategic properties that were disposed of in 2016.  
(2) Marketplaces 2017 revenue includes: Society6, Deny Designs, Saatchi Art and The Other Art Fair.

# Media Traffic has Stabilized & Core Media Revenue are Growing



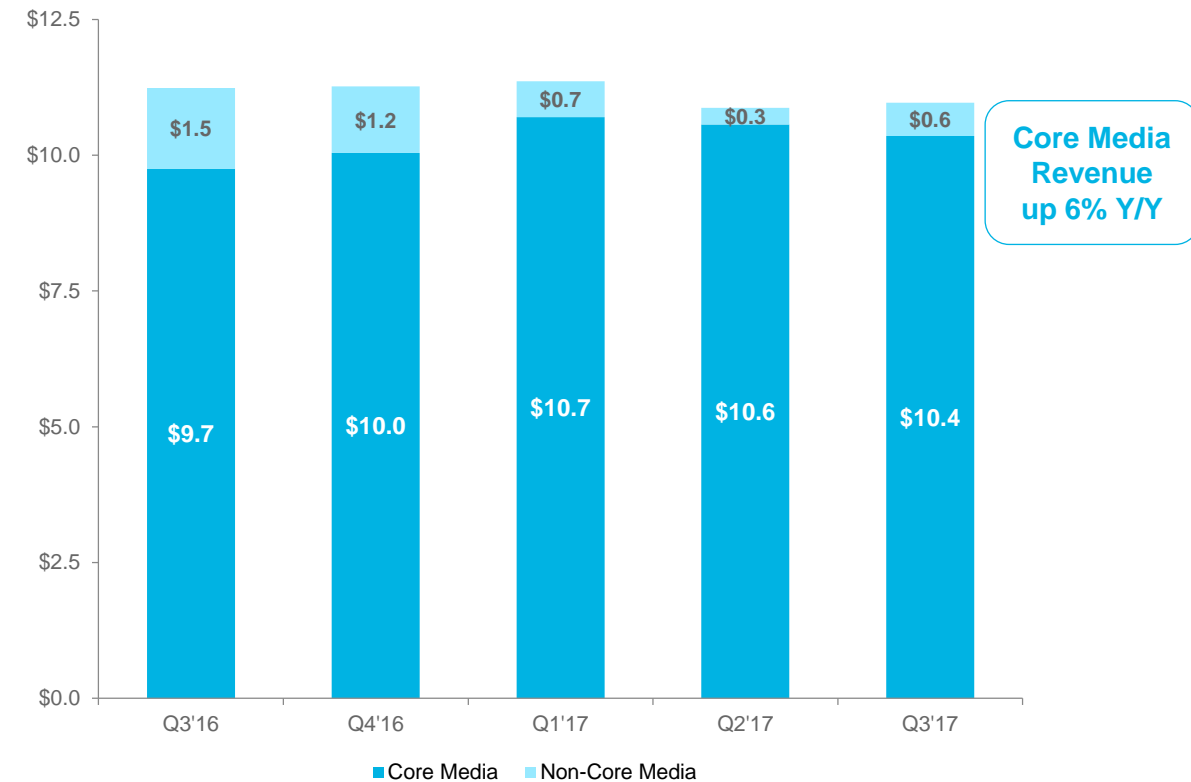
## comScore Average Monthly Uniques<sup>(1)</sup>

(in millions)



## Core Media Revenue<sup>(2)</sup>

(\$ in millions)



(1) Source: comScore; Represents unique visitors in the U.S. reached by all Leaf Group properties. Properties sold include Cracked and certain other non-strategic properties that were disposed of in 2016.

(2) Core Media Revenue includes revenue from LIVESTRONG.com, Content Channels, eHow and the vertical sites. Media revenue is shown on a pro forma basis net of Cracked and certain other non-strategic properties that were disposed of in 2015 and 2016.

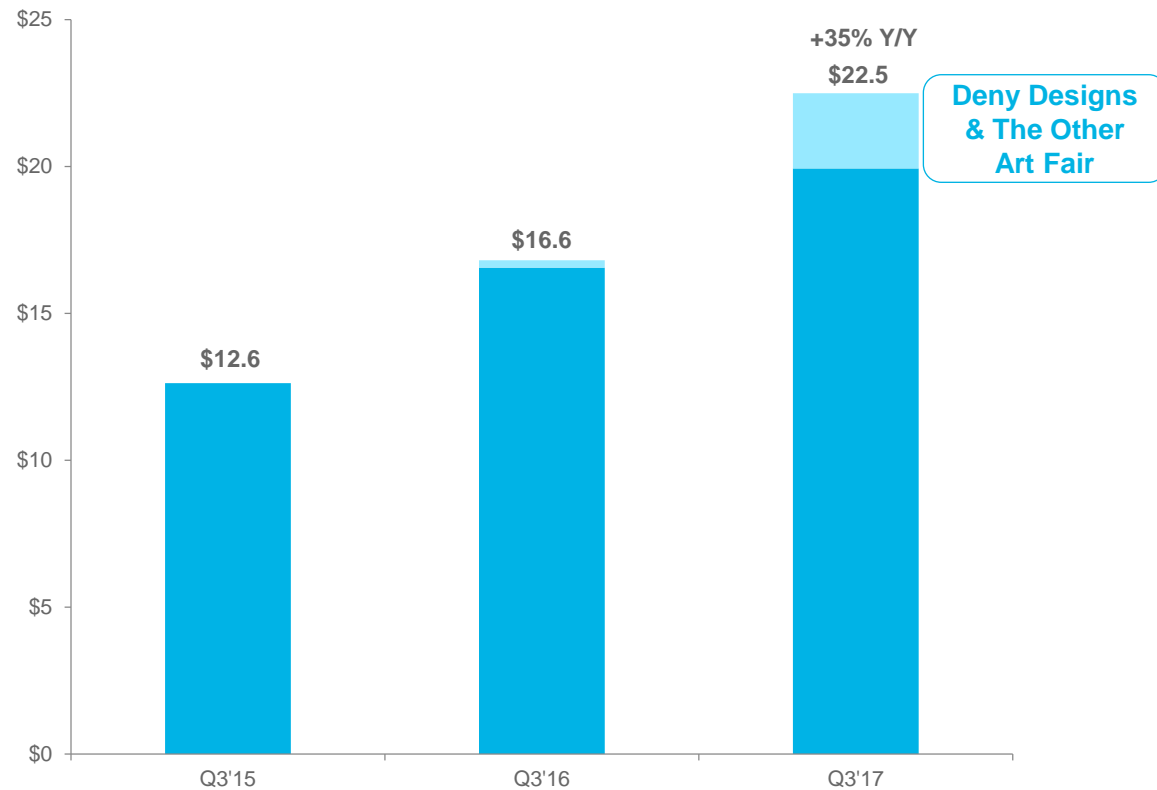


# Strong Marketplaces Growth



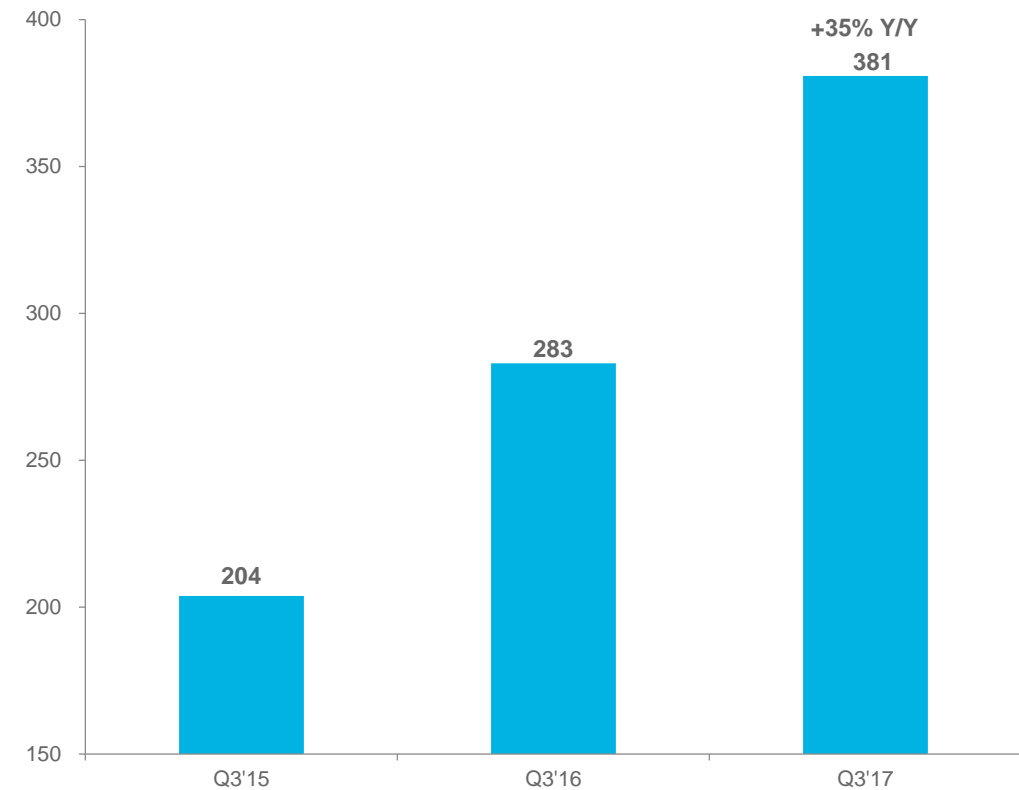
## Revenue

(in millions)



## Total Transactions<sup>(1)</sup>

(in thousands)



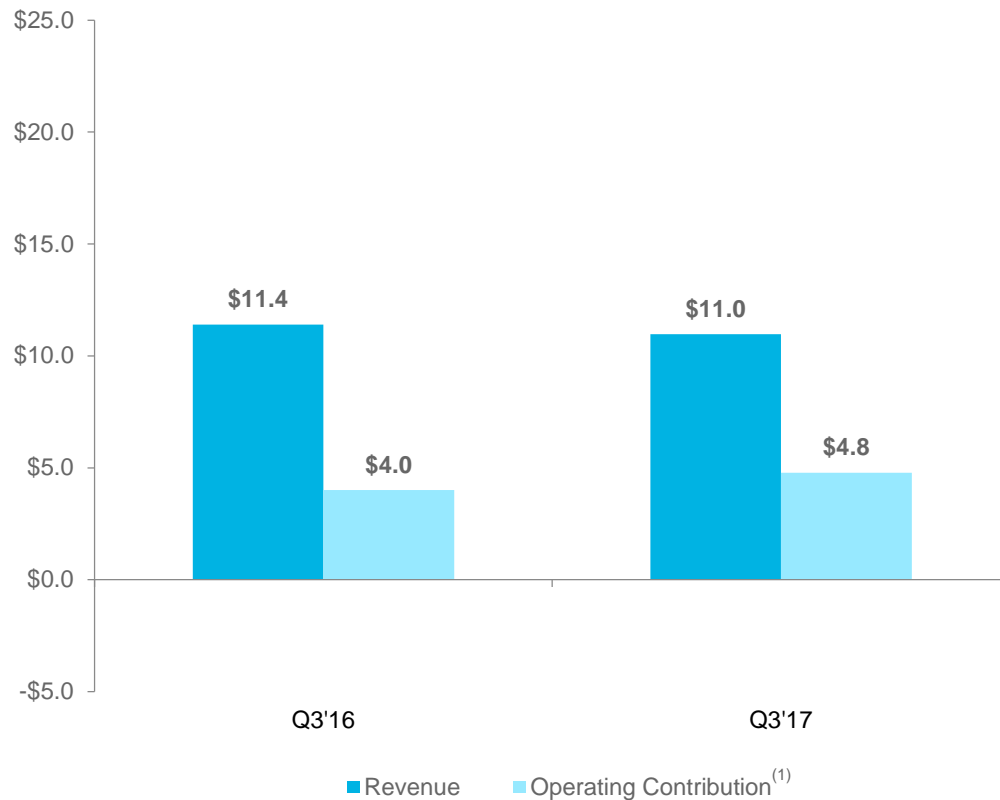
(1) Number of Transactions is defined as the total number of transactions successfully completed by customers during the applicable period, excluding certain transactions generated by The Other Art Fair that relate to the hosting of the art fairs, such as sales of leased space to artists, sponsorships and tickets.

# Improving Media Operating Contribution and Continued Investment in Marketplaces

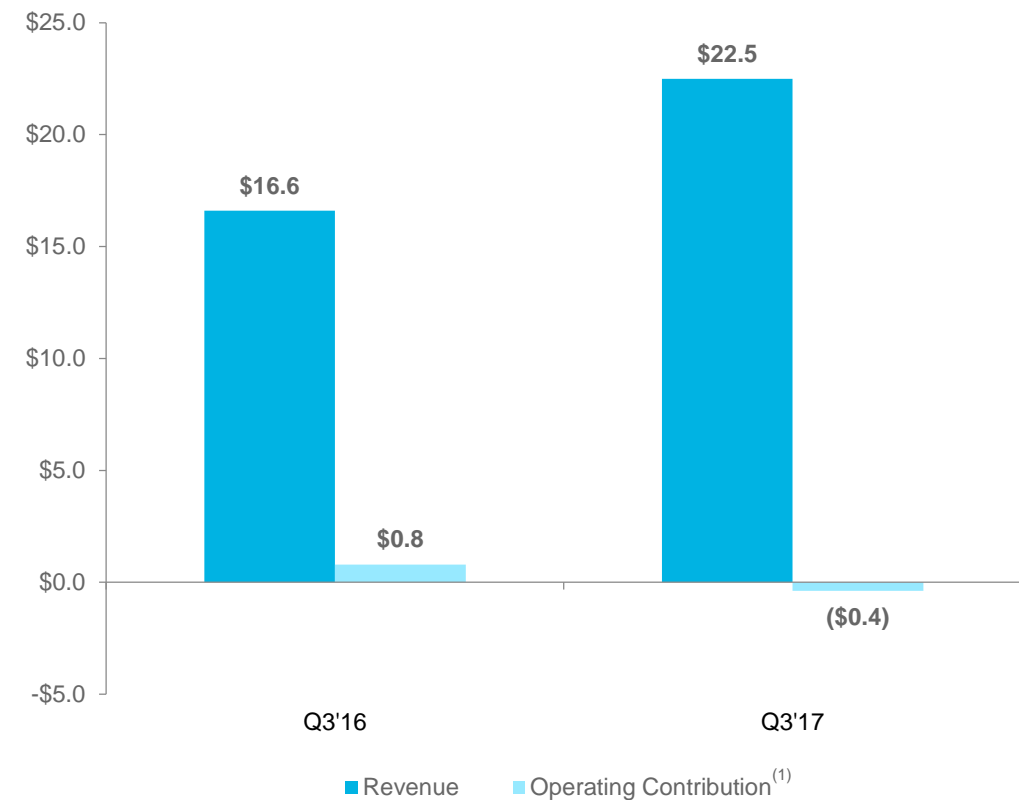


(\$ in millions)

## Media



## Marketplaces

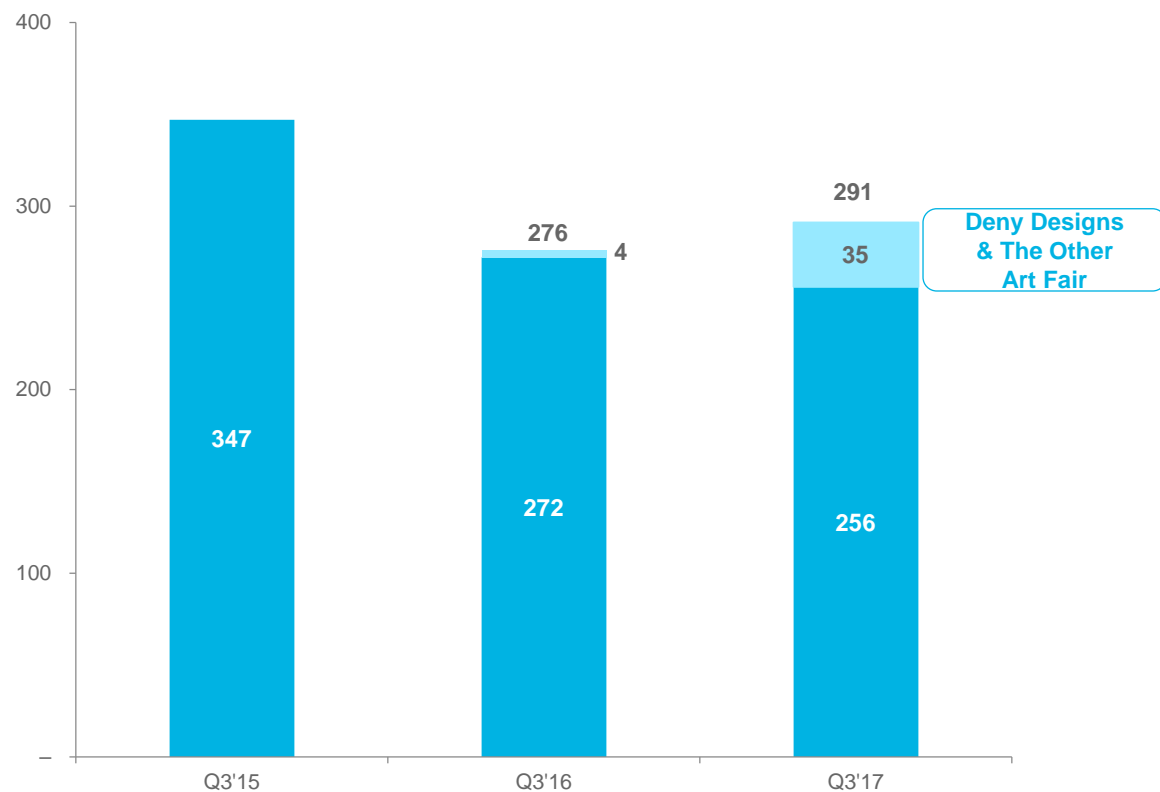


(1) Segment operating contribution reflects earnings before corporate and unallocated expenses and also excludes: (a) depreciation expense; (b) amortization of intangible assets; (c) stock-based compensation expense; (d) interest and other income (expenses); and (e) income taxes.

# Fiscal Discipline and Efficiency

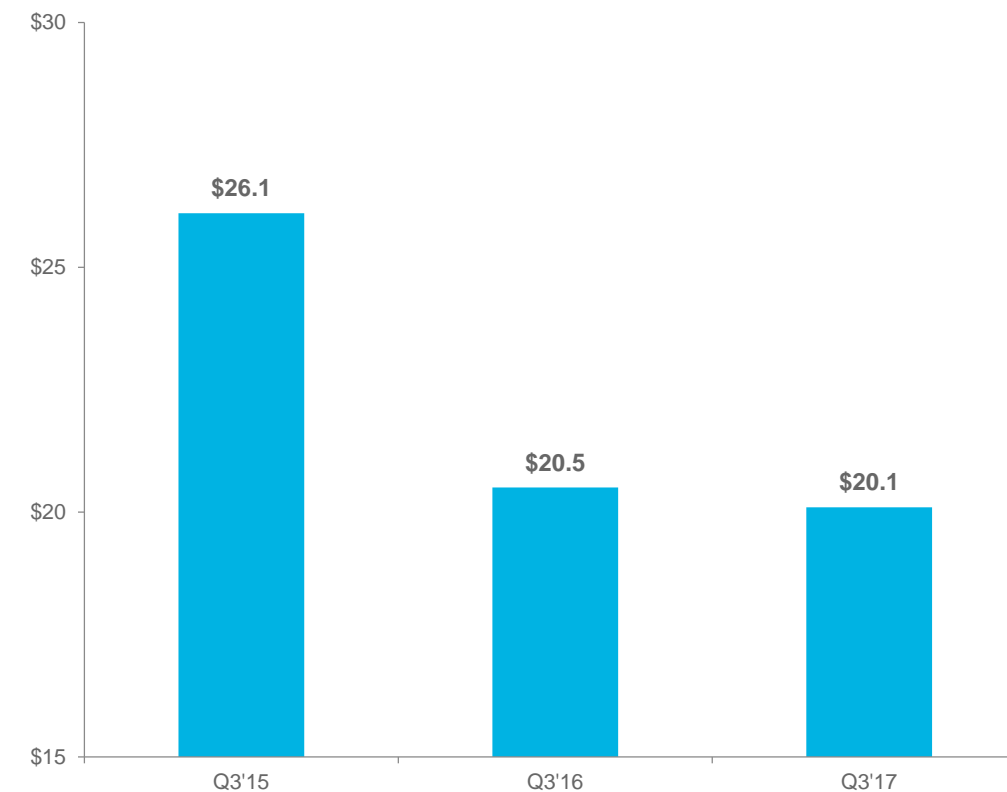


## Headcount<sup>(1)</sup>



## Total Non-GAAP Expenses Excl. Product Costs<sup>(2)</sup>

(\$ in millions)



(1) Headcount provided as of the end of the relevant period.

(2) Non-GAAP expenses excluding product costs are GAAP expenses less depreciation, amortization and stock-based compensation.

# Healthy Balance Sheet



With \$5M of share buy backs 2016<sup>(1)</sup> and \$155M in Federal and \$63M in State NOLs<sup>(2)</sup>

As of September 30, 2017  
(\$ in millions)

## Assets

|                                       |         |
|---------------------------------------|---------|
| Cash & Cash Equivalents               | \$ 33.0 |
| Other Current Assets                  | 9.5     |
| Property and Equipment, Net           | 11.8    |
| Other Long Term Assets <sup>(3)</sup> | 30.0    |
| Total Assets                          | \$ 84.4 |

## Liabilities and Stockholders' Equity

|  |         |
|--|---------|
| Accounts Payable, Accrued Expenses,<br>and Other Current Liabilities | \$ 17.4 |
| Deferred Revenue   | 2.0     |
| Non-current Liabilities  | 3.5     |
| Stockholders' Equity   | 61.5    |
| Total Liabilities and Stockholders'<br>Equity                        | \$ 84.4 |

(1) Leaf Group's board of directors previously approved a stock repurchase program under which the company is authorized to repurchase up to \$50.0 million of common stock, of which approximately \$14.4 million remained available as of December 31, 2016. In 2016, Leaf Group purchased 884,000 shares at an average price of ~\$5.50 per share.

(2) Leaf Group had federal net operating loss ("NOL") carryforwards of approximately \$155 million as of December 31, 2016, which expire between 2021 and 2036. In addition, Leaf Group had state NOL carryforwards of approximately \$62.6 million, which expire between 2017 and 2036. As of June 30, 2017, Leaf Group has a full valuation allowance against our net operating loss carryforwards.

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



# Media Valuation Landscape



## Leaf Group Media Assets

**eHow**

L I V E S T R O N G™.COM

**Content  
Partners**

| (\$ in millions)    | Q3'17  | Annualized Run Rate <sup>(1)</sup> |
|---------------------|--------|------------------------------------|
| Revenue             | \$11.0 | \$44.0                             |
| Contribution Margin | \$4.8  | \$19.2                             |

(1) Annualized run rate equals Q3'17 revenue / contribution margin multiplied by 4.

(2) Source: Wall Street research reports.

(3) Management estimates based on publically available information.

(4) Source: Internal Data

(5) Implied valuation based on average of EV/Sales and EV/EBITDA multiples.

## Media Comps

**WebMD**

- Acquired by Internet Brands / KKR for \$2.8B (7/17)
- 4.9x EV/2017 Sales<sup>(2)</sup>
- 14.8x EV/2017 EBITDA<sup>(2)</sup>

 **everyday HEALTH**

- Acquired by J2 Global for \$465M (10/16)
- 1.7x EV/2016 Sales<sup>(2)</sup>
- 9.7x EV/2016 EBITDA<sup>(2)</sup>

 **REFINERY29**

- Time Warner invested \$50M at a \$300M valuation (est.) (7/16) <sup>(3)</sup>
- ~3x 2016 Sales (est.) <sup>(3)</sup>

**Buzz  
Feed**

- NBCU invested \$200M at a \$1.5B valuation (est.) (10/16) <sup>(3)</sup>
- ~6x 2016 Sales (est.) <sup>(3)</sup>

**CRACKED**

- E.W. Scripps paid \$39.1M to Leaf Group to acquire Cracked (4/16)
- 3.5x 2015 Sales
- 12.7x 2015 Contribution Margin <sup>(4)</sup>

Implied Valuation: \$155 - \$275m<sup>(5)</sup>

# Marketplaces Valuation Landscape



## Leaf Group Marketplaces Assets



| (\$ in millions) | <u>Q3'17</u> | <u>LTM<sup>(1)</sup></u> |
|------------------|--------------|--------------------------|
| Revenue          | \$22.5       | \$78.7                   |
| Gross Profit     | \$5.7        | \$19.8                   |

## Marketplace Comps



NASDAQ: ETSY

- 5.0x LTM Sales<sup>(2)</sup>



NYSE: W

- 1.5x LTM Sales<sup>(2)</sup>



ASX: RBL

- 1.0x LTM Sales<sup>(3)</sup>



Private

- \$50M raise at ~\$250M valuation

Implied Valuation: \$75 - \$395m<sup>(4)</sup>

(1) Last twelve months, as of Q3'17.

(2) Source: Wall Street research reports, as of November 2017.

(3) Source: Redbubble, as of November 2017.

(4) Implied valuation based on high and low multiples applied to LTM Revenue.

# Executive Leadership



**Sean Moriarty**  
Chief Executive Officer

Prior:

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



**Brian Pike**  
Chief Operating Officer &  
Chief Technology Officer

Prior:

- CTO at Rubicon Project
- CTO at Ticketmaster



**Dion Camp Sanders**  
EVP, Marketplaces

Prior:

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



**Daniel Weinrot**  
EVP, Legal & General Counsel

Prior:

- VP & Deputy General Counsel at Las Vegas Sands Corp.
- Corporate associate at Latham & Watkins LLP



**Tawn Albright**  
EVP, Corporate Development

Prior:

- CEO and founding partner at Rockhouse Partners
- Executive VP for Etix



**Jill Angel**  
EVP, People

Prior:

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



**Jeff Misthal**  
SVP, Finance

Prior:

- VP, Finance at Yahoo!
- Investment banker at Savvian and JPMorgan

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# Reconciliation of Segment Disclosure



(\$ in thousands)

|   | Three months ended September 30, |            | Nine months ended September 30, |             |
|---|----------------------------------|------------|---------------------------------|-------------|
|   | 2017                             | 2016       | 2017                            | 2016        |
| <b>Segment Revenue:</b>                                       |                                  |            |                                 |             |
| Marketplaces  | \$ 22,493                        | \$ 16,650  | \$ 56,061                       | \$ 43,521   |
| Media   | 10,967                           | 11,409     | 33,202                          | 35,942      |
| Total revenue   | \$ 33,460                        | \$ 28,059  | \$ 89,263                       | \$ 79,463   |
| <b>Segment Operating Contribution:</b>                        |                                  |            |                                 |             |
| Marketplaces <sup>(1)</sup>                                   | \$ (376)                         | \$ 793     | \$ (3,523)                      | \$ 730      |
| Media <sup>(1)</sup>  | 4,779                            | 4,053      | 12,792                          | 6,857       |
| Add (deduct):   |                                  |            |                                 |             |
| Corporate expenses <sup>(2)</sup>                             | (6,290)                          | (7,102)    | (19,812)                        | (21,366)    |
| Acquisition, disposition and realignment costs <sup>(3)</sup> | -                                | 99         | 299                             | 1,396       |
| Adjusted EBITDA   | \$ (1,887)                       | \$ (2,157) | \$ (10,244)                     | \$ (12,383) |
| <b>Reconciliation to consolidated pre-tax income (loss):</b>  |                                  |            |                                 |             |
| Adjusted EBITDA   | \$ (1,887)                       | \$ (2,157) | \$ (10,244)                     | \$ (12,383) |
| Add (deduct):   |                                  |            |                                 |             |
| Interest income (expense), net                                | 64                               | 33         | 143                             | 58          |
| Other income (expense), net <sup>(4)</sup>                    | (6)                              | (31)       | (9)                             | 39,131      |
| Depreciation and amortization <sup>(5)</sup>                  | (2,749)                          | (4,447)    | (8,815)                         | (15,035)    |
| Stock-based compensation <sup>(6)</sup>                       | (2,182)                          | (1,680)    | (6,426)                         | (6,118)     |
| Acquisition, disposition and realignment costs <sup>(3)</sup> | -                                | (99)       | (299)                           | (1,396)     |
| (Loss) income before income taxes                             | \$ (6,760)                       | \$ (8,381) | \$ (25,650)                     | \$ 4,257    |

- (1) Segment operating contribution reflects earnings before corporate and unallocated expenses and also excludes: (a) depreciation expense; (b) amortization of intangible assets; (c) stock-based compensation expense; (d) interest and other income (expenses); and (e) income taxes.
- (2) Corporate expenses include 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) stock-based compensation expense; (d) interest and other income (expenses); 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 and (b) employee severance and other payments attributable to acquisition, disposition or corporate realignment activities.
- (4) Primarily consists of income from the disposition of certain businesses, including Cracked, and non-core media properties.
- (5) Represents depreciation expense of our long-lived tangible assets and amortization expense of our finite-lived intangible assets, including amortization expense related to our investment in media content assets, included in our GAAP results of operations.
- (6) Represents the expense related to stock based awards granted to employees as included in our GAAP results of operations.

