Domain

ASX ANNOUNCEMENT

Domain Holdings Australia Limited 2019 Half-Year Results Announcement

Sydney, 15 February 2019: Domain Holdings Australia Limited [ASX:DHG] ("**Domain**" or "**Company**") today announced its results for the half-year to December 2018.

Domain reported statutory (Reported 4D) revenue of $186.3 million and a net loss after tax of $156.4 million (including significant items). Significant items after tax of $177.5 million loss include non-cash goodwill impairment of $178.8 million.

Domain's underlying results (excluding significant items):

- **Revenue of $183.9 million up 0.3%.**
- **EBITDA of $52.7 million down 7.1%.**
- **EBIT of $38.4 million down 12.0%.**
- **Net profit after tax of $21.1 million down 14.2%.**
- **Earnings per share of 3.64¢ down 15.1%.**

At December 2018, net debt was $121.1 million. A dividend of 2¢ per share (100% franked) was declared, a payout ratio of 55%. The accounting impact of the non-cash impairment limits dividend capacity for H1. Dividend capacity is expected to return to normal and support a higher fully-franked dividend in H2 of at least 4¢ per share (in-line with FY18 H2).

Domain Chief Executive Officer and Managing Director Jason Pellegrino said: "In the context of current property market cyclicality, Domain delivered a solid performance in the half, with growth in average revenue per listing. The result is in line with market expectations.

"Our Residential business delivered increased sales of premium products, driving a 10% increase in premium (depth) revenue for the half. This strong support from agents and vendors is recognition of the immense value our products deliver. National depth penetration is at the highest level in the company's history and there's still plenty of room to grow.

"Today's results are testament to Domain's strong fundamentals and competitive strength as a leading Australian property technology and services business. Product innovation is at the heart of our great consumer experiences.

"Domain has effective listings parity and record-level audiences. We reach 7.2 million Australians across all platforms. We have a large exclusive app audience, with app downloads up 13% year on year. We are excited by the merger of Fairfax and Nine and the considerable marketing and audience boost it provides to our business.

"We are confident in Domain's long-term growth prospects and have a strategy in place to build on our solid foundation, scale and capability as we enter our next phase of growth."

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Delivering our Strategy

Mr Pellegrino said: "Our strategy is building a customer-centric Australian property marketplace. We are doing this by supercharging our existing listings business and growing and extending our ability to deliver a broader range of solutions directly to consumers."

Domain's key achievements during the half included:

- More than 10% Residential depth revenue growth;
- 20% Commercial revenue growth and the acquisition of Commercial View to further strengthen that business;
- 34% growth in Consumer Solutions revenue. Domain Loan Finder applications increased 56% and Domain Insure quote-to-sale conversion increased 95%;
- Underlying expenses (which exclude Consumer Solutions) reduced 1.6%, notwithstanding continued investment in product and marketing - a better outcome than previously flagged;
- Increasing our stake in Homepass, giving us control of the business and acceleration of product development and integration;
- Introducing a new organisational structure aligned to our core listings business and Consumer Solutions.

Core Digital (incl. Residential; Media, Developers & Commercial; and Agent Services)

"Core Digital revenue growth was 5.1% and Core Digital EBITDA was stable," Mr Pellegrino said.

Residential

"Residential revenue increased 8.6% to around $94 million," Mr Pellegrino said.

"This is a solid result from Residential in the context of lower listings volumes in key markets, where auction volumes declined 20% in Sydney and 19% in Melbourne. Nationally, Domain new listings declined low-to-mid single digits.

"Despite lower volumes in the market, yield growth has been achieved in every State. We are selling more premium products to more agents, who recognise the value we are delivering. We have seen progress in several suburbs in Victoria, achieving substantial uplifts in yield through increased depth listing penetration. Across the Residential business, increased revenue per new listing supported the 10% increase in depth revenue."

Media, Developers & Commercial

Mr Pellegrino said: "Media, Developers & Commercial revenue declined 10.1% and performance varied across the three businesses.

"As we highlighted in August, we made the strategic decision to streamline digital media sales by transitioning to a fully programmatic advertising offering. As expected, this had a significant impact on revenue growth in this segment. The new model is lower revenue but much lower cost, providing increased margin. H1 reflects early results.

"The Developer market operated with a mixed backdrop, with particular weakness in high-rise developments in NSW which experienced significant declines in new projects. There was some resilience in town houses and House & Land. Financing constraints and other regulatory issues weighed on the market environment and property investment.

"We are focused on improving marketing efficiency for Developer clients using data and insights and delivering multi-platform solutions, while expanding geographically into emerging markets, particularly Queensland.

"The Commercial business delivered 20% growth in revenue supported by strong positions in listings, audience and leads. As with the Residential business, we see considerable opportunity to drive depth penetration. The recent acquisition of Commercial View provides the opportunity to further strengthen the business in Victoria."

Agent Services

Mr Pellegrino said: "Revenue increased 15.2%, driven by yield increases and consolidation of Homepass, which is now 68.5%-owned.

"MyDesktop, Homepass and Pricefinder each have solid subscriber bases of agents attracted to the valuable CRM, open-for-inspection, and property data offerings.

"We continue to invest across this property cloud suite to enrich the agent and consumer experience through product innovation. The increased ownership of Homepass allows us to seamlessly link our digital platform to real-world property experiences."

Consumer Solutions (Transactions) & Other

Mr Pellegrino said: "Revenue increased 33.9% reflecting strong growth from Compare & Connect, and early revenue from Domain Loan Finder (which launched in July 2017) and Domain Insure (which launched in January 2018). EBITDA losses increased to $4.3 million, reflecting investment in new businesses.

"Commercial model expansion via Consumer Solutions provides significant opportunity for future revenue growth and diversification. We are concentrating on large markets adjacent to our core listings business that are strategically well placed to leverage Domain's core audience and trusted brand.

"We welcome the final report of the Royal Commission into Financial Services putting the spotlight on better outcomes for consumers. While there are a number of factors still to play out relating to the report's recommendations, we see low-cost disruptive digital-centric models such as ours being well placed to grow market share in the face of regulatory change. The Domain Loan Finder business model has always been, and will remain, focused on providing greater transparency, certainty and choice to consumers searching for a home loan."

Print

Mr Pellegrino said: "Print revenues declined around 24%. This result was affected by market cyclicality, somewhat offset by disciplined cost management which improved margin and contained the EBITDA decline at 10%."

Dividend

A dividend of 2¢ per share (100% franked) will be paid on 7 March 2019 to shareholders registered on 21 February 2019.

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Non-Cash Goodwill Impairment

The accounting standard AASB 136 required assessment of carrying values as a result of the lower FY19 H1 listings environment, particularly in Sydney and Melbourne. These lower near-term growth assumptions resulted in a non-cash impairment charge of $178.8 million being recognised. Medium-term and long-term growth assumptions remain unchanged. The charge is non-cash in nature and there is no impact on banking covenants.

FY19 Outlook

The first six weeks of FY19 H2 saw continued growth in yield and lower listings volumes in a seasonally low listings period. The late timing of Easter reduces current visibility into the Autumn selling season.

Continued investment in growth initiatives (including product development, marketing, and driving sales performance) is being supported by ongoing cost discipline.

For FY19, Domain's underlying costs (excluding investment in new Consumer Solutions businesses) are expected to be slightly down against proforma FY18. Total costs are expected to increase mid-single digit against proforma FY18.

Investor Briefing

An investor briefing (teleconference and audio/slides webcast) on these results will be held today at 10:30am (AEDT).

Webcast:	Click here to register/join – or locate details at shareholders.domain.com.au in the "Results & Reports" section under "Presentations & Webcasts"
Teleconference:	Toll Free 1800 558 698 or +612 9007 3187 Conference ID 453334#

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