ASX ANNOUNCEMENT

Domain Holdings Australia Limited 2021 Full-Year Results Commentary

Sydney, 17 August 2021: Domain Holdings Australia Limited [ASX:DHG] ("**Domain**" or "**Company**") today delivered its 2021 full-year financial results. Accompanying commentary from Chief Executive Officer and Managing Director Jason Pellegrino and Chief Financial Officer Rob Doyle is set out below.

Jason Pellegrino – Chief Executive Officer and Managing Director:

Slide 1

Good morning everyone. Thank you for joining me and CFO Rob Doyle for Domain's 2021 full year results briefing.

I'd like to start off today by acknowledging the Traditional Custodians of Country throughout Australia and their connections to land, sea and community.

We pay our respects to their elders past and present, and extend that respect to all First Nations peoples today. For myself, I am on the land of Gadigal people of the Eora Nation.

Slide 2,3

We'll follow our usual agenda with an overview of the result, and the progress it demonstrates in the implementation of our Marketplace strategy. I'll provide an update on the current trading environment and outlook, after which Rob will take you through the group financials. We look forward to your questions at the end of our prepared remarks.

Slide 4

Through the uncertainties of the past year and a half, Domain has maintained the pace of our business strategy evolution. The adoption of our Marketplace model is designed to make our solutions work better together, expand our addressable markets, and deliver on our purpose to inspire confidence for all of life's property decisions. The actions we have taken have positioned Domain to take full advantage of an improving property market environment. The market listings recovery has combined with an expansion in Domain's controllable yield, to deliver accelerating revenue growth in the second half. While the market recovery was very welcome, it's been extraordinary for me to see the amazing efforts and outcomes that have been achieved by Domain's high performing teams.

Slide 5

For FY21, on a like-for-like basis, Domain delivered:

- Revenue of $289.6 million up 9.7%

- Expenses of $189.0 million up 5.6%
- EBITDA of $100.6 million up 19.0%
- EBIT of $64.5 million, up 41.9%

Net profit was $37.9 million and Earnings per Share were 6.5 cents, with both increasing by 66%.

During the year new accounting changes were introduced to reclassify cloud-based software development costs into operating expenses, having previously been capitalised. This reduced FY21 reported EBITDA by $1.4 million, and FY20 EBITDA has been restated by $1.3 million. Excluding the impact of this change, FY21 EBITDA is $102.0 million.

As a result of increased confidence in the property market outlook, and the robust performance of the business, the Board has made the decision to repay grants received in FY21 from the Federal Government's JobKeeper scheme. This will reduce FY22 EBITDA by $5.7 million.

A final dividend of 4.0 cents was declared.

Slide 6

Turning to the segment results on slide 6:

Residential revenue increased around 21% on a reported basis and 20% like-for-like.

Media, Developers & Commercial revenue increased 7%.

Agent & Property Data Solutions revenue increased 8%.

Together these categories delivered Core Digital revenue which increased 17% on a reported basis, and 16% like-for-like. Core Digital EBITDA increased 33%, and 31% like-for-like.

Consumer Solutions revenue was stable and EBITDA losses increased to $6.2 million on higher investment at Domain Home Loans.

Total Digital revenue increased 17% on a reported basis and 15% like-for like.

Print revenue declined 33% and EBITDA was $2.8 million.

Corporate EBITDA loss widened to $26 million due to $8 million of additional costs related to D&O insurance and share based payments.

Slide 7

At the heart of Domain's Marketplace strategy is our mantra of "Better Together", an approach which maximises the value of each of our solutions through close collaboration, and leverages their differentiated strategic positioning.

- In Core Listings, we are investing in a suite of innovative and disruptive products like Early Access. Our flexible pricing model and targeted micro market strategy supports accelerating yield growth.
- In Agent Solutions, our track record of trusted partnerships provides a unique platform to launch new products and services that are integrated into the agent workflow, and designed to help agents grow their businesses.
- In Consumer Solutions, our digital first approach provides consumers with their preferred means of interaction, a preference that has only accelerated as a result of COVID. It also allows Domain to connect with consumers at the relevant stage of their property journey.
- Our Property Data Solutions business has a multi-decade heritage of timely and accurate property data supporting actionable insights for agents, consumers and non-real estate clients.

Slide 8

This slide highlights the progress we continue to make against our Marketplace strategy.

In our Core listings business we achieved:

- 11% increase in controllable residential yield and record depth penetration;
- 31% growth in Core Digital EBITDA on a like-for like basis;
- A record unique digital audience of more than 9 million.

In Agent solutions we delivered:

- 157% increase in like-for-like revenue at Real Time Agent;
- Accelerating growth at MarketNow, with agent adoption almost doubling in Q4;
- Full ownership of Homepass, providing a platform to accelerate product innovation.

In Consumer Solutions, we achieved an increase in new accounts at Domain Home Loans of more than 33%, and a strong finish to the year with increased conversion and new management.

In Property Data Solutions we significantly expanded the size of the LeadScope trial with strategic agent partners, continuing to deliver high prediction accuracy. We accelerated investment to grow data capability, and launched a proprietary real-time demand indicator.

Slide 9

Before I run through our results in more detail, I want to touch on our ESG journey at Domain. The pillars of our ESG approach, and the material risks we have identified, are outlined on the slide. They reflect our commitment to delivering sustainable value to all our stakeholders, and the passion of our employees to contribute to the communities we serve. Through multiple COVID disruptions in recent times, Domain’s culture and values have remained powerfully on display.

Slide 10

Turning now to the detail of the results and the key drivers of Domain's five revenue categories.

Slide 11

Residential revenue increased 21% to $195.3 million, with an acceleration in the second half which increased 32%. Strong demand fuelled an 11% recovery in listings from FY20's COVID-depressed lows. The highlight was an 11% increase in controllable yield, achieved despite the absence of the usual annual price increase in the second half. Domain continued to drive depth penetration which reached record highs and supported 22% depth revenue growth.

Slide 12

The 11% increase in controllable yield reflects the powerful market dynamics underpinning Domain's business model: effective listings parity and increasing engagement with large, high-quality audiences.

Slide 13

The volatility of the listings environment over the past three years is illustrated on this slide, with a very strong finish to FY21 as the market cycled the COVID lows a year ago. While the listings recovery is very welcome, I am particularly pleased with the increase in controllable yield which links to the specific actions we have undertaken to drive this performance. The acceleration in controllable yield to 13% in the second half is even more impressive in the context of the strong Q3 last year and the absence of our usual price increase in January. A delayed price increase was successfully implemented in July.

Slide 14

A key driver of our controllable yield success is our targeted micro market strategy which customises our approach to price and depth for each market. As you can see on this slide, each of our market segments have seen strong growth in revenue per listing, as well as solid recovery in listing volumes.

Volume growth was particularly strong in inner Sydney and inner Melbourne, with Melbourne bouncing back sharply after its extended lockdown.

Audience growth was strong across all our markets, with Queensland delivering the highest year-on-year growth rate by state.

Agent coverage improved, with a higher number of depth contracts in every zone.

In FY21 yield growth for all segments was skewed to depth given the deferral of the price increase from January to July. In line with our strategy, Established markets delivered the strongest price performance, while Emerging markets delivered the strongest depth growth.

Slide 15

Depth performance by state is outlined on Slide 15, with an increase in every state to reach a new record. Increased platinum penetration in New South Wales is particularly notable given it is already at the highest level of all the states.

Slide 16

We've seen tremendous momentum in depth penetration growth accompany the listings recovery in the second half. This has benefited every state, with strong momentum in Victoria with the emergence from lockdown, and exceptional performances in Queensland and WA.

Slide 17

Domain delivers large, high-quality audiences, and in March we reached a new record, with a unique audience of 9.6 million across print and digital, up 23% year-on-year. Our unique digital audience of 9.3 million was an excellent outcome. Engagement metrics remain very high with a 52% year-on-year increase in app launches, and strong growth in listing views and enquiries.

I have spoken previously about how our focus on quality, high intent audiences is driving efficiencies in marketing spend, and this trend continued. We have seen a 55% increase in buyer enquiries, our most valuable audience interaction, while reducing cost per enquiry by 25% year-on-year in the second half.

Slide 18

Turning to Media, Developers & Commercial.

Revenue increased 7%, with a strong recovery in the second half across all three verticals.

Slide 19

Media was the strongest performing business of the three, significantly outperforming the broader digital advertising market. Key drivers were a recovery in property related advertising categories, supported by growth in Domain's quality audience. Developers delivered a solid revenue increase for the year, benefiting from demand from first home buyer and downsizer markets. The second half performance improved as Victoria emerged from its prolonged COVID-shutdown. CRE revenue was modestly down year-on-year with a significant improvement in the second half. While listings volumes continued to experience COVID impacts, depth penetration improved, benefiting from the flexible value-based pricing model.

Slide 20

In Agent & Property Data Solutions, revenue increased 8.1%, benefiting from a strong second half recovery.

Slide 21

Pricefinder and Homepass delivered strong second half gains from the prior period which included COVID-related support initiatives to agents. Real Time Agent delivered ongoing momentum in new customer growth, and expanded product uptake from existing customers.

Slide 22

RTA's position within the agent journey is highlighted on this slide. The business is delivering strong momentum in its market leading product suite, benefiting from Domain's national platform in speeding up agent adoption. On a like-for-like basis, RTA delivered a 78% uplift in paid subscribers, and 157% increase in revenue as agents increasingly subscribe for multiple products. RTA's reported revenue growth was even stronger, benefiting from a full year earnings contribution due to the timing of the acquisition in November 2019.

We've also seen strong momentum at our new payment platform MarketNow, with active agents almost doubling in the fourth quarter compared with the third.

Slide 23

We're excited by the opportunity for RTA to expand beyond products to deliver an agent platform that provides choice, integrated into the agent workflow. This slide outlines the broad array of third-party products from technology partners that have already integrated into the RTA platform. We see an opportunity for this to expand even further to add value to agents and vendors.

Slide 24

Our product teams continue to support the agent journey with ever expanding tools to help grow their businesses.

Slide 25

Consumer Solutions' revenue was stable year-on-year at $5.5 million. Reported revenue trends were impacted by the conclusion of a lead generation arrangement at Domain Connections. Domain Home Loans' underlying revenue growth was 12%.

Slide 26

DHL's key metrics on slide 26 highlight continued strength in new account creation up 33% for the year, and increasing momentum in Q4 approvals and settlements. Improving fourth quarter conversion metrics, scaled up headcount, and a new management team are expected to accelerate future performance. DHL continues to resonate strongly with consumers, retaining its market-leading customer review ratings.

Slide 27

Our Product teams continue to improve the user experience, with a focus on improved integration and personalisation to drive awareness and engagement beyond Domain's core offering.

Slide 28

Print revenues declined 33% reflecting a print pause during COVID, with a substantial second half recovery as publishing activities resumed. For the year, the mastheads published only 68% of their usual schedule.

Slide 29

Cost reduction initiatives, together with print volume declines supported a 27% year-on-year decline in expenses, and the maintenance of EBITDA profitability. Print remains sustainable in premium markets due to the strategic value it delivers to agents from high value, passive audiences, as well as building agent profile and brand.

Slide 30

Turning now to the current trading environment and outlook.

Slide 31

- In the FY22 year to date, national listings are slightly up on last year. While listings volumes have been impacted by lockdowns, particularly in Sydney, July continued to deliver strong national depth performance. We remain confident in the resilience of the market, as evidenced by consistent patterns of sharp rebounds when restrictions ease.
- We will maintain our disciplined investment approach to accelerate our Marketplace strategy, while retaining a commitment to ongoing margin expansion.
- As a result of increased confidence in the property market outlook, and the robust performance of our business, the Board made the decision to repay grants received in FY21 from the Federal Government's JobKeeper scheme. This will be reflected in FY22 results.
- For FY22, ongoing costs are expected to increase in the high single digit to low double digit range from the FY21 ongoing expense base of $195.5 million. This excludes the impact of the Jobkeeper repayment of $5.7 million which will be included in FY22 trading expenses.

I'll now hand over to Rob to run through the financials.

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Rob Doyle – Chief Financial Officer:

Slide 32

Thanks Jason – and thanks everyone for joining the call today.

Slide 33

Slide 33 provides a reconciliation of the statutory 4E to Domain's trading performance excluding significant items and disposals. I'll run through the significant items later in the presentation.

Starting at the items below EBITDA, depreciation and amortisation expense of $36.0 million decreased from $38.3 million in FY20. Factors contributing to the decline include lower depreciation relating to leases and lower capex due to Zipline and JobKeeper.

For FY22, depreciation and amortisation expense is expected to be broadly in line with FY21.

Net finance cost of $6.7 million was in line with last year.

Tax expense of $17.7 million is an effective tax rate of 30.6% and we expect a similar rate in FY22.

Net profit attributable to non-controlling interests (NCI) of $2.3 million reflects the share of profits or loss attributable to the agent ownership models and other consolidated, non-wholly owned entities.

NCI was slightly lower than FY20 as a result of increased investment at Consumer Solutions. Further detail is contained in Appendix 1.

Slide 34

Slide 34 provides the reconciliation of statutory to trading performance for FY20.

Slide 35

Before we move to the detail of operating costs, I want to provide some additional context on how we are approaching investment in the business. Over the past three years, our investment strategy has supported our business strategy, while responding to the challenging market conditions we have had to navigate. Our approach in Phase 1 was largely to simplify and optimise. This involved rationalisation and restructuring of the expense base for the future needs of the business, and at the half year I outlined how product and tech had more than doubled as a proportion of the cost base over the previous two years. Simplify and optimise also included portfolio rationalisation, with the sale of businesses that are not aligned with our strategy for the future. Phase 1 also included early investment to innovate, with the acquisition of RealTime Agent. During Phase 2 we maintained our cost base discipline, particularly during the COVID pandemic, while broadening our innovation agenda, with investment across a range of new initiatives. Looking forward to FY22 we are looking to accelerate investment in innovation to support our Marketplace ambitions.

Slide 36

Moving on from the big picture, Slide 36 provides the detail of Domain's cost structure, and a reconciliation of statutory to trading expenses, like-for-like and ongoing expenses.

Statutory expenses of $200.5 million declined from FY20 which included COVID-related impairment charges.

Trading expenses, which exclude significant items and disposals, increased 5.9% to $189.0 million, with investment increasing in the second half.

Adjustments for acquisitions and Jobkeeper saw expenses up 5.6% on a like-for-like basis to $193.4 million.

Given the impact of Domain's COVID-response Zipline program, we have provided a further reconciliation to ongoing expenses which include acquisitions. Adjusted for these items, ongoing expenses increased 5.6% to $195.5 million.

Turning now to the drivers of our trading expenses.

Staff costs increased 20% due to increased headcount, and higher commissions and incentives due to improved performance.

Production and Distribution costs decreased 8%, largely due to the reduction in Print costs resulting from the pause on print.

Promotion costs were lower, reflecting the conclusion of our Cricket Australia sponsorship and a more focused and targeted spend. Our focus on high quality audiences has significantly reduced our marketing cost per enquiry as Jason outlined earlier.

Software and Communications expenses reduced 10% due to continued efficiencies.

Other costs increased 11% largely as a result of higher market-wide increases in D&O insurance rates.

Slide 37

Slide 37 provides an overview of significant items.

Restructuring charges of $8.5 million largely relate to the implementation of new finance and billing systems, M&A activity and costs relating to organisational restructuring.

Gains on contingent consideration, and sale of controlled entities of $1.6 million, largely relate to the sale of MyDesktop.

Slide 38

Turning to cash flow on Slide 38.

FY21 cash from trading was $86.2 million.

The increased cash tax payments versus the prior year are due to the timing of income tax installments.

Investment in PPE and software was $17.7 million, slightly below FY20 due to the impact of Project Zipline on developer costs.

We expect a higher rate of investment in FY22 as we accelerate our Marketplace strategy.

Net proceeds from disposals of $4.5 million related to deferred consideration from MyDesktop, and deferred payments for RTA.

Dividends paid reduced substantially versus the prior period reflecting the absence of FY20 full year and FY21 half year dividends.

Lease payments of $8.7 million were in line with last year.

The net cash inflow of $28.7 million resulted in a year end cash balance of $94.2 million.

Slide 39

Slide 39 provides an overview of Domain's debt facilities. In March, the additional bank facility of $80 million undertaken as part of our COVID response was cancelled. At June 2021, the remaining $225 million facility was drawn down to $173 million, unchanged from June 2020.

Slide 40

Slide 40 shows the balance sheet of Domain Group as at June 2021. Domain has a strong balance sheet, ending the year with net debt of $79.0 million, a decrease from $105.8 million at June 2020. This represents a leverage ratio of 0.8x which has improved from 1.3x at June 2020.

With that I will hand back to Jason for some closing remarks.

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Jason Pellegrino, Chief Executive Officer

Slide 41

The efforts of the entire Domain team are reflected in the results we have reported today. Their creativity and hard work have ensured that the velocity of Domain's Marketplace innovation has not skipped a beat in the face of ongoing COVID-19-related disruption.

The strong FY21 performance, and the resilience the business has displayed through periods of uncertainty, demonstrate the potential for Domain as we evolve our business model to continue to inspire confidence for all of life's property decisions.

With that, I'll hand back to the operator for Q&A.

Ends

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