Domain

ASX ANNOUNCEMENT

Domain Holdings Australia Limited
2022 Half-Year Results Announcement

Ongoing EBITDA growth of 53% on record depth penetration

Sydney, 17 February 2022: Domain Holdings Australia Limited [ASX:DHG] ("**Domain**" or "**Company**") Domain Holdings Australia Limited [ASX:DHG] ("**Domain**" or "**Company**") today announced its 2022 half-year financial results.

Domain reported statutory (Reported 4D) revenue of $176.2 million, and a net profit after tax of $19.5 million including a significant loss of $6.6 million. A dividend of 2.0 cents per share was declared.

Domain's trading results (excluding significant items and disposals):

$M	FY22 H1	FY21 H1*	% ch
Revenue	**175.3**	137.0	27.9%
Expenses	**(114.3)**	(83.6)	(36.7%)
EBITDA	**61.0**	53.4	14.2%
EBIT	**44.6**	34.7	28.5%
Net profit attributable to members of the company	**26.1**	19.4	34.2%
Earnings per share (EPS) ¢	**4.46**	3.32	34.2%

Domain's ongoing results (adjusted for JobKeeper/Zipline):**

$M	FY22 H1	FY21 H1*	% ch
Revenue	**175.3**	137.0	27.9%
Expenses	**(106.7)**	(92.2)	(15.7%)
EBITDA	**68.5**	44.8	53.0%
EBITDA margin (%)	**39.1%**	32.7%	

*FY21 H1 results have been restated for IFRIC guidance on AASB138 Intangible Assets which expenses cloud based software development costs (previously capitalised)

** Ongoing result excludes JobKeeper and Zipline expense of $7.5 million in FY22H1 and JobKeeper and Zipline benefit of $8.7 million in FY21 H1. Zipline was Domain's voluntary employee program implemented during the initial stages of the COVID-19 pandemic to deliver a 20% reduction in employee cash salary.

Key FY22 H1 achievements:

- Accelerating the delivery of our Marketplace strategy across the business;
- 19% increase in controllable residential yield, and record depth penetration;
- 43% growth in ongoing Core Digital EBITDA and record margins;
- 65% underlying revenue growth at Domain Home Loans.

Domain Chief Executive Officer and Managing Director, Jason Pellegrino, said: "Through the volatile trading environment of the past three years, Domain has maintained the pace of our business strategy evolution. We have responded to the changing environment, while continuing to innovate for the future. I am incredibly proud of the hard work of our team in progressing Domain into a fundamentally better business. We have positioned Domain to take full advantage of the rebounding property environment.

"The outcome of our strategic focus, and the increasing value we bring to our customers and consumers, is reflected in the outstanding set of results we are announcing today. We have achieved growth across every revenue line, and 53% EBITDA growth on an ongoing basis, and delivered on our commitment to deliver expanding EBITDA margins on an ongoing basis. The entire Domain team is delivering on the promise of our Marketplace strategy."

For FY22 H1, Domain reported revenue of $175.3 million up 27.9%, expenses of $114.3 million and EBITDA of $61.0 million. Net profit of $26.1 million and Earnings per Share of 4.46 cents increased by 34%.

Mr Pellegrino said: "The FY22 H1 trading results on a reported basis are significantly impacted by the timing of the JobKeeper grant and repayment, and the benefits and costs of Zipline, our voluntary employee program undertaken during the early stages of the COVID pandemic. In FY21 H1 we received a net $8.7 million EBITDA benefit from JobKeeper and Zipline, while in the first half of FY22 this reversed to an additional expense of $7.5 million. Domain's ongoing results exclude the impact of JobKeeper and Zipline from both periods. On this basis, expenses of $106.7 million increased 15.7% and EBITDA of $68.5 million increased 53%. Pleasingly we delivered margin expansion across every segment, with the ongoing core digital margin of 50.9% a stand-out, and all-time record.

At December 2021, net debt was $166.4 million representing a leverage ratio of 1.4x ongoing EBITDA.

Delivering on our Strategy

Mr Pellegrino said: "Domain's mantra of "Better Together" is driving impressive results across our Marketplace. Each of our solutions is leveraging their differentiated strategic position, while maximising the value for the group through close collaboration. The results of this strategy are demonstrated in the progress of our business metrics over the past three years. Domain's digital margin has increased from 34.4% to 48.4% in FY22 H1 on an ongoing basis."

Core Digital (incl. Residential; Media, Developers & Commercial; Agent Solutions and Property Data Solutions)

Core Digital Revenue increased 25.5%. Core digital EBITDA increased 16.3% on a reported basis and 42.7% on an ongoing basis, Mr Pellegrino said.

Residential

"Residential revenue increased 29% to $120.3 million, benefiting from strong depth revenue growth of 33.5%. Canberra's first lockdown of the pandemic was a noticeable drag on performance given Allhomes' strong market position. As lockdown conditions have eased, we have seen the Canberra market bounce back strongly in January. Excluding Allhomes, residential revenue increased 31% and depth revenue increased 36.5%. Buoyant market conditions supported a 14% increase in new listings volumes, and controllable yield grew 19%, an exceptional performance. The 19% uplift was made up of a pleasing even mix of 10% price and 9% depth, a strong endorsement by agents of the value Domain delivers. The successful execution of our micro-market strategy is the basis for our confidence in our long-term target of an average controllable yield increase of 12% through the cycle," added Mr Pellegrino.

Media, Developers & Commercial

Mr Pellegrino said: "Revenue increased 15%, with relatively consistent growth rates across all three verticals. Developers' solid performance benefited from good momentum in Victoria and significant growth in Queensland somewhat offset by weakness in the ACT reflecting the COVID shutdowns. Queensland was the strongest performing of the states, leveraging higher audiences and delivering substantial yield gains.

"Commercial Real Estate's performance was underpinned by strong depth penetration growth, with Victoria topping penetration rates by state and encouraging progress in Queensland. Overall, the listings environment was mixed with a strong performance in sale offset by a weak leasing market, particularly in office and industrial.

Media continued to build on its strong FY21 performance, leveraging Domain's quality audiences and content with niche and premium advertisers."

Agent Solutions

Mr Pellegrino said: "In Agent Solutions, revenue increased 19%, benefiting from subscriber growth at Pricefinder and Real Time Agent. Pricefinder delivered 12% year-on-year agent subscriber growth and is a great example of the "better together" approach of our Marketplace model. In partnership, our Core Listings and Agent Solutions teams accelerated subscriber growth and reduced churn. RTA maintained its strong momentum with 54% increase in paid subscribers and 88% revenue growth. More than half of new subscriber additions came from outside of Victoria which was RTA's first market. We're also seeing expanded product take-up by existing customers.

"Our new payment platform, MarketNow, continued to rapidly onboard new customers. Higher utilisation rates and strong market activity saw a tripling in the number of properties supported compared with the previous six-month period. Leadscope is another "better together" example and is the result of a partnership between our agent and property data teams. We saw a 43% increase in participation in the Leadscope trial and continued high prediction accuracy. Impressively, during one four-week period in December, almost a quarter of the listings of trial participants had been predicted by Leadscope."

Property Data Solutions

Mr Pellegrino said: "Property Data Solutions revenue increased by 21%, with solid underlying growth of 9% from Pricefinder and APM, and the contribution of Insight Data Solutions following the completion of our acquisition in mid-October.

"The businesses included in this newest element of our Marketplace include Pricefinder's non-agent customer base, Australian Property Monitors and IDS. Pricefinder and APM have a multi-decade track record of comprehensive and accurate property data and valuation models, while IDS is a market-leading data business providing land and property valuation into the Government sector."

Consumer Solutions

Mr Pellegrino said: "Consumer Solutions' revenue increased 60%, benefiting from a strong performance from Domain Home Loans. DHL operating losses reduced by 34%, illustrating the strong unit economics of the business as we grow volumes. In August I spoke about our expectation that Domain Home Loans' future performance would accelerate, with the benefits of improving conversion metrics and a new management team. It's great to see that acceleration being delivered in the first half result. DHL delivers award winning service with outstanding customer reviews. Over the past two years DHL has seen a 25% uplift in conversion to approval, demonstrating the increased efficiency of the business."

Print

Mr Pellegrino said: "Print revenues increased 75% year-on-year reflecting the resumption of the normal publishing schedule together with strong property market conditions. The pause on print in the first half of FY21 resulted in only 61% of the usual publishing schedule. Print experienced significant margin improvement in the first half, underpinned by the revenue recovery, and continued careful management of cost. Domain's magazines are focused on high value premium markets where print remains sustainable due to the value it provides to agents and vendors."

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Dividend

A dividend of 2¢ per share (100% franked) will be paid on 15 March 2022 to shareholders registered on 24 February 2022.

FY22 Outlook

- Trading in the first six weeks of FY22 H2 reflects ongoing strong year-on-year growth in new 'for sale' listings. Current leading indicators point to continuing favourable listings momentum. However, year-on-year growth rates are expected to reflect the elevated base of comparison from FY21 Q4 when listings increased 45%.

- The results of Domain's transformation to date underpin our confidence to continue to invest in our Marketplace strategy, while retaining our disciplined investment approach, and commitment to ongoing margin expansion.

- FY22 ongoing costs are expected to increase in the low-teens range from the FY21 ongoing expense base of $195.5 million. This excludes the impact of the JobKeeper and Zipline expenses which are included in FY22 H1 reported trading expenses.

- Since our AGM update, strong market performance as COVID restrictions were eased in Sydney and Melbourne, and targeted investment decisions, have increased our FY22 cost expectations by around $3 million. This is a mix of revenue-related expenses arising from the strong trading environment, and targeted investment to accelerate the evolution of our Marketplace strategy.

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
- *Teleconference:* Click here to register/join

Ends

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