ASX ANNOUNCEMENT

Domain Holdings Australia Limited
2022 Half-Year Results Commentary

Sydney, 17 February 2022: Domain Holdings Australia Limited [ASX:DHG] ("**Domain**" or "**Company**") today delivered its 2022 half-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 2022 half 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 the Gadigal people of the Eora Nation.

Slide 2,3

We'll follow our usual agenda with an overview of the result, and the pleasing progress we are making in implementing our Marketplace strategy. I'll provide some commentary on the current trading environment and outlook, and then 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 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 delivered 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.

Slide 5

The FY22 half year 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 the first half of FY21 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. Rob will run through this detail later in the presentation.

In order to provide transparency on the underlying performance of the business, we have provided two tables which summarise the results. The trading “as reported” table includes the expenses of JobKeeper and Zipline in the first half of FY22, and the benefits received in the previous year. The ongoing table excludes the impact of JobKeeper and Zipline from both periods.

For the half, Domain delivered:

- Revenue of $175.3 million up 27.9%
- Trading expenses of $114.3 million, up 36.7% and ongoing expenses of $106.7 million, up 15.7%
- Trading EBITDA of $61.0 million up 14.2%, and ongoing EBITDA of $68.5 million up 53%
- Trading EBIT of $44.6 million, up 28.5%.

Net profit was $26.1 million and Earnings per Share were 4.5 cents, with both increasing by 34%.

An interim dividend of 2.0 cents was declared.

Slide 6

The segment results on a Trading basis are outlined on Slide 6. In order to focus on the underlying performance of the business, I propose to focus on the Ongoing result on the following slide.

Slide 7

Domain reported strong results across all our businesses in the first half.

Residential revenue increased around 29%.

Media, Developers & Commercial revenue increased 15%

Agent Solutions revenue increased 19% and Property Data Solutions, which we have broken out for the first time, increased 21%.

Together these categories delivered Core Digital revenue growth of 26% and ongoing EBITDA growth of 43%.

Consumer Solutions revenue increased 60% and ongoing EBITDA losses reduced by 43%, benefiting as the business scales.

Total Digital revenue increased 26% and ongoing EBITDA increased 48%.

Print revenue increased 75% as we resumed a full printing schedule, with ongoing EBITDA increasing five-fold.

Pleasingly we delivered margin expansion across every segment, with the ongoing core digital margin of 50.9% a stand-out, and all-time record.

Slide 8

Domain is delivering to its purpose by creating a property Marketplace to inspire confidence for all of life's property decisions. Our leading property brands, large engaged audiences, effective listings parity and innovative technology solutions, are delivering a cohesive platform that delivers value at every stage of the property journey, and expands our addressable markets.

Our cohesive ecosystem of services includes:

- Core Listings which connects Domain's audiences with properties and agents;
- Agent Solutions which help agents grow their businesses;
- Consumer Solutions which deliver direct to consumer services such as home loans;
- and Property Data Solutions which provide actionable and customer centric solutions to financial institutions, government and consumers.

Slide 9

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.

In our Core listings business, we achieved a 19% increase in controllable residential yield and record depth penetration. Core Digital EBITDA increased 43% on an ongoing basis and record margins. And our focus on high quality audiences has resulted in an 18% increase in conversion from sale views to enquiry, at a 12% lower cost per enquiry.

In Agent solutions we delivered subscriber growth of 12% at Pricefinder and 54% at Real Time Agent, with RTA's revenue increasing 88% year-on-year;

In Consumer Solutions, our new management team delivered underlying revenue growth of 65% at Domain Home Loans, with DHL operating losses reducing by 34% illustrating the strong unit economics of the business model as we grow volumes. Over the past 2 years DHL has seen a 25% uplift in conversion to approval, demonstrating the increased efficiency of the business.

In Property Data Solutions we significantly expanded the size of our addressable markets, with the acquisition of IDS which serves the government sector. We continued to expand the size of the LeadScope trial, with a 43% increase in strategic agent partners, and ongoing delivery of high prediction accuracy. And we accelerated the investment in our data capability to deliver value right across the group.

Slide 10

Before I run through the detail of our results, I want to touch briefly on Domain's commitment to ESG initiatives. As a people-based business, we aim to be a home for everyone, where diversity and inclusion are prioritised, and we are united by our purpose and values. Despite the personal challenges of ongoing COVID disruptions in recent times, the passion of our employees to contribute to the communities we serve remains powerfully on display. We have committed additional resources to progress our ESG initiatives, and are working on plans to achieve carbon neutrality.

Slide 11

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

Slide 12

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.

Slide 13

The chart on the left of the slide illustrates the high level of volatility in the new 'for sale' listings market over the past three and a half years. The performance in the second quarter of FY22 is particularly impressive given the market had already recovered from the COVID lows in the same quarter a year ago. Importantly, the specific actions we have taken since early FY19 to establish a micro-market strategy have improved the resilience of the Domain business. While recent market conditions have clearly been supportive, this strategy is driving the significant gains in controllable yield you can see in the chart on the right, with a 19% increase in the six months to December. 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.

Slide 14

Our micro market strategy customises our approach to price and depth across individual zones. The results are summarised on this slide in broader buckets of Established, Expanding and Emerging markets.

Each of these broad market groups delivered solid listings volume growth in the first half, with outperformance in our expanding markets driven by a strong bounceback in outer Melbourne and inner Brisbane markets. The performance in our established markets was held back by the weak listings environment in Canberra which experienced the first lockdown of the pandemic.

Our audiences continued to build on the very strong base achieved in recent years, with a particularly strong performance from Victoria as it recovered from the prior year's lockdown.

Agent coverage continued to grow, with a higher number of depth contracts across our three broad buckets. While the highest year-on-year growth was delivered in our least penetrated Emerging markets, we continued to see pleasing growth in our more penetrated Established and Expanding markets, with stand-out growth in Queensland.

In the first half of FY22 revenue per listing benefited from our July price increase and strong depth performance, with particularly strong depth growth in our emerging markets.

Slide 15

Despite the COVID disruptions during the first half, overall depth penetration and Platinum penetration increased in every state to reach a new record. We're particularly pleased with the progress in Victoria and Queensland, both of which have been focus areas in recent years. Victoria's performance in the first half of FY21 was held back by the significant restrictions on real estate activity that accompanied that COVID lockdown, and it's great to see the results of our efforts being delivered in the most recent period. The overall performance in Queensland, and acceleration in platinum penetration is equally pleasing. In the smaller states of South Australia and WA, the significant value we are providing has driven a substantial uptake of our silver and gold tiers, as well as strong momentum in new platinum depth contracts.

Slide 16

Domain delivers large, high-quality audiences, with a unique digital audience of more than 8 million in the first half. We continue to deliver growth in key audience metrics, building on the extraordinary uplift of the past two years. Our focus is on delivering the high value activity that matters most to agents. We delivered an 18% higher conversion of sale-views-to-enquiry. There are also continuing efficiency gains from this focus on quality, with cost per sale enquiry reducing 12% year-on-year.

Slide 17

Domain's product teams deliver to our purpose by providing great agent and consumer experiences at every stage of the property journey. You can see examples on this slide with enhancements to our Early Access and Social Boost products for agents, enhancements to our listings, property research and Find an Agent tools for consumers.

Slide 18

Turning to Media, Developers & Commercial.

Revenue increased 15%, with relatively consistent growth rates across all three verticals.

Slide 19

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.

Slide 20

Our product teams continued to enhance the user experience for CRE and developers. I'll make particular mention of how we are building on our commercial partnership with Nine to provide CRE agents with premium exposure on the Financial Review property home page.

Slide 21

In Agent Solutions, revenue increased 19%, benefiting from subscriber growth at Pricefinder and Real Time Agent.

Slide 22

Our goal in agent solutions is to support each step of the agent property journey with an expanding suite of innovative workflow solutions designed to help agents grow their businesses.

Slide 23

During the first half of FY22, 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 half.

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. After joining the Leadscope trial, one large franchise group has experienced a greater than four-fold increase in the conversion of outbound cold calls.

Slide 24

In August I talked to you about the opportunity for RTA to establish itself as an open platform that provides agent choice, integrated into the workflow. This open platform approach is designed to support agents to operate as they choose. As we have seen with many other digitising industries, open platforms tend to be more successful than walled gardens over time.

The number of technology partners integrated into the platform has increased significantly over the past six months. We are particularly excited about the integration with virtually every CRM that matters, as well as emerging solutions such as Before you Bid.

Slide 25

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.

Slide 26

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.

Slide 27

Property Data Solutions is leveraging Domain's data assets to grow new addressable markets. We are leveraging our strong position with agents and consumers to extend our reach into financial institutions, corporates and government. Our property intelligence platform, automated valuation models and research reports leverage data insights from Domain's broad ecosystem. We see significant opportunities to accelerate the monetisation of this valuable suite of trusted and actionable solutions.

Slide 28

Consumer Solutions' revenue increased 60% benefiting from a strong underlying performance from Domain Home Loans.

Slide 29

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. With a backdrop of strong market growth, DHL has continued to improve its conversion metrics, delivering a 76% increase in settlements in the first half. With a proven model, we continue to look at ways to scale DHL's very strong unit economics.

Slide 30

Our Marketplace model of "Better Together" provides many opportunities to integrate Domain Home Loans experiences, and you can see some of those illustrated on this slide. DHL featured in Domain's Spring campaign, and is integrated into property reports, Home Price Guide and sale listings.

Slide 31

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.

Slide 32

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.

Slide 33

Turning now to the current trading environment and outlook.

Slide 34

- Trading in the first six weeks of the FY22 second half 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 first half 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.

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

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Rob Doyle – Chief Financial Officer:

Slide 35

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

Slide 36

Slide 36 provides a reconciliation of the statutory 4D 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 the EBITDA line, depreciation and amortisation expense of $16.4 million decreased from $18.7 million in the first half of FY21.

For FY22 H2, depreciation and amortisation expense is expected to be slightly below the first half level.

Net finance cost of $3.3 million was slightly below last year. We expect further reductions in the second half as a result of the debt refinancing undertaken in December.

Tax expense of $13.0 million is an effective tax rate of 31.5% and we expect a similar rate in the second half.

Net profit attributable to non-controlling interests (NCI) of $2.2 million reflects the share of profits or loss attributable to the agent ownership models and other consolidated, non-wholly owned entities.

NCI increased from FY21 H1 due to lower losses at Consumer Solutions, and the improved performance of print. Further detail is contained in Appendix 1.

Slide 37

Slide 37 provides the reconciliation of statutory to trading performance for FY21 H1.

Slide 38

Slide 38 provides the detail of Domain's cost structure, and a reconciliation of statutory to trading expenses and ongoing expenses.

Trading expenses, which exclude significant items and disposals, increased 36.7% to $114.3 million. As Jason mentioned earlier, in the first half of FY21 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. The more relevant measure is therefore ongoing expenses which increased 15.7% year-on-year.

Ongoing staff costs increased 21.5% due to higher share-based payments and incentives arising from improved business performance, increased headcount, and pay increases.

Production and Distribution costs increased 24%, reflecting the strong bounce back in digital revenue and the full resumption of printing.

Promotion costs were largely in line with last year reflecting efficiencies from our targeted strategy. Our focus on high quality audiences has significantly reduced our marketing cost per enquiry as Jason outlined earlier.

Software and Communications expenses were in line with last year.

Other costs increased 25% largely as a result of higher market-wide increases in D&O insurance rates, and some increase in discretionary spend.

Slide 39

Slide 39 provides an overview of significant items.

Restructuring charges of $5.3 million largely relate to the implementation of new finance and billing systems, and costs relating to organisational restructuring.

The loss on lease modification of $2.4 million relates to writeoffs arising from the reduction of our office footprint in Sydney.

Costs of $1.6 million relate to M&A activity. These items were somewhat offset by a gain on the December refinance of our debt facility of $0.7 million.

Slide 40

Turning to cash flow on Slide 40.

FY22 H1 cash from trading was $44 million up from $33.5 million in the prior half.

The cash tax payment of $12.9 million reduced versus the prior year due to the timing of income tax installments.

Investment in PPE and software of $8.5 million was in line with last year. For H2 we expect a higher rate of investment partly due to changes in our office footprint.

Net investment in businesses of $52.9 million relates to the acquisition of IDS, deferred payments for RTA and deferred receipts for MyDesktop.

Dividends paid of $27.6 million increased substantially versus the prior period reflecting the resumption of dividends in the second half of FY21.

Lease payments of $4.5 million were in line with last year.

The net payment for share purchase of $24.8 million related to share issuance associated with Zipline, and long-term executive incentive schemes.

The net cash outflow from financing activities benefited from borrowing proceeds of $48.5 million.

Domain finished the half with a cash balance of $52.6 million.

Slide 41

Slide 41 provides an overview of Domain's debt facilities. In December we increased our bank facility by $130 million to $355 million. As at December the facility was drawn down to $220 million.

Slide 42

Slide 42 shows the balance sheet of Domain Group as at December 2021. Domain has a strong balance sheet, ending the year with net debt of $166.4 million, an increase from $79 million at June 2021. This represents a leverage ratio of 1.4x ongoing EBITDA.

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

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Jason Pellegrino, Chief Executive Officer

Slide 43

It goes without saying that the last few years have been some of the most challenging ever faced in the Australian property market. Despite this, the teams at Domain have been unwavering in their focus on evolving Domain's business model to leverage the opportunities available to us from our unique assets and trusted relationships with consumers and agents. Our strategy has responded to the challenging market conditions of recent years while building for the future in a disciplined and purposeful way.

We continue to build momentum behind this transition to a property marketplace, demonstrated by the scale of the change in our business performance metrics over the past three years.

Our micro market strategy has supported Domain in benefiting from a recovering property environment, with controllable yield expanding from 6% in FY20 to 19% in the most recent half.

During that time our investment strategy has also evolved. Through the different phases of the property market, we have maintained the appropriate balance of cost discipline and investment in innovation to prepare the business for the future. As a result, Domain's digital margin has expanded from 34.4% to 48.4% in FY22 H1 on an ongoing basis.

We have built a higher quality, higher margin, recurring revenue business, with digital growth more than offsetting the structural headwinds in print. In FY18 Domain generated more than $77 million in annual Print revenue. Over the past three years we have reduced our exposure to print from 18% to just 6%.

Looking to the future, we are committed to maintaining the right balance of cost discipline, and innovation in our Marketplace model, as we continue to inspire confidence for all of life's property decisions. We are all excited by the opportunities that lie ahead.

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

Ends

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