ASX ANNOUNCEMENT

Domain Holdings Australia Limited
2022 Full-Year Results Commentary

Sydney, 17 August 2022: Domain Holdings Australia Limited [ASX:DHG] ("**Domain**" or "**Company**") today delivered its 2022 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 and thank you for joining CFO Rob Doyle and me for Domain's 2022 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 the Gadigal people of the Eora Nation.

Slide 2,3

We'll follow our usual agenda today. I'll begin with an overview of the result, and the pleasing momentum the business is delivering in executing our Marketplace strategy. I'll provide some commentary on the current trading environment and the FY23 outlook. Finally, Rob will provide an overview of group financials. We look forward to your questions at the end of our prepared remarks.

Slide 4

Over the past four years the business has operated with a backdrop of considerable trading volatility. Through it all, our team has remained laser focused on the elements of our business that we can control. This mindset has positioned Domain to leverage property market strength, while providing downside protection when the cycle has been less supportive. The creativity and hard work of our team are building Domain into a fundamentally stronger business, and this is reflected in the outstanding set of results we are delivering today.

Slide 5

Domain's FY22 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 we received a net $6.5 million EBITDA benefit from JobKeeper and Zipline. In FY22 this reversed to an additional expense of $8.0 million. Rob will run through this detail later in the presentation.

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

For FY22, Domain delivered:

- Revenue of $356.7 million, up 23%
- Trading expenses of $234.6 million, up 24% and ongoing expenses of $226.7 million, up 16%. Excluding the impact from the Realbase acquisition, ongoing expenses of $221.2 million increased 13%, in line with guidance for an increase in the low teens range
- Trading EBITDA of $122.1 million up 21%, and ongoing EBITDA of $130.1 million up 38%
- Trading EBIT of $91.9 million, up 42%.

Net profit was $55.3 million, up 46% and Earnings per Share were 9.3 cents, up 43%.

A dividend of 4.0 cents was declared, bringing the total 12-month dividend to 6.0 cents, an increase of 50% year-on-year.

Slide 6

Slide 6 outlines the segment results on a Trading basis. I’ll turn to the Ongoing result on the following slide in order to illustrate the underlying performance of the business.

Slide 7

Domain’s 23% revenue increase was supported by growth across all businesses.

Residential increased 23%.

Media, Developers & Commercial increased 7%.

Agent Solutions increased 67% with benefits from the Realbase acquisition undertaken in April 2022.

Property Data Solutions increased 35% including the contribution of the IDS acquisition from October 2021.

Together these businesses delivered Core Digital revenue growth of 23% and ongoing EBITDA growth of 31%.

Consumer Solutions revenue increased 69% and ongoing EBITDA losses reduced by 38%, leveraging the benefits of increased scale.

Total Digital revenue increased 24% and ongoing EBITDA increased 35%.

Print revenue increased 22% as we resumed a full printing schedule, with a doubling of ongoing EBITDA.

Pleasingly we delivered margin expansion across every segment, with the ongoing core digital margin of 49% a stand-out.

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Domain's purpose to inspire confidence in life's property decisions underpins the creation of our property Marketplace. Our goal is to support customers and consumers by continually increasing the value we provide, at more points of their property journeys. We are expanding the addressable markets available to us with new drivers from the Realbase and IDS acquisitions.

Slide 9

Domain's solutions are driving impressive "Better Together" results across our property Marketplace.

In our Core listings business, we achieved a 14% increase in controllable residential yield and depth penetration reached new heights. We signed a record number of new and upsell depth contracts; the Q4 increase of 70% in new contracts provides a particularly encouraging start to FY23.

Core Digital delivered a 31% EBITDA increase on an ongoing basis.

In Agent solutions we acquired Realbase to scale the business and address new markets. We delivered revenue growth of 70% at Real Time Agent, and Pricefinder delivered 12% subscriber growth, with the best net additions in seven years.

In Consumer Solutions, our new management team delivered underlying revenue growth of 69% underpinned by the strong performance from Domain Home Loans. The 31% reduction in operating losses demonstrate the strong unit economics of the business as we increase volumes. The increasing efficiency of the DHL business is reflected in the 35% higher conversion to approvals achieved over the past two years.

In Property Data Solutions, the acquisition of IDS significantly expands the size of our addressable markets, and we're seeing momentum in new client wins in the financial institution and government sectors. During the year we undertook significant investment in data to build a Single View of Property, to create Australia's best quality property data asset. And we continue to expand Leadscope, with an impressive increase in the number of active users.

Slide 10

Before we turn to the detail of our results, I will touch briefly on Domain's ongoing commitment to our ESG initiatives. We made significant progress in FY22, supported by the grass roots passion of our people and the allocation of additional resources. We want to use our platform for good, contribute to the communities we serve, and make Domain a home for everyone. I'd like to specifically call out the launch of our Reconciliation Action Plan in partnership with Reconciliation Australia. This initiative includes the commissioning of the beautiful artwork you see on this slide by artist David Williams; the title "With Open Hearts and Minds, Together we grow" captures so many of our core values at Domain.

Slide 11

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

Slide 12

Residential revenue increased 23% to $239.2 million, supported by outstanding depth revenue growth of 26%. Depth growth was supported by a 9% uplift in new 'for sale' listings, and a controllable yield increase of 14%, driven by both price and depth penetration.

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The considerable volatility in new 'for sale' listings that we have successfully navigated over the past four years, is illustrated in the chart on the left of this slide. Q2 of FY22 delivered the strongest growth of the year as the market recovered from widespread Q1 lockdowns. The performance in Q4 is particularly impressive given the exceptionally high base of comparison from the prior year.

In light of the tough Q4 comparison, the second half uplift in controllable yield of 11% was a pleasing outcome, and testament to the success of our micro-market strategy.

Slide 14

This strategy customises our approach to price and depth across individual zones to maximise our growth in controllable yield. Across our broad buckets of Established, Expanding and Emerging markets we saw solid volume growth, and delivered a strong performance in revenue per listing as we pulled the appropriate levers of price and depth. As I mentioned earlier, we delivered record growth in new and upgraded depth contracts. Our price increases implemented in July are targeted to drive higher levels of depth penetration, and were implemented with a record number of new Q4 depth contracts which increased 70% YoY. And the introduction of Social Boost All contracts was successful in capturing additional vendor paid advertising opportunities in highly penetrated markets.

For the year ahead we'll be looking to leverage the strong Q4 depth contract performance, and will be prioritising key markets with the greatest revenue opportunities.

Slide 15

During FY22 overall depth penetration and Platinum penetration continued to grow strongly in every state despite the continued COVID disruptions during the first half.

While New South Wales' depth performance is particularly impressive, it's pleasing to see the progress in Victoria and Queensland where we continue to see significant opportunity. South Australia and WA are delivering substantial gains in gold and silver tiers, highlighting the benefit of taking a customised approach to individual markets based on their specific characteristics.

Slide 16

Domain delivers the quality audience metrics that matter. We deliver audiences of scale, with a peak FY22 unique audience of 8.4 million, and record monthly average app launches of 16.7

million. We deliver quality and high intent audiences which are more likely than the national average and those of our competitor, to have purchased a property in the past 12 months, or plan to buy in the next 12 months. We deliver increased marketing efficiency, and since FY19 we have reduced cost per enquiry by 52% and lifted conversion of views to enquiry by 35%. We deliver higher value to agents, and since FY19 have increased enquiries per listing by 93% and monthly active app users by 64%.

Slide 17

Our product teams are committed to delivering great user experiences at every stage of the property journey for agents and consumers. Calling out just one, enhancements to Social Boost continued through the year, delivering meaningful financial results for the residential business. The product helps agents increase the visibility of their listings and delivers a high ROI due to its focus on highly engaged social media audiences.

Slide 18

Turning to Media, Developers & Commercial.

Revenue increased 7%, with stronger H1 growth across all three verticals.

Slide 19

Commercial Real Estate was the best performing business, delivering solid revenue growth for the year, and benefiting from its flexible value-based pricing model. The business delivered record levels of depth penetration across every state, in both sale and lease, which offset a weaker listings environment.

Developers also delivered a solid depth performance in a challenging market for multi-storey developments. Weakness in ACT reflected the COVID-related H1 shutdowns.

Media continued to leverage quality audiences and content, although an elevated base of comparison from the prior year constrained H2 growth rates.

Slide 20

Some of the enhancements to our CRE and developer user experiences are highlighted on this slide. We continued to build on our commercial partnership with Nine with the launch of a dedicated special features section on the CRE website to support the *Financial Review* liftouts during marketing campaigns.

Slide 21

In Agent Solutions, revenue increased 67% including the contribution from Realbase from May. On an underlying basis, revenue increased 17%.

Slide 22

During FY22 Pricefinder delivered 12% year-on-year growth in subscribers, and its largest net additions in seven years, supported by an enhanced sales effort and lower churn.

RTA's growth momentum continued with 70% year-on-year revenue growth based on momentum in new customer acquisition, increased geographic footprint and expanded product take up by existing customers.

At Homepass we made product enhancements to provide a more personalised consumer experience.

Our acquisition of Realbase contributed from May 2022 and we're excited by the opportunity to strengthen our end-to-end agent workflow solutions. Realbase's high growth offerings Engage and AIM are delivering significant momentum in pre-list and proposals products, and social and digital media marketing.

Slide 23

Realbase has a strong market position, with around 40% of properties sold in ANZ marketing on its platform. We're working to expand that footprint by integrating with the broader Agent Solutions business. Our near-term plans include building cross selling opportunities for our sales teams, and integrating Realbase products into the Agent Solutions workflow to enhance agent efficiency. We also see the opportunity to integrate our data assets to drive innovation and better performance for our customers.

Slide 24

Our product teams continue to support the agent journey with ever expanding tools to help grow their businesses. I'll make special mention of Leadscope which continued to expand, leveraging significant progress in keystone functionality, and delivering a 390% uplift in active users. LeadScope's success to date is contributing to Domain's depth revenue growth, and we look forward to a full commercial launch later this year.

Slide 25

Domain's agent platform continues to expand in scale and scope, with the addition of Realbase's businesses to fill key gaps in the end-to-end agent workflow.

Our open platform approach is making significant strides, with our technology partners expanding by 37% in FY22. We see great value in providing agents with the opportunity to operate as they choose.

Slide 26

Property Data Solutions revenue increased by 35% with solid underlying growth of 13% from Pricefinder and APM, and the contribution of Insight Data Solutions following the completion of our acquisition in mid-October.

Slide 27

Pricefinder non-agent performance accelerated into H2, benefiting from the sales team relaunch and refocus, and large enterprise account wins.

APM delivered stable valuations contribution and strong growth in revenue from its expanding API customer base.

IDS is demonstrating strong progress in both the financial institutions and government sectors. The business achieved a new contract with NAB so that the Domain Group now services all four of the major banks, and has been selected as a preferred supplier to the number five bank. In the government sector IDS is close to securing the next Valuer General whole-of-State contract, and the NSW Government tender is underway sooner than expected.

Slide 28

During FY22 we have been investing to create Domain's 'Single View of Property' and establish our Property Data Solutions unit as a centre of excellence that can be leveraged across the group. We are building Australia's best quality property data asset by combining all Domain's market leading and proprietary data sources. We are investing to integrate our many independent and separate databases into a single property graph which will ingest all these sources to deliver unmatched breadth and accuracy.

Slide 29

Consumer Solutions' revenue increased 69% with strong momentum at Domain Home Loans. Going forward we have decided to step away from Domain Insure and other ventures to focus on the significant runway we see ahead for Domain Home Loans.

Slide 30

Domain Home Loans' award-winning service, differentiated marketplace solutions and refreshed leadership team are driving a step change in performance. FY22 delivered improving conversion metrics, and strong settlement growth up 69% year-on-year. Consumer Solutions operating losses reduced 31% year-on-year, reflecting the benefits of increased revenue scale and operating efficiencies.

Slide 31

Our Marketplace model creates an important acquisition funnel for Domain Home Loans, and we are leveraging Domain's Home Price Guide, with features such as property reports, a redesigned Domain for Owners and other integration opportunities to drive growth.

Slide 32

Print revenues increased 22% year-on-year, with the recovery concentrated in the first half reflecting the timing of COVID-19 related lockdowns in the prior year.

Slide 33

Print delivered an ongoing EBITDA contribution of $5.8 million which more than doubled year-on-year, underpinned by the revenue recovery, and ongoing careful management of cost.

Domain's magazines continue to experience support from agents and vendors in the high value premium markets where print remains sustainable.

Slide 34

Before I turn to the specifics of the current trading environment and outlook, I want to provide an overview of how we are thinking about the future at Domain.

Slide 35

Over the past four years we have maintained our strategic focus despite the backdrop of property market volatility that we have navigated successfully. We've spoken before about the strategic journey Domain has been on to transition from a classified business with a significant exposure to challenged revenue streams to a Marketplace that inspires confidence for life's property decisions.

The success of our Marketplace transformation to date underpins our aspirations to play a much bigger role in the property ecosystem. This success provides us with the confidence that now is the time to meaningfully invest in a small number of scalable technology platforms that will deliver the experience our customers deserve across all elements of our Marketplace.

We're confident this targeted investment will accelerate growth across both our core listings and other Marketplace solutions.

With that context I'll turn now to the trading update.

Slide 36

- Trading in the first six weeks of FY23 reflects ongoing growth in new 'for sale' listings and a return to normal seasonal trading patterns. Domain continues to deliver expansion in depth penetration following record depth contract signups in FY22, with particularly strong momentum in Q4.

- The results of Domain's transformation to date underpin our confidence to continue to pursue our Marketplace strategy, while retaining our disciplined investment approach.

- FY23 costs (excluding the impact of acquisitions) are expected to increase in the low double digit range from the FY22 ongoing expense base of $226.7 million. This includes higher baseline expenses in the mid-to-high single digit range, together with meaningful investments in a small number of targeted initiatives which will accelerate our Marketplace aspirations.

- In addition, FY23 will see the full year expense impact of the FY22 acquisitions of IDS and Realbase which are expected to add approximately $27 million to ongoing operating expenses, with associated incremental revenue contribution.
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- While we remain committed to longer term margin expansion, as a result of our FY23 targeted investment initiatives we anticipate FY23 EBITDA margins will remain stable on an ongoing cost basis, while expanding on a reported basis.

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

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Rob Doyle – Chief Financial Officer:

Slide 37

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

Slide 38

Slide 38 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 the EBITDA line, depreciation and amortisation expense of $30.2 million decreased from $36.0 million in FY21. For FY23 we expect depreciation and amortisation to increase slightly.

Net finance cost of $5.5 million was slightly below last year reflecting the refinance of our debt facilities in December 2021. We expect similar net finance costs in FY23.

Tax expense of $26.5 million is an effective tax rate of 30.7% and we expect a similar rate in FY23.

Net profit attributable to non-controlling interests (NCI) of $4.5 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 due to lower losses at Consumer Solutions, and the improved performance of Print. Further detail is contained in Appendix 1.

Slide 39

Slide 39 provides the reconciliation of statutory to trading performance for FY21.

Slide 40

Slide 40 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 24.1% to $234.6 million. As Jason mentioned earlier, in FY21 we received a net $6.5 million EBITDA benefit from JobKeeper and Zipline, while in FY22 this reversed to an additional expense of $8.0 million. The more relevant measure is therefore ongoing expenses which increased 15.9% year-on-year. Excluding the Realbase acquisition, costs increased 13.2%, in line with our 'low teens' percentage growth guidance.

Ongoing staff costs increased 20% due to higher share-based payments and incentives arising from improved business performance, increased headcount, and pay increases.

Production and Distribution costs increased 20%, reflecting the strong bounce back in digital revenue and the full resumption of printing.

Promotion costs reduced 4% year on year, due to continued efficiencies from our targeted marketing strategy. As Jason noted earlier, cost per enquiry has reduced by over 50% over the past three years.

Software and Communications expenses grew 12% from last year.

Other costs increased 32% largely as a result of higher market-wide increases in D&O insurance costs, higher contracting and recruitment costs, and some increases in discretionary spend as business activity returned to more normal levels post COVID.

Slide 41

Slide 41 provides an overview of significant items, which amounted to a $20.2 million expense net of tax.

Restructuring and redundancy costs of $8.2 million largely related to the implementation of new finance and billing systems.

A loss on lease modification of $2.4m resulted from the renegotiation of lease agreements for our Sydney office.

M&A transaction costs of $5.5m related to the acquisition of IDS and Realbase during the year.

The contingent consideration payable of $8.0m mostly relates to an increase in contingent consideration payable for the Insight Data Solutions acquisition.

An accounting gain of $0.7 million resulted from the debt refinancing in November

Finally, an income tax benefit of $3.2 million was recorded on significant items.

Slide 42

Turning to cash flow on Slide 42.

FY22 cash from trading was $96.4 million, up from $86.2 million last year.

The cash tax payment of $22.8 million reduced versus the prior year due to the timing of income tax instalments.

Investment in PPE and software of $20.9 million increased by $3.2 million, and included enhancements to the Sydney office fitout to support flexible working following the lease renegotiation and reduction in office space.

Net investment in businesses of $227.2 million related to the acquisitions of IDS and Realbase, deferred consideration for the RTA acquisition, and deferred receipts from the disposal of MyDesktop.

Dividends paid of $39.3 million increased substantially versus the prior period reflecting the resumption of dividends post COVID.

The cash inflow from share issuance of $158.2 million related to the capital raising to fund Realbase, share issuance associated with Zipline, and long-term executive incentive schemes.

Domain finished the year with a cash balance of $67.1 million.

Slide 43

Slide 43 provides an overview of Domain's debt facilities. In December 2021 we increased our bank facility by $130 million to $355 million. As at June 2022 the facility was drawn down to $220 million.

Slide 44

Slide 44 shows the balance sheet of Domain Group as at June 2022. Domain has a strong balance sheet, ending the year with net debt of $151.5 million, an increase from $79 million at June 2021. This represents a leverage ratio of 1.2x.

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

Ends

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