Domain

# ASX ANNOUNCEMENT

# Domain Holdings Australia Limited

## 2023 Half-Year Results Announcement

**Sydney, 16 February 2023:** Domain Holdings Australia Limited [ASX:DHG] ("**Domain**" or "**Company**") today announced its 2023 half-year financial results.

Domain reported statutory (Reported 4D) revenue of $188.7 million, and a net profit after tax of $14.1 million including a significant loss of $1.8 million. A dividend of 2.0 cents per share has been declared.

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

| $M | FY23 H1 | FY22 H1 | % ch |
|---|---|---|---|
| Revenue | **186.6** | 175.3 | 6.5% |
| Expenses | **(137.3)** | (114.3) | (20.2%) |
| **EBITDA** | **49.3** | 61.0 | (19.2%) |
| EBIT | **30.7** | 44.6 | (31.2%) |
| Net profit attributable to members of the company | **15.9** | 26.1 | (38.9%) |
| Earnings per share (EPS) ¢ | **2.52** | 4.46 | (43.5%) |

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

| $M | FY23 H1 | FY22 H1 | % ch |
|---|---|---|---|
| Revenue | **186.6** | 175.3 | 6.5% |
| Expenses | **(137.3)** | (106.7) | (28.6%) |
| **EBITDA** | **49.3** | 68.5 | (28.0%) |
| EBITDA margin (%) | **26.4%** | 39.1% | |

* Ongoing result excludes JobKeeper and Zipline expense of $7.5 million in FY22 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 FY23 H1 achievements**:

- Continued progress with Marketplace strategy despite difficult market environment;
- Total residential yield growth of 9%, comprised of 6% controllable yield and an additional 3% contribution from our new Social Boost All product, largely offset a 9.5% listings decline;
- 38% uplift in new and upgraded residential depth contracts, and record national depth penetration;
- 5% increase in Domain Home Loans' settlements, outperforming the broader lending market.

Domain Chief Executive Officer and Managing Director, Jason Pellegrino, said: "The challenges of the current property environment are well known given the dramatic change in global inflation and geopolitical risk, and the impact of nine interest rate increases in nine months. Domain has weathered major events over the past four years including the Royal Commission and COVID. It is telling that the scale of the listings declines during the latest December quarter eclipsed both those events, with Sydney and Melbourne recording listings declines double the market average. In response to the rapid change in the market environment, we have responded with a disciplined and thoughtful approach to cost.

"Despite this challenging market environment, we remain optimistic about the longer-term prospects for the market with upsides from the return of immigration, encouraging auction clearance rates and the increasing attraction to investors of rising rental yields. On Domain platforms we are seeing improving buyer enquiry and open for inspection activity. We are navigating this short-term volatility, while remaining focused on driving our Marketplace strategy, and positioning Domain to fully benefit when listings return."

For FY23 H1, excluding significant items, Domain reported revenue of $186.6 million up 6%, expenses of $137.3 million and EBITDA of $49.3 million. Net profit was $15.9 million, and Earnings per Share were 2.52¢ down 44% YoY.

At December 2022, net debt was $172.5 million representing a leverage ratio of 1.6x ongoing EBITDA.

## Delivering on our Strategy

Mr Pellegrino said: "We are firmly committed to progressing our Marketplace Strategy to deliver the significant scale and customer value Domain has the potential to achieve. Over the past four years, at each phase of Domain's strategic journey we have responded with the appropriate mix of investment for the future and cost discipline. Our view of this balance has recalibrated in recent months, reflecting the very rapid change in the operating environment in Q2. As has always been the case, our cost reductions have been deeply considered. We have focused on a detailed assessment of our discretionary cost base, as well as re-assessing the returns from our investment in materially changed market circumstances.

"Operating costs in the first half increased 29%, with the full period impact of additional acquisition expenses, catch-up from COVID-period austerity and investment in our growth initiatives. With the adjustments that we have made to the cost base, and the reducing impact of acquisition related expenses, we expect H2 costs to reduce materially from H1, and also to reduce year-on-year. We are strongly positioned to continue to deliver the appropriate balance of investment and cost discipline to support our long-term commitment to margin expansion."

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

Core Digital Revenue increased 8%. Core digital EBITDA reduced 8% on a reported basis and 14% on an ongoing basis reflecting the challenging market backdrop.

### *Residential*

"Residential revenue was slightly lower, with higher controllable yield plus the new Social Boost All tier offsetting a 9.5% listings decline. Our first half controllable yield of 6% matched the level we saw in FY20 when the market was affected by both the Royal Commission and COVID. In addition, we delivered an incremental 3% yield from product innovation, bundling the new Social Boost All product as an additional tier to Platinum listings from the first half. It's pleasing that, despite the market backdrop, we have been proactive in launching new products that have resonated with customers. Building on increased insights we have gained from Realbase has allowed us to drive upsell, and deliver additional depth revenue. Despite the market environment we delivered a 38% year-on-year uplift in new and upgraded depth contracts. We are very confident in the outlook for depth penetration, especially given we have increased our national depth penetration half-on-half as well as year-on-year. Our less penetrated expanding and emerging markets delivered particularly encouraging progress, with higher depth penetration and increased revenue per listing. We are very well positioned to benefit once the listings environment recovers' said Mr Pellegrino.

*Media, Developers & Commercial*

Mr Pellegrino said: “Revenue declined 3%, a creditable performance in the context of the weak market backdrop. As with Residential, these three verticals experienced a material change in the operating environment between Q1 and Q2, however were able to achieve a pleasing degree of resilience.

Rising interest rates and construction costs weighed on Developers’ performance, however an increase in project duration provided some offset.

Commercial Real Estate delivered a stable revenue performance, benefiting from continued growth in depth penetration, and higher sale outcomes offsetting a weak leasing market.

Media also delivered a stable revenue contribution, outperforming the broader digital advertising market which saw negative impacts from macroeconomic factors.”

*Agent Solutions*

Mr Pellegrino said: “In Agent Solutions, revenue increased 173% including the contribution from Realbase since its acquisition in April. On an underlying basis, revenue increased 6%. Pricefinder delivered a resilient subscription performance, benefiting from a 6% uplift in customers, and the rollout of a new CMA tool. Transaction revenue from title searches saw negative impacts from lower listing volumes. RTA continued to deliver very strong subscription revenue growth, benefiting from an expanding geographic footprint and high levels of agent engagement. Despite market conditions, transaction revenue from contracts also increased, reflecting broader agent adoption. Realbase delivered strong underlying subscription revenue growth benefiting from increased adoption of Engage. Transaction revenue was impacted by Realbase’s exposure to Sydney and Melbourne which experienced a disproportionately higher impact from the listings downturn.”

*Domain Insights (formerly Property Data Solutions)*

Mr Pellegrino said: “Domain Insights’ revenue increased by 28% with solid underlying growth of 12% from Pricefinder and APM, and the full six-month contribution from Insight Data Solutions which was acquired in mid-October 2021. Pricefinder non-agent delivered solid subscription revenue, while title search transactions were impacted by market conditions. APM delivered stable valuations contribution and strong growth in research products, benefiting from the progress of paid pilots of our Propensity to Sell model with leading banks. We are seeing very good results in lengthening lead times of listings predictions, providing banks with increased opportunity to nurture and retain clients. IDS is delivering significant momentum in AVM financial client wins, doubling the number of Domain Insights’ clients, with revenue benefits to come in H2. In the Government sector IDS remains close to securing the next Valuer General contract, and the NSW Government has gone to market sooner than originally expected.”

## Consumer Solutions

Mr Pellegrino said: “Consumer Solutions’ revenue declined 3% outperforming the downturn in the home lending market impacted by interest rates. DHL delivered a 5% uplift in settlements, and 6% increase in submissions, with strong refinance activity providing an offset to lower new loan applications. The business continues to leverage exceptional customer reviews; the increased EBITDA loss reflects ongoing investment in marketing and broker headcount.”

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## Print

Mr Pellegrino said: “Print revenues declined 16% year-on-year, outperforming a challenging publishing and listings environment. In addition, year-on-year comparisons were impacted by the exceptional strength of the prior year which supported an extra publication date. Print EBITDA declined, reflecting the difficult revenue environment and higher print costs. However print continues to deliver strategic value with unique audiences that have very little overlap with our digital audiences.”

## Dividend

A dividend of 2¢ per share (100% franked) will be paid on 14 March 2023 to shareholders registered on 23 February 2023.

## FY23 Outlook

- Trading in January 2023 reflects a continuation of the challenging market environment experienced in FY23 Q2. Domain’s success in signing new and upgraded depth contracts provides significant upside once market conditions stabilise.
- 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 are expected to be in the range of $250 million to $255 million, consistent with the guidance provided to the market in December 2022.
- While we remain committed to longer term margin expansion, we continue to anticipate that FY23 EBITDA margins will see a low single digit percentage point reduction versus FY22 on an ongoing cost basis.

## Investor Briefing

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

- *Webcast:* Click **here** to register/join
- *Teleconference:* Click **here** to register/join

## Ends

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