Domain

ASX ANNOUNCEMENT

Domain Holdings Australia Limited
2024 Full-Year Results Commentary

Sydney, 16 August 2024: Domain Holdings Australia Limited [ASX:DHG] ("**Domain**" or "**Company**") today delivered its 2024 full-year financial results. Accompanying commentary from Chief Executive Officer and Managing Director Jason Pellegrino and Chief Financial Officer Peter Williams is set out below.

Jason Pellegrino – Chief Executive Officer and Managing Director:

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Good morning, and thank you for joining CFO Peter Williams and me for Domain's 2024 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 people today. For myself, I am on the land of the Gadigal people of the Eora Nation.

Slide 2,3

We'll begin today's call with an overview of the result and key metrics being delivered by our Marketplace strategy. I will follow this with some commentary on the current trading environment and outlook. Pete will then run through our group financials, after which we look forward to taking your questions.

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Domain's strong FY24 results reflect the efforts of more than 1,000 talented people at Domain, who are delivering on our Marketplace strategy by building and releasing great solutions. Most pleasingly, our key assets of unique data, quality audiences and product innovation have delivered 'Only on Domain' experiences that provide real benefits to consumers, agents and enterprise customers. This has underpinned strong growth in Depth revenue, audience and listings, with the property market returning to a more normal environment. New listings growth improved each quarter of the year, led by the Sydney and Melbourne markets.

Looking forward, this success has strengthened our resolve to vigorously compete and accelerate the benefits we deliver to customers. We are increasing investment into our technology platforms, while retaining our track record of disciplined productivity improvement across the business.

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Turning to the Group Trading Performance, Domain delivered:

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- Revenue of $391.1 million, up 13%
- Expenses of $254.1 million up 7%
- EBITDA of $137.1 million, up 26%
- EBIT of $92.7 million, up 32%.

Net profit attributable to members of the Company was $49.4 million and earnings per share were 7.8 cents for continuing businesses.

Adjusted net profit attributable to members of the Company, which removes the impact of non-cash amortisation from acquisitions, was $56.4 million up 24%, and earnings per share of 8.9 cents also up 24%.

A fully franked dividend of 4.0 cents has been declared, bringing the full year dividend to 6.0 cents, in line with last year.

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Domain's FY24 revenue increase of 13% saw an acceleration in the second half, as the market recovered from the very challenging environment experienced from Q2 to Q4 in FY23.

Residential revenue increased 19%, underpinned by strong growth in depth revenue.

Media, Developers & Commercial increased 8%, a solid performance given the ongoing challenges in the Developer market.

Agent Solutions declined 6% with solid subscription trends across the business offset by lower gross revenues at Realbase's AIM product.

Domain Insight increased 8%.

The Consumer Solutions segment reflects the exit from Domain Home Loans.

Together these businesses delivered Digital revenue growth of 14% and EBITDA growth of 27%.

Print revenue was 1% higher with lower Print EBITDA reflecting higher costs.

Group Revenue growth of 13%, and continued cost discipline saw Group EBITDA margins expand to 35%, and Core Digital margins increase to 45.8%.

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At Domain, we are creating a powerful property ecosystem to more effectively serve our consumers, agents, and enterprise customers, and inspire confidence in life's property decisions.

Our Marketplace Strategy builds on the strength of our Core Listings business with additional solutions and rich data that can deliver unique and differentiated 'Only on Domain' experiences for all our customers. This approach supports a powerful 'flywheel' to further strengthen Core Listings, deliver future scale, and futureproof the business.

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Domain's Core Listings business is delivering competitive products that really work, and benefit vendors, agents and buyers. Domain's data shows that on average nationally, a $1 million property sold for $36,600 more when Domain was added to the schedule alongside our nearest competitor. This shows why Domain is an essential part of every marketing schedule.

Over the past 12 months we have attracted more vendors, buyers and agents to the Domain platform. Domain's relative national sale listings coverage returned to historical levels, with June 2024 listings coverage exceeding the pre-price increase levels of June 2023. It's been pleasing to see the results of our sales efforts translating into strong growth in the fourth quarter, and year-on-year listings growth ahead of our major competitor in June and July 2024.

We achieved a significant 10% year-on-year growth in Domain Group's Unique Audience, benefiting from our focus on product innovation and increased value to buyers.

The results of these efforts are demonstrated in the 18% uplift in Average Revenue Per Listing we delivered in FY24 which reflects agents taking up our most valuable premium products in record numbers.

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We continued to diversify revenue and expand our unique data and assets. Our key data asset, 'Single View of Property', delivered a 2.5 times uplift in available data points by optimising and combining sources from Domain and third party providers. There was a 31% increase in data completeness which supported 9% year-on-year growth in organic traffic to Domain.

By making our latest Automated Valuation Model from Insight Data Solutions available within Pricefinder, we were able to deliver a stepchange in coverage and accuracy of price estimates, increasing to more than 90% of residential properties in Australia. We have extended this experience to consumers this month, transforming the quality of our consumer research experience.

In addition, diversifying through ancillary solutions saw strong year-on-year growth at Real Time Agent and Domain Media, which increased revenue 37% and 52% respectively.

We delivered 'Only on Domain' experiences that accelerate our Marketplace growth. During FY24 we created a number of differentiated user experiences that will support Core Listings and speed up Marketplace growth. As part of our FY25 price change, we launched Audience Boost, a social media amplification product that automatically and efficiently extends all depth sale listings across a variety of digital channels. This market-first, differentiated value proposition combines AIM's proprietary, hard to replicate technology platform, with Domain listing marketing solutions to provide significant value to agents and vendors.

We're excited by the early results from Audience Boost with results which are consistent with our tests in FY24. We are delivering an average uplift of around 30% in views per listing across all depth products in July. Even more pleasing is the particular success we're seeing in our less mature Expanding and Emerging markets where the uplift is even greater.

Our partnership with Nine provides another source of 'Only on Domain' experiences. Our collaboration on audience growth, data enrichment and product development provides valuable support to our ambitions to scale and differentiate. With support from Nine we launched an 'always on' marketing platform to reach a vast, differentiated and engaged audience across many channels. This supported our audience growth during the year, and we are excited by what we will achieve in FY25 as we scale the impact of this collaboration. We continue to see ongoing benefits from Domain's high-profile placements and integrations across Nine's media assets, which help underpin organic and direct traffic to our sites.

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We see significant opportunities to leverage the power of AI to accelerate the speed of Domain's Marketplace growth. Our substantial investment in machine learning and AI commenced in FY17, and is embedded as central to our Marketplace strategy. We are becoming an increasingly AI-first business, with benefits that include internal efficiency, improved data quality, stronger and differentiated products and more engaged users.

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In order to leverage these benefits at scale, we are strengthening the foundations of our Marketplace for the long-term with investment in three priority areas of Platforms, Personalisation, and Privacy/Cybersecurity. This investment supports our aspirations to scale and become a much larger business. We are already seeing tangible impacts on the performance of our Marketplace.

In Platforms we are investing in the modernisation of our tech stack to standardise and simplify products, and significantly increase the velocity of our product enhancements. During the year we were able to deliver some product releases up to three times faster than previously. In addition we completed the first stage of the simplification and automation of our booking and billing systems to support new bundling solutions, and the timeliness and efficiency of price changes.

In Personalisation we have deployed technology that enables personalisation at scale and substantially boosts the quality of the user experience. During the year we deployed a valuable AI-driven segmentation tool that allowed us to better understand and respond to the needs of more than 7 million consumers and agents. Personalisation has become embedded in how the business builds product experiences and communicates with customers.

In Privacy and Cybersecurity we are strengthening the appropriate practices in relation to consumer data that will support new opportunities to generate revenue in the future. During the year we successfully delivered the first stage of our roadmap to strengthen our cybersecurity protocols.

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The adoption of robust ESG practices is an important element of inspiring confidence in life's property decisions and delivering 'Only on Domain' experiences. Recent examples include our second 'Sustainability in Property' research report, and an inaugural Future Housing Forum that connected Government and industry to discuss the risk to Australian homes from perils, such as flood, bushfire and coastal erosion.

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

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Residential revenue increased 19%, with depth as a percentage of total revenue at 91% for the year.

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Earlier I spoke to the strong performance of Domain Group's Unique Audience which has benefited from our focus on product innovation and investment in data and personalisation. We also delivered a 10% year-on-year increase in Domain Residential's Unique Audience in the fourth quarter, outperforming the growth of the property category and our major competitor. In addition, we achieved consistent growth in four consecutive quarters. At the same time we are creating meaningful brand value, with Domain recognised as the Biggest Brand Mover in February based on YouGov's monthly survey.

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National 'for sale' listings increased 3% for the year, with a significant improvement experienced over the four quarters. Average Revenue Per Listing increased 18% year-on-year, supported by product innovation with the launch of our Platinum Edge add-on to depth contracts. The controllable elements of price and depth were 14% higher, benefiting from double digit price increases and another strong year of upgrades and new depth contracts.

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The market turnaround from FY23 to FY24 is shown on this chart with an improved performance from the first quarter. Sydney and Melbourne led the market up as is typically the case. Other markets remained challenged from a volume perspective, although revenue per listing saw strong outperformance due to higher price increases. This is clearly reflected in the performance of Domain's micro market segments, with substantial increases in our Expanding and Emerging markets even as volumes have significantly lagged our Established markets.

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The performance of the Resi business in FY24 benefited from ongoing product and commercial innovation. Our 'reimagined' map search prioritises a more efficient and effective user experience, providing market transparency for property seekers, and greater agent branding opportunities. The investment in our technology platforms that I described earlier is enabling the acceleration of these innovative new features.

Our FY24 price review included the launch of Platinum Edge which has achieved impressive takeup rates. We saw continued adoption of the product following its July 2023 launch. By year end, the number of customers on Platinum Edge had almost doubled from the initial takeup.

Our FY25 price review included Audience Boost which utilises AIM's proprietary and hard to replicate technology platform to automatically extend listings across a variety of digital channels.

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During FY24, national depth penetration reached a new high, with growth in every state apart from Western Australia. In line with our targeted commercial strategies, New South Wales delivered an impressive uplift in Platinum penetration, while Victoria achieved a significant expansion in Gold and Silver as we upgraded customers from free to depth. The slight decline in depth penetration in WA was accompanied by a greater than 40% uplift in average revenue per listing.

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Turning to Media, Developers & Commercial.

Revenue increased 8%, reflecting strong growth in Media, solid performance from Commercial Real Estate, and lower Developer revenue.

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Media revenue increased 52% YoY, significantly outperforming the broader display advertising market. The business is leveraging Domain's high quality consumer audiences, and is providing clients with customised data insights as a result of a successful partnership with Domain Insight.

Commercial Real Estate delivered solid revenue growth of 18% year-on-year, benefiting from listings growth across sale and lease, and new depth contract adoption. H2 growth moderated versus H1 reflecting the price increase which took effect from FY23 H2.

The Developers business continued to experience a challenging market backdrop of high construction and funding costs, with revenue declining year-on-year. New project approvals have reduced significantly, although there has been some offset from an increase in project duration.

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In Agent Solutions, revenue reduced 6% year-on-year, with solid subscription trends across the business offset by lower revenue from Realbase's AIM product.

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Slide 23

Pricefinder (agent) benefited from technology investment and new product integration with IDS, with higher title search revenue and stable subscription revenue. Real Time Agent delivered a 37% uplift in revenue, with ongoing subscriber momentum, and a recovery in market volumes supporting contracts revenue growth. Realbase's core campaign management system delivered strong revenue growth, benefiting from the listings recovery in Sydney and Melbourne. However, this performance was offset by lower revenues from AIM, with lower attachment rates reflecting cost-of-living pressures in Australia and New Zealand. During the year LeadScope's AI-driven predictive tool progressed from beta to monetisation, with revenues delivering ahead of target.

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Domain Insight's revenue increased 8% year-on-year.

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Revenue benefited from the implementation phase of Western Australia's Land Information Authority contract with IDS. In addition, Automated Valuation Model revenues were higher, reflecting success in acquiring new financial clients, and an increased share of revenue from existing clients. Pricefinder (non-agent) revenues were lower as a result of the strategic decision to terminate a data-sharing agreement with a competitor. We believe that Domain's proprietary data can deliver substantially greater value within our own Marketplace.

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In Consumer Solutions, we finalised the exit from the Domain Home Loans joint venture which is treated as a discontinued operation. The full financial impact of the exit is included in the FY24 accounts. With a highly engaged and growing consumer base, we have already onboarded new banking partners, and are optimistic about future opportunities that will support a profitable contribution to our Marketplace.

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The detail of DHL's contribution to discontinued operations is outlined on the slide.

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Print revenues increased 1%, reflecting the improved listings environment in the high value inner Sydney and Melbourne suburbs where many of Domain's flagship print publications circulate. Bundling of Print with Domain's Social Boost social media product also provided a benefit.

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Print continues to deliver a large and high-quality audience with limited overlap with digital. Average issue readership of 1.2 million increased 6% year-on-year, with audience quality reflected in likelihood to purchase.

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Turning now to the trading update.

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- Trading in July has experienced ongoing growth, with new 'for sale' listings up 4% year-on-year on a like-for-like basis. Growth rates in Sydney and Melbourne have moderated from the very strong FY24 performance, with improving momentum in other states.

- FY25 costs are expected to increase in the high single to low double digit percentage range from the FY24 expense base (excluding discontinued operations) of $254.1 million, reflecting ongoing investment to drive growth opportunities from Domain's Marketplace.
- Domain expects stable EBITDA margins in FY25, balancing confidence to invest in the ongoing growth of the business with continuing efforts to drive productivity.

I'll now hand over to Peter to run through the financials

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Peter Williams – Chief Financial Officer:

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

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Slide 33 provides a reconciliation of the statutory 4E to Domain's trading performance excluding significant items, discontinued operations and adjusted for amortisation of acquired intangibles.

Starting at the items below EBITDA. Depreciation and amortisation expense of $44.4 million increased from $38.3 million in the prior year due to the higher amortisation of software costs arising from increased product development. The $9.9 million net profit adjustment reflects the non-cash amortisation from acquisitions.

We expect FY25 D&A expense to increase around $3 million largely due to the expansion of our office footprint in FY25.

Net finance cost of $12.4 million increased from $10.7 million in FY23, reflecting higher average net debt, and the market wide increases in interest rates. We expect FY25 interest expense to remain largely in line with FY24.

Tax expense of $23.0 million is an effective tax rate of 29%. For FY25 we expect the tax rate to be between 28% and 30% in line with historic averages.

Net profit attributable to non-controlling interests (NCI) of $8.0 million reflects the share of profits or loss attributable to the agent ownership models.

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NCI increased from $6.0 million in the prior year due to higher Core Digital profit.

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Slide 34 provides the reconciliation of statutory to trading performance for FY23.

Slide 35

Slide 35 provides the detail of Domain's cost structure, and a reconciliation of statutory to trading expenses.

Trading expenses of $254.1m increased 7% year-on-year.

Staff costs which make up around half our expense base increased 9% on a continuing basis, reflecting a combination of wage inflation and higher employee incentives aligned to improved performance.

Production and Distribution costs remained flat year-on-year.

Marketing and Sponsorship costs increased by 13%, with increased investment in our Spring marketing campaign.

Software and Communications expenses grew 27% due to investment in marketing technology and cybersecurity, along with increased costs in line with inflation.

Other costs decreased 15% reflecting tight cost control on discretionary spending.

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As Jason mentioned earlier, our cost expectations for FY25 are for high single to low double digit percentage growth from the FY24 cost base of $254 million. The key drivers of that increase are outlined on this slide. Foundational investment is being undertaken to support our aspirations to scale and become a much larger business. The uplift in Marketing investment relates to the launch of Audience Boost, and will be reflected in Production costs in FY25. Other costs include the impact of inflation on our cost base, offset by our focus on driving greater productivity.

Capex as a percentage of group revenue, excluding office fitout, increased to around 9% in FY24, and we expect this to remain stable in FY25. Including office fitout we expect FY25 Capex as a percentage of revenue to be 11%.

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Slide 37 provides an overview of significant items, which amounted to a $6.1 million expense net of tax.

Restructuring charges of $4.1 million largely relate to technology and platform transformation.

Loss from remeasurement of contingent consideration of $1.0 million primarily relates to the acquisition of Insight Data Solutions.

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Costs related to mergers and acquisitions of $1.8 million largely reflect the integration of Realbase.

Impairment of $1.0 million relates to the write down of historical assets no longer in use.

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Turning to cash flow.

FY24 cash from trading was $117.4 million, which increased significantly from $66.2 million in FY23.

The cash income tax payment of $8.1 million reduced year-on-year despite higher statutory EBITDA due to the receipt of tax refunds related to FY23.

Investment in PPE and software of $37.1 million increased year-on-year supporting investment in the key priority areas. For FY25 capex is expected to be around $47 million including office fitout.

During FY24 we repaid $32.4 million in net borrowings.

Total dividends paid of $42.2 million were in line with the prior year, reflecting a stable dividend per share.

Domain finished FY24 with a cash balance of $33.8 million.

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Slide 39 provides an overview of Domain's debt facilities. As at June 2024 the facility was drawn down to $185 million, a $35 million reduction versus June 2023. Domain's debt facilities extend out to December 2025 and December 2026 with respectively 61% and 39% of total maturities.

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Domain's balance sheet at June 2024 is in strong shape, ending the period with net debt of $150.8 million, compared with $185.8 million at June 2023. This represents a leverage ratio of 1.10x, an improvement from 1.71x in FY23.

With that, I'll hand back to Jason for some closing remarks

Jason Pellegrino – Chief Executive Officer and Managing Director:

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During FY24 Domain delivered strong results, and demonstrated pleasing progress with our Marketplace strategy, laying the groundwork for the year ahead.

Our strong performance in Average Revenue Per Listing and audience have supported Core Listings growth. Domain's relative listings coverage has recovered to exceed pre-price increase levels, with encouraging listings growth outperformance in June and July.

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Looking forward to FY25, we expect to benefit from a stable market environment with listings volume growth in the low single digit range. Our price increases across depth listings average 8% following our July 2024 price review, and we have seen continued positive trends in depth uptake.

The significant enhancements to Domain's data sets, and strong growth of the RTA and Media businesses have expanded our unique data and assets, and diversified revenue.

Looking forward to FY25, we expect to leverage our enhanced data sets to improve the consumer experience, in areas such as price transparency and research, helping to build loyalty to support continued organic traffic growth.

Finally, during FY24 the development of Audience Boost and our partnership with Nine have progressed our ability to deliver 'Only on Domain' experiences.

Looking forward to FY25, we will build on Audience Boost's extension to all depth listings which benefits agents and vendors, and drives valuable incremental audiences to Domain's Core. This will be further boosted through scaling of the 'always on' marketing platform established in partnership with Nine last year.

We look forward to delivering on the significant opportunities that lie ahead for Domain.

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Thanks for your attention, everyone, and I'll now hand back to the operator for Q&A.

Ends

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