

ASX Announcement
7 February 2020

REA Group delivers resilient performance in challenging market conditions

Financial highlights from core operations¹:

- **Revenue² of \$440.3m, down 6%**
- **Operating expenses³ of \$168.2m, down 4%**
- **EBITDA³ of \$272.1m, down 7%**
- **Net Profit of \$152.9m, down 13%**
- **Interim dividend of 55.0 cents per share, flat**
- **EPS of 116.1 cents, down 13%**

REA Group Limited (ASX:REA) today announced its results for the half-year ended 31 December 2019. Group financial highlights from core operations¹ include revenue² of \$440.3m and EBITDA³ of \$272.1m.

The Group's result was delivered in continued challenging market conditions with declines in new residential listing volumes and new project commencements. National residential listings declined 14%, which included listing declines of 17% in Sydney and 16% in Melbourne. In addition, new project commencements declined 30% over the half-year period.

Strong cost management and efficiencies gained from an organisational realignment resulted in a 4% reduction in total operating expenses (2% excluding the impact of AASB 16). The realignment has increased the speed and efficiency of product delivery across the business, while allowing continued investment in innovation and growth initiatives.

REA Group CEO, Owen Wilson, commented: "Our results demonstrate the underlying strength of our business given the unprecedented market conditions. We now have a record number of customers committed to our premium listing products across both buy and rent. Customers see clear value in our product offerings, designed to deliver the highest quality leads to help their businesses grow.

"We have further consolidated our leadership position across realestate.com.au with record audience engagement⁴ and app launches⁵ during the half. In this challenging market, our customers and consumers recognise the value of the number one place for property in Australia.

"Pleasingly we continue to see increased buyer activity on our site, up over 30% for the half⁶, while realestate.com.au received a monthly average of 1.5 million visits to the find agents section⁷. These numbers, combined with an increase in auction clearance rates, home price gains and increased mortgage activity, indicate the Australian property market is recovering," said Mr Wilson.

A summary table of the financial results from core operations¹ for the half-year ended 31 December 2019 is presented below. The information is presented in Australian dollars and is prepared under AIFRS.

¹ Financial results/highlights from core operations exclude significant non-recurring items such as restructure costs, gain/loss on acquisitions and disposals and transaction costs. In the prior comparative period they excluded items such as revaluation, unwind and finance costs of contingent consideration, transaction costs relating to acquisitions by associates and impairment charges.

² Revenue is defined as revenue from property and online advertising and revenue from Financial Services less expenses from franchisee commissions.

³ Operating expenses and EBITDA exclude share of losses of associates and joint ventures.



AUD\$m (unless stated)	HY2020	HY2019	YoY growth
Revenue ²	440.3	469.2	-6%
Operating expenses ³	168.2	175.2	-4%
EBITDA ³	272.1	294.0	-7%
EBITDA margin ³	62%	63%	
NPAT	152.9	176.6	-13%
Earnings per share (EPS)	116.1c	134.1c	-13%

AUSTRALIA

In Australia, REA Group operates the leading residential, commercial and share property sites: realestate.com.au⁸, realcommercial.com.au⁹, and Flatmates.com.au¹⁰. Revenue declined 7% to \$413.1m for the half, driven largely by decreases in the Residential and Developer businesses.

Residential revenue declined 6% to \$283.2m reflecting the unfavourable market conditions, which was partially offset by price changes that took effect from 1 July 2019, continued growth in Premiere product penetration, and add on products such as Property Showcase. Increased depth penetration and a strong contribution from products such as Tenant Verification delivered strong revenue growth in the Rent business.

Commercial and Developer revenue declined 4% reflecting the continued reduction in new project commencements, down 30% for the half. New project commencements are expected to continue to decline for the remainder of the financial year¹¹, driven by funding constraints, a reduction in consumer confidence due to inventory quality, and a reduction in foreign investment.

Media, data and other revenue declined by 12% primarily due to a reduction in Developer display advertising due to lower new project commencements which was partially offset by continued growth from the data business.

Financial Services revenue declined by 14% due to a decline in Partnership payments and reduced mortgage settlements, which were influenced by lower listing volumes. However mortgage submissions, a key leading indicator, have increased in response to the low interest rate environment, and improved lending conditions.

REA Group's flagship site, realestate.com.au continued to outperform the competition remaining the clear number one property platform in the country⁸ - over 8.8 million people visiting realestate.com.au on all platforms each month¹².

"Our strength is our ability to connect customers with the largest and most engaged audience of property seekers in Australia¹³. Our continued focus on providing consumers with highly personalised experiences is resulting in more people turning to realestate.com.au as their trusted property partner each day," said Mr Wilson.

Key audience highlights included:

- Over 84 million average monthly visits to realestate.com.au on all platforms - 2.95 times more than its nearest competitor⁸;
- Over 103 million average monthly searches across all realestate.com.au platforms, growing 14% year-on-year¹⁴;

- The realestate.com.au app was launched more than 34.9 million times each month, growing 28% year-on-year¹⁵;
- Consumers are spending four times longer on the realestate.com.au app each month than the nearest competitor¹⁶;
- Total app downloads grew 12% for the calendar year to 9.5 million¹⁷; and
- Realcommercial.com.au continues to be Australia's number one commercial property app with 8.4 times more launches than the nearest competitor¹⁸.

ASIA

The Asian business delivered a 5% increase in revenue to \$27.2m and EBITDA before associates and joint ventures of \$6.3m³.

This result was driven by strong revenue growth in Malaysia, underpinned by improved customer acquisition and increased consumer audience. Malaysia now enjoys a leadership position of 1.7x the nearest competitor¹⁹. The ongoing disruption in Hong Kong impacted the overall segment result.

The Asian segment includes the equity accounted results of REA Group's 13.5% Indian investment, Elara Technologies, which delivered revenue growth of 25% for the half²⁰. Including the contribution from associates, EBITDA decreased to \$3.1m.

In January 2020, the Group completed due diligence and formalised the agreement to establish a joint venture (JV) with 99.co, the Singapore headquartered digital property marketplace. REA Group will be the largest shareholder with a 27% shareholding. The JV company will be established through the transfer of the existing businesses of 99.co and iProperty.com.sg and Rumah123.com located in Singapore and Indonesia. The transfer of assets is anticipated to be completed in Q3 FY20.

"Asia remains a critical component of our long term growth strategy and we are excited by the opportunities ahead. We are seeing continued strong growth in Malaysia and our JV with 99.co presents an excellent opportunity to rapidly increase our market share in the expanding growth markets of Singapore and Indonesia," said Mr Wilson.

NORTH AMERICA

REA Group has a 20% investment in Move, Inc. which operates realtor.com[®], a leading property portal in North America. Average monthly unique users of realtor.com[®]'s web and mobile sites for the fiscal second quarter increased 9% on the prior corresponding period to approximately 59 million, with mobile representing more than half of all unique users²¹.

Reported revenue growth of 2% to US\$244m²² was due primarily to an increase in real estate revenues. The Group's share of losses from Move Inc. decreased by \$1.0m for the half due to revenue growth, as well as a reduction in operating costs despite increased investment in Opicity.

RETURNS TO SHAREHOLDERS MAINTAINED

The Board has declared an interim dividend of 55.0 cents per share fully franked, which is consistent with the prior year. The 2020 interim dividend dates are:

Ex-dividend date	9 March 2020
Record date	10 March 2020
Payment date	24 March 2020



OUTLOOK

The Australian Residential business had the benefit of price increases which came into effect on 1 July 2019, plus stronger levels of Premiere depth product penetration on the back of the latest Premiere offering. Listings remain challenging with Australian residential volumes down 13% in January 2020 compared to January 2019 with declines of 7% in Sydney and 5% in Melbourne.

While there are signs of a market recovery, led by Sydney and Melbourne, full year revenue growth is dependent on improved listings conditions in the second half. The Group will continue to invest in growth initiatives, while planned efficiency gains and strong cost management will result in a reduction in operating costs year-on-year. As a result, the rate of revenue growth is still expected to exceed the rate of cost growth for the full-year.

"Key indicators show that the Australian property market is recovering. REA Group is well placed to benefit from this momentum. We anticipate that more favourable listings conditions in the second half of FY20 will deliver a stronger revenue outcome," concluded Mr Wilson.

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The release of this announcement was authorised by Sarah Turner, General Counsel & Company Secretary.

FY Results Presentation [webcast link](#)

About REA Group

About REA Group Limited: (www.rea-group.com): REA Group Limited ACN 068 349 066 (ASX:REA) ("REA Group") is a multinational digital advertising business specialising in property. REA Group operates Australia's leading residential, commercial and share property websites - realestate.com.au, realcommercial.com.au, Flatmates.com.au – as well as Spacely, a short-term commercial and co-working property site. In Asia, REA Group owns leading portals in Malaysia (iproperty.com.my), Hong Kong (squarefoot.com.hk) and Indonesia (rumah123.com), and prominent portals in Singapore (iproperty.com.sg) and China (myfun.com), and a leading property review site in Thailand (thinkofliving.com). REA Group owns Smartline Home Loans Pty Ltd, an Australian mortgage broking franchise group, and Hometrack Australia Pty Ltd, a leading provider of data property services. REA Group also holds a significant shareholding in property websites realtor.com in the US and PropTiger.com, housing.com and Makaan.com in India.

References

⁴ Nielsen Digital Content Ratings (Monthly Tagged), text, Oct 19, P2+, total time spent on realestate.com.au.

⁵ Nielsen Digital Content Ratings (Monthly Tagged), text, Oct 19, P2+, realestate.com.au app launches.

⁶ Adobe Analytics, total email leads and phone reveals, (Jul 19 – Dec 19) compared to the same period (Jul 18 – Dec 18).

⁷ Adobe Analytics, average monthly visits to "Find agents" section on realestate.com.au (Jul 19 – Dec 19).

⁸ Nielsen Digital Content Ratings (Monthly Tagged), text, Jul 19 – Dec 19, P2+, Computer, Smartphone and Tablet, realestate.com.au and vs Domain, average monthly sessions.



⁹ Nielsen Digital Content Ratings (Monthly Tagged), text, Jul 19 – Dec 19, P2+, Computer, Smartphone and Tablet, realcommercial.com.au vs commercialrealestate.com.au, average monthly sessions.

¹⁰ Hitwise market share data, comparing visits to Flatmates.com.au to its nearest competitor (Jul 19 – Dec 19).

¹¹ BIS Oxford BIA Data, dwelling commencements quarterly forecast at Dec 19.

¹² Nielsen Digital Content Ratings (Monthly Tagged), text, Jul 19 – Dec 19, P2+, Computer, Smartphone and Tablet, average monthly unique audience.

¹³ "Largest" - Nielsen Digital Content Ratings (Monthly Tagged), text, Jul 19 – Dec 19, P2+, Computer, Smartphone and Tablet, average daily unique audience, realestate.com.au vs. Domain. "most engaged" - Nielsen Digital Content Ratings (Monthly Tagged), text, Jul 19 – Dec 19, P2+, average time spent on realestate.com.au vs. Domain.

¹⁴ Adobe Analytics, average monthly visits to realestate.com.au/searches (Jul 19 – Dec 19) and compared to the same period (Jul 18 – Dec 18).

¹⁵ Nielsen Digital Content Ratings (Monthly Tagged), text, Jul 19 – Dec 19, P2+, average monthly realestate.com.au app launches and compared to the same period (Jul 18 – Dec 18).

¹⁶ Nielsen Digital Content Ratings (Monthly Tagged), text, Jul 19 – Dec 19, P2+, total time spent (Jul 19 - Dec 19 avg), realestate.com.au app vs Domain app.

¹⁷ Google Play & iTunes App Store, total downloads (Dec 19) and compared to Dec 18.

¹⁸ Nielsen Digital Content Ratings (Monthly tagged), text, Jul 19 – Dec 19, P2+, realcommercial.com.au vs commercialrealestate.com.au app launches.

¹⁹ SimilarWeb, monthly visits for iproperty.com.my site compared to the nearest competitor (Jul 19 – Dec 19). Excludes app.

²⁰ Elara Technologies Pte. Ltd. Internal Data: revenue, for the period (Jun 19 – Nov 19) compared to the same period (Jun 18 – Nov 18).

²¹ NewsCorp's Earnings Release stated in US Dollars (6 February 2020) for the six month period ended 31 December 2019: Average monthly unique users for Q2 FY 2020 and compared to the same period Q2 FY 2019.

²² NewsCorp's Form 10-Q stated in US Dollars for the six month period ended 31 December 2019.