

ASX Announcement
29 October 2020

REA Group to take controlling interest in India's Elara Technologies

REA Group Ltd (ASX:REA) today announced it has entered into a binding agreement to increase its ownership interest in Elara Technologies Pte. Ltd. (Elara). REA currently holds a 13.5% shareholding in Elara and will move to a controlling interest in the company. On completion REA will hold 5 out of 9 board seats and is expected to have a shareholding of between 47.2% and 61.1%.

The total consideration for the transaction is expected to be in the range of US\$50m – US\$70m, with US\$34.5m payable out of existing cash reserves and the balance in newly issued REA sharesⁱ. The transaction, which remains subject to confirmatory due diligence and the renegotiation of key management employment contracts, is anticipated to be completed in Q2 FY21.

Elara operates India's fastest growing digital real estate business in terms of audienceⁱⁱ, with established brands Housing.com, PropTiger.com and Makaan.com operating in the world's fastest growing trillion-dollar economyⁱⁱⁱ. Notwithstanding the recent impacts of COVID-19, Elara has continued to increase its market share, delivering excellent audience and customer growth over the past two years.

REA Group CEO, Owen Wilson commented: "India is an incredibly attractive market and one that provides excellent long-term growth opportunities, while complementing REA's footprint in Asia and North America. The country is forecast to deliver strong growth over the next decade and continues to experience rapid digital transformation.

"With over 700 million internet users^{iv} and roughly half a billion^v yet to come online, our increased investment in Elara will allow REA to be at the forefront of the considerable long-term opportunities within India, and the digitisation of the real estate sector."

Elara has a differentiated offering in India providing a full range of property services across digital advertising and transactions including personalised search, virtual viewing, site visits, home loans and post-sales services.

"This transaction creates a unique opportunity to leverage the combined talent and expertise of REA and Elara to become the number one digital real estate business in India," concluded Mr Wilson.

The transaction structure is outlined below:

Stage 1

- REA has agreed to subscribe for US\$34.5m of preference shares in Elara to fund the repayment of 50% of Elara's debt facility. This payment will be funded out of existing cash reserves.
- News Corp has agreed to subscribe for US\$34.5m of preference shares in Elara to fund the repayment of the remaining 50% of Elara's debt facility. Following this, News Corp's shareholding in Elara will increase from 22.1% to 38.9%.





- REA has agreed to acquire the Elara shares held by the three largest shareholders after News Corp and REA representing a combined shareholding of 11.7%. The consideration will be via the issue of 199,503 new REA shares with an estimated market value of A\$23.9mⁱ.
- Following REA's subscription of preference shares in Elara and acquisition of the shares of the three largest shareholders, REA's shareholding will increase to 47.2% and REA will hold 5 out of 9 Elara board seats.

Stage 2

- REA will offer to acquire all remaining shares in Elara, with the exception of News Corp's 38.9% shareholding, representing a combined shareholding of 13.9%. The consideration will be paid by way of issuing new REA shares. If all the remaining shareholders accept REA's offer, REA will issue a maximum of 249,348 additional shares with an estimated market value of A\$29.9mⁱ.
- Depending on the acceptance of REA's offer to acquire the remaining shares in Elara, REA's shareholding on completion will be between 47.2% and 61.1%. The maximum number of shares to be issued under the transaction structure is 448,851 with an estimated market value of A\$53.8mⁱ.
- Upon completion of the transaction, REA will consolidate 100% of Elara's financial results and separately disclose the minority interests.

In addition to the Elara board structure, a new sub-committee of the REA Group Board will be established to oversee the Group's Asian businesses.

Elara financial performance

Since REA's initial investment in Elara in 2017^{vi} the business has delivered strong revenue growth with a compound average growth rate of 42% from FY17 to FY20. After delivering strong revenue growth in the nine months to March FY20, driven by Housing.com, the impact of COVID-19 in Q4 FY20 reduced Elara's FY20 revenue growth. Full year revenue grew 9% to A\$27m.

While FY21 revenues are likely to be negatively impacted by the continuing effects of COVID-19, and the duration of the pandemic's impact remains uncertain, pleasingly Elara's audience levels continue to reach record highs. In addition, listings volumes have rebounded from the COVID-19 lows in June but remain lower than pre COVID-19 levels.

Assuming a completion date of 30 November 2020, REA would fully consolidate Elara's financial results from 1 December 2020, with REA Group FY21 revenues expected to increase between A\$15m – A\$20m, core operating EBITDA (excluding associates) decreasing by A\$20m – A\$25m and contribution from associates increasing between A\$3m – A\$5m. The EPS impact is expected to be marginally dilutive and is dependent on the volume of the remaining shareholder acceptances. The FY21 revenue, EBITDA and associate ranges are indicative only, due to the market volatility created by COVID-19.

Please see **Appendix 1** for further financial details relating to the transaction.

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The release of this announcement was authorised by Erin Thorne, Acting Company Secretary.

About REA Group Ltd: (www.rea-group.com): REA Group Ltd ACN 068 349 066 (ASX:REA) ("REA Group") is a multinational digital advertising business specialising in property. REA Group operates Australia's leading residential and commercial property websites – realestate.com.au and realcommercial.com.au – as well as the leading website dedicated to share property, Flatmates.com.au and [Spacely](http://Spacely.com.au), a short-term commercial and coworking property website. In Asia, REA Group owns leading portals in Malaysia (iproperty.com.my) and Hong Kong (squarefoot.com.hk), a prominent portal in 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 property data services. REA Group also holds a significant shareholding in property websites realtor.com in the US, 99.co and iproperty.com.sg in Singapore, rumah123.com in Indonesia and PropTiger.com, Housing.com and Makaan.com in India.



Appendix 1: Transaction Overview

Following the completion of the transaction, the book value of the Elara investment will depend on the acceptances received by the minority shareholders, the final REA share price on the date of completion and foreign currency exchange rates on completion.

Acquisition Step	Consideration type	Consideration paid by REA A\$m	REA shares issued #	Cash paid by REA A\$m	REA cumulative shareholding	REA Elara Board seats	News Corp cumulative shareholding
REA has agreed to subscribe for US\$34.5m of preference shares in Elara to fund the repayment of 50% of Elara's debt facility.	Cash	\$49.0*	-	\$49.0	35.4%	2 out of 9	-
News Corp has agreed to subscribe for US\$34.5m of preference shares in Elara to fund the repayment of the remaining 50% of Elara's debt facility.	Cash	-	-	-	-	-	38.9% 3 out of 9 board seats
REA has agreed to acquire the Elara shares held by the three largest shareholders after News Corp and REA.	New REA shares ⁱ	\$23.9	199,503	-	47.2%	5 out of 9	-
REA will also offer to acquire all remaining shares in Elara, with the exception of News Corp's shareholding.	New REA shares ⁱ	\$0 – 29.9	0 – 249,348	-	47.2 – 61.1%	-	-
	Total estimated consideration ⁱ	\$72.9–102.8	199,503 – 448,851	\$49.0	47.2 – 61.1%		38.9%

*AUD:USD conversion of preference share conversion calculated at 0.7043 for indicative purposes

ⁱ Total acquisition consideration is subject to foreign exchange rates and the REA share price of newly issued REA shares on the date of completion. The number of new REA shares issued will be dependent on (a) final transaction price less any withholding tax deductions required to be settled in cash and (b) any regulations in India which may necessitate a component of the consideration to be settled in cash. REA share consideration estimated using an indicative REA share price of A\$120 per share.

ⁱⁱ SimilarWeb, September 2020 (based on 3-year audience CAGR from September 2017 to September 2020 relative to 99acres and MagicBricks).

ⁱⁱⁱ World Economic Outlook Database, IMF, October 2020; An India Economic Strategy to 2035, Department of Foreign Affairs and Trade, 2018.

^{iv} Indian Telecom Services Performance Indicator Report January – March, Telecom Regulatory Authority of India, September 2020.

^v World Economic Outlook Database, IMF, October 2020.

^{vi} REA initially invested in Elara in January 2017, acquiring an initial 14.7% interest for A\$67.9m (US\$50m). This holding was subsequently reduced by equity accounted losses, the impact of foreign exchange translation and asset write downs. The book value of REA's initial stake at 30 June 2020 was A\$10.1m.