ASX Announcement
10 February 2023

REA Group delivers revenue growth in challenging market conditions

Financial highlights from core operations[1] compared to prior corresponding period:

- **Revenue[2] of $617m, up 5%**
- **EBITDA[3] (excluding associates) of $359m, down 2%**
- **Net profit[4] of $205m, down 9%**
- **Interim dividend of 75 cents per share, flat YoY**
- **EPS of 155 cents, down 9%**

REA Group Ltd (ASX:REA) today announced its results for the half-year ended 31 December 2022. Group financial highlights from core operations[1] include YoY revenue growth of 5% to $617m, decrease in EBITDA excluding associates of 2% to $359m, and a 9% decrease in net profit to $205m. Reported net profit decreased to $202m, reflecting one-off impacts in both periods (see Appendix 1).

Revenue growth was underpinned by 3% growth in Australia, with yield growth across our advertising products more than offsetting a challenging market environment and very strong prior year comparables, particularly in Q2. REA India performed strongly, with revenue up 48% YoY.

Australian core operating costs increased by 7%, driven by higher employee costs from wage inflation and continued investment to deliver strategic initiatives, and increased marketing and travel costs. The YoY growth rate also reflects reduced costs in the prior period due to lockdowns and the deferral of spend due to COVID uncertainty. This, combined with higher costs in India from continued investment in people, marketing and increased revenue-related costs, saw Group operating costs increase by 15%.

The Board has determined to pay a final dividend of 75.0 cents per share fully franked, flat YoY.

REA Group Chief Executive Officer, Owen Wilson commented:

"The Australian property market was heavily impacted during the first half by unprecedented consecutive interest rate hikes. While underlying demand remained healthy, uncertainty around future interest rate movements caused some sellers to pause and buyers to re-calibrate as borrowing capacities fell.

"Despite these conditions, REA continued to deliver revenue and yield growth during the half. This performance underscores the strength of our products and audience, with customers increasingly relying on our premium products to maximise the impact of their campaigns."

A summary table of the key financial information from group core operations[1] is presented on the next page. The information is presented in Australian dollars and is prepared under AIFRS. All financial growth rates refer to YoY comparisons unless otherwise stated.

AUD$m (unless stated)	H1 FY23	H1 FY22	YoY growth
Revenue	**617**	**590**	**5%**
Operating expenses	258	224	15%
Operating EBITDA (excluding share of profit/losses from associates)	**359**	**366**	**(2%)**
EBITDA (including share of profit/losses from associates)	347	368	(6%)
NPAT attributable to owners of parent	**205**	**226**	**(9%)**
Earnings per share (EPS) (cents)	155	171	(9%)

AUSTRALIA

In Australia, REA Group operates the leading residential and commercial sites realestate.com.au[5] and realcommercial.com.au[6], data and insights business, PropTrack, and a leading mortgage broking business, Mortgage Choice. Core revenue of $581m was up 3% YoY.

A summary of the quarterly residential listings and project commencement changes is outlined in the table below, showing changes against the prior corresponding period.

	Q1'22	Q2'22	Q3'22	Q4'22	Q1'23	Q2'23	H1'23
Residential Buy listings change[7]							
National	**11%**	**22%**	**11%**	**2%**	**5%**	**-21%**	**-9%**
Sydney	-7%	39%	14%	-8%	5%	-34%	-17%
Melbourne	79%	25%	8%	-5%	12%	-31%	-13%
Project commencement change	**-37%**	**-10%**	**-15%**	**-19%**	**14%**	**-17%**	**-4%**

Residential revenue increased 5% to $425m, with an 11% increase in Buy yield more than offsetting the 9% decline in national listings. Buy yield benefited from the contribution from Premiere+, a 6% average national price rise, and increased depth and Premiere penetration, partly offset by a negative geographical mix impact from lower listings in the higher yielding Melbourne and Sydney markets. Buy revenue also benefited from a positive impact from deferral. Rent revenue increased marginally with a 5% price rise and growth in depth penetration, partly offset by a 3% decline in listings due to a continuing lack of supply.

Commercial and Developer revenue increased 5% to $72m. Commercial revenue growth was driven by increased depth penetration and 1 July price increases. Developer revenues were down on the prior year, impacted by a 4% decline in project launches during the period with rising input costs, labour shortages and supply chain issues resulting in developers being less willing to take new projects to market.

Media, Data and Other revenue was flat at $49m. Developer and Media display, the largest component of this segment, declined YoY. Data revenues increased by 13%, with PropTrack continuing to strengthen key relationships with major banks and grow data & insights revenue. Other revenues, largely made up of flatmates.com.au, increased YoY.

Financial Services core revenue declined 14% YoY[8] to $35m, with slowing market activity resulting in an 11% reduction in settlements. Momentum from the newly combined brand has continued, driving an acceleration in recruitment with 94 new brokers added during the half. The integration of Mortgage Choice is progressing well, with all brokers now on the same platform, and completion is on track for the end of this quarter.

Realestate.com.au maintains leadership as Australia's number one address in property

REA Group's flagship site, realestate.com.au, maintained its leadership position[5]. Mr Wilson commented:

"In a challenging market, the value of realestate.com.au's unparalleled audience, engaging consumer experiences, and rich data-driven insights becomes increasingly important. We are the number one property portal in each of our markets and remain keenly focussed on building the engagement and loyalty of consumers throughout their property journey."

Key realestate.com.au audience highlights included:

- 12.1 million people visited each month on average[9], or 55% of Australia's adult population[10];
- 117.6 million average monthly visits[11], 3.3 times more visits than the nearest competitor each month on average[12];
- 2.5 million average daily visitors[13], 3.5 times more visits than the nearest competitor each month on average[14];
- 20% YoY increase in active members[15];
- 50% YoY increase in active property owner tracks[15] and
- 1.8 million average monthly buyer enquiries[16].

INDIA

REA India has delivered an impressive performance with revenue of $36m, up 48%. Revenue growth was largely driven by Housing.com's property advertising business, which saw strong customer growth. An increased focus on search engine optimisation (SEO), improved mobile experience and targeted marketing has driven audience growth of 36% YoY[17]. Housing.com has maintained the #1 audience share throughout H1 FY23[18] and grown its lead over the closest competitor[19]. Revenue has also benefited from growth in lower margin adjacency products on the Housing Edge platform.

EQUITY ACCOUNTED INVESTMENTS

REA Group has a 20% investment in Move, Inc. (Move) which operates realtor.com®, a leading property portal in North America. Move revenue declined by 10% in H1 FY23, impacted by the current challenging macroeconomic environment in the US which has led to a 34% decline in leads[20]. Move also continued to reinvest to drive their core businesses and expand into adjacencies, which saw higher employee and marketing costs. This resulted in an equity accounted loss of $7m, down from an $8m gain in the prior period.

REA Group also holds a 17.5% stake in PropertyGuru Group Limited (PropertyGuru)[21], which operates leading property marketplaces in Singapore, Vietnam, Malaysia and Thailand, and is listed on the NYSE. PropertyGuru contributed an equity accounted loss of $2m in H1 FY23, down from a $4m loss in the prior period with strong marketplace revenue growth in all of its key markets[22].

Core contributions from total equity accounted investments declined from a $2m gain in the prior period to a $12m loss in H1 FY23.

BALANCE SHEET STRENGTH

The Group has a $600m syndicated debt facility with two tranches, of $400m and $200m, which mature in September 2024 and September 2025 respectively. As at 30 December 2022, the Group's total drawn debt was $319m following repayment of $95m in December 2022, with a cash balance of $142m.

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RETURNS TO SHAREHOLDERS

The Board has determined to pay an interim dividend of 75 cents per share fully franked. The 2023 interim dividend dates are:

Ex-dividend date	6 March 2023
Record date	7 March 2023
Payment date	21 March 2023

OUTLOOK

Rapid successive interest rate increases and softening consumer sentiment have significantly impacted property prices and volumes in the Australian residential property market. While the full effects of higher interest rates will take some time to become apparent and price declines are expected to continue, we anticipate stabilisation of the interest rate cycle will improve confidence and encourage increased activity. Underlying demand continues to be supported by ongoing strong fundamentals including low unemployment, anticipated wage growth, and ongoing increases in migration.

January National residential new listings were down 9% YoY, with Sydney listings decreasing 16% and Melbourne down 15%. YoY growth rates for the remainder of the financial year will reflect strong prior period listings volumes, particularly in Q4, while the second half of the calendar year will reflect comparatively weak prior period volumes.

Residential Buy yield growth is anticipated to grow double-digit in FY23, driven by an average national 6% price rise, contribution from Premiere+ and continued growth in depth and Premiere penetration.

Financial Services operating revenues are likely to remain subdued in the second half, with the slowing new lending market driving lower submissions and settlements. The significant rollover of fixed rate loans presents some opportunity to offset this market softness.

In the second half, it is expected that Australian operating costs will decline YoY, with group costs marginally up on the prior corresponding period. Planned investment in REA India is expected to see EBITDA losses widen in FY23, resulting in total Group operating costs in FY23 increasing high single-digits. The volume of listings for the second half is difficult to predict. Depending on the level of decline against the strong prior period comparables, the target of FY23 Australian positive operating jaws may not be achieved.

The Group expects combined contributions from associates to decline to a mid-teens loss in FY23, reflecting tougher market conditions for these businesses.

Mr Wilson commented: “REA is focussed on delivering value to our customers at every point in the property cycle. We are continuing our investment in innovation and the growth of our product portfolio.

“The uncertainty caused by rising interest rates is likely to continue in the coming months but we do expect that when interest rates stabilise we will see increased activity in the property market. The Australian economy is strong, unemployment is low and immigration is increasing. Each of these underpin our property market.”

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The release of this announcement was authorised by the Board.

FY Results Presentation [webcast link]

About REA Group (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 property research website, property.com.au. REA Group owns Smartline Home Loans Pty Ltd and Mortgage Choice Pty Ltd, Australian mortgage broking franchise groups, and PropTrack Pty Ltd, a leading provider of property data services. In Australia, REA Group holds strategic investments in Simpology Pty Ltd, a leading provider of mortgage application and e-lodgement solutions for the broking and lending industries; Realtair Pty Ltd, a digital platform providing end-to-end technology solutions for the real estate transaction process, Campaign Agent Pty Ltd, Australia's leading provider of Buy Now Pay Later solutions for the Australian real estate market and Managed Platforms Pty Ltd, an emerging Property Management software platform. Internationally, REA Group holds a controlling interest in REA India Pte. Ltd. operator of established brands Housing.com, Makaan.com and PropTiger.com. REA Group also holds a significant minority shareholding in Move, Inc., operator of realtor.com in the US, and the PropertyGuru Group, operator of leading property sites in Malaysia, Singapore, Thailand and Vietnam.

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APPENDIX 1

Reconciliation of the financial results from core operations against reported financial results.

As reported in the Financial Statements for the half-year ended 31 December 2022:

Core and reported results	H1 FY23 $'m	H1 FY22 $'m
Core operating income	**617.3**	**590.4**
Trail commission integration adjustment	-	(3.5)
Reported operating income	**617.3**	**586.9**
EBITDA from core operations (excluding share of gains and losses of associates)	358.9	365.8
Share of (losses)/gains of associates	(9.4)	1.4
Revaluation of financial liabilities held by an associate	(2.2)	-
Associate restructuring costs	-	0.8
EBITDA from core operations	**347.3**	**368.0**
Net gain on acquisition and divestment related activities	-	4.0
Revaluation of financial liabilities held by an associate	2.2	-
Recognition of financial asset	1.5	-
Associate restructuring costs	-	(0.8)
Restructuring costs	(2.6)	-
Integration costs (including trail commission integration adjustment)	(5.7)	(8.2)
Reported EBITDA	**342.7**	**363.0**
Net profit from core operations attributable to owners of parent	**204.9**	**225.8**
Net gain on acquisition and divestment related activities*	-	4.0
Associate restructuring costs	-	(0.8)
Revaluation of financial liabilities held by an associate	2.2	-
Recognition of financial asset	1.5	-
Restructuring costs*	(1.9)	-
Integration costs (including trail commission integration adjustment)*	(5.1)	(7.7)
Reported net profit attributable to owners of parent	**201.6**	**221.3**

* Net of tax

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References

[1] Financial results/highlights from core operations exclude significant non-recurring items such as restructuring costs, integration costs, recognition of financial asset and revaluation of financial liabilities held by an associate. The prior half-year comparative also includes net gain from divestment related activities, and associate restructuring costs.
[2] Revenue is defined as revenue from property and online advertising and revenue from Financial Services less expenses from franchisee commissions.
[3] EBITDA excludes share of associates.
[4] Net profit attributable to owners of the parent. Non-controlling interests held 25.0% of shares in REA India Pte. Ltd. (formerly known as Elara Technologies Pte. Ltd.) and 43.8% of NOVII Pty Ltd as at 31 December 2022. The Group held a 73.3% shareholding in REA India as at 30 June 2022. The shareholding increased to 75.0% in December 2022 (all shareholdings are on an undiluted basis).
[5] Nielsen Digital Content Ratings (Monthly Total), Jul 22 – Dec 22 (average), P2+, Digital (C/M), text, Real Estate/Apartments subcategory, Unique Audience.
[6] Nielsen Digital Content Ratings (Monthly Tagged), Jul 22 – Dec 22 (average), P2+, Digital (C/M), text, realcommercial.com.au vs. commercialrealestate.com.au, Unique Audience.
[7] The Group releases a monthly REA Insights Listings report, which provides month-on-month and year-on-year movements in new and active realestate.com.au listings. The report is available on rea-group.com and realestate.com.au.
[8] Growth rate excludes discontinued business (FinChoice).
[9] Nielsen Digital Content Ratings (Monthly Tagged), Jul 22 - Dec 22 (average), P2+, Digital (C/M), text, realestate.com.au, Unique Audience.
[10] Nielsen Digital Content Ratings (Monthly Tagged), Dec 22, P18+, Digital (C/M), text, realestate.com.au, Active Reach %.
[11] Nielsen Digital Content Ratings (Monthly Tagged), Jul 22 - Dec 22 (average), P2+, Digital (C/M), text, realestate.com.au, Total Sessions.
[12] Nielsen Digital Content Ratings (Monthly Tagged), Jul 22 - Dec 22 (average), P2+, Digital (C/M), text, realestate.com.au vs. Domain, Total Sessions.
[13] Nielsen Digital Content Ratings (Daily), 1 Sep 22 - 31 Dec 22 (daily average), P2+, Digital (C/M) Text, realestate.com.au, Unique Audience.
[14] Nielsen Digital Content Ratings (Daily), 1 Sep 22 - 31 Dec 22 (daily average), P2+, Digital (C/M) Text, realestate.com.au vs. Domain, Unique Audience.
[15] REA internal data, Jul 22 - Dec 22 vs. Jul 21 - Dec 21.
[16] Adobe Analytics, internal data, Jul 22 - Dec 22 (average).
[17] Similarweb, average site visits Jul 22 – Dec 22 vs. Jul 21 – Dec 21 – excludes app.
[18] Similarweb, average site visits Jul 22 - Dec 22 vs. nearest competitor - excludes app.
[19] Similarweb, average site visits Dec 22 vs. nearest competitor and compared to Jun 22 – excludes app.
[20] NewsCorp's Form 10-Q stated in US Dollars for the 6-month period ended 31 December 2022.
[21] Initial investment of 18.0% (undiluted) in PropertyGuru Pte. Ltd was acquired on 3 August 2021.
[22] PropertyGuru's Form 6-K stated in Singapore Dollars for the nine-months ended 30 September 2022.