

ASX Announcement
11 August 2023

REA Group delivers a resilient result in challenging market conditions

Financial highlights from core operations¹ compared to prior corresponding period:

- **Revenue² of \$1,183m, up 1%**
- **EBITDA³ (excluding associates) of \$651m, down 3%**
- **Net profit⁴ of \$372m, down 9%**
- **EPS of \$2.82, down 9%**
- **Full year dividend of \$1.58 per share, down 4%**

REA Group Ltd (ASX:REA) today announced its results for the year ended 30 June 2023. Group financial highlights from core operations¹ include revenue growth of 1% to \$1,183m, a decrease in EBITDA excluding associates of 3% to \$651m, and a 9% decrease in net profit to \$372m. Reported net profit declined 7% to \$356m, reflecting one-off impacts in both periods (see Appendix 1 for a reconciliation between core and reported earnings). All financial information referred to below relates to core operations unless otherwise stated.

Revenue growth was underpinned by the strong performance of REA India, with revenue up 46% YoY. Australian revenue declined by 1%, with yield growth across our advertising products being more than offset by the challenging market and very strong prior year comparatives.

Australian operating cost growth was restricted to 1%, following tight management of employee costs and lower marketing spend. This, combined with higher costs in India from continued investment in people, increased marketing, and growth in revenue-related costs, saw Group operating costs increase by 7%.

The Board has determined to pay a final dividend of 83 cents per share fully franked. Together with the interim dividend announced in February, this represents a total dividend of 158 cents per share in respect of the 2023 financial year, down 4% on the prior year.

REA Group Chief Executive Officer, Owen Wilson commented: “Our year-on-year performance reflects the comparatively very strong listings environment in 2022. Despite the significantly lower listings in FY23, REA Group’s result demonstrates the strength and resilience of our business as customers continued to prioritise our premium products, leading platforms, and superior audience.

“Our Indian business continued to deliver exceptional revenue growth and extended its leadership position as the No.1 property portal by audience in the Indian market.”

A summary table of the key financial information from core operations¹ is presented over 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)	FY23	FY22	YoY growth
Revenue	1,183	1,170	1%
Operating expenses	532	499	7%
Operating EBITDA (excluding share of profit/losses from associates)	651	671	(3%)
EBITDA (including share of profit/losses from associates)	635	674	(6%)
NPAT attributable to owners of parent	372	408	(9%)
Earnings per share (EPS) (cents)	282	309	(9%)

AUSTRALIA

In Australia, REA Group operates the leading residential and commercial sites realestate.com.au⁵ and realcommercial.com.au⁶, data and insights business, PropTrack, and a leading mortgage broking business, Mortgage Choice. Core Australian revenue of \$1,104m was down 1% 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.

	Q1'23	Q2'23	Q3'23	Q4'23	FY23
Residential Buy listings change⁷					
National	5%	-21%	-12%	-18%	-12%
Sydney	5%	-34%	-20%	-17%	-18%
Melbourne	12%	-31%	-18%	-16%	-15%
Project commencement change	14%	-17%	-22%	-41%	-18%

Residential revenue decreased 1% to \$805m. Buy revenue declined, with an 11% increase in Buy yield more than offset by a 12% decrease in national listings. Buy yield benefited from the contribution of Premiere+, a 6% average national price rise, and increased depth and Premiere/Premiere+ penetration. This was partly offset by a negative geographical mix impact from larger listings declines in the higher yielding Melbourne and Sydney markets. Rent revenue increased with a 5% average price rise and growth in depth penetration, partly offset by a 1% decline in listings due to a continuing lack of supply.

Commercial and Developer revenue increased 4% to \$142m. Commercial revenue growth was driven by increased depth penetration and price rise. Developer revenues were down modestly on the prior year, with an 18% decline in project commencements partly offset by a price rise for Project Profiles from 1st September. The Developer market remains challenged, impacted by rising input costs and labour shortages resulting in developers being less willing to take new projects to market.

Media, Data and Other revenue was flat at \$97m. Data revenue increased by 7% driven by higher valuations and data & insights revenues, partially offset by lower volumes. PropTrack's valuation revenues benefited from new AVM contracts and improved AVM accuracy. This was largely offset by lower Developer and Media display revenues.

Financial Services operating revenue⁸ decreased 13% YoY to \$69m, with slowing market activity resulting in a 13% reduction in settlements. Despite the challenging environment, recruitment was strong with 183 new brokers added during the year. Net revenue declined by 8% to \$61m⁹, negatively impacted by an \$8m valuation adjustment to expected future trail commission due to faster loan run-off rates in a high refinance market and a higher discount rate.

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

REA Group's flagship site, realestate.com.au, maintained its leadership position⁵. Mr Wilson commented: "The size and quality of our audience provides REA customers with unrivalled value, and we further strengthened this proposition in FY23 with strong growth in the number of active members. The delivery of more personalised experiences is central to this growth and is rapidly increasing the depth and frequency of audience engagement. This demonstrates both the growing value consumers are placing on access to high quality information, and the underlying strength of demand in the property market."

Key realestate.com.au audience highlights included:

- 12.1 million people visited each month on average¹⁰; or 61% of Australia's adult population¹¹;
- 120.6 million average monthly visits¹², 3.3 times more visits than the nearest competitor each month on average¹²;
- 2.7 million average daily visitors¹³, 3.6 times more visits than the nearest competitor each month on average¹³;
- 18% increase in active members¹⁴;
- 51% YoY increase in active property owner tracks¹⁴; and
- 2.0 million average monthly buyer enquiries¹⁵.

Acquisition of CampaignAgent

In July REA Group moved to 100% ownership of CampaignAgent for cash consideration of \$39m, following the Group's initial acquisition of 27%¹⁶ of the business in 2021. CampaignAgent is a market leader in vendor paid advertising and home preparation finance, offering vendors choice and flexibility around the payment of their campaign. The innovative products address a clear market need, benefitting both our customers and consumers, and providing a significant ongoing opportunity to remove friction from the property selling process.

CampaignAgent, which has been equity accounted since 2021, will be consolidated from July 2023. The acquisition is expected to be broadly EBITDA and EPS neutral in FY24.

INDIA

REA India has delivered an impressive performance with revenue of \$79m, up 46%. Revenue growth was driven by Housing.com's property advertising business, which benefited from upselling customers to higher yielding premium products and increased customer growth. Revenue has also been driven from growth in products on the Housing Edge platform, which has an associated cost of goods sold. Continued focus on search engine optimisation, improved mobile experience and targeted marketing has driven audience growth of 28% YoY¹⁷. Housing.com has maintained the #1 audience share throughout FY23¹⁸ and grown its lead over the closest competitor¹⁹.

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 15% in FY23, impacted by the current challenging macroeconomic environment in the US which has led to a 29% decline in leads and lower transaction volumes²⁰. This was partly offset by lower employee and discretionary costs, resulting in an equity accounted loss of \$6m, down from a \$14m gain in the prior period.

REA Group also holds a 17.3% stake in PropertyGuru Group Limited (PropertyGuru)²¹, which operates leading property sites in Singapore, Vietnam, Malaysia and Thailand, and is listed on the NYSE. PropertyGuru contributed an equity accounted loss of \$3m in FY23, an improvement from the \$6m loss in the prior period, with strong marketplace revenue growth in all of its key markets²².

Losses from the Group's Australian investments increased to \$7m from \$5m in the prior period, reflecting accelerated investment for future growth by Realtair and Simpology.

Total contributions from equity accounted investments declined from a \$3m gain in the prior period to a \$16m loss in 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 June 2023, the Group's total drawn debt was \$319m following repayment of \$95m in December 2022, with a cash balance of \$260m.

External debt will increase by \$62m upon the consolidation of CampaignAgent's existing debt from July 2023.

RETURNS TO SHAREHOLDERS

The Board has determined to pay a final dividend of 83 cents per share fully franked. Together with the interim dividend, this represents a total dividend of 158 cents per share in respect of the 2023 financial year. The 2023 final dividend dates are:

Ex-dividend date	31 August 2023
Record date	1 September 2023
Payment date	21 September 2023

OUTLOOK

Seller confidence continues to be impacted by interest rate uncertainty, and a lack of supply of property inventory to both buy and rent. However, demand remains strong, with the Australian residential property market experiencing healthy auction clearance rates and property prices returning to growth in 2023. Underlying fundamentals are positive, with continued near-record low unemployment, higher wages growth and increasing migration, which should further add to housing demand.

July National residential new Buy listings were down 5% YoY, with Sydney and Melbourne listings both increasing by 9%. YoY growth rates in Q1 will reflect strong prior period listings volumes, with prior year volumes weaker in Q2.

Residential Buy yield growth is anticipated to grow double-digit in FY24, primarily driven by an average national price rise of 13%.

Full year positive operating jaws are targeted for the Group. Excluding M&A, operating cost growth for both Australia and India is expected to increase high single-digits to low double-digits, reflecting employee cost increases and technology cost inflation. The consolidation of CampaignAgent is anticipated to increase Group operating cost growth to low to mid-teens. EBITDA losses in India are anticipated to be lower in FY24 compared to FY23.

The Group expects losses for combined contributions from associates in FY24 to be modestly higher than FY23, reflecting continued tough market conditions for these businesses and ongoing investment for future growth.

Mr Wilson commented:

“The fundamentals of the Australian property market remain healthy. We are continuing to see strong demand and a return to price growth, and this is converting to a more attractive market for sellers. We believe stabilization of interest rates is within sight and expect this will lead to an increase in market activity.

“In this environment, REA Group is well positioned for growth. We are focused on delivering products that provide the greatest value to customers and enhance the experience of our audience, and we see significant opportunities in the year ahead.”

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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 Mortgage Choice Pty Ltd, an Australian mortgage broking franchise group, PropTrack Pty Ltd, a leading provider of property data services and Campaign Agent Pty Ltd, Australia’s leading provider in vendor paid advertising and home preparation finance solutions for the Australian real estate market. 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 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.

APPENDIX 1

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

As reported in the Financial Statements for the year ended 30 June 2023:

Core and reported results	FY23 \$'m	FY22 \$'m
Core operating income	1,183.2	1,169.5
Trail commission integration adjustment	-	(9.3)
Reported operating income	1,183.2	1,160.2
EBITDA from core operations (excluding share of gains and losses of associates)	650.9	670.5
Share of (losses) of associates	(18.4)	(21.9)
Share of associate non-core costs	2.5	24.9
EBITDA from core operations	635.0	673.5
Integration costs	(9.0)	(19.6)
Restructuring costs	(6.7)	(3.1)
Share of associate non-core costs	(2.5)	(24.9)
Net gain/(loss) on acquisition/divestment related activities	(1.8)	22.0
Reported EBITDA	615.0	647.9
Net profit from core operations attributable to owners of parent	372.2	407.5
EBITDA impact of non-core adjustments	(20.0)	(25.6)
Non-core D&A, net interest and minority interest	(1.1)	(4.9)
Tax effect	5.0	7.8
Reported net profit attributable to owners of parent	356.1	384.8

References

¹ Financial results/highlights from core operations exclude significant non-recurring items such as restructuring costs and integration costs. The prior year comparative also excludes net gain on divestment activities

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

³ Earnings before Interest, Tax, Depreciation and Amortisation excluding contribution from associates.

⁴ Net profit attributable to owners of the parent. Non-controlling interests held 22.0% of shares in REA India Pte. Ltd. (formerly known as Elara Technologies Pte. Ltd.) and 43.8% of NOVII Pty Ltd as at 30 June 2023. The Group held a 73.3% shareholding in REA India as at 30 June 2022. The shareholding increased to 75.0% in December 2022 and to 78.0% in June 2023 (all shareholdings are on an undiluted basis).

⁵ Nielsen Digital Content Ratings (Monthly Total), Jul 22 – Jun 23 (average), P2+, Digital (C/M), text, Real Estate/Apartments subcategory, Unique Audience.

⁶ Nielsen Digital Content Ratings (Monthly Tagged), Jul 22 – Jun 23 (average), P2+, Digital (C/M), text, realcommercial.com.au, 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 Operating revenue excludes valuation adjustments to the trail book and discontinued business (FinChoice).

⁹ Excludes discontinued business (FinChoice).

¹⁰ Nielsen Digital Content Ratings (Monthly Tagged), Jul 22 – Jun 23 (average), P2+, Digital (C/M), text, realestate.com.au, Unique Audience.

¹¹ Nielsen Digital Content Ratings (Monthly Tagged), Jun 23, P18+, Digital (C/M), text, realestate.com.au, Active Reach %.

¹² Nielsen Digital Content Ratings (Monthly Tagged), Jul 22 – Jun 23 (average), P2+, Digital (C/M), text, realestate.com.au, Domain. Total Sessions.

¹³ Nielsen Digital Content Ratings (Daily), 1 Sep 22 - 30 Jun 23 (daily average), P2+, Digital (C/M) Text, realestate.com.au, Domain. Unique Audience.

¹⁴ REA internal data Jul 22 - Jun 23 vs. Jul 21 - Jun 22.

¹⁵ Adobe Analytics, internal data, Jul 22 – Jun 23 (average).

¹⁶ Fully diluted shareholding in CampaignAgent at Feb 21.

¹⁷ Similarweb, average site visits Jul 22 – Jun 23 vs. Jul 21 – Jun 22 – excludes app.

¹⁸ Similarweb, average site visits Jul 22 – Jun 23 vs. nearest competitor - excludes app.

¹⁹ Similarweb, average site visits Jul 22 - Jun 23 vs. nearest competitor and compared to Jul 21 - Jun 22 – excludes app.

²⁰ NewsCorp's Form 10-K stated in US Dollars for the 12-month period ended 30 June 2023.

²¹ Initial investment of 18.0% (undiluted) in PropertyGuru Pte. Ltd was acquired on 3 August 2021.

²² PropertyGuru's Form 6-K in Singapore Dollars for the three-months ended 31 March 2023, twelve-months ended 31 December 2022 and nine-months ended 30 September 2022.