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Lodgement of Market Briefing**

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Market Briefing

Onthehouse Holdings Limited MD on 2014 first half results and outlook

Interview with Michael Fredericks (Managing Director & CEO)

In this Market Briefing interview, Michael Fredericks, Onthehouse's Managing Director & CEO, discusses the company's 2014 first half results and outlook including:

- *continued top line growth supporting investment in business development*
- *balance sheet and cash flow position supporting long-term strategy*
- *Consumer Online division building momentum with strong growth in revenues as audience scales and strategic agreements are entered into with key partners and advertisers*
- *Real Estate Solutions division continuing to grow recurring revenues and earnings*
- *positive outlook for future growth as Onthehouse leverages its first mover advantage in next generation online real estate media, data and software in Australia.*

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Onthehouse has announced a 14% increase in revenues, but 12% decrease in underlying EBITDA. Can you discuss the drivers of this result?

Michael Fredericks

Our first half result reflects the company's strategic decision to utilise its strong cashflows for investment into the business to drive long term growth.

As you mentioned, group sales revenues were up 14% in the first half of 2014 to \$12.9 million compared to \$11.3 million in the first half of 2013. Revenue in the Real Estate Solutions division was up 9% to \$11.4 million as we execute on our cross selling and innovation strategy, while maintaining market share. This has seen monthly yield per agency office increase 6% to \$434 further growing the recurring subscription and transaction revenues from this division.

The Consumer Online division saw an increase in revenues of 86% to almost \$1.5 million for the half as momentum behind our monetisation strategy builds. With a scaling highly engaged audience, we are building relationships with key corporate advertisers, including some of Australia's major

financial institutions, while expanding our audience and content offering through partnerships such as HiPages.

In line with our strategy of investing for business development, underlying EBITDA was down 12% to \$3.2 million as the full six month impact of an approximately 40% increase in our workforce over the second half of FY13 flowed through. Consistent with this, we have increased the group's investment in product development by 64% to \$1.7 million. We will continue to reinvest in the business as we seek to maximise our first-mover advantage in the next generation of online real estate media, data and software in Australia.

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Despite your investment in business development, Onthehouse held a net cash balance at 31 December 2013, and an increasing cash balance compared to 30 June 2013. Can you discuss your balance sheet and cash flow position, and how this supports your long-term strategy?

Michael Fredericks

Our balance sheet remains strong, even as we execute our business development strategy. Our closing cash balance at 31 December 2013 was \$4.4 million, up 4% since 30 June 2013. Our strong cashflows allowed us to reduce debt by 20% and we closed the half year with a positive net cash position of \$1.3 million at 31 December 2013.

Net operating cashflow of \$3.0 million was 14% lower this half due to our focused investment back into the business. Our EBITDA to cashflow conversion ratio was over 100%. Investing cash outflows were down 59% as we did not undertake any acquisitions, and the repayment of \$1.1 million in borrowings led to around \$779K of net financing cash outflows in 1H14.

The stable, yet growing, Real Estate Solutions business continues to generate strong cashflows that support business investment into both the Real Estate Solutions and Consumer Online divisions, allowing us to continue to carefully execute on our long-term growth strategy. Without having to call on shareholders, we have been able to invest significant capital to build capability across our Real Estate Solutions and Consumer Online businesses and underlying data assets.

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Over the last six to twelve months you have highlighted the growth opportunities in your Consumer Online division. Can you give us an update on how this is progressing?

Michael Fredericks

The Consumer Online division remains an exciting area for our business as we enjoy a first mover advantage in the next generation of online real estate media in Australia.

We are not just a classified listing service. Our proposition is about providing a much broader category of real estate content for all Australians, across over 13 million properties, which is a much larger opportunity than the audience being serviced by first generation online real estate classified listing businesses, which only address approximately 400,000 properties for sale or rent at any one time.

We are a second generation online business and our revenue model generates substantial traffic and media revenue because of our unique model and our ability to expand the base of suppliers wishing

to gain access to this audience of home owners. We are pleased with the momentum that is building, with strong growth in revenues this half off the back of growing advertising spend and some key corporate relationships.

Our Consumer Online division is the second largest online real estate media business in Australia, surpassing Domain's audience nationally through the combination of our onthehouse.com.au site and our Real Estate Ad Network, partnering with real estate agencies and groups. It is the only web-based business of its kind in Australia that gives consumers access to a rich source of national property data for free.

The aggregation of rich content and data has allowed us to build a very large online community of consumers with an interest in the property market that now stands at over 1.4 million unique visitors per month on onthehouse.com.au and over 5 million unique visitors on our entire media network. As we have begun to monetise this very attractive audience of engaged consumers, revenue in the Consumer Online division grew 86% to almost \$1.5 million.

There is more to come, with new products and features not seen before in Australia expected to lead to an even more engaged and sizeable audience that will be even more valuable to corporate advertisers. Much of this innovation is being driven in conjunction with a number of our key partners.

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You mentioned the scaling of your Consumer Online audience – can you elaborate on the sort of numbers you are seeing and also how you are seeing mobile usage in this division develop?

Michael Fredericks

Our audience continues to scale, with over 36.2 million free property reports generated by consumers over the last 12 months, and the number of unique visitors to onthehouse.com.au up to around 1.4 million unique visitors per month in January 2014, compared to around 0.6 million per month two years earlier.

Mobile usage across onthehouse.com.au has also increased from 28% in January 2013 to over 42% in January 2014.

As we continue to enhance the richness of data and the functionality of our Consumer Online division, developing engagement tools for property data, real estate office websites, investment calculators and sale and rental histories, we expect to see our highly engaged consumer audience continue to scale.

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With such rapid scaling of your consumer audience, how is this driving the monetisation of the Consumer Online division?

Michael Fredericks

The rapidly scaling consumer audience is very attractive to our corporate partners and advertisers. Onthehouse is not an online classified listing service. That's first generation. Onthehouse is leading the next generation of online real estate media, that through our data assets, seeks to drive a more highly engaged audience which is of value to corporate advertisers and businesses generally.

The first half of the 2014 financial year saw continued development and monetisation of our relationships, with strategic alliances and partnerships formed with some of Australia's most recognisable financial, retail and other brands seeking to target home owners.

During this half, we announced strategic media deals with two of Australia's largest financial institutions, as well as an industry-first strategic partnership with hipages.com.au. HiPages is Australia's largest network of trade professionals and our partnership will see us sharing content, revenues and opening up new audiences. More recently for instance, we secured NAB as a sponsor of our "Investor" channel on onthehouse.com.au.

Looking forward, revenue will also flow from real estate agents and other property related professionals that will pay for qualified leads to our onthehouse.com.au audience. This represents a very large new revenue source.

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The Real Estate Solutions division saw increased revenues, while margins have decreased slightly and the number of doors has remained relatively flat. What are the key drivers of these trends, and how does this fit in with your stated strategy for this division?

Michael Fredericks

Our Real Estate Solutions business provides a platform for office administration, property sales, property information and property management applications. This provides a total solution for real estate agents to manage their office systems that lie at the heart of their businesses. This division provides Onthehouse with a growing, recurring subscription-based revenue and earnings stream, and also access to key data and relationships to drive engagement on our consumer site.

With around 4,100 agent offices nationally using at least one of our software products, Onthehouse has a stable and sizeable market share, that has allowed us to focus on increasing yield from our existing agency customer base. As I previously mentioned, yield is up 6%. Revenues from the Real Estate Services division continued to grow, up 9% from the prior corresponding period to \$11.4 million.

Our focus on increasing yield led to an increased investment in customer service and support and lower price increase. This saw a slight reduction in margins to 71% compared to 73% in the prior corresponding period. However, margins remain above FY12 levels of 68%.

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How do you see the real estate data market evolving, and where do you see Onthehouse within this market?

Michael Fredericks

The real estate data market has consolidated to three key players, RP Data, Fairfax and Onthehouse. Over the last 12 months we have invested in building our data platform to aggregate our data assets which establishes a compelling data proposition combining national government sales data, real estate agency industry data, consumer contributed property data and a number of third party data feeds from other data companies and allows us to feed that data into our products.

Shortly, we will be launching our first real estate agency data product RE:Search. The base features of this product will include property search, recent sales, current listings, map search, ownership search, comparative market analysis and user generated data. RE:Search is a product built for speed and scalability, which will be very attractive to real estate agents. The launch of this product is expected to accelerate our cross-selling strategy and drive market share growth.

Our beta testing of this product with agents was very positive and we are excited about the launch of RE:Search and being disruptive to the market. We consider this product as being positioned as market leading on product usability and experience and competitive on data in our target markets.

As we continue to develop and innovate, Onthehouse will remain a disruptive force within the real estate data market and we look forward to the ongoing advancement of this division and how it relates to our consumer strategy.

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As you execute your stated strategy of investment for long-term growth, can you comment on the outlook for the remainder of this financial year and into the future?

Michael Fredericks

We maintain a long-term growth focus and are determined to continue to execute on our first mover advantage in the next generation of online real estate media, data and software in Australia. Unlike many online businesses, we have not had to turn to our shareholders to raise capital to fund growth, nor spend any money on advertising.

We have invested in our data platform that sits across everything we do. This is a key strategic and competitive advantage and enhances the rich content that we provide to property consumers and agents. We are uniquely positioned to grow both our business divisions, as top line growth supports further business investment.

The growing recurring revenue and earnings stream in the Real Estate Solutions division is a key strength. We will look to continue growing revenues from our existing stable and sizeable customer base, with the launch of RE:Search expected to drive overall yield.

Our model is all about empowerment. Through the Real Estate Solutions Division we empower real estate agents to manage their businesses. Our evolution will be to enhance our market intelligence and data empowered software solutions for these professionals. Through our Consumer Online Division we empower consumers to make better property decisions and now we can not only provide our audience with access to free property data, but we can also make introductions to relevant professionals and suppliers.

We expect to see the Consumer Online division continue to deliver. We are empowering home owners with rich content for free and as a result our audience continues to organically scale. We have strengthened our relationships with our banking and real estate agency partners, with competitive interest. We have also meaningfully expanded our advertising revenue pool beyond the banking and real estate agency categories into the home improvement marketplace category.

We have been conscious to balance our investment levels in line with industry acceptance of the Onthehouse model. A key part of this investment relates to developing and enhancing long term relationships with our financial services and real estate agency business partners. With business

investment a key tenet of our growth strategy, any slippage in the release of new products and initiatives with our partners can have the effect of dampening short term revenue objectives and thus earnings, which we anticipate may occur in the second half of this financial year.

With the first half delivering on our financial expectations and underlying business fundamentals supporting the strategy, we will be accelerating our investment further in the second half to capitalise on the company's first mover advantage in delivering the next generation of online real estate media, data and software solutions in Australia.

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Thank you, Michael.

For further information, please contact Onthehouse Holdings on 1300 131 311, or visit www.onthehouse.com.au

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