

## ASX ANNOUNCEMENT

# Domain Holdings Australia Limited 2020 Half-Year Results Announcement

## Solid FY20 H1 performance in challenging market conditions

**Sydney, 20 February 2020:** Domain Holdings Australia Limited [ASX:DHG] (“**Domain**” or “**Company**”) today announced its 2020 half-year financial results.

Domain reported statutory (Reported 4D) revenue of \$157.6 million, and a net profit after tax of \$19.4 million including a significant item of \$6.4 million profit.

### Domain’s underlying results (excluding significant items):

\$M	FY20 H1	Adjusted* FY19 H1	% ch	Like-for-like % ch**
Revenue	147.0	164.9	(10.9%)	(8.0%)
Share of Profits (Loss)	-	(0.3)	NM	NM
Expenses	(99.9)	(113.0)	11.5%	7.8%
EBITDA	47.0	51.6	(8.9%)	(8.0%)
EBIT	25.0	37.5	(33.4%)	(23.7%)
Net profit attributable to members of the company	12.9	20.9	(38.0%)	
Earnings per share (EPS) ¢	2.22	3.59	(38.3%)	

\*FY19 H1 results exclude divestments \*\*Like-for-like adjustments include extra week of trading in FY19, revenue deferral arising from extended duration of Platinum listings, impact of acquisitions, and accounting adjustments arising from the adoption of AASB 16

At December 2019, net debt was \$147.9 million. A dividend of 2¢ per share (100% franked) was declared.

Domain Chief Executive Officer and Managing Director, Jason Pellegrino, said: “For the first half of FY20 Domain delivered a solid performance in the context of the challenging period which the Australian property market has been experiencing. Revenue of \$147.0 million reflects a like-for-like reduction of 8.0% partially offset by successful efforts to simplify and optimise the business which delivered like-for-like cost reductions of 7.8%. EBITDA of \$47.0 million declined 8% like-for-like, a good result in the circumstances.

“Despite unprecedented declines in new market listings, Domain continued to leverage its key assets of effective listings parity and large, engaged audiences to deliver value to agents and consumers. Our Residential business grew the number of paid depth contracts with agents, and national depth penetration increased to a record level. Our efforts to drive efficiencies throughout this market downturn positions Domain to benefit from any cyclical recovery in property market activity.”

## Delivering our Strategy

Mr Pellegrino said: “The strategy we have established, and are pursuing, is building a customer-centric Australian property market place to drive our next phase of growth. Agents and consumers are at the centre of everything that we do, and we remain wholly focussed on providing them value at every step of their property journeys.

“We are excited by the opportunities for long-term growth arising from our three strategic pillars: Growing our core listings business, growing new revenue in consumer solutions, and simplifying and optimising our business”.

Key achievements during the first half of FY20 include:

- 7% growth in residential yield;
- Record unique audiences across Domain platforms with enhanced audience quality and marketing efficiency. Organic traffic grew 18% and cost per enquiry reduced 19%;
- 22% underlying growth in commercial revenues;
- The launch of Domain for Agents and Domain for Owners to add even more value to agents and consumers;
- 72% revenue growth in Consumer Solutions, supported by a business that is scaling well, with strong operating metrics at Domain Loan Finder where unconditional approvals and settlements doubled;
- Continuation of a simplification and optimisation strategy to deliver improved performance and business transformation with an 8% like-for-like expense reduction. Over the past eighteen months, around \$60 million in costs not aligned with Domain’s next phase of growth have been removed through divestments and cost discipline;
- The acquisition of Real Time Agent to deliver value to agents and consumers through differentiated, real time data and insights;
- Ongoing investment to leverage our data capability to deliver value-added insights.

## **Core Digital (incl. Residential; Media, Developers & Commercial; and Agent Services)**

“Core Digital revenue declined 7.2% on a reported basis and 4% like-for-like. Core Digital EBITDA declined 7.9%,” Mr Pellegrino said.

### *Residential*

“The 5% like-for-like decline in Residential revenue was a solid result in the context of the challenging market environment, with total market residential listings down around 12%. Domain continued to deliver national yield growth with an increase in the number of agents on paid depth contracts.

“We are making pleasing progress in driving higher quality traffic while increasing the efficiency of our investments to acquire and engage audience. Domain achieved record top-of-mind brand awareness with a 23% lift between June and November 2019. For the first half of FY20, we delivered strong year-on-year growth in quality audience metrics, with a 14% increase in app downloads, 23% growth in listing views and a 34% increase in enquiries.

“At the same time, Domain’s organic traffic increased 18% to a new record, while our targeted and efficient marketing initiatives drove a 19% reduction in marketing cost per enquiry.”

### *Media, Developers & Commercial*

Mr Pellegrino said: “Media, Developers & Commercial revenue declined 6% as a continued strong performance from Commercial was offset by the challenging market environment for Media and Developers, and transition to the new operating model for Media.

“In our Media business, the lower revenues reflected the adoption of a new programmatic offering, with the first quarter still cycling a transition period in FY19. Additionally the broader digital advertising market was soft, particularly in the first quarter. However the business has seen an improved margin performance as clients have migrated to the new model.

“The Developer market reflected the absence of new-high rise developments in NSW and Victoria as developers continue to defer new projects. Market activity for smaller boutique projects has improved, however these require lower levels of marketing support. In Queensland, there are early signs of market recovery which underpinned an encouraging performance.

“Commercial Real Estate delivered underlying revenue growth of 22%, and overall growth including acquisitions of around 30%, supported by very strong yield gains and market share growth. We’re encouraged by the very positive client response to the introduction of a new flexible value-based pricing model that is closely aligned with the model we are rolling out in Residential,” said Mr Pellegrino.

## **Agent Services**

Mr Pellegrino said: “Agent Services revenue increased 6% supported by a solid performance from Pricerfinder, offset by a softer MyDesktop contribution.

“Our strategy to deliver real time insights and data solutions to agents was reinforced with the recent acquisition of Real Time Agent; Domain’s agent product suite now supports and provides valuable insights into every step of the property journey. Real Time Agent has digitised previously offline processes including agency agreements, auctions and contracts. This significantly reduces back-office costs and paperwork for agents, as well as improving accuracy and compliance. Real Time Agent complements the rich insights we deliver through Pricerfinder, and Homepass”.

## **Consumer Solutions & Other**

Mr Pellegrino said: “Consumer Solutions & Other revenue (adjusted for the sale of Compare & Connect) increased 72% and EBITDA losses reduced by 58% to \$2.1 million.

“Domain Loan Finder’s home loan broking service, in partnership with Lendi, is growing rapidly and leveraging its strong foundation. Key operating metrics of unconditional approvals and settlements experienced significant growth. Domain Loan Finder’s innovative model is resonating, with recent consumer reviews giving the business an impressive 4.8 out of 5 star rating.”

## **Print**

Mr Pellegrino said: “Print revenue adjusted for the sale of *Star Weekly* declined 35.2% and EBITDA declined 43.2%.

“The print revenue decline reflected the ongoing structural shift to digital as well as the challenging cyclical market environment. High value auction and developer markets in Sydney and Melbourne, which have been hardest hit, are particularly important for print. Volume declines and cost initiatives underpinned a 31% reduction in expenses year-on-year. The sale of the *Star Weekly* titles contributed to margin.

“Domain continues to derive value from print through the high value, aspirational audiences it attracts, as well as the powerful platform it delivers for agent profile and brand”.

## **Significant Items**

Significant items after tax of \$6.4 million profit include gain on contingent consideration payable, sale of controlled entities, restructuring charges and gain on debt refinance.

# Domain

## Dividend

A dividend of 2¢ per share (100% franked) will be paid on 13 March 2020 to shareholders registered on 27 February 2020.

## FY20 Outlook

- Trading in January 2020 reflects a soft start to the year in a seasonally small month for listings. There have been early signs of improving property market activity since the Australia Day weekend.
- FY20 H2 operating costs are expected to be flat to slightly up on FY19 H2's base of \$92.5 million (adjusted for divestments), as Domain cycles the substantial reduction in the cost base achieved in that period. Continued investment in growth initiatives is being balanced by ongoing cost discipline.
- We believe the work we have done on simplifying and optimising our business through the market downturn strongly positions Domain to benefit from a cyclical recovery in property activity.

## Investor Briefing

An investor briefing (teleconference and audio/slides webcast) on these results will be held today at 10:30am (AEDT).

*Webcast:* [Click here](#) to register/join – or locate details at [shareholders.domain.com.au](https://shareholders.domain.com.au) in the “Results & Reports” section under “Presentations & Webcasts”

*Teleconference:* [Click here](#) to register/join or dial-in using the below details:  
Toll Free 1800 954 501 or +617 3107 0241  
Conference Passcode 0044426 Pin 75772

## Ends

**Authorised for lodgement:** Catriona McGregor, Group General Counsel and Company Secretary

## Contacts

**Media:** Kate Carragher, +61 400 482 382, [kate.carragher@domain.com.au](mailto:kate.carragher@domain.com.au)

**Investors:** Jolanta Masojada, +61 417 261 367, [jolanta.masojada@domain.com.au](mailto:jolanta.masojada@domain.com.au)