

**ASX Announcement  
6 November 2020**

**REA Group delivers excellent Q1 FY21 result despite COVID-19 impacts**

REA Group Ltd (ASX:REA) today announced its results for the three months ended 30 September 2020 as reported by News Corporation (News Corp) (ASX:NWS). The News Corp report includes US GAAP financial information for REA Group and its subsidiaries for the three months ended 30 September 2020.

Group financial highlights from core operations<sup>1</sup> for the three months ended 30 September 2020 include revenue<sup>2</sup> of \$195.7 million and EBITDA of \$123.8 million<sup>1</sup>.

The Group delivered an excellent result for the quarter ended 30 September 2020 despite ongoing impacts of COVID-19 on property markets.

A summary table of the key financial information is presented below. The information is presented in Australian dollars and is prepared under AIFRS.

<i>Millions</i>	<b>For three months ended 30 September (AUD)<sup>3</sup></b>		
	<b>FY21</b>	<b>FY20</b>	<b>YoY growth</b>
Revenue after broker commissions <sup>2</sup>	<b>195.7</b>	<b>202.3</b>	-3%
Operating expenses (excluding associates and joint ventures) <sup>1</sup>	<b>(71.9)</b>	<b>(87.4)</b>	-18%
EBITDA* (excluding share of gains / losses of associates and joint ventures) <sup>1</sup>	<b>123.8</b>	<b>114.9</b>	8%
Free cash flow	<b>41.0</b>	<b>41.8</b>	-2%

\*EBITDA including share of gains / losses of associates and joint ventures grew 13% year on year.

The Group's result for the quarter reflects the diverging impacts of COVID-19 restrictions on residential listings across Australia, with overall national residential listings declining 2%. The second wave of COVID-19 restrictions in Melbourne, which banned physical property inspections, caused significant short-term listing weakness with volumes declining 44% for the quarter. In contrast, NSW showed signs of a continued market recovery as restrictions eased with a 23% increase in listings for the quarter in Sydney.

A continued focus on cost management resulted in an 18% reduction in total core operating expenditure for the quarter. All cost categories were down due to a combination of ongoing cost management initiatives including COVID-19 related savings, efficiencies from the timing of the organisational realignment in Q1 FY20, and the deferral of marketing spend into later quarters.

REA Group Chief Executive Officer, Owen Wilson commented: "This result demonstrates the strength of our business, despite continued COVID-19 impacts. I am extremely proud of the resilience and dedication of our teams to continue to deliver new innovations and excellent customer support while working remotely.

"While Melbourne's stage four lockdowns impacted the real estate industry heavily and weighed on our result, it was pleasing to see other markets recover as more normal operating conditions returned," said Mr Wilson.

<sup>1</sup> Financial results/highlights from core operations in the prior comparative period excluded significant non-recurring items such as restructuring costs.  
<sup>2</sup> Revenue is defined as revenue from property and online advertising and revenue from Financial Services less expenses from franchisee commissions.  
<sup>3</sup> Results are based on unaudited financial information and rounded to the nearest million.





Despite lower national listing volumes, Australian Residential revenue increased for the quarter, due to the positive impact of deferred revenue driven by the initial market recovery in June, improved product mix and an increase in add-on listing products.

Commercial and Developer revenue decreased for the quarter. This was driven by lower commercial listing volumes due to COVID-19 restrictions in Melbourne, as well as the current moratorium on tenant evictions impacting other states. Large developer project commencements remained subdued as a result of lower investor demand and immigration levels. However small lower yielding boutique projects increased due to the house and land government stimulus incentives.

Media and other revenue declined due to a reduction in Developer display advertising as a result of lower new project commencements for large developments and reduced advertising revenue in key segments. This was partially offset by an increase in Data revenue driven by higher valuation volumes.

Financial Services revenue increased due to higher settlements following strong submission volumes in Q4 FY20 and improved broker productivity.

Asia segment revenue decreased for the quarter driven by the continued impact of COVID-19 restrictions across all markets. Malaysia's leadership position remains strong at 1.4 times the nearest competitor<sup>4</sup>.

The Group's combined share of associates contributed \$2.7m, an improvement of \$6.0m from the loss in Q1 FY20. This was driven by a strong performance by Move, Inc., which delivered a 12% increase in revenue. This was due to increased lead referral revenue on the back of strong audience growth in the quarter. The result also benefitted from lower costs including the deferral of marketing costs.

### **realestate.com.au extends leadership position**

REA Group's flagship site, realestate.com.au remains Australia's clear number one in online real estate, extending its leadership position with new audience records achieved during the quarter<sup>5</sup>.

"More Australians than ever are visiting our site and in September we reached almost 6 million more people than our nearest competitor<sup>6</sup>. We also saw a 30% increase in enquiries during the quarter from high intent property seekers<sup>7</sup>, delivering more buyer leads to our customers," added Mr Wilson.

Key realestate.com.au audience highlights included:

- Over 12 million people visited realestate.com.au each month on average<sup>8</sup>, or 60% of Australia's adult population<sup>9</sup>, up 37% YoY<sup>8</sup>;
- Average monthly visits of 114.6 million, up 34% YoY<sup>10</sup>, with a record of 117.7 million<sup>11</sup> in July, prior to the Melbourne lockdown;
- 3.2x more visits than the nearest competitor<sup>12</sup>; and
- Average monthly app launches of 50 million, up 42% YoY<sup>13</sup> with total app downloads of 10.3 million<sup>14</sup>



## **Investment in India's Elara Technologies**

On 29 October 2020, REA Group announced it has entered into a binding agreement to increase its ownership interest in Elara Technologies Pte. Ltd. (Elara). REA Group currently holds a 13.5% shareholding in Elara and will move to a controlling interest in the company. On completion, REA Group 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 shares<sup>15</sup>. 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.

Assuming a completion date of 30 November 2020, REA Group will 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 and EBITDA ranges are indicative only, due to the market volatility created by COVID-19.

## **Current trading**

While there have been positive signs of a real estate market recovery in all markets following the lifting of restrictions, the COVID-19 health crisis continues to create market volatility. Uncertainty remains over the longer term impacts of COVID-19 on consumer confidence, unemployment and the economy which will have a flow on effect to the property market.

In October, national residential listings were down 1%, with increases in Melbourne and Sydney of 14% and 2% respectively, offset by declines in other markets. We continue to see strong levels of buyer enquiry, underpinned by low interest rates and healthy bank liquidity.

In response to the short-term effects of COVID-19, and the inherent uncertainty regarding COVID-19 impacts on the real estate market, the Group will not implement price rises in FY21.

"Our customers have not fully recovered from the impact of COVID-19 this year and the outlook for the property market is not clear. We have therefore made the decision to defer any price increases until July 2021," added Mr Wilson.

BIS Oxford is forecasting continued reductions in new developments until calendar year 2022. These reductions, coupled with expected listing volume declines in the Commercial and Asia businesses, are likely to negatively impact revenue in FY21.

The Group continues to prudently manage its cost base, targeting full year positive operating jaws, excluding the impact of acquisitions. Based on the current market outlook and excluding the impact of acquisitions, we continue to target no increase in core operating costs for FY21. Expenditure growth rates will vary between quarters depending on the phasing of operating expenses with growth weighted to the second half.



REA Group has a strong balance sheet with low debt levels and a cash balance of \$187.5m as at 30 September 2020. The Group has access to contingent undrawn facilities including \$149m with the existing banking syndicate, and a \$20m overdraft facility with NAB.

“Our business, and Australia’s property sector, continue to demonstrate incredible resilience and we are optimistic that more normal operating conditions will return next year,” concluded Mr Wilson.

**-ends-**

A full copy of News Corp’s Form 10-Q to be filed with the U.S. Securities and Exchange Commission (SEC) will be lodged with the ASX when it becomes available. It is noted that the reported US Dollar figures in the News quarterly release may not agree to the Australian Dollar figures noted above, as the reported figures are presented in accordance with US GAAP with which News Corp must comply.

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The release of this announcement was authorised by Tamara Kayser, 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, 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.

**References**

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<sup>4</sup> SimilarWeb, monthly visits for iproperty.com.my site compared to the nearest competitor (Jul 20 - Sep 20). Excludes app.  
<sup>5</sup> Nielsen Digital Content Ratings (Monthly Tagged), Jul 20 - Sept 20, P2+, Digital (C/M), text, Real Estate/Apartments subcategory, Unique Audience.  
<sup>6</sup> Nielsen Digital Content Ratings (Monthly Tagged), Sep 20, P2+, Digital (C/M), text, realestate.com.au vs Domain, Unique Audience.  
<sup>7</sup> Adobe Analytics, total email leads and phone reveals, Buy site section, (Jul 20 - Sep 20) compared to the same period (Jul 19 - Sep 19).  
<sup>8</sup> Nielsen Digital Content Ratings (Monthly Tagged), Jul 20 - Sep 20 vs Jul 19 - Sep 19 (average), P2+, Digital (C/M), text, realestate.com.au, Unique Audience.  
<sup>9</sup> Nielsen Digital Content Ratings (Monthly Tagged), Sep 20, P18+, Digital (C/M), text, realestate.com.au, Active Reach %.  
<sup>10</sup> Nielsen Digital Content Ratings (Monthly Tagged), Jul 20 - Sep 20 vs Jul 19 - Sep 19 (average), P2+, Digital (C/M), text, realestate.com.au, Total Sessions.  
<sup>11</sup> Nielsen Digital Content Ratings (Monthly Tagged), Jul 20, P2+, Digital (C/M), text, realestate.com.au, Total Sessions.  
<sup>12</sup> Nielsen Digital Content Ratings (Monthly Tagged), Jul 20 - Sep 20 (average), P2+, Digital (C/M), text, realestate.com.au vs Domain, Total Sessions.  
<sup>13</sup> Nielsen Digital Content Ratings (Monthly Tagged), Jul 20 - Sep 20 vs Jul 19 - Sep 19 (average), P2+, Digital (C/M), text, realestate.com.au, App Launches.  
<sup>14</sup> Google Play & iTunes App Store, total number of realestate.com.au app downloads at Sep 20.  
<sup>15</sup> 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.