

ASX Announcement
9 February 2018

REA Group EBITDA up 21% for first half

Financial highlights from core operations¹:

- **Revenue² of \$406.8m, up 21%**
- **EBITDA of \$242.8m, up 21%**
- **Net Profit of \$147.3m, up 21%**
- **Interim dividend of 47.0 cents per share, up 18%**
- **EPS of 111.8 cents, up 21%**

REA Group Limited (ASX:REA) today announced its results for the half-year ended 31 December 2017. Financial highlights from core operations¹ include strong revenue growth of 21% on the prior year to \$406.8m, and an increase in EBITDA of 21% to \$242.8m.

The revenue growth was driven by a 21% increase in the Australian business. The growth rate improved due to the inclusion of Financial Services revenue for the first time. The positive result in Australia was achieved in a market of lower new dwelling commencements. While total residential listings were marginally down during the half, listings grew in the key markets of Melbourne and Sydney.

REA Group CEO, Tracey Fellows, commented: "This is an exceptional result. Our growth is underpinned by the strength of our core Australian business. While there has been an impact because of fewer project launches, our growth has been boosted by a more positive residential listings mix.

"We are especially pleased by the strong start to our Financial Services line of business, with more than 5.3 million calculator engagements since launch and the first settlements of realestate.com.au home loans.

"The value of our investment to create the best consumer experiences is clear. We are reaching even greater audiences and creating new revenue opportunities. realestate.com.au continues to be the number one place for property, with more than twice the visits of our nearest competitor across all platforms, including our app," said Ms Fellows.

Financial results from core operations¹ for the half-year ended 31 December 2017 include:

AUD\$m (unless stated)	HY2018	HY2017	Growth YoY
Operating Income	406.8	337.3	21%
EBITDA	242.8	200.1	21%
EBITDA Margin	60%	59%	
NPAT	147.3	121.8	21%
Earnings per share (EPS)	111.8c	92.5 c	21%

Operating expenditure grew 18% due to the inclusion of Financial Services expenses for the half-year, an increase in marketing in both Australia and Asia, and continued investment in product innovation.

¹ Financial results/highlights from core excludes significant non-recurring items such as revaluation and unwind of contingent consideration, transaction costs and impact of the change in US tax rates on Move, Inc.'s results. Also excluded from HY 2017 results is discontinued operations (net of gain on sale). A full reconciliation of reported financial results and financial results from core operations is attached in Appendix 1.

² Revenue is defined as revenue from property advertising and revenue from financial services less expenses from franchisee commissions.



AUSTRALIA

In Australia, REA Group operates the leading residential, commercial and share property sites: realestate.com.au, realcommercial.com.au, and Flatmates.com.au. Revenue grew 21% to \$384.0m for the half, while agent numbers increased by 5% on the prior corresponding period.

During the half, the Group entered into Financial Services with the launch of realestate.com.au Home Loans, an Australian-first end-to-end digital property search and financing experience. To complement this, REA made strategic investments in the mortgage broking market, acquiring Smartline, a premier mortgage broking company and realestate.com.au Home Loans mortgage broking.

realestate.com.au continues to be the clear number one place for property with more than twice the visits of the nearest competitor across all platforms, including app.³

- realestate.com.au is outperforming the competition with more than 7.2 times total time on site⁴ and more than 6.2 times total page views with over 1.0 billion page views⁵;
- realestate.com.au's app outperformed the nearest competitor by more than 2.6 times⁶ and people spend more than 3.6 times longer on the app⁷;
- Average monthly launches of our realestate.com.au app increased 30%⁸ and has reached over 7.4m app downloads⁹.

Australia's listing depth revenue increased 21% to \$295.6m. This was driven by the success of the Group's Residential Premiere All offering and increased yield, despite a decrease in listing volumes.

Developer and Commercial listing depth and subscription revenue increased 5%. This growth was due to strong growth in Commercial as a result of improved depth penetration. Longer durations for Project Profiles in the Developer business were offset by the significant decline in new project commencements resulting in a small decrease in Developer revenue.

The new Financial Services segment generated revenue of \$13.2m. Since the launch of realestate.com.au Home Loans, there have been over 5.3 million engagements¹⁰ with the calculator and more than 150,000 financial profiles saved¹¹ by consumers. The first home loan settlements have also occurred.

The Smartline acquisition was completed on 31 July 2017, and the purchase consideration of \$67 million was funded from existing cash reserves. The minority shareholders hold a put option to sell the remaining 19.7% of shares which can only be exercised after three years, at a price dependent on the financial performance of Smartline. The transaction is treated as though the Group effectively acquired 100% at the acquisition date.

On 28 September 2017, the Group acquired a 70% non-controlling share in a newly formed company, realestate.com.au Home Loans Mortgage Broking Pty Ltd, a mortgage broking business owned by Advantage Financial Services Holdings Pty Ltd, a subsidiary of NAB. realestate.com.au Home Loans Mortgage Broking will be accounted for as an associate within the Financial Services segment.

Media and Other business revenue increased marginally 2% to \$46.6m due to the flatmates.com.au business and lifestyle content offering on realestate.com.au offset by the transfer of the mortgage calculator inventory to the Financial Services segment. Lifestyle has had more than 11 million visits since its launch in March.¹² Media display revenue, in particular Developer advertising, has been impacted by the decline in both dwelling commencements and display advertising on content sites.



ASIA

In Asia, there is a continued investment in marketing, talent and product innovation. This will enable the business to maximise the long-term growth opportunities in the region as it moves towards digital advertising.

The Asian business comprising iProperty and the Chinese listing site, myfun.com, grew revenue 19% to \$22.8m driven by MyFun, Thailand and Indonesia. Conditions in key Asian markets remain challenging.

The Group launched new consumer websites across all consumer brands in the region, following the launch of new iOS and Android apps in the second half of FY17. REA Group is the market-leader in Malaysia¹³, with more than twice the visits of the nearest competitor. In Indonesia, Rumah123 experienced a 33% increase in visits and strengthened its market leadership position.¹⁴ Singapore has increased its market position to be the clear number two with a 48% increase in visits.¹⁵

NORTH AMERICA

North America is the largest property market in the world. REA has a 20% holding in Move, Inc. operator of realtor.com®, a leading US real estate portal. Revenue has grown 17%¹⁶ to USD217m, due to the continued growth in its ConnectionsSM for Buyers product. The growth was partially offset by a USD5m decline in revenue associated with the sale of TigerLead® in November 2016. The Group's share of losses for the period was \$0.6m (primarily related to amortisation of acquired intangibles) down from \$1.8m in the prior period. As a result of the US tax reform in December 2017, the US corporate tax rate decreased to 21% resulting in a one time \$11.8m deferred tax adjustment, recognised within share of losses for the period.

Average monthly unique users of realtors.com®'s web and mobile sites increased 9% on the prior corresponding period to 52m¹⁷ with mobile representing more than half of all unique users.

INCREASED RETURNS TO SHAREHOLDERS

The Board has declared an interim dividend of 47.0 cents per share fully franked, an 18% increase on the prior year.

The 2018 interim dividend dates are:

Ex-dividend date	1 March 2018
Record date	2 March 2018
Payment date	16 March 2018

OUTLOOK

We expect to see normal seasonality of revenue in Australia, which traditionally results in higher first half revenue than second half revenue. The decline in new project commencements seen during the first half is expected to continue, which will impact revenue growth in the Developer business.

For the full year, excluding the impact of Financial Services, it is expected that the rate of revenue growth will exceed the rate of cost growth. This will not be the case in Q3. This reflects different expense timing compared to the prior corresponding period and the impact of an earlier Easter. The EBITDA growth rate for this quarter will be lower as a result.

HY18 Results Presentation [webcast link](#)



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About REA Group

About REA Group Limited: (www.rea-group.com): REA Group Limited 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, spacely.com, Chinese property site myfun.com and a number of property portals in Asia via its ownership of iProperty Group. REA Group also owns Smartline Home Loans Pty Ltd, an Australian mortgage broking franchise group, and holds a significant shareholding in property websites Move, Inc in the US and PropTiger.com, Makaan.com and Housing.com in India.

References

³ Source: Web visits Nielsen Market Intelligence – Home and Fashion, App launches Nielsen Digital Content Ratings average; monthly visits for the audited sites of realestate.com.au compared to domain.com.au for the half-year ended 31 December 2017.

⁴ Source: Nielsen Online Market Intelligence - Home and Fashion average monthly time on site for the audited sites of realestate.com.au compared to domain.com.au for the half-year ended 31 December 2017. Excludes apps.

⁵ Source: Nielsen Online Market Intelligence - Home and Fashion average monthly page views for the audited sites of realestate.com.au compared to domain.com.au for the half-year ended 31 December 2017. Excludes apps.

⁶ Source: Nielsen Digital Content Ratings - Average monthly app launches for realestate.com.au compared to domain.com.au for the half-year ended 31 December 2017.

⁷ Source: Nielsen Digital Content Ratings - Average monthly time on app for realestate.com.au compared to domain.com.au for the half-year ended 31 December 2017.

⁸ Source: Adobe Analytics average monthly launches of the app for realestate.com.au for the half-year ended 31 December 2017 compared to the half-year ended 31 December 2016.

⁹ Source: Google Play and iTunes, total downloads for the iOS and Android apps to January 2018.

¹⁰ Source: REA Internal Data calculator engagements (Engagements are changes to calculator fields) September 2017 – January 2018.

¹¹ Source: REA Internal Data total financial profiles saved September 2017 – January 2018.

¹² Source: REA Internal Data total visits March 2017 – December 2017.

¹³ Source: Similar web average monthly visits for iproperty.com.my from 1 July 2017 to 31 December 2017 compared to nearest competitor. Excludes app.

¹⁴ Source: Similar web average monthly visits for rumah123 from 1 July 2017 to 31 December 2017. Excludes app.

¹⁵ Source: Similar web average monthly visits for iproperty.com.sg from 1 July 2017 to 31 December 2017 compared to nearest competitor. Excludes app.

¹⁶ Source: NewsCorp's Earnings Release (8 February 2018) stated in US Dollars for the six month period ended 31 December 2017.

¹⁷ Source: Comscore data average monthly unique users for the six months ended 31 December 2017 compared to the six months ended 31 December 2016.



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 2017:

Core and reported results (\$'000)	2018 HY	2017 HY	Growth
Reported operating income	406,779	337,326	21%
EBITDA from core operations (excluding share of losses of associates)	246,799	201,810	22%
Share of losses of associates	(15,858)	(1,757)	>100%
US tax reform - revaluation of deferred tax balances	11,846	-	n/a
EBITDA from core operations	242,787	200,053	21%
Revaluation of contingent consideration	254	-	n/a
Business combination and other transaction costs	(552)	-	n/a
US tax reform - revaluation of deferred tax balances	(11,846)	-	n/a
Reported EBITDA²	230,643	200,053	15%
Profit from core operations	147,255	121,771	21%
Unwind of contingent consideration	(2,589)	(3,737)	(31%)
Revaluation of contingent consideration	254	10,723	(98%)
Discontinued operations (net of gain on sale)	-	163,386	n/a
Business combination and other transaction costs, net of tax	(552)	-	n/a
US tax reform - revaluation of deferred tax balances	(11,846)	-	n/a
Reported profit	132,522	292,143	(55%)