

ASX Announcement
7 August 2020

REA Group delivers resilient performance against unprecedented market conditions

Financial highlights from core operations¹:

- **Revenue² of \$820.3m, down 6%**
- **Operating expenses of \$328.2m, down 9%**
- **EBITDA³ of \$492.1m, down 5%**
- **Net Profit of \$268.9m, down 9%**
- **Full year dividend of 110.0 cents per share, down 7%**
- **EPS of 204.1 cents, down 9%**

REA Group Ltd (ASX:REA) today announced its results for the year ended 30 June 2020. Group financial highlights from core operations¹ include revenue of \$820.3m and EBITDA of \$492.1m. Reported net profit increased 7% to \$112.6m, reflecting one-off impacts in both periods (see Appendix 1).

FY20 presented challenging market conditions and unprecedented global uncertainty as a result of the COVID-19 pandemic. The Group's first half result was impacted by significant declines in residential listings and new project commencements. This was primarily as a result of the restrictive lending environment following the 2019 Financial Services Royal Commission.

At the start of the second half of FY20, the Australian property market showed strong signs of recovery, including improvements in national residential listings led by Melbourne and Sydney. This was prior to the effects of COVID-19 emerging in mid-March, which significantly impacted the real estate market in April and May. As COVID-19 restrictions eased in June, the real estate market responded positively, with new residential listings up 11% YoY, noting the low volumes in the comparative period.

The Group has acted decisively with strong cost management and efficiencies gained from an organisational realignment resulting in a 9% reduction in total operating expenses (6% excluding the impact of AASB 16). This included a 21% reduction in operational costs⁴ in the fourth quarter.

REA Group CEO, Owen Wilson, commented: "I am proud of the way REA has responded to the COVID-19 crisis, quickly adapting our products and experiences to enable Australians to continue to find, buy and sell property.

"In these challenging conditions, our products and services are playing an increasingly vital role in supporting our customers and vendors. Ensuring Australia has a well-functioning property sector remains core to our purpose and vital for our country's long-term economic growth.

"Pleasingly, our flagship site realestate.com.au extended its leadership position in FY20⁵. Each month, 60% of Australia's adult population is visiting our site⁶, with a new record of almost 12 million people in May⁷," said Mr Wilson.

1 Financial results from core operations exclude significant non-recurring items such as restructure costs, revaluation of contingent consideration, gain/loss on acquisitions, disposals and divestments, and impairment charges. In the prior comparative period, this included items such as revaluation, unwind and finance costs of contingent consideration, transaction costs relating to acquisitions by associates and impairment charges. A full reconciliation of reported financial results from core operations is attached in Appendix 1.

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

3 EBITDA excludes share of losses of associates and joint ventures.

4 FY20 Q4 core operational expense excludes FX loss (\$5.3m) and bad debts expense (\$5.4m) for the period.

Financial results from core operations¹ for the year ended 30 June 2020 include:

| AUD\$m (unless stated) | FY2020 | FY2019 | YoY Growth |
|---|---------------|---------------|-------------------|
| Revenue² | 820.3 | 874.9 | -6% |
| Operating expenses | (328.2) | (359.6) | -9% |
| EBITDA³ | 492.1 | 515.3 | -5% |
| EBITDA Margin | 60% | 59% | |
| NPAT | 268.9 | 295.5 | -9% |
| Earnings per share (EPS) (cents) | 204.1 | 224.3 | -9% |

AUSTRALIA

In Australia, REA Group operates the leading residential and commercial sites, realestate.com.au⁸ and realcommercial.com.au⁹, as well as the leading website dedicated to share property, Flatmates.com.au¹⁰. Revenue declined 7% to \$772.4m this year, driven largely by decreases in the Residential and Developer businesses.

A summary of the quarterly residential listing and project commencement changes for FY20 is outlined in the table below:

| | Q1'20 | Q2'20 | Q3'20 | Q4'20 | FY20 |
|------------------------------------|--------------|--------------|--------------|--------------|-------------|
| Residential listing change | | | | | |
| National | -14% | -12% | -6% | -14% | -12% |
| Melbourne | -21% | -11% | 6% | -2% | -8% |
| Sydney | -21% | -10% | 5% | 5% | -6% |
| | | | | | |
| Project commencement change | -26% | -34% | -24% | -18% | -27% |

Australian Residential revenue declined 4%, with lower national listing volumes partially offset by price changes that took effect from 1 July 2019 and improved product mix across both buy and rent. The Group responded to the COVID-19 health crisis providing support measures to its customers and the broader real estate market. These included subscription discounts and changes to listing products, providing Agents with greater flexibility.

Commercial and Developer revenue declined 7% reflecting the continued reduction in new project commencements, down 27%, partially offset by an increase in project profile duration. New project commencements are expected to continue to decline until Q4 FY21¹¹, driven by funding constraints, and a reduction in consumer confidence and foreign investment.

Media, data and other revenue declined by 19% primarily due to lower Developer display advertising in line with new project commencement volumes. This was partially offset by continued growth from the Hometrack property data business.

Financial Services operating revenue increased due to higher settlements and improved broker productivity. This was offset by the annual non-cash valuation adjustment to reflect the expected future trail commission net income, which reduced this year due to faster loan run off rates in the low interest rate environment. Due to the expected near-term impact of COVID-19 on loan settlement growth rates, the Group's result includes a \$7.3m non-cash (pre and post-tax) reduction in the carrying value of the Financial Services business.

realestate.com.au remains the clear market leader in online real estate, growing audience metrics to all-time highs during FY20. On average, Australians visited the site more than 90 million times per month, up 18% YoY¹², rising to a new record of 114.4 million in June¹³. Over 61% of people use realestate.com.au exclusively¹⁴ when looking for property.



“Our consumer audience comprises an unrivalled cohort of high intent property seekers who are extremely loyal and deeply engaged with the experiences we are providing,” added Mr Wilson.

Key realestate.com.au audience highlights included:

- 1.4 million people visited realestate.com.au each day on average, up 19% YoY¹⁵, with a record 1.9 million people in June¹⁶;
- 9.8 million people visited realestate.com.au each month on average, up 16% YoY¹⁷, with a record 11.9 million people in May⁷;
- Average monthly visits of 90.4 million, up 18% YoY¹², with a record of 114.4 million in June or 3.24x more visits than the nearest competitor¹⁸;
- Average monthly app launches of 36.8 million, up 25% YoY¹⁹, with a record of 46.2 million in June²⁰;
- Total app downloads of 10 million, up 11% YoY²¹; and
- realcommercial.com.au continues to be the most engaged commercial property app in Australia, with 8.6x more launches than the nearest competitor²².

ASIA

REA Group operates businesses in Malaysia, Hong Kong, Thailand and China. This year the Asian businesses contributed revenue of \$47.9m and EBITDA of \$8.9m, excluding the equity accounted investments.

Malaysia had a strong first half with digital revenue increasing 20%, underpinned by improved yield, customer acquisition and consumer audience. This was offset by the ongoing disruption in Hong Kong and profound impacts of COVID-19 on the region, including event cancellations, resulting in a 2% revenue decline for the Asia segment. Pleasingly, Malaysia maintained its site leadership at 1.6x²³ while Hong Kong delivered excellent audience growth with organic and direct site visits increasing 32% YoY²⁴.

The Asia segment includes the equity accounted results of the Group’s 13.5% Indian investment, Elara Technologies and 27% investment in 99 Group. Including the contribution from associates, the Asia segment EBITDA was breakeven.

Elara is the fastest growing real estate classifieds platform in India in both revenue and audience. It is the only business in the country to offer the full range of online to offline property services. Elara delivered revenue growth, prior to the impact of COVID-19 in March, due to a strong contribution from Housing.com. COVID-19 caused an economic slowdown across India in the second half. While the depth and duration of the pandemic’s impact on India remains unknown, Elara is well placed to capitalise on the eventual recovery.

The investment in 99 Group was successfully finalised on 28 February 2020, strengthening the Group’s competitive position in Indonesia and Singapore.

The Asia segment has experienced adverse market conditions during the year including the significant disruption of the Hong Kong unrest, coupled with the negative impact of COVID-19 on the digital and events business. The force of these macroeconomic events, combined with the uncertain timing of a recovery, has reduced the current valuation of these businesses. As such, the Group’s result includes the non-cash (pre and post-tax) net impairment charges of \$141.2m, relating to the Asia segment and investments in Elara and 99 Group.

The impairments do not have any impact on REA Group’s current trading and compliance with its banking covenants. REA Group’s 2020 total dividend has been determined based on the Group’s Net Profit after Tax (NPAT) from core operations.



“While the Malaysia business maintained its leadership position and delivered audience growth, the Hong Kong business has been hit by the unavoidable impacts of prolonged unrest and COVID-19. Despite the difficult trading conditions we are currently experiencing in Asia we remain confident that our investment across the region will deliver long term growth to our shareholders,” added Mr Wilson.

NORTH AMERICA

REA Group has a 20% investment in Move, Inc. which operates realtor.com®, a leading property portal in North America. Average monthly unique users of realtor.com®’s web and mobile sites for the fiscal fourth quarter grew 11% YoY to 80 million²⁵.

Move, Inc. reported revenue decreased 2% to US\$473m. Increased real estate revenues were generated from the referral model and the Local Expert and Market Reach products. This was offset by lower lead generation product revenues resulting from the transition of leads to the referral model, as well as the impacts of COVID-19²⁶. Share of losses¹ for the period was \$7.2m, down from \$8.4m in the prior period due to a reduction in operating costs despite increased investment in Opicity.

BALANCE SHEET STRENGTH

REA Group has a strong balance sheet, low debt levels and cash balance of \$223m as at 30 June 2020. The Group has access to contingent undrawn facilities including \$149m with the existing banking syndicate, and a \$20m overdraft facility with NAB to access if required.

RETURNS TO SHAREHOLDERS

The Board has declared a final dividend of 55.0 cents per share fully franked. This represents a total dividend of 110.0 cents per share for the 2020 financial year.

The 2020 final dividend dates are:

| | |
|------------------|-------------------|
| Ex-dividend date | 27 August 2020 |
| Record date | 28 August 2020 |
| Payment date | 17 September 2020 |

CURRENT TRADING

The COVID-19 health crisis continues to create widespread market volatility. The uncertainty in relation to the extent and impact of ongoing Government lockdowns, flow on effects to economic performance, and future action the Government will take to support economic recovery make it difficult to predict market outcomes.

In July, national residential listings were up 16% with Sydney up 47% and Melbourne up 13%. The magnitude of the listings increases reflect the weak comparatives in July 2019. Despite the effects of COVID-19 we saw strong levels of buyer enquiry in July underpinned by low interest rates and healthy bank liquidity.

The latest COVID-19 restrictions in Melbourne, which ban physical property inspections, are likely to cause significant short-term weakness in listing volumes for the duration of the lockdown. This, coupled with the projected reductions in new development project commencements and listing volume declines in the Commercial and Asia businesses, is likely to cause adverse impacts on revenue in Q1 FY21.

In response to the effects of COVID-19 on the real estate market, the Group deferred price increases which were due to take effect on 1 July 2020. The Group will continue to assess



market conditions and will only implement price changes if a sustained residential market recovery is evident.

The Group continues to prudently manage its cost base, targeting full year positive operating jaws. Based on the current market outlook we are targeting no increase in core operating costs for FY21. While expenditure growth rates will vary between quarters, Q1 FY21 core operating costs are expected to be approximately 5-10% lower when compared to Q1 FY20.

“The property market has shown great resilience, bouncing back from the lows of COVID-19, however, the extent of this recovery is still dependent on the efforts to contain the virus and the outlook for the underlying economy. We have a strong balance sheet, a talented workforce and a loyal audience which will see us emerge an even stronger business once more normal conditions return,” concluded Mr Wilson.

For further information, please contact:

REA Group Ltd

Graham Curtin
General Manager Group Reporting
P: +61 408 692 890
E: ir@rea-group.com

REA Group Ltd Media

Prue Deniz
Executive Manager Corporate Affairs
M: +61 438 588 460
E: prue.deniz@rea-group.com

The release of this announcement was authorised by Erin Thorne, Acting Company Secretary.

FY Results Presentation [webcast link](#)

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](http://Spacely.com.au), a short-term commercial and coworking property website. In Asia, REA Group owns leading portals in Malaysia (iproperly.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 iproperly.com.sg in Singapore, rumah123.com in Indonesia and PropTiger.com, housing.com and Makaan.com in India.

APPENDIX 1

Reconciliation of the financial results from core operations against reportable financial results

As reported in the Financial Statements for the year ended 30 June 2020:

| Core and reported results | 2020 \$'000 | 2019 \$'000 |
|--|------------------|----------------|
| Reported operating income² | 820,269 | 874,949 |
| EBITDA from core operations (excluding share of losses of associates and joint ventures) | 492,073 | 515,327 |
| Share of losses of associates and joint ventures | (15,411) | (14,231) |
| (Gain)/loss on acquisitions and disposals and business combination transaction costs | (1,059) | 108 |
| EBITDA from core operations | 475,603 | 501,204 |
| Revaluation of contingent consideration | 1 | (9) |
| Impairment charges | (148,569) | (188,943) |
| Gain/(loss) on acquisitions and disposals and business combination transaction costs | (1,000) | (108) |
| Restructure costs | (8,159) | - |
| Reported EBITDA | 317,876 | 312,144 |
| Net profit from core operations | 268,865 | 295,495 |
| Revaluation, unwind and finance costs of contingent consideration | 1 | (1,166) |
| Impairment charges | (148,569) | (188,943) |
| Gain/(loss) on acquisitions and disposals and business combination transaction costs | (2,001) | (108) |
| Restructure costs, net of tax | (5,711) | - |
| Reported Net profit | 112,585 | 105,278 |

⁵ Nielsen Digital Content Ratings (Monthly Tagged), Jun 20 vs Jun 19, P2+, Digital (C/M), text, realestate.com.au vs Domain, Unique Audience.

⁶ Nielsen Digital Content Ratings (Monthly Tagged), Jun 20, P18+, Digital (C/M), text, realestate.com.au, Active Reach %.

⁷ Nielsen Digital Content Ratings (Monthly Tagged), May 20, P2+, Digital (C/M), text, realestate.com.au, Unique Audience.

⁸ Nielsen Digital Content Ratings (Monthly Tagged), Jul 19 – Jun 20, P2+, Digital (C/M), text, Real Estate/Apartments subcategory, Unique Audience.

⁹ Nielsen Digital Content Ratings (Monthly Tagged), Jul 19 – Jun 20 (average), P2+, Digital (C/M), text, realcommercial.com.au vs commercialrealestate.com.au, Unique Audience.

¹⁰ Similarweb, visits to flatmates.com.au vs flatmatefinders.com.au, Jul 19 – Jun 20.

¹¹ BIS Oxford BIA Data - dwelling commencements quarterly forecast at Jun 20.

¹² Nielsen Digital Content Ratings (Monthly Tagged), Jul 19 – Jun 20 vs Jul 18 – Jun 19 (average), P2+, Digital (C/M), text, realestate.com.au, Total Sessions.

¹³ Nielsen Digital Content Ratings (Monthly Tagged), Jun 20, P2+, Digital (C/M), text, realestate.com.au, Total Sessions.

¹⁴ Nielsen Digital Panel (Duplication report), Jun 20, P2+, computer, smartphone, tablet, text, realestate.com.au and Domain, Incremental Audience %.

¹⁵ Nielsen Digital Content Ratings, (Daily), Jul 19 - Jun 20 vs Jul 18 - Jun 19, P2+, Digital (C/M), text, realestate.com.au, average Unique Audience.

¹⁶ Nielsen Digital Content Ratings, (Daily), Jun 20, P2+, Digital (C/M), text, realestate.com.au, average Unique Audience.

¹⁷ Nielsen Digital Content Ratings (Monthly Tagged), Jul 19 - Jun 20 vs Jul 18 – Jun 19 (average), P2+, Digital (C/M), text, realestate.com.au, Unique Audience.

¹⁸ Nielsen Digital Content Ratings (Monthly Tagged), Jun 20, P2+, Digital (C/M), text, realestate.com.au vs Domain, Total Sessions.



¹⁹ Nielsen Digital Content Ratings (Monthly Tagged), Jul 19 - Jun 20 vs Jul 18 - Jun 19 (average), P2+, Digital (C/M), text, realestate.com.au, App Launches.

²⁰ Nielsen Digital Content Ratings (Monthly Tagged), Jun 20, P2+, Digital (C/M), text, realestate.com.au, App Launches.

²¹ Google Play & iTunes App Store, total number of realestate.com.au app downloads at Jun 20 and compared to Jun 19.

²² Nielsen Digital Content Ratings (Monthly Tagged), Jul 19 - Jun 20 (average), P2+, Digital (C/M), text, realcommercial.com.au vs commercialrealestate.com.au, App Launches.

²³ SimilarWeb, monthly visits for iproperty.com.my site compared to the nearest competitor (Jul 19 - Jun 20). Excludes app.

²⁴ Google Analytics, monthly organic and direct visits for squarefoot.com.hk site (Jul 19 - Jun 20) compared to the same period (Jul 18 - Jun 19). Excludes apps.

²⁵ NewsCorp's Earnings Release stated in US Dollars (6 August 2020) for the twelve-month period ended 30 June 2020: Average monthly unique users for Q4 FY 2020 and compared to the same period Q4 FY 2019.

²⁶ NewsCorp's Form 10-K stated in US Dollars for the twelve-month period ended 30 June 2020.