

ASX Announcement**27 June 2017****realestate.com.au announces strategic investments in the mortgage broking market**

REA Group Limited (ASX:REA) announced today that realestate.com.au Pty Ltd has entered into an agreement to acquire a majority stake in mortgage broking franchise business, Smartline and has also entered into a strategic mortgage broking partnership with National Australia Bank Limited (NAB).

Smartline is one of Australia's premier mortgage broking franchise groups with over 300 advisers nationally, settling more than \$6 billion in loans annually with a total loan book of approximately \$25 billion. realestate.com.au will acquire an 80.3% stake in Smartline, with the remaining 19.7% shareholding to be retained by the existing management team. This team will continue to be led by Executive Director and co-founder Chris Acret and will operate under its current structure and brand.

The purchase consideration of \$67 million will be 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. If not exercised, REA will acquire the remaining shares at the end of four years. The transaction is expected to complete in late July 2017.

realestate.com.au and NAB have also agreed to build a mortgage broking solution which adds to the strategic partnership announced in December 2016 to create an Australian-first end-to-end digital property search and financing experience. To help achieve this, NAB will provide an opportunity for its Choice Home Loans brokers to join this new broking solution.

The strategic partnership with NAB enables REA to offer a realestate.com.au broking service at the launch of realestate.com.au Home Loans later this year. The acquisition of Smartline will give the REA Financial Services segment greater scale and capability for the long term.

With an average monthly audience of 5.9 million, realestate.com.au has the largest and most engaged audience of property seekers in Australia¹. This investment and partnership further strengthens REA's move into financing, an integral part of buying a property. The home loan market in Australia is worth approximately \$400 billion a year², of which more than 50% are obtained through mortgage brokers. The share of mortgages originated through broker channels continues to increase.

¹ Nielsen Digital Ratings (Monthly), 6 month average unique audience to April 2017.

² ABS Housing Finance, Australia, November 2016 total trend for all dwellings for financial year 2016 with year on year growth assumption.



It is expected that REA's entire Financial Services segment will contribute revenue, net of broker commissions, of between \$26 million to \$30 million and EBITDA between \$7 million to \$11 million in FY18.

REA Group CEO Tracey Fellows commented: "Building a strong presence in the broker market channel is an important part of our financial services strategy. These investments allow us to enter a new market with two of the industry's most trusted and successful mortgage broking operations.

"Providing a broker solution will complement the digital search and finance experience we are building in partnership with NAB on realestate.com.au. It's about giving people greater choice when selecting the right home loan for them," said Ms Fellows.

Smartline Executive Director and co-founder, Chris Acret commented: "This investment is a great strategic fit for both businesses. It's born from a shared vision to build a market-leading home loan offering, marrying our trusted network of brokers with realestate.com.au's leading digital capability."

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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, Chinese property site myfun.com and a number of property portals in Asia via its ownership of iProperty Group. REA Group also has a significant shareholding in US based Move, Inc and PropTiger in India.

About Smartline:

Established in 1999, Smartline is an award winning mortgage broking franchise group with a reputation for quality advice and outstanding client care. With over 300 franchisees nationally, Smartline has assisted more than 270,000 clients to arrange a home loan, with an average client satisfaction rating of 4.9 out of 5. Smartline has been named Australia's number one franchise by topfranchise.com.au, an independent research group, for eight consecutive years (2009 - 2016).

