

ASX Announcement
5 February 2021

REA Group delivers strong performance despite volatile market conditions

Financial highlights from core operations¹ compared to prior corresponding period²:

- **Revenue³ of \$430.4m, down 2%**
- **Operating expenses of \$145.8m, down 13%**
- **EBITDA⁴ (including associates) of \$290.2m, up 9%**
- **Net Profit of \$172.1m, up 13%**
- **Interim dividend of 59 cents per share, up 7%**
- **EPS of 130.7 cents, up 13%**

REA Group Ltd (ASX:REA) today announced its results for the half-year ended 31 December 2020. Group financial highlights from core operations¹ include revenue³ of \$430.4m and EBITDA⁴ of \$290.2m. The results reflect the diverse effects of the COVID-19 pandemic across the Group's Australian and international businesses.

In Australia the residential property market showed continued signs of recovery with National residential listings increasing 4% for the half including an increase in Sydney listings of 19%. In contrast, the COVID-19 lockdown measures in Melbourne caused significant short-term weakness, with listings declining 44% in the first quarter. Following the removal of these restrictions, the Melbourne market rebounded, resulting in an overall 11% decrease in listings for the half.

A continued focus on strong cost management resulted in a 13% reduction in operating expenditure for the half. All cost categories decreased due to a combination of ongoing cost management initiatives, COVID-19 related savings and the deferral of some marketing spend into the second half.

REA Group Chief Executive Officer, Owen Wilson commented: "We have delivered a remarkable first half result, particularly given the Melbourne market came to a virtual standstill during the lockdown. I am proud of the way our teams focused on the things we could control to deliver outstanding customer support and product enhancements to help consumers navigate the disruptions.

"Australia's property market appears to be on the march again, showing signs of a strong recovery in November and December. This was fuelled by the easing of COVID-19 restrictions, combined with increasing consumer confidence, record low interest rates and healthy bank liquidity.

"Our flagship site realestate.com.au delivered a stand-out performance for the half. In November we set a new record of 13 million people, or 65% of Australia's adult population on our site. Buyer activity also continued to soar with enquiry volumes up 44%⁵, delivering significantly more high-quality leads to our customers," said Mr Wilson.

¹ Financial results/highlights from core operations exclude significant non-recurring items such as gain/loss on acquisitions and disposals and transaction costs and historic tax provision (historic indirect tax provision reflects potential retrospective changes to interpretation of tax law). In the prior comparative period, they excluded items such as restructure costs and gain/loss on acquisitions and disposals and transaction costs.

² All financial growth rates refer to YoY comparisons unless otherwise stated.

³ Revenue is defined as revenue from property and online advertising and revenue from Financial Services less expenses from franchisee commissions.

⁴ EBITDA includes share of associates and joint ventures.

A summary table of the financial results from core operations¹ for the half-year ended 31 December 2020 is presented below. The information is presented in Australian dollars and is prepared under AIFRS.

AUD\$m (unless stated)	H1 FY21	H1 FY20	YoY growth
Revenue ³	430.4	440.3	-2%
Operating expenses	145.8	168.2	-13%
EBITDA (including associates) ⁴	290.2	267.2	+9%
EBITDA margin ⁴	67%	61%	
NPAT	172.1	152.9	+13%
Earnings per share (EPS), cps	130.7	116.1	+13%

Note: EBITDA excluding share of gains / losses of associates and joint ventures grew 5% year on year.

AUSTRALIA

In Australia, REA Group operates the leading residential and commercial sites: realestate.com.au⁶ and realcommercial.com.au⁷, as well as the leading website dedicated to share property, Flatmates.com.au⁸. Revenue of \$413.4m was flat for the half, with an increase in the Residential business offset by declines across all other lines of business.

A summary of the quarterly listings and project commencement changes for H1 FY21 is outlined in the table below:

	Q1 FY21	Q2 FY21	H1 FY21
Residential buy listing YoY change			
National	-2%	10%	4%
Sydney	23%	13%	19%
Melbourne	-44%	25%	-11%
Commercial listings YoY change	-27%	-24%	-26%
Project commencements YoY change	3%	12%	8%

Residential revenue increased 4% to \$295.6m, reflecting the increase in buy listings, stronger Premiere penetration and continued growth in add-on products including Audience Maximiser. This was partially offset by the impact of COVID-19 support measures and the effect of the prolonged Melbourne lockdown on yield. Rental revenue benefited from increased depth penetration and product mix, however this was offset in part by a decline in rental listings, which continue to be negatively impacted by lack of migration and restrictions on tenant evictions.

During the half there was a reduction in listings syndicated to MyFun due to COVID-19 related issues resulting in some listings not being translated during the listing period. There was no overall impact to group revenues, with a one-off increase to Australian residential revenue, and a corresponding decrease to the Asian segment.

Commercial and Developer revenue declined 7%. Commercial revenues were negatively impacted by a 26% decline in listings, which continue to be affected by the COVID-19 related moratorium on tenant evictions. This was partially offset by improved depth penetration. Developer benefited from an 8% YoY increase in project launches, assisted by government stimulus. The stimulus has driven an increase in smaller, lower yielding projects, which has had a negative overall impact on average yield.



Media, data and other revenue declined by 12%, driven largely by a reduction in Developer display advertising due to the increasing proportion of smaller project launches and lower developer display spend due to COVID-19. This was partially offset by continued growth from the data business.

Financial Services operating revenue increased by 12% due to higher settlements and improved broker productivity. This was more than offset by a non-cash adjustment to the valuation of expected future trail commission, which reduced due to faster loan run-off rates in the current low interest environment. There was also a reduction in partnership revenue as the current NAB agreement performance payments have reached maturity.

Strategic investments

On 1st December 2020, the Group acquired a 17.9% stake in Realtair Pty Limited, and subsequently increased its holding to 19.9% on 27 January 2021 for an aggregate investment of \$7.3m. Realtair is a proptech platform that provides an end-to-end real estate sales solution. This allows agents to pitch, sign, automate and streamline the steps from property appraisal to settlement through mobile, easy to use technology.

On 4 February 2021, the Group entered into a binding agreement to acquire a 27% interest in Campaign Agent Pty Ltd for \$13.3m. CampaignAgent owns 'VPAPay', the market leading buy now pay later solution for vendor paid advertising, and other financial solutions to the residential real estate market.

The combination of Realtair and CampaignAgent with existing agent promotion products, allows us to create a market leading offering to help customers win their next listing.

Realestate.com.au extends leadership as Australia's number one property site

REA Group's flagship site, realestate.com.au extended its leadership position⁹, delivering record audience numbers.

"realestate.com.au remains the clear number one in online real estate and during the half we accelerated our audience growth. Our unrivalled audience of high intent property seekers is also extremely loyal with almost 6.5 million people choosing to use realestate.com.au exclusively¹⁰," added Mr Wilson.

Key realestate.com.au audience highlights included:

- 12.3 million people visited each month on average, up 39% YoY¹¹; with a record 13 million in November¹² or 65% of Australia's adult population¹³;
- 1.9 million average daily unique audience, up 56% YoY¹⁴, with a record 2.03 million in November¹⁵;
- 115 million average monthly visits, up 36% YoY¹⁶, with a record of 125.3 million in October¹⁷;
- 3.26x more visits than the nearest competitor¹⁸; and
- Average monthly app launches of 50.9 million, up 46% YoY¹⁹ and total app downloads of 10.5 million²⁰.



ASIA

REA Group operates businesses in Malaysia, Hong Kong, Thailand and China. Asia revenue declined by 38%, negatively impacted by renewed COVID-related lockdowns, cancellation of events across all markets, adverse FX movements, and the one-off COVID related reduction in syndicated MyFun listings. The prior period comparatives also include the Singapore and Indonesia businesses, which were deconsolidated from 1st March 2020 as part of the 99 Group transaction.

EBITDA before associates and joint ventures was \$1.7m, with revenue declines partially offset by continued cost management across the region.

In Malaysia, iProperty.com.my remains the country's number one property site in terms of market share²¹, growing site visits by 35% YoY²². Despite the challenging market conditions, penetration of the iProperty Pro depth offering increased for the period.

ELARA

On 17th December 2020, REA Group moved to a controlling position in Elara Technologies (Elara). Following the announcement, the Group has continued to acquire minority interests in Elara, further increasing its shareholding to 59.65% as at 4th February 2021 with News Corp holding 39.0% of the remaining minority interest in Elara. The total consideration paid to date for the Elara transaction is \$105.7m, comprising A\$49.1m cash and the issue of 402,518 new REA shares with a consideration value of A\$56.6m. The Group has consolidated Elara's balance sheet as at 31 December 2020.

REA Group's result in H1 FY21 included an equity accounted loss of \$2.4m from its 13.5% stake in Elara. The Indian market was heavily impacted by COVID-19 during the half resulting in Elara revenue declining by 17%. Management responded by reducing operating expenses by 24%.

Despite the ongoing COVID impact, digital adoption of real estate has accelerated and new segments of consumers are migrating online at a much faster rate. This trend was evidenced by Housing.com's audience growing by 57% YoY²³.

Elara earnings will be consolidated from 1st January 2021. REA Group H2 FY21 revenues are expected to increase between A\$12-17m, core operating EBITDA (excluding associates) to decrease by A\$15-20m, contribution from associates to increase between A\$2-4m and depreciation and amortisation to increase A\$2-4m. The EPS impact is expected to be marginally dilutive. The FY21 revenue and EBITDA ranges are indicative only given ongoing market volatility created by COVID-19 and reflect 6 months of consolidation compared to previous guidance for 7 months.

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 increased 37% on the prior corresponding period to 80 million²⁴.

Move's equity accounted result positively contributed to the Group, improving from a A\$1.5m loss in the prior year to a A\$9.4m profit in H1 FY21. Reported revenue growth increased 20% to US\$293m²⁵ due to the continued strength in the referral model and recovery in the traditional lead gen product, both benefitting from improved average monthly lead and transaction volumes. The result also benefitted from lower costs including the deferral of marketing costs.



RETURNS TO SHAREHOLDERS

The Board has declared an interim dividend of 59.0 cents per share fully franked, which is a 7% increase on the prior year. The 2021 interim dividend dates are:

Ex-dividend date	8 March 2021
Record date	9 March 2021
Payment date	23 March 2021

OUTLOOK

In January, national residential listings were flat, with an increase in Melbourne of 12% and a decline in Sydney of 1%. We continue to see strong levels of buyer enquiry, underpinned by low interest rates and healthy bank liquidity. Consumer confidence is also improving.

Developer revenues are expected to be supported by growth in new developments in FY21, with BIS Oxford upgrading their FY21 forecast for new project commencements from -5% to +7%. The higher proportion of smaller projects is likely to impact average yield.

Commercial revenues are expected to remain challenged, with listings pressure anticipated to continue in the second half. Asia revenues are likely to be negatively impacted for the remainder of FY21 given the severe COVID-19 restrictions still in place in Malaysia.

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, the Group anticipates core operating costs for FY21 to be broadly in line with FY20. Second half operating costs will increase as the benefits of COVID-19 related savings such as travel and entertainment reduce, alongside increases in marketing, staff incentives and product development.

REA Group has a strong balance sheet with low debt levels and a cash balance of \$179.9m as at 31 December 2020.

“The actions we have taken to successfully manage our business through the pandemic have ensured REA Group remains in an excellent financial position. The key indicators are currently pointing to a continued rebound in the property market. This momentum, coupled with our exciting product roadmap, has REA well positioned for 2021,” concluded Mr Wilson.

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

HY Results Presentation [webcast link](#)

About REA Group

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. REA Group owns Smartline Home Loans Pty Ltd, an Australian mortgage broking franchise group, and PropTrack Pty Ltd, a leading provider of property data services. 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 holds a controlling interest in India's Elara Technologies Pte. Ltd. which operates the established brands of Housing.com, Makaan.com and PropTiger.com. REA Group also holds a significant shareholding in property websites realtor.com in the US, 99.co and iproperly.com.sg in Singapore and rumah123.com in Indonesia.

References

⁵ Adobe Analytics, internal data, Jul 20 - Dec 20 vs Jul 19 - Dec 19.

⁶ Nielsen Digital Content Ratings (Monthly Tagged), Jul 20 - Dec 20, P2+, Digital (C/M), text, Real Estate/Apartments subcategory, Unique Audience.

⁷ Nielsen Digital Content Ratings (Monthly Tagged), Jul 20 - Dec 20 (average), P2+, Digital (C/M), text, realcommercial.com.au vs commercialrealestate.com.au, Unique Audience.

⁸ SimilarWeb, visits to flatmates.com.au vs flatmatefinders.com.au, Jul 20 - Dec 20.

⁹ Nielsen Digital Content Ratings (Monthly Tagged), Jul 20 - Dec 20 vs Jan 20 - Jun 20, P2+, Digital (C/M), text, realestate.com.au vs Domain, Unique Audience.

¹⁰ Nielsen Digital Content Planning, Nov 20, P2+, Digital C/M, text, Exclusive Reach, realestate.com.au and Domain.

¹¹ Nielsen Digital Content Ratings (Monthly Tagged), Jul 20 - Dec 20 vs Jul 19 - Dec 19 (average), P2+, Digital (C/M), text, realestate.com.au, Unique Audience.

¹² Nielsen Digital Content Ratings (Monthly Tagged), Nov 20, P2+, Digital (C/M), text, realestate.com.au, Unique Audience.

¹³ Nielsen Digital Content Ratings (Monthly Tagged), Nov 20, P18+, Digital (C/M), text, realestate.com.au, Active Reach %.

¹⁴ Nielsen Digital Content Ratings (Daily), Jul 20 - Dec 20 vs Jul 19 - Dec 19 (average), P2+, Digital (C/M), text, realestate.com.au, Unique Audience.

¹⁵ Nielsen Digital Content Ratings (Daily), Nov 20 (average), P2+, Digital (C/M), text, realestate.com.au, Unique Audience.

¹⁶ Nielsen Digital Content Ratings (Monthly Tagged), Jul 20 - Dec 20 vs Jul 19 - Dec 19 (average), P2+, Digital (C/M), text, realestate.com.au, Total Sessions.

¹⁷ Nielsen Digital Content Ratings (Monthly Tagged), Oct 20, P2+, Digital (C/M), text, realestate.com.au, Total Sessions.

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

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

²⁰ Google Play & iTunes App Store, total number of realestate.com.au app downloads at Dec 20.

²¹ SimilarWeb, Oct 20 - Dec 20, a comparison with iProperty.com.my and propertyguru.com.my.

²² Google Analytics, Total Sessions, Jul 20 - Dec 20 vs Jul 19 - Dec 19.

²³ Google Analytics, Total Sessions, Jul 20 - Dec 20 vs Jul 19 - Dec 19.

²⁴ NewsCorp's Earnings Release stated in US Dollars (4 February 2021) for the six-month period ended 31 December 2020: Average monthly unique users for Q2 FY21 and compared to the same period Q2 FY20.

²⁵ NewsCorp's Form 10-Q stated in US Dollars for the six-month period ended 31 December 2020.