

ASX Announcement
10 May 2019
REA Group Q3 FY 2019 financial information released

REA Group Limited (ASX:REA) today announced its results for the nine months ended 31 March 2019 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 and nine months ended 31 March 2019.

Group financial highlights from core operations¹ for the nine months ended 31 March 2019 include revenue² growth of 13% to \$667.8m and EBITDA growth from core operations¹ of 15% to \$404.7m.

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

Millions	For nine months ended 31 March (AUD) ³		
	FY2019	FY2018	YoY growth
Revenue after broker commissions ²	667.8	592.3	13%
Operating expenses (excluding associates and joint ventures)	(263.1)	(241.2)	9%
EBITDA* (excluding share of losses of associates and joint ventures) ¹	404.7	351.1	15%
Free cash flow	227.9	184.8	23%

*EBITDA including share of losses of associates and joint ventures grew 14% year on year.

Millions	For three months ended 31 March (AUD) ³		
	FY2019	FY2018	YoY growth
Revenue after broker commissions ²	198.6	185.6	7%
Operating expenses (excluding associates and joint ventures)	(87.9)	(81.3)	8%
EBITDA** (excluding share of losses of associates and joint ventures) ¹	110.7	104.3	6%
Free cash flow	82.9	65.1	27%

**EBITDA including share of losses of associates and joint ventures grew 3% year on year.

These results were driven by the strength of the Australian Residential and Developer businesses, and the inclusion of the Hometrack business which was not included in the prior comparative period. The Group's growth was achieved in a particularly challenging market with significant declines in new residential listing volumes and new project commencements.

Commenting on the results, REA Group Chief Executive Officer, Owen Wilson said:

"Our ability to continue to deliver growth despite the significant market headwinds is testament to the strength of our business. We remain focused on supporting our customers who clearly recognise the value we deliver, demonstrated by depth penetration reaching record levels during the quarter."

"It's almost a decade since we've seen market conditions like these, especially in Sydney where the decline has been the most pronounced. With the Banking Royal Commission now behind us and the Federal election taking place next weekend, we expect less uncertainty surrounding the property market as we enter the new financial year," said Mr Wilson.

The Australian residential revenue growth was delivered in unfavourable market conditions which saw a 9% decrease in national listings over the three month period (including listing declines of 18% in Sydney and 12% in Melbourne). The revenue growth reflects the price changes that took effect from 1 July 2018, improved product mix and depth penetration, and stronger contribution from products such as Audience Maximiser.

The Commercial and Developer businesses achieved solid revenue growth despite the continued significant decline in the volume of new project commencements. This was driven by an increase in project profile duration, higher developer display advertising and an increase in commercial depth penetration.

Media, data and other revenue continued to grow due to the inclusion of the Hometrack business, offset by reduced advertising revenue in key segments and lower available inventory as Premier listings increased. The Hometrack business is expected to deliver the previous FY19 revenue guidance of between \$14m - \$16m and EBITDA between \$6m - \$7m.

The Asia segment continued to deliver revenue growth and maintained its audience lead in Malaysia and Indonesia.

Tighter lending conditions and the continued uncertainty in the property market has reduced mortgage settlements across the industry. As a result, Financial Services revenue is lower than the prior comparative period. The decline in mortgage settlements is expected to continue for the remainder of the financial year and into the first quarter of FY20.

Total operating expenditure grew 8% due to continued investment in product innovation, an increase in costs due to the inclusion of the Hometrack business, variable costs associated with the success of the Audience Maximiser product in Australia and increased marketing.

REA Group has delivered further advancements in the quarter, including deeper integration of Hometrack data into core experiences, the launch of Loan Care in Malaysia, and Agent Ratings and Reviews now live on realestate.com.au.

The Company's focus on connecting with consumers beyond property transactions has resulted in increased audience engagement.⁴

Mr Wilson added: "realestate.com.au received a record 84 million visits in March alone, propelling us to three times the visits of our nearest competitor. Our strength is our ability to connect our customers with the largest and most engaged audience of property seekers in Australia."⁵

OUTLOOK

Market conditions are not expected to improve in the short term, with listing numbers impacted by consecutive long weekends over Easter and Anzac Day, as well as the Federal election campaign. These circumstances did not exist in the prior year resulting in an exaggerated decline of 22% in April national residential listings in April. Sydney was down 39% and Melbourne down 35%.

As a result of these unusual market circumstances, we expect Q4 to have a lower rate of revenue growth than Q3, while expense growth will also be lower than Q3. The rate of revenue growth is still expected to exceed the rate of cost growth for the full year, however, these growth rates will be broadly similar in the second half.

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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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, commercial and share property websites - realestate.com.au, realcommercial.com.au, Flatmates.com.au – as well as Spacely, a short-term commercial and co-working property site. In Asia, REA Group owns leading portals in Malaysia (iproperty.com.my), Hong Kong (squarefoot.com.hk) and Indonesia (rumah123.com), and prominent portals in Singapore (iproperty.com.sg) and 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 data property services. REA Group also holds a significant shareholding in property websites realtor.com in the US and PropTiger.com, housing.com and Makaan.com in India.

References

¹ Financial results/highlights from core operations excludes significant non-recurring items such as revaluation, unwind and finance costs of contingent consideration, transaction costs relating to acquisitions by associates and impairment of goodwill. In the prior comparative period this excluded items such as revaluation, unwind and finance costs of contingent consideration, transaction costs relating to acquisition and the impact of the change in US tax rates on Move. Inc.'s results.

² Revenue is defined as revenue from property advertising and revenue from financial services less expenses from franchisee commissions disclosed in the Consolidated Financial Statements as operating income.

³ Q3 results are based on unaudited financial information and rounded to the nearest million.

⁴ Nielsen Digital Content Ratings (Jul 18 – Mar 19), People 2+, text, computer & mobile, total time spent on realestate.com.au compared to the same prior period (Jul 17 – Mar 18).

⁵ Nielsen Digital Content Ratings, tagged, People 2+, text, computer and mobile, total monthly sessions (Mar 19); comparing the average monthly sessions of realestate.com.au to domain.com.au (Jan 19 – Mar 19); comparing the average monthly unique audience on site & app to domain.com.au (Jan 19 – Mar 19); and comparing average time spent per person on realestate.com.au to domain.com.au (Jan 19 – Mar 19)