**ASX Announcement**
**9 August 2019**

## REA Group delivers growth in challenging market conditions

**Financial highlights from core operations[1]:**

- **Revenue[2] of $874.9m, up 8%**
- **EBITDA of $501.2m, up 8%**
- **Net Profit of $295.5m, up 6%**
- **Full year dividend of 118.0 cents per share, up 8%**
- **EPS of 224.3 cents, up 6%**

REA Group Limited (ASX:REA) today announced its results for the year ended 30 June 2019. Financial highlights from core operations[1] include revenue growth of 8% on the prior year to $874.9m, and an increase in EBITDA of 8% to $501.2m. The reported net profit of $105.3m decreased 58%, reflecting one-off transactions in both periods (see Appendix 1).

Revenue growth was driven by an 8% increase in the Australian business. This was due to the resilient performance of the Residential and Developer businesses, which faced challenging market conditions nationwide, particularly in the second half. The results also reflect the full-year contribution from the Hometrack business.

The Australian market saw significantly lower residential listings and new development project commencements in 2019. Total residential listings declined 8% for the year, with declines of 18% in Sydney and 11% in Melbourne.

The Board has declared a final dividend of 63.0 cents per share fully franked. This represents a total dividend of 118.0 cents per share for the 2019 financial year, an 8% increase on the prior year.

REA Group CEO, Owen Wilson, commented: "REA has delivered a strong result in a year of unprecedented market conditions. Our continued revenue growth was achieved despite significant declines in listings and new developments, a clear illustration of the value we deliver to customers and consumers.

"We increased our audience lead during the year and property seekers are now spending more time on our app than ever before. Australians remain passionate about property and they recognise that realestate.com.au is their go to destination for the best content, deepest insights, and richest market data," said Mr Wilson.

Financial results from core operations[1] for the year ended 30 June 2019 include:

| AUD$m (unless stated) | FY2019 | FY2018 | Growth |
|---|---|---|---|
| **Revenue** | 874.9 | 807.7 | 8% |
| **EBITDA** | 501.2 | 463.7 | 8% |
| ***EBITDA Margin*** | *57%* | *57%* | |
| **NPAT** | 295.5 | 279.9 | 6% |
| **Earnings per share (EPS) (cents)** | 224.3 | 212.5 | 6% |

1 Financial results/highlights from core 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 and investments in associates. In the prior comparative period, this included items such as revaluation, unwind and finance costs of contingent consideration, transaction costs relating to acquisitions, brand write-off and the impact of the change in US tax rates on the results of Move, Inc. 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.

Total operating expenditure grew 7% due to the continued investment in product innovation, an increase in costs due to the inclusion of the Hometrack business, and variable costs associated with the higher volumes of the Audience Maximiser product in Australia. Overall expense growth was lower than the rate of revenue growth for the full year.

**AUSTRALIA**

In Australia, REA Group operates the leading residential, commercial, share and co-working property sites: realestate.com.au[3], realcommercial.com.au[4], Flatmates.com.au[5] and spacely.com.au[6]. Revenue grew 8% to $826.3m this year, driven by an increase in Residential revenue of 8% to $555.0m and the inclusion of the Hometrack business.

The result was delivered in difficult market conditions with national listings decreasing 8% (including declines of 18% in Sydney and 11% in Melbourne). The revenue growth reflects the price changes which took effect from 1 July 2018, an improved product mix and further depth penetration. There was also a stronger contribution from products such as Audience Maximiser.

The Commercial and Developer businesses achieved 6% revenue growth despite a 23% decline in new project commencements. This result was driven by an increase in project profile duration, acquisition of new customers and an increase in commercial depth penetration.

Media, data and other revenue increased 16% to $110.2m due to the inclusion of the Hometrack business, coupled with greater display advertising from developers arising from longer project durations. Media revenue was lower as a result of reduced advertising spend in key segments and lower available inventory as Premiere listings increased.

The Financial Services business delivered revenue of $27.0m. This is an 8% reduction on the prior year due to tighter lending conditions and the subdued property market, which impacted mortgage settlements across the industry. The Federal Election result and the recent changes in the lending market have reduced uncertainty, however, the decline in mortgage settlements is expected to continue into the first half of FY20 in line with the listings environment.

On 1 July 2019, REA Group acquired the remaining minority shares in Smartline for $16.0m, increasing the Group's ownership to 100%. This further strengthens the Group's focus on Financial Services and its commitment to provide the best property search and finance offering for Australians.

realestate.com.au continues to be the market leading property destination, having the largest audience of property seekers across all platforms with 1.2 million people visiting each day.[7] This is underpinned by the strength of the realestate.com.au app, which continues to experience significant growth in consumer engagement year-on-year.

- Average monthly visits to realestate.com.au are over 2.9 times more than the nearest competitor;[8]
- The realestate.com.au app was launched more than 29.4 million times each month, growing 21% year-on-year;[9]
- Consumers spent 4.7 times longer on the realestate.com.au app each month than the nearest competitor;[10] and
- realcommercial.com.au continues to be the number one commercial property app in Australia, with 8.8 times more launches than the nearest competitor.[11]

**ASIA**

REA Group operates businesses in Malaysia, Indonesia, Hong Kong, Thailand, Singapore and China. This year the Asian businesses contributed revenue of $48.6m and EBITDA of $7.4m, excluding the equity accounted results of Elara in India, in which the Group owns a 13.5% stake. In 2019 Elara, delivered revenue growth of 54% for the year.[12]

The Group remains the market leader in both Malaysia[13] and Indonesia[14] and achieved an audience leadership position in Hong Kong[15] in June 2019. During the year, a number of new products and features were launched to further engage and deliver value to customers and consumers. In Malaysia, iproperty.com.my launched the first ever property search experience in Bahasa; and squarefoot.com.hk released a new lifestyle and content experience for the Hong Kong market. WhatsApp has been integrated into the core property experiences in Malaysia, Hong Kong and Indonesia to provide consumers with faster responses from agents and developers.

A non-cash impairment charge of $173.2m (pre and post tax) was recorded during the first half of 2019, reducing the carrying value of goodwill for the Asia segment. At 30 June 2019, the Group recorded a $15.7m reduction in the carrying value of its investment in Elara due to the deferral of near term returns despite strong revenue growth.

The impairments have no impact on REA Group's current trading and compliance with its banking covenants. REA Group's 2019 total dividend has been determined based on the Group's Net Profit after Tax (NPAT) from core operations.

**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 grew 14% to 72 million during the fourth quarter.[16]

In October 2018, Move, Inc. acquired OpCity, Inc. ('Opcity'), a market-leading real estate technology platform that matches qualified home buyers and sellers with real estate professionals in real time. The acquisition broadens the lead generation product portfolio allowing real estate professionals to choose between traditional leads products or a concierge-based model that provides highly vetted, transaction-ready leads.

Move, Inc. reported revenue growth of 7% to USD$484.1m.[16] Share of losses for the period was $8.4m up from $1.5m in the prior period due to increased operating costs and the acquisition of OpCity (excluding transaction costs and the impact of the change in US tax rates).

**INCREASED RETURNS TO SHAREHOLDERS**

The Board has declared a final dividend of 63.0 cents per share fully franked. This represents a total dividend of 118.0 cents per share for the 2019 financial year, an 8% increase on the prior year.

The 2019 final dividend dates are:

| | |
|---|---|
| Ex-dividend date | 29 August 2019 |
| Record date | 30 August 2019 |
| Payment date | 19 September 2019 |

**OUTLOOK**

The Australian Residential business will have the benefit of price increases which came into effect on 1 July 2019 plus stronger levels of both Premiere and total depth product penetration on the back of the latest Premiere offering. The market remains challenging with Australian residential listing volumes down 19% in July 2019 compared to July 2018 with declines of 31% in Sydney and 29% in Melbourne.

Listings for the first half of FY20 are likely to be lower than the same half last year, due to the comparatively favourable listings environment in H1FY19; particularly in Melbourne and Sydney. As a result we expect revenue growth to be heavily skewed towards the second half.

While we are continuing to invest in growth initiatives, planned efficiency gains and strong cost management will significantly reduce the rate of cost growth in FY20. On a AASB 16 adjusted basis we expect full year costs to be flat year-on-year.

The full year target is for the rate of revenue growth to exceed the rate of expense growth, however this will not be the case in every quarter due to the stronger listing comparatives in H1FY19 and the different timing of expenses over the year.

"A number of factors are now in place to support a market recovery, including lower interest rates and an improved lending environment. Coupled with a very healthy increase in buyer activity, it signals an eventual recovery of listing volumes.

"The strength of REA's strategy positions the Group well to continue to deliver superior value to our customers and consumers," said Mr Wilson.

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**FY Results Presentation webcast link**

**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 and 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), Indonesia (rumah123.com) and Thailand (thinkofliving.com) and prominent portals in Singapore (iproperty.com.sg) and China (myfun.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.

**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 2019:

| Core and reported results | 2019 $'000 | 2018 $'000 |
|---|---|---|
| **Reported revenue**[17] | **874,949** | 807,678 |
| EBITDA from core operations (excluding share of losses of associates and joint ventures) | **515,327** | 471,468 |
| Share of losses of associates and joint ventures | **(14,231)** | (7,762) |
| Business combination transaction costs – acquisitions by associates | **108** | - |
| **EBITDA from core operations** | **501,204** | 463,706 |
| Revaluation of contingent consideration | **(9)** | 2,195 |
| Impairment charges/brand write-off | **(188,943)** | (12,800) |
| Business combination transaction costs | **(108)** | (2,405) |
| US tax reform – revaluation of deferred tax balances | **-** | (11,520) |
| **Reported EBITDA** | **312,144** | 439,176 |
| **Net profit from core operations** | **295,495** | 279,946 |
| Revaluation, unwind and finance costs of contingent consideration | **(1,166)** | (2,498) |
| Impairment charges/brand write-off, net of tax | **(188,943)** | (10,688) |
| Business combination transaction costs, net of tax[18] | **(108)** | (2,140) |
| US tax reform – revaluation of deferred tax balances | **-** | (11,520) |
| **Reported Net profit** | **105,278** | 253,100 |

[3]Nielsen Digital Content Ratings, tagged, people 2+, text computer and mobile average monthly sessions and total time spent per sessions, compared to the nearest competitor (Jul 18 - Jun 19).
[4]Nielsen Market Intelligence – Home and Fashion, average total sessions (exclude app). Nielsen Digital Content Ratings; average app launches for the audited site realcommercial.com.au and app, in each case compared to nearest competitor (Jul 18 - Jun 19).
[5]Hitwise market share data; comparing visits to Flatmates.com.au to nearest competitor (Jul 18 - Jun 19).
[6]REA Internal Data, number of listings on spacely.com.au compared to its nearest competitor (Jul 18 – Jun 19).
[7]Nielsen Digital Content Ratings, people 2+, average daily unique audience to the realestate.com.au site and app, computer and mobile (Jul 18 - Jun 19).
[8]Nielsen Digital Content Ratings, people 2+, average monthly sessions, computer and mobile compared to nearest competitor (Jul 18 - Jun 19).
[9]Nielsen Digital Content Ratings, average monthly app launches of the realestate.com.au app (Jul 18 – Jun 19) compared to the same period (Jul 17 – Jun 18).
[10]Nielsen Digital Content Ratings, total time on app compared with nearest competitor (Jul 18 - Jun 19).
[11]Nielsen Digital Content Ratings, People 2+, Text, App Launches compared to nearest competitor (Jul 18 - Jun 19).
[12]Elara Technologies Pte Ltd: Total revenue growth for Proptiger.com, makaan.com and Housing.com for the twelve month period ended 31 May 2019 compared to the twelve month period ended 31 May 2018.
[13]Similar Web, monthly visits for iproperty.com.my site in Malaysia compared to the nearest market competitor at 30 Jun 2019. Excludes app.
[14]Similar Web, monthly visits for rumah123.com site in Indonesia compared to the nearest market competitor at 30 Jun 2019. Excludes app.
[15]Similar Web, monthly visits for squarefoot.com.hk site in Hong Kong compared to the nearest market competitor at 30 Jun 2019. Excludes app.
[16]NewsCorp's Earning Release stated in US Dollars (8 August 2019) for the year ended 30 June 2019.
[17]Revenue is defined as revenue from property advertising and revenue from financial services less expenses from franchisee commissions.
[18]Transaction costs incurred in the current period relate to the Group's share of costs from acquisitions by associates.