ASX Announcement
10 August 2018

REA Group EBITDA[1] up 22% for full year

Financial highlights from core operations:[1]

- **Revenue[2] of $807.7m, up 20%**
- **EBITDA of $463.7m, up 22%**
- **Net Profit of $279.9m, up 23%**
- **Full year dividend of $109.0 cents per share, up 20%**
- **EPS of 212.5 cents, up 23%**

REA Group Limited (ASX: REA) today announced its results for the year ended 30 June 2018. Financial highlights from core operations[1] include strong revenue growth of 20% on the prior year to $807.7m, and an increase in EBITDA of 22% to $463.7m. The reported net profit of $253.1m increased 23%, reflecting one-off transactions in both periods (see Appendix 1).

Revenue growth was driven by a 21% increase in the Australian business. This reflects a very strong performance in the Residential segment and the inclusion of Financial Services. The excellent result in Australia was achieved in a market of significantly lower new development project commencements. While total residential listings declined approximately 2% for the year, there was a moderate increase in Melbourne and Sydney. Listings in these key markets were up strongly in the first half however listings in Sydney declined in the second half.

The Board has declared a final dividend of 62.0 cents per share fully franked. This represents a total dividend of 109.0 cents per share for the 2018 financial year, a 20% increase on the prior year.

REA Group CEO, Tracey Fellows, commented: "We have had an excellent year, delivering double digit growth. We're giving consumers and customers even more reasons to come back to us by creating better and more personalised property experiences."

"In Australia, realestate.com.au continues to be the #1 place for property with 2.6 times the monthly visits of our nearest competitor.[3] We have the largest, most engaged audience across every device, on every screen size."

"It's been a year of unprecedented product launches focused on delivering value for our customers. This has been led by our new suite of Agent Edge products providing onsite branding and connecting customers with potential sellers," said Ms Fellows.

Financial results from core operations[1] for the year ended 30 June 2018 include:

AUD$m (unless stated)	FY2018	FY2017	Growth YoY
Revenue[2]	807.7	671.2	20%
EBITDA	463.7	380.9	22%
EBITDA Margin	*57%*	*57%*	
NPAT	279.9	228.3	23%
Earnings per share (EPS)	212.5	173.3	23%

1 Financial results/highlights from core excludes significant non-recurring items such as revaluation and unwind of contingent consideration, transaction costs relating to acquisitions, brand write-off and the impact of the change in US tax rates on results of Move, Inc. In 2017, this included items such as revaluation, unwind and finance cost of contingent consideration, foreign exchange ('FX') on proceeds from European operations, impairment charge, transaction costs and discontinued operations (net of gain on sale). A full reconciliation of reported financial results and financial results from core operations is attached in Appendix 1.
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 Nielsen Market Intelligence, average monthly visits to the realestate.com.au site plus Nielsen Digital Content Ratings, average monthly realestate.com.au app launches compared to the equivalent metrics for domain.com.au site and app (Jul 17 – Jun 18)

Operating expenditure grew 18% due to the inclusion of Financial Services expenses for the full year, an increase in marketing in both Australia and Asia, and continued investment in product innovation. Overall expense growth was lower than the rate of revenue growth including Financial Services.

AUSTRALIA

In Australia, REA Group operates the leading residential, commercial and share property sites: realestate.com.au, realcommercial.com.au, and Flatmates.com.au. During the year, the Group entered Financial Services with the launch of realestate.com.au Home Loans, an Australian-first end-to-end digital property search and financing experience. To complement this, the Group made a strategic investment in the mortgage broking market, acquiring Smartline, a premier mortgage broking company.

Revenue grew by 21% to $763.4m this year, driven by an increase in residential revenue of 23% to $513.0m and the inclusion of Financial Services. The ongoing success of our residential Premiere All offering was the primary contributor to this growth.

Developer and Commercial listing depth and subscription revenue increased 4%. This reflects strong growth in the Commercial business and steady revenues in the Developer business despite the significant decline of 19% in advertised project commencements.

Against the backdrop of declining project commencements and display advertising on content sites, our Media and other businesses were able to deliver a revenue increase of 4% to $94.7m.

The Financial Services business delivered revenue of $29.3m and EBITDA of $10.8m. This result is at the upper end of previous guidance reflecting a reduction in the run off rate of mortgages as banks have tightened lending practices. These conditions have also impacted the volume of new loans written.

realestate.com.au continues to be the number one property platform in the country, with the largest and most engaged audience of property seekers. Compared to the number two platform:

- Average monthly visits to realestate.com.au are over 2.6 times more;[4]
- Consumers spent 3.8 times longer on the realestate.com.au app;[5]
- Launches on our realestate.com.au app are more than 2.7 times[6] and we now have over 7.9m downloads.[7]

On 1 June 2018, REA Group acquired Hometrack Australia, a residential property data company. Hometrack Australia is a leading provider of property data services to the financial sector. Its products include property data analytics and insights, customised data platforms and an Automated Valuation Model (AVM). Hometrack Australia is forecast to deliver revenue between $14m to $16m and EBITDA between $6m to $7m in the 2019 financial year. There will also be cost synergies realised in the REA Group business once the Hometrack business is fully integrated.

4 Nielsen Market Intelligence, average monthly visits to the realestate.com.au site plus Nielsen Digital Content Ratings, average monthly realestate.com.au app launches compared to the equivalent metrics for domain.com.au site and app (Jul 17 – Jun 18)
5 Nielsen Digital Content Ratings, average monthly time on the realestate.com.au app compared with the domain.com.au app (Aug 17 – Jun 18)
6 Nielsen Digital Content Ratings, average monthly realestate.com.au app launches compared to domain.com.au (Jul 17 – Jun 18)
7 App Store and Google Play, realestate.com.au total app downloads to Jun 18.

"The acquisition of Hometrack Australia will see property data and insights more deeply integrated into our core experiences. This will allow us to surface more relevant information to our consumers and customers than ever before," said Ms Fellows.

The amortisation of acquired intangibles is expected to add approximately $4m to $5m to the depreciation and amortisation expense in 2019 bringing the total depreciation and amortisation expense for the Group to approximately $56m to $61m.

ASIA

The Asian business comprising iProperty and our Chinese listing site, myfun.com, contributed revenue of $44.3m for the year, an increase of 18%. The EBITDA for Asia also includes the equity accounted results of PropTiger in India in which REA Group owns a 14.1% stake. In 2018 PropTiger's revenue increased 48%. Excluding the contribution from associates, EBITDA increased to $8.3m from $2.5m in 2017.

The Group has strengthened its leadership position in Malaysia and Indonesia.[8] We now have the fastest growing property portal in Singapore moving from the fourth position to be a clear number two in that market.[9]

In Hong Kong we are consolidating our brands and as a result have written off the brand value of $12.8m. This will allow us to take advantage of changing consumer expectations by having one place to support their needs across the whole property journey.

NORTH AMERICA

REA Group has a 20% investment in Move, Inc. which operates realtor.com. realtor.com remains the clear number two property portal in North America but leads the market in consumer engagement with users viewing pages 1.7 times more than its nearest competitor[10] and 1.2 times more time per visit.[11]

Our investment in Move, Inc. continues to provide us with exposure and insights from the largest residential real estate market in the world.

Move, Inc. had another strong year, with reported revenue growing 15% to USD$452m, while the share of losses for the period was $1.5m (excluding the impact of the change in US tax rates) up from $1.1m in the prior period. At 31 December there was a one-off revaluation of carry forward losses of $11.5m as a result of the reduction in the corporate tax rate in the US.

INCREASED RETURNS TO SHAREHOLDERS

The Board has declared a final dividend of 62.0 cents per share fully franked. This represents a total dividend of 109.0 cents per share for the 2018 financial year, a 20% increase on the prior year.

The 2018 final dividend dates are:

Ex-dividend date	21 August 2018
Record date	22 August 2018
Payment date	13 September 2018

8 Similar Web, average monthly visits for iProperty.com.my site in Malaysia and rumah123.com site in Indonesia compared to their nearest competitors for the 12 months ended 30 Jun 18
9 Similar Web, average monthly visits for iProperty.com.sg site in Singapore compared to its nearest competitors as at June 18
10 comScore, number of page views on realtor.com compared to its nearest competitor (Jul 17 - Jun 18)
11 comScore, total amount of time spent per visit on realtor.com compared to its nearest competitor (Jul 17 – Jun 18)

OUTLOOK

The Australian Residential business will have the benefit of price increases which came into effect on 1 July plus the higher levels of both Premiere and total depth product penetration. Australian residential listing volumes decreased 4% in July 2018 compared to July 2017 with a larger decline in Sydney. In the first half of FY19 listing growth rates will reflect the prior year's strong listing environment in Melbourne and Sydney. We also anticipate weaker listings in the lead up to the Victorian election in November and the NSW election in March.

New project commencements are forecast to be significantly lower again in FY19, particularly in the east coast capital cities. BIS Oxford has forecast new apartment commencements to decline by 23%. If this eventuates, revenue in the Developer business is expected to be up slightly year-on-year with the decline in volumes more than offset by further new customer acquisition and the benefit of longer duration of project profiles.

For the full year, the 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 different timing of some expenses.

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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 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 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 Move, Inc in the US and PropTiger 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 2018

Core and reported results	2018 $'000	2017 $'000
Reported revenue[12]	**807,678**	671,206
EBITDA from core operations (excluding share of losses of associates and joint ventures)	**471,468**	385,323
Share of losses of associates	**(7,762)**	(4,417)
EBITDA from core operations	**463,706**	380,906
Revaluation of contingent consideration	**2,195**	2,783
FX on proceeds from European operations	**-**	(4,112)
Brand write-off/Impairment charge	**(12,800)**	(182,837)
US tax reform – revaluation of deferred tax balances	**(11,520)**	-
Business combination transaction costs	**(2,405)**	(2,545)
Reported EBITDA	**439,176**	194,195
Net profit from core operations	**279,946**	228,298
Revaluation and unwind of contingent consideration	**(2,498)**	7,864
FX on proceeds from European operations, net of tax	**-**	(2,879)
Discontinued operations (net of gain on sale)	**-**	158,423
Brand write-off/Impairment charge	**(10,688)**	(182,837)
US tax reform – revaluation of deferred tax balances	**(11,520)**	-
Business combination transaction costs, net of tax	**(2,140)**	(2,536)
Reported Net profit	**253,100**	206,333

12 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.