

ASX Announcement
10 February 2017

REA Group reports first half 2017 results

Financial highlights from core operations¹:

- **Revenue of \$337.3 million, up 16%**
- **EBITDA of \$200.1 million, up 13%**
- **Net Profit of \$121.8 million, up 6%**
- **Interim dividend of 40.0 cents per share, up 11%**

REA Group Limited (ASX:REA) today announced its results for the half year ended 31 December 2016. Financial highlights from core operations¹ include revenue growth of 16% on the prior half year to AUD 337.3 million, an increase in EBITDA of 13% to AUD 200.1 million. A gain on sale of the Europe business of \$161.6 million resulted in a reported Net profit of \$292.1 million.

The revenue growth is attributed to a 13% increase in the Australian residential business, and the inclusion of iProperty revenue, which was not included in the prior comparative period. The strong result in Australia was achieved in a market of lower listing volumes, with the largest decreases occurring in Sydney and Melbourne.

Operating expenses increased due to the consolidation of iProperty and change in the timing of some expenses, in particular marketing. Excluding the impact of iProperty, it is expected that the rate of full year revenue growth will exceed the rate of cost growth.

REA Group Chief Executive Officer, Tracey Fellows, commented: "We've been able to deliver strong revenue growth in spite of lower listing volumes. We've done this through the success of our premium listing products and through innovations across our business."

Financial results from core operations¹ for the half year ended 31 December 2016 include:

| AUD\$m (unless stated) | HY2017 | HY2016 | Growth YoY |
|---------------------------------|---------------|---------------|-------------------|
| Revenue | 337.3 | 289.8 | 16% |
| EBITDA | 200.1 | 176.7 | 13% |
| EBITDA Margin | 59% | 61% | |
| NPAT | 121.8 | 115.3 | 6% |
| Earnings per share (EPS) | 92.5 c | 87.5 c | 6% |

INCREASED RETURNS TO SHAREHOLDERS

The Board has declared an interim dividend of 40.0 cents per share fully franked, representing an 11% increase on the 2016 interim dividend.

The 2017 interim dividend dates are:

| | |
|------------------|---------------|
| Ex-dividend date | 3 March 2017 |
| Record date | 6 March 2017 |
| Payment date | 15 March 2017 |

¹ Financial results/highlights from core operations excludes non-recurring items such as discontinued operations and revaluation and unwind of deferred consideration. Prior year comparative has been adjusted to meet this definition. A full reconciliation of reported financial results and financial results from core operations is attached in Appendix 1.



OPERATING SEGMENTS

REA Group operates property sites, apps and related services in Australia and Asia and has strategic investments in India and North America. Below are highlights for each geographic operating segment.

AUSTRALIA

Revenue grew by 12% to \$318.2 million in the first half, while agent numbers increased by 5%² on the prior corresponding period.

Residential listing depth revenue increased 14% to \$194.0 million, driven by the success of our Premiere All offering and increased yield on the back of the first price rise in two years.

Developer and commercial revenue increased by 9%, primarily driven by the strong take up of our developer premium products, in particular Project Profiles.

Our media and other business recorded 14% revenue growth due to continued innovation of media display products and the inclusion of flatmates.com.au revenues. This was in a market where advertising revenues for content sites fell 1%³.

Operating expenses increased 13%⁴ on the comparative half year partially due to different timing of marketing spend. The Group manages operating expenses on a full year basis and expects the full year rate of revenue growth to exceed the rate of cost growth.

In December, realestate.com.au entered into a five-year strategic partnership with National Australia Bank (ASX: NAB). The partnership will see realestate.com.au and NAB work together across product and marketing to introduce the first digital property buying experience in the country. As part of the agreement, realestate.com.au will receive funding from NAB for the joint development as well as commissions for home loans settled.

The strong Australian result reflects our growing, highly engaged audience. Independent metrics demonstrate realestate.com.au has the largest and most engaged audience of property seekers in Australia:

- **Average monthly visits to realestate.com.au grew 14% and are 27.8 million (over 2.3 times) higher than that of the number two site⁵, reaching a high of 2.6 times⁶ more visits in December 2016 according to Nielsen Online Ratings (47.9 million vs 20.1 million average monthly visits⁶)**
- **Consumers spent over 7.6 times⁷ more time on realestate.com.au than on the number two site in this half, reaching a high of 8.1 times⁸ more time on site in December 2016, a key indicator of audience engagement (254.2 million average minutes vs 33.2 million average minutes per month as measured by Nielsen Online Ratings⁹)**

² Source: REA internal data, December 2016

³ Source: Standard Media Index official Digital Content Sites Ad Revenue for the half year ended 31 December 2016

⁴ Excluding deferred consideration adjustment

⁵ Source: Nielsen Online Market Intelligence Home and Fashion Suite average monthly traffic for Audited sites for realestate.com.au compared to domain.com.au for the half year ended 31 December 2016, excluding apps.

⁶ Source: Nielsen Online Market Intelligence Home and Fashion Suite total traffic for Audited sites for realestate.com.au compared to domain.com.au for the month ended 31 December 2016, excluding apps.

⁷ Source: Nielsen Online Market Intelligence Home and Fashion Suite total combined minutes on site for Audited sites for realestate.com.au compared to domain.com.au for the half year ended 31 December 2016, excluding apps.

⁸ Source: Nielsen Online Market Intelligence Home and Fashion Suite total combined minutes on site for Audited sites for realestate.com.au compared to domain.com.au for the month ended 31 December 2016, excluding apps

⁹ Source: Nielsen Online Market Intelligence Home and Fashion Suite combined average monthly minutes for Audited sites for realestate.com.au compared to domain.com.au share for the half year ended 31 December 2016, excluding apps.

- **Average monthly visits to our realestate.com.au app increased 76%¹⁰ and have reached over 6 million app downloads¹¹.**

"We have further cemented our leadership position on the back of record audience and engagement. In December, monthly visits to realestate.com.au were more than 2.6 times¹² our nearest competitor and consumers spent over 8 times more time on our site than any other property site¹³," said Ms. Fellows.

GLOBAL

REA Group entered into an agreement to sell its European businesses to Oakley Capital Private Equity in December. The transaction valued REA Europe at €132.6 million (AUD \$193.7m million) on a cash and debt free basis, resulting in a profit of €111.5 million (AUD 161.6 million). Results from the European business have been classified as discontinued operations and prior year results have been adjusted accordingly.

REA Group grew its footprint in the Asian region, acquiring a 14.7% strategic stake in PropTiger on 20 January 2017. PropTiger is a leading online real estate services company in India. REA Group's stake was acquired for a cash consideration of AUD 67.9 million (USD 50 million), and was funded by existing cash reserves. The investment will be accounted for as an associate within the Asian Segment.

ASIA

The Asian business comprises iProperty and our Chinese listing site, myfun.com, contributing \$19.2 million of revenue for the half year. The Asian financial results have been impacted in the half by decreased market transactions in Hong Kong by 13%¹⁴, and Malaysia by 17%¹⁵. Despite these conditions the number of listings on iProperty sites increased during the half¹⁶.

Average monthly visits to the combined Asian sites increased by 4% to 7.5 million¹⁷ extending our reach and enabling all our customers, consumers and investors to tap into a wider and more diverse market. Mobile visits have increased 11%¹⁸ as consumers continue to engage across multiple devices. The new Squarefoot android app was released in January in Hong Kong.

¹⁰ Source: Adobe Analytics average monthly visits for realestate.com.au app for the half year ended 31 December 2016.

¹¹ Source: Google Play and iTunes, Total Downloads to December 2016.

¹² Source: Nielsen Online Market Intelligence Home and Fashion Suite total traffic for Audited sites for realestate.com.au compared to domain.com.au for the month ended 31 December 2016, excluding apps.

¹³ Source: Nielsen Online Market Intelligence Home and Fashion Suite total combined minutes on site for Audited sites for realestate.com.au compared to domain.com.au for the month ended 31 December 2016, excluding apps.


¹⁴ Source: Hong Kong Midland Realty transaction volume statistics from January 2016 to September 2016 compared to prior comparative period

¹⁵ Source: Malaysia National Property Information Centre volume and value of property transaction from January 2016 to September 2016 compared to prior comparative period

¹⁶ Source: iProperty internal data for the half year ended 31 December 2016.

¹⁷ SimilarWeb for the combined iProperty site visits for the the half year ended 31 December 2016 compared to the half year ended 31 December 2015.

¹⁸ SimilarWeb for the combined iProperty mobile visits for the half year ended 31 December 2016 compared to the half year ended 31 December 2015



iProperty and Brickz.my have partnered to provide subscription-based data services providing transaction insights on the property market in Malaysia for property buyers, investors, developers and property agents.

REA is investing in senior leadership to be based in-region, strengthening the Asian management team to drive the global strategy and greater connectivity to Australia.

“These results and innovations highlight the long-term growth potential we see in the region. Asia is early in the transition to digital advertising and the opportunity for us is very clear as we build greater connections across our network. We will continue to focus on Asia, along with our continued relationship with Move in the US,” said Ms Fellows.

NORTH AMERICA

In the United States, REA has a 20% holding in Move, Inc. operator of realtor.com[®], a leading real estate portal. Knowledge and technology sharing between REA and Move, Inc. across product and consumer experience has led to a number of new innovations. This includes a new web experience and design, a new app and a re-launch of existing agent products, which has better positioned realtor.com[®] for growth. Average monthly unique users increased 14% on the prior corresponding period to 48.4 million¹⁹ and revenue has grown 8%²⁰. Share of losses for the period was \$1.8 million (primarily related to amortisation of acquired intangibles).

In summary, Tracey Fellows said: “This is a strong result on the back of our continued focus to deliver great value for our customers and create unique experiences for our consumers.”

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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 also has a shareholding in US based Move, Inc and PropTiger in India.

¹⁹ Source: Internal Move data includes web, mobile web and native apps for the 6 month periods ended 31 December 2016 and 31 December 2015.

²⁰ Source: NewsCorp’s Earnings Releases stated in US Dollars (7 November 2016 and 10 February 2017) for the quarters ended 30 September 2016 and 31 December 2016.



APPENDIX 1

Reconciliation of the financial results from core operations against reportable financial results

As reported in the Financial Statements for the half year ended 31 December 2016

| A\$'000 (unless stated) | 2017 HY | 2016 HY |
|---|---------|---------|
| Reported revenue & other income | 337,326 | 289,772 |
| Reported EBITDA | 200,052 | 176,694 |
| | | |
| Net profit from core operations | 121,771 | 115,309 |
| Profit after tax for the half year from discontinued operations and gain on sale of European operations | 163,386 | (161) |
| Revaluation and unwind of deferred consideration | 6,986 | - |
| Reported Net Profit | 292,143 | 115,148 |



APPENDIX 2

Discontinued operations - European results

| A\$'000 (unless stated) | HY17 | HY16 |
|------------------------------|--------|--------|
| Revenue attributed to Europe | 24,930 | 25,063 |
| EBITDA attributed to Europe | 1,269 | 4,176 |