

ASX Announcement
8 November 2018

REA Group Q1 FY 2019 financial information released

REA Group Limited (ASX:REA) today announced its results for the three months ended 30 September 2018 to be reported by News Corporation (News Corp) (ASX:NWS) today. The News Corp report includes US GAAP financial information for REA Group and its subsidiaries.

Group financial highlights from core operations¹ for the three months ended 30 September 2018 include revenue growth of 17% to \$221.9m² and an increase in core EBITDA of 23% to \$130.9m.¹

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

<i>Millions</i>	For three months ended 30 September (AUD)³		
	FY2019	FY2018	% change
Revenue after broker commissions ²	221.9	190.3	17%
Operating expenses ¹ (excluding associates)	(88.8)	(80.9)	10%
EBITDA ¹ (including share of losses of associates)	130.9	106.6	23%
Free cash flow ⁴	52.1	34.2	52%

The strong revenue growth was driven by the Australian Residential business and the inclusion of the Hometrack Australia business, which was not in the prior comparative period. There was also a full quarter contribution from the Smartline business compared to two months in the first quarter last year.

Commenting on the results, REA Group Chief Executive Officer, Tracey Fellows, said:

“Our strong results this quarter demonstrate, despite tougher market conditions, our customers and consumers are clearly seeing value in the products and experiences we are creating. When it is time to buy or sell, Australians recognise they only need to visit one place.

“realestate.com.au’s audience lead remains strong, seeing 2.7 times more visits⁵ than the nearest competitor over the quarter. Consumers remain highly engaged across all platforms. Our app was launched on average 27.2 million⁶ times a month during the quarter, and has now been downloaded more than 8.3 million times⁷.”

The result was delivered in unfavourable market conditions with a 3% decrease in listings nationally (including listing declines of 8% in Sydney and 1% in Melbourne). The revenue growth reflects the price changes which took effect from 1 July, an improved product mix and further depth penetration. There was also a stronger contribution from newer products such as Audience Maximiser and Front Page.

¹ Financial results/highlights from core exclude significant non-recurring items such as unwind of contingent consideration. In FY18 Q1 this included items such as revaluation of contingent consideration, transaction costs and discontinued operations (net of gain on sale).

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 Q1 results are based on unaudited financial information and are rounded to the nearest million.

⁴ Free cash flow is REA Group consolidated cash flows before dividend paid, payment for acquisition of subsidiary and cash flows from financing activities.

⁵ Nielsen Digital Content Ratings, (Jul 2018 to Sep 2018), comparing total monthly sessions of realestate.com.au to domain.com.au, tagged, People 2+, text, computer & mobile

⁶ Nielsen Digital Content Ratings, (Jul 2018 to Sep 2018), tagged, People 2+, text, app launches

⁷ App Store and Google Play, realestate.com.au total app downloads to 30 September 18.



The Developer and Commercial businesses both delivered double digit revenue growth despite the continued decline in the volume of new apartment construction projects. This was driven by an increase in project profile duration and higher display advertising from developers, coupled with higher depth penetration in the Commercial business. The Media revenue was impacted by reduced advertising spend in some key segments and lower inventory as Premiere listings increased.

Tighter lending conditions, and the effect of the banking royal commission on broker recruitment, resulted in subdued revenue growth in the Financial Services business. We expect these conditions to continue for the remainder of the financial year. The Asia segment delivered strong revenue growth and continues to grow audience share across the region.

The Hometrack Australia business, which was acquired in June 2018, remains on track to deliver the previous FY19 revenue guidance of between \$14m - \$16m and EBITDA¹ between \$6m - \$7m.

The rate of operating expense growth was modest due to phasing differences of some expenses. As previously advised we expect the rate of revenue growth to exceed the rate of cost growth for the full year and for each half. However, this will not be the case in every quarter and quarterly EBITDA growth rates will reflect this.

Market conditions are not expected to improve in the short term. Listings may be weaker in the lead up to the NSW election in March, while the impact of the Federal election is harder to predict. The BIS Oxford forecast for new apartment commencements indicates a continued decline for the remainder of this financial year. In October overall residential listings were down 2% with Sydney down 12% while Melbourne was up 4%.

Ms Fellows added: “We have had a great first quarter and are confident in our strategy for the year. Our market lead remains strong, and providing our customers with access to the largest and most engaged audience of property seekers in Australia continues to be at the core of this success.”

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 (ipropeerty.com.my), Hong Kong (squarefoot.com.hk) and Indonesia (rumah123.com), and prominent portals in Singapore (ipropeerty.com.sg), Hong Kong (Gohome.com.hk) 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 Move, Inc in the US and PropTiger in India.