

ASX Announcement
29 March 2021

Proposed acquisition of Mortgage Choice Limited

REA Group Ltd (ASX:REA, "REA") today announced that it has entered into a Scheme Implementation Agreement ("SIA") with Mortgage Choice Limited (ASX:MOC, "Mortgage Choice") to acquire 100 per cent of the outstanding shares in Mortgage Choice for \$1.95 cash per share ("the Offer") by way of a scheme of arrangement ("Scheme"). The Offer represents an enterprise value of approximately \$244 million.

Mortgage Choice is a leading Australian mortgage broking business with more than 500 brokers, 380 franchises across the country, and over 30 lending partners. It has a loan book of \$54 billion dollars and settlements of \$11 billion dollars in the 12 months to December 2020¹. Mortgage Choice reported net revenue² of \$22.2 million and net profit after tax of \$4.1 million for the 6 months to December 2020³.

Accelerating REA's financial services strategy

The proposed acquisition aligns with REA's financial services strategy by:

- Leveraging REA's digital expertise, high intent property seeker audience and unique data insights across a larger network
- Providing a compelling opportunity to establish a leading mortgage broking business with increased scale
- Complementing the existing Smartline broker footprint resulting in greater national broker coverage

The proposed transaction is expected to be immediately EPS accretive for the Group with potential for future cost and revenue synergies.

REA Group Chief Executive Officer, Owen Wilson commented: "The acquisition of Mortgage Choice represents an exciting opportunity for REA to create a leading broking business. It builds on our success to date, accelerating our financial services strategy while leveraging our existing strengths and capabilities."

Mortgage Choice Chairman, Vicki Allen commented: "This is a fantastic milestone for Mortgage Choice. Joining the REA network creates a significant opportunity to leverage its deep digital capabilities and expertise, combined with access to a large and engaged consumer audience."

Mortgage Choice Board support

The Mortgage Choice Board has unanimously recommended that Mortgage Choice shareholders vote in favour of the Scheme in the absence of a superior proposal and subject to an independent expert concluding (and continuing to conclude) that the Scheme is in the best interests of Mortgage Choice shareholders.

¹ Source: Mortgage Choice FY21 Half Year Results investor presentation

² Net revenue represents gross revenues from commissions, financial planning, franchise and other income less expenses from franchisee commissions

³ Source: Mortgage Choice interim financial report for the half year ended 31 December 2020, prepared in accordance with IFRS

The Scheme is subject to customary conditions, including Mortgage Choice shareholder approval, court approval, FIRB approval, no material adverse change and no prescribed occurrences, and the independent expert concluding that the Scheme is in the best interests of Mortgage Choice shareholders. In addition, the SIA contains customary exclusivity provisions including no-shop, no-talk, notification and matching right obligations (subject to standard fiduciary carve outs).

REA and Mortgage Choice have also agreed break fee and reverse break fee arrangements. A break fee of A\$2.4 million is payable by Mortgage Choice to REA in certain circumstances and a reverse break fee of A\$2.4 million is payable by REA to Mortgage Choice in the event of termination of the SIA by Mortgage Choice due to material breach by REA.

A full copy of the Scheme Implementation Agreement has been released to the ASX by Mortgage Choice.

REA Group Chairman, Hamish McLennan commented: "This exciting transaction brings together two broking businesses with strong cultural alignment. I have been impressed by the professionalism and collaborative engagement of the Mortgage Choice team."

Indicative timetable and next steps

Subject to initial court approval, a scheme booklet containing information relating to the Scheme, the independent expert's report and the reasons for Mortgage Choice's Board recommendation is expected to be provided to Mortgage Choice shareholders in May 2021. A shareholder meeting for Mortgage Choice shareholders to consider and vote on the Scheme is expected to be held in June, with final court approval to be sought following the shareholder meeting. If approved, the Scheme is expected to be implemented by the end of June 2021.

Transaction funding

The transaction is expected to be funded by an increase in REA's syndicated debt facilities. The existing \$170 million syndicated debt facility, which is currently due to expire in December 2021, is expected to be partially refinanced as part of this process.

REA Group has appointed Goldman Sachs as its financial advisor and King & Wood Mallesons as its legal advisor to assist with the transaction.

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The release of this announcement was authorised by Tamara Kayser, Company Secretary.



About REA Group Ltd: (www.rea-group.com): REA Group Ltd 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 – as well as the leading website dedicated to share property, Flatmates.com.au and [Spacely](http://Spacely.com.au), a short-term commercial and coworking property website. REA Group owns Smartline Home Loans Pty Ltd, an Australian mortgage broking franchise group, and PropTrack Pty Ltd, a leading provider of property data services. In Asia, REA Group owns leading portals in Malaysia (iproperty.com.my) and Hong Kong (squarefoot.com.hk), a prominent portal in China (myfun.com) and a leading property review site in Thailand (thinkofliving.com). REA Group holds a controlling interest in India's Elara Technologies Pte. Ltd. which operates the established brands of Housing.com, Makaan.com and PropTiger.com. REA Group also holds a significant shareholding in property websites realtor.com in the US, 99.co and iproperty.com.sg in Singapore and rumah123.com in Indonesia.