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ASX Announcement
7 May 2021

REA Group delivers strong Q3 FY21 performance

REA Group Ltd (ASX:REA) today announced its results for the nine months ended 31 March 2021 as reported by News Corporation (News Corp) (ASX:NWS). The News Corp report includes US GAAP financial information for REA Group and its subsidiaries for the nine months ended 31 March 2021.

Group financial highlights from core operations[1] for the nine months ended 31 March 2021 include revenue[2] of $655.9m and EBITDA[3,6] of $415.1m.

The group delivered a strong result for Q3, with revenue[2] (excluding acquisitions) increasing by 8% YoY and EBITDA[3,6] increasing by 13%, underpinned by an improved performance for the Australian Residential business and Move, Inc.

A summary table of the key financial information from core operations is presented below. The information is presented in Australian dollars and is prepared under AIFRS. All financial growth rates refer to YoY comparisons unless otherwise stated.

	For nine months ended 31 March (AUD)[4]			
Millions	**FY2021**	**FY2020**	**YoY growth**	**YoY growth (ex acquisitions)[5]**
Revenue after broker commissions[2]	**655.9**	640.2	2%	**1%**
Operating expenses[6]	**(247.8)**	(249.4)	-1%	**-7%**
EBITDA (excluding share of profit/losses from associates)[1,6]	**408.1**	390.8	4%	**6%**
EBITDA (including share of profit/losses from associates)[1,6]	**415.1**	378.9	10%	**10%**
Free cash flow	**158.4**	195.2	-19%	**-17%**

	For three months ended 31 March (AUD)[4]			
Millions	**FY2021**	**FY2020**	**YoY growth**	**YoY growth (ex acquisitions)[5]**
Revenue after broker commissions[2]	**225.6**	199.8	13%	8%
Operating expenses[6]	**(103.7)**	(80.2)	29%	8%
EBITDA (excluding share of profit/losses from associates)[1,6]	**121.9**	119.6	2%	8%
EBITDA (including share of profit/losses from associates)[1,6]	**123.3**	112.5	10%	13%
Free cash flow	**65.4**	66.7	-2%	5%

REA Group Chief Executive Officer, Owen Wilson commented: "Australia's property market is in full flight, with this positive momentum contributing to strong listings growth for the quarter. Once again, realestate.com.au set new audience records and delivered over 3 million buyer enquiries per month, an increase of 82% for the quarter."

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Q3 RESULT

The Australian residential property market showed strong signs of recovery during the quarter, particularly in February and March. After a flat January YoY performance, national listings increased 8% for the quarter, with Sydney up 5% and Melbourne up 13%. A summary of the quarterly residential Buy listing changes is outlined below[7].

Residential listing YoY change	**Q1 FY21**	**Q2 FY21**	**Q3 FY21**
National	-2%	10%	8%
Sydney	23%	14%	5%
Melbourne	-43%	23%	13%

Australian Residential revenue increased for the quarter reflecting listings growth and an improved product mix.

Audience highlights for realestate.com.au, Australia's number one property site[8] included:

- 12.5 million people visited each month on average[9], with a record 13.2 million in March[10];
- 130.7 million average monthly visits, up 47% YoY[11], with a record of 137.3 million in March[12];
- 3.2x more visits than the nearest competitor[13];
- Average monthly app launches of 59.9 million, up 63% YoY[14], with a record 63.4 million in March;[15] and
- Total app downloads of 10.8 million, up 10% YoY[16].

Commercial and Developer revenue increased due to the continued growth in new project commencements, which were up 14% during the quarter. Developer revenue benefited from the continued improvement in smaller development launches, which were assisted by government stimulus as part of the Home Builder scheme. This was partially offset by a decline in Commercial revenues, due to the continued impact of COVID.

Media, Data & Other revenues were down modestly during the quarter, with growth in data and media revenues offset by a reduction in developer display revenue given fewer large scale developments.

Financial Services revenues declined due to a reduction in partnership revenue, with the current NAB agreement performance payments reaching maturity in September 2020. Operational metrics remained strong with both submissions and settlements experiencing double-digit growth, coupled with an increased broker network.

Asia revenue decreased for the quarter, driven predominantly by Malaysia which continued to be heavily impacted by movement restrictions as a result of COVID. Elara has been consolidated from 1 January 2021. In line with expectations, it delivered $9.5m in revenue and generated a $7.3m EBITDA loss.

The Group's combined share of associates contributed $1.4m to EBITDA, an improvement from the $7.0m loss in Q3 FY20. This was assisted by a strong performance from Move, Inc., which delivered a 37% increase in revenue in the quarter.

Operating costs[6] (excluding acquisitions) increased by 8% during the quarter, primarily driven by increased headcount, salaries and incentives linked to stronger revenue growth.

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Proposed acquisition of Mortgage Choice

On 29 March 2021, REA Group announced its proposal to acquire 100% of the shares in Mortgage Choice Limited, providing a compelling opportunity to establish a leading mortgage broking business with increased scale. The proposed acquisition aligns with REA's financial services strategy by leveraging the Group's digital expertise, high intent property seeker audience and data insights across a larger network. It also complements the existing Smartline broker footprint, resulting in greater national broker coverage.

Following the completion of necessary regulatory and Mortgage Choice shareholder approvals, the Scheme is anticipated to be implemented by 1 July 2021. The transaction is expected to be funded by an increase in REA's syndicated debt facilities. The existing $170m syndicated debt facility, which is currently due to expire in December 2021, will be refinanced as part of this process.

Current Trading

The strength of the residential property market was evident in April, with increased levels of buyer enquiry underpinned by low interest rates, improving consumer confidence and healthy bank liquidity. National residential listings were up 98% YoY, with an increase in Melbourne of 127% and 116% in Sydney. While the market dynamics are strong, these growth rates are exaggerated by the severe COVID related declines experienced in April 2020. Listings in that month were down 33% compared to April 2019.

Developer revenues are expected to be supported by growth in lower yielding developments for the remainder of FY21. Commercial and Asia revenues are expected to increase in Q4 as we cycle over COVID impacted comparatives.

Elara is currently anticipated to deliver H2 FY21 revenues of between $12-17m and an EBITDA loss of $15-20m. However, India is experiencing a worsening COVID situation, which could have a negative impact on Q4 results. REA's priority is to provide the necessary care and support to staff and their families.

The Group continues to target full year positive operating jaws, excluding the impact of acquisitions. Core operating costs for FY21 are expected to increase marginally on FY20 as revenue-related variable costs are higher than previously expected.

"Conditions are aligned for the Australian property market to continue its positive trajectory for the remainder of 2021. This momentum, combined with strategic investments made throughout FY21, positions REA for a strong finish to the year." concluded Mr Wilson.

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 match with 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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The release of this announcement was authorised by the Audit, Risk & Compliance Committee.

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, 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.

References

[1] Financial results/highlights from core operations exclude significant non-recurring items such as gain/loss on acquisitions and disposals and transaction costs, historic tax provision (historic tax provision reflects potential retrospective changes to tax law interpretation), gain/loss on disposal by associates and subsidiary integration costs. In the prior comparative period, they excluded items such as restructure costs, gain/loss on acquisitions and disposals and transaction costs.
[2] Revenue is defined as revenue from property and online advertising and revenue from Financial Services less expenses from franchisee commissions.
[3] EBITDA includes share of associates and joint ventures.
[4] Results are based on unaudited financial information and rounded to the nearest million.
[5] YoY growth (ex acquisitions) excludes Elara's consolidated results from 1 January 2021 and Elara associate equity accounted losses prior to 1 January 2021. In the nine months to 31 March 2021 Elara recorded a $7.3m EBITDA loss and a $2.4m associate loss. In the nine months to 31 March 2020 Elara generated a $5.7m associate loss. In Q3 FY21 Elara recorded a $7.3m EBITDA loss and in Q3 FY20 Elara generated a $2.6m associate loss.
[6] FY21 Q3 result excludes FX loss of $0.5m (YTD FY21: $2.1m). FY20 Q3 result excludes $6.6m (YTD FY20: $7.4m) FX gain due to the decline in the Australian Dollar.
[7] REA has revised the metro/regional listing definitions to align with the Australian Statistical Geographic Standard, resulting in minor adjustments in Melbourne and Sydney historic listing growth rates. Total national listings growth rates remain unchanged. The Group will release a monthly REA Insights Listings report, which will provide month-on-month and year-on-year movements in new and active realestate.com.au listings. The report will be available on rea-group.com and realestate.com.au.
[8] Nielsen Digital Media Ratings (Monthly Tagged), Jan 21 – Mar 21, P2+, Digital (C/M), text, Real Estate/Apartments subcategory, Unique Audience.
[9] Nielsen Digital Media Ratings (Monthly Tagged), Jan 21 - Mar 21, P2+, Digital (C/M), text, realestate.com.au, Unique Audience.
[10] Nielsen Digital Media Ratings (Monthly Tagged), March 21, P2+, Digital (C/M), text, realestate.com.au, Unique Audience.
[11] Nielsen Digital Media Ratings (Monthly Tagged), Jan 21 - Mar 21 vs Jan 20 - Mar 20 (average), P2+, Digital (C/M), text, realestate.com.au, Total Sessions.
[12] Nielsen Digital Media Ratings (Monthly Tagged), March 21, P2+, Digital (C/M), text, realestate.com.au, Total Sessions.
[13] Nielsen Digital Media Ratings (Monthly Tagged), Jan 21 - Mar 21 (average), P2+, Digital (C/M), text, realestate.com.au vs Domain, Total Sessions.
[14] Nielsen Digital Media Ratings (Monthly Tagged), Jan 21 - Mar 21 vs Jan 20 - Mar 20 (average), P2+, Digital (C/M), text, realestate.com.au, App Launches.
[15] Nielsen Digital Media Ratings (Monthly Tagged), March 21, P2+, Digital (C/M), text, realestate.com.au, App Launches.
[16] Google Play & iTunes App Store, total number of realestate.com.au app downloads at Mar 21 vs Mar 20.