

ASX Announcement

5 November 2021

REA Group delivers strong Q1 FY22 result

REA Group Ltd (ASX:REA) today announced its results for the three months ended 30 September 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 three months ended 30 September 2021.

Group financial highlights from core operations¹ for the three months ended 30 September 2021 include revenue² of \$264m and EBITDA³ including associates of \$158m.

The group delivered a strong result for Q1, with revenue excluding acquisitions* increasing 22% YoY, driven by growth across all Australian segments and EBITDA including associates up 24%.

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.

Core operations ¹ , \$m	For three months ended 30 September (AUD) ⁴			
	FY22	FY21	YoY growth	YoY growth (ex-acquisitions)*
Revenue after broker commissions	264	196	35%	22%
Operating expenses	(107)	(72)	49%	13%
EBITDA (excluding share of profit/losses from associates)	157	124	27%	28%
EBITDA (including share of profit/losses from associates)	158	127	25%	24%
Free cash flow	49	41	20%	29%

* YoY growth (ex-acquisitions) excludes REA India (formerly known as Elara Technologies Pte. Ltd.) results from 1 January 2021 and associate equity accounted contributions prior to 1 January 2021, and Mortgage Choice results from 1 July 2021.

REA Group Chief Executive Officer, Owen Wilson commented: "REA has delivered an impressive result given the prolonged lockdowns in Sydney and Melbourne. Our performance reflects the continued value our premium listing products are delivering to our customers, and realestate.com.au's clear position as the number one place to search, find and finance property.

"Our teams have made excellent progress across a number of key initiatives including the integration of our Mortgage Choice and Smartline businesses, the roll out of new products such as our Connect offering and our integrated rental applications platform, all of which provide the foundations for continued growth."

Q1 result

The Australian residential property market showed resilience during the quarter. After modest YoY declines in July, national listings increased 11% for the quarter, with Sydney down 7% and Melbourne up 79% due to lockdown impacts in the prior period.

A summary of the quarterly residential Buy listings and developer project commencement YoY changes is outlined below⁵.

	Q1'21	Q2'21	Q3'21	Q4'21	Q1'22
Residential Buy listings change					
National	0%	6%	8%	54%	11%
Sydney	25%	9%	6%	64%	-7%
Melbourne	-41%	17%	14%	64%	79%
Project commencement change	3%	12%	14%	44%	-37%

Australian Residential revenue increased for the quarter, benefiting from increased depth and Premiere penetration, listings growth, the contracted price rise from 1 July, and continued growth in add-on products.

Commercial and Developer revenue increased despite the negative impact of lockdowns in Sydney and Melbourne. Commercial revenues were up YoY, driven by increased depth penetration and price changes, which came into effect from 1 July. Developer revenues benefited from the flow-on effect of increased YoY project launches in FY21 and increased project profile durations, partly offset by a 37% YoY decline in project launches for the quarter.

Media, Data & Other revenues were up during the quarter, with YoY growth in Data and Media revenues partially offset by a reduction in other revenue, with COVID continuing to negatively impact Flatmates.com.au.

In Financial Services, the Smartline and Mortgage Choice businesses experienced strong growth in operating revenues, benefiting from continued growth in settlements and brokers. The Mortgage Choice integration is progressing well and is expected to be completed by Q3 FY23.

The Indian market has rebounded following the negative COVID impacts experienced in the second half of FY21⁶. REA India (formerly known as Elara Technologies Pte. Ltd.) achieved strong YoY revenue growth driven by Housing.com's core business and growth in adjacency products including Housing Edge. Housing.com has also delivered continued strong growth in audience, up 65% YoY for the quarter⁷.

Core operating costs, excluding acquisitions, increased by 13% during the quarter. This reflects a combination of continued investment to deliver strategic initiatives, which has seen higher headcount and salaries in a tight labour market and reduced operating costs in the prior period as the Group navigated through COVID uncertainty.

The Group's combined share of associates contributed \$1m to EBITDA, down from \$3m in Q1 FY21. Move, Inc. continued to deliver strong revenue growth, up 30% YoY driven by both traditional lead generation and referral model growth. Revenue growth was more than offset by planned reinvestment spending to drive long-term growth, including in areas such as marketing and employee-related costs⁸. The reduction in contributions from associates also reflects the inclusion of equity accounted losses from Simpology, Realtair, CampaignAgent and PropertyGuru⁹.

Debt refinancing

The Group strengthened its liquidity position by entering a new syndicated debt facility in September 2021. The new \$600m syndicated facility, which replaces the Group's previous facility, has two tranches of \$400m and \$200m which mature in September 2024 and September 2025 respectively. As at 30 September, the Group's total drawn debt was \$414m, with \$186m of the new facility undrawn.

realestate.com.au extends audience leadership position

Realestate.com.au remains Australia's number one place for property, attracting a high intent audience of loyal property enthusiasts looking to search, find and finance all their property needs.

"On average, 12.6 million people visited realestate.com.au each month during the quarter, with a record 7.3 million people choosing to use our site exclusively in July. Buyer enquiries also reached record levels during the quarter, up 61% YoY, providing our customers with an increasing volume of qualified leads," added Mr Wilson.

Audience highlights for realestate.com.au, Australia's number one property site¹⁰ included:

- 12.6 million people visited each month on average¹¹;
- 129.0 million average monthly visits, up 13% YoY¹²;
- 3.3x more visits than the nearest competitor each month on average¹³;
- Average monthly app launches of 58.5 million, up 17% YoY¹⁴; and
- Total app downloads of 11.3 million, up 9% YoY¹⁵.

Current Trading

Residential property market conditions are positive, with high levels of buyer enquiry underpinned by continued low interest rates and healthy bank liquidity. October National residential listings were up 16% YoY, with an increase in Melbourne of 20% and 29% in Sydney. YoY growth rates are expected to slow as we cycle very strong prior period listing volumes, particularly in the second half, and regulatory measures to slow house price inflation could impact listing volumes.

The Group is targeting positive operating jaws, excluding the impact of acquisitions. Based on the current market outlook, and excluding the impact of REA India and Mortgage Choice, the Group anticipates high-single digit core operating cost growth. This reflects increased investment to deliver our strategic initiatives, combined with a tight labour market driving higher salary inflation.

On successful completion of PropertyGuru's planned New York Stock Exchange (NYSE) listing, which is anticipated to occur in Q2 or Q3 FY22, PropertyGuru is expected to incur a number of one-off costs associated with the listing, which will be reflected in the Group's reported FY22 equity accounted results.

"As vaccination milestones are met and restrictions continue to be lifted, we expect property markets across Australia to revert to normal operating settings. Buyers remain out in force and this strong demand is likely to fuel ongoing positive momentum," concluded Mr Wilson.

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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. REA Group owns Smartline Home Loans Pty Ltd and Mortgage Choice Pty Ltd, Australian mortgage broking franchise groups, and PropTrack Pty Ltd, a leading provider of property data services. In Australia, REA Group holds strategic investments in Simpology Pty Ltd, a leading provider of mortgage application and e-lodgement solutions for the broking and lending industries; Realtair Pty Ltd, a digital platform providing end-to-end technology solutions for the real estate transaction process, Campaign Agent Pty Ltd, Australia's leading provider of Buy Now Pay Later solutions for the Australian real estate market and Managed Platforms Pty Ltd, an emerging Property Management software platform. Internationally, REA Group holds a controlling interest in REA India (formerly Elara Technologies Pte. Ltd.), operator of established brands Housing.com, Makaan.com and PropTiger.com and owns leading portals in Hong Kong (squarefoot.com.hk) and China (myfun.com). REA Group also holds a significant minority shareholding in Move, Inc., operator of realtor.com in the US, and the PropertyGuru Group, operator of leading property sites in Malaysia, Singapore, Thailand, Vietnam and Indonesia.



References

¹ Financial results/highlights from core operations exclude significant non-recurring items such as net gain on disposals, transaction costs, and subsidiary integration costs.

² Revenue is defined as revenue from property and online advertising and revenue from Financial Services less expenses from franchisee commissions.

³ Earnings Before Interest, Tax, Depreciation and Amortisation.

⁴ Results are based on unaudited financial information and rounded to the nearest million.

⁵ 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. REA has also revised listing definitions to be non-workday adjusted. The Group releases a monthly REA Insights Listings report, which provides month-on-month and year-on-year movements in new and active realestate.com.au listings. The report is available on rea-group.com and realestate.com.au.

⁶ REA India was consolidated from 1 January 2021 and as a result is not in the comparative period.

⁷ Similarweb, average site visits Jul 21 – Sep 21 vs. Jul 20 – Sep-20.

⁸ NewsCorp's Form 10-Q stated in US Dollars for the 3-month period ended 30 September 2021.

⁹ PropertyGuru contributions effective from 3 August 2021.

¹⁰ Nielsen Digital Media Ratings (Monthly Tagged), Jul 21 – Sep 21, P2+, Digital (C/M), text, Real Estate/Apartments subcategory, Unique Audience.

¹¹ Nielsen Digital Media Ratings (Monthly Tagged), Jul 21 - Sep 21 (monthly averages), P2+, Digital (C/M), text, realestate.com.au, Unique Audience.

¹² Nielsen Digital Media Ratings (Monthly Tagged), Jul 21 - Sep 21 vs Jul 20 - Sep 20 (monthly averages), P2+, Digital (C/M), text, realestate.com.au, Total Sessions.

¹³ Nielsen Digital Media Ratings (Monthly Tagged), Jul 21 - Sep 21 (monthly averages), P2+, Digital (C/M), text, realestate.com.au vs Domain, Total Sessions.

¹⁴ Nielsen Digital Media Ratings (Monthly Tagged), Jul 21 - Sep 21 vs Jul 20 - Sep 20 (monthly averages), P2+, Digital (C/M), text, realestate.com.au, App Launches.

¹⁵ Google Play & iTunes App Store, total number of realestate.com.au app downloads at Sep 21 vs Sep 20.