

ASX Announcement
9 November 2022

REA Group delivers double digit revenue growth in Q1 FY23

REA Group Ltd (ASX:REA) today announced its results for the three months ended 30 September 2022 as reported by News Corporation (News Corp) (ASX:NWS). 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 2022 include revenue² of \$305m, up 16% YoY, and EBITDA³ excluding associates of \$174m, an increase of 11%.

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 three months ended 30 September ⁴		
AUD	FY23	FY22	YoY growth
Revenue	\$305m	\$264m	16%
Operating expenses	\$131m	\$107m	22%
Operating EBITDA (excluding share of profit/losses from associates)	\$174m	\$157m	11%
EBITDA (including share of profit/losses from associates)	\$169m	\$158m	7%
Free cash flow	\$57m	\$49m	15%

REA Group Chief Executive Officer, Owen Wilson commented:

“This result demonstrates the strength of our business and reflects the significant traction of our premium products as sellers increasingly seek to differentiate their properties. The listings environment was positive in the first quarter, with supply and demand continuing to rebalance in the major metropolitan markets.

“REA India further consolidated its position this quarter as the number one property portal in India by audience, continuing to build on its momentum to deliver strong revenue growth.”

AUSTRALIA

Core Australian revenue increased 14% YoY, with growth in all business segments except for Financial Services.

A summary of the quarterly residential listings and project commencement changes is outlined in the table on the following page, showing changes against the prior corresponding period.

National listings increased 5% during the quarter, reflecting a number of state lockdowns in the prior period. Sydney listings were up 5% and Melbourne increased 12%.



	Q1'22	Q2'22	Q3'22	Q4'22	Q1'23
Residential Buy listings change⁵					
National	11%	22%	11%	2%	5%
Sydney	-7%	39%	14%	-8%	5%
Melbourne	79%	25%	8%	-5%	12%
Project commencement change	-37%	-10%	-15%	-19%	14%

The Australian Residential business delivered strong revenue growth for the quarter, with Buy revenue driven by a 6% average national price rise from July 2022, contribution from Premiere Plus, increased depth and Premiere penetration, and 5% growth in national listings. Rent revenue was up YoY, with a 5% price rise and increased depth penetration partly offset by a 1% decline in rental listings.

Commercial and Developer revenue increased during the quarter. Growth in Commercial revenues, driven by higher depth penetration and a price rise on 1 July, was partly offset by lower Developer revenues, which were impacted by lower project commencements during FY22.

Media, Data & Other revenues increased modestly, with growth in Data, Media Display and Other revenues partially offset by a decline in Developer Display in the current challenging developer market.

Financial Services revenues declined in the quarter, reflecting slowing market activity impacting settlement volumes and the impact of record settlements in the prior year. Recruitment and momentum from the newly combined brand continues with 54 new brokers added during the quarter, and the integration of Mortgage Choice remains on track for completion in Q3 FY23.

Realestate.com.au maintains leadership as Australia's number one property site

REA Group's flagship site, realestate.com.au, maintained its leadership position⁶, delivering an average monthly audience of 12.4m in Q1⁷.

Mr Wilson commented: "The value of realestate.com.au's unparalleled audience is further enhanced when our consumers engage more deeply with the platform. During the quarter we saw continued strong growth in active members and property owner tracks, demonstrating the depth of interaction our audience has with our personalised experiences. This strong engagement underpins the high quality of the leads we generate for our customers."

Key realestate.com.au audience highlights for Q1 included:

- 12.4 million people visited each month on average⁷, or 61% of Australia's adult population⁸;
- 121.9 million average monthly visits⁹, 3.3 times more visits than the nearest competitor each month on average¹⁰;
- 22% YoY increase in active members¹¹;
- 51% YoY increase in active property owner tracks¹¹ and
- 2.0 million average monthly buyer enquiries¹².

INDIA

REA India delivered strong revenue growth of 47% for the quarter, driven by Housing.com's property advertising business, which saw continued customer growth and audience growth of 42% YoY¹³. Revenue has also benefited from volume growth in adjacency products on the Housing Edge platform, Rent Pay in particular.

OPERATING COSTS

Australian core operating costs increased by 14% driven by higher employee costs from continued investment to deliver strategic initiatives, increased marketing and travel costs. The YoY growth rate also reflects reduced costs in the prior period due to lockdowns and the deferral of some spend due to Covid uncertainty. This, combined with higher costs in India from continued investment in people and marketing and increased revenue related costs, saw Group operating costs increase by 22%.

EQUITY ACCOUNTED INVESTMENTS

The Group's combined share of associates contributed a \$5m loss to core EBITDA, down from a \$1m gain in the prior period. This largely reflects lower contributions from Move Inc., driven by a 6% decline in revenue arising from the current challenging macroeconomic environment in the US¹⁴. Move also continued to reinvest to drive their core businesses and expand into adjacencies, which saw higher employee and marketing costs.

OUTLOOK

The Australian residential property market has seen property prices and volumes decline following the rapid rise in interest rates. Any further rate rises may see this continue, however, it is also clear the market is supported by positive fundamentals including record low unemployment, high household savings and increasing international migration, which should continue to underpin demand.

National residential Buy listings in October were down 18% YoY, with Sydney listings declining 31% and Melbourne down 29%, reflecting the rush of listings in the prior corresponding period as lockdowns ended. Growth rates for the remainder of the year will reflect the strong prior period listings volumes.

Residential Buy yield growth is anticipated to grow double-digit in FY23, driven by an average national 6% price rise, the impact of Premiere Plus and continued growth in depth and Premiere penetration.

The Group continues to target full year positive operating jaws for Australia in FY23. Australian operating cost growth is expected to be mid to high single-digits, with growth rates varying between quarters given operating expenses in the prior year were more heavily weighted to the second half. Increased investment in REA India is expected to see EBITDA losses widen in FY23, resulting in total Group operating costs increasing high single-digits to low double-digits.

"We've seen the heat come out of the property market in recent months and while positive underlying fundamentals remain, we expect this moderation to persist as interest rates rise. REA is well positioned in this environment, and we will continue to invest in the growth of our platforms and adjacent businesses to further increase the value we provide to our customers and consumers," Mr Wilson concluded.

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 Board.

About REA Group (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 property research website, property.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 Pte. Ltd. operator of established brands Housing.com, Makaan.com and PropTiger.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 and Vietnam.



References

¹ Financial results/highlights from core operations exclude significant non-recurring items such as integration and restructuring costs, and revaluation of warrant liabilities held by an associate. The prior year comparative also excludes net gain on 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 Earnings Before Interest, Tax, Depreciation and Amortisation.

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

⁵ 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 Nielsen Digital Content Ratings (Monthly Total), Jul 22 – Sep 22, P2+, Digital (C/M), text, Real Estate/Apartments subcategory, Unique Audience.

⁷ Nielsen Digital Content Ratings (Monthly Tagged), Jul 22 – Sep 22 (average), P2+, Digital (C/M), text, realestate.com.au, Unique Audience.

⁸ Nielsen Digital Content Ratings (Monthly Tagged), Sep 22, P18+, Digital (C/M), text, realestate.com.au, Active Reach %.

⁹ Nielsen Digital Content Ratings (Monthly Tagged), Jul 22 – Sep 22 (average), P2+, Digital (C/M), text, realestate.com.au, Total Sessions.

¹⁰ Nielsen Digital Content Ratings (Monthly Tagged), Jul 22 – Sep 22 (average), P2+, Digital (C/M), text, realestate.com.au vs Domain, Total Sessions.

¹¹ REA internal data, Jul 22 – Sep 22 vs. Jul 21 – Sep 21.

¹² Adobe Analytics, internal data, Jul 22 – Sep 22 (average).

¹³ Similarweb, average site visits Jul 22 – Sep 22 vs. Jul 21 – Sep 21 – excludes apps.

¹⁴ NewsCorp's Form 10-Q stated in US Dollars for the 3-month period ended 30 September 2022.