

ASX Announcement
12 May 2023

REA Group Q3 FY23 Financial Results

REA Group Ltd (ASX:REA) today announced its results for the nine months ended 31 March 2023 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 2023.

Group financial highlights from core operations¹ for the nine months ended 31 March 2023 include revenue² of \$887m, up 2% YoY, and EBITDA³ excluding associates of \$495m, a decrease of 5%.

Q3 revenue declined by 3% to \$269m due to the challenging macroeconomic environment in Australia, partially offset by continued strong revenue growth in India. EBITDA excluding associates declined by 13% to \$136m.

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 March⁴		
AUD\$m	FY23	FY22	YoY change
Revenue	887	869	2%
Operating expenses	392	347	13%
Operating EBITDA (excluding share of profit/losses from associates)	495	522	(5%)
EBITDA (including share of profit/losses from associates)	483	523	(8%)
Free cash flow ⁵	231	260	(11%)

	For three months ended 31 March⁴		
AUD	FY23	FY22	YoY change
Revenue	269	278	(3%)
Operating expenses	133	122	9%
Operating EBITDA (excluding share of profit/losses from associates)	136	156	(13%)
EBITDA (including share of profit/losses from associates)	136	155	(13%)
Free cash flow ⁵	83	91	(9%)

REA Group Chief Executive Officer, Owen Wilson commented:

“While interest rate uncertainty continued to impact the Australian property market, conditions have improved with the stabilisation of house prices and more vendors returning to the market. The movement in listings reflects the strong listings environment in Q3 last year prior to the commencement of the interest rate increases.

The strength of REA’s premium product offering and audience continued to support revenues, and our Indian business delivered exceptional growth.”

Q3 RESULT

AUSTRALIA

Core Australian revenue declined 6% YoY, reflecting subdued market conditions and strong prior period listings.

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

National listings declined 12% during the quarter, with Sydney listings down 20% and Melbourne declining by 18%.

	Q1'22	Q2'22	Q3'22	Q4'22	Q1'23	Q2'23	Q3'23
Residential Buy listings change⁶							
National	11%	22%	11%	2%	5%	-21%	-12%
Sydney	-7%	39%	14%	-8%	5%	-34%	-20%
Melbourne	79%	25%	8%	-5%	12%	-31%	-18%
Project commencement change	-37%	-10%	-15%	-19%	14%	-17%	-22%

The Australian Residential business saw revenues decline for the quarter. Buy revenue benefited from the 6% average national price rise, contribution from Premiere+ and increased depth penetration. However, this was more than offset by the 12% decline in national listings and a significant negative impact from geographical mix. 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. Commercial revenues were driven by the FY23 price rise and increased depth listings, while Developer revenue saw upside from the September price rise, largely offset by lower project commencements.

Media, Data & Other revenues were down YoY, with growth in Data and Media display revenues more than offset by lower Developer Display revenues.

Financial Services revenues declined for the quarter, with settlements impacted by reduced market activity in new home lending and lower average loan sizes, partly offset by growth in refinance activity. Recruitment momentum continued, with 1,047 brokers at the end of Q3, and the integration of Mortgage Choice is now largely complete.

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

REA Group's flagship site, realestate.com.au, maintained its leadership position⁷. Mr Wilson commented:

"Our strong audience metrics deliver unrivalled value for our customers and demonstrate the underlying strength of the property market. The launch of our realEstimate campaign, powered by PropTrack data, significantly increased active property owner tracks helping consumers understand their property value."

Key realestate.com.au audience highlights for Q3 included:

- 11.9 million people visited each month on average⁸, or 59% of Australia's adult population⁹;
- 125.1 million average monthly visits¹⁰, 3.3 times more visits than the nearest competitor each month on average¹⁰;
- 2.7 million average daily visitors¹¹, 3.5 times more visits than the nearest competitor each month on average¹¹;
- 16% YoY increase in active members¹²; and
- 51% YoY increase in active property owner tracks¹².

INDIA

Momentum continued for REA India during the quarter with revenue up 63% YoY. Strong revenue growth was driven by Housing.com's property advertising business, which saw audience growth of 21% YoY¹³ and continued customer growth. Revenue has also continued to benefit from growth in adjacency products on the Housing Edge platform.

OPERATING COSTS

A continued focus on cost management has seen Australian core operating cost growth constrained to 3% in the quarter, with employee related expenses held broadly flat YoY despite underlying salary inflation. Cost growth was largely driven by technology costs and higher marketing spend from the launch of the realEstimate campaign. This, combined with higher costs in India from planned investment in people and marketing and increased revenue-related costs, saw Group operating costs increase by 9%.

EQUITY ACCOUNTED INVESTMENTS

The Group's combined share of associates contributed a \$0.5m loss to core EBITDA, in line with the prior period.

OUTLOOK

Property prices have stabilised in recent months, positively impacted by limited supply, increasing international migration and strong underlying demand. Current listing volumes remain subdued, impacted by the uncertain interest rate environment. As we approach the end of this rate cycle, more vendors are expected to return to the market.

April National residential new listings were down 24% YoY, with Sydney listings decreasing 25% and Melbourne down 22%. YoY growth rates for Q4 FY23 will reflect strong prior period listings volumes.

Residential Buy yield growth is anticipated to grow 10% in FY23, driven by an average national 6% price rise, contribution from Premiere+ and continued growth in depth and Premiere penetration, partly offset by a significant negative geographical mix of listings. In FY24, Buy yield growth is expected to grow double-digit, primarily driven by an average 12% price increase in our highest penetrated product, Premiere+.

Core Australian operating costs are expected to increase low single-digits in FY23, with Australian operating jaws modestly negative. Planned investment in India is expected to see REA India EBITDA losses widen in FY23, resulting in total Group operating costs increasing mid single-digits.

The Group continues to expect a mid-teens loss for combined core contributions from associates in FY23, reflecting tough market conditions for these businesses.

Mr Wilson concluded: "Lack of supply and interest rate uncertainty have caused some vendors to sit on the sidelines, but we expect this to improve given strong demand, positive price sentiment and increasing confidence that we are near the peak of the rate cycle. We continue to invest in the products and experiences that drive value for our customers and we are well positioned for future growth."

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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For further information, please contact:

REA Group Ltd Investors:

Alice Bennett
Executive Manager Investor Relations
M: +61 409 037 726
E: ir@rea-group.com

REA Group Ltd Media:

Angus Urquhart
General Manager Corporate Affairs
M: +61 437 518 713
E: angus.urquhart@rea-group.com

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 and. REA Group also holds a significant minority shareholding in Move, Inc., operator of realtor.com in the US, and the PropertyGuru Group, South East Asia's leading PropTech company which operates in Singapore, Malaysia, Thailand, Indonesia and Vietnam.

References

¹ Financial results/highlights from core operations exclude significant non-recurring items such as restructuring costs, integration costs, recognition and revaluation of financial asset, revaluation of financial liabilities held by an associate and associate restructuring costs. The prior year comparative also excludes gain/loss on acquisitions, disposals and discontinued operations, related transaction costs and 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 Free Cash Flow based on reported results.

⁶ 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.

⁷ Nielsen Digital Content Ratings (Monthly Total), Jan 23 – Mar 23 (average), P2+, Digital (C/M), text, Real Estate/Apartments subcategory, Unique Audience.

⁸ Nielsen Digital Content Ratings (Monthly Tagged), Jan 23 – Mar 23 (average), P2+, Digital (C/M), text, realestate.com.au, Unique Audience.

⁹ Nielsen Digital Content Ratings (Monthly Tagged), Mar 23, P18+, Digital (C/M), text, realestate.com.au, Active Reach %.

¹⁰ Nielsen Digital Content Ratings (Monthly Tagged), Jan 23 – Mar 23 (average), P2+, Digital (C/M), text, realestate.com.au, Domain. Total Sessions.

¹¹ Nielsen Digital Content Ratings (Daily), 1 Jan 23 - 31 Mar 23 (daily average), P2+, Digital (C/M) Text, realestate.com.au, Domain. Unique Audience.

¹² REA internal data Jan 23 - Mar 23 vs. Jan 22 - Mar 22.

¹³ Similarweb, average site visits Jan 23 – Mar 23 vs. Jan 22 – Mar 22 – excludes app.