

ASX Announcement
10 November 2023

REA Group delivers strong Q1 performance

REA Group Ltd (ASX:REA) (REA Group) today announced its results for the three months ended 30 September 2023 as reported by News Corporation (ASX:NWS) (News Corp). The News Corp report includes US GAAP financial information for REA Group and its subsidiaries (the Group) for the three months ended 30 September 2023.

Group financial highlights from core operations¹ for the three months ended 30 September 2023 include revenue² of \$341m, up 12% YoY, and EBITDA³ excluding associates of \$198m, an increase of 13%.

A summary table of the key financial information from core operations¹ 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 September⁴		
AUD\$m (unless stated)	FY24	FY23	YoY change
Revenue	341	305	12%
Operating expenses	143	131	10%
Operating EBITDA (excluding share of profit/losses from associates)	198	174	13%
EBITDA (including share of profit/losses from associates)	192	169	13%
Free cash flow ⁵	64	57	13%

REA Group Chief Executive Officer, Owen Wilson commented: “The property market started the new financial year strongly, led by Melbourne and Sydney. Healthy demand from buyers, coupled with stable interest rates for several months, gave sellers confidence to bring their properties to market.

“Our strong Australian performance demonstrates the value of our premium products in a strengthening market. We were delighted that REA India also continued its rapid growth in both revenue and audience.”

AUSTRALIA

Core Australian revenue increased 11% YoY, reflecting yield growth across our Residential and Commercial businesses and more stable market conditions. Excluding the impact of the CampaignAgent acquisition, Australian revenue increased 9%.

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 increased 1% during the quarter, with Sydney listings rising 16% and Melbourne up 14%.

	Q1'23	Q2'23	Q3'23	Q4'23	Q1'24
Residential Buy listings change⁶					
National	5%	-21%	-12%	-18%	1%
Sydney	5%	-34%	-20%	-17%	16%
Melbourne	12%	-31%	-18%	-16%	14%
Project commencement change	14%	-17%	-22%	-41%	-18%

The Australian Residential business had a strong quarter with Revenue up 12%. Buy revenue benefitted from the 13% average national price rise, increased Premiere+ penetration and a positive impact from geographical mix due to the outperformance of the higher yielding Sydney and Melbourne markets. This was partly offset by deferrals, with a stronger end to the quarter resulting in significantly more revenue being deferred from Q1 into Q2 than in the prior year. Rent revenue was up YoY, with an 8% average price rise and increased depth penetration partly offset by a 3% decline in rental listings.

Commercial and Developer revenue increased during the quarter. Commercial revenues were driven by an average 11% price rise and increased depth penetration and listings. Developer revenue was largely flat, with lower project commencements offset by increased project duration and benefit from the prior year's price rise.

Media, Data & Other revenues were flat, excluding the impact of the CampaignAgent acquisition. Data revenues increased due to higher valuations and data & insights revenues. However this was offset by lower programmatic Media display revenues, and a decline in Developer Display as cost pressures continued to impact marketing budgets.

Financial Services revenues declined for the quarter. The market remains challenged, and while our Residential business has seen increased national new Buy listings, this is yet to translate to settlements, which declined 7% YoY. Recruitment momentum continued, with the broker network up 5% YoY to 1,078 at the end of Q1.

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

REA Group's flagship site, realestate.com.au, remains the number one property site with a strong leadership position⁷. Mr Wilson commented: "The strength of our audience leadership, combined with the increasing depth of consumer engagement on realestate.com.au, continues to deliver superior value to our customers. Our focus on personalising consumer experiences is key to this and during the quarter we saw a record number of visits to our Property Owner Dashboard. Momentum behind average buyer enquiries, and the valuable leads they deliver to our customers, also continued to grow strongly."

Key realestate.com.au audience highlights included:

- 10.4 million people visited each month on average⁸, with 53% exclusively using realestate.com.au⁸;
- 127.6 million average monthly visits⁹, with visitors spending 3.1 times longer on realestate.com.au each month on average compared to the nearest competitor¹⁰;
- 16% increase in active members¹¹;
- 3 million unique properties tracked by their owner¹¹, up 41% YoY¹¹; and
- 2.2 million average monthly buyer enquiries, up 11% YoY¹².

Australia's digital industry is transitioning the reporting of audience metrics from Nielsen to the new Interactive Advertising Bureau (IAB)-endorsed digital audience rating system, Ipsos iris. Differences in the Ipsos iris methodology mean Ipsos iris audience volumes are not comparable to previous realestate.com.au audience reporting based on Nielsen. In line with industry changes, the way in which audience is measured has changed, but the strength and leadership position of realestate.com.au's audience continues.

INDIA

REA India continued its momentum during the quarter with revenue up 25% YoY. The strong revenue growth was largely driven by Housing.com's property advertising business, which saw audience growth of 16% YoY¹³, and continued customer growth and benefits from upselling customers to higher yielding premium products.

OPERATING COSTS

Australian and Group core operating costs increased 10% respectively, driven by higher employee, technology and marketing costs. Excluding the impact of the CampaignAgent acquisition, Australian and Group costs both increased 7%, reflecting the phasing of marketing and employee costs, which are anticipated to see higher YoY growth rates for the remainder of the year.

EQUITY ACCOUNTED INVESTMENTS

The Group's combined share of associates contributed a \$6m loss to core EBITDA, which compares to a \$5m loss in the prior period.

DEBT REFINANCE

The Group refinanced its \$600m syndicated debt facility in September. The \$200m tranche maturing in 2025 remains unchanged, while the maturity of the \$400m tranche was extended from 2024 to 2028. CampaignAgent's \$83m warehouse facility was also refinanced with a new two-year \$83m facility. As at 30 September, the Group's total drawn debt was \$401m.

OUTLOOK

Australia's largest residential property markets, Sydney and Melbourne, have experienced a stronger than typical winter and this strength has continued into spring. Nationally, increased activity is being driven by the continuation of strong demand, supported by near record employment and immigration, and increasing supply with the return to peak prices improving seller confidence.

The stabilisation of interest rates for several months, which ended with this week's rate rise, played a key role in building market confidence. This increase and any further increase in rates from current levels could have a negative impact on sentiment.

October National residential new Buy listings were up 16% YoY, with Sydney increasing 33% and Melbourne by 32%. As previously flagged, YoY growth rates in Q2 will reflect particularly weak prior period listing volumes. Listings for October were 1% above the 6-year average. If this trend continues for the remainder of the financial year, we would anticipate FY24 YoY listings growth of 3-5%.

Residential Buy yield growth is anticipated to grow double-digit in FY24, primarily driven by an average national price rise of 13%.

We continue to target full year positive operating jaws and low to mid-teens Group operating cost growth for FY24. Excluding the impact of the CampaignAgent acquisition, operating costs for both Australia and India are expected to increase high single-digits to low double-digits. EBITDA losses in India are anticipated to be lower in FY24 compared to FY23.

Mr Wilson commented: "After a strong start to FY24, we remain focused on delivering new features across our product suite. We will continue to enhance the depth and quality of engagement on our platforms with more personalised consumer experiences. Together these initiatives will drive significant value for our customers and audience, underpinning future growth."

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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 Mortgage Choice Pty Ltd, an Australian mortgage broking franchise group, PropTrack Pty Ltd, a leading provider of property data services and Campaign Agent Pty Ltd, Australia's leading provider in vendor paid advertising and home preparation finance solutions for the Australian real estate market. 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 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 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 excludes significant non-recurring items such as transaction and integration costs, gain on acquisition/divestment activities, and revaluation of warrant liabilities held by an associate. The prior year comparative also excludes restructuring 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 Ipsos iris Online Audience Measurement Service, Jul 23 - Sep 23 (average), P14+, PC/laptop/smartphone/tablets, text only, Homes and Property Category, Brand Group, Audience (000's).

⁸ Ipsos iris Online Audience Measurement Service, Jul 23 - Sep 23 (average), P14+, PC/laptop/smartphone/tablets, text only, Homes and Property Category, Brand Group, Realestate.com.au vs Domain, Audience (000's).

⁹ Ipsos iris Online Audience Measurement Service, Jul 23 - Sep 23 (average), P14+, PC/laptop/smartphone/tablets, text only, Homes and Property Category, Brand Group, Realestate.com.au, Monthly visits.

¹⁰ Ipsos iris Online Audience Measurement Service, Jul 23 - Sep 23 (average), P14+, PC/laptop/smartphone/tablets, text only, Homes and Property Category, Brand Group, realestate.com.au vs. Domain, Average minutes per person.

¹¹ REA internal data Jul 23 - Sep 23 and vs. Jul 22- Sep 22.

¹² Adobe Analytics, internal data, Jul 23 - Sep 23 (average) and vs. Jul 22 - Sep 22 (average).

¹³ Similarweb, average site visits Jul 23 - Sep 23 vs. Jul 22 - Sep 22 - excludes app.