

ASX Announcement
8 November 2024

REA Group momentum continues with excellent Q1 result

REA Group Ltd (ASX:REA) (REA Group) today announced its results for the three months ended 30 September 2024 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 2024.

Group financial highlights from core operations¹ for the three months ended 30 September 2024 include revenue² of \$413m, up 21% YoY, and EBITDA³ excluding associates of \$243m, an increase of 23%.

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.

	Three months ended 30 September⁴		
AUD\$m (unless stated)	FY25	FY24	YoY change
Revenue	413	341	21%
Operating expenses	170	143	19%
Operating EBITDA (excluding share of profit/losses from associates)	243	198	23%
EBITDA (including share of profit/losses from associates)	236	192	23%
Free cash flow ⁵	74	64	16%

REA Group Chief Executive Officer, Owen Wilson commented:

“Seller confidence continued to drive a strong listings environment in Q1, delivering greater choice for buyers and some moderation in house price growth. In this healthy market, we hit new audience records and our customers increasingly leveraged the value of our premium products to differentiate their properties. This underpinned the strength of our financial performance.”

Q1 RESULT

AUSTRALIA

Core Australian revenue increased 20% YoY, reflecting double-digit yield growth and continued listings growth across our Residential and Commercial businesses. Excluding the impact of the Realtair acquisition, which was consolidated from 1 July, Australian revenue increased 19%.

A summary of the quarterly residential new Buy listings and developer project commencement changes is outlined in the table below, showing changes against the prior corresponding period. National Buy listings increased 7% during the quarter, with Sydney listings rising 11% and Melbourne up 9%.

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	Q1'24	Q2'24	Q3'24	Q4'24	Q1'25
Residential new Buy listings change⁶					
National	1%	8%	6%	16%	7%
Sydney	16%	22%	20%	26%	11%
Melbourne	14%	24%	18%	32%	9%
Project commencement change	(18%)	(29%)	(2%)	3%	(11%)

The Australian Residential business had a strong quarter with revenue up 23%. Buy revenue growth was driven by a 15% increase in yield and 7% growth in new listings. Buy yield benefited from a 10% average Premiere+ price rise, increased depth and Premiere+ penetration and growth in add-ons including Audience Maximiser and Luxe. Rent revenue increased with an 8% average price rise, growth in depth penetration and an 8% increase in listings.

Commercial and Developer revenue increased during the quarter, with stronger growth in Commercial revenues tempered by more modest growth for Developer. Commercial revenues were driven by an average 12% price rise and increased depth penetration and listings. Developer revenues increased, with longer project duration and a price rise from 1 July more than offsetting an 11% decline in project commencements.

Media, Data & Other revenues grew during the quarter. CampaignAgent delivered strong revenue growth driven by increased customers and higher utilisation, and Developer display revenues were up YoY. This growth was partly offset by lower PropTrack and programmatic display revenues.

Financial Services revenue increased during the quarter, with a 5% increase in settlements, increased penetration of higher-margin white label products and improved broker productivity.

Realestate.com.au strengthens its position as Australia's number one address in property

REA Group's flagship site, realestate.com.au remains the number one property site, strengthening its audience leadership position⁷.

Mr Wilson commented: "In the strong listings environment, Australians turned to our leading platform in record numbers. Our loyal and highly engaged consumers continued to embrace our personalised experiences, widening the audience gap between realestate.com.au and our nearest competitor to a record 5.3 million people. Our unique consumer experiences and the strength of the market supported the increasing value delivered to customers with exceptional year-on-year growth in the number of seller leads."

Key audience highlights during the quarter included:

- 11.9 million people visited realestate.com.au each month on average⁸, with 6.2 million exclusively using realestate.com.au⁸;
- 132.4 million average realestate.com.au monthly visits⁹, 4.0 times more visits than the nearest competitor each month on average⁹;
- 4.0 million unique properties tracked by their owner on realestate.com.au¹⁰, up 33% YoY¹⁰;
- 2.3 million average monthly realestate.com.au buyer enquiries¹¹, up 7% YoY¹¹;
- 80% YoY increase in realestate.com.au seller leads¹²; and
- 18% YoY increase in active members¹³.

INDIA

REAGroup India's revenue was up 42% YoY, driven by strong growth in adjacency services on the Housing Edge platform, and continued momentum at Housing.com which benefitted from strong events, yield growth and improved monetisation in Tier 2 cities. PropTiger revenues declined reflecting reduced volume of stock and lower commission rates in the strong property market.

CORE OPERATING COSTS

Excluding the impact of the Realtair acquisition, Group operating costs grew 17% and Australian expenses were up 14%. Australian costs were elevated in Q1, with marketing expenses reflecting our new marketing campaign launched during the Paris Olympics, and employee cost growth reflecting strategic investment, which was relatively subdued in the first half of FY24. India operating costs increased by 26%, predominately driven by higher revenue-related costs. Including the impact of Realtair, Group operating expenses increased 19% and Australian costs were up 17%.

Core operating costs for the quarter exclude \$18m of one-off legal and other advisor costs incurred as part of the withdrawn bid to acquire Rightmove plc.

EQUITY ACCOUNTED INVESTMENTS

The Group's combined share of associates contributed a \$7m loss to core EBITDA, which compares to a \$6m loss in the prior period, largely driven by continued challenging market conditions in the US.

On 16 August 2024 the Group announced it had entered into an agreement to divest its 17.2% stake in PropertyGuru. As a result, the Group's investment is no longer equity accounted and has been reclassified as an asset held for sale. PropertyGuru has stated that the transaction is expected to close in Q2 or Q3 in FY25.

The Group also announced in September that it had agreed to acquire a 19.9% interest in Athena Home Loans, strengthening the existing strategic partnership formed in 2022. The investment completed on 31st October, with the consideration of \$60m funded from the Group's existing cash reserves.

OUTLOOK

The Australian residential property market remains healthy, with strong employment, high immigration levels, the benefit of recent tax cuts and stable interest rates supporting buyer demand and seller confidence. Strong growth in Melbourne and Sydney new listings over the last 12 months has led to higher levels of available stock, resulting in more moderate property price growth and a small increase in days on site. Conversely, despite strong recent listing growth, demand is outweighing the low levels of stock in Brisbane, Perth and Adelaide, which is driving strong property price growth and faster selling times.

October National residential new Buy listings were up 14% YoY, or 7% on a like-for-like basis excluding extra working days this year compared to the prior year. Melbourne and Sydney listings momentum has continued in October, increasing 12% and 14% respectively, with Brisbane and Perth growing at a faster pace. YoY growth rates for the second half of the financial year will reflect very strong prior period listings volumes, particularly for Melbourne and Sydney.

Residential Buy yield growth is anticipated to grow double-digit in FY25. The magnitude of growth may be impacted if the small negative drag from geographical mix in Q1 widens across the remainder of the year.

We continue to target positive operating jaws in FY25, with high single-digit Group core operating cost growth anticipated, including the acquisition of Realtair. Quarterly phasing, particularly for marketing campaigns and employee costs, is expected to result in higher YoY growth rates in the first half of FY25 compared to the second half. Growth in Australia will largely reflect increased employee costs due to strategic investment and salary inflation, and higher revenue-related and technology costs. India will be driven by higher revenue-related costs and marketing spend. EBITDA losses in India are anticipated to be marginally lower in FY25 compared to FY24.

The Group expects FY25 losses for combined contributions from associates to be modestly lower than the prior year, reflecting stabilising market conditions in the US.

Mr Wilson commented: "As we move further into FY25 it's clear that the Australian property market remains in good health reflecting the expectations of future interest rate cuts, together with high employment and population growth. October listing were at near record levels and this significant market activity, combined with the strength of REA's audience and product suite, continues to position our business strongly for 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, Campaign Agent Pty Ltd, Australia’s leading provider in vendor paid advertising and home preparation finance solutions for the Australian real estate market and Realtair Pty Ltd, a digital platform providing end-to-end technology solutions for the real estate transaction process. 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, Arealytics, a provider of commercial real estate information and technology in Australia and Athena Home Loans, a leading digital non-bank lender and one of Australia’s fastest growing fintechs. 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, the PropertyGuru Group, operator of leading property sites in Malaysia, Singapore, Thailand and Vietnam and Easiloan, a technology platform for end-to-end digital processing of home loans in India.

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References

¹ Financial results/highlights from core operations exclude significant non-recurring items such as impairment reversal and FX revaluation loss of held for sale asset, legal and advisory costs incurred as part of the withdrawn bid to acquire Rightmove plc, integration costs, net gain/loss on acquisition and divestment related activities, gain/loss on revaluation of financial assets and share of non-core costs in associates.

² Revenue is defined as revenue and other income from property and online advertising, 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 2024 - Sep 2024 (average) and Jul 2023 - Sep 2023 (average), P14+, PC/laptop/smartphone/tablets, text only, Homes and Property Category, Brand Group, Realestate.com.au vs Domain, Audience (000's).

⁸ Ipsos iris Online Audience Measurement Service, Jul 2024 - Sep 2024 (average), P14+, PC/laptop/smartphone/tablets, text only, Homes and Property Category, Brand Group, Realestate.com.au vs Domain, Audience (000's) and Exclusive Audience (000's).

⁹ Ipsos iris Online Audience Measurement Service, Jul 2024 - Sep 2024 (average), P14+, PC/laptop/smartphone/tablets, text only, Homes and Property Category, Brand Group, Realestate.com.au vs Domain, Visits (000s).

¹⁰ REA internal data Sep 24 and vs. Sep 23.

¹¹ Adobe Analytics, internal data, Jul 24 - Sep 24 (average) and vs. Jul 23 - Sep 23 (average).

¹² REA internal data, Jul 24 - Sep 24 vs. Jul 23 - Sep 23.

¹³ REA internal data, monthly logged-in members, realestate.com.au, Jul 24 - Sep 24 (average) vs. Jul 23 - Sep 23 (average).