

## ASX Announcement 9 August 2016

### REA Group announces FY2016 results

#### Financial highlights from core operations<sup>1</sup>:

- **Revenue of \$629.8m, up 20%**
- **EBITDA of \$347.3m, up 22%**
- **Net profit of \$214.5m, up 16%**
- **Full year dividend of 81.5 cents, up 16%**
- **EPS of 162.6 cents, up 16%**

REA Group Limited (ASX:REA) today announced its results for the year ended 30 June 2016. Financial highlights from core operations<sup>1</sup> include revenue growth of 20% on the prior year to \$629.8 million, an increase in EBITDA of 22% to \$347.3 million and Net Profit growth of 16% to \$214.5 million.

The reported Net Profit (as outlined in Appendix 1) of \$253.3 million (up 20%) includes share of losses from associates and one-off transactions being the proceeds from the settlement of an associate's legal case, the fair value gain on the acquisition of iProperty and acquisition related transaction costs. The prior comparative period included profit from the sale of marketable securities and the Squarefoot business.

REA Group Chief Executive Officer, Tracey Fellows said: "This year, we've continued to see strong results with 20% revenue growth and a 22% increase in EBITDA.

"The year was marked by global expansion with our acquisition of iProperty Group, giving us a foothold in South East Asia and extending our operations which now span 4 continents. We also launched the global property network giving consumers access to more than three million listings from 56 countries.

"We have also further cemented our leadership position in Australia on the back of record audience and engagement. This is particularly pleasing given residential listing volumes were lower in the second half."

Financial results from core operations<sup>1</sup> for the year ended 30 June 2016 include:

| <b>AU\$m (unless stated)</b> | <b>FY2016</b> | <b>FY2015</b> | <b>Growth YoY</b> |
|------------------------------|---------------|---------------|-------------------|
| Revenue                      | 629.8         | 522.9         | 20%               |
| EBITDA                       | 347.3         | 285.8         | 22%               |
| EBITDA Margin                | 55%           | 55%           |                   |
| NPAT                         | 214.5         | 185.4         | 16%               |
| Earnings per share (EPS)     | 162.6         | 140.6         | 16%               |

<sup>1</sup> Financial results/highlights from core operations operations excludes share of losses from associates, the step-up gain on acquisition, proceeds from settlement of legal case of associate and transaction costs relating to iProperty and for the year ended 30 June 2015 excludes gain on sale of marketable securities and the sale of the Squarefoot business.  
The EPS disclosed is based on the Net Profit from core operations. A full reconciliation of reported financial results and financial results from core operations is attached in Appendix 1.

The Group's EBITDA grew by 22% on the prior comparative period. Operating expenditure grew 19% inclusive of the results of iProperty since the date of acquisition in February 2016. Excluding iProperty expenses grew 13%.

### **Increased returns to shareholders**

The Board has declared a final dividend of 45.5 cents per share fully franked. This represents a total dividend of 81.5 cents per share for the 2016 financial year, a 16% increase on the prior year.

The final dividend will be paid on 15 September 2016, with a record date of 24 August 2016.

### **Operating segments**

REA Group operates property sites, apps and related services in Australia, Europe and Asia and has a strategic investment in North America. Below are highlights for each geographic operating segment.

#### **AUSTRALIA**

In Australia, REA Group operates the leading residential and commercial property sites, realestate.com.au and realcommercial.com.au. Australian revenues increased by 17% to \$555.2 million this year and the number of agent customers increased by 7% for the year ended 30 June 2016.

The success of our Premiere All product (where customers commit to using our top tier product for all of their listings) helped deliver a 19% increase in the Residential business. This was achieved in a market where property listing volumes in the Australian market were relatively flat<sup>2</sup>. There was a 26% increase in listing depth revenue to \$406.8 million, while subscription revenue decreased 20% to \$55.0 million, as more customers opt for greater commitment to higher tier products.

Media and Developer revenue increased by 20%, primarily driven by the strong take up of our developer products, particularly Project Profiles, which provides an exceptional way to present large developments to prospective buyers. The Commercial business recorded 8% revenue growth in the period, due to increased sales of listing depth products.

Strong Australian growth reflects our ever-growing, highly engaged audience. Independent sources demonstrate realestate.com.au's market leadership position with the largest and most engaged audience of property seekers in Australia:

- **realestate.com.au's market share of all residential property listings nationwide is 94%**, which is 17% higher than our nearest competitor<sup>3</sup>

<sup>2</sup> Source: CoreLogic (Australian residential market new buy listings for the year ended 30 June 2016 compared to 30 June 2015)

<sup>3</sup> Source: CoreLogic Online Market Analysis. Average new properties listed for sale online for the year ended 30 June 2016 versus the nearest competitor nationwide

- **Average monthly visits to realestate.com.au grew 20% and are 2.1x higher per month than that of the number two site** according to Nielsen Online Ratings (43.8 million vs 20.5 million average monthly visits<sup>4</sup>)
- **realestate.com.au has 6.1 times more time on site** which is a key indicator of audience engagement (253 million vs 41 million minutes per month as measured by Nielsen Online Ratings<sup>5</sup>)
- **The average number of monthly page views on realestate.com.au is 889 million**, 5.0 times the number two site according to Nielsen Online Ratings<sup>6</sup>.

We are continually investing in our product offerings and innovation to maintain and extend our market-leading position. By working with our customers and consumers we have been able to evolve our products and change the way people look for property.

During the year we launched Suggested Properties which through the use of data and predictive analysis, we're now able to suggest properties to consumers based on their interests and search criteria. In June, we launched a simpler and smarter mobile app that includes better management of alerts and short-cuts to recent searches. We also launched Australia's first commercial property app for Android to enable users to browse the sale, lease, sold and leased sections for realcommercial.com.au on any device.

## EUROPE

Our European operations include property site casa.it, Luxembourg's atHome.lu and atOffice.lu, and property sites in regions of France and Germany, immoRegion.fr and atHome.de.

Together, our European operations achieved 11% revenue growth (5% in local currency) to \$50.7 million (€33.3 million).

Average monthly visits to our combined European sites increased by 15% to 12.2 million.<sup>7</sup>

This year, the Italian business focused on refining the consumer experience, simplifying technology and improving its position in Italy's competitive market. In February 2016, we launched a new desktop design in line with our Australian sites' designs, improving the search experience. Demand on our mobile platforms also grew, with more than 600,000 app downloads<sup>8</sup>. As the Italian property market continued to improve, we saw an 8% growth<sup>9</sup> in listing volumes on the prior comparative period.

<sup>4</sup> Source: Nielsen Online Market Intelligence Home and Fashion Suite average monthly visits for the year ended 30 June 2016 for audited sites for realestate.com.au compared to domain.com.au

<sup>5</sup> Source: Nielsen Online Market Intelligence Home and Fashion Suite average monthly time on site for the year ended 30 June 2016 for audited sites for realestate.com.au compared to domain.com.au

<sup>6</sup> Source: Nielsen Online Market Intelligence Home and Fashion Suite average monthly page views for the year ended 30 June 2016 for the audited sites for realestate.com.au compared to domain.com.au

<sup>7</sup> Source: Adobe Analytics average monthly visits for the year ended 30 June 2016 for casa.it, atHome.lu, atHome.de, atOffice.lu and immoregion.fr combined (websites visits, includes international traffic to site) compared to the year ended 30 June 2015

<sup>8</sup> Source: AppAnnie for iOS and Android and Microsoft Store for Windows at 30 June 2016

<sup>9</sup> Source: REA Group internal data for total listings for the year ended 30 June 2016 compared to 30 June 2015 for casa.it

Our Luxembourg business continued to expand into the northern regions of France under the ImmoRegion.fr brand, with operations in Alsace, Lorraine, Nord-Pas-de-Calais and Pays de la Loire. Launching in Nord-Pas-de-Calais less than a year ago, ImmoRegion.fr is already leading the competition in listings volumes and agency customers. We saw a 25% growth<sup>10</sup> in total listings for the Luxembourg business and a 21% growth<sup>11</sup> in total agents on the prior comparative period.

## ASIA

The Asian business comprises iProperty and our Chinese listing site, myfun.com, contributing \$23.9 million of revenue for the year.

Acquiring iProperty has been a game-changing move in REA Group's global strategy as Australia is also a top pick for Southeast Asian property buyers in addition to their own region. Average monthly visits to the combined iProperty sites increased by 13% to 7.4 million<sup>12</sup> extending our reach and enabling all our customers, consumers and investors to tap into a wider and more diverse market.

The investment in iProperty had initially been accounted for as an associate in the half year results and has since been consolidated from 1 February 2016. The acquisition was primarily funded from new debt facilities totaling \$480 million, with the remainder in existing cash reserves.

Digital advertising revenue for iProperty grew 5% on the prior year comparative period. As the South East Asian property market continued to grow, we saw a 13% growth<sup>13</sup> in listing volumes for combined iProperty sites on the prior comparative period. Consumers continued to engage across multiple devices and we have seen the number of mobile users increase 24%<sup>14</sup> on the prior comparative period.

## NORTH AMERICA

In the United States we have a 20% holding in Move, Inc. operator of realtor.com, a leading real estate portal. Since we invested in Move in November 2014, new branding and a high-profile marketing campaign have been launched and visits have increased to 53 million, 17% growth year on year.<sup>15</sup> Move, Inc. has also seen an increase of 27% in Revenue to USD\$357m<sup>16</sup> driven by continued strength in Connections for Co-Brokerage product and growth in non-listing media revenues and professional software revenues.

<sup>10</sup> Source: REA Group internal data for total listings for the year ended 30 June 2016 compared to 30 June 2015 for atHome.lu, atHome.de, atOffice.lu and immoregion.fr

<sup>11</sup> Source: REA Group internal data for total agents for the year ended 30 June 2016 compared to 30 June 2015 for atHome.lu, atHome.de, atOffice.lu and immoregion.fr

<sup>12</sup> Source: Google Analytics for the average monthly visits for the combined sites for iProperty Group for the year ended 30 June 2016 compared to 30 June 2015

<sup>13</sup> Source: REA Group internal data for total listings for the year ended 30 June 2016 compared to 30 June 2015 for iProperty Group combined sites

<sup>14</sup> Source: Google Analytics for average monthly mobile users for the combined sites for iProperty Group for the year ended 30 June 2016 compared to 30 June 2015

<sup>15</sup> Source: Internal Move data includes web, mobile web and native apps for the 3 month period ended 30 June 2016 compared to the 3 month period ended 30 June 2015

<sup>16</sup> Source: News Corp Press Release (dated 8 August 2016)

## OUTLOOK

As we have seen with previous elections, the Federal election resulted in lower listing volumes across the campaign period. The uncertainty surrounding the election outcome has contributed to July listings being down 11%<sup>17</sup> compared to July last year. As a result we expect first half revenue growth to be skewed towards the second quarter. Our headline expense growth in the first half will be higher than revenue growth entirely due to the inclusion of iProperty.

In summary, Ms. Fellows said: "Our financial performance reflects our focus on providing unmatched value for our customers and consumers. We've done this through the development of innovative products and technologies that allow us to create the most immersive, personalised and engaging property experiences in the world."

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**FY16 Results Presentation webcast link:**

<http://edge.media-server.com/m/p/g6gc3aom>

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<sup>17</sup> Source: CoreLogic (Australian residential market new buy listings for the period ending 31 July 2016 compared to the period ending 2 August 2015)



## APPENDIX 1

### Reconciliation of Financial results from core operations<sup>1</sup> against Reportable Financial results

As reported in Financial Statements for the year ended 30 June 2016

| A\$'000                                                            | 2016            | 2015    | Growth |
|--------------------------------------------------------------------|-----------------|---------|--------|
| <b>Revenue from core operations</b>                                | <b>629,803</b>  | 522,920 | 20%    |
| Other income <sup>(1)</sup>                                        | <b>40,827</b>   | 31,241  | 31%    |
| <b>Reported revenue &amp; other income</b>                         | <b>670,630</b>  | 554,161 | 21%    |
| EBITDA from core operations                                        | <b>347,348</b>  | 285,828 | 22%    |
| Other income <sup>(1)</sup>                                        | <b>40,827</b>   | 31,241  | 31%    |
| Share of losses of associates                                      | <b>(13,850)</b> | (7,053) | 96%    |
| Proceeds from settlement of legal case of associate <sup>(2)</sup> | <b>20,169</b>   | -       | **     |
| Business combination transaction costs                             | <b>(9,330)</b>  | -       | **     |
| <b>Reported EBITDA</b>                                             | <b>385,164</b>  | 310,016 | 24%    |
| <b>Net profit from core operations</b>                             | <b>214,515</b>  | 185,419 | 16%    |
| Other income                                                       | <b>40,827</b>   | 31,241  | 31%    |
| Share of losses of associates                                      | <b>(13,850)</b> | (7,053) | 96%    |
| Proceeds from settlement of legal case of associate <sup>(2)</sup> | <b>20,169</b>   | -       | **     |
| Business combination transaction costs, net of tax                 | <b>(8,381)</b>  | -       | **     |
| Tax on gain on sale of marketable securities                       | -               | (9,109) | **     |
| Profit from sale of discontinued operations, net of tax            | -               | 9,750   | **     |
| <b>Reported Net profit</b>                                         | <b>253,280</b>  | 210,248 | 20%    |

(1) FY2016 included step-up gain on acquisition and FY2015 included gain on sale of marketable securities

(2) Proceeds from settlement of legal case between Move and Zillow (a US real estate advertising portal)

\*\* Results not meaningful

### About REA Group

REA Group Limited ACN 068 349 066 (ASX:REA) is a multinational digital advertising business specialising in property. REA operates Australia's leading residential and commercial property websites, realestate.com.au and realcommercial.com.au, European sites casa.it, atHome.lu and immoRegion.fr, owns iProperty Group Ltd<sup>18</sup> which operates a number of property portals in Asia and Chinese property site myfun.com. REA also has a significant shareholding in US based Move, Inc.

<sup>18</sup> The iProperty Group property portals include: iProperty.com.my, Thinkproperty.my, GoHome.com.hk, squarefoot.com.hk, office18.com, House18.com, GoHome.com.mo, rumah123.com, rumahdanproperti.com, Mobil123.com, iProperty.com.sg, Thinkproperty.com.sg, SG-House.com, ThinkOfLiving.com, Prakard.com, iproperty.com.ph, expo.iproperty.com, iproperty.tv, iluxuryasia.com and CommercialAsia.com