

ASX Announcement
8 May 2020

REA Group Q3 FY 2020 financial information released

REA Group Limited (ASX:REA) today announced its results for the nine months ended 31 March 2020 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 2020.

Group financial highlights from core operations¹ for the nine months ended 31 March 2020 include revenue² of \$640.2 million and EBITDA of \$390.8 million¹.

The Group delivered an improved performance in the quarter ended 31 March reflecting the continued recovery of the real estate market prior to the effects of COVID-19 emerging in mid-March. REA Group quickly responded to the health crisis providing support measures to its employees, customers and the broader real estate industry.

A summary table of the key financial information is presented below. The information is presented in Australian dollars and is prepared under AIFRS.

	For nine months ended 31 March (AUD)³		
<i>Millions</i>	FY2020	FY2019	YoY growth
Revenue after broker commissions ²	640.2	667.8	-4%
Operating expenses ⁴ (excluding associates and joint ventures)	(249.4)	(263.1)	-5%
EBITDA* (excluding share of losses of associates and joint ventures) ¹	390.8	404.7	-3%
Free cash flow	195.2	227.9	-14%

*EBITDA including share of losses of associates and joint ventures declined 4% year on year.

	For three months ended 31 March (AUD)³		
<i>Millions</i>	FY2020	FY2019	YoY growth
Revenue after broker commissions ²	199.8	198.6	1%
Operating expenses ⁴ (excluding associates and joint ventures)	(80.2)	(87.9)	-9%
EBITDA* (excluding share of losses of associates and joint ventures) ¹	119.6	110.7	8%
Free cash flow	66.7	82.9	-20%

*EBITDA including share of losses of associates and joint ventures grew 7% year on year.

Q3 RESULT

The Australian property market was showing strong signs of recovery during the quarter including improvements in national residential listings led by Melbourne and Sydney. This trend was particularly evident in the first half of March. National listings were up 3% midway through the month (with listing increases of 15% in Melbourne and 24% in Sydney), but finished down 2% following the impact of COVID-19.

¹ Financial results/highlights from core operations exclude significant non-recurring items such as restructure costs, gain/loss on acquisitions and disposals and transaction costs. In the prior comparative period they excluded items such as revaluation, unwind and finance costs of contingent consideration, transaction costs relating to acquisitions by associates and impairment charges.

² Revenue is defined as revenue from property and online advertising and revenue from Financial Services less expenses from franchisee commissions.

³ Results are based on unaudited financial information and rounded to the nearest million.

⁴ FY20 Q3 result excludes \$6.6m (YTD: \$7.4m) FX gain due to the decline in the Australian Dollar.



Overall national residential listings declined 7% for the quarter, while Melbourne and Sydney were up 6% and 5% respectively.

REA Group Chief Executive Officer, Owen Wilson commented: "Prior to the impact of COVID-19, the market recovery was in full flight with very strong listings in the weeks leading up to mid-March. In February we saw record audience numbers and strong buyer interest, reinforcing signs of the positive market momentum."

Realestate.com.au continues to be the market leading property destination, having the largest and most engaged audience of property seekers across all platforms⁵. During the quarter:

- A record number of visits across realestate.com.au were received in February - 93.5 million, up 18% YoY⁶
- A record number of app launches in February – 38.6 million, up 26% YoY⁷
- A new audience record of 10.7 million people visiting realestate.com.au was achieved in March, up 23% YoY⁸
- Buyer enquiries experienced strong growth, up 29% YoY⁹

Australian Residential revenue was in line with the prior comparative quarter, with lower national listing volumes offset by price changes that took effect from 1 July 2019 and improved product mix.

Commercial and Developer revenue increased for the quarter driven by higher Commercial depth penetration and extended Project Profile duration. This was partially offset by a 24% decline in new project commencements for the quarter.

Media, data and other revenue declined due to a reduction in Developer display advertising as a result of lower new project commencements, reduced advertising revenue in key segments and lower available inventory as Premiere listings increased.

Financial Services revenue increased due to higher settlements in line with a stronger property market and improved broker productivity, coupled with timing differences of the Partnership payments.

Asia segment revenue increased for the quarter driven by strong growth in Malaysia underpinned by improved customer acquisition. This was partially offset by the ongoing disruption in Hong Kong and event cancellations in response to COVID-19. Malaysia and Hong Kong both maintained their leadership position at 1.5 times and 1.1 times their nearest competitor respectively¹⁰.

Continued focus on strong cost management with reductions in marketing, consultant costs, discretionary spend, and efficiencies gained from the organisational realignment in Q1 resulted in a 9% reduction in total operating expenditure for the quarter.

The 99.co JV was successfully finalised on 28 February 2020, resulting in a non-core gain on sale of \$7.7 million. The operating results of the JV are included in the share of equity accounted investments.

REA Group response to COVID-19

The impact of COVID-19 rapidly escalated towards the end of Q3. Government measures introduced to slow the spread of the virus had an immediate impact on the property market.



REA Group announced a series of customer support measures within the Residential, Commercial and Developer lines of business. Support has been provided to customers through subscription discounts, while changes to listing products provide Agents with greater flexibility and the tools they need to give vendors confidence to list their properties in today's market. A number of these initiatives deliver increased advertising duration which will extend the revenue recognition period.

New product features including *Digital Inspections* and *Online Auctions* were also launched to facilitate new ways of operating.

"Our priority has been to help our customers and consumers adapt to the new market conditions by providing the right support measures and new product features.

"Features like *Digital Inspections* are receiving rapid uptake by both customers and consumers. Since launching in March, over 47,000 Buy and Rent listings¹¹ now feature digital video tours and we are seeing over 2 million views across digital inspections and 3D tours each week¹¹. This is connecting Agents with buyers, sellers and renters, even during these challenging times," continued Mr Wilson.

Outlook

The real estate market continues to be negatively impacted as a result of social distancing measures, business closures and economic uncertainty resulting from COVID-19.

Weakness in new listing volumes, as well as measures the Group has undertaken to support its customers in these challenging times are expected to adversely impact revenues. To date there has been a negative impact on residential listings, with April national residential listings down 33%, Sydney down 18% and Melbourne down 27%.

The Group is working proactively to offset a portion of anticipated revenue losses by implementing cost-saving initiatives. These include workforce planning measures, reduced marketing expenditure and a review of all supplier arrangements. Our Q4 core operating expenses are expected to be approximately 20% lower when compared to Q4 last year.

REA Group has a strong balance sheet, low debt levels and cash balance of \$135 million as at 30 April 2020. The Group has further strengthened its liquidity position by entering into an additional \$149 million loan facility with the existing banking syndicate which matures in December 2021. In addition, a \$20 million overdraft facility was arranged with NAB. These contingent facilities have been put in place to cover the event of a significant and prolonged market downturn. Neither facility is expected to be drawn at 30 June 2020.

"I've been extremely proud of the way our team has successfully adapted to our virtual working arrangements, and at the same time delivered innovative and rapid solutions to support our customers and consumers," concluded Mr Wilson.

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 agree to 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 Sarah Turner, General Counsel & Company Secretary.

About REA Group Limited: (www.rea-group.com): REA Group Limited ACN 068 349 066 (ASX:REA) ("REA Group") is a multinational digital advertising business specialising in property. REA Group operates Australia's leading residential, commercial and share property websites - realestate.com.au, realcommercial.com.au, Flatmates.com.au – as well as Spacely, a short-term commercial and coworking property site. In Asia, REA Group owns leading portals in Malaysia (iproperty.com.my) and Hong Kong (squarefoot.com.hk), a prominent portal in China (myfun.com) and a leading property review site in Thailand (thinkofliving.com). REA Group owns Smartline Home Loans Pty Ltd, an Australian mortgage broking franchise group, and Hometrack Australia Pty Ltd, a leading provider of property data services. REA Group also holds a significant shareholding in property websites realtor.com in the US, 99.co and iproperty.com.sg in Singapore, rumah123.com in Indonesia and PropTiger.com, housing.com and Makaan.com in India.

References

⁵ Nielsen Digital Content Ratings (Monthly Tagged), text, Jan 20-Mar 20, P2+, Digital (C/M), Real Estate and Apartments subcategory 'largest': unique audience, 'most engaged': total time spent, realestate.com.au.

⁶ Nielsen Digital Content Ratings (Monthly Tagged), text, Feb 20 vs Feb 19, P2+, Digital (C/M), realestate.com.au, total sessions.

⁷ Nielsen Digital Content Ratings (Monthly Tagged), text, Feb 20 vs Feb 19, P2+, Digital (C/M), realestate.com.au app launches.

⁸ Nielsen Digital Content Ratings (Monthly Tagged), text, Mar 20 vs Mar 19, P2+, Digital (C/M), realestate.com.au, unique audience. From 1 Mar 20 Nielsen upgraded their Unique Audience scaling methodology.

⁹ Adobe Analytics, total email leads and phone reveals, (Jan 20 - Mar 20) compared to the same period (Jan 19 - Mar 19).

¹⁰ SimilarWeb, monthly visits for iproperty.com.my site (Malaysia) compared to the nearest competitor and squarefoot.com.hk site (Hong Kong) compared to the nearest competitor (Mar 20). Excludes app.

¹¹ REA internal data as at 1 May 20.