

**ASX Announcement
29 October 2020**

**REA Group Investor & Analyst Presentation – Acquisition of controlling interest in
Elara Technologies**

On behalf of REA Group Ltd (ASX:REA) please find attached a presentation regarding REA's acquisition of a controlling interest in Elara Technologies Pte. Ltd.

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For further information, please contact:

REA Group Ltd Investors:

Graham Curtin
General Manager Group Reporting
P: +61 3 8456 4288
E: ir@rea-group.com

REA Group Ltd Media:

Prue Deniz
Executive Manager Corporate Affairs
M: + 61 438 588 460
E: prue.deniz@rea-group.com

The release of this announcement was authorised by Erin Thorne, Acting Company Secretary.

About REA Group Ltd: (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 [Spacely](http://Spacely.com.au), a short-term commercial and coworking property website. 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.



**GHAR DHOONDA
KOI INSE SEEKHE.**

MAKING HOME SEARCH SMARTER.



REA Group Ltd

Acquisition of controlling interest in Elara Technologies Pte. Ltd.

Changing the way the world experiences property

Executive summary

- **REA Group to acquire controlling interest in Elara Technologies Pte. Ltd. (Elara)**
 - REA will increase ownership from 13.5%¹ to between 47.2% and 61.1%
 - On completion REA will control Elara, holding 5 out of 9 board seats
- **Total consideration for transaction expected to be in range of US\$50m – US\$70m²**
 - To be paid through combination of existing cash reserves and newly issued REA shares
 - Transaction remains subject to confirmatory due diligence and renegotiation of key management employment contracts
- **Elara is a digital real estate classifieds and transaction services company**
 - Elara operates India's fastest growing digital real estate business in terms of audience³
 - Operates high quality portfolio consisting of Housing.com, Makaan.com and PropTiger.com
 - Elara has generated strong revenue CAGR over last 3 years⁴ and is well positioned for future growth
- **India is the world's fastest-growing trillion-dollar economy, with strong growth forecast over the next decade**
- **India's digital real estate market continues to grow, with no entrenched market leader and a fragmented competitor landscape**
- **Powerful opportunity to leverage the combined talent and digital expertise across the REA Group and Elara businesses**

Source: 1. 16.1% on a non diluted basis 2. Total acquisition consideration is subject to foreign exchange rates and the REA share price of newly issued REA shares on the date of completion. The number of new REA shares issued will be dependent on (a) final transaction price less any withholding tax deductions required to be settled in cash and (b) any regulations in India which may necessitate a component of the consideration to be settled in cash. REA share consideration estimated using an indicative REA share price of A\$120 per share. 3. SimilarWeb, September 2020 (based on 3-year audience CAGR from September 2017 to September 2020 relative to 99acres and MagicBricks) 4. 3-year CAGR from FY17 to FY20.

Elara is uniquely positioned with a portfolio of high-quality assets



Description

- | | | |
|---|---|--|
| <ul style="list-style-type: none">• Premium online property classifieds portal• Fastest-growing online Indian real estate portal ¹• Assists consumers in their journey of renting, buying, selling or financing property | <ul style="list-style-type: none">• Online property classifieds portal• Assists consumers when buying, selling, renting and leasing residential properties | <ul style="list-style-type: none">• Tech-led property brokerage firm• On-ground property fulfilment / transaction facilitation with a focus on new homes• Provides end-to-end assistance to consumers through their property journey |
|---|---|--|

Business Model

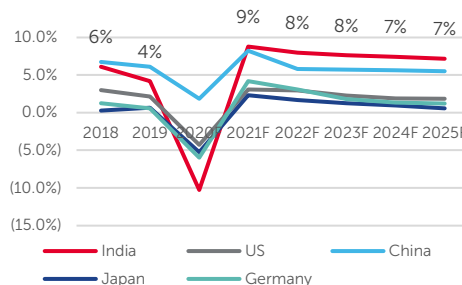
- | | | |
|---|--|---|
| <ul style="list-style-type: none">• Traditional classifieds - listing and advertising fee | <ul style="list-style-type: none">• Operates a freemium model• Provides complementary audience to Housing.com | <ul style="list-style-type: none">• Tech-enabled property brokerage |
|---|--|---|

1. SimilarWeb, September 2020 (based on 3-year audience CAGR from September 2017 to September 2020 relative to 99acres and MagicBricks)

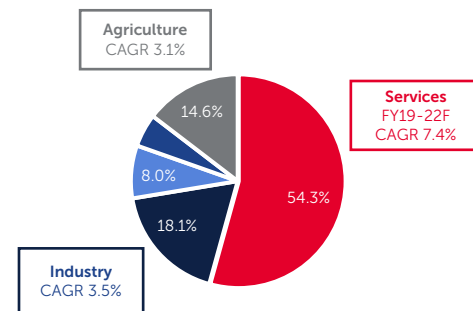
India is an attractive market with world leading growth

- India is the fastest-growing trillion-dollar economy in the world, and the fifth largest economy overall having overtaken the UK and France in 2019¹
- The country's economic growth is driven by domestic consumption and services, and strong growth is forecast over the next decade at +7% pa from CY21
- Sustainable structural growth, resulting in the creation of a substantial and aspirational consumer-class, supported by:
 - increasing working age population with greater education
 - growing urbanisation of the world's largest rural population
 - considerable investment in productivity and infrastructure
 - government, fiscal and monetary policy reforms

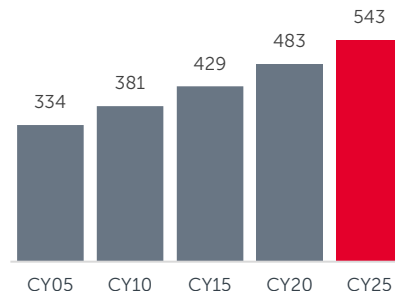
World-leading growth forecasts ¹



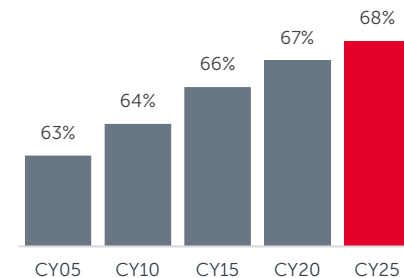
Real Gross Value Added (GVA) growth contribution (% 2018-2019) ²



Urban population growth (m) ³



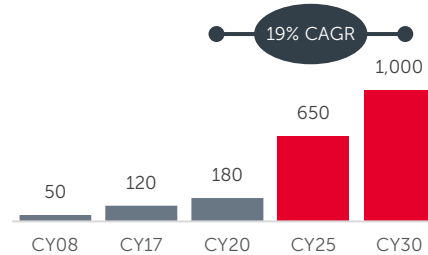
Workforce % of population ⁴



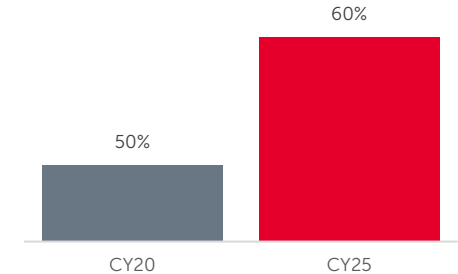
India's digital real estate market continues to demonstrate strong growth

- The Indian real estate market is significant (estimated at US\$180bn in CY20) and further growth is forecast¹, driven by continued:
 - population growth
 - economic growth, and
 - increasing proportion of middle class
- The real estate advertising market is fragmented with no entrenched market leader in either brokerage or classifieds
- COVID-19 is supporting a rapid shift to online technology, with acceleration in digital adoption and clear market acceptance for digital solutions in real estate
- The digital real estate classifieds advertising market is expected to increase from US\$76m in FY19 to US\$345m in FY25, with penetration of digital advertising lifting from 25% to 52%³

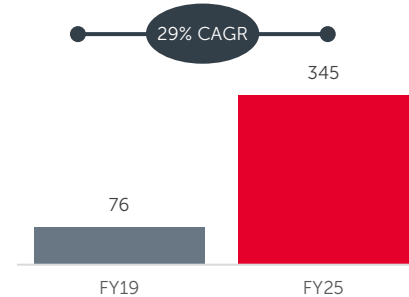
India's real estate market expected to hit US\$1.0tn in CY30 (US\$bn)¹



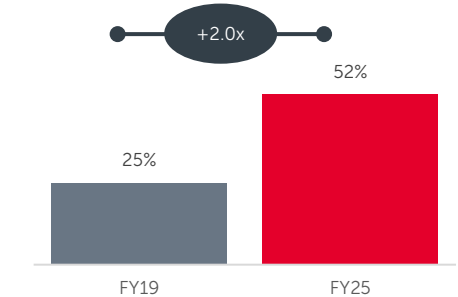
...with growing internet penetration (%)²



Digital real estate classifieds growing strongly (US\$m)³

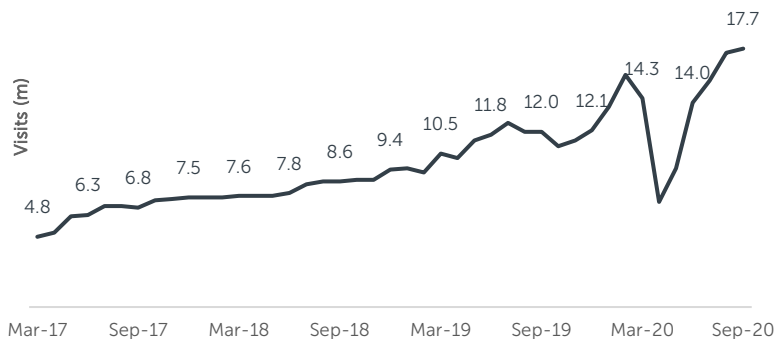


...with an increasing proportion of total real estate ad spend (%)³



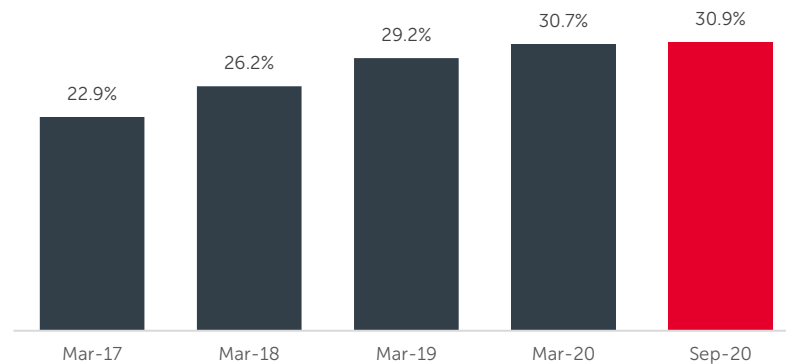
Elara is driving strong audience growth and increasing market share

Housing.com has achieved strong audience growth ... ¹



- 45% CAGR growth since Housing.com acquisition (Mar-17)
- CAGR of 50% in organic traffic over the same period

...and Elara has taken market share from competitors (visits) ²



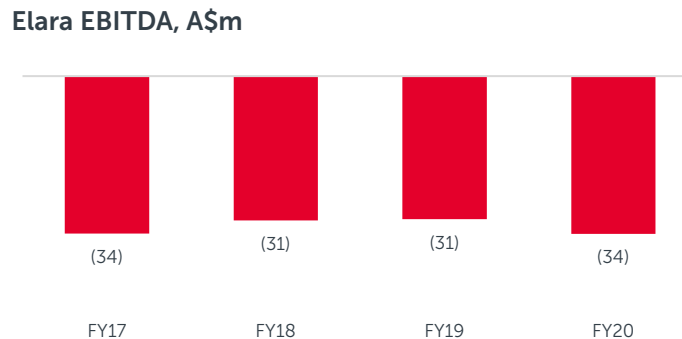
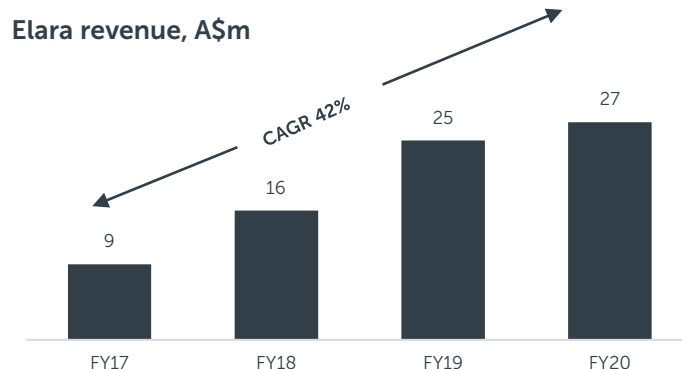
- Elara combined audience share has grown from 23% to 31%, making it #1 in aggregate
- Housing.com standalone (20.9%) remains #3 but growing in terms of share, behind 99acres (#1, 26.9%) and MagicBricks (#2, 26.5%)

Elara has delivered strong revenue growth while investing for future growth

- Elara has delivered strong revenue growth over the three years since REA invested in the business, generating a CAGR of 42% over FY17-FY20
- While COVID-19 continues to impact FY21 revenue, the business is well placed to return to growth post COVID-19
- Focus on obtaining market leadership will likely see EBITDA losses continue in the medium term

Transaction impact on REA's FY21 earnings:

- Assuming consolidation of 100% of earnings from 1 December (7 months):
 - Group revenue is expected to increase by A\$15 – 20m
 - Core operating EBITDA (excluding associates) is expected to decrease by A\$20 – 25m
 - Contribution from Associates to increase by A\$3 – 5m
 - The FY21 revenue, EBITDA and Associate ranges are indicative only, due to the market volatility created by COVID-19
- Shares on issue are expected to increase by 199.5 – 448.9k
- EPS is expected to be marginally dilutive and is dependent on the volume of the remaining shareholder acceptances



Transaction will be completed in two stages

- REA has entered into a binding agreement to move to a controlling interest in Elara
- The transaction is anticipated to be completed in Q2 FY21
- Transaction completion remains subject to confirmatory due diligence and renegotiation of key management employment contracts
- Total consideration is estimated between US\$50m-US\$70m *, with the transaction involving two stages:

STAGE 1 *

- REA has agreed to subscribe for US\$34.5m (A\$49.0m) of preference shares in Elara to fund the repayment of 50% of Elara's debt facility. This will be funded out of existing cash reserves. News Corp has also agreed to subscribe for US\$34.5m of preference shares in Elara to fund the repayment of the remaining 50%, increasing its shareholding in Elara from 22.1% to 38.9%
- REA to acquire Elara shares held by the three largest shareholders after News Corp and REA, representing a combined 11.7% shareholding. Consideration will be by way of REA issuing 199.5k new shares

Following stage 1, REA's shareholding will increase from 13.5% to 47.2%, and REA will hold 5 out of 9 Elara board seats

STAGE 2 *

- REA will offer to acquire all remaining shares in Elara, with the exception of News Corp's shareholding. The consideration for this acquisition will be by way of REA issuing new REA shares.
- If all of the remaining shareholders accept REA's offer, REA will issue a maximum of 249.3k additional shares.

Depending on the acceptance of REA's offer to acquire the remaining shares in Elara (Stage 2), REA's shareholding on completion will be between 47.2%-61.1%, with a total of 5 out of 9 Elara board seats

* Total acquisition consideration is subject to foreign exchange rates and the REA share price of newly issued REA shares on the date of completion. The number of new REA shares issued will be dependent on (a) final transaction price less any withholding tax deductions required to be settled in cash and (b) any regulations in India which may necessitate a component of the consideration to be settled in cash. REA share consideration estimated using an indicative REA share price of A\$120 per share.

Transaction summary

Acquisition step	Description	Consideration paid by REA A\$m	REA shares issued #	Cash paid by REA A\$m	REA cumulative shareholding	REA Board seats	News Corp cumulative shareholding
REA has agreed to subscribe for \$US34.5m of preference shares in Elara to fund the repayment of 50% of Elara's debt facility.	Cash	\$49.0 ¹	-	\$49.0	35.4%	2 out of 9	
News Corp has agreed to subscribe for \$US34.5m of preference shares in Elara to fund the repayment of the remaining 50% of Elara's debt facility.	Cash	-	-	-	-		38.9% (3 of 9 board seats)
REA has agreed to acquire the Elara shares held by the three largest shareholders after News Corp and REA.	New REA shares ¹	\$23.9	199.5k ¹	-	47.2%	5 out of 9 (Control)	-
REA will also offer to acquire all remaining shares in Elara, with the exception of News Corp's shareholding.	New REA shares ¹	\$0 – 29.9	0.0 – 249.3k	-	47.2 – 61.1%		-
	Estimated total consideration ²	\$72.9 – \$102.8m ²	199.5 – 448.9k ³	\$49.0	47.2 – 61.1%		38.9%

1. AUD:USD conversion of preference share conversion calculated at 0.7043 for indicative purposes
2. Total acquisition consideration is subject to foreign exchange rates and the REA share price of newly issued REA shares on the date of completion. The number of new REA shares issued will be dependent on (a) final transaction price less any withholding tax deductions required to be settled in cash and (b) any regulations in India which may necessitate a component of the consideration to be settled in cash. REA share consideration estimated using an indicative REA share price of A\$120 per share.
3. Represents a 0.2-0.3% increase in weighted average shares on issue

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rea-group.com

Disclaimer: This presentation contains non-specific background information about REA Group's current activities. This information is a summary only. Investors and potential investors should obtain independent advice. This information is not intended to provide advice to investors or potential investors and does not take into account the individual investment objectives, financial situation or needs of any particular investor(s). These factors should be considered when making investment decisions.

Investors:

Graham Curtin
General Manager Group Finance
P: +61 3 8456 4288
E: ir@rea-group.com

Media:

Prue Deniz
General Manager Corporate Affairs
M: +61 438 588 460
E: prue.deniz@rea-group.com