

ASX Announcement
9 May 2024

REA Group delivers exceptional Q3 performance

REA Group Ltd (ASX:REA) (REA Group) today announced its results for the nine months ended 31 March 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 nine months ended 31 March 2024.

Group financial highlights from core operations¹ for the nine months ended 31 March 2024 include revenue² of \$1,060m, up 20% YoY, and EBITDA³ excluding associates of \$616m, an increase of 24%.

Q3 revenue grew by 24% to \$334m, driven by strong Australian Residential and Commercial yield and India revenue growth. EBITDA excluding associates increased by 30% to \$177m.

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.

	Nine months ended 31 March⁴		
AUD\$m (unless stated)	FY24	FY23	YoY change
Revenue	1,060	887	20%
Operating expenses	444	392	13%
Operating EBITDA (excluding share of profit/losses from associates)	616	495	24%
EBITDA (including share of profit/losses from associates)	594	483	23%
Free cash flow ⁵	322	231	39%

	Three months ended 31 March⁴		
AUD\$m (unless stated)	FY24	FY23	YoY change
Revenue	334	269	24%
Operating expenses	157	133	18%
Operating EBITDA (excluding share of profit/losses from associates)	177	136	30%
EBITDA (including share of profit/losses from associates)	168	136	24%
Free cash flow ⁵	110	83	33%

REA Group Chief Executive Officer, Owen Wilson commented: “The Australian property market maintained its strong momentum during the quarter with seller confidence and healthy buyer demand driving activity. Australian consumers’ preference for our premium products and our focus on customer value delivered an exceptional result in this strong market.”

Q3 RESULT

AUSTRALIA

Core Australian revenue increased 24% YoY, reflecting double-digit yield growth and continued listings growth across our Residential and Commercial businesses. Excluding the impact of the CampaignAgent acquisition, Australian revenue increased 21%.

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 6% during the quarter, with Sydney listings rising 20% and Melbourne up 18%.

	Q1'23	Q2'23	Q3'23	Q4'23	Q1'24	Q2'24	Q3'24
Residential Buy listings change⁶							
National	5%	(21%)	(12%)	(18%)	1%	8%	6%
Sydney	5%	(34%)	(20%)	(17%)	16%	22%	20%
Melbourne	12%	(31%)	(18%)	(16%)	14%	24%	18%
Project commencement change	14%	(17%)	(22%)	(41%)	(18%)	(29%)	(2%)

The Australian Residential business had a strong quarter with revenue up 27%. Buy revenue growth was driven by a 19% increase in Buy yield, 6% growth in national listings and a positive impact of revenue deferral. Buy yield benefited from a 13% average national price rise, increased Premiere+ and total depth penetration, and a positive impact from geographical mix. Rent revenue increased with an 8% average price rise and growth in depth penetration, partly offset by a 5% decline in 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 flat, with lower project commencements offset by increased project duration.

Media, Data & Other revenues grew during the quarter. Data revenues increased due to higher PropTrack data & insights revenues, while growth in Media revenues was driven by higher developer display partially offset by lower programmatic display. Other revenues increased with strong growth from both Flatmates and CampaignAgent.

Financial Services revenue grew modestly, with increased penetration of higher-margin white label products partially offset by a 2% decline in settlements. The broker network increased 1% YoY to 1,058 at the end of Q3.

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

REA Group's network of brands holds three of the top four rankings across all Australian property websites⁷. The flagship site, realestate.com.au remains the number one property site maintaining its strong audience leadership position⁷.

Mr Wilson commented: "Our comprehensive brand strategy covers the full property experience. We have continued to enhance consumer experiences across all platforms and this is delivering strong results with realestate.com.au, realcommercial.com.au and property.com.au each achieving new audience highs in the quarter under Ipsos metrics⁸.

“Our realestate.com.au membership strategy, centred on the delivery of highly personalised experiences, continues to further strengthen the quality of our audience while driving exceptional value for our customers with strong growth both in seller leads and buyer enquiries across the quarter.”

Key audience highlights⁹ during the quarter included:

- 11.2 million people visited realestate.com.au each month on average¹⁰, with 52% exclusively using realestate.com.au¹⁰;
- 130 million average realestate.com.au monthly visits¹¹, 4.1 times more visits than the nearest competitor each month on average¹¹;
- 3.5 million unique properties tracked by their owner on realestate.com.au¹², up 38% YoY¹²;
- 2.4 million average monthly realestate.com.au buyer enquiries¹³, up 17% YoY¹³;
- 50% YoY increase in realestate.com.au seller leads¹⁴;
- 1.6 million people visited realcommercial.com.au each month on average¹⁵, 2.7 times more visitors than the nearest competitor each month on average¹⁵; and
- Property.com.au is now the clear number three property site⁷, reaching over 2 million visitors in March¹⁶.

INDIA

REA India continued its momentum during the seasonally strong Q3, with revenue up 31% YoY. Revenue growth was largely driven by Housing.com's property advertising business, benefiting from another strong Happy New Homes event, increased depth penetration and improving monetisation in Tier 2 cities, and growth in adjacency services on the Housing Edge platform.

CORE OPERATING COSTS

Excluding the impact of the CampaignAgent acquisition, Group operating costs grew 14%. Australian expenses were up 15%, driven by employee costs increasing due to accelerated investment and higher performance related incentives, and increased marketing costs. India operating costs increased by 13%, driven by higher marketing and revenue related costs. Including the impact of the CampaignAgent acquisition, Australian costs were up 20% and Group operating expenses increased 18%.

EQUITY ACCOUNTED INVESTMENTS

The Group's combined share of associates contributed a \$9m loss to core EBITDA, which compares to a \$0.5m loss in the prior period. This reflects continued tough market conditions in the US and investment for future growth from early-stage investments.

OUTLOOK

Australia's residential property market remains strong, particularly in the Melbourne and Sydney markets. Supply is benefiting from property prices rising to record levels and increased investor selling in some markets, while demand continues to be supported by strong fundamentals including low unemployment and high levels of immigration.

The earlier timing of Easter has impacted growth rates for national residential listings. March declined by 9% YoY, while April increased 32% benefiting from the timing of Easter and a particularly weak comparable in the prior year. Sydney and Melbourne continued to outpace other markets in April, up 45% and 53% respectively YoY. Year-to-date national listings are up 7%. Based on current market conditions, we would anticipate listings growth of 5-7% for FY24.

Residential Buy yield growth is expected to be between 18-19% in FY24. In FY25, Buy yield will primarily be driven by an average 10% price increase in our highest penetrated product, Premiere+.

We continue to target positive operating jaws in FY24, with Group operating cost growth in the mid to high-teens anticipated. Excluding M&A, operating cost growth for both Australia and India is expected to increase low to mid-teens. EBITDA losses in India are anticipated to be lower in FY24 compared to FY23.

The Group expects losses for combined contributions from associates in FY24 to be between \$25-30m.

Mr Wilson commented: “REA is well positioned for a strong finish to the financial year. The property market should continue to benefit from the belief that interest rates have reached, or are near the peak, providing buyers and sellers with confidence. We’re excited by our development pipeline and look forward to delivering new products and experiences that will continue to drive growth and further enhance the value of our audience.”

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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 Arealytics, a provider of commercial real estate information and technology in Australia. 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.

References

¹ Financial results/highlights from core operations excludes significant non-recurring items such as integration costs, impairment expense, gain on acquisition related activities and share of non-core costs in associates. 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, Mar 2024, P14+, PC/laptop/smartphone/tablets, text only, Homes and Property Category, Brand Group, Audience (000's).

⁸ Ipsos iris Online Audience Measurement Service, Apr 2023 - Mar 2024 (averaged quarterly), P14+, PC/laptop/smartphone/tablets, text only, Homes and Property Category, Brand Group, Realestate.com.au, realcommercial.com.au and property.com.au, Audience (000's).

⁹ 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.

¹⁰ Ipsos iris Online Audience Measurement Service, Jan - Mar 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 %.

¹¹ Ipsos iris Online Audience Measurement Service, Jan - Mar 2024 (average), P14+, PC/laptop/smartphone/tablets, text only, Homes and Property Category, Brand Group, Realestate.com.au vs Domain, Visits (000s).

¹² REA internal data Mar 24 and vs. Mar 23.

¹³ Adobe Analytics, internal data, Jan 24 - Mar 24 (average) and vs. Jan 23 - Mar 23 (average).

¹⁴ REA internal data, Jan 24 - Mar 24 vs. Jan 23 - Mar 23.

¹⁵ Ipsos iris Online Audience Measurement Service, Jan - Mar 2024 (average), P14+, PC/laptop/smartphone/tablets, text only, Homes and Property Category, Brand Group, realcommercial.com.au vs commercialrealestate.com.au, Visits (000s).

¹⁶ Ipsos iris Online Audience Measurement Service, Mar 2024, P14+, PC/laptop/smartphone/tablets, text only, Homes and Property Category, Brand Group, property.com.au, Audience (000's).