

Domain

ASX ANNOUNCEMENT

Domain Holdings Australia Limited 2019 Full-Year Results Announcement

Sydney, 16 August 2019: Domain Holdings Australia Limited [ASX:DHG] (“**Domain**” or “**Company**”) today announced its 2019 full-year financial results.

Domain reported statutory (Reported 4E) revenue of \$343.3 million and a net loss after tax of \$137.6 million (including significant items). Significant items after tax of \$174.9 million loss include a non-cash goodwill impairment of \$178.8 million, as disclosed in the half-year results at February 2019.

Domain’s underlying results (excluding significant items):

- **Revenue of \$335.6 million down 6.1%.**
- **EBITDA of \$98.0 million down 15.3%.**
- **EBIT of \$65.9 million down 26.4%.**
- **Net profit after tax of \$37.4 million down 29.3%.**
- **Earnings per share of 6.43¢ down 29.9%.**

At June 2019, net debt was \$113.2 million. A dividend of 4¢ per share (100% franked) was declared, bringing the full year dividend to 6¢, a payout ratio of 93% for the full year.

Domain Chief Executive Officer and Managing Director, Jason Pellegrino, said: “For FY19 Domain delivered a solid performance in the context of the challenging year faced by the Australian property market. To put this in perspective, property sales as a percentage of Australia’s dwelling stock are at their lowest point in more than 20 years.

“Our Residential business delivered growth in the number of paid depth contracts with agents, supporting growth in depth revenue despite substantial declines in new property listings. National depth penetration is at the highest level in the company’s history and we still see plenty of room to grow. We are leveraging our strong fundamentals and competitive strengths of effective listings parity and large, exclusive audiences to grow yield. Our strategy builds on these solid foundations. Domain is better placed than ever to deliver on our growth ambitions. This will be further supported as the market returns to a more positive listings environment.

“Our relationship with Nine provides opportunity to expand Domain’s reach and engagement through Nine’s broadcast and digital assets, and we’re excited about the upcoming launch of a new *Your Domain* TV show on September 7th.”

Delivering our Strategy

Mr Pellegrino said: “During my first 12 months at Domain we have been focused on establishing and driving the strategy which will support our next phase of growth.

“Our vision is to build a customer-centric Australian property marketplace. Everyone in our business is working to inspire confidence for all of life’s property decisions. There is substantial headroom to step change our performance by using our data to build products and offerings that better meet the needs of buyers, vendors and agents.”

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Highlights for the FY19 year include:

- 12% increase in residential yield in the context of significantly lower listings volumes;
- More than 30% underlying Commercial revenue growth and the strengthening of the business with the acquisition of CommercialView;
- An increased stake in Homepass, giving us control of the business and accelerating product development and integration;
- Domain Loan Finder and Domain Insure revenue more than tripled; Domain Loan Finder delivered significant momentum in operating metrics; and Domain Insure has had a successful proof of concept phase;
- An improved cost outcome, with underlying expenses (which exclude Consumer Solutions) down 5%, notwithstanding continued investment in product - a better outcome than at the first half result;
- The introduction of a new organisational structure aligned to agents and corporates, and consumers;
- Portfolio rationalisation with the sale of Compare & Connect and *Star Weekly* to pursue higher margin models;
- Increasing data capability to build valuable user experiences and support a smarter internal decision making process on where to direct investment, product development and marketing spend.

Core Digital (incl. Residential; Media, Developers & Commercial; and Agent Services)

“Core Digital revenue declined 0.8% and Core Digital EBITDA was 5.2% lower,” Mr Pellegrino said.

Residential

Mr Pellegrino said: “Residential revenue increased 0.5% to around \$173 million. This is a solid result from Residential in the context of lower listings volumes in key markets, where auction volumes declined around 25% in Sydney and 28% in Melbourne. Nationally, Domain new listings declined around 12%, double the 6% decline we reported in the first half result.

“Despite the lower volumes in the market, we achieved national yield growth, with an increase in the number of agents on paid depth contracts in every state. Yield growth is driven by a healthy even mix of depth uptake and price increases based on the value we deliver to agents and vendors - and we still see considerable room to grow.”

Media, Developers & Commercial

Mr Pellegrino said: “Media, Developers & Commercial revenue declined around 13% for the year. This reflected a challenging market environment for Media and Developers, the adoption of a new operating model for Media, and a strong performance from our Commercial business.

“As highlighted a year ago, we made the strategic decision to streamline digital media sales by transitioning to a programmatic advertising offering. While, as expected, this new model delivers lower revenue, it is also much lower cost and has delivered an improved margin.

“The Developer market reflected significant weakness in NSW and Victoria. Financing constraints and other regulatory issues have shifted market demand from investors to owner-occupiers, and from large high rise developments to smaller boutique projects which require a lower level of marketing support. Market share gains were achieved in our emerging markets.

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“Commercial’s growth momentum continued, with underlying revenue growth of more than 30% benefiting from higher depth penetration and product innovation. The acquisition of CommercialView during the year further strengthens CRE’s market position in Victoria.”

Agent Services

Mr Pellegrino said: “Agent Services revenue increased 15% underpinned by yield growth and the consolidation of Homepass following the increase in Domain’s ownership during the year. Excluding acquisitions, revenue increased by 10%.

“Our Agent Services business has a long history of partnering with Agents to deliver rich data and unique insights through our trusted agent tools Pricefinder, Homepass and MyDesktop. Homepass’ insights into the offline world are particularly valuable when combined with the online insights from our digital assets. We continue to enrich the agent experience through ongoing investment in innovation. Domain’s unique and differentiated assets are a platform for us to provide solutions to agents to address their key challenges and opportunities.”

Consumer Solutions (Transactions) & Other

Mr Pellegrino said: “Revenue increased 10%, with an EBITDA loss of \$7.2 million, reflecting investment in our emerging businesses Domain Loan Finder and Domain Insure.

“Momentum slowed at Compare & Connect, which was responsible for the bulk of Consumer Solutions’ revenue, with a further impact from our strategic decision to sell the business in Q4. Underlying revenue from Domain Loan Finder and Domain Insure, whilst still modest, more than tripled in size.

“We see significant potential for revenue growth and diversification in our emerging Consumer Solutions business across home loans, insurance and utilities connections. We are focused on large markets that are adjacent to our core listings business and strategically well placed to leverage Domain’s core audience and trusted brand.

“Domain Loan Finder is revolutionising the home loan industry - establishing an innovative way for consumers to find the finance they need while they search for a home.”

Print

Mr Pellegrino said: “Print revenues and EBITDA declined around 30%. These trends reflected the continued shift to digital, exacerbated by cyclical market conditions. Print is particularly exposed to high-value auction and developer markets in Sydney and Melbourne, which were especially impacted by the market downturn. Markets that experienced a lesser property downturn demonstrated lower rates of print decline. Ongoing cost initiatives and lower print volume contributed to a 29% reduction in expenses year-on-year.

“The sale of the *Star Weekly* titles late in FY19 reflects our focus on higher margin models across all our businesses. Adjusted for the impact of this divestment, print margins increased year-on-year, a significant achievement in the context of the market environment. Valuable passive audiences and a platform to build agent profile and brand underpin the strategic value of our print products to agents.”

Dividend

A dividend of 4¢ per share (100% franked) will be paid on 10 September 2019 to shareholders registered on 23 August 2019.

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Non-Cash Goodwill Impairment

The accounting standard AASB 16 required assessment of carrying values as a result of the lower FY19 listings environment, particularly in Sydney and Melbourne. These lower growth assumptions resulted in a non-cash impairment charge of \$178.8 million being recognised, as disclosed in the half-year results at February 2019. The charge is non-cash in nature and there is no impact on banking covenants.

FY20 Outlook

In line with broadly reported market indicators, Domain's proprietary datasets have also shown some encouraging signs of buyer activity in the first weeks of FY20, including increased attendance at open for inspections and increased home loan application volumes. However, listings volumes remained weak in a seasonally low listings period, with national market new listings declining ~20% in July 2019, with Sydney and Melbourne new listings down 26% and 27% respectively.

For FY20 Domain will remain disciplined in managing its cost base to take account of the trading environment, while continuing to invest in growth initiatives.

Investor Briefing

An investor briefing (teleconference and audio/slides webcast) on these results will be held today at 10:30am (AEST).

Webcast: [Click here](#) to register/join – or locate details at shareholders.domain.com.au in the “Results & Reports” section under “Presentations & Webcasts”

Teleconference: Toll Free 1800 558 698 or +612 9007 3187
Conference ID 10000331#

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