Domain

ASX ANNOUNCEMENT

Domain Holdings Australia Limited
2020 Full-Year Results Announcement

Solid FY20 performance in a challenging environment

Sydney, 20 August 2020: Domain Holdings Australia Limited [ASX:DHG] ("**Domain**" or "**Company**") today announced its 2020 full-year financial results.

Domain reported statutory (Reported 4E) revenue of $280.4 million, and a net loss after tax of $227.7 million including a goodwill impairment charge of $256.1 million.

Domain's underlying results (excluding significant items and disposals):

$M	FY20*	FY19*	% ch	Like-for-like % ch**
Revenue	**261.6**	292.4	(10.5%)	(9.1%)
Share of Profits (Loss)	**-**	(0.3)	NM	NM
Expenses	**(177.2)**	(197.8)	10.4%	5.0%
EBITDA	**84.4**	94.2	(10.4%)	(17.4%)
EBIT	**43.3**	64.3	(32.7%)	(29.2%)
Net profit attributable to members of the company	**21.6**	36.0	(40.1%)	
Earnings per share (EPS) ¢	**3.70**	6.19	(40.3%)	

*FY19 and FY20 results exclude disposals **Like-for-like adjustments include extra week of trading in FY19, revenue deferral arising from extended duration of listings, impact of acquisitions, accounting adjustments arising from the adoption of AASB 16 and benefits from the Jobkeeper scheme

At June 2020, net debt was $105.8 million a reduction from $147.9 million at December 2019. In light of the continued uncertainty of the outlook, no dividend was declared.

Domain Chief Executive Officer and Managing Director, Jason Pellegrino, said: "Despite the challenges brought about by COVID-19 in the fourth quarter, Domain's key assets of large engaged audiences, effective listings parity and innovative solutions continued to deliver value to agents and consumers in FY20. In our Residential business, the number of paid depth contracts increased in all states, underpinning record depth penetration. The introduction of our flexible pricing model and continued implementation of targeted market-by-market strategies, supported a 6% increase in controllable yield, with further gains from favourable market mix."

For FY20 Domain delivered revenue of $261.6 million, a like-for-like reduction of 9.1%. Like-for-like expenses reduced 5%, benefiting from a multi-year strategy to drive cost discipline, partially offset by investment in growth initiatives. The reported expense decline of 10.4% included impacts from AASB 16, and the Jobkeeper scheme. EBITDA of $84.4 million reduced 17.4% on a like-for-like basis, a solid result in the circumstances."

Delivering our Strategy

Mr Pellegrino said: "Despite the challenging backdrop, FY20 was a year of significant achievement for Domain with ongoing progress against our strategy. In addition, we continued to evolve our business model to deliver on our vision of building a customer-centric property marketplace.

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"In responding to COVID-19, we implemented Project Zipline to allow us to continue to deliver on our strategy while "ziplining" over difficult circumstances. I am very proud of how teams right across the business responded with a broad array of appropriate solutions. The safety of our people, our customers and the broader community was central to our response. However, we also recognised the necessity of an immediate reduction in cash burn to prepare for an uncertain outlook, and ensure the long-term financial sustainability of Domain.

"For our agent customers, many of whom are small businesses, we introduced a range of support packages at a cost of around $5 million to revenue.

"For our people, we were mindful of the impact that staff redundancies, stand-downs or pay cuts would have on personal lives, business productivity and the pace of Domain's business model evolution. Our voluntary programme with the options of reduced working hours, or reduced cash salary in exchange for share rights, was overwhelmingly supported by our staff. Together with the benefits provided by the Federal Government's Jobkeeper scheme, this enabled us to preserve jobs and maintain business momentum. Other measures adopted to preserve cash flow included a pause on print during Q4, and focused and efficient marketing spend.

"To strengthen our balance sheet, we reached agreement with our banking group to extend Domain's banking facilities and waive covenants for June and December 2020.

"For consumers and agents, our product teams delivered creative solutions to new social distancing requirements in impressively short timeframes. Importantly, these initiatives are also providing long term value by contributing to the evolution of our business model."

Key achievements during FY20 include:

- The successful implementation of a new flexible pricing model. This underpinned 6% growth in controllable residential yield, with further benefits from market mix;
- A record number of depth contracts and growth in depth penetration;
- 23% growth in organic traffic, an acceleration from the 18% growth achieved in the first half;
- 83% growth in Consumer Solutions' revenue, supported by a strong performance from Domain Loan Finder where unconditional approvals and settlements defied the challenging listings backdrop;
- Continuation of a multi-year strategy to simplify and optimise our business with a 5% reduction in like-for-like expenses;
- 24% reduction in marketing cost per lead, reflecting efficiency gains and record organic audiences. June 2020 delivered a 39% year-on-year gain in unique digital audience;
- The acquisition of Real Time Agent to deliver value to agents by streamlining offline property processes;
- And the sale of MyDesktop to focus on our goal of delivering valuable live data and insights solutions to all agents.

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

"Core Digital revenue declined 6.4% on a reported basis and 5% like-for-like. Core Digital EBITDA declined 6.6%," Mr Pellegrino said.

Residential

"We continue to make progress in driving higher quality traffic with targeted and efficient marketing spend. For FY20 we delivered strong year-on-year growth in quality audience metrics, with a 14% increase in unique digital audience, 43% increase in app launches in the second half, 29% increase in listing views and 41% increase in leads.

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"Our organic audience traffic to Domain grew strongly, increasing 23% year-on-year, an acceleration from the first half. And these trends, combined with targeted marketing, resulted in a 24% reduction in marketing cost per lead, also an improvement on the first half. Domain finished the year with a unique digital audience of 6.6 million in June, a 39% year-on-year increase, with access to an audience of nearly 8 million including Allhomes and Print. Year-on-year app launches in June 2020 increased an incredible 81%," added Mr Pellegrino.

"Residential revenue declined by 6.7% year-on-year, and 4% on a like-for-like basis. The decline in Residential depth revenue of 1% like-for-like was a solid performance in the context of the 11% reduction in total market residential listings. Domain delivered a 6% increase in controllable yield, with a further positive contribution from favourable market mix. Residential subscription revenue declined 15% like-for-like as a result of the customer support initiatives provided during the fourth quarter."

Media, Developers & Commercial

Mr Pellegrino said: "Revenue declined 8.6% as the environment impacted the performance of all three verticals. Media continued to see the impact of its new operating model during the first quarter. Broad weakness in the advertising market was exacerbated by COVID-19 in H2, with reduced spending in key advertising categories. Despite lower revenue, the new operating model is delivering an improved margin.

"In the Developer market, lower investor demand and COVID-19 impacts on immigration, resulted in the deferral of high-rise apartment projects. Stronger activity in smaller boutique projects was not sufficient to provide an offset due to lower required levels of marketing support. CRE's strong first half performance was disrupted in H2 by COVID-19 impacts. Industrial and office outperformed retail and hotel sectors. CRE's new flexible value-based pricing model supported growth in yield and market share, and increased depth penetration in the first half," said Mr Pellegrino.

Agent Services

Mr Pellegrino said: "In Agent Services, revenue increased 0.6% adjusted for the sale of MyDesktop. Pricefinder delivered a solid performance for the year, underpinned by non-agent subscriptions. Revenue at both Pricefinder and Homepass was impacted in the second half by agent support packages.

"Real Time Agent contributed from the time of its acquisition in November 2019. Its product suite is providing valuable solutions in the COVID-19 environment, including online auctions and private treaty contracts. RTA is benefiting from significant growth in its platform as it drives take-up by agents and broadens its geographic footprint. There is considerable value in combining RTA's creative solutions with the scale and strength of Domain's national platform."

Consumer Solutions & Other

Mr Pellegrino said: "Consumer Solutions & Other revenue increased 83%, adjusted for the sale of Compare & Connect and EBITDA losses reduced by 58% to $3.6 million. Domain Loan Finder's digital model has been uniquely placed to support consumers during the COVID crisis, and is accelerating our evolution to a property marketplace. During COVID there has been soaring demand for refinancing, and Domain Loan Finder responded with a timely marketing campaign and attractive solutions. This has underpinned a surge in new account creation in the third and fourth quarters."

Print

Mr Pellegrino said: "Print revenues, adjusted for the sale of *Star Weekly,* declined around 41% and EBITDA declined 56%.

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"The weak market for auctions and developers in the first half was further impacted by a COVID-driven pause on print in the second half. Notwithstanding the environment and the significant revenue impact of the print pause, profitability was maintained through continued cost reduction initiatives. COVID has accelerated the ongoing structural decline of Print across the country, while remaining a sustainable proposition in premium markets where Domain's print assets are located. Print continues to deliver high value, aspirational audiences, and unmatched branding opportunities for agents."

Non-Cash Goodwill Impairment

The accounting standard AASB 136 required assessment of carrying values as a result of the impact of COVID-19 on the operating environment. The charge is non-cash in nature and there is no impact on banking covenants, or our view of the long-term growth prospects for the business.

Dividend

In light of the continued uncertainty of the outlook, no dividend was declared.

FY21 Outlook

- July 2020 trading reflects strong year-on-year listings growth in Sydney and Melbourne with greater than usual market activity in a seasonally low period, and against historically weak comparatives. Domain has continued to deliver solid gains in controllable yield from pricing and depth, with further benefits from favourable market mix.

- Notwithstanding the strong July trading, the outlook for the broader market remains uncertain. FY21 H1 will be subject to the health and economic consequences of COVID-19, and in particular the return of more typical seasonality patterns for the Spring selling season. Melbourne's performance will reflect the duration of the COVID-related lockdown.

- For FY21, 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

Teleconference: Click here to register/join

Ends

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