

Domain

ASX ANNOUNCEMENT

Domain Holdings Australia Limited 2021 Half-Year Results Announcement

FY21 H1 delivers 20% like-for-like Core Digital EBITDA growth

Sydney, 16 February 2021: Domain Holdings Australia Limited [ASX:DHG] (“Domain” or “Company”) today announced its 2021 half-year financial results.

Domain reported statutory (Reported 4D) revenue of \$138.4 million, and a net profit after tax of \$19.6 million including a significant profit of \$0.2 million.

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

\$M	FY21 H1	FY20 H1	% ch	Like-for-like % ch*
Revenue	137.0	142.3	(3.8%)	(5.5%)
Expenses	(82.5)	(96.5)	14.5%	9.9%
EBITDA	54.5	45.8	18.9%	3.6%
EBIT	34.7	24.7	40.1%	11.8%
Net profit attributable to members of the company	19.4	12.7	52.2%	
Earnings per share (EPS) ¢	3.32	2.18	51.9%	

*Like-for-like adjustments include revenue deferral arising from extended duration of listings, acquisitions and Jobkeeper benefits.

At December 2020, net debt was \$111.5 million compared with \$105.8 million at June 2020. In light of the continued COVID-19 uncertainty, the Board has deferred consideration of a dividend until the full-year results.

Domain Chief Executive Officer and Managing Director, Jason Pellegrino, said: “I am excited to report the first year-on-year growth in market listings since I joined Domain two-and-a-half years ago. Today’s results demonstrate our ability to capitalise on the current opportunities, whilst purposefully investing for long term growth, squarely focused on the elements we can control. We are executing on the opportunity that lies in front of us. This is reflected in increased depth penetration, acceleration in our controllable yield, and 20% like-for-like Core Digital EBITDA growth in the first half result. At the same time, we are building for the future in a focused and disciplined way, as evidenced by the velocity of our Marketplace innovation pipeline, and the early contribution of these initiatives.”

Key achievements during FY21 H1 include:

- 9% growth in controllable residential yield, with increased depth penetration to record levels;
- 20% like-for-like growth in Core Digital EBITDA;
- 57% increase in app launches, reflecting our highly engaged audiences;
- ~30% growth in the number of Real Time Agent subscribers between June and December 2020;
- The launch of MarketNow, our joint venture for flexible payment solutions;
- The scaling up of our newly launched Early Access product;
- 28% revenue growth and 50% increase in new accounts at Domain Home Loans;
- Accelerated investment in data initiatives to support unique products and insights;
- Expanded beta testing of Lead Miner producing impressive improvements in conversion rates; and
- The launch of a real-time demand forecaster for properties to add value to owners and agents.

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“It is encouraging to see we are now entering a supportive environment for property, with low interest rates and high levels of demand. Although we have seen a modest early recovery, property turnover remains well below historic mid cycle levels. Longer term there’s an opportunity for stamp duty reform to provide a further step-change to transaction volumes.”

For FY21 H1 Domain delivered revenue of \$137.0 million, a like-for-like decline of 5.5%. Like-for-like expenses reduced 9.9%, benefiting from a multi-year strategy to drive cost discipline, partially offset by investment in growth initiatives. The reported expense decline of 14.5% included benefits from the Jobkeeper scheme. EBITDA of \$54.5 million increased 3.6% on a like-for-like basis and 18.9% on a reported basis.

Delivering on our Strategy

Mr Pellegrino said: “Our evolution to a Marketplace model is all about making our solutions work better together. We are maximising the opportunities that already exist within our key assets, and the depth of our long-standing and trusted relationships. By creating a cohesive ecosystem of services, we can support agents and consumers at more points of their property journeys, and fulfil Domain’s purpose to inspire confidence for all of life’s property decisions.”

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

“Core Digital revenue increased 5.3% on a reported basis and 3.2% like-for-like. Core Digital EBITDA increased 32.8%, and 20% like-for-like.” Mr Pellegrino said.

Residential

“We continued to deliver strong year-on-year growth in first half quality audience metrics, with a 23% increase in unique digital audience. App launches grew by an extraordinary 57%, indicative of very high levels of audience engagement. We also saw continued strong growth in listing views and leads, highlighting the increasing value we are delivering to consumers and agents. Our app metrics have continued to strengthen in the second half. App launches have accelerated to 67% year-on-year growth in January, and app downloads have reached a new five-year high. Listing views and leads also reached new highs in January, an extraordinary outcome in a typically lower seasonal period.

“Our marketing programs, and focus towards quality audiences is driving considerable efficiencies in marketing spend. Our cost per enquiry reduced 40% year-on-year, an excellent outcome. In November, Domain had a unique digital audience of 7.1 million. Including Allhomes and Print we access a broad audience of more than 8 million, with our relationship with Nine providing further exposure to an audience of more than 17 million” added Mr Pellegrino.

“Residential revenue increased 10.6% year-on-year and 8.5% on a like-for-like basis on modestly higher overall listing volumes. Domain delivered a 9% increase in controllable yield supporting Residential depth revenue growth of 10.5% on a like-for-like basis. This good performance benefited from a strong finish to the half, and a bounce-back in Melbourne following lockdown. Residential subscription revenue declined marginally.”

Media, Developers & Commercial

Mr Pellegrino said: “Revenue declined 8.7% with a mixed performance across the three verticals. Media delivered strong year-on-year growth, benefiting from quality audiences and content, and our focus on niche and premium advertisers. The business is maintaining improved margins, reflecting the new operating model.

“The Developer market continues to see a shift from large multi-storey apartment projects to smaller boutique developments, and a shift from investor to owner-occupier projects. There was meaningful variation in activity on a state-by-state basis, with a solid performance from New South Wales, a strong

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performance from the ACT and a decline in Victoria during lockdown. Excluding Victoria, the business delivered modest year-on-year growth.

“The Commercial Real Estate market remained disrupted by COVID-19 through the half, particularly on the East Coast, with the weakest performance across the three verticals. There was some improvement in performance towards the end of the half, and encouragingly the new pricing model supported an increase in revenue per lease listing for the period,” said Mr Pellegrino.

Agent Services

Mr Pellegrino said: “In Agent Services, revenue declined 3.7% adjusted for the sale of MyDesktop. Pricfinder and Homepass were both impacted by COVID-19 lockdowns, with improving momentum late in the half. Real Time Agent benefited from a full half year contribution and strong underlying growth.

“Real Time Agent’s creative agent solutions have seen accelerating take-up when combined with the power and scale of Domain’s national platform. There has been significant geographic expansion as RTA has expanded beyond its Victorian roots. Additionally, there has been substantial expansion in RTA’s product suite, with the addition of private treaty to auction contracts, and the rollout of new Concierge and Vendor Paid Advertising products. The embedding of these products into the Agent workflow supports low levels of churn.”

Consumer Solutions & Other

Mr Pellegrino said: “Consumer Solutions & Other revenue increased 13.0%, with the slowdown in overall momentum impacted by a shift to a new higher margin utilities model. Revenue growth at Domain Home Loans increased 28%. New account creation has remained very strong, with a 50% uplift in the first half. We have been implementing measures to improve conversion, with integration into the app, and increased investment in the broker network.

“Domain Home Loans continues to achieve very positive customer reviews, and I’m incredibly proud that the business was the 2021 winner of Product Review’s home loan category. This is a significant achievement, and testament to our customer-centric, innovative approach to this category” said Mr Pellegrino.

Print

Mr Pellegrino said: “Print revenues were significantly affected by the pause on print undertaken during COVID-19 lockdowns, with a greater than 60% decline in print editions during the half. Cost reduction initiatives, together with print volume declines supported a 58% year-on-year decline in expenses, and the maintenance of EBITDA profitability.

“While COVID-19 has accelerated the shift from print to digital, Domain’s high value audience of around 1.5 million, in premium markets, underpins the sustainability of our magazines.”

Dividend

In light of the continued COVID-19 uncertainty, the Board has deferred consideration of a dividend until the full-year results.

FY21 Outlook

- Trading in January 2021 reflects an encouraging start to the calendar year. We continue to see the atypical seasonal patterns which were a feature of FY21 H1, particularly evident in the early listings strength in Melbourne.
- We will maintain our disciplined investment approach while improving the quality of our cost base, to accelerate our Marketplace strategy.

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- For FY21, total costs (adjusted for divestments) are expected to increase in the mid-to-high single digit range from the FY20 base of \$177.2 million. FY21 H2 will reflect the absence of contributions from the Federal Government's Jobkeeper scheme and Domain's Project Zipline employee program, both of which benefited FY20 H2 and FY21 H1.

Investor Briefing

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

Webcast: Click [here](#) to register/join

Teleconference: Click [here](#) to register/join

Ends

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