

ASX Announcement
6 May 2022

REA Group delivers a strong Q3 performance

REA Group Ltd (ASX:REA) today announced its results for the nine months ended 31 March 2022 as reported by News Corporation (News Corp) (ASX:NWS). The News Corp report includes US GAAP financial information for REA Group and its subsidiaries for the nine months ended 31 March 2022.

Group financial highlights from core operations¹ for the nine months ended 31 March 2022 include revenue² of \$869m and EBITDA³ including associates of \$523m.

The group delivered a strong result for Q3, with 23% YoY revenue growth driven by the Australian residential business and the inclusion of Mortgage Choice, and EBITDA including associates up 27%.

A summary table of the key financial information from core operations 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.

AUD\$m	For nine months ended 31 March ⁴			
	FY22	FY21	YoY growth	YoY growth (ex-acquisitions) ⁵
Revenue	869	656	32%	23%
Operating expenses	347	250	39%	13%
Operating EBITDA (excluding share of profit/losses from associates)	522	406	29%	28%
EBITDA (including share of profit/losses from associates)	523	413	27%	25%
Free cash flow	260	158	64%	68%

AUD\$m	For three months ended 31 March ⁴			
	FY22	FY21	YoY growth	YoY growth (ex-acquisitions) ⁵
Revenue	278	226	23%	17%
Operating expenses	122	105	17%	6%
Operating EBITDA (excluding share of profit/losses from associates)	156	121	29%	24%
EBITDA (including share of profit/losses from associates)	155	123	27%	23%
Free cash flow	91	65	39%	35%

REA Group Chief Executive Officer, Owen Wilson commented: "Australians transacted property at pace during the quarter as continued high demand gave sellers the confidence to bring their properties to market. These conditions, combined with record take up of our premium products, contributed to our very strong result. We also continued to see excellent growth in our strategically important Financial Services, Data and Indian businesses".



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Q3 RESULT

The Australian residential property market continued the post-covid recovery during the quarter. National listings increased 11% YoY, with Sydney up 14% and Melbourne up 8%.

A summary of the quarterly residential listings and project commencement changes is outlined in the table below, showing changes against the prior corresponding period:

	Q3'21	Q4'21	Q1'22	Q2'22	Q3'22
Residential Buy listings change⁶					
National	8%	54%	11%	22%	11%
Sydney	6%	64%	-7%	39%	14%
Melbourne	14%	64%	79%	25%	8%
Project commencement change	14%	44%	-37%	-10%	-15%

The Australian Residential business delivered strong revenue growth for the quarter, reflecting higher buy listings, the price rise from July 2021, increased depth and Premiere penetration, and continued growth in add-on products. Rental revenue continued to benefit from increased depth penetration and price rise, however this was more than offset by a decline in rental listings.

Commercial and Developer revenue was broadly flat. Commercial revenues increased due to higher depth volumes and price rise, however this was offset by lower Developer revenues which were impacted by the continued decline in project commencements.

Media, Data & Other revenues increased for the quarter, with strong YoY growth in Data and more modest growth for Media and Other revenues.

Financial Services delivered strong growth in operating revenues, due to continued growth in settlements and brokers. The rebrand of Smartline brokers to Mortgage Choice commenced during the quarter, and full integration remains on track for completion by Q3 FY23.

REA India delivered strong revenue growth for the quarter, driven by Housing.com's property advertising business, which saw audience growth of 31% YoY⁷. Revenue has also continued to benefit from growth in adjacency products on the Housing Edge platform, such as Rent Pay.

Core operating costs, excluding acquisitions, increased by 6% YoY, mainly due to higher employee costs as the Group continues to invest to deliver strategic initiatives, and increased marketing and revenue-related costs.

The Group's combined share of associates contributed a \$0.5m loss to core EBITDA, down from a \$1.4m gain in Q3 FY21, primarily reflecting the equity accounted loss from PropertyGuru, which was not in the prior period.

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

REA Group's flagship site, realestate.com.au, further consolidated its leadership position⁸, delivering a record average monthly audience in Q3⁹. Realestate.com.au grew to be Australia's sixth largest online brand during the quarter¹⁰.

"Having the largest and most engaged audience delivers great value to our customers. This is key to our success, and we were pleased to realise a strong increase in active members during the quarter, with greater uptake of our property tracking and valuation tools," Mr Wilson said.

Key realestate.com.au audience highlights for Q3 included:

- 12.7 million people visited each month on average⁹, or 63% of Australia's adult population¹¹;
- 124.0 million average monthly visits¹², 3.4 times more visits than the nearest competitor each month on average¹³;
- 26% YoY increase in active members¹⁴; and
- 50% YoY increase in active property owner tracks¹⁵

OUTLOOK

The fundamentals of the residential property market remain positive, with an increasingly healthy balance between supply of properties and demand from buyers. While further interest rate rises are expected, strong bank liquidity, record low unemployment and increased immigration should underpin the Australian property market.

As expected, April national residential listings were down 8% YoY, with Sydney listings declining 19% and Melbourne 18%, impacted by the timing of the Easter and Anzac Day holiday period. National listings are likely to be down YoY in the fourth quarter, reflecting very strong prior period listings and potential impacts from the federal election.

As with residential listings, Financial Services settlements growth is likely to slow in the fourth quarter as we cycle exceptionally strong prior year comparables. We also expect the current industry trend of increased mortgage run-off rates to negatively impact the valuation of future trail commissions at year end.

Developer project commencements are expected to be down YoY in Q4 as we cycle very strong prior year volumes, which were assisted by the Homebuilder government stimulus extension. The impact of rising construction costs is also causing delays to some projects.

It is anticipated that Q4 volume headwinds will be more than offset by higher Residential and Commercial yields, supported by contracted price rises and increased depth penetration, the benefit of strong March volumes deferred into Q4, and growth in Data and REA India revenues.

The Group continues to target full year positive operating jaws, excluding the impact of the REA India and Mortgage Choice acquisitions, with low-double digit operating cost growth expected.

"The Australian property market is very healthy. While we are seeing housing price moderation in some areas, the strong economic fundamentals will continue to support robust conditions beyond this quarter. We are excited by the significant growth opportunities throughout our business and are well positioned to deliver another strong full year result," Mr Wilson concluded.



A full copy of News Corp's Form 10-Q to be filed with the U.S. Securities and Exchange Commission (SEC) will be lodged with the ASX when it becomes available. It is noted that the reported US Dollar figures in the News quarterly release may not match with the Australian Dollar figures noted above, as the reported figures are presented in accordance with US GAAP with which News Corp must comply.

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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 Smartline Home Loans Pty Ltd and Mortgage Choice Pty Ltd, Australian mortgage broking franchise groups, and PropTrack Pty Ltd, a leading provider of property data services. 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, Campaign Agent Pty Ltd, Australia's leading provider of Buy Now Pay Later solutions for the Australian real estate market and Managed Platforms Pty Ltd, an emerging Property Management software platform. Internationally, REA Group holds a controlling interest in REA India Pte. Ltd. operator of established brands Housing.com, Makaan.com and PropTiger.com and owns a leading portal in China (myfun.com). REA Group also holds a significant minority shareholding in Move, Inc., operator of realtor.com in the US, and the PropertyGuru Group, operator of leading property sites in Malaysia, Singapore, Thailand and Vietnam.

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References

¹ Financial results/highlights from core operations exclude significant non-recurring items such as gain/loss on acquisitions, disposals and discontinued operations, related transaction costs and integration costs. The prior year comparative also includes a historic tax provision (historic indirect tax provision reflects potential retrospective changes to interpretation of tax law).

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 YoY growth (ex-acquisitions) excludes REA India results from 1 January 2021 and associate equity accounted contributions prior to 1 January 2021, and Mortgage Choice results from 1 July 2021.

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 Similarweb, average site visits Jan 22 – Mar 22 vs. Jan 21 – Mar 21.

⁸ Nielsen Digital Media Ratings (Monthly Tagged), Jan 22 – Mar 22 vs. Jan 21 – Mar 21, P2+, Digital (C/M), text, realestate.com.au vs Domain, Unique Audience.

⁹ Nielsen Digital Media Ratings (Monthly Tagged), Jan 22 - Mar 22 (average), P2+, Digital (C/M), text, realestate.com.au, Unique Audience.

¹⁰ Nielsen Digital Media Ratings (Monthly Total), Mar 22, P2+, Digital (C/M) Text, All Categories, Unique Audience.

¹¹ Nielsen Digital Media Ratings (Monthly Tagged), Mar 22, P18+, Digital (C/M), text, realestate.com.au, Active Reach %.

¹² Nielsen Digital Media Ratings (Monthly Tagged), Jan 22 - Mar 22 (average), P2+, Digital (C/M), text, realestate.com.au, Total Sessions.

¹³ Nielsen Digital Media Ratings (Monthly Tagged), Jan 22 - Mar 22 (average), P2+, Digital (C/M), text, realestate.com.au vs Domain, Total Sessions.

¹⁴ REA internal data Jan 22 - Mar 22 vs. Jan 21 - Mar 21.

¹⁵ REA internal data Mar 22 compared to Mar 21.

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