Domain

ASX ANNOUNCEMENT

Domain Holdings Australia Limited
2022 Full-Year Results Announcement

Ongoing EBITDA growth of 38% on record depth penetration

Sydney, 17 August 2022: Domain Holdings Australia Limited [ASX:DHG] ("**Domain**" or "**Company**") today announced its 2022 full-year financial results.

Domain reported statutory (Reported 4E) revenue of $357.0 million, and a net profit after tax of $35.1 million including a significant expense of $20.2 million. A dividend of 4.0 cents per share was declared.

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

$M	FY22	FY21	% ch
Revenue	**356.7**	289.6	23.2%
Expenses	**(234.6)**	(189.0)	(24.1%)
EBITDA	**122.1**	100.6	21.4%
EBIT	**91.9**	64.5	42.4%
Net profit attributable to members of the company	**55.3**	37.9	46.0%
Earnings per share (EPS) ¢	**9.30**	6.48	43.4%

Domain's ongoing results* (adjusted for JobKeeper/Zipline):

$M	FY22	FY21	% ch
Revenue	**356.7**	289.6	23.2%
Expenses (excluding Realbase acquisition)	**(221.2)**	(195.5)	(13.2%)
Expenses (including Realbase acquisition)	**(226.7)**	(195.5)	(15.9%)
EBITDA	**130.1**	94.0	38.2%
EBITDA margin (%)	**36.5%**	32.5%	

* Ongoing result excludes JobKeeper and Zipline expense of $8.0 million in FY22 and JobKeeper and Zipline benefit of $6.5 million in FY21. Zipline was Domain's voluntary employee program implemented during the initial stages of the COVID-19 pandemic to deliver a 20% reduction in employee cash salary.

Key FY22 achievements:

- Realising the benefits of our Marketplace strategy to drive growth right across the business;
- 14% increase in controllable residential yield, and record depth penetration;
- 31% growth in ongoing Core Digital EBITDA with margins of 48.8%;
- 69% underlying revenue growth at Consumer Solutions underpinned by a strong performance from Domain Home Loans (DHL).

Domain Chief Executive Officer and Managing Director, Jason Pellegrino, said: "Over the past four years our team has remained laser focused on the elements of our business that we can control, against a backdrop of considerable trading volatility. This mindset has positioned Domain to leverage property market strength, while providing downside protection when the cycle has been less supportive. The creativity and hard work of our team are building Domain into a fundamentally stronger business, and this is reflected in the outstanding set of results we are delivering today."

For FY22, Domain reported revenue of $356.7 million up 23.2%, expenses of $234.6 million and EBITDA of $122.1 million. Net profit of $55.3 million increased by 46% and Earnings per Share of 9.3 cents increased by 43%.

Mr Pellegrino said: "Domain's FY22 trading results on a reported basis are significantly impacted by the timing of the JobKeeper grant and repayment, and the benefits and costs of Zipline, our voluntary employee program undertaken during the early stages of the COVID pandemic. In FY21 we received a net $6.5 million EBITDA benefit from JobKeeper and Zipline. In FY22 this reversed to an additional expense of $8.0 million. Domain's ongoing results exclude the impact of JobKeeper and Zipline from both periods. On this basis, ongoing expenses of $226.7 million increased 13.2% excluding the Realbase acquisition, in line with guidance, and 15.9% including Realbase. EBITDA of $130.1 million increased 38%, delivering margin expansion across every segment, with the ongoing core digital margin of 48.8% a stand-out.

At June 2022, net debt was $151.5 million representing a leverage ratio of 1.2x ongoing EBITDA.

Delivering on our Strategy

Mr Pellegrino said: "Domain's purpose to inspire confidence in life's property decisions underpins the creation of our property Marketplace. Our goal is to support customers and consumers by continually increasing the value we provide at more points of their property journeys. Our solutions are driving impressive "Better Together" results across our property Marketplace.

Core Digital (incl. Residential; Media, Developers & Commercial; Agent Solutions and Property Data Solutions)

Core Digital Revenue increased 22.6%. Core digital EBITDA increased 18.4% on a reported basis and 31.0% on an ongoing basis, Mr Pellegrino said.

Residential

"Residential revenue increased 23% to $239.2 million, supported by outstanding depth revenue growth of 26%. Depth growth was supported by a 9% uplift in new 'for sale' listings, and a controllable yield increase of 14%, driven by both price and depth penetration. Overall depth penetration and Platinum penetration continued to grow strongly in every state despite the continued COVID disruptions during the first half. While New South Wales' depth performance is particularly impressive, it's pleasing to see the progress in Victoria and Queensland where we continue to see significant opportunity. South Australia and WA are delivering substantial gains in gold and silver tiers, highlighting the benefit of taking a customised approach to individual markets based on their specific characteristics. Our price increases implemented in July 2022 are targeted to drive higher levels of depth penetration, and were implemented with a record number of new Q4 depth contracts which increased 70% YoY," said Mr Pellegrino.

Media, Developers & Commercial

Mr Pellegrino said: Revenue increased 7%, with stronger H1 growth across all three verticals. Commercial Real Estate was the best performing business, delivering solid revenue growth for the year, and benefiting from its flexible value-based pricing model. The business delivered record levels of depth penetration across every state in both sale and lease which offset a weaker listings environment.

"Developers also delivered a solid depth performance in a challenging market for multi-storey developments. Weakness in ACT reflected the COVID-related H1 shutdowns.

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"Media continued to leverage quality audiences and content, although an elevated base of comparison from the prior year constrained H2 growth rates."

Agent Solutions

Mr Pellegrino said: "In Agent Solutions, revenue increased 67% including the contribution from Realbase from May. On an underlying basis, revenue increased 17%. During FY22 Pricefinder delivered 12% year-on-year growth in subscribers, and its largest net additions in seven years, supported by an enhanced sales effort and lower churn. RTA's growth momentum continued with 70% year-on-year revenue growth based on momentum in new customer acquisition, increased geographic footprint and expanded product take up by existing customers.

"Our acquisition of Realbase contributed from May 2022 and we're excited by the opportunity to strengthen our end-to-end agent workflow solutions. Realbase's high growth businesses Engage and AIM are delivering significant momentum in pre-list and proposals products, and social and digital media marketing."

Property Data Solutions

Mr Pellegrino said: "Property Data Solutions revenue increased by 35% with solid underlying growth of 13% from Pricefinder and APM, and the contribution of Insight Data Solutions following the completion of our acquisition in mid-October. Pricefinder non-agent performance accelerated into H2, benefiting from the sales team relaunch and refocus, and large enterprise account wins. APM delivered stable valuations contribution and strong growth in revenue from its expanding API customer base.

IDS is demonstrating strong progress in both the financial institutions and government sectors. The business achieved a new contract with NAB so that the Domain Group now services all four of the major banks, and has been selected as a preferred supplier to the number 5 bank. In the government sector IDS is close to securing the next Valuer General contract, and the NSW Government tender is underway sooner than expected."

Consumer Solutions

Mr Pellegrino said: "Consumer Solutions' revenue increased 69% with strong momentum at Domain Home Loans. Going forward we have decided to step away from Domain Insure and other ventures to focus on the significant runway we see ahead for DHL. DHL's award-winning service, differentiated marketplace solutions and refreshed leadership team are driving a step change in performance. FY22 delivered improving conversion metrics, and strong settlement growth up 69% year-on-year. Consumer Solutions' operating losses reduced 31% year-on-year, reflecting the benefits of increased revenue scale and operating efficiencies."

Print

Mr Pellegrino said: "Print revenues increased 22% year-on-year, with the recovery concentrated in the first half reflecting the timing of COVID-19 related lockdowns in the prior year. Print delivered an ongoing EBITDA contribution of $5.8 million which more than doubled year-on-year, underpinned by the revenue recovery, and continued careful management of cost. Domain's magazines continue to experience support from agents and vendors in the high value premium markets where print remains sustainable.

Dividend

A dividend of 4¢ per share (100% franked) will be paid on 13 September 2022 to shareholders registered on 24 August 2022.

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FY23 Outlook

- Trading in the first six weeks of FY23 reflects ongoing growth in new 'for sale' listings and a return to normal seasonal trading patterns. Domain continues to deliver expansion in depth penetration following record depth contract signups in FY22, with particularly strong momentum in Q4.
- The results of Domain's transformation to date underpin our confidence to continue to pursue our Marketplace strategy, while retaining our disciplined investment approach.
- FY23 costs (excluding the impact of acquisitions) are expected to increase in the low double digit range from the FY22 ongoing expense base of $226.7 million. This includes higher baseline expenses in the mid-to-high single digit range, together with meaningful investments in a small number of targeted initiatives which will accelerate our Marketplace aspirations.
- In addition, FY23 will see the full year expense impact of the FY22 acquisitions of IDS and Realbase which are expected to add approximately $27 million to ongoing operating expenses, with associated incremental revenue contribution.
- While we remain committed to longer term margin expansion, as a result of our FY23 targeted investment initiatives, we anticipate FY23 EBITDA margins will remain stable on an ongoing cost basis, while expanding on a reported basis.

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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