

ASX Announcement
11 August 2017

REA Group EBITDA up 16% for full year

Financial highlights from core operations¹:

- **Revenue of \$671.2m, up 16%**
- **EBITDA of \$380.9m, up 16%**
- **Net Profit of \$228.3m, up 12%**
- **Full year dividend of 91.0 cents per share, up 12%**
- **EPS of \$173.3 cents, up 12%**

REA Group Limited (ASX:REA) today announced its results for the year ended 30 June 2017. Financial highlights from core operations¹ include strong revenue growth of 16% on the prior year to \$671.2m, and an increase in EBITDA of 16% to \$380.9m. The reported Net Profit of \$206.3m, includes one-off transactions (see Appendix 1).

The revenue growth was driven by a 14% increase in Australia and the inclusion of iProperty revenue for the full year. The excellent result in Australia was achieved in a market of lower residential listing volumes and a significant decline in new dwelling commencements.

The Board has declared a final dividend of 51.0 cents per share fully franked. This represents a total dividend of 91.0 cents per share for the 2017 financial year, a 12% increase on the prior year.

REA Group CEO, Tracey Fellows, commented: "This is an exceptional result, driven by our focus to create the best products and experiences that deliver outstanding value for our customers."

"In Australia, we have extended our position as the clear market leader, with our audience growth reaching record highs against our nearest competitor.

"We continue to diversify our business and deepen consumer engagement across the property journey. The most significant and exciting has been our move into financial services, through our partnership with NAB and our acquisition of the broking business, Smartline.

"Globally, we remain focussed on Asia and our investment in the US with Move, as an important part of our long-term growth strategy," said Ms Fellows.

Financial results from core operations¹ for the year ended 30 June 2017 include:

AUD\$m (unless stated)	FY2017	FY2016	Growth YoY
Revenue	671.2	579.1	16%
EBITDA	380.9	327.8	16%
EBITDA Margin	57%	57%	
NPAT	228.3	204.3	12%
Earnings per share (EPS)	173.3 c	155.1 c	12%

¹ Financial results/highlights from core excludes significant non-recurring items such as revaluation and unwind of contingent consideration, foreign exchange ('FX') on proceeds from European operations, impairment charge, transaction costs and discontinued operations (net of gain on sale). Prior year comparative has been adjusted to meet this definition. Also excluded from 2016 results are the step-up gain on iProperty acquisition and proceeds from Move legal settlement. A full reconciliation of reported financial results and financial results from core operations is attached in Appendix 1.



Operating expenditure grew 20% due to the inclusion of iProperty expenses for the full year, an increase in marketing in both Australia and Asia, and continued investment in product innovation. Excluding the effect of the full year inclusion of iProperty, versus the five months in the prior period, expense growth was lower than the rate of revenue growth.

AUSTRALIA

In Australia, we continued to invest and innovate in our core business, property advertising. We also expanded into financial services and lifestyle content.

REA Group operates the leading residential, commercial and share property sites, realestate.com.au, realcommercial.com.au, and Flatmates.com.au. Revenue grew by 14% to \$633.5m this year, while agent numbers increased by 5% on the prior corresponding period.

realestate.com.au continues to be the number one property site in the country, with the largest and most engaged audience of property seekers:

- Average monthly visits to realestate.com.au grew 13% and are 30.2m greater (over 2.5 times) than that of the number two siteⁱ. In June, visits reached a high of 2.8 timesⁱⁱ;
- Consumers spent over 7.8 timesⁱⁱⁱ more time on realestate.com.au than on the number two site. Time on site reached a high of 8.4 times^{iv} more in June 2017, a key indicator of audience engagement; and
- Average monthly launches of our realestate.com.au app increased 52% and we have reached over 6.7m app downloads.

Australia's listing depth revenue increased 18% to \$481.8m. This was driven by the success of our residential Premiere All offering and increased yield, despite the decrease in listing volumes.

Developer and commercial listing depth and subscription revenue increased 15%. This growth was due to the positive take-up of our premium developer product, Project Profiles, which showcases large developments. We achieved this strong result during a period of decline in new dwelling commencements.

Our media and other business revenue increased 2% to \$95.3m with the inclusion of revenues from Flatmates.com.au and the National Australian Bank (NAB) partnership. Media display revenue, in particular developer advertising, has been impacted by the decline in both dwelling commencements and display advertising on content sites.

REA Group announced in December 2016, it was entering into the financial services segment with NAB to create an end-to-end digital property buying experience on realestate.com.au. We also made two investments in the mortgage broking market, extending the partnership with NAB to build an REA branded mortgage broking offering and purchasing an 80.3% stake in Smartline, one of Australia's premier mortgage broking franchise groups.

REA Group launched Lifestyle on realestate.com.au, a new video and content experience in our media business. We also entered a new market with Spacely, a listings site to find short-term commercial rentals and co-working spaces.



ASIA

In Asia, REA Group is strengthening its global position with investments in key markets, leadership and innovation. This allows us to maximise the long-term growth opportunities in the region as it moves towards digital advertising.

The Asian business comprising iProperty and our Chinese listing site, myfun.com, contributed revenue of \$37.7m for the year. We are the market-leader in Malaysia^v and Indonesia^{vi} and experienced a 38% growth in Malaysian site visits and a 94% growth in Indonesian app visits.

In January 2017, REA Group acquired a 14.7% strategic stake in PropTiger, a leading online real estate services company in India.

In June 2017, we reported a non-cash impairment charge of \$182.8m (pre and post-tax) relating to the carrying value of goodwill for Asia. This was due to a decline in several Asian property markets.

NORTH AMERICA

North America is the largest property market in the world. REA has a 20% holding in Move, Inc. operator of realtor.com[®], a leading US real estate portal. Reported revenue has grown 10%^{vii} to USD394m, while the share of losses for the period was \$1.1m (primarily related to amortisation of acquired intangibles) down from \$11.8m in the prior period.

Knowledge and technology sharing continues between REA and Move, Inc. and has led to a number of new innovations. Average monthly unique users increased 11% on the prior corresponding period to 52m.^{viii}

INCREASED RETURNS TO SHAREHOLDERS

The Board has declared a final dividend of 51.0 cents per share fully franked. This represents a total dividend of 91.0 cents per share for the 2017 financial year, a 12% increase on the prior year.

The 2017 final dividend dates are:

Ex-dividend date	22 August 2017
Record date	23 August 2017
Payment date	14 September 2017

OUTLOOK

Australian residential listing volumes increased slightly in July compared to July 2016, which was impacted by the uncertainty following the Federal Election. The significant decline in new dwelling commencements during the second half of FY17 has continued and is forecast to continue throughout FY18. It is expected that the inclusion of the new Financial Services segment will contribute revenue, net of broker commissions, of between \$26m to \$30m, and EBITDA between \$7m to \$11m in FY18. The inclusion of this new segment will result in the rate of operating expense growth exceeding the rate of revenue growth. For the full year, the target is for revenue growth to exceed the growth of expenditure, excluding the impact of Financial Services. Some quarters may not reflect this overall target.



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FY Results Presentation [webcast link](#)

About REA Group

About REA Group Limited: (www.rea-group.com): REA Group Limited 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, Chinese property site myfun.com and a number of property portals in Asia via its ownership of iProperty Group. REA Group also owns Smartline Home Loans Pty Ltd, an Australian mortgage broking franchise group, and holds a significant shareholding in property websites Move, Inc in the US and PropTiger in India.

APPENDIX 1

Reconciliation of the financial results from core operations against reported financial results

As reported in the Financial Statements for the year ended 30 June 2017

Core and reported results	2017	2016
	\$'000	\$'000
Revenue from core operations	671,206	579,059
Fair value gain on step-up acquisition	-	40,827
Reported revenue & other income	671,206	619,886
EBITDA from core operations (excluding share of losses of associates)	385,323	341,678
Share of losses of associates	(4,417)	(13,850)
EBITDA from core operations	380,906	327,828
Revaluation of contingent consideration	2,783	-
FX on proceeds from European operations	(4,112)	-
Impairment charge	(182,837)	-
Fair value gain on step-up acquisition	-	40,827
Proceeds from settlement of legal case of associate	-	20,169
Business combination transaction costs	(2,545)	(9,330)
Reported EBITDA	194,195	379,494
Net profit from core operations	228,298	204,251
Revaluation and unwind of contingent consideration	7,864	(2,130)
FX on proceeds from European operations, net of tax	(2,879)	-
Discontinued operations (net of gain on sale)	158,423	(1,456)
Impairment charge	(182,837)	-
Fair value gain on step-up acquisition	-	40,827
Proceeds from settlement of legal case of associate	-	20,169
Business combination transaction costs, net of tax	(2,536)	(8,381)
Reported Net profit	206,333	253,280



References

ⁱ Source: Nielsen Online Market Intelligence Home and Fashion Suite average monthly visits for the audited sites of realestate.com.au compared to domain.com.au for the year ended 30 June 2017. Excludes apps.

ⁱⁱ Source: Nielsen Online Market Intelligence Home and Fashion Suite total monthly visits for the audited sites of realestate.com.au compared to domain.com.au for the month ended 30 June 2017. Excludes apps.

ⁱⁱⁱ Source: Nielsen Online Market Intelligence Home and Fashion Suite average monthly combined minutes on site for the audited sites of realestate.com.au compared to domain.com.au for the year ended 30 June 2017. Excludes apps.

^{iv} Source: Nielsen Online Market Intelligence Home and Fashion Suite average monthly combined minutes on site for the audited sites of realestate.com.au compared to domain.com.au for the month ended 30 June 2017. Excludes apps.

^v Source: SimilarWeb average monthly visits for iproperty.com.my site in Malaysia for the six months ended 30 June 2017 compared to the nearest market competitor. Excludes apps.

^{vi} Source: SimilarWeb average monthly visits for rumah123.com site in Indonesia for the six months ended 30 June 2017 compared to the nearest market competitor. Excludes apps.

^{vii} Source: NewsCorp's Earnings Release (10 August 2017) stated in US Dollars for the year ended 30 June 2017. Revenue was partially offset by a \$12 million decline in revenue associated with the sale of TigerLead® in November 2016 and a \$6 million, impact from the absence of the additional week in the prior year resulting in underlying revenue growth of 16%.

^{viii} Source: Move internal data average monthly unique users for the year ended 30 June 2017 compared to the year ended 30 June 2016.