Domain

ASX ANNOUNCEMENT

Domain Holdings Australia Limited
2025 Half-Year Results Commentary

Sydney, 13 February 2025: Domain Holdings Australia Limited [ASX:DHG] ("**Domain**" or "**Company**") today delivered its 2025 half-year financial results. Accompanying commentary from Chief Executive Officer and Managing Director Jason Pellegrino and Chief Financial Officer Peter Williams is set out below.

Jason Pellegrino – Chief Executive Officer and Managing Director:

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Good morning, and thank you for joining CFO Peter Williams and me for Domain's 2025 half year results briefing.

I'd like to start off today by acknowledging the Traditional Custodians of Country throughout Australia, and their connections to land, sea and community.

We pay our respects to their elders past and present, and extend that respect to all First Nations people today. For myself, I am on the land of the Gadigal people of the Eora Nation.

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Today's call will begin with an overview of the first half result and an update on the progress of our Marketplace strategy. I will then provide some commentary on the current trading environment and outlook, after which Pete will run through our group financials. We look forward to taking your questions at the end of our prepared remarks.

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During the first half, Domain made pleasing progress with our Marketplace strategy, delivering positive metrics across the business.

Our product and commercial teams have delivered innovation and new product uptake, reflected in the success of both Platinum Edge and Audience Boost. Adoption by agents has seen higher value Platinum Edge depth penetration increase close to 50% year-on-year, supporting strong growth in pricing. The launch of Audience Boost has delivered incremental views to residential listings of 24% on average during Audience Boost campaigns.

Our Audience metrics have delivered strong and consistent results, with H1 delivering a 10% increase in UA, and sustained quarter on quarter growth since new Ipsos measurement began in FY23. In addition, we have seen strong growth in site visits, up 23% year-on-year, outperforming the growth rate of our major competitor over the same period.

We are strengthening our collaboration with Nine, with significant cross platform branding opportunities during the recent Australian Open. We have also leveraged the power of Nine in the launch of a Victorian edition of *Prestige* magazine.

And finally, we are progressing our investment into our technology platforms to accelerate the Marketplace journey, and broaden the range of 'Only on Domain' experiences available to our users. At the same time, we are achieving productivity gains to offset this increased investment.

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Turning to the Group Trading Performance, Domain delivered:

- Revenue of $217.2 million, up 7%
- Expenses of $139.4 million up 4%
- EBITDA of $77.8 million, up 14%
- EBIT of $59.2 million, up 25%, with lower amortisation arising from changes in estimated useful life of software assets to align with peer market practice. Pete will provide additional detail later in the presentation.

Net profit after tax attributable to members of the Company was $33.1 million and earnings per share were 5.2 cents.

Adjusted net profit attributable to members of the Company, which removes the impact of non-cash amortisation from acquisitions, was $36.5 million up 25%, and earnings per share of 5.8 cents also up 25%.

A fully franked dividend of 2.0 cents has been declared, in line with last year.

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Turning to the drivers of Group revenue growth.

Residential revenue increased 12%, underpinned by solid growth in depth revenue.

Media, Developers & Commercial declined 2% reflecting challenging conditions in the Developer and Commercial markets.

Agent Solutions increased 2%.

Domain Insight declined 8% in line with expectations, reflecting the ongoing impact of the strategic exit of a data supply agreement, and contract implementation phasing at IDS.

The Consumer Solutions segment reflects the exit from Domain Home Loans.

Together these businesses delivered Digital revenue growth of 8% and an EBITDA increase of 8%.

Print revenue was 7% lower with Print EBITDA reflecting the revenue decline.

Corporate overhead reduced 17% due to the timing of expenses between H1 and H2, along with a focus on driving greater productivity. As a result, Group EBITDA growth of 14% exceeded revenue growth of 7%.

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As this will be my final presentation at Domain, I'd like to reflect on some of the key achievements of the past six and a half years. I've spoken previously about Domain's evolution from an online classifieds business to a property Marketplace that can deliver on our ambitious aspirations for the future. In the early stages of this evolution we simplified and optimised the business, replacing $123 million of structurally challenged revenue with new digital revenue. As we created the framework for our Marketplace strategy it became clear that, as has been the case with many other technology companies, significant Foundational investment would be required for the business to achieve the scale we aspire to for the future.

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The investment in Domain's technology transformation is across three priority areas of Platforms, Personalisation and Privacy/Cybersecurity. This expenditure is being undertaken within the envelope of our cost base, allowing us to maintain margins and cash flow conversion. The strategy for each area is outlined on this slide, and already the business is seeing early benefits from the progress we have delivered to date. For example, in the first half, Platforms has successfully soft launched our new API management platform, and created a centralised catalogue that will accelerate time to market. Personalised marketing campaigns are driving enquiries and site visits through tools such as personalised listing and inspection recommendations. In Privacy/Cybersecurity we have achieved a major milestone having successfully passed the formal ISO 27001 certification audit, reflecting our commitment to quality and security.

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We believe this investment will transform the opportunities available to Domain in important ways in the future. As many of these are not yet visible, I'll provide a high-level view of some of the benefits we expect, along with some examples of what this will mean to the business and our users in the future.

Firstly, it will allow us to grow revenue through faster product launches, efficient and effective pricing changes, new features and greater flexibility in promotions and bundling. The investment over the past 2 years in our new billing platform transforms Domain from a business that sells more ads based on a legacy print model, to a truly digital business that can leverage audiences across multiple platforms. For example, it will revolutionise our annual price change process from one that takes 8 to 10 weeks, to an update in 1 to 2 weeks, providing significant benefits of flexibility and accuracy to the business beginning in FY26.

Secondly, the investment will deliver cost savings through improved productivity from automation and integration, increased sales and service efficiency, and elimination of manual processes. By working more efficiently and reducing time spent on maintenance, we will free up the capacity of our engineers and product teams to focus on value-add work that drives innovation. For example, our new centralised API platform can reduce build and maintenance from a 4 to 8 week process to one that is delivered in 24 hours.

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Finally, the key benefit of our investment will be the ways in which we can enhance the user experience through accelerating product innovation with improved product design and data quality. Personalised communication at scale is already delivering results, and there will be even greater opportunities to drive increased enquiries, engagement and user retention.

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The benefits of the investment I have just described combine with our ongoing commitment to machine learning and AI which commenced in FY17. Together these initiatives are expected to support our goals of growing revenue, achieving cost savings and enhancing the user experience.

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At Domain, we're strengthening the foundations that build trust—through secure systems, climate action, inclusive workplaces, and community impact.

On Environment, we're preparing for AASB reporting with a completed readiness assessment which has underpinned our action plan to meet new reporting requirements. Our new Diversity & Inclusion Strategy sharpens our focus on Accessibility, Culture, Gender, and LGBTQIA+ inclusion. We've completed our Reflect Reconciliation Action Plan and continue championing diversity through our partnership with UNSW Women in Technology.

As I mentioned earlier, achieving ISO 27001 accreditation was a major milestone, strengthening data security across our platforms. In addition, we have recently completed a revision and upgrade of our plans to safeguard critical systems.

These milestones reflect our ongoing commitment to responsible, sustainable, and inclusive business practices.

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Turning now to the detail of the results and the key drivers of Domain's revenue.

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Residential revenue increased 12%, with depth revenue 14% higher year-on-year. Total new 'for sale' listings volumes increased 7% YoY, and 5% adjusted for the dilutionary impact of relative listings coverage winback activities. Controllable elements of price and depth growth of 8% (adjusted) benefited from the strong take-up of Platinum Edge, lifting depth revenue to 92% of total residential revenue.

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The strong Audience metrics I mentioned earlier are illustrated on this slide. Domain delivered 10% year-on-year growth in UA, with an audience profile that is high intent, and meaningfully more likely to buy than the national average and our major competitor. Whole of business focus, supported by product and commercial innovation around Audience Boost has contributed to a 23% uplift in site visits, outperforming the growth rate of our major competitor over the same period.

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During the first half Domain delivered solid year-on-year listings growth of 7%, with growth rates reflecting the strengthening base of comparison in the prior year. Domain's growth rate was ahead of market averages, reflecting winback of free and low value listings following a temporary dip in the first half of FY24. As a result, relative listings coverage has recovered to its usual historic levels.

Over the past two and a half years, the market has experienced a wide level of divergence in the performance of Sydney and Melbourne versus the national market. Sydney and Melbourne led the market down in FY23, and led the market recovery in FY24. In FY25 we are seeing a more even performance across geographies.

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While Domain continued to deliver growth in Average Revenue Per Listing in the first half, there was a dilutionary impact on yield from the winback of free or low-yielding listings after an exceptional growth year in FY24. Average Revenue Per Listing increased 7% adjusted for the impact of this activity. Key drivers were controllable elements of price and depth increasing 8% for the half, benefiting from the strong takeup of higher value Platinum Edge depth contracts. Offsets from other items included lower subscription revenue which reflects the impact of agents upgrading from subscription to depth contracts.

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Domain has delivered ongoing growth in depth penetration through the market cycles of the past six years, and we remain optimistic about the opportunity for further gains in the future. During the first half, depth penetration remained stable as the increased number of free listings following our winback activity has temporarily diluted depth penetration percentages. Depth contracts and depth listings have delivered continued growth, supporting the 14% increase in depth revenue for the half.

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Some of the benefits to the business from ongoing product and commercial innovation are illustrated on this slide. The launch of our higher value Platinum Edge product as part of the FY24 price review has seen significant adoption by agents. While overall depth and Platinum penetration have remained stable, Platinum Edge penetration has increased by close to 50% year-on-year, and now comprises 80% of Platinum listings.

Audience Boost was launched as part of the FY25 price review, automatically extending residential depth sale listings across a range of digital channels. This initiative has delivered incremental views to residential listings of 24% on average during Audience Boost campaigns.

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Turning to Media, Developers & Commercial where revenue declined 2%.

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Media revenue increased 14% despite a challenging market backdrop, outperforming the broader display advertising market which declined around 5%. The business continues to leverage Domain's high quality consumer audiences with a focus on deeper partnerships in key advertising categories including finance, insurance and utilities.

The Developer business recorded a mid-single digit revenue decline as the market remained depressed by higher construction costs and interest rates. Declines in new project volumes, particularly in New South Wales, impacted on yield.

Commercial Real Estate delivered stable revenue in a softening environment for Office and Retail verticals. Stronger sale listings were offset by lower lease listings. A price increase took effect during November, and is expected to contribute in H2.

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In Agent Solutions, revenue increased 2% year-on-year with solid performance from subscriptions and strong contracts growth offset by AIM's weaker performance in New Zealand.

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Pricefinder (agent) delivered higher subscription revenue across all states, with standout performance from title search revenue. The business is benefiting from platform investment to enhance the user experience. RealTime Agent saw continued revenue momentum with solid subscription performance and strong growth in contracts revenue.

Realbase revenues declined due to AIM's lower gross revenues in New Zealand. Engage continued to deliver strong revenue growth, benefiting from subscriber momentum arising from the RTA and Pricefinder integrations.

LeadScope's progressive state by state rollout continued with a launch in Victoria late in FY25 H1. The business is seeing a strong uptake by customers pairing depth subscriptions with LeadScope to help find their next listing.

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Domain Insight's revenue declined 8% year-on-year.

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The data that Domain Insights provides is a critical resource for the broader Domain Group. During the first half, our ongoing efforts to improve our price estimates, and make this available for consumers on our Home Price Guide pages, resulted in more than 4 million additional properties with a price estimate. This takes us to coverage of more than 9 out of 10 Australian residential addresses.

Banks and financial institutions delivered solid growth in valuations revenue, reflecting both new client wins and increased share of volume from existing clients. The contribution from Corporate customers reduced as a result of the strategic exit from a data-sharing agreement with a competitor, somewhat offset by strong market intelligence performance.

Government revenue declined overall, impacted by the phasing of contract implementation at IDS. However Government recurring subscription revenue increased year-on-year. H2 is expected to deliver benefits from higher implementation and subscription fees including from the renewal of the Victorian Valuer General contract which has been in place for 5 years, and has been renewed for up to another 11 years.

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Print revenues declined 6.8%, with stable residential performance offset by Developers and Commercial. The business continued to benefit from bunding Print with Social Boost.

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Print's readership increased 2% year-on-year to 1.2 million, delivering audiences of exceptional quality that have a limited overlap with digital. We have leveraged the power of Nine's distribution network with the relaunch of *Prestige* Magazine, and the addition of a dedicated Victorian offering following the sunsetting of *Domain Review*. *Prestige* Victoria will be distributed in *The Age* as well as the Australian *Financial Review* and via letterbox distribution. This supports our 'Only on Domain' experiences with a specialised luxury real estate offering.

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Turning now to the trading update.

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- Trading for the month of January has seen new 'for sale' listings increase 3% year-on-year in a seasonally lower period for the business.

- FY25 costs are expected to increase in the high single digit percentage range (previously high single to low double digit) from the FY24 expense base (excluding discontinued operations) of $254.1 million, reflecting ongoing investment to drive growth opportunities from Domain's Marketplace.

- Domain expects stable EBITDA margins in FY25, balancing confidence to invest in the ongoing growth of the business with continuing efforts to drive productivity.

I'll now hand over to Pete to run through the financials

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Peter Williams – Chief Financial Officer:

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Thanks Jason, and thanks everyone for joining the call today.

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Slide 31 provides a reconciliation of the statutory 4D to Domain's trading performance excluding significant items and adjusted for amortisation of acquired intangibles.

Starting at the items below EBITDA. Depreciation and amortisation expense of $18.7 million decreased from $20.9 million in the prior year. As Jason mentioned earlier, lower amortisation in FY25 arose from changes in the estimated useful life of software assets to better align with market peers and our parent company. The $4.9 million net profit adjustment reflects the non-cash amortisation from acquisitions.

For the full year we expect D&A expense to decrease around $4 million year on year, largely due to this change in the useful lives of assets.

Net finance cost of $5.8 million decreased from $6.5 million in FY24, reflecting lower average net debt. We expect this to be maintained, and FY25 interest expense to be lower than FY24.

Tax expense of $16.1 million is an effective tax rate of 30%. For FY25 we expect the tax rate to be between 28% and 30% in line with historic averages.

Net profit attributable to non-controlling interests (NCI) of $4.2 million reflects the share of profits or loss attributable to the agent ownership models, and remains in line with prior year.

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Slide 32 provides the reconciliation of statutory to trading performance for FY24 H1.

Slide 33

Slide 33 provides the detail of Domain's cost structure, and a reconciliation of statutory to trading expenses.

Trading expenses of $139.4m increased 4% year-on-year.

Staff costs which make up around half our expense base were largely in line with the prior year.

Production and Distribution costs increased 39% year-on-year due to the incorporation of expenses associated with our successful Audience Boost launch.

Marketing and Sponsorship costs decreased by 9%. Our increased investment in marketing through Audience Boost is reflected in Production costs in FY25.

Combined expenses across Production and Distribution and Marketing and Sponsorship delivered a year-on-year increase of 10%.

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Software and Communications expenses grew 11% driven by higher cloud infrastructure spend as a result of increased business and project activity, along with increased costs in line with inflation.

Other costs were broadly in line year-on-year.

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As Jason mentioned earlier, our cost expectations for FY25 are for high single digit percentage growth from the FY24 cost base of $254 million. The key drivers of this increase are outlined on this slide. Foundational investment is being undertaken to support our aspirations to scale and become a much larger business. The uplift in Marketing investment relates to the launch of Audience Boost. Other costs include the impact of inflation on our cost base, offset by our focus on driving greater productivity.

We expect Capex as a percentage of group revenue, excluding office fitout to remain stable in FY25 at around 9%.

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Slide 35 provides an overview of significant items, which amounted to a $2.6 million gain, net of tax.

Restructuring charges of $1.2 million largely relate to redundancy costs and platform transformation.

Impairment of $1.1 million relates to a loss on conversion of convertible notes to ordinary shares.

Loss on debt refinance of $0.3m was recognised following the debt refinancing completed in December.

Gain on remeasurement of contingent consideration of $3.2 million primarily relates to the acquisition of Insight Data Solutions.

Gain of $3.3 million relates to mergers and acquisitions.

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Turning to cash flow.

FY25 H1 cash from trading was $74.6 million, which increased from $68.1 million in FY24 H1.

The cash income tax payment of $14.4 million increased year-on-year due to a large top-up payment for the FY24 income tax return as a result of a higher statutory EBITDA for the FY24 year.

Investment in PPE and software of $20.9 million increased year-on-year supporting investment in the key priority areas. For FY25 capex including office fitout is expected to be in the low to mid $40 million range.

Total dividends paid of $30.1 million were in line with the prior year, reflecting a stable dividend per share.

Domain finished FY25 H1 with a cash balance of $36.5 million.

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Slide 37 provides an overview of Domain's debt facilities. As at December 2024 the facility was drawn down to $188.5 million, with the total debt facility decreasing $65 million. Domain's debt facilities extend out to December 2028 and December 2029.

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Domain's balance sheet at December 2024 is in strong shape, ending the period with net debt of $147.3 million, compared with $150.8 million at June 2024. This represents a leverage ratio of 1.0x, an improvement from 1.1x in FY24.

With that, I'll hand back to Jason.

Jason Pellegrino – Chief Executive Officer and Managing Director:

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Thanks Pete

I'd like to conclude with a broad overview of how we expect our 'Only on Domain' strategic initiatives to contribute to Domain's results in the second half of FY25.

We continue to expect to grow Core Listings, supported by a healthy underlying property environment, notwithstanding the more challenging base of comparison in the second half. We expect low single digit listings growth for the full year. The improving yield momentum between Q1 and Q2 is expected to continue into the second half. We also expect price increases at Allhomes and CRE to contribute to second half growth rates.

In our ancillary solutions, Domain Insight is expected to benefit from higher implementation and subscription fees, including the renewal of the Victoria contract. Our valuable data and assets are underpinning strong growth in valuations and market intelligence revenue. In addition, there will be no further impact from the exit of the competitor data supply agreement which has depressed the solid underlying performance of the business for the past 12 months.

Our 'Only on Domain' experiences are expected to continue to benefit from the success of Audience Boost and our personalised marketing campaigns in driving strong Audience metrics. The launch of *Prestige* Victoria is expected to contribute to Print performance in the second half, with the support of Nine. Additionally, we are seeing enhanced effectiveness of our marketing investment with Nine.

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Thanks for your attention, everyone, and I'll now hand back to the operator for Q&A.

Ends

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