

**ASX Announcement
8 November 2019**

REA Group Q1 FY 2020 financial information released

REA Group Limited (ASX:REA) today announced its results for the three months ended 30 September 2019 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 three months ended 30 September 2019.

Group financial highlights for the three months ended 30 September 2019 include revenue¹ of \$202.3m and EBITDA from core operations² of \$114.9m.

A summary table of the key financial information is presented below. The information is presented in Australian dollars and is prepared under AIFRS.

<i>Millions</i>	For three months ended 30 September (AUD)³		
	FY2020	FY2019	YoY growth
Revenue after broker commissions ¹	202.3	221.9	-9%
Operating expenses (excluding associates and joint ventures) ²	(87.4)	(88.8)	-2%
EBITDA** (excluding share of losses of associates and joint ventures) ²	114.9	133.1	-14%
Free cash flow ⁴	41.8	52.1	-20%

**EBITDA including share of losses of associates and joint ventures declined 16% year on year.

The Group's result was delivered in a challenging market with declines in new residential listing volumes and new project commencements. National listings declined 15% over the three month period, including listing declines of 22% in Sydney and 21% in Melbourne.

The reported revenue decline was also impacted by the extended duration of Premiere All listings from 45 to 60 days which increased revenue deferral for the period.

Excluding the impact of the increased revenue deferral, Group revenue declined 6% and EBITDA declined 9%.

Strong cost management and efficiencies gained from an organisational realignment resulted in a 2% reduction in total operating expenditure for the quarter.

REA Group Chief Executive Officer, Owen Wilson commented: "Our performance has shown remarkable resilience given we have been tested by unprecedented market conditions. Pleasingly, we are seeing the signs of a gradual market recovery.

"We know the buyers are back and it's only a matter of time before the sellers follow. In September, enquiries for properties for sale on realestate.com.au increased 30% year-on-year⁵, while average auction clearance rates have returned to the levels we were seeing before the market correction, over 80% in Melbourne and Sydney.

"We also know that Australians remain passionate about property. In August, we received a record number of monthly visits to realestate.com.au at 87.5m⁶ and a record number of app launches at 36.2m⁷. Our audience lead also increased compared to the corresponding quarter with over three times more visits than our nearest competitor⁸," said Mr Wilson.



The Australian Residential revenue result reflects the unfavourable market conditions. This was partially offset by price changes that took effect from 1 July 2019, improved product mix and continued growth contribution from products such as Audience Maximiser, Property Showcase and Agent Reach.

Commercial and Developer revenue declined due to the continued reduction in new project commencements, down 26% for the quarter. This decline was partially offset by the benefit from extended Project Profile durations and an increase in commercial depth penetration. New project commencements are expected to continue to decline for the remainder of the year, driven by funding constraints, a reduction in consumer confidence due to inventory quality and a reduction in foreign investment.

Media, data and other revenue reduced due to lower advertising revenue in key segments and lower available inventory as Premiere listings increased. Financial Services revenue was lower due to the decline in mortgage settlements, however mortgage submissions, a key leading indicator, have increased in response to the low interest rate environment, and improved lending conditions.

The Asia segment revenue was in line with prior year and was impacted by the ongoing disruption in Hong Kong. Audience lead increased in Malaysia⁹, Indonesia¹⁰ and Hong Kong¹¹. On 9 October the Group announced it had entered into a binding agreement to establish a joint venture (JV) with 99.co, the Singapore headquartered digital property marketplace. The JV company will be established through the transfer of the existing businesses of 99.co and iProperty.com.sg and Rumah123.com located in Singapore and Indonesia. REA Group will be the largest shareholder with a 27% shareholding. The transaction, which remains subject to confirmatory due diligence, is anticipated to be completed in early 2020.

OUTLOOK

The Australian Residential business had the benefit of price increases which came into effect on 1 July 2019 plus stronger levels of Premiere depth product penetration on the back of the latest Premiere offering. The market remains challenging with Australian residential listing volumes down 15% in October 2019 compared to October 2018 with declines of 15% in Sydney and 17% in Melbourne.

Listings for the first half of FY20 are likely to be lower than the same half last year, due to the comparatively favourable listings environment in H1FY19; particularly in Melbourne and Sydney. As a result we expect revenue growth to be heavily skewed towards the second half of FY20.

While continuing to innovate and invest in growth initiatives, planned efficiency gains and strong cost management are expected to result in a reduction in reported costs year-on-year.

"We anticipate that the more favourable listings comparatives in the second half of FY20 will deliver a stronger revenue outcome. The fundamental strength of our business positions us well to benefit from an eventual market recovery," concluded Mr Wilson.

-Ends-

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 agree to 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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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, commercial and share property websites - realestate.com.au, realcommercial.com.au, Flatmates.com.au – as well as Spacely, a short-term commercial and co-working property site. In Asia, REA Group owns leading portals in Malaysia (iproperty.com.my), Hong Kong (squarefoot.com.hk) and Indonesia (rumah123.com), and prominent portals in Singapore (iproperty.com.sg) and China (myfun.com), and a leading property review site in Thailand (thinkofliving.com). REA Group owns Smartline Home Loans Pty Ltd, an Australian mortgage broking franchise group, and Hometrack Australia Pty Ltd, a leading provider of data property services. REA Group also holds a significant shareholding in property websites realtor.com in the US and PropTiger.com, housing.com and Makaan.com in India.

References

¹ Revenue is defined as revenue from property advertising and revenue from financial services less expenses from franchisee commissions disclosed in the Consolidated Financial Statements as operating income.
² Financial results/highlights from core operations excludes significant non-recurring items such as restructuring costs. In the prior comparative period this excluded items such as unwind of contingent consideration.
³ Q1 results are based on unaudited financial information and are rounded to the nearest million.
⁴ Free cash flow is REA Group consolidated cash flows before dividend paid, payment for acquisition of subsidiary and cash flows from financing activities.
⁵ Adobe Analytics, email leads & phone reveals, (Sep 2019 vs Sep 2018).
⁶ Nielsen Digital Content Ratings, (Aug 2019), tagged, People 2+, text, total sessions.
⁷ Nielsen Digital Content Ratings, (Aug 2019), tagged, People 2+, text, app launches.
⁸ Nielsen Digital Content Ratings, (Jul 2018 to Sep 2018 compared to Jul 2019 to Sept 2019), comparing total monthly sessions of realestate.com.au to domain.com.au tagged, People 2+, text.
⁹ Similar Web; average monthly visits to iproperty.com.my, July – Sept 2019 (1.8x nearest competitor).
¹⁰ Similar Web; average monthly visits to rumah123.com, July – Sept 2019 (1.08x nearest competitor).
¹¹ Similar Web; monthly visits to squarefoot.com.hk, Sept 2019 (1.14x nearest independent property portal).