

# REA GROUP LIMITED

Investor & Analyst Presentation  
For the half-year ended 31 December 2014

5 February 2015  
Tracey Fellows – Chief Executive Officer  
Owen Wilson – Chief Financial Officer



**REA Group**<sup>®</sup>

To **empower** people  
by making property  
**simple, efficient**  
**and stress-free.**

# Half-year highlights

+ 25 %

Total revenue  
\$261.5m

+ 35 %

EBITDA  
\$144.5m

+ 12 %

Monthly site traffic -  
Australia  
44.6m

20 %  
holding

Move, Inc. investment  
\$231.3m

+ 60 %

Australian listing  
depth revenue  
\$159.8m

+ 34 %

EPS  
71.8c

+ 34 %

Interim dividend  
29.5c

19.9 %  
holding

iProperty investment  
\$108.7m

# Positioned for growth

## Core Business



Deliver best digital real estate experience in market  
*Continued product innovation*

## Adjacent Markets



Compete in adjacent markets  
*Utility connections*  
*Finance leads*

## International Expansion



Develop network of world leading property portals  
*Leverage expertise*  
*Revenue diversification*

# Progress on strategy

## Customers

- Agents are at the centre of everything we do
- Strong adoption of lower cost subscription packages
- Simplified pricing structure – fewer price points

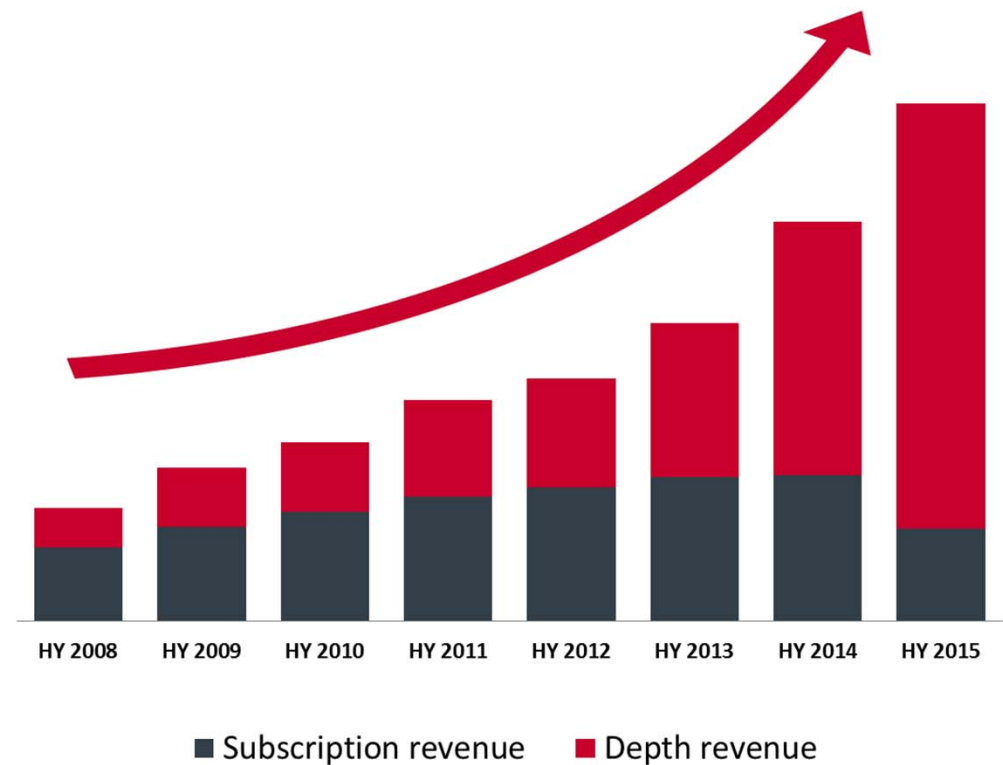
## Depth

- Accelerated take-up of our premium listings
- Introduction of market-based pricing

## Consumer

- Innovative products are driving record traffic and engagement
- 103% increase in visits to Sold site section <sup>(1)</sup>
- 56% increase in visits to Neighbourhoods site section <sup>(1)</sup>

## Group depth revenue growth



# realestate.com.au's lead extends



**33.2m monthly visits**

average traffic to realestate.com.au main and mobile sites <sup>(1)</sup>

**85%**

Our share of combined minutes spent on realestate.com.au and our nearest competitor sites <sup>(2)</sup>

**230,429**

Average monthly time on site (000's minutes) for realestate.com.au main and mobile sites <sup>(2)</sup>

People spent **6.9 minutes** on the site <sup>(3)</sup>

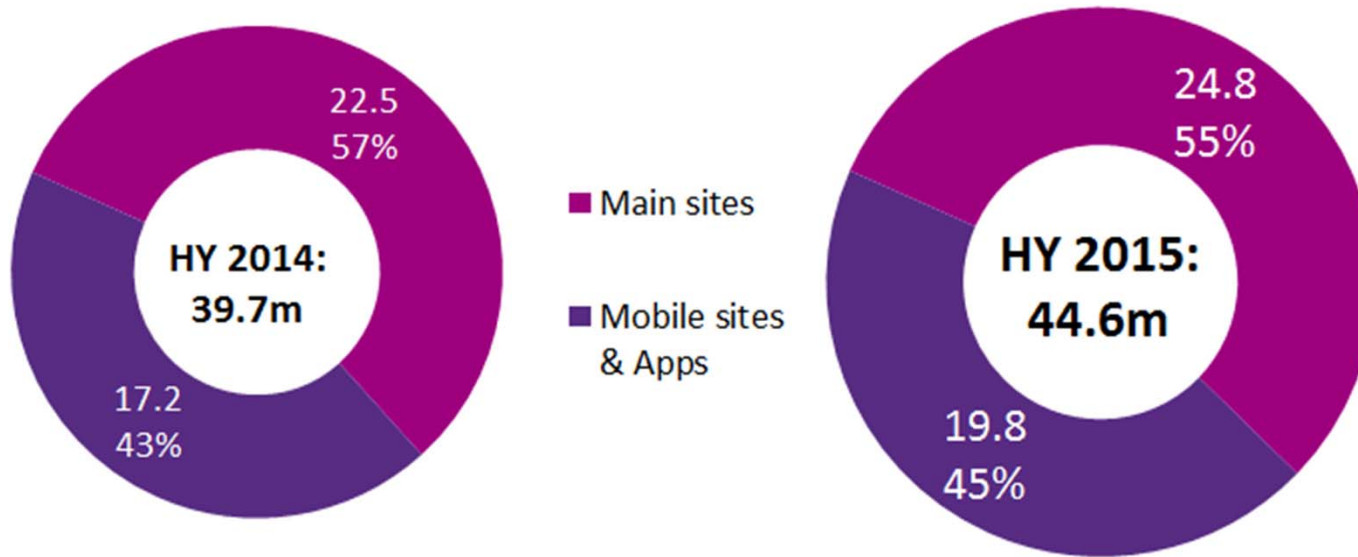
Average time per session on the site

| nearest competitor      | outperforming the competition | lead extended year on year <sup>(5)</sup> |
|-------------------------|-------------------------------|---|
| 9.9m                    | 3.3x                          | 16%                                       |
| 15%                     | 5.6x                          | 30%                                       |
| 41,290<br>000's minutes | 5.6x                          | 30%                                       |
| 4.2<br>minutes          | 1.7x                          | 12%                                       |

**Over two thirds** of our monthly audience do not visit our nearest competitor <sup>(4)</sup>

Comparison of app visits with competitors are not available and for that reason are not included in these statistics. (1) Nielsen Online Market Intelligence Home and Fashion Suite Total Traffic for Audited sites average monthly visits for the half-year ended 31 December 2014 for the main and mobile sites of realestate.com.au compared to domain.com.au. (2) Nielsen Online Market Intelligence Home and Fashion Suite Total Traffic for Audited sites average monthly time on site for the half-year ended 31 December 2014 for the main and mobile sites of realestate.com.au compared to domain.com.au. (3) Average monthly time on site from note (2) above, divided by average monthly visits from note (1) above. (4) Nielsen Online Ratings, December 2014 for realestate.com.au compared to domain.com.au. (5) Utilising current year methodology and applying to prior year results, this result is the growth in "out performing the competition" half-year on half-year.

# Australian site visits by platform



## Combined Australian site visits by platform

| Platform (million visits)          | HY 2015     | HY 2014     | Growth     |
|------------------------------------|-------------|-------------|------------|
| Main sites <sup>(1)</sup>          | 24.8        | 22.5        | 10%        |
| Mobile sites & Apps <sup>(2)</sup> | 19.8        | 17.2        | 15%        |
| <b>Total</b>                       | <b>44.6</b> | <b>39.7</b> | <b>12%</b> |

(1) Nielsen Online Market Intelligence Home and Fashion Suite Total Traffic for Audited sites average monthly visits for the half-year ended 31 December for main sites for realestate.com.au, realcommercial.com.au and property.com.au combined (including international traffic to sites). (2) Mobile sites visits and App visits combined. Mobile visits source: Nielsen Online Market Intelligence Domestic Report Suite (July 2013 to December 2013) and Home and Fashion Suite (July 2014 to December 2014) Total Traffic for Audited sites average monthly visits for the half-year ended 31 December for mobile sites for realestate.com.au and realcommercial.com.au (domestic traffic to mobile sites only). App visits source: Adobe Omniture SiteCatalyst average monthly visits for the half-year ended 31 December for residential and commercial apps visits (including international traffic to apps).

# Product innovations

## Agent Profiles



Connecting consumers and agents

## Connections



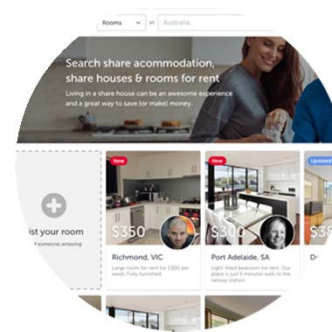
Pilot to automate utility connections

## 1Form



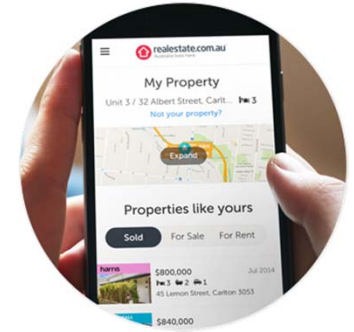
Digital rental applications

## Share



Start your property journey

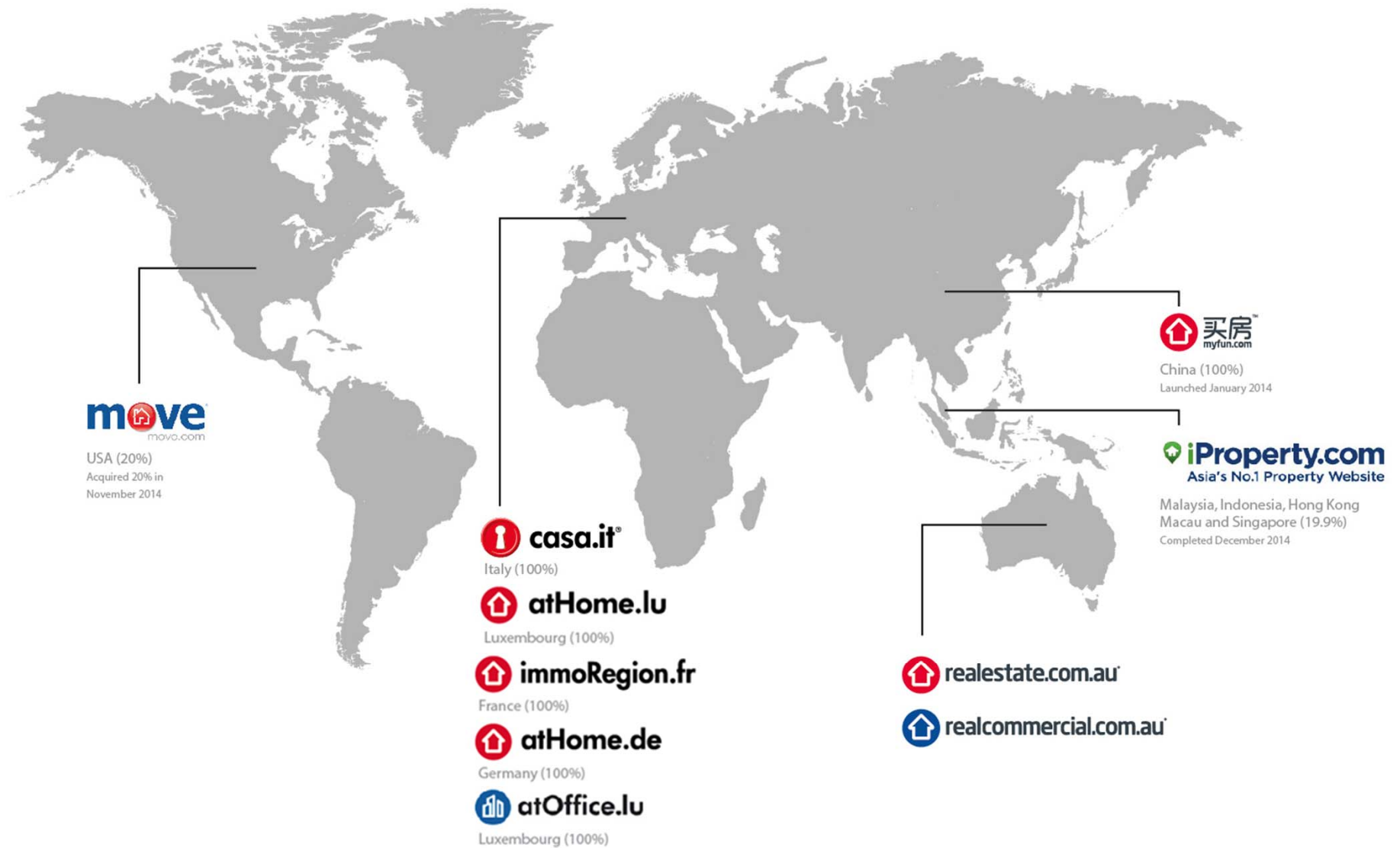
## Property Profiles



Watch activity for property like yours



# International footprint

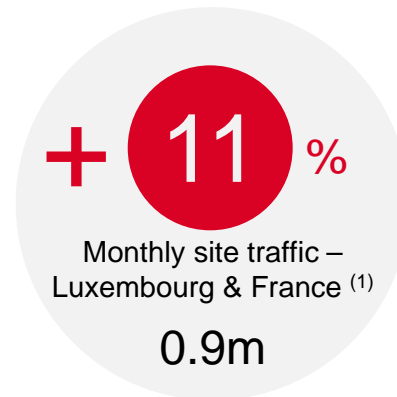


# Progress in Europe

- Launched new mobile site in Italy saw significant increase in unique visitors
- Continued expansion into Northern France
- Increased agent numbers
- Increased listing volumes and traffic
- Increased ARPA

European key metrics

| Metric  | HY 2015 | HY 2014 | Growth |
|---|---------|---------|--------|
| Total revenue (€m)                            | 15.4    | 13.9    | 11%    |
| EBITDA (€m)                                   | 3.5     | 1.8     | 94%    |
| Average Monthly ARPA (€)                      | 186     | 174     | 7%     |
| Average Monthly Visits (000's) <sup>(1)</sup> | 10,292  | 8,878   | 16%    |
| Listings (000's) <sup>(2)</sup>               | 798     | 682     | 17%    |



# Asia & North America



- IPP holds market leading position in Malaysia, Hong Kong and Indonesia
- Asia is one of the fastest-growing real estate markets with a overall population over 500 million
- IPP has local management expertise and there is excellent potential for long-term growth across this region
- The Squarefoot business is now included in iProperty's operations making it clear leader in Hong Kong.

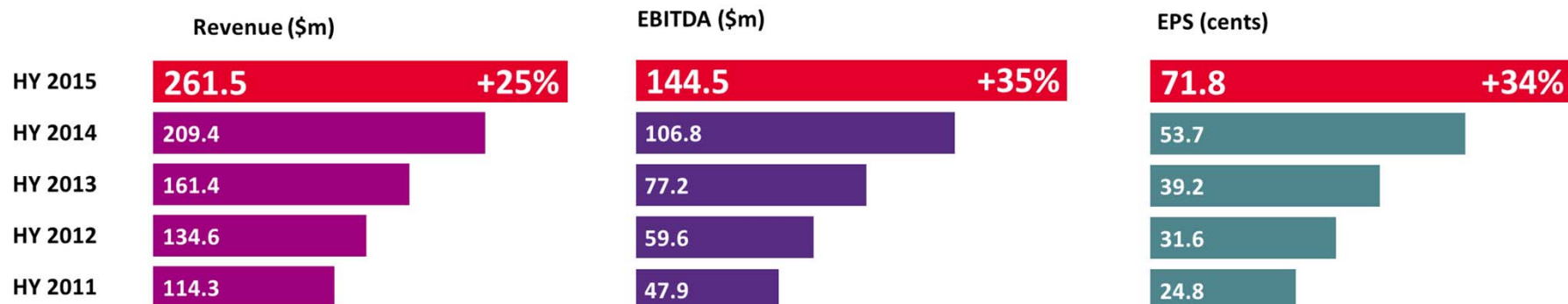


- Operates in largest real estate market in the world
- \$14 billion spend on real estate advertising in the USA with less than \$1 billion spend between 3 largest online real estate players
- Move has exclusive and perpetual right to operate realtor.com®, the official site of the National Association of Realtors® (NAR)
- A leading platform for consumer search with the most accurate and timely for-sale listings data
- Opportunity to leverage our digital real estate expertise and News Corp's content, distribution and marketing strengths.

# Group performance overview – core operations

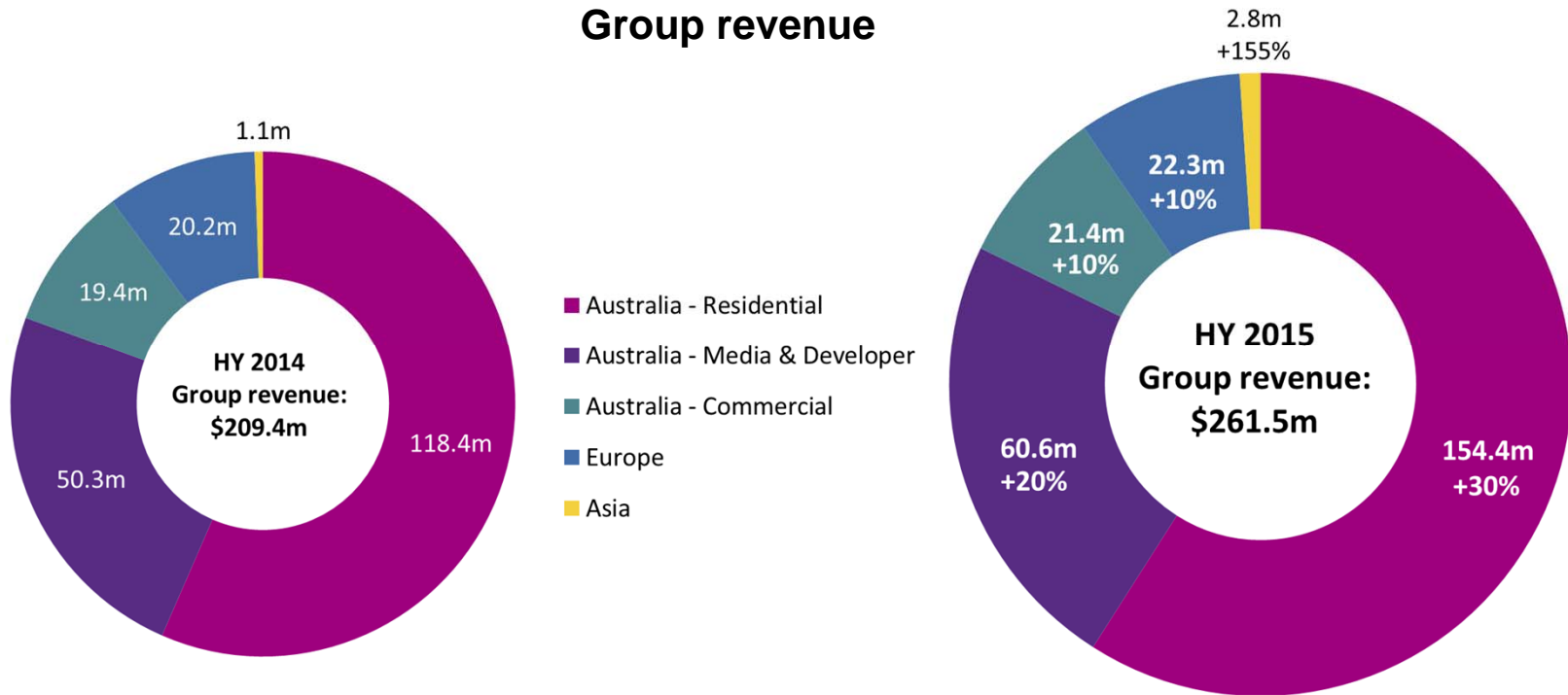
| Core operations (\$m)            | HY 2015     | HY 2014     | Growth     |
|----------------------------------|-------------|-------------|------------|
| Revenue                          | 261.5       | 209.4       | 25%        |
| EBITDA <sup>(1)</sup>            | 144.5       | 106.8       | 35%        |
| EBITDA margin                    | 55%         | 51%         | 8%         |
| EBIT                             | 131.4       | 96.3        | 36%        |
| <b>NPAT from core operations</b> | <b>94.7</b> | <b>70.7</b> | <b>34%</b> |
| Cash balance                     | 41.9        | 286.3       | (85%)      |
| Earnings per share (EPS) cents   | 71.8c       | 53.7c       | 34%        |
| Dividend per share (DPS) cents   | 29.5c       | 22.0c       | 34%        |

| Reconciliation to Financial Statements (\$m)     | HY 2015      | HY 2014     | Growth     |
|--|--------------|-------------|------------|
| <b>NPAT from core operations <sup>(2)</sup></b>  | <b>94.7</b>  | <b>70.7</b> | <b>34%</b> |
| Gain on sale of marketable securities            | 31.2         | -           | -          |
| Tax on gain on sale of marketable securities     | (9.0)        | -           | -          |
| Share of losses of associates                    | (0.3)        | -           | -          |
| Gain on sale of discontinued Squarefoot business | 9.8          | -           | -          |
| <b>Reported NPAT</b>                             | <b>126.4</b> | <b>70.7</b> | <b>79%</b> |



# Growth across all segments

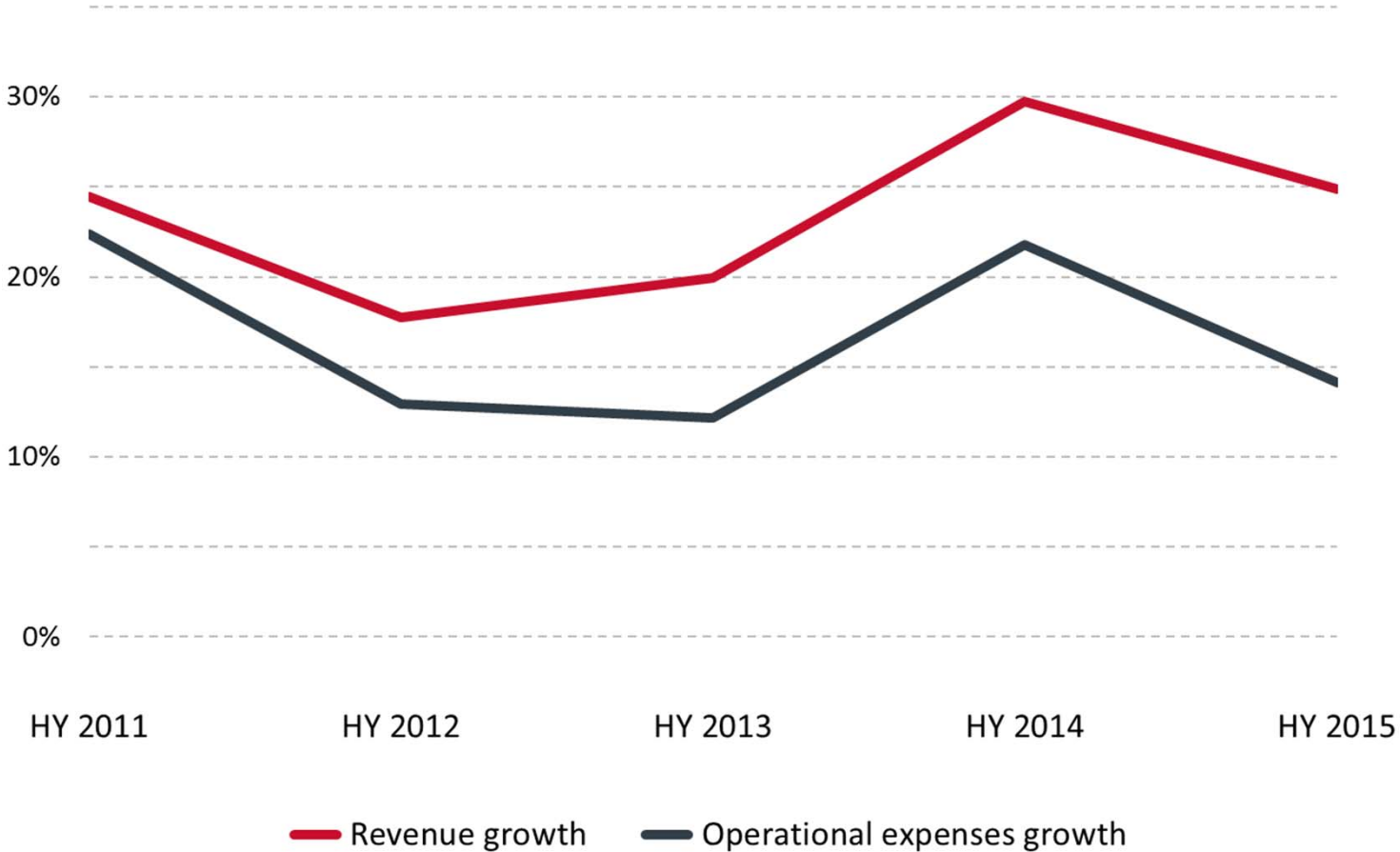
## Group revenue



| EBITDA from core operations (\$m) <sup>(1)</sup> | HY 2015      | HY 2014      | Growth     |
|--|--------------|--------------|------------|
| Australia  | 144.9        | 111.8        | 30%        |
| Europe   | 5.1          | 2.7          | 92%        |
| Asia   | 0.4          | (0.4)        | n/a        |
| Corporate  | (5.9)        | (7.3)        | 19%        |
| <b>Total segment EBITDA</b>                      | <b>144.5</b> | <b>106.8</b> | <b>35%</b> |

# Operating results

## Group operating results growth (%)



# Australian key metrics

| Revenue category (\$m) | HY 2015      | HY 2014      | Growth                    |
|------------------------|--------------|--------------|---------------------------|
| Listing depth revenue  | 159.8        | 100.0        | 60%                       |
| Subscription revenue   | 38.2         | 55.5         | (31%)                     |
| Media display          | 37.7         | 31.6         | 19%                       |
| Other                  | 0.7          | 1.0          | N/M Result not meaningful |
| <b>Total revenue</b>   | <b>236.4</b> | <b>188.1</b> | <b>26%</b>                |

| Metric                                | HY 2015 | HY 2014 | Growth |
|---------------------------------------|---------|---------|--------|
| Average monthly ARPA (\$)             | 3,046   | 2,490   | 22%    |
| Paying agents (number) <sup>(1)</sup> | 9,664   | 9,210   | 5%     |

| Total listings ('000)                             | Dec 2014   | Dec 2013   | Growth      |
|---|------------|------------|-------------|
| Total buy listings <sup>(1)</sup>                 | 429        | 503        | (15%) *     |
| Total rent/lease listings <sup>(1)</sup>          | 218        | 212        | 3%          |
| <b>Total listings for December <sup>(1)</sup></b> | <b>648</b> | <b>715</b> | <b>(9%)</b> |

\* Variance includes the discontinuation of realbusiness listings and market trends

# Group cashflow

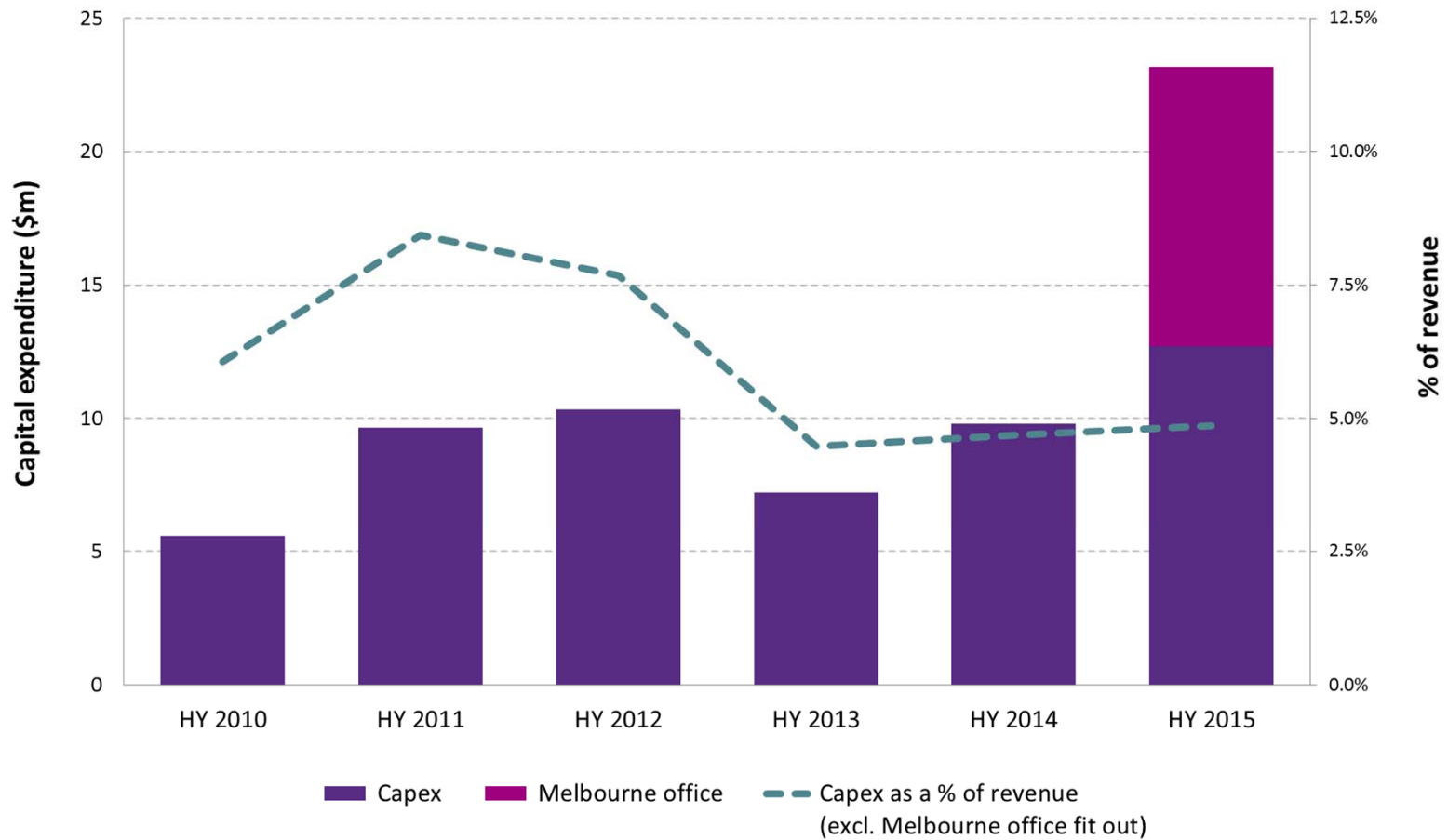
## HY 2015 Group cash flow





# Group capital expenditure

## Capital expenditure as a % of revenue



Our team is key to  
our success



Supplementary information



# Financial comparatives

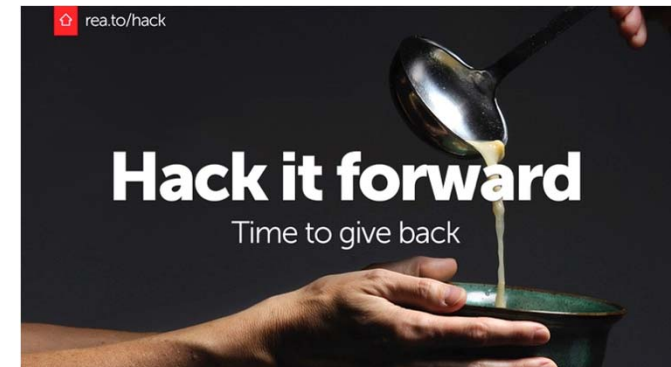
| Group results                                | Core operations |            |              |            |              |            |              |            |              |            | Fin Stats    |
|--|-----------------|------------|--------------|------------|--------------|------------|--------------|------------|--------------|------------|--------------|
|  | HY 2011         |            | HY 2012      |            | HY 2013      |            | HY 2014      |            | HY 2015      |            | HY 2015      |
|  | \$m             | Growth     | \$m          | Growth     | \$m          | Growth     | \$m          | Growth     | \$m          | Growth     | \$m          |
| Revenue from core operations                 | 114.3           | 24%        | 134.6        | 18%        | 161.4        | 20%        | 209.4        | 30%        | 261.5        | 25%        | 261.5        |
| Gain on sale of marketable securities        | -               |            | -            |            | -            |            | -            |            | -            |            | 31.2         |
| <b>Total revenue &amp; other income</b>      | <b>114.3</b>    | <b>24%</b> | <b>134.6</b> | <b>18%</b> | <b>161.4</b> | <b>20%</b> | <b>209.4</b> | <b>30%</b> | <b>261.5</b> | <b>25%</b> | <b>292.7</b> |
| Operating expenses                           | (66.4)          | 22%        | (75.1)       | 13%        | (84.2)       | 12%        | (102.6)      | 22%        | (117.0)      | 14%        | (117.0)      |
| Share of losses of associates                | -               |            | -            |            | -            |            | -            |            | -            |            | (0.3)        |
| <b>EBITDA</b>                                | <b>47.9</b>     | <b>28%</b> | <b>59.5</b>  | <b>24%</b> | <b>77.2</b>  | <b>30%</b> | <b>106.8</b> | <b>38%</b> | <b>144.5</b> | <b>35%</b> | <b>175.4</b> |
| <i>EBITDA Margin</i>                         | <i>42%</i>      |            | <i>44%</i>   |            | <i>48%</i>   |            | <i>51%</i>   |            | <i>55%</i>   |            |              |
| Depreciation and amortisation                | (4.5)           | 34%        | (7.2)        | 60%        | (9.1)        | 26%        | (10.5)       | 16%        | (13.1)       | 25%        | (13.1)       |
| <b>EBIT</b>                                  | <b>43.4</b>     | <b>27%</b> | <b>52.3</b>  | <b>20%</b> | <b>68.1</b>  | <b>30%</b> | <b>96.3</b>  | <b>41%</b> | <b>131.4</b> | <b>36%</b> | <b>162.3</b> |
| Net finance income                           | 1.7             |            | 3.2          |            | 4.5          |            | 4.6          |            | 2.9          |            | 2.9          |
| <b>Earnings before tax</b>                   | <b>45.1</b>     | <b>31%</b> | <b>55.5</b>  | <b>23%</b> | <b>72.6</b>  | <b>31%</b> | <b>100.9</b> | <b>39%</b> | <b>134.3</b> | <b>33%</b> | <b>165.2</b> |
| Tax on gain on sale of marketable securities | -               |            | -            |            | -            |            | -            |            | -            |            | (9.0)        |
| Income tax expense                           | (13.9)          |            | (14.4)       |            | (21.1)       |            | (30.2)       |            | (39.6)       |            | (39.6)       |
| <b>Net Profit from continuing operations</b> | <b>31.2</b>     | <b>35%</b> | <b>41.1</b>  | <b>32%</b> | <b>51.5</b>  | <b>25%</b> | <b>70.7</b>  | <b>37%</b> | <b>94.7</b>  | <b>34%</b> | <b>116.6</b> |
| Gain on sale of of Squarefoot business       | -               |            | -            |            | -            |            | -            |            | -            |            | 9.8          |
| <b>Net Profit</b>                            | <b>31.2</b>     | <b>35%</b> | <b>41.1</b>  | <b>32%</b> | <b>51.5</b>  | <b>25%</b> | <b>70.7</b>  | <b>37%</b> | <b>94.7</b>  | <b>34%</b> | <b>126.4</b> |
| Dividend per share                           | 10.0            | 100%       | 12.5         | 25%        | 16.0         | 28%        | 22.0         | 38%        | 29.5         | 34%        | 29.5         |
| Earnings per share (EPS)                     | 24.8            | 39%        | 31.6         | 27%        | 39.2         | 24%        | 53.7         | 37%        | 71.8         | 34%        | 95.9         |
| EPS from continuing operations               |                 |            |              |            |              |            |              |            |              |            | 88.4         |

# Sustainability & community

HY 2015 highlights:

- Developed formal sustainability framework to manage our social and environmental impacts
- Benchmarked our performance in the Dow Jones Sustainability Index, London Benchmarking Group and CitySwitch program
- Launched the *Because We Care* program - empowers staff to contribute to the community through matched giving, volunteering and community grants
- Hack Day dedicated to social issues including homelessness
- REA announced a 3 year, \$3 million partnership with Australian charity HomeGround, including a new Rapid Rehousing Fund. This is part of a larger community investment strategy which will prevent 1,000 Australians from homelessness each year.

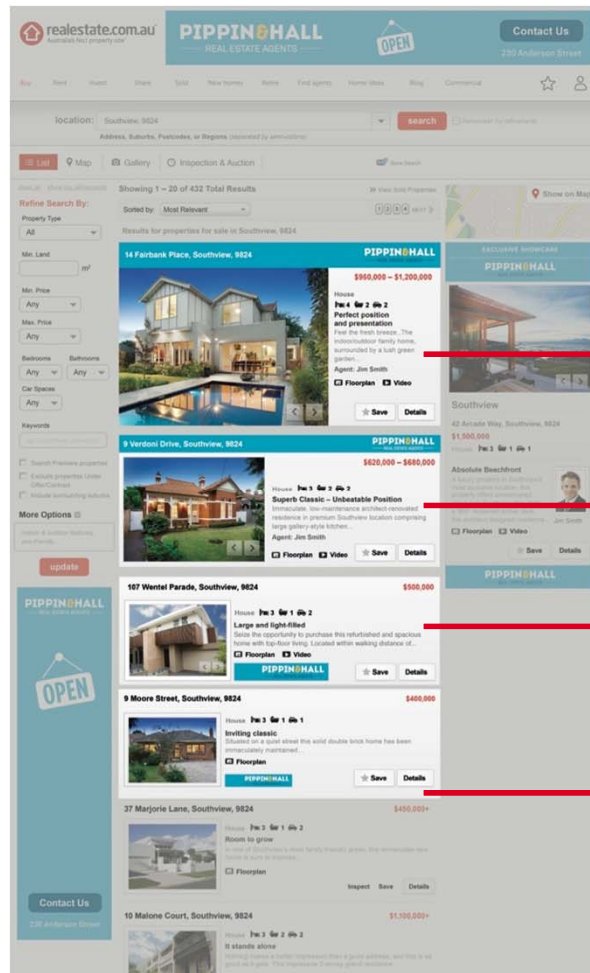
because  
we care



# Key Australian products



# Residential product hierarchy



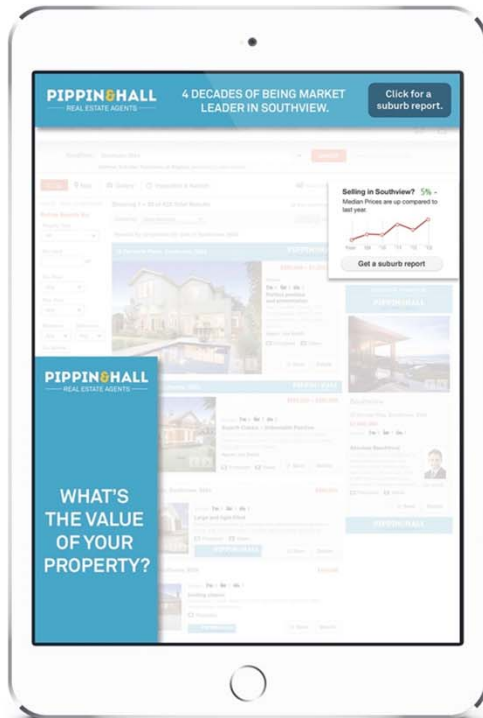
Premiere Property 21x more views

Highlight Property 8x more views

Feature Property 2x more views

Standard ad

# Agent focus



Lead generator

*Own leads in your suburb*



Brochure mock up tool

*Create vendor brochures personalised for each listing presentation*



Agent Profiles

*Be the 'go to' agent in your area*



# Commercial & Developer products

## Commercial product hierarchy



## Project Profiles

The figure shows a collage of real estate website screenshots for 'DIABLO TOWERS' in Molan, Victoria. The screenshots include:

- A header image with the project name 'DIABLO TOWERS'.
- A section titled 'LIVING AT DIABLO TOWERS' with the address '33 Maurice Street, Molan, Victoria' and a price 'From \$495,000'.
- A list of amenities: '1 and 2 Bedroom Apartments', 'Sky Garden', 'Low Owners Corporation Fees', and 'Low Running costs'.
- A map showing the location of 'DIABLO TOWERS' in Molan, Victoria, near 'ATOLL' and 'Feathers Cove'.
- A 'Beachfront Apartments' advertisement with a price 'FROM \$ 495,000'.



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[rea-group.com](http://rea-group.com)

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