

# Domain

## ASX ANNOUNCEMENT

### Domain Holdings Australia Limited 2024 Half-Year Results Commentary

**Sydney, 14 February 2024:** Domain Holdings Australia Limited [ASX:DHG] (“**Domain**” or “**Company**”) today delivered its 2024 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:**

##### Slide 1

Good morning and thank you for joining CFO Peter Williams and me for Domain’s 2024 half year results briefing. I’m delighted to introduce you to Pete who has been serving as Interim CFO since November, and whose permanent appointment was announced last week after an extensive internal and external search. In this interim period, Pete has added tremendous value to Domain and been an impressive leader of the Finance function. I’m very pleased to welcome him to the team.

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 peoples today. For myself, I am on the land of the Gadigal people of the Eora Nation.

##### Slide 2,3

We’ll follow our usual agenda with an overview of the result and an update of the progress of our Marketplace strategy. I’ll then provide some commentary on the current trading environment and outlook, before handing over to Pete to run through the group financials. We look forward to taking your questions at the end of our prepared remarks.

##### Slide 4

The first half of FY24 has seen a pleasing turnaround in the property market environment in Sydney and Melbourne, although other markets have remained challenging, impacted by rising interest rates and cost of living pressures. We have retained our disciplined Marketplace approach, with operating expenses increasing less than 3% YoY in the first half. We continue to be optimistic about the opportunities available to our Marketplace, and our ambition to become a much bigger business. In August I spoke about the decision to pursue an exit from our Domain Home Loans joint venture. I can confirm that we have finalised the exit, and Domain is looking forward to pursuing alternative options to scale and achieve profitable growth. DHL is excluded from the results as a discontinued operation, with the full financial impact of the exit included in the accounts.

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## Slide 5

Turning to the Group Trading Performance, Domain delivered:

- Revenue of \$202.2 million, up 11%
- Expenses of \$133.8 million up 2.7%
- EBITDA of \$68.4 million, up 32%
- EBIT of \$47.5 million, up 42%.

Net profit was \$25.8 million and earnings per share were 4.1 cents.

We have included adjusted net profit as a more relevant measure given the impact that non cash amortisation arising from acquisitions has on our reported NPAT. Adjusted net profit of \$29.2 million increased 40% with earnings per share of 4.6 cents also up 40%.

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

## Slide 6

Domain's revenue increase of 11% reflects the early benefit from the property market recovery in Sydney and Melbourne following the very challenging environment experienced from Q2 to Q4 in FY23.

Residential revenue increased 16% reflecting strong growth in depth revenue;

Media, Developers & Commercial increased 9%, a good performance given the market backdrop;

Agent Solutions declined 7%, with solid subscription growth offset by a disproportionate impact from lower gross revenues at Realbase's AIM product;

Domain Insight increased 12%, benefiting from new contracts at IDS;

The Consumer Solutions segment reflects the exit from DHL.

Together these businesses delivered Digital revenue growth of 12% and EBITDA growth of 25%.

Print revenue was 4% lower, a significant improvement from the FY23 run rate, with Print EBITDA slightly lower.

Group Revenue growth of 11%, and continued cost restraint saw Group EBITDA margins expand by more than 5 points to 33.8%, with Digital margins increasing by a similar amount to 44.6%.

## Slide 7

Before I discuss the results in greater detail, I'd like to provide an overview of some of the challenges and achievements of the Residential business in the first half.

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As mentioned earlier, the listings recovery was focused in Sydney and Melbourne, with the continuation of a challenging environment outside of those markets, with the Queensland declines particularly notable.

Against that backdrop, the business was very successful in implementing significant average depth price increases of 12% from the 1st July, benefiting from the launch of Platinum Edge.

As a consequence of these price increases, and the continued challenging environment in many markets, Domain saw a modest decline of less than 2% in new 'for sale' listings. This was somewhat below market-wide growth, resulting in a small and temporary decline in free listings coverage, particularly in the month of October. As you can see illustrated on the chart, this coverage has reversed and as of December has virtually returned to pre-price increase levels.

Offsetting this small blip in relative listings coverage, Domain has delivered notable progress across the residential business.

During the Spring selling season, our Unique Audience growth from Winter averages has significantly outperformed our competitor and the broader property search category.

We have delivered a 14% increase in depth penetration, driving a 12% uplift in paid listings.

And Average Revenue per Sale Listing across depth and subscription has achieved a pleasing 20% year-on-year increase, reflecting price increases and favourable market mix arising from the Sydney and Melbourne recovery.

## Slide 8

These achievements are a reflection of the strength of Domain's Property Marketplace which builds on our mission to inspire confidence in life's property decisions.

## Slide 9

Some of the key achievements of our Property Marketplace during the first half are highlighted on this slide.

In our Core Listings business, I've already mentioned the 20% uplift in Average Revenue Per Listing, and the impressive performance in depth which achieved record levels along with strong Platinum Edge take-up. We delivered a controllable yield of 15% reflecting the price and depth performance.

In Agent Solutions, Real Time Agent achieved a 25% increase in customers while contracts increased by 47% reflecting higher takeup per agent. And LeadScope launched in market after an extended period of beta testing.

In Consumer Solutions, Domain delivered a strong audience performance, with a peak audience of more than 7 million in November using the new Ipsos iris market metric. And as mentioned earlier, we completed the exit of the DHL Joint Venture.

At Domain Insight, the IDS team implementing the VM Online platform for the WA government achieved on time delivery of project milestone two and there was continued momentum in

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AVM client wins. Our Single View of Property has delivered a 40% uplift in unique data points through augmentation from complementary 3<sup>rd</sup> party data sets.

## Slide 10

In August I spoke about Domain's investment in machine learning and AI which commenced in FY17, and has been embedded as central to our Marketplace strategy.

Domain's valuable proprietary data together with our powerful integrated AI are driving the development of better and differentiated products, which in turn are creating more engaged users. We are testing and trialling dozens of use cases at pace in order to accelerate the benefits of this virtuous circle to our Marketplace.

## Slide 11

During the first half we continued to deliver progress against our key Environmental, Social and Governance priorities. Our broad array of initiatives included preparing for new climate reporting standards, and a new program of internal communications and engagement that has delivered a 12% uplift in employee engagement. In the important area of data security and cyber resilience, we have deployed new technology and services to provide enhanced protection from emerging cyber threats.

## Slide 12

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

## Slide 13

Residential revenue increased 16%, with depth as a percentage of total revenue reaching a new high of 91%. This rapid increase in depth's proportion of revenue is testament to the strong take-up of Platinum Edge, our highest tier of depth, during the first half.

## Slide 14

FY24 first half national 'for sale' market listings saw a significant improvement from the depths of the FY23 Q2 to Q4 period. Depth revenue growth of 12% in Q1 reflected the significant negative impact from revenue deferral that we discussed at our AGM in November. The acceleration to Q2 growth of 27% reflects the reversal of this effect.

First half controllable yield growth of 15% saw a significant uplift from FY23 reflecting the market turnaround, and benefits from pricing and depth. The uplift versus Q1 controllable yield of 13% was due to our success in driving continued take-up of Platinum Edge.

## Slide 15

The turnaround from FY23 to FY24 is clearly demonstrated on this chart. In line with historical trends, Sydney and Melbourne led the market down, and are leading the market up.

The performance of Domain's micro market segments clearly illustrates the differential, with our Established markets seeing strong volume growth, our expanding markets stable and emerging markets modestly lower. Despite the more challenging listings environment in

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smaller markets, it is important to note that they have delivered the most significant uplift in revenue per listing, benefiting from the higher price increases implemented in those markets. We have traded off some short-term volume for yield growth which delivers ongoing benefit to Domain.

## Slide 16

During the first half of FY24, the Resi business continued to build on the considerable product and commercial innovation that we delivered in FY23. Our powerful new mobile search experience provides enhanced transparency for property seekers, and delivers greater branding opportunities to agents.

The Platinum Edge add-on launched as part of the FY24 price review achieved significant attachment rates ahead of expectations. Since July, we have been successful in increasing agent adoption further, lifting the number of customers by 45%.

Social Boost continues to deliver impressive attachment rates to Platinum listings, with ongoing product development including enhanced reporting to provide agents and vendors with greater transparency on campaign results. During the first half we successfully implemented a bundled Social Boost and Print product which is contributing to the uplift in yield.

## Slide 17

National depth penetration continued to expand in the first half to a new record, with gains in every state apart from Western Australia. The uplift in Platinum penetration in New South Wales was particularly impressive, with Victoria delivering a very substantial uplift in Gold and Silver as we have transitioned new customers from free to depth. While Gold and Silver depth penetration was slightly lower in WA, average revenue per listing increased more than 40%, making a valuable contribution to yield growth.

## Slide 18

Domain's success in driving depth penetration is illustrated on this slide.

Since FY18 depth penetration has more than doubled, and Average Revenue per Sale listing has increased by a similar magnitude. These achievements in the face of the listings volatility of recent years demonstrate the extent to which our Marketplace strategy has underpinned the creation of a higher quality, higher margin business. Our strong price and depth performance, together with the improving market conditions, have underpinned the 20% year-on-year uplift in H1.

## Slide 19

I spoke earlier about Domain's strong audience numbers during the important Spring selling season, and the outperformance versus our competitors. We have always placed great emphasis on quality versus quantity, and that is reflected in the audience quality metrics on the slide. Over the past three years the quality of Domain's audience has increased by 176% versus a 54% decline for our major competitor.

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## Slide 20

Turning to Media, Developers & Commercial.

Revenue increased 9%, reflecting strong growth in Media and Commercial Real Estate, somewhat offset by lower Developer revenue.

## Slide 21

Commercial Real Estate delivered strong revenue growth of 24%, supported by listings growth and a significant uplift in depth penetration. The new pricing model introduced in January 2023 is driving continued new depth contract adoption, and record depth penetration.

Media revenue increased more than 30%, benefiting from the strength and quality of Domain's audience. A successful partnership with Domain Insight is delivering integrated client packages with customised data insights.

Developers' revenue was lower due to the continued challenging market environment arising from higher interest rates and construction costs. The market for new apartments remained challenging, particularly in Queensland. Extended listing duration with lower yields provided some offset to new project volume declines.

## Slide 22

In Agent Solutions, revenue reduced 7% year-on-year to \$18.9 million, with solid subscription trends offset by lower revenue from Realbase's AIM product.

## Slide 23

Pricefinder delivered modest revenue growth, despite the difficult property environment in Queensland, its largest market. Pricefinder benefited from platform investment and a new pricing integration with IDS.

Real Time Agent delivered exceptionally strong revenue growth of more than 50%, driven by new customer acquisition, increased agent adoption, and higher volumes per agent reflecting the Sydney and Melbourne recovery.

Realbase's core campaign management platform benefited from the listings recovery in Sydney and Melbourne. Realbase's overall revenue contribution reduced year-on-year reflecting the disproportionate impact from lower AIM gross revenues, with attachment rates impacted by cost-of-living pressures in Australia and New Zealand. Realbase's profit contribution delivered a 20% year-on-year uplift reflecting AIM's correspondingly lower cost of sales, and other cost efficiencies arising from the accelerated strategic integration with Domain. We remain optimistic about the value of AIM's technology platform and are finalising plans to drive new monetisation opportunities.

## Slide 24

Product innovation and integration remains a key element of our Agent Solutions strategy. Pricefinder's integration with the IDS pricing model has increased coverage to 90% of

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Australian residential properties, with enhanced quality and accuracy. Integration efforts for Pricerfinder and Engage, and RTA and Engage are driving increased efficiency in the agent workflow.

Our agent prospecting tool LeadScope progressed from beta to full monetisation, with state by state launches across Q1 and Q2. This unique AI-powered tool is delivering leads to agents in a valuable window to win listings, with predictions on average 113 days ahead of listing.

## Slide 25

Domain Insight's revenue increased 12% year-on-year.

## Slide 26

Pricerfinder (non-agent) saw a lower revenue contribution due to the strategic decision to terminate a data-sharing arrangement with a competitor. While this will have a short-term negative impact on the revenue performance of the business in FY24, we see greater long term strategic value from monetizing our proprietary data within Domain's Marketplace.

IDS successfully delivered against the first two milestones of its new WA contract implementation, along with a contribution from new ancillary revenue. Valuations revenue delivered strong growth reflecting new client wins, and an increased share of volume from existing clients, and we see even further upside with the migration to the IDS valuations platform.

## Slide 27

In Consumer Solutions, we finalised the exit from the DHL joint venture, with a short transition period. The full financial impact of the exit is reflected in the accounts. We remain optimistic about future opportunities that will support a profitable contribution to our Marketplace.

## Slide 28

The full detail of DHL's contribution to discontinued operations is outlined on the slide.

## Slide 29

Print revenues declined 4%, a significant moderation from FY23, reflecting the recovery in high value Sydney and Melbourne markets. Bundling Print with Social Boost is supporting new Social Boost revenue, and the new partnership with Broadsheet is strengthening Domain Review's editorial content.

## Slide 30

Print continues to deliver large and high-quality audiences. Average issue readership of 1.2 million increased 16% year-on-year, with audience quality reflected in likelihood to purchase, and Roy Morgan's Premium Brand Award. Print's minimal overlap with digital delivers agents an exclusive and hard to reach incremental audience.

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## Slide 31

Turning now to the trading update.

## Slide 32

- Trading in the first six weeks of FY24 H2 reflects ongoing growth in new 'for sale' listings in Sydney and Melbourne which continue to lead the market recovery, with early signs of improvement in the other states in February.
- FY24 cost guidance is unchanged, with an expected increase in the mid to high single digit range from the FY23 expense base (excluding discontinued operations) of \$237.1 million.
- Domain expects EBITDA margin expansion in FY24, supported by improving listings, successful price increases, uptake of new depth contracts and products, and continued cost restraint balanced with investment in our Marketplace strategy.

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

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**Peter Williams – Chief Financial Officer:**

## Slide 33

Thanks Jason. I'm very pleased to participate in my first results presentation, and look forward to meeting with many of you in the coming days. Over the past three months I have been impressed with the talent and professionalism at Domain, and I am delighted to be joining the team.

## Slide 34

Slide 34 provides a reconciliation of the statutory 4D to Domain's trading performance excluding significant items, discontinued operations and adjusted for amortisation of acquired intangibles. As Jason mentioned, we have included Adjusted net profit as a more relevant measure given the impact that non cash amortisation arising from acquisitions has on our reported NPAT. I'll run through the significant items later in the presentation.

Starting at the items below EBITDA. Depreciation and amortisation expense of \$20.9 million increased from \$18.2 million in the prior year due to the higher amortisation of software costs arising from increased product development. The \$4.9 million net profit adjustment reflects the non-cash amortisation from acquisitions.

We expect FY24 D&A expense to increase around 15% due to the higher capex run-rate.

Net finance cost of \$6.5 million increased from \$5.4 million in FY23, reflecting higher average net debt, and the market wide increases in interest rates. We expect FY24 interest expense to exceed FY23 levels.

Tax expense of \$11.0 million is an effective tax rate of 27%. For FY24 we expect the tax rate to be between 28% and 30% in line with historic averages.



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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 other consolidated, non-wholly owned entities.

NCI increased from \$3.3 million in the prior year due to higher Core Digital profit.

## Slide 35

Slide 35 provides the reconciliation of statutory to trading performance for FY23 H1.

## Slide 36

Slide 36 provides the detail of Domain's cost structure, and a reconciliation of statutory to trading expenses.

Trading expenses of \$133.8m increased 3% year-on-year.

Staff costs which make up around half our expense base decreased 5% on a continuing basis, reflecting the impact of lower FTE and related employee costs.

Production and Distribution costs decreased 6%, primarily related to Realbase and Developers, aligned with lower revenues for those products.

Promotion costs increased by 25%, with increased investment in our Spring marketing campaign.

Software and Communications expenses grew 26% due to investment in marketing technology and cybersecurity, along with increased costs in line with inflation.

Other costs decreased 2% reflecting tight cost control on discretionary spending.

As Jason mentioned earlier our full year guidance is unchanged, with FY24 expense growth in the mid to high single digit growth range as we invest in specific transformation projects, acquire and retain the best talent, while maintaining our disciplined focus on cost.

## Slide 37

Slide 37 provides an overview of significant items, which amounted to a \$0.6 million expense net of tax.

Restructuring charges of \$1.9 million relate to technology and platform transformation.

M&A transaction costs of \$0.5 million largely reflect the accelerated integration of Realbase.

## Slide 38

Turning to cash flow on Slide 38.

FY24 H1 cash from trading was \$68.1 million, which increased significantly from \$42.0 million in FY23 H1.

The cash income tax payments of \$7.9 million were down compared to the prior year despite higher statutory EBITDA due to refunds received during the current half-year.

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Investment in PPE and software of \$14.1 million was largely in line with the prior year. For the full year we expect capex in the low to mid \$30 million range supporting investment in the key priority areas.

During the first half we repaid \$10 million in net borrowings.

Total dividends paid of \$29.5 million were in line with the prior year, reflecting a stable dividend per share.

Domain finished FY24 H1 with a cash balance of \$33.6 million.

## Slide 39

Slide 39 provides an overview of Domain's debt facilities. As at December 2023 the facility was drawn down to \$210 million, a \$10 million reduction versus June 2023. Domain's debt facilities extend out to December 2025 and December 2026 with respectively 64% and 36% of total maturities.

## Slide 40

Domain's balance sheet at December 2023 is in strong shape, ending the period with net debt of \$175.8 million, compared with \$185.8 million at June 2023. This represents a leverage ratio of 1.46x, an improvement from 1.92x.

With that, I'll hand back to Jason for some closing remarks

## **Jason Pellegrino – Chief Executive Officer and Managing Director:**

### Slide 41

We're very pleased with Domain's performance in the first half.

While listings volumes were mixed across the country, we delivered a 12% national uplift in paid listings. Looking forward to the second half, we see early signs that the property cycle is playing out as usual, with ongoing strength in Sydney and Melbourne, and early signs of improvement in other markets.

The 15% increase in controllable yield in the first half is a reflection of the value we deliver to agents, and the investment we consistently make in improving the agent and consumer experience. This strategy supports our target for 12% through the cycle growth.

Our first half audience performance was strong, with the 10% uplift in Spring versus Winter Unique Audience meaningfully outperforming the market. Looking forward we remain optimistic about the opportunities to engage with our quality, high intent audiences.

### Slide 42

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

**Ends**

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