

Domain

ASX ANNOUNCEMENT

Acquisition of Realbase and A\$180 million equity raising

Sydney, 1 April 2022: Domain Holdings Australia Limited (ASX:DHG) ("**Domain**" or the "**Company**") today announces that it has entered into a binding agreement to acquire (through one of its wholly owned subsidiaries) 100% of Realbase Pty Ltd ("**Realbase**"), for upfront cash consideration of A\$180 million plus contingent consideration of up to A\$50 million which may be payable for achievement of stretch financial performance targets (the "**Acquisition**").¹

This marks a significant step forward in the evolution of Domain's Marketplace strategy. The acquisition of Realbase is highly strategic, meaningfully accelerating the scale and impact of Domain's Agent Solutions business unit, with complementary offerings that create a holistic end-to-end solution for real estate agents. On a pro forma basis, the acquisition more than doubles Domain's Agent Solutions' revenue for FY22F.

Realbase is the largest real estate campaign management technology platform in Australia and New Zealand, providing services to agents on ~40% of all property transactions. Operating through a number of leading brands, including Campaigntrack and Realhub, Realbase's platforms enable real estate agents to seamlessly construct, price, order and track the campaign marketing products required to list and market a property, on-market or off-market.

Highlights

- Domain has entered into an agreement to acquire (through one of its wholly owned subsidiaries) 100% of Realbase, a leading campaign management technology platform in the Australia and New Zealand region, at an enterprise value of A\$180 million, plus contingent consideration of up to A\$50 million.¹ Achievement of maximum earn out payments would result in an approximately fivefold increase in Realbase's EBITDA by FY26, compared to FY22.
- Realbase is a highly strategic acquisition which provides complementary Marketplace offerings that progress Domain's strategy to deliver solutions that help agents and consumers at every stage of the property journey.
- The Acquisition significantly accelerates Domain's Agent Solutions strategy and increases market coverage from ~35% to ~50% of all Australian property transactions.
- Potential to unlock significant pre-tax EBITDA synergies and scaling efficiencies of up to approximately A\$18 million p.a. by FY26.

¹ Contingent consideration of up to A\$50 million may be payable for achievement of stretch financial performance targets based on a mix of revenue and EBITDA metrics over a three-year period from FY24 to FY26. Domain may elect to pay the contingent consideration either in cash and / or scrip.

- Attractive transaction metrics, with the acquisition price representing 8.0x expected FY22 revenue and 20.5x expected FY22 EBITDA (excluding synergies), based on upfront cash consideration of A\$180 million.
- Leveraging the management teams of Realbase and Domain provides the opportunity to accelerate stand-alone growth as well as synergies. Realbase has a strong senior management team which will continue to stay on to run the business.
- Expected to be EPS accretive on a pro-forma FY22 basis and also in the first full year of ownership, before synergies.
- The Acquisition will be funded via an A\$180 million underwritten pro-rata accelerated non-renounceable entitlement offer (the “**Entitlement Offer**” or “**Equity Raising**”).
- Domain’s largest shareholder, Nine Entertainment Co. Holdings Limited (ASX:NEC) (“**Nine**”), is supportive of the Acquisition and Equity Raising and has committed to take up 100% of its entitlement under the Entitlement Offer (representing ~59% of the Equity Raising).

Domain CEO, Jason Pellegrino, said “Our mission in Agent Solutions is to build on our track record of trusted partnerships with agents to help them build profitable and sustainable businesses, and deliver value at every stage of the property journey. For some time we have been impressed by Realbase’s technological capabilities and products including innovative campaign management, high growth digital proposals and a rapidly expanding social media marketing offer. Each of Realbase’s solutions complements and extends the value proposition Domain can take to agents. The acquisition of Realbase meaningfully increases the scale and impact of Domain’s Agent Solutions unit and strengthens our position as the leading provider of end-to-end agent workflow solutions.”

Realbase CEO, Frank Greeff, said “When we first started discussing a more connected relationship with Domain and its products, we quickly saw how compatible we were in technology, perspective and team culture. Realbase has a mission to transform real estate through technology, striving to provide customers with the best suite of tools. We are looking forward to scaling and growing alongside a company with a long-standing reputation for trust and quality in the industry. As a collective, our focus is to help agents win listings, and market and sell properties, and the combination with Domain will allow us to continue to provide immense value to our clients. The connection of our best-in-class tools with Domain’s existing Agent Solutions, and buyer and seller focused portal offering is a perfect match. We are very excited for the future of this business and our relationship.”

Acquisition of Realbase

Realbase is the largest campaign management technology platform in Australia and New Zealand (“**ANZ**”), providing services to agents on ~40% of all property transactions in the region.² Realbase operates through two key brands, Realhub and Campaigntrack, which enable real estate agents to seamlessly construct, price, order and track the campaign marketing products required to list and market a property, on-market and off-market. This includes managing the total marketing schedule on a property listing, including real estate portal listings, the provision of visual content, signboards, brochures, flyers and social and print media advertising.

² Based on number of properties marketed via Realhub and Campaigntrack platforms divided by number of total properties sold in Australia and New Zealand.

Realbase has national coverage across ANZ with strong relationships with major real estate franchise groups. Domain anticipates Realbase will generate ~A\$22 million revenue and ~A\$9 million EBITDA in FY22.

The Acquisition provides highly complementary Marketplace offerings, supplementing Domain's Agent Solutions capabilities and filling key product gaps, such as campaign management and digital proposals, and accelerating Domain's social media marketing capabilities. The Acquisition positions Domain's Agent Solutions business as a leading provider of a holistic end to end workflow solution for agents across the property sale lifecycle. In addition, the Acquisition will materially accelerate Domain's workflow solutions coverage of Australian property transactions from ~35% to ~50%.

Realbase brings to Domain a management team with significant experience in sustained market leadership in real estate marketing, and a proven ability to launch successful high growth platforms and solutions.

The Acquisition is expected to generate significant upsell and cross-sell opportunities through providing a broader platform and deeper service offering that is embedded in the agent workflow. Realbase's broad geographic coverage is expected to materially improve Domain's listing coverage, while Domain's experienced sales team is expected to improve Realbase's product penetration. Domain also expects customer overlap between Domain and Realbase to support business development and account management efficiencies.

Following the Acquisition and Equity Raising, Domain expects net debt / EBITDA to be ~1.6x by 30 June 2022.

Terms of the Acquisition

Under the terms of the signed agreement, Domain will acquire (through one of its wholly owned subsidiaries) 100% of Realbase for cash consideration of A\$180 million ("**Upfront Consideration**") plus contingent consideration of up to A\$50 million based on the achievement of stretch financial performance targets ("**Earn Out Consideration**").³

The Earn Out Consideration may be payable for achievement of stretch financial performance for a mix of revenue and EBITDA metrics over a three-year period from FY24 to FY26. Domain may elect to pay the Earn Out Consideration either in cash and / or scrip. The maximum consideration payable (Upfront Consideration plus 100% of the Earn Out Consideration) for Realbase is A\$230 million.

Completion of the Acquisition is subject to customary closing conditions and is anticipated to occur in late April 2022.

Overview of the Entitlement Offer

The Upfront Consideration will be fully funded by a fully underwritten 1 for 12.33 pro rata accelerated non-renounceable entitlement offer to raise A\$180m, offered at \$3.80 per new ordinary Domain share.

Domain's largest shareholder, Nine, is supportive of the Acquisition and Equity Raising and has committed to take up 100% of its entitlement under the Entitlement Offer (representing ~59% of the Equity Raising) and has committed to sub-underwrite the institutional and retail tranches of the Entitlement Offer up to 18.9 million New Shares ("**Sub-Underwriting Cap**"). If there is sufficient shortfall to require New Shares up to the Sub-Underwriting Cap to be acquired by Nine under its sub-underwriting commitment, Nine's total shareholding on completion of the Entitlement Offer would increase from 59.03% to up to 62.03%, as described in the investor presentation which Domain has filed with the ASX today.

³ Contingent consideration of up to A\$50 million may be payable for achievement of stretch financial performance targets based on a mix of revenue and EBITDA metrics over a three year period from FY24 to FY26. Domain may elect to pay the contingent consideration either in cash and / or scrip.

The Entitlement Offer will be conducted at an offer price of A\$3.80 (“**Offer Price**”) per new ordinary Domain share (“**New Shares**”). The Offer Price represents:

- 4.9% discount to the Theoretical Ex-Rights Price of A\$3.99 per share on Thursday, 31 March 2022 (“**TERP**”); and
- 5.2% discount to the last closing price of A\$4.01 per share on Thursday, 31 March 2022.

Approximately 47.4 million New Shares are expected to be issued under the Entitlement Offer. The number of New Shares to be issued is equivalent to approximately 8.1% of existing Domain shares on issue. Each New Share issued under the Entitlement Offer will rank equally with existing Domain shares on issue. Domain will, upon issue of the New Shares, seek quotation of the New Shares on ASX.

Macquarie Capital (Australia) Limited and UBS Securities Australia Limited are acting as underwriters, bookrunners and Joint Lead Managers to the Entitlement Offer.

Entitlement Offer details and key dates

Institutional Entitlement Offer

Eligible institutional shareholders will be invited to participate in the institutional component of the Entitlement Offer (“**Institutional Entitlement Offer**”), which is being conducted today, on Friday, 1 April 2022. Eligible institutional shareholders can choose to take up all, part or none of their entitlement.

Institutional entitlements that eligible institutional shareholders do not take up, and institutional entitlements that would otherwise have been offered to ineligible institutional shareholders, may be offered to eligible institutional shareholders who apply for New Shares in excess of their entitlement, as well as to certain other eligible institutional investors, through an institutional shortfall bookbuild to be conducted concurrently with the Institutional Entitlement Offer.

Retail Entitlement Offer

Eligible retail shareholders will be invited to participate in the retail component of the Entitlement Offer (“**Retail Entitlement Offer**”) at the same Offer Price and offer ratio as under the Institutional Entitlement Offer. The Retail Entitlement Offer will open on 10:00am (Sydney time) on Friday, 8 April 2022 and close at 5.00pm (Sydney time) on Thursday, 28 April 2022 (“**Retail Offer Period**”). Eligible retail shareholders can also elect to participate in a Retail Top-Up Facility on the terms described.

Further details about the Retail Entitlement Offer will be set out in a booklet (**Retail Offer Booklet**), which Domain will lodge with the ASX by Friday, 8 April 2022. The closing date for the receipt of Entitlement and Acceptance Forms and application payments is 5.00pm (Sydney time) on Thursday, 28 April 2022.

The Retail Offer Booklet and accompanying Entitlement and Acceptance Form are expected to be despatched to eligible retail shareholders on Friday, 8 April 2022.

Equity Raising Timetable

The below timetable is indicative only and Domain reserves the right to amend any or all of these events, dates and times subject to the Corporations Act 2001 (Cth), ASX Listing Rules and other applicable laws.

Event	Date
Trading halt and announcement of Acquisition and Equity Raising	1 April 2022
Institutional Entitlement Offer opens	1 April 2022
Institutional Entitlement Offer closes	1 April 2022
Announcement of results of Institutional Entitlement Offer	4 April 2022
Announcement of completion of Institutional Entitlement offer, trading halt lifted, existing shares recommence trading on an "ex-entitlement" basis	4 April 2022
Entitlement Offer record date (7:00pm, Sydney time)	5 April 2022
Retail Entitlement Offer information booklet lodged with ASX	8 April 2022
Retail Entitlement Offer opens	8 April 2022
Settlement of New Shares issued under the Institutional Entitlement Offer	11 April 2022
Allotment of New Shares issued under the Institutional Entitlement Offer	12 April 2022
Trading commences on a normal basis for New Shares issued under the Institutional Entitlement Offer	12 April 2022
Retail Entitlement Offer closes	28 April 2022
Settlement of Retail Entitlement Offer (5:00pm, Sydney time)	4 May 2022
Allotment of New Shares issued under the Retail Entitlement Offer	5 May 2022
Normal trading of New Shares issued under the Retail Entitlement Offer	6 May 2022
Despatch of holding statements in respect of New Shares issued under the Retail Entitlement Offer	9 May 2022

Trading update

Domain's FY22 Q3 trading reflects ongoing favourable operating momentum. New 'for sale' listings have increased in the high single digit range, with continued benefits from growth in depth penetration and pricing.

The results of Domain's transformation to date underpin our confidence to continue to invest in our Marketplace strategy, while retaining our disciplined investment approach and commitment to ongoing margin expansion.

FY22 ongoing cost guidance is unchanged from the update provided with our half year results in February 2022, with expenses expected to increase in the low-teens range from the FY21 ongoing expense base of \$195.5 million. This excludes the impact of the JobKeeper and Zipline expenses which are included in FY22 H1 trading expenses.

Additional information

Additional information regarding the Acquisition and the Entitlement Offer is contained in the investor presentation released to the ASX today.

The Acquisition and Entitlement Offer Investor Presentation contains important information that shareholders should consider, including information about the risk factors and the foreign selling restrictions with respect to the Entitlement Offer.

The Retail Offer Booklet will be released separately and mailed to eligible retail shareholders.

You should seek appropriate professional advice before making any investment decision. If you have any questions about the Retail Entitlement Offer, please contact the Domain Offer Information Line on 1300 363 917 (within Australia) or +61 1300 363 917 (outside Australia) between 8.30am and 5.00pm (Sydney time), Monday to Friday during the Retail Offer Period.

Blackpeak Capital acted as financial adviser and Ashurst as legal adviser to Domain in relation to the Acquisition.

ENDS

Authorised for lodgement: Catriona McGregor, Group General Counsel and Company Secretary

Media: Sarah Macartney: +61 433 949 639, sarah.macartney@domain.com.au

Investors: Jolanta Masojada, + 61 417 261 367, jolanta.masojada@domain.com.au