Domain

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ASX ANNOUNCEMENT

Domain Holdings Australia Limited
2023 Full-Year Results Announcement

Sydney, 17 August 2023: Domain Holdings Australia Limited [ASX:DHG] ("**Domain**" or "**Company**") today announced its 2023 full-year financial results. Domain reported statutory (Reported 4E) revenue of $345.8 million, and a net profit after tax of $26.1 million, including a significant items loss of $5.2 million and loss from discontinued operations of $7.3 million. A dividend of 4.0 cents per share has been declared, bringing the full year dividend to 6.0 cents per share, in line with FY22.

- **8% growth in controllable yield despite disproportionate volume declines in Domain's highest yielding Sydney and Melbourne markets;**
- **FY23 EBITDA of $108.6 million on a continuing operations basis;**
- **Pursuing a sale exit of Domain Home Loans (DHL) joint venture. DHL treated as a discontinued operation. Looking ahead to alternative opportunities for profitable growth;**
- **FY23 operating costs (including discontinued items) of $251.2 million, better than guidance of around $255.0 million;**
- **Early signs of recovery in new 'for sale' listings in Sydney and Melbourne markets; weakness in lower yielding Queensland and West Australian markets;**
- **Expecting FY24 EBITDA margin expansion.**

Domain's trading results excluding significant items are presented below on a continuing operations basis (excluding DHL trading results), and including DHL trading results.

Domain's trading results excl. significant items and impairment[1]
Continuing operations only (excluding DHL discontinued operations trading result):

$M	FY23	FY22[1]	% change[2]
Revenue	**345.7**	347.5	(0.5%)
Expenses	**(237.1)**	(222.7)	(6.5%)
EBITDA	**108.6**	124.8	(13.0%)
EBIT	**70.3**	92.5	(24.0%)
Net profit attributable to members of the company	**38.6**	53.8	(28.2%)
Earnings per share (EPS) ¢	**6.12**	9.05	(32.4%)

Domain's trading results excl. significant items and impairment[1]
Including DHL discontinued operations trading result:

$M	FY23	FY22[1]	% change
Revenue	**354.5**	356.7	(0.6%)
Expenses	**(251.2)**	(234.6)	(7.1%)
EBITDA	**103.3**	122.1	(15.4%)

1.FY22 includes JobKeeper and Zipline expense of $8.0 million. Zipline was Domain's voluntary employee program implemented during the initial stages of the COVID-19 pandemic to deliver a 20% reduction in employee cash salary.
2. Adjusted for JobKeeper and Zipline, FY23 expenses for continuing operations increased 10.4% and EBITDA declined 18.2%.

Domain Chief Executive Officer and Managing Director, Jason Pellegrino, said: "Throughout the challenging market environment of FY23, Domain's Marketplace strategy and our talented and hardworking team have served us well. We have maintained our commitment to our long-term business evolution, while responding to market circumstances with appropriate cost initiatives. While continuing to invest for the long term, our disciplined approach to expenses has resulted in an 18% reduction in H2 costs versus H1, ahead of the targets included in our FY23 cost guidance.

“We remain ambitious in our aspiration to leverage all the opportunities available to our Marketplace to become a much bigger business. We have recently made the decision to pursue a sale exit from our DHL joint venture. We aspire to a business that has ability to scale and achieve profitable growth. Given our large and highly engaged audience, and what we have learned to date, we remain very confident that home loans can play a key role in our Marketplace strategy over the longer term.

“The decision to pursue a sale exit of DHL has impacted on Domain’s reported results, with the business now being treated as a discontinued operation. For FY23, excluding significant items and discontinued operations, Domain reported revenue of $345.7 million, down 0.5%, expenses of $237.1 million, up 6.5%, and EBITDA of $108.6 million. Net profit was $38.6 million, and Earnings per Share were 6.12¢.”

Including discontinued operations, revenue declined 0.6% to $354.5 million. Expenses of $251.2 million were better than recent guidance of around $255 million; additional cost measures were implemented in Q4 given the lower-than-expected listing volumes.

At June 2023, net debt was $185.8 million representing a leverage ratio of 1.92x ongoing EBITDA.

Core Digital (incl. Residential; Media, Developers & Commercial; Agent Solutions and Domain Insight)

Core Digital Revenue increased 1% to $328.9 million. Core digital EBITDA of $135.0 million declined 12% on a reported basis and 14% adjusted for JobKeeper and Zipline in FY22.

Residential

”Residential revenue declined 7% to $223.1 million, reflecting the decline in new ‘for sale’ property listings of 13.8% year-on-year. Controllable yield was 8% higher, supported by price increases, record depth penetration and the launch of our new ‘Social Boost All’ social media add-on. This result is all-the-more impressive given the disproportionate listing volume declines of more than 21% and 16% respectively in Domain’s highest yielding markets of Sydney and Melbourne. More recently we have seen some early signs of improvement in Sydney and Melbourne which has accompanied house price increases recorded in the past two quarters.

“Despite the market backdrop, the business made significant progress with our strategic objectives, building on Domain’s differentiated micro market approach, which is driving strong yield gains in less mature markets. Investment in new product development underpinned our new mobile search functionality which marks the most significant improvement in the user experience since the Domain app was launched in 2009. And the addition of a new depth tier, ‘Platinum Edge’ supported a successful price review at year-end. More than 15% of all customers upgraded to higher tier subscription or depth listing products for FY24,” said Mr Pellegrino.

Media, Developers & Commercial

Mr Pellegrino said: “The 3% revenue decline to $47.8 million reflected a mixed performance across the three verticals. Commercial Real Estate remained the best performing business, with 6% revenue growth outperforming a weak market. The business benefited from a new pricing model introduced in H2, ongoing success in new depth contract adoption and record depth penetration. Developers experienced a challenging environment with increased interest rates and higher construction costs. Market conditions have resulted in declines in new projects and deferrals of existing projects, although increases in listing duration have provided some offset. After a stable H1 performance, Media experienced a downturn in H2, in line with the broader advertising market which was affected by macroeconomic conditions."

Agent Solutions

Mr Pellegrino said: "In Agent Solutions, revenue increased 86% year-on-year to $40.7 million, with underlying growth of 6%, excluding the impact of the Realbase acquisition. Product development and integration initiatives yielded subscriber gains at RTA and Pricefinder, despite the market impact on transaction volumes. RTA increased revenue by 25% with increasing momentum in H2 benefiting from new customer acquisition, increased product take-up from existing customers, and new revenue streams. Recently acquired Realbase achieved full integration of its people with Domain, with early benefits from new cross-sell opportunities and product integration with RTA. Realbase is continuing to migrate clients from its legacy Campaigntrack platform to Realhub's advanced technology stack, with an improved customer experience and associated efficiency and cost savings opportunities. Realbase has felt the effect of the listings pressure in inner Sydney and Melbourne, and the impact of natural disasters in New Zealand. However, it is strongly positioned to benefit as listings return, and we remain very excited about the valuable contribution it can make to our Marketplace strategy.

"Across our Agent Solutions, we achieved market leading product innovation and integration. Domain's prospecting tool, LeadScope, developed in close collaboration with early adopters, achieved full commercialisation, building on the last few years of AI-powered proprietary R&D. This unique tool further empowers agents to build profitable and sustainable businesses."

Domain Insight

"Domain Insight's revenue increased by 16% with underlying growth of 4%, excluding the contribution of IDS from mid-October 2021. Pricefinder (non-agent) revenue delivered higher subscription revenue, while private and title search transactions were impacted by market conditions. Australian Property Monitors delivered a solid performance, with stable valuations and strong growth in research products. IDS has delivered momentum in Automated Valuation Model financial client wins, underpinning a significant year-on-year uplift in revenue. In the government sector, IDS was successful in securing the Valuer General contract in Western Australia, with revenue benefits to come in FY24", said Mr Pellegrino.

Consumer Solutions

Mr Pellegrino said: "In Consumer Solutions, while DHL continued to outperform the broader lending market, Domain sees much greater potential than has been able to be achieved through the joint venture. After an extensive period of discussions with our Joint Venture partner, Domain has made a decision to pursue a sale exit of the business. DHL is being held for sale, and treated as a discontinued operation, and is therefore excluded from trading results.

"Given our large and highly engaged audience, we remain very confident that home loans can play a key role in our Marketplace strategy in the future. Domain considers that the ability to scale a business and achieve profitable growth are critical. Looking ahead, Domain sees the potential for future opportunities with alternative solutions that allow for deep integration, a low-cost structure, and alignment on future direction that will support a profitable contribution to our Marketplace."

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Print

Mr Pellegrino said: "Print revenues declined 24% year-on-year, reflecting the challenging listings environment in the high value markets in which Domain operates. Print's EBITDA contracted to $2.3 million from $5.5 million in FY22, as a result of the revenue declines, with operating costs down year-on-year despite higher printing costs. Despite this backdrop, Domain's print readership increased year-on-year, delivering a high quality and exclusive audience that agents continue to value. The quality of our magazine audience was recently recognised with a Roy Morgan Premium Brand award."

Dividend

A dividend of 4¢ per share (100% franked) will be paid on 12 September 2023 to shareholders registered on 24 August 2023.

FY24 Outlook

- Trading in the first six weeks of FY24 reflects some early recovery in new 'for sale' listings in high yielding Sydney and Melbourne markets, although national volumes are being impacted by weakness in Queensland and West Australian markets.
- FY24 costs are expected to increase in the mid to high single digit range from the FY23 expense base (excluding discontinued operations) of $237.1 million.
- Domain expects to resume EBITDA margin expansion in FY24, supported by improving listings, successful price increases, uptake of new depth contracts and products including Platinum Edge, and continued cost restraint, balanced with investment in our Marketplace strategy.

Investor Briefing

An investor briefing (teleconference and audio/slides webcast) on these results will be held today at 10:30am (AEST).

- *Webcast:* Click **here** to register/join
- *Teleconference:* Click **here** to register/join

Ends

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