Domain

ASX ANNOUNCEMENT

Trading Update

Sydney, 20 December 2022: Domain Holdings Australia Limited [ASX:DHG] ("**Domain**" or "**Company**") today provides an update on current trading conditions and FY23 cost expectations. The previous Trading Update was contained in the CEO presentation delivered at the Annual General Meeting (AGM) on 9 November 2022 and released on ASX that morning.

Update on cost review

The AGM Update indicated that cost expectations in the range of $275-280 million were under review as a result of the meaningful change in the property market operating environment. We have undertaken a broad ranging review, balancing our long-term aspirations for our Marketplace transformation with the reality of challenging current market conditions. As a result, FY23 cost savings initiatives of $21-26 million have been identified and implemented, with $6 million expected to benefit FY23 H1. FY23 costs are expected to be in the range of $250 million to $255 million, with around $135 million anticipated for FY23 H1.

Trading conditions

The property environment has remained challenging, with conditions deteriorating since the AGM Update. The 4% new listings growth delivered in FY23 Q1 has been followed by a decline of 16% in October and 22% in November. Inner city Sydney and Melbourne continue to experience particular weakness, with November listings down 38% and 32% respectively. December is experiencing an earlier than usual seasonal decline as agents and vendors defer listings into the 2023 calendar year. This trend contrasts with December 2021 when listings activity was unusually long, extending into late December. As a result, December month to date listings are down around 51% in Sydney and 37% in Melbourne.

In the face of these cyclical challenges, we are encouraged by the strong results from the controllable elements of our business, particularly controllable yield, which is expected to increase around 6% in FY23 H1. This is in line with the performance delivered in FY20, when listings volumes were impacted by the twin pressures of the Financial Services Royal Commission and COVID-19. In addition, trends in new and upgraded depth contracts remain strong, with an 18% uplift in new depth contracts and upgrades signed in November 2022 off a strong prior comparable period; this provides a platform for strong growth when cyclical conditions ease.

FY23 H1 Guidance

As a result of the challenging market environment, FY23 H1 EBITDA is expected to be around $48 million. A material improvement in FY23 H2 EBITDA is anticipated with higher revenue and an additional $15-$20 million cost benefit versus H1. Revenue upsides are anticipated from recently signed new residential depth and upgrade contracts, new business wins at IDS, growth at Domain Home Loans and strong subscription trends in Agent Solutions. In addition, FY23 H2 will benefit from a considerably easier revenue and controllable yield base of comparison than FY23 H1. Given the anticipated H2 revenue upsides and the cost benefits delivered, FY23 EBITDA margins are expected to see a low single digit percentage point reduction versus FY22 on an ongoing cost basis, consistent with the AGM Update.

Ends

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