

SE Business
HD **Ads add up as REA builds its profits**
BY Darren Davidson, Digital
WC 470 words
PD 9 August 2014
SN The Australian
SC AUSTLN
ED Australian
PG 29
LA English
CY © 2014 News Limited. All rights reserved.
LP

The **company** is focusing on enhanced advertising products

CLASSIFIED advertising business REA **Group** continues to benefit from a retooled **commercial** strategy, with an expanded range of advertising products driving a net profit increase of 37 per cent.

TD

The operator of the nation's No 1 **property** website, realestate.com.au, delivered a net profit of \$149.9 **million**.

Revenue increased 30 per cent to \$437.5m compared to the previous corresponding period in the year ending June 30.

Earnings before interest, taxes, depreciation and amortisation spiked 37 per cent to \$225.1m.

A final dividend of 35c per share, fully franked, will be paid, bringing the total dividend for the year to 57c, fully franked.

This represents a 37 per cent increase on the 2013 total dividend. The final dividend will be paid on September 25.

Shares in REA lost ground, declining 8.65 per cent, or \$4.05, to \$42.78. The fall comes as high-growth stocks with a high price-earnings ratio have been marked down by investors.

The result was driven by a 69 per cent surge in revenue from listing depth products, which are enhanced advertising products created for real **estate** agents to advertise properties.

REA has deliberately pulled away from a subscription model to focus on listing depth products.

The idea is to reduce the barrier of entry for a real **estate** agent to list with the **group's property** portals because the model removes the fixed cost the agent has to bear to list a **property**.

The **commercial** business is also tracking well, with revenues up 29 per cent, and media display improving 25 per cent.

"We're seeing growth in the three core parts of our **residential** business in Australia," interim chief executive Peter Tonagh said.

"We certainly expect to see continued growth in depth, and continued declines in subscription." REA is well positioned for strong future earnings growth after extending its **lead** over its nearest competitor, Fairfax Media's Domain.

The **company's** main website now generates 3.1 times the monthly website traffic of Domain, and accounts for 82 per cent of the time spent on real **estate** portals in Australia.

REA announced it made a profit after tax of \$20m-\$22m on the **sale** of a minority interest in a **company** it declined to name.

The profit has strengthened REA's balance sheet, which has a cash balance of \$250m, as it continues to expand its overseas **operations**.

REA recently acquired a substantial shareholding in iProperty **Group**, which owns online **property** advertising **operations** in Malaysia, Indonesia, **Hong Kong**, Macau and Singapore. "It gives us a very good overview of those markets; we can learn more about them and we're anticipating growth," Mr Tonagh said.

CO	rlesta : REA Group Limited newsli : News Limited nnewz : News Corp
IN	i834 : Real Estate Agents/Brokers icre : Real Estate/Construction ireest : Real Estate
NS	c151 : Earnings ccat : Corporate/Industrial News c15 : Performance ncat : Content Types nfact : Factiva Filters nfcpin : FC&E Industry News Filter
RE	austr : Australia apacz : Asia Pacific ausnz : Australia/Oceania
PUB	News Ltd.
AN	Document AUSTLN0020140808ea890005i