

The Sydney Morning Herald

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HD **REA shares hit record as profits jump 37%**
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Property

Shares in REA **Group** have reached a record high after the real **estate** classified **company** exceeded analyst expectations in the six months to December, driven by growth in more expensive advertising for **residential property**.

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Morgans analyst Ivor Ries told BusinessDay the result was "clearly above what the market was expecting" and despite challenges in its overseas business, notably **Hong Kong**, "the market is just so excited about what they're doing with revenue in Australia".

REA, owner of market-leading portals realestate.com.au and realcommercial.com.au, is switching from a reliance on subscription fees from real **estate** agents to selling premium advertising slots.

Revenue from these "depth" products grew by 67 per cent, a result Mr Ries said was "well in advance of what the market was looking for".

The **company** did not provide guidance on who would replace its chief executive, Greg Ellis.

CCZ Statton Equities analyst Roger Colman said he held little hope for shareholders seeking generous dividends or big acquisitions in the short term.

"REA has got an illogical balance sheet with current [low] interest rates," he said .

REA has made a couple of small **purchases** in the past few months - the \$15 million **purchase** of online rental application service 1Form.com, and Italian **property site** Attico - but its growth over the years has been largely organic.

Shares in REA rose 5 per cent on Tuesday to \$43.78, taking its year-to-date rise to just under 16 per cent and defying the worst day on the sharemarket in six months. REA was similarly a star performer in 2013, despite news Mr Ellis and chief financial officer Jenny Macdonald would depart.

REA reported a 37 per cent rise in net profit to \$70.7 million for the six months to December 31. Annual revenue grew by 30 per cent to \$209.4 million, and earnings before interest, tax, depreciation and amortisation rose by 38 per cent to \$106.8 million - about in line with Commonwealth Bank forecasts.

Analyst Mark McDonnell of BBY said REA's results were impressive. "The question is, how long will that be sustained?"

REA's offshore operations - in Italy, Luxembourg, Germany, France and **Hong Kong** - comprise just 10 per cent of revenue.

The **company** did not say when it would replace Mr Ellis, but chairman Hamish McLennan - also the chief executive of Network Ten - told analysts he was very pleased with the calibre of candidates.

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