

ASX/Market Release
31 August 2017

Real Estate Investar Preliminary Financial Report

The Real Estate Investar Group Limited (“**REV Group**” or “**Company**”) (ASX:REV), a leading online provider of data driven investment property analysis, tracking and transaction services to Australian and New Zealand property investors, has released its Appendix 4E Preliminary Financial Report for the 12 months to 30 June 2017 (“**FY 2017**”).

Key Highlights for FY 2017

- Cash receipts from customers grew to \$5.0m, a 31% increase over the Previous Corresponding Period (“**PCP**”);
- Positive cash flow of \$0.1m from operating activities in the fourth quarter, a \$0.6m improvement over the PCP;
- Revenues from operating activities of \$4.7m, a slight decrease of 3.5% over the PCP as the Company transitioned from a traditional SaaS¹ subscription model to a higher value data driven property transaction model;
- Adjusted EBITDA² loss of \$1.1m due to significant investment in the data driven property transaction model including detailed user profiling and property sales capabilities;
- Membership growth of 27.5% year on year with 258,096 members as at 30 June 2017, with total Member data points growing significantly to 4.9m; and
- Strong start to FY 2018 with July revenue of \$476k, an increase of 31% over the PCP.

Clint Greaves, CEO of Real Estate Investar commented: “The last year saw significant investment in transitioning the business from a traditional SaaS subscription model to a transaction based model. We are utilising data and our online presence to build a strong relationship with property investors, to capture data about who they are and what they want, to pre-qualify them, and to match them with the right investment grade properties.

“Whilst full year revenues were slightly down year on year, the second half revenues were stronger than the first half and we saw a 31% growth in cash receipts to \$5.0m for the year.

¹ Software as a Service.

² For comparisons between FY 2017 and FY 2016, Adjusted EBITDA excludes the one-off gain on acquisition of The Property Factory in FY 2016 as well as costs associated with share options from the IPO and public company expenses.

We also saw a significant improvement in Adjusted EBITDA with the second half loss reduced to \$0.3m compared with a \$0.8m loss in the first half.

“We have started FY 2018 strongly with July revenues up 30.7% over the previous corresponding period to \$476k demonstrating that the movement to a transaction based model will release significant value for the business.”

Data Driven Property Sales Strategy

The REV Group’s strategy is to be a data driven facilitator of property transactions by matching high value, pre-qualified investors with investment grade properties to generate commissions. Over the last three years, the Company has invested in developing a unique data driven member engagement and progressive profiling process that allows it to deeply understand its 260,000 members and, for those that are pre-qualified, offer them early access to high quality investment grade new developments ahead of the general public.

To deliver this strategy, the Company has invested heavily in transitioning from a predominantly subscription revenue service with some referral transaction revenues, to a data driven property sales service.



The transition from traditional SaaS subscription sales generating \$99 to \$149 per subscriber per month, to property sales transactions that generate commissions of \$15,000 to \$30,000 per sale provides significant revenue growth potential for the REV Group.

The Company expects strong revenue growth in FY 2018 following these significant investments.

FY 2017 Preliminary Financial Results

In comparing its FY 2017 results with FY 2016, the Company uses adjusted metrics that exclude one-off gains on acquisition as well as public company costs and share based costs associated with being an ASX listed company. The Company believes this is the best way to see underlying growth.

The REV Group revenues in FY 2017 from ordinary activities decreased 3.5% to \$4.7m as the Company transitioned to data driven property sales revenues.

<i>AUD 000's</i>	FY 2017 Actual	FY 2016 Actual	Variance
Subscriptions	3,230	3,286	(1.7%)
Referral Transactions	213	410	(48.0%)
Property Sales	1,287	1,207	6.6%
Revenues from Ordinary Activities	4,730	4,903	(3.5%)

The FY 2016 acquisition of The Property Factory in New Zealand included a \$393,517 gain on acquisition along with a number of transactions which increased Revenues for that period.

Given the significant investment in expanding progressive profiling and building data driven property sales capabilities, operating expenses increased 11.9% to \$3.7m. This resulted in an increased Adjusted EBITDA loss of \$1.1m.

<i>AUD 000's</i>	FY 2017 Actual	FY 2016 Actual	Variance
Revenues from Ordinary Activities	4,730	4,903	(3.5%)
Other Income (gain on acquisition)	-	394	
Total Income	4,730	5,297	(10.7%)
Cost of Sales	(2,736)	(2,811)	2.7%
Gross Profit	1,994	2,486	(19.8%)
Operating Expenses ³	(3,728)	(3,331)	(11.9%)
EBITDA	(1,734)	(845)	(105.3%)
One Off IPO Expenses (add back)	-	192	
Listed Company Costs (add back)	432	351	
Share Based Costs (add back)	229	9	
Gain on Acquisition (remove)	-	(394)	
Adjusted EBITDA	(1,073)	(687)	(56.3%)
Depreciation / Amortisation	(485)	(416)	(16.4%)
Adjusted EBIT	(1,558)	(1,103)	(41.2%)
Net Finance Income / (Expense)	(4)	(34)	89.3%
Adjusted Profit / (Loss) Before Tax	(1,562)	(1,137)	(37.3%)
Income Tax Benefit / (Expense)	-	(70)	
Adjusted NPAT	(1,562)	(1,207)	(29.4%)

³ FY 2017 operating expenses include \$229k of non-cash share based expenses relating to Options granted to Directors in FY 2016 (FY 2016: \$9k) as well as \$432k of public company associated costs (FY 2016: \$351k plus \$192k of IPO costs).

Performance in the second half of FY 2017 (“H2”) when compared to the first half of FY 2017 (“H1”) includes an increase in revenue of 12.7% to \$2.5m and a decrease in Adjusted EBITDA loss of 67.6% to \$0.3m. The improved Adjusted EBITDA result is largely due to the Company completing an organisational restructure, which resulted in the capture of \$0.6m in annual cost reductions.

<i>AUD 000's</i>	H2 FY 2017 Actual	H1 FY 2017 Actual	Variance
Revenue	2,506	2,224	12.7%
Adjusted EBITDA	(263)	(810)	67.6%

Membership KPI Growth

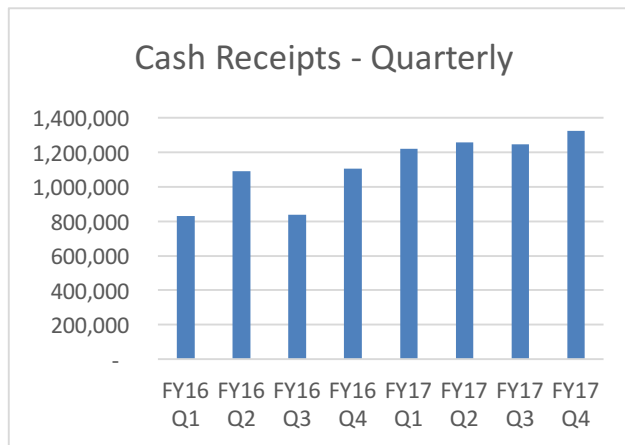
Members and the progressive profiling data that we capture are key drivers of value for the REV Group business. Members are offered a free set of online tools and services to help them analyse and assess investment properties. The Company then monetises these members through Premium Membership and Property Sales services.

From 30 June 2016 to 30 June 2017 there was 27.5% growth in members. More significantly, the amount of data points from progressive profiling and engagement with members increased by 549.6% to almost 4.9m.

	30 Jun 2017	30 Jun 2016	Change
Members	258,096	202,423	27.5%
Member Profile Data	4,850,723	747,778	548.7%

Cash Receipts

On a cash flow basis, the Company delivered \$5.0m in receipts from customers in FY 2017, up 30.7% on the previous year (FY 2016: \$3.9m). Cash receipts from customers for the fourth quarter of FY 2017 reached \$1.3m resulting in positive net operating cash flows for the quarter of \$0.1m.



The Company had \$0.6m cash at bank as at 30 June 2017.

Strong Start to FY 2018

The REV Group has started FY 2018 strongly with July⁴ delivering a significant year on year improvement in revenue, EBITDA, members and in particular member profiling data. This profiling data is key in matching high-quality purchasers with investment grade property to ultimately drive future property sales revenues.

	Jul 2017	Jul 2016	Change
Revenue	\$476k	\$364k	+30.7%
EBITDA	(\$49k)	(\$156k)	+68.3%
Members	260k	209k	+24.2%
Member Profile Data	4.9m	0.8m	+499.2%

The REV Group is increasing its commission based sales team and now has sales people and Licensed Real Estate Agents in both Australia and New Zealand.

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⁴ Source: Unaudited Management Accounts.



Background

The Real Estate Investar Group Limited (ASX:REV) is a leading data driven provider of investment property analysis, tracking and transaction services to Australian and New Zealand property investors.

REV Group offers property investors a comprehensive suite of free online services to grow its member base and increase its knowledge of members as they engage with these services. It then monetises this base by providing them with memberships for advanced tools and services, selling investment grade property and through the sale of additional products and services.

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