

ASX/Market Release
30 April 2018

Real Estate Investar's SaaS Business Unit Achieves Profitability While Company Continues to Invest in New Transaction Business Unit

Real Estate Investar Group Limited (“**REV Group**” or “**Company**”) (ASX: REV), a leading provider of investment property Software as a Service (“**SaaS**”) and property transaction services to Australian and New Zealand investors, has released its Appendix 4C for the 3 months to 31 March 2018 (“**Q3**”).

Key Highlights for Q3

- Restructuring of the Company carried out during the quarter resulted in annualised savings of approximately \$1.5 million providing a significantly lower cost base;
- Quarterly operational net cashflow reduced significantly to an outflow of \$0.3 million compared with an outflow of \$0.7 million in the December quarter (“**Q2**”);
- The SaaS Business Unit is now operating profitably on a contribution margin basis with 292,000 registered members (a 14 percent year-on-year growth) with detailed information on 71,000 members (a 24 percent year-on-year growth);
- The Property Transaction Business Unit generated 400 new leads from REV Group members and the general public with the focus now on conversion of these leads to sales;
- The Company has cash on hand at 31 March 2018 of \$0.1 million with a commission receivable at settlement book totalling approximately \$1.2 million; and
- The Directors have provided the Company with a line of credit of \$350,000.

During Q3, the Company reported cash receipts of \$759,000 with a net cash outflow of \$331,000. The net cash outflow was a significant improvement over previous quarters and reflects the Company's focus on significantly reducing its operating cost base.

In its February operational update, the Company reported that it has identified \$1.2 million in annualised cost savings. During the remainder of the quarter, an additional \$0.3 million in cost savings were identified improving the annualised cost savings to approximately \$1.5 million.

The main areas of cost reduction were in the core SaaS Business Unit and in corporate overheads. The core SaaS Business Unit is now operating profitably on a standalone basis. The Company has continued to manage its corporate overheads as prudently as possible.

The Company continues to invest in its new Property Transaction Business Unit. This business unit continues to operate at a loss while skills and capabilities are being built out. It is delivering solid growth in lead generation and the focus now is conversion of these leads to sales.

Clint Greaves, the CEO of the REV Group, commented: “The last four to five months have seen a dramatic reduction in our operating cost base. During this process we have managed to make our core SaaS Business Unit profitable and therefore a positive contributor to the business.

“At the same time, we have continued to invest in our Property Transaction Business Unit. This part of the business identifies investable new developments, markets these to our members and the general public, and then focuses on converting leads to sales.

“While the Company has reduced its cost base, its continued investment in its new Property Transaction Business Unit requires additional funds. The Company has secured a line of credit from its Directors for up to \$350,000.”

SaaS Business Unit

The core SaaS Business Unit provides investors with a range of analysis, decision-making, and tracking tools to optimise their investment property decisions.

It is free to use an introductory set of the SaaS enabled tools. There are currently 292,000 investors (“**members**”) registered with access to the introductory tools – a 14 percent year-on-year growth.

The REV Group captures up to 60 data points on each member through their use of the tools and through their interaction with the site. The Company has detailed information, more than 20 relevant data points, on 71,000 members – 24 percent year-on-year growth.

These data points are used to identify which members are best to target with paid services such as premium tools and property transaction services.

The SaaS Business Unit generates revenues from the sale of subscriptions to access these premium investment property tools. Approximately 2,000 members pay between \$99 and \$149 per month to access these subscriptions.

Following the cost reduction exercise, the core SaaS Business Unit is now profitable on a standalone basis, excluding corporate overhead expenses.

Property Transaction Business Unit

During the quarter, the Company continued to invest in the Property Transaction Business Unit that focuses on selling high quality investment properties to members and the general public. Revenues in this business unit are generated from capturing some or all of the commission related to the sale of property.

As highlighted in the February operational update, this business unit is being structured around four key functions:

- **Sourcing listings:** identify high quality investment property by leveraging the REV Group's expertise, channel relationships, and leading analytical tools;
- **Marketing:** profiling of the registered members and the execution of broad marketing plan to target existing members and the general public with high quality investment property opportunities;
- **Lead management:** coordinated approach to nurturing and managing all investment property purchase leads; and
- **Sales closing:** facilitate the final investment between the developer and high-quality leads to generate REV's transaction revenue.

During Q3, the Company made solid progress in sourcing listings, the marketing of the property and generating leads as reflected by over 400 quality leads being created.

The key focus is now on the conversion of leads to sales. To this extent, the Company is investing in building a commission driven sales network through its key markets of Melbourne, Sydney, Brisbane and Auckland.

The Board believes that continued investment in this business unit is a key component of the long-term growth of the business.

Capital

The directors have determined that the Company requires additional funds to accelerate the growth of the Property Transaction Business Unit. This funding will be provided by way of a director's Line of Credit of up to \$350,000. These funds will be available to the Company on an arms-length basis and on commercial terms and can be drawn down by management to fund the day-to-day operations.

The key terms of this line of credit are:

- The facility is up to \$350,000;

- The funds can be drawn down in \$50,000 increments;
- The facility attracts an interest rate of 12 percent per annum accruing on a daily basis;
- The outstanding balance (including accrued interest) can be converted, at the lenders sole discretion and subject to shareholder approval, into equity on the following events:
 - At any point following 6 months from the first draw down;
 - The full or partial sale of the business assets; or
 - A change in control of the company; and
- The conversion rate will be the lower of a 20 percent discount to the 30-day VWAP at the time of conversion or the price at which a change in control or asset sale occurs.

**** ENDS ****

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 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 selling investment grade property to its member base. It also monetises this base via its SaaS offering by providing members with paid memberships for advanced tools and services.

Contacts

Investors

Clint Greaves, CEO

clint@realestateinvestar.com.au

0435 759 109

Media

James Lawrence

james.lawrence@realestateinvestar.com.au

0435 094 465

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

Real Estate Investar Group Ltd

ABN

39 141 276 959

Quarter ended ("current quarter")

31 March 2018

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	759	2,810
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(350)	(1,745)
(c) advertising and marketing	(38)	(222)
(d) leased assets	-	-
(e) staff costs	(405)	(1,538)
(f) administration and corporate costs	(296)	(998)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	1
1.5 Interest and other costs of finance paid	(2)	(12)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	161
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(331)	(1,543)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	(1)
(b) businesses (see item 10)	-	-
(c) investments	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
(d) intellectual property	-	-
(e) other non-current assets	(41)	(129)
2.2 Proceeds from disposal of:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
2.6 Net cash from / (used in) investing activities	(41)	(130)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	-	1,284
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	-	(100)
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
3.10 Net cash from / (used in) financing activities	-	1,184

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of quarter/year to date	483	600
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(331)	(1,543)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(41)	(130)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	-	1,184

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	111	111

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	91	139
5.2	Call deposits	20	344
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	111	483

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

**Current quarter
\$A'000**

25

-

Director fees paid for the quarter total \$7,335. The Group paid \$15,400 for data licencing fees and \$1,940 for conference fees to entities controlled by a director.

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

**Current quarter
\$A'000**

-

-

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

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9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	-
9.2 Product manufacturing and operating costs	(360)
9.3 Advertising and marketing	(45)
9.4 Leased assets	-
9.5 Staff costs	(335)
9.6 Administration and corporate costs	(240)
9.7 Other (provide details if material)	-
9.8 Total estimated cash outflows	(980)

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10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity		-
10.2 Place of incorporation or registration		-
10.3 Consideration for acquisition or disposal		-
10.4 Total net assets		-
10.5 Nature of business		-

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here:


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(Company secretary)

Date: .30 April 2018.

Print name: Lee Mitchell

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.