

ASX/Market Release
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Real Estate Investar Positioned to Capture Benefits from Restructure

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 4E Preliminary Financial Report for the 12 months to 30 June 2018 (“**FY 2018**”).

Key Highlights for FY 2018

- Corporate restructure during FY 2018 captured annualised cost savings of \$1.5 million;
- The SaaS Business Unit is now operating profitably on a contribution margin basis;
- Positive cash flow of \$35,000 from operating activities in the fourth quarter of FY 2018, a \$400,000 improvement over the previous quarter;
- Cash on hand at 30 June 2018 was \$0.1 million with a commission receivable at settlement book of approximately \$1.1 million;
- Revenue was \$2.9 million, a decrease on FY 2017. This decrease was due to the focus on cost reduction, the loss of some key personnel, and with the tightening of the Australian property market, softer than forecasted property transactions and paying subscribers;
- Adjusted EBITDA loss of \$1.7 million, a 2.6 percent improvement over FY 2017;
- The Directors’ \$350,000 line of credit was drawn down by \$100,000 as at 30 June;
- Total members increased by 13.7 percent to 293,581 as at 30 June with member profiling data points increasing by 48.4 percent to 7,197,283; and
- Restructure of the Property Transaction Business Unit, including hiring of new leadership, has positioned the Unit for strong growth in FY 2019.

Clint Greaves, CEO of Real Estate Investar commented: “During FY 2018, we focused on aligning the business around our two business units – SaaS and property transactions, capturing cost savings, and ensuring the business can grow on a self-sustaining, breakeven basis.

“The business has now been aligned around these two business units, we have captured \$1.5 million in annualised cost savings, and in the fourth quarter, we operated on a breakeven basis. In addition, the SaaS Business Unit is now profitable on a contribution margin basis.

“Our focus in FY 2019 is on growing our revenue and operating on a close to breakeven basis. We believe that our efforts in restructuring the business during FY 2018 have created a platform that will allow us to restart growth in both the SaaS and Property Transaction Business units on a self-sustaining basis.”

FY 2018 Preliminary Financial Results

Revenue in FY 2018 decreased by 38.6 percent to \$2.9 million. This decrease was due to the focus on cost reduction, the loss of some key personnel, and with the tightening of the Australian property market, softer than forecasted property transactions and paying subscribers.

<i>\$000's</i>	FY 2018	FY 2017	Change
Revenue	2,906	4,730	(38.6%)
Expenses ¹	(4,595)	(6,464)	(28.9%)
Adjusted EBITDA	(1,688)	(1,734)	2.6%
Adjusted NPAT	(2,193)	(2,223)	1.4%

Expenses (excluding non-operating impairment expenses) decreased by 28.9 percent resulting in an adjusted EBITDA loss of \$1.7 million, a 2.6 percent improvement on FY 2017. This was primarily driven by the capture of \$1.5 million in annualised operating cost reductions.

During the fourth quarter of FY 2018, the Company reported cash receipts of \$972,000 with a net cash inflow from operating activities of \$35,000. Receipts from customers were up 28 percent on the \$759,000 reported in the third quarter of FY 2018, reflecting increases in SaaS Business Unit cash receipts and commission receipts from property transactions.

The Company's cash balance at 30 June was \$0.1 million. The Company also has a \$350,000 Directors' loan facility of which only \$100,000 was drawn down as at 30 June. In addition, the Company has future commissions receivable at settlement from property transactions of \$1.1 million.

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

¹ Expenses exclude a one off non-operating impairment expense totaling \$369,216 included in the preliminary financial report.

set of these SaaS enabled tools.

Over the year, there was a 13.7 percent growth in members to 293,581. More importantly, total data points from progressive profiling and engagement with members increased by 48.4 percent to 7.2 million.

	30 June 2018	30 June 2017	Change
Members	293,581	258,096	13.7%
Member Profit Data Points	7,197,283	4,850,723	48.4%

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) for over 71,000 members. These data points are used to identify which members are best to target with paid services.

The SaaS Business Unit generates revenues from the sale of subscriptions to access these premium investment property tools. Approximately 1,700 members pay between \$99 and \$149 per month to access these subscriptions.

The core SaaS Business Unit is now profitable on a contribution margin basis.

Property Transaction Business Unit

The Company continues to invest in its Property Transaction Business Unit. This unit focuses on selling high quality investment properties to members and the general public. Revenue is generated from capturing some or all of the commission related to the sale of investment property.

The business unit currently operates at a loss while skills and capabilities are being built. It is delivering solid growth in lead generation and the focus is on conversion of these leads to sales.

This business unit is structured around four key functions:

- **Sourcing listings:** identify high quality investment property by leveraging the Group's expertise, channel relationships, and leading analytical tools;
- **Marketing:** profiling of the registered members for target marketing and general marketing to existing members and the public of high quality investment property;

- **Lead management:** a coordinated approach to nurturing and managing all investment property purchase leads; and
- **Sales closing:** facilitating the final investment between the developer and high-quality leads to generate transaction revenue.

Having built a strong lead generation business, the key focus is now on the conversion to sales. The Company is investing in a commission driven sales network, initially through the key markets of Melbourne and Auckland, and then more broadly throughout Australia and New Zealand.

In the fourth quarter a new sales manager was recruited to drive sales growth and to recruit, train and manage the commission-based sales team. The Company believes that continued investment in this business unit is key to the long-term growth of the business.

Outlook

The focus in FY 2019 is on growing revenue and operating on a close to breakeven basis. Following the efforts in restructuring the business during FY 2018, the Company has created a platform that will allow it to restart growth in both the SaaS and Property Transaction business units on a self-sustaining basis.

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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 SaaS products to grow its member base and increase its knowledge of these members as they engage with these products. It then monetises this member base by providing them with paid memberships for advanced tools and services and by selling investment grade property.

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