

ASX/Market Release
31 October 2018

Real Estate Investar Q1 Strategy and Operational Update

The Real Estate Investar Group Limited (“**REV Group**” or “**Company**”) (ASX: REV), a prop tech company and a provider of investment property software and property transaction services to Australian and New Zealand investors, has released its Appendix 4C statement for the three months to 30 September 2018 (“**First Quarter**” or “**Q1 2019**”).

In FY 2018, the Company conducted a strategic and operational review of its business and identified two key outcomes – the need to reposition the business as a meaningful player in the broader Australian and New Zealand prop tech industry and the need to reduce its operating cost base.

Strategy Update

In the First Quarter, the Company continued to reposition the business as a meaningful player in the Australian and New Zealand prop tech industry by splitting its operations into two business units – one focused on property investment software (“**SaaS Business Unit**”) and one focused on property transactions (“**Property Transaction Business Unit**”).

Each business unit has its own dedicated team and leverages the Company’s rich database of investor and investment property information to identify buyers of software subscriptions and investment properties. It also utilizes this database to select high quality properties that have the best potential to provide strong returns for investors.

With this focused structure now in place, the Company is well positioned to partner with other Australia and New Zealand prop tech companies to provide them with access to this comprehensive database driven growth platform on either commercial terms or potentially as merger and acquisition partners.

Operational Update

During the 2018 financial year, the Company reduced its operating cost base by \$1.5 million and is now operating on a close to breakeven basis. A clear result of this has been an improvement in gross profit margin from 44 percent in Q1 2018 to 65 percent in Q1 2019.

Database

The Company uses free access to a subset of its software products to attract new property investors and to build its member database. It then collects additional data points on each member so that paid software products and attractive investment properties can be targeted to the right customer.

	End Sep 2018	End Sep 2017	% Growth
Members	295,270	284,884	4%
Member Data Points	7,583,489	5,863,621	29%
Detailed Member Profiles	75,402	52,001	45%

Detailed member profiles are used to determine whether members are best aligned to paid software products, direct investment property opportunities or other property investment related partner services.

The Company also collects data about properties including prices and rental returns to allow it to analyze property acquisition opportunities for investment return.

SaaS Business Unit

Software products are sold on a Software as a Service basis by the SaaS Business Unit that is based in the Company's Gold Coast offices. This business unit focuses on selling property investment analysis and management products to REV Group members. These services are sold directly and through channel partners.

Total paid software memberships at 30 September 2018 were 1,822, a 15 percent decrease from the same time last year. Establishment of the dedicated SaaS Business Unit and increased investment in targeted marketing is expected to recommence growth in revenues for the remainder of FY 2019.

The SaaS Business Unit continues to be profitable on a standalone basis.

Property Transaction Business Unit

The Property Transaction Business Unit is based out of the Company's Melbourne and Auckland offices and targets REV Group members with investment grade property. The business unit utilizes the property information database to analyze properties for investment returns and to identify potential customers.



During the last quarter the Company hired a new sales manager and two commission only sales people. It also entered into sales partnerships with strategic mortgage broking and financial planning partners.

The Company completed 10 property sales during the quarter with the cash income from the commission from these transactions expected to flow through in future quarters.

Outlook

The Board believes the Company is now well positioned to leverage its core assets of a comprehensive property and investor information database into the existing business units and into new prop tech businesses. As such, it is exploring a number of merger and acquisition opportunities to capture value from these assets and to expand its presence in the Australian and New Zealand prop tech industry.

The second quarter is expected to show improved performance over the first quarter with both the SaaS Business Unit and the Property Transaction Business Unit delivering strong growth in October. Preliminary October financial results indicate monthly revenues in the range of \$260,000 to \$280,000 on a breakeven EBITDA basis. Underpinning this growth are an expected seven property transactions.

**** ENDS ****

Background

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

Real Estate Investar 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

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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")

30 September 2018

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	534	534
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(297)	(297)
(c) advertising and marketing	(46)	(46)
(d) leased assets	-	-
(e) staff costs	(379)	(379)
(f) administration and corporate costs	(199)	(199)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(4)	(4)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	159	159
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(232)	(232)

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

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
(d) intellectual property	-	-
(e) other non-current assets	(36)	(36)
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	(36)	(36)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	-	-
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	-	-
3.5 Proceeds from borrowings	175	175
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	175	175

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	107	107
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(232)	(232)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(36)	(36)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	175	175

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	14	14

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	14	107
5.2	Call deposits	-	-
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)	14	107

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
-
-

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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
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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	350	275
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.		

Unsecured convertible note facility of \$350,000 provided by entities associated with directors, Simon Baker and Joe Hanna. Interest rate is a non-cumulative coupon rate of 12% per annum. \$125,000 drawdown this quarter provided by CAV Investment Holdings HK 2 Limited, associated entity of Simon Baker; total drawdown at end of quarter \$225,000. In addition, \$50,000 drawdown this quarter provided by Atherley Investments Pty Ltd, associated entity of Joe Hanna. Total of \$275,000 of \$350,000 loan facility drawn down with \$75,000 remaining undrawn in facility.

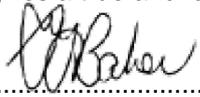
9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	-
9.2 Product manufacturing and operating costs	(280)
9.3 Advertising and marketing	(45)
9.4 Leased assets	-
9.5 Staff costs	(315)
9.6 Administration and corporate costs	(165)
9.7 Other (provide details if material)	-
9.8 Total estimated cash outflows	(805)

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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:  Date: 31 October 2018
(Director/~~Company secretary~~)

Print name: Simon Baker

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.