

ASX/Market Release
31 January 2018

Transformation towards transaction-focused business continues

Real Estate Investar Group Limited (“**REV Group**” or “**Company**”) (ASX:REV), a leading provider of investment property analysis, tracking and transaction services to Australian and New Zealand property investors, has released its Appendix 4C for the 3 months to 31 December 2017 (“**Q2**”).

Key Highlights for Q2

- Increased to 290,000 registered property investors (members) with REV within Australia and New Zealand (16% year on year growth);
- Collected detailed information on 53,000 property investors (23% year on year growth);
- Rolled out a modified strategy that increases the focus on property transactions and reduces the focus on the traditional SaaS business;
- Restructured the Company to have greater focus on investment property transactions with teams aligned to Sourcing Listings, Marketing, Lead Management, and Sales Closing;
- Commenced capturing ~\$1.0M in annualised cost savings through restructuring of the Company around investment property transactions;
- Continued growing the pipeline of highly qualified potential buyers, with approximately 300 new face-to-face sales consultations occurring in Q2, compared to 240 in Q1 and 94 in Q4 of FY17;
- Delivered \$2.0m in total revenue for H1 FY18, with transaction revenue increasing to \$0.7m compared with \$0.4m in H1 FY17; and
- Delivered cash receipts from customers of \$2m for H1 FY18.

Continued shift towards a transaction-focused business

REV has made excellent progress in transitioning the business from a Software as a Service (SaaS) business towards an investment property transaction business. This change in focus was required to drive transactional revenue and has had the added benefit of reducing costs not associated with the core business.

The database of 290,000 registered property investors provides a strong base for REV to capture significant value from an investment property transaction business model.

To capture this value, the Company is now structured around the four key functions involved in selling high quality investment property direct to its registered member base and the general public, and expects this to have significant benefits to efficiency and effectiveness:

- **Sourcing Listings:** Identify high quality investment opportunities by leveraging REV's expertise, channel relationships and market leading property investment analytical tools;
- **Marketing:** Continue profiling of the registered member base and the execution of a 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 transaction leads; and
- **Sales Closing:** Facilitate final investment between developer and high-quality leads to generate REVs transaction revenue.

REV's new organisational structure and focus is leading to a growing pipeline of highly qualified leads for the Sales Closing team to close. In Q2, the team conducted nearly 300 face-to-face consultations, up 25% on the level in Q1 and a 200% increase on activity in Q4 FY17.

Commenting on the business transformation, Clint Greaves, CEO said: "In the last quarter we increased the focus of the business on the listing and marketing of investment grade properties using our unique data driven approach as we continued to transform the business towards transactional sales.

As a result of the transformation in the business model, we have structured the team into core areas relating to sourcing listings, marketing, lead management and sales closing activities. This enables us to capture over \$1.0m of annualised savings in employment, platform and data costs that will begin to flow through in our second half results.

Member numbers are now approaching 300,000, with over 53,000 of these members having detailed profiles completed. This, combined with a broader marketing plan, provides us with a strong platform to help more people invest better and to grow our property transaction revenues through the second half of the financial year."

Q2 Financial Performance

The unaudited revenue for the first half of FY18 was \$2.0m compared to \$2.2m in H1 FY17, representing a 9% decline. This was a direct result of the change in business strategy and the impact incurred while the business underwent a major organisational restructure and a change in focus from a SaaS driven business to one more focused on transactional revenues.

Importantly, the share of transactional revenue increased year over year with transaction based revenue now \$0.7m in H1 FY18, compared to \$0.4m in H1 FY17.

The company is confident the lower cost base and increased focus on transactional revenue streams creates a strong foundation for improved financial performance in H2 FY18.

Cash receipts for the December quarter were \$1.0m, in line with the previous quarter. The operating cash loss in the quarter was ~\$0.7m. The Company's cash balance was ~\$0.5m at 31st December 2017 and the Company also has a commissions receivable at settlement book totalling ~\$1.3m.

Further revenue information and audited financials to be provided in the Half-Year Report.

Registered property investor update

As at 31 December 2017, the Company had 289,173 registered property investors (members), a 16% year on year increase.

The Company is continuing to increase the number of registered property investors and, more importantly, improving the level of detailed information on each one. Engagement and profile data collected on registered property investors has reached over 6.4m records, an average of 22 data points per investor. The Company uses this information to identify high quality leads from its database for real estate transactions.

Corporate

The Company has delivered a significant reduction in its cost base that positions it well for future growth and profitability. In line with recent performance, the Company expects ~\$1m of cash inflows next quarter based on the current settlements book, repeat SaaS revenue and expected commissions from property transactions. Following the restructuring of the cost base, net cash outflows are expected to be less than ~\$0.2m in the next quarter.

**** 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

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+Rule 4.7B

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 December 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	1,019	2,051
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(795)	(1395)
(c) advertising and marketing	(98)	(184)
(d) leased assets	-	-
(e) staff costs	(620)	(1133)
(f) administration and corporate costs	(329)	(702)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(5)	(10)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	161	161
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(667)	(1212)

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 (6 months) \$A'000
(d) intellectual property	-	-
(e) other non-current assets	(20)	(88)
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	(20)	(89)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	777	1284
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	(90)	(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	687	1184

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)	(667)	(1212)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(20)	(89)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	687	1184

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	483	483

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	139	111
5.2	Call deposits	344	372
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)	483	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**

94

-

Director fees paid for the quarter total \$94,460.

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	(470)
9.3 Advertising and marketing	(45)
9.4 Leased assets	-
9.5 Staff costs	(445)
9.6 Administration and corporate costs	(245)
9.7 Other (provide details if material)	-
9.8 Total estimated cash outflows	(1,205)

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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:



(Company secretary)

Date: 31 January 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.