

November 19, 2020 - REA Group AGM

Hosts: Hamish McLennan (Chairman)
Tamara Kayser (General Counsel and Company Secretary)

Speakers: Michael Miller (Non-Executive Director)
Owen Wilson (Chief Executive Officer)
Nick Dowling (Non-Executive Director)
Richard Freudenstein (Non-Executive Director)

FULL TRANSCRIPT OF Q&A SESSION

Chairman Hamish McLennan: Thank you for taking part in the formal business of the AGM. Tamara, are there any other questions that have come through online that are general in nature?

Tamara Kayser: Yes, Chairman. The first question is from Peter Calliriero – REA has become News Corp’s most valuable asset by the length of the Flemington Straight, that is, very long. Would REA ever consider a capital raise to takeover News Corp? You could keep the REA and Move, float the *Wall Street Journal* on the NASDAQ, float the book publishing business in London and return the newspapers to Rupert Murdoch free of charge?

Chairman McLennan: A slightly cheeky question, but it’s not something the board would entertain or has entertained. Thank you. Tamara?

Tamara Kayser: The next question has been asked by Stephen Mayne – News Corp ceased printing over 100 suburban and regional newspapers after COVID hit, costing them an estimated USD\$111 million dollars in revenue on an annualised basis. How much were we spending in advertising in the print editions of these titles and was this a disappointing move from our perspective, losing an important channel to reach property purchases and sellers?

Chairman McLennan: I’ll ask Michael Miller to address this question, please.

Michael Miller, News Corp Australia Executive Chair: Thank you Chair. The exit of those titles from the News Corp portfolio did not have an impact on the REA Group. Much of the traffic that REA and News Corp share, and particularly the traffic/audience that News Corp drives towards REA had been in the digital channels and those mastheads in the main still exist in those markets and those audiences have not just remained during this period of time, but actually grown.

Tamara Kayser: The next question received was from Stephen Mayne – The CEO said, “REA was passionate about tackling climate change,” in the video that was playing before the formal addresses. Could Owen address the question of how he can reconcile this position with the fact that our parent company, News Corp, is arguably the leading obstacle to sensible climate policies in Australia. Does REA as a company disagree with commentators Terry McCrann and Andrew Bolt on climate change?

Chairman McLennan: Owen, do you want to deal with that first and then Michael will add to it afterwards?

Owen Wilson, REA CEO: Sure. I stand by the fact that we have decided to go carbon neutral from this financial year. We see sustainability as a key thing that we believe in and it was REA's decision to go carbon neutral and to have our own carbon reduction targets that are science based, so we are very proud of that achievement.

Michael Miller: For clarification, Stephen, News Corp does not deny climate change or the severity of it, despite the claims of others and particularly former Prime Ministers. Post criticism of the company this year, I have restated that position on January 9th. In addition, we conducted an audit of our mastheads from the start of the bushfires in September, to the end of January and during that period of time, we published 3,335 articles on climate change, of which only 3.2 per cent mentioned the word arson or arsonists. In addition, during that period, News.com.au published 300 articles of which only 5 per cent mentioned arson or arsonists. I'll reinforce again, we do not deny climate change or the severity of it.

Tamara Kayser: Chairman, we've received the following question from Stephen Mayne in relation to Richard Freudenstein – Having joined the Cricket Australia Board in 2019-20, wouldn't it be better for Richard to become independent of News Corp, by no longer representing News Corp on this board. If not, how can Richard serve Cricket Australia independently when News Corp is the Pay TV rights holder?

Chairman: Would you like to take that, Richard?

Richard Freudenstein: Thanks, Stephen, for that question. In my opinion, I'm very capable of doing more than one thing at once. In this case, when I'm on the Cricket Australia Board, I think about Cricket Australia. When I'm on the REA Board, I think about what's best for REA. It's up to News Corp whether they wish to continue to have me as a Director on REA and I hope that my years of service on REA have shown that I'm adding value to the REA board.

Tamara Kayser: Chairman, we've received the following question from Stephen Mayne – Malcolm Turnbull recently urged credible Australians, such as journalist Paul Kelly, to leave News Corp out of protest about the company's constant wrecking of meaningful climate change policy. If even James Murdoch now refuses to be associated with News Corp, why are our directors remaining involved, particularly when REA claims to take climate change seriously. Can News Corp Australia Executive Chairman and REA Director Michael Miller please explain News Corp's real position on climate?

Chairman: I think Michael has sufficiently addressed that issue. That's a question for News Corp, not an REA issue and I'll decline to answer that. Tamara, next question?

Tamara Kayser: This is a question from Stephen Mayne – More than 500,000 people signed a parliamentary petition promoted by Kevin Rudd calling for a Royal Commission into our parent company, News Corp. Can Owen and Hamish address the question of what risks there are for REA if sentiment against our parent company deteriorates further and it does end up facing a Royal Commission? What are the sorts of hostile regulatory actions which governments, State and Federal could use against REA Group?

Chairman: Again, I think that's an inappropriate question for REA, it's a question for News Corp and this is an REA meeting, so I'll decline to answer that. Tamara, next question please?

Tamara Kayser: Chairman, we have received a comment from Mr Michael Robey, representing the ASA. Firstly, congratulations on the continued momentum of the REA business, particularly in light of the domestic and international COVID impacts which you've

navigated very well. Our retail shareholders are generally much longer-term investors than institutional groups and have enjoyed good returns for years now.

Chairman: Thank you. Tamara, is there anything else?

Tamara Kayser: Chairman, we've received the following question from Stephen Mayne – How does Nick Dowling tap into real estate agent sentiment to feed into board deliberations? Are there regular industry forums?

Chairman: Nick, can I ask you take that question, please?

Nick Dowling: Yes, there are regular industry forums, a lot of which I'm a part of so I do have a good – as I said in my earlier speech – a good channel into the sentiment of the customers. In addition to that, I hold long-standing relationships with most of the major groups which represent our major customers around the country through my previous employer at Macquarie Bank where I held a role advising and facilitating funding for a lot of those clients, so I do have good connections around the country. All of those connections know I'm on the REA Board and take the opportunity to proactively feed information to me as well which has proven a number of times to be really beneficial to the issues that we're consulting as a board.

Chairman: Thank you. Tamara – conscious of time – any final questions?

Tamara Kayser: Chairman, we have received the following question from Michael Robey representing the ASA – My question is about the Elara Group. At the end of 2017, Elara was added. REA was carrying \$788 million dollars in goodwill, mostly for the Asian businesses. At the end of 2020, this was \$422 million largely due to write-downs of the Asian businesses. In 2019, Elara made \$25 million dollars in revenue and a loss of \$34.6 million. In 2020, the revenue grew to \$28.2 million and the loss grew even more to \$46.5 million. Can you help us understand the commercial risks in buying out their debt and increasing your equity in such a business?

Chairman: Owen, could I ask that you take that question?

Owen Wilson: Sure. We see the India business as a very long-term way to grow value for our shareholders and there are two reasons for that. One, is the market. As we said, India is the fastest growing trillion dollar economy in the world, but it's also within that economy, there's a strong growth in middle class and that middle class also has a very strong property focus and so both the economy and the property sector are forecast for very strong growth over the next decade. Then we look at Elara itself and we're incredibly excited. As I said in my speaking notes, it's delivered 42 per cent revenue CAGR over the last three years, despite the impact of COVID-19 in Q4.

It's got the fastest growing audience in the country and since our investment in 2017, we've got to know the business quite well. It's got a very talented management team, it's got a great tech culture and some of the tech they use in India is even further advanced than what we use here. We think the combination of our expertise and that market represents a great long-term value creation opportunity for our shareholders.

Chairman: Just adding to that too, management and the board of REA over a long period of time have demonstrated they understand this vertical better than most companies in the world and we've been very focused on revenue and share price growth and building total shareholder return over a long period of time. When we look at the India opportunity, we think that it will deliver over the medium to long-term and be very worthwhile for all shareholders. Tamara, could I ask for another question please?

Tamara Kayser: Chairman, we've received the following question from Peter Callirero – Why does REA group refer to this climate crisis as climate change? The earth is warming, not cooling. Surely, referring to this as global warming is more accurate.

Chairman: I think that's ultimately a subjective call. We're very committed to reducing our carbon footprint and I think that Owen's presentation surely demonstrated what we're doing to become carbon neutral and responsible in that regard. Could I have another questions, please?

Tamara Kayser: Chairman, we've received the following question from Stephen Mayne – Can Chairman Hamish McLennan address the question of whether it's tenable for him to remain a News Corp nominated non-independent Chairman of REA, when he recently became Chair of Rugby Australia, which has just struck a \$100 million dollar deal with Nine, News Corp's biggest rival? Wouldn't it be better for Hamish to move to being independent of News Corp?

Chairman: Not being too dissimilar to what Richard Freudenstein said, I have a portfolio of responsibilities, I'm aware of my fiduciary duty. It is possibly something to consider on a technical basis in the upcoming year, but when you refer to that current deal, even though this is an REA meeting, a process was run independent of myself at Rugby and the outcome was what it was. So I respect the question, it's something we can look at in the future. But again, very aware of my fiduciary duties as a Chairman representing all shareholders and I take that very seriously. Tamara?

Tamara Kayser: Chairman, we have no further questions.

Chairman: Okay, thank you for taking part in the formal business of the AGM here today. As I mentioned earlier, voting will close in five minutes after the conclusion of the AGM and a count-down timer will appear at the top of your screen advising the remaining voting time. If you have not already cast your vote, can you please do so now? The results of this meeting will be announced to the ASX and will be available on our website as soon as possible after the completion of the meeting. Thank you for our shareholders for participating in today's meeting in this virtual format. I thank you very much for your attendance and hope that you and your families remain safe and well over the coming year. I've declared the Annual General Meeting closed. Thank you, everyone.

END OF TRANSCRIPT