

Onthehouse Holdings Limited

Time to upsize



Wilson HTM
INVESTMENT GROUP

9 June 2011

\$0.85

BUY

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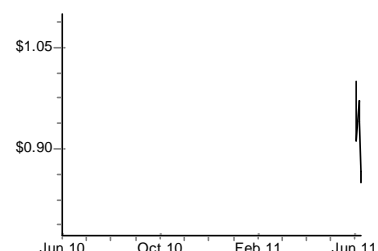
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Price Performance



Security/Capital Details

ASX Code	OTH
Market Cap	\$69 M
Issued Shares	81.5 M
Avg Mth T'over	0 M
12 Mth High – Low	\$1.00 - \$0.85

Key Data/Ratios – FY 2011

EBITDA / Sales	26.4%
EBIT / Sales	24.7%
Net Debt / Equity	5.1%
Interest Cover	89.6 x
ROE	10.2%

NTA / Share	\$ 0.19
DCF	\$ 1.39
12 Mth Price Target	\$ 1.20

Important Disclosure

Wilson HTM Corporate Finance Ltd acted as Joint Lead Manager and Underwriter in relation to the June 2011 IPO of securities of Onthehouse Holdings Limited and received fees for this role.

Recommendation

OTH provides a unique opportunity to gain exposure to a business that is changing the information landscape for consumers and real estate agents. The earnings for the consumer portal are inherently difficult to forecast at this stage in both size and timing. Importantly however traffic growth is growing substantially. We expect share price appreciation on the back of continuing improved traffic flow coupled with announcements around advertising based deals for the Portal. We initiate coverage with a BUY recommendation and a target price of \$1.20. 12 month TSR is 41.4%.

Key Points

- **Update:** The acquisitions of PortPlus and Console have been completed. Traffic to www.onthehouse.com.au has been growing substantially with May traffic at 380,725 unique browsers. This represents traffic growth of 52% CAGR per month since January. In line with traffic growth, report downloads for May was around 803,786 representing 71% CAGR per month since January. This growth augurs well for the delivery of both FY12 and FY13 forecasts.
- **Positives:** The agency solutions business will be underpinned by a best in class product, with sustainable competitive advantages within its deep data set, combined with market leading positioning. Continued market penetration is expected given the cost associated with delivering its product is below that of its competitors. In addition the business is highly cash generative with limited capital expenditure required such that EBITDA approximates free cash flow.
- The consumer portal business has substantial upside to OTH in time. Free data content, reports and valuations will drive traffic to the site. Monetisation of this traffic will be through a combination of pay per lead and advertising. Opportunities exist in publisher portals where revenue is shared and other industry applications, such mortgage referrals.
- **Risks:** The OTH business will be an amalgam of four existing businesses and as such carries execution/integration risk. The OTH strategy has not been tested in the Australian market; however we note that there are sufficient successful international peers to suggest the strategy is sound. Finally incumbent response to the strategy is not yet known.
- **Valuation:** Our valuation utilises a DCF, PE and EV/EBITDA multiple, equally weighted.

SUMMARY	PRICE TARGET
DCF	\$ 1.39
EV/EBITDA	\$ 1.08
PE	\$ 1.14
AVERAGE	\$ 1.20
Capital Upside	41.4%
Dividend Yield	0.0%
12 month TSR	41.4%

Source: WHTM

June	NPAT (Rep) \$M	EPS (Norm) c	EPS Growth %	PER x	P/CF x	EV/EBITDA x	DPS c	Div Yld %	Franking %
2010a									
2011e									
2012e	2.0	5.4	42.2	15.9	9.4	8.3	0.6	0.7	100
2013e	3.7	7.6	41.8	11.2	6.7	5.6	1.1	1.3	100



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Business Overview

OTH was founded in 2006 with the vision of becoming the leading online real estate content provider in Australia. It completed the acquisition of Console and PortPlus in May and holds an investment in Residex. OTH has three operating divisions:

- **Consumer Online** – a platform of publicly available real estate websites, underpinned by the onthefhouse.com.au website, that provides free access to an extensive database of real estate content and property values.
- **Real Estate Agency Solutions** – an integrated platform for office administration, property sales and management applications and other business performance tools for real estate agents. This division consists of the Console and PortPlus businesses.
- **Information and Analytics Services** – a database of real-time and historical property information which will be leveraged to provide customised data and reports to the Australian real estate industry and related industries. With a 10.02% stake in Residex, OTH has access to rich historical content and Automated Valuation Methodology (AVM). REX provides a summary of prices of selected suburbs and is intended to be incorporated into local and national industry websites.



Source: OTH

OTH currently derives monthly subscription revenue from its Real Estate Agency Solutions division. Growth in earnings is expected in this division with the near-term launch of next generation mobile applications. Going forward, OTH expects to grow subscription and service fees through the Information and Analytics Services division and to introduce online advertising revenue (“fee per lead” as well as banner advertising and sponsorship) through the Consumer Online division as traffic to the website reaches critical mass (expected to be 2 years from ASX listing).



Investment Thesis

In our mind investing in OTH is about understanding the end game in 3-5 years' time. There will be at that stage two component parts to the business, each with different earnings models: software and data (encompassing Real Estate Agency Solutions and Information and Analytics Services), and Consumer Online.

Software and Data

Real estate agencies pay a monthly subscription based fee for their software requirements which are circa \$700 per month. In addition they pay around \$300 per month for data. The addressable market today according to Frost and Sullivan is estimated at around \$150M: \$90M for software and \$60M for data services.

Vision

The vision of OTH is to deliver a single product encompassing back office and front office software coupled with historical and live data applications. Whilst the shift to a single software product providing both back office and front office solutions is not new, the functionality of existing packages is limited by the lack of integrated and comprehensive data embedded within the products. For example, aggregated sales and listings data is not available in a comprehensive format on agent software packages, as these packages only contain data entered by the agent themselves, and data is not shared across a platform.

The vision is to create a solution with embedded data...

... that is available remotely on one platform

.....resulting in substantial productivity gains

Cost of data collection substantially below peers...

....and more accurate

The ultimate goal of the product is to allow agents, who are inherently "mobile", a single product which can be accessed remotely (via an iPad or equivalent) to deliver productivity improvements. In addition, the product will be enhanced versus its competitor set via the richness of the shared data embedded in the product. This will result in a competitive advantage for agents who use this product, as mobile access to the latest live data coupled with the breadth of data will be unrivalled. This competitive advantage to agents using the product should drive increased listings.

The most complete and accurate source of live sale information will be sourced from the agents' trust accounts, where it is a legal requirement to enter relevant information at the point of sale/contract exchange. Importantly, the collection costs of this data compared to rivals will be extremely low. By way of comparison, RP Data uses a combination of a data feed from REA coupled with a call centre to gather a component of this data. Verification of these "agent advised sales" is difficult and historically often incorrect. Furthermore, agents can choose not to share this information. Key drivers of earnings going forward will be increased penetration of the software market coupled with access to the data market.

Consumer Online

The onthetouse.com.au website provides free access to a comprehensive database of real estate content and property values on an extensive number of properties in Australia, including traditional real estate online classified listings.

New entrants need a point of difference

Without the market leading position in an online category – be it real estate, automobiles or job listings – subsequent market entrants need to find a point of difference. Non market leaders internationally like Zoopla, Trulia and Zillow, have entered the market by providing comprehensive and free real estate content, valuation tools, data and listings and used these to drive audience traffic, monetising the site through general advertising and pay-per-lead listings.

Vision

OTH's specific strategy is to provide a range of free products to the public which are designed to drive traffic:

Free content drives traffic...

- Free sold property data, street reports, property reports and postcode reports will provide consumers with substantially improved information to research property values, either their own or potential purchases.
- The depth of the sold property data listings, coupled with the user interactivity of the site, should result in superior search engine optimisation such that www.onthetouse.com.au will rank well on the first page of a Google search.



- Residex branded interactive automated valuation product, allowing consumers to generate valuations or 'guesstimates' for their own and prospective properties. By providing additional information (photos, descriptions, additions, extras) in relation to the property, this valuation tool becomes interactive.
- Traffic to the site will be generated firstly by PR/advertising around consumers utilising the valuation tool for their own home. By way of example Zillow in the US launched this product in February 2006 and had its first millionth visitor after two days.
- The additional data provided by consumers with respect to their properties, results in an unrivalled, deep data set which can be fed into the Agency Solutions product, providing competitive advantage.
- Free rental data will allow those consumers who are renting, to better understand market rents or provide prospective property investors with a substantially improved understanding of potential rental returns. The rental information will be provided via data feeds from the Agency Solutions product which manages the rent rolls for agents.
- OTH currently has the number 2 position in property listings. This is currently driven by some agents pushing the listings to www.ontheproperty.com.au from their current software for free (about 15-20% of listings). Secondly OTH has a number of arrangements which provide a substantial number of additional listings.
- Real estate exchange (REX), which is a summary of prices in selected suburbs, to be inserted into local and national real estate-related websites.

...and traffic drives revenue:

Monetisation

Revenue from the consumer portal will be driven by the following:

Pay per lead monetisation.....

- **Lead generation** such that agents will pay for leads from potential buyers and sellers. The revenue model for Zoopla in the UK is primarily a pay-per-lead revenue model.

...online advertising...

- **Online advertising** such as banners and sponsorship will also be sold, which is similar to the revenue model for Zillow and Trulia.
- **Publisher platforms** or white labelled websites with revenue sharing arrangements. For example OTH currently powers the property section of www.mycgc.com.au with an underlying revenue sharing arrangement.

...coupled with publisher platforms...

- **Industry applications** – Zillow and Zoopla both have revenue coming from related industries such as mortgage referrals with online mortgage quotes available online. Whilst the mortgage market in Australia is structurally different than that in the UK and US, we expect that in time additional referral based services will be added to the site.

...and industry applications

Traffic

Traffic to www.ontheproperty.com.au has been growing substantially with May traffic at 380,725 unique browsers. This represents traffic growth of 52% CAGR per month since January. In line with traffic growth, report downloads for May was around 803,786 representing 71% CAGR per month since January. This growth augurs well for the delivery of both FY12 and FY13 forecasts.

	Jan 2011	Feb 2011 (growth)	Mar 2011 (growth)	Apr 2011 (growth)	May 2011 (growth)
Unique Visitors	71,252	105,909 (+48%)	172,849 (+63%)	265,347 (+53%)	380,725 (+44%)
Page Impressions	743,601	984,368 (+32%)	1,604,834 (+63%)	2,396,621 (+49%)	3,125,913 (+30%)
New Agencies	13	21 (+61%)	46 (+19%)	77 (+67%)	123 (+60%)
New Memberships	848	846 (-)	1144 (+35%)	1851 (+62%)	2197 (+19%)
Total Reports	94,636	172,519 (+82%)	321,156 (+86%)	570,581 (+77%)	803,786 (+41%)

Source: Company data

Forecast Summary

At this stage in its lifecycle, the earnings for the online business are difficult to forecast in both size and timing. We note that our forecasts as a consequence are conservative, with upside existing in both businesses. We expect that given the growth in traffic to the site, assuming it is maintained, that revenue for the portal may be pulled forward by one year.

Profit and Loss

PROFIT AND LOSS	2010 30-Jun-10	2011 30-Jun-11	2012 30-Jun-12	2013 30-Jun-13	2014 30-Jun-14
Revenue					
Software & Data	14.60	16.68	20.61	22.99	25.66
Online advertising	0.05	0.03	0.24	1.50	3.00
Total sales revenue	14.66	16.71	20.85	24.49	28.66
Total Revenue	14.66	16.71	20.85	24.49	28.66
<i>Sales growth</i>		14.0%	24.8%	17.5%	17.0%
Licence fees and sales based incentives	0.80	1.40	1.89	2.21	3.15
<i>% to Sales</i>	5.5%	8.4%	9.0%	9.0%	11.0%
Communications	0.88	0.92	0.84	0.88	0.93
<i>% to Sales</i>	6.0%	5.5%	4.0%	3.6%	3.2%
Employee Benefit expense	5.93	6.96	7.29	8.02	8.82
<i>% to Sales</i>	40.5%	41.7%	35.0%	32.7%	30.8%
Occupancy	1.33	1.42	1.16	1.22	1.28
<i>% to Sales</i>	9.1%	8.5%	5.6%	5.0%	4.5%
Professional fees and insurance	0.23	0.46	0.58	0.61	0.64
<i>% to Sales</i>	1.5%	2.7%	2.8%	2.5%	2.2%
Other expenses	1.25	1.13	1.09	1.28	1.50
<i>% to Sales</i>	8.5%	6.8%	5.2%	5.2%	5.2%
EBITDA	4.24	4.42	8.00	10.26	12.34
<i>EBITDA Margin</i>	29.0%	26.4%	38.4%	41.9%	43.0%
<i>EBITDA Growth</i>		4.1%	81.1%	28.3%	20.2%
Depreciation			0.50	0.58	0.68
Amortisation - other intangibles (back out)			2.99	2.99	2.99
Amortisation relating to R & D			1.27	1.43	1.62
EBIT			3.25	5.26	7.05
<i>EBIT Margin</i>			15.6%	21.5%	24.6%
<i>EBIT Growth</i>			-21.2%	62.0%	33.9%
Interest received			0.08	0.54	0.90
Interest paid			0.39	0.46	0.46
Net Interest (income)/Expense			0.3190	(0.08)	(0.44)
EBT			2.93	5.34	7.49
Tax			0.98	1.66	2.32
NPAT Reported			1.95	3.69	5.17
<i>NPAT Margin</i>			9.4%	15.1%	18.0%
<i>NPAT Growth</i>			-30.6%	88.8%	40.2%
NORMALISATION OF EARNINGS					
NPAT			1.95	3.69	5.17
Add back acquired Intangibles			2.09	2.09	2.09
Cash adjust capitalised R & D spend			(0.55)	(0.55)	(0.66)
Add back acquired R & D			0.89	1.00	1.13
Abnormal Items Net of Tax			2.42	2.54	2.56
Normalised NPAT			4.38	6.22	7.73

e: Company data, WHTM

Source

Valuation Summary

In our view OTH is a unique business by reason of its opportunity set, high free cash flow and growth relative to its industry. It does not have a direct domestic or international peer in terms of a combined business entity.

At the current share price the stock is pricing the following metrics:

VALUATION METRICS	FY12	FY13
PE	15.88	11.20
EV/EBITDA	8.59	6.69
EV/EBITA	9.16	7.10
Dividend Yield (%) fully franked	0.71	1.29
WHTM Small Industrials PE	11.64	10.21
(Discount)/Premium	36.4%	9.7%

Source: WHTM

Both the online and software sector traditionally trade at a substantial premium to the broader industrial market driven by the free cash flow that flows from these sorts of businesses. The peer group ranges between 30%-60% premium to the Small Industrials market on a PE and EBITDA basis for FY12. Our target price at this stage utilises a 30% premium to Small Industrial market. We would argue that the earnings growth available to the business is substantial and highly scalable from the FY12 base. We are prepared to use a premium of this size to the market given we believe our forecasts are currently conservative.

Our target price utilises a DCF, PE and EV/EBITDA multiple, equally weighted. At the current share price the table below.

SUMMARY	PRICE TARGET
DCF	\$ 1.39
EV/EBITDA	\$ 1.08
PE	\$ 1.14
AVERAGE	\$ 1.20
Capital Upside	41.4%
Dividend Yield	0.0%
12 month TSR	41.4%

Source: WHTM

Catalysts to drive the share price toward this price target include:

- Continuing growth in traffic volumes
- Advertising based deals for the online portal
- Additional publisher platforms being announced

Comparable companies

Ticker	Exch.	Company Name	Mkt Cap (\$M local currency)	FY ending	PER FY11 (x)	PER FY12 (x)	EV/EBITDA FY11 (x)	EV/EBITDA FY12 (x)	Div. Yield FY11 (%)	Div. Yield FY12 (%)
OTH	AU	Onthehouse	69.3	Jun	22.5	15.9	15.5	8.6	0.0	0.7
Domestic Internet										
CRZ	AU	carsales.com.au Ltd	1,101.4	Jun	19.7	17.0	13.1	11.2	4.1	4.7
REA	AU	REA Group Ltd	1,546.6	Jun	22.8	18.5	14.0	11.2	1.9	2.3
SEK	AU	Seek Ltd	2,245.0	Jun	21.7	16.7	16.8	12.6	2.2	2.9
WEB	AU	Webjet Ltd	146.4	Jun	13.4	11.7	8.1	6.7	5.8	6.5
WTF	AU	Wotif.com Holdings Ltd	1,018.0	Jun	19.1	16.7	11.5	9.8	4.6	5.2
Average:					19.3	16.1	12.7	10.3	3.7	4.3
WHTM Small Industrials Index:					13.5	11.7	7.5	6.6	4.2	4.8
<i>Premium vs. Index:</i>					43%	38%	69%	56%	-13%	-9%
Domestic Data Services/Software										
IRE	AU	Iress Market Technology L	1,146.8	Dec	18.7	16.7	12.0	10.5	4.5	5.1
TNE	AU	Technology One Ltd	318.3	Sep	15.7	13.5	9.2	7.9	5.6	6.4
RKN	AU	Reckon Ltd	322.8	Dec	16.9	15.0	9.1	8.0	3.8	4.3
CPU	AU	Computershare Ltd	5,084.3	Jun	16.8	14.6	11.4	10.0	2.9	3.1
SAI	AU	SAI Global Ltd	963.8	Jun	17.8	15.1	11.7	9.6	3.0	3.6
Average:					17.2	15.0	10.7	9.2	4.0	4.5
WHTM Small Industrials Index:					13.5	11.7	7.5	6.6	4.2	4.8
<i>Premium vs. Index:</i>					27%	28%	42%	40%	-7%	-6%
All Domestic Average:					18.2	15.5	11.7	9.8	3.8	4.4
WHTM Small Industrials Index:					13.5	11.7	7.5	6.6	4.2	4.8
<i>Premium vs. Index:</i>					35%	33%	55%	48%	-10%	-7%
Offshore Real Estate Portals										
RMV	LN	Rightmove PLC	1,210.5	Dec	24.6	20.9	18.0	15.4	1.5	1.7
MOVE	US	Move Inc	317.4	Dec	27.0	18.5	14.5	10.8	na	na
Average:					25.8	19.7	16.3	13.1	1.5	1.7
Offshore Data Services										
FAF	US	First American Financial C	1,609.2	Dec	23.6	14.1	na	na	1.5	1.5
ACXM	US	Acxiom Corp	1,014.4	Mar	18.1	16.6	4.7	4.1	na	na
EXPN	LN	Experian PLC	7,859.6	Mar	11.5	9.8	10.9	9.5	2.1	2.5
FICO	US	Fair Isaac Corp	1,125.7	Sep	14.4	13.5	9.8	8.5	0.0	0.0
MCO	US	Moody's Corp	8,982.2	Dec	16.6	15.1	na	na	1.2	1.2
DNB	US	Dun & Bradstreet Corp	3,753.9	Dec	12.7	11.3	na	na	1.9	1.9
EFX	US	Equifax Inc	4,369.0	Dec	14.2	12.8	na	na	1.8	1.8
Average:					15.9	13.3	8.4	7.4	1.4	1.5
All Offshore Average:					18.1	14.7	11.6	9.7	1.4	1.5

Source: Bloomberg, WHTM as at 9th June 2011

Key inputs to our DCF are provided in the table below:

Discounted cash flow valuation		
DCF input assumptions (%)	Valuation (\$M)	
10-year government bond rate	6.00 PV of explicit cash flows	34.07
Market risk premium	6.00 PV of horizon cash flows	50.59
Levered beta	1.25 Perpetuity Value	27.80
Cost of equity	13.50 Entity value	112.46
Cost of debt, pre tax	8.00 Less corporate debt	(0.58)
Current debt/value ratio	-0.8 Total calculated value of ordinary equity	113.03
Corporate tax rate	31.0 Ord & potential shares on issue (M)	81.50
WACC	13.50 Value/share (\$)	\$ 1.39
Current share price (\$)	\$ 0.85 Margin of Safety	63%

Source: Company data, WHTM



Key Positives

- **Single platform solution to consolidate three industry silos: data services, agency solutions and consumer online portal.** OTH is different from any other real estate portal in that it combines data from back office and CRM solutions (>40% market share), data and analytical services, and the portal itself. This results in rich data content, which provides an information-based competitive advantage. The investment in Residex provides OTH access to Automated Valuation Methodology, used to value properties real-time. Currently real estate agents are dealing with multiple parties to meet their back office, customer management, data services, and property listing requirements. OTH will consolidate all of these offerings, minimising administrative burden, driving productivity and moreover agents' ability to generate listings.
- **Internationally proven business model.** Despite the ground breaking nature of the business model in the real estate industry, it has been proven overseas by Trulia, Zoopla and Zillow. All three portals were established in the mid-2000s and have experienced very strong growth rates in traffic figures, challenging the incumbents. Zoopla operates a lead based revenue model, whilst Zillow and Trulia operate an advertising model. OTH's consumer portal will over time generate revenue from both advertising and pay per lead. This business model is not dissimilar to that of Carsales.com.au, which controls the software for car dealers, data services and several online classified websites.
- **Stable and recurring revenues with significant growth potential.** OTH will charge real estate agents monthly subscription fees for software and data services – mostly with direct debit arrangements. There is potential upside from price increases, up selling value-adding services such as iPhone applications, and cross selling to existing customers of PortPlus and Console. 77% of FY12 revenues are expected to be derived from OTH's existing customer base. Listing is free on the consumer portal, but once the web traffic reaches critical mass, the Consumer Online business can start charging for every lead generated and advertising space.
- **Fixed cost leverage.** Given OTH's cost structure is largely fixed, margin expansion is expected as revenue grows. The business is scalable to support a growing number of users without incurring significant additional costs. In addition there will be synergy benefits from integrating PortPlus and Console in the form of savings in employment and occupancy costs.
- **High barriers to entry.** Comprehensive data to be controlled by OTH will be difficult to replicate. Other players rely on government agencies, agent advised sales, current listing and third party data providers, which may not be timely or accurate. The existing incumbent is unlikely to replicate the breadth and depth of OTH's data set given existing contractual obligations. Once the acquisitions are integrated, there are not many acquisition candidates left. RP Data, which has a non-compete agreement with REA, is currently being acquired by US data provider Core Logic. We understand that there are impediments to acquiring Rockend, the second largest player in Agency Solutions.
- **Low integration risk, with ongoing data feeds.** PortPlus and Console databases are ready to be "plugged in" into OTH's database. In addition, both businesses do not sell their software – they license it to each customer on a rolling basis. As such, they retain ownership and control over the software and its intellectual property. With the appropriate terms and conditions in place with clients, each business is licensed to access and upload the content that is captured by the software.
- **Experienced Board combined with a focussed, motivated, innovative management team.** OTH has recruited a high quality management and operations team, including the founders of the respective businesses acquired.



Key Risks

- **Integration of acquisitions.** OTH has completed the acquisition of Console and PortPlus recently. There may be delays in integrating the acquired businesses and in extracting the expected synergies, which may influence the benefits flowing from the investment in Residex. OTH has prepared a business plan to mitigate foreseeable issues and/or delays which may arise during the consolidation.
- **Supply of data.** Future supply of data from suppliers may be restricted or otherwise adversely affected, or licences may not be renewed. Similarly, there could be a significant increase in the commercial cost of data feeds or significant changes in the basis on which that data is provided. There is also a risk that legislation or policies may be introduced to extend privacy regulation or otherwise restrict the provision of property data. It is possible that real estate agents may restrict how such data is used or impose conditions on the use of data by OTH.
- **Competitive response.** Larger existing companies in related industries may potentially have the financial resources and technical capabilities to broaden their offering to compete with OTH. New competitors may enter the market, e.g. www.thehomepage.com.au.
- **Customer churn.** Revenues are mainly generated under monthly subscription agreements with a number of small customers. The existence and ongoing renewal of these agreements are heavily reliant on the ongoing maintenance of customer relationships with real estate agencies. Most of these agreements can be cancelled by the customer with limited advance notice and without significant financial penalty. Revenue forecasts are predicated in part on price increases. Whilst this is being sought with additional product capability, there is risk a higher churn rate than expected.
- **Security.** Breaches of security or data corruption from either OTH or third party suppliers could impact user satisfaction or data integrity. There can be no guarantee that unauthorised use or copying of data or software applications developed by OTH will be prevented.
- **Data licensing.** Statutory bodies and other organisations, which license the use of property data to OTH, ordinarily retain ownership of the data provided. Historically, OTH's licences have been renewed upon their expiry. However, if any licence was terminated/not renewed without prior arrangement for OTH's continued use of the data provided, then OTH would be obliged to destroy the data concerned or return it to the relevant statutory body or other organisation.
- **Key person risk.** Departure of key members of the team, namely Michael Fredericks, Phil Dickman and key personnel from Console and PortPlus, would be a considerable loss to the business, especially in the early phases. Due to the specialist nature of IT skills, OTH may have difficulty in recruiting appropriate technical personnel or there may be a substantial increase in labour costs
- **Downturn in the residential real estate sector.** A reduction in the level of economic activity in the residential real estate sector, to the point that there is a consolidation of, or reduction in, the number of real estate agencies, may reduce the overall demand for OTH's products and services.

Industry Overview

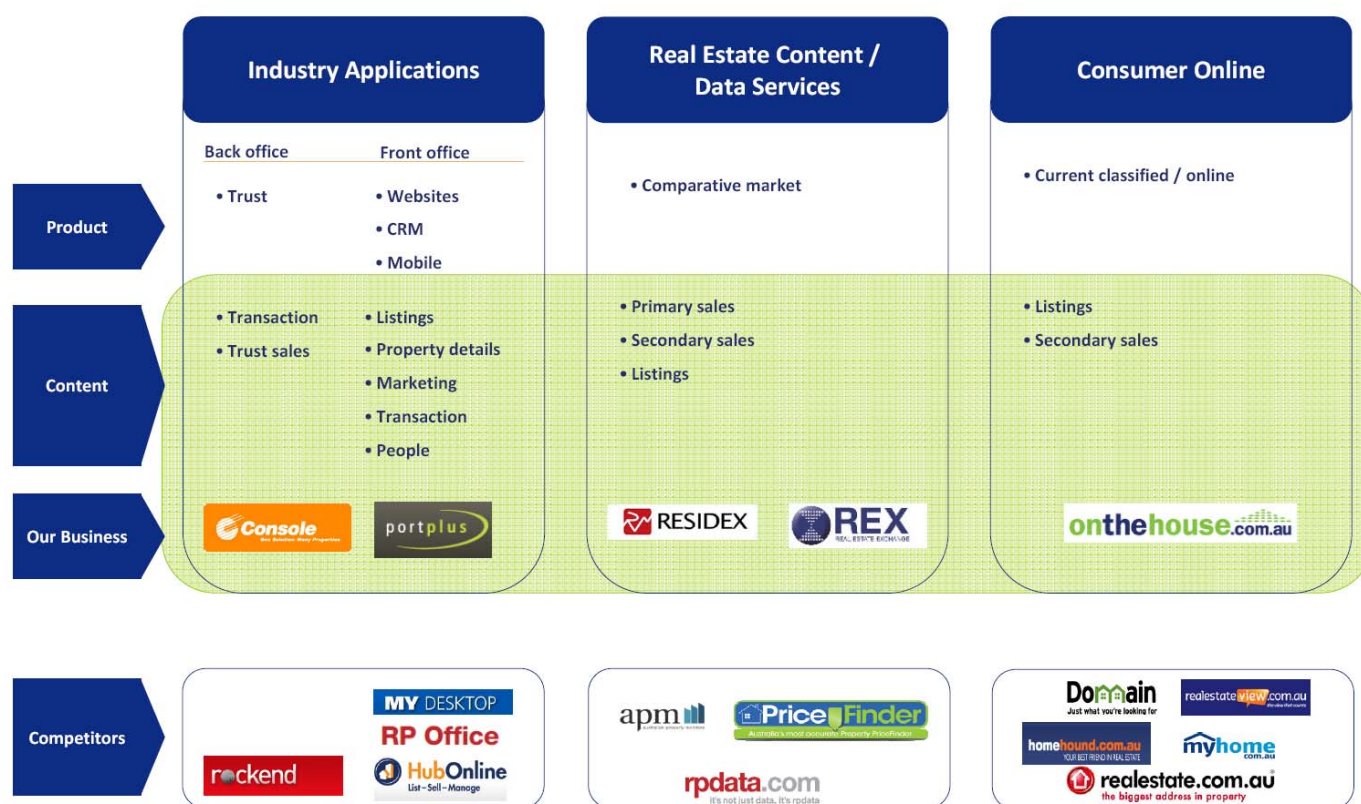
Residential real estate – Australia's largest asset class

The largest asset class...

Underlying the market opportunity for OTH is the high level of economic activity generated by the residential property market in Australia, and the ensuing demand for real estate information such as property values. Residential real estate is the largest asset class in Australia with the total value of residential property estimated at \$3,700 billion in 2010 according to the ABS.

...yet information is fragmented

Unlike other asset classes (for example equities), information on the residential real estate market is generally fragmented, often dated and not commonly available to all industry participants. OTH is addressing these issues by integrating real estate information that resides in three silos as illustrated below. Importantly real estate information such as listings and property reports are available on the consumer website free of charge.



Source: Company data

Industry expenditure and structure

Total expenditure on residential real estate transaction-related services is estimated at around \$8.5 billion annually in Australia, excluding insurance, mortgages and other ancillary services. An estimate of the total expenditure incurred in Australia and the industry structure for each service is given below:

Service	Estimated expenditure, 2010	Industry structure
Property Sales	\$5.5Bn	Around 9,500 residential real estate businesses in Australia
Advertising	\$700M	Advertising mainly on main industry portals and local newspapers / publications
Conveyancing	\$1.5Bn	Highly fragmented industry with thousands of local market participants
Valuations	\$500M	Some large valuation firms but also many independent valuers
Property Inspections	\$200M	Fragmented industry with thousands of independent inspectors and small businesses
Real Estate Data	\$60M	Concentrated and dominated by one major company
Real Estate Agent Software	\$90M	Dominated by 2-3 larger companies but also many smaller providers

Source: Frost & Sullivan



Addressable market

**Market size is \$433M,
growing to \$500M in 2015**

OTH specifically proposes to address three market segments – real estate agent software, real estate data and online real estate advertising – which are currently serviced by distinct market participants. The total current estimated size of these market segments in Australia is around \$433M in 2010.

Market segment	Main participants	Market size (\$M)	Market growth rate (%)
Real Estate Agent Software	Console, Rockend, Portplus	90	8
Real Estate Data	RP Data, Price Finder, APM	60	15
Online Real Estate Advertising	REA Group, Domain (Fairfax Media)	283	25

Source: Frost & Sullivan

Frost & Sullivan expects that the combined size of these segments will exceed \$500M by 2015, driven by:

- Stable residential housing markets in Australia which will support the continued use of transaction-related services.
- Growth in the number of real estate agent offices, and services being consumed on a per-agent basis within these offices.
- Greater penetration of these services outside the core customer group of real estate agents (e.g. to valuers, finance companies, consumers).
- Continued growth in online services (such as advertising and data provision), driven by higher levels of broadband penetration and higher broadband speeds.
- Innovation by service providers (such as video-based advertising, mobile solutions and new analytics tools) which will increase average revenue per user.



Divisional Overview

Real Estate Agency Solutions

In general, real estate agency solutions can be split into two broad categories:

- Back office functions, consisting of sales and rental trust, strata management and property management.
- Front office functions, such as customer relationship, sales and marketing management.

Agents have historically needed to source trust, CRM and other functionality from several different vendors. Whilst there is a trend in the industry toward combining these functions on a single platform, there is yet to be a clear leader in this regard.

Software packages are generally provided to agents under a license arrangement, with monthly license fees per package typically at \$250-\$350 per month per office. With most offices utilising separate packages for back-office and front-office functions, typical spend per office is \$600-\$800 per month on software licensing.

An important aspect of the real estate software market is the trend towards mobile applications or mobile access to software packages. This is because the nature of an estate agent's work is extremely mobile, and having the ability to access and enter or create content and services in a mobile environment is critical to productivity. Leading vendors such as Console and PortPlus are providing mobile applications as part of their solutions.

Industry structure

The agency software market is dominated by 7 large players, each with a focus on either back office or front office solutions. In the back office segment, Console has the largest market share in Australia of c. 37%, predominantly focussed in Queensland (80% regional market share). The next largest competitor is Rockend, predominantly focussed in NSW, with approximately 32% market share, with the remainder spread across over 20 providers. PortPlus, well known for its website and CRM solutions, is the dominant player in front office solutions. Console and PortPlus combined are estimated to have >40% market share.

The table below shows a summary of the top 7 players, beyond which market shares are much lower and fragmented.

Product	# of real estate offices	Main product and features	Comments
Console	3300	Gateway Live product is a full property and sales management, CRM, sales and rental trust solution	Part of OTH
Rockend	2900	REST Professional is the software product from Rockend that provides full property management functionality, CRM capability rental and sales trust accounting capabilities	Has a partnership arrangement with MyDesktop
PortPlus	1400	PortPlus provides a core website and listings management solution called WebChoice and an advanced sales management and CRM solution called Client Manager to its customers as well as customised web design and hosting capabilities	Part of OTH
MyDesktop	600	MyDesktop solution is a sales/marketing management solution for property listings as well as a CRM solution	Provided by Commerce Australia Pty Ltd but is ultimately owned by Fairfax. Has a partnership arrangement with REST(Rockend).
HubOnline	550	Property listings management and contact management functionality as well as customised websites with a built in content management system and email and newsletter based marketing.	Part of the REA Group.
ReNet	500	Sales management and contact management solutions, marketing around properties and listings and customised web site design solutions	Privately owned
GeeDee	450	Full property management, CRM, strata management, commercial and holiday management and sales and rental trust accounting modules as part of the platform.	Privately owned. Established in 1985.

Source: Company data, WHTM

Agents spend around \$700 a month for software license fees

Console and PortPlus combined have >40% market share



Console

Console is a provider of back office solutions including trust accounting, property management and sales management software. Its core product, Gateway, is used by 3300 real estate offices with more than 12,000 users (agents) in Australia and New Zealand. Console offers other value-adding solutions such as Gateway Mobile, Online SMS and a self-service web portal for property management. Founded in 1992, Console has two main offices in North Sydney and Brisbane with satellite offices in Melbourne and Auckland (mainly customer service and sales functions). The client base includes a component of the national and regional real estate franchises in the country. Preferred supplier arrangements are generally sought and then each office is then sold to separately.

Key positives

- **Significant market share** – Console has 37% share of the back office solution market nationally, with 80% in Queensland.
- **Comprehensive product features** – As a standalone solution, Console offer the most features among other industry applications, covering trust accounting, CRM, barcode scanning, integration with smartphones, Microsoft products and presentation creation. Its nearest competitor in back office solutions, Rockend, does not have a CRM capability and is partnering with MyDesktop.
- **Fixed cost leverage** – Margins have expanded in the last 3 years given limited variable costs. Given that its products are often “sticky” – trust accounting is mandatory, there is limited customer churn.

Key risks

- **Wage pressure** – Development of desktop solutions and product extensions is highly dependent on a specialised labour force. Surveys conducted by recruitment firms show that there are labour shortages in the IT sector, putting pressure on labour costs.
- **Project delays** – Console has several key development projects underway. There may be delays in commercialising these new products.

PortPlus

Its main product is Client Manager, which provides customers with a complete CRM solution with functions such as calendar management, property management and document management. PortPlus is completely web-based, effectively allowing all users in the office to log on anywhere, anytime, using normal internet connection. The web based software system is used by over 1000 real estate offices in Australia and New Zealand. PortPlus is firmly established in Victoria and is growing its presence in NSW and Queensland. PortPlus also offers web site development services.

Key positives

- **Market leading CRM solution** – PortPlus is at the forefront when it comes to CRM with c. 10% market share. The solution is recognised as the “next generation” of technology solutions for agents.
- **Up sell to existing customer network** – an advantage of the PortPlus model is that it targets individual agent offices, which then opens the opportunity to up-sell to the rest of the franchise or head office. A recommendation from a leading office that has implemented the software can lead to a mandated deployment throughout the network.
- **Ease of implementation** – once a customer buys the product, the data and setup required can be quickly rolled out to the new users. Investment has been made to ensure this is as automated as possible.

Key risks

- **Delays in project pipeline** – PortPlus has identified a significant number of sales opportunities in the pipeline. There is a risk that this target may not be met.
- **Competition** – There are many website developers who may be able to replicate



PortPlus' website products at a cheaper price. Its CRM solution is unique to the industry but larger players like Siebel CRM, Microsoft Dynamics and salesforce.com may be able to offer a "good enough" solution. We note however that these solutions will not be able to compete with the depth of data that will be embedded in the product post the integration with OTH.

Integration of Console and PortPlus

OTH acquired Console for a consideration of \$42M and PortPlus was acquired for \$15.0M, comprising \$7.5M in cash and \$7.5M in OTH shares. Integral to OTH's strategy is the successful integration of the acquisitions, led by Phil Dickman (Director – Corporate Development). An integration plan has been developed utilising key staff and Board members with business merger experience. Phil has been involved in integrating acquisitions worth over \$100M at GBST Holdings, a back office platform for financial services companies.

A range of cost synergies and cross-selling opportunities have been identified with a plan in place for the next 18 months. Integration risks have been identified and mitigation plans put in place. Areas where synergies are expected to be realised include:

- **Reduced churn** – Once a back office and CRM solution is in place, customers find it very difficult to move off them as they embed their own business processes into the platform.
- **Rich data content** – By combining PortPlus and Console, OTH will have access to data from 4500 offices nationally. This will minimise the necessity to purchase additional data from third party data providers. The OTH development team have mapped out and completed a large suite of data feeds and will be able to add in a feed from the PortPlus data centre.
- **Scope for cost reduction** – There are opportunities for cost reduction especially in labour and occupancy expenses once the businesses are integrated into OTH.
- **Cross selling opportunities** – The forecasts assume success in cross selling products across the two respective client bases.

**Data as an asset****Information and Analytics Services**

The Information and Analytics Services division contains a substantial database of historical and current property information, not just relating to price, but also rental yield, growth in prices, analysis of market movements, statistical consulting and research. This content includes:

- over 12 million property details and addresses;
- over 40 million property images;
- over 8 million property attributes;
- over 7.5 million owner names; and
- over 12 million valuation estimates.

The quality, depth and currency of the current and prospective database is expected to position OTH to service a wide range of industry participants who utilise and generate real estate data content. Potential clients include:

Market participant	Content required	Content generated	Comments
Real Estate Agents	Listings and sales histories (used to generate CMA's) Current market data to monitor market performance Property data to support marketing and appraisals	Estate agents generate significant data on properties that they have listed, sold and/or appraised, such as property attributes and the transactional history of a property	Much data generated in real-time and sits on estate agent software systems (back and front office)
Advertising Publishers	Listings data from real estate agents and developers. This content is fed by agents to publishers portals using agents' software functionality or by agents manually uploading this content to portals	Comprehensive source of listings content (around 95% of properties listed for sale or rent are estimated to be advertised online), including comprehensive information on properties and photographs	Advertising publishers also supply a small amount of property data on their sites as advised by agents (e.g. agent advised sales). However data is not complete or necessarily accurate
Conveyancers	Governmental property and title data With introduction of electronic conveyancing platforms will integrate with sales and titles data services.	Reliable sales and title data at point of transaction	
Valuers	Property data (size, layout, etc) Property transaction history Sales histories (to generate comparative	Current estimated market valuation of individual properties	Valuation data generally proprietary to valuer and client requesting valuation (bank, etc)
Building Inspectors	Property details (layout, size, facilities, etc)	Inspection report	Report data generally proprietary to client requesting inspection
Real Estate Data Providers	Comprehensive data on properties sourced from: Government offices (sales data, titles, etc). Proprietary sources (estate agents, property portals, etc)	Broad range of property reports and data (CMA's, suburb profiles, etc) as well as analytical tools	Government data feeds identical to licensees. Differentiation is in breadth and depth of data from proprietary sources which data providers source individually (e.g. from agents)

Source: Frost & Sullivan

Data sources**Data is obtained from various sources...**

In real estate databases there are three key sources of information:

1. primary sales data which is primarily government based data
2. sales data which comes from real estate agent advice
3. alternate sources, in OTH's case, this primarily comprises consumers adding detail on their homes via the website.

...often with some inconsistencies

There is significant inconsistency in the provision of data by State and Territory Governments. Some State Governments provide low cost, easy access online sales data services to the public (for a fee), whilst other State Governments do not provide residential sales data to the public. They only provide sales data direct to real estate agents and valuers. A summary of the relevant agencies by state and territory and the degree of public access they give to data is summarised below:

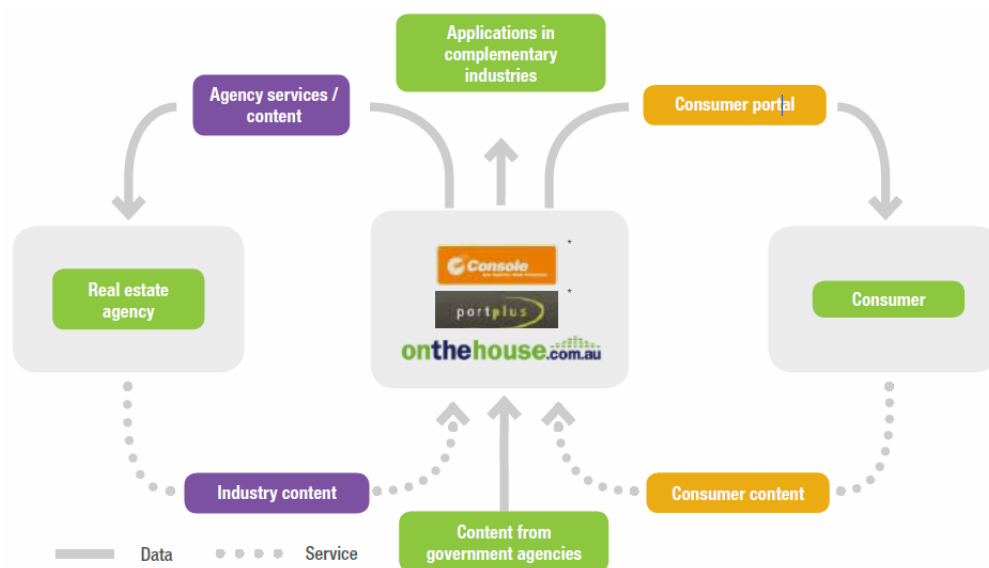
	WA	NT	QLD	NSW	ACT	VIC	TAS	SA
Agency	Landgate	DLP	QVAS	Lands	PLA	DSE	LIST	LSG
Sales data sold direct to public	Yes	Limited	Very limited	No	No	No	Yes	Limited
Sales data sold only to Agents and Valuers	No	Yes	Yes	Yes	Yes	Yes	No	Yes
Access	Online	Online	Online	Online	Offline	Online	Online	Online
Property Sales Report – CMA	\$5.50	No	No	No	No	No	Yes	\$7.25
Individual Property Report	\$54.95	No	No	No	No	No	No	Yes

Source: <http://www.australian-real-estate.net.au/investing/2010/04/03/state-government-sales-data-providers-service-comparison-chart/>

Revenue model

A key report delivered by information services providers is a Comparative Market Assessment (CMA) which is provided by an estate agent to a vendor prior to a listing for sale. The provision of a CMA is a legal requirement in NSW and Queensland, and is regarded as best practice in other states. Information service providers offer a service automating the preparation of a CMA, hence minimising the effort required by the agent. Another product offered is Automated Valuation Methodology (AVM) which is used to value single or a portfolio of residential properties on a real-time basis.

Data in the Information and Analytics Services division will be enriched by data entered by real estate agents (Real Estate Agency Solutions) and listing information from consumers (Consumer Online). The success of the division will lie in the perceived quality of the OTH database versus its competitors and its ability to customise information within the database to the needs of its clients.



Source: Company data

Residex

The acquisition of a minority interest (10.02%) in the Residex business will add significant data depth to the OTH database from one of Australia's oldest real estate data businesses (over 20 years of proprietary real estate information) as well as adding leading AVM valuation technology solutions. OTH intends to use this tool to allow consumers to generate free valuation estimates ("guesstimates") on a property. Residex is a well established Australian data and analytics brand which enjoys industry credibility, and established client relationships with government agencies, finance and mortgage companies, analysts, economists and investors.

Key positives

- **Depth of history.** Residex holds data in Victoria as far back as 1865. In NSW, Residex holds data as far back as 1901 and in other states the data typically extends typically back to the 1980's.
- **Comprehensive data and services.** Residex provides information on all aspects of the real estate market, not just relating to price, but also rental yield,



growth in prices, analysis of market movements, mortgage design, financial transaction structuring, raising and placing of funding facilities, loan risk profiles, statistical consulting, price estimation and research.

Key risk

- **Increase competition.** Existing real estate portals can leverage their relationships with real estate agents to expand into the data services sector. We have also seen the partnerships between REA and RP Data, and between Domain and APM. There may be threats from locally-focussed competitors offering comprehensive information on specific localities.

Competitors

Since Government data is generally available to all licensees in a consistent format data service providers compete largely based on their access to proprietary data, and the way that they aggregate and bundle this in a usable way for their customers.

Each data service provider has access to only a limited range of proprietary data, based on agreements they have with the providers of that data (such as estate agents and property portals). RP Data, for example, has an exclusive license with REA to source listings data from www.realestate.com.au¹.

Company	Ownership	Product(s)	Comments
RP Data	Under acquisition from Core Logic	RP Data for industry professionals myRPData for consumers	Provide data to around 9,700 subscription customers
Australian Property Monitors	Owned by John Fairfax Holdings	Domain Property Data for industry professionals APM Home Price Guide for consumers	
Price Finder	Property Data Solutions	Price Finder Pro for industry professionals Price Finder Solo for consumers	
Residex	Privately-owned	Top 100 Predictions report Property Explorer report Residex report	Provide transaction-based reports

Source: Frost & Sullivan

Data Privacy

As part of its business, OTH collects, stores, uses and discloses personal information about individuals. The duties and obligations in relation to collection, storage, use and disclosure of personal information is regulated by the Privacy Act 1988 (Cth) (Privacy Act). In summary, personal information is able to be used, provided the entity using the personal information has informed individuals as to how the personal data is to be used at the time it is collected or if it obtains subsequent consent. Data which does not contain personal information may be used without consent under the Privacy Act.

In accordance with its obligations under the Privacy Act, OTH has a Privacy Policy. This policy is made available and generally drawn to the attention of individuals when they provide their personal information through the web site.

¹ A 5-year data and content licensing agreement was renewed in June 2009



Consumer Online

OTH's consumer website, www.onthefhouse.com.au, is currently the only provider of free access to comprehensive property information. Its database covers most properties in Australia and includes:

- current for sale and for rent listings;
- historical property sales and rental information;
- individual property details;
- multiple report formats including Property Profile Report, Comparative Market Report, Street Sales Reports and Suburb Sales Reports;
- integrated mapping;
- Real Estate Exchange (REX) and aggregated property value analysis; and
- property news and analytics.

Consumers can view historical sales and rent data...

...and will be able to check the estimates of properties for free

Through www.onthefhouse.com.au, consumers can access property information using search, integrated mapping and reports by street, suburb and property free of charge. Through its investment in Residex, OTH can incorporate AVM into the website for the users to obtain a valuation on properties.

By providing consumers with free and simple access to quality real estate information through the Consumer Online division, OTH intends to:

- drive website traffic;
- collect additional data from consumers; and
- generate buyer and owner appraisal leads for real estate agents.

The distribution of comprehensive real estate content on most properties in Australia by OTH, and indirectly by real estate agents and media partners, establishes traffic generation advantages over traditional real estate portals. OTH expects to realise these advantages through the following strategies:

Significant effort is being taken to improve popularity

- **Search Engine Optimisation:** By displaying detailed property information on a significant number of properties in Australia, OTH displays a large number of website pages that can be indexed by Google and other search engines
- **Publisher Platform:** OTH will continue to partner with localised and national online media companies, real estate agency groups and finance and mortgage broking service providers, who can use the OTH consumer website platform as a "White Label" solution for display of real estate content to the public. The REX (Real Estate Exchange) 'Ticker' service will also be made available on industry websites. These partnerships enhance the search rankings of indexed website pages.
- **Public Relations:** OTH will promote the free dissemination of comprehensive real estate content and property value information to the public.
- **Public Membership:** Free membership based access to real estate content will facilitate continuing dialogue and interaction. OTH currently has a growing database of approximately 60,000 members.

Revenue model

The primary source of earnings from the Consumer Online division is expected to be provided by "Lead Generation" or "Fee per Lead" revenue. The Lead Generation business model has been adopted in offshore real estate markets with examples including Zillow in the USA and Zoopla in the UK. It has also been successfully introduced in Australia by Carsales. Pursuant to this model, real estate agents list properties free of charge at onthefhouse.com.au and are charged a nominal fee per email or phone enquiry ("Buyer Lead") they receive through the website. The total fees payable by any individual real estate agency will be capped to ensure its appeal to the industry.

Buyer lead and owner lead...



...will be charged once onthefhouse.com.au has gained enough traffic

Real estate agents and other property professionals also seek enquiries from property owners using sales and property value information. This is traditionally achieved by providing home owners with an “appraisal”. Enquiries by home owners through onthefhouse.com.au for an appraisal or “Owner Lead” to real estate agents or other property professionals (such as mortgage brokers), will result in an Owner Lead fee. These are typically more valued by real estate agents.

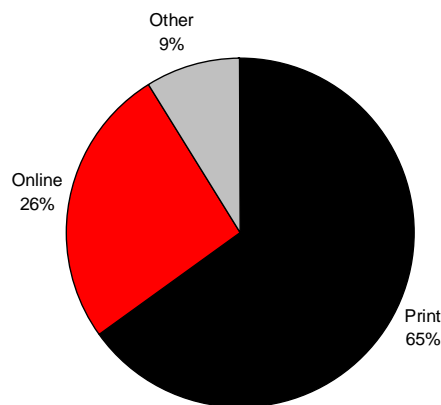
Buyer Lead and Owner Lead fees are not currently charged by OTH. This will occur when appropriate traffic and lead generation thresholds are achieved. Based on overseas precedents, it is anticipated that this will be introduced within 2 years of the ASX listing.

The Consumer Online division will also contribute revenue from banner advertising and sponsorship. Online advertising is a growing industry and success in driving traffic to its website will position OTH as an attractive advertising portal for industry participants including real estate agents, mortgage/finance providers and general service and maintenance providers to the real estate industry.

Real estate advertising markets in Australia

Frost & Sullivan estimates that expenditure on advertising of properties by real estate agents in Australia in 2010 was approximately \$700M. Around 26% of property advertising is estimated to be online classifieds, with print accounting for 65%.

Property Advertising by Type, Australia 2010



Source: Frost & Sullivan

We believe that online advertising would grow as a proportion of total ad spend given its audience reach and visual features. For a vendor, the average cost of a newspaper advertisement is about \$2000 per publication for a 92 x 129mm ad, while a typical online ad including photos and floor plan costs between \$300 and \$400 for 28 days. As such online media is highly attractive to advertisers. This cost-effectiveness enables major advertisers to expand their reach for relatively little incremental spend, and for smaller advertisers to gain market reach at affordable rates. In addition, advertisers in the online space are able to analyse return on investment measures from this spend. Performance indicators for online advertising include: number of times an ad is viewed and number of email enquiries generated.

Real estate agents pay to list properties for sale on the property classified site. Portals typically charge through a subscription package, for a set fee per month. The agent can post a certain number of standard advertisements at any one time in that month. Additional costs may also be charged for extras, such as more photo images, featured placement and email alerts to end users. Typical revenue per month per agent is approximately \$1,300 based on REA’s 1H11 results.



The main real estate portals in Australia are listed below:

Web site	Publisher	Number of Agents	Site statistics (Unique visitors)*	Comments
Realestate.com.au	REA Group	~8,950	1.8 million	REA Group also runs realcommercial.com.au and real estate web sites in Italy, Hong Kong and Luxembourg. Realestate.com.au had revenue of \$108m in FY2010
Domain.com.au	Fairfax Media Group	~6,000	900,000	Part of Fairfax Digital business unit
RealestateView.com.au	JV between state-based real estate institutes and leading estate agent companies	~3,000	200,000	Particularly strong in Victoria
Homehound.com.au	Independent Print Media Group	~4,000	180,000	IPMG is the largest privately-owned printing company in Australia and also owns a number of interactive and media businesses
Myhome.com.au	Formerly owned by PBL, acquired by realestateView.com.au in 2010	~2,000	94,000	
Homesales.com.au	Carsales Group	N/A	36,000	A FSBO (For Sale by Owner site) but agents can also list properties

Source: Frost & Sullivan. * Note: traffic statistics from Google AdPlanner in January 2011

Can OTH replicate the success of offshore portals in Australia?

REA and Domain are the two main real estate portals in Australia, with REA boasting 95% market share of listings. In 2009, search engine powerhouse Google tried to enter the real estate listings market by adding properties for sale and rent to Google Maps, where users were able to see the homes plotted on the maps. In January 2011, it exited the offering due to less than expected uptake.

While OTH's business model is different to that of Google, the key learning point is that it is very challenging to run down the incumbents, given their size, brand equity and relationships with the agents. However, looking at the success stories of Zoopla, Trulia and Zillow, we believe there is room for a new generation real estate web portal like OTH. These are not perfect offshore comparables given that OTH is a hybrid of these three portals. However here are some lessons learnt:

- **The new generation portals can co-exist with the top players.** In the UK, Rightmove continues to dominate the market, with relationships with over 90% of all UK agents. Revenue has not missed a beat even after Zoopla came into prominence. In the US, Realtor remains the top web portal despite Trulia and Zillow. It would be challenging to expect agents to terminate their relationships with the incumbents. Before switching off, agents have to be sure of two things: (1) that they are not going to lose any leads by not being on the main portal, and (2) that their competitors are not going to gain more leads.
- **Offer value-added services to the consumers – for free.** Zoopla is the first website in the UK to offer the pay per lead revenue model, free sold property prices and estimates, and instant Automated Valuation Methodology. Zillow has similar features to Zoopla, while Trulia is famous for its agent Q&A service and detailed information at the local community level. All these strategies drive traffic.
- **Free and unrestrictive listings.** Most websites in the UK charge either monthly subscription fees or listing fees for agents to list properties. Listing is free on Zoopla and agents only get charged based on leads, similar to Zillow. Trulia relies solely on third party advertising revenue. As such Trulia and Zillow have greater listing content compared to portals that rely on feeds from Multiple Listing Service (MLS) in the US.

Please refer to Appendix for the case studies.

Financial Overview

Income statement

A summary of OTH's proforma income statement in FY10 and FY11 and our forecasts are presented in the table below.

PROFIT AND LOSS	2010	2011	2012	2013	2014
	30-Jun-10	30-Jun-11	30-Jun-12	30-Jun-13	30-Jun-14
Revenue					
Software & Data	14.60	16.68	20.61	22.99	25.66
Online advertising	0.05	0.03	0.24	1.50	3.00
Total sales revenue	14.66	16.71	20.85	24.49	28.66
Total Revenue	14.66	16.71	20.85	24.49	28.66
<i>Sales growth</i>		14.0%	24.8%	17.5%	17.0%
Licence fees and sales based incentives	0.80	1.40	1.89	2.21	3.15
<i>% to Sales</i>	5.5%	8.4%	9.0%	9.0%	11.0%
Communications	0.88	0.92	0.84	0.88	0.93
<i>% to Sales</i>	6.0%	5.5%	4.0%	3.6%	3.2%
Employee Benefit expense	5.93	6.96	7.29	8.02	8.82
<i>% to Sales</i>	40.5%	41.7%	35.0%	32.7%	30.8%
Occupancy	1.33	1.42	1.16	1.22	1.28
<i>% to Sales</i>	9.1%	8.5%	5.6%	5.0%	4.5%
Professional fees and insurance	0.23	0.46	0.58	0.61	0.64
<i>% to Sales</i>	1.5%	2.7%	2.8%	2.5%	2.2%
Other expenses	1.25	1.13	1.09	1.28	1.50
<i>% to Sales</i>	8.5%	6.8%	5.2%	5.2%	5.2%
EBITDA	4.24	4.42	8.00	10.26	12.34
<i>EBITDA Margin</i>	29.0%	26.4%	38.4%	41.9%	43.0%
<i>EBITDA Growth</i>		4.1%	81.1%	28.3%	20.2%
Depreciation			0.50	0.58	0.68
Amortisation - other intangibles (back out)			2.99	2.99	2.99
Amortisation relating to R & D			1.27	1.43	1.62
EBIT			3.25	5.26	7.05
<i>EBIT Margin</i>			15.6%	21.5%	24.6%
<i>EBIT Growth</i>			-21.2%	62.0%	33.9%
Interest received			0.08	0.54	0.90
Interest paid			0.39	0.46	0.46
Net Interest (income)/Expense			0.3190	(0.08)	(0.44)
EBT			2.93	5.34	7.49
Tax			0.98	1.66	2.32
NPAT Reported			1.95	3.69	5.17
<i>NPAT Margin</i>			9.4%	15.1%	18.0%
<i>NPAT Growth</i>			-30.6%	88.8%	40.2%
NORMALISATION OF EARNINGS					
NPAT			1.95	3.69	5.17
Add back acquired Intangibles			2.09	2.09	2.09
Cash adjust capitalised R & D spend			(0.55)	(0.55)	(0.66)
Add back acquired R & D			0.89	1.00	1.13
Abnormal Items Net of Tax			2.42	2.54	2.56
Normalised NPAT			4.38	6.22	7.73

Source: Company data, WHTM

Revenue

SOFTWARE & DATA DATE	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Sales Revenue	14.60	16.68	20.61	22.99	25.66
Sales revenue growth (pcp)	13.6%	14.2%	23.6%	11.6%	11.6%
Average monthly number of subscribers	3,800	4,034	4,346	4,563	4,791
% growth	6.2%	6.2%	7.7%	5.0%	5.0%
Average monthly spend per subscriber	279	306	358	383	409
% growth	5.4%	9.5%	17.0%	7.0%	7.0%
Subscription revenues	12.73	14.79	18.65	20.95	23.54
% growth	12.0%	16.2%	26.1%	12.4%	12.4%
Implied agent office market share	40.0%	42.5%	45.7%	48.0%	50.4%
Implied market share	8.5%	9.9%	12.4%	14.0%	15.7%
Transaction revenue	1.87	1.89	1.96	2.04	2.12
% growth	26.0%	0.7%	3.9%	4.0%	4.0%

Source: Company data, WHTM

Revenue growth for the software and data business is forecast to be 23.6% in FY12 and then 11.6% in FY13 and FY14, based on the following key assumptions:

- **Up-sell to existing clients** – PortPlus has existing clients who currently do not have its mobile agent and client manager offerings.
- **New clients** – PortPlus has recently re-launched its CRM product. In addition Console will launch its mobile application and new products. This coupled with the integration of data into both solutions is expected to drive new client acquisition.
- **Cross-sell** – Cross-sell opportunities of PortPlus into existing Console users and vice versa. PortPlus' client base is predominantly Victorian based whilst Console is predominantly Queensland based. Currently only 5% of current Console customers use PortPlus.
- **Average monthly spend** – Forecast to increase by 17.0% in FY12 and 7.0% afterwards. The FY11 average spend is forecast to be \$306. The cross-sell opportunity, instead of driving subscriber numbers will increase the average monthly spend as that client will be taking two services rather than one. Total spend on average per client on these products today is around \$700 per month.
- **Price** – With the launch of the mobile and data related services into the products, a price increase is assumed.

Transactional revenue reflects anticipated development revenues in the PortPlus business, and additional volumes in SMS, training and other related services. This is assumed to grow at around 4% in FY12 onwards.

Key risks to forecast delivery

- The price increase, despite the new capability delivery, will not stick and client churn is greater than expected.
- Stickiness of clients can be both a barrier to entry and a limiter to growth. Success in part relies upon OTH's ability to gain market share in a market, especially for back office product, that is generally stable.

ONLINE ADVERTISING DATE	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Sales Revenue	0.05	0.03	0.24	1.50	3.00
Sales revenue growth (pp)		-99.8%	633.3%	520.0%	100.0%
Sales revenue growth (pcp)	-21.2%	-36.5%	633.3%	520.0%	100.0%

Source: Company data, WHTM

Revenue growth in FY12 and FY13 for the online business, whilst large in percentage terms, is more an issue of the small historical base in FY11. Management focus in the recent past has been on delivering the acquisition strategy rather than selling online advertising. This forecast is predicated on increased traffic to the site driven by the first phases of the consumer portal plan.

Operating costs

PROFIT AND LOSS	2010 30-Jun-10	2011 30-Jun-11	2012 30-Jun-12	2013 30-Jun-13	2014 30-Jun-14
Licence fees and sales based incentives	0.80	1.40	1.89	2.21	3.15
% to Sales	5.5%	8.4%	9.0%	9.0%	11.0%
Communications	0.88	0.92	0.84	0.88	0.93
% to Sales	6.0%	5.5%	4.0%	3.6%	3.2%
Employee Benefit expense	5.93	6.96	7.29	8.02	8.82
% to Sales	40.5%	41.7%	35.0%	32.7%	30.8%
Occupancy	1.33	1.42	1.16	1.22	1.28
% to Sales	9.1%	8.5%	5.6%	5.0%	4.5%
Professional fees and insurance	0.23	0.46	0.58	0.61	0.64
% to Sales	1.5%	2.7%	2.8%	2.5%	2.2%
Other expenses	1.25	1.13	1.09	1.28	1.50
% to Sales	8.5%	6.8%	5.2%	5.2%	5.2%
EBITDA	4.24	4.42	8.00	10.26	12.34
EBITDA Margin	29.0%	26.4%	38.4%	41.9%	43.0%
EBITDA Growth		4.1%	81.1%	28.3%	20.2%

Source: Company data, WHTM

Operating costs are forecast to increase at lower rates than sales growth given the fixed cost leverage in the business.

- **Licence fees and sales based incentives** – in the early stages we expect this line to move with revenue. However we have increased this percentage in the later years as we expect that incentives will need to be paid to agencies who sell online advertising.
- **Communications** – is expected to fall driven by the consolidation of the four businesses and the respective savings for hosting and telephony costs. Beyond FY12 we believe this cost is more likely to grow by circa 5% pa rather than with the revenue line.
- **Employee benefits expense** – is expected to grow driven by the addition of OTH management, Board and additional business development managers for the software business. Post FY12 there will be some leverage in this line to sales; we have assumed 10% growth per annum, i.e. well below potential revenue growth.
- **Occupancy costs** – are expected to fall driven by the consolidation of offices post acquisition. Post FY12 this line should grow in line with CPI.
- **Professional fees and insurance and others** – is expected to grow due to audit and legal fees, and other corporate governance expenses.



EBITDA margins and growth

The EBITDA margin expected in FY12 is 38.4%, up from 26.4% in the proforma FY11 year. It is important to note that this predominantly represents the software & data business as online revenues are minimal.

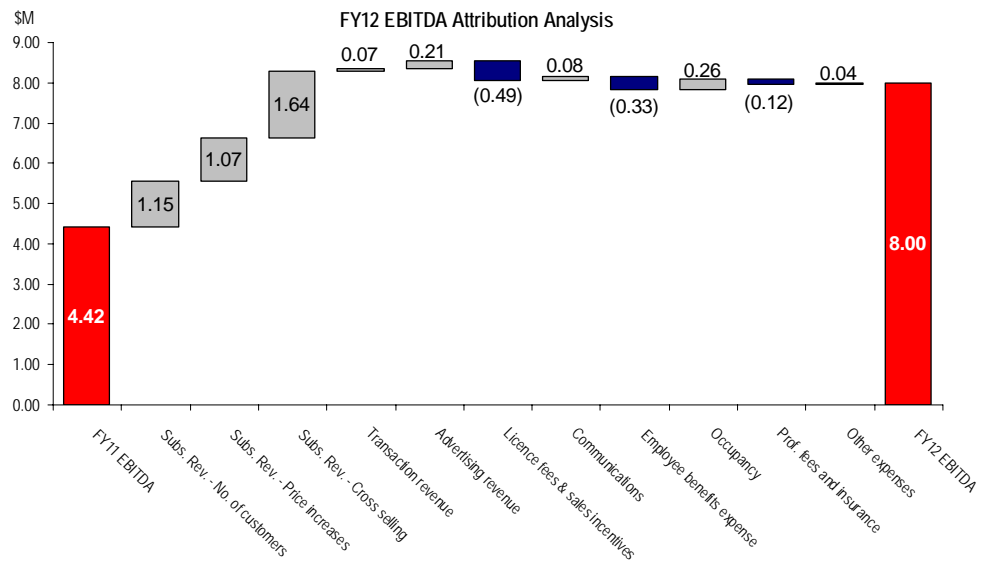
OTH's margins compare with its peer group as follows:

EBITDA Margin	Year End	FY07	FY08	FY09	FY10	1H11
Internet						
Carsales - Advertising	Jun	na	39.7%	46.6%	55.4%	56.6%
Realestate.com.au	Jun	22.1%	35.8%	37.9%	40.0%	40.7%
Seek - Employment	Jun	51.1%	50.8%	53.2%	54.0%	58.8%
Wotif.com	Jun	59.8%	56.7%	56.1%	58.2%	55.4%
Data and Software						
Carsales - Data & Research	Jun	na	37.4%	39.0%	40.6%	46.4%
RP Data	Jun	51.7%	44.6%	31.2%	36.3%	34.9%
IRESS	Dec	41.9%	43.0%	43.0%	44.4%	na
Technology One	Sep	26.1%	22.4%	19.2%	19.2%	na
Reckon	Dec	29.8%	31.4%	30.6%	33.3%	na

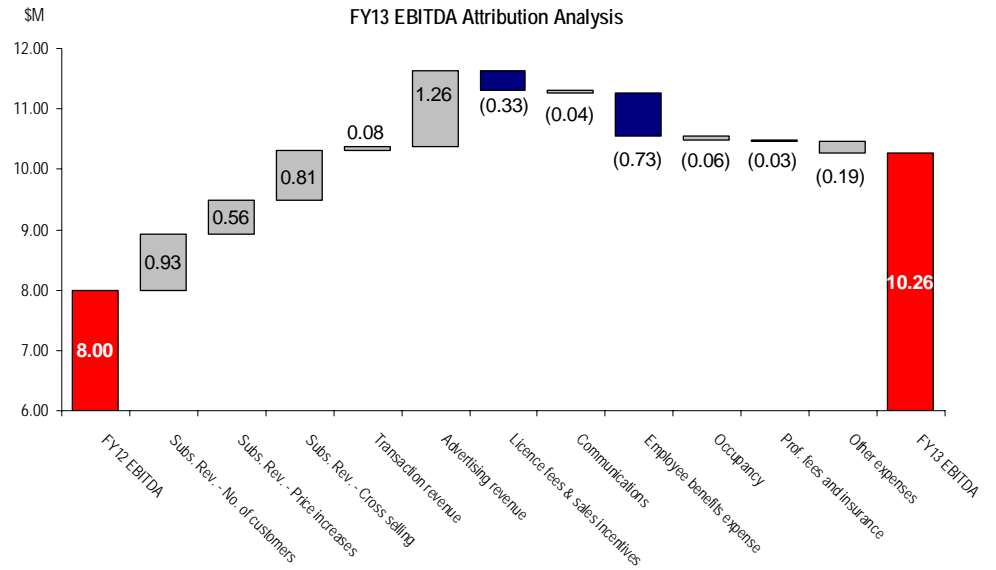
Source: Bloomberg, Company data

Post FY12 we believe there is significant upside to EBITDA margins (>40%) driven by the fixed cost nature of this business.

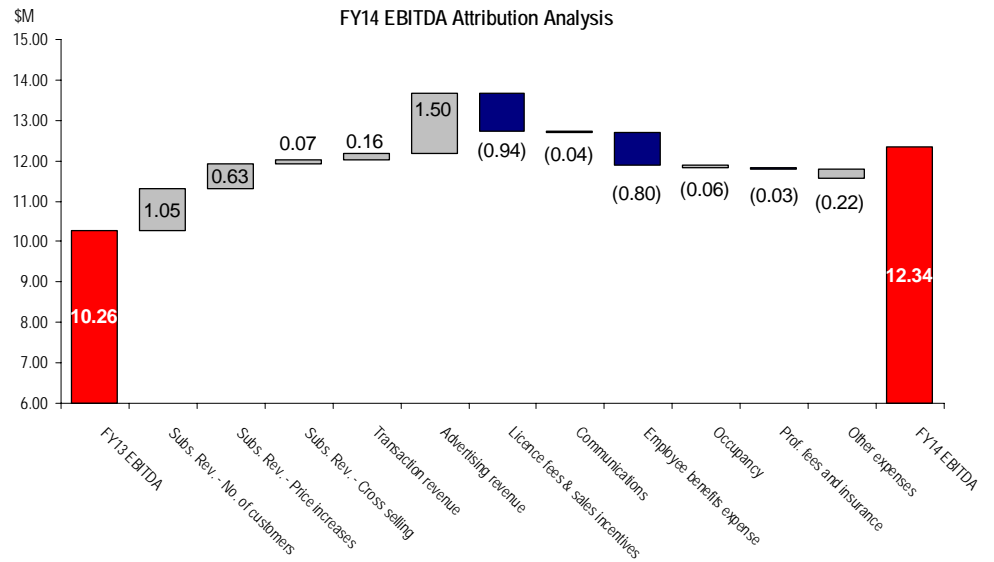
Forecast EBITDA waterfall charts



Source: Company Data, WHTM



Source: Company Data, WHTM



Source: WHTM

Cashflows

OTH is a highly cash generative business with limited capital requirements. Unlike its competitors its data essentially comes “free” driven by consumers and users of the software products, with EBITDA approximating free cash flow.

Working capital movement	2010	2011	2012	2013	2014
Days Receivables	44.6	44.6	37.8	37.8	37.8
Days Trade Creditors	36.1	36.1	35.0	35.0	35.0
Working Capital Required	0.3	0.4	0.2	0.2	0.2
Working Capital as a % of sales	2.3%	2.3%	0.8%	0.8%	0.8%

Source: Company data, WHTM

Cashflow statement

CASH FLOW	2010	2011	2012	2013	2014
	30-Jun-10	30-Jun-11	30-Jun-12	30-Jun-13	30-Jun-14
Cash flow from operations					
EBIT	4.24	(1.60)	3.25	5.26	7.05
Interest Charge (Incl Cap leases)	-	(0.05)	(0.32)	(0.46)	(0.46)
Interest on cash balance	-	-	-	0.54	0.90
Total int rec'd /(paid)	-	(0.05)	(0.32)	0.08	0.44
Depreciation & Amort	-	-	4.75	5.00	5.29
Share based payments	-	0.02	0.07	-	-
Other (incl share based payts exp)	-	-	-	-	-
	4.24	(1.62)	7.76	10.34	12.78
(Increase)/Decrease in Working Capital	0.03	(0.09)	0.23	(0.03)	(0.03)
(Increase)/Decrease in provisions	-	-	-	0.37	0.20
(Increase)/Decrease in other assets/liabs	-	-	-	0.67	0.36
Tax Paid	-	0.18	(0.60)	(0.98)	(1.66)
Research and Development	-	-	-	-	-
Operating Cash Flow	4.28	(1.53)	7.38	10.38	11.65
Capital Expenditure - Maintenance	(2.35)	(0.24)	(0.21)	(0.23)	(0.25)
NET GENERATED CASH FLOW	1.93	(1.78)	7.18	10.15	11.40
Dividends Paid	-	-	-	(0.49)	(0.90)
RETAINED CASH FLOW	1.93	(1.78)	7.18	9.66	10.50
Disposals	-	-	-	-	-
Capital Expenditure - R & D spend	-	-	(0.79)	(0.95)	(1.14)
Acquisitions	-	(0.89)	-	-	-
Other investing cash flows	-	(0.07)	-	-	-
Net Cash Flow For Investing	-	(0.96)	(0.79)	(0.95)	(1.14)
Equity issued /(bought back)	-	1.93	-	-	-
Net debt (repaid)/borrowed	-	(0.04)	(1.90)	-	-
Other financing cash flows	-	-	(0.06)	-	-
Financing Cash Flows	-	1.88	(1.96)	-	-
NET MOVT IN CASH	1.93	(0.85)	4.43	8.71	9.36
CASH POSITION					
Opening balance	4.64	0.01	4.13	8.56	17.27
Cash in acquisition	-	-	-	-	-
Foreign exchange	-	-	-	-	-
Increase in cash	1.93	4.12	4.43	8.71	9.36
Closing balance	6.57	4.13	8.56	17.27	26.63

Source: Company data, WHTM

Balance sheet

BALANCE SHEET	2010	2011	2012	2013	2014
	31-Dec-10	30-Jun-11	30-Jun-12	30-Jun-13	30-Jun-14
Current Assets					
Cash	6.03	4.13	8.56	17.27	26.63
Receivables	1.79	2.04	2.16	2.54	2.97
Other current assets	0.02	0.03	0.03	0.04	0.04
Total Current Assets	7.85	6.20	10.74	19.85	29.65
Non Current Assets					
Investments	0.35	0.35	0.35	0.35	0.35
PPE	0.91	1.12	0.83	0.48	0.05
Goodwill	39.42	39.42	39.42	39.42	39.42
Net Other Intangibles (back out)	16.72	16.46	13.47	10.48	7.49
Net R & D	6.44	6.44	5.96	5.48	5.00
Total Non-Current Assets	63.84	63.79	60.04	56.22	52.32
Total Assets	71.69	69.99	70.78	76.06	81.97
Current Liabilities					
Trade creditors	1.45	1.65	2.00	2.35	2.75
Borrowings	1.96	1.96	0.06	0.06	0.06
Provisions	0.70	0.80	0.80	1.17	1.37
Tax liabilities	0.01	0.01	0.01	0.01	0.01
Other current liabilities	1.29	1.47	1.47	2.15	2.52
Total Current Liabilities	5.41	5.89	4.34	5.75	6.71
Other Liabilities					
Borrowings	3.50	5.00	5.00	5.00	5.00
Deferred Tax Liabilities	2.26	3.71	4.08	4.76	5.43
Other non-current liabilities	0.22	0.22	0.22	0.22	0.22
Total Non-Current Liabilities	5.97	8.92	9.30	9.98	10.65
Total liabilities	11.38	14.81	13.64	15.73	17.36
Net Assets	60.31	55.17	57.14	60.34	64.61
Shareholders' Equity					
Equity	63.88	63.88	63.88	63.88	63.88
Retained earnings	(3.72)	(8.85)	(6.90)	(3.70)	0.57
FX, Share payments etc reserves	0.14	0.14	0.16	0.16	0.16
Total shareholders' equity	60.31	55.17	57.14	60.34	64.61
Checksum	-	-	-	-	-

Source: Company data, WHTM

Intangibles

In \$M	Statutory as at 31 Dec 2010	Acquisition of Console	Acquisition of PortPlus	Pro Forma as at 31 Dec 2010	FY2012 Forecast Amortisation
Computer Software	0.11	4.37	1.96	6.44	1.27
Customer Contracts & Relationships	0.00	11.67	1.63	13.30	2.53
Property Database	0.15	2.00	0.50	2.65	0.25
Other	0.00	0.44	0.34	0.77	0.21
Goodwill	0.00	27.66	11.29	38.95	0.00
Total	0.26	46.13	15.72	62.11	4.26

Source: Company data



ASX Listing

OTH was listed on the ASX on 3 June 2011, with the total number of shares offered being 55 million shares at \$1.00 per share, raising a total amount of \$55M. The shares issued under the IPO represented 67.5% of the issued capital, with the remaining balance owned by existing OTH shareholders (23.3%) and PortPlus shareholders (9.2%).

	No. of Shares	Issued capital
OTH Shareholders	19,000,000	23.3%
PortPlus Shareholders	7,500,000	9.2%
New Shareholders pursuant to the IPO	55,000,000	67.5%
Total Shares on issue following the IPO	81,500,000	100.0%

Source: Company data

Proceeds from the IPO were used to fund the acquisitions of Console and PortPlus, and are for working and development capital requirements.

Use of proceeds	\$M
Console Acquisition and PortPlus Acquisition	49.8
Payment of the Offer expenses	4.8
Other	0.4
IPO proceeds	55.0
Debt funding	5.0
Total funding	60.0

Source: Company data

Organisation Structure



Source: Company data

Board of Directors

Jim McKerlie, Chairman

Jim has over 25 years experience as a business consultant across North America, Europe, Asia and Africa.

Previously, Jim was managing partner at KPMG and partner-in-charge at Deloitte. His media and telecommunications transactions experience includes acting as lead consultant on the demand study undertaken by the Broadband Services Expert Group, lead advisor in the creation of PowerTel (now part of AAPT) and managing the process for the issuance of Vodafone's Australian mobile licence.

Presently, Jim is the Group CEO of Bullseye Group, an international digital services company, and is also Chairman of Drillsearch Energy Limited, an ASX-listed



company.

Jim has postgraduate degrees in Economics and Finance, and is a Fellow of the Australian Institute of Company Directors, Institute of Chartered Accountants, Institute of Management Consultants and Australian Institute of Management.

Michael Fredericks, Managing Director and CEO

Michael is the founder of onthehouse and the driving force behind its vision and strategy.

Michael has over 11 years experience as an intellectual property and technology lawyer. Previously, Michael was a partner of national law firm HWL Ebsworth Lawyers, specialising in intellectual property and technology (including web based business concepts).

Michael has a Bachelor of Laws and is admitted as a Solicitor to the Supreme Court of Queensland.

Gail Pemberton, Non-executive Director

Gail has over 30 years experience in the financial services industry, at the Chief Executive Officer, Chief Operating Officer and Chief Information Officer level, and has developed risk management and strategic skills with particular experience in data management, information technology, business process rationalisation and outsourcing.

Gail was the former Chief Operating Officer of BNP Paribas Securities Services in the UK and prior to transferring to London, Gail was Managing Director of Australia and New Zealand for BNP Paribas Securities Services. Before joining BNP, Gail was an Executive Director at Macquarie Bank where she was Chief Information Officer for 12 years and then Chief Operating Officer for the Financial Services Group.

Gail was named Chief Information Officer of the Year (1999) and Chief Information Officer of the Decade (2000) by Australian Banking and Finance magazine and was awarded the Centenary Medal (2001) for outstanding services to Australian business.

Gail is currently a director of Trans Tasman Collection Holdings (Baycorp), SIRCA, Chair of Onevue and independent adviser to the NSW Government on Corporate and Shared Services Reform and to Third Horizon Consulting Partners. She has previously been a Trustee of the Sydney Opera House, a director of Harvey World Travel and Alleron Funds Management.

Gail has undertaken post graduate study overseas at Harvard and IMD, a Master of Arts from UTS and is a Fellow of the Australian Institute of Company Directors.

Gail will chair the Technical Committee.

Warwick Face, Non-executive Director

Warwick is currently the Partner in charge of the Transaction Advisory Services Practice of Johnston Rorke. Warwick has a broad range of professional and commercial experience, for 2 years being the CFO of Brisbane based property information, and software services business RP Data Ltd. During his time at RP Data he lead the company's IPO process, oversaw the completion of 6 acquisitions and integrations, and also managed strong organic growth. Warwick was previously a Partner of Deloitte, and prior to that a Principal at Ernst & Young working both in Australia and the USA.

Warwick is a member of the Institute of Chartered Accountants in Australia and is also a board member of Arthritis Queensland. He will chair the audit sub-committee.



Senior Management

Eddie Lynch, Director – Products and Services

Currently CEO of PortPlus and on the completion of the acquisition by OTH will be Director – Products and Services. Eddie has over 20 years experience within the real estate sector, including with AJ Bruton, Ferntree Gully, Bell Real Estate and as a franchisee of Stockdale and Leggo, Tecoma.

He was also a co-founder of a telecommunications company with over 400 employees before exiting the business and returning to real estate where, with the emergence of the Internet and World Wide Web, Eddie established PortPlus, an online software company specialising in the real estate sector.

Eddie is a frequent speaker at real estate industry conferences and large agency groups meetings on the use of technology in real estate office management, sales management, property management and the use of mobile platforms to enhance business efficiency and effectiveness.

Eddie will oversee sales and product development functions of the Real Estate Agency Solutions division.

Craig Thwaites, Director – Operations

Currently CEO of Console and on the completion of the acquisition by OTH will be Director – Operations. Craig is a Chartered Accountant and has over 16 years executive experience in industrial, advertising and infrastructure businesses.

Craig has been the CEO of Console since June 2008. Prior to Console, Craig was COO of RoamFree Ltd with exposure to implementing online and digital marketing strategies.

Craig will be responsible for the daily operations of the customer service, technology and infrastructure aspects of the business as well as developing the online and consumer portal growth areas.

Craig Dawson, Chief Financial Officer

Craig is a Chartered Accountant and brings to the company more than 16 years extensive financial management experience gained in a variety of ASX listed entities with both local and international operations.

Most recently Craig was the Chief Financial Officer of leading online travel company Wotif.com, where he led finance teams in Brisbane, Sydney, Thailand and Malaysia in managing the significant growth for the group. Previously he was the Queensland General Manager – Corporate Services at Tattersalls Limited, responsible for the finance and administration divisions of Tattersalls Queensland operations.

Craig will be responsible for all Finance, Administration, HR and Company Secretarial functions

Phil Dickman, Director – Corporate Development

Phil has over 10 years information technology, product development and commercial management experience.

Previously, Phil was the Product Development Executive for GBST Holdings Pty Ltd, a leading Australian back office platform for the financial services market. His role included working across corporate and commercial operations, including mergers and acquisitions, business and product development, integration, in addition to financial services and information technology management. While at GBST Holdings, Phil was involved in acquisitions worth over \$100 million. Prior to GBST Holdings, Phil also spent a number of years working at Suncorp managing consumer and margin lending within the Retail Bank.

Phil will be responsible for strategic planning, corporate development of major new initiatives, mergers and acquisitions and integration execution for Onthehouse.



Appendix

Case study from the UK – Zoople co-existing with the incumbent and product differentiation

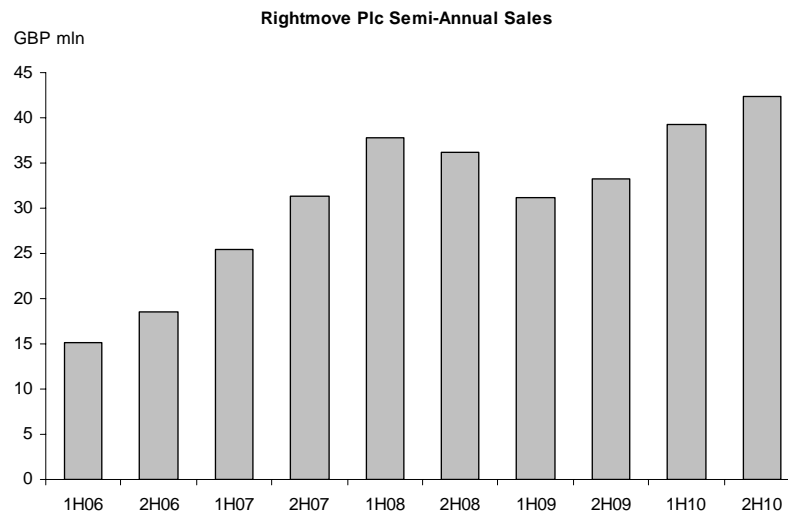
The UK market is dominated by Rightmove with over 9500 real estate offices, 15,000 agents, and over 1.1 million properties displayed. The other portals are Findaproerty, Primelocation and Zoopla, which is the youngest among the “Big 4”. From a humble beginning, Zoopla now boasts almost 3 million unique users in February 2011 – second only to Rightmove. When Zoopla acquired Propertyfinder in 2009, the combined group was still behind Findaproerty. In February 2011, it posted a 117% growth rate, quickly overtaking the number two player.

Rank	Website	Unique visitors (000's)			YoY %	Abs Chg (000's)
		Dec-09	Feb-10	Feb-11		
1	rightmove.co.uk	2,622	3,710	5,899	59%	2,189
2	zoopla.co.uk*	992	1,340	2,908	117%	1,568
3	findaproerty.com	1,327	1,952	2,830	45%	878
4	primelocation.com	869	1,259	1,675	33%	416

*Note: propertyfinder.co.uk was rolled into zoopla.co.uk post the acquisition

Source: comScore, WHTM

The acquisition of Propertyfinder certainly helped Zoopla pip Findaproerty, however we believe the main reason for Zoopla's success is that it is the only portal in the Big 4 that offer the pay per lead model to real estate agents, free sold property prices and estimates, and an instant Automated Valuation Methodology (AVM). The table above also shows that it can co-exist with Rightmove without necessarily having to overtake it. Rightmove added the highest number of unique visitors over the year. Revenue at Rightmove has not missed a beat post the GFC.



Source: Company Data

Case study from the US – Standing out from the MLS crowd

In the US market, the Multi Listing Services (MLS) is a database of properties in a regional market, set up by a group of cooperating real estate brokers. Agents utilise an MLS in order to gain access to a comprehensive data set. The MLS concept has been in the market for many years. The largest MLS is the National Association of Realtors (NAR), which also runs the Realtor.com website.

Interestingly MLS rules prohibit consumer reviews and content on their websites. Whilst Zillow and Trulia obtain their listing data from the MLS, they also allow free listings by agents and private sellers and offer other value-adding services. Zillow provides AVM, ‘Make Me Move’ and mortgage broking, while users can post blogs and Q&As about various aspects of the local neighbourhood on Trulia. As non-

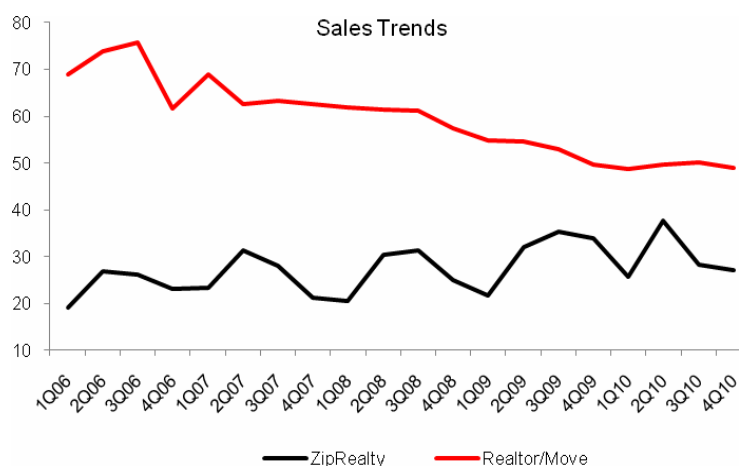
members, Zillow and Trulia are not bound by MLS rules prohibiting consumer reviews on their websites. Redfin had to shut down its property review section after it was fined by Northwest MLS.

Established in 2006, Zillow is fast catching up with the incumbents, reporting 19.4 million unique browsers in March 2011, up 90% compared to the previous year, with virtually no advertising spend. The analysis by Experian Hitwise shows that the next generation websites (Zillow and Trulia) have enviable positions at #3 and #4. We also note that Zillow has entered into a publisher platform agreement with Yahoo! Real Estate to feed listings into the portal.

Rank	Website	Mkt Share
1	Realtor.com	6.50%
2	Yahoo! Real Estate	6.10%
3	Zillow	5.52%
4	Trulia.com	4.75%
5	AOL Real Estate	2.91%
9	ZipRealty	1.53%

Source: Hitwise Monthly Real Estate Report - April 2011

In contrast, Realtor's revenue has been declining and ZipRealty's revenue has been stagnant since 2006.



Source: Bloomberg. Figures in US\$M

The pre-IPO document filed by Zillow shows that it had experienced substantial revenue growth in 2009 and 2010.

December y/e. In US\$M	2008	2009	2010
Revenues	\$ 10.6	\$ 17.5	\$ 30.5
Growth		65%	74%
Costs and expenses:			
Cost of revenues	4.2	4.0	5.0
Sales and marketing	7.5	9.7	15.0
Technology and development	15.0	11.3	10.7
General and administrative	5.8	5.5	6.7
Cost items as % of Revenues			
Cost of revenues	40%	23%	16%
Sales and marketing	71%	55%	49%
Technology and development	142%	64%	35%
General and administrative	54%	31%	22%

Source: Zillow S-1 document

Onthehouse Holdings (OTH : \$0.85)

INVESTMENT FUNDAMENTALS

Yr Ending June	2012E	2013E
EPS Reported (c)	2.4	4.5
EPS Normalised (c)	5.4	7.6
EPS Growth (%)	42.2%	41.8%
PER Normalised (x)	15.9	11.2
DPS (c)	0.6	1.1
Payout (%)	25.1%	24.4%
Yield (%)	0.7%	1.3%
Franking (%)	100%	100%

VALUATION DATA

Yr Ending June	2012E	2013E
EV / EBITA (x)	8.8	5.9
EV / EBITDA (x)	8.3	5.6
CFPS (c)	9.0	12.7
Price / CF	9.4	6.7
Book Value / Share (\$)	0.7	0.7
Price / Book (x)	1.2	1.1

PROFIT & LOSS (\$m)

Yr Ending June	2011E	2012E	2013E
Sales Revenue	16.7	20.9	24.5
EBITDA	4.4	8.0	10.3
Depreciation	0.0	0.5	0.6
EBITA	4.4	7.5	9.7
Amortisation		4.3	4.4
EBIT		3.2	5.3
Net Interest Expense		0.3	-0.1
Pre-tax Profit		2.9	5.3
Tax		1.0	1.7
Tax rate (%)		33.3%	31.0%
Minorities / pref divs		0.0	0.0
Equity accounted NPAT		0.0	0.0
Net Profit		2.0	3.7
Abn's / Extraord's		0.0	0.0
Reported Net Profit		2.0	3.7
Revenue Growth (%)		24.8%	17.5%
EBIT Growth (%)			62.0%
NPAT Growth (%)			88.9%

PROFITABILITY RATIOS

Yr Ending June	2012E	2013E
EBIT / Sales (%)	15.6%	21.5%
ROA (%)	5.1%	8.7%
ROE (%)	3.5%	6.3%
ROFE (%)	13.4%	19.0%

INTERIMS (\$m)

Half Yr	Jun 11	Dec 11
Yr Ending June	2H E	1H E
Sales Revenue	8.6	10.1
EBIT	4.1	1.2
Net Profit	2.8	0.7
EBIT / Sales (%)	48.0%	11.6%

BALANCE SHEET (\$m)

Yr Ending June	2011E	2012E	2013E
Cash	4.1	8.6	17.3
Receivables	2.0	2.2	2.5
Inventories	0.0	0.0	0.0
Other	0.0	0.0	0.0
Current Assets	6.2	10.7	19.9
Net PPE	1.1	0.8	0.5
Investments	0.4	0.4	0.4
Intangibles	39.4	39.4	39.4
Other	22.9	19.4	16.0
Non-current Assets	63.8	60.0	56.2
Total Assets	70.0	70.8	76.1
Current Payables	1.7	2.0	2.3
Current Debt	2.0	0.1	0.1
Non-Current Debt	5.0	5.0	5.0
Provisions	0.8	0.8	1.2
Other	5.4	5.8	7.1
Total Liabilities	14.8	13.6	15.7
Equity	63.9	63.9	63.9
Reserves	0.1	0.2	0.2
Retained Profits	-8.9	-6.9	-3.7
Minorities	0.0	0.0	0.0
Total Equity	55.2	57.1	60.3
Total Funds Employed	58.0	53.6	48.1

LIQUIDITY & LEVERAGE RATIOS

Yr Ending June	2011E	2012E	2013E
Net Debt (Cash) (\$m)	2.8	-3.5	-12.2
Net Debt / Equity (%)	5.1%	-6.1%	-20.2%
Interest Cover (x)	89.6	10.1	-64.2
Debt / CashFlow (x)	-4.5	0.7	0.5

CASHFLOW (\$m)

Yr Ending June	2011E	2012E	2013E
EBIT	4.1	3.2	5.3
Dep'n and Amort'n	0.3	4.8	5.0
Net Int Rec'd (Paid)	0.0	-0.3	0.1
Tax Paid	0.2	-0.6	-1.0
Dec / (Inc) W'kg Cap	-0.1	0.2	0.0
Other	-6.0	0.1	0.7
Operating Cash Flow	-1.5	7.4	10.4
Capital Expenditure	-0.2	-1.0	-1.2
Asset Sales	0.0	0.0	0.0
Investments	-0.9	0.0	0.0
Other Inv. Flows	-0.1	0.0	0.0
Investing Cash Flow	-1.2	-1.0	-1.2
Equity Raised	1.9	0.0	0.0
Inc / (Dec) in Loans	0.0	-1.9	0.0
Dividends Paid	0.0	0.0	-0.5
Other Fin. Flows	0.0	-0.1	0.0
Financing Cash Flow	1.9	-2.0	-0.5
Net Cash Flow	-0.9	4.4	8.7



Recommendation Structure

BUY: Total return +10% or more over a 12 month period

HOLD: Total return expected to be between +10% to -10% over a 12-month period

SELL: Total return expected to be -10% or more over a 12 month period

TOTAL RETURN OR TSR = capital growth in share price + expected dividend yield in that period

Other definitions

CS Coverage Suspended. Wilson HTM Ltd has suspended coverage of this company.

NR Not Rated. The recommendation has been suspended temporarily. Such suspension is in line with Wilson HTM Investment Group Ltd policies in circumstances where Wilson HTM Corporate Finance Ltd is acting in an advisory capacity in a merger or strategic transaction involving the company and in certain other situations.

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The Directors of Wilson HTM Ltd advise that at the date of this report they and their associates have relevant interests in Onthehouse Holdings Limited. They also advise that Wilson HTM Ltd and Wilson HTM Corporate Finance Ltd A.B.N. 65 057 547 323 and their associates have received and may receive commissions or fees from Onthehouse Holdings Limited in relation to advice or dealings in securities. Some or all of Wilson HTM Ltd authorised representatives may be remunerated wholly or partly by way of commission.

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“Wilson HTM Investment Group Ltd is a substantial securities holder of Onthehouse Holdings Limited (OTH).”

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