

12 February 2020

International growth and a resilient domestic business deliver another record half for carsales

Group financial highlights*

| A\$m | H1 FY19** | H1 FY20 | Growth |
|-------------------------------------|-----------|---------|--------|
| Revenue | 205 | 214 | 5% |
| Adjusted EBITDA | 101 | 107 | 6% |
| Reported Net Profit After Tax | 58 | 71 | 22% |
| Adjusted Net Profit After Tax | 59 | 63 | 7% |
| Adjusted Earnings Per Share (cents) | 24.4 | 25.9 | 6% |
| Interim dividend (cents) | 20.5 | 22.0 | 7% |

*All numbers are presented on a continuing operations basis and exclude Stratton Finance.

**H1 FY19 financials have been restated to reflect the adoption of AASB16.

carsales.com Limited (ASX: CAR) today announced its results for the half year ended 31 December 2019. The Group delivered another record set of results despite challenging domestic market conditions, demonstrating the strength and diversified nature of the Group's business model.

The result was underpinned by the increasing contribution of the high growth International portfolio, resilient performance of the core Australian operations and margin expansion across the Australian and International businesses. The business achieved excellent conversion from EBITDA to operating cash flow (excluding tax) of 107% and retains a robust balance sheet with prudent gearing levels.

Group revenue grew by 5% to \$214m, primarily attributable to growth in the domestic Dealer and Private businesses combined with impressive growth in the International portfolio, particularly in South Korea.

Whilst the new car market in Australia remained subdued, good levels of demand in the used car market drove continued growth for the Australian business. Solid traffic growth on carsales.com.au throughout the half was a key driver in supporting the increase in used car lead volumes enjoyed by Dealer and Private customers.

The International portfolio generated excellent revenue growth. South Korea in particular delivered a stand-out performance, with underlying local currency revenue growth of 13%.

Adjusted EBITDA was up 6% to \$107m and EBITDA margin expanded from 49% to 50% as a result of margin expansion in the core Australian and Korean businesses, partly offset by continued investment in early stage businesses currently operating at lower margins. The Group delivered a 7% increase in adjusted net profit aided by a strong profit performance from our Brazilian business, webmotors. Reported profit was up 22% reflecting the benefit of various non-cash gains from asset and option revaluations.

The Board declared an interim dividend of 22.0c per share, an increase of 7% on the previous corresponding period.

Group CEO of carsales, Cameron McIntyre, commented on the half year results:

"It's pleasing to deliver another record half year result despite the impact of a challenging domestic new car market here in Australia. Our performance demonstrates the benefit of the diversification we have in our Australian business and the growing significance of our International portfolio.

"Revenue growth, earnings growth and margin expansion point to good progress and momentum in the business and the resilience of our business model.

"The result reinforces our strategy and culture of investing for the long term in new products and markets and our sharp focus on providing the best experience and solutions for our customers.

"The launch of our fuel partnership with Viva Energy and Shell Coles Express in October was one of a number of highlights, which reflected the use of innovation to deliver value and drive engagement with our members.

"Our International growth strategy is delivering. We have an enviable portfolio of International assets, which are key pillars of our long-term growth agenda. Our two largest International assets in Korea and Brazil continue to demonstrate impressive growth profiles and both have significant future upside potential.

"Our people remain our most important asset and critical to the business' success. Our commitment to operating an innovative and customer focussed business that is capable of evolving in a fast-changing environment, combined with a strong focus on our strategic priorities, position the Group well for continued growth," said Mr McIntyre.

carsales Australia

- **Domestic market leadership position** – reinforced across all metrics including traffic, inventory, customer engagement and reputation.
- **Dealer** – solid dealer revenue growth of 6%, reflecting healthy demand for used cars, new product growth and yield improvements.
- **Private** – pleasing performance from the domestic private business, with revenue up 7%. This result was driven by solid growth in private advertisement revenue, underpinned by increasing penetration of our Instant Offer product.
- **Data, Research & Services** – good demand for core data product set, with notable growth in Redbook and our Warranty product. Underlying revenue growth of 5%, with reported revenue growth impacted by the deliberate exit from some low margin, non-core products and contracts.
- **Display** – result reflects challenging new car advertising market, with improved run rates versus H2 FY19. New native and video placements have been well received by OEM customers.
- **Margin** – strong cost discipline more than offset the impact of a soft revenue result in the display business with core business margins up to 61%.

Dealer performance reflects the breadth of our product offering as well as the resilience of the used car market. carsales continues to be the key source of used car leads for dealers with pleasing growth in enquiry volumes in the half.

While the carsales business is significantly weighted towards the used car market, we have been focused on driving opportunities for our dealer partners to support their new car offering. We hosted

our inaugural new car sale event in November, with compelling offers on more than 20,000 new and demonstrator vehicles across 14 brands. The event helped to stimulate demand in an otherwise subdued market.

From a finance perspective, carsales has developed a product that enables dealers to advertise their consumer finance offerings as an integrated option with their listings. This product has excellent potential to increase overall finance penetration rates, as it will enable dealers to raise awareness of their native finance offering earlier in the sale process.

In the Private business, carsales continued to execute on its goal of facilitating a frictionless buying, selling and ownership experience for private customers. The Instant Offer product is an increasingly attractive way for private customers to sell their cars in a convenient and transparent manner. Enhancements made to the product have improved customer experience and sales conversion, with significant future growth potential remaining.

carsales is delivering on its strategy to build and enhance engagement with its membership base across the car ownership lifecycle. A fuel partnership with Viva Energy and Shell Coles Express was launched in October 2019, providing carsales members with a fuel discount. The initiative resulted in a significant uplift in both the size and engagement of carsales members and will allow carsales to provide more personalised and contextual offers for its members across the car ownership life-cycle.

carsales International

- **Excellent performance** with International look-through revenue growth of 14% and International look-through EBITDA growth of 25%.
- **Korea** – delivered an excellent result in a soft economy with underlying local currency revenue and EBITDA growth of 13% and 16% respectively. The Guarantee service and enhanced media products were the key performance drivers and are expected to drive growth over the medium term.
- **Brazil** – delivered an outstanding performance, with underlying local currency revenue growth of 29% and EBITDA growth of 36%. Growth in revenue from webmotors' finance integration with Santander was the key growth driver alongside continued growth in dealer acquisition and lead volumes.
- **Mexico** – strong revenue growth driven by increases in dealer yield and display revenue as the business is benefiting from carsales' IP and technology.
- **Chile and Argentina** – subdued results due to challenging economic environments.

The Group has an attractive portfolio of international assets which are benefiting from carsales' deployment of IP and technology, with excellent long term growth prospects.

In South Korea, the trust and safety attributes of the premium Guarantee product continue to be a key differentiator and competitive advantage for Encar. Increasing penetration of this product was the key driver of revenue growth in the half with significant scope for continued expansion. The media division also achieved good growth, propelled by an increasingly sophisticated product offering.

webmotors in Brazil delivered another outstanding result with underlying local currency revenue and EBITDA up 29% and 36% compared with H1 FY19. Finance revenue is now a material contributor to the business comprising approximately 15% of revenue and growing rapidly. Dealer numbers grew 14% and leads grew 44% as the business continues to build scale. The business is executing a regional expansion plan in the calendar year 2020, which will support continued growth over the coming years.

Brazil's success continues to provide the strategic roadmap for carsales' earlier stage Latin American businesses in Mexico, Argentina and Chile and reinforces the significant long-term upside potential from its investment in these attractive markets.

Finance Segment

As previously advised, the Company plans to divest its stake in Stratton Finance in order to focus on other core business growth opportunities. Subsequent to 31 December 2019, the Company has agreed to sell its 50.1% stake in Stratton Finance Pty Ltd ("Stratton") to a third party. The sale process also triggered the separation and sale of Stratton's 8.3% direct interest in RateSetter to its underlying shareholders, which resulted in a non-cash gain. The net impact of the Stratton sale is a \$2.7m income statement gain for carsales shareholders. carsales expects the sale to be completed by June 2020.

Outlook

Consistent with our guidance at the AGM in October 2019, we anticipate Group Revenue, Adjusted EBITDA and Adjusted NPAT growth to be solid in FY20.

Domestic business performance in January has remained solid, with the exception of display advertising. Domestic Dealer, Private and Data business performance has been solid in January, reflecting the continued resilience of these segments. In Display, we anticipate a similar run rate against pcp in the second half to that achieved in the first half subject to no further deterioration in advertising market conditions.

In Korea, we expect continued good growth in revenue and earnings. In Brazil, we expect continued strong growth in revenue and earnings. In the remainder of our Latin American businesses we expect similar growth rates to those achieved in the first half.

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Notes to Editors:

Financial Reports and Investor Presentations can be downloaded from

<http://shareholder.carsales.com.au/Investor-Centre/>

FINANCIAL RESULTS*

| Half Year Ending 31 December 2019 | \$A Millions | | |
|--|--------------|--------------|------------|
| | H1 FY19** | H1 FY20 | % |
| Revenue | | | |
| Online Advertising | 147.0 | 152.6 | 4% |
| Data, Research and Services | 21.9 | 21.8 | 0% |
| Asia | 31.3 | 35.3 | 13% |
| Latin America | 4.6 | 4.4 | (5%) |
| Total revenue | 204.9 | 214.1 | 5% |
| Total operating expenses | 103.9 | 107.4 | 3% |
| Adjusted EBITDA* | 100.9 | 106.7 | 6% |
| <i>EBITDA margin</i> | <i>49%</i> | <i>50%</i> | |
| Depreciation & amortisation | 11.1 | 13.6 | 23% |
| EBIT | 89.9 | 93.1 | 4% |
| Net financing cost | 8.0 | 7.3 | (9%) |
| Profit Before Tax | 81.9 | 85.8 | 5% |
| Income Tax Expense | 24.4 | 25.7 | 6% |
| Profits from associates | 1.8 | 2.7 | 53% |
| Non-controlling interest (NCI) | 0.1 | 0.6 | 317% |
| Adjusted NPAT* | 59.4 | 63.4 | 7% |
| Adjustments | (0.9) | 7.8 | n/a |
| Reported net profit after tax | 58.5 | 71.2 | 22% |
| Adjusted earnings per share (cents) | 24.4 | 25.9 | 6% |
| Reported earnings per share (cents) | 24.0 | 29.1 | 21% |

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About carsales.com Ltd

Founded in 1997, carsales.com Ltd (ASX: CAR) operates the largest online automotive, motorcycle and marine classifieds business in Australia. carsales is regarded as one of Australia's original disruptors and has expanded to include a large number of market-leading brands. Employing over 1200 people around the world, carsales develops world-leading technology and advertising solutions in Melbourne that drive its business around the world. Find out more at carsales.com.au.