

16 August 2021

carsales delivers excellent earnings growth in FY21

carsales.com Limited (ASX: CAR) today announced results for the full year ended 30 June 2021 that demonstrate the continued momentum in carsales' Domestic and International portfolio. The three key marketplace businesses in Australia, South Korea and Brazil have all strengthened their market leadership positions, with car buyers and sellers using these sites at record levels. This was reflected in carsales achieving double digit earnings growth and delivering the highest annual net profit growth in 7 years. The company also recently announced the minority acquisition of Trader Interactive, a marketplace business in the United States that has leading positions in the recreational vehicle, powersports, truck and equipment markets. This is a transformational acquisition for carsales, providing the business with exposure to large and attractive addressable markets in the United States. This has all been delivered against the backdrop of COVID-19 and whilst this environment has been challenging, carsales has emerged in a strong position.

Results highlights (comparisons made against FY20 unless otherwise stated. 'pcp' refers to prior comparative period)

- Strong double-digit earnings growth with Adjusted EBITDA¹ and Adjusted NPAT¹ up 10% and 11% respectively. Highest Adjusted NPAT¹ growth since 2014 with earnings growth across all financial segments.
- Strong margin performance with Group Adjusted EBITDA¹ margin of 58% reflecting good operating leverage and strong cost management whilst continuing to invest in key growth projects.
- Resilient revenue performance with Adjusted Revenue¹ up by 4% driven by strong international growth particularly in South Korea and Brazil. Modest growth of 2% in the Australian business largely due to the impact of COVID-19 with an improved performance in H2 up 8% on pcp. This was driven by higher private ad volumes and an improving media segment.
- Strong reported growth metrics with Reported Revenue up 8% to \$427m, Reported EBITDA up 20% to \$241m and Reported NPAT up 9% to \$131m.
- Strong cash flow with Reported EBITDA to operating cash flow conversion of 105%.
- Excellent free cash flow generation, and a strong balance sheet supported a final dividend of 22.5 cents.
- The Trader Interactive business delivered strong revenue and earnings growth in the six months to 30 June 2021 with revenue up 12% and EBITDA up 25% versus pcp. The transaction is expected to close in early September 2021. All consolidated numbers exclude any contribution from Trader Interactive.

1. Adjusted Revenue, Adjusted EBITDA and Adjusted NPAT stated above is post non-controlling interests and excludes certain non-recurring or non-cash items. Refer to Results Presentation documents regarding the disclosure of non-IFRS information and reconciliation from Reported to Adjusted Financial performance.

Financial Performance Summary³

A\$m	FY20²	FY21	Growth
Adjusted Revenue¹	422	438	4%
Adjusted EBITDA¹	232	254	10%
Adjusted NPAT¹	138	153	11%
Reported Revenue	394	427	8%
Reported EBITDA	202	241	20%
Reported NPAT	120	131	9%
Adjusted Earnings Per Share (Cents)	56.4	61.5	9%
Reported Earnings Per Share (Cents)	48.9	52.6	7%
Final Dividend per share (cents)	25.0	22.5	(10%)

Group CEO of carsales, Cameron McIntyre, commented:

“While the COVID-19 environment has been very challenging for carsales, we are proud of the way we have navigated the challenge. We acted decisively to protect our customers and employees which has left our business in a strong position. We delivered the highest net profit growth this financial year since 2014, which is testament to the strength of our business model. Pleasingly, the accelerated digitisation in the automotive industry and changes in consumer behaviour are creating new growth opportunities for carsales, which positions us well for FY22 and beyond.

The Trader Interactive acquisition is a transformational investment for carsales, providing exposure to a significant market in the United States across attractive industries. We successfully executed a \$600m renounceable entitlement offer to the fund the transaction which was very well supported by our retail and institutional shareholders. We chose this structure as it promotes fairness for retail shareholders and it was pleasing to see that we have been able to create value for these shareholders. We have a strong track record of delivering shareholder value through our previous acquisitions in Korea and Brazil and see Trader Interactive as another strong platform for long term growth.

We have made good progress in developing our product offering across our global markets, including Instant Offer in Australia, Dealer Direct in Korea and our CRM product in Brazil. Moreover, we have also advanced our approach to the online car buying journey in each of these markets. We are well placed to bring more of the car buying and selling process online and to help our dealer customers add digital retailing capability to their current offering.

We have provided significant financial support to our customers throughout the pandemic. Whilst this has impacted our financial performance it has strengthened our relationships with our customers and helped them to endure challenging periods and come out of the pandemic in a strong position.

COVID-19 has driven accelerated migration to digital platforms across our global network of sites as evidenced by strong traffic growth. We are excited about our acquisition of Trader Interactive which will add to our enviable portfolio of International assets and provide a strong platform for future growth.”

1. Adjusted Revenue, Adjusted EBITDA and Adjusted NPAT stated above is post non-controlling interests and excludes certain non-recurring or non-cash items. Refer to Results Presentation documents regarding the disclosure of non-IFRS information and reconciliation from Reported to Adjusted Financials.

2. FY20 Asia segment revenue and expense has been restated to treat certain expenses as a reduction in revenue, resulting in a A\$1.4m reduction in revenue and expense.

3. Excludes any contribution from Trader Interactive.

carsales Australia

- **Earnings growth** – delivered adjusted earnings growth of 8% in a challenging environment.
- **Domestic market leadership position** – reinforced our market leadership across all metrics including traffic, inventory, customer engagement and reputation. Increased traffic on carsales by 21%, and also grown market share which is 8x higher than our nearest competitor.
- **Dealer** – solid Adjusted Revenue¹ growth of 6%, which was a good result given a challenging inventory environment. This growth reflected healthy demand for cars, yield improvements and a strong contribution from our suite of value added products. Provided significant support to our dealers during the year including \$11m of financial support, taking our total support package to ~\$40m.
- **Private** – 1% revenue growth reflecting very strong growth in private ad and Instant Offer revenues, offset by declines in tyresales volumes due to the impact of COVID-19 and a greater focus on profitability.
- **Data, Research & Services** – resilient result given challenging environment with good demand for our core data product set, including Redbook. Adjusted Revenue¹ grew 2% excluding the exit of our low margin warranty product.
- **Media** – lower result reflects a challenging new car advertising market with new car sales still lower than pre pandemic levels. Improved performance in H2 with revenue growth of 13% which positions the business to return to growth in FY22.
- **Inventory** – a significant reduction in time to sell, an increase in new people to the car market, and new car production constraints has led to a significant reduction in total inventory on site since the beginning of the pandemic.

carsales International

- **Strong revenue and earnings performance** with International look-through³ revenue growth of 18%² and International look-through³ EBITDA growth of 20%².
- **South Korea** – very strong performance with revenue growth of 21%² and EBITDA growth of 12%². EBITDA growth would have been 22% excluding the impact of marketing investment in the Dealer Direct product. The Guarantee vehicle inspection service and the Dealer Direct product were the key performance drivers and are expected to drive growth over the medium term. Good progress also made on the Home Delivery product.
- **Brazil** – delivered an excellent result given the challenging environment with COVID-19. Revenue growth of 16%² and EBITDA growth of 25%² supported by continued growth in dealer customer numbers, lead volume growth and increased penetration of premium products. Expect to resume the regional expansion in earnest in FY22 which positions the business well for continued growth.

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2. Represents constant currency growth.

3. Look-through methodology: for equity accounted associates and consolidated subsidiaries, add the total revenue or EBITDA for the period of ownership within the reporting period multiplied by the % ownership over the period.

FY22 Outlook

The outlook statement provided below excludes the impact and earnings of the acquisition of Trader Interactive.

Consolidated Outlook

In FY21, the carsales Domestic business recovered the declines in leads and private ad volumes following prolonged lockdowns and retail closures in the first half of the year. While current lockdowns and retail closures are having an impact on leads and private ad volumes, if our experience is consistent with prior lockdowns, the business is well placed to recover all or most of the declines once retail re-opens. On this basis we would expect to deliver solid growth in Group Adjusted revenue, Adjusted EBITDA and Adjusted NPAT¹ in FY22. Depending on the duration and frequency of lock-downs in the first half, financial performance is likely to be more heavily weighted to the second half than usual.

carsales Australia observations

- Dealer:
 - Outside the states impacted by lockdowns, underlying market conditions remain solid.
- Private
 - Private listing volumes are growing strongly on pcp excluding NSW.
 - tyresales has operated at lower volume levels in July 2021 due to the lockdowns in NSW and Victoria.
- Media and new car market:
 - The new car market continues to demonstrate signs of improvement as evidenced by the solid performance in new car sales volumes over the last six months. This has resulted in an improvement in media revenue run rate, providing confidence that we can deliver growth in this segment in FY22.
- Domestic Core expenses
 - Anticipating core expenses to be higher in FY22 compared to FY21 largely reflecting the absence of wage subsidies.

carsales International observations

- Korea:
 - In FY22 we expect strong growth in revenue² and strong growth in EBITDA² excluding the potential for continued marketing investment in Dealer Direct.
- Brazil:
 - We expect strong growth in revenue² and EBITDA² in FY22.
- United States:
 - In July 2021, financial performance continues to be strong. We will provide guidance on Trader Interactive at the AGM in October-21.

1. Adjusted NPAT growth assumes a balance sheet profile that excludes the impact of the Trader Interactive acquisition and associated funding.

2. Reflects constant currency growth.

ENDS

Release authorised by the Carsales.com Ltd Board

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Notes to Editors:

Financial Reports and Investor Presentations can be downloaded from
<http://shareholder.carsales.com.au>

FINANCIAL RESULTS

Year Ending 30 June 2021	\$A Millions		Growth	
	FY20 ¹	FY21	\$'s	%
Adjusted Revenue²	421.6	437.8	16.2	4%
Operating expense	189.8	183.6	6.2	3%
Adjusted EBITDA²	231.8	254.2	22.4	10%
EBITDA Margin %	55.0%	58.1%	-	-
Depreciation & amortisation	28.2	31.9	(3.7)	(13%)
Net finance cost	14.3	13.9	0.4	3%
Income tax expense	56.4	59.4	(3.0)	(5%)
Profits from associates	4.7	4.3	(0.3)	(7%)
Non-controlling interests (NCI)	0.7	(0.5)	(1.2)	(171%)
Adjusted NPAT²	138.2	152.8	14.6	11%
Adjusted Earnings per share (cents)	56.4	61.5	5.1	9%
Final Dividend per share (cents)	25.0	22.5	(2.5)	(10%)

Summary of Reported Results

Reported Revenue	394.1	427.2	33.1	8%
Reported EBITDA	202.0	241.5	39.5	20%
Reported NPAT	119.9	130.7	10.8	9%
Reported Earnings per share (cents)	48.9	52.6	3.7	8%

1. FY20 Asia segment revenue and expense has been restated to treat certain expenses as a reduction in revenue, resulting in a A\$1.4m reduction in revenue and expense.

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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.