

18 August 2023  
Mr Dean Litis  
Principal Adviser  
Listings Compliance (Melbourne)  
Australian Securities Exchange

By email: [ListingsComplianceMelbourne@asx.com.au](mailto:ListingsComplianceMelbourne@asx.com.au)

Dear Dean

We refer to your letter dated 17 August 2023 and respond as follows using the numbers in your letter under the heading 'Request for Information'.

1. As with any financial announcement, CAR considers its FY23 Results announcements to be information that a reasonable person would expect to have a material effect on the price or value of its securities.

However, noting the market's expectations for CAR's FY23 earnings (further detailed in response to question 4 below), CAR considers the Information would not be expected to have a material effect on the price or value of CAR's securities.

2. CAR first became aware of the Information in the course of preparing and finalising its annual results for FY23, which were approved by the CAR Board on 13 August 2023 and subsequently released to ASX.
3. N/A.
4. In CAR's view, consistent with ASX Guidance Note 8, the market's expectations regarding CAR's earnings for FY23 would be based on the earnings forecasts published by sell side analysts covering CAR.

The variance between actual and consensus estimates for FY23 earnings was not material, being less than 5% for all relevant measures. Accordingly, CAR does not consider its results as disclosed in the FY23 Results Announcements differed materially from the market's expectations for FY23.

5. CAR considers the consensus estimate to be the appropriate indicator of the market's expectations for its FY23 earnings. The consensus estimate for each relevant earnings measure was calculated based on the arithmetic average of the forecasts published by 14 reputable sell side analysts.
6. CAR consistently monitors the market's expectations regarding its earnings, using the methodology set out in response to question 5 above.

CAR did not update the market on its expectations for FY23 earnings following completion of the Recent Acquisitions (defined below). This is because CAR provided details in both the ASX announcement and accompanying investor presentation released on announcement of the Trader Interactive Acquisition on 27 June 2022 and the Webmotors Acquisition on 8 March 2023 (**Recent Acquisitions**) regarding the expected financial impact of the Recent Acquisitions on CAR's future earnings. These announcements were supplemented by additional disclosures in CAR's FY22 and HY23 reports.

As such, CAR considers the market was sufficiently informed regarding the impact of the Recent Acquisitions on its earnings for FY23 and no further update was required to the market's expectations at completion of the Recent Acquisitions.

Furthermore, CAR's monitoring of the consensus estimates reiterated that the market was well-informed as there was no material variance between the consensus estimates and CAR's expectations regarding its FY23 earnings.

7. No.
8. Consistent with ASX Guidance Note 8, where an entity has not published earnings guidance and it is covered by sell side analysts, ASX generally recommends that a difference of 15% or more between the entity's actual or projected earnings and its consensus estimate will trigger a disclosure obligation under Listing Rules 3.1.

Noting the Variance for FY23 was significantly lower than this threshold, CAR does not consider the Variance was of such a magnitude that a reasonable person would expect the Variance to have a material effect on the price or value of CAR's securities.

9. N/A.
10. N/A.
11. CAR confirms that it is complying with the Listing Rules and, in particular, Listing Rule 3.1.
12. CAR confirms that its responses to the questions above have been authorised and approved in accordance with its continuous disclosure policy.

As always, if the ASX requires any further information, please contact me.

Yours sincerely



Nicole Birman  
General Counsel & Company Secretary  
carsales.com Limited



17 August 2023

Reference: ODIN78183

Ms Nicole Birman  
General Counsel & Company Secretary  
Carsales.com Limited  
Level 4  
449 Punt Road  
Richmond VIC 3121

By email

Dear Ms Birman

**Carsales.com Limited ('CAR'): General – Aware Query**

ASX refers to the following:

- A. The announcement titled “carsales completes acquisition of Trader Interactive” released on the ASX Market Announcements Platform ('MAP') pre-market open on 3 October 2022 advising that CAR had completed the acquisition of the remaining 51% interest in its US digital marketplace business, Trader Interactive ('Trader Interactive Acquisition').
- B. The announcement titled “FY23 Half Year Media Release” released on MAP pre-market open on 13 February 2023 (the 'HY Announcement'), which included the following statements and relevant footnotes.

**FY23 Outlook<sup>11</sup>**

**Pro-Forma Basis<sup>12</sup>**

We expect to deliver good growth in Adjusted Revenue and Adjusted EBITDA in FY23 on a Pro-forma Basis.

**Actual Basis<sup>13</sup>**

We expect to deliver very strong growth in Adjusted Revenue, Adjusted EBITDA and Adjusted NPAT in FY23.

**Margin**

We expect to see expansion in the carsales Group Adjusted EBITDA margin on both a pro-forma and actual basis in FY23.

<sup>11</sup>. All financial references are on a constant currency basis.

<sup>12</sup>. Assumes 100% ownership of Trader Interactive in FY22 and FY23.

<sup>13</sup>. FY23 growth reflects completion of 100% acquisition of Trader Interactive on 1 October 2022.

- C. The announcement titled “carsales completes acquisition of further 40% of webmotors” released on MAP pre-open on 26 April 2023 advising that CAR had completed the acquisition of a further 40% of Brazilian automotive digital marketplace, webmotors, bringing its stake in webmotors to 70% ('webmotors Acquisition').
- D. The following CAR announcements, all released pre-market open on MAP on 14 August 2023:
  - the announcement titled “Appendix 4E and Annual Report”;
  - the announcement titled “Media Release FY23 Results”; and

- the announcement titled “FY23 Results Presentation”,

(collectively referred to as, the ‘FY 23 Results Announcements’ or ‘Information’), in which CAR disclosed (amongst other things) that:

- its key audited results FY23 financial results (and relevant footnotes) were as follows:

AUD millions	FY22	FY23	Growth %
Proforma revenue <sup>1</sup>	798.1	942.2	18%
Proforma EBITDA <sup>1</sup>	415.8	495.7	19%
Revenue	509.5	781.0	53%
Adjusted EBITDA <sup>2</sup>	271.2	424.9	57%
Adjusted NPAT <sup>2</sup>	194.8	278.2	43%
Reported revenue	509.1	781.2	53%
Reported EBITDA	268.9	400.4	49%
Reported NPAT	160.8	645.6	301%
Adjusted earnings per share (cents) <sup>3</sup>	66.5	78.1	17%
Final dividend per share (cents)	24.5	32.5	33%

1. Proforma financial information assumes consolidation of Trader Interactive and webmotors in prior and current periods.

2. Adjusted financials excludes certain non-recurring or non-cash items. See slide 36 regarding the disclosure of non-IFRS Information and slides 38-39 for a reconciliation of Adjusted to Reported Financials in the accompanying investor presentation on the ASX. FY22 EBITDA has been restated for consistent presentation of Finance cost.

3. In accordance with AASB 133, FY22 EPS has been restated based on an adjustment factor to take into account the New Shares issued in connection with the Trader Interactive and webmotors acquisitions.

- ‘Adjusted Net Profit After Tax (NPAT) increased 43% to \$278m driven by our strong underlying earnings growth and the contribution from new acquisitions. EPS was up 17% to 78.1¢ reflecting strong earnings growth partly offset by the additional shares on issue from recent capital raisings.’*

(ref: page 7 of the FY23 Annual Report);

- ‘Proforma revenue growth of 18% reflects an excellent performance across the Group’s portfolio of high quality marketplace businesses. Proforma EBITDA growth of 19% reflects this excellent revenue performance combined with a good balance of investing in key strategic growth areas while sensibly managing discretionary costs. Adjusted net profit after tax was up 43% which reflects the EBITDA growth as well as the contribution from the acquisitions of additional stakes in Trader Interactive and webmotors throughout the year.’*

(ref: page 29 of the FY23 Annual Report under the heading ‘Key drivers’); and

- FY24 outlook statement:

## FY24 Outlook<sup>4</sup>

**Proforma Basis<sup>5</sup>:** We expect to deliver good growth in Revenue and EBITDA in FY24

**Actual Basis:** We expect to deliver very strong growth in Revenue and Adjusted EBITDA<sup>6</sup> and strong growth in Adjusted NPAT<sup>6</sup> in FY24

**Margin:** We expect to see expansion in the carsales Group EBITDA margin on a proforma<sup>4</sup> basis in FY24

### **Australia Observations**

- **Dealer:** We expect to deliver solid growth in dealer revenue in FY24 supported by increased penetration of premium products including depth and dealer finance along with yield increases
- **Private:** Anticipate good revenue growth supported by private ad volume growth, private ad yield and Instant Offer
- **Media:** Expect good revenue growth supported by continued expansion of our native ad products, programmatic capability and non-automotive diversification

### **carsales investments**

- Expecting good growth in revenue and similar EBITDA versus FY23

### **International Observations**

- **United States:** We expect good growth in revenue and strong growth in EBITDA in FY24
- **Brazil:** We expect strong growth in revenue and strong growth in EBITDA in FY24
- **Korea:** We expect good growth in revenue and solid growth in EBITDA in FY24

(ref: "Media Release FY23 Results")

- E. The descriptors used by CAR in both its FY23 and FY24 outlook statements when referring to its earnings, namely:
- (a) "good growth";
  - (b) "very strong growth";
  - (c) "strong growth";
  - (d) "solid growth"; and
  - (e) "good revenue growth",
- (collectively, the "Earnings Descriptors").
- F. The increase in the price of CAR's shares by 7% on 14 August 2023, from its previous closing price of \$24.61 to a closing price of \$26.33.
- G. Various media articles that followed the release of the Information on MAP, including:
- an online article that appeared on the Australian Financial Review website at 2:46pm (AEST) titled '*Carsales climbs on profit bounce, no sign of trading down*' by Tess Bennett which included the following:  
*'The results beat analyst expectations with adjusted net profit after tax climbing to \$278 million, while adjusted earnings before interest, taxation, depreciation and ' rose 57 per cent to \$425 million for the fiscal year ended June 30.'*

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*'Following the acquisitions, Carsales revalued its existing minority stakes in Trader Interactive and Webmotors. This added a one-off \$486 million contribution to the company's statutory profit, which quadrupled to \$646 million.'*

- an online article that appeared in the Sydney Morning Herald at 4:42pm (AEST) titled 'SUVs still running hot despite cost-of-living squeeze' by Clancy Yeates which included the following:

*'Citi analyst Siraj Ahmed said the company's guidance was higher than consensus expectations, and he estimated the company was on track to increase its revenue by about 13 per cent in the current financial year.'*

H. Listing Rule 3.1, which requires a listed entity to immediately give ASX any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities.

I. The definition of "aware" in Chapter 19 of the Listing Rules, which states that:

*"an entity becomes aware of information if, and as soon as, an officer of the entity (or, in the case of a trust, an officer of the responsible entity) has, or ought reasonably to have, come into possession of the information in the course of the performance of their duties as an officer of that entity" and section 4.4 in Guidance Note 8 Continuous Disclosure: Listing Rules 3.1 – 3.1B "When does an entity become aware of information."*

J. Listing Rule 3.1A, which sets out exceptions from the requirement to make immediate disclosure, provided that each of the following are satisfied.

*"3.1A Listing Rule 3.1 does not apply to particular information while each of the following is satisfied in relation to the information:*

*3.1A.1 One or more of the following applies:*

- *It would be a breach of a law to disclose the information;*
- *The information concerns an incomplete proposal or negotiation;*
- *The information comprises matters of supposition or is insufficiently definite to warrant disclosure;*
- *The information is generated for the internal management purposes of the entity; or*
- *The information is a trade secret; and*

*3.1A.2 The information is confidential and ASX has not formed the view that the information has ceased to be confidential; and*

*3.1A.3 A reasonable person would not expect the information to be disclosed."*

K. ASX's policy position on "market sensitive earnings surprises", which is detailed in section 7.3 of Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B* ('GN8'). In particular, the Guidance Note (relevantly) states that:

*"An earnings surprise will need to be disclosed to the market under Listing Rule 3.1 if it is market sensitive – that is, it is of such a magnitude that a reasonable person would expect information about the earnings surprise to have a material effect on the price or value of the entity's securities". . .*

*"Where an entity does not have published earnings guidance on foot for the current reporting period and it is covered by sell-side analysts, ASX would recommend that the entity carefully consider notifying the market of a potential earnings surprise if and when it expects there to be a 15% or greater difference*

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*between its actual or projected earnings for the period and its best estimate of the market's expectations for its earnings". . .*

### **Request for Information**

Having regard to the above, ASX asks CAR to respond separately to each of the following questions and requests for information:

1. Notwithstanding the market's expectations in relation to CAR's FY23 results, does CAR consider the Information (or any part of it) to be information that a reasonable person would expect to have a material effect on the price or value of its securities?
2. When did CAR first become aware of the Information?
3. If the answer to question 1 is "no", please advise the basis for that view.
4. Does CAR consider that its results as disclosed in the FY23 Results Announcements and copied in paragraph D above, differed materially from the market's expectations of the relevant measure of CAR's earnings for FY23, having regard to the following three base indicators which may have informed such market expectations (in decreasing order of relevance and reliability):
  - 4.1 If CAR had published earnings guidance for FY23, that guidance.
  - 4.2 If CAR is covered by sell-side analysts, the earnings forecasts of those analysts for the Relevant Reporting Period.
  - 4.3 If paragraphs 4.1 and 4.2 are not applicable, CAR's earnings for the prior corresponding period, being the financial year ended 30 June 2022.

In answering this question, please note that in ASX's view the Earnings Descriptors used by CAR in its FY23 and FY24 outlook statements do not constitute published earnings guidance for the purposes of section 7.3 of GN8.

5. Please explain the basis for the view provided in response to question 4. In doing so, please specify how CAR determined market expectations of each relevant measure of its earnings for FY23, including:
  - 5.1 If CAR had published earnings guidance for FY23, details of that guidance and when it was released to the market.
  - 5.2 If CAR used sell-side analyst forecasts to estimate the market's expectations of the relevant measure of its earnings for the Relevant Reporting Period, details of the method that CAR used to translate sell-side analyst forecasts into its estimate of such market expectations and, in particular, whether or not CAR used a "consensus estimate" or an "adjusted consensus estimate" or a different specified approach for determining this estimate.

In answering this question, please note that in ASX's view the Earnings Descriptors used by CAR in its FY23 and FY24 outlook statements do not constitute published earnings guidance for the purposes of section 7.3 of GN8.

6. Following the completion of each of the Trader Interactive Acquisition and the webmotors Acquisition, did CAR update its estimate of the market's expectations of each relevant measure of its earnings for FY23? If so, did CAR release any announcement in relation to that update? Alternatively, if so and CAR did not release an announcement in relation to that update, please explain why this information was not released to the market at the time.



7. Does CAR consider that, at any point in time in the period between the release of its HY Announcement and the release of the Information, the difference between:
  - 7.1 CAR's expected earnings; and
  - 7.2 market expectations of its earnings for FY23,(the 'Variance') was of such a magnitude that a reasonable person would expect information about the Variance to have a material effect on the price or value of CAR's securities?
8. If the answer to question 7 is "no", please provide the basis of that view.
9. If the answer to question 7 is "yes", when did CAR first become aware of the Variance?
10. If the answer to questions 4 and 7 is "yes" and CAR first became aware of the Variance before 14 August 2023, did CAR make any announcement prior to that date which disclosed information in relation to the Variance? If so, please provide details. If not, please explain why this information was not released to the market at an earlier time, commenting specifically on when you believe CAR was obliged to release the information under Listing Rules 3.1 and 3.1A and what steps CAR took to ensure that the information was released promptly and without delay.
11. Please confirm that CAR is complying with the Listing Rules and, in particular, Listing Rule 3.1.
12. Please confirm that CAR's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of CAR with delegated authority from the board to respond to ASX on disclosure matters.

#### **When and where to send your response**

This request is made under Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by no later than **9:30 AM AEST Wednesday 23 August 2023** you should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, CAR's obligation is to disclose the information 'immediately'. This may require the information to be disclosed before the deadline set out in the previous paragraph and may require CAR to request a trading halt immediately.

Your response should be sent to me by e-mail at **ListingsComplianceMelbourne@asx.com.au**. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

#### **Trading Halt**

If you are unable to respond to this letter by the time specified above, you should discuss with us whether it is appropriate to request a trading halt in CAR's securities under Listing Rule 17.1. If you wish to request a trading halt, you must tell us:

- the reasons for the trading halt;
- how long you want the trading halt to last;
- the event you expect to happen that will end the trading halt;
- that you are not aware of any reason why the trading halt should not be granted; and
- any other information necessary to inform the market about the trading halt, or that we ask for.



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We require the request for a trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted. You can find further information about trading halts in Guidance Note 16 *Trading Halts & Voluntary Suspensions*.

### **Suspension**

If you are unable to respond to this letter by the time specified above, ASX will likely suspend trading in CAR's securities under Listing Rule 17.3.

### **Listing Rules 3.1 and 3.1A**

In responding to this letter, you should have regard to CAR's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*. It should be noted that CAR's obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

### **Release of correspondence between ASX and entity**

We reserve the right to release a copy of this letter, your reply and any other related correspondence between us to the market under listing rule 18.7A.

### **Questions**

If you have any questions in relation to the above, please do not hesitate to contact me.

Yours sincerely

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**Dean Litis**  
Principal Adviser, Listings Compliance