

17 February 2021

carsales delivers excellent earnings growth in the first half

carsales.com Limited (ASX: CAR) today announced its results for the half year ended 31 December 2020. The Group delivered a strong set of results despite the COVID-19 pandemic, demonstrating the strength of the Australian business and the growth potential of its international markets. The result was underpinned by double digit adjusted earnings growth across both Domestic and International portfolios. The company delivered these results alongside continued investment in long term growth opportunities in large and attractive addressable markets.

Results highlights

- Strong double digit earnings growth with Adjusted EBITDA up 18% and Adjusted NPAT up 17%. This reflects earnings growth across all financial segments with South Korea a highlight, recording EBITDA growth of 30%³ on the prior corresponding period ("pcp").
- Strong margin performance with Group Adjusted EBITDA² margin of 60% reflecting good operating leverage and a continued focus on cost management in both the domestic and international businesses.
- Resilient revenue performance with Adjusted Revenue² down by 2% with strong growth in South Korea and good growth in Dealer, offset by declines in the tyresales and Media businesses, largely due to the impact of COVID-19.
- Reported Revenue down 7% to \$199m, Reported EBITDA up 9% to \$114m and Reported NPAT down 14% to \$61m. Reported metrics impacted by \$11m COVID-19 dealer support package.
- Strong cash flow with Reported EBITDA to operating cash flow conversion of 111%.
- Excellent free cash flow generation, and a strong balance sheet supported an interim dividend of 25.0 cents per share up 14% on pcp.

A\$m	H1 FY20 ¹	H1 FY21	Growth %
Adjusted Revenue²	213	210	(2%)
Adjusted EBITDA²	107	126	18%
Adjusted NPAT²	63	74	17%
Reported Revenue	213	199	(7%)
Reported EBITDA	105	114	9%
Reported NPAT	71	61	(14%)
Adjusted Earnings Per Share (Cents)	25.9	30.1	16%
Reported Earnings Per Share (Cents)	29.1	24.8	(15%)
Interim Dividend per share (cents)	22.0	25.0	14%

1. FY20 Asia segment revenue has been restated to align with carsales' group accounting policy.

2. 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.

3. Represents local currency growth.

4. 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.

Group CEO of carsales, Cameron McIntyre, commented:

“The strong performance of carsales in the first half reflects both the resilience of our business and its growth potential. We delivered earnings growth across all segments with the standout performance being South Korea which delivered EBITDA growth of 30%.

Our ongoing investment in product and customer experience helped us continue strengthening our leadership positions in our largest markets of Australia, South Korea and Brazil. We saw traffic growth of 20% across our global network of automotive websites, demonstrating that we are the best place for our customers to buy and sell cars.

In the last six months we provided an additional \$11m in financial support to our customers which brings our total support package for Australian dealers to almost \$40m since the beginning of the pandemic. Whilst the automotive market has endured challenges over the last twelve months, it ended the calendar year with buoyant activity and pleasingly this has continued in the early stages of 2021.

“There are positive trends for our business emerging from the pandemic. We have seen accelerated migration to digital platforms across our global network of sites as evidenced by strong traffic growth. Demand for vehicles across all our markets has been strong due to lower public transport usage, the absence of international travel and the evolution of more flexible working arrangements.

“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 South Korea and Brazil continue to demonstrate impressive growth profiles and both have significant further future upside potential.

carsales Australia

- **Excellent earnings growth** – delivered adjusted earnings growth of 13% in a challenging environment.
- **Domestic market leadership position** – reinforced our market leadership across all metrics including traffic, inventory, customer engagement and reputation. Increased our traffic advantage over our nearest competitors. Strong traffic growth of 15% on carsales.com.au, testament to a sustained investment in our platform and user experience.
- **Dealer** – good Adjusted Revenue² growth of 10%, reflecting healthy demand for cars, yield improvements and a strong contribution from our suite of inventory sourcing products. Provided \$11m in dealer support during the half year, taking our total support package to ~\$40m.
- **Private** – revenue in line with last year excluding tyresales, a good result given the first quarter was negatively impacted by social distancing measures in Victoria. Instant Offer volumes recovered well showing very strong growth on pcp in Q2. Decline in tyresales volumes reflect the impact of COVID-19 and a greater focus on profitability.
- **Data, Research & Services** – good demand for core data product set, with solid growth in Redbook business. Adjusted Revenue 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 down 14% in 2020. New car sales growth in December is translating into a gradual improvement in media revenue run rate.

- **Inventory** –a significant reduction in time to sell and an increase in the number of first time car buyers and people adding an additional car to the household has led to a significant reduction in total inventory on site since the beginning of the pandemic.

“Our Australian business starts the 2021 calendar year in a good position having reinforced our market leadership position over the last six months. The business delivered excellent earnings growth of 13% in the first half which reflects a resilient revenue result combined with the benefits of a continued focus on cost management.

We remain focused on improving the buying and selling process for consumers, dealers and manufacturers through continued product development. Our Instant Offer product, which enables private sellers to sell their car at an agreed price is a good example of the benefits of this strategy. Not only is this an attractive way for consumers to sell their vehicle, it is an additional source of inventory supply for dealers, which has been critical in the current inventory constrained environment.

We continue to invest in long-term growth opportunities including products such as dealer depth, buyer insights, Instant Offer and dealer finance. We have made good progress in these areas and see significant long term revenue opportunities in these products and markets.”

carsales International

- **Strong revenue and earnings performance** with International look-through⁴ revenue growth of 17% and International look-through⁴ EBITDA growth of 41%.
- **South Korea** – standout performance with revenue growth of 23%³ and EBITDA growth of 30%³. The Guarantee vehicle inspection service and reinvigorated Dealer Direct product were the key performance drivers and are expected to drive growth over the medium term. Good margin expansion from operating leverage and prudent cost control.
- **Brazil** – delivered an excellent result given the challenging environment with COVID-19. Revenue growth of 11%³ and EBITDA growth of 21%³ is testament to the strength of the Webmotors brand and business. Resumption of the regional expansion campaign positions the business well for continued growth.

“Our international strategy of investing in number one players in large, attractive and under penetrated markets continues to deliver strong results. Our international businesses now contribute 25% of look-through⁴ revenue and 20% of look-through⁴ EBITDA.

Our Encar business in South Korea has flourished in the last six months, with an acceleration in revenue and earnings growth rates. The business reinforced its position as the clear market leader, recording growth in all its key operating metrics of inventory, listing volumes and traffic. The Guarantee Inspection service and the redesigned Dealer Direct product were the key drivers, and both have substantial long term growth potential.

In Brazil, Webmotors performed well, demonstrating resilience in a challenging environment with revenue growth of 11% and EBITDA growth of 21%. The recent resumption of regional expansion plans reflects our confidence in the future growth potential of the business. Our smaller Latin America businesses broke even in the first half, a great result given the significant impacts of COVID in those markets.”

FY21 Outlook

Consolidated Outlook

We forecast moderate Adjusted revenue growth and solid Adjusted EBITDA and Adjusted NPAT growth in FY21, assuming a continuation of the current operating environment for the balance of the second half of the year.

This reflects higher operating costs in the second half of FY21 largely due to increased investment in domestic and international growth initiatives and the absence of wage subsidies. We note significant uncertainty remains given the COVID-19 pandemic and make the following specific observations:

carsales Australia observations

- Dealer & Private:
 - In January 2021, overall traffic and lead volumes growth was good on the prior corresponding period (pcp).
 - Private listing volumes have recovered in January to pre-COVID levels.
 - Instant Offer continues to build scale showing very strong growth on pcp in January 2021.
 - Consistent with H1, tyresales has continued to operate at lower volume levels in January 2021. We expect to deliver similar volumes in H2 FY21 when compared with H1 FY21.
- Media and new car market:
 - The new car market continues to demonstrate signs of improvement as evidenced by new car sales volume growth in December 2020 and January 2021. This has resulted in some improvement in media revenue run rate against pcp, providing confidence that media revenue will grow on pcp in the second half.
- Domestic Core expenses
 - Anticipating core expenses to be higher in H2 compared to H1 reflecting investment in domestic growth initiatives as well as the absence of wage subsidies.

carsales International observations

- Korea:
 - Key operating metrics of inventory, listing volumes and traffic all showed good growth in January 2021 on pcp.
 - We are planning increased investment in key growth initiatives in H2, particularly the Dealer Direct product which has strong momentum. This should positively impact revenue and earnings growth beyond this financial year. In FY21 we expect very good growth in revenue and solid growth in EBITDA.
- Brazil:
 - Key operating metrics of traffic and leads showed very good growth in January 2021 on pcp.
 - We expect strong growth in revenue³ and EBITDA³ on pcp in the second half, supported by the resumption of the regional expansion plan.

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/Investor-Centre/>

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FINANCIAL RESULTS

Half Year Ending 31 December 2020	\$A Millions		Growth	
	H1 FY20 ¹	H1 FY21	\$'s	%
Adjusted Revenue²	213.4	209.5	(3.9)	(2%)
Total operating expenses	106.7	84.0	22.7	21%
Adjusted EBITDA²	106.7	125.5	18.8	18%
<i>EBITDA margin</i>	<i>50.0%</i>	<i>59.9%</i>		
Depreciation & amortisation	13.6	15.6	(2.0)	(14%)
EBIT	93.1	109.9	16.8	18%
Net finance costs	7.3	8.0	(0.7)	(10%)
Profit Before Tax	85.9	101.9	16.1	19%
Income tax expense	25.7	30.3	(4.6)	(18%)
Profits from associates	2.7	2.6	(0.1)	(3%)
Non-controlling interests (NCI)	0.6	(0.2)	(0.8)	n/a
Adjusted NPAT² (continuing operations)	63.4	74.0	10.6	17%
Adjusted Earnings per share (cents)	25.9	30.1	4.2	16%
Interim Dividend per share (cents)	22.0	25.0	3.0	14%

Summary of Reported Results

Reported Revenue	213.4	198.9	(14.5)	(7%)
Reported EBITDA	104.5	113.8	9.3	9%
Reported NPAT	71.2	61.1	(10.1)	(14%)
Reported Earnings per share (cents)	29.1	24.8	(4.3)	(15%)

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.