

14 February 2022

carsales delivers excellent performance in the first half

carsales.com Limited (ASX: CAR) today announced its results for the half year ended 31 December 2021. carsales delivered an excellent set of results, demonstrating the strength and resilience of its global business and the ongoing growth potential from new products and services.

Strategic highlights

- Excellent financial performance across Australian and International portfolio, strong operational performance despite complexities of operating in a pandemic impacted environment and good progress with strategic priorities
- Strengthened competitive position in all key markets, with consumer engagement remaining elevated against pre-pandemic levels and strong new product growth
- Highest private segment revenue growth since 2011, supported by starting implementation of new dynamic pricing model in private seller advertising segment in Australia
- Continued success of international growth with strong performances in South Korea and Brazil and successful acquisition of 49% of Trader Interactive which has leading positions in large and attractive lifestyle and commercial verticals in the United States
- Strong growth in key products such as vehicle inspections and digital trade-ins in South Korea driven by growing customer penetration, user experience improvements and increased awareness from marketing investment
- Excellent progress in supporting an increasingly online buying and selling journey in Australia, South Korea, the United States and Brazil with strong uptake of Instant Offer and Select products in Australia

Financial results

- Strong financial result with Look-through² revenue increasing 30% to \$282 million and Look-through² EBITDA increasing 15% to \$149 million
- Result reflects strong domestic results in the Private and Media segments, excellent growth in Encar in South Korea and continued investment in product and future growth priorities as well as good cost discipline
- Adjusted NPAT¹ of \$89m up 20% on pcp and adjusted EPS of 31.4c
- Good cash flow performance with Reported EBITDA to operating cash flow conversion of 100%.
- Excellent free cash flow generation, and a strong balance sheet supports a fully franked interim dividend of 25.5 cents per share, consistent with longstanding dividend payout policy of 80%

1. Adjusted Revenue, Adjusted EBITDA and Adjusted NPAT are 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. Look-through methodology: reflects economic ownership view which includes <50% owned entities. 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.

\$A Millions	H1 FY21	H1 FY22	Growth %
Look-through Revenue²	217	282	30%
Look-through EBITDA²	129	149	15%
Adjusted Revenue¹	209	242	16%
Adjusted EBITDA¹	125	127	1%
Adjusted NPAT¹	74	89	20%
Reported Revenue	199	242	22%
Reported EBITDA	114	125	10%
Reported NPAT	61	75	22%
Adjusted Earnings Per Share (Cents)³	29.6	31.4	6%
Reported Earnings Per Share (Cents)³	24.4	26.4	8%
Interim Dividend per share (cents)	25.0	25.5	2%

Group CEO of carsales, Cameron McIntyre, commented:

“The strong performance of carsales in the first half reflects the diverse nature of our business and highlights the significant potential for future growth and the ability of our business to perform through a range of market conditions and dynamics.

We have seen very strong consumer engagement across our global network of sites, with traffic up 12% versus pre-pandemic levels. This reflects the quality of our marketplaces, ongoing investment in product and customer experience, the accelerated migration to digital platforms and changing consumer trends. Demand for cars globally has been strong due to lower public transport usage, the absence of international travel and the evolution of more flexible working arrangements. Demand for lifestyle assets has also strengthened, particularly caravans, motorbikes and boats as consumers seek socially distanced outdoor travel and leisure activities. The rising levels of participation in our industries positions the business well into the future.

Our International growth strategy continues to deliver. We have an enviable portfolio of International assets, which are key pillars of our long-term growth agenda. Our three largest International assets in South Korea, the United States and Brazil continue to demonstrate impressive growth profiles. Each business delivered excellent double digit revenue growth in the first half and all have significant upside potential.

Since completing the acquisition of Trader Interactive in September, we continue to be very impressed with the Trader management team and the operations and fundamentals of the business. The business has continued to perform very well and we are confident in our ability to deliver value for shareholders through this investment. Our focus is now on working closely with the Trader Interactive team, as we look to leverage market expertise, technology innovation and new product development to drive improved financial returns.

Globally, we are investing in moving more of the buying and selling journey online, and this positions us well as we look to partner with our dealer customers to deliver an improved consumer experience and significant long term growth opportunities across all our businesses.”

³. H1 FY21 EPS has been restated based on an adjustment factor to take into account the bonus element of the Equity Raising to acquire 49% of Trader Interactive.

carsales Australia

- **Excellent financial performance** – delivered Adjusted Revenue¹ growth of 16% on pcp and Adjusted EBITDA¹ growth of 9% on pcp, excluding wage subsidies
- **Domestic market leadership position** – reinforced our market leadership across all metrics including traffic, inventory, customer engagement and reputation. Traffic remains elevated versus pre-pandemic levels on carsales.com.au up 23%, which is testament to a sustained investment in our platform and user experience
- **Dealer** – Adjusted Revenue¹ growth of 1%, a good result given lockdowns in NSW and VIC in the first quarter and a strong comparative result in the first half of FY21. There is strong momentum with carsales Select and Dealer Finance products heading into the second half of the year
- **Private** – Outstanding revenue growth of 38%, reflecting strong increases in private ad volume, private ad yield and Instant Offer penetration, with our dynamic pricing model delivering significant value upside
- **Media** – Revenue growth of 11% supported by a reinvigorated strategy and improved advertising conditions
- **Data, Research & Services** – Adjusted Revenue¹ up 1%, a robust result given the impact of prolonged lock downs and continued inventory challenges for dealers

carsales International

- **Strong revenue and earnings performance** with International look-through^{2,4} revenue growth of 76% and International look-through^{2,4} EBITDA growth of 72%, with growth supported by the inclusion of Trader Interactive since September
- **South Korea** – Strong financial performance with revenue up 19%⁴ and EBITDA up 7%⁴, driven by strong product penetration growth across Guarantee, Dealer Direct and Encar Home. These products are expected to remain key growth drivers into the future. EBITDA margin impacted by \$4.7m investment in Dealer Direct marketing to drive future growth
- **United States** – Excellent revenue +12%⁴ and EBITDA +19%⁴ growth reflecting good performance across all four key verticals and supported by a continued focus on providing exceptional value for dealer customers. Anticipate further upside being realized as inventory levels continue to improve, particularly in trucks and powersports
- **Brazil** – Delivered outstanding financial performance with revenue growth of 20%⁴ and EBITDA growth of 19%⁴, underpinned by continued dealer subscription growth, improving inventory levels and increasing dealer yield. Resumption of the regional expansion campaign positions the business well for a strong second half

4. Represents local currency growth.

FY22 Outlook

Excluding recent acquisitions⁵

We expect to deliver solid growth in Group Adjusted revenue¹, Adjusted EBITDA¹ and Adjusted NPAT¹ in FY22.

Including recent acquisitions⁵

We expect to deliver strong growth in Group Adjusted¹ revenue, solid growth in Group Adjusted¹ EBITDA and strong growth in Group Adjusted¹ NPAT in FY22.

carsales Australia observations

- Dealer
 - Underlying market conditions are solid and lead volumes have recovered significantly since the lockdown period in the first half of FY22. We expect performance in the second half of FY22 to improve considerably on the first half of FY22 supported by improved volumes, higher yield and growth in key products
- Private
 - Anticipate good revenue growth in H2 supported by continued strength in private ad volume, private ad yield and Instant Offer. Also planning some investment in marketing to support future Instant Offer growth
- Media and new car market
 - The new car advertising market continues to demonstrate signs of improvement, providing confidence that we can deliver good growth on pcp in the second half
- carsales' investments
 - Expecting higher revenue and EBITDA performance in the second half compared with the first half, primarily due to improved volumes and profitability in the Tyres business

carsales International observations

- Korea:
 - We expect strong growth in revenue⁴ and good growth in EBITDA⁴ in FY22
- Brazil:
 - We expect strong growth in revenue⁴ and EBITDA⁴ in FY22
- United States:
 - We expect good growth in revenue⁴ and strong growth in Adjusted EBITDA⁴ in FY22

5. Recent acquisitions refers to the acquisitions of Trader Interactive from 1 September 2021 and TyreConnect from 1 July 2021.

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/>

FINANCIAL RESULTS

Half-Year Ending 31 December 2021	\$A Millions		Growth	
	H1 FY21	H1 FY22	\$'s	%
Total revenue	209.5	242.2	32.7	16%
Total operating expenses	84.0	115.5	(31.5)	(37%)
Adjusted EBITDA	125.5	126.7	1.2	1%
<i>EBITDA margin</i>	<i>60%</i>	<i>52%</i>		
Depreciation & amortisation	15.6	18.6	(3.0)	(19%)
EBIT	109.9	108.1	(1.8)	(2%)
Net financing cost	8.0	6.0	2.0	24%
Profit Before Tax	101.9	102.1	0.2	0%
Income Tax Expense	30.3	29.5	0.9	3%
Profits from associates	2.6	16.4	13.8	528%
Non-controlling interest (NCI)	(0.2)	(0.3)	(0.1)	(42%)
Adjusted NPAT	74.0	88.7	14.8	20%
Adjusted earnings per share (cents) ³	29.6	31.4	1.9	6%
Interim Dividend per share (cents)	25.0	25.5	0.5	2%

Summary of Reported Results

Reported Revenue	198.9	241.9	43.0	22%
Reported EBITDA	113.8	125.3	11.5	10%
Reported NPAT	61.1	74.6	13.5	22%
Reported Earnings per share (cents) ³	24.4	26.4	2.0	8%

About carsales.com Ltd

carsales.com Ltd (ASX: CAR) is the largest online automotive, motorcycle and marine classifieds business in Australia. Attracting more Australians interested in buying or selling cars, motorcycles, trucks, caravans and boats than any other classified group of websites. Together with its subsidiaries employing more than 670 people in Australia, carsales.com Ltd develops world leading technology and advertising solutions that drive its business around the world. The carsales.com Ltd network has operations across the Asia Pacific region and has interests in leading classified businesses in Brazil, the United States, South Korea, Mexico and Chile. Find out more at www.carsales.com.au