

13 February 2023

## **carsales expanding margins and delivering double digit revenue and earnings growth**

carsales.com Limited (ASX: CAR) today announced its results for the half year ended 31 December 2022. The excellent results demonstrate the strength and resilience of its diversified business and execution on strategy. Group highlights include extended market leadership in Australian and international marketplaces, completion of the acquisition of the remaining 51% of US non-auto digital marketplace Trader Interactive and double-digit revenue and EBITDA growth across the business.

### **Key Highlights**

- Excellent financial performance across Australian and International portfolios with delivery of double-digit revenue growth
- EBITDA margin expansion through operating leverage and continued cost discipline
- Extended market leadership in key markets, with demand higher than pre-pandemic levels and inventory approaching pre-pandemic levels in all markets
- Record private segment growth in Australia driven by advertising volume, delivery of new dynamic pricing initiatives and growth in Instant Offer
- Completion of the acquisition of the remaining 51% of US non-auto digital marketplace Trader Interactive in September 2022, with very pleasing performance in first 3 months of 100% ownership
- Increasing digitisation of vehicle buying and selling, with new products added and increasing contributions from digital trade-in products in Australia and Korea

### **Financial results**

- Pro-forma<sup>1</sup> revenue of \$388m, up 15% on the prior corresponding period ("pcp"). Pro-forma<sup>1</sup> EBITDA of \$211m, up 17% on pcp. Pro-forma calculations assume 100% ownership of Trader Interactive in H1 FY22 and H1 FY23. Results reflect excellent Australian performance, including record Private advertising results and good double-digit growth in both dealer and media segments. US and Korea businesses also delivered very pleasing results, recording double digit revenue and EBITDA growth.

<sup>1</sup>. Pro-forma basis assumes 100% ownership of Trader Interactive in H1 FY22 and H1 FY23.

- Adjusted Revenue<sup>2</sup> of \$332m, up 37% on pcg, reflecting strong underlying results and the contribution of Trader Interactive as a subsidiary for the first time. Adjusted EBITDA<sup>2</sup> of \$178m, up 41% on pcg.
- Adjusted NPAT<sup>2</sup> of \$122m, up 37% on pcg. Adjusted EPS of 34.9 cents, up 14% on pcg<sup>3</sup>.
- Reported Revenue of \$332m, up 37% on pcg, Reported EBITDA of \$165m, up 31% on pcg and Reported NPAT of \$416m, up 458% on pcg. Reported EPS of 119.2c, up 364% on pcg.
- Good cash flow with Reported EBITDA to operating cash flow conversion of 97%.
- Excellent free cash flow generation, and a strong balance sheet supports a fully franked interim dividend of 28.5 cents per share, up 12% on pcg.

| AUD millions                                     | H1 FY22 | H1 FY23 | Growth % |
|--|---------|---------|----------|
| Pro-forma revenue <sup>4</sup>                   | 337.6   | 388.4   | 15%      |
| Pro-forma EBITDA <sup>4</sup>                    | 180.7   | 211.1   | 17%      |
| Adjusted revenue <sup>2</sup>                    | 242.2   | 331.7   | 37%      |
| Adjusted EBITDA <sup>2</sup>                     | 126.2   | 177.9   | 41%      |
| Adjusted NPAT <sup>2</sup>                       | 88.7    | 121.8   | 37%      |
| Reported revenue                                 | 241.9   | 331.8   | 37%      |
| Reported EBITDA                                  | 125.4   | 164.9   | 31%      |
| Reported NPAT                                    | 74.6    | 416.5   | 458%     |
| Adjusted earnings per share (cents) <sup>2</sup> | 30.5    | 34.9    | 14%      |
| Interim dividend per share (cents)               | 25.5    | 28.5    | 12%      |

### Group CEO of carsales, Cameron McIntyre, commented:

"The performance of the first half of FY23 has been exceptional for carsales. The group delivered double-digit revenue and earnings growth demonstrating both a highly resilient business model with a track record of growth through the cycle as well as strong operating discipline.

Growth in the Australian business accelerated as we extended our market leadership from both an audience and inventory perspective. We completed the acquisition of the remaining 51% of Trader Interactive in the US and are already executing on our growth initiatives in those attractive markets. Our Korean and Brazilian businesses delivered outstanding performance, with positive operating metrics and continued delivery of key products and services further enhancing our market position.

2. Adjusted Revenue, Adjusted EBITDA and Adjusted NPAT 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. In accordance with AASB 133, H1 FY22 EPS has been restated based on an adjustment factor to take into account the New Shares issued in connection with trader Interactive acquisition.

4. Refer footnote 1.

We continue to ramp up the digitisation of vehicle buying and selling in all markets, integrating finance into our product portfolio. We are seeing excellent adoption of our digital trade-in products in Instant Offer and Dealer Direct.

We are seeing good levels of consumer demand in our key markets and inventory is approaching pre-pandemic levels – this growth in inventory is driving demand for dealer premium and depth listings. This all gives us confidence that carsales is in a strong position to deliver outstanding shareholder returns in FY23.”

### **carsales Australia**

- **Excellent financial performance** – delivered Adjusted Revenue<sup>5</sup> growth of 14% and margin expansion with Adjusted EBITDA<sup>5</sup> growth of 15%
- **Domestic market leadership position** – further increased our market leadership position in traffic, inventory, customer engagement and reputation scores<sup>6</sup>. carsales.com.au traffic is higher than pre-pandemic levels up 17%<sup>7</sup>, and inventory has returned to near pre-pandemic levels
- **Dealer** – Adjusted revenue<sup>8</sup> growth of 10% demonstrating resilient demand for used cars and yield growth which benefited from the introduction of a new premium price tier. Demand for premium depth products also increased as inventory volumes improved
- **Private** – Record revenue growth of 39% due to strong private seller market and our increasing market share. Yield increases supported by dynamic pricing initiatives and elevated average car prices
- **Media** – Revenue growth of 10%, driven by continuing diversification into non-automotive segments and the development of innovate new advertising products
- **Data, Research & Services** – Adjusted Revenue<sup>5</sup> up 2% with Redbook demonstrating continued strength as the market leader in vehicle data. Dealer services penetration levels is improving in line with inventory volumes growing

### **carsales International**

- **Strong revenue and earnings performance** with double-digit revenue and EBITDA growth and EBITDA margin expansion across the international portfolio
- **United States** – excellent revenue (+11%) and EBITDA (+15%) results<sup>9</sup> reflecting good growth across RVs, powersports and equipment. Growth driven by record dealer subscriptions and inventory levels improving substantially. Yield supported by strong uptake of new product ‘Lead Amplifier’ further demonstrating excellent value proposition for dealers

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5. Refer footnote 2.

6 Google Analytics, sessions for carsales.com.au for the period of Jul-22 – Dec-22 compared to nearest competitor. Published inventory Dec-22 vs nearest competitor.

7. Google Analytics, sessions for carsales.com.au for the period of Jul-22 – Dec-22 compared to Jul-19 – Dec-19.

8. Refer footnote 2.

9. Local currency growth, on a pro-forma basis. Pro-forma basis assumes 100% ownership of Trader Interactive in H1 FY22 and H1 FY23.

- **South Korea** – pleasing results with revenue up 12%<sup>10</sup> and EBITDA up 13%<sup>10</sup>. Revenue and earnings growth primarily driven by increasing the penetration rate of the Guarantee product
- **Brazil** – delivered outstanding revenue growth of 23%<sup>10</sup> and EBITDA growth of 8%<sup>10</sup>. Investment in regional expansion delivering strong outcomes with dealer subscriptions growing in key tier two cities. Inventory levels are also returning to near pre-pandemic volumes

## 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.

### carsales Australia observations

- Dealer
  - Underlying automotive market conditions are buoyant. We expect to deliver solid growth in dealer revenue in FY23 supported by increased penetration of premium products including depth and dealer finance along with yield increases
- Private
  - Anticipate strong revenue growth supported by continued strength in private ad volume, private ad yield and Instant Offer
- Media and new car market
  - Expect good revenue growth supported by continued expansion of native ad products, programmatic capability and non-automotive diversification
- carsales investments
  - Expecting strong growth in revenue in FY23 and a marginal improvement in EBITDA

<sup>10</sup>. Local currency growth.

<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.

## **carsales International observations**

- Korea
  - We expect strong growth in revenue and good growth in EBITDA in FY23
- Brazil
  - We expect strong growth in revenue and EBITDA in FY23
- United States
  - We expect good growth in revenue and strong growth in Adjusted EBITDA in FY23
  - Positive momentum in Jan and Feb with revenue growth expanding vs H1

## **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  
<https://shareholder.carsales.com.au>

## **FINANCIAL RESULTS**

| <b>\$A Millions</b>                               | <b>H1 FY22</b> | <b>H1 FY23</b> | <b>Growth%</b> |
|---|----------------|----------------|----------------|
| <b>Adjusted Revenue<sup>14</sup></b>              | <b>242.2</b>   | <b>331.7</b>   | <b>37%</b>     |
| Operating expense                                 | 116.1          | 153.9          | 33%            |
| <b>Adjusted EBITDA<sup>14</sup></b>               | <b>126.2</b>   | <b>177.9</b>   | <b>41%</b>     |
| Depreciation & amortisation                       | 18.6           | 22.5           | 20%            |
| Net finance cost                                  | 5.5            | 17.8           | 225%           |
| Income tax expense                                | 29.5           | 30.5           | 3%             |
| Profits from associates & NCI                     | 16.1           | 14.7           | (9%)           |
| <b>Adjusted NPAT<sup>14</sup></b>                 | <b>88.7</b>    | <b>121.8</b>   | <b>37%</b>     |
| Adjusted Earnings per share (cents) <sup>15</sup> | 30.5           | 34.9           | 14%            |
| Interim Dividend per share (cents)                | 25.5           | 28.5           | 12%            |

### ***Summary of Reported Results***

|   |       |       |      |
|---|-------|-------|------|
| Reported Revenue                                  | 241.9 | 331.8 | 37%  |
| Reported EBITDA                                   | 125.4 | 164.9 | 31%  |
| Reported NPAT                                     | 74.6  | 416.5 | 458% |
| Reported Earnings per share (cents) <sup>15</sup> | 25.7  | 119.2 | 364% |

<sup>14</sup>. Refer footnote 2.

<sup>15</sup>. Refer footnote 3.

#### **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](http://www.carsales.com.au)