

carsales reports solid first half

February 7, 2017

carsales.com Limited (ASX: CAR) today announced its financial results for the first half of the 2017 financial year (H1 FY17). The company reported total operating revenue of \$178.6 million, up 7 per cent compared to the same period in FY16. Earnings before interest, tax, depreciation and amortisation (EBITDA) were \$83.2 million which represents an increase of 2 per cent compared to the prior comparative period (pcp). Adjusted net profit after tax after non-controlling interests (Adjusted NPAT) was up 5% on pcp.

Excluding the Finance and Related Services segment of the business, which experienced volume shortfalls as a result of issues at a major lender in the period, operating revenue was up 14% on pcp and EBITDA up 9% on pcp.

carsales.com Ltd's Board of Directors has declared a fully franked interim dividend of 18.7 cents per share, up 5% on pcp (interim H1 FY16 dividend, 17.8 cents per share) to be paid on April 20, 2017. The record date for the dividend payment is March 24, 2017.

carsales.com Ltd CEO and Managing Director, Greg Roebuck said carsales' core business performance in the period was robust and continues to deliver great results for customers and strong returns for shareholders.

"The carsales business has again delivered a strong performance driven by solid domestic and promising international growth. We are expanding the business globally, implementing our world class technology and know-how to provide market leading solutions across our traditional classifieds and complementary market businesses.

"To once again deliver record revenue and EBITDA performance whilst consolidating our domestic market leading position, growing our international presence and responding to short term challenges in our finance business is very pleasing and is a testament to the strength of our strategy and the quality of the carsales team. This creates a platform for long term shareholder returns and is a pleasing way for me to deliver my last results as CEO," Mr Roebuck commented.

According to Mr Roebuck, carsales.com Ltd's operational and strategic highlights during H1 FY17 included:

- Extended market leading position across all key metrics
- Pleasing growth in mobile and app usage
- Private inventory has continued to grow with the introduction of free under \$3,000. This has moved to free under \$5,000 in January this year.
- Reported revenue up 7% on pcp and up 14% excluding the Finance and Related Services segment, with growth rates accelerating across the core business segments
- Adjusted NPAT excluding the Finance and Related Services Segment up 9% on pcp
- Domestic business continuing to perform solidly with dealer revenue up 10% on pcp
- Strong private seller revenue performance – up 26% on pcp
- Display revenue showing solid growth – up 9% on pcp
- South Korean business delivering strong local currency revenue growth

- Announced acquisition of 100% of DeMotores with operations in Argentina, Colombia and Chile in January 2017.

"Our domestic core business revenue and EBITDA have continued to perform well throughout the period and have been very well supported by significant new business initiatives as we broaden our offerings to our customers", said Roebuck.

"The growth in our domestic business has been extremely satisfying and continues to demonstrate that there are still significant opportunities in the Australian market. Our private business grew revenue 26% and has performed well competitively; and products such as Instant Offer have been very well received by customers. The growth in tyresales.com.au and RedBook Inspect are especially noteworthy as we expand our adjacencies" he said.

"SK Encar, the clear leader in the Korean market, delivered a strong 26% underlying revenue growth on pcp. This growth was across all customer categories with display growth of over 50% on pcp and significant demand from dealers for premium listing products. EBITDA performance remained strong and there is opportunity for further business expansion in the coming period," said Roebuck.

"The announcement of our proposed acquisition of DeMotores with operations in Argentina, Colombia and Chile adds to our existing investments in Latin America making us the number one auto classifieds network in the region, and creates an opportunity for manufacturers, advertisers and investors to access the number one network of automotive classified sites operating across Latin America. We are already seeing significant progress in the implementation of our Spanish language version of our technology and IP in Chile and Mexico and we are well positioned for the second half of the year," said Roebuck.

"We continue to closely monitor our performance and market conditions. The second half has commenced well with January once again proving to be an attractive month for car buyers in the domestic business. Domestic adjacencies continue to build scale and breadth with a number of significant opportunities. Assuming these conditions continue to be stable we anticipate FY17 revenue, EBITDA and NPAT growth will remain solid in the domestic core business. Our Finance and Related Services business has made good progress addressing the capacity constraint issues experienced in the first half and the focus in the second half is to position the business for future growth."

"Internationally, Korea is expected to see continued solid local currency revenue and earnings growth. The economy in Brazil remains challenging and changes are underway to improve Webmotors (our investment in Brazil) performance."

We expect our integration of core carsales IP into our Chilean and Mexican businesses to continue. This, coupled with our acquisition of DeMotores is expected to provide a solid uplift in their revenue and earnings in the coming half" commented Roebuck.

RESULTS OVERVIEW

Half Year Ending 31 December 2016	\$A Millions		Growth	
	H1 FY16	H1 FY17	\$'s	%
Revenue excluding Finance and Related Services segment	133.9	152.5	18.6	14%
EBITDA excluding Finance and Related Services segment	72.5	78.7	6.2	9%
Adjusted NPAT*	51.6	54.4	2.8	5%

Reported Results

Half Year Ending 31 December 2016	\$A Millions		Growth	
	H1 FY16	H1 FY17	\$'s	%
Revenue				
Online Advertising	114.8	129.8	15.0	13%
Data, Research and Services	17.4	19.2	1.8	10%
International	1.7	3.5	1.8	106%
Finance and Related Services	33.4	26.1	(7.3)	(22%)
Total revenue	167.3	178.6	11.3	7%
Total operating expenses (before Interest, depreciation and amortisation)	85.8	95.4	(9.6)	(11%)
EBITDA	81.5	83.2	1.7	2%
<i>EBITDA margin</i>	<i>49%</i>	<i>47%</i>		
Depreciation & amortisation	4.1	4.6	(0.5)	(12%)
EBIT	77.4	78.6	1.2	2%
Net interest expense	4.2	3.7	0.5	12%
Profit Before Tax	73.2	74.9	1.7	2%
Income Tax Expense	22.9	23.0	(0.1)	(1%)
Profits from associates	2.8	3.6	0.8	28%
Gain/(loss) on associates fair value adjustment and investment dilution	0.9	(6.8)	(7.7)	(856%)
Non-controlling interest (NCI)	(2.7)	(1.5)	1.2	45%
Reported net profit after tax	51.3	47.2	(4.1)	(8%)
Adjusted net profit after tax*	51.6	54.4	2.8	5%
Adjusted earnings per share (cents)*	21.5	22.6	1.1	5%

* Adjusted NPAT and earnings per share stated above is post non-controlling interests and excludes one-off gains on associate dilution and fair value remeasurement, one-off tax gains and acquired intangible amortisation.

ENDS

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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 800 people, carsales develops world leading technology and advertising solutions in Melbourne that drive its business around the world. Find out more at carsales.com.au