

August 21, 2018

A successful FY18, delivering record results and reinvestment for future growth.

Group Financial Information

\$m	FY18	FY17	Growth
Revenue	444	372	19%
EBITDA	205	177	16%
Reported Net Profit After Tax	185	110	69%
Adjusted Net Profit After Tax	131	119	10%
Adjusted Earnings Per Share (cents)	54	49	10%

Cameron McIntyre, CEO of carsales, commenting on the FY18 results said:

“It has been an excellent year for the carsales business and we are pleased to deliver another record result for our shareholders, with the business making significant progress in executing our strategic priorities. We are delivering on our international growth strategy with the acquisition of the remaining stakes in SK Encar, our South Korean business, and soloautos, our Mexican businesses, where there is significant long-term growth potential.

“In FY18 we have reinforced our leadership position in our core domestic market by continuing to invest in key product and technology innovations and driving improved customer outcomes. Our inspection and tyresales businesses each had very strong years, contributing to our adjacent markets growth strategy.

“We are committed to maintaining an innovative and agile business that is capable of evolving in a fast-changing environment which, combined with a strong focus on our strategic priorities, positions us well for continued growth”.

Highlights:

- Delivering consistent returns for shareholders across all key metrics:
 - Reported revenue of \$444m, up 19% on the prior corresponding period (pcp)
 - Reported EBITDA of \$205m, up 16% on pcp
 - Adjusted NPAT of \$131m, up 10% on pcp
 - Reported NPAT of \$185m, up 69% on pcp
 - Adjusted EPS of 54c, up 10% on pcp
 - Final dividend of 23.7c, up 10% on pcp

- Delivering on our international growth strategy:
 - Completed the acquisition of the remaining stakes in our SK Encar and soloautos businesses;
 - International look through revenue growth of 54% and International look through EBITDA growth of 76%;
 - Strong underlying revenue growth across our entire international portfolio, as we continue to deploy carsales IP and technology;
 - Brazil is the standout performer, with revenue growth of 28% and EBITDA growth of 81%.
- Reinforcing our domestic market leadership position and growing adjacent markets:
 - Domestic revenues grew 12% on pcp, with core business margins continuing to expand;
 - Pleasing growth of 8% in the domestic dealer business, with improved momentum in H2 driven by the release of product enhancements and improving consumer sentiment. Increased penetration of premium listing products continues to drive higher yield;
 - Strong performance from the domestic private business, with revenue up 21% on pcp. This was underpinned by growth in premium private advertising products as well as our adjacent market businesses;
 - Redbook Inspect has experienced considerable growth this year with inspection volumes up 15% on pcp. RedBook Inspect's integration into the carsales Group is delivering positive results with increasing penetration of both consumer pre-purchase inspections and dealer pre-sale inspections;
 - Our online tyre business, tyresales, delivered a strong revenue result, reflecting our compelling value proposition to consumers.

Domestic summary

- Pleasing overall domestic revenue growth of 12% on pcp. Private revenues up 21% on pcp, Dealer up 8%, Display up 3%, Data, Research and Services up 7% and Finance and Related Services up 24%;
- The domestic revenue performance reflects a solid contribution from traditional advertising products, enhanced by continued strong growth in adjacent businesses and premium listing/depth products;
- Both the consumer and commercial business units have continued to drive new product innovation to deliver more value to our customers, with a particular focus on reducing friction points in the buy/sell process;

Cameron McIntyre, CEO of carsales stated: "We continue to be the clear market leader in auto classifieds in Australia, with a distinct advantage in all the key performance fundamentals of traffic, time on site, inventory and brand preference. We are delivering significantly more value to our commercial and consumer customers, which in turn has translated into positive financial outcomes for our business.

"As mobile devices have become the primary tool to access our services, we continue to invest in mobile and app technology. This focus is reflected in the release of our Autogate application for dealers, the introduction of SMS lead delivery technology, as well as the implementation of codeless calling on mobile devices," McIntyre said.

“Our people remain our most important asset and it was pleasing to be awarded White Ribbon Accreditation and WGEA employer of choice for gender diversity during the year. We also recorded our highest ever employee engagement result.

“carsales’ culture of innovation was formally recognised with our Artificial Intelligence program ‘Cyclops’ winning ‘Best Internal Innovation’ at the recent AFR innovation awards,” he stated.

McIntyre also said: “it was pleasing to see Stratton return to revenue growth in FY18 following the challenges it faced in FY17.

“While the Stratton business still faces uncertainty over the next 12 months with ASIC finance regulation changes and the potential industry impacts from the Financial Services Royal Commission, we are confident it has the right strategy in place to achieve long term success,” McIntyre said.

International summary

- International look through revenue growth of 54% and International look through EBITDA growth of 76%, reflecting a significant increase in the overall contribution from our international businesses;
- SK Encar revenue growth of 17% and EBITDA growth of 10% in our first half of full ownership;
- Webmotors revenue and EBITDA growth of 28% and 81% respectively reflecting the rewards of the significant investments made into the business;
- Chile revenue and EBITDA growth of 40% and 33% respectively as we continue to extend our market leadership position;
- Strong revenue growth in Argentina and Mexico as we continue to invest in these businesses in our aggressive pursuit of clear market leadership.

“We are making excellent progress advancing our international growth strategy, and it is very pleasing to see us increasing our international exposure with the acquisition of the remaining stakes in our South Korean and Mexican businesses in FY18,” McIntyre commented.

“The integration of SK Encar into the carsales group has progressed smoothly, with revenue up 17% and EBITDA up 10% in the first half year of full ownership.

“Webmotors in Brazil delivered an outstanding result in FY18. With EBITDA up 81% compared with FY17, the business is benefiting from the IP and technology that carsales has deployed into Brazil over the last four years.

“Brazil’s success provides the strategic roadmap for our earlier stage Latin American businesses in Mexico, Argentina and Chile and reinforces that we can achieve significant long-term upside from investment in these attractive markets. We are seeing very positive operational metrics that demonstrate the progress we are making towards being a clear market leader in each of the countries in which we operate,” said McIntyre.

Dividend up 10%

The carsales.com Limited Board of Directors has declared a final dividend of 23.7 cents per share. This is a 10% increase on pcg and will be paid on 10 October 2018. The record date for the dividend payment is 25 September 2018.

Outlook

On the Domestic outlook, McIntyre stated:

"Our domestic core business performance in July has remained solid. We expect our domestic adjacent businesses to continue to build scale and complement this growth similar to FY18. We also expect our premium listing and depth products to continue to grow.

"We anticipate revenue, EBITDA and NPAT growth will remain solid in the domestic core business. Assuming market conditions are stable, we also anticipate a solid performance in our Finance and Related Services business."

On the International outlook, McIntyre stated:

"Assuming market conditions remain stable in Brazil, we anticipate continued strong local currency revenue and earnings growth in FY19 for Webmotors. In South Korea, we are expecting solid revenue and earnings growth in FY19 for SK Encar.

"Integration of core carsales IP and technology into our Chilean, Mexican and Argentine businesses will continue. In Chile we expect this to drive a good uplift in underlying revenue and earnings in FY19. In Mexico and Argentina, we expect this to drive good growth in revenue and key performance metrics in FY19. However, we are also planning continued investment in technology and innovation in these businesses to aggressively pursue clear market leadership."

ENDS

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Notes to Editors:

Financial Reports and Investor Presentations can be downloaded from <http://shareholder.carsales.com.au/Investor-Centre/>

REPORTED RESULTS

Year Ending 30 June 2018	\$A Millions		
	FY17	FY18	%
Revenue			
Online Advertising	269.1	295.6	10%
Data, Research and Services	39.3	41.9	7%
carsales Asia	3.4	29.9	778%
carsales Latin America	4.9	8.2	68%
Finance and Related Services	55.4	68.4	24%
Total revenue	372.1	444.0	19%
Total operating expenses (before Interest, depreciation and amortisation)	195.6	239.4	(22%)
EBITDA	176.5	204.6	16%
<i>EBITDA margin</i>	47%	46%	
Depreciation & amortisation	8.8	12.7	(44%)
EBIT	167.7	191.9	14%
Net financing cost	6.9	9.8	(43%)
Profit Before Tax	160.8	182.1	13%
Income Tax Expense	48.3	54.6	(13%)
Profits from associates	10.1	6.9	(31%)
Non-controlling interest (NCI)	(3.5)	(3.4)	5%
Adjusted NPAT*	119.1	131.0	10%
Adjustments	(9.6)	53.8	661%
Reported net profit after tax	109.5	184.8	69%
Adjusted earnings per share (cents)*	49.4	54.0	10%
Reported earnings per share (cents)	45.4	76.3	68%

* Adjusted NPAT and earnings per share stated above is post non-controlling interests and excludes and excludes certain non-recurring or non-cash items relating to financing, Investments and acquired intangible amortization as set out in the FY18 Annual Report.

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