

December 18, 2018

Anticipated impairment of Stratton Finance Group Cash Generating Unit

- **Anticipated impairment of Stratton Finance Group CGU**
 - **estimated non-cash charge of c.A\$48m**
 - **estimated share of net profit from Stratton will be circa \$1.0m in FY19 (\$2.0m in FY18)**
- **Excluding these impacts, based on current market conditions carsales reaffirms the performance outlook statement provided at the 2018 AGM.**

In its H1 FY19 results, carsales anticipates it will recognise a non-cash impairment charge against the carrying value of its 50.1% investment in Stratton of approximately A\$48m.

In carsales' FY18 Financial Report, management identified that certain external factors had the potential to adversely impact the valuation of the Stratton Finance CGU, including ASIC legislative changes on car financing which came into effect in November 2018 and the continued tight credit market conditions.

The identified external factors have impacted Stratton since the FY18 financial report along with the realisation of some delays in operational benefits which had been expected to offset yield reductions, resulting in the anticipated impairment. Stratton's total finance contract volumes have been higher for the five months to November 2018 when compared with the prior corresponding period despite the current finance market conditions.

The anticipated non-cash impairment charge is expected to be disclosed as an 'adjusting' item to net profit and will have no impact on carsales' funding covenants or the assessment of carsales' interim or final dividend for FY19. carsales anticipates its share of net profit from Stratton will be circa \$1.0m in FY19 (\$2.0m in FY18).

The company still believes the finance market remains attractive in supporting its core business over the longer term and will continue to evolve both product and operating models to leverage these finance market opportunities.

Excluding the change in Stratton's financial performance and the associated non-cash impairment charge, based on current market conditions carsales affirms its performance outlook statement provided at the FY18 AGM.

For further information, please contact:

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