

20 August 2019

## Market leadership and diversification continue to deliver growth

### Group financial highlights\*

A\$m	FY19	FY18	Growth
Revenue	418	377	11%
Adjusted EBITDA	210	196	7%
Reported Net Profit After Tax	133	182	(27%)
Adjusted Net Profit After Tax	131	128	3%
Adjusted Earnings Per Share (cents)	53.9	52.7	2%
Final dividend (cents)	25.0	23.7	5%

\*all numbers are presented on a continuing operations basis and exclude Stratton Finance.

carsales.com Limited (ASX: CAR) has announced its full year results for the financial year ended 30 June 2019 - delivering growth across key financial metrics despite the impact of challenging market conditions.

The Group's diverse revenue streams and investment in new products and markets have benefited the business at a time when Australian market conditions for new vehicle sales have been adversely impacted by economic uncertainty, tightening credit availability and falling property values.

Group revenue grew by 11% to \$417.5m, underpinned by the core Australian classifieds businesses which continued to perform well. The Dealer and Private businesses proved resilient with revenue growth of 7% and 4% respectively. Used car market conditions were favourable as consumers sought better value car options and this translated into growth in used car lead volumes, a decline in average time to sell, and excellent growth in traffic to the carsales sites.

The International portfolio also delivered strong revenue growth. South Korea and Brazil in particular delivered stand-out performances with underlying local currency revenue growth of 13% and 35% respectively.

Adjusted EBITDA was up 7% to \$210.1m with the EBITDA margin contracting slightly to 50.3%. This reflects the ongoing expansion of margins in the core business offset by an increasing contribution from lower margin early stage businesses.

The Board declared a final dividend of 25.0c per share, an increase of 5% on the previous corresponding period. This represents a total dividend of 45.5c per share, an increase of 3% on the previous financial year.

### **Group CEO of carsales, Cameron McIntyre, commented on the FY19 full year results:**

"We are very pleased with the company's performance and our ability to respond to challenging market conditions in order to deliver continued growth while investing for the long term.

"This result is testament to the strength, resilience and diversified nature of our business, as well as our investment in new products and entry into new markets.

"The strength of the Australian business is supported by our market leadership position and the depth and breadth of our offering to consumers and commercial customers.

"We continue to be the clear market leader in online auto classifieds in Australia with the largest and most engaged consumer audience. We continued to record good growth in key audience, traffic and enquiry metrics during the year.

"We also continue to deliver on our international growth strategy. Our global businesses all made excellent progress in FY19, delivering an increasingly significant contribution to our results and building the foundations for long-term growth.

"Our two largest international businesses in South Korea and Brazil recorded particularly good revenue and earnings growth.

"Our people remain our most important asset and critical to the business' success. 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", said Mr McIntyre.

### **carsales Australia**

- **Domestic market leadership position** - reinforced across all metrics, including traffic, inventory, customer engagement and reputation.
- **Dealer** – solid dealer revenue growth of 7%, reflecting a strong used car market. The revenue result was driven by good growth in used car enquiry volumes, increased penetration of promote products and increased yield.
- **Private** – resilient performance from the domestic private business, with revenue up 4%. This result was driven by solid growth in core private advertisement revenue underpinned by growth in premium private advertising products.
- **Data** – good demand for core data product set, with particularly strong growth in Warranty product. Underlying revenue growth of 9%, with reported revenue growth impacted by the deliberate exit from some low margin, non-core products and contracts.
- **Display** – despite continued challenging market conditions, run rates improved in the second half and in particular Q4. Improved performance is anticipated in FY20 with a restructured team and product offering reflecting a strong value proposition to advertisers.
- **Margin** – strong cost discipline more than offset the impact of a soft revenue result in the display business with core business margins up from 60% to 61%.

The used car market has remained strong and the company has benefited from being largely oriented towards used cars, offsetting some of the impact of the slowdown in new car sales.

From a dealer perspective, carsales delivered good growth in enquiry volumes in FY19 to drive qualified sales opportunities. carsales recently released a new product that enables dealers to advertise their consumer finance offerings as an integrated option with their listings. This product has excellent potential to increase overall finance penetration rates as it will enable dealers to raise awareness of their native finance offering earlier in the sale process.

carsales continued to execute on the goal of facilitating a frictionless buying, selling and ownership experience for private customers. carsales launched a user generated video product via which consumers can include video in their listings to differentiate and promote their vehicle to buyers. Enhancements were made to carsales' Instant Offer product towards the end of FY19, which have positively impacted customer experience and sales volumes, providing a good foundation for growth heading into FY20.

carsales' core advertising products continued to perform well, with solid revenue growth driven by ongoing optimisation of price tiering and increased premium ad penetration.

### **carsales International**

- **Excellent performance** with International look through revenue growth of 39% and International look through EBITDA growth of 29%.
- **Double-digit underlying local currency revenue** growth across carsales' entire international classifieds portfolio as its IP and technology continues to be deployed.
- **Korea** – delivered a good result in first full year of 100% ownership with underlying local currency revenue and EBITDA growth of 13%. Investments in the rollout of new branches and the Guarantee service were a key growth driver in FY19, with further opportunities identified. Strong growth in display revenue, which remains a long-term growth opportunity.
- **Brazil** – standout performance, with underlying local currency revenue growth of 35% and EBITDA growth of 54% generating good operating leverage, expanding EBITDA margins from 38% in FY18 to 43% in FY19. Dealer acquisition continued at a rapid pace, with 14% growth in dealer numbers and 38% growth in inventory on pcp. Finance and insurance integrations also key growth drivers.
- **Chile, Mexico and Argentina** – at least double-digit underlying local currency revenue growth in all three countries. Good growth in non-financial KPI metrics.

The Group's strong portfolio of international businesses made excellent progress during the year. carsales' investment in a global platform is delivering, with positive operational metrics that demonstrate the progress it is making towards clear market leadership in each of the countries in which it operates.

In South Korea there was good growth across all SK Encar's key revenue channels of Dealer, Private and Display and carsales continue to see significant growth potential in this business despite some softness in the South Korean economy in the second half of the year.

Webmotors in Brazil increased its audience advantage over key competitors during FY19, cementing its position as the clear market leader. The business delivered another outstanding result with underlying

local currency EBITDA up 54% compared with FY18. Dealer numbers grew 14% and inventory grew 38% as the business continues to build scale.

Brazil's success continues to provide the strategic roadmap for carsales' earlier stage Latin American businesses in Mexico, Argentina and Chile, and reinforces the significant long-term upside potential from its investment in these attractive markets.

### **Stratton Finance**

As announced in June 2019, the Board has taken the decision to divest the Group's stake in Stratton Finance in order to focus on other core business growth opportunities. A formal sale process has commenced and shareholders will be kept informed on the status of this process as it evolves.

### **Dividend**

The Board has declared a final dividend of 25.0 cents per share. This represents a total dividend of 45.5 cents per share for the 2019 financial year, a 3% increase on the prior year. The record date for the final dividend is 25 September 2019 and the payment date will be 9 October 2019.

### **Outlook**

carsales assumes a gradual recovery in Australian automotive market conditions across the year, supported by lower interest rates, an improved lending environment, a recovering property sector and recent tax changes.

There has been a solid start to the year in carsales' Core Australian Dealer, Private and Data businesses. In Display, the business is anticipating an improving trajectory across FY20, albeit market conditions remain challenging in this segment. It is also expected that the domestic adjacent businesses of tyresales and Redbook Inspect will show good growth in FY20.

In Brazil and Korea, growth rates are expected to be similar to FY19. There is also no anticipation of a further deterioration in the South Korean economy as a result of the ongoing trade dispute with Japan.

It is expected that there will be improving profitability in the Group's Chilean business and a similar level of investment in the Mexican and Argentinian businesses compared with FY19.

Overall, Group Revenue, Adjusted EBITDA and Adjusted NPAT growth is expected to be solid in FY20\*.

*\*Growth from 'AASB 16 - Leases' restated FY19 result*

### **ENDS**

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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

Year Ending 30 June 2019 (Continuing Operations)	\$A Millions		
	FY18	FY19	%
Revenue			
Online Advertising	296.8	300.1	1%
Data, Research and Services	42.2	43.2	2%
carsales Asia	29.7	65.1	119%
carsales Latin America	8.2	9.1	11%
<b>Total revenue</b>	<b>376.9</b>	<b>417.5</b>	<b>11%</b>
Total operating expenses	180.8	207.4	(15%)
<b>Adjusted EBITDA*</b>	<b>196.1</b>	<b>210.1</b>	<b>7%</b>
<i>EBITDA margin</i>	<i>52%</i>	<i>50%</i>	
Depreciation & amortisation	11.7	16.2	(38%)
<b>EBIT</b>	<b>184.4</b>	<b>193.9</b>	<b>5%</b>
Net financing cost	9.7	13.4	(39%)
<b>Profit Before Tax</b>	<b>174.7</b>	<b>180.5</b>	<b>3%</b>
Income Tax Expense	52.5	53.3	(1%)
Profits from associates	6.6	3.7	(44%)
Non-controlling interest (NCI)	(1.0)	0.4	146%
<b>Adjusted NPAT*</b>	<b>127.8</b>	<b>131.3</b>	<b>3%</b>
Adjustments	54.5	1.9	96%
<b>Reported net profit after tax</b>	<b>182.3</b>	<b>133.3</b>	<b>(27%)</b>
<b>Adjusted earnings per share (cents)*</b>	<b>52.6</b>	<b>53.7</b>	<b>2%</b>
<b>Reported earnings per share (cents)</b>	<b>75.2</b>	<b>54.7</b>	<b>-27%</b>

\* Adjusted EBITDA, NPAT and earnings per share stated above is post non-controlling interests and excludes certain non-recurring or non-cash items relating to restructuring, bad debts, financing, investments and acquired intangible amortisation as set out in the FY19 Financial Statements.

### 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.