



carsales  com ltd

# HALF YEAR RESULTS PRESENTATION

**HALF YEAR ENDED 31 DECEMBER 2019**

# DISCLAIMER AND NON-IFRS INFORMATION

## **Disclaimer**

The material in this presentation has been prepared by carsales.com Limited (ASX: CAR) ABN 91 074 444 018 ("carsales") and is general background information about carsales' activities current as at the date of this presentation. The information is given in summary form and does not purport to be complete. In particular you are cautioned not to place undue reliance on any forward looking statements regarding our belief, intent or expectations with respect to carsales' businesses, market conditions and/or results of operations, as although due care has been used in the

preparation of such statements, actual results may vary in a material manner. Information in this presentation, including forecast financial information, should not be considered advice or a recommendation to investors or potential investors in relation to holding, purchasing or selling securities. Before acting on any information you should consider the appropriateness of the information having regard to these matters, any relevant offer document and in particular, you should seek independent financial advice.

## **Non-IFRS Financial Information**

carsales' results are reported under International Financial Reporting Standards (IFRS). This presentation also includes certain non-IFRS measures including "adjusted", "underlying" "proforma" and "look-through". These measures are used internally by management to assess the performance of our business and our associates, make decisions on the allocation of resources and assess operational management. Non-IFRS measures have not been subject to audit or review. All numbers listed as reported comply with IFRS.

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# H1 FY20 HIGHLIGHTS

## Reported revenue

↑ UP 5%  
\$214m

## Adjusted EBITDA<sup>1</sup>

↑ UP 6%  
\$107m

## Adjusted NPAT<sup>1</sup>

↑ UP 7%  
\$63m

- Delivered growth across Domestic and International businesses
- Expanded Group Adjusted EBITDA<sup>1</sup> margin to 50%, whilst continuing to invest for the future
- Performance shows resilience of Australian business and significant growth potential in International, with Korean EBITDA up 16%
- Effective diversification in products and geographies with International now representing 23% of look-through revenue

## Domestic highlights

- Solid Dealer result (+6% on pcp<sup>2</sup>) demonstrates the breadth of our product offering and a resilient used car business.
- Private segment growth (+7%) driven by increasing Instant Offer penetration and tyresales volume growth.
- Enhanced native and video advertising propositions in Display mitigated the impact of challenging new car advertising conditions.

## International highlights

- International look-through revenue<sup>3</sup> and EBITDA growth of 14% and 25% respectively.
- Excellent Korean result with revenue up 13% and EBITDA up 16% against pcp<sup>2</sup>.
- Brazil continues to thrive with underlying revenue and EBITDA growth of 30% and 38% respectively.
- Strong revenue growth in Mexico.

<sup>1</sup> Adjusted EBITDA and Adjusted NPAT stated above is on a continuing basis, post non-controlling interests and excludes certain non-recurring or non-cash items.

See slide 35 regarding the disclosure of non-IFRS information and slides 36-37 for a reconciliation of Adjusted NPAT to Reported NPAT.

<sup>2</sup> pcp refers to prior corresponding period.

<sup>3</sup> For look-through definition refer slide 9

Note: Growth rate from 'AASB 16 - Leases' restated FY19 results.

# KEY OPERATIONAL HIGHLIGHTS

carsales is one of the largest digital automotive advertising businesses in the world



**>420,000  
cars**

Australian Member cars in our Virtual Garage up 36% on pcp<sup>3</sup>



**2.3x  
more time**

spent on carsales.com.au than nearest auto competitor in Australia<sup>2</sup>



**>33,000  
car dealers**

on all carsales sites around the world up 9% on pcp<sup>3</sup>



**~ 12 million  
leads**

on all carsales sites around the world up 26% on pcp<sup>3</sup>



**Most  
preferred site**

for buying and selling cars in Australia (+243% vs nearest competitor)<sup>6</sup>



**>500 million  
sessions**

on all carsales sites around the world<sup>1</sup> up 3% on pcp



**Most trusted  
place**

for buying and selling cars in Australia (+73% vs nearest competitor)<sup>5</sup>



**>880,000 cars  
for sale**

around the world at any point in time<sup>4</sup> up 3% on pcp

1. Period: Jul-19 - Dec-19. Source Google Analytics – for subsidiaries and associates. 2. Source: Nielsen DCR, Dec-19. 3. carsales internal data. 4. Aggregate from automotive websites in Australia, South Korea, Brazil, Mexico, Argentina and Chile as at 31 December 2019. 5. Study conducted by independent research agency Nature Pty Ltd Market brand health tracker. July-19 - Dec-19. Reputation - Is Trustworthy (Rated 7-10)? 6. Study conducted by independent research agency, Nature Pty Ltd, "market brand health tracker 2019" December 2019. You said you would go to the following for buying a new / used / selling car. If you had to choose one tomorrow, which one would you most prefer?

# DELIVERING LONG-TERM SHAREHOLDER VALUE

1.

**Clear industry leader  
in Australia**  
with a trusted iconic brand

2.

**Significant domestic  
growth opportunities**  
in our core business and value  
added services

3.

**High growth  
international portfolio**  
with strong M&A track record

4.

**Established and  
globally scalable**  
technology platform

5.

**Valuable data assets  
and analytics  
capabilities**  
with significant future  
monetisation opportunities

6.

**Highly profitable**  
with strong operating cash flow  
generation, robust balance sheet  
and an attractive dividend

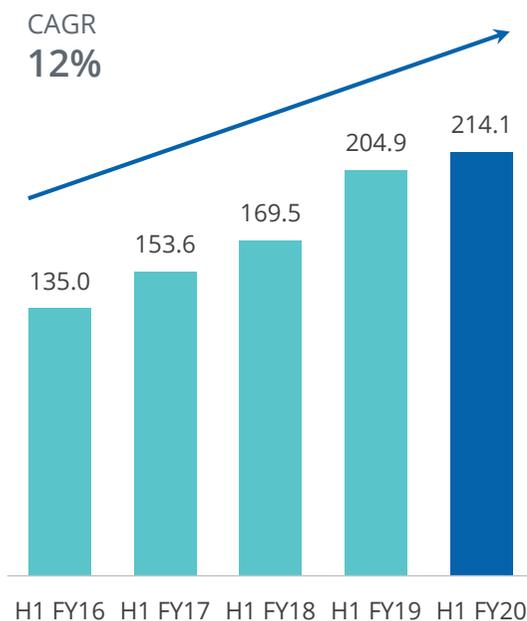


# GROUP FINANCIAL REVIEW

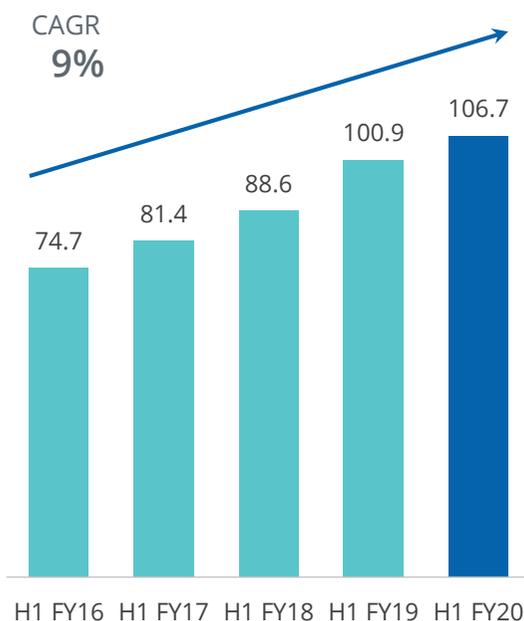
# STRONG TRACK RECORD OF SUSTAINED GROWTH

Well positioned to continue delivering long-term shareholder value through world-class capability, exposure to international growth markets and investment in new products and services.

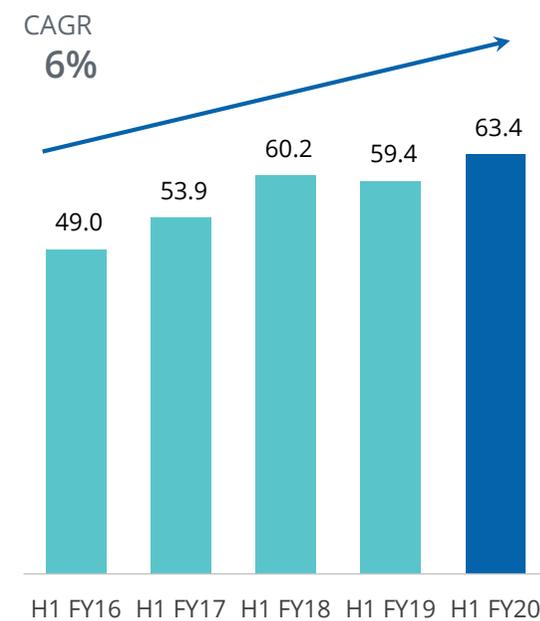
## Revenue (\$m)



## Adjusted EBITDA (\$m)<sup>1</sup>



## Adjusted NPAT (\$m)<sup>1</sup>



<sup>1</sup> Adjusted EBITDA and NPAT stated above is on a continuing basis, post non-controlling interests and excludes certain non-recurring or non-cash items. See slide 35 regarding the disclosure of non-IFRS Information and slides 36-37 for a reconciliation of Adjusted NPAT to Reported NPAT  
Note: FY16 - FY19 financials have been restated to reflect the adoption of AASB16.

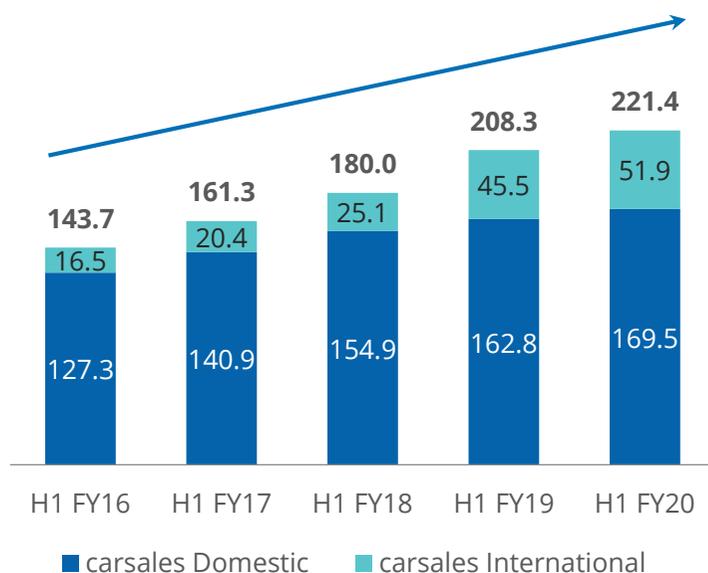
# INCREASING INTERNATIONAL CONTRIBUTION DRIVING GROWTH

- International now contributes more than 23% of look-through revenue and 18% of look-through EBITDA.
- International look-through revenue and EBITDA grew 14% and 25% respectively in H1 FY20.

Look-through<sup>1</sup> Revenue (\$m)

↑ UP 6%  
to \$221m

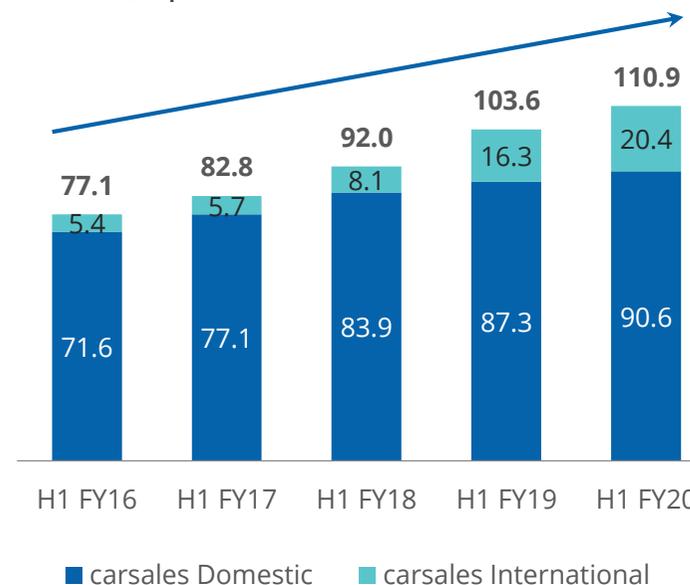
CAGR  
11%



Look-through<sup>1</sup> Adjusted EBITDA<sup>2</sup> (\$m)

↑ UP 7%  
to \$111m

CAGR  
10%



<sup>1</sup> carsales "look-through" methodology: For equity accounted associates and consolidated subsidiaries, add the total revenue or EBITDA for the period of ownership within the reporting period multiplied by the % ownership over the period. Some "look-through" numbers involve the disclosure of non IFRS information - Refer to carsales' Disclosure of Non IFRS information on slide 35 for further details.

<sup>2</sup> Adjusted EBITDA stated above is on a continuing basis, excludes certain non-recurring or non-cash items relating to restructuring and M&A transaction cost. See slide 35 regarding the disclosure of non-IFRS information and slides 36-37 for a reconciliation of Adjusted EBITDA to Reported EBITDA. FY19 results have been restated to reflect the adoption of AASB16.

# SUMMARY REVENUE & EBITDA PERFORMANCE

Half Year Ending 31 December 2019	\$A Millions		Growth	
	H1 FY19 <sup>1</sup>	H1 FY20	\$'s	%
<b>Revenue</b>				
Online Advertising	147.0	152.6	5.6	4%
<i>Dealer</i>	75.1	79.4	4.3	6%
<i>Private</i>	41.5	44.3	2.8	7%
<i>Display</i>	30.3	28.8	(1.5)	(5%)
Data, Research and Services	21.9	21.8	(0.1)	0%
Asia	31.3	35.3	4.0	13%
Latin America	4.6	4.4	(0.2)	(5%)
<b>Total Revenue</b>	<b>204.9</b>	<b>214.1</b>	<b>9.2</b>	<b>5%</b>

## EBITDA

Online Advertising	75.5	78.5	3.0	4%
Data, Research and Services	13.1	13.4	0.3	3%
Asia	15.1	17.5	2.4	16%
Latin America	(2.8)	(2.7)	0.1	2%
<b>Adjusted EBITDA<sup>2</sup></b>	<b>100.9</b>	<b>106.7</b>	<b>5.8</b>	<b>6%</b>

## Revenue

- First half revenue up 5% on pcp.
- Solid underlying Data, Research and Services result excluding exit of some low margin contracts, RedBook data business a resilient source of growth.
- Excellent international result, with look-through revenue up 14%, driven by good growth in Korea, Brazil and Mexico.
- Solid results from our Dealer and Private segments reflecting continued growth in used car market.
- Growing contribution from native and video Display propositions partly mitigated impact of challenging new car market.

## EBITDA

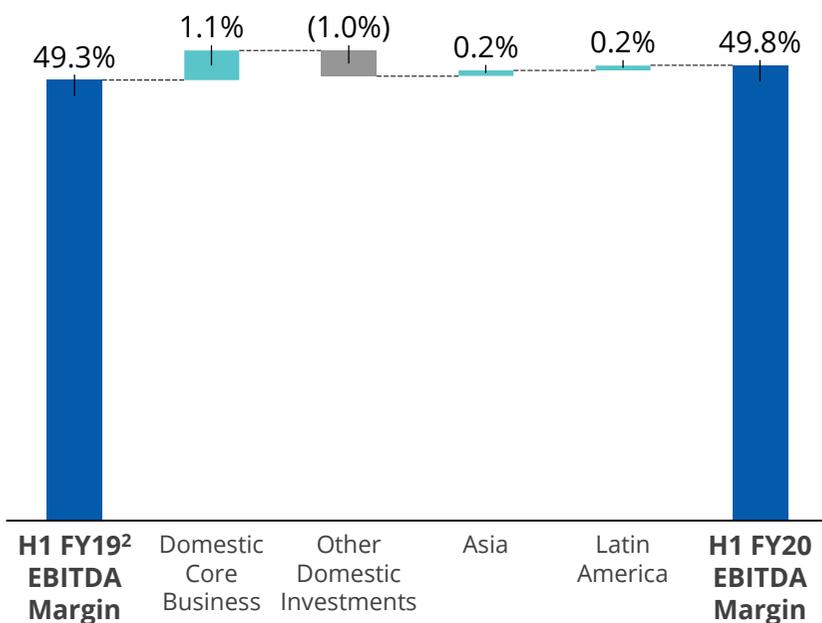
- Adjusted EBITDA<sup>2</sup> up 6% to \$106.7m.
- EBITDA growth in Online Advertising supported by continued cost discipline in core business.
- Data, Research and Services EBITDA result reflects continued investment in new products to drive future growth combined with pleasing cost discipline.
- Strong international result with look-through Adjusted EBITDA<sup>2</sup> up 25% underpinned by excellent results in Korea and Brazil.
- Expanding Asia margin reflects operating cost leverage in Korea.
- Losses in Latin America from ongoing investment in Mexico and Argentina and macro environment.

<sup>1</sup> FY19 EBITDA has been restated to reflect the adoption of AASB16

<sup>2</sup> Adjusted EBITDA stated above is on a continuing basis, excludes certain non-recurring items. See slide 35 regarding the disclosure of non-IFRS Information and slides 36-37 for a reconciliation of Adjusted EBITDA to Reported EBITDA.

# GOOD EXPANSION IN DOMESTIC AND INTERNATIONAL MARGINS

- Good growth in overall margin, driven by expansion in Domestic Core and International businesses, whilst continuing to invest for longer term growth.
- Adjusted EBITDA<sup>1</sup> margins increased from 49.3% in H1 FY19 to 49.8% in H1 FY20.



## Domestic highlights

- Domestic core business margin expanded from 59.8% to 61.3% in H1 FY20, reflecting benefits of exiting from low margin contracts, strong cost discipline operating leverage.
- Investments in tyresales and RedBook Inspect businesses reduced EBITDA margin by 1.0%.

## International highlights

- Asia had positive impact on overall margins due to margin expansion in Korea.
- Reducing losses in Latin America had positive impact on overall margins.

<sup>1</sup> Adjusted EBITDA stated above is on a continuing basis, excludes certain non-recurring or non-cash items relating to restructuring and M&A transaction cost. See slide 35 regarding the disclosure of non-IFRS information and slides 36-37 for a reconciliation of Adjusted EBITDA to Reported EBITDA.

<sup>2</sup> FY19 results have been restated to reflect the adoption of AASB16.

# ADJUSTED NET PROFIT AFTER TAX SUMMARY

Half Year Ending 31 December 2019	\$A Millions		Growth	
	H1 FY19 <sup>1</sup>	H1 FY20	\$'s	%
<b>Total revenue</b>	<b>204.9</b>	<b>214.1</b>	<b>9.2</b>	<b>5%</b>
Total operating expenses	103.9	107.4	(3.5)	(3%)
<b>Adjusted EBITDA<sup>2</sup></b>	<b>100.9</b>	<b>106.7</b>	<b>5.8</b>	<b>6%</b>
<i>EBITDA margin</i>	49.3%	49.8%		
Depreciation & amortisation	11.1	13.6	(2.5)	(22%)
<b>EBIT</b>	<b>89.9</b>	<b>93.1</b>	<b>3.3</b>	<b>4%</b>
Net finance costs	8.0	7.3	0.7	9%
<b>Profit Before Tax</b>	<b>81.9</b>	<b>85.8</b>	<b>4.0</b>	<b>5%</b>
Income tax expense	24.4	25.7	(1.3)	(6%)
Profits from associates	1.8	2.7	0.9	53%
Non-controlling interests (NCI)	0.1	0.6	0.5	n/a
<b>Adjusted NPAT<sup>2</sup> (continuing operations)</b>	<b>59.4</b>	<b>63.4</b>	<b>4.0</b>	<b>7%</b>
Adjusted Earnings per share (cents)	24.4	25.9	1.5	6%
Interim Dividend per share (cents)	20.5	22.0	1.5	7%

## Summary of Reported Results

Reported EBITDA	100.9	104.5	3.6	4%
Reported NPAT (continuing operations)	58.5	71.2	12.7	22%
Reported Earnings per share (cents)	24.0	29.1	5.1	21%

The analysis above shows the Adjusted net profit after tax results of the business for H1 FY20. Details of the reconciliation between Adjusted and Reported results are shown on slides 36-37. The analysis focuses on results below EBITDA after adjustments to better reflect the underlying trading performance of the Group.

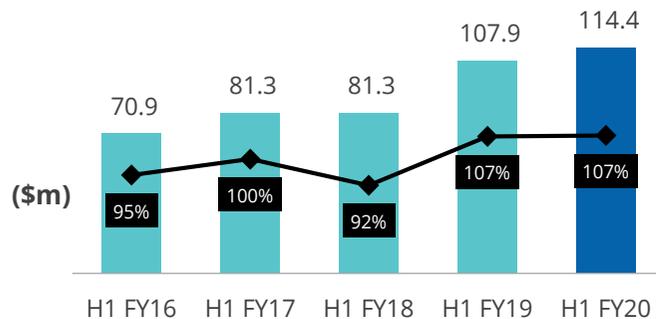
- D&A increased by \$2.5m due to increased depreciation of software assets and other growth capex - this investment supports Group wide growth and globalisation projects.
- Net finance cost reduction reflects reducing debt balance and lower average interest rates.
- Increased profits from associates driven by strong underlying NPAT growth of 39% from webmotors.
- Refer to slides 36-37 for breakdown of adjustments.
- Interim dividend of 22.0 cents per share declared up 7% on pcp.

<sup>1</sup> FY19 results have been restated to reflect the adoption of AASB16.

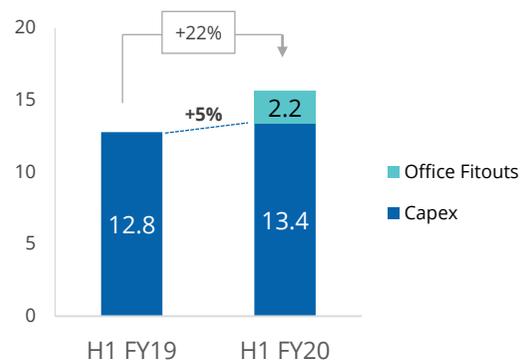
<sup>2</sup> Adjusted EBITDA and NPAT stated above is on a continuing operations basis, post non-controlling interests and excludes certain non-recurring or non-cash items. See slide 35 regarding the disclosure of non-IFRS information and slides 36-37 for a reconciliation of Adjusted NPAT to Reported NPAT.

# STRONG CASH FLOW AND ROBUST BALANCE SHEET

## Cash Flow<sup>2</sup> (column) and conversion from Adjusted EBITDA<sup>3</sup> to cash (line)



## Capital expenditure (\$'m)



- Excellent conversion from EBITDA to cash flow demonstrates the attractive working capital profile of the business.
- Capex up 22% reflecting continued investment in technology platforms supporting international and adjacent market expansion and the office fitouts in Melbourne.
- Leverage ratio has decreased and remains prudent at well under 2x Adjusted EBITDA<sup>3</sup>.

## Reported Leverage Ratio<sup>1</sup> (Net Debt/Annualised EBITDA)<sup>3</sup>



## Net debt<sup>1</sup>

\$A Millions	Dec-18	Dec-19	%
Borrowings	499.2	482.6	3%
Swaps	22.9	15.2	33%
Cash	(105.3)	(108.6)	3%
<b>Net Debt</b>	<b>416.8</b>	<b>389.2</b>	<b>7%</b>

<sup>1</sup> Net debt includes total borrowings and cross currency interest swaps less total cash as at 31 December 2019 as per published balance sheet, excluding Stratton and lease liabilities. Ratios above are based on reported financial outcomes and may vary with bank covenant definitions.

<sup>2</sup> Operating cash flow less tax (excluding Stratton).

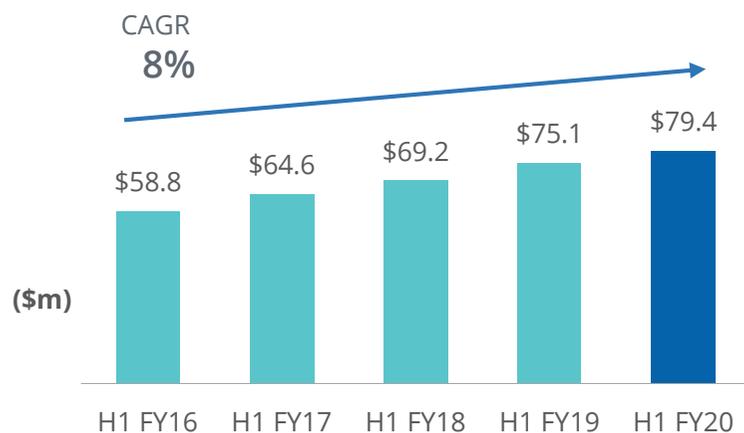
<sup>3</sup> Adjusted EBITDA stated above is on a continuing basis, excludes certain non-recurring items. See slide 35 regarding the disclosure of non-IFRS Information and slides 36-37 for a reconciliation of Adjusted EBITDA to Reported EBITDA. FY16 - FY19 results have been restated to reflect the adoption of AASB16.

A scenic view of a coastal highway bridge. A silver SUV is driving on the bridge, which curves along the coastline. The ocean is visible in the background, and a rocky shore is in the foreground. The text "CARSALES AUSTRALIA" is overlaid on the image.

# CARSALES AUSTRALIA

# DEALER PERFORMANCE SUMMARY

## Dealer revenue up 6% to \$79.4m



- Breadth of product offering and resilience of used car business underpinned solid Dealer performance.
- Used car lead volumes a key growth driver, reflecting continued market leadership (+7% unique audience growth) and strength of used car market.
- Growth in depth products and value-added dealer services constrained, as dealers withheld discretionary product spend given challenging market conditions. Signs of improving exit run rate towards end of Q2.

## carsales Epic Car Sale

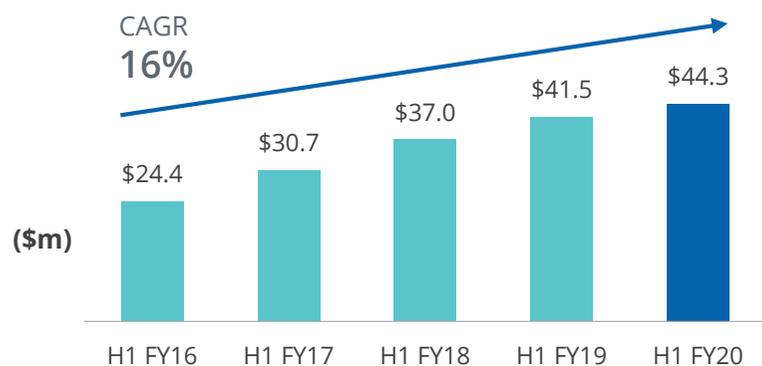


*Hosted inaugural New Car Sale Event in November 2019 to drive sales opportunities for customers in challenging market.*

*Event provided compelling offers on new cars for our consumers, with more than 20,000 new and demonstrator cars available for sale across 14 brands.*

# PRIVATE PERFORMANCE SUMMARY

## Private revenue up 7% to \$44.3m



- Solid growth in core private advertising revenue driven by pricing optimisation, increased premium uptake and significant Instant Offer growth.
- Good growth in tyresales volumes and revenues stemming from recent website re-design, with significant future growth potential from better leveraging carsales' increasingly engaged member base.
- RedBook Inspect continues to reduce its reliance on lower margin rideshare inspections and has invested in capability for future contracts and increasing penetration of pre-purchase inspections on carsales.

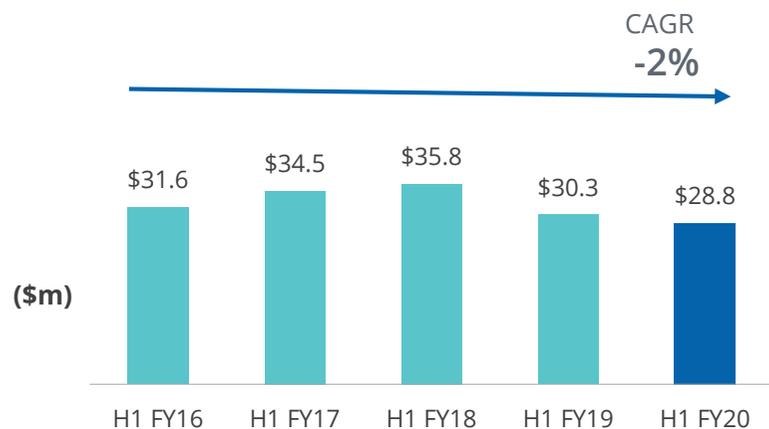
## New tyresales website



*Successful redesign of tyresales website with new search engine significantly enhanced consumer experience and resulted in a much improved conversion.*

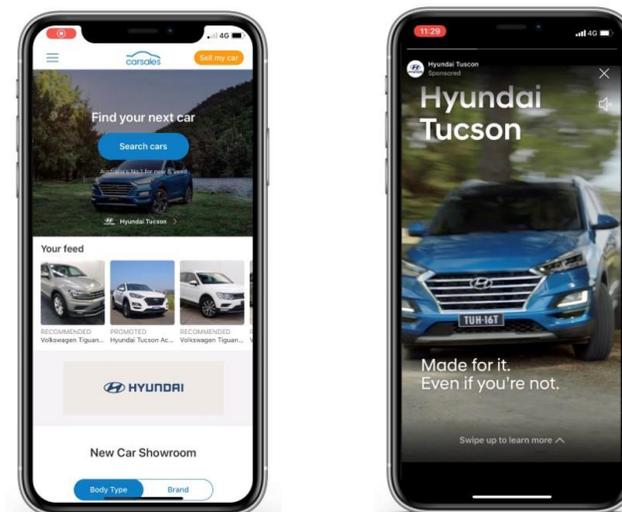
# DISPLAY PERFORMANCE SUMMARY

## Display revenue down 5% to \$28.8m



- Challenging advertising environment has persisted due to subdued new car market.
- Display advertising revenue down 5%, albeit with an improved run rate versus FY19.
- Changes made to new car offering and products including new video and native placements well received by OEM customers (e.g. My Feed).

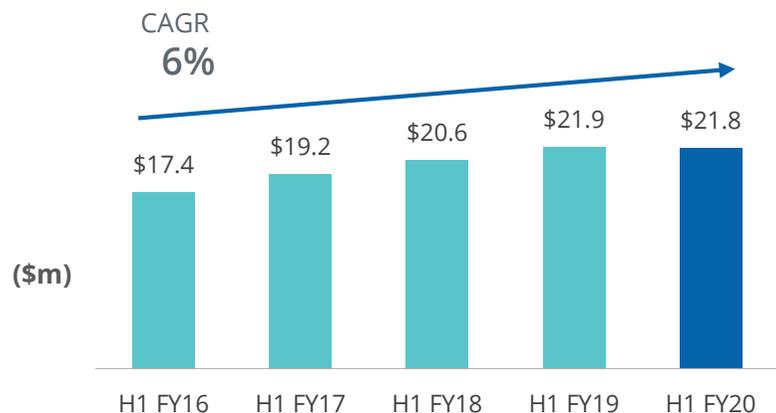
## My Feed



*AI based tool that provides carsales users with a personalised native content experience based on their search behaviour and preferences. Provides more contextual and relevant audience targeting for advertising customers.*

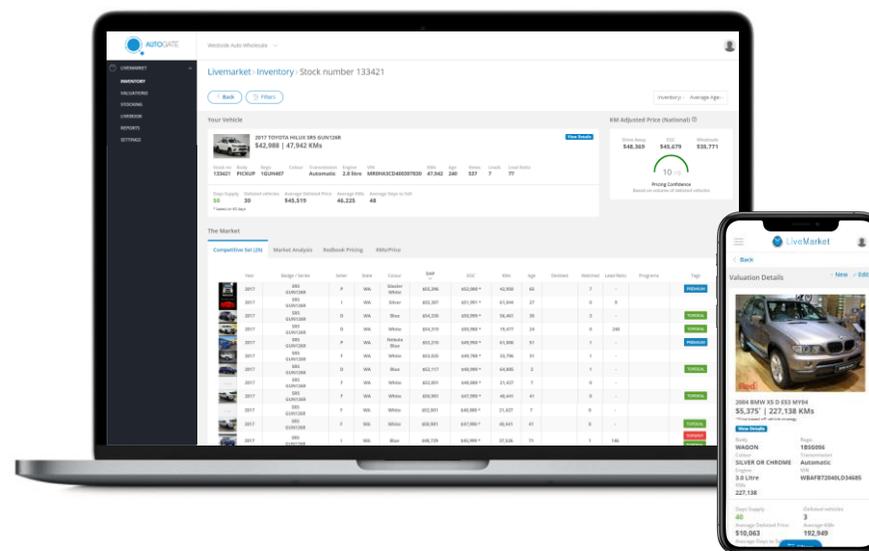
# DATA, RESEARCH & SERVICES PERFORMANCE SUMMARY

## DR&S revenue flat on pcp to \$21.8m



- H1 revenue growth impacted by intentional exit of low margin products and contracts. Underlying revenue growth of 5% in H1 FY20 excluding this impact.
- Our vehicle appraisals product continues to be a key growth driver, as dealers have focused on growing their used car inventory supply given challenges in other areas of their businesses.
- RedBook business continues to record pleasing revenue growth, consolidating its position as a market leading source of vehicle specification, valuation and pricing data.

## New LiveMarket



*Our proprietary data analytics and intelligence tool LiveMarket was upgraded with new technology and a new user interface which has driven an improved user experience.*



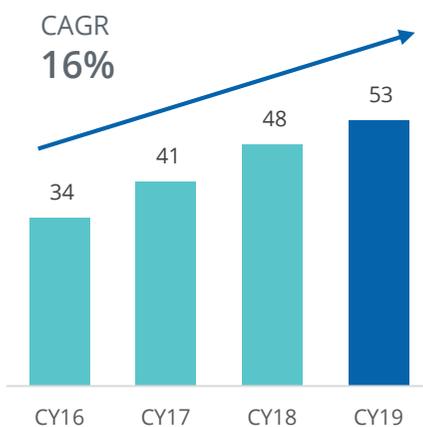
# CARSALES INTERNATIONAL

Impressive performance given challenging macroeconomic conditions and new car advertising environment

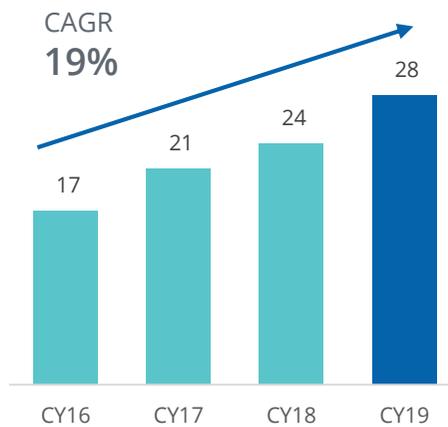
	\$A Millions		Growth		Constant Currency (%)
	H1 FY19	H1 FY20	\$'s	%	
Revenue	29.3	33.1	3.8	13%	13%
EBITDA	14.0	16.3	2.3	16%	16%

- Key revenue growth drivers:
  - Increased uptake of Guarantee vehicle inspection service, driven by opening new branches and increased utilisation at existing branches. Yield was favourable due to price increase implemented in August 2019.
  - Attaining additional share of media spend from key OEM, finance and insurance clients through more targeted sales approach, as well as pleasing adoption of native display mobile advertising products.
- Good growth in key operational metrics of traffic and leads reflects continued market leadership:
  - 10% increase in visits<sup>1</sup>;
  - 10% increase in leads<sup>1</sup>;
- Launched new premium 'home delivery' service in H1 FY20, significant upside potential over next 5 years.

**Revenue (KRW bn)**



**EBITDA (KRW bn)**



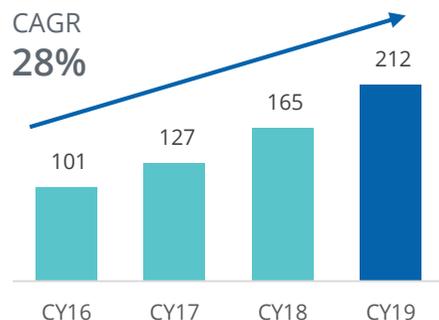
<sup>1</sup> Visits and leads generated for the period Jul-19 to Dec-19 compared with Jul-18 to Dec-18.

Underlying	\$A Millions		Growth		Constant Currency (%)
	H1 FY19	H1 FY20	\$'s	%	
Revenue <sup>4</sup>	31.7	41.1	9.4	30%	29%
EBITDA <sup>4</sup>	13.2	18.2	5.0	38%	36%

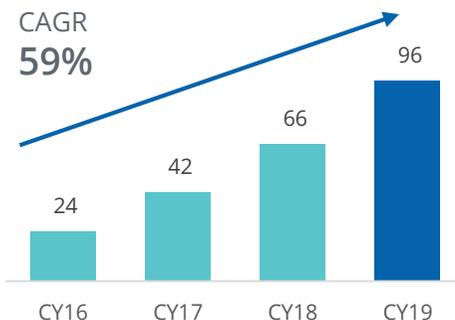
### carsales Share of Earnings (30% owned – equity accounted)

	\$A Millions		Growth	
	H1 FY19	H1 FY20	\$'s	%
Reported NPAT	2.3	3.3	1.0	43%
Adjusted NPAT <sup>3</sup>	2.6	3.6	1.0	39%

### Revenue<sup>4</sup> (BRLm)



### EBITDA<sup>4</sup> (BRLm)



Strong first half growth as webmotors consolidates its position as the clear no.1 automotive vertical classified site in Brazil

- Finance revenue now a material contributor to business, comprising 15% of revenue and growing rapidly. Growth driven by Santander bank integration, which allows seamless credit assessment, including approval into Cockpit (webmotors' CRM).
- 21% growth in dealer revenue as a result of a large increase in dealer numbers and improved yield per dealership. 'Cockpit' platform for dealers continues to be key competitive advantage and a key growth driver.
- Good operating leverage, supported EBITDA margin expansion from 42% to 44%.
- Outstanding growth in key operational metrics:
  - Leads<sup>2</sup> up 44%;
  - Dealer customer<sup>1</sup> numbers up 14%.
- Focus in H2 FY20 on growing webmotors' brand regionally across Brazil, with significant investment in marketing costs to drive uplift in revenue growth.

<sup>1</sup> Dealer volume counts as at 31 December 2019 compared with 31 December 2018

<sup>2</sup> Lead volume generated for the period Jul-19 to Dec-19 compared with Jul-18 to Dec-18

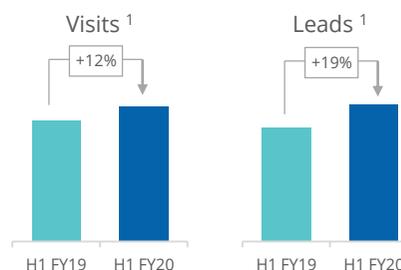
<sup>3</sup> Adjusted NPAT stated above excludes intangible amortisation. The carsales share of earnings is based on owning the percentage set out above. See slide 35 regarding the disclosure of non-IFRS information and slides 36-37 for a reconciliation of Adjusted NPAT to Reported NPAT.

<sup>4</sup> Revenue and EBITDA stated is 100% of the revenue and EBITDA for the business.

## Strong growth in Mexico, performance in Chile and Argentina impacted by macro conditions

### CHILE

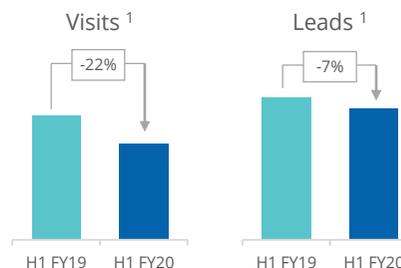
	\$A Millions		Growth		Constant Currency (%)
	H1 FY19	H1 FY20	\$'s	%	
Revenue	3.0	2.6	(0.4)	(13%)	(7%)
EBITDA	1.0	0.9	(0.1)	(8%)	3%



- Solid growth in key operational metrics of traffic and leads. However, revenue growth was impacted by recent political unrest. Expecting improved conditions in H2.
- Mitigated the revenue challenges through strong cost control.

### ARGENTINA

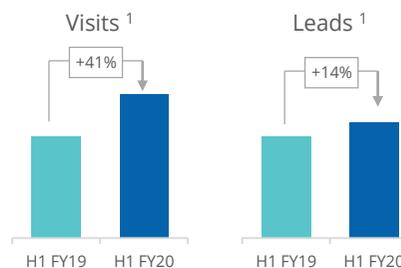
	\$A Millions		Growth		Constant Currency (%)
	H1 FY19	H1 FY20	\$'s	%	
Revenue	0.8	0.4	(0.4)	(50%)	(16%)
EBITDA	(1.3)	(0.8)	0.5	39%	(2%)



- Continued challenging market conditions given political instability and high inflation.
- Strong controls and cost discipline mitigated this impact.

### MEXICO

	\$A Millions		Growth		Constant Currency (%)
	H1 FY19	H1 FY20	\$'s	%	
Revenue	0.9	1.3	0.4	44%	35%
EBITDA	(2.5)	(2.7)	(0.2)	(9%)	n/a



- Strong revenue growth driven by increases in dealer yield and display revenue as the business is benefiting from carsales' IP and technology.
- Continue to make excellent progress towards achieving clear vertical market leadership in Mexico which is testament to the continued investment in product, marketing and technology.

<sup>1</sup> Visits and leads generated for the period Jul-19 to Dec-19 compared with Jul-18 to Dec-18.

An aerial photograph showing a winding asphalt road that curves through a lush green forest. To the left of the road is a rocky, brownish cliffside that meets a body of clear, turquoise water. A single white car is visible on the road, moving away from the viewer. The overall scene is scenic and natural.

# STRATEGY UPDATE

# CARSALES STRATEGY

OUR PURPOSE: *We empower people to move freely through our world-leading marketplaces*

*We are focused on three strategic priorities...*

## Digital marketplaces

To grow our global leadership in digital automotive classified solutions for consumer and commercial customers

## Value added services

To build a compelling ecosystem of services that support dealers, OEMs, corporate and private consumers through the buying, selling and ownership of vehicles

## Future horizons

Leveraging consumer insights and industry trends to explore new opportunities in core and adjacent markets, and beyond

*... supported by three enablers...*

**Data** | To become a 'best-in-class' data-driven company, with unrivalled data and analytics to help customers understand their audience and commercial clients to grow their businesses

**People** | to be an employer of choice and destination for talent by continuously evolving our culture of inclusion, learning, leadership, performance and passion

**Technology** | To build best-in-class global platform-based software services that exceed the expectations of our customers and drive continued growth in the carsales business

*... and underpinned by our unique culture*

## Our DNA

Innovation | Simplicity | Customer focus

## Our Values

Enjoyment | Respect | Integrity | Communication | Honesty

# AUSTRALIA KEY FOCUS AREAS

AUSTRALIA	<b>Dealer</b>	<ul style="list-style-type: none"> <li>• Grow ROI for dealers on core transaction products</li> <li>• Increase penetration and usage of listing depth products</li> <li>• Create new revenue streams</li> </ul>	<ul style="list-style-type: none"> <li>• Marketing and site optimisation to drive increase in traffic, leads and yield</li> <li>• Increased adoption of promote automation and education of dealers on depth ROI</li> <li>• Enable dealers to integrate finance offerings with their car listings <b>(*update on following slides)</b></li> </ul>
	<b>Private</b>	<ul style="list-style-type: none"> <li>• Yield optimisation on core private revenue</li> <li>• Diversify revenue through value added services</li> </ul>	<ul style="list-style-type: none"> <li>• Add new wholesale Instant Offer partners and increase brand awareness <b>(*update on following slides)</b></li> <li>• Expand inspection and tyresales breadth and scale</li> <li>• Increased take up of buyer products such as carfacts</li> </ul>
	<b>Display</b>	<ul style="list-style-type: none"> <li>• Reinvigorate new car offering for consumers</li> <li>• Diversify traditional display revenues with new products</li> <li>• Introduce targeted programmatic offering</li> </ul>	<ul style="list-style-type: none"> <li>• Increase new car listings with OEMs and launch redeveloped new car showroom</li> <li>• Grow penetration of new video products through in house content solutions agency</li> <li>• Monetise long tail inventory through in-house programmatic capability</li> </ul>
	<b>Data, Research &amp; Services</b>	<ul style="list-style-type: none"> <li>• Expand product portfolio to address gaps in the market</li> <li>• Grow penetration of trust and safety products</li> <li>• Build and enhance engagement with members</li> </ul>	<ul style="list-style-type: none"> <li>• Expand carfacts and RedBook Warranty penetration</li> <li>• Execute fuel program with Shell to drive member engagement with carsales <b>(*update on following slides)</b></li> <li>• Drive yield and volume for RedBook</li> </ul>

# DEALER FINANCE PRODUCT

## Dealer Finance Product

- Dealer finance represents a significant opportunity for customers and carsales. The annual value of automotive finance contracts in Australia is c.\$35 billion.<sup>1</sup>
- Our strategy is to provide dealers with the ability to integrate a finance offer with their listing on carsales. The listing increases awareness of a dealer's finance offering earlier in the sales process for consumers. This is expected to improve finance conversion rates for dealers.
- We are integrating a dealer's finance offering in AutoGate, which enables the dealer to choose the rate to apply based on the agreements with their lenders.
- The advertised car shows the finance rate with required disclosures around term length, deposit and residual repayment.
- The consumer enquires on the car which triggers the finance process.

	Dealer listings	Private listings <\$20K	Private listings >\$20K
<b>Current listing volumes on carsales</b>	~126.5K	~43.5K	~30.5K
<b>Finance services currently offered in listing?<sup>2</sup></b>	X	X	✓

**2014 Toyota Hilux SR5 Auto 4x4 MY14 Double Cab MY14**



carsales

123,220 km Odometer   Ute Body Type   Automatic Transmission   4cyl 3.0L Turbo Diesel Engine

**\$32,888\***  
Excl. Govt. Charges

Good Price

Finance Estimate st.george

**\$149 - \$160** <sup>^</sup> Per-Week   ABN Holders Finance Offer

5 Year Term, 10.0% Deposit, 0.0% Final Payment

[Enquire about finance](#)   [View disclaimer](#)

---

**Enquire on this car**

Full Name

Email

Phone No.    Postcode

Comment or Message

[Send Enquiry](#)

<sup>1</sup> ABS, 5671.0 Lending Finance, Australia, December 2017 (13 February 2018) Table 9 – Finance Commitments, for Motor Vehicles: Australia, Original (\$000); Table 1 – Finance Commitments, Summary, Australia (\$000) (original data)

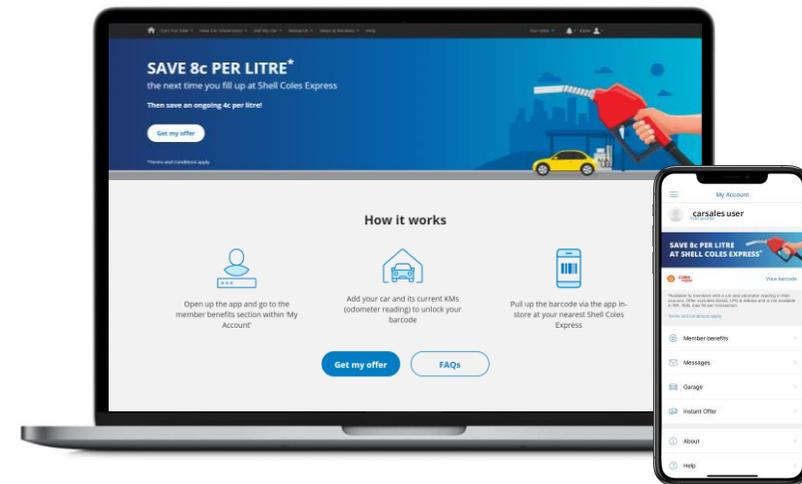
<sup>2</sup> Through integrated Stratton Finance.

# FUEL DISCOUNT OFFER DRIVES MEMBERSHIP

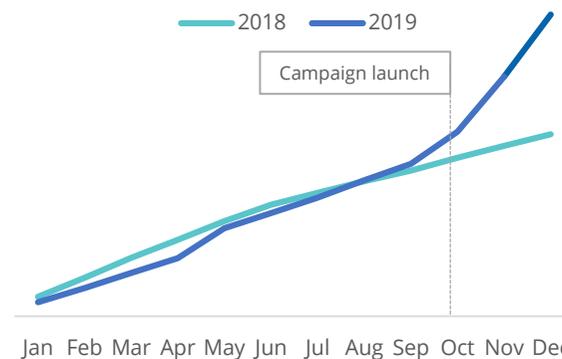
With c.6m members there is a significant opportunity for carsales to better engage our member base to create new and relevant meaningful products to benefit consumers.

## carsales Fuel Discount Offer

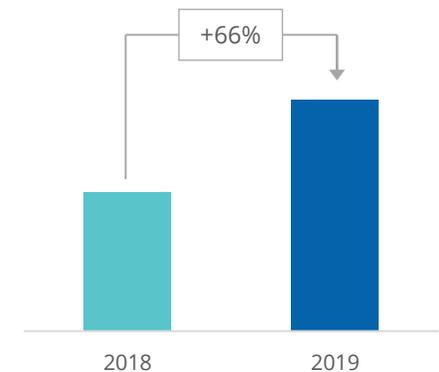
- An engaged member base allows us to increase personalisation capability and offer more contextual, relevant communication throughout the entire automotive ownership journey. This enables us to provide more personalised offers of value added services to consumers.
- In partnership with Viva Energy and Shell Coles Express, carsales now offers an exclusive fuel discount for members based on our deep strategic partnership. A member is required to add their car to our 'virtual garage' and update their odometer reading.
- The campaign was launched in October and participation has been very positive – we have increased the total volume of cars in our 'Garage' by 36%.
- We have begun providing personalised tyre offers for our members based on their vehicle and odometer reading, with a promising conversion and response rate so far.



Cumulative New Cars Added to Garage



New Cars Added to Garage

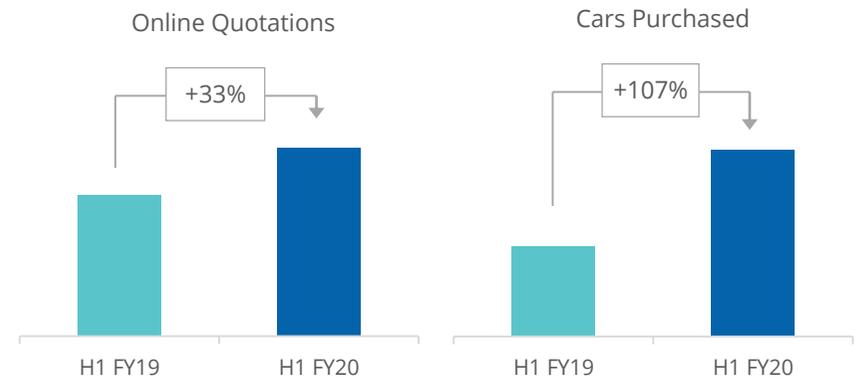
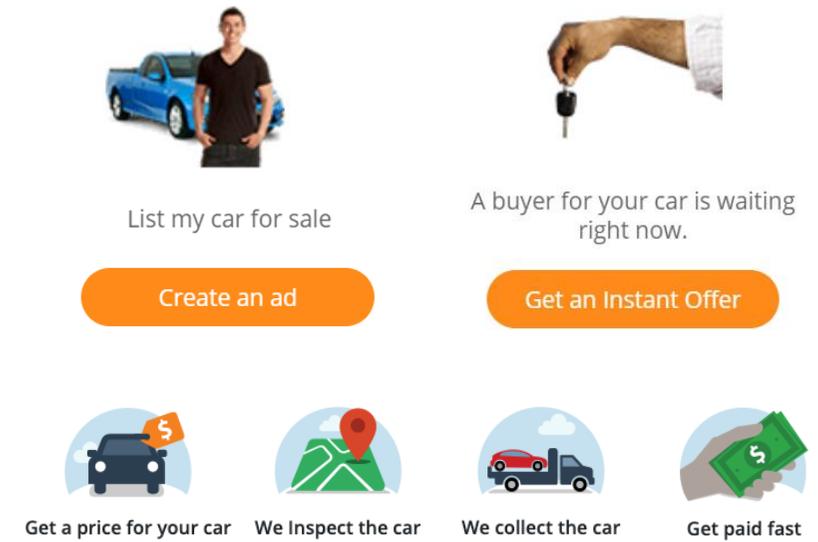
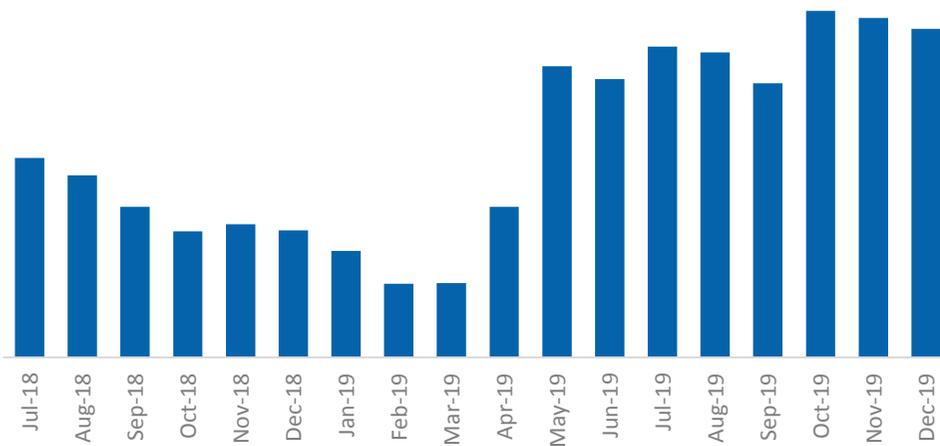


1 carsales internal data  
2 Cars in Garage as at 31-Dec-19 vs 31-Dec-18

# INSTANT OFFER GROWTH

- Instant Offer provides a fast and convenient option for consumers to sell their car on carsales. The product generates a substantial premium yield for carsales compared to a standard advertising product.
- In May 2019, we implemented improvements to our user experience and began expanding our supplier network which has resulted in a significant uplift in conversion from offer to sale.
- Volumes increased 107% in H1 FY20 on pcp. There is significant upside potential in this product going forward as we continue to optimise pricing, user experience, brand marketing and buyer networks.

## Cars Purchased via Instant Offer



# INTERNATIONAL KEY FOCUS AREAS

		Key Strategic Objectives	FY20 Focus Areas
INTERNATIONAL	Korea	<ul style="list-style-type: none"> <li>• Increase dealer penetration and yield</li> <li>• Increase penetration and usage of listing depth products</li> <li>• Diversify revenue through new products and services</li> </ul>	<ul style="list-style-type: none"> <li>• Grow dealer penetration and expand guarantee product volume through launch of c.8 new branch complexes (<b>*update on following slides</b>)</li> <li>• Execute price rise on guarantee products</li> <li>• Launch new native products to drive growth in display revenue</li> </ul>
	Brazil	<ul style="list-style-type: none"> <li>• Increase dealer penetration</li> <li>• Increase dealer yield</li> <li>• Expand display offering</li> </ul>	<ul style="list-style-type: none"> <li>• Grow dealer penetration by leveraging Santander's existing and growing customer base and finance products (<b>*update on following slides</b>)</li> <li>• Increase dealer leads through optimised mobile site and improved take up of CRM tool Cockpit</li> <li>• New site optimised for display advertising</li> </ul>
	Other LATAM	<ul style="list-style-type: none"> <li>• Overall – invest in global platform and marketing to drive #1 positions in all markets</li> <li>• Chile – execute multiple dealer growth opportunities</li> <li>• Mexico and Argentina – grow key customers, audience and inventory metrics to achieve #1 market positions</li> </ul>	<ul style="list-style-type: none"> <li>• Chile – roll out new dealer packages with additional products and increased yield</li> <li>• Mexico – expedite growth in dealer numbers through improved product offering</li> <li>• Argentina – roll out inventory and lead management tools to drive dealer engagement and growth</li> </ul>

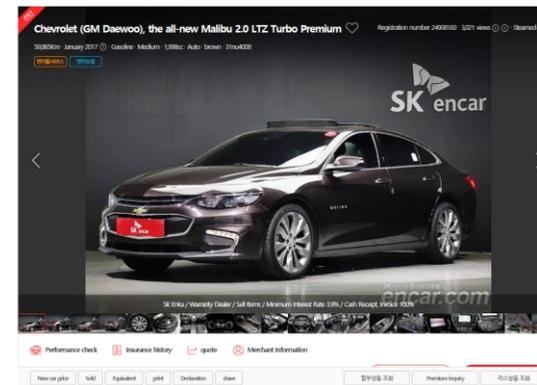
# SK ENCAR GUARANTEE AND INSPECTION PRODUCT

## The SK Encar Guarantee product confirms:

1. The car exists at the dealership
  2. The car has not been involved in any accidents<sup>1</sup>
  3. The specifications of the car are advertised correctly
- For consumers, the Guarantee provides peace of mind and comfort when purchasing the car from a dealer. For dealers, guaranteed cars receive more leads, sell faster and hold price better.
  - The cost to dealers for a Guarantee product is KRW110k (AUD140), which is a c.400% premium to a standard advertisement.

## Growth model

- Listing volume: Approximately 20% of cars are guaranteed. SK Encar has agreements with a large number of dealerships and dealer complexes that have minimum volume commitments to use the product. There is continuous potential to expand the number of complexes that have agreements with SK Encar.
- Yield and margin: Potential to increase yield given value it provides dealers in terms of preserving their gross margin. There is opportunity to increase the Guarantee margin through improved utilisation and automation of labour intensive activities to fulfil guarantees.



As a result of the Encar safety diagnosis the car was determined to be an **accident free car**

Frame	Exterior panel
Front panel / Inside panel	normal
Front Wheel House / Rear Wheel House	normal
Fiber Panel (L / R) / Dash Panel / Floor Panel	normal
Side Sash Panel / Quarter Panel	normal

Diagnosis comment

Performance check: View more > | Insurance History: My Car Damage 2 times Tar 1k 1 time | Loan note: | Fenclosure / mortgage: Issue 0 / Mortgage 0



<sup>1</sup> An accident that has damaged the main frame of a vehicle

- Finance revenue is now a material contributor to webmotors, comprising ~15% of revenue, and growing rapidly.
- Growth driven by a digital integration with Santander bank, which allows seamless credit assessment, including approval into Cockpit, webmotors' CRM tool.
- The listing increases awareness of a dealer's finance offering earlier in the sales process for consumers and is improving finance conversion rates for dealers.
- webmotors is paid a 2% of loan balance success fee for loans that originate from a pre-approved consumers.
- There is considerable upside as the product is rolled out to more dealers and optimised to increase conversion from pre-approval to converted loan.

Revenue generated from success fees (BRLm)

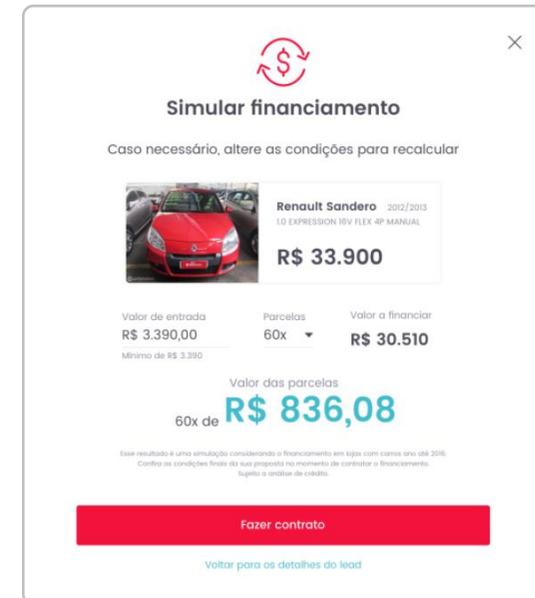


1  
Consumer enters personal info and social security number

2  
Banco Santander offers pre-approval and a personalised interest rate

3  
The webmotors app issues a unique voucher to the consumer

4  
The consumer scans voucher at dealer to initiate loan



A woman with her hair in a bun, wearing sunglasses, leans out of the open window of a dark-colored car. She is looking out over a vast, golden field of tall grass or wheat under a warm, hazy sky at sunset. The scene is bathed in a soft, golden light, creating a sense of peace and connection with nature.

# FY20 OUTLOOK

# PERFORMANCE OUTLOOK

## Group Outlook

Consistent with our guidance at the AGM in October 2019, we anticipate Group Revenue, Adjusted EBITDA<sup>2</sup> and Adjusted NPAT<sup>2</sup> growth to be solid in FY20<sup>1</sup>.

Domestic business performance in January has remained solid, with the exception of display advertising. Domestic Dealer, Private and Data business performance has been solid in January, reflecting the continued resilience of these segments. In Display, we anticipate a similar run rate against pcp in the second half to that achieved in the first half subject to no further deterioration in advertising market conditions.

In Korea, we expect continued good growth in revenue and earnings. In Brazil, we expect continued strong growth in revenue and earnings. In the remainder of our Latin American businesses we expect similar growth rates to those achieved in the first half.

<sup>1</sup> Growth from 'AASB 16 - Leases' restated FY19 result.

<sup>2</sup> Adjusted EBITDA and Adjusted NPAT stated above is on a continuing basis, post non-controlling interests and excludes certain non-recurring or non-cash items.



# APPENDIX

# OVERVIEW OF CARSALES NON-IFRS FINANCIAL INFORMATION

## What is IFRS and non-IFRS financial information?

- IFRS financial information is financial information that is presented in accordance with all relevant accounting standards.
- Non-IFRS financial information is financial information that is presented other than in accordance with all relevant accounting standards. For example:
  - Revenue or profit information calculated on a basis other than under accounting standard definitions or calculated with accounting standards and then adjusted e.g. "adjusted", "underlying" or "look-through".

## What non-IFRS financial information does carsales disclose in its half year and year end results presentations?

- carsales presents reported financial information for its business segments, associates and investments where applicable IFRS financial information exists. The financial

information presented is sourced directly from financial information prepared in accordance with all relevant accounting standards and has been subject to either review or audit by carsales' external auditors (PwC).

- In carsales' investor presentations the company aims to provide equal or greater prominence to IFRS financial information. However, we also present or refer to non-IFRS financial information. Please note, all information labelled "Reported" in this presentation complies with IFRS.
- Non-IFRS financial information is calculated based on statutory IFRS financial information and adjusted to show either a position excluding significant items which have been removed OR presented based on carsales' effective equity ownership interest of an entity's underlying revenue, EBITDA or NPAT.
- Any non-IFRS financial information is clearly labelled as "underlying", "Adjusted" or "look-through" to differentiate it from reported/IFRS financial information.
- carsales provides reconciliations on the face of slides, appendices and in footnotes of

presentations in order to allow the reader to clearly reconcile between the IFRS and non-IFRS financial information.

## Why does carsales disclose non-IFRS financial information in its half year and full year results presentations?

- carsales has invested in businesses in Malaysia, Thailand, Indonesia, South Korea, Mexico, Chile, Brazil and Argentina and has become a global portfolio of online automotive assets. Accordingly carsales management believes that the presentation of additional non-IFRS information in its half year and full year results presentations provides readers of these documents with a greater understanding into the way in which management analyses the business as well as meaningful insights into the financial conditions of carsales overall performance.
- The Australian Securities and Investment Commission ("ASIC") acknowledges the relevance of non-IFRS financial information in providing "meaningful insight" as long as it does not mislead the reader.

# RECONCILIATION OF REPORTED TO ADJUSTED NPAT

Half Year Ending 31 December 2019	\$A Millions		Growth	
	H1 FY19 <sup>1</sup>	H1 FY20	\$'s	%
<b>Reported NPAT (continuing operations)</b>	<b>58.5</b>	<b>71.2</b>	<b>12.7</b>	<b>22%</b>
<b>Expense Adjustments</b>				
Restructuring and M&A transaction costs <sup>2</sup>	-	2.0		
<b>Interest Adjustments</b>				
Option Discounting Unwind	0.2	-		
Option Movement in Fair Value	(1.2)	(5.2)		
<b>Investment Adjustments</b>				
Gain on disposal of business	-	(1.1)		
Gain on associate dilution	(1.6)	-		
Fair value revaluation post NCI	-	(7.1)		
<b>Adjusted NPAT before one-off items</b>	<b>55.9</b>	<b>59.8</b>	<b>3.9</b>	<b>7%</b>
<b>Acquired intangible amortisation</b>				
Webmotors	0.3	0.3		
SK Encar	3.0	3.1		
Soloautos	0.0	0.0		
Chileautos	0.2	0.2		
<b>Total acquired intangible amortisation</b>	<b>3.5</b>	<b>3.6</b>	<b>0.1</b>	<b>4%</b>
<b>Adjusted NPAT (continuing operations)</b>	<b>59.4</b>	<b>63.4</b>	<b>4.0</b>	<b>7%</b>
Weighted Average Number of Shares	243,533,302	244,975,908		
Adjusted Earnings per Share (cents)	24.4	25.9	1.5	6%
Reported Earnings per Share (cents)	24.0	29.1	5.1	21%

<sup>1</sup> FY19 results have been restated to reflect the adoption of AASB16

<sup>2</sup> One-off organisational restructure and M&A transaction costs.

# ADJUSTED FINANCIALS - CONTINUING OPERATIONS

\$A Millions	H1 FY19 <sup>1</sup>			H1 FY20			Growth %	
	Half Year Ending 31 December 2019	Reported	Adjustments	Adjusted	Reported	Adjustments	Adjusted	Reported
<b>Total revenue</b>	<b>204.9</b>	-	<b>204.9</b>	<b>214.1</b>	-	<b>214.1</b>	<b>5%</b>	<b>5%</b>
Total operating expenses	103.9	-	103.9	109.6	(2.2)	107.4	(5%)	(3%)
<b>EBITDA</b>	<b>100.9</b>	-	<b>100.9</b>	<b>104.5</b>	<b>2.2</b>	<b>106.7</b>	<b>4%</b>	<b>6%</b>
<i>EBITDA margin</i>	<i>49.3%</i>		<i>49.3%</i>	<i>48.8%</i>		<i>49.8%</i>		
Depreciation & amortisation	15.1	(4.0)	11.1	17.6	(4.0)	13.6	(16%)	(23%)
<b>EBIT</b>	<b>85.8</b>	<b>4.0</b>	<b>89.9</b>	<b>86.9</b>	<b>6.2</b>	<b>93.1</b>	<b>1%</b>	<b>4%</b>
Net financing cost	7.0	1.0	8.0	2.1	5.2	7.3	71%	9%
<b>Profit Before Tax</b>	<b>78.8</b>	<b>3.0</b>	<b>81.9</b>	<b>84.8</b>	<b>1.0</b>	<b>85.8</b>	<b>8%</b>	<b>5%</b>
Income Tax Expense	23.5	0.8	24.4	24.8	0.9	25.7	(6%)	(6%)
Profits from associates	1.5	0.3	1.8	2.4	0.3	2.7	62%	53%
Fair value revaluation	-	-	-	9.8	(9.8)	-	n/a	n/a
Gain on associate investment dilution	2.1	(2.1)	-	-	-	-	n/a	n/a
Gain on business disposal	-	-	-	1.1	(1.1)	-	n/a	n/a
Non-controlling interest (NCI)	(0.4)	0.5	0.1	(2.0)	2.6	0.6	(438%)	(317%)
<b>Net profit after tax (continuing)</b>	<b>58.5</b>	<b>0.9</b>	<b>59.4</b>	<b>71.2</b>	<b>(7.8)</b>	<b>63.4</b>	<b>22%</b>	<b>7%</b>

<sup>1</sup> FY19 results have been restated to reflect the adoption of AASB16.

# CARSALES "LOOK-THROUGH" P&L ANALYSIS

	H1 FY19 <sup>1</sup>				H1 FY20				Growth %		
	% Owned	Reported	Underlying	Look Through	% Owned	Reported	Underlying	Look Through	Reported	Underlying	Look Through
<b>Revenue</b>											
carsales International											
webmotors	30%	Equity Acc'ted	31.7	9.5	30%	Equity Acc'ted	41.1	12.3	n/a	30%	30%
SK Encar	100%	29.3	29.3	29.3	100%	33.1	33.1	33.1	13%	13%	13%
RedBook Asia and NZ	100%	2.0	2.0	2.0	100%	2.2	2.2	2.2	9%	9%	9%
soloautos	100%	0.9	0.9	0.9	100%	1.3	1.3	1.3	44%	44%	44%
chileAutos	100%	3.0	3.0	3.0	100%	2.6	2.6	2.6	-13%	-13%	-13%
Demotores	100%	0.8	0.8	0.8	100%	0.4	0.4	0.4	-50%	-50%	-50%
<b>Total International</b>		<b>36.0</b>	<b>67.7</b>	<b>45.5</b>		<b>39.6</b>	<b>80.7</b>	<b>51.9</b>	<b>10%</b>	<b>19%</b>	<b>14%</b>
carsales Domestic											
Domestic Core Business	100%	146.9	146.9	146.9	100%	150.3	150.3	150.3	2%	2%	2%
Domestic Investments <sup>3</sup>	Various <sup>3</sup>	21.9	27.1	15.9	Various <sup>3</sup>	24.2	31.5	19.2	11%	16%	21%
<b>Total Domestic</b>		<b>168.8</b>	<b>174.0</b>	<b>162.8</b>		<b>174.5</b>	<b>181.8</b>	<b>169.5</b>	<b>3%</b>	<b>4%</b>	<b>4%</b>
<b>Total Revenue</b>		<b>204.9</b>	<b>241.7</b>	<b>208.3</b>		<b>214.1</b>	<b>262.6</b>	<b>221.4</b>	<b>5%</b>	<b>9%</b>	<b>6%</b>
<b>Adjusted EBITDA</b>											
carsales International											
webmotors	30%	Equity Acc'ted	13.2	4.0	30%	Equity Acc'ted	18.2	5.5	n/a	38%	38%
SK Encar	100%	14.0	14.0	14.0	100%	16.3	16.3	16.3	16%	16%	16%
RedBook Asia and NZ	100%	1.1	1.1	1.1	100%	1.2	1.2	1.2	11%	11%	11%
soloautos	100%	(2.5)	(2.5)	(2.5)	100%	(2.7)	(2.7)	(2.7)	-9%	-9%	-9%
chileAutos	100%	1.0	1.0	1.0	100%	0.9	0.9	0.9	-8%	-8%	-8%
Demotores	100%	(1.3)	(1.3)	(1.3)	100%	(0.8)	(0.8)	(0.8)	39%	39%	39%
<b>Total International</b>		<b>12.3</b>	<b>25.5</b>	<b>16.3</b>		<b>14.9</b>	<b>33.1</b>	<b>20.4</b>	<b>21%</b>	<b>30%</b>	<b>25%</b>
carsales Domestic											
Domestic Core Business	100%	87.8	87.8	87.8	100%	91.9	91.9	91.9	5%	5%	5%
Domestic Investments <sup>3</sup>	Various <sup>3</sup>	0.8	(4.3)	(0.5)	Various <sup>3</sup>	(0.1)	(6.0)	(1.3)	-108%	-39%	-164%
<b>Total Domestic</b>		<b>88.6</b>	<b>83.6</b>	<b>87.3</b>		<b>91.8</b>	<b>85.9</b>	<b>90.6</b>	<b>4%</b>	<b>3%</b>	<b>4%</b>
<b>Total Adjusted EBITDA<sup>2</sup></b>		<b>100.9</b>	<b>109.0</b>	<b>103.6</b>		<b>106.7</b>	<b>119.0</b>	<b>110.9</b>	<b>6%</b>	<b>9%</b>	<b>7%</b>

<sup>1</sup> FY19 results have been restated to reflect the adoption of AASB16

<sup>2</sup> Adjusted EBITDA stated above is on a continuing basis, excludes certain non-recurring or non-cash items relating to restructuring and M&A transaction cost. see slides 36-37 for a reconciliation of Adjusted EBITDA to Reported EBITDA

<sup>3</sup> Domestic Investments comprises RedBook Inspect, tyresales, RateSetter and PromisePay

carsales "look-through" methodology: For equity accounted associates and consolidated subsidiaries, add the total revenue or EBITDA for the period of ownership within the reporting period multiplied by the % ownership over the period. Some "look-through" numbers involve the disclosure of non IFRS information - Refer to carsales' Disclosure of Non IFRS information on slide 35 for further details.

# STRATTON FINANCE – DISCONTINUED OPERATIONS

Half Year Ending 31 December 2019	\$A Millions		Variance	
	H1 FY19	H1 FY20	\$'s	%
Core Finance	19.4	15.8	(3.5)	(18%)
Other products	11.5	6.9	(4.7)	(41%)
<b>Total Revenue</b>	<b>30.9</b>	<b>22.7</b>	<b>(8.2)</b>	<b>(27%)</b>
Cost of sales	9.9	5.0	4.9	49%
Other expense	69.2	21.7	47.5	69%
Income tax expense	(0.1)	0.4	(0.5)	n/a
Non controlling interest (NCI)	-	0.1	0.1	n/a
<b>carsales share of Reported NPAT</b>	<b>(48.1)</b>	<b>(4.5)</b>	<b>43.5</b>	<b>n/a</b>

In June 2019, the Group announced its intention to divest the 50.1% stake in Stratton Finance Pty Ltd. Stratton has been treated as a held for sale asset and a discontinued operation. All numbers in this presentation exclude Stratton Finance for all periods presented unless otherwise stated.

Subsequent to 31 December 2019, the Company has agreed to sell its 50.1% stake in Stratton Finance Pty Ltd (“Stratton”) to a third party. The sale process also triggered the separation and sale of Stratton’s 8.3% direct interest in RateSetter to its underlying shareholders, which resulted in a non-cash gain. The net impact of the Stratton sale is a \$2.7m income statement gain for carsales shareholders. carsales expects the sale to be completed by June 2020.



carsales  com Ltd