

Wednesday, 12 May 2021

carsales to acquire 49% of leading US digital marketplace business Trader Interactive, and launch approximately A\$600m equity raising

Key Highlights

- carsales has entered into a Securities Purchase Agreement to acquire a 49.0% interest in Trader Interactive for US\$624m¹, or approximately A\$797m² equivalent.
- The Acquisition Price values Trader Interactive on a 100% EV basis at US\$1,625m, or approximately A\$2,074m² equivalent, representing a CY20⁵ EV / adjusted EBITDA acquisition multiple of 26.5x³.
- The Acquisition represents a strategically compelling opportunity for carsales to further build out its international scale and industry diversification with exposure to attractive verticals in the United States.
- The Transaction is expected to be EPS⁴ positive on a pro-forma basis, with mid-single digit EPS accretion from year one which is expected to grow thereafter.
- carsales is well placed to support Trader Interactive's growth, leveraging its technology and experience in other international markets.
- carsales has a call option to acquire the remaining interest in Trader Interactive.
- The Acquisition is to be funded with the following combination of equity and debt:
 - approximately A\$600m fully underwritten pro-rata accelerated renounceable entitlement offer (with retail rights trading); and
 - balance funded by upsize of existing debt facility from existing lenders.
- The Acquisition remains subject to customary closing conditions, which are expected to be satisfied in H1 FY22.

Acquisition of Trader Interactive

carsales.com Ltd ("**carsales**", ASX:CAR) today announced that it has agreed to acquire a 49.0% interest in Trader Interactive ("**Trader interactive**") (the "**Acquisition**"), a leading platform of branded marketplaces in the United States ("**US**"), providing digital marketing solutions and services across the commercial truck, recreational vehicle, power sports and equipment industries, for US\$624m¹, or approximately A\$797m² ("**Acquisition Price**").

The Acquisition values Trader Interactive on a 100% Enterprise Value ("**EV**") basis at US\$1,625m, or approximately A\$2,074m equivalent², representing a CY20⁵ EV / EBITDA acquisition multiple of 26.5x³. The Acquisition together with the Entitlement Offer described below ("**Transaction**") is expected to be Earnings per Share ("**EPS**") positive from completion, with mid-single digit EPS accretion from year one which is expected to grow thereafter.

Completion of the Acquisition under the Securities Purchase Agreement is subject to customary closing conditions, including carsales obtaining the necessary regulatory approvals, which are expected to be satisfied by early H1 FY22.

¹ Acquisition price calculated as 100% EV less net debt and other adjustments of US\$351m (as at 31 March 2021), multiplied by 49% being the interest in Trader Interactive acquired by carsales. The final Acquisition Price is subject to completion adjustments and may differ from the number reported in this announcement.

² Assumes an AUD / USD exchange rate of 0.784.

³ Based on reviewed Adjusted EBITDA in CY20 of US\$61m which includes pro forma and other normalisation adjustment.

⁴ Based on Adjusted EPS before amortisation of intangibles and one-off transaction costs. The impact of purchase price accounting has not been completed and which will impact future amortization charges. In accordance with AASB 133, carsales' pre Transaction EPS has been restated based on an adjustment factor to take into account the bonus element of the Entitlement Offer.

⁵ CY20 Data has been extracted from the Trader Interactive audited financials and is reported in US GAAP.

Group CEO of carsales, Cameron McIntyre, commented on the Acquisition:

carsales Managing Director and CEO Cameron McIntyre says, "Having held Australian market leading positions in bikes, boats, caravans (RV's) and truck marketplaces since 2005, the company has developed strong intellectual property and product & technology capabilities that can be leveraged into global markets.

We have demonstrated an ability to build valuable international partnerships over many years in our automotive business and see this acquisition as an important milestone in carsales' international and vertical marketplace expansion. It also represents a significant investment to support our long-term growth.

This acquisition is expected to accelerate our international growth strategy by providing us with exposure to a significant market in the United States across attractive non-automotive verticals. We are excited by the opportunity this investment provides carsales and look forward to working closely with Trader Interactive in helping them achieve their objectives and delivering shareholder value."

Overview of Trader Interactive

Founded in 2010 in Norfolk, Virginia, Trader Interactive is a leading platform of branded marketplaces in the US, providing digital marketing solutions and services across commercial truck, recreational vehicle ("RV"), powersports, and equipment industries. The business generated Adjusted Revenue⁸ of US\$123m and Adjusted EBITDA⁸ of US\$61m in CY20. The business has a strong track record of delivering earnings growth with EBITDA CAGR of 13% over the last five years.

Trader Interactive offers marketplace services across listings subscriptions, private party listings, brand advertising, listing enhancements, as well as offering software, dealer services and data insights to provide dealer and industry intelligence for customers. It has a diversified customer base of dealer and original equipment manufacturers ("OEMs") with over 8,500 dealers and over 49 OEM relationships. From a website perspective Trader Interactive had approximately 1 million online listings and an average of over 13 million monthly unique visitors in 2020⁶. It currently has over 380 employees.

Strategic Rationale for Acquisition

The Acquisition represents a strategically compelling transaction for carsales and its shareholders. The key strategic highlights include:

- Opportunity to grow and diversify carsales' business by geography and industry, with Trader Interactive providing exposure to appealing verticals in the large US market.
- Trader Interactive is a market leader in the US across RVs and powersports, with a leading position in the Trucks and Equipment categories, and a strong portfolio of branded marketplaces with a large customer base
- Trader Interactive is well positioned to capture upside from further dealer penetration and monetisation across its key verticals which will support future growth opportunities
- Ability to leverage carsales' experience in vertical marketplaces, its international technology platform and its track record of delivering increased dealer penetration in large markets.

Acquisition Structure

carsales will invest alongside existing owners West Street Capital Partners VII, L.P. ("**Goldman Sachs PIA**"), Eurazeo North America Inc. ("**Eurazeo**"), management and employees who collectively own the remaining 51% interest in Trader Interactive.

carsales has a call option to acquire the remaining interest in Trader Interactive on specified terms.

⁶ Based on figures provided to the company by Trader Interactive as at December 2020.

carsales FY21 Performance Update

We provide the following estimate of the FY21 results for the carsales business excluding the Acquisition.

All numbers referenced in relation to FY21 are unaudited and will be subject to review as part of our year-end audit process. The result ranges are an estimate only to keep the market as well informed as possible and we note significant volatility and uncertainty remains given the impact of COVID-19. All estimates below exclude the impact of the proposed Acquisition, including any transaction costs.

A\$m	FY20 ⁷ Actual	FY21 Estimate	Growth
Adjusted Revenue ⁸	422	433-437	3-4%
Adjusted EBITDA ⁸	232	250-254	8-10%
Adjusted NPAT ⁸	138	149-153	8-11%
<i>Adjusted EBITDA Margin %</i>	55%	57%-58%	-
Reported Revenue	394	422-426	7-8%
Reported EBITDA	202	238-242	18-20%
Reported NPAT	120	130-134	8-12%

The estimated results reflect the continued strength of our Australian and international businesses. Domestic business performance in the first four calendar months reflects continued healthy levels of demand in the Australian automotive and non-automotive market as well as increased adoption in key growth products.

Our international businesses are delivering excellent financial results, particularly in Korea whilst Brazil continues to demonstrate resilience in a challenging COVID-19 environment.

Acquisition Funding

The Acquisition Price will be funded by a combination of debt and equity. carsales announces the launch of approximately A\$600m fully underwritten pro-rata accelerated renounceable entitlement offer (with retail rights trading) to fund the Acquisition (the “**Entitlement Offer**”). The remaining A\$222m will be funded via an extension of existing debt facilities from existing lenders.

carsales remains committed to maintaining a strong and prudent balance sheet to support the business going forward. carsales' pro forma last twelve months (“**LTM**”) to 31 December 2020 Net Debt / Adjusted EBITDA⁸ will be 2.3x⁹.

Equity Raising

Under the Entitlement Offer eligible shareholders will be entitled to subscribe for 1 new carsales share (“**New Share**”) for every 6.99 shares held on the record date of Monday, 17 May, 2021 (“**Record Date**”). Approximately 35.3m new ordinary shares will be issued under the Entitlement Offer, equivalent to approximately 14.3% of current issued capital.

The Entitlement Offer will be conducted at A\$17.00 per new share (“**Offer Price**”), which represents a:

- 12.9% discount to the last closing price of A\$19.51 on Tuesday, 11 May 2021; and

⁷ FY20 Asia segment revenue and expense has been restated to treat certain expenses as a reduction in revenue, resulting in a A\$1.4m reduction in revenue and expense.

⁸ Adjusted Revenue, Adjusted EBITDA and Adjusted NPAT stated above is post non-controlling interests, new ventures, pro forma and other non-recurring or non-cash normalisations. Refer to the Investor Presentation provided to ASX today for disclosure of non-IFRS information and Reported to Adjusted reconciliation.

⁹ Based on debt position as at 31 December 2020 as set out in the carsales reviewed financial statements for the half year ended 31 December 2020, including the pro-forma adjustments to reflect the impact of the Acquisition.

- 11.4% discount to the Theoretical Ex-Rights Price (“**TERP**”)¹⁰ of A\$19.20

New Shares issued under the Entitlement Offer will rank equally with existing fully paid shares from the date of issue.

Institutional Entitlement Offer

The Institutional Entitlement Offer opens today and closes on Thursday, 13 May 2021. Institutional Entitlements not taken up and entitlements of ineligible institutional shareholders will be sold in an institutional shortfall bookbuild, which opens on Thursday, 13 May 2021 and closes on Friday 14 May 2021, and any proceeds in excess of the Offer Price will be paid to relevant shareholders.

Retail Entitlement Offer

Eligible retail shareholders will be invited to participate in the Retail Entitlement Offer at the same Offer Price and offer ratio as under the Institutional Entitlement Offer. The Retail Entitlement Offer will open at 9:00am (Melbourne time) on Wednesday, 19 May 2021 and close at 5:00pm (Melbourne time) on Wednesday, 2 June 2021.

Eligible retail shareholders in Australia and New Zealand have a number of options under the Retail Entitlement Offer:

- Elect to take up all or part of their pro rata entitlements under the Retail Entitlement Offer prior to 5.00pm (Melbourne time) on Wednesday, 2 June 2021.
- Sell or transfer all or part of their retail entitlements, which may be traded on the ASX from Monday, 17 May 2021 (on a deferred settlement basis) and Wednesday, 19 May 2021 (on a normal settlement basis) to Wednesday, 26 May 2021.
- Do nothing and let their retail entitlements be offered for sale through the retail shortfall bookbuild process managed by the Underwriters, with any proceeds in excess of the Offer Price (net of any withholding tax and expenses) paid to the relevant shareholder.

Timetable

Event	Date ¹¹
Trading halt and announcement of Entitlement Offer	Wednesday, 12 May 2021
Institutional Entitlement Offer opens	Wednesday, 12 May 2021
Institutional Entitlement Offer closes	Thursday, 13 May 2021
Institutional Entitlement Offer Shortfall book closes	Friday, 14 May 2021
Announcement of results of Institutional Entitlement Offer	Monday, 17 May 2021
Trading halt lifted and shares recommence trading on an ex-entitlement basis	Monday, 17 May 2021
Record Date for Entitlement Offer (7.00pm Melbourne time)	Monday, 17 May 2021
Retail rights commence trading on the ASX	Monday, 17 May 2021
Retail Entitlement Offer opens and Retail Offer Booklet made available	Wednesday, 19 May 2021
Settlement of new shares issued under the Institutional Entitlement Offer	Friday, 21 May 2021

¹⁰Theoretical Ex-Rights Price (“**TERP**”) is a theoretical calculation only and the actual price at which carsales shares trade immediately following the ex-date for the Entitlement Offer. The actual trading price of carsales’ shares may be different from TERP. TERP is calculated by reference to carsales’ closing price of A\$19.51 on Tuesday, 11 May 2021, being the last trading day prior to the announcement of the Entitlement Offer.

¹¹The timetable is indicative only and subject to change. carsales and the Underwriters may, in their absolute discretion, vary any of the above dates by lodging a revised timetable with the ASX.

Allotment and normal trading of new shares issued under the Institutional Entitlement Offer	Monday, 24 May 2021
Close of retail rights trading on the ASX	Wednesday, 26 May 2021
Retail Entitlement Offer closes (5.00pm Melbourne time)	Wednesday, 2 June 2021
Announcement of results of Retail Entitlement Offer	Monday, 7 June 2021
Retail Entitlement Offer shortfall bookbuild	Monday, 7 June 2021
Announce results of Retail Entitlement Offer shortfall bookbuild	Tuesday, 8 June 2021
Settlement of new shares issued under the Retail Entitlement Offer	Thursday, 10 June 2021
Allotment of new shares under the Retail Entitlement Offer	Friday, 11 June 2021
Normal trading of new shares issued under the Retail Entitlement Offer	Tuesday, 15 June 2021
Holding statements in respect of new shares issued under the Retail Entitlement Offer despatched	Wednesday, 16 June 2021

Additional Information

Further details of the Acquisition and Entitlement Offer are set out in the accompanying Investor Presentation provided to the ASX today.

Advisors

carsales has engaged Morgan Stanley Australia as sole financial advisor and Arnold Bloch Leibler and Skadden, Arps, Slate, Meagher & Flom LLP as co-legal advisors.

Goldman Sachs & Co, LLC and Jefferies LLC are serving as co-lead financial advisors to Trader Interactive, with Credit Suisse also advising Trader Interactive.

- ENDS -

Release authorised by the carsales.com Ltd Board

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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 and Encar, the leading automotive business in South Korea. carsales wholly owns classifieds businesses in Mexico, Argentina and Chile and is a significant minority shareholder of webmotors in Brazil. carsales is regarded as one of Australia's original disruptors and has expanded to include a large number of market-leading brands. The carsales network is Australia's number one online destination for buying and selling cars, motorbikes, trucks, boats, caravans, and machinery equipment. carsales has world-leading technology and advertising solutions that can be leveraged across its businesses around the world.

Find out more at www.carsales.com.au

IMPORTANCE NOTICE

Forward looking statements

This announcement contains forward looking statements and comments about future events, which reflect carsales' intent, belief or expectation as at the date of this announcement. Forward looking statements can be identified by forward-looking terminology including, without limitation, "expect", "anticipate", "likely", "intend", "should", "could", "may", "predict", "plan", "propose", "will", "believe", "forecast", "estimate", "target", "due to" and other similar expressions within the meaning of securities laws of applicable jurisdictions. Indications of, and guidance or outlook on, future earnings or financial position or performance are also forward looking statements. Forward looking statements involve inherent known and unknown risks, uncertainties and contingencies, both general and specific, many of which are beyond carsales' control, and there is a risk that such predictions, forecasts, projections and other forward looking statements will not be achieved. Actual results may be materially different from those expressed or implied in forward-looking statements and any projections and assumptions upon which these statements are based. Forward looking statements are provided as a general guide only, are based on the information available to carsales as at the date of this announcement and should not be relied on as an indication, representation or guarantee of future performance.

You are strongly cautioned not to place undue reliance on forward-looking statements, particularly in light of the current economic climate and the significant volatility, uncertainty and disruption caused by COVID-19. Subject to any legal obligation to do so, carsales does not undertake to update or review any forward looking statements.

Not for distribution or release in the United States

This announcement does not constitute an offer to sell, or the solicitation of an offer to buy, securities in the United States. Neither the entitlements nor the New Shares have been, or will be, registered under the U.S. Securities Act of 1933, as amended ("**US Securities Act**") or the securities laws of any state or other jurisdiction of the United States. Accordingly, the entitlements may not be taken up or exercised by, and the New Shares may not be offered or sold to, directly or indirectly, persons in the United States, except in transactions exempt from, or not subject to, the registration requirements of the US Securities Act and any other applicable securities laws of any state or other jurisdiction of the United States.