

ASX RELEASE 27 OCTOBER 2023

**2023 ANNUAL GENERAL MEETING  
MANAGING DIRECTOR'S ADDRESS TO SHAREHOLDERS**

Good morning everyone and welcome to the carsales 2023 Annual General Meeting.

Once again it has been another hugely eventful and transformational year for the company. We've continued to evolve considerably across many different fronts – from the acquisition of controlling stakes in both the United States with Trader Interactive and in Brazil with webmotors, to developing new products both here in Australia and in our global markets. Through all this the company's performed exceptionally well and I look forward to taking you through our FY23 performance in a moment.

Before I do, in keeping with tradition I'd like to play a short video for you. This year we were able to attend the Australian Automotive Dealer Association convention and expo in person and we showed this video to highlight how we've supported them through the year. And we will share that video with you now.

Turning to the presentation:

**Slide 4 – Delivering Strong Shareholder Returns**

- As the Managing Director and a shareholder this is the place I like to start the presentation as it reflects how hard we have continued to work and perform in delivering strong total shareholder returns over a long period of time.
- The gap between the performance of the company (being the dark blue line) and the broader market has once again continued to widen significantly over the last 12 months which is very pleasing to see.

**Slide 5 – FY23 Financial Highlights**

- Looking at our financial highlights it is clear to see that it has been a fantastic year for the business, and we're very pleased with what our teams have accomplished. We've delivered excellent financial outcomes for shareholders, whilst making strong progress executing our strategy and long term priorities. We also acquired controlling stakes in Trader Interactive and webmotors which was a milestone for the business as more than 50% of our revenue now comes from outside of Australia.
- The pro forma results on this page are the best reflection of the underlying performance of the company as they rebase FY22 to fully include Trader Interactive and webmotors. On this basis it was great to see 18% growth in revenue and 19% growth in EBITDA.
- Just as pleasing was the double digit revenue and EBITDA growth across each of our Australian, US, Brazilian, Latam and Korean operations.

**Slide 6 – Operational Highlights**

- We've also delivered a strong operational performance. We continue to see good levels of trading activity in our vehicle marketplaces, which reflects the strength of our business model and the value we deliver to our customers, particularly given we're operating in a higher interest rate environment. This is also a testament to our sustained investment new products and marketing.

### **Slide 7 – Market Opportunity**

- When it comes to investment, we've put our capital to work in markets with significant long term growth potential, and you're seeing us consistently realise that potential - this has been on display again this year.
- We've built an incredible Australian business over the last 25 years and it's now complemented by an enviable portfolio of international assets. We see a substantial growth opportunity in these large, attractive addressable markets over many years to come.
- On the right hand side you can see that while we've doubled our share of TAM or Total Addressable Market over the past 8 years, we still only hold around a 9% share of the overall estimated opportunity. We're well placed to continue to grow that over time given the strength of our capability and the quality of the marketplace businesses we have.

### **Slide 8 – Strong US Growth Since Acquisition**

- We're very pleased with the progress of the Trader Interactive business since completing the 100% acquisition in September last year. We're ahead of our own expectations in terms of executing on our investment thesis and delivering against the synergies we identified as part of the transaction. This has included delivery of new product, good customer acquisition and investing in technology to drive future growth.
- The strong execution of new product combined with excellent customer acquisition has seen our revenue growth rates increase in H2 to 16% on pcp.
- We really feel like we're only just scratching the surface, with plenty of ongoing opportunity to grow our customer base and the penetration of premium products.

### **Slide 9 – Strong webmotors Progress**

- Since 2014 you've heard us say that we would like to own more of Webmotors, and this year that became a reality. Whilst we've only recently transitioned to a controlling stake at webmotors, we've already started to deploy some new product initiatives. We launched dynamic pricing in May and have already seen a strong uplift in private yield, similar to our experience in Australia, the US and Chile. And our investment in increasing brand awareness in regional highly populated cities is also starting to pay dividends which you can see on the graph on the left hand side of the slide. Our focus in early FY24 has been on the media business, where there's a significant opportunity to improve monetisation through better use of carsales' technology and product suite.

### **Slide 10 - Delivered Compelling Double Digit Growth over 16 years through different economic cycles**

- This slide captures the revenue and EBITDA performances of all the businesses we now own on a pro forma basis since 2007. The message here is that the company has consistently delivered growth through all economic cycles for shareholders.
- The business actually has a lot of countercyclical attributes and despite higher interest rates more recently we're seeing good growth in both our operational and financial metrics, which gives us confidence in our outlook for FY24.

**Slide 11 – Positive Outlook for FY24**

- Turning to our outlook statement, and 4 months into the new financial year we are very pleased with how the company continues to perform, which gives us confidence in the reiteration of the outlook statement provided in mid August which was:
  - On a pro forma basis we expect to deliver good growth in revenue and EBITDA.
  - On an actual basis, given the inclusion of Trader Interactive and webmotors for a full year, we expect to deliver very strong growth across revenue and EBITDA and strong growth in NPAT.
  - We expect to see margins improve again in FY24 on a pro forma basis.

**Slide 13 – Strong Track Record of Growth**

- Diving into our financial performance, the company has delivered excellent outcomes in FY23, generating strong revenue and earnings growth.
- The results we've achieved show continued growth momentum, demonstrating our resilience against a more complex macroeconomic backdrop. We're confident in our ability to continue delivering good results given the size of the opportunities we have in front us and our multiple levers for growth.

**Slide 14 – P&L Summary**

- This is a summary of our P&L and you can see the strong increase in revenue, EBITDA and D&A which reflects the impact of consolidating Trader Interactive and webmotors for the first time in FY23.
- The increase in finance costs comes from additional debt taken on to fund the TI acquisition, and the increases in base interest rates over the last 12 months.
- The group's tax rate in FY23 was lower than last year, reflecting minimal tax payable on Trader Interactive's earnings. This is largely due to Trader Interactive utilising tax deductions for the amortisation of purchase price intangible assets.
- The Group delivered adjusted net profit of \$278m which was 43% higher year on year.
- Adjusted EPS growth is a better representation of the underlying performance of the business as it includes the increase in shares on issue from recent capital raises. On this basis it was pleasing to see growth of 17%.

**Slide 15 – Segment Summary**

- This slide shows the business on a pro forma basis which consolidates Trader Interactive and webmotors in both current and comparative periods. As previously mentioned this view provides the best representation of the underlying performance of our business, and it's fantastic to see double digit revenue growth across all regions which reflects the strength of our operational performance in the last 12 months.

**Slides 16 – Strong Cashflow and Robust Balance Sheet**

- Looking at our cashflow and Balance Sheet, we generated strong operating cash flows in FY23, with an EBITDA to cash flow conversion ratio of 99%, which highlights our strong working capital profile and discipline in cash flow management.
- From a funding perspective we delivered pro-forma leverage of under 2x which is where we feel most comfortable.
- The business continues to invest in key products and technologies to drive current and future revenue growth. As you can see on the far right side of the slide we've have made some great progress over the last 12 months in product development.

**Slide 18 – Market Observations**

- Before we jump into financial performance by segment it's useful to provide a bit of context around our operating environment.
- We have seen traffic and lead metrics come off COVID pandemic highs, but they all still remain nicely above pre pandemic 2019 levels at 30 June.
- From an inventory perspective we've seen levels rise across all major markets. Trader Interactive and webmotors are still below 2019 levels, Australia is on par whilst Korean inventory is higher than pre COVID.

**Slide 19 – Australia**

- FY23 delivered the best financial result for our Australian business since around 2013 with double digit growth in revenue and EBITDA.
- We continue to invest in building an increasingly online buying and selling experience, and we've extended our market leadership from both an audience and inventory perspective, reflected in the double digit revenue growth in each of our key dealer, private and media revenue segments.

**Slide 20 – North America – Trader Interactive**

- At Trader Interactive we've seen outstanding performance over the last 12 months, with revenue and earnings up 14% and 17% on pcp respectively on a constant currency basis with growth rates increasing in H2.
- EBITDA margins expanded through the benefits of continued operating leverage with margins growing from 57% to close to 59%.
- We observed growth in all verticals, with RV and powersports the stand outs through growth in yield and customer penetration in particular. The truck segment has been improving nicely, reflected in increased inventory levels and consistent customer acquisition each month. Across the business we've added net 300 plus paying dealer customers over the last 12 months across all our major verticals.

**Slide 21 – Latin America – webmotors**

- webmotors has had another outstanding 12 months, with revenue growth of 29% and EBITDA growth of 31% on pcp on a proforma constant currency basis.
- We've increased our market share in large areas outside of Sao Paulo and Rio de Janeiro, through acquiring new dealers, growing our audience and adding more private sellers. webmotors is uniquely positioned to capture market share with exceptional buyer and seller engagement metrics and a sophisticated suite of digital products.
- The results shown in the table also include the contribution of webmotors' adjacent market subsidiaries, Car10 and Loop. Both businesses have demonstrated excellent growth in revenue and earnings over the last 12 months.

**Slide 22 – Asia – Encar**

- Encar in South Korea delivered another excellent performance this year, with double digit growth in revenue and EBITDA up 11% and 12% respectively on a constant currency basis.
- This was driven by the continued expansion of the Guarantee inspection product with the addition of 4 sites and growing customer penetration within existing branches. Encar also continues to make strong progress on its mission to facilitate online car transactions which was reflected in the strong growth of its Encar Home digital retailing services.

**Slide 23 – Latin America & carsales Investments**

- **Latin America (ex Brazil)**
  - We've seen a much improved 12 months for our Chilean operations as inventory levels have increased materially from pandemic lows.
  - As a result, Chile has delivered outstanding revenue growth in the dealer and private segments.
  - The other thing to note here is that after around 8 years, we have decided to exit our unprofitable Mexican business soloautos. With COVID behind us and having acquired a controlling stake in Webmotors, we felt our efforts would be better served elsewhere in the Americas.
- **carsales Investments**
  - Looking at the right side of the chart, carsales investments includes businesses we consider to be standalone from our core marketplaces and includes adjacent services.
  - The biggest contributor to this segment is our tyre business, which saw underlying revenue growth of 8% on pcp which was a solid outcome. Profitability was more challenging due to continued elevation in freight and labour costs.
  - Our Redbook Inspect business demonstrated good growth in underlying inspection volumes, particularly in our pre purchase and rideshare segments.

**Slide 25 – Our Global Priorities**

- We're really passionate about delivering the most frictionless buying and selling experience for our customers around the world.
- We remain very alive to the competitive dynamics in each market and we're sharply focussed on execution as we now move through FY24. This focus is particularly targeted in the 5 key areas articulated on this slide. Over the last 12 months we've made excellent progress in each of these areas, which I'll provide more detail on in the following slides.

**Slide 26 – Market leadership**

- Our goal here is to solidify and extend our market leadership positions in all our markets. As you can see, we're doing a good job in this area as demonstrated by our audience lead versus our nearest competitors in each key jurisdiction. We're well placed with the network effects we've got to continue delivering the strongest possible value proposition for our consumers and dealers.

**Slide 27 - Digital Retailing**

- Given our huge global audience and digital capabilities across the group, we're very well placed to facilitate the increasingly digital buying and selling experience people are looking for.
- While most consumers aren't currently willing to complete the entire process online, we're focused on providing consumers with the option to pick and choose which parts of the process they wish to complete digitally. As you can see, we're making excellent progress in reducing the friction across each step of the buying process on this digital journey in each of our key markets.
- A few key highlights to call out in terms of progress over the last 6 months – in Australia we've launched a digital finance application process, and in the US we're now facilitating safe and secure payments. In Brazil we're improving the finance integration with Santander and have integrated our repair & service marketplace Car10 into webmotors.
- Overall, there's still a long way to go, but the benefits of this strategy are already being reflected in the growth we're seeing which is giving us the confidence to keep investing in these areas.

### Slide 28 – Dynamic Pricing

- Over the last 7 years we've been able to evolve our pricing strategy for private sellers in Australia from a simple fixed price model to value and location based pricing. This has delivered strong yield growth and more recently we've included metro / rural based pricing to optimise volumes and yield in FY24.
- It's really pleasing to see the dynamic pricing strategy being replicated in Brazil and the US, with strong early results and plenty of upside still to be delivered there over time.

### Slide 29 – Media

- As you may recall, we modified our media strategy in Australia a couple of years ago to diversify more heavily into non-automotive customer segments and introduce more innovative audience, programmatic and native product solutions.
- The evolution of our carsales match and id products is an extension of this more sophisticated product offering, which enables our advertising partners to better target a specific audience as well as purchase our media products in a much more convenient way. Both initiatives have contributed to the excellent growth we're seeing in the Australian media segment and have significant potential future revenue upside.
- We're also now seeing the potential to deploy some of this technology into our global markets. In Q4 FY23 we deployed carsales' programmatic advertising technology into Trader Interactive, which has driven a significant increase in viewability and monetisation, and we expect will provide decent financial upside for Trader Interactive in FY24. This programmatic advertising solution also has the potential to scale into Brazil and Korea with minimal additional work.

### Slide 30 – Future Horizons

- The vehicle industries we operate in are undergoing a lot of change, including the growth in electric vehicle adoption, new OEM operating models and the increasing digitisation of the buying and selling process. At carsales we're uniquely positioned to respond to and benefit from many of these trends, which is the key thesis of our future horizons strategy. We're constantly exploring new ideas and opportunities to grow.
- As shown on this slide we think about future horizons across four key pillars.
- The first is ensuring we continually fuel internal innovation through in-house product development.
- The second pillar includes us extending our audience and competitive advantage into new markets. A good recent example is the release of our caravan camping accessories ecommerce store.
- The third pillar is continuing to explore M&A opportunities where we can deploy our IP and technology into attractive new markets.
- And the final pillar is making small investments in very select early stage businesses to make sure we're leveraging insights and trends from the most innovative early stage businesses operating in our industries. Key focus areas include electrification, autonomous vehicles and fintech.

### Slide 31 – Artificial Intelligence

- AI isn't anything new for us. As you can see from this slide, we've been investing in and using AI for a long time. The three pillars of our AI strategy are around enhancing the consumer experience on site, enhancing elements of trust & safety and optimising our business processes. You can see a number of use cases we currently have in play today on the slide.
- AI has become more topical recently given the prevalence and increased adoption of large language models. There's undoubtedly a significant opportunity for carsales to better utilise our data through AI. We see ongoing opportunity around assisted experiences for customers, like a personalised conversational search experience or AI assisted content generation for new ads.
- Other areas of opportunity include further optimising software engineering processes to help developers write code faster and more accurately or automating other manual processes across the business.
- In short, AI is helping us to build better solutions and improve productivity.

### Slide 32 – Sustainability

- As a business we're committed to being a responsible corporate citizen and taking action on environmental, social and governance issues.
- Our teams are dedicating more focus to ESG issues, given the growth in the group's global footprint. As you can see from the slide here, we've made some excellent progress in this space over the last 12 months. This includes publishing our first TCFD report and implementing a subsidiary board risk management framework which will be critical in helping us manage local country risks and business performance.

### Slide 33 – How carsales creates shareholder value

- This is the last slide in the deck – to summarise we've had an excellent 12 months on all fronts and we're looking forward to FY24 and the opportunities it presents to us.
- Some of those opportunities include continuing to build on our market leadership positions, growing our competitive advantage and delivering long term sustainable growth for shareholders.
- We're focused on removing friction points in buying and selling – you can see how that continues to play out for us in the context of the earlier slide around digital retailing.
- We know we've got great opportunity in our international markets with new products, but we're also focused on growing customer acquisition and take rates over time.
- In the last 12 months there has been more IP and technology transfers within the group, with plenty more to come
- Finally, we are a good generator of cash and as our EBITDA margins continue to expand over time you'll see this continue to be a feature of the business – whilst also investing for future growth and paying attractive dividends to shareholders.

Thank you for your attendance today, I'll now hand back to the Chair of the meeting.

Release authorised by and for further enquiries please contact:

Cameron McIntyre

Managing Director and CEO

cameron.mcintyre@carsales.com.au

(03) 9093 8667