

February 13, 2019

Continuing to deliver on the international growth strategy

Group financial information

A\$m	H1 FY19	H1 FY18	Growth
Revenue	235.0	200.5	17%
EBITDA	98.0	91.0	8%
Reported Net Profit After Tax	11.1	60.6	(82%)
Adjusted Net Profit After Tax	60.2	61.4	(2%)
Adjusted Earnings Per Share (cents)	24.7	25.4	(2%)

Cameron McIntyre, CEO of carsales, commenting on the H1 FY19 results:

"The company has performed well across most of our key business areas in the first half of FY19. The long-term investment in our international growth strategy is generating significant upside, with excellent revenue and earnings growth recorded in our two largest investments in Korea and Brazil. We have reinforced our leadership position in our domestic market, reflected in the pleasing growth of the core private, dealer and data business divisions.

"As announced at last year's Annual General Meeting, the performance of our display advertising business division in the first half of this financial year has been challenging in a tougher market for finance, insurance and new car sales in Australia. The company is highly committed to ensuring we continue developing the right product and capability in this area which is reflected in our refreshed new car product offering which we believe supports the needs of both customers and consumers in buying and selling more cars.

"As foreshadowed in December, we also recognised an impairment of \$47.8m in relation to our investment in Stratton, reflecting the adverse impact of ASIC's legislative changes on car financing, as well as continued tight credit market conditions.

"Our inspection and tyresales businesses continue to be key components in our adjacent market growth strategy, enabling us to service consumers across more of the auto ownership cycle. The success of our recently released extended warranty product is an example of how we continue to leverage our brand and membership base to enter adjacent markets.

"We are committed to maintaining an innovative and agile business that is capable of evolving in a fast-changing environment, which combined with a strong focus on our strategic priorities, positions us well for continued growth."

Financial summary

- Reported revenue of \$235m, up 17% on the prior corresponding period (pcp)
- Reported EBITDA of \$98m, up 8% on pcp
- Adjusted NPAT of \$60.2m, down 2% on pcp
- Reported NPAT of \$11.1m, down 82% on pcp
- Adjusted EPS of 24.7c, down 2% on pcp
- Interim dividend of 20.5c, consistent with pcp

Highlights

- Delivering on our international growth strategy:
 - International look through revenue growth of 79% and International look through EBITDA growth of 83%.
 - Pleasing underlying revenue growth across our entire international portfolio, as we continue to deploy carsales IP and technology.
 - Brazil had a standout performance, with underlying local currency revenue growth of 31% and EBITDA growth of 54%.
 - Korea delivered an excellent result with underlying local currency revenue and EBITDA growth of 20% and 22% respectively.
 - Completed the acquisition of the remaining 16.7% stake in our Chilean business, chileautos.
- Reinforcing our domestic market leadership position:
 - Continued to maintain clear leadership positions across all metrics, including inventory, customer engagement and reputation. Traffic to carsales saw consistent solid growth throughout H1.
 - Pleasing growth of 8% in the domestic dealer business, driven by ongoing growth in used car lead volumes, yield improvements and continued increase in depth product penetration.
 - Solid performance from the domestic private business, with revenue up 12% on pcp. This was underpinned by growth in premium private advertising products, as well as our adjacent market businesses.
 - We mitigated the impact of a soft revenue result in the display area of the business with strong cost discipline, reflected in an expansion of core business margins in the first half.
 - Our online tyre business, tyresales, delivered a good revenue result, reflecting our compelling value proposition to consumers.

Domestic summary

- Domestic revenue growth of 2% on pcp comprising Private revenues up 12% on pcp, Dealer up 8%, Data, Research and Services up 6%, Display down 16% and Finance and Related Services down 4%.
- The solid contribution from our dealer, private and data businesses was partly offset by weakness in the display and finance business divisions in the first half.

Cameron McIntyre, CEO of carsales stated: “We continue to be the clear market leader in auto classifieds in Australia, with the largest and most engaged consumer audience. The release of our ‘Price Indicator’ product (which provides car buyers with more information and transparency on the price of cars on carsales) is illustrative of our continued focus and commitment to help make the buying and selling process easier and seamless for our consumers.

“Dealer lead to sale closing ratios continue to improve, which is testament to our sustained investment in reducing friction in the buy/sell process. Some key investments we have made in this area include our Autogate inventory and lead management applications, SMS lead delivery technology, enhanced appraisal and inspection products and simplifying our promote products through automation.

International summary

- International look through revenue growth of 79% and International look through EBITDA growth of 83%, reflecting a significant increase in the overall contribution from our international businesses.
- SK Encar (Korea) underlying local currency revenue growth of 20% and EBITDA growth of 22%.
- Webmotors (Brazil) underlying local currency revenue and EBITDA growth of 31% and 54% respectively, reflecting the rewards of the significant investments made into the business.
- Chile local currency revenue growth of 28% as we continue to extend our market leadership position.
- Strong revenue growth in Argentina and Mexico as we continue to invest in these businesses in our aggressive pursuit of clear market leadership.

“We are making excellent progress advancing our international growth strategy, and it is very pleasing to see the increasing international contribution to the company, which should only continue given the growth trajectory of these businesses,” McIntyre commented.

“The integration of SK Encar into the carsales group continues to progress smoothly, with underlying local currency revenue up 20% and EBITDA up 22% in the first half. There was good growth across all SK Encar’s key revenue channels of Dealer, Private and Display and there continues to be significant growth potential in this business.

“Webmotors in Brazil delivered another outstanding result with underlying local currency EBITDA up 54% compared with H1 FY18. Dealer numbers grew 19% and inventory grew 38% as the business is benefiting from the Santander partnership and IP carsales has deployed into Brazil over the last five years.

“Brazil’s success continues to provide the strategic roadmap for our earlier stage Latin American businesses in Mexico, Argentina and Chile, and it also reinforces that we can achieve significant long-term upside from investment in these attractive markets. We are seeing positive operational metrics that demonstrate the progress we are making towards being a clear market leader in each of the countries in which we operate,” said McIntyre.

Dividend

The carsales.com Limited Board of Directors has declared a final dividend of 20.5 cents per share which will be paid on April 5, 2019. The record date for the dividend payment is March 20, 2019.

Outlook

Cameron McIntyre, CEO of carsales, commented: "We continue to monitor our performance and market conditions in each market in which we operate. Assuming these remain consistent, we anticipate revenue, EBITDA and Adjusted NPAT growth will be moderate in the second half of FY19."

On the Domestic outlook, McIntyre stated: "Domestic core business performance in January has remained solid, with the exception of display advertising. Whilst the display segment remains challenging, we are anticipating improving performance in the second half. We anticipate our domestic adjacent businesses of tyresales and Redbook Inspect will continue to build scale.

"As detailed in our market announcement in December, our Finance and Related Services business continues to be impacted by credit tightening as a result of the Financial Services Royal Commission and the recent ASIC legislative changes."

On the International outlook, McIntyre stated: "In Brazil, we anticipate continued strong local currency revenue and earnings growth in H2 FY19. In South Korea, we are expecting good local currency revenue and earnings growth in H2 FY19.

"Integration of core carsales IP and technology into Chilean, Mexican and Argentinian businesses will continue. In Chile we expect this to drive a good uplift in local currency revenue and earnings. In Mexico and Argentina, we expect this to drive good growth in local currency revenue and key performance metrics. We continue to execute on our planned investment in technology, marketing and innovation in these businesses to aggressively pursue market leadership."

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Notes to Editors:

Financial Reports and Investor Presentations can be downloaded from

<http://shareholder.carsales.com.au/Investor-Centre/>

REPORTED RESULTS

Half Year Ending 31 December 2018	\$A Millions		
	H1 FY18	H1 FY19	%
Revenue			
Online Advertising	142.0	146.4	3%
Data, Research and Services	20.6	21.8	6%
carsales Asia	1.8	31.3	1,605%
carsales Latin America	4.0	4.6	16%
Finance and Related Services	32.1	30.9	(4%)
Total revenue	200.5	235.0	17%
Total operating expenses	109.5	137.0	25%
EBITDA	91.0	98.1	8%
<i>EBITDA margin</i>	<i>45.4%</i>	<i>41.7%</i>	
Depreciation & amortisation	5.1	8.2	61%
EBIT	85.9	89.8	4%
Net financing cost	3.0	7.0	131%
Profit Before Tax	82.9	82.8	(0%)
Income Tax Expense	24.5	24.5	(0%)
Profits from associates	4.7	1.8	(62%)
Non-controlling interest (NCI)	(1.7)	0.1	(108%)
Adjusted NPAT*	61.4	60.2	(2%)
Adjustments	(0.8)	(49.1)	n/a
Reported net profit after tax	60.6	11.1	(82%)
Adjusted earnings per share (cents)*	25.4	24.7	(2%)
Reported earnings per share (cents)	25.0	4.6	(82%)

* Adjusted NPAT and earnings per share stated above is post non-controlling interests and excludes certain non-recurring or non-cash items relating to financing, Investments and acquired intangible amortization as set out in the FY19 Half Year Financial Statements.

About carsales.com Ltd

Founded in 1997, carsales.com Ltd (ASX: CAR) operates the largest online automotive, motorcycle and marine classifieds business in Australia. carsales is regarded as one of Australia's original disruptors and has expanded to include a large number of market-leading brands. Employing over 1200 people around the world, carsales develops world-leading technology and advertising solutions in Melbourne that drive its business around the world. Find out more at carsales.com.au