

**ASX RELEASE
23 APRIL 2020****Update on business response to COVID-19**

On 20 March 2020, carsales.com Ltd (carsales or Company) (ASX: CAR) provided an update on the impact of COVID-19 on its business, which resulted in the withdrawal of the Company's FY20 outlook statement.

The Company today provides a further update to its 20 March 2020 announcement. This is to keep the market as well informed as possible. carsales continues to be unable to provide specific financial guidance for FY20 due to the unpredictability of the current operating environment.

Actions to support our Australian dealer customers

In support of carsales' trade customers and the industries in which the Company operates, carsales has waived all its fixed and variable advertising charges for the month of April and provided a 50% discount in May. carsales has also deferred payment of April and May advertising invoices by 30 days. This support package will contribute significantly to reducing dealers' short term operating costs and demonstrates carsales' strong commitment to supporting the Australian industry it serves through these difficult times.

Cost reduction measures and capital management

carsales has implemented cost saving initiatives to mitigate the near-term financial impact of COVID-19 given reduced market activity and lower revenue. This cost management program has been carefully balanced to support the short term performance of the business as well as its long term strategic priorities and growth agenda.

The cost management initiatives include:

- Board and Executive remuneration reduced by 20% from 1 April 2020 to 30 June 2020;
- c.250 employees in Australia stood down temporarily, with most of these on a partial basis. This is predominantly in external customer facing roles where activity has been impacted by changes to customers operations from government restrictions and social distancing measures;
- Reduction of other discretionary costs across the business such as outdoor brand marketing.

carsales has a strong balance sheet and prudent gearing levels which positions the business well in the current operating environment. At the end of March, carsales had a net debt position of \$355m, a net debt to EBITDA leverage ratio of 1.6x and a strong liquidity position with ~\$190m in available cash.

Trading observations

Australia

The increased social distancing measures introduced by the government in the last month have impacted sales volumes across the automotive industry. This has translated to a reduction in buying and selling activity on carsales, impacting the revenue performance across operating segments. Key operating metrics have been impacted as follows:

- Lead volumes
 - Until 10 March 2020 private seller and dealer used car lead volumes were growing solidly against the prior corresponding period (pcp).
 - Between 10 March 2020 and 21 April 2020 lead volumes have been down approximately 25% versus pcp on average, with an improved trajectory since the Easter weekend.
- Inventory
 - Total inventory on carsales.com.au has increased from c.210k to 230k over the last month, likely driven by factors including:
 - dealers listing all available inventory in the absence of listing and lead charges in April pursuant to carsales' dealer support initiatives referenced above;
 - growth in new cars in stock resulting from some manufacturers relaxing third party advertising restrictions; and
 - an increase in time to sell for both private and dealer inventory due to COVID-19 impact.
- Traffic
 - Traffic on carsales.com.au has remained resilient over the past month, which is a reflection of the underlying demand that exists for buying, selling and researching cars even in this challenging environment.

South Korea

The SK Encar business continues to perform well. While South Korea has clearly been impacted by COVID-19, economic activity to date has been significantly less impacted than many other first world countries with the spread of the virus being controlled without extended economic shutdown. Key operating metrics remain solid with March 2020 inventory, listing volumes and traffic all higher than pcp, reinforcing continued good growth in revenue and EBITDA on pcp.

Brazil

There has been a steady escalation in the impact of COVID-19 in Brazil over the last few weeks, which has started to impact some of Webmotors' key operating metrics with lead volumes down approximately 30% in the last 2 weeks.

Commenting on today's update, carsales CEO Cameron McIntyre said, "Our overriding priority continues to be the safety and wellbeing of our employees and customers around the world in these challenging times. We remain focused on managing short term performance while positioning the business to come out of the current environment in good shape. Our market leading position, strong customer proposition and diversification across geography and product supports our resilience and positions carsales well into the future."

** NB. References to any financial or operating metrics post December 2019 are unaudited.*

ENDS

Release authorised by the carsales.com Ltd Board.

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