

carsales delivers solid growth for another record result

Releases FY17 full year results

August 9, 2017

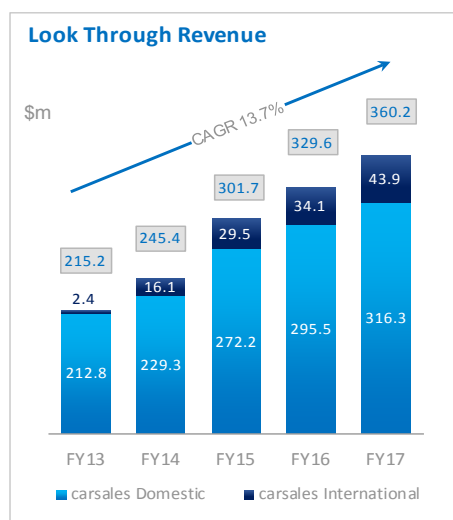
Financial Snapshot FY17 compared to FY16:			Cameron McIntyre, CEO Comment:
Revenue	Up 8%	\$372.1m	"It has been an amazing year at carsales, and one I am very proud of. FY17 yet again represented a year where many new milestones were reached and challenges overcome and I'm delighted to deliver another year of record performance."
EBITDA	Up 4%	\$176.5m	
Adjusted NPAT	Up 8%	\$119.1m	
Adjusted EPS	Up 8%	49.4c	
Final Dividend	Up 10%	21.5c	

Financial Highlights:

- Excluding Finance and Related Services segment, overall Company revenue growth of 13% and EBITDA growth of 7%;
- Very strong increase in Domestic Private business, with revenue up 27% and increasing contributions from adjacent markets, particularly tyresales and RedBook Inspect;
- Continued solid growth in core dealer and display products with new premium products proving popular with customers;
- Stratton Finance returned to pcp growth in Q4 after previously announced capacity reductions at one of its major lenders were overcome;
- Our international businesses are gaining momentum with continued strong growth in SK Encar with underlying revenue up 29% and underlying EBITDA up 32% on pcp in local currency;
- Webmotors finished off the year strongly with H2 underlying revenue and EBITDA growth of 15% and 44% respectively. H2 EBITDA was 69% higher than H1.

CEO overview:

carsales.com Ltd CEO and Managing Director Cameron McIntyre said carsales' core business performance in the period was pleasing and the Company has once again delivered great results for customers and continued strong returns for shareholders.



"This is my first set of results as CEO and it's pleasing to report yet another year of record financial performance with revenue up 8% to \$372.1m," said McIntyre. "This year has seen solid contributions from carsales' core domestic business units and very pleasingly Stratton Finance moved back into revenue growth in the 4th quarter of the year. Some of our other adjacent business opportunities such as Redbook Inspect and tyresales are continuing to demonstrate strong revenue growth potential.

"We view our international expansion as one of the key contributors to our long term growth strategy and over the past twelve months we have continued to see some very positive developments," continued McIntyre.

“Our International investments are gaining momentum and now beginning to make a solid contribution to the business with International revenue on a look through basis growing to be 12% of our total business. The potential for this part of the Company remains significant.”

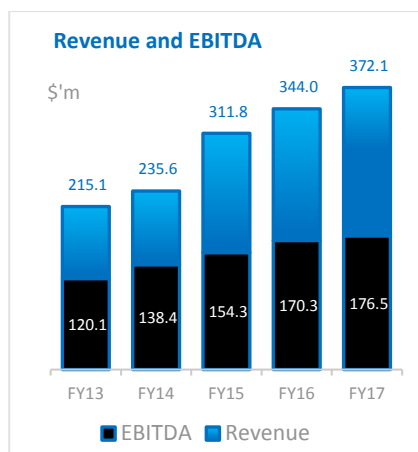
Domestic growth

The core domestic segments exhibited good revenue growth with Private up 27%, Dealer up 8%, Display up 7% and Data and Research Services up 10%. This performance reflects a solid contribution from traditional advertising products enhanced by acceleration in our adjacent businesses (particularly tyresales and Redbook Inspect) and premium listing/depth products.

Across both consumer and commercial business units the Company has continued to drive new product innovation in a bid to improve consumer experience, enable customers to differentiate their offerings and where possible reduce the number of friction points in the buy/sell process.

“The evolution of products such as advertising depth, instant offer and the launch of our natural language search are three clear examples of the effort going into strengthening our market leading products,” said McIntyre. “There is plenty more to come with our investments in data science and artificial intelligence providing further opportunities to create more compelling personalised experiences for consumers and our commercial customers”.

Whilst Finance and Related Services had a challenging year due to volume capacity reductions at a major lender, which impacted year on year performance, McIntyre said the segment was starting to show some positive signs once again.



“It’s pleasing to see some early signs of recovery in core finance revenue. The business responded well to this challenge with overall core finance broking revenue declining by only 3% on pc, and returning to growth in Q4. Finance lead generation remains strong and the initiatives we put in place to improve conversion rates and lower service costs have been positive,” said McIntyre.

International progress

“Our international strategy is beginning to bear fruit with some of our businesses around the world starting to deliver significant returns for the Company,” said McIntyre. “There was strong growth in reported profits from our associates, up 61%. This is a testament to our international strategy and sets the business up well for future expansion.”

SK Encar had very strong growth with underlying revenue and EBITDA up 29% and 32% respectively. There was increased contribution from our majority owned Latin American businesses with the inclusion of Demotors for the first time, adding the promising Argentinian market to the carsales Latin American portfolio. The second half saw significant improvement in Webmotors’ performance with some early signs of a recovery in the Brazilian economy which was reiterated by the IMF this month.

"The performance of our International business is significant, and this year has cemented carsales as the number one online automotive classified network operating across the Latin American region," said McIntyre.

Dividend up 10%

The carsales.com Limited Board of Directors has declared a fully franked final dividend of 21.5 cents per share, up 10% to be paid on 19 October 2017. The record date for the dividend payment is 22 September 2017.

Outlook

"Domestic core business performance in July has remained solid. We expect our domestic adjacent businesses to continue to build scale and breadth consistent with FY17 and our premium listing and depth products to continue growing well" commented McIntyre.

"Assuming market conditions remain stable we anticipate revenue, EBITDA and NPAT growth will remain solid in the domestic core business. Our Finance and Related Services business has demonstrated signs of stabilising in Q4 which we anticipate will continue into FY18.

"Internationally, assuming market conditions remain stable, Korea is expected to see good local currency revenue and earnings growth. There are positive signs regarding macroeconomic conditions in Brazil and subject to the continued stabilisation of the economy, we expect to see solid local currency revenue and earnings growth in FY18 for Webmotors. We expect integration of core carsales IP and technology into our Chilean, Mexican and Argentinian businesses to continue. This should provide an uplift in their revenue and earnings in FY18," said McIntyre.

ENDS

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Notes to Editors:

Media & analyst call: Full Year Results Announcement, 2017

Time of call: 09:30am AEST

Date of call: 9 August 2017

Conference ID: 4849 8843

Dial In Number: +61 2 8038 5221

Toll-free Dial In: 1800 123 296

FY17 Annual Report and Investor Presentation can be downloaded from

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

RESULTS OVERVIEW

Year Ending 30 June 2017	\$A Millions		Growth	
	FY16	FY17	\$'s	%
Revenue excluding Finance and Related Services segment	281.0	316.7	35.7	13%
EBITDA excluding Finance and Related Services segment	154.5	166.0	11.5	7%
Adjusted NPAT*	110.56	119.1	8.6	8%

REPORTED RESULTS

Year Ending 30 June 2017	\$A Millions		Growth	
	FY16	FY17	\$'s	%
Revenue				
Online Advertising	240.7	269.1	28.4	12%
Data, Research and Services	35.9	39.3	3.4	10%
International	4.4	8.3	3.9	87%
Finance and Related Services	63.0	55.4	(7.6)	(12%)
Total revenue	344.0	372.1	28.1	8%
Total operating expenses (before Interest, depreciation and amortisation)	173.7	195.6	(21.9)	(13%)
EBITDA	170.3	176.5	6.2	4%
<i>EBITDA margin</i>	<i>50%</i>	<i>47%</i>		
Depreciation & amortisation	7.5	10.0	(2.5)	(33%)
EBIT	162.8	166.5	3.8	2%
Net interest expense	8.4	6.9	1.5	18%
Profit Before Tax	154.4	159.6	5.2	3%
Income Tax Expense	47.4	48.3	(0.9)	(2%)
Profits from associates	5.3	8.5	3.2	61%
Gain on sale of business	0.9	-	(0.9)	n/a
Gain/(loss) on associates fair value adjustment and investment dilution	0.9	(6.8)	(7.7)	n/a
Non-controlling interest (NCI)	(4.8)	(3.5)	1.3	27%
Reported net profit after tax	109.3	109.5	0.2	-
Adjusted net profit after tax*	110.5	119.1	8.6	8%
Adjusted earnings per share (cents)*	45.9	49.4	3.5	8%

* Adjusted NPAT and earnings per share stated above is post non-controlling interests and excludes gains on business disposal, one-off gains on associate dilution and fair value remeasurement, one-off tax gains and acquired intangible amortisation.

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 850 people, carsales develops world leading technology and advertising solutions in Melbourne that drive its business around the world. Find out more at carsales.com.au