

carsales  com ltd

# Full year results presentation

YEAR ENDED 30 JUNE 2017



# Disclaimer and non-IFRS information

## Disclaimer

The material in this presentation has been prepared by carsales.com Limited (ASX: CAR) ABN 91 074 444 018 ("carsales") and is general background information about carsales' activities current as at the date of this presentation. The information is given in summary form and does not purport to be complete. In particular you are cautioned not to place undue reliance on any forward looking statements regarding our belief, intent or expectations with respect to carsales' businesses, market conditions and/or results of operations, as although due care has been used in the preparation of such statements, actual results may vary in a material manner. Information in this presentation, including forecast financial information, should not be considered advice or a recommendation to investors or potential investors in relation to holding, purchasing or selling securities. Before acting on any information you should consider the appropriateness of the information having regard to these matters, any relevant offer document and in particular, you should seek independent financial advice.

## Non-IFRS Financial Information

carsales' results are reported under International Financial Reporting Standards (IFRS). This presentation also includes certain non-IFRS measures including, "adjusted", "underlying" "proforma" and "look through". These measures are used internally by management to assess the performance of our business and our associates, make decisions on the allocation of resources and assess operational management. Non-IFRS measures have not been subject to audit or review. All numbers listed as reported comply with IFRS.

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A man and a woman are driving in a car. The man is in the driver's seat, wearing a red plaid shirt and sunglasses, looking out the window. The woman is in the passenger seat, wearing a white tank top and sunglasses, looking at a map held by the man. The car's interior and the road ahead are visible through the windows.

# Key Highlights

TO 30 JUNE 2017



# FY17 highlights



## REPORTED REVENUE

Up 8% to \$372m.  
Excluding Finance  
segment up 13%.



## REPORTED EBITDA

Up 4% to \$177m.  
Excluding Finance  
segment up 7%.



## ADJUSTED NPAT\*

Up 8% to \$119m.

## FINANCIAL HIGHLIGHTS

- Solid full year results. Excluding Finance and Related Services segment, FY17 pcg revenue growth of 13% and EBITDA growth of 7%.
- Reported revenue growth of 8%, reported EBITDA growth of 4% and Adjusted NPAT\* growth of 8%. Reported NPAT\*\* flat at \$110m primarily due to \$7.1m iCar write-down in the first half.

## DOMESTIC HIGHLIGHTS

- Strong pcg revenue growth across the Online Advertising and Data Research and Services segments of 12% and 10% respectively.
- Increasing contributions from domestic adjacent markets, particularly tyresales and RedBook Inspect, with revenue growth rates increasing between FY16 and FY17.
- Solid growth in core dealer and display products.
- Improved Finance and Related Services segment performance in the second half.

## INTERNATIONAL HIGHLIGHTS

- Continued strong growth in SK Encar with underlying local currency revenue growth of 29% and EBITDA up 32% on pcg in local currency.
- Webmotors finished off the year strongly with H2 underlying local currency revenue and EBITDA growth of 15% and 44% respectively. H2 EBITDA was 69% higher than H1 EBITDA.
- chileautos and soloautos continue to perform well with increased dealer numbers and display products starting to gain traction.

\* Adjusted NPAT stated above is post non-controlling interests and excludes one off gains on sale of business, one-off gains and losses on associate dilution and fair value re-measurement, one-off tax gains and acquired intangible amortisation. See slide 36 regarding the disclosure of non-IFRS Information and slide 37 for a reconciliation of Adjusted NPAT to Reported NPAT.

\*\* Reported NPAT stated above is post non-controlling interests.

A man wearing a black hat and glasses, and a woman, are both smiling and looking at a tablet held by the man. They are in a bright, modern office environment with large windows in the background.

# Reported Group Financial Performance

TO 30 JUNE 2017

# Financial overview

- Solid growth in revenue rising to \$372.1m, up by 8% on pcp.
- Excluding Finance and Related Services, revenue growth of 13% and EBITDA growth of 7%.
- Operating expenses (before interest and D&A) up 13%. Overall, H2 expense growth rate was higher than H1 growth rate primarily reflecting increased contribution of lower margin adjacent and international businesses. Core expense growth rate lower in H2 than H1.
- Finance and Related Services performance impacted by significant volume capacity reductions at a major lender, with lower yields from volume bonus incentives. Revenue returned to positive growth in Q4.
- Adjusted NPAT\* growth of 8% on pcp to \$119.1m.
- D&A increased by \$2.5m reflecting acquisition related intangible asset amortisation and depreciation of capitalised labour. This supports group wide integration and globalisation projects.
- Strong growth in reported profits from associates at 61%. Particularly strong performances from Webmotors and SK Encar in the second half with underlying EBITDA up 44% and 43% respectively.
- H1 one-off non-cash \$6.8m loss from associates fair value adjustments in the year. Comprises \$7.1m write-down of investment in iCar Asia to market value and \$0.3m gain on Ratesetter investment top-up.
- Adjusted EPS up 3.5 cents per share to 49.4, up 8% on pcp. Reported EPS consistent with pcp at 45.4 cents per share.
- Final FY17 dividend of 21.5 cents per share declared up 10% on pcp (FY16 final dividend of 19.5 cents per share).

	A\$ Millions		Growth	
Year Ending 30 June 2017	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%)
<b>Total revenue</b>	<b>344.0</b>	<b>372.1</b>	<b>28.1</b>	<b>8%</b>
Total operating expenses (before interest, depreciation and amortisation)	173.7	195.6	(21.9)	(13%)
<b>EBITDA</b>	<b>170.3</b>	<b>176.5</b>	<b>6.2</b>	<b>4%</b>
<i>EBITDA margin</i>	50%	47%		
Depreciation & amortisation	7.5	10.0	(2.5)	(33%)
<b>EBIT</b>	<b>162.8</b>	<b>166.5</b>	<b>3.7</b>	<b>2%</b>
Net interest expense	8.4	6.9	1.5	18%
<b>Profit Before Tax</b>	<b>154.4</b>	<b>159.6</b>	<b>5.2</b>	<b>3%</b>
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%
<b>Reported net profit after tax</b>	<b>109.3</b>	<b>109.5</b>	<b>0.2</b>	-
Earnings Per Share (cents)	45.4	45.4	-	-
<b>Adjusted net profit after tax*</b>	<b>110.5</b>	<b>119.1</b>	<b>8.6</b>	<b>8%</b>
Adjusted earnings per share (cents)*	45.9	49.4	3.5	8%

\* Adjusted NPAT stated above is post non-controlling interests, excludes one off gains on sale of business, one-off gains and losses on associate dilution and fair value re-measurement, one-off tax gains and acquired intangible amortisation. See slide 36 regarding the disclosure of non-IFRS Information and slide 37 for a reconciliation of Adjusted NPAT to Reported NPAT

# Segment performance

A\$ Millions	Online Advertising				Data, Research and Services				International				Subtotal carsales Group Exc F&RS				Finance and Related Services				Total carsales Group			
	FY16	FY17	\$'s	%	FY16	FY17	\$'s	%	FY16	FY17	\$'s	%	FY16	FY17	\$'s	%	FY16	FY17	\$'s	%	FY16	FY17	\$'s	%
Total Revenue	240.7	269.1	28.4	12%	35.9	39.3	3.4	10%	4.4	8.3	3.9	87%	281.0	316.7	35.7	13%	63.0	55.4	(7.6)	(12%)	344.0	372.1	28.1	8%
Cost of sales	14.2	23.2	(9.0)	(63%)	0.1	0.2	(0.1)	(64%)	-	-	-	-	14.3	23.4	(9.1)	(63%)	15.9	10.6	5.3	33%	30.2	34.0	(3.8)	(13%)
<b>Gross Profit</b>	<b>226.5</b>	<b>245.9</b>	<b>19.4</b>	<b>9%</b>	<b>35.8</b>	<b>39.1</b>	<b>3.3</b>	<b>9%</b>	<b>4.4</b>	<b>8.3</b>	<b>3.9</b>	<b>87%</b>	<b>266.7</b>	<b>293.3</b>	<b>26.6</b>	<b>10%</b>	<b>47.1</b>	<b>44.8</b>	<b>(2.3)</b>	<b>(5%)</b>	<b>313.8</b>	<b>338.1</b>	<b>24.3</b>	<b>8%</b>
Operating expenses	94.7	103.2	(8.5)	(9%)	14.4	15.7	(1.3)	(9%)	3.1	8.4	(5.3)	(171%)	112.2	127.3	(15.1)	(13%)	31.3	34.3	(3.0)	(10%)	143.5	161.6	(18.1)	(13%)
<b>EBITDA</b>	<b>131.8</b>	<b>142.7</b>	<b>10.9</b>	<b>8%</b>	<b>21.4</b>	<b>23.4</b>	<b>2.0</b>	<b>9%</b>	<b>1.3</b>	<b>(0.1)</b>	<b>(1.4)</b>	<b>-</b>	<b>154.5</b>	<b>166.0</b>	<b>11.5</b>	<b>7%</b>	<b>15.8</b>	<b>10.5</b>	<b>(5.3)</b>	<b>(34%)</b>	<b>170.3</b>	<b>176.5</b>	<b>6.2</b>	<b>4%</b>

## Online advertising and Data, Research & Services

- Core domestic segments of Online Advertising and Data, Research and Services exhibited good revenue growth of 12% and 10% respectively, reflecting a solid performance from traditional advertising products enhanced by acceleration in our adjacent businesses (particularly tyresales and Redbook Inspect) and premium listing/depth products.
- Operating expense increases in these segments principally reflects increased contribution from our lower margin adjacent businesses (such as tyresales and Redbook Inspect).

## International

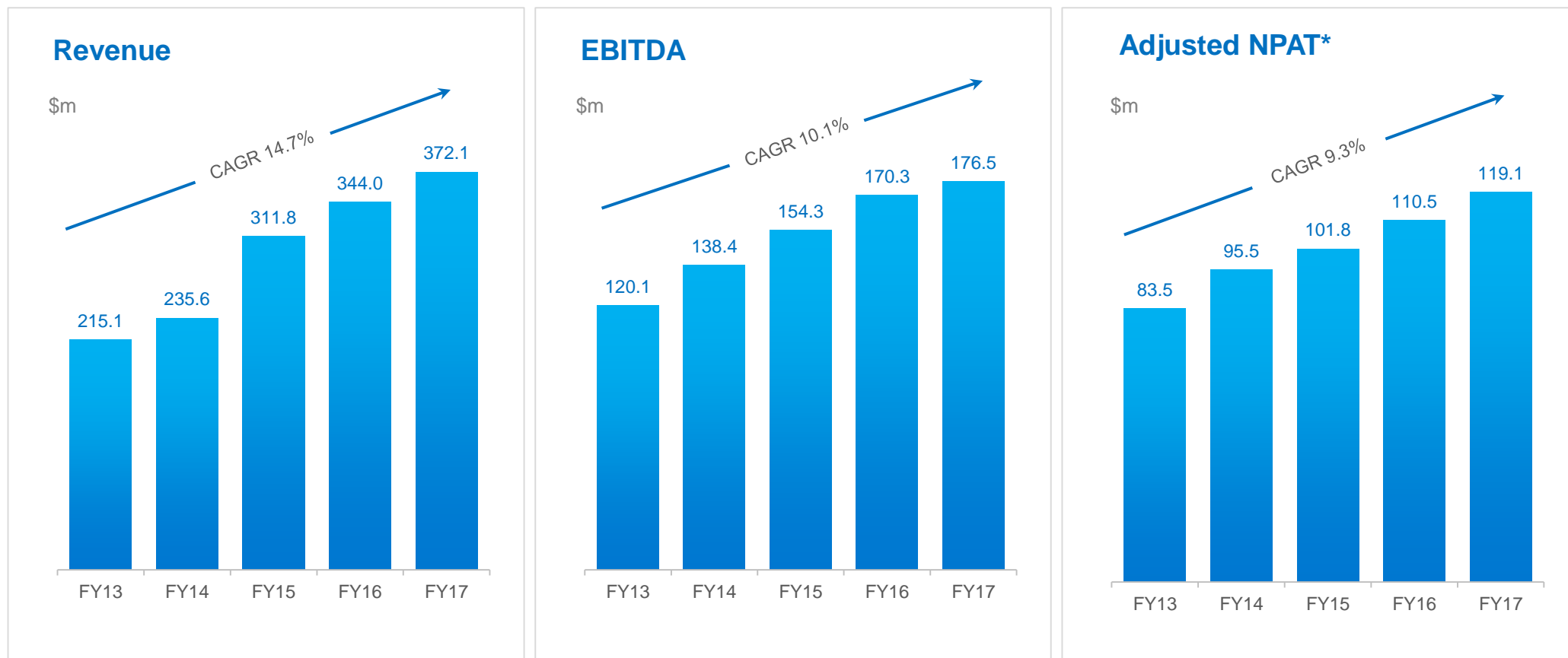
- Increased revenue contribution from our majority owned Latin American businesses with the inclusion of Demotores for the first time, which is consistent with carsales' international growth strategy.

## Finance and Related Services

- Challenging year due to volume capacity reductions at a major lender which resulted in a significant reduction in EBITDA on pcp.
- Pleasing to see some early signs of recovery with core finance revenue in the second half being higher than pcp and growth accelerating in Q4.



# Strong track record of financial performance

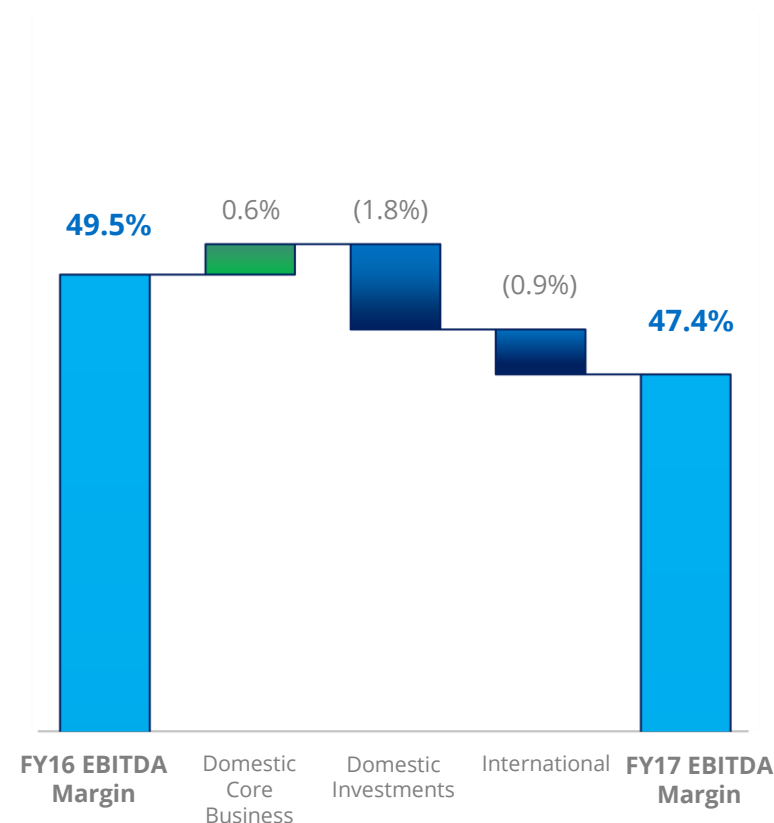


- Once again carsales continues to demonstrate consistent solid returns to its shareholders.

# EBITDA margin performance

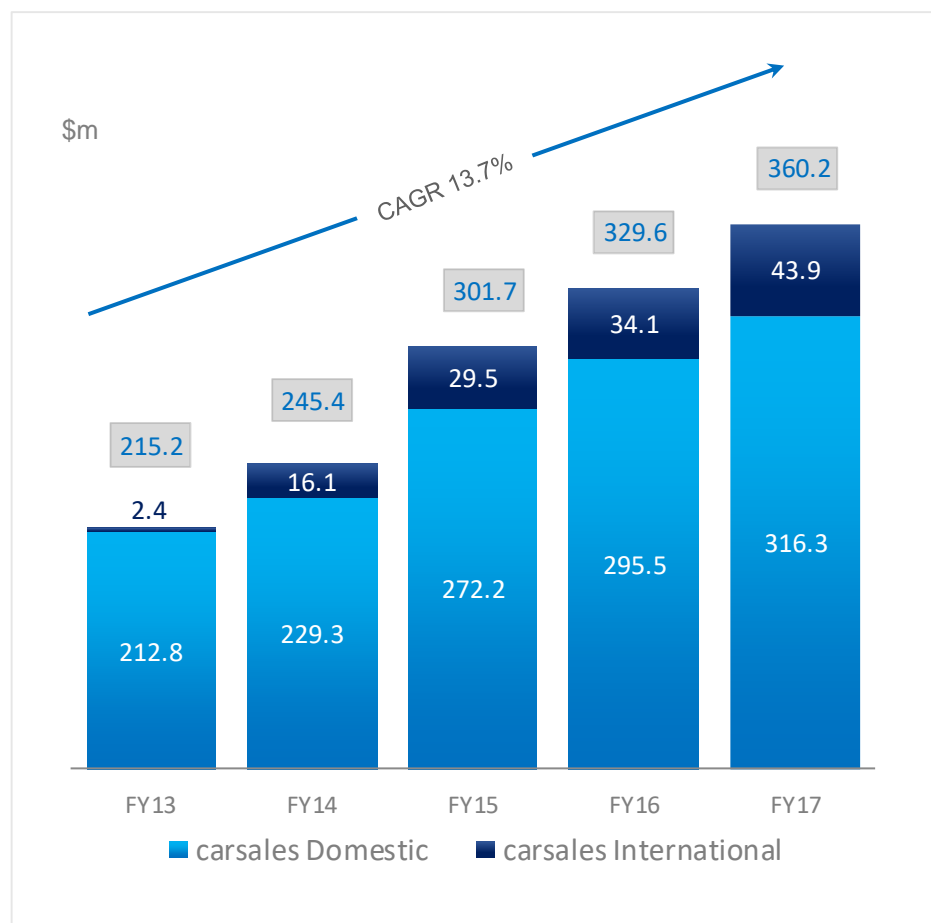
## EBITDA margin impacted by Stratton and growth in adjacent and international businesses

- Reported Group margins declined from 49.5% in FY16 to 47.4% in FY17, with domestic core business margin increases offset primarily by growth in earlier stage lower margin businesses.
- Domestic core business margin expansion continues as operating leverage is being achieved. Costs continue to be well controlled, whilst we continue to invest in future growth opportunities.
- Domestic investments margin reduced reported group margins by 1.8% on pcp. Impacted by Stratton margin decreases due to issues experienced earlier in the year with a major lender and the mix impact of higher growth in lower margin early stage adjacencies, particularly tyresales and Redbook Inspect.
- International reduced reported group margin by 0.9% on pcp. This reflects the impact of losses from soloautos and Demotores (acquired in FY17) as investments are being made into these businesses to scale for future growth.

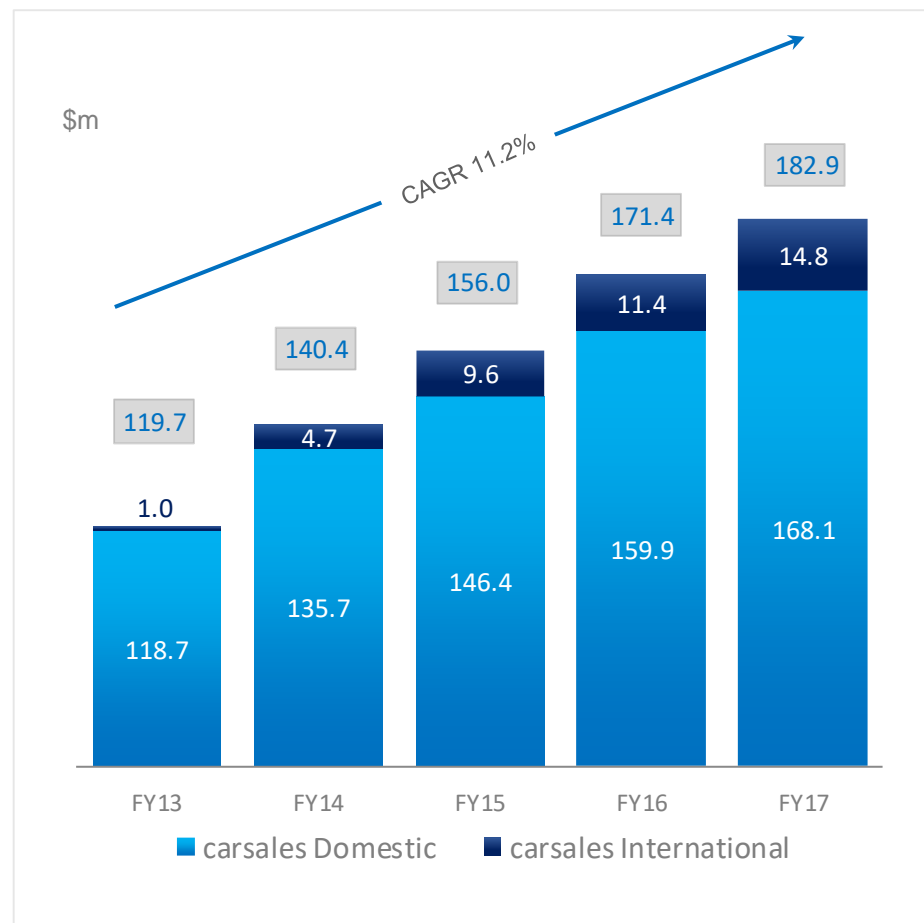


# Look through revenue and EBITDA performance

## Look Through Revenue



## Look Through EBITDA

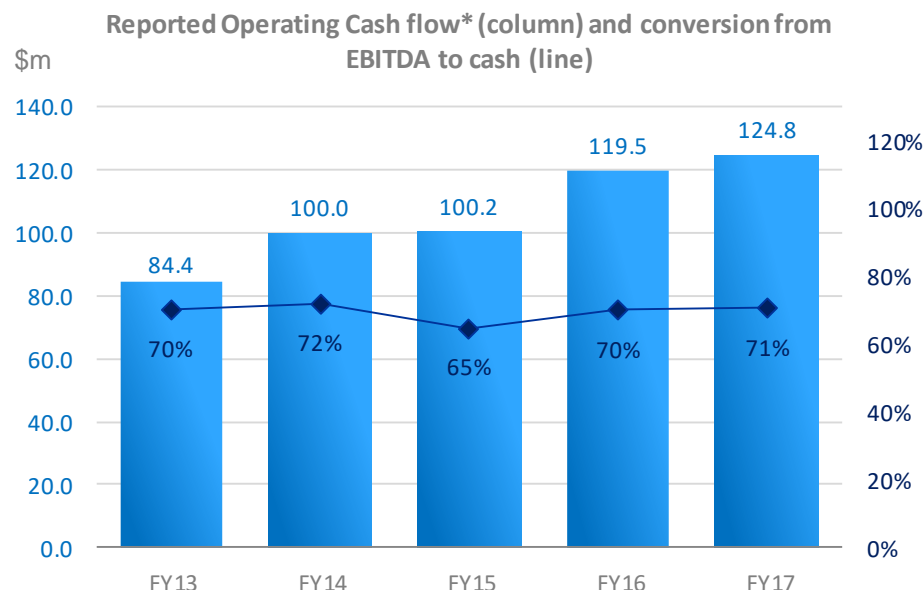


- Look through revenue and EBITDA has grown faster than reported revenue and EBITDA in FY17 with a key driver being the strong performance of SK Encar.

NOTE: Refer to slide 38 for carsales "Look Through" methodology

# Reported debt and cash flow

## Continued strong operating cash flows



Year Ending 30 June 2017	A\$ Millions		Growth	
	FY16	FY17	\$'s	%
Cash capital expenditure	4.3	2.9	(1.4)	(33%)
Capitalised labour costs	8.3	9.2	0.9	11%
<b>Total capital expenditure</b>	<b>12.6</b>	<b>12.1</b>	<b>(0.5)</b>	<b>(4%)</b>

See slide 36 regarding the disclosure of non-IFRS Information

\*FY13 to FY16 Operating Cash Flow re-classified to separately present the effect of foreign exchange rate changes on the cash and cash equivalents balance.

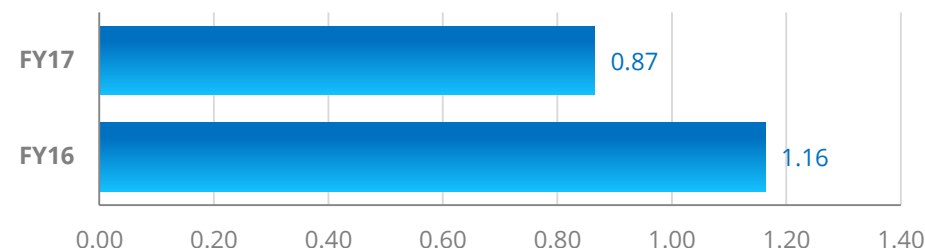
\*\* Net debt includes total borrowings less total cash as at 30 June 2017 per published balance sheet. Ratios above are based on reported financial outcomes and may vary with bank covenant definitions.

\*\*\* Annualised EBITDA is reported EBITDA for the 12 month period ended 30 June 2017. Annualised Net Interest Expense is reported net interest expense for the 12 month period ended 30 June 2017.

## Improved credit metrics

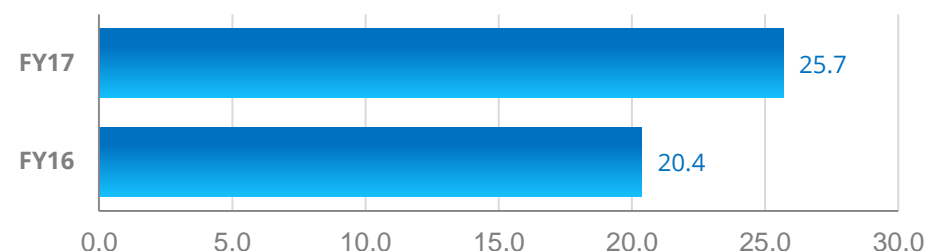
### Reported Leverage Ratio

(Net debt / Annualised EBITDA\*\*)



### Reported Net Interest Cover

(Annualised EBITDA\*\*\* / Annualised Net Interest Expense\*\*\*)



- Solid cash conversion of earnings with Operating Cash Flow / EBITDA at 71%, marginally higher than pcg.
- Reported Net Debt\* of ~\$153m as at 30 June 2017, reduced from ~\$198m at 30 June 2016. Resulted in reduction in operating leverage and primarily reflects the impact of dividends and return of capital from Webmotors of ~\$20m in the period.
- Cash capex reduced 33% on pcg principally reflecting office fit-out costs at Stratton that were recorded in FY16. Capitalised labour costs up 11% on pcg reflecting continued investment in technology platforms supporting international and adjacent market expansion.



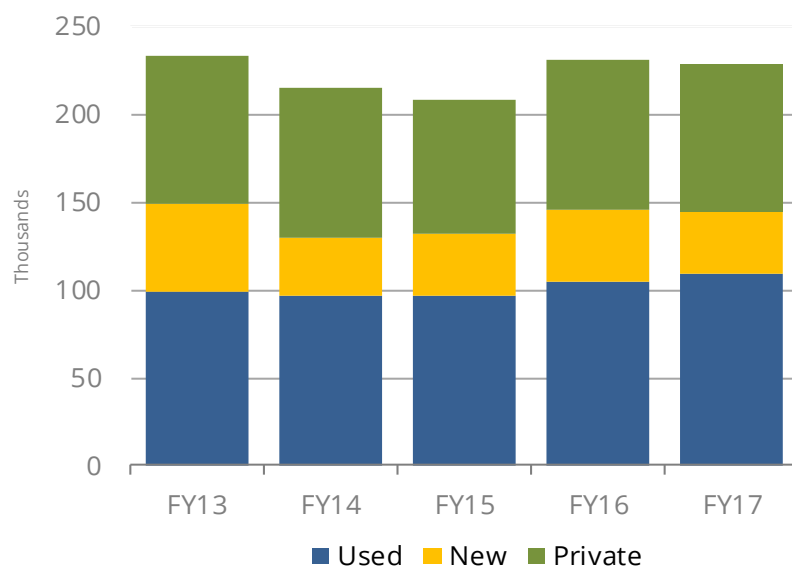
# carsales Domestic (Australia)

TO 30 JUNE 2017

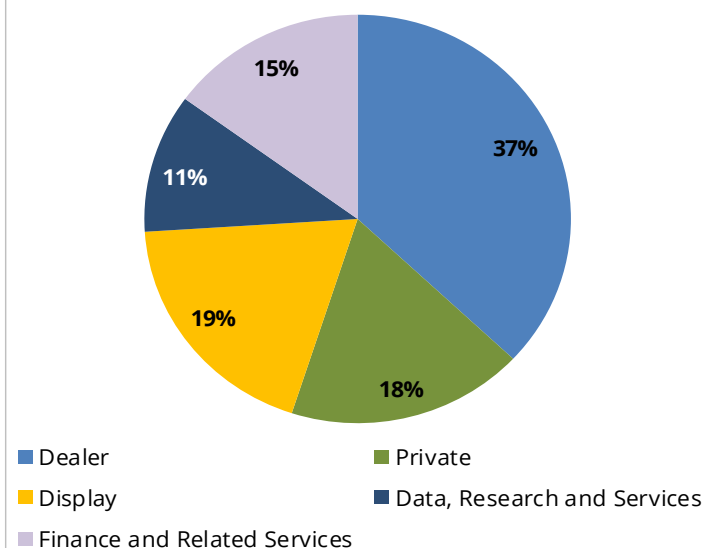
# Domestic revenue performance - Summary

Year Ending 30 June 2017	A\$ Millions		Growth	
	FY16	FY17	\$'s	%
Revenue				
Dealer	123.8	133.5	9.7	8%
Private	51.1	65.0	13.9	27%
Display	65.8	70.6	4.8	7%
<b>Total Online Advertising</b>	<b>240.7</b>	<b>269.1</b>	<b>28.4</b>	<b>12%</b>
Data, Research and Services	35.9	39.3	3.4	10%
Finance and Related Services	63.0	55.4	(7.6)	(12%)
<b>Total Domestic Revenue</b>	<b>339.6</b>	<b>363.8</b>	<b>24.2</b>	<b>7%</b>

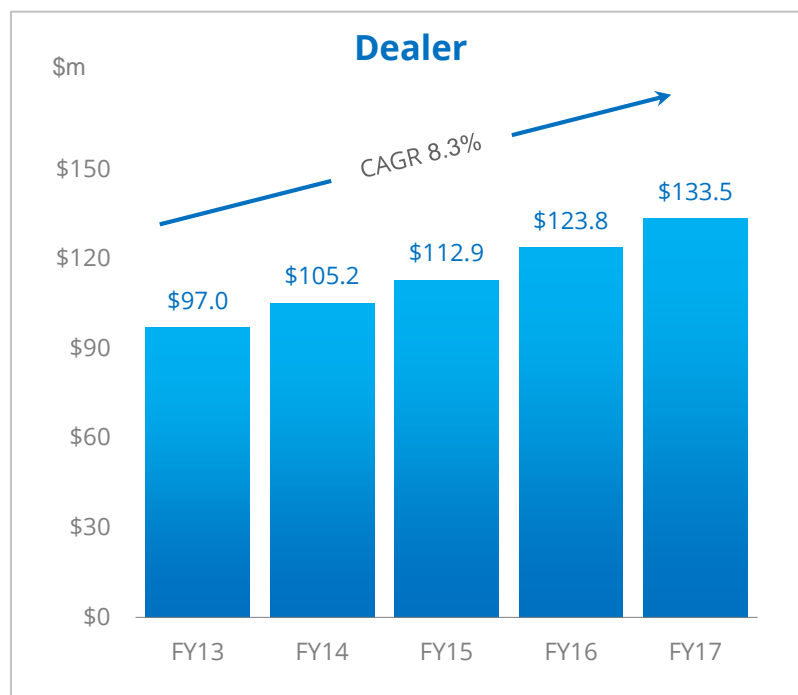
Automotive Inventory at 30 June 2017



FY17 Category Revenue



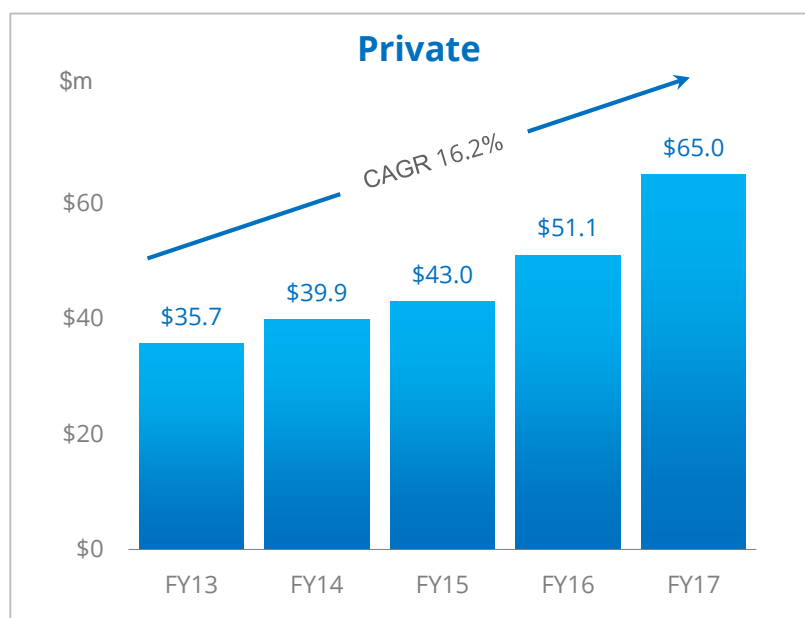
# Domestic revenue performance by category



## Dealer revenue up 8% on pcp to \$133.5m

Solid growth in revenue primarily driven by yield improvements, reflecting the impact of lead price tiering and other pricing initiatives. The introduction of free leads for used cars under \$4k has positively impacted used car inventory levels.

The demand for premium listing and depth products continued in FY17 with strong growth in both the volume and yield from depth products. Good opportunity exists in this area as the product value and pricing evolves.

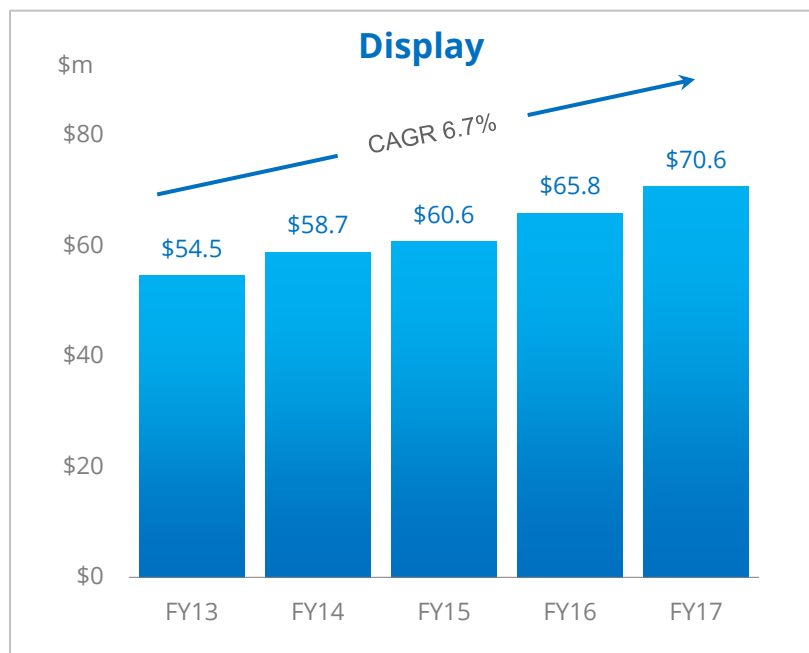


## Private revenue up 27% on pcp to \$65.0m

The proportion of private premium listing products is increasing which reflects carsales' strong consumer value proposition. Our Instant Offer product also continues to grow strongly which has a positive impact on overall yield.

Strong revenue performance reflecting increasing contribution from adjacent markets, particularly from tyresales and Redbook Inspect, with growth rates accelerating on pcp.

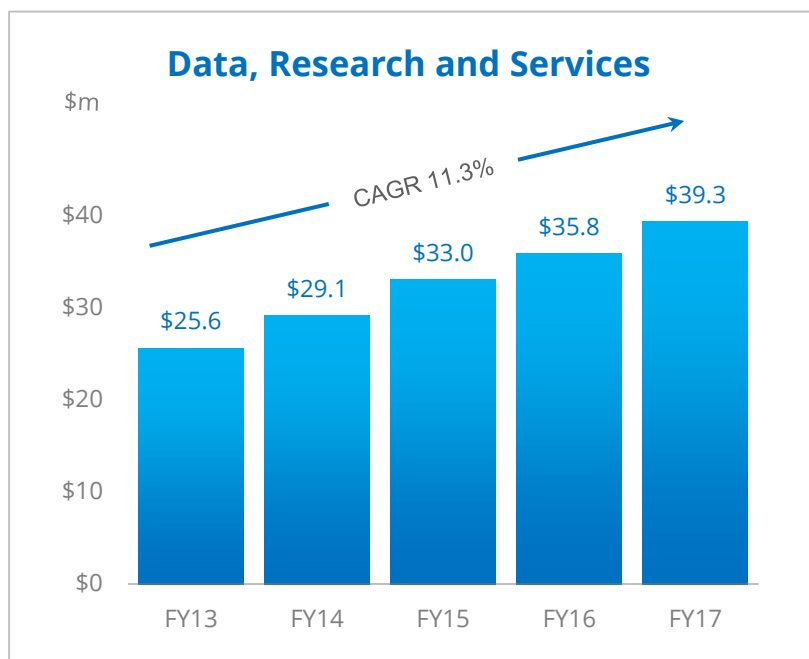
# Domestic revenue performance by category



## Display revenue up 7% to \$70.6m

Recorded solid revenue growth of 7% on pcp, which was a pleasing result in a highly competitive market. Our insights and analytics capability is being integrated with the core display product set making our products stickier and enabling better targeting of our solutions.

Our relationships with OEMs continue to improve across the board with refreshed products such as clearance centres, certified pre-owned programmes and 'main events' continuing to deliver significant value for customers.



## Data, Research and Services revenue up 10% to \$39.3m

Solid pcp revenue growth reflecting increasing demand for Data, Research and Services from OEMs, with the business demonstrating its agility in responding to changing customer needs in an increasingly data driven market place.

There was continued solid pcp revenue growth from Livemarket, driven by volume growth and yield. Our RedBook business continues to expand its footprint and capability reflecting increasing demand from OEMs for data services.



# Domestic revenue performance by category

## Finance and Related Services Revenue

Year Ending 30 June 2017	A\$ Millions		Variance	
	FY16	FY17	\$'s	%
Core finance	43.6	42.2	(1.4)	(3%)
Other products	19.4	13.2	(6.2)	(32%)
<b>Total Revenue</b>	<b>63.0</b>	<b>55.4</b>	<b>(7.6)</b>	<b>(12%)</b>
Cost of sales	15.9	10.6	5.3	33%
<b>Gross Profit</b>	<b>47.1</b>	<b>44.8</b>	<b>(2.3)</b>	<b>(5%)</b>
Operating expenses (pre interest and D&A)	31.3	34.3	(3.0)	(10%)
<b>EBITDA</b>	<b>15.8</b>	<b>10.5</b>	<b>(5.3)</b>	<b>(34%)</b>

## Finance and Related Services Revenue down 12% to \$55.4m

Challenging year with previously described volume capacity reductions experienced at a major lender from Q4 FY16 significantly impacting the FY17 result.

The business responded well to this challenge with core finance broking revenue declining by only 3% on pcp, and up 8% on pcp in H2. Underlying this, net amount financed grew from prior year, offset by lower yields being achieved on reduced average volume bonuses.

Finance lead generation remains strong and initiatives are being put in place to improve conversion rates, with a lower cost to serve.

Operating expenses grew faster in H2. This was primarily due to additional sales commissions on improved volumes, the timing of marketing spend and the appointment of new talent.



# carsales International

TO 30 JUNE 2017



# International Portfolio



## International Highlights

- Very strong growth in SK Encar underlying revenue and EBITDA up 29% and 32% respectively.
- Significant improvement in Webmotors' performance in the second half with some early signs of a recovery in the Brazilian economy.
- Demotores acquisition completed adding the attractive Argentinian market to the carsales Latin American portfolio.

Year Ending 30 June 2017	A\$ Millions		Growth
	FY16	FY17	%
Revenue	4.4	8.3	87%
EBITDA	1.3	(0.1)	-
Adjusted NPAT* (including associates) after NCI	10.0	12.1	21%
Reported NPAT (including associates) after NCI	8.5	2.9	(67%)

\* Adjusted NPAT stated above is post non-controlling interests, excludes one-off gains and losses on associate dilution and fair value re-measurement, one-off tax gains and acquired intangible amortisation. See slide 36 regarding the disclosure of non-IFRS Information and slide 37 for a reconciliation of Adjusted NPAT to Reported NPAT  
iCar – The Group holds a 15.6% stake in iCar Asia Ltd. This was equity accounted up until 9 December 2016 and after this date is classified as an Available-for-sale financial asset meaning the Group no longer accounts for its proportional share of profits of iCar from that date.

# Asia – Underlying Results

## SK ENCAR Financials (49.9% Owned - Equity Accounted by CAR)

Pro-Forma (100%)	12 months to 30 June 2016 KRWb	12 months to 30 June 2017 KRWb	Growth %
Underlying revenue*	30.0	38.7	29%
Underlying EBITDA*	15.6	20.5	32%
Underlying EBITDA(%)*	51.9%	53.1%	-
Underlying Adjusted NPAT*	12.2	15.8	29%
Underlying cash balance*	18.5	19.4	5%

## carsales Share of Earnings

	AUDm	AUDm	%
Reported NPAT (share of associate earnings)*	5.3	8.2	55%
Adjusted NPAT (share of associate earnings)*	7.1	9.2	30%

## Key Drivers

	30-Jun-16 000's	30-Jun-17 000's	%
Inventory	66.7	65.4	(2%)
Unique visitors	9,307	9,401	1%



Very strong underlying performance with revenue up 29% and EBITDA up 32% compared with prior year.

Strong revenue growth across all key revenue channels of Dealer, Private and Display. Display performed particularly well with revenue up over 50% on pcp, reflecting both strong customer demand and product improvements, particularly in mobile display. Driving increased uptake of premium listing products has enhanced existing dealer revenue streams, consistent with carsales' experience. Growth in inspection product revenues has also been a key contributor to the strong growth.

Underlying EBITDA margins grew to 53.1% as the business has achieved operating leverage whilst continuing to invest in personnel and technology to support continued growth. Reported NPAT benefited from a one-time \$0.8m tax benefit in the first half whilst adjusted NPAT growth was broadly consistent with EBITDA.



# Latin America – Underlying Results

## WebMotors Financials (30% owned - Equity Accounted by CAR)

Pro-Forma (100%)	12 months to 30 June 2016 BRLm	12 months to 30 June 2017 BRLm	Growth %
Underlying revenue*	99.4	108.3	9%
Underlying EBITDA*	26.9	29.1	8%
Underlying EBITDA* (%)	27.0%	26.9%	-
Underlying Adjusted NPAT*	34.9	29.5	(15%)
Underlying cash balance*	213.2	53.7	(75%)

## carsales Share of Earnings

	AUDm	AUDm	%
Reported NPAT*	3.4	3.0	(10%)
Adjusted NPAT*	4.0	3.6	(9%)

## Key Drivers

	30-Jun-16 000's	30-Jun-17 000's	%
Inventory	269.5	285.7	6%
Unique visitors	8,396	9,593	14%



Although Brazilian economic conditions remain challenging the economy experienced positive growth in Q3 FY17 after contracting for the previous eight consecutive quarters.

This coincided with a significantly improved performance in the second half with underlying revenue and EBITDA being 15% and 44% up on pcp respectively. H2 EBITDA was 69% higher than the H1 result. This improved result was on the back of a strong performance in both dealer and private revenue. Dealer revenue has been positively impacted by the transition to the leads model, with the model continuing to be optimised to provide both clear attribution to the value of leads delivered whilst addressing dealer needs for cost certainty as the model beds in.

Good growth in inventory and unique visitors reflect Webmotors' strong market position and it remains a clear no.1 in the Brazilian market.

Underlying NPAT declined by 15% reflecting reduced financial income on reduced cash balance after the return of capital in H1.

## Demotores Argentina Financials (100% owned - Consolidated by CAR)

	4 months to 30 June 2016 ARSm	4 months to 30 June 2017 ARSm	Growth %
Reported revenue	N/A	9.3	N/A
Reported EBITDA	N/A	(5.6)	N/A
Reported EBITDA (%)	N/A	(60.1%)	N/A
Adjusted NPAT*	N/A	(4.6)	N/A
Reported cash balance	N/A	1.4	N/A

## Key Drivers

	30-Jun-16 000's	30-Jun-17 000's	%
Inventory	N/A	17	N/A
Unique visitors	N/A	767	N/A



The Demotores acquisition was completed in February 2017. The business shows great promise and will benefit from the implementation of carsales' IP and technology in FY18. The Chilean segment of the business has been efficiently integrated with the chileautos business. These results are shown within the Chile section of this presentation.

# Latin America – Underlying Results

## soloautos Financials (65% owned – Consolidated by CAR)

	2 Oct 2015 to 30 June 2016	12 months to 30 June 2017	Growth
	MXPm	MXPm	%
Reported revenue	5.9	9.1	53%
Reported EBITDA	(7.5)	(35.4)	-
Reported EBITDA (%)	N/A	N/A	-
Adjusted NPAT*	(5.4)	(37.4)	-
Reported cash balance	43.3	15.3	(65%)



Given the size of the market opportunity in Mexico our strategy is to invest in the business to establish market leadership, enhance the product offering through implementation of carsales' IP and technology as well as grow sales capabilities to increase the dealer customer base. Accordingly, the business has had to invest in cost infrastructure to support scalable growth for the future. This strategy is beginning to realise benefits with pleasing growth in dealer acquisition and product enhancements being delivered in H2. Dealer numbers increased by 43% in H2 reflecting expansion into additional geographies, particularly Mexico City.

Inventory reduction between periods reflects the business becoming more diligent in removing sold inventory, which ultimately enhances customer experience.

### Key Drivers

	30-Jun-16	30-Jun-17	
	000's	000's	%
Inventory	37	32	(14%)
Unique visitors	506	518	2%

## carsales Chile\* Financials

	24 March to 30 June 2016	12 months to 30 June 2017	Growth
	CLPm	CLPm	%
Reported revenue	358.5	1731.4	383%
Reported EBITDA	174.6	648.5	271%
Reported EBITDA (%)	48.7%	37.5%	-
Adjusted NPAT*	174.6	439.9	152%
Reported cash balance	281.0	597.1	112%

### Key Drivers

	30-Jun-16	30-Jun-17	
	000's	000's	%
Inventory	63	71	12%
Unique visitors	1,830	1,719	(6%)



Pleasing performance since acquisition. The benefits of implementing carsales' technology and IP is beginning to materialise with solid revenue growth in FY17. EBITDA margins impacted via investment in personnel costs to support growth in FY18 and beyond.

Platform for growth implemented in the year with dealer and manufacturer relationships significantly improved leading to additional display opportunities.

Revenue and EBITDA stated is 100% of the revenue and EBITDA of the business over the carsales ownership period. soloautos acquired on 2 October 2015 and chileautos acquired on 29 March 2016.

- Adjusted NPAT stated above is after non-controlling interests and excludes intangible amortisation. See slide 36 regarding the disclosure of non-IFRS Information and slide 37 for a reconciliation of Adjusted NPAT to Reported NPAT.
- Carsales Chile is combination of 83% owned chileautos and 100% owned Demotores Chile.

# Outlook



## **carsales Domestic 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.

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.

## **carsales International Outlook**

Assuming market conditions remain stable, SK Encar expected to see continued good local currency revenue and earnings growth.

There are positive signs regarding macroeconomic conditions in Brazil. Subject to the continued stabilisation of the economy, we expect to see solid local currency revenue and earnings growth in FY18.

Expect integration of core carsales IP and technology into Chilean, Mexican and Argentinian businesses to continue. This should provide an uplift in their revenue and earnings in FY18.



# carsales – beyond the first 20 years

# An experienced Executive Leadership Team



**Cameron McIntyre**  
Managing Director & CEO  
10 years



**Anthony Saines**  
Managing Director Commercial  
9 years



**Paul Barlow**  
Managing Director International  
8 years



**Ajay Bhatia**  
Managing Director Consumer  
Business - 9 years



**Lisa Sheehan**  
Chief People Officer  
(Contract - maternity leave  
for Jo Allan)



**Andrew Demery**  
Chief Financial Officer  
3 years



**Michael Holmes**  
Executive Director Dealer  
4 years



**Kellie Cordner**  
Chief Marketing Officer  
2 years



**Nicole Birman**  
General Counsel & Company  
Secretary - 7 years

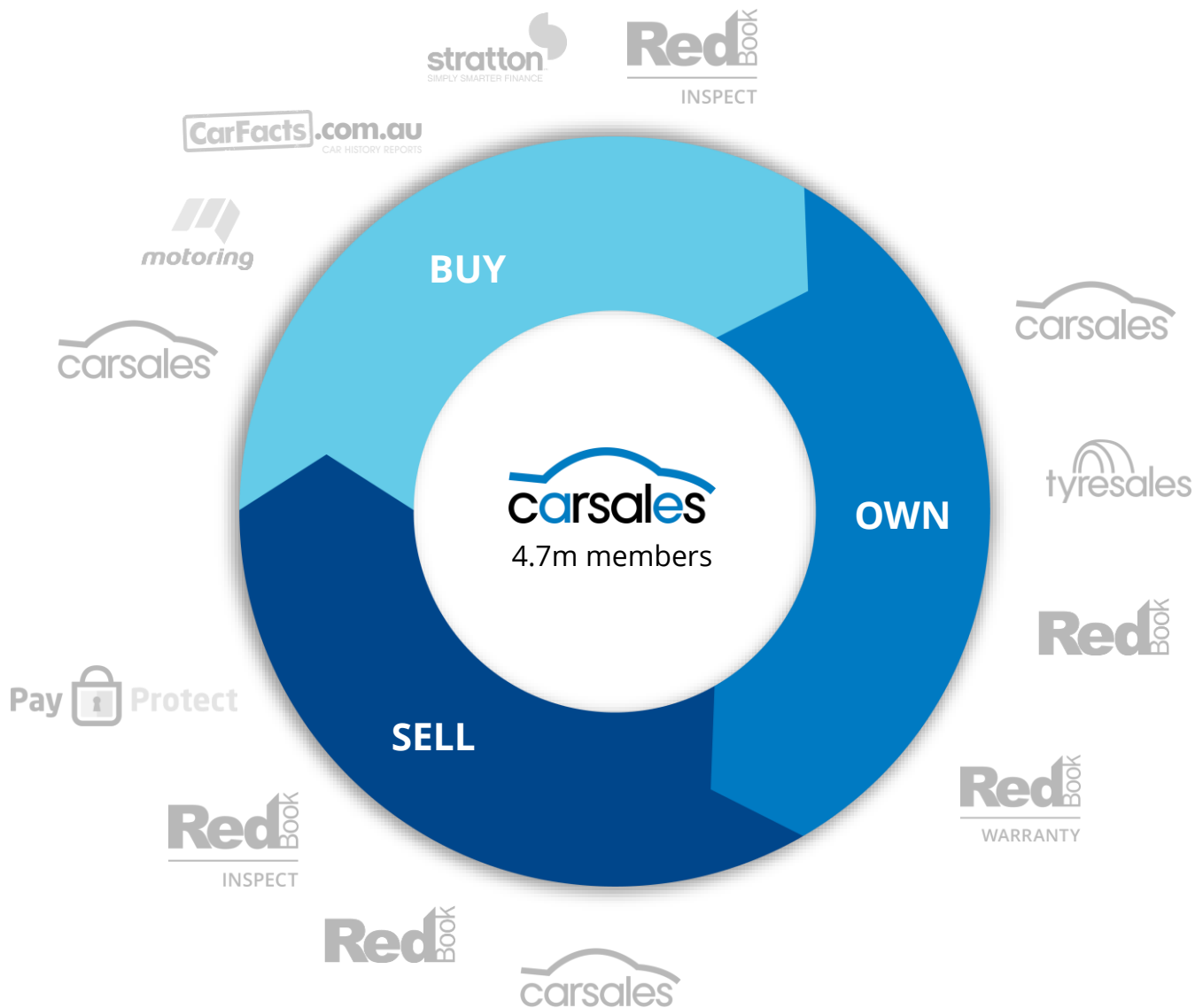


**Jason Blackman**  
Chief Information Officer  
5 years

- Smooth transition between CEOs.
- Refreshed executive leadership team with diverse skills.
- Employee engagement up 6% and above industry benchmark.

# Leveraging the consumer auto cycle

carsales will continue to innovate, build & grow its offering across the Consumer Auto cycle to support its 4.7m membership base every step of the way.





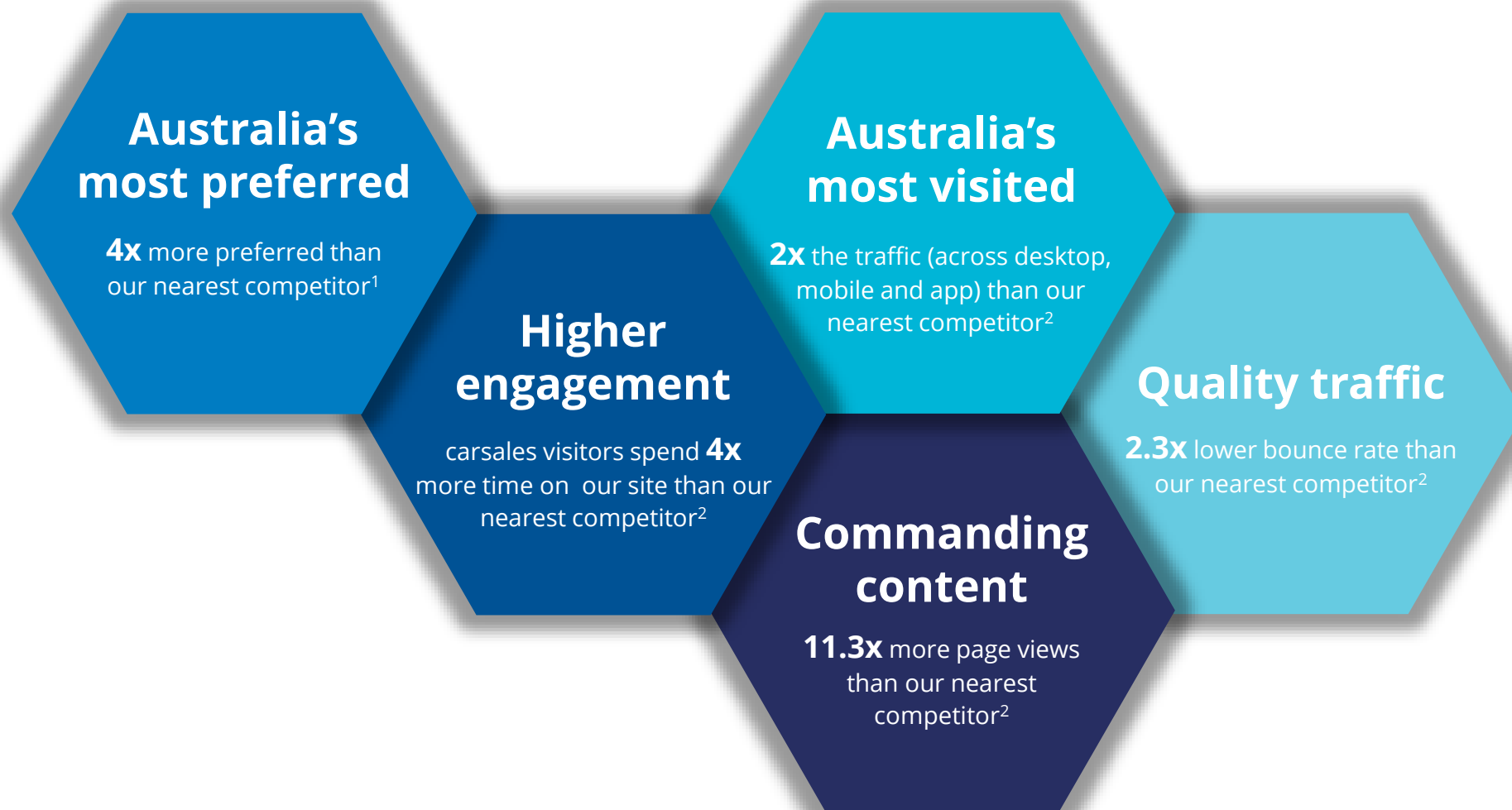
# Consistent and optimised investment in our brands

*The marketing investment strategy has further increased the leadership position of carsales. Achieved through the combination of sporting partnerships, targeted brand content via digital channels and a continued focus on performance marketing.*



# Clear market leadership

*The cornerstone of our business is our market leading automotive classifieds sites, creating a springboard for future growth.*



Sources<sup>1</sup> 1. Nature Brand Health research wave 3 – April 2017. 2 - Nielsen Digital Ratings June 2017. ( Note nearest competitor varies between sources 1 and 2.)



# Our domestic business – Setting up for future success

*To reflect the evolving needs of our customers we have brought together all of our Australian customer-facing operations into two divisions: Commercial and Consumer.*



- **Commercial**

(Dealer, agency and manufacturer)

Addressing the demand for data driven advertising solutions for our commercial customers

- **Consumer**

(Membership, consumer classifieds, agencies)

Increasing our focus on creating a frictionless buying, selling and ownership experience for our consumers



- **Core Digital Advertising Solutions**

Leveraging the sizeable data footprint to drive new products that meet the needs of both consumer & commercial advertisers.

- **Adjacent Markets**

Expanding our range of services across the consumer auto cycle to provide buyers and sellers confidence to transact and enhance our connection with owners.

- **Future horizons**

Leveraging consumer insights & industry trends to explore new opportunities in core and adjacent markets & beyond.

# Expanding our core services - Consumer

*We will continue to expand our core services by maximising uptake of new and existing products through analytics, insights and further strengthening our membership base.*



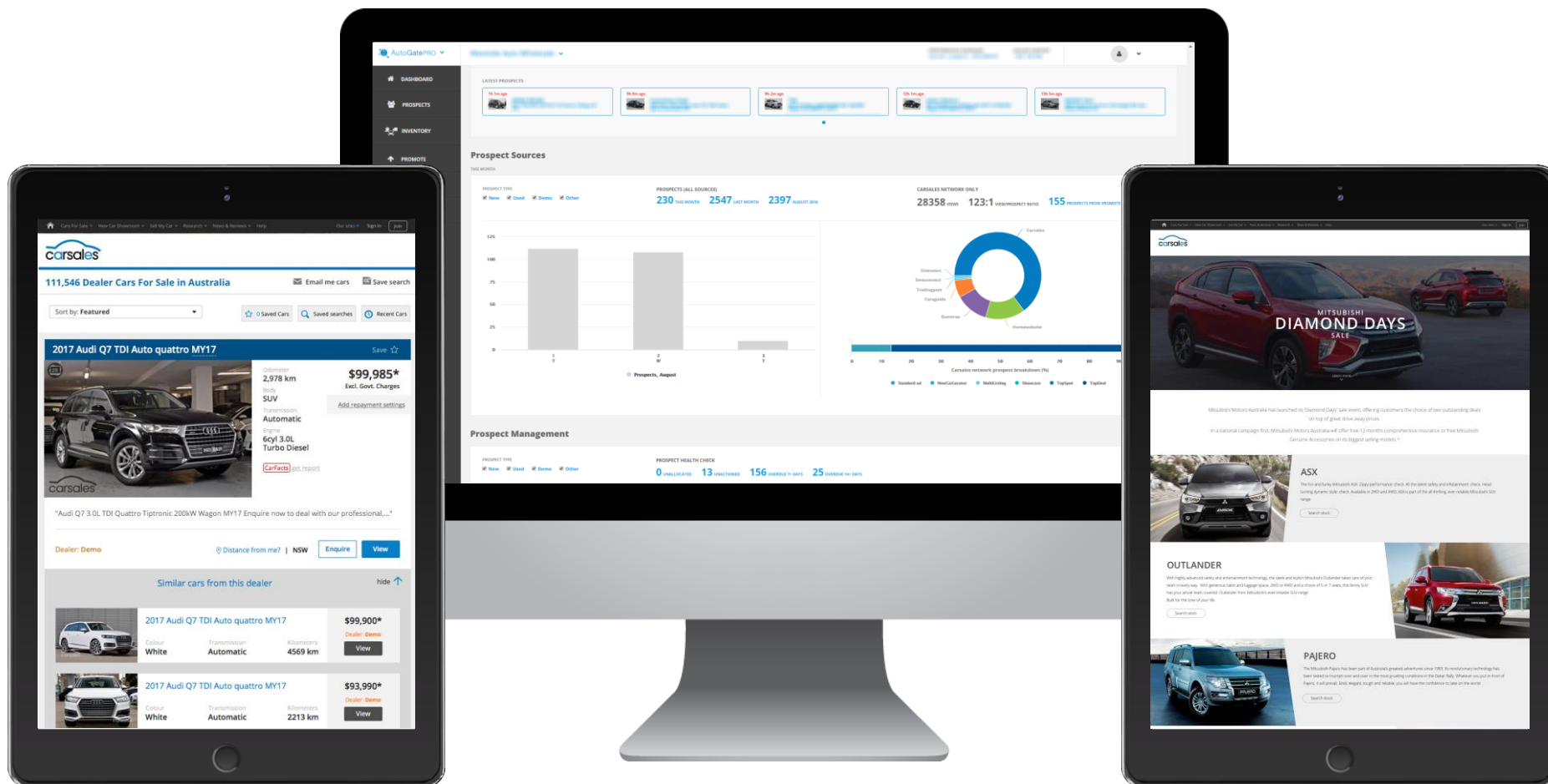
Private ad price tiering

Premium/depth listings for private sellers

Evolution of Instant offer

# Expanding our core services - Commercial

*We will continue to evolve our core advertising and data solutions to bring more opportunities for our commercial customers to meet their business objectives.*



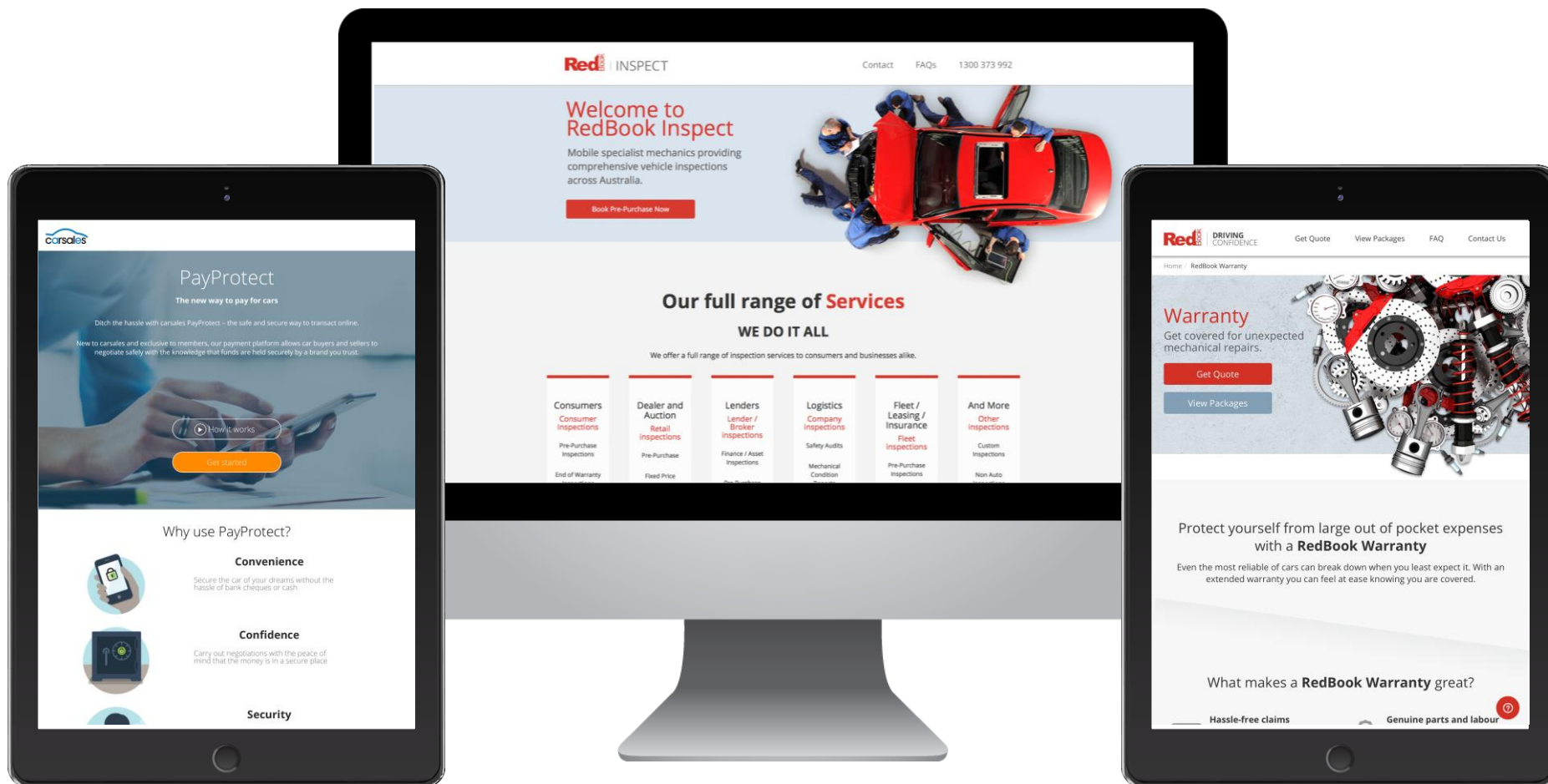
Enhancing depth/premium product solutions

Actionable insights & analytics

Tailored advertising solutions for commercial customers

# Expanding our adjacent markets

*There is ample opportunity to scale our adjacent services across our existing consumer base of buyers and sellers – providing confidence to transact and a frictionless experience.*



Secure payment option via PayProtect.

Redbook Inspections for buyers and sellers.

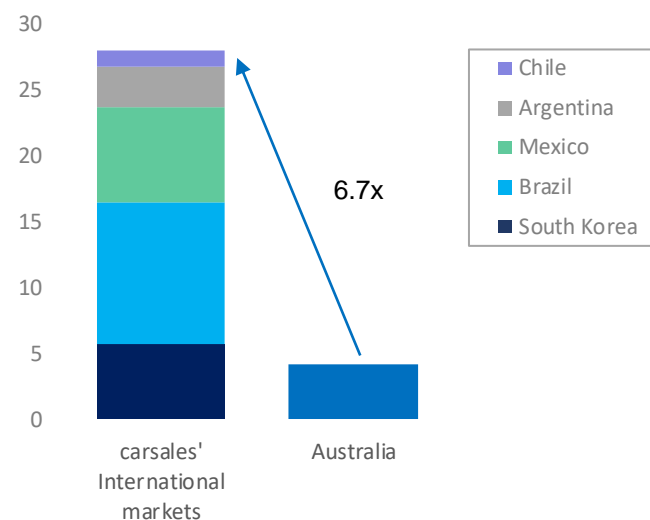
Post Manufacturer warranties via RedBook Warranty.

# carsales' International opportunity

## Long term revenue opportunity

Market	GDP <sup>1</sup> (A\$ billion)	FY17 Revenue (A\$ million)	Revenue <sup>2</sup> Opportunity (A\$ million)	Rev opp / FY17 Rev
Australia	\$1,568	\$267.2		
<b><i>carsales International</i></b>				
South Korea	\$1,837	\$45.0	\$313.0	<b>7 x</b>
Brazil	\$2,338	\$44.6	\$398.4	<b>9 x</b>
Mexico	\$1,361	\$0.6	\$232.0	<b>375 x</b>
Argentina	\$710	\$2.4	\$121.1	<b>51 x</b>
Chile	\$321	\$3.5	\$54.8	<b>16 x</b>
<b>Total</b>	<b>\$6,567</b>	<b>\$96.0</b>	<b>\$1,119.3</b>	<b>12 x</b>

## Number of cars sold (millions per year) <sup>3</sup>




## Long term investment strategy based on:

- Exposure to attractive macro and structural environments;
- Market leadership or path to achieve market leadership; and
- Investing in companies at a discount to the value potential created post carsales' involvement

Investments are optimised via carsales deploying its strategic, product and technology capabilities

1. GDP per World Bank  
 2. International revenue opportunity based on replicating core carsales' Australian share of Australian GDP.  
 3. Reflects estimated new and used car sales. New Car Sales local automotive trade groups (Australia: FCAI, South Korea: IHS Polk, Brazil: Anfavea, Mexico: AMDA, Argentina: ACARA, Chile: ANAC, Colombia: ANDI) for passenger and light commercial car sales only. Used Car Sales estimates using local registration data. Excludes wholesale sales or trade-ins changes of ownership for passenger and light commercial car sales only





# Appendix

TO 30 JUNE 2017



# Overview of carsales non-IFRS financial information

## What is IFRS and non-IFRS financial information?

- IFRS financial information is financial information that is presented in accordance with all relevant accounting standards.
- Non-IFRS financial information is financial information that is presented other than in accordance with all relevant accounting standards. For example:
  - Revenue or Profit information calculated on a basis other than under accounting standard definitions or calculated with accounting standards and then adjusted eg: “adjusted”, “underlying” or “look through”.

## What non-IFRS financial information does carsales disclose in its half year and year end results presentations?

- carsales presents reported financial information for its business segments, associates and investments where applicable IFRS financial information exists. The financial information presented is sourced directly from financial information prepared in accordance with all relevant accounting standards and has been subject to either review or audit by carsales’ external auditors (PwC).
- In carsales’ investor presentations the company aims to provide equal or greater prominence to IFRS financial information. However, we also present or refer to non-IFRS financial information. Please note, all information labelled “Reported” in this presentation complies with IFRS.
- Non-IFRS financial information is calculated based on statutory IFRS financial information and adjusted to show either a position excluding significant items which have been removed OR presented based on carsales’ effective equity ownership interest of an entity’s underlying revenue, EBITDA or NPAT.
- Any non-IFRS financial information is clearly labelled as “underlying” or “look-through” to differentiate it from reported/IFRS financial information.
- carsales provides reconciliations on the face of slides, appendices and in footnotes of presentations in order to allow the reader to clearly reconcile between the IFRS and non-IFRS financial information.

## Why does carsales disclose non-IFRS financial information in its half year and full year results presentations?

- Since March 2013 carsales has invested in businesses in Malaysia, Thailand, Indonesia, South Korea, Mexico, Chile, Brazil, Argentina and Colombia has become a global portfolio of online automotive assets. Accordingly carsales management believes that the presentation of additional non-IFRS information in its half year and full year results presentations provides readers of these documents with a greater understanding into the way in which management analyses the business as well as meaningful insights into the financial conditions of carsales overall performance.
- The Australian Securities and Investment Commission (“ASIC”) acknowledges the relevance of non-IFRS financial information in providing “meaningful insight” as long as it does not mislead the reader.

# Reconciliation of Reported to Adjusted NPAT

Year Ending 30 June 2017	A\$ Millions		Growth	
	FY16	FY17	\$'s	%
<b>Reported NPAT</b>	<b>109.3</b>	<b>109.5</b>	<b>0.2</b>	<b>-</b>
Gain on sale of business	(1.0)	-		
Gain on associate dilution	(1.0)	(0.3)		
Associate fair value revaluation loss	-	7.1		
SK Encar one-off tax gain	-	(0.8)		
<b>NPAT before one-off items</b>	<b>107.3</b>	<b>115.5</b>	<b>8.2</b>	<b>8%</b>
Acquired intangible amortisation				
Stratton	0.7	0.7		
Webmotors	0.6	0.6		
SK Encar	1.8	1.8		
Soloautos	0.1	0.1		
Chileautos	-	0.4		
<b>Total acquired intangible amortisation</b>	<b>3.2</b>	<b>3.6</b>		
<b>Adjusted NPAT before one-off gains/(losses) and acquired intangible amortisation</b>	<b>110.5</b>	<b>119.1</b>	<b>8.6</b>	<b>8%</b>
Weighted Average Number of Shares	240,645,736	241,383,158		
<b>Adjusted Earnings per Share (cents)</b>	<b>45.9</b>	<b>49.4</b>	<b>3.5</b>	<b>8%</b>

# carsales “Look Through” P&L analysis

	FY15					FY16					FY17				
	% Owned	Days Owned	Reported	Underlying	Look Through	% Owned	Days Owned	Reported	Underlying	Look Through	% Owned	Days Owned	Reported	Underlying	Look Through
<b>Revenue</b>															
carsales International															
iCar Asia	22.9%, 20.3%	365	Equity Acc'ted	4.3	0.9	20.20%	365	Equity Acc'ted	6.4	1.3	20.1%,16.5%,15.6%*	365	Financial Asset*	3.0	0.5
SK Encar	49.90%	365	Equity Acc'ted	27.8	13.9	49.90%	365	Equity Acc'ted	35.2	17.6	49.90%	365	Equity Acc'ted	45.0	22.5
WebMotors	30%	365	Equity Acc'ted	39.5	11.9	30%	365	Equity Acc'ted	37.0	11.1	30%	365	Equity Acc'ted	44.6	13.4
RedBook Asia and New Zealand	100%	365	2.9	2.9	2.9	100%	365	3.3	3.3	3.3	100%	365	3.4	3.4	3.4
soloautos	0%	0	N/A	N/A	N/A	65%	272	0.5	0.5	0.3	65%	365	0.6	0.6	0.4
chileAutos	0%	0	N/A	N/A	N/A	83%	96	0.7	0.7	0.6	83.3%	365	3.3	3.3	2.7
Demotores	0%	0	N/A	N/A	N/A	0%	0	N/A	N/A	N/A	100%	126	1.0	1.0	1.0
<b>Total International</b>			<b>2.9</b>	<b>74.5</b>	<b>29.5</b>			<b>4.4</b>	<b>83.0</b>	<b>34.1</b>			<b>8.3</b>	<b>100.9</b>	<b>43.9</b>
<b>carsales Domestic</b>															
Domestic Core Business	100%	365	235.4	235.4	235.4	100%	365	251.0	251.0	251.0	100%	365	267.2	267.2	267.2
Domestic Investments *	Various *	Various *	73.5	73.5	36.8	Various *	Various *	88.6	89.4	44.5	Various *	365	96.6	101.3	49.1
<b>Total Revenue</b>			<b>311.8</b>	<b>383.4</b>	<b>301.7</b>			<b>344.0</b>	<b>423.4</b>	<b>329.6</b>			<b>372.1</b>	<b>469.4</b>	<b>360.2</b>
<b>EBITDA</b>															
carsales International															
iCar Asia	22.9%, 20.3%	365	Equity Acc'ted	(15.4)	(3.3)	20.20%	365	Equity Acc'ted	(11.2)	(2.3)	20.1%,16.5%,15.6%	365	Financial Asset	(6.8)	(1.2)
SK Encar	49.90%	365	Equity Acc'ted	16.0	8.0	49.90%	365	Equity Acc'ted	18.3	9.1	49.90%	365	Equity Acc'ted	23.9	11.9
WebMotors	30%	365	Equity Acc'ted	10.6	3.2	30%	365	Equity Acc'ted	10.1	3.0	30%	365	Equity Acc'ted	12.0	3.6
RedBook Asia and New Zealand	100%	365	1.7	1.7	1.7	100%	365	1.6	1.6	1.6	100%	365	1.5	1.5	1.5
soloautos	0%	0	N/A	N/A	N/A	65%	272	(0.6)	(0.6)	(0.4)	65%	365	(2.4)	(2.4)	(1.6)
chileAutos	0%	0	N/A	N/A	N/A	83.3%	96	0.3	0.3	0.3	83.3%	365	1.3	1.3	1.1
Demotores	0%	0	N/A	N/A	N/A	0%	0	N/A	N/A	N/A	100%	126	(0.5)	(0.5)	(0.5)
<b>Total International</b>			<b>1.7</b>	<b>12.8</b>	<b>9.6</b>			<b>1.3</b>	<b>18.6</b>	<b>11.4</b>			<b>(0.1)</b>	<b>29.0</b>	<b>14.8</b>
<b>carsales Domestic</b>															
Domestic Core Business	100%	365	140.2	140.2	140.2	100%	365	152.5	152.5	152.5	100%	365	162.5	162.5	162.5
Domestic Investments *	Various *	Various *	12.4	12.4	6.2	Various *	Various *	16.4	11.3	7.4	Various *	Various *	14.1	4.5	5.6
<b>Total EBITDA</b>			<b>154.3</b>	<b>165.5</b>	<b>156.0</b>			<b>170.3</b>	<b>182.3</b>	<b>171.4</b>			<b>176.5</b>	<b>196.0</b>	<b>182.9</b>

\* Investments in tyresales (owned 50% from 1 July 2013), Auto Exchange (owned 50% from 1 July 2013), Stratton Finance (owned 50.1% from 15th July 2014), RedBook Inspect (owned 50.1% from 26 June 2015), Ratesetter (owned 15% from 12 March 2015) and Promisepay (owned 10.1% from 26 May 2016) are presented with Domestic Investments.

NOTE: carsales “Look Through” methodology: For equity accounted associates, add the total revenue or EBITDA for the period of ownership within the reporting period (e.g. carsales investments in iCar Asia, WebMotors and SK Encar were owned for the entire reporting period) multiplied by the % ownership (30% for WebMotors, 49.9% for SK Encar and 20.2%-15.6% for iCar Asia until 9th December 2016) over the period. For consolidated associates/subsidiaries, total revenue and EBITDA is multiplied by carsales’ ownership percentage. All numbers for iCar Asia are carsales’ management estimates. Some “Look Through” numbers involve the disclosure of non IFRS information - Refer to carsales’ Disclosure of Non IFRS slide 36 for further details.

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