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2020 ANNUAL GENERAL MEETING
MANAGING DIRECTOR'S ADDRESS TO SHAREHOLDERS

Good morning everyone and welcome to the carsales 2020 Annual General Meeting.

While it has been an unusual 6 months or so, as you can tell from the footage it's been another very big year for the company and it's my pleasure to be here today and presenting to you the year we've had.

Slide 3 – Delivering Strong Shareholder Returns
- This is always a nice chart to show first up, and clearly illustrates that we've continued to perform well for shareholders over the last twelve months in total shareholder returns.
- The gap between the performance of the company and the broader market has continued to widen, which is pleasing.

Slide 4 – FY20 Highlights
- I'm pleased to report to shareholders that the performance of the company has largely landed at the top end of the range provided to the market on the 17th of June and it once again demonstrates the strength of our market leading position, our resilience as a business through economic cycles and the strategy we've continued to execute on around building a diversified business model.
- Adjusted revenue up 1% year on year to $423m, Adjusted EBITDA up 6% to $232m and Adjusted NPAT up 6% to $138m were pleasing outcomes overall.

Slide 5 – Market Leading Operational Metrics
- These operational metrics really speak to scale and quality of the investments we've been making over many years now and the performance here reflects the capability that we're building as an organisation.
- Directionally we've been speaking about a few of these metrics over the past several months but the ones to highlight are:
    - Inventory being lower at the moment which is largely being driven by strong demand for used cars. These demand conditions you can see flow through time to sell which has come down by 34% on pcp here in Australia to levels I can't recall seeing before.
    - If you look at the two metrics next to time to sell which are more at the top of the car buying funnel you can get a better understanding on why time to sell is lower with leads and traffic both up well year on year.

Slide 6 – Extending our Australian Market Leadership
- Over the past 12 months we've worked hard on building audience and engagement, which is reflected in the growth we've seen in our market leadership here in Australia.
    - Unique audience is a reflection of the size of the audience coming to carsales, while time on site reflects the quality and engagement that audience has with the carsales website.
    - The result is a huge lead in sessions against our nearest competitors and ultimately leads to more enquiries which help our customers buy and sell more in a shorter space of time than anyone else.

Slide 8 – carsales' Response to COVID-19

- It goes without saying that it has been a very challenging year so far for us all as a community, whether it's been bushfires or pandemics. In mid-March we could see the challenges coming through monitoring our own data and talking to international peers, and we felt that it was important that we establish some decision making principles which we could communicate to our people and use to guide our decision making. The principles we set were:
    - to protect our people;
    - to support our industry and customers; and
    - to bolster our own business.
- **With protecting our people** our primary focus has been on ensuring peoples' health and minimising infection, but we've also put countless initiatives in place to keep our people highly informed, engaged and productive. This has all helped ensure we've maintained a good operating cadence since mid-March and resulted in one of the highest staff survey engagement scores we've ever seen as a business.
- **In relation to our customers** the thinking has always been as market leaders we have a real responsibility to support our customers and our industry in a meaningful way where we can with financial, educational and emotional support.
    - The financial support plans we put in place on the 23rd of March included a 100% rebate on contracted services provided in April. In addition, we provided a further 50% rebate in May and a 100% rebate on new car services in June. All of which translated to close to $28m in support through to 30 June and has made a meaningful contribution in protecting jobs in our industry.
    - Since 30 June we have in addition provided a further $11m in support for Melbourne Metro dealers through the lengthy lockdown period that's been endured.
    - At the same time we've been focused on innovating in a contactless environment through the release of things like badges, video listings and online expos.
    - We've also provided educational support with regular webinars and written communications to our dealer customers, helping them navigate through a new way to sell.
    - Finally, we extended our own employee assistance program to our dealer customers and their employees, providing emotional support during a very difficult time.
- In terms of **bolstering the business** the thinking has been to ensure we made the right adjustments to protect short term profitability while not losing sight of the things that are important in delivering against our long-term business objectives.
    - We enacted immediate cost saving measures, including executives and the Board taking short term remuneration cuts and reducing discretionary costs to support profitability.
    - We also stood down around 250 staff, most partially, predominantly as a result of work health safety concerns and this aligned with the reduced levels of customer activity. Jobkeeper was helpful in keeping as many staff engaged with some work as possible.
    - We also felt it was important to strengthen our balance sheet further, which we did by focusing on our debt financing arrangements and reducing working capital.

Slide 9 – Trends emerging from COVID-19

- It has been interesting to observe through the pandemic some emerging trends and while no one has a crystal ball, our sense is that some of these may continue for some time to come. It is likely that the acceleration to online is permanent, which is consistent with what our peers around the world are seeing.
- The other clear trend is a consumer preference back to car ownership, as people avoid public transport or are forced to take local driving holidays as opposed to flying overseas or interstate. Our research suggests an increase in first car buyers and people adding cars to their households,

which makes intuitive sense given the inventory levels we are seeing and what we're hearing in relation to trade-in volumes at the moment.

- We also believe the stimulus packages put in place by government have been supportive in driving the changes we're observing, whether that be through programs like the instant asset write-off or early super access schemes.

Slide 11 – Strong track record of sustained growth

- Looking at our Group financial performance, it's clear the evolution of our business strategy is paying dividends as we've continued to build shareholder value through sustained growth across adjusted revenue, EBITDA and NPAT.

Slide 12 – Increasing international contribution driving growth

- As we look forward there's a lot more to come from our international investments and we expect to see this important part of the business continue to grow. We are once again pleased to see the increasingly significant contribution these investments are making to the Group - now contributing 24% of look through revenue and 19% of look through EBITDA.

Slide 13 – Summary of Revenue and EBITDA

- As we usually do, we'll drill down on revenue later in the deck, so I'll just talk to EBITDA here.
    - We are pleased to see the online advertising segment's solid growth, which was consistent with H1 and achieved predominantly through dealer revenue growth as well as the rigorous focus we've had on core cost management.
    - Data, research and services EBITDA pcp growth was also consistent with H1, and largely reflected the exit of less profitable product and services along with good efforts by the team on costs.
    - We are also pleased with the continued strong growth in international earnings particularly on a look through basis up 20%.
    - Korea continues to be a stand out with H2 earnings performance accelerating to deliver a full year EBITDA growth rate of 18% on pcp in Asia.
    - In Latin America we've continued to invest in product and technology and pulled back on cost where possible.

Slide 14 – Good expansion in domestic and international margins

- As we saw in H1, we've continued to see good overall EBITDA margin expansion, and in fact all parts of the business show margin growth for the first time in many years.
- The 2% growth in domestic margins demonstrates our ability to maintain a strong cost discipline while exercising operating leverage and navigating the current market challenges in areas such as display and private seller, which are both high margin products.
- In other domestic investments, Redbook Inspect's and tyresales' overall margin impact was a positive 0.1%, which reflected good cost management.
- In Asia, Korean margins improved by 0.2% with improved utilisation of existing branches, the impact of the price rise in the Guarantee product in August and growth in higher margin products such as display advertising, and despite the ongoing investment in new branch operations.
- As mentioned earlier, the loss reductions in Latin America particularly over the past 6 months had a positive impact on overall margins.

Slide 15 – Adjusted net profit after tax summary

- Looking at adjusted NPAT and the movements below EBITDA:
  - D&A increased by 21% on pcp, which was consistent with H1 and reflects the ongoing investment we're making in globalising the company, supporting growth generating initiatives and ensuring we are providing world class facilities for staff when they can eventually use them.
  - Net finance costs again were quite consistent with H1, down 8% which reflects the reduction in average interest rates and deleveraging of the business over the past 12 months.
  - Profit from associates was up 27% primarily reflecting the growth we're continuing to see from Webmotors.
  - Finally, the Board declared and recently paid a final dividend of 25 cents per share.

Slide 16 – Strong cashflow from operations and robust balance sheet

- carsales is a highly cash generative business and it's great to see cash conversion improve as it has done over the last couple of years.
- Our leverage has also improved from H1 of 1.7x to now being 1.6x and sitting prudently well under the 2.2x we had in 2018 with the acquisition of Encar.
- The 12% increase in capex excluding office fit out reflects the continued investment in technology platforms supporting international market expansion and domestic product development.

Slide 18 - Dealer

- Dealer revenue growth of 10% was a solid performance for the year, in what is currently a very strong used car market for our customers, and this helped drive the 14% H2 adjusted revenue growth we saw.
- The difference between adjusted and reported revenue reflects the rebates provided to dealers in April, May and June in our customer support package.
- Full year pcp growth of 10% came from:
  - good growth in unique audience, which flowed through to used car lead volumes and represented around 4% of the growth we saw, with May and June growth particularly strong;
  - price changes represented 4%, which was largely from the $3 lead fee increase in January; and
  - depth growth particularly around product such as main event and our automation product represented 2%, which reflects the strong ROI our customers achieve from these products.

Slide 19 - Private

- Private revenue was challenging in H2 which is reflected in the -5% pcp revenue growth for the year.
  - What we observed with social distancing was a reluctance of private sellers to sell their cars during lockdown conditions, particularly in March and April and possibly more people holding onto cars they may have ordinarily traded perhaps wanting to avoid public transport.
  - The issue around restrictions also flowed through to other business such as Redbook Inspect.
  - Tyresales volumes were also down as we reduced discounting in order to defend profitability.

   - Very pleased to see Instant Offer continue to grow well throughout the year, particularly in H1 with excellent improvement in consumer NPS and conversion rates. This also reflects the desire of dealers to acquire additional inventory in a tight market.

Slide 20 - Media

- Looking at media performance, and the market for display advertising overall continues to remain very challenging as a result of weaker new car sales conditions and reductions in OEM ad spends. However, we did outperform the broader automotive brand ad market which was down 24% for the year.
- Our CIL (carsales industry and leisure) sites performed much better than automotive which was pleasing, and we've had good native and video product adoption with strong audience metrics and are well positioned for when the new car market improves.

Slide 21 – Data Research & Services

- Looking at data, research and services revenue and the difference between adjusted and reported revenue again reflects the rebates provided to dealer customers through April, May and June for contracted services such as Livemarket.
- Revenue was flat on pcp, which was a similar outcome to what we saw in H1 largely reflecting the rolling off of unprofitable product so underlying growth was closer to 5%.
- We continued to see good demand for our proprietary data and research products:
   - good growth in vehicle appraisals as dealers look to grow their used car inventory; and
   - Redbook continued to grow on a solid consistent basis

Slide 23 – Asia – Encar (South Korea)

- Looking at Korea, and we're really pleased with the performance of Encar over the past 6 months, with growth rates accelerating in H2 and delivering 16% revenue growth and 18% EBITDA growth for the year.
- Challenging macroeconomic conditions, a tougher new car market, dealing with COVID-19 and re-branding the business in H2, makes the performance here even more impressive.
- The used car market in Korea has been strong particularly over the last several months, which is a reflection on the performance of key operating metrics all growing through H2 as you can see on the slide.
- The growth in popularity of premium products like Guarantee inspection, combined with the opening of 9 new branches over the last 12 months is continuing to play an important role in organic revenue growth. We also did a 10% price rise on Guarantee inspection product in August as mentioned earlier.
- Other premium products, such as dealer direct and to a lesser extent home delivery services, were also good performers along with growth in standard listings which rose 8%.

Slide 24 – Latin America – Webmotors (Brazil)

- Looking at Webmotors it's fair to say the only thing that stood in the way of delivering even better performance than the 17% and 10% revenue and EBITDA growth was COVID-19 in Q4.
- The performance low point was similar to us here in Australia, which was April, and the business has been recovering well since then and is almost back to pre-COVID levels.
- We've seen the Santander finance integration work that's been done continue to make a meaningful contribution to business performance, and was one of the big growth drivers in H2.
- As we've spoken about a couple of times, the business was pushing into regional markets in H2 and was looking to lift advertising spend to drive market penetration, but we've halted that temporarily while the country gets on top of COVID-19.

- Also similar to Australia, we've seen strong growth in key operating metrics such as traffic and lead volumes.

Slide 25 – Latin America
- You can see from this slide that our businesses in Latam are pretty small by comparison to Korea and Brazil. There's good upside potential from each of these businesses in time, but we'll continue to pace our investment carefully and in the short term they are not burning a hole in our pocket, and give us good options for growth into the future.
- The summary of performance across these businesses is that we have made good progress in the deployment of product over the last 12 months and in the short term we've reduced cost where we can and remain in a good position for when the market eventually turns upwards.
- The other pleasing development in Latam is the strategic partnership that we've entered into with Santander in Argentina and Chile over the last few weeks. These agreements will lead to the integration of Santander consumer finance into our Chileautos and Demotores businesses, similar to the arrangements we have in Brazil.

Slide 27 – carsales strategy
- Just looking at a broader strategy update and the areas of focus for the business moving into FY21.
- Our strategy as we've presented a couple of times before continues to progress with our priorities being focused on our digital marketplaces, value added services and exploring new opportunities to position the company well into the future as market trends and consumer preferences evolve.

Slide 28 – Introducing Placie
- Speaking further about our strategy, specifically the priority around future horizons, I'm pleased to announce the Beta launch of Placie. Placie is an app that has been three years in the making from concept to MVP through the development of product and partnerships.
- Placie's mission is to make it simple for everyone to get from place to place, faster, cheaper and smarter.
- Placie integrates over eight different types of transport modes into a single mobility service accessible on demand.
- What does this all mean for the consumer? The ability to compare, combine and book transport within a single app using real time data. Placie is the one stop mobility shop for consumers to save time, money and effort.
- And with the native integrations we have, there is no deep-linking for a seamless consumer experience via one account.

Slide 29 – Growth in the mobility marketplace
- Mega-trends are disrupting transport as we know it – transport trends have continued to change and evolve over the last several years with new transport options emerging. These changes have only increased during COVID-19 and habits have been broken. New habits will eventually form and we want Placie to be positioned in the market when they do and help Australians reduce friction in getting from place to place.
- As an Australian innovator in digital marketplaces that bring consumers and business together we are uniquely placed to bring consumers and multi model transportation services together as well. While carsales aggregates choice for car ownership, Placie aggregates mobility choices.
- As transport solutions become connected and smart cities emerge, we see Mobility as a Service or MAAS as a considerable opportunity and so do our extensive list of transportation business

partners. MaaS can play a meaningful role in optimising infrastructure, boosting the liveability of our cities and regions and encouraging private sector innovation and participation.

Side 30 - Transport partners and demand relationships

- The Placie app will soon be available in the App Store or in Google Play in Beta and will be progressively rolled out over the next year.
- Placie has signed up best in class partners across public transport networks and private transport providers including taxi, rideshare, car rental, parking operators as well as channel partners and we are looking forward to the product's release and initial trials in the coming months.

Slide 32 – FY21 Trading observation update

- The world is clearly an uncertain place at the moment to say the least but where our focus is going to be coming into FY21 will be around managing our costs and investing in product and our market positions.
- We expect to continue benefiting from the resilience of the used car market, and the trends we have been observing should support this.
- We are well funded with low gearing, strong liquidity and cashflows that will continue to fund growth and dividends.

Slide 33 – Specific trading observation update

- Given the continuing uncertainty due to COVID-19, we aren't providing specific guidance on our financial expectations for FY21. We have however outlined some specific current trading observations. Just a couple of key things to call out:
  - Overall lead volumes in Q1 FY20 have been impacted by the closure of dealerships in Metro Melbourne. However, excluding Metro Melbourne, overall lead volumes grew strongly on pcp in Q1 FY20.
  - carsales has provided a 100% rebate for all metro Melbourne dealers since the 6th of August 2020 and will do so until dealers' retail offerings reopen. We estimate the quantum of this support to be ~$12m to date in FY21, which brings the total support provided to dealers since the start of the pandemic to approximately $40m.
  - In relation to South Korea, we are observing key operating metrics of inventory, listing volumes and traffic all growing well, reinforcing continued good growth in revenue and EBITDA on pcp.

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