

Chair and CEO Letter



Pat O'Sullivan
Non-Executive Chair



Cameron McIntyre
Managing Director and CEO

It has been a great year for the business and we are incredibly proud of what our teams at carsales have accomplished. We have delivered excellent financial results, made good progress executing our strategy and completed transformational acquisitions. We acquired controlling stakes in Trader Interactive and webmotors, which is a key milestone for the business as more than 50% of our revenue now comes from outside of Australia.

We have built an incredible Australian business over the last 25 years and it is now complemented by an enviable portfolio of international assets. We see substantial growth opportunities in these large addressable markets over many years. This growth will continue to be powered by our passion for delivering the most frictionless buying and selling experience for our customers around the world. We remain constantly alert to competitors and sharply focused on execution heading into FY24. Our goal is to solidify and extend our market leadership positions in all our markets.

Industry Context

Industry conditions have started to normalise after a long period of volatility due to supply chain constraints and COVID-19-related conditions. As a result, automotive and non-automotive vehicle inventory levels have increased over the last 12 months, albeit they remain below pre-pandemic levels. Both new and used car prices have risen materially since the pandemic, but have stabilised since the second quarter of 2022. Despite these changes, as well as the impact of inflation and rising interest rates, we have continued to see robust levels of demand in all our key markets, reflecting the resilience of our business models through economic cycles.

Acquisitions and Capital Raising

It has been another very active year from an acquisition perspective. In September, we acquired the remaining 51% of Trader Interactive (now owning 100%) and have seen the business prosper since then. In March we were incredibly excited to acquire a further 40% stake in webmotors, the leading Brazilian automotive digital marketplace, to become the 70% majority owner. Santander bank retains a 30% equity stake and will continue their valuable contractual commercial relationship with the business. webmotors presents a compelling growth opportunity for carsales given Brazil is one of the largest and fastest-growing automotive markets in the world. webmotors has significant future growth opportunities through customer acquisition, national expansion, new product development and increasing finance penetration. Culturally, there is strong alignment between the carsales and webmotors teams, and we have demonstrated an excellent track record of delivering shareholder value by investing into international markets. Moving to 70% ownership will enable shareholders to capture the significant upside potential in the webmotors business.

We successfully executed a A\$0.5b renounceable entitlement offer to fund the webmotors transaction, which was very well supported by our retail and institutional shareholders. We chose this structure as it promotes fairness for our retail shareholders and it was pleasing to see we have been able to create value for the shareholders who participated in the raising. In July 2022, we successfully executed a A\$1.2b non-renounceable entitlement offer to fund the Trader Interactive transaction, which was also very well supported by our shareholders.

Financial Performance and Capital Management

carsales has delivered an outstanding financial performance in FY23 and enters the new year with strong momentum. The Group delivered excellent growth across our three primary financial metrics of Proforma Revenue, Proforma EBITDA and Adjusted NPAT in FY23. Proforma revenue was up 18% on pcp to \$942m, driven by double-digit growth across all our key markets. This reflects the strong value we continue to provide for our customers with growth coming from new customers and increasing adoption rates of new and existing products. Proforma Earnings before interest, tax and depreciation/amortisation (EBITDA) was up 19% to \$496m with EBITDA margins of 53%. The strong earnings and margin performance are complemented by our continued investment in key projects and innovation to drive future growth.

Adjusted Net Profit After Tax (NPAT) increased 43% to \$278m driven by our strong underlying earnings growth and the contribution from new acquisitions. EPS was up 17% to 78.1¢ reflecting strong earnings growth partly offset by the additional shares on issue from recent capital raisings. The Board has declared a final FY23 dividend

of 32.5¢ per share, bringing total dividends paid to shareholders for FY23 to 61¢ per share for the year.

From a balance sheet perspective, \$132m of the webmotors capital raise was used to strengthen carsales' balance sheet, reducing leverage to 1.96x net debt to EBITDA ratio, which provides us with ongoing funding flexibility heading into FY24. We have retained our existing dividend payout policy of 80% of Adjusted net profit after tax.

Operational Highlights

We are very pleased with the progress of the Trader Interactive business since acquiring the remaining 51% in September (bringing our ownership to 100%). We are ahead of expectations in terms of executing on our investment thesis and delivering against the synergies we identified as part of the transaction. This has included delivery of new product, acquiring customers and investing in technology to drive future growth.

Growth has accelerated in our Australian business, as we continue to invest in building an increasingly online buying and selling experience. We have extended our



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market leadership from both an audience and inventory perspective, reflected in the very strong performance of our private seller advertising segment over the last 12 months. Our 'instant offer' selling option continues to scale, which demonstrates the benefits of continued user improvements, better pricing, adding more dealers to the platform and developing consumer awareness through advertising campaigns. We only see continued upside potential over the next few years for this area of our business.

In Brazil, the business has performed very strongly over the last 12 months. We have increased our market share in large areas outside of São Paulo and Rio de Janeiro, through acquiring new dealers, growing our audience and adding more private sellers. webmotors is uniquely positioned to capture market share with exceptional buyer and seller engagement metrics and a sophisticated suite of digital products.

Encar in South Korea delivered another excellent performance this year, driven by the continued expansion of the Guarantee inspection product. Encar continues to make strong progress on its mission to facilitate online car transactions. This was reflected in the continued strong growth of its Encar Home digital retailing service.

Looking towards FY24, each of our companies has a significant roadmap of both product and initiatives to continue delivering in line with our organisational strategy, and we are well positioned as we move into the new financial year.

Our People

We have an amazing team of passionate, committed and innovative people at carsales who are the driving force of our success. The team is driven by our purpose, which is to make buying and selling a great experience. As we add new geographies and businesses to our portfolio, it is incredibly important that we maintain and enhance our culture – there is great alignment and compatibility with the Trader Interactive and webmotors teams, which has resulted in a smooth integration of those businesses thus far.

We hold hackathon events at carsales each year – a hackathon is an event where people and teams get to step away from their day-to-day roles and build out a new product, solve customer problems, improve the way we do something, learn new skills and collaborate with new people. There were some amazing ideas and products that stemmed from the hackathon, which had 42 teams and 300 participants from our businesses around the world, with particular focus on use cases for Artificial Intelligence. It was a good reminder of how



inventive our people are and it will be very exciting to see some of these ideas come to life over the next 12 months. These hackathons are just one example of how we embrace innovation at every level of the Company and our relentless focus on improving customer experience.

We are principally operating a hybrid working model across our global business, which encourages people to collaborate physically in the office, but also allows people the freedom to work remotely if they choose. This model is working well, reflected in the speed of execution and delivery occurring across our global businesses, our very strong employee engagement scores, staff retention rates and job fill times. There is so much going on across our global business and this broad array of initiatives is only possible because our large team of talented people is executing strongly every day.

Governance

The Board is dedicating more focus to Environmental, Social and Governance ('ESG') issues, particularly given the growth in the Group's global footprint.

We are focused on reducing carsales' impact on the environment and responding to risks associated with climate change. Last year we achieved carbon neutral status in our Australian business operations, and now our focus turns to achieving this in our international businesses in the next 12 months. The Task Force on Climate-related Financial Disclosures (TCFD) is a leading framework under which companies assess their climate-related risks and opportunities. In FY23, we have reported against this framework for this first time which is a good step forward for the Company.



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The carsales business has an important role to play in the education of consumers to support the world's transition to an electric vehicle future.

From a risk management perspective, cybersecurity and protecting customer and consumer data is a critical focus area for carsales particularly given threats are increasing in this space. We continue to invest heavily in our security infrastructure to ensure the integrity of our customer data and provide policies, training and education to our employees on responsible data use and cybersecurity. We cannot become complacent in this area and will continue to invest to ensure we keep pace with the changing risk management and security landscape. Whilst we cannot fully mitigate these risks, an effective risk and governance framework can help to reduce the impact of any event.

Given our continued international expansion, we have also implemented subsidiary Boards with independent Directors in each of our key geographies of Australia, the US, South Korea and Brazil. This subsidiary governance framework allows the business to dedicate appropriate focus to local country risks in each of our jurisdictions.

Diversity and inclusion are very important to carsales as we want all our people to feel valued, respected and have equal access to opportunities. We are a Workplace Gender Equality Agency (WGEA) Employer of Choice, and we are passionate about trying to correct the underrepresentation of females in technology roles.

Towards a Successful FY24

Finally we would like to thank our customers for their partnership, our wonderful employees for their hard work and our shareholders for their support and encouragement. We look forward to working with you all in FY24.

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