

## CHAIR AND CEO LETTER

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**Pat O'Sullivan**  
Non-Executive Chair

**Cameron McIntyre**  
Managing Director and CEO

FY22 has been a transformational year for carsales as we celebrate our 25th anniversary. We have delivered outstanding results despite ongoing disruptions and volatility caused by COVID-19. The acquisition of the remaining 51% of Trader Interactive in North America is an incredibly exciting evolution of our international growth strategy and strengthens carsales' position as a truly global leader in digital vehicle marketplaces. From a group strategy perspective, we are committed to delivering on our purpose of making 'buying and selling a great experience' across all our marketplaces. COVID has accelerated digitisation, which is creating new growth opportunities for carsales as we strive to bring more and more of the vehicle buying journey online. At the start of the pandemic, carsales adopted three core decision making principles which it continues to abide by: supporting our customers, protecting our people and driving the long term objectives of the company. This has enabled us to emerge as a stronger business which is reflected in the breadth of opportunities in front of us as we move into FY23.

### Industry context

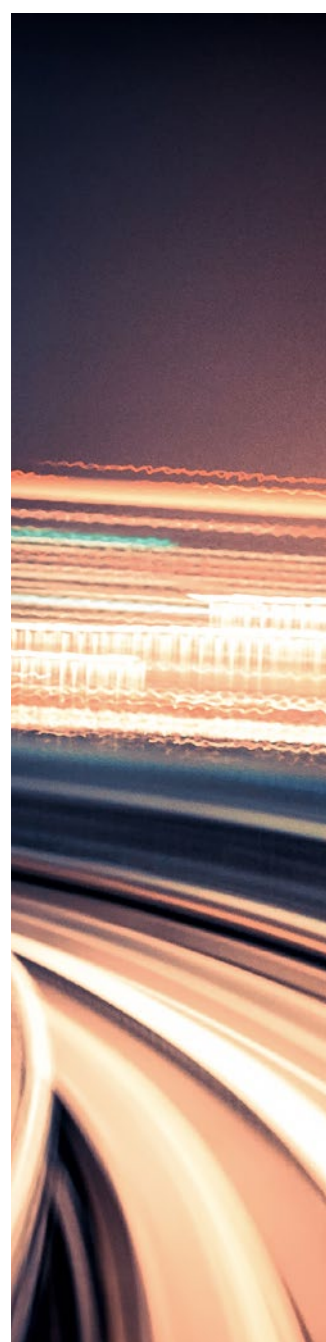
Automotive and non-automotive vehicle inventory levels continue to be impacted by supply chain constraints, primarily due to ongoing semi-conductor chip and other component shortages, freight costs, production and logistics constraints. As a result, used car prices have risen at unprecedented rates and we expect inventory levels to be an ongoing challenge for the next 6-12 months at least. With less new cars being sold, there have also been fewer trade-ins, driving more competition for used car supply between dealers. Despite these challenges 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 marketplace business models through economic cycles.

### Trader Interactive Acquisition and Capital Raising

During the course of the last 12 months we have become even more excited about the value of the Trader Interactive business and its growth potential. As a result we chose to exercise our call option in June to acquire the remaining 51% of Trader Interactive for US\$809m or approximately A\$1,172m. Trader Interactive is a leading platform of branded non-automotive marketplaces in the United States, providing digital marketing solutions across the commercial truck, recreational vehicle, power sports and equipment industries. Trader Interactive is a clear leader in large markets that have upside from both a digital adoption and monetisation perspective. Culturally, there is strong alignment between the carsales and Trader Interactive teams and we have demonstrated an excellent track record of delivering shareholder value by diversifying into international markets. Moving to 100% ownership will enable shareholders to capture the significant upside potential in the Trader Interactive business.

We successfully executed a \$1,207m accelerated non-renounceable entitlement offer to fund the transaction which was very well supported by our retail and institutional shareholders. We anticipate completing the deal late in the first quarter or early in the second quarter of FY23.



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## Financial Performance and Capital Management

The Group's results reflect the strength of our business model and core value proposition. The Group delivered excellent growth across our three primary financial metrics of Adjusted Revenue, Adjusted EBITDA and Adjusted NPAT, demonstrating the continued strength of our Australian and International businesses. FY22 Adjusted Revenue was up 16% on pcp to \$510m, driven by solid performance in our Australian business and excellent growth in our International businesses. Adjusted Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA) was up 7% to \$272m with EBITDA margins of 53%. The earnings performance reflects the ongoing strength of our business model as the company continues to utilise its operating leverage and exercise strong cost discipline, whilst continuing to invest in key growth projects.

Adjusted Net Profit After Tax (NPAT) increased 27% to \$195m driven by our EBITDA growth and the profit contribution from our 49% ownership of Trader Interactive. The Board has declared a final FY22 dividend of 24.5c per share bringing total dividends paid to shareholders for FY22 to 50.0c per share for the year.

From a balance sheet perspective, the Trader Interactive acquisition will be partly funded by replacing debt at the Trader Interactive level with debt at the carsales level. We are looking to increase our facility size from \$900m to \$1,400m which provides us with ongoing funding flexibility post completion of the acquisition. We expect to maintain a strong balance sheet post acquisition with leverage of approximately 2.7x net debt to EBITDA. We will also retain our existing dividend payout policy of 80% of Adjusted NPAT.

## Operational Highlights

### Australia

Growth has accelerated in our Australian business which is predicated on our ability to continuously innovate and deliver product improvements for consumers, dealers and manufacturers.

A good illustration of this is the continued development, enhancement and growth of our private seller value proposition through the traditional private sell process as well as our 'Instant Offer' selling option for consumers. Volumes have grown strongly in each of these areas, with units sold increasing by more than 16% in FY22, a result of continued user improvements, a strong trust and safety environment, enhancements to our pricing engine, adding more dealers to the Instant Offer platform, expanding the range of cars covered by Instant Offer and developing consumer awareness through our recent advertising campaigns. We only see continued upside potential over the next few years for this area of our business, particularly given it is digitising the sale of vehicles which is becoming increasingly attractive for consumers.

The growth in our media business has also been very pleasing this year. Our strategy of diversifying into more native ad placements as well as into non-automotive segments is paying dividends and is reflected in our third consecutive half year of double digit revenue growth. From a dealer perspective, there is strong momentum with our digital car buying experience, carsales Select and we are making steady progress in developing our value proposition for both consumers and dealers alike. With rising interest rates it is important for dealers to be able to showcase their finance offerings to potential car buyers to differentiate their vehicles from those of their competitors and our finance offering has continued to make good progress and has excellent momentum heading into FY23.

### International

Our international growth strategy continues to deliver. We have an enviable portfolio of assets, which are key pillars of our long term growth strategy. Our three largest international assets in South Korea, the United States and Brazil continue to demonstrate impressive growth profiles, with each delivering double digit growth in revenue and EBITDA in FY22.

In South Korea, we had another outstanding year from a business performance perspective, with constant currency revenue up 17% and Adjusted EBITDA up 16%. The key strategic focus areas of the business are to increase the penetration of Guarantee Inspection, Dealer Direct and Home Delivery products and the business has been successful in growing all three of these in the last twelve months.

In the US, we have delivered excellent constant currency revenue and Adjusted EBITDA growth of 11% and 16% respectively. This reflects a very strong performance in RVs, a good and improving result in Powersports and flat growth in Trucks due to ongoing inventory issues. There is significant upside potential for the business, particularly under 100% carsales ownership moving forward.

In Brazil, the business has performed very strongly over the last twelve months and has increased its market leadership and grown its number of dealer customers. The business has executed a regional expansion program which will grow the brand in regions outside of Sao Paulo and Rio de Janeiro where the webmotors brand has not been as strong over the coming financial year. There is significant long term financial upside if we execute this plan well.

In Chile, business conditions and financial performance have started to improve with inventory growing strongly. Mexico remains challenging with new car sales and inventory levels still remaining suppressed.

## Our people

Our success is directly attributable to the capability, loyalty and culture of our team. I am proud that our people continue to remain highly engaged, showing resilience and determination in what has been another challenging year.

In a highly competitive talent market, we have remained focused on retaining our incredibly talented people as well as continuing to attract new talent to support our growth.

As a business we have always prided ourselves on our inclusive work environment. This has enabled us to successfully introduce a new way of working this year, providing our people the autonomy to choose where they do their best work – office, hybrid or anywhere. This approach has seen many added benefits for our people and the business, including providing us access to even wider and more diversified talent pools outside of our traditional office locations.

A few highlights from the last year include:

- Being recognised as a Great Place to Work® for the fifth consecutive year;
- Maintaining our Workplace Gender Equality Agency (WGEA) Employer of Choice for an eighth consecutive year and becoming a certified Family Inclusive Workplace™;
- Being named as an Australian Association of Graduate Employers (AAGE) Top Graduate Employer; and
- Achieving a 6% uplift in overall employee engagement in our 2022 employee opinion survey.

## Governance

Environmental, Social and Governance ('ESG') issues are rightly taking a more prominent role in the corporate world and community more broadly. We take these matters very seriously and as a result have recently established a new Sustainability Board Sub-Committee to oversee the Group's ESG strategy. We are dedicated to building an environmentally friendly business that has a strong social conscience. We are focused on reducing carsales' impact

on climate change and this year we achieved carbon neutral status in our Australian business operations. Our focus now turns to achieving this in our international businesses as well as providing the best available information for our consumers to make environmentally friendly vehicle purchases, to support Australia's transition to an electric vehicle future.

The Audit Committee has overseen the competitive tender for carsales' external auditor and has reappointed PwC. The Board Risk Committee continues to focus on identifying and monitoring our key risks as a business. As an online vertical marketplace business, cybersecurity and protecting customer and consumer data are critical focus areas for carsales. 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 cyber security. 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.

## Towards a successful FY23

We are incredibly proud of our achievements in FY22 and even more excited about the year ahead as we move to 100% ownership of Trader Interactive. Thank you to our wonderful carsales people who are responsible for all we have achieved in the last twelve months. And finally, on behalf of the board, thank you to our customers and shareholders for their continued support and we look forward to working with you all in FY23.

**Pat O'Sullivan**  
Non-Executive Chair

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