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Monday, 27 June 2022

carsales to acquire remaining 51% of Trader Interactive, a leading US digital marketplace business, and launch a c.AUD\$1.207bn equity raising**Key Highlights**

- carsales has exercised its call option to acquire the remaining 51% interest in Trader Interactive for USD\$809m¹, or approximately AUD\$1,172m² equivalent.
- The Acquisition Price values Trader Interactive on a 100% EV basis at USD\$1,897m, or approximately AUD\$2,749m² equivalent, representing an annualised Q4FY22³ EV / adjusted EBITDA acquisition multiple of 21.3x⁴.
- The Acquisition is expected to generate highly attractive financial returns for shareholders, with low double-digit EPS⁴ accretion expected in the first full year of ownership and further upside expected thereafter.
- carsales believes that the Acquisition presents a significant opportunity for carsales to grow in the large and attractive US non-automotive verticals market that is 16x the size of the Australian non-automotive market, with significant opportunity for further product and technology adoption and monetisation.
- Attractive financial profile of Trader Interactive with Adjusted Revenue⁵ of USD\$125m and Adjusted EBITDA⁵ of USD\$69m in FY21, supported by a strong business model with 84% recurring revenue⁶ and strong customer retention rates. Trader Interactive has delivered double-digit revenue and earnings CAGR over the last five years.⁷
- Trader Interactive is a highly strategic fit with carsales' existing operations and its international growth strategy. carsales has a strong track record of delivering shareholder value through international expansion with highly successful businesses in Korea and Brazil.
- Under 100% ownership, carsales will focus on executing its long-term product and technology strategy for the Trader Interactive business, with significant upside expected to come from new product deployment and technology innovation.
- The Acquisition is expected to unlock significant growth opportunities.
- The Acquisition is to be funded via an approximately AUD\$1,207m fully underwritten 1 for 4.16 pro-rata accelerated non-renounceable entitlement offer.
- Upsizing of carsales debt facility from AUD\$900m to AUD\$1,400m to replace the existing AUD\$562m debt facility at Trader Interactive.
- The Acquisition remains subject to conditions, which are expected to be satisfied in late Q1 FY23.

1 Acquisition price calculated as 100% EV less net debt and other adjustments of US\$358m expected at completion, multiplied by 51% being the interest in Trader Interactive not owned by carsales and adjusted for payout of the management equity plan. The final Acquisition Price is subject to completion adjustments and may differ from the number reported in this announcement.

2 Assumes an AUD / USD exchange rate of 0.69.

3 Data has been derived from the Trader Interactive financials which have been prepared in accordance with US GAAP. Q4 FY22 annualised forecast prepared using the unaudited US GAAP results derived from TI for the period 1-Apr-22 – 30-Jun-22 and multiplying by 4. May not be representative of full year results.

4 Based on Adjusted EPS before amortisation of intangibles and one-off transaction costs. The impact of purchase price accounting has not been completed and which will impact future amortisation charges. In accordance with AASB 133, carsales' pre-transaction EPS has been restated based on an adjustment factor to take into account the New Shares to be issued in connection with the Entitlement Offer.

5 Adjusted Revenue, Adjusted EBITDA and Adjusted NPAT stated above are post non-controlling interests, new ventures, pro forma and other non-recurring or non-cash normalisations. Refer to slide 3-5 of the Investor Presentation provided to ASX today for disclosure of non-IFRS information and Reported to Adjusted reconciliation and slides 41-42 for Reported to Adjusted reconciliation. The basis of preparation of financial information included in this announcement is set out in further detail on slides 3-5 of the Investor Presentation provided to ASX today.

6 Revenue that is expected to continue in the future, are predictable, stable and can be counted on to occur at regular intervals going forward with a relatively high degree of certainty.

7 FY17-FY22 forecast Revenue and Adjusted EBITDA CAGR. Refer to slide 3 of the Investor Presentation provided to ASX today for information concerning forward looking statements in connection with the Acquisition and Appendix B of the Investor Presentation for a summary of general and specific risk factors associated with the Acquisition, the Entitlement Offer and investing in carsales.

Group CEO of carsales, Cameron McIntyre, and CEO of Trader Interactive, Lori Stacy commented on the Acquisition:

carsales Managing Director and CEO Cameron McIntyre says *"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. Culturally, there is strong alignment between the carsales and Trader Interactive teams and we are looking forward to working more closely together to unlock the significant potential in the business.*

The Acquisition is a natural evolution of our international growth strategy into large, attractive markets. We have demonstrated an excellent track record of delivering strong shareholder value by diversifying in international markets. Moving to 100% ownership will enable shareholders to capture the significant upside potential in that business.

The Acquisition is expected to generate attractive financial returns for shareholders with low double-digit EPS accretion in year one.

Trader Interactive CEO, Lori Stacy says, *"We have thoroughly enjoyed working with Cameron and the carsales team over the last twelve months and we can see how compatible we are from a culture and strategy perspective. Trader Interactive is a great business with a proud history and we are incredibly excited about the value that we can generate by leveraging carsales' product and technology capability. This will enable us to increase the immense value we already provide for our customers. We are thrilled to join the carsales Group and look forward to a strong future together."*

Overview of the Acquisition

carsales.com Ltd ("**carsales**", ASX:CAR) today announced that it has exercised its call option to acquire the remaining 51% interest in Trader Interactive ("**Trader Interactive**" or "**TI**") that it does not already own (the "**Acquisition**"), for USD\$809m⁸, or approximately AUD\$1,172m⁹ ("**Acquisition Price**"). Trader Interactive is a leading platform of branded marketplaces in the United States ("**US**"), providing digital marketing solutions and services across the recreational vehicle ("**RV**"), powersports, commercial truck and equipment industries.

The Acquisition values Trader Interactive on a 100% Enterprise Value ("**EV**") basis at USD\$1,897m, or approximately AUD\$2,749m equivalent¹⁰, representing a Q4FY22¹¹ EV / Adjusted EBITDA acquisition multiple of 21.3x¹².

The Acquisition together with the Entitlement Offer described below ("**Transaction**") is expected to be Earnings per Share ("**EPS**") positive immediately, with low double-digit EPS accretion in the first full year after completion of the Acquisition.

Completion of the Acquisition under the Securities Purchase Agreement will be subject to various conditions, which are expected to be satisfied by Q1FY23.¹³

Overview of Trader Interactive

Founded in 2010 in Norfolk, Virginia, Trader Interactive is a leading, integrated platform of branded marketplaces in the US, providing digital marketing solutions and services across commercial truck, RV, powersports, and equipment industries. The business generated Adjusted Revenue¹⁴ of USD\$125m and Adjusted EBITDA¹⁵ of USD\$69m in FY21¹⁶. The business has a strong track record of delivering strong revenue

8 Refer to footnote 1.

9 Refer to footnote 2.

10 Refer to footnote 2.

11 Refer to footnote 3.

12 Refer to footnote 3.

13 The conditions include obtaining the necessary regulatory approval, no material adverse change occurring prior to completion and execution of the securities purchase agreement. Investors are referred to Appendix B of the Investor Presentation for a summary of general and specific risk factors associated with the Acquisition, the Entitlement Offer and investing in carsales.

14 Refer to footnote 5.

15 Refer to footnote 4.

16 Year ending 30 June 2021.

and earnings growth with Adjusted Revenue and Adjusted EBITDA CAGR of 11% and 14% respectively over the last five years¹⁷.

Trader Interactive offers marketplace services through dealer listings subscriptions, private party listings, brand advertising, listing enhancements, as well as offering software, dealer services and data insights to provide dealer and industry intelligence for customers. It has a diversified customer base of dealer and original equipment manufacturers (“OEMs”) with over 8,800 dealers and over 49 OEM relationships as at May 2022. Trader Interactive had approximately 1 million total listings in May 2022 and an average of over 22 million monthly visitors in 2021¹⁸. It has approximately 350 employees.

Strategic Rationale for Acquisition

The Acquisition represents a strategically compelling transaction for carsales and its shareholders. The key strategic highlights include:

- Market leading positions in attractive US non-automotive verticals which are 16x as large as the Australian non-automotive market.
- Favourable structural trends through increasing participation in the RV and Powersports industries, combined with an increasing share of digital advertising spend.
- Well positioned potential to increase customer penetration and yield, which is low compared to carsales Australia.
- Significant future growth potential and expected synergies under 100% carsales ownership through enhanced product development and technology innovation.

carsales FY22 Performance Update

carsales business continues to perform strongly, as evidenced by the following estimate of the carsales’ Group’s FY22 results. The estimated results demonstrate the continued strength of our Australian and international businesses. Domestic business performance in the first five calendar months following H1 FY22 reflects continued healthy levels of demand in the Australian automotive and non-automotive markets as well as increased adoption in key growth products. Our international businesses are delivering strong financial results.

All numbers referenced below in the carsales’ Group’s estimate of FY22 results are unaudited and will be subject to review as part of our year-end audit process. The result ranges are an estimate only to keep the market as well informed as possible.

AUD\$m	FY21 Actual	FY22 Estimate	Growth	FY22 Pro- forma ¹⁹
Adjusted Revenue	438	507-509	16%	700-704
Adjusted EBITDA	254	270-272	6%-7%	379-383
Adjusted EBITDA Margin	58%	53%-54%	n/a	54%-55%
Adjusted NPAT	153	194-196	27%-28%	
Reported Revenue	427	506-508	19%	
Reported EBITDA	241	267-269	11%	
Reported NPAT	131	161-163	23%-25%	

¹⁷ FY17-FY22 forecast Adjusted Revenue and Adjusted EBITDA CAGR. Refer to slide 3 of the Investor Presentation provided to ASX today for information concerning forward looking statements in connection with the Acquisition and Appendix B of the Investor Presentation for a summary of general and specific risk factors associated with the Acquisition, the Entitlement Offer and investing in carsales.

¹⁸ Based on figures provided to the company by Trader Interactive as at December 2021.

¹⁹ Refer to slide 3 of the Investor Presentation provided to ASX today for information concerning forward looking statements in connection with the Acquisition and Appendix B of the Investor Presentation for a summary of general and specific risk factors associated with the Acquisition, the Entitlement Offer and investing in carsales.

The estimated results demonstrate the continued strength of our Australian and international businesses. Domestic business performance in the first five calendar months reflects continued healthy levels of demand in the Australian automotive and non-automotive markets as well as increased adoption in key growth products. Our international businesses are delivering strong financial results.

Acquisition Funding

The Acquisition Price will be funded by an AUD\$1,207m fully underwritten 1 for 4.16 ("**Offer Ratio**") pro-rata accelerated non-renounceable entitlement offer (the "**Entitlement Offer**").

carsales will concurrently be seeking to upsize its debt facilities from AUD\$900m to AUD\$1,400m to replace the existing AUD\$562m debt facility at Trader Interactive.

carsales is expected to maintain a strong balance sheet post Acquisition, with pro forma FY22 Net Debt / Adjusted EBITDA²⁰ of ~2.7x²¹ which is expected to decrease to 2.0x within two years of acquisition.

Equity Raising

carsales has today launched a fully underwritten Entitlement Offer, pursuant to which eligible institutional and retail shareholders will be entitled to subscribe for 1 new carsales share ("**New Share**") for every 4.16 shares held on the record date of 7:00pm (Melbourne Time) on Wednesday, 29 June 2022 ("**Record Date**").

Approximately 68 million new ordinary shares will be issued under the Entitlement Offer, equivalent to approximately 24% of current issued capital.²²

The Entitlement Offer will be conducted at AUD\$17.75 per new share ("**Offer Price**"), which represents a:

- 14.5% discount to the last closing price of AUD\$20.76 on Friday, 24 June 2022; and
- 12% discount to the Theoretical Ex-Rights Price ("**TERP**")²³ of AUD\$20.18

New Shares issued under the Entitlement Offer will rank equally with existing fully paid shares from the date of issue and will be eligible to participate in any final dividend announced by carsales.

Eligible shareholders who do not take up their entitlement under the Entitlement Offer, in full or in part, will not receive any value in respect to those entitlements not taken up.

carsales shares will be in trading halt until completion of the Institutional Entitlement Offer.

Institutional Entitlement Offer

The Institutional Entitlement Offer opens today and closes on Tuesday, 28 June 2022. Institutional Entitlements not taken up and those of ineligible institutional shareholders will be sold at the Offer Price.²⁴

Retail Entitlement Offer

Eligible retail shareholders in Australia and New Zealand will be invited to participate in the Retail Entitlement Offer at the same Offer Price and Offer Ratio as under the Institutional Entitlement Offer. The Retail Entitlement

²⁰ Refer to footnote 6

²¹ Based on carsales' debt position as at 3 June 2022 including the pro-forma adjustments to reflect the impact of the Acquisition as outlined on slides 32-33 of the Investor Presentation provided to ASX today.

²² Investors are referred to Appendix B of the Investor Presentation for a summary of general and specific risk factors associated with the Acquisition, the Entitlement Offer and investing in carsales.

²³ The TERP is the theoretical price at which carsales shares should trade immediately following the ex-date for the Entitlement Offer. TERP is calculated by reference to carsales' closing price of \$20.76 on Friday 24 June 2022, being the last trading day prior to the announcement of the Entitlement Offer. TERP is a theoretical calculation only and the actual price at which carsales shares trade immediately after the ex-date of the Entitlement Offer will depend on many factors and may not be equal to TERP.

²⁴ carsales has determined to extend the institutional Entitlement Offer to institutional shareholders registered in Australia, Canada (British Columbia, Ontario and Quebec provinces only), European Union (Denmark, France, Luxembourg and the Netherlands), Hong Kong, Japan, New Zealand, Norway, Singapore, Switzerland, United Arab Emirates (excluding financial zones), United Kingdom and United States subject to the 'International Offer Restrictions' set out in Appendix C of the Investor Presentation lodged with ASX today.

Offer will open at 9:00am (Melbourne time) on Friday, 1 July 2022 and close at 5:00pm (Melbourne time) on Wednesday, 13 July 2022.

Eligible retail shareholders under the Retail Entitlement Offer may:

- elect to take up all or part of their pro rata entitlements prior to 5.00pm (Melbourne time) on Wednesday, 13 July 2022; or
- do nothing and let their pro rata entitlements lapse.

Eligible retail shareholders should read the Retail Entitlement Offer Booklet which contains full information on the Retail Entitlement Offer and application process.

Shareholders in the United States are not eligible to participate in the Retail Entitlement Offer. Similarly, shareholders (including custodians and nominees) who hold Shares on behalf of persons in the United States or are acting for the account or benefit of persons in the United States, are not eligible to participate in the Retail Entitlement Offer on behalf of those persons.

Investor Call

Carsales will hold a call at 11:00am Melbourne time today to discuss the Transaction.

Attendees will need to pre-register using the following link: <https://s1.c-conf.com/diamondpass/10023140-x6yngr.html>

For further information please contact:

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Timetable

Event	T+	Date
Trading halt and announcement of Entitlement Offer	0	Monday, 27-Jun-22
Institutional Entitlement Offer opens	0	Monday, 27-Jun-22
Institutional Entitlement Offer closes	1	Tuesday, 28-Jun-22
Announcement of results of Institutional Entitlement Offer	2	Wednesday, 29-Jun-22
Trading halt lifted and CAR shares recommence trading	2	Wednesday, 29-Jun-22
Retail Entitlement Offer Record Date	2	7:00pm on Wednesday, 29-Jun-22
Retail Entitlement Offer opens and Retail Offer Booklet made available	4	Friday, 01-Jul-22
Settlement of New Shares issued under the Institutional Entitlement Offer	6	Tuesday, 05-Jul-22
Allotment and normal trading of New Shares issued under the Institutional Entitlement Offer	7	Wednesday, 06-Jul-22
Retail Entitlement Offer closes	12	5:00pm on Wednesday, 13-Jul-22
Announcement of results of Retail Entitlement Offer	14	Friday, 15-Jul-22

Settlement of New Shares issued under the Retail Entitlement Offer	16	Tuesday, 19-Jul-22
Allotment of New Shares issued under the Retail Entitlement Offer	17	Wednesday, 20-Jul-22
Normal trading of New Shares issued under the Retail Entitlement Offer	18	Thursday, 21-Jul-22
Holding statements in respect of New Shares issued under the Retail Entitlement Offer are dispatched	18	Thursday, 21-Jul-22

Additional Information

Further details of the Acquisition and Entitlement Offer are set out in the accompanying Investor Presentation provided to the ASX today.

Capitalised terms not otherwise defined in this Announcement have the same meaning given to them in the Investor Presentation.

- ENDS -

Release authorised by the carsales.com Ltd Board

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About carsales.com Ltd

carsales.com Ltd (ASX: CAR) is the largest online automotive, motorcycle and marine classifieds business in Australia. Attracting more Australians interested in buying or selling cars, motorcycles, trucks, caravans and boats than any other classified group of websites. Together with its subsidiaries employing more than 670 people in Australia, carsales.com Ltd develops world leading technology and advertising solutions that drive its business around the world. The carsales.com Ltd network has operations across the Asia Pacific region and has interests in leading classified businesses in South Korea, the United States, Brazil, Mexico and Chile.

IMPORTANCE NOTICE

Forward looking statements

This announcement contains forward looking statements and comments about future events, which reflect carsales' intent, belief or expectation as at the date of this announcement. Such forward based on the information available to carsales as at the date of this announcement and should not be relied on as an indication, representation or guarantee of future performance. Looking statements may include forecast financial and operating information about carsales and Trader Interactive, their projects and strategies and statements about the industries, locations in which they operate as well as statements about carsales and Trader Interactive following completion of the Acquisition. Forward looking statements can be identified by forward-looking terminology including, without limitation, "expect", "anticipate", "likely", "intend", "should", "could", "may", "predict", "plan", "propose", "will", "believe", "forecast", "estimate", "target", "due to" and other similar expressions within the

meaning of securities laws of applicable jurisdictions. Indications of, and guidance or outlook on, future earnings or financial position or performance are also forward-looking statements. Forward looking statements involve inherent known and unknown risks, uncertainties and contingencies, both general and specific, many of which are beyond carsales' control, and there is a risk that such predictions, forecasts, projections and other forward-looking statements will not be achieved. Actual results may be materially different from those expressed or implied in forward-looking statements and any projections and assumptions upon which these statements are based. Forward looking statements are provided as a general guide only.

You are strongly cautioned not to place undue reliance on forward-looking statements, particularly in light of the current economic climate and the significant volatility, uncertainty and disruption caused by the ongoing impact of COVID-19, as well as the military conflict in Ukraine and its impact on global fuel prices, and the impact of these events on global supply chains and economic conditions. To the maximum extent permitted by law, carsales, the Underwriters and each of their respective affiliates and related bodies corporate, and each of their respective directors, officers, partners, employees and agents ("**Extended Parties**") disclaim any responsibility for the accuracy or completeness of any forward-looking statements whether as a result of new information, future events or results or otherwise. To the maximum extent permitted by law, each of carsales and the Underwriters and their respective Extended Parties disclaim any responsibility to update or revise any forward-looking statement to reflect any change in carsales' financial condition, status or affairs or any change in the events, conditions or circumstances on which a statement is based, except as required by Australian law.

Financial Information

Investors should note that this announcement contains pro forma and forecast financial information in relation to Trader Interactive following the Acquisition and the Entitlement Offer. The pro forma financial information has been prepared on the basis explained in slides 32-33 of the Investor Presentation filed with ASX today and includes certain pro forma adjustments as described therein. The forecast financial information has been prepared on the basis set out on slide 8 (4Q FY22 Annualised) and slide 35 for carsales FY22 estimate. Pro forma adjustment refers to hypothetical amounts adjusted to present financials on a consistent basis for a period and normalisation adjustment refers to non-operating, non-recurring items and new ventures non-cash items. The pro forma financial and other information relating to the impact of the acquisition of Trader Interactive and Entitlement Offer has been prepared by carsales in reliance on information that was provided to carsales by Trader Interactive in connection with the Acquisition. The pro forma financial information has been subject to review in accordance with the Australian Accounting Standards. The pro forma and forecast financial information included in this announcement is for illustrative purposes only and is not represented as being indicative of carsales views on, nor anyone else's, future financial position and/or performance or any scale benefits, synergies or opportunities that may be realised as a result of the Acquisition. In addition, the pro forma financial information in this announcement does not purport to be in compliance with Article 11 of Regulation S-X of the rules and regulations of the U.S. Securities and Exchange Commission.

Investors should also be aware that throughout this announcement, carsales has included certain financial information that are "non-GAAP financial measures" within the meaning of Regulation G of the US Securities Exchange Act of 1934, as amended, and "non-IFRS financial information" under ASIC Regulatory Guide 230 (Disclosing non-IFRS financial information). carsales believes that these non-IFRS/non-GAAP financial and operating measures provide useful information to recipients for measuring the underlying operating performance of carsales' business. Non-IFRS/non-GAAP measures have not been subject to audit. The disclosure of such non-IFRS/non-GAAP financial measures in the manner included in the announcement may not be permissible in a registration statement under the US Securities Act. These non-IFRS /non-GAAP financial measures do not have a standardised meaning prescribed by IFRS and therefore may not be comparable to similarly titled measures presented by other entities and should not be construed as an alternative to other financial measures determined in accordance with IFRS. Although carsales believes that these non-IFRS /non-GAAP financial measures provide useful information to users in measuring the financial position of its business, investors are cautioned not to place undue reliance on any non-IFRS /non-GAAP financial measures included in this announcement.

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This announcement does not constitute an offer to sell, or the solicitation of an offer to buy, securities in the United States. Neither the entitlements nor the New Shares have been, or will be, registered under the U.S. Securities Act of 1933, as amended ("**US Securities Act**") or the securities laws of any state or other jurisdiction of the United States. Accordingly, the entitlements may not be taken up or exercised by, and the New Shares may not be offered or sold, directly or indirectly, to persons in the United States, except in transactions exempt from, or not subject to, the registration requirements of the US Securities Act and any other applicable securities laws of any state or other jurisdiction of the United States.

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