



Carsales 2021 AGM Report

ASX Code	CAR
Meeting Time/Date	11am, Friday 29 October 2021
Type of Meeting	Virtual
Monitor	Henry Stephens assisted by Hans Ha
Pre AGM Meeting?	Yes, Zoom meeting with Chair Patrick O'Sullivan, Kim Anderson, Edwina Gilbert and Nicole Birman

Carsales: FY2021 A year of Challenges and Wins

What the Company Does

Carsales.com Ltd is the largest online automotive, motorcycle and marine classifieds business in Australia. The company employs 600 people in Australia and 1200 globally and has interests in leading automotive classifieds businesses in Brazil, South Korea, Mexico, Chile and Argentina. The company develops world-leading technology and advertising solutions for customers who are interested in buying or selling cars, motorcycles, trucks, caravans and boats.

Developments in the Financial Year

FY2021 has been both a very challenging year due to Covid and a very successful year. The company provided \$11 million of financial support to Victorian customers during the August-September lock down period. In May 2021 Carsales entered into an agreement to buy 49% (with an option to purchase 100%) of Trader Interactive for US\$624 million. Trader Interactive is a leading US platform of branded marketplaces providing digital marketing solutions across the commercial truck, recreational vehicle, power sports and equipment industries. The company funded the acquisition with a \$600 million renounceable rights issue which was well received by both retail and institutional shareholders. FY21 adjusted revenue increased 4% to \$438 million driven by excellent growth in the international businesses and some growth in Australia. Adjusted earnings before interest, tax and depreciation was up 10% to \$254 million largely due to the expansion of margins from 55% to 58.1%. Adjusted net profit after tax increased 11% to \$153 million and the board declared a final dividend of 22.5 cents bringing the total to 47.5 cents per share (previously 47 cents).

Summary of Historical ASA Issues with the Company

At the 2019 AGM the company received a "first strike" against the remuneration report. The board proposed to reduce the financial performance conditions attached to the short-term incentives (STI) and long-term incentives (LTI) from 70% financial to 60% and increased the company-wide strategic, personal and cultural objectives (non-financial) to 40%. The ASA voted against the remuneration report on the basis that the STI was the place to adopt a higher ratio of "softer" measures and not the long term LTI. The voting against the remuneration report was very high

with 32% of votes cast against and 52% against the LTI award to the CEO. As a result of the first strike, the company made the following changes to the FY2018-2020 LTI plan and the FY2020 STI:

1. To revert back, as in prior years, to 70% financial performance and 30% strategic performance for the LTI plan and to adjust the STI plan performance measures to 30% strategic and 70% financial performance.
2. Threshold gateway restored and a non-linear vesting schedule introduced to reflect the difficulty in achieving higher growth stretch targets for key management personnel.
3. Improved transparency on strategic performance achievements within the STI and LTI plans.

Overall the Australian shareholders Association (ASA) was happy with this outcome and we voted in favour of the 2020 Remuneration Report.

Debate and Voting at the AGM

The Annual General Meeting was a quite sedate affair with few questions and no controversial issues. The ASA voted in favour of all the motions and all the motions were passed by wide margins. One disappointing aspect of the meeting was that the CEO's slides in his excellent and detailed presentation did not sync with what he was saying.

The ASA asked questions about the Modern Slavery Report, the Remuneration Report and a question about when the company will return to a physical AGM. The ASA is very concerned about the trend to virtual only meetings that reduce transparency and engagement of meetings. Shareholders do not want to lose their rights to eyeball and scrutinise company directors on their "one day of the year." The chair assured the meeting that the company looks forward to a physical AGM in 2022 and in the future. The ASA asked how the company makes sure their suppliers comply with the Modern Slavery Act and the chair said that they undertake a detailed questionnaire of all suppliers and that all contracts have provisions that require suppliers to adhere to the provisions within the Act.

Only a couple of other questions were asked, one operational and one about future AGMs.

All items were passed with 94% or more support.

Outlook Statements from the Company

The outlook statement for FY22 is optimistic. In Q1 of FY22 retail closures had an impact on leads and private ad volumes. The company believes that the business is well placed to recover all or most of these declines as lockdown restrictions are lifted. Including the Trader Interactive acquisition the company expects strong growth in adjusted group revenue and adjusted net profit after tax. The company notes that outside the states affected by lockdowns, underlying dealer market conditions remain solid and private listing volumes are growing strongly on previous corresponding period. In terms of the international operations, the company is expecting strong growth in revenues and adjusted EBITDA in South Korea, Brazil and the United States in FY20.

Meeting Statistics

Number of Holdings Represented by ASA	97
Number of Shares represented by ASA	247,193
Value of Shares represented by ASA	\$5.9m
Number Attending Meeting	NA, virtual meeting
Market capitalisation	\$6.95b on the day of the meeting
Were proxies voted?	Yes, on a poll