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## Carsales.com Limited

### Communication Services

#### HOLD

**CAR A\$21.59**      **TARGET PRICE A\$22.89**

Carsales.com Limited (CAR) is an online automotive, motorcycle and marine classifieds business in Australia. Together with its subsidiaries, the company employs over 600 people in Australia. It develops technology and solutions that drive its business across Asia Pacific region and has interests in Brazil, South Korea, Malaysia, Indonesia, Thailand and Mexico.

#### Company Data

Number of shares	282.6
Market Capitalisation	\$6,101.2
Free float (%)	86.5
12-month high/low	\$26.44/\$17.03128
Average Daily Turnover (\$m)	23.056080
% S&P/ASX200	0.286
DDM Ranking	231
% All Ordinaries	0.248
GICS Industry Group	Media & Entertainment

Source: FactSet, Barclay Pearce Capital

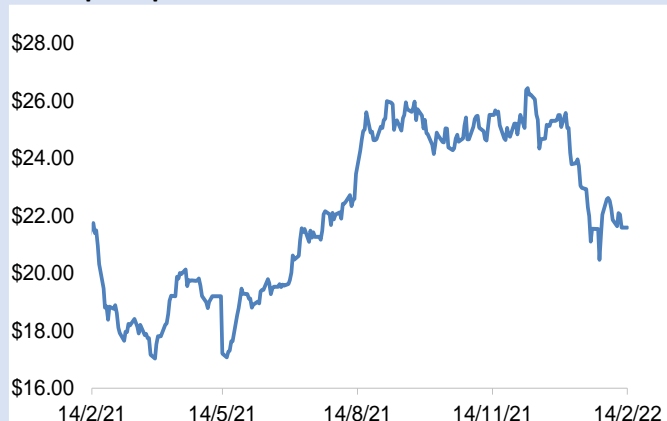
#### Earnings Summary (AUD)

Year end	2021A	2022F	2023F	2024F
Revenue (\$M)	427.2	479.3	529.1	578.2
EBITDA (\$M)	254.2	272.1	306.9	341.1
Reported NPAT (\$M)	130.7	180.0	215.9	247.0
Adjusted NPAT (\$M)	152.8	189.8	219.2	248.8
Reported EPS (c)	52.5	66.4	76.7	86.9
Adjusted EPS (c - FD)	61.4	67.5	78.2	88.7
Adjusted EPS growth (%)	27.9	9.9	15.8	13.4
Adjusted P/E (x)	35.2	32.0	27.6	24.4
Dividend (c/sh)	47.5	53.4	61.2	69.4
Gross yield (%)	3.1	3.5	4.0	4.6
Net yield (%)	2.2	2.5	2.8	3.2
ROIC (%)	17.7	12.2	14.0	15.5

Source: Barclay Pearce Capital

Barclay Pearce Capital contributes all company estimates to Thomson Reuters, FactSet, Nucleus 195 and Capital IQ.

#### Share price performance.



Source: FactSet, Barclay Pearce Capital

## FY22 Half Year Media Release

On 14th February 2022, Carsales.com Limited (CAR) announced its FY22 Half Year Media Release with the following highlights:

#### Financial Highlights:

- Strong financial result with Look-through revenue increasing 30% to \$282 million and Look-through EBITDA increasing 15% to \$149 million;
- Result reflects strong domestic results in the Private and Media segments, excellent growth in Encar in South Korea and continued investment in product and future growth priorities as well as good cost discipline;
- Adjusted NPAT of \$89m up 20% on pcp and adjusted EPS of 31.4c;
- Good cash flow performance with Reported EBITDA to operating cash flow conversion of 100%; and
- Excellent free cash flow generation, and a strong balance sheet supports a fully franked interim dividend of 25.5 cents per share, consistent with longstanding dividend payout policy of 80%.

#### Strategic Highlights:

- Excellent financial performance across Australian and International portfolio, strong operational performance despite complexities of operating in a pandemic impacted environment and good progress with strategic priorities;
- Strengthened competitive position in all key markets, with consumer engagement remaining elevated against pre-pandemic levels and strong new product growth;
- Highest private segment revenue growth since 2011, supported by starting implementation of new dynamic pricing model in private seller advertising segment in Australia;
- Continued success of international growth with strong performances in South Korea and Brazil and successful acquisition of 49% of Trader Interactive which has leading positions in large and attractive lifestyle and commercial verticals in the United States;
- Strong growth in key products such as vehicle inspections and digital trade-ins in South Korea driven by growing customer penetration, user experience improvements and increased awareness from marketing investment; and
- Excellent progress in supporting an increasingly online buying and selling journey in Australia, South Korea, the United States and Brazil with strong uptake of Instant Offer and Select products in Australia.

#### FY22 Outlook

- Excluding recent acquisitions We expect to deliver solid growth in Group Adjusted revenue, Adjusted EBITDA and Adjusted NPAT in FY22.

Group CEO of carsales, Cameron McIntyre, commented:

*"The strong performance of carsales in the first half reflects the diverse nature of our business and highlights the significant potential for future growth and the ability of our business to perform through a range of market conditions and dynamics."*

## Earnings changes

CAR has reported H1 underlying NPAT of A\$88.7M. This compares to market expectations of A\$86.2M. Also, CAR's outlook statement is consistent with market expectations too. Hence, we do not expect any significant earnings revisions for FY22 and future periods.

## Valuation

We are updating our 12-month target price from \$21.08 to \$22.89 and retaining our HOLD recommendation. The price target is underpinned by our valuation.

### Disclaimer

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Barclay Pearce Capital provides research services to its client. Mr Wright is General Manager of Research and has over twenty (30) years' experience in the financial services industry, particularly in financial analysis and research report writing. Mr Wright joined the Barclay Pearce team in 2021 where he has been involved in the research and publication of reports. Prior to this Mr Wright worked at a number of entities where he held Director/Head of Research and General Manager of Research positions. Mr Wright holds a Bachelor of Mathematics (Honours) from Edinburgh University and has completed the SDIA Accreditation Program (RG146) through DeakinPrime.

### Conflicts of Interest

Barclay Pearce Capital does not have any material interests in the financial product discussed in this Research Report nor will it receive any benefits in relation to the publication of this Research Report. Barclay Pearce Capital manages all Conflicts of Interest in accordance with its Conflicts of Interest Policy. Please contact us if you require any further information.

### Meanings of Barclay Pearce Capital Stock Ratings

**Buy** – Describes stocks that we expect to provide a total return (price appreciation plus net yield) of 15% or more within a 12-month period.

**Hold** – Describes stocks that are neither a buy nor underperform.

**Underperform** – Describes stocks that we expect to provide a total return (price appreciation plus net yield) of less than minus 10% within a 12-month period.

**NR** – The investment rating and price target have been temporarily suspended. Such suspensions are in compliance with applicable regulations and/or Barclay Pearce Capital policies.

**Speculative Buy** – Describes stocks we research with a positive bias, whose company fundamentals and/or financials are being covered, but for which there is insufficient information for Barclay Pearce Capital to assign a Buy or Underperform rating.

**Free Float (float / current shares outstanding) \*100** – This float figure is the number of shares that are available to the public and is calculated by subtracting the shares held by insiders and those deemed to be stagnant shareholders. Stagnant holders include ESOP's, ESOT's, QUEST's, employee benefit trusts, founding shareholder equity stake plus senior management equity stake, corporations not actively managing money, venture capital companies and shares held by Governments.

### Valuation Methodology

Barclay Pearce Capital's methodology for assigning stock and credit ratings may include the following: market capitalisation, maturity, growth/value, volatility and expected total return over the next 12 months. The price targets are based on several methodologies, which may include, but are not restricted to, analyses of peer comparisons, market risk, growth rate, revenue stream, discounted cash flow (DCF), EBITDA, EPS, cash flow (CF), free cash flow (FCF), EV/EBITDA, P/E, PE/growth, P/CF, P/FCF, premium (discount)/average group EV/EBITDA, premium (discount)/average group P/E, sum of parts, net asset value, discounted dividend model (DDM), franking credits and return on equity (ROE) over the next 12 months.

### Barclay Pearce Capital Recommendation Proportions

Buy	36.6%	(	0.0%	of stocks with recommendations are Barclay Pearce clients)
Hold	31.6%	(	0.0%	of stocks with recommendations are Barclay Pearce clients)
Underperform	31.8%	(	0.0%	of stocks with recommendations are Barclay Pearce clients)

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