

## Carsales.com Limited:

### On-Line Digital Methods for Automotive Classified Advertising

**Strategy:** carsales.com Ltd aims to use digital technology to make the buying, selling and owning of cars, trucks, boats, motorbikes, caravans and equipment simple and safe.

It does this in two ways: operating online advertising services (domestic and international) and providing data, research and finance services.

The company is most well-known for its online classified advertising services. It is an easy-to-use system whereby customers can advertise automotive and non-automotive goods and services across a network of sites in Australia and overseas.

In the case of automobiles, customers can specify items such as make and model, price, colour, condition and location.

The back-end of the websites automatically complete the sections on all the technical aspects of the vehicle such as safety ratings, features and specifications. For a small extra fee, the company will do it all for you: photos, description, uploading the data.

The range of cars is huge with over 230,000 cars listed on the Australian site carsales.com.

As an example, in Australia currently it lists 2,747 Ford Focus cars ranging in price from \$1,200 to \$65,990. In comparison, CarsGuide lists around 100,000 cars with 1,300 Ford Focus cars. And Gumtree lists 6,300 cars with 66 Ford Focus cars.

Carsales.com also has extensive interests in overseas automotive classified advertising businesses. Countries it operates in include Brazil, South Korea, Malaysia, Indonesia and Thailand. Chile, Argentina, and Colombia.

In February 2017, it announced the 100% ownership acquisition of DeMotores making it the largest online automotive classified network operating across Latin America.

**Success Drivers:** Keeping ahead of competitors: The company is continually developing and refining online sales methods. Many of these are small tweaks, others are more significant.

As an example, recently carsales implemented Ryvuss resulting in the halving of customer service emails and reduction of support phone calls by 16%. Also improved keyword matching to help customers find exactly what they are looking for.

Also implemented were PayProtect (funds are held in escrow until safety checks are completed) and Cyclops (AI automated image recognition).

Regarding the overseas operations, whether it buys the entire company or just an interest, it upgrades the operations by rebranding and implementing the technologies that have been developed and tested in Australia. The company also recognises different needs for different countries (the extra most people ask for in Brazil is bullet-proof windows).

**Member Meeting:** Impressed by the continual upgrading and improvements of the online systems.

**Economic Moats:** Because it is the first and largest car sales site in Australia (and some other counties) it has a network moat. Their sites have the greatest variety and reach.

**Key Future Risks:** new competitors with deep pockets; over pay for large acquisitions; high debt.

Dividend Yield	ROE	5 Year Growth	
		SPS	EPS
3.2%	41.9%	17.01%	12.19%

• M't Cap: \$2.8b • 5-yr Return: 19.8% pa

**Conclusion:** The Company has claimed top spot in online car sales and appears to be doing everything right to maintain this position. (June 2017)

*This report is prepared for members of the Conscious Investor Fund. It does not take into account anyone's personal circumstances. Remember, what happened in the past is not always what will happen in the future.*

Questions? Contact us:

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