

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 2.2 million cars listed globally and with 48,000 subscribed dealers. This represents approximately 12% of the addressable markets in which they operate.

Carsales.com also has extensive interests in overseas automotive classified advertising businesses. Countries it operates in include Brazil, South Korea, Indonesia, Malaysia, China, Mexico, Chile, Argentina and the United States.

In April 2023, CAR acquired a further 40% of Brazilian digital marketplace, Webmotors, bringing its ownership to 70%.

In October 2022, it completed the remainder of full ownership of leading US digital marketplace business Trader Interactive which provides access to a market for a wide variety of vehicles including commercial, recreational, light aircraft and boats.

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.

For example, the Ryvuss system reduces customer service emails and support phone calls significantly. Also improved keyword matching helps customers find exactly what they are looking for.

Also implemented were PayProtect (funds are held in escrow until safety checks are completed), Cyclops (AI automated image recognition), and dynamic pricing to better match advertisement pricing with the value of the vehicle offered.

Regarding acquisitions, 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 recognizes different needs for different countries (the extra most people ask for in Brazil, for example, 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; overpay for large acquisitions; high debt.

| Dividend Yield | ROE | 5 Year Growth | |
|----------------|-------|---------------|------|
| | | SPS | EPS |
| 2.2% | 16.1% | 1.5% | 3.0% |

• M't Cap: \$6.8b • 5-yr Return: 13.5% pa

Conclusion: The Company has claimed top spot in online car sales and appears to be doing everything right to maintain this position. (May 2023)

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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