

ASX & Media Release

8 March 2023

carsales to acquire further 40% of leading Brazilian automotive digital marketplace webmotors to become 70% majority owner, and launch c.AUD500m equity raising

carsales.com Ltd ("**carsales**", ASX:CAR) and Banco Santander (Brasil) S.A. ("**Santander**") have signed an agreement where carsales will acquire an additional 40% of webmotors S.A. ("**webmotors**") (the "**Acquisition**"), the number one automotive digital marketplace in Brazil. The acquisition price is BRL\$1,240m¹, or approximately AUD\$353m² ("**Acquisition Price**"), increasing carsales' stake in webmotors to 70%, while Santander retains a 30% stake. webmotors and Santander will continue their valuable contractual relationship. Santander will retain its commercial exclusivity in that it continues to be the credit and financial solutions partner for finance and insurance transactions made through the webmotors platform.

The expectation is that the equity change will allow webmotors to benefit further from carsales' expertise in digital marketing, customer experience, products, and services within the digital automotive ecosystem. This will enable webmotors to strengthen its market position while retaining the strong support of Santander, the auto loans market leader in Brazil. This will improve its offering for dealerships, franchises, OEMs and consumers.

"We believe that the new format of the agreement will allow us to further expand the volume of car financing made through the portal and to access technological innovation that will certainly result from this partnership", explains Angel Santodomingo, CFO from Santander Brasil. "At the same time, it further boosts the development of webmotors due to its proximity to a company that is the best international partner we could have in this segment."

The Group CEO of carsales, Cameron McIntyre commented: "carsales and Santander have developed a strong working partnership over the last 10 years of joint ownership in webmotors, which is reflected in webmotors' market leadership in one of the largest and fastest growing car markets in the world. webmotors is an outstanding automotive digital marketplace business with an innovative culture, a proven track record of strong growth over time and significant opportunities for future growth. Closer alignment to the carsales business makes strategic sense for both carsales and Santander to ensure webmotors' continued long term success and delivery of value to our shareholders. With this acquisition carsales and Santander reverse equity positions in webmotors and maintain Santander's important commercial exclusivity for credit and financial solutions on the webmotors platform."

Key Highlights

- Acquisition of a further 40% interest in Brazilian automotive digital marketplace webmotors from Santander, for BRL\$1,240m¹ or approximately AUD\$353m², increasing carsales' interest from 30% to 70%
- Acquisition Price values webmotors on a 100% EV basis at BRL\$3,100m, or approximately AUD\$883m² equivalent, representing a Dec-22 LTM EBITDA multiple of 21.7x³

1. Acquisition Price calculated as 100% EV multiplied by 40% being the interest in webmotors being acquired by carsales

2. Assumes an AUD / BRL exchange rate of 3.51 as at 05/03/2023

3. Data has been extracted from the webmotors reviewed financials for CY22 which were prepared in accordance with IFRS and have a December year-end. The basis of preparation of financial information included in this announcement and the Investor Presentation is set out in further detail on slides 2-5 of the Investor Presentation. Excludes Car10 and Loop. LTM = last twelve months ended 31-Dec-22.

- The Transaction is expected to be EPS neutral in the first full year after completion and accretive thereafter⁴
- webmotors presents a compelling opportunity to extend carsales' international strategy by increasing its ownership of the number one automotive digital marketplace in Brazil⁵, which is the fifth largest auto market in the world⁶
- webmotors has a strong track record of performance with 23% revenue and 28% EBITDA compound annual growth since 2017³
- webmotors has strong future growth opportunities through further customer acquisition, national expansion and increasing finance penetration
- webmotors expects to further benefit from leveraging carsales' intellectual property and product portfolio
- Santander is strongly committed to the webmotors business, retaining a 30% interest in webmotors and a contractual commercial partnership to drive continued growth in auto finance
- Acquisition is in line with carsales' strategy of acquiring minority stakes in attractive international markets and moving to control positions over time, consistent with successful acquisitions in South Korea and the United States
- Approximately AUD\$500m fully underwritten 1 for 14.01 pro-rata accelerated renounceable entitlement offer (with retail rights trading) will fund the Acquisition and strengthen carsales' balance sheet, reducing pro-forma Dec-22 leverage to 1.9x and providing for increased capacity to pursue future growth opportunities⁷
- The Acquisition remains subject to conditions, and is expected to complete in Q4 FY23

Overview of the Acquisition

carsales today announced that it has signed an agreement with Santander to acquire 40% of the shares in webmotors, for BRL\$1,240m, or approximately AUD\$353m.^{8,9}

The Transaction values webmotors on a 100% Enterprise Value ("**EV**") basis at BRL\$3,100m, or approximately AUD\$883m equivalent⁹, representing a Dec-22 LTM EBITDA multiple of 21.7x.¹⁰ The Transaction is expected to be Earnings Per Share ("**EPS**") neutral in the first full year after completion and accretive thereafter.¹¹

The Acquisition is subject to various customary conditions, including obtaining regulatory approval,¹² carsales obtaining equity funding and lender consent to proceed with the Acquisition, and webmotors providing carsales with its audited financial statements for CY22 (with certain financial metrics in those financial statements not being materially inconsistent with webmotors' CY22 management accounts). The Acquisition is expected to complete in Q4 FY23.

⁴. Based on Adjusted EPS excluding amortisation of brand 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. Based on unique audience, Jan-23. Source: ComScore.

⁶. Measured by total cars in use ("Parc").

⁷. Based on carsales debt position as at 31 December 2022 including the pro-forma adjustments to reflect the impact of the Acquisition as outlined on slides 29-30 of the Investor Presentation provided to ASX today.

⁸. Refer to footnote 1.

⁹. Refer to footnote 2.

¹⁰. Refer to footnote 3.

¹¹. Refer to footnote 4.

¹². Regulatory approval from the Brazilian antitrust authority, Conselho Administrativo de Defesa Econômica ("CADE").

Overview of webmotors

Founded in 1995 in São Paulo, webmotors is the number one automotive digital marketplace in Brazil.¹³ The business generated BRL\$353m (AUD\$100.5m)¹⁴ of revenue and BRL\$143m (AUD\$40.7m)¹⁴ of EBITDA in the twelve months to December 2022 and has a strong track record of growth with 23% revenue and 28% EBITDA compound annual growth since 2017.¹⁵

webmotors offers marketplace services for dealers, private party sellers and digital advertisers. In addition to the leading marketplace business, webmotors has a suite of deep integrations, including a digital credit check and loan application integration with Santander, a sophisticated CRM system to manage leads and inventory, a car pricing and valuation tool, a wholesale trading program as well as a fully online dealer training platform.

webmotors has approximately 430,000 dealer and private ad listings¹⁶, 17,000 subscribed dealer customers¹⁷, generates over 320 million annual website visits¹⁸ and delivers over 16 million leads to car sellers.¹⁹

Strategic Rationale for Increasing Ownership

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

- Brazil is the one of the largest automotive markets in the world with nearly 80 million cars on the road²⁰ and a high number of used car transactions²¹
- Favourable structural trends in Brazil with low and growing levels of digital marketing investment from dealers to sell cars²²
- webmotors is uniquely positioned to capture market share with exceptional buyer and seller engagement metrics and a sophisticated suite of adjacent digital products
- National expansion plan to increase market share in large areas outside of São Paulo and Rio de Janeiro is progressing well with more upside to follow
- Majority ownership is expected to increase carsales' ability to leverage its product and technology to unlock further growth
- carsales has worked closely with the webmotors business for 10 years and this transaction is a natural next step that will more closely align the two companies strategically. It will also ensure that Santander continues to benefit from the exclusive finance partnership it has with webmotors

Acquisition Funding

The Acquisition will be funded by an approximate AUD\$500m fully underwritten 1 for 14.01 pro-rata accelerated renounceable entitlement offer (with retail entitlements trading) ("**Entitlement Offer**" or "**Equity Raising**" and, together with the Acquisition, the "**Transaction**"). Proceeds from the Equity Raising are intended to be used to fund the Acquisition and strengthen carsales balance sheet, reducing pro-forma Dec-22 leverage to 1.9x and providing for increased capacity to pursue future growth opportunities.²³

13. Based on unique audience, Jan-23. Source: ComScore

14. Refer to footnote 2.

15. Refer to footnote 3.

16. Dealer and private cars online at 31-Dec-22.

17. Subscribed dealers at 31-Dec-22.

18. Visits from Jan-22 – Dec-22. Source Adobe Analytics.

19. Dealer and private leads delivered Jan-22 – Dec-22.

20. National vehicle fleet, Brazilian Ministry of Infrastructure.

21. Brazilian National Federation of Automotive Vehicle Distribution (Fenabrave).

22. Digital Ad Spending in Brazil Forecasts: Insider Intelligence Estimates and Historical Data (2023).

23. Refer to footnote 7.

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 ordinary share ("**New Share**") for every 14.01 ordinary carsales shares held on the record date of 7:00pm (Melbourne Time) on Monday, 13 March 2023 ("**Record Date**"). Approximately 25.1 million new ordinary shares will be issued under the Entitlement Offer, equivalent to approximately 7% of current issued capital.

The Entitlement Offer will be conducted at AUD\$19.95 per new share ("**Offer Price**"), which represents a:

- 10.8% discount to the dividend-adjusted last closing price of AUD\$22.36 on Tuesday, 7 March 2023; and
- 10.1% discount to the dividend-adjusted Theoretical Ex-Rights Price ("**TERP**") of AUD\$22.19²⁴

New Shares issued under the Entitlement Offer will rank equally with existing fully paid shares from the date of issue, however, will not be entitled to receive the FY23 interim dividend already announced by carsales on Monday, 13 February 2023 (ex-date Friday, 17 March 2023).

carsales intends to retain its existing dividend policy which is an 80% payout ratio of adjusted net profit after tax. Dividend franking is expected to reduce to approximately 50% given the higher proportion of profit generated outside of Australia. No impact to the declared FY23 interim dividend which will be fully franked.

carsales' shares have been placed in a trading halt to enable completion of the Institutional Entitlement Offer. Trading is expected to recommence on Monday, 13 March 2023.

Institutional Entitlement Offer

The institutional component of the Entitlement Offer ("**Institutional Entitlement Offer**") opens today and closes on Thursday, 9 March 2023. Eligible institutional shareholders can choose to take up all, part or none of their entitlement under the Institutional Entitlement Offer.

Institutional entitlements not taken up, together with those entitlements of ineligible institutional shareholders, will be sold under the institutional shortfall bookbuild which opens on Thursday, 9 March 2023 and closes on Friday, 10 March 2023, with any proceeds in excess of the Offer Price (net of any withholding tax or expenses) paid to the relevant shareholders.

Retail Entitlement Offer

Eligible retail shareholders on the Record Date will be able to participate in the retail component of the Entitlement Offer ("**Retail Entitlement Offer**") at the Offer Price. The Retail Entitlement Offer will open at 10:00am (Melbourne time) on Wednesday, 15 March 2023 and close at 5:00pm (Melbourne time) on Thursday, 30 March 2023.

Eligible retail shareholders under the Retail Entitlement Offer may:

- Elect to take up all or part of their (pro rata) entitlements under the Retail Entitlement Offer prior to 5.00pm (Melbourne time) on Thursday, 30 March 2023 and receive New Shares

²⁴ The Theoretical Ex-Rights Price ("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' dividend-adjusted closing price of AUD\$22.36 on Tuesday, 7 March 2023, 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.

- Sell or transfer all or part of their entitlements. Retail entitlements may be traded on the ASX from Monday, 13 March 2023 (on a deferred settlement basis) and Thursday, 16 March 2023 (on a normal settlement basis) to Thursday, 23 March 2023²⁵
- Do nothing and let all or part of their entitlements be sold into the retail shortfall bookbuild process (along with entitlements of ineligible retail shareholders) to be conducted on or about Tuesday, 4 April 2023, with any proceeds in excess of the Offer Price (net of any withholding tax and expenses) paid to the relevant shareholders

Every eligible retail shareholder in Australia and New Zealand that has provided an email address and elected to receive electronic communications will receive by email a detailed information booklet for the Retail Entitlement Offer (“**Retail Information Booklet**”) and a personalised entitlement and acceptance form. All other eligible retail shareholders in Australia and New Zealand will receive a letter via post with information on how to access the website for the Retail Entitlement Offer (including how to access the Retail Information Booklet and their personalised entitlement and acceptance form).

Investor Call

carsales will hold a call at 10:30am Melbourne time today to discuss the Transaction. Attendees will need to pre-register using the following link:

<https://s1.c-conf.com/diamondpass/10029167-jrutxh.html>

Timetable

Event	T+	Date ²⁶
Trading halt and announcement of Entitlement Offer	0	Wednesday, 8 March 2023
Institutional Entitlement Offer opens	0	Wednesday, 8 March 2023
Institutional Entitlement Offer closes	1	Thursday, 9 March 2023
Institutional Entitlement Offer shortfall book closes	2	Friday, 10 March 2023
Announcement of results of Institutional Entitlement Offer	3	Monday, 13 March 2023
Trading halt lifted and shares recommence trading on an ex-entitlement basis	3	Monday, 13 March 2023
Record Date for Entitlement Offer (7.00pm, Melbourne time)	3	Monday, 13 March 2023
Retail rights commence trading on the ASX on a deferred settlement basis	3	Monday, 13 March 2023
Retail Entitlement Offer opens and Retail Information Booklet made available	5	Wednesday, 15 March 2023
Retail rights commence trading on the ASX on a normal settlement basis	6	Thursday, 16 March 2023
Settlement of New Shares issued under the Institutional Entitlement Offer	8	Monday, 20 March 2023
Allotment and normal trading of New Shares issued under the Institutional Entitlement Offer	9	Tuesday, 21 March 2023
Close of retail rights trading on the ASX	11	Thursday, 23 March 2023
Retail Entitlement Offer closes (5.00pm, Melbourne time)	16	Thursday, 30 March 2023
Announcement of results of Retail Entitlement Offer	19	Tuesday, 4 April 2023
Retail Entitlement Offer shortfall bookbuild	19	Tuesday, 4 April 2023

²⁵ The assignment, transfer and exercise of retail entitlements trading on ASX will be restricted to persons meeting certain eligibility criteria. It is the responsibility of purchasers of retail entitlements to inform themselves of the eligibility criteria for exercise set out in the Retail Information Booklet. In particular, persons in the United States and persons acting for the account or benefit of persons in the United States (to the extent such person holds securities for the account or benefit of persons in the United States) will not be eligible to purchase or trade retail entitlements or exercise retail entitlements they acquire. If holders of retail entitlements at the end of the retail entitlement trading period do not meet the eligibility criteria, they will not be able to exercise the retail entitlements. In the event that holders are not able to exercise their retail entitlements, they will receive any proceeds in excess of the Offer Price (net of any withholding tax or expenses) in respect of those retail entitlements.

²⁶ These dates (except where historical) are indicative only and subject to change without notice. All times and dates refer to the time and date in Melbourne, Australia (Melbourne time). Subject to the requirements of the Corporations Act, the ASX Listing Rules and other applicable laws, carsales reserves the right to amend this timetable at any time, including extending the period for the Entitlement Offer or accepting late applications, either generally or in particular cases, without notice.

Announce results of Retail Entitlement Offer shortfall bookbuild	20	Wednesday, 5 April 2023
Settlement of New Shares issued under the Retail Entitlement Offer	22	Tuesday, 11 April 2023
Allotment of New Shares issued under the Retail Entitlement Offer	23	Wednesday, 12 April 2023
Normal trading of New Shares issued under the Retail Entitlement Offer	24	Thursday, 13 April 2023
Holding statements in respect of New Shares issued under the Retail Entitlement Offer are dispatched	25	Friday, 14 April 2023

Additional Information

Further details of the Acquisition and Entitlement Offer are set out in the accompanying investor presentation provided to the ASX today ("**Investor Presentation**"). 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 one of the largest digital marketplace business in the world. In Australia it has market-leading positions in automotive, motorcycle, caravan, marine, truck and equipment industries. The carsales network extends across the United States, South Korea and Latin America, employing more than 2,000 people, developing world class technology and advertising solutions that drive its businesses. In the US, Trader Interactive is a leading integrated platform of non-automotive marketplaces across the RV, powersports, truck and equipment industries. Encar.com in Korea is the leading automotive digital marketplace and carsales' Latin American businesses are the leading automotive digital marketplaces in Brazil, Chile and Mexico.

About Santander Brasil

Santander Brasil (SANB11) started its activities in Brazil in 1982 and, through mergers and acquisitions of more than 70 banks, created competitive wholesale and retail structures. It is part of Grupo Santander, one of the largest banks in the world by market value, with a significant presence in 10 key countries in Europe and America. The only international financial institution with a strong presence in retail banking, it has 52,600 employees, around 3,000 branches and Banking Service Points (PABs), more than 35,000 self-service terminals, in addition to regional offices to serve 31, 8 million active customers. Elected one of the most sustainable companies in 2022 by the Guia Exame Melhores do ESG, the Bank seeks to increasingly promote inclusive and environmentally responsible businesses. More information: <https://www.santander.com.br>

IMPORTANT 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 looking statements may include forecast financial and operating information about carsales and webmotors, their projects and strategies and statements about the industries, locations in which they operate as well as statements about carsales and webmotors 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, are 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. 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.

Non-IFRS/non-GAAP measures

Investors should 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). This announcement may include certain non-IFRS measures including "Adjusted", "pro forma" and "LTM revenue" and "EBITDA". 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 U.S. Securities Act of 1933, as amended ("**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.

Pro forma financial information

This announcement also includes pro forma financial information in relation to carsales, Trader Interactive and webmotors following the Acquisition and the Entitlement Offer. The pro forma financial information for carsales on an LTM basis has been prepared on the basis set out on and includes certain pro forma and normalisation adjustments described on slide 35 of the Investor Presentation. 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. In preparing pro forma financial information for carsales on an LTM basis, carsales has relied on information provided by the prior owners of Trader Interactive prior to its acquisition in October 2022 and assumed 100% ownership of Trader Interactive in the 12 months to Dec-22 on a consolidated basis. Pro forma financial information for carsales was then combined with pro forma financial information for webmotors on the basis set out on slides 29-30 of the Investor Presentation. The pro forma financial and other information relating to the impact of the Acquisition and Entitlement Offer has been prepared by carsales in reliance on information that was provided to carsales by webmotors 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 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. The unaudited historical financial information for carsales for FY22 was prepared on a calendar year basis using reviewed H1 FY23 plus audited full year FY22 less reviewed H1 FY22, in order to be combined with historical financial information for webmotors.

Not for distribution or release in the United States

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 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 to, directly or indirectly, 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.