



Company	Carsales.com
Code	CAR
Meeting	AGM
Date	25 Oct 2019
Venue	Sofitel Collins St Melbourne
Monitor	Henry Stephens, assisted by Hans Ha and Mike Robey

Number attendees at meeting	c 120 attendees
Number of holdings represented by ASA	116
Value of proxies	\$5.1m
Number of shares represented by ASA	325K
Market capitalisation	\$3.68b
Were proxies voted?	Yes, on a poll
Pre AGM Meeting?	Yes, with Director and Rem Chair Ms Anderson and IR Manager Ms Birman

First strike and LTI hit out of the park.

The chair opened the meeting as usual but provided only a brief introduction before handing over to the CEO whose [presentation formed the body of the meeting](#).

The message was of continued growth in revenue, adjusted EBITDA* and adjusted NPAT* in the domestic multi brand businesses and profitable growth in the South Korean operation called SK Encar, and user growth in the four South American/ Mexican businesses. A chart comparing long term performance comparison with S&P/ASX200 over the past 10 years showed an impressive three times growth in a snapshot taken right now, but a closer inspection shows that due to much higher volatility in CAR the long term average is more like double the S&P/ASX200. This is still a creditable performance. What was missing was mention of the asterisk which accompanied the EBITDA and NPAT, since in the year Carsales put their 50% ownership of the financing business Stratton into mothballs and up for sale, incurring a hit to their profit from \$133m to \$86m. ASA asked them if there was any hope of a sale, since one of the reasons given for the sale was the extra ASIC regulation falling out of the Hayne report. "We are still assessing" was the noncommittal answer, but there may be more small write downs in the future, since they have an \$11m holding value

ASA explained the reasons behind its against vote for the long-term incentive (LTI) and Remuneration Report. Our opposition had been aired in the press in the week preceding (where short-term incentive (STI) and LTI were conflated to some extent). This was characterised as ASA holding ground on the importance of retaining 70% financial measures for variable pay versus Carsales.com which was following the line provided by APRA and diluting the financial measures to 60%. Our position was that the STI was the place to adopt a higher ratio of “softer” measures and not the longer term LTI. The voting on both these resolutions was extraordinary, with the remuneration report receiving a first strike (32% against) and the LTI award for the CEO receiving 52% against. Clearly at least one of the proxy advisors agreed in detail with our assessment here. One other surprise was the vote against the newly proposed Director Wiadrowski, (23% against) possibly because he is recently retired from PwC, which happens to have the external audit function at Carsales.com.

Questions from the floor were varied, non-confrontational and covered a few areas of financial and marketing interest, such as debt levels, the opportunity of the Peru market, non-audit consultancy by the auditor, PwC, and interestingly if Carsales.com were considering moving to a leads-based model from the current subscription-based one (answer: not yet).

ASA also congratulated the Board on their diversity of age, skills and experience, ethnicity and gender. In later discussion the founder was grateful for our observation and explained that this Board works together extremely well, in large part due to the diversity in backgrounds of the Board members.

In discussion with the CEO after the AGM the ASA asked about the choice of Latin America as a first choice for off-shoring and the response was that the market and online development enabled them to take the premier position here, much the same logic behind Seek’s move into Latin America. The two companies share a common interest and are in contact on matters of mutual interest.

We approached Mr Wiadrowski and suggested he take his experience of a diverse Board to his other Directorship company, Vocus, which has had a history of being unable to retain women directors.

Rating of the nibbles 6.0/10