

Carsales mops up expanding US RV and truck trader

Tess Bennett and Alex Gluyas

Carsales has seized the chance to buy the 51 per cent of Trader Interactive that it does not already own for \$US809 million (\$1.2 billion), banking on the US online caravan, truck, equipment and motorbike listings group having plenty of fuel in the tank to keep growing.

Chief executive Cameron McIntyre said Trader Interactive was growing strongly, with revenues increasing by 14 per cent over the last year and operating earnings surging by 17 per cent. The buyout is being funded by a \$1.2 billion rights issue.

He said Carsales had pounced now because it would cost more to buy the outstanding shares in a year's time thanks to its rapid growth.

"We would have to pay more [to buy the business] if we did this deal in 12 months' time because the business is growing, and it's growing strongly," Mr McIntyre said.

Carsales went into a trading halt yesterday morning to announce it will take full ownership of the US listings business only 13 months after it signed a deal to buy an initial 49 per cent stake for \$US624 million.

Mr McIntyre said the strategic acquisition would lead to cost synergies and revenue opportunities in the US non-automotive listings market, which is 16 times bigger than the same market in Australia.

Trader Interactive operates a group of branded marketplaces in the US, providing digital marketing solutions and services across the recreational vehicle, power sports, commercial truck and equipment industries.

The company provided a trading update yesterday, estimating its adjusted revenue for the 2022 financial year will be 16 per cent higher than last year and its adjusted net profit after tax will be up 27 to 28 per cent.

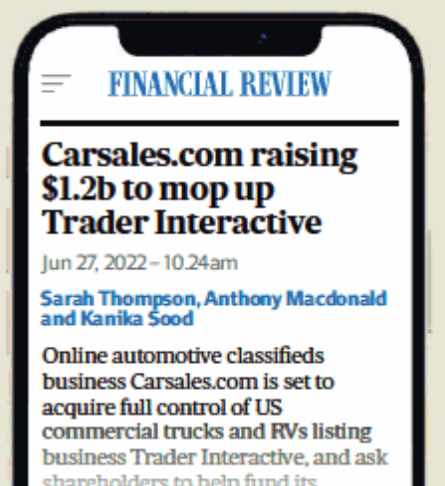
Carsales is aiming to raise \$1.2 billion to fund the acquisition by issuing 68 million new shares at \$17.75, a 14.5 per cent discount from Friday's closing price of \$20.76.

It will also seek to upsize its debt facilities from \$900 million to \$1.4 bil-



Carsales Chief Executive Cameron McIntyre. PHOTO: ARSINEH HOUSPIAN

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lion to replace the existing \$562 million debt facility at Trader Interactive.

The deal values Trader Interactive at \$US1.9 billion, representing an adjusted earnings before interest, tax, depreciation and amortisation (EBITDA) multiple of 21.3.

That is a lower multiple than the 26.5 times EBITDA multiple it paid for its initial 49 per cent stake in May last year.

"What we're paying is a price that we

think reflects value for shareholders and current market conditions," said William Elliott, Carsales chief financial officer.

"As a multiple, it is lower than what we paid for the first tranche and it obviously includes us taking control, so from that perspective we think it is reasonable."

Mr McIntyre said the original deal had been structured with a call option to allow Carsales to get to know the Trader Interactive business and eventually move into 100 per cent ownership.

"We've had the opportunity to get to know the CEO of the business, Lori Stacy, and her executive team and the Trader business more broadly, and we've been we've been super impressed with them," Mr McIntyre said.

"We knew it was a great business when we made our initial investment, but we're even clearer now that the quality of the businesses and the quality of the team is there and the scale of the opportunities are there."

► **Chantideer:** Carsales doubles down on US back page