



**Half Year Results (1H17)**

**LatAm Autos (ASX: LAA)**

AUGUST 2017

# Investment highlights



- **Number 1** dedicated online auto classifieds platform in **Mexico, Ecuador and Peru**. Revenue opportunity of Mexico alone is A\$232m<sup>1</sup>
- **First mover** in our core markets towards highly profitable transactional revenue streams (Depth Products), evidenced by market leading 70% yoy growth of organic website audience in Mexico
- Despite major restructure, average revenue growth of 10%<sup>2</sup> for key markets in local currency terms (1H16 vs 1H17), **whilst reducing operational cash burn by 39%**<sup>3</sup>
- **Highly credentialed and well aligned Board and management team** (shareholding of c. 43%)
- **Restructure complete**, A\$10m raised through convertible note issue, key focus on Mexican market (128m pop.) where LAA is *clear* leader
- **Increasing internet penetration and regional GDP per capita growth** underpin rapid growth of the Latin American auto-classifieds industry
- **Significant addressable market** with a population over 7x that of Australia

Source: World Bank, 2016

1. Carsales' 2017 Full Year Results Presentation, page 34 - <http://www.asx.com.au/asxpdf/20170809/pdf/43l8bs7tcwxi7s.pdf>

2. Average local CCY revenue growth of Mexico (8%) and Ecuador (12%)

3. Refers to 2Q17 (which was post the restructure) v 2Q16. Excludes Argentina contributions and restructuring costs (severances, legal and capital raising fees) in 2Q17

# Why invest in LAA?

Mexican market leader with a revenue opportunity of up to A\$232m



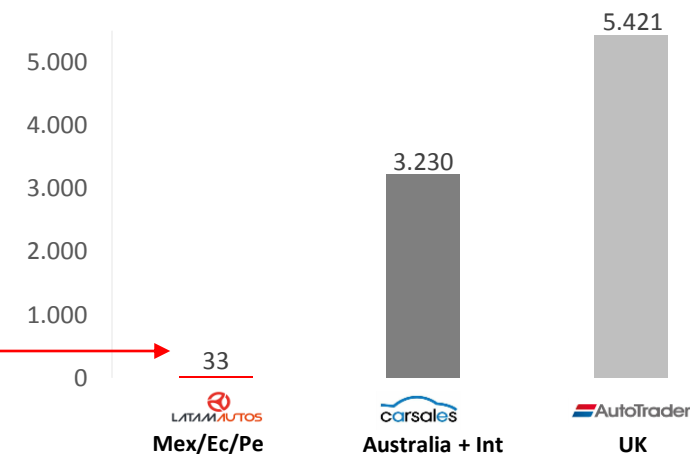
## Mexico



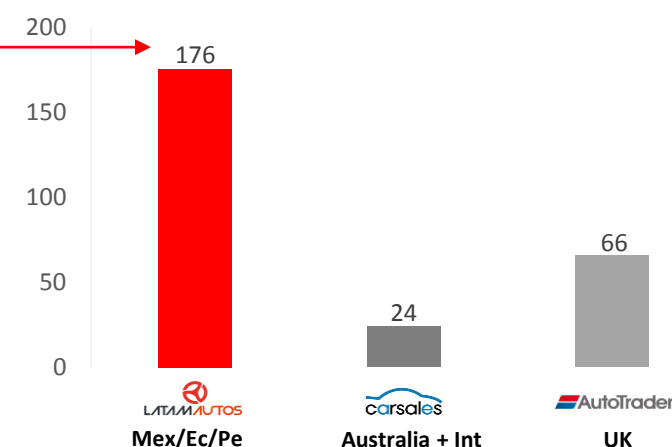
- **Competitive Position:** LAA has been investing in Seminuevos.com for almost 3 years and is a clear leader<sup>1</sup> (4.4x traffic, 3.5x revenue and 1.7x listings versus #2)
- **Increase in Organic Traffic % yoy<sup>2</sup>:** 70%. Fundamental for any leading classifieds business, strong growth further evidence of market leadership
- **Revenue Opportunity:** "In Mexico revenue could grow ...to as much as \$232 million"<sup>3</sup>
- **Population GDP/Capita<sup>4</sup>:** 127.5m/GDP per capita \$8,201. Mexico is the Latin America's second largest economy behind Brazil
- **Total Cars compared to Australia<sup>5</sup>:** 37.4 million (LAA market's total vehicle fleet= 2.4x the size of Australia).
- **Internet Penetration:** 59.5%<sup>6</sup> (LAA markets' total internet users= 4.9x the size of Australia).

*Substantial mismatch in valuation versus potential market size given clear market leading position amongst dedicated auto classifieds businesses*

Market Capitalization Comparisons (AUDm)<sup>7</sup>



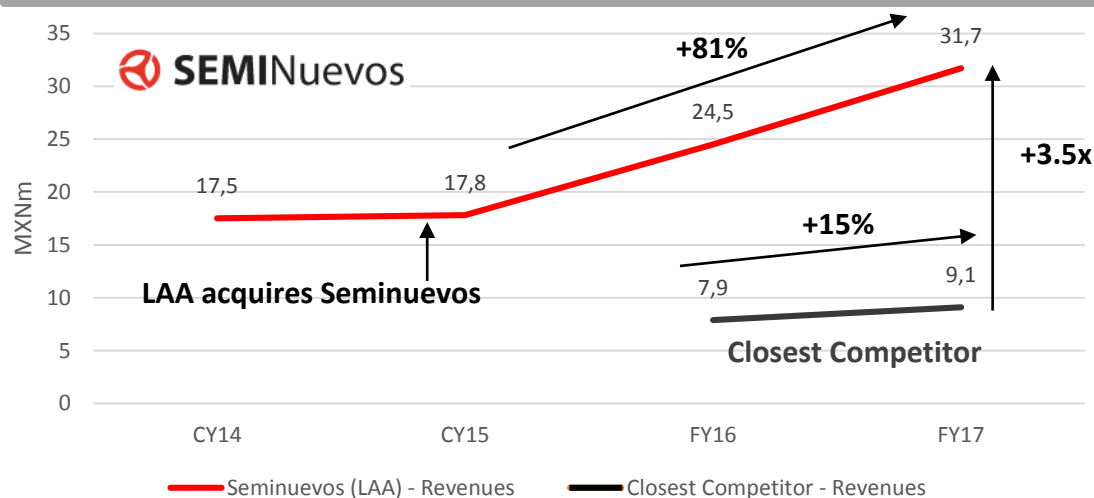
Population comparisons (millions)<sup>8</sup>



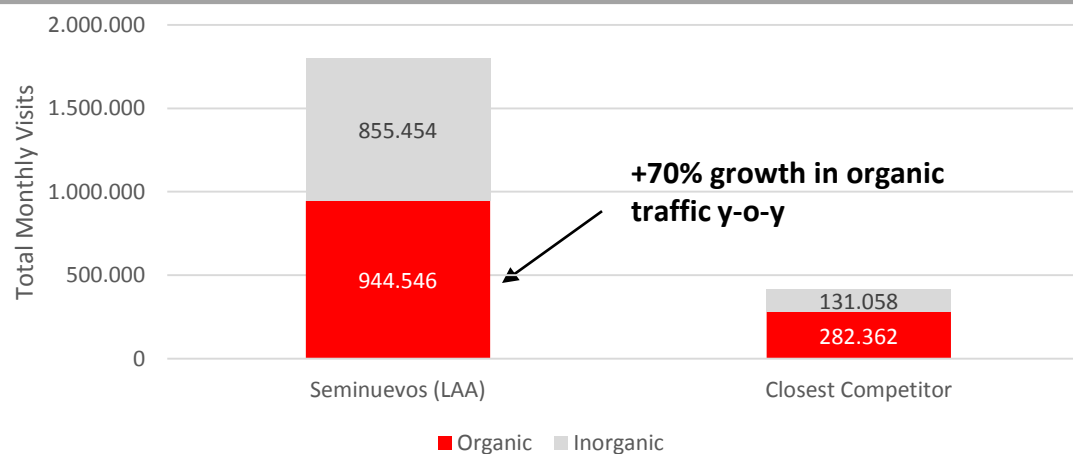
# Seminuevos the clear leader in Mexico



Revenue Evolution Analysis<sup>1</sup>



Audience Comparison<sup>3</sup>



- LAA owns the number 1 auto classifieds platform in Mexico
- LAA has grown its Mexican business seminuevos.com 81% since acquiring in 2015
- Mexico auto classifieds market has revenue potential to be \$232 million<sup>2</sup>

Seminuevos (LAA) has more traffic than its closest auto-dedicated competitor in Mexico based on:

- Total traffic: 4.4x more traffic
- Organic traffic: 3.3x more traffic
- Inorganic traffic: 6.5x more traffic

1. Revenues for Closest Competitor from publicly available sources  
 2. Page 34 CAR's FY17 results presentation ([www.asx.com.au/asxpdf/20170809/pdf/43l8bs7tcwxi7s.pdf](http://www.asx.com.au/asxpdf/20170809/pdf/43l8bs7tcwxi7s.pdf))  
 3. Similarweb.com used as third party data provider for both websites as a like for like comparison. Similarweb data is an estimate only and can be materially different from actual results

# Why invest in LAA?



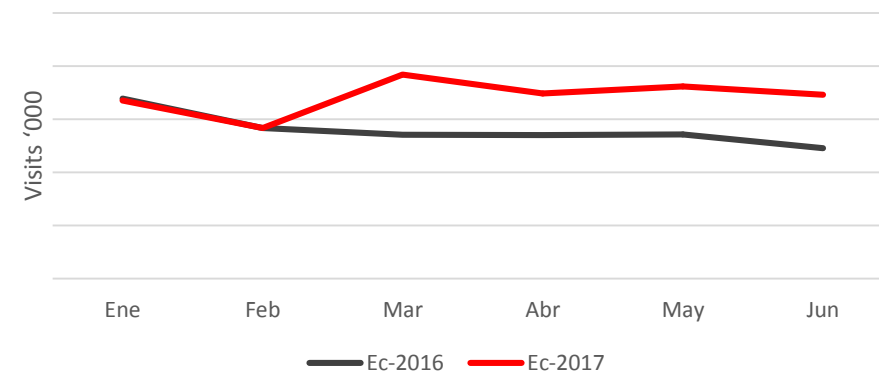
Ecuadorean and Peruvian market leaders with a combined revenue opportunity of up to A\$91m

## Ecuador & Peru

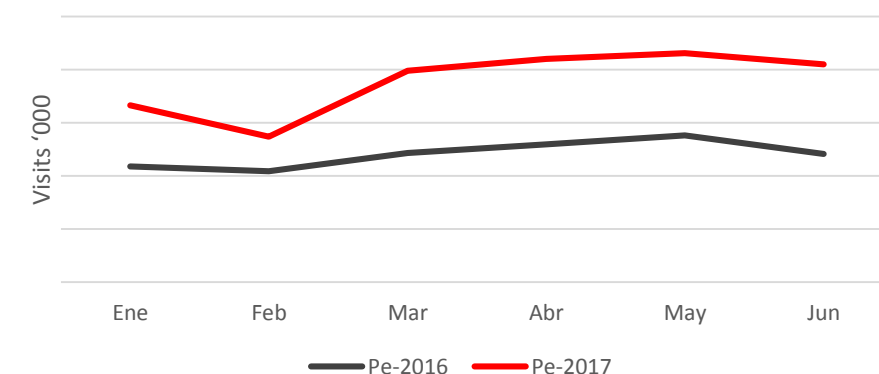


Competitive Position	LAA #1 <sup>1</sup>	LAA #1 <sup>1</sup>
Increase in Organic Traffic % yoy <sup>2</sup>	19%	57%
Revenue Opportunity	A\$37m <sup>3</sup>	A\$55m <sup>3</sup>
Population, GDP/Capita <sup>4</sup>	Population: 16m GDP per capita: \$5,969	Population: 32m GDP per capita: \$6,046
Internet Penetration	56% <sup>5</sup>	57% <sup>6</sup>

### Free Traffic-Classifieds Only in Ecuador<sup>2</sup>



### Free Traffic-Classifieds Only in Peru<sup>2</sup>

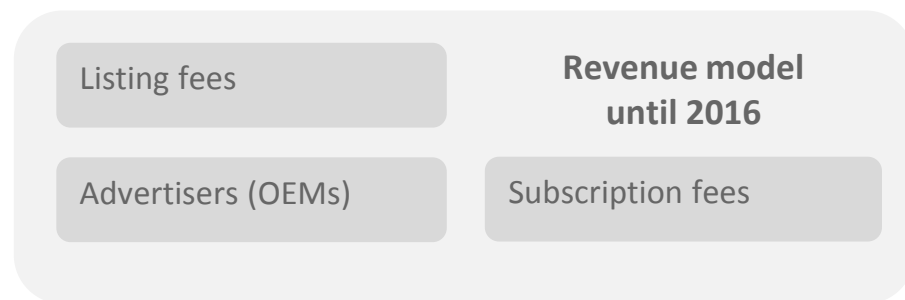


1. Comparing traffic versus closest direct competitors, source: Similarweb.com. 2. Source: LAA Management as of June, 2017. 3. LAA estimates: as a proxy, Peru considered the same size as Chile and Ecuador as 2/3 the size of Chile's revenue opportunity, source: CAR's FY17 results presentation page 34. 4. World Bank 2016, GDP/Capita (Current US\$). MINTEL Ecuador, 2016. 5. Statista, 2016.

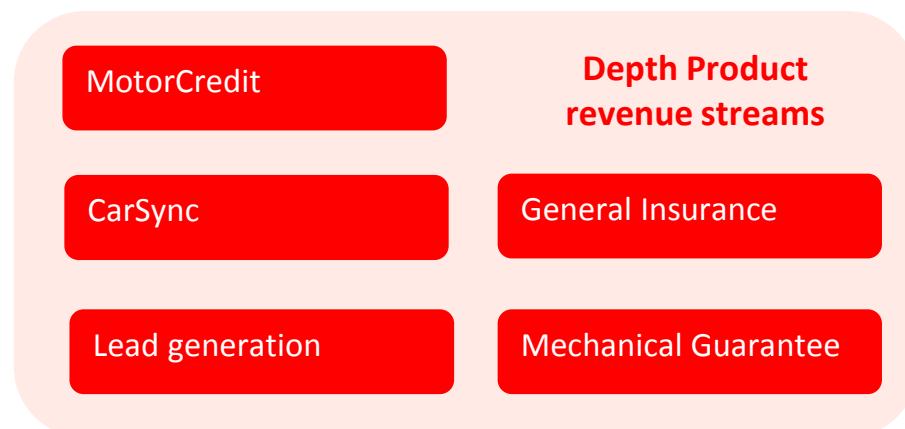
# Revenue model – Classifieds + Depth Products

LAA has adapted its business model to transaction revenue streams with significantly higher profit margins

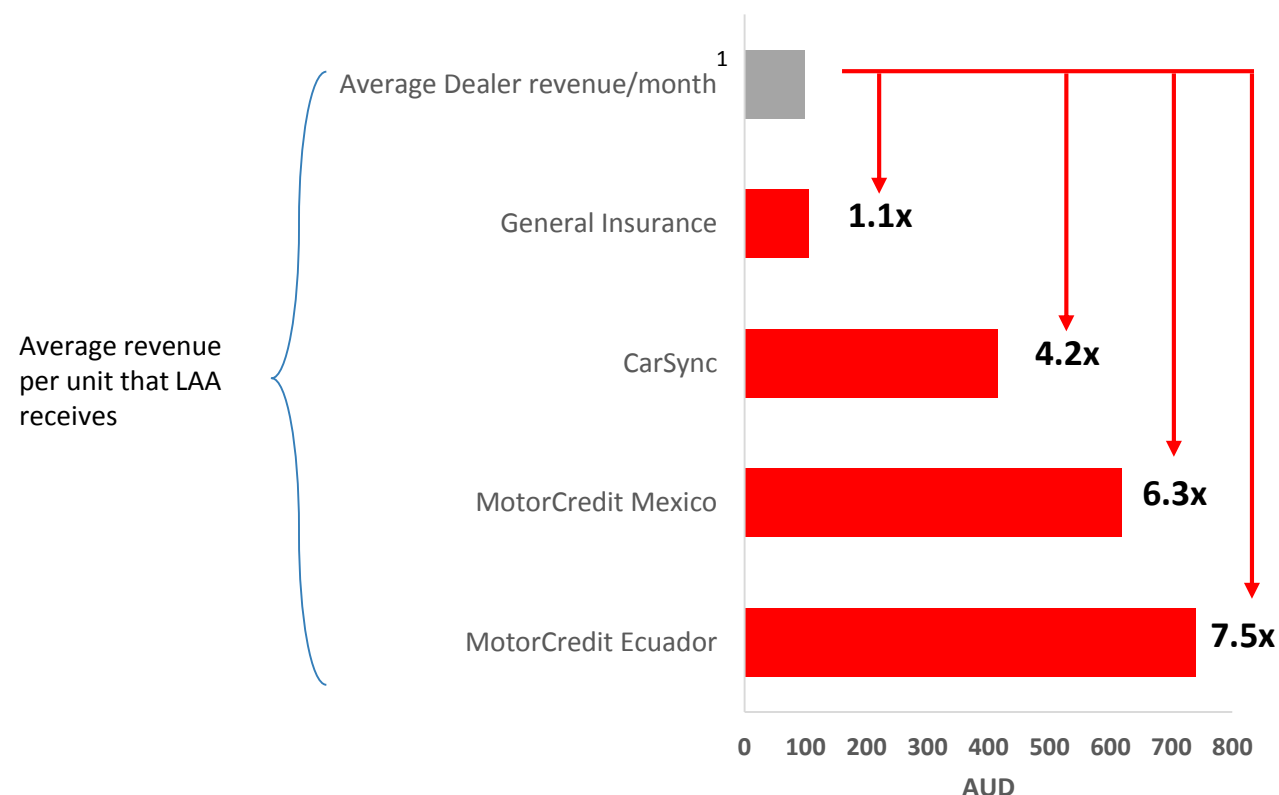
## Traditional Online Classifieds Revenue Model



## Depth Revenue Streams



## LAA focusing its efforts on most profitable products

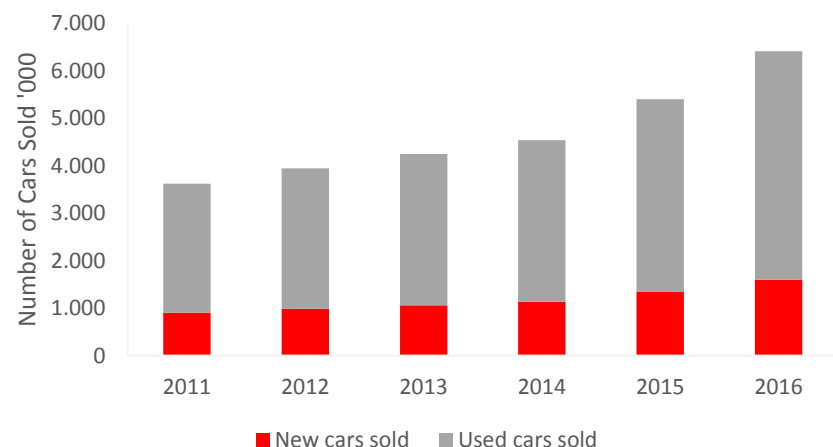


Note: 1 Classifieds only

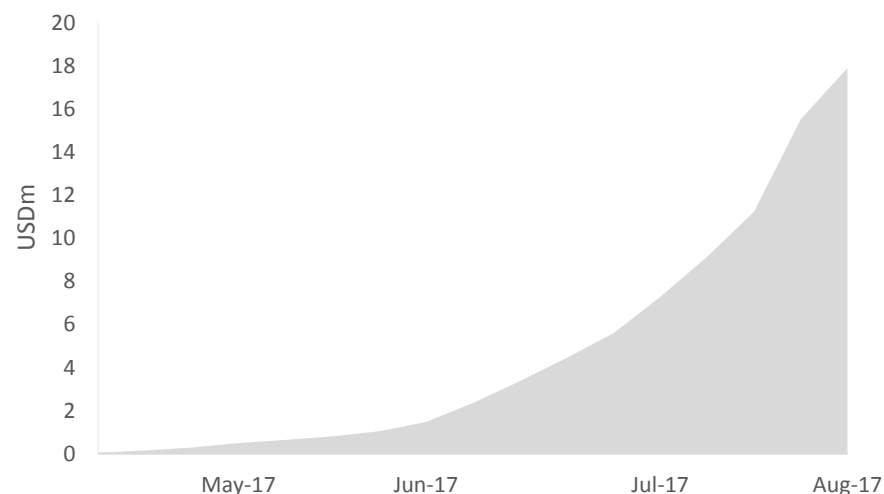
## MotorCredit in Mexico represents a revenue opportunity to LAA of over A\$74m<sup>1</sup> per year



### New and Used Vehicles' Market Sales in Mexico<sup>2</sup>



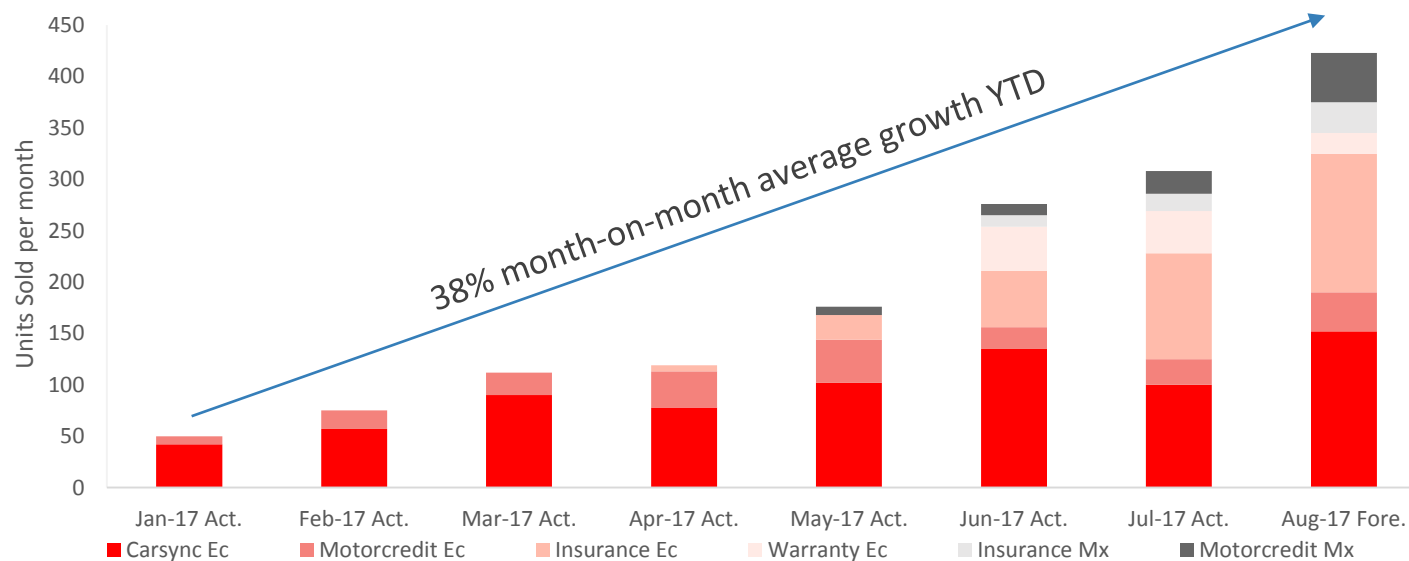
### Cumulative Value of Weekly Loan Applications Since Launch in Mexico



- Total **new car sales** in Mexico were **1.6m** in 2016, of which 67% were financed representing a 27% y-o-y growth
- Industry estimates assume total used car sales is ~3x new car sales, therefore **~4.8m used car sales in 2016**
- Assuming 50% are financed, this implies a market potential of **2.4m used car sales p.a.** which means there is potential for 2x the number of financed used cars compared to the current new car finance market
- LAA's internal monthly sales target for 2H18 (forecast breakeven point) **represents only 0.1%** market share
- Achieving a 5% share of the potential used car financing market, translates to gross revenue to LAA of A\$74m
- MotorCredit, LAA's proprietary auto finance product for used cars, is backed by leading banks in each market. MotorCredit in Mexico has 80%+ margins for LAA
- MotorCredit was launched in Ecuador in Dec-16 and Mexico in May-17
- Ramp up of unit sales has been consistent with internal budget estimates, with conversion rates being optimised over time
- Until the 3<sup>rd</sup> week of Aug-17, MotorCredit has received US\$20m worth of loan applications in Mexico
- Revenue to LAA from each successful loan application is **equivalent to 6.3x new car dealers customers** with our classifieds only package (assuming average ARPU)

# New Depth Revenues Growing Strongly

Total Depth Product Sales (Unit Sales per month in Ecuador and Mexico)



- Unit sales of new revenue streams continue to grow strongly month to month
- August was particularly pleasing, with substantial traction being gained in the Mexico market for MotorCredit
- Insurance now has become a significant contributor to overall unit sales

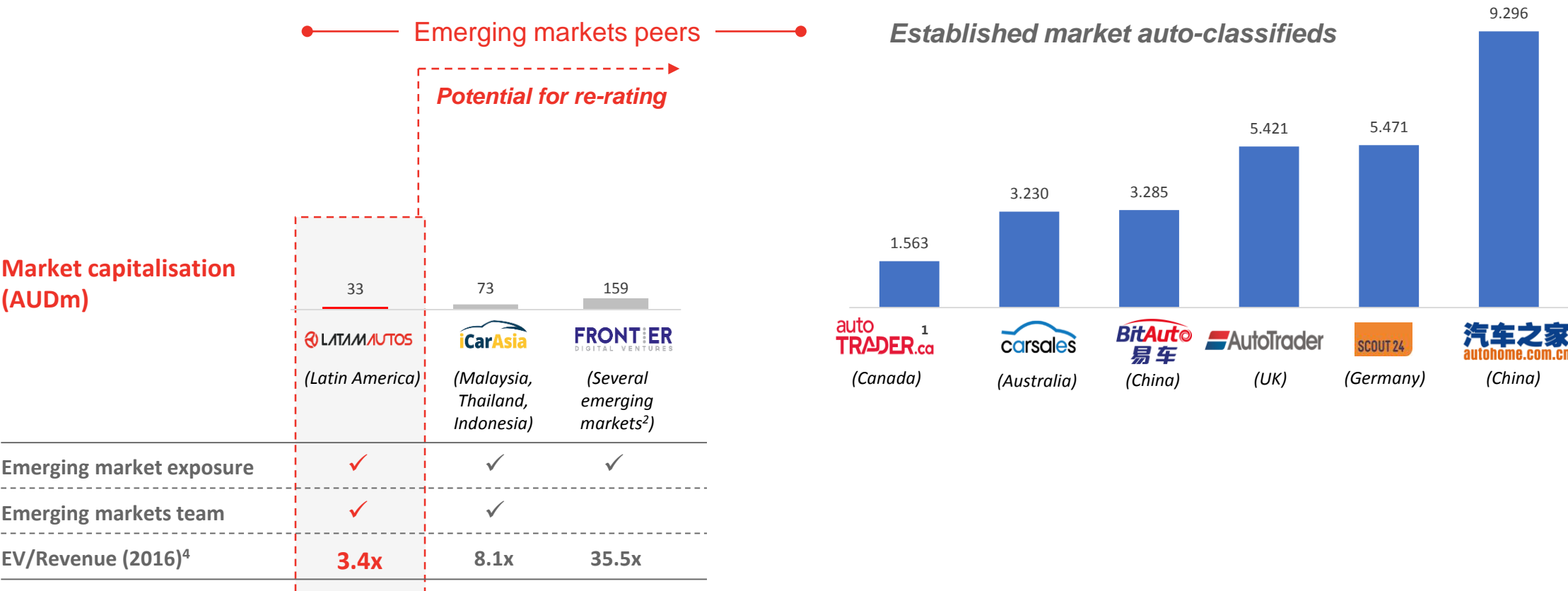
*Strong acceleration in unit sales since end of Q2*



# Auto-classifieds listed universe



The scale of the established market peers highlights the potential upside if LatAm Autos can build market share in Latin America



Source: Company filings, Yahoo Finance as at 27 August 2017

Notes:

1 Based on the acquisition value of Trader Corporation (autoTrader.ca) by Thoma Bravo for C\$1.575bn announced 1 July 2016 (CAD/AUD 1.0077)

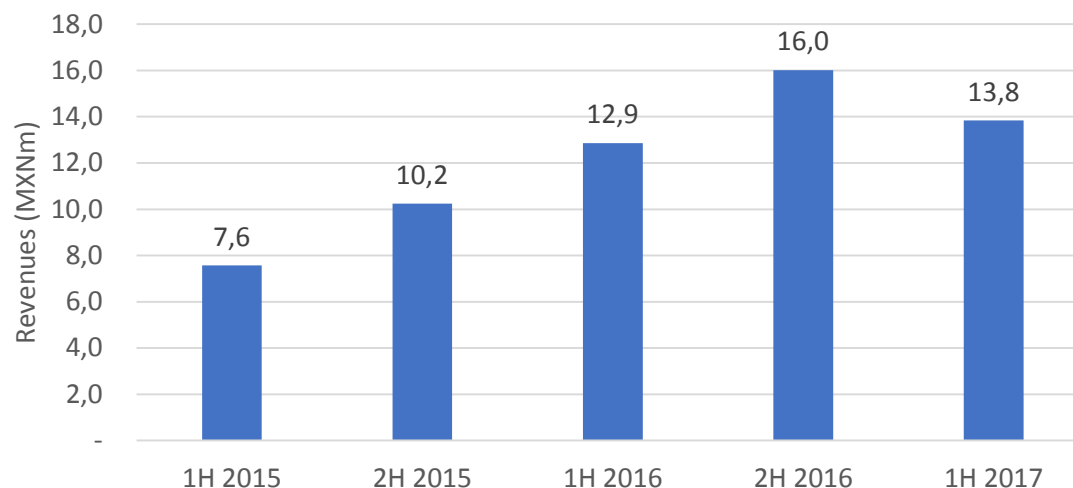
2 Frontier Digital Ventures have interests in online classified businesses in Africa, MENA, Central America and South East Asia. Assumes A\$3.9m pro rata revenue contribution according to ownership

3 Auto-classifieds is a component of Scout24's business

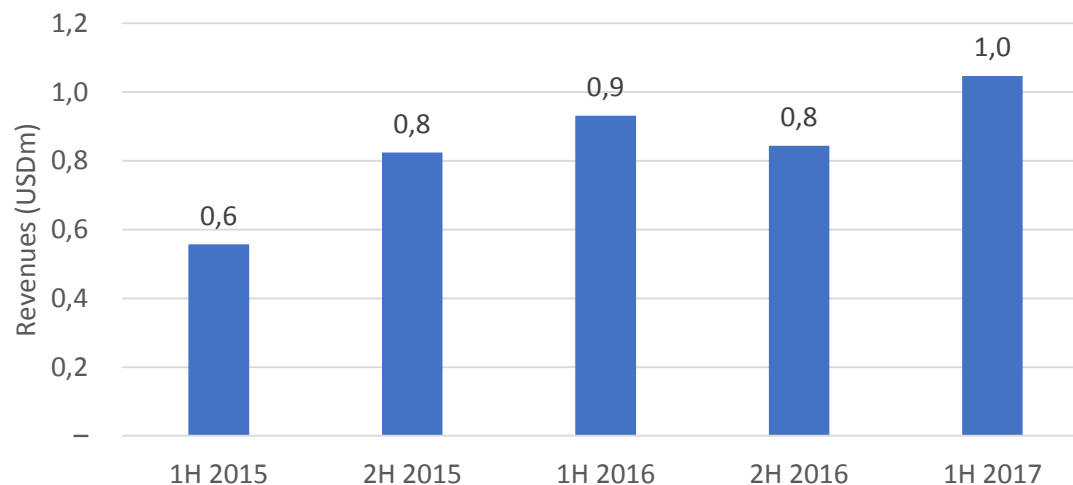
4 Estimated using Market Cap as at 27 August 2017 and Company's financial information (debt, cash and revenue) as at Dec-2016

# Revenue Performance

Revenue – Mexico (MXNm)



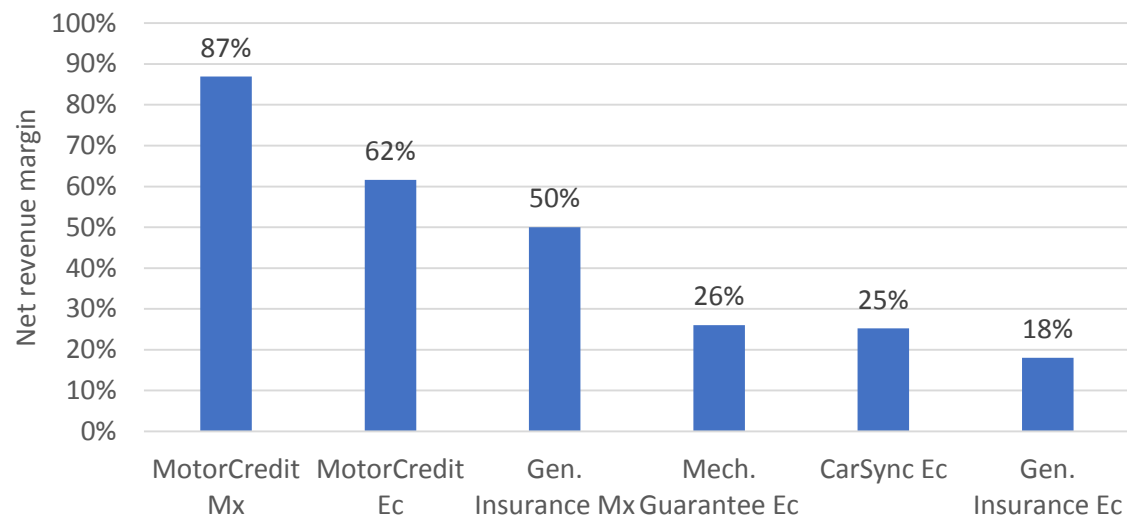
Revenue – Ecuador (USDm)



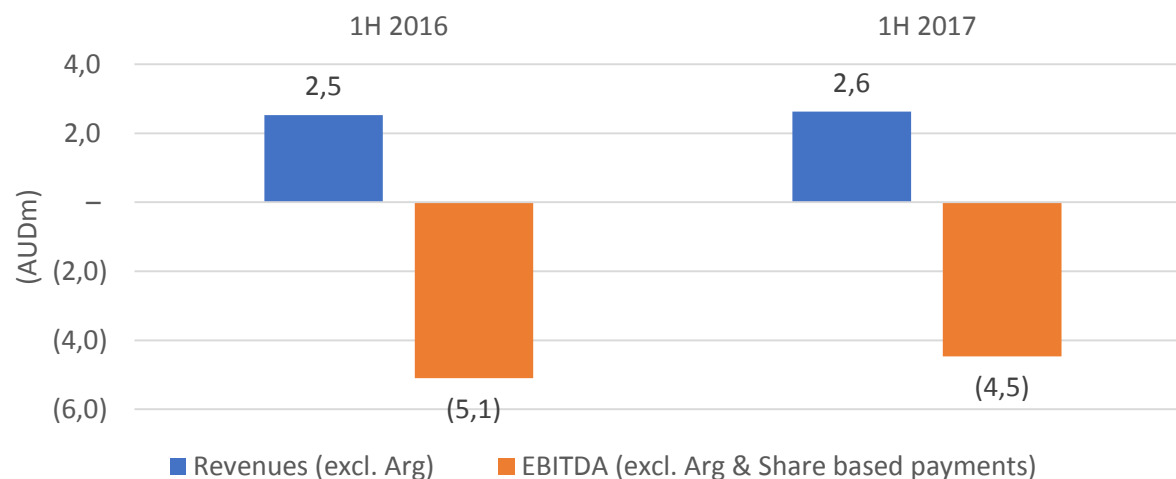
- 83% growth from 1H15 until 1H17
  - Historical growth driven by substantially higher revenues from both Dealers and Advertising
  - Depth Products to provide the step change in revenue and profitability in the future. Depth products assist in building a “moat” with the Latam Autos’ existing Dealer network and leverage off the Company’s existing core strengths of technology development and industry knowledge, specialisation and geographic focus
- 
- 88% growth from 1H15 until 1H17
  - Historical growth driven by substantially higher revenues from both Dealers, Advertising and Lead Generation
  - Similar to Mexico, Depth Products to provide the step change in revenue and profitability in the future

# Depth Product Margins, Revenue and EBITDA

Net Margins of Depth Products



Revenue and EBITDA (excl. Argentina & Share based payments)



- Depth Products provide substantially higher operating leverage to the business model, and have capacity to be high volume products distributed through our dealer network
- Combined with core classifieds revenues, these will accelerate the path to breakeven
- Depth products expected to make a substantial contribution to revenue growth and EBITDA improvement in 2H17
- Improvement in EBITDA loss (excluding Argentinian operations and Share based payments) of 12% between 1H17

# 1H16 v 1H17 Summary P&L

		1H 2016	1H 2017 Statutory	Change	1H 2016	1H 2017 Proforma*	Change
Revenue	AUDm	3,9	3,0	-0,9	2,5	2,6	0,1
Opex	AUDm	-9,8	-8,6	1,2	-7,6	-7,1	0,5
EBITDA	AUDm	-5,9	-5,7	0,3	-5,1	-4,5	0,6

\* Proforma financials are calculated as statutory financials excluding impacts from discontinuing Argentinian operations. Share based payments are deducted from both Statutory EBITDA and Proforma EBITDA

- LAA's statutory financial results were materially impacted by the closure of the Argentinian operations in 1H17
- Excluding the results of the Argentinian operation (and share based payments) the Company increased revenues by 4% and decreased EBITDA loss by 12% on PCP
- 2H17 is expected to be substantially stronger than 1H17 as it will be the first period that most of the Depth Products will be sold for a full six-month period in both Mexico and Ecuador

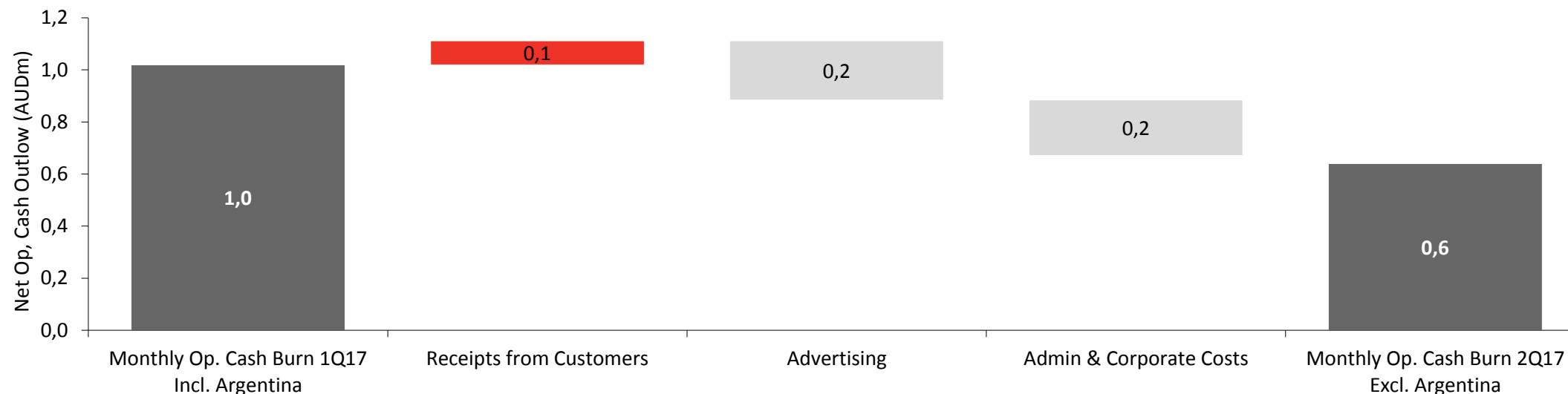
# 1H16 v 1H17 v 1H17 Proforma EBITDA Loss Bridge



- The graph above shows the statutory EBITDA (less Share based payments) of the Company between 1H16 and 1H17 and the impact on the 1H17 EBITDA that the continued operations of Argentina (including severances) had
- This graph also shows that the Company spent A\$1.7m less on marketing in 1H17 in comparison to 1H16. Reducing marketing expense is a key part of the Company achieving breakeven

Note: "1H16 EBITDA - Statutory" and "1H17 EBITDA - Statutory" refers to statutory EBITDA figures less Share based payments  
"1H17 EBITDA - Proforma" refers to the 1H17 statutory EBITDA figure with Argentinian operations excluded

# 1Q17 v 2Q17 Operating Cash Flow Bridge ex. Argentina



- Average monthly operating cash outflows in 1Q17 compared to 2Q17, with the latter period excluding Argentinian operations and other severances
- The Company announced in April 2017 that it would exit Argentina. The graph above shows the impact of no longer investing in the Argentinian business as if it were already fully excluded for the entirety of 2Q17

Note: "Monthly Op. Cash Burn 2Q17 Excl. Argentina" refers to operating cash flow only, excluding severances, cash flows related to the Argentinian operations and investing and financing cash flows

# Appendix



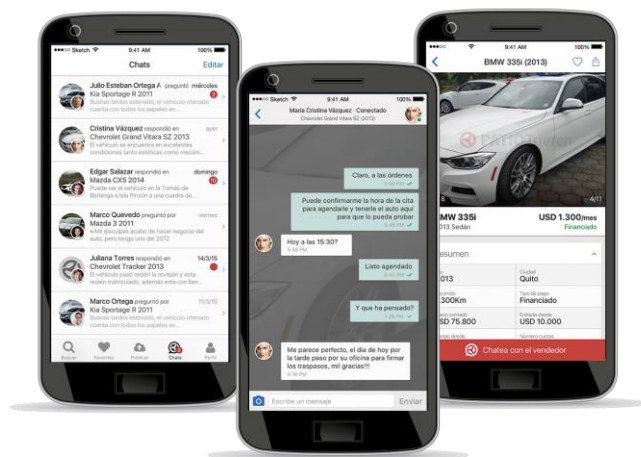
# Corporate snapshot



**LatAm Autos is the leading Latin American dedicated online auto-classifieds and content platform with a focus on the automotive markets of Mexico, Ecuador and Peru**

## Company overview

- LatAm Autos owns four of the leading online auto-classifieds platforms in Latin America and has operations in six countries
- LatAm Autos provides online classifieds services to commercial sellers, private sellers and buyers of vehicles as well as transactional focused services including used car financing and telematic product sales



## Clean capital structure

Share price	A\$0.11
Number of shares	310.3m
<b>Market capitalisation</b>	<b>A\$34.1m</b>
Proforma Cash (30-Jun-17) <sup>1</sup>	A\$8.1m
Convertible Note	A\$10.0m
Other Debt (30-Jun-17)	Nil <sup>1</sup>
<b>Enterprise value</b>	<b>A\$36.0m</b>

## Strong board and management alignment

<b>Timothy Handley, Gareth Bannan - Founders &amp; Exec. Chairman and CFO</b>	<b>15.5%</b>
<b>Michael Fitzpatrick - Non-Executive Director</b>	<b>12.1%</b>
<b>Simon Clausen - Non-Executive Director</b>	<b>8.5%</b>
<b>Jorge Mejía Ribadeneira - Co-Founder and Chief Executive Officer</b>	<b>4.3%</b>
<b>Colin Galbraith – Non-Executive Director</b>	<b>0.4%</b>
<b>Jacobo Moreno - Chief Technology Officer</b>	<b>2.0%</b>
<b>Total Board and management</b>	<b>c.43%</b>

<sup>1</sup> Includes A\$10m cash from convertible note, of which A\$3.25m received prior to 30-Jun-17 with the remainder to be received in 2H17



# Company evolution



LatAm Autos has progressed rapidly since inception with an integrated software platform currently servicing approximately 3,000 dealers

## PRE-2014

- Consolidation of the online real estate and jobs classifieds portals in Latin America
- Auto-classifieds vertical identified as prime consolidation opportunity

## DEC 2014: IPO

- Listing on the Australian Stock Exchange at a market capitalization of A\$72m and with an offer price of A\$0.30/sh

## 2016: LEADERSHIP EXTENDED

- Investment in brands while continuing market share growth
- New related revenue streams launched

## 2017: MONETISATION

Increase market share

Expand related revenue streams

Further monetise dealer network

Focus on key markets of Mexico, Ecuador and Peru

## 2014: SEED CAPITAL RAISED TO ACQUIRE ASSETS

- Participation included current team of Non-Executive Directors
- Use of funds to acquire leading online auto-classified businesses in Latin America including:



- Founded 1999
- Top #3 in Argentina



- Founded 2005
- #1 in Peru



- Founded 2004
- #1 in Ecuador, Panama, Bolivia



- Founded 2010
- #1 in Mexico



- Founded 2000
- #1 in Guadalajara

Integration of platform

## 2015: INTEGRATION OF PRODUCT PLATFORM

- Investment made to integrate regional websites under a consistent platform and brand

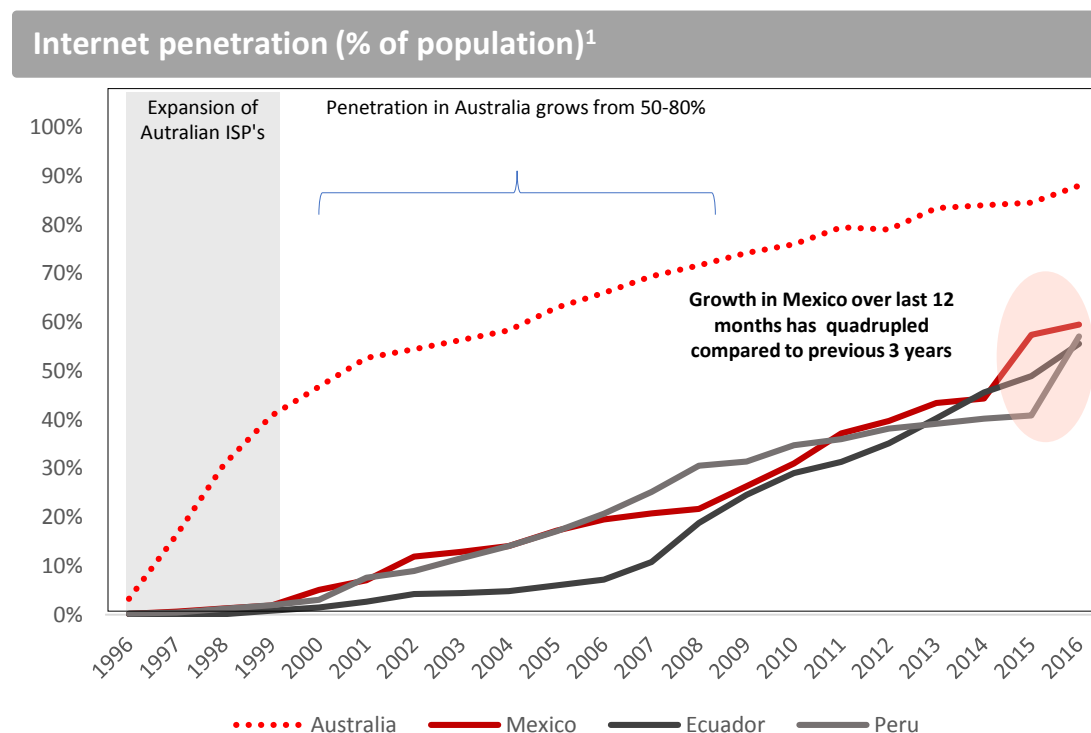


# Internet penetration in Latin America

Average internet penetration in LatAm Autos key markets was c. 59% in 2016 and growing rapidly toward Australia's internet penetration of 88% of the population

## Industry overview

- Internet penetration in Latin America expected to **accelerate from 50% toward 80% faster than the comparable Australian period**
  - Invention of smartphones will accelerate penetration due to lower cost barriers to entry
  - Latin American government policies are focused on increasing internet penetration
  - Global technologies supporting internet roll-out (satellite, fibre optics) have greatly improved and been made more efficient
  - An increasingly digitised global economy will force uptake for expanding Latin American businesses
- Smartphone contract costs in Mexico have reduced materially over the last 18 months due to deregulation and competition from the incoming AT&T



1. Source: as of 2015 World Bank. For 2016, Peru: Statista, Mexico: INEGI, Ecuador: MINTEL

# Board of Directors



Exciting growth potential of LatAm Autos is reflected by a highly credentialed Board of Directors

Board experienced with some of Australia's largest and most successful companies

**RioTinto**

**CommonwealthBank**



**HASTINGS**



## Tim Handley

*Executive Chairman*

- Co-Founder and Executive Chairman
- 14 years entrepreneurial, M&A (**Gresham Partners & UBS Investment Bank**), equity and debt capital markets experience (including 7 years in Latin America)



## Michael Fitzpatrick

*Non-Executive Director*

- Founded **Hastings Funds Management**
- Director of **Carnegie Wave Energy (ASX: CWE)**, **Infrastructure Capital Group** and Chairman **Pacific Current Group (ASX: PAC)**
- Former Director of **Rio Tinto (ASX: RIO)**



## Colin Galbraith

*Non-Executive Director*

- Special Advisor to **Gresham Partners**
- Chairman of **CARE Australia**
- Previously a Director of **Commonwealth Bank of Australia (ASX: CBA)**



## Simon Clausen

*Non-Executive Director*

- Over 17 years experience in high growth technology businesses in both Australia and the United States
- Founder and CEO of **PC Tools**
- Founding investor and NED of **freelancer.com (ASX: FLN)**



## Jorge Mejía Ribadeneira

*Executive Director and CEO*

- Co-Founder of LatAm Autos
- Founder of **multitrabajos.com**, Ecuador's foremost jobs search engine
- Founded **Evaluar.com** (Latin America's leading HR evaluation company) and **Seguros123.com**

# Related revenue stream: MotorCredit

**MotorCredit has been launched successfully in Ecuador and Mexico with unit sales being consistent with management expectations**

## Overview

- Auto finance product developed specifically for Latin America
  - Launched in Ecuador with the largest bank, Banco Pichincha
    - Over 2,500 completed applications until 30-Jun-17 representing value over US\$52m, and representing 105% q-o-q growth in unit sales
  - Launched in Mexico with a leading and innovative Financing Institution, Credito Real (Mexican stock exchange ticker: BMV:CREAL)
    - Strong uptake in the first months
    - The ramp up of unit sales has been consistent with internal budget estimations, with conversion rates in Mexican dealers specially pleasing
    - Management estimates are that MotorCredit Mexico has a potential annual revenue of A\$74m<sup>1</sup>
- Market growth expected as dealer base and inventory increases

## Distribution details

The screenshot displays the PATIOtuerca website interface. At the top, there's a navigation bar with 'AUTOS' and a search bar. Below, a breadcrumb trail shows the path: Inicio > Usados > Quito > Autos > Hatchback(3 Puertas) > Volkswagen > Golf Gti. The main content area features a red 2014 Volkswagen Golf Gti with a price tag of \$43,500. A video player is embedded in the center. To the right, there's a contact section for 'PMR Automotores' with a 'Conectado' status and buttons for 'Me interesa', '¿Podemos hablar?', 'Pide mas fotos', and 'Hacer oferta'. Below this is a form to 'Escriba al propietario del vehículo' and a button to 'ENVIAR MENSAJE'. At the bottom, a financing section titled 'Págalo en Cuotas' shows a simulated monthly payment of \$1,200 for a 36-month term, with an entry fee of \$21,750. The Banco Pichincha logo is also present.

Note:

1 Management estimates.

# Related revenue stream: CarSync

CarSync product offering presents a new, attractive recurring software-as-a-service (“SaaS”) revenue stream which is expected to accelerate the path to profitability

## Overview

- CarSync is a telematics product which is installed in vehicles, generating continuous data on client behaviour
  - LatAm Autos co-owns the big data
- Product features GPS intelligence, motion sensors and mobile data connectivity which allows users to create a driving profile based on their travel and safety statistics
- CarSync will be licensed using 1 to 4 year agreements
  - Generates SaaS revenue stream
  - Pricing plans include an upfront installation fee (>US\$300) and an annual fee from US\$200
- Already generated almost 6,500 leads for CarSync installations based on the existing LatAm Autos network only

## Distribution details



CarSync will initially be distributed through four primary channels:

1. **Direct distribution** through the existing dealer base
2. **Online and call centre marketing**
3. **Trade marketing** through the LatAm Autos MotorBit platform
4. **Existing service renewals:** retrofitting of existing vehicles



# Macro growth drivers in Latin America

Increasing internet penetration and regional GDP per capita growth underpin long term growth of the Latin American auto-classifieds industry



## Expanding population and increasing GDP per capita

- Significant opportunity in Mexico, Ecuador and Peru with a population over **7x** that of Australia
- One of the fastest growth rates globally



## Increasing internet connectivity

- LatAm Autos markets already host a large population of internet users, c.**4.9x** that of Australia
- Smartphone and internet penetration are at an early stage in Latin America



## Expanding used car market in Latin America

- In 2015, LatAm Autos estimated total used car market size reached **A\$13.1bn**

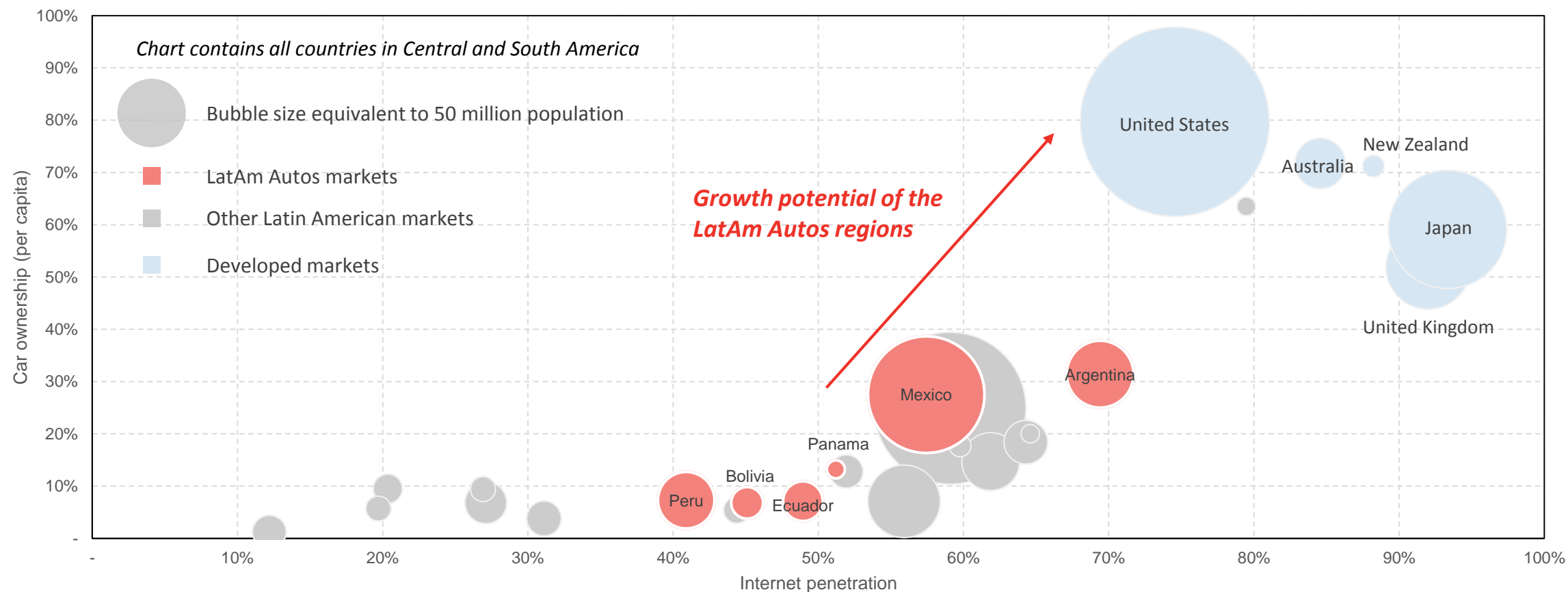


# Positioning of key Latin American markets



LatAm Autos is exposed to the most advanced of the emerging geographies in Latin America with current internet penetration of 40-70% and growing car ownership

## Auto-classified demographics in Latin America



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