

SE Entrepreneurs
 HD **SEEK chief issues Asia challenge SEEK chief issues Asia challenge Investment Tremendous growth opportunities seen Carsales shares closed 5 per cent higher at \$11.03 on Thursday. Photo: Andrew Quilty**

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SEEK chief executive Andrew Bassat has challenged more Australian companies to embrace the risk of expanding into Asia, after Carsales.com sealed a \$126 million foray into the South Korean car classified market.

Melbourne-based companies SEEK and Carsales have both seized industry-leading positions in Asian countries in the past fortnight.

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Carsales said on Thursday it would buy 49.9 per cent of the online assets of South Korea's largest automotive trading business SK Encar.

In February SEEK announced a \$580 million purchase of JobStreet's Asian online employment business in a deal which will see half of the company's group revenue derived in Asia.

"I have been a bit disappointed from a nationalistic point of view that many companies are not taking risks and looking to expand into Asia," Mr Bassat said. "We just think there's tremendous growth opportunities on offer," he said.

SEEK already had a strong footprint in Brazil, Mexico and Asia but the buyout of JobStreet – of which it has been a shareholder since 2008 – gives the company market leader or number two status across Malaysia, Singapore, the Philippines, Indonesia, Vietnam.

"These Asian markets should grow for another 10 or 15 years due to a bunch of demographic effects," Mr Bassat said.

"I can speak for the employment market but I suspect it's the same in cars."

Carsales chief executive Greg Roebuck said that while the SK Encar acquisition would not transform his company, it was its biggest deal yet.

"I feel good about the fact a couple of Melbourne businesses are taking on the rest of the world," he said.

"I'm very proud of the fact the rest of the world looks at what we're doing as world leading, and I'm sure they see SEEK similarly"

SK Encar also owns car dealership assets but Carsales will buy only the online assets, which will be transferred into a new entity called SK Encarsales.com, of which the Australian company will control 49.9 per cent.

The separation of assets proved a key stepping stone in getting the deal over the line, after it had first been pitched to Carsales by Macquarie Group in 2010.

"Obviously nothing happens overnight but part of the time that has elapsed has been SK Encar looking at whether they'd separate the two parts of the business, which they have done," Mr Roebuck said.

"We weren't particularly interested in a business that had those offline assets."

Citigroup estimates the **sale** price reflects a multiple of about 15.6 times underlying earnings before interest and tax of \$16.2 **million** for Sk Encarsales which has about 70 per cent of Korean unique browsers and page views.

Carsales says more than 1.6 **million** vehicles are expected to be sold in South Korea in 2014, which is nearly 60 per cent more than what is forecast in Australia for the same period. Another 3.3 **million** used vehicles are forecast to be sold in the Tiger economy.

The deal came a day after Carsales announced it had lifted its **stake** in iCar Asia to 22.9 per cent from 19.9 per cent for \$7.2 **million**. Carsales already had a footprint in Brazil, Thailand, Malaysia, **China**, Indonesia and New Zealand prior to the SK Encar **acquisition**.

Hyperion Asset Management portfolio manager Joel Gray said the latest offshore **purchase** looked positive for Carsales, as it gives the **company** a market leading position in its core business.

"Firstly, it's an online automotive media business so it's within their circle of confidence so that's a good starting point," he said. "Obviously some businesses buy things that are stretching their capabilities a little but this definitely isn't."

Mr Gray said it was critical for media businesses to be number one in their respective markets.

"SK Encar is the market leader in South Korea, which is critical for the economics of a media businesses. You've got to be number one," he said.

Credit Suisse analyst Fraser McLeish said South Korea was an attractive market with a strong economy and high internet penetration.

He said SK Encar had "probably not been monetising its number one position as well as it could", and there was "potentially upside" if it could move from away from a subscription model to the model Carsales uses in Australia, where it charges per listing or per **lead**.

iCar Asia chairman and BRW Young Rich-lister Patrick Grove predicted more Australian online media companies would look to expand into Asia.

"They have the know-how, the cash and the balls to do deals," he said. "I find the traditional media players don't have the know how, increasingly have less and less cash and don't have the balls."

Mr Bassat said online companies were often better placed to expand because they were subject to global competition in their home market.

"The advantages and disadvantages for people like us and the Carsales guys is that to some extent the battle we've been fighting at home has been with global competitors in any case," he said.

"We've developed that confidence in a way that perhaps more protected industries haven't.

"We have had to be more innovative even in our home market. We have to be more agile and pushing forward aggressively so I think it's just a different mindset to some other industries."

Carsales shares closed 5 per cent higher at \$11.03 on Thursday and have surged by 25 per cent over the past month.

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