

FY26 results call

Transcript of the investor results call held on Monday, 31 August 2026

Carma Limited (ASX: CMA)

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This transcript has been lightly edited for clarity. Slide numbers refer to the FY26 Results Presentation lodged with the ASX on 31 August 2026.

Presentation

Lachlan MacGregor

Good morning, and thank you for joining us. I'm Lachlan MacGregor, co-founder and CEO of Carma. With me is Yosuke Hall, my co-founder and chief commercial officer, and James Solomon, our chief financial officer. We lodged the results announcement, the annual report, and this presentation with the ASX this morning. Please note the disclaimer at the back of the presentation. Some of what we say today, particularly in the outlook section, is forward-looking. I'll start with the business highlights. James will take you through the financial results. I'll come back for strategy and the outlook for FY27, and then the three of us will take your questions. FY26 was the year the model came together. Nine in 10 cars now come to us direct from consumers through Sell-to Carma. Reconditioning throughput doubled and gross profit doubled. FY26 finished in an unusually weak used car market, and we are pleased to say that this tested the model and showed how well it holds.

Starting with the headline numbers, we delivered 5,416 vehicles, up 86% on last year. Retail deliveries grew 50% to 3,156, and wholesale grew 180% to 2,260. Revenue was \$113.8 million, up 59%. Gross profit doubled to \$10.5 million, and our pro forma EBITDA margin improved about 12.5 percentage points to negative 26.5%. I point you to the four-year view on each of these charts. The margin line has improved every year since FY23 from negative 57% to negative 26.5%, and this year was the biggest single step. Gross profit grew faster than revenue, revenue grew faster than costs. James will show you the operating leverage in more detail, but the shape of it is visible on this page.

On the operating side, we purchased 6,235 vehicles, up 127% and 5,577 of those came through Sell-to Carma, including trade-ins. We reconditioned 3,743 retail units, up 99% and the average units per shift doubled to 15.1. Online inventory days averaged 36 for the year, four days better than FY25. 36 is the full year average. In the June quarter with the challenging macro environment, online inventory days ran at 52. James will explain what happened in that quarter and what it did to margins. This slide sets out what we said we would do in FY26 and what we did. Sell-to Carma: nine centres across New South Wales supplying 89% of our purchases.

Production: with the St Peters upgrade, reconditioning doubled, with an exit rate of 21.7 units per operating day in Q4. Gross profit per unit: up, with a mix shift to Sell-to Carma purchases, lower reconditioning costs per car, a wholesale contribution that didn't exist two years ago and a much better pricing model.

Strong growth: revenue up 59% and gross profit up 102% through a challenging market at the end of the year. Brand: awareness is rising, building on the NRMA partnership. Our own channels now deliver over half of our sales. And the IPO, which funded the inventory and the initiatives you'll hear about today. I'll take the first three in turn.

Two years ago, we bought most of our cars either from wholesale, how most dealers buy, or from consumers who had advertised their cars on a marketplace for anyone to buy. Today, nine in 10 come direct from consumers who come to Sell-to Carma to sell us their car. We opened seven Sell-to Carma centres during the year, taking the network from two to nine across greater Sydney, Newcastle and Wollongong. Kotara and Albion Park, the Newcastle and the Wollongong sites were our first locations outside Sydney. The chart in the middle shows quarterly purchases through Sell-to Carma, which went from 250 in the first quarter of FY25 to 2,056 in the June quarter this year. This matters for three reasons. Firstly, cars bought direct from consumers carry better margins than cars bought wholesale and are a more interesting mix than fleet inventory. Second, the centres are cheap to open and cheap to run and there is plenty of excess capacity so we can add supply wherever demand is.

And third, because we'll make an offer on any car, we buy many cars we don't want to retail and that supply is what built the wholesale business. Underneath all of this are our AI pricing models. We made a series of upgrades to our in-house models during the year so they're more accurate and respond faster to market movements. I'll come back to the technology and the outlook because it's central to FY27.

Next, St Peters. Stage one of the upgrade was completed in August last year, consolidating three sites into one 35,000 square metre facility. Stage one is operating just a single shift and a single line giving capacity of 30 retail cars a day. The production line design uses lean manufacturing principles with end-to-end reconditioning, including our innovative paint operations and all backed by our custom technology. The quarterly numbers tell the story. Retail units reconditioned were 723 in the first quarter and closed the last quarter at 1,322. Per shift went from 11 in the first quarter to 21.7. The June quarter was 38% up on the quarter before and 10% above the exit run rate in our prospectus. At the half year we said St Peters would soon be reconditioning over 20 cars a shift. It did and we're still running one shift on a line built for two.

Aside from doubling capacity with the second shift, we also have regulatory approvals and infrastructure in place for a second production line. I'll cover what that capacity means when we get to the outlook.

And finally for this section, the customer. Prompted brand awareness across Sydney and New South Wales has continued to grow and is at 54%. Direct traffic to carma.com.au is up significantly and more than half of our retail sales now come through our own channels rather

than third party classifieds. Selection matters online and we ended the year with 625 cars available on the site, up from 166 a year earlier. The NRMA continues to name us their exclusive preferred used car dealership and our customers rate us 4.6 on Google with over 1,000 five star reviews and a continued high NPS score. I'll now hand over to James for the financials.

James Solomon

Thank you Lachlan and good morning. One note before I start, unless otherwise stated, amounts are presented on a pro forma basis. We've removed the one-off IPO and convertible note costs and added a full year of public company costs to both years so they are comparable.

Reconciliations to statutory are in the appendix. FY26 saw improvements in both our retail and wholesale channels. Retail units delivered were 3,156, up 50% on FY25. Retail gross profit per unit increased 22% to \$2,500. Growing units and unit profitability at the same time reflects the shift in how we source vehicles with nine in 10 now bought directly from consumers. Wholesale units were 2,260, up 180% and wholesale gross profit per wholesale unit was \$400, up 95%.

Wholesale is a direct consequence of Sell-to Carma. Offering to buy any vehicle means acquiring vehicles we don't retail and on average generating a higher profit this year than ever before.

This slide sets out our unit economics expressed per retail unit delivered. Total GPU for FY26 increased by 35% paired with an 86% growth in total units. The Sell-to Carma shift coupled with further efficiencies in reconditioning drove the 22% increase in retail GPU to \$2,500. Wholesale contributed \$300 per retail unit, a material improvement on prior years and was the line most affected by the market shift in the final quarter. Before this, Q3 reached \$600 per unit while Q4 was a negative 100. Other GPU, which includes finance and extended coverage income, delivered steady growth contributing \$600 per retail unit. Despite the increase in vehicle write-downs following sharp price declines in Q4, the full year write-down per unit improved 25% on the prior period. We also saw a decrease in the average selling price of vehicles across the year, reflecting the success of the shift in sourcing mix towards Sell-to Carma.

Sell-to Carma has driven a higher proportion of older vehicles through the business which carry lower purchase and lower selling prices. Pleasingly, increased throughput and efficiency in reconditioning allowed Carma to add greater value to these older vehicles, supporting gross profit at these lower prices. These results were achieved despite the unusual market conditions experienced in the final quarter of the year. From March 2026, the automotive industry faced significant headwinds flowing from the conflict in Iran. This led to higher fuel prices across the country, lower consumer confidence, reduced overall demand, and a sharp reduction in market values of used vehicles. The impact was seen through slower vehicle turnover resulting in more cars available on the market and softer consumer sentiment resulting in a reduction in the aggregate number of leads. Most dealers, including Carma, experienced a reduction in leads per car from third party classified sites. Carma's unique business model allowed us to respond quickly to these unusual changes. Our in-house pricing models are trained on live market data.

We are able to scale Sell-to Carma up and down to meet market conditions and we can adjust inventory levels based on turnover rates.

In practice, that meant we continued to increase vehicles reconditioned per shift and the selection of vehicles available on our website and dynamically shifted and increased marketing budget to our direct channels to partly offset this reduction from classified partners. The result, a record 1,003 retail units delivered in the quarter, 30% up on the quarter before that. And while days to sale expanded to 52, retail gross profit was in line with the first half.

We saw total revenue up 59% to \$113.8 million, reflecting an 86% increase in total units delivered. As discussed previously, our average selling prices reduced accounting for revenue versus unit growth delta. Pleasingly, we saw gross profit double year on year to \$10.5 million with a two percentage point increase in the gross profit margin to 9.2%. The Sell-to Carma sourcing channel supported this margin improvement. Employee benefit expenses were up 27%, noting the Sell-to Carma centres commenced in the second half of FY25 and so the prior period carries only part of this cost. This year we resourced to support 89% Sell-to Carma sourcing, the 10% higher exit run rate in reconditioning, and capitalised less software development. Marketing expenses are measured in two elements, retail, which relates to the sale of our vehicles, and Sell-to Carma, which relates to the purchase of vehicles. Given the 86% increase in units delivered, we measured this on a per retail unit basis.

Retail marketing expenses per retail unit were approximately \$1,500 for the year, an improvement of \$200 compared to FY25, reflecting the efficiencies in our marketing channels despite the Q4 market conditions. Sell-to Carma marketing expenses per retail unit were \$600 for the year, \$400 more than the prior year, and reflect the success of Sell-to Carma once more. With reference to vehicles purchased, the trend is down.

Pro forma EBITDA was negative \$30.2 million and reflects the margin improvement of 12.5 percentage points as revenue outpaces the costs associated with scale. Following the successful IPO, the group's balance sheet positions it for the next phase of growth. FY26 concluded with \$16 million of cash, \$25.3 million of undrawn bailment facility available, totalling \$41.3 million of total funding available. The table bottom right compares our funding to the prospectus forecast, which assumed we would draw down the facility. We held excess cash and elected not to, finishing FY26 with \$0.4 million drawn. Property, plant and equipment increased \$2.4 million and was mainly driven by the investment in stage one of the St Peters facility. This investment and the completion of stage one provides capacity for 60 cars per day across two shifts.

We have provided a split of operating cash flow both before and after vehicle inventory to provide further clarity. Before vehicle inventory, pro forma operating cash outflow was in line with FY25. Interest rates and capital management also delivered \$0.7 million of net interest received. Vehicle inventory increased \$18.3 million against a \$5.5 million decrease last year funded mainly through cash. This reflects the record reconditioning volumes and vehicles available for sale at year end. Vehicle inventory can also be funded through the bailment finance

facility with any movements presented in financing activities. Lastly, and to summarise FY26, we saw strengthening of our operating leverage in the year underpinned by volume growth and efficiency gains. Gross profit margin improved by two percentage points, pro forma EBITDA margin improved by 12.5 percentage points, and pro forma operating cash margin improved by 13 percentage points. While the group is not yet EBITDA positive, the operational leverage is clear and closing the gap remains a focus for us.

I'll now hand over to Lachlan to talk through the strategy and outlook and the initiatives underway to support this.

Lachlan MacGregor

Thanks James. First, three slides of context. I'll move through them quickly because none of it has changed. On the next slide, Australians buy about 3.6 million used cars a year worth \$118 billion and around \$34 billion of that is in New South Wales alone. There are more than 4,000 dealers, the largest group with well under 2% share and no national brand. Online is 14% of retail sales in Australia overall and 43% in electronics. So cars have a long way to go. The over 3,000 retail cars we sold in FY26 are a small fraction of that market and the plan we're about to describe reaches profitability inside New South Wales alone.

The vision is to reinvent how Australians buy and sell pre-owned cars. We are redesigning the experience to put customers first with our team who are truly the best in the business and we own the whole operation end to end. We're creating a pre-owned car experience that's beautiful from every angle. And slide 21 is the map of the levers that improve unit economics across retail, wholesale, finance, marketing, and operating expenses. We have laid them out broadly showing which are the shorter term versus longer term opportunities. The key takeaways from this are that we have many levers to pull to improve profitability. A lot are low hanging and we're still very early in the journey. The next three slides are the priorities we've set for FY27 to pull those levers.

The three priorities for FY27. In FY26, we built the machine, the sourcing, reconditioning, and unit economics. For FY27, the priorities are about what the machine produces per car. The line at the top of the slide captures the objective, a step change in unit economics and scale in the next 12 months. There are three priorities. The first is Apollo, a whole of company programme to step change our unit economics ahead of our next doubling. We are re-examining the business from first principles at the scale we are now. It launched in July. The second is rebuilding our technology platform on our own stack with AI doing real work at every step of the business. It's been underway since February and the core migration completes in the first half. And the third is scaling into capacity we've already built. A second shift on the existing St Peters line doubles reconditioning capacity to around 60 retail units per operating day.

The second shift is planned to launch in the March quarter. They work together. Apollo lifts gross profit per car and holds cost per car down as we scale. The technology platform is what enables new customer experiences and gives the team operating leverage, and the second shift supplies the volume that spreads fixed cost over twice as many cars.

Apollo, the question we put to every part of the company is on the slide. If we were designing this process today, knowing what we know now with AI available to do real work and at our current scale, what would we build? Almost every process at Carma was designed for a smaller company and before the AI tooling that exists now. Some carry layers of decisions nobody has revisited. Some things weren't worth building at the old scale, but they are now. And to clarify, this is not a cost-cutting programme. Teams will still grow where they need to. The timing is deliberate. We're doing this at around 500 retail cars a month ahead of the doubling to over a thousand because redesigning a process is far easier before the volume arrives than in the middle of the climb. The programme launched on 28 July, runs in fortnightly sprints and reviews at the end of January ahead of the second shift.

The table on the right shows where the 266 actions identified so far sit by business line and where we think the opportunity is broadly. In most of the business lines, the focus is on increasing revenue or improving leverage. And in our reconditioning operations and technology, the focus is on enabling the next level of scale.

Next is on the AI platform and reinvention. Slide 24 is our technology reinvention. We are well along the path to becoming an AI native business. This reinvention is in two streams. The first is moving the core of the business onto our own stack, one database, one API layer, and centralised access rules written as code that apply equally to a team member and an AI agent. The saving on licences for moving to our own stack is real, but secondary. In this new world where AI is being built inside our processes, controlling our own system enables all sorts of new agentic flows that wouldn't be possible or would take too long in our old SaaS stack. We've progressed rapidly. Authentication and vehicle data went live on our own services in August. Contacts and email are live, payments, finance, and orders are in testing and trade-ins, watch lists, and Sell-to Carma follow through the first half.

The second stream is what we've built on top since March, 18 AI native systems built in-house. These span across pricing, buying appointments, logistics, valuations, onboarding documents, sales coaching, listing videos, and the programme management for Apollo itself to name just a few. Each one has AI built natively, woven into workflows and working on the same data as the team, sometimes with the person approving the decision and sometimes autonomously. We have also built our citizen developer platform where anyone in the business can build a tool on our stack and in a secure, sandboxed environment. Think of it as an internal version of Replit or Lovable. One of the innovations in our new AI native stack is that the team are empowered to make changes. Anyone can improve a tool. Coding with AI has shifted the development bottleneck from engineering to product and business thinking. So we have designed around this to enable changes to flow rapidly without the old red tape.

Using our request system, any team member can now request a change guided by AI to test and refine the idea. The request is then passed to the system owner who is also assisted by AI to further specify and approve the change. Lastly, it goes to the engineer or technical business team member to code it in production, accelerated by AI. Each step can take just minutes. This

has been a game changer. Things that would've taken months or been lost in backlogs are getting done on the same day. We have 49 releases so far using the system, and the median time from an idea to being deployed in production is just 2.6 hours. This speed of technology development enables rapid process improvement and encourages everyone to move fast.

And one more slide on AI, given we get this question sometimes. AI is a structural advantage for Carma's business model. So firstly, why is AI an advantage for Carma, not a risk? Well, AI hurts two kinds of businesses. It hurts companies who sell software because software is a thing AI makes cheap. Software stocks sold off hard in February and despite the bounce since still trade around four times forward revenue versus six times two years ago. And it hurts companies who sell the introduction, the marketplace and classifieds which have been marked down on the prospect that an AI agent can make the match. Carma does neither. We sell cars. We have no software revenue to defend, no matching fee to lose, and the customer deals with us directly and we buy software, and building our own has just become cheap.

Secondly, Carma is structurally advantaged to benefit from AI in a way that our competitors can't easily copy. In most industries, the benefits of AI will get competed away. Software did this over the last 30 years, early adopters got a lead, then everyone caught up. When competitors all run the same business model, a rising tide lifts all boats and no one gets ahead for long. But our opportunity with AI is different from a physical dealership's. The advantage won't be competed away because a dealership can't get the same benefit without copying our business model. A physical dealership runs site by site with customer interaction still largely physical and at small scale. Its technology usually sits on one shared vendor system, so AI arrives as a feature from the vendor. Carma is a digital operation, both in how we interact with our customers and how we run the business.

We use our own technology and data at every step from valuing the car to delivering it so we can rebuild every step around AI ourselves. That is why we think our AI advantage is sustainable.

And the third priority is scaling into built capacity. One shift took us from seven and a half units per operating day in FY25 to 15.1 in FY26, 21.7 in the June quarter and 24 in July. That's growth of three times in two years on a single shift against a one shift ceiling of around 30. The second shift doubles the ceiling to around 60. What it needs is people, not buildings. The line, the site and the approvals already exist and the second shift runs on the same equipment. It also needs surprisingly little extra reconditioning inventory because the same work in progress feeds both shifts. What grows is the number of cars online funded from cash or from the facility at 80% of value against \$41.3 million of available funding. A doubling of our available inventory would only require equity of around \$4 million.

CapEx is also minimal. Beyond that, the second production line has regulatory approval and would take us to about 120 a day, roughly a billion dollars of revenue a year. The supply engine is already running. Nine Sell-to Carma centres provided 89% of our purchases last year, and the network is operating with more than 40% spare capacity with further ability to add inspectors per site as we need them. The shaded band on the chart, 45 to 60 units, is the range in which we

expect to cross into EBITDA positive territory. We expect to exit FY27 at over 35 while scaling rapidly towards the full double shift capacity of 60.

One housekeeping note: from FY27, we will refer to reconditioning per operating day rather than per shift so the series stays comparable once there are two shifts. Current trading and market conditions. Current trading, there are two things to take from this slide, a strong start to FY27 and a market that is stabilising with margins recovering. First, trading: retail deliveries booked in from 1 July to 31 August are up 120% on the same period last year. Sell-to Carma retail purchasing has continued at the rate we achieved in the June quarter and reconditioning throughput in July exceeded the Q4 FY26 record pace, and August is on track to be our largest month to date for retail deliveries. Second, the market and margins. We experienced margin pressure in Q4 due to the extraordinary conditions which resulted in vehicles being bought and sold into shifting markets. We have observed market conditions stabilise during Q1 FY27.

When prices stabilise, Carma buys and sells in the same market and gross margin recovers. The chart on the right is a cohort analysis published in the 4C, with the September quarter to date in pink. Vehicles sold within 30 days of listing, which is 56% of vehicles sold, earned approximately \$3,300 of retail gross profit per unit in the September quarter to date, the highest on record. Vehicles held for over 60 days earned less, as the effects of the March softening worked through that stock.

The FY27 outlook. So this brings us to the outlook for FY27, four statements, and I'll read them as they appear on the slide. Revenue to grow over 80%. As we continue to observe the used car market stabilise despite the macroeconomic headwinds, we expect to deliver ongoing unit growth across our retail and wholesale business resulting in FY27 revenue growth of over 80%. Second shift to double reconditioning capacity. The launch of the second shift at our St Peters facility during the March quarter of FY27 will allow us to increase retail unit reconditioning capacity to 60 per operating day with minimal additional capital expenditure. FY27 to exit at 750 retail units per month. In the final quarter of FY26, we were reconditioning 21.7 units per operating day. With a second shift in operation, Carma expects to exit FY27 reconditioning more than 35 retail units per operating day, approximately 750 retail units per month and scaling rapidly. The path to profitability.

Carma currently expects that the company can cross over to positive EBITDA when reconditioning in the range of 45 to 60 retail units per operating day on average. Carma expects to be in this range before the end of calendar 2027.

Thank you. Yos, James and I will now take your questions.

Questions and answers

Operator

Thanks, Lachlan. If you've not yet submitted your text question or joined the live audio queue, please do so now. I will introduce each caller by name and ask you to go ahead. You'll then hear a

beep indicating your microphone is live. Our first question today comes from Owen Humphries from Canaccord. Owen, please go ahead.

Owen Humphries, Canaccord

Good day team. Can you hear me okay?

Lachlan MacGregor

Yes. Hi Owen.

Owen Humphries, Canaccord

Big year setting the platform for a big FY27 it feels like. First question here is, I guess in the cost base, you're about to take another leap up in a step change in growth. I understand there's a lot of focus internally on various systems and processes, but in terms of the fixed cost base of your business, do you expect it to hold at these kind of current levels or second half run rate levels in FY27 and into FY28 from the \$35 million run rate?

James Solomon

Yeah, sure. I'll take that one, Owen. That's probably right. Obviously, we've always discussed this concept of having this fixed cost base that we can take advantage of for operational leverage. In FY26, we did see the resourcing up for Sell-to Carma, which is in a really good position at the moment. So I think based on what you've said, it's probably the right way to look at that.

Owen Humphries, Canaccord

And just on GPUs, so the wholesale GPU impacted the group GPUs, call it in that last quarter. Has that stabilised and where do you expect that to be in FY27? Well, it's two questions here. Where do you expect wholesale GPUs as it stabilised in the first quarter of 27? Where do you expect to be in FY27? And in the third quarter, you guys did \$3.8k GPU or total GPU per retail unit. Is that level of margin what we can expect in FY27?

James Solomon

I'll jump in there. Quite a few questions, Owen. I think the best way to reframe that is just to take us back to Lachlan's slide, which was slide 27, which talks to the retail gross profit cohorts that we're seeing in the current quarter. One of the key things that we've always discussed here is this concept of buying and selling in the same market. That was not the case in Q4. Because of that huge market shift and everything that happened with the fuel prices and consumer confidence, the market reduced, and so we weren't buying and selling in the same market. Currently, as we stand today, we've seen that market stabilise from a pricing point of view, and so we expect those gross profit per units to revert back to normal levels.

Owen Humphries, Canaccord

Is the wholesale GPU reverted back to stability given that's kind of really in the same market now?

Lachlan MacGregor

So the wholesale markets aren't back to where they were at the start of the year or last year, but they've certainly stabilised. So at our last few auctions we've been clearing at very high rates and they're profitable, but they're not back to the profitability level they were. We do expect them to return there and we're working hard on that channel to get to that point.

Owen Humphries, Canaccord

And there's been a big shift post the war, call it, with fuel prices surging, into EVs. Have you guys changed your strategy on EVs or purchases of EVs? And maybe you can give us an indication of the level of EVs on your platform or the level of new purchases being EVs.

Yosuke Hall

Yeah. Hi, Yos here. As a business, we're relatively agnostic to the powertrain of the vehicles because a lot of the value add that we add through reconditioning is actually cosmetic. So a lot of the work we can do in EVs is similar to any traditional vehicle. From our side, what we're seeing is obviously there's a lot of new EVs coming into the market and that'll take some time to flow into the used car space. So relatively speaking, there are fewer EVs available in the used car space than there are the new, but we'll expect them to really come into the space. And again, we'll just be trading the spread of vehicles that are out there in market and buying and selling in the same space. So yes, there's absolutely been an increase in the demand for EVs and we're seeing the EVs move quickly through our site.

And again, our pricing models are doing our best to acquire those vehicles at a good price.

Owen Humphries, Canaccord

Thanks guys. Looking forward to the next 12 months.

Yosuke Hall

Thanks, Owen.

Operator

Thank you. Our next question comes from Entcho Raykovski from E&P. Entcho, please go ahead.

Entcho Raykovski, E&P

Hi, Lach. Hi, Yos. Hi, James. So my first question, I might just focus on your expectations to reach EBITDA breakeven by the end of calendar 2027. You sort of alluded to this, but can you just clarify, do they assume that you continue to operate only in New South Wales? I assume that's the case. And then under what circumstances would you consider expansion into other states? And if you can just talk about how that impacts cash flow projections.

Lachlan MacGregor

Thanks, Entcho. I might take the first part of that question then hand to Yos. Just to be explicit about the guidance, the guidance is that we expect the company can cross over to positive

EBITDA when reconditioning somewhere in the range of 45 to 60 retail units per operating day on average. And we expect to be in this range before the end of calendar 2027. I'm just saying that because you stated explicitly that definitely EBITDA breakeven by the end of calendar 2027. We're not being pinned exactly to when that crossover will happen. So yes, we are saying that is just operating in New South Wales. The New South Wales market is a \$34 billion market. We're still a minnow in that overall market. And so there's plenty of opportunities for us to grow to what we're forecasting here, but many times the size of that.

So there's no assumption in that in terms of us going to another market.

Yosuke Hall

And then in terms of the interstate expansion, so as Lach mentioned, our current focus is on the New South Wales market and we will be implementing that second shift on our production line first, and that'll take us to a capacity of around 60 retail cars per operating day. Following that, there'll be what we consider to be our next major scaling step that could be between moving interstate into Melbourne and/or Brisbane or operationalising a second line on our Sydney IRC (inspection and reconditioning centre). All three get the benefit from running on the same technology, the same brand, and the same playbook, and we'll have a choice at that point in time to decide what's optimal and best for Carma and where we believe the demand to be stronger. So we haven't made a decision today, but we are assessing all of those different opportunities.

Entcho Raykovski, E&P

Okay, thank you. That's good colour. And it's a related question, but the decision to add a second shift in the March quarter, is that dependent in any way on the demand environment or do you view it as independent of underlying conditions?

Lachlan MacGregor

No, it's really independent of underlying conditions. We're still with such a small market share in the market that our growth is not dependent upon the market being in a certain situation. So we're planning for that shift already and working steadily towards that for that quarter. And I think, sorry, just to add to that as we stated throughout, what matters for us is stability of market conditions for our margins to be strong, not necessarily reversion to prior markets. So as you can see from our current cohort profitability as well as our record results, so we're hitting quarter on quarter and month on month where we're seeing strong results despite the still somewhat challenging market conditions.

Entcho Raykovski, E&P

Thank you. And then over the last few months, you've obviously used cash to purchase inventory as opposed to drawing down on the bailment facility. Can you perhaps talk in a bit more detail what drove that, given it was a slightly different outcome to the prospectus forecast? So was it ultimately a cost initiative because you had the excess cash balance? And I don't know if you're able to specify this, but what's the margin differential if you use cash to purchase inventory as opposed to the bailment facility? So what sort of savings do you get? And in the future, at which

point do you start using the bailment facility again to a greater extent? So what's the minimum cash balance that you require?

James Solomon

I'll take that one, Entcho. I wouldn't say it was a cost saving initiative. I'd say rather that this was us being efficient with the capital following the IPO. We had excess cash available at the end of the year, and so drawing down on that bailment facility would've resulted in us incurring interest expense, which obviously was much higher than the interest income we would've earned on the cash. We've disclosed in the financial statements that our average interest rate for the year was 7.33%, which is higher than the cash we would earn ordinarily on a cash balance. In terms of when we will draw down on that, it really depends on the growth and the scale in terms of the purchasing and the reconditioning facility. At this stage and as it was at the end of 30 June, we had excess cash and so the need to draw down on that bailment facility was not there.

There is no line fee on that facility, and so we have that facility available to us with the renewal period until March 2027, but it's really dependent on the volume of vehicles that we purchase and the pace of sales that take place.

Entcho Raykovski, E&P

Okay, great. Thanks, James. Maybe I'll sneak one last one in there. Just of the \$32 million of inventory you had at the end of FY26, are you able to provide any colour on what the average age was with that inventory and maybe how it's moved over the course of the year? And I suppose what I'm also getting to is your level of comfort that you're not sitting on a significant proportion of aged inventory which may need to be impaired.

Lachlan MacGregor

Yeah, thanks. A fair question given how the market has changed. Certainly we have seen the average age drift out a bit given what you can see in the average days, but we're very disciplined in how we manage our stock. So we constantly are repricing all cars to market through our automated systems using market prices, and we are harder on cars as they age longer, making sure that they're clear. The result of that is that today only 9% of our inventory is over 90 days. So nine out of 10 cars are still under 90 days, and those cars are turning still very rapidly. The other point to make is that we also provision for cars as they age, and so we're very cautious in terms of how we carry that on our balance sheet. So we've been caught before, after COVID, we know what it was like to live in an environment where inventory aged.

We've learned from those lessons and we are very disciplined about how we manage that today.

Entcho Raykovski, E&P

Okay, that's great. Thank you.

Operator

Great. A reminder of the instructions. To ask a text question, select the messaging icon, type your question in the box towards the top of the screen and press the send button. To ask a live

audio question, press the request to speak button at the top of the broadcast window. Follow the instructions on screen to join the queue. We currently have no further questions in the queue, so we'll just pause for a moment to see if we get any more come through. Okay. As we have no further questions, I'll hand back to Lachlan MacGregor, CEO of Carma for closing remarks.

Closing remarks

Lachlan MacGregor

Thank you. Thanks for the questions and for your time this morning. If you take one thing from today, I'd make it this. In FY26, we finished building the model. Nine in 10 cars come to us direct from consumers. The reconditioning line has doubled its output on one shift and gross profit per car went up while the average car got cheaper. This is the business we said we'd build at the IPO and it's now running. The June quarter tested it, prices fell, cars took longer to sell, and wholesale margins were negative for a quarter. Retail margins held. We delivered a record quarter and the cars we've bought and sold since prices stabilised are the most profitable we've ever had. FY27 is about what the model produces per car, Apollo, our own platform with AI doing real work and the second shift in the March quarter. And we've said what to expect with revenue growth over 80%, an exit run rate of over 35 cars a day, scaling rapidly into the 45 to 60 range where we expect we can cross into positive EBITDA.

And finally, I want to thank the Carma team for what they've achieved this year. We're looking forward to an exceptional year ahead. Thank you all. Have a good morning.

End of transcript.