

## Our purpose

To improve car buying in the UK, whilst also evolving the wider automotive ecosystem.

## Our mission

To lead the future of the UK's digital automotive marketplace and become the UK's most admired digital business.

### Our strategy

In order to achieve our purpose and mission, our strategy focuses on three growth horizons:



#### Core

**We aim to significantly improve UK car buying focused around our core marketplace**

- Evolve our search experience and enable customers to increase their prominence
- Embed our data and insight with retailers and car buyers
- Migrate our platform to the cloud

[Read more P22](#) →



#### Adjacent

**We've identified adjacent market opportunities which leverage either our large consumer audience or our relationships with retailers and manufacturers**

- Grow engagement in our new car marketplace
- Develop a more efficient way to source, dispose and move vehicles

[Read more P24](#) →



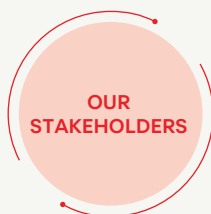
#### Future

**We believe future opportunities exist in creating an online transaction journey for car buyers**

- Facilitate the full transaction online including facilitating a part-exchange and the finance on the vehicle

[Read more P26](#) →

All of which is underpinned by our way of working, based on an unwavering commitment to:



**OUR  
STAKEHOLDERS**

[Read more P28](#) →



**OUR PEOPLE  
AND CULTURE**

[Read more P42](#) →



**OUR  
COMMUNITIES  
AND THE WIDER  
ENVIRONMENT**

[Read more P46](#) →



**RISK  
MANAGEMENT**

[Read more P52](#) →



**GOVERNANCE**

[Read more P60](#) →

### Strategic highlights

#### NEW CAR

We successfully monetised our new car proposition, with over 1,000 retailers paying to advertise new cars on our marketplace by the end of the year. Through the year there was an average of over 31,000 physical new cars advertised on our platforms.

#### LAUNCH OF RETAILER PRODUCTS

As part of our annual pricing event we launched two new products to retailers: Text Chat and our Vehicle Check product that we run in partnership with Experian. These products provide benefit for both consumers and retailers, helping to build trust between the two.

#### UPSELL OF PACKAGES

We are pleased to see that stock penetration of our Advanced and Premium packages continues to increase, reaching 23% (2019: 19%) as retailers continue to see the benefits of paying more to appear with a greater level of prominence on site.

#### KEERESOURCES ACQUISITION

We acquired KeeResources, a trusted provider of software, data, and digital solutions to the automotive industry; securing the vehicle data which underpins much of our core platform.

#### DEALER AUCTION

Dealer Auction, our joint venture with Cox Automotive, completed the re-platforming and integration of the three component businesses in early 2020. Moving on to Auto Trader's platform sets the business up to leverage the scale of both Auto Trader and Cox Automotive.

### Financial highlights

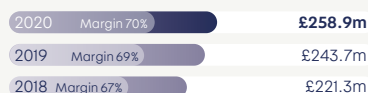
Revenue  
£m

**£368.9m**  
+4%



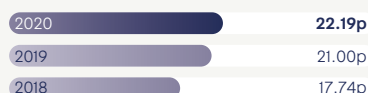
Operating profit  
£m

**£258.9m**  
+6%



Basic EPS  
pence per share

**22.19p**  
+6%

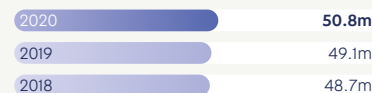


### Operational highlights

Cross platform visits

Monthly average visits spent across all platforms (millions)

**50.8m**  
+3%



Advert views

Average number per month (millions)

**234.8m**  
-2%



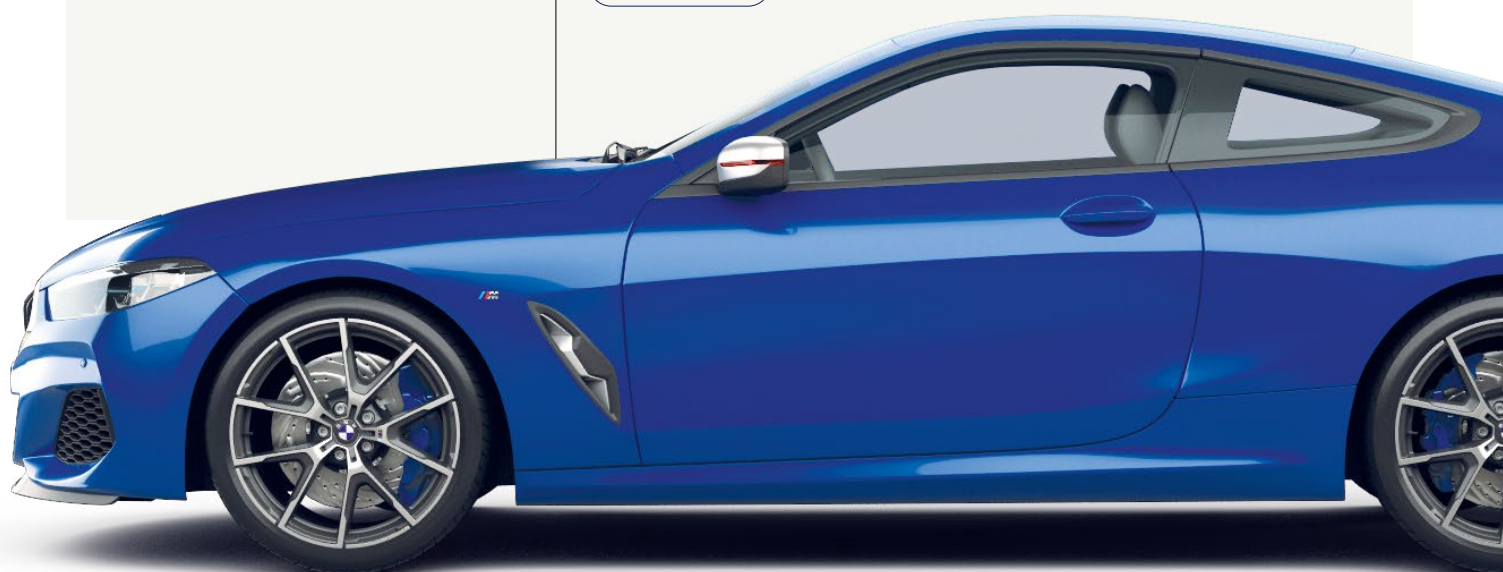
Live car stock

Average number per month

**478,000**  
+4%



KPIs P30 →



# Supporting our industry

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As might be expected we start with an assessment of how our business has been impacted by COVID-19. This section describes the measures we have put in place to support our industry through this period of uncertainty. It also details the actions taken to ensure we have the liquidity to maintain the long-term viability of the Group.

Since the beginning of the global pandemic our priorities have been to: protect our people; support our customers; ensure we are able to emerge from lockdown quickly; and continue to make progress against our long-term strategic goals. Much to the credit of our people, we have continued to operate all aspects of our business to a high standard and believe we are well placed to prosper coming out of the other side of the pandemic.

### Supporting our customers

Between 24 March 2020 and various points in June depending on location, our customers, who are predominantly vehicle retailers, were required to close their showrooms. Those customers ranged from large multi-site groups through to small independent retailers and sole traders. Our platforms are also used by private sellers, for whom selling a car is likely to have fallen lower in their priorities, and manufacturers, who have lowered their advertising spend due to distribution channels being closed.

During this time, we took the decision to stop charging our customers for an advertising service from which they could not immediately benefit, as their showrooms were required to close. We therefore went 'free' for all retailers from 1 April throughout the period which they were unable to open. At the time of taking this decision, ahead of Government announcements, it seemed simple, clear and appropriate given our intention to support our customers, many of whom run small businesses, and to be where the UK public looks to find their next car for the next 40 years, just as we have for the last 40 years.

In addition to not charging our retailer customers during the lockdown, we also extended payment terms for March services by 60 days. This ensured Auto Trader would not be a cash burden on its customers' businesses during this time.

On top of this financial support, just prior to the lockdown taking place, we implemented a stock offer so that retailers could advertise more of their vehicles on our platform at no additional cost. This resulted in up to 80,000 more cars on Auto Trader. We also gave retailers access to our new Market Insight product earlier than anticipated and created ways for retailers to advertise their vehicles even more effectively through the crisis with the creation of home delivery and live video flags. Finally, from 25 March 2020 we have hosted weekly webinars, with over 3,000 unique attendees engaging, to update the industry on what we are seeing on our platforms and hearing from industry bodies to help guide them through this turbulent period.

Home Trader customers and private individuals who advertise their vehicles on the Group's platforms were also impacted by the lockdown restrictions. To support these customers, we extended the tenure of all adverts that were live on 23 March 2020 to run through the lockdown period for free.

We do not believe that any other online advertising service, of any significance, has responded more promptly, clearly and definitively to the crisis. Our measures were well received by customers and we hope it will help us further deepen our relationships in the months and years ahead.

# 80,000

extra cars on Auto Trader as a result of our stock offer to retailers

On 25 May 2020 the UK Government announced a lessening of the lockdown restrictions in England, allowing retailer forecourts to re-open from 1 June 2020. We announced on 27 May 2020 that we would provide those customers with support as they resume trading by implementing a 25% discount for the month of June 2020. England has subsequently been followed by Northern Ireland (8 June 2020) and Wales (22 June 2020), while showrooms in Scotland will open on 29 June 2020.

### Looking after our people

Since 17 March 2020 our employees have been working from home. The transition to working remotely has been almost seamless and is a testament to our systems, technology and the can-do attitude of our employees.

We do acknowledge though that for many, working from home will have brought additional strains and stresses. The health and wellbeing of our employees and their families is always front of mind, and so we offered increased support to our people through this difficult time. Whether it be through our counselling and employee support services, AT active fitness classes, all company webinars or offering increased flexibility for those who need it - we have been finding ways in which to help the mental and physical wellbeing of staff and keep morale high.

Whilst our customers were closed through the lockdown period, there were still requests to be processed and reassurance to be given, albeit at reduced levels, all of which were met by our customer-facing teams. Our systems, interfaces and data processing have also been maintained to a high standard and have faced higher demands due to the increased volume of stock on our platform.

The Board would like to express its great appreciation for the dedication of all our employees during this challenging period. We hope we have been able to provide sufficient support during this difficult time and will continue to focus on doing so.

**640**

releases a week continue to be delivered  
by our product and technology teams



### Supporting our partners and suppliers

Our product and technology teams have been working throughout the lockdown period to continually develop and innovate products alongside our partners. Whilst we are strong believers that software is best built in an environment when people are together and able to effortlessly collaborate, our product and technology teams continue to deliver around 640 releases a week; only marginally lower than those levels achieved in pre-COVID-19 times, which is a huge credit to the teams involved.

We recognise that many of our suppliers are facing challenging times. Therefore we have continued to pay our suppliers as we normally would and have not delayed any payments unless agreed with the individual supplier in advance of payment falling due.

### Controlling costs

Throughout the period that our retailer customers were closed and our core services were free, we made the responsible decision to reduce costs.

Our largest expense relates to our people. The level of activity for some of our teams reduced through the lockdown period and so we used the Coronavirus Job Retention Scheme ('CJRS') and furloughed just over 25% of our employees. For those who were placed on furlough, we supplemented the level of support provided by the Government, such that the large majority remained fully paid.

Towards the end of May 2020, when we had some level of confidence in our ability to return to charging and moving from a position of loss to making profit, our people returned to work and we ended the reliance on this Government support. The Government support was taken at a time when the Group faced great uncertainty. As the crisis passes it is the intention of the Group to repay amounts claimed through the CJRS. We have not made any redundancies as a result of the crisis.

Our Executive Directors have foregone 50% of their salary during this period of uncertainty and have agreed to forego annual bonuses earned in relation to the year ended 31 March 2020. The remainder of the Board have waived their fees by 50% or more for the duration of this crisis. With a return to higher levels of revenue, salaries and fees will return to normal levels in July 2020.

Our discretionary spend, which is primarily for marketing our own brand and products, has been significantly reduced through this period.

### Strengthening the balance sheet

#### Securing finance sources

We entered the crisis with a strong balance sheet. At 31 March 2020, Net bank debt (defined as Net debt before amortised debt fees and excluding accrued interest and amounts owed under lease arrangements) was £275.4m. The Group had £37.6m of cash and cash equivalents and £313.0m of gross debt drawn under the Group's revolving credit facility ('RCF'). The RCF has total commitments of £400.0m and is available until at least June 2023.

The RCF has covenants attached to it relating to debt cover and interest cover which are tested twice a year and look at a 12 month rolling period:

- The Net bank debt to Consolidated EBITDA ratio must not exceed 3.5:1. At 31 March 2020 this ratio was 1:1.
- The Consolidated EBITDA to Net Interest Payable ratio must not be less than 3:1. At 31 March 2020 this ratio was 41:1.

#### Equity placing

On 1 April 2020 we raised £183.2m net of fees through an equity placing. The number of shares placed was 46.5 million, compared to the 84.8 million shares bought since we initiated our share buyback programme in 2016.

The equity placing has enabled us to run the Group through the crisis in the long-term interests of our shareholders, customers and people and, in the face of huge uncertainty, provides an insurance policy against a protracted lockdown or series of lockdowns.

The raise also ensures that the Group avoids constraints that might otherwise be imposed in the medium term in order to take advantage of strategic opportunities whilst still meeting debt covenants. It should also allow us an early return to our previous capital return policy at a time when many other companies may be labouring under increased levels of indebtedness as a result of the COVID-19 crisis.

#### Other measures to conserve cash

In order to conserve cash we have taken a number of measures including:

- Suspending our share buyback programme (year ended 31 March 2020: £62.0m inclusive of costs).
- Suspending dividend payments (year ended 31 March 2020: £64.7m).
- Deferring VAT payments (£18.4m as at June 2020).

#### Impact on the financial year ended 31 March 2020

On 17 March 2020, social distancing measures relating to COVID-19 came into effect. As a result, some of the Group's revenue lines were adversely affected. Home Trader and Consumer Services revenue suffered a significant drop off in volumes after these measures were implemented, and Manufacturer and Agency display campaigns were also reduced. The impact on Retailer revenue in March 2020 was limited, although a number of half price stock units were converted into free slots as we effectively re-instated our stock offer. Costs remained largely unimpacted, however we took a more prudent approach to the recoverability of receivables which resulted in an increased bad debt charge. We also reduced marketing spend in March. We estimate that the net effect was to reduce profit for the month of March by approximately £3m.

## CHAIRMAN'S STATEMENT



ED WILLIAMS  
CHAIRMAN

The business and the Board are focused on making Auto Trader a great place to work, a place that reflects the composition of the community.

66

As a Board, we take into account the impact of our decisions on a wider group of stakeholders.

### Overview

The last 12 months have been a challenging period for our customers, with significant uncertainty in the automotive market, even before the COVID-19 pandemic. Some of this uncertainty has arisen from Brexit factors, some from regulation and some from the initial impact of what we believe will be significant environmental and technology-driven changes to the automotive industry.

In this context, it is a tribute to the business and our people that Auto Trader has been able to deliver the results set out here. The effects of COVID-19 were only felt significantly in the last two weeks of the financial year, although our accounts do contain more cautious provisions for bad debt than we have made in prior years. We have achieved these results while making continued investments in our strategic priority areas of new car, car finance and enabling greater efficiency in business-to-business used car transactions. These investments have continued even during the COVID-19 crisis with our technology and product teams working from home.

We have a strong pipeline of new products and services that we plan to introduce over the coming years.

While the impact of broader changes to the automotive industry has yet to play out, we are committed to taking a leadership position to bring the benefits of new technologies to car retailers and the car buying public.

### People, culture, diversity and inclusion

The business and the Board are focused on making Auto Trader a great place to work, a place that reflects the composition of the community in which we work, and a place that offers all our employees the opportunity to realise their full potential.

In many respects I have great pride in the progress we have made in recent years, even though the numbers reported here are disappointing. However, in other respects there remains much to be done. Let me highlight examples of each.

In the year of becoming Chairman, 37% of employees were women. Of all the job offers we have made in the last year 43% have been to women. Only our high rate of staff retention holds us back from achieving our goal of employing equal numbers of women and men, a goal we have achieved at the Board level for the first time this year.

During the last year our gender pay gap has widened. This is disappointing, though much of the cause is an unintended consequence of women representing a far higher proportion of our new hires and also the departure of a senior woman who was promoted to the post of CEO of our joint venture with Cox Automotive.

An area where there is much to be done is ensuring that members of the BAME community are able to contribute to all levels of our business but especially at senior levels and on the Board.

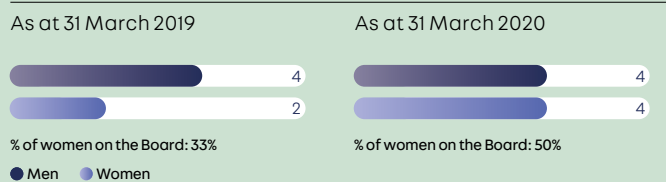
### Environment

For the past few years, we have had a clear and focused ESG strategy, which we call 'Make a Difference'. This strategy, which has traditionally been employee-driven and Board agreed, focuses on our people, our communities and how we do business. However, our strategy hasn't really focused much on the wider environment. To begin to address this we have begun to report our Scope 3 emissions and are in the process of developing wider initiatives to ensure we play our part to safeguard our planet. One such initiative is helping consumers to make more environmentally conscious vehicle decisions by improving our onsite buying experience with more relevant search filters and information about electric vehicles.

## ESG IN FOCUS

## Striving for greater gender balance across our organisation

## Gender diversity



50%

of women on the Board as at 31 March 2020

We strive to create gender parity across our business, and have made some good progress across the organisation. In the year, we are pleased to report

that we welcomed more women to Auto Trader; entering the business in predominantly early career roles or across our technology cohorts.

Women also now make up 50% of our Board, one of only seven FTSE100 companies to have gender parity as at 31 March 2020.

Board of Directors P62 →

## Basic EPS

22.19p

+6%

(2019: 21.00p)

## Dividend and capital structure

We are not recommending a final dividend, bringing the total dividend for the year to 2.4 pence per share, an interim dividend which was paid in January 2020.

Our long-term capital allocation policy remains unchanged. We aim to distribute around one third of net income as dividends and use the majority of the remaining surplus cash to buy back shares, while also reducing debt.

In June we returned to charging customers but continue to monitor the ongoing environment around COVID-19. Subject to that monitoring, we are hopeful of an early return to our capital allocation policy with the declaration of an interim dividend in November.

## Board changes

Trevor Mather, our CEO, retired from the Company and stepped down from the Board on 29 February 2020. The Board would like to thank him for his huge contribution to the business and wish him well in retirement. We have devoted the following two pages to a quantitative and qualitative illustration of some of the achievements and the changes over his seven years as CEO. Trevor would be the first to point out that these achievements and changes are the result of the effort of very many people.

Foremost among them is Nathan Coe, who became our new CEO on 1 March 2020. Nathan joined Auto Trader in 2007, making him the Board member with the longest service at Auto Trader. He has played a leading role in many areas of the business, including in recent years as Chief Operating Officer and Chief Financial Officer. Jamie Warner joined the Board on 1 March 2020 as Chief Financial Officer. Jamie has been with the business since 2012, playing a central role in preparing Auto Trader for being a public company, developing our finance function, as well as playing an active operational role across our business. It goes without saying that their first weeks have seen huge challenges. Their performance has vindicated the Board's decision to appoint them and reflects the benefits of making appointments of people with many years of experience within the business.

Sigga Sigurdardottir joined the Board on 1 November 2019 as a Non-Executive Director. With Sigga's appointment this year and that of Catherine Faiers, our Chief Operating Officer, in May 2019, half of our Board members are women.

## Governance

A new Corporate Governance Code applied to us for the first time this year. One of the main changes was about how we as a Board take into account the impact of our decisions on a wider group of stakeholders. For us, this was not just a box-ticking exercise as we have a genuine desire to act in a responsible way and to consider the wider implications of our actions. This was brought to life in a very real way during the early stages of the COVID-19 pandemic, when we made the decisions outlined in the 'Assessing the impact of COVID-19' section on pages 4 to 7, to support our customers and the wider automotive industry. The situation also required us to be as agile in our governance arrangements as we are in all other aspects of our businesses, as we needed to make fast, decisive actions in order to respond to the rapidly changing environment.

## Annual General Meeting

Our Annual General Meeting ('AGM') will be held at 10:00am on Wednesday 16 September 2020 at 4th Floor, 1 Tony Wilson Place, Manchester, M15 4FN. In light of the current restrictions over public gatherings due to COVID-19, the AGM will be run as a closed meeting. Myself and other Directors will join the meeting by telephone. We strongly encourage all shareholders to cast their votes by proxy, and to send any questions in respect of AGM business to [ir@autotrader.co.uk](mailto:ir@autotrader.co.uk).

## Ed Williams

Chairman  
25 June 2020



A look back at the key achievements of our former CEO Trevor Mather.



From privately owned print magazine...

**37.3m**

Monthly average cross platform visits

**£218.9m**

Revenue

**£109.1m**

Operating profit

**25%**

Of women on the Board



**Establishing culture & values fit for a leading digital business**

Established a culture shaped by our values, and one which is customer-centric and data-driven with a focus on an agile approach to change - and importantly underpinned by a diverse and inclusive workforce.

**Our values**

- Be **determined**
- Be **reliable**
- Be **inspirational**
- Be **humble**
- Be **curious**

**66**

Having worked in the business for over a decade, we wouldn't be where we are today without Trevor's leadership. He can be particularly proud of the unique and passionate culture and values he has instilled throughout all levels of the business.

EMPLOYEE SINCE 2009

2013

2014

2015

2016

**A fresh look**

We enjoyed enormous brand awareness but our logo was ageing by the day. We created a modern logo that's still recognisably Auto Trader.

**The presses go quiet**

The last ever issue of the magazine is published in June 2013.



**New offices open**

We created new working areas by moving staff to state-of-the-art offices in central Manchester and King's Cross, London.



**Successfully transitioning to the London Stock Exchange**

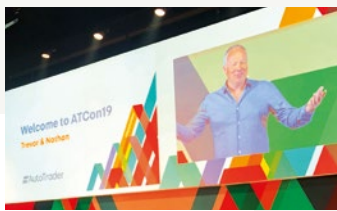
On 24 March, the London Stock Exchange welcomed Auto Trader Group plc to open the market on the first day of dealings in the Company's shares on the Main Market following its successful IPO.



On behalf of everyone at Auto Trader, I would like to acknowledge the seven years of exceptional leadership of our outgoing Chief Executive Officer Trevor Mather.

As a fitting tribute, we take a look back at some of Trevor’s achievements and the role he played in taking the Company from a chequered history of private owners, to the independence and responsibility that goes with being a leading digital FTSE100 business.

...to a leading digital FTSE100 business



**97% CEO approval rating on Glassdoor**

With an overall Glassdoor company rating of 4.7/5, Culture and Values rating of 4.7/5 and a very high 97% of staff saying they’d recommend the Company to a friend, it’s clear that the culture of the business was thriving.

**Retail Accelerator**  
i-Control became Retail Accelerator, our most powerful tool yet, which helps retailers manage their forecourts using unrivalled data and insight.

**50.8m**

Monthly average cross platform visits  
**+36%**

**£368.9m**

Revenue  
**+69%**

**£258.9m**

Operating profit  
**+137%**

**50%**

Of women on the Board  
**+100%**

2017



2018



**Creating trust in the marketplace**

We increased the level of transparency in the marketplace by adding dealer reviews. We also used our view of the current marketplace to determine if the advertised price of a car represented a good or a great deal, and showed this to consumers through the introduction of price indicator flags.

**Search by monthly payment**  
We launched our search by monthly payment product in 2018 as more consumers were looking to finance their next vehicle. This gave consumers an easy way to find out what they could afford and retailers a way to advertise their own finance rates.

**Evolving our values further**  
Ensuring our values fully reflect our ‘Make a Difference’ strategic focus, we updated them in 2018 – changing ‘inspirational’ to ‘courageous’ as well as adding ‘community-minded’.

2019



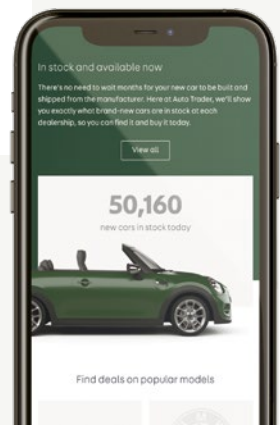
2020



**Delivering our new car proposition**

We launched our brand new car proposition, to make us as synonymous with new cars as we are with used.

**Now fully digital**  
Reaching 50.8m monthly average cross platform visits.



## CHIEF EXECUTIVE OFFICER'S STATEMENT



**NATHAN COE**  
CHIEF EXECUTIVE OFFICER

Our culture is shaped by our values. We constantly look at ways we can improve and always put people at the heart of everything we do.

### Revenue

**£368.9m**

+4%

(2019: £355.1m)

### Operating profit

**£258.9m**

+6%

(2019: £243.7m)

### Overview

I formally took on the Chief Executive Officer role on 1 March this year. We very quickly found ourselves in perhaps the most challenging circumstances that the Company has ever faced due to the global COVID-19 pandemic. Our approach generally, and especially in a crisis, is to prepare for the worst and act decisively and quickly. This was made possible by the people of Auto Trader. I could not be prouder of how our people have responded to the COVID-19 crisis and supported both our business and our customers every single step of the way. Having been with Auto Trader since 2007, it is a great privilege to now lead the Company. While we face challenging times at the moment, we have many opportunities that lie ahead of us.

I also wanted to thank my predecessor Trevor on behalf of everyone at Auto Trader and wish him a well earned retirement. Our culture, our customer relationships, our technology, our software engineering, and our competitive position - all of these are in as good a shape as they have ever been.

### Our purpose and strategic focus

Our purpose is to improve car buying in the UK, whilst also evolving the wider automotive ecosystem. At the heart of this is empowering consumers to do as much of the purchasing process as they would like online, whilst enabling retailers to reduce inefficiencies and therefore costs. We evolved our strategy two years ago to focus on making the ecosystem more efficient and whilst we have accomplished much of what we set out, it has only made us realise how much more there is to be done.

The areas of focus we outlined at the time, and have made progress against, include:

- continuing to develop and grow our core marketplace business, including the availability of new cars which are now discoverable to millions of consumers within their online car buying journey;
- enhancing the level of data and insight which has significantly improved the way retailers price their vehicles;
- increasing the transparency and promotion of finance much further up the car buying funnel, such that consumers are much better informed about the availability of finance when they arrive on the forecourt; and
- the use of technology to digitise and make more efficient the elements of the automotive ecosystem that sit alongside the activities of our core business, including the establishment of Dealer Auction to change the way retailers source cars.

All of these objectives sit under the broad goal of moving more of the vehicle transaction online. Whilst the physical showroom will continue to play a large role in the car buying process for some time to come, we believe many of the processes that take place can also be done from the comfort of the consumer's home. This will provide a greater level of convenience for consumers, and for retailers and manufacturers it will enable them to improve their businesses through both a lower cost structure and better data capture and insight.

### Summary of operating performance

Even prior to the COVID-19 situation, this year had proven to be a tough year for retailers due to a difficult new car market and a lack of used car stock. Despite this, the business showed its resilience with revenue growing by 4% to £368.9m. Operating profit grew by 6% and our Operating profit margin improved to 70%.

Operating profit margin

70%

+1%

(2019: 69%)

89%

of employees surveyed stated they are proud to work for Auto Trader

Key deliverables

We grew our market leading position as defined by both the size and engagement of our consumer audience and we remain the UK's largest digital automotive marketplace by some distance. In April 2019, we executed our annual retailer pricing event successfully, which included the introduction of two new products, Text Chat, and Vehicle Check. These products help build trust between consumers and retailers and improve the buying journey. The penetration of our Advanced and Premium advertising packages also continued to gain traction, and we successfully monetised our new car proposition in the second half of the year.

The market

The industry has had to contend with the political and economic turmoil driven by Brexit, and a huge level of regulatory change concerned with lowering fuel emissions, all before the global health pandemic. These factors hampered new and used car sales in the year, however the size of the overall UK car parc continued to grow, which over time is supportive given our stock-based business model. Predictions before the global pandemic suggested another year of moderate decline for the new car market and a moderate increase in the used car market. Disruption caused to the economy since March 2020 will undoubtedly impact this. We will continue to do what we can to support our customers and help them sell as many vehicles as possible.

ESG

We remain committed to creating a more diverse and inclusive business, one that truly reflects the society that we serve. We will continue to look at the make up of every level of the organisation to ensure gender balance and also a balance of those that identify as BAME, disabled, neurodiverse or as part of the LGBT+ community. Although our gender pay gap went up in the year, we are confident that the initiatives we are putting in place will readdress the balance in the years to come.

FOCUS FOR THE YEAR AHEAD

Whilst much focus has recently been on managing the situation relating to COVID-19, we must ensure that we continue to progress against our strategic goals within this current financial year. Our priorities are as follows:



Core

- We have recently launched a new Market Insight product, increasing the availability of Auto Trader's data and insight to our customers. We aim to embed its use across our customer base and will continually improve the user experience to meet this goal.
- Our search experience has continually evolved over time and there is a growing desire from our customer base to have more added value products to increase their prominence on Auto Trader, particularly in relation to selling outside their local market. We also aim to increase the understanding and transparency around electric vehicles.
- The migration of our platform, applications and services to the cloud will be continually progressed such that the performance and strength of our infrastructure are much improved.



Adjacent

- Our new car marketplace has the largest choice of stock and is showing signs of the network effect. We must continue to grow both retailers and consumers, as we influence ever growing numbers of new car registrations. This will be supplemented by leasing deals displayed on Auto Trader.
- Vehicle deliveries will increase after COVID-19. We currently facilitate over 10,000 moves a month through our MTD marketplace and aim to grow this through 2021.



Future

- How a consumer sells their car is a pain point. We want to facilitate an easy way for consumers to sell a vehicle through part-exchange.
- We aim to enable consumers to receive a quote and apply for finance on Auto Trader.
- Ultimately, we are aiming to facilitate a full online transaction on Auto Trader.

Our strategy P20 →

It's fair to say that most of our ESG strategy has been focused on our people, our local communities and charities, as well as how we behave as a responsible business. And we have done some brilliant things; specifically leading the charge on diversity and inclusion through our highly engaged group of employee guilds and networks. However, we recognise the need to expand our strategy to incorporate more of an environmental focus given the industry in which we operate.

I am proud that we were the first FTSE100 company to have achieved silver accreditation from the Carbon Literacy Trust after more than 15% of our Auto Trader employees completed Carbon Literacy training.

We will continue to build our knowledge and initiatives to ensure we continue to act in a sustainable way.

Our people

We are proud of the values-led, principles driven culture that we have and will continue to build on this strength. It is our culture that underpins our ability to adapt to change in all circumstances. We care about our people, and our people care about our business, which is shown in our employee engagement survey, where 89% stated that they were proud to work at Auto Trader.

Finally, I would like to thank our people, our customers, our shareholders and other stakeholders for their support this year and in the year ahead. These are challenging times, but we feel well placed to carry on pursuing the opportunity ahead of us in a way that is both ambitious and responsible.

Nathan Coe

Chief Executive Officer  
25 June 2020

## HOW WE CREATE VALUE

How we operate to deliver our mission of leading the future of the UK's digital automotive marketplace and becoming the UK's most admired digital business.

### VALUE INPUTS

The resources and relationships that fuel our core activities

#### Trusted brand

Auto Trader has operated as a trusted source for UK car buyers and sellers for over 40 years.

Auto Trader prompted awareness

**89%**

of consumers were aware of Auto Trader when mentioning new or used cars

#### Data at scale

Auto Trader's volume of vehicle observations and consumer interactions generate significant quantities of quality data.

Volume of searches on Auto Trader

**145m**

average volume of searches per month on Auto Trader by consumers of new or used cars

#### Scalable technology platform

We operate a technology platform that serves our core classified marketplace and is capable of supporting new growth opportunities and third parties.

Software releases

**36,900**

in 2020

#### People and culture

Our values-led culture underpins a fast-moving, collaborative and community minded environment which allows us to quickly respond to market changes and opportunities.

Number of full-time equivalent employees (including contractors)

**853**

on average in 2020

#### Cash generation

The highly cash generative nature of the business allows us to invest in long-term growth drivers of the business.

Cash generated from operations

**£265.5m**

in 2020

### OUR CORE ACTIVITIES

What we do to create value

#### The network effect

Our leading digital automotive marketplace benefits from a network effect model whereby the largest and most engaged consumer audience generates the most effective response for our customers, who in turn provide consumers with the most extensive choice of trusted stock. We use the large volume of data we collect to enhance the car buying experience and create efficiencies for customers.

#### Largest and most engaged audience

The scale of our consumer audience means we are the most effective sales platform for anyone who is wanting to sell a vehicle.

**50.8m**

monthly average cross platform visits

#### Extensive choice of trusted stock

Our marketplace provides our audience with an unrivalled choice of both new and used cars to cater for all consumers' needs.

**478,000**

live car stock

#### Data driven products

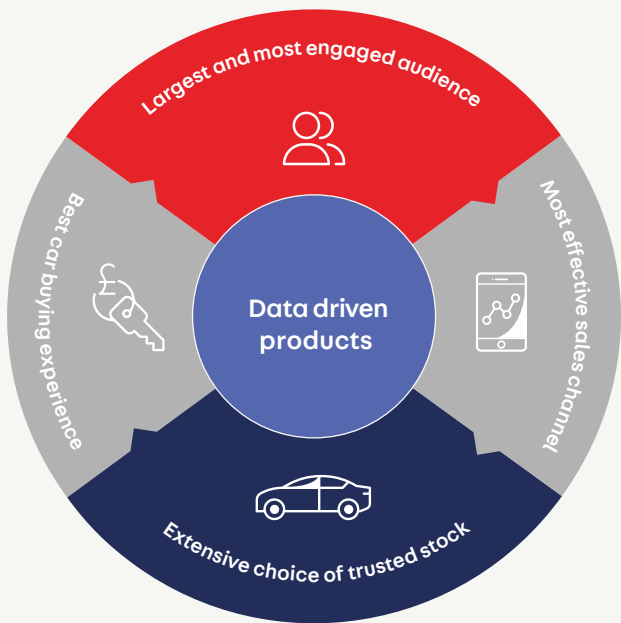
We invest in our products to provide the best possible experience for the consumer and the most valuable insight for retailers.

**2.7m**

vehicle checks performed on behalf of retailers in 2020

Our strategy P20 [→](#)

**Acting responsibly**  
 We believe acting responsibly will be fundamental to our long-term success. This goes beyond just environmental, social and governance ('ESG') and applies to every decision we make.



**Risk management and corporate governance**  
 Our rigorous framework ensures that stakeholders' interests are upheld at all times.

**VALUE OUTPUTS**

What the value we create results in for our stakeholders

**For consumers**

Our trusted marketplace gives consumers one place to view an extensive choice of vehicles for sale and we provide transparency to allow them to make the most informed decision.

**9.8m**  
 car transactions in the UK in 2020

**For customers**

Our largest and most highly engaged audience results in the most effective sales channel for our customers.

**13,345**  
 average retailer forecourts in 2020

**For partners & suppliers**

We work collaboratively on innovations, increasing revenue from shared opportunities whilst ensuring we have fair trading and terms and conditions.

**1.3m**  
 insurance quotes through Compare the Market in 2020

**For employees**

Our environment has been created to ensure everyone gets the chance to be the best that they can be and develop their careers. We offer competitive packages to all of our employees.

**89%**  
 of our people feel proud to work for Auto Trader

**For the community & the environment**

We support each other and think of others before ourselves. We respect diversity and advocate inclusion, and make a difference to the communities around us.

**641**  
 volunteering days were completed across our offices in 2020

**For investors**

We continually invest in our marketplace to create a long-term sustainable business. A high proportion of our profit is converted into cash, which is largely returned to shareholders through dividends and share buybacks.

**£126.4m**  
 cash returned to shareholders in 2020

## MARKET OVERVIEW

We continually evolve to meet the needs of consumers and customers, which means we remain the UK's largest digital automotive marketplace for new and used cars.

### The ecosystem we operate in

The automotive market is complex and often inefficient. There are multiple participants and unsurprisingly consumers can find the process of buying or selling a car overwhelming.

Through Auto Trader products, services and partnerships, we aim to significantly improve the car buying experience, as well as leverage our existing relationships to improve further parts of the value chain.

# 2.1m

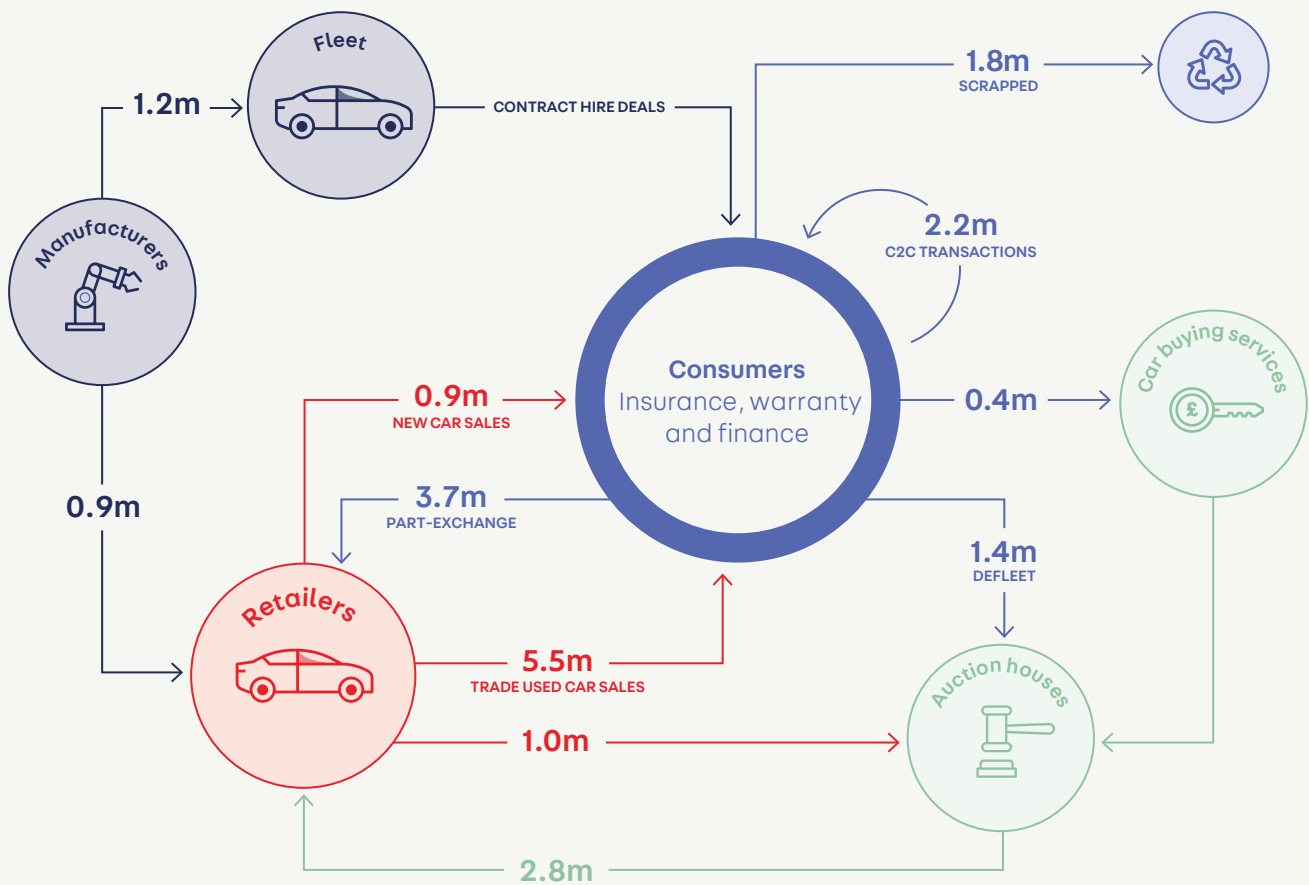
Number of new car registrations in the 12 months to March 2020

# 7.7m

Number of used car transactions in the 12 months to March 2020

# 35.2m

Size of UK car parc as at 31 Dec 2019



Sources: New car registrations - SMMT; DVLA used car transactions, Auto Trader research, SMMT car parc.

## UK economy

Our industry has remained resilient despite challenging macro-economic conditions. For much of the year there was a great deal of uncertainty around the progress of Brexit negotiations and the terms on which the UK would leave the European Union. At the end of the calendar year 2019 this was compounded by the announcement of a snap general election.

Over the calendar year 2019, UK GDP increased by 1.4%. This reflects a slight pickup from the previous year, although it is one of the slowest rates since the financial crisis of 2008 and 2009. UK GDP was particularly volatile throughout the year, in part reflecting changes in the timing of activity related to the UK's original planned exit dates from the EU.

Consumer price inflation declined to 1.7% despite the rate of unemployment reducing, averaging 3.8% through 2019.

The uncertainty around the country's political position had an undoubted effect on our industry. Consumer confidence was suppressed through calendar year 2019 as buyers delayed their purchase of larger items which included vehicles. Manufacturers were also affected by unfavourable exchange rates which acted as a catalyst for many OEMs to focus production on other EU territories.

The clear election result in December coupled with the UK's exit from the EU on 31 January 2020 was positive for the industry through January and February 2020. However, in March that recovery was impacted by the spread of COVID-19.

Government measures were introduced in March 2020 to protect people from COVID-19. From 23 March 2020, those measures included the closure of car retailers. No date of reopening was set causing an unprecedented level of uncertainty, although there has subsequently been some lessening of restrictions.

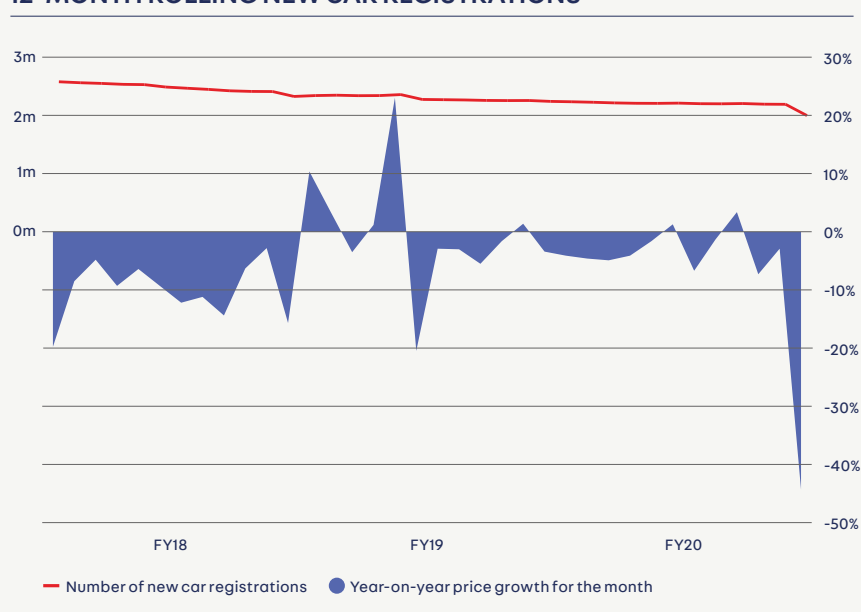
The Chancellor unveiled a number of fiscal packages to support businesses and individuals through the pandemic. In addition, the Bank of England cut interest rates to a record low of 0.1% on 19 March 2020 and announced that it would restart its quantitative easing programme.

While the short-term outlook for the UK economy is hugely uncertain, numerous Auto Trader datasets show that as retailer showrooms reopen, consumers are ready to revisit their car buying plans.

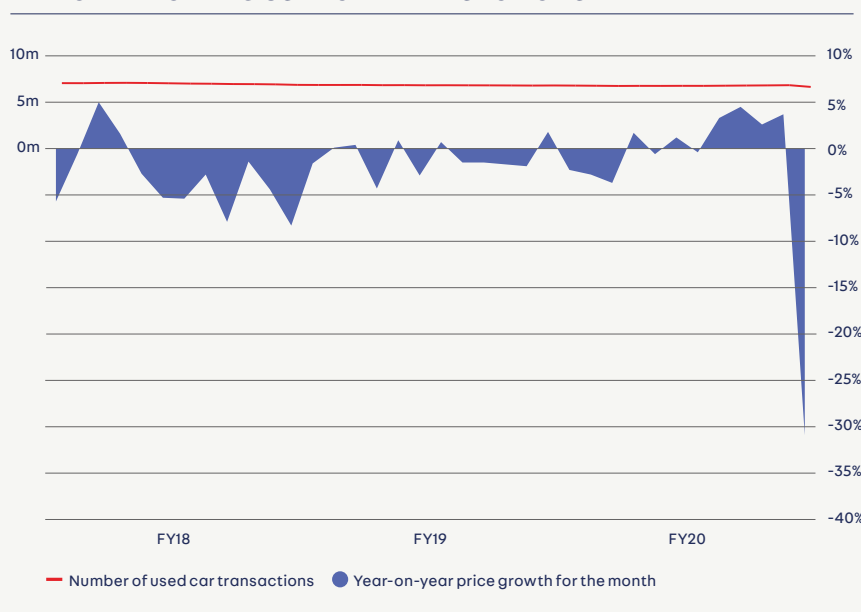
## Brexit negotiations

The UK left the EU on 31 January 2020 and is now operating under a transitional agreement. That agreement ends on 31 December 2020 and so a new trade deal between the UK and the EU is currently being negotiated.

## 12-MONTH ROLLING NEW CAR REGISTRATIONS



## 12-MONTH ROLLING USED CAR TRANSACTIONS



We do not foresee any issues with Brexit affecting our ability to provide our services, and we do not anticipate that it will materially change our cost base. As we have said previously, the form of any Brexit trade negotiation is likely to affect Auto Trader only as much as it impacts on both general levels of consumer confidence and the supply of new cars into the UK market. If the average price of a car increases and consumer confidence levels decrease, there is a potential impact on the number of car transactions. This would likely impact our retailers' profitability and their ability to spend on our marketplace.

## New and used car transactions

The total number of transactions for the 12 months ended March 2020 declined by 4.3% to 9.8m (2019: 10.2m). New car registrations declined 10.9% to 2.1m in the 12 months to March 2020, although a large proportion of this decline was due to retailer showrooms closing in March 2020. March is usually the highest month for new car registrations and in 2020 it saw a decline of 44.4% on the previous year. In the 11 months to February 2020 new car registrations declined 2.8% on the previous year and used car transactions increased 0.5% on the previous year.



## MARKET OVERVIEW CONTINUED

We sit at the heart of the automotive ecosystem and remain the primary source for consumers on their car buying journey.

**79%**

share of minutes spent across automotive classified sites in 2020

**50.8m**

monthly average cross platform visits in 2020

Scrappage rates remain stable at 1.8m transactions meaning the total number of cars in the UK increased to 35.2m (2019: 34.9m).

There were 7.7m used car transactions in the 12 months to March 2020, a decrease of 2.3% on the year before. The number of used car sales is less volatile than new car registrations, as a growing car parc underpins the number of possible transactions. The average length of ownership marginally increased to 3.5 years.

### Consumer buying behaviour

Buying a car remains a cumbersome process; our 2019 Auto Trader Car Buyers Report found that there are more than 25 jobs consumers need to complete in the purchase journey. Car buyers remain open-minded when they start their car search, considering both new or used cars, and multiple fuel types, all of which adds to the research phase of their purchase.

Our report also found that rather than these jobs being done in a cohesive linear, journey-style fashion, the jobs are done in a chaotic, non-linear way. One thing does remain constant though: consumers want to research and find their next car online.

Some retailers are responding to this by introducing online payment options, home delivery services, and virtual test drives. The digitisation of car buying and selling is a trend that is set to increase.

### Growing number of consumers adopting greener vehicles

Consumers are becoming more conscious of their environmental footprint, which is starting to be reflected in the sales of alternative fuel vehicles ('AFVs'), particularly electric vehicles ('EVs'). The SMMT reported that in the 12 months to March 2020, new car transactions of AFVs increased by 38.5% on the prior year. This is reflected in Auto Trader data too, with full page adverts of AFVs and EVs up 25% and 53% respectively compared to the previous year.

However, the availability of supply coupled with the higher purchase price of these vehicles compared to petrol and diesel alternatives, mean that AFVs and EVs only account for 10% of total new car sales.

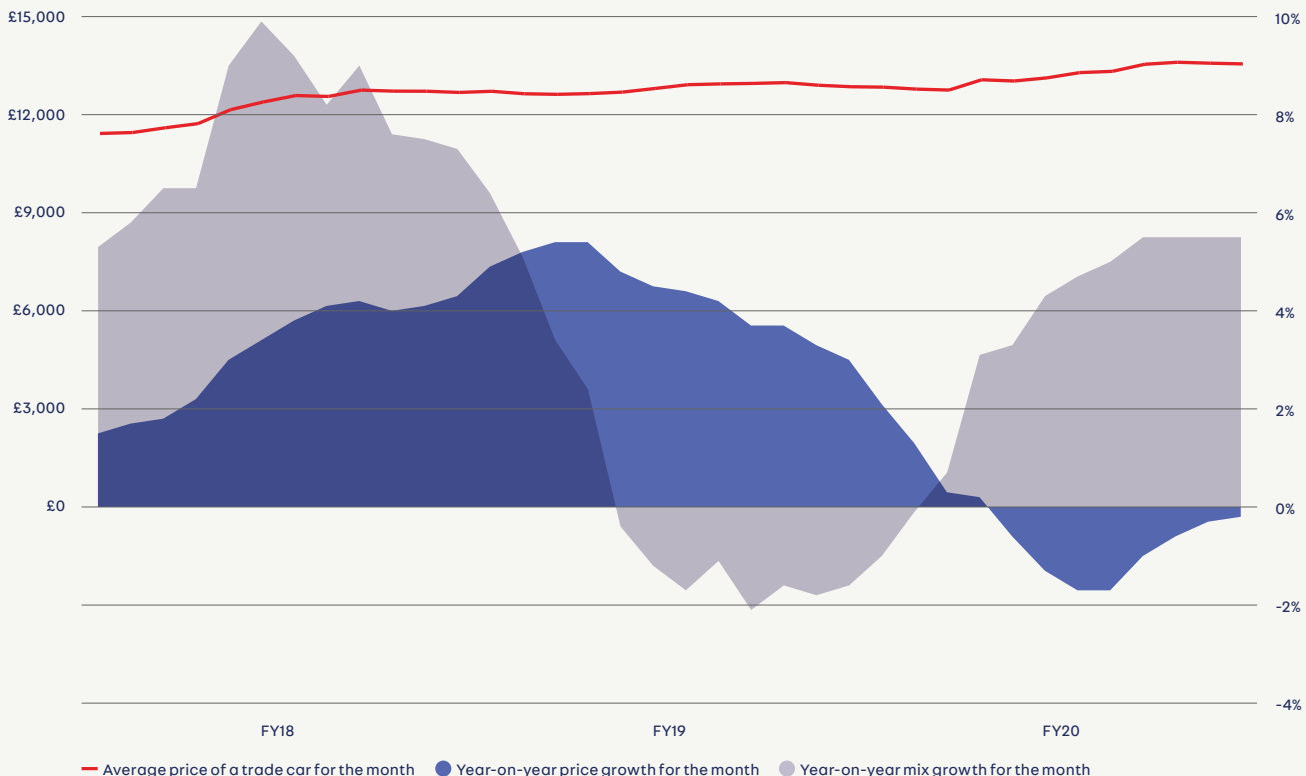
## AUTO TRADER RETAIL PRICE INDEX

### Retail Price Index

The average price of a used car advertised on Auto Trader for the 12 months ending March 2020 was £13,045.

The Auto Trader Retail Price Index tracks the average retail price of a used car on a like-for-like basis, stripping out the impact of changes in the mix of cars being sold. It showed that prices declined across the market, decreasing over the 12-month period to March 2020 by 0.5%.

Petrol and alternative fuel vehicles increased by 0.1% and 3.8% respectively, and diesel decreased by 1.4%. Uncertainty around trade valuations and volatility in the supply of vehicles has impacted auction markets, which has fed into the retail market.



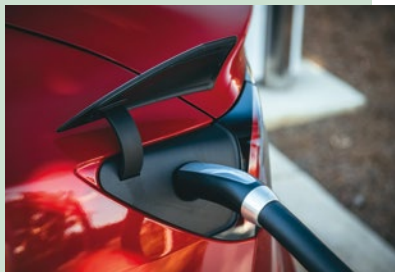
ESG IN FOCUS

At present consideration for AFVs far outstrips sales

Our survey of in-market and recent car buyers shows that there is demand for AFVs. Of those considering a new car, 50% of consumers will consider an AFV. Demand for used AFVs increased to 2.9% of total demand on Auto Trader in 2020, a 27% increase from 2019.

50%

of consumers will consider an alternative fuel vehicle ('AFV')



Strengthening our competitive position

We remain the UK's largest digital automotive marketplace, with 51 million cross platform visits per month on average in 2020, up 3% on 2019.

This resulted in a strengthening of our competitive position, with over 75% of minutes spent on automotive marketplaces now spent on Auto Trader. We believe that this is testament to the strength and heritage of our brand.

We believe when the industry faces times of uncertainty, retailers engage even more with our platforms and the largest audience of car buyers.

Our audience remains largely organic, with 91% of our traffic coming either direct or through organic search. Our prompted awareness remains very high at 84% for used cars and 70% for new cars - meaning we are typically the first place consumers turn to when looking for their next car.

This position is, we believe, as a result of the trust that we have built up with consumers. We continue to improve our onsite experience, which during the year included: improving price indicators which appear on full page adverts with the addition of 'fair' and 'higher' price flags; the introduction of vehicle provenance history checks; a change in the

search sort order; a Text Chat functionality; and an increase in the number of dealer reviews on site, which reached almost one million at the end of the year.

Future Continued growth in EVs

Interest in EVs is growing, bolstered by the Government's announcement to ban the sale of new petrol, diesel and hybrid cars by 2035 or earlier. There's added pressure for the manufacturers to sell EVs since the introduction of the new CAFE regulations which will see them fined for selling higher emitting cars.

Whilst consumer interest is there, and the product is starting to flow through into the UK market, sales aren't yet matching that interest. However, as barriers to adoption reduce, price and infrastructure namely, we can expect sales to start meeting demand.

Omni-channel

There is currently a mismatch between where consumers are spending their time - c.70% of which is online, vs. where retailers are spending on costs - c.85% of which is offline. Consumers are ready for a digital transition, although most people value human interaction of some kind during the car buying process. There is no getting away from the important offline elements of the journey, and so retailers will remain crucial for the car buying process. There needs to be a seamless omni-channel experience for consumers so they can choose the journey that is right for them - be it online or offline, or any combination of the two. We aim to create an experience that's flexible enough and 'blended' enough between digital and physical to cater to everybody's needs.

VIEWS FROM AROUND THE INDUSTRY

66

UK online retail is growing at a rate of three times the rate of offline and, within just five years, online retail is likely to be over 50% of all UK retail sales.

PETER VARDY  
CEO, PETER VARDY

66

Drivers no longer want to go to different places to buy a car, insure it, service it and then sell it on, all the while taking the depreciation and major repair risk.

JOY DAVIDSON  
ASSOCIATE PARTNER, OC&C  
STRATEGY CONSULTANTS

66

Research showed us that 10% of UK car buyers would buy a car online and we felt this was only set to grow.

CHRISTOPHER KILLEN  
CO-FOUNDER, ECARS247

66

Technology-driven trends will revolutionize how industry players respond to changing consumer behaviour, develop partnerships, and drive transformational change.

PAUL GAO  
MCKINSEY & CO

Go online →

See more thoughts and insights from around the industry in our Market Reports, published biannually on our website: [plc.autotrader.co.uk/press-centre](http://plc.autotrader.co.uk/press-centre).

## OUR STRATEGY

We define our strategy with reference to three growth horizons.

### Our purpose

To improve car buying in the UK, whilst also evolving the wider automotive ecosystem.

### Our mission

To lead the future of the UK's digital automotive marketplace and become the UK's most admired digital business.

#### GROWTH HORIZONS



##### Core

The largest and most engaged consumer audience underpins our network effect marketplace model. We continue to invest in the onsite experience and the tools available to consumers to help them make the most informed decisions.

It is vitally important we maintain our leadership position across different stock profiles, including: age, price, make, model and region, across both new and used vehicles. All our stock is underpinned by our extensive vehicle taxonomy.



##### Adjacent

Our proposition gives franchise retailers the ability to advertise physical new cars on Auto Trader; this informs consumers which new cars are immediately available to buy, and includes their associated discount.

A consistent pain point for retailers is how they currently source vehicles outside of consumer part-exchanges. Disposing of and moving vehicles in a cost effective manner can also be challenging, with many retailers wedded to one supplier.



##### Future

Our research suggests there is a growing desire to complete more aspects of the car buying journey online. We continue to look at the various component parts which might make up that transaction journey and how we might offer those on Auto Trader, extending the time consumers currently spend online shopping for new and used vehicles.

#### FOCUS AREAS

- 1 Maintain the best consumer experience for buying and selling vehicles
- 2 Continually innovate to create value for our customers
- 3 Improve vehicle stock choice, volumes and accuracy
- 4 Become to new cars what we are in used
- 5 Develop a more efficient way to source, dispose and move vehicles
- 6 Extend our product offering further down the buying funnel, towards online transactions

All supported by our values-led culture and our underlying focus on sustainability, risk management & governance.

## 2020 PROGRESS

We expanded the number of price indicator categories, and now present the consumer with our market valuation giving further transparency to consumers over advertised prices. We also now order vehicles in search using a relevance algorithm which makes it easier for the consumer to find their next car.

We launched two new retailer products, Vehicle Check and Text Chat, which have seen high levels of engagement. The acquisition of KeeResources allows us the opportunity to further develop our vehicle taxonomy to improve accuracy.

On average there were over 31,000 physical new cars advertised on our platform during the year. Those listings generated 50 million advert views for our customers. By the end of the year we had over 1,000 dealers paying to advertise new cars on our platform after converting our trial period.

Dealer Auction completed a re-platforming of its systems and now runs entirely on Auto Trader's infrastructure. This move will enable Dealer Auction to fully utilise the data that Auto Trader generates.

We now show consumers vehicle checks on retailer full page advert views, giving the consumers more trust in the car that they are buying.

## HOW WE MEASURE PROGRESS

- Number of listings on site
- Retailer forecourts
- Share of minutes
- Cross platform visits
- Full page advert views
- Basic EPS
- Cash generated from operations

- New car listings
- New car retailer forecourts
- JV income
- Basic EPS
- Cash generated from operations

- Revenue
- Operating profit
- Operating profit margin
- Average Revenue per Retailer ('ARPR')
- Retailer forecourts
- Basic EPS
- Cash generated from operations

## ASSOCIATED RISKS

- COVID-19
- Economy, market & business environment
- Brand
- Increased competition
- Failure to innovate: disruptive technologies and changing consumer behaviours
- IT systems and cyber securities
- Reliance on third parties

- COVID-19
- Economy, market & business environment
- Brand
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- Failure to innovate: disruptive technologies and changing consumer behaviours
- Reliance on third parties

- Brand
- Increased competition
- Failure to innovate: disruptive technologies and changing consumer behaviours
- Reliance on third parties

[Making a difference P40](#) →

[How we manage risk P52](#) →

[Governance P60](#) →



Our core marketplace continues to offer a strong runway for growth, underpinned by continuous improvement of the car buying experience.

1

Maintain the best consumer experience for buying and selling vehicles

WHAT WE HAVE DONE

Price Indicator

Price Indicator flags provide car buyers with a visual indicator showing how competitively cars are priced in the market. We have expanded the number of categories and grown our marketing valuation to consumers on each advert, creating more trust in the price of the car they are buying.

Sort order

We have moved away from a low-to-high price search to a relevance-based sort order. We use an algorithm to promote the most relevant and highest quality adverts to consumers, making it easier for them to find their next car.

Reviews

We are the number one dealer review site in the UK with over 927,000 reviews across 8,700 retailers. This provides retailers the opportunity to differentiate themselves on the marketplace and builds consumer trust.

Private advertising

We have extended our C2C product offering. We have created new products allowing private sellers to gain prominence in search and advertise their car for longer.

OPPORTUNITIES

Electric

Electric vehicles are becoming more desirable and traditional fuel types are becoming relatively more expensive as regulation changes. We have the opportunity to provide clear information to consumers, such as total cost of ownership data, to help them in their purchasing decision.

79%

Share of minutes as measured by Comscore

927k

Reviews across 8,700 retailers at the end of March 2020





2

Continually innovate to create value for our customers

WHAT WE HAVE DONE

**Vehicle Check**

We launched a vehicle check product which allows retailers to check the provenance of vehicles they might be looking to source.

76%

Of independent dealers using Vehicle Check at the end of March 2020

**Text Chat**

Text Chat gives buyers the ability to text retailers directly from adverts, connecting dealers with buyers anytime, anywhere.

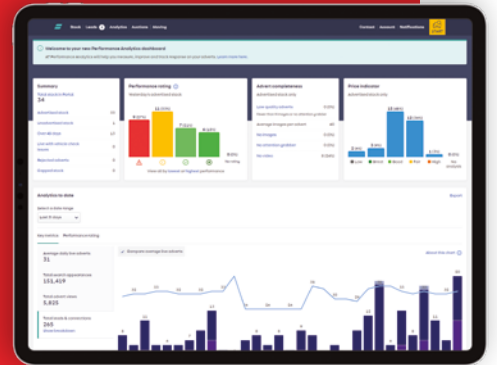
OPPORTUNITIES

**Retail Check & Retail Accelerator**

Increase penetration of Retail Check, helping retailers make the most of our valuations to stay on top of market changes.

**AT Analytics**

AT Analytics will help retailers measure, track and improve advert performance along with providing an understanding of the market.



3

Improve vehicle stock choice, volumes and accuracy

WHAT WE HAVE DONE

**Kee taxonomy data**

We have acquired KeeResources who own the unique vehicle taxonomy data which underpins much of the Auto Trader platform.

**Bargain package**

We launched a new product offering that makes it more attractive for dealers who sell cars under £1,500 on Auto Trader.

OPPORTUNITIES

**Home delivery**

Improve stock choice for consumers by allowing retailers who can offer national home delivery to appear within their local search listings.

**Vehicle data**

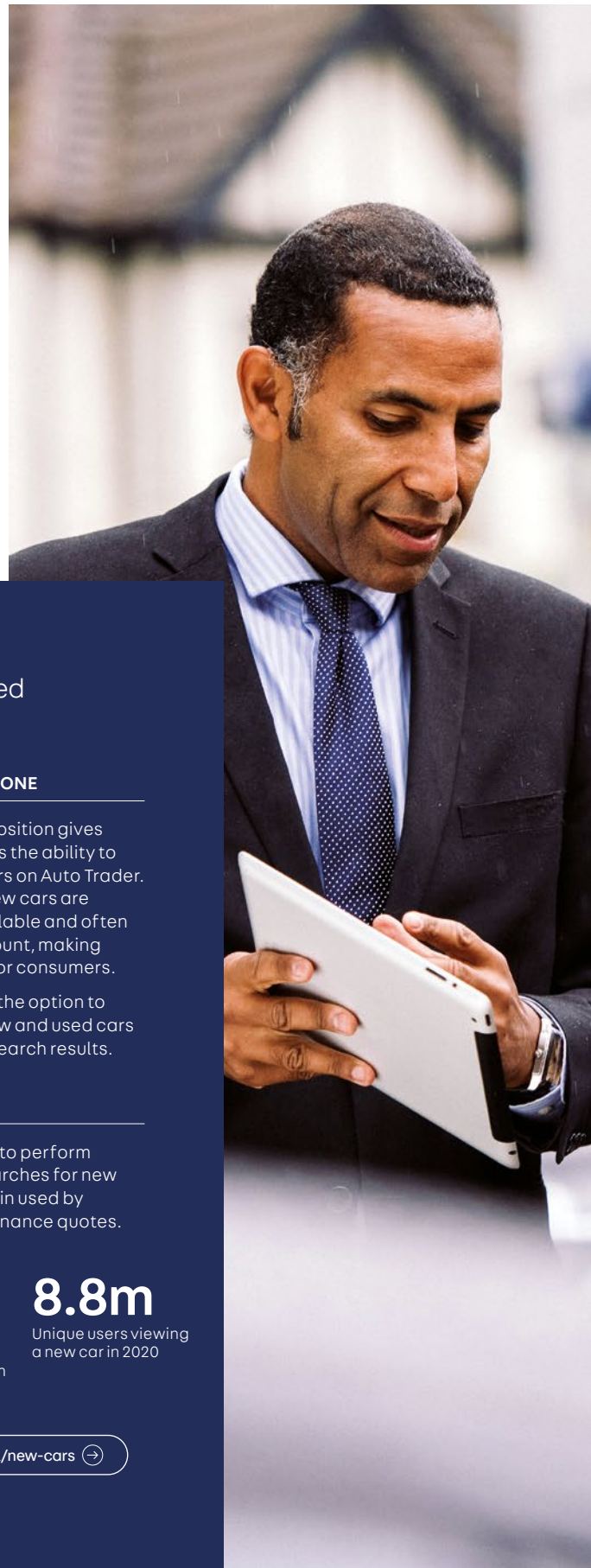
Continue to build on our vehicle data set to enhance the quality of listings, to provide the most accurate valuations and commercialise this data set.

4.7m

Total number of unique vehicles seen on Auto Trader in 2020

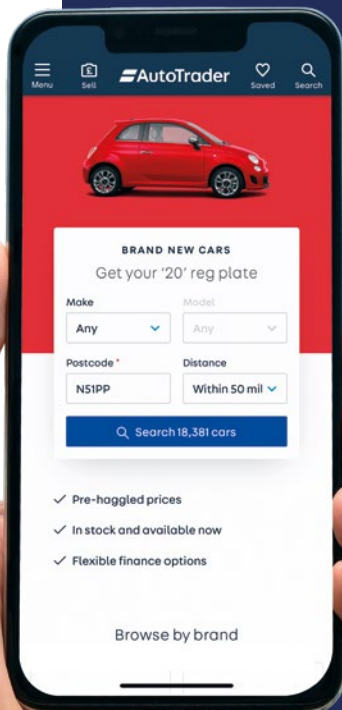
## Adjacent

Identification of adjacent opportunities in new car sales and the way in which our customers source vehicles.



4

Become to new cars what we are in used



### WHAT WE HAVE DONE

Our new car proposition gives franchise retailers the ability to advertise new cars on Auto Trader. These physical new cars are immediately available and often offered at a discount, making them attractive for consumers.

Consumers have the option to compare both new and used cars within the same search results.

### OPPORTUNITIES

Allow consumers to perform monthly price searches for new cars like they can in used by adding monthly finance quotes.

**71%**

Of car buyers wanted to compare new and used cars in the same place

**8.8m**

Unique users viewing a new car in 2020

[autotrader.co.uk/new-cars](https://autotrader.co.uk/new-cars) 

5

Develop a more efficient way to source, dispose and move vehicles

WHAT WE HAVE DONE

Dealer Auction re-platform

Dealer Auction is a joint venture between Cox Automotive and Auto Trader. By working together, we can combine our expertise to create the largest and most intuitive trade digital auction marketplace.

This joint venture provides vendors with a huge buyer base, whilst empowering buyers with data-driven prioritisation of the stock that best suits them. All for significantly less than the fees they pay at physical auctions.

**c.110k**

Vehicles transacted via Dealer Auction in 2020

MTD

Our Motor Trade Delivery platform connects retailers wanting to move a vehicle with logistics companies who can provide that service. Retailers always get the best possible price for the vehicle movement, while logistics companies save time and money by getting access to greater volumes of work and only taking work that is convenient for them and at the right price.

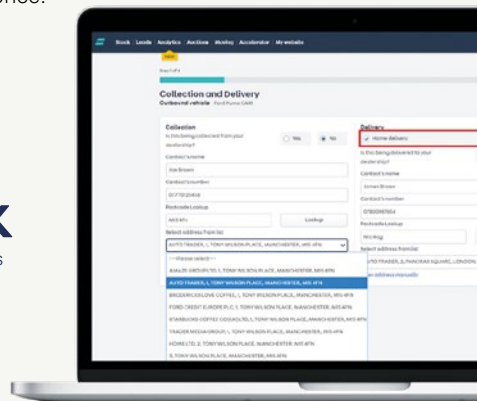
**c.120k**

MTD vehicle moves in 2020

OPPORTUNITIES

Guaranteed price

We are developing a way for consumers to obtain a guaranteed price for their vehicle through Auto Trader. Our objectives are to provide a hassle free disposal service for consumers while providing retailers with a more efficient way of sourcing their stock.





 **Future**

The evolution of both our products and consumer experience aims to keep consumers online for longer through their buying journey.

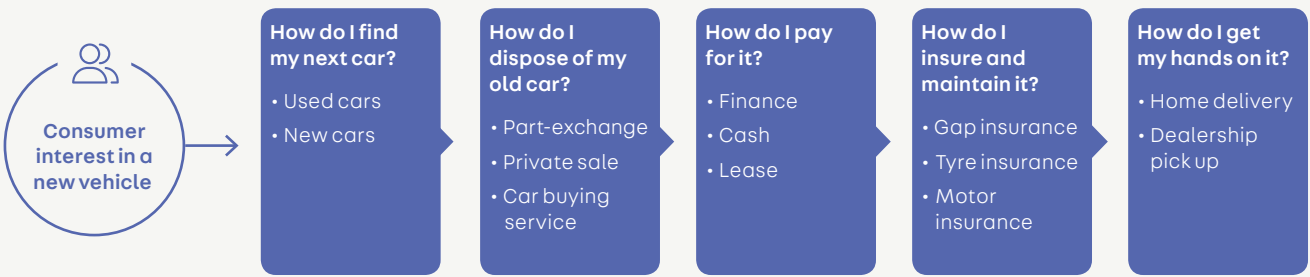


**FUTURE OPPORTUNITIES**

There's no doubt that the future is going to be increasingly digitised. While the options available to a consumer as they move through the car buying process will remain largely unchanged, how they interact with retailers and the technology through which they engage will evolve. As more of the car buying journey takes place online, there is more opportunity for retailers to increase their efficiency and reduce their cost base.

**Today**

Predominantly offline, consumers find buying a car difficult, frustrating and time consuming.



**Tomorrow**

Car retailing will be faster, with more end-to-end online transactions.



6

Extend our product offering further down the buying funnel, towards online transactions

WHAT WE HAVE DONE

**Vehicle Check**

We now show consumers vehicle checks on retailer full page advert views, giving the consumers more trust in the car they are buying.

OPPORTUNITIES

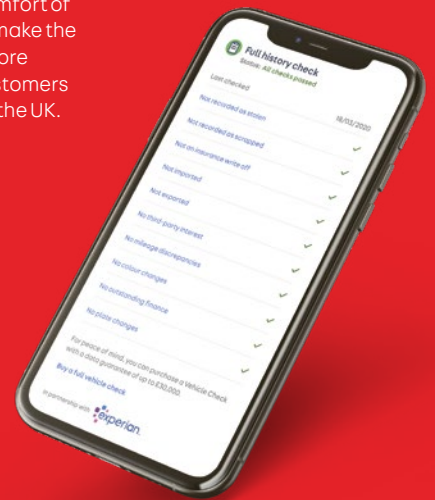
**Finance**

The industry remains behind the digital curve when it comes to the finance options available to car buyers.

All available finance options along with transparent pricing need to be clear so that car buyers can choose the best way to pay for a car, complete all the paperwork and finalise the deal from the comfort of their home. This will make the entire transaction more efficient for both customers and retailers across the UK.

**Guaranteed trade in**

One of the ways we are helping consumers is by developing a part-exchange proposition. By moving the process online, we are looking to make the process more convenient, and eliminating the need to haggle with retailers, which we know is a key pain point.



### Section 172(1) statement

Directors are required to act in the way they consider, in good faith, would most likely promote the success of the company for the benefit of its members as a whole, whilst also having regard to the factors listed in Section 172 of the Companies Act 2006.



#### Consumers

##### Their needs

- Ease of buying or selling a vehicle
- Choice of vehicle, i.e. new or used, body type or fuel type
- Clear and accurate information
- Transparency about the vehicle, about the seller and about finance

##### How we engage

- We speak to consumers for our biennial Car Buyers Report, and biannual Market Reports to gauge views on the car market
- Consumer onsite survey which provides constant feedback
- Consumer user testing of new products, services and brand designs on our website
- Workshops with people who are neurodiverse and potentially vulnerable consumers, which feeds into our consumer facing products (including how we display finance)
- Complaints and customer security teams operate 7 days a week
- We measure consumer brand sentiment and engagement scores
- Consumer research is provided to the Board

##### How this engagement influenced Board discussions and decision-making

As discussed with the Board, a number of the changes we have made to our products are in response to consumer needs. In making their decisions, the Board pays regard to the need to balance consumer needs with customer and commercial outcomes. Some examples of the product changes include:

- Vehicle checks which give consumers more trust in the car that they are buying
- Given more detailed price indicator flags and Auto Trader market valuation on each advert which creates more trust in the price of the car consumers are buying
- Redesigned full page advert to give more information about the seller and about finance options

#### Customers

(retailers, manufacturers and other customers)

##### Their needs

- Making the car selling process more efficient
- Increasing exposure to consumers and receiving high quality leads
- Receiving value for money from Auto Trader
- Sourcing vehicles

##### How we engage

- Annual retailer research aimed at evaluating value
- Regular thought leadership, insight-driven reports, such as the biennial Car Buyers Report, and the biannual Market Reports
- Hosting industry insight events, dealer masterclasses, webinars and conferences
- Sales team "on the ground"
- Voice of the Customer emails circulated to the Board
- Business partnering by OLT and other senior management
- Visits by Board Directors to customer sites
- Customer updates provided to the Board

##### How this engagement influenced Board discussions and decision-making

Following Board decisions, we launched a number of products which were aimed at meeting the needs of customers:

- Vehicle Check: we launched a vehicle check product which allows retailers to check the provenance of vehicles they might be looking to source
- Text Chat: this gives buyers the ability to text retailers directly from adverts, connecting dealers with buyers anytime, anywhere

Our response to COVID-19 was informed by our engagement with customers. We decided to extend credit terms for our March 2020 advertising, and announced a period of free advertising for April and May 2020, and a further 25% discount in June 2020. This decision was made in order to support our retailer customers in a time when they were unable to trade, and was for the long-term benefit of the industry.

#### Employees

##### Their needs

- Diversity and inclusion
- Training and career development
- Reward and benefits
- Working conditions, environment and wellbeing

##### How we engage

- New Board Engagement Guild to engage directly with the Board
- Annual employee conference, regular employee CEO breakfasts, business updates and newsletters
- Annual benefits roadshow, salary workshops and share scheme pulse survey
- Save as you earn share schemes
- D&I guilds with networks for BAME, Women, LGBT+, Neurodiversity and Disability with OLT sponsors. Including specific OLT reverse mentoring by BAME employees
- Employee experience survey
- Health and safety assessments
- Wellbeing forums
- Whistleblowing service

##### How this engagement influenced Board discussions and decision-making

The Board focused its annual strategy offsite on people, culture and values. This included discussions on the evolution of our culture over time and how this may need to adapt in the future as the business enters new areas of opportunity. It also included specific initiatives including the introduction of more family friendly policies and flexible working arrangements, considerations of our working environment and initiatives to improve the diversity of the organisation.

The Board receives a regular Cultural Scorecard, designed to allow monitoring of various cultural indicators such as staff retention, diversity, investment in training, absences, employee engagement and customer feedback. The Board receives and discusses this on a regular basis during Board meetings.

As a marketplace, we have a diverse set of stakeholders and need to balance their needs and outcomes, for example, balancing those of our consumers (users of the website) with those of our customers (retailers, manufacturers and other customers). We acknowledge that not every decision we make will necessarily result in a positive outcome for all of our stakeholders.

By understanding our stakeholders, and by considering their diverse needs, we factor into boardroom discussions the potential impact of our decisions on each stakeholder group.

The table below sets out how we engage with our key stakeholders. Not all information is reported directly to the Board and not all engagement takes place directly with the Board. However, the output of this engagement informs business-level decisions, with an overview of developments and relevant feedback being reported to the Board and/or a Board Committee.

## Partners & suppliers

### Their needs

- Working collaboratively on innovations
- Increasing revenue from shared opportunities
- Fair trading and terms and conditions

### How we engage

- Regular engagement with suppliers and partners, including through our Strategic Partnerships Director and other OLT members
- Supplier/procurement processes engage at the time of appointment and during the relationship
- Regular monitoring and reviews of financial and operating resilience
- Reporting on payment of suppliers
- Application of our Ethical Procurement Policy which helps us to take a holistic view based on cultural alignment when deciding which suppliers and partners we should work with

### How this engagement influenced Board discussions and decision-making

The Board reviews and approves material contracts with suppliers and partners, joint ventures and acquisitions.

In reaching its final approval decisions for material contracts and the acquisition of KeeResources which we made during the year, the Board has regard to a number of factors including: the business case and financial returns; the impact on our suppliers and customers; risk management; and the long-term reputation of the Company.

## The community & the environment

### Their needs

- Energy usage and carbon emissions
- The move to electric vehicles
- Giving back to the community
- Environmental, social and governance ('ESG') factors

### How we engage

- Sustainability Guild
- Engagement with Office of Low Emission Vehicles ('OLEV'), Carbon Literacy Training and Participation in Carbon Disclosure Project ('CDP')
- 'Make a Difference' strategy
- Volunteering days with local charities
- Supporting organisations such as Manchester Digital, and the Automotive 30% club, and involvement with local schools and colleges through STEM ambassadors
- Consumer research and user testing to understand what information is most helpful when buying an electric vehicle

### How this engagement influenced Board discussions and decision-making

The Board debated our focus on ESG and agreed on a more formal strategy and governance framework, to include more metrics including Scope 3 GHGs emissions reporting. We are also evolving our product offering to help consumers when they are considering purchasing an electric vehicle.

The Board received a presentation in respect of the Company's charity and community activities. The Board decided to amend its Schedule of Matters Reserved for the Board to delegate authority to management, through the Make a Difference Guild, to make charitable donations without further Board approval (previously, any donations over £5,000 had to be approved by the Board).

## Investors

### Their needs

- A balanced and fair representation of financial results and future prospects
- High governance standards
- Reasonable remuneration practices
- Share price and return

### How we engage

- Comprehensive investor relations programme including formal presentations to investors and analysts on the half-year and full-year results; formal investor roadshows in the UK and overseas; and an ongoing programme of attendance at conferences, one-to-one meetings and group meetings with institutional investors, fund managers and analysts
- Meetings which relate to governance are attended by the Chairman or another Non-Executive Director
- Private shareholders encouraged to communicate with the Board through [ir@autotrader.co.uk](mailto:ir@autotrader.co.uk)
- Regular review of feedback from analysts and investors from results roadshows
- Annual Report and Annual General Meeting
- Corporate website and market announcements
- Share relevant industry related reports and Retail Price Index data with analysts
- Engagement with proxy advisors and other agencies
- Active consultation on remuneration framework and policies

### How this engagement influenced Board discussions and decision-making

The Remuneration Committee consulted with major investors and corporate governance advisory agencies before making the changes to the implementation of remuneration policy for FY21 to reflect the challenges posed by COVID-19.

The Board reviews the Group's capital allocation on an annual basis to ensure it remains appropriate. The policy in place at the start of FY20 was to return around one third of net income to shareholders in the form of dividends, and use any surplus cash to continue our share buyback programme and to steadily reduce gross indebtedness. However, following the outbreak of the COVID-19 pandemic, the Board has suspended share buybacks, and is not recommending a final dividend for the year. In making this decision, the Board considered this to be in the long-term interest of shareholders.

## KEY PERFORMANCE INDICATORS

We measure our performance through a defined set of financial and operational KPIs.

### FINANCIAL

Revenue  
£m

**£368.9m**  
+4%

2020	£368.9m
2019	£355.1m
2018	£330.1m

#### Relevant focus areas

2 3 4 6

#### Definition

The Group generates revenue from three different streams: Trade, Consumer Services and Manufacturer and Agency. Trade is broken down into three categories: Retailer, Home Trader and Other, with Consumer Services similarly split into Private and Motoring Services.

#### Progress

Revenue increased 4% year-on-year, with the main driver of growth being Retailer revenue, supported by growth in Consumer Services through both Private and Motoring Services. This was slightly offset by a decrease in Manufacturer and Agency & Home Trader. There was a £2.4m incremental contribution from KeeResources following the acquisition on 1 October 2019.

#### Relevant risks

- COVID-19
- Economy, market & business environment
- Brand
- Increased competition
- Failure to innovate: disruptive technologies and changing consumer behaviours
- IT systems and cyber securities
- Reliance on third parties

#### Linked to remuneration?

Yes

Average Revenue Per Retailer ('ARPR')  
£ per month

**£1,949**  
+6%

2020	£1,949
2019	£1,844
2018	£1,695

#### Relevant focus areas

2 3 4 6

#### Definition

Average Revenue Per Retailer ('ARPR') is calculated by taking the average monthly revenue generated from retailer customers and dividing by the average monthly number of retailer forecourts who subscribe to an Auto Trader advertising package.

#### Progress

Growth in the year came from price and product. Growth in the product lever resulted from: increase in customers paying for the new Vehicle Check product; further upsell to our higher-level packages; monetisation of our New Car product; and growth in the volume of customers paying for one of our data products. These increases were partially offset by a decline in stock and a reduction in revenue from products transferred to our joint venture in January 2019.

#### Relevant risks

- COVID-19
- Economy, market & business environment
- Brand
- Increased competition
- Failure to innovate: disruptive technologies and changing consumer behaviours
- IT systems and cyber securities
- Reliance on third parties

#### Linked to remuneration?

No

Operating profit  
£m

**£258.9m**  
+6%

2020	Margin 70%	£258.9m
2019	Margin 69%	£243.7m
2018	Margin 67%	£221.3m

#### Relevant focus areas

2 3 4 5 6

#### Definition

Operating profit is as reported in the Consolidated income statement on page 100. This is defined as revenue less administrative expenses, plus share of profit from joint ventures. Operating profit margin is Operating profit as a percentage of revenue.

#### Progress

Operating profit increased by 6% reflecting top line revenue growth of 4% and well managed costs. Operating profit also benefitted year-on-year from three quarters of profit, contributed through our joint venture, Dealer Auction. Additionally both revenue and costs were impacted through our recent acquisition of KeeResources for the second half of the year. Operating profit margin saw improvement, growing by a further one percentage point to 70%.

#### Relevant risks

- COVID-19
- Economy, market & business environment
- Brand
- Increased competition
- Failure to innovate: disruptive technologies and changing consumer behaviours
- IT systems and cyber securities
- Employee retention
- Reliance on third parties

#### Linked to remuneration?

Yes

[Directors' remuneration report P77](#)

Basic EPS  
pence per share

**22.19p**  
+6%

2020	22.19p
2019	21.00p
2018	17.74p

#### Relevant focus areas

2 3 4 5 6

#### Definition

Basic earnings per share is defined as profit for the year attributable to equity holders of the parent divided by the weighted average number of shares in issue during the year.

#### Progress

Basic EPS growth was 6%, demonstrating the Group's high operational gearing. Much of the growth is from an increase in net income, with Basic EPS also supported by a reduction in the weighted average number of shares in issue during the year as a consequence of our share buyback programme.

#### Relevant risks

- COVID-19
- Economy, market & business environment
- Brand
- Increased competition
- Failure to innovate: disruptive technologies and changing consumer behaviours
- IT systems and cyber securities
- Employee retention
- Reliance on third parties

#### Linked to remuneration?

No

Cash generated from operations  
£m

**£265.5m**  
3%

2020	£265.5m
2019	£258.5m
2018	£228.4m

#### Relevant focus areas

2 3 4 6

#### Definition

Cash generated from operations is as reported in the Consolidated statement of cash flows on page 104. This is defined as cash generated from operating activities, before corporation tax paid. This is considered to be a more meaningful measure of performance than the statutory measure of cash generated from operating activities, which can be distorted by changes in funding structure.

#### Progress

Cash generated from operations increased by 3% to £265.5m in the year. This represented a high proportion of profit converted into cash, which was largely returned to shareholders through dividends and share buybacks.

#### Relevant risks

- COVID-19
- Economy, market & business environment
- Brand
- Increased competition
- Failure to innovate: disruptive technologies and changing consumer behaviours
- IT systems and cyber securities
- Employee retention
- Reliance on third parties

#### Linked to remuneration?

No

## OUR GROWTH HORIZONS AND RELEVANT FOCUS AREAS



### Core

- 1 Maintain the best consumer experience for buying and selling vehicles
- 2 Continually innovate to create value for our customers
- 3 Improve vehicle stock choice, volumes and accuracy



### Adjacent

- 4 Become to new cars what we are in used
- 5 Develop a more efficient way to source, dispose and move vehicles



### Future

- 6 Extend our product offering further down the buying funnel, towards online transactions



## KEY PERFORMANCE INDICATORS CONTINUED

Directors' remuneration report P77 →

### OUR GROWTH HORIZONS AND RELEVANT FOCUS AREAS



#### Core

- 1 Maintain the best consumer experience for buying and selling vehicles
- 2 Continually innovate to create value for our customers
- 3 Improve vehicle stock choice, volumes and accuracy



#### Adjacent

- 4 Become to new cars what we are in used
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#### Future

- 6 Extend our product offering further down the buying funnel, towards online transactions

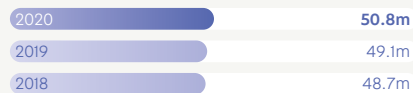


### OPERATIONAL

#### Cross platform visits

Monthly average visits spent across all platforms (millions)

**50.8m**  
+3%



#### Relevant focus areas

1 6

#### Definition

Monthly average visits made across all our platforms, as measured by Google Analytics.

#### Progress

Cross platform visits increased 3% year-on-year which is an improvement over prior years which have largely remained consistent. We continue the measure with Comscore for comparison to competitors where we retained our 55% share of visits and increased our share of minutes to over 75% across automotive classified sites.

#### Relevant risks

- COVID-19
- Economy, market & business environment
- Brand
- Increased competition
- Failure to innovate: disruptive technologies and changing consumer behaviours
- IT systems and cyber securities
- Reliance on third parties

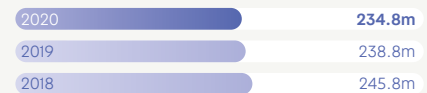
#### Linked to remuneration?

No

#### Advert views

Average number per month (millions)

**234.8m**  
-2%



#### Relevant focus areas

1 4 6

#### Definition

When a consumer conducts a search on Auto Trader, they are presented with a list of search results meeting their search criteria. The consumer can then click into an advert to see the detailed specification of the vehicle, images, videos and how to contact the dealer. This click-through classifies as an advert view.

#### Progress

2020 advert views have declined by 2% to 235 million adverts a month following changes we made to the car buying experience. This remains a considerable volume of engagement for our customers' adverts.

#### Relevant risks

- COVID-19
- Economy, market & business environment
- Brand
- Increased competition
- Failure to innovate: disruptive technologies and changing consumer behaviours
- IT systems and cyber securities
- Reliance on third parties

#### Linked to remuneration?

No

### Number of retailer forecourts

Average number per month

# 13,345

+1%

2020	13,345
2019	13,240
2018	13,213

#### Relevant focus areas

2 3 4 6

#### Definition

The average number of retailer forecourts per month that subscribe to an Auto Trader advertising package over the financial year.

#### Progress

The average number of retailer forecourts in the year has increased by 1%. Much of the growth came from small customers with lower priced cars which have subsequently migrated from Home Trader.

#### Relevant risks

- COVID-19
- Economy, market & business environment
- Brand
- Increased competition
- Failure to innovate: disruptive technologies and changing consumer behaviours
- IT systems and cyber securities
- Reliance on third parties

#### Linked to remuneration?

No

### Number of full-time equivalent employees ('FTEs')

Average number (including contractors)

# 853

+6%

2020	853
2019	804
2018	824

#### Relevant focus areas

1 2 4 5 6

#### Definition

Full-time equivalent employees are measured on the basis of the number of hours worked by full-time employees, with part-time employees included on a pro-rata basis. Number of FTEs (which includes contractors) is reported internally each calendar month, with the full-year number being generated from an average of those 12 time periods.

#### Progress

FTEs have increased by 6% year-on-year. The acquisition of KeeResources resulted in an additional 64 people being employed by the Group. As the acquisition occurred on 1 October, this increase has resulted in an additional 32 FTEs being counted in this year's average.

There were also increases across the organisation to support product development and supporting services.

#### Relevant risks

- COVID-19
- Economy, market & business environment
- Brand
- Increased competition
- IT systems and cyber securities
- Employee retention
- Reliance on third parties

#### Linked to remuneration?

No

### Live car stock

Average number per month

# 478,000

+4%

2020	478,000
2019	461,000
2018	453,000

#### Relevant focus areas

3 4 5

#### Definition

The average number of physical cars (either new or used) that are advertised on **autotrader.co.uk** per month. Live stock is an important component of our network effect business model. We charge our retailer customers on a cost per advertised slot basis for their advertising package, meaning the stock on our website is closely correlated to our Retailer revenue.

#### Progress

Live car stock on site increased by 4%. Growth came from new cars, which averaged over 31,000 in the year (2019: 12,000). Growth also came from our Private advertising stock through a new package where stock is on site for longer. Underlying used car stock was marginally down 1% in the year, which is mainly from a decline in stock from our franchise customers.

#### Relevant risks

- COVID-19
- Economy, market & business environment
- Brand
- Increased competition
- Failure to innovate: disruptive technologies and changing consumer behaviours
- IT systems and cyber securities
- Reliance on third parties

#### Linked to remuneration?

Yes





**CATHERINE FAIERS**  
CHIEF OPERATING OFFICER

We have made further progress in new cars, launching a stock-based product allowing retailers to upload physically available new cars at current retail prices.

**70%**

of consumers would use Auto Trader to help them buy a brand-new car

**84%**

of consumers would use Auto Trader to help them buy a used car

**706,000**

sessions since the launch of Text Chat

### Introduction

The business has had a good year, despite the challenges that both the withdrawal from the EU and the industry-specific legislative changes have posed. We have continued to invest in both our products and services, and our consumer experience, ensuring that we're continually adding value to our consumers, retailers and manufacturers.

### Largest automotive marketplace

Auto Trader continues to be the primary place where consumers go to buy and sell cars and we have more listings than any other classified site, which when combined with our significant audience means we are by some way the UK's largest and most engaged digital automotive marketplace.

Audience performance has been strong over the year, with cross platform visits up 3%, at an average of 50.8 million per month (2019: 49.1 million). Our competitive position has strengthened with over 75% of all minutes spent on automotive marketplaces now spent on Auto Trader (2019: 73%).

This is in part due to the strong organic audience that we enjoy, with 91% of our traffic coming either direct or through organic search.

This increase in audience in turn boosted the volume of searches consumers conducted on Auto Trader; we now see an average volume of 145m searches per month looking for a new or used car (2019: 139m). However, the number of full page advert views decreased slightly in the year by 2% to an average of 234.8m per month (2019: 238.8m).

The level of live stock on our site increased by 4% in the year, as the average number of cars on our marketplace rose to 478,000 (2019: 461,000). The growth was driven by our recently launched New Car product, offset by a slight decline in used car volumes, which were impacted by supply side constraints. The average number of retailer forecourts using our marketplace increased slightly to 13,345 (2019: 13,240).

During the year we continued to invest in marketing to keep our brand front of mind with consumers by promoting our products and services. We launched a large-scale advertising campaign in June to promote our new car offering which boosted our prompted brand awareness scores. For new and used cars our score has remained high at 70% and 84% respectively – meaning we are typically the first place consumers turn to when looking for their next car.

### Enhancing the car buying experience

Independent brand tracking data revealed that 58% of consumers thought of Auto Trader as the most trusted site to buy their next car. In order that we maintain this trust, we strive to make the industry more transparent and efficient. Part of the way we do this is by continuing to develop our onsite consumer experience. We moved away from a low-to-high price search listing order to a relevance-based sort order. We use an algorithm to promote the most relevant and highest quality adverts to consumers, making it easier for them to find their next car.

Trust and confidence are critical to car buyers, so this year we launched a provenance vehicle check tool, in partnership with Experian, which gives consumers a free and comprehensive assessment of the vehicle they are interested in. We also now have almost 1 million reviews of dealers on our marketplace. Perhaps most significantly, we updated our price indicators with the addition of 'fair' and 'higher' price flags and put an Auto Trader valuation on each full page advert, helping to give consumers confidence in the price of the car.

Following year end we removed standard format display advertising from search, making retailer adverts larger. This change was made despite standard format display advertising contributing £4.9m to revenue in 2020. We also altered search on mobile devices, increasing the size of each advert by 40% with imagery being 90% larger than before.

Our 2019 Car Buyers Report revealed that 71% of consumers surveyed want to be able to look at a new or a used car on the same platform. Having launched our new car proposition last year, we started to monetise it in the second half of the year and had over 1,000 retailers paying to advertise their new cars on our marketplace at the end of March 2020. We now have an average of over 31,000 physical new cars on our site per month. We believe there's still room for growth as we estimate that there are an additional 100,000 of these new cars that are available but that are not actively being advertised anywhere.

**Products to improve customer efficiency**

At a time when the industry was facing unprecedented challenges, we chose to launch a powerful new data tool called Market Insight. It is designed to help retailers identify and adapt to market trends as they happen. The tool wasn't scheduled for launch until later in the spring of 2020. However, due to the conditions facing retailers as a result of the COVID-19 pandemic, and our belief that market intelligence can help retailers better navigate these challenges, we made it available to all customers ahead of schedule. The product is included in all retailer customers' advertising packages.

Traditionally, to assess how market conditions may affect their business, retailers have had to rely on historical sales data or their own intuition, but our new insight tool allows a retailer to see vehicle supply and consumer demand data in both their local market and the national marketplace, alongside pricing and predicted speed of sale trends. With year-on-year comparison of market health (supply versus demand) each week and trended over time.

We have seen increased penetration of our Managing products during the year, with the number of retailers now subscribing to either Retail Accelerator (formerly i-Control) or Retail Check in 2020 reaching 3,600 (2019: 3,200) at 31 March 2020. This growth has largely been driven by an increase in the usage of our entry level product, Retail Check, which gives retailers the most accurate view of the live retail market to help ensure that they buy the right stock at the right price and sell it profitably. Subsequently, Retail Check was made available to independent customers as part of their advertising package from 1 April 2020.

Penetration of our Advanced and Premium advertising packages continues to increase with stock penetration now at 23% (2019: 19%). These higher yielding packages allow retailers to pay for greater prominence on our marketplace, driving a higher volume of advert views, enabling those cars to sell faster.

Dealer Auction, our joint venture with Cox Automotive, completed the re-platforming and integration of the three component businesses in early 2020, moving on to Auto Trader's platform setting the business up to leverage the scale of both Auto Trader and Cox Automotive. This move will enable Dealer Auction to fully utilise the data that Auto Trader generates.

In October 2019, we acquired KeeResources, a trusted provider of software, data, and digital solutions to the automotive industry, including a detailed vehicle dataset for new and used cars which Auto Trader uses to power its platform. KeeResources has been an integral supplier to Auto Trader, as its unique vehicle data underpins much of our core platform. It also provides data and services to fleet providers, a growing area of focus for us in the overall ecosystem. Strategically we believe it is important to own such a valuable data source.

**Investing in our infrastructure**

We have made further changes to our technology infrastructure to ensure our systems and software can effectively support our product development, as well as our core platform. A fundamental change in the year was the decision to start moving our data centres over to the public cloud so we could take advantage of the benefits provided by cloud platforms, including: enhanced security; improved product performance; a quicker product release platform; and cost optimisations. As a result of moving more of our applications over to the cloud, including the main website, we made over 36,000 software releases – over double the number of the previous year.

**Catherine Faiers**  
Chief Operating Officer  
25 June 2020

**ESG IN FOCUS**

**Investing in our culture to ensure we attract and retain a diverse workforce**

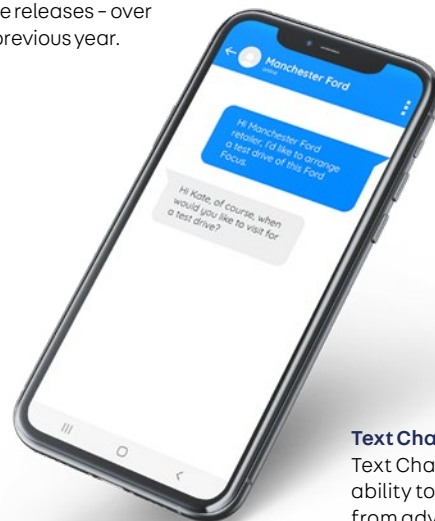
Ensuring Auto Trader is a diverse and inclusive employer that contributes positively to the communities in which we operate is a key strategic priority for our business. We celebrate diversity in all its forms. Only with a mix of different ideas and perspectives can we come up with the most exciting new ideas and create the best experience for our consumers.

We were therefore pleased to be named a Disability Confident Leader in July, the highest level of accreditation given by the Department for Work and Pensions, which runs the scheme.

**86%**  
of employees would recommend Auto Trader as a place to work



Making a difference P40



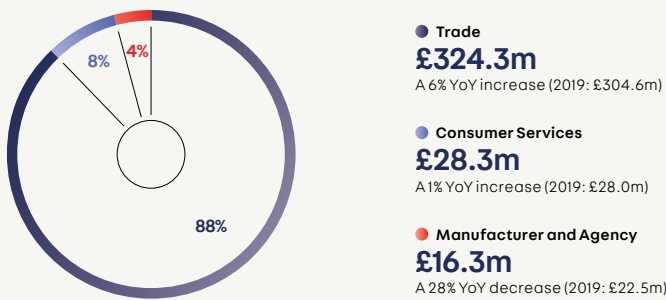
**Text Chat**  
Text Chat gives buyers the ability to text retailers directly from adverts, through their text messaging app.



**JAMIE WARNER**  
CHIEF FINANCIAL OFFICER

In a tough market, we achieved good revenue growth in the year, increasing by 4% to £368.9m (2019: £355.1m).

OUR REVENUE STREAMS



Revenue  
**£368.9m**  
+4%  
(2019: £355.1m)

Cash generated from operations  
**£265.5m**  
+3%  
(2019: £258.5m)

Operating profit  
**£258.9m**  
+6%  
(2019: £243.7m)

Cash returned to shareholders  
**£126.4m**  
-16%  
(2019: £151.1m)

Revenue

Trade revenue, which comprises Retailer, Home Trader and Other revenue, increased by 6% to £324.3m (2019: £304.6m). Retailer revenue grew 7% to £312.1m (2019: £293.0m), as a result of an increase both in the average number of retailer forecourts, which grew by 1% to 13,345 (2019: 13,240), and the Average Revenue Per Retailer ('ARPR'). ARPR increased by 6% to £1,949 per month (2019: £1,844).

ARPR growth of £105 per month can be broken down into three levers of growth: price, stock and product.

- Price: Our price lever contributed £53 (2019: £50) of total ARPR growth. We executed our annual event for the majority of customers on 1 April 2019 which included a like-for-like price increase. This price increase equates to a 2.9% increase on the previous year's ARPR.

- Stock: Through the financial year, the retailer market experienced challenges relating to the supply of stock. A lack of supply in the auction markets combined with a lack of confidence over trade valuations led to lower volumes of inventory being held by some of our customers. The number of cars advertised on [autotrader.co.uk](https://www.autotrader.co.uk) increased by 4% to 478,000 (2019: 461,000). However, excluding new car, Private and Home Trader listings, the stock lever declined by £30 (2019: decline of £22).

- Product: Our product lever contributed £82 (2019: £121) of total ARPR growth. Our annual event involved the introduction of two new products which were well received by retailers: Vehicle Check and Text Chat. In addition, there has been growth in our higher yielding Advanced and Premium advertising packages as retailers continue to recognise the value of receiving greater prominence within our search listings. At the end of March 2020, 23% of retailer stock was advertised on Advanced or Premium package levels (March 2019: 19%). During the second half of the year we monetised our new car advertising product following a trial period, and at the end of March 2020 we had over 1,000 paying retailers. There was a small headwind to product growth as we passed revenue across into our joint venture, Dealer Auction, as part of the transaction completed in January 2019.

Home Trader declined 19% to £8.3m (2019: £10.2m) as we saw some customers move to take up subscription advertising packages. A reduced number of transactions of older vehicles has also had some impact in this area.

Other revenue increased by £2.5m to £3.9m (2019: £1.4m) mainly through the acquisition of KeeResources which contributed £2.0m to this revenue line.

Revenue	2020 £m	2019 £m	Change
Retailer	312.1	293.0	7%
Home Trader	8.3	10.2	(19%)
Other	3.9	1.4	179%
Trade	324.3	304.6	6%
Consumer Services	28.3	28.0	1%
Manufacturer and Agency	16.3	22.5	(28%)
Total	368.9	355.1	4%

## ARPR LEVERS (£)



Consumer Services revenue increased 1% in the year to £28.3m (2019: £28.0m). Private revenue, generated from individual sellers who pay to advertise their vehicle on the Group's platforms, was £20.1m (2019: £20.1m). The total volume of private adverts listed continues to decrease year-on-year as the market remains under structural pressure. However, changes to our product offering, including the introduction of a new higher yielding 'hold until sold' package, has allowed us to upsell customers effectively. Motoring Services revenue increased 4% to £8.2m (2019: £7.9m), with strong growth from our partner finance offering partially offset by a decline in Vehicle Check as a result of the product being included in our retailer packages.

Manufacturer and Agency revenue declined 28% to £16.3m (2019: £22.5m). Market pressures driven by Brexit uncertainty coupled with regulatory changes resulted in lower marketing spend throughout the year.

## Administrative expenses

Operating costs continue to be well controlled, with administrative expenses increasing by 1% to £113.2m (2019: £112.3m).

People costs, which comprise all staff costs including third-party contractor costs,

Costs	2020 £m	2019 £m	Change
People costs	55.8	56.4	(1%)
Marketing	17.3	17.6	(2%)
Other costs	33.6	29.4	14%
Depreciation and amortisation	6.5	8.9	(27%)
Total administrative expenses	113.2	112.3	1%

decreased by 1% in the year to £55.8m (2019: £56.4m). The average number of full-time equivalent employees ('FTEs') (including contractors) increased by 6% to 853 (2019: 804) as we invested in our people to support the growth of the core business, and as a result of the acquisition of KeeResources on 1 October 2019, which contributed an additional 32 to the total average number. Although FTEs increased, this cost was offset by a saving in share-based payments, including applicable national insurance costs, which reduced by 39% to £3.6m (2019: £5.9m). Part of this saving resulted from the decision made by the Executive Directors to forego their bonuses earned in relation to FY20 as part of measures to mitigate the impact of COVID-19.

Marketing spend remained consistent year-on-year at £17.3m (2019: £17.6m). We continue to have a market leading audience position in terms of both visits and engagement, as measured by cross platform minutes, and acquire just 9% of our traffic from paid sources.

Other costs, which include data services, property related costs and other overheads, increased by 14% to £33.6m (2019: £29.4m). The increase comes from our Retail Accelerator product and Experian costs associated with our new Vehicle Check product. There were also higher costs as a result of the Group's ongoing migration to cloud-based services which will reduce the need for capital expenditure in physical onsite assets over time. Finally, the uncertainty caused by the COVID-19 outbreak resulted in a £2.1m increase in our expected credit loss provision for receivables.

Depreciation and amortisation significantly decreased by 27% to £6.5m (2019: £8.9m) with the reduction coming primarily from the Group's self-developed billing system assets becoming fully amortised.

## ESG IN FOCUS

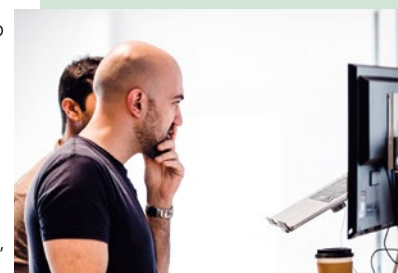
## Investing in IT and security infrastructure to ensure our systems remain robust

We're moving our systems from our physical data centres to the public cloud to take advantage of several benefits.

This enhances security, by continuously improving the performance of our products due to the increased visibility into their health, which enables us to get products and features to market faster. All while doing this more safely and improving our ability to optimise our costs and to be more sustainable.

19

employees in our dedicated customer & platform security teams



How we manage risk P52 →

## Administrative expenses

**£113.2m**

+1%

(2019: £112.3m)

## FINANCIAL REVIEW CONTINUED

### Operating profit

Operating profit grew 6% to £258.9m (2019: £243.7m) in the year. Operating profit margin increased by one percentage point to 70% (2019: 69%).

Our share of the profit generated by Dealer Auction, the Group's joint venture, increased to £3.2m (2019: £0.9m). This was the first full year of trading for the venture following its formation on 1 January 2019.

### Profit before taxation

Profit before taxation increased by 4% to £251.5m (2019: £242.2m). This increase results from the Operating profit performance, further increased by a reduction in finance costs but offset by the prior year one-off profit on disposal of a subsidiary of £8.7m as we transferred our Smart Buying business to the joint venture, Dealer Auction.

The Group has a £400m Syndicated revolving credit facility which is used to manage cash flows. Interest costs on the Group's RCF totalled £6.3m (2019: £6.5m). The decrease reflects a reduced average drawn level through the period. Amortisation of debt costs amounted to £0.7m (2019: £2.8m) with the prior year impacted by accelerated issue costs relating to our previous facility. Interest costs relating to leases totalled £0.4m (2019: £0.9m).

### Taxation

The Group tax charge of £46.4m (2019: £44.5m) represents an effective tax rate of 18% (2019: 18%). After removing the impact of Dealer Auction, which is consolidated post-tax, this is in line with the average standard UK rate.

Our total tax contribution is a measure of the taxes that we pay on all of our activities, as well as the taxes that we collect on behalf of tax authorities. In 2020, our total tax contribution was £153m. Taxes borne by

	2020 £m	2019 £m	Change
<b>Operating profit</b>			
Revenue	<b>368.9</b>	355.1	4%
Administrative expenses	<b>(113.2)</b>	(112.3)	(1%)
Share of profits from joint ventures	<b>3.2</b>	0.9	256%
<b>Operating profit</b>	<b>258.9</b>	243.7	6%

### Share of profits from joint ventures

**£3.2m**

(2019: £0.9m)

### Basic earnings per share

**22.19p**

(2019: 21.00p)

the Group totalled £76m and consist of corporation tax, employer's NICs and stamp duty. Taxes collected by the Group totalled £77m and consist mainly of PAYE deductions, employees' NICs and net VAT collected.

### Earnings per share

Basic earnings per share rose by 6% to 22.19 pence (2019: 21.00 pence) based on a weighted average number of ordinary shares in issue of 924,499,320 (2019: 941,506,424). Diluted earnings per share of 22.08 pence (2019: 20.94 pence) increased by 5%, based on 929,247,835 shares (2019: 944,254,998), which takes into account the dilutive impact of outstanding share awards.

### Cash flow and net debt

Cash generated from operations increased by 3% to £265.5m (2019: £258.5m) and was achieved primarily from Operating profit growth coupled with a strong level of cash conversion. Corporation tax payments totalled £69.8m (2019: £42.2m) with the increase due to the change in timing of tax paid following a change in HMRC's payment profile. Net cash generated from operating activities was £195.7m (2019: £216.3m).

As at 31 March 2020 the Group had net debt of £282.4m (31 March 2019: £321.0m), representing a net reduction of £38.6m. Net bank debt, which is Net debt before amortised debt fees and excluding accrued interest and amounts owed under lease arrangements, was £275.4m (2019: £307.1m). At the year end, the Group had drawn £313.0m of the Syndicated revolving credit facility (31 March 2019: £313.0m) and held cash and cash equivalents of £37.6m (2019: £5.9m).

Leverage, defined as the ratio of Net bank debt to EBITDA, decreased to 1.0x (2019: 1.2x). Interest paid on these financing arrangements was £6.4m (2019: £6.6m).

### Acquisition of KeeResources

On 1 October 2019, the Group acquired KeeResources Limited for consideration, net of cash acquired, of £25.3m. The assets and liabilities acquired have been accounted for at fair value in accordance with IFRS 3, with the remaining value of £13.9m being allocated to goodwill.

During the six month period post acquisition, KeeResources contributed £2.4m of revenue and £2.6m of costs (excluding amortisation of acquired intangible assets) to the consolidated results of the Group.

### Capital structure and dividends

During the year, a total of 11.4m shares (2019: 20.2m) were repurchased for a total consideration of £61.7m (2019: £93.5m) before transaction costs of £0.3m (2019: £0.5m). A further £64.7m (2019: £57.6m) was paid in dividends, giving a total of £126.4m (2019: £151.1m) in cash returned to shareholders.



The Directors are not recommending a final dividend for the year. The total dividend for the year is therefore 2.4p (2019: 6.7p), an interim dividend which was paid in January 2020.

The Group's long-term capital allocation policy remains unchanged: continuing to invest in the business enabling it to grow whilst returning around one third of net income to shareholders in the form of dividends. Any surplus cash following these activities will be used to continue our share buyback programme and over time to reduce debt.

The Group has returned to charging customers but will continue to monitor the ongoing environment around COVID-19. Subject to that monitoring, we are hopeful of an early return to our capital allocation policy with the declaration of an interim dividend in November.

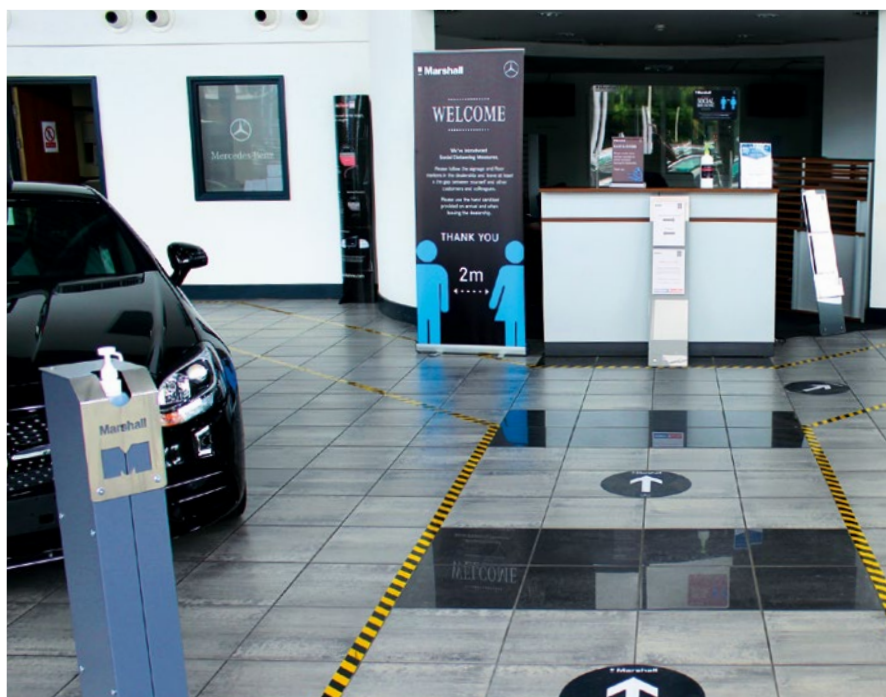
At the 2019 AGM, the Company's shareholders generally authorised the Company to make market purchases of up to 92,936,538 of its ordinary shares, subject to minimum and maximum price restrictions. This authority will expire at the conclusion of the 2020 AGM and the Directors intend to seek a similar general authority from shareholders at the 2020 AGM. The share buyback programme will be ongoing, and any purchases of its shares made by the Company under the programme will be effected in accordance with the Company's general authority to repurchase shares, Chapter 12 of the UKLA Listing Rules and relevant conditions for trading restrictions regarding time and volume, disclosure and reporting obligations and price conditions.

#### Post balance sheet events

##### COVID-19

The COVID-19 outbreak developed rapidly in 2020, with a significant number of infections across many countries. The conditions that existed at the balance sheet date were that, a disease was present in a number of countries globally. The novel Coronavirus that had been present in China was spreading rapidly. On 11 March 2020 the World Health Organization declared the virus a global pandemic. On 16 March 2020 the UK Government introduced social distancing measures to safeguard the public alongside a number of fiscal measures that included Government backed loans.

On 23 March 2020 the Government instructed the British public that they must remain at home unless for very limited purposes ('lockdown'). These instructions resulted in retailers closing their forecourts to comply with the new rules with immediate effect. The restrictions came into force on 24 March 2020 and would last indefinitely, with the first review being no earlier than 13 April 2020.



Conditions were present regarding the pandemic including the social distancing measures at the balance sheet date. Given the circumstances, management made judgements relating to revenue recognition and recoverability of assets, in particular accrued income and trade receivables. These judgements have been disclosed in note 1.

The social distancing measures were extended on 13 April 2020 and 7 May 2020. Retailers in England were able to reopen their forecourts from 1 June 2020. England has subsequently been followed by Northern Ireland (8 June 2020) and Wales (22 June 2020), while showrooms in Scotland will open on 29 June 2020. Management have assessed these extensions to the lockdown period as adjusting post balance sheet events given that they provide evidence of conditions that were present at the balance sheet date. Management have therefore reflected the impact of these events in the estimates made.

##### Equity placing

On 1 April 2020 the Company announced its intention to conduct a non-pre-emptive placing of up to 5% of its issued share capital. On 3 April 2020 the placing was completed, and a total of 46,468,300 new ordinary shares were allotted for a consideration of 400.00 pence per Placing Share, a discount of 8.9% to the closing share price of 439.1 pence on 31 March 2020. The placing raised gross proceeds of £185.9m for the Company, or £183.2m net of fees incurred.

On 3 April 2020, the Placing Shares were admitted to the premium listing segment of the Official List of the Financial Conduct Authority and to trading on the main market for listed securities of London Stock Exchange plc (together, 'Admission').

The Placing Shares rank pari passu in all respects with the existing ordinary shares in the Company, including the right to receive all dividends and other distributions declared, made or paid after the date of issue. Immediately following Admission, the total number of shares in issue in the Company was 969,008,774. Auto Trader held 4,090,996 shares in treasury, and, therefore, the total number of voting shares in Auto Trader in issue was 964,917,778.

##### Debt extension

On 1 June 2020, the Group extended the term for £316.5m of the Syndicated RCF for one year, incurring additional associated debt transaction costs of £0.5m. The facility will terminate in two tranches: £316.5m will now mature in June 2025; and £83.5m will mature at the original termination date of June 2023. There is no change to the interest rate payable and there is no requirement to settle all, or part, of the debt earlier than the termination dates stated.

##### Jamie Warner

Chief Financial Officer  
25 June 2020

We take our environmental, social and governance responsibilities seriously and are constantly looking at what we can improve on; we aim to ‘Make a Difference’ to our people, our communities and the wider environment, whilst ensuring we act at all times as a responsible business.



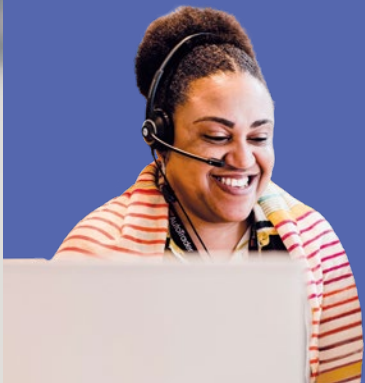
**Non-Financial Information Statement**

We aim to comply with all areas of the UK’s Non-Financial Reporting Directive. The table below sets out where stakeholders can find further information for each area within this Annual Report:

Non-financial risk	Policies, procedures and employee guilds	Section within this Annual Report
Environmental	<ul style="list-style-type: none"> <li>• Sustainability Guild</li> </ul>	<ul style="list-style-type: none"> <li>• Environmental impact: pages 47 and 48</li> </ul>
Our people	<ul style="list-style-type: none"> <li>• Code of Conduct</li> <li>• Stakeholder engagement</li> <li>• More Good Days AT Work</li> <li>• Wellbeing Guild</li> <li>• Board Engagement Guild</li> <li>• Whistleblowing Policy</li> </ul>	<ul style="list-style-type: none"> <li>• Our people and culture: pages 42 to 45</li> <li>• Section 172(1) Statement: pages 28 and 29</li> </ul>
Social and community	<ul style="list-style-type: none"> <li>• Ethical Procurement Policy</li> <li>• Customer Charter</li> <li>• Volunteering days</li> <li>• Diversity and Inclusion Guild</li> <li>• Make a Difference Guild</li> </ul>	<ul style="list-style-type: none"> <li>• Our people and culture: pages 42 to 45</li> <li>• Our communities and the wider environment: pages 46 to 49</li> </ul>
Human rights	<ul style="list-style-type: none"> <li>• Modern Slavery Policy</li> <li>• Privacy Policy</li> </ul>	<ul style="list-style-type: none"> <li>• Being a responsible business: pages 50 and 51</li> </ul>
Anti-bribery and anti-corruption	<ul style="list-style-type: none"> <li>• Anti-bribery, Gifts and Hospitality Policy</li> </ul>	<ul style="list-style-type: none"> <li>• Being a responsible business: pages 50 and 51</li> </ul>
Business model		<ul style="list-style-type: none"> <li>• How we create value: pages 14 and 15</li> </ul>
Principal risks		<ul style="list-style-type: none"> <li>• Principal risks and uncertainties: pages 54 to 57</li> </ul>
Non-financial key performance indicators		<ul style="list-style-type: none"> <li>• Operational key performance indicators: pages 32 and 33</li> </ul>

We have built a digital culture that is values-led, customer-centric and data-driven, underpinned by a diverse and inclusive team. Our ESG strategy is focused on 'Make a Difference' and we focus our efforts on the following:

Our people and culture



**Overview**

We focus on ensuring we create a highly collaborative culture where people feel motivated, valued and supported. We strive to be a business that's diverse in its make up and as inclusive as possible, as we believe diverse views will lead to better outcomes.

**Responsibility**

- The Board
- Remuneration Committee
- Nomination Committee
- Head of People

[Read more P42](#) →

Our communities and the wider environment



**Overview**

We strive to have a positive impact on the communities we operate in and the wider environment. We have guilds which create and execute our community outreach, charity work and sustainability strategy. We are also reporting our Scope 3 greenhouse gas emissions for the first time.

**Responsibility**

- The Board
- Sustainability Guild
- Make a Difference Guild

[Read more P46](#) →

Being a responsible business



**Overview**

We take our position in the industry seriously and strive to improve the marketplace. We have a relentless focus on driving transparency and fairness to instil trust between our stakeholders. We have policies, procedures and training to ensure that everyone knows that they must behave professionally, ethically and legally; treating people with decency and respect.

**Responsibility**

- The Board
- Risk Forum
- Operational Leadership Team

[Read more P50](#) →



## Our people and culture

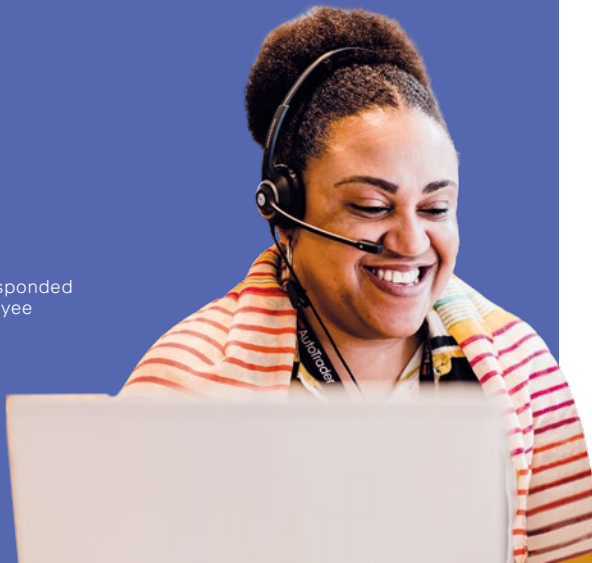
Our people are one of our most important assets, so we focus on ensuring we create a highly collaborative culture where people feel motivated, valued and supported. We strive to be a business that's diverse in its make up and as inclusive as possible, as we believe that drives better outcomes.

**89%**

of our people feel proud to work for Auto Trader

**85%**

of our total workforce responded to the most recent employee engagement survey



### Governing our ESG work

We are passionate and dedicated to our people and look to continually develop our unique culture. The Board engages with our people in various ways: attending different employee-led events; through regular business updates where they get the chance to update colleagues on our strategic deliverables; and also monthly breakfast sessions where they can ask questions and gain useful insights in a relaxed environment.

Last year we introduced our Board Engagement Guild, aligned with the new Corporate Governance Code standard, to ensure our Chairman and Non-Executive Directors have regular and effective engagement with our employees without the executives present or involved in preparation. Members of the Guild represent all areas of our business including our various employee networks such as Diversity & Inclusion, Make a Difference and Wellbeing Guilds. The main focus of the Guild is for our Board Directors to gain insight and understanding of our culture from an employee perspective, as well as discuss a variety of subjects. In this way the Board receives information and opinions directly from employees to enhance decisions. Employees gain perspective and context from different companies and industries from the wealth of experience our Board Directors share.

### OUR VALUES

Reflecting our culture and commitment to make a difference



**Be determined**

We are passionate, resilient and have the conviction to do the right thing. We roll up our sleeves to get the job done.

**Be reliable**

We are outcome-oriented and we do what we say we will do. We perform under pressure and have a strong work ethic.

**Be courageous**

We are bold in our thinking, overcoming fears, challenging convention and embracing change.

**Be humble**

We are open, honest, approachable and we treat each other fairly. We recognise success in ourselves and others but admit and learn from mistakes.

**Be curious**

We are always learning. We question why, we search for better ways, ask questions and actively listen.

**Be community-minded**

We look after each other, respect diversity and advocate inclusion. We are committed to making a difference to the communities around us and think of others before ourselves.

**Employee engagement and benefits**

To gauge how our employees are feeling, we conduct an annual employee engagement survey as well as a pulse check-in survey. The most recent survey, conducted in April 2019, achieved a response rate of 85% of our total workforce. Overall engagement remains positive with 89% (2019: 92%) of our people feeling proud to work for Auto Trader and 86% (2019: 89%) saying they would recommend us as a great place to work. We listen to the feedback and, with the support of our senior leaders and their teams, we review and develop action plans in order that we continually improve. We also look to Glassdoor for feedback; our rating based on more than 280 reviews is 4.5 out of 5.

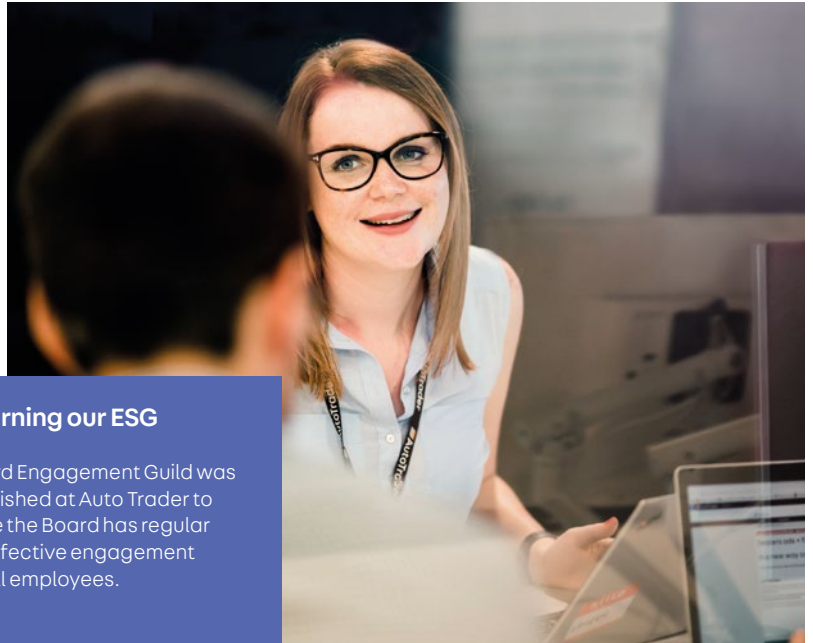
Our “Incredible Benefits” platform is where all of Auto Trader’s benefits are offered. We recognise that everybody is unique and has different needs and preferences, so employees can customise their benefits package at both annual enrolment and throughout the year. It has been another successful annual enrolment which saw 95% of employees log into their flexible benefits portal. Private Medical Insurance and the Health Cash Plan remain very popular funded benefits. In addition to the Company funded benefits, we offer a wide range of flexible benefits including dental insurance, travel loans and cycle to work schemes. This year we introduced two new benefits following employee feedback: annual gym membership and a corporate Metrolink discount with Transport for Greater Manchester. We again offered a Save as You Earn scheme (‘SAYE 2019’) to eligible employees which 31% have joined.

**Learning and development**

Our ambition is to make sure that everyone’s career is supported by learning opportunities, which includes self-learning, attending conferences, peer-to-peer mentoring, coaching and structured programmes.

We have created a process for onboarding our colleagues with a dedicated “Great Start” portal which is full of useful information for managers and new starters at Auto Trader to help them navigate their first few months. All new employees also join our induction event in their first three months; this is designed to ensure everybody has a great start in their career at Auto Trader and is facilitated with members of our Learning & Development (‘L&D’) team, Operational Leadership Team (‘OLT’) and colleagues from across the business. It provides an opportunity for all new starters to gain an understanding of our culture, strategy and values. It also helps them develop relationships and start building their personal network.

We believe that individuals who engage in their own personal development are more motivated, more self-aware, fulfil their



**Governing our ESG**  
A Board Engagement Guild was established at Auto Trader to ensure the Board has regular and effective engagement with all employees.

**95%**

of employees logged into their flexible benefits platform

potential and add more value to the organisation. All our employees are supported by their people leaders in regularly reviewing their personal development plans. The way we all learn is different, so we have a number of ways to support our people including self-directed learning solutions, workshops, bite-size sessions and on-the-job activities. An employee-led Conferences Guild offers the opportunity for colleagues to attend conferences all over the world to develop new skills, gain new knowledge, ensure Auto Trader is at the forefront of technology and network with industry experts. We also support individuals in pursuing various professional qualifications from various professional bodies.

We have welcomed a number of new graduates, apprentices and internships through our various programmes aiming to develop future talent with the skills and personal qualities required to have a successful career with Auto Trader. All our people leaders take part in our People Leadership Plan to develop their skills leading teams and individuals. The programme is designed and delivered by our L&D team and co-facilitated with colleagues from across the business who share their experience and variety of leadership styles.

Our Customer Academy, dedicated to our customer facing employees, enables them to learn more about our customers, the industry we operate in, our products and services, and a range of skills and knowledge that will help them deliver more value to our customers.



**Wellbeing – More Good Days AT Work**

We have an established Wellbeing Guild; a passionate network of people from across all tribes and teams who are committed to supporting our people to have More Good Days AT Work. We recognise that our people have their unique set of needs, challenges and preferences. Consequently, we have built our strategy around three core pillars: mental, physical and financial wellbeing.

Our dedicated team of Mental Health First Aiders is available to support colleagues that are experiencing mental health issues and works on different initiatives to promote mental wellbeing and emotional resilience. Our focus is on providing supportive professional pathways which are accessible to everyone to ensure we make no assumptions when directing people to supportive services. We provide practical tools, incredible benefits such as discounted gym membership, Company funded subscriptions for the wellness Calm app and offer educational workshops on all elements of wellbeing.

To support financial wellbeing, we continued our partnership with a mortgage broker offering free, no obligation one-to-one mortgage advice sessions to anyone looking to get on the property ladder. We also introduced sessions, that proved to be popular, with a pension adviser providing useful information about our Company pension scheme to encourage employees to invest in their long-term financial future.

## MAKING A DIFFERENCE CONTINUED

### Health and safety

It is our policy that all of the Group's facilities, products and services comply with applicable laws and regulations governing safety and quality, so that we can maintain a safe working environment for our employees, customers, visitors and anyone affected by our business's activities. During the year there were no major injuries reported under the Reporting of Injuries, Diseases and Dangerous Occurrence Regulations.

### Diversity & Inclusion

Striving to significantly improve the diversity across our whole organisation, particularly in leadership, remains a key strategic focus of our ESG strategy. Although we are pleased to be one of only seven FTSE100 companies to have a 50:50 gender parity on our Board (as of 31 March 2020), we recognise that there is more work to be done not only across other levels of leadership but also across other diversity strands.



We remain determined to maintain an inclusive culture where diverse people work together for the benefit of each other, our customers, industry and the communities we operate in. This year we were proud to be named No.9 in the Inclusive Companies Top 50 ('IT50') for the work that our colleagues across our business are doing, led by our passionate Diversity & Inclusion Guild. For the past four years, the Guild has designed and delivered an ever-evolving strategy concentrating on all diversity strands with a particular focus on: disability and neurodiversity; LGBT+; BAME; and gender equality.

Diversity for everyone at Auto Trader means respect for and appreciation of differences in: gender identity and expression, age, sexual orientation, disability, race and ethnic origin, religion and faith, marital status, social, educational background and way of thinking. We believe inclusion is a state of being valued, respected and supported for who you are and have the same career opportunities as others. "Diversity is the mix, inclusion is the effort that it takes to make the mix work." An effort that is carried out by colleagues from across the business and our employee networks.

All Auto Trader and Webzone new starters participated in our "One Auto Trader: Creating a Culture of Inclusion" one day workshop that aims to create a common understanding of diversity and inclusion as well as creating a safe environment where participants explore their own unconscious biases and how they impact their thoughts, behaviours and relationships. All our Diversity and Inclusion Networks join them on the day to provide them with an overview of their work and recruit new members with fresh ideas that will help the networks grow and achieve more.

This year we have enhanced the collaboration across all our employee groups and networks as we recognised that there are a lot of synergies that can be achieved. Our Wellbeing Guild, Make a Difference Guild, Family Network as well as our Sports & Social Clubs now regularly meet in order to design initiatives that bring our colleagues together in line with our philosophy that inclusion will be achieved by finding common ground and respecting each other's differences.



### Disability & Neurodiversity

Now in its second year, our Disability & Neurodiversity Network is led by a group of disabled, neurodiverse colleagues, as well as allies. The network continues to dedicate itself to creating a more accessible and inclusive environment so we can welcome and retain more disabled and neurodiverse colleagues. This year it developed a guide to accessibility at our offices to make visiting the Auto Trader offices easier for staff and visitors<sup>1</sup>. It also supports the work of leading charities like Action on Hearing Loss and the Leonard Cheshire Disability. Auto Trader became the first company in the world to become an "Autism Friendly Employer" by the National Autistic Society following a detailed audit to improve our working environment and increase awareness about autism at work.

We were also awarded the status of Disability Leader, the highest level of accreditation from the Department of Work and Pension Disability Confident Employer Scheme. It is recognised as acknowledging leading employers that seek to promote the needs of colleagues and which share their successes with other organisations. As part of the scheme our Resourcing team co-ordinates our involvement in the Guaranteed Interview Scheme for all disabled candidates that meet the criteria for our roles.

### LGBT+

For a third consecutive year we took part in the Stonewall Index benchmarking and moved up the rankings from the 66th percentile to the 48th percentile last year. This was a result of making considerable progress with our policies and introducing our "Transitioning at Work" guidelines to support our current and future trans colleagues. We also took part in Manchester Pride's Equality Charter achieving "Good Practice" status in recognition for our work across various areas advancing equality for LGBT+ colleagues.

Keeping with what has become an annual Auto Trader tradition, in August 2019 more than a hundred of our colleagues paraded the streets in the Manchester Pride Festival and sent a strong message of solidarity to the LGBT+ community. As part of our commitment to make a difference we have also sponsored different groups and charities, including the George House Trust and the LGBT+ Foundation, who aim to provide valuable support to people across Greater Manchester.

### BAME

Our BAME Employee Network is a well-established group of black, Asian and minority ethnic colleagues, as well as allies, that continue their work to celebrate multi-culturalism and inclusivity. As part of Black History Month our colleagues took over our AT life social media accounts and shared personal stories about themselves. We also hosted the "BAME Experience" event in the HOME Arts Centre in Manchester, bringing together more than 90 participants from various communities and businesses discussing their key issues and challenges that racial and ethnic minorities face, as well as concentrating on building a network that can take action that will bring progress. The network's regular quarterly meet ups are well attended by senior leadership and the wider business as they seek to drive awareness of the issues that our BAME colleagues may face.

In the coming financial year, in line with our commitment to improving our BAME representation in our workforce and ensuring a positive employee experience, our focus is to collect the data and calculate our ethnicity pay gap in order to identify potential actions we need to take to tackle any issues that arise.

1. Please see [plc.autotrader.co.uk/media/1935/building-accessibility-statement.pdf](https://plc.autotrader.co.uk/media/1935/building-accessibility-statement.pdf) for further information.

**Gender**

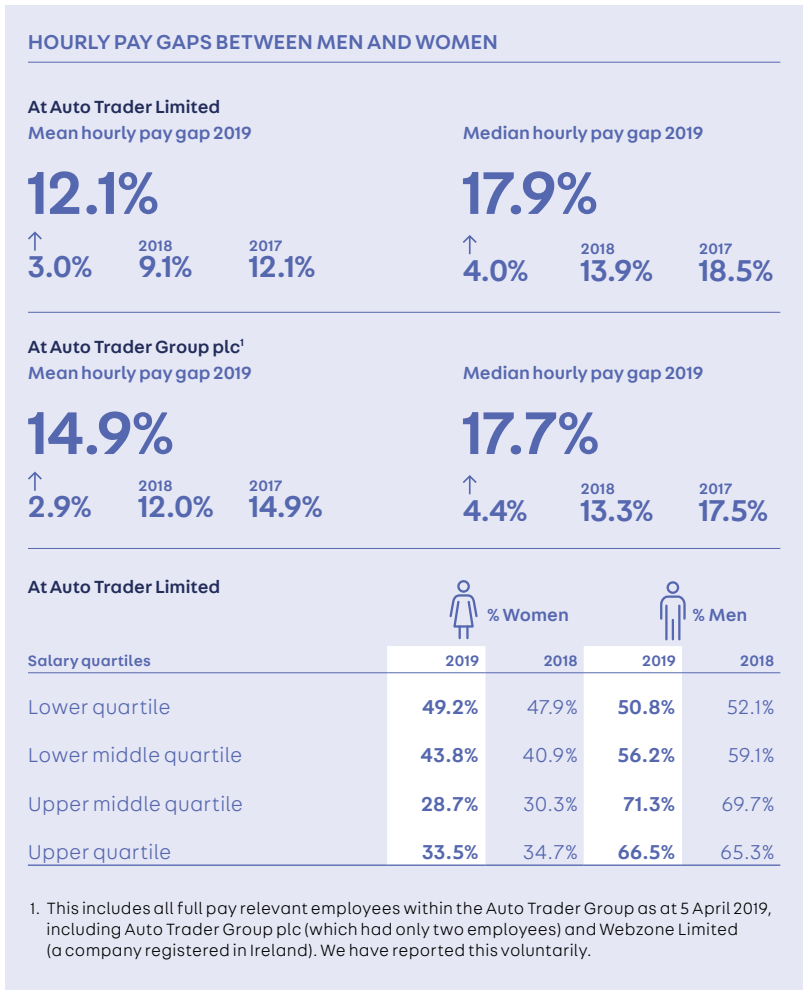
We remain committed to driving long-term change to reach gender parity in our business. Our focus is on developing the next generation of women in our industry. We do this by investing in our future talent strategy, as well as supporting a number of initiatives and partnerships including DigitalHer with Manchester Digital, AUTO30% and our STEM Ambassador Programme.

For International Women’s Day we joined the “Each for Equal” campaign and 80 colleagues made pledges and are committed to take action to support gender equality.

**Gender pay gap**

This year we released our third annual Gender Pay Gap report (published March 2020) supporting the Government’s initiative to promote transparency on gender pay. Our business remains committed to become more inclusive in welcoming, and just as importantly retaining, a diverse workforce.

We recognise that the gender pay gap has widened in 2019. This is partly due to the fact that we have increased the proportion of women in entry-level roles (with 58% of our early careers intake being women in 2019), which has increased the proportion of women in the lower and lower-middle quartiles.



**“Each for Equal” pledges included:**

66

I commit to recognising the achievements of women around me and championing them to others.

66

I commit to being more confident, speaking up when I don’t think things are right.



Our remuneration policy takes a simple approach to reward and the vast majority of our employees do not receive bonuses or commissions. However, in 2019 the number of men and women receiving bonuses has significantly increased as it includes Share Incentive Plan awards (free shares) exercised between April 2018 - March 2019. This also impacted the mean and median of our bonus pay gap.

Although a gender pay gap does still exist at Auto Trader, we will continue to work hard to address the issues we believe are relevant to reduce this gap.

**Gender diversity**

We are pleased that our Board has reached gender parity, but we know we have more work to do to achieve gender parity across all levels of the organisation. In the year, we are pleased to report that we welcomed more women to Auto Trader; entering the business in predominantly early career roles or across our technology teams.

Our dedication and focus on early careers have resulted in us supporting a variety of initiatives which have contributed to inspiring women to join and have fulfilling careers, not only with Auto Trader but across our industry and local communities.

Despite this, our numbers remain fairly static year-on-year for our Operational Leadership Team (‘OLT’) and their direct reports, one focus area for FY21. OLT numbers are impacted by Le Etta Pearce moving to become CEO of our joint venture with Cox Automotive, which is positive from a gender diversity perspective.

As at 31 March 2020	Men	Women	Men as % of total	Women as % of total
Board	4	4	50%	50%
OLT <sup>1</sup>	6	4	60%	40%
OLT direct reports	67	31	68%	32%
<b>Total Company</b>	<b>554</b>	<b>359</b>	<b>61%</b>	<b>39%</b>

1. Senior managers for the purpose of s.414C of the Companies Act 2006 (Strategic Report and Directors’ Report) Regulations 2013.

## Our communities and the wider environment

We are pleased to report that in the year, not only have we expanded our charitable funds and community outreach work, but that we have also progressed our sustainability and wider environmental initiatives. We are also reporting our Scope 3 greenhouse gas emissions for the first time.

### Making a difference to our communities

Our Make a Difference Guild is committed to empowering everyone across the Group to support our local communities, our industry and wider society. During the year, the Guild has grown in size and has developed its strategy to expand our charitable partnership programme as well as our community outreach plan.

The Auto Trader Community Fund, powered by the charity Forever Manchester, considers applications and awards up to £1,000 aimed at supporting grassroots projects across Greater Manchester. The Community Fund also supports projects for Saint Pancras Community Association in London, Camden Giving, New Horizon Youth Centre and Shelter. During the year our London colleagues took part in the Big Sleep Over on the roof of our King's Cross office and raised more than £2,600 to support the homeless.

This year we have donated £148,000 to support various charities and groups that make sustainable changes in people's lives. Donations from Auto Trader directly to other charities through the fundraising activities of our employees, customers and partners and our "AT sponsorships" match-funding and Sports Kits donations have totalled an additional £42,000.

Again, this year instead of Christmas gifts to our employees and customers we offered donations to charities of their choice totalling £71,000. Our Give as You Earn scheme participation has reached 18% of our total workforce and over £96,000 was donated to various charities by our colleagues.

But making a difference extends to more than donating money. More than 58% of our employees have utilised one of our Incredible Benefits, two optional volunteering days, to support worthy causes across the UK. Our employees have collectively offered 641 volunteering days to try and battle food poverty, renovate green spaces, support dog shelters and provide coaching and mentoring.

## £261,000

total charitable donations including match-funding

## Environmental impact

In the financial year we changed our electricity contracts to ensure we are using renewable energy sources where possible. All offices now use greener energy suppliers, except one (KeeResources), which will change in the coming year.

In addition to reporting our 'Scope 1' (combustion of fuel) and 'Scope 2' (purchased electricity and gas, and fuel associated with leased company cars) emissions, this year we have chosen to also report our 'Scope 3' emissions to support our evolving environmental focus. From the 15 different emissions categories that fall within 'Scope 3' emissions, we have deemed business travel, employee commuting and downstream leased assets as the most material and therefore the most relevant categories for us to measure.

We choose to present a revenue intensity ratio as a measure of our GHGs, as this is a relevant indicator of our growth and is aligned with our business strategy. The reduction in our Scope 1 and 2 emissions is as a result of a number of factors including: reducing the size of our London office; reducing the length of time we heat and provide electricity to the office each day; the introduction of passive infrared sensor lighting in the London office which is activated by movement; switching off electrical items while the office is closed; and our remote staff are no longer supplied company cars but have car allowances instead. The acquisition of KeeResources increased our headcount and, therefore, our people-related emissions in Scope 3, whilst our data centre usage also led to our Scope 3 emissions increasing moderately. However as we look to fully migrate to the cloud, we anticipate that this will reduce our Scope 3 emissions next year.



## FTSE4Good

We are pleased to have been recognised as a FTSE4Good company. Created by the global index provider FTSE Russell, the FTSE4Good Index Series is designed to measure the performance of companies demonstrating strong environmental, social and governance ('ESG') practices.

## Making a difference to the environment

As a technology business, with five offices (Manchester, London, Dublin, High Wycombe and Southampton) we have a relatively small carbon footprint. However, we have a passionate Sustainability Network comprising people from across the Group who are focused on rolling out changes for individuals as well as our offices in a bid to reduce our overall environmental impact.

## TOTAL CO<sub>2</sub> EMISSIONS<sup>1</sup>

	2020		2019	
	UK	Global	UK	Global
Scope 1	193	238	263	318
Scope 2	224	256	258	292
<b>Total (Scopes 1 and 2)</b>	<b>417</b>	<b>494</b>	521	610
KWh ('000s)	1,592	1,890	1,910	2,240
Scope 3		1,684		1,577
<b>Total (Scopes 1, 2 and 3)</b>		<b>2,178</b>		2,187
Revenue		£368.9m		£355.1m
Carbon intensity <sup>2</sup>		5.90		6.16

1. Tonnes of carbon dioxide equivalent.

2. Absolute carbon emissions divided by revenue in millions.

## METHODOLOGY/ASSUMPTIONS

The Group is required to measure and report its direct and indirect greenhouse gas emissions ('GHG') by the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018. The greenhouse gas reporting period is aligned to the financial reporting year. The methodology used to calculate our emissions is based on the financial consolidation approach, as defined in the Greenhouse Gas Protocol, A Corporate Accounting and Reporting Standard (Revised Edition). Emission factors used are from UK Government ('BEIS') conversion factor guidance for the year reported.

- Scopes 1 and 2 have been restated to include Webzone in 2019 figures. The previous reported figure for Scope 1 was 263 and for Scope 2 was 258.
- Scope 3 comprises business travel, employee commuting and downstream leased assets, which are based on the following:
  - Business travel calculated based on actual travel activity using DEFRA emissions factor to calculate emissions
  - Employee commuting calculation based on employee surveys combined with and based on the Commuting trends report according to the UK Government
  - Downstream leased assets refers to the Company's physical data storage facility and cloud-based storage solutions

One main initiative that the Network drove during the year was increasing our colleagues' carbon literacy knowledge. With the support of the Carbon Literacy Trust over 15% of our Auto Trader colleagues completed the training meaning we achieved the 'Silver' level of accreditation – the first FTSE100 company to have achieved this.



The Sustainability Network also hosted its second annual Sustainability Roadshow bringing together the entire business to increase awareness on the reduction of single use plastic and food waste, as well as encouraging colleagues to make a personal pledge for the benefit of sustainability.

As outlined in the Market overview, on pages 16 to 19 of this Report, we are going to see a shift towards electric vehicle ('EV') ownership. As the UK's largest automotive marketplace, we have a duty to support manufacturer and retailer customers to advertise these vehicles. We also have a duty to consumers to support them with their research and purchase decisions.

## MAKING A DIFFERENCE CONTINUED

We anticipate that personal vehicles will be used more frequently following the recent advice from the UK Government as part of their COVID-19 response to avoid travelling to work by public transport. This will have an impact on our environment and, as such, we will continue to educate consumers on the benefits of EVs and AFVs.

Our offices in London and Manchester are both highly graded by the BREEAM standard, which sets best practice standards for the environmental performance of buildings through design, specification, construction and operation. Our London office has an 'outstanding' rating, and our Manchester office an 'excellent' rating.

We use Fruitful Office to deliver fruit to our offices each week. The company plants one tree in Malawi for every order of fruit they receive, which this year equated to 1,731 trees. The trees help the organisation to mitigate the effects of global warming and deforestation, providing incomes to local communities.

Promoting the advancement of new technologies and cleaner, more efficient fuel types is an important issue for us. That's why we actively support the industry's efforts to increase the consumer adoption of alternative fuel vehicles ('AFVs'). Not only do we regularly meet with the Department for Transport's Office for Low Emission Vehicles to share our data and insights to help guide policy around the topic, but we are also supporting the industry trade bodies with their initiatives. We have partnered with the National Franchise Dealers' Association ('NFDA') to feature its Electric Vehicle Accreditation ('EVA') on [autotrader.co.uk](https://www.autotrader.co.uk) - those retailers that meet the strict guidelines of the initiative are able to include a badge on their adverts. On our own marketplace, we have taken steps to make it easier for car buyers to search for AFVs by improving the search filters and the information that is served on our full page adverts.

### Making a difference in our industry

As a business we're committed to supporting our customers and the wider automotive industry, providing in-depth insights and data to help inform strategy and understanding of the market, as well as helping to further issues we believe will benefit the industry. We do this by researching and writing specialist reports across the Group, including the Car Buyers Report, biannual Market Reports as well as the Annual Motoring Report from Webzone.

Last year we hosted our second annual diversity and inclusion event in partnership with recruitment specialists, Ennis & Co. Over 80 HR directors, senior executives and change leaders from many of the largest retailers, manufacturers and trade bodies joined us to share ideas, experiences and best practice. It was followed by an in-depth whitepaper created by our Auto Trader colleagues which explored the cultural and economic benefits of attracting and retaining a diverse workforce.



# 800+

retailers attended our Masterclass and Discovery programmes

# 5,000

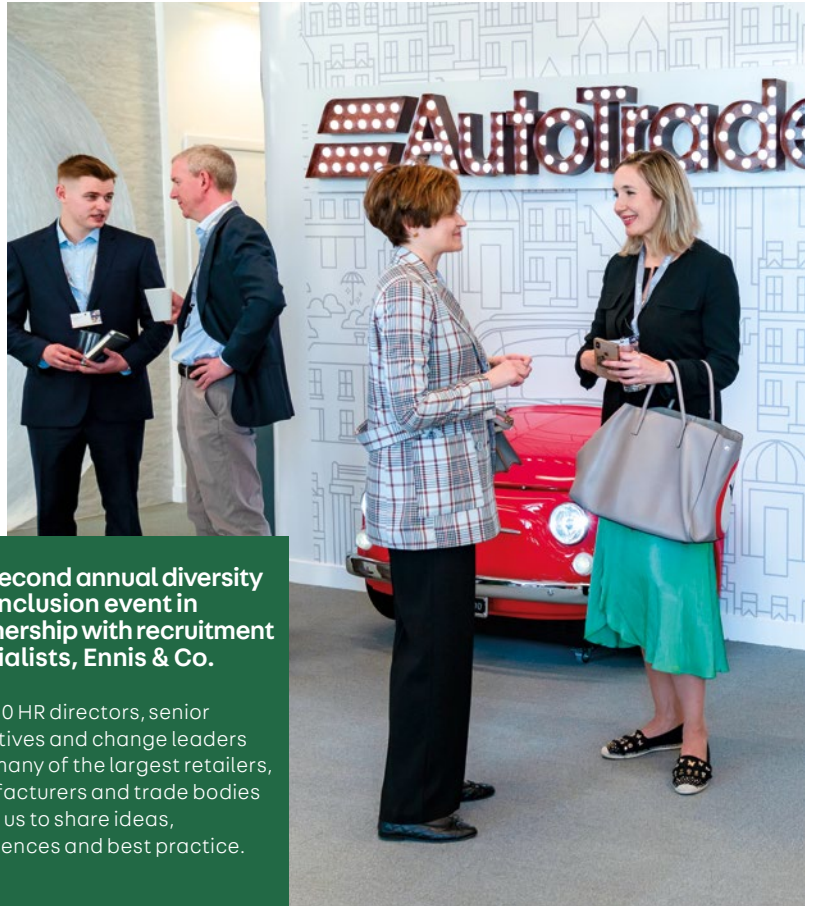
retailers viewed content through our webinars and insight on demand initiatives

We also continued our partnership with the UK Automotive 30% Club, helping in its ambition of filling at least 30% of key leadership positions in automotive with women by 2030. We hosted its annual conference which was attended by 100 senior executives from across the automotive industry, who listened to a series of panel discussions and keynote speakers exploring the necessary steps to attract more women into automotive.

Through KeeResources we are an active member of trade bodies including the National Asset Management Agency ('NAMA'), the Vehicle Remarketing Association ('VRA'), the British Vehicle Rental and Leasing Association ('BVRLA') and the SMMT, speaking at their conferences to offer insight into vehicle valuations, trends, analysis and opinion of the market. KeeResources also manages the Fleetnet Code, a standard coding system to describe vehicle models in a consistent manner, driving it forward for 17 years. We have also been re-appointed as Code Manager for the next term, 2021-2026.

2019 marked 12 years of celebrating and recognising the best performing retailers each year at our annual Auto Trader Retailer Awards event. It was our privilege to host over 100 of the industry's leading retailers to share the latest insights and to award their successes. Utilising our brand recognition, the awards are used by retailers to promote their businesses to consumers on our marketplace and in their dealerships.

We also held our third Auto Trader New Car Awards, where we celebrate the very best new cars launched. Unlike other industry car awards which are voted on by panels of experts, we believe the opinions that matter most are those of our consumers. That's why our winners were decided by feedback collated from a survey of more than 60,000 car owners, all of whom rated their car in 16 key areas. A number of the manufacturers that won in 2019 used the New Car Award logo in their advertising. Leading the industry, sharing ideas, and



### Our second annual diversity and inclusion event in partnership with recruitment specialists, Ennis & Co.

Over 80 HR directors, senior executives and change leaders from many of the largest retailers, manufacturers and trade bodies joined us to share ideas, experiences and best practice.

inspiring change and action are at the heart of our work with our retailer partners. Through our Auto Trader Masterclasses, conferences, webinars, in-house discovery days, award events, blog and our social media channels, we share the latest consumer trends, best practice advice and insights gleaned from our data to help shape the future of the industry. In 2019, over 800 retailers attended our Masterclass and Discovery programmes with over 5,000 retailers viewing content through our webinars and insight on demand initiatives.

We continue to support the technology and digital industries with various partnerships and projects. Working closely with Manchester Digital, whose members include progressive businesses, we aim to create the optimum environment for our industry by taking direct action to solve specific issues like talent shortages as well as providing a cohesive voice for the sector.

Our colleagues from our product and technology teams host "AT Tech Talks" that are free to everybody that wants to learn about the latest use of technology and network with other professionals. We also continue with our "Tech Blog" series including useful content on anything from product design to automation, in order that we support the development of people in other businesses. Our colleagues also take part as speakers in various technology conferences around the world to share their ideas and experiences with their industry peers. As STEM Ambassadors, our colleagues host different events for students to encourage them to engage with the relevant subjects at school and university and inspire the future technology and digital talent.



## Being a responsible business

We take our position in the industry seriously and strive to continually improve the marketplace to ensure we remain the most trusted place for car buyers to source their next car. We have a relentless focus on driving transparency and fairness, both of which instil trust between us and our stakeholders.

We believe that the only way to deliver the best experience for our consumers and the best services for our customers – and do the right thing by our people – is to approach things in the right way. Therefore, we have established policies, procedures and training to ensure that everyone at Auto Trader knows that they must behave professionally, ethically and legally; treating people with decency and respect. We promote a culture of compliance and shared responsibility by providing advice and information to keep our employees, consumers and customers smart, safe and secure.

**34**

days to pay our supplier invoices, on average



## Maintaining a trusted marketplace

To ensure consumers only see genuine adverts, we have a dedicated customer security team, working seven days a week, who monitor our site to identify adverts that are potentially fraudulent or misleading in price or mileage. We also have an online Safety and Security area on our platform which offers tips, checklists and advice to help car buyers and car owners stay safe when buying and selling vehicles. Over 10 years ago, we founded an industry forum, the Vehicle Safe Trading Advisory Group ('VSTAG'). VSTAG brings the UK's leading online automotive advertising companies together with advisors from the Metropolitan Police, Get Safe Online and Action Fraud to work together to reduce online vehicle crime and help protect buyers and sellers of pre-owned vehicles from fraud.

To mitigate the risk of cyber crimes we continuously monitor the availability and resilience of our platform and systems, as well as investing in security infrastructure to ensure they remain robust. We employ dedicated security teams and carry out regular penetration testing and reviews of threats and vulnerabilities. We have two-factor verification in place to access our network, providing enhanced authentication. We have been PCI DSS (payment card industry data security standard) compliant since 2013 and use an external Quality Security Assessor to maintain best practice.

We have a rigorous data breach process in the unlikely event one occurs. This includes reporting notifiable breaches to the relevant regulatory authorities, including the ICO and FCA, without undue delay and within stipulated deadlines. Where required we take corrective action as soon as possible.



We are a data-led business, and when it comes to collecting and storing personal data, be that for consumers, customers or our employees, we abide by a clear set of principles. We are committed to ensuring that the personal information we collect and use is appropriate for the purpose and does not constitute an invasion of privacy. Where appropriate, Auto Trader obtains consent from consumers to gather personal data to service their enquiries for products, services or vehicles advertised on the site. Explicit consent is also obtained to contact consumers for marketing purposes. We may pass personal data to third-party service providers contracted to Auto Trader in the course of dealing with customers or employees. We carefully vet any third parties that we share data with, and they are obliged to keep it securely, and to use it only to fulfil the service they provide on our behalf. Our full Privacy Policy can be found on our PLC website<sup>1</sup>.

### Operating ethically

We are committed to carrying out all business activities in an honest, open and ethical manner. This year we introduced an "Ethical Procurement Policy"<sup>2</sup> and we pro-actively seek supplier relationships with those who equally share our passion for contributing to the community and environment within their own businesses and their supply chains. We encourage our suppliers and partners to drive their own ESG efforts in line with our principles. As with all large businesses, we publish information about our supplier payment practices and performance. On average, we take 34 days to pay our supplier invoices with 82% paid within the agreed terms during 2020.

As outlined in our "Customer Charter" which can be found on our PLC website<sup>3</sup>, all customers are treated fairly and consistently, with transparent and standardised pricing and business practices.

We have zero tolerance to any aspect of bribery and corruption, both within our business and in respect of any third parties with whom we have dealings. We have an established anti-bribery and corruption policy and procedures in place including reporting of gifts and hospitality, standard contractual clauses with suppliers and annual online compliance training for all employees.

Each year, our employees complete mandatory compliance training that covers fraud, bribery, anti-money laundering, information security, criminal corporate offence and GDPR to ensure they are up to date with policies and procedures in all these areas.



### Reducing the risk of cyber crime

We continuously monitor the availability and resilience of our platforms and systems and invest in security infrastructure to mitigate the risk of cyber crimes.

We actively cultivate a transparent and open culture, encouraging our employees to speak up whenever they have any concerns or experience any serious malpractice or wrongdoing in our business. We provide a whistleblowing helpline through an independent organisation, which is anonymous and confidential. Reports are directed to the Audit Committee Chair and the Company Secretary.

### Protecting human rights and treating people fairly

Our focus on diversity and inclusion extends to treating all our employees and job applicants fairly and equally. It is our policy not to discriminate based on gender or gender identity, sexual orientation, marital or civil partner status, gender reassignment, race, religion or belief, colour, nationality, ethnic or national origin, disability or age, pregnancy, or trade union membership or the fact that they are a part-time worker or a fixed-term employee. The equal opportunities policy operated by the Group ensures all workers have a duty to act in accordance with this.

We are committed to acting ethically and with integrity in all our business dealings and relationships, and to implementing and enforcing effective systems and controls to ensure modern slavery is not taking place anywhere in our own business or in any of our supply chains. For our full Modern Slavery Statement please see our PLC website<sup>4</sup>. We have a zero-tolerance approach to modern slavery and expect the same high standards from all our contractors, suppliers and other business partners.

1. Please see [autotrader.co.uk/privacy-policy](https://www.autotrader.co.uk/privacy-policy) for further information.

2. Please see [plc.autotrader.co.uk/media/1836/ethical-procurement-2019.pdf](https://www.plc.autotrader.co.uk/media/1836/ethical-procurement-2019.pdf) for further information.

3. Please see [plc.autotrader.co.uk/media/1909/auto-trader-customer-charter-2020.pdf](https://www.plc.autotrader.co.uk/media/1909/auto-trader-customer-charter-2020.pdf) for further information.

4. Please see [plc.autotrader.co.uk/media/1859/modernslaverypolicyseptember2019.pdf](https://www.plc.autotrader.co.uk/media/1859/modernslaverypolicyseptember2019.pdf) for further information.

## HOW WE MANAGE RISK

The Board is collectively responsible for determining the nature and extent of the principal risks it is willing to take in achieving its strategic objectives.

### Risk management and internal control

The Company does not have a separate Risk Committee; the Board is collectively responsible for determining the nature and extent of the principal risks it is willing to take in achieving its strategic objectives.

The Board is also responsible for establishing and maintaining the Group's system of risk management and internal controls and it receives regular reports from management identifying, evaluating and managing the risks within the business. The risk management framework is described below.

### ESG IN FOCUS

#### A spotlight on the recommendations of the Task Force on Climate-related Financial Disclosures ('TCFD')

The Board notes the TCFD's recommendations for voluntary disclosures on climate risk in annual reports relating to governance, risk management and the metrics used to manage climate-related risks and opportunities. Whilst Auto Trader itself has a low carbon footprint, we recognise that the automotive sector accounts for a significant proportion of global carbon emissions. As the world transitions to a low carbon economy, we expect that regulatory change and changes in consumer behaviour will have an impact on the automotive market, which will mean we need to develop and adapt our business. In this year's Annual Report, we have included this risk in our principal risk table, and we intend to evolve our disclosures in future years in line with the TCFD's recommendations.



Governance P60 →

## OUR RISK MANAGEMENT PROCESS

We recognise that effective risk management is critical to enable us to meet our strategic objectives and to achieve sustainable long-term growth. A four-step process has been adopted to identify, monitor and manage the risks to which the Group is exposed:

### 1. Identify risks

A top-down and bottom-up approach is used to identify principal risks across the business. Whilst the Board has overall responsibility for the effectiveness of internal control and risk management, the detailed work is delegated to the Operational Leadership Team ('OLT').

### 2. Assess and quantify risks

Risks and controls are analysed and evaluated to establish the root causes, financial impact and likelihood of occurrence. The Group categorises risks into six areas:

- economy, market and business environment risk;
- financial and compliance risk;
- asset risk;
- operational risk;
- competitive risk; and
- product specific risk.

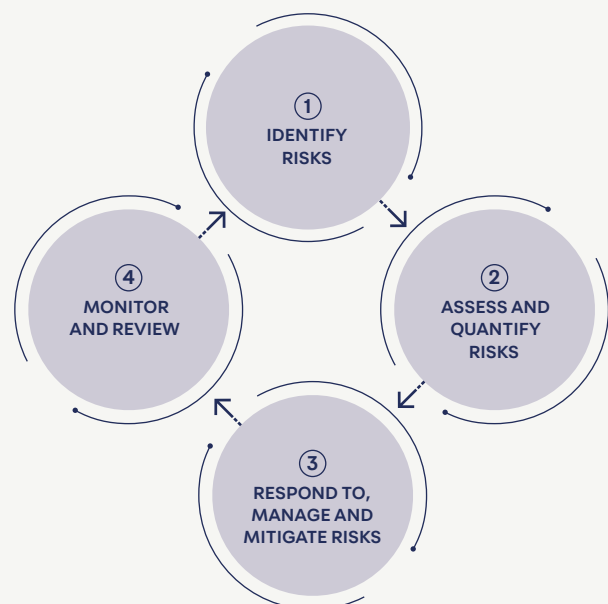
### 3. Respond to, manage and mitigate risks

The effectiveness and adequacy of existing controls are assessed. If additional controls are required to mitigate identified risks then these are implemented and responsibilities assigned.

### 4. Monitor and review

The OLT is responsible for monitoring progress against principal risks in a continual process. They are assisted by the Group's internal audit programme run in conjunction with Deloitte.

The Board reviews the Group's risk register and assesses the adequacy of the principal risks identified and the mitigating controls and procedures adopted.



## OUR RISK MANAGEMENT FRAMEWORK

Risks are reviewed on an ongoing basis and are captured in a risk register, identifying the risk area, the likelihood of the risk occurring, the impact if it does occur and the actions being taken to manage the risk to the desired level. The Board’s role is to consider whether, given the risk appetite of the Group, the level of risk is acceptable within its strategy.

## RESPONSIBILITIES

### The Board’s responsibilities

- Overall responsibility for overseeing the Group’s risk management and internal control process
- Determines the Group’s risk appetite
- Ensures appropriate and robust systems of risk management and internal controls are in place to identify, manage and mitigate risks to the overall viability of the Group

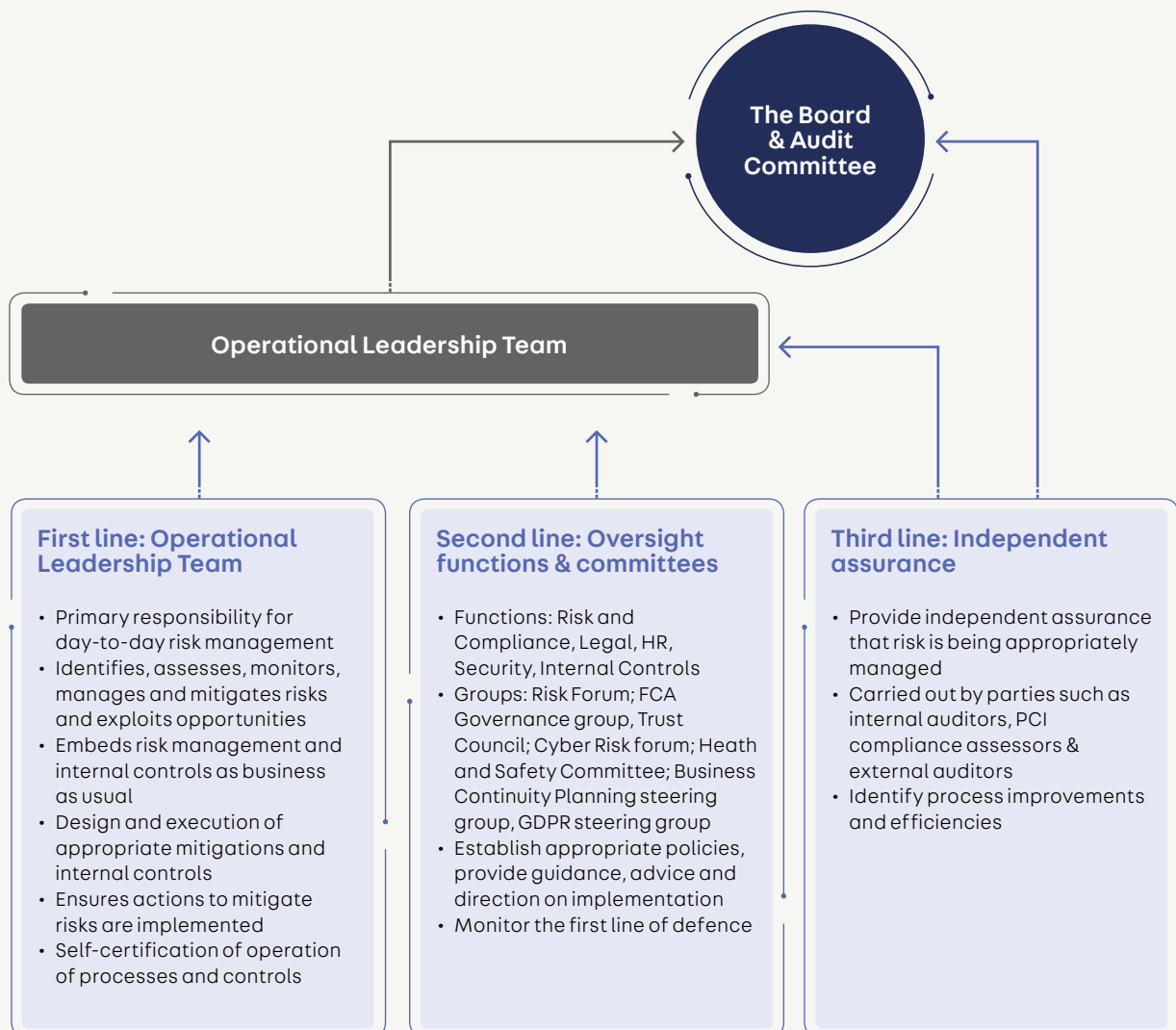
### Audit Committee’s responsibilities

- Assessing the scope and effectiveness of the Group’s internal controls and risk management systems
- Agreeing the scope of the internal audit and external audit functions, and reviewing their work

### Operational Leadership Team’s responsibilities

- Identify, assess, monitor, manage and mitigate risks and exploit opportunities
- Embedding risk management and internal controls as business as usual
- Ensuring corrective actions to mitigate risks and address control deficiencies

## LINES OF DEFENCE



# PRINCIPAL RISKS AND UNCERTAINTIES

## Identifying, evaluating and managing the Group's risks

The Board has carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity. This included an assessment of the likelihood and impact of each risk identified, and the mitigating actions being taken. Risk levels were modified to reflect the current view of the relative significance of each risk.

A new principal risk has been added in respect of the COVID-19 pandemic. The Board had previously identified a principal risk in relation to the economy, market and business environment, and a lower

likelihood risk in respect of business continuity in the event of a major event. However, the specific scenario of a pandemic, and the magnitude of the disruption caused, was not previously anticipated, and therefore a new separate risk has been included below.

The principal risks and uncertainties identified are detailed in this section. Additional risks and uncertainties to the Group, including those that are not currently known or that the Group currently deems immaterial, may individually or cumulatively also have a material effect on the Group's business, results of operations and/or financial condition.

RISK	IMPACT AND CHANGES IN THE YEAR	KEY MITIGATIONS
<p><b>1. COVID-19</b></p> <p>↑ Increase</p> <p>Relevant focus areas 1 2 3 4 5 6</p>	<p>As described more fully on pages 4 to 7, the COVID-19 pandemic has caused unprecedented levels of disruption to every aspect of the UK economy, the automotive market, our customers, our consumers, our suppliers, our employees and the way we operate our business. From 23 March 2020 members of the public were advised to stay at home except for limited circumstances, and our retailer customers were required to close their showrooms. This impacts on many of our existing principal risks as follows:</p> <ul style="list-style-type: none"> <li>• <b>Economy:</b> The restrictions on many UK businesses will significantly impact the UK economy, with GDP expected to decline by between 7% and 13% in 2020. The number of both trade and private transactions is expected to dramatically reduce during the period of full lockdown. As the restrictions ease, there is a risk that social distancing measures and decreased consumer confidence could lead to a reduced number of transactions for the rest of the year. This could impact our ability to generate revenue and collect cash from our retailer customers, our Manufacturer and Agency customers and private sellers.</li> <li>• <b>Competition:</b> Our retailer customers' ability to spend on marketing may be significantly reduced and therefore there is a risk that they move to alternative routes to market to save cost. Also, in order to preserve cash, our own marketing spend has been reduced and this has the potential to weaken our competitive position.</li> <li>• <b>Employees:</b> The physical health and safety of our employees is of paramount importance and therefore in line with Government guidelines, our entire workforce is working remotely. Also, due to this significant reduction in activity, we furloughed just over 25% of our employees in early April 2020. This could result in an adverse impact on our collaborative culture and ways of working, and on our employees' mental health and wellbeing. There is a future risk when we return to office working to ensure that the health of our employees is protected.</li> <li>• <b>Reliance on third parties:</b> The economic situation increases the risk of failure for third-party suppliers, which could impact our ability to provide services to our customers, or adversely affect the consumer experience leading to a loss in audience.</li> </ul> <p>The pandemic also raises the likelihood of our other risks which were not previously reported within principal risks (due to their previously low probability) as follows:</p> <ul style="list-style-type: none"> <li>• <b>A crisis or major event prevents the business or its customers/suppliers from being able to operate:</b> Whilst we had identified as a risk an event which caused a major disruption to our business, this was considered to have a low likelihood. The specific scenario of a pandemic, in which our customers would be forced to close, or where our employees would not be able to work from our premises for sustained periods of time, was previously considered to have a very low likelihood.</li> <li>• <b>Risk of breaching financial covenants:</b> Our revolving credit facility contains financial covenants for debt cover and interest cover. Due to our high levels of cash generation and strong financial position, the risk of breaching these covenants was previously very low and therefore not disclosed as a principal risk.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Governance:</b> We adapted our governance arrangements so that the Board was able to react quickly and decisively to the situation as it unfolded. We established a COVID-19 response team with different workstreams, each focusing on a different aspect of impact (including engaging employees, operational effectiveness, customers, suppliers and partners, financial position and viability, risks and controls). Key risk indicators were established to monitor automotive market activity, audience metrics and customer behaviour.</li> <li>• <b>Employees:</b> From the onset of the situation, we have engaged with our employees through regular and transparent communications, including twice-weekly all-company virtual briefings from senior management. We closely monitored and adopted all Government and PHE guidelines to protect the physical safety of our employees, and implemented remote working as from 17 March 2020. We offered a full programme of support and resources to enable our employees to work remotely in an effective and collaborative way, including consideration of mental and physical wellbeing; working environment reviews; and training/guidelines for managers to support staff including those who had been furloughed.</li> <li>• <b>Customers:</b> In order to support our retailer customers and increase the likelihood of their future viability, we introduced a comprehensive support package including free advertising to our retailer customers whilst their showrooms were required to be closed; extensions to credit terms; new products and services to help them to prepare for re-opening; and an educational programme of webinars.</li> <li>• <b>Competition:</b> We monitor our competitive landscape and audience metrics closely, and despite our reduction in marketing spend, our relative audience share has been maintained.</li> <li>• <b>Suppliers:</b> We increased the level of scrutiny of our ongoing supplier and partner monitoring programmes, with a focus on their ability to continue to operate and their financial viability.</li> <li>• <b>Business continuity and operational resilience:</b> We already had a robust Business Continuity Plan, managed by a cross-functional steering group. At the start of the outbreak, we refreshed the plans to incorporate various scenarios, ranging from a single employee diagnosis, to an extreme case of all employees being required to work from home, and therefore we were in a very strong position to implement remote working. We reviewed and addressed all key person dependencies in the event of high staff absences. We also refreshed our risk assessments and controls to identify areas where risk may be increased as a result of remote working and adjusted the control framework accordingly.</li> <li>• <b>Risk of breaching financial covenants:</b> Cost reductions were implemented immediately, including reductions in executive salaries and waiver of bonuses, removal of most discretionary spend, including marketing, and furlough of just over 25% of employees (with most employees being topped up to full salary). Our balance sheet and liquidity position were further strengthened by an equity placing, raising £183.2m net of fees incurred on 1 April 2020, our share buyback programme was temporarily paused, and no final dividend has been declared for 2020.</li> </ul>

FOCUS AREAS THAT ARE IMPACTED BY OUR RISKS



Core

- 1 Maintain the best consumer experience for buying and selling vehicles
- 2 Continually innovate to create value for our customers
- 3 Improve vehicle stock choice, volumes and accuracy



Adjacent

- 4 Become to new cars what we are in used
- 5 Develop a more efficient way to source, dispose and move vehicles



Future

- 6 Extend our product offering further down the buying funnel, towards online transactions

RISK	IMPACT	CHANGES IN THE YEAR	KEY MITIGATIONS
<p><b>2. Economy, market and business environment</b></p> <p>↑ Increase</p> <p>Relevant focus areas 3 4</p>	<p>There are a number of scenarios which could lead to a contraction in the number of new or used car transactions, including the COVID-19 pandemic (as described above in (I)); the ongoing trade negotiations with respect to the UK's departure from the EU; or regulatory change and environmental concerns from consumers leading to a shift in demand away from vehicle ownership.</p> <p>These could result in reduced retailer profitability, leading to a fall in advertising spend or a contraction in the number of retailers. It could also lead to a reduction in manufacturers' spend on digital display advertising.</p>	<p>As described on pages 16 to 19, the total number of transactions for the 12 months ended March 2020 declined by 4.3% to 9.8m. New car registrations declined 10.9% to 2.1m in the 12 months to March 2020. Used car transactions decreased by 2.3% to 7.7m in the 12 months to March 2020, although scrappage rates remained stable and so the total number of cars in the UK marginally increased.</p> <p>We had not seen material evidence of consolidation by retailers during the year ended March 2020 however we anticipate that there will be a reduction in the number of retailers over the next 12 months due to the economic impact of the COVID-19 pandemic.</p> <p>There continues to be significant uncertainty about the implications surrounding the UK's departure from the EU and the outcome of trade negotiations, including the impact on tariffs, currency volatility and consumer confidence levels.</p> <p>Overall, this risk has increased.</p>	<ul style="list-style-type: none"> <li>• The mitigations in respect of the COVID-19 position specifically are outlined above in (I).</li> <li>• The Board continues to consider the potential implications of the UK's departure from the EU and will monitor as negotiations progress.</li> <li>• We monitor new and used car transactions closely, using data from SMMT and from the DVLA, from observing behaviour on our marketplace, and from engaging closely with our customers.</li> <li>• We engage with regulatory bodies, Government departments and manufacturers to monitor developments in respect of climate change as relevant to the automotive industry. We monitor consumer demand and are evolving our product offering to help consumers when they are considering purchasing an electric vehicle.</li> <li>• We use our own Auto Trader Retail Price Index and valuations data to monitor the pricing trends of used cars by trade sellers.</li> <li>• We continue to diversify into related and adjacent activities to reduce our reliance on stock and to improve the resilience of our business model.</li> <li>• We closely manage our cost base and operate on a lean basis, and have been able to respond swiftly to the current conditions.</li> </ul>
<p><b>3. Brand</b></p> <p>— No change</p> <p>Relevant focus areas 1 2 3 4 5 6</p>	<p>Our brand is one of our biggest assets. Our research shows that we are the most trusted automotive classified brand in the UK.</p> <p>Failure to maintain and protect our brand, or negative publicity that affects our reputation (for example, a data breach), could diminish the confidence that retailers, consumers and advertisers have in our products and services, and result in a reduction in audience and revenue.</p>	<p>Our research shows that Auto Trader has 89% prompted brand awareness with consumers for new and used cars and is consistently voted as the most influential automotive website by consumers in the car buying process.</p> <p>We continue to see very low levels of fraudulent and misleading adverts, due to additional measures and monitoring techniques used by our security team.</p>	<ul style="list-style-type: none"> <li>• We have a clear and open culture with a focus on trust and transparency.</li> <li>• We have a dedicated customer security team, who closely monitor our site to identify and quickly remove fraudulent or misleading adverts.</li> <li>• We invest in new and innovative marketing campaigns and new ways of engaging car buyers to continue to maintain brand awareness, and to change perceptions of Auto Trader to be a destination for new cars as well as used.</li> <li>• Our approach to cyber security and data protection, as described on page 56, helps to protect us from the adverse impact of a significant data breach or cyber attack.</li> </ul>

## PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

RISK	IMPACT	CHANGES IN THE YEAR	KEY MITIGATIONS
<p><b>4. Increased competition</b></p> <p>—</p> <p>No change</p> <p>Relevant focus areas 1 2 3 4 5 6</p>	<p>There are several online competitors in the automotive classified market, and alternative routes for consumers to sell cars, such as car buying services or part-exchange. Competitors could develop a superior consumer experience or retailer products that we are unable to replicate; or change focus to try to expand their range of stock and disrupt our market position.</p> <p>This could impact our ability to grow revenue due to the loss of audience or customers, or erosion of our paid-for business model.</p>	<p>The competitive landscape continues to develop, with new business models emerging. Big media players, such as Facebook, have entered the marketplace, mostly competing for lower-value private sales. There has been recent competitor consolidation, and retailers and manufacturers are also evolving their online offerings. Our diversification into other adjacent activities also results in a wider competitor set.</p> <p>During the year, we grew our share of minutes spent on automotive classified sites, grew cross platform visits as measured by Google Analytics, and continued to increase the level of stock on site.</p> <p>The impact of COVID-19 has strengthened the case for online marketing of vehicles which reduces the competition from offline routes.</p>	<ul style="list-style-type: none"> <li>• We have the largest and most engaged audience of any UK automotive site. Our investment in our brand helps us to protect and grow our audience, to ensure that we remain the most influential website for consumers when purchasing a vehicle. Despite our reduction in marketing spend, we are continuing to grow our relative audience share.</li> <li>• We monitor competitor activity closely through monthly reporting and formal quarterly competitor reviews, and regularly review this at OLT and Board level.</li> <li>• We continue to invest in and develop our product offering to improve the value we offer to consumers, retailers and manufacturers.</li> <li>• We work in an agile way and to date have responded quickly to emerging competitive threats.</li> </ul>
<p><b>5. Failure to innovate: disruptive technologies and changing consumer behaviours</b></p> <p>—</p> <p>No change</p> <p>Relevant focus areas 1 3 5 6</p>	<p>Failure to develop and execute new products or technologies, or to adapt to changing consumer behaviour towards car buying, or ownership, could have an adverse impact. For example, this could lead to missed opportunities should we fail to be at the forefront of industry developments.</p>	<p>We remain at the forefront of innovation in the digital automotive marketplace.</p> <p>At the start of the year, we launched AT Vehicle Check which enables dealers to check the provenance of the vehicles they are sourcing, and to display this to consumers thereby improving transparency. We also launched Text Chat, which gives buyers the ability to text retailers directly from adverts, connecting dealers with buyers.</p> <p>In March 2020, we launched a new data tool called Market Insight, designed to help retailers identify and adapt to market trends in vehicle supply and consumer demand in both their local and national marketplace.</p> <p>We also launched more features to help consumers in their car buying journey, including an improved version of Price Indicator Flags, which provide car buyers with a visual indicator showing how competitively cars are priced in the market, and a new relevance-based sort order to promote the most relevant adverts to consumers.</p> <p>Overall this risk remains unchanged.</p>	<ul style="list-style-type: none"> <li>• Continuous research into changing consumer behaviour, regular horizon scanning and monitoring of emerging trends, use of external resources where needed, and regular contact with similar businesses around the world.</li> <li>• Formal reviews of opportunities to disrupt the marketplace.</li> <li>• Ability to innovate and respond quickly due to our agile and collaborative way of working, and continuous investment in technology.</li> </ul>
<p><b>6. IT systems and cyber security</b></p> <p>—</p> <p>No change</p> <p>Relevant focus areas 1 2 3</p>	<p>As a digital business, we are reliant on our IT infrastructure to continue to operate.</p> <p>Any significant downtime of our systems would result in an interruption to the services we provide.</p> <p>A significant data breach, whether as a result of our own failures or a malicious cyber-attack, would lead to a loss in confidence by the public, car retailers and advertisers.</p> <p>This could result in reputational damage, loss of audience, loss of revenue and potential financial losses in the form of penalties.</p>	<p>We continue to make progress in migrating our applications to the cloud, which increases the resilience of our systems and the security of our data. Our aim is to get all applications migrated to the cloud in the next year.</p> <p>The constantly evolving threat of a cyber attack means that overall the risk level is unchanged.</p>	<ul style="list-style-type: none"> <li>• We have a disaster recovery and business continuity plan in place which is regularly reviewed and tested. This includes the use of two data centres and regular backups of data. We are well progressed in our migration to the public cloud.</li> <li>• We continuously monitor the availability and resilience of processing systems and services. If required, we can restore the availability of and access to systems and data in a timely manner in the event of a physical or technical incident.</li> <li>• We have dedicated security teams, including white hat hackers, and carry out regular penetration testing and review of threats and vulnerabilities. We invest in IT and security infrastructure to ensure our systems remain robust.</li> <li>• All of our employees are required to undertake annual compliance training which includes Information Security and GDPR.</li> <li>• We have two-factor verification for all our car retailers and employees, to access our network.</li> <li>• We have been PCI DSS (payment card industry data security standard) compliant since 2013 and use an external Quality Security Assessor to maintain best practice.</li> </ul>

FOCUS AREAS THAT ARE IMPACTED BY OUR RISKS



Core

- 1 Maintain the best consumer experience for buying and selling vehicles
- 2 Continually innovate to create value for our customers
- 3 Improve vehicle stock choice, volumes and accuracy



Adjacent

- 4 Become to new cars what we are in used
- 5 Develop a more efficient way to source, dispose and move vehicles



Future

- 6 Extend our product offering further down the buying funnel, towards online transactions

RISK	IMPACT	CHANGES IN THE YEAR	KEY MITIGATIONS
<p><b>7. Employees</b></p> <p>—</p> <p>No change</p> <p>Relevant focus areas</p> <p>2</p>	<p>Our continued success requires us to attract, recruit, motivate and retain our highly skilled workforce, with a particular focus on specialist technological and data skills. Failure to do so could result in the loss of key talent.</p>	<p>Employee engagement remains high, with 89% of employees completing our engagement survey saying they are proud to work at Auto Trader. Our Glassdoor rating based on anonymous reviews is 4.5 out of 5.</p> <p>As required under the 2018 Corporate Governance Code, we established a new employee engagement forum which liaises with the Board without executives to ensure they understand the views of our workforce.</p> <p>As described in (1), COVID-19 had the potential to adversely impact our people and our culture. However, through the actions taken, this risk has been mitigated and therefore overall, this risk remains unchanged.</p>	<ul style="list-style-type: none"> <li>• We use long-term incentive plans for our senior and key staff, which are currently of material value to those in the schemes.</li> <li>• We carry out active succession planning and career development plans to retain and develop our executives. Talent development is now part of the Terms of Reference of the Nomination Committee.</li> <li>• We have a strong, values-led culture which is embedded through recruitment, induction, training and appraisal processes.</li> <li>• We carry out employee engagement surveys and closely monitor Glassdoor ratings. We have regular business updates, networks, guilds and an all-employee annual conference.</li> <li>• Refer to (1) above for the specific mitigation in response to the COVID-19 pandemic.</li> </ul>
<p><b>8. Reliance on third parties</b></p> <p>—</p> <p>No change</p> <p>Relevant focus areas</p> <p>1 3 5 6</p>	<p>We rely on third parties particularly with regard to supply of data about vehicles and their financing, so it is important that we manage relationships with, and performance of, key suppliers. If these suppliers were to suffer significant downtime or fail, this could lead to a loss of revenue from dealer customers and a loss of audience due to impaired consumer experience.</p>	<p>We have now secured our access to taxonomy through our acquisition of KeeResources. However, as described in (1) above, the COVID-19 pandemic increases the likelihood of the failure of a third party.</p> <p>Overall on balance this risk remains unchanged.</p>	<ul style="list-style-type: none"> <li>• Where possible, we limit reliance on a single supplier to reduce potential single points of failure.</li> <li>• Contracts and service level agreements are in place with all key suppliers. New relationships go through a robust procurement and legal review process, and are subject to regular review.</li> <li>• We carry out due diligence on our key suppliers and partners at the onset of the relationship and throughout the life of these relationships. This includes financial viability, resilience and alignment with our values and culture. Refer to (1) above for the increased focus and scrutiny of this in response to COVID-19.</li> <li>• We seek to develop strong commercial relationships with our partners and regularly explore ways of working together even more effectively. We monitor the performance of partners and suppliers to ensure continued quality and uptime.</li> </ul>



## Viability statement

In accordance with the UK Corporate Governance Code 2018 (the 'Code'), the Directors have assessed the prospects and viability of the Group over a period significantly longer than 12 months from the approval of these financial statements.

### Assessment of prospects

The Group's overall strategy and business model, as set out on pages 20 to 27, and pages 14 and 15, respectively, are central to assessing its future prospects. The Group's strategy is to significantly improve UK car buying, focusing around its core marketplace, whilst moving towards creating an online transaction journey for car buyers.

As such, key factors likely to affect the future development, performance and position of the Group are:

- Data and technology: continuous investment is made in developing platform technologies which leads to improvements for consumers, retailers and manufacturers;
- Market position: the Group has the largest and most engaged audience of any UK automotive site and is the most influential website a consumer visits when purchasing a vehicle; and
- People: continued success and growth are dependent on the ability to attract, retain and motivate a highly skilled workforce, with a particular focus on specialist technological and data skills.

The Board has determined that a period of three years to March 2023 is the most appropriate period to provide its viability statement due to:

- it being consistent with the Group's rolling three-year strategic planning process;
- it reflects reasonable expectations in terms of the reliability and accuracy of operational forecasts; and
- projections looking out further than three years become significantly less meaningful given the pace of change in the digital automotive market.

The Group's prospects are assessed primarily through its strategic planning process. This process includes an annual review of the ongoing plan, led by the Group CEO and CFO through the Operational Leadership Team and in conjunction with relevant functions. The Board participates fully in the annual process and has the task of considering whether the plan continues to take appropriate account of the external environment including technological, social and macro-economic changes.

The output of the annual review process is a set of objectives which the Group determines to be its focus areas, an analysis of the risks that could prevent the plan being delivered, and the annual financial budget. The latest updates to the plan were finalised in March 2020, which considered the Group's current position and its prospects over the forthcoming years. This budget was subsequently adjusted to reflect the impact of COVID-19.

Detailed financial forecasts that consider customer numbers, stock levels, ARPR, revenue, profit, cash flow and key financial ratios have been prepared for the three-year period to March 2023. Funding requirements have also been considered, with particular focus on the ongoing compliance with the covenants attached to the Group's Syndicated RCF.

The first year of the financial forecasts are based off the Group's 2021 annual budget with adjustments made for the impact of COVID-19. The second and third years are prepared in detail and are flexed based on the actual results in year one. Progress against financial budgets, forecasts and focus areas are reviewed monthly by both the Operational Leadership Team and the Board.

The key assumptions in the financial forecasts, reflecting the overall strategy, include:

- continued growth in Trade revenue as we develop the core advertising platform;
- growth in adjacent areas of new car and product developments to source, dispose and move vehicles more efficiently; and
- increase in costs through salaries as the Group continues to grow to support and develop new products.

These key assumptions are reflected in the Group's principal risks, which are set out on pages 54 to 57. The purpose of the principal risks is primarily to summarise those matters that could prevent the Group from delivering on its strategy. A number of other aspects of the principal risks - because of their nature or potential impact - could also threaten the Group's ability to continue in business in its current form if they were to occur. This was considered as part of the assessment of the Group's viability, as explained below.

### COVID-19 impact

The Group's 2021 annual budget was significantly impacted by the COVID-19 pandemic. The Group announced measures to support customers throughout the period where retailers were required to close their showrooms. In addition to these measures, payment terms for March 2020 services were extended. Subsequently, additional allowances were made for retailer customers, including offering a 25% discount for the month of June 2020 before returning to full prices in July 2020. The impact of these measures has been overlaid on the three-year forecast to March 2023.

### Assessment of viability

The output of the Group's strategic and financial planning process detailed previously reflects the Board's best estimate of the future prospects of the business. To make the assessment of viability, however, additional scenarios have been modelled over and above those in the ongoing plan, based upon a number of the Group's principal risks and uncertainties which are documented on pages 54 to 57. These scenarios were overlaid into the plan to quantify the potential impact of one or more of these crystallising over the assessment period.

While each of the Group's principal risks has a potential impact and has therefore been considered as part of the assessment, only those that represent severe but plausible scenarios have been modelled through the plan. These were:

#### Scenario 1: Pandemic impact

##### Link to risk – COVID-19, Economy, market and business environment and changing consumer behaviour.

The current COVID-19 global pandemic and the impact to the UK economy has been considered. Government restrictions resulted in the temporary closure of retailers and impacted on consumer buying behaviour through April and May 2020. Through the lockdown period the Group provided free advertising for retailers to help customers and maintain live stock on site.

In this scenario we assume that after the lessening of lockdown restrictions, a second wave returns resulting in a second lockdown that lasts for a five-month period from November to March 2021. Through this period, we have assumed that retailer advertising is once again made free of charge, resulting in a 99% decrease in Retailer revenue across those months.

We have also assumed a 75% decrease in Consumer Services revenue and an 85% decrease in revenue from Manufacturer and Agency.

Following this period it is assumed that there is recovery and the Group reverts to the normal charging model, however there is a negative impact on retailer numbers. Cost savings in the year have been assumed mainly through a reduction in marketing spend as well as applicable cost saving measures.

#### Scenario 2: Data breaches

##### Link to risk – COVID-19, IT systems and cyber security, Brand.

The impact of any regulatory fines has been considered. The biggest of these is the General Data Protection Regulation ('GDPR') fine for data breaches, which was enacted in May 2018. This scenario assumes a data breach resulting in the maximum fine, coupled with a significant level of reputational damage to the Group's brand. This is in addition to the current impact of COVID-19, with lockdown restrictions eased in June 2020 and full charging commencing in July 2020.

As a result of the data breach, a severe reduction in revenue was modelled through Trade, resulting in an initial 50% decrease in revenue driven by lost retailers. An initial 40% decrease in Consumer Services and a 55% decrease in Manufacturer and Agency areas was also assumed through the loss of consumer and partner confidence. Modest recovery was assumed after the data breach for the remainder of the financial year to March 2021. Marketing costs were increased to model a potential need to increase traffic.

The scenarios above both include the impact of the placing of new ordinary shares announced on 1 April 2020 with gross proceeds of £185.9m raised, or £183.2m net of fees incurred.

The scenarios also consider the biannual covenants attached to the Group's Syndicated RCF ensuring thresholds are met. The scenarios are hypothetical and severe for the purpose of creating outcomes that have the ability to threaten the viability of the Group.

The results of the stress testing demonstrated that due to the Group's significant free cash flow, access to the Syndicated RCF and the Board's ability to

adjust the discretionary share buyback programme, it would be able to withstand the impact and remain cash generative.

#### Extent of lockdown period

As mentioned above, the Group implemented measures to support retailers through the period that they could not trade. These measures included free advertising. In a typical month where these measures are implemented the Group would record an operating loss of £4m – £7m. Given the high level of cash conversion the cash burn in such a month would be similar.

Lockdown restrictions were eased through June 2020, however until a vaccine or cure for COVID-19 is found there is a risk that these strict measures are reintroduced.

The sensitivity scenario 1 explores such an outcome but given the unprecedented nature of the circumstances, a more extreme scenario may exist. In such a scenario the Group may not implement customer discounts to the same level and take more extreme cost saving levels in order to preserve profitability.

#### Viability statement

Based on their assessment of prospects and viability above, the Directors confirm that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three-year period ending March 2023.

#### Going concern

The Directors also considered it appropriate to prepare the financial statements on the going concern basis, as explained in the Basis of preparation paragraph in note 1 to the financial statements.

The Company's Strategic report, set out on pages 2 to 59, was approved by the Board on 25 June 2020 and signed on its behalf by:

**Nathan Coe**  
Chief Executive Officer  
25 June 2020