

# Full year results presentation

## Year ended 31 March 2018

7 June 2018



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## Financial highlights\*

**+7%** Revenue: **up 7%** to £330.1 million (2017: £311.4 million)

**+10%** Operating profit: **up 10%** to £220.6 million (2017: £203.1 million)

**67%** Operating profit margin: **up 2% points** to 67% (2017: 65%). Operating cost growth of 2%, much of which relates to the acquisition of Motor Trade Delivery ('MTD') in April 2017

**+15%** Earnings and distribution: **basic EPS up 15%** to 17.76p (2017: 15.64p); proposed final dividend of 4.0p per share plus interim of 1.9p means total dividend of 5.9p (2017: 5.2p)

**+£13m** Cash generated from operations: **up £13.2 million** to £226.1 million (2017: £212.9 million)

**1.46x** Net external debt: down £16.3 million to £338.7 million (2017: £355.0 million) with leverage at 1.46x (2017: 1.65x). **Debt repayments of £20.0 million** (2017: £40.0million)

**£148m** Cash returned to shareholders: **£148.4 million** cash returned to shareholders (2017: £128.7 million) through **£96.2 million of share buy-backs** (2017: £102.1 million) (26.8 million shares at an average price of 359p) plus **dividends paid of £52.2 million** (2017: £26.6 million)

## Key drivers

**+£149** **ARPR: up £149** to £1,695 on average per month (2017: £1,546), with growth from product, price and stock

**+1%** **Physical car stock on site: up 1%** to 453,000 cars (2017: 450,000) on average

**-1%** **Retailer forecourts:** the average number of forecourts in the period was 13,213 (2017: 13,296) with stock per forecourt increasing

**246m** **Advert views: consistent at 246 million** per month on average (2017: 247 million)

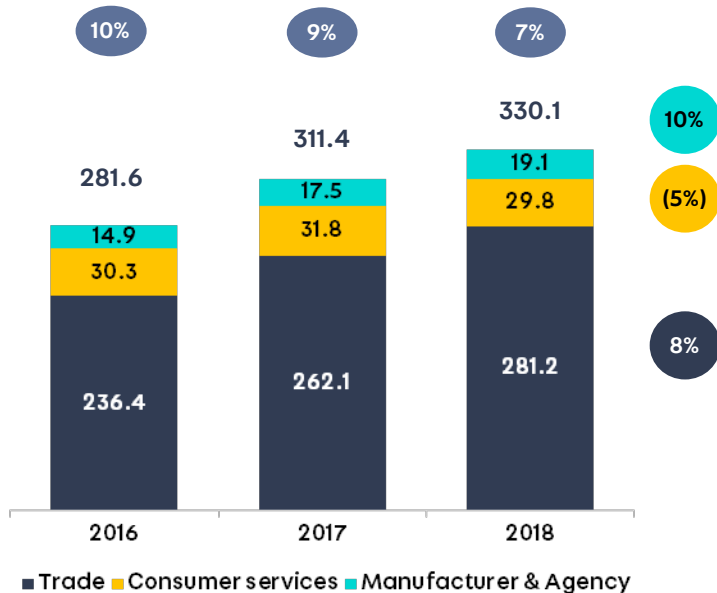
**618m** **Cross platform minutes: up 6%** to 618 million per month on average (2017: 582 million)

**824** **Number of employees and contractors (FTEs): flat at 824** on average during the year (2017: 824)

# Revenue

## Revenue (£m)

Year ended March 2018 is shown as 2018



Trade revenue comprises:

2018: Retailer (£268.7m); Home Trader (£11.4m); Other (£1.1m)  
 2017: Retailer (£250.1m); Home Trader (£12.0m); Other (£1.1m)  
 2016: Retailer (£224.5m); Home Trader (£11.5m); Other (£0.4m)

Consumer services revenue comprises

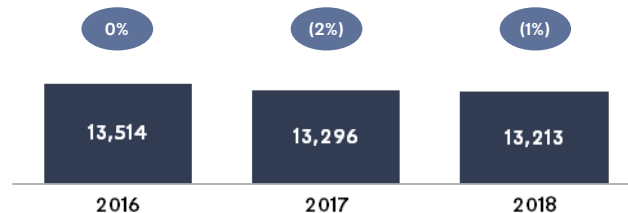
2018: Private (£21.6m); Motoring services (£8.2m)  
 2017: Private (£24.4m); Motoring services (£7.4m)  
 2016: Private (£23.3m); Motoring services (£7.0m)



Note: Year-on-year percentages have been adjusted to give like-for-like growth rates irrespective of the number of trading days in the year.  
 (2016: 364 days; 2017: 369 days; 2018: 365 days)

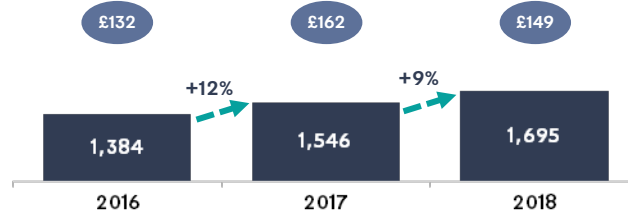
## Number of retailer forecourts <sup>(1)</sup>

YoY%



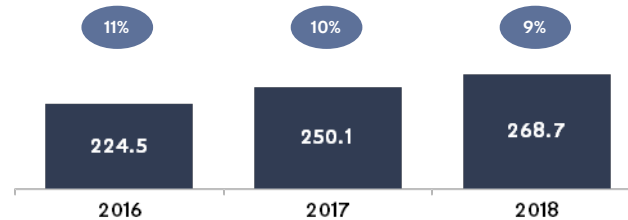
## Average Revenue Per Retailer (ARPR) (£) <sup>(1) (2)</sup>

YoY  
£ pcm



## Retailer revenue (£m)

YoY%



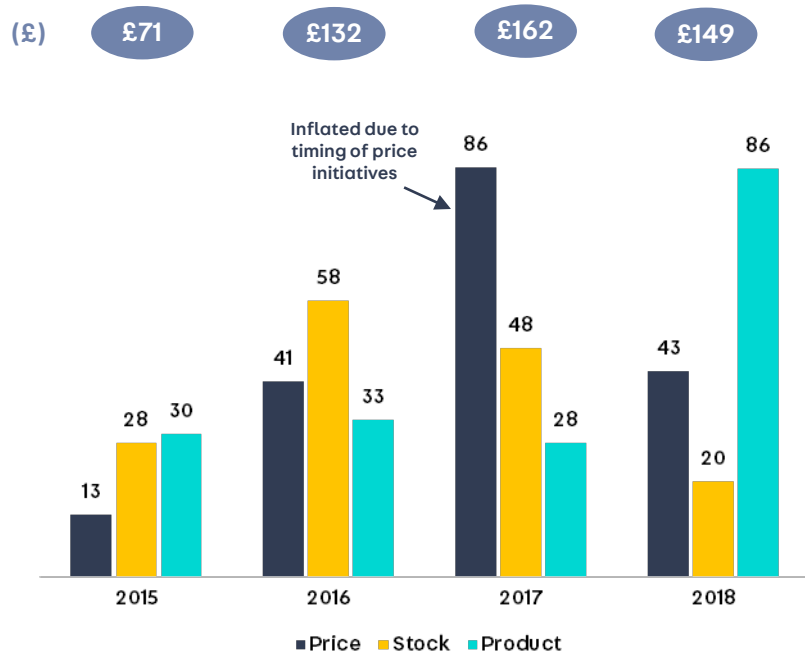
(1) Average monthly metric

(2) Year-on-year growth rates for ARPR have been adjusted for days in 2018 (2016: 364 day ARPR, 2017: 364 day ARPR, 2018: 365 day ARPR)

# ARPR growth underpinned by new packages and prominence products

## ARPR levers

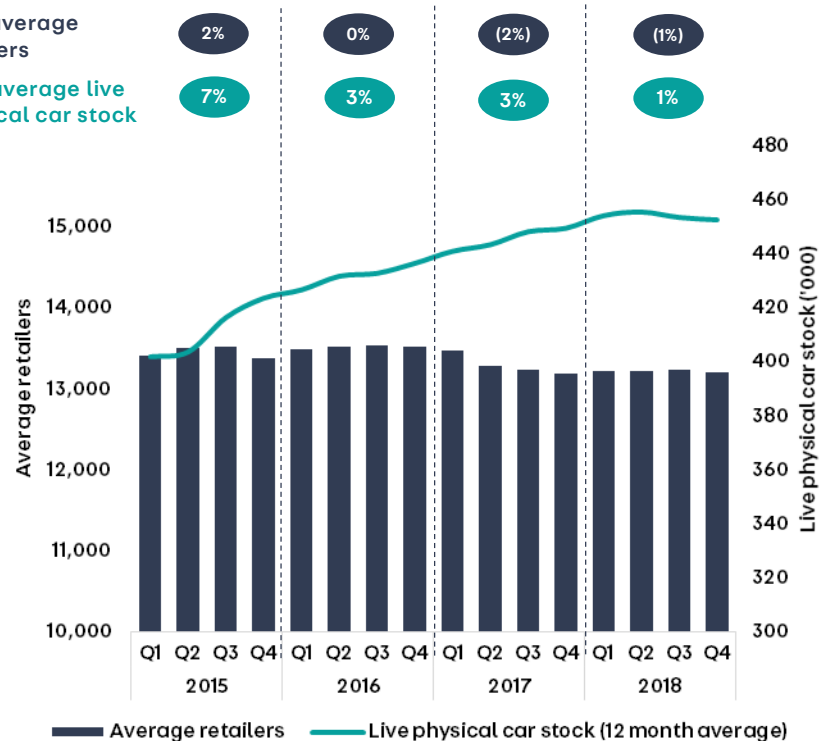
Growth in Average Revenue Per Retailer per month (£)



## Physical car stock and retailer forecourts

YoY average retailers

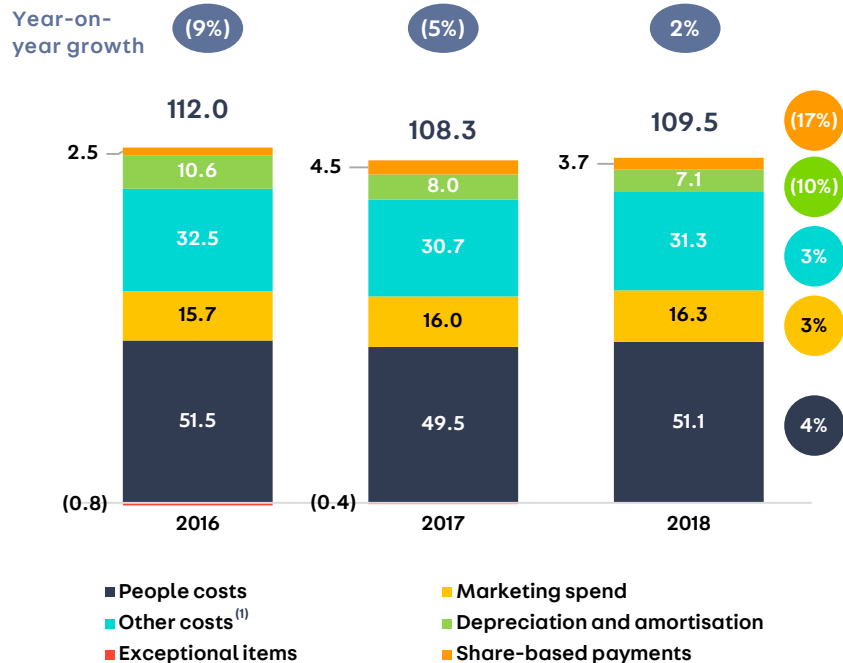
YoY average live physical car stock



# Costs

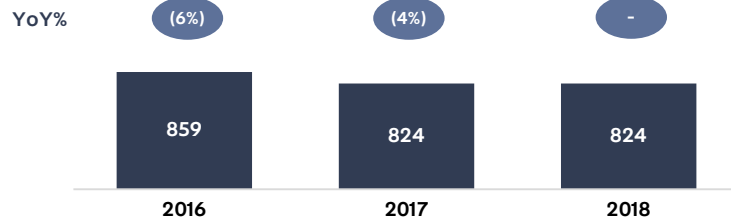
## Costs (£m)

Year ending 31 March 2018 is shown as 2018

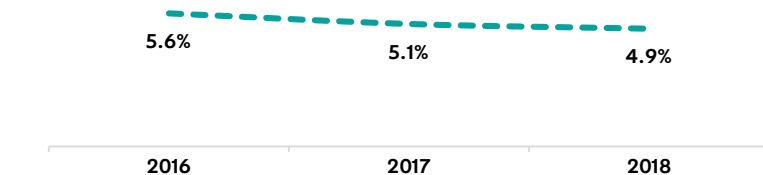


Note: Year-on-year percentages have been adjusted to give like-for-like growth rates irrespective of the number of trading days in the year. (2016: 364 days; 2017: 369 days; 2018: 365 days)

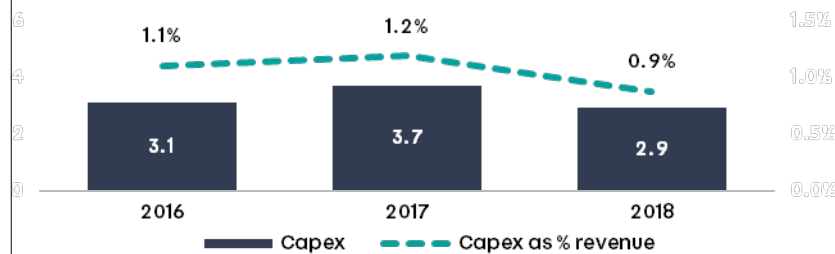
## FTEs (including contractors)<sup>(2)</sup>



## Marketing as a % of revenue



## Capital expenditure (excluding acquisitions) (£m)

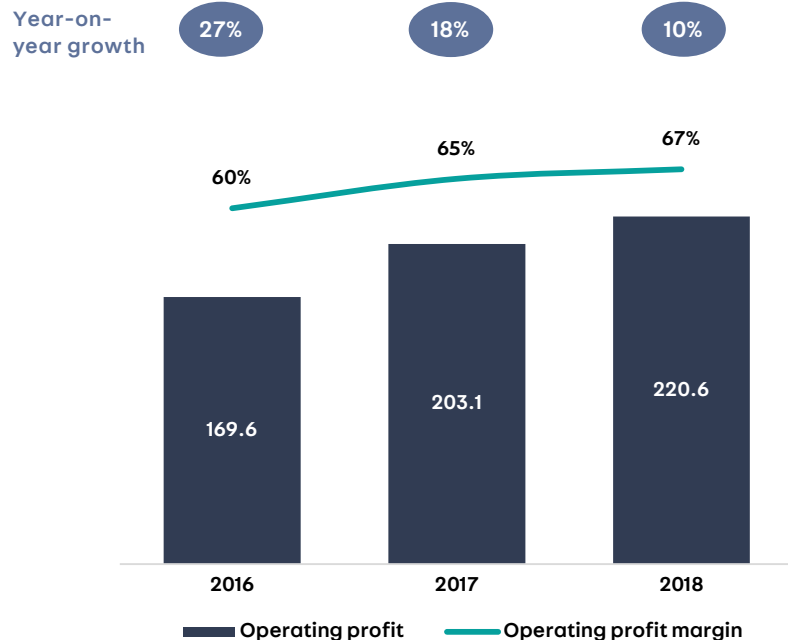


(1) Other costs include: property, IT & comms, data services and other corporate overheads  
 (2) Average monthly metric

# Profit and cash flow

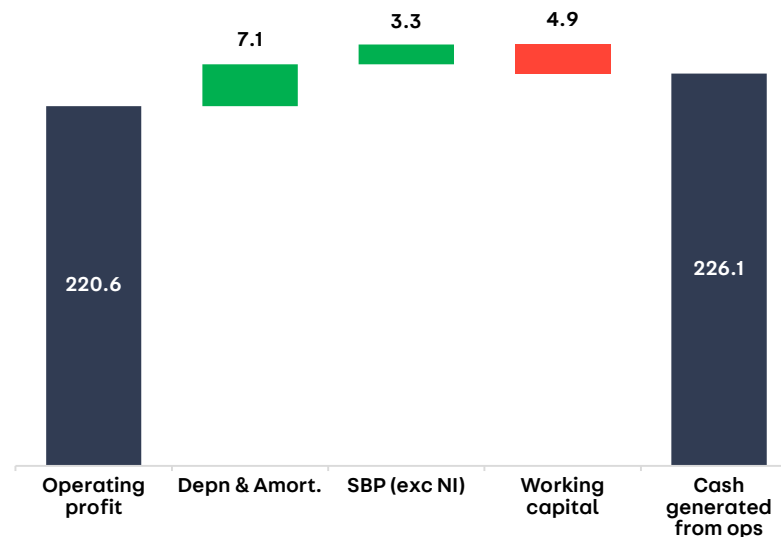
## Operating profit (£m)

Year ended 31 March 2018 is shown as 2018



## Cash generated from operations (£m)

Year ended 31 March 2018



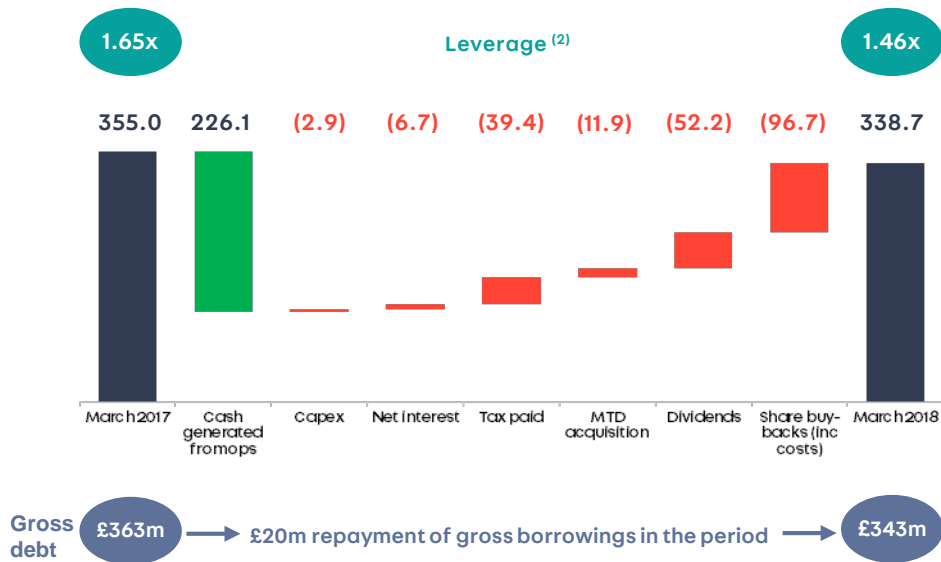


## Income statement

|   | Year ended<br>March 2018 | Year ended<br>March 2017 | Year-on-year<br>% growth* |
|---|--------------------------|--------------------------|---------------------------|
| Revenue   | 330.1                    | 311.4                    | 7%                        |
| Administrative expenses   | (109.5)                  | (108.3)                  | (2%)                      |
| Operating profit  | 220.6                    | 203.1                    | 10%                       |
| Finance costs – net   | (9.8)                    | (9.7)                    | (2%)                      |
| Profit before taxation  | 210.8                    | 193.4                    | 10%                       |
| Taxation  | (39.5)                   | (38.7)                   | (3%)                      |
| Profit for the year attributable to equity owners of the parent | 171.3                    | 154.7                    | 12%                       |
| Earnings per share (pence)                                      |                          |                          |                           |
| Basic   | 17.76                    | 15.64                    | 15%                       |
| Diluted   | 17.70                    | 15.60                    | 15%                       |
| Dividend per share (pence)                                      | 5.9                      | 5.2                      | 15%                       |

# Net external debt and capital allocation

## Reconciliation of net external debt <sup>(1)</sup> (£m)



(1) Net external debt represents gross external borrowings before amortised debt costs less cash

(2) Leverage is net external debt as a multiple of Adjusted underlying EBITDA (AUEBITDA). AUEBITDA is earnings before interest, tax, depreciation, amortisation, share-based payments and associated NI and exceptional items

## Capital allocation

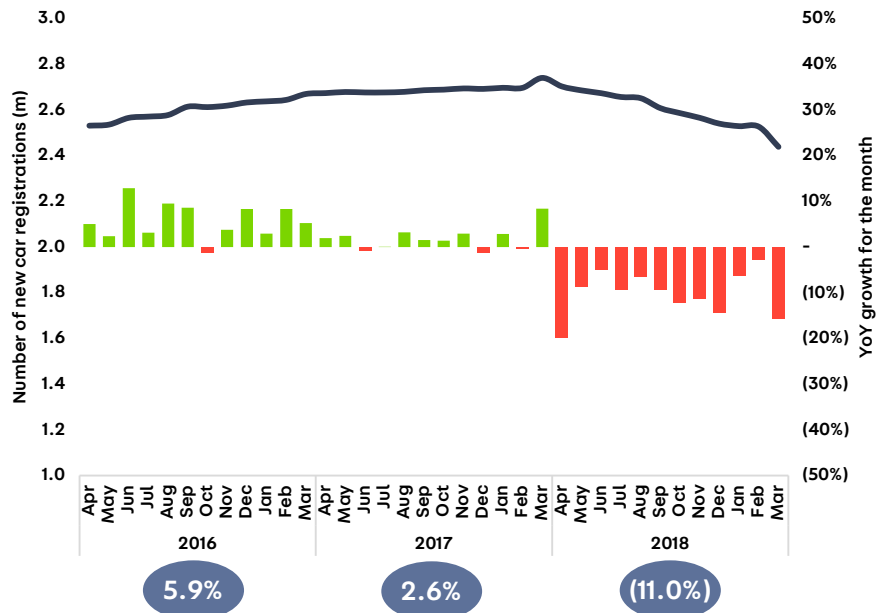
- On 6 June 2018, the Group's Syndicated Term Loan, which was due to mature in March 2020, was **refinanced as the Group signed into a new 5 year £400 million revolving credit facility**.
- Alongside the refinancing of the Group, we have reconsidered our capital allocation policy and it remains unchanged from that disclosed in 2017. We will **continue 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 buy-back programme and reduce gross indebtedness**.
- In line with the policy outlined above, a **final dividend of 4.0p** has been recommended which together with the interim dividend of 1.9p per share will give a total dividend of **5.9p per share**.
- During the year **26.8m shares were repurchased** at an average price of 359p for consideration of £96.2m plus costs of £0.5m. All of the shares acquired in the year have been cancelled.

# UK car market



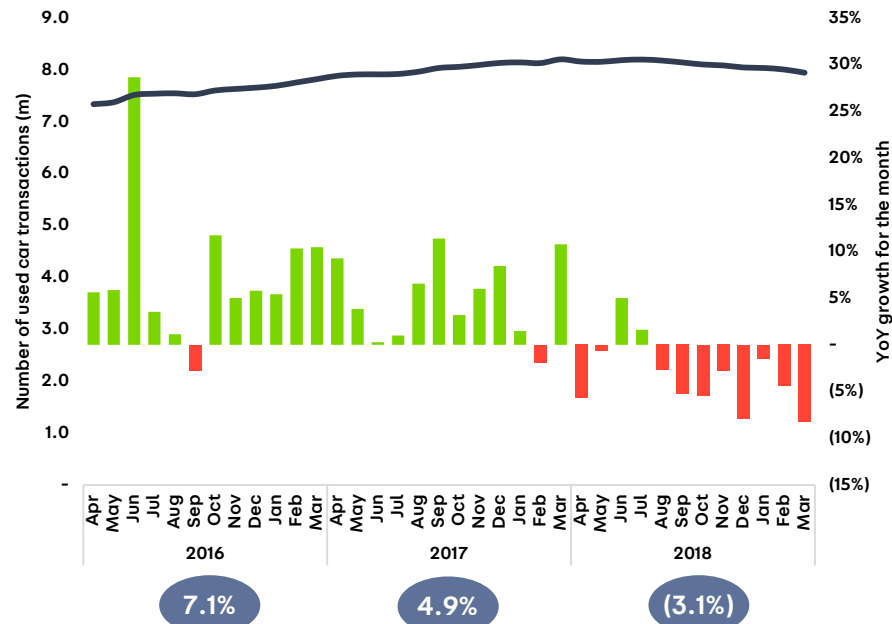
# The number of used car transactions remains near record highs but there has been a slowdown over the past 12 months

## New car registrations <sup>(1)</sup>



(1) Society of Motor Manufacturers & Traders (SMMT) - 12 month rolling total

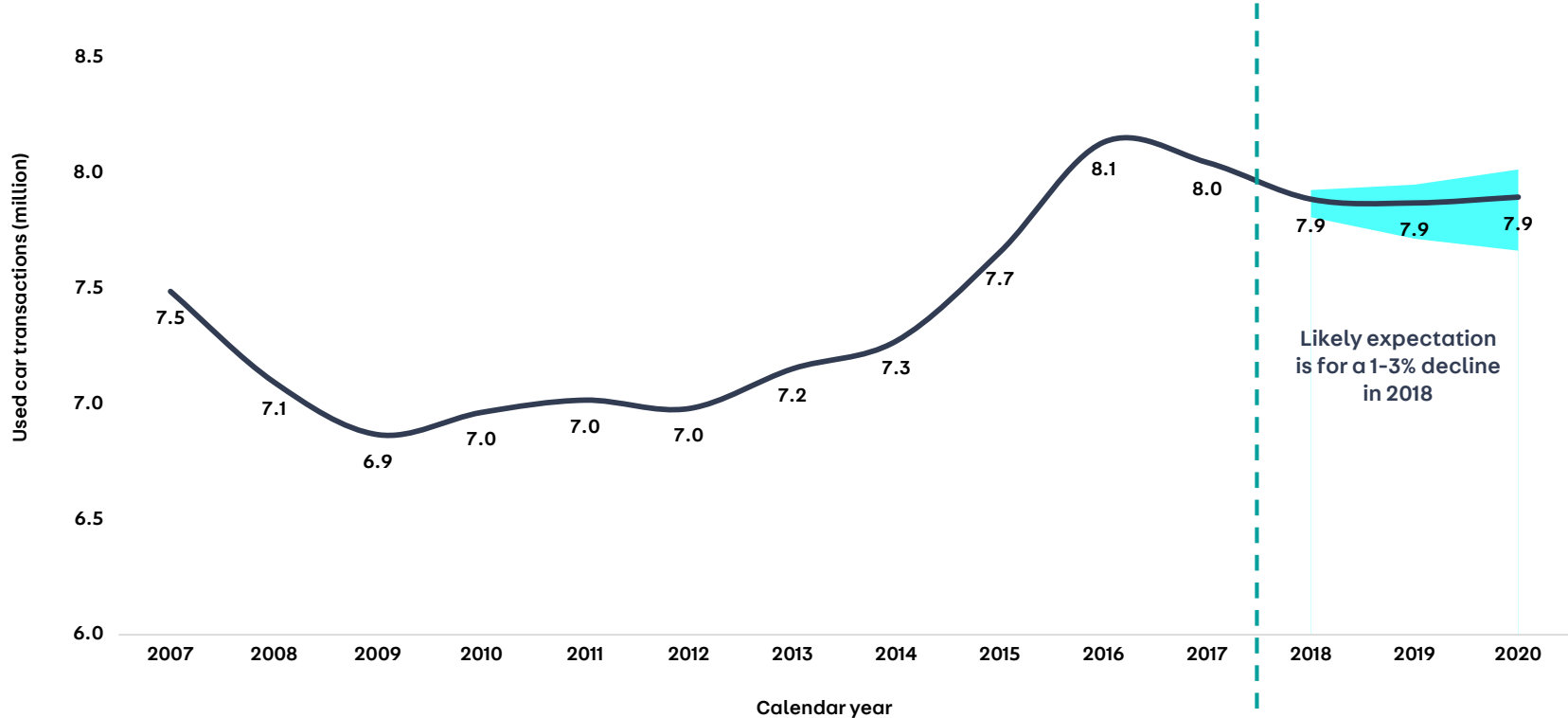
## Used car transactions <sup>(2)</sup>



(2) DVLA transaction data - 12 month rolling total

# We expect marginal declines in used car volumes for 2018

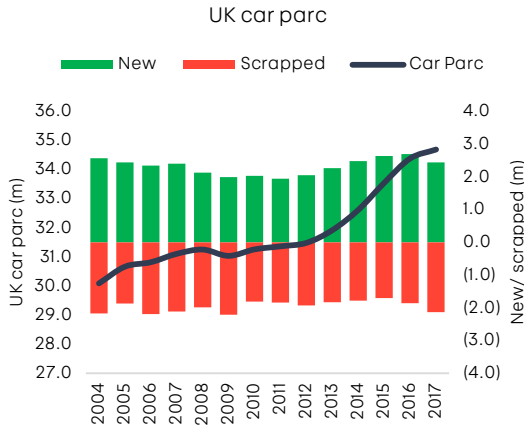
Used car transactions



# Despite the decrease in used car transactions, the UK car parc continues to grow, supportive of our stock based business model

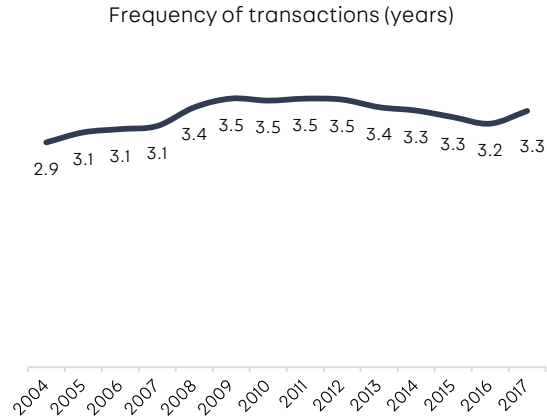
1

The UK car parc is in long term growth because cars are lasting longer and scrappage rates have fallen significantly below new car sales levels



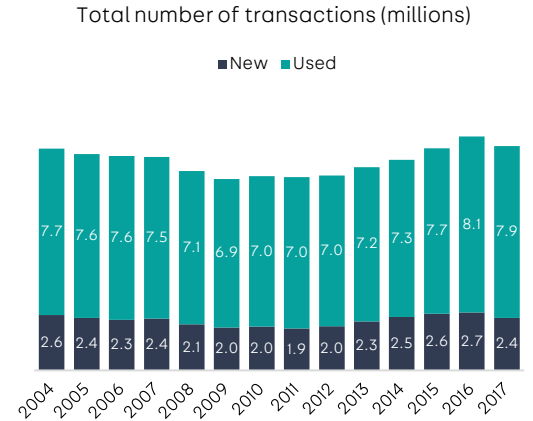
2

Consumers change their car every three years or so (less frequently in an economic slowdown) and this drives the number of car transactions each year...



3

...of which c.25% are new car sales and c.75% are used car transactions



Total number of cars

÷

Frequency cars are changed

=

Number of transactions

# An increase in price growth suggests less stock in market

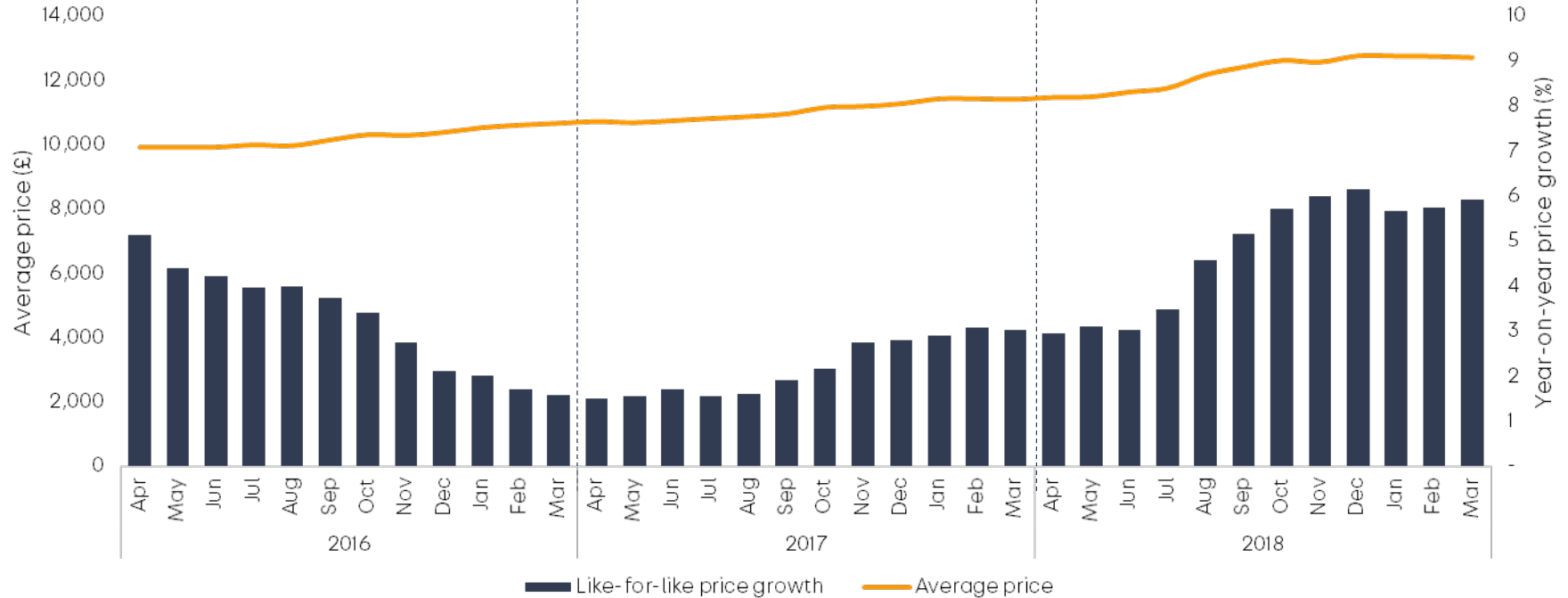
## Auto Trader Retail Price Index

Like-for-like price growth (%)

3%

2%

5%



# Key drivers

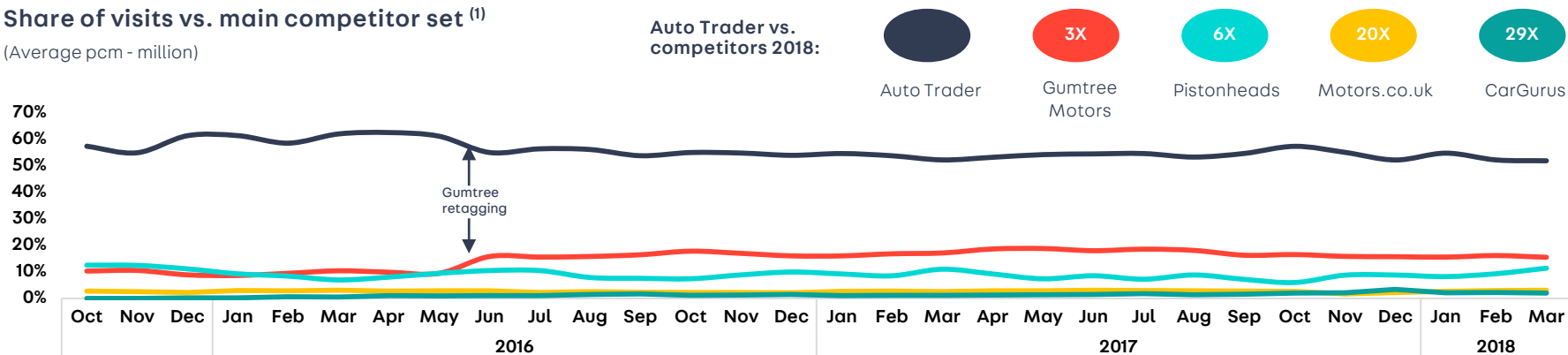




# Our position as market leader is unchanged with audience engagement remaining strong

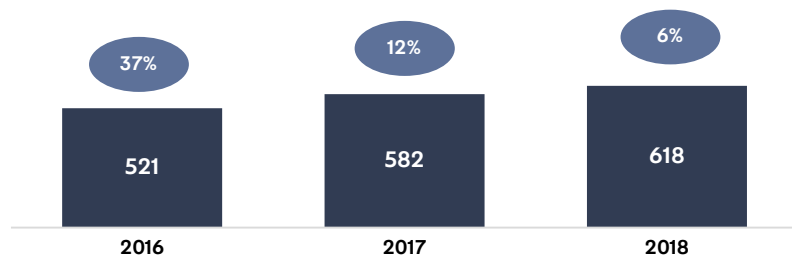
## Share of visits vs. main competitor set <sup>(1)</sup>

(Average pcm - million)



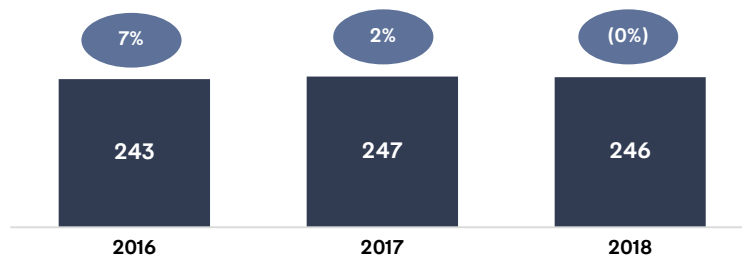
## Time spent on autotrader.co.uk (minutes) <sup>(1)</sup>

(Average pcm - million)



## Advert views on autotrader.co.uk <sup>(2)</sup>

(Average pcm - million)

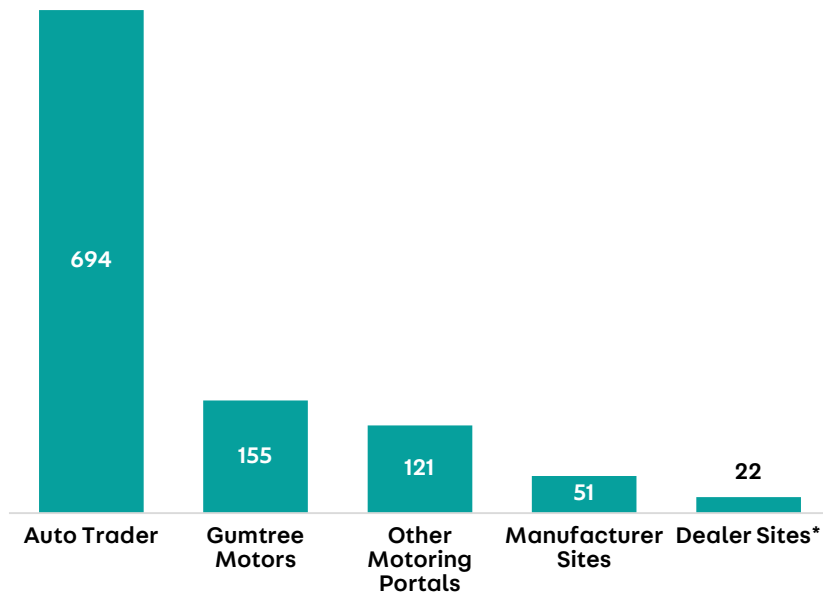


<sup>(1)</sup> comScore MMX Multi-Platform @, UK Media Trend

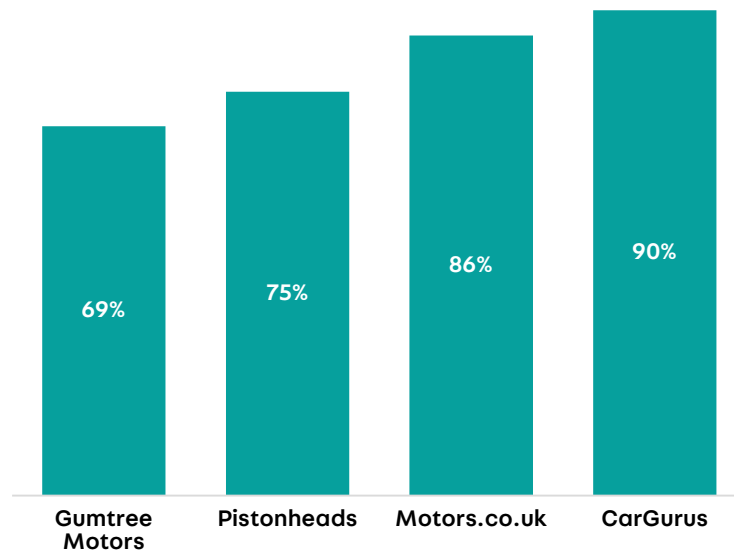
<sup>(2)</sup> Company measure of the number of inspections of individual vehicle advertisements on the UK marketplace (includes physical and virtual stock)

# Our position as market leader is unchanged with audience engagement remaining strong

Total minutes spent in March 2018 (millions)



Percentage of Auto Trader audience that do not visit a particular competitor site



# Product growth has been underpinned by a successful launch of our Advanced and Premium packages in April

## Starter

Engage your buyers through the essentials of modern online retailing

- Live Chat
- 100 Images
- Test the Trade
- Part-Ex Guide
- ★★★★★ Dealer Reviews

## Basic

Stand out and encourage engagement through trust and transparency

- Enhanced Listings
- Vehicle Video
- Gallery Branding
- Live Chat
- 100 Images
- Test the Trade
- Part-Ex Guide
- ★★★★★ Dealer Reviews

Starter  
+ 15%

## Standard

Improve visibility of your stock on mobile and drive more ad views

- Priority Listing Mobile
- Enhanced Listings
- Vehicle Video
- Gallery Branding
- Live Chat
- 100 Images
- Test the Trade
- Part-Ex Guide
- ★★★★★ Dealer Reviews

Basic  
+ 19%

## Advanced

Boost your ad views with our bonus slot in search

Advanced and Premium car stock penetration in March 2018:

12%

- Promoted
- Priority Listing Mobile
- Enhanced Listings
- Vehicle Video
- Gallery Branding
- Live Chat
- 100 Images
- Test the Trade
- Part-Ex Guide
- ★★★★★ Dealer Reviews

Standard  
+ 20%

## Premium

Enjoy the greatest share of desktop ad views through priority stock placement

- Priority Listing Desktop
- Promoted
- Priority Listing Mobile
- Enhanced Listings
- Vehicle Video
- Gallery Branding
- Live Chat
- 100 Images
- Test the Trade
- Part-Ex Guide
- ★★★★★ Dealer Reviews

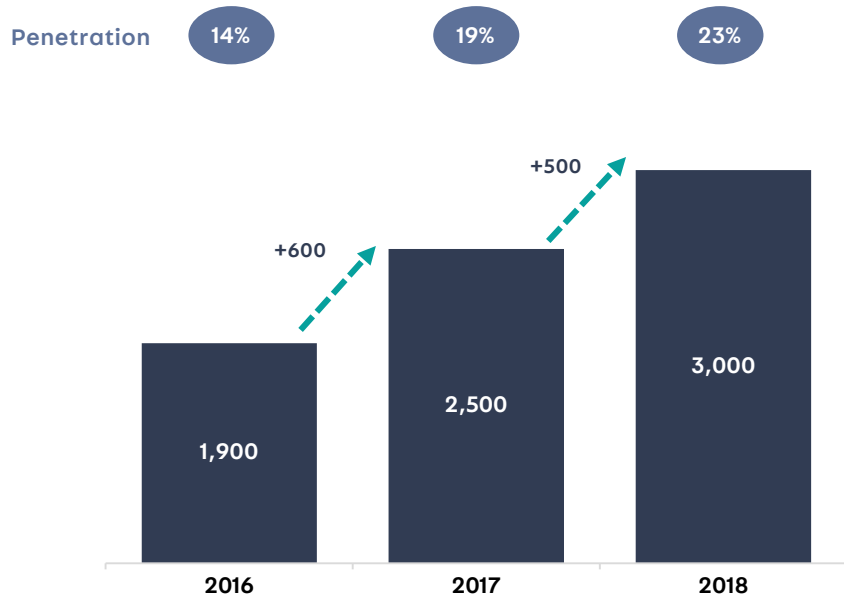
Advanced  
+ 28%

Relative prices between package levels:

# Managing products: i-Control and Retail Check

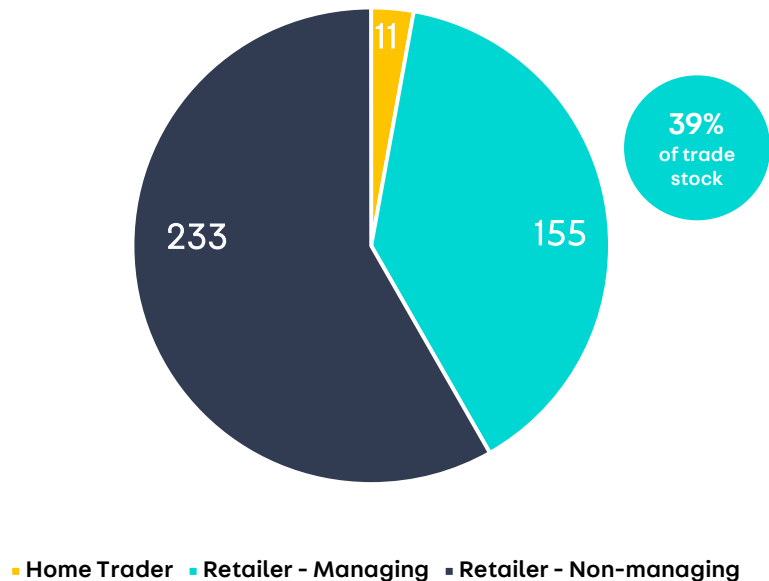
## Number of forecourts with one of our Managing products

Average number in the month of March.  
Year ended 31 March 2018 is shown as 2018

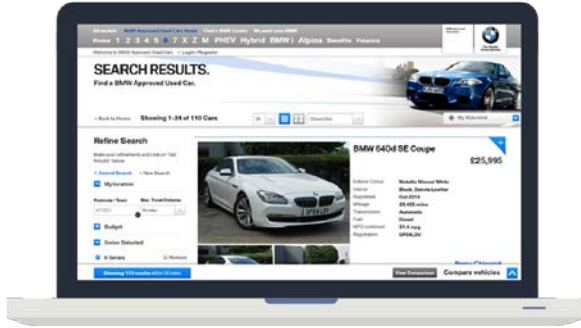


## Physical car stock from forecourts with a Managing product

Trade stock number (000s) – March 2018



# New products launched for manufacturers



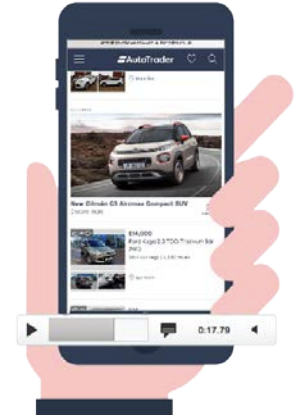
## Search API

Enabling manufacturers to empower their digital marketing agencies to design used car platforms and move away from traditional used car website providers.



## Auto Trader 360° image app

Enabling manufacturers to control their imagery within their network by launching our image app that includes 360° interior and exterior spins that meet manufacturer standards.



## InSearch video for new cars

Helping manufacturers engage with in-market consumers at the early stages of their car buying journey on Auto Trader.

# 2019 outlook



# The 1<sup>st</sup> April pricing event has gone well and we have monetised Dealer Finance in line with our expectations

## New products added to all of our packages

### Starter

Engage your buyers through the essentials of modern online retailing

Introduced on 1 April



Dealer profile



Stock export



Live chat



100 images



Test the Trade



Part-Ex guide



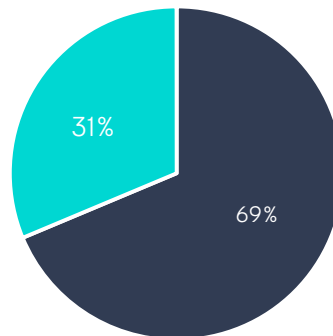
Dealer Reviews

## Monetised Dealer Finance

Retailers paying for Dealer Finance, average April 2018

> 5,000 retailers now paying to advertise their own Dealer Finance

- Paying for own Dealer Finance
- Eligible but not taking product



**69%**  
of retailers eligible for the product are now **paying to advertise their own finance rates**

> 3,000 additional retailers opt to show Zuto finance so that they appear in search by monthly payment

## 2019 outlook

- In April, we successfully monetised our Dealer Finance product and executed our annual pricing event.
- These events, combined with continued upsell onto higher level packages and further penetration of Managing products, will deliver higher levels of price and product ARPR growth in 2019. With fewer cars for sale in the market, we anticipate a small decline in stock, moderating ARPR growth to be below that of 2018.
- We expect average retailer forecourts to decline at a similar rate to last year.
- Manufacturer & Agency continues to gain market share due to our new InSearch product. We therefore expect growth to accelerate somewhat.
- In the second half of the year, broader economic uncertainty impacted private listings and this is likely to continue.
- We anticipate total operating costs for the year to increase at a rate of low to mid-single digit, resulting in a continued increase in Operating profit margin.
- The new financial year has started well, and the Board is confident of meeting its growth expectations for the year.



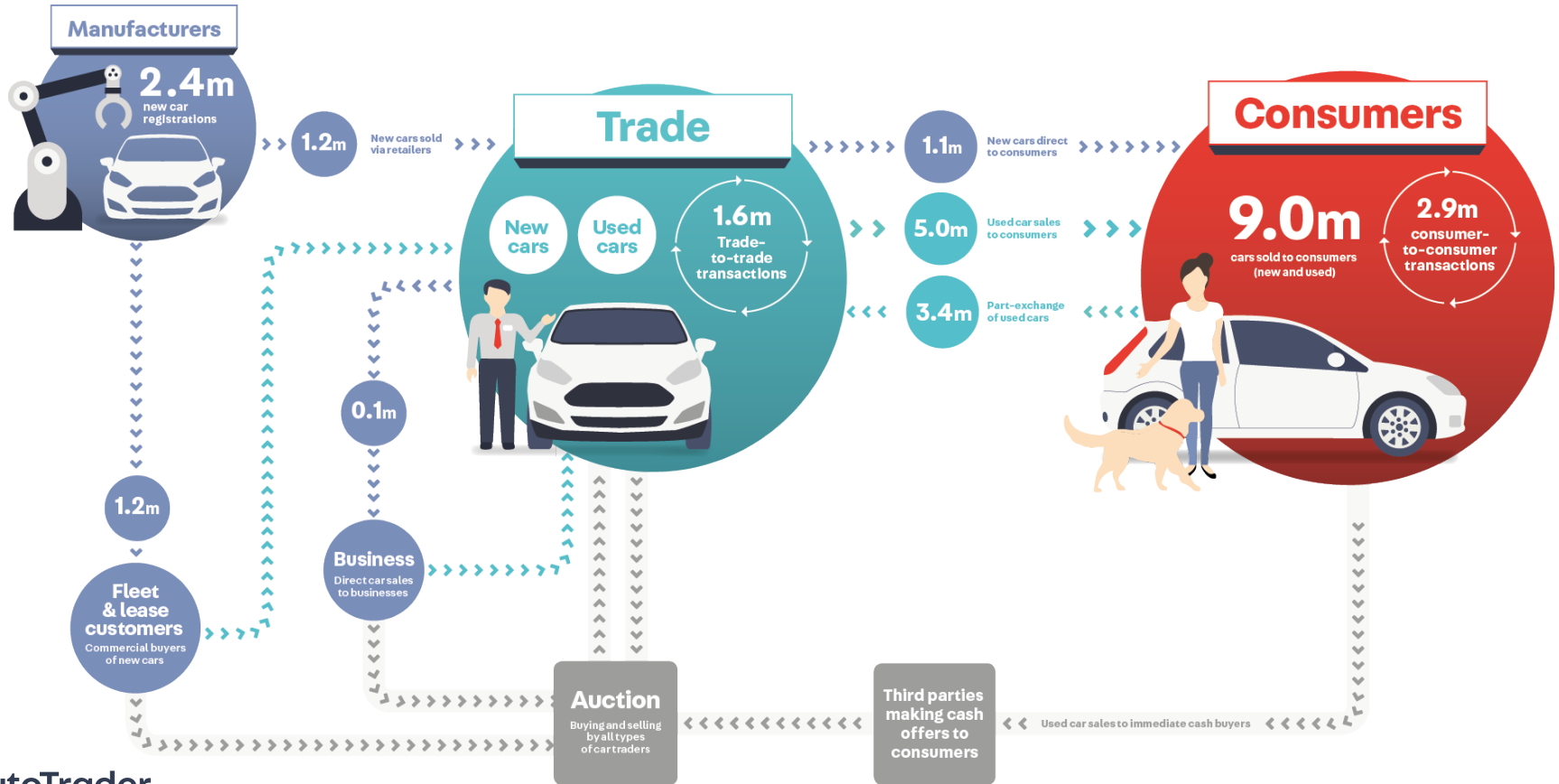
# Q&A

# Appendices

## Cash flow statement

|  | Year ended<br>March 2018<br>£m | Year ended<br>March 2017<br>£m |
|--|--------------------------------|--------------------------------|
| Profit before tax                      | 210.8                          | 193.4                          |
| Depreciation and amortisation          | 7.1                            | 8.0                            |
| Share-based payments charge (exc NI)   | 3.3                            | 4.0                            |
| Finance costs - net                    | 9.8                            | 9.7                            |
| Changes in working capital             | (4.9)                          | (2.2)                          |
| <b>Cash generated from operations</b>  | <b>226.1</b>                   | <b>212.9</b>                   |
| Tax paid                               | (39.4)                         | (34.8)                         |
| Capital expenditure                    | (2.9)                          | (3.7)                          |
| Acquisition of subsidiary, net of cash | (11.9)                         | -                              |
| Repayment of borrowings                | (20.0)                         | (40.0)                         |
| Dividends paid                         | (52.2)                         | (26.6)                         |
| Purchase of own shares                 | (96.2)                         | (102.1)                        |
| Fees on purchase of own shares         | (0.5)                          | (0.5)                          |
| Interest paid                          | (6.7)                          | (7.6)                          |
| <b>Net (decrease) in cash</b>          | <b>(3.7)</b>                   | <b>(2.4)</b>                   |

# Automotive marketplace



# Notes

# Notes

 AutoTrader