

The UK's largest digital automotive marketplace

Auto Trader Group plc is a 100% digital business having successfully completed the transition from a print title in 2013. Auto Trader sits at the heart of the UK's vehicle buying process and operates the UK's largest digital automotive marketplace.

In addition to its business in the UK, the Group operates a similar business in Ireland through its website carzone.ie.

Auto Trader's primary activity is to help vehicle retailers compete effectively in the marketplace in order to sell more vehicles, faster. The marketplace brings together the largest and most engaged consumer audience, with the largest pool of vehicle sellers, listing more than 400,000 cars each day. In fact over 80% of all time spent on classified sites is spent on Auto Trader. The Group does not buy or sell any vehicles itself.

Auto Trader has around 92% prompted brand awareness in the UK, with 80% of UK retailer forecourts advertising via the website and around 65% of UK used car transactions involving cars listed on autotrader.co.uk.

Auto Trader's market-leading position enables it to generate and collect large amounts of data on the UK's automotive marketplace and leverage its possession of such data to create a suite of products which helps retailers in the following areas:



Selling

Get stock in front of as many buyers as possible



Marketing

Promote their business across the multiple digital channels that buyers use



Buying

Find the right stock, at the right price



Managing

Optimise stock turn and profit

Auto Trader operates across multiple digital platforms

Buyers

search for vehicles in the UK's largest digital forecourt and contact retailers



Retailers

advertise their vehicles to source buyers



Manufacturers

display adverts for new cars



Private sellers

upload adverts and pay via the autotrader.co.uk portal

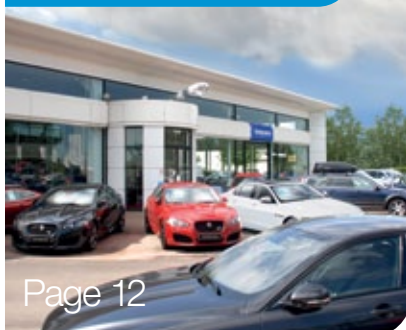
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Financial Statements

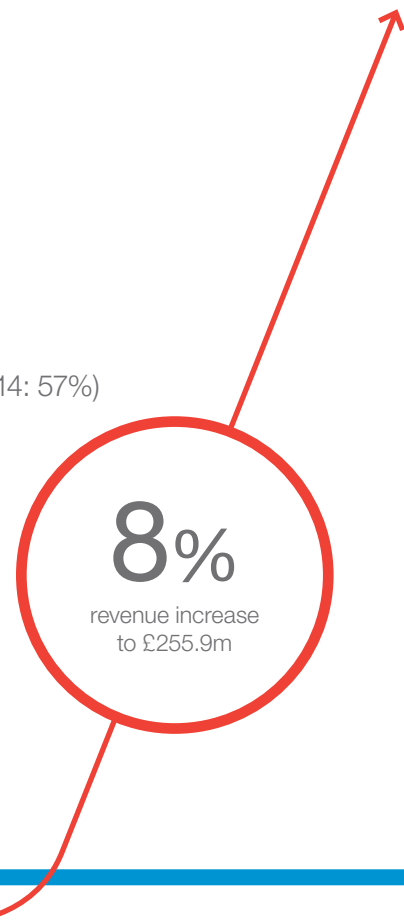
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At a glance


In the year of our IPO, Auto Trader has experienced strong growth, recorded the highest level of audience engagement online, and invested in its future.

Financial highlights

- > Revenue up 8% to £255.9m (2014: £237.7m)
- > Retailer revenue increased by 9% to £202.1m (2014: £186.0m)
- > Adjusted underlying EBITDA¹ up 15% to £156.6m (2014: £136.1m)
- > Adjusted underlying EBITDA margin² increased by 4% pts to 61% (2014: 57%)
- > Operating profit 35% higher at £133.1m (2014: £98.7m)
- > Net external debt³ at year end of £527.9m (2014: £977.8m), representing a reduction in leverage⁴ to 3.4x (2014: 7.2x)

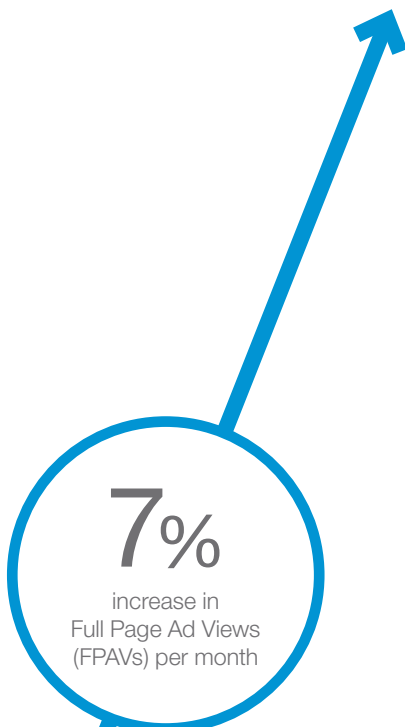


1 Adjusted underlying EBITDA is earnings before interest, taxation, depreciation and amortisation, management incentive plans, share-based payments, exceptional items and impairments, less capitalised internal development spend (excluding expenditure incurred on building the SingleView order-to-cash billing system).
 2 Adjusted underlying EBITDA margin is Adjusted underlying EBITDA as a percentage of revenue.
 3 Net external debt is gross external indebtedness (not including Shareholder Loan Notes), less cash.
 4 Leverage is net external debt as a percentage of Adjusted underlying EBITDA.















1977	1988	1995	1996	2008	2010
 <p>Auto Trader is founded and produces its first ever trade magazine by the name of Thames Valley Trader, where consumers can buy and sell anything from clocks, to boats and cars</p> 	 <p>The Company formally takes on the name Auto Trader, and renames all titles</p>  	 <p>Auto Trader launches in Ireland</p>  <p>Auto Trader starts digital production of its magazine, with the latest automatic layout software. A first in the UK</p>	 <p>Launch of autotrader.co.uk</p> 	 <p>Auto Trader reveals new logo</p> 	<p>★★★★★</p> <p>Auto Trader launches online consumer reviews</p> <p>10m</p> <p>Unique visitors per month at autotrader.co.uk reaches 10m</p>  <p>Launch of Auto Trader mobile advertising and iPhone app</p> 

Operational highlights

- > Retailer forecourts up 2.5% to 13,452 (2014: 13,129)
- > Average Revenue Per Retailer forecourt (ARPR) per month up 6% to £1,252 (2014: £1,181)
- > Full Page Ad Views⁵ (FPAVs) per month increased by 7% to 226.2m (2014: 212.2m)
- > Completion of UK rationalisation into two office locations in Manchester and London
- > Listed on London Stock Exchange in March 2015



⁵ Company measure of the number of inspections of individual vehicle advertisements on the UK marketplace.

2011	2012	2013	2014	2015
 <p>Auto Trader launches 'New Car' for buyers of brand new vehicles</p>  <p>Insurance estimates introduced into Auto Trader used car search</p>  <p>Auto Trader iPad app launched</p> 	<p>2012</p> <p>35 years of Auto Trader</p>  <p>Launch of technology to share your advert on Facebook</p> 	 <p>The last ever issue of the magazine is published in June – consumer shift to online resulted in the decline of magazine readership to 27,000 copies in March 2013</p>   <p>Now fully digital, autotrader.co.uk reached 11 million unique users per month to its website</p> 	 <p>New logo revealed</p>  <p>March 2014 autotrader.co.uk saw web traffic five times greater than its nearest competitor</p>  <p>Auto Trader consolidated its UK offices, and moved into two new office locations in Manchester and London</p>	<p>On 24 March, Auto Trader listed on the London Stock Exchange</p> 

Chairman's statement

The 2015 financial year has been a very successful one for Auto Trader. These results are our strongest ever, with Adjusted underlying EBITDA of £156.6m. This represents an increase of £20.5m over the previous year.



The year ended with our Admission to the London Stock Exchange on 24 March 2015. The primary proceeds raised through the Initial Public Offering (IPO) were predominately used to reduce our net external debt to a level more appropriate for a publicly listed company. The opportunity was also taken to refinance and enter into a new term loan facility at a significantly lower rate of interest.

Consistent with the guidance given during the IPO process, a dividend has not been declared for the 2015 financial year. We intend to commence payment of dividends in the 2016 financial year with an interim dividend expected to be declared with the half-year results in November.

Becoming a public company

The first observation is that the process has been immensely time-consuming for Auto Trader's employees, especially the senior executives and finance team. Therefore, to deliver such outstanding operational performance at the same time is a tribute to everyone in the business and to the quality of the business itself.

The second observation relates to the benefits of different ownerships. Auto Trader has been owned by an individual entrepreneur, by a corporate entity ultimately owned by a charitable trust and by private equity. All have invested prudently and responsibly in the growth and success of the business over its 38-year history. Our strategy does not envisage the need for access to capital markets to fund future growth. However, we do envisage a similar prudence in terms of investing in the future and a similar focus on returning cash to its owners.



The year ended with our Admission to the London Stock Exchange on 24 March 2015. The primary proceeds raised through the IPO were predominately used to reduce our net external debt to a level more appropriate for a publicly listed company.

Ed Williams
Chairman



The new financial year has started well and in line with the Board's expectations. Based upon healthy customer numbers, further revenue improvement from increased product penetration, combined with only modest cost base increases, the Board is confident of growth in the coming year.

Our Board

During the year we welcomed Chip Perry to the Board as an Independent Non-Executive Director. We have benefited from the wealth of experience that Chip has brought from his many years in the US as CEO of Autotrader.com. Since the end of the financial year we have also appointed David Keens, formerly Group Finance Director of NEXT plc. David has taken on the roles of Senior Independent Director and Audit Committee Chairman.

The Board continues to benefit from the involvement of two Directors nominated by funds advised by Apax. A word of thanks is particularly appropriate to Tom Hall, former Chairman and the Board's longest serving Director. Tom has represented shareholders while at all times acting in the interests of the Group, performing his dual role with huge integrity, enthusiasm, humour and constructive engagement throughout.

The Board is committed to upholding the highest level of corporate governance and David Keens' appointment on 1 May 2015 represents a major and early step forward in this regard. With the appointment of one further Independent Non-Executive Director we will be able to bring all our committees into full compliance with the UK Corporate Governance Code. While the overall balance of the Board would then still fail to meet the requirement in relation to the balance between Independent and Non-Independent Directors, either a sale of a small percentage of the Group's shares by Apax-advised shareholders and the appointment of one further independent Non-Executive Director or the appointment of two further Independent Non-Executive Directors will address this remaining aspect of compliance.

Outlook

The new financial year has started well and in line with the Board's expectations. Based upon healthy customer numbers, further revenue improvement from increased product penetration, combined with only modest cost base increases, the Board is confident of growth in the coming year.

I would like to take this opportunity to express my thanks to all the employees of Auto Trader, and particularly to the senior executives for what has been an extremely busy, as well as successful, year.

Ed Williams
Chairman

19 June 2015

£156.6m

Adjusted underlying
EBITDA

Innovation is at the heart of our product development

As digital changes the way consumers and retailers buy and sell vehicles, we adapt and innovate to ensure our product offering, platforms, technologies and search options cater for these changing needs.

Driven by innovation

Our technology team, comprising c. 320 digital professionals, is focused on delivering continuous changes as well as anticipating customer needs. The team is divided up into tribes with dedicated cross-functional squads and works 'mobile first' to produce robust continuous product innovation, as approximately 68% of visits in March 2015 alone came through mobile (including tablets).

Technology architecture

Auto Trader has a technology architecture which automatically detects the device and platform being used, allowing the user experience (including appropriate functions and design for each screen size) to be customised and optimised across all platforms and operating systems. The structure is also designed for scalability, with the ability to handle the volume of searches and enquiries on Auto Trader sites across all platforms – approximately 68 searches every second are conducted on autotrader.co.uk. We are able to easily select the most appropriate device or application to test new functionalities (often with multiple test runs) with a subset of customers before rolling out a new service across all platforms, decreasing the risk of widespread errors and allowing us to test and learn, which increases the success rate and speed of the roll-out.

The team delivers on average 40-60 live software releases every week across both customer and retailer focused interfaces. Over the past year, on the customer focused interfaces the team has delivered amongst other things: a redesigned customer focused Auto Trader website, a new lifestyle based discovery search functionality, new apps, and insurance and finance partnerships on adverts. In addition, on the retailer focused interfaces the team has launched: a new response dashboard in Retailer Portal; Retailer Ratings on adverts, new call and email lead tracking systems, and a new managing stock tool i-control; as well as launching the new Auto Trader product packages.

68

searches every second
are conducted on
autotrader.co.uk

Data and insight product development

Data is also key to driving product innovation. Given the size and scale of our marketplace, an estimated 65% of used car transactions involve cars listed on the marketplace, combined with retailer activity (through Retailer Portal) and external data sources, such as Experian, Glass and BCA, we are able to utilise such comprehensive data and analytics to provide a suite of selling and retailing solutions that seek to enable retailers of all sizes to benefit from digital advertising services to optimise return on investment.

Helping retailers win in the digital automotive marketplace

Last year we launched Auto Trader's product packaged offerings which are tailored across the full range of franchise and independent retailers. We have seen strong adoption across the suite of products. There are four Pillars of products that are offered to retailers: Selling; Buying; Marketing; and Managing (the 'Pillars').

The product Pillars

Our products help add value to retailers in the following areas:



Selling

Get stock in front of as many buyers as possible



Marketing

Promote their business across the multiple digital channels that buyers use



Buying

Find the right stock at the right price



Managing

Optimise stock turn and profit

Chief Executive's report

I am delighted to present Auto Trader Group plc's Annual Report for the year ended 29 March 2015. We have had a strong year, achieving revenue growth of 8%, taking total revenue to £255.9m.



“

We relentlessly focus on improving the process of buying and selling vehicles through the application of digital technologies.”

Trevor Mather
Chief Executive

Summary of operating performance

Growth has mainly come from providing greater value to retailers in a marketplace where consumers are increasingly researching their next vehicle purchase online. A healthy automotive market has supported the penetration of our retailing solutions. These complement our core classified advertising offering and help retailers to: buy the right vehicle, at the right price, market their business and manage their forecourts, improve stock turn and therefore return on investment. Growth has also come from display advertising, where in particular manufacturers have increased their advertising spend on the marketplace in recognition of a growing and relevant audience for their brands.

On average, c. 13,450 automotive retailer forecourts chose to advertise on our marketplace in the year, which is an increase of 2.5% on 2014. The marketplace also had a record number of cars being advertised through the year, averaging 423,000. Retailers increased average spend with us by an additional 6% per forecourt on the back of the increased value delivered to them.

Our display advertising service revenue grew by 19%, reflecting a successful focus on working with manufacturers and their agencies. Our ability to attract other types of advertisers and business partners into our marketplace was also effective, with revenue from the motoring services increasing by 11%. Private advertising held up well despite the presence of free-to-list alternatives.

Adjusted underlying EBITDA grew by 15% and margin grew by four percentage points, reflecting not only the inherent attractiveness of our business model but also the benefits of the continued simplification of the business and cost-conscious culture.

High and growing margins (61%, up from 57%), coupled with high and increasing rates of cash conversion (87%, up from 79% – see page 14), offer the prospects of significant returns to our shareholders in future years once debt levels are reduced.

9.3
million

UK car transactions
in 2014

Our strategy

Auto Trader is a 100% digital business and we have a clear focus on maintaining our market position as the UK and Ireland's leading digital automotive marketplace for buying and selling new and used vehicles. Accordingly, the Group relentlessly focuses on improving the process of buying and selling vehicles through the application of digital technologies, with a keen eye on ensuring the consumer experience is as smooth as possible. We believe there is substantial opportunity to grow the business, which is underpinned by the continued increase in importance of the internet for automotive advertising and the increasing use of data to improve the efficiency and effectiveness of the industry for the benefit of consumers and retailers alike.

Our goals are to:

1. continuously improve the vehicle buying experience for consumers, retailers and manufacturers;
2. take every opportunity to simplify the business to ensure it continues to develop and deliver high value-adding products to its customers; and
3. continue to build a more customer-oriented, digital and values driven culture for our people.

Our market

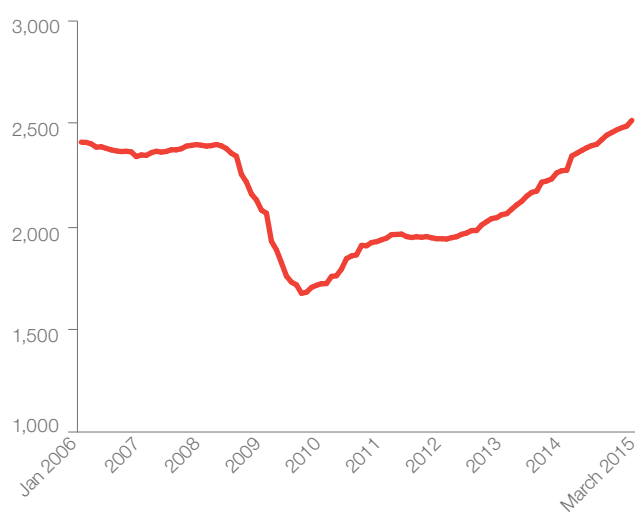
Auto Trader is at the heart of the UK vehicle ecosystem. It is the single place where car buyers are most likely to first see the vehicle they go on to buy. Though Auto Trader serves the new car market, the majority of revenue today is associated with the used car market. Conditions in the used car market are not necessarily dictated by or tightly coupled to the state of the new car market. However, a prerequisite for the long-term health of the used car market is a healthy flow of one to three year old cars. Hence the sustained strengthening of the new car market seen recently is a helpful forward indicator.

In 2014 it is estimated there were almost 32 million cars in the UK and 9.3 million car transactions. While it was reported that used car transaction volumes remained similar to previous years at approximately 6.8 million cars, new car registrations experienced year-on-year growth of 9% to approximately 2.5 million vehicles. In June 2015 the Society of Motor Manufacturers and Traders reported the 39th month of consecutive growth for the new car market. Improving macroeconomic conditions and attractive finance packages underpinned by low interest rates helped the new car market to record the highest monthly registrations since twice-yearly number plates were introduced in 1999.

Over the last year there has been a continuing trend in the way UK consumers research the purchase of their next vehicle. The internet now powers the majority of research, as opposed to physical forecourt visits. In fact research conducted by Auto Trader found that, for the first time, over 50% of consumers only visited one forecourt before they bought their next vehicle. Auto Trader, as the UK's largest digital automotive marketplace, is the place that most consumers come to do that research.

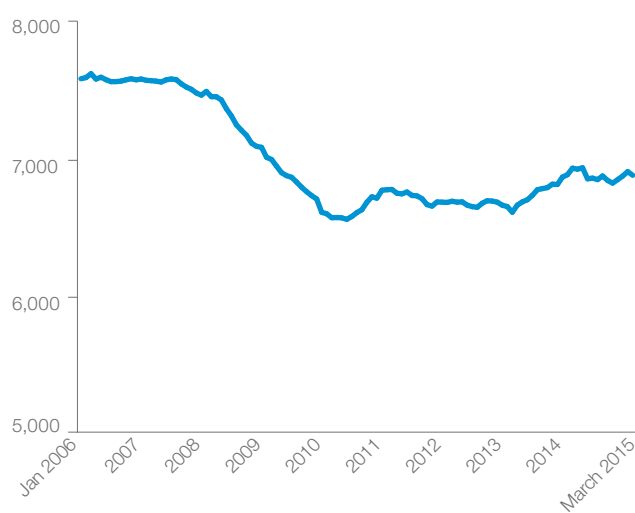
New car registrations¹

Thousands



Used car transactions¹

Thousands



¹ Source: Society of Motor Manufacturers & Traders (SMMT) – 12 month rolling total.

Chief Executive's report

continued

Our business model

Consumers visit our marketplace to research vehicles they may be interested in and search for the exact vehicles they would like to buy. It is the place where they can see the most vehicles on the market and can search on whatever device they would like to, at whatever time they would like.

Over 17 visits and 75 searches occur on our platforms every second with nearly two thirds of site visits (65%) now conducted using mobile devices (including tablets), and over 30% now through our market-leading apps. Inspections of individual vehicle advertisements expressed as full page advert views (FPAVs) increased by 7% to 2.7 billion in the year. FPAVs are click-throughs from initial search result pages and are the consumer activity measure most correlated to vehicle transactions between consumers and retailers. This means that more than 85 vehicles are being virtually inspected by potential buyers every second of every day on the Auto Trader marketplace.

Our customers are primarily vehicle retailers. Retailers advertise on Auto Trader because it has the largest and most engaged audience and therefore gives them the best chance to sell their vehicle. Retailers are able to achieve better prominence of their adverts by taking higher level products, which leads to greater conversion of advert views. We also offer value adding products to retailers to enable them to use our data services to buy cars that are most suitable for their forecourts, at the right prices, and manage their inventory in an optimal way. Together, our products address retailer needs through four product Pillars: Buying, Selling, Marketing, and Managing.

Our business model for creating shareholder value



The principal sources of revenue for us are the subscriptions paid by retailers to advertise their vehicles and to utilise our products. This is supplemented by advertising revenue from home traders and private sellers, who can place an advert for a fee on the marketplace, as well as by manufacturers and advertising agencies who see the marketplace as an effective place to advertise their products and services.

The business model benefits from the strong network effect that advantages the number one player in all classified advertising marketplaces across the world, such that the largest number of vehicles, attracts the largest and most engaged audience, which provides the most value to retailers who therefore advertise more stock, making the marketplace even more valuable to consumers. In this way a virtuous circle ensues.

“
The culture is focused on constantly seeking to improve everything we do for both consumers and our retailer customers to ensure we remain the leading digital automotive marketplace.”

Investing in the business

The last year has seen significant investment by us in the future of the business.

From a consumer perspective, we have launched a new look and feel to the marketplace across all of our channels as well as a new way to search for cars. Consumers who do not know the make and model of the car they want can now discover the right car for them through a new way of searching.

Importantly, we started the journey of unleashing the power of our data to allow consumers and retailers to gain better value from the marketplace. Consumers can now access free valuations for their car that allow them to see what their car would be worth if they sold it privately or if they traded the vehicle in to a retailer. Valuations have been a resounding success with consumers, with over one million being conducted in just a month (March 2015). We surfaced the data we hold to enable retailers to understand which vehicles are most desirable in their area and what margin they can expect to gain from such vehicles. By the end of the year, over 1,100 forecourts were using products in the Managing Pillar indicating that retailers really see the value that Auto Trader's data can offer.

Over the last 12 months, we have also focused on improving the opportunity for manufacturers to advertise on our marketplace, with improved formats and more effective use of our data to ensure that their brands can be placed in the most relevant spots on the marketplace. This has allowed us to work much more closely with agencies and has resulted in over 20,000 campaigns this year with a 50% increase in yield.

From an internal business perspective, we have moved from eight different offices across the country into two new offices in Manchester and London. As part of this relocation we have been able to consolidate our five call centres into one contact centre, based in Manchester. The consolidation to two UK offices has had huge benefit in terms of reinforcing our culture and promoting the right customer-centric focus amongst our employees.

Growth potential

The growth potential of the business comes primarily from continuing to provide an expanding array of products to retailers that in turn provides them more value that they are therefore willing to pay more for. There is also significant opportunity in providing the audience for manufacturers to spend more of their advertising budgets as they transition their marketing spend online.

In order for us to achieve this growth, recruiting and retaining the right talent will be integral to our continued success. The culture is focused on constantly seeking to improve everything we do for both consumers and our retailer customers to ensure we remain the leading digital automotive marketplace for generations to come.

Trevor Mather
 Chief Executive

19 June 2015

1 million

valuations conducted
 by consumers in
 March 2015

Auto Trader is the most effective way for retailers to reach their target audience

The automotive retailer landscape that Auto Trader serves covers a wide spectrum of needs; from larger franchise groups to smaller independent vehicle retailers.

Changing digital landscape

As the digital landscape continues to change the way we buy and sell vehicles, our large and experienced team works alongside our customers to help them adapt their business practices to meet changing consumer needs. The shift to the digital automotive marketplace means fewer vehicle buyers are visiting physical forecourts. This is predominantly because most consumers have done their research online and made the decision on the exact vehicle that they want to buy before arriving at the retailers' physical forecourt. This requires retailers to place more focus on their 'digital forecourt' and enhance the prominence of their vehicles advertisements online.

Digital forecourt

Getting vehicles viewed online is now what matters. Auto Trader is the most effective way for retailers to reach the largest number of high-quality vehicle buyers. In a survey conducted in December 2014, 77% of sampled retailers ranked Auto Trader as the number one marketplace for volume of enquiries, and 73% ranked Auto Trader as number one for quality of enquiries, which implies the enquiry led to a sale.

From an estimated 5,700 franchise retailer forecourts in the UK, to a further 8,500 independent retailer forecourts, we are proud to count around 80% of all those retailers as our customers, many of whom we have long-established personal relationships.

In addition to the franchise and independent forecourts, there are an estimated 9,000 home trader businesses. Auto Trader offers these customers 'pay-as-you-go' packages, where each individual advertisement is paid for separately.

Harnessing insight

Effective use of the Auto Trader platform, coupled with the suite of Auto Trader products and services, offers retailers the opportunity to increase stock turnover through access to the largest consumer audience on a single platform. The online marketplace also tracks consumer usage and vehicle activity, providing powerful insights into consumer preferences and behaviour critical to retailers' efficient stock sourcing and pricing process.

Trusted retailer partnerships

We adopt a partnership approach with our retailer customers, engaging them in a continuous dialogue, helping them to gain competitive advantage through effective employment of data to optimise buying, managing, marketing and selling of stock. As an added value service for retailers, a 'Retailer Education' programme is run by a team of industry experts whose sole focus is to keep retailers up to date on the latest digital trends, and innovations that might affect their business.

To engage with the Group's fragmented customer base we have a single sales and service team of approximately 200 staff focused on customer relations and delivery of customer value. The team primarily caters to the Group's retailer customers, with the largest customers having dedicated account owners and smaller customers being served by regional teams. In both instances the sales and service team works as a single customer oriented team. We recognise it is important for retailers to have a single point of contact for all their needs.

We value our trusted partnerships with retailers and work hard to maintain them, as ultimately we are only as successful as they are, so what drives us is their success.

80%

of UK automotive
retailers are Auto Trader
customers

Key performance indicators

We use the metrics below to track our financial and operating performance.

Revenue

£m

2015	255.9
2014	237.7
2013	218.9

+8%

The Group generates revenue from three different sources: Trade, Consumer services, and Display advertising. Trade is further analysed into three classes: Retailer, Home Trader, and Other – see page 16.

Adjusted underlying EBITDA

£m

2015	156.6
2014	136.1
2013	120.7

+15%

Adjusted underlying EBITDA is earnings before interest, tax, depreciation and amortisation, management incentive plans, share-based payments, exceptional items and impairments, less capitalised internal development spend (excluding expenditure incurred on building the SingleView order-to-cash billing system).

Retailer revenue

£m

2015	202.1
2014	186.0
2013	168.7

+9%

Retailer revenue is the largest customer grouping within the Trade revenue category, and is driven by the number of retailer forecourts and ARPR.

Adjusted underlying EBITDA margin

%

2015	61
2014	57
2013	55

+4% pts

Adjusted underlying EBITDA margin is Adjusted underlying EBITDA as a percentage of revenue.

Operating cash flow

£m

2015	135.8
2014	106.9
2013	116.6

+27%

Operating cash flow is defined as cash generated from continuing operations less capital expenditure in respect of continuing operations.

Operating cash conversion

%

2015	87
2014	79
2013	97

+8% pts

Cash conversion means operating cash flow as a percentage of Adjusted underlying EBITDA.

Number of FTEs

Average number

2015	898
2014	979
2013	1,057

-8%

Average number of full time equivalent (FTEs) employees during the year.

FPAVs

Average number

2015	226.2
2014	212.0
2013	169.7

+7%

Full Page Advert Views (FPAVs) is the Group's measure of the average monthly number of inspections of individual vehicle advertisements on autotrader.co.uk.

Retailer forecourts

Average number

2015	13,452
2014	13,129
2013	12,919

+2%

A retailer forecourt is a digital 'site' that a retailer has on the Auto Trader marketplace. A retailer may have multiple forecourts within the marketplace.

ARPR

£ per month

2015	1,252
2014	1,181
2013	1,088

+6%

Average Revenue per Retailer forecourt (ARPR) is defined as – average monthly revenue generated from retailers divided by the average number of retailer forecourts in the month.

Net external debt at year end

£m

2015	527.9
2014	977.8
2013	562.0

-46%

Net external debt is gross external indebtedness (not including Shareholder Loan Notes), less cash.

Leverage

Times

2015	3.4
2014	7.2
2013	4.7

-3.8x

Leverage is net external debt as a percentage of Adjusted underlying EBITDA.

Finance Director's report

We are pleased to report a successful year, growing revenue and operating cash flows, and reducing debt for the 52 week financial period ended 29 March 2015.



“
Revenue grew by 8% to £255.9m (2014: £237.7m). This increase was primarily attributable to a strong retailer revenue performance within the trade area of the business.”

Sean Glithero
Finance Director

Revenue

In 2015, revenue grew by 8% to £255.9m (2014: £237.7m). This increase was primarily attributable to a strong retailer revenue performance within the trade area of the business.

	2015 £m	2014 £m	Change
Retailer	202.1	186.0	9%
Home Trader	10.3	9.8	5%
Other	2.4	2.6	(8%)
Trade	214.8	198.4	8%
Consumer services	29.0	29.1	(0%)
Display advertising	12.1	10.2	19%
Total	255.9	237.7	8%

Trade revenue increased by 8% to £214.8m (2014: £198.4m) with a £16.1m increase in retailer revenue underpinning most of the £16.4m improvement. This reflected a 2.5% growth in the average number of retailer forecourts to 13,452 (2014: 13,129), but the main driver was increased ARPR which rose 6% to £1,252 (2014: £1,181).

The £71 rise in ARPR was achieved through balancing growth from the Group's Selling and retailing solutions' products (encompassing the Buying, Marketing and Managing Pillars). Revenue from the Selling Pillar increased 7% to £180.1m (2014: £167.8m) as a result of price increases together with retailers both increasing the number of vehicle advertisements on the marketplace and selecting additional products. In March 2015, 67% of Selling Pillar customers purchased packages above the entry level (2014: 58%).

In addition, retailing solutions' revenues increased by 21% to £22.0m (2014: £18.2m) as retailer customers looked to compete more effectively in the digital automotive marketplace. By purchasing additional product packages which allow them to promote themselves more effectively and make better buying and pricing decisions, retailers can increase their speed of stock turn and improve their return on investment.

“Operational leverage was achieved through a combination of predominately yield derived revenue gains, at low marginal cost, combined with cost reduction throughout the business.”

Consumer services revenues were broadly consistent with the previous year, with increases in revenue from motoring services partners offsetting a decrease in private revenue. Whilst the number of private advertisements fell in the year as demand from retailers for stock improved part-exchange prices, private advert yields improved through enhancements to the product offering and a greater proportion of premium packages being taken.

Following the focus on closer, value based relationships with key agency customers, display revenues increased by 19%. Revenues benefited from shift in mix, reducing impressions served on low yielding programmatic platforms and improving the volume of higher yielding creative and bespoke advertising solutions for manufacturers. Of the £1.9m increase in display advertising revenue to £12.1m (2014: £10.2m), 66% was from improved overall yield.

Adjusted underlying EBITDA

The Group reports non-underlying items in the Income Statement to show one-off items and to allow better interpretation of the underlying performance of the business. In relation to the 2015 financial year, these included exceptional items, IFRS 2 charges in respect of share awards and costs related to management incentive plans.

In addition, since September 2013 the Group has changed its approach to technology development. In keeping with the agile 'squad-based' methodology, the Group now develops its core infrastructure through small scale maintenance-like incremental improvements. Accordingly, less of the Group's expenditure on internal development salaries meets the requirements for capitalisation. The only current project that meets the capitalisation criteria relates to the development of the Group's order-to-cash billing system, SingleView, which is capitalised and reflected in the line item 'Intangible assets: financial systems'.

Following the change in operating approach, together with the shift away from incentive schemes linked to the Group's previous private ownership, Adjusted underlying EBITDA is a more accurate reflection of the underlying business performance of the Group and allows for comparability of the Group's results from period to period and with peer companies. The table below provides a reconciliation from operating profit to Adjusted underlying EBITDA.

	2015 £m	2014 £m
Operating profit	133.1	98.7
Share-based payments	3.7	–
Management incentive plans	1.9	0.6
Exceptional items	5.4	11.1
Impairment charges	–	15.8
Capitalised development spend ¹	–	(4.9)
Depreciation	2.5	2.2
Amortisation	10.0	12.6
Adjusted underlying EBITDA	156.6	136.1

Adjusted underlying EBITDA increased by 15% to £156.6m (2014: £136.1m) with Adjusted underlying EBITDA margin improving by 4% pts to 61% (2014: 57%). This greater operational leverage was achieved through a combination of predominately yield derived revenue gains, at low marginal cost, combined with cost reduction throughout the business.

Including capitalised development costs, underlying administration expenses² decreased by £4.6m to £111.8m (2014: £116.4m) driven by a £3.4m decrease in people costs³ to £51.7m (2014: £55.1m). This decrease was the result of an 8% reduction in full-time equivalent employees and reduced spend on contractors following restructuring of the business in the current and prior periods and centralisation into two main office locations in Manchester and London.

- 1 Excluding costs capitalised in respect of SingleView.
- 2 Before share-based payment charges of £3.7m (2014: £Nil), exceptional costs of £5.4m (2014: £11.1m) impairment charges of £Nil (2014: £15.8m) and charges in respect of management incentive plans of £1.9m (2014: £0.6m).
- 3 People costs are staff costs of £58.4m (2014: £52.5m), capitalised development costs of £Nil (2014: £4.9m) and third party contractor costs of £1.4m (2014: £2.8m), less share-based payment charges of £3.7m (2014: £Nil), management incentive plans of £1.9m (2014: £0.6m) and redundancy costs as a result of reorganisation classified as exceptional items of £2.5m (2014: £4.5m).

61%

Adjusted underlying
EBITDA margin

Finance Director's report

continued

Exceptional items

Total fees incurred in relation to the IPO were £23.7m, of which £1.5m has been expensed through the Income Statement as an exceptional item with the balance of £22.2 million being charged to the share premium account.

In addition, costs of £3.9m (2014: £11.1m) were associated with the reorganisation of the Group's operations and include redundancy and severance costs plus relocation expenses.

Share-based payments and management incentive plans

In accordance with IFRS 2, a non-cash charge of £3.7m (2014: £Nil) is included in the Group's consolidated income statement in respect of the shares awarded to management in connection with the recapitalisation of the Group in July 2014. These shares became fully vested on the IPO. In addition, £1.9m (2014: £0.6m) was charged in respect of a long-term incentive plan which became payable on the change of ownership.

Finance expense

The finance expense for the year was £122.3m (2014: £95.7m) and included amortisation costs of £12.0m (2014: £0.7m) in respect of the Junior Debt facility which was repaid during the year. The finance expense also includes exceptional finance expenses of £26.2m that arose as a result of the early repayment of the Group's Junior Debt facility and a further £3.2m incurred following the early termination and associated mark-to-market of the Group's interest rate hedges.

Taxation

The Group tax charge of £2.4m represents an effective tax rate of 22% (2014: 176%) which is above the average standard UK rate of 21% (2014: 23%) as a result of items which are non-deductible for corporation tax purposes, including non-deductible share-based payment charges. Following further decreases in UK standard tax rates it is expected that the effective tax rate will decrease in the current year, although due to the impact of non-deductible items it is expected that the Group's effective rate will continue to be marginally higher than standard UK tax rates.

The total tax contribution in respect of the year was £62.5m (2014: £65.9m). Of this, £9.1m (2014: £16.6m) related to corporation tax and employer's national insurance borne by the Group, while the remaining £53.4m (2014: £49.3m) was collected in respect of payroll taxes and VAT.

Earnings per share

Basic earnings per share from continuing operations, calculated for both the current and comparative year is based upon the weighted average number of shares in issue immediately following the IPO, was 0.85 pence, a 1.13 pence increase from the loss of 0.28 pence in the previous year. The adjusted basic earnings per share from continuing operations increased 59% to 4.12 pence (2014: 2.59 pence).

The table shows the effect on the Group's basic earnings per share from continuing operations of the exceptional items, share-based payments, management incentive plans, impairment charges and capitalised development spend. However, no adjustment has been made for the significant anticipated benefit of both a reduced level of borrowings and margin payable.

	2015 £m	2014 £m
Continuing operations		
Profit/(loss) from continuing operations	8.5	(2.8)
Share-based payments	3.7	–
Management incentive plans	1.9	0.6
Exceptional items	5.4	11.1
Impairment charges	–	15.8
Exceptional finance cost	29.4	10.8
Capitalised development spend	–	(4.9)
Tax effect	(7.7)	(4.7)
Total adjusted profit from continuing operations	41.2	25.9
Number of ordinary shares in issue at 2015 year end; assumed to be outstanding for full year and comparative period (millions)	1,000	1,000
Adjusted earnings per share from continuing operations	4.12p	2.59p



Auto Trader continues to see strong cash generation with operating cash flows from continuing operations 27% higher at £135.8m.

Cash flow and net external debt

Auto Trader continues to see strong cash generation with operating cash flows from continuing operations 27% higher at £135.8m (2014: £106.9m), resulting in cash conversion of 87% (2014: 79%).

	2015 £m	2014 £m
Adjusted underlying EBITDA	156.6	136.1
Capitalised development spend	-	4.9
Movement in working capital	(1.9)	(7.4)
Exceptional items (excluding IPO costs)	(9.8)	(11.1)
Continuing capital expenditure	(9.1)	(15.6)
Operating cash flow from continuing operations	135.8	106.9
Operation cash conversion	87%	79%

The IPO refinancing

On 24 March 2015, in connection with the IPO, the Group entered into a new banking facility consisting of a £550.0m five year term loan and a revolving credit facility (RCF) of £30.0m. Interest on the term loan is charged at LIBOR plus a margin of between 1.5% and 3.25% based upon the leverage of the Group. The RCF was undrawn at March 2015. Based on the year end leverage of 3.4 times Adjusted underlying EBITDA, the initial margin payable was 2.25%. The primary maintenance covenant on the facility is that leverage should not exceed 5.5 times prior to March 2017, reducing to 5 times beyond that date. Total arrangement fees of £9.4m were incurred and will be amortised over the term of the facility.

Net proceeds from the new term loan of £540.6m together with the primary proceeds of £460.3m from the IPO were mainly used to repay £990.4m of borrowings under the Group's Senior and Junior Debt facilities. Principal amounts outstanding under shareholder loans of £128.8m together with £12.7m of interest payable were converted into ordinary shares as part of the IPO.

87%

operating cash conversion

	£m
Net external debt at 30 March 2014	977.8
Net interest payable	73.1
Taxation	4.7
Primary proceeds from the IPO	(460.3)
IPO expenses	15.3
Refinancing fees	38.8
Operating cash flow	(135.8)
Other non-operating cash flow	14.3
Net external debt at 29 March 2015	527.9

Incorporation and capital reduction

On 13 February 2015, Auto Trader Group plc was incorporated and registered in England and Wales under the Companies Act 2006 as a public limited company. On 18 June 2015 the accounting reference date was changed to be 31 March.

The Company intends to reduce its share capital by means of a court-sanctioned reduction in capital in order to provide it with the distributable reserves required to support the intended dividend policy. The capital reduction was approved by a special resolution passed at the general meeting of the Company on 18 March 2015 and will require court approval. It is envisaged that the final court hearing to formally approve the proposed reduction of capital will take place before September 2015.

Dividend

The current intention of the Board is to pay a dividend in relation to the financial year ending 27 March 2016 in the form of an interim and final dividend. The current focus is on reducing the amount of debt outstanding until net external debt is at or below two times Adjusted underlying EBITDA. During this time, it is the Board's intention to adopt an initial pay-out ratio of between 10% and 20% of net income, with a view to increasing this to approximately one third of net income once the net debt two times leverage target is achieved.

Sean Glithero
Finance Director

19 June 2015

Principal risks and uncertainties

The Board takes overall responsibility for risk management with a particular focus on determining the nature and extent of significant risks it is willing to take in achieving its strategic objectives. The Audit Committee takes responsibility for overseeing the effectiveness of sound risk management and internal control systems. The detail of this process is set out in our Corporate Governance Statement.

The purpose of this section of the Strategic Report is to focus on the principal risks and uncertainties relating to our future development, performance or position which could have an impact on our business model, and strategy. The risk factors described below are not an exhaustive list or an explanation of all risks.

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

Description	Impact	Management and mitigation
<p>01 Macroeconomic conditions</p> <p>The Group derives its revenues from the UK automotive market and is thus dependent on the market and macroeconomic conditions in the UK.</p>	<p>If the UK economy contracts or if interest rates increase, the volume of transactions in the UK automotive market could decrease and/or there could be closure of a number of automotive retailers, both of which could reduce the Group's revenue from vehicle advertising services or other services.</p>	<p>The Group regularly reviews market conditions and indicators to assess whether any action is required to reduce costs or vary the products and services.</p>
<p>02 Competition</p> <p>The Group's share of total advertising spend in the UK digital automotive market is under constant threat from new and incumbent competitors as barriers to entry are low.</p>	<p>Increased competition could impact the Group's ability to grow revenue due to the potential loss of audience, trade and consumer advertisers, or demand for additional services.</p>	<p>These risks are mitigated by continual monitoring of overall market conditions and investment in products and marketing to ensure the Group not only delivers the best response to advertisers, but better value for money than its competitors. This allows the Group to maximise its return and maintain a strong market share.</p>
<p>03 Brand</p> <p>The protection and enhancement of the Auto Trader brand is critical to the Group's future success. Expanding the Group's business will depend largely on the ability to maintain the trust that retailers, consumers and display advertisers place in its services and the quality and integrity of vehicle advertisements and other content found on the marketplace.</p>	<p>Failure to maintain and protect the brand or negative publicity surrounding the Group's products or services could impede the Group's ability to retain or expand its base of retailers, consumers and advertisers or could diminish confidence in and the use of the Group's services.</p>	<p>The Group seeks to maintain and enhance trust through proactively monitoring for, and removing, misleading or fraudulent adverts. Brand heritage and relevance is supported through investment in marketing spend and an open dialogue with all customer segments is maintained regarding the quality of service provided.</p>

Description	Impact	Management and mitigation
<p>04 New or disruptive technologies and changing consumer behaviours</p> <p>The Group is exposed to the rapid pace of change in the online market, and to major changes in the way vehicles are bought and sold or owned.</p>	<p>Failure to innovate or adopt new technologies, or a failure to adapt to changing consumer behaviour towards car buying or ownership could lead to the Group's business being adversely impacted.</p>	<p>To mitigate this, the Group has a policy of continuous improvement and development of online services and products and continues to monitor its own and competitor performance closely.</p>
<p>05 IT systems</p> <p>The Group's IT systems are interdependent and a failure in one system may disrupt the availability and performance of its customer platforms, and the efficiency and functioning of the Group's operations.</p> <p>The Group is exposed to risks of cyber-attack to its websites and services.</p>	<p>Failure in one system could disrupt others and could impact the availability or performance of Group platforms.</p> <p>Security breaches as a result of malicious cyber-attack could lead to the unavailability of services, or loss of data or confidential information.</p> <p>Potential impact to retailers, consumers, advertisers and audience access to the Group's platforms could impact the reputation of the Group and its financial performance.</p>	<p>Through effective use of technology solutions and strict adherence to industry standards the Group deploys tools and processes that automatically intercept, identify and effectively mitigate the vast majority of the security threats.</p> <p>In addition, a team of security experts continually monitor developments outside the Group to help mitigate new known threats in anticipation of an attempt on the Group's infrastructure.</p>





Fast digital culture, driven by innovation

To help us achieve our vision of leading the digital future of the UK automotive industry we have fostered a fast-paced culture that has innovation at its heart, driven by a committed leadership team that combines both digital experience with a long average tenure at the Group.

Our values

→ Be determined

We got where we are today by being determined. And that's how we'll continue to succeed.

→ Be reliable

Our customers depend on us, so we must always be there with useful services that work effortlessly.

→ Be curious

Asking questions and trying things out is the best way to stay ahead of changes in the digital world.

→ Be inspirational

With over 35 years of experience, Auto Trader is a trusted industry voice. We use that voice wisely.

→ Be humble

We need our customers more than they need us. Everything we do, we should do to help them.

Our culture

We consolidated our offices and opened two new head offices in Manchester and London, designed to encourage and promote an innovative and collaborative working environment. Employees in the new offices have access to touch screen media walls, meeting rooms, games areas and relaxation areas. We have invested and continue to invest in our employees through extensive training and leadership programmes that are designed to foster a culture of highly engaged employees committed to achieving the Group's mission. We also launched a new three day off-site Company induction for all new employees to immerse them into the Auto Trader business and encourage cross-functional working.

The culture at Auto Trader is:

- > purpose and principles driven – empowering teams to focus;
- > digital and mobile first – employees continuously strive to improve;
- > based on trust and debate – ideas come from everywhere; and
- > values and value led – employees are loyal and accountable, which leads to happier customers.

By adhering to the Group's core values, we believe we are making a positive impact not only on our consumer audience and customers, but also on our employees and the communities in which they work and live.

Case study

Company induction

Every month, the learning & development team lead a Company induction at the Green Man in the Peak District. The three day induction is designed to introduce new employees to the business, immerse them in the Auto Trader culture, help them understand the ways in which the business operates, and to encourage friendships across the different teams. We encourage cross-functional working, alignment and forums in which to share ideas.

Matthew Poole Consumer Adviser

Customer Operations Team
Joined Auto Trader in November 2014

"Auto Trader's willingness to invest in such a comprehensive induction so early into my time at the company really filled me with the sense that they have an unrivalled belief in the abilities of each and every member of staff to thrive in the organisation, irrespective of their position. The activities over the course of the three days range from swashbuckling games to thought-provoking presentations and workshops with the values being displayed every step of the way. The in-house pub and country surroundings create the perfect atmosphere to converse and integrate with fellow inductees, so we were able to live the values and work out what they meant to us all as individuals.

"My highlight from the induction was the opportunity to meet people from the different areas of the business and gain an understanding of how the work they do both strengthens us as an organisation and me as an individual. It has given me the confidence to talk to people from across the business, which improves my knowledge and understanding so ultimately I am better placed to help our customers."



Corporate social responsibility

Our culture is shaped by our values: humility, determination, reliability, curiosity and inspiration. Throughout the organisation, these values manifest themselves in our fast-paced and highly customer orientated approach, and in our commitment to being an exciting, innovative and digital-led company.

Across the business, we are led by a sense of purpose and a set of principles that foster an environment of trust, within which challenge and debate are encouraged and talent is recognised and nurtured.

Corporate Social Responsibility (CSR) at Auto Trader is driven by our values and culture. Our CSR policy covers five key themes of employee engagement, people development and training, health and safety, plus community and environment, and we aim to embed these themes in how we operate our business on a daily basis.

Employee engagement and community

People are the Group's most valuable resource and the success of the Group is to the credit of all its employees. The continued success of Auto Trader is something of which everyone associated with the business can be enormously proud. In recognition of the diverse needs of Auto Trader employees, our flexible benefits scheme, My Benefits, enables employees to tailor their benefits package to meet their own specific needs. As well as our Company funded benefits, we offer a wide range of voluntary benefits, including childcare vouchers, cycle to work and critical illness insurance, that are proving popular amongst our employees.

In April, following the Company's Admission to the London Stock Exchange, we were able to give our employees the opportunity to become shareholders in the business. All eligible employees received £3,600 worth of free shares, the maximum allowed under our HMRC approved Share Incentive Plan (SIP) at the time of Admission, as a thank you for all the hard work and dedication in shaping our business.

The Group is committed to treating all its employees and job applicants fairly and equally. It is our policy not to discriminate on the basis of their gender, sexual orientation, marital or civil partner status, gender identity, 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 applies to all workers.

Gender diversity as at 29 March 2015

	Male	Female	Total
All employees	551	325	876
Senior managers (being the members of the Operational Leadership Team) ¹	11	4	15
Directors of Auto Trader Group plc	7	0	7

¹ Senior managers as defined in legislation includes persons responsible for planning, directing or controlling the activities of the Group (or a significant part of the Group) and any other Directors of undertakings included in the consolidated accounts. However, the Board considers that this definition does not reflect the way that Auto Trader is managed and so has presented a more appropriate measure, being the members of its Operational Leadership Team (excluding Executive Directors).

People development and training

Auto Trader is committed to investing in our employees through extensive training and leadership programmes that are designed to equip all of them with the necessary skills to perform to the best of their ability and to foster a culture of highly engaged employees committed to achieving the Group's mission.

In addition to the training and development programme, Auto Trader launched a Success Framework to enable our employees to understand what values and behaviours they should adopt as well as the skills and knowledge base required to succeed at Auto Trader.

Health and safety

We are committed to maintaining a safe workplace for our employees, customers, visitors, contractors and anyone affected by our business activities. It is therefore our policy that all the Group's facilities, products and services comply in all material respects with applicable laws and regulations governing safety and quality.

During the year there were no major injuries reported under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations.

Community

Each year we assign a fundraising budget which allows employees to request funds for causes that are close to their hearts. This allows us to help a wide range of organisations and offer employees a variety of ways to get involved. Donations from Auto Trader directly to charities totalled £40,000 last year.

However, being a good corporate citizen is not just about fundraising. Our community involvement policy supports employees who wish to work with communities across the UK, either as private individuals or as employees of Auto Trader (for team volunteering days, for example). We also have a successful community sponsorship programme, providing employees with a bursary to support local initiatives or clubs that they are involved with.

In addition, the King's Cross office in London uses Fruitful Office to deliver fruit to the office each week. For every fruit basket our employees receive, the Fruitful Office plants a fruit tree in Malawi to help mitigate the effect of global warming and deforestation, whilst also providing an income to local communities. Since October 2014, the scheme has planted 151 trees on Auto Trader's behalf.



Team taking part in the Great Manchester 10k Run in aid of Forever Manchester

Environment

We are mindful of the effects of our business on the environment and continue to support energy efficiency throughout our business activities. As an internet-based Group with most staff employed in two office locations, we believe our own environmental footprint is small, but we still encourage our employees to take steps to reduce our environmental impact. For instance we operate recycling schemes which have been established with local authorities and recycling partners. There are no waste bins at desks in our offices which encourages a higher level of recycling.

Our offices

Auto Trader has recently moved into two newly-built office spaces: Pancras Square in Kings Cross, London and Tony Wilson Place in Manchester. Both offices are graded highly by the BREEAM standard: the Kings Cross office is rated 'Outstanding' and the Manchester office is rated 'Excellent'.

The Kings Cross office is linked to a site-wide district heating network. This network will generate close to 100% of the development's heating and hot water needs. The building has been designed to maximise the environmental benefits of its location. Orientation, solar shading, the use of thermal mass for cooling and passive ventilation systems all contribute to energy efficiency.

Greenhouse gas emissions statement

Following Admission, Auto Trader is required to measure and report its direct and indirect greenhouse gas (GHG) emissions by the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013.

The greenhouse gas report 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) 2004. Emission factors used are from UK government (DEFRA) conversion factor guidance current for the year reported.

The report includes the 'Scope 1' (combustion of fuel) and 'Scope 2' (purchased electricity and gas) emissions associated with our offices and vehicles, for the 12 months between 1 April 2014 and 31 March 2015. Our emissions cover Scope 1 and Scope 2 and we have used revenue as our intensity ratio as this is a relevant indicator of our growth and is aligned with our business strategy.

	2015	2014
Absolute carbon emissions (tCO ₂)	793	1,462
Revenue (£m)	255.9	237.7
Carbon intensity ¹	3.10	6.15
Year-on-year change	(49.6%)	–

¹ Absolute carbon emissions divided by revenue in millions.

The Company's Strategic Report is set out on pages 2 to 25. Approved by the Board on 19 June 2015 and signed on its behalf by:

Sean Glithero
Company Secretary

19 June 2015