
Half year results presentation

Six months ended 30 September 2018

8 November 2018



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Financial highlights*

+7% Revenue: up **7%** to £176.8 million (H1 2018: £165.0 million)

+10% Operating profit*: up **10%** to £120.6 million (H1 2018: £109.9 million)

68% Operating profit margin*: up **1% point** to 68% (H1 2018: 67%). Operating cost growth of 2%

+12% Earnings and distribution*: **basic EPS up 12%** to 9.78p (H1 2018: 8.71p); interim dividend of 2.1p per share (H1 2018: 1.9p per share)

+12% Cash generated from operations*: up **12%** to £129.0 million (H1 2018: £115.1 million)

1.31x Net external debt: down £19.3million to £319.4 million (March 2018: £338.7 million) with leverage at 1.31x (March 2018: 1.46x). **Gross debt reduced by £20.0 million** (H1 2018: £10.0 million)

£81m Cash returned to shareholders: **£80.8 million** cash returned to shareholders (H1 2018: £70.3 million) through **£42.9 million of share buy-backs** (H1 2018: £36.3 million) (9.6 million shares at an average price of 445p) plus **dividends paid of £37.9 million** (H1 2018: £34.0 million)

Key drivers

+£152 **ARPR: up £152** to £1,826 on average per month (H1 2018: £1,674), with growth from product and price offsetting a reduction from stock

-3% **Physical car stock on site:** as anticipated, **down 3%** to 437,000 cars (H1 2018: 451,000) on average

-0% **Retailer forecourts:** the average number of forecourts in the period was **13,153** (H1 2018: 13,213)

247m **Advert views: up 1% at 247 million** per month on average (H1 2018: 245 million)

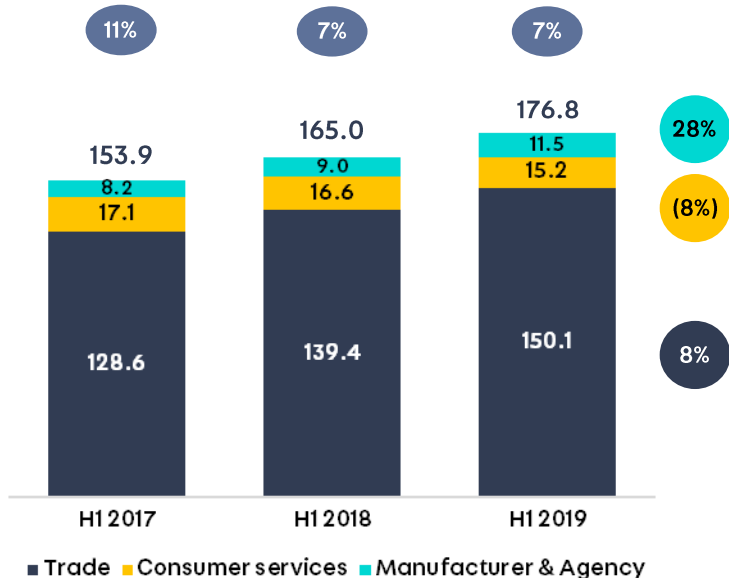
585m **Cross platform minutes: down 2%** to 585 million per month on average (H1 2018: 594 million) but gained market share. Cross platform visits were almost 4x larger than our nearest competitor (H1 2018: 3x larger)

802 **Number of employees and contractors (FTEs): reduced to 802** on average during the period (H1 2018: 818)

Revenue

Revenue (£m)

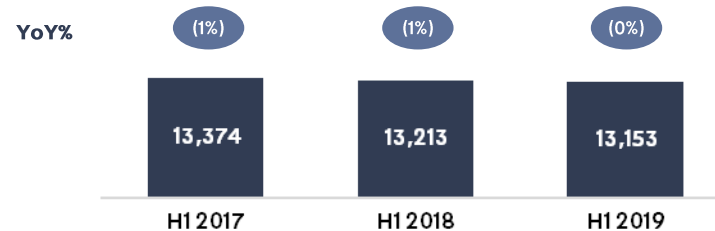
Six months ending 30 September 2018 is shown as H1 2019



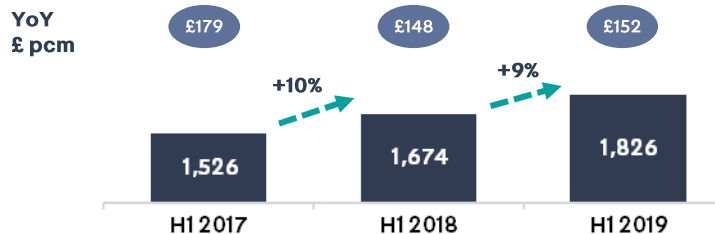
Trade revenue comprises:
 H1 2019: Retailer (£144.1m); Home Trader (£5.4m); Other (£0.6m)
 H1 2018: Retailer (£132.7m); Home Trader (£6.2m); Other (£0.5m)
 H1 2017: Retailer (£122.5m); Home Trader (£6.1m); Other (£nil)

Consumer services revenue comprises:
 H1 2019: Private (£11.0m); Motoring Services (£4.2m)
 H1 2018: Private (£12.6m); Motoring Services (£4.0m)
 H1 2017: Private (£13.5m); Motoring Services (£3.6m)

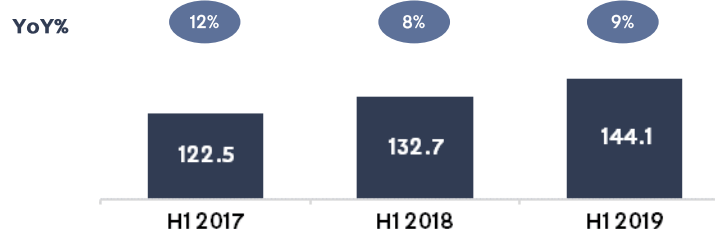
Number of retailer forecourts ⁽¹⁾



Average Revenue Per Retailer (ARPR) (£) ⁽¹⁾



Retailer revenue (£m)

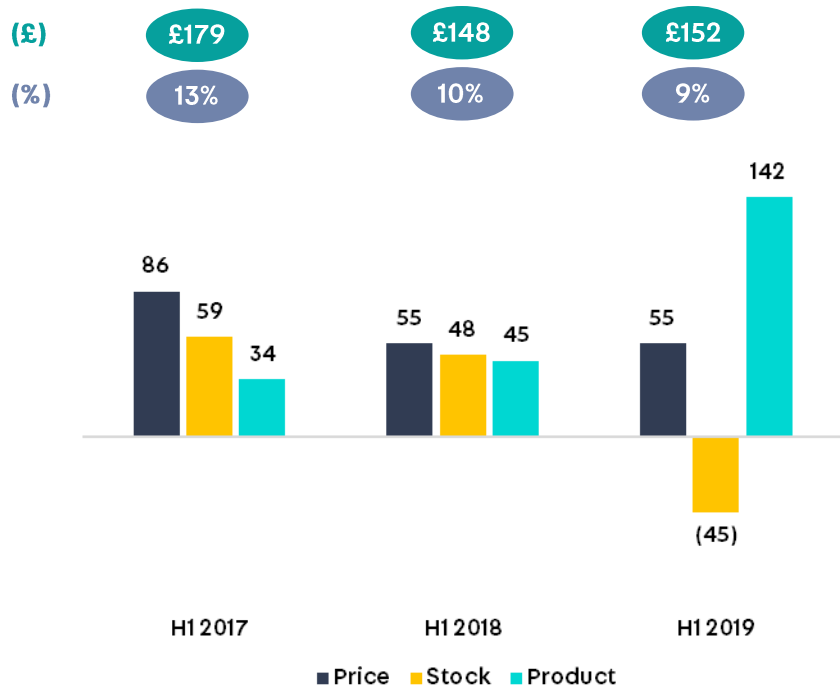


(1) Average monthly metric

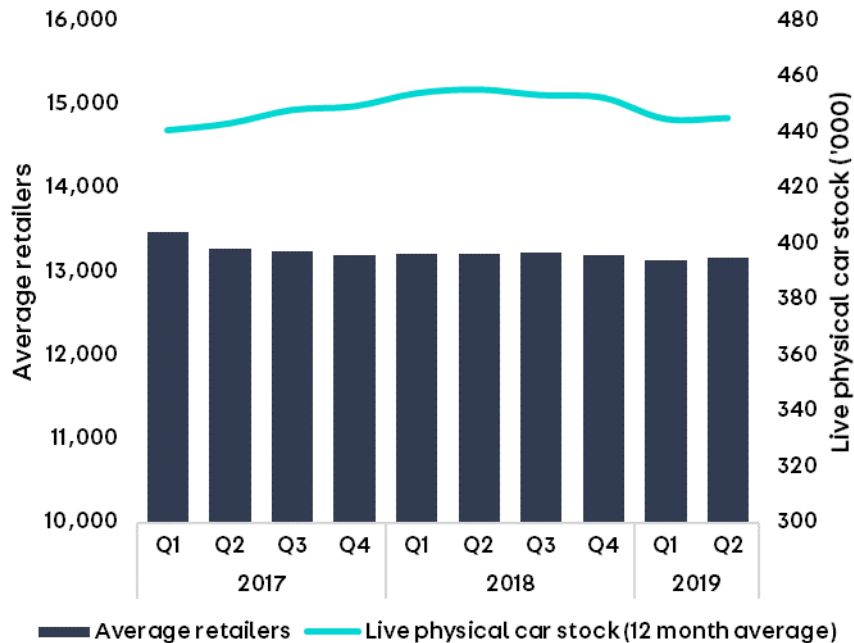
ARPR growth underpinned by product growth which offset an anticipated stock headwind

ARPR levers

Growth in Average Revenue Per Retailer per month (£)



Physical car stock and retailer forecourts

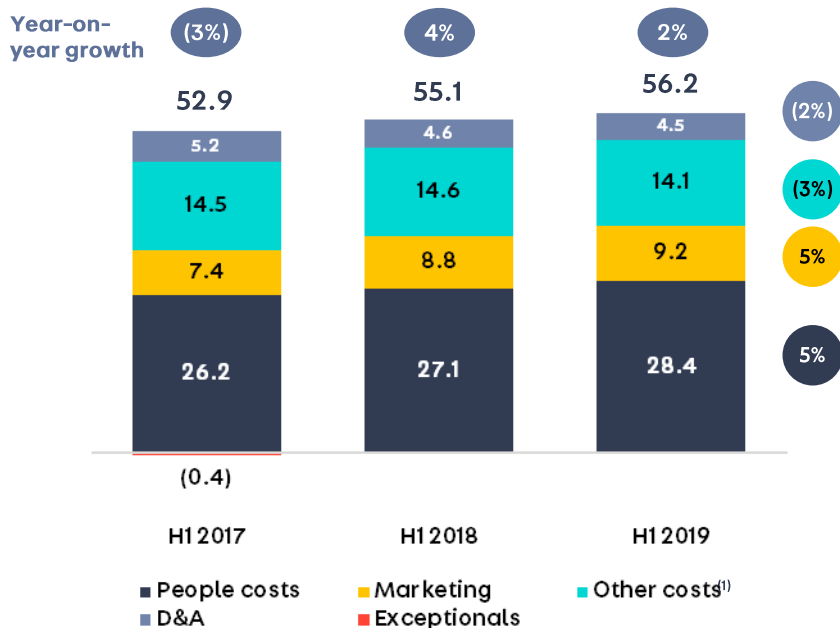


Costs

Costs (£m)*

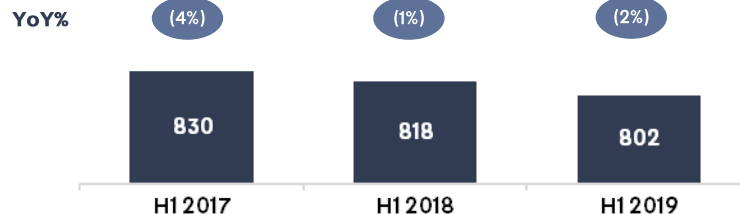
Six months ending 30 September 2018 is shown as H1 2019

*Note: Costs for H1 2017 and H1 2018 have been restated following the implementation of IFRS 16

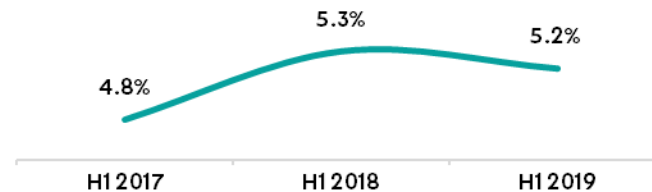


People costs include share-based payments:
 H1 2019: Share-based payments including NI of £3.2m
 H1 2018: Share-based payments including NI of £1.8m
 H1 2017: Share-based payments including NI of £2.1m

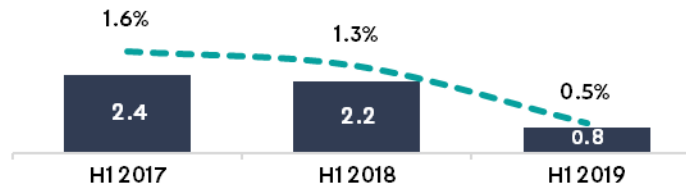
FTEs (including contractors)⁽²⁾



Marketing as a % of revenue



Capital expenditure (excluding acquisitions) (£m)



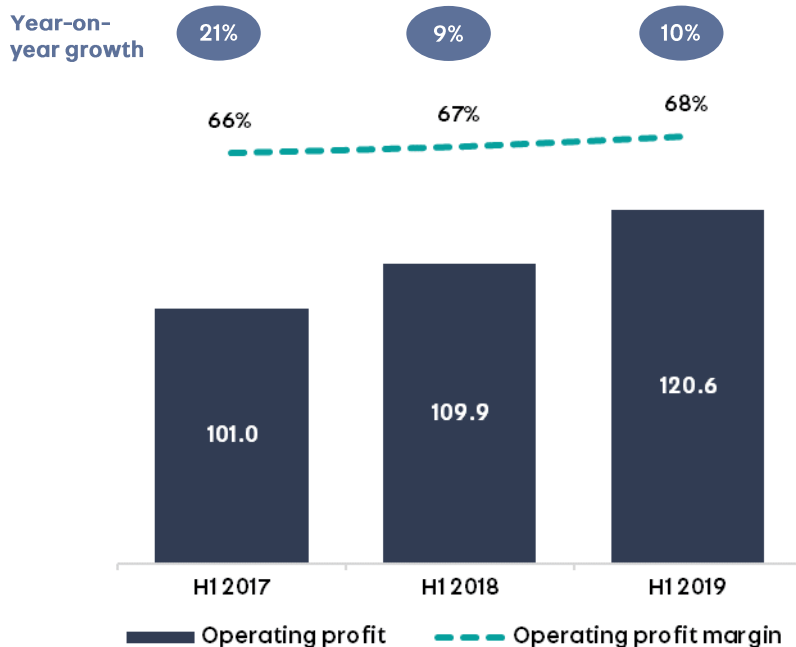
(1) Other costs include: property, IT & comms, data services and other corporate overheads
 (2) Average monthly metric

Profit and cash flow

Operating profit (£m)*

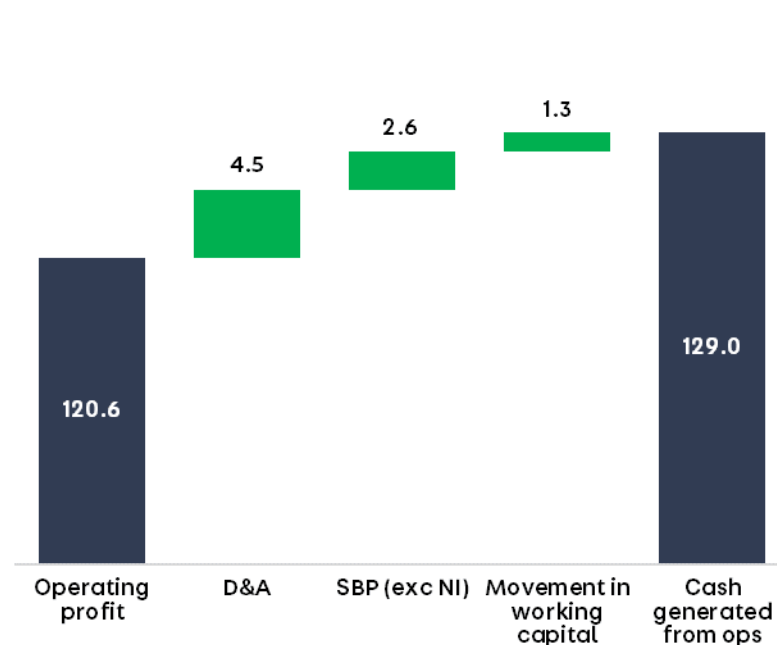
Six months ending 30 September 2018 is shown as H1 2019

* Note: Operating profit for H1 2017 and H1 2018 has been restated following the implementation of IFRS 16



Cash generated from operations (£m)

Six months ending 30 September 2018 is shown as H1 2019



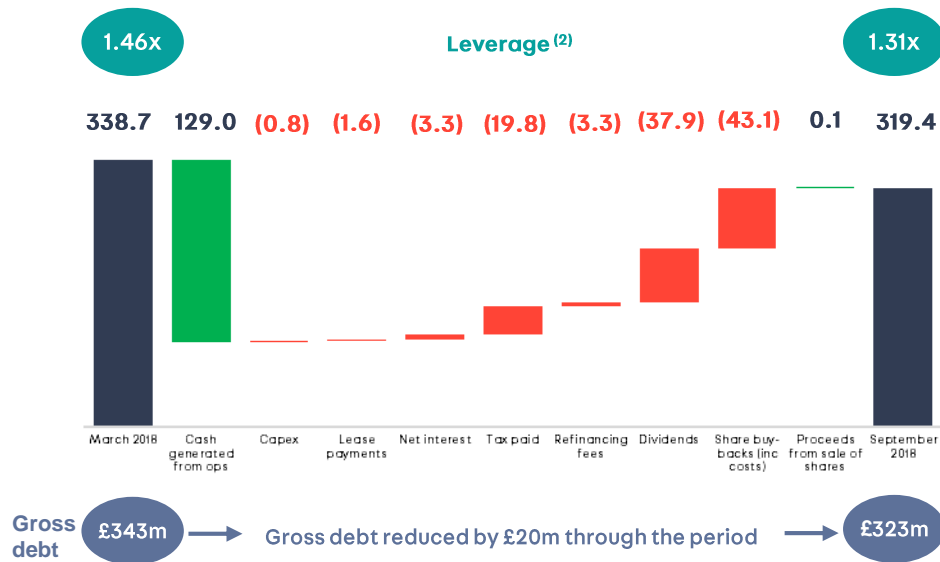
Income statement

	H1 2019	H1 2018* (restated)	Year-on-year %
Revenue	176.8	165.0	7%
Administrative expenses	(56.2)	(55.1)	(2%)
Operating profit	120.6	109.9	10%
Finance costs – net	(6.1)	(4.6)	(33%)
Profit before taxation	114.5	105.3	9%
Taxation	(21.9)	(20.7)	(6%)
Profit for the year attributable to equity owners of the parent	92.6	84.6	9%
Earnings per share (pence)			
Basic	9.78	8.71	12%
Diluted	9.75	8.68	12%
Dividend per share (pence)	2.1	1.9	11%

* note: Prior year comparatives have been restated following the implementation of IFRS 16 'Leases' from 1 April 2018.

Net external debt and capital allocation

Reconciliation of net external debt ⁽¹⁾ (£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

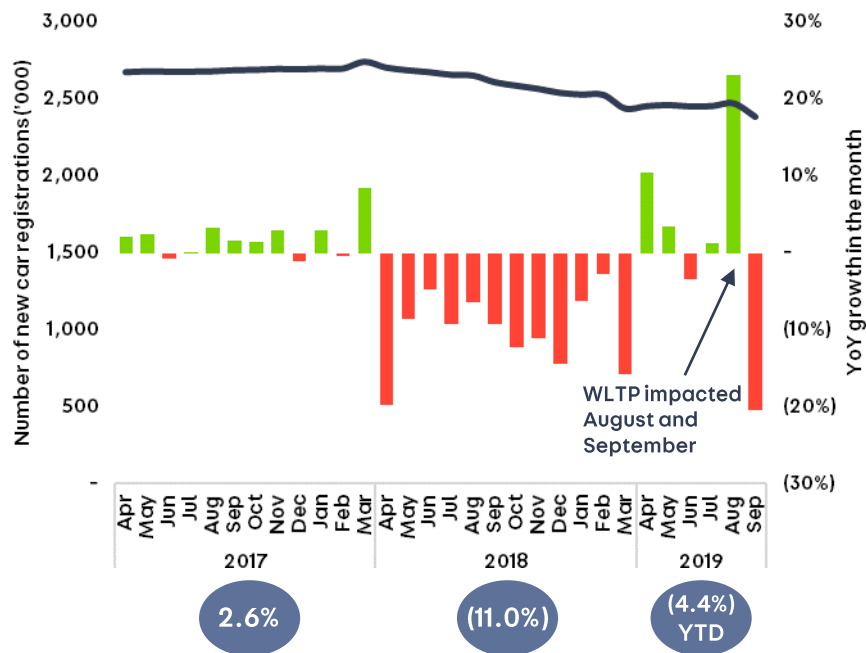
- On 6 June 2018, the Group's Syndicated Term Loan, which was due to mature in March 2020, was refinanced as the Group signed into a new 5 year £400 million revolving credit facility.
- As communicated within the 2018 full year results, the Group's capital allocation policy remains unchanged. The Group will continue to invest in the business enabling it to grow but high levels of cash conversion means significant levels of surplus cash will be generated.
- We will continue to reduce the level of gross debt drawn by modest amounts, and so we repaid £20 million in six months ended 30 September 2018.
- The majority of surplus cash will however be used to continue the Group's share buy-back programme. During the period, 9.6m shares were repurchased at an average price of 445p for consideration of £42.9m plus costs of £0.2m.
- Our current policy is to distribute around 1/3 of total net income for the year in the form of dividend; an interim dividend of 2.1p has been declared and will be paid in H2 2019.

UK car market

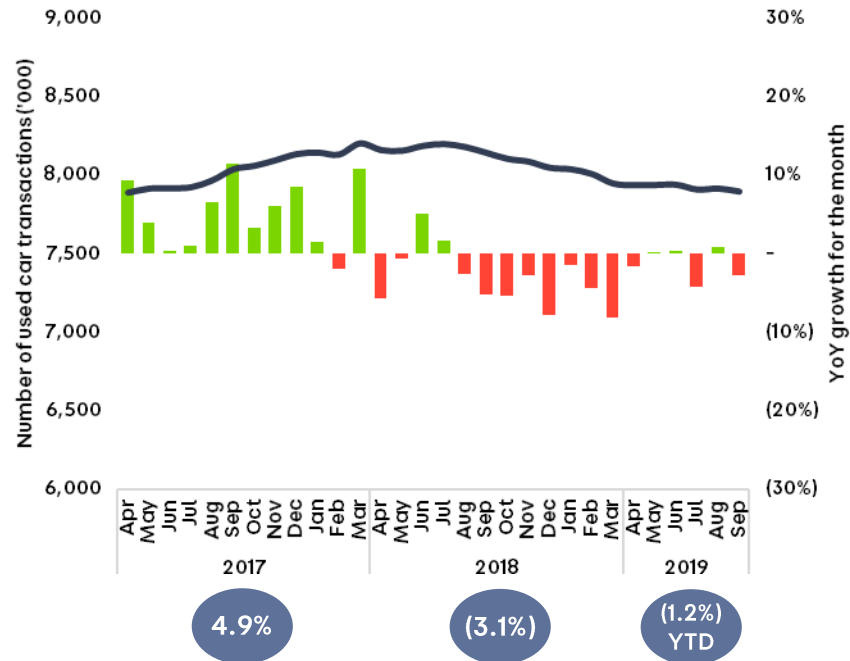


The new car market remains under pressure but used car transactions look to be stabilising

New car registrations (1)



Used car transactions (2)



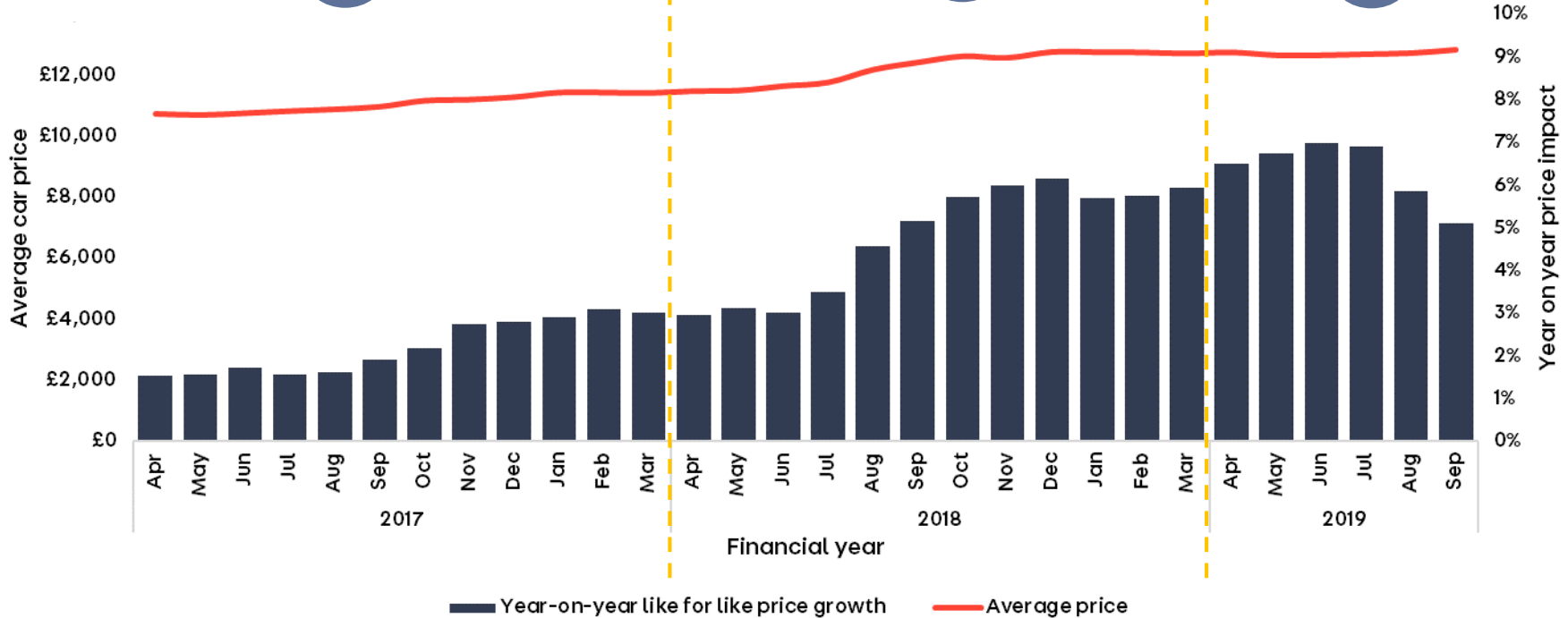
(1) Society of Motor Manufacturers & Traders (SMMT) - 12 month rolling total

(2) DVLA transaction data - 12 month rolling total

Underlying used car trade prices are still increasing through petrol vehicles whilst diesel remains stable

Auto Trader Retail Price Index

Like-for-like price growth (%)



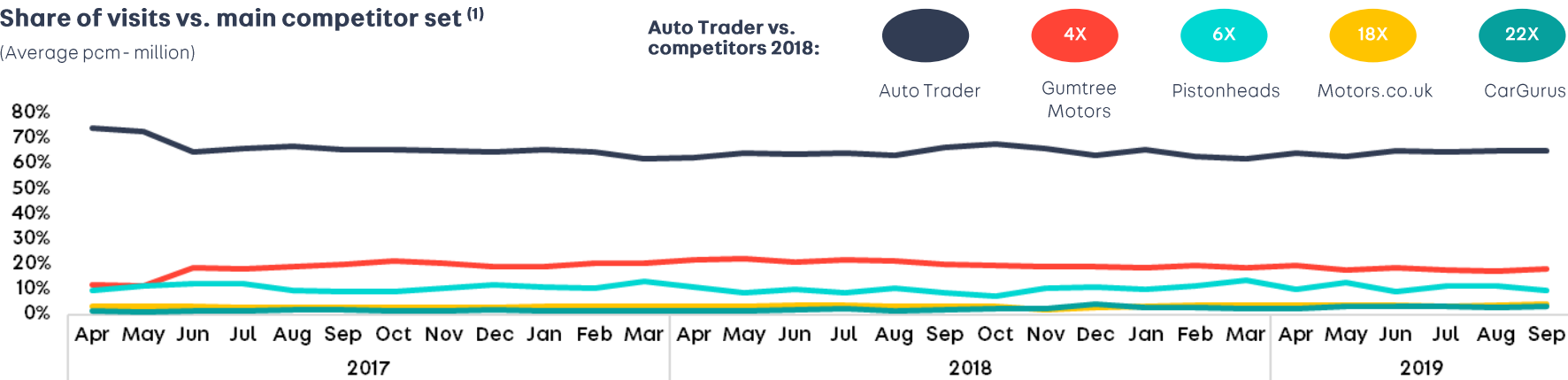
Key drivers



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

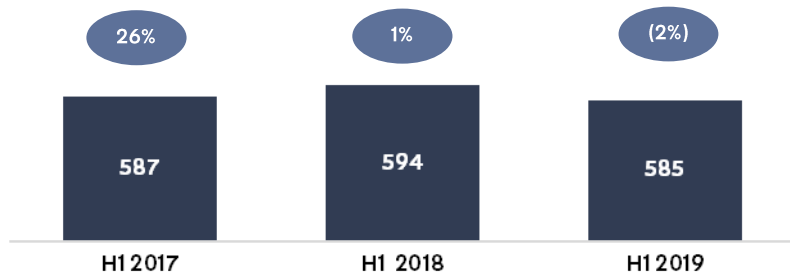
Share of visits vs. main competitor set ⁽¹⁾

(Average pcm - million)



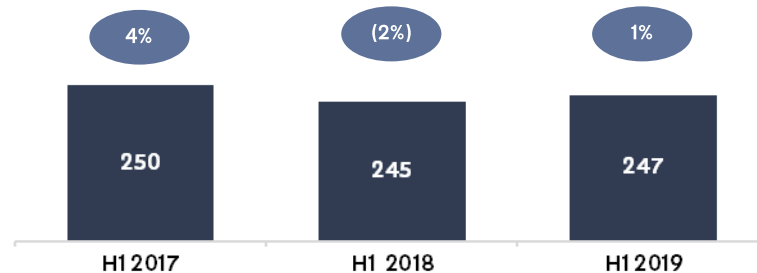
Time spent on autotrader.co.uk (minutes) ⁽¹⁾

(Average pcm - million)



Advert views on autotrader.co.uk ⁽²⁾

(Average pcm - million)

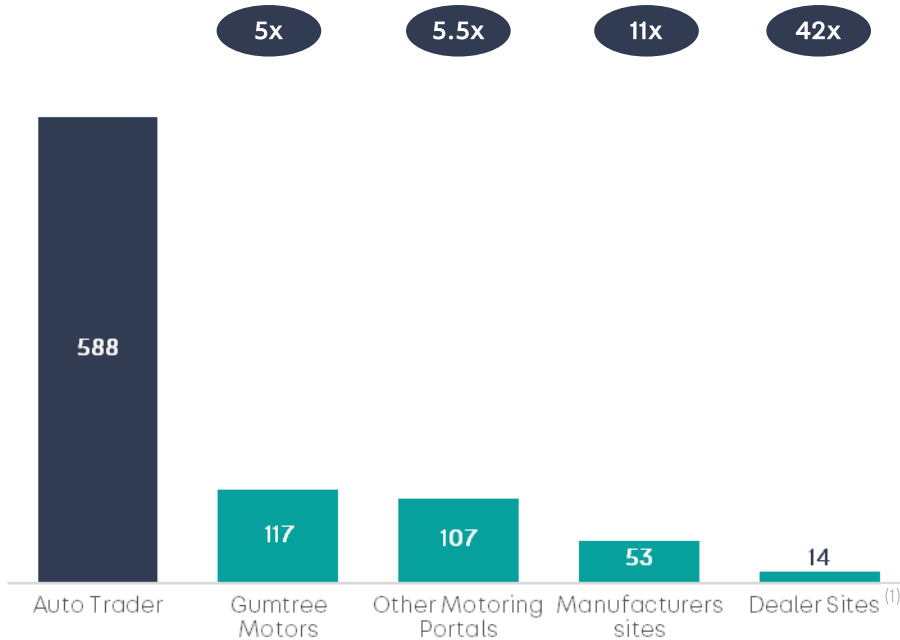


(1) Share of visits is a custom metric based on Comscore visits (000) and is calculated by dividing Auto Trader's total visit volume by the entire custom-defined competitive set's total visit volume. Comscore MMX® Multi-Platform, Total Audience, Custom-defined list includes: Auto Trader, Gumtree - Motors, Pistonheads, Motors.co.uk & CarGurus, April through September from 2016 to 2018, UK

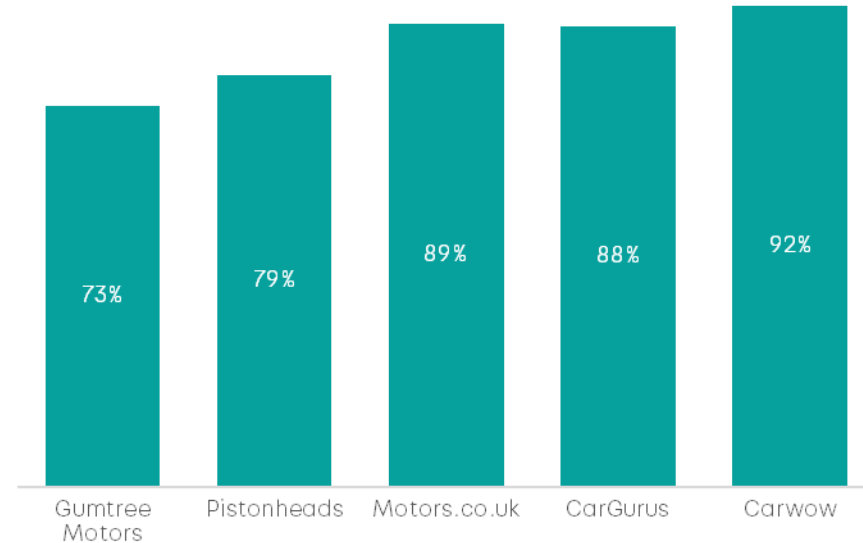
(2) Company measure of the number of inspections of individual vehicle advertisements on the UK marketplace (includes physical and virtual stock)

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

Total minutes spent in Sep 2018 (millions) ⁽¹⁾



Percentage of Auto Trader audience that do not visit a particular competitor site ⁽²⁾



(1) Comscore MMX® Multi-Platform, Total Audience, Custom-defined list includes: 'Other Motoring Portals' - Pistonheads, Parkers, AutoExpress, What Car?, CarGurus, Motors.co.uk, TopGear, Carwow, Exchange and Mart, RAC Cars, Carsnip, eBay Motors UK, Trusted Dealers, VCars, 'Dealer Sites' - Evans Halshaw, Arnold Clark, Motorpoint, Available Car, Car Giant, Car Shop, Big Motoring World, Stratstone, Imperial Car supermarkets, Peter Vardy, The Car People, Pentagon Group, Marshall, Perrys, H. R. Owen, Jennings Motor Group, April – September 2018, UK

(2) Comscore MMX® Multi-Platform, Total Audience, Custom-defined list includes: Auto Trader, Gumtree – Motors, Pistonheads, Motors.co.uk, CarGurus, Carwow, September 2018, U.K.

Product growth has been driven by increased penetration of our higher level packages and the monetisation of Dealer Finance through our April event

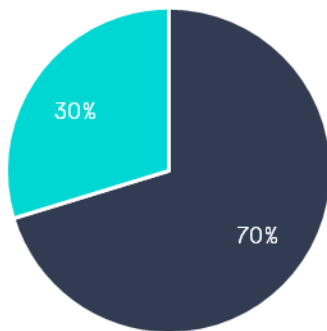
Dealer Finance

Retailers paying for Dealer Finance, average September 2018

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

> **300** van retailers now on Dealer finance

- Paying for own dealer finance
- Eligible but not taking product



70%
of retailers eligible for the product are now **paying to advertise their own finance rates**

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

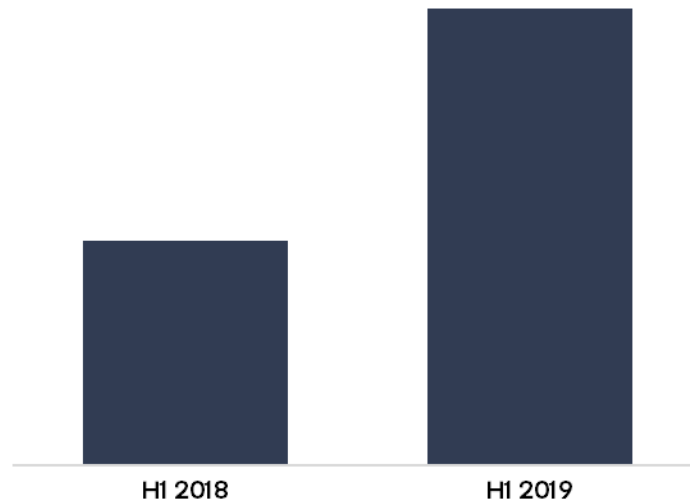
Advanced and Premium package penetration

Car stock penetration - average in the month

Stock penetration (%)

8%

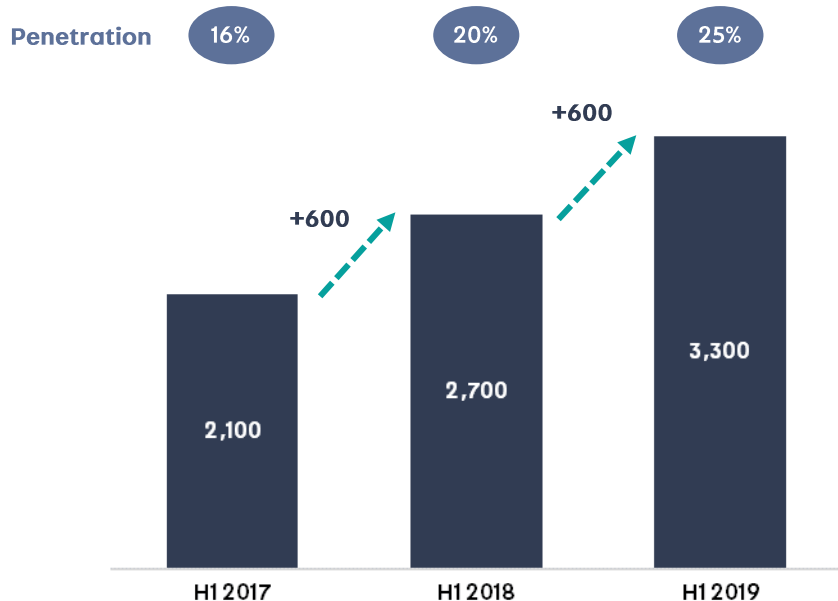
15%



Managing forecourt penetration continues to increase

Number of forecourts with one of our Managing products

Average number in the month of September
Six months ended 30 September 2018 is shown as H1 2019

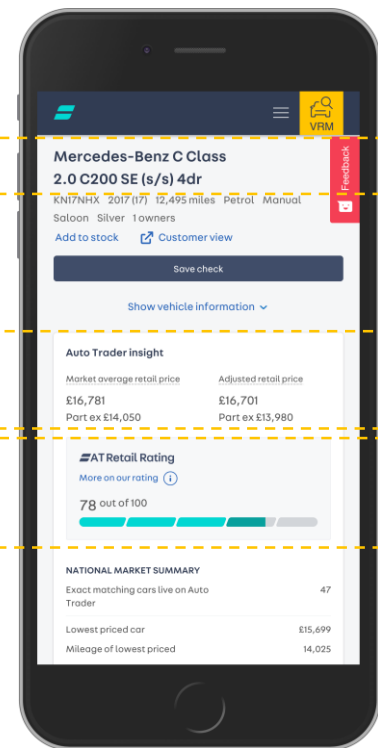


New Retail Check product

Information on a specification adjusted model – more accurate than anyone else

Valuations data giving an adjusted retail price and a part-ex price relative to the market

AutoTrader retail rating gives a desirability rating of the car based on our comprehensive search data



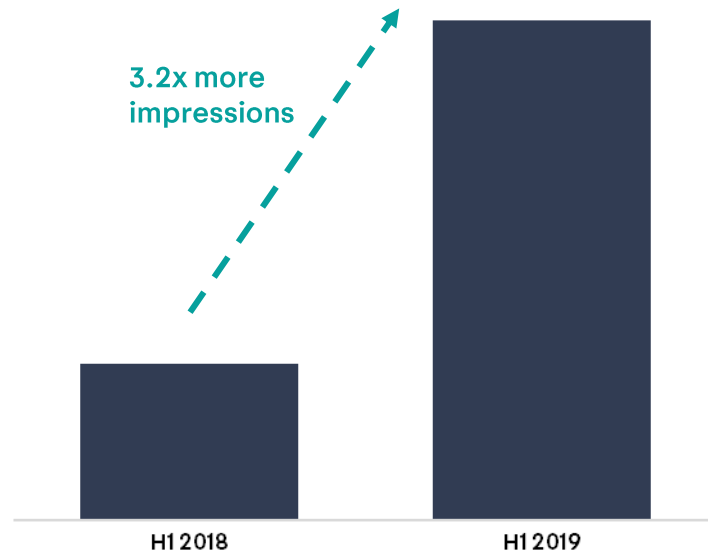
Delivering greater value for car manufacturers through InSearch



Helping manufacturers and retailers engage with in-market consumers at the early stages of their car buying journey on Auto Trader whether it be on desktop, mobile or app.

InSearch impressions served

Total impressions served in the period
Period ended 30 September 2018 is shown as H1 2019



Outlook



2019 outlook

- The strong first half means revenue growth for the full year is likely to exceed previous guidance.
- ARPR growth to date has outperformed our expectations despite the anticipated stock headwind. Product will continue to be the largest contributor to growth in ARPR, with growth for the full year lower than that of the first half due to a strong second half comparative.
- We expect retailer forecourt numbers to remain broadly stable.
- Manufacturer & Agency has performed significantly ahead of our expectations helped by the strong uptake of InSearch, our new car advertising proposition. We expect growth to be tempered in the second half due to the broader uncertainties facing manufacturers.
- Consumer services growth is expected to improve slightly, partly as a result of being compared to a relatively weak second half last year.
- We continue to anticipate our total operating costs for the year to increase at a rate of low to mid-single digit.
- The Board remains confident of delivering its growth expectations for the remainder of the year.

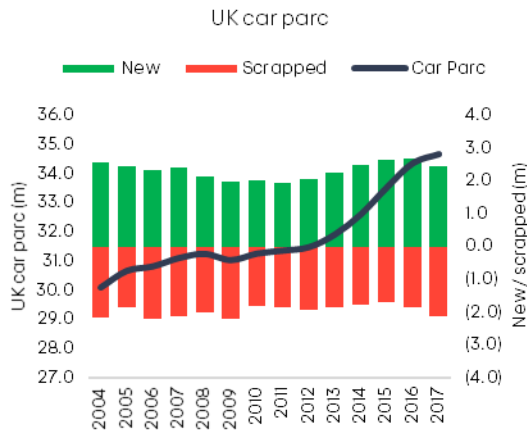
Q & A

Appendices

The UK car parc continues to grow and whilst turn has increased transactions remain at near record highs

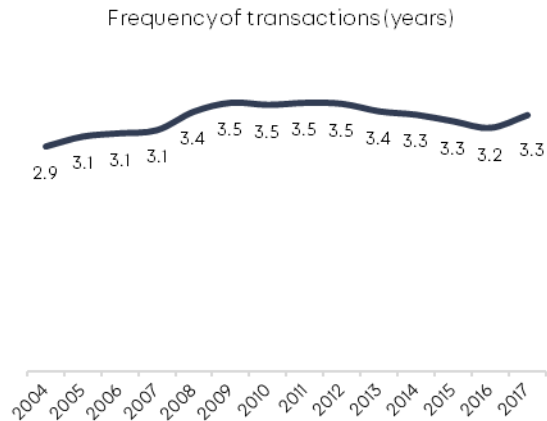
1

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



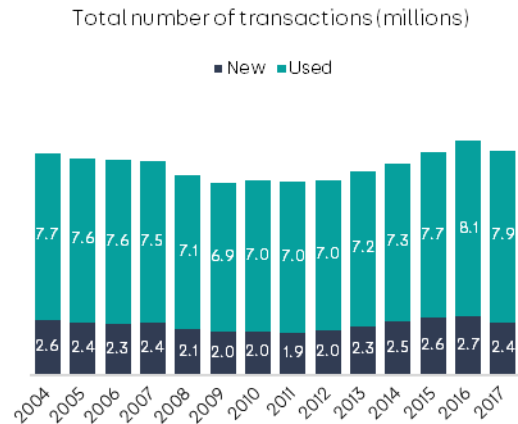
2

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

Impact of IFRS 16 on the income statement

Income statement	Six months ended 30 September 2018			Six months ended 30 September 2017		
	Before adoption of IFRS 16 (£m)	Impact of IFRS 16 (£m)	Amounts reported (£m)	Before adoption of IFRS 16 (£m)	Impact of IFRS 16 (£m)	Amounts reported (£m)
Revenue	176.8	–	176.8	165.0	–	165.0
People costs	(28.4)	–	(28.4)	(27.1)	–	(27.1)
Marketing costs	(9.2)	–	(9.2)	(8.8)	–	(8.8)
Other costs	(15.4)	1.3	(14.1)	(15.9)	1.3	(14.6)
Depreciation and amortisation	(3.5)	(1.0)	(4.5)	(3.6)	(1.0)	(4.6)
Total costs	(56.5)	0.3	(56.2)	(55.4)	0.3	(55.1)
Operating profit	120.3	0.3	120.6	109.6	0.3	109.9
Finance costs – net	(5.6)	(0.5)	(6.1)	(4.2)	(0.4)	(4.6)
Profit before tax	114.7	(0.2)	114.5	105.4	(0.1)	105.3
Taxation	(22.0)	0.1	(21.9)	(20.7)	–	(20.7)
Profit after tax	92.7	(0.1)	92.6	84.7	(0.1)	84.6
<i>Earnings per share</i>	<i>9.79</i>	<i>(0.01)</i>	<i>9.78</i>	8.72	(0.01)	8.71

Cash flow statement

	H1 2019 £m	H1 2018* (restated) £m
Profit before tax	114.5	105.3
Depreciation and amortisation	4.5	4.6
Share-based payments charge (exc NI)	2.6	1.6
Finance costs - net	6.1	4.6
Changes in working capital	1.3	(1.0)
Cash generated from operations	129.0	115.1
Tax paid	(19.8)	(18.6)
Capital expenditure	(0.8)	(2.2)
Lease payments	(1.6)	(0.9)
Acquisition of subsidiary, net of cash	-	(11.9)
Repayment of borrowings	(20.0)	(10.0)
Interest paid	(3.3)	(3.2)
Payment of refinancing fees	(3.3)	-
Dividends paid	(37.9)	(34.0)
Purchase of own shares	(42.9)	(36.3)
Fees on purchase of own shares	(0.2)	(0.2)
Proceeds from exercise of share-based incentives	0.1	-
Net (decrease) in cash	(0.7)	(2.2)

Notes

Notes

The logo for AutoTrader, featuring a stylized icon of a car's front end in red and dark blue, followed by the text "AutoTrader" in a dark blue, sans-serif font.

AutoTrader