

Half Year Results

Six months ended 30 September 2017

9 November 2017



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Financial highlights

+7% **Revenue:** up 7% to £165.0 million (H1 2017: £153.9 million)

+9% **Operating profit:** up 9% to £109.6 million (H1 2017: £100.6 million)

+11% **Cash generated from operations:** up 11% to £114.2 million (H1 2017: £103.2 million)

+14% **Earnings and distribution:** basic EPS up 14% to 8.72p (H1 2017: 7.65p); interim dividend of 1.9p per share (H1 2017: 1.7p)

1.55x **Net external debt:** down £7.8 million to £347.2 million (Mar 2017: £355.0 million) with leverage at 1.55x (Mar 2017: 1.65x). Debt repayments of £10.0 million (H1 2017: £25.0million)

£70m **Cash returned to shareholders:** £70.3 million cash returned to shareholders through **£36.3 million** (H1 2017: £48.6 million) of share buy-backs (9.9 million shares at an average price of 367p) plus dividends paid of £34.0 million (H1 2017: £nil).

66% **Operating profit margin:** up 1% points to 66% (H1 2017: 65%) after operating cost growth of 4%, of which 2% relates to Motor Trade Delivery ('MTD') acquired in April 2017

Note: H1 2017 is the 182 days ending 25 Sep 2016 and H1 2018 is the 183 days ending 30 Sep 2017

Key drivers

+£148

ARPR: up £148 to £1,674 on average per month (H1 2017: £1,526), driven by growth in stock, price and product

+3%

Physical car stock on site: up 3% to 451,000 cars (H1 2017: 439,000) on average

-1%

Retailer forecourts: the average number of forecourts in the period (13,213) was 1% lower than the average in H1 last year (13,374) with stock per forecourt higher. The number of forecourts was flat between March and September

594m

Cross platform minutes: up 1% to 594 million per month on average (H1 2017: 587 million)

245m

Advert views: down 2% to 245 million per month on average (H1 2017: 250 million)

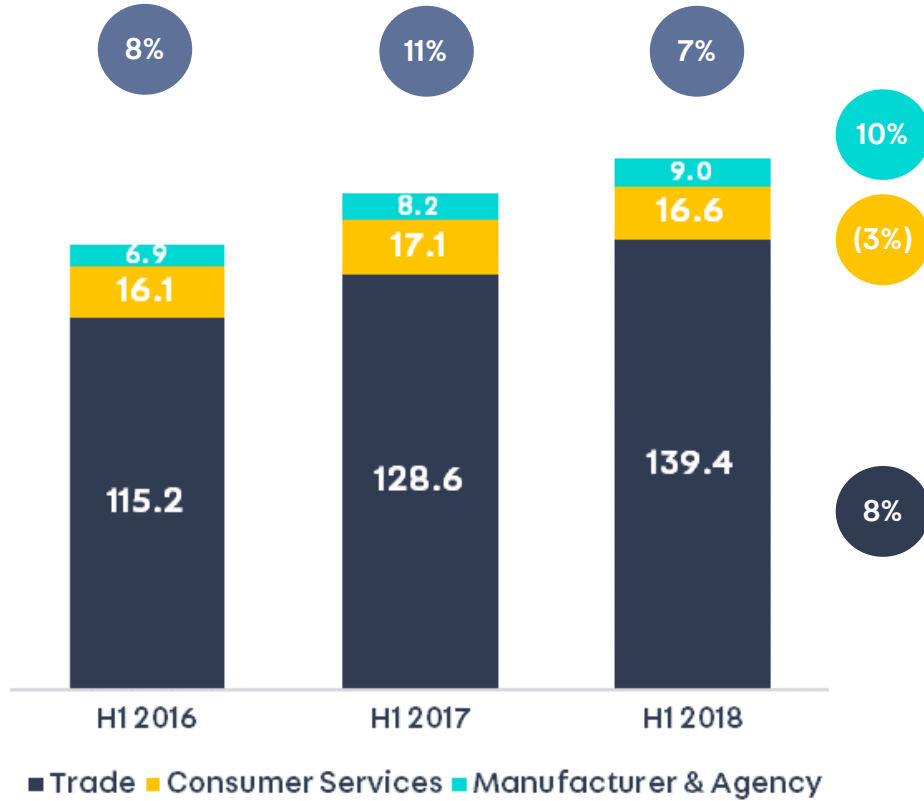
-1%

Number of employees and contractors (FTEs): down 1% to 818 on average during the period (H1 2017: 830)

Revenue

Revenue (£m)

Six months ending 30 September 2017 is shown as H1 2018

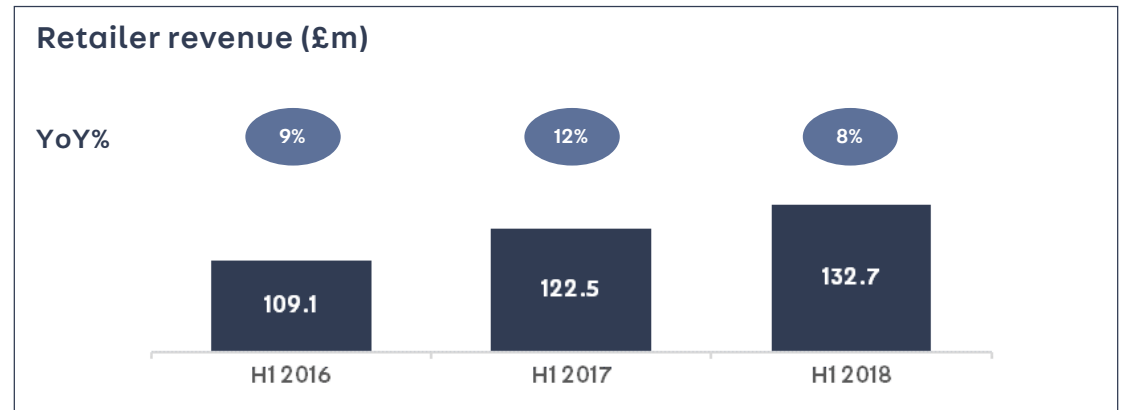
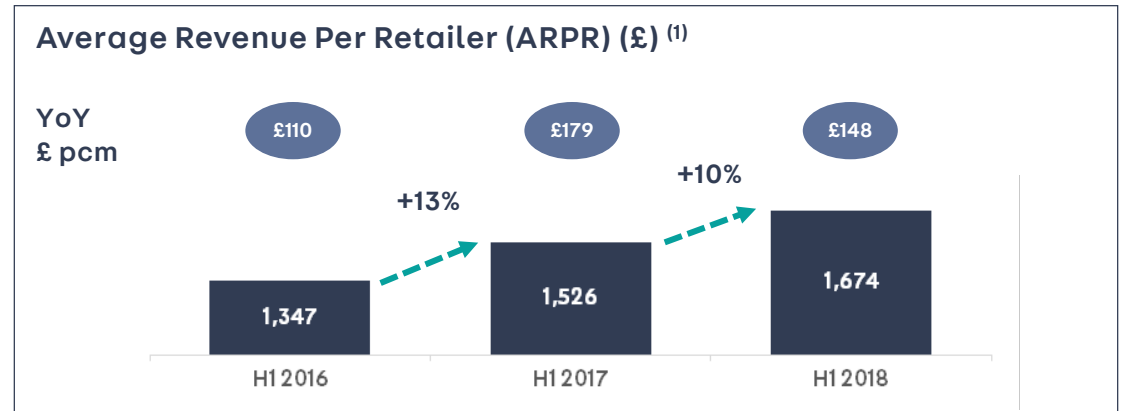
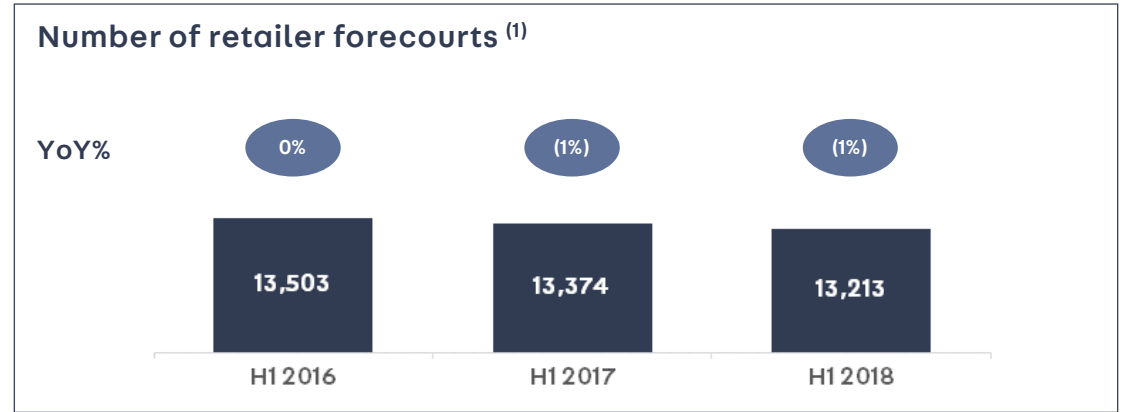


Trade revenue comprises:

H1 2018: Retailer (£132.7m), Home Trader (£6.2m) and Other (£0.5m)

H1 2017: Retailer (£122.5m), Home Trader (£6.1m) and Other (£nil)

H1 2016: Retailer (£109.1m), Home Trader (£5.7m) and Other (£0.4m)

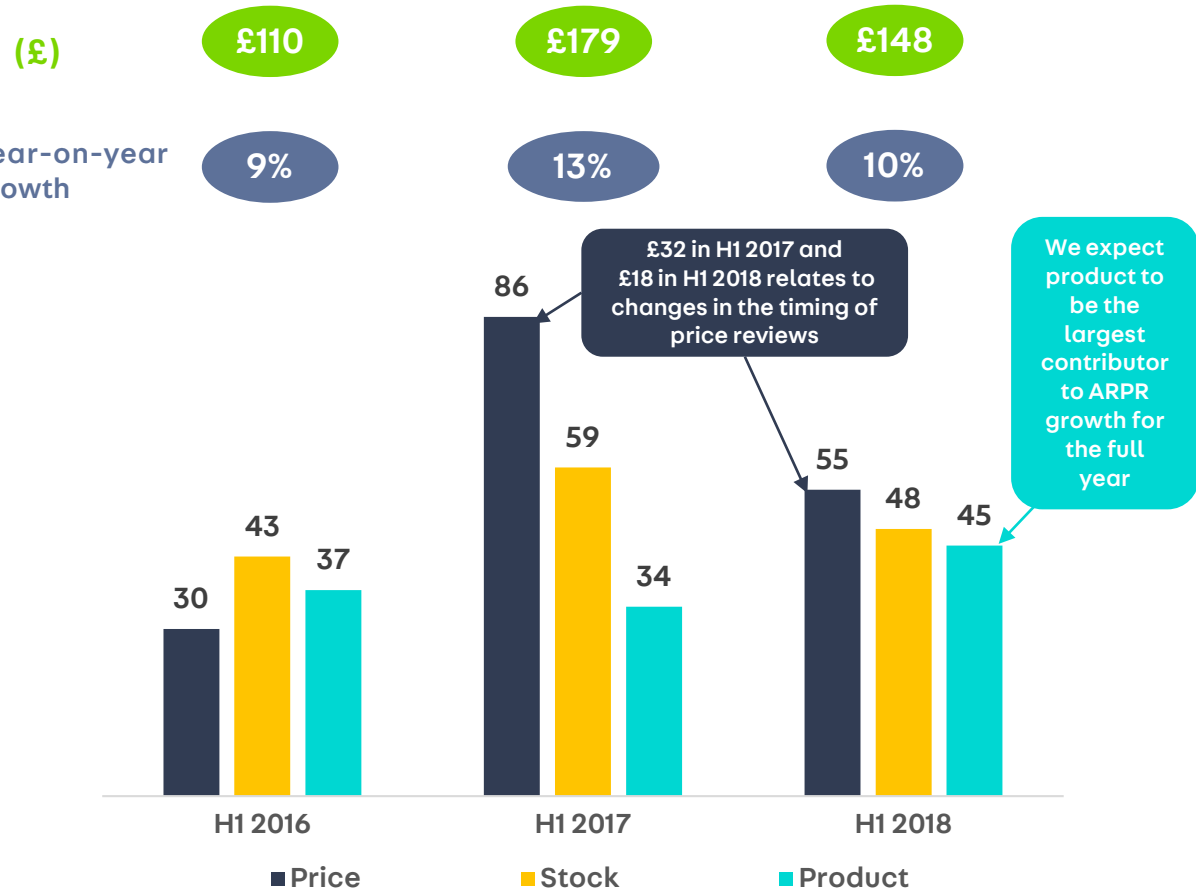


(1) Average monthly metric

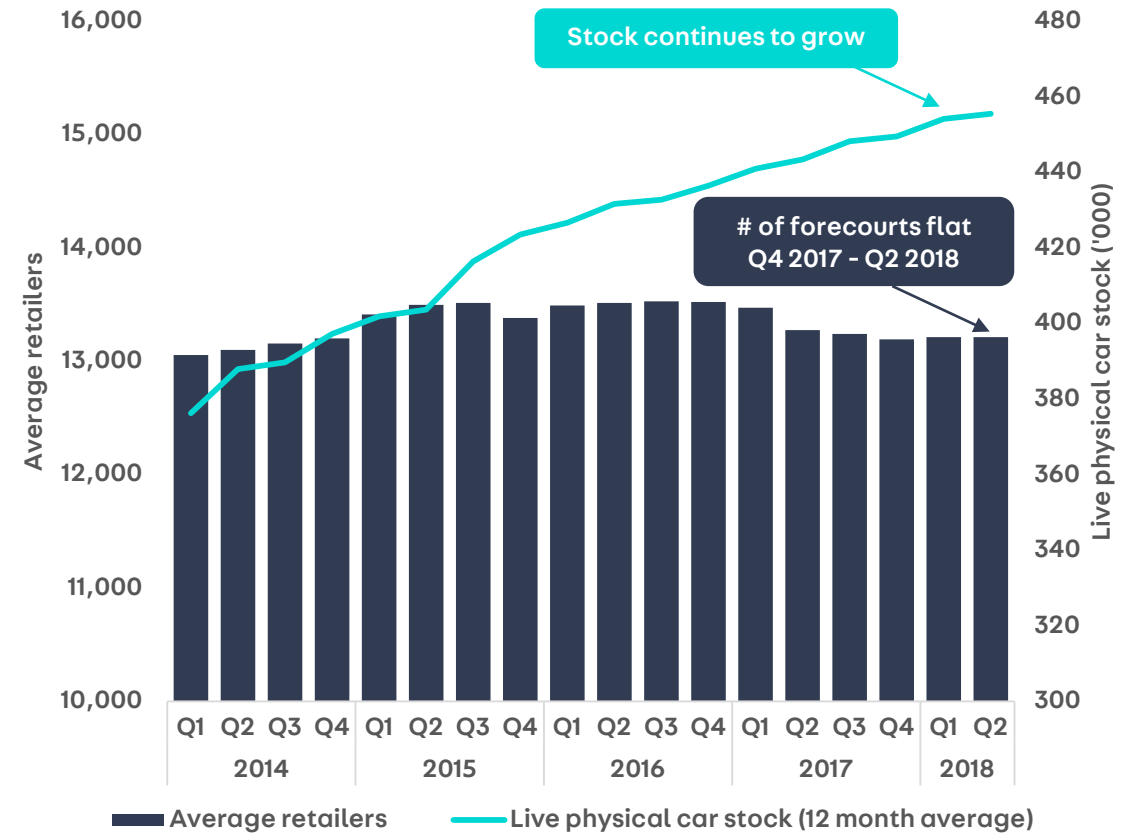
ARPR: balanced growth between price, stock and product

ARPR levers

Growth in Average Revenue Per Retailer per month



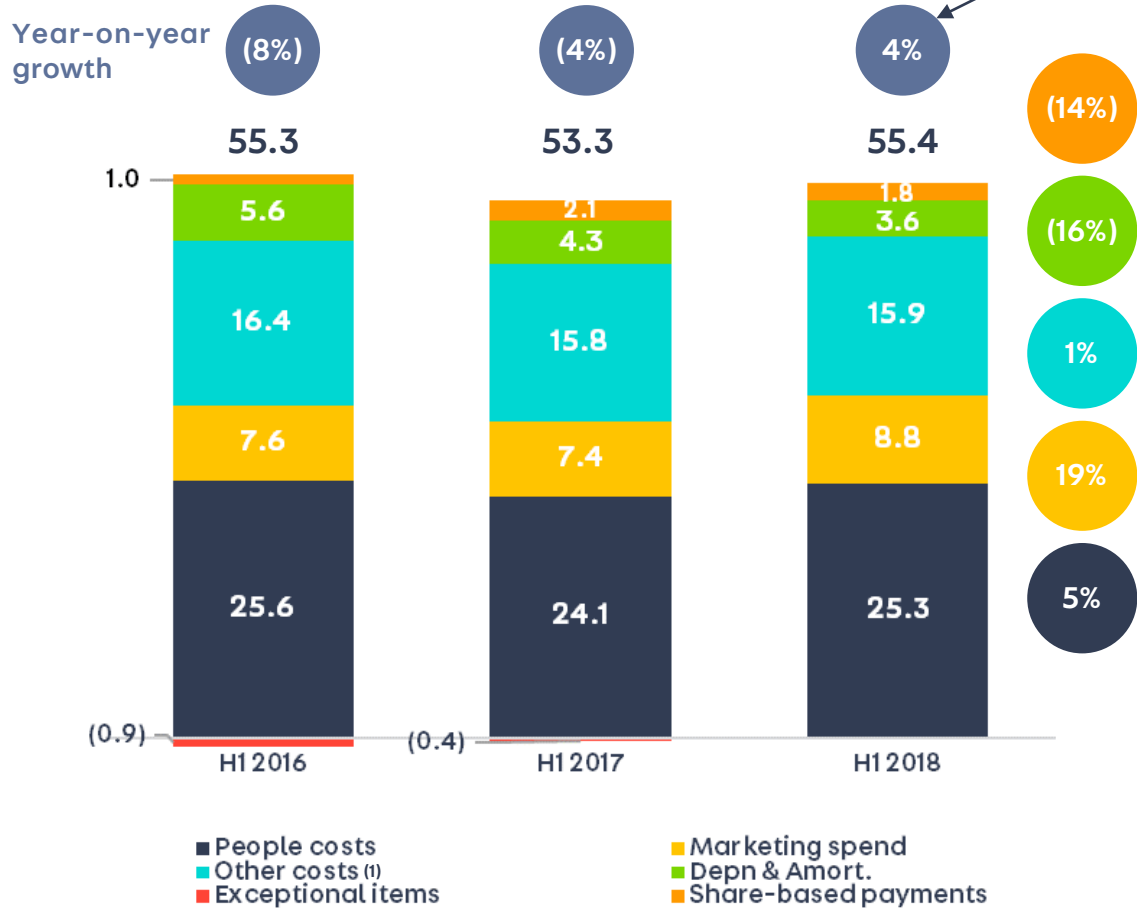
Physical car stock and retailer forecourts



Costs

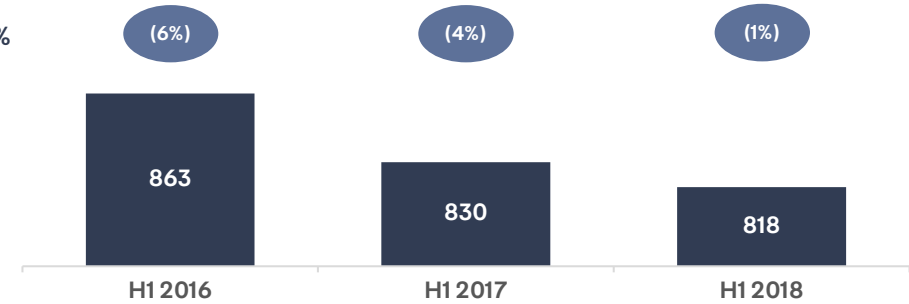
Costs (£m)

Six months ending 30 September 2017 is shown as H1 2018

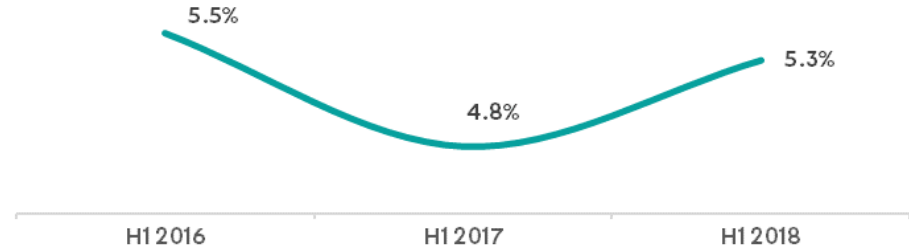


FTEs (including contractors)⁽²⁾

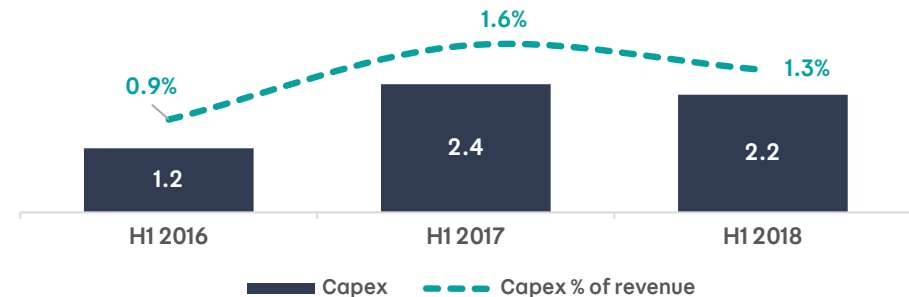
YoY%



Marketing as a % of revenue



Capital expenditure (excluding acquisitions) (£m)



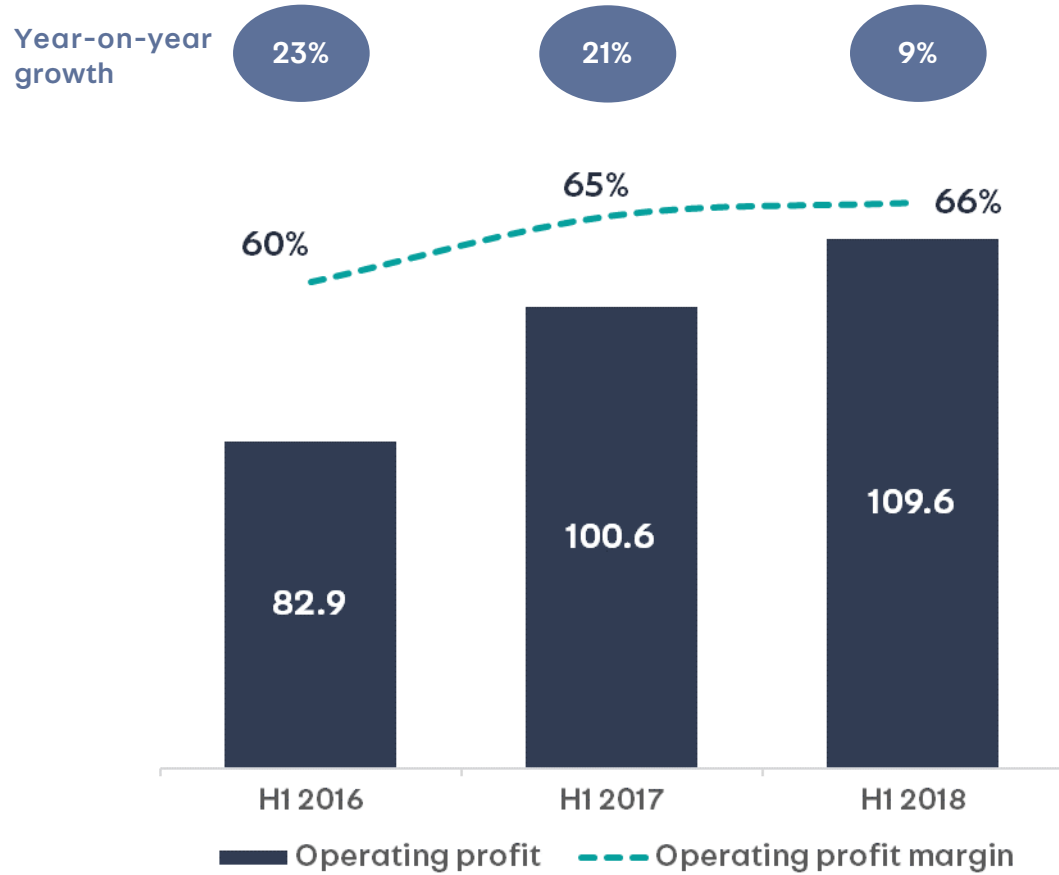
(1) Other costs include: property, IT & Comms, data services and other corporate overheads

(2) Average monthly metric

Profit and Cash flow

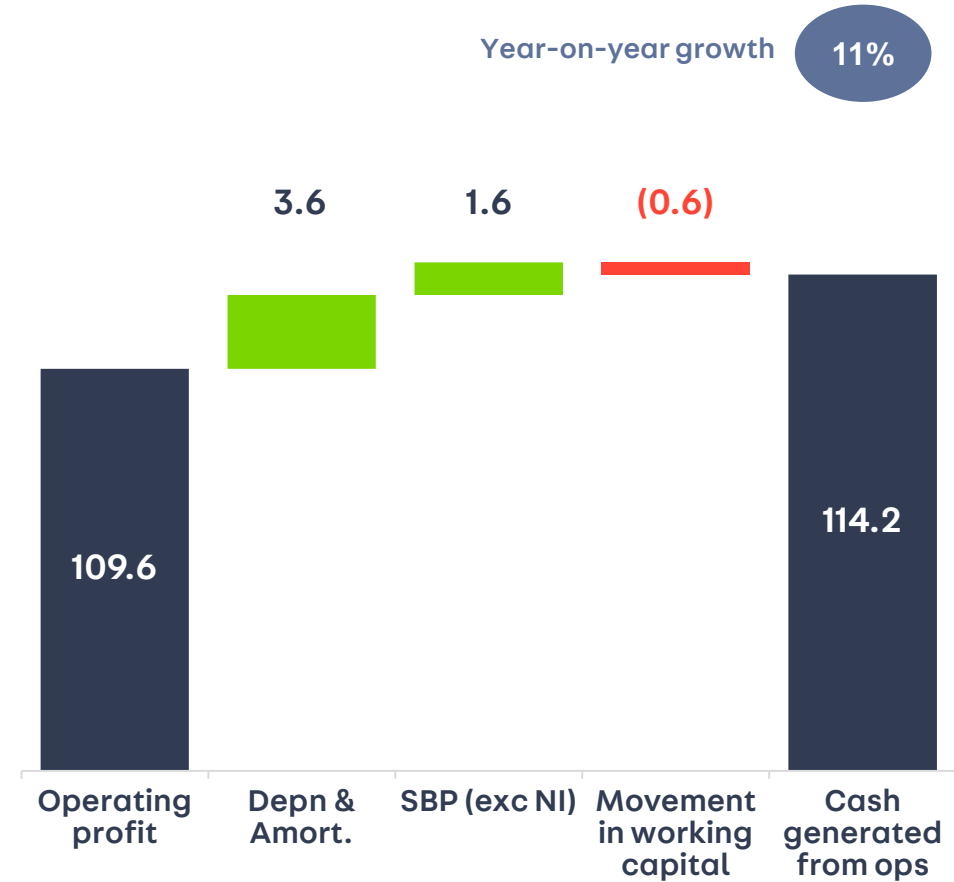
Operating profit (£m)

Six months ending 30 September 2017 is shown as H1 2018



Cash generated from operations (£m)

Six months ending 30 September 2017



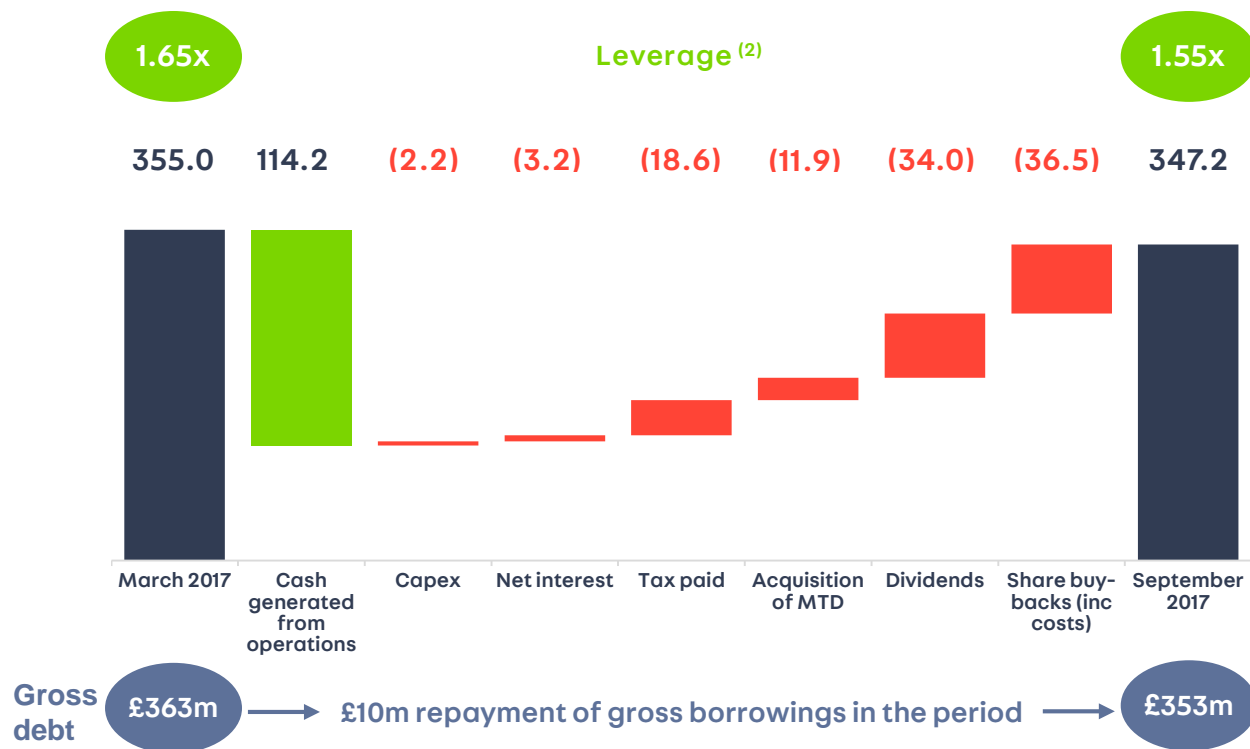
Income statement

| | H1 2018 £ million | H1 2017 £ million | Year-on-year growth % |
|--|----------------------|----------------------|-----------------------------|
| Revenue | 165.0 | 153.9 | 7% |
| Administrative expenses | (55.4) | (53.3) | (4%) |
| Operating profit | 109.6 | 100.6 | 9% |
| Finance costs - net | (4.2) | (5.1) | 17% |
| Profit before taxation | 105.4 | 95.5 | 10% |
| Taxation | (20.7) | (19.3) | (7%) |
| Profit for the period attributable to equity holders of the parent | 84.7 | 76.2 | 11% |
| Earnings per share (pence) | | | |
| Basic | 8.72 | 7.65 | 14% |
| Diluted | 8.69 | 7.63 | 14% |
| Dividend per share (pence) | 1.9 | 1.7 | 12% |

Note: H1 2017 is the 182 days ending 25 Sep 2016 and H1 2018 is the 183 days ending 30 Sep 2017

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

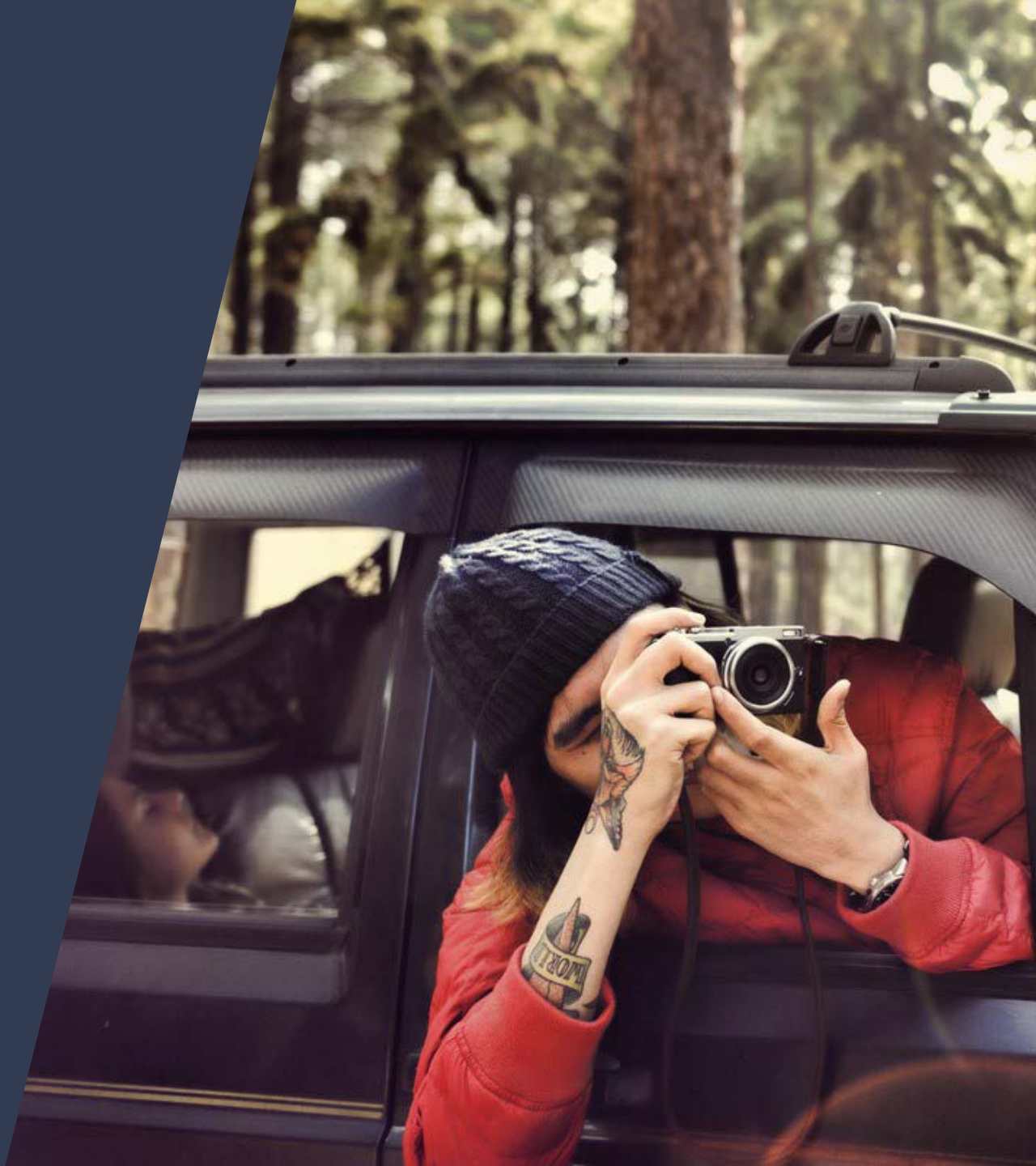
(2) Leverage is net external debt as a multiple of Adjusted underlying EBITDA (AUEBITDA).

AUEBITDA is earnings before interest, tax, depreciation, amortisation, share-based payments and associated NI and exceptional items

Capital allocation

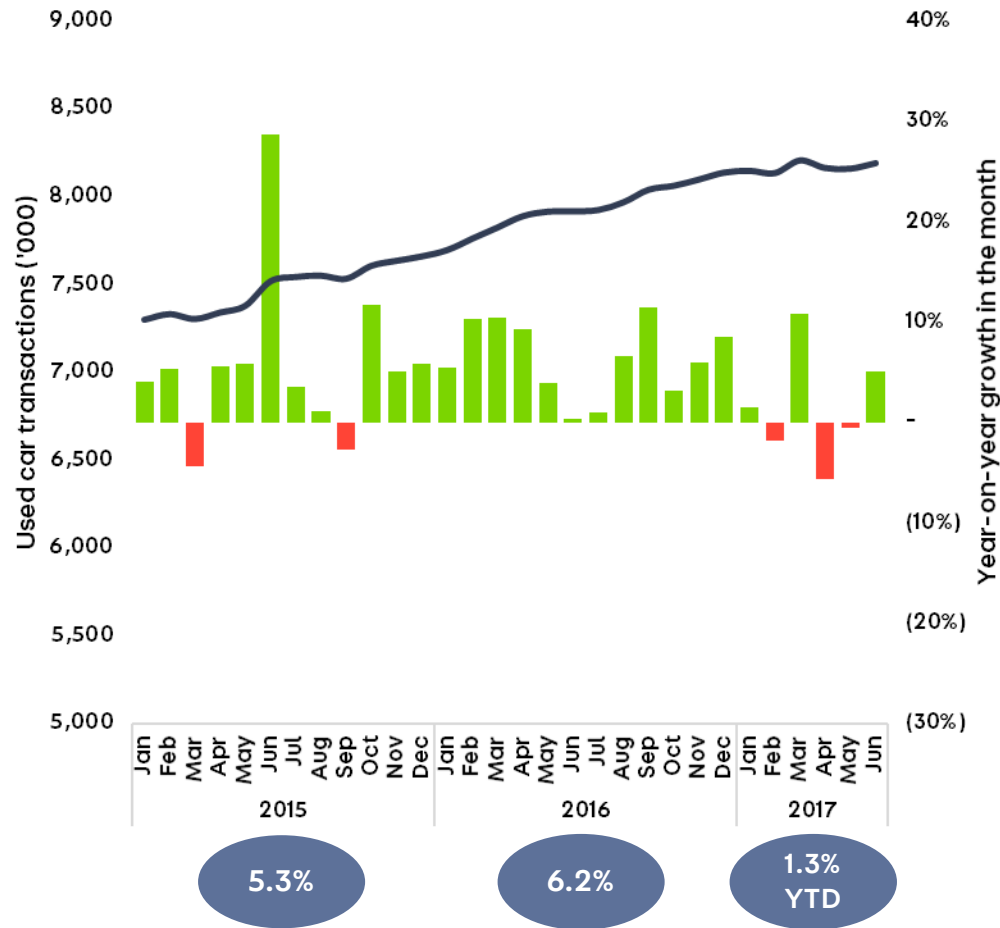
- The policy outlined in the 2017 full year results announcement remains unchanged
- The Group will **continue to invest in the business**, but the ability to grow organically means **significant levels of surplus cash** (i.e. cash after dividends) will be generated
- The Group **acquired Motor Trade Delivery Limited** ("MTD") in April for cash consideration (net of cash acquired) of £11.9m
- The majority of surplus cash after dividends will continue to be used to buy back shares with the balance used to steadily reduce gross indebtedness. During the period **9.9m shares were repurchased** at an average price of 367p for consideration of £36.3m plus costs of £0.2m
- All of the shares acquired in the period have been cancelled
- **£10m of debt was paid down in the period** reducing gross debt to £353m (£5.8m cash, £347.2m net debt)
- Our current policy is to distribute c.1/3 of total net income for the year in the form of dividend; an interim dividend of 1.9p has been declared and will be paid in H2 2018

UK car market



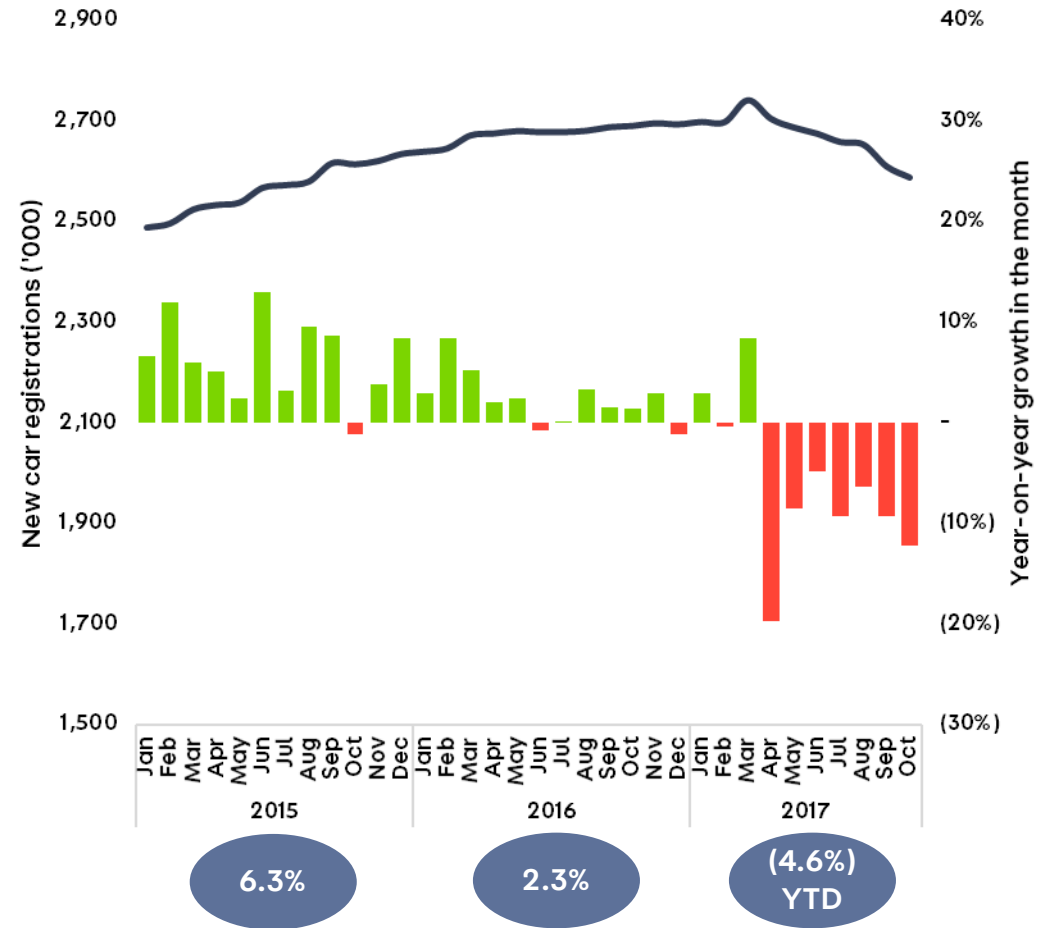
The used car market is flat whilst the new car market has declined from previous highs

Used car transactions (1)



(1) DVLA transaction data - 12 month rolling total

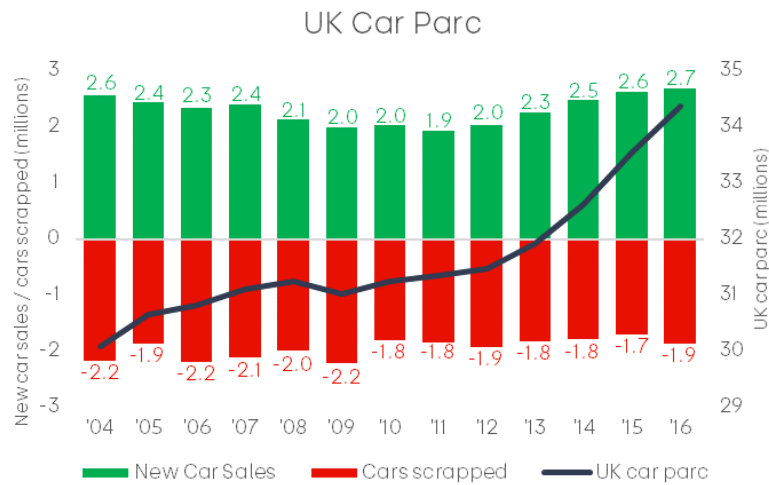
New car registrations (2)



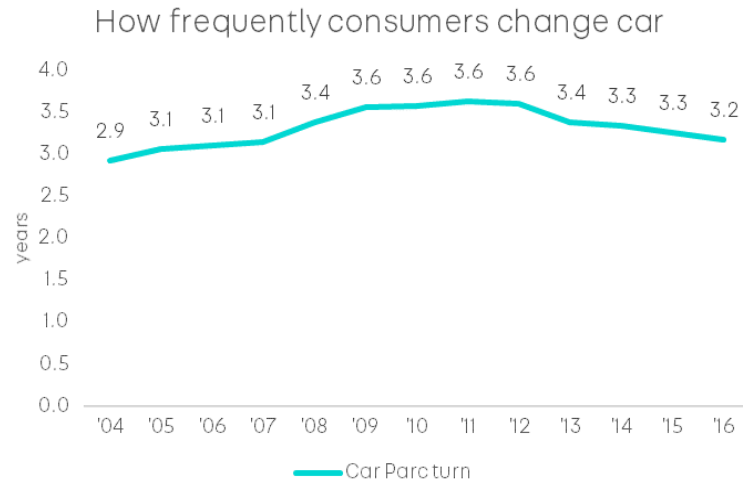
(2) Society of Motor Manufacturers & Traders (SMMT) - 12 month rolling total

The number of used car transactions is driven by the size of the car parc and how often it turns

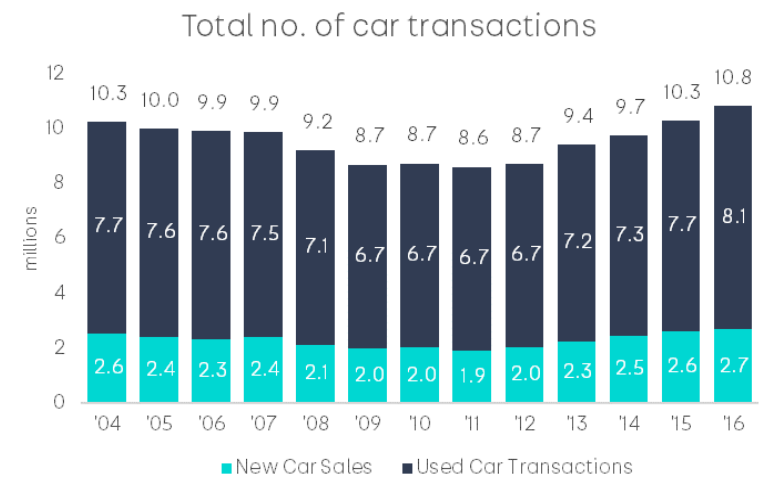
1 The UK car parc is in long term growth because cars are lasting longer and scrappage rates have fallen significantly below new car sales levels



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...

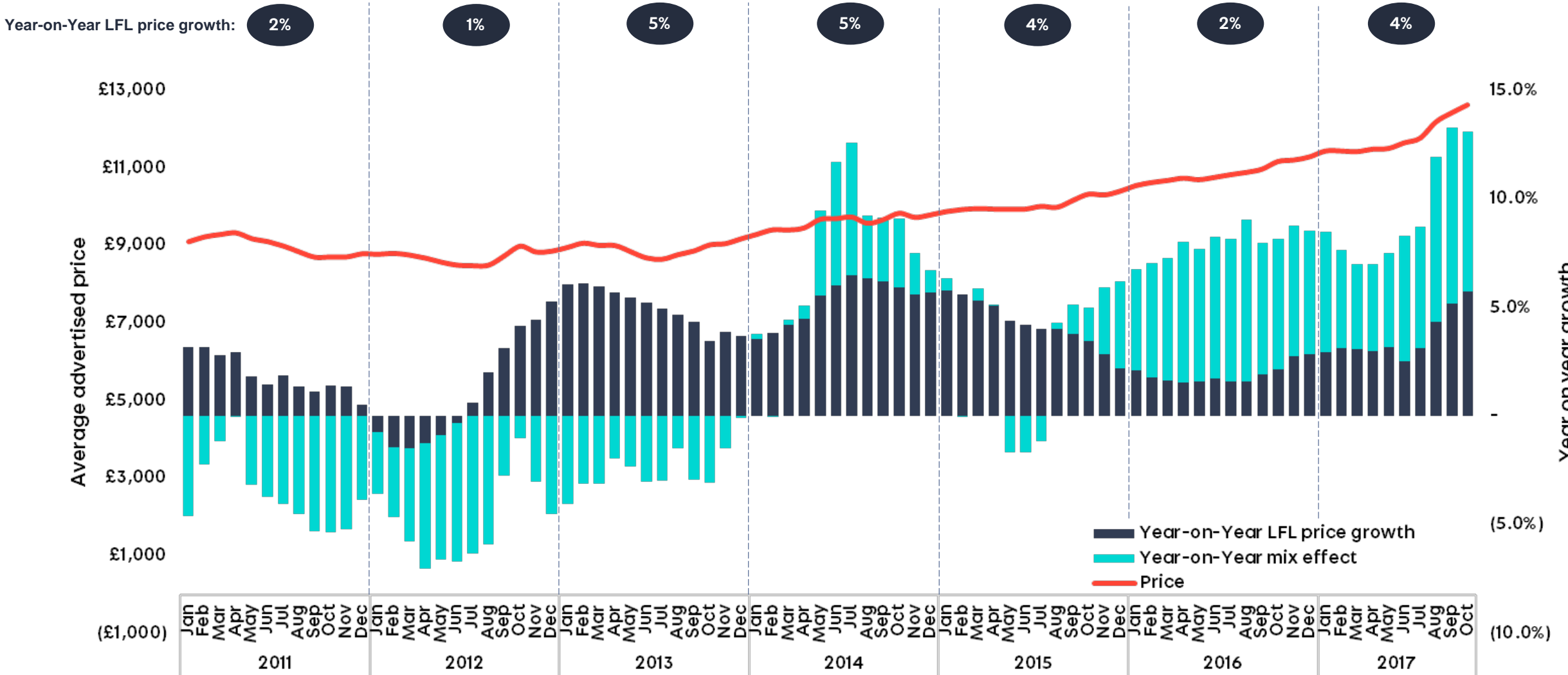


3 ...of which c.25% are new car sales and c.75% are used car transactions



Total number of cars ÷ **Frequency cars are changed** = **Number of transactions**

Like-for-like used car prices have continued to increase



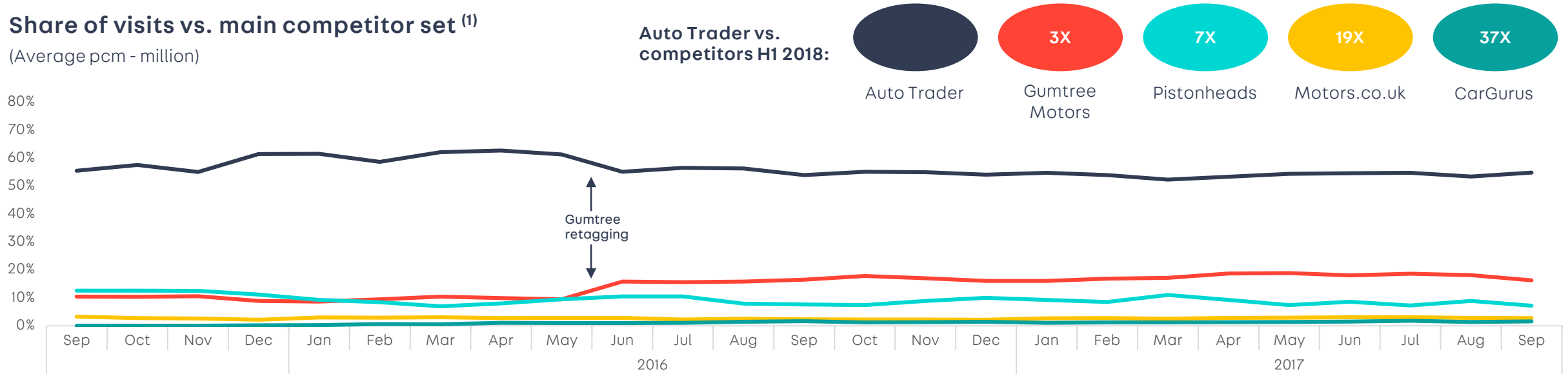
Key drivers & outlook



We maintain our strong audience engagement and leadership

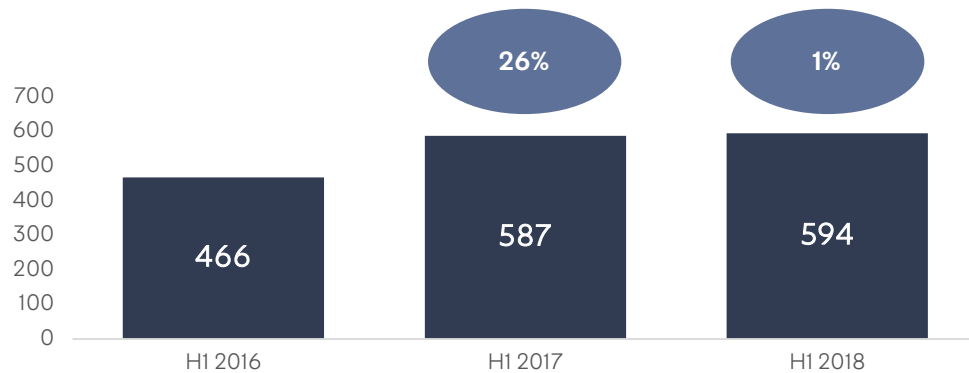
Share of visits vs. main competitor set ⁽¹⁾

(Average pcm - million)



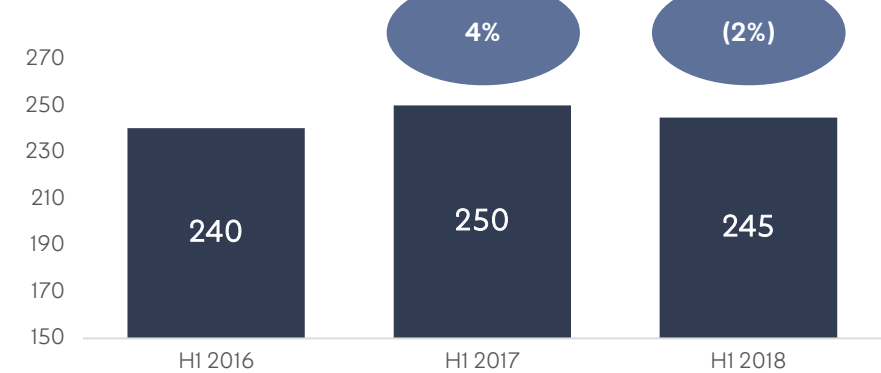
Time spent on autotrader.co.uk (minutes) ⁽¹⁾

(Average pcm - million)



Advert views on autotrader.co.uk ⁽²⁾

(Average pcm - million)



(1) comScore MMX Multi-Platform @, UK Media Trend.

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

A good uptake in our new Advanced and Premium packages since launch in April has underpinned strong ARPR growth

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

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

Advanced

Boost your ad views with our bonus slot in search

Advanced and Premium car stock penetration by September 2017:

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

Premium

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

8%

- 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

Relative prices between package levels:

+15%

+19%

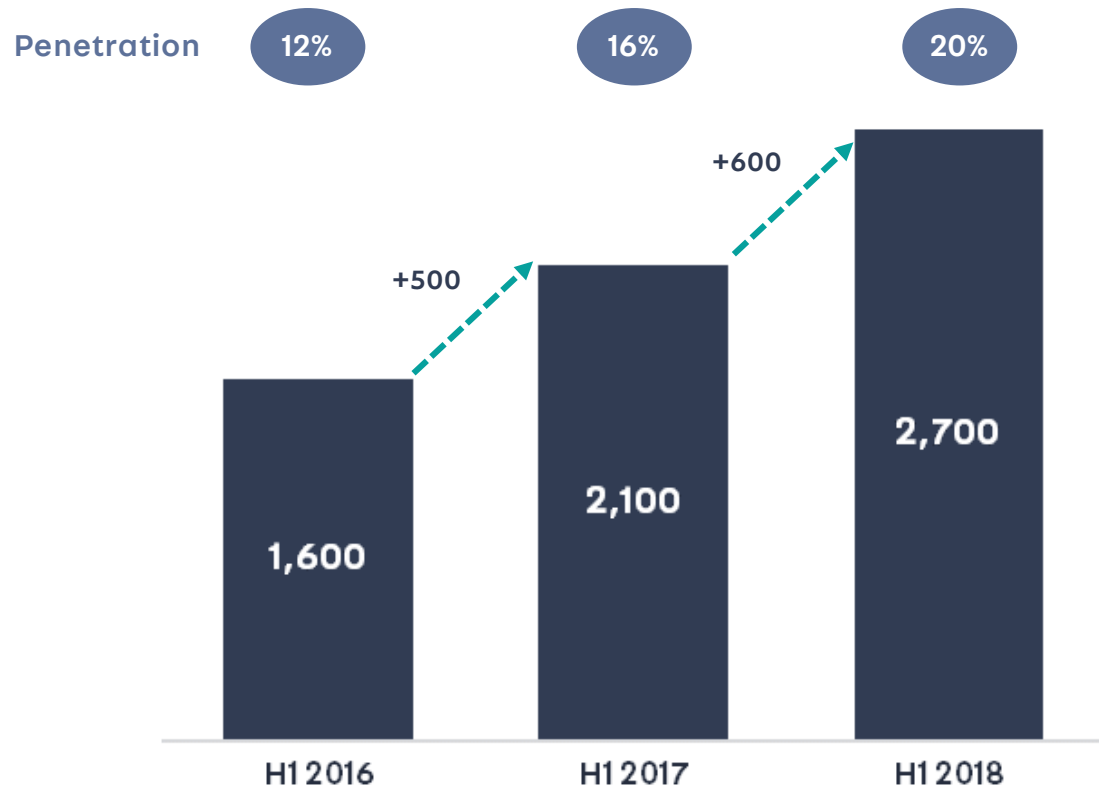
+20%

+28%

Managing products: i-Control and Retail Check

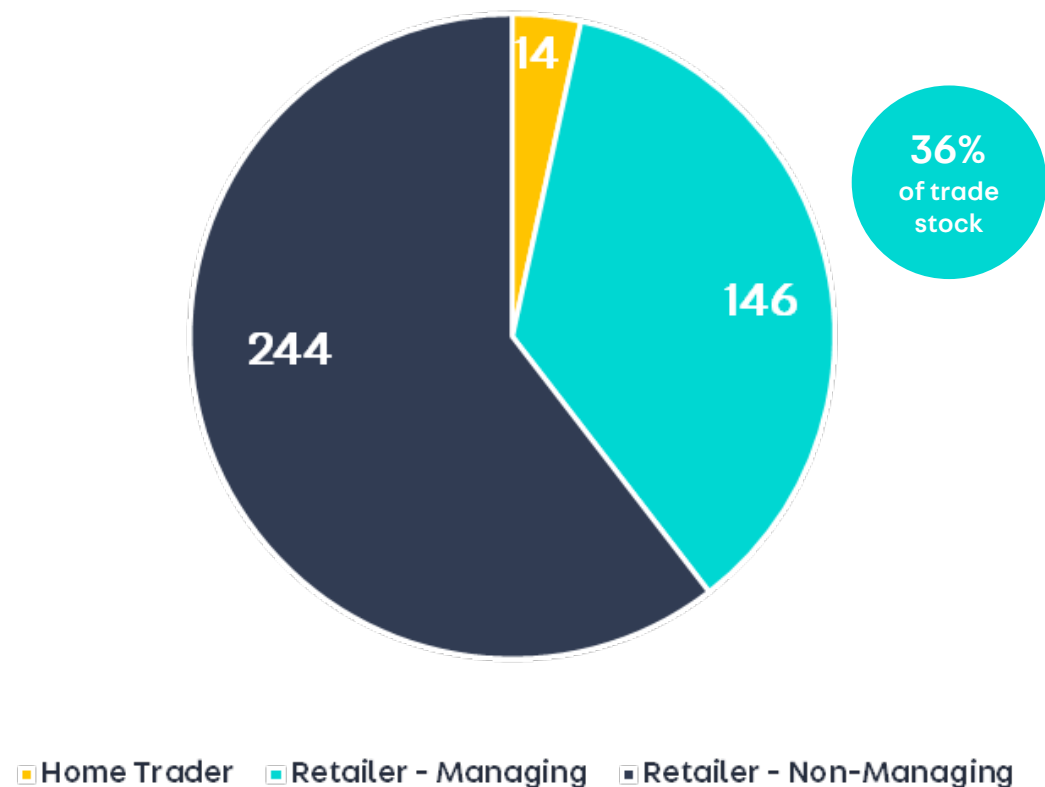
Number of forecourts with one of our Managing products

Average number in the month of September

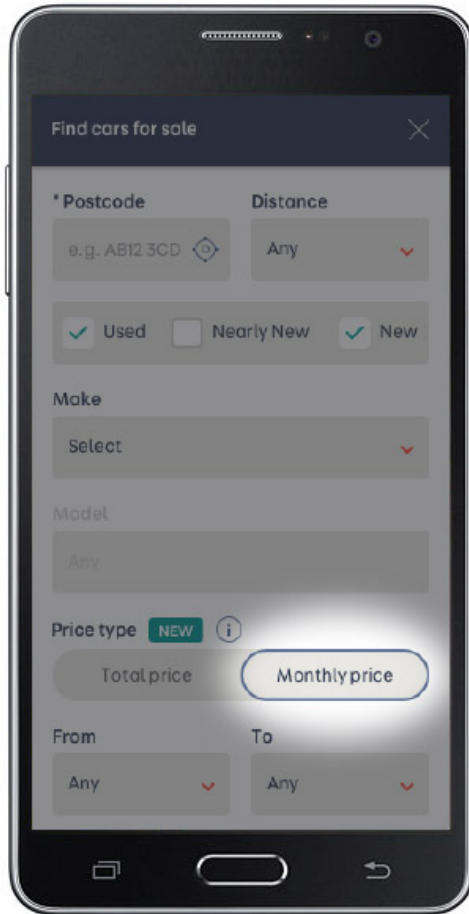


Physical car stock from forecourts with a Managing product

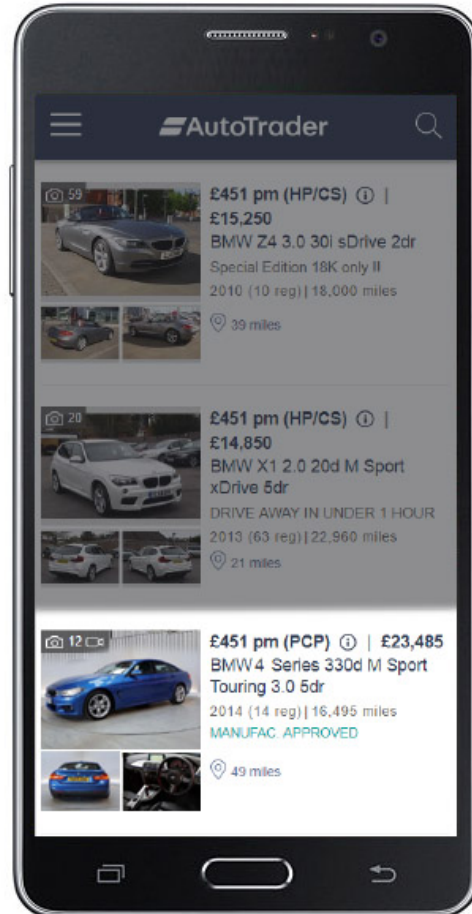
Trade stock number (000s) - September 2017



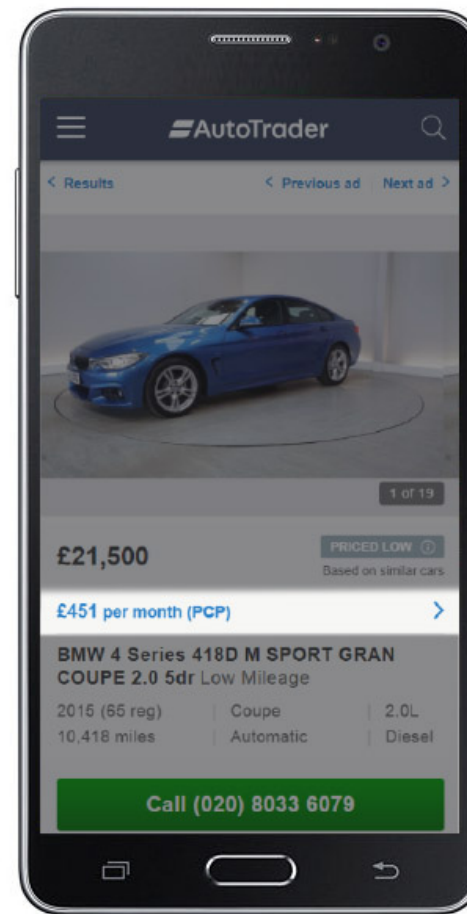
Dealer finance and search by monthly payment



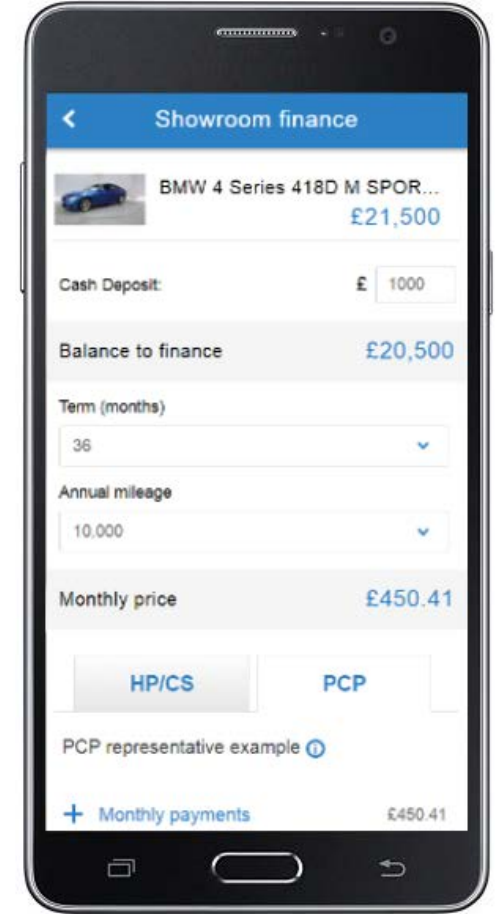
Users will have the ability to search on the basis of the monthly price



Buyers can then compare affordability between a total retail price and a monthly price

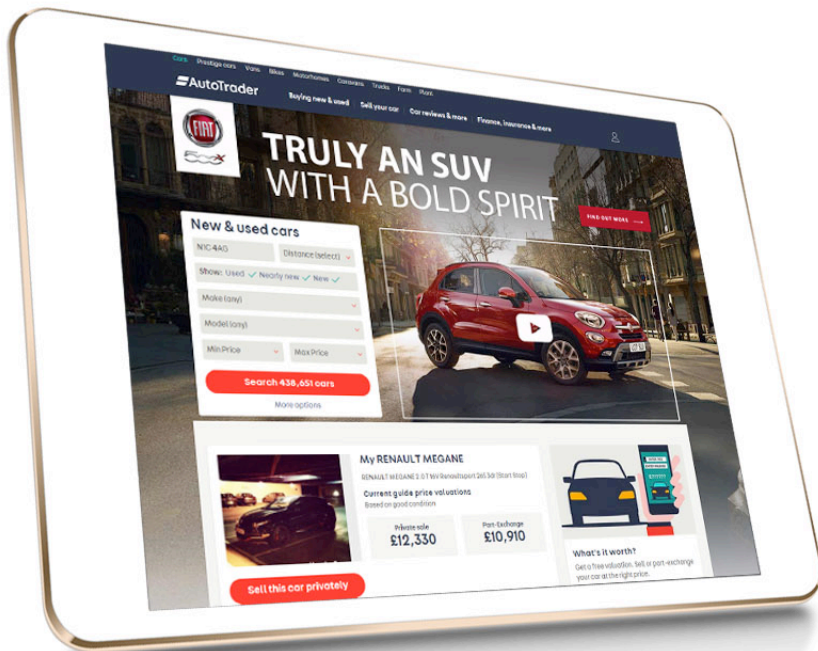


Buyers can then choose between a PCP and HP option depending on the dealer's finance and the consumer's preference

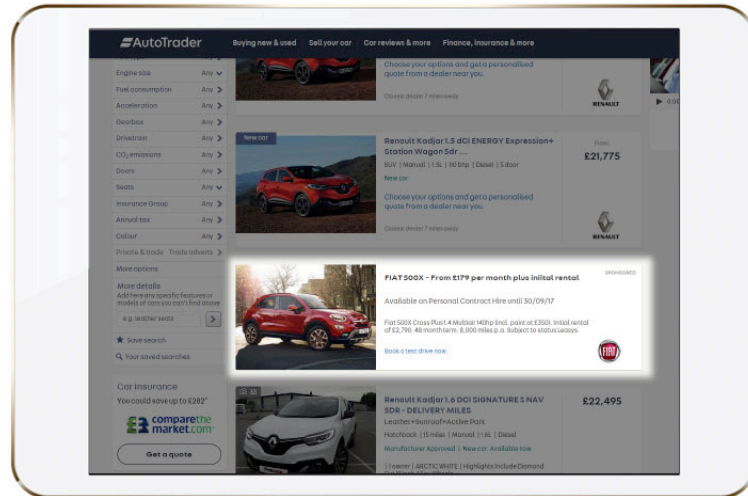


And finally tailor their deposit and monthly payment options to suit their circumstances

Manufacturer & Agency: InSearch gives prominence to new car adverts



User lands on the Auto Trader **Homepage** and **searches** for the desired **Make & Model**.



InSearch creative is served directly into the **search results feed** across **desktop, tablet & mobile**.



User clicks on the InSearch ad and is redirected to the **Manufacturer landing page**.

FY18 Outlook¹

- Our Trade business (representing over 80% of revenues) continues to perform well
- We now expect **ARPR improvement** to be **at or above £140pcm** for the year (ahead of our £130pcm target) with product as the largest contributor to ARPR growth. This means that **ARPR for the year will grow further** to be at or above £1,686pcm
- We expect **retailer forecourt numbers to remain stable** and **stock to grow modestly**
- In our smaller revenue lines, our **Manufacturer & Agency** business will continue to grow market share but will have a lower growth rate for the full year than in H1. **Consumer Services revenue set to decline modestly** for the year in line with recent performance
- We expect **total operating costs for the year to increase at a rate of mid-single digit, of which MTD will contribute approximately 2%**
- **Operating margins will be higher** than last year
- **Capital allocation** policy unchanged with **c.1/3 of net income as dividends** and the majority of surplus cash expected to be used to buy back shares. Our leverage ratio should continue to fall as a result of the growth in operating profit and modest further debt repayments
- **The Board is confident of delivering its growth expectations for the remainder of the year**

(1) FY18 (and all future reporting periods) will have 365 days, compared to FY17 which had 369 days

Appendices



Cash flow statement

| | H1 2018 £ million | H1 2017 £ million |
|---|----------------------|----------------------|
| Profit before taxation | 105.4 | 95.5 |
| Depreciation & amortisation | 3.6 | 4.3 |
| Share-based payments charge (excl. NI) | 1.6 | 2.1 |
| Finance costs - net | 4.2 | 5.1 |
| Changes in working capital | (0.6) | (3.8) |
| Cash generated from operations | 114.2 | 103.2 |
| Tax paid | (18.6) | (14.6) |
| Capital expenditure | (2.2) | (2.4) |
| Acquisitions | (11.9) | - |
| Repayment of borrowings | (10.0) | (25.0) |
| Dividends | (34.0) | - |
| Purchase of own shares | (36.5) | (48.6) |
| Fees on purchase of own shares | (0.2) | (0.3) |
| Interest paid | (3.2) | (4.2) |
| Net (decrease)/ increase in cash | (2.6) | 8.1 |

- **Tax paid** lags the charge to the income statement by c. 6 months
- **Capital expenditure** includes continued spend on hardware and storage, property improvements, Singleview billing system and one-off spend on a new telephony system
- **Repayment of borrowings:** £10.0m of the Group's term loan was repaid to reduce indebtedness and interest costs
- **Dividends** are in respect of the 2017 final dividend paid in September. The 2016 final dividend fell into the second half of FY17
- **Share buy-backs:** during the year 9.9 m shares were repurchased at an average price of 367p for consideration of £36.3m plus costs of £0.2m
- **Net interest payable** decreased to £3.2m due to the combination of a lower effective interest rate and lower gross indebtedness

Note: H1 2017 is the 182 days ending 25 Sep 2016 and H1 2018 is the 183 days ending 30 Sep 2017

Five year record

| | Six months to September | | | 2017 £m | Year ended March | | | |
|---|-------------------------|--------------|-------------|--------------|------------------|--------------|--------------|--------------|
| | 2017 £m | 2016 £m | 2015 £m | | 2017 £m | 2016 £m | 2015 £m | 2014 £m |
| Revenue | 165.0 | 153.9 | 138.2 | 311.4 | 281.6 | 255.9 | 237.7 | 218.9 |
| Administrative expenses | (55.4) | (53.3) | (55.3) | (108.3) | (112.0) | (122.8) | (139.0) | (109.8) |
| Operating profit before share-based payments and associated NI, management incentive plans, exceptional items and impairment charges | 111.4 | 102.3 | 83.0 | 207.2 | 171.3 | 144.1 | 126.2 | 116.1 |
| Share-based payments and associated NI | (1.8) | (2.1) | (1.0) | (4.5) | (2.5) | (3.7) | - | - |
| Exceptional items | - | 0.4 | 0.9 | 0.4 | 0.8 | (5.4) | (11.1) | (6.4) |
| Management incentive plans | - | - | - | - | - | (1.9) | (0.6) | (0.6) |
| Impairment charges | - | - | - | - | - | - | (15.8) | - |
| Operating profit | 109.6 | 100.6 | 82.9 | 203.1 | 169.6 | 133.1 | 98.7 | 109.1 |
| Finance costs - net | (4.2) | (5.1) | (8.2) | (9.7) | (14.6) | (122.2) | (95.0) | (86.3) |
| Profit before taxation | 105.4 | 95.5 | 74.7 | 193.4 | 155.0 | 10.9 | 3.7 | 22.8 |
| Taxation | (20.7) | (19.3) | (14.9) | (38.7) | (28.3) | (2.4) | (6.5) | (9.3) |
| Profit / (loss) for the period from continuing operations | 84.6 | 76.2 | 59.8 | 154.7 | 126.7 | 8.5 | (2.8) | 13.5 |
| Profit / (loss) for the period from discontinued operations | - | - | - | - | - | 1.9 | 13.3 | 6.8 |
| Profit for the period attributable to equity holders of the parent | 84.6 | 76.2 | 59.8 | 154.7 | 126.7 | 10.4 | 10.5 | 20.3 |
| Operating profit before share-based payments and associated NI, management incentive plans, exceptional items and impairment charges | 111.4 | 102.3 | 83.0 | 207.2 | 171.3 | 144.1 | 126.2 | 116.1 |
| Capitalised development spend | - | - | - | - | - | - | (4.9) | (10.6) |
| Depreciation | 1.5 | 1.5 | 1.4 | 3.2 | 2.8 | 2.5 | 2.2 | 1.8 |
| Amortisation | 2.1 | 2.8 | 4.2 | 4.8 | 7.8 | 10.0 | 12.6 | 13.4 |
| Adjusted underlying EBITDA | 115.0 | 106.6 | 88.6 | 215.2 | 181.9 | 156.6 | 136.1 | 120.7 |
| Adjusted underlying EBITDA margin | 70% | 69% | 64% | 69% | 65% | 61% | 57% | 55% |
| Net assets attributable to equity holders of the parent | (5.5) | (23.1) | (115.4) | (21.4) | (51.5) | (176.1) | (750.6) | (760.0) |
| Net external debt | 347.2 | 359.5 | 457.4 | 355.0 | 392.6 | 527.9 | 977.8 | 562.0 |
| ARPR (£ pcm) | 1,674 | 1,526 | 1,347 | 1,546 | 1,384 | 1,252 | 1,181 | 1,088 |
| Retailer forecourts (average pcm) | 13,213 | 13,374 | 13,503 | 13,296 | 13,514 | 13,452 | 13,129 | 12,919 |

Notes