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# AUTO TRADER GROUP PLC

## HALF YEAR RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2022

Auto Trader Group plc ('the Group'), the UK's largest automotive marketplace, announces half year results for the six months ended 30 September 2022

### Strategic overview

- The performance of our core Auto Trader[1] marketplace has strengthened over the last six months, achieving double digit revenue and operating profit growth year-on-year. Our customer numbers and product uptake have exceeded expectations, and our competitive position continues to be strong
- We successfully executed our annual pricing event in April 2022, which included the launch of Retail Essentials, part of our Auto Trader Connect platform. Retail Essentials gives customers access to our most fundamental and powerful data, including our taxonomy, which improves advert quality, pricing decisions and enables stock to be updated on Auto Trader in real-time. We are increasingly using our platform to power our retailers' businesses, and provide services across the wider automotive ecosystem, which strengthens our core and is a key enabler for digital retailing
- We saw strong levels of product growth driven by further uptake of our prominence products. Prominence includes upsell to our new higher-level advertising packages, our Market Extension product (allowing customers to sell vehicles outside their local area) and our pay-per-click product which appears at the top of the search listings. More customers bought our data products in the period, making use of our real-time pricing data
- We launched a small-scale trial for our Deal Builder journey on Auto Trader which combines the component parts of part-exchange, reservations and finance applications, forming an end-to-end transaction journey. Initial feedback to date has been positive
- In June 2022, we completed the acquisition of Autorama (UK) Limited, one of the UK's largest marketplaces for leasing new vehicles. Autorama's online marketplace and fulfilment capabilities will transform Auto Trader's existing leasing proposition. The acquisition positions the Group to better take advantage of significant disruption taking place within the new car market, particularly the growing penetration of electric vehicles and likely changes to distribution models

### Financial results

| £m (unless otherwise specified) | H1 2023 | H1 2022 | Change |
|---|---|---|---|
| Auto Trader[1] | 238.2 | 215.4 | 11% |
| Autorama | 11.6 | - | - |
| **Group revenue** | **249.8** | **215.4** | **16%** |
| | | | |
| Auto Trader[1] | 168.8 | 151.7 | 11% |
| Autorama | (4.0) | - | - |
| Group central costs[2] | (15.7) | - | - |
| **Group operating profit/(loss)** | **149.1** | **151.7** | **(2%)** |
| | | | |
| Auto Trader | 71% | 70% | 1% |
| **Group operating profit margin** | **60%** | **70%** | **(10%)** |
| | | | |
| Basic earnings per share (pence) | 12.23p | 12.63p | (3%) |

| | | | |
|---|---|---|---|
| Interim dividend per share (pence) | 2.8p | 2.7p | 4% |
| Cash generated from operations[3] | 164.6 | 169.9 | (3%) |

- Excluding the Autorama deferred consideration charge for the period of £13.8 million, which was included in Group central costs, Group operating profit was up 7% and basic EPS was up 8% on H1 2022
- £82.3 million returned to shareholders (H1 2022: £148.4 million) through £30.6 million of share buy-backs and dividends paid of £51.7 million

**Operational results**

- Cross platform visits[5,6] were down 10% to 67.7 million per month (H1 2022: 74.9 million). Cross platform minutes[5,6] were down 14% to 498 million minutes per month on average (H1 2022: 579 million minutes). However, both visits and minutes were up significantly versus pre-pandemic levels (57.5 million and 447 million minutes respectively in H1 2020)
- Our share of cross platform minutes remained strong at over 75%[7] (H1 2022: over 75%)
- The average number of retailer forecourts[5] in the period was up 2% to 14,161 (H1 2022: 13,892)
- Average Revenue Per Retailer[5] (ARPR) per month was up £205 to £2,404 on average per month (H1 2022: £2,199). This was driven by both price and product levers, with the stock lever broadly flat
- Physical car stock[5,8] on site was up 1% to 440,000 cars (H1 2022: 436,000) on average, within which our listings product for new cars declined to 22,000 on average (H1 2022: 39,000)
- Number of employees (FTE[5]) in the Group increased to 1,112 on average during the period (H1 2022: 941), with the acquisition of Autorama contributing 122 of the increase

**Cultural KPIs (excluding Autorama)**

- Employees that are proud to work at Auto Trader[9] remained high at 93% (March 2022: 95%)
- Diverse teams and an inclusive culture are critical to attracting, retaining and maximising the potential of our people and therefore our business:
    - Board: We have more women than men on our Board (March 2022: five women and four men) and one ethnically diverse Board member
    - Leadership: The percentage of women leaders[10] was 40% (March 2022: 38%), and those who are ethnically diverse[11] was 5% (March 2022: 6%)
    - Organisation: The percentage of employees who are women was at 40%[12] (March 2022: 40%), and those who are ethnically diverse[11,12] was 15% (March 2022: 14%)
- The majority of our $CO_2$ emissions are Scope 3 emissions attributable to our suppliers and we have been working through their respective carbon reduction plans. This work has influenced the calculation of $CO_2$ emissions for the six month period, as we have adjusted our emissions according to those plans, giving total emissions for the period of 3.8k tonnes of carbon dioxide equivalent[13] (FY22 11.7k tonnes). We are aiming to achieve net zero across our entire value chain (Scopes 1, 2 and 3) before 2040, and to halve our carbon emissions before the end of 2030.

**Nathan Coe, Chief Executive Officer of Auto Trader, said:**

"Our first half results demonstrate the strength of our position with car buyers and the depth of partnership we are building with customers. Achieving this in a period impacted by high levels of economic uncertainty is a credit to both our people and customers, and provides confidence in navigating the rest of the year.

"Longer-term we are well placed to grow as we further develop the core Auto Trader business, extend it to enable car buyers to complete more of their purchase online, and provide the industry-leading data and technology platform for our customers."

**Outlook**

The Board has confidence for the second half of the year due to:

- consistent trading throughout October;
- the recurring nature of our revenue and delivering our main growth initiatives in the first half of the year;
- the fact that our financial performance in the first half was achieved despite changing economic circumstances, resulting in lower audience, continued low live stock volumes and weak used car transactions; and
- a belief that Auto Trader margins can be maintained at 70%, despite high inflation, particularly given we have delivered the core components of digital retailing.

As per our previous outlook statement, we still anticipate average retailer forecourts to be marginally down year-on-year. However, we now expect stronger ARPR, with the full year growth rate likely to be slightly above that achieved in H1, with the stock lever flat for the full year. Auto Trader's operating profit margin for the full year is expected to be in line with financial year 2022. This outlook takes account of the Webzone disposal (see post balance sheet events). Autorama is likely to make an operating loss of c.£11m for the full year, with continued supply challenges across all vehicle types resulting in lower delivery volumes. Group central costs will be c.£45m, largely made up of the Autorama deferred consideration.

The outlook for future years is necessarily more uncertain, however the used car market is far less cyclical than the new car market and new car registrations are expected to recover, currently being at their lowest level in 30 years. We believe that there are significant opportunities for Auto Trader to grow revenue at high margins through our price and product levers and will continue to bring more of the car buying journey online through Deal Builder and Autorama. We will be disciplined on priorities, costs and capital allocation ensuring we continue to manage the business responsibly.

**Analyst presentation**

A presentation for analysts will be held via audio webcast and conference call at 9.30am, Thursday 10 November 2022. Details below:

**Audio webcast:** https://edge.media-server.com/mmc/p/yy63s5fq

**Conference call registration:** https://register.vevent.com/register/BI008115ae4d664356a7cedbf4c0651a85

Please note: Questions will only be taken from the conference call line. Please use the above conference call registration link to access the relevant dial-in number and your personal PIN. Please do not share your passcode with others as only one person can use this PIN at a time. Participants on the conference call who also plan on following the slides via the webcast should switch the webcast to Phone mode using the cogwheel icon located on the bottom right corner of the webcast screen to ensure the slides are synced to the phone audio rather than the webcast audio.

If you have any trouble registering or accessing either the conference call or webcast, please contact Powerscourt on the details below.

**For media enquiries**

Please contact the team at Powerscourt on +44 (0)20 7250 1446 or email autotrader@powerscourt-group.com

**About Auto Trader**

Auto Trader Group plc is the UK's largest digital automotive marketplace. Our marketplace sits at the heart of the vehicle buying process, with the largest number of car buyers and the largest choice of trusted stock. Auto Trader exists to grow both its car buying audience and core advertising business. It will change how the UK shops for cars by providing the best online car buying experience, enabling all retailers to sell online. We aim to build stronger partnerships with our customers, use our voice and influence to drive more environmentally friendly vehicle choices and create an inclusive and diverse culture. Auto Trader listed on the London Stock Exchange in March 2015 and is now a member of the FTSE 100 Index.

For more information, please visit https://plc.autotrader.co.uk/who-we-are/about-us/

## Cautionary statement

Certain statements in this announcement constitute forward looking statements (including beliefs or opinions). "Forward looking statements" are sometimes identified by the use of forward-looking terminology, including the terms "believes", "estimates", "aims", "anticipates", "expects", "intends", "plans", "predicts", "may", "will", "could", "shall", "risk", "targets", forecasts", "should", "guidance", "continues", "assumes" or "positioned" or, in each case, their negative or other variations or comparable terminology. Any statement in this announcement that is not a statement of historical fact including, without limitation, those regarding the Company's future expectations, operations, financial performance, financial condition and business is a forward looking statement. Such forward looking statements are subject to known and unknown risks and uncertainties, because they relate to events that may or may not occur in the future, that may cause actual results to differ materially from those expressed or implied by such forward looking statements. These risks and uncertainties include, among other factors, changing economic, financial, business or other market conditions. These and other factors could adversely affect the outcome and financial effects of the plans and events described in this results announcement. As a result, you are cautioned not to place reliance on such forward looking statements, which are not guarantees of future performance and the actual results of operations, financial condition and liquidity, and the development of the industry in which the Group operates, may differ materially from those made in or suggested by the forward looking statements set out in this announcement. Except as is required by applicable laws and regulatory obligations, no undertaking is given to update the forward looking statements contained in this announcement, whether as a result of new information, future events or otherwise. Nothing in this announcement should be construed as a profit forecast. This announcement has been prepared for the Company's group as a whole and, therefore, gives greater emphasis to those matters which are significant to the Company and its subsidiary undertakings when viewed as a whole.

To the extent available, the industry and market data contained in this announcement has come from third party sources. Third party industry publications, studies and surveys generally state that the data contained therein have been obtained from sources believed to be reliable, but that there is no guarantee of the accuracy or completeness of such data. In addition, certain parts of the industry and market data contained in this announcement come from the Company's own internal research and estimates based on the knowledge and experience of the Company's management in the market in which the Company operates. While the Company believes that such research and estimates are reasonable and reliable, they, and their underlying methodology and assumptions, have not been verified by any independent source for accuracy or completeness and are subject to change without notice. Accordingly, undue reliance should not be placed on any of the industry or market data contained in this announcement.

## Summary financial performance

| Group results | Units | H1 2023 | H1 2022 | Change |
|---|---|---|---|---|
| Revenue | £m | 249.8 | 215.4 | 16% |
| Operating profit | £m | 149.1 | 151.7 | (2%) |
| Operating profit margin | % | 60% | 70% | (10%) |
| Profit before tax | £m | 148.0 | 150.0 | (1%) |
| Basic earnings per share | Pence | 12.23 | 12.63 | (3%) |
| Dividend per share | Pence | 2.8 | 2.7 | 4% |
| | | | | |
| **Group cash flow** | | | | |
| Cash generated from operations[3] | £m | 164.6 | 169.9 | (3%) |
| Net bank debt/(cash) at September 2022/March 2022[4] | £m | 57.4 | (51.3) | |
| | | | | |
| **Auto Trader results** | | | | |
| Trade | £m | 214.3 | 192.3 | 11% |
| Consumer | £m | 18.7 | 18.0 | 4% |
| Manufacturer & Agency | £m | 5.2 | 5.1 | 2% |
| Revenue | £m | 238.2 | 215.4 | 11% |
| People costs | £m | 36.9 | 35.0 | 5% |
| Marketing | £m | 11.4 | 10.6 | 8% |
| Other costs | £m | 18.9 | 16.2 | 17% |
| Depreciation & Amortisation | £m | 3.3 | 3.6 | (8%) |
| Operating costs | £m | 70.5 | 65.4 | 8% |
| Share of profit from joint ventures | £m | 1.1 | 1.7 | (35%) |
| Operating profit | £m | 168.8 | 151.7 | 11% |
| Operating profit margin | % | 71% | 70% | 1% |
| | | | | |
| **Autorama results** | | | | |
| Vehicle & Accessory Sales | £m | 7.1 | - | - |
| Commission & Ancillary | £m | 4.5 | - | - |
| Revenue | £m | 11.6 | - | - |
| Cost of goods sold | £m | 7.0 | - | - |
| People costs | £m | 3.7 | - | - |
| Marketing | £m | 1.7 | - | - |
| Other costs | £m | 2.5 | - | - |
| Depreciation & Amortisation | £m | 0.7 | - | - |
| Operating costs | £m | 15.6 | - | - |
| Operating (loss) | £m | (4.0) | - | - |
| | | | | |
| **Group central costs** | | | | |
| Autorama deferred consideration | £m | (13.8) | - | - |
| Depreciation & Amortisation | £m | (1.9) | - | - |
| Operating costs | £m | (15.7) | - | - |
| Operating (loss) | £m | (15.7) | - | - |

1. Auto Trader includes the results of Auto Trader, AutoConvert & Carzone in respect of online classified advertising of motor vehicles and other related products and services in the digital automotive marketplace including the Dealer Auction joint venture.
2. Group central costs which are not allocated within either of the segment operating profit/(loss) comprise a £13.8 million charge for the expense of group shares expected to be issued to settle the Autorama deferred consideration and a £1.9 million amortisation expense relating to the fair value of intangible assets acquired in the Group's business combination of Autorama.
3. Cash generated from operations is defined as net cash generated from operating activities, before corporation tax paid.
4. Net bank debt/(cash) represents gross bank debt before amortised debt costs less cash and does not include amounts relating to leases
5. Average during the period.
6. Measured by Snowplow.
7. Share of minutes is a custom metric based on Comscore minutes and is calculated by dividing Auto Trader's total minutes volume by the entire custom-defined competitive set's total minutes volume. The custom-defined list includes: Auto Trader, Gumtree motors, Pistonheads, Motors.co.uk, eBay Motors & CarGurus.
8. Physical car stock advertised on autotrader.co.uk.
9. Based on a survey to all Auto Trader employees in October 2022 asking our people to rate the statement "I am proud to work for Auto Trader?". Answers are given on a five-point scale from strongly disagree to strongly agree.
10. We define leaders as those who are on our Operational Leadership Team ('OLT'), one divisional leader and their direct reports.
11. Throughout 2022 we have asked our employees to voluntarily disclose their ethnicity, at the period end we had 89 employees (9%) who had not yet disclosed.

12. We calculate all our diversity percentages using total group headcount excluding Autorama (September 2022: 1,032, March 2022: 1,002) as at 30th September. At the period end, we had 412 employees who were women, 615 employees who were men and 5 who were non-binary.
13. The total amount of $CO_2$ emissions includes Scope 1, 2 and 3. From the 15 different emission categories that fall within Scope 3, the following have been identified as relevant to Auto Trader: Purchased goods and services (an Environmentally Extended Input Output (EEIO) database methodology was used to calculate the GHG footprint across total spend for the financial year); Capital goods; Fuel and energy related activities (not included in Scope 1 and Scope 2); Waste generated in operations; Business travel; Employee commuting and Investments.

**Operating performance in H1 2023**

**Group operating performance**

Group revenue increased by 16% to £249.8 million (H1 2022: £215.4 million). Auto Trader revenue increased by 11% to £238.2 million (H1 2022: £215.4 million), and Autorama contributed £11.6 million following the completion of the acquisition on 22 June 2022.

Group operating profit declined by 2% to £149.1 million (H1 2022: £151.7 million). Auto Trader operating profit increased by 11% to £168.8 million (H1 2022: £151.7 million) which includes £1.1 million share of profit from our joint venture, Dealer Auction (H1 2022: £1.7 million). Autorama had an operating loss of £4.0 million.

Group central costs included the Autorama deferred consideration charge for the period of £13.8 million and an amortisation charge of £1.9 million relating to the Autorama intangible assets recognised under IFRS 3 business combinations. This resulted in Group operating profit margin declining to 60% (H1 2022: 70%).

Group profit before tax was £148.0 million (H1 2022: £150.0 million) and cash generated from operations was £164.6 million (H1 2022: £169.9 million).

**Auto Trader operating performance**

Auto Trader revenue grew by 11% to £238.2 million (H1 2022: £215.4 million) underpinned by a strong performance in our retailer revenue line as customers continue to see value in advertising on our marketplace and taking additional products. Auto Trader operating profit grew 11% to £168.8 million (H1 2022: £151.7 million), and operating profit margin was broadly flat at 71% (H1 2022: 70%).

Our audience performance remains strong; we have maintained our position as the UK's largest and most engaged automotive marketplace for new and used cars, with over 75% of all minutes spent on automotive classified sites spent on Auto Trader (H1 2022: over 75%). Our average monthly cross platform visits decreased by 10% to 67.7 million per month (H1 2022: 74.9 million) but were 18% above pre-pandemic levels recorded in H1 2020 (57.5 million). Engagement, which we measure by total minutes spent onsite, decreased by 14% to an average of 498 million minutes per month (H1 2022: 579 million minutes) although were 11% ahead of pre-pandemic levels (H1 2020: 447 million minutes). For both visits and minutes, we have changed the data source from Google analytics to Snowplow.

The average number of retailer forecourts advertising on our platform increased by 2% to 14,161 (H1 2022: 13,892). We continued to see lower levels of cancellation, as market conditions were broadly stable and the current strength of our position and standing with customers has been maintained.

Total live stock on site increased by 1% to an average of 440,000 cars (H1 2022: 436,000). New car stock declined to an average of 22,000 (H1 2022: 39,000) due to the continued shortage of new car supply. Used car stock was also impacted by supply shortages, although not as severely as seen in the previous financial year with used car live stock increasing 5% on average across the period.

**Autorama operating performance**

Autorama revenue was £11.6 million, with vehicle & accessory sales contributing £7.1 million and commission and ancillary revenue contributing £4.5 million. The operating loss for the period since acquisition on 22 June to the end of September was £4.0 million.

Total deliveries amounted to 2,747 vehicles, which comprised of 1,887 cars, 627 vans and 233 pickups. Both vans and pickups were particularly impacted by supply challenges in the period. Average commission and ancillary revenue per vehicle delivered was £1,635.

**The UK car market**

New car registrations were 11% below H1 2022 (March – September) with semiconductor shortages and supply chain challenges continuing to impact the volume of new cars available for sale in the UK. New car registrations were weaker within the fleet segment which was down 17% year-on-year and new light commercial vehicle ("LCV") registrations were down 28% year-on-year over the same period. Used car transactions were 16% below H1 2022 levels, as transactions continued to feel the knock-on impact of low volumes of new car supply, which has fed into the availability of younger cars impacting our Franchise segment.

The average length of time that a person owns a car has reduced to 3.8 years in calendar year 2022 (2021: 4.2 years) due to the impact of enforced COVID-related showroom closures in 2021, although it remains above pre-COVID levels due to supply issues. Despite declining throughout the period, used car prices remain strong with our retail price index seeing a 22% year-on-year increase in prices.

**Strategic overview**

Our strategy has three focus areas: Firstly, we remain committed to investing and growing our core classified marketplace, which we believe has a long runway for growth. Secondly our marketplace has been built on a platform, which we have made available to the whole industry, enabling them to access the full benefit of our technology and data. This has embedded our services in our customers' workflows which is a key enabler to support the final area of our strategy, digital retailing. Digital retailing adds a transactional capability allowing our trade customers to sell vehicles to car buyers on Auto Trader.

**Classified marketplace**

Our core classified marketplace continues to grow. We evolved our advertising package structure in May 2021 and created a consistent cross platform experience with adverts appearing in search, based on a relevancy algorithm, enhancing the value we deliver to our customers. Penetration of our higher yielding packages continues to increase, with 32% of retailer stock now on a package above Standard as at September 2022 (September 2021: 25%). Our pay-per-click prominence product, which enables customers to promote a specific vehicle, also saw further uptake during the half. Our new car proposition has been impacted by continued supply shortages which has seen the number of new cars advertised decrease to 22,000 (H1 2022: 39,000). However, the number of customers on our new car product remains robust with c.1,900 paying for the product at the end of the half (September 2021: c.2,100).

We continue to invest in our electric vehicle (EV) content to ensure that we are the number one destination for car buyers interested in purchasing an EV. We continue to help consumers make more informed vehicle choices with EV charging information now on full page adverts; increased content in our electric vehicle hub, which attracted over 1 million views in the period and the launch of our 'electric sceptics campaign', which saw our YouTube Director Rory Reid challenge sceptical consumers about EVs in a series of videos. Engagement on our monthly EV giveaway also remains strong with over 1.4 million entries in the period.

**Platform**

We continue to invest in our technology, data and product platform which supports our classified marketplace and we have extended the use of this platform to our customers, which we believe will be a key enabler for digital retailing. In October 2021, we launched Auto Trader Connect which is the product through which our services are integrated with third parties. The Retail Essentials module which gives customers access to our taxonomy, improving advert quality, and introduces real-time updates between our systems and those of our customers was included in our retailer packages from April 2022. We currently have integration with 90+ third-party software providers with Auto Trader Connect.

Following the successful launch of Retail Essentials, we have recently launched a Valuations module of Auto Trader Connect. The product combines our detailed vehicle specification data with our valuations, which benefit from millions of vehicle observations. This gives improved pricing information to customers, enabling better sourcing and retailing decision-making, as well as giving enhanced price transparency for consumers. The valuations appear within our Dealer Portal software against every vehicle record, as well as being made available via an API.

We have now migrated all our services to Google's Cloud, which has enabled us to benefit from scalability, improved performance, enhanced security and a quicker product release cycle. We saw an increase in the number of product releases in the period to 24,000 (H1 2022: 20,500).

**Digital retailing**

Building on both our platform and strong classified marketplace, we are bringing more of the car buying journey online. We remain committed to being the best place to find, buy and sell a car in the UK on a platform that enables data-driven digital retailing for our customers. Our approach to digital retailing is to be "car first" and to enable any retailer to sell their cars online. With this goal in mind, we will initially offer two digital retailing consumer journeys; an end-to-end deal builder journey on Auto Trader; and a new vehicle leasing proposition through Autorama.

In the last six months, we continued to make progress building an end-to-end deal builder journey on Auto Trader, which leverages the three individual components of part-exchange, reservations and finance applications which we have previously piloted individually. Whilst we believe that the physical forecourt will continue to play a role in the car buying process for a number of years, there are several components that can be brought online which will drive sales and efficiencies for our retailer customers, provide a better consumer experience, and provide significant long-term growth opportunities for our business. Deal builder went live with one single site customer in August 2022, resulting in our first completed online deal only days after the car had been reserved. Over the coming months and into next year we aim to onboard further retailers onto the product, including larger groups who use our Dealer Portal software and over time through integrations with dealer management systems using Auto Trader Connect.

Last year, we launched a new product, Market Extension, which allows customers to sell vehicles outside their local area, beyond the physical constraints of their forecourt. Uptake remains strong with over 6% of retailer stock on this product in September 2022 (September 2021: 4%), with the product being most relevant for those customers with either delivery capability or multiple forecourt locations.

On 22 June 2022, we completed the acquisition of Autorama (UK) Limited, one of the UK's largest marketplaces for leasing new vehicles. Autorama's online marketplace and fulfilment capabilities will transform Auto Trader's existing leasing proposition and help meet the demands of the growing number of consumers who might consider leasing their next new vehicle, while providing an efficient and professional channel to market for manufacturers and leasing companies. There is a significant structural opportunity for a new car leasing marketplace driven by the growth of electric cars, new manufacturers entering the UK market, lower take up of company car schemes and a shift towards new digital distribution models. Through leveraging Auto Trader's platform, we believe we have a compelling proposition for manufacturers, retailers, and funders, with an opportunity to reduce existing customer acquisition costs and grow the business profitability.

**Making a difference**

Our purpose is "Driving Change Together. Responsibly" and we aim to 'make a difference' to our people, our communities, our industry, and to the wider environment. We have a Corporate Responsibility Committee with oversight for Auto Trader's focus on the environmental, social and governance aspects of our business. We are currently assessing the equivalent measures for Autorama and will include them in our cultural KPIs that will be reported at full year. All the measures below are for our Auto Trader operating segment.

Employees who are proud to work at Auto Trader[9] remained high at 93% (March 2022: 95%). We believe creating a diverse workforce and an inclusive culture within our organisation improves individual and team performance and will allow us to identify and attract talent that we may not otherwise access. Much of our work around creating an inclusive culture and environment has been supported and informed by our many employee networks representing women, parents & carers, LGBT+, disabled & neurodiverse, multicultural and multigenerational colleagues. These groups are instrumental to supporting our overall diversity and inclusion strategy.

Over half of the Board is represented by women and at a total Group level our representation of women has remained consistent at 40% as of September 2022 (March 2022: 40%). At a leadership level, as defined by the FTSE Women Leaders Review, there was a small increase with 40% of women in leadership roles as of September 2022 (March 2022 38%). We have continued with our focus on ethnic diversity and we are committed to increasing the percentage of employees from an ethnically diverse background. We have met the Parker Review recommendation that all FTSE100 Boards should have at least one director from an ethnically diverse background by the end of 2021. The percentage of the Group's employees who are from an ethnically diverse background has increased to 15% as of September 2022 (March 2022: 14%), with the percentage of those from an ethnically diverse background in leadership reducing slightly to 5% as of September 2022 (March 2022: 6%).

Reducing the impact our business has on the environment is embedded into our strategy and we are committed to being a net zero business by 2040. Our near-term Science Based Targets have already been validated by the SBTi and form a core component of our net zero strategy. We have also submitted our net zero target for validation by the SBTi. Initial calculations of our GHG emissions during the first half of the year total 3.8k tonnes of Co2e across Scopes 1, 2 and 3 (March 2022: 11.7k). We have undertaken further analysis of our supplier base within our Scope 3 emissions and have calculated the half year emissions using this more accurate data. We are in the process of understanding the impact of Autorama's activities and aim to include their GHG emissions in our year end reporting.

Our environmental commitments also encompass initiatives to ensure our business continues to be relevant as the vehicle parc becomes increasingly electric and to raise environmental awareness with our employees and customers and support them in reducing their environmental impact. As our consumers increasingly look for and buy electric vehicles, we are supporting them in making the switch through increasing the coverage and exposure we give electric vehicles across all our platforms. As part of this commitment, we have entered into a partnership with Green.TV Media, the multi-platform sustainability media company, to be the headline partner for a series of electric themed events for the next three years. Green.TV Media host World EV Day, the EV Summit and EV Live all of which are aimed at furthering the adoption of electric vehicles. Earlier this year we worked with Carbon Literacy to launch the Carbon Literacy automotive toolkit and we are pleased to see increasing engagement with the toolkit with 75 companies already participating with it.

**The Board**

Two Non-Executive Directors and our Chair will have completed their third three-year term in 2024, the ninth anniversary of Auto Trader Group plc's admission to the London Stock Exchange's official list. The board ensures it has in place and is implementing a comprehensive succession plan for all directors. This process is underway and being led by the Senior Independent Director, in the case of the Chair and the Nomination Committee with regards to Non-Executive Directors. The Board will report on its progress at the appropriate time.

**Investor calendar**

The Group's full year results for the year ending 31 March 2023 will be announced on 01 June 2023.

## Financial review

### Group Results

| | H1 2023 £m | H1 2022 £m | Change % |
|---|---|---|---|
| Revenue | 249.8 | 215.4 | 16% |
| Operating costs | 101.8 | 65.4 | 56% |
| Share of profit from joint ventures | 1.1 | 1.7 | (35%) |
| Operating profit | 149.1 | 151.7 | (2%) |

Group revenue increased by 16% to £249.8m (H1 2022: £215.4m) driven by Auto Trader revenue which increased by 11% to £238.2m (H1 2022: £215.4m), and a contribution of £11.6m from Autorama as a result of the acquisition which completed on 22 June 2022.

Group operating profit declined by 2% to £149.1m (H1 2022: £151.7m). Auto Trader operating profit increased by 11% to £168.8m (H1 2022: £151.7m) which included £1.1m share of profit from joint ventures (H1 2022: £1.7m). Autorama had an operating loss of £4.0m.

Group central costs included a charge of £13.8m driven by the cost for the period of the Autorama deferred consideration of £50m, which will be settled in shares, 12 months after the completion date, and an amortisation charge of £1.9m relating to the Autorama intangible assets recognised under IFRS 3 business combinations. Group operating profit margin declined to 60% (H1 2022: 70%).

Group profit before tax was £148.0m (H1 2022: £150.0m) and cash generated from operations was £164.6m (H1 2022: £169.9m).

### Auto Trader Results

Revenue increased to £238.2m (H1 2022: £215.4m), up 11% when compared to the prior year. Trade revenue, which comprises revenue from Retailers, Home Traders and other smaller revenue streams, increased by 11% to £214.3m (H1 2022: £192.3m).

| | H1 2023 £m | H1 2022 £m | Change % |
|---|---|---|---|
| Retailer | 204.2 | 183.3 | 11% |
| Home Trader | 5.2 | 4.5 | 16% |
| Other | 4.9 | 4.5 | 9% |
| Trade | 214.3 | 192.3 | 11% |
| Consumer Services | 18.7 | 18.0 | 4% |
| Manufacturer & Agency | 5.2 | 5.1 | 2% |
| **Total** | **238.2** | **215.4** | **11%** |

Retailer revenue increased by 11% to £204.2m (H1 2022: £183.3m). The average number of retailer forecourts advertising on our platform increased 2% to 14,161 (H1 2022: 13,892), with lower levels of cancellations in the period.

Average Revenue per Retailer (‘ARPR’) per month increased by 9% to £2,404 (H1 2022: £2,199). This was driven by both the product and price levers, with the stock lever broadly flat.

- Price: Our price lever contributed an increase of £72 (H1 2022: £74) to total ARPR as we delivered our annual pricing event for all customers on 1 April 2022, which included additional products but also a like-for-like price increase.

- Stock: The number of live cars advertised on Auto Trader increased by 1% to 440,000 (H1 2022: 436,000). New car stock declined, averaging 22,000 (H1 2022: 39,000) due to the well documented shortage of new car supply.

Underlying used car stock increased by 5% in the period as we saw supply improve slightly from the previous year and higher levels of private listings. It is important to note that the stock lever is not driven by live stock but by the number of paid stock units, which were broadly flat in the period (H1 2022: increase £160).

- Product: Our product lever contributed an increase of £133 (H1 2022: £119) to total ARPR. Half of this product growth was the result of seeing an increase in retailers purchasing more of our prominence products. These products include our higher yielding Enhanced, Super and Ultra packages with their penetration increasing to 32% (September 2021: 25%); Our new Market Extension product, allowing retailers to sell outside of their local area, also contributed to the product lever with 6% (September 2021: 4%) of retailer stock on the product by the end of the period; Finally there was also some contribution from our AT PPC product, where retailers can boost visibility of their stock in search through pay-per-click campaigns. The other half of the product lever was largely made up from our Auto Trader Connect: Retail Essentials product, which was included in retailer packages as part of our annual pricing event in April 2022 and smaller product contributions such as Auto Convert finance and further uptake of our data products.

Home Trader revenue increased by 16% to £5.2m (H1 2022: £4.5m). Other revenue increased by 9% to £4.9m (H1 2022: £4.5m).

Consumer Services revenue increased by 4% in the period to £18.7m (H1 2022: £18.0m). Private revenue, which is generated from individual sellers who pay to advertise their vehicle on the Auto Trader marketplace, increased by 12% to £12.3m (H1 2022: £11.0m) which was partially offset by Motoring Services revenue, which decreased 9% to £6.4m (H1 2022: £7.0m). Instant Offer contributed £0.4m to Consumer Services (H1 2022: £0.4m), which is included in Private revenue.

Revenue from Manufacturer & Agency customers increased marginally to £5.2m (H1 2022: £5.1m). New car advertising in H1 2023 continues to be impacted by semi-conductor supply issues, with Manufacturers lowering their marketing spend until there is more clarity on the supply of new cars into the market.

Total costs increased 8% to £70.5m (H1 2022: £65.4m).

| | H1 2023<br>£m | H1 2022<br>£m | Change<br>% |
|---|---|---|---|
| People costs | 36.9 | 35.0 | 5% |
| Marketing | 11.4 | 10.6 | 8% |
| Other costs | 18.9 | 16.2 | 17% |
| Depreciation & amortisation | 3.3 | 3.6 | (8%) |
| **Total costs** | **70.5** | **65.4** | **8%** |

People costs, which comprise all staff costs and third-party contractor costs, increased by 5% to £36.9m (H1 2022 £35.0m). The increase in people costs was primarily driven by an increase in the average number of full-time equivalent employees to 990 (H1 2022: 941) as we continue to invest in people to support the growth of the business. In addition to the increased headcount, underlying salary costs have increased as we invest in the best digital talent and review all salaries on an annual basis.

Marketing spend increased by 8% in H1 2022 to £11.4m (H1 2022: £10.6m).

Other costs, which include data services, property related costs and other overheads, increased by 17% to £18.9m (H1 2022: £16.2m). The increase was primarily due to increased overhead costs; including the return of travel, office & people related costs, as well as higher IT spend as we completed the move for all our services and applications to be in the cloud. Depreciation and amortisation decreased marginally to £3.3m (H1 2022: £3.6m).

| | H1 2023<br>£m | H1 2022<br>£m | Change<br>% |
|---|---|---|---|
| Revenue | 238.2 | 215.4 | 11% |
| Administrative expenses | (70.5) | (65.4) | (8%) |
| Share of profit from joint ventures | 1.1 | 1.7 | (35%) |
| **Operating profit** | **168.8** | **151.7** | **11%** |

Operating profit increased by 11% to £168.8m during the period (H1 2022: £151.7m). Operating profit margin remained broadly flat at 71% (H1 2022: 70%).

Our share of profit generated by Dealer Auction, the Group's joint venture, decreased 35% to £1.1m (H1 2022: £1.7m) in the period due to lower levels of auction activity as a result of tighter supply.

**Autorama Results**

| | H1 2023<br>£m |
|---|---|
| Vehicle & Accessory Sales | 7.1 |
| Commission & Ancillary | 4.5 |
| **Total** | **11.6** |

Autorama revenue was £11.6m, with vehicle & accessory sales contributing £7.1m and commission and ancillary revenue contributing £4.5m.

Total deliveries amounted to 2,747 units, which comprised of 1,887 cars, 627 vans and 233 pickups. Average commission and ancillary revenue per unit delivered was £1,635.

| | H1 2023<br>£m |
|---|---|
| Cost of goods sold | 7.0 |
| People costs | 3.7 |
| Marketing | 1.7 |
| Other Costs | 2.5 |
| Depreciation & Amortisation | 0.7 |
| **Total costs** | **15.6** |

The Autorama business delivered 270 vehicles which were taken on balance sheet in the period from 22 June to 30 September. This represented 10% of total vehicles delivered in the period. The cost of these vehicles was taken through cost of goods sold, with the corresponding revenue in vehicle and accessory sales. People costs of £3.7m, was through the 218 number of FTEs which were employed on average through the period. As a result of the acquisition being on 22 June 2022, the contribution to the Group's average number of FTEs in the period was 122. Marketing in the period was £1.7m. Other costs related to IT services, property, people-related costs and other overheads. There was depreciation of fixed assets and some amortisation of developed software.

The Autorama operating segment made an operating loss of £4.0m

| | H1 2023<br>£m |
|---|---|
| Revenue | 11.6 |
| Costs | 15.6 |
| **Operating loss** | (4.0) |

**Group net finance costs**

Group net finance costs decreased to £1.1m (H1 2022: £1.7m). Interest costs on the Group's RCF totaled £0.9m (H1 2022: £0.9m), with the year on year decline coming from lower amortised debt issue costs. At 30 September 2022 the Group had drawn £75m of its available facility (30 September 2021: £nil). Amortisation of debt issue costs amounted to £0.3m (H1 2022: £0.8m) with the decrease driven by an acceleration of amortisation following the reduction of the Syndicated Revolving Credit Facility ('RCF') commitments, as referenced below, in the prior year. Interest costs relating to leases totaled £0.1m (H1 2022: £0.1m). This was offset by interest receivable on cash and cash equivalents of £0.2m (H1 2022: £0.1m).

**Reduction of RCF commitments**

With effect from 24 September 2021, the Group reduced the total commitments of its Syndicated Revolving Credit Facility ('RCF') by £150m from £400m to £250m. The facility will terminate in two tranches: £52.2m will mature in June 2023 and £197.8m will mature in June 2025. Additionally in 2021, there was an amendment to the Senior Facilities Agreement to reflect the discontinuation of LIBOR and the transition to SONIA (in respect of sterling loans); Loan Market Association updates; and to include the effect of IFRS 16 for the purposes of calculating financial covenants. There is no requirement to settle all, or part, of the debt earlier than the termination dates stated.

**Taxation**

Profit before taxation decreased by 1% to £148.0m (H1 2022: £150.0m). The Group tax charge of £32.8m (H1 2022: £28.3m) represents an effective tax rate of 22.2% (H1 2022: 18.9%). This is higher than the average standard UK rate due to the Autorama deferred consideration charge being non-deductible.

**Earnings per share**

Basic earnings per share decreased by 3% to 12.23 pence (H1 2022 12.63 pence) based on a weighted average number of ordinary shares in issue of 942,056,280 (H1 2022: 963,162,476). Diluted earnings per share of 12.17 pence (H1 2022: 12.61 pence) decreased by 3%, based on 946,494,793 shares (H1 2022: 965,070,560) which takes into account the dilutive impact of outstanding share awards.

Earnings per share, excluding the charge in the period for Autorama's deferred consideration in relation to the acquisition, increased by 8% to 13.70 pence (H1 2022: 12.63 pence).

**Cash flow**

Cash generated from operations decreased to £164.6m (H1 2022: £169.9m) as a result of the decline in Operating profit and movements in working capital largely driven by an increase in trade debtors and a decrease in VAT payable. Corporation tax payments increased to £31.4m (H1 2022: £27.8m). Cash generated from operating activities was £133.2m (H1 2022: £142.1m).

**Capital structure and dividends**

The final dividend for the year ended 31 March 2022 of 5.5 pence per share (H1 2022: 5.0 pence per share) was paid on 23 September 2022, totaling £51.7m (H1 2022: £48.0m). The Board continued its share-buyback programme with a total of 4.9m shares repurchased in the period (H1 2021: 15.8m shares). The average price per share was 619.5p (H1 2022: 636.1p) for a total consideration of £30.6m (H1 2022: £100.4m) before transaction costs of £0.2m (H1 2022 £0.5m).

The Group's long-term capital allocation policy remains broadly unchanged: continuing to invest in the business enabling it to grow while returning around one third of net income to shareholders in the form of dividends. Following these activities any surplus cash, such as that received from the disposal of Webzone, will be used to continue our share buy-back programme and steadily reduce gross indebtedness. It is the Board's long-term intention that the Group will return to a net cash position.

For H1 2023, the Board has declared an interim dividend of 2.8 pence per share. The interim dividend will be paid on 27 January 2023 to members on the register on 6 January 2023.

**Going concern**

The Group generated significant cash from operations during the period. At 30 September 2022 the Group had drawn £75m of its £250m unsecured revolving credit facility ('RCF') and had cash balances of £17.6m. The Group has a strong balance sheet and flexibility in terms of uses of cash to potentially manage increased economic uncertainty and higher interest rates. The £250m RCF is committed until June 2023, when it reduces to £197.8m through to maturity in June 2025. On the basis of facilities available and current financial projections for the next twelve months, the Directors have concluded that it is appropriate to prepare the condensed interim financial statements on a going concern basis.

**Post balance sheet events**

**Sale of Webzone Limited**

On 24 October 2022, Auto Trader announced the sale of one of its subsidiaries, Webzone Limited, which trades in the Republic of Ireland under the Carzone brand. The business was sold to Mediahuis Ireland, Ireland's leading print and digital media publisher which also owns CarsIreland.ie and Cartell.ie, for consideration of €30 million.

At 31 March 2022, Webzone Limited had £451k of net assets. The table below shows the P&L, which consolidates into the Group results for the last two reporting periods:

| | **2022** | **H1 2023** |
|---|---|---|
| Average Retailer Forecourts (#) | 551 | 543 |
| ARPR (£pcm) | £605 | £645 |
| Retailer Revenue (£m) | 4.1 | 2.1 |
| Average FTEs (#) | 36 | 36 |
| | | |
| Trade (£m) | 4.1 | 2.1 |
| Consumer Services (£m) | 0.1 | 0.1 |
| Manufacturer & Agency (£m) | 0.7 | 0.3 |
| Revenue (£m) | 4.9 | 2.5 |
| Operating profit (£m) | 1.3 | 0.7 |

The estimated profit on disposal of Webzone Limited, after disposal of related goodwill, for the Group is estimated to be c.£19m.

**Defined Benefit Pension Scheme**

The Company sponsors a funded defined benefit pension scheme for qualifying UK employees, the Wiltshire (Bristol) Limited Retirement Benefits Scheme ('the Scheme'). In October 2022 the Scheme purchased a bulk annuity policy (known as a buy-in) from Just Retirement Limited ('Just Retirement') for £15.4 million, which was funded by a £1.0m contribution by the Company along with existing Scheme assets. This policy secured the full benefits of all scheme members, which as at 30 September 2022 amounted to £12.8 million. Given the financial strength of Just Retirement, this buy-in substantively removes the risk of further contributions being required from the Company to provide benefits to members, beyond those noted below.

Following the buy-in, the Scheme's assets largely comprise the bulk annuity policy held with Just Retirement, along with a small amount of additional assets currently held with LGIM. The Scheme trustees are now working to progress towards a full buy out, which will involve various data and benefits exercises. In relation to these, it is likely that there will be further contributions from the Company, the amounts for which are estimated to be c.£1 million. It is anticipated that the Scheme buy-out will be completed in 2024. Once the buy-out is complete, the Scheme has no further purpose and will be wound up.

**Responsibility statement of the directors in respect of the half-yearly financial report**

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted for use in the UK

- the interim management report includes a fair review of the information required by:

(a)DTR 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

(b)DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so

| | |
|---|---|
| **Nathan Coe** | **Jamie Warner** |
| **Chief Executive Officer** | **Chief Financial Officer** |
| **10 November 2022** | **10 November 2022** |

## Consolidated interim income statement

For the six months ended 30 September 2022

| | Note | **6 months to September 2022 £m** | 6 months to September 2021 £m | Year to March 2022 £m |
|---|---|---|---|---|
| Revenue | 3 | **249.8** | 215.4 | 432.7 |
| Operating costs | | **(101.8)** | (65.4) | (132.0) |
| Share of profit from joint ventures | | **1.1** | 1.7 | 2.9 |
| **Operating profit** | 2 | **149.1** | 151.7 | 303.6 |
| Net finance costs | 4 | **(1.1)** | (1.7) | (2.6) |
| **Profit before taxation** | | **148.0** | 150.0 | 301.0 |
| Income tax expense | 5 | **(32.8)** | (28.3) | (56.3) |
| **Profit for the period attributable to equity holders of the parent** | | **115.2** | 121.7 | 244.7 |
| **Earnings per share:** | | | | |
| Basic EPS (pence) | 6 | **12.23** | 12.63 | 25.61 |
| Diluted EPS (pence) | 6 | **12.17** | 12.61 | 25.56 |

## Consolidated interim statement of comprehensive income

For the six months ended 30 September 2022

| | **6 months to September 2022 £m** | 6 months to September 2021 £m | Year to March 2022 £m |
|---|---|---|---|
| **Profit for the period** | **115.2** | 121.7 | 244.7 |
| | | | |
| **Items that may be subsequently reclassified to profit or loss:** | | | |
| Currency translation differences | **(0.3)** | 0.1 | 0.2 |
| **Items that will not be reclassified to profit or loss:** | | | |
| Remeasurements of post-employment benefit obligations | **(0.6)** | 0.6 | 0.2 |
| **Other comprehensive income for the period, net of tax** | **(0.9)** | 0.7 | 0.4 |
| **Total comprehensive income for the period attributable to equity holders of the parent** | **114.3** | 122.4 | 245.1 |

## Consolidated interim balance sheet
As at 30 September 2022

| | Note | **September 2022 £m** | September 2021 £m | March 2022 £m |
|---|---|---|---|---|
| **Assets** | | | | |
| **Non-current assets** | | | | |
| Intangible assets | 7 | **512.1** | 357.0 | 355.6 |
| Property, plant and equipment | 8 | **18.4** | 16.2 | 14.7 |
| Deferred taxation assets | | – | 1.7 | 1.4 |
| Retirement benefit surplus | 11 | **2.0** | 4.4 | 3.7 |
| Net investments in joint ventures | | **50.8** | 51.4 | 49.7 |
| Other investments | | **1.0** | - | - |
| | | **584.3** | 430.7 | 425.1 |
| **Current assets** | | | | |
| Inventory | | **1.9** | – | – |
| Trade and other receivables | 9 | **72.9** | 63.9 | 65.9 |
| Current income tax assets | | – | – | 0.6 |
| Cash and cash equivalents | | **17.6** | 9.2 | 51.3 |
| | | **92.4** | 73.1 | 117.8 |
| **Total assets** | | **676.7** | 503.8 | 542.9 |
| | | | | |
| **Equity and liabilities** | | | | |
| | | | | |
| **Equity attributable to equity holders of the parent** | | | | |
| Share capital | 15 | **9.4** | 9.6 | 9.5 |
| Share premium | | **182.6** | 182.5 | 182.6 |
| Retained earnings | | **1,387.9** | 1,297.5 | 1,332.4 |
| Capital reorganisation reserve | | **(1,060.8)** | (1,060.8) | (1,060.8) |
| Own shares held | 16 | **(27.5)** | (24.1) | (22.4) |
| Capital redemption reserve | | **1.1** | 0.9 | 1.0 |
| Other reserves | | **30.3** | 30.1 | 30.2 |
| **Total equity** | | **523.0** | 435.7 | 472.5 |
| | | | | |
| **Liabilities** | | | | |
| **Non-current liabilities** | | | | |
| Borrowings | 14 | **73.9** | – | – |
| Deferred taxation liabilities | | **7.2** | – | – |
| Lease liabilities | 8 | **5.4** | 7.8 | 6.5 |
| Deferred income | | **8.6** | 9.7 | 8.9 |
| Deferred consideration | | – | 8.0 | – |
| Provisions | | **1.3** | 1.3 | 1.3 |
| | | **96.4** | 26.8 | 16.7 |
| | | | | |
| **Current liabilities** | | | | |
| Trade and other payables | 10 | **52.6** | 36.9 | 42.0 |
| Current income tax liabilities | | **0.9** | 0.8 | – |
| Lease liabilities | 8 | **3.1** | 3.1 | 3.0 |
| Provisions for other liabilities and charges | | **0.7** | 0.5 | 0.7 |
| Deferred consideration | | – | – | 8.0 |
| | | **57.3** | 41.3 | 53.7 |
| **Total liabilities** | | **153.7** | 68.1 | 70.4 |
| | | | | |
| **Total equity and liabilities** | | **676.7** | 503.8 | 542.9 |

## Consolidated interim statement of changes in shareholders’ equity
For the six months ended 30 September 2022

| | Share Capital £m | Share premium £m | Retained earnings £m | Own shares held £m | Capital reorg reserve £m | Capital redem reserve £m | Other reserves £m | Total equity £m |
|---|---|---|---|---|---|---|---|---|
| **Balance at March 2021** | **9.7** | **182.4** | **1,307.3** | **(10.7)** | **(1,060.8)** | **0.8** | **30.0** | **458.7** |
| Profit for the period | – | – | 121.7 | – | – | – | – | **121.7** |
| **Other comprehensive income:** | | | | | | | | |
| Currency translation differences | – | – | – | – | – | – | 0.1 | **0.1** |
| Remeasurements of post-employment benefit obligations | – | – | 0.6 | – | – | – | – | **0.6** |
| Total comprehensive income, net of tax | – | – | 122.3 | – | – | – | 0.1 | 122.4 |
| **Transactions with owners:** | | | | | | | | |
| Share-based payments (note 17) | – | – | 3.2 | – | – | – | – | **3.2** |
| Cancellation of shares (note 15) | (0.1) | – | (83.1) | – | – | 0.1 | – | **(83.1)** |
| Purchase of own shares for treasury (note 16) | – | – | – | (17.8) | – | – | – | **(17.8)** |
| Tax impact of employee share schemes | – | – | (0.1) | – | – | – | – | **(0.1)** |
| Exercise of share-based incentives (note 17) | – | – | (4.0) | 4.3 | – | – | – | **0.3** |
| Issue of ordinary shares (note 15) | – | 0.1 | – | – | – | – | – | **0.1** |
| Transfer of shares from ESOT | – | – | (0.1) | 0.1 | – | – | – | **–** |
| Dividends paid (note 12) | – | – | (48.0) | – | – | – | – | **(48.0)** |
| Total transactions with owners, recognised directly in equity | (0.1) | 0.1 | (132.1) | (13.4) | – | 0.1 | – | (145.4) |
| **Balance at September 2021** | **9.6** | **182.5** | **1,297.5** | **(24.1)** | **(1,060.8)** | **0.9** | **30.1** | **435.7** |
| Profit for the period | – | – | 123.0 | – | – | – | – | **123.0** |
| **Other comprehensive income:** | | | | | | | | |
| Currency translation differences | – | – | – | – | – | – | 0.1 | **0.1** |
| Remeasurements of post-employment benefit obligations | – | – | (0.4) | - | - | - | – | **(0.4)** |
| Total comprehensive income, net of tax | **–** | **–** | 122.6 | – | – | – | 0.1 | 122.7 |
| **Transactions with owners:** | | | | | | | | |
| Share-based payments (note 17) | – | – | 1.9 | – | – | – | – | **1.9** |
| Tax impact of employee share schemes | – | – | 0.2 | – | – | – | – | **0.2** |
| Cancellation of shares (note 15) | (0.1) | – | (63.4) | – | – | 0.1 | – | **(63.4)** |
| Exercise of share-based incentives | – | – | (0.8) | 1.7 | – | – | – | **0.9** |
| Issue of ordinary shares (note 15) | – | 0.1 | – | – | – | – | – | **0.1** |
| Dividends paid (note 12) | – | – | (25.6) | – | – | – | – | **(25.6)** |
| Total transactions with owners, recognised directly in equity | (0.1) | 0.1 | (87.7) | 1.7 | – | 0.1 | – | **(85.9)** |
| **Balance at March 2022** | **9.5** | **182.6** | **1,332.4** | **(22.4)** | **(1,060.8)** | **1.0** | **30.2** | **472.5** |
| Profit for the period | – | – | 115.2 | – | – | – | – | **115.2** |
| **Other comprehensive income:** | | | | | | | | |
| Currency translation differences | – | – | – | – | – | – | (0.3) | **(0.3)** |
| Remeasurements of post-employment benefit obligations | – | – | (0.6) | – | – | – | – | **(0.6)** |
| Total comprehensive income, net of tax | – | – | 114.6 | – | – | – | (0.3) | **114.3** |
| **Transactions with owners:** | | | | | | | | |
| Share-based payments (note 17) | – | – | 17.3 | – | – | – | – | **17.3** |
| Cancellation of shares (note 15) | (0.1) | – | (22.0) | – | – | 0.1 | – | **(22.0)** |
| Purchase of own shares for treasury (note 16) | – | – | – | (8.7) | – | – | – | **(8.7)** |
| Deferred tax on share-based payments | – | – | 0.2 | – | – | – | – | **0.2** |
| Exercise of share-based incentives (note 17) | – | – | (2.9) | 3.6 | – | – | 0.4 | **1.1** |
| Dividends paid (note 12) | – | – | (51.7) | – | – | – | – | **(51.7)** |
| Total transactions with owners, recognised directly in equity | (0.1) | – | (59.1) | (5.1) | – | 0.1 | 0.4 | **(63.8)** |
| **Balance at September 2022** | **9.4** | **182.6** | **1,387.9** | **(27.5)** | **(1,060.8)** | **1.1** | **30.3** | **523.0** |

## Consolidated interim statement of cash flows
For the six months ended 30 September 2022

| | Note | **6 months to September 2022 £m** | 6 months to September 2021 £m | Year to March 2022 £m |
|---|---|---|---|---|
| **Cash flows from operating activities** | | | | |
| Cash generated from operations | 13 | **164.6** | **169.9** | 328.1 |
| Income taxes paid | | **(31.4)** | **(27.8)** | (56.2) |
| **Net cash generated from operating activities** | | **133.2** | **142.1** | 271.9 |
| | | | | |
| **Cash flows from investing activities** | | | | |
| Purchases of property, plant and equipment | | **(1.1)** | **(2.2)** | (2.8) |
| Payment for acquisition of subsidiary, net of cash acquired | 18 | **(152.3)** | – | – |
| Dividends received from Joint Ventures | | – | **4.9** | 7.8 |
| **Net cash used in investing activities** | | **(153.4)** | **2.7** | 5.0 |
| | | | | |
| **Cash flows from financing activities** | | | | |
| Dividends paid to Company's shareholders | 12 | **(51.7)** | **(48.0)** | (73.6) |
| Drawdown/(Repayment) of revolving credit facility | 14 | **75.0** | **(30.0)** | (30.0) |
| Drawdown/(Repayment) of other debt | | **(3.9)** | – | – |
| Payment of lease liabilities | | **(1.6)** | **(1.6)** | (3.2) |
| Payment of interest on borrowings | | **(1.6)** | **(1.0)** | (1.5) |
| Purchase of own shares for cancellation | 15 | **(21.9)** | **(82.7)** | (145.8) |
| Purchase of own shares for treasury | 16 | **(8.7)** | **(17.7)** | (17.7) |
| Payment of fees on repurchase of own shares | 15 | **(0.2)** | **(0.5)** | (0.8) |
| Proceeds from exercise of share-based incentives | | **1.1** | **0.3** | 1.4 |
| Contributions to defined benefit pension scheme | 11 | – | **(0.1)** | (0.1) |
| **Net cash used in financing activities** | | **(13.5)** | **(181.3)** | (271.3) |
| | | | | |
| **Net (decrease)/increase in cash and cash equivalents** | | **(33.7)** | **(36.5)** | 5.6 |
| Cash and cash equivalents at beginning of period | | **51.3** | **45.7** | 45.7 |
| **Cash and cash equivalents at end of period** | | **17.6** | **9.2** | 51.3 |

## Notes to the Condensed Consolidated interim financial statements

### 1 General information

Auto Trader Group plc ('the Company') is a company incorporated in the United Kingdom and its registered office is 4th Floor, 1 Tony Wilson Place, Manchester, M15 4FN.

These condensed consolidated interim financial statements have been prepared as at, and for the six months ended, 30 September 2022. The comparative financial information presented has been prepared as at, and for the six months ended, 30 September 2021.

The condensed consolidated interim financial information presented as at, and for the six months ended, 30 September 2022 comprise the Company and its subsidiaries (together referred to as the Group). The consolidated financial statements of the Group as at, and for the year ended, 31 March 2022 are available on request from the Company's registered office and via the Company's website.

These condensed consolidated interim financial statements are unaudited but have been reviewed by the Auditor whose report is set out on pages 45-46. They have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and with IAS 34, "Interim Financial Reporting" issued by the IASB and adopted for use in the UK. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 March 2022 which were prepared in accordance with UK-adopted international accounting standards, in conformity with the requirements of the Companies Act 2006 and applicable law.

As required by the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority, the condensed set of financial statements has been prepared applying the accounting policies and presentation that were applied in the preparation of the company's published consolidated financial statements for the year ended 31 March 2022.

The comparative financial information for the year ended 31 March 2022 included in this interim statement of results does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006 (the 'Act'). The statutory accounts for the year ended 31 March 2022 have been reported on by the Company's Auditor and were delivered to the Registrar of Companies following the Company's Annual General Meeting. The auditor's report was (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

***Judgements and estimates***

The preparation of the condensed consolidated interim financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, judgement was required in the identification of acquired intangible assets and their measurement is a key source of estimation uncertainty. The other judgements made by management in applying the Group's accounting policies and the other key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 March 2022.

***Going concern***

The Group generated significant cash from operations during the period. At 30 September 2022 the Group had £75m drawn of its £250m unsecured revolving credit facility ('RCF') and had cash balances of £17.6m. The £250m Revolving Credit Facility ('RCF') is committed until June 2023, when it reduces to £197.8m through to maturity in June 2025.

The combination of significant free cash flow and the discretionary nature of dividend payments and share buybacks provide the Group with significant liquidity and ability to comply with the RCF's financial covenants. On the basis of facilities available and current financial projections for the next twelve months, the Directors have concluded that it is appropriate to prepare the condensed interim financial statements on a going concern basis.

## 1 General information (continued)

***Changes in accounting policies***

The accounting policies applied in these interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 March 2022. Taxes on income in the interim periods are accrued using the effective tax rate that would be applicable to expected total annual profit or loss.

## 2 Segmental information

IFRS 8 'Operating segments' requires the Group to determine its operating segments based on information which is provided internally. Based on the internal reporting information and management structures within the Group, it has been determined that there are two operating segments (2022: one operating segment). A result of the acquisition of Autorama in June 2022 has led to Autorama being reported as a separate segment during the period. The Group's reportable operating segments have therefore been identified as follows:

- Auto Trader – includes the results of Auto Trader, AutoConvert & Carzone in respect of online classified advertising of motor vehicles and other related products and services in the digital automotive marketplace including the Dealer Auction joint venture.
- Autorama – the results of Autorama in respect of advertising new leasing vehicles and other related products and services.

Management has determined that there are two operating segments in line with the nature in which the Group is managed. The reports reviewed by the Operational Leadership Team ('OLT'), which is the chief operating decision-maker ('CODM') for both segments, splits out operating performance by segment. The OLT is made up of the Executive Directors and Key Management and is responsible for the strategic decision-making of the Group. Revenue and cost streams for each operating segment are largely independent.

The OLT primarily uses the statutory measures of Revenue and Operating profit to assess the performance of each operating segment. The revenue from external parties reported to the OLT is measured in a manner consistent with that in the income statement. There are no inter-segment revenues in the current or comparative periods.

Analysis of the Groups' revenue and results for both reportable segments, with a reconciliation to Group profit before tax is shown below:

| **6 months to September 2022** | **Autotrader segment £m** | **Autorama segment £m** | **Group central costs £m** | **Group £m** |
|---|---|---|---|---|
| Total segment revenue | 238.2 | 11.6 | - | 249.8 |
| People costs | (36.9) | (3.7) | (13.8) | (54.4) |
| Marketing | (11.4) | (1.7) | - | (13.1) |
| Costs of goods sold | - | (7.0) | - | (7.0) |
| Other costs | (18.9) | (2.5) | - | (21.4) |
| Depreciation & amortisation | (3.3) | (0.7) | (1.9) | (5.9) |
| Total segment costs | (70.5) | (15.6) | (15.7) | (101.8) |
| Share of profit from joint ventures | 1.1 | - | - | 1.1 |
| Total segment operating profit/(loss) | 168.8 | (4.0) | (15.7) | 149.1 |
| Finance costs – net | - | - | (1.1) | (1.1) |
| Profit before tax/(loss) | **168.8** | **(4.0)** | **(16.8)** | **148.0** |

Group central costs which are not allocated within either of the segment operating profit/(loss) reported to the CODM comprise:

(i) People costs: A £13.8 million charge for the expense of group shares expected to be issued to settle the Autorama deferred consideration (note 18).

(ii) Depreciation & amortisation: £1.9 million of amortisation expense relating to the fair value of intangible brand and technology assets acquired in the Group's business combination of Autorama.

## 2 Segmental information (continued)

| 6 months to September 2021 | Autotrader segment £m | Autorama segment £m | Group central costs £m | Group £m |
|---|---|---|---|---|
| Total segment revenue | 215.4 | - | - | 215.4 |
| People costs | (35.0) | - | - | (35.0) |
| Marketing | (10.6) | - | - | (10.6) |
| Costs of goods sold | - | | | - |
| Other costs | (16.2) | - | - | (16.2) |
| Depreciation & amortisation | (3.6) | - | - | (3.6) |
| Total segment costs | (65.4) | - | - | (65.4) |
| Share of profit from joint ventures | 1.7 | - | - | 1.7 |
| Total segment operating profit/(loss) | 151.7 | - | - | 151.7 |
| Finance costs – net | - | - | (1.7) | (1.7) |
| Profit before tax/(loss) | **151.7** | **-** | **(1.7)** | **150.0** |

| Year to March 2022 | Autotrader segment £m | Autorama segment £m | Group central costs £m | Group £m |
|---|---|---|---|---|
| Total segment revenue | 432.7 | - | - | 432.7 |
| People costs | (69.8) | - | - | (69.8) |
| Marketing | (20.5) | - | - | (20.5) |
| Costs of goods sold | - | | | - |
| Other costs | (34.5) | - | - | (34.5) |
| Depreciation & amortisation | (7.2) | - | - | (7.2) |
| Total segment costs | (132.0) | - | - | (132.0) |
| Share of profit from joint ventures | 2.9 | - | - | 2.9 |
| Total segment operating profit/(loss) | 303.6 | - | - | 303.6 |
| Finance costs – net | - | - | (2.6) | (2.6) |
| Profit before tax/(loss) | **303.6** | **-** | **(2.6)** | **301.0** |

## 3 Revenue

In the following table Auto Trader's revenue is disaggregated by customer type and Autorama's revenue is shown separately. This level of disaggregation is consistent with that used by the OLT to assist in the analysis of the Group's revenue-generating trends.

| | **September 2022 £m** | September 2021 £m | March 2022 £m |
|---|---|---|---|
| Trade | **214.3** | 192.3 | 388.3 |
| Consumer services | **18.7** | 18.0 | 33.3 |
| Manufacturer & Agency | **5.2** | 5.1 | 11.1 |
| Auto Trader revenue | **238.2** | 215.4 | 432.7 |
| Vehicle & Accessory Sales | **7.1** | – | – |
| Commission & Ancillary | **4.5** | – | – |
| Autorama revenue | **11.6** | – | – |
| **Total Group revenue** | **249.8** | 215.4 | 432.7 |

## 4 Net finance costs

| | September 2022 £m | September 2021 £m | March 2022 £m |
|---|---|---|---|
| Interest payable on borrowings | **0.9** | 0.9 | 1.4 |
| Amortised debt issue costs | **0.3** | 0.8 | 1.0 |
| Interest charge on lease liabilities | **0.1** | 0.1 | 0.2 |
| Interest charged on deferred consideration | **–** | – | 0.1 |
| Interest receivable on cash and cash equivalents | **(0.2)** | (0.1) | (0.1) |
| **Total net finance costs** | **1.1** | 1.7 | 2.6 |

## 5 Income taxes

| | September 2022 £m | September 2021 £m | March 2022 £m |
|---|---|---|---|
| **Total income tax expense** | **32.8** | 28.3 | 56.3 |

The taxation charge for the period is based on the standard rate of UK corporation tax for the period of 19% (March 2022: 19%). The taxation charge recognised is based on management's best estimate of the effective tax rate for the full year of 22.2% (September 2021: 18.9%) applied to the profit before taxation of the interim period. The increase in the effective tax rate is due to the deferred consideration relating to the acquisition of Autorama being a non tax-deductible expense.

## 6 Earnings per share

| | Weighted average number of ordinary shares | Total earnings £m | Pence per share |
|---|---|---|---|
| **Six months ended September 2022** | | | |
| **Basic EPS** | **942,056,280** | **115.2** | **12.23** |
| **Diluted EPS** | **946,494,793** | **115.2** | **12.17** |
| | | | |
| Six months ended September 2021 | | | |
| Basic EPS | 963,162,476 | 121.7 | 12.63 |
| Diluted EPS | 965,070,560 | 121.7 | 12.61 |
| | | | |
| Year ended March 2022 | | | |
| Basic EPS | 955,532,888 | 244.7 | 25.61 |
| Diluted EPS | 957,543,145 | 244.7 | 25.56 |

The difference between the basic and diluted weighted average number of shares represents the dilutive impact of the Share Incentive Plan, Performance Share Plan, Deferred Annual Bonus, Single Incentive Plan Award, Sharesave scheme and the dilutive impact of shares issued as deferred consideration for the acquisition of Autorama, which are conditional on a service condition. Shares issued to satisfy the Share Incentive Plan were purchased by the Employee Share Option Trust ('ESOT').

The number of shares in issue at the start of the year is reconciled to the basic and diluted weighted average number of shares below:

| | 6 months ended September 2022 Number of shares |
|---|---|
| **Weighted average ordinary shares in issue** | **946,487,740** |
| Less weighted effect of shares held by the ESOT | (352,773) |
| Less weighted effect of shares held in treasury | (4,078,687) |
| **Weighted average number of shares for basic EPS** | **942,056,280** |
| Dilutive impact of share options outstanding | 2,050,310 |
| Dilutive impact of shares to be issued as deferred consideration | 2,388,203 |
| **Weighted average number of shares for diluted EPS** | **946,494,793** |

The average market value for the Group's shares for the purposes of calculating the dilutive effect of share-based incentives was based on quoted market prices for the period during which the share-based incentives were outstanding.

## 7 Intangible assets

| | Goodwill £m | Software & website development costs £m | Financial systems £m | Brand £m | Other £m | Total £m |
|---|---|---|---|---|---|---|
| Opening balance at 1 April 2021 | 340.9 | 6.1 | 0.3 | 0.6 | 10.3 | 358.2 |
| Amortisation charge | - | (0.3) | (0.3) | (0.1) | (0.6) | (1.3) |
| Exchange differences | 0.1 | - | - | - | - | 0.1 |
| Closing balance at 30 September 2021 | 341.0 | 5.8 | - | 0.5 | 9.7 | 357.0 |

| | Goodwill £m | Software & website development costs £m | Financial systems £m | Brand £m | Other £m | Total £m |
|---|---|---|---|---|---|---|
| Opening balance at 1 April 2022 | **340.9** | **5.2** | **-** | **0.5** | **9.0** | **355.6** |
| Acquired through business combinations | **92.5** | **13.7** | **-** | **47.6** | **5.6** | **159.4** |
| Additions | **-** | **0.3** | **-** | **-** | **-** | **0.3** |
| Amortisation charge | **-** | **(1.0)** | **-** | **(1.3)** | **(1.1)** | **(3.4)** |
| Exchange differences | **0.2** | **-** | **-** | **-** | **-** | **0.2** |
| **Closing balance at 30 September 2022** | **433.6** | **18.2** | **-** | **46.8** | **13.5** | **512.1** |

## 8 Leases and property, plant and equipment

The Group has right-of-use assets which comprise of property and motor vehicles which are held within property, plant and equipment. Information about leases for which the Group is a lessee is presented below.

| **Analysis of property, plant and equipment between owned and leased assets** | **September 2022 £m** | September 2021 £m | March 2022 £m |
|---|---|---|---|
| Property plant and equipment owned | **10.9** | 6.7 | 6.4 |
| Right-of-use assets | **7.5** | 9.5 | 8.3 |
| | **18.4** | 16.2 | 14.7 |

| **Right-of-use assets** | **Property £m** | **Vehicles £m** | **Other £m** | **Total £m** |
|---|---|---|---|---|
| Opening balance at 1 April 2021 | 4.9 | 0.6 | 0.1 | 5.6 |
| Additions | 5.1 | 0.1 | – | 5.2 |
| Depreciation | (1.1) | (0.1) | (0.1) | (1.3) |
| Closing balance at 30 September 2021 | 8.9 | 0.6 | – | 9.5 |

| | **Property £m** | **Vehicles £m** | **Other £m** | **Total £m** |
|---|---|---|---|---|
| Opening balance at 1 April 2022 | 7.8 | 0.4 | 0.1 | 8.3 |
| Acquired through business combinations | 0.1 | 0.3 | – | 0.4 |
| Additions | – | 0.1 | – | 0.1 |
| Depreciation | (1.1) | (0.2) | – | (1.3) |
| Closing balance at 30 September 2022 | 6.8 | 0.6 | 0.1 | 7.5 |

## 8 Leases and property, plant and equipment (continued)

| **Lease liabilities** | **September 2022 £m** | September 2021 £m | March 2022 £m |
|---|---|---|---|
| Current | **3.1** | 3.1 | 3.0 |
| Non-current | **5.4** | 7.8 | 6.5 |
| **Total** | **8.5** | 10.9 | 9.5 |

## 9 Trade and other receivables

| | **September 2022 £m** | September 2021 £m | March 2022 £m |
|---|---|---|---|
| Trade receivables (invoiced) | **29.4** | 25.6 | 25.7 |
| Net accrued income | **38.3** | 33.4 | 34.6 |
| Trade receivables (total) | **67.7** | 59.0 | 60.3 |
| Prepayments | **4.8** | 4.9 | 5.5 |
| Other receivables | **0.4** | – | 0.1 |
| **Total** | **72.9** | 63.9 | 65.9 |

## 10 Trade and other payables

| | **September 2022 £m** | September 2021 £m | March 2022 £m |
|---|---|---|---|
| Trade payables | **5.1** | 4.5 | 2.7 |
| Accruals | **15.7** | 11.3 | 14.4 |
| Other taxes and social security | **18.5** | 18.1 | 21.3 |
| Deferred income | **5.6** | 2.6 | 3.0 |
| Other payables | **7.6** | 0.3 | 0.5 |
| Accrued interest payable | **0.1** | 0.1 | 0.1 |
| **Total** | **52.6** | 36.9 | 42.0 |

## 11 Retirement benefit obligations

Across the UK and Ireland, the Group operates several pension schemes. All except one are defined contribution schemes.

***Defined contribution scheme***

In the period the pension contributions to the Group's defined contribution scheme amounted to £1.7m (September 2021: £1.6m; March 2022: £3.1m). At 30 September 2022, there were £0.6m (September 2021: £0.5m; March 2022: £0.5m) of pension contributions outstanding relating to the Group's defined contribution scheme.

***Defined benefit scheme***

The defined benefit pension scheme provides benefits based on final pensionable pay and this scheme was closed to new joiners with effect from May 2002. New employees after that date have been offered membership of the Group's defined contribution scheme.

The most recent actuarial valuation of the defined benefit obligations was performed as at 30 September 2022 by a qualified independent actuary. The amounts recognised in the balance sheet are determined as follows:

| | **September 2022 £m** | September 2021 £m | March 2021 £m |
|---|---|---|---|
| Present value of funded obligations | **12.8** | 19.6 | 17.5 |
| Fair value of plan assets | **(14.8)** | (24.0) | (21.2) |
| **Net (asset) recognised in the balance sheet** | **(2.0)** | (4.4) | (3.7) |

During the year ending 31 March 2020, the Trustees of the Scheme sought legal advice which concluded that the Company has an unconditional right to a refund of surplus from the Scheme, if the Scheme were to be run-off until the final beneficiary died. As a result, the Group has concluded that the recognition restrictions of IFRIC14 do not apply, and therefore has recognised the accounting surplus of £2.0m and an associated deferred tax liability of £0.7m in the Consolidated balance sheet.

## 11 Retirement benefit obligations (continued)

The amounts charged to the Consolidated income statement are set out below:

| | **September 2022 £m** | September 2021 £m | March 2022 £m |
|---|---|---|---|
| Past service cost | **0.5** | – | – |
| Settlement cost | **–** | – | – |
| **Total amounts charged to the income statement** | **0.5** | – | – |

The amounts recognised in the statement of other comprehensive income are as follows:

| | **September 2022 £m** | September 2021 £m | March 2022 £m |
|---|---|---|---|
| Return on Scheme assets (in excess of) / below that recognised in net interest | **6.3** | (1.1) | 1.6 |
| Actuarial losses/(gains) due to changes in assumptions | **(5.3)** | 0.2 | (1.8) |
| Actuarial (gains)/losses due to liability experience | **0.2** | (0.1) | (0.2) |
| Deferred tax on surplus | **(0.6)** | 0.4 | 0.2 |
| **Total amounts recognised in the statement of other comprehensive income** | **0.6** | (0.6) | (0.2) |

Movements during the period in the post-employment defined benefit obligations are set out as below:

| | **September 2022 £m** | September 2021 £m | March 2022 £m |
|---|---|---|---|
| At beginning of period | **(3.7)** | (3.2) | (3.2) |
| Past service cost | **0.5** | – | – |
| Contributions paid to scheme | **–** | (0.1) | (0.1) |
| Remeasurement and experience (gains)/losses | **1.2** | (1.1) | (0.4) |
| **Closing post-employment benefit obligation** | **(2.0)** | (4.4) | (3.7) |

## 12 Dividends

Dividends declared and paid in the period were as follows:

| | **September 2022** | | September 2021 | |
|---|---|---|---|---|
| | **Pence per share** | **£m** | Pence per share | £m |
| 2022 final dividend paid | **5.5** | **51.7** | – | – |
| 2021 final dividend paid | **–** | **–** | 5.0 | 48.0 |
| **Total** | **5.5** | **51.7** | 5.0 | 48.0 |

An interim dividend of 2.8 pence per share for the six months to September 2022 (September 2021: 2.7 pence per share) has been declared by the Directors', totaling £26.3m (September 2021: £25.7m) based on the number of shares eligible for the distribution as at 30 September 2022. The interim dividend is payable on 27 January 2023 to shareholders on the register at the close of business on 6 January 2023. No provision has been made for the interim dividend and there are no income tax consequences.

## 13 Cash generated from operations

| | **6 months to September 2022 £m** | 6 months to September 2021 £m | Year to March 2022 £m |
|---|---|---|---|
| Profit before taxation | **148.0** | 150.0 | 301.0 |
| Adjustments for: | | | |
| Depreciation | **2.5** | 2.3 | 4.6 |
| Amortisation | **3.4** | 1.3 | 2.6 |
| Share-based payments charge (excluding associated NI) | **3.5** | 3.2 | 5.1 |
| Deferred contingent consideration | **13.8** | – | – |
| Post-employment expense relating to defined benefit pension | **0.4** | 0.1 | – |
| Share of profit in joint ventures | **(1.1)** | (1.7) | (2.9) |
| Net finance costs | **1.1** | 1.7 | 2.6 |
| Research and Development Expenditure Credit | **–** | – | (0.1) |
| Changes in working capital: | | | |
| Trade and other receivables | **(3.0)** | (2.5) | (5.3) |
| Trade and other payables | **(3.9)** | 15.5 | 20.5 |
| Inventory | **(0.1)** | – | – |
| **Cash generated from operations** | **164.6** | 169.9 | 328.1 |

## 14 Borrowings

| **Non-current** | **September 2022 £m** | September 2021 £m | March 2022 £m |
|---|---|---|---|
| Syndicated revolving credit facility gross of unamortised debt issue cost | **75.0** | – | – |
| Unamortised debt issue costs on Syndicated revolving credit facility | **(1.1)** | – | – |
| **Total borrowings** | **73.9** | – | – |

The Syndicated revolving credit facility is repayable as follows:

| | **September 2022 £m** | September 2021 £m | March 2022 £m |
|---|---|---|---|
| Within two to five years | **75.0** | – | – |
| **Total** | **75.0** | – | – |

The carrying amounts of borrowings approximate their fair values.

***Syndicated revolving credit facility***

With effect from 24 September 2021 the Group entered into an Amendment and Restatement Agreement to amend and restate the original Senior Facilities Agreement. The primary purpose of the Amended and Restated Senior Facilities Agreement is to incorporate LIBOR transition language to reflect the discontinuation of LIBOR and the transition to SONIA (in respect of sterling loans); Loan Market Association updates; and to include the effect of IFRS 16 for the purposes of calculating financial covenants.

The Group continues to be highly cash generative and remains in a net cash position, such that the size of the original £400m facility was not required. Therefore on 21 September 2021, the Group served notice to cancel £150m of the £400m total commitments under the Senior Facilities Agreement, such cancellation being pro-rated between the lenders. The Amended and Restated Senior Facilities Agreement incorporates the reduced total commitments of £250m.

The Group has access to an unsecured Syndicated revolving credit facility (the 'Syndicated RCF'). Associated debt transaction costs total £4.3m, with £3.3m being incurred at initiation and £1.0m of additional costs associated with extension requests. The Group has extended the termination date of the Syndicated RCF by two years and it will terminate in two tranches as follows:

- £52.2m will mature at the original termination date of June 2023; and
- £197.8m will mature in June 2025.

## 14 Borrowings (continued)

Individual tranches are drawn down, in sterling, for periods of up to six months at the compounded reference rate (being the aggregate of SONIA and the applicable baseline credit adjustment spread for that interest period) plus a margin of between 1.2% and 2.1% depending on the consolidated leverage ratio of the Group. A commitment fee of 35% of the margin applicable to the Syndicated RCF is payable quarterly in arrears on unutilised amounts of the total facility.

The Syndicated RCF has financial covenants linked to interest cover and the consolidated debt cover of the Group:

- Net bank Debt to Consolidated EBITDA must not exceed 3.5:1.
- EBITDA to Net Interest Payable must not be less than 3.0:1.

EBITDA is defined as earnings before interest, taxation, depreciation and amortisation, share-based payments and associated NI, share of profit from joint ventures and exceptional items.

All financial covenants of the facility have been complied with through the period.

## 15 Share capital

| | **As at 30 September 2022** | | As at 30 September 2021 | | As at 31 March 2022 | |
|---|---|---|---|---|---|---|
| | **Number '000** | **Amount £m** | Number '000 | Amount £m | Number '000 | Amount £m |
| **Allotted, called-up and fully paid ordinary shares of 1p each** | | | | | | |
| At beginning of period | 946,893 | 9.5 | 969,024 | 9.7 | 969,024 | 9.7 |
| Purchase and cancellation of own shares | (3,512) | (0.1) | (13,071) | (0.1) | (22,198) | (0.2) |
| Issue of ordinary shares | 13 | 0.0 | 34 | 0.0 | 67 | 0.0 |
| **Total** | **943,394** | **9.4** | **955,987** | 9.6 | 946,893 | 9.5 |

During the period, 3.5m shares were purchased for cancellation (September 2021: 13.1m; March 2022: 22.2m) and 1.4m shares were purchased for treasury (September 2021: 2.7m; March 2022: 2.7m). The average price per share was 619.5p (H1 2022: 636.1p) for a total consideration of £30.6m (H1 2022: £100.4m) before transaction costs of £0.2m (H1 2022: £0.5m).

Included within shares in issue at 30 September 2022 are 348,034 (September 2021: 365,068; March 2022: 358,158) shares held by the ESOT and 4,629,543 (September 2021: 4,125,530; March 2022: 3,826,928) shares held in treasury, as detailed in note 16.

## 16 Own shares held

| **Own shares held £m** | **ESOT shares reserve £m** | **Treasury shares £m** | **Total £m** |
|---|---|---|---|
| Own shares held as at 1 April 2021 | (0.5) | (10.2) | (10.7) |
| Transfer of shares from ESOT | 0.1 | – | 0.1 |
| Repurchase of own shares for treasury | – | (17.8) | (17.8) |
| Share-based incentives exercised in the period | – | 4.3 | 4.3 |
| **Own shares held as at 30 September 2021** | **(0.4)** | **(23.7)** | **(24.1)** |
| | | | |
| Own shares held as at 1 October 2021 | (0.4) | (23.7) | (24.1) |
| Transfer of shares from ESOT | – | – | – |
| Share-based incentives exercised in the period | – | 1.7 | 1.7 |
| **Own shares held as at 31 March 2022** | (0.4) | (22.0) | (22.4) |
| | | | |
| Own shares held as at 1 April 2022 | (0.4) | (22.0) | (22.4) |
| Transfer of shares from ESOT | – | – | – |
| Repurchase of own shares for treasury | – | (8.7) | (8.7) |
| Share-based incentives exercised in the period | – | 3.6 | 3.6 |
| **Own shares held as at 30 September 2022** | **(0.4)** | **(27.1)** | **(27.5)** |

## 16 Own shares held (continued)

| Own shares held - number | ESOT shares reserve number of shares | Treasury shares number of shares | Total number of shares |
|---|---|---|---|
| Own shares held as at 1 April 2021 | 404,653 | 2,422,659 | 2,827,312 |
| Transfer of shares from ESOT | (39,585) | – | (39,585) |
| Repurchase of own shares for treasury | – | 2,718,193 | 2,718,193 |
| Share-based incentives exercised in the period | – | (1,015,322) | (1,015,322) |
| **Own shares held as at 30 September 2021** | **365,068** | **4,125,530** | **4,490,598** |
| | | | |
| Own shares held as at 1 October 2021 | 365,068 | 4,125,530 | 4,490,598 |
| Transfer of shares from ESOT | (6,910) | – | (6,910) |
| Share-based incentives exercised in the period | – | (298,602) | (298,602) |
| **Own shares held as at 31 March 2022** | 358,158 | 3,826,928 | 4,185,086 |
| | | | |
| Own shares held as at 1 April 2022 | 358,158 | 3,826,928 | 4,185,086 |
| Transfer of shares from ESOT | (10,124) | – | (10,124) |
| Repurchase of own shares for treasury | – | 1,430,372 | 1,430,372 |
| Share-based incentives exercised in the period | – | (627,757) | (627,757) |
| **Own shares held as at 30 September 2022** | **348,034** | **4,629,543** | **4,977,577** |

## 17 Share-based payments

The Group currently operates five share plans: the Share Incentive Plan, Performance Share Plan, Deferred Annual Bonus, Single Incentive Plan Award and the Sharesave scheme.

All share-based incentives are subject to a service condition. Such conditions are not taken into account in the fair value of the service received. The fair value of services received in return for share-based incentives is measured by reference to the fair value of share-based incentives granted. Black-Scholes and Monte Carlo models have been used where appropriate to calculate the fair value of share-based incentives with market conditions.

The total charge in the period relating to the five schemes was £3.6m (September 2021: £3.9m; March 2022: £6.1m). This included associated national insurance ('NI') at the rate at which management expects to be effective when the awards are exercised (15.05% up until November 2022 and 13.80% thereafter), and apprenticeship levy at 0.5%, based on the share price at the reporting date.

In addition to this charge, the share based payment charge reported this period includes £13.8m relating to deferred share based payment consideration relating to the acquisition of Autorama (note 18), making a total combined charge of £17.3m (excluding associated NI).

| | **September 2022 £m** | September 2021 £m | March 2022 £m |
|---|---|---|---|
| Share Incentive Plan | – | – | – |
| Sharesave scheme | **0.3** | **0.3** | 0.7 |
| Performance Share Plan | **1.0** | **0.8** | 1.3 |
| Deferred Annual Bonus and Single Incentive Plan Award | **2.2** | **2.1** | 3.1 |
| Total share-based payment charge | **3.5** | **3.2** | 5.1 |
| NI and apprenticeship levy on applicable schemes | **0.1** | **0.7** | 1.0 |
| **Total charge** | **3.6** | **3.9** | 6.1 |

***Share Incentive Plan***

In 2015, the Group established a Share Incentive Plan ('SIP'). All eligible employees were awarded free shares (or nil-cost options in the case of employees in Ireland) valued at £3,600 each based on the share price at the time of the Company's admission to the Stock Exchange in March 2015, subject to a three-year service period ('Vesting Period'). The SIP shareholders are entitled to dividends over the Vesting Period. There are no performance conditions applicable to the vesting of SIP shares. The fair value of the SIP awards at the grant date was measured to be £2.72 using the Black-Scholes model. The resulting share-based payments charge was spread evenly over the Vesting Period.

## 17 Share-based payments (continued)

| UK SIP | **September 2022 Number** | September 2021 Number | March 2022 Number |
|---|---|---|---|
| Outstanding at beginning of period | **116,808** | 163,157 | 163,157 |
| Options exercised in the period | **(10,270)** | (36,445) | (46,349) |
| Options forfeited in the period | **(2,385)** | – | – |
| **Outstanding at period ending** | **104,153** | 126,712 | 116,808 |

| Irish SIP | **September 2022 Number** | September 2021 Number | March 2022 Number |
|---|---|---|---|
| Outstanding at beginning of period | – | **1,354** | 1,354 |
| Options lapsed in the period | – | – | (1,354) |
| **Outstanding at period ending** | – | **1,354** | – |

***Performance Share Plan***

The Group operates a Performance Share Plan ('PSP') for Executive Directors, the Operating Leadership Team and certain key employees. The extent to which awards vest will depend upon the Group's performance over the three-year period following the award date. Both market based and non-market based performance conditions may be attached to the options, for which an appropriate adjustment is made when calculating the fair value of an option. If the options remain unexercised after a period of 10 years from the date of grant, the options expire. Furthermore, options are forfeited if the employee leaves the Group before the options vest, unless under exceptional circumstances.

On 23 June 2022, the Group awarded 360,695 nil cost options under the PSP scheme. For the 2022 awards, the Group's performance is measured by reference to growth in Operating profit (70% of the award), Revenue (20% of the award) and Carbon Reduction (10% of the award) over a three-year period to March 2025.

| | **September 2022 Number** | September 2021 Number | March 2022 Number |
|---|---|---|---|
| Outstanding at beginning of period | **1,401,701** | **1,741,829** | 1,741,829 |
| Options granted in the period | **360,695** | **368,361** | 368,361 |
| Dividend shares awarded | **8,319** | **2,916** | 2,916 |
| Options exercised in the period | **(241,047)** | **(366,639)** | (366,639) |
| Options forfeited in the period | **(129,684)** | **(344,766)** | (344,766) |
| **Outstanding at period ending** | **1,399,984** | **1,401,701** | 1,401,701 |

***Deferred Annual Bonus and Single Incentive Plan Award***

The Group operates the Deferred Annual Bonus and Single Incentive Plan Award for the Executive Directors, the Operational Leadership Team and certain key employees. The Plan consists of two schemes, the Deferred Annual Bonus ('DAB') and the Single Incentive Plan Award ('SIPA').

***Deferred Annual Bonus***

The Group operates a Deferred Annual Bonus Plan ('DABP') for Executive Directors. Awards under the plan are contingent on the satisfaction of pre-set internal targets relating to financial and operational objectives. The extent to which the awards vest will depend upon the satisfaction of the Group's financial and operational performance in the financial year of the award date (the 'Performance Conditions'). The awards will vest on the second anniversary of the date the Remuneration Committee determines that the Performance Conditions have been satisfied (the 'Vesting Period'). Awards are potentially forfeitable during that period should the employee leave employment. The DABP awards have been valued using the Black-Scholes method where appropriate and the resulting share-based payments charge is being spread evenly over the combined Performance Period and Vesting Period of the shares, being three years.

On 23 June 2022, the Group awarded 108,704 nil cost options under the DABP.

## 17 Share-based payments (continued)

| | **September 2022 Number** | September 2021 Number | March 2022 Number |
|---|---|---|---|
| Outstanding at beginning of period | – | 121,289 | 121,289 |
| Options granted in the period | **108,704** | – | – |
| Dividend shares awarded | – | 1,211 | 1,211 |
| Options exercised in the period | – | (122,500) | (122,500) |
| **Outstanding at period ending** | **108,704** | – | – |

***Single Incentive Plan Award***

The Group operates a Single Incentive Plan Award ('SIPA') for the Operational Leadership Team and certain key employees. The extent to which awards vest will depend upon the satisfaction of the Group's financial and operational performance in the financial year of the award date (the "Performance Conditions"). The awards will vest in tranches, with the first tranche vesting on the date on which the Remuneration Committee determines that the Performance Conditions have been satisfied, and subsequent tranches vesting on the first and second anniversary of this date, subject to continuing employment.

On 23 June 2022, the Group awarded 681,586 nil cost options under the SIPA scheme.

The fair value of the 2022 award was determined to be £5.31 per option, being the share price at grant date. The resulting share-based payments charge is being spread evenly over the period between the grant date and the vesting date. SIPA award holders are entitled to receive dividends accruing between the grant date and the vesting date and this value will be delivered in shares.

| | **September 2022 Number** | September 2021 Number | March 2022 Number |
|---|---|---|---|
| Outstanding at beginning of period | **1,291,868** | **1,012,199** | 1,012,199 |
| Options granted in the period | **681,586** | **718,634** | 718,634 |
| Dividend shares awarded | **5,710** | **5,440** | 5,440 |
| Options exercised in the period | **(177,183)** | **(427,816)** | (429,283) |
| Options forfeited in the period | **(205,153)** | **(10,406)** | (15,122) |
| **Outstanding at period ending** | **1,596,828** | **1,298,051** | 1,291,868 |

***Sharesave scheme***

The Group operates a Sharesave ('SAYE') scheme for all employees under which employees are granted an option to purchase ordinary shares in the Company at up to 20% less than the market price at invitation, in three years' time, dependent on their entering into a contract to make monthly contributions into a savings account over the relevant period. Options are granted and are linked to a savings contract with a term of three years. These funds are used to fund the option exercise. No performance criteria are applied to the exercise of Sharesave options.

Fair value is measured by use of a Black-Scholes model and the resulting share-based payments charge is being spread evenly over the period between the grant date and the vesting date.

| | **September 2022 Number** | September 2021 Number | March 2022 Number |
|---|---|---|---|
| Outstanding at beginning of period | **1,446,582** | 1,505,816 | 1,505,816 |
| Options granted in the period | **-** | - | 482,325 |
| Options exercised in the period | **(235,323)** | (122,710) | (446,884) |
| Options lapsed in the period | **(89,878)** | (35,936) | (94,675) |
| **Outstanding at period ending** | **1,121,381** | 1,347,170 | 1,446,582 |

## 18 Business combinations

On 22 June 2022, the Group acquired the entire share capital of Autorama (UK) Limited ('Autorama') for initial consideration of £150.0m, with an additional £50.0m which will be deferred until 22 June 2023 and settled in shares subject to employment and performance conditions.

Autorama (UK) Limited, one of the UK's largest marketplaces for leasing new vehicles, is a leading end-to-end digital platform, which aggregates leasing deals from multiple funders and OEMs (under its "Vanarama" brand), enabling buyers to transact online across a wide range of vehicles.

The total consideration of £150.0m excludes acquisition costs of £2.1m which were recognised within costs in the Consolidated income statement. The following table provides a reconciliation of the amounts included in the Consolidated statement of cash flows for the period:

| | **September 2022** **£m** |
|---|---|
| Cash paid for subsidiary | 150.0 |
| Less: cash acquired | (5.8) |
| **Payment for acquisition of subsidiary, net of cash acquired** | 144.2 |

As the settlement of the deferred £50.0m consideration is subject to condition for continuing employment to 22 June 2023, the amount is not included in the business combination but is recorded as a post-acquisition income statement expense over the period of service, which extends to the first anniversary of the acquisition. A charge of £13.8m has been recorded in the period from acquisition to 30 September 2022.

From the period of acquisition to 30 September 2022, Autorama contributed revenue of £11.6m, and a loss of £4.0m to the Group's results. Further analysis is within note 2.

The purchase has been accounted for as a business combination under the acquisition method in accordance with IFRS 3. The fair value of net assets acquired was assessed and, other than in respect of the intangible assets and related deferred tax, described below, no material adjustments from book value were made to existing assets and liabilities. The period in which measurement adjustments could be made is still open on this acquisition and the provisional goodwill calculation is summarised below:

## 18 Business combinations (continued)

| | Fair value £m |
|---|---|
| **Intangible asset recognised on acquisition** | |
| Brand | 47.6 |
| Technology | 13.7 |
| Customer relationships | 2.9 |
| Order book | 2.3 |
| Deferred tax liability arising on intangible assets | (13.3) |
| | 53.2 |
| **Other non-current assets** | |
| Investments | 1.0 |
| Property, plant and equipment | 5.3 |
| Intangible assets | 0.4 |
| Deferred tax asset | 3.8 |
| | 10.5 |
| **Current assets** | |
| Cash and cash equivalents | 5.8 |
| Trade and other receivables | 2.1 |
| Inventory | 0.9 |
| Other debtors | 3.3 |
| | 12.1 |
| **Current liabilities** | |
| Trade and other payables | 11.6 |
| Deferred income | 2.3 |
| | 13.9 |
| **Non-current liabilities** | |
| Borrowings | 4.0 |
| Lease liabilities | 0.4 |
| | 4.4 |
| Total net assets acquired | 57.5 |
| Goodwill on acquisition | 92.5 |
| Total assets acquired | 150.0 |
| **Fair value of cash consideration** | **150.0** |

The brand, technology, customer relationships and order book obtained through the acquisition met the requirements to be separately identifiable under IFRS 3. The brand operates under the Vanarama brand name and is one of the UK's longest running e-commerce brands; the asset was valued using Multi-period Excess Earnings Method and crosschecked using relief from royalty. The technology is Autorama's propriety technology which helps manage a complex vehicle lease purchasing process into a seamline online transaction via a customer friendly user interface, which has been developed in house; the asset was valued using the cost approach specifically replacement costs and crosschecked using relief from royalty. The order book is customer orders not yet delivered, which is expected to unwind; the asset was valued using Multi-period Excess Earnings Method.

The goodwill recognised on acquisition principally relates to value arising from intangible assets that are not separately identifiable under IFRS 3. Such assets include the value of the acquired workforce (including technical experience); returning customers and future market growth opportunities.

None of the acquired intangible assets or goodwill is expected to be deductible for tax purposes. A deferred tax liability has been recorded on the fair value of the intangible assets recognised, other than goodwill, measured at the substantively enacted UK rate of corporation tax from April 2023 of 25%. This deferred tax liability has been debited against and increased the value of goodwill recognised.

In addition, in July 2022, the deferred consideration of £8.1m was settled in respect of the acquisition of BlueOwl Network Limited ('BlueOwl'). On 31 July 2020, the Group acquired the entire share capital of BlueOwl for consideration of £18.2m, of which £8.1m was deferred until 31 July 2022.

## 19 Related party transactions

The Company is the ultimate parent entity of the Group. Intercompany transactions with wholly owned subsidiaries have been excluded from this note, as per the exemption offered in IAS 24.

***Dealer Auction Limited***

The Group transacted the following related party transactions with its joint venture, Dealer Auction Limited (previously Dealer Auction (Holdings) Limited) and its subsidiaries (together 'Dealer Auction'), during the period.

The Group provided data services to Dealer Auction under a license agreement established as part of the formation of the joint venture in January 2019. The value of services provided to Dealer Auction was £0.3m and has been recognised within revenue. At 30 September 2022, deferred income outstanding in relation to the license agreement was £9.2m.

The Group has recharged Dealer Auction for an employee secondment as well as use of office space and services per the service agreement effective from 1 July 2021, the total value during the period was less than £0.1m.

The Group had a creditor of £0.0m (September 2021: £0.7m) outstanding with Dealer Auction as at 30 September 2022.

***Key management personnel***

Key management personnel share plan awards have been outlined in note 17 above.

## 20 Post balance sheet events

**Sale of Webzone Limited**

On 24 October 2022, Auto Trader announced the sale of one of its subsidiaries, Webzone Limited, which trades in the Republic of Ireland under the Carzone brand. The business was sold to Mediahuis Ireland, Ireland's leading print and digital media publisher which also owns CarsIreland.ie and Cartell.ie, for consideration of €30 million.

At 31 March 2022, Webzone Limited had £451k of net assets. The table below shows the P&L, which consolidates into the Group results for the last two reporting periods:

| | **2022** | **H1 2023** |
|---|---|---|
| Average Retailer Forecourts (#) | 551 | 543 |
| ARPR (£pcm) | £605 | £645 |
| Retailer Revenue (£m) | 4.1 | 2.1 |
| Average FTEs (#) | 36 | 36 |
| | | |
| Trade (£m) | 4.1 | 2.1 |
| Consumer Services (£m) | 0.1 | 0.1 |
| Manufacturer & Agency (£m) | 0.7 | 0.3 |
| Revenue (£m) | 4.9 | 2.5 |
| Operating profit (£m) | 1.3 | 0.7 |

The estimated profit on disposal of Webzone Limited, after disposal of related goodwill, for the Group is estimated to be c.£19m.

**Defined Benefit Pension Scheme**

The Company sponsors a funded defined benefit pension scheme for qualifying UK employees, the Wiltshire (Bristol) Limited Retirement Benefits Scheme ('the Scheme'). In October 2022 the Scheme purchased a bulk annuity policy (known as a buy-in) from Just Retirement Limited ('Just Retirement') for £15.4 million, which was funded by a £1.0m contribution by the Company along with existing Scheme assets. This policy secured the full benefits of all scheme members, which as at 30 September 2022 amounted to £12.8 million. Given the financial strength of Just Retirement, this buy-in substantively removes the risk of further contributions being required from the Company to provide benefits to members, beyond those noted below.

## 20 Post balance sheet events (continued)

Following the buy-in, the Scheme's assets largely comprise the bulk annuity policy held with Just Retirement, along with a small amount of additional assets currently held with LGIM. The Scheme trustees are now working to progress towards a full buy out, which will involve various data and benefits exercises. In relation to these, it is likely that there will be further contributions from the Company, the amounts for which are estimated to be c.£1 million. It is anticipated that the Scheme buy-out will be completed in 2024. Once the buy-out is complete, the Scheme has no further purpose and will be wound up.

## 21 Forward looking statements

This report includes statements that are forward looking in nature. Forward looking statements involve known and unknown risks, assumptions, uncertainties and other factors which may cause the actual results, performance or achievements of the Group to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements. Except as required by the Listing Rules and applicable law, the Company undertakes no obligation to update, revise or change any forward-looking statements to reflect events or developments occurring after the date of this report.

## PRINCIPAL RISKS AND UNCERTAINTIES

| RISK | POTENTIAL IMPACT | CHANGES IN THE PERIOD |
|---|---|---|
| **1.<br>Economy, market and business environment** | Adverse economic conditions could lead to a smaller used and/or new car market, less available used car stock, and a reduction in retailer gross profit.<br><br>These could result in reduced retailer profitability, leading to a fall in advertising spend or a contraction in the number of retailers. It could also lead to a reduction in manufacturer spend on digital display advertising.<br><br>In addition, we are seeing an increasing appetite by OEMs to move to an agency model whereby sales are made direct to consumers and facilitated by retailers. This could lead to a loss of revenue from our retailer customers. | There are supply chain challenges which continue to have an adverse impact on production for many vehicle brands. This has resulted in a shortage of new car stock which dealers have available to advertise. Furthermore, the new car shortage since 2020 will result in a reduction in used car stock in the coming years.<br><br>Despite recent economic uncertainty and the continued low supply of new vehicles in the UK, OEMS continue to see the UK as a key market and demand greatly outweighs supply. The high demand, low supply market is causing vehicle prices to remain high.<br><br>The extent to which the shortage of new and used cars is affecting retailers is varied. Generally, it has been larger customers who have held less stock over the last two years, with small Independent customers managing to source vehicles through a number of different channels.<br><br>The cost of living, and in particular energy costs, began to rise to unprecedented levels in early 2022. This has created another cause of uncertainty in the industry. Whilst vehicle prices remain strong, a continued increase in retailer cost base may lead to a reduction in vehicle advertising by retailers as they attempt to cut overheads, and in extreme cases we may see the number of retailers reduce. If interest rates continue to rise, this could also increase the cost pressure for those customers who use finance to source and hold vehicles for sale.<br><br>With regards to consumers, high interest rates, inflation, and low supply of vehicles have increased uncertainty. Going forward, increased interest rates could be passed onto consumers through higher rates on car finance, and/or that consumers may downgrade to less expensive models.<br><br>It is possible that the changes in the economy and in particular the increase in cost of living could be a catalyst for fundamental changes in the ownership model of vehicles, potentially with a lower volume of vehicles per household. There is significant opportunity to respond to these changes. We have been proactive in mitigating the threat of changes in how consumers might look to buy a new car. Most notably, our acquisition of Autorama will help us remain relevant if more buyers opt for a lease. Early indications are that the lease market has seen increased prices for consumers (as previously noted), however so far the impacts of interest rate increases are countered by the high demand/low supply market.<br><br>Furthermore, we are making significant progress with our digital retailing strategy which aims to bring more of the car buying journey online by allowing |

| | | |
|---|---|---|
| | | consumers to reserve, part exchange, and access finance via our website. We have been successful in launching the first iteration of our digital retailing products. We are capturing feedback and learning as we look to scale digital retailing in the future.<br><br>Overall, the ongoing challenges in the supply chain, the global and UK economy, and customer and consumer sentiment have all contributed to increased risk in this area, which we expect to continue in the coming year. |
| **2.<br>Climate change** | The impacts of climate change presents an emerging risk to the long-term resilience of our business and execution of our strategy.<br><br>Regulatory and legislative changes, and consumers' environmental concerns, are having an impact on the automotive market, including an accelerated demand for electric vehicles (EVs). Additionally, the impacts of climate change on key stakeholders, including our employees, suppliers, and customers, pose a threat to our business resilience (see "External catastrophic events" for details).<br><br>Internally, risks arising from our own impact on the climate are growing. Our strategic objectives include a move towards net-zero emissions, and failure to achieve this in a timely manner could impact adversely on our ability to remain relevant to our customers and consumers. Failure to deliver our environmental commitments would undermine our reputation as a responsible business and may result in legal exposure or regulatory sanctions. | We have seen continued high demand for EVs which can be attributed, at least in part, to the Government's ban on new petrol and diesel cars by 2030, as well as increased awareness of climate change amongst the public, spikes in fuel prices during 2021 and 2022, and improved EV charging infrastructure.<br><br>One of the key factors in EV demand historically has been their lower running costs compared to ICE equivalents. However, as economic uncertainty continues, including increases in the cost of electricity, we may see demand for EVs soften in the short term. However, demand for EVs has been strong in the year to date and we believe that demand for EVs in the long term will likely remain strong.<br><br>Further regulation and legislation relating to climate and the environment are likely, as are changes in consumer demand. Key to our strategic objectives is positioning Auto Trader as a front-runner in industry-wide changes prompted by climate change.<br><br>A move to EVs could be a catalyst for OEMs altering their business model to sell direct to consumers via an agency model. As the second-hand market moves steadily towards electric models, our customers will have to evolve their forecourt mix accordingly.<br><br>The high demand for electric vehicles, continued high prices compared to ICE equivalents, and the continued advancement of technology and improved infrastructure could change the vehicle ownership model. Consumer demand for short-term access to cars as and when they need them could increase, including through subscription deals and car-sharing apps.<br><br>Our acquisition of Autorama adds digital retailing and leasing capabilities on new cars, including EVs. |
| **3.<br>Employees** | To enable us to achieve our strategic objectives it is important that we attract, retain, and motivate a highly skilled workforce, including those with specialist skillsets in data and technology.<br><br>Delivery of our strategy is also dependent on us building a diverse and inclusive workforce, and a | Our Glassdoor rating based on anonymous reviews is 4.5 out of 5.<br><br>In March 2022 we began Connected Working where guidance to employees was to be "in more than you are out". This aimed to bring our employees into the office to increase collaboration, inclusion, and innovation. We continue to monitor |

| | | |
|---|---|---|
| | supportive, collaborative culture, in a safe environment, all of which will enable optimum performance from all our employees.<br><br>Risks relating to employees could result in reduced employee engagement, reduced productivity, and loss of key talent, all of which could adversely impact on business performance. | the impact connected working is having on engagement, inclusion, employee safety, and productivity, with reference to both pandemic and pre-pandemic levels.<br><br>The recent increases in costs of living, and skills shortages in the market, could expose us to the risk of heightened workforce costs and reduced engagement. We are monitoring the market proactively to ensure that our employee-value-propositions are fair, proportionate, and aligned to market rates.<br><br>In the marketplace, we are also seeing employees having higher expectations of their employers to act in a fair, responsible and sustainable manner, and we too are committed to ensuring that we conduct our business in a morally responsible way. |
| **4.<br>Reliance on third parties** | We rely on third parties to support our technology infrastructure, supply of data about vehicles and their financing, and in the fulfilment of some of our revenue generating products. Consequently, it is important that we manage relationships with, and performance of, key suppliers. If these suppliers were to suffer significant downtime or fail, this could lead to a loss of revenue from retailer customers and a loss of audience due to impaired consumer experience. | Our refreshed processes around supplier due diligence have continued to operate successfully. Despite the threats posed to our suppliers in the external environment, we have not experienced any material disruptions.<br><br>As we progress further into digital retailing, we are likely to see an increased reliance on third parties, including physical services to support our online journeys. Ensuring that we manage these third parties appropriately will be crucial.<br><br>Within our crisis management and business continuity arrangements, we have identified key suppliers and have plans in place to respond to disruption. |
| **5.<br>IT systems and cyber security** | As a digital business, we rely on our IT infrastructure to continue to operate. A disruptive event leading to significant downtime of our existing systems and IT infrastructure would cause a major interruption to the services we provide.<br><br>As we progress through delivery of our digital retailing strategy, it is crucial that we invest in appropriate IT systems to enable us to deliver the services needed, as well as ensuring that there is appropriate IT and cyber security safeguards over these systems.<br><br>Delivery of our strategic objectives also relies on us using data to provide valuable insights to customers. A significant data breach, whether because of our own failures or a malicious cyber-attack, would lead to a loss in confidence by the public, retailers and advertisers.<br><br>This could result in reputational damage, loss of audience, loss of revenue and potential financial losses in the form of penalties. | We have made significant progress in migrating our applications to the cloud, which increases the resilience of our systems and the security of our data.<br><br>As we move further along the digital retailing journey, our exposure to a cyber attack and the impact of a data breach is likely to increase. As part of our plans for digital retailing we are identifying the systems which will provide the best customer and consumer experience, as well as ensuring that there is all necessary security over these systems to ensure they are resilient to the threats of cyber-attack.<br><br>The constantly evolving threat of a cyber-attack means that overall the risk level is unchanged.<br><br>We have adopted the NIST Cybersecurity Framework with the aim of reducing our exposure to cyberattacks, and to identify the area's most at risk for data breaches and other compromising activity perpetrated by cyber criminals.<br><br>The IT and Cyber Security landscape has changed with the acquisition of Autorama. Integration of Autorama's leasing deals on the Auto Trader |

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| | | platform is complex, and we are mindful of IT and Cyber Security threats during the integration. We are also aware of the need to ensure that Autorama has best-in-class IT disaster recovery and business continuity arrangements and are committed to continuously reviewing, testing, and updating them. |
| **6.**<br>**Failure to innovate: disruptive technologies and changing consumer behaviours** | Failure to develop and implement new products, services, and technologies, and/or failure to adapt to changing consumer behaviour towards car buying and ownership, could lead to us failing to deliver our strategic objectives. Failure to provide both customers and consumers with the best possible products and online journey, including an online buying experience, could lead to reduced website traffic and loss of revenue. | We continue to focus on developing new products in our core business, in respect of our digital retailing strategy, and our platform aspirations. Doing so will enable more of the car-buying process to be completed online and more informed decision making by our key stakeholders.<br><br>Central to our strategy is launching digital retailing on our platform and we are continuing to develop and test new products to ensure that they maximise value for customers and consumers. The first iteration of Digital Retailing has been successful and we are taking learnings from this to inform future iterations.<br><br>Our acquisition of Autorama will enable us to respond to changing consumer behaviours, including an increasing trend towards leasing of new EVs.<br><br>We have continued to improve our data analysis and data science propositions to ensure that we are able to provide valuable insights to retailers. Our data insights have also been recognised nationally, through the provision of our market pricing data to the ONS. We are also working with Government to provide insightful information over EV demand to help inform potential locations for EV chargers. |
| **7.**<br>**Regulatory risks** | The Group operates in a complex regulatory environment. There is a risk that the Group, or its subsidiaries, fail to comply with these requirements or to respond to changes in regulations, including GDPR and the Financial Conduct Authority's rules and guidance. This could lead to reputational damage, financial or criminal penalties and impact on our ability to do business. | Our strategic focus to bring more of the car buying journey online has the potential to increase the Group's exposure to regulatory risks, in particular the amount of personal information that will be collected and in the execution of the online finance application journey.<br><br>As we move further into digital retailing and following the acquisition of Autorama we are likely to be exposed to increased risks in relation to FCA and GDPR.<br><br>The regulators themselves may also introduce new or amended guidance. Recently, for example, we have begun work to ensure compliance with the FCA's new Consumer Duty rules.<br><br>In the last year, in both response to, and anticipation of changes in regulatory risk, we have increased our resource in relation to risk and compliance monitoring, and increased headcount in our Governance Risk and Compliance team. |
| **8.**<br>**Competition** | There are several online competitors in the automotive classified market, and alternative routes for consumers to sell cars, such as car buying services or part-exchange. If competitors | External data suggest that competitors are not taking significant market share. For example, our data shows that we have c.90% prompted brand awareness with consumers. We also maintained |

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| | develop a superior consumer experience or superior retailer products, we may lose market share. Competitors could also influence change in consumer focus, expand their range of stock and provide products/services we are unable to compete with. | our position as the UK's largest and most engaged automotive marketplace for new and used cars, with over 75% of all minutes spent on automotive classified sites spent on Auto Trader. Nevertheless, the threat of new competitors poses a continuous threat. Previous concerns, however, over big players entering the market, such as Facebook, have not led to any notable decrease in our market share in recent times, albeit we do still consider this to be a threat. It therefore remains imperative that we are innovative in both our strategic initiatives as well as improving our existing, core advertising business.<br><br>We continue to see retailers and manufacturers evolving their online offerings, and as we diversify our own product offering we broaden our competitive landscape, potentially leading to exposure to increased competition. |
| **9.<br>Brand and reputation** | Our brand is one of our biggest assets. Our research shows that we are the most trusted automotive classified brand in the UK.<br><br>Failure to maintain and protect our brand, or negative publicity affecting our reputation, such as from a data breach, could diminish the confidence that retailers, consumers and advertisers have in our products and services, and result in a reduction in audience and revenue. | Our research shows that Auto Trader has c.90% prompted brand awareness with consumers. We are also voted regularly as the most influential automotive website by consumers in the car buying process.<br><br>As we venture further with our digital retailing strategy, we will need to ensure that our branding positions us as the most suitable place to transact online.<br><br>We continue to see very low levels of fraudulent and misleading adverts, due to additional measures and monitoring techniques used by our security team. We also make use of a customer watch list which aims to manage our platforms proactively in line with our values and relevant regulations, to identify and stop customer behaviour that could harm consumers, other retailers or the Auto Trader brand.<br><br>Our acquisition of Autorama carries an existing sponsorship arrangement with the National League and our marketing teams are continuously reviewing media attention and publicity with our partners which could affect the Auto Trader brand adversely. |
| **10.<br>External catastrophic and geo-political events** | In a connected, global industry, we are increasingly prone to the impacts of external events around the globe on our business, as are our customers. We consider there to be a threat to the short-to-mid-term performance of our business posed by external, unpreventable, catastrophic and geo-political events. Such events could result in our customers being unable to trade, leading to loss of revenue, stock, audience, and loss of market share. | The impacts of unpreventable external catastrophic and geo-political events can be widespread and highly impactful for us and our customers. We consider the increasingly connected world to be more susceptible than ever to the knock-on impacts of these events.<br><br>Examples of some external events in recent times which have, and continue to, impact adversely on our business include the following:<br>• COVID-19 pandemic;<br>• Supply shortages from the Suez Canal obstruction;<br>• Brexit;<br>• Military conflict in Ukraine;<br>• Extreme weather events; and<br>• Global semi-conductor shortage. |

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| | | It is of paramount importance to the resilience of our business that we can respond quickly to, the impacts of external events, particularly those which impact on our customers adversely. We are therefore continuously reviewing our business continuity and crisis management arrangements to ensure that they consider the impacts of external events.<br><br>We responded well to the impacts of COVID-19 and Brexit. Most recently there has been a sharp increase in energy costs, inflation, interest rates, and adverse currency movements of the Pound against the Dollar and Euro. There is growing uncertainty over a possible recession and the impacts it could have on Auto Trader, our customers, and the wider industry. The Group carries a low level of debt and is highly cash-generative, meaning that the threats posed by adverse interest rate movements are relatively low.<br><br>We remain wary of the threats posed by external events and we continue to review our crisis and business continuity arrangements regularly. |

## INDEPENDENT REVIEW REPORT TO AUTO TRADER GROUP PLC

**Conclusion**

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2022 which comprises the consolidated interim income statement, consolidated interim statement of comprehensive income, consolidated interim balance sheet, consolidated interim statement of changes in shareholders' equity and consolidated interim statement of cash flows and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2022 is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting as adopted for use in the UK and the Disclosure Guidance and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA").

**Basis for conclusion**

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity ("ISRE (UK) 2410") issued for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. We read the other information contained in the half-yearly financial report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Conclusions relating to going concern**

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis of conclusion section of this report, nothing has come to our attention that causes us to believe that the directors have inappropriately adopted the going concern basis of accounting, or that the directors have identified material uncertainties relating to going concern that have not been appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410. However, future events or conditions may cause the group to cease to continue as a going concern, and the above conclusions are not a guarantee that the group will continue in operation.

**Directors' responsibilities**

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with UK-adopted international accounting standards.

The directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial report in accordance with IAS 34 as adopted for use in the UK.

In preparing the condensed set of financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

**Our responsibility**

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review. Our conclusion, including our conclusions relating to going concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for conclusion section of this report.

The purpose of our review work and to whom we owe our responsibilities

This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the DTR of the UK FCA.  Our review has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose.  To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

**David Derbyshire**
**for and on behalf of KPMG LLP**
*Chartered Accountants*
1 St Peter's Square
Manchester
M2 3AE
10 November 2022