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## AUTO TRADER GROUP PLC

### FULL YEAR RESULTS FOR THE YEAR ENDED 31 MARCH 2017

Auto Trader Group plc ('Auto Trader', 'the Group'), the UK's largest digital automotive marketplace, announces full year results for the year ended 31 March 2017.

#### **Financial highlights**

- Revenue up 9%\* to £311.4 million (2016: £281.6 million)
- Underlying operating profit<sup>2</sup> up 19%\* to £207.2 million (2016: £171.3 million)
- Operating profit up 18%\* to £203.1 million (2016: £169.6 million)
- Underlying operating profit margin up 6% pts to 67% (2016: 61%)
- Profit before tax up 23%\* to £193.4 million (2016: £155.0 million)
- Basic EPS up 22%\* to 15.64p per share (2016: 12.67p)
- Cash generated from operations<sup>3</sup> up 18% to £212.9 million (2016: £180.1 million)
- Net external debt<sup>4</sup> down £37.6 million to £355.0 million (2016: £392.6 million), representing a reduction in leverage<sup>5</sup> to 1.6x (2016: 2.2x)
- Proposed final dividend of 3.5p per share, totalling 5.2p per share for the year (2016: 1.5p per share)
- Returned £128.7 million to shareholders through £102.1 million of share buy-backs (26.3 million shares at an average price of 388p) plus dividends paid of £26.6 million (2016: £5.0 million)

*\*Year-on-year percentages for revenue, costs and profits have been adjusted for the extra five trading days in the year*

#### **Operational highlights**

- Cross-platform minutes<sup>6,8</sup> per month increased by 12% to 582 million (2016: 521 million) and cross platform visits up 16% to 55.4 million per month (2016: 47.9 million), four times larger than our nearest competitor
- Advert views<sup>7,8</sup> per month increased by 2% to 247 million (2016: 243 million)
- Number of retailer forecourts<sup>8</sup> advertising on the Auto Trader marketplace down 2% at 13,296 (2016: 13,514) predominantly in smaller and non-car related markets
- Physical car stock on site<sup>9</sup> up 3% to 450,000 (2016: 437,000) on average
- Average Revenue Per Retailer forecourt<sup>8</sup> ('ARPR') per month up £162 to £1,546 (2016: £1,384)
- Launched new products for both consumers and retailers, focused on improving trust and transparency in the marketplace, including dealer reviews, basic vehicle checks, video adverts and more recently, our price indicator product
- Completed small scale acquisition of Motor Trade Delivery ('MTD') in April 2017

**Trevor Mather, Chief Executive Officer of Auto Trader Group plc, said:**

“We have delivered another year of strong growth. With consumers spending more than double the time researching their next car online than they do offline, we have strived to create greater transparency and therefore trust in our marketplace, benefitting consumers, retailers, and manufacturers alike. This in turn continues to increase the value we deliver, making the car buying journey a simpler, more enjoyable and trusted process.

“After a number of years of near uninterrupted growth, and despite the exceptionally high performing first quarter of the calendar year, the industry now expects new car registrations to plateau or decline but continues to anticipate growth in used car transaction volumes.

“The new financial year has started well, and despite the wider political and economic uncertainty, the Board is confident of delivering its growth expectations for the coming year. We remain focused on enhancing the value of our marketplace and continuously improving the products and services we offer for consumers, retailers and manufacturers.”

**Analyst presentation:**

A presentation for analysts will be held at the offices of Numis Securities at 9.30am BST, Thursday 8 June 2017. If you wish to attend, please contact Powerscourt on the details below. Alternatively, you can listen to the presentation via audio webcast at the following link: <http://edge.media-server.com/m/p/bq95pcy6>

**For media enquiries:**

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

**About Auto Trader**

Auto Trader Group plc is the UK and Ireland's largest digital automotive marketplace. Auto Trader sits at the heart of the UK's vehicle buying process and its primary activity is to help vehicle retailers compete effectively on the marketplace in order to sell more vehicles, faster. Auto Trader listed on the London Stock Exchange in March 2015 and is now a member of the FTSE 250 Index.

The marketplace brings together the largest and most engaged consumer audience. Auto Trader has over 90% prompted brand awareness and attracts circa 60 million monthly cross platform visits each month, with over 70% of visits coming through mobile devices.

The marketplace also has the largest pool of vehicle sellers (listing around 450,000 cars each day). Over 80% of UK automotive retailers advertise on [autotrader.co.uk](http://autotrader.co.uk).

For more information, please visit <http://about-us.autotrader.co.uk>

**Cautionary statement**

This announcement of annual results does not constitute or form part of and should not be construed as an invitation to underwrite, subscribe for, or otherwise acquire or dispose of any Auto Trader Group plc (the "Company") shares or other securities in any jurisdiction nor is it an inducement to enter into investment activity nor should it form the basis of or be relied on in connection with any contract or commitment or investment decision whatsoever. It does not constitute a recommendation regarding any securities. Past performance, including the price at which the Company's securities have been bought or sold in the past, is no guide to future performance and persons needing advice should consult an independent financial advisor. Certain statements in this announcement constitute forward looking statements (including beliefs or opinions). 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 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. Except as is required by the Listing Rules, Disclosure Guidance and Transparency Rules and applicable laws, 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 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.

## Summary Financial Performance

	Units	2017	2016	Change
<b>Income statement</b>				
Trade	£m	262.1	236.4	9%*
Consumer services	£m	31.8	30.3	4%*
Display advertising	£m	17.5	14.9	16%*
<b>Revenue</b>	<b>£m</b>	<b>311.4</b>	<b>281.6</b>	<b>9%*</b>
Underlying operating profit <sup>2</sup>	£m	207.2	171.3	19%*
Underlying operating profit margin	%	67%	61%	6% pts
Operating profit	£m	203.1	169.6	18%*
Profit before tax	£m	193.4	155.0	23%*
Basic earnings per share	pence	15.64	12.67	22%*
<b>Cash flow</b>				
Cash generated from operations <sup>3</sup>	£m	212.9	180.1	18%
Net external debt <sup>4</sup> at year end	£m	355.0	392.6	(10%)
Leverage <sup>5</sup>	times	1.6x	2.2x	(0.6x)
<b>Key Performance Indicators</b>				
Cross platform minutes <sup>6,8</sup>	million per month	582	521	12%
Advert views <sup>7,8</sup>	million per month	247	243	2%
Number of retailer forecourts <sup>8</sup>	number	13,296	13,514	(2%)
Average Revenue Per Retailer forecourt <sup>8</sup>	£ per month	1,546	1,384	12%
Full-time equivalent employees and contractors <sup>8</sup> (FTEs)	number	824	859	(4%)

1. '2017' references the 369 day period ended 31 March 2017 and the comparative '2016' references the 52 week period ended 27 March 2016 unless otherwise stated.
2. Operating profit before share-based payments and associated national insurance (NI) and exceptional items.
3. Cash generated from operations is defined as net cash generated from operating activities, before corporation tax paid.
4. Net external debt is gross external indebtedness, less cash.
5. Leverage is Net external debt as a multiple of Adjusted underlying EBITDA (earnings before interest, taxation, depreciation and amortisation, share-based payments and associated NI and exceptional items, less capitalised development spend (excluding expenditure incurred on building the SingleView order-to-cash billing system)).
6. Cross platform minutes measured by comScore.
7. Company measure of the number of inspections of individual vehicle advertisements on the UK marketplace for both physical and virtual stock.
8. Average number during the year.
9. Average physical car stock during the year, excluding virtual stock.

### \*Change from 52-week to annual accounting period

Due to the publishing heritage of the business, results have historically been reported on a 52 week (i.e. 364 days) basis with the accounting period ending on the closest Sunday to 31 March. The Board made the decision to change the period end date to be 31 March every year, starting in financial year 2017 to better align with our customers' needs, and to the products and services we offer.

As a consequence of this change, the 2017 financial year was five days longer than the previous year and whilst there was no impact on the first half results, the second half of the year was longer and hence revenues, costs and profits were greater due to the extra trading days. Year-on-year percentages for revenues, costs and profits have been adjusted to reflect like-for-like growth. No other percentages have been adjusted.

For example: Operating profit (£203.1m x 364/369) divided by £169.6m x 100 = 18%.

## **Operating review**

Auto Trader has built on the momentum generated in its first year as a listed company to deliver a good financial and operational performance. We have strived to create greater transparency and therefore trust in our marketplace, benefitting consumers, retailers and manufacturers alike. This in turn continues to increase the value we deliver, making the car buying journey a simpler, more enjoyable and trusted process.

## **Summary of operating performance**

We have continued to deliver increased value for our retailer customers. Our audience has grown, with increases in cross platform visits, minutes spent on our marketplace and full page advert views, consolidating the position we hold of having the largest and most engaged audience, as consumers increasingly interact with content such as retailer reviews, vehicle videos and new car editorial.

The bigger audience was accompanied by greater levels of stock. Although the number of retailer forecourts was slightly down, this was predominantly in smaller and non-car related market segments. The reinforcing nature of our network effect, when coupled with our pricing initiative for the year, saw us grow Average Revenue Per Retailer ('ARPR') by £162 to £1,546 (2016: £1,384).

As a result, we have continued to grow revenue across all of our revenue streams (Trade, Consumer services and Display advertising), with growth of 9% in total. This growth, combined with further cost reductions as we continue to focus on operating a simpler, leaner and more data-oriented business, resulted in an increase in Underlying operating profit of 19% to £207.2m. Operating profit was up 18% to £203.1m, representing another good year for the business.

## **Our marketplace**

The number of vehicles in the UK continues to grow, fuelled by increases in both new car registrations and the average scrappage age. The number of new cars registered in the 12 months to March 2017 increased for a fifth consecutive year to 2.7 million units (growth of 2.6%) according to the Society of Motor Manufacturers and Traders ('SMMT')<sup>1</sup>. Sales to fleet customers were particularly strong, up 6.3% year-on-year, whilst the number of new cars registered to retail individuals was broadly flat after four consecutive years of growth, mirroring the dip in consumer confidence following the result of last year's EU Referendum. Calendar year 2017 started strongly with a record rise in new car registrations in the first quarter in part due to a very strong March as consumers looked to buy ahead of an increase in vehicle excise duty effective on 1 April 2017.

Low rate finance and new car desirability are key drivers to the growth the market is experiencing at this time. The continuation of attractive finance propositions has underpinned levels of new and used car transactions. High uptake of finance has contributed to a reduction in the average length of car ownership to 3.2 years from 3.6 years since 2011, as new cars are introduced into the used car market at the end of finance agreements.

Despite the exceptionally high performing first quarter of the calendar year, and the continuation of low interest rates, the industry expects that new car transactions will begin to plateau or decline in 2017 and new car registrations were down by 0.6% year-on-year for the five months to May 2017<sup>1</sup>. We expect the strong new car market performance in recent years will continue to have a positive impact on used car transactions, building on the 8.2 million used cars sold in the 12 months to March 2017, which increased by 4.9% over the same period last year.

## **Our strategy**

We remain focused on delivering our strategy to be the UK and Ireland's leading digital automotive marketplace and help improve the processes of buying and selling vehicles for consumers, retailers and manufacturers alike.

### **Progress made against our operating priorities**

Our priorities are regularly reviewed, and in 2017 we focused on six operating priorities which we felt would help us to achieve our strategic goals, and we are particularly proud of the progress the Group has made against these priorities:

#### *1. Increase consumer audience, advert views and use of our valuations tools*

During the year, our audience has continued to grow: cross platform visits<sup>2</sup> have increased to 55.4 million per month (2016: 47.9 million); minutes spent on our marketplace<sup>2</sup> has grown by 12% to a total of 582 million minutes on average per month (2016: 521 million); and full page advert views increased to 247.4 million per month (2016: 242.8 million per month). We continue to embed our valuations with the trade and consumers alike, with a focus on becoming the benchmark for the industry, and have delivered record numbers of valuations this year. The number of valuations conducted by consumers rose by 25% to a total of 17.1 million (2016: 13.7 million), being particularly buoyed by the introduction of our part-exchange guide product.

#### *2. Promote trust and fairness in the marketplace*

Over the past 40 years, Auto Trader has become synonymous with buying and selling cars. This heritage has allowed us to build a trusted position which we have leveraged to become an advocate of transparency, delivering free consumers valuations, part-exchange guide, vehicle checks, dealer reviews, and most recently, price indicators which benefits the users of our entire marketplace.

#### *3. Grow ARPR in a balanced, sustainable way by creating value for our customers*

Through delivering increased value to our customers, we were able to successfully execute our annual pricing event in the first quarter of the financial year. The added value of more consumers and more engagement has been complemented by an increase in physical stock on site, with the average number of cars growing to c.450,000 (2016: c.437,000) underpinned by good used car transaction numbers in the year. We have seen marginally lower forecourts in the year, down 2% to 13,296 (2016: 13,514), with fewer non-car and small independent forecourts, offset partly by growth in franchise forecourts. Together with the gains made on our product lever both within and outside of our core classified packages, this enabled us to grow ARPR by £162 to £1,546.

#### *4. Extend the penetration of products outside of our core classified proposition*

We have improved the number of managing forecourts to c.2,500 (2016: c.1,900) and moved more customers up the selling package staircase. However, as expected, retailing solutions revenue declined as a result of discontinued revenue from pay-per-click ('PPC') and search engine optimisation ('SEO') products, as well as the re-platforming of our buying portal and website templates.

#### *5. Enhance our relevance and value to manufacturers*

We have continued to grow our relevance to manufacturers, reflected in higher display advertising revenue in the year, with growth of 16% (2016: 23%) in spite of uncertainty in the lead up to the EU Referendum. We continue to believe there is a significant opportunity in display as we foresee further shift by manufacturers from traditional marketing channels to digital channels, in line with the trends seen in other retail sectors. Our priority is to become known to consumers, manufacturers and agencies as a destination for new cars, and we have taken a significant step towards this in 2017 with the addition of over 6,000 brand new cars to our marketplace, which we call 'virtual stock'.

#### *6. Operate a simpler, leaner and more data-oriented business*

Over the year, we have operated in a lean and agile way and seen continued benefits from the consolidation into two offices. Despite continued investment in new products, developers and front-line sales people, we expect to maintain our current headcount, and become increasingly more data-oriented, reaching ever higher levels of performance.

### **Driving a more transparent and trusted marketplace**

Consumers spend around 11 hours<sup>3</sup> researching their next car online, visiting on average 2.2 dealerships<sup>4</sup> before they make their purchase. They buy cars now as they do any other consumer goods, demanding transparency, ease and

trust in the seller. If sellers, in our case automotive retailers, don't offer a transparent, easy and trustworthy experience, a consumer may go elsewhere.

With this in mind, and to encourage retailers to operate in a more transparent and trusted manner, we took the decision to restructure our packages so that they now include products that will allow them to compete more effectively on the marketplace. Our new 'starter' package includes products such as: Dealer Reviews, Part-Exchange Guide, 100 Images and Live Chat – all tools that we see as a basic requirement for a retailer to compete effectively in today's digital marketplace. We have five levels in total, which progressively increase up to 'Advanced' and 'Premium,' giving retailers the opportunity to pay more for greater prominence and stand out when consumers search for cars on a desktop. Greater prominence and appearing higher in the search results increases a retailer's ability to sell a car, faster, therefore increasing profit.

### **Creating price transparency**

Our most recent launch, Price Indicator, directly addresses how retailers can provide a greater level of transparency in their pricing to consumers, as it labels their stock with a 'good price', 'great price' or 'priced low' indicator. These indicators are powered by our valuations algorithm which has been developed to incorporate features such as live market movements, specifications and optional extras. The market is constantly changing – there are over 12,000 price changes every day on Auto Trader and nearly 20,000 cars are added or removed – so rather than prescribe a definitive price position, we advise retailers to price to the market so they are more likely to see an indicator on their advert.

### **Promoting finance solutions for our retailers**

Since gaining FCA authorisation, which enables us to show the monthly borrowing cost of a specific vehicle based on a retailer's preferred lender, over 1,300 retailers are benefitting from our finance product, initially on a free of charge basis. Finance is a key revenue stream for our customers, with over 86% of new cars sold on finance and growth of 11% in the total value of finance agreements for used cars in the year<sup>5</sup>, so this is a valuable proposition for retailers. It is also an added benefit for consumers as they will be able to work out how to finance a specific car with the vehicle retailer rather than seeking finance elsewhere.

### **Stocking and pricing to the market**

In addition to driving trust and transparency in the marketplace, we advocate the power of using data to stock and price vehicles correctly. At year end, approximately 2,500 retailer forecourts (2016: c.1,900) listing 34% of trade stock, were using our data intelligence Managing products, i-Control or Retail Check. These products allow retailers to utilise data that is relevant to them to help them buy the most desirable stock, at the right price, so they can optimise stock turn and therefore profit – helping them do business more efficiently.

### **Generating value for manufacturers**

When looking to buy a new car, Auto Trader is spontaneously front of mind for almost a quarter of consumers. Coupled with an increase of over 6,000 brand new 'virtual stock' cars onto our marketplace, this has increased sales leads and amplified the value we now offer to manufacturers and their networks. We have also continued to build key relationships with manufacturers and their media agencies and we are working with them to leverage our data and insight to target buyers at the right time in their car buying journey.

### **Acquisition of Motor Trade Delivery**

In April 2017, we acquired Motor Trade Delivery Limited ('MTD'), an online real-time marketplace for the trade delivery of vehicles across the UK, and welcomed its nine employees to the Group. This acquisition is an extension of our overall strategy of using digital technology to improve efficiencies for our retailer customers.

### **Culture and people**

As part of the Group's digital culture, incorporating an agile and lean working ethos, we have continued to find ways of operating more efficiently whilst ensuring that teams are truly data-oriented. We therefore took the decision to assign every team their own dedicated data analyst, embedding data practices fully across the organisation.

The Group's most valuable resource is our employees, and the success of the Group is to their credit. And it's having a truly diverse employee base that allows for a more rounded, creative and innovative organisation. We respect and appreciate diversity and have made a conscious effort to educate and challenge attitudes. Every one of our employees has

participated in a one-day workshop focusing on creating common understanding of the concepts as well as exploring their unconscious biases. We have created networks for women, those with families as well as common interest groups, to ensure employees feel supported by a network of like-minded individuals. It is our ambition to become one of the most diverse and inclusive employers in the UK.

## **Board**

With effect from 1 April 2017, we were pleased to appoint Nathan Coe as an Executive Director, in the role of Chief Operating Officer. Nathan has been central in shaping Auto Trader into one of the UK's leading digital businesses, and the creation of the Board-level role of Chief Operating Officer reflects our confidence in his abilities and strong leadership qualities.

## **Outlook for 2018<sup>6</sup>**

After a number of years of near uninterrupted growth, the industry expects new car registrations to plateau or decline in calendar 2017, but anticipates greater used car transaction volumes as past observations suggest that the recent strong growth in new car sales will continue to stimulate demand for used cars.

Retailer forecourt numbers are set to be flat to marginally down, with overall stock levels expected to continue to grow. ARPR improvement is expected to return to 2016 growth levels at or above £130 per month, with the majority of growth from the product lever. This reflects the recent bundling of products into our new selling package levels as well as upselling of the new Advanced and Premium levels. MTD will be reported as a component of Trade revenue, but outside of Retailer revenue, and therefore will not impact ARPR.

Consumer services revenue momentum is expected to remain at low single digit, whilst Display advertising growth (to be renamed Manufacturer & Agency) is expected to slow slightly from recent levels but remain double digit.

Costs, taking account of MTD and share based-payments, are expected to increase at the rate of mid single digit with headcount remaining flat and salary inflation set to rise in an increasingly competitive market. Spend on marketing as a percentage of revenue is expected to remain broadly constant, with slightly higher overheads being offset by further, albeit smaller, savings in depreciation and amortisation.

Operating profit will replace Underlying operating profit as our key performance measure from financial year 2018, with operating margins set to rise further.

The Board is confident of delivering its growth expectations in the coming year, despite wider economic uncertainty fuelled by the result of last year's EU Referendum. We believe our strong market position, and continued ability to add value to consumers, retailers and manufacturers will position us well to deliver growth.

1. SMMT Trends Data March 2017 and May 2017
2. Monthly visits and monthly minutes as measured by comScore
3. Auto Trader Car Buyer Report, conducted by Gfk, May 2016.
4. Auto Trader Market Tracking Study 2017
5. The Finance & Leasing Association data for the 12 months to March 2017
6. References to year-on-year percentage changes for revenue, costs and profits have been adjusted for the four fewer trading days in the 2018 financial year compared to 2017.

## Financial review

### Revenue

In 2017, we saw another year of strong revenue growth at 9%, reaching £311.4m (2016: £281.6m). Growth was achieved in all three revenue streams and in total at a rate similar to that attained in 2016.

Trade revenue was the largest contributor, with revenue rising by 9% to £262.1m (2016: £236.4m). Within Trade, Retailer revenue grew 10% to £250.1m (2016: £224.5m). Home Trader saw growth of 3% to £12.0m (2016: £11.5m), with a lower growth rate largely being attributable to limited pricing initiatives in the year. Other revenue fell £0.4m versus 2016 due to the closure of our manufacturer websites business, 2nd Byte, in June 2015.

Revenue	2017 £m	2016 £m	Days-adjusted change
Retailer	250.1	224.5	10%
Home Trader	12.0	11.5	3%
Other	-	0.4	n/m
<b>Trade</b>	<b>262.1</b>	<b>236.4</b>	<b>9%</b>
Consumer services	31.8	30.3	4%
Display advertising	17.5	14.9	16%
<b>Total</b>	<b>311.4</b>	<b>281.6</b>	<b>9%</b>

We delivered increased Retailer revenue as a result of growth in ARPR, where there was improvement of £162 to £1,546 per month (2016: £1,384). Average retailer forecourts were down 2% to 13,296 (2016: 13,514), with losses in non-car, Republic of Ireland and smaller independent retailers partially offset by growth in franchise forecourts. This change in retailer mix led to an overall ARPR increase from the loss of smaller, lower yielding retailers. With much of the decrease occurring in the first half of the year and therefore impacting the second half run rate, forecourts were largely in line with expectations for the remainder of the year. Low-level market consolidation continues to be apparent amongst smaller customers, although the drop in the total number of forecourts remains at the rate seen over the last three to four years.

ARPR growth of £162 per month was generated through three levers: stock, price, and product, where we have consolidated upsell and cross-sell.

- Our marketplace saw an average number of car listings of c.450,000 in the year, which was 3% higher than last year (2016: 437,000). The growth in stock comes through continued internal initiatives to help retailers understand the value of advertising all of their stock on the marketplace and focusing on the ever-increasing role of digital in the car buying journey. We also saw a good underlying used car market, benefitting from the recent growth in new car transactions. With top-level growth in the number of listings and the benefit from unwinding the last remaining historic stock discounts, the stock lever contributed £48 (2016: £58) and 30% (2016: 44%) of total ARPR growth.
- With a greater number of listings, a larger audience and higher levels of engagement, we implemented a price change in the first quarter of financial year 2017. For some customers, this was in addition to a pricing initiative in the second half of the previous year. The timing benefit, where the two events compound up in the price lever, is not expected to reoccur going forward as we shift to an annual price review in April of each year, starting in financial year 2018. Of total ARPR growth, price contributed £86 (2016: £41) and 53% (2016: 31%).
- Our product lever, which had previously been split between additional products taken, either within or outside of our core classified selling package (upsell & cross-sell), contributed £28 (2016: £33) and 17% (2016: 25%) of total ARPR growth. We continued to see high adoption of Level 3 of our package staircase, which includes priority listings on mobile. This acted as a catalyst for the introduction of our new prominence products in the 2018 financial year, which give customers the opportunity to achieve more advert views by upgrading to higher levels in the package staircase.

Also included in the product lever is the change in Retailing solutions revenue which saw a year-on-year decline of 4% to £23.9m (2016: £24.5m), with the main driver being the discontinuation of low margin PPC and SEO products which were wound down in their entirety during the first half of the year. Retailer display revenue also saw a small



year-on-year decline as customers chose higher return-on-investment listings and data products rather than to promote their brand through display advertising. Our website templates and B2B classified portal products saw a number of technical changes in the year, which limited growth opportunities. Penetration of forecourts using our Managing products grew well in the second half of the year and we closed the year with c.2,500 forecourts (2016: c.1,900), representing a 19% penetration of total forecourts (2016: 14%).

Consumer services revenue increased 4% in the year to £31.8m (2016: £30.3m). Private revenue, within Consumer services, grew 3% to £24.4m (2016: £23.3m), although the second half was broadly flat, as we saw increased competition and the effect of the growing impact of our own part-exchange guide product. Motoring services saw a slightly better growth rate, increasing 4% to £7.4m (2016: £7.0m), with much of the growth coming through delivering greater response to our third-party partners for insurance, finance and vehicle checks.

Display advertising revenue grew 16% to £17.5m (2016: £14.9m) from a higher number of homepage takeovers and increased levels of inSearch advertising, tempered by lower growth in programmatic display revenue following the introduction of a new adserver in November, which took time to embed. We continue to deepen relationships with manufacturers and their media agencies, which will allow us to develop and monetise our virtual stock proposition.

### Costs

Underlying administrative expenses continued to be well managed, seeing a 7% reduction year on year to £104.2m (2016: £110.3m). Total administrative expenses saw a reduction of 5%.

Costs	2017 £m	2016 £m	Days-adjusted change
People costs	49.5	51.5	(5%)
Marketing	16.0	15.7	1%
Overheads	30.7	32.5	(7%)
Depreciation & amortisation	8.0	10.6	(26%)
<b>Underlying administrative expenses</b>	<b>104.2</b>	<b>110.3</b>	<b>(7%)</b>
Share-based payments	4.5	2.5	78%
Exceptional items	(0.4)	(0.8)	(51%)
<b>Total administrative expenses</b>	<b>108.3</b>	<b>112.0</b>	<b>(5%)</b>

People costs comprise staff costs (excluding share-based payments) of £49.1m (2016: £51.1m) and third-party contractor costs of £0.4m (2016: £0.4m). Overall, people costs declined in the year by 5% to £49.5m (2016: £51.5m), due to lower full-time equivalent employees ('FTEs') (including contractors), down 35 year on year to an average of 824 (2016: 859) as well as a fall in redundancy and restructuring costs. The headcount reduction came as we continued to improve our way of working in a lean and agile way, although some of the saving was offset through higher salaries as we look to attract the best digital talent, particularly in technical and customer facing roles.

Marketing spend increased slightly in the year to £16.0m (2016: £15.7m), although as a percentage of revenue it fell to 5.1% (2016: 5.6%). Much of the focus this year has been on product specific campaigns where we have promoted private advertising, part-exchange guide and valuations. We increased PPC spend as we saw higher levels of competitor activity in this area.

Reductions were made in overheads of 7% to £30.7m (2016: £32.5m), in part through adhering to lean operating principles and a number of one-off savings including a rates rebate, and a year-on-year cost saving of c.£1.0m due to the discontinuation of the low-margin Retailing solutions products. Lower FTEs, in particular, had a benefit on employee related expenses.

Depreciation and amortisation decreased by 26% to £8.0m (2016: £10.6m) as past development costs became fully amortised in the year.

A share-based payments charge of £4.5m (2016: £2.5m) was recognised during the year, including national insurance costs ('NI') on potential employee gains where applicable. The year-on-year increase in the charge was primarily due to further awards made in June 2016 under the Performance Share Plan and the Deferred Annual Bonus Plan, as well as the full-

year impact of the Sharesave scheme launched in September 2015.

Following the completion of the office centralisation programme in 2014, the Group ran an initiative to exit a number of properties early and to secure cash discounts where possible. During the period, the Group completed this initiative and disposed of the last remaining property. As a result, an exceptional credit of £0.4m has been recognised in the income statement in respect of the profit on disposal and the release of vacant property provisions no longer required.

### Underlying operating profit

Underlying operating profit increased by 19% to £207.2m (2016: £171.3m) with Underlying operating profit margin improving by 6 percentage points to 67% (2016: 61%).

	2017 £m	2016 £m	Days-adjusted change
<b>Underlying operating profit</b>	<b>207.2</b>	<b>171.3</b>	<b>19%</b>
Share-based payments	(4.5)	(2.5)	78%
Exceptional items	0.4	0.8	(51%)
<b>Operating profit</b>	<b>203.1</b>	<b>169.6</b>	<b>18%</b>

The Group has previously reported non-underlying items in the income statement to highlight the impact of one-off and other discrete items and to allow better interpretation of the underlying performance of the business. These include exceptional items, share-based payment charges (and associated NI) and costs related to management incentive schemes linked to the previous private ownership of the Group. From next year, i.e. for 2018 and beyond, the Group will no longer report Underlying operating profit and will instead focus on the statutory measure of Operating profit, as it is expected that going forward the year-on-year change in share-based payments charges will be less distorting than in the past.

In the year, Operating profit grew 18% to £203.1m (2016: £169.6m), with Operating profit margin increasing 5 percentage points to 65% (2016: 60%).

### Profit before tax

Profit before tax increased to £193.4m (2016: £155.0m), which followed the Operating profit performance and a reduction in net finance costs to £9.7m (2016: £14.6m). Net finance costs fell through a combination of paying the lowest level of margin on the debt facility from June 2016 onwards, and from lower gross debt which was reduced in the year.

### Taxation

The Group tax charge of £38.7m represents an effective tax rate of 20% (2016: 18%) which is in line with the average standard UK rate and a reflection of our taxation policy to act in a responsible and transparent manner in all tax matters.

The 2016 rate was lower than the standard rate due to a one-off release of a tax provision.

### Earnings per share

Basic earnings per share rose by 22% to 15.64 pence (2016: 12.67 pence) and was based on a weighted average number of ordinary shares in issue of 989,278,991 (2016: 1,000,002,803). Diluted earnings per share of 15.60 pence (2016: 12.65 pence) also increased by 22%, based on 991,812,212 shares (2016: 1,001,394,111) which takes into account the dilutive impact of outstanding share awards.

### Cash flow and net external debt

Cash generated from operations increased to £212.9m (2016: £180.1m) and was achieved as a result of strong Operating profit combined with low working capital and capital expenditure requirements. This enabled us to deliver on our guidance to reduce leverage, grow dividends and return excess cash to shareholders.

Corporation tax payments totalled £34.8m (2016: £16.0m), as tax paid in 2016 benefitted from the previous year's lower earnings; the result of higher interest and exceptional costs. Cash generated from operating activities was £178.1m (2016: £164.1m).

Capital expenditure increased in the year to £3.7m (2016: £3.1m) as we made further investments in our working

environment as well as residual spend on the new billing system, Singleview.

Interest paid on financing arrangements fell to £7.6m (2016: £12.6m) through the combination of a lower margin payable and lower gross debt, as £40.0m (2016: £147.0m) was repaid in the year taking gross debt to £363.0m (2016: £403.0m). Net external debt reduced to £355.0m (2016: £392.6m), as lower levels of cash were held at the 2017 year end compared to the previous year. Leverage, defined as the ratio of net external debt to Adjusted underlying EBITDA decreased to 1.6x (2016: 2.2x).

During 2017, we commenced a share buyback scheme which saw £102.1m invested in the repurchase of 26.3 million shares, incurring fees of £0.5m. A further £26.6m was paid in dividends, giving a total of £128.7m (2016: £5.0m) in cash returned to shareholders.

#### **Dividends and returns to shareholders**

The Directors are recommending a final dividend for the year of 3.5 pence per share, which together with the interim dividend makes a total dividend of 5.2 pence per share, amounting to £50.8m, in line with our policy of distributing approximately one third of net income. Subject to shareholders' approval at the Annual General Meeting ('AGM') on 21 September 2017, the final dividend will be paid on 29 September 2017 to shareholders on the register of members at the close of business on 1 September 2017.

The policy of distributing approximately one third of net income remains unchanged. The capital allocation policy that sees the majority of surplus cash, after dividends, used to buy back shares remains unchanged and gross indebtedness is expected to fall steadily through debt repayments.

At the 2016 AGM, the Company's shareholders generally authorised the Company to make market purchases of up to 99,905,974 of its ordinary shares, subject to minimum and maximum price restrictions. This authority will expire at the conclusion of the 2017 AGM and the Directors intend to seek a similar general authority from shareholders at the 2017 AGM. The programme will be ongoing and any purchases of its shares made by the Company under the programme will be effected in accordance with the Company's general authority to repurchase shares, Chapter 12 of the UKLA Listing Rules and relevant conditions for trading restrictions regarding time and volume, disclosure and reporting obligations and price conditions.

#### **Post balance sheet event**

Since the year end, the Group acquired MTD for an undisclosed sum. MTD revenues and profits for their last financial year were less than 1% of the revenue and profits of the Group. As at the date of this report, we have not yet concluded the accounting for this acquisition.

#### **Appointment of auditors**

At the 2016 AGM, shareholders approved the appointment of KPMG LLP as the Group's new external auditors.

**Trevor Mather**  
Chief Executive Officer  
8 June 2017

**Sean Glithero**  
Chief Financial Officer  
8 June 2017

## Consolidated income statement

For the year ended 31 March 2017

	Note	2017 £m	2016 £m
Revenue	2	311.4	281.6
Administrative expenses		(108.3)	(112.0)
<b>Operating profit before share-based payments and associated NI, and exceptional items</b>		<b>207.2</b>	171.3
Share-based payments and associated NI		(4.5)	(2.5)
Exceptional items	3	0.4	0.8
<b>Operating profit</b>	3	<b>203.1</b>	169.6
Finance costs		(9.7)	(14.6)
<b>Profit before taxation</b>		<b>193.4</b>	155.0
Taxation	4	(38.7)	(28.3)
<b>Profit for the year attributable to equity holders of the parent</b>		<b>154.7</b>	126.7
<b>Basic earnings per share</b>	5		
From profit for the year (pence per share)		15.64	12.67
<b>Diluted earnings per share</b>	5		
From profit for the year (pence per share)		15.60	12.65

As outlined in the basis of preparation, the current period is for the 369 days ended 31 March 2017 and the comparative period is for the 52 weeks (364 days) ended 27 March 2016.

## Consolidated statement of comprehensive income

For the year ended 31 March 2017

	2017	2016
	£m	£m
Profit for the year	154.7	126.7
<b>Items that may be subsequently reclassified to profit or loss</b>		
Currency translation differences	0.5	0.5
Other comprehensive income for the year, net of tax	0.5	0.5
<b>Total comprehensive income for the year attributable to equity holders of the parent</b>	<b>155.2</b>	<b>127.2</b>

Currency translation differences arise on the consolidation of the Group's subsidiaries that have a functional currency other than sterling.

As outlined in the basis of preparation, the current period is for the 369 days ended 31 March 2017 and the comparative period is for the 52 weeks (364 days) ended 27 March 2016.

# Consolidated balance sheet

At 31 March 2017

	Note	2017 £m	2016 £m
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets		320.4	323.4
Property, plant and equipment		6.7	7.4
Deferred taxation assets		4.7	4.3
		<b>331.8</b>	335.1
<b>Current assets</b>			
Trade and other receivables		50.7	51.7
Cash and cash equivalents		8.0	10.4
		<b>58.7</b>	62.1
Assets of disposal group classified as held for sale		-	0.3
		<b>58.7</b>	62.4
<b>Total assets</b>		<b>390.5</b>	397.5
<b>Equity and liabilities</b>			
<b>Equity attributable to equity holders of the parent</b>			
Ordinary shares	7	9.8	10.0
Retained earnings		1,015.9	970.9
Capital reorganisation reserve		(1,060.8)	(1,060.8)
Own shares held	8	(16.9)	(1.5)
Capital redemption reserve		0.2	-
Other reserves		30.4	29.9
<b>Total equity</b>		<b>(21.4)</b>	(51.5)
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Borrowings	6	357.8	395.6
Deferred taxation liabilities		0.2	0.3
Retirement benefit obligations		-	-
Provisions for other liabilities and charges		1.1	1.1
		<b>359.1</b>	397.0
<b>Current liabilities</b>			
Trade and other payables		33.3	36.6
Current income tax liabilities		19.2	14.9
Provisions for other liabilities and charges		0.3	0.5
		<b>52.8</b>	52.0
<b>Total liabilities</b>		<b>411.9</b>	449.0
<b>Total equity and liabilities</b>		<b>390.5</b>	397.5

The financial statements were approved by the Board of Directors and authorised for issue.

Sean Glithero

Chief Financial Officer 8 June 2017

Auto Trader Group plc Registered number 09439967

# Consolidated statement of changes in equity

For the year ended 31 March 2017

	Note	Share capital £m	Share premium account £m	Retained earnings £m	Own shares held £m	Capital re-organisation reserve £m	Capital redemption reserve £m	Other reserves £m	Total equity £m
<b>Balance at March 2015</b>		<b>1,500.0</b>	<b>144.4</b>	<b>(789.1)</b>	–	<b>(1,060.8)</b>	–	<b>29.4</b>	<b>(176.1)</b>
Profit for the year		–	–	126.7	–	–	–	–	126.7
<b>Other comprehensive income:</b>									
Currency translation differences		–	–	–	–	–	–	0.5	0.5
Total comprehensive income, net of tax		–	–	126.7	–	–	–	0.5	127.2
<b>Transactions with owners</b>									
IFRS 2 – share-based payments		–	–	2.3	–	–	–	–	2.3
Deferred tax on share-based payments		–	–	0.1	–	–	–	–	0.1
Issue of share capital	7	1.6	–	(1.6)	–	–	–	–	–
Capital reduction	7	(1,491.6)	(144.4)	1,636.0	–	–	–	–	–
Dividends paid	9	–	–	(5.0)	–	–	–	–	(5.0)
Acquisition of shares by ESOT	8	–	–	1.6	(1.6)	–	–	–	–
Transfer of shares from ESOT	8	–	–	(0.1)	0.1	–	–	–	–
Total transactions with owners, recognised directly in equity		(1,490.0)	(144.4)	1,633.3	(1.5)	–	–	–	(2.6)
<b>Balance at March 2016</b>		<b>10.0</b>	–	<b>970.9</b>	<b>(1.5)</b>	<b>(1,060.8)</b>	–	<b>29.9</b>	<b>(51.5)</b>
Profit for the year		–	–	154.7	–	–	–	–	154.7
<b>Other comprehensive income:</b>									
Currency translation differences		–	–	–	–	–	–	0.5	0.5
Total comprehensive income, net of tax		–	–	154.7	–	–	–	0.5	155.2
<b>Transactions with owners</b>									
IFRS 2 – share-based payments		–	–	4.0	–	–	–	–	4.0
Deferred tax on share-based payments		–	–	0.1	–	–	–	–	0.1
Repurchase of own shares for treasury	8	–	–	–	(15.5)	–	–	–	(15.5)
Cancellation of shares	7	(0.2)	–	(87.1)	–	–	0.2	–	(87.1)
Dividends paid	9	–	–	(26.6)	–	–	–	–	(26.6)
Transfer of shares from ESOT	8	–	–	(0.1)	0.1	–	–	–	–
Total transactions with owners, recognised directly in equity		(0.2)	–	(109.7)	(15.4)	–	0.2	–	(125.1)
<b>Balance at March 2017</b>		<b>9.8</b>	–	<b>1,015.9</b>	<b>(16.9)</b>	<b>(1,060.8)</b>	<b>0.2</b>	<b>30.4</b>	<b>(21.4)</b>

## Consolidated statement of cash flows

For the year ended 31 March 2017

	Note	2017 £m	2016 £m
<b>Cash flows from operating activities</b>			
Cash generated from operations before exceptional operating items		<b>212.9</b>	184.4
Cash flows from exceptional operating items (excluding IPO fees)		-	(4.3)
Cash generated from operations	10	<b>212.9</b>	180.1
Tax paid		<b>(34.8)</b>	(16.0)
<b>Net cash generated from operating activities</b>		<b>178.1</b>	164.1
<b>Cash flows from investing activities</b>			
Purchases of intangible assets – financial systems		<b>(0.7)</b>	(0.5)
Purchases of intangible assets – other		<b>(0.5)</b>	(0.3)
Purchases of property, plant and equipment		<b>(2.5)</b>	(2.3)
Proceeds from sale of property, plant and equipment		-	0.1
Bank deposit and other interest received		-	0.1
<b>Net cash used in investing activities</b>		<b>(3.7)</b>	(2.9)
<b>Cash flows from financing activities</b>			
Dividends paid to Company's shareholders	9	<b>(26.6)</b>	(5.0)
Repayment of Syndicated Term Loan	6	<b>(40.0)</b>	(147.0)
Payment of IPO costs		-	(8.3)
Payment of interest on borrowings		<b>(7.6)</b>	(12.6)
Purchase of own shares for cancellation	7	<b>(86.7)</b>	-
Purchase of own shares for treasury	8	<b>(15.4)</b>	-
Payment of fees on repurchase of own shares	7,8	<b>(0.5)</b>	-
<b>Net cash used in financing activities</b>		<b>(176.8)</b>	(172.9)
<b>Net decrease in cash and cash equivalents</b>		<b>(2.4)</b>	(11.7)
Cash and cash equivalents at beginning of year		<b>10.4</b>	22.1
<b>Cash and cash equivalents at end of year</b>		<b>8.0</b>	10.4

As outlined in the basis of preparation, the current period is for the 369 days ended 31 March 2017 and the comparative period is for the 52 weeks (364 days) ended 27 March 2016.



# Notes to the consolidated financial statements

## 1. Accounting policies

### Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union ('EU'), IFRS Interpretation Committee ('IFRS IC'), certain interpretations as adopted by the EU, and the Companies Act 2006 applicable to companies reporting under IFRS. The consolidated financial statements have been prepared on the going concern basis and under the historical cost convention, as modified by the revaluation of certain financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

Except as described below, the principal accounting policies applied in the preparation of the consolidated financial statements are consistent with those of the annual financial statements for the year ended 27 March 2016, as described in those financial statements. These policies have been consistently applied to all the periods presented, unless otherwise stated. The financial information presented is at and for the 364 day (52-week) period ended 27 March 2016 and for the 369 day period ended 31 March 2017. Financial year ends have been referred to as 31 March throughout the consolidated financial statements as per the Company's accounting reference date. Financial years are referred to as 2016 and 2017 in the consolidated financial statements.

Due to the publishing heritage of the business, results have historically been reported on a 52 week basis, with the accounting period ending on the closest Sunday to 31 March. The Board made the decision to change the period end date to be 31 March every year, starting in 2017, to better align with our customers' needs and to the products and services we offer. As a consequence of this change, the 2017 financial year was five days longer than the previous year.

The Group has adopted the following new and amended IFRSs in 2017 in the consolidated financial statements with no significant impact on its consolidated results or financial position:

- Annual improvements to IFRSs 2012-2014
- Amendment to IFRS 11, 'Joint arrangements on acquisition of an interest in a joint operation'
- Amendment to IAS 16, 'Property, plant and equipment' and IAS 38, 'Intangible assets', on depreciation and amortisation
- Amendments to IAS 27, 'Separate financial statements' on equity accounting
- Amendments to IFRS 10, 'Consolidated financial statements' and IAS 28, 'Investments in associates and joint ventures' on applying the consolidation exemption
- Amendments to IAS 1, 'Presentation of financial statements' disclosure initiative

The following standards and interpretations were issued by the IASB but have not been adopted either because they were not endorsed by the EU at 31 March 2017 or they are not yet mandatory and the Group has not chosen to early-adopt them:

- IFRS 9, 'Financial Instruments' (effective 1 January 2018). This will simplify the classification of financial assets for measurement purposes, but is not anticipated to have a significant impact on the financial statements.
- IFRS 15, 'Revenue from Contracts with customers' (effective 1 January 2018) and Clarifications to IFRS 15 (not yet EU endorsed). The Group intends to adopt IFRS 15 in its financial statements for the year ending 31 March 2019. Under IFRS 15, revenue will be recognised when performance obligations are satisfied. The Group does not anticipate that this change will have a material impact on the Group consolidated results or financial position
- IFRS 16, 'Leases' (effective 1 January 2019, not yet EU endorsed). The Group intends to adopt IFRS 16 in its financial statements for the year ending 31 March 2020. This standard will significantly affect the presentation of the Group financial statements, with all leases apart from short-term leases being recognised as on-balance sheet finance leases with a corresponding liability being the present value of lease payments.
- Amendments to IFRS 2 - Classification and Measurement of Share-Based payments transactions (not yet EU endorsed). This standard is not anticipated to have a significant impact on the financial statements.

The financial information set out in this document does not constitute the statutory accounts of the Group for the financial years ended 31 March 2017 or 27 March 2016 but is derived from the 2017 Annual Report and Financial Statements. The Annual Report and Financial Statements for 2017 will be delivered to the Registrar of Companies in due course.

The auditors have reported on those accounts and have given an unqualified report, which does not contain a statement under Section 498 of the Companies Act 2006.

### Going concern

The Directors, after making enquiries and on the basis of current financial projections and facilities available, believe that the Group has adequate financial resources to continue in operation for a period not less than 12 months from the date of this report. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

## 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 is only one operating segment, being the Group, as the information reported includes operating results at a consolidated Group level only. This reflects the nature of the business, where the major cost is to support the IT platforms upon which all of the Group's customers are serviced. These costs are borne centrally and are not attributable to any specific customer type or revenue stream. There is also considered to be only one reporting segment, which is the Group, the results of which are shown in the consolidated income statement.

Management has determined that there is one operating and reporting segment based on the reports reviewed by the Operational Leadership Team ('OLT') which is the chief operating decision-maker ('CODM'). The OLT is made up of the Executive Directors and Key Management and is responsible for the strategic decision-making of the Group.

To assist in the analysis of the Group's revenue-generating trends, the OLT reviews revenue from three customer types as detailed below:

- **Trade:** revenue from retailer and home trader customers advertising their vehicles and utilising the Group's products;
- **Consumer services:** revenue from private sellers for vehicle advertisements on the Group's websites. This category also includes revenue from third-party partners who provide services to consumers relating to their motoring needs, such as insurance and loan finance; and
- **Display advertising:** revenue from manufacturers and their advertising agencies for placing display advertising on the Group's websites.

The reporting information provided to the OLT, which presents revenue by customer type, has been voluntarily disclosed below:

<b>Revenue</b>	<b>2017</b>	<b>2016</b>
	<b>£m</b>	<b>£m</b>
Trade	<b>262.1</b>	236.4
Consumer services	<b>31.8</b>	30.3
Display advertising	<b>17.5</b>	14.9
<b>Total revenue</b>	<b>311.4</b>	281.6

The revenue from external parties reported to the OLT is measured in a manner consistent with that in the income statement.

### Underlying operating profit

Operating costs, comprising administrative expenses, are managed on a Group basis. The OLT measures the overall performance of the Group by reference to a non-GAAP measure, Underlying operating profit, which is Operating profit before share-based payments and associated NI and exceptional items. This adjusted profit measure was applied by the OLT to understand the earnings trend of the Group and was considered the most meaningful measure by which to assess the true operating performance of the Group, as it allowed better interpretation of the underlying performance of the business. From next year, i.e. for 2018 and beyond, the business will report against the statutory measure of Operating profit, as it is expected that going forward the year-on-year change in share-based payments charges will be less distorting than in the past.

	2017 £m	2016 £m
<b>Operating profit</b>	<b>203.1</b>	169.6
– Share-based payments and associated NI	4.5	2.5
– Exceptional items	<b>(0.4)</b>	(0.8)
<b>Underlying operating profit</b>	<b>207.2</b>	171.3

A reconciliation of the total segment Operating profit to the profit before tax is provided as follows:

	2017 £m	2016 £m
Total segment Operating profit	<b>203.1</b>	169.6
Finance costs – net	<b>(9.7)</b>	(14.6)
<b>Profit before tax</b>	<b>193.4</b>	155.0

The OLT reviews the balance sheet information for the one operating segment. The segment's assets and liabilities are presented in a manner consistent with that of the consolidated financial statements.

The Group is domiciled in the UK and the following table details external sales by location of customers and non-current assets (excluding deferred tax) by geographic area:

	2017 £m	2016 £m
<b>Revenue:</b>		
UK	<b>306.1</b>	277.0
Ireland	<b>5.3</b>	4.6
<b>Total revenue</b>	<b>311.4</b>	281.6
<b>Non-current assets:</b>		
UK	<b>321.0</b>	326.5
Ireland	<b>6.1</b>	4.3
<b>Total non-current assets (excluding deferred tax)</b>	<b>327.1</b>	330.8

Due to the large number of customers the Group serves, there are no individual customers whose revenue is greater than 10% of the Group's total revenue in all periods presented in these financial statements.

### 3. Operating profit

Operating profit is stated after charging:

	2017 £m	2016 £m
Staff costs	<b>53.6</b>	53.6
Contractor costs	<b>0.4</b>	0.4
Depreciation of property, plant and equipment	<b>3.2</b>	2.8
Amortisation of intangible assets	<b>4.8</b>	7.8
Operating lease payments	<b>2.7</b>	2.8
<b>Exceptional items:</b>		
	<b>2017</b>	2016
	<b>£m</b>	<b>£m</b>
Restructuring of Group operations	<b>(0.4)</b>	(0.8)
<b>Total exceptional items</b>	<b>(0.4)</b>	(0.8)

Exceptional income for the year ended 31 March 2017 and 31 March 2016 relates to the reversal of provisions previously made for restructuring costs that are no longer required.

#### 4. Taxation

	2017 £m	2016 £m
<b>Current taxation</b>		
UK corporation taxation	39.3	28.6
Foreign taxation	0.2	0.3
Adjustments in respect of prior years	(0.4)	(0.7)
<b>Total current taxation</b>	<b>39.1</b>	<b>28.2</b>
<b>Deferred taxation</b>		
Origination and reversal of temporary differences	(0.3)	(0.3)
Effect of rate changes on deferred taxation	–	0.4
Adjustments in respect of prior years	(0.1)	–
<b>Total deferred taxation</b>	<b>(0.4)</b>	<b>0.1</b>
<b>Total taxation charge</b>	<b>38.7</b>	<b>28.3</b>

The differences between the total taxation shown above and the amount calculated by applying the standard UK corporation taxation rate to the profit before taxation on continuing operations are set out below. The Group earns its profits primarily in the UK, therefore the rate used for taxation is the standard rate for UK corporation tax.

	2017 £m	2016 £m
Profit before taxation	193.4	155.0
Tax on profit on ordinary activities at the standard UK corporation tax rate of 20% (2016: 20%)	38.7	31.0
Expenses not deductible for taxation purposes	0.6	0.3
Adjustments in respect of foreign tax rates	(0.1)	(0.1)
Other permanent differences	–	(2.6)
Effect of rate changes on deferred taxation	–	0.4
Adjustments in respect of prior years	(0.5)	(0.7)
<b>Total taxation charge</b>	<b>38.7</b>	<b>28.3</b>

Taxation on items taken directly to equity was a credit of £0.1m (2016: £0.1m) relating to deferred tax on share-based payments.

The tax charge for the year is based on the standard rate of UK corporation tax for the period of 20% (2016: 20%). The March 2016 budget announced a further reduction in the UK corporation tax rate to 17% from 1 April 2020. Finance Act 2016 was 'substantively enacted' and 'fully enacted' on 6 and 15 September 2016 respectively. Deferred tax has been calculated based on the rate of 17% which is the rate at which the majority of items are expected to reverse.

## 5. Earnings per share

Basic earnings per share and diluted earnings per share are calculated by dividing profit for the year attributable to equity holders of the parent by the weighted average number of shares in issue.

	Weighted average number of ordinary shares	Total earnings £m	Pence per share
<b>Year ended 31 March 2017</b>			
Basic EPS	<b>989,278,991</b>	<b>154.7</b>	<b>15.64</b>
Diluted EPS	<b>991,812,212</b>	<b>154.7</b>	<b>15.60</b>
<b>Year ended 31 March 2016</b>			
Basic EPS	1,000,002,803	126.7	12.67
Diluted EPS	1,001,394,111	126.7	12.65

The difference between the basic and diluted weighted average number of shares represents the dilutive effect of the Share Incentive Plan, Performance Share Plan, Deferred Annual Bonus Plan and the Sharesave scheme. Shares issued to satisfy the Share Incentive Plan were subsequently purchased by the Employee Share Option Trust ('ESOT') and are entitled to dividends under the scheme rules. 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:

	Weighted average number of ordinary shares
<b>Year ended 31 March 2017</b>	
Issued ordinary shares at 31 March 2016	1,001,051,699
Weighted effect of ordinary shares purchased for cancellation	(7,621,111)
Weighted effect of ordinary shares purchased for treasury	(3,173,244)
Weighted effect of shares held by the ESOT	(978,353)
<b>Weighted average number of shares for basic EPS</b>	<b>989,278,991</b>
Dilutive impact of share options outstanding	2,533,221
<b>Weighted average number of shares for diluted EPS</b>	<b>991,812,212</b>

The average market value of 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.

## 6. Borrowings

	2017 £m	2016 £m
<b>Non-current</b>		
Syndicated Term Loan gross of unamortised debt issue costs	<b>363.0</b>	403.0
Unamortised debt issue costs	<b>(5.2)</b>	(7.4)
<b>Total</b>	<b>357.8</b>	395.6

The Syndicated Term Loan is repayable as follows:

	2017 £m	2016 £m
Within two to five years	<b>363.0</b>	403.0
<b>Total</b>	<b>363.0</b>	403.0

The carrying amounts of borrowings approximate their fair values.

### Syndicated Term Loan (the debt under the terms of the Senior Facilities Agreement)

On 24 March 2015, the Company and a subsidiary undertaking, Auto Trader Holding Limited, entered into a £550.0m Senior Facilities Agreement. The associated debt transaction costs were £9.4m. The first utilisation was made on 24 March 2015 when £550.0m was drawn.

Interest on the Syndicated Term Loan is charged at LIBOR plus a margin of between 1.5% and 3.25% depending on the consolidated leverage ratio of the Group. There is no requirement to settle all or part of the debt earlier than the termination date in March 2020.

Under the Senior Facilities Agreement, the lenders also made available to the Company and Auto Trader Holding Limited a £30.0m revolving credit facility (the 'RCF'). The RCF was undrawn at 31 March 2017 (2016: undrawn). Cash drawings under the RCF would incur interest at LIBOR, plus a margin of between 1.25% and 3.0% depending on the consolidated leverage of the Group (31 March 2016: 1.25% and 3.0%). A commitment fee of 35% of the margin applicable to the RCF from time to time is payable quarterly in arrears on the unutilised amounts of the RCF.

During the year to 31 March 2017 the Group repaid £40.0m of the Syndicated Term Loan (2016: £147.0m).

The exposure of the Group's borrowings (excluding debt issue costs) to LIBOR rate changes and the contractual repricing dates at the balance sheet date are as follows:

	2017 £m	2016 £m
One month or less	363.0	403.0
<b>Total</b>	<b>363.0</b>	<b>403.0</b>

## 7. Share capital

	2017		2016	
	Number '000	Amount £m	Number '000	Amount £m
<b>Share capital</b>				
<b>Allotted, called-up and fully paid ordinary shares of 1p</b>				
At 1 April	1,001,052	10.0	1,000,000	1,500.0
New shares allotted	-	-	1,052	1.6
Capital reduction	-	-	-	(1,491.6)
Purchase and cancellation of own shares	(22,081)	(0.2)	-	-
<b>Total</b>	<b>978,971</b>	<b>9.8</b>	<b>1,001,052</b>	<b>10.0</b>

The Company commenced a share buyback programme during the year. By resolutions passed at the 2016 AGM, the Company was authorised to make market purchases of up to 99,905,974 of its ordinary shares, subject to minimum and maximum price restrictions. A total of 26,292,510 ordinary shares of £0.01 each were purchased in the year to 31 March 2017, being 2.63% of the shares in issue at the time the authority was granted. The average price paid per share was 387.9p, with a total consideration paid (inclusive of all costs) of £102.6m. 4,211,957 shares were purchased to be held in treasury, with 22,080,553 being cancelled.

Included within shares in issue at 31 March 2017 are 948,924 (2016: 1,021,224) shares held by the ESOT and 4,203,277 (2015: Nil) shares held in treasury, as detailed in note 8.

On 23 April 2015 the Company issued and allotted 1,051,699 shares of £1.50 each in connection with the Auto Trader Group plc Share Incentive Plan and these were admitted for trade on the London Stock Exchange on 24 April 2015. The shares rank pari passu with the existing ordinary shares of the Company.

On 29 July 2015 the Company completed a reduction of share capital and share premium (the 'Capital Reduction'), whereby the entire amount outstanding on the Company's share premium account was cancelled and the nominal value of each issued ordinary share in the capital of the Company was reduced from £1.50 to £0.01. The Capital Reduction created a significant amount of distributable reserves for the Company.

## 8. Own shares held

	ESOT shares Reserve £m	Treasury Shares £m	Total £m
<b>Own shares held £m</b>			

Own shares held as at 1 April 2015	–	–	–
Acquisition of shares by ESOT	(1.6)	–	(1.6)
Transfer of shares from ESOT	0.1	–	0.1
<b>Own shares held as at 31 March 2016</b>	<b>(1.5)</b>	<b>–</b>	<b>(1.5)</b>
Own shares held as at 1 April 2016	(1.5)	–	(1.5)
Transfer of shares from ESOT	0.1	–	0.1
Repurchase of own shares for treasury	–	(15.5)	(15.5)
<b>Own shares held as at 31 March 2017</b>	<b>(1.4)</b>	<b>(15.5)</b>	<b>(16.9)</b>

	ESOT shares reserve number of shares	Treasury shares number of shares	Total number of own shares held
<b>Own shares held - number</b>			
Own shares held as at 1 April 2015	–	–	–
Acquisition of shares by ESOT	1,051,699	–	1,051,699
Transfer of shares from ESOT	(30,475)	–	(30,475)
<b>Own shares held as at 31 March 2016</b>	<b>1,021,224</b>	<b>–</b>	<b>1,021,224</b>
Own shares held as at 1 April 2016	1,021,224	–	1,021,224
Transfer of shares from ESOT	(72,300)	–	(72,300)
Shares purchased for treasury	–	4,211,957	4,211,957
Share-based incentives exercised in the year	–	(8,680)	(8,680)
<b>Own shares held as at 31 March 2017</b>	<b>948,924</b>	<b>4,203,277</b>	<b>5,152,201</b>

## 9. Dividends

Dividends declared and paid by the Company were as follows:

	2017		2016	
	Pence per share	£m	Pence per share	£m
2016 interim dividend paid	-	-	0.5	5.0
2016 final dividend paid	1.0	9.9	-	-
2017 interim dividend paid	1.7	16.7	-	-
	<b>2.7</b>	<b>26.6</b>	0.5	5.0

The proposed final dividend for the year ended 31 March 2017 of 3.5p per share, totalling £34.1m is subject to approval by shareholders at the Annual General Meeting and hence has not been included as a liability in the financial statements.

The 2017 interim dividend paid on 27 January 2017 was £16.7m being a difference of £0.1m compared to that reported in the 2017 half year results. This was due to a decrease in the ordinary shares entitled to a dividend between the date that the dividend was declared on 10 November 2016 and the dividend record date of 6 January 2017.

The 2016 final dividend paid on 30 September 2016 was £9.9m, being a difference of £0.1m compared to that reported in the 2016 Annual Report. This was due to a decrease in the ordinary shares entitled to a dividend between the date that the dividend was proposed on 9 June 2016 and the final dividend record date of 2 September 2016.

The Directors' policy with regards to future dividends is set out in the Financial review.

## 10. Cash generated from operations

	2017	2016
	£m	£m
Profit before taxation	193.4	155.0
Adjustments for:		
Depreciation	3.2	2.8
Amortisation	4.8	7.8
Share-based payments charge (excluding associated NI)	4.0	2.3
Finance costs	9.7	14.6
Changes in working capital (excluding the effects of exchange differences on consolidation):		
Trade and other receivables	0.7	(2.6)
Trade and other payables	(2.3)	5.3
Provisions	(0.6)	(5.1)
<b>Cash generated from operations</b>	<b>212.9</b>	<b>180.1</b>

## 11. Post balance sheet event

On 25 April 2017, Auto Trader Limited, a subsidiary of the Group, acquired 100% of the share capital of Motor Trade Delivery Limited ('MTD') for an undisclosed sum. MTD revenues and profits for their last financial year were less than 1% of the revenue and profits of the Group. The acquisition accounting has not yet been concluded as of the date of these financial statements.

## 12. Principal risks and uncertainties

The Board has carried out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency or liquidity. A summary of the nature of the risks currently faced by the Group is as follows:

- Economy, market and business environment - If the UK car market contracts this could result in a reduction in new and used car transactions which could result in a reduction in the number of retailers or reduce retailers' desire to advertise their vehicles on the marketplace. In addition, a contraction in the UK car market could reduce manufacturers' spend on advertising. The result of the EU Referendum has increased the level of uncertainty around customer and consumer spending power. Although there are no short-term indicators of a downturn, in the longer term the industry now expects new car registrations to plateau or decline from recent record highs and so this risk level has been slightly increased. In considering the potential implications of the Referendum result on the business the Directors considered the time lag between the registration of new cars and the entry of cars into the used car marketplace; the resilience of our business model; the strength of our value proposition, and the Group's ability to reduce costs.
- Increased competition - Increased competition could impact the Group's ability to grow revenue due to the potential loss of audience, trade and consumer advertisers, or demand for additional services.
- Brand - Failure to maintain and protect the brand or negative publicity surrounding the Group's products or services could impede the Group's ability to retain or expand its base of retailers, consumers and advertisers or could diminish confidence in and the use of the Group's services.
- New or disruptive technologies and changing consumer behaviours - Failure to innovate and develop new technologies or products, to execute product launches and improvements or to adapt to changing consumer behaviour towards car buying or ownership could lead to the Group's business being adversely impacted.
- IT systems - Failure in one system as a result of malicious attack, our own failures or those of third-party suppliers, could disrupt others and could impact the availability or performance of Group platforms and could cause reputational damage with consumers and/or customers.
- Employee retention - Our continued success and growth is dependent on our ability to attract, recruit, retain and motivate our highly skilled workforce, with a particular focus on specialist technological and data skills. Failure to do so could result in the loss of key talent.