
Half year results presentation

Six months ended 30 September 2019

7 November 2019



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Financial highlights

+6% Revenue: **up 6%** to £186.7 million (H1 2019: £176.8 million)

+9% Operating profit: **up 9%** to £131.4 million (H1 2019: £120.6 million)

70% Operating profit margin: **up 2% points** to 70% (H1 2019: 68%). Operating cost growth of 2%

+14% Earnings and distribution: **Basic EPS up 14%** to 11.13 pence (H1 2019: 9.78 pence); interim dividend of 2.4 pence per share (H1 2019: 2.1 pence per share)

+3% Cash generated from operations: **up 3%** to £132.7 million (H1 2019: £129.0 million). Cash conversion for the period was 98% (H1 2019: 101%)

£70m Cash returned to shareholders: **£69.8 million** cash returned to shareholders (H1 2019: £80.8million) through **£27.2 million of share buy-backs** (H1 2019: £42.9 million) plus **dividends paid of £42.6 million** (H1 2019: £37.9 million)

Operational highlights

+4%

Cross platform visits: up 4% to 51.2 million per month on average (H1 2019: 49.3 million) and we have grown our share of minutes amongst our full competitor set to over 75% (H1 2019: 72%). Advert views were down 6% at 233 million per month on average (H1 2019: 247 million)

+1%

Retailer forecourts up 1%: the average number of forecourts in the period was 13,316 (H1 2019: 13,153)

+7%

ARPR: up £125 to £1,951 on average per month (H1 2019: £1,826), with growth from product and price offsetting a small but expected decline in paid stock

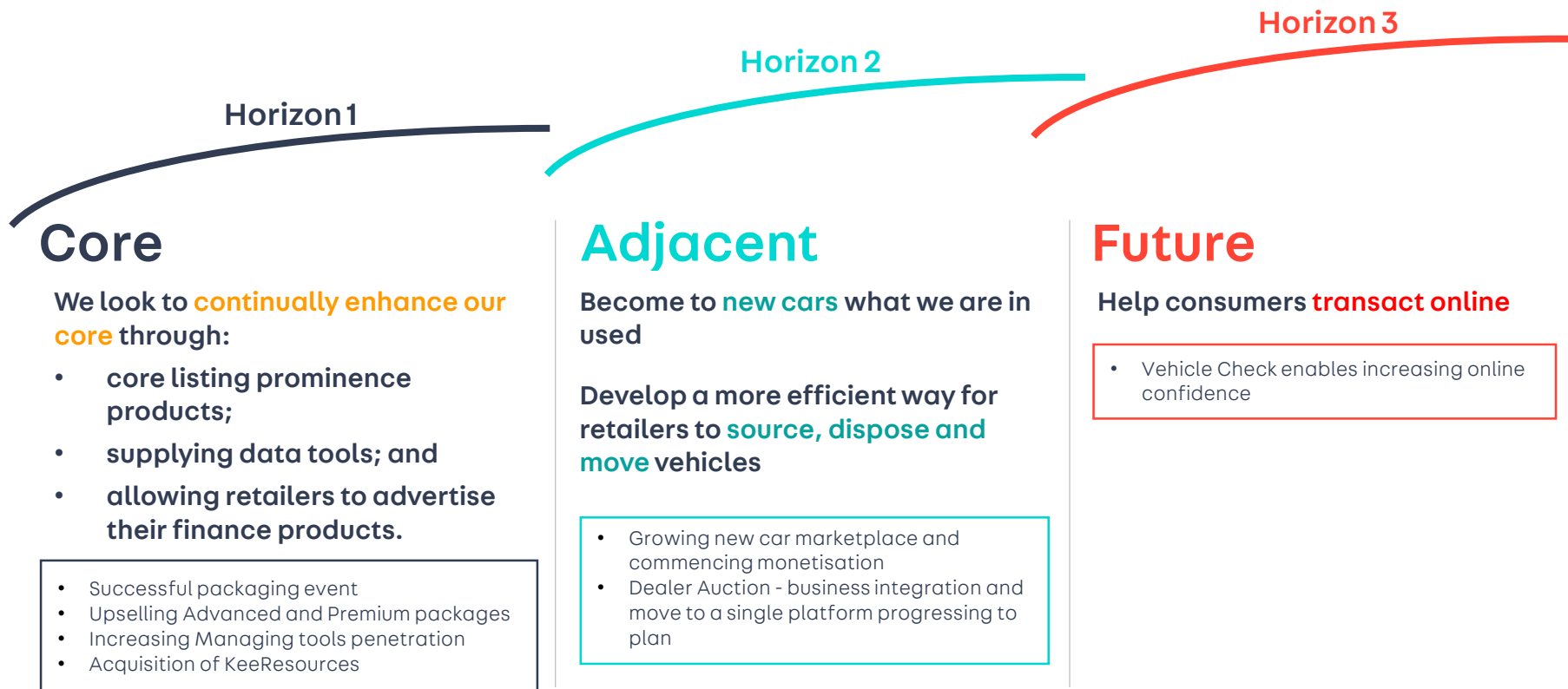
+10%

Physical car stock on site: up 10% to 481,000 cars (H1 2019: 437,000) on average. New car listings contributed 33,000 to that average (H1 2019: 3,000)

798

Number of employees and contractors (FTEs): stable at 798 on average during the period (H1 2019: 802)

We are making good progress against our strategy



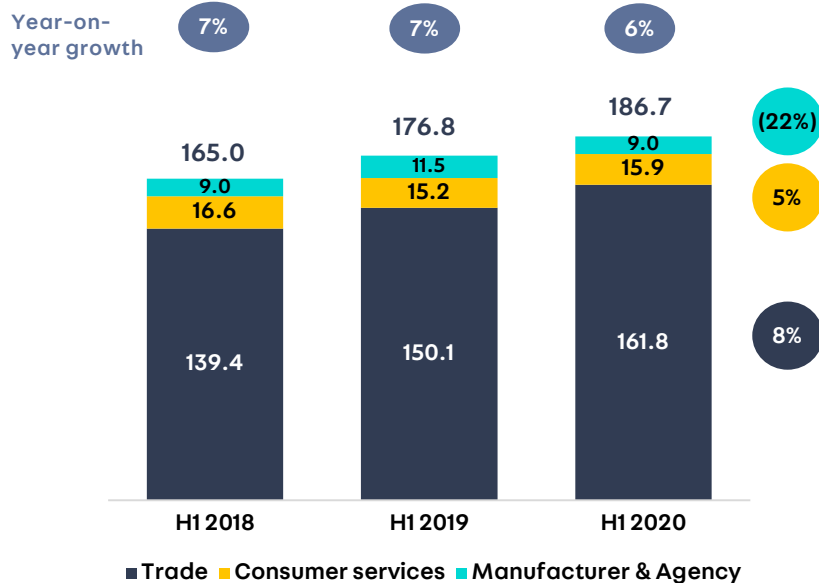
Financials



Revenue

Revenue (£m)

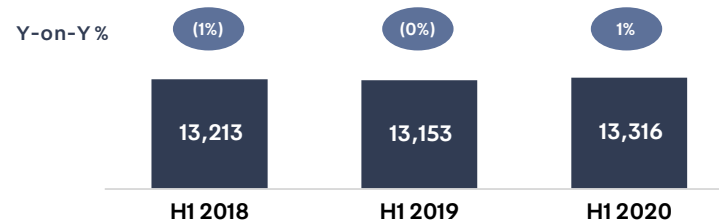
Six months ended 30 September 2019 is shown as H1 2020



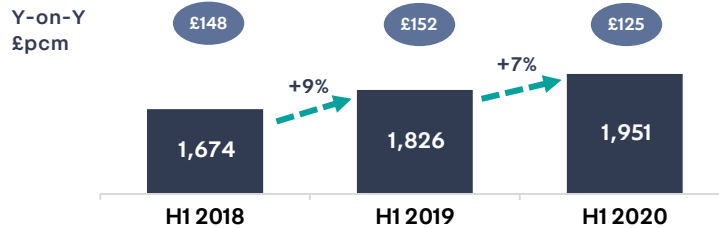
Trade revenue comprises:
 H1 2020: Retailer (£155.9m); Home Trader (£4.9m); Other (£1.0m)
 H1 2019: Retailer (£144.1m); Home Trader (£5.4m); Other (£0.6)
 H1 2018: Retailer (£132.7m); Home Trader (£6.2m); Other (£0.5m)

Consumer services revenue comprises
 H1 2020: Private (£11.8m); Motoring Services (£4.1m)
 H1 2019: Private (£11.0m); Motoring Services (£4.2m)
 H1 2018: Private (£12.6m); Motoring Services (£4.0m)

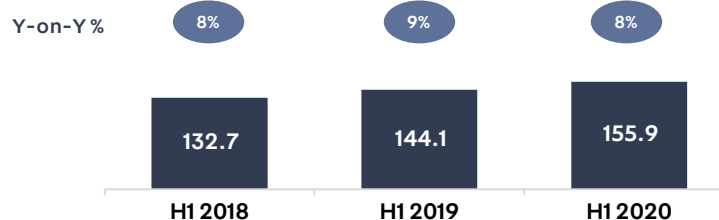
Number of retailer forecourts ⁽¹⁾



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



Retailer revenue (£m)

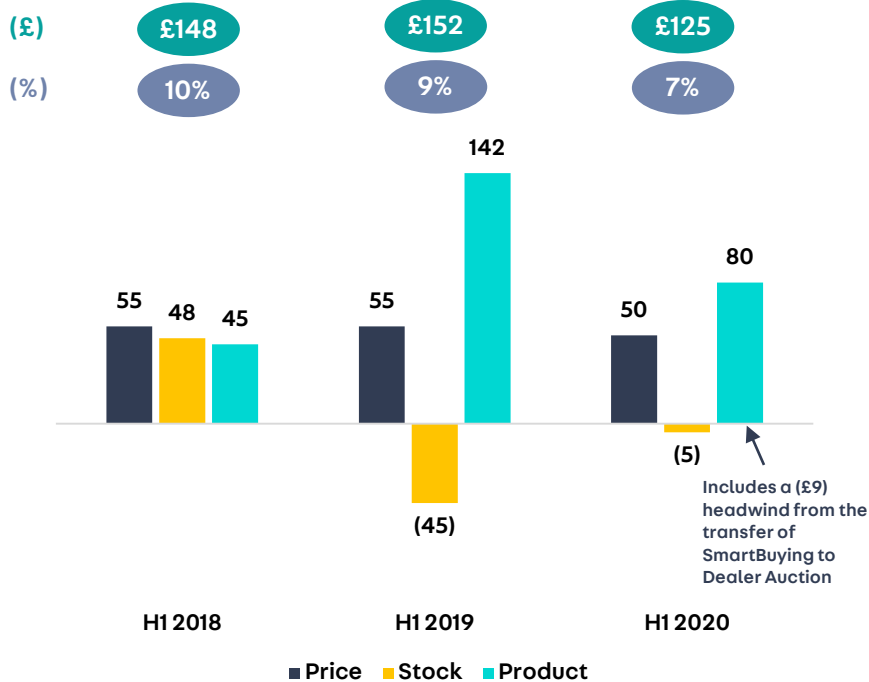


(1) Average monthly metric

Product remains the largest level of ARPR growth whilst stock continues to be a headwind as expected

ARPR levers

Growth in Average Revenue Per Retailer per month (£)



Physical car stock and retailer forecourts

Y-on-Y average retailers

(1%)

Y-on-Y average live physical car stock

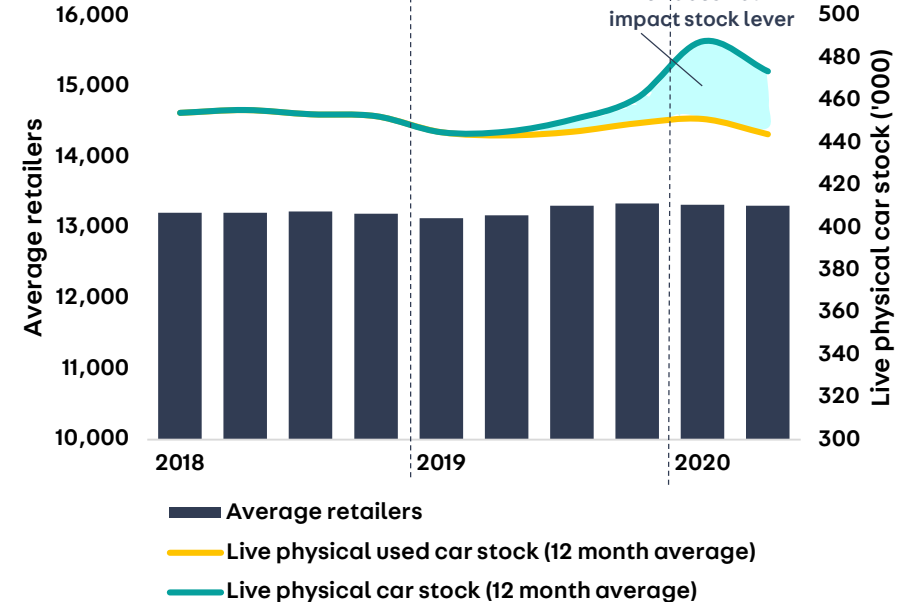
1%

0%

2%

1%

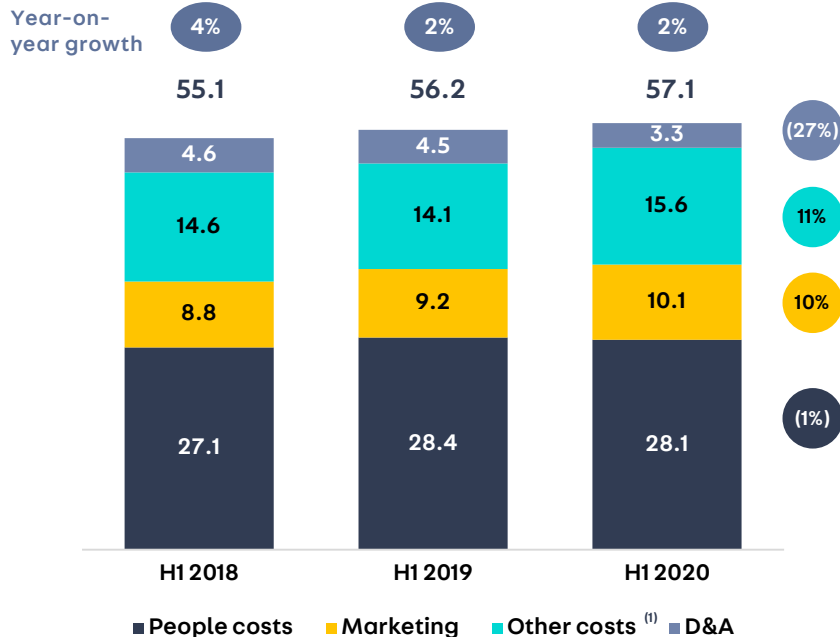
10%



Costs

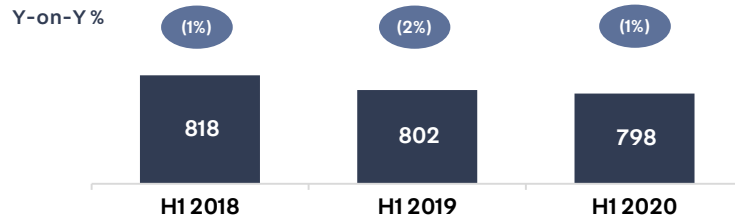
Costs (£m)

Six months ended 30 September 2019 is shown as H1 2020

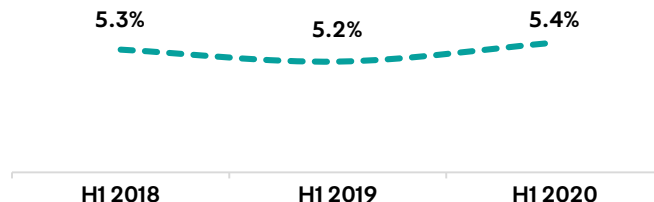


People costs include share-based payments and associated national insurance costs of £3.1m in H1 2020 (H1 2019: £3.2m ; H1 2018: £1.8m)

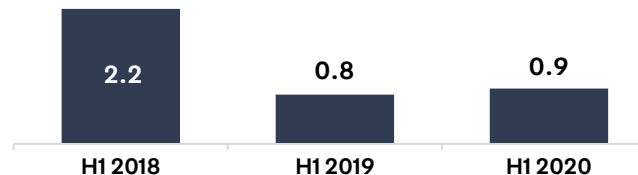
FTEs (including contractors)⁽²⁾



Marketing as a % of revenue



Capital expenditure (excluding acquisitions) (£m)

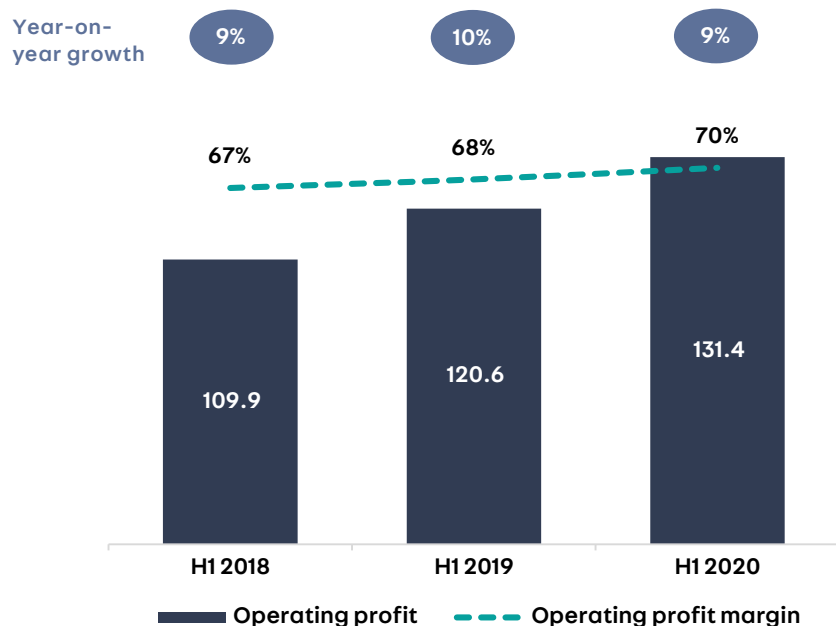


(1) Other costs include: property, IT & comms, data services and other corporate overheads
 (2) Average monthly metric

Profit and cash flow

Operating profit (£m)*

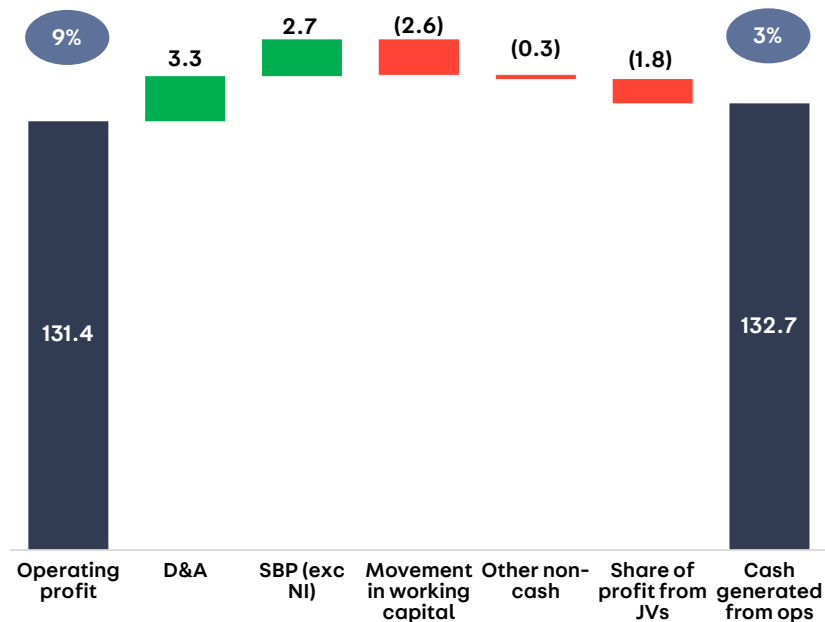
Six months ended 30 September 2019 is shown as H1 2020



Operating profit includes the Group's share of profit from joint ventures: H1 2020: £1.8m; (H1 2019: nil; H1 2018: nil)

Cash generated from operations (£m)

Six months ended 30 September 2019

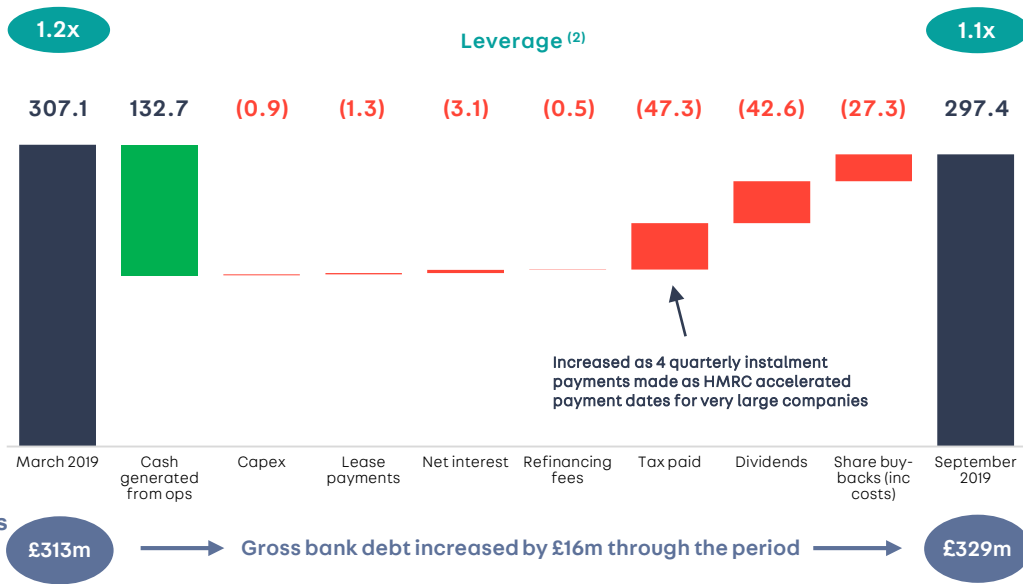


Income statement

	H1 2020 £ million	H1 2019 £ million	Year-on-year %
Revenue	186.7	176.8	6%
Administrative expenses	(57.1)	(56.2)	(2%)
Share of results of joint ventures	1.8	-	n.m
Operating profit	131.4	120.6	9%
Finance costs – net	(3.7)	(6.1)	39%
Profit before taxation	127.7	114.5	12%
Taxation	(24.5)	(21.9)	(12%)
Profit for the year attributable to equity owners of the parent	103.2	92.6	12%
Earnings per share (pence)			
Basic	11.13p	9.78p	14%
Diluted	11.08p	9.75p	14%
Dividend per share (pence)			
	2.4p	2.1p	14%

Net external debt and capital allocation

Reconciliation of net external debt ⁽¹⁾ (£m)



Capital allocation

- The Group's capital allocation policy outlined in the 2019 full year results remains unchanged
- The Group will continue to invest in the business however the high level of cash conversion means that significant surplus cash will be generated
- The majority of surplus cash will be used to continue the Group's share buy-back programme. During the period, 5.1m shares were repurchased at an average price of 532p for consideration of £27.2m plus costs of £0.1m
- The acquisition of KeeResources meant that the Group increased gross debt in the period, using the revolving credit facility, in advance of completing the transaction on the 1st October. By the end of the financial year we aim to have reduced the level of gross debt by a modest amount
- Our current policy is to distribute around one third of total net income for the year in the form of dividend; an interim dividend of 2.4p has been recommended

(1) Net external debt represents gross external bank debt before amortised debt costs less cash and does not include amounts relating to leases

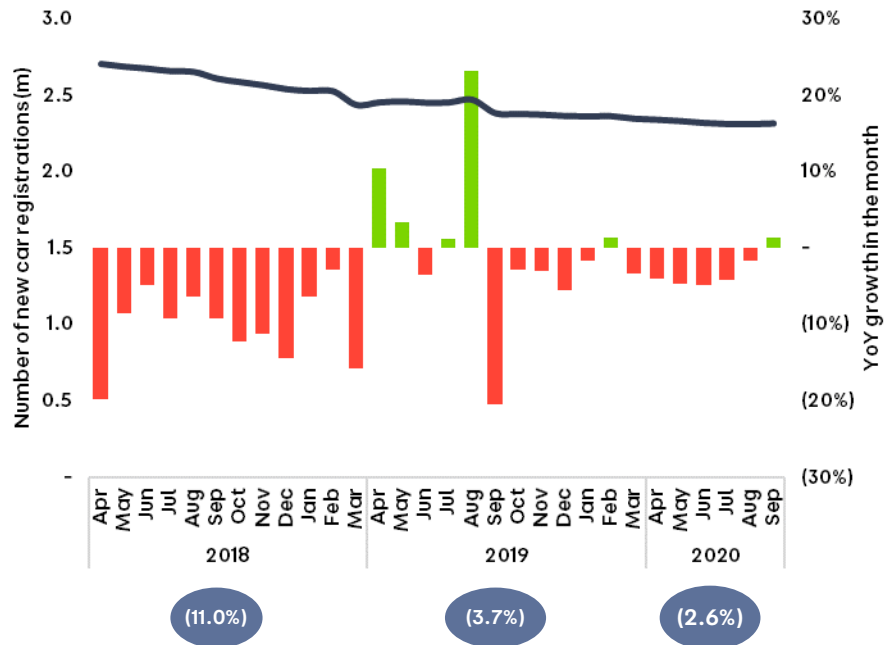
(2) Leverage is net external debt as a multiple of Adjusted underlying EBITDA (AUEBITDA). AUEBITDA is earnings before interest, tax, depreciation, amortisation, share-based payments and associated NI, share of profit from joint ventures and exceptional items

The UK car market and our position

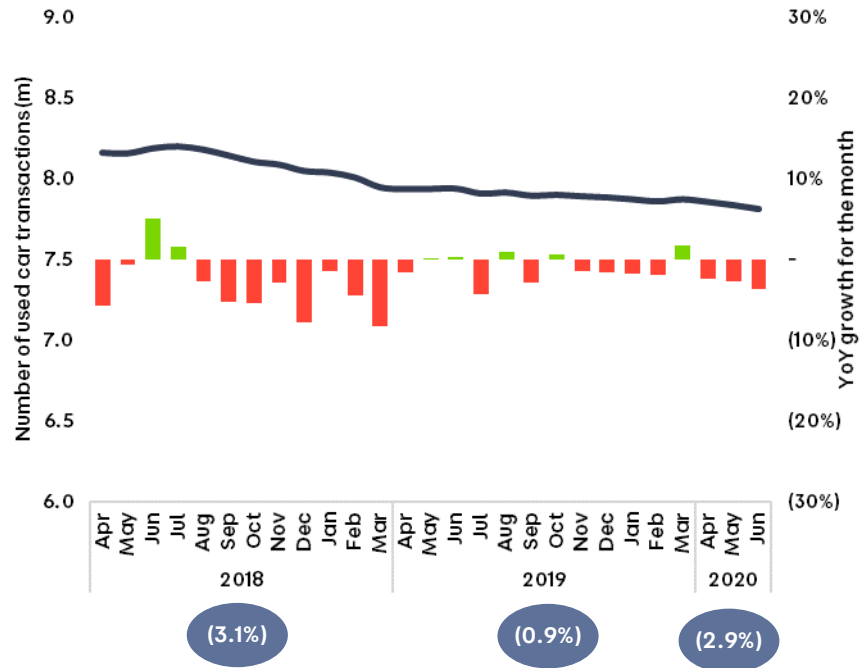


The UK market continues to be challenging as the volume of new and used car transactions decline

New car registrations ⁽¹⁾



Used car transactions ⁽²⁾

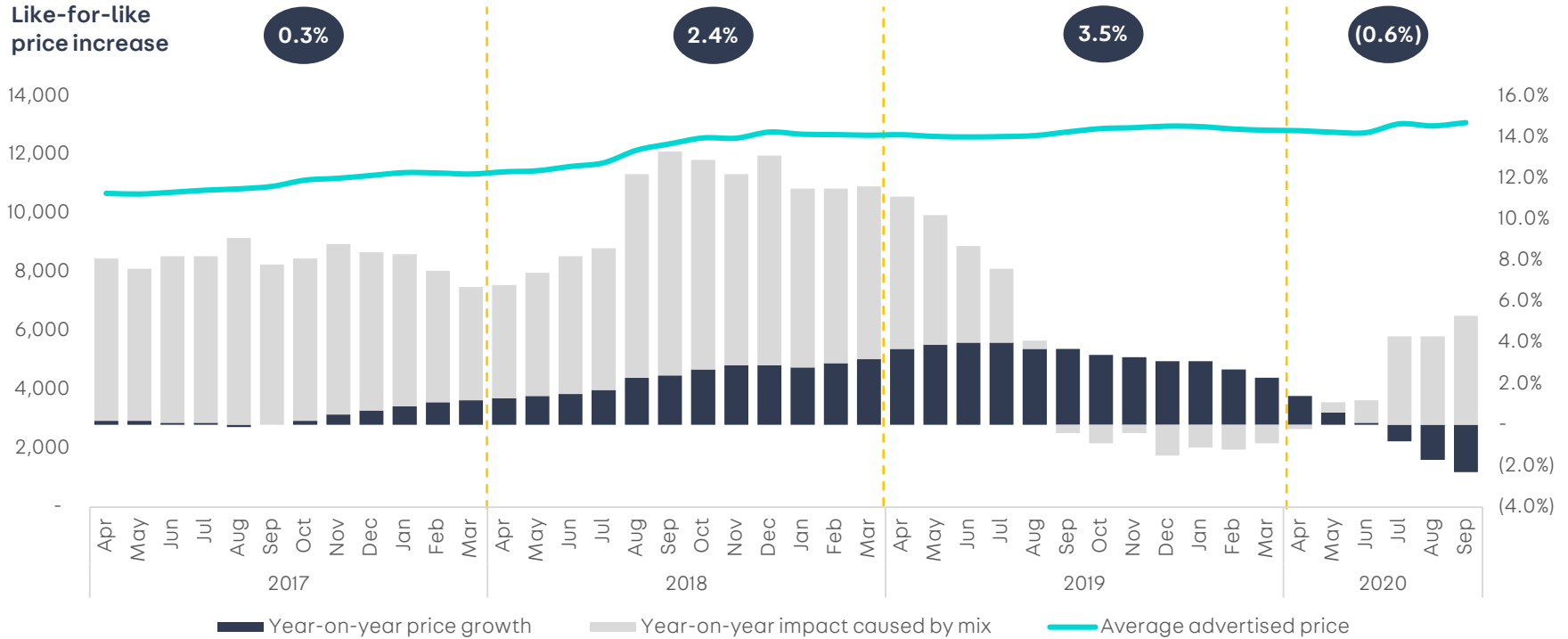


(1) Society of Motor Manufacturers & Traders (SMMT) - 12 month rolling total

(2) DVLA transaction data - 12 month rolling total

Used car prices have decreased marginally in the period

Like-for-like price increase

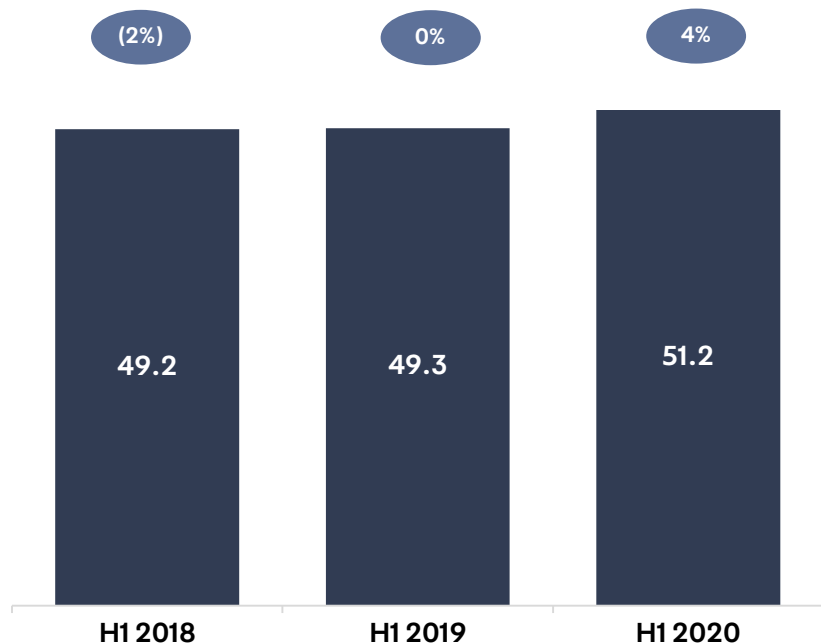


Note: During financial year 2019 we made a change to the price index to further identify changes in the average advertised price due to mix of stock compared to the underlying price increase. As a result 2017 and 2018 have been restated so all figures are on a like-for-like basis

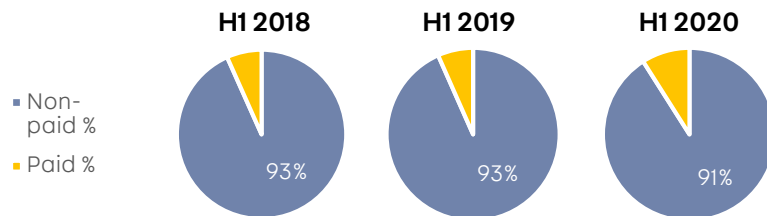
We are growing our audience with most of our visits coming organically

Cross platform visits Autotrader.co.uk ⁽¹⁾

(Average pcm - million)

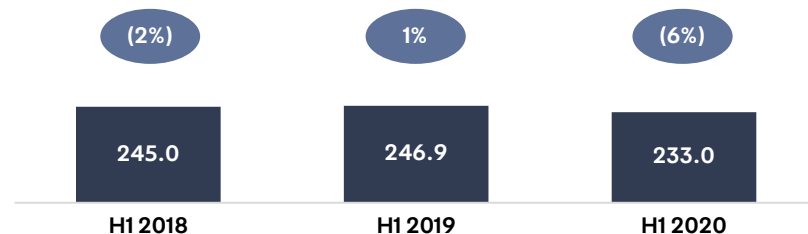


Split of unpaid vs. paid cross platform visits - Autotrader.co.uk ⁽¹⁾



Advert views on Autotrader.co.uk ⁽²⁾

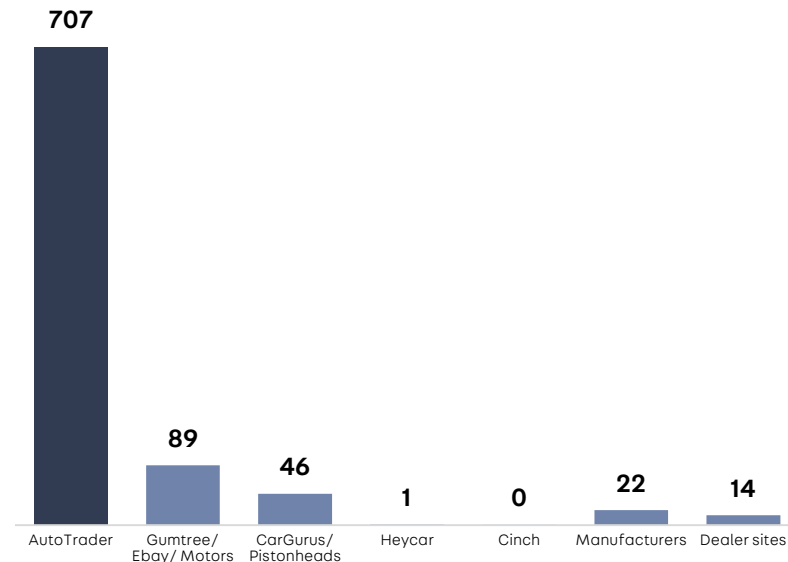
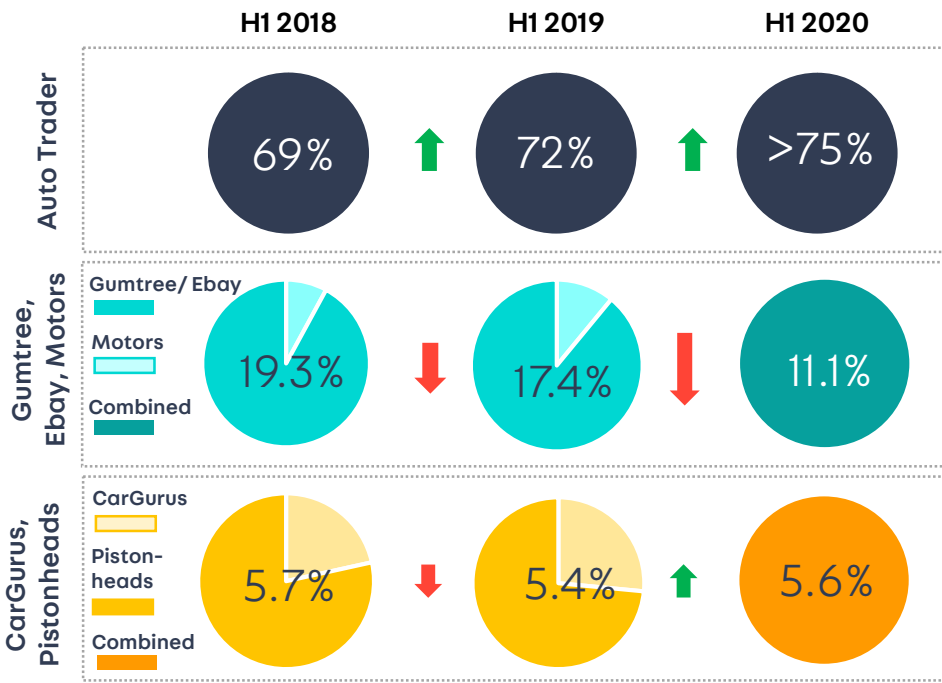
(Average pcm - million)



Our position as market leader has strengthened in the period

Share of minutes as measured by comScore ⁽¹⁾

Total minutes spent in September 2019 (millions) ⁽²⁾



(1) Share of minutes is a custom metric based on Comscore minutes (MM) (revised) and is calculated by dividing Auto Trader's total minutes volume by the entire custom-defined competitive set's total minutes volume. Comscore MMX® Multi-Platform, Total Audience, April 2017 through September 2019, UK. Custom-defined list includes: Auto Trader, Gumtree.com - Motors, eBay Motors UK, Pistonheads sites, Motors.co.uk, CarGurus, Auto Express.co.uk, Topgear.com, Parkers.co.uk, Whatcar.com, Carwow.com, Exchange&Mart, Vcars, RAC cars, Trusteddealers.co.uk, Carsnip.co.uk.

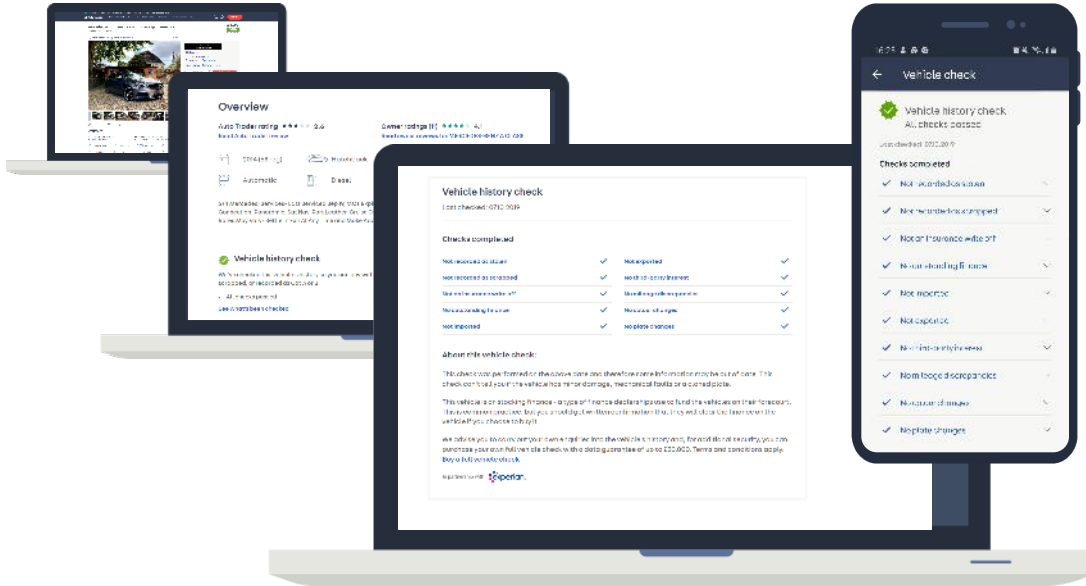
(2) Source: Comscore MMX® Multi-Platform, Total Audience, September 2019, UK. 'Dealer sites' Custom-defined list including - Arnold Clark, Evans Halshaw, Carshop, Lookers, Motorpoint, Availablecar.com, Stoneacre, Marshall, Motordepot, Cargiant, Imperial Car Supermarket, Big Motoring World, Pentagon, Pendragon, Sytner, Peter Vardy, Jardine, JCT600, TrustFord, Robins and Day, Carcraft, Listers-

Product update



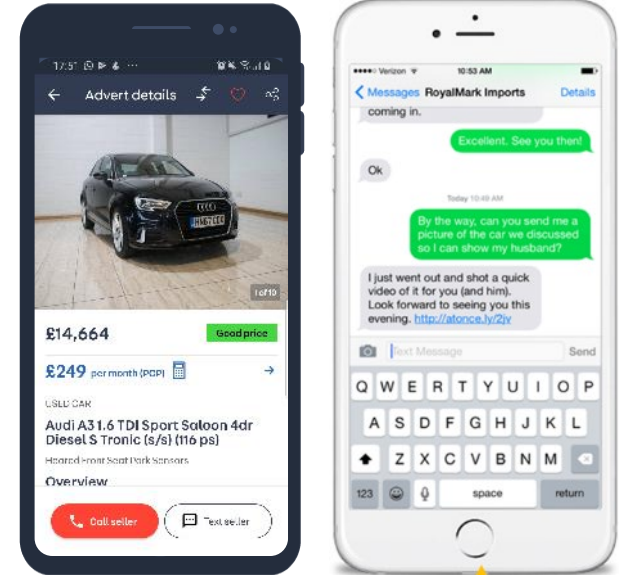
Products launched through our April event have been well received

✔ Vehicle Check



Vehicle Check enables retailers to check the provenance of vehicles they might be looking to source. The checks also provide consumers with a greater level of transparency when searching on Auto Trader

✔ Text Chat



Text Chat gives buyers the ability to text retailers directly from adverts, through their text messaging app

Our new car proposition is growing its audience and we are delivering value for retailers

33,000 New cars on site per month

19m New car advert views in the first half

1.6m Consumers viewed a new car advert in September



Outlook



We have acquired KeeResources and Dealer Auction continues to progress well



Provides a unique vehicle data set that underpins our platform

Provides data to a range of customers in the industry including fleet companies and lenders

Provides fleet management software to some of the largest providers in the UK



Sell faster. Buy smarter.

Our joint venture with Cox Automotive

On track to transact approximately 100,000 vehicles

Integration of the three businesses is progressing well

2020 full year outlook

- In the first half, we have seen stronger than expected revenue growth from retailers, underpinned by product innovation. We expect good ARPR growth to continue, albeit with a slightly increased headwind from stock.
- We anticipate the average number of retailer forecourts to see modest year-on-year growth, largely through the acquisition of smaller retailers.
- Consumer services growth is expected to moderate slightly as we lap a tougher comparative.
- Manufacturer and Agency revenue, which is 5% of total revenue, has been weak due to challenges facing these customers and we anticipate the rate of decline will accelerate.
- With KeeResources included, we anticipate total operating costs for the year to increase at low to mid-single digit percentage.
- The Board is confident of meeting its growth expectations for the year.

Appendix



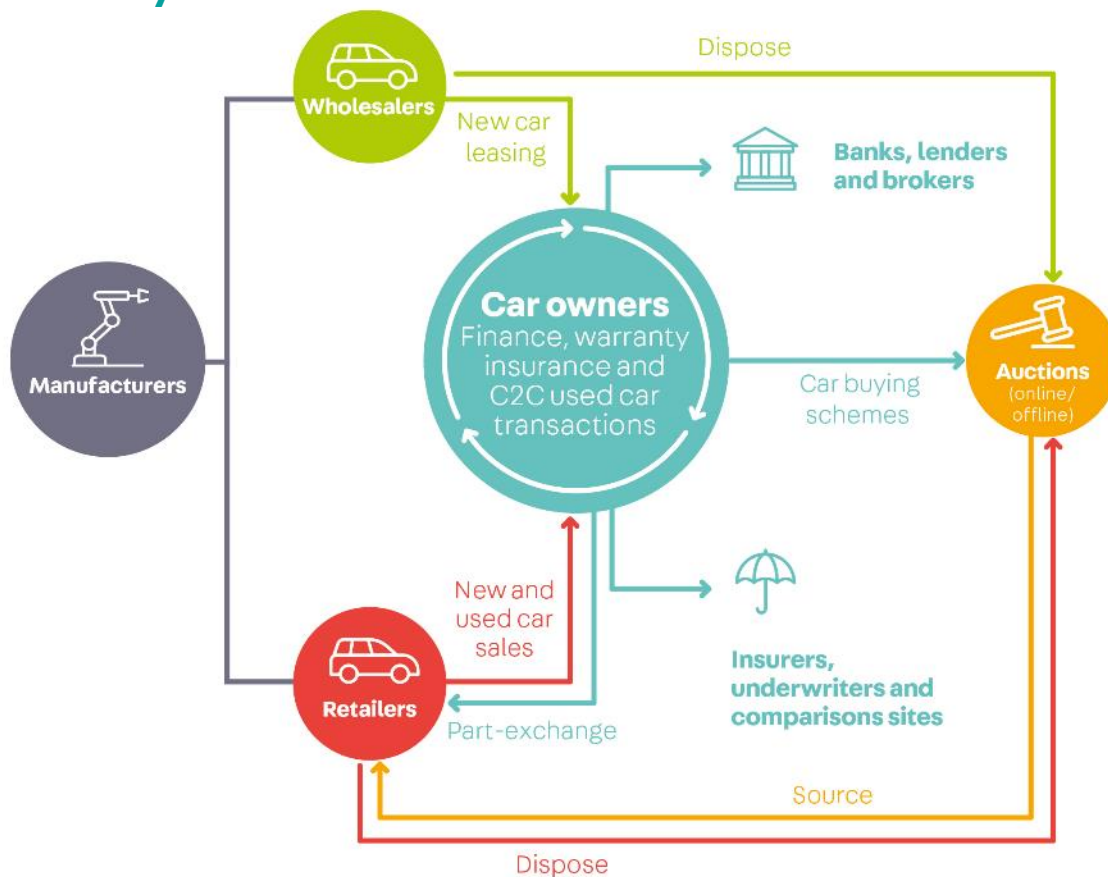
Cashflow statement

	H1 2020 £ million	H1 2019 £ million
Profit before tax	127.7	114.5
Depreciation & amortisation	3.3	4.5
Share-based payments charge (excluding NI)	2.7	2.6
Share of profit from joint ventures	(1.8)	-
Finance costs - net	3.7	6.1
Other non-cash items	(0.3)	-
Changes in working capital	(2.6)	1.3
Cash generated from operations	132.7	129.0
Tax paid	(47.3)	(19.8)
Capital expenditure	(0.9)	(0.8)
Payment of lease liabilities	(1.3)	(1.6)
Drawdown / (Repayment) of borrowings	15.5	(20.0)
Interest paid	(3.1)	(3.3)
Payment of refinancing fees	(0.5)	(3.3)
Dividends paid	(42.6)	(37.9)
Purchase of own shares	(27.2)	(42.9)
Fees on purchase of shares	(0.1)	(0.2)
Proceeds from exercise of share-based payments	0.1	0.1
Contributions to defined benefit contribution scheme	(0.1)	-
Net increase/ (decrease) in cash	25.2	(0.7)

KeeResources impact

- KeeResources annual revenue and Operating profit for their financial year ending December 2018 was £5.5m and £0.8m respectively
- 75% of KeeResources revenue, relating to non-Manufacturer customers will sit within Other, within our Trade segment, which does not impact ARPR. The remaining 25% will sit within Manufacturer and Agency
- We are yet to finalise the acquisition accounting but it is likely that we will recognise some specifically identifiable intangible assets that will be amortised
- At the time of acquisition, Kee Resources had 61 employees
- Consideration, net of cash acquired, was £25.3 million and was paid in full on the date of acquisition

The automotive ecosystem



Auto Trader advertising package structure

Starter

Engage your buyers through the essentials of modern online retailing

- Text chat
- Live Chat
- 100 Images
- Part-Ex Guide
- ★★★★★ Dealer Reviews

Basic

Stand out and encourage engagement through trust and transparency

- Enhanced Listings
- Vehicle Video
- Gallery Branding
- Text chat
- Live Chat
- 100 Images
- Part-Ex Guide
- ★★★★★ Dealer Reviews

Starter
+ 16%

Standard

Improve visibility of your stock on mobile and drive more ad views

- Priority Listing Mobile
- Enhanced Listings
- Vehicle Video
- Gallery Branding
- Text chat
- Live Chat
- 100 Images
- Part-Ex Guide
- ★★★★★ Dealer Reviews

Basic
+ 19%

Advanced

Boost your ad views with our bonus slot in search

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

Standard
+ 20%

Premium

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

- Priority Listing Desktop
- Promoted
- Priority Listing Mobile
- Enhanced Listings
- Vehicle Video
- Gallery Branding
- Text chat
- Live Chat
- 100 Images
- Part-Ex Guide
- ★★★★★ Dealer Reviews

Advanced
+ 27%

Relative prices between package levels:

Notes

Notes

The logo for AutoTrader features a stylized icon on the left consisting of two slanted, parallel bars. The top bar is red and the bottom bar is dark blue. To the right of this icon, the text "AutoTrader" is written in a bold, dark blue, sans-serif typeface.

AutoTrader