Embargoed until 7.00am, 26 May 2022

AUTO TRADER GROUP PLC

FULL YEAR RESULTS FOR THE YEAR ENDED 31 MARCH 2022

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 2022

Strategic overview

- Our financial performance, customer numbers, consumer engagement and product uptake are at record levels. Throughout the year we have also further strengthened our competitive position. Paid stock was up year-on-year for the first time in four years, despite the challenging market conditions.
- We successfully executed our annual pricing event in April 2021, including the launch of Retailer Stores, which provide retailers their own dedicated, customisable location on Auto Trader.
- We saw strong levels of product uptake which was partly driven by upsell to our new higher-level advertising packages, which now give a consistent cross-platform search experience and our newly launched Market Extension product, which allows our retailers to reach car buyers outside their local area.
- We launched Auto Trader Connect as part of our April 2022 pricing event, which has gone well. This 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 continue to focus on supporting an increasingly online car buying journey and have made good progress in developing both the component parts which will form our end-to-end deal builder journey and scaling some of the key enablers to support digital retailing. There has been no erosion in Operating profit margin as we continue to invest in future revenue streams.
- In March 2022, we announced that we have agreed to acquire all the share capital of Autorama (UK) Limited, subject to regulatory approvals. Autorama's online marketplace and fulfilment capabilities will transform Auto Trader's existing leasing proposition helping meet the demands of the growing number of consumers who might consider leasing their next new vehicle.

Financial results

- Revenue up 65% to £432.7 million (2021: £262.8 million), and up 17% on 2020 (£368.9 million). Trade revenue up 72% to £388.3 million (2021: £225.2 million) and up 20% on 2020 (£324.3 million). Revenue in the prior year was impacted by our decision to provide free advertising to retailer customers in April 2020, May 2020, December 2020 and February 2021, as well as at a discounted rate in June 2020.
- Operating profit up 88% to £303.6 million (2021: £161.2 million) and up 17% on 2020 (£258.9 million). Operating profit margin increased to 70% (2021: 61%), consistent with 2020 levels. Costs increased by 27% to £132.0 million (2021: £104.0 million).
- Profit before tax up 91% to £301.0 million (2021: £157.4 million) and up 20% on 2020 (£251.5 million).
- Basic EPS up 93% to 25.61p per share (2021: 13.24p) and up 15% on 2020 (22.19p).
- Cash generated from operations[1] up 115% to £328.1 million (2021: £152.9 million), and up 24% on 2020 (£265.5 million).
- £237.1 million returned to shareholders (2021: Nil) through £163.5 million of share buybacks and dividends paid of £73.6 million.

- Proposed final dividend of 5.5 pence per share (2021: 5.0 pence per share) giving total dividends of 8.2 pence per share for the year (2021: 5.0 pence per share).

Operational results

- Cross platform visits[3,4] up 9% to 63.8 million per month on average (2021: 58.3 million).
- Cross platform minutes[3,4] up 5% to 588.1 million per month on average (2021: 561.1 million). Our share of cross platform minutes[3,5] remains strong at over 75% (2021: over 75%) and we grew to be 8x larger than our nearest competitor (2021: 7x).
- The average number of retailer forecourts[3] in the period was up 5% to 13,964 (2021: 13,336), due to both our strong position and favourable market conditions.
- Average Revenue Per Retailer[3] (ARPR) per month was up £886 to £2,210 on average per month (2021: £1,324). Excluding COVID-19 discounts in the prior year, underlying ARPR increased by £247 per month, with growth from all three ARPR levers.
- Physical car stock[3,6] on site was down 11% to 430,000 (2021: 485,000) on average, of which our listings product for new cars declined to 29,000 on average (2021: 47,000).
- Number of employees (FTEs[3]) increased to 960 on average during the period (2021: 909).

Cultural KPIs

- Employees that are proud to work at Auto Trader[7] remained high at 95% (March 2021: 93%).
- Diverse teams and an inclusive culture are critical to attracting, identifying and maximising the potential of our people and therefore our business:
  - Board: We now have a greater percentage of women than men on our Board (March 2021: 50:50), following the appointment of Jasvinder Gakhal as an Independent Non-Executive Director to the Board, with effect from 1 January 2022.
  - Leadership: The percentage of women leaders[8] was 38% (March 2021: 34%), and those who are ethnically diverse[9] was 6% (March 2021: 6%).
  - Organisation: The percentage of employees who are women was 40%[10] (March 2021: 39%), and those who are ethnically diverse[9,10] was 14% (March 2021: 11%).
- In June 2021, we signed up to the Science Based Target initiative Business Ambition for 1.5°C, which committed us to achieving net zero before 2050. We are aiming to achieve net zero across our entire value chain (Scopes 1, 2 and 3) before 2040, having halved our carbon emissions before the end of 2030. The total amount of our CO_2 emissions increased in the year by 16% to 11.7k tonnes of carbon dioxide equivalent[11] versus our benchmark of 2020 (10.1k tonnes), which was due to an increase in our cost base and higher capital expenditure. During the year we offset these emissions across all scopes using an accredited scheme and were therefore carbon neutral. This year, for the first time the reduction in emissions will form part of our remuneration policy.

Nathan Coe, Chief Executive Officer of Auto Trader Group plc, said:

“This year marks the best financial and operational performance in our history, which is credit to our people and the partnerships we have with our customers.

“We are well placed to continue growing our core business while establishing the products that retailers will need to shift more of the car buying journey online, on Auto Trader.

“Despite the current high levels of economic uncertainty and industry change, we enter the year with good reason for both confidence and optimism.”

Outlook

The new financial year has started well. In April this year, we successfully executed our annual pricing event which included the launch of our Auto Trader Connect product.

We are anticipating another good year of ARPR growth, underpinned by our product lever. We expect growth in the product lever to be greater than 2021, but less than the exceptional performance achieved in 2022. We expect the price lever to be broadly consistent with last year, and the stock lever to be flat. We anticipate average retailer forecourts to be marginally down year-on-year, as market conditions start to toughen.

Consumer Services is expected to increase at a rate of low-mid single digits year-on-year, while Manufacturer and Agency remains unclear due to well documented supply chain issues. These two areas only represent c.10% of total Group revenue.

Despite pressure on costs, we anticipate Operating profit margins to be consistent year-on-year at 70%.

This outlook does not include the acquisition of Autorama, which will be provided upon completion. The completion date is not yet known as not all regulatory approvals have been received.

Despite growing economic uncertainty, the Board is confident of meeting its growth expectations for the year.

Analyst presentation
A presentation for analysts will be held via audio webcast and conference call at 9.30am, Thursday 26 May 2022. Details below.

Audio webcast: https://edge.media-server.com/mmc/p/2i7eqkti

Conference call details:

Location	Purpose	Phone Type	Number
United Kingdom, London	Participant	Local	+44 (0) 2071 928338
United Kingdom	Participant	Tollfree / Freephone	08002796619
United States, New York	Participant	Local	16467413167
United States	Participant	Tollfree / Freephone	18778709135

Passcode: 8375612

Please note: Questions will only be taken from in the room at Bank of America. Participants on the conference call who 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 7324 0490 or email autotrader@powerscourt-group.com

About Auto Trader
Auto Trader Group plc is the UK and Ireland's largest 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 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

	Units	2022	2021	Change
Income statement				
Trade	£m	388.3	225.2	72%
Consumer Services	£m	33.3	26.6	25%
Manufacturer and Agency	£m	11.1	11.0	1%
Revenue	£m	432.7	262.8	65%
Operating profit	£m	303.6	161.2	88%
Operating profit margin	%	70%	61%	9% pts
Profit before tax	£m	301.0	157.4	91%
Basic earnings per share	Pence	25.61	13.24	93%
Dividend per share	Pence	8.2	5.0	64%
Cash flow				
Cash generated from operations[1]	£m	328.1	152.9	115%
Net bank debt/(cash) at March[2]	£m	(51.3)	(15.7)	
Selected key performance indicators				
Average Revenue Per Retailer[3]	£ per month	2,210	1,324	67%
Physical car stock on site[3,6]	Number	430,000	485,000	(11%)
Retailer forecourts[3]	Number	13,964	13,336	5%
Cross platform visits[3,4]	million per month	63.8	58.3	9%
Cross platform minutes[3,4]	million per month	588.1	561.1	5%
Full-time equivalent employees (including contractors)[3]	Number	960	909	6%

1. Cash generated from operations is defined as net cash generated from operating activities, before corporation tax paid.
2. Net bank debt is Net debt before amortised debt fees and excluding accrued interest and amounts owed under lease arrangements.
3. Average during the year.
4. Measured by Google analytics.
5. 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.
6. Physical car stock advertised on autotrader.co.uk.
7. Based on a survey to all Auto Trader employees in April 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.
8. We define leaders as those who are on our Operational Leadership Team ('OLT'), three divisional leaders and their direct reports.
9. Throughout 2022 we have asked our employees to voluntarily disclose their ethnicity, at year end we had 124 employees (12%) who had not yet disclosed.
10. We calculate all our diversity percentages using total group headcount (March 2022: 1,002, March 2021: 953) as at 31 March.
11. 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.

Summary of FY22 operating performance

Supported by a strong car market and seeing a meaningful increase in the amount of time car buyers have spent online, Auto Trader has had a strong year. Revenue grew by 65% to £432.7 million (2021: £262.8 million). The abnormally high rate of growth principally reflects the COVID-related discounts we gave to our retailer customers throughout the pandemic. A better comparison is that of two years ago, against which revenue grew by 17% (2020: £368.9 million), with a greater number of customers using Auto Trader and choosing to spend more on our platform. Operating profit grew 88% to £303.6 million (2021: £161.2 million), again with a better comparison being 2020 where growth was also 17% (2020: £258.9 million). Operating profit margin grew to 70% (2021: 61%) and was consistent with the level achieved in 2020.

Our audience performance has strengthened with average monthly cross platform visits increasing by 9% to 63.8 million per month (2021: 58.3 million). Engagement, which we measure by total minutes spent on site, was also strong with an increase of 5% to an average of 588 million minutes per month (2021: 561 million minutes). 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 (2021: over 75%) and grew to be 8x larger than our nearest competitor (2021: 7x).

Demand for both new and used cars has been particularly strong for much of this last financial year. This demand has been fuelled by a catch up in transactions that didn't happen in 2020 due to COVID-related lockdowns, increased consumer interest in car ownership and good levels of consumer confidence. New car registrations, whilst seeing year-on-year growth of 4% versus 2021, were still 22% below 2020 levels, with the well documented new car supply constraints due to semi-conductor shortages. These trends fed through to live stock on site, which decreased by 11% to an average of 430,000 cars (2021: 485,000). Part of this decline was due to a fall in the volume of new car stock, which averaged 29,000 (2021: 47,000) for the year. These constraints also impacted used cars, particularly for our larger customers, as lower new car sales have meant fewer part-exchanges and a lower volume of cars sent to auction from wholesalers, with overall transactions being 2% lower than 2020, although were up 15% on 2021. The year-on- year decline in live used stock was also partly impacted by a stock offer in the previous year, where customers could advertise more than their contracted amounts without charge, which was not repeated this year.

High levels of demand combined with constrained supply have led to significant levels of used car price growth, with our used car price index seeing a 22% year-on-year increase in prices across the period. This contributed to very good trading conditions for our customers, with some of them achieving record profit levels.

The average number of retailer forecourts advertising on our platform increased by 5% to 13,964 (2021: 13,336). The increase in the number of forecourts was due to lower levels of cancellation, partly due to favourable market conditions but also driven by the current strength of our position and standing with customers. Levels of new customer acquisition were largely consistent with the prior year.

Strategic developments

We strive to be 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. We think about our strategy in terms of four strategic pillars: our core marketplace, digital retailing, our data platform, all of which sit alongside our make a difference strategy. We have made good progress across all areas throughout the year.

Our core marketplace

In April 2021, we successfully executed our annual pricing event including the launch of Retailer Stores, which offers retailers their own dedicated, customisable location on Auto Trader. This allows retailers to bring their brand to life, driving consumer confidence and standing out to buyers. As we build our digital retailing capabilities, we envisage these pages becoming an area that customers can use as part of their own e-commerce journey.

At the start of the year, we also evolved our advertising package structure and changed the sort order for listings. We have now created a consistent cross platform experience with adverts appearing in search based on a relevancy algorithm. As part of this change, we have discontinued our Basic package, introduced a higher level and re-branded our top three levels to Enhanced, Super and Ultra. We have increased the penetration of these higher yielding packages with 31% of retailer stock on a package above Standard in March 2022 (March 2021: 26%). Whilst the supply and demand dynamics during the past six months have not created the best environment for upselling, we have nonetheless seen customers continue to invest further in our suite of prominence products.

The number of customers paying for our new car product has been robust despite the challenges of sourcing stock due to the shortage of semi-conductors. We ended the year with over 1,800 retailers (2021: over 2,000) paying to advertise new cars on our site.

Digital retailing - bringing more of the car buying journey online

With car buyers continuing to do more online, our focus is to build an end-to-end deal builder journey on Auto Trader, which leverages the three individual components of guaranteed part-exchange, reservations and finance applications, all of which have been trialled individually. Whilst we believe that the physical showroom will continue to play a role in the car buying process for a number of years, there are several components which 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.

Having last year acquired AutoConvert, a finance, insurance and compliance platform, we have recently launched a small trial enabling the application and approval of a finance proposal on Auto Trader. This product is expected to drive greater transparency for buyers, with an upfront understanding of their finance options, including a soft-check and full application journey which will drive efficiencies on the forecourt. The trial is working with a couple of lenders and if the buyer is not eligible for the retailer’s first choice of lender, the journey presents an alternative lender via a broker, Carmoney. While enabling each retailer to use their choice of lender dramatically increases the complexity of the product and onboarding, we believe it will ultimately result in much greater take-up and engagement from our customers, thereby giving us the best chance of seamlessly bridging the offline and online experiences.

We have also continued to evolve our trial for vehicle reservations during the year, with the introduction of Auto Trader’s Seller Promise, which is currently offered by a subset of trial customers. Seller Promise is designed to give buyers greater peace of mind when completing more of the buying journey online and includes certain features offered by the retailer, such as warranties, a 14-day moneyback guarantee and 12-month minimum MOT and service. In the year we have seen over 400 reservations convert into a successful transaction, which give us good levels of confidence as we evolve the proposition to be incorporated into our full deal builder journey.

As referenced in our half year results, we have improved our offering for consumers who want to conveniently sell their car for cash through our Instant Offer product, which uses the same consumer journey as our Guaranteed Part-Exchange (‘GPX’) product, and is the final component in our deal builder journey. These products enable consumers to get an accurate and guaranteed price for their existing vehicle whilst shopping on Auto Trader, eliminating either the need to haggle over a part-exchange or look for other disposal routes for their current vehicle. Over the past 12 months, we have provided c.1.2 million guaranteed valuations and purchased over 10,000 vehicles on Instant Offer, through our partner Cox Automotive.

During the year we launched a new product, Market Extension, that allows customers to sell vehicles outside their local area. This digital retailing product enables customers to sell beyond the physical constraints of their forecourt. Initial uptake has been strong with over 6% of retailer stock on this product at year end, with the product being most relevant for those customers with either delivery capability or multiple forecourt locations. We are also continuing to evolve our logistics marketplace to support an increasing volume of vehicle moves direct to consumers. Over the year, our platform facilitated c.122,000 (2021: c.98,000) moves of which c.15% were delivered directly to the consumer.

In March 2022, we announced that we have agreed to acquire all of the share capital of Autorama (UK) Limited, subject to regulatory approvals. 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. In time, Autorama will be able to leverage Auto Trader's brand to accelerate its recent expansion, beyond light commercial vehicles, into new cars. 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. Leasing provides consumers with a cost-effective way to access a new car with a model that is consistent with any future move towards usership.

Auto Trader as a data platform

Since the acquisition of Kee Resources in 2019, where we took ownership of our underlying vehicle taxonomy, we have been looking to both increase the volume of data bought and used by our retailer customers but also to extend the use of our data to other customer sets. From a retailer perspective we have launched a sales insight tool, increased the volume of paying retail check and retail accelerator customers, and offered direct integration via APIs. We have entered into data sharing agreements with a number of OEMs, which has improved the quality of our data sets, and we now power Experian's iCache product which provides insurance companies with enriched data to provide more accurate consumer quotes. The integration of a new data partner is often a long process, but we are making meaningful progress in providing the industry's leading data platform.

The next big milestone in this journey was the launch of Auto Trader Connect which was included in retailer packages in April 2022, alongside our annual pricing event. Auto Trader Connect gives customers access to our taxonomy, which improves advert quality and introduces real-time updates between our systems and those of our customers. This removes the inefficiencies of daily data feeds and we currently have integration with c.40% of third-party software providers with Auto Trader Connect. We see this product as a key enabler to support digital retailing.

We have made substantial progress during the year in migrating our platform and technology infrastructure to the cloud. This has enabled us to take advantage of improved performance, enhanced security and delivered a quicker product release cycle. We expect to have migrated all of our services to the cloud by the end of the current financial year. We saw an increase in the number of product releases to 46,000 (2021: 41,000).

Make a difference

Within our overall strategy we aim to 'make a difference' to our people, our communities, our industry, and to the wider environment, whilst holding ourselves to the highest standards when it comes to acting responsibly. We have a Corporate Responsibility Committee with oversight for Auto Trader's focus on the environmental, social and governance aspects of our business. Over the past 18 months we have identified focus areas around which we have created initiatives. These are monitored regularly and reported on using our cultural KPIs. While many of these changes take time, we are committed to making meaningful progress across all measures.

We will continue to improve the levels of diversity and inclusion within our organisation as we believe this improves individual and team performance and will allow us to identify and attract talent that we may not otherwise access. We are making progress, but there remains room for improvement. Our Board has marginally more women than men and as of the start of this calendar year we meet the recommendations of the Parker Review. At year end, women represented 40% of our organisation (March 2021: 39%) and in leadership roles, as defined by FTSE Women Leaders, there was meaningful improvement to 38% (March 2021: 34%). We are committed to increasing the percentage of ethnically diverse employees, who currently represent 14% of the organisation (March 2021: 11%), with 12% of employees not disclosing their ethnicity. The percentage of ethnically diverse employees in leadership, again using the FTSE Women Leaders definition, remained at 6% (March 2021: 6%), highlighting the work we still have to do in this area. Much of our work around creating an inclusive culture and environment has been driven, supported and informed by our many employee networks and guilds representing women, BAME, LGBT+, disability & neurodiversity, families and age.

The UK Government has a target to become net zero by 2050 and Auto Trader has a role to play in reaching this goal. There are two strands to our commitments around the environment which includes achieving net zero carbon emissions by 2040 and supporting consumers in making more sustainable vehicle choices.

We have signed up to the Science Based Target initiative and are committed to delivering a strategy to ensure we are Net Zero by 2040. As part of this commitment we are reporting our Scope 1, 2 and 3 emissions against a base year of 2020. Our emissions during the year increased against the base year, largely due to an increase in our cost base and higher capital expenditure. In the year, we offset these emissions using an accredited scheme and were therefore carbon neutral. Longer-term, we have committed to reduce absolute Scope 1 and 2 emissions by 50% and absolute Scope 3 emissions by 46% before the end of financial year 2031 and have included these reduction plans in our remuneration targets for the first time. Alongside the reduction in emissions, we are working on a carbon removal plan to help us achieve our long-term net zero goal.

In terms of helping consumers make more sustainable vehicle choices we have engaged over 2.1 million consumers in our monthly EV giveaway campaign, launched an electric car hub on Auto Trader, are working proactively with a number of government departments and industry bodies and have been educating both employees and customers through our carbon literacy training, where we have achieved gold status.

During the year we have adapted our working policies to better reflect the way in which we will work in the future. Our new Connected Working policy looks to retain important aspects of our culture, such as collaboration, relationships, low-bureaucracy, agility and empowerment, while enabling people to better balance their work/life commitments. We are proud that our employee engagement score has remained high despite such challenging circumstances over the past two years, with 95% of employees saying they are proud to work at Auto Trader (March 2021: 93%).

The Board

We welcomed Jasvinder Gakhal as a new Board member from 1 January 2022. Jasvinder is currently Managing Director of Motor at Direct Line Group. She sits on our Nomination, Audit, Remuneration and Corporate Responsibility Committees. There were no other changes to the Board.

Investor calendar

The Group will hold an investor day on Tuesday 6th September 2022.

Financial review

Revenue increased to £432.7m (2021: £262.8m), up 65% when compared to the prior year. Trade revenue, which comprises revenue from Retailers, Home Traders and other smaller revenue streams, increased by 72% to £388.3m (2021: £225.2m).

	2022 £m	**2021 £m**	**Change %**
Retailer	370.4	211.9	75%
Home Trader	8.8	6.3	40%
Other	9.1	7.0	30%
Trade	388.3	225.2	72%
Consumer Services	33.3	26.6	25%
Manufacturer and Agency	11.1	11.0	1%
Total	**432.7**	**262.8**	**65%**

Retailer revenue increased by 75% to £370.4m (2021: £211.9m). Revenue in the prior year was impacted by our decision to provide free advertising to our retailer customers in April 2020, May 2020, December 2020 and February 2021, and at a 25% discount in June 2020, due to the closure of retailer forecourts given COVID-19 lockdown restrictions. There have been no discounts in relation to COVID-19 in 2022.

The average number of retailer forecourts advertising on Auto Trader was up 5% to 13,964 (2021: 13,336). We saw a steady increase in the number of retailers advertising on our platform throughout 2022 with lower cancellations in the period, and levels of acquisition remaining broadly flat.

Average Revenue per Retailer ('ARPR') increased by 67% to £2,210 (2021: £1,324). The £886 increase was heavily impacted by the COVID-19 related discounts in the prior year which made a positive contribution of £639 due to their absence in 2022. Excluding these discounts, there was an underlying increase in ARPR of £247 spread across our price, stock and product levers:

- Price: Our price lever contributed an increase of £74 (2021: £50) to total ARPR as we executed our annual pricing event for the majority of customers on 1 April 2021.

- Stock: The number of live cars advertised on Auto Trader decreased by 11% to 430,000 (2021: 485,000). This was partially driven by a decline of 18,000 new cars on Auto Trader due to well documented supply shortages. It is important to note though that the stock lever is not driven by live stock but by the number of paid stock units. Last year live used stock was impacted by a stock offer which allowed customers to double their stock for free from late March to mid-July 2020, which did not impact paid for stock. Whilst we did see some downgrades in paid stock during the first half, as a result of faster stock turn and limited supply, much came from our larger Franchise customers who generally have a lower cost per car and paid stock levels partially recovered in the second half. These dynamics resulted in a £52 increase in the stock lever (2021: decline of £52).

- Product: Our product lever contributed an increase of £121 (2021: £89) to total ARPR. Most of this came from retailers choosing to purchase prominence products, including our higher yielding Enhanced, Super and Ultra packages with penetration increasing to 31% of retailer stock (March 2021 (Advanced and Premium): 26%). In addition to packages, retailers sought prominence through greater use of our Pay Per Click product. We also introduced a new digital retailing product called Market Extension, allowing retailers to sell outside of their local area, which also contributed to the product lever, with over 6% of retailer stock on the product by the end of the year. Finally, there was also some contribution from our Retailer Stores product, which was launched in April 2021 as part of our pricing event and other additional standalone products.

Home Trader revenue increased by 40% to £8.8m (2021: £6.3m). Other revenue increased by £2.1m to £9.1m (2021: £7.0m) with AutoConvert increasing £1.0m to £2.1m (2021: £1.1m).

Consumer Services revenue increased by 25% in the year to £33.3m (2021: £26.6m). Private revenue, which is generated from individual sellers who pay to advertise their vehicle on the Auto Trader marketplace, increased to £19.3m (2021: £16.6m). Motoring Services revenue also increased, up 32% to £13.1m (2021: £9.9m) as a result of strong growth in both our insurance and finance offerings. After launching in 2021, Instant Offer contributed £0.9m to Consumer Services revenue (2021: £0.1m).

Revenue from Manufacturer and Agency customers was effectively flat at £11.1m (2021: £11.0m). The pandemic had a significant impact on this revenue line in both 2021 and 2022. Manufacturers have lowered their marketing spend due to semi-conductor supply issues and the resulting lack of clarity on new car supply.

Costs

In 2021, the Group made the decision to reduce costs, mainly through the reduction of discretionary marketing spend, whilst our retail customers were closed due to COVID-19 restrictions. With a return to more normal levels in 2022, costs increased 27% to £132.0m (2021: £104.0m).

	2022 £m	2021 £m	Change %
People costs	69.8	60.0	16%
Marketing	20.5	9.8	109%
Other costs	34.5	27.9	24%
Depreciation & amortisation	7.2	6.3	14%
Total administrative expenses	**132.0**	**104.0**	**27%**

People costs, which comprise all staff costs and third-party contractor costs, increased by 16% to £69.8m (2021: £60.0m). The increase in people costs was primarily driven by an increase in the average number of full-time equivalent employees (including contractors) to 960 (2021: 909) as we invested in our people to support the growth areas of the business. The prior year was impacted by Executive Directors and the Board foregoing 50% or more of their salary and fees for the period of April to June 2020. Performance related pay increased in 2022, in addition to the resumption of annual pay reviews. Underlying salary costs continue to increase as we invest in the best digital talent.

Marketing spend increased by 109% to £20.5m (2021: £9.8m). The increase was driven by discretionary spend being reduced in the prior year in response to the pandemic as previously mentioned.

Other costs, which include data services, property related costs and other overheads, increased by 24% to £34.5m (2021: £27.9m). The increase was primarily due to higher overhead costs, including the return of travel, office & people related costs, as well as higher IT spend as we continue to move more of our services and applications to the cloud. Depreciation and amortisation increased to £7.2m (2021: £6.3m) mainly as a result of an additional office lease and office improvements.

Operating profit

	2022 £m	2021 £m	Change %
Revenue	432.7	262.8	65%
Administrative expenses	(132.0)	(104.0)	27%
Share of profits from joint ventures	2.9	2.4	21%
Operating profit	**303.6**	**161.2**	**88%**

During the year Operating profit increased by 88% to £303.6m (2021: £161.2m). Operating profit margin increased by nine percentage points to 70% (2021: 61%), back in line with 2020 levels. Our share of profit generated by Dealer Auction, the Group's joint venture with Cox Automotive, increased to £2.9m (2021: £2.4m) as auction activity saw improved levels following a reduction during periods of lockdown in the prior year.

Net finance costs

Net finance costs decreased to £2.6m (2021: £3.8m). The decrease was driven by lower interest payable of £1.4m (2021: £2.9m). Amortisation of debt issue costs increased to £1.0m due to accelerated amortisation following the reduction of the Syndicated revolving credit facility ('Syndicated RCF') commitments as referenced below (2021: £0.6m). Interest on lease liabilities totalled £0.2m (2021: £0.3m) and interest relating to deferred consideration was £0.1m (2021: £0.1m). Interest receivable on cash was £0.1m (2021: £0.1m).

Reduction of RCF commitments

With effect from 24 September 2021, the Company reduced the total commitments of its Syndicated revolving credit facility ('Syndicated 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, 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.

Profit before taxation

Profit before taxation increased by 91% to £301.0m (2021: £157.4m). The increase resulted from the Operating profit performance, with a further benefit from lower net finance costs of £2.6m (2021: £3.8m).

Taxation

The Group tax charge increased 90% to £56.3m (2021: £29.6m) which represents an effective tax rate of 19% (2021: 19%), in line with the average standard UK rate.

Earnings per share

Basic earnings per share increased by 93% to 25.61 pence (2021: 13.24 pence) based on a weighted average number of ordinary shares in issue of 955,532,888 (2021: 965,175,677). Diluted earnings per share of 25.56 pence (2021: 13.21 pence) increased by 93%, based on 957,534,145 shares (2021: 967,404,812) which takes into account the dilutive impact of outstanding share awards. The reduction in shares is due to the share buyback programme throughout 2022.

Cash flow and net cash

Cash generated from operations increased by 115% to £328.1m (2021: £152.9m) primarily due to the increase in Operating profit but also a positive working capital movement, driven by VAT. Corporation tax payments increased to £56.2m (2021: £28.2m), due to higher profit before taxation. Net cash generated from operating activities was £271.9m (2021: £124.7m).

As at 31 March 2022 the Group had net cash of £41.7m (31 March 2021: £10.3m), representing an increase of £31.4m.

At the year end, the Group had drawn £nil of the Syndicated revolving credit facility (31 March 2021: £30.0m) and held cash and cash equivalents of £51.3m (2021: £45.7m).

Leverage, defined as the ratio of Net bank debt to EBITDA, remained at zero as we exit the year in a net cash position. Interest paid on these financing arrangements was £1.5m (2021: £3.0m).

Capital structure and dividends

During the year, a total of 24.9m shares (2021: nil) were purchased for a total consideration of £163.5m (2021: nil) before transaction costs of £0.8m (2021: nil). A further £73.6m (2021: nil) was paid in dividends, giving a total of £237.1m (2021: nil) in cash returned to shareholders. The Directors are recommending a final dividend of 5.5 pence per share. Subject to shareholders' approval at the Annual General Meeting ('AGM') on 15 September 2022, the final dividend will be paid on 23 September 2022 to shareholders on the register of members at the close of business on 26 August 2022. The total dividend for the year is therefore 8.2 pence per share (2021: 5.0 pence per share).

In the coming year, it is expected that the Group will draw on its revolving credit facility to fund part of the initial consideration relating to the Autorama acquisition. The Group's long-term capital allocation policy remains broadly unchanged: continuing to invest in the business, enabling it to grow whilst returning around one third of net income to shareholders in the form of dividends. Any surplus cash following these activities will be used to continue our share buy-back programme and steadily reduce gross indebtedness. It is the Board's long-term intention that over time the Group will return to a net cash position.

Going concern

The Group generated significant cash from operations during the period. At 31 March 2022 the Group had drawn £nil of its £250m (previously £400m) unsecured Syndicated revolving credit facility ('Syndicated RCF') and had cash balances of £51.3m. The £250m Syndicated RCF is committed until June 2023, when it reduces to £197.8m through to maturity in June 2025. Financial projections for the next 12 months include the capital commitment to acquire Autorama (UK) Limited given the likelihood of the event. On the basis of facilities available and current financial projections for the next 12 months, the Directors have concluded that it is appropriate to prepare these financial statements on a going concern basis.

Commitment to acquire Autorama (UK) Limited

The Group has agreed to acquire, subject to regulatory approvals which at the date of this report had not all been received, the share capital of Autorama (UK) Limited. The transaction is expected to complete in the first half of financial year 2023. Auto Trader will pay initial consideration of £150m in cash, with a further £50m of deferred consideration to be settled in shares subject to customary performance conditions 12 months after the completion date. Once issued, the shares will vest over a period of two years in two 12-month instalments. At 31 December 2021, Autorama had £27m of gross assets and for the calendar year 2021, made net revenue of £26m, selling c.14,500 vehicles, and had an EBITDA loss of £6m, which included marketing costs of over £9m.

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 MARCH 2022

	Note	2022 £m	2021 £m
Revenue	3	**432.7**	262.8
Administrative expenses		**(132.0)**	(104.0)
Share of profit from joint ventures	11	**2.9**	2.4
Operating profit	4	**303.6**	161.2
Net finance costs	5	**(2.6)**	(3.8)
Profit before taxation		**301.0**	157.4
Taxation	6	**(56.3)**	(29.6)
Profit for the year attributable to equity holders of the parent		**244.7**	127.8
Basic earnings per share (pence)	7	**25.61**	13.24
Diluted earnings per share (pence)	7	**25.56**	13.21

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2022

	2022 £m	2021 £m
Profit for the year	**244.7**	127.8
Other comprehensive income		
Items that may be subsequently reclassified to profit or loss		
Exchange differences on translation of foreign operations	**0.2**	(0.2)
Items that will not be reclassified to profit or loss		
Remeasurements of post-employment benefit obligations, net of tax	**0.2**	1.6
Other comprehensive income for the year, net of tax	**0.4**	1.4
Total comprehensive income for the year attributable to equity holders of the parent	**245.1**	129.2

CONSOLIDATED BALANCE SHEET

AT 31 MARCH 2022

	Note	2022 £m	2021 £m
Assets			
Non-current assets			
Intangible assets	8	**355.6**	358.2
Property, plant and equipment	9	**14.7**	11.2
Deferred taxation assets		**1.4**	1.7
Retirement benefit surplus		**3.7**	3.2
Net investments in joint ventures	11	**49.7**	54.6
		425.1	428.9
Current assets			
Trade and other receivables		**65.9**	59.6
Current income tax assets		**0.6**	0.3
Cash and cash equivalents		**51.3**	45.7
		117.8	105.6
Total assets		**542.9**	534.5
Equity and liabilities			
Equity attributable to equity holders of the parent			
Share capital	13	**9.5**	9.7
Share premium	13	**182.6**	182.4
Retained earnings		**1,332.4**	1,307.3
Own shares held	14	**(22.4)**	(10.7)
Capital reorganisation reserve		**(1,060.8)**	(1,060.8)
Capital redemption reserve		**1.0**	0.8
Other reserves		**30.2**	30.0
Total equity		**472.5**	458.7
Liabilities			
Non-current liabilities			
Borrowings	12	**–**	27.6
Provisions for other liabilities and charges		**1.3**	1.1
Lease liabilities		**6.5**	5.0
Deferred income		**8.9**	9.4
Deferred consideration		**–**	7.9
		16.7	51.0
Current liabilities			
Trade and other payables		**42.0**	21.8
Provisions for other liabilities and charges		**0.7**	0.5
Lease liabilities		**3.0**	2.5
Deferred consideration		**8.0**	–
		53.7	24.8
Total liabilities		**70.4**	75.8
Total equity and liabilities		**542.9**	534.5

The financial statements were approved by the Board of Directors on 26 May 2022 and authorised for issue:

Jamie Warner
Chief Financial Officer

Auto Trader Group plc
Registered number: 09439967

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2022

	Note	Share capital £m	Share premium £m	Retained earnings £m	Own shares held £m	Capital reorganisation reserve £m	Capital redemption reserve £m	Other reserves £m	Total equity £m
Balance at 31 March 2020		**9.2**	–	**1,180.1**	**(17.9)**	**(1,060.8)**	**0.8**	**30.2**	**141.6**
Profit for the year		–	–	127.8	–	–	–	–	127.8
Other comprehensive income:									
Currency translation differences		–	–	–	–	–	–	(0.2)	(0.2)
Remeasurements of post-employment benefit obligations, net of tax		–	–	1.6	–	–	–	–	1.6
Total comprehensive income, net of tax		–	–	129.4	–	–	–	(0.2)	129.2
Transactions with owners									
Employee share schemes – value of employee services		–	–	3.3	–	–	–	–	3.3
Exercise of employee share schemes		–	–	(6.0)	7.0	–	–	–	1.0
Transfer of shares from ESOT		–	–	(0.2)	0.2	–	–	–	–
Tax impact of employee share schemes		–	–	0.7	–	–	–	–	0.7
Issue of ordinary shares	13	0.5	182.4	–	–	–	–	–	182.9
Total transactions with owners, recognised directly in equity		0.5	182.4	(2.2)	7.2	–	–	–	187.9
Balance at 31 March 2021		**9.7**	**182.4**	**1,307.3**	**(10.7)**	**(1,060.8)**	**0.8**	**30.0**	**458.7**
Profit for the year		–	–	244.7	–	–	–	–	244.7
Other comprehensive income:									
Currency translation differences		–	–	–	–	–	–	0.2	0.2
Remeasurements of post-employment benefit obligations, net of tax		–	–	0.2	–	–	–	–	0.2
Total comprehensive income, net of tax		–	–	244.9	–	–	–	0.2	245.1
Transactions with owners									
Employee share schemes – value of employee services		–	–	5.1	–	–	–	–	5.1
Exercise of employee share schemes		–	–	(4.8)	6.0	–	–	–	1.2
Transfer of shares from ESOT		–	–	(0.1)	0.1	–	–	–	–
Tax impact of employee share schemes		–	–	0.1	–	–	–	–	0.1
Purchase of own shares for treasury		–	–	–	(17.8)	–	–	–	(17.8)
Purchase of own shares for cancellation		(0.2)	–	(146.5)	–	–	0.2	–	(146.5)
Issue of ordinary shares	13	–	0.2	–	–	–	–	–	0.2
Dividends paid		–	–	(73.6)	–	–	–	–	(73.6)
Total transactions with owners, recognised directly in equity		(0.2)	0.2	(219.8)	(11.7)	–	0.2	–	(231.3)
Balance at 31 March 2022		**9.5**	**182.6**	**1,332.4**	**(22.4)**	**(1,060.8)**	**1.0**	**30.2**	**472.5**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2022

	Note	2022 £m	2021 £m
Cash flows from operating activities			
Cash generated from operations	16	**328.1**	152.9
Income taxes paid		**(56.2)**	(28.2)
Net cash generated from operating activities		**271.9**	124.7
Cash flows from investing activities			
Purchases of intangible assets – software		**–**	(0.1)
Purchases of property, plant and equipment		**(2.8)**	(1.3)
Dividends received from joint ventures		**7.8**	–
Payment for acquisition of subsidiary, net of cash acquired		**–**	(10.0)
Net cash used in investing activities		**5.0**	(11.4)
Cash flows from financing activities			
Dividends paid to Company's shareholders		**(73.6)**	–
Drawdown of Syndicated revolving credit facility		**–**	64.5
Repayment of Syndicated revolving credit facility		**(30.0)**	(347.5)
Payment of refinancing fees		**–**	(0.5)
Payment of interest on borrowings		**(1.5)**	(3.0)
Payment of lease liabilities		**(3.2)**	(2.5)
Purchase of own shares for cancellation	13	**(145.8)**	–
Purchase of own shares for treasury	14	**(17.7)**	–
Payment of fees on purchase of own shares		**(0.8)**	–
Proceeds from the issue of shares net of bookrunner fees	13	**–**	183.2
Payment of fees on issue of own shares	13	**–**	(0.3)
Contributions to defined benefit pension scheme		**(0.1)**	(0.1)
Proceeds from exercise of share-based incentives		**1.4**	1.0
Net cash used in financing activities		**(271.3)**	(105.2)
Net increase in cash and cash equivalents		**5.6**	8.1
Cash and cash equivalents at beginning of year		**45.7**	37.6
Cash and cash equivalents at end of year		**51.3**	45.7

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General information

Basis of preparation
The consolidated financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006, and in accordance with UK-adopted international accounting standards. The consolidated financial statements have been prepared on the going concern basis and under the historical cost convention.

The following amendments to standards have been adopted by the Group for the first time for the financial year beginning on 1 April 2021:

- COVID-19-Related Rent Concessions (Amendment to IFRS 16)
- Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)
- COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to IFRS 16)

The adoption of these amendments has had no material effect on the Group's consolidated financial statements.

There are a number of amendments to IFRS that have been issued by the IASB that become mandatory in a subsequent accounting period including:

- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)
- Annual Improvements to IFRS Standards 2018-2020
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)
- Reference to the Conceptual Framework (Amendments to IFRS 3)
- IFRS 17 Insurance Contracts
- Classification of liabilities as current or non-current (Amendments to IAS 1)
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
- Definition of Accounting Estimate (Amendments to IAS 8)
- Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction – Amendments to IAS 12 Income Taxes
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)

The Group has evaluated these changes and none are expected to have a significant impact on these consolidated financial statements.

The financial information set out above does not constitute the company's statutory accounts for the years ended 31 March 2022 or 31 March 2021 but is derived from those accounts. Statutory accounts for 31 March 2021 have been delivered to the registrar of companies, and those for 31 March 2022 will be delivered in due course. The auditor has reported on those accounts; their reports were (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.

Going concern
During the year ended 31 March 2022 the Group has continued to generate significant cash from operations. The Group has an overall positive net asset position and had cash balances of £51.3m at 31 March 2022 (2021: £45.7m). During the year £237.1m was returned to shareholders through share buybacks and dividends (2021: nil).

The Group has access to a Syndicated revolving credit facility (the 'Syndicated RCF'). At 31 March 2022 the Group had nil (2021: £30m) drawn of its £250m Syndicated RCF. The £250m Syndicated RCF is committed until June 2023, when it reduces to £197.8m through to maturity in June 2025.

Cash flow projections for a period of not less than 12 months from the date of this report have been prepared and include the capital commitment to acquire Autorama (UK) Limited given the likelihood of the event. Stress case scenarios have been modelled to make the assessment of going concern, taking into account severe but plausible potential impacts of a returning pandemic, a data breach and banning the sale of diesel cars. The results of the stress testing demonstrated that due to the Group's significant free cash flow, access to the Syndicated RCF and the Board's ability to adjust the discretionary share buyback programme, the Group would be able to withstand the impact and remain cash generative. Subsequent to the year end, the Group has generated cash flows in line with its forecast and there are no events that have adversely impacted the Group's liquidity.

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.

Accounting estimates and judgements
The preparation of financial statements in conformity with IFRS requires the use of certain accounting estimates and assumptions. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

There are no accounting estimates or judgements which are critical to the reporting of results of operations and financial position.

The accounting estimates and judgements believed to require the most subjectivity or complexity are as follows:

Carrying values of goodwill
The Group tests annually whether goodwill, held by the group or its joint venture, has suffered any impairment. Judgement is required in the identification and allocation of goodwill to cash-generating units. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations, which require the use of estimates.

Recoverability of financial assets
IFRS 9 prescribes that historical expected credit losses should be adjusted for forward-looking information to reflect macro-economic and market conditions. Used car pricing could potentially decline after significant price growth throughout the financial year ended 31 March 2022; this may have an adverse effect on the cash flows of retailers and is likely to increase credit risk looking forward as less profit is made per vehicle sold.

Adjustments were made to the expected credit losses on financial assets to reflect this.

Share-based payments
Share-based payment arrangements in which the Group receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions. The fair value of services received in return for share options is calculated with reference to the fair value of the award on the date of grant. Black-Scholes and Monte Carlo models have been used where appropriate to calculate the fair value and the Directors have therefore made estimates with regard to the inputs to that model. Estimation also arises over the number of share awards that are expected to vest, which is based whether non-market conditions are expected to be met.

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 in the year, 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 reportable 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.

The OLT primarily uses the statutory measures of Revenue and Operating profit to assess the performance of the one operating segment. To assist in the analysis of the Group's revenue-generating trends, the OLT reviews revenue at a disaggregated level as detailed within note 3. The revenue from external parties reported to the OLT is measured in a manner consistent with that in the income statement.

A reconciliation of the segment's Operating profit to Profit before tax is shown below.

	2022 £m	2021 £m
Total segment Revenue	432.7	262.8
Total segment Operating profit	303.6	161.2
Finance costs – net	(2.6)	(3.8)
Profit before tax	301.0	157.4

Geographic information
The Group is domiciled in the UK and the following tables detail external revenue by location of customers, trade receivables and non-current assets (excluding deferred tax) by geographic area:

Revenue	2022 £m	2021 £m
UK	427.8	259.0
Ireland	4.9	3.8
Total revenue	432.7	262.8

Trade receivables	2022 £m	2021 £m
UK	25.3	23.1
Ireland	0.4	0.2
Total net trade receivables	25.7	23.3

Non-current assets (excluding deferred tax)	2022 £m	2021 £m
UK	417.5	420.9
Ireland	6.2	6.3
Total non-current assets (excluding deferred tax)	423.7	427.2

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. Revenue

The Group's operations and main revenue streams are those described in these annual financial statements. The Group's revenue is derived from contracts with customers.

In the following table the Group's revenue is detailed by customer type. This level of detail is consistent with that used by management to assist in the analysis of the Group's revenue-generating trends.

Revenue	2022 £m	2021 £m
Retailer	**370.4**	211.9
Home Trader	**8.8**	6.3
Other	**9.1**	7.0
Trade	**388.3**	225.2
Consumer Services	**33.3**	26.6
Manufacturer and Agency	**11.1**	11.0
Total revenue	**432.7**	262.8

4. Operating profit

Operating profit is after charging the following:

	Note	2022 £m	2021 £m
Staff costs		**(69.8)**	(59.9)
Contractor costs		**–**	(0.1)
Depreciation of property, plant and equipment	9	**(4.6)**	(3.7)
Amortisation of intangible assets	8	**(2.6)**	(2.6)
(Loss) / Profit on sale of property, plant and equipment		**–**	(0.2)

5. Net finance costs

	2022 £m	2021 £m
On bank loans and overdrafts	**1.4**	2.9
Amortisation of debt issue costs	**1.0**	0.6
Interest unwind on lease liabilities	**0.2**	0.3
Interest charged on deferred consideration	**0.1**	0.1
Interest receivable on cash and cash equivalents	**(0.1)**	(0.1)
Total	**2.6**	3.8

6. Taxation

	2022 £m	2021 £m
Current taxation		
UK corporation taxation	**56.5**	28.8
Foreign taxation	**0.2**	–
Adjustments in respect of prior years	**(0.4)**	–
Total current taxation	**56.3**	28.8
Deferred taxation		
Origination and reversal of temporary differences	**0.3**	0.5
Effect of rate changes on opening balance	**0.2**	–
Adjustments in respect of prior years	**(0.5)**	0.3
Total deferred taxation	**–**	0.8
Total taxation charge	**56.3**	29.6

The taxation charge for the year is lower than (2021: lower than) the effective rate of corporation tax in the UK of 19% (2021: 19%). The differences are explained below:

	2022 £m	2021 £m
Profit before taxation	**301.0**	157.4
Tax on profit at the standard UK corporation tax rate of 19% (2021: 19%)	**57.2**	29.9
Expenses not deductible for taxation purposes	**0.2**	0.1
Income not taxable	**–**	(0.7)
Adjustments in respect of foreign tax rates	**(0.1)**	–
Effect of rate change on deferred tax	**0.1**	–
Adjustments in respect of OCI group relief	**(0.2)**	–
Adjustments in respect of prior years	**(0.9)**	0.3
Total taxation charge	**56.3**	29.6

Taxation on items taken directly to equity was a credit of £0.1m (2021: £0.7m) relating to tax on share-based payments.

Tax recorded in equity within the Consolidated statement of comprehensive income was a charge of £0.2m (2021: £0.8m) relating to post-employment benefit obligations.

The tax charge for the year is based on the standard rate of UK corporation tax for the period of 19% (2021: 19%). Deferred income taxes have been measured at the tax rate expected to be applicable at the date the deferred income tax assets and liabilities are realised.

On 10 June 2021, Royal Assent to the Finance Act was given to increase the UK corporation tax from 19% to 25% from 1 April 2023. Management has performed an assessment, for all material deferred income tax assets and liabilities, to determine the period over which the deferred income tax assets and liabilities are forecast to be realised, which has resulted in an average deferred income tax rate of 20% being used to measure all deferred tax balances as at 31 March 2022 (2021: 19%).

7. Earnings per share

Basic earnings per share is calculated using the weighted average number of ordinary shares in issue during the year, excluding those held in treasury and by the Employee Share Option Trust (‘ESOT’), based on the profit for the year attributable to shareholders.

	Weighted average number of ordinary shares	Total earnings £m	Pence per share
Year ended 31 March 2022			
Basic EPS	**955,532,888**	**244.7**	**25.61**
Diluted EPS	**957,534,145**	**244.7**	**25.56**
Year ended 31 March 2021			
Basic EPS	965,175,677	127.8	13.24
Diluted EPS	967,404,812	127.8	13.21

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:

	2022	2021
Issued ordinary shares at 1 April	**969,024,186**	922,540,474
Weighted effect of ordinary shares purchased for cancellation	**(9,573,664)**	–
Weighted effect of ordinary shares held in treasury	**(3,572,833)**	(3,123,323)
Weighted effect of shares held in the ESOT	**(371,316)**	(455,995)
Weighted effect of ordinary shares issued for share-based payments	**26,515**	842
Weighted effect of shares issued on 3 April 2020 equity raise	**–**	46,213,679
Weighted average number of shares for basic EPS	**955,532,888**	965,175,677
Dilutive impact of share options outstanding	**2,001,257**	2,229,135
Weighted average number of shares for diluted EPS	**957,534,145**	967,404,812

For diluted earnings per share, the weighted average number of shares for basic EPS is adjusted to assume conversion of all potentially dilutive ordinary shares. The Group has potentially dilutive ordinary shares arising from share options granted to employees. Options are dilutive under the Sharesave scheme where the exercise price together with the future IFRS 2 charge is less than the average market price of the ordinary shares during the year. Options under the Performance Share Plan, Single Incentive Plan Award, the Deferred Annual Bonus Plan and the Share Incentive Plan are contingently issuable shares and are therefore only included within the calculation of diluted EPS if the performance conditions are satisfied.

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.

8. Intangible assets

	Goodwill £m	Software and website development costs £m	Financial systems £m	Database £m	Other £m	Total £m
Cost						
At 31 March 2020	444.5	9.3	13.1	8.5	18.1	**493.5**
Acquired through business combinations	13.6	5.5	–	–	–	**19.1**
Additions	–	0.1	–	–	–	**0.1**
Disposals	–	(0.4)	–	–	–	**(0.4)**
Exchange differences	(0.2)	(0.1)	–	–	(0.1)	**(0.4)**
At 31 March 2021	457.9	14.4	13.1	8.5	18.0	**511.9**
At 31 March 2022	**457.9**	**14.4**	**13.1**	**8.5**	**18.0**	**511.9**
Accumulated amortisation and impairments						
At 31 March 2020	117.0	7.5	12.2	0.3	14.6	**151.6**
Amortisation charge	–	1.3	0.6	0.6	0.1	**2.6**
Disposals	–	(0.4)	–	–	–	**(0.4)**
Exchange differences	–	(0.1)	–	–	–	**(0.1)**
At 31 March 2021	117.0	8.3	12.8	0.9	14.7	**153.7**
Amortisation charge	–	0.9	0.3	0.6	0.8	**2.6**
At 31 March 2022	**117.0**	**9.2**	**13.1**	**1.5**	**15.5**	**156.3**
Net book value at 31 March 2022	**340.9**	**5.2**	**–**	**7.0**	**2.5**	**355.6**
Net book value at 31 March 2021	**340.9**	**6.1**	**0.3**	**7.6**	**3.3**	**358.2**
Net book value at 31 March 2020	**327.5**	**1.8**	**0.9**	**8.2**	**3.5**	**341.9**

Other intangibles include customer relationships, technology, trade names, trademarks, non-compete agreements and brand assets. Intangible assets which have a finite useful life are carried at cost less accumulated amortisation. Amortisation of these intangible assets is calculated using the straight-line method to allocate the cost of the assets over their estimated useful lives (3 to 15 years). The longest estimated useful life remaining at 31 March 2022 is 13 years (31 March 2021: 14 years).

For the year to 31 March 2022, the amortisation charge of £2.6m (2021: £2.6m) has been charged to administrative expenses in the income statement. At 31 March 2022, there were no software and website development costs representing assets under construction (2021: £nil).

In accordance with International Financial Reporting Standards, goodwill is not amortised, but instead is tested annually for impairment, or more frequently if there are indicators of impairment. Goodwill is carried at cost less accumulated impairment losses.

9. Property, plant and equipment

	Land, buildings and leasehold improvements £m	**Office equipment £m**	**Motor vehicles £m**	**Total £m**
Cost				
At 31 March 2020	16.5	15.1	1.3	**32.9**
Additions	0.6	0.7	0.7	**2.0**
Disposals and modifications	(0.6)	(2.8)	(0.1)	**(3.5)**
At 31 March 2021	16.5	13.0	1.9	**31.4**
Additions	6.6	1.3	0.2	**8.1**
Disposals and modifications	–	(0.4)	(0.5)	**(0.9)**
At 31 March 2022	**23.1**	**13.9**	**1.6**	**38.6**
Accumulated depreciation				
At 31 March 2020	6.2	12.5	1.1	**19.8**
Charge for the year	2.5	0.9	0.3	**3.7**
Disposals	(0.5)	(2.8)	–	**(3.3)**
At 31 March 2021	8.2	10.6	1.4	**20.2**
Charge for the year	3.3	0.9	0.4	**4.6**
Disposals	–	(0.4)	(0.5)	**(0.9)**
At 31 March 2022	**11.5**	**11.1**	**1.3**	**23.9**
Net book value at 31 March 2022	**11.6**	**2.8**	**0.3**	**14.7**
Net book value at 31 March 2021	**8.3**	**2.4**	**0.5**	**11.2**
Net book value at 31 March 2020	**10.3**	**2.6**	**0.2**	**13.1**

Included within property, plant and equipment are £8.3m (2021: £5.6m) of assets recognised as leases under IFRS 16. The depreciation expense of £4.6m for the year to 31 March 2022 (2021: £3.7m) has been recorded in administrative expenses.

During the year, £0.4m (2021: £3.3m) worth of property, plant and equipment with £nil net book value was disposed of.

10. Leases

The Group leases assets including land and buildings and motor vehicles that are held within property, plant and equipment. Information about leases for which the Group is a lessee is presented below.

	2022 £m	**2021 £m**
Net book value property, plant and equipment owned	**6.4**	5.6
Net book value right of use assets	**8.3**	5.6
	14.7	11.2

Net book value of right of use assets	**Land, buildings and leasehold improvements £m**	**Office equipment £m**	**Motor vehicles £m**	**Total £m**
Balance at 31 March 2020	6.5	0.1	0.2	**6.8**
Additions	–	–	0.7	**0.7**
Depreciation charge	(1.6)	–	(0.3)	**(1.9)**
At 31 March 2021	4.9	0.1	0.6	**5.6**
Additions	5.1	–	0.2	**5.3**
Depreciation charge	(2.2)	–	(0.4)	**(2.6)**
At 31 March 2022	**7.8**	**0.1**	**0.4**	**8.3**

Lease liabilities in the balance sheet at 31 March	**2022 £m**	**2021 £m**
Current	**3.0**	2.5
Non-current	**6.5**	5.0
Total	**9.5**	7.5

The term recognised for certain leases has assumed lease break options are exercised. Certain lease rentals are subject to periodic market rental reviews.

On 14 April 2021, the Group entered into a new lease arrangement to rent an additional 16,000 square feet in our Manchester office to support the needs of our growing workforce. The Group also extended the term of the existing lease of our Manchester office space. These changes resulted in a lease modification under IFRS 16. The right of use assets were increased by £5.1m with corresponding adjustments to the lease liability and dilapidations provision.

Amounts charged in the income statement	**2022 £m**	**2021 £m**
Depreciation charge of right-of-use assets	**2.6**	1.9
Interest on lease liabilities	**0.2**	0.3
Gain on disposal of right-of-use assets	**–**	–
Total amounts charged in the income statement	**2.8**	2.2

Cash outflow	**2022 £m**	**2021 £m**
Total cash outflow for leases	**3.2**	2.5

11. Net investments in joint ventures

Joint ventures are contractual arrangements over which the Group exercises joint control with partners and where the parties have rights to the net assets of the arrangement, irrespective of the Group's shareholding in the entity.

The Group owns 49% of the ordinary share capital of Dealer Auction Limited (previously Dealer Auction (Holdings) Limited). Net investments in joint ventures at the reporting date include the Group's equity investment in joint ventures and the Group's share of the joint ventures' post acquisition net assets.

The table below reconciles the movement in the Group's net investment in joint ventures in the year:

	Equity investments in joint ventures £m	Group's share of net assets £m	Net investments in joint ventures £m
Carrying value			
As at 1 April 2020	48.1	4.1	52.2
Share of result for the year taken to the income statement	–	2.4	2.4
As at 31 March 2021	48.1	6.5	54.6
Share of result for the year taken to the income statement	–	2.9	2.9
Dividends received in the year	(7.8)	–	(7.8)
As at 31 March 2022	**40.3**	**9.4**	**49.7**

	2022 £m	2021 £m
Revenues	**12.0**	10.9
Profit for the year	**6.0**	4.9
Total comprehensive income	**6.0**	4.9

The above information reflects the amounts presented in the financial statements of the joint venture and not the Group's share of those amounts. They have been amended for differences in accounting policies between the Group and the joint venture.

Dealer Auction Limited declared a dividend of £10.0m on 29 April 2021. The Group owns 49% of the ordinary share capital of Dealer Auction Limited and therefore received payment of £4.9m on 14 May 2021. Dealer Auction Limited also declared a dividend of £6.0m on 3 February 2022 and therefore £2.9m was received on 23 March 2022.

12. Borrowings

Non-current	2022 £m	2021 £m
Syndicated RCF gross of unamortised debt issue costs	–	30.0
Unamortised debt issue costs on Syndicated RCF	–	(2.4)
Total	–	27.6

Unamortised debt issue costs on the Syndicated RCF, which are now within Prepayments in 2022, reduced to £1.4m in the year (2021: £2.4m) partly due to accelerated amortisation following the reduction of the Syndicated RCF commitments.

The Syndicated RCF is repayable as follows:

	2022 £m	2021 £m
Two to five years	–	30.0
Total	–	30.0

The carrying amounts of borrowings approximate their fair values.

Syndicated revolving credit facility ('Syndicated RCF')
The Group has access to an unsecured 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 Syndicated RCF 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.

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 is not required. Therefore, 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.

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 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.

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

	2022 £m	**2021 £m**
One month or less	–	30.0
Total	–	30.0

13. Share capital

Share capital	**2022 Number '000**	**2022 Amount £m**	**2021 Number '000**	**2021 Amount £m**
Allotted, called-up and fully paid ordinary shares of 1p each				
At 1 April	**969,024**	**9.7**	922,541	9.2
Purchase and cancellation of own shares	**(22,198)**	**(0.2)**	–	–
Issue of shares	**67**	**0.0**	46,483	0.5
Total	**946,893**	**9.5**	969,024	9.7

In the year ended 31 March 2017, the Company commenced a share buyback programme. By resolutions passed at the 2021 AGM, the Company's shareholders generally authorised the Company to make market purchases of up to 96,678,535 of its ordinary shares, subject to minimum and maximum price restrictions. In the year ended 31 March 2022, a total of 24,915,813 ordinary shares of £0.01 were purchased. The average price paid was 656.3p with a total consideration paid (inclusive of all costs) of £164.3m. Of all shares purchased, 2,718,193 were held in treasury with 22,197,620 being cancelled. In the year ended 31 March 2022, 66,410 ordinary shares were issued for the settlement of share-based payments.

Included within shares in issue at 31 March 2022 are 358,158 (2021: 404,653) shares held by the ESOT and 3,826,928 (2021: 2,422,659) shares held in treasury, as detailed in note 14.

On 1 April 2020 the Company announced its intention to conduct a non-pre-emptive placing of up to 5% of its issued share capital. On 3 April 2020 the placing was completed, and a total of 46,468,300 new ordinary shares were allotted for a consideration of 400.00 pence per Placing Share, a discount of 8.9% to the closing share price of 439.1 pence on 31 March 2020. The placing raised gross proceeds of £185.9m for the Company, or £182.9m net of all fees incurred. An additional £0.3m of other fees were incurred as a result of the placing. Share premium of £182.4m has been recorded. On 3 April 2020, the Placing Shares were admitted to the premium listing segment of the Official List of the Financial Conduct Authority and to trading on the main market for listed securities of London Stock Exchange plc (together, 'Admission').

14. Own shares held

Own shares held – £m	ESOT shares reserve £m	Treasury shares £m	Total £m
Own shares held as at 1 April 2020	(0.7)	(17.2)	(17.9)
Transfer of shares from ESOT	0.2	–	0.2
Share-based incentives exercised	–	7.0	7.0
Own shares held as at 31 March 2021	(0.5)	(10.2)	(10.7)
Own shares held as at 1 April 2021	(0.5)	(10.2)	(10.7)
Transfer of shares from ESOT	0.1	–	0.1
Purchase of own shares for treasury	–	(17.8)	(17.8)
Share-based incentives exercised	–	6.0	6.0
Own shares held as at 31 March 2022	**(0.4)**	**(22.0)**	**(22.4)**

Own shares held – number	ESOT shares reserve Number of shares	Treasury shares Number of shares	Total number of own shares held
Own shares held as at 1 April 2020	523,955	4,090,996	4,614,951
Transfer of shares from ESOT	(119,302)	–	(119,302)
Share-based incentives exercised	–	(1,668,337)	(1,668,337)
Own shares held as at 31 March 2021	404,653	2,422,659	2,827,312

Own shares held – number	ESOT shares reserve Number of shares	Treasury shares Number of shares	Total number of own shares held
Own shares held as at 1 April 2021	404,653	2,422,659	2,827,312
Transfer of shares from ESOT	(46,495)	–	(46,495)
Purchase of own shares for treasury	–	2,718,193	2,718,193
Share-based incentives exercised	–	(1,313,924)	(1,313,924)
Own shares held as at 31 March 2022	**358,158**	**3,826,928**	**4,185,086**

15. Dividends

Dividends declared and paid by the Company were as follows:

	2022		2021	
	Pence per share	**£m**	**Pence per share**	**£m**
2021 final dividend paid	**5.0**	**48.0**	–	–
2022 interim dividend paid	**2.7**	**25.6**	–	–
	7.7	**73.6**	–	–

The proposed final dividend for the year ended 31 March 2022 of 5.5p per share, totalling £51.9m, is subject to approval by shareholders at the Annual General Meeting (‘AGM’) and hence has not been included as a liability in the financial statements.

16. Cash generated from operations

	2022 £m	2021 £m
Profit after tax	**244.7**	127.8
Adjustments for:		
Tax charge	**56.3**	29.6
Depreciation	**4.6**	3.7
Amortisation	**2.6**	2.6
Share-based payments charge (excluding associated NI)	**5.1**	3.3
Share of profit from joint ventures	**(2.9)**	(2.4)
Loss / (profit) on sale of property, plant and equipment	**–**	0.2
Difference between pension charge and cash contributions	**–**	0.2
Finance costs	**2.6**	3.8
RDEC	**(0.1)**	(0.1)
Changes in working capital (excluding the effects of exchange differences on consolidation):		
Trade and other receivables	**(5.3)**	(3.6)
Trade and other payables	**20.5**	(12.3)
Provisions	**–**	0.1
Cash generated from operations	**328.1**	152.9

17. Commitment to acquire Autorama (UK) Limited

The Group has agreed to acquire, subject to regulatory approvals which at the date of this report had not all been received, the share capital of Autorama (UK) Limited. The transaction is expected to complete in the first half of financial year 2023. Auto Trader will pay initial consideration of £150m in cash, with a further £50m of deferred consideration to be settled in shares subject to customary performance conditions 12 months after the completion date. Once issued, the shares will vest over a period of two years in two 12-month instalments. At 31 December 2021, Autorama had £27m of gross assets and for the calendar year 2021, made net revenue of £26m, selling c.14,500 vehicles and had an EBITDA loss of £6m, which included marketing costs of over £9m.

PRINCIPAL RISKS AND UNCERTAINTIES

RISK	POTENTIAL IMPACT	CHANGES IN THE YEAR
1. Economy, market and business environment	Adverse economic conditions could lead to shrinking of the used and/or new car market, available used car stock, and reduction in retailer wallets. 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 manufacturers' spend on digital display advertising. In addition, we are seeing an increasing appetite by OEMS to move to an agency model whereby sales are made direct to consumers, rather than via retailers. This could lead to a loss of revenue from retailers.	There remains a global shortage of semi-conductors which is having 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 current new car shortage is likely to result, in the coming years, in a reduction in used car stock. Nevertheless, during the last year, we saw that consumer sentiment towards vehicle ownership remains strong, and we saw the average price of a used car increase 22% year-on-year. In the wake of COVID-19 and other ongoing events (including the conflict in Ukraine), inflation is resulting in a sharp rise in the cost of living. This increase in the cost of living has the potential to be a catalyst for changes in the ownership model of vehicles, potentially with a lower volume of vehicles per household. 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 (subject to regulatory approval) will help us remain relevant if more buyers opt for a lease. As previously noted, 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. 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. Climate change	The impacts of climate change are emerging as a significant threat to the long-term resilience of our business and execution of our strategy. Externally, 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). 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 operate and/or 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	We have seen over the last year an accelerated demand for EVs which can be attributed, at least in part, to the Government ban on new petrol and diesel cars by 2030, as well as increased awareness of climate change amongst the general public, spikes in fuel prices during 2021 and 2022, and improved EV charging infrastructure. We believe that 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 front-runners in industry-wide changes prompted by climate change. A move to EVs could mean that OEMs alter their business model to sell direct to consumers. As the second-hand market moves steadily towards newer electric models, our customers will have to evolve their forecourt mix accordingly. The growing demand for electric vehicles and the continued advancement of technology and

	exposure or regulatory sanctions.	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. Subject to regulatory approval, our acquisition of Autorama adds digital retailing and leasing capabilities on new cars, including EVs. Overall, we consider the risks associated with climate change to be increasing, and managing these risks effectively is one of our key strategic pillars.
3. 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. Delivery of our strategy is also dependent on us building a diverse and inclusive workforce, and a supportive, collaborative culture, in a safe environment, all of which will enable optimum performance from all our employees. 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.	Our Glassdoor rating based on anonymous reviews is 4.5 out of 5. In 2021 our workforce was mostly working remotely, although our offices remained open at a reduced capacity for those who were unable to work at home safely and effectively. We adhered to all relevant government guidance regarding COVID-19 protocols and kept employees updated on any changes to the guidance during the year. 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 and innovation. We continue to monitor the impact connected working is having on engagement, inclusion, employee safety, and productivity, with reference to both pandemic and pre-pandemic levels. The recent increases in costs of living, and skills shortages in the market, could expose us to the risk of heightened workforce costs. We are monitoring the market proactively to ensure that our salaries are fair, proportionate, and aligned to market rates. 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. 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.	We have performed a review of our critical suppliers and have revised our processes for supplier onboarding and monitoring thereafter. Despite the threats posed to our suppliers in the external environment, we have not experienced any material disruptions. 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. Within our crisis management and business continuity arrangements, we have identified key suppliers and have plans in place to respond to

		disruption. Whilst we have not experienced any material risks crystallise in respect of our reliance on third parties, we consider there to be an increasing trend in the risks associated with them as we progress towards achieving our strategic objectives.
5. **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. 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. Failure to invest in appropriate IT and safeguards could lead to us failing to achieve our objectives relating to digital retailing. 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, car retailers and advertisers. 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. Our aim is to get all applications migrated to the cloud in the next year. Our connected working policy began in March 2022, where employees are working both on- and off-site. Under this policy, we are still exposed to data and cyber-security risks associated with remote working. We continue to monitor the level of risk and implement mitigations. 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. The constantly evolving threat of a cyber-attack means that overall the risk level is unchanged. 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.
6. **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 both our core business and in respect of our digital retailing strategy. Doing so will enable more of the car-buying process to be completed online. 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. Our acquisition of Autorama (subject to regulatory approval) will enable us to respond to changing consumer behaviours, including in respect of an increasing trend towards leasing of new EVs. In the last year we have launched new innovations including Market Extension, which enhances the reach of retailers whereby they can advertise stock within selected locations in the UK, meaning they no longer need to be constrained by their geographical location. We also enhanced our package offerings with two

		new package levels which focussed on providing customers with new ways of gaining prominence in the search listings. Our existing products were enhanced through our Retailer Stores innovation, which enabled retailers to create a bespoke brand destination on the Auto Trader platform, helping to drive buyer engagement around both the retailer's stock and their brand.
7. 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 area 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. As we move further into digital retailing and following the acquisition of Autorama (subject to approvals), in the future we are likely to be exposed to increased risks in relation to FCA and GDPR. 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 tribe. Overall, we consider the level of risk unchanged.
8. 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 develop a superior consumer experience or superior retailer products, we may lose our 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.	Data insights 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 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 competitive landscape continues to develop, with low barriers to entry to the market. Previous concerns, however, over big players entering the market, such as Facebook, have not led to any notable decrease in our market share over the last year, 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. 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. 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. 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. 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. 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, retailers or the Auto Trader brand. Overall, we consider there to be a decreasing risk to our brand and reputation.
10. 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 long-lasting 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. Examples of some external events in recent times which have, and continue to, impact adversely on our business include the following: • COVID-19 pandemic; • Supply shortages from the Suez Canal obstruction; • Brexit; • Military conflict in Ukraine; • Extreme weather events; and • Global semi-conductor shortage. It is of paramount importance to the resilience of our business that we can anticipate, and 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. We have responded well to the impacts of COVID-19 and the government has removed most restrictions. We therefore consider that the threat posed by external catastrophic and geo-political events to be decreasing compared to last year. Nevertheless, we remain wary of the threats posed by external events and we continue to review our crisis and business continuity arrangements regularly.