

CEO's statement



Nathan Coe
Chief Executive
Officer

**AUTO TRADER'S
ROADMAP PODCAST**
'Life as a CEO of a
tech company'

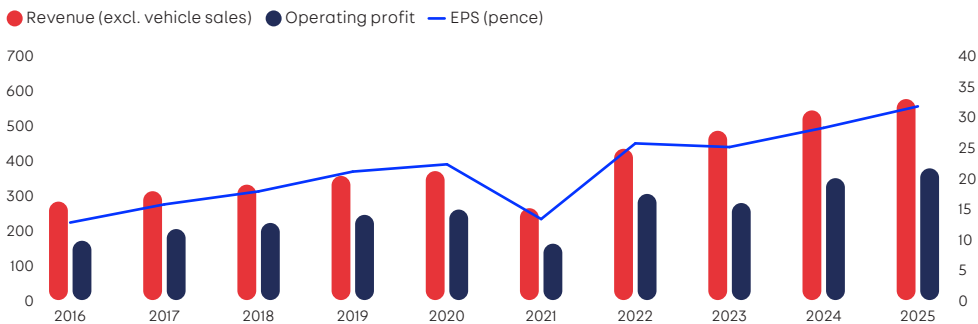
"We remain confident in the outlook for the business given our strong market position, the value we deliver for customers, and unique data and technology capabilities."

STRATEGIC AND OPERATIONAL REVIEW

We are now a full 10 years post our IPO in March 2015. In keeping with our approach last year, we want to position our short-term results in the context of the long-term Auto Trader investment case. One of the strengths of the Auto Trader business over its 48-year history has been its consistent performance and growth through changing market and economic conditions. That is not to say that Auto Trader always grows at the same rate, but we have consistently expanded revenues, profits and our market position over time. Whilst Auto Trader is always evolving, the investment case has not fundamentally changed over this 10-year period.

Our position connecting buyers and sellers in the UK automotive market has also grown over a long period of time. We have maintained this position through an obsessive focus on the car buying experience, the delivery of new products to retailers and by staying ahead of evolving competitive dynamics. Our consistent strategy has focused on our core strengths which continue to deepen the value we add to the UK automotive market. There remains a big opportunity to create additional value from both existing and new customers that builds on our strengths and assets. This will deliver high incremental returns on the capital our shareholders entrust us with. We accept this is one of many possible strategies, but we believe based on our capabilities and advantages, it represents the best choice to create value for all our stakeholders.

Since Auto Trader's IPO the business has delivered consistently. The early years post IPO were characterised by steady revenue growth and more dramatic margin expansion as we simplified the business to focus on our core proposition and becoming a business that develops and scales through technology. Since that time our performance has seen higher revenue growth driven by the core business, with margins still expanding. This has been delivered through increased investment in the core platform and close-adjacent opportunities.

Group revenue, operating profit and earnings per share (£m)

We have a high velocity software development cycle and lean operating structure, the costs of which are mostly expensed as incurred through the income statement. This means our profits are post the required investment in the business. We have consistently distributed these profits through a combination of dividends and share buybacks, which we intend to continue. This has led to earnings per share growing at a faster rate than both revenue and operating profit. Since IPO, £1.4bn of surplus cash has been returned to shareholders (net of the equity raise during COVID-19) and we have delivered total shareholder returns of 221% versus 77% for the FTSE 350 (excluding investment trusts) since IPO to the end of March 2025. We have a high degree of confidence that over a longer time horizon we will continue to grow through continued focus on the drivers of value that have served us well so far. These include: a growing automotive market and profit pool; our market-leading position; our heritage of innovation; a focused and consistent strategy; and our purpose and culture.

1. A GROWING AUTOMOTIVE MARKET AND PROFIT POOL

The size of the UK car parc has grown on average by just over 300,000 (or 1%) cars per year for the past 20 years, to now total over 36 million. The COVID-19 pandemic broke this consistent trend, as new car production fell to levels below even those of the Global Financial

Crisis of 2008-09. From time to time there will be these anomalies, but over the long term we expect the UK car parc to continue to grow. This is driven by GDP growth, population growth and stable trends in car ownership, supported by the continued requirement for car owners to have exclusive access to a vehicle. With a relatively consistent vehicle change cycle in the UK, typically between three and four years, this growth in the car parc translates into growing used car transaction volumes.

We also expect the value of both new and used cars to continue to increase over time. At the beginning of 2011, the average price of a used car advertised on Auto Trader was £9,000, today it is over £17,000, an average of over 4% growth per year. While part of that increase is due to vehicle mix, the majority is due to inflation, improved functionality, longer useful lives and the move towards more expensive electric vehicles. Based on a sample of customer accounts, over the past 10 years gross percentage margins have remained relatively consistent, between 9 and 11%, meaning higher vehicle prices typically translate through to higher absolute gross profits. In combination with growing transaction volumes, this has seen the gross profit pool increase over the past 10 years. As a result, we have been able to grow revenues without meaningfully increasing our take-rate.

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Today, our business model is largely linked to the number of used vehicles available for sale in the UK at any one time. This number is determined by new vehicle sales in preceding years less scrappage and means that vehicle supply operates somewhat independently of economic conditions, which limits the cyclical­ity of our business model. New car sales tend to be more cyclical or exposed to other macro-level events, such as the global pandemic in 2020. However, these events typically have a more muted impact on used car sales due to the relative size of the two markets (annual new car sales of around 2 million versus used car sales of 7.5-8 million). When economic conditions do change, it is used vehicle prices that can be the balancing factor given the relatively fixed used car supply. When consumer demand softens significantly, prices typically reduce which impacts the profitability of our customers and can flow through to greater cost consciousness and retailer closures. We still grow, however not necessarily at the same rate as when trading conditions are more favourable for retailers.

While not a material driver of revenue, the number of retailer forecourts is still an important metric for us. Overall, the market is highly fragmented, and we do not expect this to change. Within the UK, we have seen continued growth in retailer forecourts for the past seven years. Looking forward, we expect the very largest retailer groups to get bigger, but these account for a relatively small amount of revenue (our top 10 customers represent less than 7% of Group revenue). Overall retailer numbers for last year averaged 14,013 which is significantly higher than the 13,452 at the time of our IPO. This is despite a reduction of c.550 retailers when we sold our business in the Republic of Ireland.

All these factors combine to provide an underlying market that is resilient and likely to grow in both volume and value over the long term.

2. OUR MARKET-LEADING POSITION

As the automotive market increasingly embraces technology, data and digital sales channels, we are uniquely placed to help. At IPO (financial year 2015) Auto Trader had visits of 40.3 million per month, which has grown to 81.6 million in the current year. We account for over 75% of all minutes spent on automotive classified sites and remain 10x larger than our nearest classified competitor. Almost half of our traffic comes via our app, which has been downloaded 22 million times and our prompted brand awareness with UK consumers is over 80%; both are key components of our competitive moat. The level of consumer engagement continues to grow, as measured by the number of minutes spent on site, which was up 1% year-on-year. Over the last financial year we saw 67 billion vehicle search appearances, 3.5 billion views of an advert and 15 million enquiries submitted to retailers. We also saw 21 million valuations requested by consumers and 23 million engagements with our finance calculator, showing the important role the online buying journey plays in helping consumers arrive at the forecourt ready to buy.

Beyond car buyers, retailers are increasingly using our data, tools and services to power their businesses. Our Retailer Portal system saw over 1.8 million logins per month over the last year and our API technology services, which supply data, stock management and now AI-enabled vehicle descriptions and smart image sorting and tagging, were called 91 million times per month (2024: 86 million). This demonstrates how our data, tools and services are becoming increasingly embedded within our customers’ systems, operations and decision-making, extending our reach and influence beyond just classified advertising and marketing.

3. OUR HERITAGE OF INNOVATION

As a result of our trusted position and brand heritage, Auto Trader has been the destination for car buyers to navigate their car buying journey for many years. From initially operating as a magazine to the technology business we are today, we have continuously evolved our

consumer experience to provide more confidence, comparability and consistency for buyers. On Auto Trader, buyers can benefit from enriched data about the specification and performance of the car, check the history of the vehicle and whether it has outstanding finance, seamlessly use artificial intelligence (‘AI’) to get a market value for the car they’re buying or selling, consider retailer reviews, apply for finance and reserve cars online.

This year we have extended our proposition for car buyers again, with the largest redesign of our desktop search experience in a decade. We have moved our search results to a grid view, enabling buyers to see an increased number of cars with larger images. Our search filters have been redesigned, and we have introduced continuous scrolling, making it easier to access all the choice available on Auto Trader. The coverage of Deal Builder has increased to c.84,000 vehicles at year end, where consumers can secure a part-exchange valuation, complete a finance application and reserve the vehicle all on Auto Trader. We rolled out dark mode to our Apple and Android apps, which account for almost half of consumer activity and engagement on Auto Trader. Finally, we have launched our Co-Driver product, delivering one of the most material improvements to our search experience in years by improving descriptions and imagery and calling out the unique aspects of each individual vehicle.

Co-Driver is an umbrella brand for a range of AI-enabled products that we plan to launch in the years ahead, as we look to make our data, technology and services available to every retailer regardless of their size or technical capability. We believe we have a significant advantage in our platform products, as the output of any AI application will only ever be as good as the data upon which it is based. We have the most complete and comprehensive vehicle dataset in the UK, along with a vast and unique dataset of observations on the behaviour of car buyers and retailers on our platform. Our goal with the first wave of Co-Driver products is to

significantly improve the quality of adverts, whilst reducing the amount of time it takes for retailers to advertise their vehicles. The first three products include Smart Image Management, AI Generated Descriptions and Vehicle Highlights, all of which assist retailers in getting an advert live quickly and accurately and in delivering consistency and transparency for car buyers. Smart Image Management means retailers just need to upload their images and using AI we will tag and categorise the images, order them and highlight any that are missing. This process utilises the huge amount of consumer data we have to optimise the image order, to maximise engagement with that retailer’s vehicle. AI Generated Descriptions leverage everything we know about a specific vehicle, the vehicles it is competing with and what buyers of the vehicle are most interested in. This replaces the time-consuming process of working out the spec of a vehicle, determining what matters most to car buyers and the manual writing of the description by retailers. Finally, Vehicle Highlights calls out the top three most distinctive features about a specific vehicle on the advert. This could include fuel economy relative to similar vehicles, the number of owners, low mileage, cheaper insurance, or any other aspect that is meaningful to buyers of those types of vehicles.

We will continue to improve and build on these products; to improve the consumer experience and strengthen the partnership we have with customers by increasing their use of our data, tools and technology services. This innovation is delivered through our well-invested technology platform, built in-house by Auto Trader engineers who have many years of experience enabling products and services for our customers. Our high velocity approach to software development means we typically deliver product value incrementally which reduces risk and enables us to maintain agility. This year we delivered 89,000 software releases (2024: 65,000).

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4. A FOCUSED AND CONSISTENT STRATEGY

Our strategy has three focus areas: our marketplace; our platform; and digital retailing. These areas are closely interconnected, as our platform and digital retailing capabilities build on and contribute to the strength of our marketplace. Over time we have embedded our data and services into the systems and processes used by both our retailer partners and car buyers. These will be covered in more detail in Catherine’s update on our strategic progress.

5. OUR PURPOSE AND CULTURE

Our purpose is Driving Change Together. Responsibly, which describes why we exist, what we are looking to do and how we are looking to achieve it. Culture for us is as tangible and important to our performance as our strategy, competitive position and product development pipeline. We aim to be purpose driven, principled, and values led. Whilst it lacks precision, our culture is often described internally as ‘doing the right thing’, represented by ‘Responsibly’ in our purpose. Specifically, we are looking for balance. Balance between short and long term performance, and balance between value creation for customers, our people, shareholders and the industry and communities within which we work.

‘Together’ is also an important part of our purpose. We refer internally to being ‘One’ Auto Trader. This refers to working as a single team, not in silos, with trust and collaboration over hierarchy and bureaucracy. To progress any initiative, our people must talk, be aligned with our priorities, listen to each other, and collaborate authentically. ‘Together’ also talks to the partnership we aim for with our customers, retailers, manufacturers, leasing companies, finance companies and other players in the automotive ecosystem. We bring a lot more to our customers than just the advertising we sell. With our data, brand, people and technology we can help our customers achieve their business

goals, which makes them much more likely to understand and use our products, advice, insight and services. Finally, ‘Together’ is an ownership mindset amongst our people which strongly reinforces the two points above. We have now awarded two One Auto Trader all-employee share schemes that provide employees with an extra 10% of their salary in shares each year, vesting over a three-year period. This builds on an already strong ownership culture, aligns our people with our shareholders and can be accommodated within our long-term Auto Trader margin target.

There has been much in the press recently regarding diversity, equity and inclusion (‘DE&I’). At Auto Trader, we have been quietly working for many years to create a talent strategy that is inclusive and diverse, where any talented person can be successful. We started on that journey, and will continue, because it has proven to be an important contributor to the success of our organisation. 91% of people are proud to work at Auto Trader (March 2024: 97%). Our employee driven networks support women, ethnicity, LGBT+, wellbeing, early careers, disability and neurodiversity, social mobility and family. They have continued their impressive work and have supported many colleagues during the period.

At the end of March 2025, women represented 44% of our organisation (March 2024: 44%) and 43% (March 2024: 42%) of leadership roles as defined by the FTSE Women Leaders Review. We are committed to increasing the percentage of ethnically diverse employees, who currently represent 19% of our organisation (March 2024: 17%), with 7% of employees not disclosing their ethnicity. The percentage of ethnically diverse employees in leadership increased to 10% (March 2024: 6%), although we also increased our Leadership Team which impacted this number. Following the AGM, our Board comprises six women and three men, with two from an ethnically diverse background and a woman as Senior Independent Director.

We are committed to being net zero by 2040 and halving our carbon emissions by 2030, targets which have been validated by the Science Based Targets initiative (‘SBTi’). Our calculations estimate our GHG emissions during the year were 6% lower at c.93.2k tonnes of CO₂ across Scopes 1, 2 and 3 (2024: 98.9k tonnes). The majority of our emissions are Scope 3, predominantly attributable to our suppliers and emissions relating to the small number of vehicles sold by Autorama that pass through their balance sheet. Emissions relating to Auto Trader total 9.9k tonnes and 83.3k tonnes are attributable to Autorama (2024: Auto Trader 14.2k and Autorama 84.7k).

OUTLOOK

Our April 2025 pricing and product event has gone well.

Retailer revenue growth in the second half of last year was 5% which was constrained by the acceleration in speed of sale. This has continued into the new financial year, however we expect retailer revenue growth to improve to between 5 and 7% for FY26 for the following reasons:

- Speed of sale has natural constraints. The acceleration seen last financial year was largely driven by a fall in used car prices which have steadily increased throughout the second half of the year as retailers have sought more normalised margins.
- Our pricing and product event has delivered approximately 6% growth in retailer revenue. Assuming consistent retailer forecourts, we expect this to grow the price lever within ARPR by £90-100 and contribute £70-80 to the product lever.

- We have responded to market dynamics with offers to stimulate stock and continue to support retailer margins with our prominence products. In H2 FY25, the stock lever was minus £54, in April 2025 it was minus £42. We expect stock to continue to improve through the year but still be marginally down for FY26. However, any marginal decline in the stock lever should be offset by similar amounts in product lever contribution from additional prominence products.
- Due to the comparative periods, growth will be stronger in the second half which we expect will benefit the start of FY27.

We expect broadly consistent revenues in Consumer Services and Manufacturer & Agency, which account for 9% of Group revenue. Autorama losses are expected to reduce in line with current market expectations, with growth in commission & ancillary revenue on a relatively consistent cost base. Vehicle & accessory sales which has no impact on profit is likely to be c.£20m.

We expect to maintain current levels of Auto Trader operating profit margins, whilst Group operating profit margins will increase as a result of reduced Autorama losses.

Nathan Coe
Chief Executive Officer
29 May 2025

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