

Full year results presentation

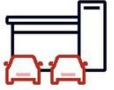
Year ended 31 March 2021

10 JUNE 2021

Disclaimer

- Not for publication, transmission, distribution or release, directly or indirectly, in or into any jurisdiction in which the publication, transmission, distribution or release of this document would be unlawful. By attending the meeting where this presentation is made (including via electronic means) or by reading this document, you agree to be bound by the limitations set out below and acknowledge that you understand the legal and regulatory sanctions attached to the misuse, disclosure or improper circulation of the presentation.
- For the purposes of this notice, the presentation shall mean and include this document, the oral presentation of the document by Auto Trader Group plc (the "Company") or any person on behalf of the Company, any audio-visual materials, its contents or any part of it, any question-and-answer session that follows the oral presentation, and any materials distributed at, or in connection with the presentation.
- This presentation is being communicated only to and is only directed at those persons (i) in the United Kingdom that are (a) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Order"), or (b) high net worth entities or other persons falling within Articles 49(2)(a) to (d) of the Order, or (ii) to whom it would otherwise be lawful to distribute it, and should not be relied upon by any other person. The information contained herein is for those persons attending this presentation (including via electronic means), and to whom this presentation is directed, only, and is solely for their information and may not be reproduced, further distributed or passed on, directly or indirectly, to any other person or published in whole or in part for any purpose.
- This presentation does not constitute or form part of and should not be construed as an offer of securities for sale or subscription of or a solicitation of any offer to purchase securities in the United States. Securities may not be offered or sold in the United States absent registration under the US Securities Act of 1933, as amended (the "US Securities Act") or pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act. The Company does not intend to register any securities under the US Securities Act or with any state or other jurisdiction of the United States, and it does not intend to offer any securities to the public in the United States.
- This presentation is for informational purposes only. This presentation does not constitute or form part of and should not be construed as an offer for sale or subscription of, or solicitation of any offer to buy or subscribe for, any securities of the Company in any jurisdiction nor is it an inducement to enter into investment activity nor should it form the basis of or be relied on in connection with any contract or commitment or investment decision whatsoever. It does not constitute a recommendation regarding any securities and does not purport to contain all the information that may be required by the recipient to make an evaluation of the Company. Past performance, including the price at which the Company's securities have been bought or sold in the past and the past yield on the Company's securities, cannot be relied on as a guide to future performance. Nothing herein should be construed as financial, legal, tax, accounting, actuarial or other specialist advice and the recipient is strongly advised to consult its own independent advisors on any financial, legal, tax, accounting, actuarial or other issue relating to the information contained in this presentation.
- The information and opinions provided in this presentation are provided as of the date of this presentation. Certain statements in this presentation constitute forward looking statements (including beliefs or opinions). Any statement in this presentation that is not a statement of historical fact including, without limitation, those regarding the Company's future expectations, operations, financial performance, financial condition and business is a forward looking statement. Such forward looking statements are subject to risks and uncertainties 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 presentation. As a result you are cautioned not to place reliance on such forward looking statements. Nothing in this presentation should be construed as a profit forecast.
- No reliance may be placed for any purposes whatsoever on the information contained in this presentation, or on its completeness, accuracy or fairness. No representation, warranty or undertaking, express or implied, is or will be made or given by or on behalf of the Company or any of its subsidiary undertakings or affiliates or any of such person's respective directors, officers, advisers, agents or employees or any other person, as to the accuracy, fairness or completeness of the information or opinions contained in this presentation and, to the extent permitted by law, no liability whatsoever (in negligence or otherwise) is accepted by the Company, its subsidiary undertakings or affiliates or any of such person's respective directors, officers, advisers, agents or employees, or any other person, for any loss, howsoever arising, directly or indirectly, from any use of such information or opinions or otherwise arising in connection therewith. In particular, no representation or warranty is given as to the achievement or reasonableness of, and no reliance should be placed on, any projections, targets, estimates or forecasts contained in this presentation and nothing in this presentation is or should be relied on as a promise or representation as to future events. Any reliance you place on the information contained in this presentation will be at your sole risk. The information set out herein may be subject to updating, completion, revision, verification and amendment and may change materially. None of the Company, its directors, officers, advisers, agents or employees or any other person undertakes to or is under any obligation to update or keep current the information in the presentation or to provide recipients with any additional information

Strategic Overview



We have made good progress in developing important aspects of our online car buying journey, namely the launch of guaranteed part-exchange, the trial of vehicle reservations and the acquisition of a financing platform, AutoConvert. The shift online in automotive retailing has accelerated, and with these core components we are well placed to bring more of the buying process online for the benefit of both buyers and sellers



This online journey is being built on our marketplace, which has strengthened over the year. Car buyers are using Auto Trader at record levels and our current retailer forecourt numbers are significantly higher than they were 12 months ago, reinforcing our competitive position



During the year, we provided significant support to our retailer customers, acknowledging the challenge of selling cars in lockdown. As expected, this has impacted our financial results, however it has improved our standing with customers and the strength with which we have emerged from the most recent lockdown restrictions



On 1 April 2020, at a time of great uncertainty, we announced the placing of approximately 46m shares, raising net proceeds of £182.9m, which strengthened our balance sheet and liquidity position, whilst also helping us to accelerate our digital retailing proposition



We furloughed approximately 25% of our employees for seven weeks but reversed this as soon as we had confidence that we would return to profitability. We returned all funds received under the furlough scheme and made all tax payments deferred at the end of the previous financial year

Financial Results

£262.8m **Revenue: down 29%** to £262.8 million (2020: £368.9 million). Trade revenue down 31% to £225.2 million (2020: £324.3 million)

£161.2m **Operating profit: down 38%** to £161.2 million (2020: £258.9 million)

61% **Operating profit margin: down 9%** to 61% (2020: 70%). Costs reduced by 8% to £104.0 million (2020: £113.2 million)

13.24p **Basic EPS: down 40%** to 13.24p (2020: 22.19p)

£152.9m **Cash generated from operations: down 42%** to £152.9 million (2020: £265.5 million)

(£15.7m) **Net bank debt/(cash): reduced** resulting in a (£15.7 million) net cash position (2020: £275.4 million) **with zero leverage** (March 2020: 1.0x)

5.0p **The Board has decided to reinstate its capital allocation policy** and proposes a final dividend of 5.0 pence per share (2020: no final dividend declared), which gives a 5.0 pence per share total dividend for the full year (2020: 2.4 pence per share)

Operational Results

58m **Cross platform visits: up 15%** to 58.3 million per month on average (2020: 50.8 million)

561m **Cross platform minutes: up 14%** to 561.1 million per month on average (2020: 492.5 million). Our share of cross platform minutes remains strong at over 75% (2020: over 75%) which was 7x larger than our nearest competitor

13,336 **Retailer forecourts:** the average number of forecourts in the period was **broadly flat** at 13,336 (2020: 13,345)

£1,324 **ARPR: down £625** to £1,324 on average per month (2020: £1,949); Discounts offered relating to COVID-19 had a negative impact of £712 on ARPR in the period, giving an underlying increase of £87 per month

485,000 **Physical car stock on site: up 1%** to 485,000 cars (2020: 478,000) on average. Our listings product for new cars contributed 47,000 to that average (2020: 31,000)

909 **Number of employees and contractors (FTEs): increased** to 909 on average during the year (2020: 853) mostly due to the acquisition of KeeResources (October 2019) and AutoConvert (July 2020)

Introducing our Cultural KPIs

93%

Employees that are proud to work at Auto Trader: remained high at 93% (2020: 89%) due to both the support we've provided, and as a result of having maintained clear and open communication with our people throughout the last 12 months

50:50

50:50 gender representation on our Board and are committed to meeting the Parker recommendation

39%

Percentage of our employees who identify as women was unchanged at 39% in March 2021 (March 2020: 39%). The percentage of leaders who identify as women is 34% (March 2020: 32%)

11%

Percentage of our employees who are BAME: increased by 1% to 11% in March 2021 (March 2020: 10%). The percentage of leaders who are BAME is 6% (March 2020: 4%)

6,673

Total amount of CO₂ emissions: reduced in the year by 34% to 6,673 tonnes of carbon dioxide equivalent

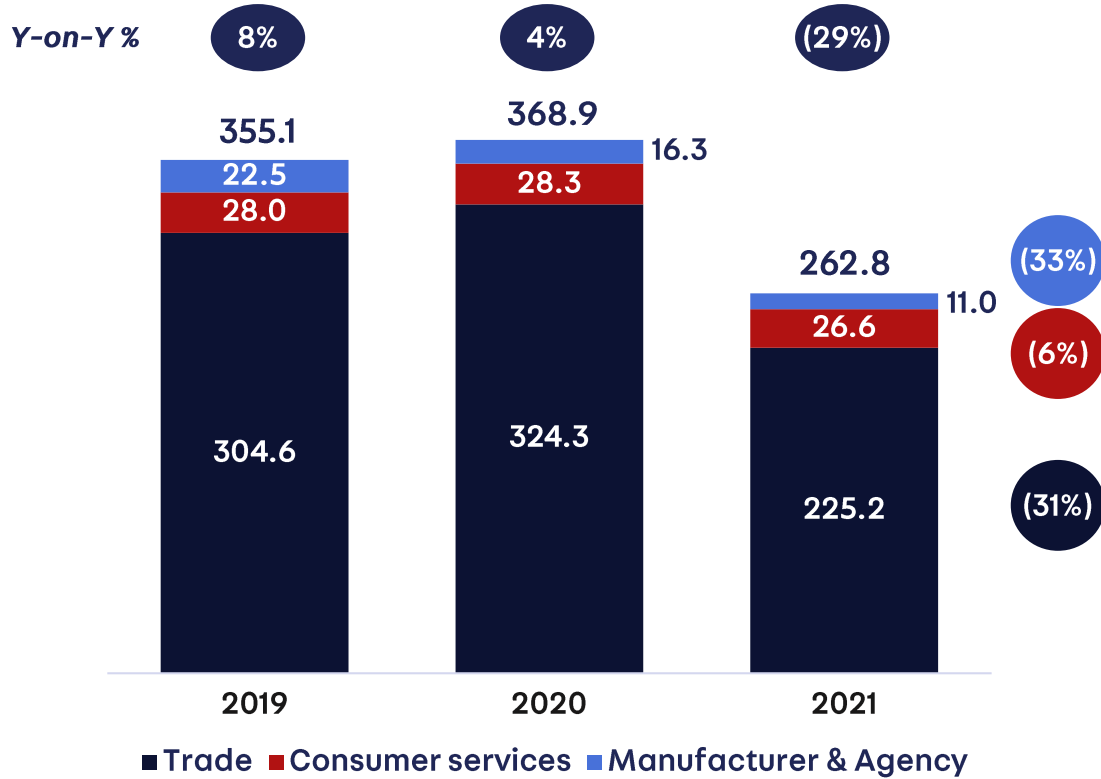
Financials



Revenue

Revenue (£m)

Year ended 31 March 2021 is shown as 2021

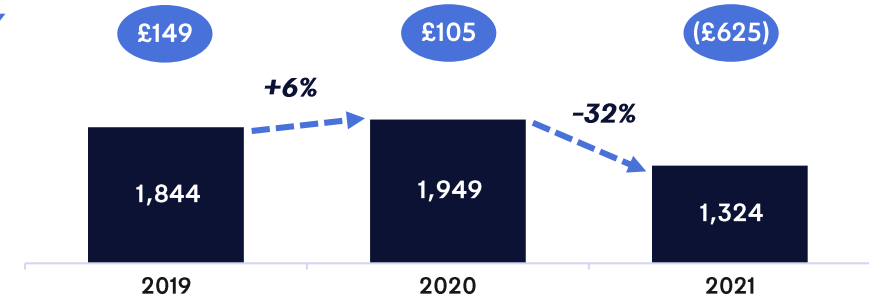


Trade revenue comprises:
 2021: Retailer (£211.9m); Home Trader (£6.3m); Other (£7.0m)
 2020: Retailer (£312.1m); Home Trader (£8.3m); Other (£3.9m)
 2019: Retailer (£293.0m); Home Trader (£10.2m); Other (£1.4m)

Consumer Services revenue comprises:
 2021: Private (£16.6m); Motoring Services (£9.9m)
 2020: Private (£20.1m); Motoring Services (£8.2m)
 2019: Private (£20.1m); Motoring Services (£7.9m)

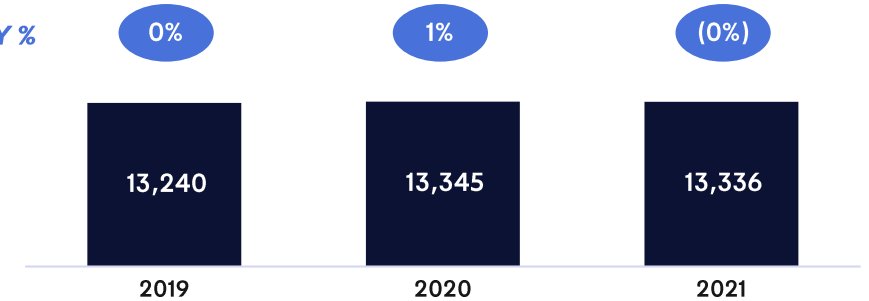
Average Revenue Per Retailer (ARPR) (£) ⁽¹⁾

Y-on-Y
£pcm



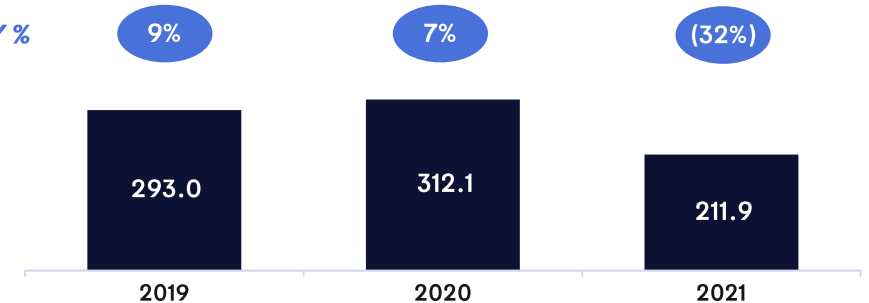
Number of retailer forecourts ⁽¹⁾

Y-on-Y %



Retailer revenue (£m)

Y-on-Y %

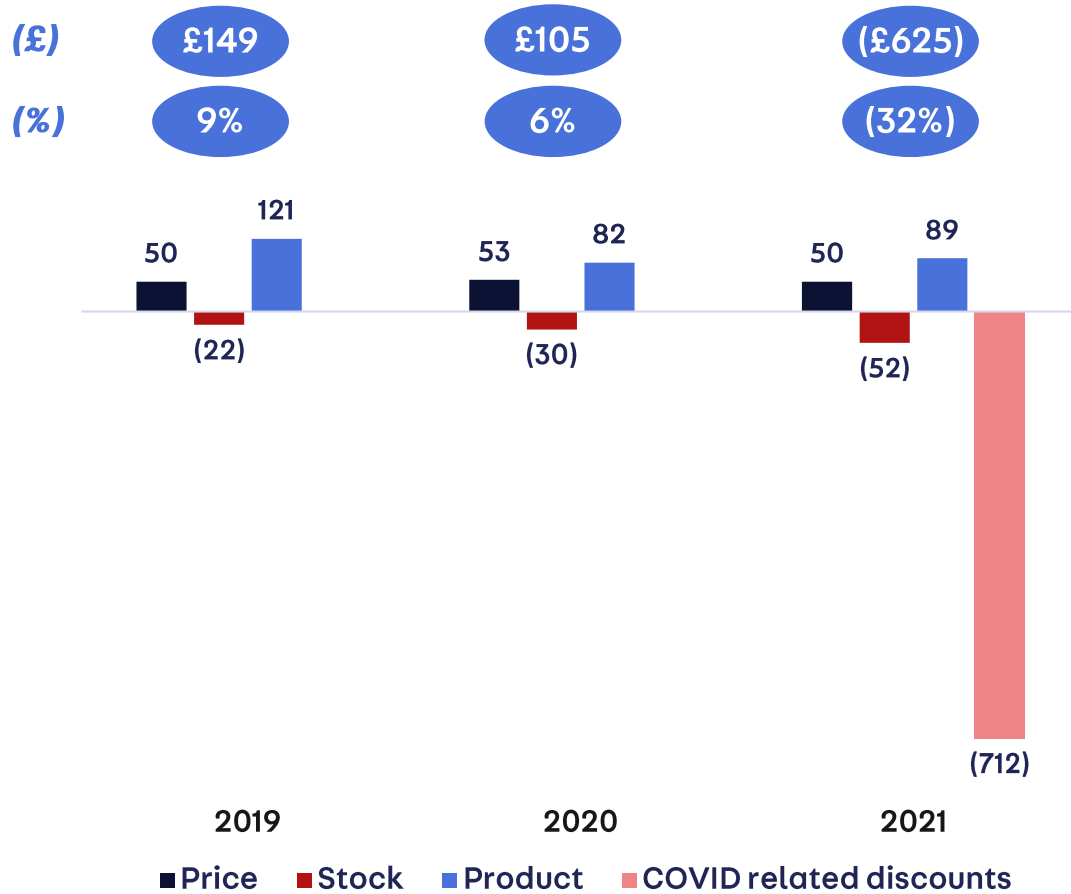


(1) Average monthly metric

ARPR, stock and retailers

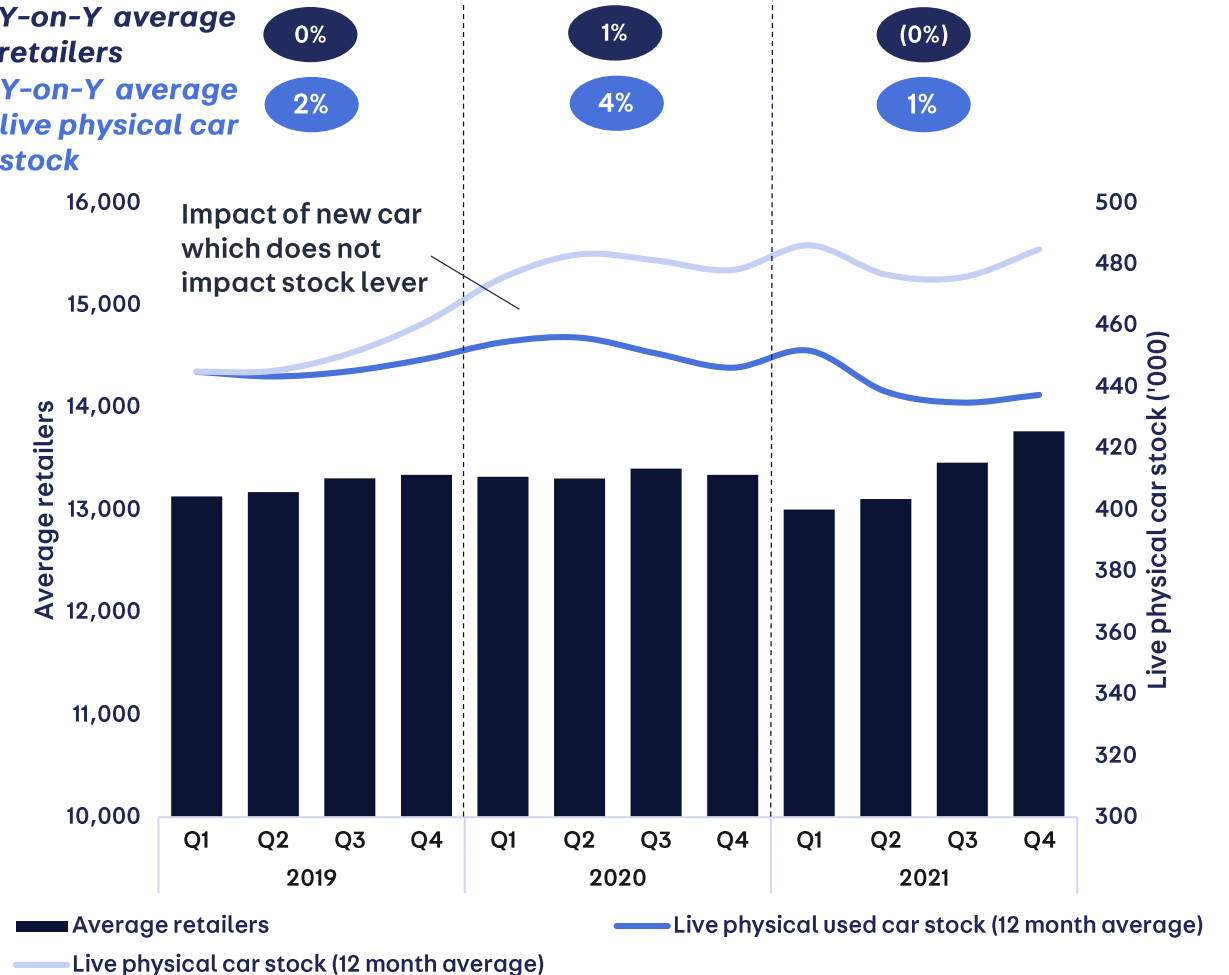
ARPR levers

Growth in Average Revenue Per Retailer per month (£)



Physical car stock and retailer forecourts

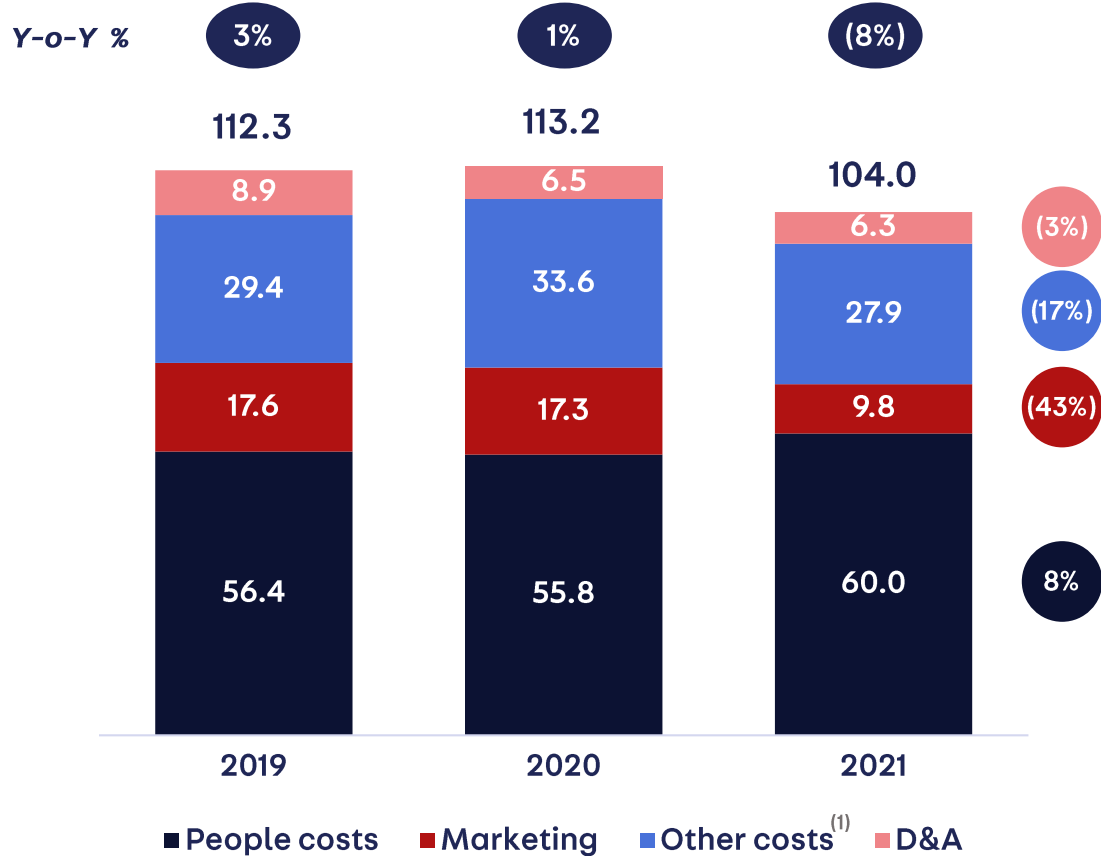
Y-on-Y average retailers
Y-on-Y average live physical car stock



Costs

Costs (£m)

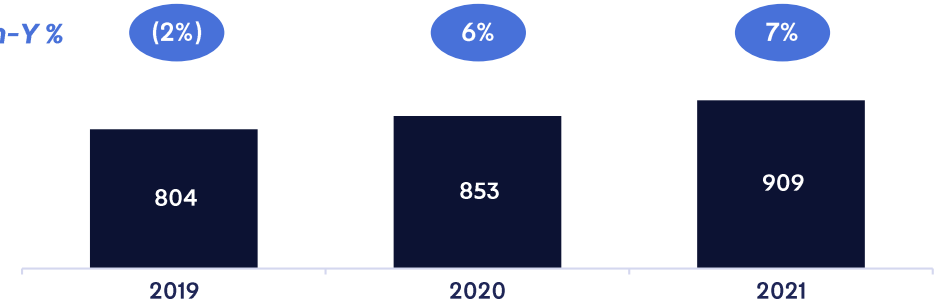
Year ending 31 March 2021 is shown as 2021



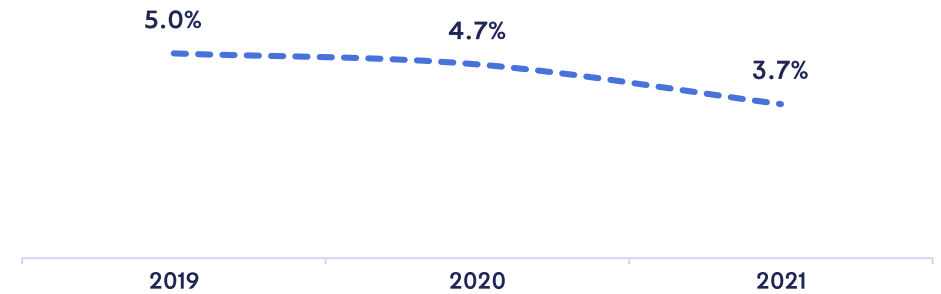
People costs include share-based payments and associated of £4.3m in 2021 (2019:£5.9m; 2020: £3.7m)

FTEs (including contractors)⁽²⁾

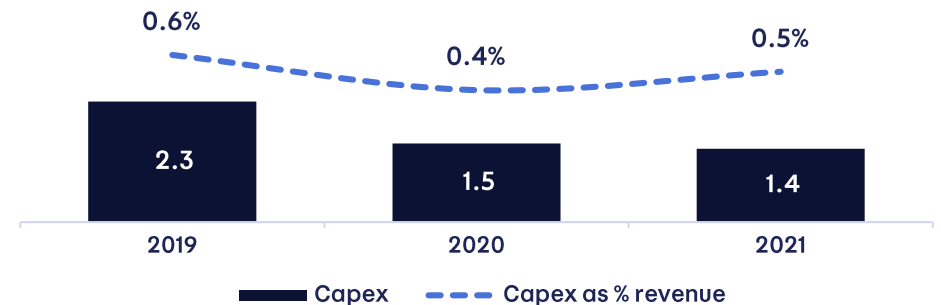
Y-on-Y %



Marketing as a % of revenue



Capital expenditure (excluding acquisitions) (£m)



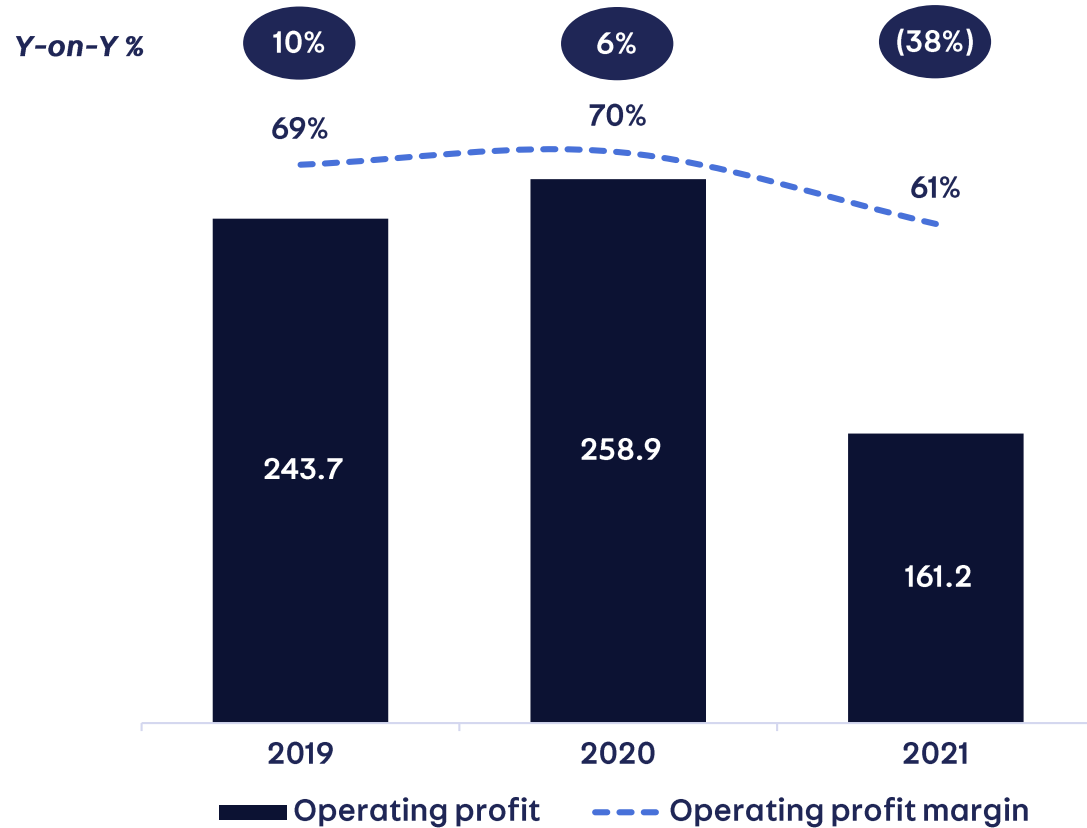
(1) Other costs include: property, IT & comms, data services and other corporate overheads

(2) Average monthly metric

Profit and cash flow

Operating profit (£m)

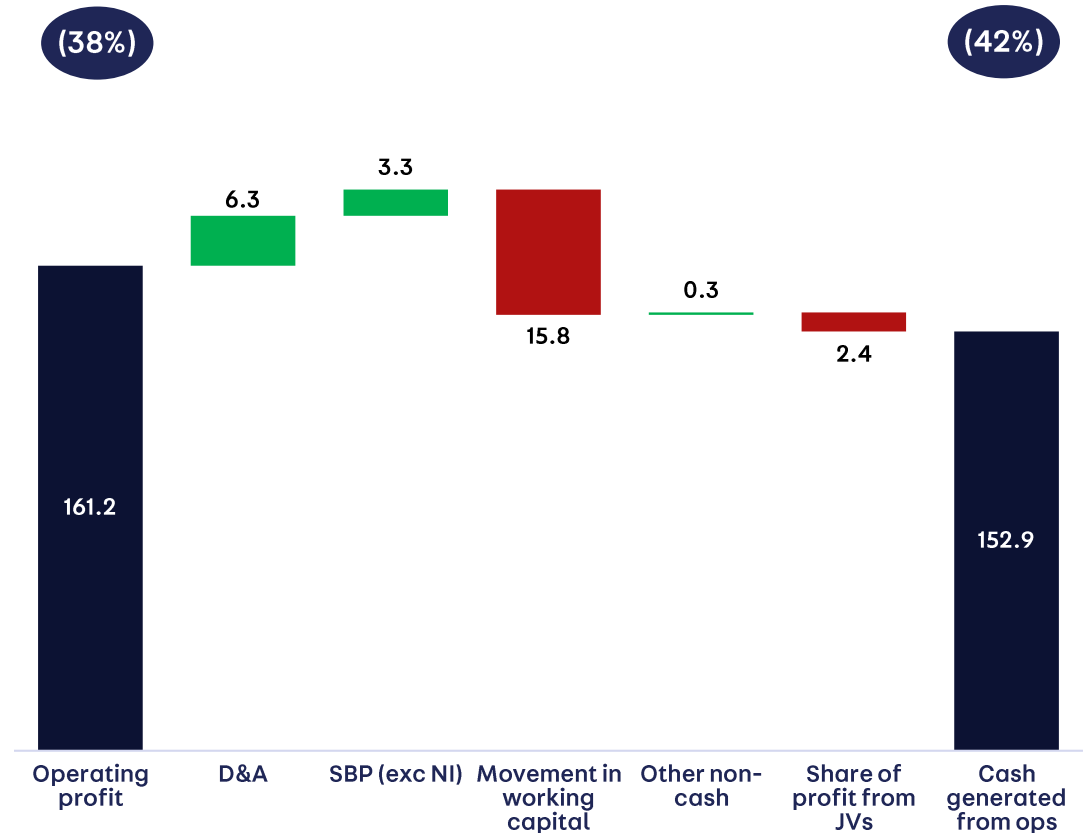
Year ended 31 March 2021 is shown as 2021



Operating profit includes the Group's share of profit from joint ventures: 2021: £2.4m, 2020: £3.2m; 2019: £0.9m

Cash generated from operations (£m)

Year ended 31 March 2021

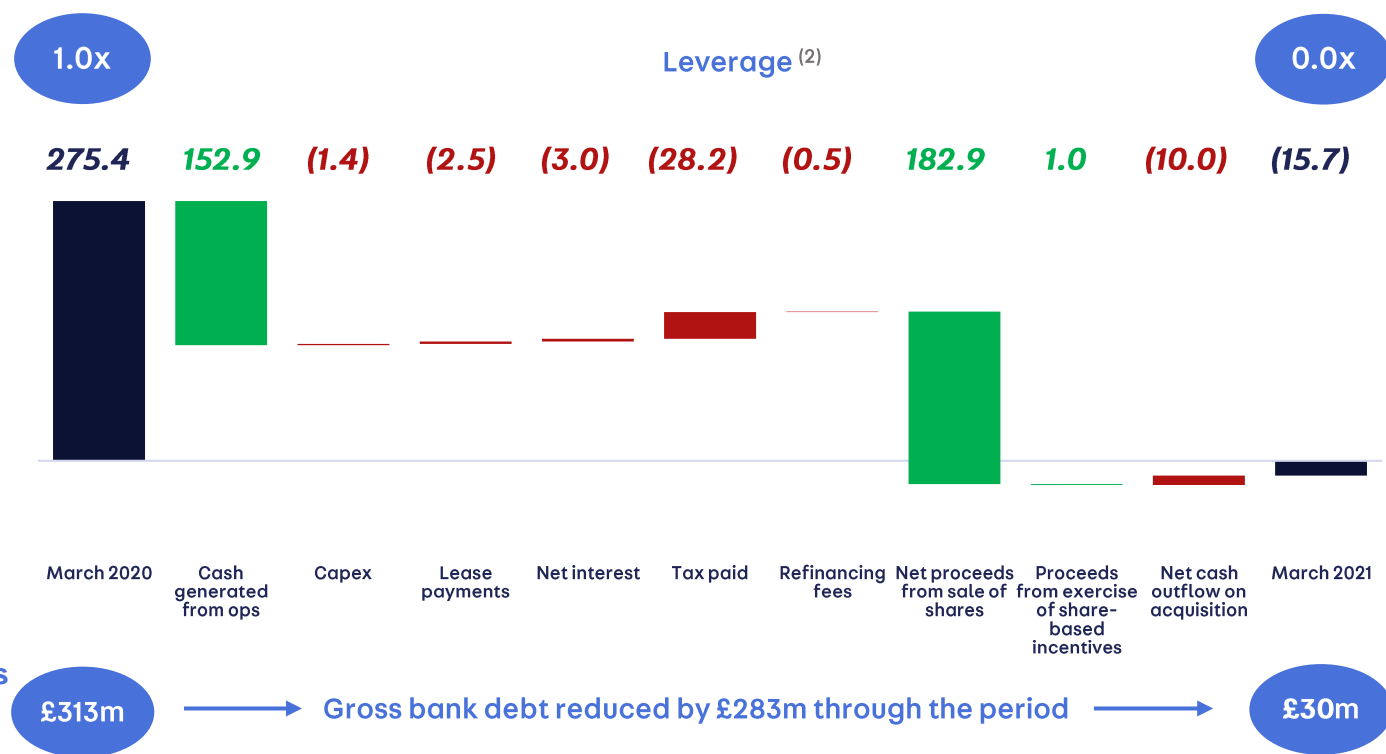


Income statement

	2021 £ million	2020 £ million	Year-on-year %
Revenue	262.8	368.9	(29%)
Administrative expenses	(104.0)	(113.2)	8%
Share of profit from joint ventures	2.4	3.2	(25%)
Operating profit	161.2	258.9	(38%)
Finance costs - net	(3.8)	(7.4)	49%
Profit before taxation	157.4	251.5	(37%)
Taxation	(29.6)	(46.4)	36%
Profit for the year attributable to equity owners of the parent	127.8	205.1	(38%)
Earnings per share (pence)			
Basic	13.24	22.19	(40%)
Diluted	13.21	22.08	(40%)
Dividend per share (pence)	5.0	2.4	108%

Net bank debt and capital allocation policy

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



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

(2) Leverage is net bank debt as a multiple of EBITDA. EBITDA is earnings before interest, tax, depreciation, amortisation, share-based payments and associated NI, exceptional items and share of JV profits

Capital allocation policy

In March 2020 the Group suspended its capital allocation policy to safeguard the business in response to the COVID-19 outbreak. Despite the challenging trading conditions, the Group has remained cash generative and the Board believe now is the right time to reinstate its capital allocation policy

The Group's 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. Having reduced our debt position, surplus cash following these activities will be used to continue our share buyback programme

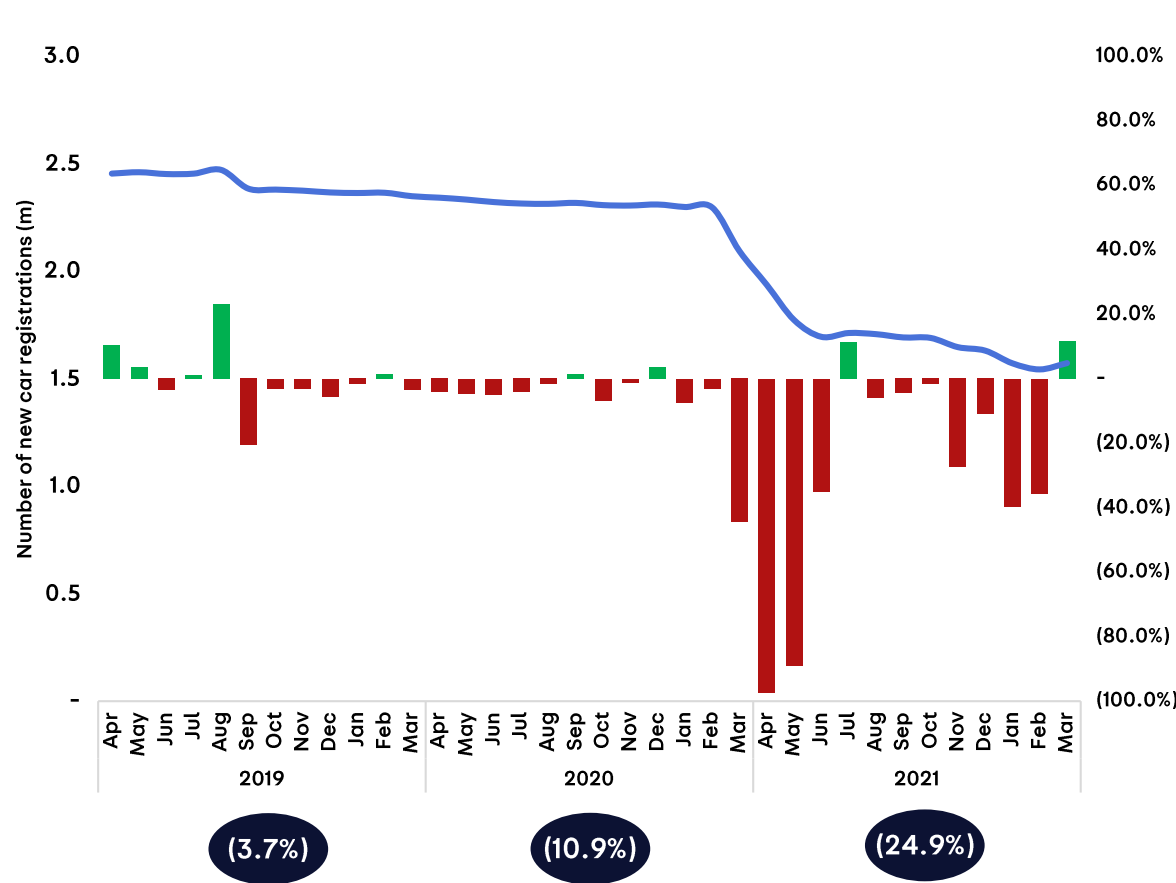
The Board are recommending a final dividend for the year of 5.0p (2020: nil) and expect to resume its share-buyback programme shortly

UK Car Market



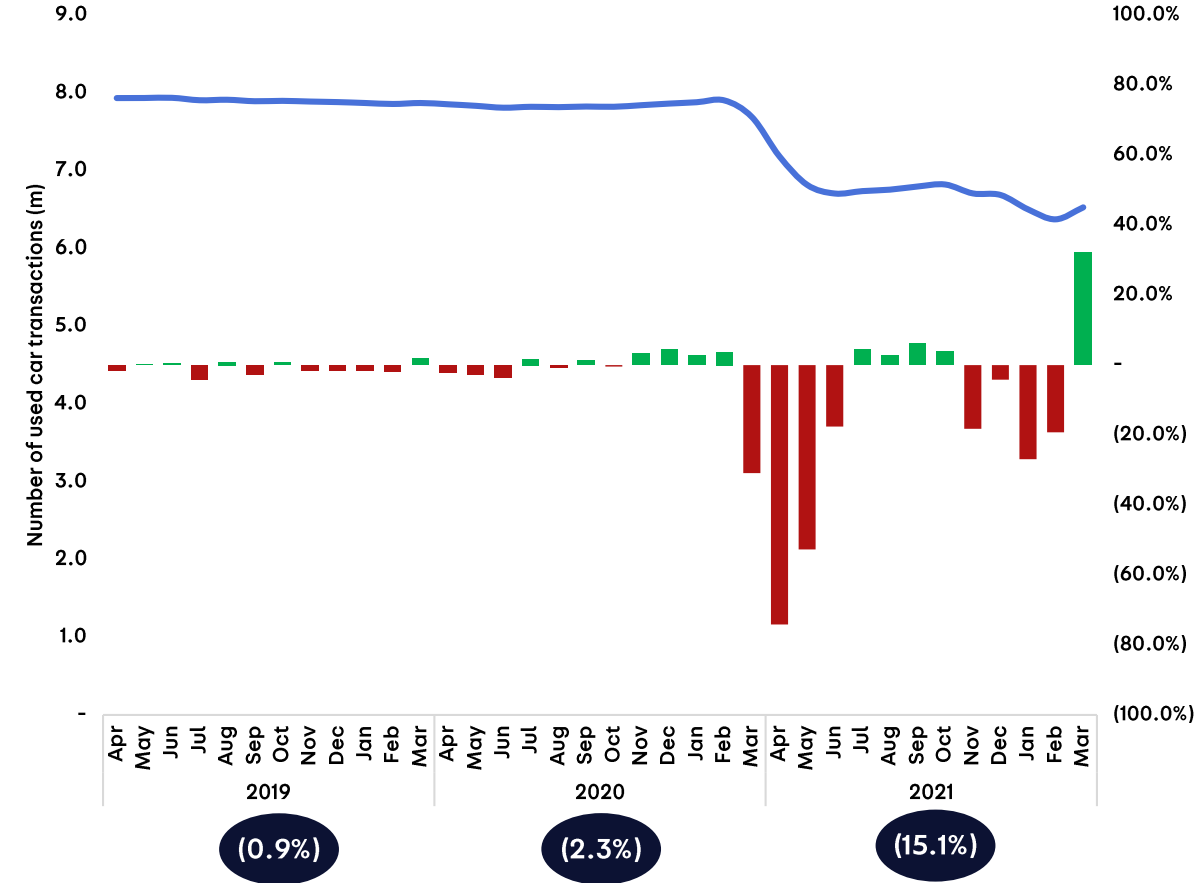
There were significant declines in the new and used car markets to March 2021 as a result of lockdown restrictions

New car registrations (1)



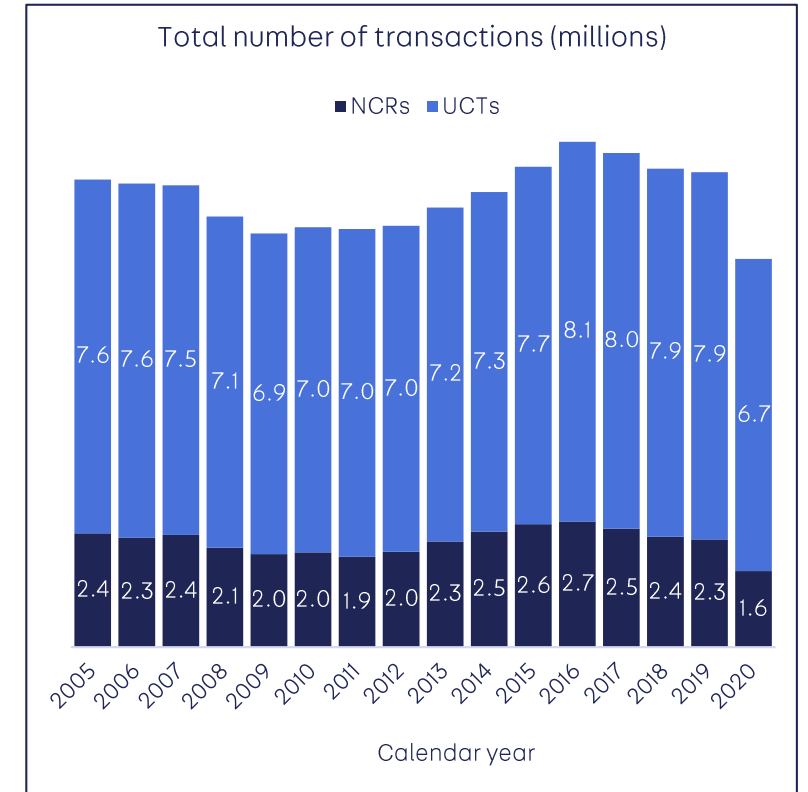
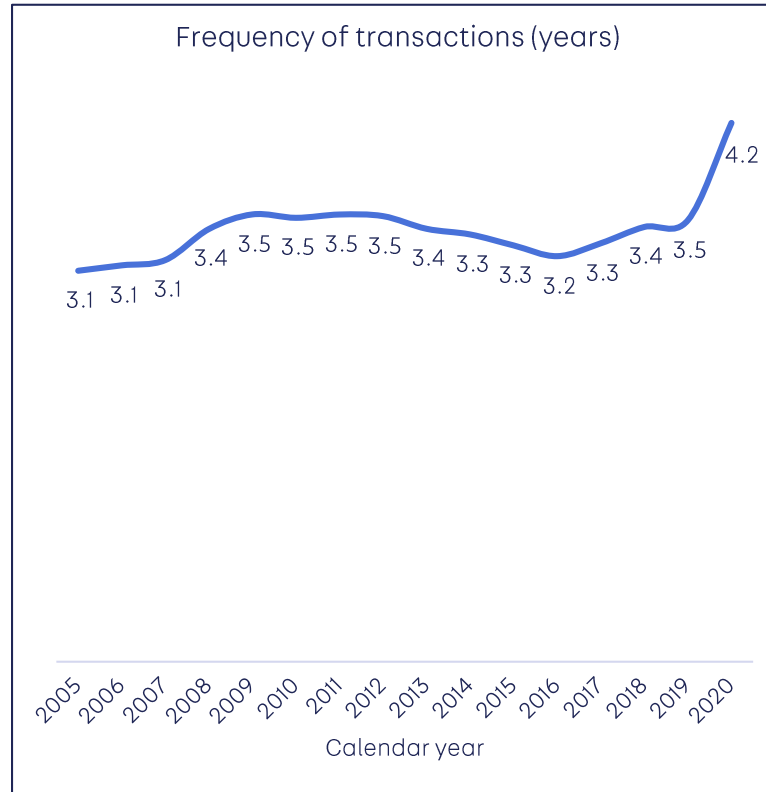
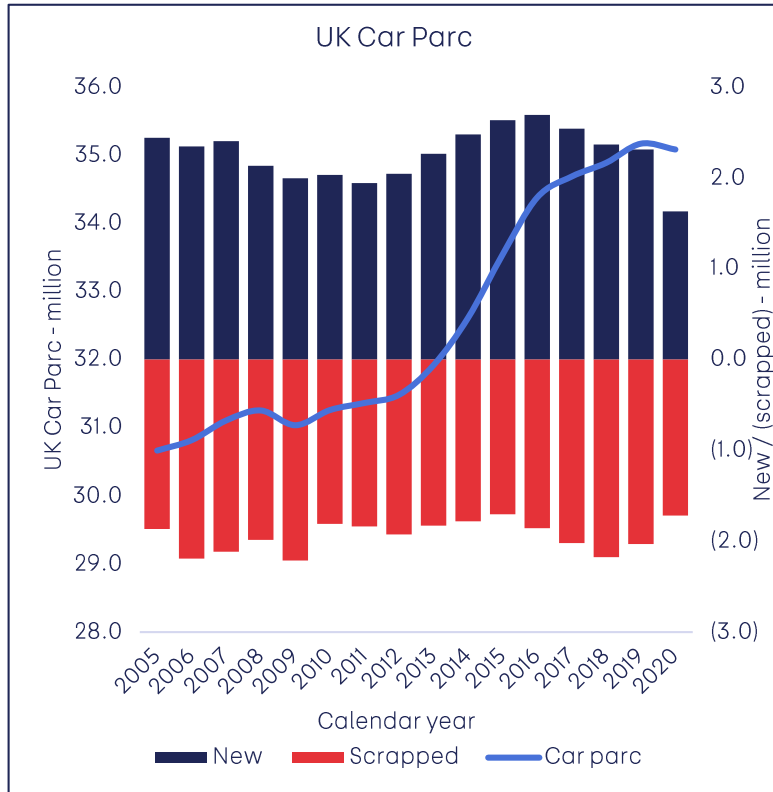
(1) Society of Motor Manufacturers & Traders (SMMT) - 12 month rolling total

Used car transactions (2)



(2) DVLA transaction data - 12 month rolling total

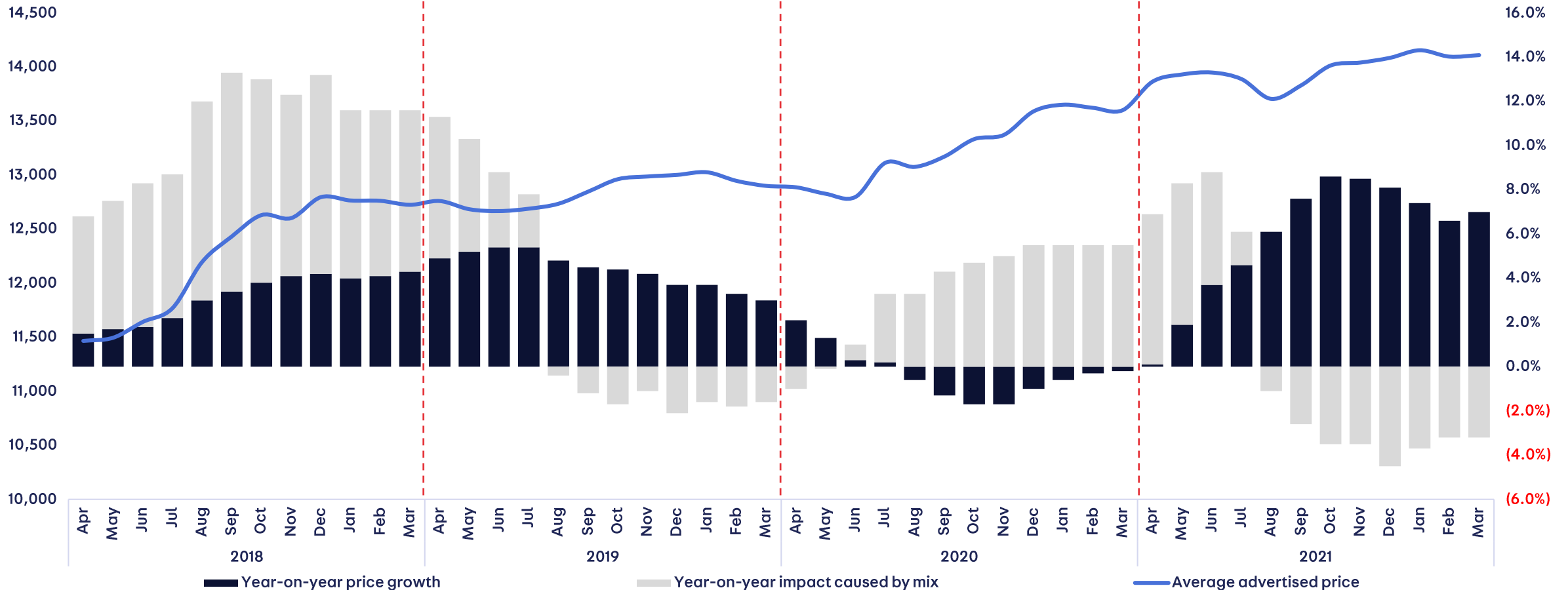
The UK car parc declined through calendar year 2020, with the average time people hold their car increasing to 4.2 years



Total number of cars ÷ Frequency cars are changed = Number of transactions

Strong demand and restricted supply has led to 12 consecutive months of price growth for used cars

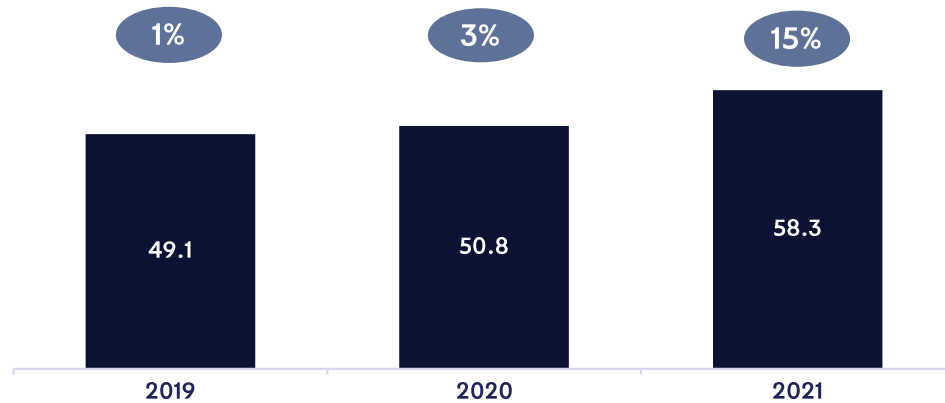
Like-for-like price increase



Heightened demand has underpinned exceptionally strong audience growth

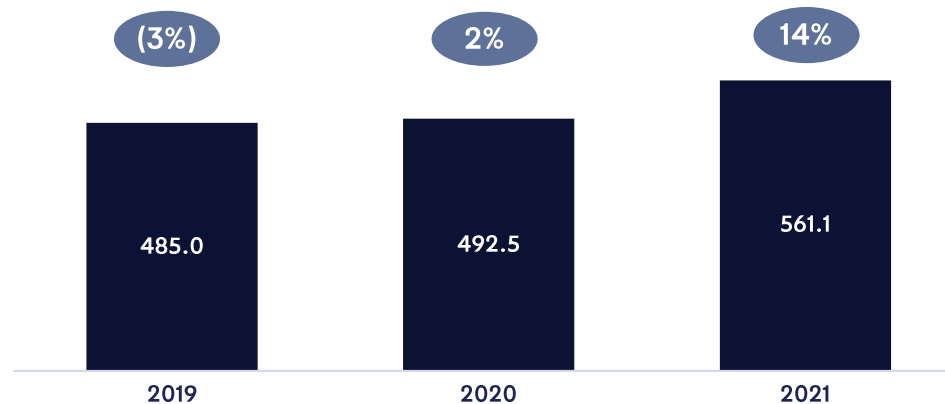
Cross platform visits Autotrader.co.uk ⁽¹⁾

(Average pcm - million)

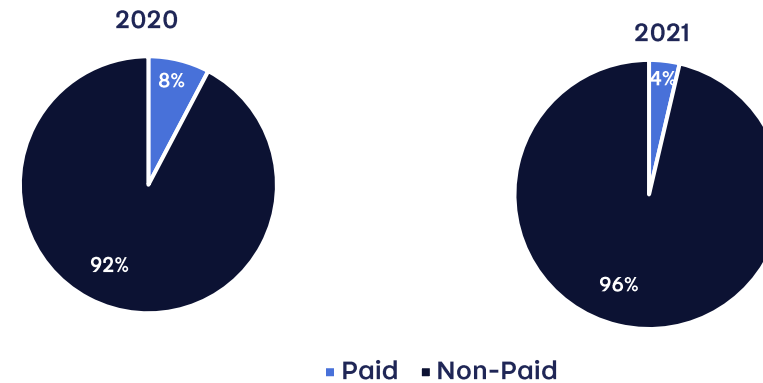


Cross platform minutes Autotrader.co.uk ⁽¹⁾

(Average pcm - million)

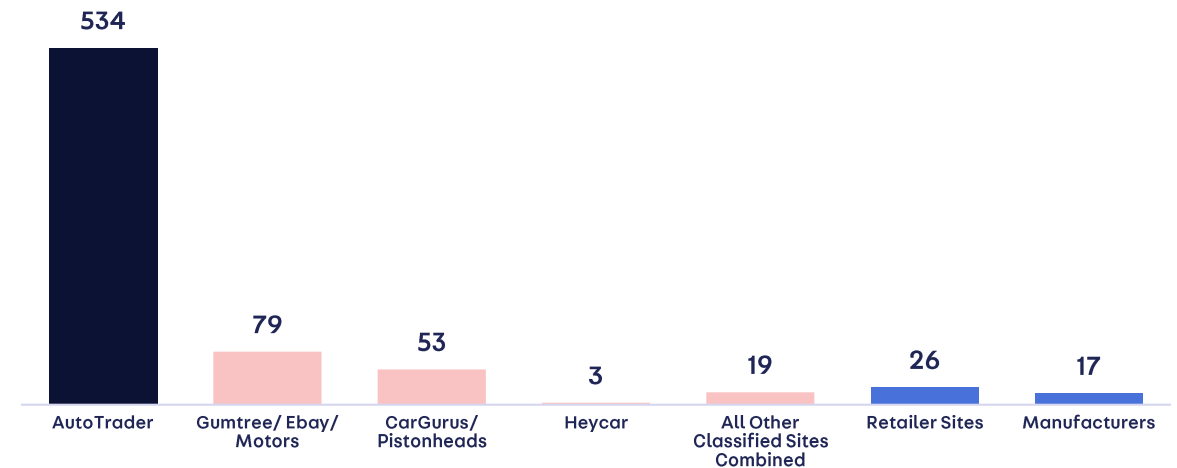


Source of traffic to Autotrader.co.uk ⁽¹⁾



Average minutes spent 2021 ⁽²⁾

(Average pcm - million)



⁽¹⁾ As measured through Google analytics

⁽²⁾ Source: Comscore MMX® Multi-Platform, Total Audience, April 2020 through March 2021, UK. 'Retailer sites' Custom-defined list including - Arnold Clark, Evans Halshaw, Carshop, Lookers, Motorpoint, Availablecar.com, Stoneacre, Marshall, Motordepot, Cargiant, Big Motoring World, Pentagon, Pendragon, Sytner, Peter Vardy, JCT600, TrustFord, Robins and Day, Carcraft, Listers, Cazoo. 'All Other Classified Sites Combined' Custom-defined list including - Parkers, Whatcar, Carwow, Exchange and Mart, RAC Cars, Carsnip, Cinch. 'Manufacturers' Custom-defined list including - Ford, Vauxhall, Volkswagen, Toyota, Mercedes-Benz, Audi, Landrover, Nissan, Renault, Peugeot, Honda, Volvo (.com), BMW, Hyundai, Dacia, Citroen, Skoda, Seat, Lexus, Jaguar, Fiat, Suzuki, Ssangyong GB, Mazda, Mini

Advertising Products



Following year end, we have evolved our advertising package structure and our default sort order for vehicles

The goal of this change was to deliver a **consistent cross-platform search experience powered by a relevancy algorithm**

We have discontinued our Basic package, introduced a higher level and **re-branded our top three levels; Enhanced, Super and Ultra**

Gives retailers the choice to capture a greater share of consumer engagement on Auto Trader

We **increased the penetration of our higher yielding advanced and premium packages to 26%** of retailer stock in March 2021 (March 2020: 23%) before the changes



Our New Car proposition: delivering increasing value to retailers

2,000

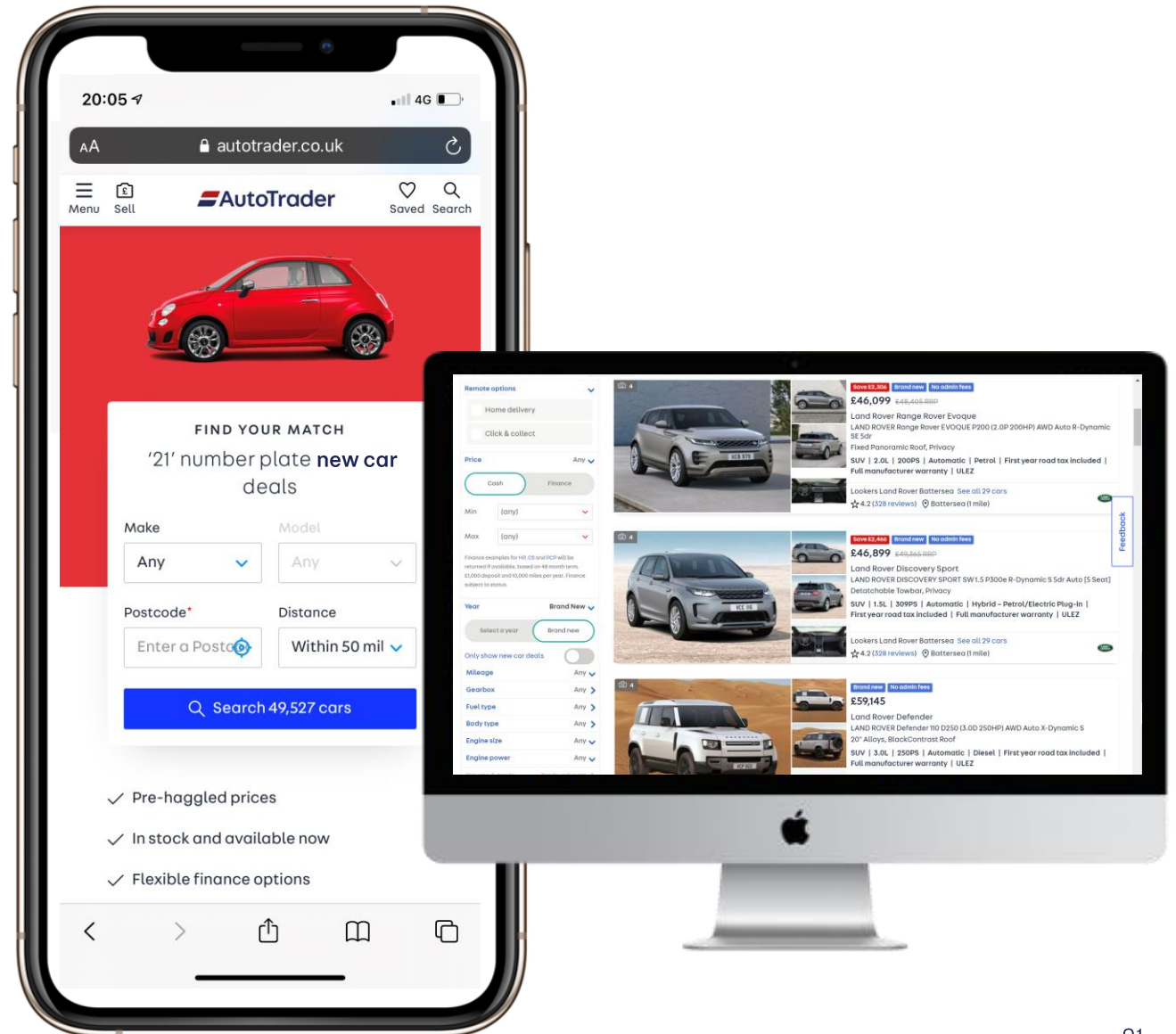
Retailers paying for the product in March 2021. (March 2020: over 1,000)

47,000

Physical new cars were advertised on site per month (2020: 31,000)

1.4m

Unique visitors on average each month in 2021



Enabling Digital Retailing



We've recently launched a new product, Market Extension, that allows retailers to sell outside their local area, a key product for the increasing number of retailers looking to sell online

Our newly launched product, Market Extension, looks at the UK as ten distinct regions for retailers to target car buyers

This product allows retailers to **sell outside their local area** and appear in regional searches

It allows **vehicles which are either currently on a forecourt, or held centrally to be advertised** to car buyers, available via click and collect or home delivery

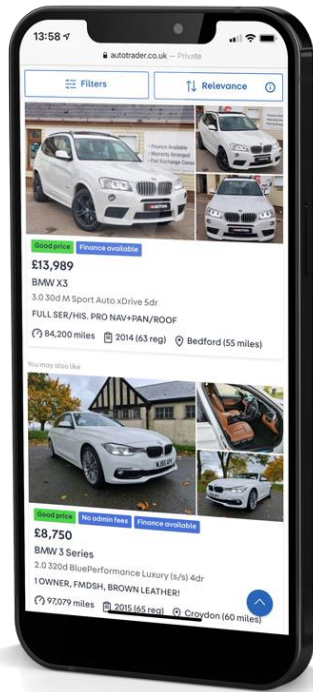
As we develop our end-to-end journey, including reservations, guaranteed part-exchange and a means to apply for finance on Auto Trader, we believe our retailer **customers who embrace these products will increasingly want to extend their reach beyond their local market**



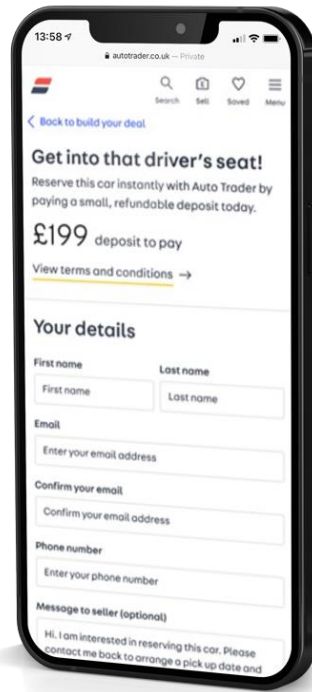
Changes are underway in the car retailing industry to bring more of the buying process online, meeting the increased demand of car buyers



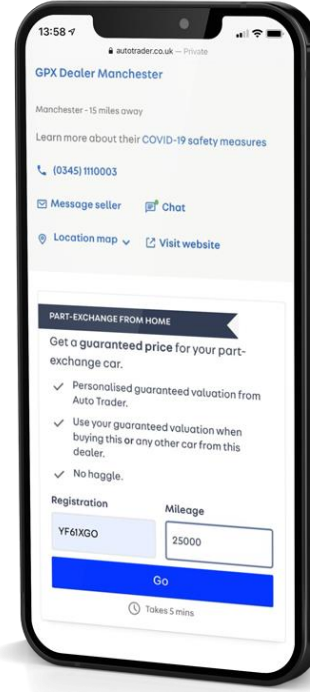
55%⁽¹⁾ of buyers would consider buying online



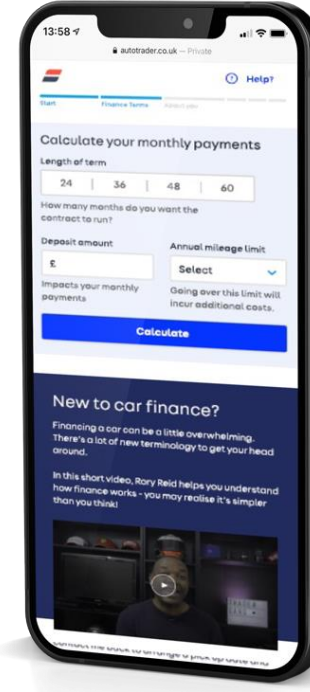
60%⁽¹⁾ would pay a deposit online



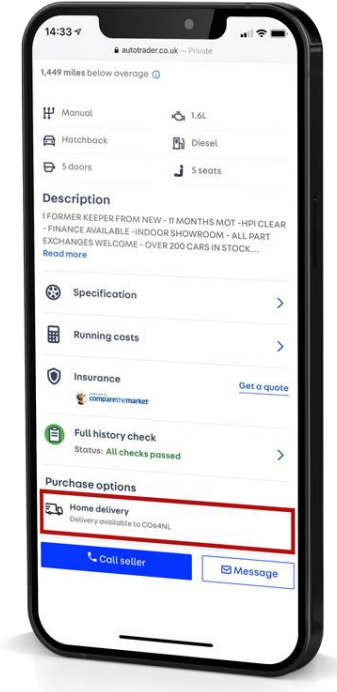
80%⁽¹⁾ want a part-exchange value online



70%⁽¹⁾ want finance options before visiting the dealer



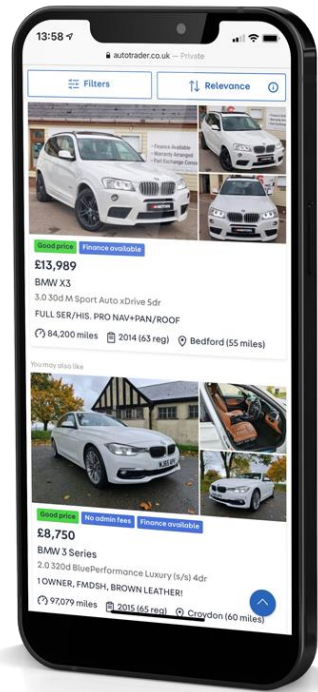
32%⁽¹⁾ said home delivery was preferred



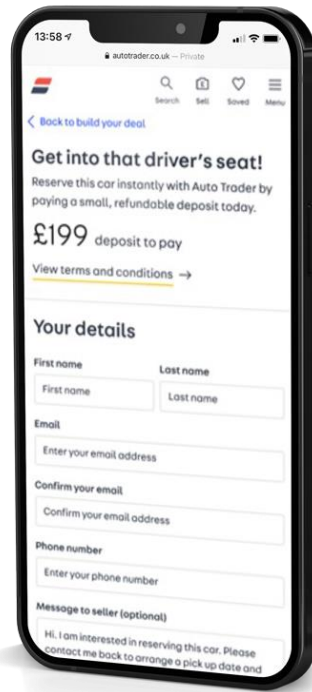
Having worked towards a vision of selling online for many years, we have developed our digital retailing journey which will launch this financial year



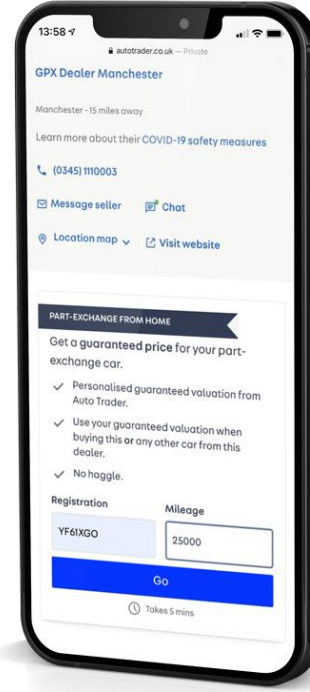
561m minutes spent on Auto Trader on average per month



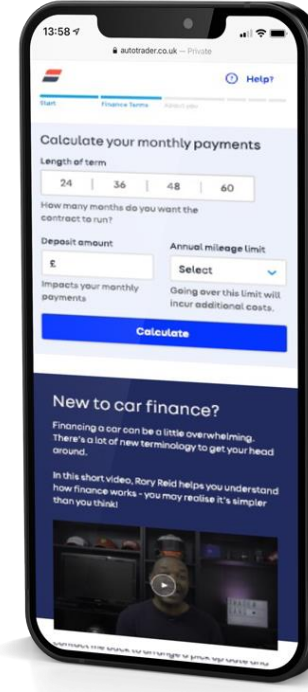
14.1m leads submitted on Auto Trader in FY21



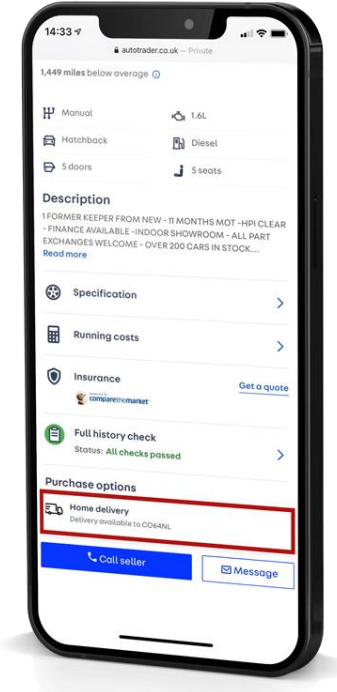
120k guaranteed part-exchange valuations since launch



1.5m finance applications on the AutoConvert platform



98k moves facilitated by Motor Trade Delivery in FY21



Outlook



Outlook

Auto Trader has started the new financial year in a strong position as a result of the actions taken in the last year. This is reflected in our recent trading performance, a strong pipeline of product innovations and improved relationships with customers. In the longer term, we will be beneficiaries of the major changes underway in the car retailing market, where more of the buying journey is moving online

Despite unusually strong demand and tight supply, COVID-19 is currently having little impact on the financial performance of the business as we start Financial Year 2022. However, as seen in other countries, we cannot yet be sure that COVID-19 will not reappear as a significant negative factor in our future performance. The following remarks assume no significant restrictions on our retailers' ability to trade going forward

In the year ahead, we expect to deliver high single digit growth on FY20 ARPR and Operating profit margins that are in line with FY20 levels, with FY20 being the year ended March 2020

As we started the year, we successfully executed our annual pricing event in April 2021 including the launch of Retailer Stores, which offers customers their own dedicated, customisable location on Auto Trader. Retailer numbers for the year are likely to be in line with FY20 levels and stock is still expected to be a small headwind. Consumer Services and Manufacturer & Agency revenue, which make up 14% of Group revenue, will recover from FY21 lows, but are unlikely to reach FY20 levels, as sellers favour part-exchange and new car advertising is impacted by semiconductor supply issues

The Board is confident for the future prospects of the business

Appendix



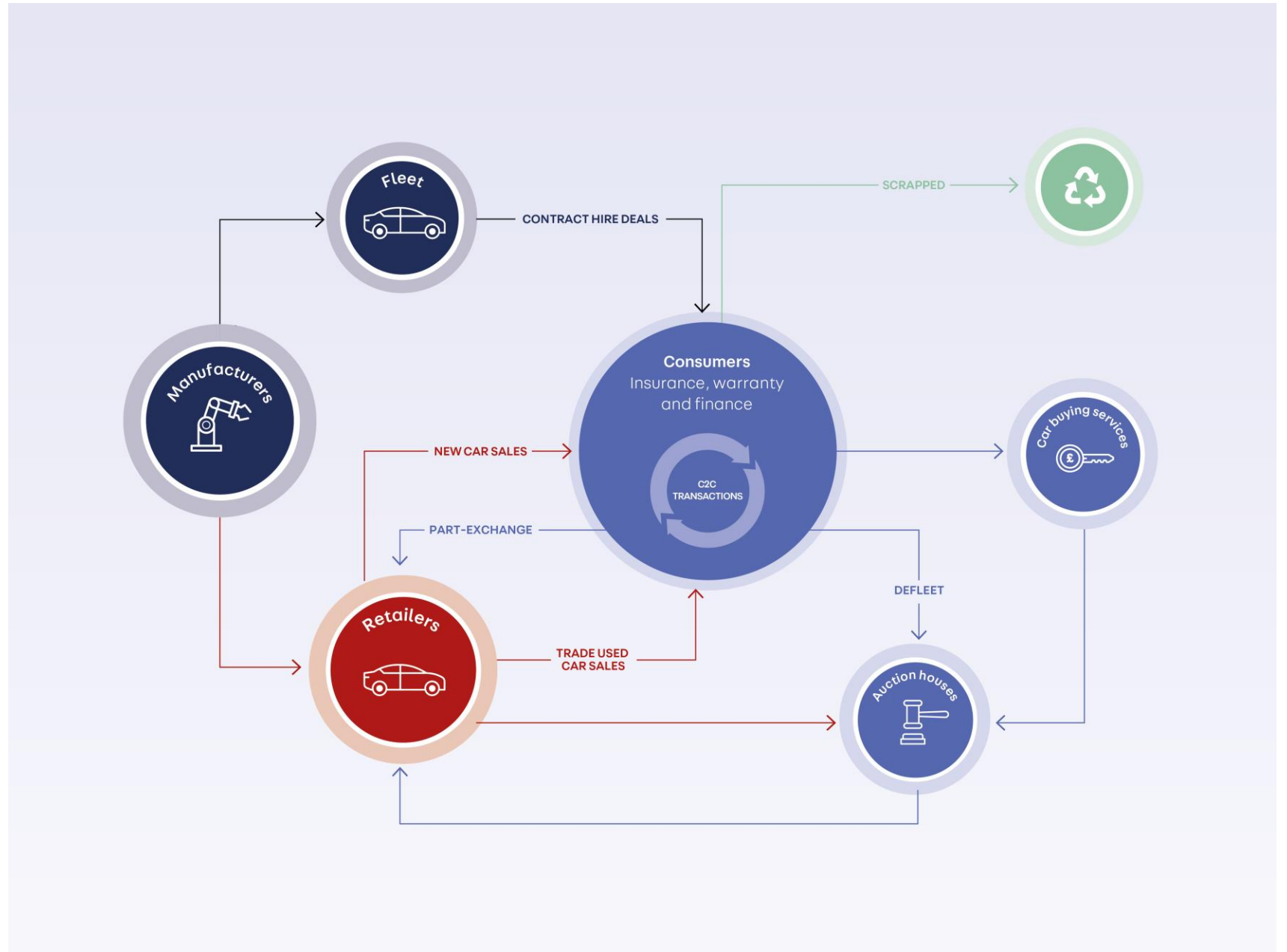
Cashflow statement

	2021 £ million	2020 £ million
Profit before tax	157.4	251.5
Depreciation & amortisation	6.3	6.5
Share-based payments charge (exc NI)	3.3	3.4
Share of profit from joint ventures	(2.4)	(3.2)
Finance costs – net	3.8	7.4
Other non-cash items	0.3	(0.1)
Changes in working capital	(15.8)	-
<i>Cash generated from operations</i>	152.9	265.5
Tax paid	(28.2)	(69.8)
Capital expenditure	(1.4)	(1.5)
Payment of lease liabilities	(2.5)	(2.9)
Contributions to pension scheme (DB)	(0.1)	(0.1)
Proceeds from sale of assets	-	-
Acquisition of shares in JV/ subsidiary	(10.0)	(25.3)
Repayment of borrowings	(283.0)	(0.7)
Interest paid	(3.0)	(6.4)
Payment of refinancing fees	(0.5)	(0.5)
Dividends paid	-	(64.7)
Net proceeds from sale of shares	182.9	-
Purchase of own shares	-	(61.7)
Fees on purchase of shares	-	(0.3)
Proceeds from exercise of share-based incentives	1.0	0.1
<i>Net increase/ (decrease) in cash</i>	8.1	31.7

Five year record

	2021 £ million	2020 £ million	2019 £ million	2018 £ million	2017* £ million
Trade	225.2	324.3	304.6	281.2	262.1
Consumer Services	26.6	28.3	28.0	29.8	31.8
Manufacturer & Agency	11.0	16.3	22.5	19.1	17.5
Revenue	262.8	368.9	355.1	330.1	311.4
Costs	(104.0)	(113.2)	(112.3)	(108.8)	(108.3)
Share of profit from joint ventures	2.4	3.2	0.9	-	-
Operating profit	161.2	258.9	243.7	221.3	203.1
Net interest expense	(3.8)	(7.4)	(10.2)	(10.6)	(9.7)
Profit on disposal of subsidiary	-	-	8.7	-	-
Profit before taxation	157.4	251.5	242.2	210.7	193.4
Taxation	(29.6)	(46.4)	(44.5)	(39.6)	(38.7)
Profit after taxation	127.8	205.1	197.7	171.1	154.7
Net assets/ (liabilities)	458.7	141.6	59.0	5.6	(21.4)
Net bank debt (gross bank debt less cash)	(15.7)	275.4	307.1	338.7	355.0
Cash generated from operations	152.9	265.5	258.5	228.4	212.9
Basic EPS (pence)	13.2	22.2	21.0	17.7	15.6
Diluted EPS (pence)	13.2	22.1	20.9	17.7	15.6
Dividend per share (pence)	5.0	2.4	6.7	5.9	5.2

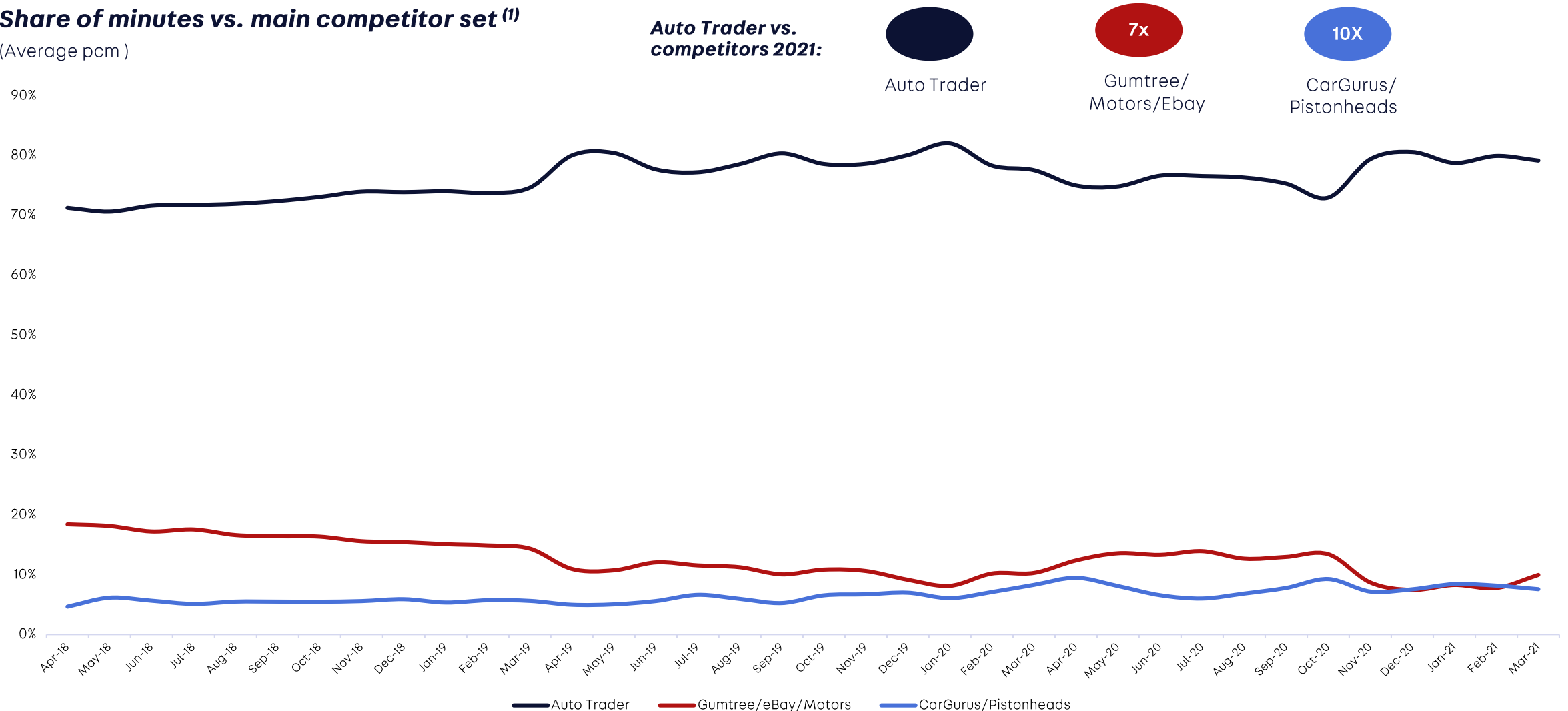
The automotive ecosystem



Our position as market leader is unchanged with over 75% of total automotive time spent on our platforms

Share of minutes vs. main competitor set ⁽¹⁾

(Average pcm)



⁽¹⁾ Share of minutes is a custom metric based on ComScore minutes (MM) and is calculated by dividing Auto Trader's total minutes volume by the entire custom-defined competitive set's total minutes volume. ComScore MMX® Multi-Platform, Total Audience, Custom-defined list includes: Auto Trader, Gumtree.com - Motors, Pistonheads sites, Motors.co.uk & CarGurus, April 2018 through March 2021, UK

Notes

 **AutoTrader**