

# Full Year Results

Year ended 31 March 2017

8 June 2017

 AutoTrader



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## Financial highlights

**+9%** Revenue: up 9%\* to £311.4 million (2016: £281.6 million)

**+19%** Underlying operating profit: up 19%\* to £207.2 million (2016: £171.3 million)  
Operating profit up 18%\* to £203.1m (2016: £169.6 million)

**67%** Underlying operating profit margin: up 6% points to 67% (2016: 61%)

**+18%** Cash generated from operations: up 18% to £212.9 million (2016: £180.1 million)

**1.6x** Net external debt: down £37.6 million to £355.0 million (2016: £392.6 million) with leverage falling to 1.6x (2016: 2.2x)

**£129m** Capital allocation: debt repayments of **£40.0 million** (2016: £147.0 million) in addition to **£128.7 million** of cash returned to shareholders through **£102.1 million** of **share buy-backs** (26.3 million shares at an average price of 388p) plus **dividends** paid of **£26.6 million** (2016: £5.0 million)

**+22%** Earnings and distribution: basic EPS up 22%\* to 15.64p (2016: 12.67p); proposed final dividend of **3.5p per share** plus interim of 1.7p means total dividend of 5.2p (2016: 1.5p)

## Key drivers

**+12%**

**Cross platform minutes: up 12%** to 582 million per calendar month (2016: 521 million); Cross platform visits up 16% to 55.4 million per calendar month (2016: 47.9 million), **4 times larger** than our nearest competitor

**+55m**

**Advert views: up 2%** to 247.4 million per calendar month (2016: 242.8 million), generating extra response for our customers with **55 million more advert views** over the year

**-2%**

**Retailer forecourts:** slightly down at 13,296 (2016: 13,514) through loss of small car and non-car retailers

**+3%**

**Physical stock on site: up 3%** to 450,000 cars (2016: 437,000) on average

**+£162**

**ARPR: up £162** to £1,546 on average per month (2016: £1,384), a rise of 12% (2016: 11%)

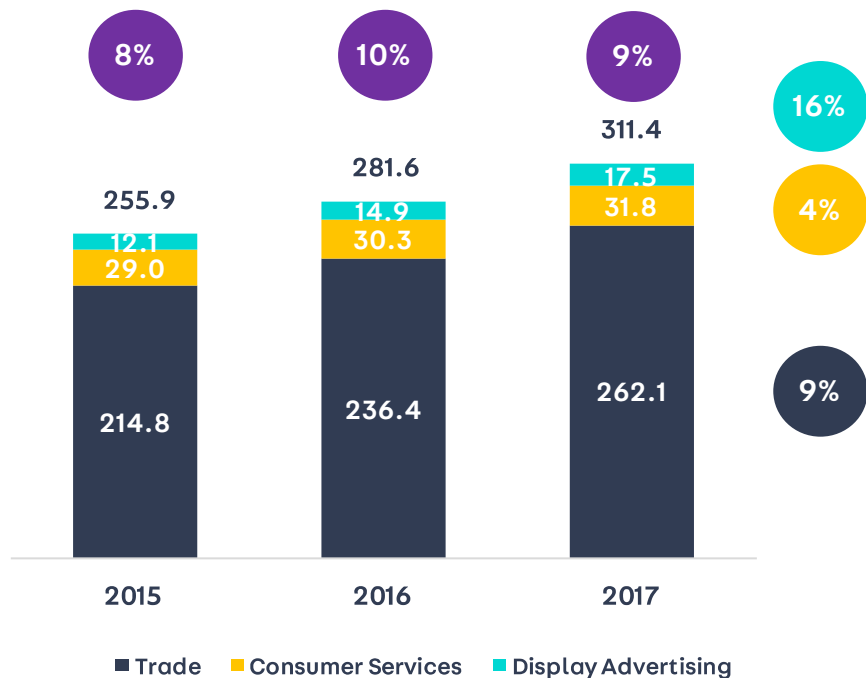
**-4%**

**Number of employees & contractors (FTEs): down 4%** to 824 on average during the period (2016: 859)

# Revenue

## Revenue (£m)

Year ended March 2017 is shown as 2017



Trade revenue comprises:

2017: Retailer (£250.1m), Home Trader (£12.0m) and Other (£nil)  
 2016: Retailer (£224.5m), Home Trader (£11.5m) and Other (£0.4m)  
 2015: Retailer (£202.1m), Home Trader (£10.3m) and Other (£2.4m)

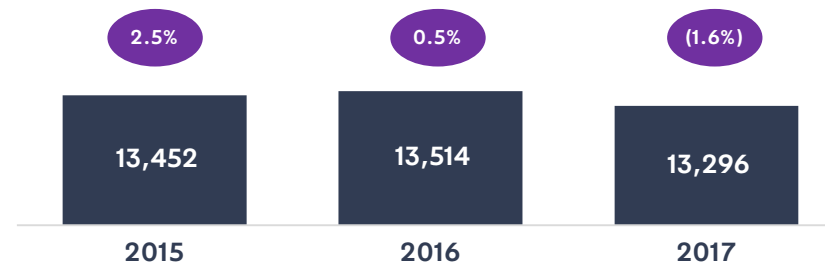
Notes: Year-on-year percentages for revenue have been adjusted for the extra five trading days in the year.

ARPR = £250.1 million x 364/369 / 13,296 forecourts / 12 months = £1,546



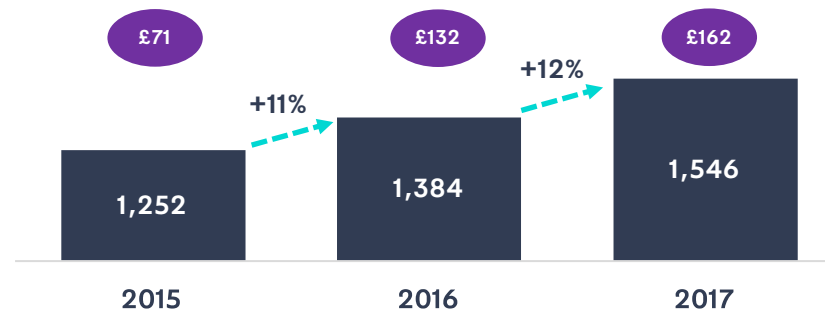
## Number of retailer forecourts <sup>(1)</sup>

YoY%



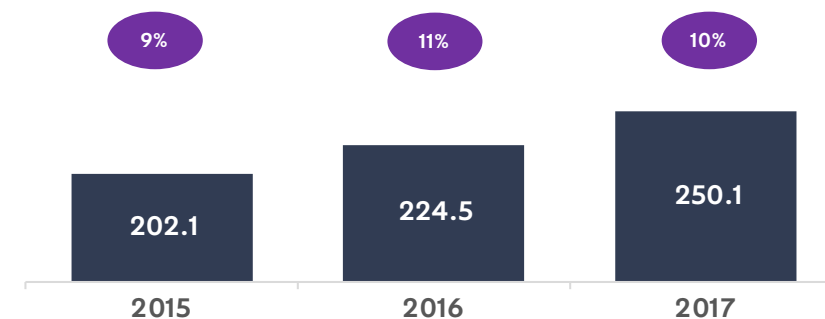
## Average Revenue Per Retailer (ARPR) (£) <sup>(1)</sup>

YoY  
£ pcm



## Retailer revenue (£m)

YoY%

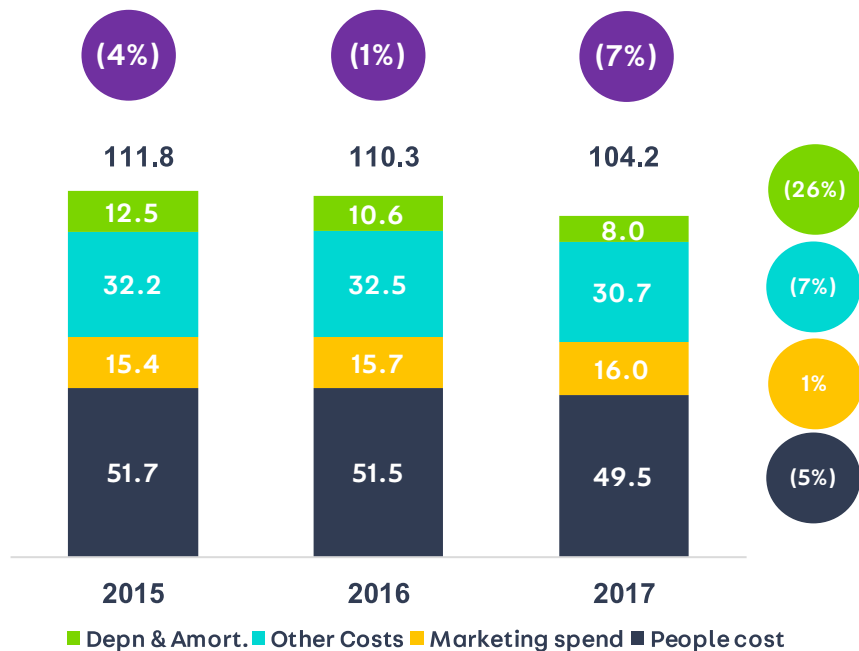


(1) Average monthly metric

# Costs

## Costs <sup>(1)</sup> (£m)

Year ended March 2017 is shown as 2017

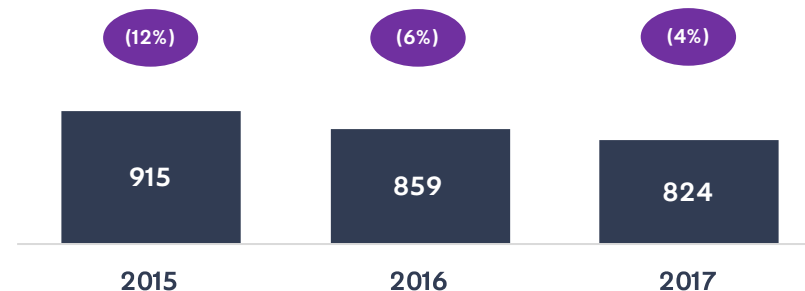


(1) 2017: Administrative Expenses (£108.3m) before SBP & associated NI (£4.5m) and exceptional items (£0.4m credit)  
 2016: Administrative Expenses (£112.0m) before SBP & associated NI (£2.5m) and exceptional items (£0.8m credit)  
 2015: Administrative Expenses (£122.8m) before SBP & associated NI (£3.7m), ownership related MIP (£1.9m) and exceptional items (£5.4m)

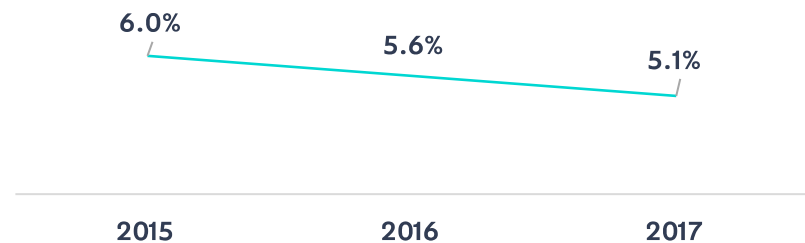
Note: Year-on-year percentages for costs have been adjusted for the extra five trading days in the year

## FTEs (including contractors) <sup>(2)</sup>

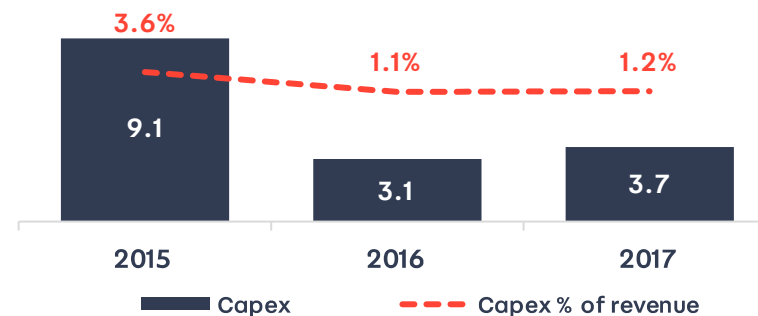
YoY%



## Marketing as a % of revenue



## Capital expenditure (£m)

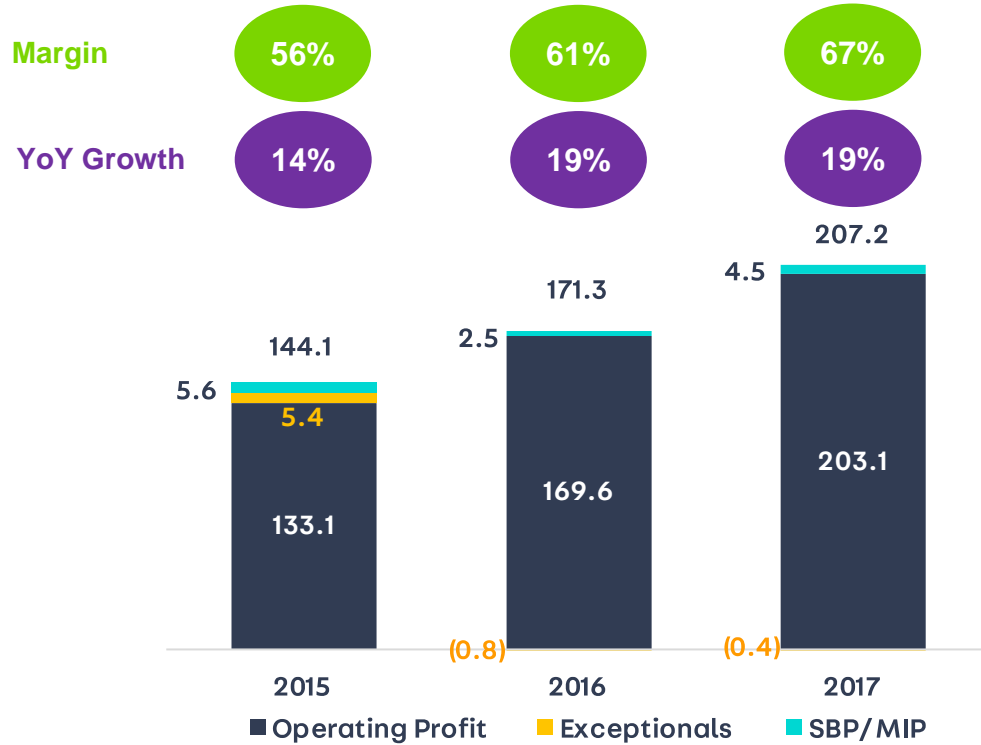


(2) Average monthly metric

# Profit & Cash flow

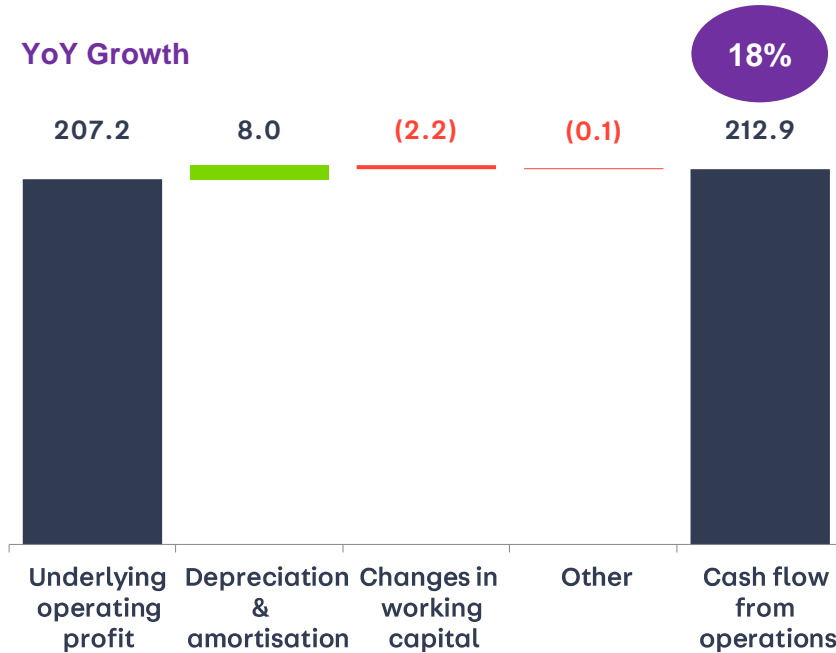
## Underlying operating profit <sup>(1)</sup> (£m)

Year ended March 2017 is shown as 2017



## Cash generated from operations <sup>(1)</sup> (£m)

Year ended March 2017 is shown as 2017



(1) Underlying operating profit represents operating profit before exceptional items, share-based payments and associated NI. Year-on-year percentages for operating profit have been adjusted for the extra five days in the year. Growth in cash generated from operations is not adjusted for additional days.

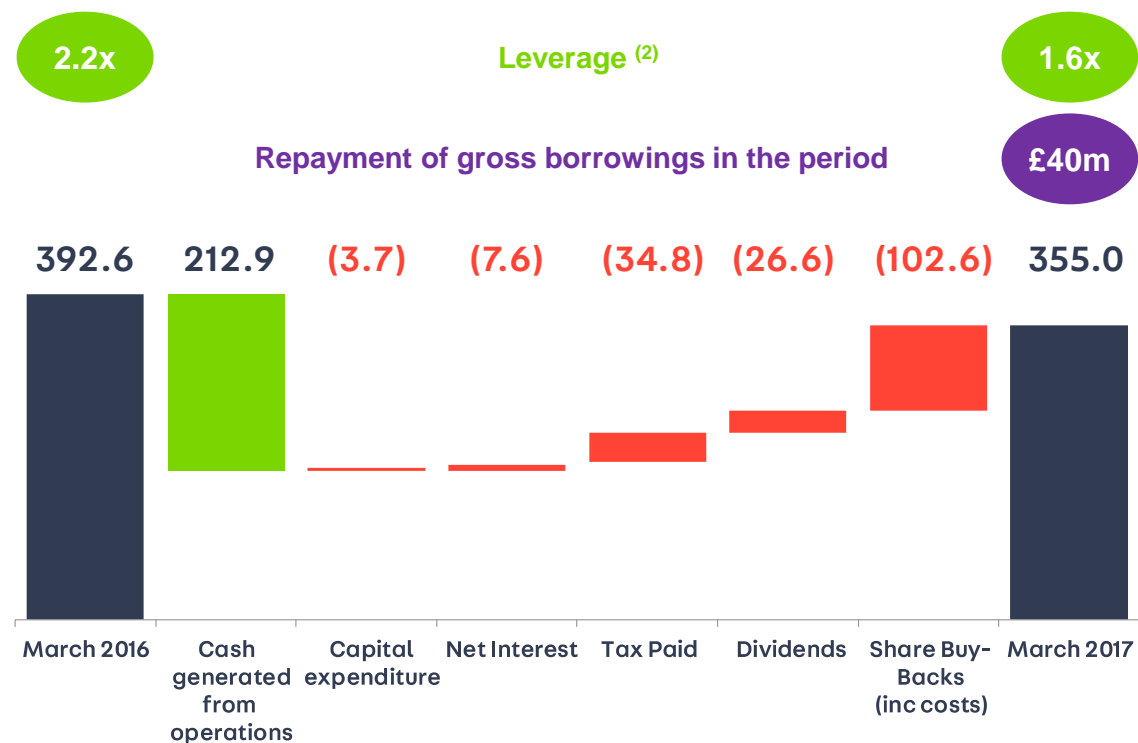
# Income statement

	Year ended March 2017 £m	Year ended March 2016 £m
Revenue	311.4	281.6
Administrative expenses	(108.3)	(112.0)
<b>Operating profit before share-based payments, associated NI and exceptional items</b>	<b>207.2</b>	<b>171.3</b>
Share-based payments and associated NI	(4.5)	(2.5)
Exceptional items	0.4	0.8
<b>Operating profit</b>	<b>203.1</b>	<b>169.6</b>
Finance costs - net	(9.7)	(14.6)
<b>Profit before taxation</b>	<b>193.4</b>	<b>155.0</b>
Taxation	(38.7)	(28.3)
<b>Profit for the year attributable to equity holders of the parent</b>	<b>154.7</b>	<b>126.7</b>
<b>Earnings per share (pence)</b>		
Basic	15.64	12.67
Diluted	15.60	12.65
<b>Dividend per share (pence)</b> <i>(Interim 1.7p/final 3.5p)</i>	<b>5.20</b>	<b>1.50</b>



# Net external debt & capital allocation

## Reconciliation of net external debt <sup>(1)</sup> (£m)



(1) Net external debt represents gross external borrowings before amortised debt costs less cash

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

## Capital allocation

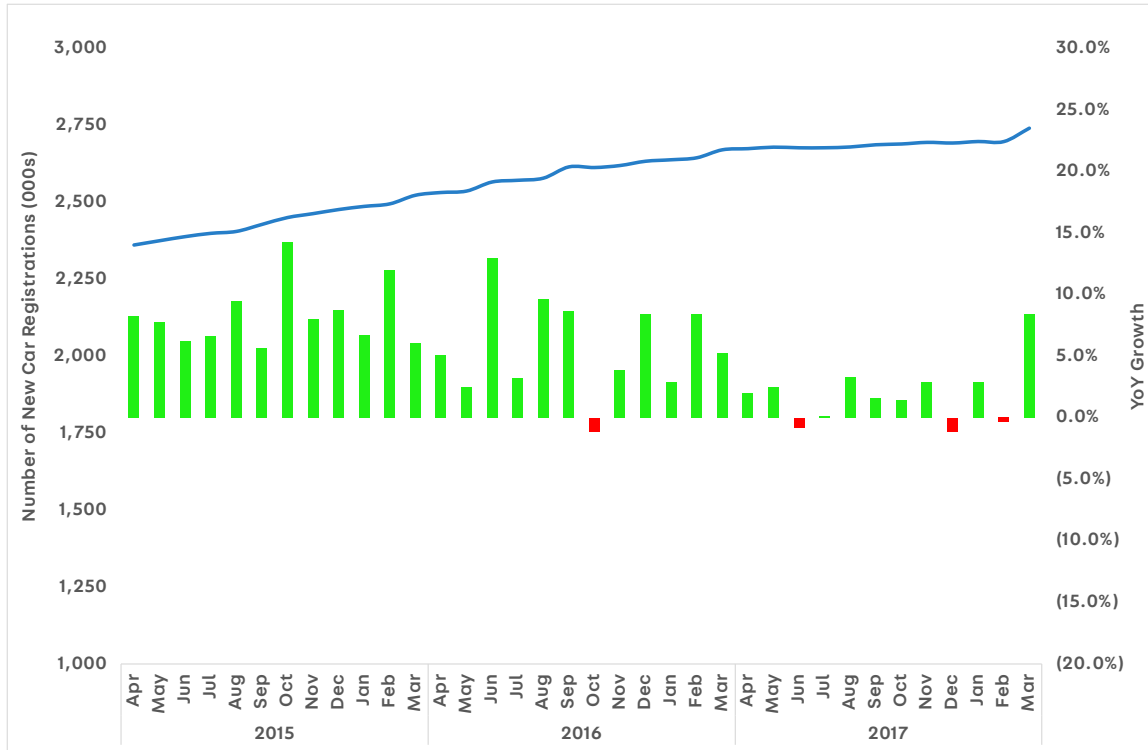
- The policy outlined in the 2016 full year results announcement remains unchanged
- The Group will **continue to invest in the business**, but the ability to grow organically means **significant levels of surplus cash** (i.e. cash after dividends) will be generated
- Distribution through dividend of **c.1/3 of net income** is targeted and combining the interim dividend of 1.7p per share together with the proposed **final dividend of 3.5p per share** will give a **total dividend of 5.2p per share** (c.£50.8m)
- The majority of surplus cash after dividends will continue to be used to buy back shares with the balance used to steadily reduce gross indebtedness. A rolling share buy-back programme commenced on 15 June 2016 in addition to the repayment of **£40.0 million** of term loan
- During the year **26.3 million shares were repurchased** at an average price of 388p for consideration of £102.1 million plus costs of £0.5 million
- Of the acquired shares, **4.2 million have been held in treasury** to satisfy potential future share scheme awards for both the employee Sharesave and Performance Share Plan schemes. The balance of **22.1 million has been cancelled**

# Key drivers & outlook



# Market

## New car registrations (1)



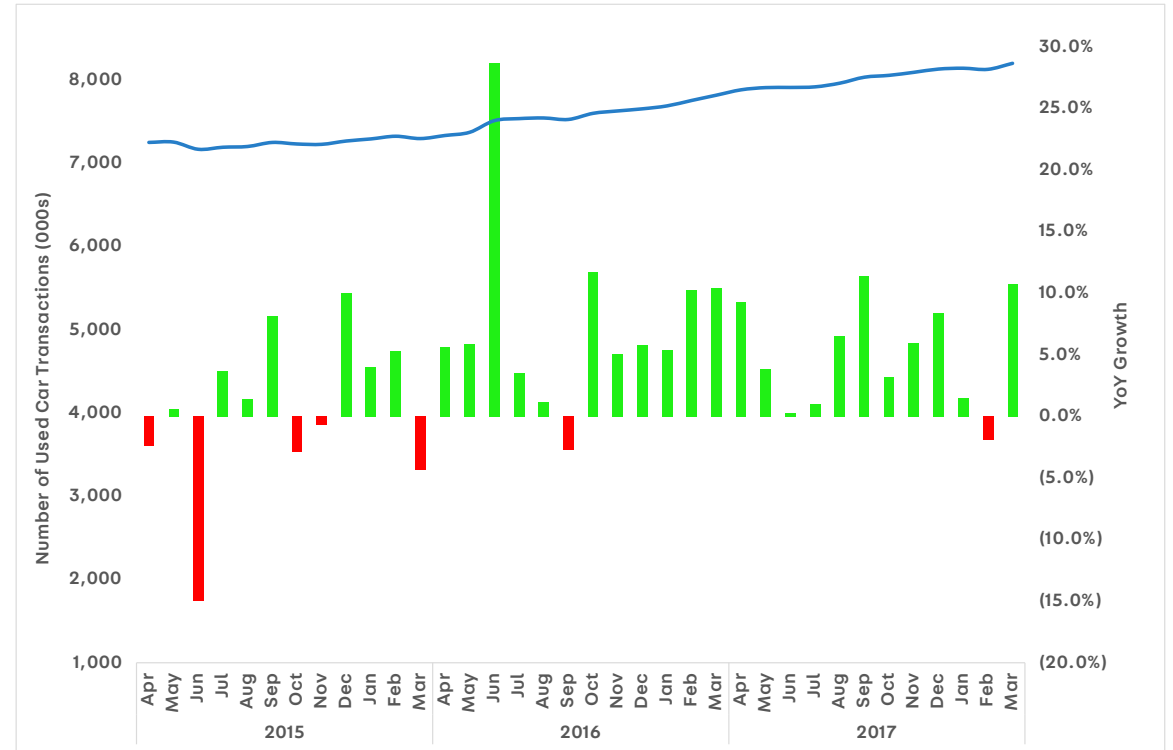
7.5%

5.9%

2.6%

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

## Used car transactions (2)



0.4%

7.1%

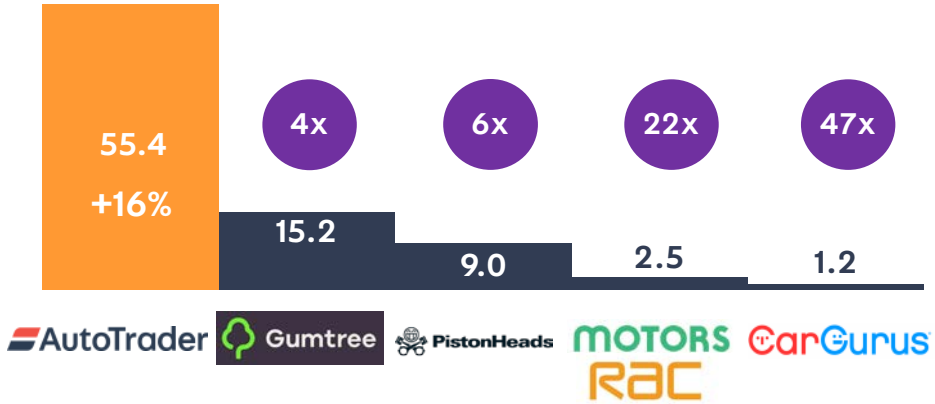
4.9%

(2) Source: DVLA transaction data - 12 month rolling total. Historic 2015 and 2016 figures restated for revised methodology

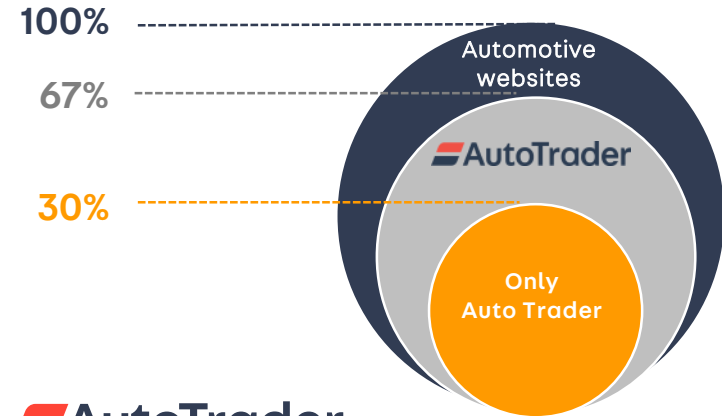
# Audience & engagement

## Visits to automotive classified sites <sup>(1)</sup>

(Average pcm - million)



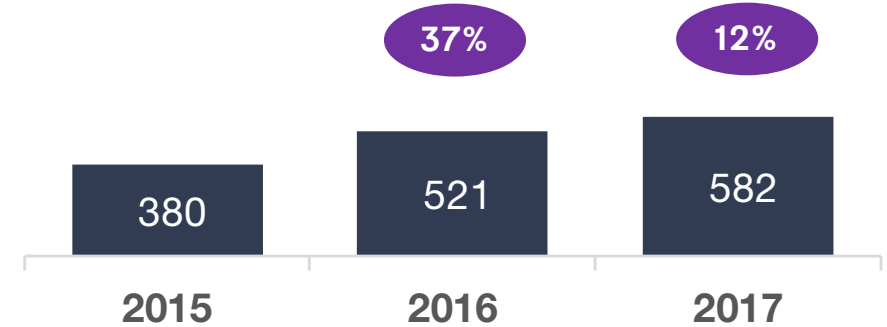
## Visitors to automotive sites <sup>(1)</sup>



## Minutes spent on autotrader.co.uk <sup>(1)</sup>

(Average pcm - million)

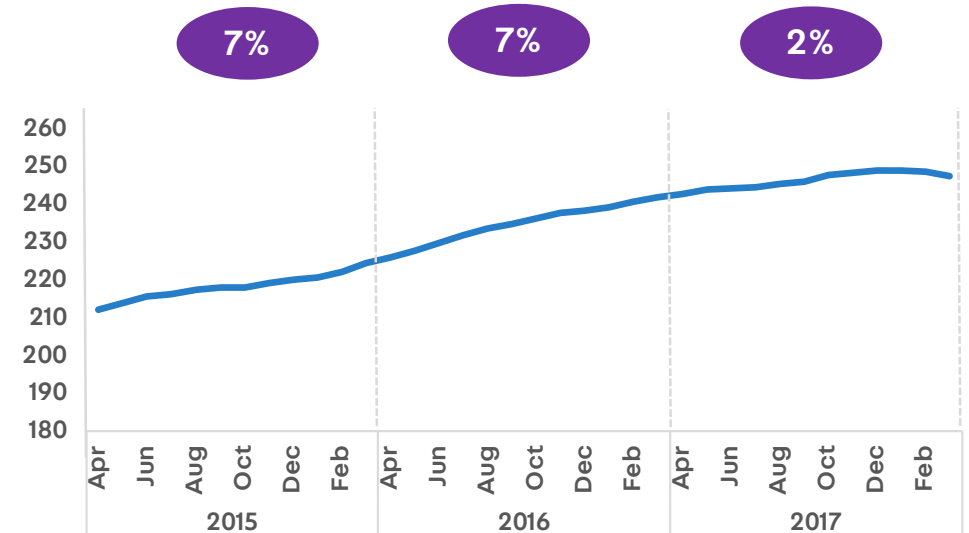
YoY Growth%



## Advert views <sup>(2)</sup>

(12 month rolling average - million)

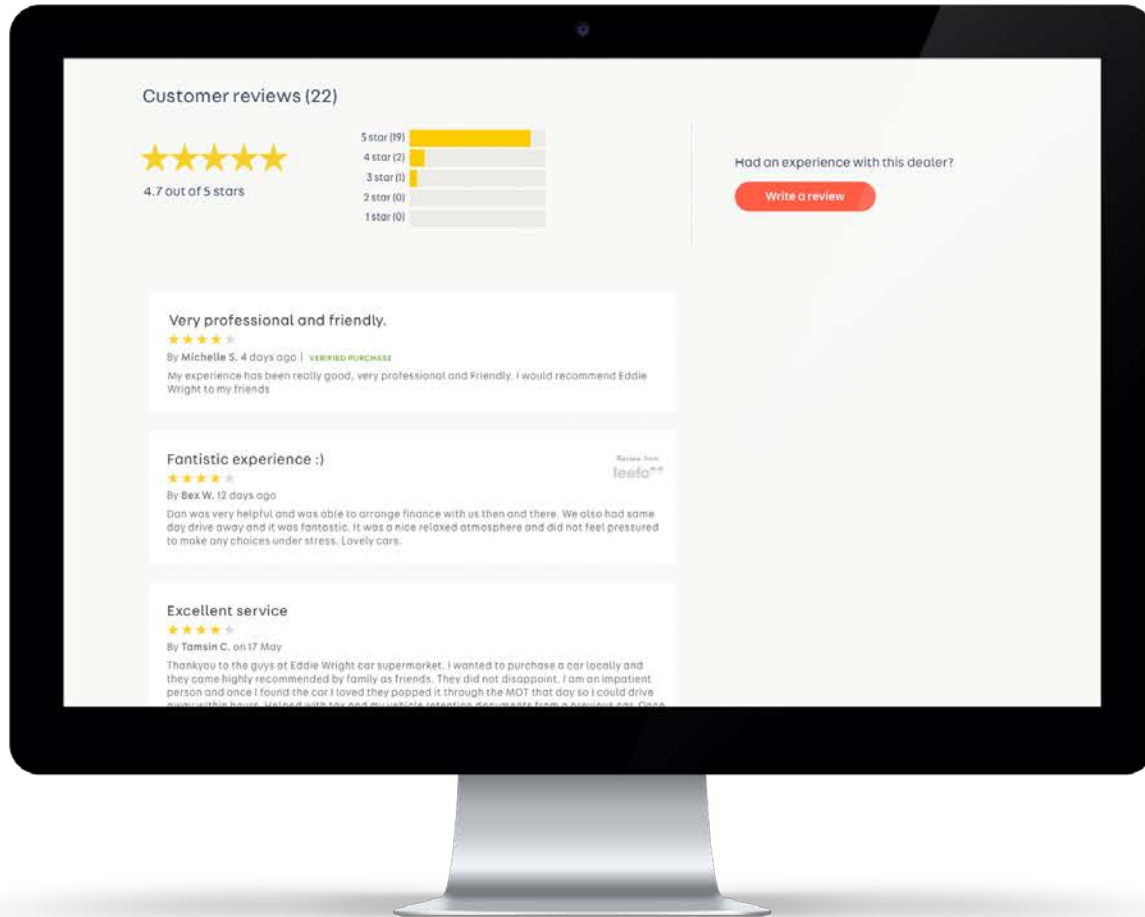
YoY Growth%



<sup>(1)</sup> comScore MMX ©, Media Trend April 2016 to March 2017

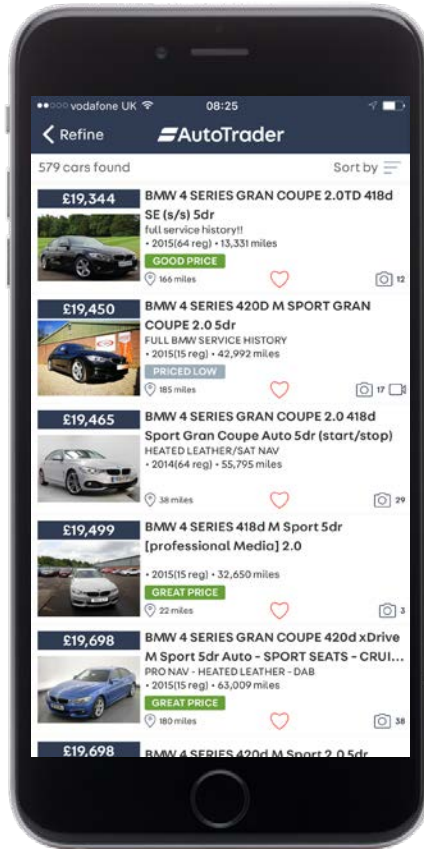
<sup>(2)</sup> Company measure of the number of inspections of individual vehicle advertisements on the UK marketplace (includes physical and virtual stock)

# Product innovation: dealer reviews

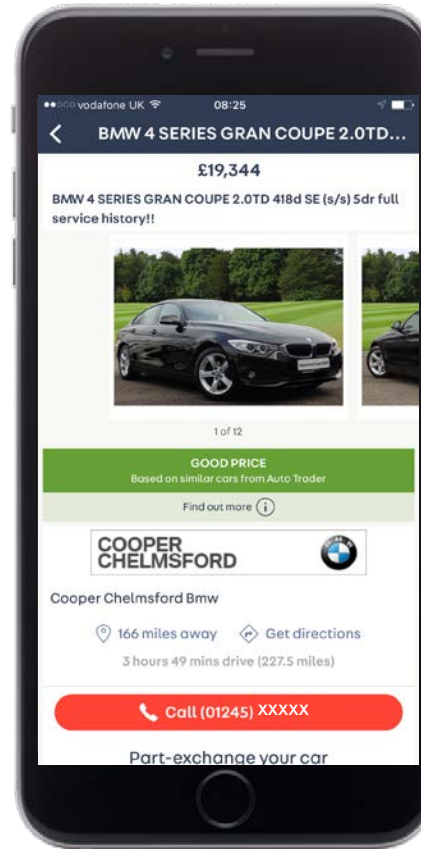


Over 5,000 retailers featuring  
over 325,000 reviews

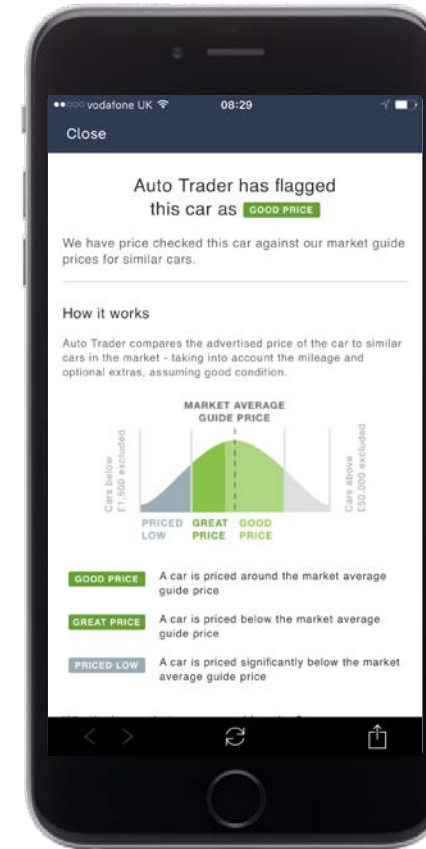
# Product innovation: trust & transparency



Price Indicator in search listings



Price Indicator in full page advert view



Consumers can find out more

# Historical selling package <sup>(1)</sup>

## Level 1

Reach in-market buyers on a variety of devices anywhere 24/7

## Level 2

Stand out from competitors and influence buyer decisions

## Level 3

Make sure it's your vehicle buyers see first


## Level 4

Connect with more buyers out of hours

## Level 5

Polish your cars' online presentation

 Basic Response

 Basic Response

 Basic Response

 Basic Response

 Basic Response

 Showroom Gallery

 Showroom Gallery

 Showroom Gallery

 Showroom Gallery

 Search Standout

 Search Standout

 Search Standout

 Search Standout

 Priority Listing Mobile

 Priority Listing Mobile

 Priority Listing Mobile

 Chat Assist

 Chat Assist

 Image Enhancement

PROMINENCE

CONVERSION

# FY18 selling package <sup>(1)</sup>

## Starter

Engage your buyers through the essentials of modern online retailing

- Live Chat
- 100 Images
- Test the Trade
- Part-Ex Guide
- ★★★★★ Dealer Reviews

AD QUALITY

## Basic

Stand out and encourage engagement through trust and transparency

- Enhanced Listings
- Vehicle Video
- Gallery Branding
- Live Chat
- 100 Images
- Test the Trade
- Part-Ex Guide
- ★★★★★ Dealer Reviews

## Standard

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

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

AD EXPOSURE

## Advanced

Boost your ad views with our bonus slot in search

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

## Premium

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

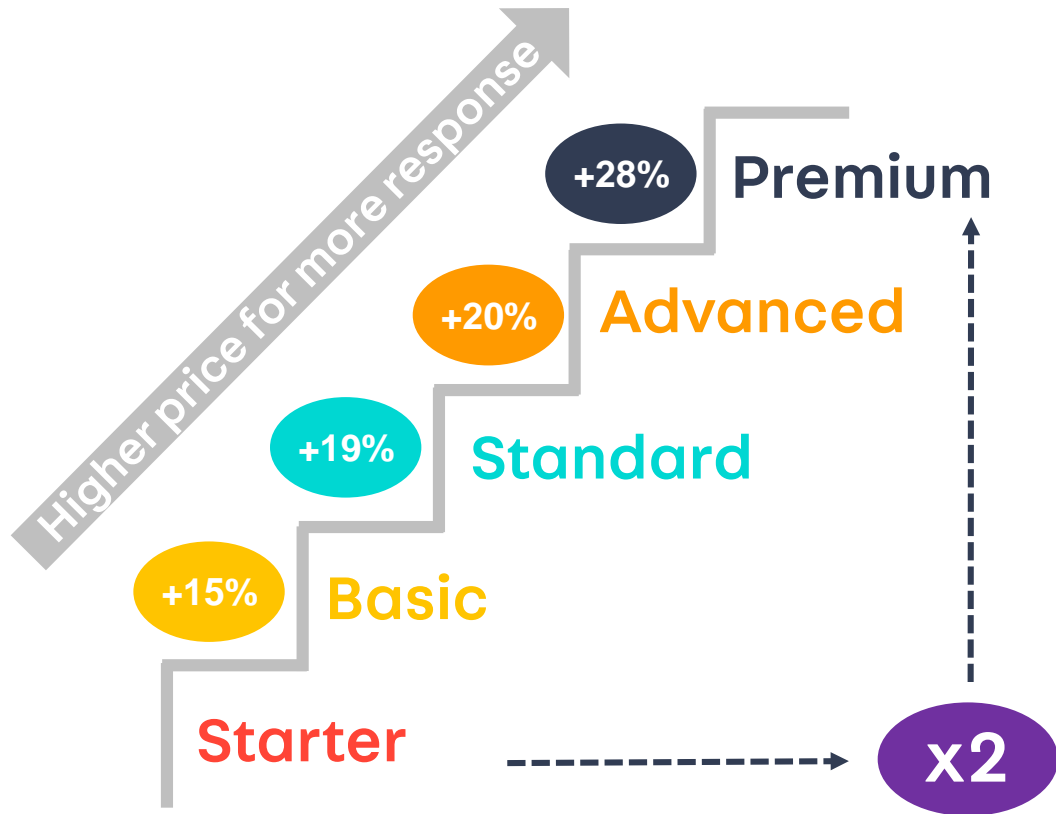
- Priority Listing Desktop
- Promoted
- Priority Listing Mobile
- Enhanced Listings
- Vehicle Video
- Gallery Branding
- Live Chat
- 100 Images
- Test the Trade
- Part-Ex Guide
- ★★★★★ Dealer Reviews



# FY18 selling package <sup>(1)</sup>

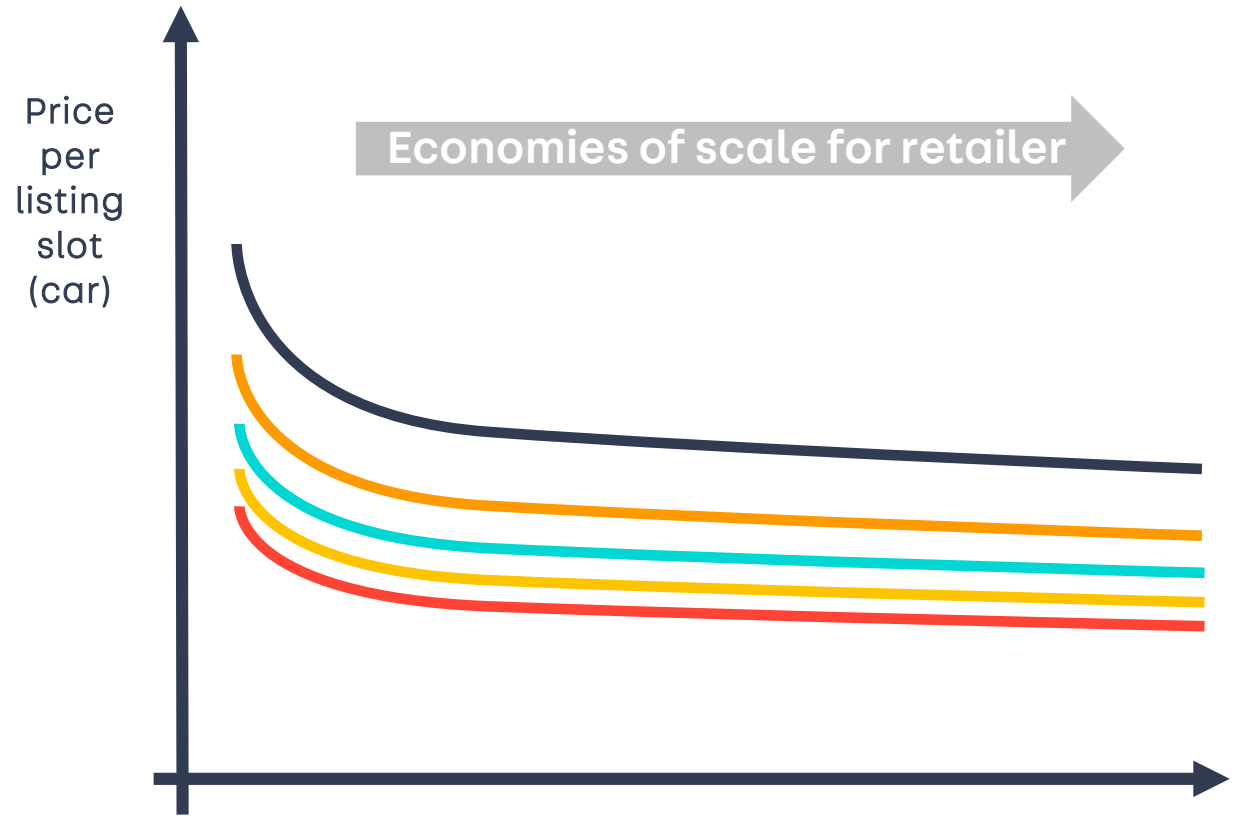
## Package staircase

Relative prices between packages based on average across the rate card



## FY18 selling package rate card

Average rate card

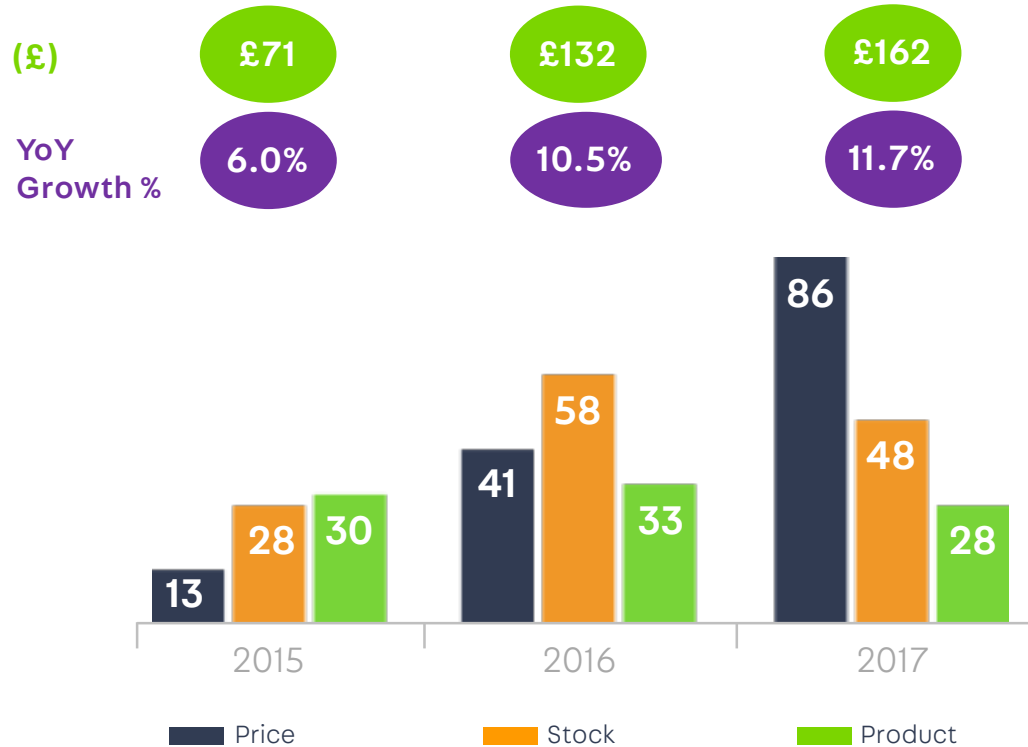


(1) For car retailers only

# Retailer

## ARPR levers <sup>(1)</sup>

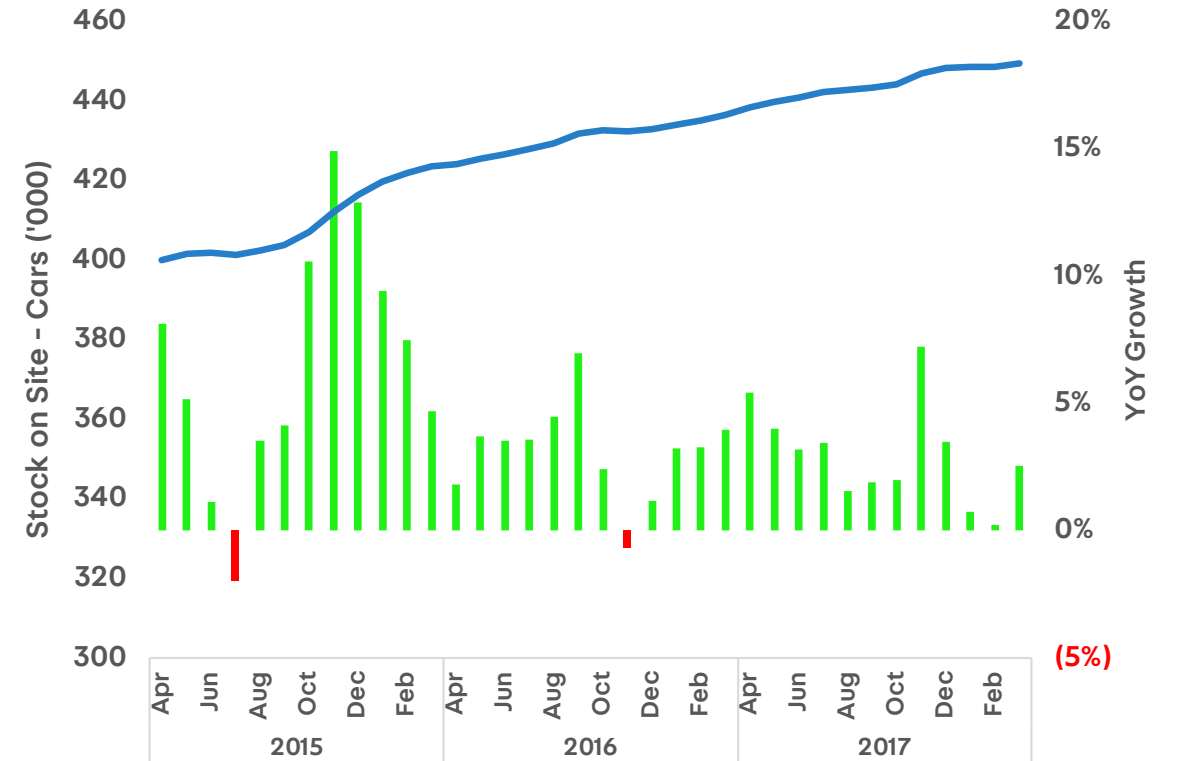
(Growth in Average Revenue Per Retailer per calendar month)



(1) Product was previously split between Upsell and Cross-sell

## Physical car stock on site

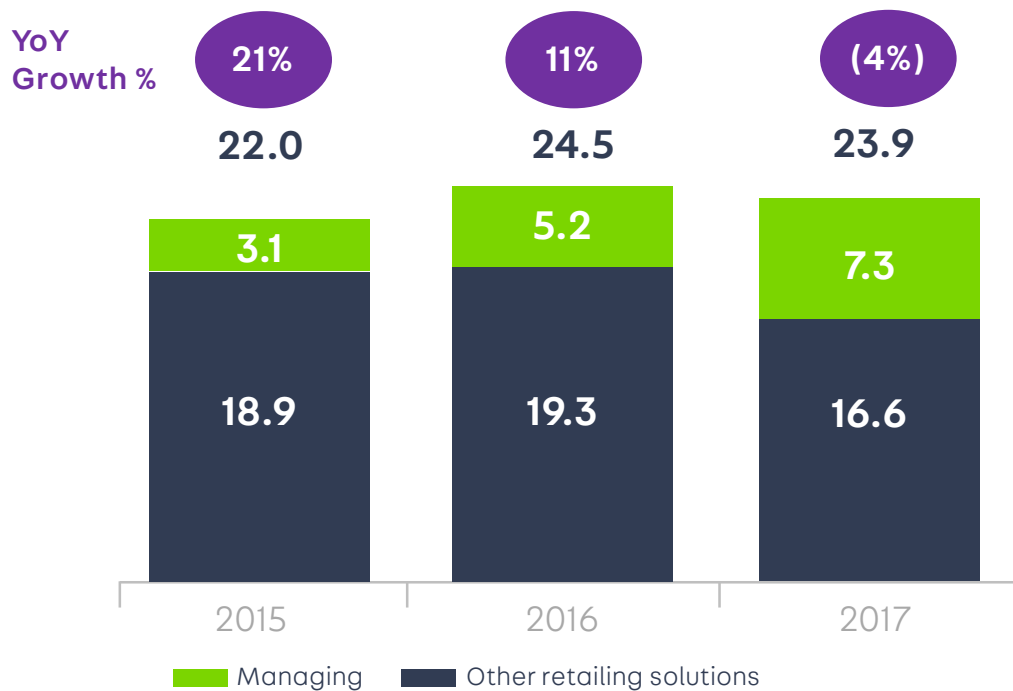
(12 month rolling average)



# Retailing solutions

## Retailing solutions revenue (£m)

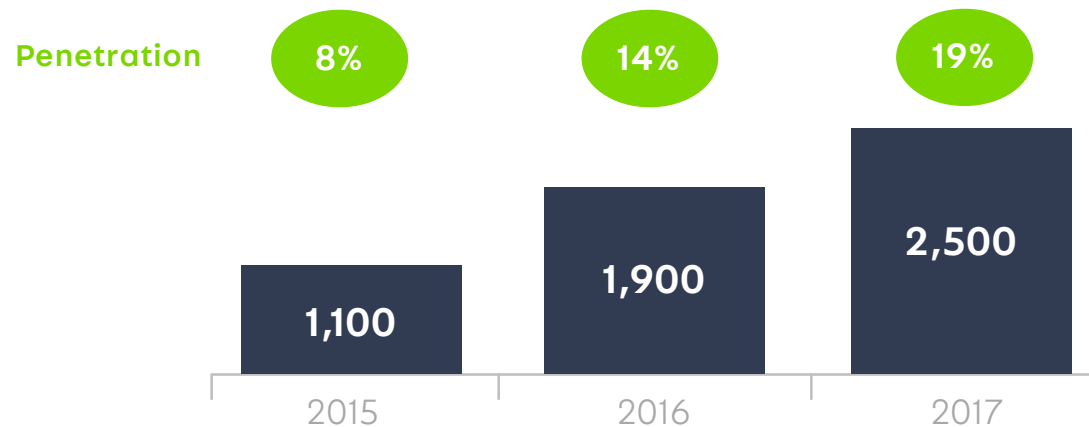
Year ended March 2017 is shown as 2017



Note: Year-on-year percentages for revenue have been adjusted for the extra five trading days in the year

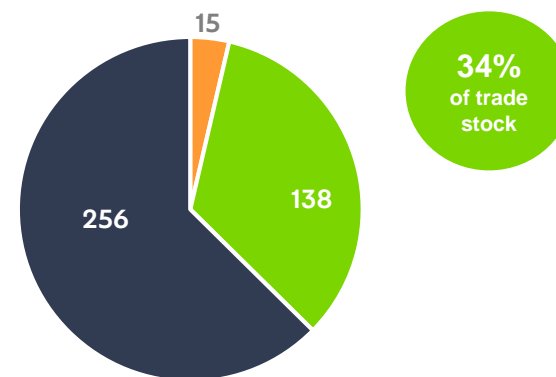
## Managing forecourts (#)

Average number in the month of March



## Physical car stock on site from Managing forecourts (000s)

Average trade stock number in the month of March 2017



■ Home Trader ■ Retailer - Managing ■ Retailer Non-Managing

# FY18 Outlook <sup>(1)</sup>

- The industry expects new **car registrations to plateau or decline** but anticipates **growth in used car transactions** as past observations suggest that the recent strong growth in new car sales will continue to stimulate demand for used cars
- **Retailer forecourt** numbers set to be **flat to marginally down** year-on-year with overall **stock levels expected to continue to grow**
- **ARPR improvement** expected to return to 2016 levels, **at or above £130 pcm growth**, with the majority of growth from the product lever. This reflects the recent bundling of products into our new selling package levels as well as upselling of the new Advanced and Premium levels. Motor Trade Delivery (MTD) will be reported as a component of Trade revenue, but outside of Retailer revenue, and therefore will not impact ARPR
- **Consumer services** revenue momentum to remain at **low single digit**
- **Display advertising** (to be renamed Manufacturer & Agency) growth expected to slow slightly from recent levels but remain **double digit**
- **Costs**, taking account of MTD and share based payments, now expected to increase at the rate of **mid single digit**. Headcount flat and salary inflation set to rise in an increasingly competitive market. Spend on marketing as a percentage of revenue is expected to remain broadly constant, with slightly higher overheads being offset by further, albeit smaller, savings in depreciation and amortisation
- **Operating profit** to replace Underlying operating profit as the key trading performance measure from financial year 2018 with **operating margins set to rise further**
- **Capital allocation** policy unchanged with **c.1/3 of net income as dividends** and the majority of surplus cash to be used to **buy back shares**. Gross indebtedness to fall steadily through debt repayments
- The **Board is confident** of delivering its growth expectations for the coming year

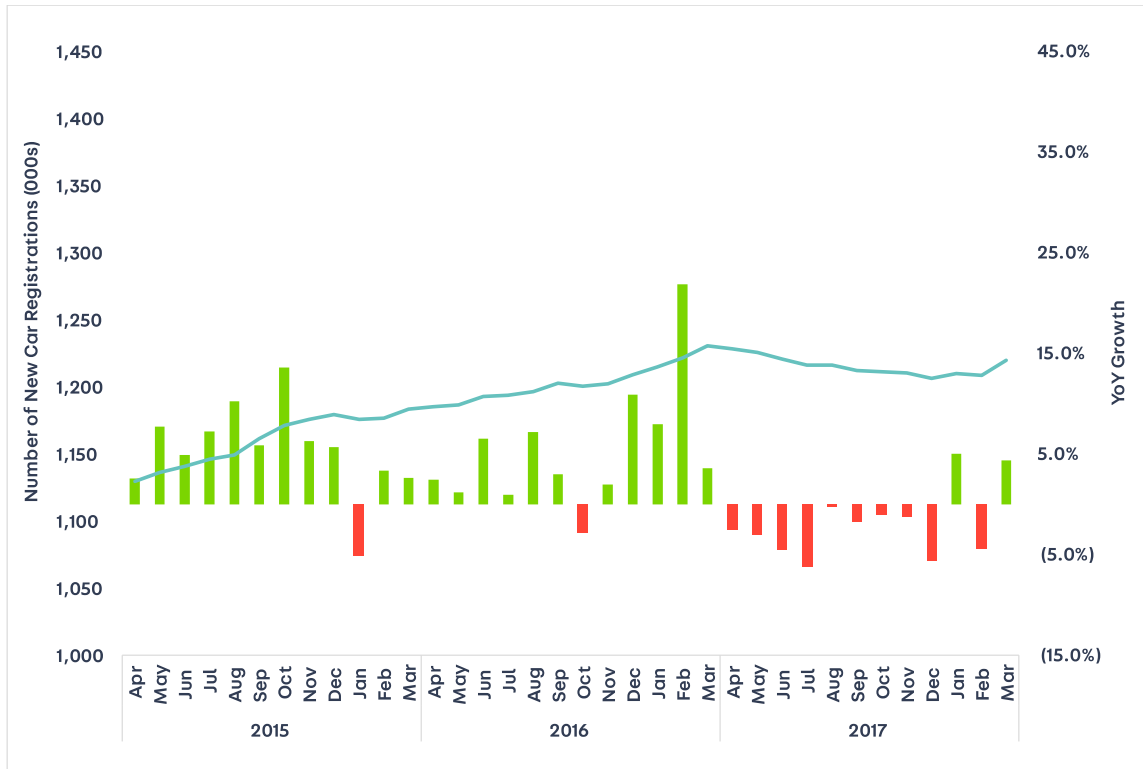
# Questions

# Appendices



# New car registrations

## Private (1)

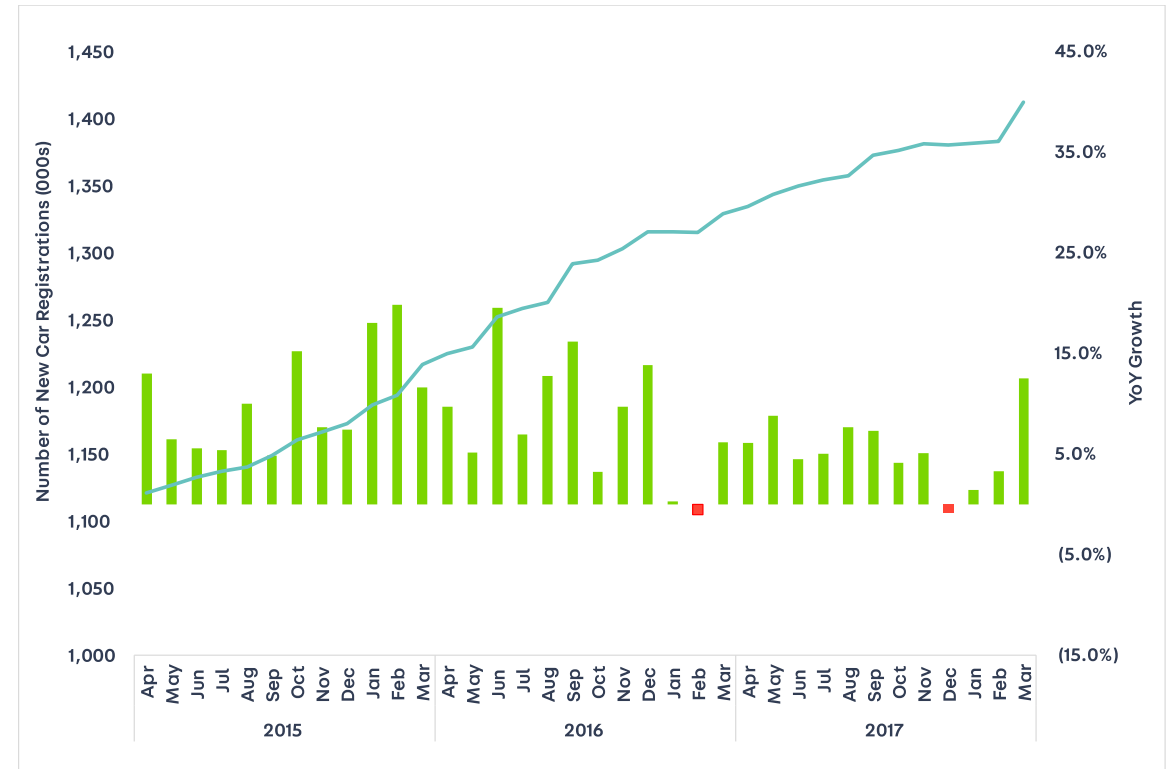


4.9%

4.0%

(0.9%)

## Fleet (1)



9.5%

9.2%

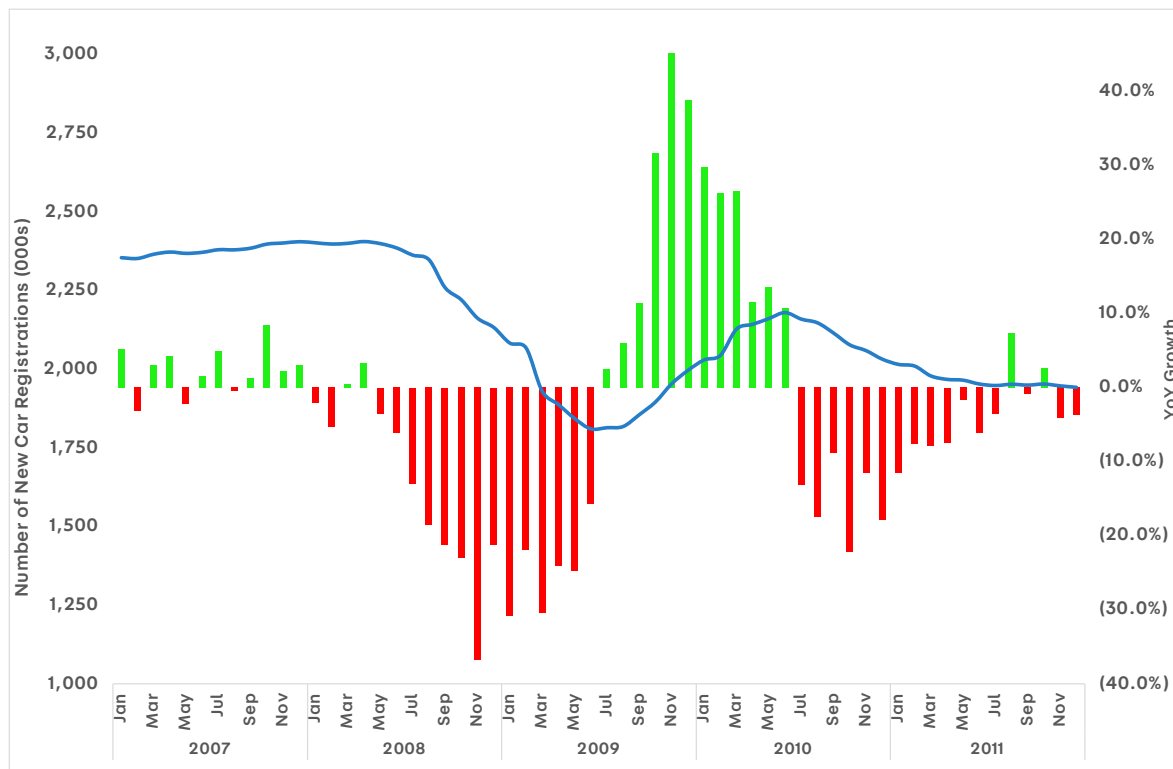
6.3%

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

The sum of Private plus Fleet does not equal total New Car Registrations as there is a third, much smaller, category for registrations by Businesses

# Car market – 2007 to 2011

New car registrations (1)



3%

(11%)

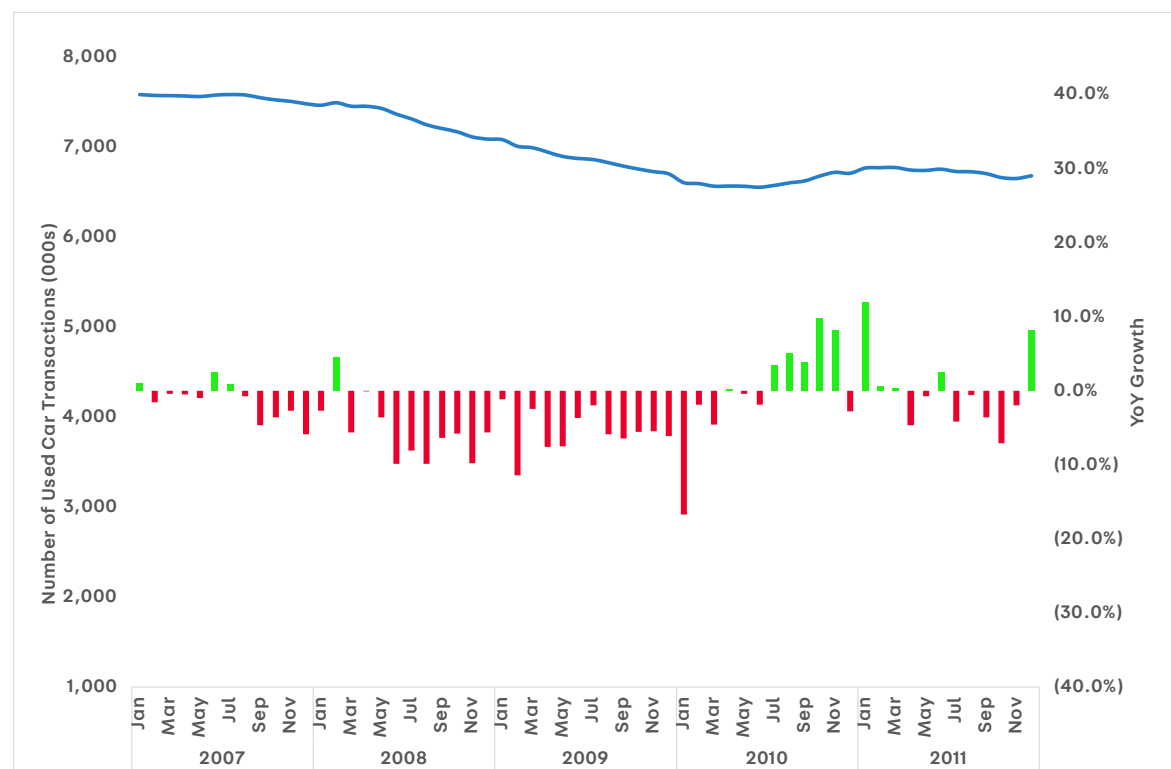
(6%)

2%

(4%)

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

Used car transactions (2)



(1%)

(5%)

(6%)

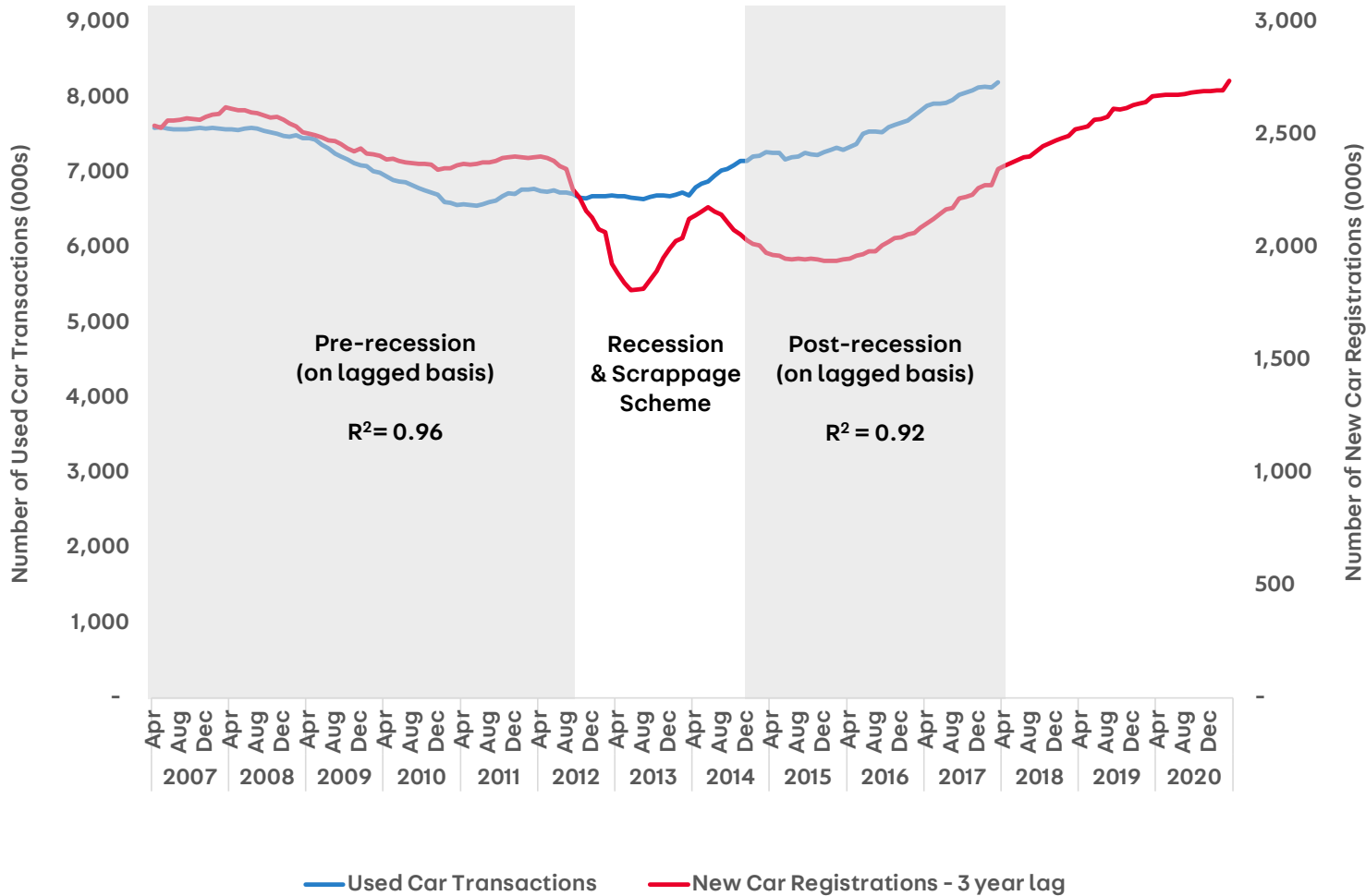
0%

0%

(2) Source: DVLA transaction data - 12 month rolling total



# New car registrations <sup>(1)</sup> with 3 year lag & used car transactions <sup>(2)</sup>



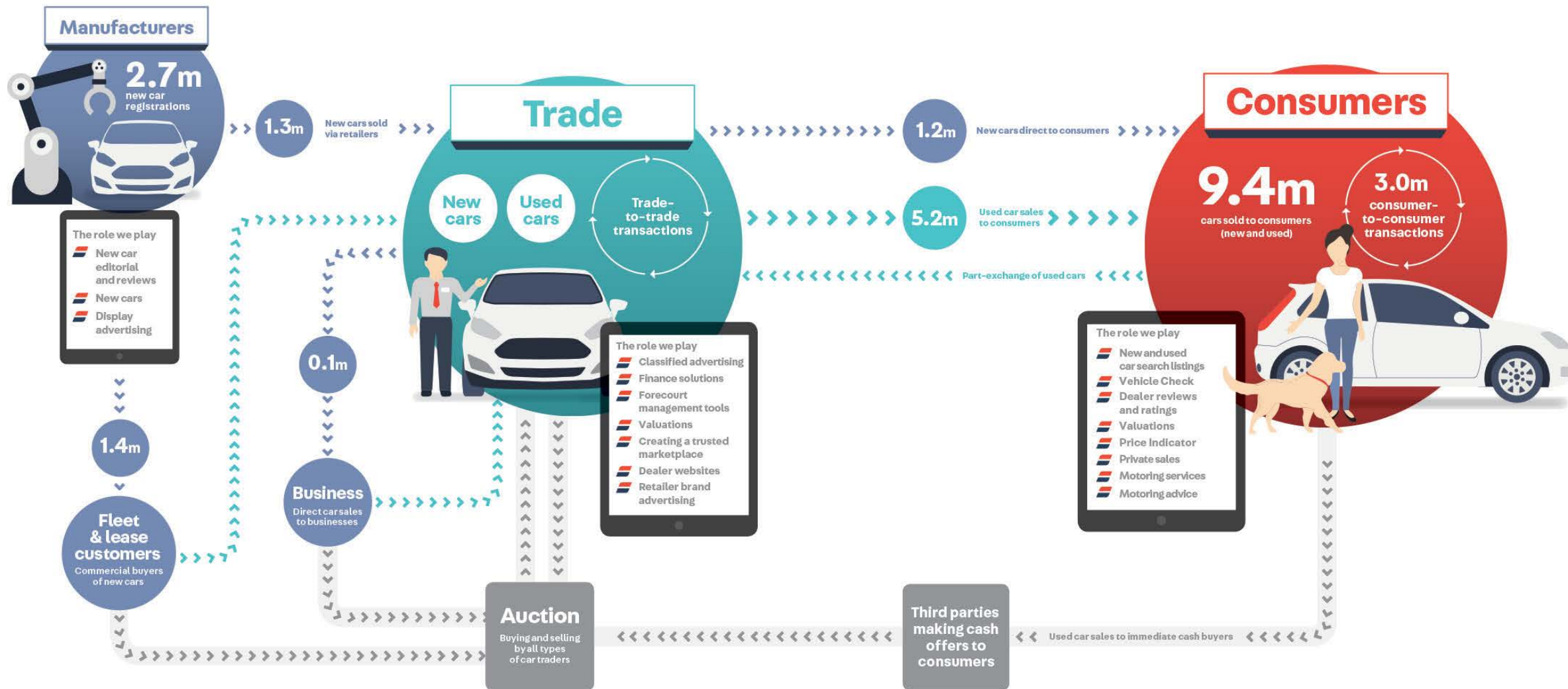
Financial Year	NCR YoY Growth	UCT YoY Growth
2007	(2%)	2010 (6%)
2008	1%	2011 3%
2009	(20%)	2012 (1%)
2010	10%	2013 0%
2011	(7%)	2014 9%
2012	(2%)	2015 0%
2013	7%	2016 7%
2014	13%	2017 5%
2015	7%	2018 n/a
2016	6%	2019 n/a
2017	3%	2020 n/a

Period distorted by recession & scrappage scheme (2009-2012)

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

(2) Source: DVLA transaction data - 12 month rolling total  
Historic 2015 and 2016 figures restated for revised methodology

# Automotive marketplace



## Cash flow statement

	Year ended March 2017 £m	Year ended March 2016 £m
<b>Profit before taxation</b>	<b>193.4</b>	<b>155.0</b>
Depreciation & amortisation	8.0	10.6
Share-based payments charge (excl. NI)	4.0	2.3
Finance costs - net	9.7	14.6
Changes in working capital	(2.2)	(2.4)
<b>Cash generated from operations</b>	<b>212.9</b>	<b>180.1</b>
Tax paid	(34.8)	(16.0)
Capital expenditure	(3.7)	(3.1)
Repayment of borrowings	(40.0)	(147.0)
Payment of IPO costs	-	(8.3)
Dividends	(26.6)	(5.0)
Purchase of own shares	(102.1)	-
Fees on purchase of own shares	(0.5)	-
Interest paid	(7.6)	(12.5)
Other	-	0.1
<b>Net decrease in cash</b>	<b>(2.4)</b>	<b>(11.7)</b>

- **Changes in working capital** includes growth in receivables and higher VAT payments on account
- **Tax paid** lags the charge to the income statement by c. 6 months
- **Capital expenditure** includes continued spend on hardware and storage, property improvements, Singleview billing system and one-off spend on a new telephony system
- **Repayment of borrowings:** £40.0m of the Group's term loan was repaid to reduce indebtedness and interest costs
- **Dividends** related to £9.9m paid in September in respect of the 2016 final dividend and £16.7m paid in January in respect of the 2017 interim dividend
- **Share buy-backs:** during the year 26.3 million shares were repurchased at an average price of 388p for consideration of £102.1 million plus costs of £0.5m
- **Net interest payable** decreased to £7.6m due to the combination of a lower effective interest rate and lower gross indebtedness

## Five year record

	Year to March				
	2017	2016	2015	2014	2013
	£m	£m	£m	£m	£m
Revenue	311.4	281.6	255.9	237.7	218.9
Administrative expenses	(108.3)	(112.0)	(122.8)	(139.0)	(109.8)
Operating profit before share-based payments and associated NI, management incentive plans, exceptional items and impairment charges	207.2	171.3	144.1	126.2	116.1
Share-based payments and associated NI	(4.5)	(2.5)	(3.7)	-	-
Management incentive plans	-	-	(1.9)	(0.6)	(0.6)
Exceptional items	0.4	0.8	(5.4)	(11.1)	(6.4)
Impairment charges	-	-	-	(15.8)	-
Operating profit	203.1	169.6	133.1	98.7	109.1
Finance costs - net	(9.7)	(14.6)	(122.2)	(95.0)	(86.3)
Profit before taxation	193.4	155.0	10.9	3.7	22.8
Taxation	(38.7)	(28.3)	(2.4)	(6.5)	(9.3)
Profit / (loss) for the year from continuing operations	154.7	126.7	8.5	(2.8)	13.5
Profit for the year from discontinued operations	-	-	1.9	13.3	6.8
Profit for the year attributable to equity holders of the parent	154.7	126.7	10.4	10.5	20.3
Operating profit before share-based payments and associated NI, management incentive plans, exceptional items and impairment charges	207.2	171.3	144.1	126.2	116.1
Capitalised development spend	-	-	-	(4.9)	(10.6)
Depreciation	3.2	2.8	2.5	2.2	1.8
Amortisation	4.8	7.8	10.0	12.6	13.4
Adjusted underlying EBITDA	215.2	181.9	156.6	136.1	120.7
Adjusted underlying EBITDA margin	69%	65%	61%	57%	55%
Net assets attributable to equity owners of the parent	(21.4)	(51.5)	(176.1)	(750.6)	(760.0)
Net external debt	355.0	392.6	527.9	977.8	562.0
ARPR (£/pcm)	1,546	1,384	1,252	1,181	1,088
Retailer forecourt (average pcm)	13,296	13,514	13,452	13,129	12,919

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