

Auto Trader Group plc

Investor presentation

2023



 AutoTrader

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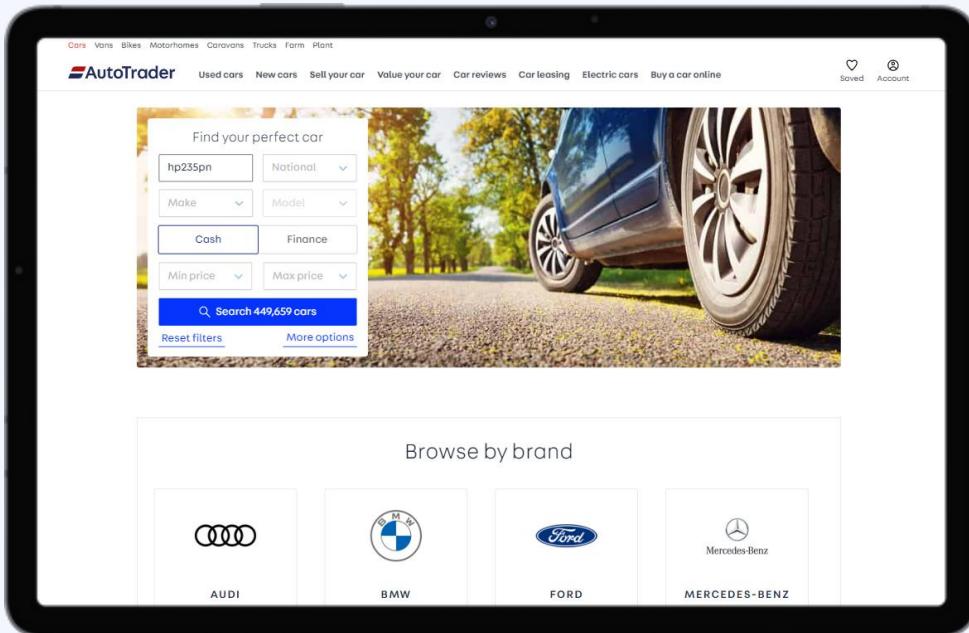
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Company overview

We are the UK's largest automotive marketplace



The Auto Trader home page

WHAT WE DO

- We are the **UK's largest automotive marketplace** enabling consumers to find their next vehicle
- We drive revenue through:
 - Retailers listing vehicles on Auto Trader and increasing their reach through prominence packages
 - Customers purchasing our industry-leading data
 - Manufacturers and leasing companies selling new vehicles through our platform

WHO WE ARE

- **1,200** employees across three offices in Manchester, London and Hemel Hempstead
- **>400** employees in product, technology and data science delivering over **1,000** software releases per week
- **>400** employees supporting customers and consumers



We exist to drive change in the UK automotive industry with our partners, and to do this responsibly

OUR PURPOSE

Driving change together. Responsibly.

WE DO THIS BY...

- Driving growth in consumers, retailers and revenue from our advertising marketplace
- Changing the way the UK shops for cars by providing the best online car buying experience and enabling all retailers to sell online
- Building stronger partnerships with all of our customers so that we grow together
- Creating a diverse and inclusive culture that enables everyone to be their best self at work
- Always seeking to 'do the right thing' and use our voice and influence to drive more environmentally friendly vehicle choices

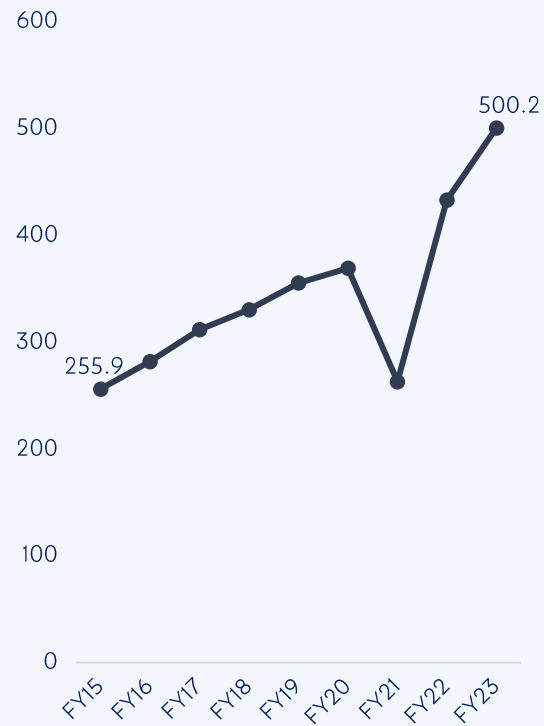
We have delivered consistent growth since IPO

KEY FINANCIAL METRICS SINCE IPO

Auto Trader Group plc

Revenue

£m



Adjusted EBITDA¹

£m



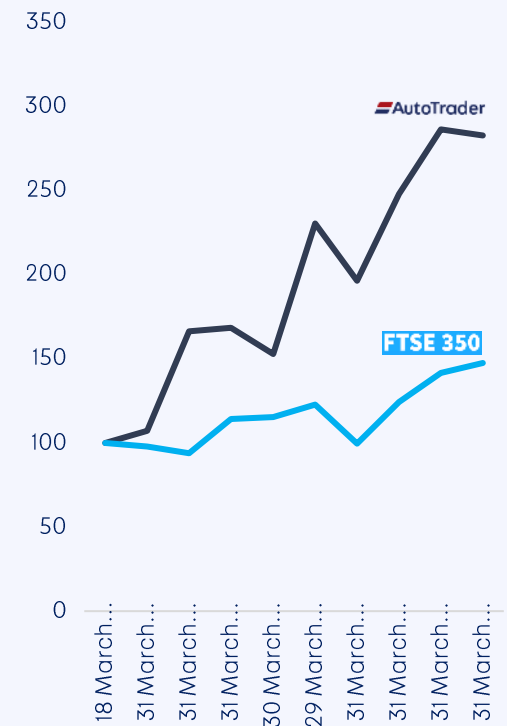
Adjusted earnings per share²

pence



Total shareholder return³

Vs. FTSE 350⁴



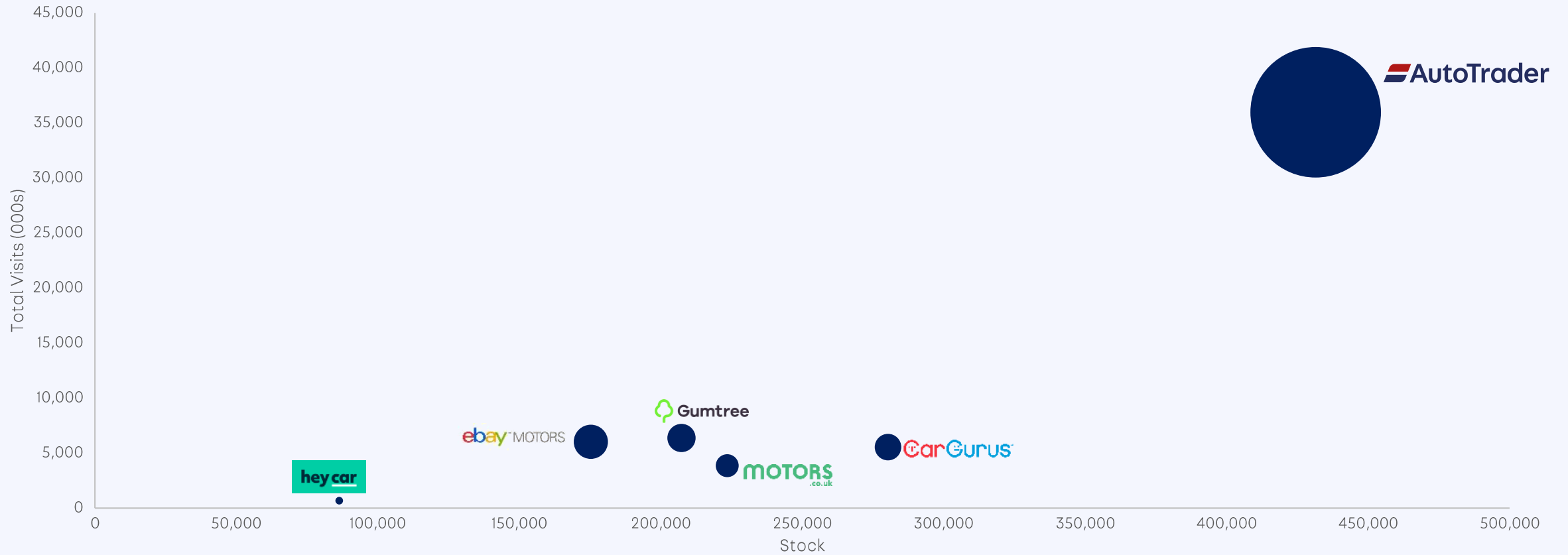
Sources: Auto Trader annual reports, TSR from Thompson Reuters
¹Adjusted EBITDA is earnings before interest, taxation, depreciation and amortisation, share of profit from joint ventures, Autorama deferred consideration and profit on the sale of subsidiary.
²Adjusted earnings per share is calculated before Autorama deferred consideration, profit on the sale of subsidiary, and net of the tax effect in respect of these items.

³Assumes £100 invested on the date of the Auto Trader IPO
⁴FTSE 350 excludes investment trusts

The foundation of our business has always been the strength of our position with UK consumers

AUDIENCE & STOCK, FY23 AVERAGE

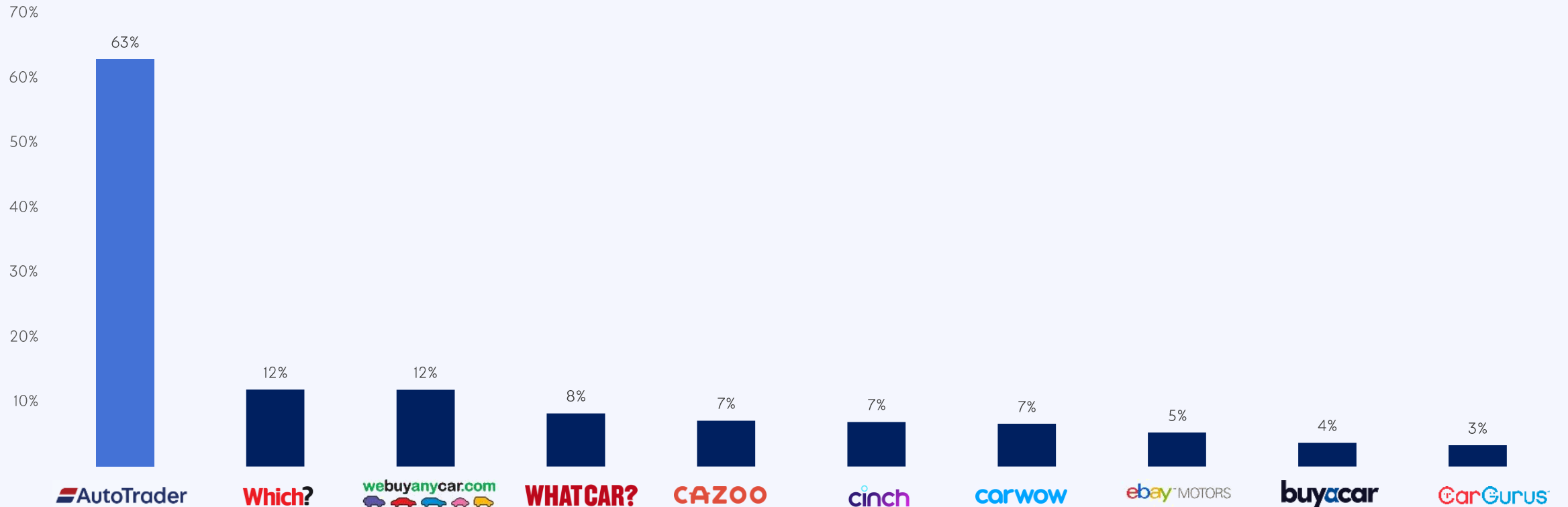
Size of bubbles = share of cross platform average mins



We are the first choice destination for car buyers in the UK

FIRST CHOICE CONSIDERATION – ACROSS NEW & USED¹

Auto Trader vs. consumer auto brands - March 2023, n=1,000



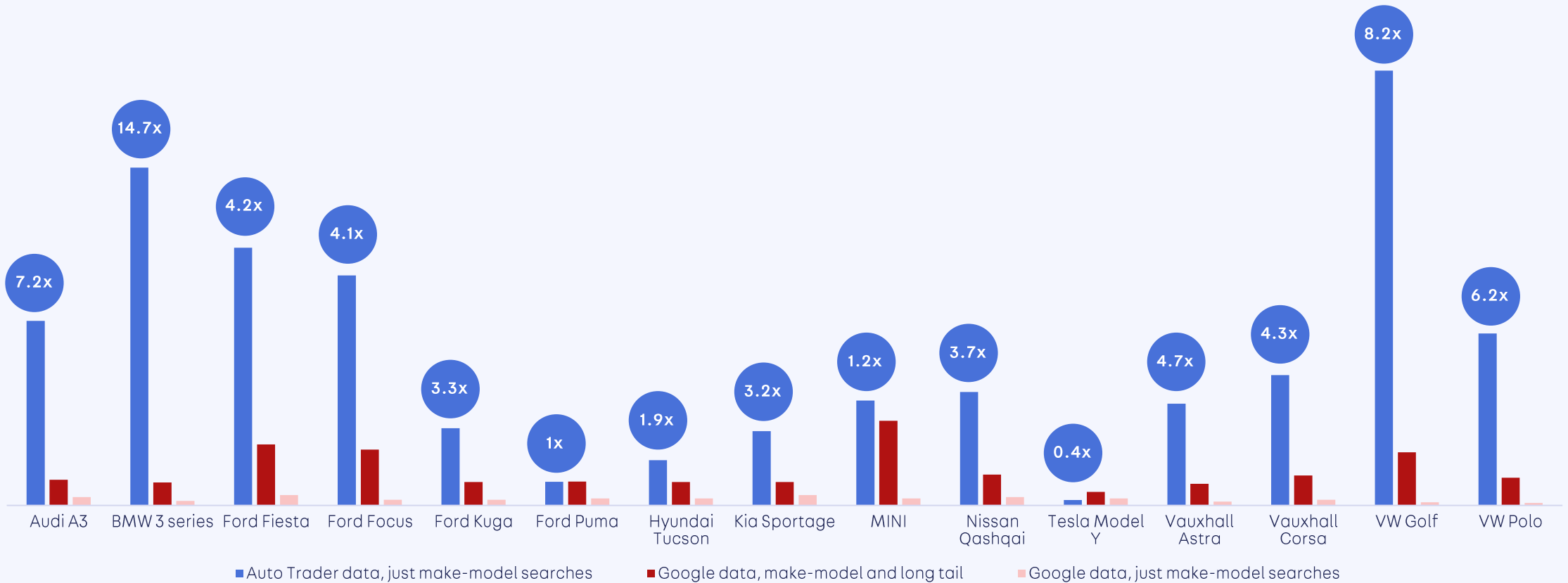
Sources: Auto Trader Brand Tracker, March 2023

¹ Questions are : Imagine you're thinking about buying a used / second hand car, and the following brands appear in your search. Which is the first site you'd click on? And Imagine you're thinking about buying a brand new car (i.e. with no previous owners), and the following brands appear in your search. Which is the first site you'd click on? (% Total sample, brand shown if aware)

In the UK we see ~4x the volume of automotive searches seen on Google

Auto Trader UK and Google UK monthly search volumes¹

Average last 12 months, sample: 15 largest selling models across new & used, multiple shown against long tail



Sources: Auto Trader, Google

¹ Note on methodology: Google data comes from Google Keyword Planner, which we have validated against a 3rd party source. The analysis does not include 'make' searches on either Auto Trader or Google. In addition, we haven't included in the above the times those models appear in search on Auto Trader (for example) a consumer searches for a specific price bucket and those cars appear. So, if anything the numbers above are conservative.

UK consumers spend significantly more time on the Auto Trader platform than on manufacturer or retailer websites

AVERAGE MONTHLY TOTAL MINUTES SPENT
Apr 2022 - Mar 2023 (millions)



Sources: Comscore MMX® Multi-Platform, Total Audience, Auto Trader, Total Minutes Spent, April 2022 through March 2023, UK

We are focused on building a diverse and inclusive company culture that provides an engaging place to work and culminates in a high performing business

KEY PEOPLE METRICS

2023

91% of employees are proud to work for Auto Trader

91% of employees would recommend Auto Trader as a great place to work

11% turnover rate vs. 14% national average and 18% in tech¹

OUR CULTURE IS DRIVEN BY OUR PEOPLE

- Our employee-led networks are integral to our culture:

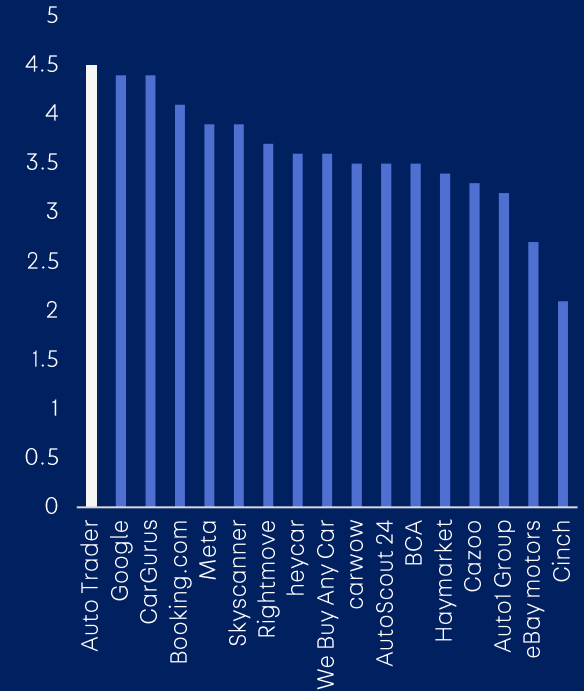


- Our approach has been recognised externally through accreditations and awards:



GLASSDOOR REVIEW RATING²

May 2023, score out of 5



Our business transitioned from a print business to a digital business, now we are extending this to enable digital retailing for all our customers on Auto Trader

Digital cannibalised the print business

Digital retailing builds on our core marketplace and has a long runway for growth



Following years of investment we have outstanding technology foundations



We aim to do business responsibly for the benefit of our people, our communities, our industries and the wider environment

OUR ESG STRATEGY



OUR ENVIRONMENT

Target to be net zero by 2040 across our entire value chain
(validated by SBTi January 2023)

Use our capabilities and voice to influence and support the automotive industry decarbonise

Helping consumers make more environmentally friendly choices



OUR PEOPLE & COMMUNITIES

Build diverse teams and an inclusive culture

Sustain high levels of employee engagement satisfaction

Partnering with communities where we work and live to make a difference



OUR GOVERNANCE & COMPLIANCE

Uphold the values of good corporate governance and comply with legal and regulatory obligations

Behave ethically and with integrity at all times

Maintain a trusted marketplace for our consumers and customers



We work with credible partners and use recognised frameworks to develop our strategy, validate our targets and optimise the work we are doing on ESG



Our most recent MSCI ESG rating was upgraded to AA in December 2022

MSCI ESG RATINGS



CCC B BB BBB A **AA** AAA

RATING ACTION DATE: December 08, 2022
LAST REPORT UPDATE: December 08, 2022

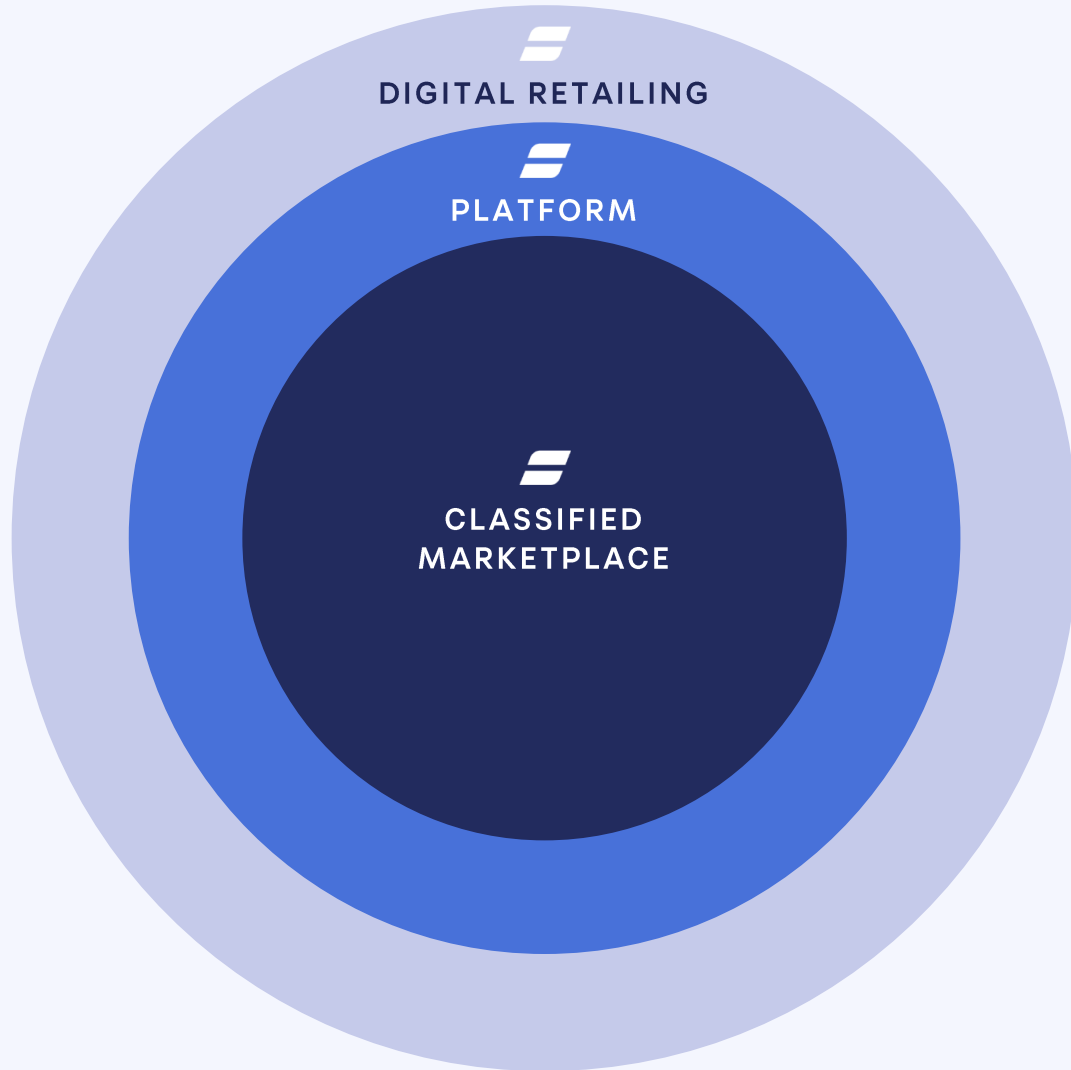
Our business is in excellent health, with strong fundamentals setting us up for future growth

1. We are the UK's largest and most trusted automotive marketplace
2. We have built deeper partnerships than we have ever had with retailers and new customer groups
3. ARPR per month has grown 8.7% p/a since 2015, despite a negative stock cycle from FY19 – FY21
4. We are highly cash generative, with cash from operating activities growth of 11.6% p/a since 2015
5. Our business model is resilient with a supportive structural backdrop
6. We have an attractive growth opportunity in our classifieds marketplace and through enabling digital retailing
7. We have a strong culture and a well invested technology platform that enables us to move fast and scale quickly



Strategic priorities

We have three strategic priorities which reinforce and support one another



Our strategic priorities

- **Classified marketplace:** to be the best place to buy any vehicle
- **Platform:** to be the industry data and technology platform
- **Digital retailing:** to be the enabler for all retailers to sell online

Our first strategic priority is our classified marketplace

Supply side
(FY23)
c. 14k retailers



Demand side
(FY23)
c. 504m cross platform minutes per month
>75% market share of automotive minutes

We continue to develop our marketplace to ensure we remain the best place to buy a vehicle in the UK

KEY PRIORITIES FOR OUR MARKETPLACE



Continue to provide the best choice, search experience and vehicle research tools in the UK



Evolve our marketplace to accommodate the move to electric vehicles, especially through new vehicle leasing



Continue to improve and enhance our data and make it available for customers to improve business profitability



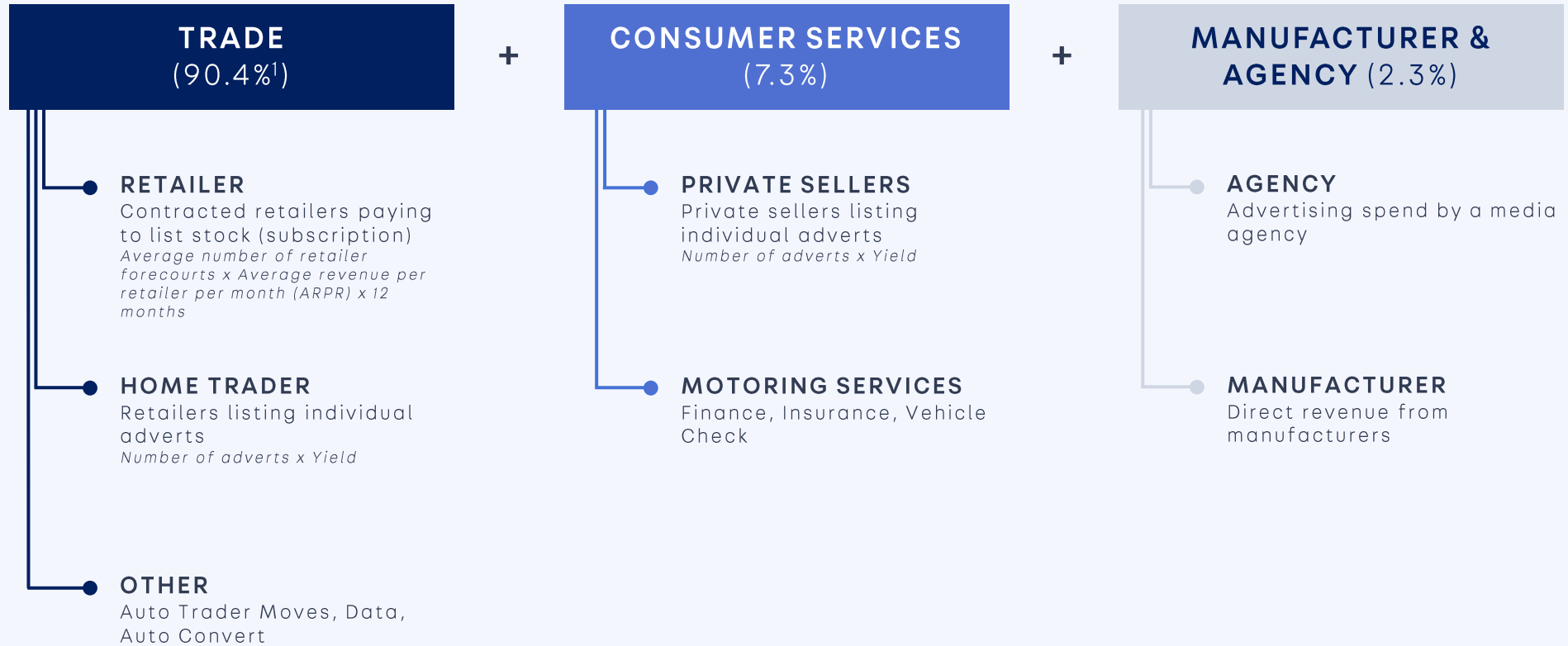
Develop an advertising package staircase that always allows retailers to increase their response and speed of sale



Deliver annual pricing events that provide value to customers

Our classified marketplace revenue comes from three streams

CLASSIFIED MARKETPLACE REVENUE STREAMS



Source: Internal data

¹Splits taken from FY23 results

The majority of our revenue comes from our trade customers, who choose an advertising package based on a stock volume and then choose additional products

ADVERTISING PACKAGES

Monthly subscription

A retailer chooses the stock level they want and then selects a package from the five packages shown below:

	ULTRA Get the best performance possible with double the Search Advantage over Super	SUPER Get ahead in search with our new Search Advantage mechanism	ENHANCED Enhance your performance with vehicles displayed in Promoted positions in search	STANDARD Enhance your performance with vehicles displayed in Promoted positions in search	STARTER A good place to start, your vehicles appear on the UK's largest automotive platform
AD PERFORMANCE	5★	4★	3★	2★	1★
PROMOTED POSITION	✓	✓	✓	—	—
SEARCH ADVANTAGE	✓	✓	—	—	—
SEARCH ADVANTAGE PLUS	✓	—	—	—	—

Our current package staircase

+

ADDITIONAL PRODUCTS

MARKET EXTENSION	INCREASED REACH
PAY PER CLICK (PPC)	EXTRA PROMOTION ON INDIVIDUAL STOCK
TOP SPOT	AWARENESS DRIVER TO LOCAL AUDIENCES
NEW VEHICLES	NEW CAR
DEALER WEBSITE	A FAST, RESPONSIVE DEALER WEBSITE
TACTICAL STOCK	LIMITED STOCK FOR A SHORT TIME PERIOD
VEHICLE CHECK	UNLIMITED VEHICLE HISTORY CHECKS
DEALER FINANCE	SHOWING FINANCE OFFERS ON ADVERTS
RETAIL ACCELERATOR	DETAILED VIEW OF THE MARKET
VEHICLE MOVES	VEHICLE LOGISTICS MARKETPLACE
DEALER AUCTION	SOURCING AND DISPOSAL TOOL

Our customer base is highly fragmented, with low customer concentration and high retention

RETAILER SEGMENTATION

Excludes non-car

	Vol. of retailers	Average cars live	Average age (yrs)	Average price
Franchise				
Small	1.8k	20k	3	£34k
Med	2.1k	100k	3	£22k
Large	0.4k	50k	3	£21k
Independent				
Small	6.2k	75k	9	£14k
Med	1.3k	65k	8	£15k
Large	0.2k	55k	6	£16k
Total	12.0k	365k	7	£18k

CUSTOMER RETENTION

Of the customers who provide >90% of retailer revenue, >50% have been with us for more than 5 years

LOW CUSTOMER CONCENTRATION

Our ten largest customers make up <10% of retailer revenue

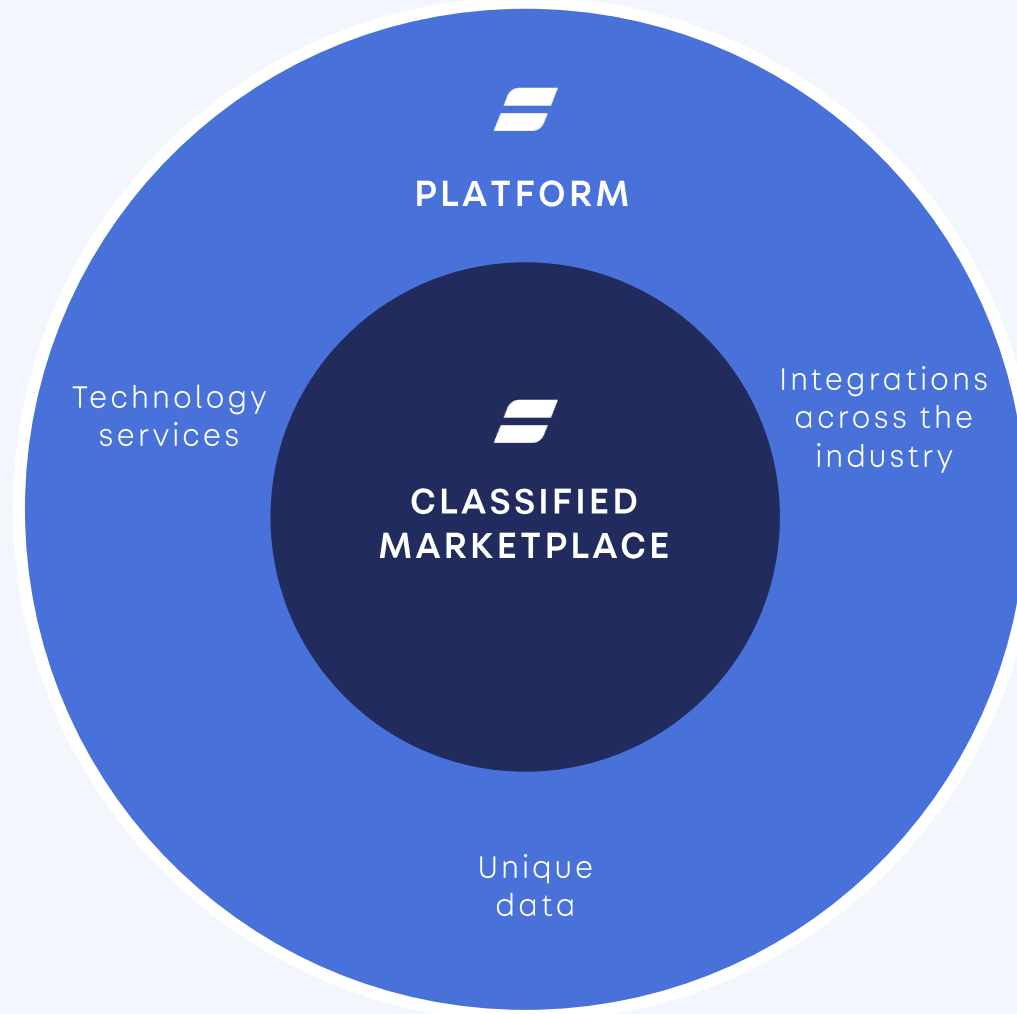
LARGE CUSTOMER RETENTION

Of our 100 largest customers, >75% have been with us for more than 5 years

REMAINS HIGHLY FRAGMENTED

Low economies of scale means limited consolidation, over the past decade the number of smaller retailers has risen

Our second strategic priority is our platform strategy - we are uniquely placed to be the data and technology platform for UK automotive



We have unique vehicle and market data which provides the bedrock of our platform

TAXONOMY

Rich vehicle taxonomy with detailed specification

VEHICLE CHECK

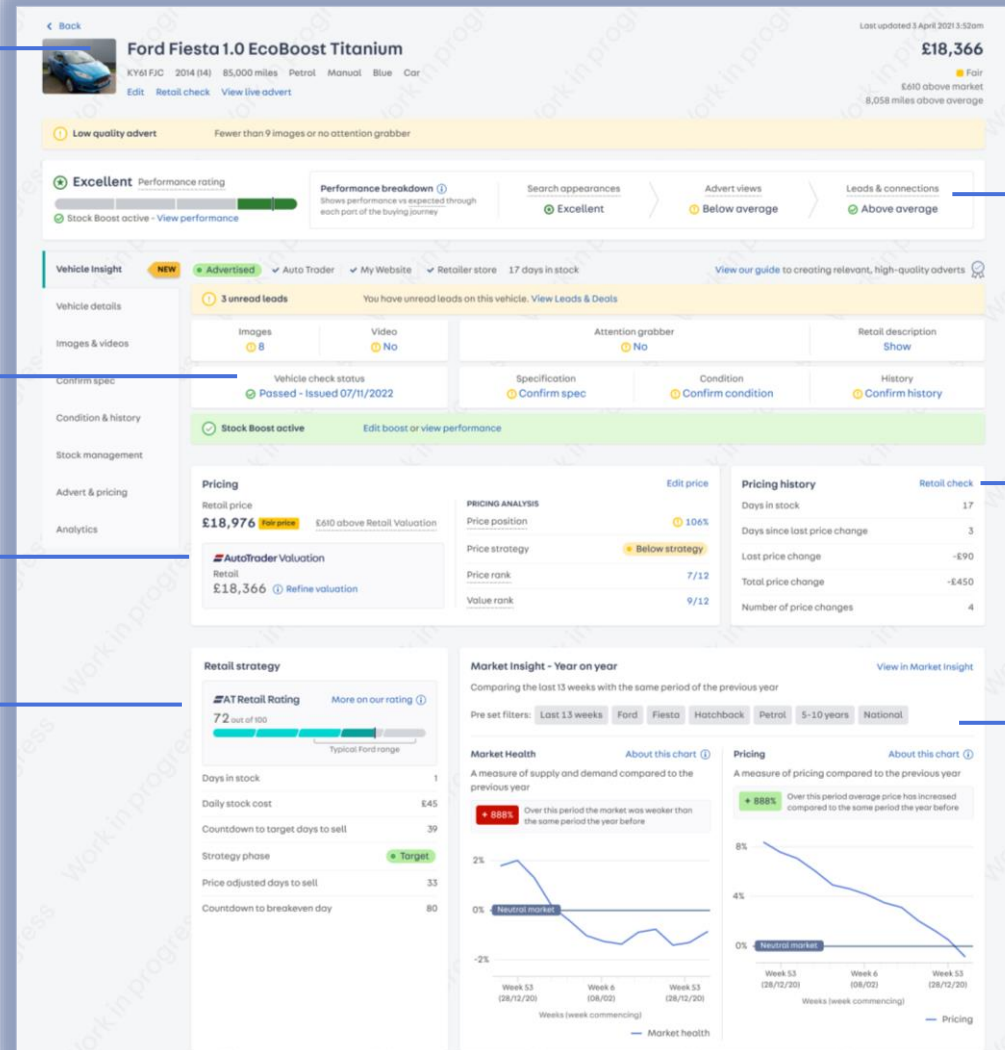
Vehicle history checks

VALUATIONS

Auto Trader valuations

RETAIL RATING

Vehicle desirability measures



ADVERT PERFORMANCE

Understanding key conversion metrics by vehicle

PRICING ANALYSIS

Local market dynamics & pricing history

MARKET INSIGHT

Local market dynamics

Our data increasingly informs decision making across the sector and beyond

AUTO TRADER DATA IN THE UK AUTOMOTIVE INDUSTRY: EXAMPLES

Not exhaustive

RETAILERS

Use our valuations, supply & demand data to source, and retail inventory



MANUFACTURERS

Use our data and APIs to power their new and used vehicle stock locators



ECONOMISTS

Use our used car pricing data to power the official measure of inflation and help inform monetary policy



INSURANCE

Use our valuations data to improve quotes, reduce fraud and generate new pricing policies



GOVERNMENT

Use our EV data to understand market dynamics to help inform policy



STOCK MANAGEMENT PROVIDERS

Use our vehicle taxonomy and API platform to manage stock accurately in real time



We are opening up our data and technology to the industry through 'Auto Trader Connect'

THE AUTO TRADER PLATFORM

Schematic



We have integrated with third parties across the industry to offer unique services to our customers

INTEGRATIONS ACROSS THE INDUSTRY

Not exhaustive



We work with software providers to ensure real time inventory and pricing feeds

>90 integrations



We work with lenders and brokers to enable online finance applications

>120 lender/broker integrations

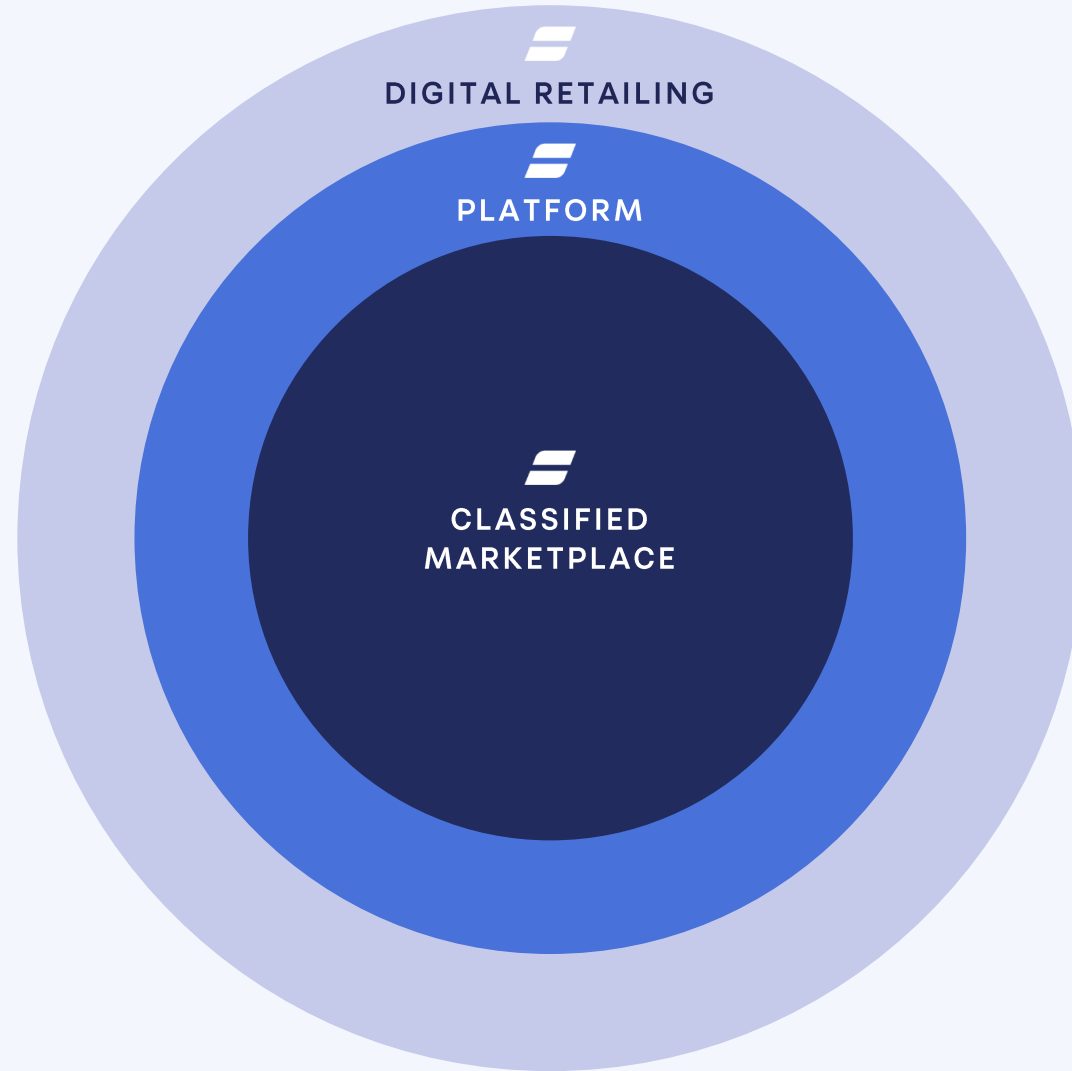


We work with funders to show the best new vehicle leasing prices for consumers

All major funders



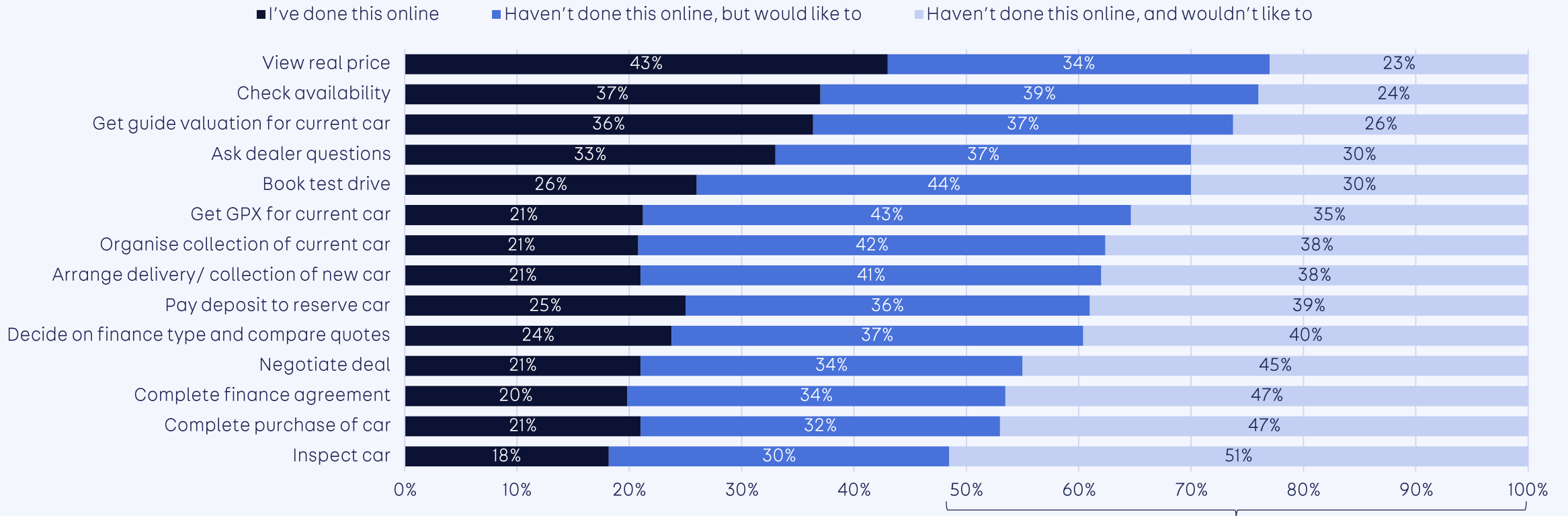
Our third strategic priority is digital retailing where we want to enable all retailers to sell online



Car buyers want to do more of the car buying jobs online

CONSUMER RESEARCH, n=2,002, JULY 2022

Which of these tasks have you done online or would you like to do online?



However, the forecourt still plays a crucial role for the foreseeable future - which is what we've designed for

Our approach to digital retailing is to be car first and to enable any retailer to do more online

OUR APPROACH TO DIGITAL RETAILING

Summary

CAR FIRST	We believe that most car buyers will continue to start with the car
HYBRID	We believe that most car buyers want a combination of online and offline experiences, with an increasing desire to do more online
ENABLER	We will enable <u>any</u> retailer ¹ to sell more cars, we are not seeking to replace or compete with retailers
SCALE	Rather than keeping the full margin of a small number of cars, we are looking to retain a smaller percentage from a large volume of cars over time
LONG-TERM	We're building a solution for thousands of retailers, not one, but will maximise choice, transparency, comparability and confidence
ASSET LIGHT	Digital retailing is an extension of our core, asset light marketplace - we aim to remain asset light
TECHNOLOGY + PEOPLE	We will help car buyers primarily through technology and data - and our team will support them progress through the journey on Auto Trader when necessary

We are initially offering two digital retailing consumer journeys – an omnichannel journey and an entirely buy online journey

DIGITAL RETAILING AT AUTO TRADER: TWO KEY CONSUMER PROPOSITIONS

	Deal builder (omnichannel journey)	Buy online (online purchase journey)
PRODUCTS	Part-exchange, reservation, online finance application	Fully online car buying journey, powered by Autorama
VEHICLES	New and used vehicle on cash, PCP or HP	New vehicle leasing
RETAILERS	Franchise, independent, online retailers	Manufacturers and leasing companies

Digital retailing revenue for both new and used vehicles will be more transactional than our core marketplace

DIGITAL REVENUE

Revenue type

- 96% of retailer revenue is subscription

Key revenue drivers

- Paid stock
- ARPR
- Retailers

KPIs

Digital

- › Live stock
- › Average revenue per retailer (ARPR) per month
- › Retailers

DIGITAL RETAILING REVENUE

Revenue type

- >80% of revenue is expected to be transactional with pricing likely to be linked to the price of the vehicle

Key revenue drivers

- Penetration of c. 4-5m trade used car transactions
- Penetration of c. 2m new car registrations

KPIs

Deal builder

- › Retailers
- › Completed deals
- › Average yield per deal

Only when monetised, expected by end of FY24 and will initially be included in product ARPR lever

New vehicle leasing

- › Vehicles delivered
- › Average yield per deal

We believe that adding digital retailing capability across our two propositions can grow margin per car sold

OMNICHANNEL SALE

Estimated margin per car sold

WITHOUT DEAL BUILDER

£90-£120 Per car sold (estimate)	x	70% Operating profit margin	=	c. £75 Margin per car sold
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WITH DEAL BUILDER

£180-£240 Per car sold (estimate)	x	70% Operating profit margin	=	c. £150 Margin per car sold
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Incl. SMALL SUBSCRIPTION FEE FOR ACCESS TO DEAL BUILDER SOFTWARE

ONLINE SALE

Estimated margin per car sold

£1,100 Per car sold (estimate)	x	20-30% Operating profit margin ¹	=	c. £275 Margin per car sold
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Additional work includes...

- Sourcing cars from manufacturers
- Leasing company integrations
- Consumer contact in sales process, delivery performed by retailer
- In life consumer support



Financial review / outlook

We have a strong track record of value creation for shareholders

TEN YEAR RECORD

Financial years

	2013	2014	2015	2016	2017	2018 ¹	2019	2020	2021 ²	2022	2023
<i>Retailer metrics</i>											
Number of paying retailers	12,919	13,129	13,452	13,514	13,296	13,213	13,240	13,345	13,336	13,964	13,913
Average revenue per retailer per month (ARPR)	1,088	1,181	1,252	1,384	1,546	1,695	1,844	1,949	1,324	2,210	2,437
<i>Financial metrics</i>											
<i>Revenue</i>	218.9	237.7	255.9	281.6	311.4	330.1	355.1	368.9	262.8	432.7	500.2
<i>Operating profit</i>	109.1	98.7	133.1	169.6	203.1	221.3	243.7	258.9	161.2	303.6	277.6
<i>Adjusted EBITDA³</i>	124.3	113.5	145.6	180.2	211.1	230.3	251.7	262.2	165.1	307.9	328.0
<i>Profit before taxation</i>	22.8	3.7	10.9	155.0	193.4	210.7	242.2	251.5	157.4	301.0	293.6
<i>Profit after taxation</i>	13.5	(2.8)	8.5	126.7	154.7	171.1	197.7	205.1	127.8	244.7	233.9
<i>Free cash flow</i>	113.6	100.2	131.0	161.0	174.4	183.8	210.9	191.3	120.8	265.9	260.6
<i>Cash generated from operations</i>	141.0	127.4	144.8	180.1	212.9	228.4	258.5	265.5	152.9	328.1	327.4
Basic EPS (pence)			1.04	12.67	15.64	17.74	21.00	22.19	13.24	25.61	25.01
Dividend per share (pence)			-	1.50	5.20	5.90	6.70	2.40	5.00	8.20	8.40

Our long-term capital allocation policy remains unchanged

INVEST

We continue to invest to grow the business, focusing on high return organic growth

DIVIDENDS

We return around one third of net income to shareholders in the form of dividends

SURPLUS CASH

Any surplus cash will be used to continue our share buy-back programme and steadily reduce gross indebtedness

“It is the Board’s long-term intention that the Group will return to a net cash position”

Auto Trader Group plc FY23 Results, June 2023

At our 2022 Investor Day we outlined our confidence in the growth runway for our classified marketplace, with incremental growth expected from digital retailing in the medium term

- »» Our classified marketplace continues to have **runway for growth**, supported by structural tailwinds
- »» Our platform is now powering many of our retailer's businesses which **strengthens our core and is a key enabler for digital retailing**
- »» Digital retailing revenue will be **incremental** as retailer adoption of Deal Builder **grows over time**
- »» For this reason, Trade revenue growth in the years ahead should be **higher than achieved historically**
- »» Given we are acting as an enabler and not a retailer we are **not anticipating material changes to Auto Trader's margin profile**
- »» In the wider group, new vehicle leasing (Autorama) has **significant growth potential, particularly when new vehicle supply returns**