



# INVESTOR DAY 2022

 AutoTrader

6 September 2022

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# Auto Trader Summer 2022 product video

**INVESTOR DAY 2022**

 AutoTrader

- To demonstrate that our classified marketplace is **structurally advantaged**
- To share our **underlying market assumptions for the mid-term**
- To outline our **platform strategy**, and work on the enablers for digital retailing
- To explain what **digital retailing means for Auto Trader**, and share a **product demonstration** of the new deal builder journey
- To share initial thoughts on **commercialising and reporting on digital retailing**

## PRESENTERS TODAY



**NATHAN COE**  
CHIEF EXECUTIVE  
OFFICER



**CATHERINE FAIERS**  
CHIEF OPERATING  
OFFICER



**JAMIE WARNER**  
CHIEF FINANCIAL  
OFFICER



**CHRIS KELLY**  
CHIEF TECHNOLOGY  
OFFICER



**BEX CLARK**  
GROUP SALES DIRECTOR



**IAN PLUMMER**  
COMMERCIAL DIRECTOR



**BEN SMITH**  
PRODUCT DIRECTOR



**JON DAVIES**  
HEAD OF STRATEGY

INVESTOR DAY 2022

# WHAT WE WILL COVER

## TIMING

## TOPIC

## PRESENTERS

1.00 - 1.15

### Introduction

Nathan Coe, Chief Executive Officer

### Our strategic focus areas

1.15 - 1.45

➤ A structurally advantaged classified marketplace

Bex Clark, Group Sales Director  
Jon Davies, Head of Strategy

1.45 - 2.15

➤ Enablers that strengthen the marketplace and facilitate a digital transaction

Catherine Faiers, Chief Operating Officer  
Chris Kelly, Chief Technology Officer

## BREAK

2.30 - 3.15

➤ Adding a transactional capability to Auto Trader and our retailer tools

Ian Plummer, Commercial Director  
Ben Smith, Product Director

3.15 - 3.30

### Financials and summary

Jamie Warner, Chief Financial Officer  
Nathan Coe, Chief Executive Officer

3.30 - 4.30

### Q&A

All

INVESTOR DAY 2022

AutoTrader



# Introduction

Nathan Coe, Chief Executive Officer



# We have delivered consistent growth since IPO

## KEY FINANCIAL METRICS SINCE IPO

Auto Trader Group plc

**Revenue**  
£m



**Operating profit**  
£m



**Operating profit margin**  
%



**Earnings per share**  
pence



**Total shareholder return<sup>1</sup>**  
Vs. FTSE 350<sup>2</sup>



## We have delivered on most of the horizons we outlined at the Capital Markets Day in 2018

What we said we would deliver at the CMD	What we have delivered	Checklist
<b>ENHANCE THE CORE</b>		
> Add core listing products	> Regular product launches	✓
> Embed data tools	> c.70% of customers has access to our data tools, +45 % pts since 2018	✓
> Increase retailer finance product take up	> c.70% of eligible retailers using our retailer finance product, which was launched in April 2018	✓
<b>BECOME TO NEW CARS WHAT WE ARE TO USED</b>		
> Build a physical new car proposition	> Launched in 2019, now >40% of franchise retailers live, despite constrained market	✓
> Build deeper relationships with brands	> Regular, senior level engagement with manufacturers	✓
> Grow advertising revenue from brands	> Market challenging, share growth but revenue below 2018	✗
<b>HELP RETAILERS SOURCE, DISPOSE AND MOVE VEHICLES</b>		
> Move into B2B transactions	> Formed Dealer Auction joint venture, transacted 100k vehicles in a challenging market	✓
<b>ENABLE TRANSACTIONS ONLINE</b>		
> Lead the industry's transition to transacting online	> Launched GPX, reservations trial, acquired Auto Convert and launched online finance trial - then pivoted to one journey - launched in August 2022	—

## We have delivered new products to market to support our customers

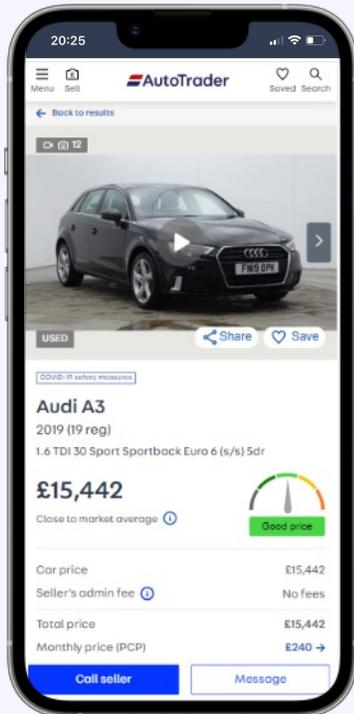
### NEW PRODUCTS SINCE 2018

Excludes products in the deal builder journey

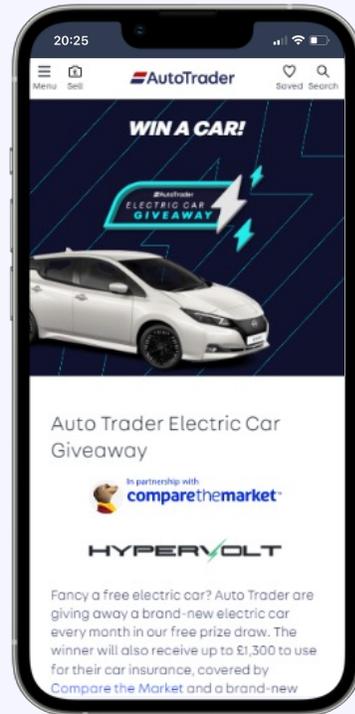
New product	Introduced	Retailer department	Benefit to retailers
<b>Dealer Finance</b>	2018	Sales, F&I	Increased finance penetration through communication of finance offers
<b>Vehicle Check</b>	2019	Sourcing, pricing	Reduced cost through ability to run unlimited vehicle history checks
<b>New Car</b>	2019	Sales	Increased revenue through incremental new car leads
<b>Market Insight</b>	2020	Sourcing, pricing	Customisable market intelligence tool to inform decision making
<b>Market Extension</b>	2020	Sales, marketing	Increased revenue through increased reach
<b>Evolution of package staircase</b>	2021	Sales, marketing	New higher level package enables greater visibility
<b>Retailer Stores</b>	2021	Sales, marketing	Helps drive buyer engagement with retailer's stock and brand
<b>Auto Trader Connect</b>	2022	Operations, IT	Time and cost efficiency through reduction in double keying, manual work

# We have enhanced our consumer proposition through product innovation and content

## PRICE FLAGS AND ADMIN FEES

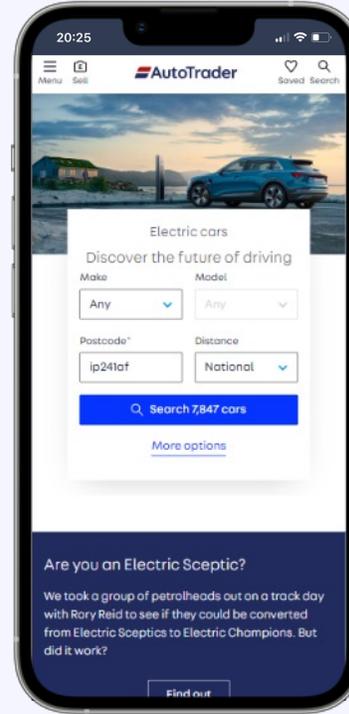


## MONTHLY EV GIVEAWAY



>2m entries to date

## ELECTRIC VEHICLE HUB



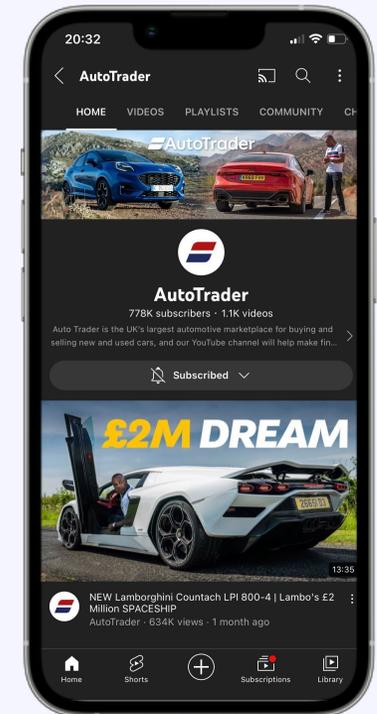
>1m views in FY22

## APP ENHANCEMENTS



17m app downloads

## YOUTUBE CHANNEL



>750k subscribers

We deliver on our purpose through five key strands

OUR PURPOSE

# Driving change together. Responsibly.

DELIVERED THROUGH...

Classified  
marketplace  
growth

Enabling  
digital  
retailing

Stronger  
partnerships

Inclusive  
culture

Environmentally  
friendly choices

# Our culture is fundamental to the success of our business

## KEY PEOPLE METRICS

2022

**95%** of employees are proud to work for Auto Trader

**93%** of employees would recommend Auto Trader as a great place to work

**11%** turnover rate vs. 14% average and 18% in tech<sup>1</sup>

## OUR CULTURE IS DRIVEN BY OUR PEOPLE

- Our employee-led networks drive our culture - e.g.,

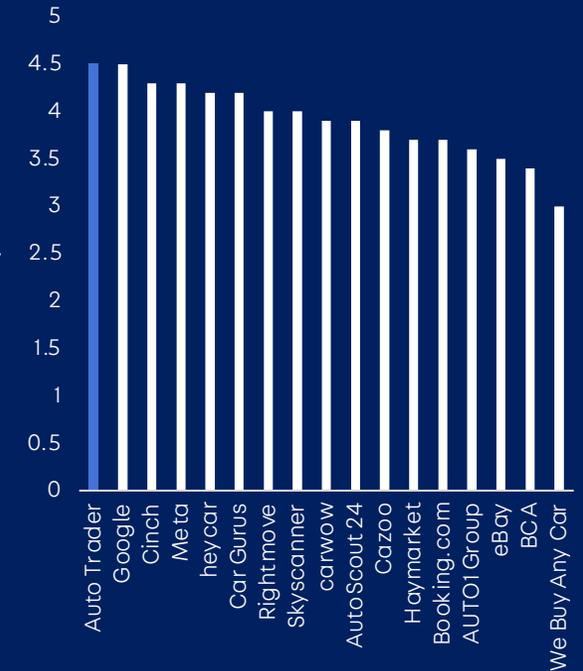


- Our approach has been recognised externally through accreditations and awards



## GLASSDOOR REVIEW RATING<sup>2</sup>

June 2022, score out of 5



There are three areas to our strategy which build on and support each other



### Our strategic focus areas

- **Classified marketplace:** A structurally advantaged classified marketplace
- **Auto Trader platform:** Enablers that strengthen the marketplace and facilitate a digital transaction
- **Digital retailing:** Adding a transactional capability to Auto Trader and our retailer tools

# Digital retailing is a major transition but will be incremental and complimentary to our core marketplace, extending our runway for growth

Digital cannibalised the print business

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



## Our business is in good 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 8.5% 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 12% 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 well invested technology platform that enables us to move fast and scale quickly

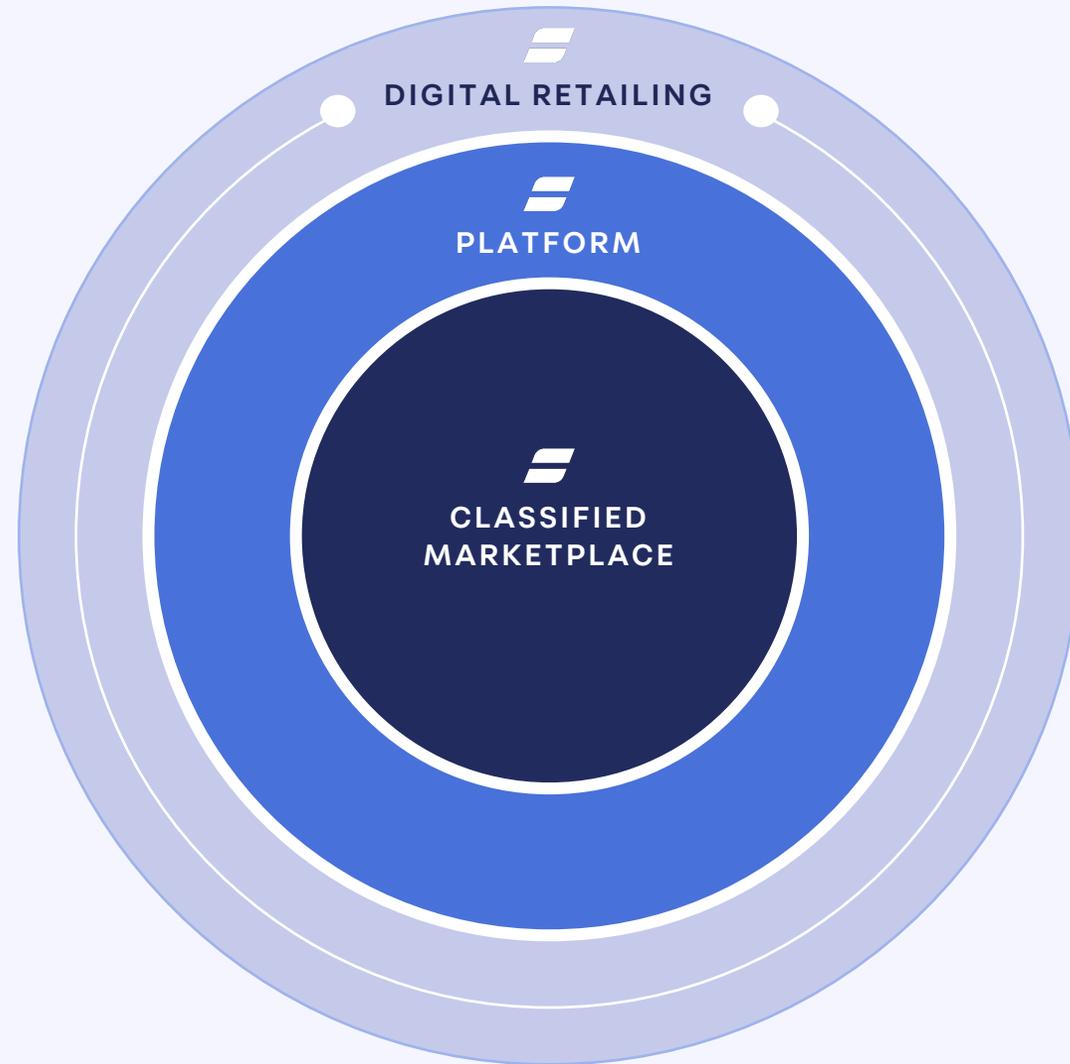


# A structurally advantaged classified marketplace

Bex Clark, Group Sales Director

Jon Davies, Head of Strategy







# A structurally advantaged classified marketplace

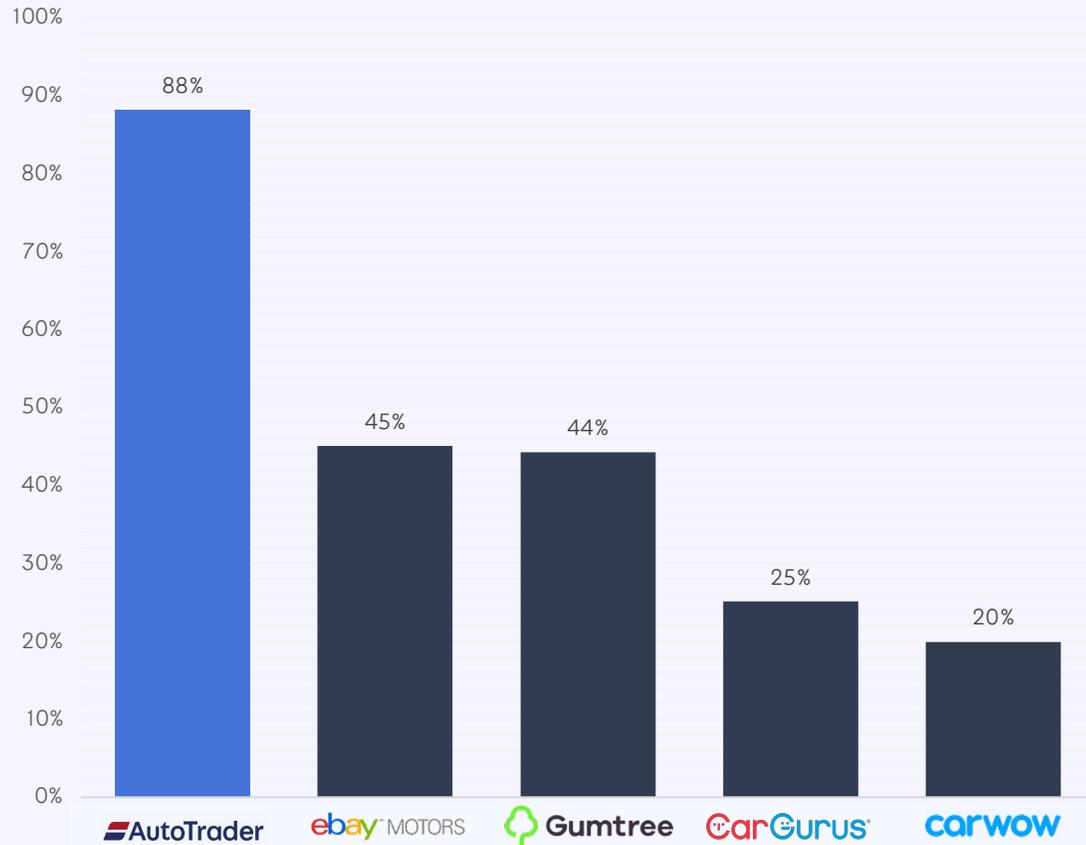
A strong core classified marketplace, with runway for continued growth

Supportive structural trends

# Given our heritage in UK automotive, car buyers know our brand and trust it

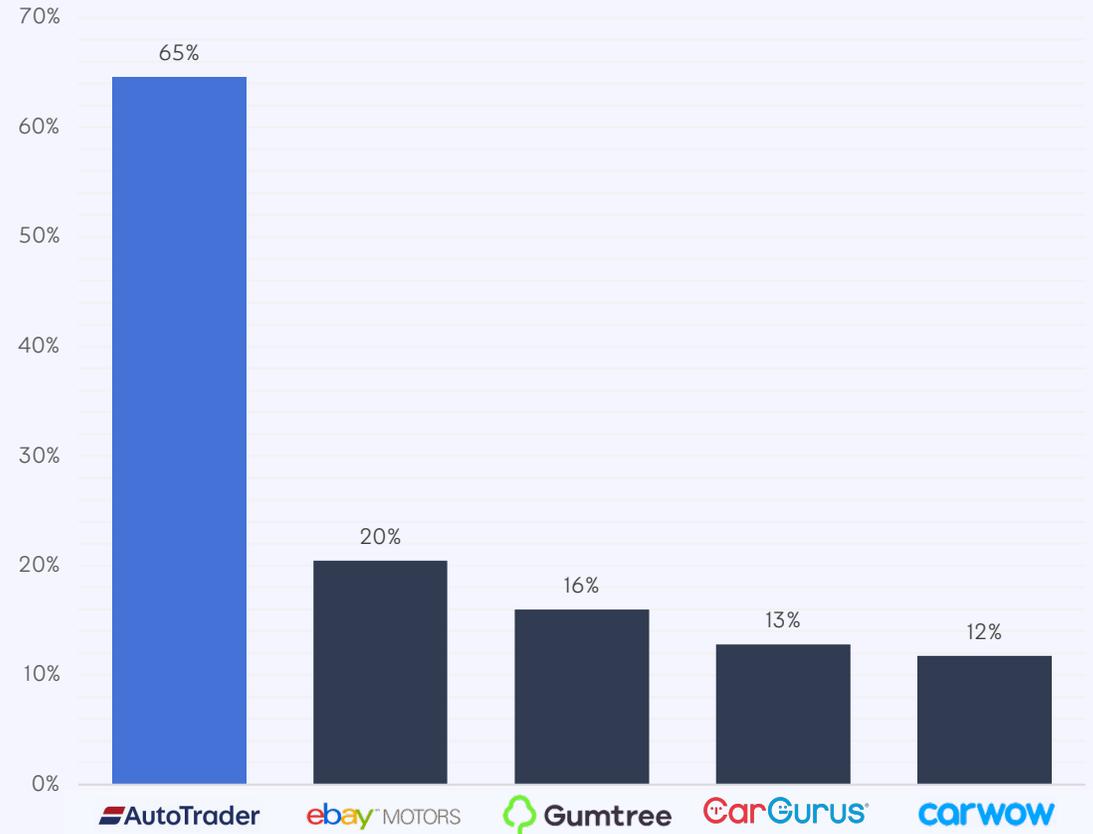
## PROMPTED AWARENESS - ACROSS NEW AND USED<sup>1</sup>

Auto Trader vs. marketplace competitors - March 2022



## TRUST<sup>2</sup>

Auto Trader vs. marketplace competitors - March 2022



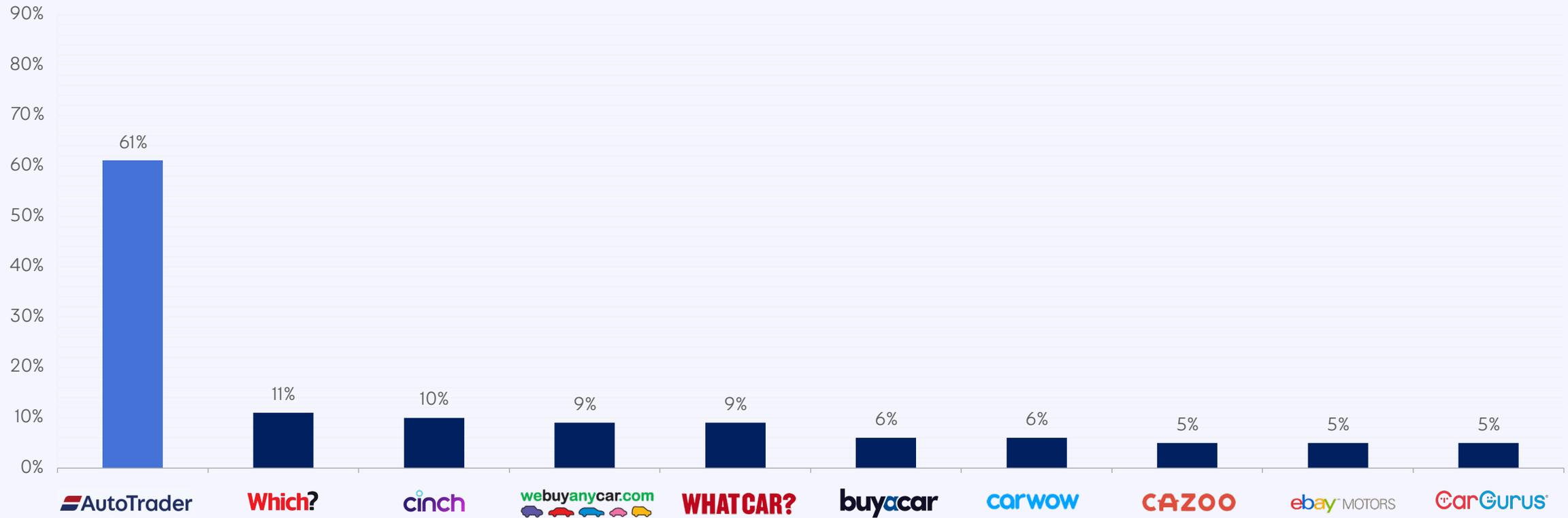
Sources: Auto Trader Brand Tracker, March 2022

<sup>1</sup> Questions are: Which of these do you know of as brands that can help you in the process of buying or selling used/second hand cars? Please click on brands, even if you've already written them in the previous question. And which of these do you know of as brands and services that can help you in the process of buying brand new cars (i.e. with no previous owners)? Please click on brands, even if you've already mentioned them in the previous questions.  
<sup>2</sup> Question: How do you feel about each of these brands on the following statements? Is a brand people trust - trust (rated 7-10) of those who are aware of the brand multiplied by prompted awareness

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

## FIRST CHOICE CONSIDERATION – ACROSS NEW & USED<sup>1</sup>

Auto Trader vs. consumer auto brands - March 2022, n=1,000



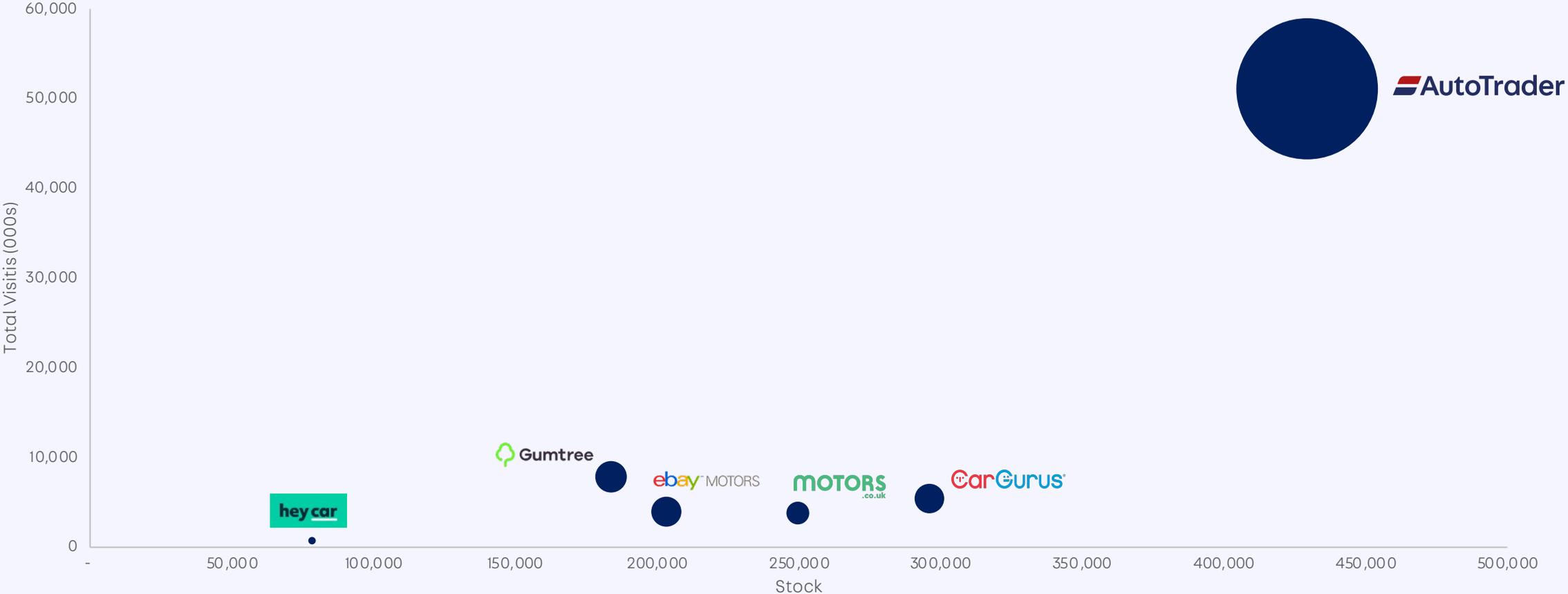
Sources: Auto Trader Brand Tracker, March 2022

<sup>1</sup> 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)

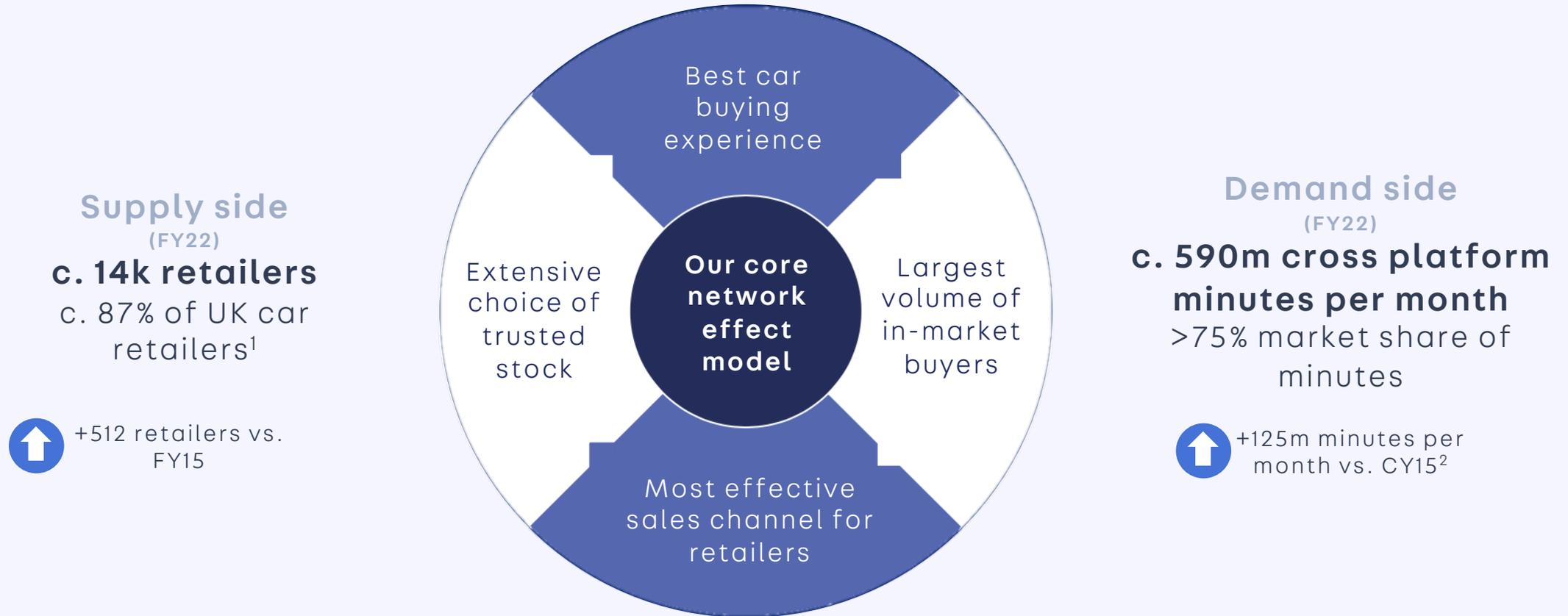
# We remain the largest automotive marketplace in the UK

## AUDIENCE & STOCK, FY22 AVERAGE

Size of bubbles = share of cross platform average mins



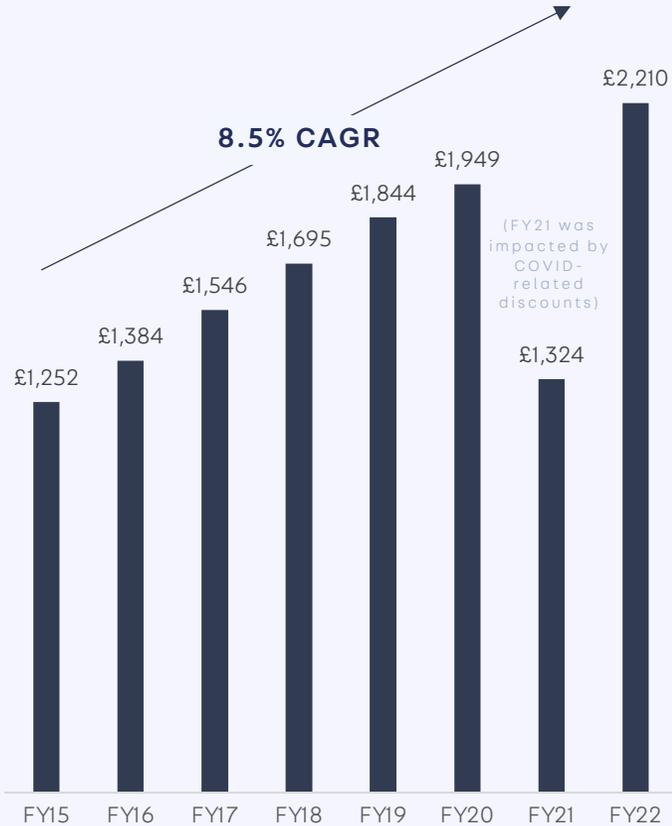
## Our network effect model is stronger than ever



We have grown ARPR at mid-high single digits each year since IPO, despite a challenging market backdrop

**COMPARING ARPR WITH USED CAR TRANSACTIONS AND NEW CAR REGISTRATIONS**  
FY15-FY22

**ARPR**



**New car registrations (m)**



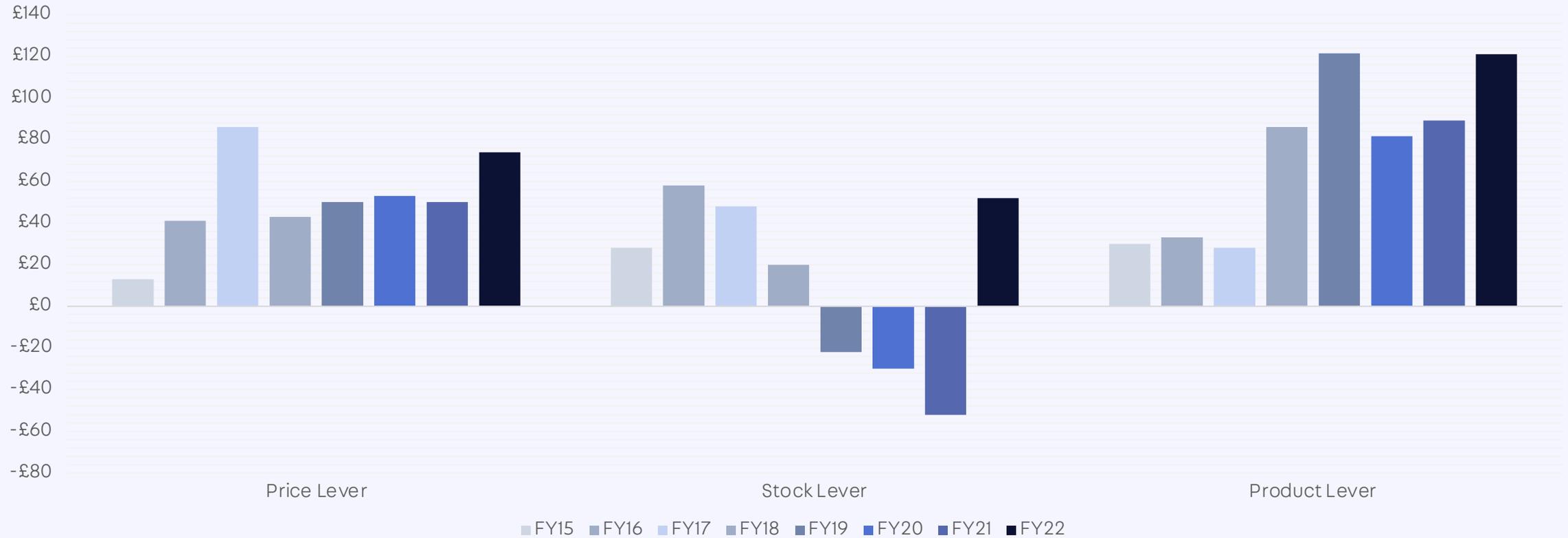
**Used car transactions (m)**



# ARPR has grown through increasing product contribution and consistent price increases, underpinned by strong return on investment

## ARPR LEVERS SINCE 2015, PER MONTH

Excludes COVID-related discounts



# We take 3.5-4.5% of retailer gross profit in sales and less of the wider retailer gross profit pool

**Estimated retailer gross profit pools<sup>1</sup>**  
FY18-FY22, £bn



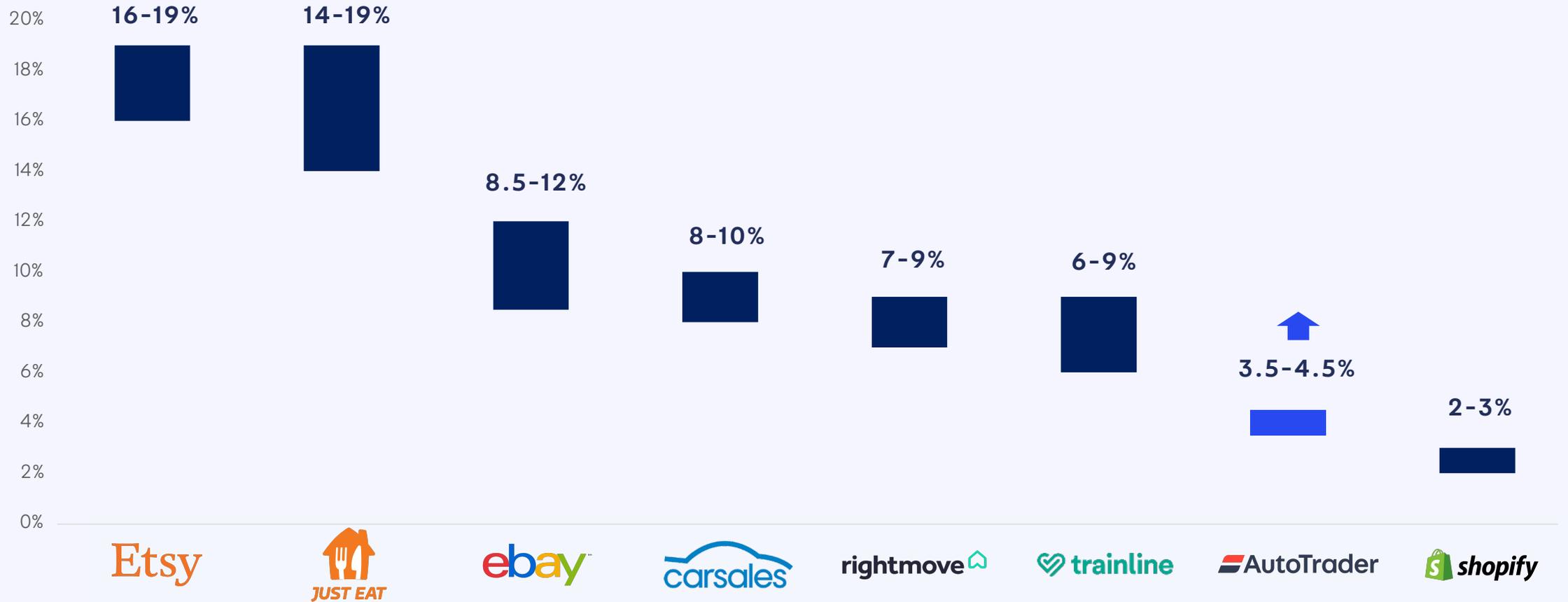
**Estimated Auto Trader yield %**  
FY18-FY22, ranges shown (excludes FY21 due to discounts)

	New	Used	Total
Sales	<0.5%	5-7%	<b>3.5-4.5%</b>
Aftersales	0%	0%	<b>0%</b>
<b>Total</b>	<b>&lt;0.5%</b>	<b>3-4%</b>	<b>2.5-3%</b>

## A comparison to other marketplaces illustrates there is headroom for growth

### ESTIMATED YIELD % IN CONTEXT

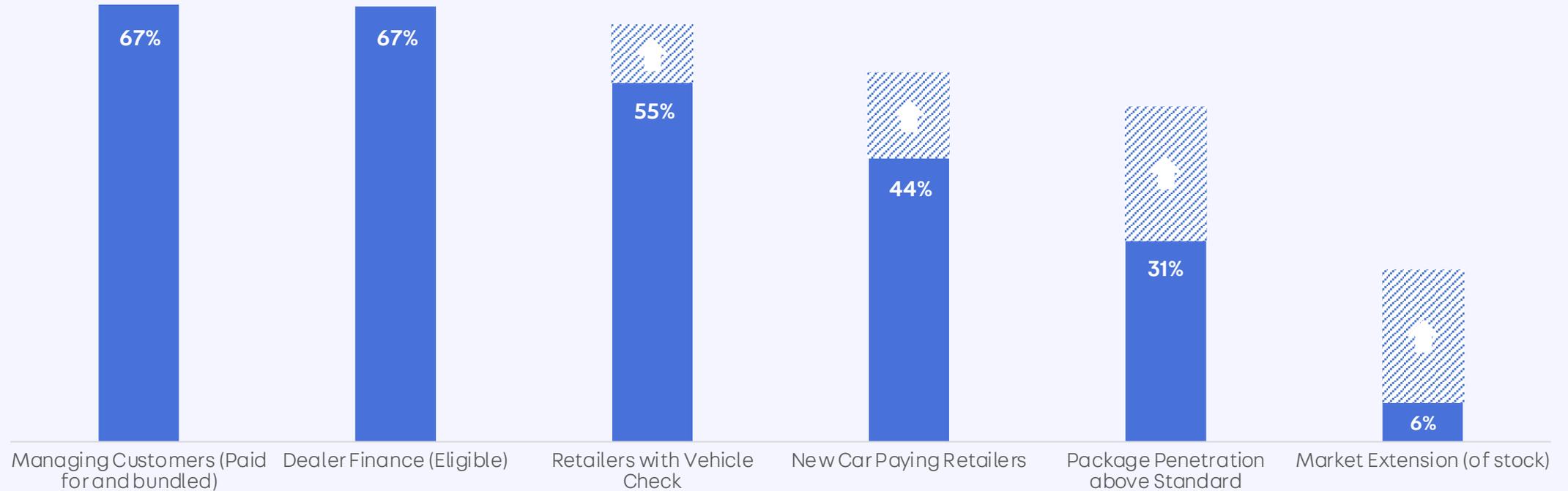
Ranges shown to account for different years, different business models apply



Our pricing power is strong and there is further growth runway in our product lever

## PRODUCT PENETRATION

FY22, including indicative growth runway over mid-term





## Our core classified business strength

- We are the UK's largest and most trusted automotive marketplace, and the first brand car buyers turn to
- Our core marketplace network effect has never been stronger
- We have grown ARPR at mid-high single digits despite a stock headwind in FY19-21
- Our pricing power is strong and our product penetration has runway for further growth

INVESTOR DAY 2022

 AutoTrader



# A structurally advantaged classified marketplace

A strong core classified marketplace, with runway for continued growth

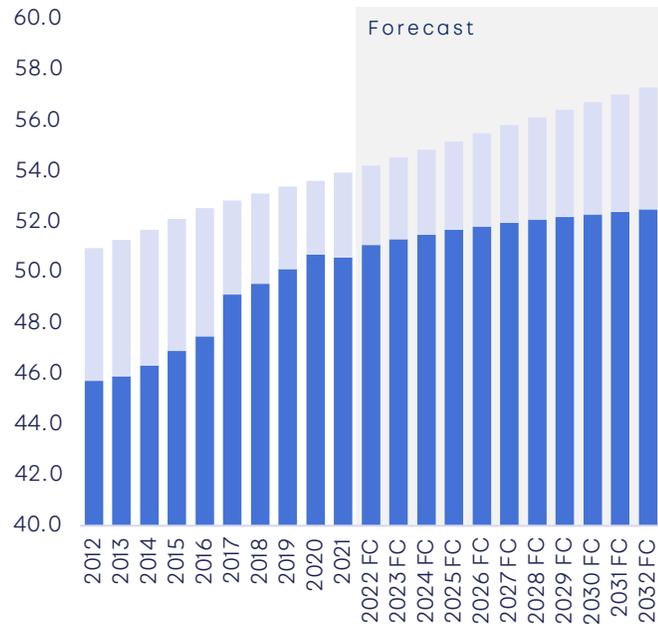
Supportive structural trends

# The UK population will grow, and we expect more car drivers over the next decade

## ASSUMPTION 1: MORE PEOPLE & MORE DRIVERS

ONS forecast for population, Auto Trader forecast on driving licences, millions

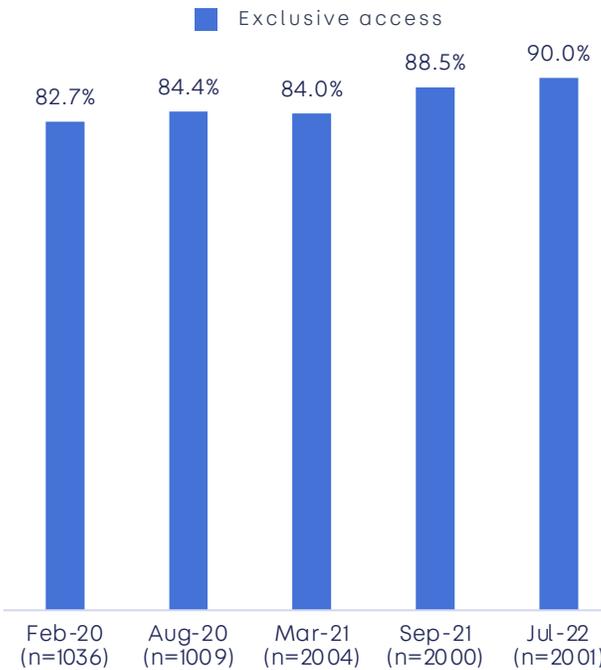
- 17+ population with driving licence
- 17+ population without driving licence



## ASSUMPTION 2: EXCLUSIVE ACCESS TO A CAR

Consumer research, nationally representative

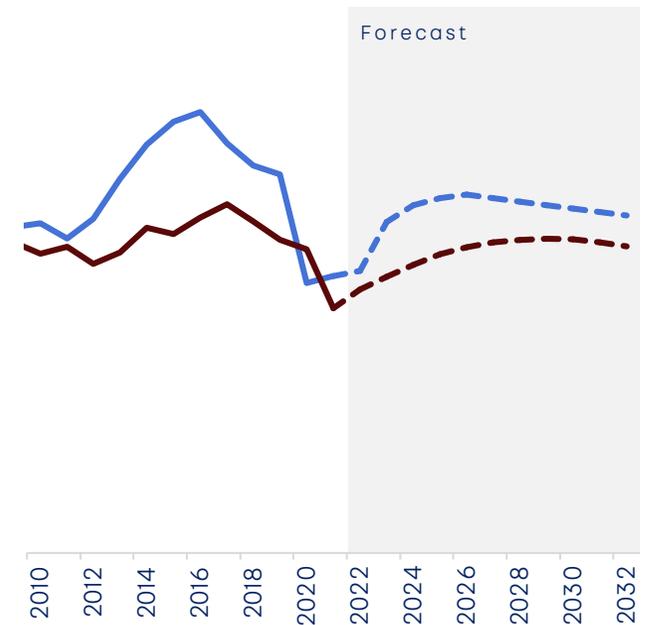
Q: Which of the following options would best suit your lifestyle?



## ASSUMPTION 3: NEW CARS > SCRAPPAGE

DVLA actuals and Auto Trader projection Great Britain (dashed line = projection)

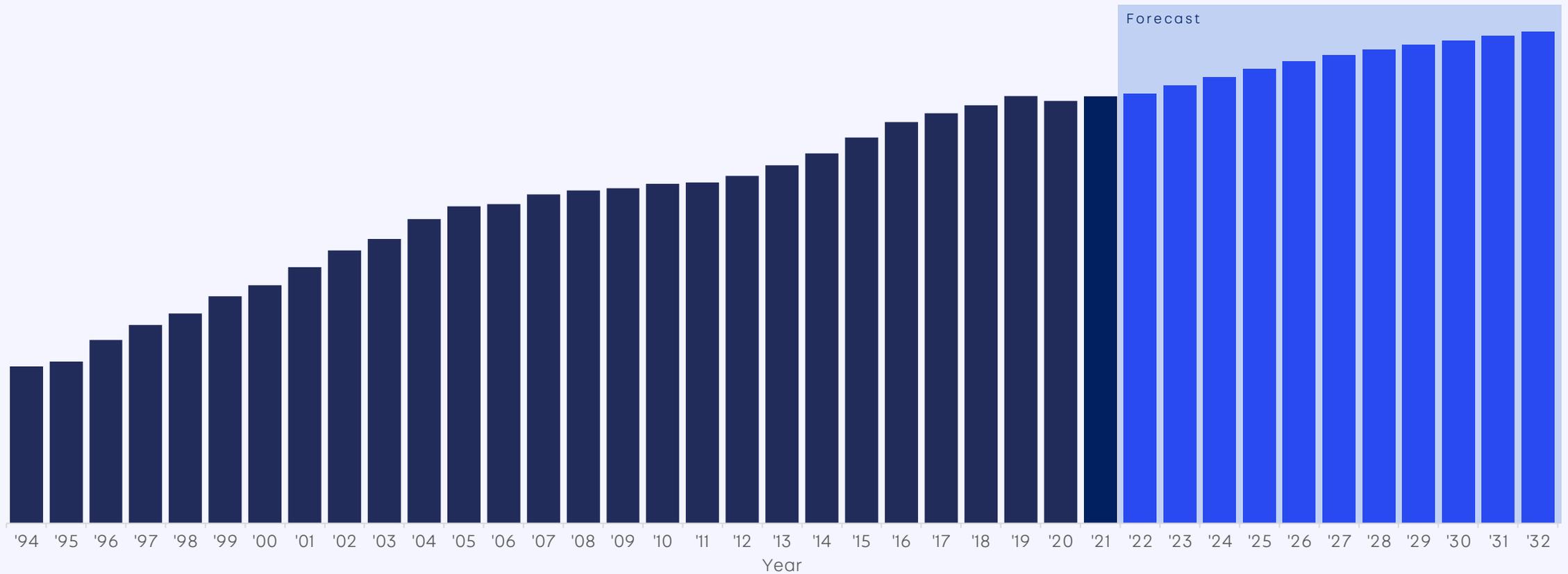
- Number of Cars Added to the Parc
- Number of Cars Removed from the Parc



As a result, we expect the car parc to continue to grow over the next decade

## GB CAR PARC

DVLA historic data, Auto Trader forecast



# We believe the speed at which the UK car parc turns is unlikely to slow and could in fact accelerate

## Factors that drive a faster transaction rate

1. **Electric vehicles early in their technology cycle** the average range of an EV has gone from 74 miles in 2011 to 257 miles in 2022, with further improvements expected<sup>1</sup>
2. **Latent demand** >4m lost new and used car transactions from 2020-2022 CYTD<sup>2</sup>
3. **End of finance creates a change catalyst** - used car finance penetration +20 % pts in last decade<sup>3</sup>
4. **Shift online should reduce friction in the buying journey** 33% of car buyers claim they would have bought their car sooner if they'd had a smoother experience<sup>4</sup>
5. **Introduction of ULEZ drives change** fuel types shift seen post ULEZ expansion<sup>5</sup>
6. **Car buying is often a necessity** 9 in 10 cited at least one reason to buy out of necessity<sup>6</sup>



Government policy and manufacturer actions can shift the transaction rate in both directions

## Factors that drive a slower transaction rate

1. Continued lower new car supply and less short cycle volume *negatively impacts transaction rate as seen in 2020 & 2021*<sup>7</sup>
2. Enhanced software updates on cars - hardware *could* become less important in time
3. Less maintenance work on EVs *less retailer contact*<sup>8</sup>
4. Lower consumer confidence could mean delayed purchases

Sources: SMMT, DVLA, Auto Trader, FLA, DfT, McKinsey, Auto Trader calculations

<sup>1</sup> SMMT - see [here](#)

<sup>2</sup> Compares new car registrations and used car transactions for 2020, 2021 and 2022 HI with an average from 2017-2019 for the same period (new cars = 2.0m and used cars = 2.3m)

<sup>3</sup> FLA & DVLA data and Auto Trader calculations

<sup>4</sup> Auto Trader Car Buyers Report, 2019

<sup>5</sup> DfT data and Auto Trader calculations

<sup>6</sup> Auto Trader Car Buyers Tracker, July 2022

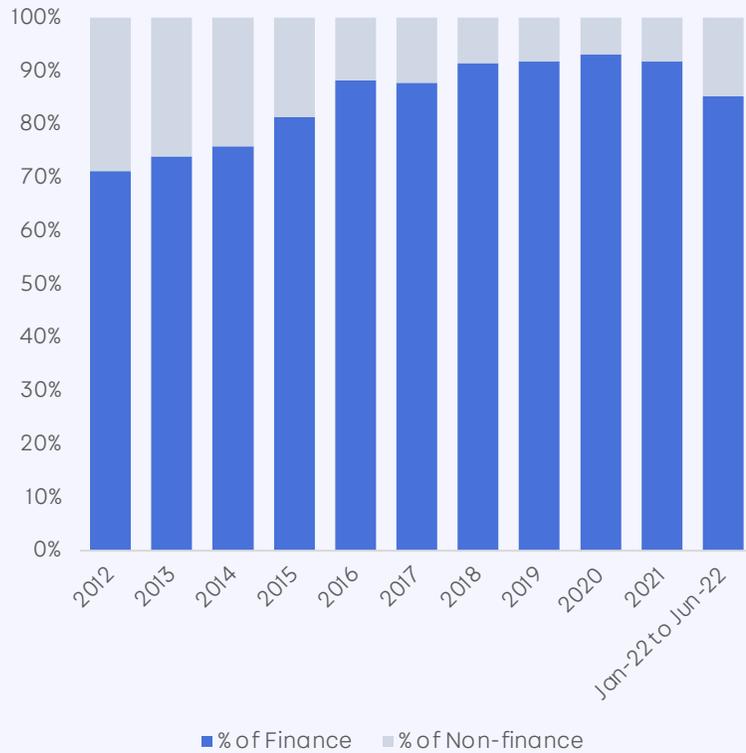
<sup>7</sup> DVLA and SMMT data, Auto Trader calculations - transaction rate dropped from -3.5 to 4.2 in 2020 and 3.8 in 2021

<sup>8</sup> McKinsey, see [here](#)

# We believe finance will evolve with more products and higher penetration on used cars

## NEW CAR FINANCE PENETRATION

2012 to 2022 (Jan-Jun 22), private NCRs only



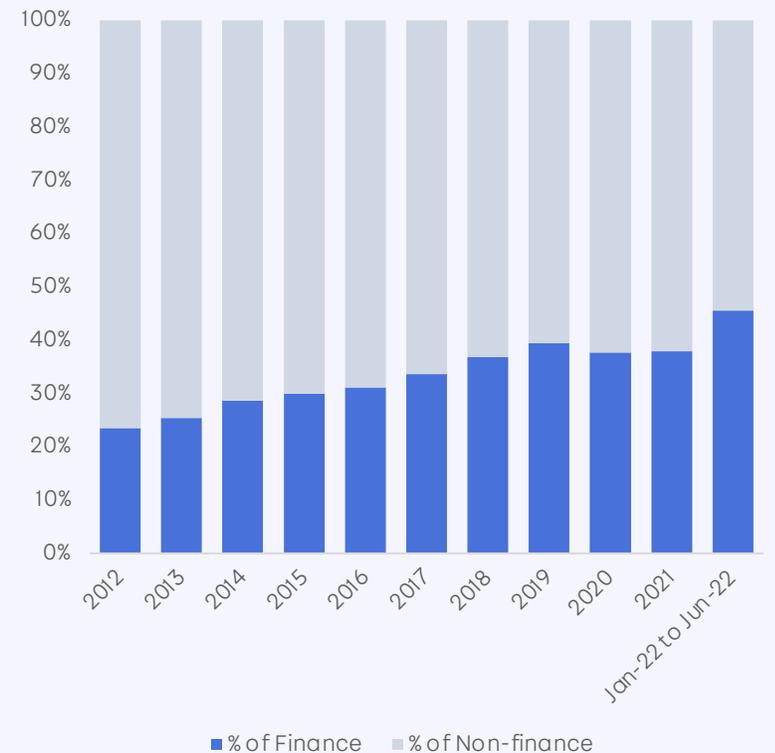
## PERSONAL CONTRACT HIRE

Broker PCH volumes and as a % of new car registrations, 2014-2021



## USED CAR FINANCE PENETRATION

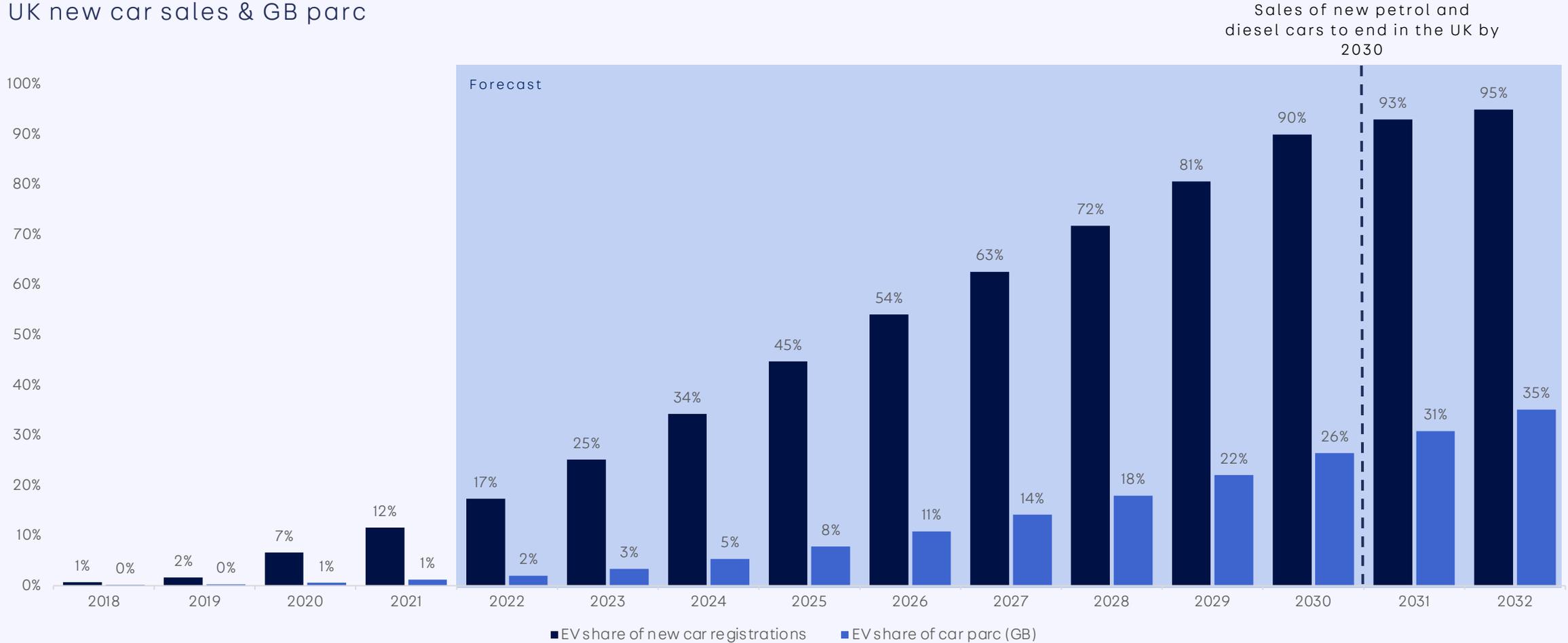
2012 to 2022 (Jan-Jun 22), retailer to consumer only (estimated)



# The car parc will become increasingly electrified

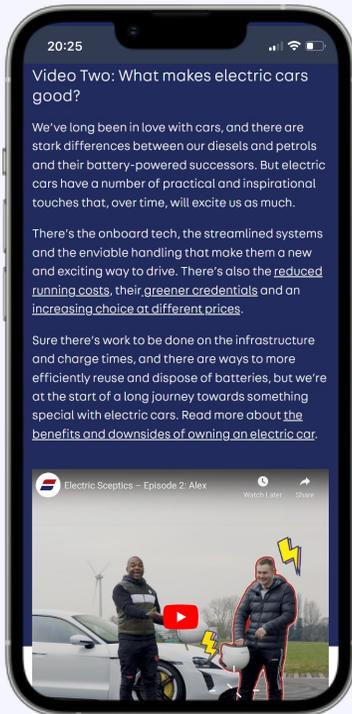
## EV NEW CAR REGISTRATIONS & PARC PROJECTIONS

UK new car sales & GB parc

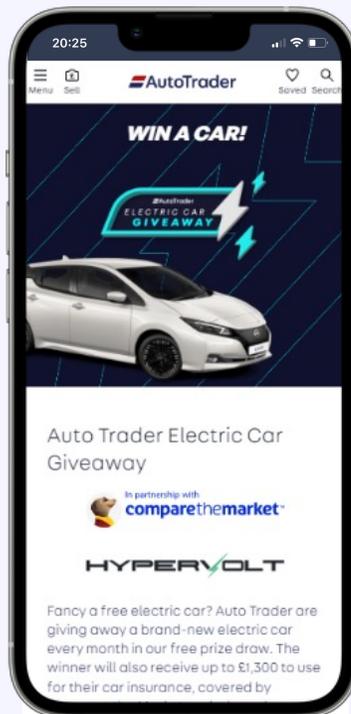


# We have invested in our EV content to ensure we are the #1 destination for car buyers looking to go electric

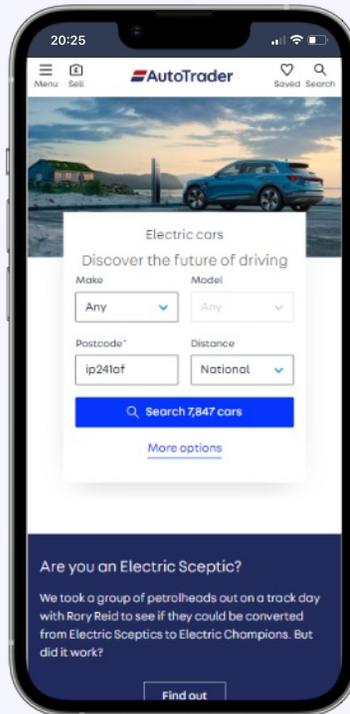
## ELECTRIC SCEPTICS CAMPAIGN



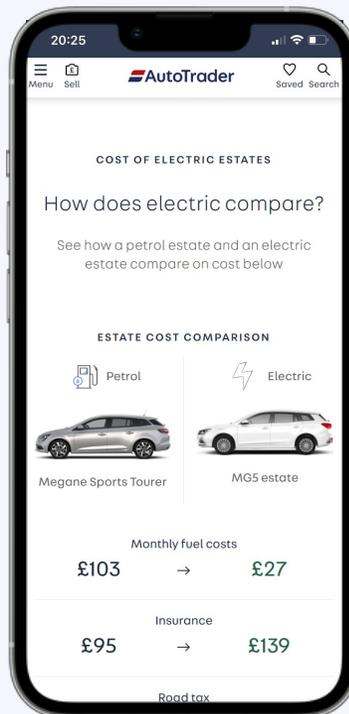
## MONTHLY EV GIVEAWAY



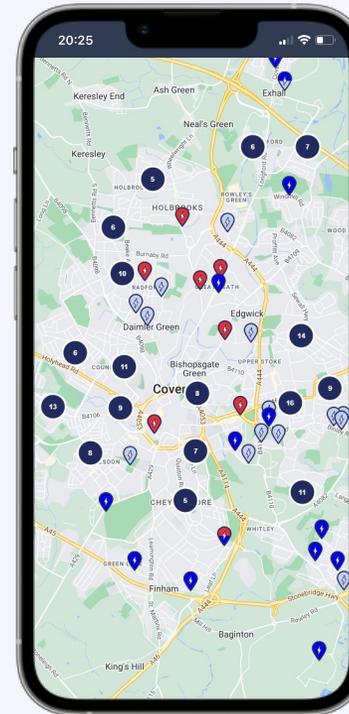
## ELECTRIC VEHICLE HUB



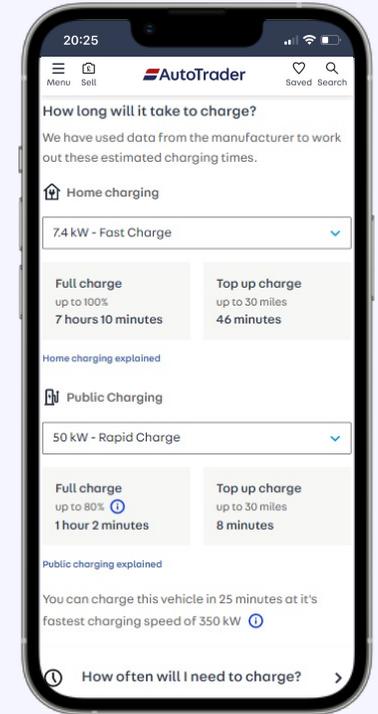
## EV COST OF OWNERSHIP



## EV CHARGING MAP



## EV CHARGING INFORMATION ON FULL PAGE ADVERT



# We are best placed to help car buyers navigate the increasingly complex buying journey

## OUR CONSUMER VALUE PROPOSITION

### Choice

- Widest choice of stock
- Retailers panel of lenders / funding providers

### Trust and transparency

- Price flags underpinned by our valuations
- Retailer reviews
- Seller promise
- Transparent stock availability

### Control

- Car buyers can do more online, and then complete in the showroom

### Comparison

- Across widest range of stock and most detailed taxonomy
- Most detailed EV comparison

	Last time consumer bought a car (2019)	Next time they buy a car (2023)
<b>Fuel type</b>	Petrol, diesel	Petrol, diesel, EV, PHEV
<b>Retailer</b>	Franchise and independent retailers	Franchise retailers, independent retailers, online only retailers, OEM D2C, leasing D2C
<b>Finance type</b>	PCP, HP	PCP, HP, PCH, flexible lease, subscription
<b>Online capability</b>	Send lead online, buy offline	Buy online, omnichannel or offline

Example consumer

As the market evolves, our retailer value proposition supports all types of retailers



Franchise retailers



Independent retailers



Digital first retailers



Manufacturers (inc. new entrants)



Leasing companies

## OUR RETAILER VALUE PROPOSITION

### Most effective sales channel

- Most buyers
- Across new, used, all vehicle types
- Compelling ROI
- Ability to expand geographical area of influence

### Best insight provider on model level supply and demand

- Most accurate valuations
- Combined with unique metrics
- Most granular taxonomy
- Webinars, forums, retailer performance masterclasses

### Most retailer friendly digital retailing tools

- Retailer's lender panel - enabling them to sell their products
- Compliant finance system
- Source of stock

## These changes are structurally supportive to Auto Trader

### MARKET ASSUMPTIONS

**MORE CARS, GOOD TRANSACTION RATE**

**MORE EVs**

**NEW & EXISTING MANUFACTURERS  
GOING TO AGENCY MODELS**

**FINANCE GROWTH**

**RETAILER MODELS TO ADAPT**

**INCREASING RETAILER TYPES**

**RETAILER LANDSCAPE EVOLVES**

### OPPORTUNITIES FOR AUTO TRADER

Solid supply and demand expected over mid term

Increased confusion - greater need for marketplace comparison

Opportunity to work with manufacturers on data, tools and services to complete more or all of the deal online

Finance and leasing expected to become larger parts of our marketplace

Cost reduction required - we can support through technology and automation

All will look for the most efficient sales and marketing channels at scale

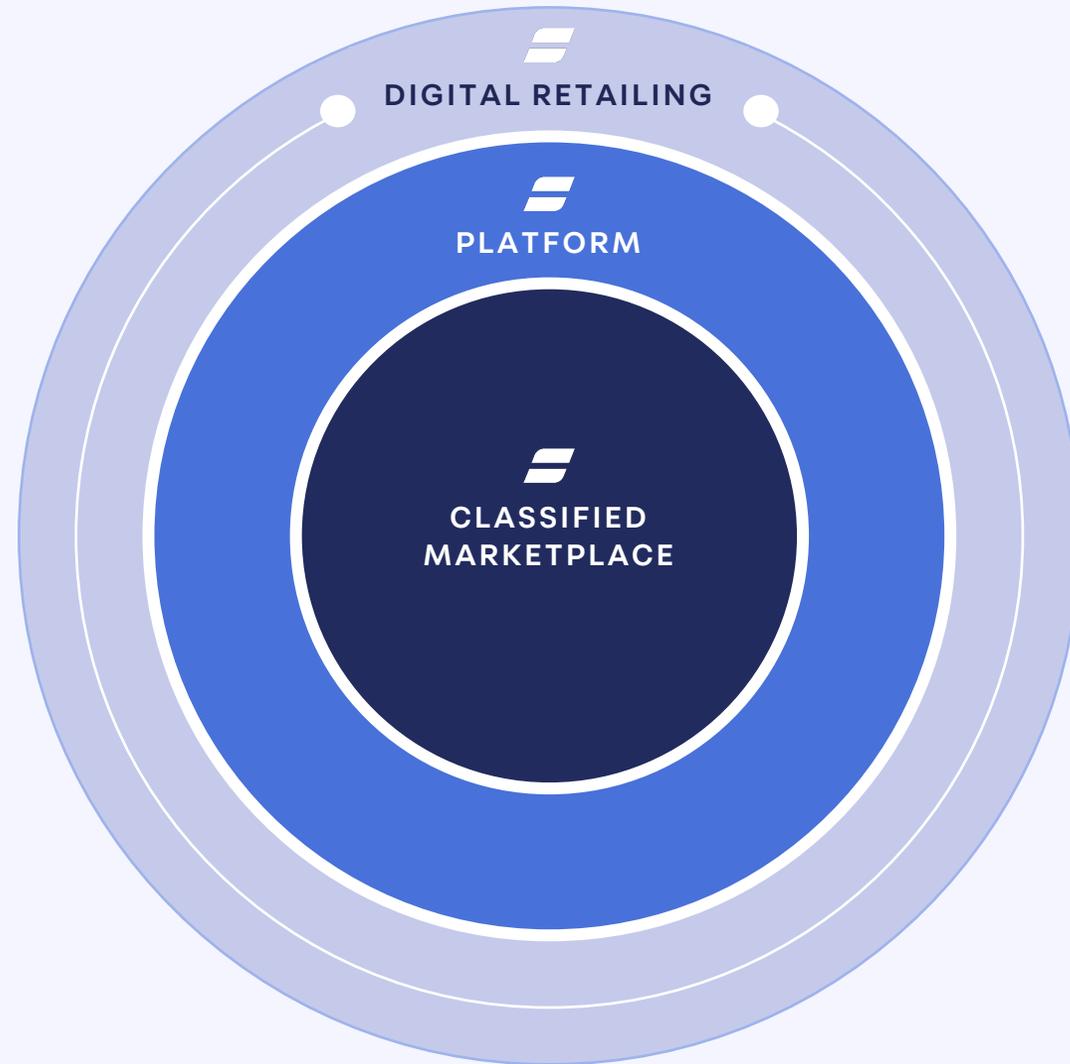
Stock more important than retailer count



# Enablers that strengthen the marketplace and facilitate a digital transaction

Catherine Faiers, Chief Operating Officer  
Chris Kelly, Chief Technology Officer





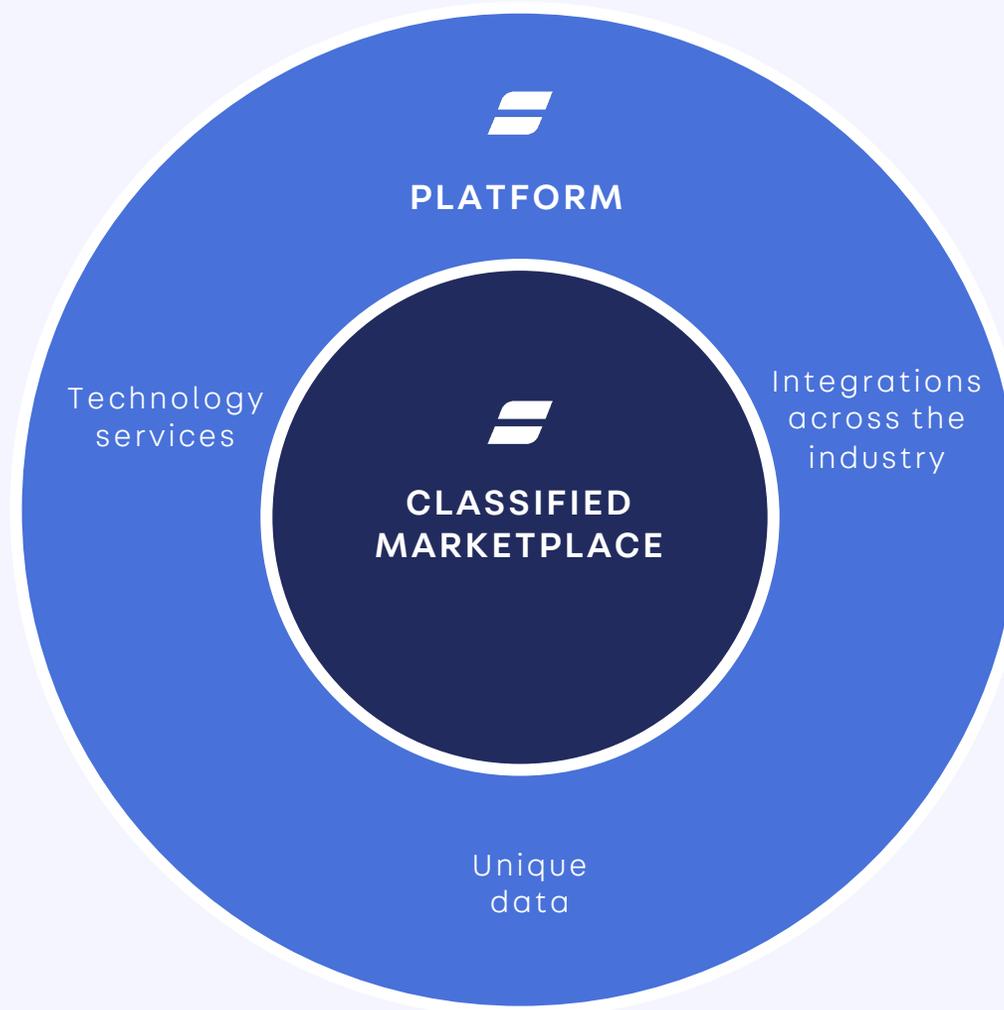
As sectors digitise, key enablers are required to create seamless journeys – we can perform this role in automotive retail

KEY ENABLERS FOR ONLINE RETAIL

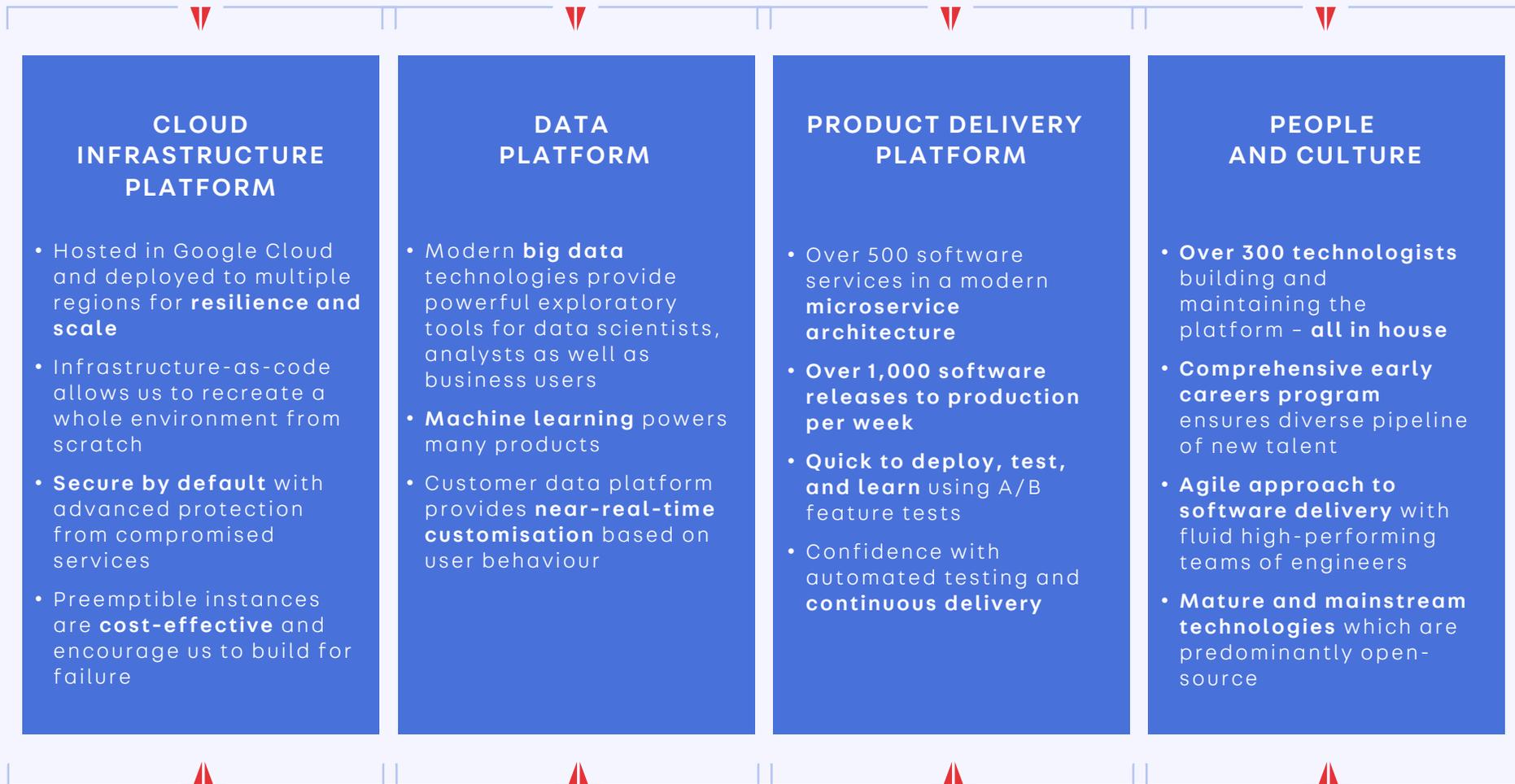
Examples from other sectors

Key enabler	Clothing	Groceries	Travel	Automotive retail
<b>LIVE STOCK INFORMATION</b> Keeping inventory up to date across systems	✓	✓	✓	AutoTrader
<b>PRICE TRANSPARENCY</b> Visible and dynamic pricing across channels	✓	✓	✓	AutoTrader
<b>INTEGRATIONS</b> With POS systems, finance, eCom, third parties	✓	✓	✓	AutoTrader
<b>EXTENDED REACH</b> Platforms that deliver greater geographical reach	✓	✓	✓	AutoTrader

We have spent time building out our platform to both strengthen our core marketplace and enable digital retailing



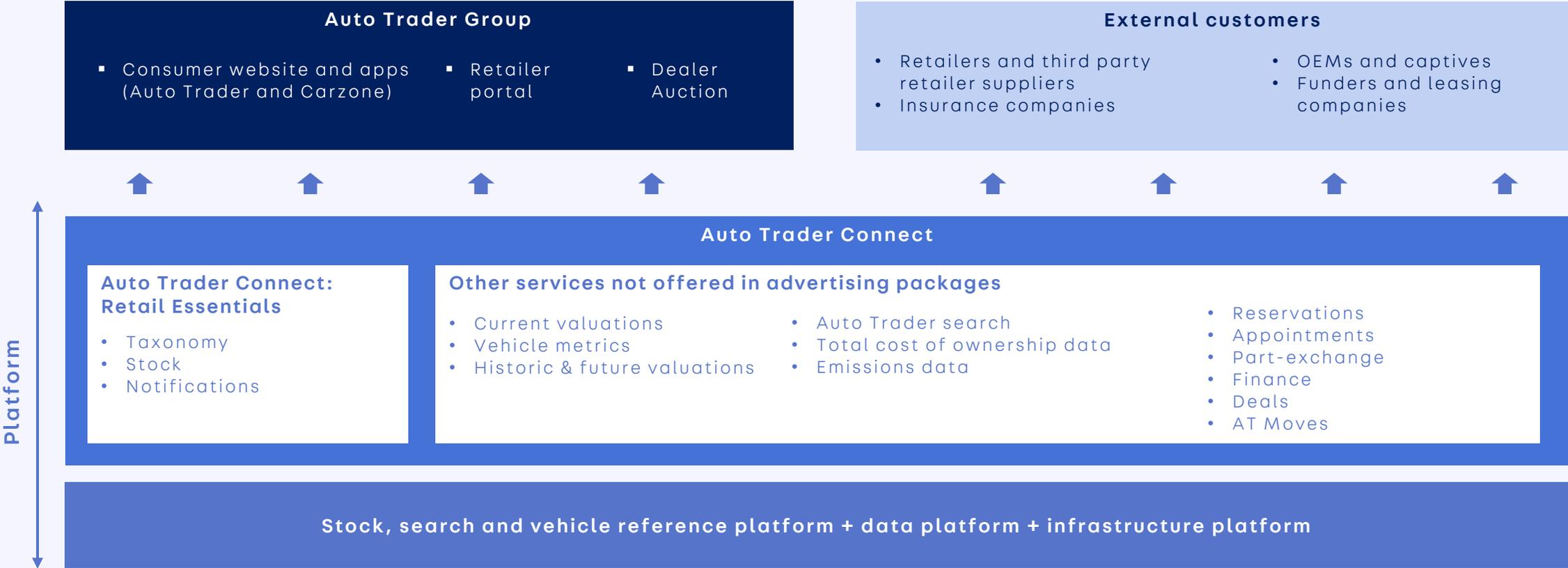
## We have outstanding technology fundamentals which our customers rely on



# Auto Trader Connect is foundational for a seamless digital retailing journey across all sales channels

## THE AUTO TRADER PLATFORM

Schematic





# Auto Trader Connect video

INVESTOR DAY 2022



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

## INTEGRATIONS ACROSS THE INDUSTRY

Not exhaustive



SOFTWARE PROVIDERS

>70 integrations



LENDERS & BROKERS

>120 lender/broker integrations



FUNDERS

All major funders



# Our data is best in class, combining retail back valuations with actionable market intelligence

## RETAIL BACK VALUATIONS

### Auto Trader Valuations

#### Largest observation pool

1.3m vehicles per day, 800k vehicle prices per day<sup>1</sup>

#### Objective data

No scraping or editorial judgment

#### Daily updates

Real time vehicle analytics

## UNIQUE MARKET INTELLIGENCE

All data at a vehicle or retailer level

### AT Retail Rating

#### Days to sell

#### Market supply

#### Buyer demand

#### Market health

Adjusted based on location

## GRANULAR VEHICLE TAXONOMY

Model year compliant detailed vehicle specification

Developed in-house and through Kee Resources acquisition

Increasingly linked to manufacturer build data

THIS ENABLES RETAILERS TO MAKE MORE INFORMED DECISIONS AROUND SOURCING AND PRICING

# Our data is increasingly embedded across the whole sector as the industry standard

## 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 and help inform policy

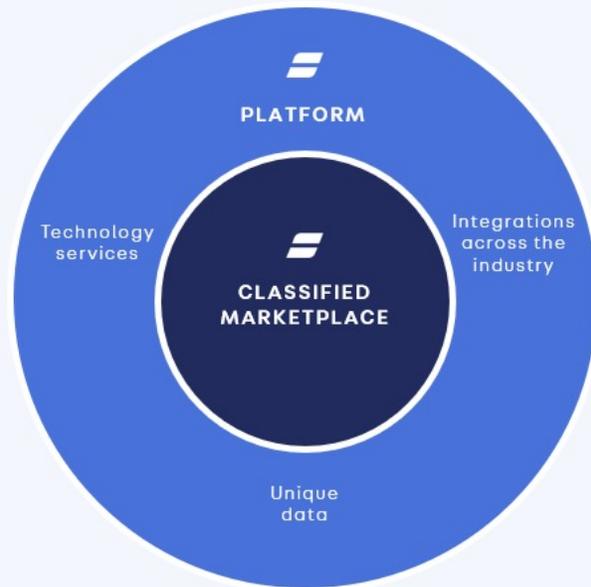


### STOCK MANAGEMENT PROVIDERS

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



Through our platform approach, we are providing our customers with a unique set of services which are very difficult to replicate



**Technology services**

**BENEFIT TO RETAILERS**

Access to powerful technology solutions that streamline key processes

**AUTO TRADER COMPETITIVE MOAT**

Product set more embedded in retailer processes and operations

**Integrations across the industry**

A live view of stock across systems, lender panel in one centralised service

Breadth and depth of integrations across third parties hard to replicate

**Best in class data**

Enhanced sourcing, pricing and marketing through accurate taxonomy and pricing

Industry standard data set combined with largest data pool of market intelligence

**New capabilities and products**

Extended geographical reach without significant capital expenditure

Scale of reach



# Break

Please return in fifteen minutes



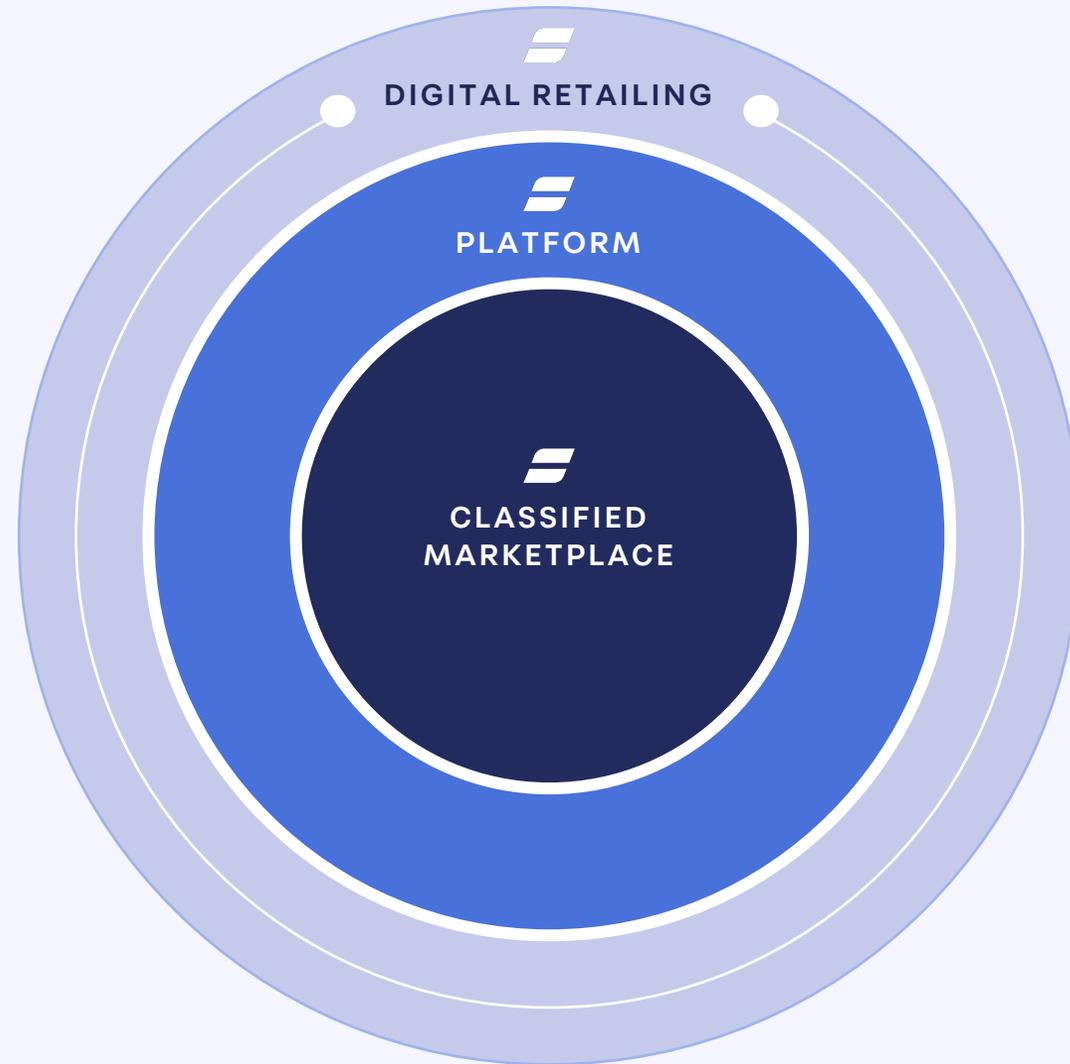


# Adding a transactional capability to Auto Trader and our retailer tools

Ian Plummer, Commercial Director

Ben Smith, Product Director







# Adding a transactional capability to Auto Trader and our retailer tools

Why digital retailing? Why us?

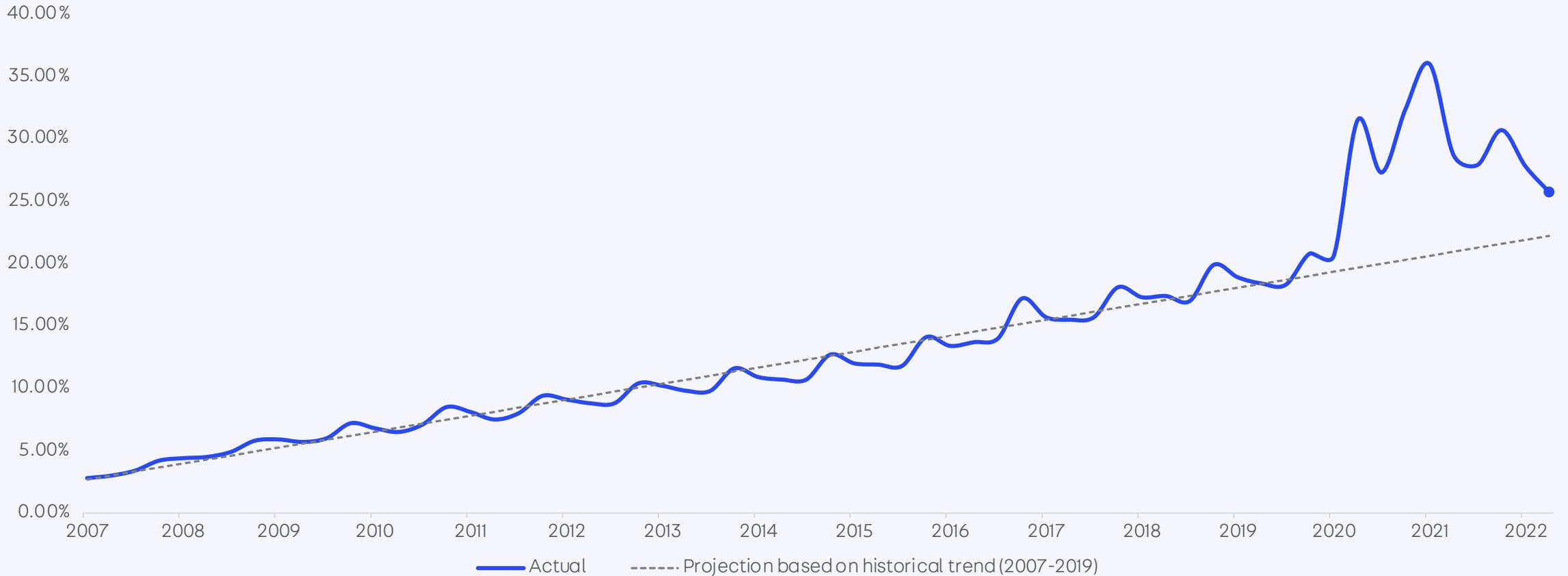
Deal builder

New vehicle digital retailing

Over the past decades, there's been a shift towards consumers buying more online

### ONLINE SALES AS A PROPORTION OF RETAIL SPEND (%)

ONS (UK)



## Retail categories move online because there are benefits for both retailers and buyers

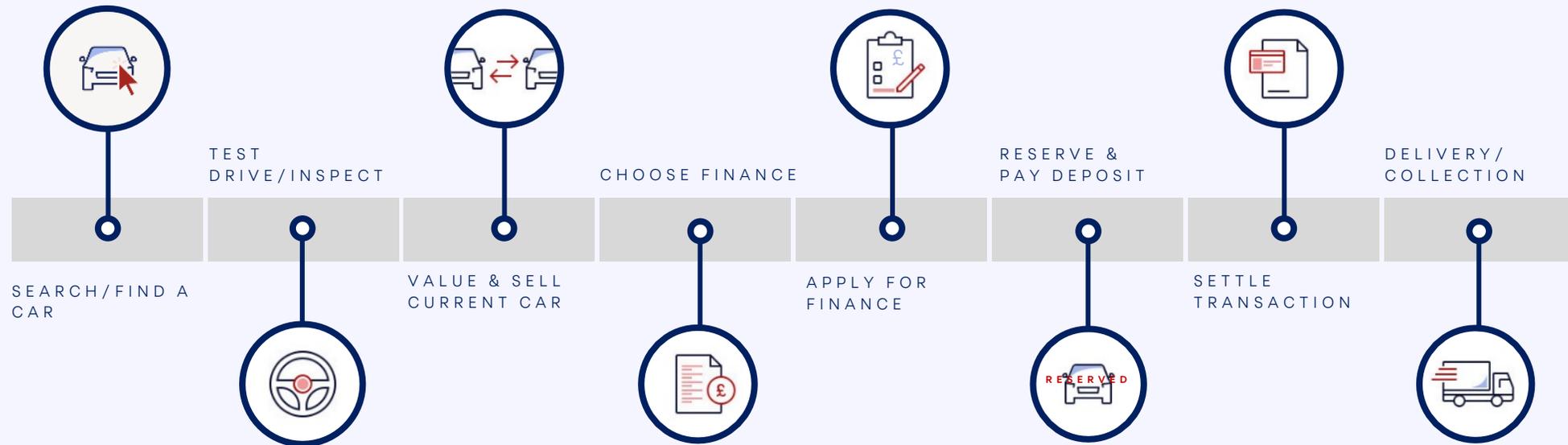
### IMPACT OF ONLINE ON PHYSICAL RETAILERS

e.g., travel, fashion

	Increased sales due to increased reach	Yield management	Cost reduction and time saving for retailers
Detail	Breakdown of geographical boundaries & ability to reach new audience	Visibility of price has led to increased pricing sophistication	Reduction in browsing footfall
Consumer benefit	Wider choice and ability to transact out of hours	Price transparency and tailored add on sales	Speed of transaction
Retailer impact	Increased sales revenue	Data driven pricing and add on sales	Reduction in cost per sale

We are seeing the beginnings of this in automotive

This trend is happening in automotive retail; car buyers are increasingly doing more of their car buying jobs online

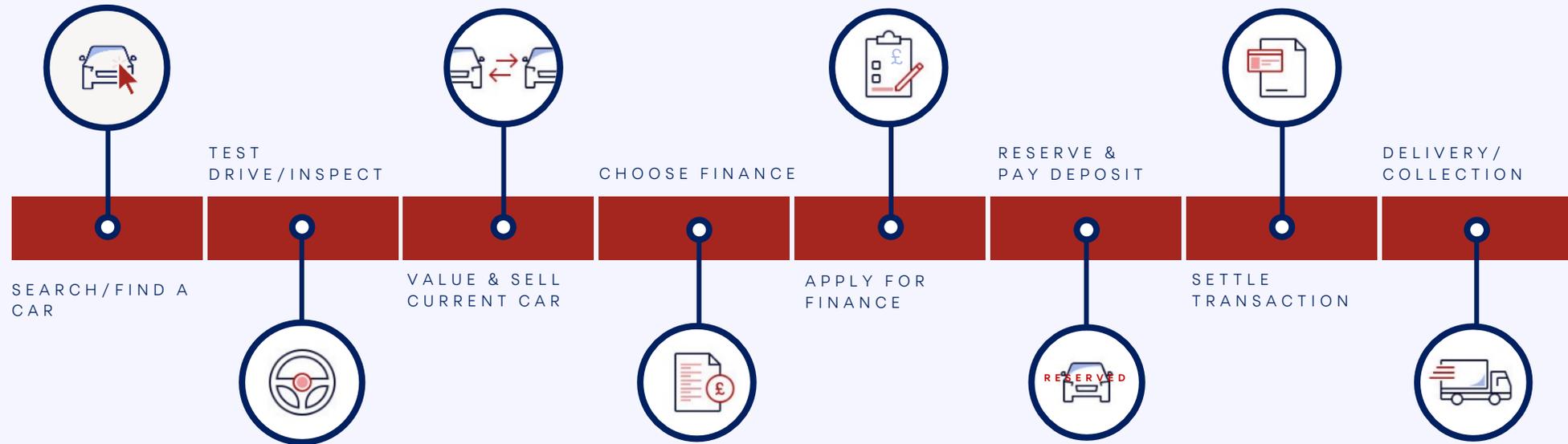


# Historic buying journey

Jobs done:

OFFLINE

ONLINE

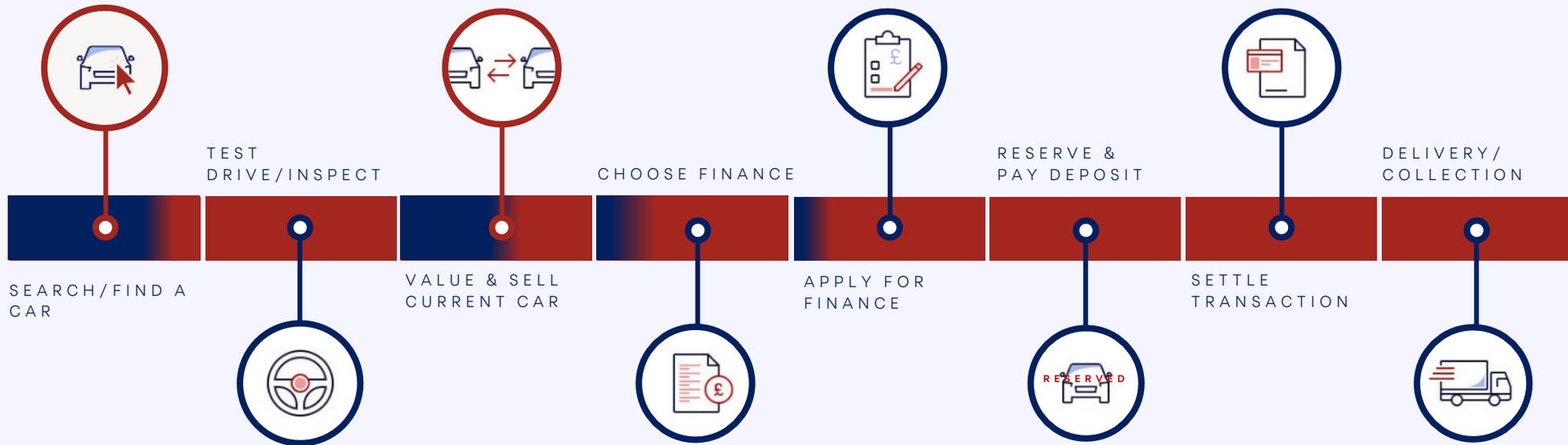


# Current buying journey

Jobs done:

OFFLINE

ONLINE



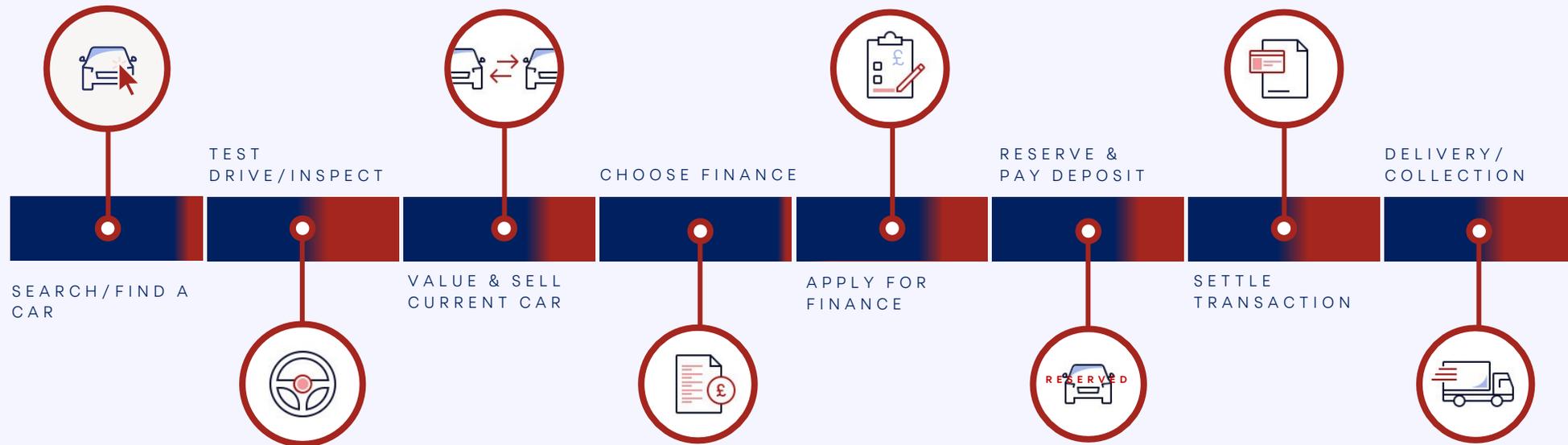
# Future buying journey

Jobs done:

OFFLINE

ONLINE

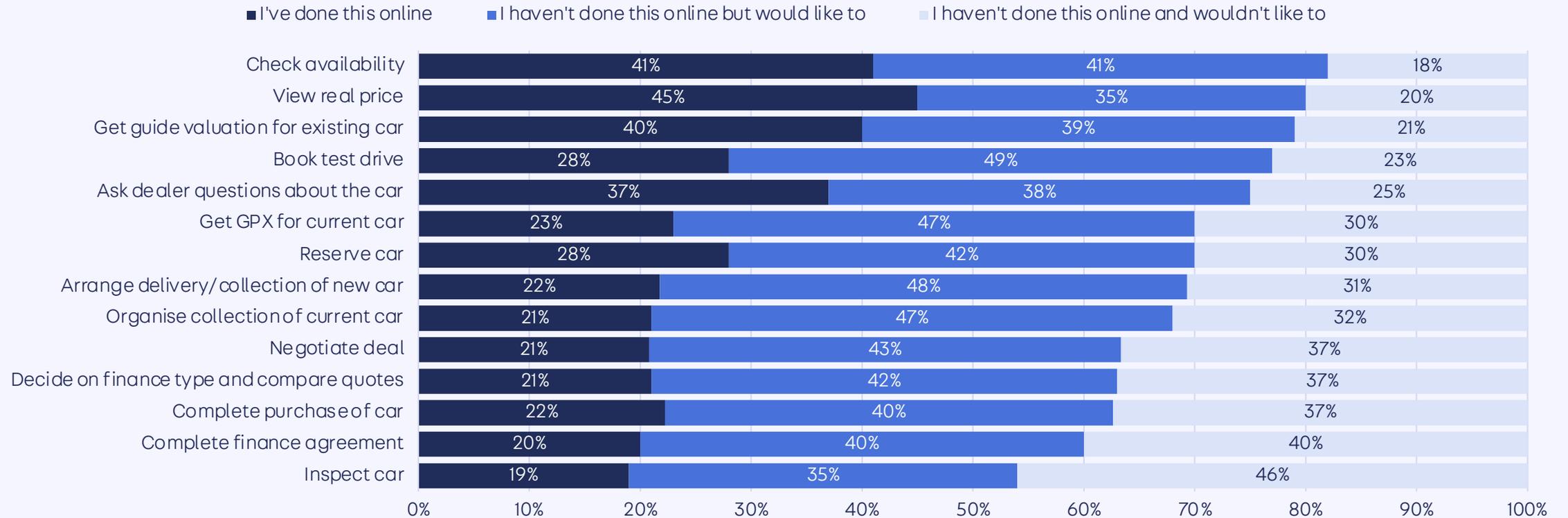
- ✓ Better conversion
- ✓ Quicker days to sell
- ✓ Cost saving in time/people
- ✓ Haggle free journey



## Our consumer research backs this up - car buyers want to do more of their jobs online

### CONSUMER RESEARCH, n=2,000, SEPTEMBER 2021

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

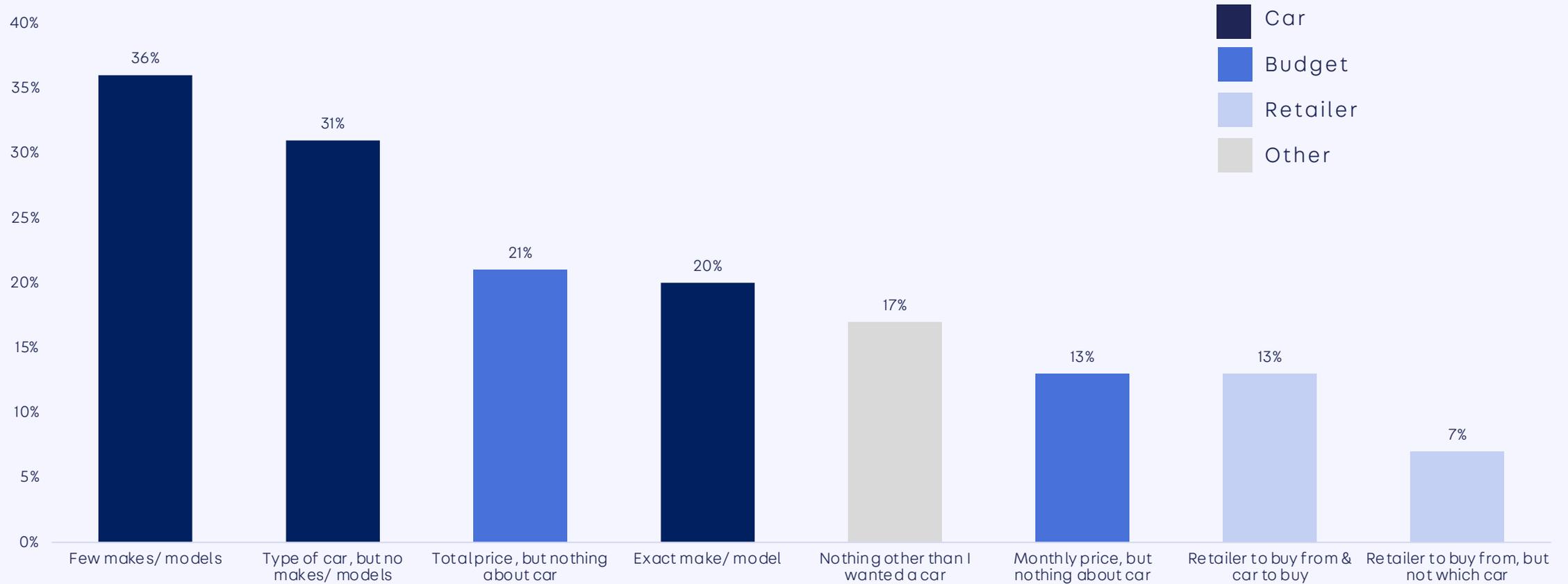


However, the forecourt still plays a crucial role for the foreseeable future - which is what we've designed for

## Car buyers will start by choosing the right car (rather than finance or retailer)

### CONSUMER RESEARCH, n=2,002, JULY 2022

What buyers know at the start of their buying journey (multiple choice)



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 <sup>1</sup> 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 will initially offer two digital retailing consumer journeys

### DIGITAL RETAILING AT AUTO TRADER: TWO KEY CONSUMER PROPOSITIONS

	Deal builder	Buy online
PRODUCTS	Part-exchange, reservation, online finance application	 an  AutoTrader company
VEHICLES	Used or new vehicle on cash, PCP or HP	New vehicle lease
RETAILERS	Franchise, independent, online retailers	Manufacturers and leasing companies

## This will mean we have a truly differentiated digital offering in the UK

	 AutoTrader	 carGurus	 hey car	 MOTORS .co.uk	Online retailers
<b>Largest choice</b>	✓	✗	✗	✗	✗
<b>Price transparency</b> e.g., price flags and admin fees	✓	✓ Price flags, but not admin fees	✗	✓ Price guide on some vehicles, no admin fees	✗
<b>New and used vehicles</b>	✓	✗	✓	✗	✗
<b>Test drive available</b> from retailer	✓	✓	✓	✓	✗
<b>Complete purchase in-store</b>	✓	✓	✓	✓	✗
<b>Home delivery or click &amp; collect options shown</b>	✓	✓	✓	✗	✓
<b>Multiple finance options shown</b> – PCP, cash, PCH, HP	✓	✗	✓ PCP and HP only	✓ PCP and HP only + limited vehicles	✓ PCP and HP only
<b>Full panel of retailer's lenders</b>	✓	✗	✗	✗	✗
<b>Complete finance application</b>	✓	✗	✗	✗	✓
<b>Seller promise</b> e.g., money back guarantees	✓	✗	✓	✗	✓

KEY: ✓ Fully available    ✓ Partly available    ✗ Not available



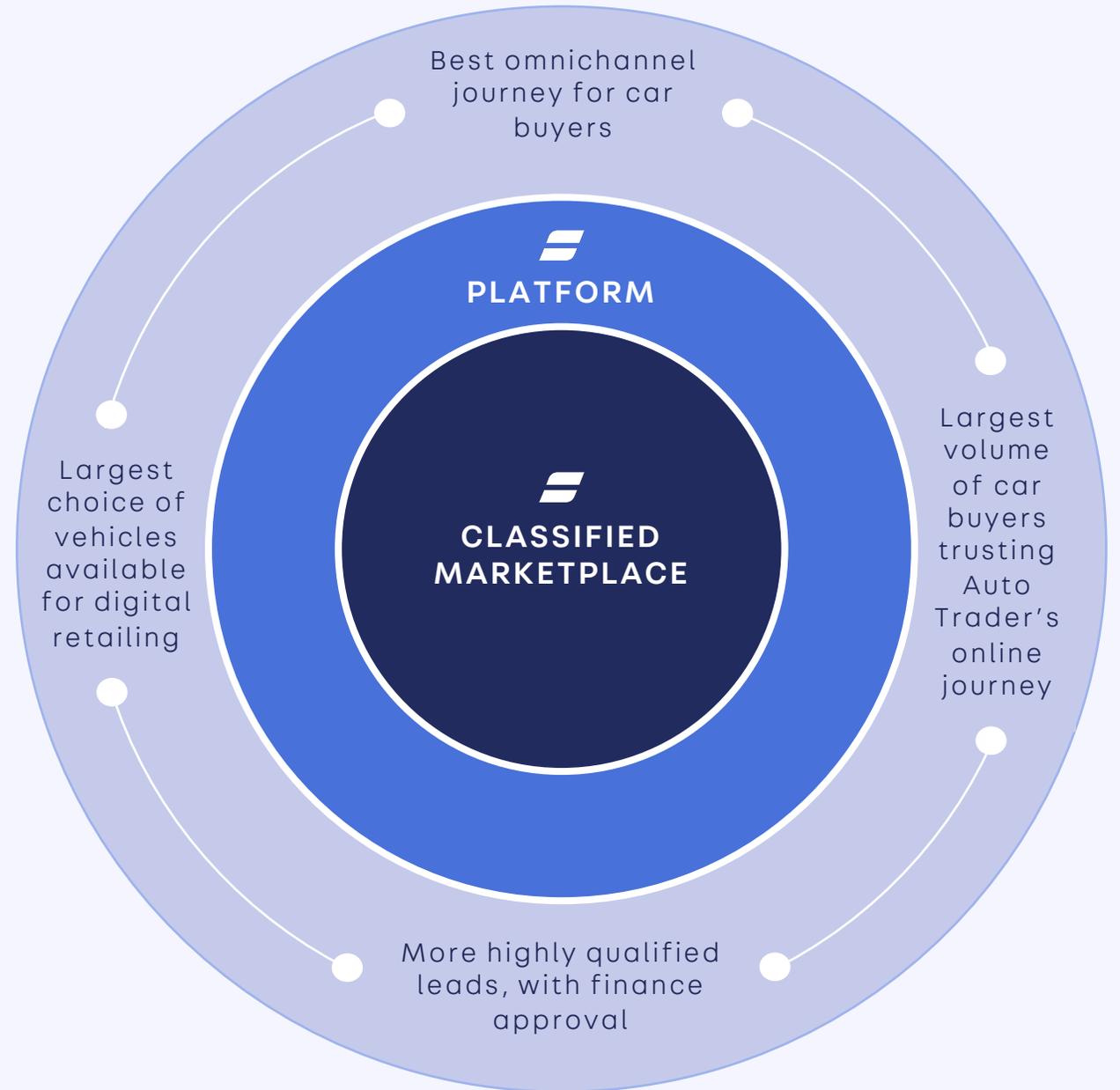
# Adding a transactional capability to Auto Trader and our retailer tools

Why digital retailing?

Deal builder

New vehicle digital retailing

**Deal builder is an expansion of our core marketplace, and sits on the foundations we have been building**





# Extending our core video



# A better core marketplace for consumers and retailers, regardless of how they choose to buy and sell



## Price Indicators



## Market Extension

### CONSUMER BENEFITS

- Better quality adverts - more information / specification
- Live stock availability

- Price transparency (incl. admin fees)
- Retailer reviews
- Easier comparison

- Increased vehicle choice
- Increased retailer choice

### RETAILER BENEFITS

- Create accurate adverts quickly
- Auto Trader Taxonomy (incl. optional extras)
- Update multiple systems in real-time

- A fairer, more transparent playing field

- Increased reach (3x standard package)
- No need for additional forecourts to scale
- Reduction in days to sell (~10 days)

### AUTO TRADER BENEFITS

- Auto Trader data and technology deeply embedded in retailer processes

- A healthy flywheel between buyers / sellers
- Reward the quality retailers
- Drive adoption of Auto Trader Valuations

- Increased yield (approx. double standard package)
- Key enabler for digital retailing

To help solve common consumer pain points we have developed key products, and are bringing them together into our 'deal builder' journey

### KEY CONSUMER PAIN POINTS

- Car is advertised but has already been sold
- Car advertised for different prices on different websites
- The part exchange is often not seen as transparent
- Finance applications often done manually and offline
- Lack of response from the retailer

### AUTO TRADER PRODUCTS

**Reservations**

**Part-exchange**

**Online finance application**

*combined with*

**Auto Trader Connect**

**AutoTrader**  
Deal Builder



# Deal builder video

**INVESTOR DAY 2022**

 AutoTrader

# Deal builder offers car buyers control and retailers a much more qualified lead

## DEAL BUILDER

### Summary

#### CONSUMER BENEFITS

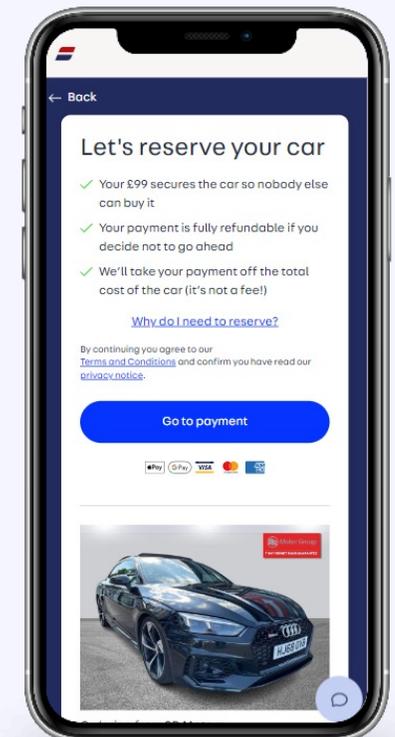
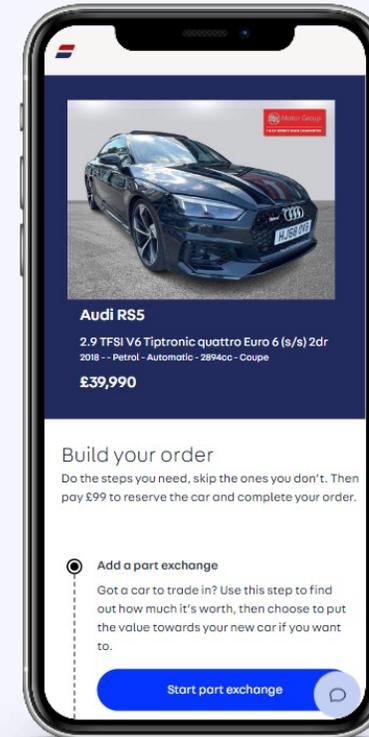
- Addresses multiple consumer pain points
- More transparent
- Increased control, do as much of the process online as they wish

#### RETAILER BENEFITS

- Much more highly qualified buyers
- Time and cost efficiency savings
- Selling retailer's finance products online

#### AUTO TRADER BENEFITS

- Increased yield (in time)
- Better attribution
- Shift from marketing to sales channel



We saw the first completed deal go through in August

### THE FIRST SALE

Reserved at 1:15am Wednesday morning

Collected the next day



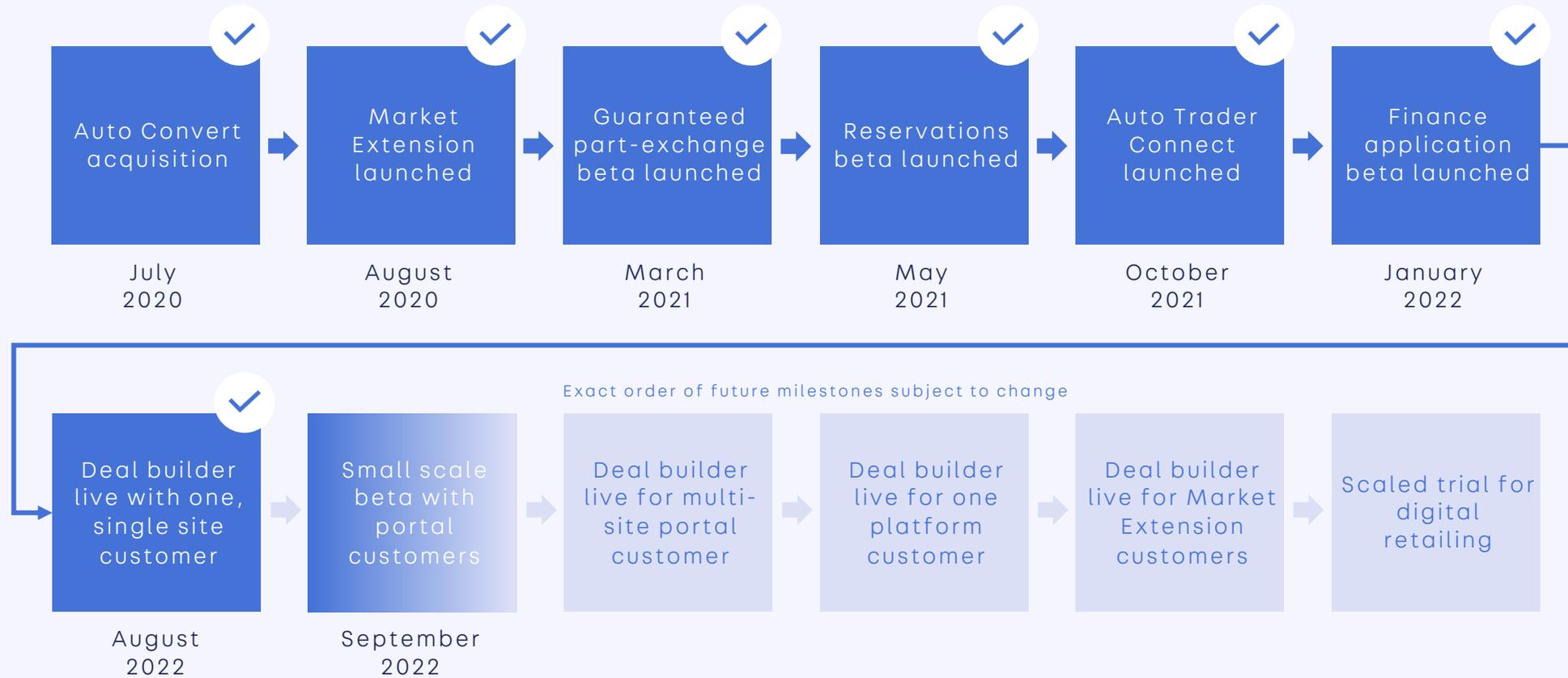
We've taken a long-term approach to enable this

	RETAILER FOCUS	PART-EXCHANGE VALUATIONS	FINANCE	PAYMENTS
The quickest approach	Focus on specific sub-set of retailers ❌	Monthly valuation estimate ❌	Single lender ❌	Offline payments ❌
Our approach	Available to any retailer via portal or API ✅	Auto Trader powered condition adjusted valuation ✅	In-store and online automotive finance platform integrated with lenders ✅	Integrated payments via Stripe ✅
Rationale	Greatest choice of vehicles available to order online	Ensure consumer confidence in valuation	To enable the retailer to expose <u>their own</u> lender panel	Smoother consumer and retailer journey

# We are making progress along our deal builder digital retailing milestones

## DIGITAL RETAILING MILESTONES

Deal builder





# Retailer digital retailing video

**INVESTOR DAY 2022**

 AutoTrader

**There is a unique opportunity for a partner to help grow revenue and reduce costs through technology and automation**

**RETAILER VALUE PROPOSITION**

Deal builder

Car buyers want it	Those that offer digital retailing will gain share	Rational
It will make economic sense	Our digital retailing products allow retailers to expand their addressable market, and reduce the time staff need to spend with car buyers	Rational
Deals are further down the funnel than a typical lead	Car buyers will come onto the forecourt having done many of the jobs that dealership staff do today	Rational
Retailer's products, not Auto Trader's	We enable retailers to sell their finance and add-ons, rather than replacing them with our own	Rational
An extension of what they do with Auto Trader	Deal builder is built on existing products, which are well known and used by their teams	Emotional
Retailers have a direct relationship with their customer	We connect retailers and car buyers, rather than disintermediating them	Rational & emotional

## Retailers are focussed on used car growth, other sources of revenue and cost control

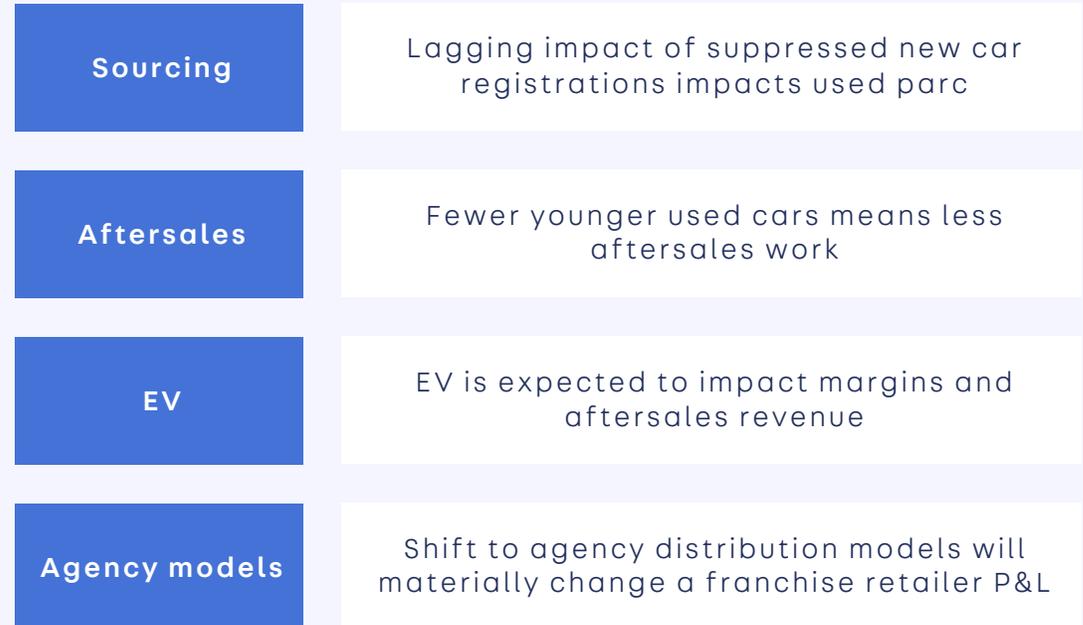
### RETAILER COST SPLIT

Varies by retailer type

Costs	Percentage of cost base	Estimated retailer cost, FY22
People costs	45-60%	£5.4 bn
Rent/property	10-20%	£1.5 bn
Vehicle and valeting costs (incl. stocking)	5-15%	£1.0 bn
Marketing	5-15%	£1.0 bn
Energy/fuel costs	5-15%	£1.0 bn
IT	0-5%	£0.3 bn
<b>Total</b>		<b>£10.2 bn</b>

### LONGER-TERM STRUCTURAL FACTORS

For retailers in the mid term



# Our products create value across a retailer's business and opportunity exists to increase our share of operating expenses

## PROFIT DRIVERS

## IMPACT OF DIGITAL RETAILING

## AUTO TRADER PRODUCT

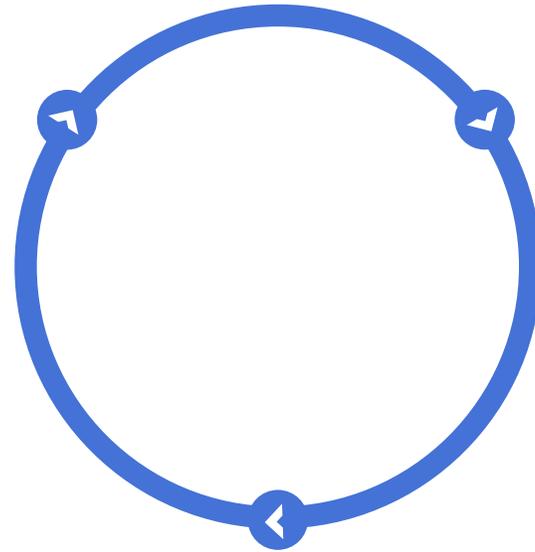


In summary, retailers, consumers and Auto Trader will all benefit from this transition



### For car buyers

- › More choice
- › More transparency
- › More control
- › Increased confidence
- › Quicker process
- › Better car buying experience



### For digital retailers

- › Increased sales
- › Operational efficiencies
- › Increased GPU
- › Improve car buyer satisfaction and hence gain share



### For Auto Trader

- › Clearer sales attribution
- › Incremental revenue through new parts of the retailer wallet
- › Embedding our tools into retailer processes
- › More unique consumer behavioral data
- › Deeper relationship with consumers



# Adding a transactional capability to Auto Trader and our retailer tools

Why digital retailing? Why us?

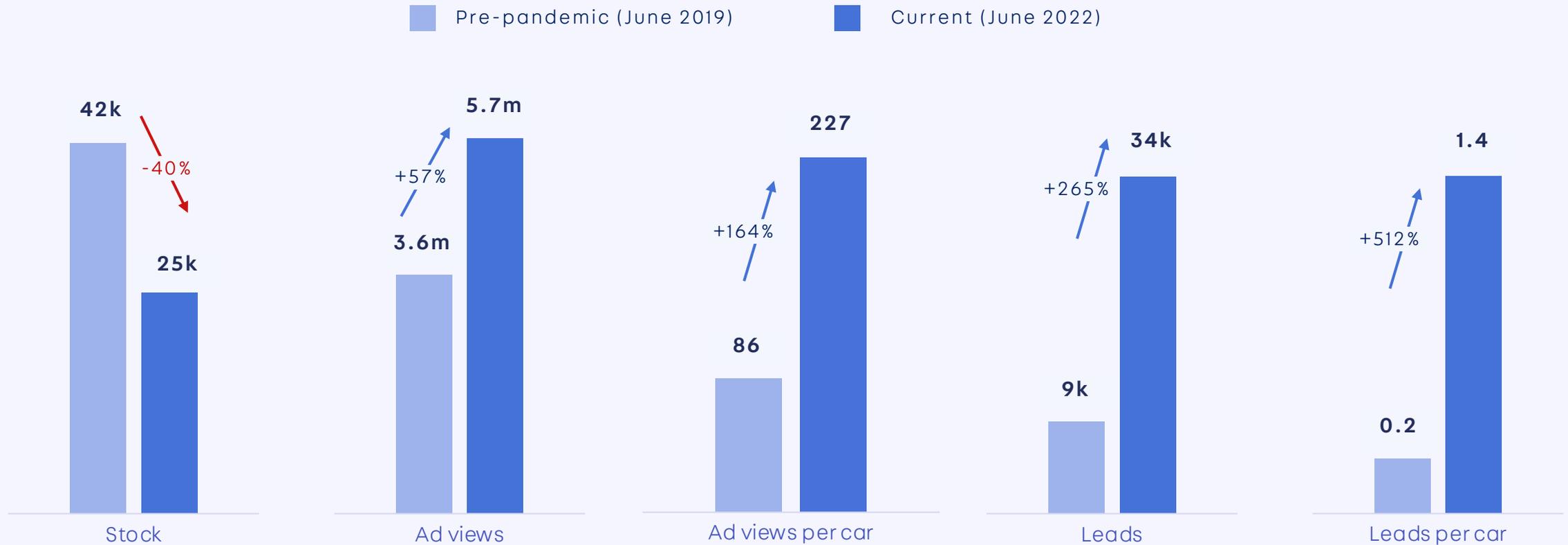
Deal builder

New vehicle digital retailing

# Our new vehicle influence has grown over the past few years, despite stock pressures

## KEY NEW VEHICLE METRICS: CURRENT POSITION VS. PRE-PANDEMIC

June 2019 vs. June 2022



## We acquired Autorama to further enhance our new vehicle proposition

### KEY MARKET TRENDS

- Existing manufacturers are looking to go **direct to consumer** using **agency** agreements
- Funders looking to go **direct to consumers**
- **New manufacturer entrants** have and will enter the UK market, likely with direct sale models
- Some manufacturers **won't hold retailer stock**
- **New EV sales** are growing fast
- **Personal leasing** is growing, often 'bought' online by car buyers
- **Ancillary products** are increasingly bundled as part of the monthly price



Acquisition completed  
22<sup>nd</sup> June 2022

### BENEFITS TO AUTO TRADER

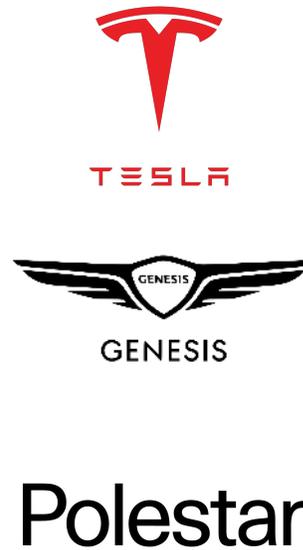
- Enables car buyers to **purchase new cars online**
- **Effective sales channel** for manufacturers - both new entrants and existing manufacturers
- Relationships and integration with **funders and retailers**
- **Contact centre** to support the transaction
- Supports the sale of **ancillary products**
- Improved **EV offering**
- Leasing a transition step to **usership** (long-term)

# Autorama has good relationships across their customer base

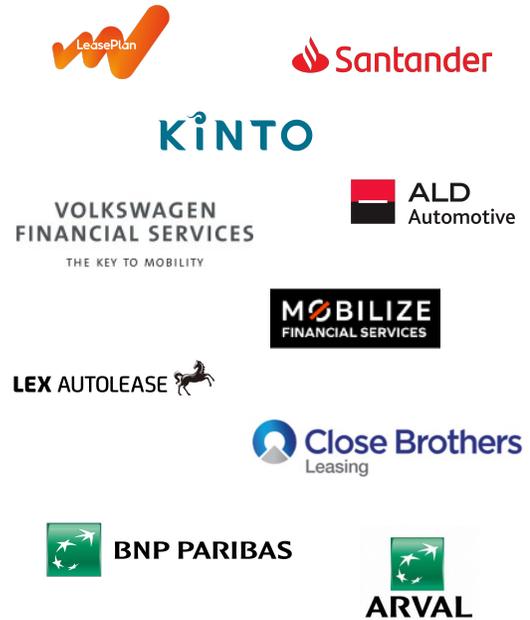
## EXISTING MANUFACTURERS (Not exhaustive)



## NEW ENTRANT MANUFACTURERS



## FUNDERS (Not exhaustive)



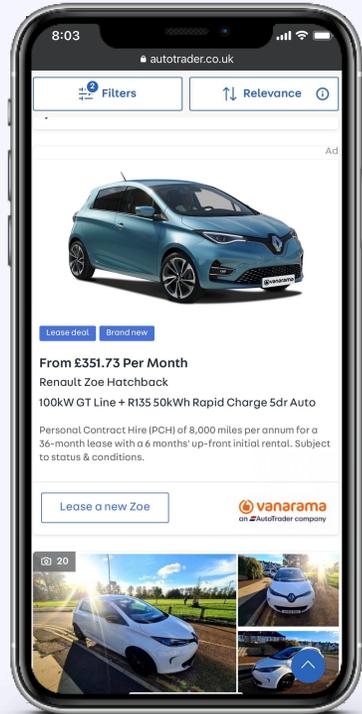
By combining Auto Trader and Autorama we will be able to support manufacturers and leasing companies at scale

## OUR PROPOSITION TO OEMs AND LEASING COMPANIES

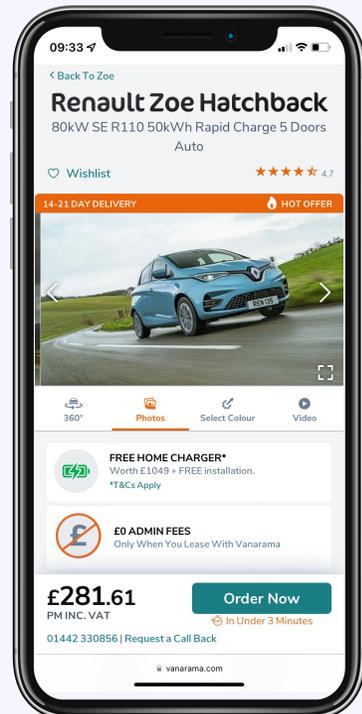
Summary

	EFFICIENT ROUTE TO MARKET	RETENTION OF EXISTING BOOK	PRICING INTELLIGENCE
DESCRIPTION	PCH <sup>1</sup> offers available on Auto Trader	Tailored online eCommerce journey and customer support for renewing PCH customers	Pricing elasticity data on new car market, specifically PCH
AIM	Better deals for car buyers and better consumer experience with reduced discounts for manufacturers	Increase PCH renewal rate	Improve incentive spend effectiveness

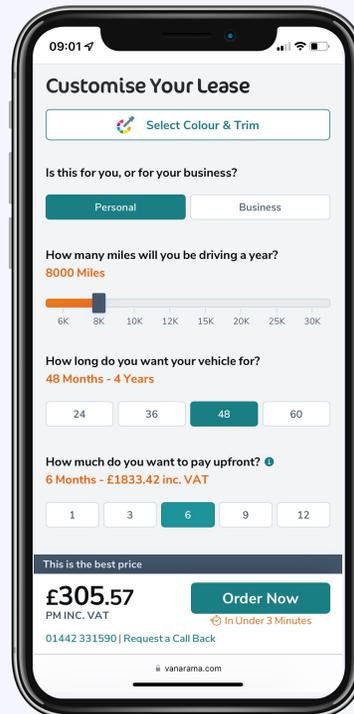
We are starting to test driving traffic into the Autorama buy online journey



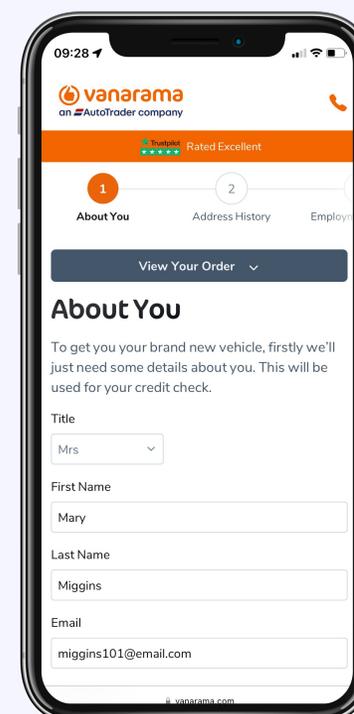
TARGETED ADVERT IN AUTO TRADER SEARCH



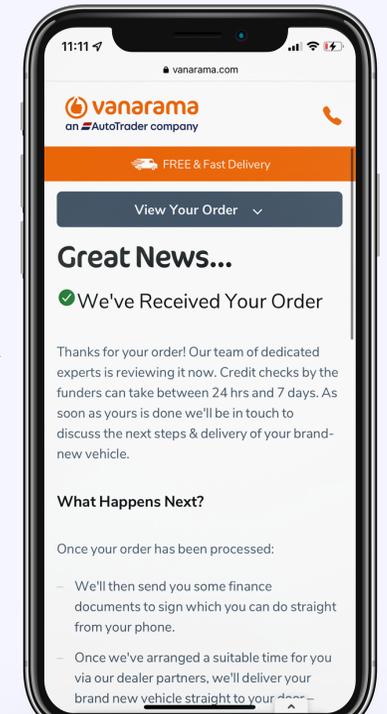
RELEVANT PRODUCT DETAILS PAGE



CUSTOMISE LEASE



ONLINE FINANCE APPLICATION AND AUTOMATED CREDIT CHECK



COMPLETED ORDER

We will increasingly leverage our scale to reduce acquisition cost and grow the business profitably

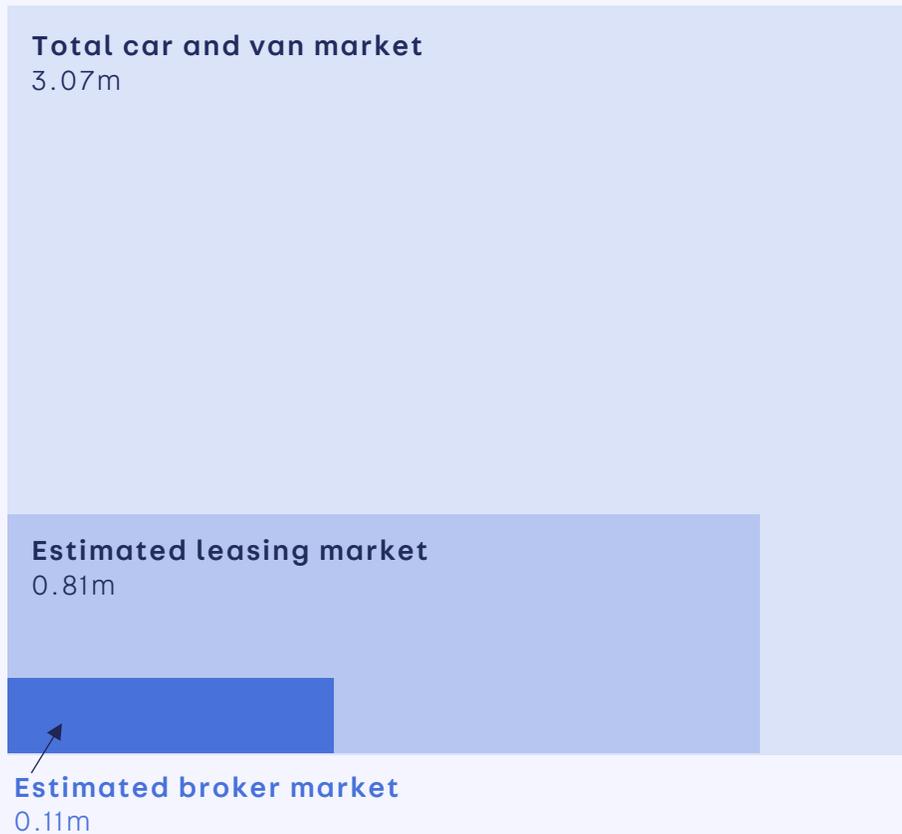
**PRIORITIES IN NEW VEHICLE LEASING**

FY23 and mid term

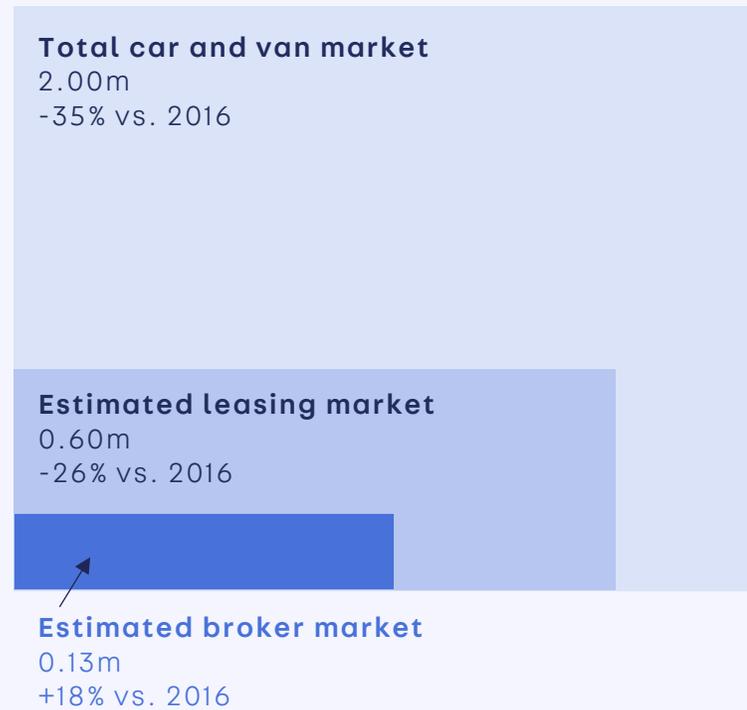
	CONSUMER JOURNEY	CONSUMER ACQUISITION COST	SALES VOLUME	PROFIT
FY23	Small scale tests driving traffic into Autorama buy online journey	Largely unchanged	11k-14k deliveries <sup>1</sup>	£5-7m loss <sup>1</sup> due to investment in digitisation and marketing
MID-TERM	Buy online journey integrated into Auto Trader	Significant reduction through Auto Trader scale	Significant opportunity	Forecasted margin at 20-30% of net revenue in mid term

# There is significant growth potential for Autorama through increasing share and market recovery

## 2016 (free supply)



## 2021 (supply constrained)



**Mid 2020's**  
Expectation that PCH will continue to grow, particularly as supply returns

Longer-term, as we are doing more work for the sale, we expect to make more profit per car sold

**USED CARS**  
Auto Trader estimated margin per car sold  
WITHOUT DEAL BUILDER

<b>£90-£120</b> Per car sold (estimate)	<b>x</b>	<b>70%</b> Operating profit margin	<b>=</b>	<b>c. £75</b> Margin per car sold
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**NEW CAR LEASE (AUTORAMA)**  
Auto Trader estimated margin per car sold

<b>£1,100</b> Per car sold (estimate)	<b>x</b>	<b>20-30%</b> Operating profit margin <sup>1</sup>	<b>=</b>	<b>c. £275</b> 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



# Financials and summary

Nathan Coe, Chief Executive Officer

Jamie Warner, Chief Financial Officer

INVESTOR DAY 2022

 AutoTrader

# Digital retailing is a major transition but will be incremental and complimentary to our core marketplace, extending our runway for growth

Digital cannibalised the print business

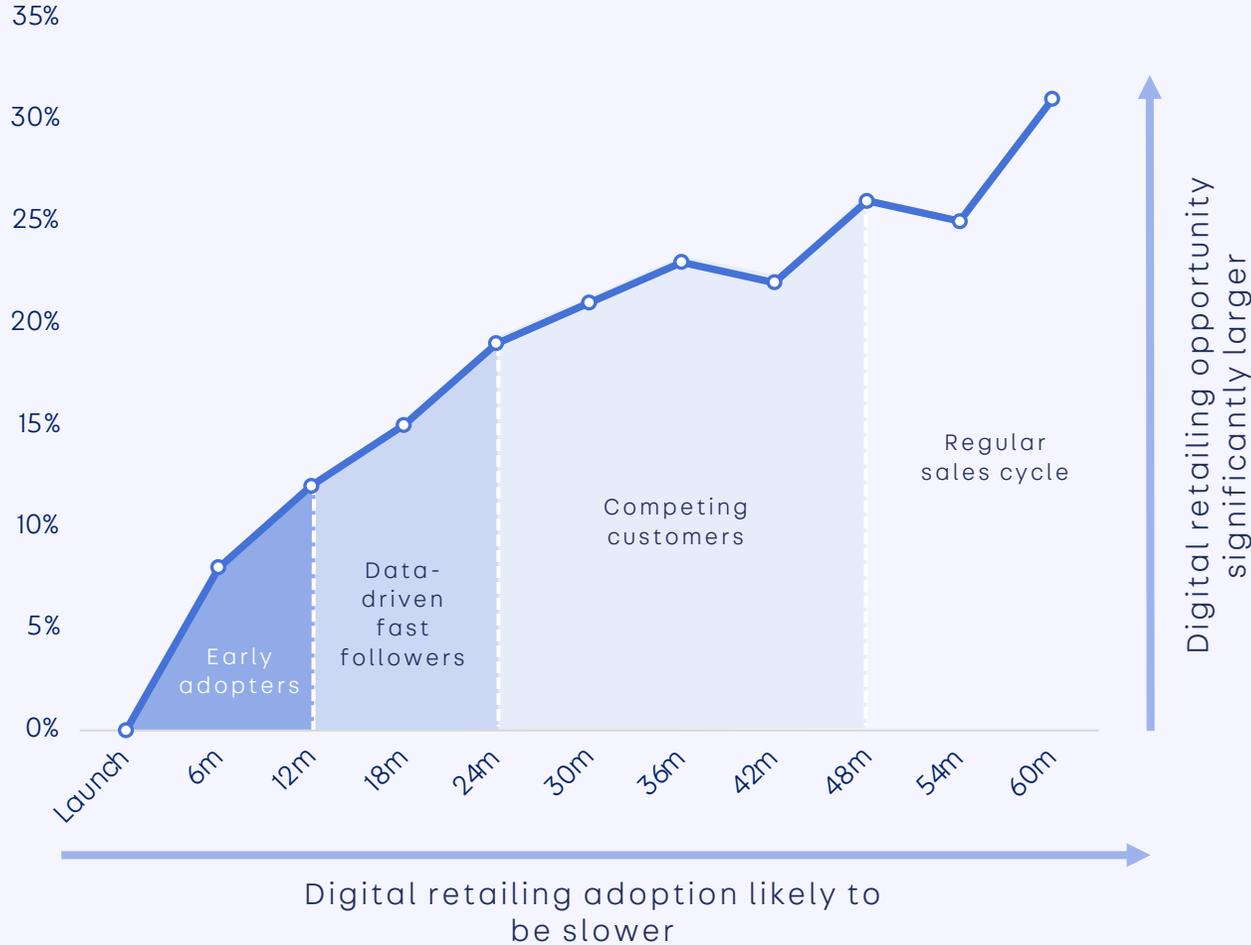
Digital retailing builds on our core digital marketplace and has a long runway for growth



We have strong execution history in launching new products which are incredibly sticky

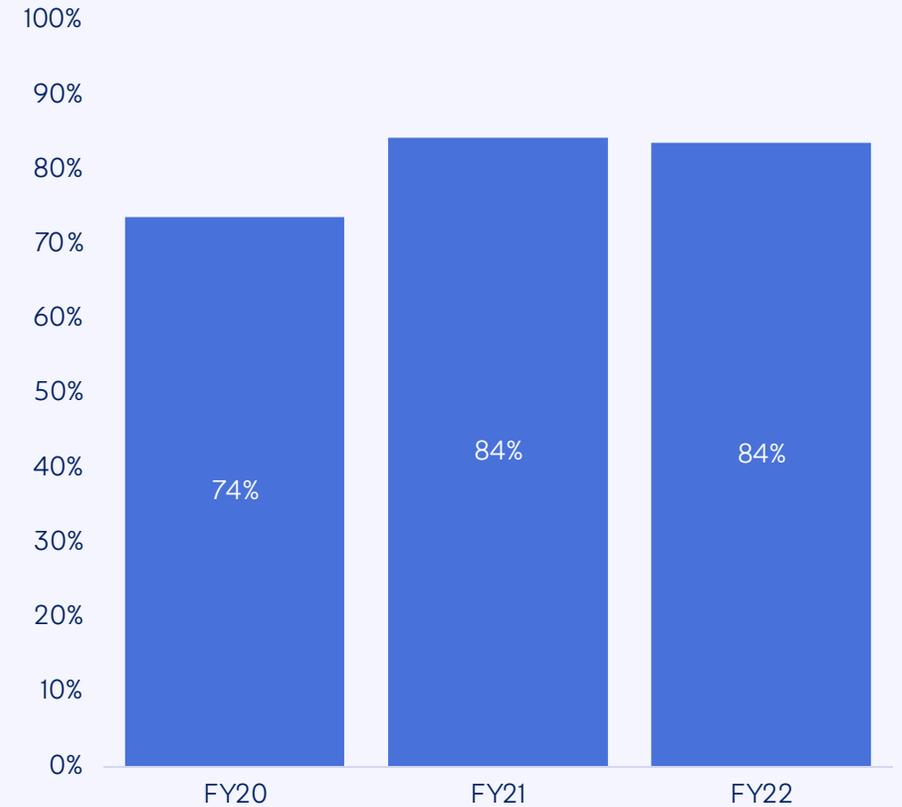
**PROMINENCE PRODUCT ADOPTION RATE**

% retailers with package above standard



**PRODUCT RETENTION RATE**

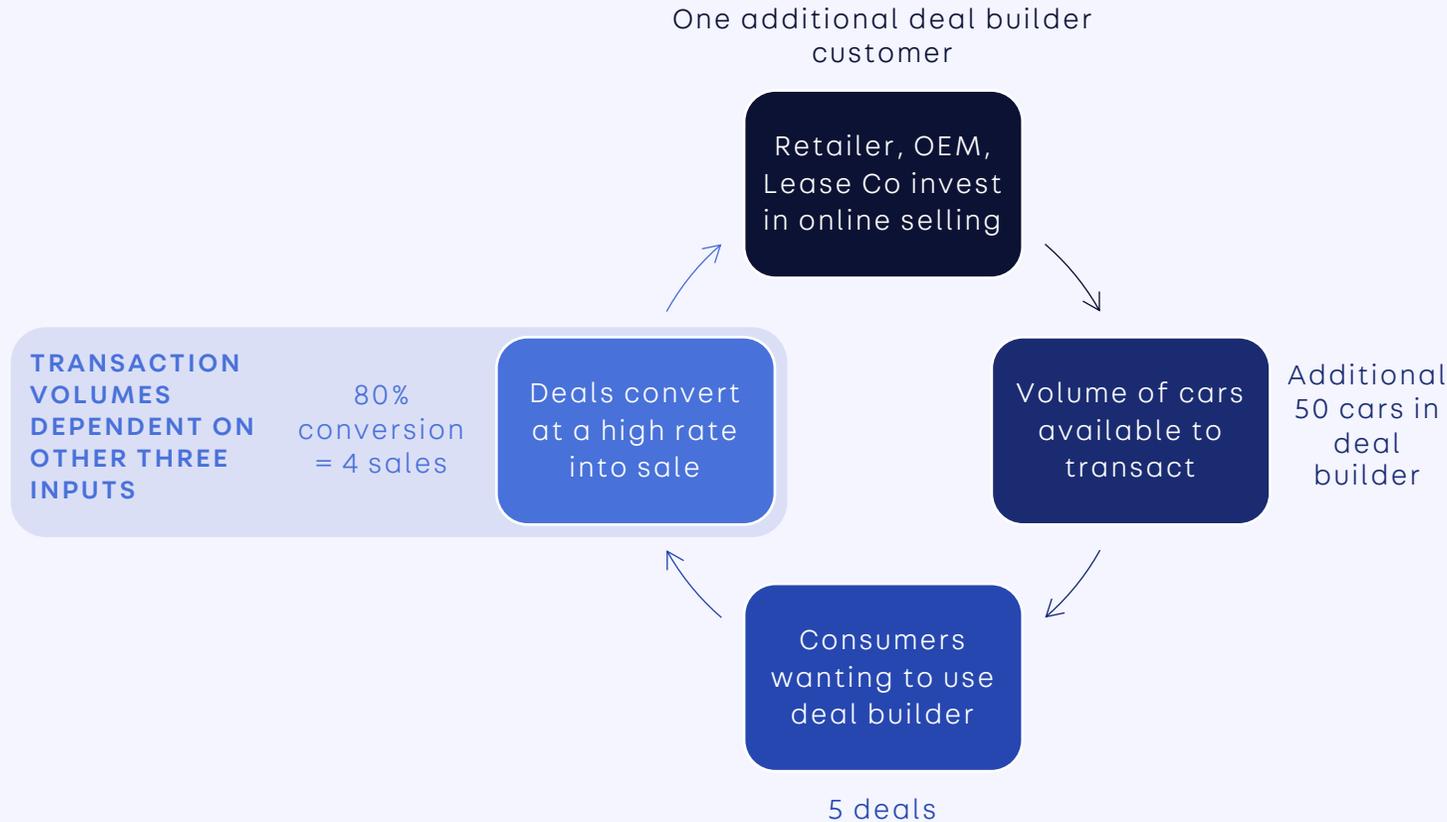
% retailers maintain product uptake. Retail Check and Retail Accelerator



# We need to take retailers, manufacturers and consumers on a journey that more of the car buying journey can be completed online

## A NEW NETWORK EFFECT MODEL

An example retailer shown on the outside of flywheel, all data illustrative



## RETAILER SEGMENTATION

Excludes non-car and Ireland

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

**WE BELIEVE OUR DEAL BUILDER JOURNEY WILL BE RELEVANT ACROSS CUSTOMERS AND VEHICLES**

## 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

- Retailers
- ARPR
- Paid stock

#### KPIs

##### Digital

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

### 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

##### Autorama

- › Vehicles delivered
- › Average yield per deal

To be included in FY23 H1 results, by channel

# We believe deal builder doubles our long-term revenue opportunity at a consistent Operating profit margin

## USED CARS

Auto Trader estimated margin per car sold

WITHOUT DEAL BUILDER

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

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

## NEW CAR LEASE (AUTORAMA)

Auto Trader estimated margin per car sold

<b>£1,100</b> Per car sold (estimate)	<b>X</b>	<b>20-30%</b> Operating profit margin <sup>1</sup>	<b>=</b>	<b>c. £275</b> 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

# We want to make our current financial reporting clear and will break out Autorama results

## GROUP AND SEGMENTAL FINANCIALS

Group results (£m)	Auto Trader results (£m)	Autorama results (£m)
	Trade	
	Consumer	
	Manufacturer & Agency	Vehicle & Accessory Sales
<b>Total Revenue</b>	<b>Revenue</b>	Commission & Ancillary
Cost of goods sold		<b>Revenue</b>
People costs	People costs	Cost of goods sold
Marketing	Marketing	People costs
Other Costs	Other Costs	Marketing
Depreciation & Amortisation	Depreciation & Amortisation	Other Costs
<b>Total Costs</b>	<b>Costs</b>	Depreciation & Amortisation
Autorama deferred consideration		<b>Costs</b>
Share of profit from joint ventures	Share of profit from joint ventures	
<b>Operating profit</b>	<b>Operating profit</b>	<b>Operating profit</b>
Operating profit margin	Operating profit margin	

£50m deferred consideration spread across a 12 month period (H1 FY23 £13.8m, H2 FY23 £24.9m, H1 FY24 £11.3m)

c.10% of vehicles are taken on balance sheet. Sales revenue is booked and cost of vehicles sold are taken through costs. There is limited profit impact from the net of these two lines.  
Equivalent to net revenue

There are three areas to our strategy which build on and support each other



### Our strategic focus areas

- **Classified marketplace:** A structurally advantaged classified marketplace
- **Auto Trader platform:** Enablers that strengthen the marketplace and facilitate a digital transaction
- **Digital retailing:** Adding a transactional capability to Auto Trader and our retailer tools

## SIX KEY TAKEAWAYS

- ▶▶▶ 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, Autorama has **significant growth potential, particularly when new vehicle supply returns**



# Q&A

INVESTOR DAY 2022



## PRESENTERS TODAY



**NATHAN COE**  
CHIEF EXECUTIVE  
OFFICER



**CATHERINE FAIERS**  
CHIEF OPERATING  
OFFICER



**JAMIE WARNER**  
CHIEF FINANCIAL  
OFFICER



**CHRIS KELLY**  
CHIEF TECHNOLOGY  
OFFICER



**BEX CLARK**  
GROUP SALES DIRECTOR



**IAN PLUMMER**  
COMMERCIAL DIRECTOR



**BEN SMITH**  
PRODUCT DIRECTOR



**JON DAVIES**  
HEAD OF STRATEGY

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