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AUTO TRADER GROUP PLC

HALF YEAR RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

Auto Trader Group plc ('Auto Trader', 'the Group'), the UK's largest digital automotive marketplace, announces half year results for the six months ended 30 September 2020 and updates on its response to the latest UK government lockdown restrictions.

Supporting our customers following the government announcement on 31 October

On Saturday 31 October, the UK government announced that car retailers in England must close for at least four weeks, following Welsh retailers which are currently closed until 9 November. The demand for cars has been strong since early June, with consumer demand on Auto Trader consistently being 20% or more above prior year levels. We believe car retailers will be allowed to operate both home delivery and click & collect services and we expect consumer activity that we have seen through October and into November will sustain some sales.

This announcement has increased uncertainty for our customers and we are more cautious beyond the month of November, particularly as December typically sees a seasonally lower volume of sales. For that reason we have decided:

- To make our advertising packages free for the month of December for all retailer customers in the UK and to extend payment terms by a month for November services.
- It is our intention to return to our long term capital allocation policy as early as possible, but following the recent government announcement, we will not be declaring an interim dividend.

Whilst this will be the second period over which we have discounted our products to support customers, we do so this time with greater confidence, having seen our business recover strongly as our first half trading demonstrates.

Summary of first half trading

The variation in our results between how we started the period and how we ended are in such contrast that we have split the summary of first half trading into two distinct quarters. In the first few weeks of the crisis we focused relentlessly on protecting our employees, our customers and the long-term interests of our shareholders. Since the first lockdown ended, through the summer and into the autumn, both the automotive market and our operating performance improved significantly.

We took key decisions at the start of the reporting period which largely impacted Q1 (April to June 2020, the first quarter of our 2021 Financial Year):

- We supported our retailer customers by providing free advertising during April and May when they were closed, followed by a 25% discount in June. The impact of this was a £5m-7m operating loss for each month in which we were free. We also extended payment terms, provided an increase in stock allowances and held regular insight webinars which were well attended.
- We have continually prioritised the physical and mental wellbeing of our people and supported them as they transitioned to working from home.
- On 1 April 2020, we announced the placing of approximately 46m shares, raising proceeds net of all fees of £182.9m, which strengthened our balance sheet and liquidity position. At the time, this equity raise gave us the

flexibility to act in the best interests of all of our stakeholders and will continue to do so in the months ahead.

After the lockdown restrictions eased in June, we moved to more 'normal' trading conditions in Q2 (July to September):

- We returned to full charging from July onwards, but at higher rates having executed our annual pricing event on 1 April. We re-instated payment terms from 1 June and removed the additional stock allowances, successfully converting a good proportion of that stock to paid units. Customer numbers have grown since June.
- In Q2, we generated Operating profit consistent with that of the prior year. Revenue was only marginally lower than that achieved in last financial year's Q2, and we have entered the second half of the year with both retailer forecourts and average revenue per retailer (ARPR) consistent with the prior year level.
- We have seen consistently high levels of site traffic and audience, which has provided the best possible marketing exposure for our retailer customers to capitalise on a period of strong car sales.
- We have continued to operate our business remotely and despite the challenging environment have made more software releases than in the same period last year.
- We have even stronger conviction that our strategy of bringing more of the car buying journey online is the right one and have made significant progress towards this goal with the development of our Instant Offer and trial guaranteed part-exchange products and the acquisition of AutoConvert for vehicle financing.
- We used the furlough scheme for around 25% of our workforce at a time of uncertainty, but by the end of May we were able to bring all our employees back. In September we voluntarily repaid all amounts claimed under the furlough scheme. We have also made payments of VAT to settle the amounts previously deferred.

The quarterly breakdown of trading is to provide a clearer understanding of the underlying trends within our business during this six-month period.

£m	Q1 2021	YoY %	Q2 2021	YoY %
Average retailers	13,005	(2%)	13,107	(2%)
Physical car stock on site ('000)	520	7%	436	(8%)
Monthly cross platform visits (m)	49.5	(3%)	65.0	27%
ARPR (£pcm)	477	(76%)	1,930	(1%)
Revenue	26.4	(72%)	91.8	(1%)
Operating profit	1.7	(97%)	66.8	0%

Financial performance

- Revenue down 37% to £118.2 million (H1 2020: £186.7 million). Trade revenue down 38% to £100.2 million (H1 2020: £161.8 million): decline driven by our decision to allow our retailer customers to advertise on our marketplace for free during the lockdown months of April and May, and for a 25% discounted rate for the month of June.
- Operating profit down 48% to £68.5 million (H1 2020: £131.4 million) with Operating profit margin decreasing to 58% (H1 2020: 70%). Operating cost reduction of 11%.
- Basic EPS down 50% to 5.6p (H1 2020: 11.1p). No interim dividend is declared (H1 2020: 2.4p per share).
- Cash generated from operations down¹ 50% to £66.1 million (H1 2020: £132.7 million).
- In April, we placed approximately 46 million shares, raising proceeds net of all fees of £182.9 million, which strengthened our balance sheet and liquidity position. Net bank debt² at the period end was down £217.3m to £58.1 million (March 2020: £275.4 million). Leverage³ at period end down to 0.3x (March 2020: 1.1x).

Operational performance

- Cross platform visits^{4,5} were up 12% to 57.3 million per month on average (H1 2020: 51.2 million).
- Cross platform minutes^{4,5} were up 12% to 556.6 million per month on average (H1 2020: 496.4 million). Our share of cross platform minutes^{4,6} remains strong at over 75% (H1 2020: over 75%) which was 7x larger than our nearest competitor.
- The average number of retailer forecourts⁴ in the period decreased by 2% to 13,056 (H1 2020: 13,316).
- Average Revenue Per Retailer⁴ (ARPR) per month was down £745 to £1,206 on average per month (H1 2020: £1,951). Discounts offered relating to COVID-19 through the first quarter had a £695 impact on ARPR in the period.
- Physical car stock^{4,7} on site down 1% to 478,000 cars (H1 2020: 481,000) on average. Our listings product for new cars contributed over 46,000 to that average (H1 2020: 33,000).
- Number of employees and contractors (FTEs)⁴ increased to 893 on average during the year (H1 2020: 798) mostly due to the acquisition of KeeResources (October 2019) and AutoConvert (July 2020).
- Through our annual pricing event we embedded our data and insight into the automotive ecosystem, with three products made available through our packages: Market Insight, Retail Check and an upgraded Performance Dashboard.

Nathan Coe, Chief Executive Officer of Auto Trader Group plc, said:

“The past eight months have represented perhaps the greatest challenge ever faced by our company and our industry. However, as a result of the early and decisive actions that we took to protect our people and support our customers, we believe that our business, culture, and customer relationships are in a strong position.

“Our Q1 performance was heavily impacted by our decision to support our retailer customers by allowing them to advertise for free during the months of April and May, and for a 25% discounted rate in June. Since that time the used car market has bounced back strongly. We have seen a steady increase in the number of retailers advertising on our platform and our revenues in Q2 were only marginally down on prior year, with profits flat.

“The recent government announcement once again restricts our customers’ ability to meaningfully trade. As we have announced today, we remain committed to supporting our retailer partners by making our advertising packages free for the month of December and extending payment terms by a month for November services.

“I want to thank all our employees, customers, suppliers and our loyal car buyers for their support. The coming months will no doubt present many challenges, but we are confident in our ability to navigate these successfully, while continuing to execute our long-term strategy to enable retailers to bring more of the car buying process online.”

Outlook

Given the continued uncertainty surrounding COVID-19 and further customer support in December, it is difficult to provide sensible revenue guidance for the balance of the year. Looking at the past month, we have started the second half well:

- Audience volumes remain substantially above prior year levels
- Live stock numbers have improved through October
- Both retailer forecourts and average revenue per retailer (ARPR) were consistent with the prior year level

Total Group costs for the full year are likely to decline at a rate of low-mid single digits as cost saving measures are taken in response to COVID-19. During December, we will again reduce marketing spend and we have no intention of using the government’s furlough programme.

Following the recent government announcement, we have decided not to re-instate our long term capital allocation policy, however we have every intention of doing so at the appropriate time.

The Board believes the actions taken by the Company have strengthened its foundations and positioned it well to enable car buying to shift online which has been accelerated by the COVID-19 pandemic. The Board therefore remains confident in Auto Trader's long-term growth prospects.

Analyst presentation

A presentation for analysts will be held via audio webcast and conference call at 9.30am, Thursday 5 November 2020. Details below.

Audio webcast: <https://edge.media-server.com/mmc/p/bqigkk33>

Conference call details:

Location	Purpose	Phone Type	Number
United Kingdom, London	Participant	Local	+44 (0) 2071 928338
United Kingdom	Participant	Tollfree / Freephone	08002796619
United States, New York	Participant	Local	+16467413167
United States	Participant	Tollfree / Freephone	18778709135

Passcode: 9270756

Please note: Questions will only be taken from the conference call. Participants on the conference call who also plan on following the slides via the webcast should switch the webcast to *Phone mode* using the cogwheel icon located on the bottom right corner of the webcast screen to ensure the slides are synced to the phone audio rather than the webcast audio.

If you have any trouble registering or accessing either the conference call or webcast, please contact Powerscourt on the details below.

For media enquiries

Please contact the team at Powerscourt on +44 (0)20 7250 1446 or email autotrader@powerscourt-group.com

About Auto Trader

Auto Trader Group plc is the UK and Ireland's largest digital automotive marketplace. Auto Trader sits at the heart of the UK's vehicle buying process and its primary activity is to help vehicle retailers compete effectively on the marketplace in order to sell more vehicles, faster. Auto Trader listed on the London Stock Exchange in March 2015 and is now a member of the FTSE 100 Index.

The marketplace brings together the largest and most engaged consumer audience. Auto Trader has over 90% prompted brand awareness and attracts circa 57 million monthly cross platform visits each month, with around 80% of visits coming through mobile devices.

For more information, please visit <http://plc.autotrader.co.uk>

Cautionary statement

This announcement of half-yearly results does not constitute or form part of and should not be construed as an invitation to underwrite, subscribe for, or otherwise acquire or dispose of any Auto Trader Group plc (the "Company") shares or other securities, businesses or assets described in it in any jurisdiction nor is it an inducement or invitation to enter into investment activity nor should it form the basis of, or be relied on in connection with, any contract or commitment or investment decision whatsoever. It does not constitute a recommendation regarding any securities or legal, tax, regulatory, or financial or accounting advice. Past performance, including the price at which the Company's securities have been bought or sold in the past, is no guide to future performance and persons needing advice should consult an independent financial advisor. Certain statements in this announcement constitute forward looking statements (including beliefs or opinions). "Forward looking statements" are sometimes identified by the use of forward-looking terminology, including the terms "believes", "estimates", "aims" "anticipates", "expects", "intends", "plans", "predicts", "may", "will", "could", "shall", "risk", "targets", forecasts", "should", "guidance", "continues", "assumes" or "positioned" or, in each case, their negative or other variations or comparable terminology. Any statement in this announcement that is not a statement of historical fact including, without limitation, those regarding the Company's future expectations, operations, financial performance, financial condition and business is a forward looking statement. Such forward looking statements are subject to known and unknown risks and uncertainties, because they relate to events that may or may not occur in the future, that may cause actual results to differ materially from those expressed or implied by such forward looking statements. These risks and uncertainties include, among other factors, changing economic, financial, business or other market conditions. These and other factors could adversely affect the outcome and financial effects of the plans and events described in this results announcement. As a result, you are cautioned not to place reliance on such forward looking statements, which are not guarantees of future performance and the actual results of operations, financial condition and liquidity, and the development of the industry in which the Group operates, may differ materially from those made in or suggested by the forward looking statements set out in this announcement. Except as is required by applicable laws and regulatory obligations, no undertaking is given to update the forward looking statements contained in this announcement, whether as a result of new information, future events or otherwise. Nothing in this announcement should be construed as a profit forecast. This announcement has been prepared for the Company's group as a whole and, therefore, gives greater emphasis to those matters which are significant to the Company and its subsidiary undertakings when viewed as a whole.

To the extent available, the industry and market data contained in this announcement has come from third party sources. Third party industry publications, studies and surveys generally state that the data contained therein have been obtained from sources believed to be reliable, but that there is no guarantee of the accuracy or completeness of such data. In addition, certain of the industry and market data contained in this announcement come from the Company's own internal research and estimates based on the knowledge and experience of the Company's management in the market in which the Company operates. While the Company believes that such research and estimates are reasonable and reliable, they, and their underlying methodology and assumptions, have not been verified by any independent source for accuracy or completeness and are subject to change without notice. Accordingly, undue reliance should not be placed on any of the industry or market data contained in this announcement.

Summary financial performance

	Units	H1 2021	H1 2020	Change
Income statement				
Trade	£m	100.2	161.8	(38%)
Consumer services	£m	12.9	15.9	(19%)
Manufacturer & Agency	£m	5.1	9.0	(43%)
Revenue	£m	118.2	186.7	(37%)
Operating profit	£m	68.5	131.4	(48%)
Operating profit margin	%	58%	70%	(12% pts)
Profit before tax	£m	66.2	127.7	(48%)
Basic earnings per share	Pence	5.6	11.1	(50%)
Dividend per share	Pence	-	2.4	(100%)
Cash flow				
Cash generated from operations ¹	£m	66.1	132.7	(50%)
Net bank debt at September 2020/March 2020 ²	£m	58.1	275.4	79%
Leverage at September 2020/March 2020 ³	Times	0.3x	1.1x	

Key performance indicators				
Average Revenue Per Retailer forecourt ⁴	£ per month	1,206	1,951	(38%)
Physical car stock on site ^{4,7}	Number	478,000	481,000	(1%)
Number of retailer forecourts ⁴	Number	13,056	13,316	(2%)
Cross platform visits ^{4,5}	million per month	57.3	51.2	12%
Cross platform minutes ^{4,5}	million per month	556.6	496.4	12%
Full-time equivalent employees and contractors ⁴ (FTEs)	Number	893	798	12%

1. Cash generated from operations is defined as net cash generated from operating activities, before corporation tax paid.
2. Net bank debt is Net debt before amortised debt fees and excluding accrued interest and amounts owed under lease arrangements.
3. Leverage is Net bank debt as a multiple of EBITDA (earnings before interest, taxation, depreciation and amortisation, share-based payments and associated NI, exceptional items which includes profit on disposal of subsidiaries and the share of profit from joint ventures).
4. Average during the first half of the year.
5. Measured by Google analytics.
6. Share of minutes is a custom metric based on Comscore minutes (m) and is calculated by dividing Auto Trader's total minutes volume by the entire custom-defined competitive set's total minutes volume. The custom-defined list includes: Auto Trader, Gumtree motors, Pistonheads, Motors.co.uk & CarGurus.
7. Physical car stock advertised on autotrader.co.uk.

Summary of operating performance in H1 2021

The support that we were able to offer our customers throughout Q1 of our financial year has heavily impacted our financial results for the half. Our decision to allow our retailer customers to advertise on our marketplace for free during the lockdown months of April and May, and for a 25% discounted rate for June, saw revenue decline 72% year-on-year in Q1 and a fall in Operating profit of 97%. However, both the car market and Auto Trader's performance have rebounded strongly, such that revenue in Q2 was only marginally down on the prior year and operating profit was flat. Across the whole six months, revenue totalled £118.2 million down 37% on the prior year (H1 2020: £186.7 million). Operating profit was down 48% to £68.5 million (H1 2020: £131.4 million). Operating profit margin reduced to 58% (H1 2020: 70%). Despite much of our cost base being fixed, we were still able to significantly reduce variable costs, most notably marketing spend, throughout Q1.

Our audience performance has significantly strengthened in the first half of the year despite an initial decline in visits and engagement through April and May. We have retained our position as the UK's largest and most engaged automotive marketplace for new and used cars, with over 75% of all minutes spent on automotive marketplaces spent on Auto Trader (H1 2020: over 75%). Average monthly cross platform visits across the period increased by 12% to 57.3 million per month (H1 2020: 51.2 million). With a reduction in marketing spend, this growth in consumers came through our strong brand and SEO performance with 96% (H1 2020: 91%) of our traffic coming direct or via organic search.

The average number of retailer forecourts decreased by 2% to 13,056 for the first half of the year (H1 2020: 13,316). The level of retailers joining the Auto Trader platform through Q1 reduced significantly from normal levels as our free offer was not extended to new business customers, while the level of retailers choosing to cancel their subscriptions remained broadly consistent with prior year. The result was a decline in retailers over Q1 with the average number of retailers in May 2020 down 3% on the prior year. Since May, we have seen a steady increase in the number of retailers advertising on our platform and an improvement in our year-on-year position.

Average physical stock across the period decreased by 1% to 478,000 (H1 2020: 481,000), with our listing product for new cars contributing 46,000 (H1 2020: 33,000) to that average. In the first quarter, when retailer forecourts were closed and we allowed customers to 'double their stock for free', physical stock on Auto Trader reached a record high of 520,000 on average over the period. After retailers reopened in June, the number of cars available for retail steadily reduced, with high levels of demand outstripping supply. During Q2 we removed the offer and many customers have now opted to pay for the additional units from which they had benefitted. Both of these factors led to lower physical stock levels, which averaged 436,000 over Q2, a decrease of 8% on the prior year.

Although retailers have found the amount of stock available in the market to be a challenge, retailer profitability has been relatively healthy over the past quarter. Auto Trader's Retail Price Index, which tracks the average retail price of a used car on a like-for-like basis, stripping out the impact of changes in the mix of the car being sold, recorded the largest ever monthly price increase of 7.6% in September, with an average price of £13,829. This followed five consecutive months of price growth, where the average price of a used vehicle has increased by 4.1% on a like-for-like basis over the six-month period.

	Q1 2021	YoY %	Q2 2021	YoY %	H1 2021	H1 2020	YoY %
Average retailers	13,005	(2%)	13,107	(2%)	13,056	13,316	(2%)
Live car stock ('000)	520	7%	436	(8%)	478	481	(1%)
Monthly cross platform visits (m)	49.5	(3%)	65.0	27%	57.3	51.2	12%

Executing on our strategy

We remain focused on our strategy to improve car buying and selling in the UK and evolving the wider automotive ecosystem. Fundamental to this strategy is our ability to innovate and deliver continuous product development and user improvements for the benefit of consumers, retailers and manufacturers alike. We successfully executed our annual pricing event which this year gave retailers a product bundle that included an upgraded Performance Dashboard, our entry level pricing tool Retail Check, and a new Market Insight tool. Retailers subscribing to our higher yielding Advanced and Premium packages remained flat, with 22% of our retailers stock on one of these packages. Despite a 1% decline from March, it is

encouraging that we have maintained package penetration given the increased consumer demand and engagement, with lead volumes up significantly for customers across all package levels.

A key strategic priority is to embed our data into the industry, and we have made real progress with this goal this year. Our new Market Insight tool gives retailers access to up-to-date market intelligence so they can identify key market trends, understand how those may impact performance, and inform them how to adapt accordingly. Since the pandemic started, we have not only increased the amount of data we have shared with the industry but also the frequency. Retailers especially wanted guidance on what was happening in the market, so we quickly devised new ways to share key metrics with the industry. We shared key market data such as: valuations and pricing data; market supply and demand; and the latest consumer sentiment trends - all of which helped retailers to understand the market in real time and respond accordingly.

We closed the period with over 1,500 retailers paying for our new car product, a 50% increase on where we exited the previous financial year. In the six-month period from April to September, we saw an increase in the volume of new cars listed on our marketplace to 46,000 (H1 2020: 33,000). Through the period we had on average 1.3 million unique visitors each month to our new car pages and we generated 35 million advert views for our franchise customers as we continue to grow our network effect model on new cars.

Through much of the last six months, as consumers were unable to 'walk-in' to forecourts, they have conducted more of their car buying journey online, researching their next car purchase and interacting digitally with retailers. We will continue to develop products and tools that will enable more of the car buying journey to be conducted online, giving consumers a better experience and creating enhanced value for our retailers. On the consumer facing side of the marketplace, in July we launched Instant Offer, which enables private sellers to sell their car at a guaranteed price, which is underwritten by our partner Cox Automotive. The proposition offers consumers a convenient way to sell their car privately, with the added benefit of having their car collected from their own home. We are in the process of developing this journey and have created an early beta version of a retailer product, offering a price on a part-exchange. We expect this product to evolve over the next 6-12 months and form a key component of facilitating an online transaction.

In July 2020, we acquired AutoConvert, a finance, insurance and compliance software platform with integrated customer relationship management solutions. The business helps its customers to both increase finance penetration and to reduce costs by automating the full customer journey for the automotive sector. AutoConvert's customers include automotive dealers, dealer networks and financial brokers. The business' core functionality coupled with the fact it is integrated into over 50 lenders will help us deliver our future finance product on Auto Trader, which should enable finance agreements to be completed online.

Brexit negotiations

The UK left the EU on 31 January 2020 and is now operating under a transitional agreement. That agreement ends on 31 December 2020 and so a new trade deal between the UK and the EU is currently being negotiated.

We do not foresee any issues with Brexit affecting our ability to provide our services, and we do not anticipate that it will materially change our cost base. As we have said previously, the form of any Brexit trade negotiation is likely to affect Auto Trader only as much as it impacts on both general levels of consumer confidence and the supply of new cars into the UK market. If the average price of a car increases and consumer confidence levels decrease, there is a potential impact on the number of car transactions. This would likely impact our retailers' profitability and their ability to spend on our marketplace.

People and culture

Our people have worked from home over the six-month period, with the option to work from the office when it has been safe to do so. We have put rigorous systems in place to ensure employees feel secure and supported both in the office and at home. Throughout the government's work from home directive, we have conducted regular check-in surveys to gauge how our employees are feeling. In our latest survey conducted in September, the overwhelming majority of our

people said they had confidence in Auto Trader's response to the coronavirus situation and felt that Auto Trader was positively supporting its employees during this time. Having reflected on the past six months, we have updated our flexible working policies to reflect a more hybrid approach to office and home working which will come into effect once normal office attendance is able to resume.

Our product and technology teams have continued to develop and innovate products alongside our partners while working from home. In the six months to September the team delivered 19,600 releases, up 8% on last year (H1 2020: 18,200). This uninterrupted rate of releases is a result of the hard work and dedication of our teams and the sophistication of our technology platform.

We utilised the furlough scheme for around 25% of our workforce when dealerships were required to close and it was unclear for how long the situation would last. All employees came off the furlough scheme by the end of May. In September the Group voluntarily repaid all amounts claimed under the furlough scheme. Our Executive Directors also forewent 50% of their salary during Q1 and agreed to forego annual bonuses earned in relation to the year ended 31 March 2020. The remainder of the Board waived its fees by 50% or more for the duration of Q1. With a return to higher levels of revenue and profit, salaries and fees were returned to normal levels in July 2020.

Our focus on striving for a diverse and inclusive culture has continued in earnest throughout the last six months. During these challenging times our employee networks (covering gender, BAME, neuro diversity & disability and LGBT+) have all worked closely together to support one another, as well as our existing community projects.

The Board

To support our increasing focus on how environmental, social and governance factors influence the business, in the second half of the year we will create a new Corporate Responsibility Committee. This new committee is tasked with assisting the Board in fulfilling its oversight responsibilities in respect of corporate responsibility and sustainability for the Company and the Group.

Investor calendar

The Group's full year results for the year ending 31 March 2021 will be announced on 10 June 2021.

Financial review

The impact of a national lockdown and consequently the measures we put in place to support customers through April, May and June have resulted in a contrasting performance between the quarters. The table below shows the split of performance by quarter along with the year on year comparative.

£m	Q1 2021	YoY %	Q2 2021	YoY %	H1 2021	H1 2020	YoY %
Retailers (#)	13,005	(2%)	13,107	(2%)	13,056	13,316	(2%)
ARPR (£pcm)	477	(76%)	1,930	(1%)	1,206	1,951	(38%)
Retailer	18.6	(76%)	75.9	(3%)	94.5	155.9	(39%)
Home trader	0.9	(64%)	1.8	(22%)	2.7	4.9	(45%)
Other trade	1.1	120%	1.9	280%	3.0	1.0	200%
Trade	20.6	(75%)	79.6	(1%)	100.2	161.8	(38%)
Consumer services	4.3	(46%)	8.6	9%	12.9	15.9	(19%)
Manufacturer & Agency	1.5	(67%)	3.6	(18%)	5.1	9.0	(43%)
Revenue	26.4	(72%)	91.8	(1%)	118.2	186.7	(37%)
Costs	(24.8)	(17%)	(26.0)	(4%)	(50.8)	(57.1)	(11%)
Share of profit from JVs	0.1	(89%)	1.0	11%	1.1	1.8	(39%)
Operating profit	1.7	(97%)	66.8	0%	68.5	131.4	(48%)

Revenue

Revenue fell to £118.2m (H1 2020: £186.7m), down 37% when compared to the prior year. Trade revenue, which comprises revenue from Retailers, Home Traders and other smaller revenue streams, decreased by 38% to £100.2m (H1 2020: £161.8m).

Retailer revenue fell by 39% to £94.5m (H1 2020: £155.9m). Revenue generated through Q1 2021 was impacted by a 100% discount for retailers in April and May as we supported customers who were required to close their forecourts. This was followed by a 25% discount for customers in England and a combination of discounts (100% and 25%) for other UK countries according to when restrictions were lifted in June. Full charging was resumed in July for all customers.

The average number of retailer forecourts advertising on our platforms decreased 2% to 13,056 (H1 2020: 13,316), with much of the decline occurring in the first quarter. Since retailers reopened in June, we have seen a steady increase in the number of retailers advertising on our platform.

ARPR declined by 38% to £1,206 (H1 2020: £1,951). The £745 decrease came primarily from COVID related discounts given to retailers in April, May and June, as well as a decline in paid stock. This was slightly offset by an increase in price and product:

- **Exceptional discounts:** The impact of discounts provided to support our customers during the lockdown period as a result of COVID-19 contributed a decline of £695 to total ARPR (H1 2020: £0).
- **Price:** Our price lever contributed an increase of £49 (H1 2020: £50) to total ARPR as we executed our annual pricing event for all customers on 1 April, which included additional products but also a like-for-like price increase.
- **Stock:** The number of cars advertised on Auto Trader decreased by 1% to 478,000 (H1 2020 481,000), this was boosted by a stock offer which allowed customers to double their stock for free from late March to mid-July 2020. Stock levels reduced through the second quarter as this promotion ended and the overall number of cars

available for retail in the market decreased as a result of high demand and tightened supply. The levels of paid retailer stock decreased in the period resulting in a £156 decline in the stock lever (H1 2020: decline of £5).

- **Product:** Our product lever contributed an increase of £57 (H1 2020: £80) to total ARPR. Much of this product growth was a result of our annual pricing event as we embedded our data and insight into the automotive ecosystem, with three products made available through our packages: an upgraded Performance Dashboard, Retail Check and a new Market Insight tool. There was also growth in our new car advertising product with over 1,500 paying retailers at the end of September 2020. The penetration of our higher yielding advanced and premium packages was stable at 22% penetration of retailer stock (September 2019: 21%). Revenue generated from our pay per click prominence products was however impacted in the first half, particularly the first quarter, resulting in a slight headwind to product ARPR.

Home Trader revenue declined by 45% to £2.7m (H1 2020: £4.9m). Other revenue increased by £2.0m to £3.0m (H1 2020: £1.0m) mainly through the acquisition of KeeResources on 1 October 2019 which contributed £2.2m to this revenue line.

Consumer services revenue decreased 19% in the period to £12.9m (H1 2020: £15.9m). Private revenue, which is generated from individual sellers who pay to advertise their vehicle on the Auto Trader marketplace, decreased to £8.3m (H1 2020: £11.8m). This was offset by an increase in Motoring services revenue, up 12% to £4.6m (H1 2020: £4.1m) as a result of strong growth in both our insurance and finance offerings.

Revenue from Manufacturer & Agency customers declined by 43% to £5.1m (H1 2020: £9.0m). In addition to the impact that the pandemic had on this revenue line, we also removed standard format display advertising to improve our consumer experience. This removal contributed £1.9m to the overall reduction in Manufacturer & Agency revenue.

Costs

The Group made the decision to reduce costs, mainly through discretionary marketing spend, whilst our retailer customers were closed. As a result, total costs decreased by 11% to £50.8m (H1 2020: £57.1m).

£m	H1 2021	H1 2020	Change
People costs (inc. share-based payments)	30.2	28.1	7%
Marketing	3.5	10.1	(65%)
Other costs	14.0	15.6	(10%)
Depreciation & amortisation	3.1	3.3	(6%)
Total administrative expenses	50.8	57.1	(11%)

People costs, which comprise all staff costs and third-party contractor costs, increased by 7% to £30.2m (H1 2020: £28.1m). The increase in people costs was primarily driven by an increase in the average number of full-time equivalent employees (including contractors) to 893 (H1 2020: 798), much of which was down to the acquisition of KeeResources and AutoConvert which contributed a combined 74 to the average for the period. The average cost per employee decreased by 4% due to a reduction in performance related pay and as a result of the Executive Directors and the Board foregoing 50% or more of their salary and fees for the period of April to June. Underlying salary costs continue to increase as we invest in the best digital talent.

Marketing spend decreased by 65% in the first half to £3.5m (H1 2020: £10.1m) as discretionary spend was reduced in response to the pandemic.

Other costs, which include data services, property related costs and other overheads, decreased by 10% to £14.0m (H1 2020: £15.6m). The decrease was primarily due to lower overhead costs; including lower travel and office related costs being key drivers. Depreciation and amortisation declined to £3.1m (H1 2020: £3.3m) with the reduction coming from reduced software amortisation.

Profit from the share in joint ventures

Our share of profit generated by Dealer Auction, the Group's joint venture, decreased to £1.1m (H1 2020: £1.8m) in the period as a result of reduced auction activity through the lockdown period in Q1.

Operating profit

During the period Operating profit fell by 48% to £68.5m (H1 2020: £131.4m). Operating profit margin decreased by twelve percentage points to 58% (H1 2020: 70%).

Net finance costs

Net finance costs decreased to £2.3m (H1 2020: £3.7m). Interest costs on the Group's RCF totaled £2.0m (H1 2020: £3.1m). The decrease reflects a reduced average drawn level through the period. At 30 September 2020 the Group had drawn £89.5m of the facility (30 September 2019: £328.5m). Amortisation of debt costs amounted to £0.3m (H1 2020: £0.3m). Interest costs relating to leases totaled £0.1m (H1 2020: £0.3m). This was offset by interest receivable on cash and cash equivalents of £0.1m (H1 2020: £nil).

Profit before taxation

Profit before taxation decreased by 48% to £66.2m (H1 2020: £127.7m). The Group tax charge of £12.4m (H1 2020: £24.5m) represents an effective tax rate of 18.7% (H1 2020: 19.2%) in line with the average standard UK rate.

Earnings per share

Basic earnings per share fell by 50% to 5.6 pence (H1 2020: 11.1 pence) based on a weighted average number of ordinary shares in issue of 964,532,317 (H1 2020: 927,462,164). Diluted earnings per share of 5.6 pence (H1 2020: 11.1 pence) decreased by 50%, based on 969,927,775 shares (H1 2020: 931,641,648) which takes into account the dilutive impact of outstanding share awards.

Cash flow

Cash generated from operations decreased to £66.1m (H1 2020: £132.7m) as a result of the reduction in Operating profit. Corporation tax payments decreased to £18.0m (H1 2020: £47.3m). The first half of last financial year included two additional payments as a result of the changes to HMRC's payment profile. Cash generated from operating activities was £48.1m (H1 2020: £85.4m).

Acquisition of AutoConvert

On 31 July 2020, the Group acquired AutoConvert (legally named BlueOwl Network Limited) for the consideration of £18.2m, of which £8.1m will be deferred until 31 July 2022. AutoConvert is a finance, insurance and compliance software platform with integrated customer relationship management solutions for the automotive sector.

In the two months post acquisition, AutoConvert contributed £0.4m of revenue and £0.4m of costs (excluding amortisation of acquired intangible assets) to the consolidated results of the Group.

Capital structure and dividends

The Board suspended its share-buyback programme in March 2020 in response to the COVID-19 outbreak and no shares were repurchased during the first half of this financial year (H1 2020: 5.1 million were repurchased for a total consideration of £27.2m). No final dividend was declared for the year ended 31 March 2020 (H1 2020: 4.6 pence per share, totaling £42.6m, was paid as a final dividend for the year ended 31 March 2019).

On 1 April 2020 the Company announced its intention to conduct a non-pre-emptive placing of up to 5% of its issued share capital. On 3 April 2020 the placing was completed, and a total of 46,468,300 new ordinary shares were allotted for a consideration of 400.00 pence per Placing Share, a discount of 8.9% to the closing share price of 439.1 pence on 31 March 2020. The placing raised gross proceeds of £185.9m for the Company, or £182.9m net of all fees incurred.

On 3 April 2020, the Placing Shares were admitted to the premium listing segment of the Official List of the Financial Conduct Authority and to trading on the main market for listed securities of London Stock Exchange plc (together, 'Admission').

The Placing Shares rank pari passu in all respects with the existing ordinary shares in the Company, including the right to receive all dividends and other distributions declared, made or paid after the date of issue. Immediately following Admission, the total number of shares in issue in the Company was 969,008,774. Auto Trader held 4,090,996 shares in treasury, and, therefore, the total number of voting shares in Auto Trader in issue was 964,917,778.

The Group's long-term capital allocation policy remains unchanged: continuing to invest in the business enabling it to grow whilst returning around one third of net income to shareholders in the form of dividends. Any surplus cash following these activities will be used to continue our share buyback programme and over time to reduce debt.

Following the government announcement on 31 October, we are not declaring an interim dividend. It does though remain our intention to return to our long-term capital allocation policy when it is appropriate to do so.

Going concern

The Group generated significant cash from operations during the period, despite the impact of COVID-19 on Q1 trading. At 30 September 2020 the Group had drawn £90m of its £400m unsecured Revolving Credit Facility (RCF) and had cash balances of £31m. The £400m RCF is committed in full until June 2023, when it reduces to £317m through to maturity in June 2025.

In making their assessment of going concern, the Directors reviewed financial projections for a period of 12 months from the date of this report. Stress case scenarios were modelled to take into account severe but plausible impacts of COVID-19, consistent with that experienced in Q1. The results of stress testing demonstrated that the combination of significant free cash flow, existing cash resources and the discretionary nature of dividend payments and share buybacks, were sufficient for the Group to withstand such impacts and continue to comply with the RCF's financial covenants with significant headroom. For these reasons, the Directors continue to adopt the going concern basis in preparing these condensed interim financial statements.

Post balance sheet event

On Saturday 31 October, the UK government announced that car retailers in England must close for at least four weeks, following Welsh retailers which are currently closed until 9 November. The demand for cars has been strong since early June, with consumer demand on Auto Trader consistently being 20% or more above prior year levels. We believe car retailers will be allowed to operate both home delivery and click & collect services and we expect consumer activity that we have seen through October and into November will sustain some sales.

This announcement has increased uncertainty for our customers and we are more cautious beyond the month of November, particularly as December typically sees a seasonally lower volume of sales. For that reason we have decided:

- To make our advertising packages free for the month of December for all retailer customers in the UK and to extend payment terms by a month for November services.
- It is our intention to return to our long term capital allocation policy as early as possible, but following the recent government announcement, we will not be declaring an interim dividend.

Whilst this will be the second period over which we have discounted our products to support customers, we do so this time with greater confidence, having seen our business recover strongly as our first half trading demonstrates.

Responsibility statement of the directors in respect of the half-yearly financial report

We confirm that to the best of our knowledge:

- the condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU;
- the interim management report includes a fair review of the information required by:

(a) DTR 4.2.7R of the Disclosure Guidance and Transparency Rules, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

(b) DTR 4.2.8R of the Disclosure Guidance and Transparency Rules, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

Nathan Coe
Chief Executive Officer
5 November 2020

Jamie Warner
Chief Financial Officer
5 November 2020

Consolidated interim income statement

For the six months ended 30 September 2020

	Note	6 months to September 2020 £m	6 months to September 2019 £m	Year to March 2020 £m
Revenue	3	118.2	186.7	368.9
Administrative expenses		(50.8)	(57.1)	(113.2)
Share of profit from joint ventures		1.1	1.8	3.2
Operating profit	2	68.5	131.4	258.9
Net finance costs	4	(2.3)	(3.7)	(7.4)
Profit before taxation		66.2	127.7	251.5
Income tax expense	5	(12.4)	(24.5)	(46.4)
Profit for the period attributable to equity holders of the parent		53.8	103.2	205.1
Earnings per share:				
Basic EPS (pence)	6	5.58	11.13	22.19
Diluted EPS (pence)	6	5.55	11.08	22.08

Consolidated interim statement of comprehensive income

For the six months ended 30 September 2020

	6 months to September 2020 £m	6 months to September 2019 £m	Year to March 2020 £m
Profit for the period	53.8	103.2	205.1
Items that may be subsequently reclassified to profit or loss:			
Currency translation differences	0.2	0.2	(0.3)
Items that will not be reclassified to profit or loss:			
Remeasurements of post-employment benefit obligations	(0.2)	(0.1)	0.6
Other comprehensive income for the period, net of tax	–	0.1	0.3
Total comprehensive income for the period attributable to equity holders of the parent	53.8	103.3	205.4

Consolidated interim balance sheet

As at 30 September 2020

	Note	September 2020 £m	September 2019 £m	March 2020 £m
Assets				
Non-current assets				
Intangible assets	7	359.9	316.6	341.9
Property, plant and equipment	8	11.8	11.9	13.1
Deferred taxation assets		7.1	6.5	6.8
Retirement benefit surplus	11	0.4	–	0.9
Net investments in joint ventures		53.3	50.8	52.2
		432.5	385.8	414.9
Current assets				
Trade and other receivables	9	57.2	57.9	56.0
Current income tax assets		6.1	–	0.4
Cash and cash equivalents		31.4	31.1	37.6
		94.7	89.0	94.0
Total assets		527.2	474.8	508.9
Equity and liabilities				
Equity attributable to equity holders of the parent				
Share capital	15	9.7	9.3	9.2
Share premium		182.4	–	–
Retained earnings		1,231.0	1,134.8	1,180.1
Capital reorganisation reserve		(1,060.8)	(1,060.8)	(1,060.8)
Own shares held	16	(12.9)	(19.2)	(17.9)
Capital redemption reserve		0.8	0.7	0.8
Other reserves		30.4	30.7	30.2
Total equity		380.6	95.5	141.6
Liabilities				
Non-current liabilities				
Borrowings	14	86.8	325.7	310.5
Deferred taxation liabilities		3.6	0.3	2.9
Lease liabilities	8	6.1	7.9	7.0
Deferred income		9.7	10.3	10.0
Deferred consideration	18	7.8	–	–
Provisions for other liabilities and charges		1.1	1.1	1.1
		115.1	345.3	331.5
Current liabilities				
Trade and other payables	10	28.7	31.4	33.3
Lease liabilities	8	2.4	2.3	2.1
Provisions for other liabilities and charges		0.4	0.3	0.4
		31.5	34.0	35.8
Total liabilities		146.6	379.3	367.3
Total equity and liabilities		527.2	474.8	508.9

Consolidated interim statement of changes in shareholders' equity

For the six months ended 30 September 2020

	Share Capital £m	Share premium £m	Retained earnings £m	Own shares held £m	Capital reorg reserve £m	Capital redem reserve £m	Other reserves £m	Total equity £m
Balance at March 2019	9.3	–	1,095.8	(16.5)	(1,060.8)	0.7	30.5	59.0
Profit for the period	–	–	103.2	–	–	–	–	103.2
Other comprehensive income:								
Currency translation differences	–	–	–	–	–	–	0.2	0.2
Remeasurements of post-employment benefit obligations	–	–	(0.1)	–	–	–	–	(0.1)
Total comprehensive income net of tax	–	–	103.1	–	–	–	0.2	103.3
Transactions with owners:								
Share-based payments (note 17)	–	–	2.7	–	–	–	–	2.7
Deferred tax on share-based payments	–	–	0.2	–	–	–	–	0.2
Tax credit in respect of share-based payments	–	–	0.1	–	–	–	–	0.1
Cancellation of shares (note 15)	–	–	(23.0)	–	–	–	–	(23.0)
Repurchase of own shares for treasury (note 16)	–	–	–	(4.3)	–	–	–	(4.3)
Exercise of share-based incentives (note 17)	–	–	(1.5)	1.6	–	–	–	0.1
Dividends paid (note 12)	–	–	(42.6)	–	–	–	–	(42.6)
Total transactions with owners, recognised directly in equity	–	–	(64.1)	(2.7)	–	–	–	(66.8)
Balance at September 2019	9.3	–	1,134.8	(19.2)	(1,060.8)	0.7	30.7	95.5
Profit for the period	–	–	101.9	–	–	–	–	101.9
Other comprehensive income:								
Currency translation differences	–	–	–	–	–	–	(0.5)	(0.5)
Remeasurements of post-employment benefit obligations	–	–	0.7	–	–	–	–	0.7
Total comprehensive income, net of tax	–	–	102.6	–	–	–	(0.5)	102.1
Transactions with owners:								
Share-based payments (note 17)	–	–	0.7	–	–	–	–	0.7
Tax credit in respect of share-based payments	–	–	0.1	–	–	–	–	0.1
Cancellation of shares (note 15)	(0.1)	–	(34.7)	–	–	0.1	–	(34.7)
Exercise of share-based incentives	–	–	(1.2)	1.2	–	–	–	–
Transfer of shares from ESOT	–	–	(0.1)	0.1	–	–	–	–
Dividends paid (note 12)	–	–	(22.1)	–	–	–	–	(22.1)
Total transactions with owners, recognised directly in equity	(0.1)	–	(57.3)	1.3	–	0.1	–	(56.0)
Balance at March 2020	9.2	–	1,180.1	(17.9)	(1,060.8)	0.8	30.2	141.6
Profit for the period	–	–	53.8	–	–	–	–	53.8
Other comprehensive income:								
Currency translation differences	–	–	–	–	–	–	0.2	0.2
Remeasurements of post-employment benefit obligations	–	–	(0.2)	–	–	–	–	(0.2)
Total comprehensive income, net of tax	–	–	53.6	–	–	–	0.2	53.8
Transactions with owners:								
Share-based payments (note 17)	–	–	1.8	–	–	–	–	1.8
Deferred tax on share-based payments	–	–	0.5	–	–	–	–	0.5
Exercise of share-based incentives (note 17)	–	–	(4.9)	4.9	–	–	–	–
Issue of ordinary shares (note 15)	0.5	182.4	–	–	–	–	–	182.9
Transfer of shares from ESOT	–	–	(0.1)	0.1	–	–	–	–
Total transactions with owners, recognised directly in equity	0.5	182.4	(2.7)	5.0	–	–	–	185.2
Balance at September 2020	9.7	182.4	1,231.0	(12.9)	(1,060.8)	0.8	30.4	380.6

Consolidated interim statement of cash flows

For the six months ended 30 September 2020

	Note	6 months to September 2020 £m	6 months to September 2019 £m	Year to March 2020 £m
Cash flows from operating activities				
Cash generated from operations	13	66.1	132.7	265.5
Income taxes paid		(18.0)	(47.3)	(69.8)
Net cash generated from operating activities		48.1	85.4	195.7
Cash flows from investing activities				
Purchases of intangible assets – financial systems		–	(0.1)	(0.2)
Purchases of intangible assets – other		–	(0.1)	–
Purchases of property, plant and equipment		(0.2)	(0.7)	(1.3)
Proceeds from interest on cash and cash equivalents		0.1	–	–
Payment for acquisition of subsidiary, net of cash acquired	18	(10.0)	–	(25.3)
Net cash used in investing activities		(10.1)	(0.9)	(26.8)
Cash flows from financing activities				
Dividends paid to Company's shareholders	12	–	(42.6)	(64.7)
Drawdown/(Repayment) of revolving credit facility	14	(223.5)	15.5	–
Repayment of other borrowings		–	–	(0.7)
Payment of lease liabilities		(1.2)	(1.3)	(2.9)
Payment of refinancing fees	14	(0.5)	(0.5)	(0.5)
Payment of interest on borrowings		(1.8)	(3.1)	(6.4)
Purchase of own shares for cancellation	15	–	(22.9)	(57.4)
Purchase of own shares for treasury	16	–	(4.3)	(4.3)
Payment of fees on repurchase of own shares	15	–	(0.1)	(0.3)
Proceeds from exercise of share-based incentives		–	0.1	0.1
Proceeds from issue of ordinary shares net of bookrunner fees	15	183.2	–	–
Payment of other fees on issue of ordinary shares		(0.3)	–	–
Contributions to defined benefit pension scheme	11	(0.1)	(0.1)	(0.1)
Net cash used in financing activities		(44.2)	(59.3)	(137.2)
Net (decrease)/increase in cash and cash equivalents		(6.2)	25.2	31.7
Cash and cash equivalents at beginning of period		37.6	5.9	5.9
Cash and cash equivalents at end of period		31.4	31.1	37.6

Notes to the Condensed Consolidated interim financial statements

1 General information

Auto Trader Group plc ('the Company') is a company incorporated in the United Kingdom and its registered office is 4th Floor, 1 Tony Wilson Place, Manchester, M15 4FN.

These condensed consolidated interim financial statements have been prepared as at, and for the six months ended 30 September 2020. The comparative financial information presented has been prepared as at, and for the six months ended 30 September 2019.

The condensed consolidated interim financial information presented as at, and for the six months ended, 30 September 2020 comprise the Company and its subsidiaries (together referred to as the Group). The consolidated financial statements of the Group as at, and for the year ended, 31 March 2020 are available on request from the Company's registered office and via the Company's website.

These condensed consolidated interim financial statements, which have been reviewed and not audited, have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and with IAS 34, "Interim Financial Reporting" as adopted by the EU. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 March 2020 which have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted for use in the EU, including International Accounting Standards (IAS) and interpretations issued by the International Financial Reporting Standard Interpretations Committee (IFRS - IC).

The comparative financial information for the year ended 31 March 2020 included in this interim statement of results does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006 (the 'Act'). The statutory accounts for the year ended 31 March 2020 have been reported on by the Company's auditors and were delivered to the Registrar of Companies following the Company's Annual General Meeting. The auditor's report was (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Act.

Judgements and estimates

The preparation of the condensed consolidated interim financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 March 2020.

Going concern

The Group generated significant cash from operations during the period, despite the impact of COVID-19 on Q1 trading. At 30 September 2020 the Group had drawn £90m of its £400m unsecured Revolving Credit Facility (RCF) and had cash balances of £31m. The £400m RCF is committed in full until June 2023, when it reduces to £317m through to maturity in June 2025.

In making their assessment of going concern, the Directors reviewed financial projections for a period of 12 months from the date of this report. Stress case scenarios were modelled to take into account severe but plausible impacts of COVID-19, consistent with that experienced in Q1. The results of stress testing demonstrated that the combination of significant free cash flow, existing cash resources and the discretionary nature of dividend payments and share buybacks, were sufficient for the Group to withstand such impacts and continue to comply with the RCF's financial covenants with significant headroom. For these reasons, the Directors continue to adopt the going concern basis in preparing these condensed interim financial statements.

Changes in accounting policies

The accounting policies applied in these interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 March 2020. Taxes on income in the interim periods are accrued using the effective tax rate that would be applicable to expected total annual profit or loss.

2 Segmental information

IFRS 8 'Operating segments' requires the Group to determine its operating segments based on information which is provided internally. Based on the internal reporting information and management structures within the Group, it has been determined that there are four operating segments (September 2019: one operating segment, March 2020: three operating segments), being Auto Trader ('AT'), Webzone ('WZ'), KeeResources ('Kee') and AutoConvert ('AC').

Management has determined that there are four operating segments in line with the nature in which the Group is managed. The reports reviewed by the Operational Leadership Team ('OLT'), which is the chief operating decision-maker ('CODM') for all four segments, splits out operating performance by segment. The OLT is made up of the Executive Directors and Key Management and is responsible for the strategic decision-making of the Group. Revenue and cost streams for each operating segment are largely independent.

The OLT primarily uses the statutory measures of Revenue and Operating profit to assess the performance of the operating segments. The revenue from external parties reported to the OLT is measured in a manner consistent with that in the income statement.

There is considered to be only one reporting segment, which is the Group, the results of which are shown in the Consolidated income statement. A reconciliation of each segment's Operating profit to the Group Profit before tax is shown below.

	6 months to September 2019					
	AC £m	Kee £m	WZ £m	AT £m	Group £m	Total £m
Total segment Revenue	–	–	2.6	184.1	–	186.7
Total segment Operating profit	–	–	0.8	128.8	1.8	131.4
Finance costs – net	–	–	–	–	(3.7)	(3.7)
Profit before tax	–	–	0.8	128.8	(1.9)	127.7

	Year to March 2020					
	AC £m	Kee £m	WZ £m	AT £m	Group £m	Total £m
Total segment Revenue	–	2.4	5.3	361.3	(0.1)	368.9
Total segment Operating profit	–	(0.2)	1.7	254.7	2.7	258.9
Finance costs – net	–	–	–	–	(7.4)	(7.4)
Profit before tax	–	(0.2)	1.7	254.7	(4.7)	251.5

	6 months to September 2020					
	AC £m	Kee £m	WZ £m	AT £m	Group £m	Total £m
Total segment Revenue	0.4	2.4	1.8	113.9	(0.3)	118.2
Total segment Operating profit	–	–	0.1	67.9	0.5	68.5
Finance costs – net	–	–	–	–	(2.3)	(2.3)
Profit before tax	–	–	0.1	67.9	(1.8)	66.2

Group adjustments which are borne centrally and are not attributable to any specific operating segment include finance costs on the Group's RCF, share of profit from joint ventures, the elimination of transactions and consolidation adjustments. Consolidation adjustments include the amortisation of intangible assets recognised under IFRS 3 business combinations.

3 Revenue

In the following table the Group's revenue is disaggregated by customer type. This level of disaggregation is consistent with that used by the OLT to assist in the analysis of the Group's revenue-generating trends.

	September 2020	September 2019	March 2020
	£m	£m	£m
Trade	100.2	161.8	324.3
Consumer services	12.9	15.9	28.3
Manufacturer & Agency	5.1	9.0	16.3
Total revenue	118.2	186.7	368.9

4 Net finance costs

	September 2020	September 2019	March 2020
	£m	£m	£m
Interest payable on borrowings	2.0	3.1	6.3
Amortised debt issue costs	0.3	0.3	0.7
Interest charge on lease liabilities	0.1	0.3	0.4
Interest receivable on cash and cash equivalents	(0.1)	–	–
Total net finance costs	2.3	3.7	7.4

5 Income taxes

	September 2020	September 2019	March 2020
	£m	£m	£m
Total income tax expense	12.4	24.5	46.4

The taxation charge for the period is based on the standard rate of UK corporation tax for the period of 19% (March 2020: 19%). The taxation charge recognised is based on management's best estimate of the effective tax rate for the full year of 18.7% (September 2019: 19.2%) applied to the profit before taxation of the interim period.

6 Earnings per share

	Weighted average number of ordinary shares	Total earnings £m	Pence per share
Six months ended September 2020			
Basic EPS	964,532,317	53.8	5.58
Diluted EPS	969,927,775	53.8	5.55
Six months ended September 2019			
Basic EPS	927,462,164	103.2	11.13
Diluted EPS	931,641,648	103.2	11.08
Year ended March 2020			
Basic EPS	924,499,320	205.1	22.19
Diluted EPS	929,247,835	205.1	22.08

The difference between the basic and diluted weighted average number of shares represents the dilutive impact of the Share Incentive Plan, Performance Share Plan, Deferred Annual Bonus and Single Incentive Plan and the Sharesave scheme. Shares issued to satisfy the Share Incentive Plan were purchased by the Employee Share Option Trust ("ESOT") and are entitled to dividends under the scheme rules.

6 Earnings per share (continued)

The number of shares in issue at the start of the year is reconciled to the basic and diluted weighted average number of shares below:

	6 months ended September 2020
	Number of shares
Issued ordinary shares at 31 March 2020	922,540,474
Ordinary shares issued on 3 April 2020	46,468,300
Weighted average ordinary shares in issue	968,500,924
Less weighted effect of shares held by the ESOT	(485,421)
Less weighted effect of shares held in treasury	(3,483,186)
Weighted average number of shares for basic EPS	964,532,317
Dilutive impact of share options outstanding	4,395,458
Weighted average number of shares for diluted EPS	968,927,775

The average market value for the Group's shares for the purposes of calculating the dilutive effect of share-based incentives was based on quoted market prices for the period during which the share-based incentives were outstanding.

7 Intangible assets

	Goodwill	Software & website development costs	Financial systems	Database	Other	Total
	£m	£m	£m	£m	£m	£m
Opening balance at 1 April 2019	313.3	0.4	1.6	–	2.2	317.5
Additions	–	0.1	0.1	–	–	0.2
Amortisation charge	–	(0.1)	(0.7)	–	(0.5)	(1.3)
Exchange differences	0.2	–	–	–	–	0.2
Closing balance at 30 September 2019	313.5	0.4	1.0	–	1.7	316.6

	Goodwill	Software & website development costs	Financial systems	Database	Other	Total
	£m	£m	£m	£m	£m	£m
Opening balance at 1 April 2020	327.5	2.1	0.9	8.2	3.2	341.9
Acquired through business combinations	13.6	5.5	–	–	–	19.1
Amortisation charge	–	(0.3)	(0.2)	(0.3)	(0.4)	(1.2)
Exchange differences	0.1	–	–	–	–	0.1
Closing balance at 30 September 2020	341.2	7.3	0.7	7.9	2.8	359.9

As part of the acquisition of Blue Owl Network Limited made in the period, £5.5m of intangibles met the requirements to be separately identifiable under IFRS 3. £13.6 million of goodwill was also recognised on this transaction. See note 18 for further details.

8 Leases and property, plant and equipment

The Group has right-of-use assets which comprise of property and motor vehicles which are held within property, plant and equipment. Information about leases for which the Group is a lessee is presented below.

Analysis of property, plant and equipment between owned and leased assets	September 2020	September 2019	March 2020
	£m	£m	£m
Property plant and equipment owned	5.5	4.4	6.3
Right-of-use assets	6.3	7.5	6.8
	11.8	11.9	13.1

Right-of-use assets	Property	Vehicles	Other	Total
	£m	£m	£m	£m
Opening balance at 1 April 2019	11.5	0.3	0.1	11.9
Disposals	(1.4)	–	–	(1.4)
Modifications	(2.2)	–	–	(2.2)
Depreciation	(0.7)	(0.1)	–	(0.8)
Closing balance at 30 September 2019	7.2	0.2	0.1	7.5
Opening balance at 1 April 2020	6.5	0.2	0.1	6.8
Additions	–	0.5	–	0.5
Depreciation	(0.8)	(0.2)	–	(1.0)
Closing balance at 30 September 2020	5.7	0.5	0.1	6.3

Lease liabilities	September 2020	September 2019	March 2020
	£m	£m	£m
Current	2.4	2.3	2.1
Non-current	6.1	7.9	7.0
Total	8.5	10.2	9.1

9 Trade and other receivables

	September 2020	September 2019	March 2020
	£m	£m	£m
Trade receivables (net of provision)	24.9	25.1	25.0
Accrued income (net of provision)	28.9	29.4	27.1
Prepayments	3.4	3.2	3.8
Other receivables	–	0.2	0.1
Total	57.2	57.9	56.0

10 Trade and other payables

	September 2020	September 2019	March 2020
	£m	£m	£m
Trade payables	4.7	3.3	4.7
Accruals	7.4	10.3	7.4
Other taxes and social security	12.7	14.5	16.6
Deferred income	3.0	2.7	3.7
Other payables	0.4	0.2	0.5
Accrued interest payable	0.5	0.4	0.4
Total	28.7	31.4	33.3

11 Retirement benefit obligations

Across the UK and Ireland the Group operates several pension schemes. All except one are defined contribution schemes.

Defined contribution scheme

In the period the pension contributions to the Group defined contribution scheme amounted to £1.1m (September 2019: £0.9m; March 2020: £2.1m). At 30 September 2020, there were £0.3m (September 2019: £0.3m; March 2020: £0.3m) of pension contributions outstanding relating to the Group's defined contribution scheme.

Defined benefit scheme

The defined benefit pension scheme provides benefits based on final pensionable pay and this scheme was closed to new joiners with effect from May 2002. New employees after that date have been offered membership of the Group's defined contribution scheme.

The most recent actuarial valuation of the defined benefit obligations was performed as at 30 September 2020 by a qualified independent actuary. The amounts recognised in the balance sheet are determined as follows:

	September 2020	September 2019	March 2020
	£m	£m	£m
Present value of funded obligations	20.9	21.8	18.8
Fair value of plan assets	(21.3)	(23.8)	(19.7)
Effect of surplus cap	–	2.0	–
Net (asset) recognised in the balance sheet	(0.4)	–	(0.9)

During the prior year, the Trustees of the Scheme sought legal advice which concluded that the Group has an unconditional right to a refund of surplus from the Scheme, if the Scheme were to be run-off until the final beneficiary died. As a result, the Group has concluded that IFRIC 14 does not apply, and therefore has recognised the accounting surplus of £0.4m and an associated deferred tax liability of £0.2m in the Consolidated balance sheet.

The amounts charged to the Consolidated income statement are set out below:

	September 2020	September 2019	March 2020
	£m	£m	£m
Settlement cost	0.1	–	0.2
Total amounts charged to the income statement	0.1	–	0.2

The Company and Trustees of the Scheme implemented an Enhanced Transfer Value exercise, where members of the Scheme were given the option to transfer their benefits away from the Scheme, and were provided with paid-for independent financial advice. In the period to September 2020, two members elected to take a transfer, and a total of £0.8m was paid out from the Scheme. These transfers settled £0.7m of defined benefit obligation, resulting in a settlement cost of £0.1m recognised in the Consolidated income statement.

The amounts recognised in the statement of other comprehensive income are as follows:

	September 2020	September 2019	March 2020
	£m	£m	£m
Return on Scheme assets (in excess of) / below that recognised in net interest	(2.3)	(1.7)	1.5
Actuarial losses/(gains) due to changes in assumptions	2.8	2.1	(0.1)
Actuarial (gains)/losses due to liability experience	(0.1)	(0.1)	(0.1)
Effect of surplus cap	–	(0.2)	(2.2)
Deferred tax on surplus	(0.2)	–	0.3
Total amounts recognised in the statement of other comprehensive income	0.2	0.1	(0.6)

11 Retirement benefit obligations (continued)

Movements during the period in the post employment defined benefit obligations are set out as below:

	September 2020 £m	September 2019 £m	March 2020 £m
At beginning of period	(0.9)	–	–
Expense recognised in the income statement	0.1	–	0.2
Interest	–	–	(0.1)
Contributions paid to scheme	(0.1)	(0.1)	(0.1)
Remeasurement and experience (gains)/losses	0.5	0.3	1.3
Effect of surplus cap	–	(0.2)	(2.2)
Closing post retirement benefit obligation	(0.4)	–	(0.9)

12 Dividends

Dividends declared and paid in the period were as follows:

	September 2020		September 2019	
	Pence per share	£m	Pence per share	£m
2019 final dividend paid	–	–	4.6	42.6
Total	–	–	4.6	42.6

No interim dividend has been declared by the Directors' (September 2019: 2.4p per share).

There was no 2020 final dividend declared and therefore no dividends have been paid in the period.

13 Cash generated from operations

	6 months to September 2020 £m	6 months to September 2019 £m	Year to March 2020 £m
Profit before taxation	66.2	127.7	251.5
Adjustments for:			
Depreciation	1.9	2.0	3.9
Amortisation	1.2	1.3	2.6
Share-based payments charge (excluding associated NI)	1.8	2.7	3.4
Profit on sale of property, plant and equipment	–	–	(0.3)
Difference between pension charge and cash contributions	–	–	0.2
Post-employment expense relating to defined benefit pension	0.1	–	–
Share of profit in joint ventures	(1.1)	(1.8)	(3.2)
Lease disposals and modifications	–	(0.3)	–
Net finance costs	2.3	3.7	7.4
Changes in working capital (excluding the effects of exchange differences on consolidation):			
Trade and other receivables	(0.9)	(1.8)	1.0
Trade and other payables	(5.4)	0.1	(0.2)
Provisions	–	(0.9)	(0.8)
Cash generated from operations	66.1	132.7	265.5

14 Borrowings

	September 2020	September 2019	March 2020
	£m	£m	£m
Non-current			
Syndicated revolving credit facility gross of unamortised debt issue cost	89.5	328.5	313.0
Unamortised debt issue costs on Syndicated revolving credit facility	(2.7)	(2.8)	(2.5)
Total borrowings	86.8	325.7	310.5

The Syndicated revolving credit facility is repayable as follows:

	September 2020	September 2019	March 2020
	£m	£m	£m
Within two to five years	89.5	328.5	313.0
Total	89.5	328.5	313.0

The carrying amounts of borrowings approximate their fair values.

Syndicated revolving credit facility

The Group has access to a Syndicated revolving credit facility (the 'Syndicated RCF'). The Syndicated RCF, which is unsecured, has total commitments of £400.0m and the associated debt transaction costs at initiation were £3.3m.

On 1 June 2020, the Group extended the term for £316.5m of the Syndicated RCF for one year, incurring additional associated debt transaction costs of £0.5m. The Syndicated RCF will now terminate in two tranches:

- £316.5m will mature in June 2025; and
- £83.5m will mature at the original termination date of June 2023.

Individual tranches are drawn down, in sterling, for periods of up to six months at LIBOR rates plus a margin of between 1.2% and 2.1% depending on the consolidated leverage ratio of the Group. A commitment fee of 35% of the margin applicable to the Syndicated RCF is payable quarterly in arrears on unutilised amounts of the total facility.

The Syndicated RCF has financial covenants linked to interest cover and the consolidated debt cover of the Group:

- Net bank Debt to Consolidated EBITDA must not exceed 3.5:1.
- EBITDA to Net Interest Payable must not be less than 3.0:1.

EBITDA is defined as earnings before interest, taxation, depreciation and amortisation, share-based payments and associated NI, share of profit from joint ventures, exceptional items and adjusting for the adoption of IFRS 16.

All financial covenants of the facility have been complied with through the period.

15 Share capital

	As at 30 September 2020		As at 30 September 2019		As at 31 March 2020	
	Number '000	Amount £m	Number '000	Amount £m	Number '000	Amount £m
Allotted, called-up and fully paid ordinary shares of 1p each						
At beginning of period	922,541	9.2	933,198	9.3	933,198	9.3
Purchase and cancellation of own shares	–	–	(4,342)	–	(10,657)	(0.1)
Issue of ordinary shares	46,468	0.5	–	–	–	–
Total	969,009	9.7	928,856	9.3	922,541	9.2

During the period to September 2020, no shares were purchased (September 2019: 5,116,418; March 2020: 11,431,823).

On 1 April 2020 the Company announced its intention to conduct a non-pre-emptive placing of up to 5% of its issued share capital. On 3 April 2020 the placing was completed, and a total of 46,468,300 new ordinary shares were allotted for a consideration of 400.00 pence per Placing Share, a discount of 8.9% to the closing share price of 439.1 pence on 31 March 2020. The placing raised gross proceeds of £185.9m for the Company, or £182.9m net of all fees incurred. An additional £0.3m of other fees were incurred as a result of the placing.

On 3 April 2020, the Placing Shares were admitted to the premium listing segment of the Official List of the Financial Conduct Authority and to trading on the main market for listed securities of London Stock Exchange plc (together, 'Admission').

The Placing Shares rank pari passu in all respects with the existing ordinary shares in the Company, including the right to receive all dividends and other distributions declared, made or paid after the date of issue. Immediately following Admission, the total number of shares in issue in the Company was 969,008,774. Auto Trader held 4,090,996 shares in treasury, and, therefore, the total number of voting shares in Auto Trader in issue was 964,917,778.

Included within shares in issue at 30 September 2020 are 445,319 (September 2019: 538,452; March 2020: 523,955) shares held by the ESOT and 2,930,542 (September 2019: 4,370,787; March 2020: 4,090,996) shares held in treasury, as detailed in note 16.

16 Own shares held

	ESOT shares reserve £m	Treasury shares £m	Total £m
Own shares held £m			
Own shares held as at 1 April 2019	(0.8)	(15.7)	(16.5)
Repurchase of own shares for treasury	–	(4.3)	(4.3)
Share-based incentives exercised in the period	–	1.6	1.6
Own shares held as at 30 September 2019	(0.8)	(18.4)	(19.2)
Own shares held as at 1 October 2019	(0.8)	(18.4)	(19.2)
Transfer of shares from ESOT	0.1	–	0.1
Share-based incentives exercised in the period	–	1.2	1.2
Own shares held as at 31 March 2020	(0.7)	(17.2)	(17.9)
Own shares held as at 1 April 2020	(0.7)	(17.2)	(17.9)
Transfer of shares from ESOT	0.1	–	0.1
Share-based incentives exercised in the period	–	4.9	4.9
Own shares held as at 30 September 2020	(0.6)	(12.3)	(12.9)

16 Own shares held (continued)

Own shares held - number	ESOT shares reserve number of shares	Treasury shares number of shares	Total number of shares
Own shares held as at 1 April 2019	565,555	3,996,041	4,561,596
Transfer of shares from ESOT	(27,103)	–	(27,103)
Repurchase of own shares for treasury	–	774,734	774,734
Share-based incentives exercised in the period	–	(399,988)	(399,988)
Own shares held as at 30 September 2019	538,452	4,370,787	4,909,239
Own shares held as at 1 October 2019	538,452	4,370,787	4,909,239
Transfer of shares from ESOT	(14,497)	–	(14,497)
Share-based incentives exercised in the period	–	(279,791)	(279,791)
Own shares held as at 31 March 2020	523,955	4,090,996	4,614,951
Own shares held as at 1 April 2020	523,955	4,090,996	4,614,951
Transfer of shares from ESOT	(78,636)	–	(78,636)
Share-based incentives exercised in the period	–	(1,160,454)	(1,160,454)
Own shares held as at 30 September 2020	445,319	2,930,542	3,375,861

17 Share-based payments

The Group currently operates four share plans: the Share Incentive Plan, Performance Share Plan, Deferred Annual Bonus and Single Incentive Plan and the Sharesave scheme.

All share-based incentives are subject to a service condition. Such conditions are not taken into account in the fair value of the service received. The fair value of services received in return for share-based incentives is measured by reference to the fair value of share-based incentives granted. The estimate of the fair value of the share-based incentives is measured using either the Monte Carlo or Black-Scholes pricing model as is most appropriate for each scheme.

The total charge in the period relating to the five schemes was £2.6m (September 2019: £3.1m; March 2020: £3.6m). This included associated national insurance ('NI') at 13.8%, which management expects to be the prevailing rate when the awards are exercised, and apprenticeship levy at 0.5%, based on the share price at the reporting date.

	September 2020 £m	September 2019 £m	March 2020 £m
Share Incentive Plan	-	-	-
Sharesave scheme	0.3	0.2	0.4
Performance Share Plan	0.3	0.9	1.2
Deferred Annual Bonus and Single Incentive Plan	1.2	1.6	1.8
Total share-based payment charge	1.8	2.7	3.4
NI and apprenticeship levy on applicable schemes	0.8	0.4	0.2
Total charge	2.6	3.1	3.6

Share Incentive Plan

In 2015, the Group established a Share Incentive Plan ('SIP'). All eligible employees were awarded free shares (or nil-cost options in the case of employees in Ireland) valued at £3,600 each based on the share price at the time of the Company's admission to the Stock Exchange in March 2015, subject to a three-year service period ('Vesting Period'). The SIP shareholders are entitled to dividends over the Vesting Period. There are no performance conditions applicable to the vesting of SIP shares. The fair value of the SIP awards at the grant date was measured to be £2.72 using the Black-Scholes model. The resulting share-based payments charge was spread evenly over the Vesting Period.

17 Share-based payments (continued)

UK SIP	September 2020 Number	September 2019 Number	March 2020 Number
Outstanding at beginning of period	282,459	320,872	320,872
Dividend shares award in the period	–	–	3,641
Exercised in the period	(78,636)	–	–
Forfeited in the period	–	(2,650)	(2,650)
Released in the period	–	(22,952)	(39,404)
Outstanding at period ending	203,823	295,270	282,459

Irish SIP	September 2020 Number	September 2019 Number	March 2020 Number
Outstanding at beginning of period	1,354	5,416	5,416
Exercised in the period	–	(2,708)	(4,062)
Outstanding at period ending	1,354	2,708	1,354

Performance Share Plan

The Group operates a Performance Share Plan ('PSP') for Executive Directors, the Operating Leadership Team and certain key employees. The extent to which awards vest will depend upon the Group's performance over the three-year period following the award date. Both market based and non-market based performance conditions may be attached to the options, for which an appropriate adjustment is made when calculating the fair value of an option. If the options remain unexercised after a period of 10 years from the date of grant, the options expire. Furthermore, options are forfeited if the employee leaves the Group before the options vest, unless under exceptional circumstances.

On 8 July 2020, the Group awarded 591,580 nil cost options under the PSP scheme. For the 2020 awards, the Group's performance is measured by reference to total shareholder return relative to the FTSE 350 share index over the three-year period April 2020 – March 2022.

For other previous awards, the Group's performance had been measured by reference to growth in Operating profit and Revenue over a three year period, the cumulative profit measure (Underlying operating profit for 2015 and 2016 awards, and Operating profit for 2017 awards) and total shareholder return relative to the FTSE 250 share index.

	September 2020 Number	September 2019 Number	March 2020 Number
Outstanding at beginning of period	2,380,589	2,978,478	2,978,478
Options granted in the period	591,580	259,885	259,885
Dividend shares awarded	63,826	8,570	8,570
Options exercised in the period	(985,745)	(105,411)	(568,666)
Options forfeited in the period	(238,240)	(435,551)	(297,678)
Outstanding at period ending	1,812,010	2,705,971	2,380,589

Deferred Annual Bonus and Single Incentive Plan

The Group operates the Deferred Annual Bonus and Single Incentive Plan for the Operational Leadership Team and certain key employees. The Plan consists of two schemes, the Deferred Annual Bonus ('DAB') and the Single Incentive Plan Award ('SIPA').

Deferred Annual Bonus

The Group operates a Deferred Annual scheme for Executive Directors and certain key senior executives. Awards under the plan are contingent on the satisfaction of pre-set internal targets relating to financial and operational objectives. Awards have a vesting period of two years from the date of the award (the 'Vesting Period') and are potentially forfeitable during that period should the employee leave employment. The DAB awards have been valued using the Black-Scholes method and the resulting share-based payments charge is being spread evenly over the combined performance period and Vesting Period of the shares, being three years.

No annual bonus plan is operating for FY21 and therefore no DAB options have been granted in period.

17 Share-based payments (continued)

	September 2020 Number	September 2019 Number	March 2020 Number
Outstanding at beginning of period	166,614	149,397	149,397
Options granted in the period	-	95,062	95,062
Dividend shares awarded	1,902	2,261	2,261
Options exercised in the period	(47,227)	(80,106)	(80,106)
Outstanding at period ending	121,289	166,614	166,614

Single Incentive Plan

The Group operates a Single Incentive Plan Award ('SIPA') for the Operational Leadership Team and certain key employees. The extent to which awards vest will depend upon the satisfaction of the Group's financial and operational performance in the financial year of the award date (the "Performance Conditions"). The awards will vest in tranches, with the first tranche vesting on the date on which the Remuneration Committee determines that the Performance Conditions have been satisfied, and subsequent tranches vesting on the first and second anniversary of this date, subject to continuing employment.

On 8 July 2020, the Group awarded 436,891 nil cost options under the SIPA scheme. For the 2020 awards, 67% of the award value is guaranteed subject to continuing employment, and the remaining 33% is subject to successful implementation of the 'Guaranteed Part Exchange' product by 31 March 2020.

The fair value of the 2020 award was determined to be £5.27 per option using a Black-Scholes pricing model. The resulting share-based payments charge is being spread evenly over the period between the grant date and the vesting date. SIPA award holders are entitled to receive dividends accruing between the grant date and the vesting date and this value will be delivered in shares.

	September 2020 Number	September 2019 Number	March 2020 Number
Outstanding at beginning of period	1,136,660	923,052	923,052
Options granted in the period	436,891	699,024	699,024
Dividend shares awarded	4,930	4,109	4,109
Options forfeited in the year	(124,267)	(169,167)	(235,118)
Options exercised in the year	(530,121)	(235,118)	(254,407)
Outstanding at period ending	924,093	1,221,900	1,136,660

Sharesave scheme

The Group operates a Sharesave ('SAYE') scheme for all employees under which employees are granted an option to purchase ordinary shares in the Company at up to 20% less than the market price at invitation, in three years' time, dependent on their entering into a contract to make monthly contributions into a savings account over the relevant period. Options are granted and are linked to a savings contract with a term of three years. These funds are used to fund the option exercise. No performance criteria are applied to the exercise of Sharesave options.

Fair value is measured by use of a Black-Scholes model and the resulting share-based payments charge is being spread evenly over the period between the grant date and the vesting date.

	September 2020 Number	September 2019 Number	March 2020 Number
Outstanding at beginning of period	1,440,757	1,347,698	1,347,698
Options granted in the period	-	-	298,237
Options exercised in the period	(3,215)	(42,596)	(43,526)
Options lapsed in the period	(19,432)	(89,982)	(161,652)
Outstanding at period ending	1,418,110	1,215,120	1,440,757

18 Business combinations

On 31 July 2020, the Group acquired the entire share capital of BlueOwl Network Limited ('BlueOwl') for consideration of £18.2m, of which £8.1m will be deferred until 31 July 2022. The deferred consideration has been discounted using a rate of 1.7% and recognised on the balance sheet at £7.8m.

BlueOwl owns 'AutoConvert', a finance, insurance and compliance software platform with integrated customer relationship management solutions for the automotive sector.

The total consideration paid of £18.2m excludes acquisition costs of £0.4m which were recognised within administrative expenses in the Consolidated income statement.

The following table provides a reconciliation of the amounts included in the Consolidated statement of cash flows for the period:

	September 2020 £m
Cash paid for subsidiary	10.1
Less: cash acquired	(0.1)
Net cash outflow	10.0

From the acquisition date to 30 September 2020, BlueOwl contributed £nil to the Group's operating profit and revenue of £0.4 million.

The purchase has been accounted for as a business combination under the acquisition method in accordance with IFRS 3. The fair value of net assets acquired was assessed and no material adjustments from book value were made to existing assets and liabilities. The period in which measurement adjustments could be made is still open on this acquisition and the provisional goodwill calculation is summarised below:

	Fair value £m
Intangible asset recognised on acquisition:	
Software	5.5
Deferred tax liability arising on intangible assets	(1.0)
Intangible assets recognised and related deferred tax	4.5
Current assets	
Trade and other receivables	0.3
Cash and cash equivalents	0.1
	0.4
Current liabilities	
Trade and other payables	0.6
Total net assets acquired	4.3
Goodwill	13.6
Total assets acquired	17.9
Fair value of cash and deferred consideration	17.9

The goodwill recognised on acquisition relates to value arising from intangible assets that are not separately identifiable under IFRS 3. None of the acquired intangible assets or goodwill is expected to be deductible for tax purposes.

In addition to the goodwill recognised, the software asset obtained through the acquisition met the requirements to be separately identifiable under IFRS 3. The asset represents the 'AutoConvert' finance, insurance and compliance software platform that enables automotive dealers and brokers to connect with multiple lenders.

19 Related party transactions

The Company is the ultimate parent entity of the Group. Intercompany transactions with wholly owned subsidiaries have been excluded from this note, as per the exemption offered in IAS 24.

Dealer Auction Limited

The Group transacted the following related party transactions with its joint venture, Dealer Auction Limited (previously Dealer Auction (Holdings) Limited) and its subsidiaries (together 'Dealer Auction'), during the period.

The Group provided data services to Dealer Auction under a license agreement established as part of the formation of the joint venture in January 2019. The value of services provided to Dealer Auction was £0.3m and has been recognised within revenue. At 30 September 2020, deferred income outstanding in relation to the license agreement was £10.3m.

The Group provided services to Dealer Auction as per the Transitional Services Agreement entered into on its formation. The Group did not recharge Dealer Auction for the provision of these services, the total value of which is estimated to be £0.1m.

The Group also provided invoicing and collection services for Dealer Auction. Cash is collected by the Group and passed through to Dealer Auction. The total amount invoiced on behalf of Dealer Auction during the period was £2.3m.

During the period Dealer Auction provided data services to the Group amounting to £0.4m. Services were provided to the Group on an arms length basis and recorded as administrative expenses within the Consolidated income statement.

The Group had a creditor of £0.9m outstanding with Dealer Auction as at 30 September 2020.

Key management personnel

Key management personnel share plan awards have been outlined in note 17 above.

20 Forward looking statements

This report includes statements that are forward looking in nature. Forward looking statements involve known and unknown risks, assumptions, uncertainties and other factors which may cause the actual results, performance or achievements of the Group to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements. Except as required by the Listing Rules and applicable law, the Company undertakes no obligation to update, revise or change any forward-looking statements to reflect events or developments occurring after the date of this report.

21 Post balance sheet event

On Saturday 31 October, the UK government announced that car retailers in England must close for at least four weeks, following Welsh retailers which are currently closed until 9 November. The demand for cars has been strong since early June, with consumer demand on Auto Trader consistently being 20% or more above prior year levels. We believe car retailers will be allowed to operate both home delivery and click & collect services and we expect consumer activity that we have seen through October and into November will sustain some sales.

This announcement has increased uncertainty for our customers and we are more cautious beyond the month of November, particularly as December typically sees a seasonally lower volume of sales. For that reason we have decided:

- To make our advertising packages free for the month of December for all retailer customers in the UK and to extend payment terms by a month for November services.
- It is our intention to return to our long term capital allocation policy as early as possible, but following the recent government announcement, we will not be declaring an interim dividend.

Whilst this will be the second period over which we have discounted our products to support customers, we do so this time with greater confidence, having seen our business recover strongly as our first half trading demonstrates.

PRINCIPAL RISKS AND UNCERTAINTIES

RISK	IMPACT
<p>1. COVID-19</p>	<p>The COVID-19 pandemic has caused unprecedented levels of disruption to every aspect of the UK economy, the automotive market, our customers, our consumers, our suppliers, our employees and the way we operate our business. This has impacted on many of our existing principal risks as follows:</p> <ul style="list-style-type: none"> • Economy: The restrictions on many UK businesses could continue to significantly impact the UK economy. Although the economy has grown in recent months, GDP is expected to decline by around 10% in 2020, and there is a risk of rising unemployment as the government support schemes begin to reduce, which may impact on consumer spending. The number of both trade and private transactions reduced significantly during the period of full national lockdown in April and May 2020. There is a risk that this may reoccur if retailers are required to close again for a sustained period. This could impact our ability to generate revenue and collect cash from our retailer customers, our Manufacturer & Agency customers and private sellers. • Employees: The physical health and safety of our employees is of paramount importance and therefore in line with government guidelines, the majority of our workforce continues to work remotely. This could result in an adverse impact on our collaborative culture and ways of working, and on our employees' mental health and wellbeing. There is also a risk as we return to office working to ensure that the health of our employees is protected. • Reliance on third parties: The economic situation increases the risk of failure for third-party suppliers, which could impact our ability to provide services to our customers, or adversely affect the consumer experience leading to a loss in audience. • A crisis or major event prevents the business or its customers/suppliers from being able to operate: where our customers are forced to close, or where our employees would not be able to work from our premises for sustained periods of time. • Risk of breaching financial covenants: Our revolving credit facility contains financial covenants for debt cover and interest cover and there is a low likelihood of risk of breaching these.
<p>2. Economy, market and business environment</p>	<p>There are a number of scenarios which could lead to a contraction in the number of new or used car transactions, including the COVID-19 pandemic (as described above); the ongoing trade negotiations with respect to the UK's departure from the EU and any resulting tariffs; or regulatory change and environmental concerns from consumers leading to a shift in demand away from vehicle ownership.</p> <p>These could result in reduced retailer profitability, leading to a fall in advertising spend or a contraction in the number of retailers. A no-deal departure from the EU could lead to an increase in the price of new cars and consequently a reduction in the supply of new cars into the UK, impacting the supply of used cars through trade-ins, and reducing manufacturers' spend on digital display advertising.</p>
<p>3. Brand</p>	<p>Our brand is one of our biggest assets. Our research shows that we are the most trusted automotive classified brand in the UK.</p> <p>Failure to maintain and protect our brand, or negative publicity that affects our reputation (for example, a data breach), could diminish the confidence that retailers, consumers and advertisers have in our products and services, and result in a reduction in audience and revenue.</p>

<p>4. Increased competition</p>	<p>There are several online competitors in the automotive classified market, and alternative routes for consumers to sell cars, such as car buying services or part-exchange. Competitors could develop a superior consumer experience or retailer products that we are unable to replicate; or change focus to try to expand their range of stock and disrupt our market position.</p> <p>This could impact our ability to grow revenue due to the loss of audience or customers, or erosion of our paid-for business model.</p>
<p>5. Failure to innovate: disruptive technologies and changing consumer behaviours</p>	<p>Failure to develop and execute new products or technologies, or to adapt to changing consumer behaviour towards car buying, or ownership, could have an adverse impact. For example, this could lead to missed opportunities should we fail to be at the forefront of industry developments.</p>
<p>6. IT systems and cyber security</p>	<p>As a digital business, we are reliant on our IT infrastructure to continue to operate. Any significant downtime of our systems would result in an interruption to the services we provide. A significant data breach, whether as a result of our own failures or a malicious cyber-attack, would lead to a loss in confidence by the public, car retailers and advertisers. This could result in reputational damage, loss of audience, loss of revenue and potential financial losses in the form of penalties.</p>
<p>7. Employees</p>	<p>Our continued success requires us to attract, recruit, motivate and retain our highly skilled workforce, with a particular focus on specialist technological and data skills. Failure to do so could result in the loss of key talent.</p>
<p>8. Reliance on third parties</p>	<p>We rely on third parties particularly with regard to supply of data about vehicles and their financing, so it is important that we manage relationships with, and performance of, key suppliers. If these suppliers were to suffer significant downtime or fail, this could lead to a loss of revenue from dealer customers and a loss of audience due to impaired consumer experience.</p>

INDEPENDENT REVIEW REPORT TO AUTO TRADER GROUP PLC

Conclusion

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2020 which comprises condensed consolidated interim income statement, condensed consolidated interim statement of comprehensive income, condensed consolidated interim balance sheet, condensed consolidated interim statement of changes in shareholders' equity and condensed consolidated interim statement of cash flows and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2020 is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU and the Disclosure Guidance and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA").

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. We read the other information contained in the half-yearly financial report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with International Financial Reporting Standards as adopted by the EU. The directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial report in accordance with IAS 34 as adopted by the EU.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

The purpose of our review work and to whom we owe our responsibilities

This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the DTR of the UK FCA. Our review has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

David Derbyshire
for and on behalf of KPMG LLP
Chartered Accountants
1 St Peter's Square
Manchester
M2 3AE
5 November 2020