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# TRADER MEDIA GROUP

## EBITDA up 16%, driven by digital revenues up 24%

Trader Media Group Limited ("TMG" or "the Group"), Europe's largest digital marketplace for vehicles, has published its results for the 12 months ended 3 April 2011.

### Financial highlights

- Underlying revenue\* up 7% to £261.6m (2010: £243.4m) - £12.3m from new products
  - Digital revenue up 24% to £173.6m (2010: £140.3m)
- Underlying EBITDA\* up 16% to £131.5m (2010: £113.3m)
  - EBITDA margin up to 50% (2010: 47%)
  - Digital channels contributing 85%+ (2010: less than 75%)
- Underlying pretax profit\* £34.7m (2010: loss £35.3m)
- Net debt at year end down £94.5m to £511.2m

### Operational highlights

- Stock of cars on website at year end up 9% to 374,000 (2010: 344,000)
- Rapid development of Auto Trader Mobile
  - iPhone app downloaded more than a million times
  - Expanded to all mobile user interfaces – iPad and other tablets
  - Mobile audience grew by 114% in 2010 - now more than 1.1m users
  - Android app launched 28 June 2011
- Razor digital marketing solutions launched in October 2010 - 6,000 dealer websites developed and hosted
- Acquired minority stake in IAUTOS, a Chinese classified automotive advertising business, in January 2011
- *New Cars* launched in March 2011 - 602,000 unique users in the first month

\* Throughout this report underlying excludes discontinued businesses and exceptional items principally made up of impairments on carrying values and cancellation of accrued preference share interest

**John King**, Chief Executive of Trader Media Group, said:

***"I am delighted to report an outstanding year of operational and financial achievements. The Group has delivered strong revenue and profit growth and substantially reduced net debt by nearly £100m. The significant growth is attributable to a combination of revenue growth, the ongoing migration of the business to online platforms and tight control of the cost base."***

***"We have an enviable position at the heart of the UK motor trade. Online, on mobile and in print, our brands represent the leading marketplace for consumers and car dealers alike."***

***"AutoTrader.co.uk has enjoyed consistently strong year-on-year growth, hitting an all-time high of 10.8m users in March this year. Two out of every three used cars for sale in the UK are advertised on Auto Trader and nearly 10,000 dealers use our Dealer Portal.***

***"Consumer appetite for our growing portfolio has grown from strength to strength. Auto Trader is now the seventh most searched-for online brand in the UK. We expect to cement this position further having launched our digital marketing solution business, Razor, last year and a new car site in March this year."***

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#### **Note to Editors**

Trader Media Group is Europe's largest digital marketplace for vehicles and the UK's leading publisher of automotive classified advertising through market-leading websites and iconic print titles.

The Group's leading brand, Auto Trader, is the UK's no. 1 motoring website, with over 10.8m unique users in March 2011, and one billion page impressions – 16 times the volume of any competitor.

Trader Media Group's success is built on a simple formula: give trade customers the opportunity to choose all effective channels to market; build the service and relationship with dealers and manufacturers and connect them with consumers through multiple and easy-to-use channels including websites and mobile phones.

Trader Media Group employs 1,640 people on average during the year. It operates in the UK, Ireland, Italy and South Africa. It is jointly owned by Guardian Media Group and Apax Partners.

#### **Overview**

Trader Media Group had a notably strong performance both operationally and financially for the year to 3 April 2011. The strength of the Group's underlying business is highlighted by the speed at which it has been able to capitalise on the improving economic conditions in its core market the UK. The significant growth is attributable to a combination of revenue growth, the ongoing migration of the business to online platforms and tight control of the cost base.

The Group continued to invest in its brands and websites, develop and extend its services to its dealer customers, enhancing the return on investment it delivers to them and, following the successful initiation last year of its mobile services, launched a New Car proposition and Razor.

Underlying revenue was up 7% to £261.6m with digital revenue up 24% to £173.6m. Underlying EBITDA was up 16% to £131.5m (2010: £113.3m). Underlying pretax profit was £34.7m compared to a £35.3m loss in 2010. As a result of the strong cash generation net debt at year end was down £94.5m to £511.2m.

Two of the recent product launches, Mobile and Razor, proved to be very successful and had a significant impact on the Group's revenues.

Auto Trader Mobile has been a spectacular success. Building on the successful launch in early 2010, the Group's mobile product has been expanded to ensure it is available on all mobile user interfaces, iPad and other tablets, as well as the original iPhone application.

The Mobile audience grew by 114% in 2010 calendar year and now has over 1.1m users. The Group's mobile products have won nine awards globally and the iPhone app has now been downloaded more than a million times.

The launch of Razor in October 2010 further embedded the Group's offering in the automotive industry supply chain. Razor provides car dealers with online forecourt and digital marketing packages designed to help them to sell more vehicles, more profitably by enhancing their visibility online. Built on extensive consumer, dealer and competitor research, Razor websites help dealers convert leads and increase sales by providing greater stock visibility across search engines.

Collectively, the new non-car sites, Razor and Mobile products delivered an incremental £12.3m of revenue, accounting for two thirds of overall revenue growth.

In addition to developing its digital platforms, TMG has continued to invest in the Auto Trader brand. As well as conducting traditional television and radio campaigns, the Group has run online, B2B, forecourt and mobile focused campaigns which have firmly reinforced Auto Trader's position as the leading marketplace for motorists and one of the most recognised online brands in the UK.

The Group's marketing efforts continue to embrace new media. Through a well-defined social media strategy (Facebook, Twitter, Open Web) TMG drives engagement with UK motorists and dealers alike, directing high levels of traffic back to Auto Trader through peer content-sharing.

TMG made a significant strategic investment overseas, acquiring a minority stake in IAUTOS a Chinese company which offers similar classified automotive advertising to that provided by TMG in the UK. TMG has an exciting opportunity to capitalise on a huge used car market in a rapidly expanding economy. In 2009, China overtook the US as the world's largest new car market with sales of more than 15m vehicles and a growth rate estimated at 35%.

## **Strategy**

TMG monetises its consumer usage – web, mobile and print – principally through the sale of classified advertising to its dealer customers. It operates primarily in the UK, with a branch located in the Republic of Ireland and subsidiary companies in Ireland, South Africa and Italy.

TMG is the recognised route to market for vehicle dealerships in almost all of the areas in which it operates. The Group has created brands recognised by millions of consumers, and dealers benefit from an expanding set of tools that help them to access those consumers.

TMG is pursuing its strategy of increasing profitability through migrating print advertising to digital channels. The Group will continue to seek higher advertising yields through improved service and functionality. At the same time, opportunities are expanding with the growth of new digital media; Facebook and Twitter present new outlets for internet-based social marketing, while smartphones offer a rapidly growing advertising platform that offers local, social and mobile functionality.

The Group will continue to utilise its position as the leading destination for vehicle buyers by increasing the range of products and services adjacent to the car buying decision – for example finance, insurance and wholesale vehicle transactions. TMG will also seek to increase dealer usage of its products in order to further embed its offering on the dealer desktop.

By leveraging its capability, brand and digital experience, TMG will consolidate its position in existing international businesses whilst looking to expand into new, large and fast growing territories when suitable opportunities arise. The Group's recent investment in China is a good example.

## **Financial review**

TMG benefited from improved trading conditions in its main UK market throughout the year and increased its underlying revenues by 7% to £261.6m (2010: £243.4m).

Underlying EBITDA grew by 16% £131.5m (2010: £113.3m) driven by revenue growth on an essentially flat cost base. The Group is now predominantly an online business with digital channels contributing in excess of 85% (2010: >75%) of the Group's EBITDA.

Although the Group has continued to invest in its customers, products, people and brand, it remains committed to controlling its cost base. The steps taken over the last few years have enabled the Group to improve EBITDA margins to 50% (2010: 48%).

The combination of the tight cost control measures, restructuring implemented over the last few years and higher digital margins have delivered increased underlying operating profit, before impairments and exceptional items, up 7.8% to £120.1m (2010: £111.7m). Actual operating profit, after impairments and exceptional charges, was £100.2m (2010: loss £365.7m).

During the year, the Group sold its last printing interest, Apple Web Offset plant, for a loss of £2.3m.

Finance costs have fallen sharply by 42% to £86.0m (2010: £147.5m) following further reductions in the Group's debt (£96.6m over the last year).

The Group underlying pretax profit, before exceptional items, was £34.7m (2010: loss £35.3m). The Group reported pretax profit was £86.3m (2010: loss £498.3m).

The Group's corporation tax charge increased to £12.6m (2010: £3.6m credit).

TMG continues to have a high level of operating cash conversion which has allowed the Group to generate £134.0m (2010: £100.5m) cash from operating activities which resulted in a significant drop in net debt, down £94.5m to £511.2m.

The Group successfully raised an additional £150m of debt from a new term loan since the balance sheet date.

## **Operational review**

### ***Trader Digital***

Trader Digital is the Group's online business, which comprises the most popular automotive website in the UK, AutoTrader.co.uk. This division is also developing new products that give dealers, private sellers and buyers access to the latest technology to advertise and optimise the response to those advertisements.

Trader Digital has come out of the recession with strong growth figures and a revenue increase of 24% year-on-year. This has come partially through a recovery in the UK automotive economy – with new car dealerships opening and increased levels of stock – and partially through the success of the new products, Mobile and Razor.

AutoTrader.co.uk and classified automotive advertising continue to be the main focus of the division's offer. During the year the Group invested in developing the site's functionality, security and content and in March 2011 over 10.8m unique users accessed the site.

Auto Trader Mobile and its associated iPhone application, which was launched at the end of the previous financial year, has very quickly become the number-one mobile provider to the UK car market. It now reaches more than one million unique users and is still growing. The rapid take-up of smart phones has assisted this growth and the Group has sought to capitalise on this success by developing mobile user interfaces with Ovi, Android and tablet applications during the last 12 months.

Razor was launched in October 2010 to provide advanced digital marketing solutions to UK automotive dealers and has quickly developed an entirely new revenue stream. TMG is now the number-one website provider to the industry, with 6,000 dealer websites developed and hosted by the Group.

Other embedded products have also performed well. The division provides the UK's number-one manufacturer used vehicle stock locator through the 2nd Byte business, while its Auto Trade-mail business (acquired in 2010) has also grown by capitalising on synergies across the wider reach and resources of the Group.

The business will continue to invest in the Auto Trader brand through marketing campaigns, in its core website and in new products designed to offer new and exciting routes to market for our customers.

New Car, which went live in March 2011, will be the first of these. It was designed to tap into new markets for TMG where there are around two million new car sales made in the UK each year. In its first month it received 602,000 unique users. With a mass media consumer campaign to come, this number is expected to grow. New Car represents the UK's first and only end-to-end new car research and buying process. The Group aims to penetrate this market as a complement to its success in the used car market.

### ***Trader Publishing***

Trader Publishing manages the UK published titles including the Auto Trader and AdTrader regional magazines, and national titles including Truck Trader, Plant Trader, Bike Trader and Farmers Trader. The division also includes online operations for AdTrader and the national titles.

Despite the classified automotive advertising market migrating online, the Group's combined published titles retain a strong presence throughout England, Scotland and Wales, with circulation figures averaging 157,000 copies per week across all magazines throughout the year. Auto Trader magazine has retained its leadership position in the classified automotive market.

The steep decline in revenues seen in the last financial year (32%) was driven by the recessionary environment which accelerated the move from print to online advertising for both advertisers and consumers. This revenue decline has now slowed, with revenues down 19% year-on-year to £46.6m.

The division has taken a clear strategy with its national magazine titles and focused on improving the associated websites to manage the online transition. During the year, the division launched new Commercial Trader websites for Farmers Trader, Truck Trader and Plant Trader, with ergonomic search functionality and leveraging the Group's know-how with AutoTrader.co.uk.

The division will launch mobile sites for each of the Commercial Trader brands and add to their success by improving the web offerings for Bike Trader and Motorhome & Caravan Trader, with capital investment being made in these areas at the end of this year.

By continuing its strategy of restructuring its cost base, the division has restricted the decline in EBITDA to £4.3m. The sale of the Apple print plant in October has been an important part of this, as has the ongoing cost focus throughout the division's approach to its daily activities. The division has a contract with the buyers of the Apple print plant to produce its magazines and it will continue to feature on the UK's magazine racks.

The focus for Trader Publishing is to slow the decline in its trade and private customers by continuing to demonstrate value for money. In addition, the division will continue to invest in its national and AdTrader titles by giving them an increased online presence, thereby increasing traffic through these brands.

### ***Trader International***

Trader International comprises activities in all of Ireland, Italy and South Africa. The difficult economic climate in Ireland and Italy has meant the division as a whole has declining results (revenue down £4m) despite growth in South Africa. Careful cost control and focused restructuring has helped control this decline and the division recorded an EBITDA decline of £2.4m.

South Africa performed well, growing its revenues by £4.0m (up 24%) and EBITDA by £1.7m (up 24%) at constant exchange rates. The Auto Trader brand is a market leader in the country along with Commercial Trader magazines. Both have continued to expand into new regions of the country. As the increased use of new technologies spreads, the strategy becomes one of online growth.

Ireland has seen a very tough economic climate heavily impact dealers and private sellers alike, with significantly less stock in the market than in previous boom years. Although Auto Trader and Carzone are market leading brands, the market has meant revenues have inevitably declined (down 31%).

Italy faces its own difficult trading environment and the business remains print-led. Accordingly, the division operates in an environment with a higher cost base than most other areas in the business.

The division's results were impacted by unfavourable foreign exchange translation effects of £0.2m as the Euro strengthened over the year, while the strengthening of the South African Rand led to a foreign exchange translation gain of £1.1m.

### **Outlook**

Whilst conditions remain challenging, they have improved, and the Group is experiencing increases in dealer numbers and in stock levels once again.

The Group will continue to invest in products that, on the one hand, make it easier than ever for consumers to research and locate the cars they want and, on the other, provide dealer customers with the tools they need to help them source and dispose of stock in profitable ways.

The current financial year has started well and the Board looks forward with considerable confidence to the Group's continued growth and digital development.