

Chief Executive Officer's Statement



We have executed on each of our six strategic growth drivers, including the accretive acquisition of ESN, and in doing so have further strengthened our competitive moat.

Amidst a year with macroeconomic uncertainty, I am pleased to report that ATG delivered another year of growth, with total revenues up 13% to £135.2m, and of strong operational performance, with adjusted EBITDA rising 19% year-on-year to £64.0m. We successfully acquired a new important asset with the purchase of ESN in February and despite that, we significantly strengthened our balance sheet with our leverage ratio decreasing from 2.4x to 1.8x, reflecting strong cash flow. In FY23, we are pleased to have made progress against each of our strategic growth drivers.

The long-term opportunities for ATG are significant, given the critical role of the auction industry and ATG's ability to lead its online transformation. Buying and selling secondary items enhances sustainability and accelerates the growth of the circular economy, factors that are of increasing importance to both professional and consumer buyers. Purchasing secondary items via auctions represents the best way to ensure total price transparency, addressing a key objective of buyers to pay a fair price and for sellers to achieve the maximum fair price possible. The auction industry remains in the early stages of its online transformation, with standards of user-experience still behind that of e-commerce. The opportunity and challenge for ATG is to make it easier to buy at auction and to alleviate points of friction when buying on our marketplaces. We are extending the penetration of atgPay, which removes a pain point for auctioneers whilst increasing convenience and confidence for bidders. We have developed new unique auction formats and multiple tiers of service to drive operational efficiency for auctioneers and increase choice for bidders. Most recently, we launched atgShip, an integrated shipping solution to further elevate the online auction experience and drive the conversion rate over the medium term. As a result of these investments, I believe we are approaching a tipping point, where the services and user experience offered by our marketplaces will encourage a wider pool of buyers to buy at online auction, whilst also incentivising auctioneers to use ATG as their sole service provider to access the online market.

1. Expand the total addressable market

Against an uncertain macroeconomic backdrop and following years of accelerated growth during the Covid-19 period, THV on our marketplaces grew 3% at constant currency to just under £11bn. Our marketplaces facilitated just under 86,000 auctions, a 16% increase year-on-year, and we grew our auctioneer base to over 3,900 as we welcomed new auctioneers while maintaining a high auctioneer retention rate. New auctioneers

included Sotheby's, a world leading auctioneer for art and luxury goods, who have begun listing a number of catalogues on our marketplaces. All the 'Big 4' Art & Antique auctioneers now use ATG's marketplaces in some form, highlighting the attractiveness of our bidder reach, for even the large global auctioneers. Our marketplaces saw a 10% increase in the number of lots listed in FY23 to over 22m, highlighting auctioneers continued trust in ATG as their preferred platform to access the online market.

In the second half, THV declined 5% at constant currency, impacted by the normalisation of used equipment prices in some I&C categories, following elevated pricing in prior years driven by shortages of primary equipment, as well as a softening of A&A market activity impacted by a weaker consumer macroeconomic environment.

The acquisition of ESN further expanded our reach into a new segment of the secondary goods market, with estate sales representing an estimated \$5 billion annual market in North America alone. Since acquisition, ESN has attracted even more estate sellers, with 4,800 active organisations on the platform as at the end of September, up 4% year-on-year.

2. Grow the conversion rate

The Group conversion rate at 31% decreased 2ppt year-on-year. The rate was impacted by auctioneers re-opening physical auctions post the Covid-19 period and also by the mix of auctioneers on our marketplaces, with an increase in the proportion of new and international auctioneers who bring new THV but initially have a lower conversion rate. Conversion was also impacted by the commercial decision to rotate volume with high service requirements and minimal revenue contribution, for lower levels of volume but which has a higher future revenue potential. Excluding the impact, the Group conversion rate would have been down 1ppt year-on-year and stabilised in the second half, after the end of the annualisation of the Covid-19 period.

We have continued to make investments which we expect will help to grow our conversion rate in the medium term. On the bidder side, we have improved our search engine optimisation through a revised site navigation and site taxonomy, as well as new lot-focused category pages that help bidders to find what they are looking for more easily. Since the launch of these pages in the fourth quarter, GMV generated from search engines has increased by 12%. We have launched new SMS programmes on The Saleroom, including a watch list reminder, which helped to drive over 100,000 bids placed from a SMS reminder.



CEO's Statement continued

On the seller side, we have continued to facilitate the shift to timed online-only auctions including through updated pricing structures, that create economic incentives to switch to a timed auction format. This updated pricing structure was introduced on Proxibid in March and rolled out on The Saleroom at the start of FY24. From a product perspective, we know that many auctioneers want to retain their own brand presence whilst running a timed auction. Through our integrated bidding programme, we offer Timed+, the unique ability to run a timed online-only auction on our marketplace and simultaneously on an ATG white label.

3. Enhance the network effect

Over the past year, we have hosted over 188m bidding sessions on our marketplaces, up 9% year-on-year, in addition to a further 150m hosted on ESN. On ATG marketplaces, there were 1.6m new bidding accounts registered, up 12% year-on-year, and over 11m auction registrations. With this scale and reach, we are now focused on executing on enhancing the network effect across our marketplaces by enabling cross-listing on any of our marketplaces through our integrated bidding programme. Cross-listing offers bidders the widest selection of inventory easily accessed on an ATG marketplace. We launched Timed+ in March, which offers integrated bidding on timed online-only auctions on LiveAuctioneers and Auction Mobility. We further developed the integrated bidding solution to be used across our other marketplaces and ATG white label products with launch in early FY24. Since launch, auctions run on Timed+ have resulted in a double-digit asset price uplift versus if the auction was listed on Auction Mobility alone. We are now focused on making it easier for auctioneers to cross-list on multiple marketplaces seamlessly.

4. Expand operational leverage

ATG has an attractive financial model with high operational leverage and low capital intensity. In FY23, we grew our adjusted EBITDA margin by 2ppt to 47%. In the year, we increased listing fees across our platforms and we progressed against our single technology platform including the roll out of our integrated bidding programme. We reorganised our North America business with the consolidation of our North America I&C and A&A commercial teams. This organisation change aligns with our platform strategy to expand operational leverage by centralising costs and improving scalability. We are exploring AI solutions and how they can lead to increased personalisation for our users, better descriptions for our sellers, and better service provided by ATG.

5. Grow the take rate via value-added services

In FY23, the Group take rate increased 0.3ppt to 3.6%, benefiting from the growth of value-added services where revenue grew 27% on a constant currency basis. Value-added services now accounts for 18% of total revenue, versus 9% three years ago. Marketing adoption continues to be a key growth driver for us with 59% of auctioneers using a marketing solution. We have continued to roll out new marketing assets including search advertising units and email segmentation as well as increasing our social media investments. We increasingly offer self-serve features as well as marketing subscription packages which provides us with significant opportunity to continue to grow marketing revenue beyond its current penetration at 0.5% of GMV.

Onboarding of auctioneers to atgPay has continued to progress with 91% of US based LiveAuctioneers and 38% of Proxibid auctioneers onboarded by the end of September. 61% of LiveAuctioneers' US Gross Transaction Value was transacted through atgPay in September, and we expect this to increase in FY24 as we roll out autopay on the marketplace. Activation of auctions with atgPay on Proxibid began in the third quarter and we have seen an improving rate of usage towards the end of the year, as we have continued to upgrade the product functionality.

We are very pleased with the launch of atgShip, an integrated shipping solution for LiveAuctioneers, where we have partnered with professional shipping services to provide a hassle-free solution. Just under 150 auctioneers had been onboarded by the end of the year, with over 1,500 lots shipped in the two-month trial. The service is now being rolled out across the LiveAuctioneers marketplace.

6. Pursue accretive M&A

In February, we acquired ESN for a purchase price of \$40m. The acquisition highlights ATG's opportunity to pursue accretive acquisitions in the fragmented used goods market and access synergies that are unique to ATG. Since acquisition, ESN has performed ahead of initial expectations, partly driven by growth in both the number of buyers and sellers on the listing site, including 121,000 net new subscribers joining ESN in FY23 taking the total number of subscribers to 1.1m. Growth has also been driven by strong execution against strategic initiatives, including the roll out of new marketing solutions with an increase in both the adoption and the quantity of advertising units, as well as an updated pricing structure for the site.


For FY24, we continue to see opportunities to further optimise the listing site whilst also executing on the cross-selling opportunities between ATG's 188m web sessions and ESN's 150m web sessions.

Progress against our ESG programmes

I am very proud of the progress we have made against our ESG strategy in FY23. We continue to look for ways to reduce our own environmental impact, and in FY23 we reduced our Scope 1 and 2 emissions by 26%, facilitated by the relocation of our Proxibid office to a smaller and more energy-efficient location. We have set up employee-led groups to discuss and champion ways to reduce our environmental impact further, whilst also improving our external reporting disclosures for a wider range of environmental KPIs. We are also committing to achieving Net zero as a Group by 2040. On social programmes, we launched All Together, our connection and development programme, which includes the ATG Academy and our new learning and developing courses, with over 60 training courses having been run in the year. Our newly launched ATG Values encompass everything that we do, driving the way ATG operates with a winning team made up of smart, passionate individuals who are connected to our purpose. We have also strengthened our governance frameworks including a new information security system which has been based on a recognised international standard.

Summary

Whilst the macroeconomic environment has become more challenging, ATG has been able to continue to deliver robust growth, supported by our increasingly diversified and resilient business model. With many of our strategic programmes, such as shipping and payments, still early in their roll out, I have confidence that we can continue to grow and to monetise more of the opportunity in the fragmented online auction market. ATG's market position, track record, team and sustainable shared success model leave us very well positioned to continue to deliver value for all our stakeholders.



John-Paul Savant
Chief Executive Officer

30 November 2023