



Vertu
Motors plc

Analyst and Investor Presentation

Interim Results

For the six month period ended 31 August 2022



Agenda

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First Half Highlights – Robert Forrester CEO



First Half Financial Results – Karen Anderson CFO



Strategic Update, Outlook & Summary – Robert Forrester CEO

At A Glance

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Half Year
(Six Months Ended
31 August 2022)



Revenue **£2.0bn**
(H1 FY22: £1.9bn)



Margin **11.2%**
(H1 FY22: 11.6%)



Adjusted
PBT **£28.2m**
(H1 FY22: £51.8m)



90,016 total cars
sold
(H1 FY22: 100,083)

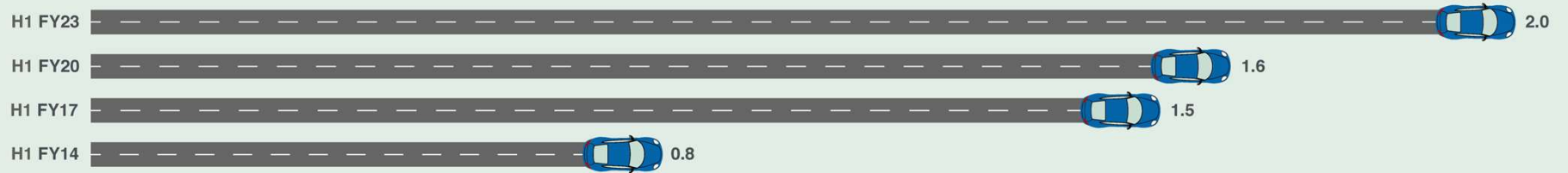


9,814 total vans
sold
(H1 FY22: 11,068)



308,081 vehicles
repaired
(H1 FY22: 309,066)

**Group
Revenues (£'bn)**



October 2022
Sales Outlets

160



■ Volume 100 ■ Premium 60



**Tangible
net assets (£'m)**



**Tangible net assets
per share (pence)**



Colleagues

2022                                 

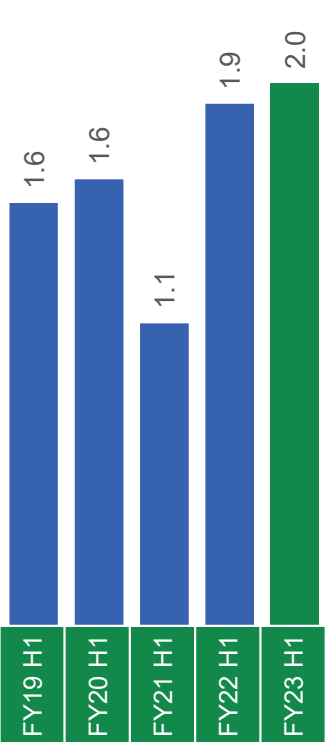
H1 FY23 Highlights – Continued execution against strategic goals

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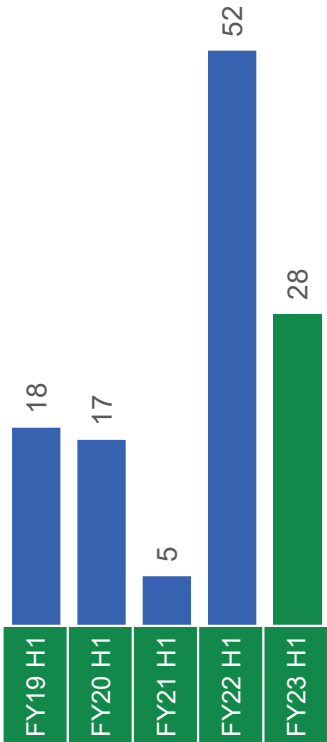
Portfolio Management	Digitalisation	Financial	Colleague Focus
 <p>Expansion with Toyota with commencement of operations in the West of Scotland</p> <p>Continued multi-franchising activity to aid long-term sustainability</p> <p>Growing market share in all new vehicle channels</p> <p>Growth of ancillary businesses through acquisitions</p> <p>Continued investment in trading brands; Bristol Street Motors one of the highest ranking franchised automotive retail brands in England and Wales (Source: YouGov)</p>	 <p>Continued development of the technological platforms</p> <p>Enhancement of customer sales journey such as reservation fees and concierge service</p> <p>Data driven decision making particularly in used vehicle valuations and pricing</p> <p>Aftersales self-service check-in being rolled out</p>	 <p>Growth in revenues: Group now the fourth largest automotive retailer in the UK</p> <p>7.7% increase in interim dividend</p> <p>10.5m shares repurchased since 1 March 2022 representing 2.9% of opening shares in issue</p> <p>New £3m buyback programme approved</p> <p>Energy strategy developed to minimise cost</p> <p>Strong asset backing with considerable firepower for expansion</p>	 <p>Vacancies substantially reduced</p> <p>Record number of apprentices recruited</p> <p>Workplace engagement strategy implemented</p> <p>Retention strategies include enhanced benefits, greater work life balance</p> <p>Strong satisfaction levels exhibited amongst colleagues</p> <p>Management development programmes, scaled up</p>

H1 FY23 Financial KPI's

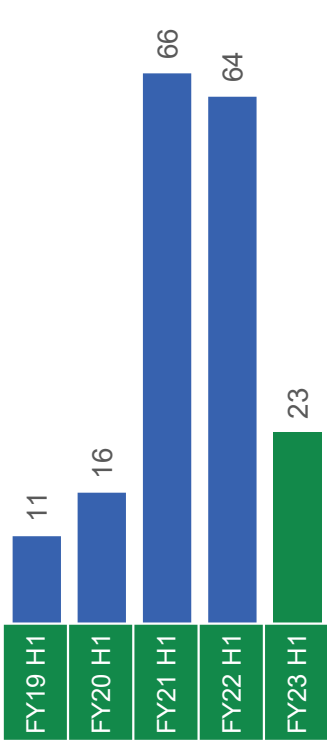
Revenue £'bn



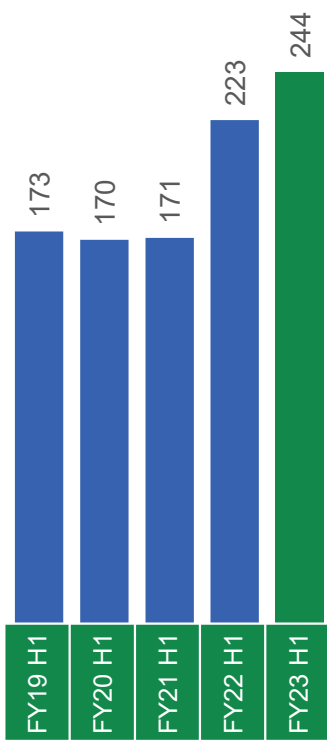
Adjusted PBT £'m



Free Cash Flow £'m



Tangible Net Assets £'m



Financial Results

Karen Anderson CFO



Income Statement

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£'m (unless otherwise stated)	6 months ended 31 August		
	2022	2021	% Change
Revenue	1,999.7	1,924.1	+3.9
Gross profit	223.7	223.1	+0.3
Gross margin %	11.2%	11.6%	- 0.4
Government support (rates and CJRS)	-	5.6	-
Operating expenses	(192.4)	(173.3)	+11.0
Adjusted¹ operating profit	31.3	55.4	- 43.5
Net finance charges	(3.1)	(3.6)	- 13.9
Adjusted¹ profit before tax	28.2	51.8	- 45.6
Non-underlying items	(1.3)	(0.7)	+85.7
Profit before tax	26.9	51.1	- 47.4
Underlying effective tax rate %	19.8%	20.9%	- 1.1
Adjusted ¹ Basic EPS (pence)	6.50p	11.32p	- 42.6
Dividend per share (pence)	0.70p	0.65p	+7.7

Gross Margin: strong pricing disciplines in constrained supply environment continues to underpin margins

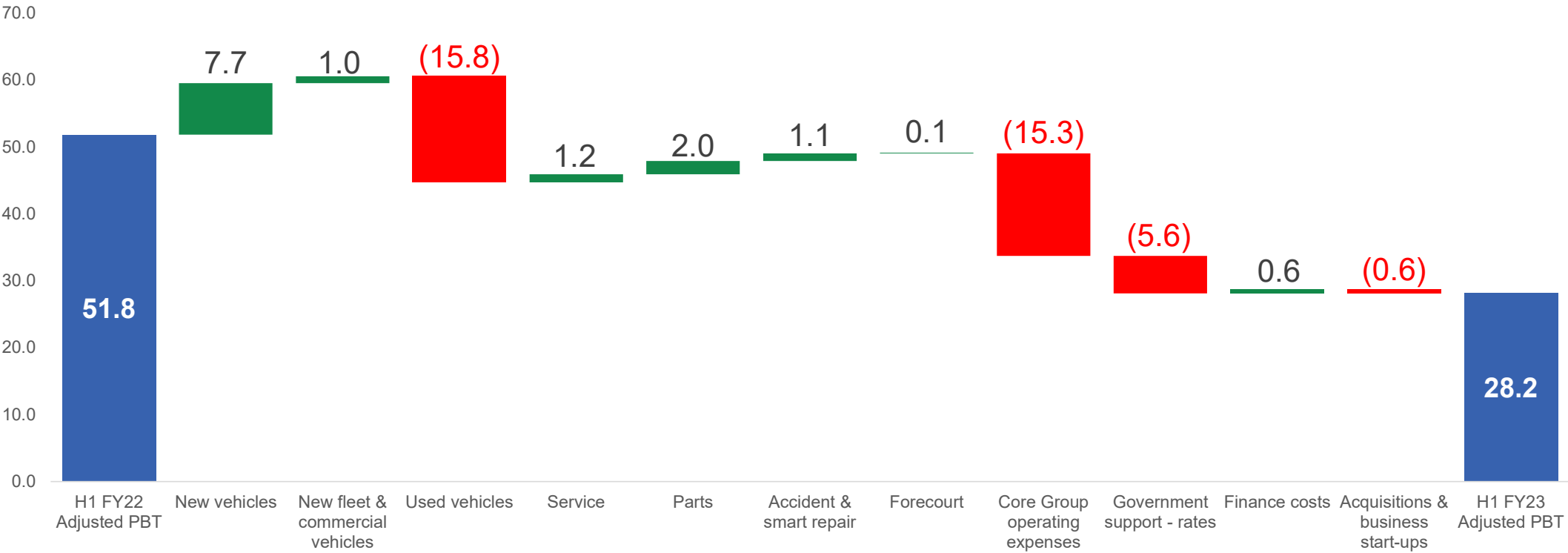
Operating Expenses: impacted by pay rises, investment in digitalisation and removal of Government support

Net Finance Charges: aided by interest income on cash deposits

¹ Excluding non underlying items (share based payments and amortisation of intangibles)

Profit Bridge

Core Group Gross Profit Movement: - £2.7m



All values in £'million

Costs – inflationary headwinds

£'m	6 months ended 31 August		
	2022	2021	Variance
Salary cost	108.4	99.8	8.6
Vehicle and valeting costs	18.5	17.5	1.0
Marketing costs	18.5	17.7	0.8
Property costs and rates	19.6	19.6	-
Energy costs	2.1	2.1	-
Other	19.7	14.8	4.9
Core Group operating expenses	186.8	171.5	15.3
Non-Core operating expenses	5.6	1.8	3.8
	192.4	173.3	19.1
Government support	-	(5.6)	5.6
Group operating expenses	192.4	167.7	24.7

Salary Cost Variance	£'m
Pay awards	4.8
Additional headcount	2.6
NMW and NIC rate increase	2.0
Commissions & bonuses	(0.8)
	8.6

Salary costs: significant additional headcount includes substantial investment in apprentices

Marketing costs: continued investment in brand, partnerships and sponsorship; prompted brand awareness remains very strong for core Bristol Street Motors brand

Other costs: reflect both the normalisation of activity and cost structure post-lockdown, such as training, travel and investment in IT infrastructure (including cyber security)

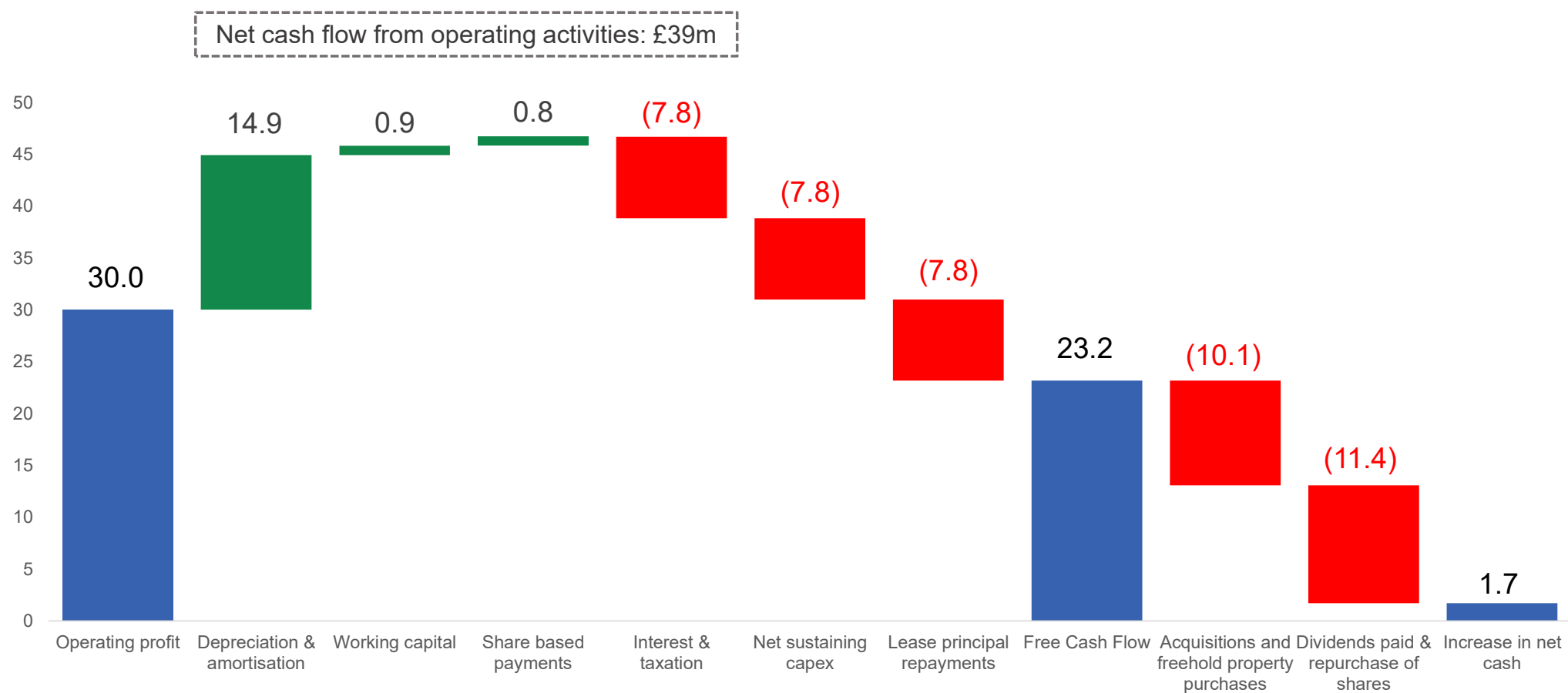
Costs – Energy

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Contract Position	Purchasing Strategy	Energy Saving	Capital Investment
 <p>Group fixed price electricity supply contract at below current market rate per kWh expired 30 September 2022</p> <p>Group uses in the order of 23,000,000 kWh of electricity per annum</p> <p>Gas price fixed at below current market rate until 31 October 2024</p>	 <p>New energy purchasing strategy developed</p> <p>Medium-term targets:</p> <ul style="list-style-type: none">• source 40% of Group's energy requirement from Off-Grid generation• self-generation of a further 10% of Group's electricity requirements through solar panel investment	 <p>'War on waste' initiative targets improved colleague behaviours to reduce energy use</p> <p>5% reduction in kWh usage seen in H1 FY23 compared to prior year as a result of this initiative</p>	 <p>£1.5m further investment in replacement of lighting to LED with 12 month roll out now commenced</p> <p>£3.0m investment approved for installation of solar roof panels on 46 of the Group's dealerships to achieve self generation target – payback approximately 4 years</p>

Strong Free Cash Flow

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All values in £'million

Capital Allocation Discipline

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Net cash position of £17.8m at 31 August 2022 (net of £12.4m used vehicle stocking loan utilisation)
Tangible net assets of £244m (tangible net assets per share 71.2p)
Significant firepower available to invest of c.£100m

Investment in growth		Return to Shareholders	
Acquisitions and Growth	Reinvest in Operations	Dividends	Share Buyback
<ul style="list-style-type: none"> Wiperblades.com acquisition completed in July 2022 augmenting the Group's digital parts sales offering Expansion with Toyota in Scotland progressing, second outlet will open in Hamilton in October 2022 and construction of third dealership in Ayr planned Opening of Stockton Motornation used car operation in May 2022 	<ul style="list-style-type: none"> £15.3m total capital expenditure invested to date, including property purchase of 6 outlets in Derby acquired in April 2022 for £7m Total capital expenditure spend of c.£27m anticipated in FY23: <ul style="list-style-type: none"> Toyota expansion in Scotland Ongoing multi-franchising strategy Investment in solar and electric vehicle charging 	<ul style="list-style-type: none"> Interim dividend of 0.70p recommended (increase 7.7%) Dividend cover on normalised EPS of 3-4 times targeted Cash cost £2.4m of interim dividend, payable in January 2023 	<ul style="list-style-type: none"> 10.5m shares (2.9% of share capital in issue at 1 March 2022) repurchased for £5.9m Further £3m Share Buyback programme approved £2m share repurchase into Employee Benefit Trust

Balance Sheet

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	31 Aug 2022 £'m	31 Aug 2021 £'m	28 Feb 2022 £'m
Intangible assets	107.5	101.5	105.2
Retirement benefit asset	5.1	7.9	9.1
Right of use assets	74.6	81.2	78.3
Tangible assets	261.7	246.9	254.1
Non-current assets	448.9	437.5	446.7
Current assets	569.0	435.6	526.9
Property assets held for sale	-	1.0	-
Cash and cash equivalents	85.9	113.5	83.8
Total assets	1,103.8	987.6	1,057.4
Current liabilities	(585.3)	(501.3)	(544.6)
Non-current liabilities	(25.4)	(23.6)	(24.5)
Lease liabilities	(85.1)	(91.4)	(88.8)
Borrowings	(68.0)	(56.2)	(67.6)
Net assets	340.0	315.1	331.9
Tangible net assets	243.7	222.6	237.5
Tangible net assets per share (pence)	71.2	61.5	66.8

Current Assets: New vehicle stock levels rising

Vehicle Inventory



	31 Aug 2022 £'m	28 Feb 2022 £'m	Variance £'m
New vehicles	291.9	274.9	+17.0
Demonstrators	39.0	30.9	+8.1
Used vehicles	150.0	155.0	(5.0)
	480.9	460.8	+20.1

Used retail
vehicle
inventory

Vehicle inventory (units) Aug FY23	Units (+/- %) v Feb FY22	Price per unit (+/- %) v Feb FY22
8,322	+4.2%	(8.4%)

Strategic Update

Robert Forrester CEO



Consistent Group Strategy

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Mission & Values

To aim for every dealership to be the best retailer in their respective town or city

To deliver an outstanding customer motoring experience through honesty and trust

Vertu Motors to be the most admired and respected dealer group in the automotive industry

PASSION | RESPECT | PROFESSIONALISM | INTEGRITY | RECOGNITION | OPPORTUNITY | COMMITMENT

Strategic Goals



Growth

To grow as a major scaled franchised dealership group and to develop our portfolio of Manufacturer partners, whilst being mindful of industry development trends, to maximise returns



Digitalisation - Cohesive 'bricks and clicks' strategy

- Omni-channel development leveraging 'Click2Drive' technology and sub-brand
- Digitalise aftersales process
- Reduce cost base, deliver efficiency through use of systems
- Utilise data driven decision making to enhance returns



Colleague & Customer focus

To develop and motivate the Group's colleagues to ensure consistency of operational excellence and delivery to customers across the business



Ancillary businesses

To develop ancillary businesses to add revenue and returns which complement the core business

Sustainability Goals



Work with our Manufacturer partners to provide increasingly sustainable choices for customers



Reduce the environmental impact of our business



Care for our colleagues and support our communities



Vertu Motors plc

Interim Results FY23

Vehicle Sales: UK Market Trends

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New Vehicles

Market:

UK vehicle registration forecast 2022¹

1.60 million

↓**2.8%** on 2021 registrations

↓**35.4%** on pre-pandemic levels

Electrification and parc dynamics:

UK BEV registrations ↑**48.8%** (8 months to Aug '22)
taking 14.0% of the total market (2021: 8.4%)

Vehicle parc expected to grow from 2022 to 2032⁴

2032 parc expected to be 35% BEV⁴

¹ Source SMMT July 2022 forecast

² Source SMMT used vehicle Q2 2022 Update

³ Source CAP HPI

⁴ Source Autotrader



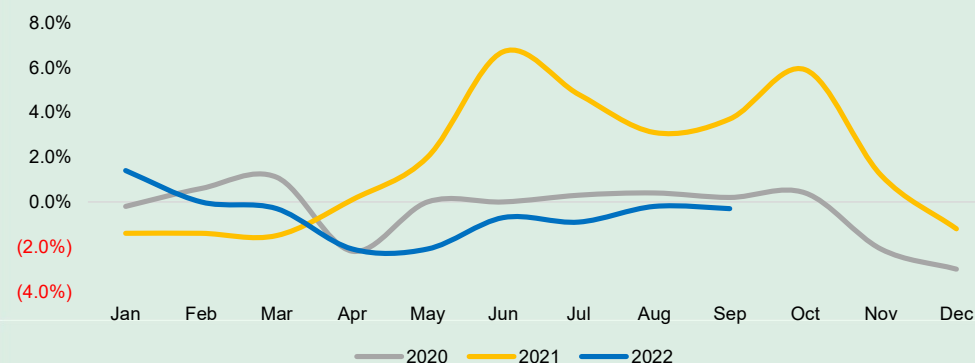
Used Vehicles

Six months to June 2022 UK used vehicle transactions² **3.53 million**

↓**8.3%** on last year

↓**12.8%** on pre-pandemic 2019

Monthly % Movement in values – UK Market (3-years 60k miles)³



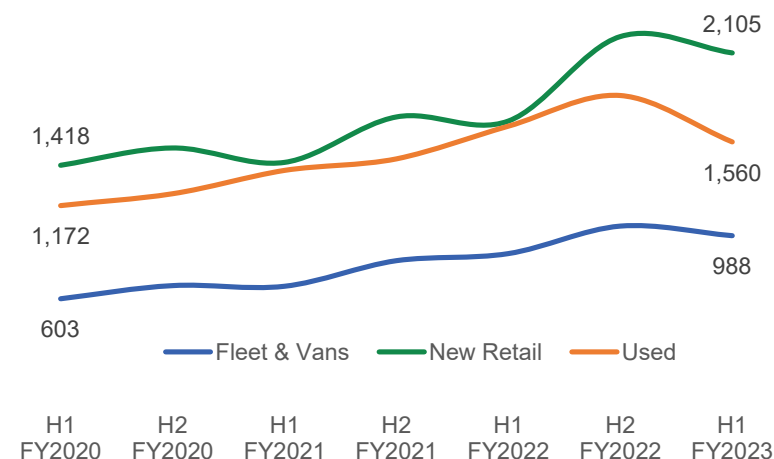
Group Vehicle Sales Performance

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Like-for-Like Vehicle Volumes – 6 month period ended 31 August 2022

	H1 FY2023 Units	H1 FY2022 Units	Group Like- for-like % Change	UK % Change (SMMT) ¹	Group Like- for-like v SMMT %
Retail	16,561	17,813	(7.0)	(2.8)	(4.2)
Motability	4,385	4,741	(7.5)	(19.3)	+11.8
Fleet & agency	10,190	11,609	(12.2)	(28.0)	+15.8
Commercial vans	8,440	9,904	(14.8)	(25.5)	+10.7
Total new vehicles	39,576	44,067	(10.2)		
Used vehicles - retail	41,491	48,948	(15.2)		
Used vehicles – trade	13,765	16,705	(17.6)		
Total vehicles sold	94,832	109,720	(13.6)		

Gross Profit Per Unit £



Growing Group Share of UK Market H1 FY2023

Private Retail	Fleet	Vans
4.1% (FY22: 4.0%)	4.6% (FY22: 3.3%)	6.0% (FY22: 5.0%)

¹ Source SMMT

² Total Group

Core Group v FY22 H1	New	Fleet & Vans	Used
Selling price per unit (£)	24,294	24,191	19,958
Change in SPPU (£)	+2,841	+337	+3,765
Gross profit change (£'m)	+7.7	+1.0	(15.8)
Gross margin %	8.5%	4.7%	7.9%
Gross margin % change	+1.2%	+0.5%	(2.4%)







Vertu Motors plc

Interim Results FY23

Group Aftersales Performance

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Like-for-like H1 FY23 v H1 FY22	 Service	 Parts	 Accident & Smart Repair	 Forecourt	Total
Revenue ¹ (£'m)	80.5	93.3	9.8	6.7	190.3
Revenue ¹ Change %	4.8%	8.6%	30.4%	93.1%	9.6%
Gross profit change (£'m)	+1.2	+2.0	+1.1	+0.1	+4.4
Gross Margin ² %	74.8%	22.5%	53.2%	5.9%	45.6%
Gross Margin ² % change	(2.0%)	+0.4%	(1.5%)	(2.2%)	(1.8%)

Service revenue mix – Core Group

	H1 FY23 £'m	H1 FY22 £'m	%Change
Retail	36.2	35.0	+3.4
Internal	19.3	17.1	+12.9
Warranty	9.1	9.9	(8.1)
Total Labour Sales	64.6	62.0	+4.2
Other revenues	15.9	14.8	+7.4
Total revenues	80.5	76.8	+4.8

¹ Includes internal and external revenue

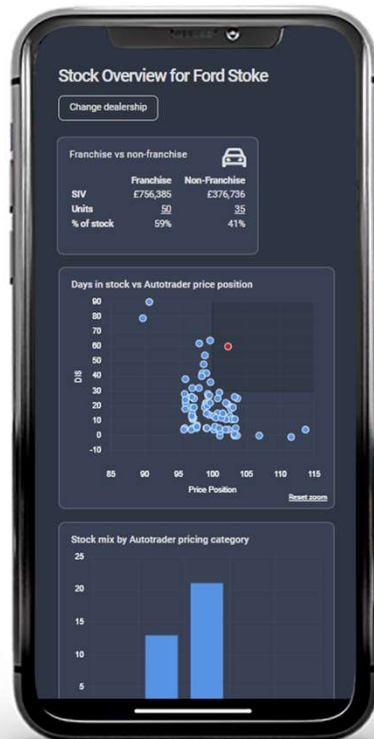
² Margin in aftersales expressed on internal and external revenue

 Digital Conquest Strategy	 Average invoice value	 Customer retention
H1 FY23: Over 13,000 bookings +32%	H1 FY23: £291 +6.1% (H1 FY22: £275)	Over 169,000 live service plans in place

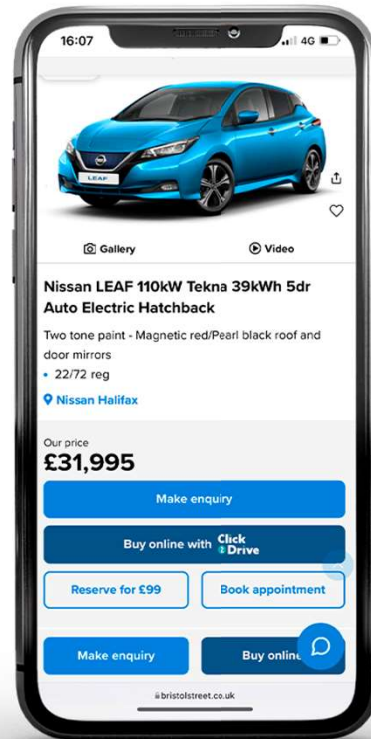
Digitalisation

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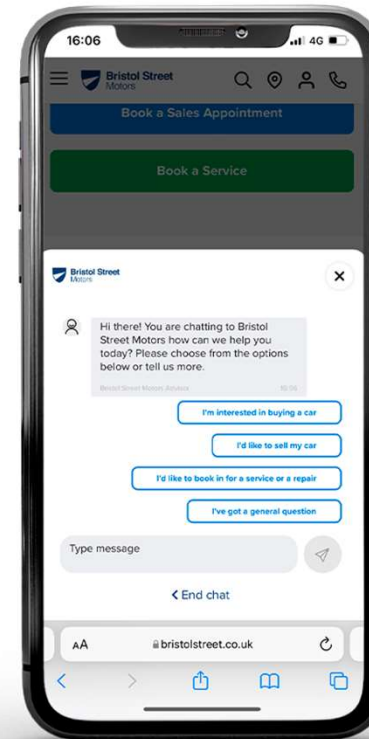
Used Car Analytics



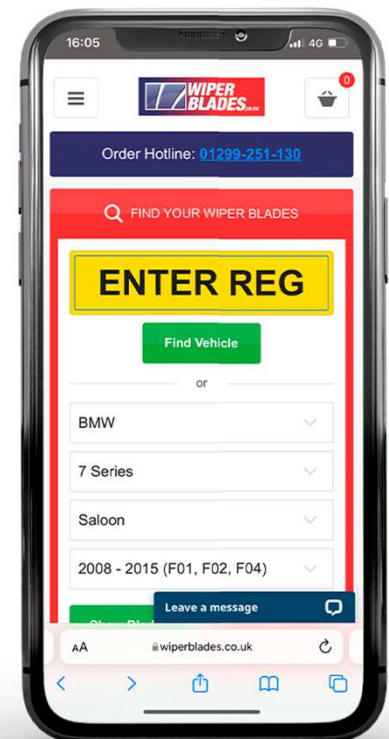
Online Reservation



Concierge Service



Wiperblades.co.uk



Colleague Focus

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Engagement and Retention

- UK labour shortages reducing, with Group vacancy levels improved over the Period (500 to 400)
- Colleague forums provide effective feedback to enhance colleague satisfaction and improve business
- Full review and implementation of revised colleague pay levels completed
- Work life balance focus, increased holiday entitlement and new patterns of working
- New sales advisor role with higher basics, reduced commission and fixed retail sector-style shifts aiding recruitment and retention in sales
- 86.6% consider Group a great place to work



Training and Development

- Pace of sector change drives need for enhanced training and skills development
- Group has significant investment in apprentice programmes, including technicians vital for EV transition
- 100 customer service apprentices recruited since 1 March
- Expanded development programmes facilitate progression to management roles
- Dale Carnegie Institute partnership provides personal development training online to all colleagues and enhanced line manager development programmes

Current Trading & Outlook

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Current Trading

- Full year results expected to exceed current market expectations
- Supply constraints remain evident and volatile impacting new, fleet and commercial sales volumes
- Vehicle sales margins remain robust driven by supply environment, with stability in used vehicle values
- Demand for used vehicles more subdued in September
- Aftersales performance impacted by loss of revenue on National Day of Mourning but aided by higher resource levels
- September overall profitability was, as anticipated below prior year levels: third highest September recorded

Outlook

- Tightness of vehicle supply expected to continue well into 2023
- Vehicle margins anticipated to remain strong
- Government support for business energy costs for the next six months and reduction in Employers' National Insurance will provide some relief from inflationary cost pressures
- Mercedes-Benz passenger cars first of the Group's Manufacturer partners to move to genuine agency model from 1 January 2023
- Strong pipeline of acquisitions apparent

Full year results expected to exceed current market expectations

Summary

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Group well-capitalised and asset backed



Significant firepower to expand operations and scale



Digitalisation gathering pace in impact, benefiting customers and productivity



People-focus provides talented, motivated colleagues to serve customers



Group excited to benefit from pace of change and high level of opportunities

Definitions of key terminology

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Core:

Comparison against H1 FY2022

Dealerships that have traded for the full period of March to August 2021 and March to August 2022

Like-for-like:

Dealerships that have comparable trading periods in two consecutive financial years, only the comparable period is measured as “like-for-like”

H1 FY2023:

The six month period ended 31 August 2022

H1 FY2022:

The six month period ended 31 August 2021

H1 FY2021:

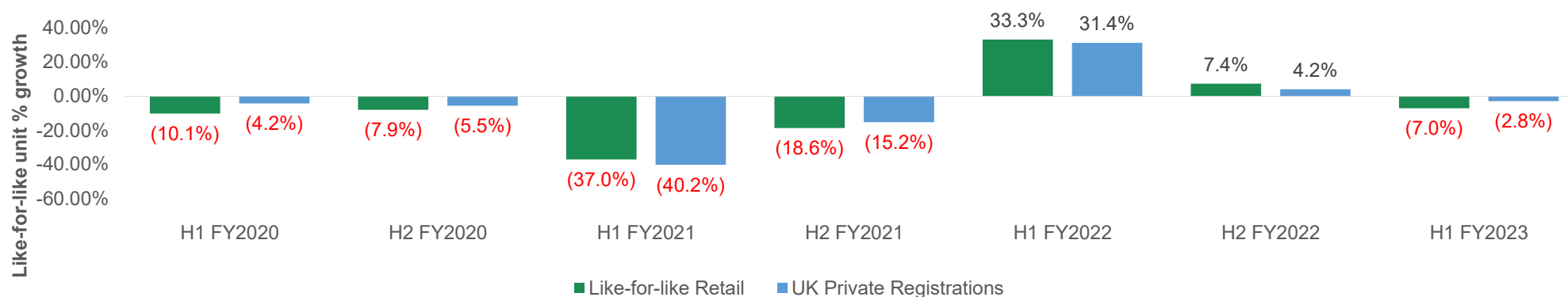
The six month period ended 31 August 2020

New Retail Vehicle Trends

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	H1 FY2020	H2 FY2020	H1 FY2021	H2 FY2021	H1 FY2022	H2 FY2022	H1 FY2023
Selling price per unit ^[1] (£)	18,355	18,726	19,789	19,980	21,423	22,539	24,062
Gross profit per unit ^[1] (£)	1,418	1,524	1,436	1,714	1,688	2,205	2,105
Margin (Group) ^[1]	7.1%	7.4%	6.7%	7.9%	7.3%	9.5%	8.5%
Margin (Core Group) ^[1]	7.2%	7.4%	6.7%	8.0%	7.4%	9.6%	8.5%
Like-for-like unit (Retail) growth/(decline)	(10.1%)	(7.9%)	(37.0%)	(18.6%)	33.3%	7.4%	(7.0%)
UK private registrations ^[2] growth/(decline)	(4.2%)	(5.5%)	(40.2%)	(15.2%)	31.4%	4.2%	(2.8%)

Like-for-like new retail unit growth/(decline) versus UK market



^[1] Includes Motability sales

^[2] Source SMMT

Fleet and Commercial Vehicle Trends

	H1 FY2020	H2 FY2020	H1 FY2021	H2 FY2021	H1 FY2022	H2 FY2022	H1 FY2023
Selling price per unit (£)	20,662	20,518	21,494	23,494	23,850	24,874	24,109
Gross profit per unit (£)	603	683	679	834	878	1,046	988
Margin (Group)	3.4%	4.0%	3.8%	4.1%	4.2%	4.8%	4.7%
Like-for-like unit growth/(decline) (Fleet)	4.6%	18.2%	(50.2%)	(33.4%)	63.0%	(6.8%)	(12.2%)
UK car fleet registrations ^[1] growth/(decline)	(1.3%)	3.8%	(50.6%)	(15.8%)	48.0%	(32.0%)	(28.0%)
Like-for-like unit growth/(decline) (Vans)	2.0%	(10.5%)	(38.8%)	26.1%	58.5%	(19.2%)	(14.8%)
UK van commercial registrations ^[1] growth/(decline)	12.4%	(8.9%)	(43.3%)	12.6%	64.4%	(13.8%)	(25.5%)

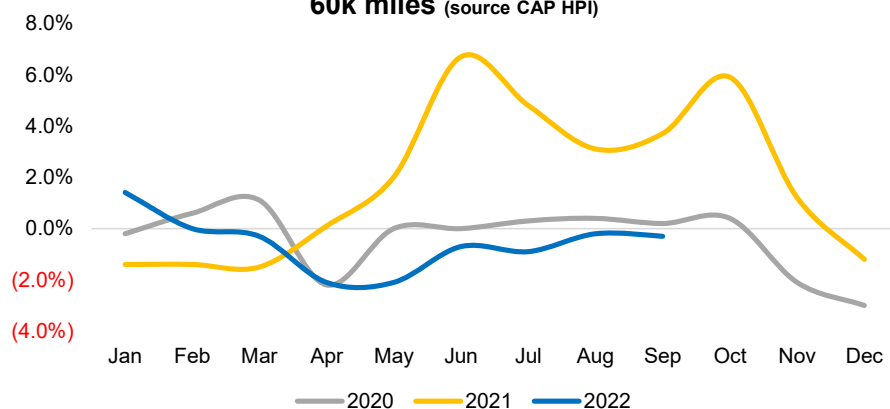
^[1] Source SMMT

Used Vehicle Trends

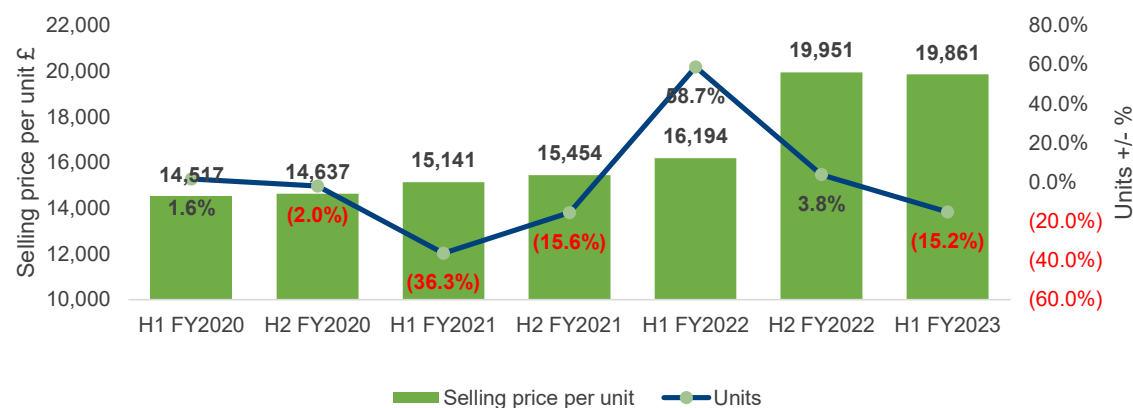
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	H1 FY2020	H2 FY2020	H1 FY2021	H2 FY2021	H1 FY2022	H2 FY2022	H1 FY2023
Selling price per unit (£)	14,517	14,637	15,141	15,454	16,194	19,951	19,861
Gross profit per unit (£)	1,172	1,244	1,386	1,458	1,657	1,844	1,560
Margin (Group)	8.1%	8.5%	9.2%	9.4%	10.2%	9.2%	7.9%
Margin (Core Group)	8.3%	8.8%	9.3%	9.7%	10.4%	9.5%	7.9%
Like-for-like unit growth/(decline)	1.6%	(2.0%)	(36.3%)	(15.6%)	58.7%	3.8%	(15.2%)

**Monthly value movements in used vehicles at 3-years
60k miles (source CAP HPI)**

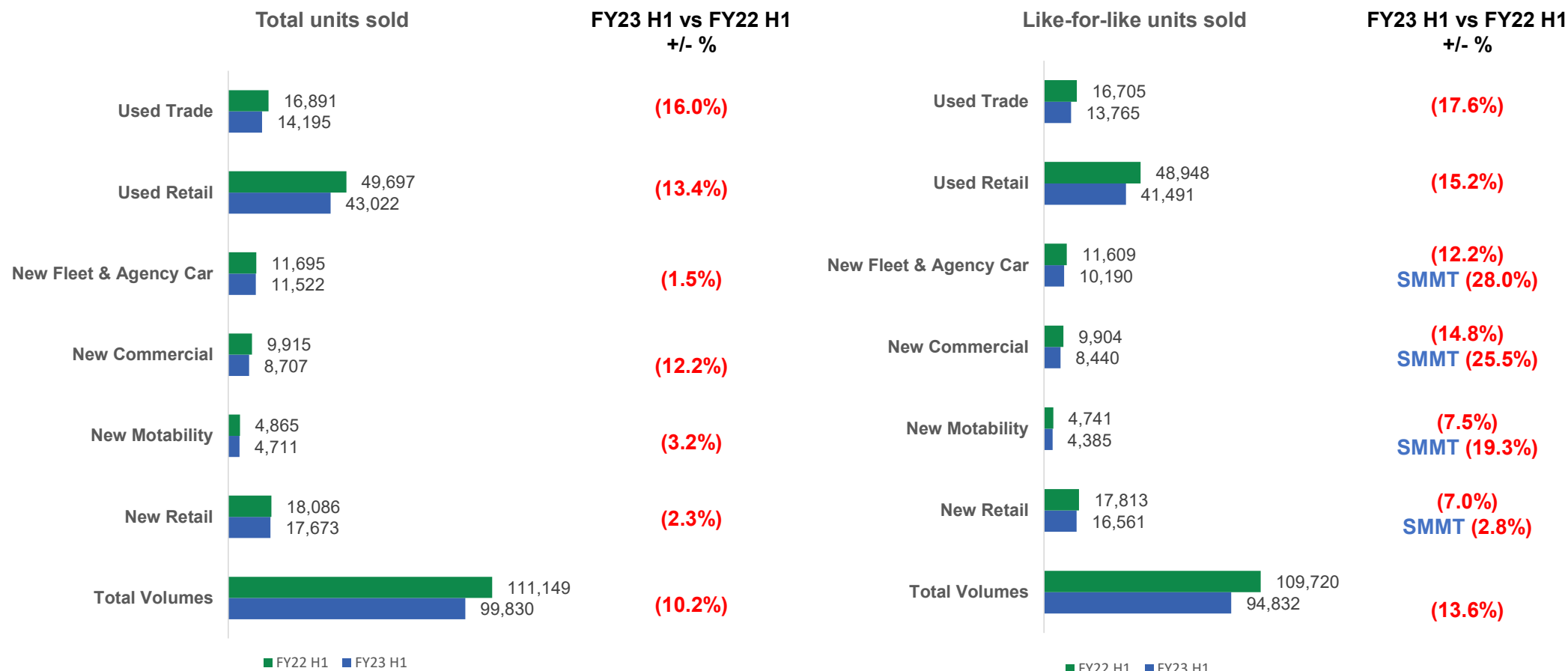


Like-for-like movement in used units and Group selling price per unit



Vehicle Volumes Sold

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Net Debt

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	Facilities at 31 Aug 22 £'m	Drawn at 31 Aug 22 £'m	Facilities at 28 Feb 22 £'m	Drawn at 28 Feb 22 £'m
5 year acquisition facility (from February 2019)	62.0	44.0	62.0	44.0
20 year mortgage facility (from December 2020)	11.7	11.7	12.7	12.0
1 year working capital facility (from May 2021)	48.0	-	48.0	-
Total committed facilities	121.7	55.7	122.7	56.0
Cash		(85.9)		(83.8)
Adjusted net cash¹		(30.2)		(27.8)
Used vehicle stocking loans	35.0	12.4	35.0	11.6
Overdraft	5.0	-	5.0	-
Total facilities	161.7		162.7	
Net cash (excluding lease liabilities)		(17.8)		(16.2)
Lease liabilities		85.1		88.8
Total net debt		67.3		72.6

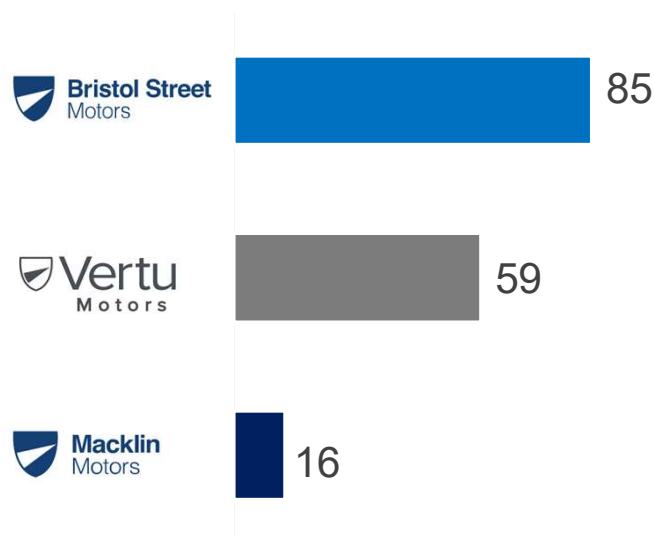
Used Vehicle Loans: £12.4m drawn, £150.0m used vehicle inventory level, 12 times cover

Hedging: £22m (50%) of floating rate bank borrowing covered by interest rate hedges

¹ Excludes used vehicle stocking loans and lease liabilities

Dealership Portfolio

160 sales outlets



	Outlets	Bristol Street Motors		Macklin Motors		Vertu Motors	
Volume	Ford	20	19	1			
	Vauxhall	15	14	1			
	Hyundai	12	9	3			
	Nissan	11	9	2			
	Renault	9	8	1			
	Peugeot	8	6	2			
	Citroen	6	6				
	SEAT	4	4				
	Skoda	4	4				
	Kia	3		1			2
	MG	3	2	1			
	Mazda	2	1	1			
	Total Volume	97	82	13			2
Premium	Honda	14					14
	Volkswagen	8					8
	Land Rover	6					6
	Mercedes-Benz	5					5
	BMW	5					5
	Mini	5					5
	Toyota	5		2			3
	Jaguar	3					3
	Audi	1					1
	Total Premium	52			2		50
Other	Honda Motorcycles	3					3
	BMW Motorcycles	1					1
	Volkswagen Commercial Vehicles	1					1
	Mercedes-Benz Commercial Vehicles	1					1
	LEVC	1			1		
	Other Used Car Operations	4	3				1
	Total Other	11	3		1		7
	Total Group	160	85	16			59

Disclaimer

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This presentation contains forward looking statements. Although the Group believes that the estimates and assumptions on which such statements are based are reasonable, they are inherently uncertain and involve a number of risks and uncertainties that are beyond the Group's control.

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