

Acquisition of Helston Garages Group Ltd

December 2022



Vertu Group Strategy

Acquisition Highlights, Transaction Metrics and Overview

Expanded Footprint

Financial Impact: EPS and FCF Accretive

Acquisition Structure and Funding

Conclusion

Vertu Group Strategy – consistent application

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

**Acquisition Highlights,
Transaction
Metrics and Overview**



Acquisition of Helston Group

Clear strategic logic

Dramatic scale expansion into new region

Strengthened premium Manufacturer relationships

Creating shareholder value, accretive to EPS and Free Cash Flow

Financed through new and enhanced debt facilities

Acquisition Highlights

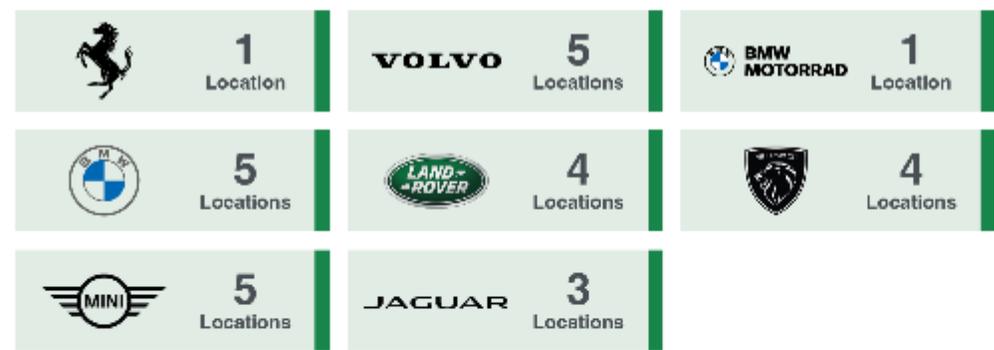
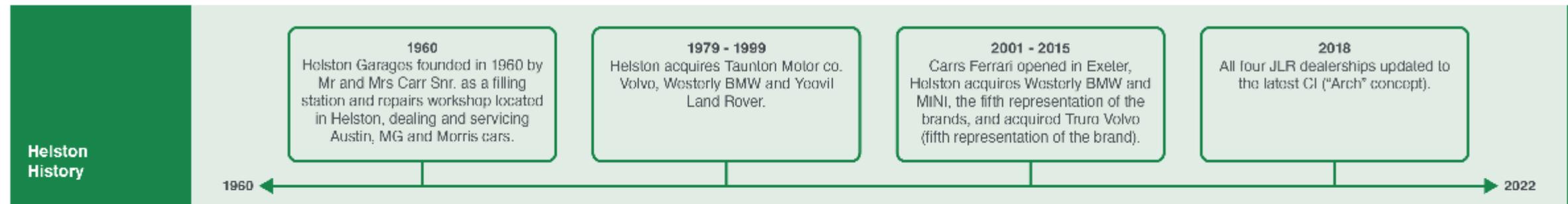
“To grow as a major scaled franchised dealership group and to develop our portfolio of Manufacturer partners, whilst being mindful of industry development trends, to maximise returns”

Growth	Vertu Track Record	Financial	Integration
 <p>Delivers immediate scale boosting sales outlets by 28 (17%) in one transaction to 192</p> <p>New and attractive geographic territory extending the Vertu and Bristol Street Motors brands</p> <p>Volvo and Ferrari brands added to the Group</p> <p>Increased premium mix, strengthening relationships with BMW, MINI and Jaguar Land Rover</p>	 <p>Well respected and growing dealership Group founded in 2006</p> <p>Significant well-invested freehold property portfolio</p> <p>Strong Manufacturer brand relationships & customer experience levels</p> <p>Good earnings track record, with scope to leverage the Group’s scale to maximise operational and financial performance</p>	 <p>Consideration £117m net of anticipated cash acquired, including freehold property portfolio valued at £66.7m</p> <p>EV/EBITDA of 6.8x¹</p> <p>Acquisition will be funded from existing cash, new mortgage facilities and renewed RCF</p> <p>Net debt/Adjusted EBITDA² less than 1.4x at 28 Feb 2023</p> <p>Synergies of at least £3.2m per annum in FY25</p>	 <p>Dedicated project management team with a full integration plan</p> <p>Activity will commence in Jan 2023 with targeted completion of system and process integration by end of March 2023</p> <p>All outlets to be rebranded to Vertu Motors and Bristol Street Motors (except Carrs Ferrari)</p>

(1) Based on average EBITDA 2019-2022 of acquired assets

(2) Adjusted EBITDA based on owning the acquired assets for 12 months and excluding one-time deal costs of c.£2.5m

Helston Acquired Businesses

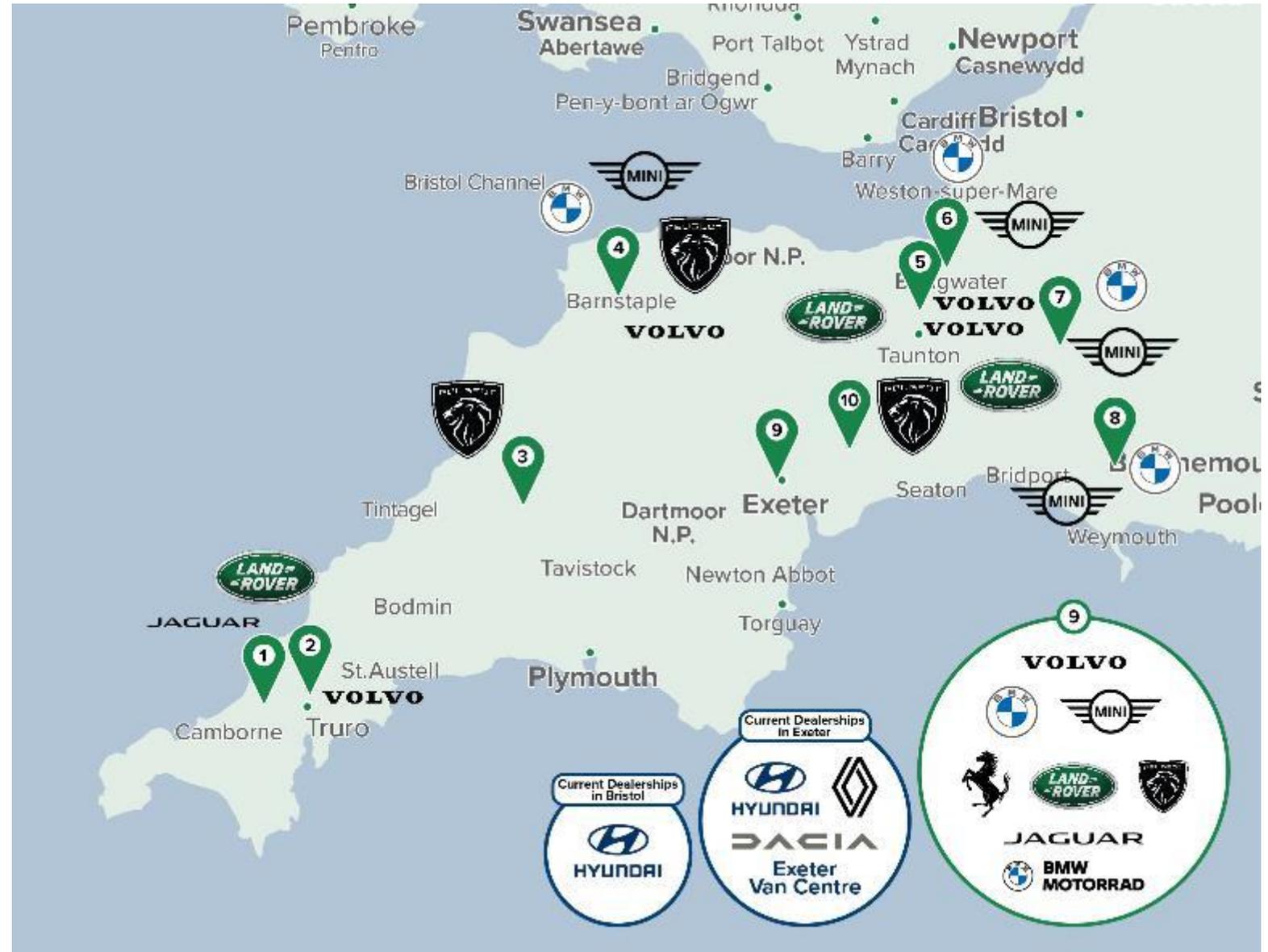


Expanded Footprint



Locations by Brand

- | | | |
|----|-------------------|--|
| 1 | West Truro | Jaguar
Land Rover |
| 2 | Truro | Volvo |
| 3 | Launceston | Peugeot |
| 4 | Barnstaple | Peugeot
Volvo
BMW
MINI |
| 5 | Taunton | Jaguar
Land Rover
Volvo |
| 6 | Bridgwater | BMW
MINI |
| 7 | Yeovil | BMW
MINI
Land Rover
Volvo |
| 8 | Dorchester | BMW
MINI |
| 9 | Exeter | Ferrari
Jaguar
Land Rover
BMW
MINI & Motorrad
Peugeot
Volvo
Accident Repair Centre - Exeter |
| 10 | Honiton | Peugeot |



Dealership Portfolio – Enlarged Group



📍 Helston
 📍 Bristol Street Motors
 📍 Vertu Motors

	Enlarged Group	Bristol Street Motors	Macklin Motors	Vertu Motors	Helston	
Volume	Ford	20	19	1	-	
	Vauxhall	16	15	1	-	
	Hyundai	12	9	3	-	
	Peugeot	12	6	2	4	
	Nissan	11	9	2	-	
	Renault	9	8	1	-	
	Citroen	7	7	-	-	
	SEAT	4	4	-	-	
	Skoda	4	4	-	-	
	Kia	3	-	1	2	
	MG	3	2	1	-	
	Mazda	2	1	1	-	
	Total Volume	103	84	13	2	4
Premium	Honda	14	-	-	14	
	Land Rover	10	-	-	6	4
	BMW	10	-	-	5	5
	MINI	10	-	-	5	5
	Volkswagen	8	-	-	8	-
	Jaguar	6	-	-	3	3
	Mercedes-Benz	5	-	-	5	-
	Toyota	5	-	2	3	-
	Volvo	5	-	-	-	5
	Ferrari	1	-	-	-	1
	Audi	1	-	-	1	-
Total Premium	75	-	2	50	23	
Other	BMW Motorcycles	4	-	-	3	1
	Honda Motorcycles	3	-	-	3	-
	Volkswagen Commercial Vehicles	1	-	-	1	-
	Vehicles	1	-	-	1	-
	LEVC	1	-	1	-	-
	Other Used Car Operations	4	3	-	1	-
Total Other	14	3	1	9	1	
Total Group	192	87	16	61	28	

**Financial impact: EPS and
FCF accretive**



Delivering Shareholder Value

Helston acquisition consistent with Capital Allocation policy

Investment in growth		Return to Shareholders	
Acquisitions and Growth	Reinvest in Operations	Dividends	Share Buyback
<ul style="list-style-type: none">• Double Digit EPS accretion from FY24• Free Cash Flow Accretive from FY25• Acquisition ROCE in excess of current Group WACC	<ul style="list-style-type: none">• £7m incremental capex required in FY24, including refurbishment of two acquired locations• Surplus property expected to deliver proceeds of approx. £1m	<ul style="list-style-type: none">• Dividend policy remains unchanged• Targeting cover on normalised EPS of 3-4 times	<ul style="list-style-type: none">• £3m Share Buyback programme approval remains in place

Acquired Business Performance – Historic profitability

£'m (unless otherwise stated)	Actual Year to 31 December 2019	Actual Year to 31 December 2020	Actual Year to 31 December 2021	12 months to 31 October 2022
Acquired business profitability				
Revenue	522.5	406.9	498.9	489.7
Underlying Operating profit	10.0	7.9	18.1	22.9
Net finance charges (vehicle stocking charges)	(1.0)	(0.9)	(0.2)	(0.2)
Underlying¹ Profit before tax	9.0	7.0	17.9	22.7
Underlying¹ EBITDA (Excl. IFRS 16 impact)	13.5	11.4	20.6	25.3
Average adjusted EBITDA 2019-2022	£17.7m			

¹ Excludes property impairment charges, covid grant income and business rates support

Total Synergies Identified¹ : £3.2m

Synergies to be delivered by the end of FY25

	£1.6m	£0.6m	£0.7m	£0.6m
Positive Synergies	Performance Improvement	Purchasing Synergies	Headcount Changes	Benefits to wider Group
	<p>Material improvement in Finance and Insurance performance and income</p> <p>Aftersales profit improvement</p> <p>BMW Franchise profitability improvement</p>	<p>Various areas including: Insurance provision, tyres, oil, telecoms, paint, stationary, vending, POS.</p>	<p>Mainly generated by removal of Group MD. This is a net figure as there will be some roles to add to drive performance.</p>	<p>Additional auction rebates from increased volumes</p> <p>Increase in SMART repair volumes for Group's operation</p> <p>Reuse of excess Keyloop licences</p>
Negative Synergies	£0.1m		£0.2m	
	<p>IT Network investment upgrades to provide resilience and increased bandwidth</p>		<p>Cyber security investment upgrades required for Insurance provision</p>	

¹ Versus normalised performance of the acquired businesses for the year ended 31 December 2019

Partial P&L synergies during FY24, full benefit from FY25

One-off £7m capex in FY24 including refurbishment of two locations

Ongoing maintenance capex of £3m p.a. for Helston

Working capital reduction of £3m in FY24

No change to Group effective tax rate

Acquisition Structure & Funding



VOLVO
Taunton
Motor Company
→ Customer Entrance
→ Customer Parking

VOLVO

THE NEW V60

THE NEW VOLVO V60

Acquisition Structure and Metrics

£'m (unless otherwise stated)	On Acquisition £'m
Net assets of Helston Garages Group Limited at 31 Aug 2022	153.2
Payment in respect of Goodwill	28.6
Gross consideration payable	181.8
Cash acquired	(65.3)
Consideration net of cash acquired	116.5
Anticipated Capex investment post acquisition	7.7
Anticipated proceeds from sale of surplus properties	(1.0)
Working capital improvements anticipated	(3.1)
Acquisition EV	120.1
Underlying EBITDA of acquired businesses (excluding IFRS 16) ¹	17.7
Implied Acquisition EV/EBITDA ratio (times)	6.8

- Consideration determined by a ‘locked box’ mechanism valuing Net Assets at 31 August 2022
- Porsche and Volkswagen Group dealerships sold by Helston Garages Group Limited immediately prior to our purchase of the entire issued share capital of this entity
- Cash profits from 1 September to completion accrue to Vertu reflected as higher net assets and lower goodwill on completion
- Anticipated EV of this acquisition is increased by the expected capital investment in certain of the properties acquired and by known movements in working capital.
- Completion subject to applicable regulatory approvals.

(1) Based on average per annum EBITDA of acquired businesses between 2019-2022

Enlarged Group Facilities

	Facilities at 31 Aug 22 £'m	Facilities at 1 Dec 22 £'m
5-year acquisition facility (from February 2019)	62.0	-
Refinanced syndicated 5-year acquisition and property purchase RCF (from 30 November 2022)	-	93.0
20-year BMWFS mortgage facility (from December 2020)	11.7	11.6
New 20-year BMWFS mortgage facility (from 30 November 2022)	-	74.8
1 year working capital facility (from May 2021)	48.0	48.0
Total committed facilities	121.7	227.4
Used vehicle stocking loans provided by Lombard	35.0	70.0
Overdraft	5.0	5.0
Total facilities	161.7	302.4

- Anticipated Enlarged Group Net Debt at 28 February 2023 of £100-110m
- Anticipated Net Debt/EBITDA¹ at 28 February 2023 less than 1.4x with target to reduce to around 1.0x by 28 February 2025

¹Adjusted EBITDA based on owning the acquired assets for 12 months and excluding one-time deal costs of c.£2.5m

Renewed RCF and New Mortgage Debt

RCF refinanced to November 2025 with option to extend to November 2027

New bank added to RCF syndicate of two existing banks; facility increased to £93m

New £74.8m 20-year commercial mortgage from BMW Financial Services

BMW FS mortgage fully drawn and RCF £66m drawn on completion of transaction

Conclusion



Clear strategic logic

Dramatic scale expansion into new region

Strengthened premium Manufacturer relationships

Creating shareholder value, accretive to EPS and Free Cash Flow

Financed through new and enhanced debt facilities

Appendix

Income Statement – Enlarged Group Pro Forma - Illustrative

£'m (unless otherwise stated)	Vertu Core (Zeus Note of 1 Nov'22) £'m	Helston, Estimate 12 months to February 2023 ² £'m	Cost of funding acquisition (annualised) £'m	Combined pro-forma £'m
Revenue	3,753.2	500.0	-	4,253.2
Gross profit	418.4	53.0	-	471.4
Gross margin %	11.1%	10.6%	-	11.0%
Operating expenses	(372.1)	(33.2)	-	(405.3)
Adjusted¹ operating profit	46.3	19.8	-	66.1
Net finance charges	(8.0)	(0.2)	(6.6)	(14.8)
Adjusted¹ profit before tax	38.3	19.6	(6.6)	51.3
Adjusted ¹ Diluted EPS (pence)	8.5p			11.4p

¹ Based on Zeus research note of 1 November 2022

² Management estimates of 12 months performance to 28 February 2023 of businesses acquired

Balance Sheet – Enlarged Group Pro Forma

	28 February 2023			
	Vertu Core (consensus) £'m	Helston Acquired businesses £'m	Debt funding for acquisition £'m	Combined pro-forma £'m
Intangible assets	107.9	22.5	-	130.4
Retirement benefit asset	5.1	-	-	5.1
Right of use assets	66.8	-	-	66.8
Tangible assets	269.7	68.4	-	338.1
Non-current assets	449.5	90.9	-	540.4
Current assets	563.5	74.5	-	638.0
Property assets held for sale		1.0	-	1.0
Cash and cash equivalents	80.8	25.0	(26.6)	79.2
Total assets	1,093.8	191.4	(26.6)	1,258.6
Current and Non Current liabilities	(598.5)	(52.4)	-	(650.9)
Lease liabilities	(77.3)	-	-	(77.3)
Borrowings	(67.9)	-	(115.1)	(183.0)
Net assets	350.1	139.0	(141.7)	347.4
Tangible net assets	248.2	115.8	(141.7)	223.0
Tangible net assets per share (pence)	72.5p			65.1p

BMW FS Mortgage		Extended RCF	
Current terms	Interest rate cap	Current terms	Fixed rate swap
<ul style="list-style-type: none"> £74.8m 20-year term 2.8% margin over BMW Financial Services base rate, linked to 1 month compound SONIA Current all in cost of 6.3% 	<ul style="list-style-type: none"> Underlying SONIA rate capped at 4.5% for 2 years over £50m of borrowing 	<ul style="list-style-type: none"> £93m facility to November 2025 Rate applicable is a margin dependent on leverage, initially 2.0% over 3 month SONIA 	<ul style="list-style-type: none"> Existing interest rate swap over £22m of borrowing expires in January 2023 3-year interest rate swap to be entered into over £30m of borrowing on expiration of current swap

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