

7 December 2023

Vertu Motors plc ("Vertu Motors" or "Company")

Trading Update

Vertu Motors, the UK automotive retailer with a network of 195 sales and aftersales outlets across the UK provides the following trading update for the three months ended 30 November 2023 ("the Period"), outlining the impact of a number of negative external market factors resulting in profitability for FY24 now expected to be lower than current market expectations.

The Period has witnessed a material change in the used vehicle market with UK wholesale values experiencing a significant reduction in October and November. This arose due to higher supply into the wholesale markets, in conjunction with retail demand being affected by the combination of higher interest rates and high vehicle prices impacting affordability. At the start of the Period, used car values in the UK were approximately 20% higher than in January 2021 and had been resilient since the Pandemic. CAP¹ have reported that values have fallen on average 4.2% in both October and November, representing record levels of monthly decline. There has been greater weakness in higher-end premium product values, which the Group started to experience in September. CAP¹ reports that the largest drops of 7% -11% per month arose in the premium brand segment.

The Group adapted to these changing market dynamics, applying its Vertu Insights pricing algorithm to ensure vehicles were priced effectively, to ensure increased stock turn and thus a reduction in Group inventory levels. Group like-for-like used vehicle volumes fell 2.0% in the Period, an improvement on the 5.7% reduction in the first half of the financial year. Gross profit generation from used car sales were, however, below those anticipated.

The Board consider that UK used vehicle values are likely to continue to weaken above historic norms in the near term. Once the current pricing correction has eased, used car prices in the UK will be more affordable to the consumer and margins should stabilise. Reducing interest rates in the medium-term would also aid affordability and provide a further stimulus to a market benefitting from increased supply.

New vehicle supply to the UK continues to increase as production constraints diminish and lead times reduce. The calendar year to November 2023 has seen UK car registrations increase 18.6%, due to significant product flow into the fleet market, whereas new car retail volumes have only marginally increased. Retail demand has become increasingly muted in recent months, and this is particularly the case for Battery Electric Vehicles. The Group has seen like-for-like new retail and Motability volumes broadly in line with the UK market growth during the Period. New vehicle margins have continued to reduce towards more normalised levels due to increased supply, with the Group delivering higher overall core gross profit generation from the sale of new vehicles year-on-year.

Fleet and commercial volumes and gross profit generation rose in the Period year-on-year.

Overall, new vehicle supply has started to exceed natural demand levels, leading to an increased pipeline of new vehicle inventory, which when combined with higher interest rates, has increased manufacturer stocking interest charges significantly above expected levels.

Aftersales demand remained strong and higher technician resource levels are helping to drive increased revenues and an overall increase in core aftersales gross profit in the Period compared to the previous year. This improved resource level should help underpin future aftersales performance. Service performance and delivery of outstanding customer experiences has been held back by the

impact of dislocation in parts supply in respect of certain of the Group's Manufacturer partners. This is likely to continue for a number of months and may well be exacerbated by tightening sanctions on Russia, impacting on the availability of parts manufactured in Eastern Europe.

Control of operating expenses remains a major focus and costs in the Period were well-controlled. The Board note the recently announced, above expectation, increase of 9.8% in the level of the National Living Wage from April 2024. This increase represents a low single digit million £ additional cost in FY25 to the Group, both in terms of our own colleagues and certain of the Group's suppliers, particularly in the areas of vehicle and premises cleaning. The Group will continue to pursue areas of efficiency and improved productivity from use of technology to offset these cost headwinds.

¹ CAP-HPI Used car market report December 2023.

Outlook

The current consumer environment remains volatile, and the Board remain cautious. In the light of the external negative market factors highlighted above, the Board anticipate that profits for the financial year ending 29 February 2024 will be below current market expectations.

The recent pressures on short-term profitability of the sector in general do not change the longer-term underlying attraction of the business and do not have a significant negative impact on its intrinsic value. The Board remain convinced that the Group is very well positioned to deliver its stated strategy over the medium-term and to take advantage of the increasing opportunities in the UK sector.

Robert Forrester, Chief Executive Officer of Vertu, said:

"The current consumer environment remains volatile and recent trends of sluggish new car retail demand and weakness in used car pricing are likely to persist for some months. Vertu remains very focused on delivering outstanding customer experience, tightly controlling inventory and being diligent on costs. The Group has a strong balance sheet and long track record of operational excellence and financial discipline. These attributes mean we remain very confident in our ability to take advantage of these challenging market conditions and the resulting increased opportunities in the sector."

This announcement contains inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) 596/2014 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 ("MAR"), and is disclosed in accordance with the Company's obligations under Article 17 of MAR.

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Notes to Editors

Vertu Motors is the fourth largest automotive retailer in the UK with a network of 195 sales outlets across the UK. Its dealerships operate predominantly under the Bristol Street Motors, Vertu and Macklin Motors brand names.

Vertu Motors was established in November 2006 with the strategy to consolidate the UK motor retail sector. It is intended that the Group will continue to acquire motor retail operations to grow a scaled dealership group. The Group's acquisition strategy is supplemented by a focused organic growth strategy to drive operational efficiencies through its national dealership network. The Group currently operates 191 franchised sales outlets and 4 non-franchised sales operations from 145 locations across the UK.

Vertu's Mission Statement is to "deliver an outstanding customer motoring experience through honesty and trust".

Vertu Motors Group websites – <https://investors.vertumotors.com> / www.vertucareers.com
Vertu brand websites – www.vertumotors.com / www.bristolstreet.co.uk / www.vertuhonda.com / www.vertutoyota.com / www.macklinmotors.co.uk / www.vertumotorcycles.com