Analyst & Investor Presentation

Interim results for the 6 months ended 31 August 2018

10 October 2018

Vertu Motors plc

Highlights 6 months ended 31 August 2018

- **Revenue growth**
  - Like-for-like volume growth in aftersales, used vehicles and new retail vehicles
  - Increases in vehicle selling prices due to currency
- **Higher gross profits, declining margin %**
- **Reduction in operating expenses as % of revenue**
  - Cost pressures continue to be evident
  - Remains a key management focus
- **Adjusted profit before tax £18.1m** (2017: £20.9m)
- **Very strong balance sheet**
  - Property backed
  - Net tangible assets per share 45.9p
  - Net debt £8.7m: very low gearing 3.2%
- **Acquisitions**
  - Hughes business £21.8m
  - Property £9.0m

	H1 FY2018	H1 FY2019
Revenue	£1,445.7m	£1,560.4m
Adjusted [1] profit before tax	£20.9m	£18.1m
Adjusted [1] earnings per share	4.24p	3.90p
Net cash/(debt)	£20.8m	(£8.7m)

H1 FY2019
Increase/(decrease) year-on-year

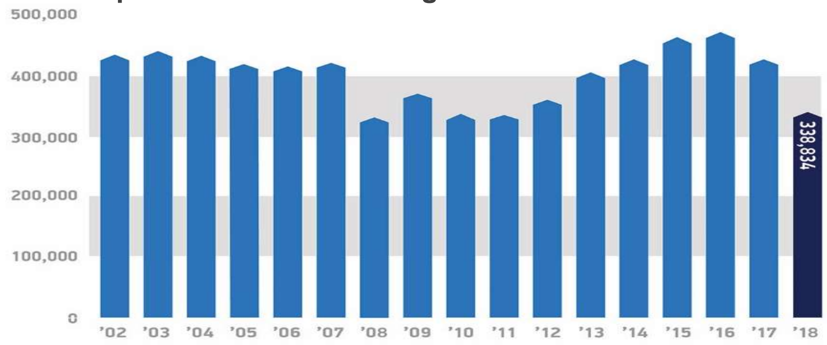
	Total	Like-for-like	SMMT %
Group revenues	+7.9%	+8.0%	-
Service revenues [2]	+8.7%	+7.4%	-
Volumes:			
Used retail vehicles	+5.3%	+5.8%	-
New retail vehicles	+4.4%	+5.7%	(2.4%)
Motability vehicles	(7.4%)	(6.3%)	(2.5%)
New fleet cars	(11.8%)	(12.4%)	(5.2%)
New commercial vehicles	+9.9%	+8.1%	(2.7%)

[1] Adjusted for exceptional items, amortisation of intangible assets and share based payments charge
[2] Includes internal and external revenues

Current trading and outlook

- + September like-for-like new retail volumes down 13.8% (UK retail market down 20.1%) with weaker new car and fleet margins
- – New vehicle supply side issues:
  - – September new vehicle supply impacted by EU wide WLTP emissions regulations
  - – Continued depressed Sterling levels reducing supply to the UK and margins
- + Used car margins strengthened in September on back of reduction in supply: likely to continue
- + Aftersales continues to exhibit positive growth trends
- – Cost pressures continue and remain a crucial focus for management
- + Planned capex programme coming to an end with improving free cashflows anticipated
- – Political uncertainty may undermine consumer demand for the remainder of FY2019

September UK new car registrations 2002 to 2018 [1]



	September 2018 Increase/(decrease) year-on-year	
	Like-for-Like %	**SMMT %**
Volumes:		
Used retail vehicles	(0.7)	-
New retail vehicles	(13.8)	(20.1)
Motability vehicles	(20.5)	(19.8)
New fleet cars	(33.8)	(22.4)
New commercial vehicles	7.6	(6.1)

[1] Source SMMT

Disciplined management with focus on capital allocation

Capital Allocation

- Share buyback programme
  - 5.6m shares; £2.5m cash deployed
- Dividends: Interim held
- Capex programme
- Property portfolio management: buy-in of Newcastle Vauxhall freehold
- Balance of equity/debt

Regular Assessment

- Six monthly review of all Manufacturers operating in the UK
- Categorisation: Add; Hold; Reduce; Avoid

Add: Valuation method and criteria

- Three year business plans prepared for opportunities
  - EBITDA and profit contribution
  - Turnaround potential quantified
- Financial ratios
  - EV/EBITDA: Freehold multiple; Leasehold multiple
  - Return on capital; EPS impact
- Hughes acquisition for £21.8m (principally Mercedes-Benz)
- Sector margin pressures likely to create further opportunities

Reduce: Pruning to improve the portfolio

- Constant review of performance
- Bottom ten performing dealerships identified: monthly report to Board on actions
- “Fix, Re-franchise, Sell, Close”
- 2 outlets exited in the Period (13 in last 30 months)
- £3.3m cash recycled from sale of properties in the Period
- Further proceeds expected from disposal of properties

Revenue and margin analysis Total Group

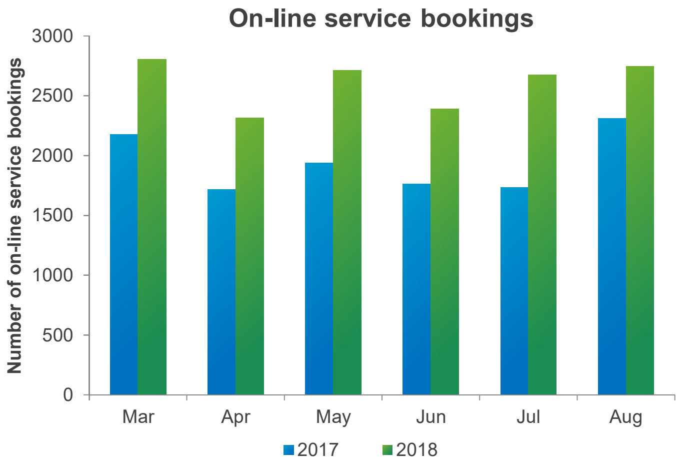
	H1 FY2018					H1 FY2019				
	Revenue £'m	Revenue Mix %	Gross Profit £'m	Gross Profit Mix %	Gross Margin %	Revenue £'m	Revenue Mix %	Gross Profit £'m	Gross Profit Mix %	Gross Margin %
Aftersales[1]	115.5	8.0	64.2	**40.4**	45.2	127.2	8.2	68.2	40.9	44.0
Used vehicles	546.9	37.8	49.8	**31.3**	9.1	616.6	39.5	54.0	32.4	8.8
	662.4	**45.8**	**114.0**	**71.7**	**16.6**	**743.8**	**47.7**	**122.2**	**73.3**	**15.8**
New retail and motability	450.6	31.2	34.3	**21.5**	7.6	468.7	30.0	34.7	20.8	7.4
Fleet & commercial	332.7	23.0	10.8	**6.8**	3.2	347.9	22.3	9.8	5.9	2.8
Overall Group	**1,445.7**	**100.0**	**159.1**	**100.0**	**11.0**	**1,560.4**	**100.0**	**166.7**	**100.0**	**10.7**

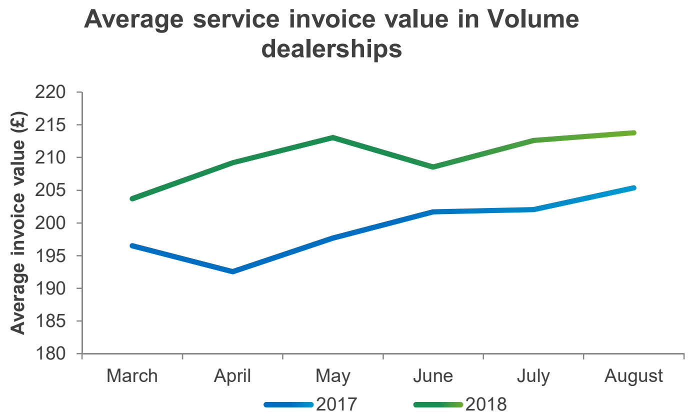
- Aftersales & Used vehicle % gross profit mix increased to 73.3% (2017: 71.7%)
- More gross profit generated (like-for-like increase of £7.1m): declining margin %

[1] Margin in aftersales expressed on internal and external revenue

Aftersales Recurring high margin income

Core Group	Service	Parts & accident repair	Total
	£'000	£'000	£'000
Revenue[1]	62,019	89,475	**151,494**
Revenue[1] change	4,275	7,313	**11,588**
L4L revenue[1] change	**7.4%**	**8.9%**	**8.3%**
Gross profit change	2,439	970	**3,409**
Gross margin[2] 2018	76.0%	21.9%	**44.1%**
Gross margin[2] 2017	77.4%	22.7%	**45.3%**





- Continued like-for-like revenue and gross profit growth across all aftersales streams
- Core Group aftersales gross profit up £3.4m
- Increase in mix of warranty work: revenues up 12.0%
- Service margins reduced due to higher technicians' pay levels and increased warranty sales (less efficient channel)
- Continued focus on:
  - Recruiting and training of technicians to increase capacity
  - Enhancing customer experience through training and resourcing of customer facing colleagues and increased use of technology
  - Growing average invoice value per customer visit through focus on vehicle health check process (including video technology)

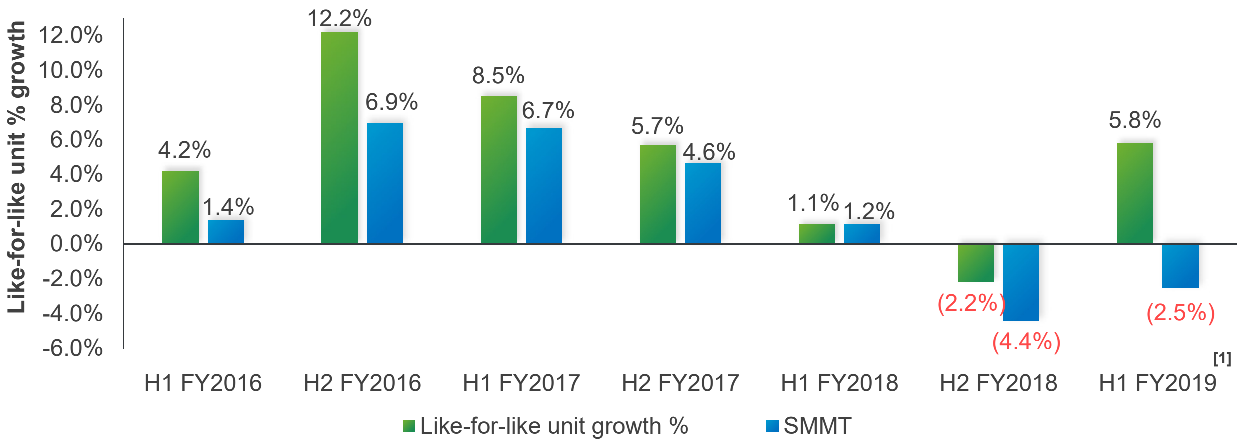
[1] Includes internal and external revenue
[2] Margin in aftersales expressed on internal and external revenue

Used vehicles Return to growth

	H1 FY2016	H2 FY2016	H1 FY2017	H2 FY2017	H1 FY2018	H2 FY2018	H1 FY2019
Selling price per unit (£)	11,943	11,772	12,524	12,905	13,146	13,658	14,069
Gross profit per unit (£)	**1,176**	**1,153**	**1,246**	**1,222**	**1,197**	**1,278**	**1,233**
Margin (Group)	9.8%	9.8%	9.9%	9.5%	9.1%	9.4%	8.8%
Margin (Core Group)	10.3%	10.4%	10.2%	9.8%	9.5%	9.6%	8.8%
Like-for-like unit growth/(decline)	4.2%	12.2%	8.5%	5.7%	1.1%	(2.2%)	5.8%

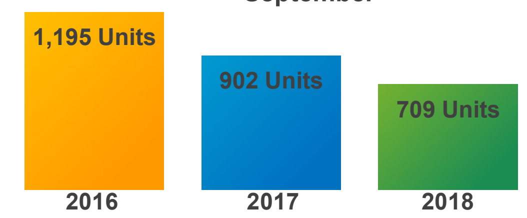
- **Return to growth: like-for-like volumes up 5.8%**
- **Like-for-like sales revenues up 12.4%**
- **Core Group used vehicle gross profit up £4.0m**
- **Increase in gross profit per unit**
- **Continued growth in average selling prices following new car trend and reflecting premium mix (which exhibits lower margin percentages)**
- **Supply constraints in many franchises, as seen in September, creating tightening in used car prices**

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

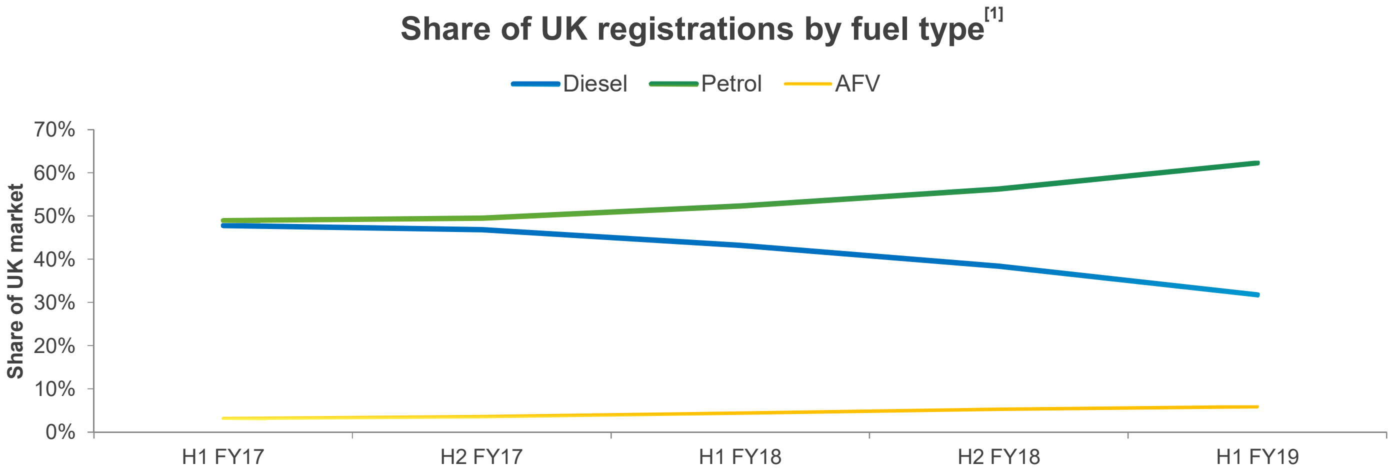


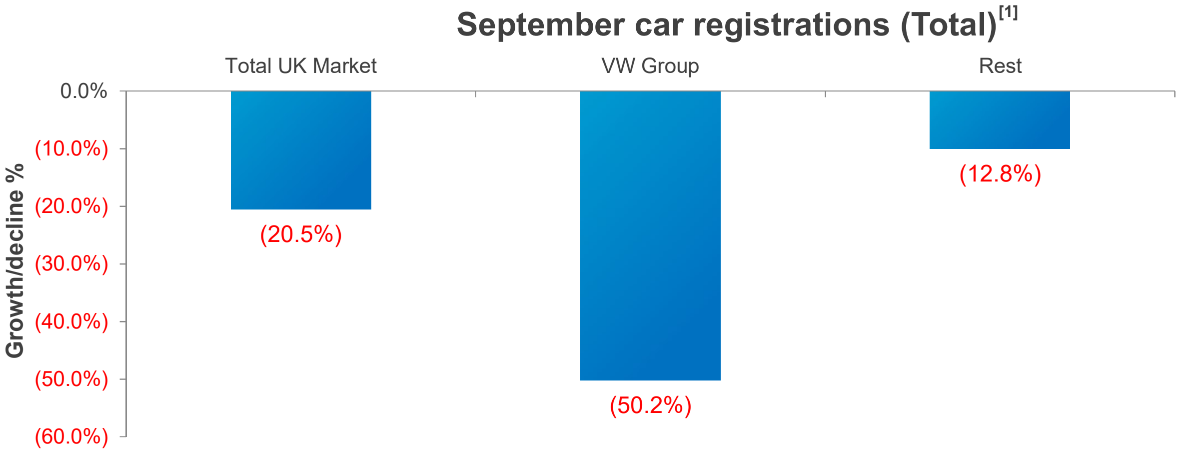
[1] SMMT data: 4 months Mar – Jun 2018

Total Group self-registered units held at 30th September



New vehicles Market trends





- **Reduced UK registrations due to supply side issues**
- **Supply imbalance between petrol and diesel impacting market volume and margins (particularly in Premium sector)**
- **Weak Sterling making UK less profitable channel diverting supply elsewhere and causing restriction of dealer margins**
- **Volume Manufacturers cutting back supply into lower margin fleet channel**
- **Some Premium Manufacturers in contrast still exhibiting oversupply to the market leading to margin pressure**
- **High margin product launches have been slow to be followed up with supply impacting margins**
- **Impact of EU WLTP regulations clear:**
  - **Boosted August registrations**
  - **September down a significant 87,336 units**
  - **Significant impact on fleet car volumes (Tax uncertainty and general supply issues)**
- **WLTP for commercial vehicles to be implemented on 1 September 2019**

[1] Source SMMT

New retail vehicles Growth despite market decline

	H1 FY2015	H2 FY2015	H1 FY2016	H2 FY2016	H1 FY2017	H2 FY2017	H1 FY2018	H2 FY2018	H1 FY2019
Selling price per unit [1] (£)	13,342	13,639	14,213	14,738	15,515	15,913	16,571	16,490	16,829
Gross profit per unit [1] (£)	**1,050**	**1,147**	**1,116**	**1,202**	**1,211**	**1,359**	**1,370**	**1,382**	**1,365**
Margin (Group) [1]	7.3%	7.7%	7.3%	7.6%	7.2%	7.8%	7.6%	7.7%	7.4%
Margin (Core Group) [1]	7.3%	7.7%	7.3%	7.5%	7.2%	7.7%	7.5%	7.7%	7.4%
Like-for-like unit (Retail) growth /(decline)	11.8%	0.9%	1.2%	7.3%	(4.2%)	(8.9%)	(14.7%)	(11.7%)	5.7%
UK private registrations [2] growth/(decline)	11.3%	5.3%	3.1%	4.7%	(0.8%)	(1.3%)	(6.4%)	(9.0%)	(2.4%)

- **Core Group generated H1 £0.6m year on year increase in new retail car gross profit**
- **Strong volume performance ahead of market in new retail channel: Growth delivered**
- **Rising sales prices due to premium mix and impact of currency pressures on Manufacturers**
- **Consistent gross margin percentages generated over time**
- **Gross profit per unit at consistent levels**

2018 Product Launches include:

Ford Focus

Mercedes-Benz A Class

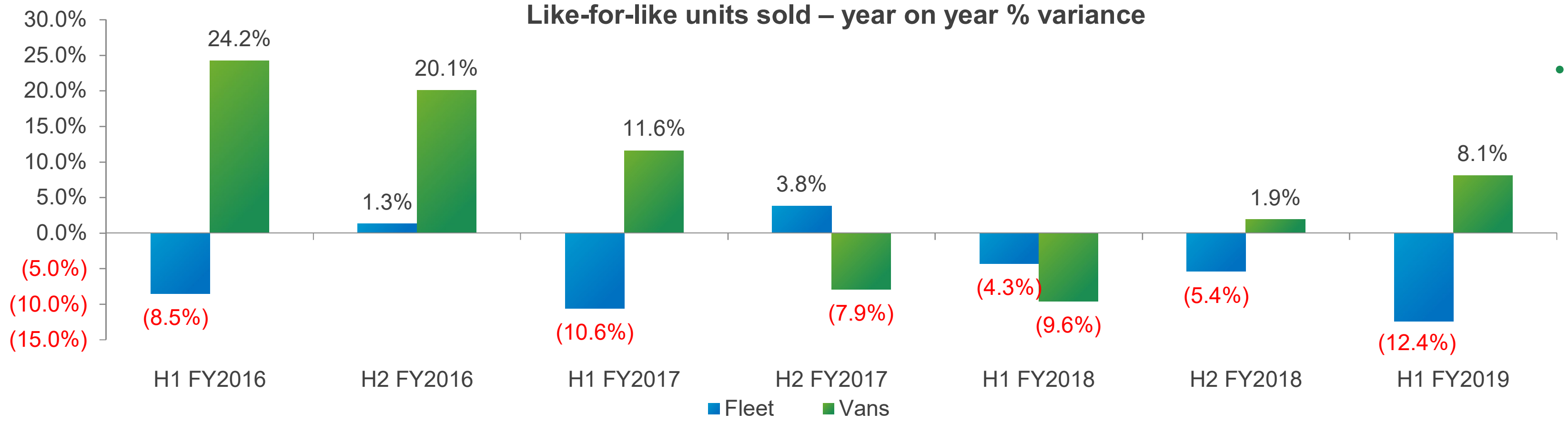
Honda CRV

[1] Includes Motability sales
[2] Source SMMT

Fleet & commercial vehicles Van sales strengthening, car fleet weakening

	H1 FY2016	H2 FY2016	H1 FY2017	H2 FY2017	H1 FY2018	H2 FY2018	H1 FY2019
Selling price per unit (£)	16,271	16,553	17,188	17,713	18,549	19,032	19,785
Gross profit per unit (£)	**426**	**562**	**536**	**585**	**576**	**588**	**555**
Margin (Group)	2.6%	3.4%	3.2%	3.4%	3.2%	3.2%	2.8%
Like-for-like unit growth/(decline) (Fleet)	(8.5%)	1.3%	(10.6%)	3.8%	(4.3%)	(5.4%)	(12.4%)
UK car fleet registrations[1] growth/(decline)	10.8%	8.2%	6.1%	4.1%	(0.5%)	(11.3%)	(5.2%)
Like-for-like unit growth/(decline) (Vans)	24.2%	20.1%	11.6%	(7.9%)	(9.6%)	1.9%	8.1%
UK van commercial registrations[1] growth/(decline)	16.4%	10.1%	3.9%	(1.6%)	(3.2%)	(4.0%)	(2.7%)

- **Divergence in car fleet and commercial van volume trends for Group**
- **Group taking considerable market share in vans**
- **Volume Manufacturers cutting back supply into lower margin car fleet channel**
- **Margins reduced due to lower Manufacturer support levels as currency pressures bite**
- **Core Group gross profit in fleet & commercial channel declined £0.9m in the Period**



[1] Source SMMT

Income statement

	H1 FY2018	H1 FY2019	% Change
Revenue	£1,445.7m	£1,560.4m	**7.9%**
Gross profit	£159.1m	£166.7m	**4.8%**
Gross margin	**11.0%**	**10.7%**	**(0.3%)**
Adjusted[1] EBITDA	£26.1m	£24.9m	**(4.6%)**
Adjusted[1] operating profit	£21.4m	£19.4m	**(9.3%)**
Adjusted[1] operating expenses as % of revenue	**9.5%**	**9.4%**	**(0.1%)**
Adjusted[1] operating profit margin	**1.5%**	**1.2%**	**(0.3%)**
Net finance costs	(£0.5m)	(£1.3m)	**(160.0%)**
Adjusted[1] profit before tax	**£20.9m**	**£18.1m**	**(13.4%)**
Effective tax rate	19.0%	19.0%	**-**
Earnings per share	4.97p	3.71p	**(25.4%)**
Adjusted[1] earnings per share	4.24p	3.90p	**(8.0%)**
Dividend per share	**0.55p**	**0.55p**	**-**

Higher revenues in vehicles and aftersales due to gains in market share and higher selling prices

Operating expenses as a % of revenue reduced

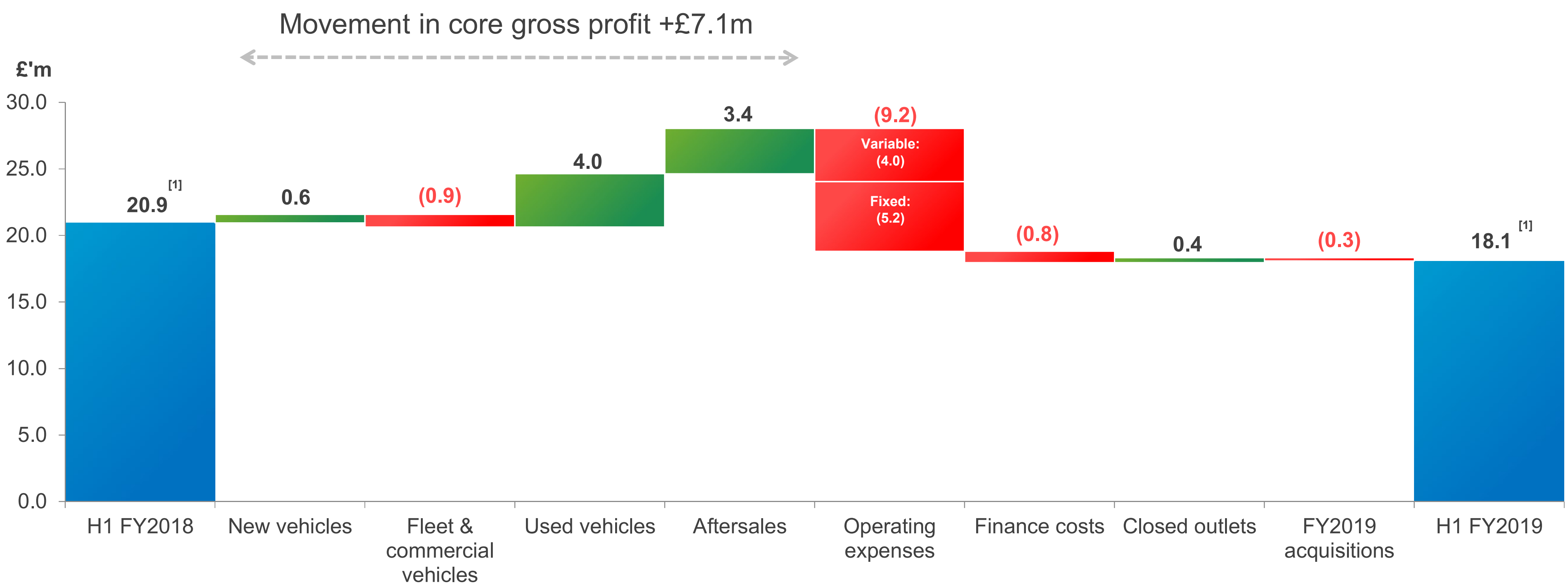
Net finance costs have increased due to lower levels of car fleet activity

Exceptional profit on property disposal FY18 (£4.1m): impact on EPS

Adjusted EPS benefited from share buyback

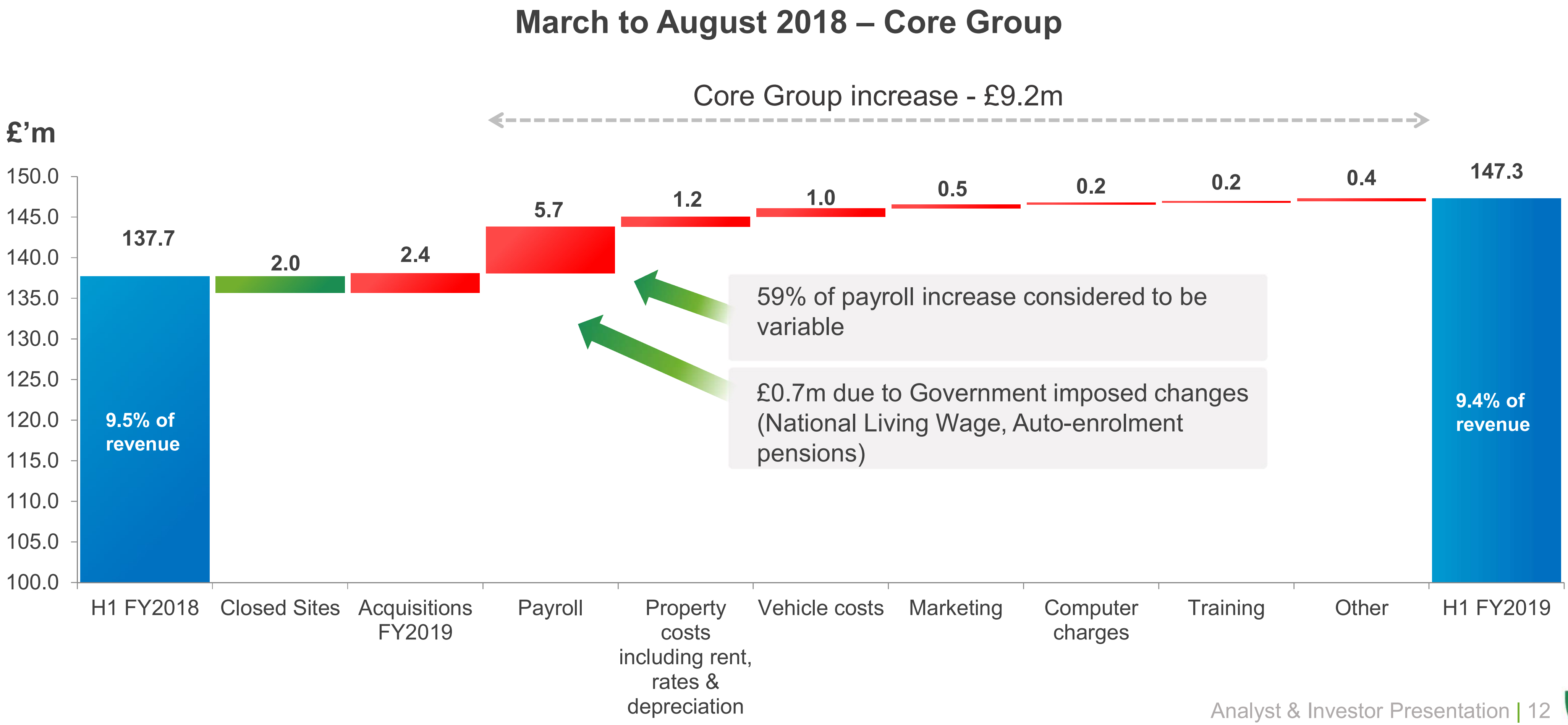
[1] Adjusted for exceptional items, amortisation of intangible assets and share based payments

Profit bridge 6 months ended 31 August 2018



[1] Adjusted profit before tax

Operating expenses Self-help mitigating cost headwinds



Movement in net cash Tight management of working capital

	H1 FY2018 £'m	H1 FY2019 £'m
Adjusted EBITDA	**26.1**	**24.3**
Working capital movement	(24.4)	0.6
Capital expenditure [1]	(8.3)	(13.6)
Disposals	14.3	3.3
Interest	(0.4)	(1.4)
Tax	(2.7)	(2.3)
Free cash flow	**4.6**	**10.9**
Acquisitions (including borrowings)	-	(23.7)
Dividends	(3.6)	(3.6)
Purchase of freehold property	-	(9.0)
Repurchase of own shares	(1.2)	(2.6)
Movement in net cash	**(0.2)**	**(28.0)**
Opening net cash	21.0	19.3
Closing net cash/(debt)	**20.8**	**(8.7)**

Stability in overall working capital position: lower new vehicle inventories and trade receivables offset by higher used vehicle inventory values

Completion of Hughes acquisition with cash consideration (including borrowings acquired) of £23.7m (30th June 2018)

Purchased freehold of Newcastle Vauxhall, previously leased with fixed rental increases over remaining 14 year lease term

[1] Includes intangible additions

Well invested dealership portfolio Significant reduction in capex FY2020

	Actual			Estimate	
	FY2017 £'m	FY2018 £'m	H1 FY2019 £'m	FY2019 £'m	FY2020 £'m
Purchase of property	5.3	4.3	9.0	9.0	-
New dealership build	10.4	4.3	4.5	4.8	2.6
Existing dealership capacity increases	5.9	8.2	4.8	15.2	5.6
Manufacturer led refurbishment projects	2.4	3.0	0.6	1.4	7.2
IT and other ongoing capital expenditure	4.8	4.9	1.9	4.2	3.5
Movement on capital creditor	0.7	(0.6)	1.7	-	-
Cash outflow from capital expenditure	**29.5**	**24.1**	**22.5**	**34.6**	**18.9**
Proceeds from property sales	(1.0)	(14.3)	(3.3)	(3.9)	-
Net cashflow from capital investment	**28.5**	**9.8**	**19.2**	**30.7**	**18.9**

Bolton **Jaguar Land Rover**

Darlington **SEAT**

Newcastle **Vauxhall**

- Significant period of investment in dealership capacity and standards including Jaguar Land Rover and Mercedes-Benz
- Some deferral of projects from FY2018 into FY2019
- Most major projects expected to be completed by February 2019 after which investment levels will decline, improving free cashflow

Robust balance sheet Flexibility and resilience

	31st August 2017 £'m	31st August 2018 £'m
Intangible assets	96.1	106.7
Retirement benefit asset	5.7	6.9
Tangible assets	190.5	218.8
Non-current assets	**292.3**	**332.4**
Current assets	565.5	554.3
Property assets held for sale	-	1.1
Cash and cash equivalents	44.2	46.9
Total assets	**902.0**	**934.7**
Current liabilities	(599.2)	(589.2)
Non-current liabilities	(14.8)	(16.7)
Borrowings	(23.4)	(55.6)
Net assets	**264.6**	**273.2**
Net assets per share (pence)	67.5	72.3
Tangible net assets per share (pence)	**44.5**	**45.9**

£202.9m of freehold and long leasehold property provides strong property backing

Reduced consignment stocks of new vehicles and related current liabilities

Utilisation	**2017 £'m**	**2018 £'m**
Revolving credit facility	(9.8)	(36.4)
Used vehicle funding	(13.6)	(19.2)
Borrowings	(23.4)	(55.6)
Cash	44.2	46.9
Net cash / (debt)	20.8	(8.7)

5 year £62m committed facility in place with potential to add a further £15m: currently utilised £37m

Pensions and taxation Managing the risks

Pensions

- Defined benefit scheme fund closed to accrual in 2003
- Company contributions ceased in Period (FY2017: £0.2m) in line with recovery plan
- Action being taken to lock in surplus

	31st August 2017 £'m	31st August 2018 £'m
Pension fund assets	56.3	53.9
Pensions fund liabilities	(50.6)	(47.0)
Pension fund surplus	**5.7**	**6.9**

Taxation

- Effective rate in line with underlying Corporation Tax rate: 19.0%
- Expected to reduce to 17.0% by 2020
- Significant VAT repayment anticipated following HMRC clarification on deposit contributions; to be treated as exceptional credit

Management strength in depth Engaged colleagues

Engaged Colleagues

- Colleague Satisfaction survey of over 5,500 colleagues in July:
  - 81.1% participation rate (2017: 77.1%)
  - 97.5% know Group Vertu Values
  - 97.7% know Group Vision and understand objectives
  - 58.2% believe Group's e-learning initiatives have made them more effective in their roles
  - 81.9% considered Group a great place to work

Management strengthened

- COO David Crane appointed Executive Director in July having been with Group since inception
- Andy Goss, former Global Sales Operations Director JLR appointed as Non-Executive Director in August
- Leon Caruso, Vauxhall Retail Sales Director, appointed to Operational Board to succeed Tim Tozer as head of major Peugeot/Hyundai/Volvo/Toyota Division

Current Industry Trends

Future of Car "Ownership"

- HP to PCP to ?
  - Growth of PCH
  - Subscription / car sharing models
- Autotrader research
  - 80% of car owners always want to own or have exclusive access to their own car
  - Brexennials* 86%!!
  - 81% of Brexennials think they will buy a brand new car in the future
  - Average age of new buyer in UK is over 50 : opportunity

Digitalisation

- Investment by Manufacturers, retailers and disruptors in on-line sales at early stage
- Physical experience of the car, and relatively complex transaction, create barriers compared to general retail sector
- Customers say they will purchase on-line but very small market potential at present: clearly likely to grow substantially

Network Structure

- Margin pressure / cost rises create impetus for change
- Retail outlet numbers within networks will see inevitable change:
  - Reduced outlets, rising sales per outlet
  - Consolidation of number of partners with each Manufacturer
- Parts distribution models by Manufacturer under review : opportunity/threat

Connected/Electrification/Autonomous capability

- Regulation on emissions in EU driving push to electrification
  - Brexit raises questions on UK approach
- Very slow impact anticipated on vehicle parc and servicing business
- Autonomous capability is in development but full autonomy many years away
  - Crash repair reduction likely to impact parts/accident repair centres
  - Trends could lead to significant increase in car usage (old/young) in long term
- Connected vehicle technology and electrification likely to increase service retention into franchised retailers offsetting reduced EV servicing revenues per visit

* 16-21 year olds

On-line purchasing The myth of dealership visits

Source: ICDP 2017 Consumer Survey

What do the trends mean for Vertu strategy?

1. **Capital allocation**
   - Right Manufacturer partners for the future given their investment requirements
   - Divest of “at risk” locations
2. **Digitalisation**
   - Build on-line, in-house expertise around Marketing and customer journey (“omni-channel approach”)
   - On-line sales development : only full on-line used car sales platform in UK with 250 used cars sold in Period
   - Enhancing on-line service booking/service plan sales capability
   - Ace Parts : taking significant share of growing Marketplace parts market : opportunity in accessories
   - Investment planned in developing new vehicle channels to market on-line
3. **Electrification**
   - Aim to be leading retailer of EV product, around expertise, training and on-line platforms
   - Scale with Nissan and Taxi sales expertise has provided early expertise for the Group
4. **Review of Parts strategy with each Manufacturer under way, reflecting changes in models**

Summary

- Following the September trading performance, the Board anticipates that the Group's full year results will be in line with expectations as recently revised by the market
- Positive outlook for used cars and vehicle servicing
- UK new vehicle supply disruption likely to continue into 2019 ("WLTP")
- Low Sterling levels and pressures on Manufacturers impacting new car channels
- Cost pressures remain with strong management required
- Sector challenges likely to be a driver of further consolidation
- Group well placed to take advantage of opportunities in dealership and digital spaces
- Very strong balance sheet: focus on capital allocation
  - Buybacks undertaken in Period: further authority obtained
  - Reduced Capex anticipated with rise in future free cash flow

List of appendices

1. Definition of key terminology
2. Objectives and Group strategy
3. Brand Model
4. Vehicle volumes sold
5. UK New vehicle registrations

Definitions of key terminology

Core:
Dealerships that have traded for two full consecutive financial years and comparatives are restated each year, this definition is used for the profit bridge

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

FY2018:
The twelve month period ended 28 February 2018

FY2019:
The twelve month period ending 28 February 2019

H1 FY2019:
The six month period ended 31 August 2018

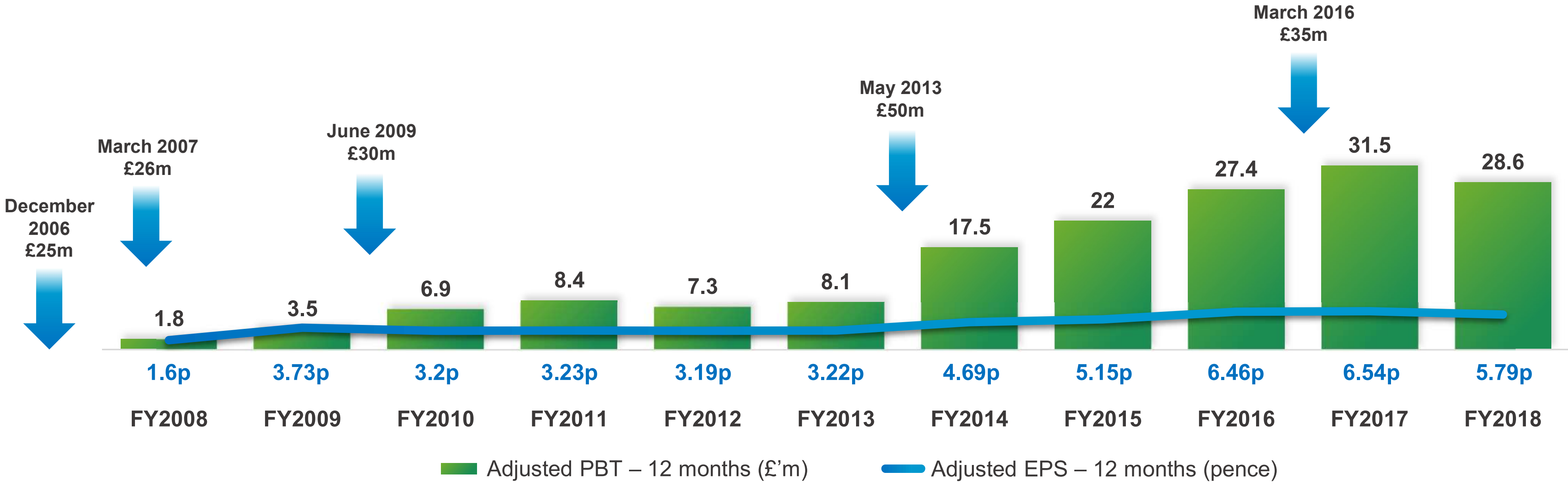
H1 FY2018:
The six month period ended 31 August 2017

Adjusted:
Adjusted for exceptional items, amortisation of intangible assets and share based payments

Market expectations:
The Board considers market expectations for the financial year ending February 2019 are best defined by the forecasts of adjusted profit before taxation published by analysts who consistently follow the Group. The current consensus of adjusted profit before taxation at 10 October 2018, based on the published analysts' forecasts of which the Board is aware, is £22.1m

Objectives and Group strategy

- Deliver long-term value for owners by growing profits and cashflows
- Build a sustainable, scaled, diversified franchised dealership business through acquisition and organic growth
- Apply a consistent business model with a stable, experienced management team
- Establish a robust competitive position with excellent customer experience levels



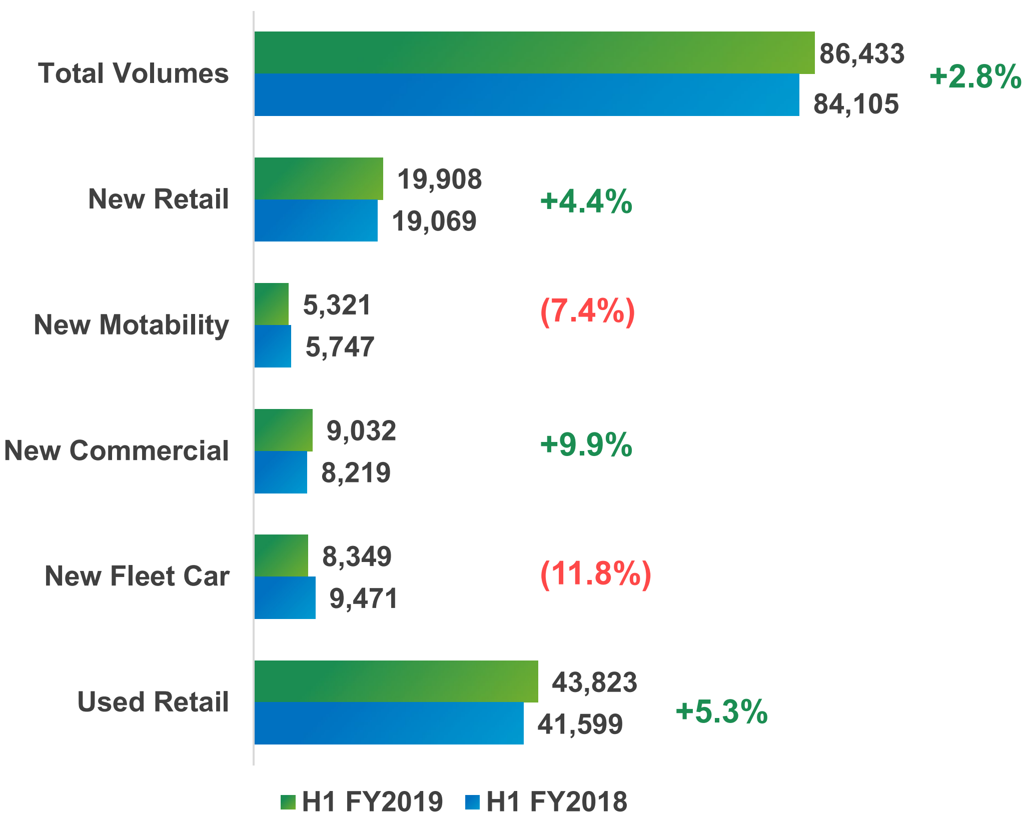
Brand model Tried and tested process to drive dealership turnaround

- The customer has to be at the centre of our business
- The Brand model sets out how we do things:
- Vision and Mission Statement
- Core Values
- All stakeholders considered
- Brand touchpoints to guide how we go about our business and reflect customer-centric trends in the development of the business e.g.

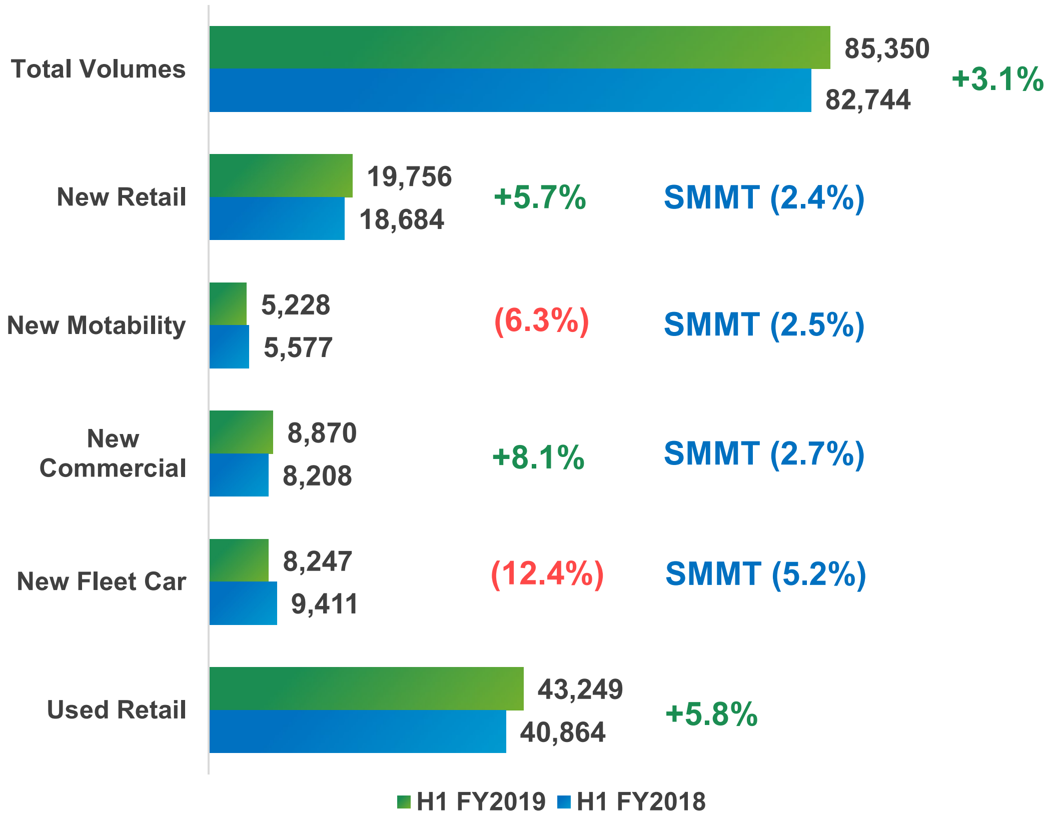
“Effortless journeys, not complex processes”

Vehicle volumes sold

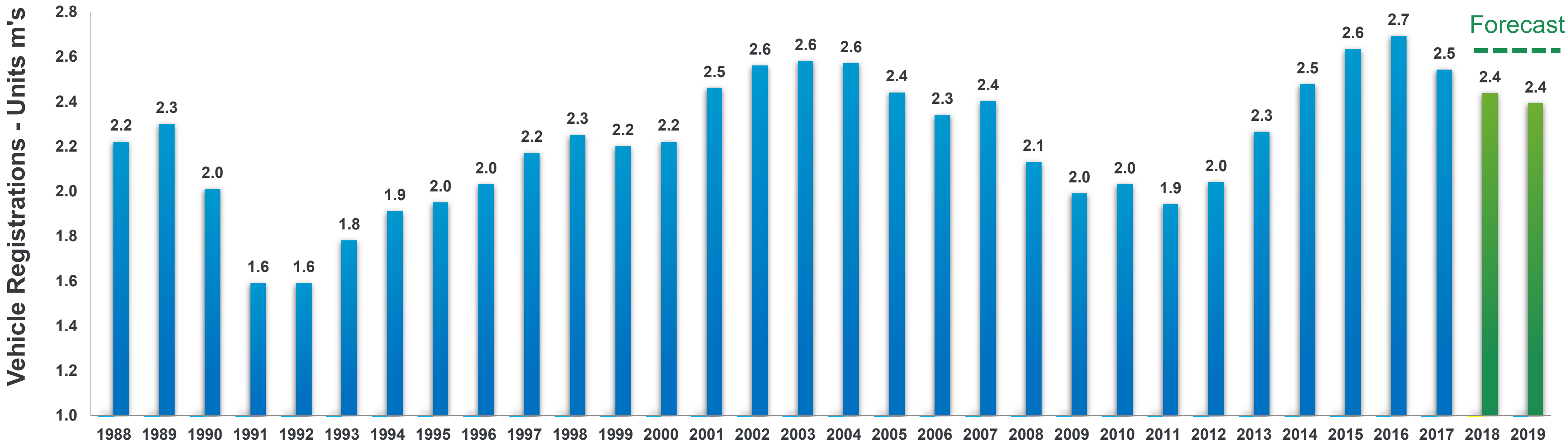
Total units sold



Like-for-like unit sold



UK new vehicle registrations



Source: SMMT

Disclaimer

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