

# Analyst & Investor Presentation

8 May 2019



# Strategic Highlights

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- Strong financial and management position provides a platform for growth
- Leading on-line capability for omni-channel retailing
- Delivery of market beating used car sales growth
- Growing high margin service revenues
- Active portfolio management
- Continuing value enhancing acquisitions



# Financial Highlights

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- Profit before tax £25.3m
- Adjusted<sup>1</sup> profit before tax of £23.7m ahead of market expectations (2018: £28.6m)
- Full year dividend of 1.6p per share, up 6.7% (2018: 1.5p per share)
- Excellent cash conversion: Free Cash Flow of £21.2m delivered in the year (2018: £10.7m)

# Operational Highlights

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- £186m (6.7%) growth in revenues to £3bn, with like-for-like revenue growth of 5.1%
- **Aftersales:** Strong performance with like-for-like revenue growth of 7.0% delivering a 6.4% growth in gross profit
- **Used:** Like-for-like vehicle revenue growth of 11.6%, delivering £2.5m additional gross profit
- **New:** Retail volumes stable and ahead of the market trends

<sup>1</sup> Excludes non-underlying VAT income of £3.1m, received following HMRC clarification of finance deposit allowance treatment, share based payments charges and amortisation



# Capital Structure Highlights

- Adjusted net cash of £22.9m (2018: £32.1m)<sup>1</sup>
  - Major capital expenditure programme now largely complete aiding future Free Cash Flow generation
  - Average cash levels £30m lower due to seasonalisation impacts

Adjusted net cash achieved after cash outflows of:	FY2019 £'m
Acquisition consideration	31.5
Capital expenditure	25.2
Share Buyback	3.6
Dividend	5.7
<b>Total</b>	<b>66.0</b>

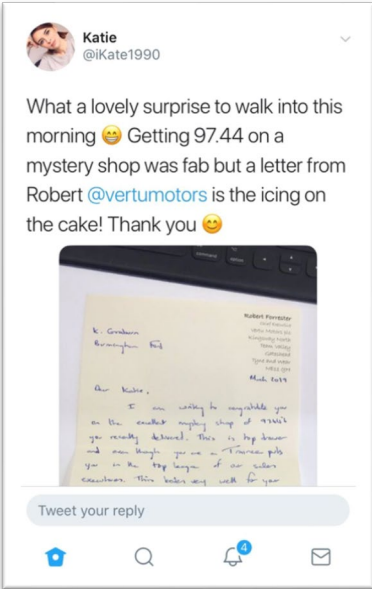
- Strong balance sheet to fund future growth, significant headroom in banking facilities
- Used car stocking loans in place of £23.2m (cover of 4.6 times of used car stock value) (2018: £12.8m). Substantially lower usage than industry peer group reflecting resilient balance sheet
- Share Buyback recommenced
- Tangible net assets per share of 44.9p reflective of strong property base/low debt

<sup>1</sup> Adjusted to exclude used car stocking loans



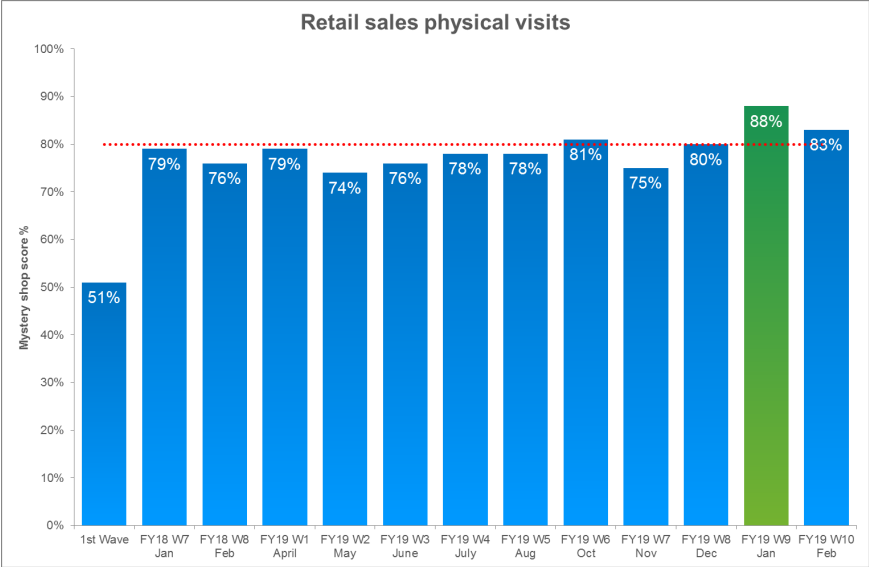
# Group Culture Drives Colleague and Customer satisfaction

## Colleague Recognition



## Mystery Shop Scores

1,527 Mystery shops carried out by Group in FY2019



## Colleague Satisfaction

**81.1%** of colleagues participated in annual survey

**81.9%** would recommend the Group as a brilliant place to work

**97.5%** know the Vertu Values

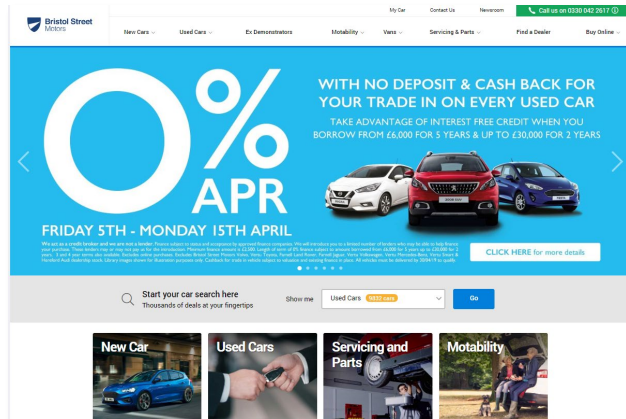
**86.8%** believe the directors actively practice the Values

## Recommendation Rate

**96.5%**

of used car customers would recommend the Group to their friends and family (7,394 customers surveyed in last 3 months)

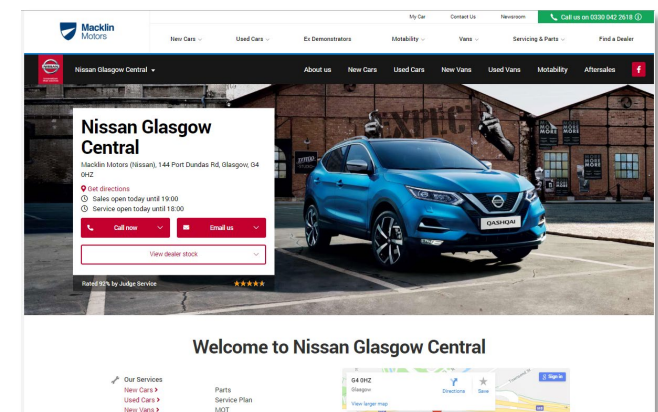
# Vertu Digital Assets, presence and engagement



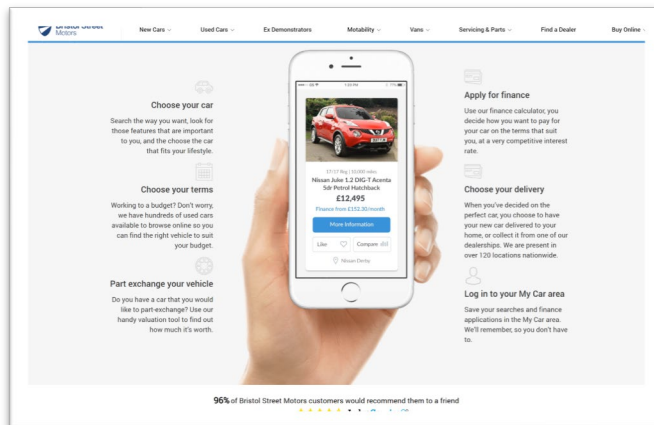
Group websites saw 14m visitors in FY2019



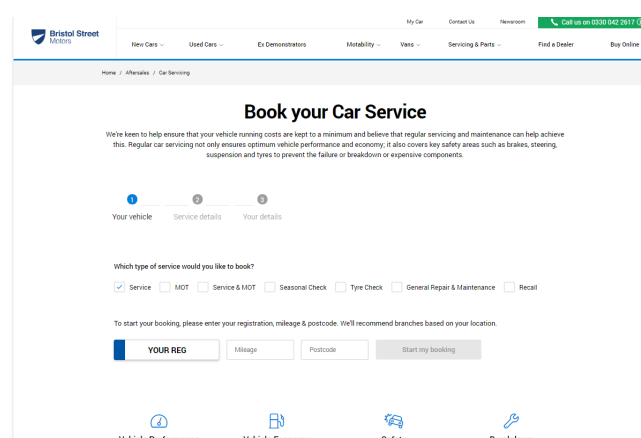
Vans Direct, 3,500 vans sold per annum via on-line channel



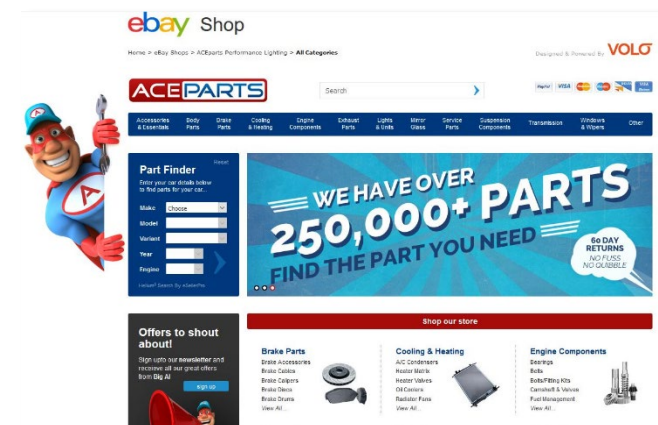
Over 125,000 internet derived vehicle enquiries (35% of total)



Full on-line capability for used vehicle sales, including finance options



27,000 on-line service bookings annually



1,500 on-line daily parts deliveries



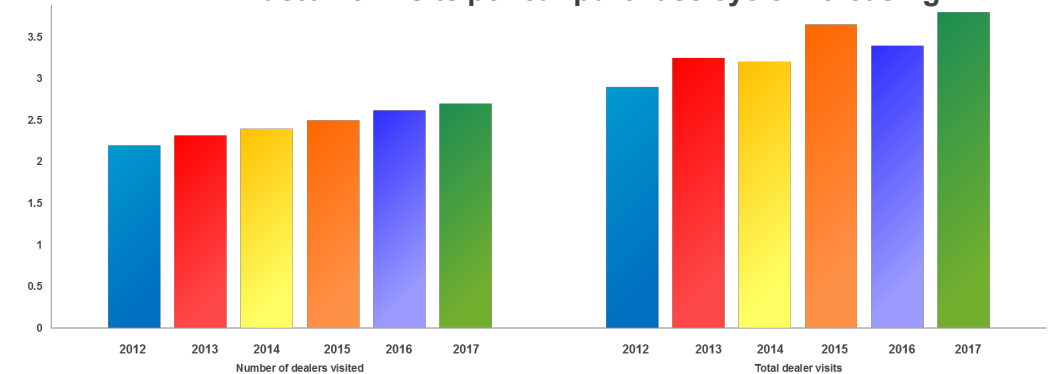
# Omni-channel Retailing

Being where our customers are: physical and on-line

- Importance of physical dealerships
  - Only 8% of UK Consumers would ideally like to finalise the deal on-line<sup>[1]</sup>
  - Complexity of choice in models and power trains
  - Test drive remains vital to purchase
  - Aftersales services/used cars require physical presence
- Consolidation of locations
  - Reduction in number of UK sales outlets continuing
  - Larger, fewer outlets driving consolidation of ownership and increased sales per outlet
  - 100-130 outlets per franchise?
- Portfolio flexibility
  - Strong freehold mix (55 locations - 53%) NBV of £184.2m with well invested property portfolio
  - Average remaining lease length 7.5 years: 11 outlets expire or have a break in next 3 years
  - 20% of leases have tenant breaks before expiry

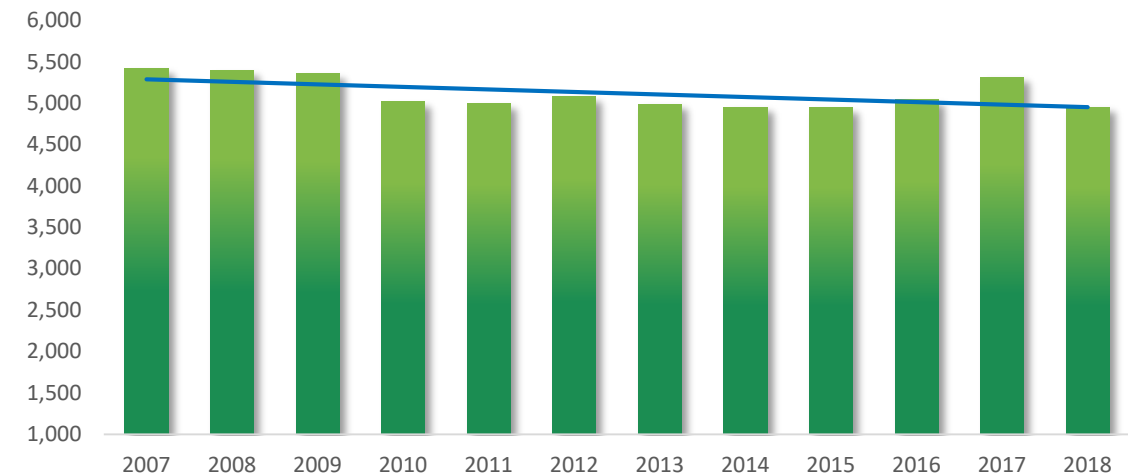
<sup>[1]</sup> Source: ICDP Consumer Survey

Customer visits per car purchase cycle increasing



Source: ICDP 2017 consumer survey

Declining Number of UK Franchised Sales Outlets

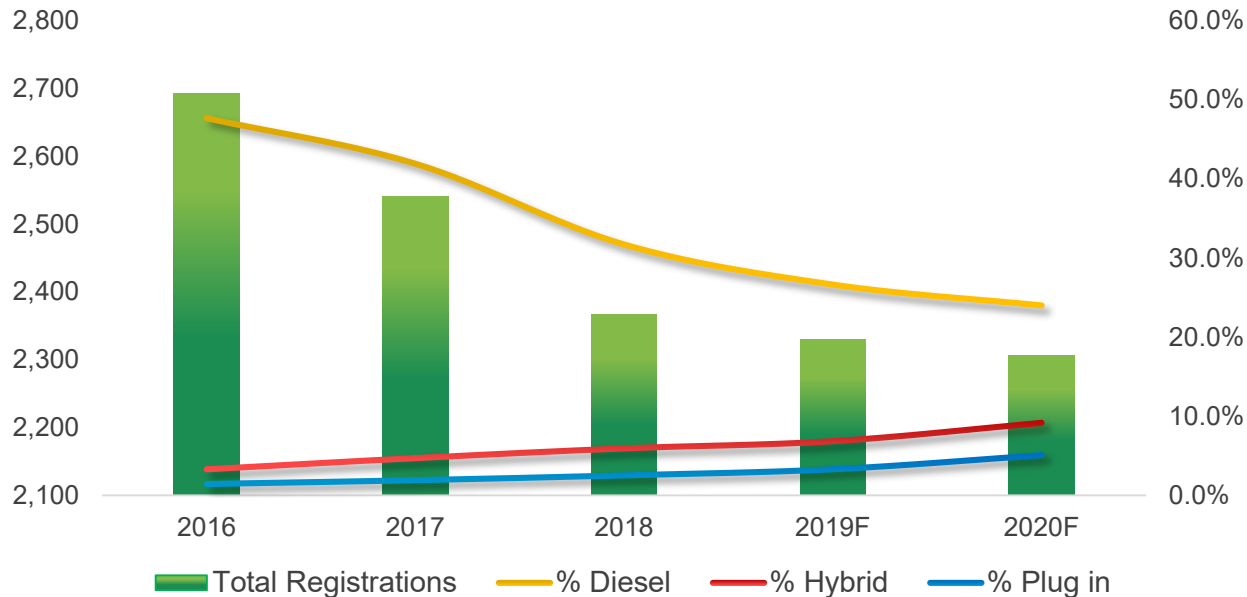


Source: Auto Retail Bulletin



# Powertrain Shifts Create Opportunity

UK Vehicle Registrations by Engine Type



- UK diesel registrations fell 29.6% in the year to December 2018
- Slow growth of hybrid and electric vehicle sales with expected increase from 2021
- Ultra Low Emission zones being introduced in major cities
- Further update on WLTP/RDE1 in appendix

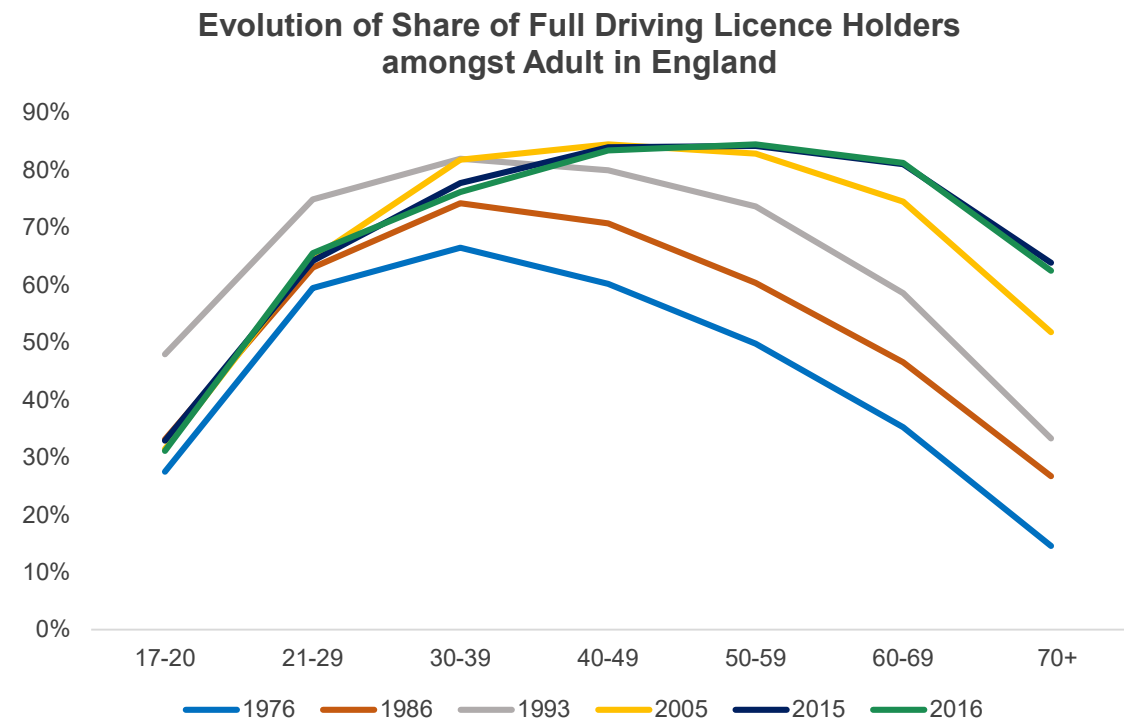


- Group launched Alternative Fuel focused website to promote product and educate customers: aim to be leading franchise dealer in EV space on-line



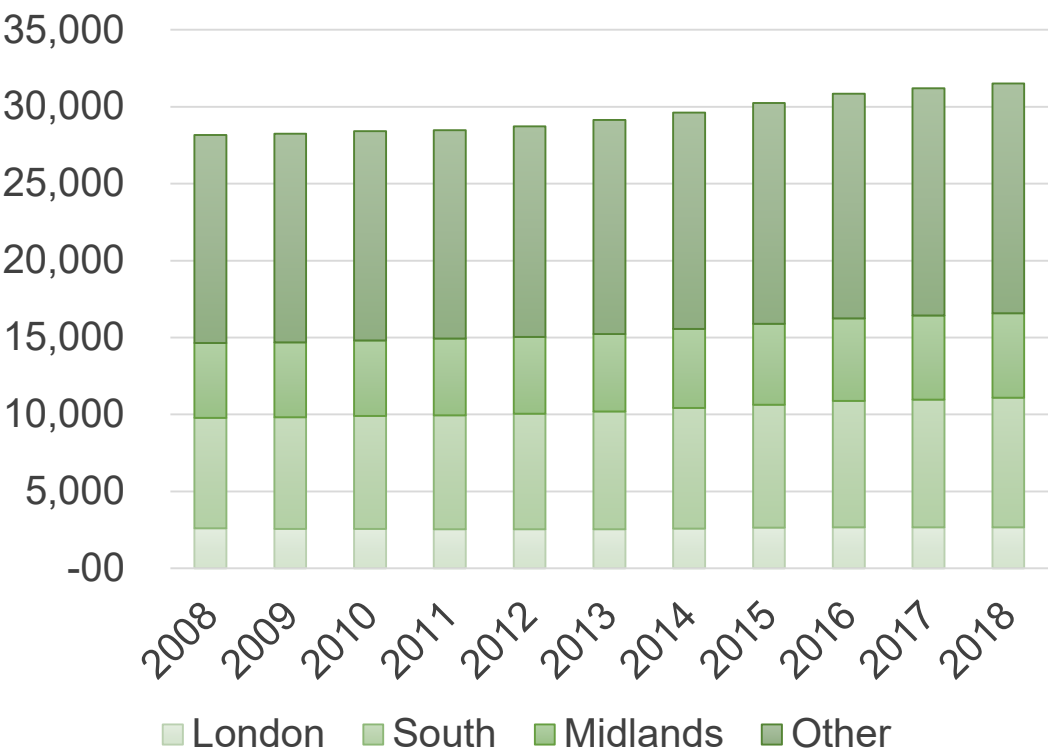
# People are not abandoning their licences or cars

- Proportion and number of licence holders is growing – younger drivers catch up in their late-20s, many more older people are driving now than in the past



Source: Office for National Statistics

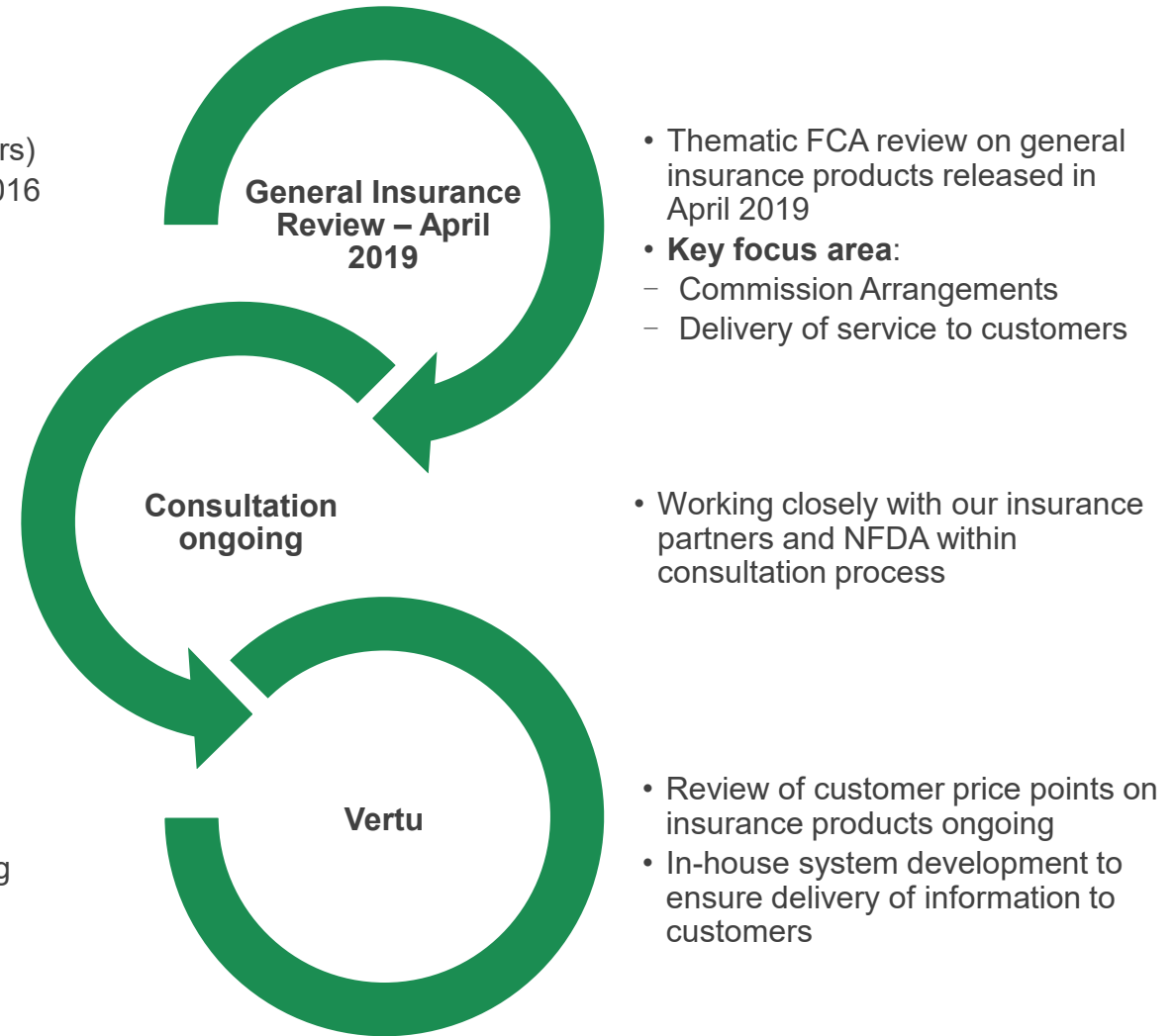
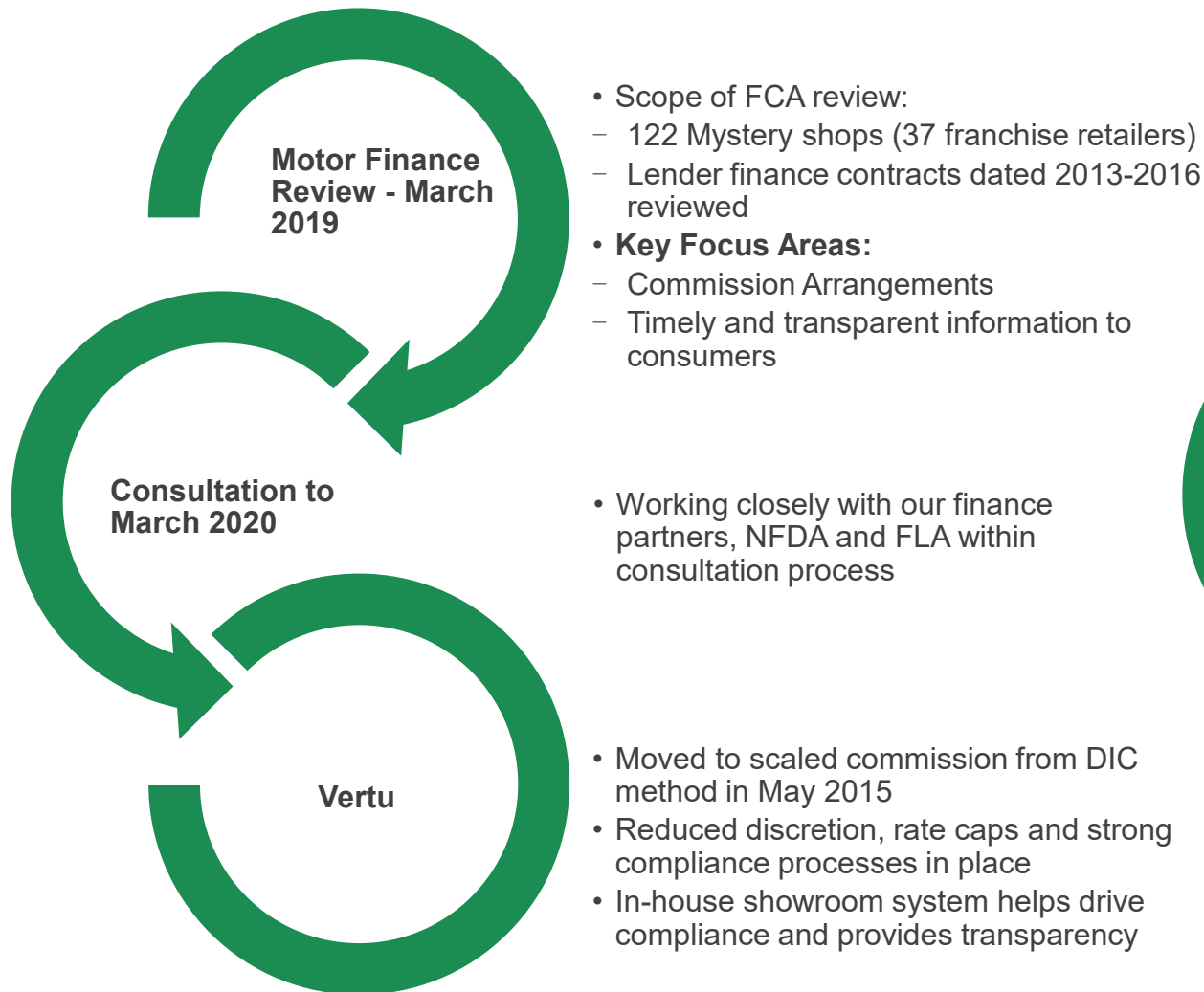
## Growing UK vehicle parc in excess of 30 million vehicles



Source: [www.gov.co.uk](http://www.gov.co.uk)



# Regulatory Change FCA Reviews



# Financial Performance

	FY2018	FY2019	% Change
Revenue	£2,796.1m	£2,982.2m	+6.7
Gross profit	£307.7m	£322.1m	+4.7
<b>Gross margin</b>	<b>11.0%</b>	<b>10.8%</b>	<b>(0.2)</b>
Adjusted <sup>[1]</sup> EBITDA	£40.7m	£38.1m	(6.4)
Adjusted <sup>[1]</sup> operating profit	£30.5m	£27.4m	(10.2)
Operating expenses	(£277.3m)	(£294.7m)	(6.3)
<b>Adjusted<sup>[1]</sup> operating expenses as % of revenue</b>	<b>9.9%</b>	<b>9.9%</b>	<b>-</b>
Net finance costs	(£1.9m)	(£3.7m)	(94.7)
<b>Adjusted<sup>[1]</sup> profit before tax</b>	<b>£28.6m</b>	<b>£23.7m</b>	<b>(17.1)</b>
<b>Profit before tax</b>	<b>£30.4m</b>	<b>£25.3m</b>	<b>(16.8)</b>
Earnings per share	6.31p	5.45p	
Adjusted <sup>[1]</sup> earnings per share	5.79p	5.10p	
<b>Dividend per share</b>	<b>1.50p</b>	<b>1.60p</b>	<b>+6.7</b>

- Revenue and gross profit growth delivered: £14.4m gross profit growth
- Margins reflect higher sales prices
- Overall cost base increased by £17.4m; stable as a % of revenues
- Finance costs rose £1.8m due to higher stocking interest rates and pre-anticipated Brexit increased new car consignment stock levels

	FY2018	FY2019
	£'m	£'m
<b>Non-underlying items</b>		
Profit on sale of property	4.1	-
Loss on disposal of business	(0.6)	-
VAT receipt - deposit contributions	-	3.1
Share based payments charge	(1.0)	(0.9)
Amortisation	(0.6)	(0.5)
<b>Net Non-underlying income</b>	<b>1.9</b>	<b>1.7</b>

<sup>[1]</sup> Adjusted for non-underlying items



# Strong balance sheet

## Flexibility and resilience

	28 February 2018 £'m	28 February 2019 £'m
Intangible assets	95.7	114.9
Retirement benefit asset	6.6	6.4
Tangible assets	198.0	224.8
<b>Non-current assets</b>	<b>300.3</b>	<b>346.1</b>
Current assets	624.7	681.6
Property assets held for sale	2.4	1.3
Cash and cash equivalents	41.7	66.5
<b>Total assets</b>	<b>969.1</b>	<b>1,095.5</b>
Current liabilities	(666.7)	(732.0)
Non-current liabilities	(15.6)	(20.1)
Borrowings	(22.4)	(66.8)
<b>Net assets</b>	<b>264.4</b>	<b>276.6</b>
Net assets per share (pence)	68.9	73.8
<b>Tangible net assets per share (pence)</b>	<b>45.4</b>	<b>44.9</b>

- Strong balance sheet underpinned by property and virtually no net debt
- Conservative financing structure with low use of used car stocking loans
- “Pre-Brexit” rise in new car consignment stock evident
- Further disposals post year end of property/businesses generated £1.4m of cash
- Pension surplus on funding basis: no contributions planned
- Detailed IFRS 16 impact in appendix



# Movement in net cash/(debt) Strong conversion and generation of Free Cash Flow

	FY2018 £'m	FY2019 £'m
<b>Adjusted EBITDA</b>	<b>40.7</b>	<b>38.1</b>
Working capital movement	(13.3)	18.9
Capital expenditure <sup>[1]</sup>	(18.3)	(25.3)
Disposals	14.3	4.0
Purchase of freehold property	(4.3)	(9.0)
Non-underlying VAT income	-	3.1
Interest	(2.3)	(3.9)
Tax	(6.1)	(4.7)
<b>Free Cash Flow</b>	<b>10.7</b>	<b>21.2</b>
Acquisitions (including borrowings)	(1.2)	(31.5)
Dividends	(5.7)	(5.7)
Repurchase of own shares	(5.5)	(3.6)
<b>Movement in net cash</b>	<b>(1.7)</b>	<b>(19.6)</b>
Opening net cash	21.0	19.3
<b>Closing net cash/(debt)</b>	<b>19.3</b>	<b>(0.3)</b>
<b>Adjusted net cash</b>	<b>32.1</b>	<b>22.9</b>

Movement in working capital	FY2018 £'m	FY2019 £'m
New vehicle inventory	(32.5)	(39.0)
Payables	52.8	39.8
Used vehicle inventory	(18.4)	2.2
Parts inventory	(1.4)	4.2
Receivables	(13.8)	11.7
	<b>(13.3)</b>	<b>18.9</b>

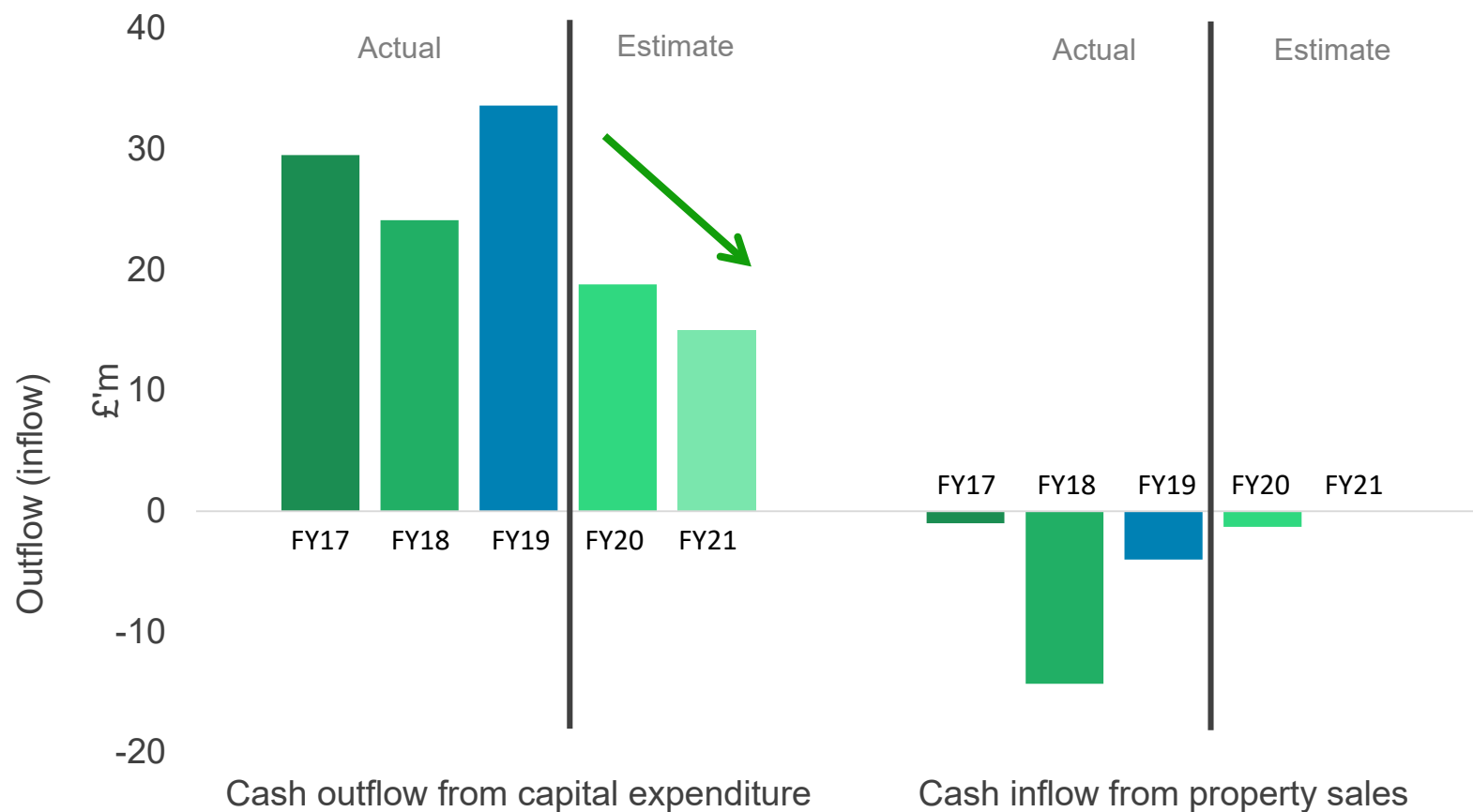
Reconciliation of Adjusted net cash	FY2018	FY2019
Closing net cash/(debt) (£'m)	19.3	(0.3)
Used vehicle stocking loans (£'m)	12.8	23.2
<b>Adjusted net cash (£'m)</b>	<b>32.1</b>	<b>22.9</b>
Stocking loan to value %	14.5	21.9
Cover	6.9	4.6

<sup>[1]</sup> Includes intangible additions, profits on sale fixed assets



# Capital Expenditure

## Significant reduction in capex FY2020

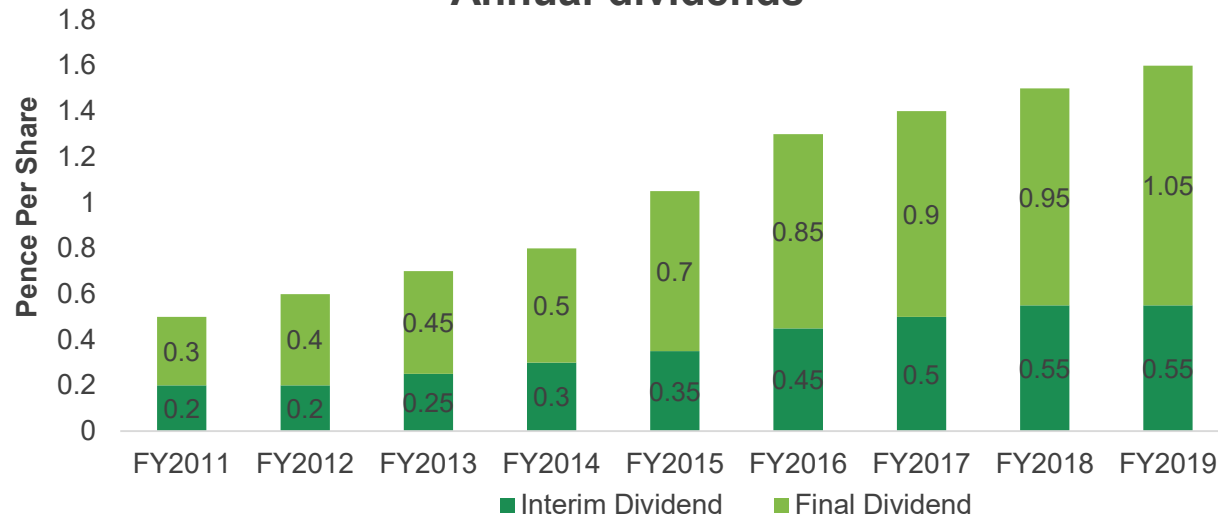


- Reduced capital expenditure expected in FY2020, as previously flagged
- Cash continues to be generated from disposals
- Detail of capital expenditure in Appendix 10



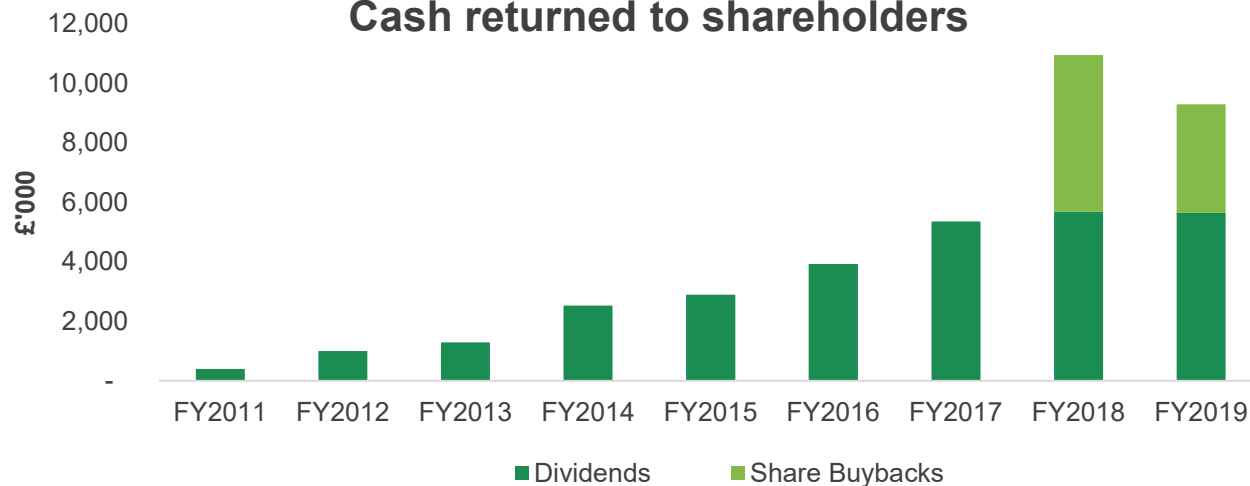
# Shareholder returns 9<sup>th</sup> consecutive year of dividend growth

## Annual dividends

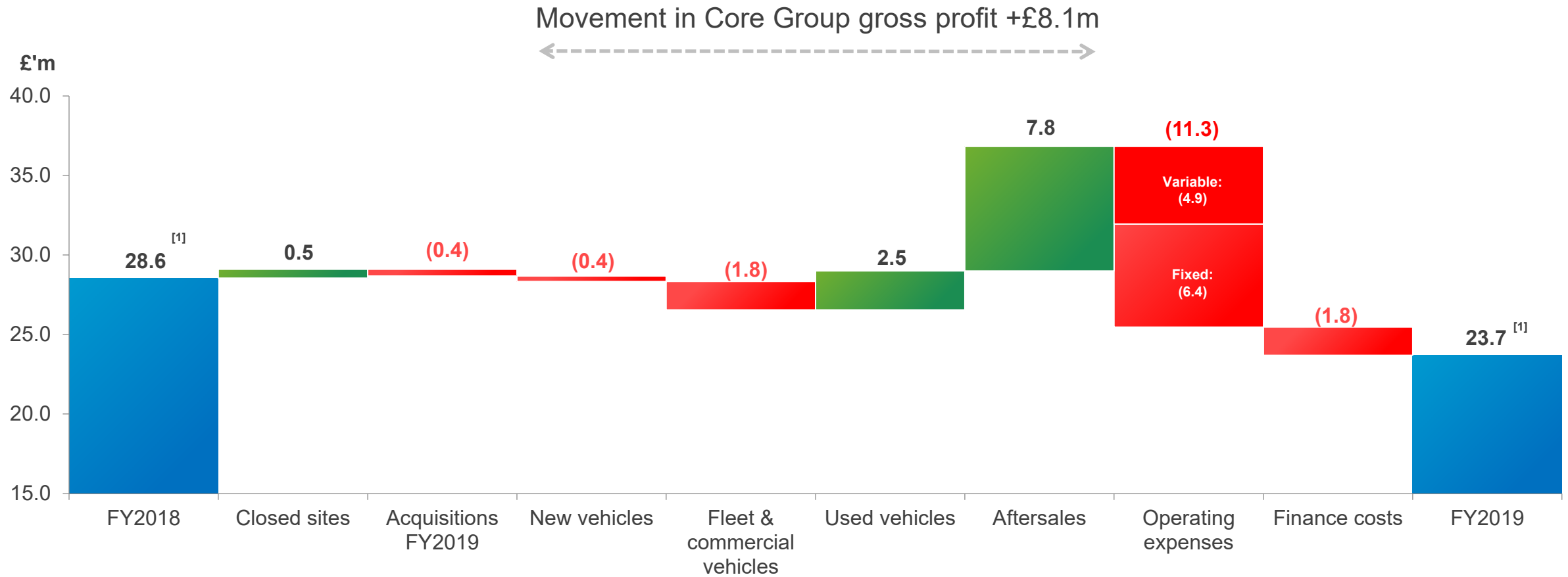


- Dividend increased by 6.7% to 1.60p per share (2018: 1.50p)
- Four times dividend cover moving to three to four times
- £8.9m of Share Buybacks to date; 4.53% of issued share capital repurchased for cancellation
- Share Buyback programme to be recommenced (£3.0m)
- AGM authority for continuation of future Buybacks to be sought
- Focus on returns and capital allocation: anticipate returning to strong free cashflows

## Cash returned to shareholders



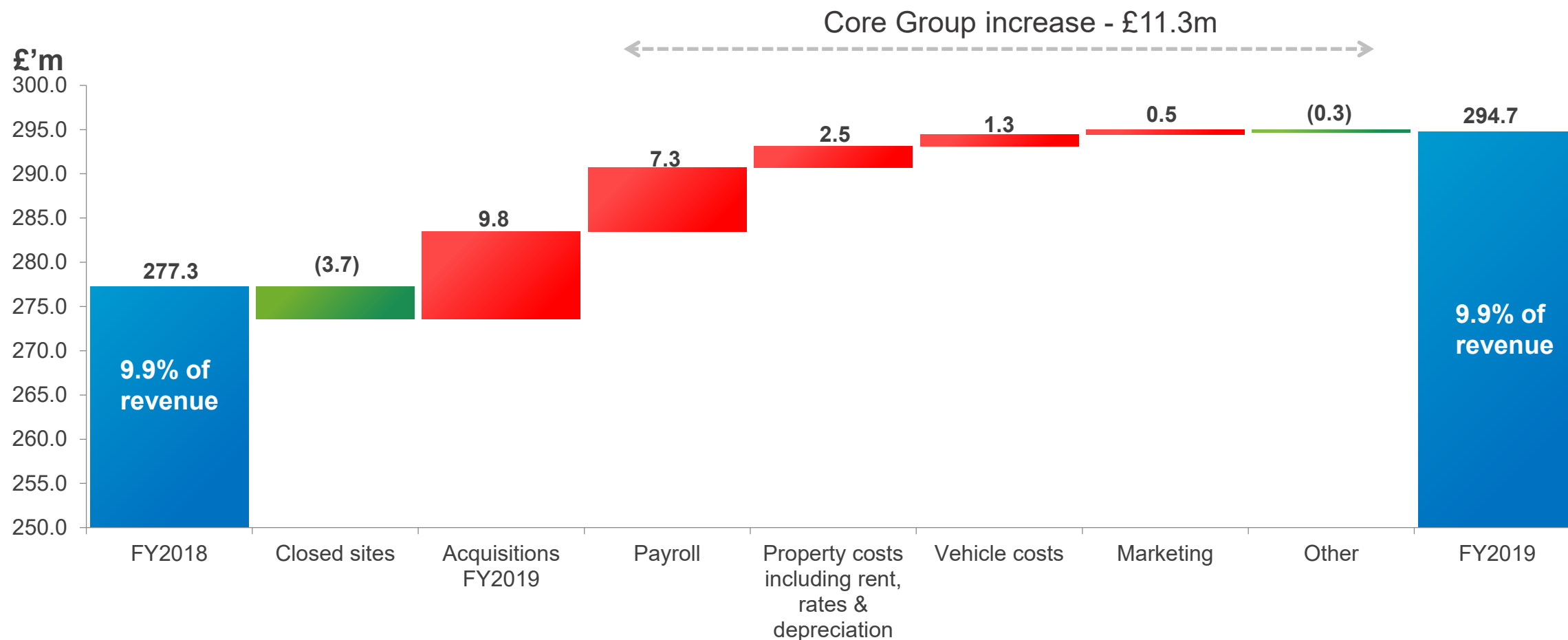
# Profit bridge 12 months ended 28 February 2019



<sup>[1]</sup> Adjusted profit before tax



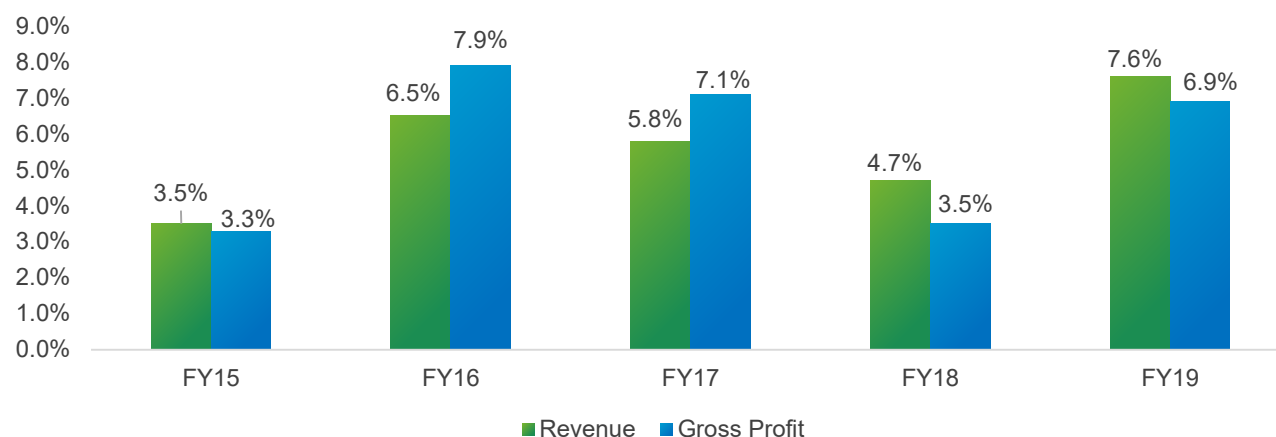
# Operating expenses



# Aftersales Recurring high margin income: Strong execution

Core Group	Service	Parts & accident repair	Total
	£'000	£'000	£'000
Revenue <sup>[1]</sup>	118,504	178,061	296,565
Revenue <sup>[1]</sup> change	8,329	11,021	19,350
<b>Like-for-like revenue<sup>[1]</sup> change</b>	<b>7.6%</b>	<b>6.6%</b>	<b>7.0%</b>
Gross profit change	5,779	2,053	7,832
Gross margin <sup>[2]</sup> 2019	75.4%	22.9%	43.9%
Gross margin <sup>[2]</sup> 2018	75.8%	23.2%	44.1%

Service year on year revenue and gross profit growth  
FY15 - FY19



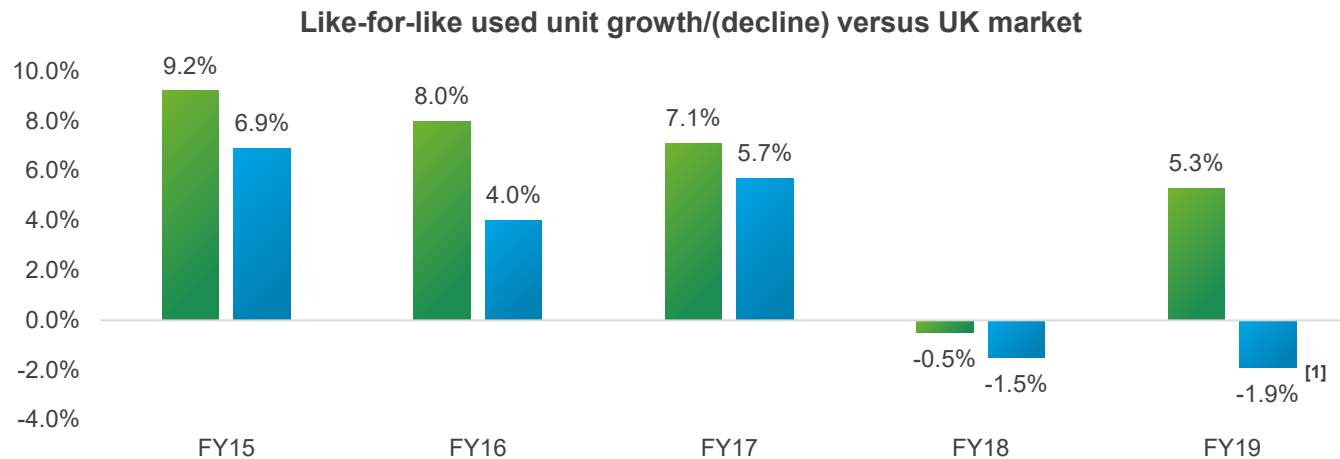
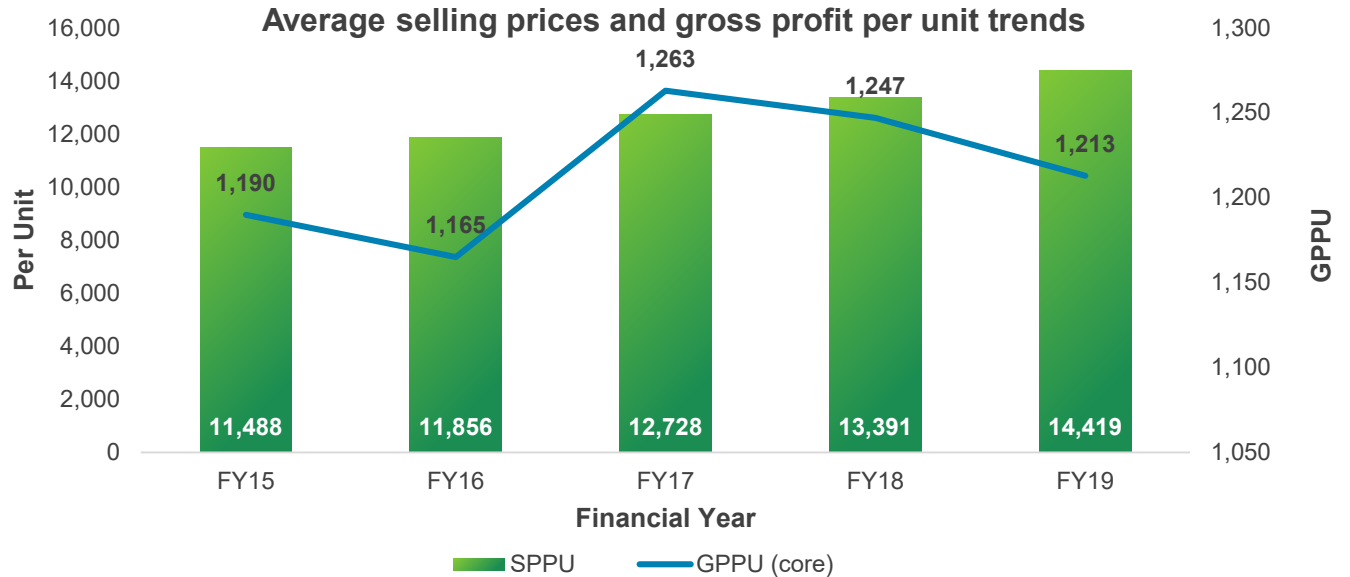
- Continued like-for-like revenue and gross profit growth across all aftersales streams
- Over 100,000 active Vertu service plans in addition to extensive manufacturer service plans delivers high retention levels
- Core Group aftersales gross profit up £7.8m
- Service margins reduced slightly due to increased warranty revenues (up 13.4% on like-for-like basis)
- Revenues aided by growth in average invoice value per customer visit through focus on vehicle health check process
- Ford parts reorganisation:
  - Large trade operations moving to an agency basis and to be treated as non-core in transition from FY2020
  - Reorganisation expected to reduce PBT FY2020 by £0.8m
  - Cash inflow of FY19: £3.0m and FY20: £0.9m as working capital released

<sup>[1]</sup> Includes internal and external revenue

<sup>[2]</sup> Margin in aftersales expressed on internal and external revenue



# Used vehicles Continued volume growth ahead of market



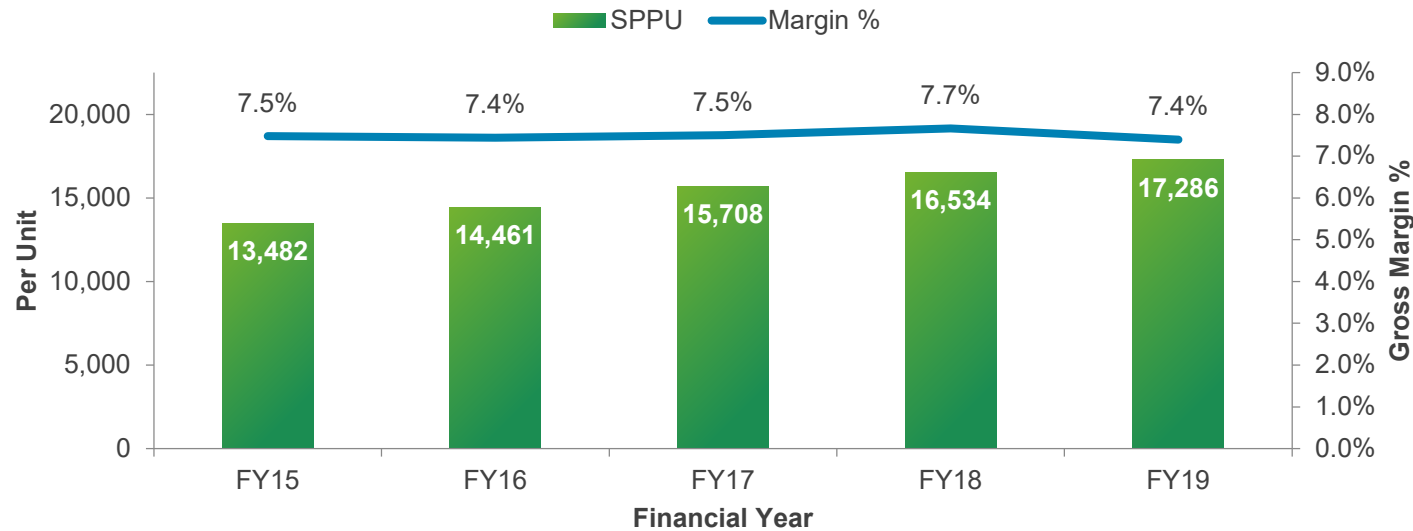
- Group strategy is to ensure prices are competitive in the market and to maximise total gross profit through a balance of margin and volume
- Like-for-like sales revenues up 11.6%
- Like-for-like volumes up 5.3%: consistently ahead of market
- Success in growing like-for-like volume increases in Mercedes-Benz (40.4%) and Volkswagen (34.4%)
- Core Group used vehicle gross profit up £2.5m
- Core gross profit per unit £1,213 (FY18: £1,247)
- Continued growth in average selling prices following new car trend and reflecting increased premium mix of sales: impacting margin percentages

<sup>[1]</sup> SMMT data: 9 months to end Dec 2019



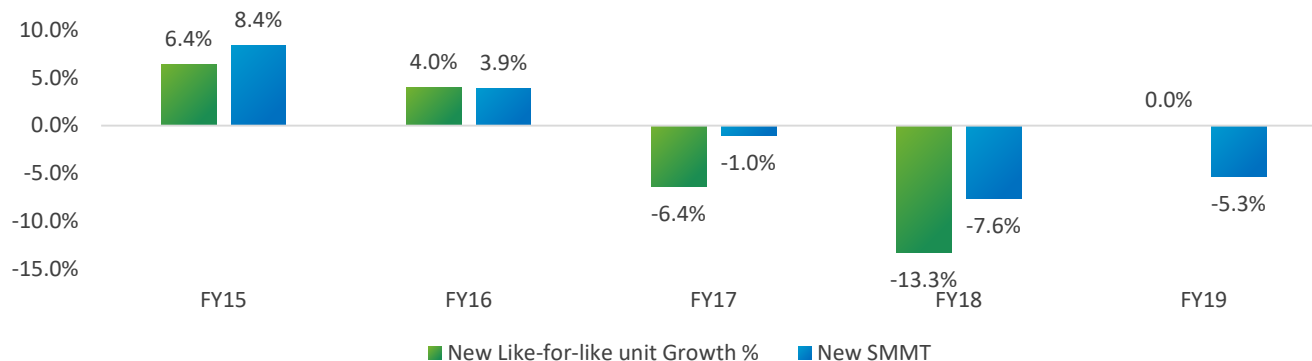
# New retail vehicles Revenue growth despite market decline

Average selling prices and gross margin % trends



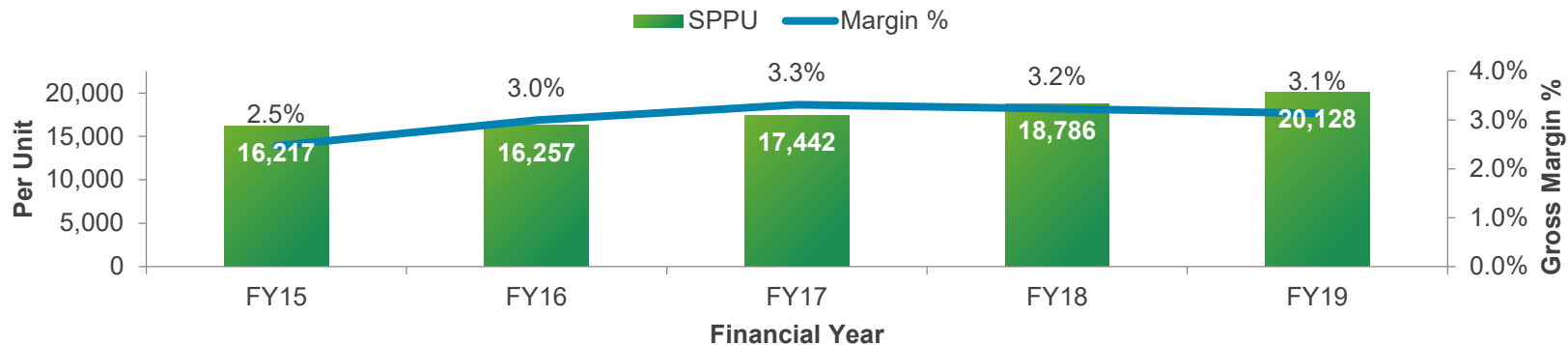
- Volume performance ahead of market in new retail channel in both H1 and H2
- Stable like-for-like volumes year on year
- Rising sales prices due to premium mix and impact of currency pressures on Manufacturers
- Like-for-like revenues rose 2.9%
- Gross profit per unit up to £1,398 (FY18: £1,381)
- Like-for-like gross margin from sale of new vehicles 7.4% (FY18: 7.7%)

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

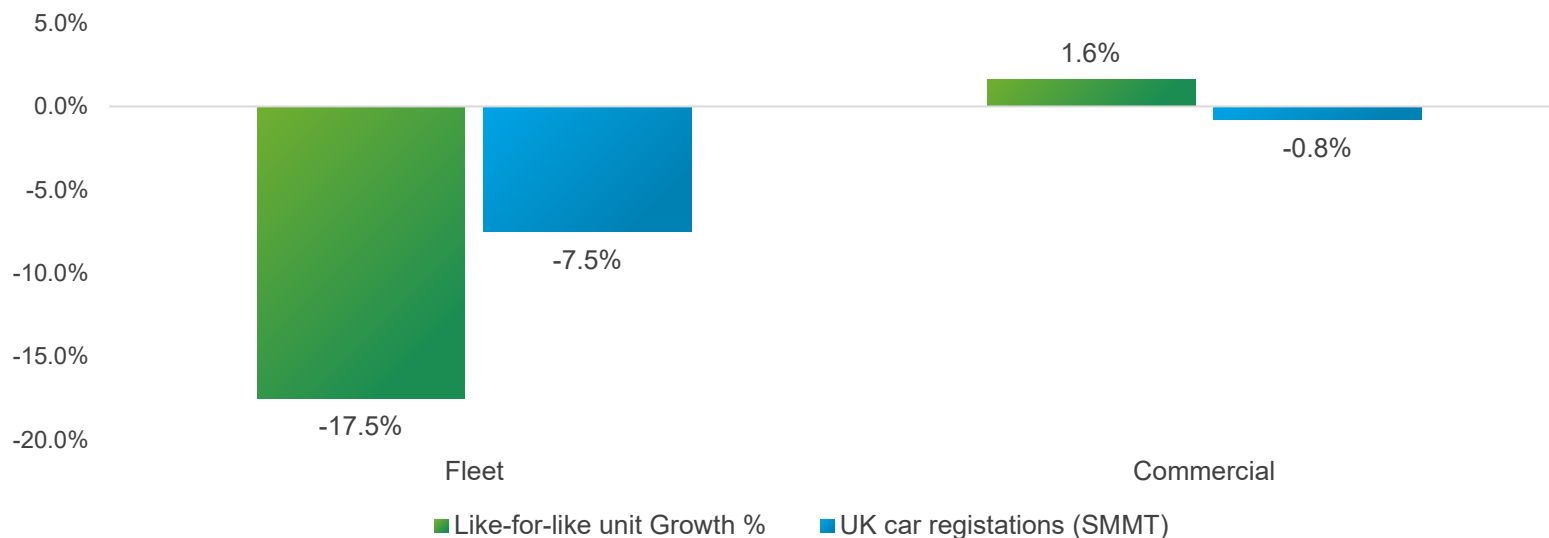


# Fleet & commercial vehicles Van sales strengthening

Average selling prices and gross margin % trends



Like-for-like unit growth/(decline) versus UK market FY19



- Divergence in car fleet and commercial van volume trends
- Certain volume Manufacturers cutting back supply on lower margin car fleet channel
- UK van market returned to growth in H2 (and had a record March in 2019)
- Contract hire fleet volumes impacted due to WLTP supply issues and tax uncertainty over emissions
- Gross profit per unit strengthened from £582 to £612 per unit
- Core Group gross profit in Fleet & commercial channel declined £1.8m in the year: volume impact
- Vans Direct acquired January 2019 immediately contributed to Group profit and provides further growth opportunity



# Current trading and Outlook Trading in line with management expectations

## Current trading

Revenue:	March/April 2019 Increase/(decrease) year-on-year	
	Like-for-Like %	SMMT Registrations %
Group revenues	0.5	
Service revenues	9.3	
<b>Volumes:</b>		
Used retail vehicles	(0.6)	
New retail vehicles	(13.1)	(4.7)
Motability vehicles	(6.7)	2.7
Fleet and Commercial vehicles	9.5	2.7

## Outlook

- Political and economic uncertainty around Brexit unchanged
- Priorities for year ahead:
  - Focus on capital allocation including Share Buyback Programme
  - Targeted acquisition growth
  - Invest and develop in on-line capability to deliver seamless omni-channel retailing
  - Manage costs
  - Increase colleague retention to enhance productivity and customer experience



# Summary

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- Highly experienced management team offers customers outstanding service – exceptional execution of fundamentals
- Strong financial position
- Over three years invested £87m of capex across dealership estate
- Capex programme now coming to an end – increased levels of cash generation expected
- Disciplined capital allocation framework:
  - Growth – investment in operations and acquisitions
  - Shareholder returns – dividend and share buybacks



# List of appendices

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1. Definitions of key terminology
2. Revenue & margin analysis: Total Group
3. Used vehicle trends
4. New retail vehicle trends
5. Fleet & commercial vehicle trends
6. Vehicle volumes sold
7. Industry Trends – Macro Economic Factors
8. UK new vehicle registrations
9. Technological change: Further emission testing changes
10. Capital Expenditure: reduction in FY20
11. IFR16: Accounting for leases – effective for FY2020 year end
12. Cash and borrowing facilities



# Definitions of key terminology

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**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”

**FY2019:**

The twelve month period ending 28 February 2019

**FY2018:**

The twelve month period ended 28 February 2018

**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



# Revenue and margin analysis Total Group

	FY2018					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 %
<b>Aftersales<sup>[1]</sup></b>	228.2	8.2	123.5	<b>40.1</b>	44.0	257.1	8.6	136.0	42.2	43.9
<b>Used vehicles</b>	1,068.9	38.2	98.7	<b>32.1</b>	9.2	1,217.6	40.9	102.1	31.7	8.4
	<b>1,297.1</b>	<b>46.4</b>	<b>222.2</b>	<b>72.2</b>	<b>16.5</b>	<b>1,474.7</b>	<b>49.5</b>	<b>238.1</b>	<b>73.9</b>	<b>15.6</b>
New retail and Motability	836.5	29.9	64.1	<b>20.8</b>	7.7	862.8	28.9	63.8	19.8	7.4
Fleet & commercial	662.5	23.7	21.4	<b>7.0</b>	3.2	644.7	21.6	20.2	6.3	3.1
<b>Overall Group</b>	<b>2,796.1</b>	<b>100.0</b>	<b>307.7</b>	<b>100.0</b>	<b>11.0</b>	<b>2,982.2</b>	<b>100.0</b>	<b>322.1</b>	<b>100.0</b>	<b>10.8</b>

- Aftersales & Used vehicle % gross profit mix increased to 73.9% (2018: 72.2%)
- More gross profit generated (like-for-like increase of £8.1m)

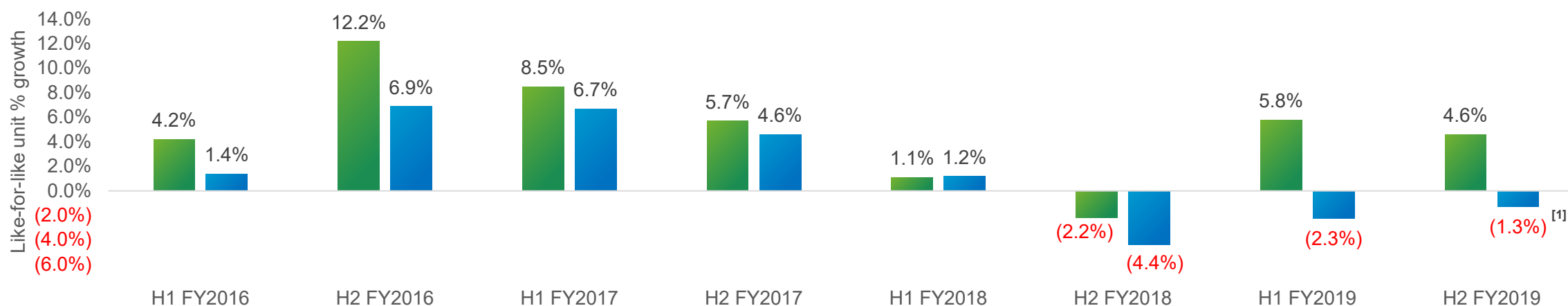
<sup>[1]</sup> Margin in aftersales expressed on internal and external revenue



# Used vehicle trends

	H1 FY2016	H2 FY2016	H1 FY2017	H2 FY2017	H1 FY2018	H2 FY2018	H1 FY2019	H2 FY2019
Selling price per unit (£)	11,943	11,772	12,524	12,905	13,146	13,658	14,069	14,797
<b>Gross profit per unit (£)</b>	<b>1,176</b>	<b>1,153</b>	<b>1,246</b>	<b>1,222</b>	<b>1,197</b>	<b>1,278</b>	<b>1,233</b>	<b>1,182</b>
Margin (Group)	9.8%	9.8%	9.9%	9.5%	9.1%	9.4%	8.8%	8.0%
Margin (Core Group)	10.3%	10.4%	10.2%	9.8%	9.5%	9.6%	8.8%	8.2%
Like-for-like unit growth/(decline)	4.2%	12.2%	8.5%	5.7%	1.1%	(2.2%)	5.8%	4.6%

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



<sup>[1]</sup> 4 Month period September to December

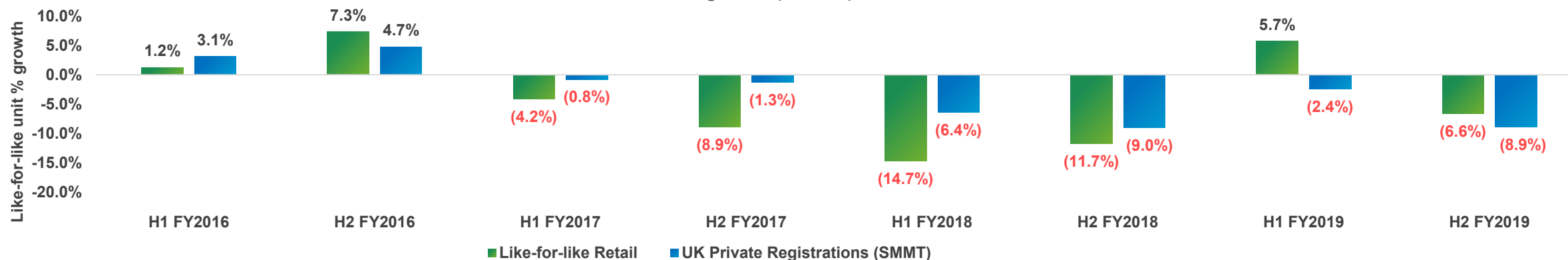
■ Like-for-like unit growth % ■ SMMT



# New retail vehicle trends

	H1 FY2016	H2 FY2016	H1 FY2017	H2 FY2017	H1 FY2018	H2 FY2018	H1 FY2019	H2 FY2019
Selling price per unit <sup>[1]</sup> (£)	14,213	14,738	15,515	15,913	16,571	16,490	16,829	17,864
<b>Gross profit per unit <sup>[1]</sup> (£)</b>	<b>1,116</b>	<b>1,202</b>	<b>1,211</b>	<b>1,359</b>	<b>1,370</b>	<b>1,382</b>	<b>1,365</b>	<b>1,447</b>
Margin (Group) <sup>[1]</sup>	7.3%	7.6%	7.2%	7.8%	7.6%	7.7%	7.4%	7.4%
Margin (Core Group) <sup>[1]</sup>	7.3%	7.5%	7.2%	7.7%	7.5%	7.7%	7.4%	7.5%
Like-for-like unit (Retail) growth /(decline)	1.2%	7.3%	(4.2%)	(8.9%)	(14.7%)	(11.7%)	5.7%	(6.6%)
UK private registrations <sup>[2]</sup> growth/(decline)	3.1%	4.7%	(0.8%)	(1.3%)	(6.4%)	(9.0%)	(2.4%)	(8.9%)

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



<sup>[1]</sup> Includes Motability sales

<sup>[2]</sup> Source SMMT



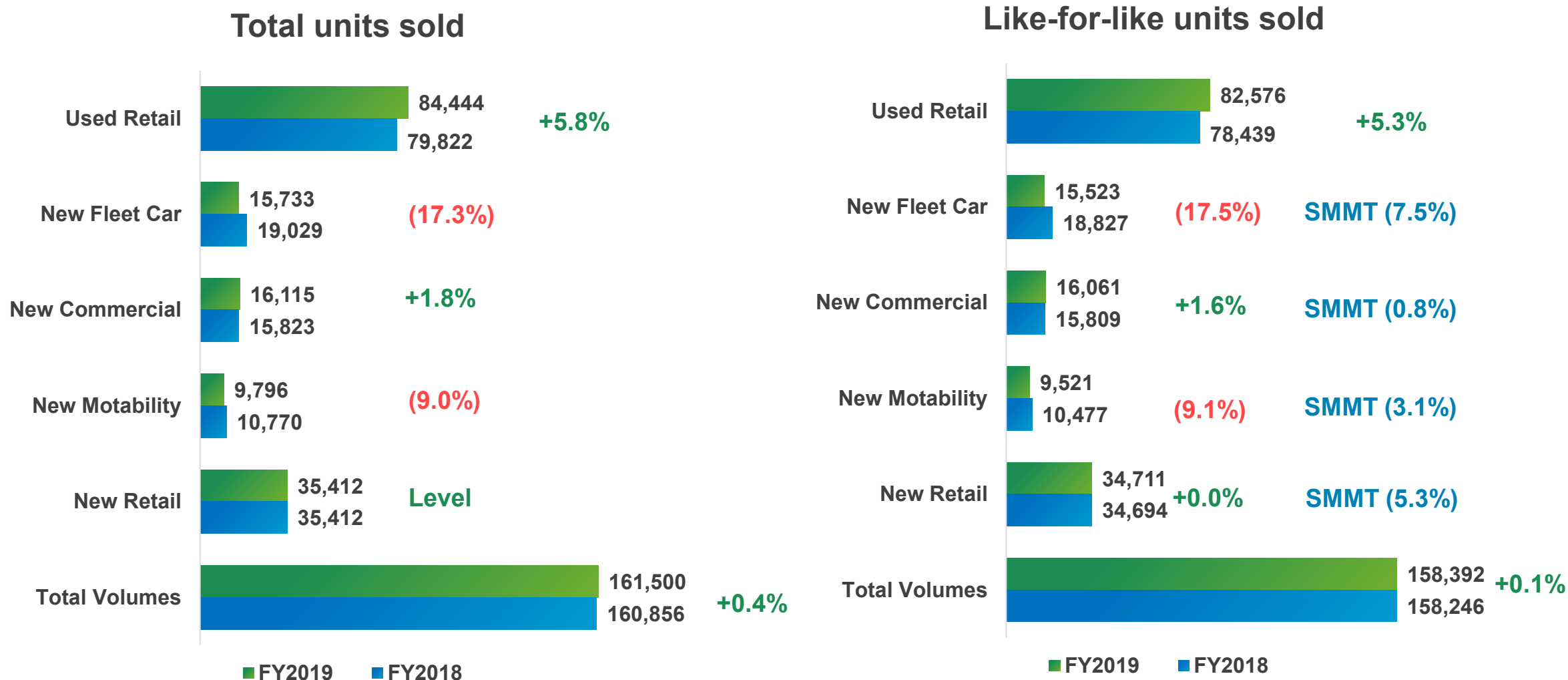
# Fleet & commercial vehicles trends

	H1 FY2016	H2 FY2016	H1 FY2017	H2 FY2017	H1 FY2018	H2 FY2018	H1 FY2019	H2 FY2019
Selling price per unit (£)	16,271	16,553	17,188	17,713	18,549	19,032	19,785	20,544
<b>Gross profit per unit (£)</b>	<b>426</b>	<b>562</b>	<b>536</b>	<b>585</b>	<b>576</b>	<b>588</b>	<b>555</b>	<b>695</b>
Margin (Group)	2.6%	3.4%	3.2%	3.4%	3.2%	3.2%	2.8%	3.5%
Like-for-like unit growth/(decline) (Fleet)	(8.5%)	1.3%	(10.6%)	3.8%	(4.3%)	(5.4%)	(12.4%)	(28.5%)
UK car fleet registrations <sup>[1]</sup> growth/(decline)	10.8%	8.2%	6.1%	4.1%	(0.5%)	(11.3%)	(5.2%)	(10.2%)
Like-for-like unit growth/(decline) (Vans)	24.2%	20.1%	11.6%	(7.9%)	(9.6%)	1.9%	8.1%	(1.9%)
UK van commercial registrations <sup>[1]</sup> growth/(decline)	16.4%	10.1%	3.9%	(1.6%)	(3.2%)	(4.0%)	(2.7%)	1.2%

<sup>[1]</sup> Source SMMT

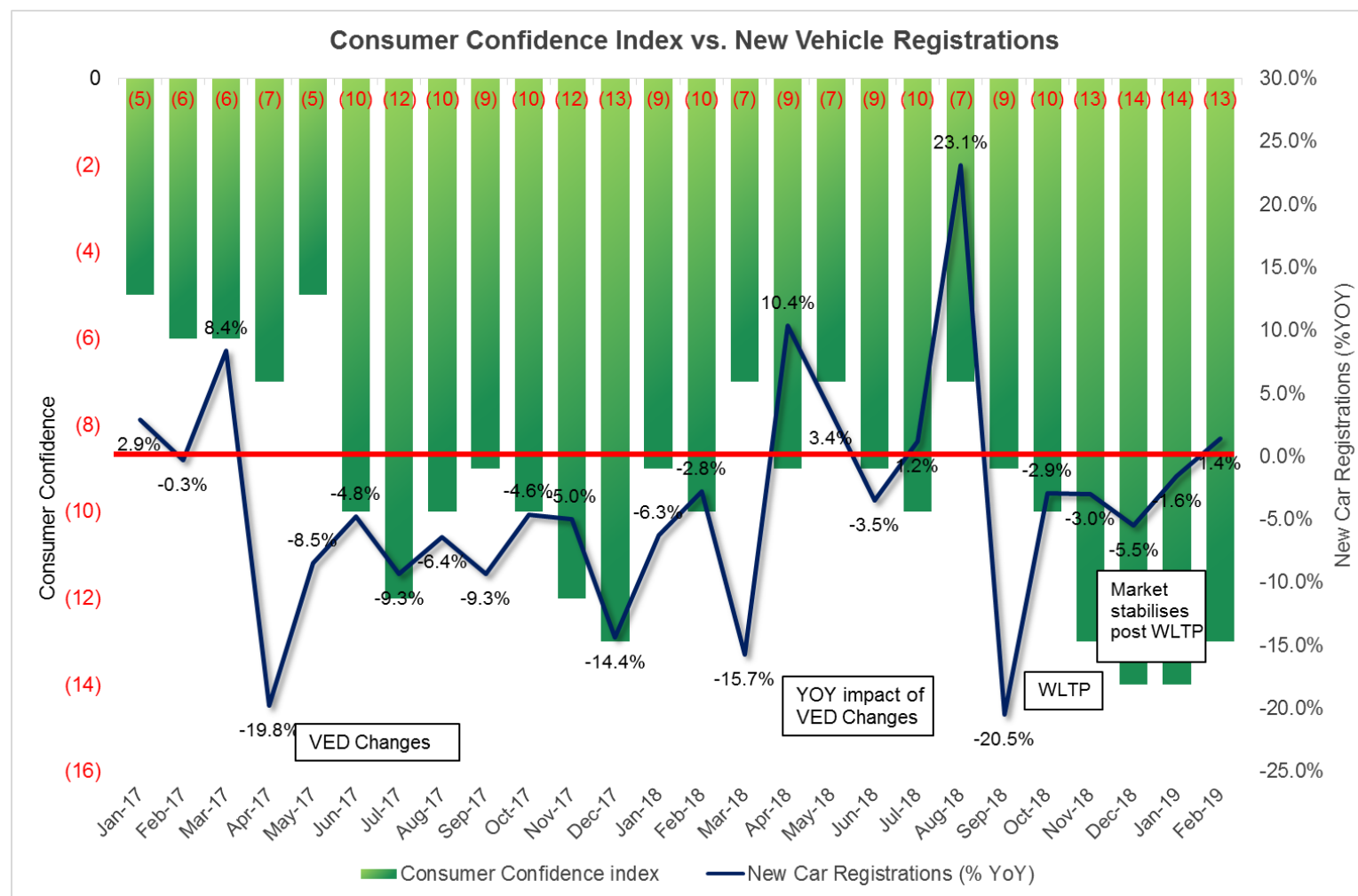


# Vehicle volumes sold



# Industry Trends - Macro Economic Factors

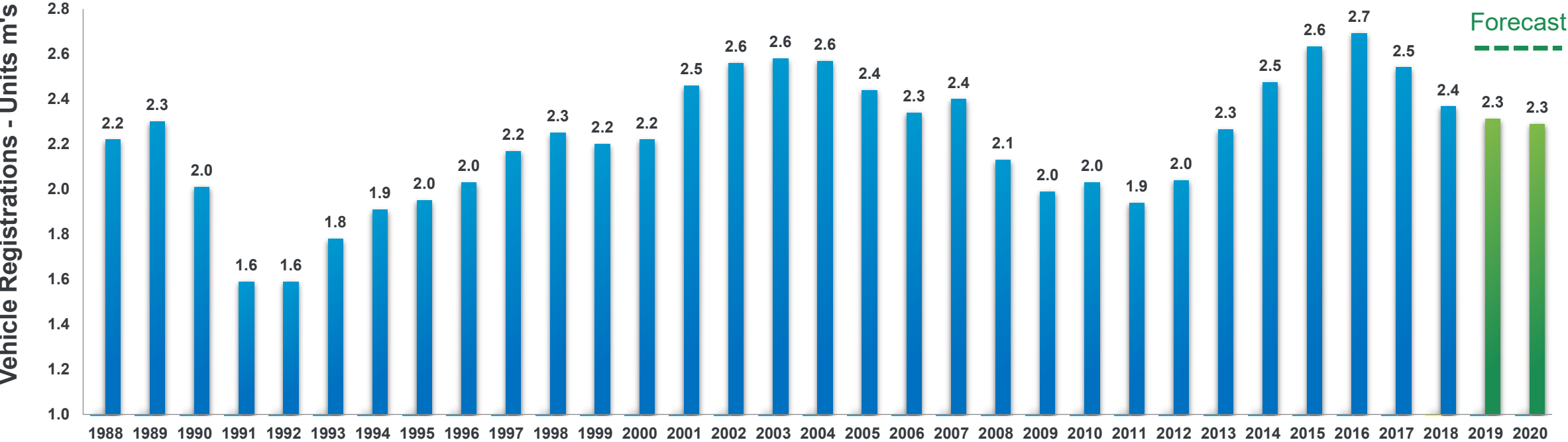
- Established long-term link between consumer confidence, GDP and UK new vehicle registrations
- Record employment levels in the UK and growth in real earnings
- Weaker pound impacts on UK new vehicle market as market less profitable to manufacturers importing
- Car buying switch from new to 'cheaper' used vehicles<sup>1</sup>



<sup>1</sup> Source: Close Brothers Motor Finance's "Britain Under the Bonnet" consumer survey



# UK new vehicle registrations



# Technological Change Further emission testing changes

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- **Worldwide Harmonised Light Vehicle Test Procedure (“WLTP”)**
  - Came into force 1 September 2018 for passenger vehicles, applies to commercial vehicles September 2019
  - Laboratory test to measure:
    - Fuel consumption
    - CO2 emissions
    - Pollutant Emissions
    - Energy consumption and range measures for alternative power train vehicles
  - Caused disruption in new vehicle supply due to testing delays on implementation
- **Real World Driving (“RDE”) Testing**
  - Comes into force 1 September 2019 - new vehicles cannot be sold unless tested
  - Vehicle is driven on public roads and over a wide range of different conditions during testing
  - Stage 1 (RDE1) requires vehicles to achieve results less than 2.2 times over the WLTP lab test results
  - Stage 2, applicable to new vehicle registered 1 January 2020, results less than 1.5 times those achieved in the lab are required
  - Potential to cause further supply disruption in FY20 and reduction in vehicle model variants: less disruption expected than WLTP
  - Major challenge for Manufacturers to significantly reduce emissions by 2021 to avoid penal EU fines



# Capital Expenditure

## Significant reduction in capex FY2020

	Actual			Estimate	
	FY2017 £'m	FY2018 £'m	FY2019 £'m	FY2020 £'m	FY2021 £'m
Purchase of property	5.3	4.3	9.0	1.2	1.0
New dealership build	10.4	4.3	6.7	3.1	-
Existing dealership capacity increases	5.9	8.2	11.9	10.2	4.5
Manufacturer led refurbishment projects	2.4	3.0	1.0	0.1	4.5
IT and other ongoing capital expenditure	4.8	4.9	4.2	4.2	5.0
Movement on capital creditor	0.7	(0.6)	0.9	-	
<b>Cash outflow from capital expenditure</b>	<b>29.5</b>	<b>24.1</b>	<b>33.7</b>	<b>18.8</b>	<b>15.0</b>
Proceeds from property sales	(1.0)	(14.3)	(4.0)	(1.3)	-
<b>Net cashflow from capital investment</b>	<b>28.5</b>	<b>9.8</b>	<b>29.7</b>	<b>17.5</b>	<b>15.0</b>

- Significant period of investment in dealership capacity and standards coming to an end



# IFRS 16 Accounting for leases – effective for FY2020 year end

- Adoption
  - Accounting change with no impact on cash flows or capital allocation decisions
  - Balance sheet asset and corresponding liability created for relevant leases
  - Income statement rental costs replaced by depreciation on the asset and interest on the reducing liability
  - August 2019 (FY20) will be the first accounting period to be reported under IFRS16, no restatement of prior periods
  - Reported earnings and net assets do change
- Lease Portfolio
  - IFRS 16 impacts on c.90 property leases and c. 1,400 vehicle leases
  - On average, property leases have 7.5 year unexpired lease term on transition
- Impact
  - Assets of £69.5m will be recognised on adoption with a corresponding liability of £78.7m, reducing net assets by £9.1m (per share 2.4p)
- Key Judgements
  - Discount rate of 4.15% applied to property leases and 2.25% to vehicle leases
  - Tenant break clauses not assumed to be exercised

	£'000			
	HY20	FY20	FY21	FY22
<b>Impact</b>				
<b>Income Statement</b>				
EBITDA		14,681	11,752	10,364
Depreciation		( 11,731)	( 8,944)	( 7,631)
Operating profit		2,950	2,808	2,733
Finance Expense		( 3,190)	( 2,810)	( 2,474)
(Decrease)/Increase in profit before tax		( 240)	( 2)	259
<b>Balance Sheet</b>				
Right of use of assets	69,517	63,907	54,963	47,310
Lease Liabilities (current)	( 13,292)	( 11,752)	( 10,364)	( 10,052)
Lease Liabilities (non-current)	( 65,358)	( 61,334)	( 53,780)	( 46,181)
Decrease in net assets	( 9,133)	( 9,179)	( 9,181)	( 8,923)



# Cash and borrowing facilities

	Facilities at 28 Feb 19 £'m	Drawn at 28 Feb 19 £'m
5 year acquisition facility (from February 2019)	62.0	(43.6)
1 year working capital facility (from February 2019)	68.0	-
<b>Total committed facilities</b>	<b>130.0</b>	<b>(43.6)</b>
<b>Cash</b>		<b>66.5</b>
<b>Adjusted Net cash</b> (before used vehicle funding)		<b>22.9</b>
Used vehicle funding facility	35.0	(23.2)
Overdraft	5.0	
<b>Total facilities</b>	<b>170.0</b>	
Net Debt		<b>(0.3)</b>

- Facilities extended February 2019
- “Accordion” facility of a further £15m currently uncommitted



# Disclaimer

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