Analyst & Investor Presentation

Full year results for the 12 months ended 29 February 2020

3 June 2020

Vertu
Motors plc

Strategic highlights

- Adjusted profit before tax of £23.5m (2019: £23.7m) in line with expectations, despite absorbing costs and losses of £0.7m in relation to recent acquisitions
- 12 Sales outlets in the year added including 3 new franchise partners
- Strong management supported by scalable, sector-leading in-house developed systems, provides assurance of tight control of operations and compliance
- Deployment of technology accelerating in both omni-channel retailing and increasing efficiency in transaction processing across the business
- Strong balance sheet with low debt levels results in significant liquidity being in place, aided by supportive banks and Manufacturer partners
- Group is very well positioned to take a larger role in the sector through consolidation and growth opportunities and has the ambition to do so

Financial highlights

- £82.3m (2.8%) growth in revenues to £3.1bn, with like-for-like revenue growth of 1.2%
- Excellent aftersales performance with like-for-like revenue growth of 4.6%, delivering a 5.9% growth in like-for-like gross profit
- Stable used vehicle volume and margins delivered despite pricing volatility in H1 and absorption of additional preparation charges from aftersales
- Like-for-like fleet and commercial revenue growth of 5.3% helping deliver £5.6m of additional total gross profit
- Adjusted[1] operating profit increased to £29.1m from £27.4m
- Strong cost control exhibited with like-for-like operating expenses of £282.9m (2019: £279.0m), representing a consistent 9.8% of revenues
- Non-cash impairment charge of £14.4m included in non-underlying charges
- Net tangible assets per share of 46.0p (2019: 44.9p)

[1] Adjusted to exclude non-underlying items

COVID-19 - Lockdown

24 March
'Lockdown'
Sales showrooms close – RNS released

30 March
Aftersales reopens on skeleton basis to serve key workers in 98 outlets

7 May
Covenant waiver and extended facilities agreed – RNS released

10 May
Phase 1 ease of lockdown announced – Aftersales open to all customers

18 May
•Online retailing enhanced
•Deliveries commence in England

1 June
•England sales showrooms open
•Scotland showrooms remain closed

Trading during lockdown 24 March to 23 May:

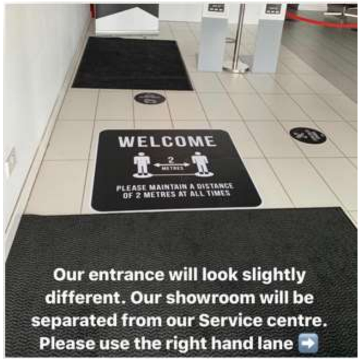
	Orders Taken (units)	% of last year
New Retail	240	6.0
Fleet	1,966	68.5
Commercials	310	24.4
Used	1,640	11.8
Total Orders	**4,156**	**18.6**
Labour Sales (£'000)	**3,855**	**22.5**

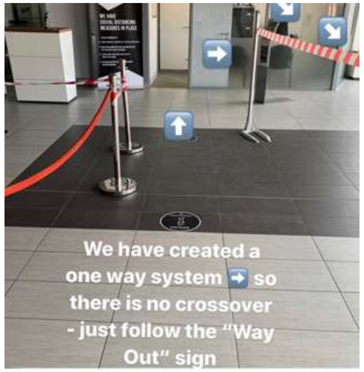
Controlling expenses:

- 82% of the Group's 5,877 colleagues furloughed from late March
- Grants claimed through Government's Job Retention Scheme
- Colleagues supported with more generous payments than claimed
- Business rates relief
- Strong control of operating costs in lockdown

COVID-19 and Outlook

- March activity was curtailed due to the lockdown but remained profitable at £5.9m Adjusted PBT
- April and May combined saw significant losses before tax of approximately £20m (after Government support)
- Meticulous planning for reopening showrooms executed:
  - Customer and colleague communication
  - Change in processes e.g. unaccompanied test drives
  - Contactless signatures
  - PPE
  - Social distancing – showroom layout and working patterns
- Servicing operations, given current booking levels, likely to quickly return to more normal levels
- Showrooms in England now open with strong marketing events and manufacturer programmes anticipated to support vehicle sales: Scotland (12 outlets) expected to follow later
- Economic factors and future demand uncertain for the months ahead
  - Over half (56%)[1] of UK driving licence holders who don't currently own a vehicle said COVID-19 has made them consider purchasing a car
  - Economic conditions and unemployment impact
  - Aftersales demand expected to be robust
  - Government may consider boosting sector with incentives
  - New vehicle supply uncertainty may positively or negatively impact used car residuals/new car trading levels
- Guidance for full year remains withdrawn
- No final dividend is recommended





[1] Source: Autotrader

Group strategy

Growth – scale and brand

- 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

- To be at the forefront of omni-channel retailing and digitalisation in the sector, delivering a cohesive ‘”bricks and clicks” strategy

Cost focus

- To reduce the cost base of the Group through scale economies and using digitalisation of processes to reduce costs

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

Growth – scale and brand

UK sector

- Continued long-term role for franchise retailers as key element in distribution for Manufacturers
- Network changes accelerating:
  - Further reduction in sales outlets in UK likely
  - Manufacturers seeking reduced number of partners
- Physical locations
  - Remain pivotal with most customers buying locally
  - Localised servicing desirable
  - "Bricks and clicks" strategy vital
- More flexibility on representation formats including lower investment levels evident
- Brand development key to allow scale economies in marketing

Bristol Street Motors

- Number 2 ranked brand in England
- Over 100 years old

FARNELL

- Represented Land Rover and Jaguar brands in North of England since 1948

Vertu Motors

- Premium brand covering 36 outlets
- Vertumotors.com launched as retail website

Macklin Motors

- 10 year old brand for Scottish businesses

Portfolio development

- 12 sales outlets added in year, operating 133 sales outlets
- Acquisitions and growth
  - Volkswagen – Leeds, Harrogate, Skipton, Huddersfield (January 2020)
  - Kia/Suzuki/Mitsubishi – Edinburgh (January 2020)
  - Honda/Kia – Bradford (February 2020)
  - Peugeot - Derby (February 2020)
  - Hyundai – Morpeth/North Tyneside (January 2020)

  These growth points represent approximately £200m of normalised revenues
- Derby Volvo business exited in December freeing up dealership for redevelopment as Peugeot
- A number of significant dealership redevelopments completed in FY20
  - Chesterfield Land Rover (April 2019)
  - Guiseley Jaguar Land Rover (June 2019)
  - Reading Mercedes-Benz (January 2020)
- H1 FY2021 will see the completion of the Group's last remaining, sizeable capex projects at Nelson and Bradford Land Rover

Digitalisation Generating revenues and productivity benefits

ON-LINE SALES

Buy online functionality enhanced and extended to all Group brand websites

ON-LINE/OFF-LINE

Showroom deal builder mirrored online, integration of online/off-line sales process

- Acceleration in transition to omni-channel retailing
- Online sales now available on all Group websites with enhanced functionality: increasing effectiveness
- “Reserve now” functionality added with online reservation fee
- Consumers increasingly able to do more of the sales process online and seamlessly transition to dealership
- 72% of “Walk in customers” do online research before or after visit
- Customer signatures now obtained via SMS irrespective of location

LEO THE BOT

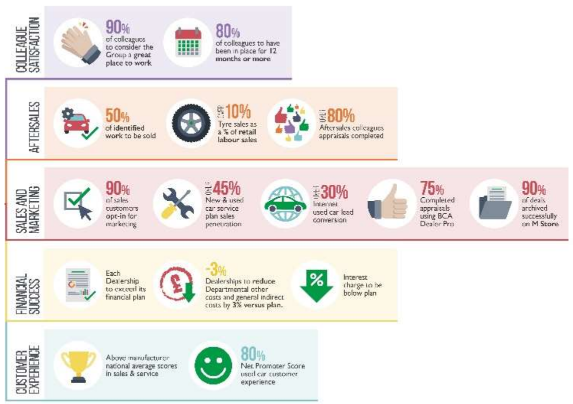
Chatbot facilitating rise in online service bookings to > 10% of total bookings

SPEND

Increasing use of technology to reduce cost through efficiency

- Increasing system integration to drive efficiency across Group
- Leo service chatbot now integrated into service diary to prevent re-keying: 5,000 online bookings a month achieved
- Third party and OEM sales leads loaded via API into Group systems
- New, common telephony platform reduced cost and facilitated home working of contact centres
- Showroom and accounting integration allows contactless, paperless vehicle sales and administration: cost reductions will follow
- Further investment in robotic technology

Colleague and Customer focus inherent in Group culture



Colleague satisfaction survey (August 2019)

- **81%** of colleagues participated in annual survey
- **84%** would recommend the Group as a great place to work
- **97%** know the Vertu Values
- **90%** believe the directors actively practice the Values

Customer satisfaction (April 2020)

- **83%** Used car Net Promoter Score on JudgeService customer surveys
- **82%** of sales departments above national average on manufacturer surveys
- **57%** of service departments above national average on manufacturer surveys

"To deliver an outstanding customer motoring experience through honesty and trust"

Ancillary Businesses Enhancing revenues and returns

ACEPARTS

- Online sale of parts via Marketplaces
- Growing revenues of £7m per annum
- Performed above plan in lockdown

Bristol Street
Versa Mobility Solutions

- Wheelchair accessible vehicle conversion and supply
- Fifth largest in UK
- Over 450 vehicles sold per annum

The Taxi Centre

- Sale of Group sourced new vehicles to Taxi drivers
- Over 600 vehicles sold per annum

Vertu Cosmetic Repair
A Vertu Motors Company

- Internal service provider to perform cosmetic and wheel repairs on used cars
- Now expanding to retail customers

WHATCAR? Leasing

- New car leasing advertising platform for franchised dealers
- Joint venture with Haymarket

Vansdirect®
UK's No.1 Independent New Van Retailer

- Online sales of commercial vehicles
- Purchased January 2019
- Over 2,250 new vans sold in FY20
- Lockdown orders taken of 159 in May

Financial performance

	FY2019	*FY2020 Pre IFRS 16*	*% Change*	FY2020	% Change
Revenue	£2,982.2m	*£3,064.5m*	***+2.8%***	*£3,064.5m*	***+2.8%***
Gross profit	£322.1m	*£334.1m*	***+3.7%***	*£334.1m*	***+3.7%***
Gross margin	**10.8%**	***10.9%***	***+0.1%***	***10.9%***	***+0.1%***
Adjusted[1] operating profit	**£27.4m**	***£29.1m***	***+6.2%***	***£32.2m***	***+17.5%***
Operating expenses	£294.7m	*£305.0m*	***+3.5%***	*£302.0m*	***+2.5%***
Adjusted[1] operating expenses as % of revenue	**9.9%**	***10.0%***	***+0.1%***	***9.9%***	***-***
Net finance costs	(£3.7m)	*(£5.6m)*	***+51.4%***	*(£9.2m)*	***+148.6%***
Adjusted[1] profit before tax	**£23.7m**	***£23.5m***	***(0.8%)***	***£23.0m***	***(3.0%)***
Profit before tax	**£25.3m**	***£7.8m***	***(69.2%)***	***£7.3m***	***(71.1%)***
Earnings per share	5.45p	*0.94p*	***(82.8%)***	*0.81p*	***(85.2%)***
Adjusted[1] earnings per share	5.10p	*5.12p*	***+0.4%***	*4.99p*	***(2.1%)***
Dividend per share	**1.60p**	***0.60p***	***(62.5%)***	***0.60p***	***(62.5%)***

- Profit before tax impacted by £14.4m impairment charge
- Rise in new vehicle stocking finance costs of £1.7m

	FY2019 £'m	FY2020 Pre IFRS 16 £'m	FY2020 £'m
Bank interest	0.8	1.0	1.0
Stocking finance costs	2.9	4.6	4.6
IFRS 16 lease interest	-	-	3.6
Net finance costs	**3.7**	**5.6**	**9.2**

[1] Adjusted for amortisation, impairment and share based payment charges

Strong balance sheet Flexibility and resilience

	28 Feb 2019 £'m	*29 Feb 2020 Pre IFRS 16 £'m*	29 Feb 2020 £'m
Intangible assets	114.9	101.4	101.4
Retirement benefit asset	6.4	8.9	8.9
Right of use assets	-	-	87.0
Tangible assets	224.8	229.1	229.1
Non-current assets	**346.1**	**339.4**	**426.4**
Current assets	681.6	711.0	711.0
Property assets held for sale	1.3	0.4	0.4
Cash and cash equivalents	66.5	40.8	40.8
Total assets	**1,095.5**	**1,091.6**	**1,178.6**
Current liabilities	(732.0)	(730.1)	(730.1)
Non-current liabilities	(20.1)	(19.0)	(19.0)
Lease liabilities	-	-	(96.9)
Borrowings[1]	(66.8)	(69.2)	(69.2)
Net assets	**276.6**	**273.3**	**263.4**
Net assets per share (pence)	73.8	74.1	71.7
Tangible net assets per share (pence)	**44.9**	**48.6**	**46.0**

[1] includes used car stocking finance of £25.5m (2019: £23.2m)

- Strong balance sheet underpinned by property with low borrowings
- Pension surplus on funding basis: no contributions planned

Impairment of assets	**FY2020 £'m**
Goodwill impairment	
- Mercedes-Benz	10.7
- Other	1.6
	12.3
Property impairment	2.1
	14.4

- Significant liquidity in place
- Board confident future covenants will be reset after 6 month waiver period and sufficient facilities will be available to cover potential downside sensitivities
- Audit report includes emphasis of matter around uncertainty relating to COVID-19

Movement in net debt

	FY2019 £'m	*FY2020 pre IFRS 16 £'m*	FY2020 £'m
Adjusted EBITDA	**38.1**	**40.3**	**57.4**
Working capital movement	18.9	(23.4)	(23.6)
Capital expenditure [1]	(25.3)	(14.5)	(14.5)
Fixed assets disposals[2]	4.0	2.3	2.3
Purchase of freehold property	(9.0)	(1.4)	(1.4)
Non-underlying VAT income	3.1	-	-
Interest	(3.9)	(5.6)	(5.6)
Tax	(4.7)	(4.9)	(4.9)
Free Cash Flow	**21.2**	**(7.2)**	**9.7**
Principle element of lease repayments	-	-	(16.9)
Acquisitions (including borrowings)	(31.5)	(12.4)	(12.4)
Disposals	-	0.8	0.8
Dividends	(5.7)	(6.1)	(6.1)
Repurchase of own/treasury shares	(3.6)	(3.2)	(3.2)
Movement in net debt	**(19.6)**	**(28.1)**	**(28.1)**

[1] Includes intangible additions, excludes purchase of freehold property
[2] Includes profits on sale of fixed assets

Movement in working capital	**FY2020 £'m**
New funded vehicle inventory	7.0
New fully paid vehicle inventory	(11.9)
Creditors	(8.3)
Used vehicle inventory	(9.3)
Trade receivables	(8.4)
Other	7.3
	(23.6)

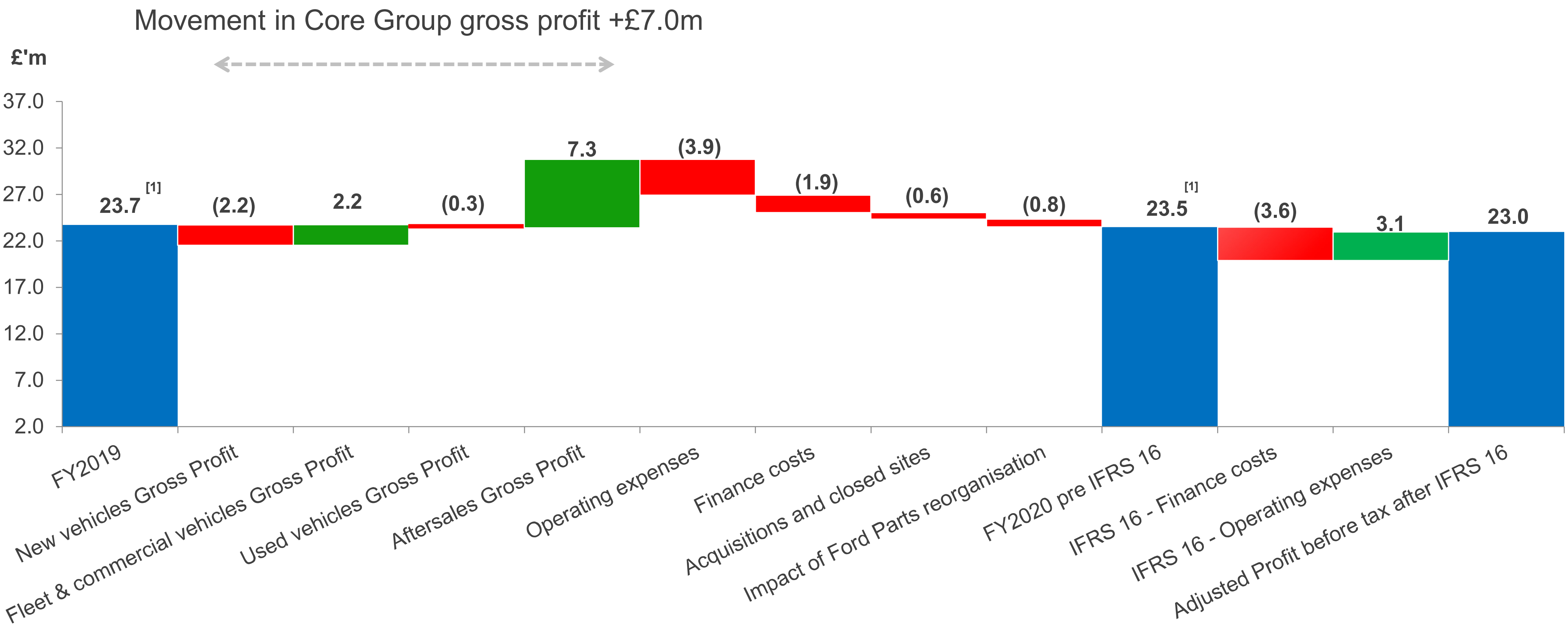
- Rise in new fully paid inventory and receivables related to growth in fleet activity, which generated additional profits
- Used vehicle inventory rose due to higher stocking levels coming into March, reflecting assessment of supply constraints

Cash and borrowing facilities

	Facilities at 29 Feb 20 £'m	Drawn at 29 Feb 20 £'m	Facilities at 22 May 20 £'m	Drawn at 22 May 20 £'m
5 year acquisition facility (from February 2019)	62.0	43.6	62.0	53.7
1 year working capital facility (from April 2020)	68.0	-	68.0	-
Total committed facilities	130.0	43.6	130.0	53.7
Cash		**(40.8)**		**(44.7)**
Adjusted net debt [1]		**2.8**		**9.0**
Used vehicle stocking loans	35.0	25.5	45.0	30.5
Overdraft	5.0	-	5.0	-
Total facilities	**170.0**		**180.0**	
Net debt (excluding IFRS16 liabilities)		28.3		39.5
Used vehicle inventory value		121.3		134.0
Used vehicle stocking loans cover		**4.8 times**		**4.4 times**

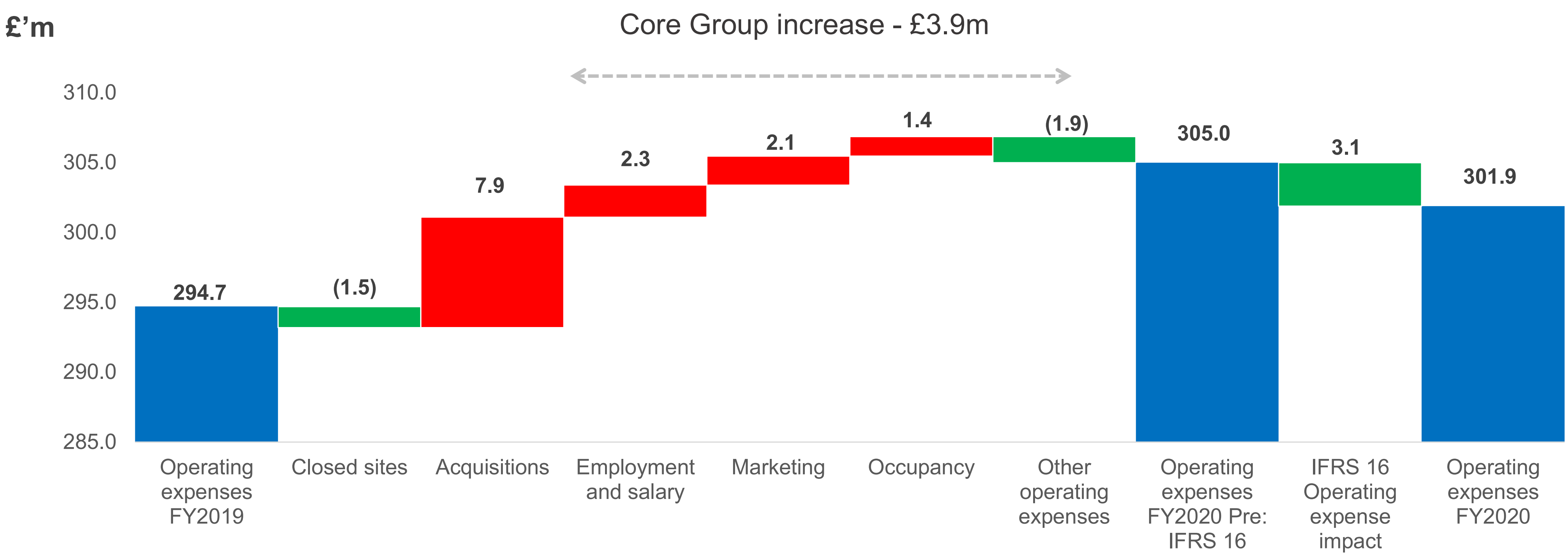
[1] Stated excluding used vehicle stocking loans

Profit bridge 12 months ended 29 February 2020

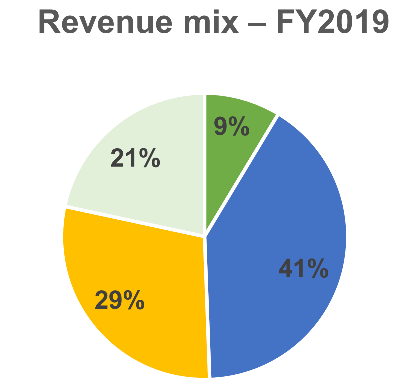


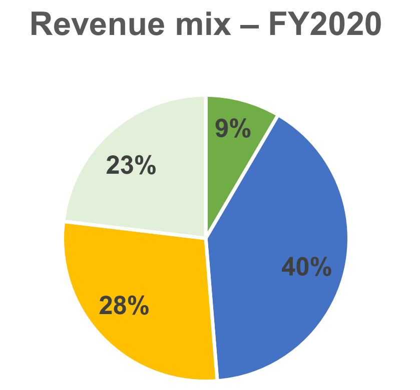
[1] Adjusted profit before tax, adjusted for share based payments charge, amortisation of intangibles and IFRS 16

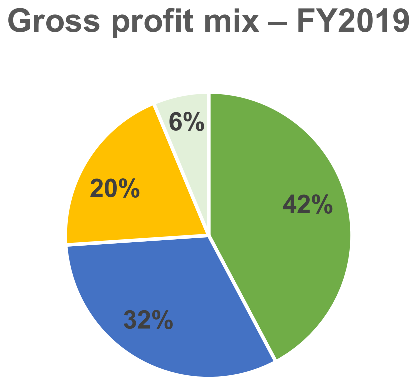
Operating expenses 12 months ended 29 February 2020

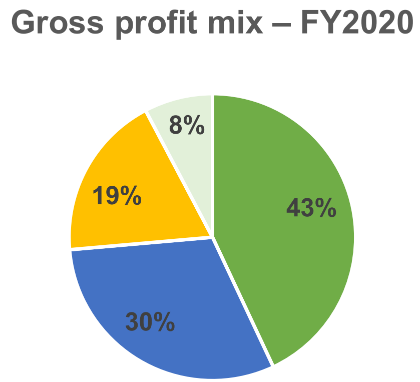


Revenue and margin analysis Total Group

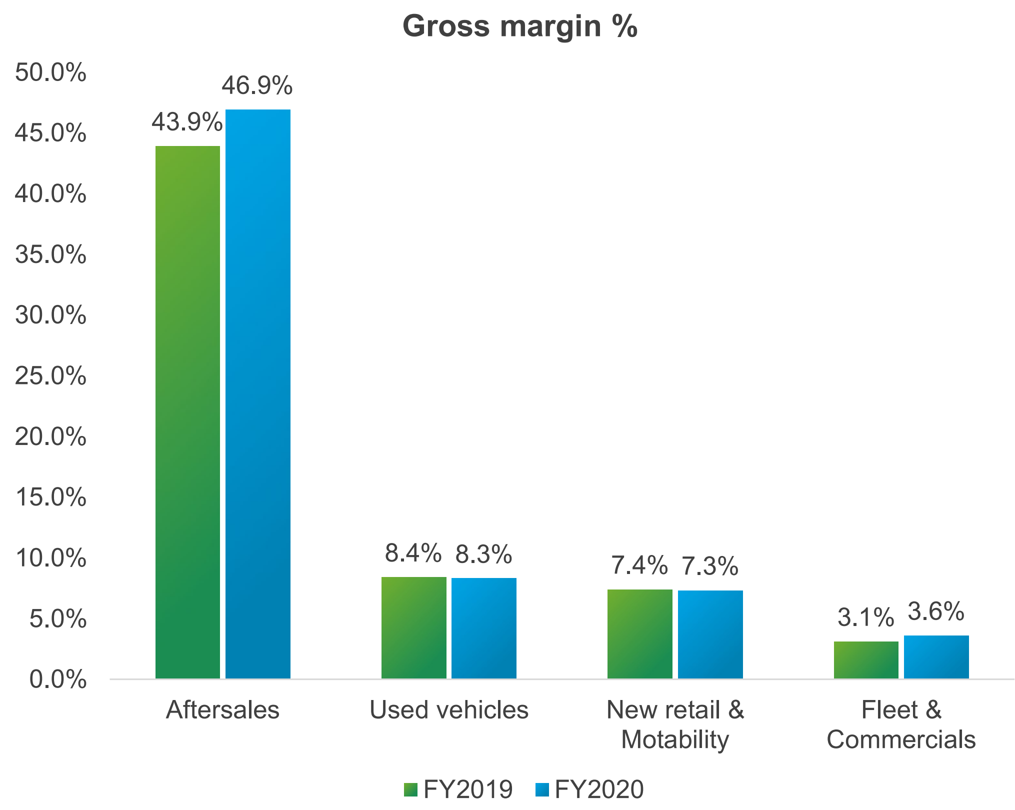








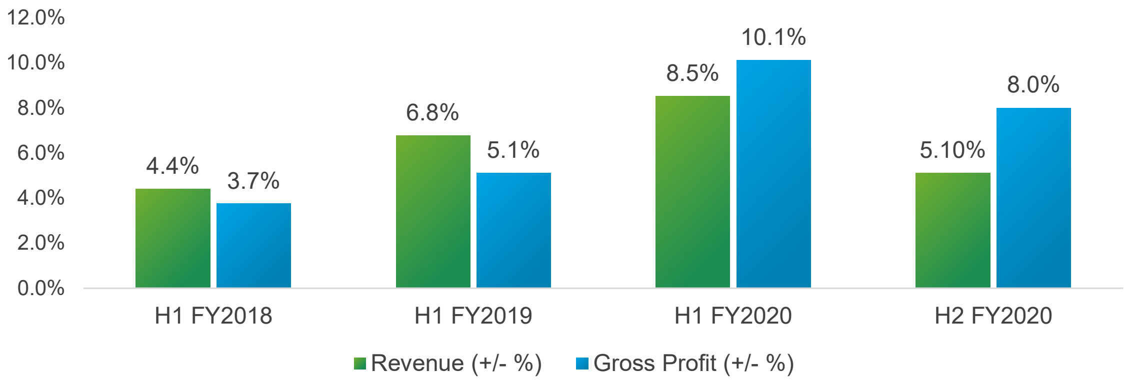
Aftersales Used vehicles New retail & Motability Fleet & Commercials



Servicing Recurring high margin income: strong execution

Core Group	Service	*Impact of internal rate change*	Service excluding impact of internal rate change
	£'000	***£'000***	**£'000**
Revenue[1]	124,692	*+3,883*	120,809
Revenue[1] change	+7,928	*+3,883*	+4,045
Like-for-like revenue[1] change	**+6.8%**		**+4.9%**
Gross profit change	+8,009	*+3,883*	+4,126
Gross margin[2] 2020	77.0%		76.3%
Gross margin[2] 2019	75.4%		75.4%

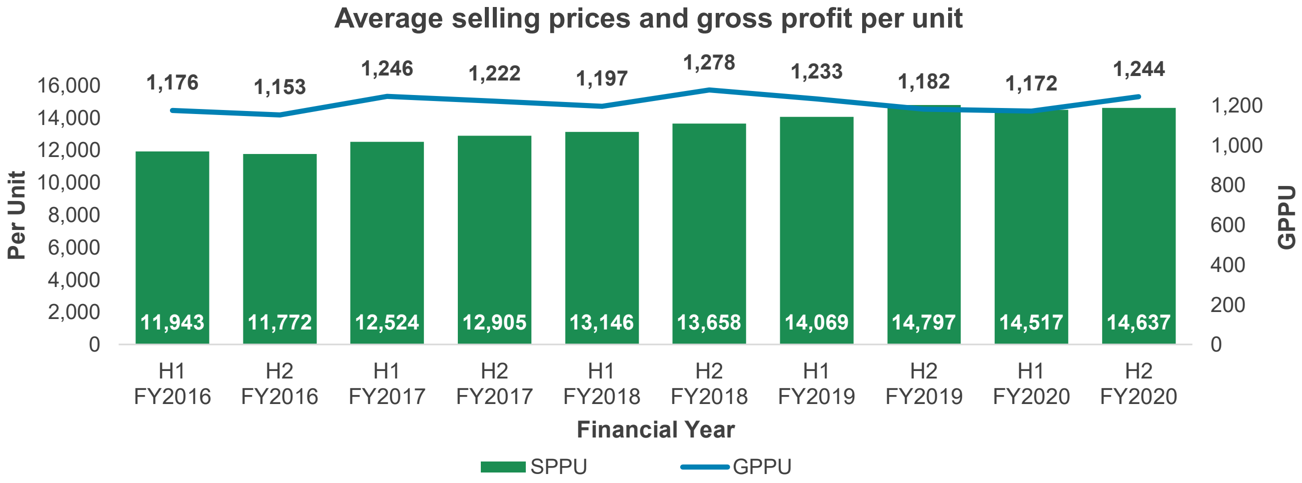
Like-for-like service revenue and gross profit growth H1 FY2018 – H2 FY2020

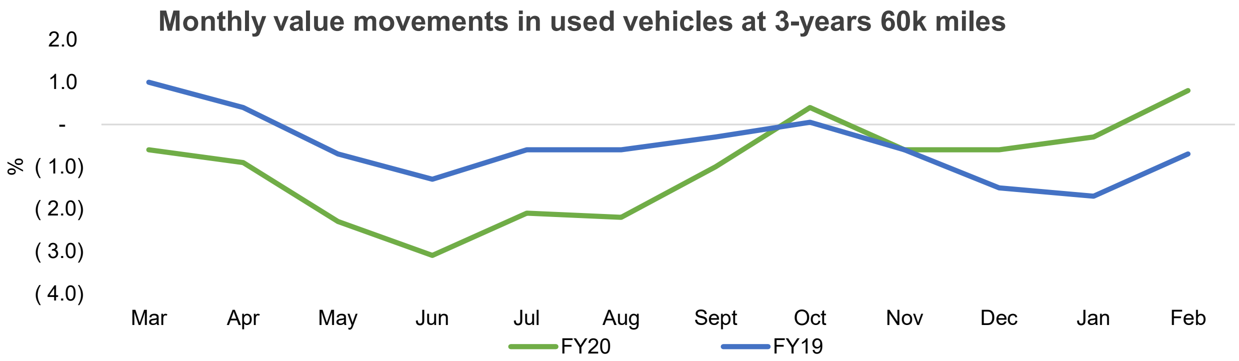


- Growth in service revenue driven by:
  - Increased customer retention
    - 102,000 Group service plans
    - 50% retail work prepaid via Group and OEM service plans
  - Higher average invoice values due to better execution of VHC process, add-on sales and increased retail pricing
  - Higher internal rate charges from service to new and used car sales for preparation of vehicles
- Core Group underlying service margins rose to 76.3% from 75.4%
- Aftersales gross profit in the Core Group rose £7.3m

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

Used vehicles Robust execution in volatile period

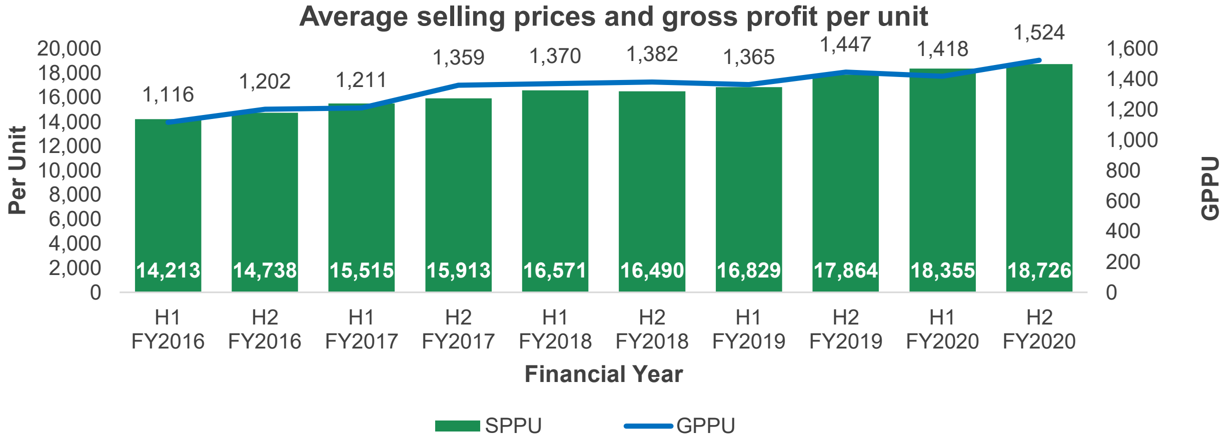


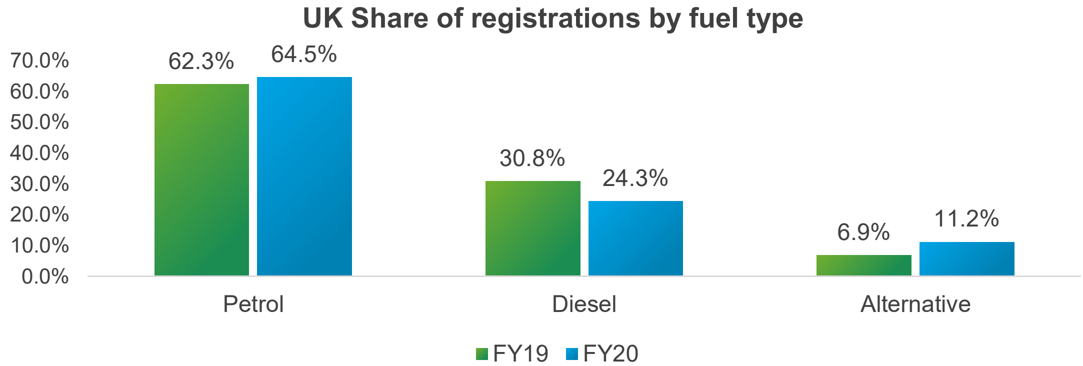


Source: CAP market overview February 2020

- Used car market stable in volume terms in year mirrored by Group, with like-for-like volumes flat
- Pricing volatility in H1 FY20 with higher than seasonal falls
- Reduced supply in H2 drove pricing stability
- Group reacted to pricing by moving Volume : Margin mix
- £2.9m additional costs absorbed from rise in internal rates charged by service department
- Gross margin stable 8.3% (FY2019: 8.4%) representing very strong performance
- Core Group gross profit declined only £0.3m

New retail vehicles Declining volumes as market softened

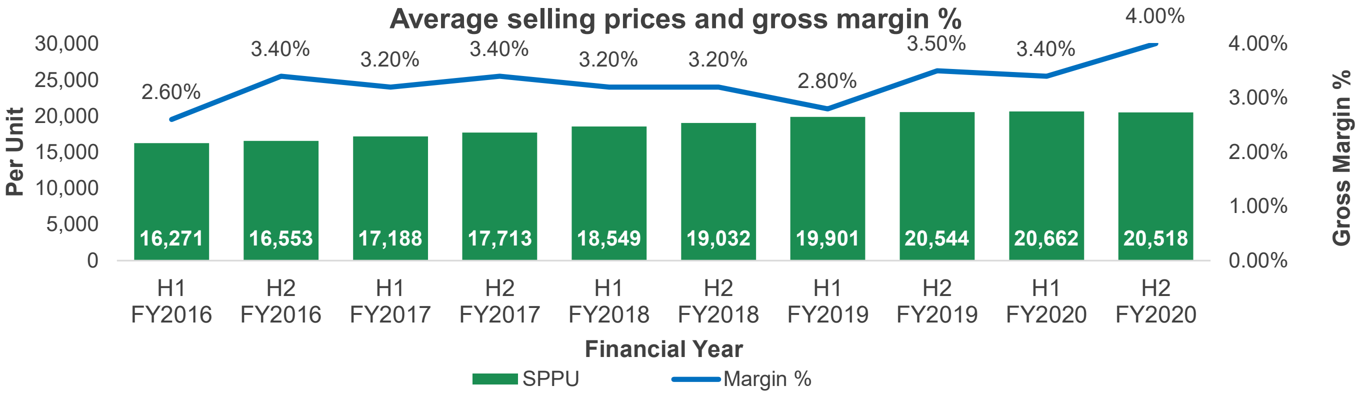


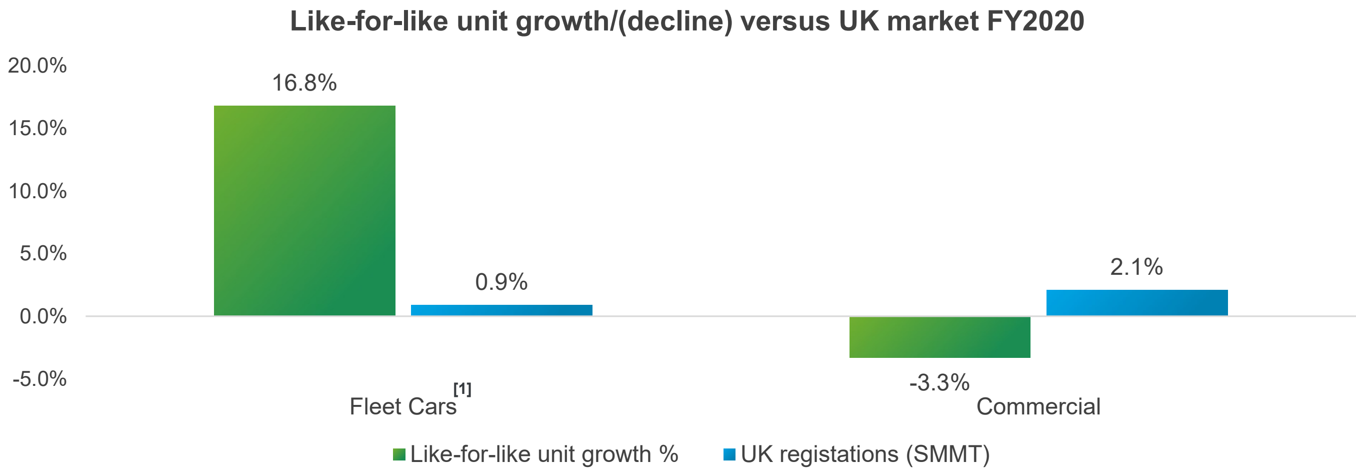


Source: SMMT

- UK new retail registrations fell 4.8%
- Group saw like-for-like retail volumes decline 8.9% reflecting portfolio mix
- Average sales price continues to rise to over £18,000 for the first time: premium mix and Sterling weakness impacting pricing
- Group like-for-like Motability volumes fell 0.9%, behind UK market growth of 5.7%
- Gross profit per unit rose to record levels in H2 with overall margins stable at 7.3%
- Petrol still dominates UK sales mix with Alternative fuelled growing to 11% of the total market

Fleet & commercial vehicles Market share gains in fleet car sector





- Significant success in growing fleet car volumes and profitability
- Growth aided by working in conjunction with Manufacturers and investment in fleet teams
- New WLTP requirements for commercial vehicles impacted supply
- Like-for-like gross profit grew by £2.2m with further overall growth due to Vans Direct impact
- Gross margin 3.6% (FY2019: 3.1%): Group margins enhanced due to premium mix, growth of agency model and Vans Direct
- Strong margins in H2

[1] Includes agency volumes

Summary

- Values driven business with strong systems and experienced leadership team executing well
- Acceleration of deployment of omni-channel retailing functionality and technology to drive efficiencies and reduce costs
- Strong balance sheet position with low debt levels results in significant liquidity being in place
- Business now re-opening after lockdown with activity growing
- Guidance for the full year remains withdrawn
- Well-positioned and ambitious to take larger role in the sector, with a disciplined approach to capital allocation and a close relationship with Manufacturer partners

List of appendices

1. Definitions of key terminology
2. Used vehicle trends
3. New retail vehicle trends
4. Fleet & commercial vehicle trends
5. Vehicle volumes sold
6. Dealership portfolio
7. Group Vision

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”

FY2020:

The twelve month period ending 29 February 2020

FY2019:

The twelve month period ended 28 February 2019

H1 FY2020:

The six month period ended 31 August 2019

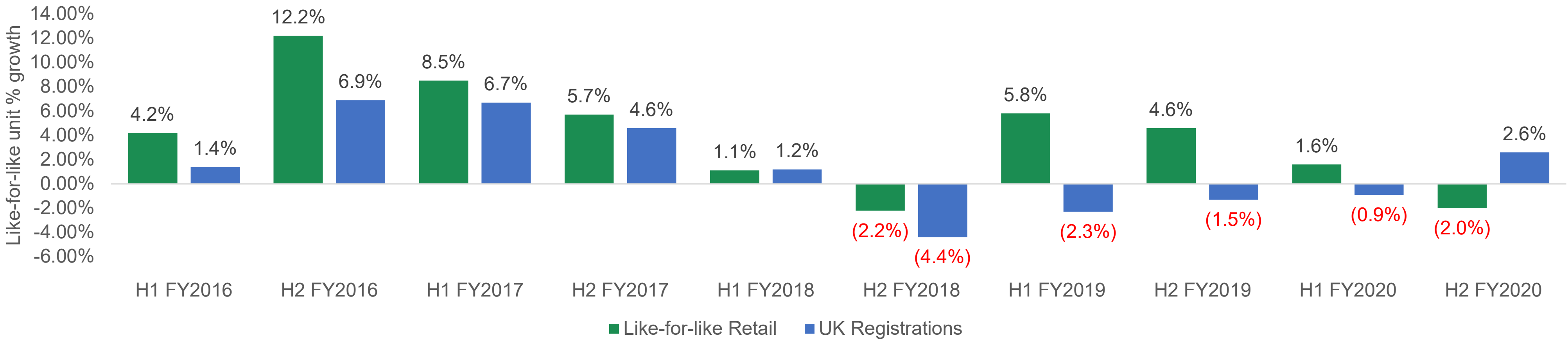
H1 FY2019:

The six month period ended 31 August 2018

Used vehicle trends

	H1 FY2017	H2 FY2017	H1 FY2018	H2 FY2018	H1 FY2019	H2 FY2019	H1 FY2020	H2 FY2020
Selling price per unit (£)	12,524	12,905	13,146	13,658	14,069	14,797	14,517	14,637
Gross profit per unit (£)	**1,246**	**1,222**	**1,197**	**1,278**	**1,233**	**1,182**	**1,172**	**1,244**
Margin (Group)	9.9%	9.5%	9.1%	9.4%	8.8%	8.0%	8.1%	8.5%
Margin (Core Group)	10.2%	9.8%	9.5%	9.6%	8.8%	8.2%	8.3%	8.8%
Like-for-like unit growth/(decline)	8.5%	5.7%	1.1%	(2.2%)	5.8%	4.6%	1.6%	(2.0%)

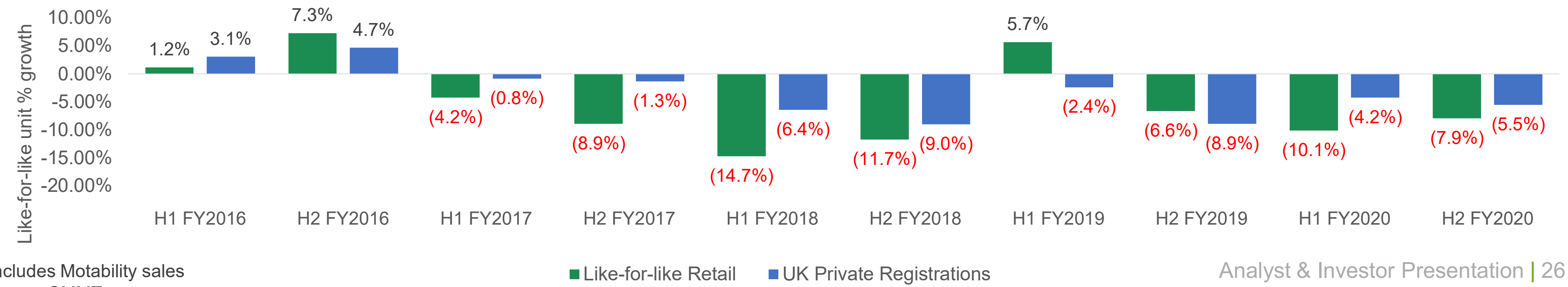
Like-for-like used unit growth/(decline) versus UK market



New retail vehicle trends

	H1 FY2017	H2 FY2017	H1 FY2018	H2 FY2018	H1 FY2019	H2 FY2019	H1 FY2020	H2 FY2020
Selling price per unit [1] (£)	15,515	15,913	16,571	16,490	16,829	17,864	18,355	18,726
Gross profit per unit [1] (£)	**1,211**	**1,359**	**1,370**	**1,382**	**1,365**	**1,447**	**1,418**	**1,524**
Margin (Group) [1]	7.2%	7.8%	7.6%	7.7%	7.4%	7.4%	7.1%	7.4%
Margin (Core Group) [1]	7.2%	7.7%	7.5%	7.7%	7.4%	7.5%	7.2%	7.4%
Like-for-like unit (Retail) growth/(decline)	(4.2%)	(8.9%)	(14.7%)	(11.7%)	5.7%	(6.6%)	(10.1%)	(7.9%)
UK private registrations [2] growth/(decline)	(0.8%)	(1.3%)	(6.4%)	(9.0%)	(2.4%)	(8.9%)	(4.2%)	(5.5%)

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



[1] Includes Motability sales
[2] Source SMMT

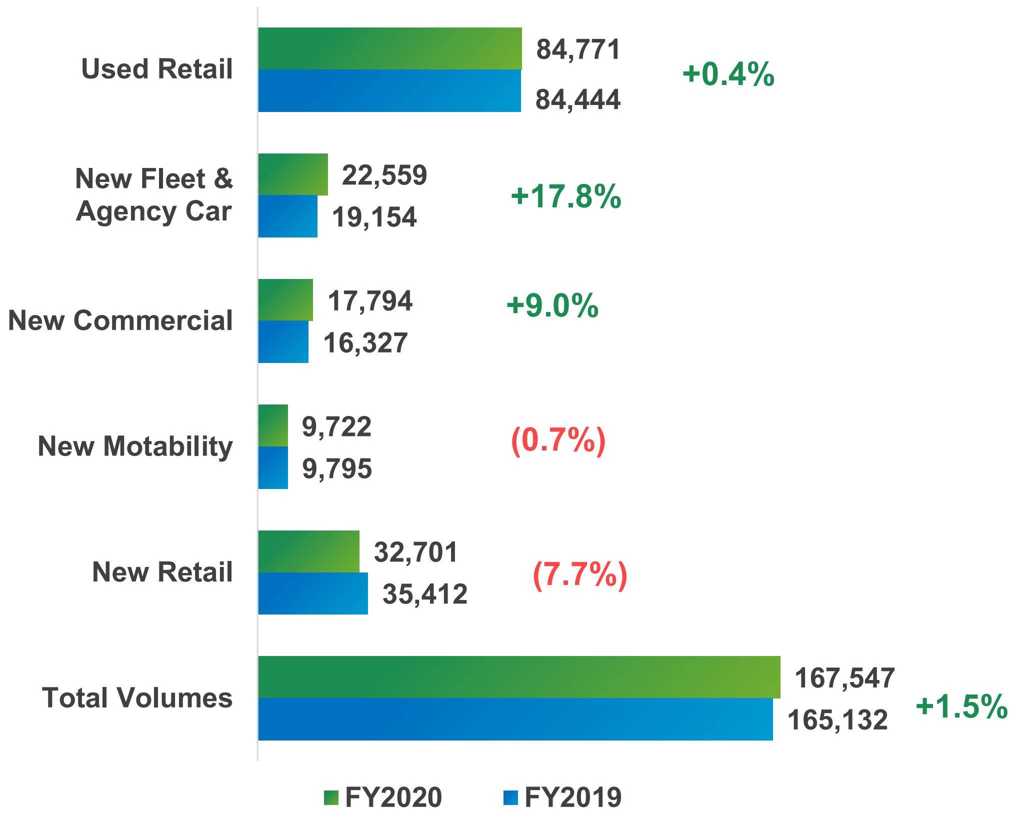
Fleet & commercial vehicles trends

	H1 FY2017	H2 FY2017	H1 FY2018	H2 FY2018	H1 FY2019	H2 FY2019	H1 FY2020	H2 FY2020
Selling price per unit (£)	17,188	17,713	18,549	19,032	19,901	20,544	20,662	20,518
Gross profit per unit (£)	**536**	**585**	**576**	**588**	**528**	**695**	**603**	**683**
Margin (Group)	3.2%	3.4%	3.2%	3.2%	2.8%	3.5%	3.4%	4.0%
Like-for-like unit growth/(decline) (Fleet)	(10.6%)	3.8%	(4.3%)	(5.4%)	(12.4%)	(28.5%)	4.6%	18.2%
UK car fleet registrations[1] growth/(decline)	6.1%	4.1%	(0.5%)	(11.3%)	(5.2%)	(10.2%)	(1.3%)	3.8%
Like-for-like unit growth/(decline) (Vans)	11.6%	(7.9%)	(9.6%)	1.9%	8.1%	(1.9%)	2.0%	(10.5%)
UK van commercial registrations[1] growth/(decline)	3.9%	(1.6%)	(3.2%)	(4.0%)	(2.7%)	1.2%	12.4%	(8.9%)

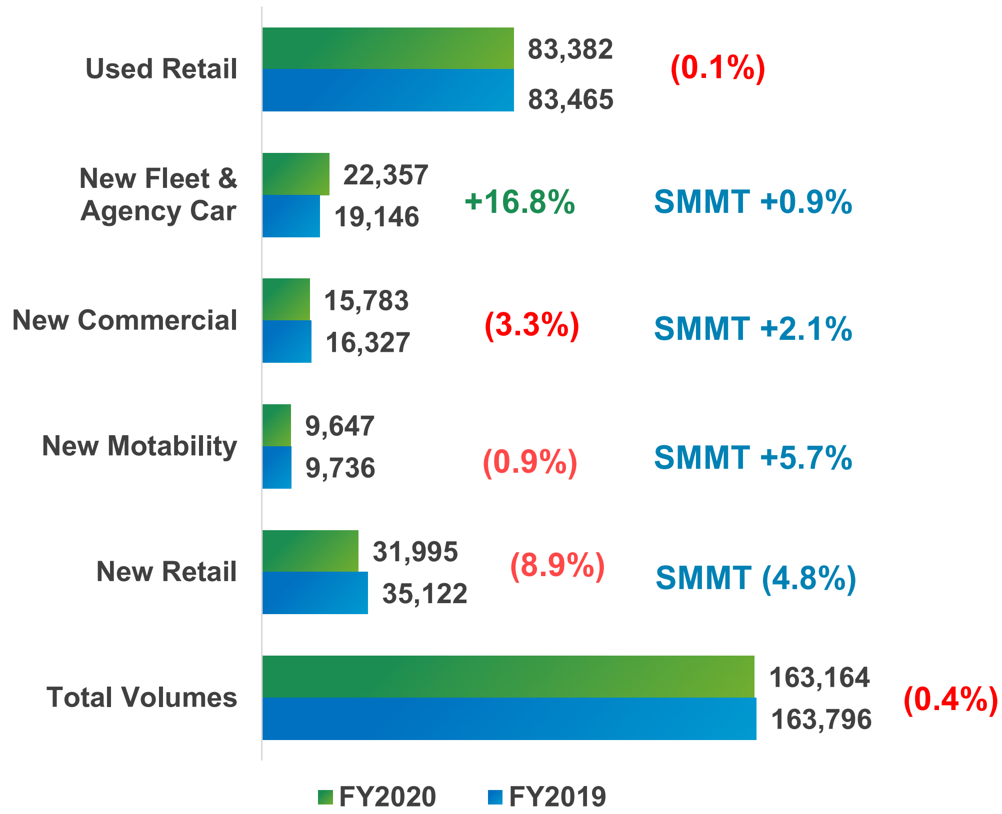
[1] Source SMMT

Vehicle volumes sold

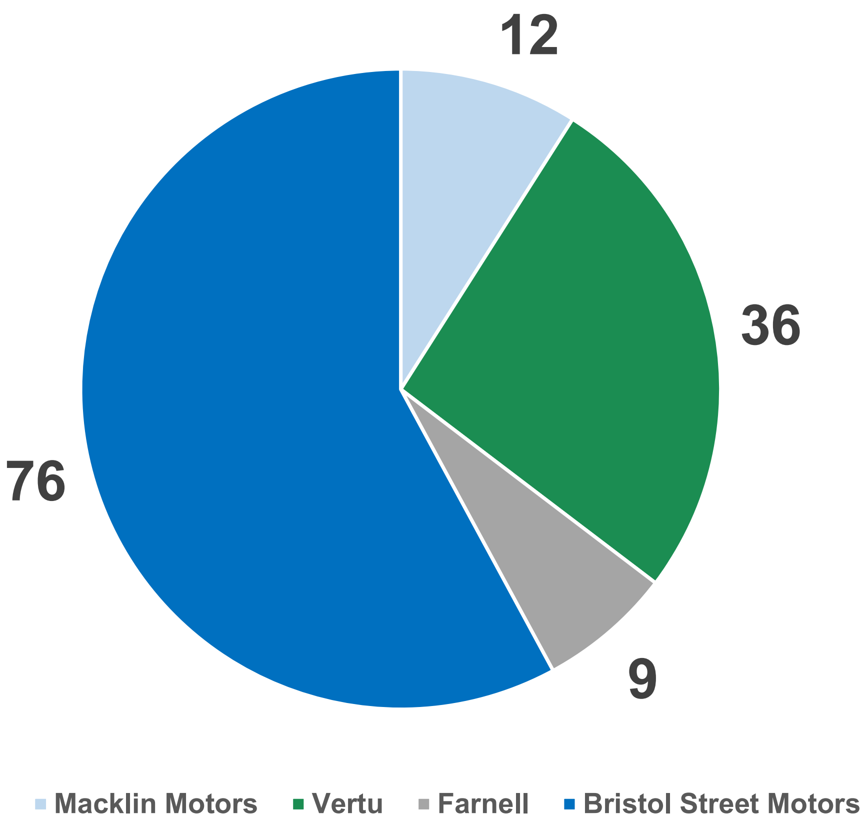
Total units sold



Like-for-like units sold

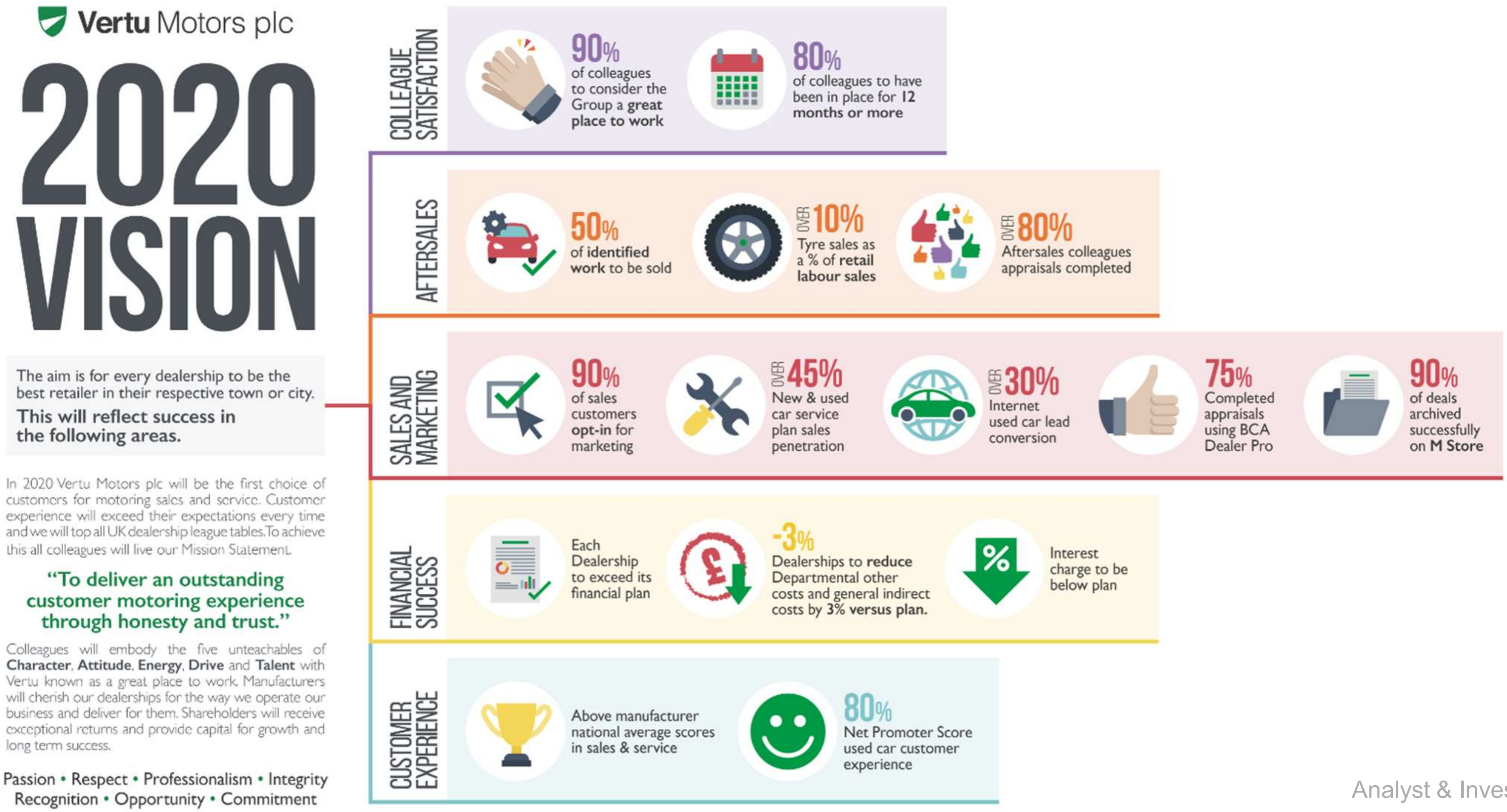


Dealership portfolio



		Outlets	Bristol Street Motors	Vertu	Macklin Motors	Farnell
Volume	Ford	22	19		3	
	Vauxhall	14	14			
	Nissan	11	9		2	
	Hyundai	10	8		2	
	Renault	6	6			
	Peugeot	6	5		1	
	SEAT	4	4			
	Citroen	4	4			
	Skoda	4	4			
	Mazda	2	1		1	
	Kia	2		1	1	
	Mitsubishi	1			1	
	Suzuki	1			1	
	Total Volume	**87**	**74**	**1**	**12**	
Premium	Honda	13		13		
	Volkswagen	9		9		
	Land Rover	6				6
	Mercedes-Benz	5		5		
	Jaguar	3				3
	Audi	1		1		
	Toyota	1		1		
	Jeep	1		1		
	Total Premium	**39**		**30**		**9**
Other	Honda Motorcycles	2		2		
	Volkswagen Commercials	1		1		
	Mercedes Commercials	1		1		
	Other Used Car Operations	2	1	1		
	Bristol Street Versa	1	1			
	Total Other	**7**	**2**	**5**		
	Total Group	**133**	**76**	**36**	**12**	**9**

Group Vision



Disclaimer

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