



Vertu Motors plc (“Vertu”, “Group”)

Unaudited interim results for the six months ended 31 August 2021

“Record results delivered above market expectations, dividends resumed”

Vertu Motors plc, the automotive retailer with a network of 154 sales and aftersales outlets across the UK and a sector leading online presence, announces its interim results for the six months ended 31 August 2021 (“the Period”).

HIGHLIGHTS

- Record trading results delivered with Adjusted¹ profit before tax of £51.8m (H1 FY21: £4.7m, H1 FY20: £16.9m), on revenues of £1.9bn
- Vehicle sales volumes ahead of market trends in all areas and on a like-for-like basis compared to H1 FY20 (6 months ended 31 August 2019)
- Gross margin of 11.6% reflects strong pricing disciplines in all areas
- Acquisitions successfully integrated and performing well
- Very strong cash flow performance – Free Cash Flow of £63.6m in the Period and Net cash² of £57.3m (H1 FY21: £36.5m)
- Net tangible assets per share of 61.5p (28 February 2021: 50.2p) reflecting strong asset base, Net cash position and cashflow generation
- 2.0m shares repurchased at a cost of £1.1m since 20 August 2021, buyback programme recommences today following publication of this statement
- Dividends re-established with interim dividend of 0.65p per share declared, payable in January

OUTLOOK

- Record trading performance delivered in key month of September with a trading profit of £20.0m
- New and used vehicle supply constraints continue and cost pressures evident, particularly in employment costs
- Colleague reward packages and development programmes being enhanced to ensure fully resourced, stable teams are in place to deliver improvements in customer experience, retention and gross profit generation. Annualised investment of £12m expected
- Continuing cautious view of balance of the year
- The Board now anticipates that the Group’s adjusted profit before tax for FY22 will be at least £65m, previously £50m to £55m
- Increasingly visible acquisition pipeline

¹ Adjusted to remove share-based payments charge and amortisation of intangible assets

² Excludes IFRS 16 liabilities, includes used vehicle stocking loans (no utilisation of used vehicle stocking loans at 31 August 2021)

As a result of the significant disruption to trading due to the UK wide lockdown in early FY21, the figures below include comparisons to both the six-month period ended 31 August 2019 (H1 FY20), and the six month period ended 31 August 2020 (H1 FY21):

| | H1 FY22 % Var to H1 FY21 | | | H1 FY22 % Var to H1 FY20 | | |
|-------------------------------|--------------------------|---------------|-----------------------|--------------------------|---------------|-----------------------|
| | Total | Like-for-like | SMMT UK registrations | Total | Like-for-like | SMMT UK registrations |
| Group Revenues | 71.9% | 59.6% | | 16.8% | 4.5% | |
| Service Revenues ³ | 43.3% | 34.2% | | 12.2% | - | |
| Volumes: | | | | | | |
| Used Retail Vehicles | 67.3% | 58.7% | | 10.3% | 0.5% | |
| New Retail Vehicles | 44.8% | 33.3% | 31.4% | (1.4%) | (15.2%) | (21.4%) |
| Motability Vehicles | 30.8% | 29.0% | 27.8% | (6.4%) | (12.5%) | (15.2%) |
| New Fleet Cars ⁴ | 80.7% | 63.0% | 48.0% | (2.6%) | (21.6%) | (26.8%) |
| New Commercial Vehicles | 57.9% | 58.5% | 64.4% | (3.3%) | (3.3%) | (6.9%) |

³ Includes internal and external revenues

⁴ Includes agency volumes

Commenting on the results, Robert Forrester, Chief Executive, said:

“The record profitability delivered in the period has undoubtedly been aided by very favourable used vehicle market conditions, however, this is a remarkable performance outperforming market trends. I am proud of the entire Vertu team for their adaptability and effort.

The Group has continued to evolve during the period, with further enhancement of its strategy in achieving enhanced online sales capability via the Group’s Click2Drive technology platform and the introduction of a ‘conciierge’ service for sales customers under the Click2Drive banner. The number of sales outlets has again grown as a result of the execution of the Group’s multi-franchise strategy. Efficiency and productivity gains continue to be delivered through the enhanced use of technology.

We have again generated significant free cash flow and have a very strong balance sheet making the Group very well placed to benefit from the changes and significant opportunities which are ahead of it. The resumption of paying dividends to shareholders shows the Board’s optimism in our strategy and its execution.”

Webcast details

Vertu management will make a webcast available for analysts and investors this morning on the Group’s website <https://investors.vertumotors.com/results/>

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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.

CHAIRMAN'S STATEMENT

I am delighted with the performance delivered in the first half of our financial year and I would like to personally express my appreciation and thanks to the whole Vertu team for the delivery of such a remarkable and record result for the Group, a profit before tax of £51.1m (H1 FY21: £4.0m; H1 FY20: £16.1m) for the Period.

Changes the Group executed in response to the Pandemic have meant it has emerged in many ways stronger for the experience. The Group has now established a very strong platform from which to deliver on its strategic imperatives and drive its future success:

- The Group has an established track record of execution and a stable and experienced management team. This team, together with the Board, have a clear vision and strategy.
- Vertu has always had one of the strongest balance sheets in the sector and has further augmented this in the Period. The Group has once again generated significant positive Free Cash Flow and is reporting an improved net cash position. This means there is significant cash and debt capacity available for growth.
- The Group's technological capabilities have given it a strategic advantage with its scalable in-house developed systems both driving efficiency and flexibility in meeting customer needs. The adaptation of systems in response to restrictions has led to increased customer choice and an integrated online/omnichannel sales process. The launch of the 'Click2Drive' brand will further augment the Group's online sales offering, supported by the new customer 'concierge' service and backed up by our nationwide dealership network from Fife to Exeter and Kent.
- The strength and long (over 100 year) history of the Bristol Street Motors brand has been highlighted by the Group's recent TV advertising campaigns. This brand has in more recent times been joined by the Group's Scottish brand Macklin Motors and by the premium Vertu Motors brand. Increased awareness of all three of the Group's brands has been delivered, with further growth targeted in the coming months and years. The Group aims to retain a top three prompted awareness position for Bristol Street Motors in the franchised sector and to substantially grow the prompted awareness of the Macklin and Vertu brands.
- Whilst vehicle sales tend to grab the headlines, the Group's high margin aftersales business is a major contributor to overall profitability. Aftersales includes vehicle service and repair, accident and cosmetic repairs and parts sales and these functions provide resilience, fuelled by high levels of customer retention. This retention reflects one of the advantages of being franchised retailers and is also as a result of the execution of retention strategies, such as the use of service plans and delivery of high levels of customer service. The Group continues to innovate its aftersales operations, adding new services to augment profitability and grow its customer base.

The Board remains focused on the disciplines of capital allocation. The payment of a dividend, suspended during the uncertainty of the Pandemic, has today been re-established with the

announcement of an interim dividend payable in January 2022. The Board considers the payment of dividends an important element of capital allocation and total shareholder returns, so I am delighted that this has been re-established.

The Board has also supported the repurchase of the Company's shares where they are trading at prices well below levels the Board considers their intrinsic value. The most recent share buyback programme was announced on 20 August 2021 and to date 2.0m shares have been repurchased under this latest scheme, with purchasing to recommence now that the Group is out of close period. The Group has, since 2017, bought back and cancelled over 30 million of its shares, representing approximately 7.5% of the shares in issue.

The repurchase of shares and payment of dividends is only a part of the Group's capital allocation approach. The Group has a strategic objective to grow its scale of operations and therefore, allocation of capital to acquisitions and organic growth opportunities is vital. The Group has a consistent approach to acquisition valuations, with these based on targeted EV/EBITDA ratios to ensure the delivery of appropriate returns on a sustainable basis. The Group has an excellent track record in driving performance enhancements of acquired businesses.

The Board is optimistic that the Group's significant strengths will allow a new period of expansion to commence, to deliver a business of greater scale, profitability and cash flow to pay growing dividends whilst remaining disciplined in the allocation of capital.

Andy Goss, Chairman

CHIEF EXECUTIVE'S REVIEW

Update on Strategy Execution and Associated Risks

The Group's key long-term strategic objectives were summarised in the Annual Report issued in May 2021. Subsequent to this, the Board has reviewed the Group's strategy post the Pandemic and has revised the key long-term strategic objectives. The core goal remains the same: To deliver growing, sustainable cashflows from operational excellence in the franchise automotive retail sector. The strategic objectives of the Group are set out below:

- 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 long-run returns.
- To be at the forefront of digitalisation in the sector, delivering a cohesive 'bricks and clicks' strategy:
 - Optimise our omnichannel retail offering through leveraging the 'Click2Drive' technology and utilising this important sub-brand to promote its usage
 - Digitalise aftersales processes to improve customer service
 - Reduce the cost base of the Group by delivering efficiency through the use of technology
 - Utilise data driven decision making to generate enhanced returns
- To develop and motivate the Group's colleagues to ensure operational excellence is delivered constantly across the business.
- To develop ancillary businesses to add revenue and returns that complement the core business.

An update on progress in executing the Group's strategy is set out below:

Developing the Scale of the Group

The Group has an excellent platform allowing it to capitalise on sector opportunities:

- ***Financial capacity***

The Group's balance sheet strength is underpinned by a significant freehold and long leasehold property portfolio. This strong asset base, together with the net cash position at 31 August 2021, (with no used car stocking loans utilised) means that there is significant firepower available to facilitate the Group's future growth ambitions. The Board estimates that based on a conservative debt multiple and normalised EBITDA assumptions, the acquisition firepower of the Group as at 31 August 2021 is at least £90m. The Group's capital allocation disciplines include a rigorous assessment of potential acquisitions to ensure appropriate return hurdle rates are met. Current high sector earnings levels may result in some acquisition opportunities being presented to the Group in the short to medium term being too expensive. The Group will continue to apply its very disciplined approach to acquisitive growth ensuring we execute only the right opportunities to drive long term success and shareholder value.

- ***Management capacity***

The Group has a stable and experienced senior management team, with an established track record of execution and performance delivery. This team has very much an "owner" mentality and sets the "tone from the top" to ensure that the Group's culture is appropriate and consistent across all its operations. This ensures the delivery of the Group's Mission Statement ("To deliver an outstanding customer motoring experience through honesty and trust") through application of the Group's Values ("Professionalism, Passion, Recognition, Integrity, Respect, Opportunity and Commitment"). These matters are not considered just words but are vital to the Group's success.

- ***Operational Systems Platform***

The Group's in-house developed systems provide uniform processes and control, as well as live management information and data to allow speedy and appropriate decision making. Acquired businesses are quickly migrated onto this scalable technology and process platform to ensure control is quickly established and performance improvement opportunities are highlighted. The scale of the Group has also allowed it to establish efficient, scalable Gateshead-based Customer Experience Centres in aftersales (which handle inbound contacts, service bookings) and increasingly in sales to facilitate lead handling, concierge services, customer follow-up and prospecting.

- ***Brand Strength***

The Group operates three major customer facing brands in the UK: Bristol Street Motors, Macklin Motors and Vertu Motors. Bristol Street Motors remains one of the largest sector brands, with a prompted brand awareness of 45.4%, currently the second highest ranking franchised automotive retail brand in the UK. The brand has 84 outlets in England. In Scotland, the Group operates 12 outlets under the Macklin Motors brand, which has a strong 36.8% and growing brand awareness in this very different market. Vertu Motors is the newest of the Group's brands but has grown rapidly in terms of outlet numbers. The Group now operates 58 Vertu branded outlets including 9 outlets rebranded from Farnell on 1 July 2021. This premium focused Vertu brand, currently has a prompted awareness of 4.9% and the

Group will continue to invest to drive awareness targeting a 7.5% prompted awareness by the end of 2023. Each of the Group's brands are supported by extensive TV campaigns, sports sponsorships, partnerships and digital marketing initiatives.

- *Execution of growth strategy in the Period*

The Group has the brand strength and financial, operational, and management capabilities to continue to add additional franchised outlets to the business. We are ambitious to do so. The Group also continues to evaluate and execute multi-franchising actions in its locations to maximise the long-term profitability of each location as previously explained to shareholders.

The Period saw the Group execute on this strategy for growth as set out below:

- In June 2021 a new franchise outlet for Citroen was added alongside the Group's existing Vauxhall outlet in Northampton. This is the third Citroen outlet added in the last 12 months.
- The Vauxhall franchise was added in July to the Group's existing Ford dealership premises in Dunfermline, Fife. Further additional franchises are planned at this location in the coming months with Ford sales operations having ceased on 30 September 2021.
- The Honda Bikes franchise was added to the Group's existing Honda dealership in Stockton bringing the total number of outlets in the Group's Vertu Motorcycles Division to four. Further expansion is envisaged.
- The Group opened new standalone Renault and Dacia franchise outlets in Leicester and York.
- The Group gained the MG franchise for the first time, adding two outlets. One in its Carlisle dealership, already representing SEAT, Cupra and Vauxhall and the second in Beaconsfield as part of the multi-franchising strategy.
- The Hyundai franchise was added to the Group's existing Honda dealership in Sunderland.
- The Group now has 28 (24%) of its 118 physical locations representing more than one manufacturer brand under its multi-franchising strategy.

Pruning activities were undertaken in the Period. The Group's single Mitsubishi sales outlet has ceased operation, as Mitsubishi pulled out of the European market, though aftersales operations remain for the brand in the Group's Edinburgh, Banbury and Huddersfield operations which remain Authorised Repairers. Leicester Citroen was disposed of in March 2021 with the premises retained to allow refranchising to Renault and Dacia.

On 31 May 2021, the Group also executed on its strategy to add complementary ancillary businesses with the purchase of Powerbulbs Online Limited for £480,000. This business complements the Group's existing Sittingbourne based AceParts online parts sales operation, which currently sells to consumers via Marketplaces. Powerbulbs represents an established ecommerce website, with good reach and rankings, historically selling to customers both in the UK and substantially overseas. The business has been integrated into AceParts and has strong growth prospects.

Digitalisation Developments

- ***Omnichannel Retail Sales Developments***

The Group recently commissioned an independent research study of its customers by Mediacom, (with a sample size of over 4,000). This has shown that more than four in five people want to visit a dealership to buy a car, since solely using virtual viewings neglected some of the most critical elements of buying a car such as trusting the salesperson, browsing the showroom, and experiencing the car first-hand before deciding which vehicle suited them best. The growth of electric vehicle sales is reinforcing the need for dealership visits as customers are unfamiliar with the product. This is not to say that the internet and technology is not important. Customers are certainly using the internet to research a vehicle prior to visiting a retailer. Bristolstreet.co.uk remains one of the most visited motor retail websites in the UK with the vast majority of the Group's customers commencing their buying journey on the web. This increasing use of the internet was most apparent amongst the younger people included in the survey, with nearly 40 percent of 18-34 year-olds happy to embrace a combination of online and offline methods when purchasing a car. They believe the convenience of using multiple platforms and the speed at which cars could be browsed all added to their buying experience.

The Group was the first UK retailer in 2017 to offer full online retailing of used cars in the UK and continues to be at the forefront of developments to provide customers with innovative ways to purchase and interact online. To ensure that the Group's customers today have the requisite flexibility, a new sub-brand 'Click2Drive' has been established to capitalise on online and omnichannel sales opportunities. This new brand will be supported by TV advertising campaigns under the Bristol Street Motors brand umbrella. The Group's online retailing capability is being further enhanced by the launch of a 'concierge' service, aiding customers who may need help with their online vehicle purchase. The Group has established a new Customer Experience Contact centre for sales in Gateshead, which will incorporate this new concierge team alongside a central sales prospecting function and other existing central lead handling functions. For those customers who choose to use the concierge service, they will be guided through their online purchase by one of the Group's colleagues, through a telephone or video call, to ensure that all of the customers questions are answered. The concierge will act as a personal shopper, co-ordinating all interaction with the customer, including liaison with the Group's 154 sales outlets. The objective is to provide excellent experience and flexibility for all of the Group's customers, however they choose to interact with us.

It is important to deliver transparency and consistency between the Group's physical and digital sales processes. The dealership sales process has been reviewed in the Period and is being redesigned to deliver this consistency. One enhancement will be to apply a single valuation of a customer's part exchange vehicle, whether the customer visits a dealership or chooses to value their part exchange on one of the Group's websites. This valuation will be controlled centrally, utilising both third party vehicle valuation metrics and the Group's own data. Once a valuation has been obtained, this price will be guaranteed, dependent only on confirmation of the vehicles condition, for up to seven days. The system valuation metrics are dynamic and can be quickly amended to reflect any change in market conditions and the level of inventory in the Group. This valuation system also powers the Group's internet based "Sell

My Car” offering which is increasingly allowing the Group to purchase cars directly from the public.

The Group is currently in the final stage of developing a Customer Data Platform (CDP) to enhance digital re-marketing prowess, inform our Customer Relationship Management processes and help target digital advertising activity. This is a crucial development in our view.

- *Digitalisation of Aftersales*

The Group’s aftersales functions, which include vehicle service and mechanical repair, accident repair and parts supply, represent a significant and important proportion of overall profitability. As seen in the digitalisation of sales processes, there is also an increasingly important role for digital within aftersales operations. The Group’s customers have long been able to book their vehicle service appointment fully online, and use ‘chatbot’ technology to help with their booking if required. Over 36,000 service bookings were made online in the Period, a growth of 172% compared to H1 FY20. Bookings made via this route are rising each month and now represent over 12% of all bookings. Details of online bookings are transferred to workshop loading systems through in-house developed robotic process automation, improving efficiency for the Group’s long established aftersales Customer Experience Centre.

The Group also seeks to capture new customers as they are looking for vehicle repairs or service on-line through its digital conquest strategy. This has been a successful strategy, capturing an average of 1,700 additional service bookings per month in the Period. The majority of these customers have never utilised the Group’s aftersales services before.

There remains significant opportunity for further digitalisation of the customer aftersales journeys and the Group is working on a number of developments in this regard to ensure that customers are delighted and retained.

- *Digitalisation to improve efficiency and reduce cost*

The Group has always been very focused on the detailed management of its cost base and has been successful in the digitalisation of processes to drive efficiency and therefore reduce costs per transaction. The increased digitalisation of the Group’s vehicle administration processes, for example, contributed significantly to the £10m annualised cost savings delivered in FY21. There remains significant opportunity to drive further efficiency from the digitalisation of processes and use of robotics and to increase the use of data to aid decision making. In addition, projects are underway to reduce reliance on a number of third-party technology platforms by replacing with in-house developed technology. This will achieve further cost savings in due course.

- *Digitalisation of used car procurement*

Used vehicle inventory is currently in high demand due to reduced supply in the UK. Enhanced digitalisation has also been deployed to assist in the area of vehicle procurement such as the launch of ‘Sell My Car’ functionality on the Group’s websites. This allows customers to value their vehicle online and if they are happy with the value, arrange an appointment to drop their car off at their local dealership and receive payment. It is aimed that vehicle procurement in the future will be further aided by the use of robotics in purchasing cars at auction and machine learning to maximise on the Group’s return on investment in vehicle inventory around stocking and pricing decisions.

Recruiting, Retaining and Developing Colleagues

It is a priority of the Group to develop and motivate the Group's colleagues to ensure the delivery of operational excellence. One of the most significant current challenges in the business at present is workforce recruitment and retention. The number of UK job vacancies reached over 1 million in August 2021 for the first time since records began, with the inevitable impact that pay levels are rising. This should, of course, bolster consumer confidence and demand for the Group's services going forwards. The Group is not immune to these effects and currently has approximately 500 vacancies, with Group colleague turnover now disappointingly back to pre-pandemic levels.

A key objective for the Group in the remainder of FY22 is to significantly reduce the number of outstanding vacancies and colleague turnover. A number of initiatives have been undertaken to ensure that the Group remains an employer of choice in the sector and to achieve the target of over 90% of colleagues ranking the Group as a great place to work. For example, the Group recently enhanced its benefits by a significant improvement in maternity pay provisions, increasing these from the statutory minimum to 90% of pay for up to six months. In addition, the Group is currently undertaking pay reviews for all colleagues which will be actioned by 1 January 2022. The aim of this is to aid in the recruitment and retention of colleagues.

The Group has also launched dealership colleague forums, a formalised way in which colleagues of all levels can provide their feedback on work matters. Forums will also have the opportunity to access the non-executive director for colleague engagement, Pauline Best.

The Group has long been committed to extensive investment in the development of all colleagues to provide opportunity to those who are talented and driven to succeed. Current programmes include a degree apprentice scheme, technician apprentice schemes and development programmes to facilitate progression to management roles. The Group will launch, in the coming months, two further initiatives:

- A new modern apprentice programme for service advisors with over 120 additional apprentices to be recruited by 1 March 2022: and
- A deepening of the partnership with the Dale Carnegie Institute to increase the scope of on-line and off-line personal and leadership development training across the Group. All colleagues will have access to on-line personal development programmes based on the principles of Dale Carnegie's book, "How to Win Friends and Influence People".

The Board anticipates that the above investment to aid the sustainability of the Group's operations will have an annualised impact of approximately £12m going forward. Increased resource levels and colleague stability should ensure higher and more consistent revenue generation to offset these costs, at least partially.

Strategic Summary

Our experienced management team, strong brands, digital prowess and financial strength, ensure the Group is well positioned to take advantage of the opportunities arising and as a team, we are ambitious to do so. We will continue to innovate and execute to ensure that the Group excels in meeting customer needs and overcomes the current vehicle supply and cost headwinds faced by the sector. We will ensure that capital is allocated to those activities, locations and franchises that are best placed to meet the competitive challenges arising and to provide the best growth opportunities and maximise long-term return on invested capital. We will leverage our proven strengths and execute on our business ideas such as cost saving initiatives, continued development of our

colleagues, accelerating brand growth and pursuing new business opportunities. In essence, we have a plan and the energy to execute it.

Robert Forrester, CEO

CHIEF FINANCIAL OFFICER'S REVIEW

The lockdown restrictions throughout parts of FY21 and, to a lesser extent, the start of FY22 disrupted the Group's operations significantly. The tables below include comparatives to both the six-month periods ended 31 August 2020 (H1 FY21) and 31 August 2019 (H1 FY20) in order to help better understanding the Group's performance.

The Group's income statement for the Period is summarised below:

| | H1 FY22 £'000 | H1 FY21 £'000 | H1 FY22 Var to H1 FY21 % | H1 FY20 £'000 | H1 FY22 Var to H1 FY20 % |
|---|------------------|------------------|-----------------------------------|------------------|-----------------------------------|
| Revenue | 1,924,134 | 1,119,332 | 71.9% | 1,647,108 | 16.8% |
| Gross profit | 223,121 | 129,548 | 72.2% | 172,697 | 29.2% |
| Operating expenses excluding Government support | (173,261) | (146,404) | (18.3%) | (151,569) | (14.3%) |
| Government support ⁵ | 5,611 | 27,125 | (79.3%) | - | - |
| Operating expenses reported | (167,650) | (119,279) | (40.6%) | (151,569) | (10.6%) |
| Adjusted Operating profit | 55,471 | 10,269 | 440.2% | 21,128 | 162.5% |
| Net Finance Charges | (3,638) | (5,583) | 34.8% | (4,247) | 14.3% |
| Adjusted Profit Before Tax | 51,833 | 4,686 | 1,006.1% | 16,881 | 207.0% |
| Non-Underlying items ⁶ | (731) | (712) | (2.7%) | (782) | 6.5% |
| Profit Before Tax | 51,102 | 3,974 | 1,185.9% | 16,099 | 217.4% |
| Taxation | (13,597) | (1,426) | (853.5%) | (3,100) | (338.6%) |
| Profit After Tax | 37,505 | 2,548 | 1,371.9% | 12,999 | 188.5% |

⁵ includes receipts under the Coronavirus Job Retention Scheme and business rates relief

⁶ Non-underlying items represent share-based payment charge and amortisation of intangible assets

The Group delivered a record result in the Period, generating an adjusted profit before tax of £51.8m. (H1 FY21: £4.7m, H1 FY20: £16.9m). Revenue grew to £1.9bn, a growth of 16.8% compared to the pre-pandemic six month period to 31 August 2019 (H1 FY20), fuelled by both the impact of acquisitions and rising vehicle prices. Despite these price rises, market tailwinds helped to keep gross margins at the levels delivered in the post lockdown H1 FY21 period, of 11.6% (H1 FY20: 10.5%).

Revenue and Gross Profit by Department

An analysis of total revenue and gross profit by department is set out below:

| | H1 FY22 £'000 | H1 FY21 £'000 | H1 FY22 % Var to H1 FY21 | H1 FY20 £'000 | H1 FY22 % Var to H1 FY20 |
|----------------------------|------------------|------------------|--------------------------------|------------------|--------------------------------|
| Revenue | | | | | |
| New | 530,766 | 346,885 | 53.0% | 472,102 | 12.4% |
| Fleet & Commercial | 445,189 | 224,565 | 98.2% | 390,480 | 14.0% |
| Used | 804,792 | 449,873 | 78.9% | 653,787 | 23.1% |
| Aftersales | 143,387 | 98,009 | 46.3% | 130,739 | 9.7% |
| Total Group Revenue | 1,924,134 | 1,119,332 | 71.9% | 1,647,108 | 16.8% |
| Gross Profit | | | | | |
| New | 38,853 | 23,345 | 66.4% | 33,654 | 15.4% |
| Fleet & Commercial | 18,757 | 8,602 | 118.1% | 13,137 | 42.8% |
| Used | 82,361 | 41,171 | 100.0% | 52,793 | 56.0% |
| Aftersales | 83,150 | 56,430 | 47.4% | 73,113 | 13.7% |
| Total Gross Profit | 223,121 | 129,548 | 72.2% | 172,697 | 29.2% |
| Gross Margin | | | | | |
| New | 7.3% | 6.7% | 0.6% | 7.1% | 0.2% |
| Fleet & Commercial | 4.2% | 3.8% | 0.4% | 3.4% | 0.8% |
| Used | 10.2% | 9.2% | 1.0% | 8.1% | 2.1% |
| Aftersales ⁷ | 47.5% | 49.7% | (2.2%) | 47.1% | 0.4% |
| Total Gross Margin | 11.6% | 11.6% | - | 10.5% | 1.1% |

⁷ Aftersales margin expressed on internal and external revenues

The total volumes of vehicles sold by the Group and like-for-like trends against market data are set out below:

| | H1 FY22 | H1 FY21 | Like-for-like H1 FY22 % Var to H1 FY21 | H1 FY20 | Like-for-like H1 FY22 % Var to H1 FY20 |
|-----------------------------|---------------|---------------|---|---------------|---|
| | Units | Units | | Units | |
| Used retail vehicles | 49,697 | 29,713 | 58.7% | 45,036 | 0.5% |
| New retail cars | 18,086 | 12,489 | 33.3% | 18,343 | (15.2%) |
| Motability cars | 4,865 | 3,719 | 29.0% | 5,196 | (12.5%) |
| Direct fleet cars | 8,713 | 4,096 | 86.2% | 9,024 | (17.1%) |
| Agency fleet cars | 2,700 | 2,219 | 20.2% | 2,692 | (36.5%) |
| Total fleet cars | 11,413 | 6,315 | 63.0% | 11,716 | (21.6%) |
| Commercial vehicles | 9,917 | 6,282 | 58.5% | 10,259 | (3.3%) |
| Total New vehicles | 44,281 | 28,805 | 44.8% | 45,514 | (13.8%) |
| Total vehicles | 93,978 | 58,518 | 51.8% | 90,550 | (6.7%) |

| | Variance ⁸ | UK Market (SMMT) | Variance ⁸ | UK Market (SMMT) |
|----------------|-----------------------|---------------------|-----------------------|---------------------|
| New Retail Car | 1.9% | 31.4% | 6.2% | (21.4%) |
| Motability Car | 1.2% | 27.8% | 2.7% | (15.2%) |
| Fleet Car | 15.0% | 48.0% | 5.2% | (26.8%) |
| Commercial | (5.9%) | 64.4% | 3.6% | (6.9%) |

⁸ Represents the variance of like-for-like Group volumes to the UK trends reported by SMMT

Used retail vehicles

Throughout H1 FY22, the used vehicle market in the UK, has experienced unprecedented market dynamics resulting in record vehicle pricing levels. The reduced new and used vehicle market in lockdown together with new vehicle production disruption due to COVID-19 and parts supply disruption (particularly semi-conductor shortages) has caused used vehicles to be in increasingly short supply. This tightness in supply has coincided with a period of strong customer demand for used vehicles. The reasons for this include increased savings levels by consumers during lockdown and the absence of alternative spending options (such as holidays), and also consumers wishing to avoid public transport. The benefits of the private motor car have been firmly re-established in the consumer's minds which is much to the long-term benefit of the Group.

The Group recognised the pricing and supply environment ensuring appropriate high margins were obtained on the more limited stock. Price disciplines were therefore very strong across the business. The Group utilised a mix of strategies to secure used vehicle inventory despite the shortages of supply, including direct purchases from consumers. Email campaigns to the Group's extensive database were very successful in this regard. The Group successfully utilised both central purchasing capabilities and its extensive local dealership management to secure supplies. The success of these strategies is seen in that the Group limited the reduction in the number of used retail vehicles held in stock at 31 August 2021 compared to 28 February to less than 10%. Rising prices caused overall used vehicle inventory levels in the Core Group to increase by £13.1m compared to 28 February 2021 levels. Ensuring a good supply of used vehicle inventory has meant the Group has been well placed to capitalise on the favourable market conditions, resulting in a record profit performance both in used cars and for the Group as a whole.

Group gross profit from the sale of used vehicles totalled £82.4m for the Period (H1 FY21: £41.2m ; H1 FY20: £52.8m). When comparing to the more stable period of the six months ended 31 August 2019 (H1 FY20), the following like-for-like variances arose:

- £22.3m increase in gross profit generated from used vehicle sales
- 0.5% increase in the number of used retail units sold
- Gross profit per unit of £1,679, a rise of 42.4% from £1,179
- Average selling price of £15,819 per unit, a 9.0% increase

- Gross margin rising substantially to 10.6% from 8.1%

New retail cars and Motability sales

UK retail registrations have obviously significantly improved over the H1 FY21 comparative 'lockdown' period. Compared to the pre-pandemic six months ended 31 August 2019 (H1 FY20), UK new vehicle retail registrations actually fell by 21.4%, reflecting reduced supply of new cars and March 2021 being a month of effective lockdown, with showrooms closed to customer visits. March is traditionally the peak trading month in the sector calendar. Well documented component shortages (including semi-conductors) and the so-called "pingdemic" at factories and within the global supply chain have all adversely affected availability. In light of these supply constraints, the SMMT full-year outlook was revised in July 2021, to a forecast of 1.82 million units for calendar 2021 (2020: 1.6m, 2019: 2.3m). Whilst this is a modest 2% reduction from the previous outlook, if this revised forecast were achieved, it would represent a 21.8% reduction compared to average UK new vehicle registration volumes over the past decade. Against this backdrop, the Group's like-for-like new retail vehicle volumes declined by 15.2% in the Period when compared to the six months ended 31 August 2019. With the SMMT private registrations declining by 21.4%, the Group outperformed the market by some margin.

UK Motability registrations were also impacted by supply constraints and declined by 15.2% in the Period, compared to the six months ended 31 August 2019. The Group's Motability volumes compared to the same period, declined by 12.5% on a like-for-like basis, slightly ahead of the market and representing a UK market share of 4.7%. Order bank levels in this channel are at a record high.

In light of the issues in the supply chain, volume targets in the Period were either reduced or removed by Manufacturers. Similar to the trends seen in used vehicles, reduced supply in a period of robust demand and reduced pressure to achieve volume targets, has led to improved gross profit retention through the application of effective pricing disciplines. Consumers are increasingly accepting of long lead times, with order bank levels very high and pricing benefits to margin for Manufacturers and retailers alike. Compared to the six months ended 31 August 2019, the following trends were apparent on a like-for-like basis for the New Retail and Motability sales channel:

- A £0.7m increase in gross profit generated, despite a 15.2% reduction in the number of new retail units sold
- Gross profit per unit of £1,694, a rise of 20.2% from £1,409
- An average selling price of £21,319 per unit, a 16.6% increase
- Gross margin rising to 7.4% from 7.1% despite the significant rise in average selling price increases

Fleet & Commercial vehicle sales

The UK car fleet market has been the hardest hit by the restrictions in the supply of new vehicles as Manufacturers divert limited capacity to higher margin, retail channels. Retailers also benefit from this protection of their higher margin channels. Registration volumes in the UK car fleet market have declined 26.8% in the Period compared to the six months ended 31 August 2019. Like-for-like, the Group delivered 9,179 fleet cars in the Period, representing a decline of 21.6% compared to H1 FY20, which was significantly ahead of the market trends. Margins strengthened due to supply constraints, pricing mix changes and the Group adopting strong pricing disciplines.

The Pandemic has fuelled significant demand for vans in the UK. 'Lockdown savers' have led to van demand from tradespeople satisfying increased spending on home improvements. In addition, the growth in online retail purchases has fuelled demand from delivery drivers. This demand has come at a time of limited supply, driving up prices and margins. The Group saw a 3.3% fall in the like-for-like

volume of new commercial vehicles sold, ahead of the market trends, which showed a 6.9% decline over the Period compared to the six months to 31 August 2019 (H1 FY20). This market outperformance by the Group was aided by a strong performance from the Group's Vansdirect business.

When compared to the six-month period ended 31 August 2019, the following fleet and commercial trends were seen on a like-for-like basis:

- A £4.2m increase in gross profit, despite a reduction in the number of units sold
- Record gross profit per unit of £907, a rise of 52.2% from £596
- Gross margin rising to 4.2% from 3.4% resulting in record margins for the Group.

Aftersales

The Group's aftersales operations are a vital contributor to Group profitability, generating over 35% of total gross profit. This is actually a reduced relative contribution compared to recent years, primarily due to very high margin growth in the vehicle sales channels in the Period.

Overall, compared to the six-month period ended 31 August 2019 (H1 FY20) the following like-for-like trends in aftersales performance were witnessed:

| | Service £'000 | Parts £'000 | Accident & Smart Repair £'000 | Total £'000 |
|--|------------------|----------------|-------------------------------------|----------------|
| Revenue ⁹ | 67,099 | 75,148 | 10,701 | 152,948 |
| Revenue ⁹ change | (15) | (108) | 1,428 | 1,305 |
| Revenue ⁹ change (%) | - | (0.1%) | 15.4% | 0.9% |
| Gross profit change | 233 | 324 | 631 | 1,188 |
| Gross margin ¹⁰ H1 FY22 (%) | 77.1% | 22.3% | 39.1% | 47.5% |
| Gross margin ¹⁰ H1 FY20 (%) | 76.7% | 21.8% | 38.3% | 47.1% |

⁹ includes internal and external revenues

¹⁰ margins in aftersales expressed on internal and external revenues

- *Service*

Those customers whose vehicles reached service intervals in the 2020 lockdown, deferred the work on their vehicles until the UK economy reopened after 1 June 2020. This generated a lack of service anniversaries in April and May of 2021, exacerbated by the lack of vehicle sales in the first lockdown. The Group then saw a spike in demand from June onwards. Capacity in the Group's aftersales operations at the time of peak demand in the current Period was limited in some cases by Covid related absence and increasing technician capacity constraints in general. Overall, these trends led to a 5.6% decline in service hours sold in the core Group in the Period compared to H1 FY20. The level of warranty work undertaken, in particular, saw a significant decline compared to recent years.

The Group executed well on its retention and aftersales processes, improving sales of additional work and products. The Group's customer retention strategies focus on ensuring vehicle sales customers return to the Group for their service, whether they have purchased a new or used vehicle. Service plans, through which customers pay monthly for their annual service are a vital part of retention, with approx. 145,000 of the Group's customers currently holding live service plan either with the Group or its manufacturers. Excellence of customer service is also vital to retention, with over 90% of all vehicles seen by the service departments receiving a vehicle health check ("VHC"), with the technician providing a video of the items requiring attention direct to the customer for their approval for any works required. The success of this VHC process is one of the reasons for a rise in the average invoice value to £278 (like-for-like increase of 13.9% compared to H1 FY20) for service and repair work.

This strong execution resulted in like-for-like service revenues being stable compared to H1 FY20 despite the reduction in hours sold. Gross margin percentages on vehicle servicing rose to 77.1% (H1 FY20: 76.7%) reflecting technician resource constraints and the decline in less efficient warranty volumes, compared to more efficient retail work.

- *Parts*

Parts revenues in the Core Group were stable compared to H1 FY20, with growth as the Group gained market share offset by the move to an agency distribution model in certain franchises as previously reported. As a new development in the Group's aftersales Customer Experience Centre, inbound parts phone enquiries are now being centralised with orders taken in Gateshead for non-trade hub dealerships. This has contributed to increased higher margin parts retail sales and enhanced customer experiences. 70 dealerships now operate on this centralised model. Gross margins in parts rose from 21.8% to 22.3% as the Group benefitted from competitors exiting the sector during the Pandemic, delivery of excellent customer experiences and from agency parts operations being a higher proportion of the Group activities. In agency operations, the Group records no revenues or cost of sales, except a handling fee representing 100% gross margin.

- *Accident and Smart Repair*

The Group has significantly expanded its Smart Repair operations, which now has a fleet of 75 cosmetic and alloy wheel repair vans serving both the Group's dealerships and external customers across the UK. This expansion of the Smart Repair operation is the main reason for the increase in revenues in this channel. Further expansion of these operations is envisaged.

The Group's accident repair centres showed little growth as the 2021 lockdown reduced the number of journeys being undertaken and therefore the number of accidents in the UK. This took a number of months to work through. The Group has now moved responsibility for the Group's 11 accident repair centres out of the dealership divisional operations, into a new standalone division, concentrating solely on the management of this channel. Greater execution and improved performance is already apparent following these changes.

Acquisitions, Disposals and Closures

Acquisitions made since 1 March 2020 have contributed an additional £3.3m of profit before tax to the Group in the Period, summarised as follows:

| | H1 FY22 | | H1 FY20 | |
|---|------------------|--------------|------------------|--------------|
| | Revenue £'000 | PBT £'000 | Revenue £'000 | PBT £'000 |
| BMW/MINI Acquisition (Dec 2020) | 142,175 | 2,334 | - | - |
| Yorkshire Volkswagen Acquisition (Jan 2020) | 53,400 | 726 | - | - |
| Other acquisitions | 36,645 | 220 | - | - |
| Total Acquisitions | 232,220 | 3,280 | - | - |
| Dealership sales or closure | 2,390 | (78) | 30,184 | 114 |
| Total Non-Core | 234,610 | 3,202 | 30,184 | 114 |

This contribution from acquisitions is above the levels envisaged at the time of purchase, reflecting market tailwinds and solid execution.

The significant BMW/MINI dealership acquisition, completed 6 December 2020, comprised a market area of 12 sales outlets located in York, Sunderland, Teesside, Durham and Malton. Prior to their acquisition by the Group, for the year ended 31 December 2019, the dealerships achieved revenues of £305m and delivered a loss before tax of £6.0m. The Group executed its plan to drive performance improvements, which included the appointment of a new management team, with significant BMW and MINI franchise experience. The business was successfully integrated with Group systems and

processes implemented immediately, and this facilitated significant business improvements in the areas of customer experience and financial performance. The acquisition was expected to be loss making in FY22 and earnings neutral by the year ending 28 February 2023 (FY23). Aided by the Group's actions and favourable market conditions, these sites are performing significantly in excess of these expectations, contributing a profit of £2.3m in the Period. This acquisition is expected to be at least earnings neutral in the coming year.

The other significant acquisition in the period since 1 March 2020 was the purchase on 16 January 2020 of four Volkswagen Passenger car dealerships in West Yorkshire from the Sytner Group. Integration progress in these dealerships, located in Leeds, Harrogate, Skipton and Huddersfield, was delayed as a result of the impact of the lockdown coming just 10 weeks after their purchase. Nevertheless, these businesses are also fully integrated into the Group and contributed £0.7m to Group profitability in the Period.

Other acquisitions since 1 March 2020 include the addition of two Honda outlets in Bradford and Huddersfield, Kia in Bradford and the multi-franchise site in Edinburgh. These additions contributed profits of £0.2m in the Period.

In addition to acquiring sales outlets, active management of the portfolio led to the closure and disposal of a number of outlets. These include the closure of a Volkswagen operation in Whitchurch, Herefordshire (March 2021), the sale of Leicester Citroen (February 2021) and the disposal in November 2021 of the Group's wheelchair accessible vehicle conversion business. These actions resulted in a £0.2m decline in profit compared to the six month period ended 31 August 2019 (H1 FY20).

Operating Expenses

Reported operating expenses of £167.7m, increased by £16.1m compared to the six-month period ended 31 August 2019. This increase was partially offset by Government support of £5.6m and as a consequence the increase excluding this support was greater at £21.7m. Dealerships acquired in the period since 1 March 2019 contributed costs, excluding support, totalling £19.8m. Underlying Core Group expenses therefore grew slightly, by £1.9m when compared to H1 FY20.

The Group invested an additional £3.0m in television advertising in the Period as part of the strategy to grow awareness of the Group's three customer facing franchise automotive brands. In addition, variable pay and commission levels exceeded H1 FY20 levels by £4.0m as a result of the record profitability delivered. Cost savings, such as the headcount saving delivered in FY21 through increased efficiency, have partially offset these cost increases.

Costs increased over H1 FY21 levels, due to reduced Government support, the impact of acquisitions and a reversal of variable and other cost savings made during the period of reduced dealership activity in the lockdown.

The Group received significant government support in the six-month period ended 31 August 2020, the period which included the dealership closures during the first national lockdown. This support included £22.8m of receipts in respect of the Coronavirus Job Retention Scheme and business rates relief of £4.3m. In the current Period, support levels have significantly reduced, with just £0.4m of receipts from the Coronavirus Job Retention Scheme, for which no claims were submitted after the end of April 2021. In addition, business rates support in the current Period had a value of £5.2m. Under the business rates relief scheme, business rates on English retail premises remained fully supported until 30 June 2021, with relief thereafter capped at £2m, whilst full rates support continues

at the Group's dealerships located in Scotland. Business rates relief will therefore be at significantly reduced levels for the remainder of the financial year.

Net Finance Charges

Net finance charges fell year on year as analysed below:

| | H1 FY22 | H1 FY21 | H1 FY22 Var to H1 FY21 | H1 FY20 | H1 FY22 Var to H1 FY20 |
|--|--------------|--------------|------------------------------|--------------|------------------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| New vehicle Manufacturer stocking interest | 1,058 | 2,728 | (1,670) | 1,646 | (588) |
| Interest on bank borrowings | 848 | 870 | (22) | 739 | 109 |
| Used vehicle stock funding interest | 36 | 211 | (175) | 317 | (281) |
| Interest on lease liabilities | 1,762 | 1,870 | (108) | 1,761 | 1 |
| Interest income | (66) | (96) | 30 | (216) | 150 |
| Net Finance Charges | 3,638 | 5,583 | (1,945) | 4,247 | (609) |

The bulk of the reduction in net finance charges arose in interest charged by Manufacturers on funded new vehicle inventory. This reduction is due to the issues in the supply chain which are currently being experienced and which have led to reduced new vehicle stock in the pipeline. Total new vehicle stock at 31 August 2021 was £209m (28 February 2021: £438m, 31 August 2020: £342m).

Interest on bank borrowings in the Period declined to £0.8m from £0.9m in H1 FY21 as the Group has generated significant cash. This has resulted in the repayment of £10m of the Revolving Credit Facility and all used vehicle stocking loans. In addition, interest rate charges by the Group's banking partners have reduced to more normalised levels following a temporary increase during the Pandemic.

Pension Costs

The accounting surplus on the Group's closed defined benefit pension scheme has increased to £7.9m at 31 August 2021 (28 February 2021: £6.2m). Actual investment returns achieved on the assets were higher than that required to match the expected increase in defined benefit obligations over the Period as a result of changes in assumptions. These assumption changes were a lower discount rate being applied, following falls in corporate bond yields over the Period together with an increase in expected future inflation.

The Scheme invests in an LDI portfolio which aims to fully hedge the Scheme's interest rate (relative to gilts rather than corporate bonds) and inflation risk. Changes in the discount rate and inflation would therefore be mostly offset by a change in the value of the Scheme's assets. A net actuarial gain of £1.6m was recognised in the Statement of Comprehensive Income in the Period.

Tax Payments

In the June 2021 Finance Act, it was enacted that the rate of corporation tax in the UK will rise from 19% to 25% on 1 April 2023. This has resulted in the Group's deferred tax obligations being measured at the higher rate of 25% in the Period. The impact of this change has increased the Group's tax charge in the Period by £2.9m.

The Group's underlying effective rate of tax (ignoring the deferred tax adjustment above) for the Period was 20.9% (H1 FY21: 22.5%) The overall effective tax rate, impacted by the revaluation of deferred tax obligations, increased to 26.6% (H1 FY21: 35.9%). The Group continues to be classified as "low risk" by HMRC and takes a pro-active approach to minimising tax liabilities whilst ensuring it pays the appropriate level of tax to the UK Government.

Cash Flows

Free cash flow of £63.6m (H1 FY21: £66.4m) was generated in the Period, from an operating profit of £54.7m, a conversion of 116.3%.

A £15.8m reduction in working capital contributed to this positive cash performance. Current constraints on new vehicle supply led to a £210.5m reduction in the level of both new vehicle consignment inventory and the associated Manufacturer funding in the Period. This constrained new vehicle supply also resulted in an £18.1m cash inflow from a reduction in the level of fully paid new vehicle inventory held by the Group.

Rising vehicle prices led to a £13.1m increase in used vehicle inventory, despite a slight fall in the number of vehicles in stock. Working capital was also absorbed as the Group's demonstrator fleet, reduced during restrictions on showroom visits, returned to normal levels, absorbing £8.0m.

Reduced period end fleet activity generated a £6.5m inflow of working capital from lower trade receivables. Finally, a £12.3m increase in trade payables and accruals arose in the Period. This figure includes higher customer deposit levels as order lead times extended and increased levels of deferred income in respect of warranties and service plans.

Financing and Capital Structure

The Group has a balance sheet with shareholders' funds of £315.1m (H1 FY2021: £265.8m) underpinned by a freehold and long leasehold portfolio of £229.4m (H1 FY2021: £213.2m) and net cash (excluding lease liabilities) of £57.3m at 31 August 2021. The Group's conservative financing and capital structure results in a strong tangible net assets position of £222.6m at 31 August 2021, representing 61.5p per share.

The Group has a committed acquisition debt facility of £62m, maturing in February 2024, with the potential to add a further £15m which is currently uncommitted. £44m of this committed facility was drawn as at 31 August 2021. The Group operated comfortably within all covenants during the Period.

The Group periodically makes use of used vehicle stocking loans provided by third party banks, subject to interest and secured on the related used vehicle inventories. In light of the strong cash position of the Group throughout the Period, amounts utilised on such facilities were repaid in the Period and remained undrawn at 31 August 2021. The Group has a £35m facility under these arrangements, with the temporary uplift secured due to the impact of the lockdown on the Group now removed. The Group held £134.8m of unencumbered used vehicle inventory at 31 August 2021.

Capital Allocation

Consideration of capital allocation is central to the Board's decision making. The Board proactively believes that the Group's funding structure should remain conservative and that the application of the Group's debt facilities to fund activities or acquisitions which meet the Group's hurdle rates for investment, will enhance return on equity and increase cash profits in the future.

Cash returns to shareholders in the form of dividends are also an important part of the Company's capital allocation decision making process and are a priority for the Board. The Group previously applied a dividend policy of a cover of three to four times adjusted earnings per share. To protect the Group's liquidity and in acknowledgement of the level of government support received in response to COVID-19 restrictions imposed on the Group's operations, no dividend payments were proposed in respect of FY21 and no final dividend in respect of FY20 was paid.

In view of the trading performance and the significant cash generation of the Group in the Period the Board proposes to re-establish the payment of dividends, with an interim dividend in respect of FY22 payable in January 2022. The extraordinary level of profitability achieved by the Group in the Period, means that a higher dividend cover than targeted in the Group's dividend policy has been initially

applied. The Board propose an interim dividend of 0.65p per share payable 22 January 2022. The ex-dividend date will be 16 December 2021 and the associated record date 17 December 2021.

During the Period, the Group recommenced its Share Buyback Programme with an initial £3m earmarked for the repurchase of the Group's shares. To date from announcement of the programme on 20 August 2021, 2.0m shares, representing 0.5% of the issued share capital, have been purchased for cancellation for a total of £1.1m. The Board believes that this is an appropriate use of capital and will continue this Buyback programme as a relevant element of returns to shareholders, alongside dividend payments.

Karen Anderson, CFO

CURRENT TRADING AND OUTLOOK

- *September 2021 Trading*

The Group delivered a trading profit of £20.0m in September. This result was ahead of the original budget and prior year levels. Despite sales volume performance being reduced by ongoing vehicle supply constraints which have been widely reported, the trading result was a record for a month in the Group's fifteen year history. Margins were above historic levels bolstering profits.

The Group's total and like-for-like activity levels in September 2021 compared to September 2020 are summarised below and compared to the market trends:

| | Group Total Variance | Like-for-Like Variance | SMMT Market Variance | Like-for-like variance to SMMT Market |
|--------------------------------|-------------------------------------|-----------------------------------|-------------------------------------|--|
| Group Revenue | (0.1%) | (8.9%) | | |
| Service Revenues ¹¹ | (0.9%) | (6.8%) | | |
| Volumes: | | | | |
| Used Retail Vehicles | (1.9%) | (7.4%) | | |
| New Retail Vehicles | (11.6%) | (18.2%) | (25.3%) | +7.1% |
| Motability Vehicles | (39.0%) | (38.8%) | (44.7%) | +5.9% |
| New Fleet Cars ¹² | (14.1%) | (16.0%) | (43.1%) | +27.1% |
| New Commercial Vehicles | (29.0%) | (28.9%) | (39.5%) | +10.6% |

¹¹ Includes internal and external revenues

¹² Includes agency volumes

Group revenue was stable in the month aided by the impact of acquisitions. Like-for-like revenues and volumes reduced in all channels as a result of supply constraints. The Group outperformed significantly the wider market trends in all channels of new vehicle sales.

Like-for-like service activity showed a decline compared to September 2020. The prior year period benefitted from pent-up demand as the UK emerged from lockdown and reduced new and used vehicle volumes in 2021 resulted in less internal preparation work for the Group's service departments.

A decline in UK registrations was seen in all new vehicle sales channels in September. Well documented supply constraints in the current period compared to strong comparatives, which had benefitted from pent up demand for vehicles. Strong pricing disciplines resulted in margins retained on the sale of new vehicles remaining strong, as witnessed in recent months. Improved margins compared to the prior year largely offset the impact of reduced volumes.

The market dynamics for used vehicles continue to benefit the profitability of the sector. CAPHPI reported that used vehicle values rose again in September, making this the sixth consecutive month

of rises. These consecutive rises mean that September 2021 delivered the highest monetary single month increase in UK used vehicle values ever recorded of £825 per vehicle. The Group delivered improved used margin retention per vehicle as a result of these market trends, and the continued application of strong pricing disciplines. Core Group used gross profit per unit achieved record levels in September growing 23.2% year-on-year to over £2,000. This improved margin delivered an uplift in Core gross profits generated from the sale of used vehicles when compared to September 2020, despite a reduction in the volume of vehicles sold.

- *Outlook*

Shortfalls in the supply of both new and used vehicles in the UK are expected to continue for the remainder of the financial year, and well into the next financial year, as a result of the dislocation in global supply chains, impacting on vehicle production. Whilst vehicle supply constraints will continue to underpin vehicle values in the short-term, a realignment of vehicle margins to more normalised levels should be expected in the medium-term. In response to short supply, the Group will continue to apply strong pricing disciplines to ensure that returns on inventory are maximised.

As discussed elsewhere in this statement the UK currently faces labour shortages. The Group has taken action to secure a fully resourced and stable colleague base, though the initiation of a review of reward packages. This investment will be augmented by enhanced colleague training and development programmes to ensure that the Group continues to deliver outstanding customer experiences and enhanced financial performance. Higher, stable resource levels across the business should result in higher revenue and gross profit generation to at least partially offset the increased cost.

The Board remains cautious on the outlook for the remainder of the financial year and beyond. In light of the trading performance delivered for the year to date, the Board now anticipates that the Group's adjusted profit before tax for the year ending 28 February 2022 will be no less than £65m.

The Board believes that the Group is strategically very well placed to capitalise on the challenges and opportunities in the UK motor retail sector and remains confident in the prospects for the Group. A good pipeline of potential acquisitions is currently apparent.

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

For the six months ended 31 August 2021

| | Note | Six months ended 31 August 2021 | | | Six months ended 31 August 2020 | | | Year ended 28 February 2021 | | |
|---|------|---------------------------------|-------------------------------|----------------|---------------------------------|-------------------------------|----------------|-----------------------------|-------------------------------|----------------|
| | | Underlying items £'000 | Non-underlying items £'000 | Total £'000 | Underlying items £'000 | Non-underlying items £'000 | Total £'000 | Underlying items £'000 | Non-underlying items £'000 | Total £'000 |
| Revenue | | 1,924,134 | - | 1,924,134 | 1,119,332 | - | 1,119,332 | 2,547,665 | - | 2,547,665 |
| Cost of sales | | (1,701,013) | - | (1,701,013) | (989,784) | - | (989,784) | (2,246,642) | - | (2,246,642) |
| Gross profit | | 223,121 | - | 223,121 | 129,548 | - | 129,548 | 301,023 | - | 301,023 |
| Operating expenses | | (167,650) | (731) | (168,381) | (119,279) | (712) | (119,991) | (267,240) | (2,153) | (269,393) |
| Operating profit | | 55,471 | (731) | 54,740 | 10,269 | (712) | 9,557 | 33,783 | (2,153) | 31,630 |
| Finance income | 5 | 66 | - | 66 | 96 | - | 96 | 174 | - | 174 |
| Finance costs | 5 | (3,704) | - | (3,704) | (5,679) | - | (5,679) | (9,405) | - | (9,405) |
| Profit before tax | | 51,833 | (731) | 51,102 | 4,686 | (712) | 3,974 | 24,552 | (2,153) | 22,399 |
| Taxation | 6 | (10,837) | (2,760) | (13,597) | (1,055) | (371) | (1,426) | (5,217) | (867) | (6,084) |
| Profit for the period attributed to equity holders | | 40,996 | (3,491) | 37,505 | 3,631 | (1,083) | 2,548 | 19,335 | (3,020) | 16,315 |
| Basic earnings per share (p) | 7 | | | 10.36 | | | 0.69 | | | 4.44 |
| Diluted earnings per share (p) | 7 | | | 9.95 | | | 0.69 | | | 4.36 |

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)**For the six months ended 31 August 2021**

| | | Six months ended 31 August 2021 £'000 | Six months ended 31 August 2020 £'000 | Year ended 28 February 2021 £'000 |
|--|----|---|---|---|
| Profit for the period | | 37,505 | 2,548 | 16,315 |
| Other comprehensive income / (expense) | | | | |
| Items that will not be reclassified to profit or loss: | | | | |
| Actuarial gain / (loss) on retirement benefit obligations | 10 | 1,639 | (521) | (2,619) |
| Deferred tax relating to actuarial (gain) / loss on retirement benefit obligations | | (410) | 99 | 498 |
| Items that may be reclassified subsequently to profit or loss: | | | | |
| Cash flow hedges | | 149 | (150) | (6) |
| Deferred tax relating to cash flow hedges | | (28) | 38 | 10 |
| Other comprehensive income / (expense) for the period, net of tax | | 1,350 | (534) | (2,117) |
| Total comprehensive income for the period attributable to equity holders | | 38,855 | 2,014 | 14,198 |

CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)

As at 31 August 2021

| | | 31 August 2021 £'000 | 31 August 2020 £'000 | 28 February 2021 £'000 |
|---|----|----------------------------|----------------------------|------------------------------|
| Non-current assets | | | | |
| Goodwill and other indefinite life assets | 12 | 99,444 | 99,315 | 99,192 |
| Other intangible assets | | 2,019 | 1,934 | 1,948 |
| Retirement benefit asset | 10 | 7,906 | 8,365 | 6,246 |
| Property, plant and equipment | | 246,920 | 230,280 | 246,664 |
| Right of use assets | | 81,254 | 81,391 | 81,152 |
| | | 437,543 | 421,285 | 435,202 |
| Current assets | | | | |
| Inventories | | 392,491 | 477,525 | 597,391 |
| Trade and other receivables | | 43,038 | 66,309 | 59,375 |
| Cash and cash equivalents | | 113,504 | 102,958 | 67,828 |
| | | 549,033 | 646,792 | 724,594 |
| Property assets held for sale | | 995 | - | 1,369 |
| Total current assets | | 550,028 | 646,792 | 725,963 |
| Total assets | | 987,571 | 1,068,077 | 1,161,165 |
| Current liabilities | | | | |
| Trade and other payables | | (482,109) | (612,000) | (688,948) |
| Current tax liabilities | | (6,563) | (1,462) | (1,573) |
| Contract liabilities | | (12,639) | (12,042) | (12,395) |
| Borrowings | | (638) | (12,731) | (6,582) |
| Lease liabilities | | (13,920) | (14,175) | (14,126) |
| Total current liabilities | | (515,869) | (652,410) | (723,624) |
| Non-current liabilities | | | | |
| Borrowings | | (55,544) | (53,745) | (65,777) |
| Lease liabilities | | (77,461) | (77,100) | (76,975) |
| Derivative financial instruments | | (348) | (643) | (497) |
| Deferred income tax liabilities | | (13,063) | (8,848) | (9,180) |
| Contract liabilities | | (10,159) | (9,519) | (9,172) |
| Total non-current liabilities | | (156,575) | (149,855) | (161,601) |
| Total liabilities | | (672,444) | (802,265) | (885,225) |
| Net assets | | 315,127 | 265,812 | 275,940 |
| Capital and reserves attributable to equity holders of the Group | | | | |
| Ordinary share capital | | 36,859 | 36,917 | 36,917 |
| Share premium | | 124,939 | 124,939 | 124,939 |
| Other reserve | | 10,645 | 10,645 | 10,645 |
| Hedging reserve | | (282) | (519) | (403) |
| Treasury share reserve | | (2,584) | (787) | (2,791) |
| Capital redemption reserve | | 2,868 | 2,810 | 2,810 |
| Retained earnings | | 142,682 | 91,807 | 103,823 |
| Total equity | | 315,127 | 265,812 | 275,940 |

CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

For the six months ended 31 August 2021

| | | Six months ended 31 August 2021 £'000 | Six months ended 31 August 2020 £'000 | Year ended 28 February 2021 £'000 |
|--|----|---|---|---|
| Cash flows from operating activities | | | | |
| Operating profit | | 54,740 | 9,557 | 31,630 |
| Profit on sale of property, plant and equipment | | (64) | (399) | (432) |
| Profit on lease modification | | (157) | - | (234) |
| Amortisation of intangible assets | | 202 | 218 | 436 |
| Depreciation of property, plant and equipment | | 6,493 | 5,948 | 12,333 |
| Depreciation of right of use asset | | 7,946 | 7,635 | 15,643 |
| Impairment charges | | - | - | 1,452 |
| Movement in working capital | 11 | 15,842 | 64,197 | 29,640 |
| Share based payments charge | | 455 | 425 | 373 |
| Cash inflow from operations | | 85,457 | 87,581 | 90,841 |
| Tax received | | 128 | 188 | 188 |
| Tax paid | | (5,289) | (2,281) | (6,692) |
| Finance income received | | 4 | 21 | 23 |
| Finance costs paid | | (3,443) | (5,519) | (9,440) |
| Net cash inflow from operating activities | | 76,857 | 79,990 | 74,920 |
| Cash flows from investing activities | | | | |
| Acquisition of businesses, net of cash, overdrafts and borrowings acquired | | (1,567) | (182) | (21,489) |
| Acquisition of freehold land and buildings | | - | (1,313) | (2,713) |
| Proceeds from disposal of a business | | - | - | 1,698 |
| Purchases of intangible assets | | (20) | (34) | (264) |
| Purchases of other property, plant and equipment | | (5,907) | (6,733) | (11,844) |
| Proceeds from disposal of property, plant and equipment | | 464 | 840 | 972 |
| Net cash outflow from investing activities | | (7,030) | (7,422) | (33,640) |
| Cash flows from financing activities | | | | |
| Proceeds from borrowings | 8 | - | 10,000 | 22,760 |
| Repayment of borrowings | 8 | (16,267) | (12,816) | (19,705) |
| Principal elements of lease repayments | | (7,798) | (7,633) | (15,342) |
| Sale/(purchase) of treasury shares | | 18 | - | (2,004) |
| Repurchase of own shares | | (104) | - | - |
| Net cash outflow from financing activities | | (24,151) | (10,449) | (14,291) |
| Net increase in cash and cash equivalents | 8 | 45,676 | 62,119 | 26,989 |
| Cash and cash equivalents at beginning of period | | 67,828 | 40,839 | 40,839 |
| Cash and cash equivalents at end of period | | 113,504 | 102,958 | 67,828 |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 31 August 2021

| | Ordinary share capital | Share premium | Other reserve | Hedging reserve | Treasury share reserve | Capital redemption reserve | Retained earnings | Total Equity |
|---|---------------------------|------------------|------------------|--------------------|------------------------------|----------------------------------|----------------------|-----------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| As at 1 March 2021 | 36,917 | 124,939 | 10,645 | (403) | (2,791) | 2,810 | 103,823 | 275,940 |
| Profit for the period | - | - | - | - | - | - | 37,505 | 37,505 |
| Actuarial gains on retirement benefit obligations | - | - | - | - | - | - | 1,639 | 1,639 |
| Tax on items taken directly to equity | - | - | - | (28) | - | - | (410) | (438) |
| Fair value gains | - | - | - | 149 | - | - | - | 149 |
| Total comprehensive income for the period | - | - | - | 121 | - | - | 38,734 | 38,855 |
| Sale of treasury shares | - | - | - | - | 27 | - | (9) | 18 |
| Issuance of treasury shares | - | - | - | - | 180 | - | (15) | 165 |
| Cancellation of repurchased shares | (58) | - | - | - | - | 58 | - | - |
| Repurchase of own shares | - | - | - | - | - | - | (306) | (306) |
| Share based payments charge | - | - | - | - | - | - | 455 | 455 |
| As at 31 August 2021 | 36,859 | 124,939 | 10,645 | (282) | (2,584) | 2,868 | 142,682 | 315,127 |

The repurchase of own shares in the period was made pursuant to the share buyback programme announced on 20 August 2021 and under the authority provided at the AGM on 23 June 2021.

580,973 ordinary shares to the value of £306,000 had been repurchased in the six months ended 31 August 2021, of which £202,000 was unpaid at 31 August 2021. These shares were cancelled immediately and accordingly, the nominal value of these shares has been transferred to the capital redemption reserve.

The 'Other reserve' is a merger reserve, arising from shares issued for shares as consideration to the former shareholders of acquired companies.

For the six months ended 31 August 2020

| | Ordinary share capital | Share premium | Other reserve | Hedging reserve | Treasury share reserve | Capital redemption reserve | Retained earnings | Total Equity |
|--|---------------------------|------------------|------------------|--------------------|------------------------------|----------------------------------|----------------------|-----------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| As at 1 March 2020 | 36,917 | 124,939 | 10,645 | (407) | (803) | 2,810 | 89,272 | 263,373 |
| Profit for the period | - | - | - | - | - | - | 2,548 | 2,548 |
| Actuarial losses on retirement benefit obligations | - | - | - | - | - | - | (521) | (521) |
| Tax on items taken directly to equity | - | - | - | 38 | - | - | 99 | 137 |
| Fair value losses | - | - | - | (150) | - | - | - | (150) |
| Total comprehensive income for the period | - | - | - | (112) | - | - | 2,126 | 2,014 |
| Sale of treasury shares | - | - | - | - | 16 | - | (16) | - |
| Share based payments charge | - | - | - | - | - | - | 425 | 425 |
| As at 31 August 2020 | 36,917 | 124,939 | 10,645 | (519) | (787) | 2,810 | 91,807 | 265,812 |

For the year ended 28 February 2021

| | Ordinary share capital £'000 | Share premium £'000 | Other reserve £'000 | Hedging reserve £'000 | Treasury share reserve £'000 | Capital redemption reserve £'000 | Retained earnings £'000 | Total Equity £'000 |
|---|---------------------------------------|---------------------------|---------------------------|-----------------------------|---------------------------------------|---|-------------------------------|--------------------------|
| As at 1 March 2020 | 36,917 | 124,939 | 10,645 | (407) | (803) | 2,810 | 89,272 | 263,373 |
| Profit for the year | - | - | - | - | - | - | 16,315 | 16,315 |
| Actuarial losses on retirement benefit obligations | - | - | - | - | - | - | (2,619) | (2,619) |
| Tax on items taken directly to equity | - | - | - | 10 | - | - | 498 | 508 |
| Fair value losses | - | - | - | (6) | - | - | - | (6) |
| Total comprehensive income for the year | - | - | - | 4 | - | - | 14,194 | 14,198 |
| Issue of treasury shares | - | - | - | - | 16 | - | (16) | - |
| Purchase of treasury shares | - | - | - | - | (2,004) | - | - | (2,004) |
| Share based payments charge | - | - | - | - | - | - | 373 | 373 |
| As at 28 February 2021 | 36,917 | 124,939 | 10,645 | (403) | (2,791) | 2,810 | 103,823 | 275,940 |

NOTES

For the six months ended 31 August 2021

1. Basis of Preparation

Vertu Motors plc is a Public Limited Company which is quoted on the AiM Market and is incorporated and domiciled in the United Kingdom. The address of the registered office is Vertu House, Fifth Avenue Business Park, Team Valley, Gateshead, Tyne and Wear, NE11 0XA. The registered number of the Company is 05984855.

The financial information for the period ended 31 August 2021 and similarly the period ended 31 August 2020 has neither been audited nor reviewed by the auditors. The financial information for the year ended 28 February 2021 has been based on information contained in the audited financial statements for that year.

The information for the year ended 28 February 2021 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The Auditors' Report on those accounts was not qualified under section 498 of the Companies Act 2006.

2. Accounting policies

In line with International Accounting Standard 34 and the Disclosure and Transparency Rules of the Financial Conduct Authority, these condensed interim financial statements have been prepared applying the accounting policies and presentation that were applied in the preparation of the Company's published consolidated financial statements for the year ended 28 February 2021.

3. Segmental information

The Group adopts IFRS 8 “Operating Segments”, which determines and presents operating segments based on information provided to the Group’s Chief Operating Decision Maker (“CODM”), Robert Forrester, Chief Executive Officer. The CODM receives information about the Group overall and therefore there is one operating segment.

The CODM assesses the performance of the operating segment based on a measure of both revenue and gross margin. However, to increase transparency, the Group has included below an additional voluntary disclosure analysing revenue and gross margin within the reportable segment.

| Six months ended 31 August 2021 | Revenue £'m | Revenue Mix % | Gross Profit £'m | Gross Profit Mix % | Gross Margin % |
|--|------------------------|--------------------------|-----------------------------|-------------------------------|---------------------------|
| Aftersales ¹³ | 143.4 | 7.5 | 83.1 | 37.3 | 47.5 |
| Used cars | 804.8 | 41.8 | 82.4 | 36.9 | 10.2 |
| New car retail and Motability | 530.7 | 27.6 | 38.8 | 17.4 | 7.3 |
| New fleet & commercial | 445.2 | 23.1 | 18.8 | 8.4 | 4.2 |
| Total | 1,924.1 | 100.0 | 223.1 | 100.0 | 11.6 |

| Six months ended 31 August 2020 | Revenue £'m | Revenue Mix % | Gross Profit £'m | Gross Profit Mix % | Gross Margin % |
|--|------------------------|--------------------------|-----------------------------|-------------------------------|---------------------------|
| Aftersales ¹³ | 98.0 | 8.8 | 56.4 | 43.6 | 49.7 |
| Used cars | 449.9 | 40.2 | 41.2 | 31.8 | 9.2 |
| New car retail and Motability | 346.9 | 31.0 | 23.3 | 18.0 | 6.7 |
| New fleet & commercial | 224.5 | 20.0 | 8.6 | 6.6 | 3.8 |
| Total | 1,119.3 | 100.0 | 129.5 | 100.0 | 11.6 |

| Year ended 28 February 2021 | Revenue £'m | Revenue Mix % | Gross Profit £'m | Gross Profit Mix % | Gross Margin % |
|------------------------------------|------------------------|--------------------------|-----------------------------|-------------------------------|---------------------------|
| Aftersales ¹³ | 221.2 | 8.7 | 129.6 | 43.1 | 49.3 |
| Used cars | 1,008.4 | 39.6 | 93.9 | 31.2 | 9.3 |
| New car retail and Motability | 739.7 | 29.0 | 54.3 | 18.0 | 7.3 |
| New fleet & commercial | 578.4 | 22.7 | 23.2 | 7.7 | 4.0 |
| Total | 2,547.7 | 100.0 | 301.0 | 100.0 | 11.8 |

¹³ Margin in aftersales expressed on internal and external turnover

4. Non-underlying items

| | Six months ended 31 August 2021 £'000 | Six months ended 31 August 2020 £'000 | Year ended 28 February 2021 £'000 |
|---------------------------------------|--|--|--|
| Impairment charges | - | - | (1,452) |
| Share based payment charge | (529) | (494) | (265) |
| Amortisation | (202) | (218) | (436) |
| Non-underlying loss before tax | (731) | (712) | (2,153) |
| Non-underlying taxation charge | (2,760) | (371) | (867) |
| Non-underlying loss after tax | (3,491) | (1,083) | (3,020) |

5. Finance income and costs

| | Six months ended 31 August 2021 £'000 | Six months ended 31 August 2020 £'000 | Year ended 28 February 2021 £'000 |
|---|---|---|---|
| Interest on short-term bank deposits | 4 | 21 | 24 |
| Net finance income relating to Group pension scheme | 62 | 75 | 150 |
| Finance income | 66 | 96 | 174 |
| Bank loans and overdrafts | (848) | (870) | (1,874) |
| Vehicle stocking interest | (1,094) | (2,939) | (3,899) |
| Lease liability interest | (1,762) | (1,870) | (3,632) |
| Finance costs | (3,704) | (5,679) | (9,405) |

6. Taxation

In the June 2021 Finance Act, it was enacted that the rate of corporation tax in the UK will rise from 19% to 25% on 1 April 2023. This has resulted in the Group's deferred tax obligations being measured at the higher rate of 25% in the Period. The impact of this change has increased the Group's non-underlying tax charge in the Period by £2,873,000.

The Group's underlying effective rate of tax for the Period was 20.9% (H1 FY21: 22.5%) The overall effective tax rate, impacted by the revaluation of deferred tax obligations, increased to 26.6% (H1 FY21: 35.9%). The Group continues to be classified as "low risk" by HMRC and takes a pro-active approach to minimising tax liabilities whilst ensuring it pays the appropriate level of tax to the UK Government.

7. Earnings per share

Basic and diluted earnings per share are calculated by dividing the earnings attributable to equity shareholders by the weighted average number of ordinary shares during the period or the diluted weighted average number of ordinary shares in issue in the period.

The Group only has one category of potentially dilutive ordinary shares, which are share options. A calculation has been undertaken to determine the number of shares that could have been acquired at fair value (determined as the average annual market price of the Group's shares) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

Adjusted earnings per share is calculated by dividing the adjusted earnings attributable to equity shareholders by the weighted average number of ordinary shares in issue during the period.

| | Six months ended 31 August 2021 £'000 | Six months ended 31 August 2020 £'000 | Year ended 28 February 2021 £'000 |
|---|--|--|--|
| Profit attributable to equity shareholders | 37,505 | 2,548 | 16,315 |
| Non-underlying items (note 4) | 3,491 | 1,083 | 3,020 |
| Adjusted earnings attributable to equity shareholders | 40,996 | 3,631 | 19,335 |
| Weighted average number of shares in issue ('000s) | 362,165 | 367,158 | 367,092 |
| Potentially dilutive shares ('000s) | 14,890 | 633 | 7,134 |
| Diluted weighted average number of shares in issue ('000s) | 377,055 | 367,791 | 374,226 |
| Basic earnings per share | 10.36p | 0.69p | 4.44p |
| Diluted earnings per share | 9.95p | 0.69p | 4.36p |
| Underlying earnings per share | 11.32p | 0.99p | 5.27p |
| Diluted underlying earnings per share | 10.87p | 0.99p | 5.17p |

At 31 August 2021, there were 368,593,008 shares in issue (including 6,746,862 held by the Group's employee benefit trust).

8. Reconciliation of net cash flow to movement in net cash

| | 31 August 2021 £'000 | 31 August 2020 £'000 | 28 February 2021 £'000 |
|--|----------------------------|----------------------------|------------------------------|
| Net increase in cash and cash equivalents | 45,676 | 62,119 | 26,989 |
| Cash inflow from proceeds of borrowings | - | (10,000) | (22,760) |
| Cash outflow from repayment of borrowings | 16,267 | 12,816 | 19,705 |
| Cash movement in net cash | 61,943 | 64,935 | 23,934 |
| Capitalisation of loan arrangement fees | - | - | 75 |
| Amortisation of loan arrangement fees | (90) | (88) | (175) |
| Non-cash movement in net cash | (90) | (88) | (100) |
| Movement in net cash/(debt) (excluding lease liabilities) | 61,853 | 64,847 | 23,834 |
| Opening net debt (excluding lease liabilities) | (4,531) | (28,365) | (28,365) |
| Closing net cash/(debt) (excluding lease liabilities) | 57,322 | 36,482 | (4,531) |
| Opening lease liabilities | (91,101) | (96,894) | (96,894) |
| Capitalisation of new leases | (8,245) | (2,014) | (12,098) |
| Disposal of lease liabilities | 167 | - | 2,549 |
| Interest element of lease repayments | (1,762) | (1,870) | (3,632) |
| Cash outflow from lease repayments | 9,560 | 9,503 | 18,974 |
| Closing lease liabilities | (91,381) | (91,275) | (91,101) |
| Closing net debt (including lease liabilities) | (34,059) | (54,793) | (95,632) |

9. Acquisitions

On 12 March 2021, the Group acquired the trade and assets of a Honda car dealership in Huddersfield, West Yorkshire, which also holds an authorised repair contract for Mitsubishi, from Hepworth Motor Group. Total consideration of £739,000 was settled from the Group's cash resources.

On 31 May 2021, the Group acquired the entire issued share capital of Power Bulbs Ltd and Power Bulbs Online Ltd, an online vehicle lighting retail business, from Network Brands Limited. Total consideration of £481,000 was settled from the Group's cash resources.

On 30 June 2021, the Group acquired the trade and assets of a Renault and Dacia dealership in Leicester from Renault Retail Group Limited. Total consideration of £347,000 was settled from the Group's cash resources.

10. Retirement benefit asset

The Group operates a trust based defined benefit pension scheme, "Bristol Street Pension Scheme", which has three defined benefit sections which were closed to new entrants and future accrual on 31 May 2003, with another section closed to new entrants in July 2003 and future accrual in October 2013. The Group has applied IAS 19 (revised) to the scheme. During the six month period ended 31 August 2021, there have been changes in the financial and demographic assumptions underlying the calculation of the liabilities. In particular, the discount rate has fallen due to reductions in corporate bond yields, and the expectation of future inflation has increased. The effect of these changes in assumptions was an increase in liabilities of £2,887,000. The hedging strategy in place within the scheme investment portfolio meant that the Period saw a gain on assets of £4,526,000, offsetting the increase in liabilities. In total, an actuarial gain of £1,639,000 was recognised in the Statement of Comprehensive Income.

11. Cash flow from movement in working capital

The following adjustments have been made to reconcile from the movement in working capital balance sheet headings to the amount presented in the cash flow as the movement in working capital. This is in order to more appropriately reflect the cash impact of the underlying transactions.

For the six months ended 31 August 2021

| | Inventories £'000 | Trade and other receivables £'000 | Trade and other payables £'000 | Total working capital movement £'000 |
|---|----------------------|--|---|---|
| Trade and other payables | | | (482,109) | |
| Contract liabilities | | | (22,798) | |
| At 31 August 2021 | 392,491 | 43,038 | (504,907) | |
| At 28 February 2021 | 597,391 | 59,375 | (710,515) | |
| Balance sheet movement | 204,900 | 16,337 | (205,608) | |
| Acquisitions | 686 | 347 | (8) | |
| Movement excluding business combinations | 205,586 | 16,684 | (205,616) | 16,654 |
| Pension related balances | | | | 41 |
| Increase in capital creditor | | | | (643) |
| Increase in interest accrual | | | | (172) |
| Increase in share buyback accrual | | | | (202) |
| Bonus accrual settled in shares | | | | 164 |
| Movement in working capital | | | | 15,842 |

For the six months ended 31 August 2020

| | Inventories £'000 | Trade and other receivables £'000 | Trade and other payables £'000 | Total working capital movement £'000 |
|---|----------------------|--|---|---|
| Trade and other payables | | | (612,000) | |
| Contract liabilities | | | (21,561) | |
| At 31 August 2020 | 477,525 | 66,309 | (633,561) | |
| At 29 February 2020 | 639,177 | 71,720 | (737,538) | |
| Balance sheet movement | 161,652 | 5,411 | (103,977) | |
| Acquisitions | 2 | 293 | (96) | |
| Movement excluding business combinations | 161,654 | 5,704 | (104,073) | 63,285 |
| Pension related balances | | | | 56 |
| Decrease in capital creditor | | | | 928 |
| Increase in interest accrual | | | | (72) |
| Movement in working capital | | | | 64,197 |

For the year ended 28 February 2021

| | Inventories £'000 | Trade and other receivables £'000 | Trade and other payables £'000 | Total working capital movement £'000 |
|---|----------------------|--|---|---|
| Trade and other payables | | | (688,948) | |
| Contract liabilities | | | (21,567) | |
| At 28 February 2021 | 597,391 | 59,375 | (710,515) | |
| At 29 February 2020 | 639,177 | 71,720 | (737,538) | |
| Balance sheet movement | 41,786 | 12,345 | (27,023) | |
| Acquisitions | 23,691 | 142 | (20,639) | |
| Deferred consideration on acquisitions | (1,885) | (16) | 230 | |
| Movement excluding business combinations | 63,592 | 12,471 | (47,432) | 28,631 |
| Pension related balances | | | | 152 |
| Decrease in capital creditor | | | | 722 |
| Decrease in interest accrual | | | | 135 |
| Movement in working capital | | | | 29,640 |

12. Goodwill and other indefinite life assets

| | 31 August 2021 £'000 | 31 August 2020 £'000 | 28 February 2021 £'000 |
|--|----------------------------|----------------------------|------------------------------|
| Goodwill | 71,862 | 72,228 | 71,610 |
| Other indefinite life assets – Franchise relationships | 27,582 | 27,087 | 27,582 |
| At end of period | 99,444 | 99,315 | 99,192 |

13. Risks and uncertainties

There are certain risk factors which could result in the actual results of the Group differing materially from expected results. These factors include: failure to deliver on the strategic goal of the Group to acquire and consolidate UK motor retail businesses, failure to meet competitive challenges to our business model or sector, advances in vehicle technology providing customers with mobility solutions which bypass the dealer network, inability to maintain current high quality relationships with manufacturer partners, economic conditions, impacting trading, market driven fluctuations in used vehicle values, litigation and regulatory risk, failure to comply with health and safety policy, failure to attract, develop and retain talent, failure of Group information and telecommunication systems, malicious cyber-attack, availability of credit and vehicle financing, use of estimates, currency risk and the ongoing financial impact of the global COVID-19 pandemic.

All of the above principal risks are consistent with those detailed in the Annual Report for the year ended 28 February 2021.

The Board continually review the risk factors which could impact on the Group achieving its expected results and confirm that the above principal factors will remain relevant for the final six months of the financial year ending 28 February 2022.

ALTERNATIVE PERFORMANCE MEASURES

Set out below are the definitions and sources of various alternative performance measures which are referred to throughout the Interim Financial Report. All financial information provided is in respect of the Vertu Motors plc Group.

Definitions

| | |
|-------------------------|---|
| Like-for-like | Dealerships that have comparable trading periods in two consecutive financial years, only the comparable period is measured as “Like-for-like”. |
| H1 FY22 | The six month period ended 31 August 2021 |
| H1 FY20 | The six month period ended 31 August 2019 |
| Adjusted | Adjusted for amortisation of intangible assets and share based payment charges as these are unconnected with the ordinary business of the Group. |
| Aftersales gross margin | Aftersales gross margin compares the gross profit earned from aftersales activities to total aftersales revenues, including internal revenue relating to service and vehicle preparation work performed on the Group’s own vehicles. This is to properly reflect the real activity of the Group’s aftersales departments. |

Alternative Performance Measures

Adjusted Profit Before Tax (PBT)

| | Six months ended 31 August 2021 £'000 | Six months ended 31 August 2020 £'000 | Six months ended 31 August 2019 £'000 |
|----------------------------|---|---|---|
| Profit before tax | 51,102 | 3,974 | 16,099 |
| Amortisation | 202 | 218 | 321 |
| Share based payment charge | 529 | 494 | 461 |
| Adjusted PBT | 51,833 | 4,686 | 16,881 |

Tangible net assets per share

| | 31 August 2021 £'000 | 28 February 2021 £'000 |
|---|----------------------------|------------------------------|
| Net assets | 315,127 | 275,940 |
| <i>Less:</i> | | |
| Goodwill and other indefinite life assets | (99,444) | (99,192) |
| Other intangible assets | (2,019) | (1,948) |
| <i>Add:</i> | | |
| Deferred tax on above adjustments | 8,901 | 6,764 |
| Tangible net assets | 222,565 | 181,564 |
| Tangible net assets per share (p) | 61.5p | 50.2p |

At 31 August 2021, there were 368,593,008 shares in issue (28 February 2021: 369,173,981), of which 6,746,862 were held by the Group’s employee benefit trust (28 February 2021: 7,287,304). Rights to dividends on shares held in the Group’s employee benefit trust have been waived and therefore such shares are not included in the tangible net asset per share calculation.

Free Cash Flow

| | Six months ended 31 August 2021 £'000 | Six months Ended 31 August 2020 £'000 |
|---|--|--|
| Net cash inflow from operating activities | 76,857 | 79,990 |
| Purchase of other property, plant and equipment | (5,907) | (6,733) |
| Purchase of intangible assets | (20) | (34) |
| Proceeds from disposal of property, plant and equipment | 464 | 840 |
| Principal elements of lease repayments | (7,798) | (7,633) |
| Free cash flow | 63,596 | 66,430 |

Like-for-like reconciliations:

Revenue by department

| | H1 FY22 Group revenue £'m | Acquisitions revenue £'m | Disposals revenue £'m | H1 FY22 Like-for-like revenue £'m |
|-------------------------------|------------------------------------|--------------------------------|-----------------------------|--|
| New car retail and Motability | 530.7 | (77.5) | (0.4) | 452.8 |
| New fleet and commercial | 445.2 | (31.9) | - | 413.3 |
| Used cars | 804.8 | (104.5) | (1.8) | 698.5 |
| Aftersales | 143.4 | (18.3) | (0.2) | 124.9 |
| Total revenue | 1,924.1 | (232.2) | (2.4) | 1,689.5 |

| | H1 FY20 Group revenue £'m | Acquisitions revenue £'m | Disposals revenue £'m | H1 FY20 Like-for-like revenue £'m |
|-------------------------------|------------------------------------|--------------------------------|-----------------------------|--|
| New car retail and Motability | 472.1 | - | (10.6) | 461.5 |
| New fleet and commercial | 390.5 | - | (0.6) | 389.9 |
| Used cars | 653.8 | - | (16.2) | 637.6 |
| Aftersales | 130.7 | - | (2.8) | 127.9 |
| Total revenue | 1,647.1 | - | (30.2) | 1,616.9 |

Aftersales revenue by department

| | H1 FY22 Group revenue £'m | Acquisitions revenue £'m | Disposals revenue £'m | H1 FY22 Like-for-like revenue £'m |
|---------------------------|------------------------------------|--------------------------------|-----------------------------|--|
| Parts | 86.3 | (11.1) | (0.1) | 75.1 |
| Accident repair | 11.5 | (0.8) | - | 10.7 |
| Parts and accident repair | 97.8 | (11.9) | (0.1) | 85.8 |
| Service | 77.2 | (10.0) | (0.1) | 67.1 |
| Total revenue * | 175.0 | (21.9) | (0.2) | 152.9 |

*Inclusive of both internal and external revenue

| | H1 FY20 | | | H1 FY20 |
|---------------------------|--------------|--------------|--------------|---------------|
| | Group | Acquisitions | Disposals | Like-for-like |
| | revenue | revenue | revenue | revenue |
| | £'m | £'m | £'m | £'m |
| Parts | 77.1 | - | (1.8) | 75.3 |
| Accident repair | 9.4 | - | (0.2) | 9.2 |
| Parts and accident repair | 86.5 | - | (2.0) | 84.5 |
| Service | 68.8 | - | (1.7) | 67.1 |
| Total revenue * | 155.3 | - | (3.7) | 151.6 |

*Inclusive of both internal and external revenue

Gross profit by department

| | H1 FY22 | | | H1 FY22 |
|-------------------------------|--------------|---------------|--------------|---------------|
| | Group gross | Acquisitions | Disposals | Like-for-like |
| | profit | gross profit | gross profit | gross profit |
| | £'m | £'m | £'m | £'m |
| New car retail and Motability | 38.8 | (5.3) | - | 33.5 |
| New fleet and commercial | 18.8 | (1.5) | - | 17.3 |
| Used cars | 82.4 | (8.2) | (0.1) | 74.1 |
| Aftersales | 83.1 | (10.4) | (0.1) | 72.6 |
| Total gross profit | 223.1 | (25.4) | (0.2) | 197.5 |

| | H1 FY20 | | | H1 FY20 |
|-------------------------------|--------------|--------------|--------------|---------------|
| | Group gross | Acquisitions | Disposals | Like-for-like |
| | profit | gross profit | gross profit | gross profit |
| | £'m | £'m | £'m | £'m |
| New car retail and Motability | 33.7 | - | (0.9) | 32.8 |
| New fleet and commercial | 13.1 | - | - | 13.1 |
| Used cars | 52.8 | - | (1.0) | 51.8 |
| Aftersales | 73.1 | - | (1.7) | 71.4 |
| Total gross profit | 172.7 | - | (3.6) | 169.1 |

Aftersales gross profit by department

| | H1 FY22 | | | H1 FY22 |
|---------------------------|-------------|---------------|--------------|---------------|
| | Group gross | Acquisitions | Disposals | Like-for-like |
| | profit | gross profit | Gross profit | gross profit |
| | £'m | £'m | £'m | £'m |
| Parts | 19.0 | (2.3) | - | 16.7 |
| Accident repair | 4.8 | (0.6) | - | 4.2 |
| Parts and accident repair | 23.8 | (2.9) | - | 20.9 |
| Service | 59.3 | (7.5) | (0.1) | 51.7 |
| Total gross profit | 83.1 | (10.4) | (0.1) | 72.6 |

| | H1 FY20 | Acquisitions | Disposals | H1 FY20 |
|---------------------------|--------------------|---------------------|---------------------|----------------------|
| | Group gross | gross profit | Gross profit | Like-for-like |
| | profit | gross profit | Gross profit | gross profit |
| | £'m | £'m | £'m | £'m |
| Parts | 16.7 | - | (0.3) | 16.4 |
| Accident repair | 3.7 | - | (0.2) | 3.5 |
| Parts and accident repair | 20.4 | - | (0.5) | 19.9 |
| Service | 52.7 | - | (1.2) | 51.5 |
| Total gross profit | 73.1 | - | (1.7) | 71.4 |

Number of units sold by department

| | H1 FY22 | Acquisitions | Disposals | H1 FY22 |
|--------------------|----------------|---------------------|------------------|----------------------|
| | Group | Acquisitions | Disposals | Like-for-like |
| New car retail | 18,086 | (2,780) | (19) | 15,287 |
| New car Motability | 4,865 | (448) | (3) | 4,414 |
| New fleet | 11,413 | (2,234) | - | 9,179 |
| New commercial | 9,917 | (14) | - | 9,903 |
| Used cars | 49,697 | (5,426) | (113) | 44,158 |
| Total units | 93,978 | (10,902) | (135) | 82,941 |

| | H1 2020 | Acquisitions | Disposals | H1 2020 |
|--------------------|----------------|---------------------|------------------|----------------------|
| | Group | Acquisitions | Disposals | Like-for-like |
| New car retail | 18,343 | - | (319) | 18,024 |
| New car Motability | 5,196 | - | (151) | 5,045 |
| New fleet | 11,716 | - | (9) | 11,707 |
| New commercial | 10,259 | - | (23) | 10,236 |
| Used cars | 45,036 | - | (1,113) | 43,923 |
| Total units | 90,550 | - | (1,615) | 88,935 |