28 May 2009

Vertu Motors plc

PROPOSED PLACING

OF 104,319,377 NEW ORDINARY SHARES AT 30 PENCE EACH

TO RAISE NET PROCEEDS OF APPROXIMATELY £30 MILLION

The Board of Vertu Motors plc ("Vertu", the "Company" or the "Group") today announces a placing to raise net proceeds of approximately £30 million, through the issue of 104,319,377 ordinary shares of 10p each in the Company ("New Ordinary Shares") at a price of 30p per share ("the Placing"). The Placing is subject to approval by Shareholders at a General Meeting to be held on 15 June 2009.

Vertu has today also released its audited results for the year ended 28 February 2009.

Details of the proposed Placing

Net proceeds to be used to:

- invest in new dealership operations;
- extend the productive capacity of existing operations; and
- purchase existing leasehold sites as and when the Board consider it appropriate.

Robert Forrester, Chief Executive of Vertu commented:

"The current market conditions present us with an opportunity to scale up our business in the highly fragmented UK motor retail sector by acquiring good motor retail businesses at low valuations. Today's proposed placing will enable Vertu to continue with its stated strategy of growing a scaled volume dealership group.

"The Group has continually outperformed the market since its Admission to AIM two years ago. We believe that the current opportunities that exist will provide significant value to shareholders, while consolidating our position as a leading UK motor retail group."

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Notes to Editors

Vertu Motors is the 9th largest motor retailer in the United Kingdom with 45 dealerships forming a national network across England, operating under the Bristol Street Motors and Bristol Street Motor Nation brand names. Manufacturing partners include Citroen, Ford, Iveco, Honda, Hyundai, Peugeot, Renault and Vauxhall.

Vertu Motors was established in November 2006 with the aim of consolidating the UK motor retail sector. The company listed on AIM in December 2006. In March 2007, the Group acquired the 13th largest motor retailer in the United Kingdom, Bristol Street Motors. In the summer of 2007, Vertu acquired Blake Holdings, Grantham Motor Company Limited and a Ford dealership in Morpeth, Northumberland.

The Executive Directors are experienced within the sector, having previously held senior positions within Reg Vardy and CD Bramall. The Group has consistently outperformed the market since its first acquisition.

The Group currently operates 41 franchised, 4 non-franchised sales operations and 2 stand alone service operations from 42 locations. It is intended that the Company will continue to acquire motor retail operations to grow a scaled volume dealership group. The Company's acquisition strategy is supplemented by a focused organic growth strategy to drive operational efficiencies through the national network.

Introduction

The Company has today announced proposals to raise approximately £30m (net of expenses) by way of the Placing. The purpose of this announcement is to explain the background to, and reasons for, the Placing and to request Shareholders' support for the Resolution required to implement the Placing to be proposed at a General Meeting of the Company to be held at 11.30 a.m. on 15 June 2009 at the offices of Muckle LLP, Time Central, 32 Gallowgate, Newcastle upon Tyne, NE1 4BF.

Details of the Placing

Subject to Shareholders' approval of the Resolution, it is intended that the Company will raise £31.3m (before expenses) by way of a placing of 104,319,377 New Ordinary Shares at a price of 30 pence per share. This represents a discount of 6.8 per cent. to the average mid-market closing price, for the five days prior to the publication of the circular, of 32.2 pence. The New Ordinary Shares have been placed conditionally with investors (including certain existing Shareholders). The Placing is conditional, *inter alia*, on the passing of the Resolution.

The New Ordinary Shares will rank *pari passu* in all respects with the existing Ordinary Shares. Application will be made for admission of the New Ordinary Shares to trading on AIM and it is envisaged that Admission will take effect on 18 June 2009 and dealings in the New Ordinary Shares will commence immediately thereafter. Details of the proposed use of the proceeds are set out later in this document. The total dilutive effect of the fundraising is 53 per cent.

Directors' Participation

The table below sets out the Directors' participation in the Placing:

Director	Beneficial holding prior to the the Placing	%	Number of shares purchased	Value of shares purchased	Beneficial holding immediately after the Placing	% of enlarged share capital
Robert Forrester*	4,070,120	4.42%	333,333	£100,000	4,403,453	2.24%
Karen Anderson*	551,290	0.60%	33,333	£10,000	584,623	0.30%

* These figures include the holding of their connected persons.

Background to and reasons for the Placing

This section seeks to set out the background to and the reasons for the Placing, by providing details of the Group's strategy for growth.

Vertu was formed in November 2006 and floated on AIM in December 2006 with a strategy of acquiring and consolidating UK motor retail businesses with the potential for performance improvement and which would preferably, also contain freehold property portfolios. The Directors were focused on acquiring dealerships that provided an opportunity to drive performance improvements through increasing sales in new and used cars, improving after-sales services, improving the efficiency of the business processes by adding them onto a scalable platform, delivering economies of scale and providing exceptional customer service. Core to this strategy is generating an entrepreneurial culture within the business and the recruitment of high performance motor retail professionals to lead the transformation of underperforming businesses through their drive and expertise.

Since its flotation in December 2006, Vertu has made four acquisitions all of which have been fully integrated and are delivering in line with its stated growth strategy. This can be seen in the Group's outperformance of the market since commencement of trading and in the 2009 Preliminary Results, which clearly demonstrate the progress made with integrating the acquisitions. Vertu's first major acquisition was that of Bristol Street Motors in March 2007 at a total cost of £69m (including debt). The Bristol Street Motors group was the 13th largest dealer group in the UK in 2005 (*Source: AM100, 2006*) with 32 franchised dealerships across the UK offering new & used car sales, commercial vehicle sales and after-sales services. Bristol Street Motors also operated three used car outlets and one standalone service operation.

Since the acquisition of Bristol Street Motors in 2007, Vertu has made three further acquisitions across the UK:

Name	**Date**	**Consideration**	**Marques**
Blake Holdings Limited	2 May 2007	£4.9m	Vauxhall/ Peugeot
Grantham Motor Company Limited	28 June 2007	£4.6m	Honda
Morpeth Ford	29 June 2007	£2.6m	Ford

In addition to these four acquisitions, Vertu has started up two new Bristol Street Motor Nation used car outlet businesses; Doncaster in March 2008 and Darlington in March 2009.

Vertu has established itself as a major player in the United Kingdom automotive retail sector. The Group is now the 9th largest motor retailer by turnover and operates 41 franchised sales operations, four non-franchised sales operations and two standalone service operations from 42 English locations.

The Board has had a consistent strategy since flotation and this remains totally relevant for today's environment. This strategy is to grow a scaled volume dealership group, driving performance improvements through the implementation of consistent business processes and systems. The recruitment, development and retention of high performing motor retail professionals is of paramount importance and the Board has developed its business model to ensure that the culture of the Group is entrepreneurial and consistent with the encouragement of top performers. The Group's business strategy includes the development of internet and fleet channels, as well as ensuring strong financial controls are in place to control costs and maximise cash generation. This strategy has led to the Group outperforming the market over the past two years, since its first acquisition.

Vertu's objective has been to enhance the experiences of our customers and, in turn, secure significant gains in market share. This has allowed the Group to deliver substantial benefits from our operational gearing and these benefits will accelerate as the United Kingdom economy improves over time.

Having successfully integrated the acquisitions undertaken in the past two years, the Board believes that the market conditions are right to support another period of expansion, again targeting volume franchises. A small number of volume franchises are likely to be added to strengthen the Group's portfolio balance. Expansion will predominantly take place in geographical areas where the Group already operates, in order to gain the benefits accruing from regional concentrations.

The Directors believe that current lower valuations of both motor retail franchises and freehold properties provide a significant opportunity for the Group to consolidate the market at significantly lower valuations than initially envisaged. As a result of this, the Group is now seeking to raise approximately £30m net of expenses which the Directors intend to use to invest in new dealership operations, to extend the productive capacity of existing operations and to purchase the freeholds of existing leasehold sites as and when the Board considers it appropriate to do so. The Group has agreed non-binding heads of terms on three transactions and is in dialogue with both potential vendors and manufacturers, who continue to provide the Group with informal support, and who are introducing the Group to new opportunities. Details of these and/or other transactions are expected to be announced in due course.

The Directors believe that, in the medium term, the Group will take advantage of easing credit conditions in the debt markets. At that time, with a substantial property portfolio and earnings stream, a sensible leverage structure can be attained in order to generate further funds for expansion. The Board believes that significant shareholder value will be generated through this strategy.

Summary of Identified Targets

The Directors have agreed non-binding heads of terms on three potential transactions, details of which are set out below:

- A £10.8m acquisition of a five site dealership group representing three franchises.
- A £1.2m freehold property in the Midlands (at below the replacement cost) that expands the Group's representation of the Honda franchise.
- A £1.4m freehold property purchase of an existing Group dealership, which is currently leased.

For the sake of clarity, the Placing is not conditional upon the completion of any of these potential transactions.

The Market

The UK motor retail market consists of both franchised and non-franchised dealerships, selling new and used vehicles via retail and corporate fleet channels. The market also includes after-sales services such as servicing, body repairs and the supply of parts to retail and trade customers.

The new car motor retail market deteriorated in 2008 and the first quarter of 2009 as consumer spending came under pressure from rising unemployment and general uncertainty surrounding the UK economy.

	2003	**2004**	**2005**	**2006**	**2007**	**2008**	**Q1 2009**
Annual new car registrations	2,579,050	2,567,269	2,439,717	2,344,864	2,404,007	2,131,795	480,358
Growth		*-0.5%*	*-5.0%*	*-3.9%*	*2.5%*	*-11.3%*	*-29.7% **
Annual used car sales	7,527,176	7,731,609	7,576,724	7,584,466	7,487,544	7,157,982	N.A.
Growth		*2.7%*	*-2.0%*	*0.1%*	*-1.3%*	*-4.4%*	*N.A.*

* Compared with Q1 2008

After a relatively stable period from 2003 to 2007, new car registrations fell by 11.3 per cent. in 2008 and margins on new cars decreased, in part due to lower volume bonuses and greater discounting. The used car market fell by the smaller amount of 4.4 per cent. during 2008, as it benefitted from a switch from new to used as consumers became more price conscious. Nonetheless, margins on used cars also suffered significantly as residual values fell sharply in 2008. As a result of consumers trading down in the economic downturn, the volume segment has outperformed the specialist segment with the likes of Ford and Vauxhall achieving better like for like volumes than many specialist franchises in 2008.

The reduction in new car registrations has continued into 2009, with registrations for the quarter to 31 March down 29.7 per cent. year on year. The volume operators have continued to outperform with, most notably, Ford only seeing registrations decline by 21 per cent. In March 2009, historically the best performing month of the year, new car private registrations fell 28.6 per cent. compared with March 2008 (*Source: SMMT*). Volume operators accounted for eight of the ten best selling models with the Ford's Fiesta and Focus models being the best and third best selling models respectively.

On 22 April 2009, the Government announced a £300m support package for the motor industry in order to stimulate new car and light commercial vehicle sales through subsidising the replacement of vehicles over 10 years old with new vehicles. The scheme was launched in mid May and the Directors envisage that this will stimulate an increase in new vehicle sales in the period to 28 February 2010 when the scheme ends. In addition, the Directors also believe that the scheme is likely to increase after-sales activity in the franchised dealer network in the medium term since retention in after-sales of new cars is significantly higher than is the case for older vehicles.

2009 has, so far, been much more encouraging for the used car market, with demand remaining strong as consumers benefit from lower prices. Fleet vehicle operators are retaining their vehicle stock for longer and with fewer new cars being sold, good quality used cars are restricted in supply. This has had a positive effect on the used car market and, as a consequence, margins have increased to date and used car prices have risen in 2009.

There are approximately 5,300 franchise outlets in the UK and the sector remains highly fragmented with the top 10 dealer groups accounting for approximately 20 per cent. of the UK's franchised dealer outlets (*Source: AM100 June 2008*). The Directors believe that, in the current difficult trading environment, despite seeing some encouraging signs and the Government support package, many of the Group's competitors are likely to be under financial pressure, faced with falling volumes, less available credit and difficult working capital conditions. Therefore, the Directors believe that the difficult trading conditions and a highly fragmented market will present the Group with a number of consolidation opportunities.

Use of Proceeds

The Company is seeking to raise approximately £30m after expenses to provide capital to take advantage of acquisition opportunities and to purchase the freeholds of existing leasehold sites. The Directors have agreed non-binding heads of terms on three transactions and have identified a number of other potential targets that will enable the Company to pursue the strategy for growth as set out at the time of its flotation. Following completion of the Placing the Company will have cash of £40.9m, indebtedness of £14.5m and committed facilities of £34.5m. The funds raised will allow the Company to make acquisitions whilst maintaining considerable comfort within its current banking covenants.

Irrevocable undertakings

Irrevocable undertakings to vote in favour of the Resolution have been received from shareholders holding 9,152,324 Ordinary Shares (9.95 per cent.) in aggregate.

General Meeting

The GM has been convened for 11.30 a.m. on 15 June 2009 at the offices of Muckle LLP, Time Central, 32 Gallowgate, Newcastle upon Tyne, NE1 4BF to enable Shareholders to consider and, if thought fit, pass the Resolution.

The purpose of the Resolution is to:

- increase the authorised share capital of the Company from £12,500,000 to £23,000,000 by the creation of 105,000,000 Ordinary Shares of 10 pence each, ranking *pari passu* with the existing Ordinary Shares of the Company,
- authorise the Directors to issue the New Ordinary Shares pursuant to the Placing, and disapply the statutory pre-emption provisions in relation to the issue of the New Ordinary Shares pursuant to the Placing.

Recommendation

The Directors believe that the Placing, is in the best interests of the Company and its Shareholders. Accordingly, the Directors unanimously recommend that you vote in favour of the Resolution to be proposed at the General Meeting, as they intend to do so in respect of their own beneficial holdings amounting to 7,948,895 Ordinary Shares (representing approximately 8.64 per cent. of the Company's issued share capital).

The definitions in this announcement have the same meaning as in the circular sent to shareholders this morning.