

1 September 2015

**Vertu Motors plc (“Vertu Motors” or the “Group”)**

**Pre-close Trading Update**

**Like-for-like gross profit growth across New, Used and Aftersales**

Vertu Motors, the automotive retailer with a network of 117 sales and aftersales outlets across the UK, is pleased to announce the following trading update for the five months ended 31 July 2015, ahead of its Half Year results for the six month period ended 31 August 2015.

**HIGHLIGHTS**

- The Board believes that the results for the year ending 29 February 2016 will be in line with current growth expectations.
- In the five months ended 31 July 2015 (“the Period”), the Group saw continued volume, revenue and profit growth.

		<b>Increase/(decrease) Year-on-year</b>
Group Revenues	- Total	13.8%
	- Like-for-like	5.0%
Like-for-like volumes		
– <i>New retail vehicles</i>		0.4%
– <i>Motability vehicles</i>		6.4%
– <i>Fleet new vehicles</i>		(6.7%)
– <i>Commercial new vehicles</i>		22.9%
– <i>Used retail vehicles</i>		4.0%
Service Revenues	- Total	12.9%
	- Like-for-like	6.4%

- The high margin aftersales business continues to gain momentum with improved customer retention into the service channel.
- The Group has a strong like-for-like order book for the delivery of new retail vehicles to private customers in the important registration plate change month of September 2015. These order levels are up on last year’s record levels.
- The acquisitions and new dealership openings in the Period are being successfully integrated into the Group, and the Board continues to examine further acquisition and development opportunities.

## **TRADING UPDATE**

### **New Cars**

During the Period, the UK new car market recorded a 1.5% growth in private registrations for the franchises represented by the Group. Overall, UK private registrations rose 2.9% in the Period. The high level of UK registrations continues to be driven by the strong push of new car product by vehicle manufacturers into the UK. This is due to the continued strength of Sterling versus the Euro and the positive consumer and business outlook in the UK. Higher levels of pre-registration of vehicles by automotive retailers have positively contributed to private registration levels and market growth in the Period.

During the Period, the Group's like-for-like new retail sales volumes to private customers grew by 0.4%. This is below the reported market registration levels which include pre-registered vehicles. The Group's like-for-like new retail vehicle gross profit per unit strengthened in the period.

The Group increased like-for-like Motability sales by 6.4% during the Period, gaining market share in this important market segment with total UK sales of vehicles under the Motability Scheme declining by 1.0% during the Period. Motability volumes represented 21.6% of the Group's total new car retail and Motability volumes in the Period. These customers provide the Group with very high levels of aftersales retention during their three year contract. The Group has continued to invest in additional specialist expertise, both in the dealerships and at a Group level, to support its customers in this area and to maximise the opportunity to the Group.

### **Fleet & Commercial**

The UK commercial van market continues to perform very strongly with total market registrations in the Period up 18.8%, according to the SMMT, reflecting the willingness of both large and small enterprises in the UK to invest in their businesses. The Group's like-for-like van sales grew by 22.9% in the Period with stable margins.

Following a shift in sales mix in the Period with reduced supply to lower margin channels, the Group's like-for-like fleet car volumes fell by 6.7% but with an improved gross profit per unit.

### **Used Vehicles**

The strong supply push characteristics of the UK new vehicle market over the last three years have resulted in an increase in the supply of vehicles into the used vehicle market. This has grown the newer (1 to 3 year old) element of the vehicle parc and this increased supply, competing with highly attractive finance-led offers for new vehicles, has caused the market to return to more normalised seasonal depreciation of used vehicles. In the Period, the Group grew like-for-like sales volumes by 4.0%. This growth is against a very strong performance in the prior year Period which saw an increase of 11.9% in like-for-like volumes. Like-for-like gross margins and gross profit per unit both declined modestly in line with the Board's expectations.

## **Aftersales**

During the Period, the Group increased like-for-like aftersales revenues by 3.8% and gross margins to 45.7% (2014: 44.0%). In the high margin service area, like-for-like revenues increased by 6.4%. Increased sales of service plans have yet again improved customer retention into the service channel. Lower margin fuel sales through the Group's forecourts declined with fuel prices, muting overall aftersales revenue growth, but strengthening margins due to a more favourable mix.

## **FUTURE PROSPECTS**

Given the importance of the September new car market to the overall profitability of the Group in the second half of the financial year, the Board is pleased to report that like-for-like new car retail orders for this plate change month are up on last year's record levels at this stage. This gives the Board confidence for a successful conclusion to this critical month.

The Board remains confident that the Group is well placed to benefit from the stabilisation of the UK new car market at its current high level, which, in conjunction with improved levels of customer retention, is expected to generate further growth in the higher margin aftersales operations.

In addition, the Board is confident that the Group will continue to grow shareholder value by:

- acquiring further businesses, both currently profitable and turnaround opportunities representing both current manufacturer partners and those which may be new to the Group;
- improving the profit contribution from the significant number of businesses acquired or opened in recent years; and
- continued review of the Group's portfolio in terms of franchise representation and appropriate allocation of capital to identify future opportunities to make changes to maximise return on investment.

The Board believes that the results for the year ending 29 February 2016 will be in line with current growth expectations.

The Group will announce its Half Year results for the six month period ended 31 August 2015 on 14 October 2015.

**Robert Forrester, Chief Executive of Vertu said:**

“We are pleased with the way the business has performed in the Period and the Board is confident in the future. The recent strength of the new car market will continue to grow our high margin aftersales business. The UK economy is growing, the UK consumer is spending and new and used cars are very affordable.”

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**Notes to Editors**

Vertu Motors, the UK automotive retailer with a proven growth strategy, is the sixth largest automotive retailer in the UK with a network of 117 sales outlets across the UK. Its dealerships operate predominantly under the Bristol Street Motors, Vertu, Farnell and Macklin Motors brand names.

Vertu Motors was established in November 2006 with the strategy to consolidate the UK motor retail sector. It is intended that the Group will continue to acquire motor retail operations to grow a scaled dealership group. The Group’s acquisition strategy is supplemented by a focused organic growth strategy to drive operational efficiencies through its national dealership network. The Group currently operates 115 franchised sales outlets and 2 non-franchised sales operations from 96 locations across the UK.

Vertu Motors Group websites – [www.vertumotors.com](http://www.vertumotors.com) / [www.vertucareers.com](http://www.vertucareers.com)

Vertu brand websites – [www.bristolstreet.co.uk](http://www.bristolstreet.co.uk) / [www.vertuhonda.com](http://www.vertuhonda.com) / [www.macklinmotors.co.uk](http://www.macklinmotors.co.uk) / [www.farnellandrover.com](http://www.farnellandrover.com) / [www.farnelljaquar.com](http://www.farnelljaquar.com) / [www.vertuvolkswagen.com](http://www.vertuvolkswagen.com)