

7 May 2020

Vertu Motors plc ("Vertu Motors" or "Company")

Trading Update

Operational update

Following introduction of the UK Government's social distancing restrictions which came into effect on 23 March, the Group temporarily closed all retail vehicle sales and aftersales operations from close of business on the 24 March, with vehicle sales deliveries suspended.

On-line and telephone sales operations have continued and an order bank has been built up since 25 March, comprising 825 retail vehicle orders and 749 fleet and commercial orders. These firm orders and the order bank from previous months, as yet undelivered will be delivered to customers once the Government's restrictions on showroom operations are lifted. Internet sales enquiries for April were approximately 37% of last year's levels and boosted by a TV marketing campaign which highlighted digital options available for customers.

98 of the Group's 133 dealership aftersales operations were reopened in late March and have been providing vital service and repair services to key workers, vehicles undertaking essential activities and vulnerable customers who rely on their cars. Van repairs have been a crucial element of the workload during the lockdown. 18% of the Group's technicians are actively at work in these locations. Average invoice values demonstrate good disciplines, despite skeleton teams, and overall labour sales are running at 20% of pre-lockdown levels. April service labour revenues are expected to be around £1.7m. The Group's central contact centre has been operating very effectively from home and, in recent days, additional colleague resource has been added to enable service bookings to be diarised from June onwards.

Costs

Costs are being managed very closely with the Group using the furlough provisions to temporarily layoff approximately 80% of Group colleagues. The Group has applied for grants under the Government's Job Retention Scheme in respect of these colleagues. All furloughed colleagues, including new starters, will receive 80% of their average earnings in April and May subject to a minimum payment of National Minimum Wage. The £2,500 per month cap under the Job Retention Scheme Grant was not applied to colleagues' pay. All colleagues who remained at work will be paid 100% of their average earnings (other than senior management and other higher paid colleagues where certain caps on earnings have been applied).

The Directors were unanimous that supporting colleagues at this critical time was the appropriate action to take. The Executive Directors waived 30% of their basic salary and pension contribution for each month of dealership sales closure in respect of the pandemic, which includes April and May. The non-executive directors of the Company have also taken a corresponding reduction in fees. In addition, with the agreement of the Remuneration Committee, the Executive Directors have waived any annual bonus entitlement that may arise for the financial year ending 28 February 2021, notwithstanding that some elements may have entitled them to payment. In addition, the Executive Directors have waived their right to the LTIPs issued in the year ended 29 February 2020 and these have been cancelled. No LTIPs will be awarded for the year ending 28 February 2021.

Other senior management of the Group have waived 20% of their basic salary and pension contribution for each month of dealership sales activity closure.

Careful control of site closures has delivered other cost savings, including an approximate 60% saving on dealership energy costs compared to the month prior to closure. Manufacturer partners continue to be highly supportive in terms of reducing cost of franchises during this period.

Plans for reopening

To a person, the Group's colleagues have been outstanding during the pandemic and the Board would like to extend its thanks to each and every one of them. Our primary focus remains the continued health and safety of our valued colleagues and customers. Meticulous planning has been undertaken for the re-opening of dealerships in a safe and socially distanced way, with strict guidelines and the use of personal protection equipment (PPE) where appropriate, once restrictions are lifted. The Group will train all colleagues in these matters prior to re-opening and will ensure that customers are well informed as to the protocols, including the implementation of timed appointments in sales and service and social distancing requirements. Dealership sales showrooms will open when restrictions are lifted with a phased return of colleagues from furlough likely to be adopted to balance resource levels and opportunity. The Group continues to work closely with trade bodies, Manufacturer partners and the Government to ensure that the Group's approach will be in line with likely approved industry guidelines.

Strong cash position

The Group is fortunate that it had a very strong balance sheet, with low levels of debt and significant assets (including freehold land and buildings with a book value of £186m) and liquidity at the start of the period of disruption. Adjusted net debt, excluding used vehicle stocking loans, was £2.8m at 29 February 2020. The Group drew a further £10m of its revolving credit facility in March 2020.

The Group has and continues to enjoy, supportive relationships with our banking partners, Barclays and The Royal Bank of Scotland. Covenant waivers have been obtained for the May and August measurement periods with a further review agreed for the subsequent quarterly covenant measurement periods.

Additional working capital facilities have been approved by the Group's bankers, providing substantial headroom against our forecast cash flow requirements for the next six months. These cash flow forecasts assume a resumption of dealership showroom activity by the beginning of June. Demand for vehicle sales, in particular, is assumed to be muted during the forecast period. The Group's Manufacturer partners continue to be very supportive offering extended new vehicle funding and reduced funding costs.

The Group at 29 February 2020 had used vehicle stock (excluding demonstrators) of £121.3m which has risen to current levels of £136.8m reflecting March trading patterns. The Group has historically not utilised used car stocking loans on an extensive basis, with £25.5m of such financing at the year-end rising to current levels of £31.0m. An additional £10m used vehicle stocking facility has been agreed taking total available vehicle stocking facilities to £45m. This facility increase has not yet been drawn upon given that the current cash balances held by the Group stand at c£30m.

As a consequence of these actions in relation to the Group's financial position, the Directors are confident that the Group has sufficient liquidity to exit the lockdown restrictions and to capitalise on the trading opportunities arising as markets return to a more normal level of activity.

This announcement contains inside information for the purposes of Article 7 of Regulation (EU) No 596/2014.

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Notes to Editors

Vertu Motors is the fifth largest automotive retailer in the UK with a network of 133 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 130 franchised sales outlets and 3 non-franchised sales operations from 110 locations across the UK.

Vertu's Mission Statement is to "deliver an outstanding customer motoring experience through honesty and trust".

Vertu Motors Group websites – www.vertumotors.com / www.vertucareers.com

Vertu brand websites – www.bristolstreet.co.uk / www.vertuhonda.com / www.vertutoyota.com / www.macklinmotors.co.uk / www.farnellandover.com / www.farnelljaguar.com / www.vertuvolkswagen.com / www.vertumercedes-benz.com