Pendragon | PLC

INTERIM MANAGEMENT STATEMENT

This Interim Management Statement by Pendragon PLC covers the period from 1 July 2012 to 29 October 2012. Unless otherwise stated, figures quoted in this statement are for the three months ended 30 September 2012.

SUMMARY

New car volume and used car margin have improved in quarter three compared with the prior year. As a result operating profit is up by £1.5m in quarter three compared with the prior year. This includes an improvement of £0.4m in Quicks in quarter three compared with the prior year. The underlying trading performance remains in line with our expectations for the full year.

TRADING UPDATE

Aftersales remains the core area of profitability. The national vehicle parc of cars up to three years old is now increasing. The Group is committed to enhancing profitability in this area through the Vehicle Health Check programme together with a number of other initiatives. In the third quarter of 2012, aftersales turnover was in line with the prior quarter. Gross profit margin of 60% is in line with the prior quarter, however overall gross profit is marginally down.

In the third quarter, like for like used car volumes were up by 2.8%. In the three year period to 30 September 2012 used car volumes have grown by 40%. The most recent data from Experian showed a 2.0% reduction in national volume during the second quarter of 2012. Used car margin has grown as expected with margin up 0.7% in the quarter compared to the prior year. We expect to see the normal seasonal patterns in used car margin in the fourth quarter. Overall like for like used gross profit in the quarter was 11.7% ahead of the prior period. This includes gross profit in Quicks which was 27% ahead of the prior period in the third quarter.

In the new car segment, for the nine months ended the 30 September 2012, for the brands we represent within Stratstone national retail registrations increased by 13.0%, whereas our new retail sales excluding Motability increased by 21.4%. For the brands we represent within Evans Halshaw, national retail registrations increased by 10.3% for the nine months ended 30 September 2012, whereas our new retail sales increased by 8.8%. Overall our UK new retail sales excluding Motability for the nine months ended 30 September 2012 increased by 12.3%. The UK market for the brands that we represent increased by 11.2% for the nine months ended 30 September 2012. New retail margin has been maintained in the period.

The California business is in line with the prior year as a result of used and new performance. Overall we expect California to be slightly behind the prior year due to product supply constraints impacting the last quarter. The support businesses continue to generate steady profit streams.

FINANCIAL UPDATE

Working capital management and net debt were in line with our expectations for the period, accordingly we expect the Debt: underlying EBITDA ratio at the year end to be less than 2.0 and the continuing debt reduction will bring the ratio to our medium term target of 1.5 by the end of 2013.

OUTLOOK

Underlying trading performance remains in line with our expectations for the full year. Used performance continues to be a differentiator for the Group and we believe this will continue in the final quarter with further recovery in used margin. The new retail car market has performed ahead of the comparator period throughout the year and we expect that to continue in the fourth quarter. Aftersales performance remains resilient. Progress on our reduction in Debt: underlying EBITDA is in line with our expectations for the year end giving confidence in achieving our target by the end of next year.

ENQUIRIES:

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