

# Pendragon PLC - 2014 Full Year Results

**Evans Halshaw**

*Let's drive*

The UK's leading volume motor car retailer with over 130 UK locations



The UK's Leading  
Automotive Retailer



**Stratstone**  
quality with style

The UK's leading prestige motor car  
retailer with over 80 UK locations

Evans Halshaw

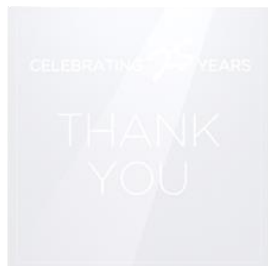
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## Executive Summary – Trevor Finn (CEO)



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quality with style

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# Pendragon PLC is on a mission...

**To be the number one automotive retailer in the UK on:**

**CarParknow**  
car parks

The UK's leading volume motor car  
retailer with over 150 UK locations

✓ **Value**



✓ **Choice**

✓ **Service**



✓ **Convenience**



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# Executive Summary

## Financial Highlights

- Underlying profit before tax up £16.0m (+36.2%), from £44.2m to £60.2m
- Underlying earnings per share up 0.8p (+34.8%), from 2.3p to 3.1p
- Net debt : EBITDA ratio at 0.8 which remains below the lower end of our target range
- Final dividend doubled to 0.6p per share. 2015 interim doubled to 0.6p per share

## Strategic Highlights

- **Online** - Launch of 'Move Me Closer', the UK's 1<sup>st</sup> automotive 'click and collect' service
- **Value** – 'Sell Your Car' providing value to the consumer and additional used car supply
- **IT Superiority** – our proprietary IT solutions provide a key differentiator in the market
- **National footprint** – 227 retail points and further roll-out of footprint planned for 2015

## Operational Highlights

- Our focus on used continues to enhance profitability with record performance in 2014
- Online visits increased by 2.2m (+16.3%), from 13.5m to 15.7m
- Strong performance across used, aftersales and new with gross profit up £28.9m (L4L)

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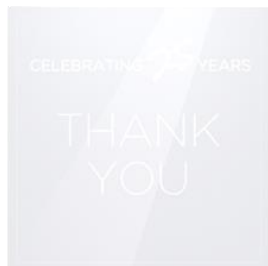
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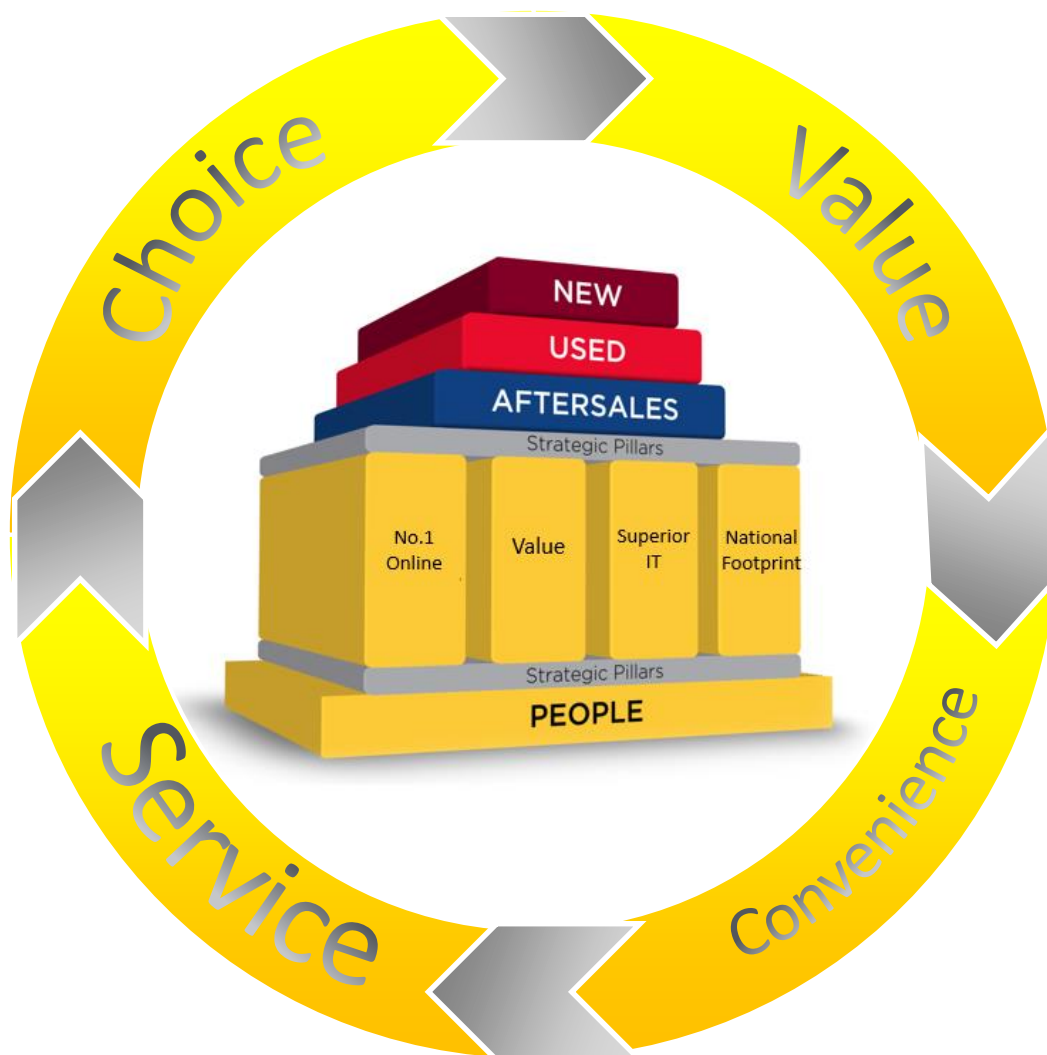
## Strategic Highlights – Trevor Finn (CEO)



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# Strategic Highlights



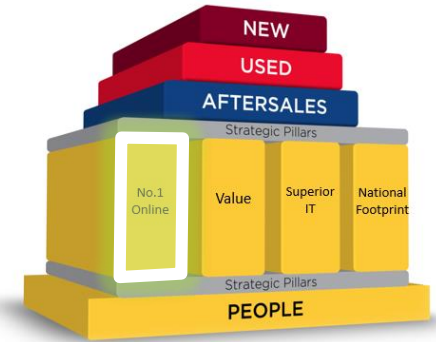
## SUMMARY

- Clear strategy for the Group
- Online growth progressing and recently launched 'Move Me Closer', the UK's first automotive 'click and collect' service.
- 'Sell your car' our direct consumer vehicle purchasing offering provides value to consumers
- Superior IT a key differentiator
- Footprint expansion underway
- Underpinned by our people

# Strategic Highlights - No. 1 Online

## Achievements

- ✓ Launch of 'Move Me Closer', the UK's first automotive 'click and collect' service
- ✓ Consumers have direct access to over 20,000 vehicles
- ✓ Online visits increased by 2.2m (+16.3%), from 13.5m to 15.7m
- ✓ New platform launched on Evanshalshaw.com

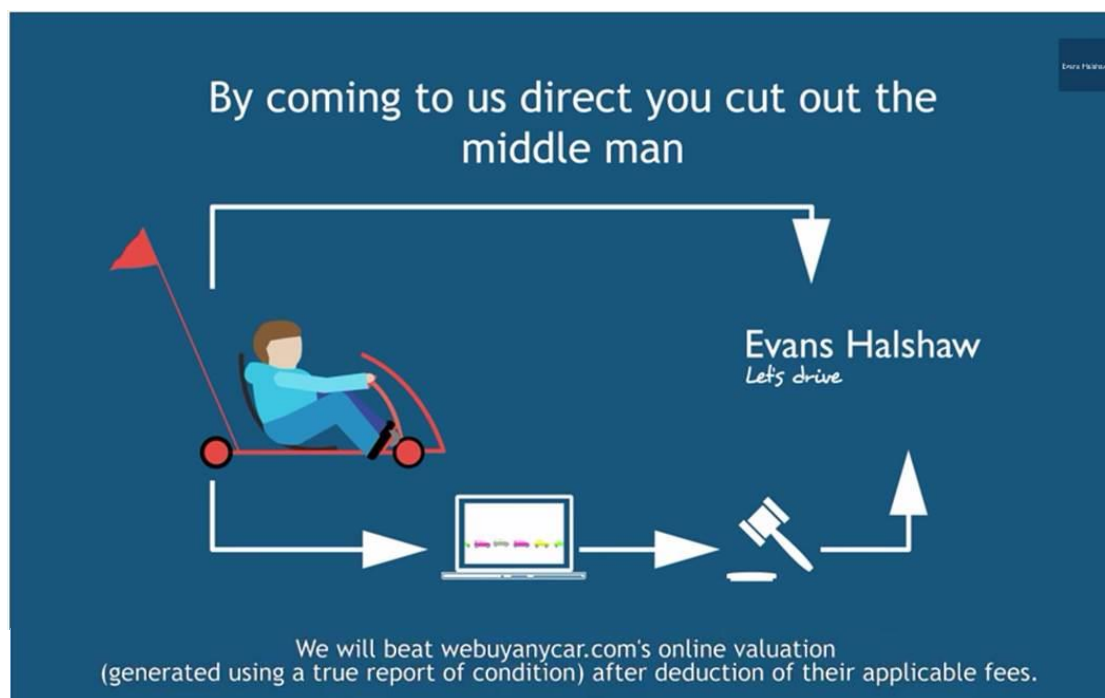
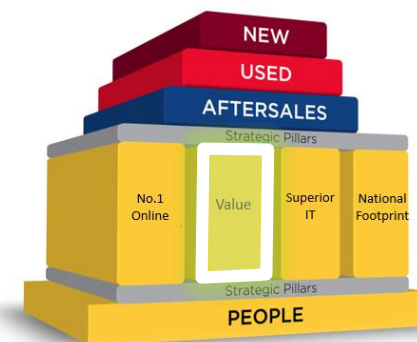




# Strategic Highlights – Value

## Achievements

- ✓ Internet prices updated twice per day with our consumer focussed pricing research
- ✓ Launch of 'Sell Your Car' in Q3 2014 – providing value to the consumer and a used car supply for the Group





# Strategic Highlights - Superior IT

## Achievements

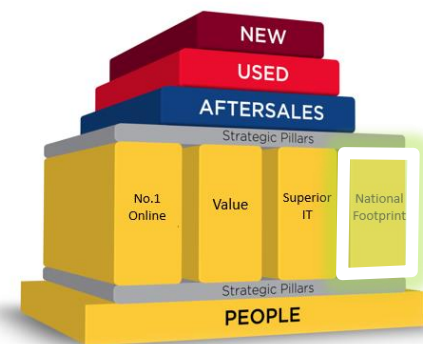
- ✓ Video VHC launched – service videos direct to the consumer
- ✓ HD Video of used vehicles for consumers
- ✓ Enabled launch of 'Move Me Closer'



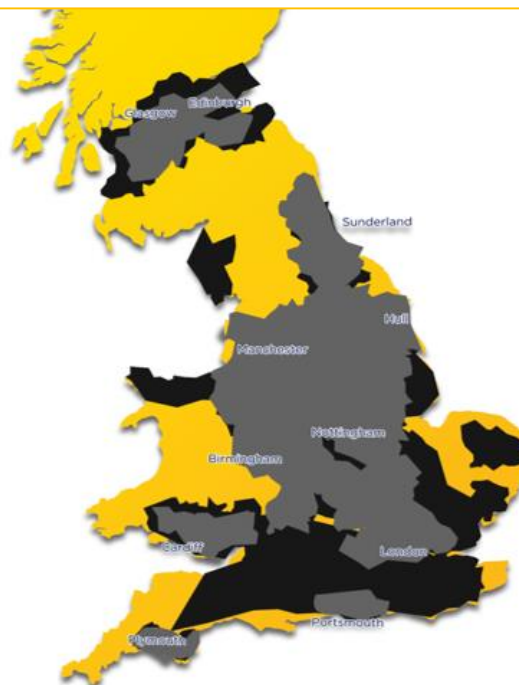
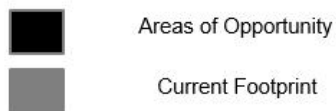
# Strategic Highlights - National Footprint

## Achievements

- ✓ National footprint to compliment online offering
- ✓ Existing vacant sites identified for expansion
- ✓ New site rollouts expected in 2015



We have identified a number of opportunities across the UK so we can optimise our national coverage



Evans Halshaw

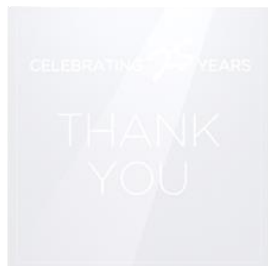
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## Financial Highlights – Tim Holden (FD)

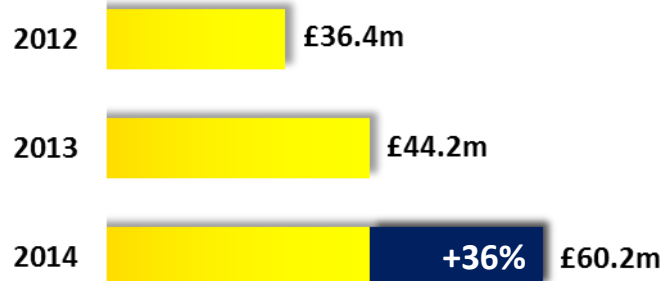


Stratstone  
*quality with style*

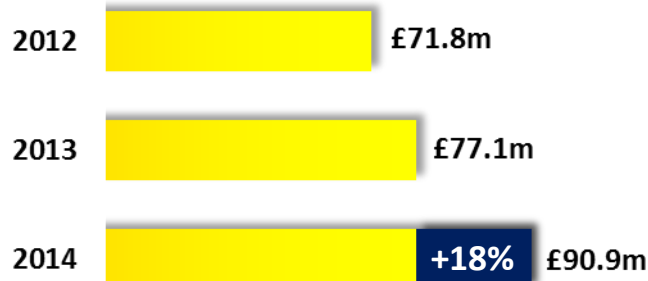
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# Financial Highlights – 3 Year Group Performance

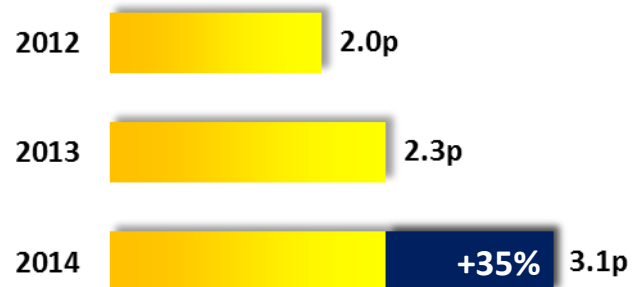
## Underlying Profit Before Tax



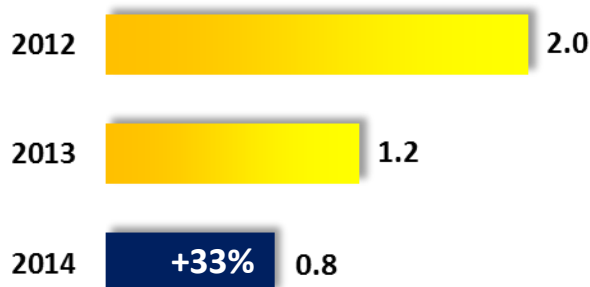
## Underlying Operating Profit



## Underlying Earnings Per Share



## Debt : Underlying EBITDA Ratio



## SUMMARY

- Underlying profit before tax has doubled in 3 years
- Underlying basic earnings per share up 35%
- Net debt : EBITDA ratio at 0.8 which is below the lower range of our target

# Financial Highlights – Underlying Profit Before Tax Up 36%

Underlying £m	2014	2013	Variance
Revenue	4,000.4	3,848.9	+3.9%
Gross Profit	522.6	499.9	+4.5%
<i>Gross Margin</i>	<i>13.1%</i>	<i>13.0%</i>	
Operating Costs	(431.7)	(422.8)	+2.1%
<b>Operating Profit</b>	<b>90.9</b>	<b>77.1</b>	<b>+17.9%</b>
<i>Operating Margin</i>	<i>2.3%</i>	<i>2.0%</i>	
Interest	(30.7)	(32.9)	-6.7%
<b>Profit Before Tax</b>	<b>60.2</b>	<b>44.2</b>	<b>+36.2%</b>
EPS (Underlying)	3.1p	2.3p	+34.8%
Dividend Per Share (FY)	0.9p	0.4p	+125.0%



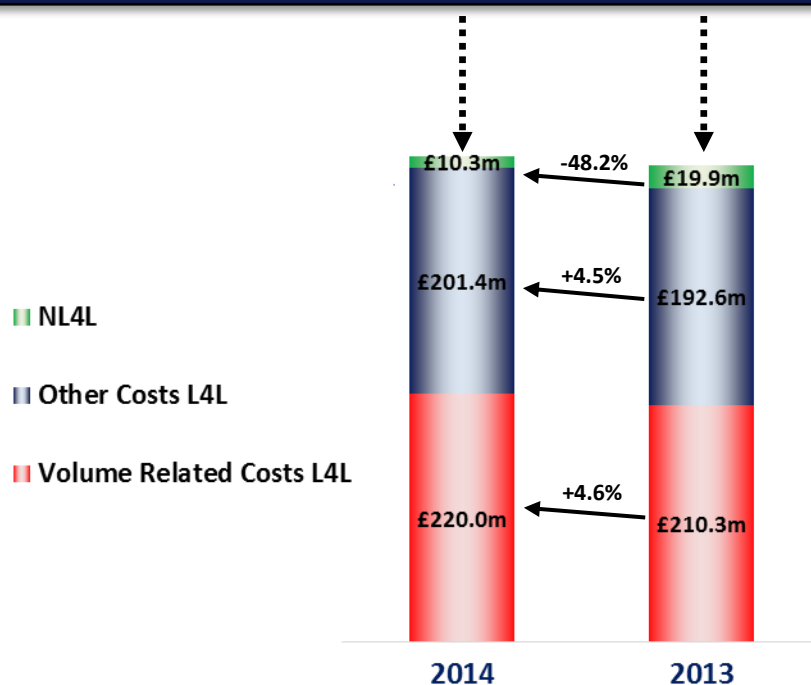
## SUMMARY

- Operating leverage continues with gross profit up 4.5% and operating profit up 17.9%
- Record performances across all departments in 2014 and further momentum into 2015
- Final dividend of 0.6p per share, full year dividend per share up 125%

# Financial Highlights – Operating Costs Breakdown



Underlying £m	2014	2013	Variance
Revenue	4,000.4	3,848.9	+3.9%
Gross Profit	522.6	499.9	+4.5%
<i>Gross Margin</i>	<i>13.1%</i>	<i>13.0%</i>	
<b>Operating Costs</b>	<b>(431.7)</b>	<b>(422.8)</b>	<b>+2.1%</b>



## SUMMARY

- Volume related costs account for over half of total operating costs

# Financial Highlights – Continued Strong Cash Flow Generation

## Summary Cash Flow £m

2014

2013

**Underlying Operating Profit Before Other Income** **89.8** **76.8**

Depreciation and Amortisation 27.0 19.8

Non-underlying Items - 2.0

Share Based Payments 1.5 1.6

Working Capital and Contract Hire Vehicle Movements (11.9) 35.1

**Operating Cash Flow** **106.4** **135.3**

Tax Paid (8.3) (0.9)

Underlying Net Interest Paid (29.0) (33.6)

Net Non-underlying Interest Paid & Refinancing Costs - (8.0)

Replacement Capital Expenditure (21.8) (19.5)

Acquisitions & Investments (20.8) (12.5)

Disposals 12.6 16.3

Dividends (8.6) (2.8)

Other 0.3 2.5

**Reduction in Net Debt** **30.8** **76.8**

**Closing Net Debt**

**(108.8)**

**(139.6)**



## SUMMARY

- Debt reduction largely due to increased underlying operating profit
- Disposals include £1.1m from business disposals and £11.5m from property disposals
- £24.0m realised in January 2015 on King Arthur property investment disposal.



# Financial Highlights – Capex, Acquisitions & Investments Breakdown

## Summary Cash Flow £m

2014

2013

**Underlying Operating Profit Before Other Income** **89.8** **76.8**

Depreciation and Amortisation 27.0 19.8

Non-underlying Items - 2.0

Share Based Payments 1.5 1.6

Working Capital and Contract Hire Vehicle Movements (11.9) 35.1

**Operating Cash Flow** **106.4** **135.3**

Tax Paid (8.3) (0.9)

Underlying Net Interest Paid (29.0) (33.6)

Net Non-underlying Interest Paid & Refinancing Costs - (8.0)

**Replacement Capital Expenditure** **(21.8)** **(19.5)**

**Acquisitions & Investments** **(20.8)** **(12.5)**

**Total Capex, Acquisitions & Investments** **(42.6)** **(32.0)**

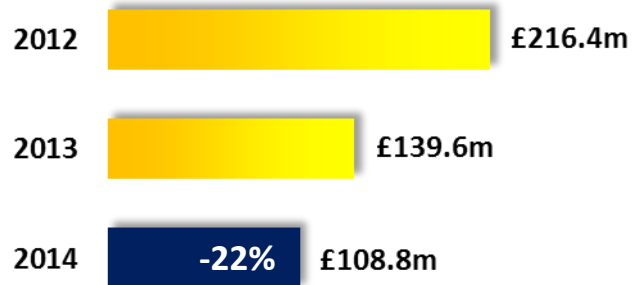


## SUMMARY

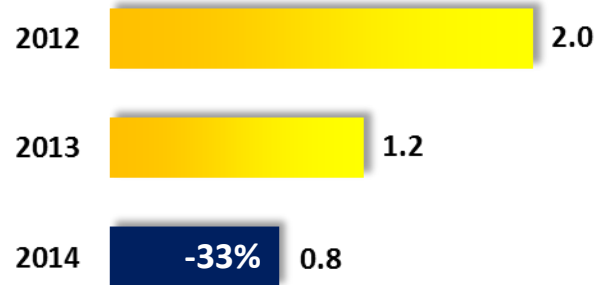
- Total capex, acquisitions and investments in 2014 were £42.6m
- This included a £12.9m investment in leased property saving £1.3m rent per annum
- Excluding this transaction, total capex, acquisitions & investments were £29.7m in 2014

# Financial Highlights – Group Balance Sheet Highlights

## Net Debt



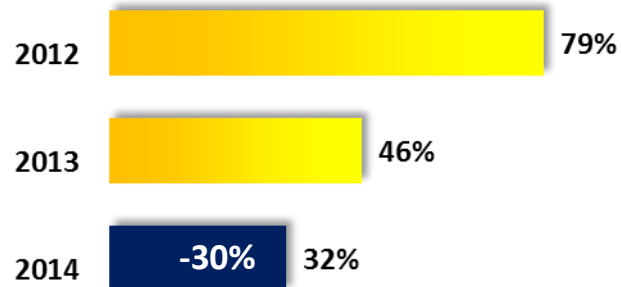
## Debt : Underlying EBITDA Ratio



## SUMMARY

- Debt reduction of £217m in 4 years
- Net Debt : EBITDA ratio at 0.8 which is below the lower range of our target
- Gearing of only 32%

## Gearing



# Financial Highlights – Healthy Balance Sheet

Balance Sheet £m	2014	2013
------------------	------	------

Property	164.4	161.3
Plant & Equipment	147.6	134.4
Goodwill & Intangibles	371.5	370.4
Investments	24.0	10.0
Stock	676.1	602.5
Debtors	117.9	103.2
Assets Held For Resale	11.6	13.1
Creditors	(1,064.4)	(950.1)
Net Borrowings	(108.8)	(139.6)

<b>Shareholders Funds</b>	<b>339.9</b>	<b>305.2</b>
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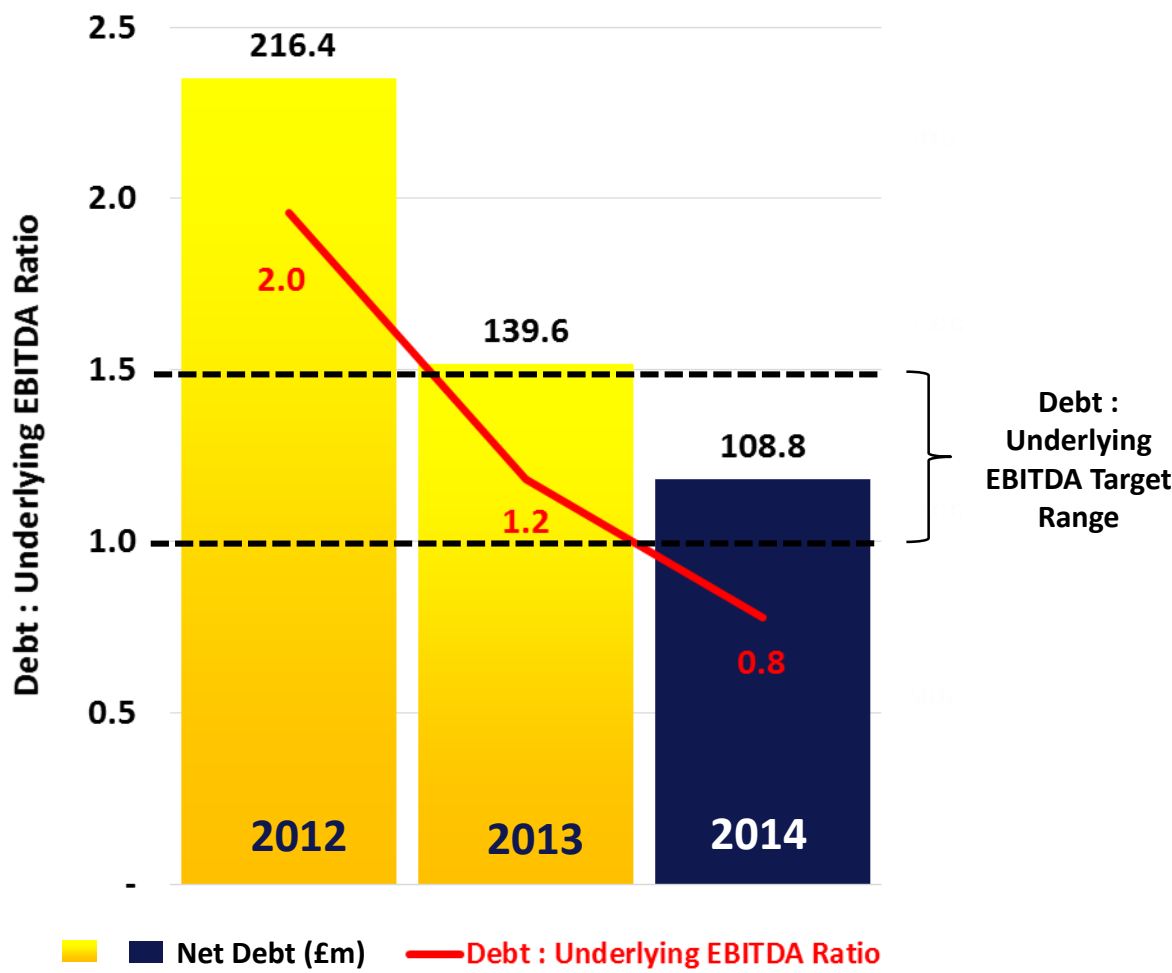
<b>Gearing</b>	<b>32.0%</b>	<b>45.7%</b>
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## SUMMARY

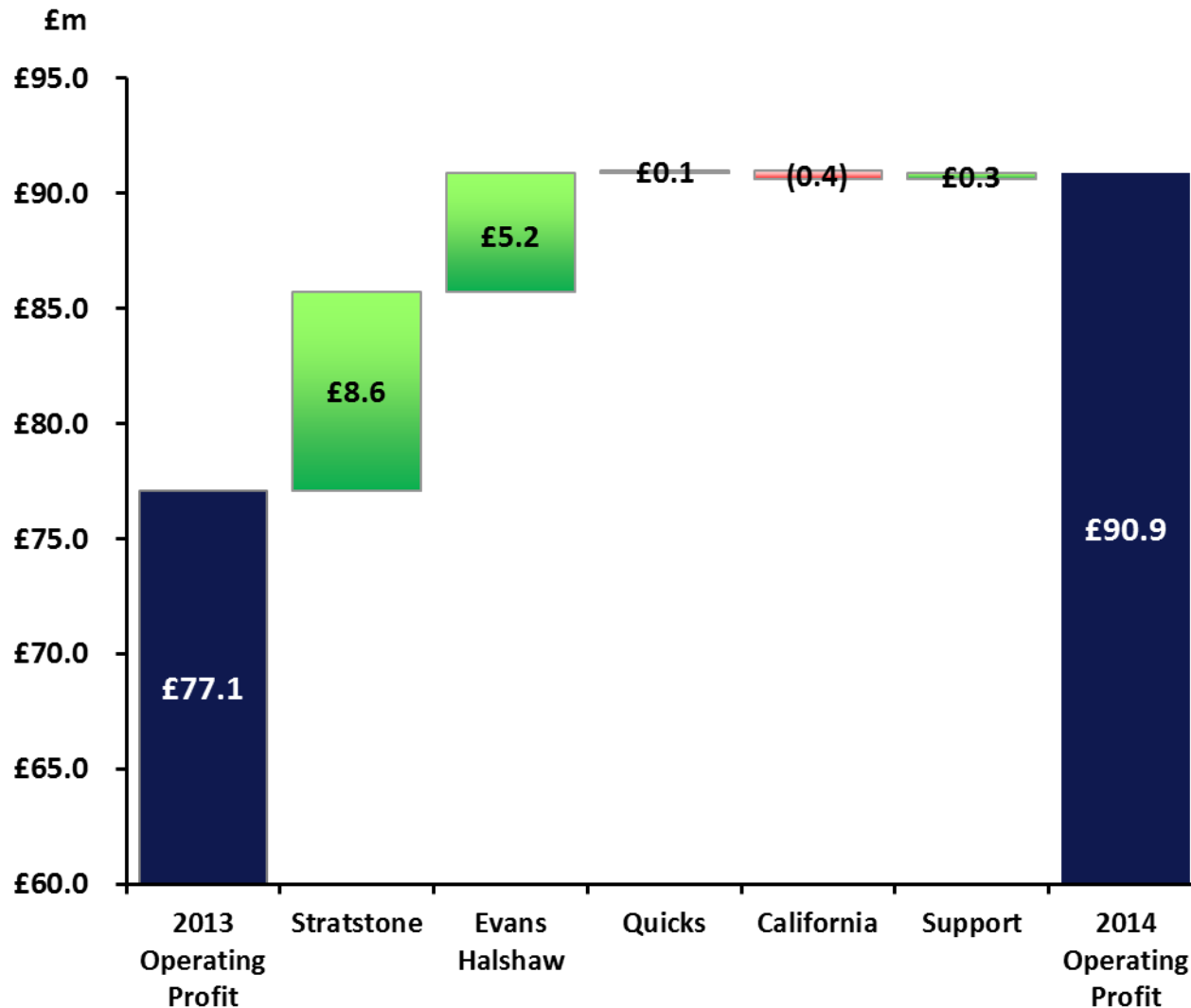
- Strong balance sheet
- Stock levels have been increased to help drive growth
- Significantly reduced gearing

# Financial Highlights – Debt: Underlying EBITDA Ratio Ahead Of Target Range



- SUMMARY**
- Debt : Underlying EBITDA below lower range of target
  - Underlying EBITDA up 20% to £141.1m
  - Net Debt down 22% to £108.8m

# Financial Highlights – Stratstone and Evans Halshaw Strong Growth



## SUMMARY

- Stratstone improvement across all departments, with new & used L4L gross profit up ~14% and L4L aftersales gross profit up by 5%
- Evans Halshaw also saw growth in all departments, with the greatest improvement coming from used, with L4L used gross profit up by 6%

Evans Halshaw

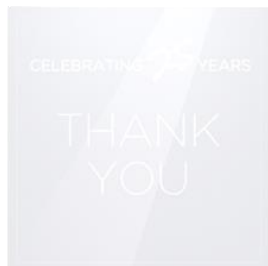
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## Industry & Customer Insight – Trevor Finn (CEO)

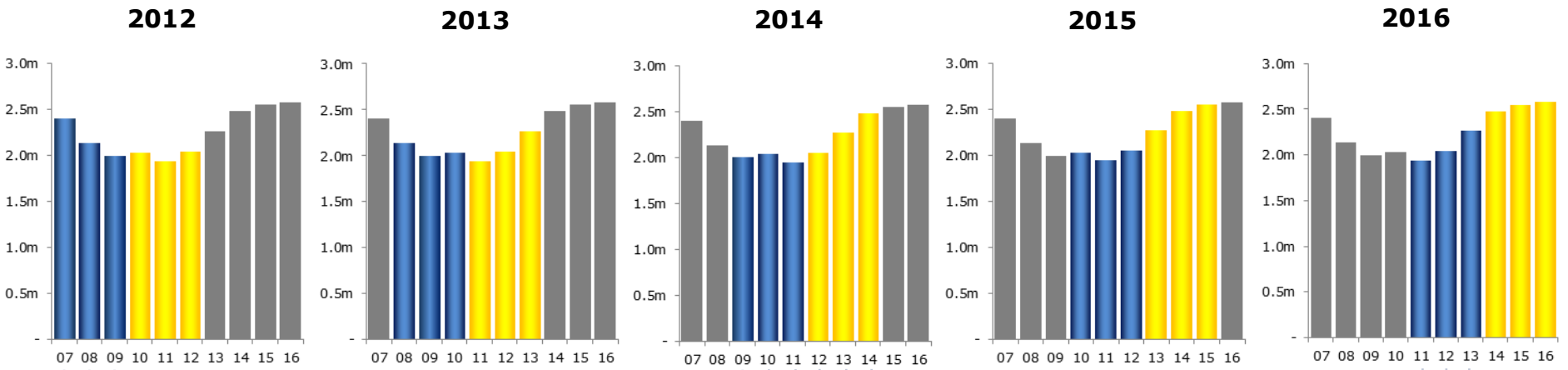


Stratstone  
quality with style

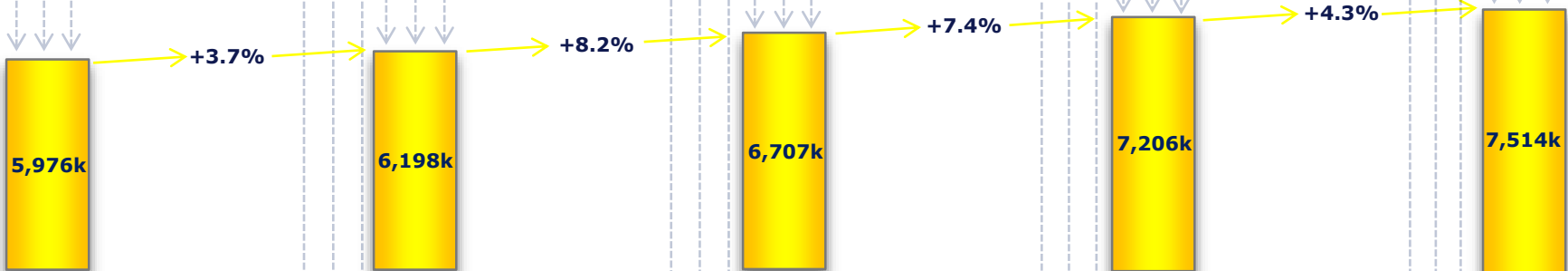
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# Industry Insight – 7.4% Growth Of 0-3yr Parc Expected In 2015

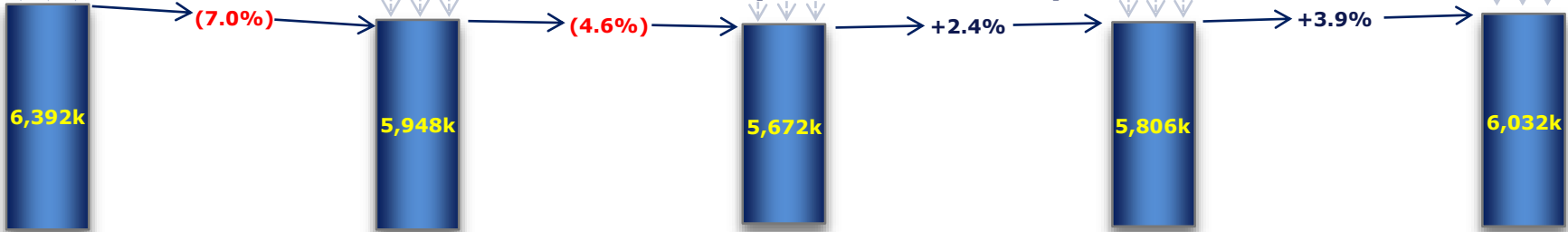
## UK New Car Registrations



### Aftersales (0-3 Year Car Parc)



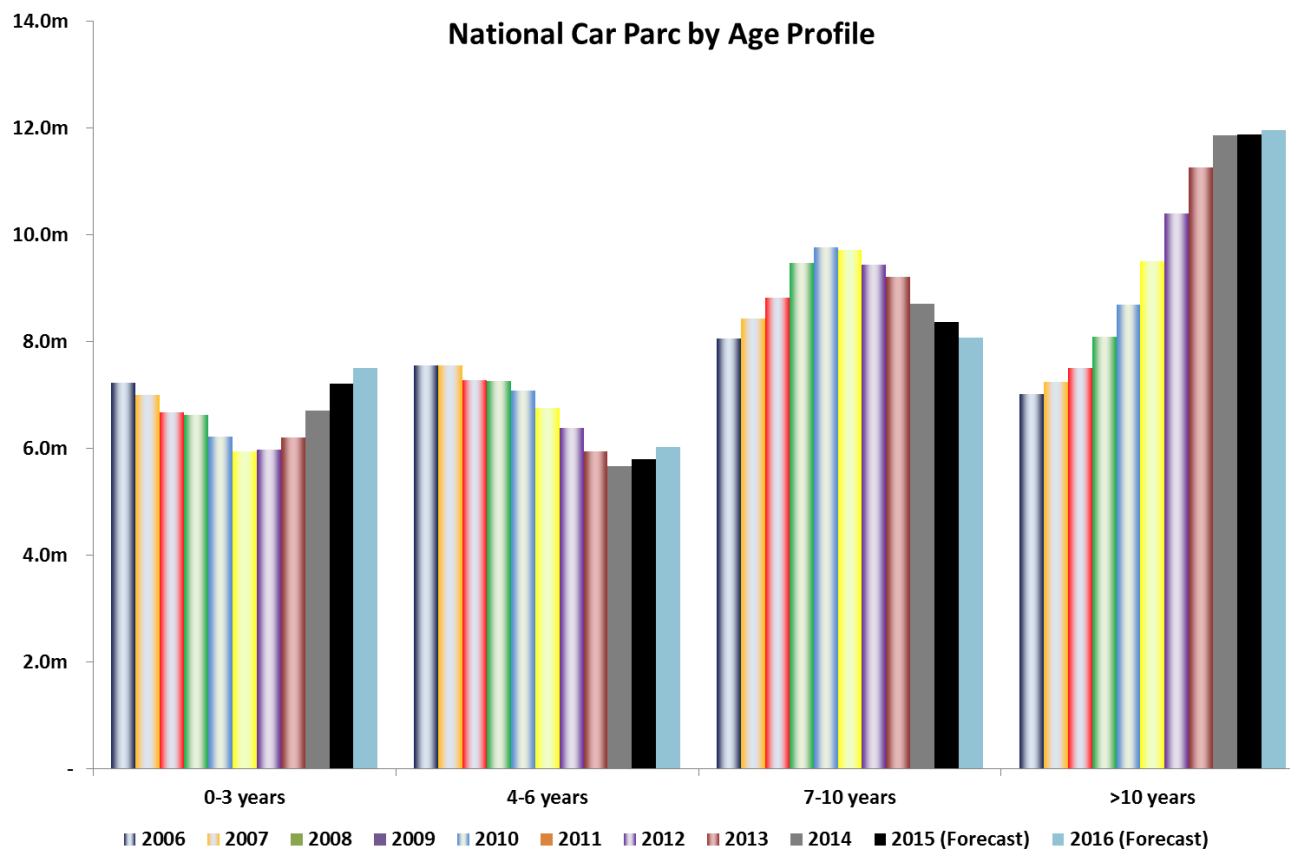
### Aftersales (4-6 Year Car Parc)



Sources: SMMT, IHS Automotive (2007 to 2014) & Pendragon (2015 to 2016)



# Industry Insight – Aftersales Age Profile



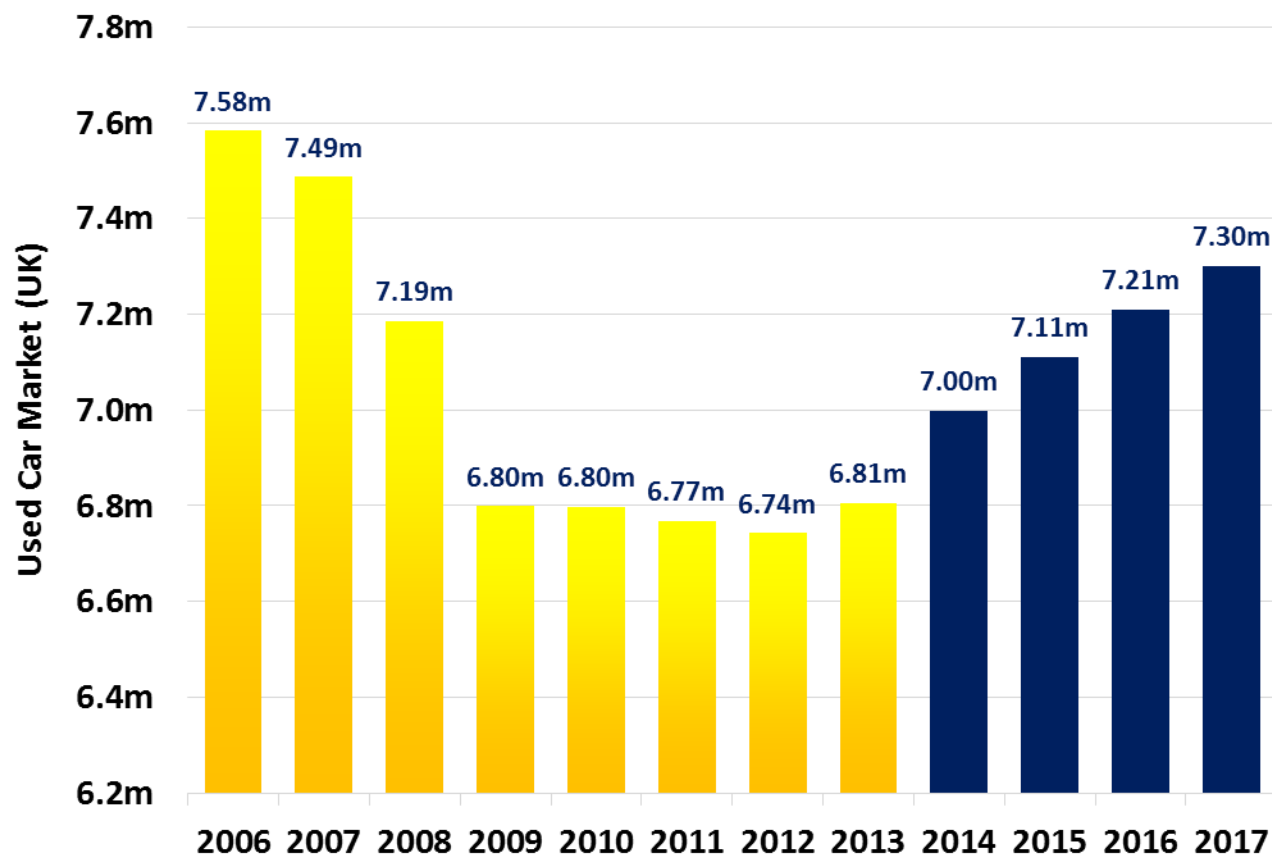
Sources: IHS Automotive (2006 to 2014) & Pendragon (2015 to 2016)



## SUMMARY

- 7.4% growth in key 0-3 year car parc expected in 2015
- 2.4% growth in 4-6 year car parc expected – first time this area of the parc has seen growth since 2006

# Industry Insight – Used Car Market



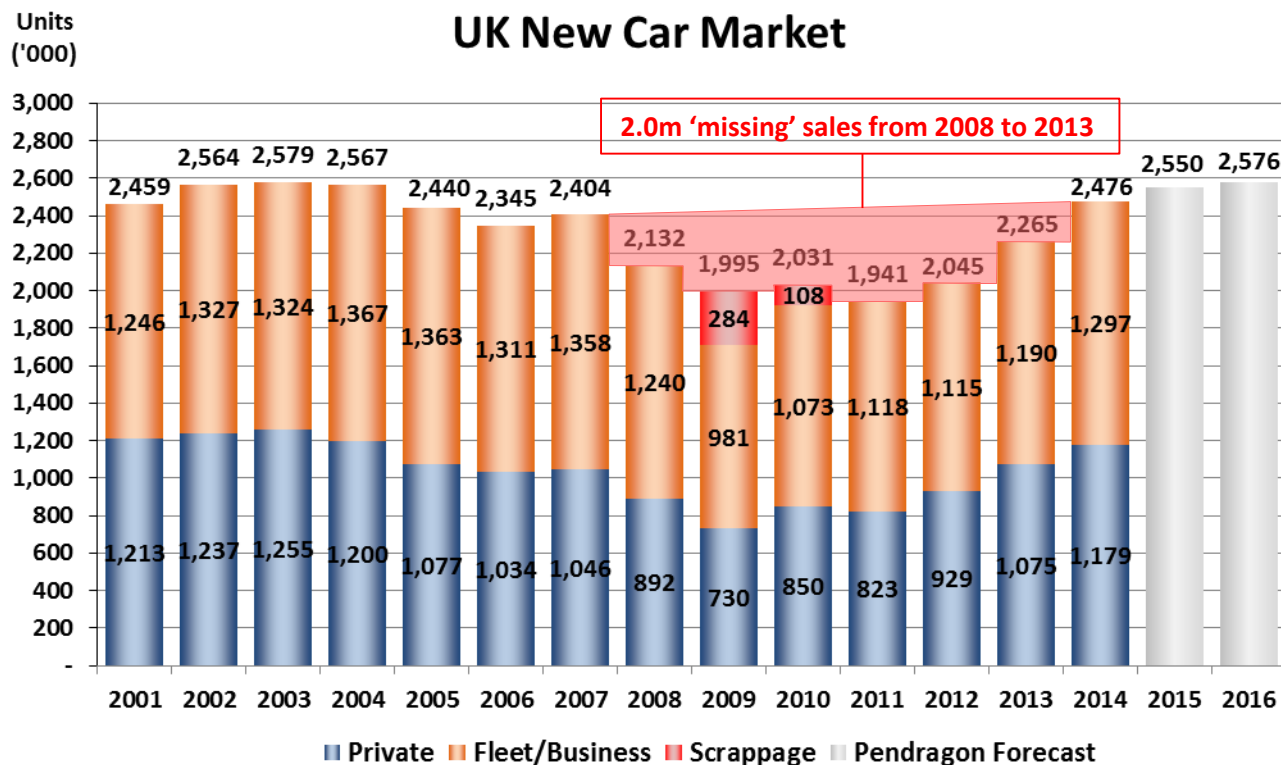
Source: Experian (2006 to 2013) and Pendragon (2014 to 2017)



## SUMMARY

- UK used car market forecast of 7.00m used sales in 2014
- This would be the first time the used car market has exceeded 7m since 2008
- Further used market growth forecast from 2015 onwards

# Industry Insight – New Market Forecast



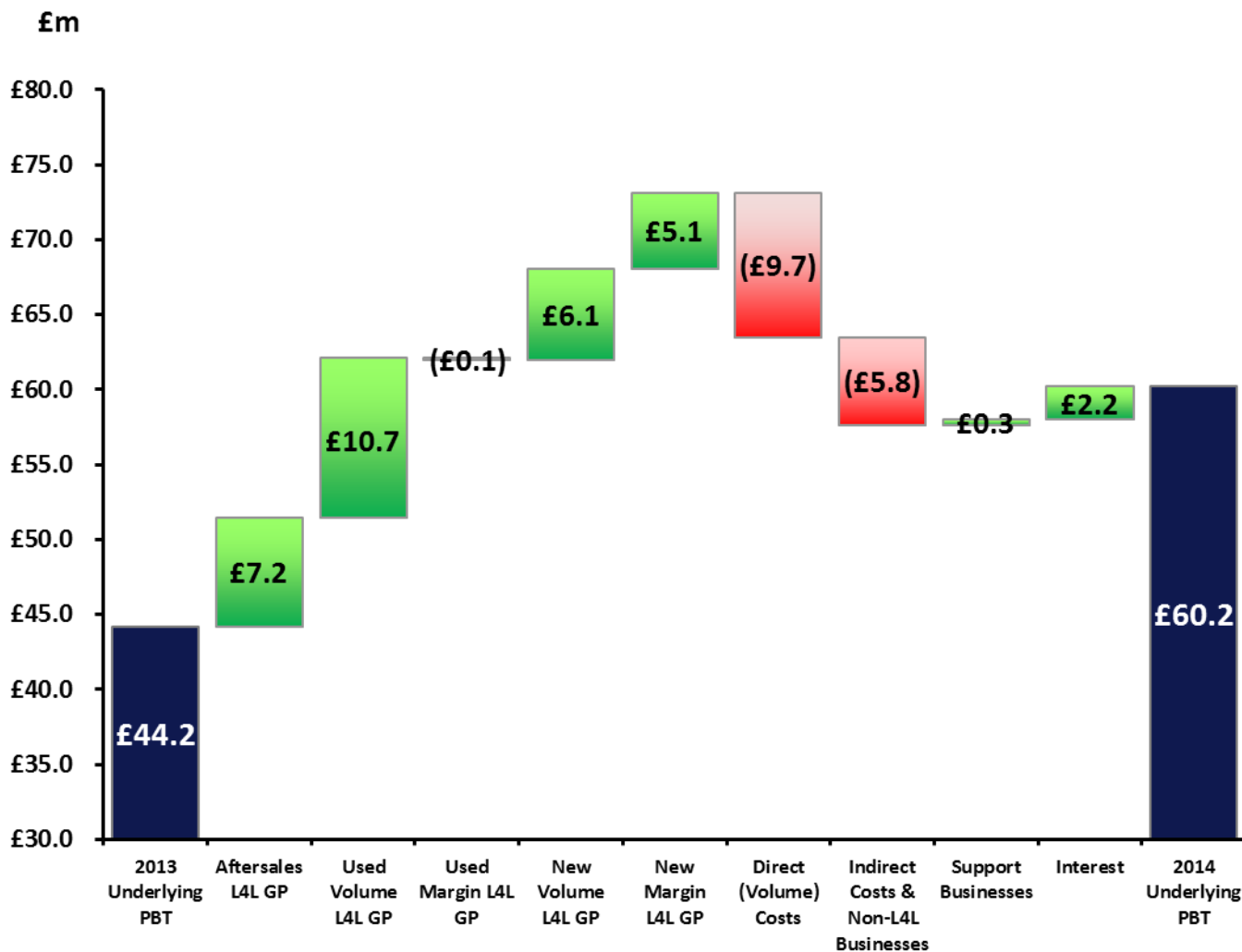
Source: SMMT (2001 to 2014) and Pendragon (2015 to 2016)



## SUMMARY

- New car market grew 9.3% in 2014
- New car forecast of circa 2.55m in 2015
- Marginal growth expected in 2016
- Moving back towards the new car market levels of 2003

# Industry Insight – Pendragon Performance By Sector

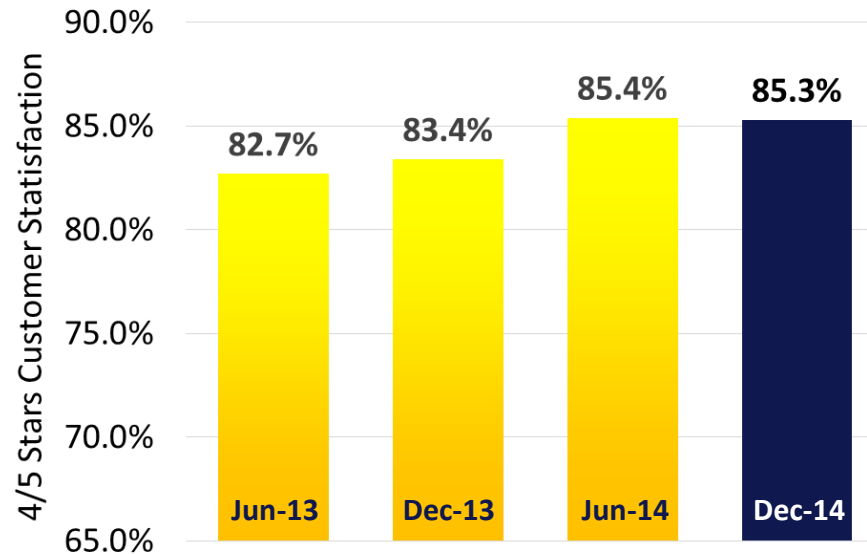


## SUMMARY

- Significant L4L growth across aftersales, used and new departments

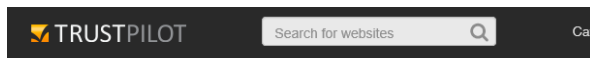
# Customer Insight – Year on Year Customer Ratings Are Improving

## Sales and Aftersales Combined Satisfaction Scores



## SUMMARY

- We continue to focus on improving our customer ratings for our business
- We will continue to build on our recent innovations and success in this area
- Our Trustpilot scores are 8.7 and 8.1 for Stratstone and Evans Halshaw respectively (05-Feb-15)



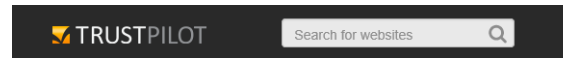
### Evans Halshaw reviews

Great **8.1** from 0 - 10



[Review company](#)

5280 reviews on Trustpilot | Latest review 53 seconds ago













### Stratstone reviews

Great **8.7** from 0 - 10



[Review company](#)

1333 reviews on Trustpilot | Latest review 2 hours ago

Area	2014 Assessment	2015 Outlook
Aftersales		
Used		
New		
Financials		
Internet		



## SUMMARY

- Market Growth
- Successful Strategic Actions
- Strong Balance Sheet

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