

2014 Half Year Results



Pendragon | PLC

The UK's Leading Car Retailer



Executive Summary – Trevor Finn (CEO)



Pendragon PLC is on a mission...

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

- ✓ **Value**
- ✓ **Choice**
- ✓ **Service**
- ✓ **Convenience**

Executive Summary

• Strategic Highlights

- ✓ Delivering against our strategy and increased underlying PBT by £9.2m, up 39.0%
- ✓ Business leading the internet transformation of the vehicle and aftersales sectors
- ✓ Geographical footprint expansion underway to optimise our national coverage

• Operational Highlights

- ✓ Over 8 million online visitors in the period, up 16.2%
- ✓ Stratstone.com and Evanshalshaw.com increase operating profit by £6.0m
- ✓ Gross profit increases in used +13.7%, aftersales +3.3% and new 9.4% (L4L)

• Financial Highlights

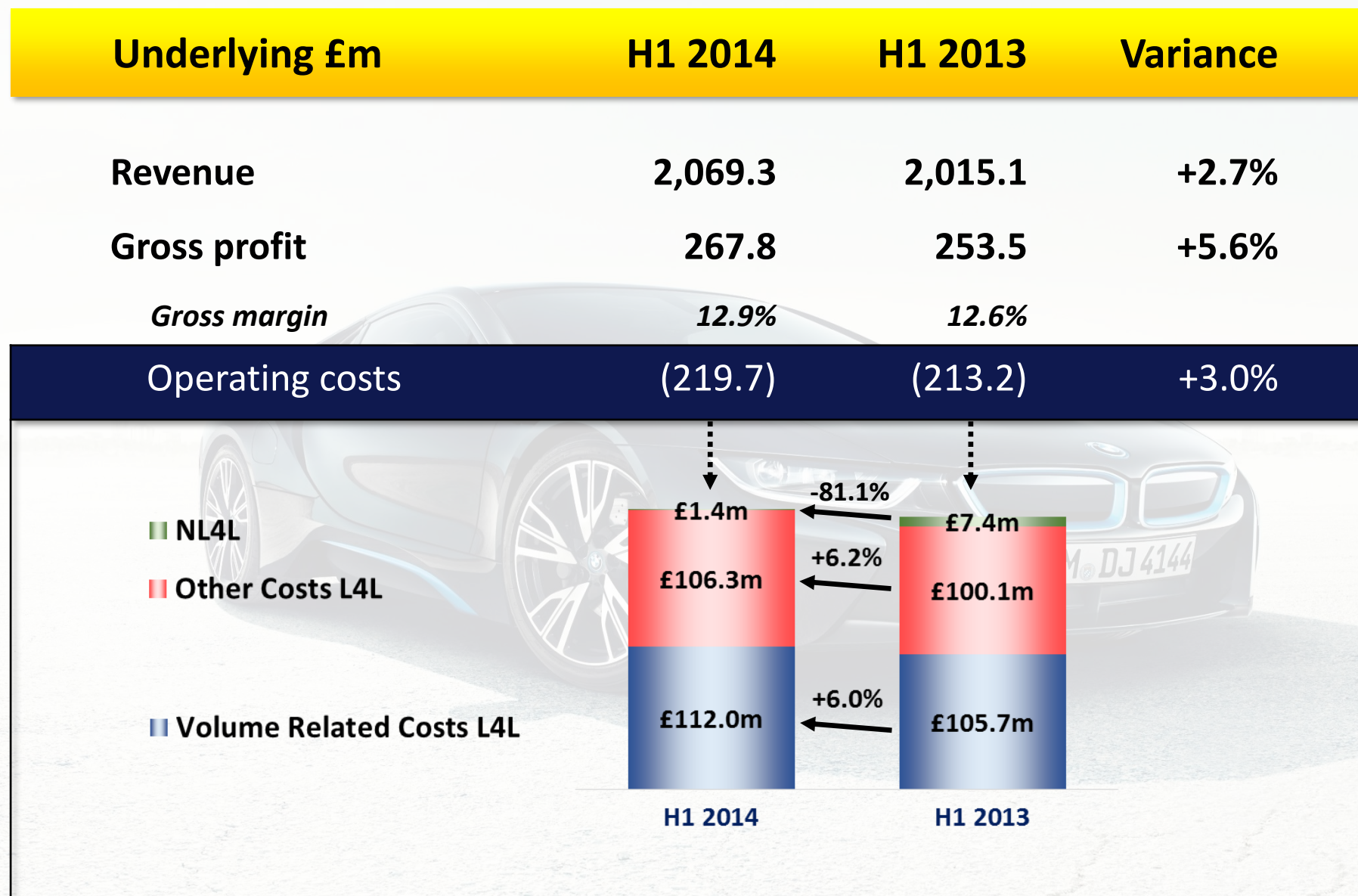
- ✓ Strong operating leverage, gross profit up 7.8%, operating profit up 16.3% (L4L)
- ✓ Underlying earnings per share of 1.72p from 1.22p, up 41.0%, 0.3p interim dividend
- ✓ Underlying profit before tax of £32.8m from £23.6m, up 39.0%
- ✓ Debt : underlying EBITDA of 0.8 ahead of target range of 1.0 to 1.5

Financial Highlights – Tim Holden (FD)

Financial Highlights – Underlying Profit Before Tax Up 39%

Underlying £m	H1 2014	H1 2013	Variance
Revenue	2,069.3	2,015.1	+2.7%
Gross profit	267.8	253.5	+5.6%
<i>Gross margin</i>	<i>12.9%</i>	<i>12.6%</i>	
Operating costs	(219.7)	(213.2)	+3.0%
Operating profit	48.1	40.3	+19.4%
<i>Operating margin</i>	<i>2.3%</i>	<i>2.0%</i>	
Interest	(15.3)	(16.7)	-8.4%
Profit before tax	32.8	23.6	+39.0%
EPS (underlying)	1.72p	1.22p	+41.0%
Dividend per share	0.30p	0.10p	+200.0%

Financial Highlights – Operating Costs Breakdown



Financial Highlights – Continued Strong Cash Flow Generation

Summary Cash Flow £m

H1 2014

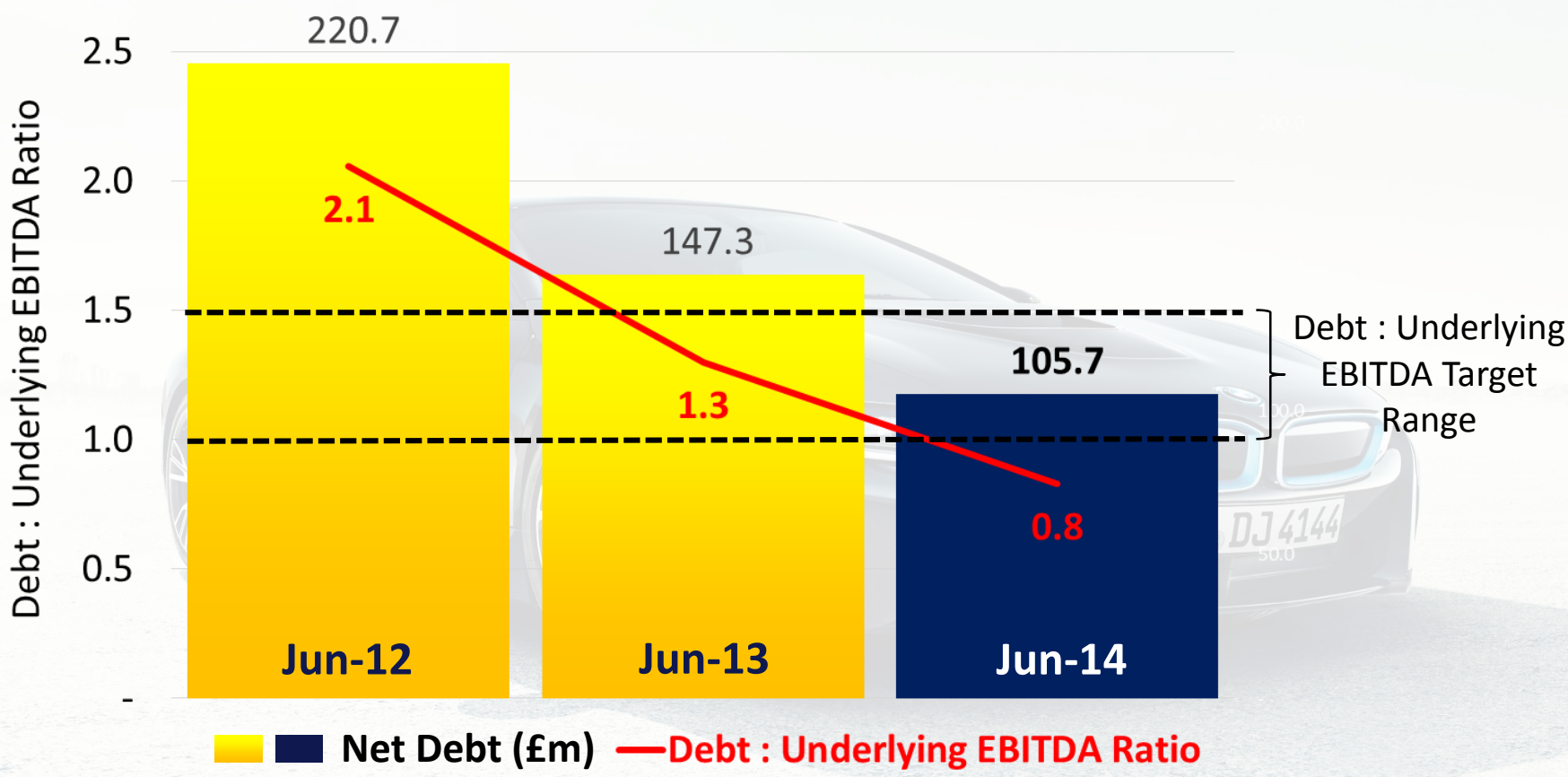
H1 2013

Underlying Operating Profit Before Other Income	47.8	40.3
Depreciation and Amortisation	9.9	8.9
Non-underlying Items	-	1.0
Share Based Payments	0.8	0.8
Working Capital and Contract Hire Vehicle Movements	0.3	35.2
Operating Cash Flow	58.8	86.2
Tax (Paid) / Received	(2.9)	0.2
Underlying Net Interest Paid	(14.6)	(18.9)
Non-underlying Net Interest Paid and Financing Fees and Costs	-	(8.3)
Replacement Capital Expenditure	(5.2)	(3.8)
Disposals	6.3	12.5
Dividends	(4.3)	(1.4)
Other	(4.2)	2.6
Reduction in Net Debt	33.9	69.1
Closing Net Debt	(105.7)	(147.3)

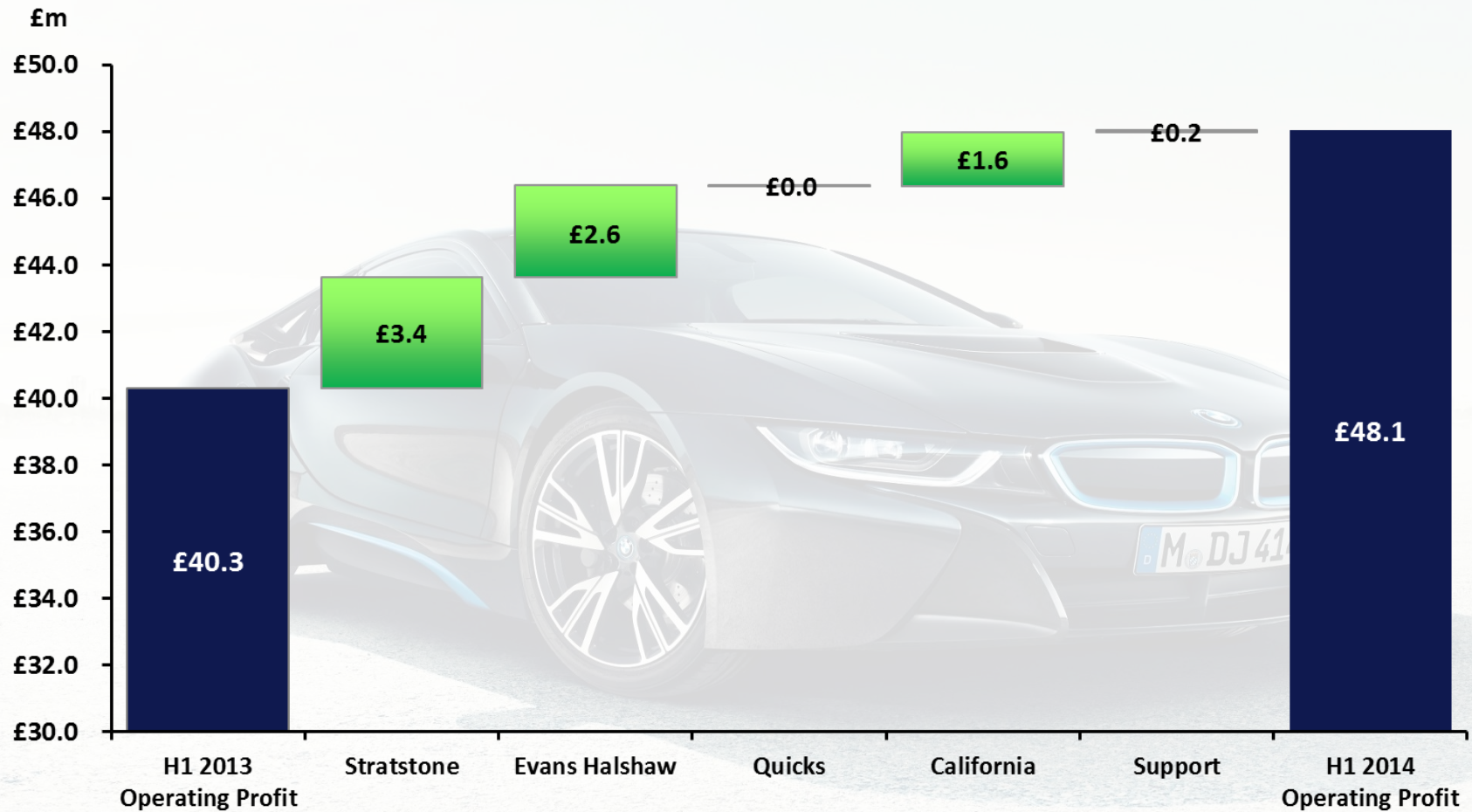
Financial Highlights – Healthy Balance Sheet

Balance Sheet £m	Jun-14	Dec-13	Jun-13
Property	155.4	161.3	163.3
Plant & Equipment	137.1	134.4	121.2
Goodwill & Intangibles	370.7	370.4	370.2
Investments	10.0	10.0	-
Stock	626.9	602.5	617.2
Debtors	137.3	103.2	136.8
Assets held for resale	13.5	13.1	17.6
Creditors	(1,029.7)	(950.1)	(974.5)
Net Borrowings	(105.7)	(139.6)	(147.3)
Shareholders Funds	315.5	305.2	304.5
Gearing	33.5%	45.7%	48.4%

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



Financial Highlights – All Divisions Performing Ahead





Industry and Customer Insight – Trevor Finn (CEO)

Industry Insight – 8% Growth Of 0-3yr Parc Expected In 2014

UK New Car Registrations

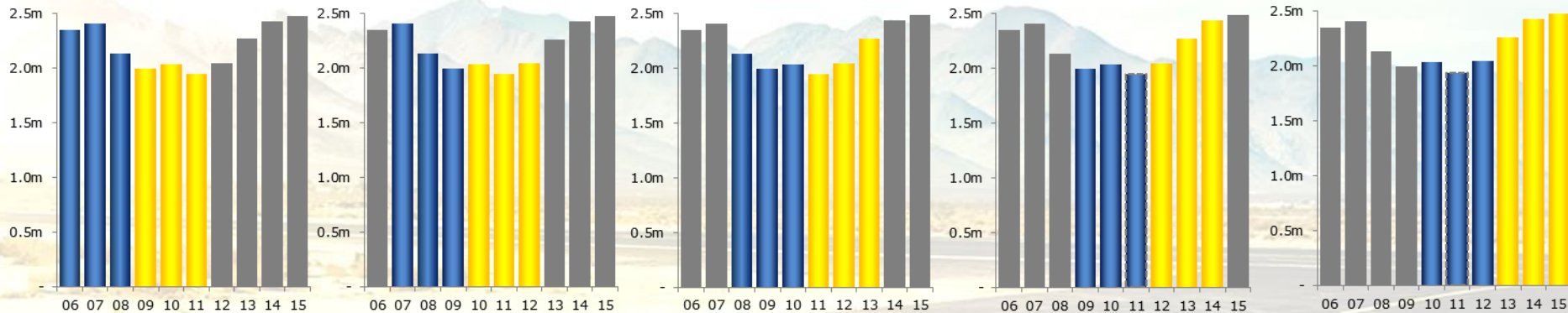
2011

2012

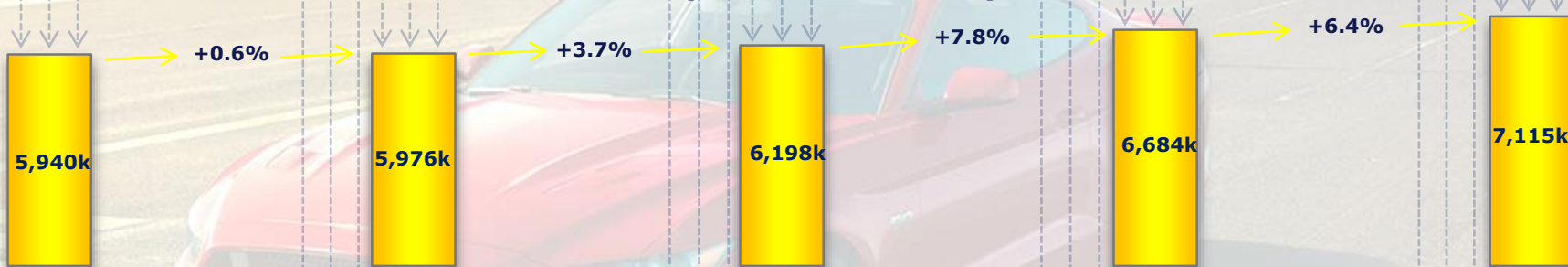
2013

2014

2015



Aftersales (0-3 Year Car Parc)

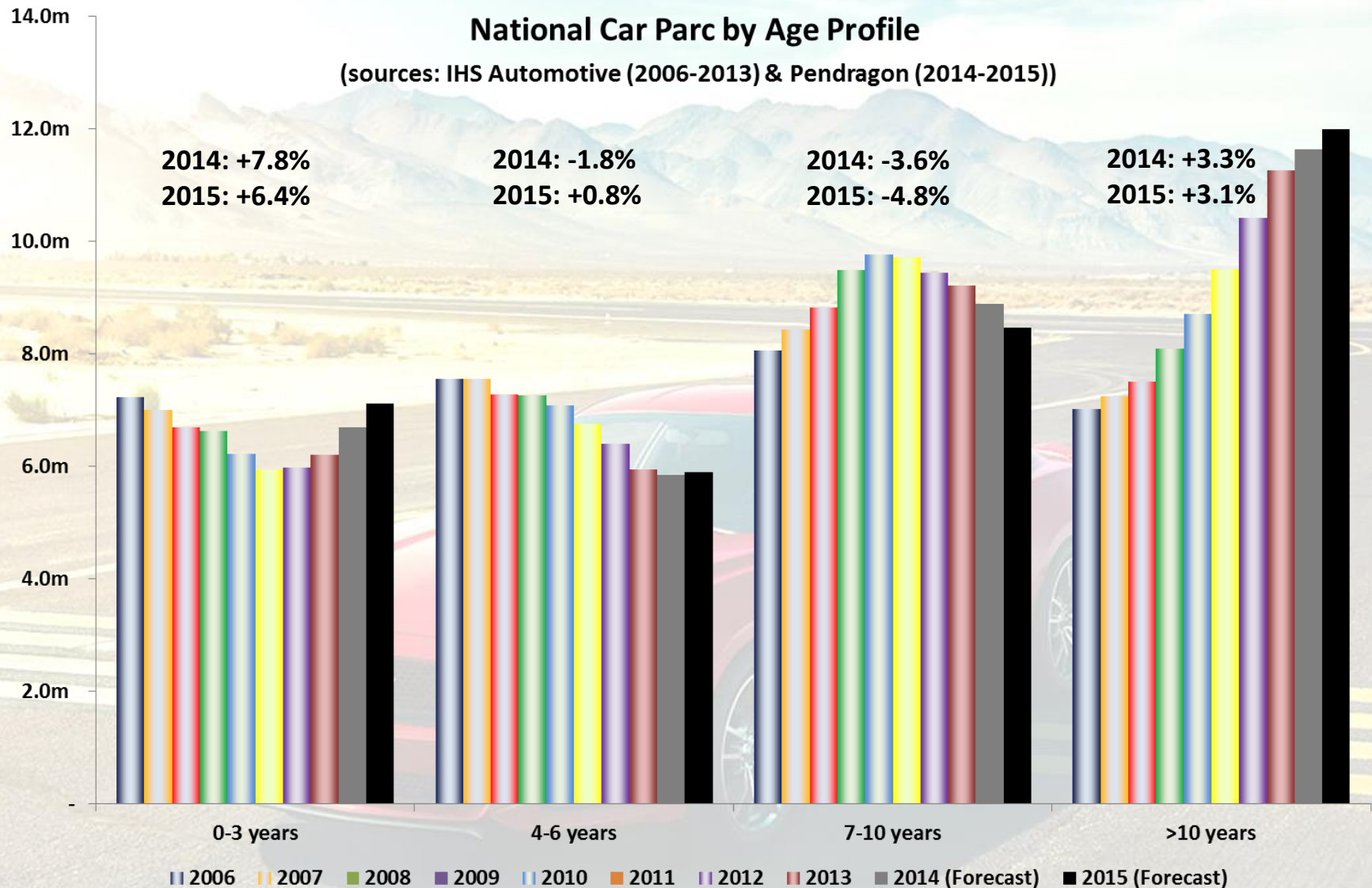


Aftersales (4-6 Year Car Parc)



Sources: SMMT, IHS Automotive (2006-13) & Pendragon (2014-15)

Industry Insight – Aftersales With Forward Prediction

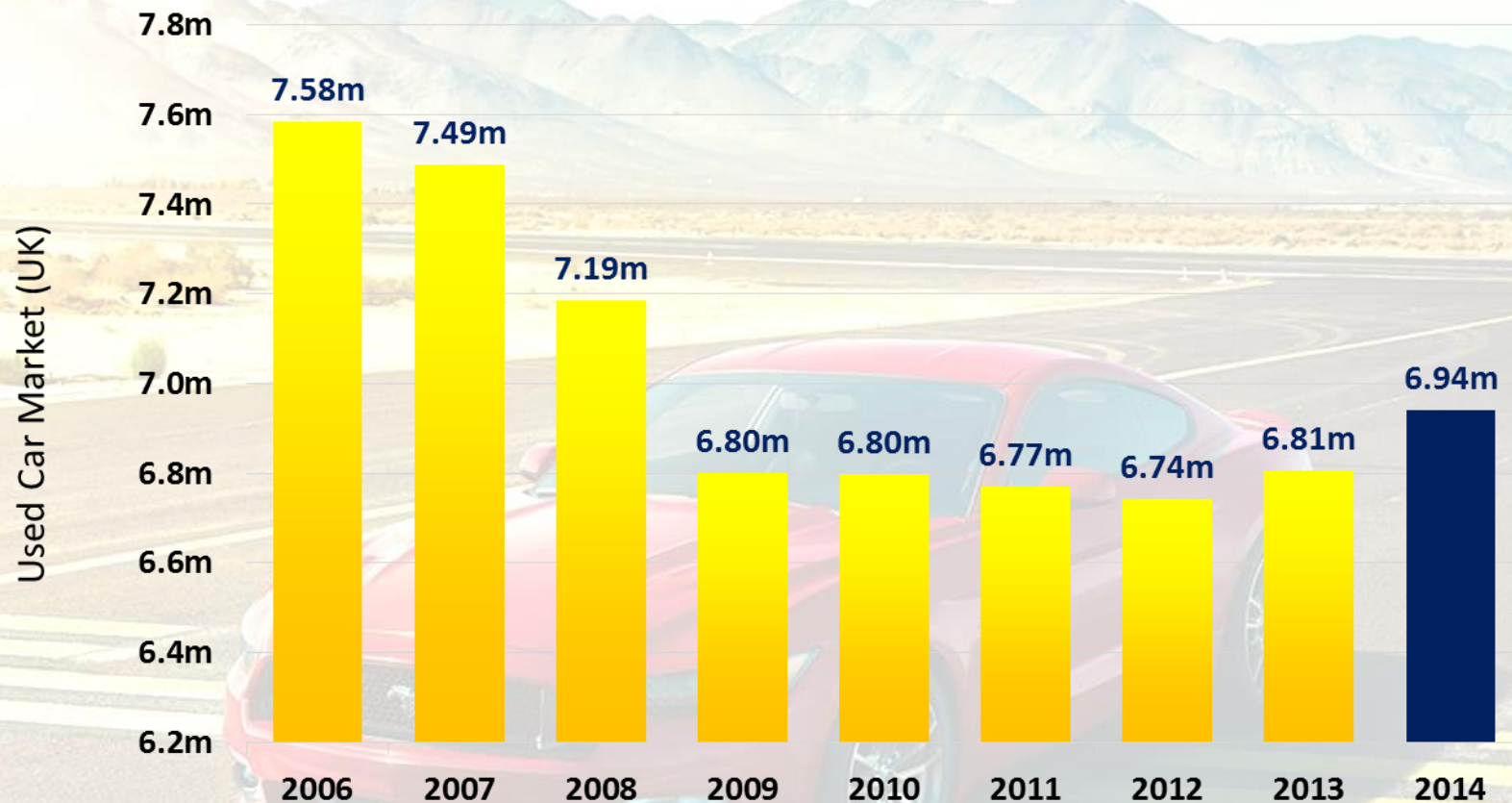


Industry Insight – Used Forward View

2013 Car Parc Profile	0-3 Yr	4-6 Yr	7-9 Yr	>10 Yr	TOTAL
2013 Car Parc Size	6.20m	5.95m	9.22m	11.26m	32.63m
2013 Used Market	1.20m	1.31m	1.88m	2.41m	6.81m
Implied Turn	19.4%	22.0%	20.4%	21.4%	20.9%
2014 Used Market	Applying the above methodology for 2014 based on our car parc forecast for 2014 (slide 14)				6.94m (+1.9%)

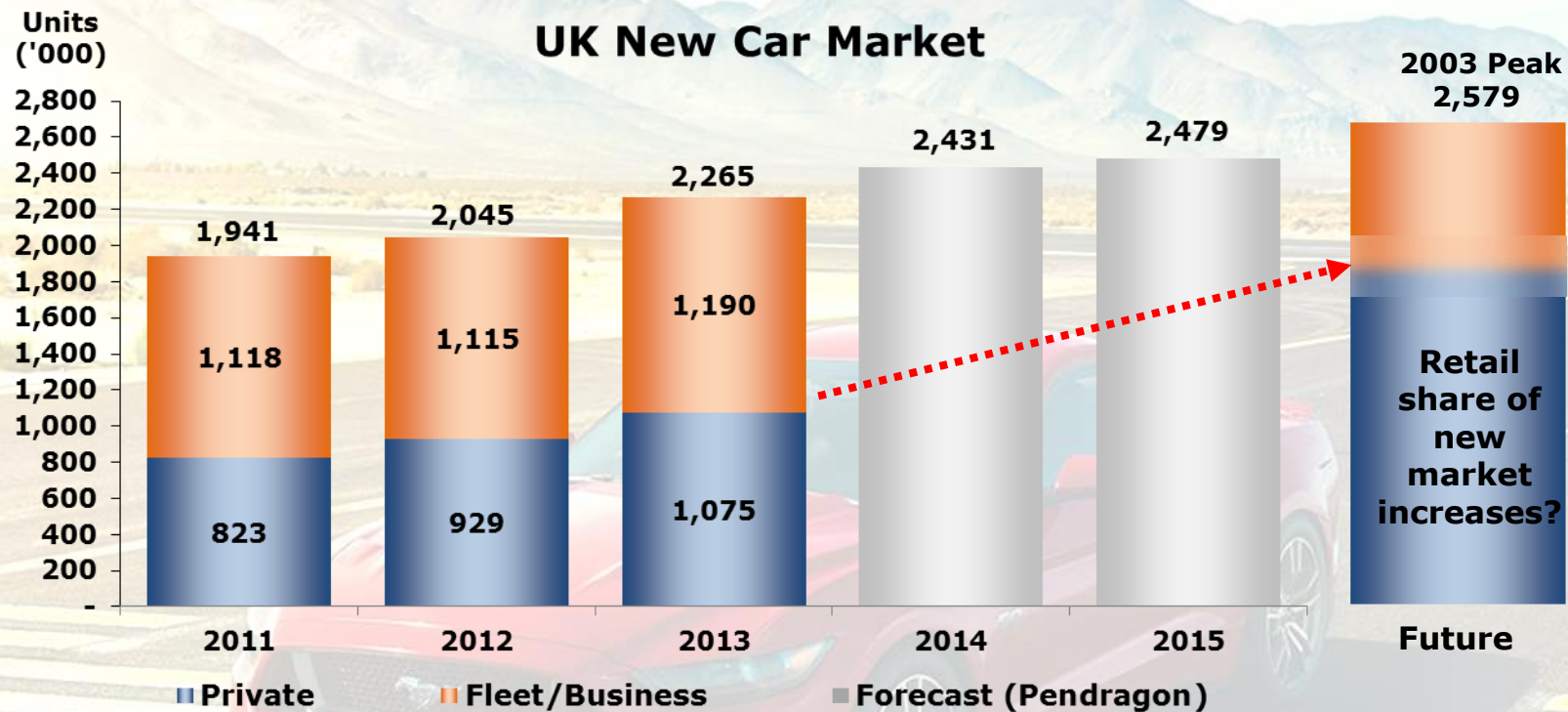
Source: IHS Automotive / Experian

Industry Insight – Used Car Market



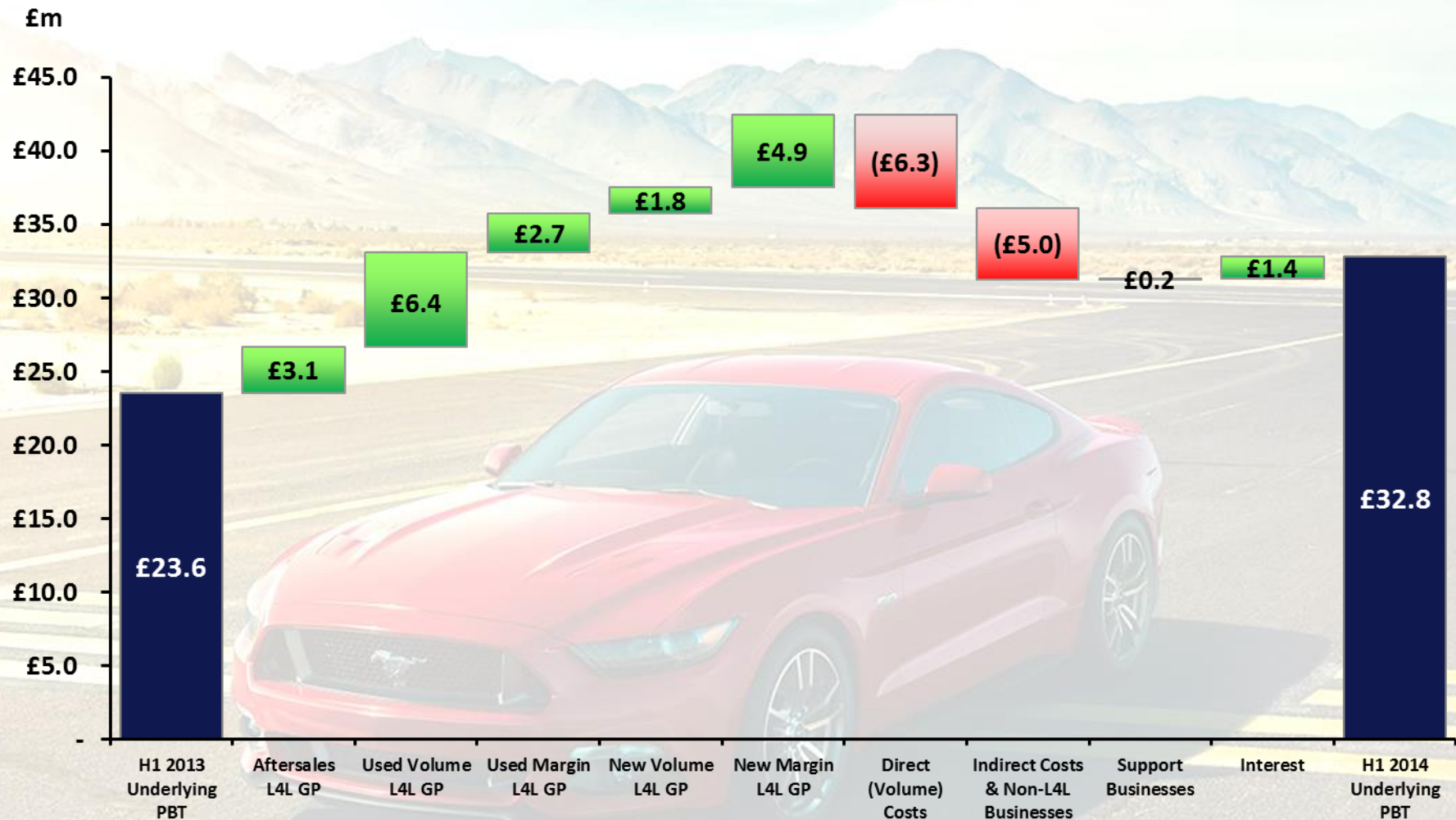
Source: Experian FY2006 to FY2013, Pendragon Forecast FY2014

Industry Insight – New Market Forecast



Source: SMMT / Pendragon

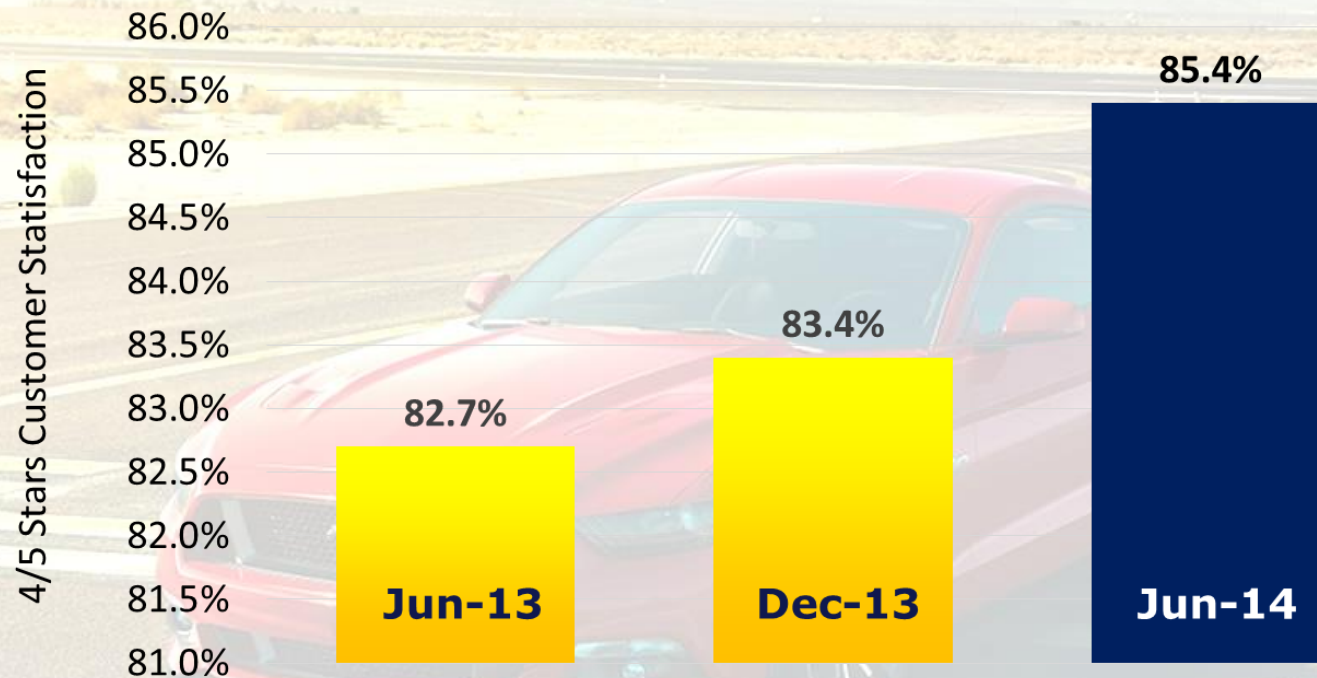
Industry Insight – Pendragon Performance by Sector



Customer Insight – Customer Ratings Are Improving

- We continue to focus on improving our customer ratings for our business

Sales and Aftersales Combined Satisfaction Scores





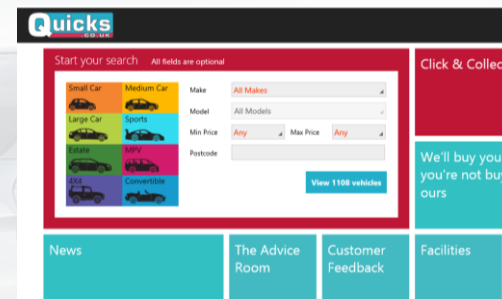
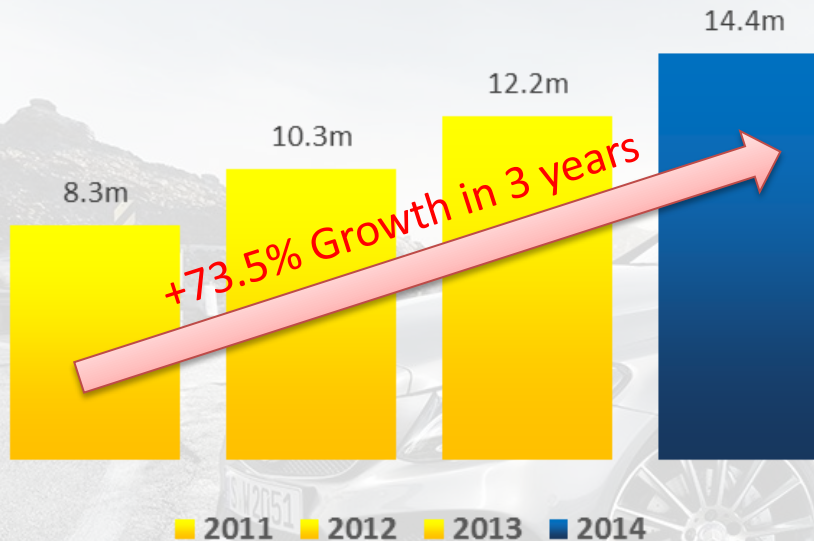
Strategic Progress & Outlook – Trevor Finn (CEO)

Strategic Progress



Strategic Progress – Online: Transformation Progressing

Rolling 12 Months To June - Web Visitors
(Stratstone.com, Evanshalshaw.com and Quicks.co.uk)



Strategic Progress – Value Pricing: First Mover To EDLP



Strategic Progress – IT Superiority: Differentiators

Video VHC



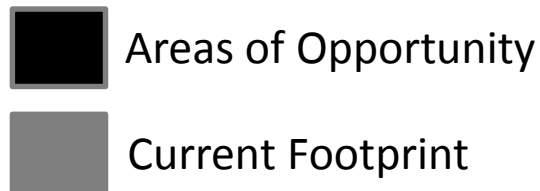
Service Booking













HD Used Vehicles



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



Outlook

Area	2013 Assessment	2014 Assessment	Success Factors
Aftersales			<ul style="list-style-type: none"> Increasing <3 year old parc
Used			<ul style="list-style-type: none"> Market recovery and further market share gains
New			<ul style="list-style-type: none"> Moderate new market growth Stable margin
Financials			<ul style="list-style-type: none"> Debt : Underlying EBITDA target achieved ahead of time
Internet			<ul style="list-style-type: none"> Growth of online visitors continues