



INTERIM MANAGEMENT STATEMENT

This Interim Management Statement for Pendragon PLC, the largest and leading automotive retailer in the UK, covers the period from 01 July 2014 to 30 October 2014. Unless otherwise stated, figures quoted in this statement are for the three months ended 30 September 2014.

TREVOR FINN, CHIEF EXECUTIVE:

"We continue to grow the business and deliver against our strategy. Strong performance improvement continued across our used, aftersales and new departments in quarter three. Our strategy is underpinned by our competitive advantages which are: to be number one online; leverage our superior IT; complete our national footprint to increase customer touch-points; and offer customers value. Given the continued strong performance in quarter three, we will be ahead of expectations for the full year."

HIGHLIGHTS

- Overall in the quarter, operating profit increased by 28.8% with gross profitability up 4.9% reflecting strong operating leverage in the period.
- Our two key brands, Stratstone and Evans Halshaw, continue to outperform the prior year.
- Visitors to Stratstone.com, Evanshalshaw.com and Quicks.co.uk increased by 16.8% in the period.
- Aftersales and used departments increased profitability by approximately 3% in the period.
- New department profitability increased in line with the market in the period.
- Year to date on a like for like basis, we have grown used gross profit in line with new gross profit improvements.
- Launch of 'Sell Your Car' in the quarter with 29 retail points in the UK, providing a direct source of used cars from consumers.

TRADING UPDATE

We operate our core business in the used, aftersales and new vehicle sectors under the Stratstone.com, Evanshalshaw.com and Quicks.co.uk brands. We also have a number of support businesses in the associated markets of dealer IT systems, vehicle leasing and parts.

Used gross profit grew by 3.5% in the period, with gross margin improving in both Evans Halshaw and Stratstone. We continue to improve profitability in a stable market and are seeking to expand our used presence by increasing our footprint and scale in the UK market in the medium term.

Aftersales gross profit grew by 2.9% in the period, benefiting from the improving vehicle parc (the number of vehicles on the UK's roads). The vehicle parc in the young vehicle segment (less than three years old) has been growing. This, coupled with our own actions, such as service plans and vehicle health checks, to retain and grow sales with our aftersales customers, has meant we have been able to improve profitability.



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New gross profit is in line with the market in the period with improvement in both Stratstone.com and Evanshalshaw.com.

By segment, our UK motor business of Stratstone, Evans Halshaw and Quicks have all performed ahead of the prior year. Our support businesses continue to provide stable profitability streams for the Group.

The business continues to benefit from strong operational leverage in the period: operating profit increased by 28.8% and gross profit grew by 4.9% reflecting flat operating costs, resulting in an improvement in year to date operating margin. Our balance sheet remains strong with our debt : underlying EBITDA ratio being 0.7 and we expect to remain comfortably below the lower end of our target range of 1.0 to 1.5. Work is underway to expand our UK footprint and we will provide an update on progress with our year end announcement.

INDUSTRY INSIGHT

We signalled in our interim report that we expect new car registrations to stabilise in 2015. Year to date registrations to 30 September 2014 increased by 9.1% year on year, with retail registrations increasing by 10.0%. The UK new car market increased registrations by 6.3% in the third quarter, with the retail market increasing by 6.6%, reflecting the trend towards a stable market we had signalled earlier. We expect the trend towards a greater proportion of new vehicle sales being through the retail channel will continue in the medium term.

The used car market increased by 1.0% in the six month period to 30 June 2014 (latest available data from Experian), following growth of 5.9% in quarter one and a decline of 3.4% in quarter two. Interestingly, against the overall reduction in the market in quarter two, the only sector to grow was the sale of newer used car models, which grew by over 1%, given the increased volume of new car sales in the last three years. This validated the modelling that we conducted at the interim, and we still expect the overall market to grow by approximately 2% for the full year.

The aftersales car parc continues to be favourable in the nearly new vehicle car parc as a result of the new car market increases in the last three years.

STRATEGIC UPDATE AND OUTLOOK

We continue to invest in our online strategy and now have a market share of Automotive Dealership websites of over 8% for our combined websites (source Experian Hitwise data). We are pleased to report that visitors to Stratstone.com, Evanshalshaw.com and Quicks.co.uk increased by 16.8% in the period. We are making progress in our expansion of our footprint and will provide a full update with our year end results.

We launched 'Sell Your Car' in the quarter with 29 retail points. The consumer can sell their car direct to Evanshalshaw.com, who will pay them more than 'webuyanycar.com'. We are establishing national coverage in quarter four with a further roll-out of 10 retail points. The TV advert achieved over 1 million YouTube views since the launch of 'Sell Your Car' at the end of August 2014. This initiative encompasses all of our strategic pillars, in particular customer value and national footprint.



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As the largest and leading automotive retailer in the UK, we continue to deliver strong results in the third quarter of the year. Overall, our business continues to deliver against our strategy of growth within the used and aftersales sectors, maintaining a balanced portfolio whilst delivering first class customer service. Given the continued progress in quarter three, we expect the full year to be ahead of expectations for 2014.

ENQUIRIES

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