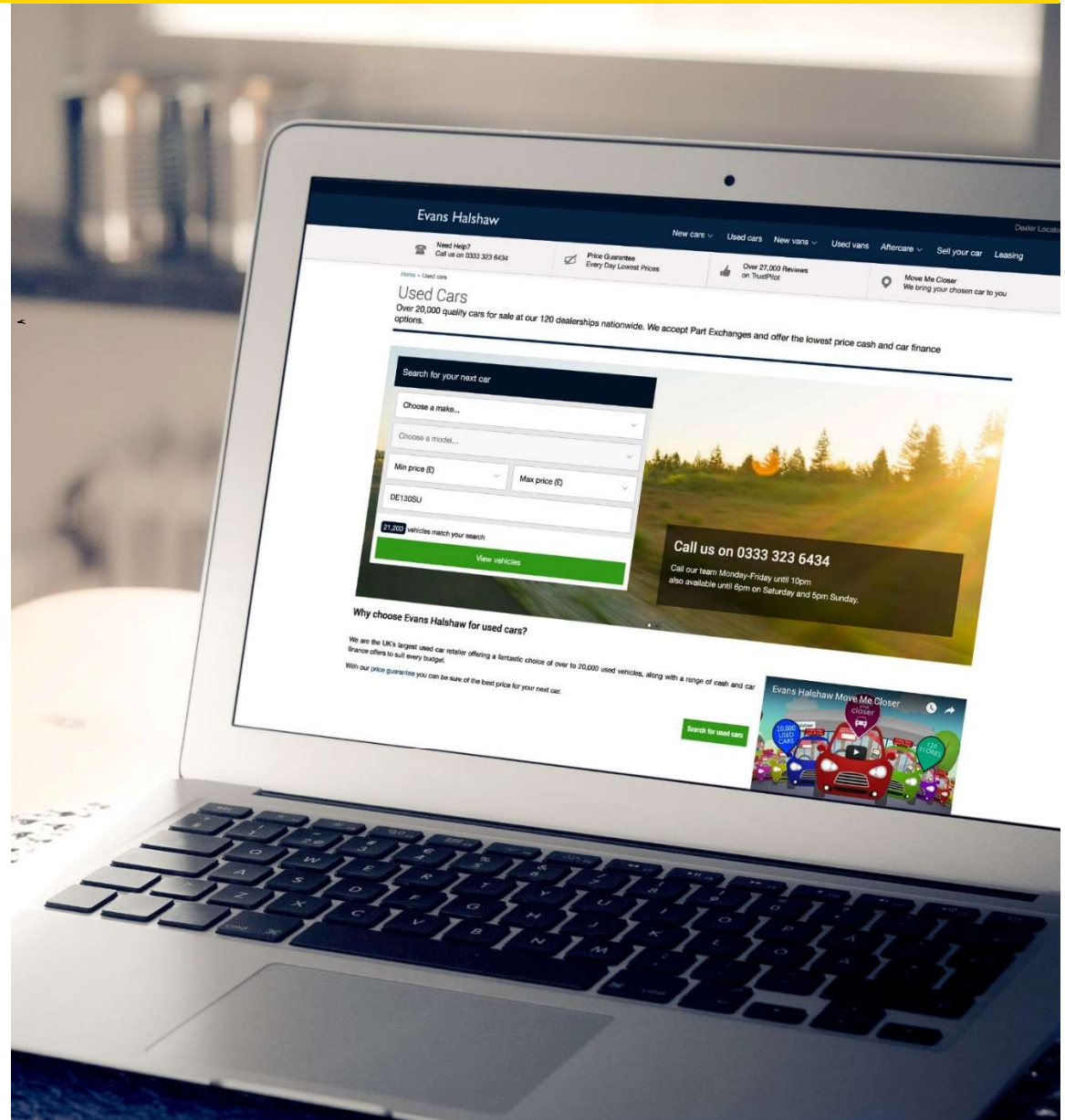


Pendragon | PLC



2019 Full Year Results 18 March 2020



FY19 Highlights

- FY19 a challenging year with improved performance in H2
 - Significant issues resulted in H1 underlying loss of £(32.2)m
 - c.£(30)m impact of reduction in used car stock from excess levels
 - Car Store operating losses of £(19m)
 - Much improved second half, returning to underlying profit of £15.8m
 - Closure of 22 underperforming Car Stores
 - Stronger management of used vehicle inventory
 - Clear focus on operational cost management
- Group remains attractive choice for consumers;
 - Like-for-like revenue growth of 3.8% (Total revenue down 2.6%)
- Pinewood and Leasing performed well
- Good progress made with disposal of US motor group, with gross proceeds received to date of £79m
 - Remains on track to deliver £100m gross proceeds before tax
- Underlying Loss Before Tax £(16.4)m (2018 : £47.8m profit)
- H2 Underlying Profit Before Tax £15.8m (2018 : £19.4m profit)
- Closing Net Debt - £119.7m (FY18 : £126.1m) down 5.1%

Business Review



Car Store – FY19 and FY20 Plans

H1 2019 Activity

- H1 2019 operating losses of £(19.1)m
 - c.£6.1m impact from excess stock reduction
 - Remainder of losses from sub-optimal store estate
 - Conversions of ex-franchise locations with too little display space / high occupancy costs
- Market and operating assessment completed
 - Confirmed significant, attractive market opportunity
 - Plans developed to close 22 underperforming sites were announced in the Interim results

H2 2019 Activity

- Closures completed in line with plans
- Significant performance improvements in the 12 remaining stores since the closure programme was completed
- H2 2019 operating losses of £(6.1)m
 - £(5.0)m of operating losses in Q3 2019
 - Decreasing to £(1.1)m of operating losses in Q4 2019

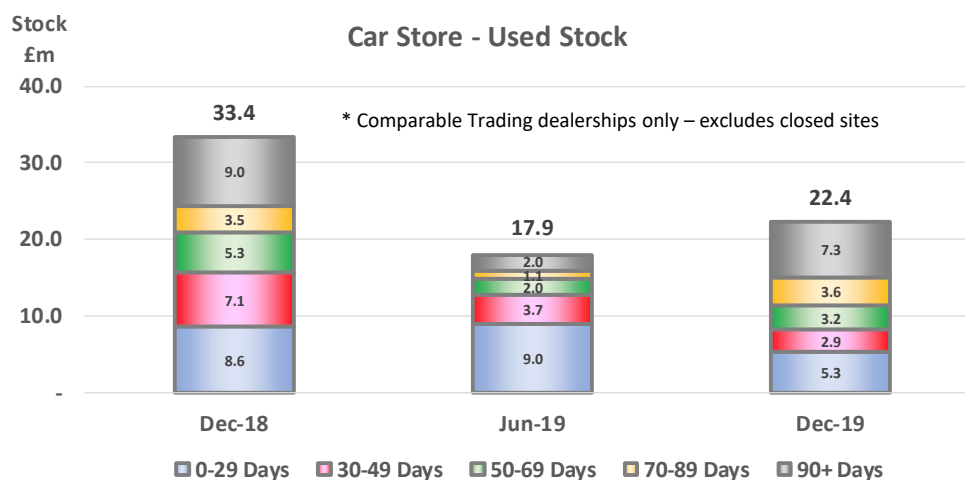
FY20 Plans

- We remain confident that the strategic opportunity for a standalone used car proposition is significant, focussing on an omni-channel approach, positioning this business for a digitally-led future

Car Store – Summary

Car Store (£m)							
	2019	2018	% Change	% Change LFL	2019 ¹	H1 2019	H2 2019
Revenue	270.3	300.5	-10.0%	+6.3%	270.3	170.8	99.5
Gross Profit	10.9	24.6	-55.7%	-46.5%	10.9	5.3	5.6
Operating Costs	(36.1)	(36.5)	-1.1%	-3.9%	(37.3)	(24.4)	(11.7)
Operating Loss	(25.2)	(11.9)	111.8%	166.7%	(26.4)	(19.1)	(6.1)
Gross Margin %	4.0%	8.2%	-4.2%	-5.8%	4.0%	3.1%	5.6%
Operating Margin %	-9.3%	-4.0%	-5.3%	-4.5%	-9.8%	-11.2%	-6.1%

¹ Restated on proforma IAS 17 basis to exclude impact of IFRS 16 for comparison purposes



- Revenue down -10.0% as a result of the H2 store closures
- LFL revenue up 6.3%
- Improved performance throughout 2019 with operating losses reduced to £(1.1)m in Q4 2019
- This followed operating losses of £(19.1)m in H1 2019 and £(5.0)m in Q3 2019
- Reduced level of stock holding



Franchised UK Motor – FY19 and FY20 Plans

H1 2019

- H1 2019 operating losses of £(7.7)m
- H1 impact of c.£24m from the reduction in levels of excess used stock
- Like-for-like revenue growth of 2.6% in first half of the year
- 6 Jaguar Land Rover sites exited as part of programme to right-size the Franchised UK Motor operation

H2 2019

- Improved performance in H2 as a result of actions taken by management – operating profit of £20.7m
 - Better management of used vehicle inventory
 - Clear focus on operational cost management
 - Used car margins stabilised at 7.8% in H2 vs 4.9% in H1
- Market out-performance in New car sales, with like-for-like new units growth of 2.3%
- Further network rationalisation with 2 Jaguar Land Rover sites exited

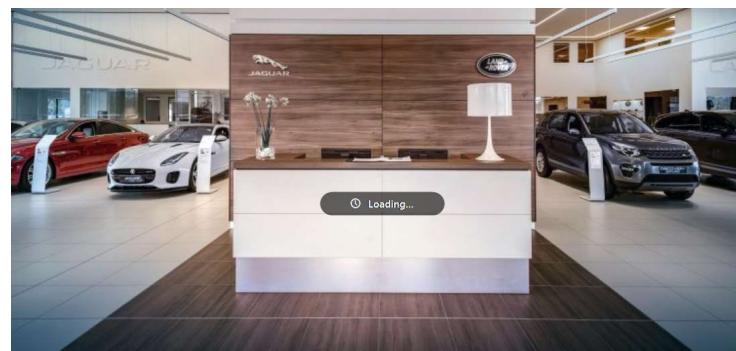
FY20 Plans

- Right-sizing to continue – 5 Vauxhall satellite sites closed in January 2020
- Focus on self-help performance improvements

Franchised UK Motor – Summary

UK Motor (£m)							
	2019	2018	% Change	% Change LFL	2019 ¹	H1 2019	H2 2019
Revenue	3,730.8	3,773.9	-1.1%	3.8%	3,730.7	1,999.2	1,731.6
Gross Profit	371.6	432.1	-14.0%	-10.4%	371.6	182.2	189.4
Operating Costs	(358.6)	(379.1)	-5.4%	-0.7%	(369.3)	(189.9)	(168.7)
Operating Profit	13.0	53.0	-75.5%	-66.0%	2.3	(7.7)	20.7
Gross Margin %	10.0%	11.4%	-1.4%	-1.6%	10.0%	9.1%	10.9%
Operating Margin %	0.3%	1.4%	-1.1%	-1.1%	0.1%	-0.4%	1.2%

¹ Restated on proforma IAS 17 basis to exclude impact of IFRS 16 for comparison purposes



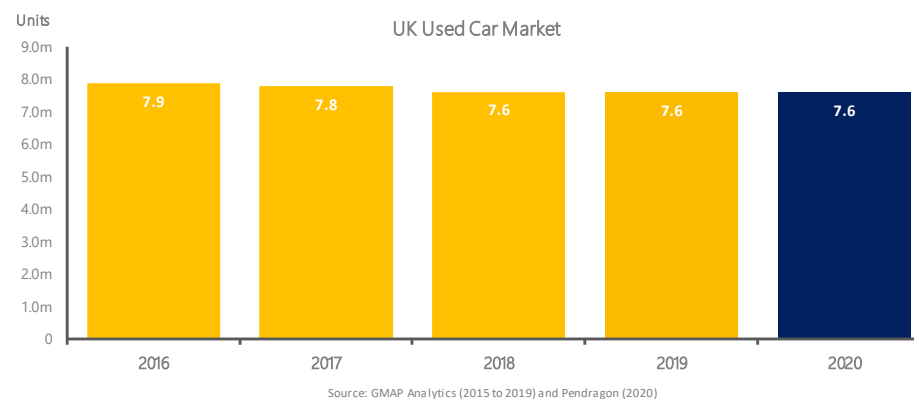
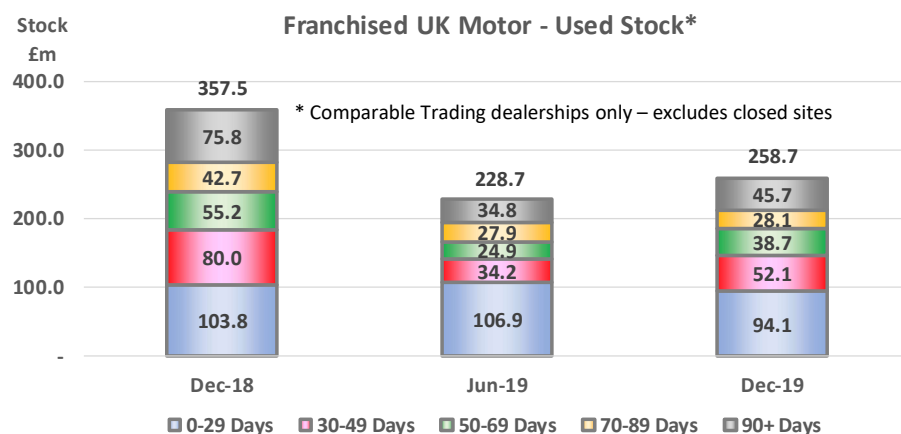
- Total revenue down 1.1%, with the reduction in premium locations
- LFL revenue growth of 3.8%
- LFL gross profit down 10.4% mainly as a result of the reduction in excess stock
- Operating costs have increased by 2.3% on a comparable LFL basis. LFL operating costs up 5.4% in H1 and down 0.8% in H2 due to cost management measures introduced



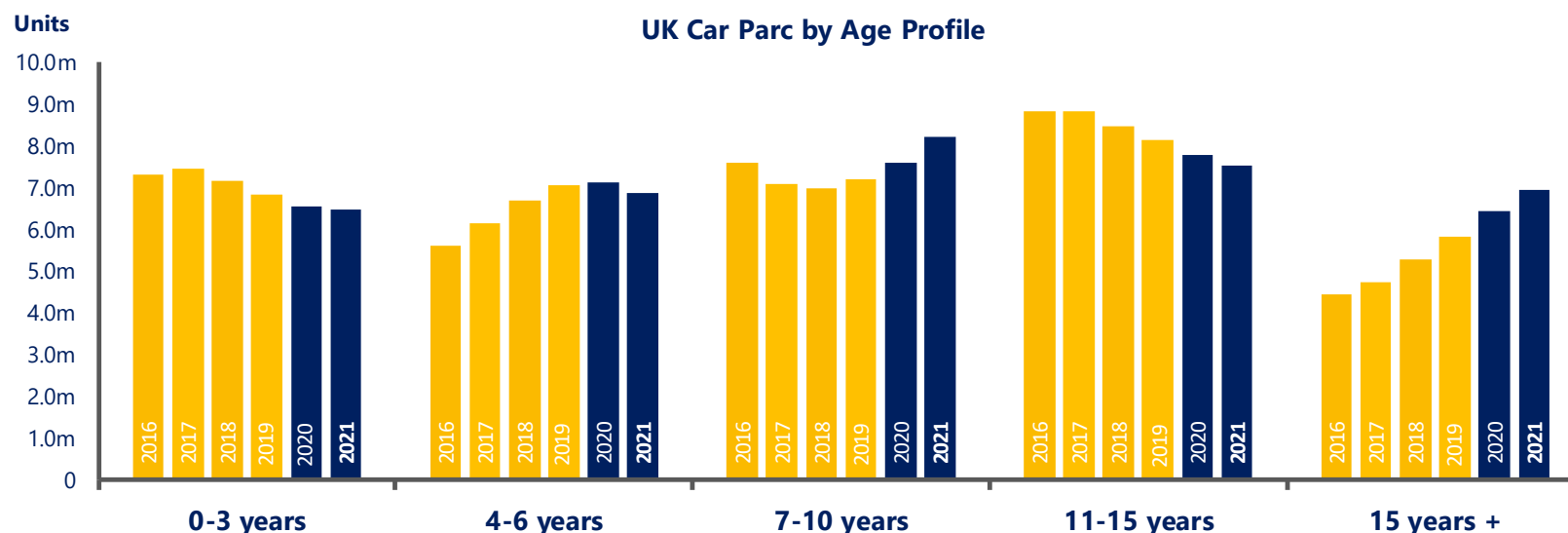
Franchised UK Motor - Used

Used (£m)						
	2019	2018	% Change	% Change LFL	H1 2019	H2 2019
Revenue	1,702.4	1,796.1	-5.2%	-0.0%	959.4	743.0
Gross Profit	105.2	141.3	-25.5%	-22.0%	47.0	58.2
Gross Margin %	6.2%	7.9%	-1.7%	-1.9%	4.9%	7.8%

- Franchised UK Motor used LFL revenue flat. The UK used market was down 0.1% by volume in FY19
- Increases in used car stock at the end of FY18 without an associated increase in sales rates led to excess used car stock during H1 2019
- Improvement in used gross margin from 4.9% in H1 to 7.8% in H2
- Used stock stable at end of FY19



Franchised UK Motor – Aftersales

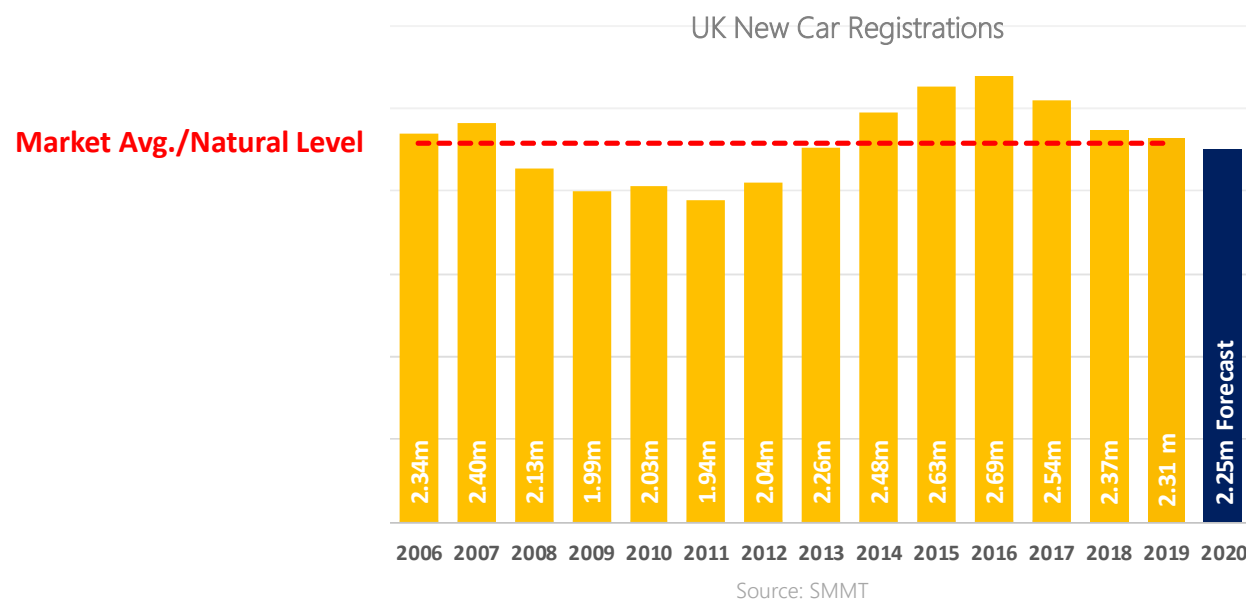


Source: GMAP Analytics (2015 to 2019) and Pendragon (2019 to 2021)

Aftersales (£m)						
	2019	2018	% Change	% Change LFL	H1 2019	H2 2019
Revenue	326.2	333.2	-2.1%	+1.6%	168.0	158.2
Gross Profit	161.5	179.8	-10.2%	-6.7%	83.7	77.8
Gross Margin %	49.5%	54.0%	-4.5%	-4.5%	49.8%	49.2%

- Franchised UK Motor LFL aftersales revenue up 1.6% and gross profit down 6.7% like for like
- Margin impacted by a combination of increased cost of service technicians and lower margin warranty work
- 4.9% reduction in 0-3 year car parc in FY19 vs FY18
- 5.9% growth in 4-6 year car parc in FY19 vs FY18

Franchised UK Motor – New

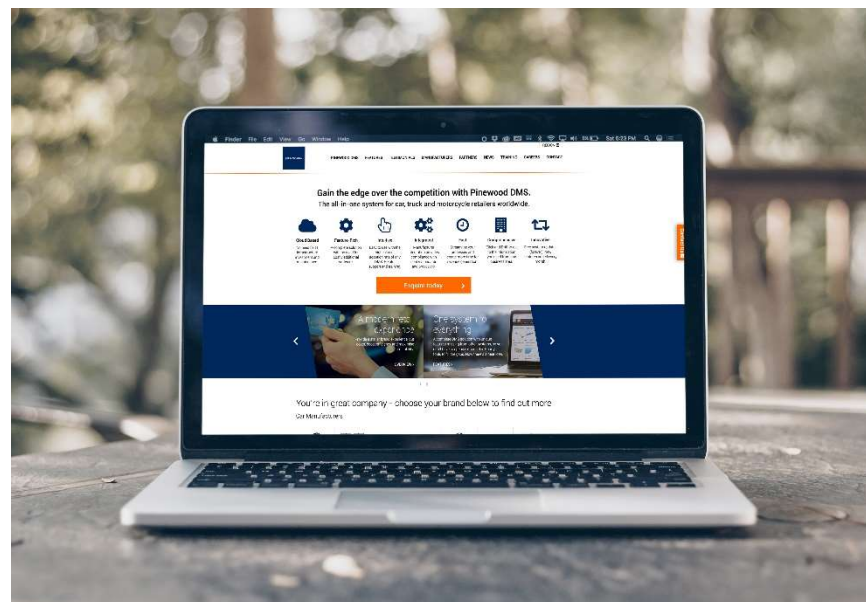


New (£m)						
	2019	2018	% Change	% Change LFL	H1 2019	H2 2019
Revenue	1,702.2	1,644.6	+3.5%	+8.3%	871.8	830.4
Gross Profit	104.9	111.0	-5.5%	-1.2%	51.5	53.4
Gross Margin %	6.2%	6.7%	-0.5%	-0.5%	5.9%	6.4%

- Franchised UK Motor LFL new revenue up 8.3% and gross profit down 1.2% like for like
- The new retail market was down by 3.2% in FY19 and the new fleet market was down 1.7%
- Challenging market conditions driven by higher levels of consumer uncertainty
- PDG outperformed overall new retail market
- Retail market represented 44% of the UK new market in FY19
- SMMT forecast 2.6% market decline in FY20 (as at January)

Software – FY19 and FY20 Plans

Software (£m)			
	2019	2018	% Change
Revenue	18.3	16.9	+8.3%
Gross Profit	16.4	14.9	+10.1%
Operating Costs	(3.0)	(3.2)	-6.3%
Operating Profit	13.4	11.7	+14.5%
Gross Margin %	89.6%	88.2%	+1.4%
Operating Margin %	73.2%	69.2%	+4.0%



FY19 Activity

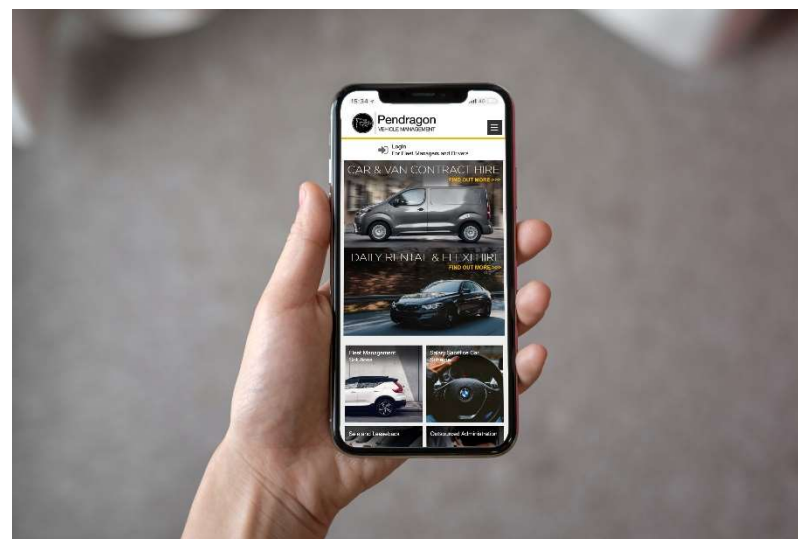
- Operating profit of £13.4m, 14.5% growth
- Over 1,000 Net new users added across FY19
 - Growth of the business internationally
 - Core UK business continued to grow

FY20 Plans

- Continued expansion both inside and outside Europe
- A number of new prospects both in the UK and globally

Leasing – FY19 and FY20 Plans

Leasing (£m)			
	2019	2018	% Change
Revenue	64.4	57.3	+12.4%
Gross Profit	17.1	18.8	-9.0%
Operating Costs	(4.3)	(4.0)	+7.5%
Operating Profit	12.8	14.8	-13.5%
Gross Margin %	26.6%	32.8%	-6.2%
Operating Margin %	19.9%	25.8%	-5.9%



FY19 Activity

- Revenue growth of 12.4%
- Operating profit declined by £2.0m, 13.5%, largely as a result of the prior year provision release of £2.8m
- Continued good returns from a low capital base
- The business contract hire car fleet sector fell 9% in FY19, Pendragon Vehicle Management fleet size up 5.5%

FY20 Plans

- Continued focus on driving incremental growth in the overall size of the fleet
- Whilst maintaining a sensible approach to the assessment of residual values

US Motor – FY19 and FY20 Plans

US Motor (£m)							
	2019	2018	% Change	% Change LFL	2019 ¹	H1 2019	H2 2019
Revenue	422.3	478.4	-11.7%	+1.2%	422.3	233.9	188.4
Gross Profit	56.7	60.1	-5.7%	+0.0%	56.7	31.4	25.3
Operating Costs	(44.0)	(51.5)	-14.6%	-11.2%	(47.5)	(28.1)	(15.9)
Operating Profit	12.7	8.6	+47.7%	+93.9%	9.2	3.3	9.4
Gross Margin %	13.4%	12.6%	+0.8%	-0.2%	13.4%	13.4%	13.4%
Operating Margin %	3.0%	1.8%	+1.2%	+1.4%	2.2%	1.4%	5.0%

¹ Restated on proforma IAS 17 basis to exclude impact of IFRS 16 for comparison purposes

Disposal Progress

- Mission Viejo and Newport Beach locations successfully disposed during FY19 for combined consideration of £59.3m
- Puente Hills subsequently completed during February 2020 for consideration of £16.5m
- Discussions remain ongoing for the remaining locations in Los Angeles & Santa Monica
- Remain on target to achieve combined gross sale proceeds from US disposals of c.£100m pre tax

Financial Performance

- LFL Revenue up 1.2%
- Operating profit up 94% on a like-for-like basis
- £3.5m operating profit credit as a result of IFRS 16 adoption (recorded in H2)



Financial Summary

Financial Summary – Profit and Loss

Year ended 31 st December	2019	2018	% Change	2019 ¹	H1 2019	H2 2019
Revenue	4,506.1	4,627.0	-2.6%	4,506.1	2,455.6	2,050.5
Gross Profit	472.7	550.5	-14.1%	472.7	235.2	237.5
Gross Margin %	10.5%	11.9%	-1.4%	10.5%	9.6%	11.6%
Operating Costs (SG&A)	(446.0)	(474.3)	-6.0%	(461.4)	(245.9)	(200.1)
Operating (Loss) / Profit	26.7	76.2	-65.0%	11.3	(10.7)	37.4
Operating Margin %	0.6%	1.6%	-1.0%	0.3%	-0.4%	1.8%
Interest	(43.1)	(28.4)	+51.8%	(29.8)	(21.5)	(21.6)
Underlying (Loss) / Profit Before Tax	(16.4)	47.8		(18.5)	(32.2)	15.8
Underlying Earnings Per Share	(1.2p)	2.8p				
Dividend Per Share	-	1.50p	-100.0%			

¹ Restated on proforma IAS 17 basis to exclude impact of IFRS 16 for comparison purposes

Summary

- Total revenue decline of 2.6%, driven by business disposals and closures. LFL revenue increase of 3.8%
- Gross profit reductions across used, aftersales and new Used gross profit down due to impact of the excess stock clearance in H1
- 1.5% decrease in underlying like for like operating costs
- Operating costs and interest impacted by IFRS 16. Net effect on underlying PBT of £2.1m
- Underlying loss before tax of £16.4m, though underlying profit before tax of £15.8m in H2
- The Board is not proposing a final dividend for FY19



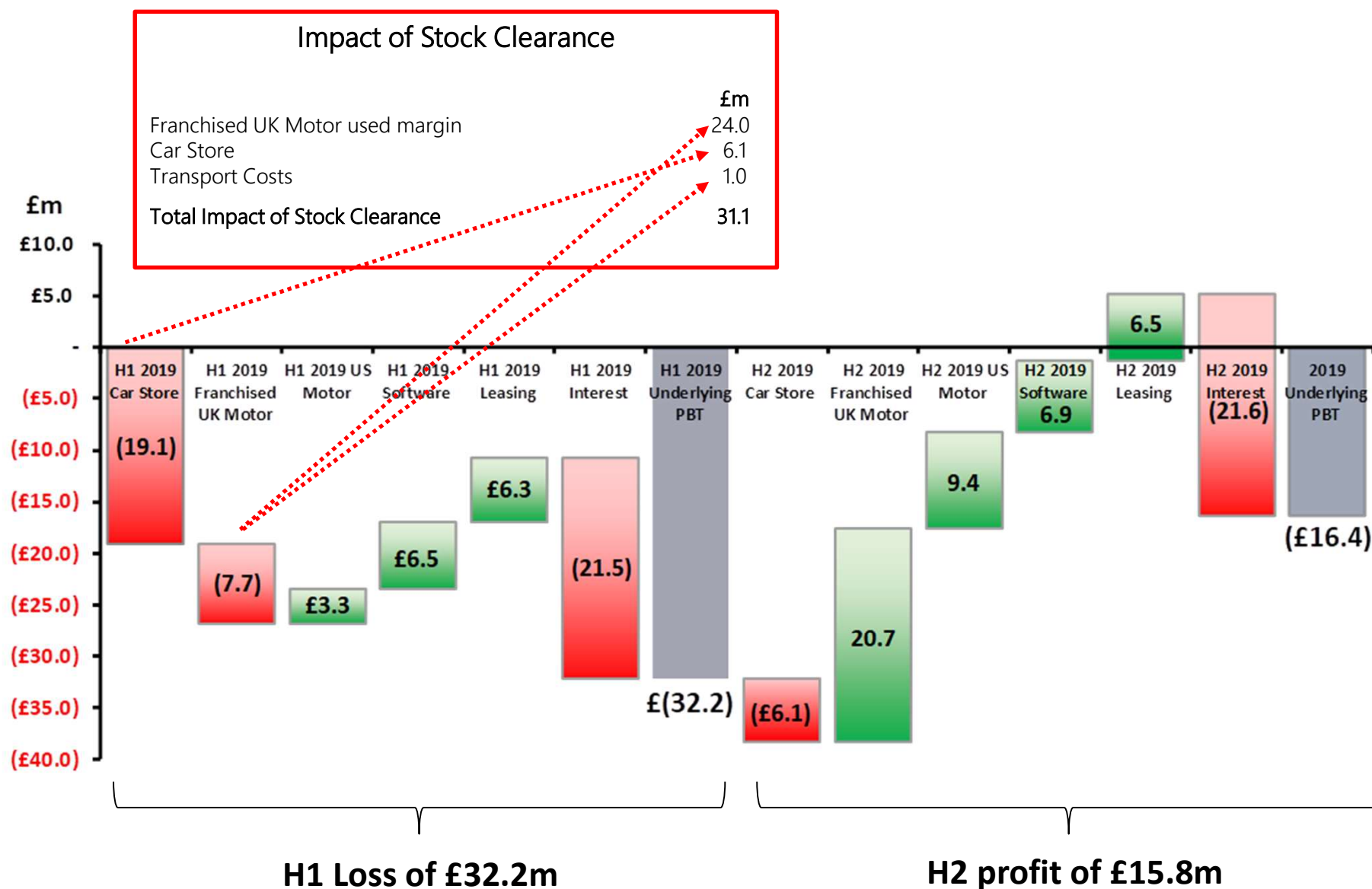
Financial Summary – Profit and Loss

Year ended 31 st December	2019	2018	H1 2019	H2 2019
Underlying (Loss) / Profit Before Tax	(16.4)	47.8	(32.2)	15.8
Impairment of goodwill and leases	(130.2)	(95.8)	(102.5)	(27.7)
Settlement of Historic VAT Issues	3.5	-	-	-
Reorganisation and severance costs	(5.5)	-	(1.4)	(4.1)
Gains / (Losses) on the Sale of Businesses & Property	33.3	15.7	(1.1)	34.4
Car Store closure costs	(1.8)	-	-	(1.8)
Pension income / (costs)	3.0	(12.1)	(0.9)	3.9
Non-underlying Items Total	(97.7)	(92.2)	(102.4)	4.7
(Loss) / Profit Before Tax	(114.1)	(44.4)	(134.6)	20.5
Tax	(3.3)	(6.1)	5.0	(8.3)
Total loss for the period	(117.4)	(50.5)	(129.6)	12.2

- Goodwill impairment of £102.4m
- Impairments of £27.8m, principally in Car Store leases post IFRS 16
- £33.3m of gains on the sales of businesses and property primarily due to the US disposals
- Reorganisation and severance costs of £5.5m
- Car store closure costs inline with previous guidance



Underlying PBT H1 / H2 Performance



Financial Summary – Cashflow

Summary Cashflow (£m)			
	2019	2018	2019 ¹
Underlying Operating Profit	26.7	76.2	11.3
Depreciation and Amortisation	44.7	27.4	25.5
Share Based Payments	0.6	0.7	0.6
Non-underlying Items	(5.7)	-	(7.3)
Working Capital and Contract Hire Movements	(2.2)	(16.2)	(5.9)
Operating Cashflow	64.1	88.1	24.2
Tax Paid	(3.3)	(10.9)	(3.3)
Underlying Net Interest	(26.8)	(24.8)	(26.8)
Capital Expenditure – Car Store	(3.8)	(6.8)	(3.8)
Capital Expenditure – Franchise	(20.2)	(12.6)	(20.2)
Capital Expenditure – Underlying Replacement	(9.3)	(30.6)	(9.3)
Capital Expenditure – Property	(16.1)	(6.5)	(16.1)
Business and Property Disposals	72.4	30.2	72.4
Net Capital Expenditure, Acquisitions and Disposals	23.0	(26.3)	23.0
Dividends	(9.7)	(22.5)	(9.7)
Share Buybacks	(0.5)	(6.7)	(0.5)
Lease Payments & Receipts	(39.9)	-	-
Other	(0.5)	(0.4)	(0.5)
Decrease / (Increase) in Net Debt	6.4	(3.5)	6.4
Closing Net Debt	119.7	126.1	119.7

- Operating cash flow (on proforma IAS 17 basis for comparison) of £24.2m, significantly down vs FY18, principally as a result of underlying trading losses
- Tax and net interest of £30.1m combined
- Total Capital Expenditure outflow of £49.4m
- £72.4m cash inflow from business and property disposals, £59.3m relates to US disposals
- Following adoption of IFRS 16 rental expense is accounted for as a depreciation charge and interest charge
- Dividend out flows of £9.7m in relation to payment of FY18 final dividend
- Net Debt to Underlying EBITDA ratio of 1.5 (2018: 0.9) ¹

¹ Restated to proforma IAS 17 basis to exclude impact of IFRS 16 for comparison purposes

Financial Summary – Balance Sheet

Balance Sheet (£m)			
	Dec-19	Dec-18	Dec-19 ¹
Property	237.8	240.5	241.4
Plant & Equipment	231.3	233.4	231.3
Goodwill & Intangibles	172.3	274.1	172.3
Right of Use Assets	159.2	-	-
Stock	839.0	959.6	839.0
Debtors	129.9	114.8	116.6
Net Assets Held For Resale	59.6	49.0	56.5
Creditors	(1,540.5)	(1,389.7)	(1,300.5)
Net Debt*	(119.7)	(126.1)	(119.7)
Shareholders Funds	168.9	345.6	236.9

¹ Restated to exclude impact of IFRS 16 for comparison purposes

*On adoption of IFRS 16 on 1 January 2019 the Group has decided to re-define its net debt metric to exclude finance lease liabilities. This has resulted in the net debt at 31 December 2018 being adjusted by £1.5m, the finance lease liability at those dates. Net debt has been adjusted from £127.6m to £126.1m respectively at 31 December 2018.

- Goodwill impairment of £102.4m in the year
- Reduced stock levels following excess used stock held at Dec-18
- Debtors increased by £14.8m as a result of adoption of IFRS 16
- Creditors increased by £247m as a result of adoption of IFRS 16
- Cash and undrawn bank facilities of £180.5m at period end and undrawn used stocking facility of £47.2m



COVID 19

- Closely monitoring the impact of COVID-19
- Key priority is health of colleagues, customers and business partners
- Business plans in place to deal with a range of scenarios
- Preventative steps taken including deferring commitments in our capital expenditure programme, increasing flexibility in marketing spend and closely monitoring stock levels
- Limited impact on performance to date, monitoring closely in light of measures announced by the UK government on 16 March
- In dialogue with OEM's to monitor potential supply chain issues
- Spread of virus likely to influence customers willingness to visit dealerships
 - Continue to offer online / phone solutions for customers where possible
 - Potential for some level of deferral or cancellation of purchase intentions

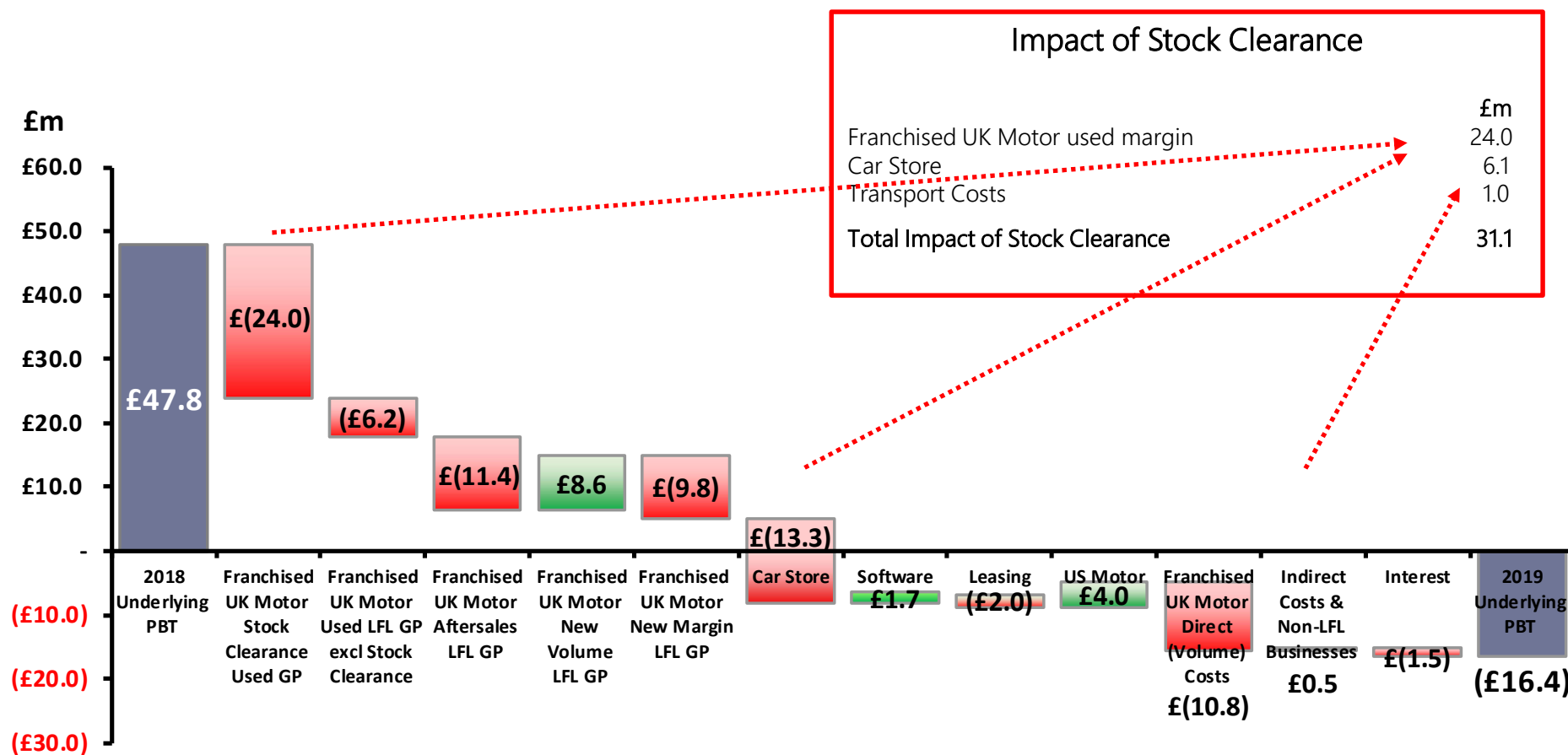
Outlook

- We remain cautious given the ongoing level of economic uncertainty post the UK's exit from the EU, with trade terms only agreed until the end of 2020. We will continue to monitor market conditions and respond accordingly
- The company has considered and will continue to monitor the threat and economic implications of COVID-19. At the moment, and excluding any impact from COVID-19, the company expects Group underlying profit before tax for FY20 to be in line with market expectations, but will continue to watch the situation closely, particularly in light of the measures that were announced by the UK government on 16 March. At this stage, it is too early to accurately quantify what the impact maybe
- The Group has taken some additional protective measures such as deferring commitments in our capital expenditure programme, increasing the flexibility we have in our marketing spend, closely monitoring inventory levels and developing alternating work schedules and home working options for employees
- Developing the next steps in the strategy of the Group is a key priority in 2020



APPENDIX – Pendragon 2019 Full Year Results

Underlying PBT Bridge FY18 – FY19



Note: the profit bridge excludes the impact of IFRS 16 for comparison purposes. The columns adjusted to achieve this are 'Indirect Costs & Non-LFL Businesses' and 'Interest'.

Appendix – Franchised UK Motor

Franchised UK Motor (£m)					
	2019	2018	% Change	% Change LFL	H2 2019
Used	1,702.4	1,796.1	-5.2%	+0.0%	743.0
Aftersales	326.2	333.2	-2.1%	+1.6%	158.2
New	1,702.2	1,644.6	+3.5%	+8.3%	830.4
Revenue	3,730.8	3,773.9	-1.1%	+3.8%	1,731.6
Used	105.2	141.3	-25.5%	-22.0%	58.2
Aftersales	161.5	179.8	-10.2%	-6.7%	77.8
New	104.9	111.0	-5.5%	-1.2%	53.4
Gross Profit	371.6	432.1	-14.0%	-10.4%	189.4
Operating Costs	(358.6)	(379.1)	-5.4%	-0.7%	(168.7)
Operating Profit	13.0	53.0	-75.5%	-66.0%	20.7
Gross Margin %	10.0%	11.4%	-1.4%	-1.6%	10.9%
Operating Margin %	0.3%	1.4%	-1.1%	-1.1%	1.2%

Summary

- LFL revenue increase of 3.8%
- Used LFL gross profit reductions of 22.0%
- LFL aftersales gross profit down 6.7%
- LFL new gross profit was down 1.2%

Summary Underlying Operating Profit by segment

Underlying Operating Profit (£m)						
	2019	2018	Change	Change LFL	2019 ¹	H2 2019
UK Motor	13.0	53.0	-40.0	-40.3	2.3	20.7
Car Store	(25.2)	(11.9)	-13.3	-6.0	(26.4)	(6.1)
Software	13.4	11.7	+1.7	+1.7	13.4	6.9
Leasing	12.8	14.8	-2.0	-2.0	12.8	6.5
US Motor	12.7	8.6	+4.1	+3.1	9.2	9.4
TOTAL	26.7	76.2	-49.5	-43.5	11.3	37.4

¹ Restated to exclude impact of IFRS 16 for comparison purposes

Impact of IFRS 16 – Profit and Loss

Underlying Results (£m)			
	2019 Following IFRS 16 Adoption	2019 Without IFRS 16 Adoption	Variance
Revenue	4,506.1	4,506.1	-
Gross Profit	472.7	472.7	-
Gross Margin %	10.5%	10.5%	-
Operating Costs (SG&A)	(446.0)	(461.4)	+15.4
Operating (Loss) / Profit	26.7	11.3	+15.4
Operating Margin %	0.6%	0.3%	+0.3%
Interest	(43.1)	(29.8)	-13.3
Underlying (Loss) Before Tax	(16.4)	(18.5)	+2.1
EBITDA	113.5	81.2	+32.3

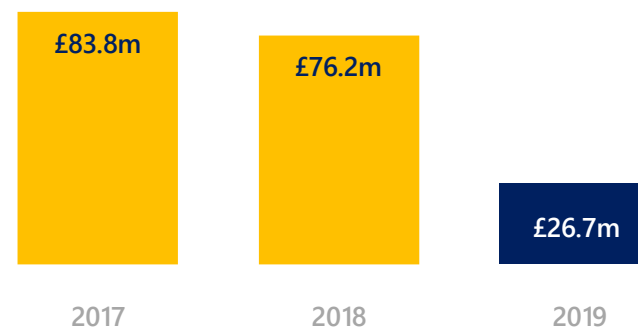


Financial Summary – 3 Year Summary

Underlying Profit Before Tax



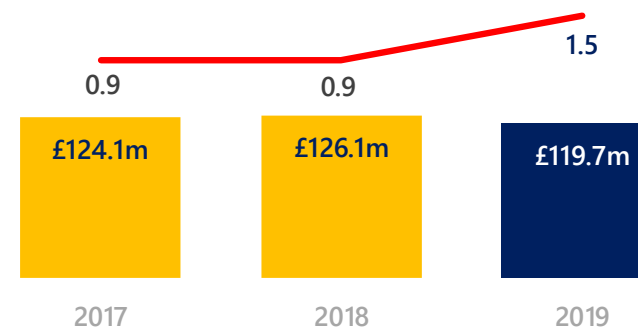
Underlying Operating Profit



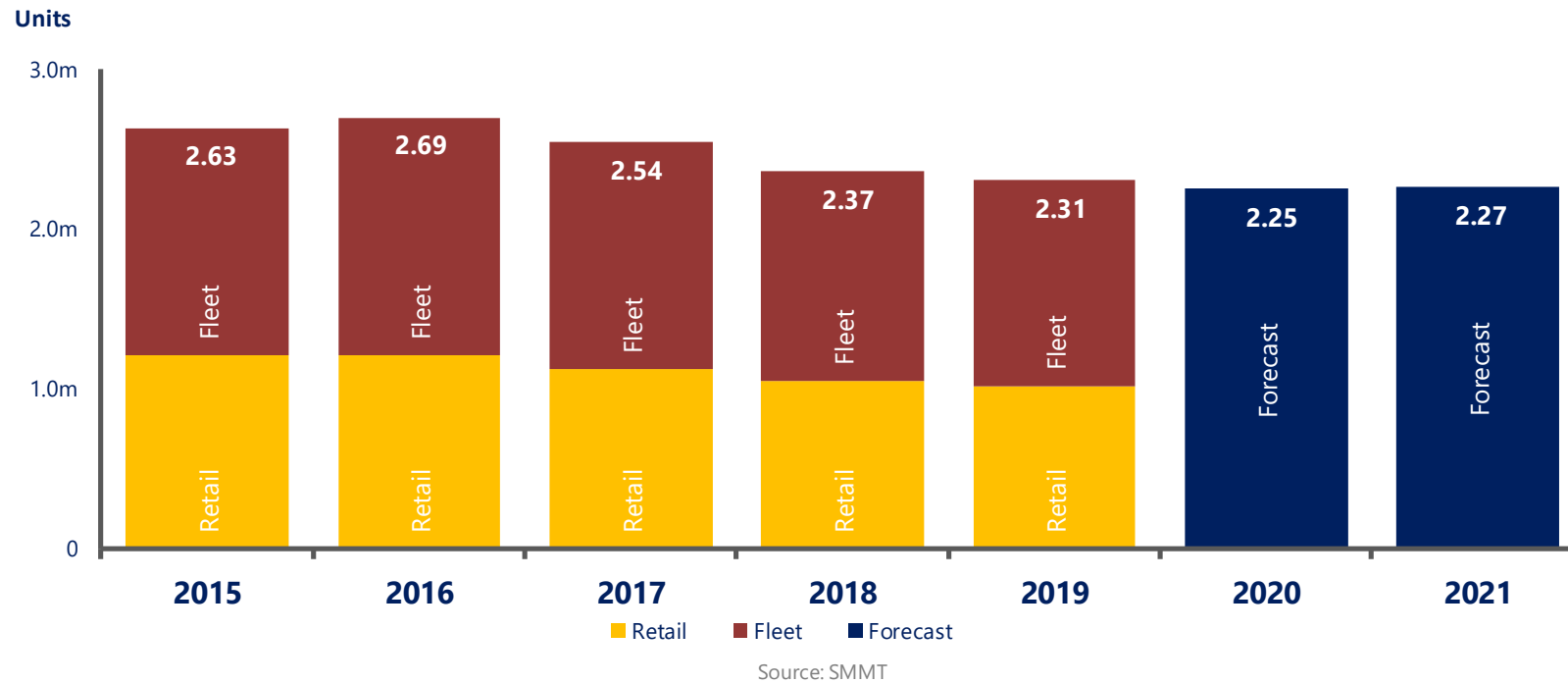
Underlying Earnings Per Share



Net Debt and Underlying EBITDA Ratio



Appendix – UK New Market



Summary

- The UK new car market was down 2.4% in 2019
- The retail market fell by 3.2% and the fleet market fell by 1.7% in 2019
- Forecast of 2.6% fall in new car market in 2020



Appendix - US Motor

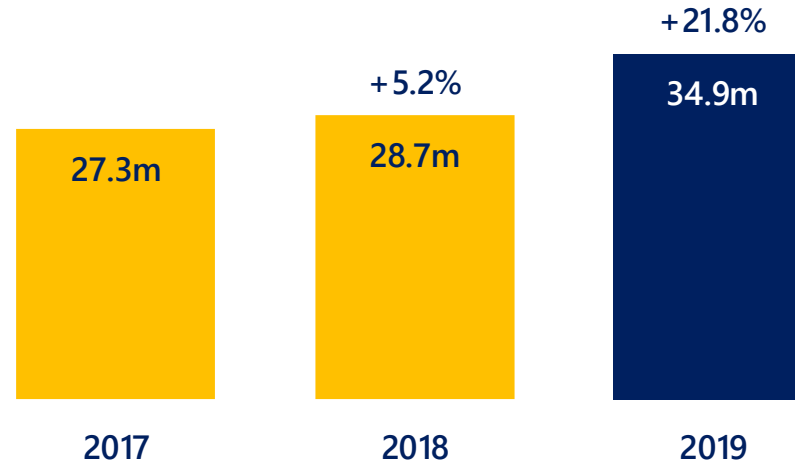
US Motor (£m)					
	2019	2018	% Change	% Change LFL	H2 2019
Used	75.7	97.9	-22.7%	-21.5%	32.6
Aftersales	40.7	43.2	-5.8%	+2.0%	18.2
New	305.9	337.3	-9.3%	+7.3%	137.6
Revenue	422.3	478.4	-11.7%	+1.2%	188.4
Used	5.7	5.4	+5.6%	-3.3%	2.2
Aftersales	21.1	22.7	-7.0%	+1.6%	9.4
New	29.9	32.0	-6.6%	-0.6%	13.7
Gross Profit	56.7	60.1	-5.7%	+0.0%	25.3
Operating Costs	(44.0)	(51.5)	-14.6%	-11.2%	(15.9)
Operating Profit	12.7	8.6	+47.7%	+93.9%	9.4
Gross Margin %	13.4%	12.6%	+0.8%	-0.1%	13.4%
Operating Margin %	3.0%	1.8%	+1.2%	+1.3%	5.0%

Summary

- Revenue reduction due to impact of disposals in FY19
- LFL revenue up 1.2%
- LFL gross profit down 0.3%

Franchised UK Motor Business Review – Online

Online Visits - Rolling 12 months



Summary

- Online visits to Carstore.com, Evanshalshaw.com and Stratstone.com increased by 21.8% in the year to 34.9m visits
- Carstore.com website launched in December 2018 and had 4.7m visits in 2019

