



**SUBJECT: Pendragon plc – General Meeting to be held on Wednesday 25 October 2023 at 10:00am**

**YOUR IMMEDIATE ATTENTION IS REQUESTED**

**Company:** Pendragon plc  
**TIDM:** PDG  
**ISIN:** GB00B1JQBT10  
**SEDOL:** B1JQBT1

**General Meeting Date:** Wednesday 25 October 2023 at 10:00am  
**Proxy Voting Deadline:** Monday 23 October 2023 at 10:00am

**Recommendation: The Board considers that the Transaction (as amended by the Transaction Amendments) is in the best interests of Shareholders as a whole, the passing of the Listing Rules Resolution remains in the best interests of Shareholders as a whole and the passing of the Rule 21.1 Resolution is in the best interests of Shareholders as a whole. Accordingly, the Board **unanimously recommends that Shareholders vote in favour of the Resolutions** to be proposed at the General Meeting.**

**Venue:** CMS Cameron McKenna Nabarro Olswang LLP, Cannon Place, 78 Cannon Street, London, EC4N 6AF.

**Information Agent:** EQ Proxy Solicitation

Dear Pendragon plc Shareholder,

A General Meeting of Pendragon plc (the “Company”) will be held at 10:00am on Wednesday 25 October 2023 at the offices of CMS Cameron McKenna Nabarro Olswang LLP at Cannon Place, 78 Cannon Street, London, EC4N 6AF (the “General Meeting”).

Shareholders are asked to consider, and if thought appropriate, pass the following resolutions as **Ordinary Resolutions:**

**1. THAT:**

(a) (i) the proposed disposal (the “Disposal”) by Pendragon Group Holdings Limited (“PGHL”) of Pendragon NewCo 2 Limited, which will hold, either directly or indirectly through its wholly-owned



subsidiaries, the Company's entire UK motor business and leasing business, on and subject to the terms and conditions of the Sale Agreement between the Company, PGHL and Lithia UK Holding Limited ("Lithia") entered into on 18 September 2023 (as defined and described in the circular sent to shareholders of the Company dated 20 September 2023 (the "**Circular**")), as amended by way of the Supplemental Deed between the Company, PGHL and Lithia entered into on 2 October 2023 (as defined and described in the supplementary circular sent to shareholders of the Company dated 9 October 2023 (the "**Supplementary Circular**")); and (ii) the North American Pinewood Opportunity (as defined and described in the Circular) and which, as described in the Circular, comprises a class 1 transaction under the Listing Rules of the Financial Conduct Authority of the United Kingdom (the "**Class 1 Transaction**"); and

(b) the issue of 279,388,880 ordinary shares of five pence each in the share capital of the Company (the "**Ordinary Shares**") at a price of approximately 10.74 pence per share (which represents a discount of more than 10 per cent. to the closing middle market price of the Ordinary Shares as at 15 September 2023, being the last business day immediately prior to the date of the announcement of the Subscription (as defined and described in the Circular)) to Lithia pursuant to the Subscription (as defined and described in the Circular) (together with the Class 1 Transaction, the "**Transaction**");

be approved and that the directors of the Company (the "**Board**") (or a duly authorised committee of the Board) be authorised:

- (i) to take all such steps as the Board considers to be necessary, expedient or desirable in connection with, and to implement, the Transaction; and
- (ii) to agree such modifications, variations, revisions, waivers, extensions or amendments to any of the terms and conditions of the Transaction and the associated and ancillary agreements and documents contemplated by the Transaction and/or described in the Circular or Supplementary Circular (provided such modifications, variations, revisions, waivers, extensions or amendments are not of a material nature), as they may in their absolute discretion think fit.

**2. THAT** the proposed Disposal be approved for the purposes of Rule 21.1 of the City Code on Takeovers and Mergers and that the Board (or a duly authorised committee of the Board) be authorised to agree such modifications, variations, revisions, waivers, extensions or amendments to any of the terms and conditions of the Disposal and the associated and ancillary agreements and documents contemplated by the Disposal and/or described in the Circular or Supplementary Circular (provided such modifications, variations, revisions, waivers, extensions or amendments are not of a material nature), as they may in their absolute discretion think fit.

## **Introduction**



On 18 September 2023, the Company announced the conclusion of the Board’s strategic review, which was expected to result in a value maximising transformation of the Company into Pinewood Technologies plc. In order to achieve this, the Company announced on 18 September 2023 that it had entered into, or would enter into, a series of agreements with Lithia UK Holding Limited that would result in its exit from its UK motor business (sale and servicing of vehicles in the UK) and leasing business (fleet and contract hire provider and used vehicle supply) and at the same time would begin a broader strategic partnership to accelerate the growth in Pinewood, Pendragon’s dealer management systems business.

To effect this, the Company announced on 18 September 2023 that it had entered into an agreement for the sale by Pendragon Group Holdings Limited (“PGHL”) of the entire issued share capital of Pendragon NewCo 2 Limited which will hold, either directly or indirectly through its wholly-owned subsidiaries, the Business, to Lithia UK Holding Limited for a gross aggregate consideration of £250 million (subject to certain financial adjustments) (the “Original Consideration”).

On 20 September 2023, the Company published the Original Circular providing details of the Transaction.

Subsequently, on 20 September 2023, the Company announced that it had received and unanimously rejected an unsolicited and preliminary proposal from Hedin Mobility Group AB (publ) (“Hedin”) and PAG International Ltd. (“Penske”) to jointly acquire the entire issued and to be issued share capital of Pendragon for 28 pence per Ordinary Share, in cash (the “Hedin and Penske Proposal”). This announcement put the Company into an Offer Period (as defined in and pursuant to the City Code on Takeovers and Mergers (as amended from time to time) (the “Code”). On 22 September 2023, the Company announced that it had received a further unsolicited proposal from Hedin and Penske to jointly acquire the entire issued and to be issued share capital of Pendragon for 32 pence per Ordinary Share, in cash (the “Revised Hedin and Penske Proposal”). On 4 October 2023, Hedin and Penske jointly announced that they did not intend to make an offer for the Company in accordance with Rule 2.8 of the Code, subject to certain circumstances permitted by the Code whereby a statement pursuant to Rule 2.8 of the Code may be set aside, and accordingly the Revised Hedin and Penske Proposal was withdrawn.

On 26 September 2023, the Company announced that it had also received an unsolicited proposal from AutoNation, Inc. (“AutoNation”) to acquire the entire issued and to be issued share capital of Pendragon for 32 pence per Ordinary Share, in cash (the “AutoNation Proposal”) (the AutoNation Proposal together with the Revised Hedin and Penske Proposal, the “Potential Competing Offers”). As at the date of this document, the AutoNation Proposal does not constitute a “firm offer” within the



meaning of Rule 2.7 of the Code, and, as set out in the Company's announcements in relation to the AutoNation Proposal, there can be no certainty that an offer will be made or as to the terms of any offer, if made. As previously announced, in accordance with Rule 2.6(a) of the Code, AutoNation is required, by not later than 5.00 p.m. on 24 October 2023, either to announce a firm intention to make an offer for the Company in accordance with Rule 2.7 of the Code or to announce that it does not intend to make an offer, in which case the announcement will be treated as a statement to which Rule 2.8 of the Code applies. This deadline may be extended with the consent of the Takeover Panel in accordance with Rule 2.6(c) of the Code.

Further to the publication of the Original Circular and the announcements of the Potential Competing Offers, on 2 October 2023 Pendragon, PGHL and Lithia entered into a supplemental deed to the Sale Agreement (the "Supplemental Deed"), pursuant to which the parties have agreed to certain amendments to the terms of the Transaction, as set out below (the "Transaction Amendments"):

- The Original Consideration has been increased from £250 million, as set out in paragraph 1.3 (Considerations and adjustments) of Part 3 (Principal Terms and Conditions of the Transaction), to £367 million (representing a £117 million improvement to the Original Consideration), by way of amendment to the Sale Agreement. This is in addition to the £30 million that Lithia will pay to Pendragon for the Subscription Shares, which remains unchanged.
- Each of the OEM Condition and the CMA Condition in the Sale Agreement, as set out in paragraph 3 (Principal terms and conditions of the Transaction) of Part 1 (Letter from the Chairman of Pendragon plc) and paragraph 1.2 (Timing, conditions and termination) of Part 3 (Principal Terms and Conditions of the Transaction) of the Original Circular have been waived with immediate effect, such that completion of the Disposal is now no longer conditional on the satisfaction of the OEM Condition or the CMA Condition.
- Lithia has agreed to pay the first £3.0 million of employer's National Insurance contributions due on the LTIP Awards, an increase of £0.5 million to the previous £2.5 million as set out in paragraph 8 (LTIP) of Part 6 (Additional Information) of the Original Circular.

Other than as noted above, all other conditions and terms as set out in paragraph 3 (Principal terms and conditions of the Transaction) of Part 1 (Letter from the Chairman of Pendragon plc), paragraph 1.2 (Timing, conditions and termination) of Part 3 (Principal Terms and Conditions of the Transaction) and paragraph 8 (LTIP) of Part 6 (Additional Information) of the Original Circular remain unchanged.

In summary, the Transaction Amendments provide Shareholders with a total value per Ordinary Share comprising:



(a) 24.5 pence in cash, (representing an 8 pence increase to the Transaction Dividend of 16.5 pence as set out in paragraph 1 (Introduction) of Part 1 (Letter from the Chairman of Pendragon plc) of the Original Circular and representing an aggregate amount of £358 million) to be received by way of a dividend to be paid following Transaction Completion (the “Increased Transaction Dividend”);

(b) a retained c.83.3 per cent. ownership in the continuing Pendragon business (including Pinewood) (the “Continuing Group”), valued initially at c.10.3 pence per Ordinary Share on a fully-diluted basis as set out in paragraph 2 (Background to and reasons for the Transaction) of Part 1 (Letter from the Chairman of Pendragon plc) of the Original Circular; and

(c) an indirect interest in the North American joint venture valued initially at c.0.6 pence per Ordinary Share as set out in paragraph 2 (Background to and reasons for the Transaction) of Part 1 (Letter from the Chairman of Pendragon plc) of the Original Circular.

Accordingly, in aggregate, Shareholders will initially receive (either directly through the Increased Transaction Dividend (save for Lithia who will not participate in the Increased Transaction Dividend in respect of the Subscription Shares) or via their retained interest in Pendragon) the equivalent of approximately 35.4 pence per Ordinary Share, representing an increase of 8 pence to the 27.4 pence set out in paragraph 2 (Background to and reasons for the Transaction) of Part 1 (Letter from the Chairman of Pendragon plc) of the Original Circular, with further significant upside expected from the Strategic Partnership.

Other than as noted above, all other terms and conditions of the Transaction, including the expected timing of Transaction Completion, are set out in (Principal Terms and Conditions of the Transaction) of the Original Circular and remain unchanged.

#### **Shareholder Questions:**

Any member attending the meeting has the right to ask questions. To submit questions in advance of the General Meeting, questions should be emailed to [generalmeeting@pendragon.uk.com](mailto:generalmeeting@pendragon.uk.com) by no later than 10:00am on 23 October 2023. The Company must answer any such question relating to the business being dealt with at the meeting but no such answer need be given if (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information, (b) the answer has already been given on a website in the form of an answer to a question, or (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.



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A copy of the notice of General Meeting, and other information required by Section 311A of the Companies Act 2006, can be found at the Company's website: <https://www.pendragon.com>

**Assistance**

EQ Proxy Solicitation are acting as the official Information Agent to **Pendragon plc**. Attached is our Letter of Authorisation (LOA) from the Company. Should you have any questions please contact EQ Proxy Solicitation on **+44 (0)371 384 2693** or e-mail your enquiries to [CECBoudicca@equiniti.com](mailto:CECBoudicca@equiniti.com), or by replying directly to this email. We will follow up this email with a brief telephone call and would appreciate your cooperation with this.

Kind regards,

The EQ Proxy Solicitation Team