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This document comprises a circular which has been prepared in accordance with the Listing Rules for the purposes of the General Meeting of Pendragon plc (the “Company”) convened pursuant to the Notice of General Meeting set out at the end of this document.

If you sell or otherwise transfer, or have sold or otherwise transferred, all of your Ordinary Shares, please forward this document, together with any accompanying documents, as soon as possible to the purchaser or the transferee, or to the bank, stockbroker or other agent through whom or by whom the sale or transfer was effected, for transmission to the purchaser or the transferee. If you sell or otherwise transfer or have sold or otherwise transferred only part of your holding of Ordinary Shares, you should retain this document and consult the bank, stockbroker or other agent through whom or by whom the sale or transfer was effected as to the action you should take.

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# Pendragon plc

*(Incorporated in England and Wales with registered number 02304195)*

## **Proposed Disposal of Pendragon NewCo 2 Limited, Strategic Partnership with Lithia, Change of Company name to Pinewood Technologies plc and Notice of General Meeting**

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**This document (including the information incorporated by reference) should be read as a whole. Your attention is drawn to the letter from the Chairman of the Company which is set out in Part 1 (*Letter from the Chairman of Pendragon plc*) of this document and which contains the unanimous recommendation from the Board that you vote in favour of the Resolution to be proposed at the General Meeting. The Transaction will not take place unless the Resolution is passed at the General Meeting.**

**Notice of a General Meeting, to be held at the offices of CMS Cameron McKenna Nabarro Olswang LLP at Cannon Place, 78 Cannon Street, London EC4N 6AF at 10.00 a.m. on 6 October 2023 is set out in Part 9 (*Notice of General Meeting*) of this document.**

Whether or not you intend to attend the General Meeting in person, we request that you submit your vote electronically by logging on to <https://www.mypendragonshares.com> using the Investor Code and following the instructions (“**Electronic Filing**”) so as to be received not later than 10.00 a.m. on 4 October 2023 (or, in the case of an adjournment, not less than 48 hours, ignoring any part of a day that is not a working day, before the time fixed for the holding of the adjourned meeting). If you have not done so already, you will need to register your account using your Investor Code, which can be found on your share certificate and is available from the registrar, Link Group. In order to vote online, you will need to visit <https://www.mypendragonshares.com> and use your Investor Code to log in or register.

If you hold your Ordinary Shares in CREST, and you wish to appoint a proxy or proxies through the CREST electronic proxy appointment service, you may do so by using the procedures described in the CREST Manual (available via [www.euroclear.com](http://www.euroclear.com)). In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST Proxy Instruction must be properly authenticated in accordance with Euroclear’s specifications, and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the Registrar, Link Group,

not later than 10.00 a.m. on 4 October 2023 (or, in the case of an adjournment, not less than 48 hours, ignoring any part of a day that is not a working day, before the time fixed for the holding of the adjourned meeting).

Alternatively, you may request a Form of Proxy from the registrar, Link Group. If you have any questions about this document or the General Meeting or you wish to request a Form of Proxy, please email Link Group at [shareholderenquiries@linkgroup.co.uk](mailto:shareholderenquiries@linkgroup.co.uk) or you may call the Link Group shareholder helpline between 9.00 a.m. and 5.30 p.m. (London (UK) time) Monday to Friday (excluding public holidays in England and Wales) on 0371 664 0300 (from the UK – calls to this number from the UK are charged at the standard geographic rate and will vary by provider) or +44 (0) 371 664 0300 (from overseas – calls outside the UK will be charged at the applicable international rate). Please note that calls may be monitored or recorded and the helpline cannot provide financial, legal or tax advice or advice on the merits of the Transaction. Details of how to submit a Form of Proxy and the deadline for receipt, are set out in the notes to the Notice of General Meeting set out in Part 9 (*Notice of General Meeting*) of this document.

Jefferies International Limited (“**Jefferies**” or the “**Sponsor**”), which is authorised and regulated in the United Kingdom by the FCA, is acting solely for the Company as sponsor and financial adviser and for no-one else in connection with the Transaction. Jefferies will not regard any other person as its client in relation to the matters in this document and will not be responsible to anyone other than the Company for providing the protections afforded to its clients or for providing advice to any other person in relation to the Transaction, the content of this document or any other transaction, arrangement or matters described in this document.

Apart from the responsibilities and liabilities, if any, which may be imposed upon Jefferies by FSMA or the regulatory regime established thereunder, neither Jefferies, nor any of its respective affiliates accepts any responsibility or liability whatsoever or makes any representation or warranty, express or implied, concerning the contents of this document, including its accuracy, completeness or verification, or concerning any other statement made or purported to be made by it or them, or on its or their behalf, in connection with the Company or the Transaction, and nothing in this document is, or shall be relied upon as, a promise or representation in this respect, whether as to the past or future. Jefferies and its affiliates accordingly disclaim, to the fullest extent permitted by law, all and any responsibility and liability whether arising in tort, contract or otherwise (save as referred to above in this paragraph) which it or they might otherwise have in respect of this document or any such statement.

**A summary of the action to be taken by Shareholders is set out on page 8 in Part 1 (*Letter from the Chairman of Pendragon plc*) of this document and in the notes to the Notice of General Meeting set out in Part 9 (*Notice of General Meeting*) of this document.**

**For a discussion of certain risk factors which should be taken into account when considering what action you should take in connection with the General Meeting, please see Part 2A (*Risk Factors*) of this document.**

To the extent that any document or information incorporated by reference or attached to this document itself incorporates any information by reference, either expressly or impliedly, such information will not form part of this document, except where such information or documents are stated within this document as specifically being incorporated by reference or where this document is specifically defined as including such information. Without prejudice to the documents incorporated by reference into this document, the contents of the website of the Company and any website directly or indirectly linked to that website do not form part of this document and should not be relied upon.

Capitalised terms have the meaning ascribed to them in Part 8 (*Definitions and Glossary*) of this document.

This document is not a prospectus and it does not constitute or form part of any offer or invitation to purchase, acquire, subscribe for, sell, dispose of or issue, or any solicitation of any offer to sell, dispose of, purchase, acquire or subscribe for, any security.

**Nothing in this document or any subsequent communications from the Company, Jefferies or any of their respective affiliates are to be construed as legal, financial or tax advice. Each Shareholder should consult his, her or its own solicitor, independent financial adviser or tax adviser for legal, financial or tax advice.**

This document is dated 20 September 2023.

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## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

<b>Event</b>	<b>Time and/or Date<sup>(1)(2)(3)</sup></b>
Announcement of the Transaction	18 September 2023
Publication of this document including the Notice of General Meeting	20 September 2023
Latest time and date for receipt of Form of Proxy, CREST Proxy Instructions and electronic registration of proxy appointment	10.00 a.m. on 4 October 2023
Record time for entitlement to vote at the General Meeting	6.00 p.m. on 4 October 2023
General Meeting	10.00 a.m. on 6 October 2023
Expected date of Transaction Completion (subject to Shareholder approval)	Q4 2023 ("ED")
Expected date of Transaction Dividend (subject to Transaction Completion)	Q1 2024

*Notes:*

- (1) All references in this document and any accompanying document to time are to London (UK) time, unless otherwise stated.
- (2) The timetable set out above and referred to throughout this document and any accompanying document may be subject to change. If any of the above times and/or dates should change, the new times and/or dates will be announced to Shareholders through a Regulatory Information Service.
- (3) The timing of Transaction Completion is dependent upon, amongst other things, the passing of the Resolution at the General Meeting and the satisfaction of the Regulatory Conditions, and, if there is any delay in the passing of the Resolution or satisfaction of the Regulatory Conditions, the expected date of Transaction Completion may change. The date of Transaction Completion may also be changed by agreement between the relevant parties to any relevant agreement and, if so, an announcement will be made by the Company through a Regulatory Information Service.

## DIRECTORS, COMPANY SECRETARY, REGISTERED OFFICE AND ADVISERS

<b>Directors</b>	Ian Francis Filby ( <i>Non-Executive Chairman</i> ) William Berman ( <i>Chief Executive Officer</i> ) Martin Shaun Casha ( <i>Chief Operating Officer</i> ) Dietmar Exler ( <i>Senior Independent Director</i> ) Nicola Karen Flanders ( <i>Non-Executive Director</i> ) Brian Michael Small ( <i>Non-Executive Director</i> ) Mark Simon Willis ( <i>Chief Finance Officer</i> ) Jemima Bird ( <i>Non-Executive Director</i> )
<b>Group General Counsel and Company Secretary</b>	Richard James Maloney
<b>Registered and Head Office</b>	Loxley House 2 Oakwood Court Little Oak Drive Annesley Nottingham Nottinghamshire NG15 0DR
<b>Sponsor and Financial Adviser</b>	Jefferies International Limited 100 Bishopsgate London EC2N 4JL
<b>Legal adviser to the Company</b>	CMS Cameron McKenna Nabarro Olswang LLP Cannon Place 78 Cannon Street London EC4N 6AF
<b>Legal adviser to the Sponsor</b>	Ashurst LLP Fruit & Wool Exchange, 1 Duval Square London E1 6PW
<b>Auditors</b>	KPMG LLP 15 Canada Square London E14 5GL
<b>Reporting Accountants</b>	KPMG LLP 15 Canada Square London E14 5GL  and  PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RH
<b>Registrars</b>	Link Group Central Square, 29 Wellington Street Leeds LS1 4DL

## PART 1

### LETTER FROM THE CHAIRMAN OF PENDRAGON PLC

# Pendragon plc

(a company incorporated in England & Wales with registered number 02304195)

#### Directors

Ian Francis Filby (Non-Executive Chairman)  
William Berman (Chief Executive Officer)  
Martin Shaun Casha (Chief Operating Officer)  
Dietmar Exler (Senior Independent Director)  
Nicola Karen Flanders (Non-Executive Director)  
Brian Michael Small (Non-Executive Director)  
Mark Simon Willis (Chief Finance Officer)  
Jemima Bird (Non-Executive Director)

#### Registered and head office:

Loxley House 2 Oakwood Court  
Little Oak Drive  
Annesley  
Nottingham  
Nottinghamshire  
NG15 0DR

20 September 2023

Dear Shareholder,

### **Proposed Disposal of Pendragon NewCo 2 Limited, Strategic Partnership with Lithia, Change of Company name to Pinewood Technologies plc**

and

### **Notice of General Meeting**

#### **1. Introduction**

On 18 September 2023 Pendragon plc (the “**Company**” or “**Pendragon**”) announced the conclusion of the Board’s strategic review, which is expected to result in a value maximising transformation of Pendragon into Pinewood Technologies plc. In order to achieve this, the Company has entered into a series of agreements that result in its exit from the UK motor business (sale and servicing of vehicles in the UK) and leasing business (fleet and contract hire provider and used vehicle supply) (the “**Business**”) and at the same time beginning a broader strategic partnership to accelerate the growth in Pinewood (“**Pinewood**”), the Company’s dealer management systems (“**DMS**”) business. Reflecting the change in the Company’s business model to become a pure-play, independent Software as a Service (“**SaaS**”) business, following Transaction Completion, the Company will change its name to Pinewood Technologies plc.

To effect this, the Company has entered into an agreement for the sale by Pendragon Group Holdings Limited (“**PGHL**”) of the entire issued share capital of Pendragon NewCo 2 Limited (“**Pendragon NewCo**”) which will hold, either directly or indirectly through its wholly-owned subsidiaries, the Company’s entire UK motor business and leasing business (the “**Disposal**”), to Lithia UK Holding Limited (the “**Purchaser**” or “**Lithia**”) a wholly-owned subsidiary of Lithia Motors, Inc. for a gross aggregate consideration of £250 million (subject to certain financial adjustments) (the “**Consideration**”). The Disposal will result in the transfer of the Group’s pension plan and also the Company’s defined benefit pension scheme (the “**DB Pension Scheme**”). In addition, under the terms of the Disposal, Lithia will repay the net bank debt of the Company on Disposal Completion, leaving the Company debt and cash free.

The Strategic Partnership (as defined below) comprises two key aspects:

First, the Company and the Purchaser will commit to completing the rollout of Pinewood software across Lithia’s existing 50 UK sites (the “**UK Rollout**”), adding approximately 2,500 users. The UK Rollout is to commence within 6 months of Disposal Completion and is intended to be completed within 12 months.

Second, the Company and the Purchaser intend to enter into the North American Pinewood Agreement for the principal purpose of co-developing and commercialising in the United States of America and Canada the North American version of Pinewood (the “**North American Pinewood Opportunity**”). The ambition

is to customise Pinewood's software to unlock the highly attractive North American market, which includes Lithia's c.17,500 users across 296 locations and additional third-party users; a market that is estimated to be worth more than £2.6 billion per year. It is believed that the co-development will also aid Pinewood's global expansion across key markets notably covering, Western European countries, Nordics, Asia-Pacific, Middle East and South Africa, in addition to North America.

To underpin the partnership between the two companies, Lithia will subscribe for 279,388,880 new Ordinary Shares (the "**Subscription Shares**") in the amount of £30 million (the "**Subscription Price**") to be effected by way of a "cash box" structure such that immediately following Transaction Completion, Lithia will own not less than 16.67 per cent. of the issued share capital of the Company (the "**Subscription**"). As such, Lithia's investment implies a day-one valuation of £180 million for the equity of Pendragon.

In addition to subscribing for the Subscription Shares, Lithia may acquire further Ordinary Shares in connection with certain proposals that are being made to participants in the LTIP as a result of the Transaction. Those additional Ordinary Shares may be acquired by Lithia from the LTIP participants pursuant to private arrangement(s) to be entered into between the Employee Benefit Trust, certain of the LTIP participants who accept such proposals and Lithia. If the maximum number of Ordinary Shares available pursuant to those proposals are acquired by Lithia, then following Transaction Completion and the Subscription, Lithia will own up to 19.84 per cent. of the issued share capital of the Company. Participants in the LTIP will be sent a letter in due course explaining the effect of the Transaction on their awards and the proposal being offered to them.

The Company will use such amount of the Subscription Price as is equal to 9.99 per cent. of the issued share capital of the Company immediately prior to the issuance of the Subscription Shares, being £15 million, to finance its £10 million capital investment in the North American Pinewood Opportunity (the "**North American Pinewood Commitment**") with the remaining £5 million to be invested in the Continuing Group establishing the Company as a high-growth standalone entity (the "**Pinewood Investment**"). Lithia will also invest £10 million into the North American Pinewood Opportunity at the outset.

The North American Pinewood Opportunity, the UK Rollout and the Subscription together constitute the "**Strategic Partnership**" and the Strategic Partnership together with the Disposal constitute the "**Transaction**".

After adjustment for estimated transaction costs, the recapitalisation of the Company, the North American Pinewood Commitment and the retention of £10 million for the working capital of the Continuing Group, the Company expects to receive net aggregate proceeds from the Disposal (including, for the avoidance of doubt, the net proceeds of the Subscription) of £240 million, equivalent to approximately 16.5 pence per Ordinary Share for Shareholders, which the Board intends to distribute to Shareholders following Transaction Completion (the "**Transaction Dividend**"). The Transaction Dividend, when made, will exclude Lithia in respect of the Subscription Shares (taking into account any relevant tax and legal considerations to the making of such a distribution).

Disposal Completion is conditional, amongst other requirements, on the transfer of the DB Pension Scheme to a member of the Disposal Group and, accordingly, the Board is engaging in discussions with the trustees of the DB Pension Scheme to substitute the Company with Pendragon NewCo (or another member of the Disposal Group) as the principal employer for the purposes of the DB Pension Scheme and to put in place a flexible apportionment arrangement to apportion the liabilities of the Company in relation to the DB Pension Scheme to Pendragon NewCo. The new arrangements are subject to reaching agreement with the trustees of the DB Pension Scheme.

This document describes the background to and reasons for the Transaction, explains why the Board unanimously considers the Transaction to be in the best interests of the Shareholders as a whole and recommends that Shareholders vote in favour of the Resolution.

The Directors who hold interests in Ordinary Shares have each irrevocably undertaken to vote at the General Meeting in favour of the Resolution in respect of the Ordinary Shares to which they are beneficially entitled (representing in aggregate approximately 1.0 per cent. of the entire issued Ordinary Share capital of the Company as at the Latest Practicable Date).

In addition, Shareholders who hold interests in Ordinary Shares representing, in aggregate, approximately 27.8 per cent. of the entire issued Ordinary Share capital of the Company as at the Latest Practicable Date have each irrevocably undertaken to vote at the General Meeting in favour of the Resolution in respect of the Ordinary Shares to which they are beneficially entitled, further details of which are set out in paragraph 11 of Part 6 (*Additional Information*) of this document. The Shareholders comprise Schroder Investment Management Limited, Briarwood Capital Partners LP, Hosking Partners LLP, Farringdon Netherlands BV, Huntington Management LLC, Sir Nigel Rudd and Harwood Capital Management.

The Company has therefore received irrevocable undertakings to vote at the General Meeting in favour of the Resolution in respect of Ordinary Shares representing, in aggregate, approximately 28.8 per cent. of the entire issued Ordinary Share capital of the Company as at the Latest Practicable Date.

The principal terms and conditions of the Transaction, including the expected timing of Transaction Completion, are set out in Part 3 (*Principal Terms and Conditions of the Transaction*).

**Due to the size of the Transaction in relation to the size of the Company, the Transaction constitutes a Class 1 transaction (as defined in the Listing Rules) and Transaction Completion is therefore conditional on the approval of Shareholders of the Resolution at the General Meeting. In addition, the approval of Shareholders of the Resolution at the General Meeting is required under Listing Rule 9.5.10 R to authorise the issue of the Subscription Shares at a price per Subscription Share which exceeds a discount of 10 per cent. of middle market price of the Ordinary Shares as at 15 September 2023 (being the latest practicable date prior to the announcement of the Transaction). A notice convening the General Meeting, at which the Resolution will be proposed, is set out in Part 9 (*Notice of General Meeting*) of this document. The Transaction is also subject to various other terms and conditions, which are summarised in paragraph 1.2 of Part 3 (*Principal Terms and Conditions of the Transaction*) of this document.**

The General Meeting is to be held at the offices of CMS Cameron McKenna Nabarro Olswang LLP at Cannon Place, 78 Cannon Street, London EC4N 6AF at 10.00 a.m. on 6 October 2023 for the purpose of seeking your approval of the Resolution.

Shareholders should read the whole of this document and not just rely on the summarised information set out in this letter. Shareholders will find definitions for capitalised terms used in this letter and the rest of the document in Part 8 (*Definitions and Glossary*) of this document.

## **2. Background to and reasons for the Transaction**

The Board remains confident about the future operating prospects of the Group. Under the leadership of the current management team, the Company has delivered exceptional operational performance and made significant progress towards achieving its medium-term targets originally announced in September 2020. Having restructured the Group's cost base and implemented a number of strategic, financial and operational improvements in recent years, the Company has achieved impressive financial performance in its recent results.

At all times, the Board has focused on maximising value for the Shareholders as well as the interests of all stakeholders, and this has included exploring strategic options for the Group.

Notwithstanding the operational and financial resilience of the Group and the positive strategic developments demonstrated during the last three years, the Ordinary Shares have persistently traded at a discount to what the Directors consider to be reflective of the value of the Business. In addition, the limited liquidity of the Ordinary Shares makes it challenging for Shareholders to monetise their shareholdings in the Company. During 2022, the Company received expressions of interest and subsequently entered into advanced discussions regarding a potential sale of the Company on two separate occasions, neither of which led to a firm offer.

Against this backdrop, the Board announced a Review of Strategic Options on 27 September 2022 which led to multiple expressions of interest for the potential acquisition of parts of the Group. The Transaction is the value-maximising conclusion of this review and the Board believes that it will deliver an attractive cash dividend to Shareholders in the form of the Transaction Dividend, while retaining an ongoing interest in a pure-play SaaS business with an accelerated growth plan and broader strategic partnerships, which provides



a strong value proposition to Shareholders that is in line with previous possible offers for the Company. The Transaction Dividend is expected to be paid in Q1 2024 to those Shareholders who hold Ordinary Shares (other than Lithia in respect of the Subscription Shares) at the relevant record time. Further details in respect of the intended Transaction Dividend, including the record time for participating in such Transaction Dividend, will be announced by the Company in due course.

The Transaction provides Shareholders with a total value per Ordinary Share amounting to 16.5 pence in cash dividend, a retained approximately 83.3 per cent. ownership in the Remaining Business (including Pinewood Tech) valued initially at approximately 10.3 pence on a fully-diluted basis, and a share in North America JVCo of approximately 0.6 pence. In aggregate, Shareholders will initially receive the equivalent of approximately 27.4 pence per Ordinary Share with further significant upside expected from the Strategic Partnership.

The Board has also taken into consideration the valuation of publicly-traded comparable companies with similar revenue growth, earnings margin, recurring revenue and cash conversion including Ansys, Aspen, Autodesk, Bentley, CCC Intelligent, Constellation, Meridianlink, Powerschool, Temenos and Veeva. Public markets have historically rewarded the strong performance of this profitable software sector with correspondingly attractive revenue, EBITDA and EBITDA-capex multiples of enterprise value. This peer group currently trades at a median enterprise value to 2022 revenue multiple, 2022 EBITDA multiple and 2022 EBITDA-capex multiple of c.10 times, c.25 times and c.25 times respectively. In addition, within the DMS sector, acquisitions of competitors to Pinewood have occurred at attractive multiples, notably Francisco Partner's acquisition of CDK International and Brookfield's acquisition of CDK Global at approximately 15 times and 13.3 times last twelve months' adjusted EBITDA to enterprise value respectively. These transactions further validate the potential for the shares of the Company to trade well as an independent SaaS business. Pinewood Tech's EBITDA for the financial year ended 31 December 2022 was £15.3 million.

The Board believes that the Transaction is in the best interests of Shareholders taken as a whole given the factors set out above.

### **3. Principal terms and conditions of the Transaction**

#### *The Reorganisation*

Prior to completion of the Disposal, the Company will effect the Reorganisation. The Reorganisation will result, amongst other things, in a newly incorporated wholly-owned subsidiary of the Company, Pendragon NewCo, holding, either directly or indirectly, the Target Companies and each of the Subsidiaries. Following completion of the Reorganisation, Pendragon NewCo, together with the Target Companies and each of the Subsidiaries shall be the Disposal Group. The Company will also undertake an exercise prior to Transaction Completion to transfer any assets required to operate the Business to the Disposal Group, to the extent such assets are not already within the Disposal Group.

#### *The Disposal*

On 18 September 2023, the Company, PGHL and the Purchaser entered into the Sale Agreement, pursuant to which the Company and PGHL agreed, subject to the satisfaction (or waiver, where applicable) of certain conditions, to sell the entities comprising the Disposal Group to the Purchaser. The Sale Agreement is governed by the laws of England and Wales.

The aggregate consideration payable (including the Subscription Price) is £280 million (subject to certain financial adjustments) payable in cash on Disposal Completion. Details of the financial adjustments are described in Part 3 (*Principal Terms and Conditions of the Transaction*) of this document.

Completion of the Sale Agreement is conditional upon the satisfaction (or waiver, where applicable) of the following conditions:

- (a) the CMA Condition;
- (b) the Shareholder Condition;
- (c) the Reorganisation Condition;
- (d) the FCA Conditions;

- (e) the Pensions Condition; and
- (f) the OEM Condition.

The Sale Agreement contains certain warranties and a tax covenant given by the Company that are customary for a transaction of this nature and, in addition, limited warranties given by PGHL. The Sale Agreement also contains warranties given by the Purchaser which are customary for this type of transaction.

Any warranty claims or tax covenant claims brought against the Company and PGHL under the Sale Agreement are subject to customary limitations, including a maximum financial liability cap of £1.00. The Purchaser has taken out a warranty & indemnity insurance policy to provide it with recourse in respect of warranty claims or tax covenant claims in excess of this cap. The aggregate liability of the Company for all other claims under the Sale Agreement shall not exceed an amount equal to 25 per cent. of the Consideration.

Further details of the Sale Agreement are set out in Part 3 (*Principal Terms and Conditions of the Transaction*) of this document.

#### *The Subscription Agreements*

The allotment and issue of new Ordinary Shares to the Purchaser pursuant to the Subscription will be effected by way of a “cash box” structure, which is expected to have the effect of increasing the Company’s distributable reserves and providing the Company with the subscription proceeds it requires in order to make the North American Pinewood Commitment and the Pinewood Investment. The ability to realise distributable reserves in the Company will also facilitate payment of the Transaction Dividend.

As part of the cash box structure, the Company, JerseyCo and the Purchaser intend to enter into (i) an initial subscription and put and call option agreement (the “**Option Agreement**”); and (ii) a subscription, transfer and relationship agreement (the “**Subscription, Transfer and Relationship Agreement**” and together with the Option Agreement, the “**Subscription Agreements**”).

In addition, in accordance with the terms of the Subscription, Transfer and Relationship Agreement, Lithia shall have the right to nominate up to two directors (“**Lithia Nominee Directors**”) to be appointed to the Board. The Subscription, Transfer and Relationship Agreement will include customary terms, which will regulate the relationship between the Company and the Purchaser (in its capacity as a Shareholder) including, *inter alia*, the appointment of the Lithia Nominee Directors.

The Subscription is conditional upon the following conditions:

- (a) Disposal Completion; and
- (b) Admission occurring or becoming effective by 8.00 a.m. (London time) on or prior to 20 September 2024 (or such later time and/or date as the Purchaser and the Company may agree).

In addition, pursuant to the terms of the Subscription, Transfer and Relationship Agreement, Lithia agrees to waive all rights and entitlement to the Transaction Dividend in respect of its entire holding of Subscription Shares.

The Subscription Shares will be issued at a price of c.10.74 pence per Subscription Share, which represents a discount of approximately 41.9 per cent. to the middle market price of the Ordinary Shares as at 15 September 2023 (being the latest practicable date prior to the announcement of the Transaction). Accordingly, as this discount will exceed 10 per cent. of the middle market price as at the Latest Practicable Date, the issue of the Subscription Shares requires approval of Shareholders under Listing Rule 9.5.10 R. In setting the price per Subscription Share, the Directors have considered the process by which the Subscription Shares need to be offered to the Purchaser to reflect the total amount required pursuant to the Transaction to pay the Transaction Dividend and to ensure the success of the Transaction as a whole and for the benefit of the Company. The Directors believe that both the Subscription Price and the discount to the Subscription Shares are appropriate.

In accordance with the terms of the Subscription, Transfer and Relationship Agreement, the Purchaser will undertake to the Company that subject to certain limited exceptions, it will not dispose of the Subscription Shares held by it for a period of two years from the date of Admission.

Further details of the Subscription, Transfer and Relationship Agreement are set out in Part 3 (*Principal Terms and Conditions of the Transaction*) of this document.

#### *The North American Pinewood Opportunity*

The Company (and/or a wholly-owned subsidiary of the Company) and Lithia (and/or a wholly-owned subsidiary of Lithia) intend to enter into the North American Pinewood Agreement for the principal purpose of co-developing and commercialising in the United States of America and Canada the North American version of Pinewood through investment in a Delaware incorporated limited liability company, North America JVCo. The Company (or its wholly-owned subsidiary) will hold 49 per cent. of the equity interest in North America JVCo and Lithia (or its wholly-owned subsidiary) will hold 51 per cent.

The board of directors of North America JVCo will be responsible for the management of North America JVCo and its business, subject to, *inter alia*, the terms of the constitutional documents of North America JVCo and any reserved matters in respect of the strategic decisions and operation of North America JVCo, which shall require the consent of members holding 85 per cent. of the equity interests of North America JVCo. Each of Lithia (or its wholly-owned subsidiary) and the Company (or its wholly-owned subsidiary) shall be entitled to appoint two managers to the board of directors of North America JVCo. Lithia (or its wholly-owned subsidiary) shall have the right to appoint the chairperson of the board of directors of North America JVCo. The chairperson shall have a casting vote.

Other than as permitted in certain limited circumstances, no transfer, allotment or issue of the securities in North America JVCo shall be permitted until the fifth anniversary after completion of the North American Pinewood Agreement (the “**Lock-Up Period**”).

The North American Pinewood Agreement provides for customary exit provisions for a joint venture of this nature, which apply following expiry of the Lock-Up Period, including drag rights for the majority member and mutual tag rights. The North American Pinewood Agreement provides for customary mandatory transfer events whereby, at any time, if a mandatory transfer event occurs in respect of a member, the other member has the right to acquire their shares for fair market value.

It is expected that, at Transaction Completion, North America JVCo will enter into certain arrangements with the Company for, *inter alia*, the distribution and licensing of the Pinewood software into the United States of America and Canada, including the Licence and Framework Services Agreement, further details of which are set out in Part 3 (*Principal Terms and Conditions of the Transaction*) of this document.

Further details of the North American Pinewood Agreement are also set out in Part 3 (*Principal Terms and Conditions of the Transaction*) of this document.

#### *The Reverse Transitional Services Agreement*

The Reverse Transitional Services Agreement (“**rTSA**”) will be entered into between the Company (the “**Recipient**”) and the TSA Supplier to govern the separation and transition of several services and functions required by the Continuing Group from the Disposal Group.

Further details of the rTSA are set out in Part 3 (*Principal Terms and Conditions of the Transaction*) of this document.

#### *The IP Assignment*

The IP Assignment will be entered into between the Company and Pendragon Management Services Limited to effect the assignment of certain trade marks, domain names and associated trading names used in the business operated by the Disposal Group from the Company to Pendragon Management Services Limited.

Further details of the IP Assignment are set out in Part 3 (*Principal Terms and Conditions of the Transaction*) of this document.

### *The Licence and Framework Services Agreement*

The Licence and Framework Services Agreement will be entered into between Pinewood Tech and North America JVCo and will operate as a framework to facilitate the development, customisation and sale of the Pinewood software in the NA Market.

Further details of the Licence and Framework Services Agreement are set out in Part 3 (*Principal Terms and Conditions of the Transaction*) of this document.

### *Transaction Completion*

The Disposal is conditional upon the satisfaction (or waiver, where applicable) of the conditions set out in the Sale Agreement. The Subscription will be conditional on, *inter alia*, completion of the Disposal, and the arrangements relating to the North American Pinewood Opportunity will complete immediately following the Subscription. Therefore, the Subscription will only proceed, and the North American Pinewood Opportunity will only be pursued, if the Disposal completes.

The Board expects that, subject to the satisfaction and/or waiver (where applicable) of the conditions to the Disposal, the Subscription and the North American Pinewood Opportunity, Transaction Completion will occur in Q4 2023.

## **4. Information on the Purchaser**

Lithia Motors, Inc. is one of the largest automotive retailers in North America providing a wide array of products and services throughout the ownership lifecycle with a proven track record as a pragmatic disruptor providing transparent, convenient experiences for customers and diverse consumer solutions. With over 340 stores as of 30 June 2023 and approximately 22,000 employees as of 31 December 2022, Lithia has generated approximately \$28 billion in revenue and \$1.8 billion in adjusted EBITDA over the trailing twelve months and has demonstrated a consistent ability to compound growth including a 10-year revenue growth CAGR of c.21 per cent. and 10-year EPS growth CAGR of c.31 per cent. (10 years through to 31 December 2022).

In addition to a full-suite of easy and convenient solutions to serve customers through all aspects of the vehicle ownership lifecycle with omni-channel optionality, Lithia's long-term strategy includes expanding and diversifying within mobility-related adjacencies such as consumer finance, fleet management, logistics (charging) and software.

The acquisition of Pendragon NewCo will build upon Lithia's already significant scale in the UK, following the March 2023 acquisition of Jardine Motors Group, including more than 50 premium luxury retail locations and is expected to generate over \$2 billion in annualized revenues.

As of 30 June 2023, Lithia had over 45 OEM brands, with over 340 stores worldwide at period end and more than 75,000 vehicles in inventory.

### **Summary financial information of the Purchaser**

*(Unaudited)*

<i>(\$ in millions, except per share data)</i>	<i>Year ended 31 December 2020</i>	<i>Year ended 31 December 2021</i>	<i>Year ended 31 December 2022</i>
Revenue	13,127	22,832	28,188
Cost of Sales	10,902	18,573	23,035
Gross Profit	2,224	4,259	5,152
Operating Income	693	1,663	1,941
Net Income	470	1,063	1,262
Earnings Per Share (Diluted)	19.53	36.54	44.17

## 5. Information on Pendragon

Pendragon, one of the UK's premier automotive retailers, is headquartered in Nottingham, UK and its shares are admitted to listing on the premium segment of the Official List and to trading on the London Stock Exchange's main market for listed securities. As at 31 December 2022, the Company employed 5,334 people helping to serve customers across more than 160 sites across the UK and online. The Company currently operates three key business divisions: UK Motor, Pinewood and Pendragon Vehicle Management.

*UK Motor:* The UK Motor division focuses on the sale and servicing of new and used cars and vans via its retail network in the UK and its online platform. New car retail operates through two main consumer brands in the UK:

- a) Evans Halshaw is one of the UK's leading volume motor car and commercial vehicle retailer, providing national coverage with approximately 89 retail locations. Evans Halshaw holds franchises to retail and service brands for cars and vans, including Citroen, Dacia, DS, Ford, Hyundai, Kia, Nissan, Peugeot, Renault and Vauxhall; and
- b) Stratstone is one of the UK's largest premium motor car retailers, with 45 franchise points nationwide. Stratstone holds franchises to retail and service some of the world's most prestigious brands, including Aston Martin, BMW, Ferrari, Jaguar, Land Rover, Mercedes-Benz, MINI, Porsche, Smart and BYD.

The Group is also a leading retailer of used cars, through its extensive store network and through the Car Store brand, which was relaunched in May 2022 as a market leading, omni-channel hybrid proposition. CarStore.com is an online market-place for used car inventory which lists over 10,000 used vehicles on a single transactional website. CarStore.com is a market leading digital proposition and is supported by a growing network of physical CarStore sites, which combine with the national franchise store footprint.

*PVM:* PVM is a vehicle leasing business that offers a complete range of fleet leasing and contract hire solutions. It supplies fleet vehicles and management services to help businesses manage their fleets, improve efficiency, reduce costs and save time. The fleet of vehicles is financed through third party asset funders.

*Pinewood:* Pinewood is a leading cloud-based DMS provider that provides innovative software solutions to the automotive industry both in the UK and internationally. Pinewood has received strong OEM support through partnerships with BMW and Renault, and with integration with over 50 manufacturers.

## 6. Summary of the Disposal Group

The Disposal Group is made up of the Company's entire UK Motor and PVM divisions, as outlined above.

### Disposal Group Income Statement

	<i>Year ended</i> 31 December 2020 £m	<i>Year ended</i> 31 December 2021 £m	<i>Year ended</i> 31 December 2022 £m
Revenue	2,749.7	3,401.8	3,600.9
Cost of Sales	(2,435.0)	(2,982.4)	(3,160.8)
<b>Gross profit</b>	<b>314.7</b>	<b>419.4</b>	<b>440.1</b>
Operating expenses	(314.3)	(321.3)	(356.6)
<b>Operating profit/(loss) before other income</b>	<b>0.4</b>	<b>98.1</b>	<b>83.5</b>
Other income	(0.4)	1.8	7.7
<b>Operating profit/(loss)</b>	<b>–</b>	<b>99.9</b>	<b>91.2</b>

Notes:

1. The income statements presented above are unaudited.
2. The income statements presented above exclude the impact of intercompany transactions between the Disposal Group and the Continuing Group.

3. The income statements presented above include the Disposal Group's share of the Group's corporate and head office costs in line with the actual allocations recognised historically through intercompany recharges. Total recharges recognised within the Disposal Group were £2.5 million, £3.0 million and £3.8 million in the years ended 31 December 2020, 31 December 2021 and 31 December 2022 respectively. Following the Transaction, the obligation for all retained corporate and head office costs will remain with the Continuing Group, which could result in a cost base materially different to that represented through the actual historical intercompany allocations.
4. The income statements presented above do not include an allocation of tax or finance expense / income as it is not possible to provide a meaningful allocation to the Disposal Group.

The financial information in this section has been extracted without material adjustment from Part 4 (*Financial Information Relating to the Disposal Group*) of this document.

## 7. Summary of Pinewood

Pinewood is a vertically integrated technology platform that provides SaaS in the UK and in a number of countries worldwide. The UK DMS market for franchised motor dealers is estimated to be worth over £100 million. Three DMS providers dominate the UK market, of which Pinewood is one. The global automotive DMS market is estimated to be worth approximately £3.8 billion. Pinewood's approach to the DMS market is characterised by:

- a single product capable of global deployment, which simplifies future developments to the system and reduces operating costs;
- a feature-rich cloud-based solution, with no need for costly third-party add-ons;
- focus on strong manufacturer partnerships and supporting dealer profitability; and
- commitment to using the latest technology to reshape motor retail.

The Pinewood management team led by Paul Hopkinson, who joined Pinewood when the Pinewood business was founded in 1981 and has been Managing Director of Pinewood since 1998, is highly experienced and has been broadly operating independently of the wider Group since Pinewood was acquired in 1998. Pinewood was an early adopter of the SaaS business model and has focused on developing recurring revenue streams with approximately 90 per cent. of Pinewood's DMS revenues being on a recurring basis. Pinewood currently services over 30,000 users globally with a current focus on Europe, Africa, and Asia. Whilst the Company remains an important customer to Pinewood, as Pinewood has grown, the Company's proportion of the Pinewood total user base has been diluted to approximately 17 per cent. with intra-group charging maintained at a competitive market rate. During FY22, overall net user numbers increased by 4 per cent. to approximately 31,700. Across Pinewood's international markets there was a 13 per cent. net increase in user numbers to a record high of approximately 6,400 users. All international markets grew user numbers in FY22 with Pinewood benefiting from both the expansion of existing customers and new sales. Growth was further supported by launches in Singapore and the Middle Eastern market. Pinewood systems now operate in a total of 19 different countries. In the UK and Ireland market (excluding the Company) there was an increase in user numbers in FY22 to approximately 20,000. The full benefit of these user additions will be seen on an annualised basis in FY23 result. A breakdown of users by region is as follows:

- UK & Ireland (approximately 25,000);
- Rest of Europe (approximately 2,000); and
- Rest of World (approximately 5,000).

Pinewood's growth benefits not just from sales to new customers but also from the expansion of its existing highly loyal customer base. In FY22 external net user churn was less than 1 per cent., in line with the average of approximately two per cent. over the last five years, and in international markets (excluding UK and Ireland) it was negative, as the rate at which existing customers grew more than offset user reductions. There has also been further progress in terms of OEM support at an international level with long-standing partnerships with 50 OEM brands. Pinewood continues to build a strong partnership with Volkswagen AG and Porsche, which has enabled constructive dialogue and, in some cases, initial user implementations with large international dealer groups in both the European and the Asia Pacific market.

Pinewood has an experienced, developer orientated workforce with approximately 220 employees of which approximately 130 are software developers.

## Financial Review

Total revenues increased by 4.1 per cent. to £25.4 million compared to FY21. International DMS recurring revenues increased by 27 per cent., reflecting the underlying user growth and expansion of the direct sales model in the European and Asia Pacific markets. UK and Ireland DMS recurring revenues fell slightly in the period, driven by the amortization impact of two exceptional customer exits at the end of the prior year and reduced user numbers in the first half of FY22. User growth returned by the end of FY22 leaving Pinewood well placed for growth in its home market heading into the FY23.

In addition to recurring revenues, there was a nine per cent. increase in external DMS transactional charges, system training and implementation revenues. This was driven by an increase in system implementations in the UK and Ireland in the second half of FY22. Gross profit increased by 0.9 per cent. to £22.7 million. There was a reduction in gross margins driven by the expanded use of the Microsoft Azure platform. This transition is a one-off event, and the related cost increase will not recur in future periods.

Operating costs increased by £1.7 million or 17.0 per cent. compared to FY21. In FY22 the amortization charge of £4.2 million (increased from £3.7 million in the previous year) made up over a third of operating costs. Alongside rising personnel costs, the higher amortization charge drove the operating cost increase, both reflecting increased investment in the development of the DMS platform and Pinewood's operational capabilities. Further cost increases arose from higher travel expenditure following the reduction in COVID-19 restrictions, as well as higher energy costs. As a result of these movements, underlying operating profit was £11.0 million. There was approximately £6 million of invested capital in FY22.

	<i>Year ended 31 December 2020 £m</i>	<i>Year ended 31 December 2021 £m</i>	<i>Year ended 31 December 2022 £m</i>
Revenue	22.3	24.4	25.4
Cost of Sales	(1.8)	(1.9)	(2.7)
<b>Gross profit</b>	<b>20.5</b>	<b>22.5</b>	<b>22.7</b>
Operating expenses	(8.4)	(10.0)	(11.7)
<b>Operating profit/(loss) before other income</b>	<b>12.1</b>	<b>12.5</b>	<b>11.0</b>
Other income	–	–	–
<b>Operating profit/(loss)</b>	<b>12.1</b>	<b>12.5</b>	<b>11.0</b>

### Notes:

1. The income statements presented above are unaudited.
2. The Pinewood income statements presented above relate to the software operating segment only and have been extracted without material adjustment from the 2022 Annual Report and Accounts and the 2021 Annual Report and Accounts.
3. The Continuing Group also includes the US Motor operating segment, which is excluded from the Pinewood income statements presented above. The US Motor operating segment was presented as a discontinued operation in the 2022 Annual Report and Accounts and the 2021 Annual Report and Accounts.

For the year ended 31 December 2022, the US Motor operating segment was no longer revenue generating and incurred an operating loss of £1.5 million. Following the Transaction, operating expenses incurred by the Continuing Group in relation to the US motor operating segment are expected to reduce as the business continues to wind down.

4. The income statements presented above include the impact of intercompany transactions between Pinewood and the Disposal Group.
5. The income statements presented above include Pinewood's share of the Group's corporate and head office costs in line with the actual allocations recognised historically through intercompany recharges. Total recharges recognised within Pinewood were £0.3 million, £0.3 million and £0.3 million in the years ended 31 December 2020, 2021 and 2022, respectively. This excludes the share of the Group's corporate and head office costs related to the US Motor operating segment (totalling £0.3 million, £0.1 million and £nil million in the years ended 31 December 2020, 2021 and 2022 respectively) which also forms part of the Continuing Group.
6. The income statements presented above do not include an allocation of tax or finance expense / income as it is not possible to provide a meaningful allocation to Pinewood.

## **8. Use of proceeds, financial effects of the Disposal and strategy of the Continuing Group**

The Company will use such amount of the Subscription Price as is equal to 9.99 per cent. of the issued share capital of the Company immediately prior to the issuance of the Subscription Shares, being £15 million, to finance its £10 million capital investment in the North American Pinewood Opportunity with the remaining £5 million to be invested in the Continuing Group, establishing the Company as a high-growth standalone entity. The Company shall retain £10 million of the Consideration for the working capital of the Continuing Group. The Board intends to use as much as possible of the remaining balance of the Consideration to make a distribution to Shareholders following Transaction Completion (taking into account any relevant tax and legal considerations to the making of such a distribution) in an amount equal to the Transaction Dividend. The Transaction Dividend is expected to be paid in Q1 2024 to those Shareholders who hold their Ordinary Shares (other than Lithia in respect of the Subscription Shares) at the relevant record time. Further details in respect of the intended Transaction Dividend, including the record time for participating in such Transaction Dividend, will be announced by the Company in due course. The Continuing Group, which is expected to be cashflow positive will have an unencumbered balance sheet, following the repayment of all existing net bank debt by Lithia. The Board will look to assess the appropriateness of any dividend policy following Transaction Completion.

A board and executive management team appropriate for a publicly listed company are required to accelerate growth in Pinewood but the associated costs will become fully absorbed within the Continuing Group. In addition, certain existing group services will be required by the Continuing Group and the costs associated with the ongoing management of the US wind-up will also be retained. The anticipated incremental cost to Pinewood's current operating profit is between approximately £2 million and £2.5 million, which is expected to be largely offset by the aforementioned addition of approximately 2,500 new users as a result of the UK Rollout, based on an assumption of a revenue per user equivalent to that paid by the Company.

Following Transaction Completion, the Continuing Group will also retain its US motor division, which comprises entities relating to historical retail operations in California in the United States. This segment ceased trading in 2021 following the sale of its remaining stores however the Group continues to retain the associated entities in order to wind-up legacy liabilities. For the year ended 31 December 2022, the Group incurred a profit before tax loss of £1.5 million from the US motor division. The level of cost associated with US motor is expected to substantially decrease over the coming years, in line with the reduction in liabilities.

After Transaction Completion, the Continuing Group intends to focus on the growth prospects of Pinewood as well as the Strategic Partnership with increased operating flexibility following the recapitalisation. The business of the Continuing Group will be led by William Berman as Chief Executive Officer and Oliver Mann as Chief Financial Officer, supported by a highly experienced management team.

## **9. Current trading, trends and future prospects for the Continuing Group**

Pinewood's existing growth plans are focused on three core pillars:

1. product innovation:
  - (i) opportunity remains to expand digital capabilities to existing customers as bolt on applications and create tools to enhance the customer experience to attract new customers;
  - (ii) Pinewood is well positioned to fundamentally simplify auto retail working from its existing capability and there is opportunity to scale in US with the product developed for the US market in partnership with Lithia;
  - (iii) opportunity to lead innovation of DMS product globally in partnership with Lithia, in areas such as eCommerce, valuation and equity mining,
2. user growth in existing territories:
  - (i) opportunity to grow with major retail players in the UK post separation from Pendragon motor division;
  - (ii) exciting opportunity for growth in markets such as Asia Pacific, Middle East and Europe in particular;



- (iii) targeting approximately 16,000 new users over the next five years in markets outside of North America, and
3. access to North American Market through North America JVCo:
- (i) the Board believes Lithia is the ideal partner to turbocharge Pinewood's expansion into North America and North America JVCo provides access to approximately 17,500 initial users across Lithia's current store estate of 296 dealerships and a total addressable US market of approximately 18,000 new car dealerships;
  - (ii) leverage Lithia relationship to develop product for the North American markets where other European based DMS providers do not currently have a presence;
  - (iii) Pinewood's cloud-based technology to grow locally in North America without hardware limitations;
  - (iv) Lithia currently spends approximately \$100 million annually on their technology stack and by partnering with Lithia there is an opportunity to generate a revenue stream from DMS and customer relationship management ("**CRM**") functions alone of more than double Pinewood Tech's current annual revenues.

The Board believes that the growth prospects for the Continuing Group will be materially enhanced as a result of becoming an independent, pure-play SaaS business as well as through the Strategic Partnership. As such, the Board is targeting user growth of approximately 16,000 to approximately 48,000 by FY27 with an associated target of £27 million EBITDA by FY27 from existing Pinewood opportunities and the UK Rollout, with specific user targets as follows:

- (i) UK Rollout (c.2,500);
- (ii) Other UK & Ireland (c.3,500);
- (iii) Europe (c.4,000);
- (iv) Middle East (c.1,500);
- (v) Asia-Pacific (c.4,000); and
- (vi) Africa (c.500).

The North American market is both highly attractive and stable, with approximately 21,000 new car automotive dealers in the US (approximately 18,000) and Canada (approximately 3,000), which have been consistently operating over approximately the last 10 years. It is also highly fragmented with the largest 10 dealership groups representing approximately only 10 per cent. share of new vehicle volumes in 2022. Lithia is one of the largest automotive retailers with 296 dealerships providing significant scale and opportunity. The Board estimates the monthly DMS spend per dealership at approximately £12,000, which implies a significant market opportunity of approximately £2.6 billion for the US and further upside into North America and used cars. The Board, based on its discussions with Lithia, believes that Pinewood's cloud-based single system, agile approach, provides a competitive advantage.

On 20 July 2023, the Company provided a post-close trading update covering the period from 1 January 2023 to 30 June 2023 and its outlook for the remainder of the year. The post-close trading update included the following statement on its outlook expectations for the remainder of the financial year:

*"The Group delivered another robust performance in the first half of FY23, with growth in gross profit more than offsetting the underlying pressures of interest rate rises and ongoing cost inflation. As a result, the Group expects to report a c.9% increase in underlying profit before tax to c.£36.5m for the first half of FY23 (H1 FY22: £33.5m)."*

This statement constituted a profit estimate for the purposes of the Listing Rules and the Prospectus Regulation Rules (the "**Profit Estimate**"). The Profit Estimate has been compiled and prepared on a basis which is both: (a) comparable with the historical financial information in Part 4 (*Financial Information relating to the Disposal Group*) of this document; and (b) consistent with the accounting policies of the Company. The Directors have prepared the Profit Estimate on the basis of the unaudited management accounts for the six months ended 30 June 2023. The Directors believe that the key accounting estimate that could impact the Profit Estimate is the assessment of the fair value of inventory which is dependent on assumptions in relation to factors outside the influence or control of the Directors including the parc of used vehicles, the used vehicle market sales rate and historic movements in used vehicle prices.

## **10. Risk factors**

For a discussion of the risks and uncertainties which you should take into account when considering whether to vote in favour of the Resolution, please refer to Part 2A (*Risk Factors*) of this document.

## **11. Board changes**

It was previously announced that Martin Casha would be stepping down as Director and Chief Operating Officer of the Company on 7 November 2023 to take up a position as Chief Executive Officer of Marshall Motor Group. It has been agreed between the Company and Martin Casha that his resignation will be accelerated to 7 October 2023.

Ian Filby will be stepping down as Non-Executive Chairman of the Company but will continue in his role until Pendragon identifies and appoints Ian's successor.

Mark Willis will be stepping down as Director and Chief Financial Officer of the Company subject to and conditional on Transaction Completion and his successor will be Oliver Mann who will be appointed as Director and Chief Financial Officer of the Company subject to and conditional on Transaction Completion. Oliver Mann has been at the Company for 18 years, holding roles including Director of Group Finance and Investor Relations, Group Financial Controller and Head of Financial Planning and Analysis.

On and following Subscription Completion, and in accordance with the terms of the Subscription, Transfer and Relationship Agreement, Lithia shall have the right to nominate the Lithia Nominee Directors to be appointed to the Board.

Following Transaction Completion, the Board is expected to comprise a majority of independent non-executive directors.

## **12. Irrevocable undertakings**

The Directors who hold interests in the Ordinary Shares have each irrevocably undertaken to vote at the General Meeting in favour of the Resolution in respect of the Ordinary Shares to which they are beneficially entitled (representing, in aggregate, approximately 1.0 per cent. of the entire issued Ordinary Share capital of the Company as at the Latest Practicable Date).

In addition, Shareholders who hold interests in the Ordinary Shares representing, in aggregate, approximately 27.8 per cent. of the entire Ordinary Share capital of the Company as at the Latest Practicable Date have each irrevocably undertaken to vote at the General Meeting in favour of the Resolution in respect of the Ordinary Shares to which they are beneficially entitled, further details of which are set out in paragraph 11 of Part 6 (*Additional Information*) of this document. The Shareholders comprise Schroder Investment Management Limited, Briarwood Capital Partners LP, Hosking Partners LLP, Farringdon Netherlands BV, Huntington Management LLC, Harwood Capital Management and Sir Nigel Rudd.

The Company has therefore received irrevocable undertakings to vote at the General Meeting in favour of the Resolution in respect of Ordinary Shares representing, in aggregate, approximately 28.8 per cent. of the entire issued Ordinary Share capital of the Company as at the Latest Practicable Date.

## **13. General Meeting**

Transaction Completion is subject to, among other things, the approval of the Resolution by Shareholders at the General Meeting. Accordingly, you will find set out at the end of this document a Notice of General Meeting convening the General Meeting to be held at the offices of CMS Cameron McKenna Nabarro Olswang LLP at Cannon Place, 78 Cannon Street, London EC4N 6AF at 10.00 a.m. on 6 October 2023.

At the General Meeting, the Resolution will be proposed which, if passed, will approve the Disposal and the North American Pinewood Opportunity substantially on the terms and subject to the conditions summarised in Part 3 (*Principal Terms and Conditions of the Transaction*) of this document and will authorise the Directors to give effect to the Transaction.

The full text of the Resolution is included in the Notice of General Meeting, which is set out in Part 9 (*Notice of General Meeting*) of this document.



**14. Action to be taken**

**Notice of the General Meeting, to be held at the offices of CMS Cameron McKenna Nabarro Olswang LLP at Cannon Place, 78 Cannon Street, London EC4N 6AF at 10.00 a.m. on 6 October 2023 is set out in Part 9 (*Notice of General Meeting*) of this document.**

The Company is seeking approval of the Resolution at the General Meeting. Your support is important to us. Please vote on the Resolution. Please read the notes to the Notice of General Meeting in Part 9 (*Notice of General Meeting*) of this document.

You can vote electronically by logging on to <https://www.mypendragonshares.com> using the Investor Code and following the instructions (“**Electronic Filing**”) so as to be received not later than 10.00 a.m. on 4 October 2023 (or, in the case of an adjournment, not less than 48 hours, ignoring any part of a day that is not a working day, before the time fixed for the holding of the adjourned meeting). If you have not done so already, you will need to register your account using your Investor Code, which can be found on your share certificate and is available from the registrar, Link Group (the “**Registrar**”). In order to vote online, you will need to visit <https://www.mypendragonshares.com> and use your Investor Code to log in or register.

Link Group, the Company’s Registrar, has launched a shareholder app: LinkVote+. It’s free to download and use and gives shareholders the ability to access their shareholding record at any time and allows users to submit a proxy appointment quickly and easily online rather than through the post. The app is available to download on both the Apple App Store and Google Play, or by scanning the relevant QR code below.

Apple App Store	GooglePlay
	

If you are an institutional investor you may also be able to appoint a proxy electronically via the Proxymity platform, a process which has been agreed by the Company and approved by the Registrar. For further information regarding Proxymity, please go to [www.proxymity.io](http://www.proxymity.io). Your proxy must be lodged by 10.00 a.m. on 4 October 2023 in order to be considered valid or, if the meeting is adjourned, by the time which is 48 hours before the time of the adjourned meeting. Before you can appoint a proxy via this process you will need to have agreed to Proxymity’s associated terms and conditions. It is important that you read these carefully as you will be bound by them and they will govern the electronic appointment of your proxy. An electronic proxy appointment via the Proxymity platform may be revoked completely by sending an authenticated message via the platform instructing the removal of your proxy vote.

If you are a CREST member, you may submit your proxy electronically through CREST. Details of how to do so are set out in the notes to the Notice of General Meeting set out in Part 9 (*Notice of General Meeting*) of this document. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy, must be lodged by 10.00 a.m. on 4 October 2023 (or, in the case of an adjournment, not less than 48 hours, ignoring any part of a day that is not a working day, before the time fixed for the holding of the adjourned meeting) in order to be considered valid.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST Proxy Instruction must be properly authenticated in accordance with Euroclear's specifications, and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the Registrar, Link Group, not later than 10.00 a.m. on 4 October 2023 (or, in the case of an adjournment, not less than 48 hours, ignoring any part of a day that is not a working day, before the time fixed for the holding of the adjourned meeting).

Alternatively, you may request a Form of Proxy from the Registrar, Link Group. Details of how to contact them, as well as details of how to submit a Form of Proxy and the deadline for receipt, are set out in the notes to the Notice of General Meeting set out in Part 9 (*Notice of General Meeting*) of this document.

The completion and return of a Form of Proxy, registration of an online proxy appointment or completion and transmission of a CREST proxy instruction will not prevent you from attending the General Meeting and voting in person should you wish to do so.

#### **15. Additional information**

Your attention is drawn to the additional information set out in Part 6 (*Additional Information*) of this document. You are advised to read the whole of this document and not just rely on the key summarised information in this letter.

#### **16. Financial advice**

The Board has received financial advice from Jefferies in relation to the Transaction and, in giving its financial advice to the Board, Jefferies has relied on the Board's commercial assessment of the Transaction.

#### **17. Recommendation to Shareholders**

**The Board considers that the Transaction and the passing of the Resolution in respect of the Disposal and the North American Pinewood Opportunity is in the best interests of Shareholders as a whole. Accordingly, the Board unanimously recommends that Shareholders vote in favour of the Resolution to be proposed at the General Meeting.**

The Directors who hold interests in the Ordinary Shares have each irrevocably undertaken to vote at the General Meeting in favour of the Resolution in respect of the Ordinary Shares to which they are beneficially entitled (representing in aggregate approximately 1.0 per cent. of the entire issued Ordinary Share capital of the Company as at the Latest Practicable Date).

Yours sincerely,

**Ian Filby**

*Chairman*

## PART 2

### RISK FACTORS AND IMPORTANT NOTICES

#### SECTION A: RISK FACTORS

*This section describes the risks known to the Board as at the date of this document which are considered by the Board to be material in relation to the Transaction, as well as material risks to the Continuing Group which result from or will be impacted by the Transaction and the material risks to the Group if the Transaction were not to proceed. However, these should not be regarded as a complete and comprehensive statement of all material risks which generally affect the Group. Additional risks and uncertainties not presently known to the Board, or that the Board considers immaterial, or that the Board considers material to the Group but will not be affected by the Transaction, may also adversely affect the Group's business, results of operations or financial condition. If any or a combination of the following risks materialise, the Group's business, financial condition, operational performance and future performance could be materially adversely affected. In such circumstances, the market price of the Ordinary Shares could decline and you may lose all or part of your investment.*

*The risk factors in this document set out the necessary disclosure in accordance with the Listing Rules, and do not seek to cover all the material risks which generally affect the Group. Further information on the material risks which generally affect the Group is set out in the 2022 Annual Report and Accounts.*

*The information given is as of the date of this document and, except as required by the FCA, the London Stock Exchange, the Listing Rules, the Prospectus Regulation Rules, the Disclosure Guidance and Transparency Rules or any other applicable law or regulation, will not be updated.*

*You should carefully consider the specific factors and risks described below, together with all other information contained in this document and the information incorporated by reference herein, before deciding whether to vote in favour of the Resolution at the General Meeting.*

#### **1. Risks relating to the Transaction**

##### **1.1 Conditions to the Sale Agreement**

Completion of the Sale Agreement is subject to, among other things, the approval of the Resolution by Shareholders at the General Meeting and the satisfaction (or waiver if applicable) of the Regulatory Conditions.

There can be no assurance that the conditions precedent to the Sale Agreement will be satisfied (or waived, if applicable) and, accordingly, that Transaction Completion will take place. If Transaction Completion does not occur, PGHL will not receive the cash proceeds from the Disposal. In addition, the Subscription is conditional on completion of the Sale Agreement, and the North American Pinewood Opportunity will only complete immediately following Subscription Completion so the Company will forego the other benefits of the Transaction as set out in this document. Further, some transaction, restructuring and other costs incurred by the Group in connection with the Transaction would be incurred without the receipt of the Disposal proceeds.

If Transaction Completion does not take place, any of the risks and uncertainties set out in paragraph 3 of this Part 2A (*Risk Factors*) may adversely affect the Group's business, results of operations, financial condition and prospects.

##### **1.2 Exposure to liabilities under the Sale Agreement**

The Sale Agreement contains obligations, largely in the form of warranties (including in relation to tax), a tax covenant and certain pre-completion undertakings, from the Company in favour of the Purchaser. The Company has taken steps to minimise the risk of liability under these provisions, including capping warranty claims or tax covenant claims brought against the Company and PGHL under the Sale Agreement at £1.00. In addition, the Purchaser has undertaken due diligence and has the benefit of the warranty and indemnity insurance policy in respect of claims under the warranties and the tax covenant given by Company. However, any liability outside of the warranties and tax covenant is

retained by the Company and any liability to make a payment arising from a successful claim by the Purchaser under the Sale Agreement could have an adverse effect on its business, results of operations, prospects and financial condition. In particular, the Company has provided specific indemnities in the Sale Agreement (i) to pay the first £100,000 (exclusive of VAT), and 50 per cent. thereafter of all costs (excluding any transaction costs) incurred in relation to the Separation or any asset to be transferred as part of the Separation and (ii) while the Company does not expect there to be any material stamp duty charges in respect of certain transfers of shares in connection with the Reorganisation, the Company has agreed to indemnify the Purchaser for any such amounts to the extent they do arise in the Disposal Group. The Company has taken steps to minimise its risk thereunder by including an aggregate liability cap of 25 per cent. of the Consideration.

The Sale Agreement contains a break fee whereby if the Sale Agreement is terminated as a result of the directors of the Company withdrawing, modifying or qualifying their recommendation to vote in favour of the Resolution, the Company shall pay compensation to Lithia by way of liquidated damages.

### **1.3 *Warranties and indemnities given by the Purchaser under the Sale Agreement***

The Sale Agreement contains certain warranties and indemnities given by the Purchaser in favour of the Company and PGHL. The extent to which the Purchaser will be required, if at all, to make payments in respect of these warranties or indemnities is unpredictable. If, however, the Purchaser suffers financial distress, any payments due to the Company and/or PGHL in respect of such warranties or indemnities may be put at risk.

### **1.4 *Pre-Transaction Completion changes affecting the Disposal Group and the Continuing Group***

During the period from the signing of the Sale Agreement to Transaction Completion, events or developments may occur, including changes in trading, operations or outlook of the Continuing Group or Disposal Group, or external market factors, which could make the terms of the Sale Agreement less attractive for the Company. The Company and PGHL would be obliged to complete the Disposal notwithstanding such events or developments. This may have an adverse effect on the Continuing Group's business, results of operations, financial condition and prospects.

## **2. *Risks relating to the North American Pinewood Opportunity***

### **2.1 *Capital investment in the North American Pinewood Opportunity***

In accordance with the North American Pinewood Agreement, the Company will use an amount of £10 million to finance its capital investment in the North American Pinewood Opportunity.

At completion of the North American Pinewood Agreement, Lithia (or its wholly-owned subsidiary) shall hold 51 per cent. of the equity interests of North America JVCo and the Company (or its wholly-owned subsidiary) shall hold 49 per cent. of the equity interests of North America JVCo. As a result, the Company (or its wholly-owned subsidiary) will not have majority control or majority influence over the operations of North America JVCo. The Company has taken steps to protect the decision making process for important strategic and operational decisions of North America JVCo by including shareholder reserved matters in the North American Pinewood Agreement which require the consent of members holding 85 per cent. of the equity interests of North America JVCo.

At board level, the Company (or its wholly-owned subsidiary) will also require the agreement and cooperation of Lithia (or its wholly-owned subsidiary) to undertake or procure the undertaking of any resolutions by the board of North America JVCo, as the quorum for the meetings of the board of North America JVCo shall be one manager appointed by each of the Company (or its wholly-owned subsidiary) and Lithia (or its wholly-owned subsidiary) with resolutions of the board requiring a simple majority of votes cast. The member holding a majority of the equity interests of North America JVCo, being Lithia (or its wholly-owned subsidiary) at the date of completion of the North American Pinewood Agreement, shall have the right to appoint the chairperson of the board of North America JVCo, and the chairperson will have a casting vote on decisions of the board. The success of the North American Pinewood Opportunity will therefore depend on the agreement, cooperation and alignment of interests of Lithia and the Company.

The future success of the North American Pinewood Opportunity will also depend on the successful implementation of its business strategy. The implementation of its business strategy will be subject to certain risks and factors outside the control of the members of North America JVCo, being the Company (or its wholly-owned subsidiary) and Lithia (or its wholly-owned subsidiary), including changes in the markets in which the North American Pinewood Opportunity will operate and in the global macroeconomic context. Furthermore, the Company may not generate the perceived benefits from the North American Pinewood Opportunity.

In circumstances where the North American Pinewood Opportunity is not as successful as expected, does not generate the perceived benefits or where Lithia does not agree with managing and conducting the business, operations and finances of North America JVCo in the same manner as the Company, this may have an adverse effect on the Continuing Group's business, results of operations, financial condition and prospects.

## 2.2 **Licensing risks in respect of the North American Pinewood Opportunity**

The purpose of North America JVCo is to enable commercialisation of the Pinewood proprietary DMS software in the United States of America and Canada (the "**NA Market**"). As part of the Licence and Framework Services Agreement the source code for the Pinewood proprietary software needs to be put in escrow. There are a number of circumstances in which source code to the Pinewood software gets released which include where: (i) Pinewood Tech is in material breach of the Licence and Framework Services Agreement as a whole but only if such breach is triggered by, and relates to, the key provisions of such agreement, and which continues unremedied for 30 days; (ii) the Company ceases to be a member of North America JVCo; (iii) an unapproved or unremedied change of a controlling parent of a member of North America JVCo (disregarding any change where the party is listed on the London Stock Exchange); (iv) a member of North America JVCo suffering an insolvency event; (v) an unremedied material breach by a member of North America JVCo of the transfer provisions or restrictive covenants under the North American Pinewood Agreement; (vi) the Company carries on any services or products that are in competition with those of North America JVCo in the NA Market; and (vii) a material breach of the North American Pinewood Agreement as a result of fraud or wilful misconduct.

Once that source code gets released: (i) Pinewood Tech will not be able to use the Pinewood software to operate in the NA Market along with territories of Greenland, Mexico, Belize, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, and Panama (the "**Additional Territories**") or launch a new joint venture to sell the Pinewood software there for three years following the source code release; and (ii) North America JVCo will, however, have rights to continue to develop the software product (that has been produced using and relying on the Pinewood proprietary software) and sell it to customers but only in the NA Market along with the Additional Territories; in effect North America JVCo has rights akin to ownership of the Pinewood proprietary software in respect of the NA Market and the Additional Territories. If the source code escrow is released, North America JVCo will be able to do that without involving Pinewood Tech.

In addition, pursuant to the North American Pinewood Agreement, the members of North America JVCo shall not, for so long as they hold any interest in North America JVCo and for a period of 12 months thereafter, compete with North America JVCo within the United States of America and Canada (and, if the source code has been released prior to any such member no longer holding an interest in North America JVCo, the Additional Territories). Following the expiry of such period, Lithia will be able to compete directly with the business of North America JVCo anywhere in the world.

The risks arising from the licensing of Pinewood proprietary software to North America JVCo may have an adverse effect on the Continuing Group's business, results of operations, financial condition and prospects.

## 3. **Risks relating to the Transaction not proceeding**

If the Transaction does not proceed, the following risks and uncertainties may affect the Group's business, results of operations, financial condition and prospects:

### 3.1 ***Inability to realise value if the Transaction does not complete***

The Board believes that the Transaction is in the best interests of Shareholders taken as a whole and that the Disposal currently provides the best opportunity to realise an attractive value for the Disposal Group. If the Transaction does not complete, the subsequent value of the Disposal Group to the Company and the Company's ability to deliver equivalent or additional tangible value to Shareholders may be lower than can be realised by way of the Disposal or may be delayed or prejudiced. This could result in the financial position of the Group being materially worse than the position it would be in if the Transaction completed.

### 3.2 ***Potential inability to dispose of the Disposal Group in the future in favourable or equivalent market circumstances at an improved or equivalent valuation, or at all***

If the Transaction is not approved by Shareholders, it will become incapable of completion. If this were to occur, there would be no assurance that the Company would be able to dispose of the Disposal Group at a later date, in favourable or equivalent market circumstances.

Whilst the Company is not a limited life company and is under no obligation to sell the Disposal Group within a fixed time frame, there can be no assurance that, at any time it does seek to dispose of the Disposal Group, conditions in the relevant market will be favourable or that the Group will be able to maximise the returns.

To the extent that market conditions are not favourable, the Group may not be able to dispose of the Disposal Group at the same or higher value or at all. If the Group was required to dispose of or liquidate an investment on unsatisfactory terms, the Group may realise less value than that proposed under the Disposal which could, in turn, have a negative impact on the Group's business, results of operations, financial condition and prospects as well as potentially having a negative impact on its wider business. As a result of the foregoing, there can be no assurance that the Disposal Group can generate attractive returns if retained.

### 3.3 ***Further damage to the Company's reputation could adversely impact the Group's financial results and operations***

During 2022, the Company received expressions of interest and subsequently entered into advanced discussions regarding a potential sale of the Company on two separate occasions, neither of which led to a firm offer. The Company received amplified media scrutiny in connection with the previous potential offers.

If the Transaction does not proceed, there may be an adverse impact on the reputation of the Group due to further media scrutiny arising in connection with the attempted Disposal and the Group's broader strategy as part of the Transaction. Any such reputational risk could adversely affect the Group's business, results of operations, financial condition and prospects, as well as the Company's share price.

### 3.4 ***Failure to complete the Transaction could have a disruptive effect on the Group***

If the Transaction does not complete, it could lead to the loss of key persons in management and/or operating functions in the Disposal Group and/or in the Group itself, the distraction of management and employees, and concern amongst stakeholders with respect to the future ownership of the Disposal Group. These could have an adverse effect on the performance of the business of the Disposal Group and therefore its value to the Group.

To maintain Shareholder value, the management of the Group may be required to allocate additional time and cost to the ongoing supervision and development of the Disposal Group and to invest further amounts that the Group would otherwise invest in furtherance of its current strategy.

## **4. Risks relating to the Continuing Group**

If the Disposal is completed, the following risks and uncertainties may occur or result as a consequence:



4.1 ***The market price of the Ordinary Shares may go down as well as up and may be subject to greater volatility and less liquidity following the Transaction***

Shareholders should be aware that the value of an investment in the Continuing Group may go down as well as up and can be highly volatile. The price at which the Ordinary Shares may be quoted and the price which investors may realise for their Ordinary Shares will be influenced by a large number of factors, some specific to the Continuing Group and its operations, and some which may affect the industry as a whole, other comparable companies or publicly traded companies as a whole. The sentiments of the stock market regarding the Transaction will be one such factor and this, together with other factors, including the actual or anticipated fluctuations in the financial performance of the Continuing Group and its competitors, market fluctuations, and legislative or regulatory changes in the Continuing Group's sector, could lead to the market price of Ordinary Shares going up or down.

4.2 ***The Company will be dependent on the business of the Continuing Group which will be less diversified and profits will be lower***

Following the Disposal, the Continuing Group's business will be smaller and less diversified. Without the benefit of the revenues or profits of the Disposal Group consolidated with the Continuing Group, the Continuing Group's profits will be lower and its overall financial performance will depend more on the performance of each of its continuing operations and the success of its business strategy.

In particular, any underperformance by any business or division within the Continuing Group will have a larger relative impact on the Continuing Group than would have been the case before the Disposal. Furthermore, the business of the Continuing Group may be more susceptible to adverse economic changes than would have been the case prior to the Transaction.

4.3 ***The Continuing Group is subject to hacking or other cybersecurity threats which may disrupt the business and operations of the Continuing Group or result in the inappropriate disclosure of confidential information***

The continually increasing sophistication of hackers and prevalence of other cybersecurity threats means there will be a risk of breaches of the Continuing Group's IT security systems resulting in unauthorised access to data centres (which may lead to a loss of source code) or other parts of IT environments containing confidential information. For example, the Group was affected by a cyberattack in 2022 and the controls in place at the time of the incident, as well as the response of the security team and specialists, helped contain the incident. Following the incident, the Group undertook a full review involving third-party specialists and the Group currently has, and following the Disposal, the Continuing Group will have, security measures in place to prevent such attacks and to the extent possible, mitigate any successful attacks. However, given the increasing sophistication of computer hackers and prevalence of other cybersecurity threats, there can be no assurance that such measures will be effective in part or at all.

If the Continuing Group were subject to, or perceived to be subject to, a cyberattack or other cybersecurity threat, it could, among other things, disrupt business operations, lead to unauthorised disclosure of data or damage or destroy IT systems or data, each of which could expose the Continuing Group to investigative and remedial costs and it may be subject to litigation and financial losses that are either not insured against or not fully covered through any insurance maintained by the Continuing Group. Moreover, any such cyberattack or other cybersecurity threat could harm the Continuing Group's reputation. Any one or more of these events could have a material adverse effect on the Continuing Group's business, financial position, profit and cash flows.

4.4 ***The Continuing Group will have a concentrated customer base and major customers may default on their obligations or seek to terminate or alter existing contracts with the Continuing Group***

On Disposal Completion, the Disposal Group will be a significant customer of the Continuing Group. There is a risk that the Disposal Group may terminate, alter or reduce their business relationship with the Continuing Group. If the Continuing Group's relationship with the Disposal Group is adversely affected, this may have a material adverse impact on the revenues and profits of the Continuing Group.

In addition, it is possible that the Disposal Group or other customers of the Continuing Group may become insolvent or elect to default under their contracts with the Continuing Group. If a counterparty were to default on a payment obligation to the Continuing Group, the Continuing Group may not be able to collect the amounts owed to it and some or all of such amounts may need to be written off. Accordingly, any significant defaults on the part of customers could adversely impact the profitability and business, results of operations, financial condition and prospects of the Continuing Group.

**4.5 *The Continuing Group has an unresolved claim that may result in a higher pay-out than expected***

One of the Group's subsidiary companies, Pinewood Tech, is currently in a dispute with one of its former software resellers, Pinewood Tech Asia Pacific Limited ("**PAP**"). PAP has made a claim against Pinewood Tech for breach of the reseller agreements for South East Asia Mainland and Japan and are claiming a total of \$312.7 million in losses and damages.

The Company is unable to estimate any potential financial effect of this claim because it is at a level that the Company considers to be entirely disproportionate to the scale of the business. However, while no provision has been included in the 2022 Annual Report and Accounts as the Company's assessment of the damages claims is that they are grossly misconceived and lacking merit, the Company has included a contingent liability in the 2022 Annual Report and Accounts. If PAP are successful in their claim against Pinewood Tech, the potential pay-out to PAP could have a significant adverse cash impact on the Continuing Group, in addition to a material adverse impact on the Continuing Group's business and reputation.

**4.6 *The Continuing Group's development efforts may not produce successful new products or enhancements to existing products that result in significant revenue, cost savings or other benefits***

The Continuing Group cannot predict with certainty the changes which may occur in its industry and the effect of those changes on the competitiveness of the Continuing Group's business. The Continuing Group will need to anticipate and adapt to emerging trends and technological developments by their competitors and peers, including disruptive technologies, which, if they were to be developed or reach commercial viability, could supersede the Continuing Group's products or offer a competing alternative to existing customers.

If the Continuing Group's products and services fail to meet customer requirements, or do not achieve market acceptance, customers will seek alternative solutions, resulting in the loss of new revenue opportunities, or the termination or non-renewal of existing contracts and reputational harm.

Any products developed by the Group and, following the Disposal, the Continuing Group may require significant continued investment and development in order to ensure they remain relevant to customer requirements and are not superseded by products offered by competitors. The extent of investment and development of the Continuing Group's products will need to be managed and prioritised considering the expected future prospects, especially their potential for acceptance by customers in key markets. Insufficient or misplaced focus on research and development projects may damage the long-term growth prospects of the Continuing Group.

There can be no assurance that the Continuing Group's investment in its product development will generate the expected returns. Moreover, a failure by the Continuing Group to keep up with technological advances may render their existing product and services partially or wholly obsolete, which could have a material adverse effect on the Continuing Group's business, operational results and prospects.

**4.7 *The Continuing Group's business and products depend on the availability, integrity and security of its IT systems***

The Continuing Group's IT systems and software are integral to its business and rely on controls and systems to ensure data integrity of critical business information and proper operation of its networks. Although the Directors believe that the Group's current data security practices are in line with or exceed industry standards, a lack of data integrity could create inaccuracies and hinder the Continuing Group's ability to perform meaningful business analysis and make informed business decisions. Moreover, given

the increasing sophistication of computer hackers and prevalence of other cybersecurity threats, there can be no assurance that the existing controls and systems will be effective in securing data integrity.

Despite network security, disaster recovery and systems management measures in place, the Continuing Group may encounter unexpected general systems outages or failures that may affect its ability to conduct research and development, provide maintenance and support of its products, manage their contractual arrangements, accurately, efficiently maintain books and records, record its transactions, provide critical information to its management and prepare its financial statements. Additionally, these unexpected systems outages or failures may require additional personnel and financial resources, disrupt the Continuing Group's business or cause delays in the reporting of financial results.

The Group and, following the Disposal, the Continuing Group will, also outsource certain IT-related functions to third parties that are responsible for maintaining their own network security, disaster recovery and systems management procedures. If such third parties fail to manage their IT systems and related software applications effectively, the Continuing Group's business, results of operations, financial condition and prospects could be materially adversely affected.

#### **4.8 *The reduction in size of the Continuing Group may make it more difficult to attract and retain key employees***

The success of the Continuing Group depends on the efforts, abilities, experience and expertise of its executive management team, and on recruiting, retaining, motivating and developing highly skilled and competent people, in particular software developers who are key personnel for the business of the Continuing Group.

There can be intense competition for such personnel and there may at any time be shortages in the availability of appropriately skilled people. The reduction in size and diversification of the Continuing Group following the Disposal may make it more difficult to attract and retain talented employees which could have a material adverse effect on its business, financial condition, results of operations and prospects.

#### **4.9 *The separation of the Target Group from the Continuing Group may give rise to additional costs***

The process of separating the Target Group from the Continuing Group involves the separation of a number of business systems and assets, with certain contracts requiring third party consent to the proposed separation. The Continuing Group could incur material additional costs and/or adverse impacts on the functioning of its business as a result of carrying out the separation process, which in turn could have an adverse impact on the Continuing Group's business, results of operations, financial condition and prospects.

#### **4.10 *The Disposal may have a disruptive effect on the Continuing Group***

Following Disposal Completion, the Company will need to operate as an independent publicly listed company. In preparation for the Disposal, the Continuing Group has reviewed its standalone arrangements in a wide range of areas including finance, regulatory, IT and shared services, and will need to ensure any restructuring of the services will not negatively impact the Continuing Group. However, there is a risk that the Continuing Group could suffer operational difficulties following the Disposal which could have an adverse impact on the Continuing Group's business, results of operations and financial condition.

On Transaction Completion, a member of the Continuing Group will enter into the rTSA under which the Disposal Group will provide certain services to the Continuing Group. The Continuing Group's future success will in part depend on the Disposal Group's ability to retain employees who are key to the business of the Disposal Group, particularly with respect to the management and operation of the provision of those services to the Continuing Group under the rTSA. The loss of any such key persons may have a material disruptive effect on the provision of services to the Continuing Group pursuant to the rTSA and as a result, may have a material adverse effect on the Continuing Group's business, results of operations, financial condition and prospects.

4.11 ***Shareholders may not realise all of the perceived benefits of the Transaction as result of adverse tax treatments***

The Company intends to return the net proceeds of the Disposal to Shareholders by way of the Transaction Dividend. While the Board believes that this delivers an attractive cash dividend, Shareholders may not be able to realise the full value per Ordinary Share as a result of the tax treatment of dividends in the hands of various categories of Shareholder. Some Shareholders, including those resident in non-UK jurisdictions, are subject to risks arising from adverse tax treatments which may reduce the value of any dividend.

## **SECTION B: IMPORTANT NOTICES**

### **Market and industry information**

Market data and certain industry forecasts used in this document were obtained from internal surveys, reports and studies, where appropriate, as well as market research, publicly available information and industry publications. Industry publications generally state that the information they contain has been obtained from sources believed to be reliable but that the accuracy or completeness of such information is not guaranteed. Similarly, internal surveys, reports and studies and market research, while believed by the Company to be reliable and accurately extracted by the Company for the purposes of this document, have not been independently verified and the Company makes no representation as to the accuracy of such information. The industry forecasts are forward-looking statements. See *“Information regarding forward-looking statements”* below.

### **Information regarding forward-looking statements**

This document and the information incorporated by reference into this document contains statements which are, or may be deemed to be, “forward-looking statements” which are prospective in nature. All statements other than statements of historical fact are forward-looking statements. They are based on intentions, beliefs or current expectations and projections about future events, and concerning, among other things, the business, results of operations, prospects, growth and strategies of, the Company, the Group, the Disposal Group or the Continuing Group, and are therefore subject to risks and uncertainties which could cause actual results to differ materially from the future results expressed or implied by the forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of forward-looking words such as “plans”, “expects”, “is expected”, “is subject to”, “budget”, “scheduled”, “estimates”, “forecasts”, “goals”, “intends”, “anticipates”, “believes”, “targets”, “aims”, “hopes”, “continues” or “projects”. Words or terms of similar substance or the negative thereof, are forward-looking statements, as well as variations of such words and phrases or statements that certain actions, events or results “may”, “could”, “should”, “would”, “might” or “will” be taken, occur or be achieved. Such statements are qualified in their entirety by the inherent risks and uncertainties surrounding future expectations.

Forward-looking statements include statements relating to: (a) future capital expenditures, expenses, revenues, earnings, economic performance, indebtedness, financial condition, dividend policy, losses and future prospects; (b) business and management strategies and the expansion and growth of the Company’s, the Group’s, the Disposal Group’s or the Continuing Group’s operations; and (c) the effects of economic conditions on the Company’s, the Group’s, the Disposal Group’s or the Continuing Group’s business.

Such forward-looking statements involve known and unknown risks and uncertainties that could significantly affect expected results and are based on certain key assumptions. Many factors may cause actual results, performance or achievements of the Company, the Group, the Disposal Group or the Continuing Group to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Important factors that could cause actual results, performance or achievements of the Company, the Group, the Disposal Group or the Continuing Group to differ materially from the expectations of the Company, the Group, the Disposal Group or the Continuing Group include, among other things, general political, business and economic conditions, industry and market trends, competition, changes in government and changes in law, regulation and policy, including in relation to taxation as well as political and economic uncertainty (including, but not limited to, the Ukraine-Russia conflict), stakeholder perception of the Company, the Group, the Disposal Group or the Continuing Group and/or the sectors or markets in which it operates and other factors discussed in Part 2A (*Risk Factors*) of this document. Such forward-looking statements should therefore be construed in light of such factors. Any information contained in this document on the price at which shares or other securities in the Company have been bought or sold in the past, or on the yield on such shares or other securities, should not be relied upon as a guide to future performance.

Neither the Company nor any of its Directors, officers or advisers provides any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward-looking statements in this document will actually occur. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as at the date of this document.

The statements above relating to forward-looking statements should not be construed as a qualification on the Company’s working capital statement in paragraph 15 of Part 6 (*Additional Information*) of this document.

Other than in accordance with its legal or regulatory obligations (including under the requirements of the FCA, the London Stock Exchange, the Listing Rules, the Disclosure Guidance and Transparency Rules, the Prospectus Regulation Rules and MAR), neither the Company nor the Sponsor is under any obligation to, and each of the Company and the Sponsor expressly disclaims any intention or obligation to, update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

### **Rounding**

Percentages in tables have been rounded and accordingly may not add up to 100 per cent. certain financial data have also been rounded. As a result of this rounding, the totals of data presented in this document may vary slightly from the actual arithmetic totals of such data.

### **Currencies**

In this document and the information incorporated by reference into this document, references to “£”, “sterling” or “pounds sterling” are to the lawful currency of the United Kingdom.

### **No profit forecast or profit estimate**

Unless otherwise stated within this document, no statement in this document is intended as a profit forecast or a profit estimate and no statement in this document should be interpreted to mean that earnings, earnings per share or income, for the Company, the Group, the Disposal Group or the Continuing Group, as appropriate, for the current or future financial years will necessarily match or exceed the historical published earnings, earnings per share or income for the Company, the Group, the Disposal Group or the Continuing Group, as appropriate.

## PART 3

### PRINCIPAL TERMS AND CONDITIONS OF THE TRANSACTION

The following is a summary of the principal terms of the Transaction Documents.

#### 1. The Sale Agreement

##### 1.1 Parties and structure

The Sale Agreement was entered into on 18 September 2023 between the Company, PGHL and the Purchaser. Pursuant to the terms of the Sale Agreement, the Company and PGHL agreed, subject to the satisfaction (or waiver, where applicable) of certain conditions, to sell the entities comprising the Disposal Group to the Purchaser.

##### 1.2 Timing, conditions and termination

Completion of the Sale Agreement is conditional upon the satisfaction (or waiver, where applicable) of the following Conditions:

- (a) the CMA Condition;
- (b) the Shareholder Condition;
- (c) the Reorganisation Condition;
- (d) the FCA Conditions;
- (e) the Pensions Condition; and
- (f) the OEM Condition.

The Company shall use all reasonable endeavours to ensure that conditions 1.2(b), 1.2(c), 1.2(d) and 1.2(f) are satisfied as soon as reasonably practicable following the date of the Sale Agreement and in any event before the Longstop Date. The Purchaser shall use all reasonable endeavours to ensure that conditions 1.2(a), 1.2(d) (to the extent such FCA Conditions relate to the Purchaser) and 1.2(e) are satisfied as soon as reasonably practicable following the date of the Sale Agreement and in any event before the Longstop Date. If any of the Conditions above are not satisfied or waived in accordance with the Sale Agreement, the Sale Agreement shall terminate in accordance with its terms. If the Disposal does not complete, PGHL will not receive the proceeds from the Disposal, and the Company will forgo the other benefits of the Disposal, as detailed in Part 1 (*Letter from the Chairman of Pendragon plc*) of this document.

The Board expects that, subject to the satisfaction and/or waiver (where applicable) of the Conditions to the Disposal, Disposal Completion is expected to occur on the last day of the month (which is also a Business Day) on which the last of the Conditions is satisfied or waived (or, if the last of the Conditions to be satisfied or waived is satisfied or waived less than ten Business Days before the last Business Day in that month or if the last day of that month is not a Business Day, on the last day of the next month that ends on a Business Day) or any other date agreed between the Company and the Purchaser.

##### 1.3 Consideration and adjustments

The Consideration payable by the Purchaser on Disposal Completion shall comprise:

- (a) £280 million;
- (b) minus the Subscription Price;
- (c) plus the amount by which the bank debt of the Continuing Group exceeds its cash or less the amount by which the cash of the Continuing Group exceeds its bank debt;
- (d) plus the intergroup receivables owed between the Continuing Group and the Disposal Group;
- (e) minus the inter-group payables owed between the Continuing Group and the Disposal Group; and

- (f) minus an amount equal to the actual working capital of the Continuing Group less the working capital target.

The Consideration is subject to a post-completion completion accounts adjustment.

After adjustment for estimated transaction costs, the Company expects to receive net aggregate proceeds from the Disposal of £250 million.

#### 1.4 **Separation**

Under the Sale Agreement, the Company undertakes, subject to the specific terms set out in the Sale Agreement, to procure that the Disposal Group legally and beneficially owns, or, in the case of any third party licensed intellectual property, has a right to use all of the assets, contracts, property, employees and any other rights necessary for the full and effective continuation of the Business as it has been operated in the last 12 months, at or prior to Disposal Completion. The Company agrees to implement the transfer of an agreed list of transferring assets, contracts, property and other rights promptly following the date of Sale Agreement (the “**Separation**”).

#### 1.5 **Break Fee**

Under the Sale Agreement, the Company has agreed to pay to the Purchaser a break fee equal to the lower of one per cent. of the market capitalisation of the Company based on a closing price on 14 July 2023 of £0.1744 or the maximum amount that the Company may pay without such break fee requiring approval under Listing Rule 10.2.7 R (the “**Break Fee**”). The Break Fee is payable by the Company in the event that the Sale Agreement is terminated as a result of the directors of the Company withdrawing, modifying or qualifying their recommendation to vote in favour of the Resolution.

#### 1.6 **Warranties, tax covenant and indemnities**

The Sale Agreement contains warranties and a tax covenant (subject to customary limitations) granted by the Company that are customary for this type of transaction. The warranties given by the Company are in relation to, amongst other things:

- (a) the capacity, power and authority to enter into and perform its obligations under the Sale Agreement and all agreements and documents to be entered into by or on behalf of the Company pursuant to the Sale Agreement;
- (b) title and ownership of the share capital of the immediate subsidiaries of the Company; and
- (c) the business, assets, liabilities and financial affairs of the Disposal Group.

The Sale Agreement contains limited warranties from PGHL in relation to, amongst other things:

- (a) the capacity, power and authority to enter into and perform its obligations under the Sale Agreement and all agreements and documents to be entered into by or on behalf of PGHL pursuant to the Sale Agreement; and
- (b) title and ownership of the share capital of Pendragon NewCo.

In addition, the Sale Agreement contains warranties granted by the Purchaser that are customary for this type of transaction in relation to, amongst other things, its existence, its authority, power and right to enter into and execute the Sale Agreement and to consummate the transactions contemplated by the Sale Agreement.

In addition, the following specific indemnities were contained in the Sale Agreement:

- (a) all costs (excluding any transaction costs) incurred in relation to the Separation or any asset to be transferred as part of the Separation shall be borne:
  - (i) by the Company, in respect of the first £100,000 (exclusive of VAT); and
  - (ii) thereafter, 50 per cent. by the Company and 50 per cent. by the Purchaser; and



- (b) while the Company does not expect there to be any material stamp duty charges in respect of certain transfers of shares in connection with the Reorganisation, the Company agrees to indemnify the Purchaser for any such amounts to the extent they do arise in the Disposal Group.

### 1.7 **Limitations on liability**

Any warranty claims or tax covenant claims brought against the Company and PGHL under the Sale Agreement are subject to customary limitations, including a maximum financial liability cap of £1.00. The aggregate liability of the Company for all other claims under the Sale Agreement shall not exceed an amount equal to 25 per cent. of the Consideration.

### 1.8 **Period before Disposal Completion**

The Company shall comply with certain customary obligations beginning on the date of the Sale Agreement and ending at Disposal Completion, including to procure that the Disposal Group carries on its business in the ordinary course and consistent with past practice, subject to certain agreed-upon exceptions, and has given a number of specific undertakings to the Purchaser regarding the conduct of the business and affairs of the Disposal Group during such period.

### 1.9 **Non-compete and non-solicit**

The Company and the Purchaser have given customary non-solicit and non-compete undertakings to the other in relation to the business carried out by the Company (in the case of the Purchaser) or the Purchaser (in the case of the Company) and their respective customers, senior employees and suppliers. The undertakings apply for a period of three years and the parties shall procure that their respective group companies also comply with these provisions. Customary carve-outs apply to those undertakings.

### 1.10 **Governing law and jurisdiction**

The Sale Agreement is governed by and construed in accordance with the laws of England and Wales and the courts of England and Wales have exclusive jurisdiction.

As set out in paragraph 19 of Part 6 (Additional Information) of this document, the Sale Agreement is available for inspection by Shareholders.

## **2. The Subscription Agreements**

### 2.1 **Parties and structure**

The allotment and issue of the Subscription Shares to the Purchaser pursuant to the Subscription will be effected by way of a cash box structure, which is expected to have the effect of increasing the Company's distributable reserves and providing the Company with the subscription proceeds it requires in order to make the North American Pinewood Commitment and the Pinewood Investment. The ability to realise distributable reserves in the Company will facilitate payment of the Transaction Dividend.

The Company and the Purchaser intend to enter into (i) an initial subscription and put and call option agreement (the "**Option Agreement**"); and (ii) a subscription, transfer and relationship agreement (the "**Subscription, Transfer and Relationship Agreement**" and together with the Option Agreement, the "**Subscription Agreements**").

### 2.2 **Conditions to the Subscription**

The Subscription is conditional upon the following conditions:

- (a) Disposal Completion; and
- (b) Admission occurring or becoming effective by 8.00 a.m. (London time) on or prior to 20 September 2024 (or such later time and/or date as the Purchaser and the Company may agree).

## 2.3 Terms of the Subscription Agreements

Under the terms of the Subscription Agreements:

- (a) the Company and the Purchaser will subscribe for ordinary shares in a Jersey-incorporated company (“**JerseyCo**”) and enter into certain put and call options in relation to the purchase by the Company of the ordinary shares in JerseyCo held by the Purchaser, that are exercisable if the Subscription does not proceed;
- (b) the Purchaser will subscribe for redeemable preference shares in JerseyCo to an aggregate value equal to the Subscription Price; and
- (c) the Company will allot and issue the Subscription Shares to the Purchaser in consideration of the Purchaser transferring its holding of redeemable preference shares and ordinary shares in JerseyCo to the Company.

Accordingly, instead of receiving cash as consideration for the issue of the Subscription Shares, at the conclusion of the Subscription, the Company will own the entire issued share capital of JerseyCo. The Company will, following completion of the Subscription, redeem the redeemable preference shares in the capital of JerseyCo and receive a redemption amount equal to the Subscription Price.

## 2.4 Appointment Rights, Relationship Undertakings and Lock-In Provisions

The Subscription, Transfer and Relationship Agreement will also regulate the relationship between the Company and the Purchaser (in its capacity as a Shareholder) following the Subscription. The appointment rights and relationship undertakings therein shall remain in effect for so long as the Purchaser is entitled to exercise 10 per cent. or more of the voting rights attaching to securities of the Company which are generally exercisable at meetings of Shareholders (a “**Relevant Interest**”).

In accordance with the terms of the Subscription, Transfer and Relationship Agreement, the Purchaser shall have the right to nominate up to two directors (“**Lithia Nominee Directors**”) to be appointed to the Board for so long as the Purchaser holds a Relevant Interest. The Subscription, Transfer and Relationship Agreement regulates the appointment and removal of any such Lithia Nominee Directors.

The Subscription, Transfer and Relationship Agreement, will include customary terms, which regulate the relationship between the Company and the Purchaser (as a Shareholder). In addition, the Purchaser will undertake to the Company that, subject to certain limited exceptions, that it will not dispose of the Subscription Shares held by it for a period of two years from the date of Admission.

## 2.5 Dividend Waiver

In addition, pursuant to the terms of the Subscription, Transfer and Relationship Agreement, the Purchaser agrees to waive all rights and entitlement in respect of its entire holding of the Subscription Shares (the “**Dividend Waiver**”).

## 2.6 Governing law and jurisdiction

The Subscription Agreements are governed by and construed in accordance with English Law and the courts of England have exclusive jurisdiction.

# 3. The North American Pinewood Agreement

## 3.1 Parties and structure

The North American Pinewood Agreement will be entered into between the Company (and/or a wholly-owned subsidiary of the Company) and Lithia (and/or a wholly-owned subsidiary of Lithia) for the principal purpose of co-developing and commercialising in the United States of America and Canada the North American version of Pinewood. As at completion of the North American Pinewood Agreement, Lithia (or its wholly-owned subsidiary) shall hold 51 per cent. of the equity interests in North America JVCo and the Company (or its wholly-owned subsidiary) shall hold 49 per cent. of the equity interests in North America JVCo. Accordingly, the North American Pinewood Agreement will govern the relationship between the Company and Lithia in respect of North America JVCo.

### 3.2 **Term**

The North American JVCo shall dissolve, *inter alia*, automatically on the consent of members holding 85 per cent. of the equity interests of North America JVCo and upon the sale of all or substantially all of the assets of North America JVCo.

### 3.3 **Board representation**

The board of North America JVCo shall consist of a maximum of four managers of whom two shall be appointed by Lithia and two shall be appointed by the Company. The member holding a majority of the equity interests of North America JVCo, being Lithia at the date of completion of the North American Pinewood Agreement, shall have the right to appoint the chairperson of the board of North America JVCo.

### 3.4 **Governance and Reserved Matters**

The board of directors of North America JVCo will be responsible for the management of North America JVCo and its business, subject to, *inter alia*, the constitutional documents of North America JVCo and any reserved matters, which shall require the prior consent of members holding 85 per cent. of the equity interests of North America JVCo.

The quorum for meetings of the board of North America JVCo will be one manager appointed by each of the Company and Lithia, with resolutions of the board of directors of North America JVCo to be passed by a simple majority of votes cast. At meetings of the board of directors of North America JVCo, the chairperson of the board shall have a casting vote.

A number of reserved matters in respect of the strategic decisions and the operation of North America JVCo will require the consent of members holding 85 per cent. of the equity interests of North America JVCo. Such reserved matters include altering the constitutional documents, changes to securities and share capital of North America JVCo, entering into acquisitions and disposals, capital expenditure over a certain agreed level, and commencing litigation material to North America JVCo.

### 3.5 **Anti-Dilution, Lock-Up Period and Exit Provisions**

The members' equity interests shall not be diluted save with their consent, or where emergency funding is required as a result of a default under a financing document or a risk of insolvency, for a period of five years following completion of the North American Pinewood Agreement, and apart from a permitted transfer to affiliates or pursuant to a mandatory transfer event, no transfer of equity interests is permitted for the same period (the "**Lock-Up Period**").

After expiry of the Lock-Up Period, the North American Pinewood Agreement permits transfers and includes: (a) a drag along right in favour of the majority member, permitting such party to the North American Pinewood Agreement to require the other party to sell its stake to a *bona fide* third party purchaser; (b) a tag along right in favour of each party, permitting a party to the North American Pinewood Agreement to require a *bona fide* third party purchaser of its stake to purchase the other shareholders' stake; and (c) a right of first offer in favour of each party, should a party to the North American Pinewood Agreement desire to sell its stake, in each case which is customary for a joint venture of this nature.

At any time, if a mandatory transfer event occurs in respect of a member, the other member has the right to acquire their shares for fair market value. In the absence of agreement between the parties, fair market value will be determined by an independent third party. A mandatory transfer event includes (i) an unapproved or unremedied change of a controlling parent of a member (disregarding any change where the party is listed on the London Stock Exchange) (ii) a member suffering an insolvency event (iii) an unremedied material breach of the transfer provisions or restrictive covenants under the agreement and (iv) a material breach of the agreement as a result of fraud or wilful misconduct.

### 3.6 Warranties

The North American Pinewood Agreement shall contain warranties granted by the Company and Lithia that are customary for a joint venture agreement of this nature, including capacity and authority to enter into the North American Pinewood Agreement and that there is no conflict with constitutional documents or applicable law.

### 3.7 Governing law and jurisdiction

To the fullest extent permitted by applicable law, the North American Pinewood Agreement is governed by the laws of England and shall be subject to the exclusive jurisdiction of the courts of England, provided that matters under the North American Pinewood Agreement governed by the Delaware Act are governed by the laws of Delaware. It is expected that, at Transaction Completion, North America JVCo will enter into certain arrangements with the Company for, *inter alia*, the distribution and licensing of the Pinewood software into North America, further details of which are set out in paragraph 6 below.

## 4. The Reverse Transitional Services Agreement

### 4.1 Parties and structure

The rTSA will be entered into between the Company (the “**Recipient**”) and the TSA Supplier to govern the separation and transition of several services and functions required by the Continuing Group from the Disposal Group.

### 4.2 Scope

Pursuant to the terms of the rTSA, the TSA Supplier will agree to provide, or shall procure the provision of, certain transitional services including in relation to (but not limited to) legal, utilities, accounting, taxation, expenses, payroll, employee benefits and IT (the “**TSA Services**”) to the Continuing Group on the terms of the rTSA, and the parties will co-operate to achieve separation of the Continuing Group from the Disposal Group and migration of the Continuing Group from the TSA Services. In respect of transitioning away from the TSA Services, the Recipient and TSA Supplier shall as soon as reasonably possible following Disposal Completion (and in any event within three months following such date), co-operate with one another to agree, develop and document a programme to complete this transition.

### 4.3 Charges for the TSA Services

The TSA Services will be chargeable and the charges will be payable on a monthly basis. The charges applicable to each service type shall be set out in the rTSA.

### 4.4 Term and termination

Provision of the TSA Services will commence from Disposal Completion, and each TSA Service has a service term of 12 months, but each such term can be extended where the parties, negotiating in good faith, so agree. The Recipient is also entitled to terminate any TSA Service before the end of the applicable service term on 45 days’ notice.

Each of the Recipient and the TSA Supplier may terminate the rTSA immediately on written notice in the event of (in respect of the other party) an insolvency event or a material breach of the rTSA which is irremediable or which, in the case of a remediable material breach, has not been remedied within 30 working days of written notice. The TSA Supplier may also terminate the rTSA where the Recipient undergoes a change of control.

### 4.5 Limitations on liability

Each party’s aggregate liability under the rTSA will be limited to £300,000 except that no party’s liability will be limited in respect of: (i) death or personal injury caused by its negligence; (ii) fraud or fraudulent misrepresentation; (iii) wilful misconduct; or (iv) any other liability which cannot be limited or excluded by applicable law.

#### **4.6 Governing law and jurisdiction**

The rTSA is governed by and construed in accordance with the laws of England and the courts of England and Wales shall have exclusive jurisdiction.

### **5. The IP Assignment**

The IP Assignment will be entered into between the Company and Pendragon Management Services Limited to effect the assignment of certain trade marks, domain names and associated trading names used in the business operated by the Disposal Group from the Company to Pendragon Management Services Limited. Such trade marks, domain names and associated trading names are relevant to the Disposal Group's business only and will no longer be relevant to or required by the Continuing Group following Transaction Completion.

### **6. The Licence and Framework Services Agreement**

#### **6.1 Parties and structure**

The Licence and Framework Services Agreement will be entered into between Pinewood Tech and North America JVCo for the principal purpose of granting North America JVCo a licence to commercialise the Pinewood proprietary software for customers in the NA Market.

#### **6.2 Scope**

The Licence and Framework Services Agreement will operate as a framework under which the parties will document a product development plan and individual statements of work, setting out any software development activities required to be undertaken by Pinewood Tech to facilitate the development, customisation and sale of the software in the NA Market. The parties will also document a business plan and brand strategy detailing the marketing and sales activity to be undertaken by North America JVCo in respect of the software in the NA Market. Finally, the parties will also put in place a target operating model which details the support services Pinewood Tech will supply in connection with the software.

#### **6.3 Charges**

Charges for each element of the services will be detailed in the statements of work.

#### **6.4 Term and termination**

The Licence and Framework Services Agreement shall remain in effect unless terminated by either party on prior written notice in accordance with its terms.

Each of Pinewood Tech and the North America JVCo may terminate the Licence and Framework Services Agreement, or any statement of work pursuant to the Licence and Framework Services Agreement, immediately on written notice in the event of (in respect of the other party) an insolvency event.

Following the release of the source code to North America JVCo, North America JVCo may terminate the Licence and Framework Services Agreement or any statement of work pursuant to it by giving written notice to Pinewood Tech.

#### **6.5 Limitations on liability**

The maximum aggregate liability of Pinewood Tech under the Licence and Framework Services Agreement will be limited to £20 million per contract year. There is unlimited liability for death/personal injury, fraud or fraudulent misrepresentation, wilful misconduct or abandonment, liability which cannot be limited by law and intellectual property rights infringement.

The maximum aggregate liability of North America JVCo under the Licence and Framework Services Agreement will be limited to £20 million per contract year. There is also unlimited liability for

death/personal injury, fraud or fraudulent misrepresentation, wilful misconduct or abandonment, liability which cannot be limited by law and intellectual property rights infringement.

## **6.6 Governing law and jurisdiction**

The Licence and Framework Services Agreement is governed by and construed in accordance with the laws of England and Wales and the courts of England and Wales shall have exclusive jurisdiction.

## **7. The Combined DMS Software Licence**

### **7.1 Parties and structure**

The Combined DMS Software Licence will be entered into between Pinewood Tech and Lithia for the principal purpose of granting Lithia a licence to use the proprietary software underpinning Pinewood Tech's DMS.

### **7.2 Scope**

The Combined DMS Software Licence is based on Pinewood Tech's standard "Software as a Service" licensing terms and conditions. The licence to use Pinewood Tech's DMS software is granted in respect of a specified number of users and locations. Lithia has the right, exercisable on one occasion only during the term, to decrease by up to 10 per cent. the number of users of Pinewood Tech's DMS software (together with associated charges). Divestments and manufacture requirements sit outside of this 10 per cent. limit. Pinewood Tech will undertake certain implementation and support services in respect of the DMS software. Lithia will in respect of dealerships not currently using the Pinewood DMS software: (a) commence the UK Rollout within six months of Disposal Completion; (b) use commercially reasonable endeavours to complete, to the reasonable satisfaction of each of Lithia and Pinewood Tech, the UK Rollout within 12 months following Disposal Completion; and (c) rollout Pinewood Tech's DMS software to each new UK dealership acquired by Lithia within six months of each such acquisition.

### **7.3 Charges**

Monthly charges for each element of the service provision are detailed and payable by Lithia to Pinewood Tech quarterly in advance. A deposit of 20 per cent. of the estimated implementation charges is payable by Lithia at the start of a quarter in which a dealership goes live on the DMS, with the balance payable on completion of the implementation for such dealership.

### **7.4 Term and termination**

The initial term of the Combined DMS Software Licence shall be three years from 1 January 2025. After the initial term, the Combined DMS Software Licence shall continue indefinitely unless and until terminated by either party with 12 months' prior written notice.

Each party may terminate the Combined DMS Software Licence immediately on written notice in the event of (in respect of the other party) an insolvency event or a material breach of which is irremediable or which, in the case of a remediable material breach, has not been remedied within 30 working days of written notice. Each party may also terminate the Combined DMS Software Licence on six months' notice if there is a change of control of Pinewood Tech or its holding company to a competitor of Lithia, or on 12 months' written notice if there is a change of control of Pinewood Tech or its holding company to a third party.

Additionally, Pinewood Tech may terminate the Combined DMS Software Licence in the event of non-payment by Lithia of charges which have not been paid within 30 days' following notice of the same. Lithia may terminate the Combined DMS Software Licence: (a) if there are three 48 hour periods of service downtime, or a consecutive period of service downtime exceeding 144 hours, in any given month; and (b) on six months written notice if Pinewood Tech assigns, novates or otherwise transfers its rights and obligations under the Combined DMS Software Licence whether in whole or in part, to any other third party.

#### 7.5 **Limitations on liability**

The maximum aggregate liability of Pinewood Tech under the Combined DMS Software Licence will be limited to £1 million in respect of property damage, and otherwise, 100 per cent. of the charges due in the 12-month period in respect of which the relevant claim arose. Pinewood Tech does not limit or exclude its liability for: (i) personal injury or death due to its negligence; or (ii) for fraud or fraudulent misrepresentation; or (iii) liability for breach of its obligations in relation to confidentiality or data protection; or (iv) liability whose exclusion or limitation is strictly prohibited by law.

#### 7.6 **Governing law and jurisdiction**

The Combined DMS Software Licence is governed by and construed in accordance with the laws of England and Wales and, subject to undergoing a mediation process in accordance with CEDR (Centre for Dispute Resolution) procedures, the courts of England and Wales have exclusive jurisdiction.

## PART 4

### FINANCIAL INFORMATION RELATING TO THE DISPOSAL GROUP

#### 1. Nature of financial information

The following unaudited historical financial information relating to the Disposal Group has been extracted without material adjustment from the consolidation schedules and supporting accounting records that underlie the audited consolidated financial information of the Group for the years ended 31 December 2020, 31 December 2021 and 31 December 2022. KPMG LLP was the auditor of the Group in respect of each of the years ended 31 December 2020, 31 December 2021 and 31 December 2022. The consolidated statutory accounts for the Group in respect of each of the years ended 31 December 2020, 31 December 2021 and 31 December 2022 have been delivered to the Registrar of Companies. The auditor's reports in respect of those statutory accounts were unqualified and did not contain statements under section 498(2) or (3) of the Companies Act.

The financial information in this Part 4 (*Financial Information relating to the Disposal Group*) does not constitute statutory accounts within the meaning of section 434 of the Companies Act.

The financial information in this Part 4 (*Financial Information relating to the Disposal Group*) has been prepared using the accounting policies used to prepare the consolidated financial statements of the Group for the year ended 31 December 2022.

Shareholders should read the whole of this document and not rely solely on the financial information in this Part 4 (*Financial Information relating to the Disposal Group*).

#### 2. Unaudited income statements relating to the Disposal Group for the years ended 31 December 2020, 31 December 2021 and 31 December 2022

	<i>Year ended 31 December 2020 £m</i>	<i>Year ended 31 December 2021 £m</i>	<i>Year ended 31 December 2022 £m</i>
Revenue	2,749.7	3,401.8	3,600.9
Cost of Sales	<u>(2,435.0)</u>	<u>(2,982.4)</u>	<u>(3,160.8)</u>
<b>Gross profit</b>	<b>314.7</b>	<b>419.4</b>	<b>440.1</b>
Operating expenses	<u>(314.3)</u>	<u>(321.3)</u>	<u>(356.6)</u>
<b>Operating profit/(loss) before other income</b>	<b>0.4</b>	<b>98.1</b>	<b>83.5</b>
Other income	<u>(0.4)</u>	<u>1.8</u>	<u>7.7</u>
<b>Operating profit/(loss)</b>	<b>–</b>	<b>99.9</b>	<b>91.2</b>

Notes:

1. The income statements presented above are unaudited.
2. The income statements presented above exclude the impact of intercompany transactions between the Disposal Group and the Continuing Group.
3. The income statements presented above include the Disposal Group's share of the Group's corporate and head office costs in line with the actual allocations recognised historically through intercompany recharges. Total recharges recognised within the Disposal Group were £2.5 million, £3.0 million and £3.8 million in the years ended 31 December 2020, 31 December 2021 and 31 December 2022 respectively. Following the Transaction, the obligation for all retained corporate and head office costs will remain with the Continuing Group, which could result in a cost base materially different to that represented through the actual historical intercompany allocations.
4. The income statements presented above do not include an allocation of tax or finance expense / income as it is not possible to provide a meaningful allocation to the Disposal Group.



### 3. Unaudited statement of net assets relating to the Disposal Group as at 31 December 2022

	As at 31 December 2022 £m
<b>Non-current assets</b>	
Property, plant and equipment	515.8
Goodwill	144.3
Other intangible assets	0.2
Finance lease receivables	14.8
Deferred tax assets	12.8
<b>Total non-current assets</b>	<b>687.9</b>
<b>Current assets</b>	
Inventories	620.3
Trade and other receivables	112.9
Finance lease receivables	2.4
Current tax assets	3.7
Cash and cash equivalents	167.8
Assets classified as held for sale	6.1
<b>Total current assets</b>	<b>913.2</b>
<b>Total assets</b>	<b>1,601.1</b>
<b>Current liabilities</b>	
Bank overdraft	(102.5)
Interest bearing loans and borrowings	–
Lease liabilities	(20.0)
Trade and other payables	(803.0)
Deferred income	(38.2)
<b>Total current liabilities</b>	<b>(963.7)</b>
<b>Non-current liabilities</b>	
Interest bearing loans and borrowings	(0.2)
Lease liabilities	(197.9)
Trade and other payables	(35.7)
Deferred income	(36.4)
Retirement benefit obligations	(2.6)
<b>Total non-current liabilities</b>	<b>(272.8)</b>
<b>Total liabilities</b>	<b>(1,236.5)</b>
<b>Net assets</b>	<b>364.6</b>

Notes:

1. The statement of net assets presented above is unaudited
2. The Disposal Group statement of net assets presented above excludes the Group's Existing Facilities, comprising the Term Facility (£92.5 million at 31 December 2022) and Revolving Facility (undrawn at 31 December 2022), in line with the legal obligation for the repayment of the Existing Facilities which will remain with the Continuing Group. However the Existing Facilities will be settled by the Purchaser under the terms of the Transaction, through additional cash consideration as shown in Part 5 (*Unaudited Pro Forma Financial Information relating to the Group*).

## PART 5

### UNAUDITED PRO FORMA FINANCIAL INFORMATION RELATING TO THE GROUP

#### SECTION A: UNAUDITED PRO FORMA FINANCIAL INFORMATION

##### 1. Introduction

The following unaudited pro forma statement of net assets relating to the Group has been prepared to illustrate the impact of the Transaction on the consolidated net assets of the Group, as if it had occurred on 31 December 2022 (the “**Unaudited Pro Forma Financial Information**”). The Unaudited Pro Forma Financial Information has been prepared on the basis of, and should be read in conjunction with, the notes set out below.

The Unaudited Pro Forma Financial Information has been prepared in accordance with Listing Rule 13.3.3R and in a manner consistent with the accounting policies adopted by the Group.

The Unaudited Pro Forma Financial Information is shown for illustrative purposes only and because of its nature addresses a hypothetical situation. It does not represent what the Group’s financial position would actually have been if the Transaction completed on the indicated date and is not indicative of the results that may, or may not, be expected to be achieved in the future.

The Unaudited Pro Forma Financial Information set out in this section does not constitute financial statements within the meaning of section 434 of the Companies Act. Shareholders should read the whole of this document and not rely solely on the pro forma financial information contained in this Part 5 (*Unaudited Pro Forma Financial Information relating to the Group*).

KPMG LLP’s report on the Unaudited Pro Forma Financial Information is set out in Section B of this Part 5 (*Unaudited Pro Forma Financial Information relating to the Group*).

## 2. Unaudited pro forma statement of net assets relating to the Group as at 31 December 2022

	<b>Adjustments</b>				
<i>Group as at 31 December 2022 £m Note 1</i>	<i>Disposal Group as at 31 December 2022 £m Note 2</i>	<i>Proceeds from the Transaction (after certain adjustments) £m Note 3</i>	<i>Use of Proceeds from the Transaction £m Note 4</i>	<i>Continuing Group as at 31 December 2022 £m Note 5</i>	
<b>Non-current assets</b>					
Property, plant and equipment	515.9	(515.8)	–	–	0.1
Goodwill	144.6	(144.3)	–	–	0.3
Other intangible assets	12.4	(0.2)	–	–	12.2
Investments	–	–	–	10.0	10.0
Finance lease receivables	14.8	(14.8)	–	–	–
Deferred tax assets	11.6	(11.6)	–	–	–
<b>Total non-current assets</b>	<b>699.3</b>	<b>(686.7)</b>	<b>–</b>	<b>10.0</b>	<b>22.6</b>
<b>Current assets</b>					
Inventories	620.3	(620.3)	–	–	–
Trade and other receivables	115.7	(112.9)	–	–	2.8
Finance lease receivables	2.4	(2.4)	–	–	–
Current tax assets	3.3	(3.7)	–	–	(0.4)
Cash and cash equivalents	171.9	(167.8)	275.9	(262.0)	18.0
Assets classified as held for sale	6.1	(6.1)	–	–	–
<b>Total current assets</b>	<b>919.7</b>	<b>(913.2)</b>	<b>275.9</b>	<b>(262.0)</b>	<b>20.4</b>
<b>Total assets</b>	<b>1,619.0</b>	<b>(1,599.9)</b>	<b>275.9</b>	<b>(252.0)</b>	<b>43.0</b>
<b>Current liabilities</b>					
Bank overdraft	(102.5)	102.5	–	–	–
Interest bearing loans and borrowings	(1.7)	–	1.7	–	–
Lease liabilities	(20.0)	20.0	–	–	–
Trade and other payables	(812.0)	803.0	–	–	(9.0)
Deferred income	(38.2)	38.2	–	–	–
<b>Total current liabilities</b>	<b>(974.4)</b>	<b>963.7</b>	<b>1.7</b>	<b>–</b>	<b>(9.0)</b>
<b>Non-Current liabilities</b>					
Deferred tax liabilities	–	(1.2)	–	–	(1.2)
Interest bearing loans and borrowings	(91.0)	0.2	90.8	–	–
Lease liabilities	(197.9)	197.9	–	–	–
Trade and other payables	(35.7)	35.7	–	–	–
Deferred income	(36.4)	36.4	–	–	–
Retirement benefit obligations	(2.6)	2.6	–	–	–
<b>Total non-current liabilities</b>	<b>(363.6)</b>	<b>271.6</b>	<b>90.8</b>	<b>–</b>	<b>(1.2)</b>
<b>Total liabilities</b>	<b>(1,338.0)</b>	<b>1,235.3</b>	<b>92.5</b>	<b>–</b>	<b>(10.2)</b>
<b>Net assets</b>	<b>281.0</b>	<b>(364.6)</b>	<b>368.4</b>	<b>(252.0)</b>	<b>32.8</b>

Notes:

- (1) The net assets relating to the Group have been extracted without material adjustment from the consolidated financial statements of the Group as at 31 December 2022.
- (2) This adjustment removes the assets and liabilities relating to the Disposal Group and has been sourced without material adjustment from the historical financial information of the Disposal Group as at 31 December 2022 contained in Part 4 (Financial Information relating to the Disposal Group) of this document with the exception of deferred tax assets and deferred tax liabilities. The removal of the Disposal Group deferred tax assets of £12.8 million as at 31 December 2022 is presented in order to remove the net Group deferred tax asset of £11.6 million and to recognise a remaining £1.2 million net deferred tax liability for the Continuing Group.
- (3) The adjustment to cash and cash equivalents reflects the proceeds from the Transaction after certain adjustments, comprising:

	<i>Amount (£m)</i>	<i>Note</i>
Consideration attributable to the Disposal	250.0	
Consideration attributable to the Subscription Shares	30.0	
	<u>280.0</u>	
<b>Consideration</b>		
Additional cash consideration relating to the Term Facility, associated interest and early termination fee	95.1	a)
Repayment of the Term Facility, associated interest and early termination fee	(99.2)	a)
	<u>275.9</u>	

Notes:

- a) Additional cash consideration to fund the Group's repayment of the Group's Existing Facilities, comprising the Term Facility and Revolving Facility. The adjustment reflects the Term Facility principal amount outstanding as at 31 December 2022 of £97.0 million, as well associated interest payable of £0.3 million and early termination fee of £1.9 million, less total cash and cash equivalents of £4.1 million held within the Continuing Group at Transaction Completion, in accordance with the terms of the Transaction. The early termination fee of £1.9 million has been calculated based on the early termination rate per the Term Facility, expected to apply at Transaction Completion.
  - b) No adjustment has been made in the pro forma to reflect the de minimis difference between working capital as at 31 December 2022 and the working capital target included in the Sale Agreement.
  - c) No account has been taken of the future funding position of the Company's DB Pension Scheme which will transfer to a member of the Disposal Group on Disposal Completion.
- (4) The cash proceeds from the Transaction will be used for the following:

	<i>Amount (£m)</i>	<i>Note</i>
Distribution to shareholders through a Transaction Dividend	(240.0)	a)
Investment in the North American Pinewood Opportunity	(10.0)	b)
Payment of Transaction costs	(12.0)	c)
	<u>(262.0)</u>	

**Use of proceeds from the Transaction**

Notes:

- a) Represents the return of £240.0 million of proceeds arising from the Transaction as a distribution to the Group's existing shareholders (excluding Lithia) as disclosed in Part 1 section 1 of this document.
  - b) Adjustment related to the Group's contribution of £10.0 million of capital investment in the North American Pinewood Opportunity as disclosed in Part 1 section 8 of this document.
  - c) Total transaction costs incurred by the Group in relation to the Transaction are estimated to be £12.0 million. As at 31 December 2022, none of these costs had been accrued or settled in cash. The outstanding costs are assumed to be settled on Transaction Completion.
- (5) No account has been taken of any trading or the results of the Continuing Group or the Disposal Group since 31 December 2022.

## **SECTION B: ACCOUNTANT'S REPORT ON UNAUDITED PRO FORMA STATEMENT OF NET ASSETS**

### **Private & confidential**

The Directors  
Pendragon PLC  
Loxley House  
2 Oakwood Court  
Little Oak Drive  
Annesley  
Nottingham  
NG15 0DR

20 September 2023

Dear Directors

### **Pendragon PLC**

We report on the pro forma financial information (the 'Pro forma financial information') set out in Part 5 of the Class 1 circular dated 20 September 2023. This report is required by paragraph 13.3.3R of the Listing Rules of the Financial Conduct Authority and is given for the purpose of complying with that paragraph and for no other purpose.

### **Opinion**

In our opinion:

- the Pro forma financial information has been properly compiled on the basis stated; and
- such basis is consistent with the accounting policies of Pendragon PLC.

### **Responsibilities**

It is the responsibility of the directors of Pendragon PLC to prepare the Pro forma financial information in accordance with paragraph 13.3.3R of the Listing Rules of the Financial Conduct Authority.

It is our responsibility to form an opinion, as required by Section 3 of Annex 20 of the UK version of Commission Delegated Regulation (EU) 2019/980, as to the proper compilation of the Pro forma financial information and to report that opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro forma financial information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and which we may have to ordinary shareholders of Pendragon PLC as a result of the inclusion of this report in the Class 1 circular, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Listing Rule 13.4.1R(6), consenting to its inclusion in the Class 1 circular.

### **Basis of Preparation**

The pro forma financial information has been prepared on the basis described in Section 1 of Part 5, for illustrative purposes only, to provide information about how the Class 1 disposal of Pendragon NewCo 2 Limited and investment in a Delaware incorporated limited liability company ('North America JVCo') might

have affected the financial information presented on the basis of the accounting policies adopted by Pendragon PLC in preparing the financial statements for the year ended 31 December 2022.

### **Basis of opinion**

We conducted our work in accordance with the Standards for Investment Reporting issued by the Financial Reporting Council in the United Kingdom (the 'FRC'). We are independent, and have fulfilled our other ethical responsibilities in accordance with the relevant ethical requirements of the FRC's Ethical Standard as applied to Investment Circular Reporting Engagements.

The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro forma financial information with the directors of Pendragon PLC.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro forma financial information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of Pendragon PLC.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States of America and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Yours faithfully

KPMG LLP

## PART 6

### ADDITIONAL INFORMATION

#### 1. Responsibility

The Company and the Directors, whose names appear in paragraph 4 below, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Company and the Directors (each of whom have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

#### 2. Incorporation and registered office

The Company was incorporated and registered in England and Wales on 12 October 1988 under the Companies Act 1985 as a company limited by shares with the name Trushelfco (No.1313) Limited and registered number 02304195. The Company changed its registered name to Pendragon Limited on 4 October 1989 and then to its current registered name of Pendragon plc when the Company was re-registered on 6 October 1989 as a public company limited by shares.

The Company is domiciled in the United Kingdom. Its registered office and head office is Loxley House, 2 Oakwood Court, Little Oak Drive, Annesley, Nottingham NG15 0DR (telephone number: +44 (0) 16 2372 5200). The Company's website is at <https://www.pendragon.com>. The information on the Company's website does not form part of this document unless that information is specifically incorporated by reference into this document.

The principal legislation under which the Company operates is the Companies Act and the regulations made under it.

#### 3. Interests of Major Shareholders

As at the Latest Practicable Date, the Company had been notified under the Disclosure Guidance and Transparency Rules of the names of the persons who, directly or indirectly, have an interest in three per cent. or more of the issued ordinary share capital. Their respective interests (based solely on the latest notifications that have been made to the Company by the relevant Shareholder) are as follows:

<i>Name of Shareholder</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of issued Ordinary Share Capital</i>
Anders Hedin Invest AB	385,424,322	27.59%
Schroder Investment Management	159,516,539	11.42%
Briarwood Chase Management	140,127,084	10.03%
Hosking Partners	60,645,675	4.34%
Farringdon Capital Management	43,803,792	3.14%
Dimensional Fund Advisors	42,407,433	3.04%

As at Transaction Completion and immediately following the Subscription, the respective interests (based solely on the latest notifications that have been made to the Company by the relevant Shareholder) will be as follows:

<i>Name of Shareholder</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of issued Ordinary Share Capital</i>
Anders Hedin Invest AB	385,424,322	22.99%
Lithia	279,388,880*	16.67%**
Schroder Investment Management	159,516,539	9.52%
Briarwood Chase Management	140,127,084	8.36%
Hosking Partners	60,645,675	3.62%
Farringdon Capital Management	43,803,792	2.61%
Dimensional Fund Advisors	42,407,433	2.53%

\*this does not include those Ordinary Shares which may be acquired by Lithia from the participants in the LTIP.

\*\* this does not include those Ordinary Shares which may be acquired by Lithia from the participants in the LTIP.

Save as set out in this paragraph 3, the Company is not aware of any interest (within the meaning of the Disclosure Guidance and Transparency Rules) which will represent an interest of three per cent. or more in the Company's issued share capital following Transaction Completion.

The Directors of the Company and their positions as at the date of this document are as follows:

#### 4. Directors

<i>Name of Director</i>	<i>Position</i>
Ian Filby	Non-Executive Chairman
William Berman	Chief Executive Officer
Mark Willis	Chief Finance Officer
Martin Casha	Chief Operating Officer
Dietmar Exler	Senior Independent Non-Executive Director
Nicola Flanders	Non-Executive Director
Brian Small	Non-Executive Director
Jemima Bird	Non-Executive Director

#### 5. Directors' interests in the Company

As at the Latest Practicable Date, the Directors and their respective closely associated persons (within the meaning of MAR), had the following interests in Ordinary Shares:

<i>Name of Director</i>	<i>Number of shares held outright</i>		<i>Vested but not exercised</i>	<i>Conditional share awards</i>		<i>Shareholding including shares not subject to performance requirements (% of base salary)</i>
	<i>Beneficially owned Ordinary Shares</i>	<i>Percentage of issued Ordinary Share Capital</i>		<i>Unvested and subject to continued employment</i>	<i>Shareholding requirement (% of base salary)</i>	
William Berman	1,462,114	0.10%	–	18,303,196	200%	664%
Martin Casha	11,098,524	0.79%	–	5,132,107	100%	937%
Mark Willis	804,163	0.06%	–	10,066,756	100%	664%
Dietmar Exler	210,000	0.02%	–	–	–	–
Ian Filby	–	–	–	–	–	–
Nicola Flanders	–	–	–	–	–	–
Brian Small	400,000	0.03%	–	–	–	–
Jemima Bird	–	–	–	–	–	–



## 6. Director's service contracts and letters of appointment and benefits upon termination

Key details on the terms of the Directors' service contracts and letters of appointment providing for benefits upon termination of employment are summarised below.

### 6.1 *Executive Directors*

The Company has entered into service agreements with each of the Executive Directors, the particulars of which as at the Latest Practicable Date are:

<i>Name</i>	<i>Date of appointment</i>	<i>Notice Period from Company</i>	<i>Notice Period from Executive Director</i>
William Berman	14 November 2019	12 months	12 months
Mark Willis	8 April 2019	12 months	6 months
Martin Casha	20 December 1999	12 months	6 months

The Executive Directors' service agreements are terminable by the Company on not less than 12 months' prior written notice or by the Company immediately in the case of (amongst other circumstances) gross misconduct and should the Executive Director be absent from work due to incapacity for the requisite periods of time. William Berman may terminate his service agreement on 12 months' prior written notice and Mark Willis and Martin Casha may terminate their respective service agreements on six months' prior written notice. The Company may, at its absolute discretion, make payment to the Executive Director in lieu of notice under the service agreements. The service agreements for William Berman and Mark Willis contain mitigation provisions to pay any such sum in lieu of notice by way of instalments, subject to offset against earnings elsewhere. The Company may, once notice of termination has been given by either side, require the Executive Director to take a period of gardening leave during which he will be entitled to salary and benefits. The service agreements also contain provisions relating to pay, company benefits, pension contributions payable by the Company and holiday entitlement.

Mark Willis will be stepping down as Director and Chief Financial Officer of the Company subject to and conditional on Transaction Completion and his successor will be Oliver Mann who will be appointed as Director and Chief Financial Officer of the Company subject to and conditional on Transaction Completion. It is expected that Oliver Mann will enter into a service agreement on similar terms to Mark Willis and Martin Casha. It is currently expected that the employment of Mark Willis will be novated to an entity within the Disposal Group subject to and conditional on Transaction Completion.

It was previously announced that Martin Casha would be stepping down as Director and Chief Operating Officer of the Company on 7 November 2023 to take up a position as Chief Executive Officer of Marshall Motor Group. It has been agreed between the Company and Martin Casha that his resignation will be accelerated to 7 October 2023.

### 6.2 *Non-Executive Directors*

The following are appointed as Non-Executive Directors of the Company under letters of appointment, the particulars of which as at the Latest Practicable Date are:

<i>Name of Director</i>	<i>Date of appointment</i>	<i>Expiry date of appointment</i>	<i>Notice period</i>
Ian Filby	1 November 2021	31 December 2024	3 months' notice
Brian Small	1 January 2023	31 December 2025	1 months' notice
Nicola Flanders	1 April 2020	31 December 2023	1 months' notice
Dietmar Exler	20 April 2020	31 December 2023	1 months' notice
Jemima Bird	10 July 2023	31 December 2026	1 months' notice

Each Non-Executive Director's appointment is subject to continued satisfactory performance and re-election by the shareholders of the Company in accordance with the Articles. Non-Executive Directors are typically expected to serve two three-year terms and may be invited by the Board to serve for an additional period. Termination of the Non-Executive Director's appointment shall entitle them to such fees as may have accrued to the date of termination, together with reimbursement of any expenses properly incurred before that date.

In accordance with the terms of the Subscription, Transfer and Relationship Agreement, Lithia shall have the right to nominate up to two directors ("**Lithia Nominee Directors**") to be appointed to the Board.

## **7. Bonuses**

A cash retention bonus will be paid to certain employees of the Target Companies, subject to their continued employment with the Target Companies for 12 months following Disposal Completion (the "**Retention Bonuses**"). The aggregate maximum value of the Retention Bonuses is £2,491,972. Of this amount, a Retention Bonus of up to £605,000 may be paid to Mark Willis. Lithia will fund the cost of the Retention Bonuses including any National Insurance contributions payable by the relevant employer in respect of the Retention Bonuses. In addition, Lithia will make a transition bonus payment to William Berman for an amount of £1,100,000 subject to his continued employment for the 12 months following Disposal Completion, to ensure the smooth and continuous operation of the Company. Lithia will also fund the cost of the related employer's National Insurance contributions on this transaction bonus.

The Company will pay a cash bonus to certain employees who will be remaining with the Continuing Group, of an aggregate maximum value of £246,000. Retention bonuses of up to £938,000 will also be payable to key individuals subject to their continued employment with the Continuing Group for 12 months following Disposal Completion. The Company will fund the cost of these bonuses.

Existing annual bonus entitlements under the Company's annual group bonus scheme will be protected, with Lithia funding the costs of the bonuses payable in respect of employees of the Target Companies.

## **8. LTIP**

Conditional share awards granted under the LTIP ("**LTIP Awards**") will vest on Disposal Completion. The performance conditions of the LTIP Awards granted in 2020 and 2021 have previously been assessed by the Remuneration Committee as being met as to 91.6 per cent. of the Ordinary Shares subject to these LTIP Awards. These LTIP Awards will vest on Disposal Completion, to the extent they have not previously vested on their ordinary vesting date in accordance with their terms. The Remuneration Committee have determined that the LTIP Awards granted in 2022 and 2023 will vest on Disposal Completion in respect of 66.6 per cent. of the Ordinary Shares subject to these LTIP Awards. Lithia will pay the first £2.5 million of employer's National Insurance contributions due on the LTIP Awards.

Participants in the LTIP will be sent a letter in due course explaining the effect of the Transaction on their LTIP Awards and that Lithia are offering to purchase the Ordinary Shares that will be acquired by participants upon vesting of their LTIP Awards. The LTIP participants can decide whether or not to agree to sell their Ordinary Shares pursuant to the offer by Lithia. In respect of those LTIP participants who agree, the Ordinary Shares that they acquire on vesting of their LTIP Awards will be sold to Lithia shortly after Disposal Completion but before the Transaction Dividend is declared.

## **9. Related party transactions**

Details of the related party transactions (which for these purposes are those set out in UK-adopted international accounting standards) that the Company has entered into during the financial years ended 31 December 2020, 2021 and 2022 are incorporated into this document by reference to the 2020 Annual Reports and Accounts, the 2021 Annual Reports and Accounts and the 2022 Annual Report and Accounts, as described in Part 7 (Information Incorporated by Reference) of this document. During the period from 1 January 2023 to 20 September 2023 (being the Latest Practicable Date), there were no changes in the nature of the Company's related party transactions.

## **10. Information about the Subscription Shares**

The Subscription Shares to be issued pursuant to the Transaction will be Ordinary Shares of the Company. The Subscription Shares will be issued at Subscription Completion, under the Company's existing authority to allot shares which was granted at the Company's annual general meeting in 2023, credited as fully paid and, save in respect of the Dividend Waiver, will rank *pari passu* in all respects with the Ordinary Shares,

including the right to receive all dividends, distributions, or any return of capital declared, made or paid after Transaction Completion.

The Subscription Shares will be in registered form and may be held in certificated form or in uncertificated form, and title to such Subscription Shares may be transferred by means of a relevant system (as defined in the CREST Regulations).

Applications will be made to the FCA and the London Stock Exchange for the Subscription Shares to be admitted to the premium listing segment of the Official List and to trading on the London Stock Exchange's main market for listed securities. It is expected that Admission will become effective and that dealings for normal settlement in the Subscription Shares will commence on the London Stock Exchange at 8.00 a.m. on the date of Subscription Completion.

## **11. Irrevocable Undertakings**

In addition to the irrevocable undertakings given by the Directors who hold interests in Ordinary Shares, representing, in aggregate, approximately 1.0 per cent. of the entire issued Ordinary Share capital of the Company as at the Latest Practicable Date, Shareholders who hold interests in the Ordinary Shares representing, in aggregate, approximately 27.8 per cent. of the entire issued Ordinary Share capital as at the Latest Practicable Date have each irrevocably undertaken to vote at the General Meeting in favour of the Resolution in respect of the Ordinary Shares to which they are beneficially entitled, on the following terms:

### **(a) Schroder Investment Management**

Schroder Investment Management Limited ("**Schroder Investment Management**") has irrevocably undertaken to vote at the General Meeting in favour of the Resolution (the "**Schroder Irrevocable**"). The Schroder Irrevocable will not terminate prior to the General Meeting.

### **(b) Briarwood Chase Management**

Briarwood Capital Partners LP ("**Briarwood Chase Management**") has irrevocably undertaken to vote at the General Meeting in favour of the Resolution (the "**Briarwood Irrevocable**"). The Briarwood Irrevocable will not terminate prior to the General Meeting, unless a firm intention to make an offer for the entire issued Ordinary Share capital is announced by a third party on a recommended basis pursuant to rule 2.7 of the City Code on Takeovers and Mergers, in which case it will terminate with immediate effect.

### **(c) Hosking Partners**

Hosking Partners LLP ("**Hosking Partners**") has irrevocably undertaken to vote at the General Meeting in favour of the Resolution (the "**Hosking Irrevocable**"). The Hosking Irrevocable will not terminate prior to the General Meeting, unless (i) a firm intention to make an offer for the entire issued Ordinary Share capital is announced by a third party on a recommended basis pursuant to rule 2.7 of the City Code on Takeovers and Mergers or (ii) an underlying beneficial owner terminates its appointment of Hosking Partners as discretionary investment manager, or withdraws all or part of, or the voting rights attaching to, such Ordinary Shares, and in each case the Hosking Irrevocable will terminate with immediate effect.

### **(d) Farringdon Capital Management**

Farringdon Netherlands BV ("**Farringdon Capital Management**") has irrevocably undertaken to vote at the General Meeting in favour of the Resolution (the "**Farringdon Irrevocable**"). The Farringdon Irrevocable will not terminate prior to the General Meeting.

### **(e) Huntington Partners**

Huntington Management, LLC ("**Huntington Partners**") has irrevocably undertaken to vote at the General Meeting in favour of the Resolution (the "**Huntington Irrevocable**"). The Huntington Irrevocable will not terminate prior to the General Meeting.

(f) **Harwood Capital Management**

Harwood Capital Management (Gibraltar) Limited (“**Harwood Capital Management**”) has irrevocably undertaken to vote at the General Meeting in favour of the Resolution (the “**Harwood Capital Management Irrevocable**”). The Harwood Capital Management Irrevocable will not terminate prior to the General Meeting.

(g) **Sir Nigel Rudd**

Sir Nigel Rudd has irrevocably undertaken to vote at the General Meeting in favour of the Resolution (the “**Sir Nigel Rudd Irrevocable**”). The Sir Nigel Rudd Irrevocable will not terminate prior to the General Meeting.

## 12. Material contracts

### 12.1 Continuing Group

No contracts have been entered into (other than contracts entered into in the ordinary course of business) by any member of the Continuing Group either (i) within the period of two years immediately preceding the date of this document which are, or may be, material to the Continuing Group; or (ii) which contain any provisions under which any member of the Continuing Group has any obligation or entitlement which is, or may be, material to the Continuing Group as at the date of this document, save as disclosed below:

(a) *Sale Agreement*

On 18 September 2023, the Company, PGHL and the Purchaser entered into the Sale Agreement. Your attention is drawn to Part 3 (*Principal Terms and Conditions of the Transaction*) of this document which contains a summary of the Sale Agreement.

(b) *Term Facility*

As at the Latest Practicable Date, the Company has a term loan facility of £100 million (the “**Term Facility**”) pursuant to a senior term facility agreement originally dated 13 March 2022, for the purpose of refinancing existing financial indebtedness which was due to mature in March 2023 and for general corporate and working capital purposes of the Group. The Term Facility has been fully drawn. Scheduled repayments of principal have been made and the principal amount currently outstanding is £95 million.

The Term Facility contains financial covenants common to the Revolving Facility based on leverage, fixed charge cover, consolidated EBITDA and capital expenditure and other ongoing obligations on the Company. The principal terms of the Term Facility include:

- (i) Term: 18 March 2027;
- (ii) Repayment: subject to mandatory prepayment (i) on a change of control of the Company, (ii) on a sale of all or substantially all of the assets of the group, (iii) from the net proceeds of certain disposals or (iv) at the request of the agent, from the proceeds of property insurances, unless those proceeds are required to restore the property, the Term Facility is to be repaid in quarterly instalments of £1 million in years one and two and £2.5 million thereafter and the amount remaining outstanding thereafter is to be repaid in full on 18 March 2027;
- (iii) Rate of interest: SONIA plus a margin in a range of six per cent. to seven per cent., dependent on the leverage ratio;
- (iv) Security: the Term Facility has the benefit of security over the assets of the Group (with the exception of the assets of the pension fund’s central asset reserve);
- (v) Ranking: the Term Facility and the security granted in its support rank *pari passu* with the Revolving Facility and the pension fund and the security granted in support thereof; and
- (vi) Governing law and jurisdiction: English law and English courts.

(c) *Revolving Facility*

As at the Latest Practicable Date, the Company has a revolving facility of £75 million, (the “**Revolving Facility**”) pursuant to a revolving facility agreement originally dated 13 March 2022

between, among others, the Company as borrower and Barclays Bank PLC, HSBC UK Bank plc, National Westminster Bank plc and Lloyds Bank plc as lenders for general corporate purposes of the group (excluding the financing of acquisitions, the payment of dividends or other distributions or the redemption, re-purchase, retirement or repayment of share capital). The Revolving Facility is currently undrawn as to loans and £6 million of the commitment has been drawn by way of bank guarantees.

The Revolving Facility contains financial covenants common to the Term Facility based on leverage, fixed charge cover, consolidated EBITDA and capital expenditure and other ongoing obligations on the Company. The principal terms of the Revolving Facility include:

- (i) Term: 13 March 2025, subject to two one-year extensions at the Company's request, whereby each lender has the right to refuse each such extension request in its sole discretion. The first one-year extension to 13 March 2026 has been requested and granted;
  - (ii) Repayment: subject to mandatory prepayment (i) on a change of control of the Company, (ii) on a sale of all or substantially all of the assets of the Group, (iii) from the net proceeds of certain disposals or (iv) at the request of the agent, from the proceeds of property insurances, unless those proceeds are required to restore the property, the Revolving Facility provides a fully revolving facility, so that loans can be either repaid at the end of their interest period or rolled over to the end of the next interest period, subject to all amounts outstanding under the Revolving Facility being repaid on the original termination date (13 March 2025) or the relevant extended termination date (13 March 2026 or 13 March 2027, as the case may be);
  - (iii) Rate of interest: SONIA plus a margin in a range of five per cent. to six per cent., dependent on the leverage ratio;
  - (iv) Security: the Revolving Facility has the benefit of security over all of the assets of the Company and certain of its subsidiaries;
  - (v) Ranking: the Revolving Facility and the security granted in its support rank *pari passu* with the Term Facility and the security granted in support thereof; and
  - (vi) Governing law and jurisdiction: English law and English courts.
- (d) *Sponsor Agreement*

On 20 September 2023, the Company entered into a sponsor agreement with Jefferies pursuant to which the Company has appointed Jefferies as sponsor for the purposes of the Transaction and to carry out the duties of a sponsor as provided by Chapter 8 of the Listing Rules (the "**Sponsor Agreement**").

Under the terms of the Sponsor Agreement, the Company has given certain customary representations and warranties, agreed to comply with certain customary undertakings and given certain customary indemnities to Jefferies. The liabilities under those warranties, undertakings and indemnities are unlimited as to time and amount. Jefferies may by notice to the Company terminate the Sponsor Agreement in certain customary limited circumstances.

## 12.2 **Disposal Group**

No contracts have been entered into (other than contracts entered into in the ordinary course of business) by any member of the Disposal Group either (i) within the period of two years immediately preceding the date of this document which are, or may be, material to the Disposal Group; or (ii) which contain any provisions under which any member of the Disposal Group has any obligation or entitlement which is, or may be, material to the Disposal Group as at the date of this document, save as disclosed below:

(a) *Disposal of the business and assets of the DAF Truck dealerships*

On 7 October 2022, Chatfields Limited ("**Chatfields**") entered into a business purchase agreement with Ford & Slater Limited ("**F&S**") and Chatfields-Martin Walter Limited pursuant to which Chatfields agreed to sell the business and assets of the DAF Truck dealerships situated in Sheffield, Leeds, Stockton and Birtley ("**DAF Truck Dealerships**") to F&S.

#### *Consideration*

The total consideration was £2,971,241.60 subject to adjustments on completion.

#### *Warranties and indemnities*

The business purchase agreement contains customary warranties given by Chatfields relating to the business and assets of the DAF Truck Dealerships and extensive warranties in respect of employees. Certain fundamental warranties were also given by Chatfields relating to capacity, authority and insolvency.

The business purchase agreement also includes certain indemnities. Chatfields have indemnified F&S in respect of certain liabilities in connection with, among others: (i) claims made by F&S in relation to the fundamental warranties; (ii) certain obligations of Chatfields in respect of the employment or termination of employment of any person before the transfer date (being 26 September 2022); (iii) certain matters relating to manufacturer vehicle financing; (iv) liabilities relating to the business arising in respect of or by reference to any period up to the transfer date; (v) claims brought by employees in relation to the failure by Chatfields to pay holiday pay prior to the transfer date; and (vi) losses or costs arising from actions taken by F&S, on the request of Chatfields, in respect of third party claims. Chatfields have also indemnified F&S and their successors in title in respect of any loss or damages to the business or assets and any liabilities relating to the business arising in respect of any period up to the transfer date.

#### *Limitations on liability*

No warranty claims (excluding fundamental warranty claims) may be brought by F&S after the date that is 18 months after completion. The financial liability of Chatfields in relation to any warranty claims (excluding fundamental warranty claims) is capped at an amount equal to the consideration.

#### *Non-compete and non-solicit*

Chatfields has undertaken to F&S that it shall not, and shall procure that no member of its group shall, (i) be concerned or interested in any business which specialises in the sale of trucks or directly competes with the businesses for a period of two years from completion; or (ii) use the customer databases relating to the businesses for any commercial purpose at any time following completion.

#### *Governing law and jurisdiction*

The business purchase agreement is governed by and construed in accordance with the laws of England and the courts of England have exclusive jurisdiction.

#### (b) *Disposal of the business and assets of the Plymouth Vauxhall motor dealership*

On 9 February 2023, Evans Halshaw Limited (“**EHL**”) entered into a business purchase agreement with Vospers Motor House Limited (“**Vospers**”) pursuant to which EHL agreed to sell the business and assets of the Vauxhall motor vehicle dealership in Plymouth (“**Plymouth Vauxhall Dealership**”) to Vospers.

#### *Consideration*

The total consideration was £115,822.74 plus £1,462,644.13 subject to adjustments (including for pre-paid service plan contracts, customer deposits and any agreed apportionments).

#### *Warranties and indemnities*

The business purchase agreement contains customary warranties given by EHL relating to the business and assets of the Plymouth Vauxhall Dealership and extensive warranties in respect of employees. Certain fundamental warranties were also given by EHL relating to capacity, authority, title and insolvency.

The business purchase agreement also includes certain indemnities. EHL have indemnified Vospers in respect of certain liabilities in connection with, among others: (i) claims made by Vospers in relation to the fundamental warranties; (ii) certain obligations of EHL in respect of the employment or termination of employment of any person before the date of completion; (iii) certain

matters relating to manufacturer vehicle financing; and (iv) any amounts agreed by EHL with customers in respect of part exchanges for vehicle stock to be sold by the business following completion. EHL have also indemnified Vospers and their successors in title in respect of any loss or damages to the business or assets and any liabilities relating to the business which Vospers may suffer as a result of anything done or omitted to be done by EHL.

#### *Limitations on liability*

No claims may be brought by Vospers: (i) in respect of warranty claims (excluding fundamental warranty claims and tax warranty claims) after the period of 24 months following completion; and (ii) in respect of tax warranty claims, after the period of seven years following completion. The financial liability of EHL in relation to any warranty claims (excluding fundamental warranty claims) is capped at an amount equal to the consideration.

#### *Non-compete and non-solicit*

EHL has provided a covenant that it shall not, and shall procure that no member of its group shall, for a period of two years commencing on completion (i) carry on or be engaged with any business that which is within a radius of 30 miles from the land used by the Plymouth Vauxhall Dealership at Barbican Approach and Plymouth would be in competition with any part of the business disposed of pursuant to the business purchase agreement; (ii) solicit any supplier of goods or services to the business, who is such a supplier at completion or in the 12 months prior to completion; or (ii) solicit any person who has been employed by EHL, or any other member of EHL's group, in respect of the business either at completion or during the one month prior to completion.

#### *Governing law and jurisdiction*

The business purchase agreement is governed by and construed in accordance with the laws of England and the courts of England have exclusive jurisdiction.

## **13. Litigation**

### **13.1 Continuing Group**

One of the Group's subsidiary companies, Pinewood Tech, is currently in a dispute with one of its former software resellers, PAP. PAP has made a claim against Pinewood Tech for breach of the reseller agreements for South East Asia Mainland and Japan and are claiming a total of \$312.7 million in losses and damages. The Company is unable to estimate any potential financial effect of this claim because it is at a level that the Company considers to be entirely disproportionate to the scale of the business. However, while no provision has been included in the 2022 Annual Report and Accounts as the Company's assessment of the damages claims is that they are grossly misconceived and lacking merit, the Company has included a contingent liability in the 2022 Annual Report and Accounts.

Pinewood Tech filed and served an application for summary judgement which was heard on 12 July and 13 July 2023. The Company expects the judgement in respect of that application to be handed down in Q4 2023.

Other than the litigation between Pinewood Tech and PAP, there are no, nor have there been any, governmental, legal or arbitration proceedings (nor is the Company aware of any such proceedings which are pending or threatened) which may have, or during the last 12 months before the date of this document have had, a significant effect on the Company and/or the Continuing Group's financial position or profitability.

### **13.2 Disposal Group**

There are no, nor have there been any, governmental, legal or arbitration proceedings (nor is the Company aware of any such proceedings which are pending or threatened) which may have, or during the last 12 months before the date of this document have had, a significant effect on the Disposal Group's financial position or profitability.

#### **14. Key individuals important to the Disposal Group**

The following individual is deemed to be a key individual to the Disposal Group:

<i>Name of key individual</i>	<i>Position</i>
Mark Willis	Position to be given following Transaction Completion

#### **15. Working capital**

The Company is of the opinion that, taking into account the bank and other facilities and the net proceeds of the Disposal available to the Continuing Group, the Continuing Group has sufficient working capital available for its present requirements, that is, for at least the next 12 months from the date of publication of this document.

#### **16. No significant change**

##### **16.1 Continuing Group**

There has been no significant change in the financial position or financial performance of the Continuing Group since 31 December 2022, being the end of the last financial period for which the last audited financial statements of the Group have been published.

##### **16.2 Disposal Group**

There has been no significant change in the financial position or financial performance of the Disposal Group since 31 December 2022, being the end of the last financial period for which financial information of the Disposal Group, as presented in Part 4 (*Financial Information relating to the Disposal Group*) of this document, has been published.

#### **17. Consents**

KPMG LLP has given, and not withdrawn, its written consent to the inclusion of its report on the unaudited pro forma statement of net assets of the Group set out in Section B of Part 5 (*Accountants' Report on Unaudited Pro Forma Statement of Net Assets*) of this document in the form and context in which it appears.

Jefferies International Limited has given, and not withdrawn, its written consent to the issue of this document with references to its name being included in the form and context in which they appear.

#### **18. Information incorporated by reference**

Part 7 (*Information Incorporated by Reference*) of this document sets out the documents that are incorporated by reference within this document and the location of the references.

#### **19. Documents available for inspection**

Copies of the following documents will be available for inspection at the Company's registered office at Loxley House, 2 Oakwood Court, Little Oak Drive, Annesley, Nottingham NG15 0DR, in each case upon request during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) and (with the exception of the Sale Agreement) on the Company's website at <https://www.pendragon.com> from the date of this document up to and including the date of the General Meeting and for the duration of the General Meeting:

- (a) the Articles;
- (b) the consent letters referred to in paragraph 17 of this Part 6 (*Additional Information*);
- (c) the unaudited pro forma financial information relating to the Group and the report from KPMG LLP thereon contained in Part 5 (*Unaudited Pro Forma Financial Information relating to the Group*) of this document;
- (d) the Sale Agreement;



- (e) the information incorporated by reference into this document, as described in Part 7 (*Information Incorporated by Reference*) of this document; and
- (f) this document.

## PART 7

### INFORMATION INCORPORATED BY REFERENCE

Certain parts of the 2020 Annual Report and Accounts, the 2021 Annual Report and Accounts and the 2022 Annual Report and Accounts, as detailed in the table below, are incorporated by reference into this document in accordance with paragraph 18 of Part 6 (*Additional Information*) of this document and contain information which is relevant to this document.

No part of the 2020 Annual Report and Accounts, the 2021 Annual Report and Accounts or the 2022 Annual Report and Accounts, is incorporated by reference herein except as expressly stated below. Any part of the documents listed below which are not expressly referenced below are not relevant for the purposes of this document.

This document should be read and construed in conjunction with these documents, each of which has been previously published and is available for viewing on the Company's website at <https://www.pendragon.com>.

<i>Reference document</i>	<i>Information incorporated by reference</i>	<i>Page number(s) in reference document</i>
2020 Annual Reports and Accounts	Information on related party transactions	181
2021 Annual Reports and Accounts	Information on related party transactions	188
2022 Annual Reports and Accounts	Information on related party transactions	196

## PART 8

### DEFINITIONS AND GLOSSARY

The following definitions apply throughout this document, unless the context otherwise requires:

<b>“2020 Annual Report and Accounts”</b>	the annual report and accounts prepared by the Company for the financial year ended 31 December 2020.
<b>“2021 Annual Report and Accounts”</b>	the annual report and accounts prepared by the Company for the financial year ended 31 December 2021.
<b>“2022 Annual Report and Accounts”</b>	the annual report and accounts prepared by the Company for the financial year ended 31 December 2022.
<b>“Admission”</b>	the admission of the Subscription Shares to the premium segment of the Official List and to trading on the London Stock Exchange's main market for listed securities.
<b>“Articles”</b>	the Company's articles of association in force as at the date of this document.
<b>“Board” or “Directors”</b>	the board of directors of the Company, whose names appear on page 5 of this document.
<b>“Business”</b>	the Company's UK motor business (sale and servicing of vehicles in the UK) and leasing business (fleet and contract hire provider and used vehicle supply).
<b>“Business Day”</b>	any day other than a Saturday, Sunday or public holiday in the City of London, England or the state of Oregon, USA.
<b>“CAGR”</b>	compound annual growth rate.
<b>“CMA”</b>	the United Kingdom's Competition and Markets Authority.
<b>“CMA Condition”</b>	confirmation from the CMA, in response to a briefing paper to be submitted by the Purchaser to the CMA in relation to the Disposal, that: (i) it has no further questions on the briefing paper and/or does not intend to launch a CMA Phase 1 Investigation in relation to the Disposal, or alternatively (ii) it does not intend to launch a CMA Phase 2 Reference in relation to the Disposal or the period within which the CMA can make a CMA Phase 2 reference having expired.
<b>“CMA Phase 1 Investigation”</b>	an investigation by the CMA to determine whether to make a CMA Phase 2 Reference.
<b>“CMA Phase 2 Reference”</b>	a reference of the Disposal to the chair of the CMA under article 33 of the EA02 for the constitution of a group under schedule 4 to the Enterprise and Regulatory Reform Act 2013.
<b>“Combined DMS Software Licence”</b>	the agreement to be entered into in respect of licensing the Pinewood DMS software, including the UK Rollout, further details of which are set out in Part 3 ( <i>Principal Terms and Conditions of the Transaction</i> ) of this document.
<b>“Companies Act”</b>	the Companies Act 2006, as amended.
<b>“Company” or “Pendragon”</b>	as the context requires, prior to Transaction Completion, Pendragon plc, a company incorporated in England and Wales with registered

	number 02304195 and, subject to and conditional upon Transaction Completion and following Transaction Completion, to be renamed Pinewood Technologies plc.
<b>“Conditions”</b>	the conditions to the Disposal as set out in paragraph 1.2 of Part 3 ( <i>Principal Terms and Conditions of the Transaction</i> ) of this document.
<b>“Consideration”</b>	the consideration payable by the Purchaser on Disposal Completion as set out in paragraph 1.3 of Part 3 ( <i>Principal Terms and Conditions of the Transaction</i> ) of this document.
<b>“Continuing Group”</b>	the Group (excluding at and from Disposal Completion, the Disposal Group).
<b>“CREST”</b>	the electronic transfer and settlement system for the paperless settlement of trades in listed securities operated by Euroclear.
<b>“CREST Manual”</b>	the manual, as amended from time to time, produced by Euroclear describing the CREST system and supplied by Euroclear to users and participants thereof.
<b>“CREST Regulations”</b>	the Uncertificated Securities Regulations 2001 (SI 200 No. 3755).
<b>“CRM”</b>	customer relationship management.
<b>“DB Pension Scheme”</b>	the Pendragon Group Pension Scheme, currently governed by the DB Pension Scheme Rules.
<b>“DB Pension Scheme Rules”</b>	the definitive deed and rules governing the DB Pension Scheme dated 24 September 2012 (as amended from time to time).
<b>“Disclosure Guidance and Transparency Rules”</b>	the disclosure guidance and transparency rules made by the FCA under section 73A of FSMA, as amended from time to time.
<b>“Delaware Act”</b>	Delaware Limited Liability Company Act (6 Del. C. § 18-101, et seq.).
<b>“Disposal”</b>	the proposed disposal of the Disposal Group pursuant to the Sale Agreement.
<b>“Disposal Completion”</b>	completion of the Disposal in accordance with the provisions of the Sale Agreement.
<b>“Disposal Group”</b>	subject to the Reorganisation and as at Disposal Completion, Pendragon NewCo and the Target Group.
<b>“Dividend Waiver”</b>	the waiver by Lithia of all rights and entitlements in respect of its entire holding of the Subscription Shares to the Transaction Dividend.
<b>“DMS”</b>	dealer management systems.
<b>“EA02”</b>	the United Kingdom Enterprise Act 2002 (as amended).
<b>“EBITDA”</b>	earnings before interest, taxation, depreciation and amortisation.
<b>“Employee Benefit Trust”</b>	the Company’s employee benefit trust, established by a trust deed dated 17 June 1999.

<b>“Euroclear”</b>	Euroclear UK & International Limited, the operator of CREST (as defined in the CREST Regulations).
<b>“Executive Director”</b>	each individual identified as such on page 5 of this document.
<b>“Existing Facilities”</b>	together, the Term Facility and Revolving Facility, each as amended from time to time.
<b>“FCA”</b>	the UK Financial Conduct Authority.
<b>“FCA Conditions”</b>	together, the FCA Reorganisation Condition and FCA Transaction Condition.
<b>“FCA Reorganisation Condition”</b>	the approval under FSMA from the FCA being obtained or deemed to have been obtained in respect of the change of control of PFIS (an FCA regulated entity) which will occur as a result of completion of the Reorganisation.
<b>“FCA Transaction Condition”</b>	the approval under FSMA from the FCA being obtained or deemed to have been obtained in respect of the change of control of PFIS (an FCA regulated entity) which will occur as a result of completion of the Disposal.
<b>“Form of Proxy”</b>	the hard copy form of proxy issued by Link Group if requested by a Shareholder for use by that Shareholder in connection with the General Meeting.
<b>“FSMA”</b>	the Financial Services and Markets Act 2000, as amended.
<b>“FY21”</b>	the Company’s financial year ended 31 December 2021.
<b>“FY22”</b>	the Company’s financial year ended 31 December 2022.
<b>“FY23”</b>	the Company’s financial year ending 31 December 2023.
<b>“FY27”</b>	the Company’s financial year ending 31 December 2027.
<b>“General Meeting”</b>	the general meeting of the Company to be held at the offices of CMS Cameron McKenna Nabarro Olswang LLP at Cannon Place, 78 Cannon Street, London EC4N 6AF at 10.00 a.m. on 6 October 2023, notice of which is set out in Part 9 ( <i>Notice of General Meeting</i> ) of this document, including any adjournment of it.
<b>“Group”</b>	the Company and its consolidated subsidiaries and subsidiary undertakings from time to time, with Group or Continuing Group being used as the context requires.
<b>“IP Assignment”</b>	the agreement to be entered into in respect of the IP to be assigned to the Disposal Group, further details of which are set out in Part 3 ( <i>Principal Terms and Conditions of the Transaction</i> ) of this document.
<b>“IT”</b>	information technology.
<b>“Jefferies” or “Sponsor”</b>	Jefferies International Limited, the Sponsor and financial adviser to the Company.
<b>“JerseyCo”</b>	Pendragon Funding Limited, a company to be incorporated in Jersey.

<b>“Latest Practicable Date”</b>	19 September 2023 (being the latest practicable date before publication of this document).
<b>“Licence and Framework Services Agreement”</b>	the agreement to be entered into in respect of the licence to be granted to North America JVCo, further details of which are set out in Part 3 ( <i>Principal Terms and Conditions of the Transaction</i> ) of this document.
<b>“Listing Rules”</b>	the listing rules made by the FCA under section 73A of FSMA, as amended from time to time.
<b>“Lithia Nominee Directors”</b>	the directors to be appointed to the Board by Lithia.
<b>“Lock-Up Period”</b>	other than as permitted in certain limited circumstances, the period from completion of the North American Pinewood Agreement until the fifth anniversary after such completion in which no transfer, allotment or issue of the securities in North America JVCo shall be permitted.
<b>“London Stock Exchange”</b>	London Stock Exchange plc.
<b>“Longstop Date”</b>	5.00 p.m. on 20 September 2024 or such later time and date as may be agreed in writing between the Company and the Purchaser.
<b>“LTIP”</b>	Pendragon plc Long Term Incentive Plan.
<b>“MAR”</b>	the UK version of the Market Abuse Regulation (EU) No. 596/2014 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018.
<b>“NA Market”</b>	the United States of America and Canada.
<b>“Non-Executive Director”</b>	each individual identified as such on page 5 of this document.
<b>“North America JVCo”</b>	a Delaware incorporated limited liability company to be formed by the Company and the Purchaser.
<b>“North American Pinewood Agreement”</b>	the agreement to be entered into in respect of the North American Pinewood Opportunity, further details of which are set out in Part 3 ( <i>Principal Terms and Conditions of the Transaction</i> ) of this document.
<b>“North American Pinewood Commitment”</b>	the amount used by the Company to finance its capital investment in the North American Pinewood Opportunity.
<b>“North American Pinewood Completion”</b>	completion of the North American Pinewood Opportunity in accordance with the provisions of the North American Pinewood Agreement.
<b>“North American Pinewood Opportunity”</b>	co-development and commercialisation in the United States of America and Canada of the North American version of Pinewood pursuant to the North American Pinewood Agreement.
<b>“Notice of General Meeting”</b>	the notice of General Meeting contained in Part 9 ( <i>Notice of General Meeting</i> ) of this document.
<b>“OEM”</b>	original equipment manufacturer.
<b>“OEM Agreements”</b>	the agreements (excluding any stock finance agreements) entered into between the Group and its OEMs in relation to the business of the Disposal Group.

<b>“OEM Condition”</b>	receipt of consents to the Disposal from such number of counterparties to the OEM Agreements, representing, in aggregate, not less than 70 per cent. of the profit before tax (including notional central income allocation) generated by the trading dealerships of the Disposal Group as disclosed in the 2022 Annual Report and Accounts.
<b>“Option Agreement”</b>	the initial subscription and put and call option agreement to be entered into between the Company, JerseyCo and the Purchaser, further details of which are set out in Part 3 ( <i>Principal Terms and Conditions of Transaction</i> ) of this document.
<b>“Ordinary Shares”</b>	the ordinary shares of five pence each in the share capital of the Company.
<b>“Pendragon Management Services Limited”</b>	Pendragon Management Services Limited, a company incorporated in England and Wales with registered number 02188922.
<b>“Pendragon NewCo”</b>	Pendragon NewCo 2 Limited, a company incorporated in England and Wales with registered number 15112552, and subject to the Reorganisation and as at Disposal Completion, a wholly-owned subsidiary of PGHL and the sole shareholder of the Target Group.
<b>“Pendragon Overseas Limited”</b>	Pendragon Overseas Limited, a company incorporated in England and Wales with registered number 02449058.
<b>“Pensions Condition”</b>	the Company and the trustees of the DB Pension Scheme, among others, entering into documents providing for (i) a new entity to become the principal employer of the DB Pension Scheme in substitution for the Company; (ii) the amendment of the DB Pension Scheme Rules; and (iii) a flexible apportionment arrangement for the purposes of Regulation 6E of the Occupational Pension Scheme (Employer Debt) Regulations 2005.
<b>“PFIS”</b>	Pendragon Finance and Insurance Services Limited, a company incorporated in England and Wales with registered number 00875460.
<b>“PGHL”</b>	Pendragon Group Holdings Limited, a company incorporated in England and Wales with registered number 14776858.
<b>“Pinewood”</b>	the Company’s dealer management systems business.
<b>“Pinewood Investment”</b>	the Company’s £5 million to be invested in the Continuing Group establishing the Company as a high-growth standalone entity.
<b>“Pinewood Tech”</b>	as the context requires, prior to Transaction Completion, Pinewood Technologies plc, a company incorporated in England and Wales with registered number 03542925 (a subsidiary of the Company) and, subject to and conditional upon Transaction Completion and following Transaction Completion, to be renamed concurrently with the renaming of the Company.
<b>“Profit Estimate”</b>	the statement, contained in the Company’s post-close trading update dated 20 July 2023, on the Company’s outlook expectations for the remainder of the financial year which constitutes a profit estimate for the purposes of the Listing Rules and the Prospectus Regulation Rules.

<b>“Prospectus Regulation Rules”</b>	the prospectus regulation rules made by the FCA under Part VI of FSMA.
<b>“Purchaser” or “Lithia”</b>	Lithia UK Holding Limited, a company incorporated in England and Wales with registered number 14523998.
<b>“PwC”</b>	PricewaterhouseCoopers LLP, acting as joint Reporting Accountants to the Company.
<b>“Recipient”</b>	the Company.
<b>“Registrar” or “Link Group”</b>	Link Group, the Company’s registrar.
<b>“Regulatory Conditions”</b>	together, the FCA Conditions and the CMA Condition.
<b>“Remaining Business”</b>	the Company, PGHL, Pinewood Tech and Pendragon Overseas Limited (and each of their affiliates but excluding, for the avoidance of doubt, the Disposal Group).
<b>“Remuneration Committee”</b>	the remuneration committee of the Board.
<b>“Reorganisation”</b>	the reorganisation of the Group in anticipation of the Disposal (resulting in Pendragon NewCo holding, either directly or indirectly, the Target Companies and each of the Subsidiaries) to be undertaken prior to Disposal Completion.
<b>“Reorganisation Condition”</b>	completion of the Reorganisation.
<b>“Reorganisation Plan”</b>	the detailed steps plan in respect of the Reorganisation prepared by PwC.
<b>“Resolution”</b>	the resolution approving the Transaction, to be proposed and considered at the General Meeting which is set out in the Notice of General Meeting.
<b>“rTSA”</b>	the reverse transitional services agreement to be entered into between the Recipient and the TSA Supplier to govern the separation and transition of several services and functions required by the Continuing Group from the Disposal Group, further details of which are set out in Part 3 ( <i>Principal Terms and Conditions of Transaction</i> ) of this document.
<b>“SaaS”</b>	Software as a Service.
<b>“Sale Agreement”</b>	the conditional sale agreement in respect of the Disposal Group, further details of which are set out in Part 3 ( <i>Principal Terms and Conditions of the Transaction</i> ) of this document.
<b>“Shareholder”</b>	a holder of Ordinary Shares from time to time.
<b>“Shareholder Condition”</b>	the approval of the Resolution to be passed by Shareholders at the General Meeting.
<b>“Sponsor Agreement”</b>	the sponsor agreement entered into between Jefferies and the Company for the purposes of the Transaction.
<b>“Strategic Partnership”</b>	together, the North American Pinewood Opportunity, the UK Rollout and the Subscription.
<b>“Subscription”</b>	the proposed subscription by the Purchaser for the Subscription Shares.



<b>“Subscription Agreements”</b>	together, the Option Agreement and the Subscription, Transfer and Relationship Agreement.
<b>“Subscription Completion”</b>	completion of the Subscription in accordance with the provisions of the Subscription Agreements.
<b>“Subscription Price”</b>	an aggregate price of £30 million which is c.10.74 pence per Ordinary Share.
<b>“Subscription, Transfer and Relationship Agreement”</b>	the subscription, transfer and relationship agreement to be entered into between the Company, JerseyCo and the Purchaser, further details of which are set out in Part 3 ( <i>Principal Terms and Conditions of Transaction</i> ) of this document.
<b>“Subscription Shares”</b>	279,388,880 new Ordinary Shares.
<b>“Subsidiaries”</b>	subject to the Reorganisation and as at Disposal Completion, the subsidiaries and subsidiary undertakings of the Target Companies.
<b>“Target Companies”</b>	Pendragon General Partner Limited (company no. SC403382); Pendragon Limited Partner Limited (company no. 07702039); Pendragon Group Pension Trustees Limited (company no. 08153049); Stratstone Motor Holdings Limited (company no. 03836139); Evans Halshaw (Dormants) Limited (company no. 01838867); Pendragon Automotive Services Limited (company no. 03836134); C D Bramall Limited (company no. 00444795); Pendragon Group Services Limited (company no. 03836123); Pendragon Finance and Insurance Services Limited (company no.00875460); and Reg Vardy Limited (company no. 00611190).
<b>“Target Group”</b>	subject to the Reorganisation and as at Disposal Completion, the Target Companies and each of the Subsidiaries.
<b>“Transaction”</b>	the Disposal and the Strategic Partnership.
<b>“Transaction Completion”</b>	together, Disposal Completion, Subscription Completion and North American Pinewood Completion.
<b>“Transaction Dividend”</b>	the proposed distribution to be made following Transaction Completion by the Company to Shareholders (other than Lithia in respect of the Subscription Shares) in order to return an amount currently estimated at £240 million, equivalent to 16.5 pence per Ordinary Share for Shareholders.
<b>“Transaction Documents”</b>	the Sale Agreement, the rTSA, the Subscription Agreements, the IP Assignment, the North American Pinewood Agreement, the Licence and Framework Services Agreement and the Combined DMS Software Licence.
<b>“TSA Services”</b>	certain transitional services including in relation to (but not limited to) legal, utilities, accounting, taxation, expenses, payroll, employee benefits and IT to be provided by the TSA Supplier to the Continuing Group on the terms of the rTSA.
<b>“TSA Supplier”</b>	a member of the Disposal Group.
<b>“UK” or “United Kingdom”</b>	the United Kingdom of Great Britain and Northern Ireland.
<b>“UK Rollout”</b>	the rollout of the Pinewood DMS software across all of the Purchaser’s UK dealerships following Transaction Completion.

**“working day”**

a day (other than a Saturday or Sunday or public holiday) on which banks are open for business in London.

All references to legislation in this document are to the legislation of England and Wales unless the contrary is indicated. Any reference to any provision of any legislation shall include any amendment, modification, re-enactment or extension of it.

For the purpose of this document, “subsidiary” and “subsidiary undertaking” have the meanings given by the Companies Act.

Words importing the singular shall include the plural and vice versa, and words importing the masculine gender shall include the feminine or neutral gender.

## PART 9

### NOTICE OF GENERAL MEETING

# PENDRAGON PLC

*Incorporated in England and Wales with registered number 02304195*

### NOTICE OF GENERAL MEETING

**NOTICE IS HEREBY GIVEN to holders of the Ordinary Shares in the capital of the Company that a general meeting of Pendragon plc (the “Company”) will be held at 10.00 a.m. on 6 October 2023 at the offices of CMS Cameron McKenna Nabarro Olswang LLP at Cannon Place, 78 Cannon Street, London EC4N 6AF (the “General Meeting”) to consider and, if thought appropriate, pass the following resolution as an ordinary resolution:**

#### ORDINARY RESOLUTION

##### THAT:

- (a) (i) the proposed 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**”)); 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 business day immediately prior to the date of announcement of the Class 1 Transaction) 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 (provided such modifications, variations, revisions, waivers, extensions or amendments are not of a material nature), as they may in their absolute discretion think fit.

By order of the Directors:

**R J Maloney**  
Secretary



20 September 2023

*Registered office:*

Loxley House  
2 Oakwood Court  
Little Oak Drive  
Annesley  
Nottingham NG15 0DR

**Notes:**

- (1) A shareholder who is an individual is entitled to attend, speak and vote at the meeting or to appoint one or more other persons as his proxy to exercise all or any of his rights on his behalf. Further details of how to appoint a proxy, and the rights of proxies, are given in the paragraphs below. A shareholder that is a Company can appoint one or more corporate representatives (such as a director or employee of the Company) whose attendance at the meeting is treated as if the Company were attending in person, or it can appoint one or more persons as its proxy to exercise all or any of its rights on its behalf. In each case, a person attending the meeting will need to provide the Company or its registrar, Link Group, with evidence of their identity and, if applicable, their appointment as a proxy or corporate representative with authority to vote on behalf of a shareholder.
- (2) Shareholders are entitled to appoint another person as a proxy to exercise all or part of their rights to attend and to speak and vote on their behalf at the General Meeting. A shareholder may appoint more than one proxy in relation to the General Meeting provided that each proxy is appointed to exercise the rights attached to a different ordinary share or ordinary shares held by that shareholder. A proxy need not be a shareholder of the Company.
- (3) To appoint a proxy or proxies shareholders can:
  - (a) vote electronically by logging on to <https://www.mypendragonshares.com> using the Investor Code and following the instructions. Your Investor Code is detailed on your share certificate and is available from the registrar, Link Group.
  - (b) Link Group, the company's registrar, has launched a shareholder app: LinkVote+. It's free to download and use and gives shareholders the ability to access their shareholding record at any time and allows users to submit a proxy appointment quickly and easily online rather than through the post. The app is available to download on both the Apple App Store and Google Play, or by scanning the relevant QR code below.

Apple App Store	GooglePlay
	

- (c) If you are an institutional investor you may also be able to appoint a proxy electronically via the Proxymity platform, a process which has been agreed by the Company and approved by the Registrar. For further information regarding Proxymity, please go to [www.proxymity.io](http://www.proxymity.io). Your proxy must be lodged by 10.00 a.m. on 4 October 2023 in order to be considered valid or, if the meeting is adjourned, by the time which is 48 hours before the time of the adjourned meeting. Before you can appoint a proxy via this process you will need to have agreed to Proxymity's associated terms and conditions. It is important that you read these carefully as you will be bound by them and they will govern the electronic appointment of your proxy. An electronic proxy appointment via the Proxymity platform may be revoked completely by sending an authenticated message via the platform instructing the removal of your proxy vote.

- (d) in the case of CREST members only, complete a CREST Proxy Instruction (as set out in paragraph 11 below); or
- (e) submit a hard copy form of proxy to the Company's registrar, Link Group,

in each case to be received by the registrar, Link Group, Central Square, 29 Wellington Street, Leeds, LS1 4DL as soon as possible and, in any event, by 10 a.m. on 4 October 2023 (or, in the case of an adjournment, not less than 48 hours, ignoring any part of a day that is not a working day, before the time fixed for the holding of the adjourned meeting).

- (4) You may request a hard copy form of proxy directly from the Company's registrar, Link Group, on 0371 664 0300. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 9.00 a.m. to 5.30 p.m. (London (UK) time) Monday to Friday excluding public holidays in England and Wales. Alternatively, you can request a hard copy proxy card by emailing [shareholderenquiries@linkgroup.co.uk](mailto:shareholderenquiries@linkgroup.co.uk).
- (5) If the proxy is being appointed in relation to less than your full voting entitlement, please enter the number of shares in relation to which they are authorised to act as your proxy. If left blank your proxy will be deemed to be authorised in respect of your full voting entitlement. Specifying a number of shares in excess of those held by the member will result in the proxy appointment being invalid.
- (6) If you return more than one proxy appointment in respect of the same share, either by paper or electronic communication (Electronic Filing or CREST Proxy Instruction), the appointment received last by the registrar before the latest time for the receipt of proxies will take precedence. You are advised to read the terms and conditions of use carefully. Electronic communication facilities are open to all shareholders and those who use them will not be disadvantaged.
- (7) The return of a completed form of proxy, Electronic Filing or any CREST Proxy Instruction (as described in paragraph 11 below) will not prevent a shareholder attending the General Meeting and voting in person if he/she wishes to do so.
- (8) In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).
- (9) Any person to whom this Notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.
- (10) The right of a shareholder to vote at the General Meeting will be determined by reference to the share register. To be entitled to attend and vote at the General Meeting, shareholders must be registered in the share register of the Company at close of business on 4 October 2023 (or, in the event of any adjournment, by close of business on the date which is two days before the time of the adjourned meeting, excluding any part of a day which is not a working day). Changes to entries on the share register after the relevant deadline will be disregarded in determining the rights of any person to attend or vote at the General Meeting.
- (11)
  - (a) CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so by utilising the procedures described in the CREST Manual on the Euroclear website ([www.euroclear.com](http://www.euroclear.com)). CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
  - (b) In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear UK & International Limited specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID: RA10) by the latest time(s) for receipt of proxy appointments specified in the notice of General Meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.
  - (c) The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
  - (d) CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & International Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that their CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
- (12) As at 19 September 2023, being the latest practicable date prior to the publication of this notice of General Meeting, there were 1,396,944,405 ordinary shares of five pence each in the capital of the Company in issue which each carried one vote. The total number of voting rights in the Company at that time and date was therefore 1,396,944,405.

- (13) 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 10.00 a.m. on 4 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.
- (14) You may not use any electronic address provided in this Notice, or any related documents including the proxy form to communicate with the Company for any purposes other than those expressly stated.
- (15) 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>.

