



# INTERIM MANAGEMENT STATEMENT

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This Interim Management Statement for Pendragon PLC, the largest and leading automotive retailer in the UK, covers the period from 1 July 2015 to 2 November 2015. Unless otherwise stated, figures quoted in this statement are for the three months ended 30 September 2015.

## TREVOR FINN, CHIEF EXECUTIVE:

*"We continue to go from strength to strength after another strong quarter across our key sectors of aftersales, used and new. We continue to deliver on our winning strategy of offering choice, value, service and convenience to our customers and we are ideally positioned to gain from favourable underlying market conditions for aftersales, used and new. The performance of the Group is in line with expectations for the full year, which were upgraded in August."*

## HIGHLIGHTS

- Used gross profit grew by a significant 15.2% on a like for like basis, as our focussed strategy continues to increase our market share and profitability.
- Aftersales gross profit grew by 3.8% on a like for like basis as we benefit from strong underlying market dynamics together with our aftersales initiatives.
- New gross profit increased 5.3% on a like for like basis, as a result of the continued improvement in the new vehicle market.
- Overall in the quarter, underlying like for like profit before tax increased by 6.6%.
- Online visits to Stratstone.com and Evanshalshaw.com increased by 35.9% in the nine months ended 30 September 2015. This significant increase is assisting our brand building and used and aftersales activity levels.
- We continue to be encouraged by the results of the UK's first automotive 'click and collect' service, "Move Me Closer" and our "Sell Your Car" initiative.
- Our financial position is strong, with our debt ratio remaining significantly below our target range.

## TRADING UPDATE

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

Aftersales is our largest profitability contributor and gross profit grew by 3.8% in the period on a like for like basis. The Group is benefiting from the increased new vehicle supply which continues to increase the less than three year old car parc and the four to six year old car parc. Additionally, we have achieved growth by enhancing the customer proposition through technology, such as enabling the customer to view vehicle service and repair issues on video direct from the workshop and to authorise work from the link provided, all via their electronic device.

Used profitability growth continues to significantly enhance the profitability of the Group and is a key strategic priority for the Group. Used gross profit grew by 15.2% in the period on a like for like basis. This resulted from a number of initiatives including: our 'click and collect' proposition ([www.evanshalshaw.com/move-me-closer](http://www.evanshalshaw.com/move-me-closer)), providing convenience with over 200 retail points, our product choice, with over 20,000 used vehicles to view and our focus on stock procurement. We are maintaining our marketing investment in this area so we continue to build market share.



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New gross profit, our third largest contributor to profitability, grew by 5.3% in the period on a like for like basis. In the year to date we have invested £21.8m in relation to our franchise facilities including expenditure on refurbishment work, relocation of sites and acquisition of freehold interests.

Our financial position remains strong, with our debt : underlying EBITDA ratio remaining significantly below our target range of 1.0 to 1.5. We are in the process of further investment in the roll-out of additional footprint to provide us a truly national UK presence for the sale and servicing of vehicles.

## INDUSTRY INSIGHT

When publishing our prior year interim and year end results we indicated that new car registrations would now run in 2015 at a more “natural” level of 2.5 to 2.6 million units per annum. After analysing September registrations we are expecting 2015 annual registrations to be over 2.6 million units. Year to date registrations to 30 September 2015 increased by 7.1% year on year, with retail registrations increasing by 2.4%. We believe the UK new car market has reached its natural level.

The latest available data shows that the used car market increased by around 0.8% in the first half of 2015. We are still expecting the used car market to grow by between 1.0% and 2.0% for the whole of 2015.

The aftersales market continues to be favourable for the nearly new vehicle car parc as a result of the new car market increases in the last three years. These favourable conditions will flow into the four to six year old car parc in the coming years. We continue to expect the less than three year old car parc to grow by 7.0% and the four to six year old parc to grow by 2.0% in 2015.

## OUTLOOK

As the largest and leading automotive retailer in the UK, we are focussed on our winning strategy and continue to build market share in our key markets. We are well positioned financially and strategically to continue to be the largest and leading automotive retailer in the UK. We expect 2015 full year performance to be in line with expectations.

## ENQUIRIES

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