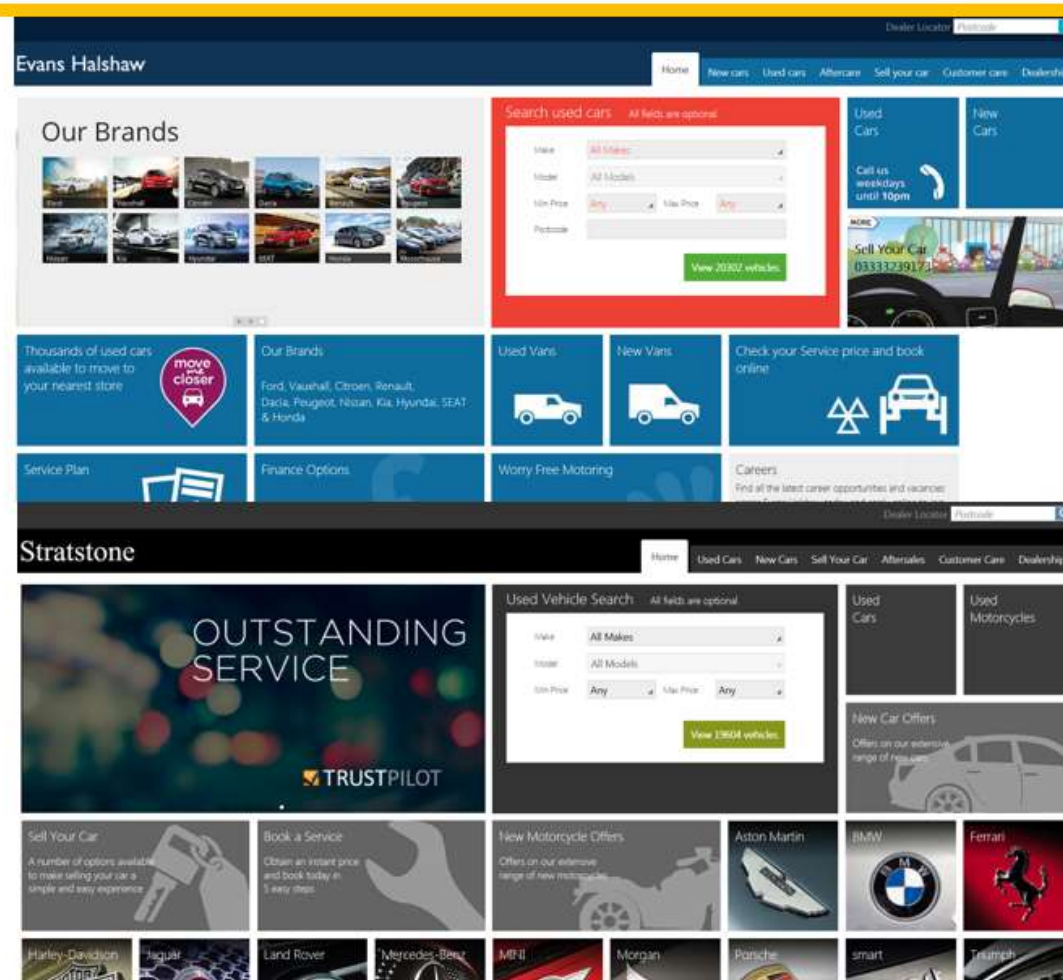


# Pendragon PLC – 2016 Interim Results

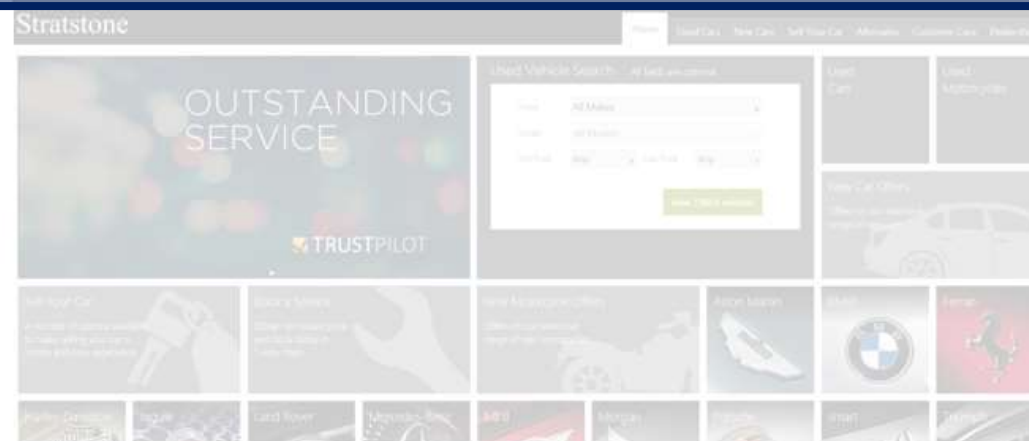
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## Executive Summary – Trevor Finn (CEO)



# Executive Summary

## Financial Highlights

- Continued strong performance assisted by strong market dynamics and a winning strategy
- Underlying profit before tax up £3.9m (+9.7%), from £40.3m to £44.2m
- Underlying earnings per share up 0.2p (+9.5%), from 2.1p to 2.3p
- Interim dividend of 0.7p per share following our 2015 final dividend of 0.7p per share
- £20m Share buyback programme underway – £2.6m purchased to date

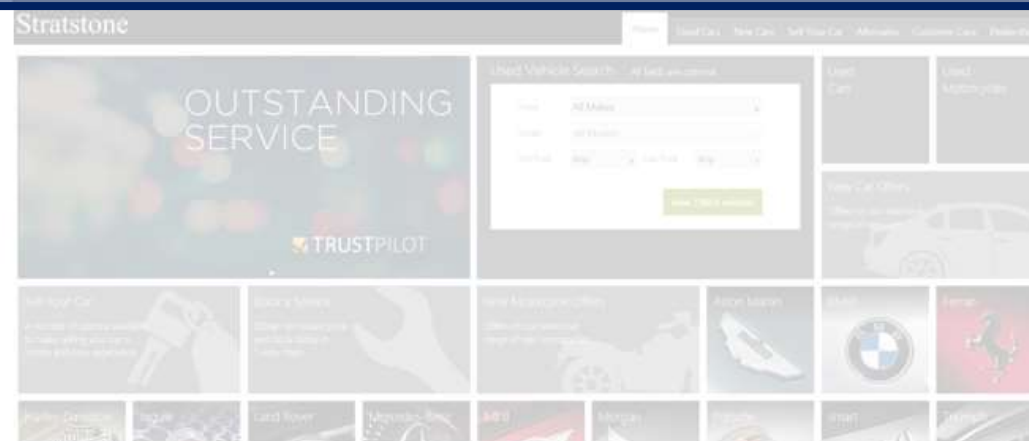
## Operational Highlights

- Web visits to Evanshalshaw.com and Stratstone.com increased by 13.1% in the period, with 21.6 million visitors over the 12 months to the 30 June 2016
- Another record breaking year in used vehicles with L4L gross profit up £4.7m (+6.2%)
- Our initiatives and market tailwinds have led to L4L aftersales gross profit up £1.9m (+2.0%)
- New vehicle market growth, as predicted, is beginning to ease with L4L gross profit up £9.3m (+11.6%)
- Our underlying costs to gross profit ratio has improved from 80.1% to 79.6%

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## Financial Highlights – Tim Holden (FD)



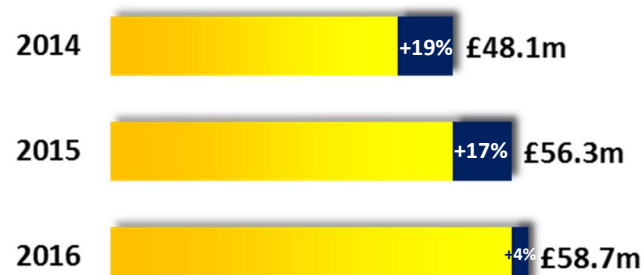
# Financial Highlights – 3 Year Group Performance

## SUMMARY

### Underlying Profit Before Tax

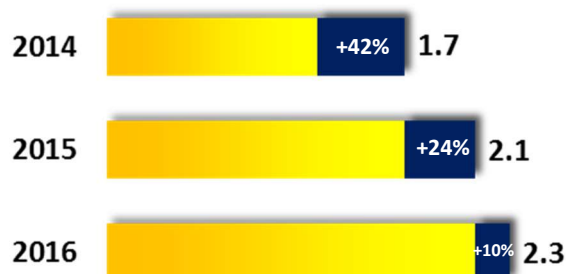


### Underlying Operating Profit

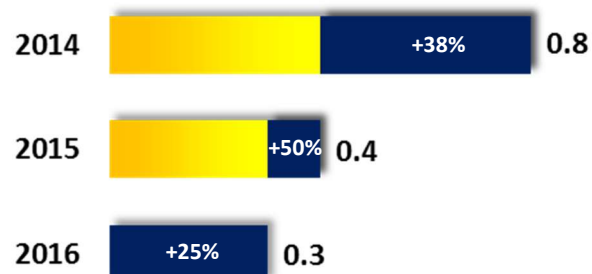


- Underlying earnings per share up 10% in the period
- Debt : Underlying EBITDA ratio at 0.3 which is below the lower of our target range
- £20m share buyback programme underway with £2.6m purchased to date

### Underlying Earnings Per Share (p)



### Debt : Underlying EBITDA Ratio



# Financial Highlights – Underlying Profit Before Tax Up 10%

Underlying £m	2016	2015	Variance
Revenue	2,325.2	2,291.4	+1.5%
Gross Profit	288.2	283.0	+1.8%
<i>Gross Margin</i>	<i>12.4%</i>	<i>12.4%</i>	
Operating Costs	(229.5)	(226.7)	+1.2%
<i>Operating Costs as a % of Gross Profit</i>	<i>79.6%</i>	<i>80.1%</i>	
<b>Operating Profit</b>	<b>58.7</b>	<b>56.3</b>	<b>+4.3%</b>
<i>Operating Margin</i>	<i>2.5%</i>	<i>2.5%</i>	
Interest	(14.5)	(16.0)	-9.4%
<b>Profit Before Tax</b>	<b>44.2</b>	<b>40.3</b>	<b>+9.7%</b>
EPS (Underlying)	2.3p	2.1p	+9.5%
Dividend Per Share	0.7p	0.6p	+16.7%

## SUMMARY

- Operating leverage continues with gross profit up 1.8% and operating profit up 4.3%
- Interest cost reduction following completion of refinancing
- Interim dividend of 0.7p per share in line with 2015 final dividend
- Underlying earnings per share up 0.2p (+9.5%)

# Financial Highlights – Non-Underlying Loss of £2.4m

## SUMMARY

- Limited non-underlying items in H1 2016

Non-Underlying £m	2016	2015	Variance
(Loss) / Gain on Disposals of Businesses and Property	(0.6)	7.9	(8.5)
Impairment of Assets Held For Sale	(1.0)	-	1.0
Gain on Disposals of Investments	-	13.8	(13.8)
<b>Operating (Loss) / Profit</b>	<b>(1.6)</b>	<b>21.7</b>	<b>(23.3)</b>
Interest on Pensions	(0.8)	(1.2)	0.4
<b>(Loss) / Profit Before Tax</b>	<b>(2.4)</b>	<b>20.5</b>	<b>(22.9)</b>
Tax credit	-	6.9	(6.9)
<b>(Loss) / Profit for the period</b>	<b>(2.4)</b>	<b>27.4</b>	<b>(29.8)</b>

# Financial Highlights – Continued Strong Cash Flow Generation

Summary Cash Flow £m	2016	2015	SUMMARY
<b>Underlying Operating Profit Before Other Income</b>	<b>58.7</b>	<b>56.3</b>	<ul style="list-style-type: none"> <li>Debt reduction due to continuing strong operating profit</li> </ul>
Depreciation and Amortisation	14.1	12.7	
Share Based Payments	1.2	1.0	<ul style="list-style-type: none"> <li>Investment in the UK sales footprint will continue</li> </ul>
Working Capital	15.1	26.1	
<b>Operating Cash Flow</b>	<b>89.1</b>	<b>96.1</b>	
Tax Paid	(9.9)	(13.4)	
Underlying Net Interest	(15.0)	(14.8)	
Replacement Capital Expenditure	(11.0)	(14.6)	
Acquisitions and Investments	(17.4)	(17.9)	
Disposals	9.0	13.1	
Dividends	(10.2)	(8.6)	
Proceeds from Sale of Investment	-	22.4	
Share Buyback	(1.3)	-	
Other	(0.3)	(6.6)	
<b>Reduction in Net Debt</b>	<b>33.0</b>	<b>55.7</b>	
<b>Closing Net Debt</b>	<b>46.6</b>	<b>53.1</b>	



# Financial Highlights – Healthy Balance Sheet

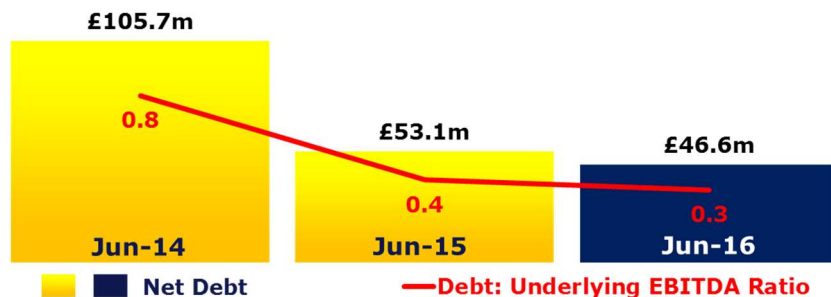
Balance Sheet £m	Jun-16	Dec-15	Jun-15
Property	187.2	172.7	177.9
Plant & Equipment	188.1	180.0	152.9
Goodwill & Intangibles	363.2	366.6	369.6
Investments	-	-	1.4
Stock	933.9	830.6	761.1
Debtors	164.1	134.5	163.6
Assets Held For Resale	13.4	16.2	11.6
Creditors	(1,414.1)	(1,225.9)	(1,199.7)
Net Borrowings	(46.6)	(79.6)	(53.1)
<b>Shareholders Funds</b>	<b>389.2</b>	<b>395.1</b>	<b>385.3</b>
<b>Gearing</b>	<b>12.0%</b>	<b>20.1%</b>	<b>13.8%</b>

## SUMMARY

- Strong balance sheet
- Stock levels have been increased, funded by trade credit, to help drive growth
- Further reduction in gearing to 12.0%

# Financial Highlights – Capital Allocation

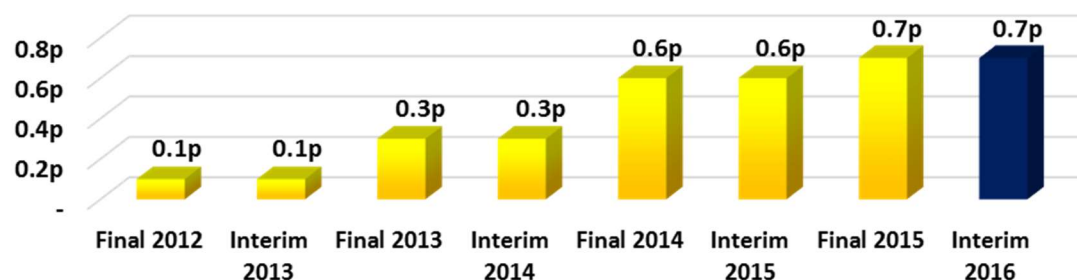
## Debt: Underlying EBITDA Ratio



## SUMMARY

- Debt reduction of £174m in 4 years
- Net Debt : EBITDA ratio at 0.3 which is below the lower range of our target
- £20m share buyback programme commenced on 20-May-16 with £2.6m purchases to date
- Progressive dividend policy with cover maintained

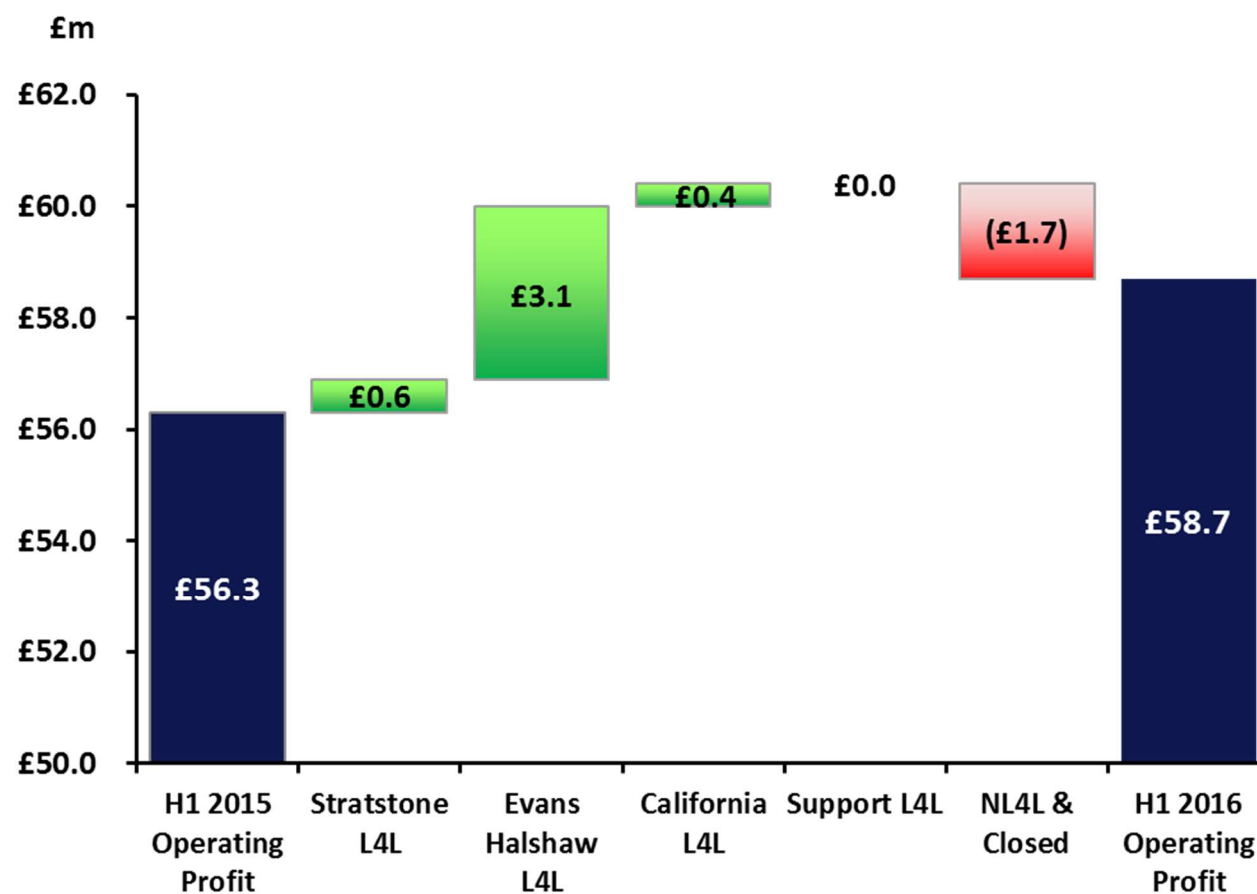
## Dividend Progression



# Financial Highlights – Underlying Operating Profit Up +4.3%

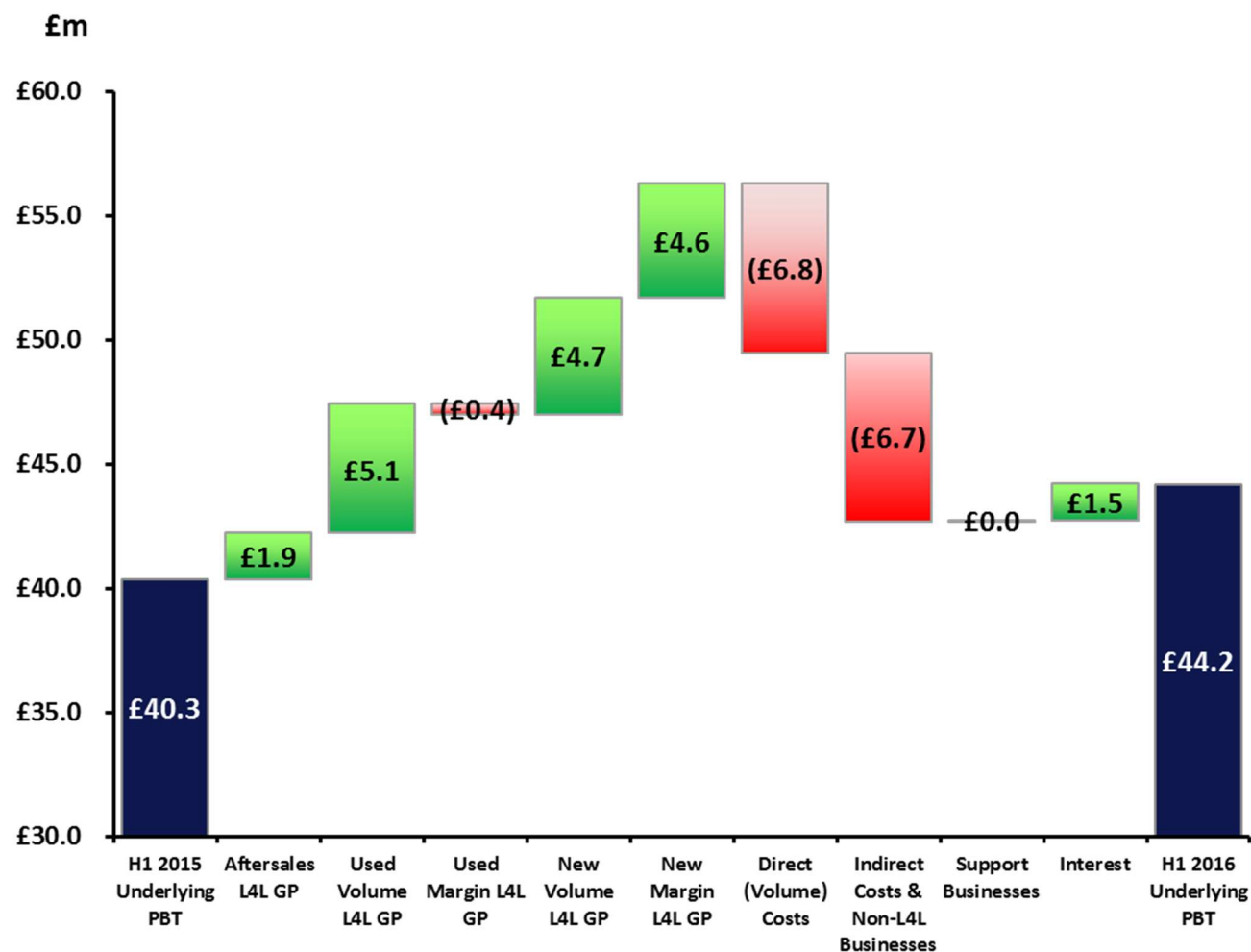
## SUMMARY

- Growth in all motor division segments
- Evans Halshaw strong aftersales and new vehicle margin



# Financial Highlights – Growth across all departments

## SUMMARY

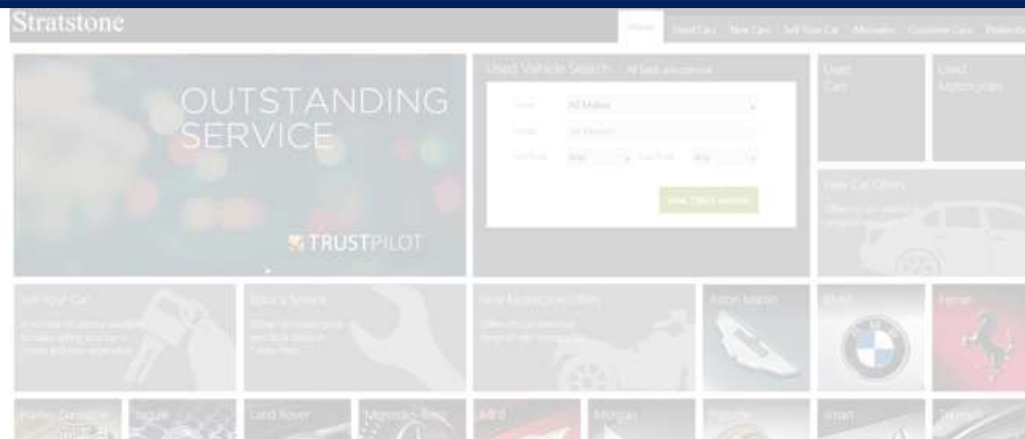


- Continued significant L4L growth across aftersales, used and new departments
- Volume cost increases in line with prior years
- Investment in people to continue in H2
- Interest savings following refinancing

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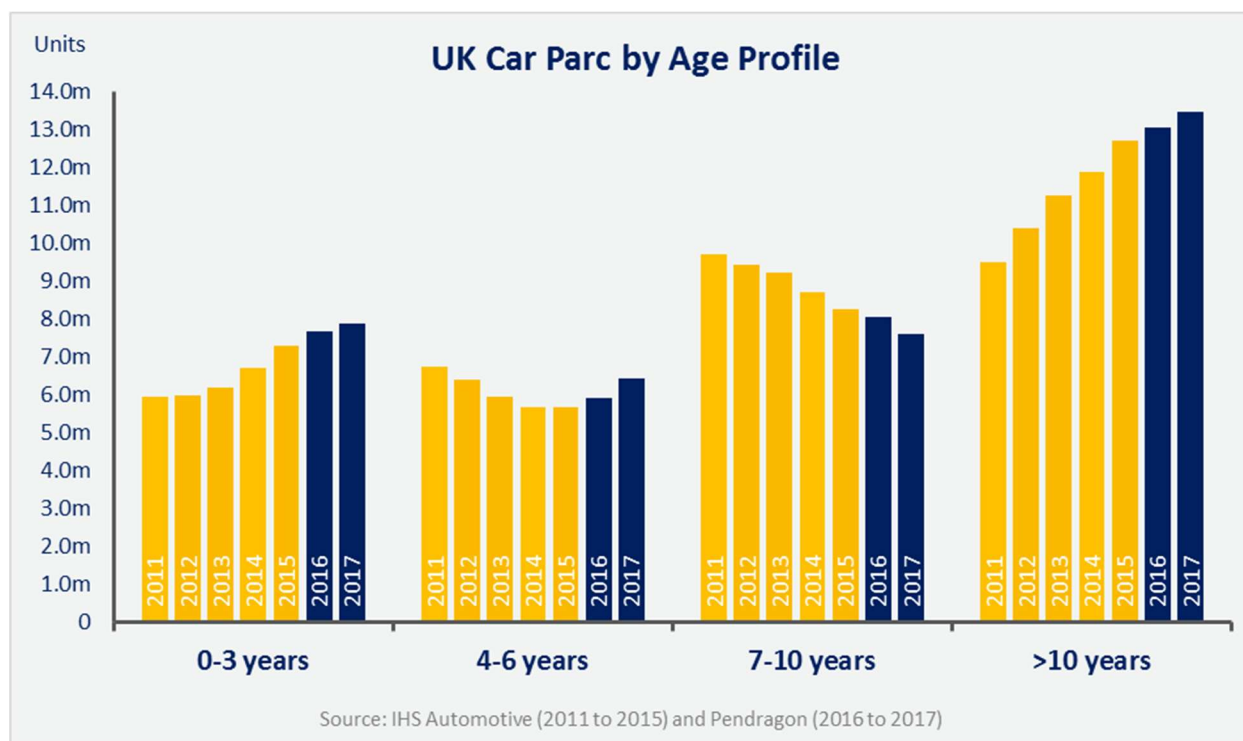
## Industry Insight – Trevor Finn (CEO)



# Industry Insight – Aftersales Tailwind

## SUMMARY

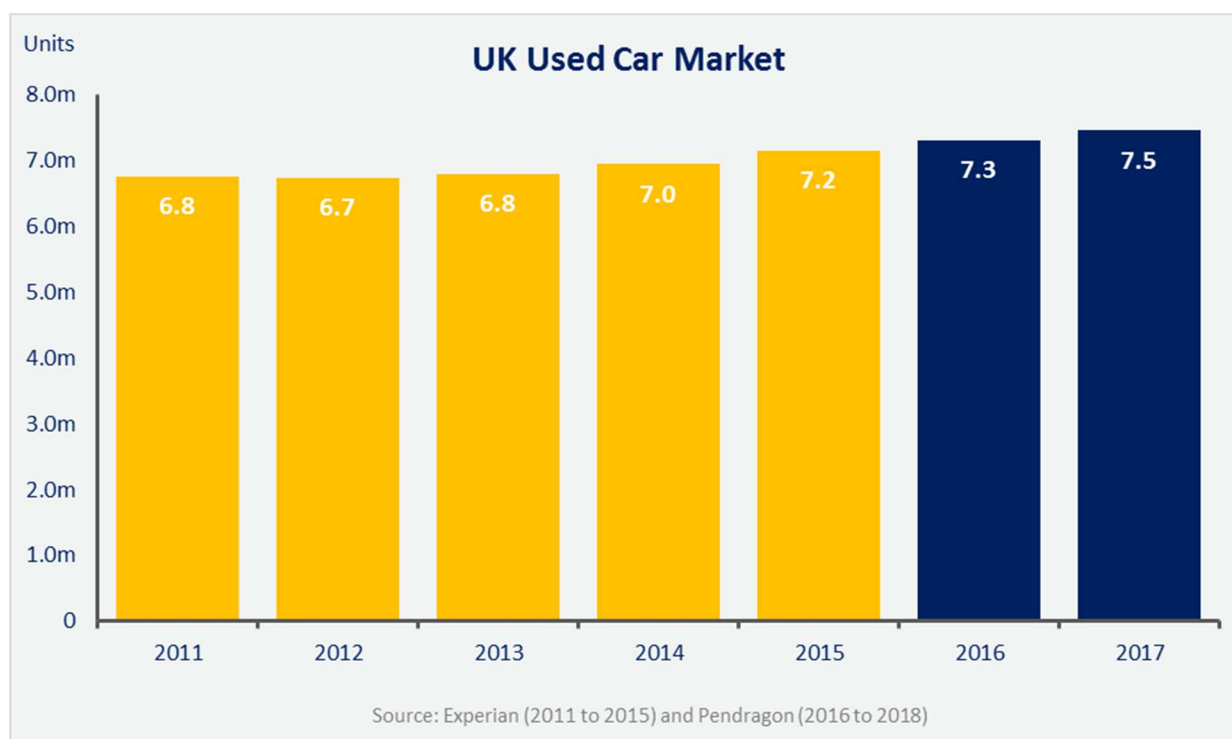
- 8.6% growth in 0-3 year car parc in 2015, 5.5% forecast in 2016
- 0.1% growth in 4-6 year car parc in 2015, 4.3% forecast in 2016
- Approximately 80% of our aftersales activity is in 0-6 year old vehicles



# Industry Insight – Used Car Market Incremental Growth

## SUMMARY

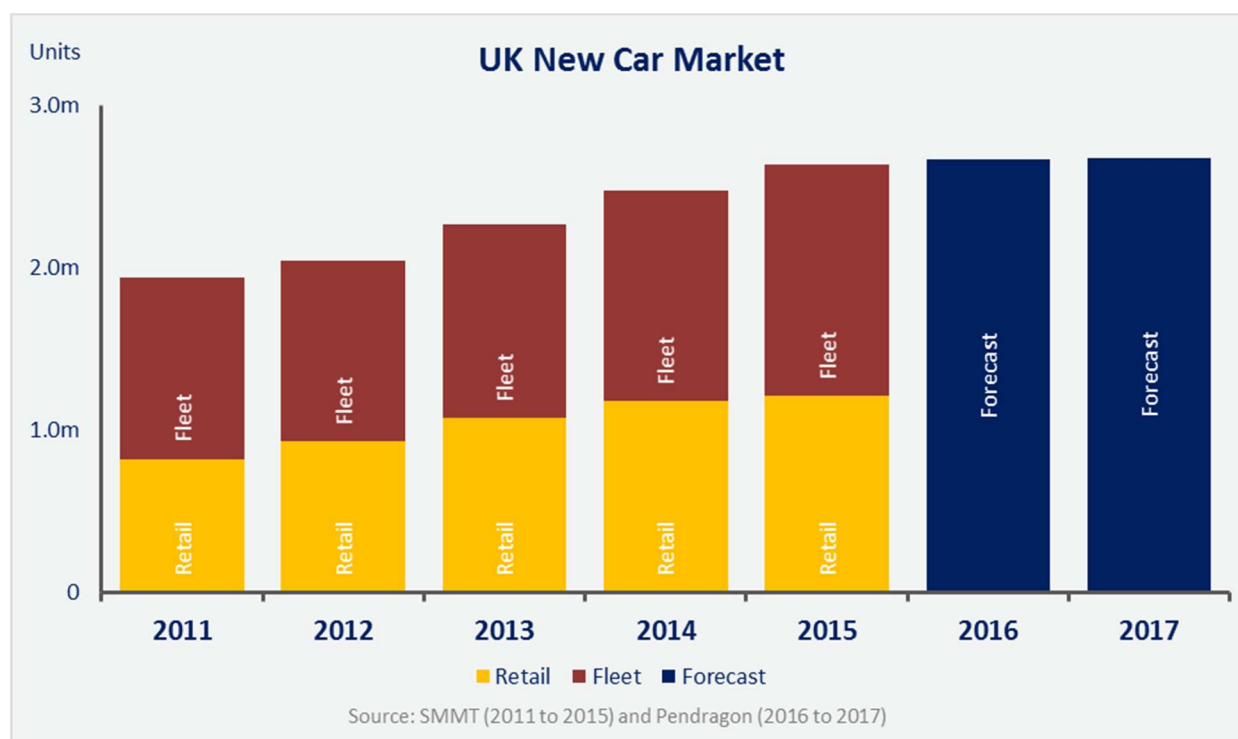
- UK Used car market of 7.2m in 2015, 3.0% growth
- Further used market growth forecast from 2016 onwards
- 0-6 years old segment growth the greatest
- Pendragon 1-8 year old market share increased from 2.5% in 2009 to 5.3% in 2015



# Industry Insight – New Car Market Stable

## SUMMARY

- New car market growth of 3.2% in H1 2016 – retail market growth of 1.9% and fleet/business growth of 4.2%
- New car market growth forecast of 1.25% in 2016 (2.67m total market)
- Modest growth expected in 2017

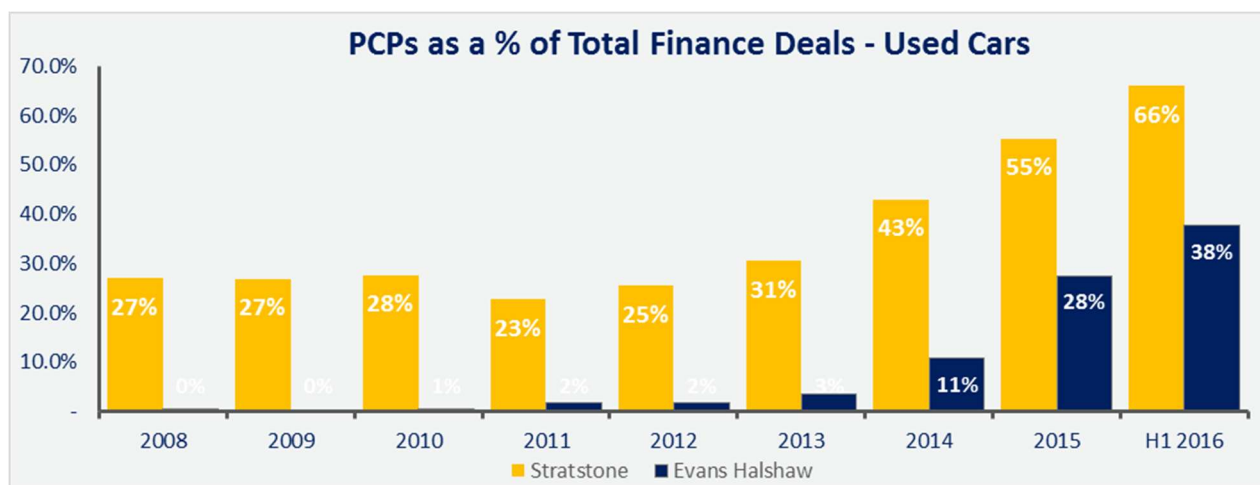
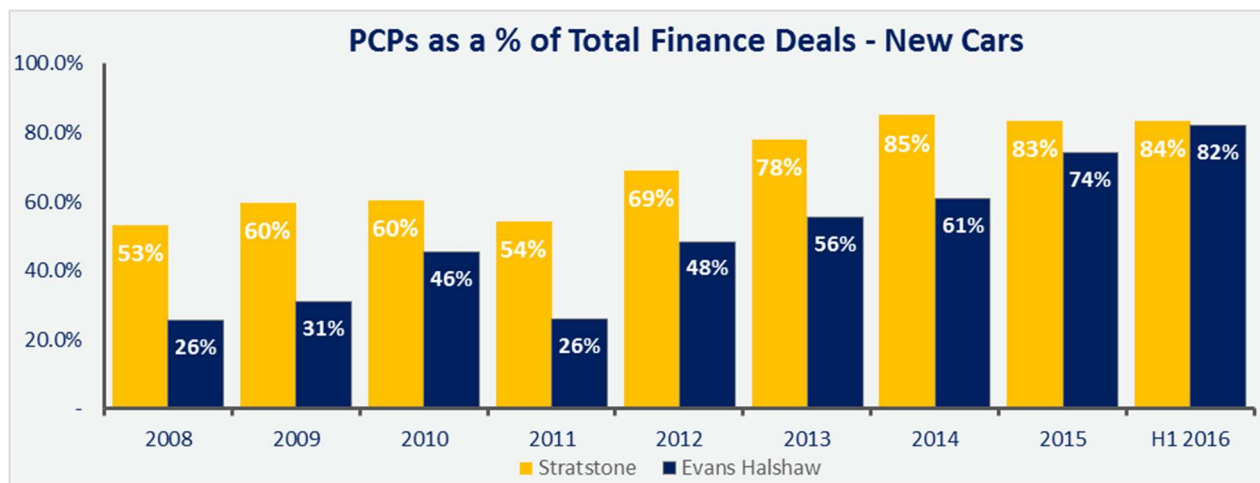




# Industry Insight – PCP Still Growing

## SUMMARY

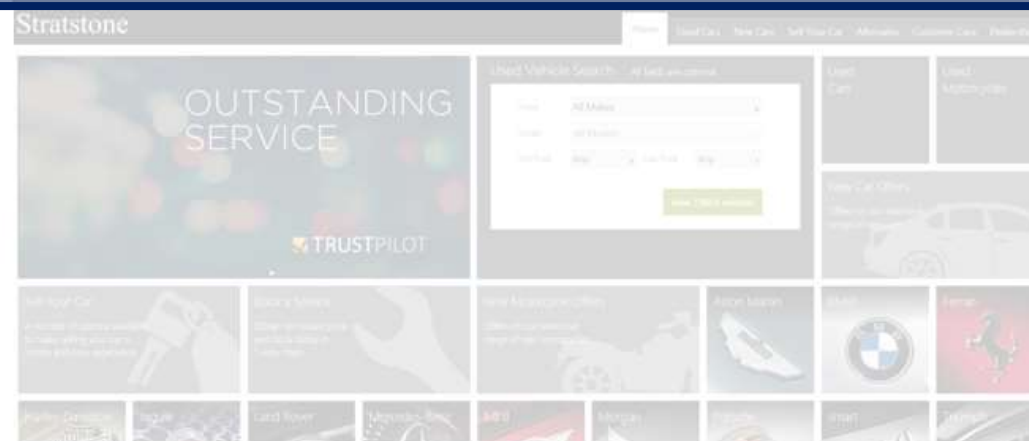
- Our strong PCP rates in new provide a strong cycle of return business
- Used PCP is growing significantly in both premium and volume sectors
- Our PCP penetration rates exceed industry averages in new and used



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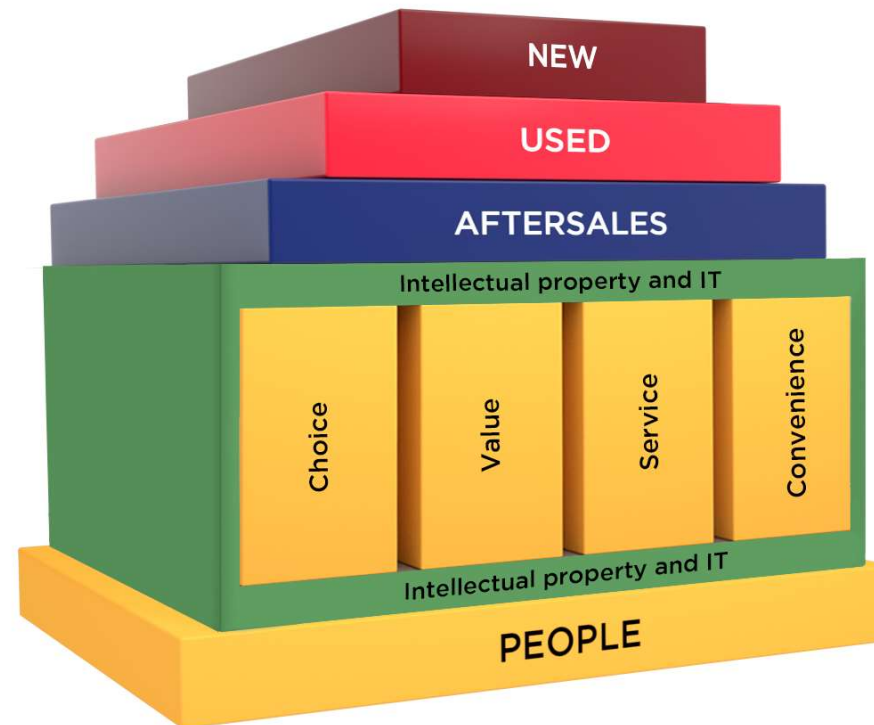


## Strategic Highlights – Trevor Finn (CEO)



# Strategic Highlights

**Our strategic  
pillars of  
choice, value,  
service and  
convenience**

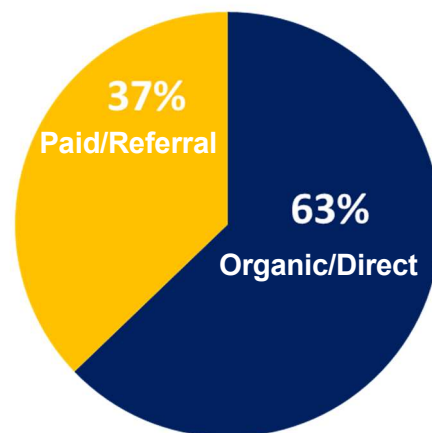


# Strategic Highlights – Choice

## Choice



**21.6m** Stratstone.com and Evanshalshaw.com  
annual web visits



**16.6m**  
YOUTUBE ADVERT  
VIEWS

move  
me  
closer

**10.9m**  
YOUTUBE ADVERT  
VIEWS

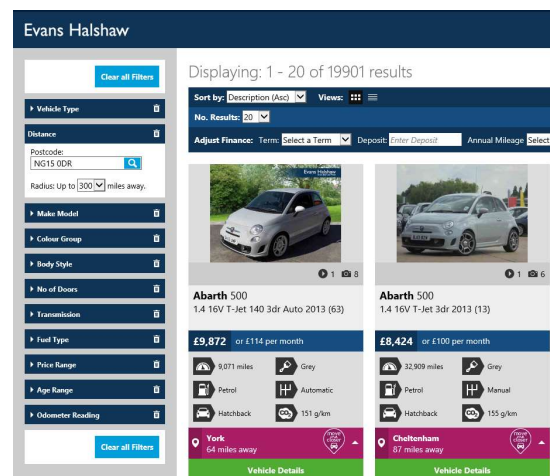
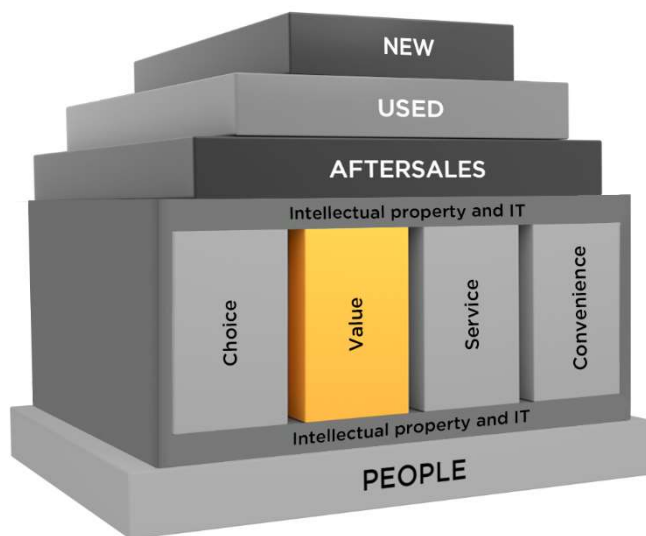
**Sell Your Car**



- ✓ Over 21,000 used vehicles to choose from and 21.6m visits to Stratstone.com and Evanshalshaw.com
- ✓ Sell Your Car operating from 51 locations in the UK, 10.9m YouTube views
- ✓ Move Me Closer provides extensive consumer choice through our stores

# Strategic Highlights – Value

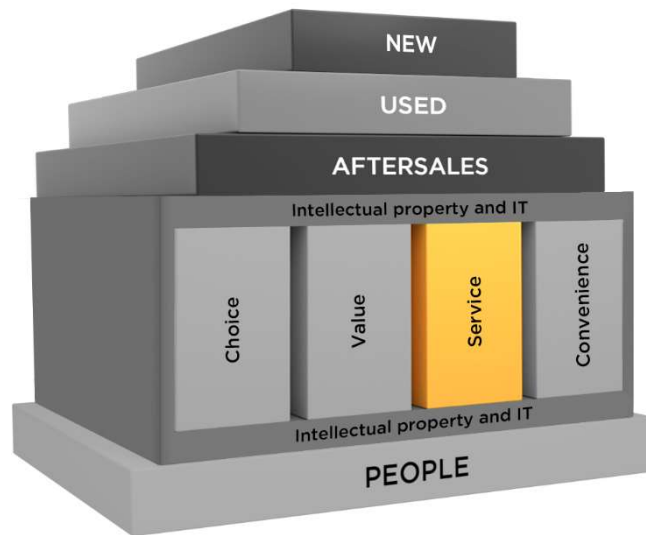
## Value



- ✓ Centralised procurement and pricing ensuring value
- ✓ Used car sales are backed by our price guarantee
- ✓ Increasing source of vehicles from 'Sell Your Car' – which is better value for the consumer

# Strategic Highlights – Service

## Service



- ✓ Customers rating us 4/5 star increased to 85.7%
- ✓ Real time online service booking and VHC videos rolled out
- ✓ Continued investment to deliver Customer Satisfaction

### Stratstone



### Evans Halshaw

#### Servicing

Manufacturer service  
Essential service  
Value service

Home » Aftercare » Servicing

#### Car Servicing

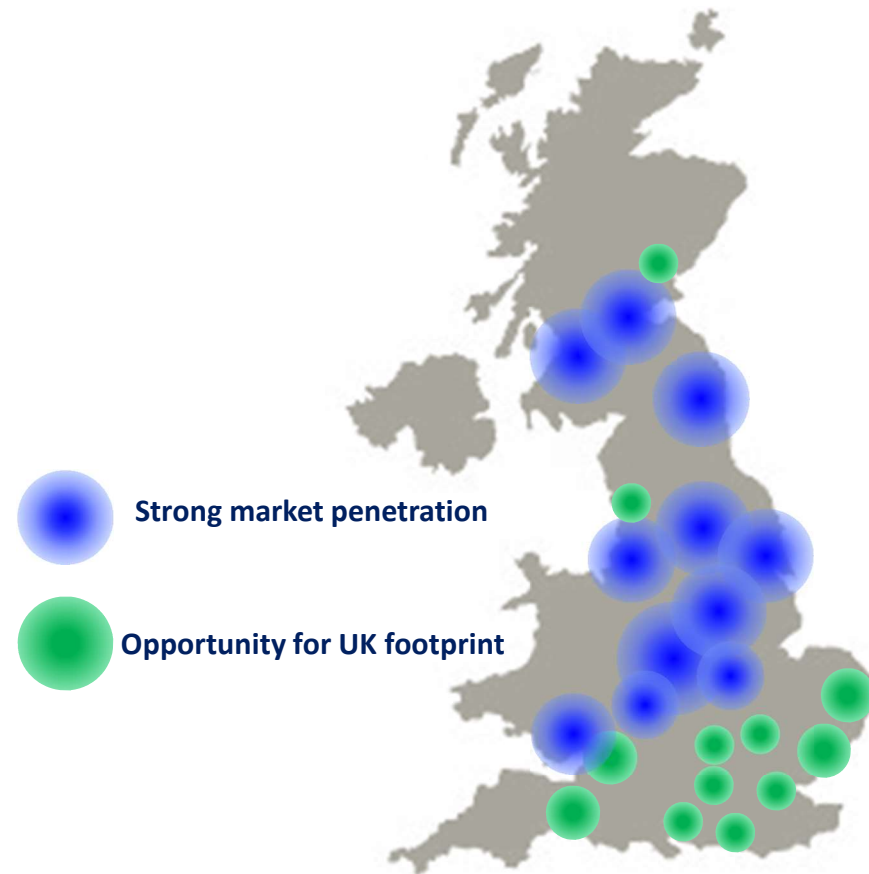
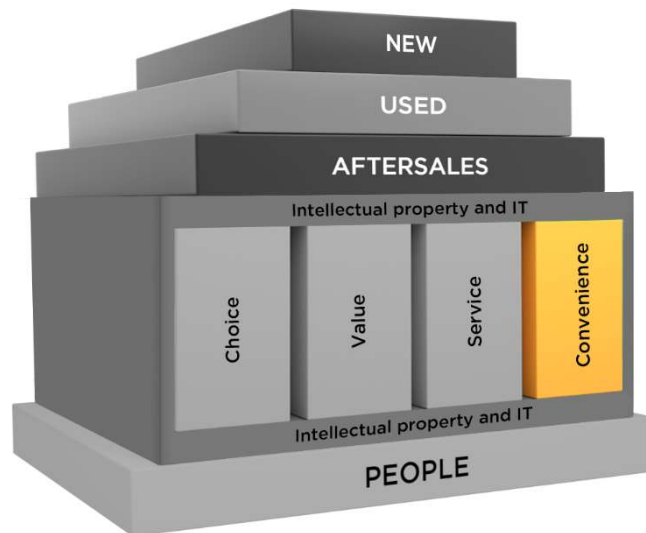


#### Online Car Service Booking

With our easy online booking tool, you can now book your car service at your chosen Evans Halshaw Ser.

# Strategic Highlights – Convenience

## Convenience

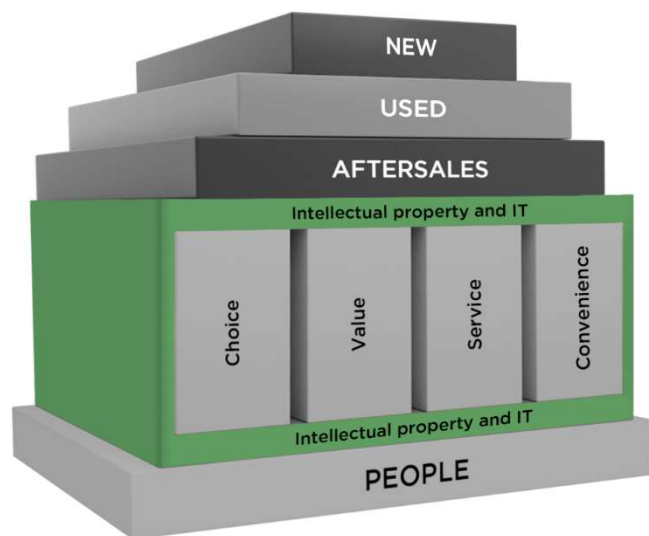


- ✓ 206 retail points in the UK
- ✓ Eight additional sites in progress for our sales footprint expansion
- ✓ Strong balance sheet for 40 site roll-out



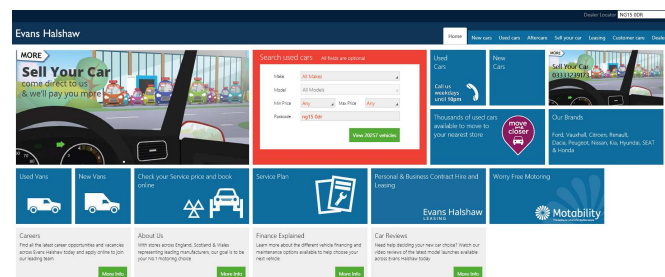
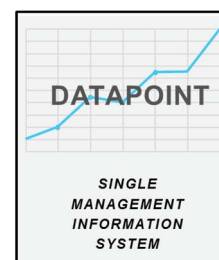
# Strategic Highlights – Intellectual Property and IT

## Intellectual Property and IT



- ✓ IP and IT ownership significant differentiator
- ✓ High speed deployment capability
- ✓ Proprietary use of market intelligence

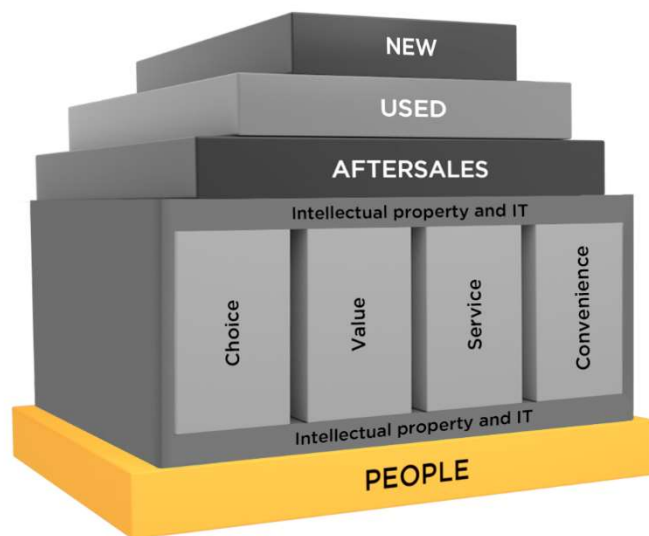
pinewood





# Strategic Highlights – People

## People



- ✓ Dedicated training academy for Pendragon team members
- ✓ Investment in technician resource in H2
- ✓ Online training and skills enhancement

# Executive Summary

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