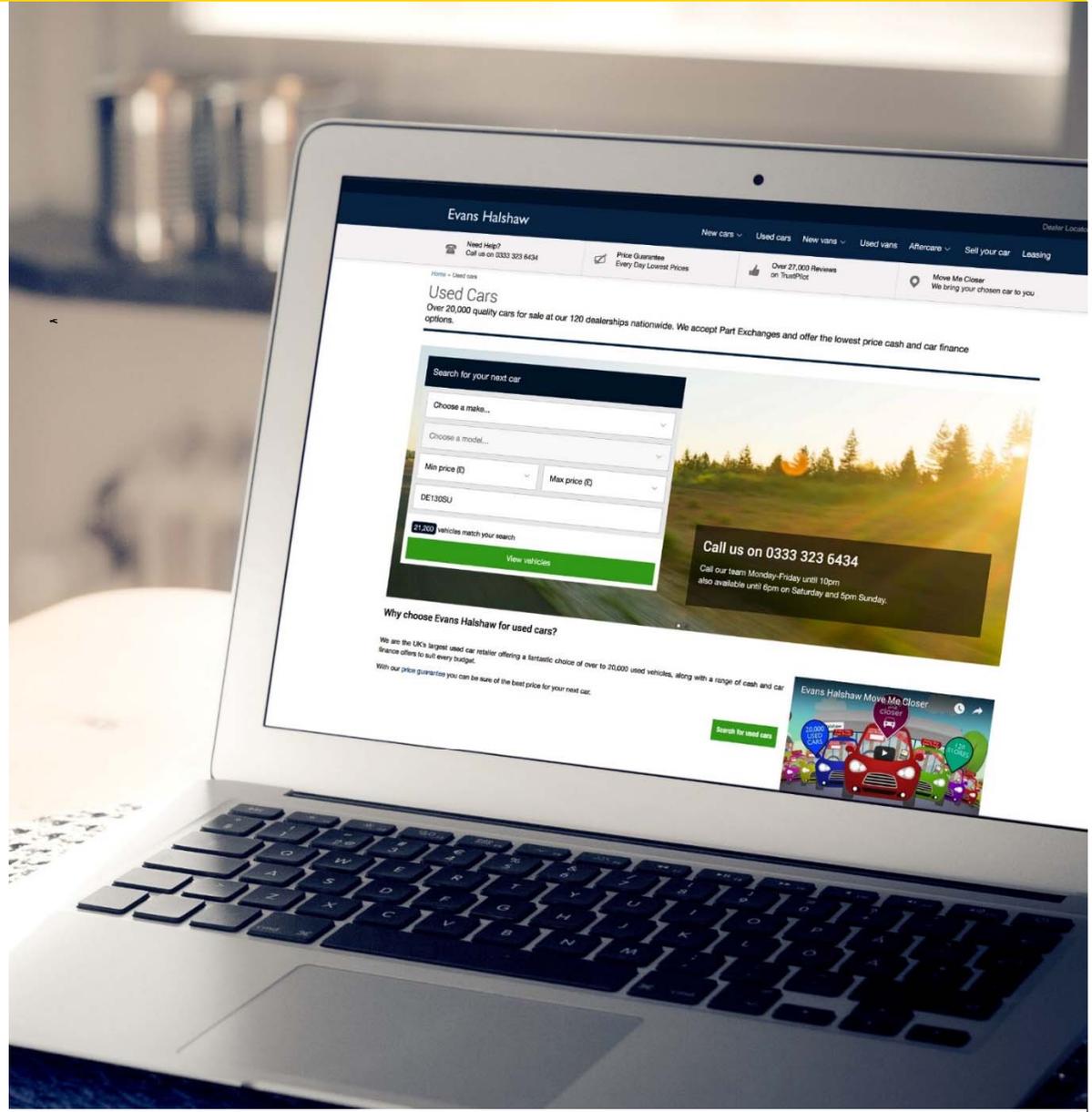


Pendragon PLC



2017 Half Year Results



THE LEADING AUTOMOTIVE ONLINE RETAILER

Pendragon PLC

Businesses

UK Motor

Sale/Service of vehicles in the UK

US Motor

Sale/Service of vehicles in the US

Software

Software solutions for retailers

Leasing

Vehicle leasing and fleet in the UK

Sectors

Used

Selling of all non-new vehicles

Aftersales Servicing

Service, maintenance and repair of vehicles

New

Selling of new vehicles (1st registration)

Pendragon PLC Focus

	UK Motor	US Motor	Software	Leasing
Double used vehicle revenue	✓			
Grow aftersales by selling more vehicles and retaining more customers	✓			
Grow US Motor from selective franchise acquisition to grow used, new and aftersales		✓		
Grow our Software business via growth in new markets in Europe and Asia/Pacific			✓	
Grow the leasing fleet providing a supply of used vehicles for resale				✓

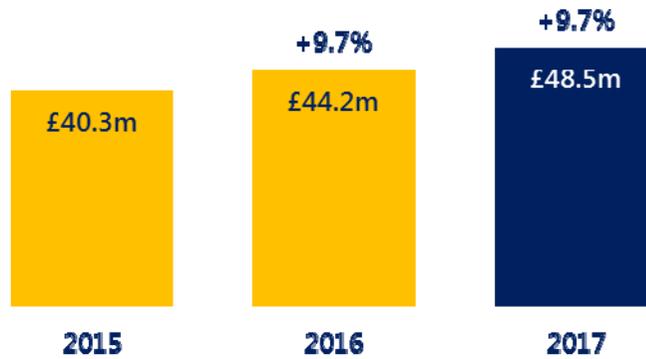
Financial Summary



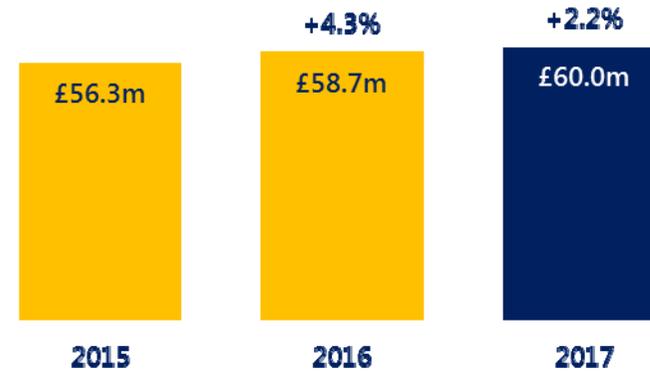
THE LEADING AUTOMOTIVE ONLINE RETAILER

Financial Summary – 3 Year Summary

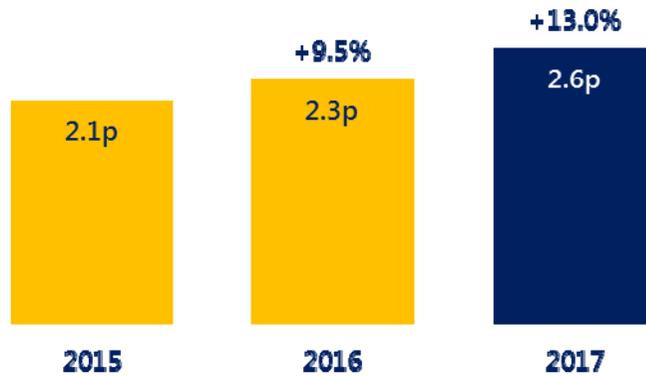
Underlying Profit Before Tax



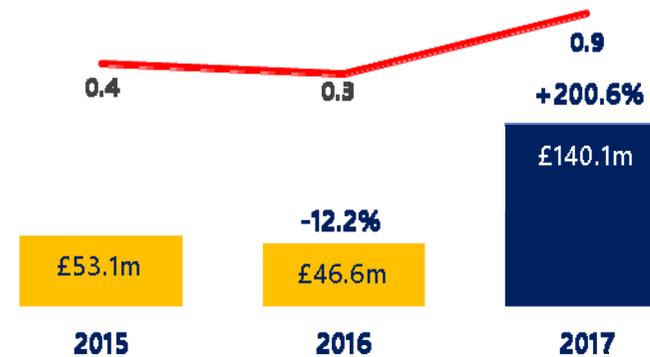
Underlying Operating Profit



Underlying Earnings Per Share



Net Debt and EBITDA Ratio



Financial Summary – Profit and Loss

Underlying Results (£m)			
	Actual	Last Year	% Last Year
Revenue	2,472.0	2,325.2	+6.3%
Gross Profit	301.1	288.2	+4.5%
Gross Margin %	12.2%	12.4%	-0.2%
Operating Costs	(241.1)	(229.5)	+5.1%
Operating costs as % of Gross Profit	80.1%	79.6%	+0.5%
Operating Profit	60.0	58.7	+2.2%
Operating Margin %	2.4%	2.5%	-0.1%
Interest	(11.5)	(14.5)	-20.7%
Profit before tax	48.5	44.2	+9.7%
Earnings Per Share	2.6p	2.3p	+13.0%
Dividend Per Share	0.75p	0.70p	+7.1%

Summary

- Underlying revenue increased by 6.3% in the period and by 7.3% on a like for like basis due to increased levels of used and aftersales activity
- Underlying gross profit increased by 4.5% due to increased used and aftersales activity (4.6% increase on a like for like basis)
- Underlying interest costs decreased by £3.0m as a result of reduced rates on borrowings

Financial Summary – Non-Underlying

Non-Underlying (£m)		
	Jun-17	Jun-16
Loss on Disposals of Businesses and Property	-	(0.6)
Impairment of Assets Held For Sale	-	(1.0)
Operating Loss	-	(1.6)
Interest on Pensions	(1.4)	(0.8)
Loss Before Tax	(1.4)	(2.4)
Tax Credit	0.3	-
Loss for the period	(1.1)	(2.4)

Summary

- No non-underlying operating profit or loss in the first half of 2017
- Interest on pensions was £1.4m in the period (£0.8m : 2016)

Financial Summary – Cashflow

Summary Cashflow (£m)		
	Actual	Last Year
Underlying Operating Profit Before Other Income	60.0	58.7
Depreciation and Amortisation	14.9	14.1
Share Based Payments	1.0	1.2
Working Capital	(45.5)	15.1
Operating Cashflow	30.4	89.1
Tax Paid	(9.0)	(9.9)
Underlying Net Interest	(10.2)	(15.0)
<i>Capital Expenditure – Franchise Specific and Acquisition</i>	(9.2)	(12.0)
<i>Disposals – ex Franchise Property</i>	1.1	2.0
<i>Disposals – Franchise Businesses</i>	-	7.0
Net Franchise Capital Expenditure	(8.1)	(3.0)
Capital Expenditure – 40 Site Roll-Out	(11.1)	(3.9)
Capital Expenditure – Underlying Replacement	(13.9)	(10.7)
Capital Expenditure – Property Leases	(9.5)	(1.8)
Dividends	(10.7)	(10.2)
Share buyback	(3.5)	(1.3)
Other	(2.8)	(0.3)
(Increase) / Reduction in Net Debt	(48.4)	33.0
Closing Net Debt	140.1	46.6

Summary

- Working capital outflow due to re-allocation of used vehicle funding which assisted in interest savings of £3.0m in the period
- £11.1m investment on 40 site roll-out in the period
- Property lease purchases of £9.5m in the period

Financial Summary – Balance Sheet

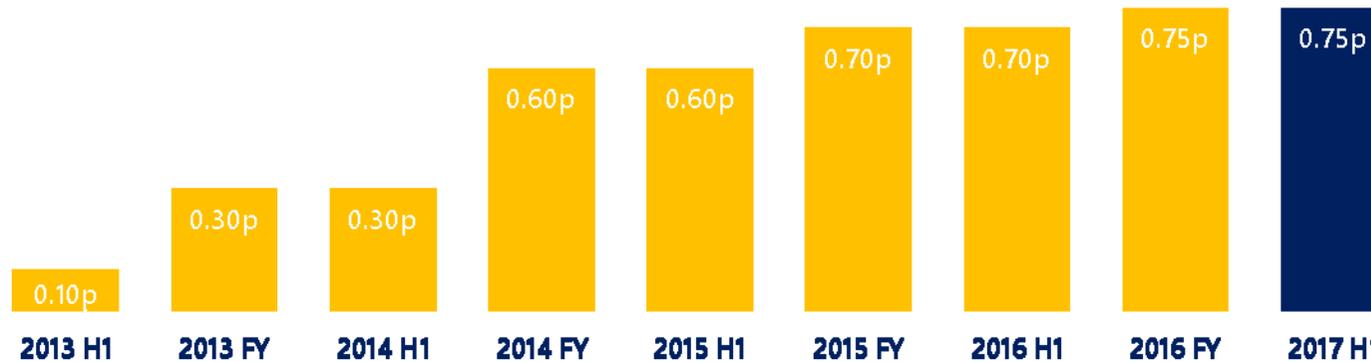
Balance Sheet (£m)			
	Jun-17	Dec-16	Jun-16
Property	224.4	199.3	187.2
Plant & Equipment	221.5	206.0	188.1
Goodwill & Intangibles	362.5	362.2	363.2
Stock	980.5	846.2	933.9
Debtors	160.5	153.1	164.1
Assets Held For Resale	5.6	6.6	13.4
Creditors	(1,396.5)	(1,308.9)	(1,414.1)
Net Borrowings	(140.1)	(91.7)	(46.6)
Shareholders Funds	418.4	372.8	389.2
Gearing	33.5%	24.6%	12.0%

Summary

- Strong balance sheet and low debt level will allow the group to continue to grow
- Increased used vehicle stock enabled growth

Financial Summary – Capital Allocation

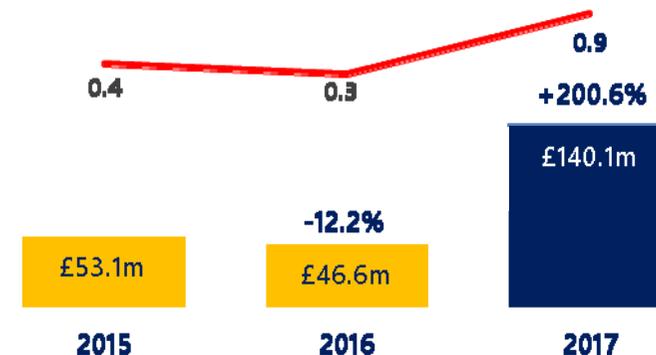
Dividends Per Share



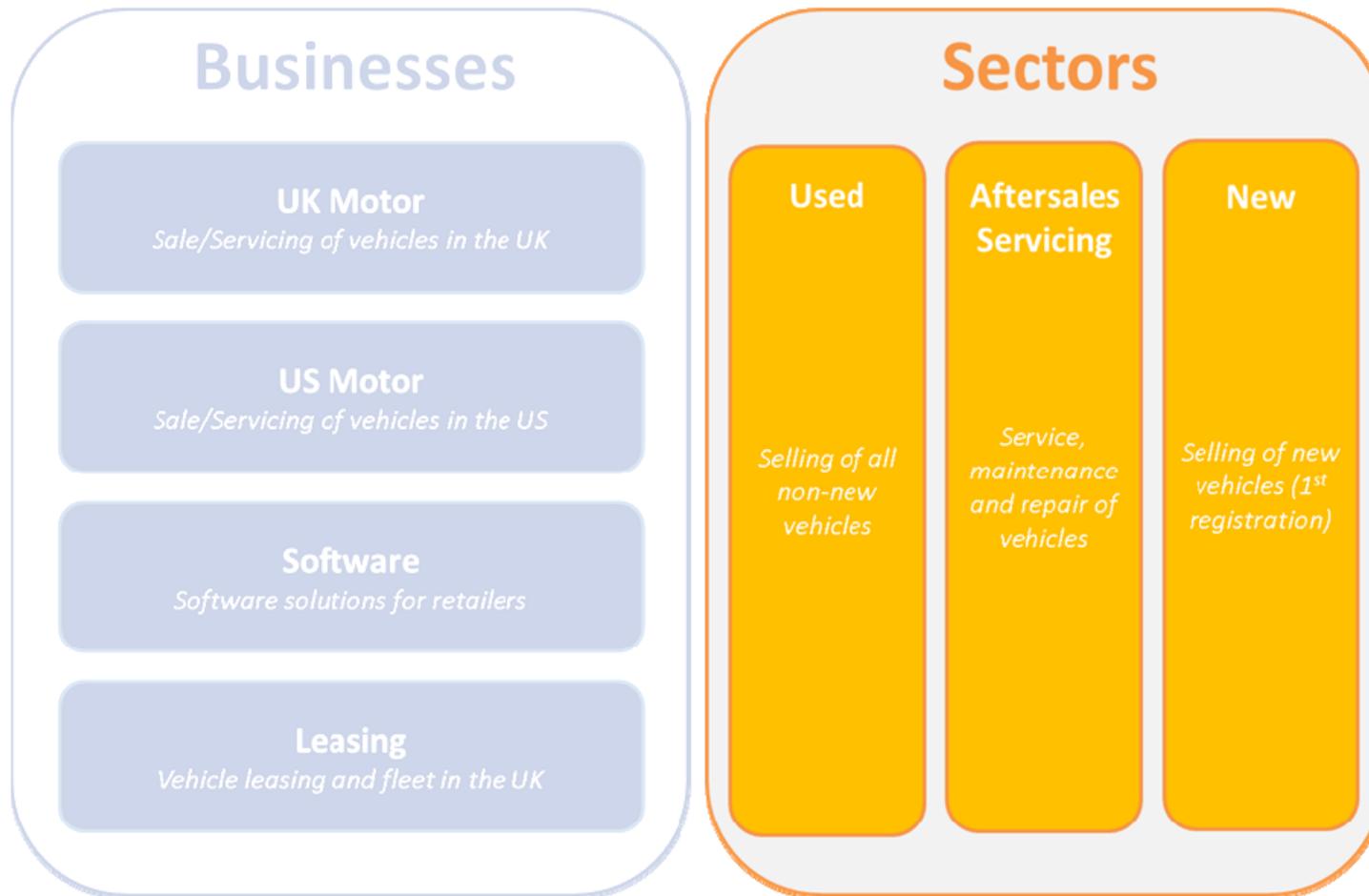
Summary

- The Group is still trading below our target range of 1.0-1.5:1 for the net debt to underlying EBITDA ratio
- The Board is actively considering the Group's capital structure and capital allocation priorities with a view to reinvest for growth
- Expectation of continued strong cashflows to fund franchise capital expenditure in the next two years together with our ongoing expansion programme for used footprint roll-out in the UK

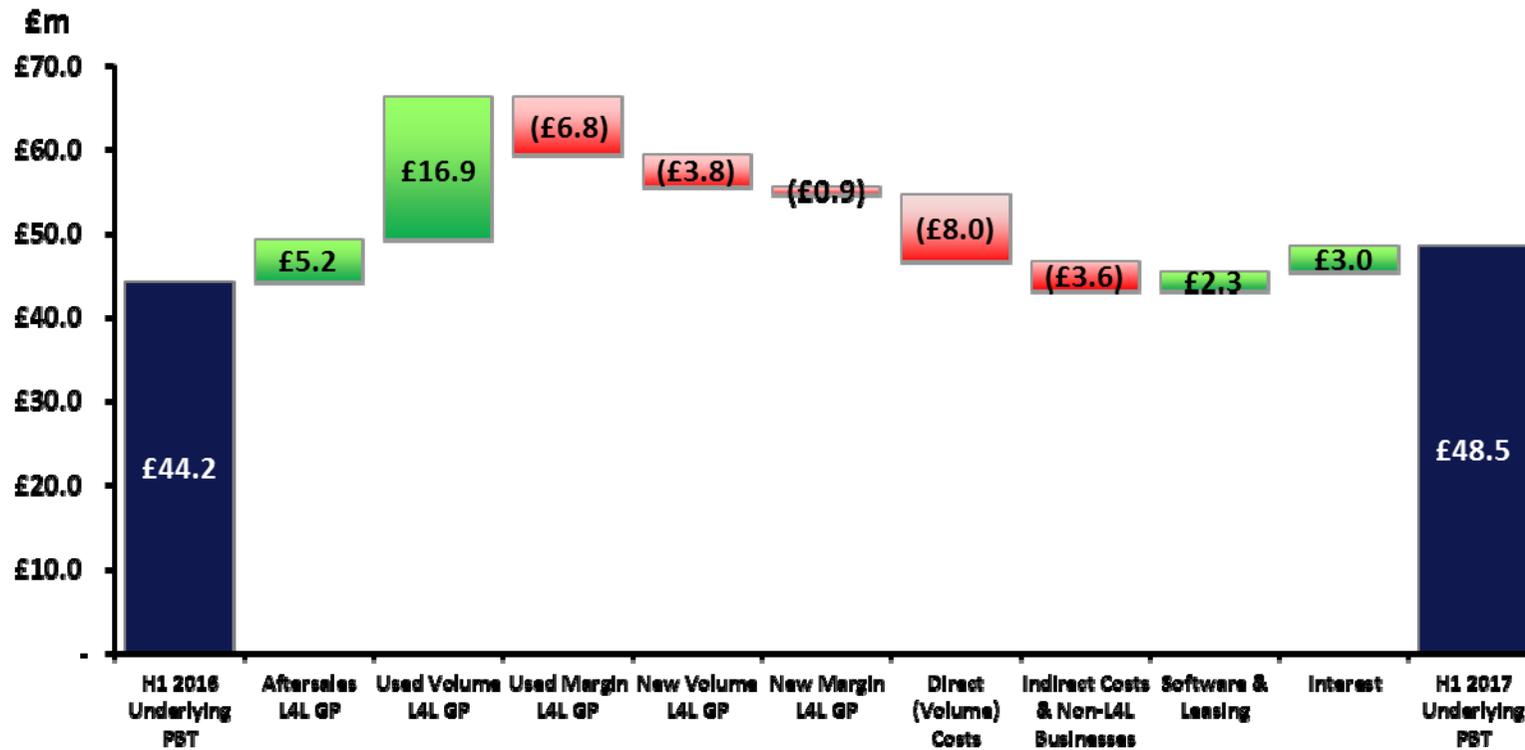
Net Debt and EBITDA Ratio



Sector View



Sector Profit Bridge



Summary

- Significant growth in used profitability driven by 20.9% increase in like for like used revenue
- Aftersales growth aligned with the strong market dynamics
- Strong contribution from our Software and Leasing businesses

Sector Focus
Used Cars



Selling of all non-new vehicles

Used Objectives

Car Store Coventry – opened June 2017

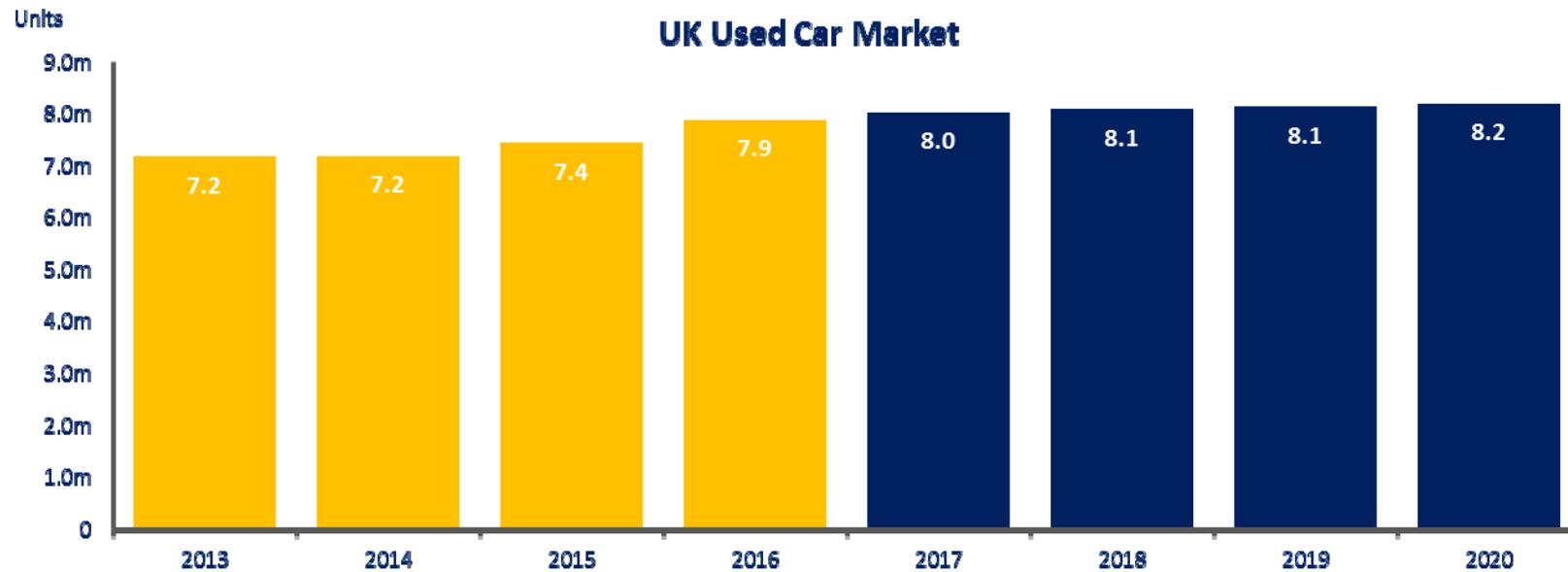


Double Used Revenue
by 2021

Summary

- We set out our objective in our 2016 full year results to double our used revenue by 2021
- Our objective in the short term, was to achieve at least double digit growth in 2017
- We have a clear organic and acquisition plan in place to achieve our overall objective

Used Market



Source: Callcredit (2013 to 2016) and Pendragon (2017 to 2020)

Summary

- The latest available market data is for Q1 2017, which confirmed the market increased by 3.2%
- Pendragon PLC grew used revenue by 20.3% in H1 2017 (20.9% L4L)
- We are expecting the used vehicle market to grow by 1.9% in 2017 to 8.0 million units



Used Performance

Used (£m)				
	Actual	Last Year	% Last Year	% Last Year L4L
Revenue	1,161.1	964.8	20.3%	20.9%
Gross Profit	92.6	82.1	12.8%	12.5%
Gross Margin %	8.0%	8.5%	-0.5%	-0.6%

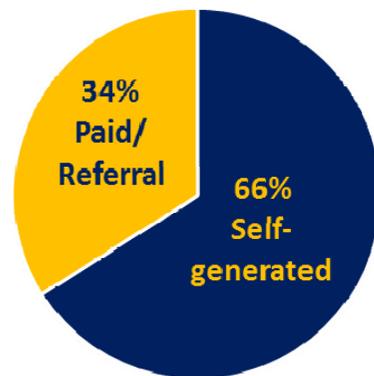
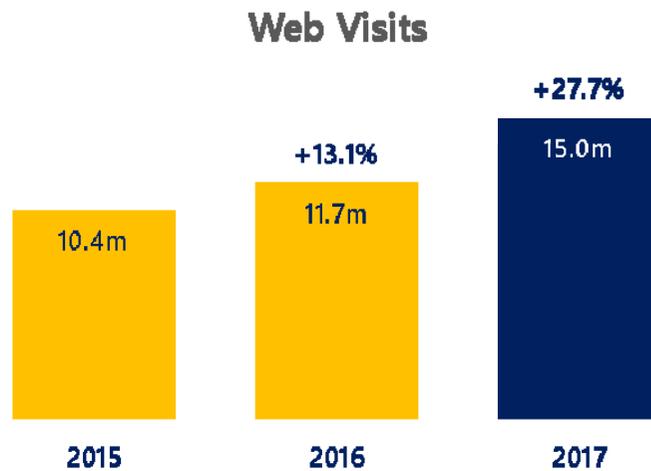
Car Store Gloucester– opened March 2017



Summary

- Used revenue up by 20.9% on a like for like basis
- Growth significantly ahead of our double digit growth target
- Some margin impact in the short term to ensure we gain market share
- We will continue to benefit from used vehicles sold today which lead to used and aftersales activity tomorrow

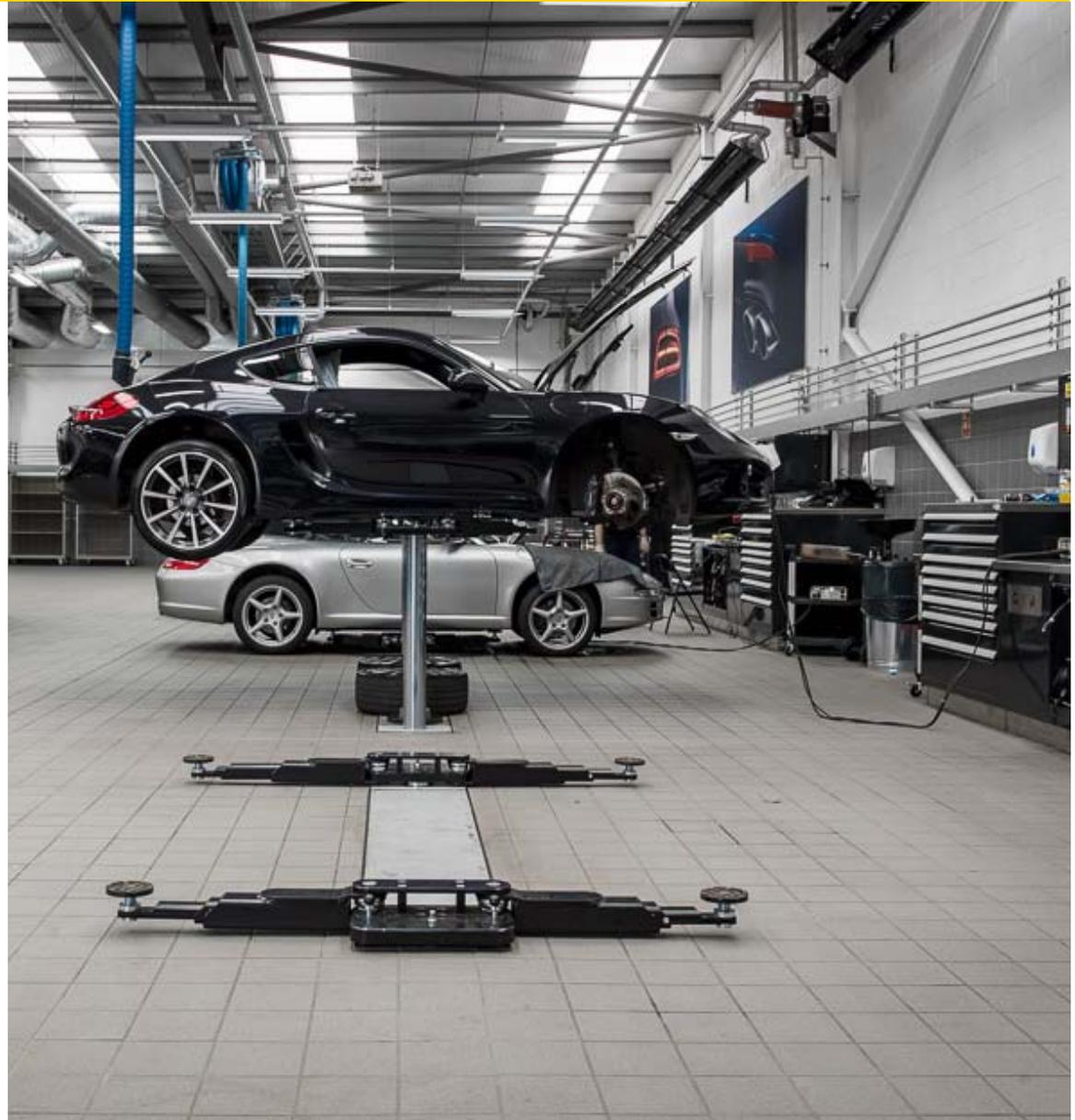
Used Web Performance



Summary

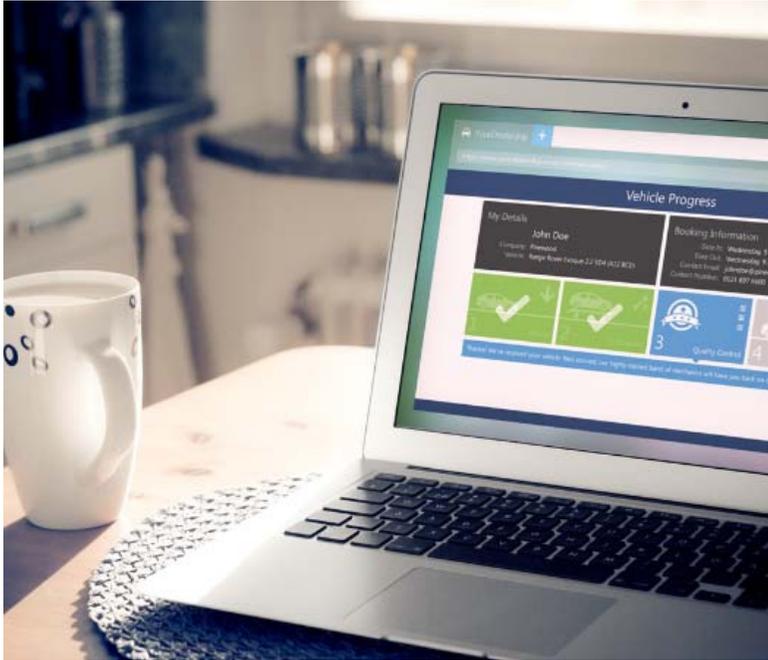
- Evanshalshaw.com and Stratstone.com generated over 26 million visits on 12 month rolling basis
- Growth of 27.7% in the first half, 15.0 million visitors
- 66% of visitors are self generated
- Continued investment in web platform and interfaces being under taken

Sector Focus
Aftersales



Service, maintenance and repair of vehicles

Aftersales Objectives

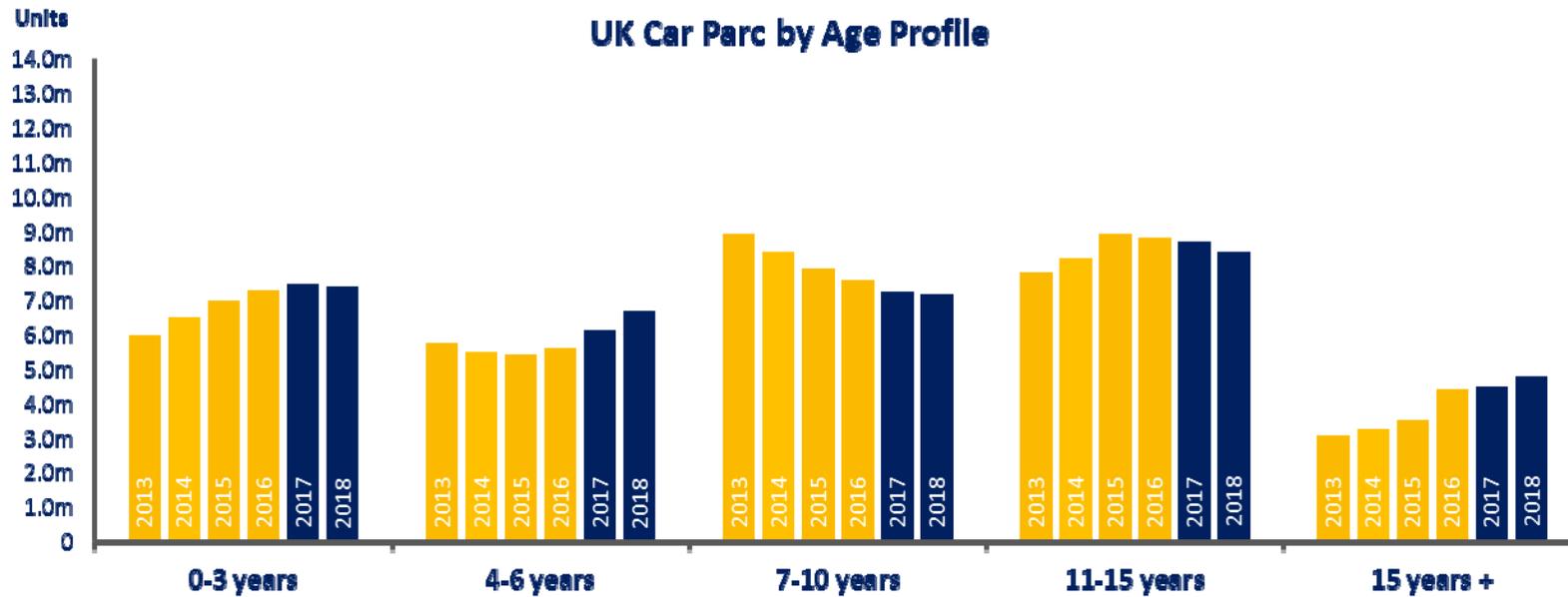


Grow aftersales by selling more vehicles, retaining more customers and outperforming the market

Summary

- Grow aftersales by selling more vehicles, retaining more customers and outperforming the market
- Utilise our Software advantages to improve our experience for customers and drive efficiencies
- Grow market share in markets where we have a physical presence

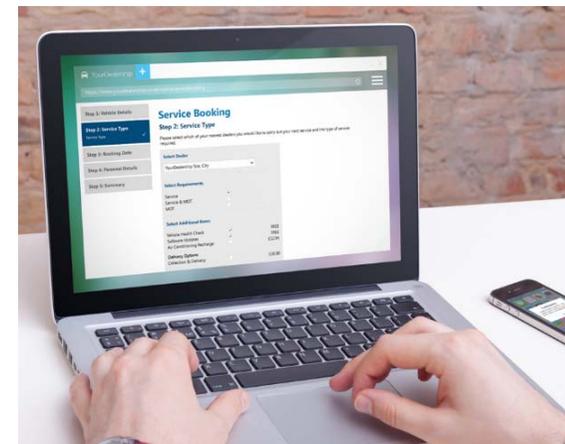
Aftersales Market



Source: Callcredit (2013 to 2016) and Pendragon (2017 to 2018)

Summary

- 2.4% growth in 0-3 year car parc forecast in 2017
- 9.8% growth in 4-6 year car parc forecast in 2017
- 4-6 year car parc forecast to continue growing until 2020



Aftersales Performance

Aftersales (£m)				
	Actual	Last Year	% Last Year	% Last Year L4L
Revenue	197.8	187.3	+5.6%	+6.0%
Gross Profit	111.5	106.2	+5.0%	+4.8%
Gross Margin %	56.4%	56.7%	-0.3%	-0.7%



Summary

- Aftersales contributes 37.0% of the gross profit of the group and delivered a gross margin of 56.4%
- Opportunities to grow in markets that we trade in today and additional sites as part of used car rollout
- Underlying strong market dynamics underpin the performance

Sector Focus New Cars



Selling of new vehicles (1st registration)

New Vehicle Objectives

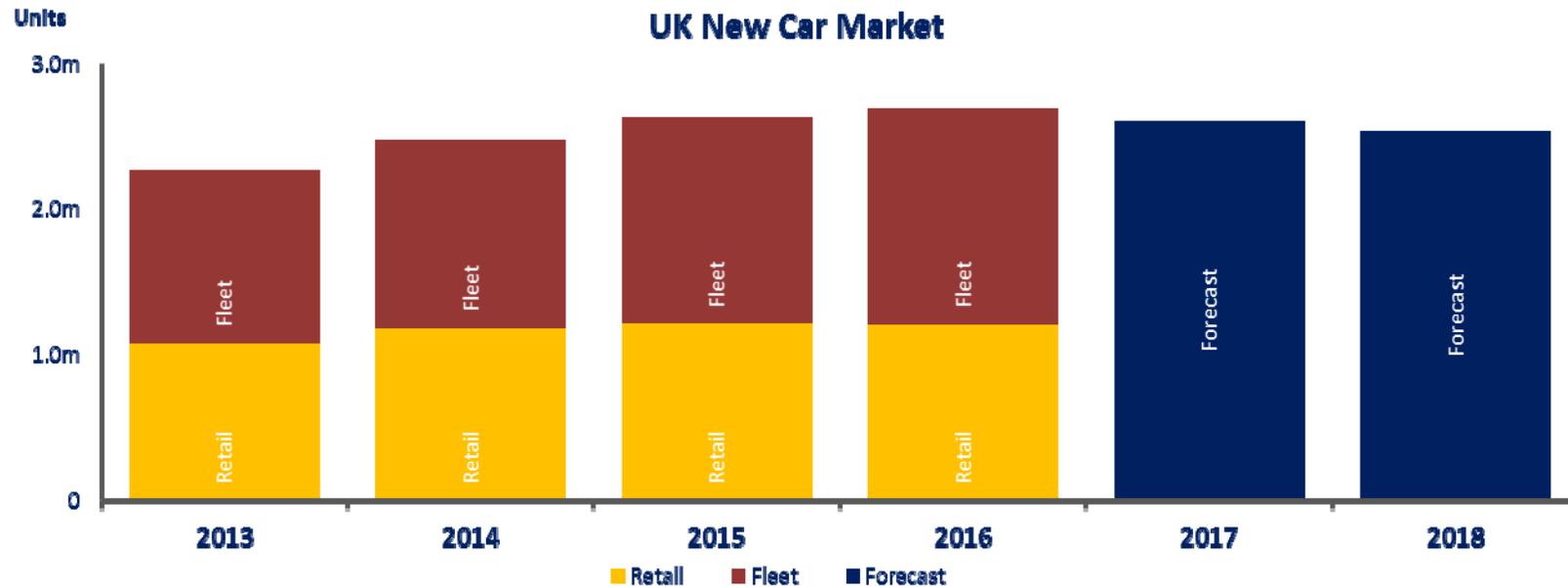


Maintain a balanced portfolio of franchise representation

Summary

- Continue to invest in profitable franchises
- Continue to develop our long-term relationships with our manufacturer partners
- Deliver expectations for our customers

New Market



Summary

- The UK new car market was down 1.3% in H1 2017
- In H1 2017 the retail market was down 4.8% and the fleet market was up 1.6%
- Forecast of 3.5% fall in new car market in 2017 and a 2.5% fall in 2018, SMMT predicting a 2.6% fall in 2017 in April 2017 (previously forecasting a 5% reduction)



New Performance

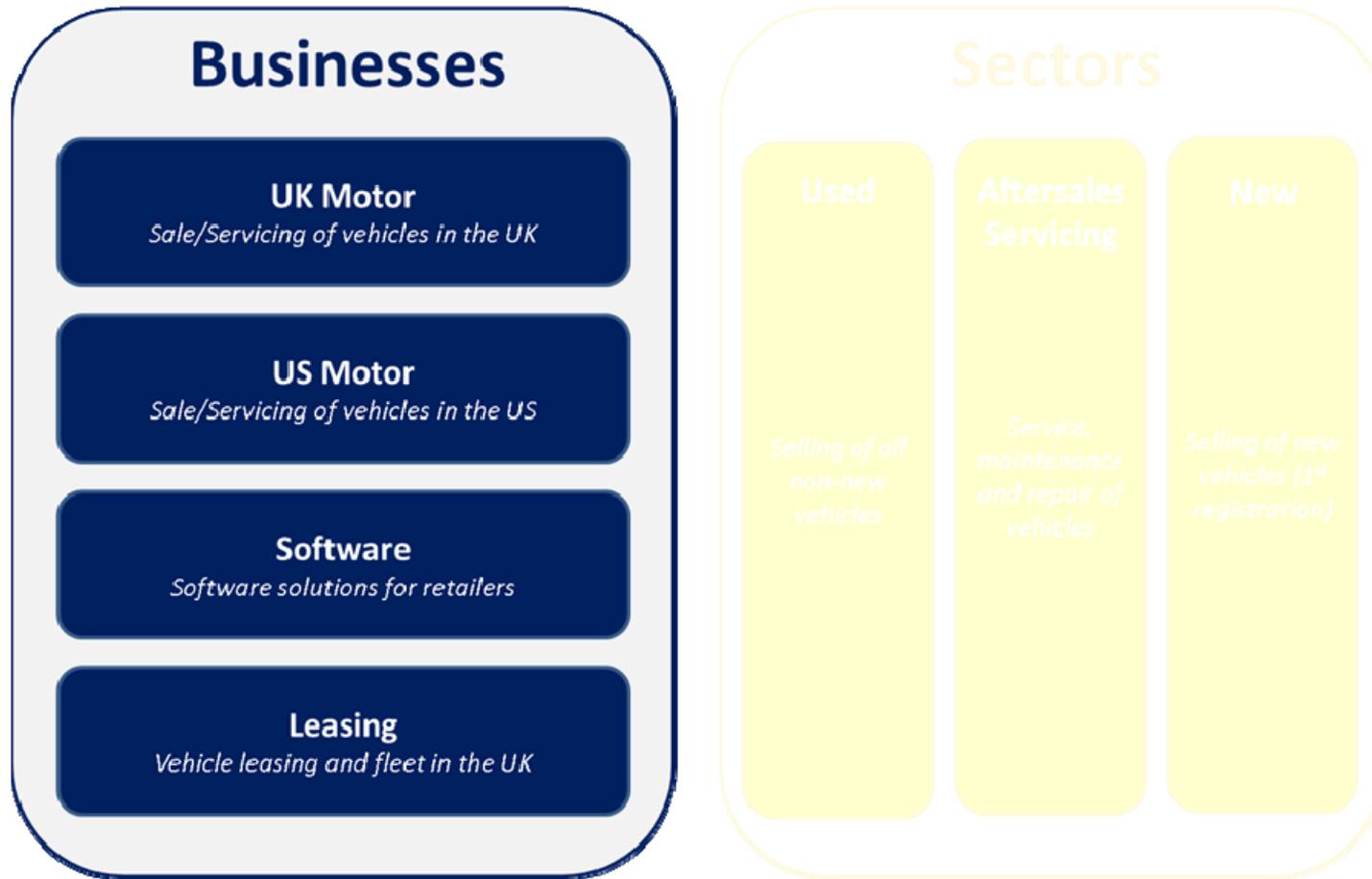
New (£m)				
	Actual	Last Year	% Last Year	% Last Year L4L
Revenue	1,075.1	1,140.9	-5.8%	-4.3%
Gross Profit	85.2	90.6	-6.0%	-5.2%
Gross Margin %	7.9%	7.9%	-	-



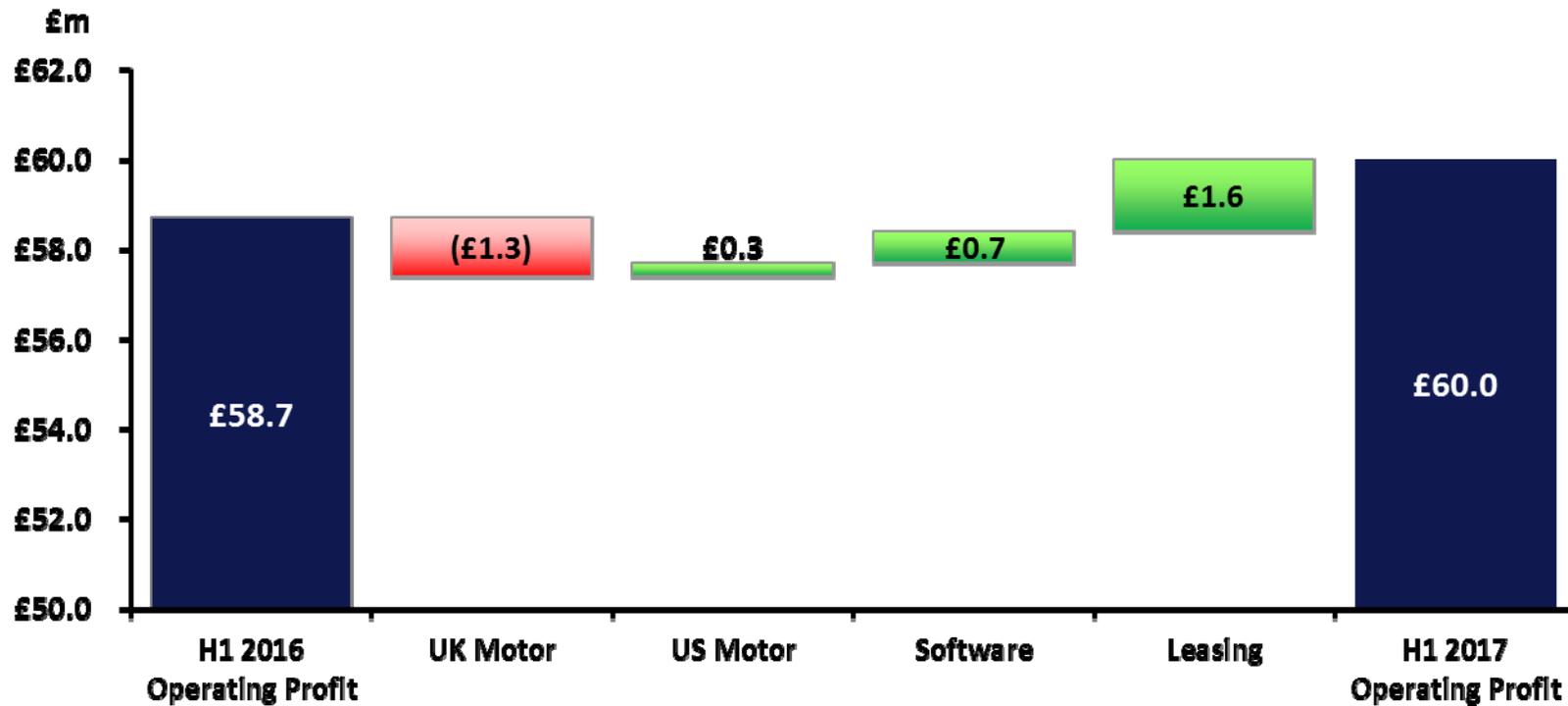
Summary

- New profitability has decreased in some areas, however we have seen stronger performance in some key brands during the period
- Our overall gross margin maintained in the period
- Pre-registration activity of vehicles distorts the data, however Pendragon believes that the total market peaked in March 2017.
- As we stated in our November 2015 IMS, “we believe the new car market has reached its natural level of between 2.5 million to 2.6 million units”.

Business View



Business Profit Bridge



Summary

- UK Motor profitability strong from used and aftersales, declined in new
- US Motor continues to perform strongly and consistently
- Continued strong contribution from our Software and Leasing businesses

Business Performance

Revenue (£m)				
	Actual	Last Year	% Last Year	% Last Year L4L
UK Motor	2,229.0	2,135.1	+4.4%	+5.4%
US Motor	205.0	157.9	+29.8%	+29.8%
Software	7.8	7.0	+11.4%	+11.4%
Leasing	30.2	25.2	+19.8%	+19.8%
TOTAL	2,472.0	2,325.2	+6.3%	+7.3%

Gross Profit (£m)				
	Actual	Last Year	% Last Year	% Last Year L4L
UK Motor	262.5	256.8	+2.2%	+2.3%
US Motor	26.8	22.1	+21.3%	+21.3%
Software	6.8	5.9	+15.3%	+15.3%
Leasing	5.0	3.4	+47.1%	+47.1%
TOTAL	301.1	288.2	+4.5%	+4.6%

Summary

- Strong revenue and gross profit growth across all businesses in the period
- UK Motor revenue and gross profit increases driven by used vehicle performance



Business Performance

Operating Profit (£m)				
	Actual	Last Year	% Last Year	% Last Year L4L
UK Motor	46.5	47.8	-2.7%	-1.6%
US Motor	5.0	4.7	6.4%	6.4%
Software	5.5	4.8	+14.6%	+14.6%
Leasing	3.0	1.4	+114.3%	+114.3%
TOTAL	60.0	58.7	+2.2%	+3.0%

Operating Margin %				
	Actual	Last Year	% Last Year	% Last Year L4L
UK Motor	2.1%	2.2%	-0.1%	-0.2%
US Motor	2.4%	3.0%	-0.6%	-0.6%
Software	70.5%	68.6%	+1.9%	+1.9%
Leasing	9.9%	5.6%	+4.3%	+4.3%
TOTAL	2.4%	2.5%	-0.1%	-0.1%

Summary

- UK Motor operating profit decline due to gross profit impact as a result of new car gross profit reduction
- US Motor operating profit up 6.4%
- Continued growth in Software and Leasing businesses up 37.1%



Business Strategy

UK Motor

- Double used revenue by 2021
- Aftersales growth through selling more vehicles and increasing vehicle retention

Software

- Expand in new markets

US Motor

- Maintain performance in new vehicles
- Grow representation points

Leasing

- Grow our vehicle fleet and provide a used vehicle supply

Executive Summary

- Clear growth path across each of our 4 business segments: UK Motor, US Motor, Software and Leasing
- Evanshalshaw.com and Stratstone.com websites with the UK Motor business continue to grow and generated nearly 26 million visits for the 12 months to June 2017 – 66% organic visitors. Visits up 27.7% in H1 2017
- UK motor business performance has been enhanced by our strong growth in the used vehicle sector, up 21.0% L4L
- Performance in used ahead of our goal to deliver at least double digit growth in the year.
- US motor business performed strongly, contributing 8.3% of the Group's operating profit
- Software business (Pinewood) has increased operating profit by 14.6%, contributing 9.2% of the Group's operating profit
- The Leasing business increased operating profit by £1.6 million and is 5.0% of the Group's operating profit
- Geographical expansion identified in the US motor business and in Software

Strategic Pillars



Our Strategic Pillars focus on Choice, Value, Customer Service and Convenience.

Our Systems and Intellectual Property provides a superior advantage over our peers and is a key enabler for our strategic pillars.