

# 2014 Half Year Results



Pendragon | PLC

The UK's Leading Car Retailer



# Executive Summary – Trevor Finn (CEO)

# Pendragon PLC is on a mission...

To be the number one automotive retailer in the UK on:

- ✓ Value
- ✓ Choice
- ✓ Service
- ✓ Convenience

# Executive Summary

## • Strategic Highlights

- ✓ Delivering against our strategy and increased underlying PBT by £9.2m, up 39.0%
- ✓ Business leading the internet transformation of the vehicle and aftersales sectors
- ✓ Geographical footprint expansion underway to optimise our national coverage

## • Operational Highlights

- ✓ Over 8 million online visitors in the period, up 16.2%
- ✓ Stratstone.com and Evanshalshaw.com increase operating profit by £6.0m
- ✓ Gross profit increases in used +13.7%, aftersales +3.3% and new 9.4% (L4L)

## • Financial Highlights

- ✓ Strong operating leverage, gross profit up 7.8%, operating profit up 16.3% (L4L)
- ✓ Underlying earnings per share of 1.72p from 1.22p, up 41.0%, 0.3p interim dividend
- ✓ Underlying profit before tax of £32.8m from £23.6m, up 39.0%
- ✓ Debt : underlying EBITDA of 0.8 ahead of target range of 1.0 to 1.5

# Financial Highlights – Tim Holden (FD)

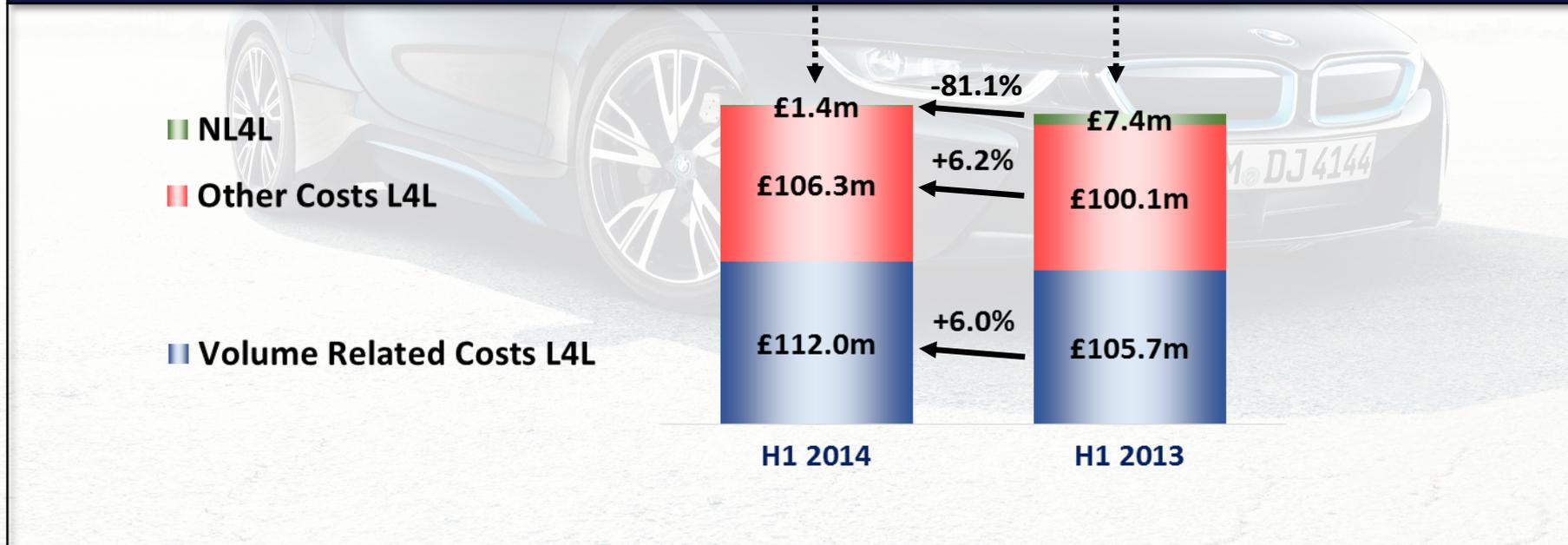
# Financial Highlights – Underlying Profit Before Tax Up 39%

Underlying £m	H1 2014	H1 2013	Variance
Revenue	2,069.3	2,015.1	+2.7%
Gross profit	267.8	253.5	+5.6%
<i>Gross margin</i>	12.9%	12.6%	
Operating costs	(219.7)	(213.2)	+3.0%
<b>Operating profit</b>	<b>48.1</b>	<b>40.3</b>	<b>+19.4%</b>
<i>Operating margin</i>	2.3%	2.0%	
Interest	(15.3)	(16.7)	-8.4%
<b>Profit before tax</b>	<b>32.8</b>	<b>23.6</b>	<b>+39.0%</b>
EPS (underlying)	1.72p	1.22p	+41.0%
Dividend per share	0.30p	0.10p	+200.0%

# Financial Highlights – Operating Costs Breakdown

Underlying £m	H1 2014	H1 2013	Variance
Revenue	2,069.3	2,015.1	+2.7%
Gross profit	267.8	253.5	+5.6%
<i>Gross margin</i>	<i>12.9%</i>	<i>12.6%</i>	

Operating costs	(219.7)	(213.2)	+3.0%
-----------------	---------	---------	-------



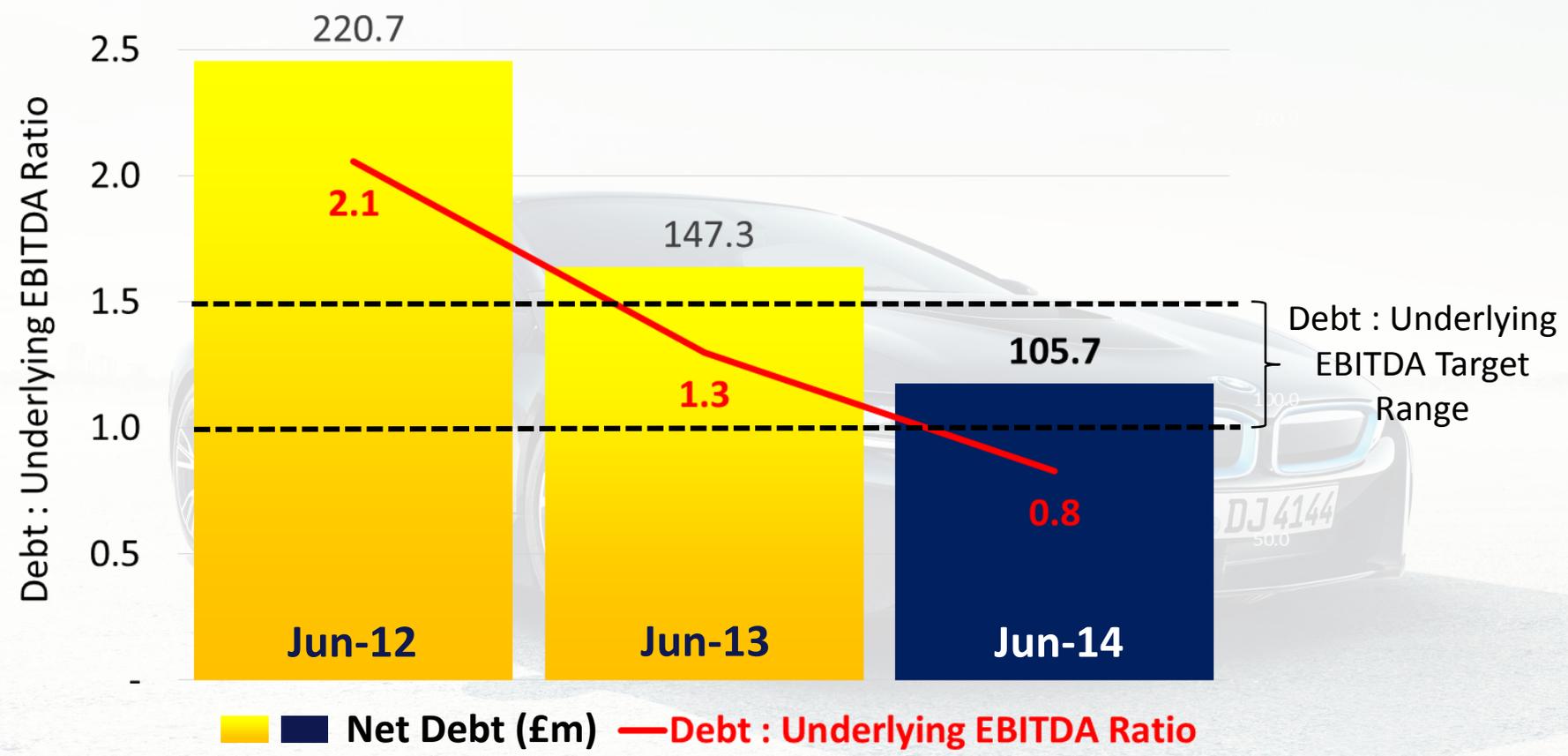
# Financial Highlights – Continued Strong Cash Flow Generation

<b>Summary Cash Flow £m</b>	<b>H1 2014</b>	<b>H1 2013</b>
<b>Underlying Operating Profit Before Other Income</b>	<b>47.8</b>	<b>40.3</b>
Depreciation and Amortisation	9.9	8.9
Non-underlying Items	-	1.0
Share Based Payments	0.8	0.8
Working Capital and Contract Hire Vehicle Movements	0.3	35.2
<b>Operating Cash Flow</b>	<b>58.8</b>	<b>86.2</b>
Tax (Paid) / Received	(2.9)	0.2
Underlying Net Interest Paid	(14.6)	(18.9)
Non-underlying Net Interest Paid and Financing Fees and Costs	-	(8.3)
Replacement Capital Expenditure	(5.2)	(3.8)
Disposals	6.3	12.5
Dividends	(4.3)	(1.4)
Other	(4.2)	2.6
<b>Reduction in Net Debt</b>	<b>33.9</b>	<b>69.1</b>
<b>Closing Net Debt</b>	<b>(105.7)</b>	<b>(147.3)</b>

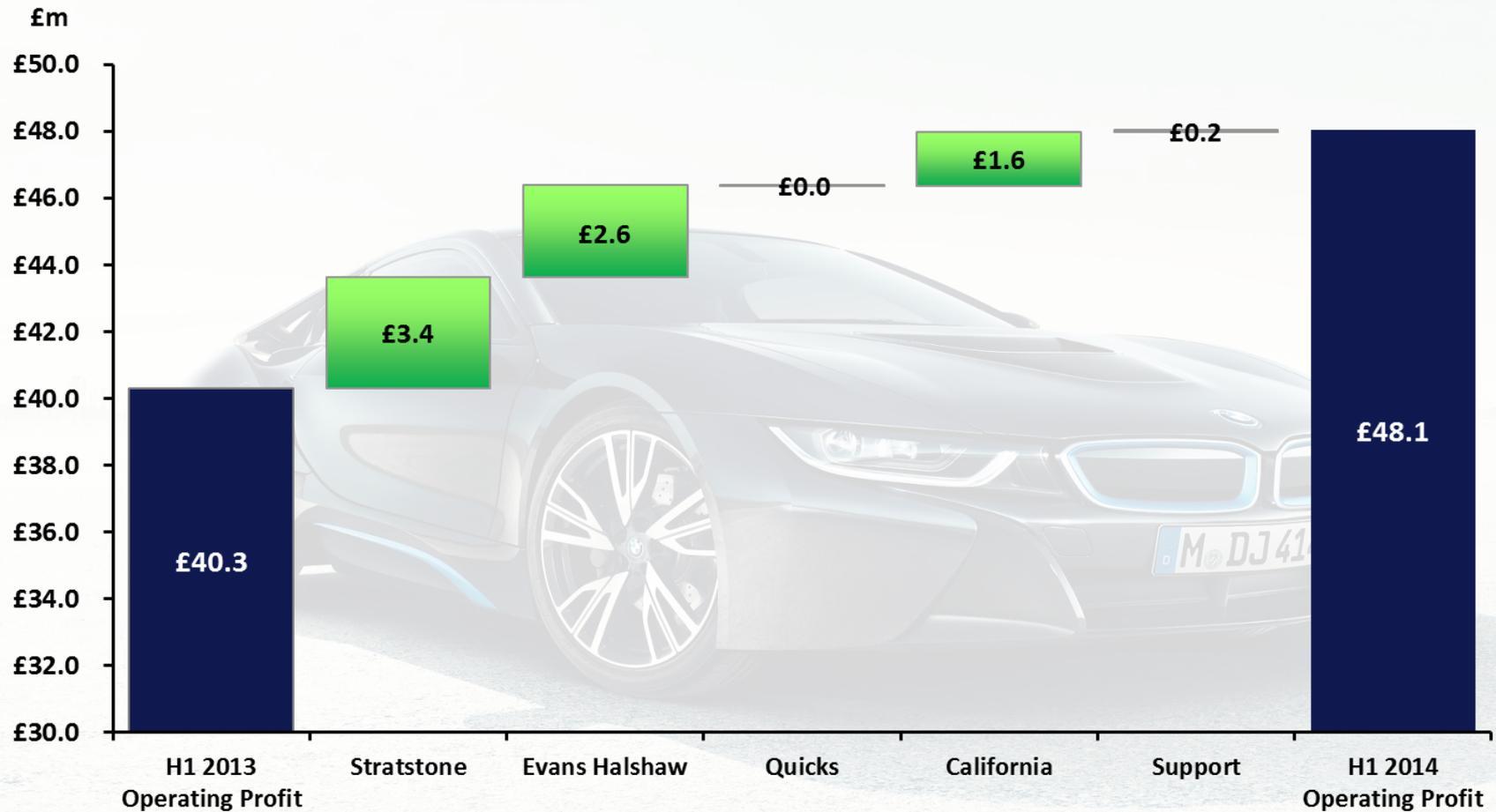
# Financial Highlights – Healthy Balance Sheet

Balance Sheet £m	Jun-14	Dec-13	Jun-13
Property	155.4	161.3	163.3
Plant & Equipment	137.1	134.4	121.2
Goodwill & Intangibles	370.7	370.4	370.2
Investments	10.0	10.0	-
Stock	626.9	602.5	617.2
Debtors	137.3	103.2	136.8
Assets held for resale	13.5	13.1	17.6
Creditors	(1,029.7)	(950.1)	(974.5)
Net Borrowings	(105.7)	(139.6)	(147.3)
<b>Shareholders Funds</b>	<b>315.5</b>	<b>305.2</b>	<b>304.5</b>
<b>Gearing</b>	<b>33.5%</b>	<b>45.7%</b>	<b>48.4%</b>

# Financial Highlights – Debt: Underlying EBITDA Ratio Ahead Of Target Range



# Financial Highlights – All Divisions Performing Ahead



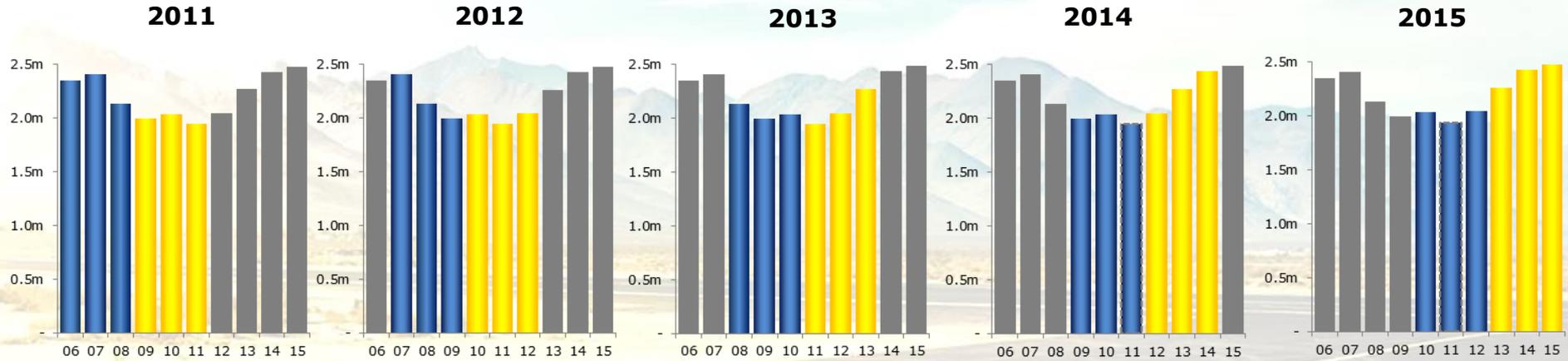


# Industry and Customer Insight – Trevor Finn (CEO)

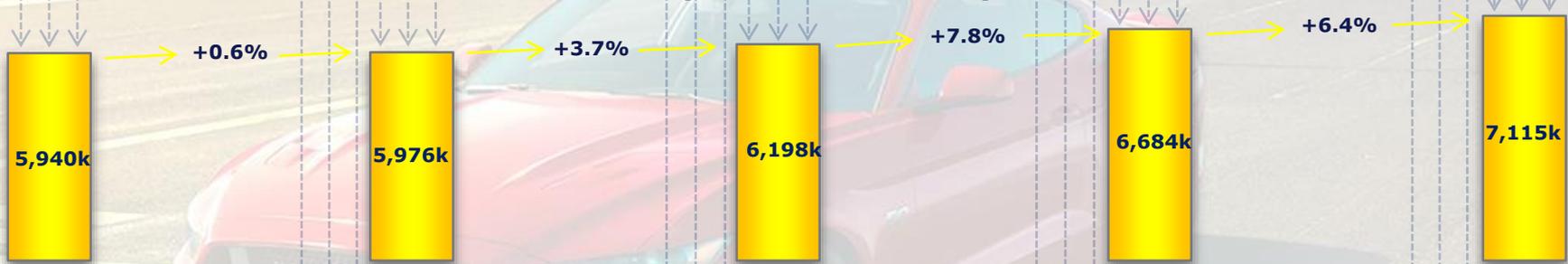


# Industry Insight – 8% Growth Of 0-3yr Parc Expected In 2014

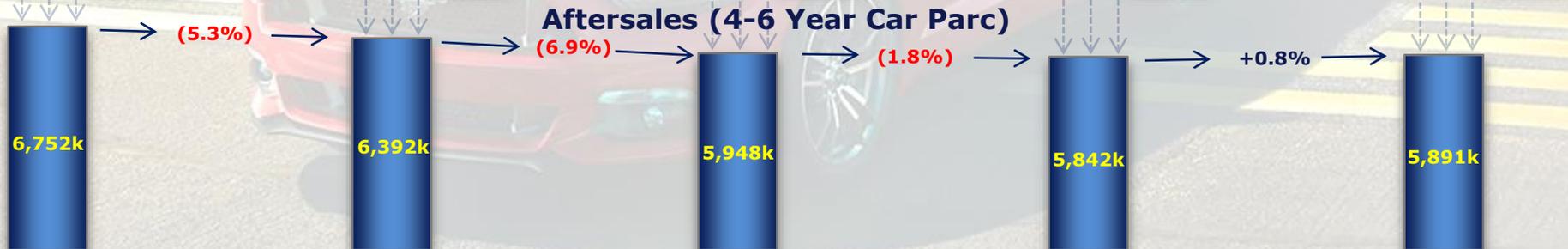
## UK New Car Registrations



### Aftersales (0-3 Year Car Parc)

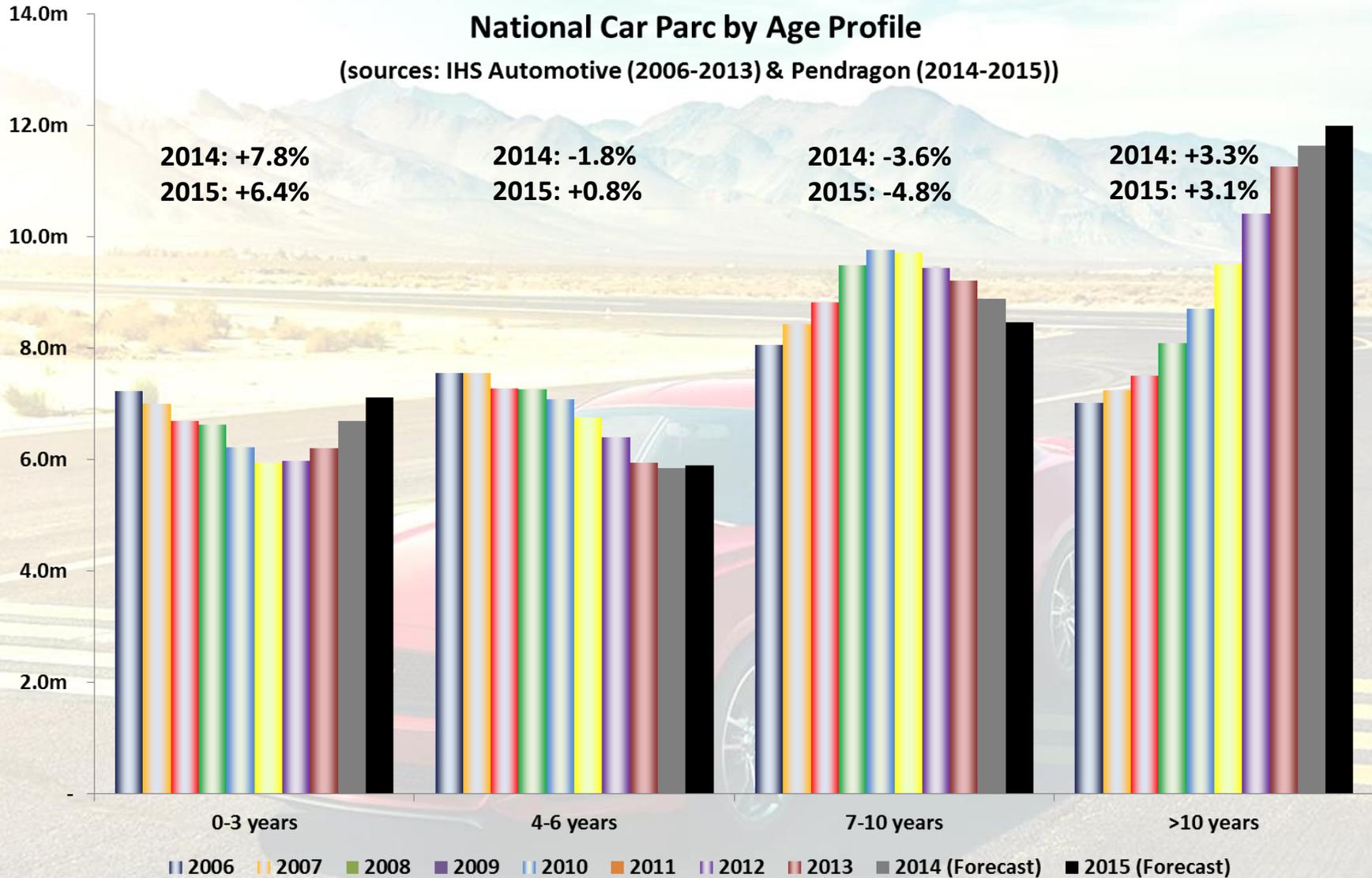


### Aftersales (4-6 Year Car Parc)



Sources: SMMT, IHS Automotive (2006-13) & Pendragon (2014-15)

# Industry Insight – Aftersales With Forward Prediction



# Industry Insight – Used Forward View

2013 Car Parc Profile	0-3 Yr	4-6 Yr	7-9 Yr	>10 Yr	TOTAL
2013 Car Parc Size	6.20m	5.95m	9.22m	11.26m	32.63m
2013 Used Market	1.20m	1.31m	1.88m	2.41m	6.81m
Implied Turn	19.4%	22.0%	20.4%	21.4%	20.9%
2014 Used Market	Applying the above methodology for 2014 based on our car parc forecast for 2014 (slide 14)				6.94m (+1.9%)

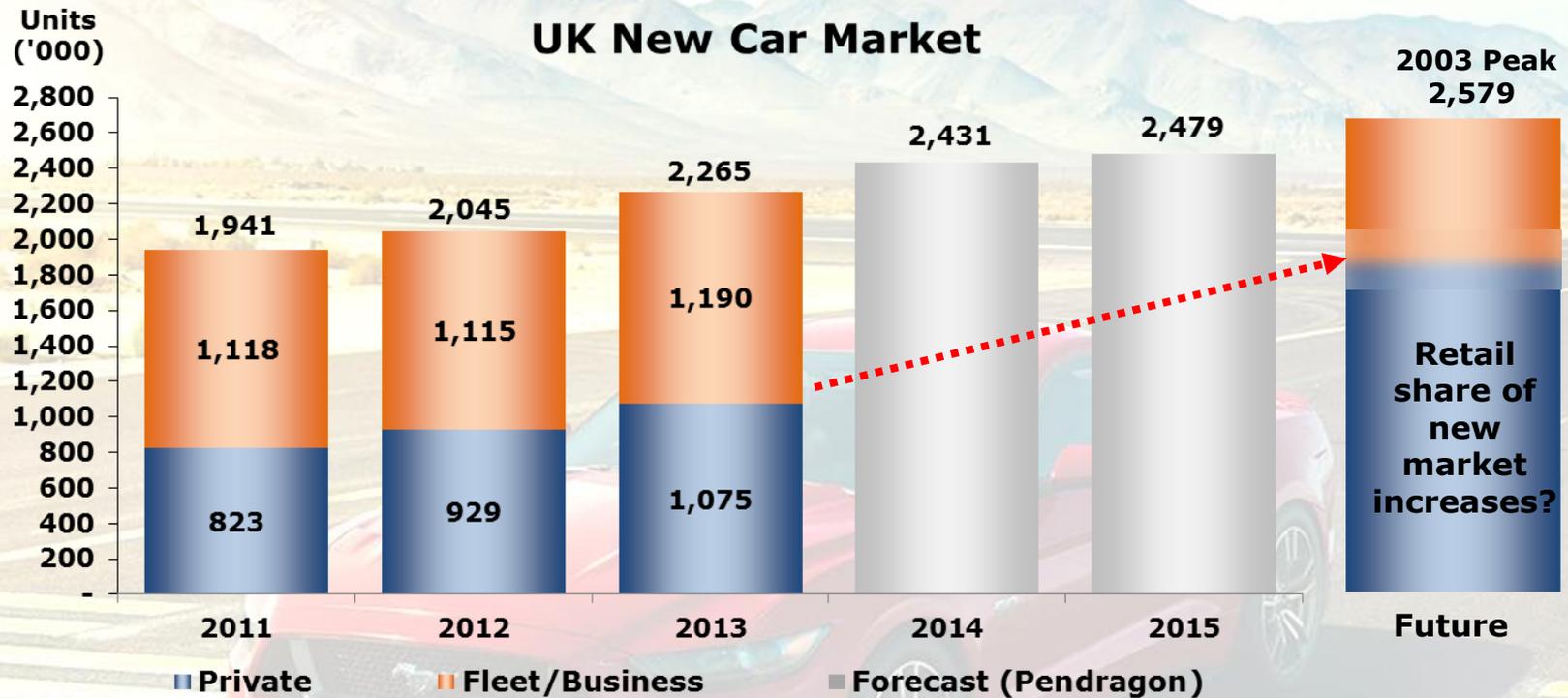
Source: IHS Automotive / Experian

# Industry Insight – Used Car Market



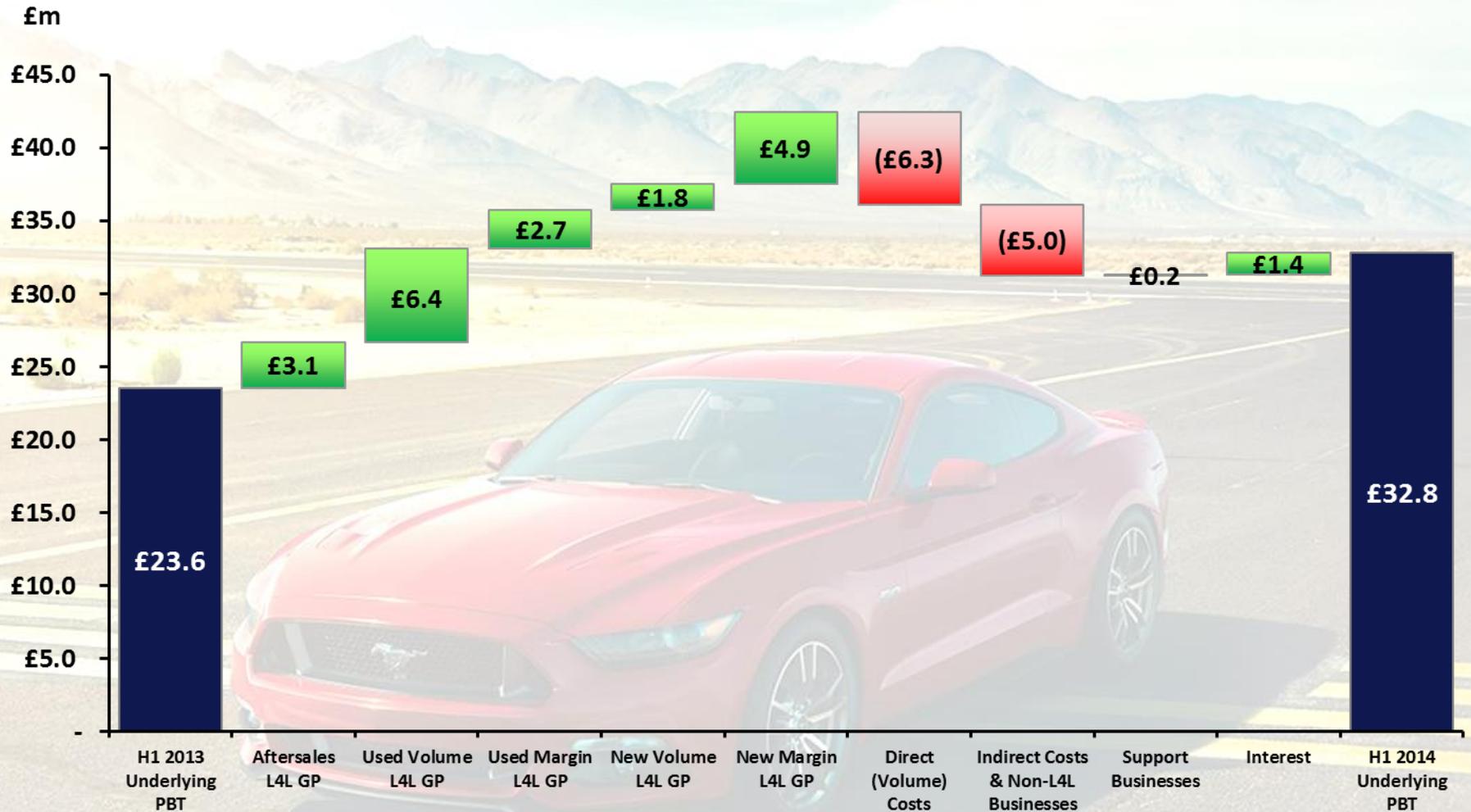
Source: Experian FY2006 to FY2013, Pendragon Forecast FY2014

# Industry Insight – New Market Forecast



Source: SMMT / Pendragon

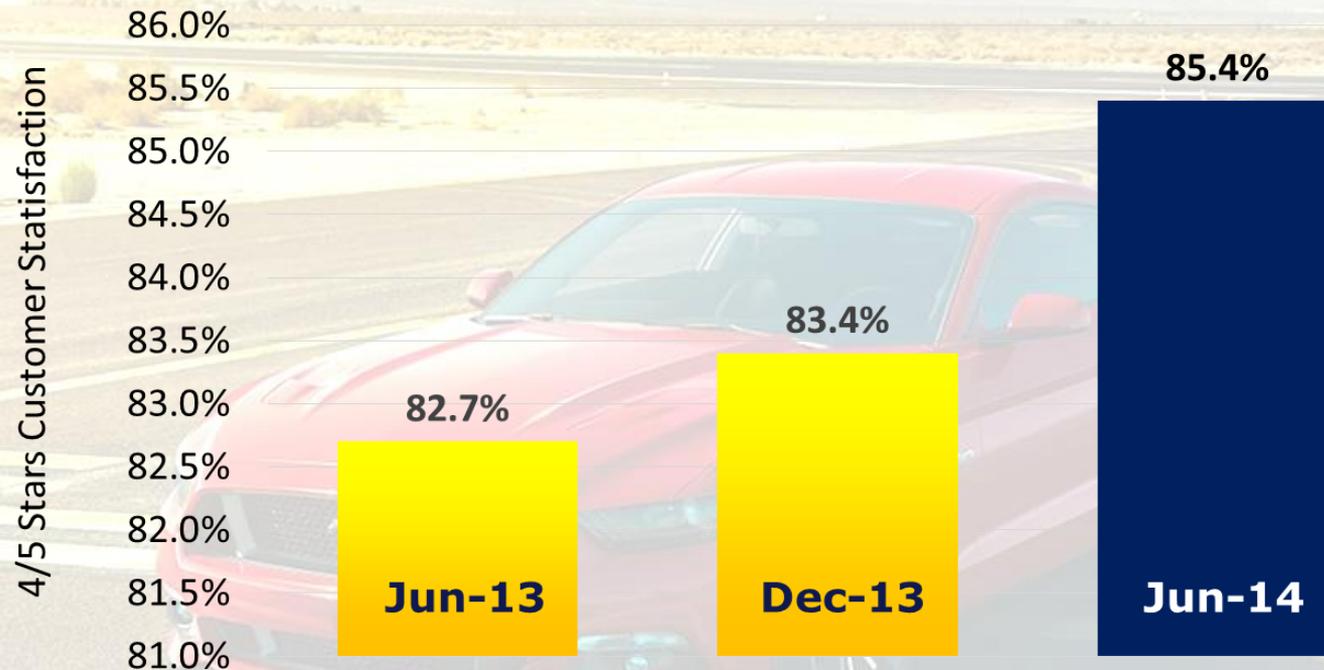
# Industry Insight – Pendragon Performance by Sector

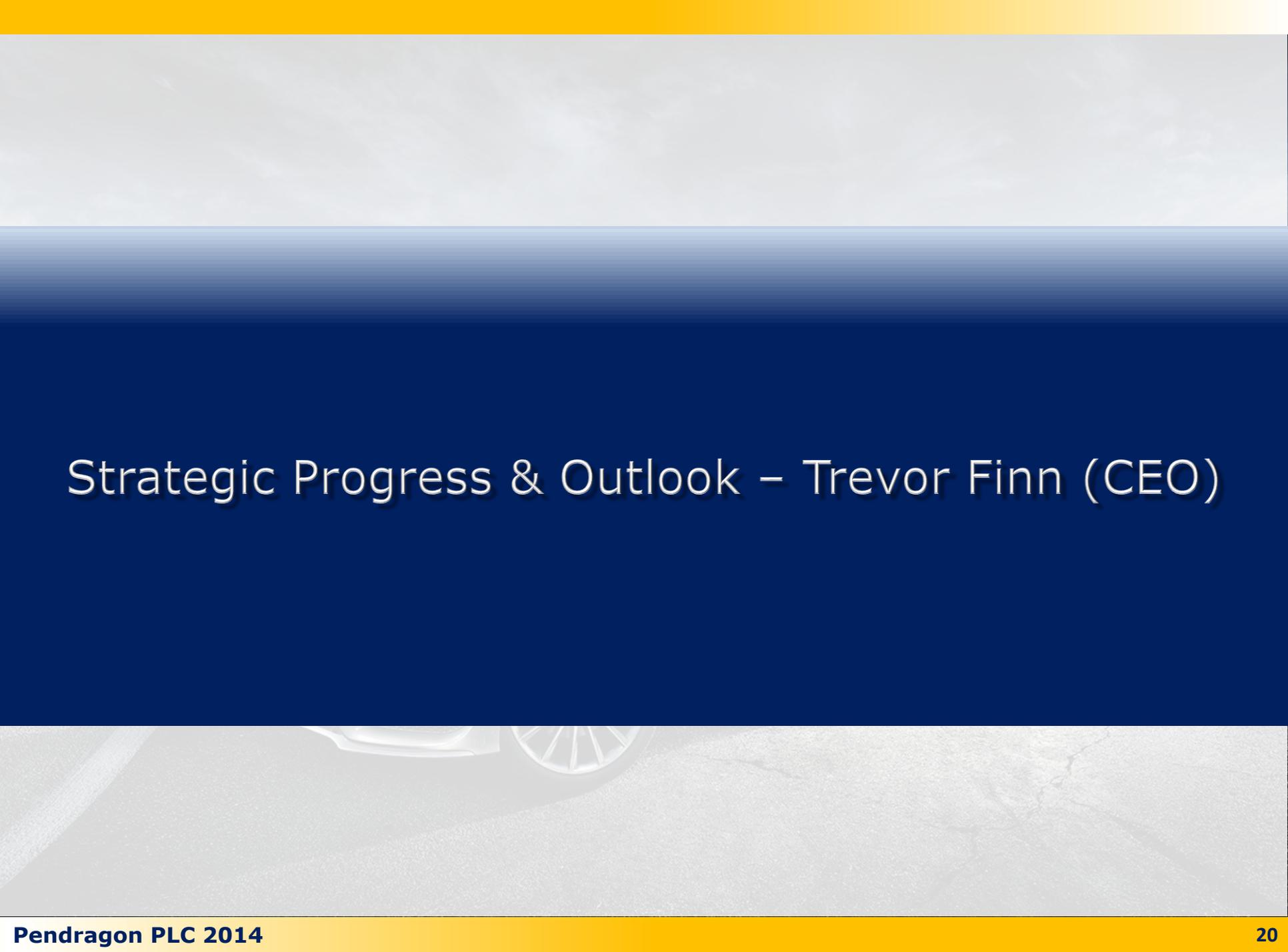


# Customer Insight – Customer Ratings Are Improving

- We continue to focus on improving our customer ratings for our business

Sales and Aftersales Combined Satisfaction Scores





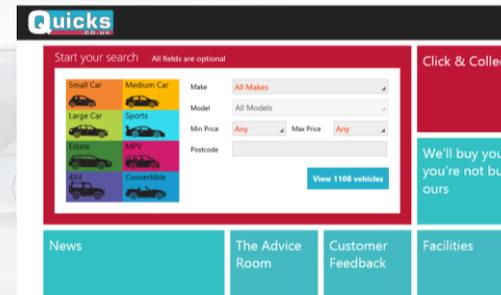
# Strategic Progress & Outlook – Trevor Finn (CEO)

# Strategic Progress



# Strategic Progress – Online: Transformation Progressing

Rolling 12 Months To June - Web Visitors  
(Stratstone.com, Evanshalshaw.com and Quicks.co.uk)



# Strategic Progress – Value Pricing: First Mover To EDLP



# Strategic Progress – IT Superiority: Differentiators

## Video VHC



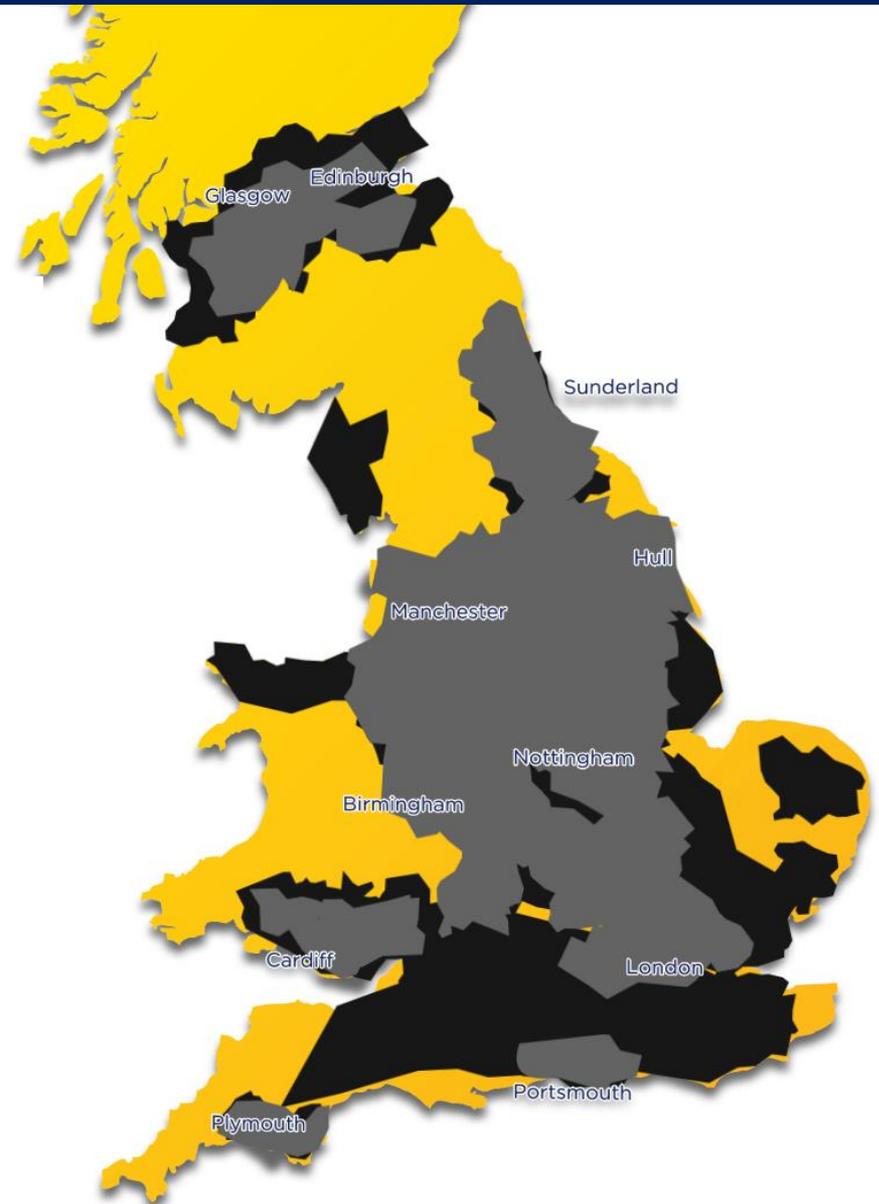
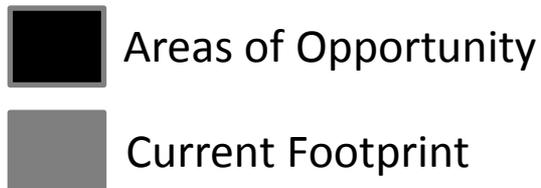
## Service Booking



## HD Used Vehicles



**We have identified a number of opportunities across the UK so we can optimise our UK national coverage**



# Outlook

Area	2013 Assessment	2014 Assessment	Success Factors
<b>Aftersales</b>			<ul style="list-style-type: none"><li>• Increasing &lt;3 year old parc</li></ul>
<b>Used</b>			<ul style="list-style-type: none"><li>• Market recovery and further market share gains</li></ul>
<b>New</b>			<ul style="list-style-type: none"><li>• Moderate new market growth</li><li>• Stable margin</li></ul>
<b>Financials</b>			<ul style="list-style-type: none"><li>• Debt : Underlying EBITDA target achieved ahead of time</li></ul>
<b>Internet</b>			<ul style="list-style-type: none"><li>• Growth of online visitors continues</li></ul>