

Pendragon PLC – 2015 Half Year Results

The UK's Leading
Automotive Retailer

Evans Halshaw

Let's drive

The UK's leading volume motor car
retailer with over 120 UK sites



Stratstone
quality with style

The UK's leading prestige motor car
retailer with over 70 UK sites

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Executive Summary – Trevor Finn (CEO)



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Executive Summary

Financial Highlights

- Full year outturn anticipated to be comfortably ahead of expectations
- Underlying PBT up £7.5m (+22.9%), from £32.8m to £40.3m. Underlying EPS up 23.8%
- Strong operating leverage continues, gross profit up 5.7%, operating profit up 17.0%
- Interim dividend doubled to 0.6p per share following final dividend of 0.6p per share

Strategic Highlights

- **Choice** - our consumers can access the largest and best choice of vehicles and servicing in the UK
- **Value** – our consumers get value with every single purchase through our frequently researched prices
- **Service** - our consumers transact easily with outstanding customer service. Our customer satisfaction scores have further improved
- **Convenience** – we have the largest motor retail footprint in the UK giving consumer's local and national convenience

Operational Highlights

- Record L4L used performance, gross profitability up £6.0m (+8.3%)
- Aftersales L4L gross profit increased by £6.2m (+6.7%)
- New L4L gross profit increased by £8.5m (+11.3%)
- Visits to Evanshalshaw.com & Stratstone.com up 3.1m from 7.8m to 10.9m (+39.7%)

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Strategic Highlights – Trevor Finn (CEO)



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Strategic Highlights

Pendragon PLC's objective is to be the number one automotive retailer in the UK on:

Choice, Value, Service and Convenience



SUMMARY

- Clear strategy for the Group
- Our strategy is focussed on four areas, being Choice, Value, Service and Convenience, underpinned by our People
- Each pillar has a number of initiatives supporting them
- These pillars are key to a winning retail strategy

Strategic Highlights - Choice

Achievements

- ✓ Launch of 'Move Me Closer', the UK's first automotive 'click and collect' service with access to >20,000 vehicles
- ✓ Online visits up by 3.1m (+39.7%), from 7.8m to 10.9m



Strategic Highlights – Value

Achievements

- ✓ Internet prices updated with our consumer focussed pricing research
- ✓ 'Sell Your Car' gaining momentum and margin stable



Evans Halshaw

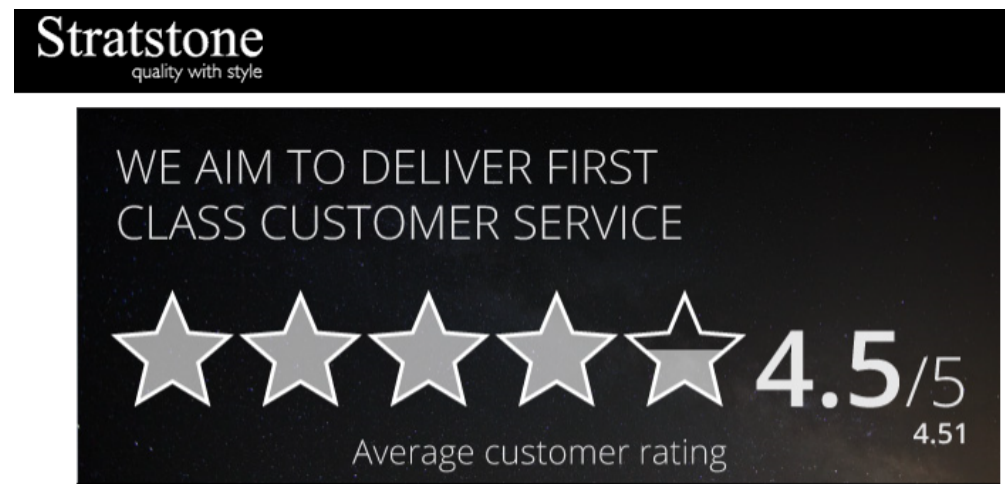
evanshalshaw.com

We will beat webuyanycar.com's online valuation (generated using a true report of condition) after deduction of their applicable fees.

Strategic Highlights - Service

Achievements

- ✓ Customer Service increased from 85.4% to 85.6% (4/5 Star)
- ✓ HD videos for used car sales fully implemented
- ✓ IT Superiority enables first class customer service





Strategic Highlights - Convenience

Achievements

- ✓ **National footprint to complement online offering**
- ✓ **New site roll-outs:**
 - **Leicester**
 - **Leeds**
 - **West Bromwich**
 - **4 further sites in the pipeline for H2**



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

-  Areas of Opportunity
-  Current Footprint



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Financial Highlights – Tim Holden (FD)

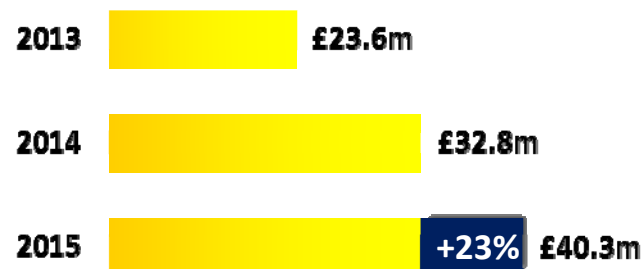


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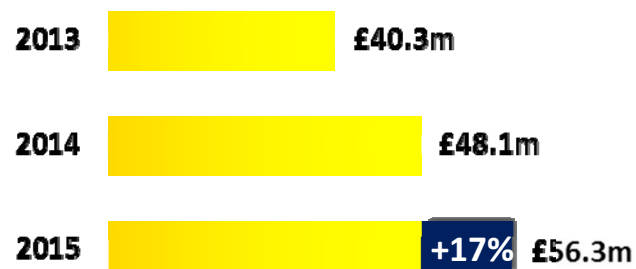
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Financial Highlights – 3 Year Group Performance

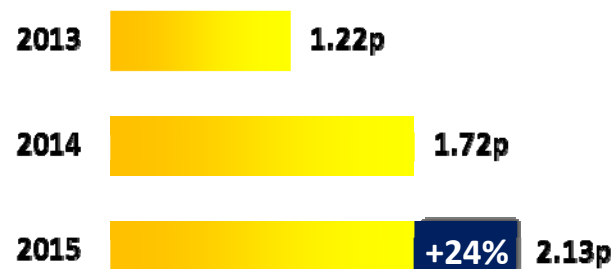
Underlying Profit Before Tax



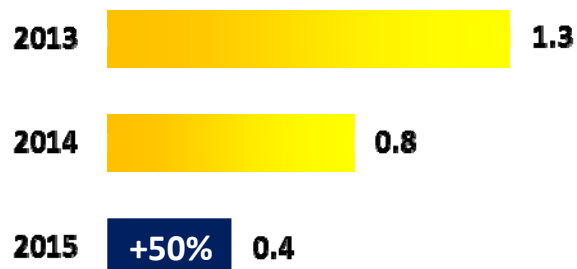
Underlying Operating Profit



Underlying Earnings Per Share



Debt : Underlying EBITDA Ratio



SUMMARY

- Underlying profit before tax has more than doubled in 3 years
- Underlying earnings per share up 24%
- Net debt : EBITDA ratio at 0.4 which is below the lower of our target range

Financial Highlights – Underlying Profit Before Tax Up 23%

Underlying £m	2015	2014	Variance
Revenue	2,291.4	2,069.3	+10.7%
Gross Profit	283.0	267.8	+5.7%
<i>Gross Margin</i>	12.4%	12.9%	
Operating Costs	(226.7)	(219.7)	+3.2%
Operating Profit	56.3	48.1	+17.0%
<i>Operating Margin</i>	2.5%	2.3%	
Interest	(16.0)	(15.3)	+4.6%
Profit Before Tax	40.3	32.8	+22.9%
EPS (Underlying)	2.13p	1.72p	+23.8%
Dividend Per Share	0.60p	0.30p	+100.0%



SUMMARY

- Operating leverage continues with gross profit up 5.7% and operating profit up 17.0%
- Record performances across all departments in first half of 2015
- Interim dividend doubled to 0.6p per share, following final dividend of 0.6p
- Underlying earnings per share up 0.41p (+23.8%)

Financial Highlights – Non-Underlying Profit Before Tax

Non-Underlying £m	2015	2014	Variance
Gain on Divestments	13.8	-	13.8
Gain on Disposals	7.9	1.3	6.6
Operating Profit	21.7	1.3	20.4
Interest on pensions	(1.2)	(0.9)	(0.3)
Profit Before Tax	20.5	0.4	20.1
Tax credit	6.9	0.4	6.5
Profit for the period	27.4	0.8	26.6



SUMMARY

- £13.8m gain on divestment of property investment
- Gain on disposal of businesses £7.9m
- Tax credit on settlement of historic corporation tax issue

Financial Highlights – Continued Strong Cash Flow Generation

Summary Cash Flow £m	2015	2014
Underlying Operating Profit Before Other Income	56.3	47.8
Depreciation and Amortisation	12.7	9.9
Share Based Payments	1.0	0.8
Working Capital	26.1	0.3
Operating Cash Flow	96.1	58.8
Tax Paid	(13.4)	(2.9)
Underlying Net Interest	(14.8)	(14.6)
Replacement Capital Expenditure	(32.5)	(5.2)
Disposals	13.1	6.3
Dividends	(8.6)	(4.3)
Proceeds from Sale of Investment	22.4	-
Other	(6.6)	(4.2)
Reduction in Net Debt	55.7	33.9
Closing Net Debt	(53.1)	(105.7)



SUMMARY

- Debt reduction largely due to increased underlying operating profit
- £22.4m realised in January 2015 on King Arthur property investment disposal

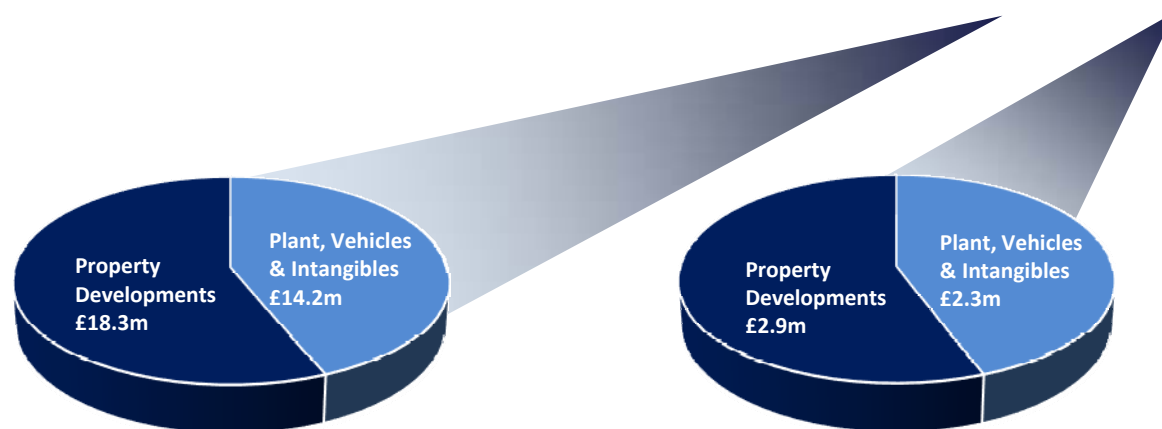
Financial Highlights – Capex, Acquisitions & Investments Breakdown

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Working Capital	26.1	0.3
Operating Cash Flow	96.1	58.8
Tax Paid	(13.4)	(2.9)
Underlying Net Interest	(14.8)	(14.6)
Replacement Capital Expenditure	(32.5)	(5.2)



SUMMARY

- Total capex, acquisitions and investments in H1 2015 were £32.5m
- This included £18.3m of property developments, of which £5.0m was freehold property purchases and £13.3m was other property developments
- Further investment is planned to fulfill our UK footprint expansion and to refurbish certain existing sites



Financial Highlights – Healthy Balance Sheet

Balance Sheet £m	Jun-15	Dec-14	Jun-14
Property	177.9	164.4	155.4
Plant & Equipment	152.9	147.6	137.1
Goodwill & Intangibles	369.6	371.5	370.7
Investments	1.4	24.0	10.0
Stock	761.1	676.1	626.9
Debtors	163.6	117.9	137.3
Assets Held For Resale	11.6	11.6	13.5
Creditors	(1,199.7)	(1,064.4)	(1,029.7)
Net Borrowings	(53.1)	(108.8)	(105.7)
Shareholders Funds	385.3	339.9	315.5
Gearing	13.8%	32.0%	33.5%

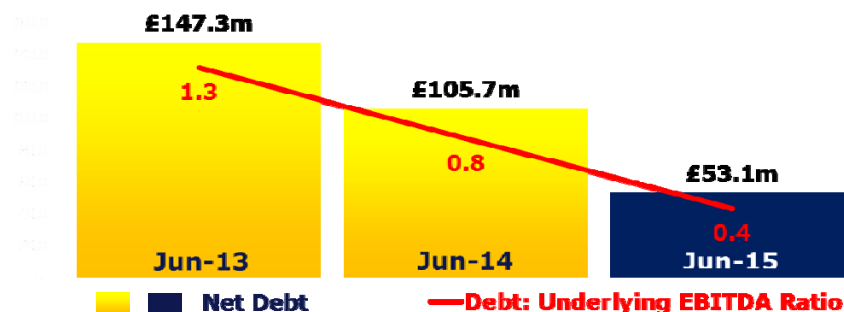


SUMMARY

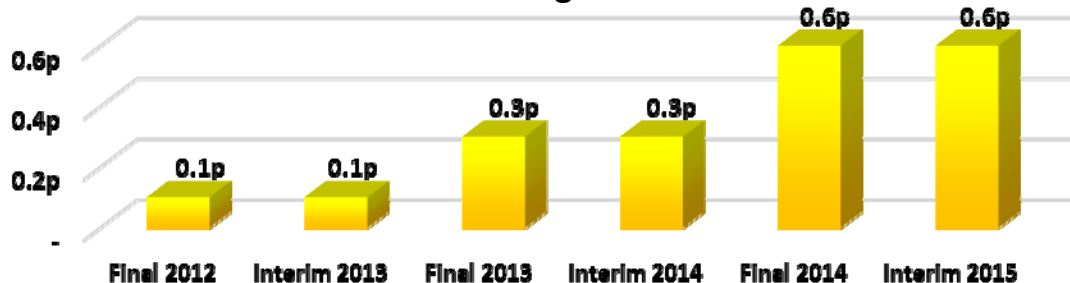
- Strong balance sheet
- Stock levels have been increased to help drive growth
- Significantly reduced gearing

Financial Highlights – Capital Allocation

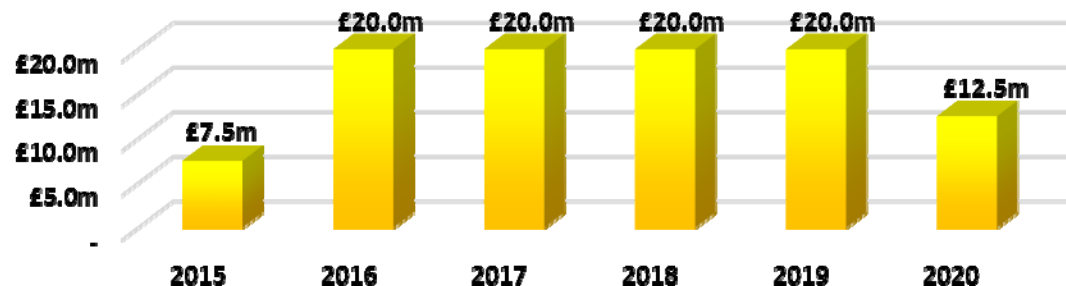
Debt: Underlying EBITDA Ratio



Dividend Progression



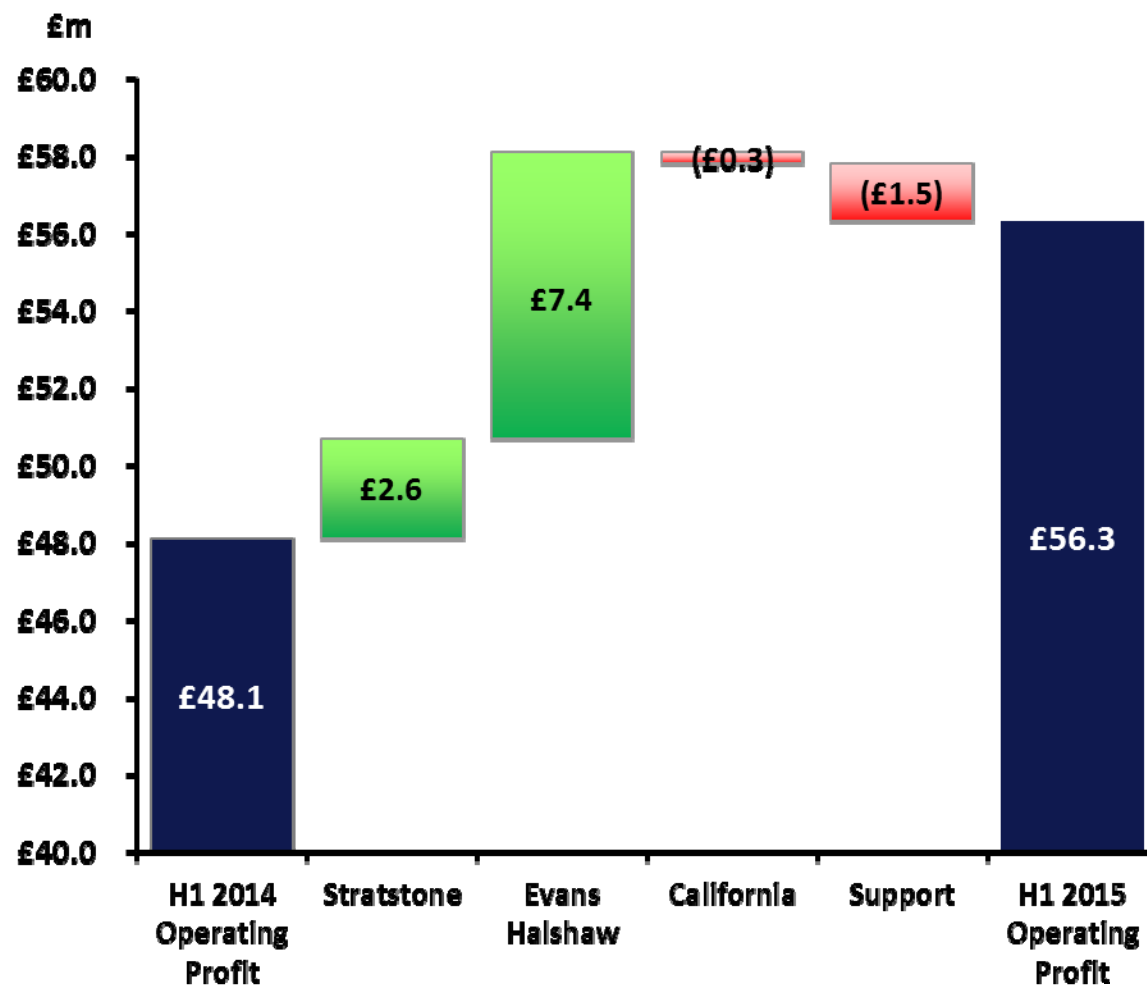
40 Site Rollout – Forecast Capex



SUMMARY

- Debt : underlying EBITDA below lower range of target
- Interim dividend doubled
- Capex planned on 40 site rollout (assuming freehold)

Financial Highlights – Underlying Operating Profit Up +17%



SUMMARY

- Evans Halshaw improvement across all departments with used significantly up on last year
- Stratstone growth driven by continuing market improvements

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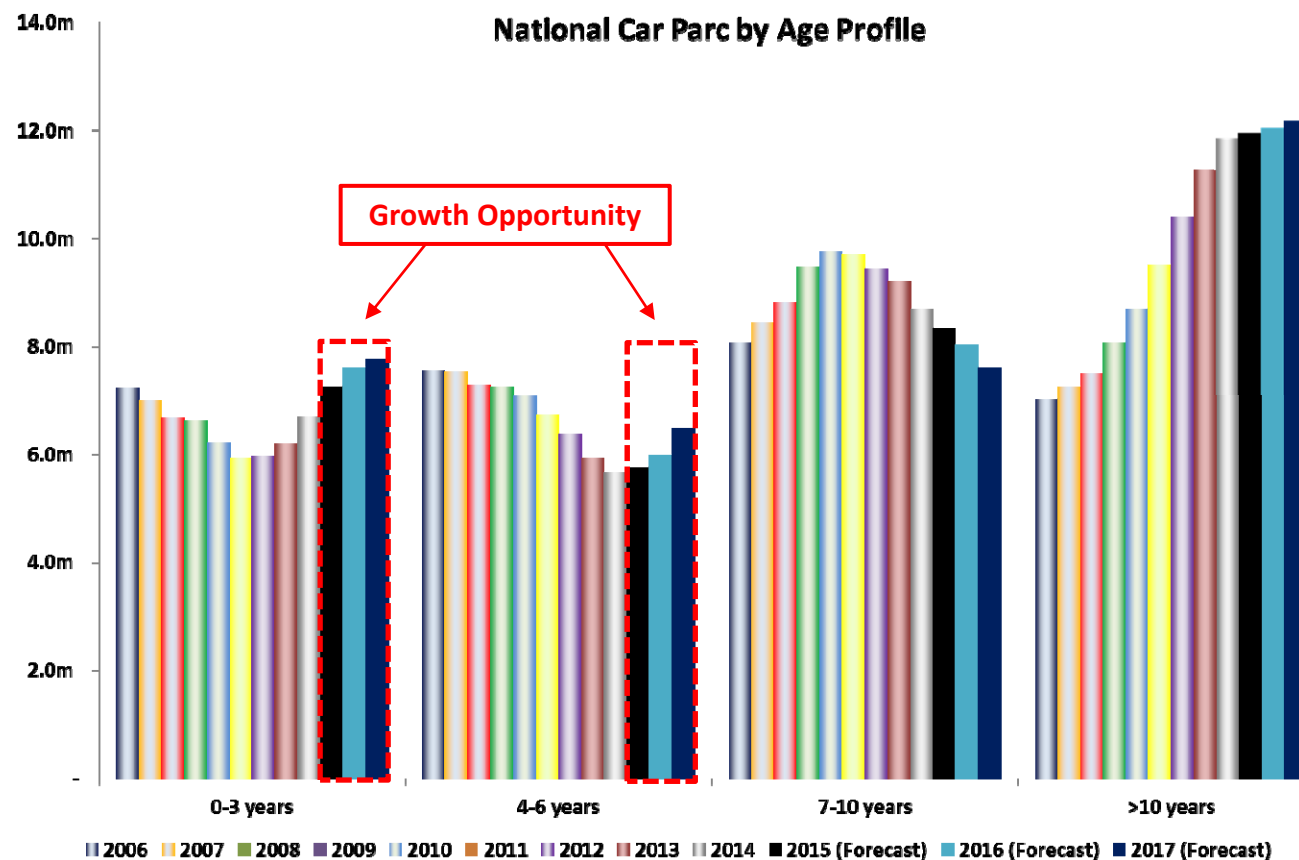
Industry & Customer Insight – Trevor Finn (CEO)



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Industry Insight – Aftersales Age Profile



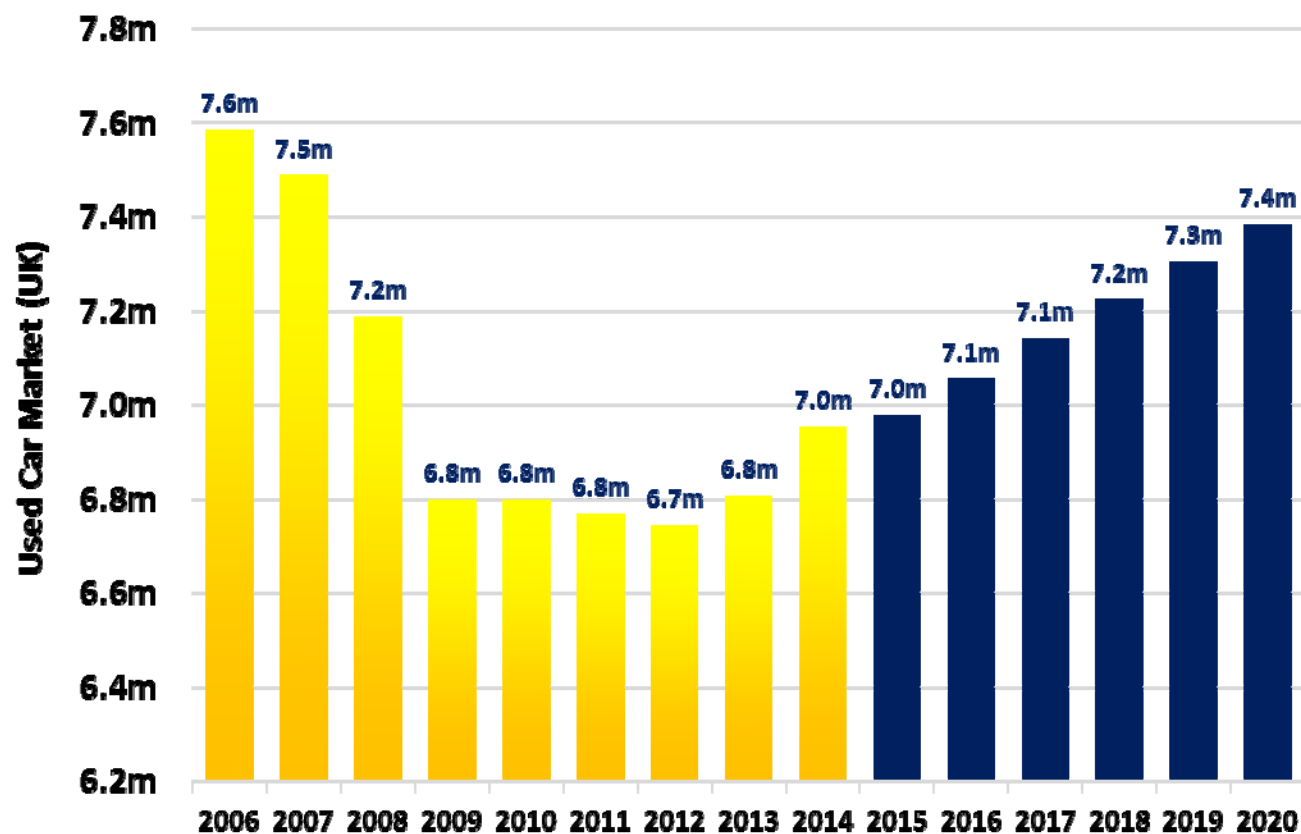
Sources: IHS Automotive (2006 to 2014) & Pendragon (2015 to 2017)



SUMMARY

- 8.1% growth in key 0-3 year car parc expected in 2015
- 1.6% growth in 4-6 year car parc expected – first time this area of the parc has seen growth since 2006
- Approximately 80% of our aftersales and used activity is in 0-6 year old vehicles

Industry Insight – Used Car Market



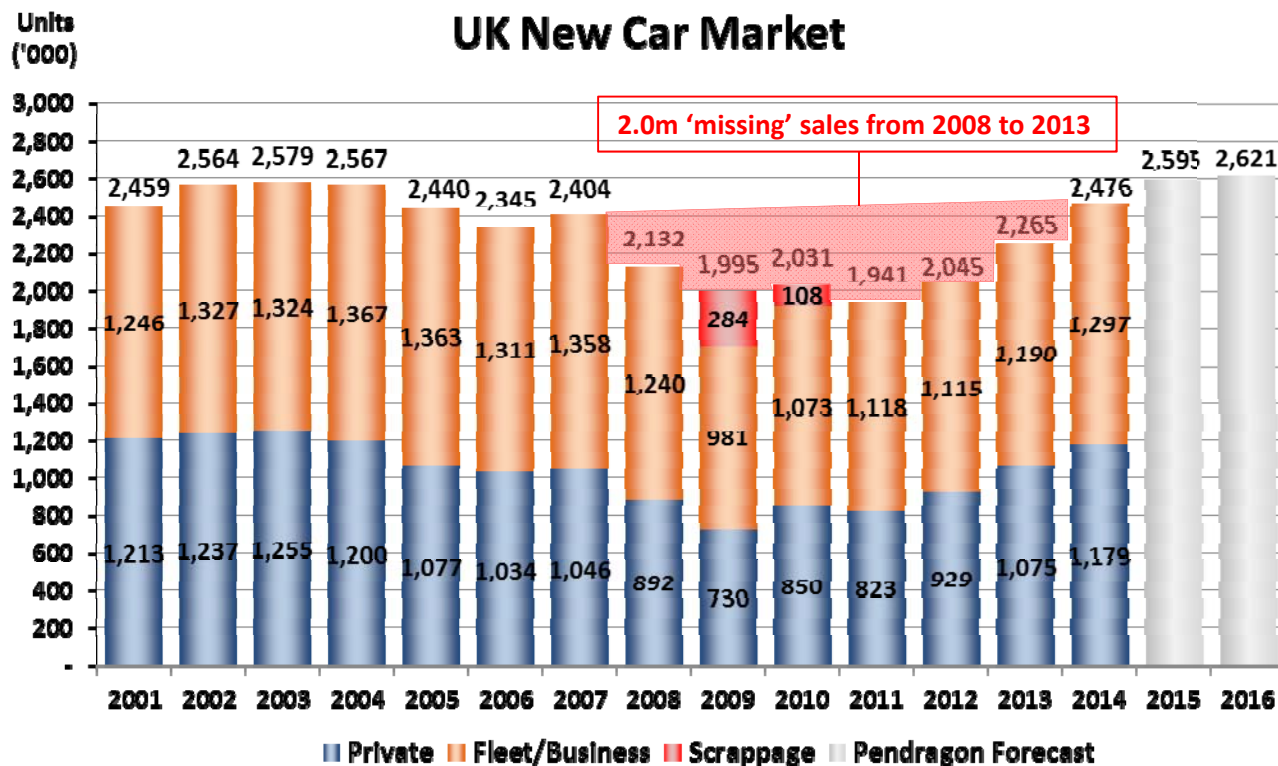
Sources: Experian (2006 to 2014) & Pendragon (2015 to 2020)



SUMMARY

- UK used car market of 6.95m sales in 2014
- UK used car market grew by 2.1% in 2014
- Further used market growth forecast from 2015 onwards
- 0-6 years old segment growth the greatest

Industry Insight – New Market Reaching ‘Natural’ Level



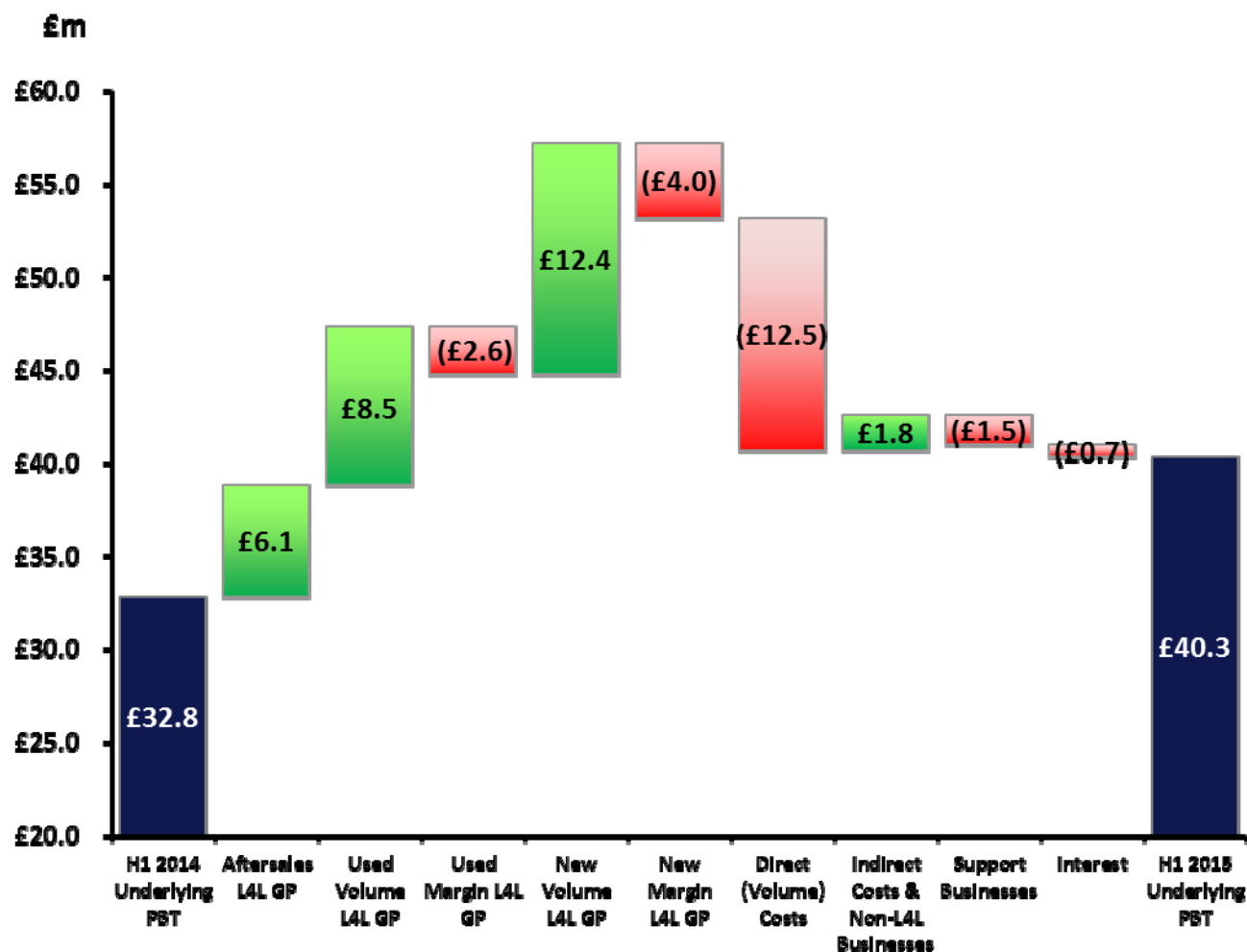
Sources: SMMT (2001 to 2014) & Pendragon (2015 to 2016)



SUMMARY

- New retail car market growth of 2.1% in H1 2015
- New car market grew 7.0% in H1 2015
- New car forecast of circa 2.60m in 2015
- Modest growth expected in 2016

Industry Insight – Pendragon Performance By Sector

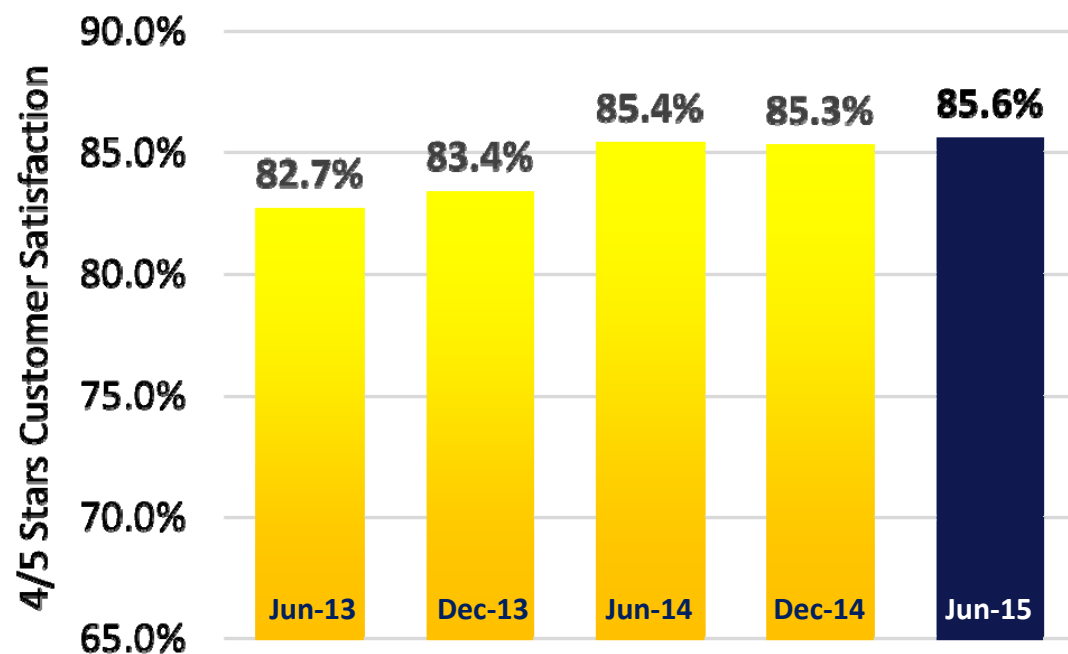


SUMMARY

- Continued significant L4L growth across aftersales, used and new departments

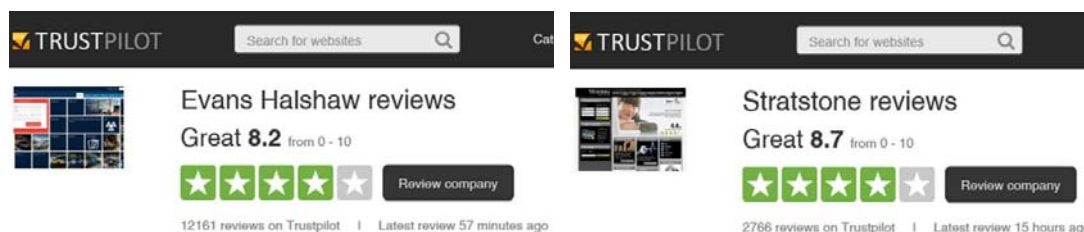
Customer Insight – Year on Year Customer Ratings Are Improving

Sales and Aftersales Combined Satisfaction Scores














SUMMARY

- We continue to focus on improving our customer ratings for our business
- We will continue to build on our recent innovations and success in this area
- Our Trustpilot scores are 8.7 and 8.2 for Stratstone and Evans Halshaw respectively (July 2015)



Outlook

Area	2014 Assessment	2015 Outlook	Insight
Aftersales			 <p>Growth in both segments as a result of car parc growth in the 0-6 year vehicle parc. Initiatives underway to enable further progress</p>
Used			
New			<ul style="list-style-type: none"> • Stable, as market reaching 'natural' level
Financials			<ul style="list-style-type: none"> • Underlying PBT more than doubled in 3 years • Balance sheet strong
Internet			<ul style="list-style-type: none"> • 18.8m internet visits p.a. and growing