30 August 2023

Vertu Motors plc ("Vertu Motors", "Group", "Company")

Trading remains positive - in line with expectations for the full year

Ahead of the announcement of its results for the six-month period ended 31 August 2023, Vertu Motors, a leading UK automotive retailer with a network of 189 sales and aftersales outlets is pleased to provide an update on current trading. The Group has delivered a trading profit above prior year levels, aided by the Helston acquisition which was completed in December 2022. The Board anticipates that full year results for FY24 will be in line with current market expectations.

In the New retail and Motability channel, like-for-like volume growth has been delivered, as supply constraints continue to ease. Supply is improving overall which aids sales volumes. Recent increased supply of new electric vehicles appears to be exceeding retail demand, creating an imbalance in pipeline inventory coming into the key plate change month of September. Manufacturers are reacting to this through the offer of discounted prices and supported finance rates to stimulate retail demand. Fleet sector demand for electric vehicles remains robust and is currently critical to the electrification of the vehicle parc.

Fleet and commercial vehicle like-for-like volume growth was delivered by the Group, aided by strong demand and improved supply. Fleet and commercial vehicle gross margins remain strong.

Used vehicle like-for-like volumes declined 6.3% in the five months ended 31 July 2023. Rising interest rates have meant that the Group has this year been unable to run its popular 0% finance offers on used vehicles during event periods as it did in the prior year. This change in approach, along with a continued lack of supply of used vehicles has driven the reduction in the number of like-for-like used vehicles sold. Autotrader has recently noted these supply issues, highlighting that there are 27% fewer sub-5-year-old-cars in the UK parc compared to 2019. These supply trends have helped drive stability in used vehicle prices, except for used electric vehicles which have been impacted by substantial increases in supply into the used market. Overall, used gross profits per unit have continued to be above historic levels as anticipated and are comparable to the prior year. Supply trends have driven an increase in the mix of older vehicles being retailed by the Group. Despite the overall supply dynamics, the Group during the period has successfully increased vehicle inventory levels to ensure future sales volumes are maximised. This has been possible due to the strong procurement capabilities of the Group in the used car area, including the close partnership with its manufacturer partners and the benefits that come from part exchanges derived from increasing new car sales.

The Group has seen strong demand for its high margin vehicle repair and service operations, driving revenue growth in both service and parts. Technician resource levels remain a constraining factor in meeting both retail demand for work and in the preparation of used vehicles for sale (older vehicles require more preparation). Consequently, the Group has taken further pay action in July to promote the recruitment and retention of Technicians and this should aid further growth. Improved gross profit was delivered in all aftersales channels on a like-for-like basis. As expected, gross margin percentages in service declined due to higher technician salary costs.

Good progress has been made in the Group's accident and cosmetic repair operations, which have delivered revenue and profit growth compared to the prior year.

Group operating expenses as a percentage of revenues are slightly lower than last year despite higher energy costs, inflation, pay actions and investment in the Group's Information Technology platforms. A strong focus on driving efficiency and productivity is in place, with growing use of technological solutions to deliver efficiency and therefore cost reductions. The Group continues with its energy purchase strategy with 26 sites now having solar panels installed. 12% of the Group's July electricity requirement was self-generated, with installations at 14 further sites currently ongoing.

Interest expenses are higher than anticipated in the period due to increased manufacturer stocking changes as new car pipeline stock increased and interest rates rose.

The Group has continued to buy back shares, repurchasing approximately 7.4m shares, representing 2% of opening shares in issue, in the financial year to date, for a total cost of £4.8m.

Outlook

The Board remains optimistic for the future. New vehicle supply is increasing whilst constraints in used vehicle supply in the UK persist, particularly in the sub-5-year-old parc, helping to underpin used vehicle values. The roll out of agency distribution models is at an early stage and the Group will continue to monitor the impact on the business and financial returns. Whilst used vehicle purchases remain essential for many, the market outlook remains unclear due to the impact of inflationary pressures and higher interest rates for consumers. Aftersales demand remains strong with actions taken to increase available resource.

The Helston acquisition made in FY23 continues to perform in line with expectations and remains on target to deliver on the planned improvements.

Management remains focused on operational excellence around cost, conversion and customer experience and the delivery of the Group's strategic objectives through enhanced performance coming from scale and technology. The Board anticipates that full year results for FY24 will be in line with current market expectations.

Robert Forrester, Chief Executive Officer of Vertu Motors, said:

"I am pleased to report that trading remains positive. The entire Vertu team has put in hard work and dedication once again, and I would like to thank them all. Used car pricing has remained firm and we have gained market share in the new car market. The performance of our high margin aftersales business has remained strong.

The integration of Helston Garages remains on track to deliver the planned synergies. The Board remains optimistic for the future, we anticipate that full year results will be in line with current market expectations, and we are excited about the opportunities our enlarged portfolio will create for Vertu Motors."

For further information please contact:

Vertu Motors plc **Tel: +44 (0) 191 491 2121**
Robert Forrester, CEO
Karen Anderson, CFO
Phil Clark, Investor relations PClark@vertumotors.com

Zeus (Nominated Adviser and Broker) **Tel: +44 (0) 203 829 5000**
Jamie Peel
Andrew Jones
Dominic King

Camarco **Tel: +44 (0) 203 757 4983**

Billy Clegg
Tom Huddart

Notes to Editors

Vertu Motors is the fourth largest automotive retailer in the UK with a network of 189 sales outlets across the UK. Its dealerships operate predominantly under the Bristol Street Motors, Vertu and Macklin Motors brand names.

Vertu Motors was established in November 2006 with the strategy to consolidate the UK motor retail sector. It is intended that the Group will continue to acquire motor retail operations to grow a scaled dealership group. The Group's acquisition strategy is supplemented by a focused organic growth strategy to drive operational efficiencies through its national dealership network. The Group currently operates 185 franchised sales outlets and 4 non-franchised sales operations from 139 locations across the UK.

Vertu's Mission Statement is to "deliver an outstanding customer motoring experience through honesty and trust".

Vertu Motors Group websites – https://investors.vertumotors.com / www.vertucareers.com
Vertu brand websites – www.vertumotors.com / www.bristolstreet.co.uk / www.macklinmotors.co.uk / www.vertumotorcyles.com