



Vertu
Motors plc

Analyst and Investor Presentation

Interim Results

For the six month period ended 31 August 2021



First Half Highlights – Robert Forrester CEO







H1 Financial Results – Karen Anderson CFO



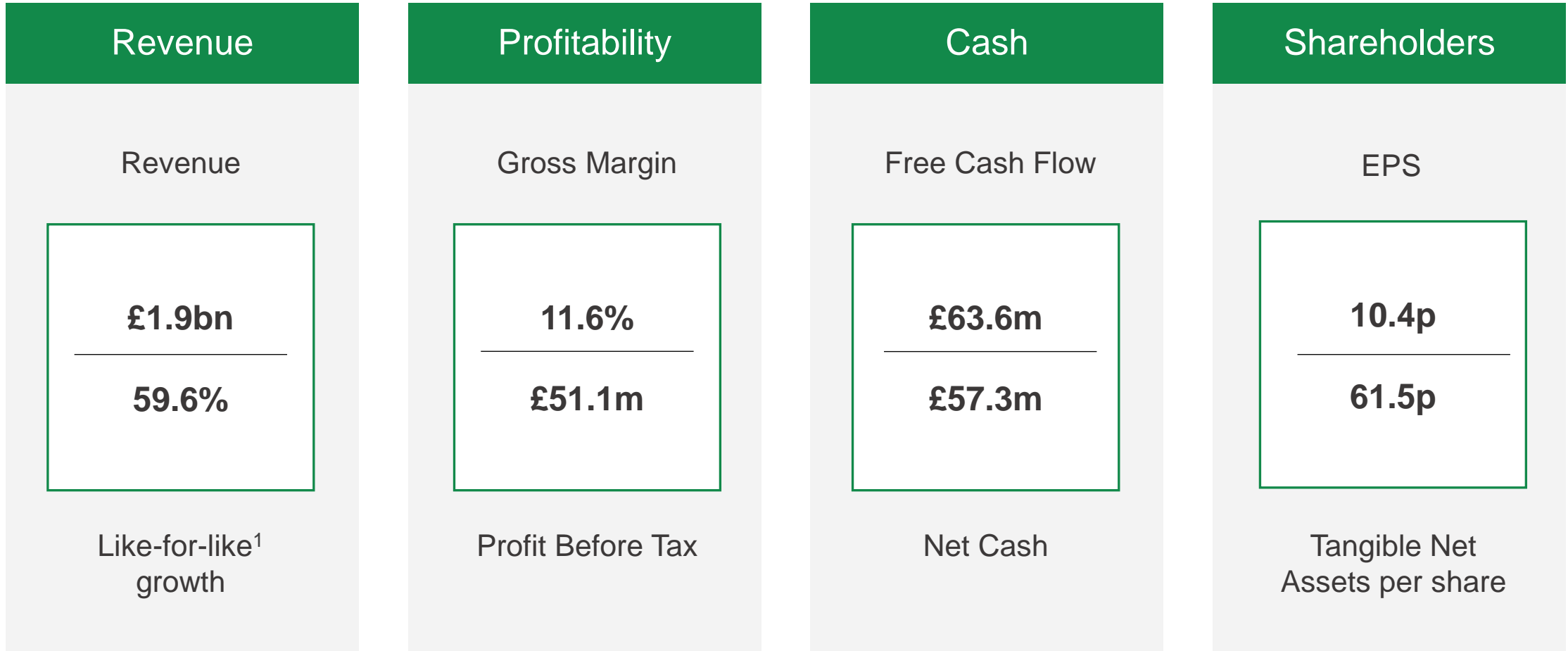
Strategic Update and Outlook – Robert Forrester CEO



H1 FY22 Highlights – Tailwinds with delivery of operational excellence

Technological Innovation	Portfolio Management	Capital Allocation Discipline	Colleague Focus
 <p>Convergence in sales process via technology in dealership and online</p> <p>Click 2 Drive sales tech platform best in class and utilised in TV campaign to promote omni-channel capability</p> <p>Expansion of Sales Customer Experience centre including ‘concierge’ service to increase online sales</p> <p>Data driven decision making such as used vehicle purchase valuations</p> <p>Launch of “Sell My Car” functionality on web</p> <p>Customer data platform developed to enhance personalised marketing</p>	 <p>Development of strong consumer brands with Bristol Street Motors in Top 3 sector brands</p> <p>154 sales outlets</p> <p>28 (24%) of Group locations now multi-franchised</p> <p>MG franchise added</p> <p>Powerbulbs.co.uk online retailing platform acquired</p> <p>Strong pipeline of acquisitions visible with considerable firepower available (£90m)</p>	 <p>Net cash £57.3m</p> <p>No utilisation of used car stocking loans at 31 August 2021</p> <p>Positive Free Cash Flow generation of £63.6m</p> <p>Dividend re-established</p> <p>On-going share buy-back programme - £1.1m utilised to date</p>	 <p>84% of colleagues consider the Group a great place to work</p> <p>Enhanced Colleague Benefits</p> <p>Review of colleague reward packages being actioned to aid recruitment and retention</p> <p>Annualised investment of c. £12m</p> <p>Strategic partnership with Dale Carnegie Institute to increase training for all colleagues</p> <p>Workplace engagement strategy launched</p>

H1 FY22 Financial KPI's



¹ Like-for-like comparison is based on H1 FY22 vs H1 FY21

Financial Results

Karen Anderson CFO



Income Statement

7

£'m (unless otherwise stated)	6 months ended 31 August			2021 v 2019 % Change
	2021	2020	2019	
Revenue	1,924.1	1,119.3	1,647.1	+16.8
Gross profit	223.1	129.5	172.7	+29.2
Gross margin %	11.6%	11.6%	10.5%	+1.1
Government support (rates and CJRS)	5.6	27.1	-	n/a
Operating expenses	(173.3)	(146.3)	(151.6)	+14.3
Adjusted¹ operating profit	55.4	10.3	21.1	+162.6
Net finance charges	(3.6)	(5.6)	(4.2)	(14.3)
Adjusted¹ profit before tax	51.8	4.7	16.9	+206.5
Non-underlying items	(0.7)	(0.7)	(0.8)	(12.5)
Profit before tax	51.1	4.0	16.1	+217.4
Underlying effective tax rate %	20.9%	22.5%	18.7%	
Adjusted ¹ Basic EPS (pence)	10.36p	0.86p	3.68p	
Dividend per share (pence)	0.65p	-	0.60p	+8.3

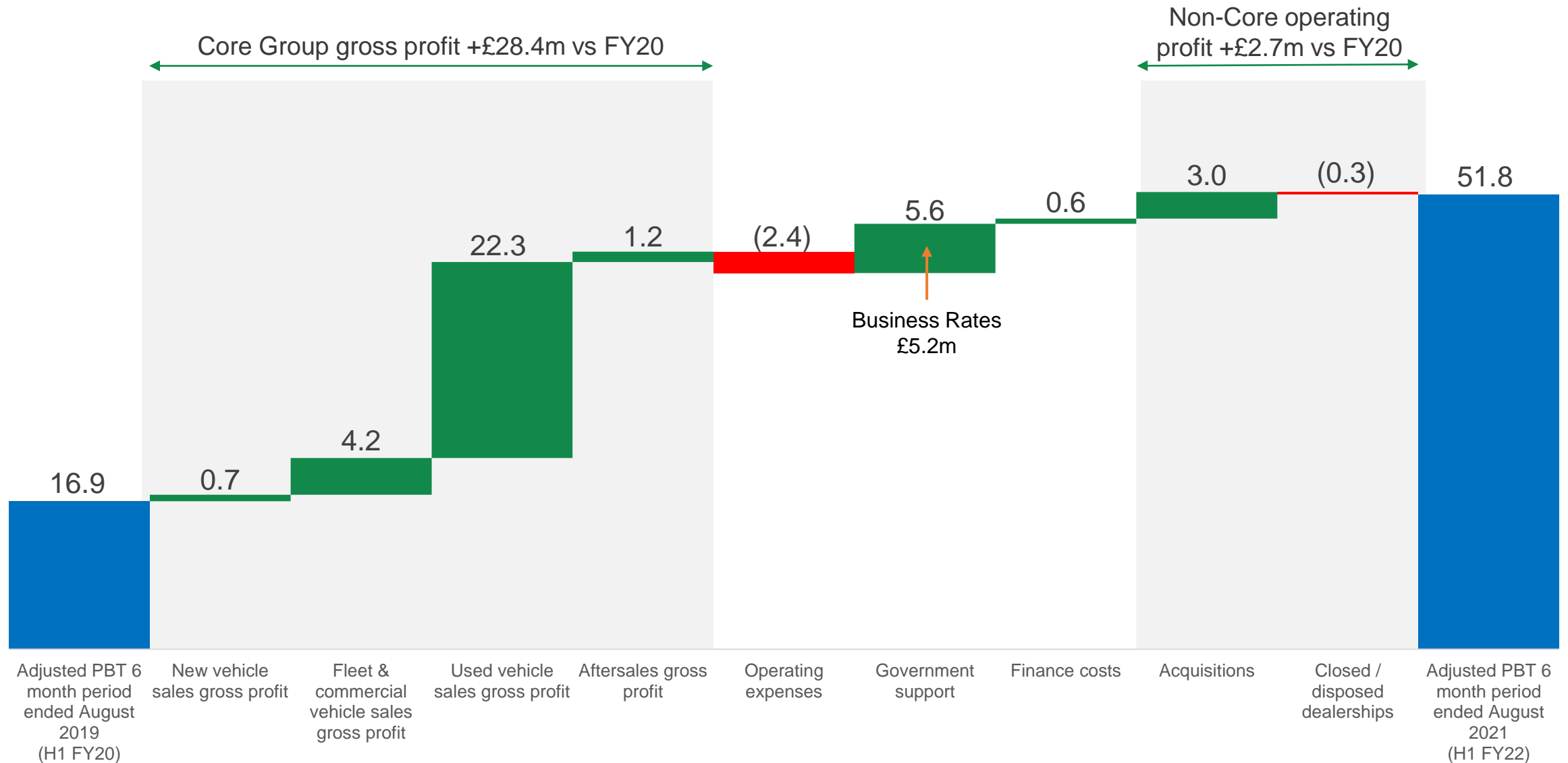
Gross Margin: Strong pricing disciplines in constrained supply environment augmented margins

Operating Expenses: Growth due to acquisitions and like-for-like increase driven by variable costs as activity increased

Net Finance Charges: reduced inventory holdings and borrowings

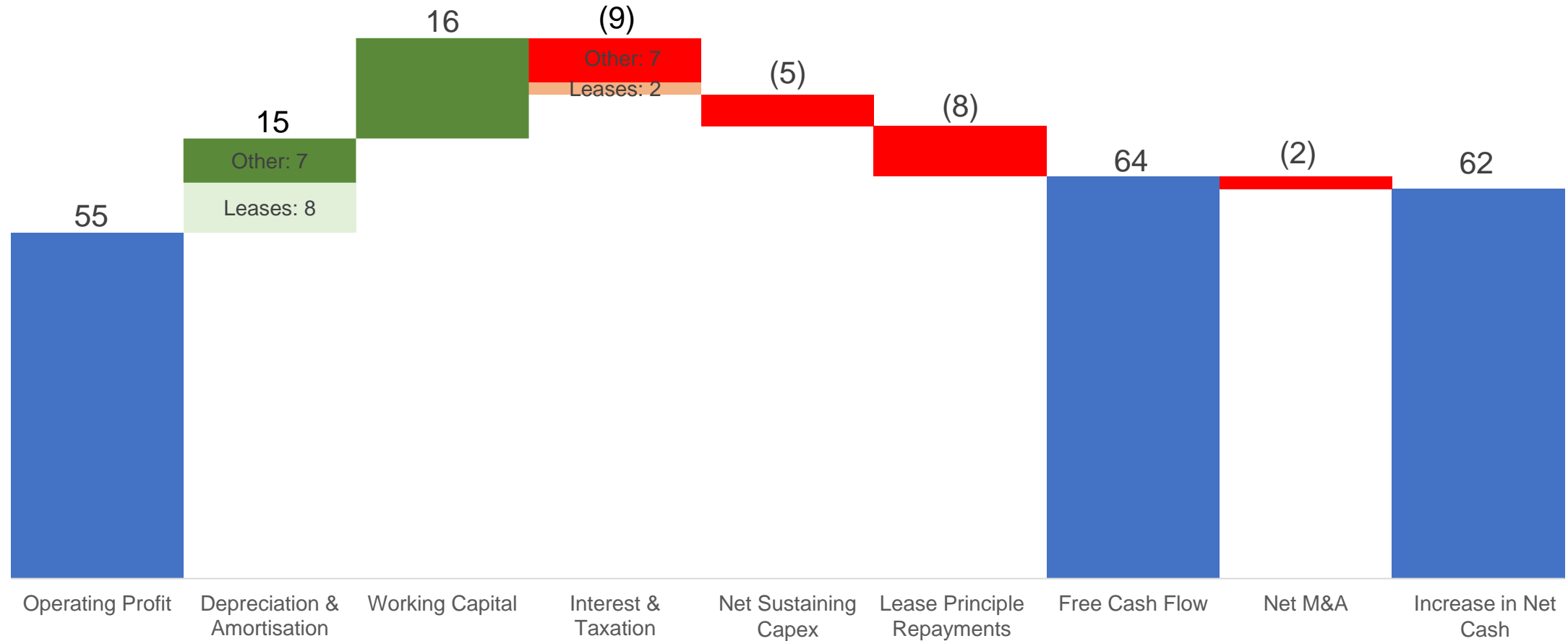
¹ Excluding non underlying items (share based payments and amortisation of intangibles)

Profit Bridge – H1 FY22 v H1 FY20 (Pre-Pandemic)



Strong Free Cash Flow

Net cash flow from operating activities: £77m



All values in £'million

Portfolio Management and Growth

Target EV/EBITDA ratios by year 3 on acquisitions
Investment in ancillary businesses
Property portfolio optimisation

Core Group Investment

Capital expenditure
Increasing Manufacturer flexibility over formats and representation

Strong Balance Sheet

Tangible net assets per share 61.5p
Firepower of at least £90m¹ available for growth

Share Buybacks

Excess FCF used at share prices below intrinsic value - £3m scheme in progress

Dividends

Discipline re-established with interim dividend of 0.65p recommended
Policy targets cover of 3-4 times sustainable EPS


¹ based on net cash at 31 August 2021, normalised EBITDA and conservative debt multiples

Balance Sheet

	31 Aug 2021 £'m	31 Aug 2020 £'m
Intangible assets	101.5	101.2
Retirement benefit asset	7.9	8.4
Right of use assets	81.2	81.4
Tangible assets	246.9	230.3
Non-current assets	437.5	421.3
Current assets	435.6	543.8
Property assets held for sale	1.0	-
Cash and cash equivalents	113.5	103.0
Total assets	987.6	1,068.1
Current liabilities	(501.3)	(625.5)
Non-current liabilities	(23.6)	(19.0)
Lease liabilities	(91.4)	(91.3)
Borrowings	(56.2)	(66.5)
Net assets	315.1	265.8
Tangible net assets	222.6	170.8
Tangible net assets per share (pence)	61.5	46.5

Current Assets: Decline due to reduced availability of new vehicle inventory

Vehicle Inventory

	31 Aug 2021 £'m	31 Aug 2020 £'m
 New Vehicles	209.5	342.0
Demonstrators	34.1	20.8
Used Vehicles	134.8	102.9
	378.4	465.7
Like-for-like Used Vehicles	Units	Price per unit
Movement %	+5.4%	+23.0%

Non-current liabilities: includes deferred income on warranties (£10.2m) and deferred taxation (£13.1m)

Strategic Update

Robert Forrester CEO



Consistent Group Strategy

Mission & Values

To aim for every dealership to be the best retailer in their respective town or city

To deliver an outstanding customer motoring experience through honesty and trust

Vertu Motors to be the most admired and respected dealer group in the automotive industry

PASSION | RESPECT | PROFESSIONALISM | INTEGRITY | RECOGNITION | OPPORTUNITY | COMMITMENT

Strategic Goals



Growth

To grow as a major scaled franchised dealership group and to develop our portfolio of Manufacturer partners, whilst being mindful of industry development trends, to maximise returns



Digitalisation - Cohesive 'bricks and clicks' strategy

- Omni-channel development leveraging **Click 2 Drive** technology and sub-brand
- Digitalise aftersales process
- Reduce cost base, deliver efficiency through use of systems
- Utilise data driven decision making to enhance returns



Colleague & Customer focus


To develop and motivate the Group's colleagues to ensure consistency of operational excellence and delivery to customers across the business




Ancillary businesses

To develop ancillary businesses to add revenue and returns which complement the core business

Sustainability Goals



Work with our Manufacturer partners to provide increasingly sustainable choices for customers



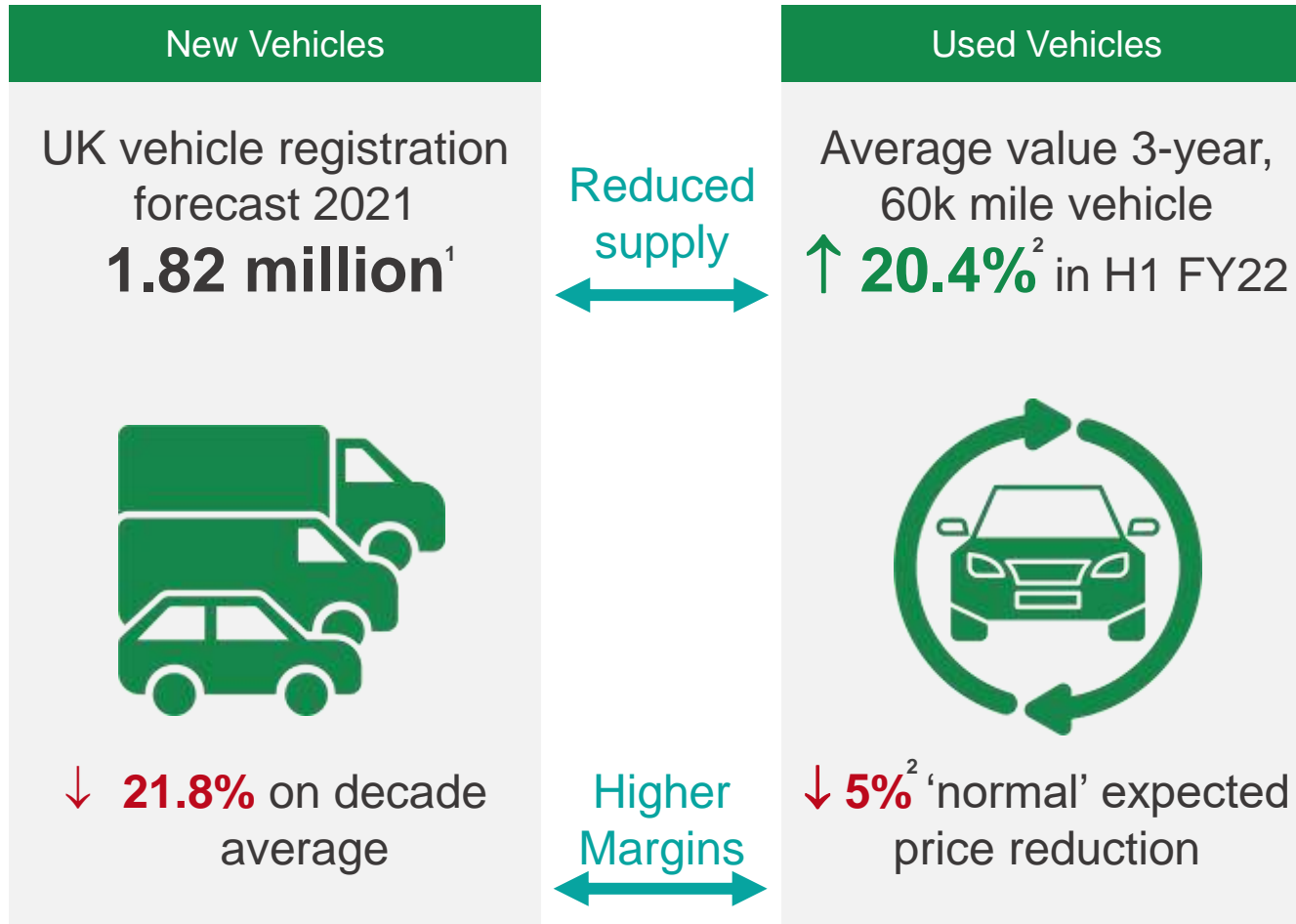
Reduce the environmental impact of our business



Care for our colleagues and support communities

New vehicle market trends impacting performance

UK Market

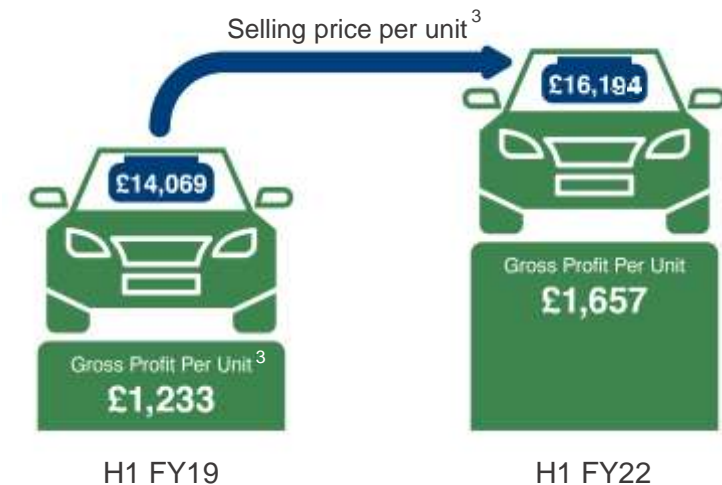


Group

Like-for-Like New Vehicle Volumes

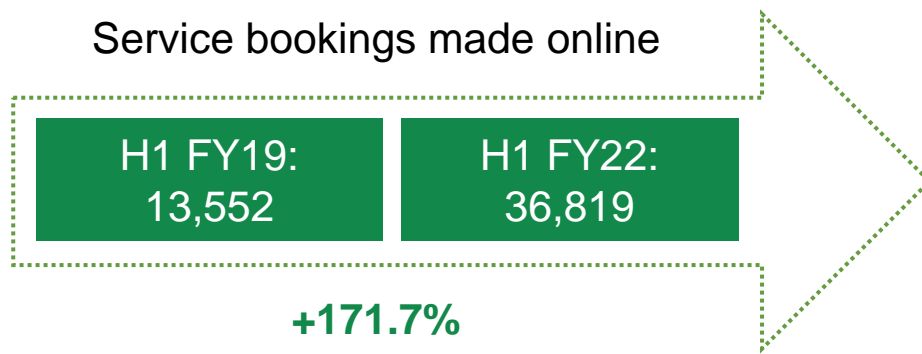
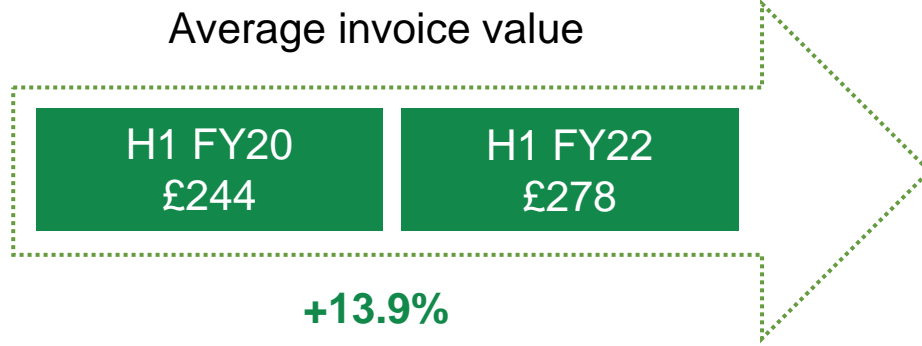
	H1 FY2022 Units	H1 FY2020 Units	%Change
Retail	15,287	18,024	(15.2)
Motability	4,414	5,045	(12.5)
Fleet & Agency	9,179	11,707	(21.6)
Commercial Vans	9,903	10,236	(3.3)
Total	38,783	45,012	(13.8)

Used Cars



¹ Source SMMT
² Source CAPHPI
³ Total Group

Aftersales: Inbuilt Resilience Generating 37% of Group Gross Profit



Established retention strategies

- Monthly and prepaid service plans
- Significant Aftersales Customer Experience Centre with 280 colleagues in Gateshead



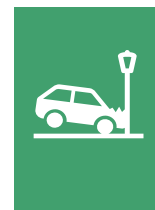
Conquest customers

- New digital conquest strategy generated over 10,000 bookings in Period



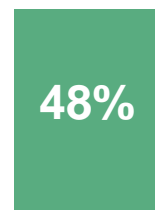
Parts

- Central handling of inbound parts enquiries
- Enhanced customer experience
- Growth in revenues



Accident repair centres

- Group's 11 Accident Repair Centres now managed under dedicated Division
- Performance improvement exhibited




Aftersales Margins

- Rising margins exhibited
- Productive wage levels now rising reflecting labour shortage



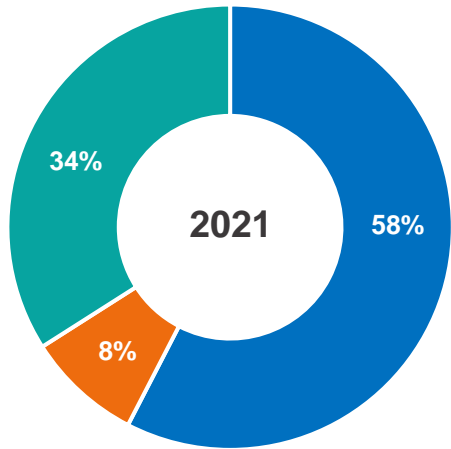
Comprehensive Market Offering

	Vertu	Motorpoint	Cazoo	Cinch
H1 Revenues	£1.9bn	£0.6bn	£0.2bn	-
Market Capitalisation (Oct '21)	£190m	£320m	\$5.3bn	-
Vehicles available for sale on web (Oct '21)	Over 8,000	Approx. 3,000	Approx. 3,000	Approx. 5,000
Pure eCom, omni-channel or physical retail	✓ 	✓	✗	✗
Concierge service	✓	✗	✗	✗
National Footprint	✓	✓	✓	✗
Home delivery or customer collection	✓	✓	✓	✓
Market leading NPS in used cars	85	83	c.80	-
In-house vehicle refurbishment	✓	✓	✓	✗
New and used vehicle supply from Manufacturers	✓	✗	✗	✗
Test drive option	✓	✓	✗	✗
Extensive in-house servicing and repairs	✓	✗	✗	✗
Monthly payment service plans	✓	✗	✗	✓

¹ Convergence in sales process via technology in dealership and online

Evolving Trends – Electrification quickens

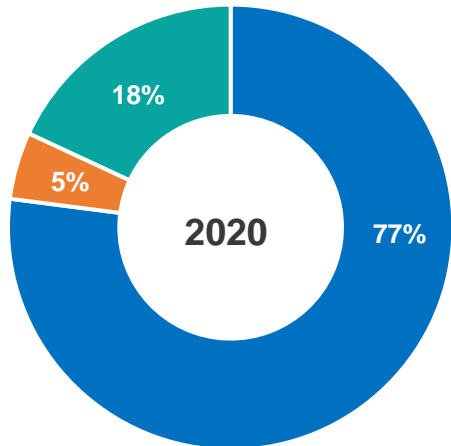
UK vehicle Registrations (Jan-Aug)¹



2021
Electric & Hybrid % of total UK registrations: **42%**

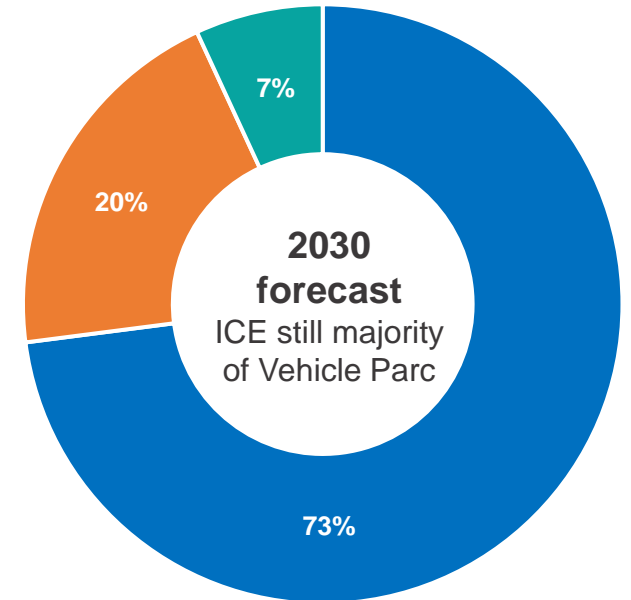
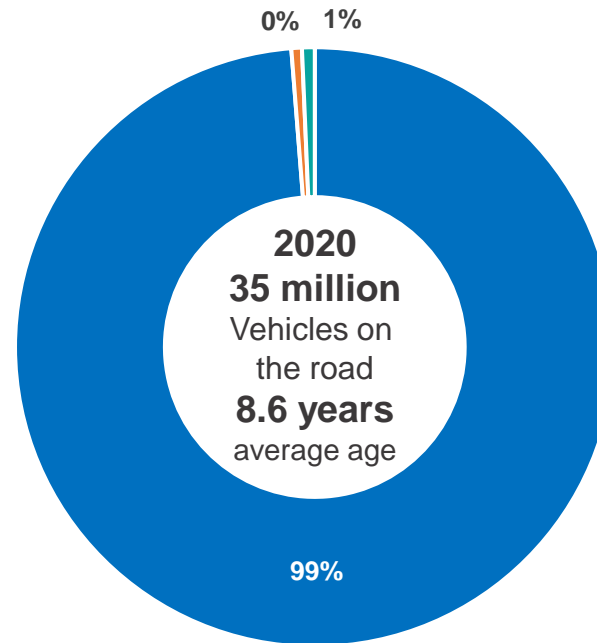


+19%



2020
Electric & Hybrid % of total UK registrations: **23%**

UK vehicle Parc¹



- ICE (Internal combustion engine)
- BEV (Battery electric vehicle)
- PHEV (Hybrid vehicle)

¹ Source: SMMT



Recruitment and Retention

- UK labour shortages impacting Group, currently approx. 500 vacancies
- Full review and implementation of revised colleague rewards ongoing, completion 1 Jan 2022
- Enhanced maternity pay offering delivered
- Launched consistent colleague forums
- Access to Non-Executive Director for colleague engagement (Pauline Best)
- New apprentice programmes and pay review to represent annualised investment of approximately £12m



Training and Development

- Pace of sector change drives need for enhanced training and skills development
- Degree & Technician apprentice schemes extended
- New in-house developed Modern Apprentice programme for service advisors targets over 120 additional apprentices to be recruited by 1 March 2022
- Expanded development programmes facilitate progression to management roles
- Dale Carnegie Institute partnership to provide personal development training to all colleagues and enhanced line manager development programmes

Current Trading and Outlook

Robert Forrester CEO



Current Trading – Strong outperformance

September Performance (2021 v 2020)	Total % Var	Like-for-like % Var	Like-for-like variance³ to market	SMMT % Var
Group Revenues	(0.1%)	(8.9%)		
Service Revenues ¹	(0.9%)	(6.8%)		
Volumes				
Used Retail Vehicles	(1.9%)	(7.4%)		
New Retail Vehicles	(11.6%)	(18.2%)	+7.1%	(25.3%)
Motability Vehicles	(39.0%)	(38.8%)	+5.9%	(44.7%)
New Fleet Cars ²	(14.1%)	(16.0%)	+27.1%	(43.1%)
New Commercial Vehicles	(29.0%)	(28.9%)	+10.6%	(39.5%)

¹ Service revenues include internal and external revenues

² Includes agency volumes

³ Represents Group like-for-like movement versus SMMT

Near-term outlook

- Impact of supply constraints likely to continue well into 2022
- Vehicle sales margins likely to remain robust
- Colleague reward enhancements to ensure stable and fully resourced teams
- Annualised investment of £12m to drive improved customer satisfaction and retention and increased gross profit generation
- Business rates relief now limited going forwards in England, continues in Scotland

September
2021



Adjusted PBT
£20m

Strategic focus

- Focus on operational execution and delivery of strategic goals
- Group digital developments accelerating
- Launch of **Click & Drive** supported by 'concierge' service
- Marketing focus on brand development and lead optimisation
- Training and skills investment required to manage and capitalise on opportunities
- Opportunities for growth via acquisition increasingly evident

FY22
Outlook



FY22 Adjusted PBT
not less than £65m

Definitions of key terminology

Core:

Comparison against H1 FY2020

Dealerships that have traded for the full period of March to August 2019 and March to August 2021

Comparison against H1 FY2021

Dealerships that have traded for the full period of March to August 2020 and March to August 2021

Like-for-like:

Dealerships that have comparable trading periods in two consecutive financial years, only the comparable period is measured as “like-for-like”

H1 FY2022:

The six month period ended 31 August 2021

H1 FY2021:

The six month period ended 31 August 2020

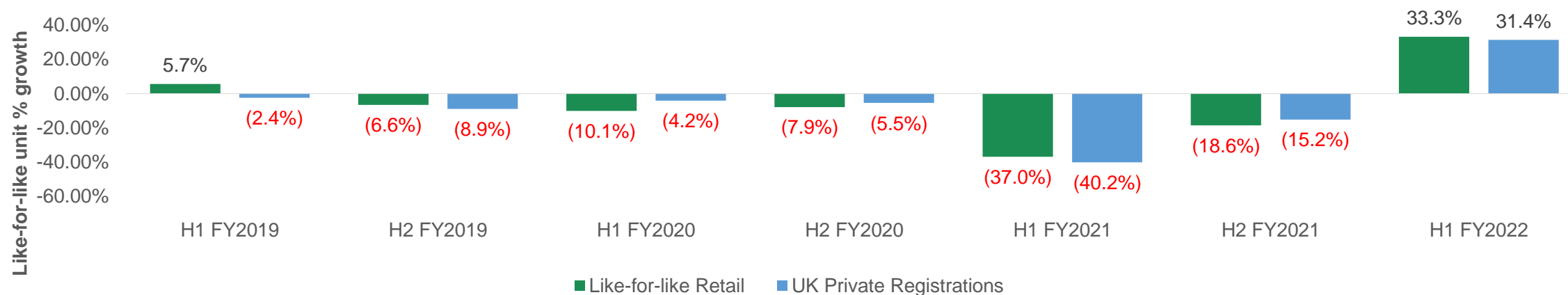
H1 FY2020:

The six month period ended 31 August 2019

New Retail Vehicle Trends

	H1 FY2019	H2 FY2019	H1 FY2020	H2 FY2020	H1 FY2021	H2 FY2021	H1 FY2022
Selling price per unit ^[1] (£)	16,829	17,864	18,355	18,726	19,789	19,980	21,423
Gross profit per unit ^[1] (£)	1,365	1,447	1,418	1,524	1,436	1,714	1,688
Margin (Group) ^[1]	7.4%	7.4%	7.1%	7.4%	6.7%	7.9%	7.3%
Margin (Core Group) ^[1]	7.4%	7.5%	7.2%	7.4%	6.7%	8.0%	7.4%
Like-for-like unit (Retail) growth/(decline)	5.7%	(6.6%)	(10.1%)	(7.9%)	(37.0%)	(18.6%)	33.3%
UK private registrations ^[2] growth/(decline)	(2.4%)	(8.9%)	(4.2%)	(5.5%)	(40.2%)	(15.2%)	31.4%

Like-for-like new retail unit growth/(decline) versus UK market



^[1] Includes Motability sales

^[2] Source SMMT

Fleet and Commercial Vehicle Trends

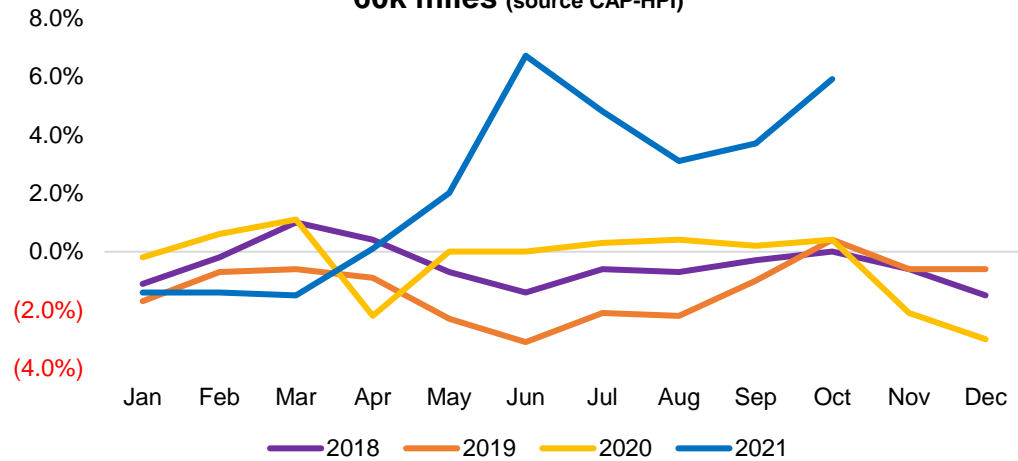
	H1 FY2019	H2 FY2019	H1 FY2020	H2 FY2020	H1 FY2021	H2 FY2021	H1 FY2022
Selling price per unit (£)	19,901	20,544	20,662	20,518	21,494	23,494	23,850
Gross profit per unit (£)	528	695	603	683	679	834	878
Margin (Group)	2.8%	3.5%	3.4%	4.0%	3.8%	4.1%	4.2%
Like-for-like unit growth/(decline) (Fleet)	(12.4%)	(28.5%)	4.6%	18.2%	(50.2%)	(33.4%)	63.0%
UK car fleet registrations ^[1] growth/(decline)	(5.2%)	(10.2%)	(1.3%)	3.8%	(50.6%)	(15.8%)	48.0%
Like-for-like unit growth/(decline) (Vans)	8.1%	(1.9%)	2.0%	(10.5%)	(38.8%)	26.1%	58.5%
UK van commercial registrations ^[1] growth/(decline)	(2.7%)	1.2%	12.4%	(8.9%)	(43.3%)	12.6%	64.4%

[1] Source SMMT

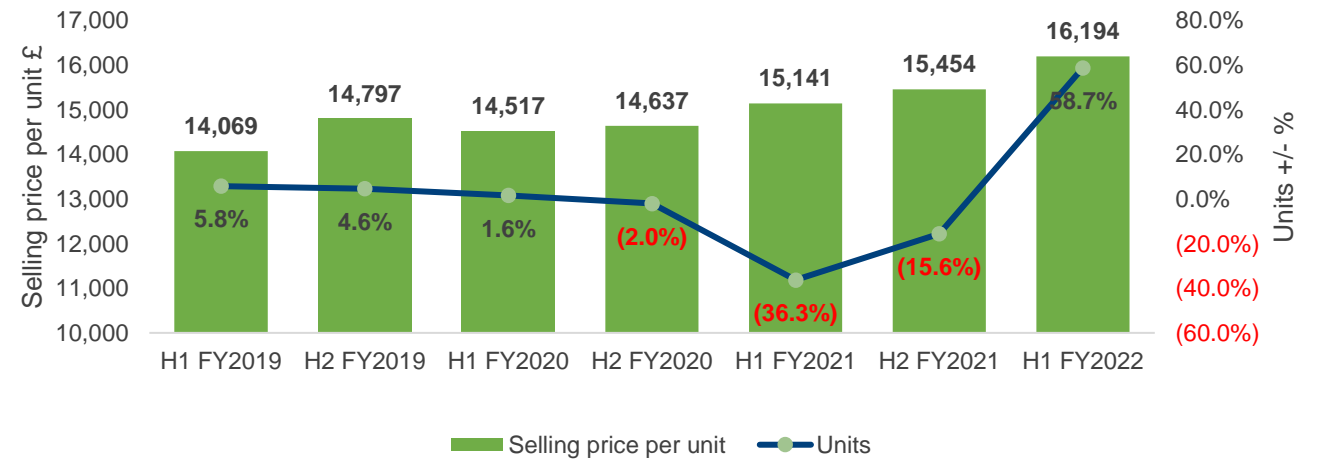
Used Vehicle Trends

	H1 FY2019	H2 FY2019	H1 FY2020	H2 FY2020	H1 FY2021	H2 FY2021	H1 FY2022
Selling price per unit (£)	14,069	14,797	14,517	14,637	15,141	15,454	16,194
Gross profit per unit (£)	1,233	1,182	1,172	1,244	1,386	1,458	1,657
Margin (Group)	8.8%	8.0%	8.1%	8.5%	9.2%	9.4%	10.2%
Margin (Core Group)	8.8%	8.2%	8.3%	8.8%	9.3%	9.7%	10.4%
Like-for-like unit growth/(decline)	5.8%	4.6%	1.6%	(2.0%)	(36.3%)	(15.6%)	58.7%

**Monthly value movements in used vehicles at 3-years
60k miles (source CAP-HPI)**



Like-for-like movement in used units and Group selling price per unit



After-sales Trends

FY22 H1 vs FY20 H1 Core Group

	Service £'000	Parts and Accident Repair £'000	Total £'000
Revenue ^[1]	67,099	85,849	152,948
Revenue ^[1] change	(15)	1,320	1,305
Like-for-like revenue^[1] change	0.0%	1.6%	0.9%
Gross profit change	233	954	1,187
Gross margin ^[2] 2022	77.1%	24.4%	47.5%
Gross margin ^[2] 2020	76.7%	23.6%	47.1%

FY22 H1 vs FY21 H1 Core Group

	Service £'000	Parts and Accident Repair £'000	Total £'000
Revenue ^[1]	71,127	89,604	160,731
Revenue ^[1] change	18,123	30,748	48,871
Like-for-like revenue^[1] change	34.2%	52.2%	43.7%
Gross profit change	13,191	8,141	21,332
Gross margin ^[2] 2022	77.1%	24.6%	47.8%
Gross margin ^[2] 2021	78.5%	23.6%	49.6%

Service revenue mix – Core Group

	H1 FY2022 £'m	H1 FY2020 £'m	%Change
Retail	31.2	30.4	2.6
Internal	14.9	14.8	0.7
Warranty	8.2	9.5	(13.7)
Total Labour Sales	54.3	54.7	(0.7)
Other	12.8	12.4	3.2
Total	67.1	67.1	0.0

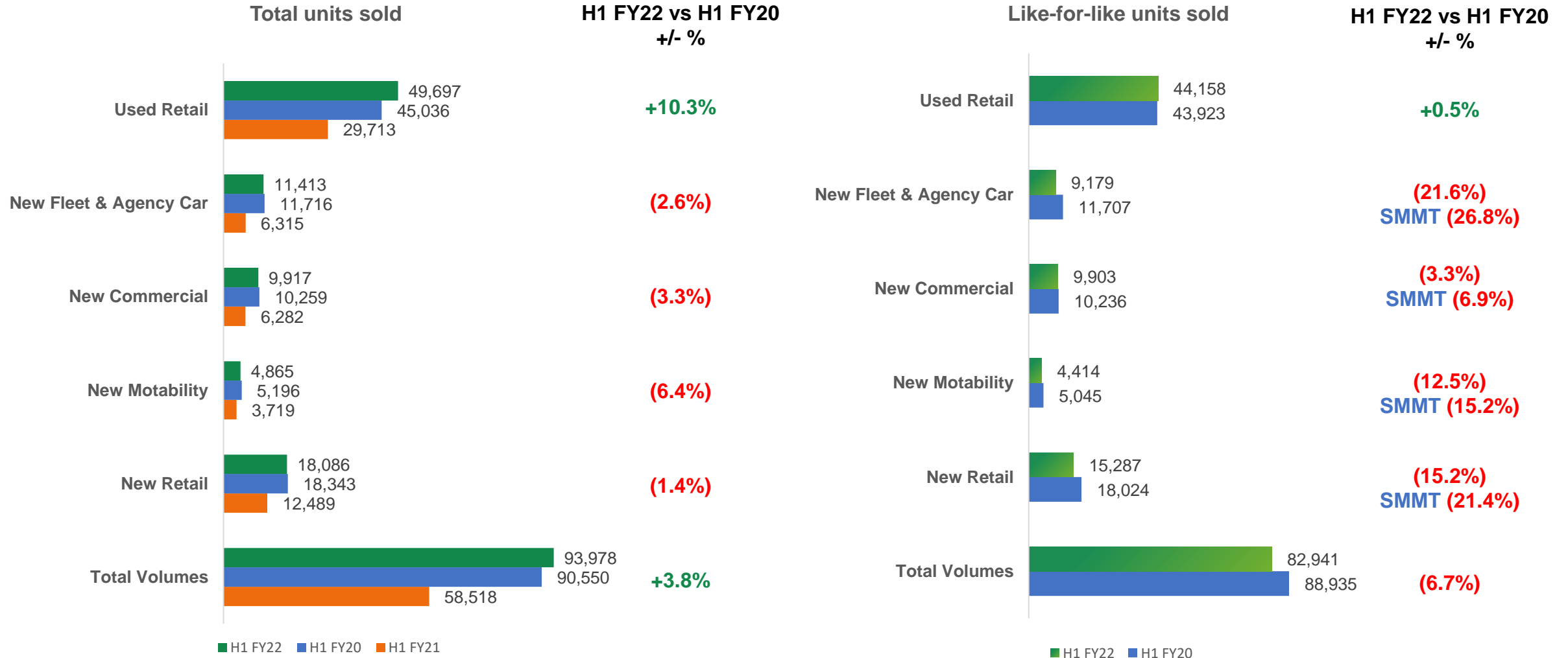
Service revenue mix – Core Group

	H1 FY2022 £'m	H1 FY2021 £'m	%Change
Retail	33.1	27.2	21.7
Internal	15.7	9.7	61.9
Warranty	8.8	6.0	46.7
Total Labour Sales	57.6	42.9	34.3
Other	13.5	10.1	33.7
Total	71.1	53.0	34.1

^[1] Includes internal and external revenue

^[2] Margin in aftersales expressed on internal and external revenue

Vehicle Volumes Sold



Net Debt

	Facilities at 31 Aug 21 £'m	Drawn at 31 Aug 21 £'m	Facilities at 28 Feb 21 £'m	Drawn at 28 Feb 21 £'m
5 year acquisition facility (from February 2019)	62.0	43.9	62.0	53.8
20 year mortgage facility (from December 2020)	12.7	12.3	12.7	12.6
1 year working capital facility (from May 2021)	48.0	-	48.0	-
Total committed facilities	122.7	56.2	122.7	66.4
Cash		(113.5)		(67.8)
Adjusted net cash¹		(57.3)		(1.4)
Used vehicle stocking loans	35.0	-	45.0	5.9
Overdraft	5.0	-	5.0	-
Total facilities	162.7		172.7	
Net (cash)/debt (excluding IFRS 16 liabilities)		(57.3)		4.5
IFRS 16 liabilities		91.4		91.1
Total Net Debt		34.1		95.6

Used Vehicle Loans: repaid in full

Hedging: £22m (40%) of floating rate bank borrowing covered by interest rate hedges

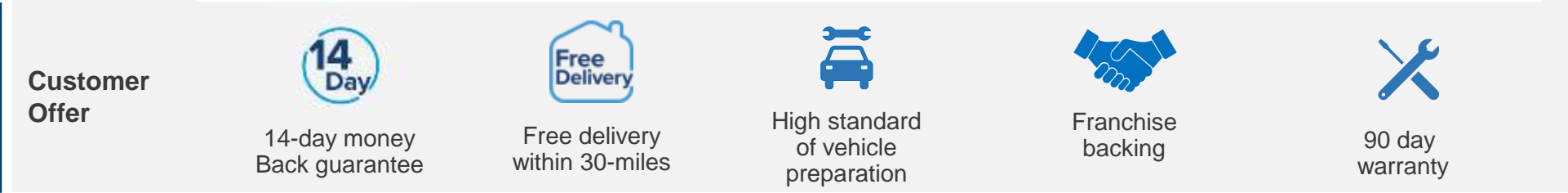
¹ Excludes used vehicle stocking loans and IFRS 16 liabilities

Digitalisation: Effortless Customer Journeys



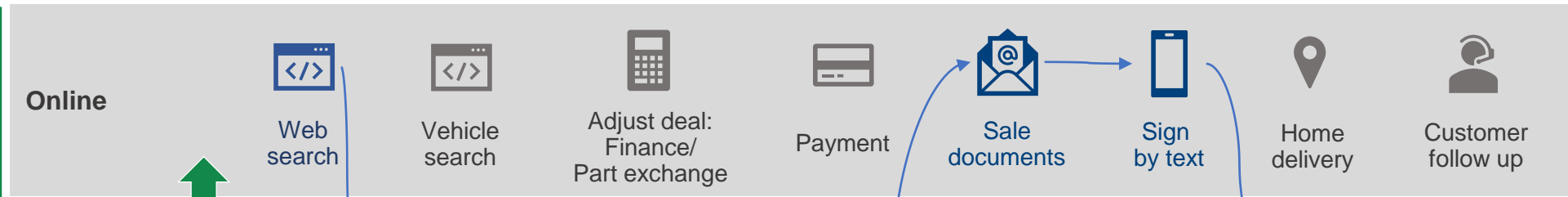
Total enquiries and like-for-like change H1 FY22 v H1 FY20

80% of customers agree they would use Group again when they want to buy a car



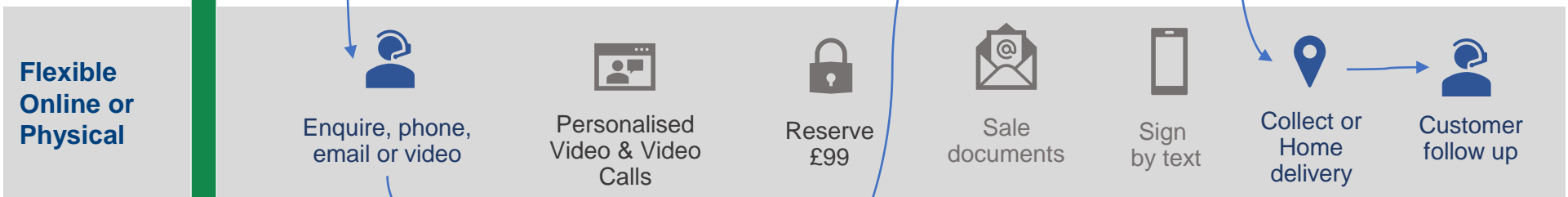
Prospecting appointment +42.8%

63% of customers agreed Group is ahead of the game when it comes to remote selling



Internet Enquiries +50.0%

Click2Drive sales tech platform



Phone Enquiries +50.7%

'Bricks' vital – aftersales service and 83% of customers prefer to view their car in person



Walk-in to dealerships -37.6%



Dealership Portfolio

154 sales outlets



	Outlets	Bristol Street Motors	Macklin Motors	Vertu
Ford	21	19	2	
Vauxhall	15	15		
Nissan	11	9	2	
Hyundai	11	9	2	
Renault	8	8		
Peugeot	7	5	2	
Citroen	6	6		
SEAT	4	4		
Skoda	4	4		
Kia	3		1	2
Mazda	2	1	1	
MG	2	2		
Suzuki	1		1	
Total Volume	95	82	11	2
Honda	14			14
Volkswagen	8			8
Land Rover	6			6
Mercedes-Benz	5			5
BMW	5			5
Mini	5			5
Jaguar	3			3
Audi	1			1
Toyota	1			1
Jeep	1			1
Total Premium	49			49
Honda Motorcycles	3			3
BMW Motorcycles	1			1
Volkswagen Commercial Vehicles	1			1
Mercedes-Benz Commercial Vehicles	1			1
Other Used Car Operations	4	2	1	1
Total Other	10	2	1	7
Total Group	154	84	12	58

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The Group does not make any representation or warranty that the results anticipated by such forward looking statements will be achieved and this presentation should not be relied upon as a guide to future performance.