18 September 2023

**Pendragon PLC ("Pendragon" or the "Company")**

**Proposed Disposal of UK Motor and PVM, transition to Pinewood Technologies plc and Strategic Partnership with Lithia**

The Boards of Directors of Pendragon and of Lithia Motors, Inc. (NYSE: LAD), one of the largest automotive retailers in North America, are pleased to announce they have agreed the terms of a proposed sale by Pendragon Group Holdings Limited ("PGHL") of the entire issued share capital of Pendragon NewCo 2 Limited ("Pendragon NewCo") which will hold, either directly or indirectly through its wholly-owned subsidiaries, the Company's entire UK motor business and leasing business (the "Disposal"), to Lithia UK Holding Limited (the "Purchaser" or "Lithia"), a wholly-owned subsidiary of Lithia Motors, Inc. for a gross aggregate consideration of £250 million (subject to certain financial adjustments) (the "Consideration").

Pendragon and Lithia Motors, Inc. have also agreed the terms of a strategic partnership with Lithia, including the rollout of Pinewood, the Company's dealer management software ("DMS") business, to Lithia's existing 50 UK sites and the creation of a joint venture to accelerate Pinewood's entry into the highly attractive North American DMS market, underpinned by a subscription by Lithia for 279,388,880 new Ordinary Shares in the Company (the "Subscription Shares") for an aggregate subscription price of £30 million (the "Subscription Price") (the "Strategic Partnership" and, together with the Disposal, the "Transaction").

As part of the Transaction, Pendragon's Pinewood division, which operates the Company's proprietary DMS business, will become a standalone entity, retaining Pendragon's existing listing on the London Stock Exchange and creating a pure play Software as a Service ("SaaS") business with an accelerated growth plan.

The Transaction is the value-maximising conclusion of the strategic review announced by Pendragon last year and the Board believes that it will deliver an attractive cash dividend to Shareholders of c.£240 million.

In summary, the Transaction provides Shareholders with a total value per share comprising:

(i) 16.5 pence in cash, to be received by way of a dividend to be paid post completion of the Transaction (the "Transaction Dividend");

(ii) a retained c.83.3 per cent. ownership in the continuing Pendragon business (including Pinewood) (the "Continuing Group"), valued initially at c.10.3 pence on a fully-diluted basis; and

(iii) an indirect interest in the North American joint venture valued initially at c.0.6 pence.

Accordingly, in aggregate, Pendragon shareholders will initially receive (either directly through the Transaction Dividend or via their retained interest in Pendragon) the equivalent of approximately 27.4 pence per share with further significant upside expected from the Strategic Partnership. This compares to a share price of c.18.5p as at the close of business on 15 September 2023, being the Latest Practicable Date.

## Transaction Summary

*Disposal of UK Motor and PVM*

- UK motor business, consisting of Evans Halshaw, Stratstone and Car Store, and Pendragon Vehicle Management ("PVM"), Pendragon's leasing business, will be sold to Lithia at an attractive valuation:
  - Total cash consideration of £280 million (subject to adjustments), which includes a £30 million subscription for shares in Pendragon, which following completion of the Disposal, will operate the standalone Pinewood business as the Continuing Group.
  - Lithia to assume all existing Pendragon net bank debt and pension obligations, leaving the Continuing Group with no indebtedness, legacy pension liabilities, or retained liabilities from the UK motor business and leasing business.
- The Disposal is subject to customary conditions, including Pendragon shareholder approval.
- After costs and investment in the Strategic Partnership, the Board intends to return c.£240 million, equivalent to 16.5 pence per share, to Pendragon shareholders (excluding Lithia in respect of its Subscription Shares).

*Transition to Pinewood Technologies plc*

- Pendragon will remain listed and change its name to Pinewood Technologies plc.

- Business to be led by Bill Berman as CEO, and Oliver Mann as CFO, supported by a highly experienced management team.
- Separation from Pendragon motor division provides Pinewood with an opportunity to unlock further scale among UK retailers.
- The Transaction recapitalises Pinewood to increase operating flexibility.
- FY27 target for underlying EBITDA of Pinewood Technologies plc ("Pinewood Tech") of £27 million from the existing business, with further significant upside expected to be delivered through the Strategic Partnership.

*Strategic Partnership with Lithia*

- Lithia is one of the largest automotive retailers in North America and the Board believes it is the ideal partner to unlock and accelerate Pinewood's expansion into the North American market. The Strategic Partnership will:
    - Rollout Pinewood's software across Lithia's existing 50 UK locations, adding c.2,500 users within the next 12 months.
    - Accelerate entry into the highly attractive North American market – estimated to be worth more than £2.6 billion per year. The Strategic Partnership will be capitalised by Lithia and Pendragon investing £10 million each at the outset.
    - Facilitate product co-development with Lithia that will add further capability and offer new routes to growth in key existing markets.
    - Target Lithia's c.17,500 users across 296 locations in the medium-term alongside new third party customers.
- The Strategic Partnership is underpinned by a £30 million subscription by Lithia for the Subscription Shares such that, immediately following completion of the Transaction, Lithia will own 16.67 per cent. of Pinewood Technologies plc. As such, Lithia's investment implies a day-one valuation of £180 million for the equity of Pendragon. In addition, Lithia intends to acquire further Pendragon shares from certain LTIP participants who elect to sell the Ordinary Shares acquired on vesting of the LTIP awards to Lithia resulting in its ownership of Pendragon increasing to up to 19.84 per cent. of Pendragon. As part of this investment, Lithia will have the right to appoint two non-executive directors to the seven-strong Pendragon Board post completion.

**Materially Enhanced Pinewood Growth Opportunity**

Today, Pinewood is a leading cloud-based DMS provider with over 30,000 users, having received strong original equipment manufacturer ("OEM") support through partnerships with BMW and Renault, and with integration with over 50 manufacturers. Pinewood Tech's financial profile is highly attractive, with c.90 per cent. recurring revenue, healthy EBITDA margin of c.60 per cent. and high user loyalty. Lithia's investment implies a day-one value of Pinewood Tech of approximately 10.3 pence per share on a fully-diluted basis. The Board believes that the growth prospects for Pinewood Tech will be materially enhanced as a result of becoming a standalone, pure-play SaaS business as well as through the Strategic Partnership, centred on Pinewood's three core pillars for long-term growth:

1. **Product Innovation:** expand digital capabilities to existing customers and lead innovation of DMS product globally, with the technology developed for the US market in partnership with Lithia
2. **User Growth in Existing Territories:** grow with major retail players in the UK post separation from Pendragon and capitalise on opportunity in Asia Pacific, Middle East and Europe
3. **Access to North American Market:** scale in the USA and Canada by leveraging relationship with Lithia to develop product for North America

The North American market is estimated to be valued at more than £2.6 billion, out of a global automotive DMS market estimated to be worth approximately £3.8 billion. The Board believes that Lithia is the ideal partner to accelerate Pinewood's expansion into this market given its size and familiarity with this technology. Lithia currently spends approximately $100 million per year on its DMS stack and is one of the largest automotive retailers in the US with 296 dealerships. The combined capabilities of Pinewood and Lithia ideally position the joint venture to target the rest of the 21,000 new car automotive dealers in the North American market as potential customers.

The Board is targeting user growth of c.16,000 to total approximately 48,000 by FY27 with an associated target of £27 million EBITDA by FY27 from existing businesses, compared to approximately £15 million for FY22, even before the impact of the North American joint venture.

**Ian Filby, Non-Executive Chairman of Pendragon, said:** "Pendragon has made strong progress executing its strategy in recent years and the business has been repositioned successfully as a digitally-enabled automotive retailer. Today's announcement follows an extensive strategic review undertaken by the Board of Pendragon to maximise value for our stakeholders. The proposed transaction provides shareholders with an immediate dividend close to the Company's undisturbed market capitalisation as well as ongoing ownership in an exciting technology company with improved growth prospects."

**Bill Berman, Chief Executive of Pendragon commented:** "Pendragon has built one of the UK's leading automotive retailing businesses, underpinned by a market leading dealer management system, the quality of our people, long-standing relationships with OEMs and excellent execution for customers. The Pendragon Board considers Lithia to be perfectly placed to build on this progress. The launch of Pinewood as a standalone company is a unique and exciting opportunity to create a best-in-class product for customers, which we can market globally and drive substantial value for our shareholders and in Lithia we have the perfect partner to help accelerate Pinewood's push into the hugely attractive North American DMS market."

**Bryan DeBoer, Chief Executive of Lithia commented:** "The strategic partnership with Pinewood Technologies and acquisition of Pendragon's UK motor and vehicle management divisions is a massive step in delivering on our longer-term growth strategy. We are excited about the great potential in Pinewood's offering and envision our strategic partnership to further expand this SaaS business globally. Additionally, the proposed acquisition presents a highly synergistic growth opportunity with our existing UK presence with Jardine Motors Group; provides a new adjacency with PVM; and expands our brand and geographic footprint while serving to further strengthen our existing OEM relationships."

The Directors who hold interests in Ordinary Shares have each irrevocably undertaken (or have confirmed to the Company and the Sponsor that they will irrevocably undertake) to vote at the General Meeting in favour of the Resolution in respect of the Ordinary Shares to which they are beneficially entitled (representing in aggregate approximately 1.0 per cent. of the entire issued share capital of the Company as at the Latest Practicable Date).

In addition, Shareholders who hold interests in Ordinary Shares representing, in aggregate, approximately 26.5 per cent. of the entire issued share capital of the Company as at the Latest Practicable Date have each irrevocably undertaken (or have confirmed to the Company and the Sponsor that they will irrevocably undertake) to vote at the General Meeting in favour of the Resolution in respect of the Ordinary Shares to which they are beneficially entitled. The Shareholders comprise Schroder Investment Management Limited, Briarwood Capital Partners LP, Hosking Partners LLP, Farringdon Netherlands BV, Huntington Management LLC, and Sir Nigel Rudd.

Pendragon will report its FY23 interim results on 27 September 2023 and intends to hold a Pinewood Technologies plc Capital Markets Day at a later date.

## Transaction Timetable

In accordance with the Listing Rules, due to the size of the Transaction in relation to the size of the Company, the Transaction constitutes a Class 1 transaction (as defined in the Listing Rules) and completion is therefore conditional upon, amongst other things, the approval of Shareholders of the Resolution at the General Meeting. In addition, the approval of Shareholders of the Resolution at the General Meeting is required under Listing Rule 9.5.10 R to authorise the issue of the Subscription Shares at a price per Subscription Share which exceeds a discount of 10 per cent. of middle market price of the Ordinary Shares at the Latest Practicable Date. Accordingly, a Circular is expected to be sent to Shareholders shortly, containing further details of the Transaction, the Board's recommendation and the notice convening the General Meeting at which Shareholders will be asked to approve the Transaction and related matters. Subject to satisfaction of the conditions to the Transaction, completion is expected to occur in Q4 2023. A separate announcement will be released on publication of the Circular, setting out a detailed timetable for the General Meeting and Transaction Completion.

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**Important Notices**

*Information regarding forward-looking statements*

This announcement contains statements which are, or may be deemed to be, "forward-looking statements" which are prospective in nature. All statements other than statements of historical fact are forward-looking statements. They are based on intentions, beliefs or current expectations and projections about future events, and concerning, among other things, the business, results of operations, prospects, growth and strategies of, the Company, the Group, the Disposal Group or the Continuing Group, and are therefore subject to risks and uncertainties which could cause actual results to differ materially from the future results expressed or implied by the forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of forward-looking words such as "plans", "expects", "is expected", "is subject to", "budget", "scheduled", "estimates", "forecasts", "goals", "intends", "anticipates", "believes", "targets", "aims", "hopes", "continues" or "projects". Words or terms of similar substance or the negative thereof, are forward-looking statements, as well as variations of such words and phrases or statements that certain actions, events or results "may", "could", "should", "would", "might" or "will" be taken, occur or be achieved. Such statements are qualified in their entirety by the inherent risks and uncertainties surrounding future expectations.

Forward-looking statements include statements relating to: (a) future capital expenditures, expenses, revenues, earnings, economic performance, indebtedness, financial condition, dividend policy, losses and future prospects; (b) business and management strategies and the expansion and growth of the Company's, the Group's, the Disposal Group's or the Continuing Group's operations; and (c) the effects of economic conditions on the Company's, the Group's, the Disposal Group's or the Continuing Group's business.

Such forward-looking statements involve known and unknown risks and uncertainties that could significantly affect expected results and are based on certain key assumptions. Many factors may cause actual results, performance or achievements of the Company, the Group, the Disposal Group or the Continuing Group to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Important factors that could cause actual results, performance or achievements of the Company, the Group, the Disposal Group or the Continuing Group to differ materially from the expectations of the Company, the Group, the Disposal Group or the Continuing Group include, among other things, general political, business and economic conditions, industry and market trends, competition, changes in government and changes in law, regulation and policy, including in relation to taxation as well as political and economic uncertainty (including, but not limited to, the Ukraine-Russia conflict), stakeholder perception of the Company, the Group, the Disposal Group or the Continuing Group and/or the sectors or markets in which it operates. Such forward-looking statements should therefore be construed in light of such factors. Any information contained in this announcement on the price at which shares or other securities in the Company have been bought or sold in the past, or on the yield on such shares or other securities, should not be relied upon as a guide to future performance.

Neither the Company nor any of its Directors, officers or advisers provides any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward-looking statements in this announcement will actually occur. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as at the date of this announcement.

Other than in accordance with its legal or regulatory obligations (including under the requirements of the FCA, the London Stock Exchange, the Listing Rules, the Disclosure Guidance and Transparency Rules, the Prospectus Regulation Rules and MAR), neither the Company nor the Sponsor is under any obligation to, and each of the Company and the Sponsor expressly disclaims any intention or obligation to, update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

*No profit forecast*

Unless otherwise stated within this announcement, no statement in this announcement is intended as a profit forecast or a profit estimate and no statement in this announcement should be interpreted to mean that earnings, earnings per share or income, for the Company, the Group, the Disposal Group or the Continuing Group, as appropriate, for the current or future financial years will necessarily match or exceed the historical published earnings, earnings per share or income for the Company, the Group, the Disposal Group or the Continuing Group, as appropriate.

*Rounding*

Percentages in tables have been rounded and accordingly may not add up to 100 per cent. Certain financial data have also been rounded. As a result of this rounding, the totals of data presented in this announcement may vary slightly from the actual arithmetic totals of such data.

*Cautionary statement*

This announcement is not intended to, and does not constitute, or form part of, any offer to sell or an invitation to purchase or subscribe for any securities or a solicitation of any vote or approval in any jurisdiction. Shareholders are advised to read carefully the formal documentation in relation to the Transaction once it has been despatched. Any response to the Transaction should be made only on the basis of the information in the formal documentation to follow.

This announcement has been prepared for the purpose of complying with the applicable law and regulation of the United Kingdom and information disclosed may not be the same as that which would have been disclosed if this announcement has been prepared in accordance with the laws and regulations of jurisdictions outside the United Kingdom.

*Important information relating to financial adviser*

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*Inside information*

This announcement contains inside information. The person responsible for arranging this announcement on behalf of Pendragon is Richard Maloney, Group General Counsel and Group Company Secretary.

**Details of the Transaction**

## 1. Introduction

Pendragon plc (the “Company” or “Pendragon”) announces the conclusion of the Board’s strategic review, which is expected to result in a value maximising transformation of Pendragon into Pinewood Technologies plc. In order to achieve this, the Company has entered into a series of agreements that result in its exit from the UK motor business (sale and servicing of vehicles in the UK) and leasing business (fleet and contract hire provider and used vehicle supply) (the “Business”) and at the same time beginning a broader strategic partnership to accelerate the growth in Pinewood (“Pinewood”), the Company’s dealer management systems (“DMS”) business. Reflecting the change in the Company’s business model to become a pure-play, independent Software as a Service (“SaaS”) business, following Transaction Completion, the Company will change its name to Pinewood Technologies plc.

To effect this, the Company has entered into an agreement for the sale by Pendragon Group Holdings Limited (“PGHL”) of the entire issued share capital of Pendragon NewCo 2 Limited (“Pendragon NewCo”) which will hold, either directly or indirectly through its wholly-owned subsidiaries, the Company’s entire UK motor business and leasing business (the “Disposal”), to Lithia UK Holding Limited (the “Purchaser” or “Lithia”) for a gross aggregate consideration of £250 million (subject to certain financial adjustments) (the “Consideration”). The Disposal will result in the transfer of the Group’s pension plan and also the Company’s defined benefit pension scheme (the “DB Pension Scheme”). In addition, under the terms of the Disposal, Lithia will repay the net bank debt of the Company on Disposal Completion, leaving the Company debt and cash free.

The Strategic Partnership (as defined below) comprises two key aspects:

First, the Company and the Purchaser will commit to completing the rollout of Pinewood software across Lithia’s existing 50 UK sites (the “UK Rollout”), adding approximately 2,500 users. The UK Rollout is to commence within 6 months of Disposal Completion and is intended to be completed within 12 months.

Second, the Company and the Purchaser intend to enter into the North American Pinewood Agreement for the principal purpose of co-developing and commercialising in the United States of America and Canada the North American version of Pinewood (the “North American Pinewood Opportunity”). The ambition is to customise Pinewood’s software to unlock the highly attractive North American market, which includes Lithia’s c.17,500 users across 296 locations and additional third-party users; a market that is estimated to be worth more than £2.6 billion per year. It is believed that the co-development will also aid Pinewood’s global expansion across key markets notably covering, Western European countries, Nordics, Asia-Pacific, Middle East and South Africa, in addition to North America.

To underpin the partnership between the two companies, Lithia will subscribe for 279,388,880 new Ordinary Shares (the “Subscription Shares”) for an aggregate amount of £30 million (the “Subscription Price”), to be effected by way of a “cash box” structure such that immediately following Transaction Completion, Lithia will own not less than 16.67 per cent. of the issued share capital of the Company (the “Subscription”). As such, Lithia’s investment implies a day-one valuation of £180 million for the equity of Pendragon.

In addition to subscribing for the Subscription Shares, Lithia may acquire further Ordinary Shares in connection with certain proposals that are being made to participants in the LTIP as a result of the Transaction. Those additional Ordinary Shares may be acquired by Lithia from LTIP participants pursuant to private arrangement(s) to be entered into between the Employee Benefit Trust, certain of the LTIP participants who accept such proposals and Lithia. If the maximum number of Ordinary Shares available pursuant to those proposals are acquired by Lithia, then following Transaction Completion and the Subscription, Lithia will own up to 19.84 per cent. of the issued share capital of the Company. Participants in the LTIP will be sent a letter in due course explaining the effect of the Transaction on their awards and the proposal being offered to them.

The Company will use such amount of the Subscription Price as is equal to 9.99 per cent. of the issued share capital of the Company immediately prior to the issuance of the Subscription Shares, being £15 million, to finance its £10 million capital investment in the North American Pinewood Opportunity (the “North American Pinewood Commitment”) with the remaining £5 million to be invested in the Continuing Group, establishing the Company as a high-growth standalone entity (the “Pinewood Investment”). Lithia will also invest £10 million into the North American Pinewood Opportunity at the outset.

The North American Pinewood Opportunity, the UK Rollout and the Subscription together constitute the “Strategic Partnership” and the Strategic Partnership together with the Disposal constitute the “Transaction”.

After adjustment for estimated transaction costs, the recapitalisation of Pendragon, the North American Pinewood Commitment and the retention of £10 million for the working capital of the Continuing Group, the Company expects to receive net aggregate proceeds from the Disposal (including, for the avoidance of doubt, the net proceeds of the Subscription) of £240 million, equivalent to 16.5 pence per Ordinary Share for Shareholders, which the Board intends to distribute to Shareholders following Transaction Completion (the "Transaction Dividend"). The Transaction Dividend, when made, will exclude Lithia in respect of the Subscription Shares only (taking into account any relevant tax and legal considerations to the making of such a distribution).

Disposal Completion is conditional, amongst other requirements, on the transfer of the DB Pension Scheme to a member of the Disposal Group and, accordingly, the Board is engaging in discussions with the trustees of the DB Pension Scheme to substitute the Company with Pendragon NewCo (or another member of the Disposal Group) as the principal employer for the purposes of the DB Pension Scheme and to put in place new flexible apportionment arrangements in substitution for the existing arrangement. The new arrangements are subject to reaching agreement with the trustees of the DB Pension Scheme.

## 2. Background to and reasons for the Transaction

The Board remains confident about the future operating prospects of the Group. Under the leadership of the current management team, the Company has delivered exceptional operational performance and made significant progress towards achieving its medium-term targets originally announced in September 2020. Having restructured the Group's cost base and implemented a number of strategic, financial and operational improvements in recent years, the Company has achieved impressive financial performance in its recent results.

At all times, the Board has focused on maximising value for the Shareholders as well as the interests of all stakeholders, and this has included exploring strategic options for the Group.

Notwithstanding the operational and financial resilience of the Group and the positive strategic developments demonstrated during the last three years, the Ordinary Shares have persistently traded at a discount to what the Directors consider to be reflective of the value of the Business. In addition, the limited liquidity of the Ordinary Shares makes it challenging for Shareholders to monetise their shareholdings in the Company. During 2022, the Company received expressions of interest and subsequently entered into advanced discussions regarding a potential sale of the Company on two separate occasions, neither of which led to a firm offer.

Against this backdrop, the Board announced a Review of Strategic Options on 27 September 2022 which led to multiple expressions of interest for the potential acquisition of parts of the Group. The Transaction is the value-maximising conclusion of this review and the Board believes that it will deliver an attractive cash dividend to Shareholders in the form of the Transaction Dividend, while retaining an ongoing interest in a pure-play SaaS business with an accelerated growth plan and broader strategic partnerships, which provides a strong value proposition to Shareholders that is in line with previous possible offers for the Company. The Transaction Dividend is expected to be paid in Q1 2024 to those Shareholders who hold Ordinary Shares (other than Lithia in respect of the Subscription Shares) at the relevant record time. Further details in respect of the intended Transaction Dividend, including the record time for participating in such Transaction Dividend, will be announced by the Company in due course.

The Transaction provides Shareholders with a total value per Ordinary Share amounting to 16.5 pence in cash dividend, a retained approximately 83.3 per cent. ownership in the Remaining Business (including Pinewood Tech) valued initially at approximately 10.3 pence on a fully-diluted basis, and a share in North America JVCo of approximately 0.6 pence. In aggregate, Shareholders will initially receive the equivalent of approximately 27.4 pence per Ordinary Share with further significant upside expected from the Strategic Partnership.

The Board has also taken into consideration the valuation of publicly-traded comparable companies with similar revenue growth, earnings margin, recurring revenue and cash conversion including Ansys, Aspen, Autodesk, Bentley, CCC Intelligent, Constellation, Meridianlink, Powerschool, Temenos and Veeva. Public markets have historically rewarded the strong performance of this profitable software sector with correspondingly attractive revenue, EBITDA and EBITDA-capex multiples of enterprise value. This peer group currently trades at a median enterprise value to 2022 revenue multiple, 2022 EBITDA multiple and 2022 EBITDA–capex multiple of c.10 times, c.25 times and c.25 times respectively. In addition, within the DMS sector, acquisitions of competitors to Pinewood have occurred at attractive multiples, notably Francisco Partner's acquisition of CDK International and Brookfield's acquisition of CDK Global at approximately 15 times and 13.3 times last twelve months' adjusted EBITDA to enterprise value respectively. These transactions further validate the potential for the shares of the Company to trade well as an independent SaaS business. Pinewood Tech's EBITDA for the financial year ended 31 December 2022 was £15.3 million.

## 3. Principal terms and conditions of the Transaction

*The Reorganisation*

Prior to completion of the Disposal, the Company will effect the Reorganisation. The Reorganisation will result, amongst other things, in a newly incorporated wholly-owned subsidiary of the Company, Pendragon NewCo, holding, either directly or indirectly, the Target Companies and each of the Subsidiaries. Following completion of the Reorganisation, Pendragon NewCo, together with the Target Companies and each of the Subsidiaries shall be the Disposal Group. The Company will also undertake an exercise prior to Transaction Completion to transfer any assets required to operate the Business to the Disposal Group, to the extent such assets are not already within the Disposal Group.

*The Disposal*

On 18 September 2023, the Company, PGHL and the Purchaser entered into the Sale Agreement, pursuant to which the Company and PGHL agreed, subject to the satisfaction (or waiver, where applicable) of certain conditions, to sell the entities comprising the Disposal Group to the Purchaser. The Sale Agreement is governed by the laws of England and Wales.

The aggregate consideration payable (including the Subscription Price) is £280 million (subject to certain financial adjustments) payable in cash on Disposal Completion.

Completion of the Sale Agreement is conditional upon the satisfaction (or waiver, where applicable) of the following conditions:

(a) the CMA Condition;

(b) the Shareholder Condition;

(c) the Reorganisation Condition;

(d) the FCA Conditions;

(e) the Pensions Condition; and

(f) the OEM Condition.

The Sale Agreement contains certain warranties and a tax covenant given by the Company that are customary for a transaction of this nature and, in addition, limited warranties given by PGHL. The Sale Agreement also contains warranties given by the Purchaser which are customary for this type of transaction.

Any warranty claims or tax covenant claims brought against the Company and PGHL under the Sale Agreement are subject to customary limitations, including a maximum financial liability cap of £1.00. The Purchaser expects to take out a warranty and indemnity insurance policy to provide it with recourse in respect of warranty claims or tax covenant claims in excess of this cap. The aggregate liability of the Company for all other claims under the Sale Agreement shall not exceed an amount equal to 25 per cent. of the Consideration.

*The Subscription Agreements*

The allotment and issue of new Ordinary Shares to the Purchaser pursuant to the Subscription will be effected by way of a “cash box” structure, which is expected to have the effect of increasing the Company's distributable reserves and providing the Company with the subscription proceeds it requires in order to make the North American Pinewood Commitment and the Pinewood Investment. The ability to realise distributable reserves in the Company will also facilitate payment of the Transaction Dividend.

As part of the cash box structure, the Company, JerseyCo and the Purchaser intend to enter into (i) an initial subscription and put and call option agreement (the “Option Agreement”); and (ii) a subscription, transfer and relationship agreement (the “Subscription, Transfer and Relationship Agreement” and together with the Option Agreement, the “Subscription Agreements”).

In addition, in accordance with the terms of the Subscription, Transfer and Relationship Agreement, Lithia shall have the right to nominate up to two directors (“Lithia Nominee Directors”) to be appointed to the Board. The Subscription, Transfer and Relationship Agreement will include customary terms, which will regulate the relationship between the Company and the Purchaser (in its capacity as a Shareholder) including, *inter alia*, the appointment of the Lithia Nominee Directors.

The Subscription is conditional upon the following conditions:

(a) Disposal Completion; and

(b) Admission occurring or becoming effective by 8.00 a.m. (London time) on or prior to 20 September 2024 (or such later time and/or date as the Purchaser and the Company may agree).

In addition, pursuant to the terms of the Subscription, Transfer and Relationship Agreement, Lithia agrees to waive all rights and entitlement to the Transaction Dividend in respect of its entire holding of Subscription Shares.

The Subscription Shares will be issued at a price of c.10.74 pence per Subscription Share, which represents a discount of approximately 41.9 per cent. to the middle market price of the Ordinary Shares at the Latest Practicable Date. Accordingly, as this discount will exceed 10 per cent. of the middle market price as at the Latest Practicable Date, the issue of the Subscription Shares requires approval of Shareholders under Listing Rule 9.5.10 R. In setting the price per Subscription Share, the Directors have considered the process by which the Subscription Shares need to be offered to the Purchaser to reflect the total amount required pursuant to the Transaction to pay the Transaction Dividend and to ensure the success of the Transaction as a whole and for the benefit of the Company. The Directors believe that both the Subscription Price and the discount to the Subscription Shares are appropriate.

In accordance with the terms of the Subscription, Transfer and Relationship Agreement, the Purchaser will undertake to the Company that subject to certain limited exceptions, it will not dispose of the Subscription Shares held by it for a period of two years from the date of Admission.

*The North American Pinewood Opportunity*

The Company (and/or a wholly-owned subsidiary of the Company) and Lithia (and/or a wholly-owned subsidiary of Lithia) intend to enter into the North American Pinewood Agreement for the principal purpose of co-developing and commercialising in the United States of America and Canada the North American version of Pinewood through investment in a Delaware incorporated limited liability company, North America JVCo. The Company (or its wholly-owned subsidiary) will hold 49 per cent. of the equity interest in North America JVCo and Lithia (or its wholly-owned subsidiary) will hold 51 per cent..

The board of directors of North America JVCo will be responsible for the management of North America JVCo and its business, subject to, *inter alia*, the terms of the constitutional documents of North America JVCo and any reserved matters in respect of the strategic decisions and operation of North America JVCo, which shall require the consent of members holding 85 per cent. of the equity interests of North America JVCo. Each of Lithia and the Company shall be entitled to appoint two managers to the board of directors of North America JVCo. Lithia shall have the right to appoint the chairperson of the board of directors of North America JVCo. The chairperson shall have a casting vote.

Other than as permitted in certain limited circumstances, no transfer, allotment or issue of the securities in North America JVCo shall be permitted until the fifth anniversary after completion of the North American Pinewood Agreement (the "Lock-Up Period").

The North American Pinewood Agreement provides for customary exit provisions for a joint venture of this nature, which apply following expiry of the Lock-Up Period, including transfers to affiliates, drag rights for the majority member and mutual tag rights. The North American Pinewood Agreement provides for customary mandatory transfer events whereby, at any time, if a mandatory transfer event occurs in respect of a member, the other member has the right to acquire their shares for fair market value.

It is expected that, at Transaction Completion, North America JVCo will enter into certain arrangements with the Company for, *inter alia*, the distribution and licensing of the Pinewood software into the United States of America and Canada, including the Licence and Framework Services Agreement.

*The rTSA*

The rTSA will be entered into between the Company and a member of the Disposal Group to govern the separation and transition of several services and functions required by the Continuing Group from the Disposal Group.

*The IP Assignment*

The IP Assignment will be entered into between the Company and Pendragon Management Services Limited to effect the assignment of certain trade marks, domain names and associated trading names used in the business operated by the Disposal Group from the Company to Pendragon Management Services Limited.

*The Licence and Framework Services Agreement*

The Licence and Framework Services Agreement will be entered into between Pinewood Tech and North America JVCo and will operate as a framework to facilitate the development, customisation and sale of the software in the North American market.

*Transaction Completion*

The Disposal is conditional upon the satisfaction (or waiver, where applicable) of the conditions set out in the Sale Agreement. The Subscription will be conditional on completion of the Disposal, and the arrangements relating to the North American Pinewood Opportunity will complete immediately following the Subscription. Therefore, the Subscription will only proceed, and the North American Pinewood Opportunity will only be pursued, if the Disposal completes.

The Board expects that, subject to the satisfaction and/or waiver (where applicable) of the conditions precedent to the Disposal, the Subscription and the North American Pinewood Opportunity, Transaction Completion will occur in Q4 2023.

## 4. Information on the Purchaser

Lithia Motors, Inc. is one of the largest automotive retailers in North America providing a wide array of products and services throughout the ownership lifecycle with a proven track record as a pragmatic disruptor providing transparent, convenient experiences for customers and diverse consumer solutions. With over 340 stores as of 30 June 2023 and approximately 22,000 employees as of 31 December 2022, Lithia has generated approximately $28 billion in revenue and $1.8 billion in adjusted EBITDA over the trailing twelve months and has demonstrated a consistent ability to compound growth including a 10-year revenue growth CAGR of c.21 per cent. and 10-year EPS growth CAGR of c.31 per cent. (10 years through to 31 December 2022).

In addition to a full-suite of easy and convenient solutions to serve customers through all aspects of the vehicle ownership lifecycle with omni-channel optionality, Lithia's long-term strategy includes expanding and diversifying within mobility-related adjacencies such as consumer finance, fleet management, logistics (charging) and software.

The acquisition of Pendragon NewCo will build upon Lithia's already significant scale in the UK, following the March 2023 acquisition of Jardine Motors Group, including more than 50 premium luxury retail locations and is expected to generate over $2 billion in annualized revenues.

As of 30 June 2023, Lithia had over 45 OEM brands, with over 340 stores worldwide at period end and more than 75,000 vehicles in inventory**.**

**Summary financial information of the Purchaser**

(Unaudited)

| ($ in millions, except per share data) | Year ended 31 December 2020 | Year ended 31 December 2021 | Year ended 31 December 2022 |
|---|---|---|---|
| Revenue | 13,127 | 22,832 | 28,188 |
| Cost of Sales | 10,902 | 18,573 | 23,035 |
| Gross Profit | 2,224 | 4,259 | 5,152 |
| Operating Income | 693 | 1,663 | 1,941 |
| Net Income | 470 | 1,063 | 1,262 |
| Earnings Per Share (Diluted) | 19.53 | 36.54 | 44.17 |

## 5. Information on Pendragon

Pendragon, one of the UK's premier automotive retailers, is headquartered in Nottingham, UK and its shares are admitted to listing on the premium segment of the Official List and to trading on the London Stock Exchange's main market for listed securities. As at 31 December 2022, the Company employed 5,334 people helping to serve customers across more than 160 sites across the UK and online. The Company currently operates three key business divisions: UK Motor, Pinewood and Pendragon Vehicle Management.

*UK Motor*: The UK Motor division focuses on the sale and servicing of new and used cars and vans via its retail network in the UK and its online platform. New car retail operates through two main consumer brands in the UK:

a) Evans Halshaw is one of the UK's leading volume motor car and commercial vehicle retailer, providing national coverage with approximately 89 retail locations. Evans Halshaw holds franchises to retail and service brands for cars and vans, including Citroen, Dacia, DS, Ford, Hyundai, Kia, Nissan, Peugeot, Renault and Vauxhall; and

b) Stratstone is one of the UK's largest premium motor car retailers, with 45 franchise points nationwide. Stratstone holds franchises to retail and service some of the world's most prestigious brands, including Aston Martin, BMW, Ferrari, Jaguar, Land Rover, Mercedes-Benz, MINI, Porsche, Smart and BYD.

The Group is also a leading retailer of used cars, through its extensive store network and through the Car Store brand, which was relaunched in May 2022 as a market leading, omni-channel hybrid proposition. CarStore.com is an online market-place for used car inventory which lists over 10,000 used vehicles on a single transactional website. CarStore.com is a market leading digital proposition and is supported by a growing network of physical CarStore sites, which combine with the national franchise store footprint.

*PVM*: PVM is a vehicle leasing business that offers a complete range of fleet leasing and contract hire solutions. It supplies fleet vehicles and management services to help businesses manage their fleets, improve efficiency, reduce costs and save time. The fleet of vehicles is financed through third party asset funders.

*Pinewood*: Pinewood is a leading cloud-based DMS provider that provides innovative software solutions to the automotive industry both in the UK and internationally. Pinewood has received strong OEM support through partnerships with BMW and Renault, and with integration with over 50 manufacturers.

## 6. Summary of the Disposal Group

The Disposal Group is made up of the Company's entire UK Motor and PVM divisions, as outlined above.

**Disposal Group Income Statement**

| | Year ended 31 December 2020 | Year ended 31 December 2021 | Year ended 31 December 2022 |
|---|---|---|---|
| | £m | £m | £m |
| Revenue | 2,749.7 | 3,401.8 | 3,600.9 |
| Cost of Sales | (2,435.0) | (2,982.4) | (3,160.8) |
| **Gross profit** | **314.7** | **419.4** | **440.1** |
| Operating expenses | (314.3) | (321.3) | (356.6) |
| **Operating profit / (loss) before other income** | **0.4** | **98.1** | **83.5** |
| Other income | (0.4) | 1.8 | 7.7 |
| **Operating profit / (loss)** | **-** | **99.9** | **91.2** |

Notes:

1. The income statements presented above are unaudited.
2. The income statements presented above exclude the impact of intercompany transactions between the Disposal Group and the Continuing Group.
3. The income statements presented above include the Disposal Group's share of the Group's corporate and head office costs in line with the actual allocations recognised historically through intercompany

recharges. Total recharges recognised within the Disposal Group were £2.5 million, £3.0 million and £3.8 million in the years ended 31 December 2020, 31 December 2021 and 31 December 2022 respectively. Following the Transaction, the obligation for all retained corporate and head office costs will remain with the Continuing Group, which could result in a cost base materially different to that represented through the actual historical intercompany allocations.

4. The income statements presented above do not include an allocation of tax or finance expense / income as it is not possible to provide a meaningful allocation to the Disposal Group.

## 7. Summary of Pinewood

Pinewood is a vertically integrated technology platform that provides SaaS in the UK and in a number of countries worldwide. The UK DMS market for franchised motor dealers is estimated to be worth over £100 million. Three DMS providers dominate the UK market, of which Pinewood is one. The global automotive DMS market is estimated to be worth approximately £3.8 billion. Pinewood's approach to the DMS market is characterised by:

- a single product capable of global deployment, which simplifies future developments to the system and reduces operating costs;
- a feature-rich cloud-based solution, with no need for costly third-party add-ons;
- focus on strong manufacturer partnerships and supporting dealer profitability; and
- commitment to using the latest technology to reshape motor retail.

The Pinewood management team led by Paul Hopkinson, who joined Pinewood when the Pinewood business was founded in 1981 and has been Managing Director of Pinewood since 1998, is highly experienced and has been broadly operating independently of the wider Group since Pinewood was acquired in 1998. Pinewood was an early adopter of the SaaS business model and has focused on developing recurring revenue streams with approximately 90 per cent. of Pinewood's DMS revenues being on a recurring basis. Pinewood currently services over 30,000 users globally with a current focus on Europe, Africa, and Asia. Whilst the Company remains an important customer to Pinewood, as Pinewood has grown, the Company's proportion of the Pinewood total user base has been diluted to approximately 17 per cent. with intra-group charging maintained at a competitive market rate. During FY22, overall net user numbers increased by 4 per cent. to approximately 31,700. Across Pinewood's international markets there was a 13 per cent. net increase in user numbers to a record high of approximately 6,400 users. All international markets grew user numbers in FY22 with Pinewood benefiting from both the expansion of existing customers and new sales. Growth was further supported by launches in Singapore and the Middle Eastern market. Pinewood systems now operate in a total of 19 different countries. In the UK and Ireland market (excluding the Company) there was an increase in user numbers in FY22 to approximately 20,000. The full benefit of these user additions will be seen on an annualised basis in FY23 result. A breakdown of users by region is as follows:

- UK & Ireland (approximately 25,000);
- Rest of Europe (approximately 2,000); and
- Rest of World (approximately 5,000).

Pinewood's growth benefits not just from sales to new customers but also from the expansion of its existing highly loyal customer base. In FY22 external net user churn was less than 1 per cent., in line with the average of approximately 2 per cent. over the last 5 years, and in international markets (excluding UK and Ireland) it was negative, as the rate at which existing customers grew more than offset user reductions. There has also been further progress in terms of OEM support at an international level with long-standing partnerships with 50 OEM brands. Pinewood continues to build a strong partnership with Volkswagen AG and Porsche, which has enabled constructive dialogue and, in some cases, initial user implementations with large international dealer groups in both the European and the Asia Pacific market.

Pinewood has an experienced, developer orientated workforce with approximately 220 employees of which approximately 130 are software developers.

*Financial Review*

Total revenues increased by 4.1 per cent. to £25.4 million compared to FY21. International DMS recurring revenues increased by 27 per cent., reflecting the underlying user growth and expansion of the direct sales model in the European and Asia Pacific markets. UK and Ireland DMS recurring revenues fell slightly in the period, driven by the amortization impact of two exceptional customer exits at the end of the prior year and reduced user numbers in the first half of FY22. User growth returned by the end of FY22 leaving Pinewood well placed for growth in its home market heading into the FY23.

In addition to recurring revenues, there was a 9 per cent. increase in external DMS transactional charges, system training and implementation revenues. This was driven by an increase in system implementations in the UK and Ireland in the second half of FY22. Gross profit increased by 0.9 per cent. to £22.7 million. There was a reduction in gross margins driven by the expanded use of the Microsoft Azure platform. This transition is a one-off event, and the related cost increase will not recur in future periods.

Operating costs increased by £1.7 million or 17.0 per cent. compared to FY21. In FY22 the amortization charge of £4.2 million (increased from £3.7 million in the previous year) made up over a third of operating costs. Alongside rising personnel costs, the higher amortization charge drove the operating cost increase, both reflecting increased investment in the development of the DMS platform and Pinewood's operational capabilities. Further cost increases arose from higher travel expenditure following the reduction in COVID-19 restrictions, as well as higher energy costs. As a result of these movements, underlying operating profit was £11.0 million. There was approximately £6 million of invested capital in FY22.

| | Year ended 31 December 2020 | Year ended 31 December 2021 | Year ended 31 December 2022 |
|---|---|---|---|
| | £m | £m | £m |
| Revenue | 22.3 | 24.4 | 25.4 |
| Cost of Sales | (1.8) | (1.9) | (2.7) |
| **Gross profit** | **20.5** | **22.5** | **22.7** |
| Operating expenses | (8.4) | (10.0) | (11.7) |
| **Operating profit / (loss) before other income** | **12.1** | **12.5** | **11.0** |
| Other income | - | - | - |
| **Operating profit / (loss)** | **12.1** | **12.5** | **11.0** |

Notes:

1. The income statements presented above are unaudited.
2. The Pinewood income statements presented above relate to the software operating segment only and have been extracted without material adjustment from the 2022 Annual Report and Accounts and the 2021 Annual Report and Accounts.
3. The Continuing Group also includes the US Motor operating segment, which is excluded from the Pinewood income statements presented above. The US Motor operating segment was presented as a discontinued operation in the 2022 Annual Report and Accounts and the 2021 Annual Report and Accounts.
   For the year ended 31 December 2022, the US Motor operating segment was no longer revenue generating and incurred an operating loss of £1.5 million. Following the Transaction, operating

expenses incurred by the Continuing Group in relation to the US motor operating segment are expected to reduce as the business continues to wind down.

4. The income statements presented above include the impact of intercompany transactions between Pinewood and the Disposal Group.
5. The income statements presented above include Pinewood's share of the Group's corporate and head office costs in line with the actual allocations recognised historically through intercompany recharges. Total recharges recognised within Pinewood were £0.3 million, £0.3 million and £0.3 million in the years ended 31 December 2020, 2021 and 2022, respectively. This excludes the share of the Group's corporate and head office costs related to the US Motor operating segment (totalling £0.3 million, £ 0.1 million and £nil million in the years ended 31 December 2020, 2021 and 2022 respectively) which also forms part of the Continuing Group.
6. The income statements presented above do not include an allocation of tax or finance expense / income as it is not possible to provide a meaningful allocation to Pinewood.

**8. Use of proceeds, financial effects of the Disposal and strategy of the Continuing Group**

The Company will use such amount of the Subscription Price as is equal to 9.99 per cent. of the issued share capital of the Company immediately prior to the issuance of the Subscription Shares, being £15 million, to finance its £10 million capital investment in the North American Pinewood Opportunity with the remaining £5 million to be invested in the Continuing Group, establishing the Company as a high-growth standalone entity. The Company shall retain £10 million of the Consideration for the working capital of the Continuing Group. The Board intends to use as much as possible of the remaining balance of the Consideration to make a distribution to Shareholders following Transaction Completion (taking into account any relevant tax and legal considerations to the making of such a distribution) in an amount equal to the Transaction Dividend. The Transaction Dividend is expected to be paid in Q12024 to those Shareholders (other than Lithia in respect of the Subscription Shares) who hold their Shares at the relevant record time. Further details in respect of the intended Transaction Dividend, including the record time for participating in such Transaction Dividend, will be announced by the Company in due course. The Continuing Group, which is expected to be cashflow positive will have an unencumbered balance sheet, following the repayment of all existing net bank debt by Lithia. The Board will look to assess the appropriateness of any dividend policy following Transaction Completion.

A board and executive management team appropriate for a publicly listed company are required to accelerate growth in Pinewood but the associated costs will become fully absorbed within the Continuing Group. In addition, certain existing group services will be required by the Continuing Group and the costs associated with the ongoing management of the US wind-up will also be retained. The anticipated incremental cost to Pinewood's current operating profit is between approximately £2 million and £2.5 million, which is expected to be largely offset by the aforementioned addition of approximately 2,500 new users as a result of the UK Rollout, based on an assumption of a revenue per user equivalent to that paid by the Company.

Following Transaction Completion, the Continuing Group will also retain its US motor division, which comprises entities relating to historical retail operations in California in the United States. This segment ceased trading in 2021 following the sale of its remaining stores, however the Group continues to retain the associated entities in order to wind-up legacy liabilities. For the year ended 31 December 2022, the Group incurred a profit before tax loss of £1.5 million from the US motor division. The level of cost associated with US motor is expected to substantially decrease over the coming years, in line with the reduction in liabilities.

After Transaction Completion, the Continuing Group intends to focus on the growth prospects of Pinewood as well as the Strategic Partnership with increased operating flexibility following the recapitalisation. The business of the Continuing Group will be led by William Berman as Chief Executive Officer and Oliver Mann as Chief Financial Officer, supported by a highly experienced management team.

## 9. Current trading, trends and future prospects for the Continuing Group

Pinewood's existing growth plans are focused on three core pillars:

1. product innovation:
   - (i) opportunity remains to expand digital capabilities to existing customers as bolt on applications and create tools to enhance the customer experience to attract new customers;
   - (ii) Pinewood is well positioned to fundamentally simplify auto retail working from its existing capability and there is opportunity to scale in US with the product developed for the US market in partnership with Lithia;
   - (iii) opportunity to lead innovation of DMS product globally in partnership with Lithia, in areas such as eCommerce, valuation and equity mining,
2. user growth in existing territories:
   - (i) opportunity to grow with major retail players in the UK post separation from Pendragon motor division;
   - (ii) exciting opportunity for growth in markets such as Asia Pacific, Middle East and Europe in particular;
   - (iii) targeting approximately 16,000 new users over the next five years in markets outside of North America, and
3. access to North American Market through North America JVCo:
   - (i) the Board believes Lithia is the ideal partner to turbocharge Pinewood's expansion into North America and North America JVCo provides access to approximately 17,500 initial users across Lithia's current store estate of 296 dealerships and a total addressable US market of approximately 18,000 new car dealerships;
   - (ii) leverage Lithia relationship to develop product for the North American markets where other European based DMS providers do not currently have a presence;
   - (iii) Pinewood's cloud-based technology to grow locally in North America without hardware limitations;
   - (iv) Lithia currently spends approximately $100 million annually on their technology stack and by partnering with Lithia there is an opportunity to generate a revenue stream from DMS and customer relationship management functions alone of more than double Pinewood Tech's current annual revenues.

The Board believes that the growth prospects for the Continuing Group will be materially enhanced as a result of becoming an independent, pure-play SaaS business as well as through the Strategic Partnership. As such, the Board is targeting user growth of approximately 16,000 to approximately 48,000 by FY27 with an associated target of £27 million EBITDA by FY27 from existing Pinewood opportunities and the UK Rollout, with specific user targets as follows:

- (i) UK Rollout (c.2,500);
- (ii) Other UK & Ireland (c.3,500);
- (iii) Europe (c.4,000);
- (iv) Middle East (c.1,500);
- (v) Asia-Pacific (c.4,000); and
- (vi) Africa (c.500).

The North American market is both highly attractive and stable, with approximately 21,000 new car automotive dealers in the US (approximately 18,000) and Canada (approximately 3,000), which have been consistently operating over approximately the last 10 years. It is also highly fragmented with the largest 10 dealership groups representing approximately only 10 per cent. share of new vehicle volumes in 2022. Lithia is one of the largest automotive retailers with 296 dealerships providing significant scale and opportunity. The Board estimates the monthly DMS spend per dealership at approximately £12,000, which implies a significant market opportunity of approximately £2.6 billion for the US and further upside into North America and used cars. The Board, based on its discussions with Lithia, believes that Pinewood's cloud-based single system, agile approach, provides a competitive advantage.

## 10. Board changes

It was previously announced that Martin Casha would be stepping down as Director and Chief Operating Officer of the Company on 7 November 2023 to take up a position as Chief Executive Officer of Marshall Motor Group. It has been agreed between the Company and Martin Casha that his resignation will be accelerated to 7 October 2023.

Ian Filby will be stepping down as Non-Executive Chairman of the Company but will continue in his role until Pendragon identifies and appoints Ian's successor.

Mark Willis will be stepping down as Director and Chief Financial Officer of the Company subject to and conditional on Transaction Completion and his successor will be Oliver Mann who will be appointed as Director and Chief Financial Officer of the Company subject to and conditional on Transaction Completion. Oliver Mann has been at the Company for 18 years, holding roles including Director of Group Finance and Investor relations, Group Financial Controller and Head of Financial Planning and Analysis.

On and following Subscription Completion, and in accordance with the terms of the Subscription, Transfer and Relationship Agreement, Lithia shall have the right to nominate the Lithia Nominee Directors to be appointed to the Board.

Following Transaction Completion, the Board is expected to comprise a majority of independent non-executive directors.

## 11. Irrevocable undertakings

The Directors who hold interests in the Ordinary Shares have each irrevocably undertaken (or have confirmed to the Company and the Sponsor that they will irrevocably undertake) to vote at the General Meeting in favour of the Resolution in respect of the Ordinary Shares to which they are beneficially entitled (representing in aggregate approximately 1.0 per cent. of the entire issued share capital of the Company as at the Latest Practicable Date).

In addition, Shareholders who hold interests in the Ordinary Shares representing, in aggregate, approximately 26.5 per cent. of the entire issued share capital of the Company as at the Latest Practicable Date have each irrevocably undertaken (or have confirmed to the Company and the Sponsor that they will irrevocably undertake) to vote at the General Meeting in favour of the Resolution in respect of the Ordinary Shares to which they are beneficially entitled. The Shareholders comprise Schroder Investment Management Limited, Briarwood Capital Partners LP, Hosking Partners LLP, Farringdon Netherlands BV, Huntington Management LLC, and Sir Nigel Rudd.

Appendix – Definitions and Glossary

The following definitions apply throughout this announcement, unless the context otherwise requires:

| | |
|---|---|
| **"2021 Annual Report and Accounts"** | the annual report and accounts prepared by the Company for the financial year ended 31 December 2021. |
| **"2022 Annual Report and Accounts"** | the annual report and accounts prepared by the Company for the financial year ended 31 December 2022. |
| **"Admission"** | the admission of the Subscription Shares to the premium segment of the Official List and to trading on the London Stock Exchange's main market for listed securities. |
| **"Board" or "Directors"** | the board of directors of the Company. |
| **"Business"** | the Company's UK motor business (sale and servicing of vehicles in the UK) and leasing business (fleet and contract hire provider and used vehicle supply). |
| **"CAGR"** | compound annual growth rate. |
| **"Circular"** | the circular to be posted to Shareholders in connection with the Transaction, including the Notice of General Meeting |
| **"CMA"** | the United Kingdom's Competition and Markets Authority. |
| **"CMA Condition"** | confirmation from the CMA, in response to a briefing paper to be submitted by the Purchaser to the CMA in relation to the Disposal, that: (i) it has no further questions on the briefing paper and/or does not intend to launch a CMA Phase 1 Investigation in relation to the Disposal, or alternatively (ii) it does not intend to launch a Phase 2 Reference in relation to the Disposal or the period within which the CMA can make a Phase 2 reference having expired. |
| **"CMA Phase 1 Investigation"** | an investigation by the CMA to determine whether to make a CMA Phase 2 Reference. |
| **"CMA Phase 2 Reference"** | a reference of the Disposal to the chair of the CMA under article 33 of the EA02 for the constitution of a group under schedule 4 to the Enterprise and Regulatory Reform Act 2013. |
| **"Combined DMS Software Licence"** | the agreement to be entered into in respect of licensing the Pinewood DMS software, including the UK Rollout. |
| **"Companies Act"** | the Companies Act 2006, as amended. |
| **"Company" or "Pendragon"** | as the context requires, prior to Transaction Completion, Pendragon plc, a company incorporated in England and Wales with registered number 02304195 and, subject to and conditional upon Transaction Completion and following Transaction Completion, to be renamed Pinewood Technologies plc. |
| **"Conditions"** | the conditions to the Disposal. |
| **"Consideration"** | the consideration payable by the Purchaser on Disposal Completion. |
| **"Continuing Group"** | the Group (excluding at and from Disposal Completion, the Disposal Group). |

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|---|---|
| **"DB Pension Scheme"** | the Pendragon Group Pension Scheme, currently governed by the DB Pension Scheme Rules. |
| **"DB Pension Scheme Rules"** | the definitive deed and rules governing the DB Pension Scheme dated 24 September 2012 (as amended from time to time). |
| **"Disclosure Guidance and Transparency Rules"** | the disclosure guidance and transparency rules made by the FCA under section 73A of FSMA, as amended from time to time. |
| **"Disposal"** | the proposed disposal of the Disposal Group pursuant to the Sale Agreement. |
| **"Disposal Completion"** | completion of the Disposal in accordance with the provisions of the Sale Agreement. |
| **"Disposal Group"** | subject to the Reorganisation and as at Disposal Completion, Pendragon NewCo and the Target Group. |
| **"DMS"** | dealer management systems. |
| **"EA02"** | the United Kingdom Enterprise Act 2022 (as amended). |
| **"EBITDA"** | earnings before interest, taxation, depreciation and amortisation. |
| **"Employee Benefit Trust"** | the Company's employee benefit trust, established by a trust deed dated 17 June 1999. |
| **"FCA"** | the UK Financial Conduct Authority. |
| **"FCA Conditions"** | together, the FCA Reorganisation Condition and FCA Transaction Condition. |
| **"FCA Reorganisation Condition"** | the approval under FSMA from the FCA being obtained or deemed to have been obtained in respect of the change of control of PFIS (an FCA regulated entity) which will occur as a result of completion of the Reorganisation. |
| **"FCA Transaction Condition"** | the approval under FSMA from the FCA being obtained or deemed to have been obtained in respect of the change of control of PFIS (an FCA regulated entity) which will occur as a result of completion of the Disposal. |
| **"FSMA"** | the Financial Services and Markets Act 2000, as amended. |
| **"FY21"** | the Company's financial year ended 31 December 2021. |
| **"FY22"** | the Company's financial year ended 31 December 2022. |
| **"FY23"** | the Company's financial year ending 31 December 2023. |
| **"FY27"** | the Company's financial year ending 31 December 2027. |
| **"General Meeting"** | the general meeting of the Company at which the Resolution will be proposed and considered. |
| **"Group"** | the Company and its consolidated subsidiaries and subsidiary undertakings from time to time, with Group or Continuing Group being used as the context requires. |
| **"IP Assignment"** | the agreement to be entered into in respect of the IP to be assigned to the Disposal Group. |
| **"Jefferies" or "Sponsor"** | Jefferies International Limited, the Sponsor and financial adviser to the Company. |

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|---|---|
| **“JerseyCo”** | Pendragon Funding Limited, a company to be incorporated in Jersey. |
| **“Latest Practicable Date”** | 15 September 2023 (being the last business day before the date of publication of this announcement). |
| **“Licence and Framework Services Agreement”** | the agreement to be entered into in respect of the licence to be granted to North America JVCo. |
| **“Listing Rules”** | the listing rules made by the FCA under section 73A of FSMA, as amended from time to time. |
| **“Lithia Nominee Directors”** | the directors to be appointed to the Board by Lithia. |
| **“Lock-Up Period”** | other than as permitted in certain limited circumstances, the period from completion of the North American Pinewood Agreement until the fifth anniversary after such completion in which no transfer, allotment or issue of the securities in North America JVCo shall be permitted. |
| **“London Stock Exchange”** | London Stock Exchange plc. |
| **“LTIP”** | Pendragon plc Long Term Incentive Plan. |
| **“MAR”** | the UK version of the Market Abuse Regulation (EU) No. 596/2014 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018. |
| **“North America JVCo”** | a Delaware incorporated limited liability company to be formed by the Company (or a wholly-owned subsidiary of the Company) and Lithia Motors, Inc. (or a wholly-owned subsidiary of Lithia Motors, Inc.. |
| **“North American Pinewood Agreement”** | the agreement to be entered into in respect of the North American Pinewood Opportunity. |
| **“North American Pinewood Commitment”** | the amount used by the Company to finance its capital investment in the North American Pinewood Opportunity. |
| **“North American Pinewood Completion”** | completion of the North American Pinewood Opportunity in accordance with the provisions of the North American Pinewood Agreement. |
| **“North American Pinewood Opportunity”** | co-development and commercialisation in the United States of America and Canada of the North American version of Pinewood pursuant to the North American Pinewood Agreement. |
| **“Notice of General Meeting”** | the notice of General Meeting to be contained in the Circular to be posted to Shareholders in connection with the Transaction. |
| **“OEM”** | original equipment manufacturer. |
| **“OEM Agreements”** | the agreements (excluding any stock finance agreements) entered into between the Group and its OEMs in relation to the business of the Disposal Group. |
| **“OEM Condition”** | receipt of consents to the Disposal from such number of counterparties to the OEM Agreements, representing, in aggregate, not less than 70 per cent. of the profit before tax (including notional central income allocation) generated by the trading |

| | |
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| | dealerships of the Disposal Group as described in the audited consolidated financial statements of the Group for the financial year ended 31 December 2022. |
| **"Option Agreement"** | the initial subscription and put and call option agreement to be entered into between the Company, JerseyCo and the Purchaser. |
| **"Ordinary Shares"** | the ordinary shares of five pence each in the share capital of the Company. |
| **"Pendragon NewCo"** | Pendragon NewCo 2 Limited, a company incorporated in England and Wales with registered number 15112552, and subject to the Reorganisation and as at Disposal Completion, a wholly-owned subsidiary of PGHL and the sole shareholder of the Target Group. |
| **"Pensions Condition"** | the Company and the trustees of the DB Pension Scheme, among others, entering into documents providing for (i) a new entity to become the principal employer of the DB Pension Scheme in substitution for the Company; (ii) the amendment of the DB Pension Scheme Rules; and (iii) a flexible apportionment arrangement for the purposes of Regulation 6E of the Occupational Pension Scheme (Employer Debt) Regulations 2005. |
| **"PFIS"** | Pendragon Finance and Insurance Services Limited, a company incorporated in England and Wales with registered number 00875460. |
| **"PGHL"** | Pendragon Group Holdings Limited, a company incorporated in England and Wales with registered number 14776858. |
| **"Pinewood"** | the Company's DMS business. |
| **"Pinewood Investment"** | the Company's £5 million to be invested in the Continuing Group, establishing the Company as a high-growth standalone entity. |
| **"Pinewood Tech"** | as the context requires, prior to Transaction Completion, Pinewood Technologies plc, a company incorporated in England and Wales with registered number 03542925, (a subsidiary of the Company) and, subject to and conditional upon Transaction Completion and following Transaction Completion, to be renamed concurrently with the renaming of the Company. |
| **"Prospectus Regulation Rules"** | the prospectus regulation rules made by the FCA under Part VI of FSMA. |
| **"Purchaser" or "Lithia"** | Lithia UK Holding Limited, a company incorporated in England and Wales with registered number 14523998. |
| **"Remaining Business"** | the Company, PGHL, Pinewood Tech and Pendragon Overseas Limited (and each of their affiliates but excluding, for the avoidance of doubt, the Disposal Group). |
| **"Reorganisation"** | the reorganisation of the Group in anticipation of the Disposal (resulting in Pendragon NewCo holding, either directly or indirectly, the Target Companies and each of the Subsidiaries) to be undertaken prior to Disposal Completion. |
| **"Reorganisation Condition"** | completion of the Reorganisation. |
| **"Resolution"** | the resolution approving the Transaction, to be proposed and considered at the General Meeting which will be set out in the Notice of General Meeting. |
| **"rTSA"** | the reverse transitional services agreement to be entered into between the Company and a member of the Disposal Group to govern the separation and |

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| | transition of several services and functions required by the Continuing Group from the Disposal Group. |
| **“SaaS”** | Software as a Service. |
| **“Sale Agreement”** | the conditional sale agreement in respect of the Disposal Group. |
| **“Shareholder”** | a holder of Ordinary Shares from time to time. |
| **“Shareholder Condition”** | the approval of the Resolution to be passed by Shareholders at the General Meeting. |
| **“Strategic Partnership”** | together, the North American Pinewood Opportunity, the UK Rollout and the Subscription. |
| **“Subscription”** | the proposed subscription by the Purchaser for the Subscription Shares. |
| **“Subscription Agreements”** | together, the Option Agreement and the Subscription, Transfer and Relationship Agreement. |
| **“Subscription Completion”** | completion of the Subscription in accordance with the provisions of the Subscription Agreements. |
| **“Subscription Price”** | an aggregate price of £30,000,000 which is 10.74 pence per Ordinary Share. |
| **“Subscription, Transfer and Relationship Agreement”** | the subscription, transfer and relationship agreement to be entered into between the Company and the Purchaser. |
| **“Subscription Shares”** | 279,388,880 new Ordinary Shares. |
| **“Subsidiaries”** | subject to the Reorganisation and as at Disposal Completion, the subsidiaries and subsidiary undertakings of the Target Companies. |
| **“Target Companies”** | Pendragon General Partner Limited (company no. SC403382); Pendragon Limited Partner Limited (company no. 07702039); Pendragon Group Pension Trustees Limited (company no. 08153049); Stratstone Motor Holdings Limited (company no. 03836139); Evans Halshaw (Dormants) Limited (company no. 01838867); Pendragon Automotive Services Limited (company no. 03836134); C D Bramall Limited (company no. 00444795); Pendragon Group Services Limited (company no. 03836123); Pendragon Finance and Insurance Services Limited (company no.00875460); and Reg Vardy Limited (company no. 00611190). |
| **“Target Group”** | subject to the Reorganisation and as at Disposal Completion, the Target Companies and each of the Subsidiaries. |
| **“Transaction”** | the Disposal and the Strategic Partnership. |
| **“Transaction Completion”** | together, Disposal Completion, Subscription Completion and North American Pinewood Completion. |
| **“Transaction Dividend”** | the proposed distribution to be made following Transaction Completion by the Company to Shareholders (other than Lithia in respect of the Subscription Shares) in order to return an amount currently estimated at £240 million, equivalent to 16.5 pence per Ordinary Share for Shareholders. |

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| **"Transaction Documents"** | the Sale Agreement, the rTSA, the Subscription Agreements, the IP Assignment, the North American Pinewood Agreement, the Licence and Framework Services Agreement and the Combined DMS Software Licence. |
| **"UK" or "United Kingdom"** | the United Kingdom of Great Britain and Northern Ireland. |
| **"UK Rollout"** | the rollout of the Pinewood DMS software across all of the Purchaser's UK dealerships following Transaction Completion. |

All references to legislation in this announcement are to the legislation of England and Wales unless the contrary is indicated. Any reference to any provision of any legislation shall include any amendment, modification, re-enactment or extension of it.

For the purpose of this announcement, "subsidiary" and "subsidiary undertaking" have the meanings given by the Companies Act.

Words importing the singular shall include the plural and vice versa, and words importing the masculine gender shall include the feminine or neutral gender.