

PENDRAGON PLC

2022 FULL YEAR RESULTS

22ND MARCH 2023

Agenda

1. Introduction

Bill Berman

2. Financial review

Mark Willis

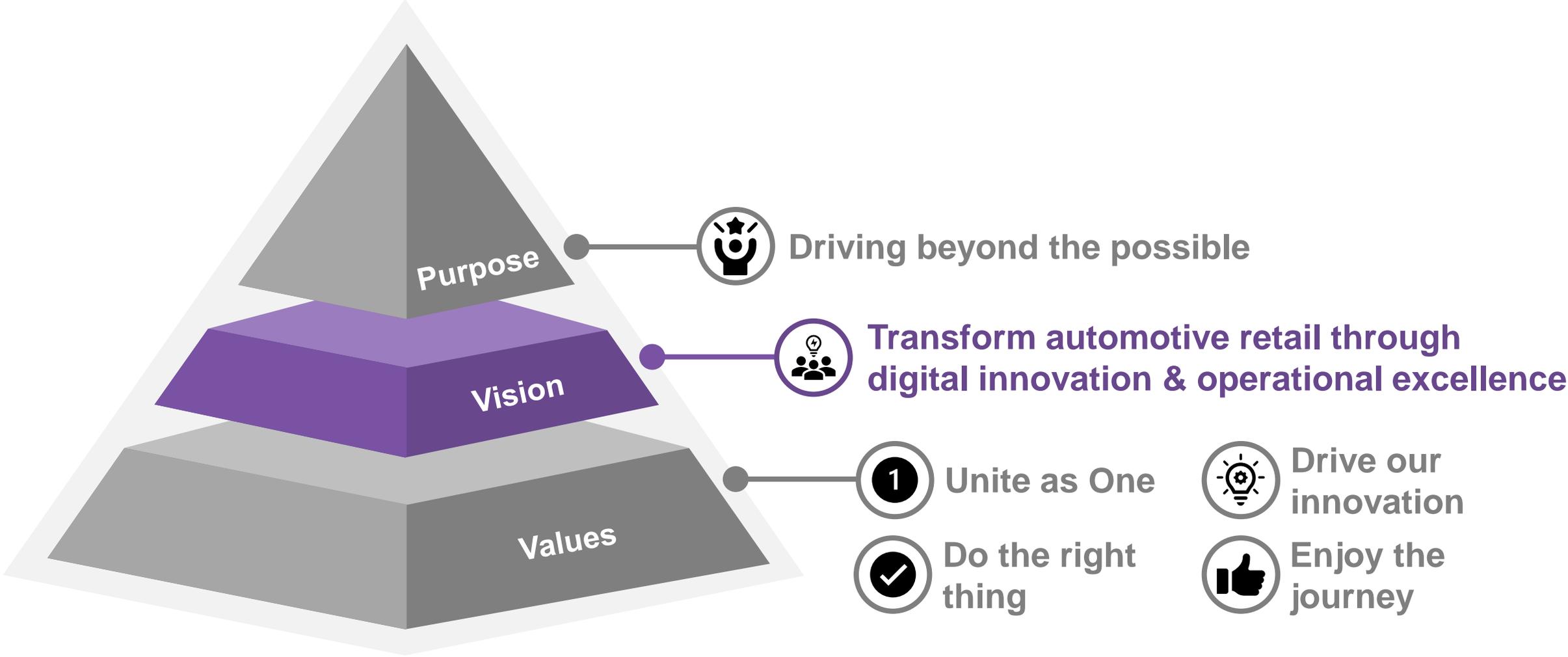
3. Operating highlights & strategy update

Bill Berman

4. Summary & outlook

Bill Berman

Our purpose, strategic vision & values



Diversified assets & unique advantages

	UK Motor	Pinewood	Pendragon Vehicle Management (PVM)
Overview	<p><i>New, OEM approved / standalone used vehicle sales & aftersales. Partners for 20 OEM brands across the UK</i></p>	<p><i>Market leading Dealer Management System (DMS) & end-to-end omnichannel capability provider to global customer base</i></p>	<p><i>Fleet & contract hire provider. Margin rich source of used vehicles for UK Motor</i></p>
Competitive advantages	<ul style="list-style-type: none">• Leaner cost base & improved efficiency• Intragroup supply scale for standalone used cars• Data availability & technology capability• Vertically integrated model• CarStore: strategic freedom with no OEM dependency• Lead UK launch partner for BYD with c.8 stores	<ul style="list-style-type: none">• Advanced digital capabilities• Control of the ecosystem• Greater pace of digital change for PDG vs. peers• Single code-base, globally• Accredited solution (both OEM & Microsoft)• Varied drivers of Group profitability & non-UK reliance	<ul style="list-style-type: none">• Leverages Group purchasing power to source vehicles• Diversified OEM representation beyond PDG brands• B2B & growing B2C customer base• Concierge customer proposition• Varied drivers of Group profitability

Our strategy

Strategy



1. Unlock value in UK Motor



Accelerate digital innovation



Drive operational excellence & best practice



Enhance new car representation

Now underpinned by a lean & efficient cost base



2. Disrupt used cars



Re-brand



Differentiate value proposition



Build flexible acquisition & fulfilment capability



3. Grow & diversify Pinewood



Digital product extension



Deliver material existing order pipeline



Geographic expansion

FY22 performance overview

Operating highlights

- Continued investment in strategic initiatives driving performance
- Invested more than ever before in Pinewood, maximising benefits to external customers & UK business
- New processes & products in UK Motor driving improved productivity & strong margins
- Market-leading, omnichannel CarStore.com platform relaunched

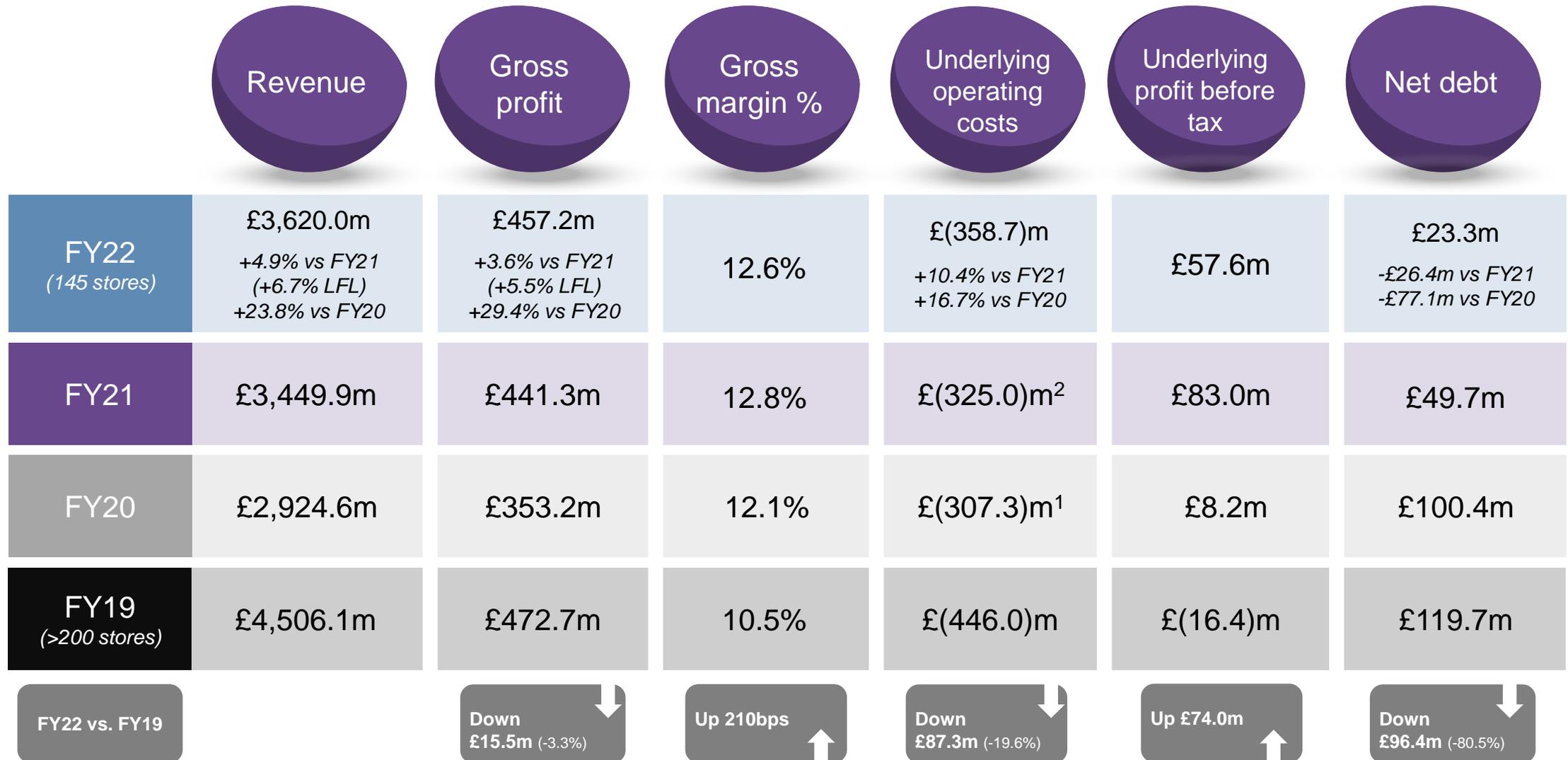
Financial performance

- Robust underlying profit before tax of £57.6m (FY21: £83.0m) ahead of the Board's expectations at the start of the year
- Strong performance despite challenging environment & higher than anticipated costs; operating costs up £33.7m, interest costs up £7.6m
- Increase in gross profit of 3.6% with increases in new & aftersales gross profit
- Strengthened balance sheet with further reduction in net debt to £23.3m (FY21: net debt of £49.7m)



Financial review

Key metrics: a far more efficient store estate since strategy launch in FY20



Notes: Underlying operating costs include: 1 - £52m of rates relief, furlough & grants in FY20; and, 2 - £12.2m in FY21

Financial review: Income statement

Income Statement (£m)			
	FY 2022	FY 2021	% Change
Revenue	3,620.0	3,449.9	4.9%
Gross Profit	457.2	441.3	3.6%
Gross Margin %	12.6%	12.8%	-0.2%
Underlying Operating Costs	(358.7)	(325.0)	10.4%
Underlying Operating Profit	98.5	116.3	-15.3%
Underlying Operating Margin %	2.7%	3.4%	-0.7%
Underlying Interest	(40.9)	(33.3)	22.8%
Underlying Profit Before Tax	57.6	83.0	-30.6%
Non-Underlying Items	(0.4)	(9.7)	-95.9%
Profit Before Tax	57.2	73.3	-22.0%
Underlying diluted earnings per share	3.1p	4.9p	-36.7%

- Revenue increase of 4.9%:
 - Like for like revenue increase of 6.7%
 - Increases in new, used & aftersales revenue
- Strong gross margins:
 - Strong growth in new margins
 - Reduced used margins vs record comparative though still far stronger used margins than historical levels
 - Aftersales margin stable with increased investment in technicians driving £9.0m LFL aftersales gross profit increase
 - Benefit from strategic initiatives
- Underlying cost increases of 10.4% (£33.7m):
 - £12.2m relates to withdrawal of FY21 government support, primarily rates rebates
 - c.£10m of marketing costs to support the used car proposition
 - Net impact of inflation and other cost movements of c.£12m
- Higher interest charge largely driven by increases in base rate
- Non-underlying charges of £0.4m (FY21: £9.7m):
 - Net gains on disposals of £7.9m
 - Impairments charge of £4.8m
 - Refinancing costs of £2.6m
- Underlying profit before tax of £57.6m

Financial review: Cashflow

Summary Cashflow (£m)		
	FY 2022	FY 2021
Underlying Operating Profit	98.5	116.3
Depreciation and Amortisation	33.5	36.1
Share Based Payments	3.3	2.9
Non-underlying Items	(0.4)	(1.8)
Contribution into defined benefit pension scheme	(13.1)	(12.8)
Working Capital and Contract Hire Vehicle Movements	(5.1)	(41.2)
Cash Generated from Operations	116.7	99.5
Tax Paid	(1.4)	(7.1)
Net Interest Paid	(22.9)	(17.5)
Capital Expenditure	(43.7)	(17.7)
Business and Property Disposals	16.6	31.7
Net Capital (Expenditure) / Income	(27.1)	14.0
Lease Payments & Receipts	(33.9)	(36.7)
Non-underlying finance cost	(2.6)	-
Other	(2.4)	(1.5)
Opening Net Debt	(49.7)	(100.4)
Decrease in Net Debt	26.4	50.7
Closing Net Debt	(23.3)	(49.7)

- Net debt reduction of £26.4m vs FY21 to £23.3m (FY21: £49.7m)
- £116.7m cash generated from operations with strong trading driving cash inflows
- Working capital outflow of £5.1m driven primarily by the non-funded element of the increase in used inventory
- Net Capital Outflow of £27.1m:
 - *Business & property disposals of £16.6m principally due to £10.5m from a St Albans vacant property sale & £2.9m from disposal of DAF trucks dealerships*
 - *Total Capital expenditure outflow of £43.7m – investments in Porsche, BMW, Mercedes-Benz, & JLR sites as well as CarStore Warrington & Chesterfield*
- Increase in interest paid of £5.4m, driven by increased vehicle stocking interest & bank interest
- Reduction of lease payments & receipts of £2.8m resulting from lease exits on closed stores & a lease regear, which delivered a £2.0m cash saving in FY22 (£3.5m saving on full year basis).

Financial review: Balance sheet

Balance Sheet (£m)			
	Dec-22	Dec-21	Change
Property	233.7	217.6	16.1
Plant & Equipment	26.8	24.2	2.6
Goodwill	144.6	150.3	(5.7)
Other Intangibles Assets	12.4	11.1	1.3
Right of Use Assets	130.5	126.5	4.0
Contract Hire Vehicles - IFRS assets	124.9	131.2	(6.3)
Inventories	620.3	512.8	107.5
Receivables	132.9	118.9	14.0
Net Assets Held as For Sale	6.1	10.4	(4.3)
Payables	(810.7)	(689.1)	(121.6)
Lease Liabilities	(217.9)	(222.1)	4.2
Contract Hire Vehicles - IFRS liabilities	(111.6)	(119.5)	7.9
Retirement Benefit Obligations	(2.6)	(23.6)	21.0
Net Tax Balances	14.9	26.6	(11.7)
Net Debt	(23.3)	(49.7)	26.4
Shareholders Funds	281.0	225.6	55.4

- Further strengthening of balance sheet
 - £55.4m Increase in net assets from £225.6m at Dec-21 to £281.0m at Dec-22
- £18.7m Increase in property, plant & equipment
 - Capital investments in a number of dealership improvement programmes in both OEM & CarStore locations
- Inventory increased by 21% from 31 Dec 21 from £512.8m to £620.3m
 - Increase in new stock value of c.£44m with slight easing of supply chain issues
 - Increase in used stock value of c.£63m,
 - £41m driven by increase in average stock price
 - £22m driven by inventory volume
- Increase in payables primarily relates to higher vehicle creditors as a result of the increase in vehicle inventory
- Retirement benefit obligations decreased by £21.0m

Operating highlights & strategy update

UK Motor

- Previously reported Franchised UK Motor & Car Store divisions are now combined to reflect the new group-wide omni-channel approach to used car retailing
- Significant capital Investment in facilities:
 - *Developments in BMW, JLR, Porsche, Mercedes & CarStore*
- Both new & used volumes impacted by supply constraints throughout FY22:
 - *New volumes down 6.1%; strong order bank of c.20,000 vehicles as at end of December*
 - *Used volumes down 8.7%; Strong H2 performance, outperforming market by c.600bps*
- Higher aftersales revenue with aftersales gross margins maintained at 50.5%
- Gross profit up £18.4m (4.6%); Total operating costs up £36.7m (11.8%)

Revenue:

+7.0% LFL
(+6.1% total reported)



Underlying Operating Profit:

£69.1m, -20.9%
(FY21: £87.4m)



Aftersales Gross Margin:

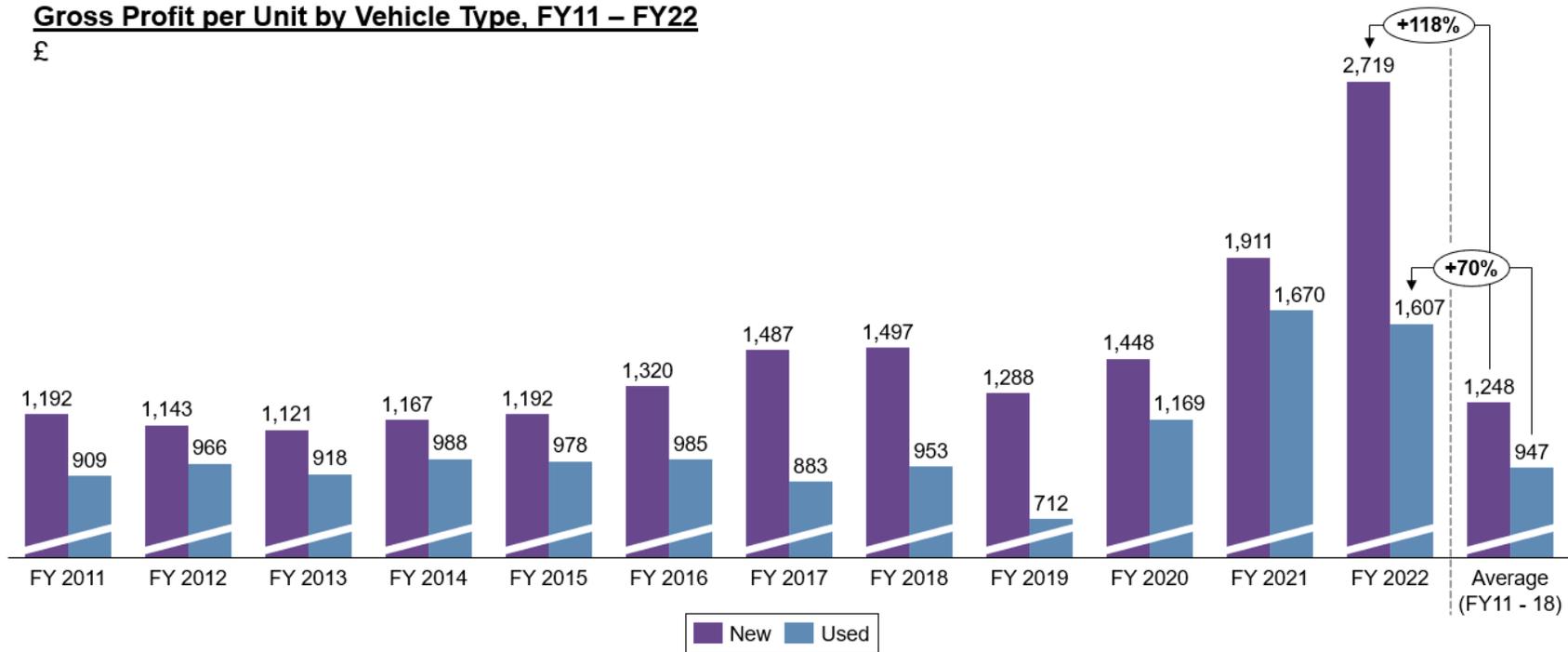
50.5%
(FY21: 50.5%)



Improved GPUs compared to historical averages

Gross Profit per Unit by Vehicle Type, FY11 – FY22

£



- Focus on maximising margin on both new & used vehicles, underpinned by strategy:
 - Record high new GPU at £2,719
 - Used GPU £1,607, well above historical levels as strategic gains underpin performance (2011-2018 avg: £947)

New GPU:

£2,719

(+£808 vs. FY21)



Used GPU:

£1,607

(-£63 vs. FY21)





Unlock value
in UK Motor



Accelerate digital innovation



Drive operational excellence
& best practice



Enhance new car
representation

Omnichannel strength & advanced digital operating model (1 of 2)



Sales+

- Insurance product automation
- Real-time offer modification
- Menu pricing for insurance products
- Standalone product sales

Powered by 



Finance &
Insurance

- Variable APRs by finance balance
- Dynamic lender comparison
- Used equity mining
- Finance pen: +5.1ppts in FY22, £7.7m benefit
- Rate-for-risk

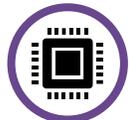
Powered by 

Menu pricing exhibit

Product	Premium (£47.00 per month)	Enhanced (£28.90 per month)	Standard (£22.16 per month)	Custom (£45.70 per month)
Paint & Fabric Protection 36 months	£299.99	£299.99	£299.99	£299.99
Minor Damage Repair Cover 36 months	£299.99	£299.99	£299.99	£299.99
Tyre & Alloy Wheel Insurance 36 months	£299.99	£299.99	£299.99	£299.99
2 Year Premium Guarantee	£299.99			
Car Store Care Plan 1800cc	£299.99	£299.99		£299.99
Total Monthly Payments	24 Months: £756.99, 30 Months: £834.99	24 Months: £338.89, 30 Months: £304.99	24 Months: £332.15, 30 Months: £301.99	24 Months: £768.99, 30 Months: £764.99



Unlock value
in UK Motor



Accelerate digital innovation



Drive operational excellence
& best practice



Enhance new car
representation

Omnichannel strength & advanced digital operating model (2 of 2)



Acquisition, management &
pricing platform

- ✓ Market-based pricing augmented with internal indicators
- ✓ Automated data logic & cloud-based solution. £4.3m used GPU benefit in FY22
- ✓ Seamless online & in-store journeys
- ✓ Proprietary appraisal & valuation capabilities
- ❑ Data science
- ❑ Double Sell Your Car

Appraisal & valuation capabilities exhibit

Condition Set 1	Answer	Value
How many damaged or worn tyres does the car have?	0	0
How many scratched alloys does the car have?	1	40
How many dents smaller than a 5p coin?	0	0
How many panels are there with light scratches or small chips?	2	40
How many dents smaller than a 5p coin?	1	40
How many panels have large dents, heavy scratches or damage to the paint (e.g. rust)?	4	400
What condition is the glass in? (all windows, wing mirrors and light fittings)	Excellent	0
What condition is the interior in? (all seats, seatbelts and upholstery)	Good	50



Unlock value in UK Motor



Accelerate digital innovation



Drive operational
excellence & best practice



Enhance new car
representation

New processes & products to drive margin



Reconditioning

- Revised stock allocation
- Revised processes & process automation
- Cosmetic opportunities



Aftersales

- Productivity improvements
- Vehicle health check upside. £4.2m benefit in FY22
- Interest-free finance
- Service pricing & service plans
- Parts utilisation



Used guarantees

- Tailored & tiered guarantees driving record penetration
- Pen: +4.9ppts; £3.1m recognised benefit
- Dynamic pricing by CAP code
- Unlock Stratstone



Unlock value in UK Motor



Accelerate digital innovation



Drive operational excellence
& best practice



Enhance new car
representation

Lead UK launch partner for BYD



BYD

- ✓ World's largest new energy vehicle manufacturer
- ✓ Go-live on 15th March with 'ATTO 3'
- ✓ Two launch locations: Birmingham & Milton Keynes
- ✓ Six further stores in build
- Three further models in FY23 & strong pipeline for future





Disrupt used cars



Re-brand



Differentiate value proposition



Build flexible acquisition & fulfilment capability

Market leading omnichannel / hybrid customer proposition



Further proposition revision

- ✓ All Group stock to unlock marketplace
- ✓ Greater scale than pureplay competitors
- ✓ Incremental acquisition via **SellYourCar.com**

SELL YOUR CAR

Sell My Car About Us Advice Contact Us Locations

A hassle-free selling experience

ENTER YOUR REG |

Find out what your car's worth today
Simply enter your registration to start your free online valuation

ENTER YOUR REG 			
Enter your registration To start your valuation, simply enter your car's registration details into our online tool.	Add some details We'll then ask for your contact details, as well as information about your vehicle's mileage and service history.	Get a valuation Once you've confirmed your details, a valuation will appear for your vehicle, along with a list of your nearest Sell Your Car branches.	Book an appointment If you'd like to proceed, you can book an appointment at one of our branches on a date that suits you.



Disrupt used cars



Re-brand



Differentiate value proposition



Build flexible acquisition & fulfilment capability

Physical assets to support the omnichannel customer proposition



Stores

- ✓ Evans Halshaw fulfilment
- ✓ Rebrand of existing sites
- ✓ Chesterfield concept store
- ✓ Warrington
- ☐ Target two new locations in FY23



CarStore Direct

- ✓ Ten new locations live for SYC; Click & Collect
- ✓ Low-cost expansion
- ✓ Unlocks whitespace opportunity





Disrupt used cars



Re-brand



Differentiate value proposition



Build flexible acquisition & fulfilment capability

Successful launch of market-leading proposition



Proposition launch

- ✓ Integrated omni-channel campaign
- ✓ Prime-time TV advertising
- ✓ British touring cars



Impact

- ✓ Digital traffic up >60% YoY
- ✓ New customer acquisition
- ✓ FY22 Reputation.com score 4.7 / 5.0, +0.2pts YoY, Trustpilot 4.6 / 5.0



DA Danielle
6 reviews GB



Excellent customer service

Brilliant service from the guys and gals at Carstore! Michael was amazing, made sure everything was in place, and kept me informed at every stage. The staff are friendly, the cars are clean and the service is impeccable. I will be back for my next car!

Date of experience: 11 January 2023

Disrupt used cars (4 of 4)

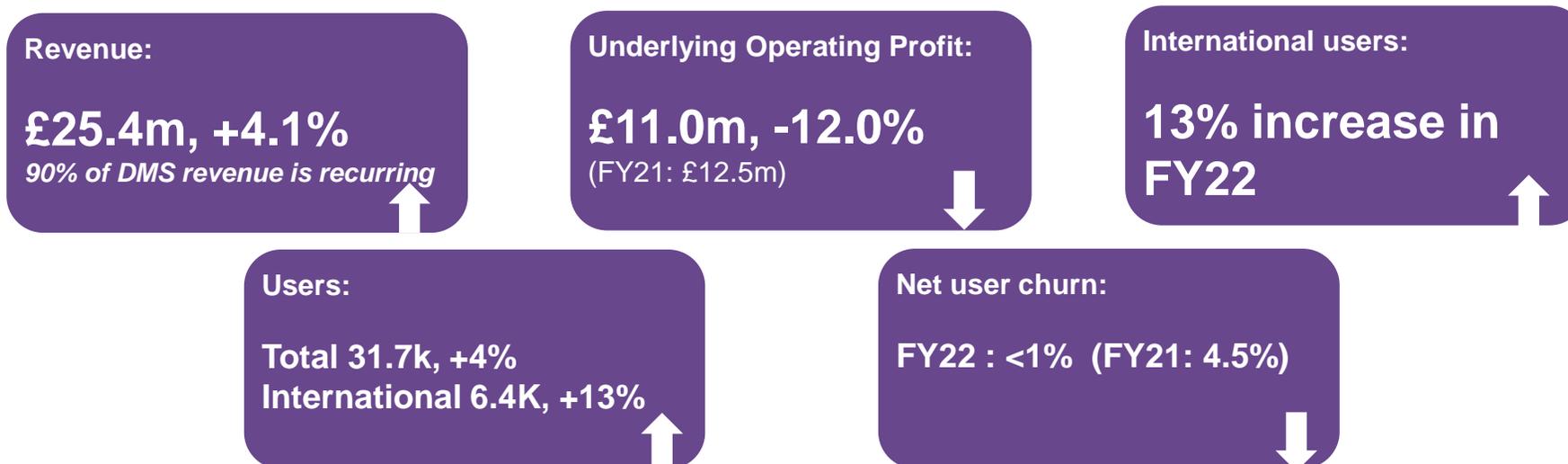
Comparison vs. HY22: Maintained market leading omnichannel capability vs. digital disruptors

Brand	Trustpilot score ¹	Digital										Fulfilment		
		Enquiry			Sale						Aftersales	Other	Click & collect	Home delivery
		Live chat	Enquiry form	Reserve & book appointment	Cash purchase	Finance purchase	Part-exchange	Regulated products (e.g., tyre & alloy)	Non-regulated products	MOT & service booking	Sell Your Car			
CarStore	4.6	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓ (£99)
Bravoauto	4.1	✗	✓	✓ (reserve only)	✓	✓	✓	✗	✗	✓	✓	✓	✓	✓ (variable)
Carshop	4.5	✗	✓	✓ (reserve only)	✓	✓	✓	✗	✗	✓ (request call-back only)	✓	✓	✓	✓
Carzam	Exited market													
Cazoo (reduced geographic focus)	4.5	✓	✗	✗	✓	✓	✓	✗	✓	✓	✓	✓	✓	✓ (£149)
Cinch	4.6	✓ (via WhatsApp)	✗	✗	✓	✓	✓	✗	✓	✓ (via 3 rd party; existing customers only)	✓ (via sister website)	✓	✓	✓ (Free)

Notes: 1 – Trustpilot scores correct as at 15th March 2023

Pinewood

- Further growth in user numbers
 - Growth accelerated in H2, from flat in H1 to 4% growth for FY with growth in UK&I.
 - Total users at 31.7k
 - 13% increase in international users to record high 6,400
 - Entry into new markers in Singapore & Middle East
 - Adoption of direct sale model in Asia Pacific
- High retention model with net user churn <1%, & 90% of DMS revenue on a recurring basis
- Fall in operating profit due to increased costs principally driven by investment in developer resource to support product development. Development Capital increased to £5.7m (FY21: £5.0m)





Grow & diversify Pinewood



Digital product extension



Deliver material existing
order pipeline



Geographic expansion

Group omnichannel enabler & standalone growth



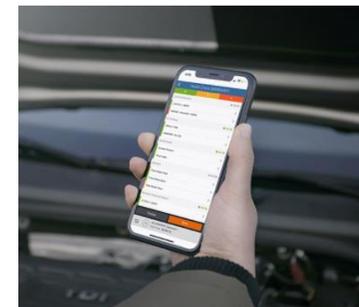
Group omnichannel enabler

- Vyne open banking payments
- Sales+
- Acquisition, management & pricing platform
- Finance & insurance
- Insurance menu pricing
- Standalone product sales
- Aftersales
- Alternative finance models / R4R



Growth & pipeline

- Singapore & Middle East market entry
- 13% international user growth in FY22
- FY23: Targeting >10% total user growth



Leasing

- High margin on disposals; residual values benefitting from increased used vehicle prices
- Supply constraints impacting fleet size. Strong order bank of over 2,100 orders
- Opportunity for growth in EV lease market
 - C.40% of current order banks is EV & Hybrid vehicles

Revenue:

-6.9% to £83.7m



Underlying Operating Profit:

£19.9m, up 13.7%
(FY21: £17.5m)



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Whether you are seeking a few select services or a fully outsourced solution, we can help look after your fleet.



ELECTRIC VEHICLE CONTRACT HIRE

Helping your fleet to make the transition into greener, low-emission vehicles.



Summary & outlook

Summary & outlook

Excellent progress & value creation...

- **Delighted with the scale of delivery & value creation across the Group in FY22**
- **Omnichannel capabilities & advanced digital operating model, alongside revised operational execution, are market leading in the UK**
- **Cross-functional team continues to maintain a high pace of change**
- **Strong pipeline of opportunities & initiatives to drive further value**
- **Remain confident in the opportunity that our strategy provides, & how we are positioned in the evolving consumer & competitor landscape**
- **PDG will host an analyst & investor event in Summer 2023 – including update on Pinewood**

...Outlook

- **Finished FY22 with good momentum, and trading has been positive in the first two months of FY23, operating profit in January & February ahead of FY22**
- **Lead UK launch partner for BYD, the world's largest new energy vehicle manufacturer**
- **The business continues to make progress towards its long-term strategic objectives**
- **We expect constraints in new & used vehicle supply to continue during 2023, but there are signs of improvement in new car supply and the new car order bank remains strong with over 22,000 orders as at the end of 2022**
- **We remain mindful of the potential headwinds from challenging macro-economic conditions. However, we continue to expect our ongoing operational initiatives and growth opportunities to more than offset operating cost inflation within the business this year and the Board remains confident in the prospects for the Group in 2023.**

Q&A

Analyst guidance

Guidance

- **New car supply expected to continue to gradually ease in FY23, though this is dependant on further reduction of supply constraints. Used car supply expected to remain tight following 3 years of lower new car sales**
- **Improved volume & initiatives expected to drive GP growth to more than offset impact of operating cost inflation**
- **Cost growth of c.£20m expected, driven by inflation & increased variable volume related costs (e.g. valeting, delivery costs, commission)**
- **Bank & stocking interest expected to be c.£10m higher due to change in average base rate & higher average used car values**
- **Expected capital expenditure of c.£40m**

Appendix – Divisional financial summary

UK Motor

UK Motor (£m)				
	FY 2022	FY 2021	% Change	% Change LFL
Revenue	3,536.2	3,332.7	6.1%	7.0%
Gross Profit	415.7	397.3	4.6%	5.6%
Operating Costs	(346.6)	(309.9)	11.8%	13.2%
Operating Profit	69.1	87.4	-20.9%	-20.6%
Gross Margin %	11.8%	11.9%	-0.2%	-0.1%
Operating Margin %	2.0%	2.6%	-0.7%	-0.7%



New (£m)				
	FY 2022	FY 2021	% Change	% Change LFL
Revenue	1,451.5	1,362.4	6.5%	7.5%
Gross Profit	132.6	99.9	32.7%	33.9%
Gross Margin %	9.1%	7.3%	1.8%	1.8%

Used (£m)				
	FY 2022	FY 2021	% Change	% Change LFL
Revenue	1,808.6	1,706.6	6.0%	6.5%
Gross Profit	143.6	164.2	-12.5%	-12.4%
Gross Margin %	7.9%	9.6%	-1.7%	-1.8%

Aftersales (£m)				
	FY 2022	FY 2021	% Change	% Change LFL
Revenue	276.1	263.7	4.7%	7.5%
Gross Profit	139.5	133.2	4.7%	6.9%
Gross Margin %	50.5%	50.5%	0.0%	-0.3%

Software – Pinewood

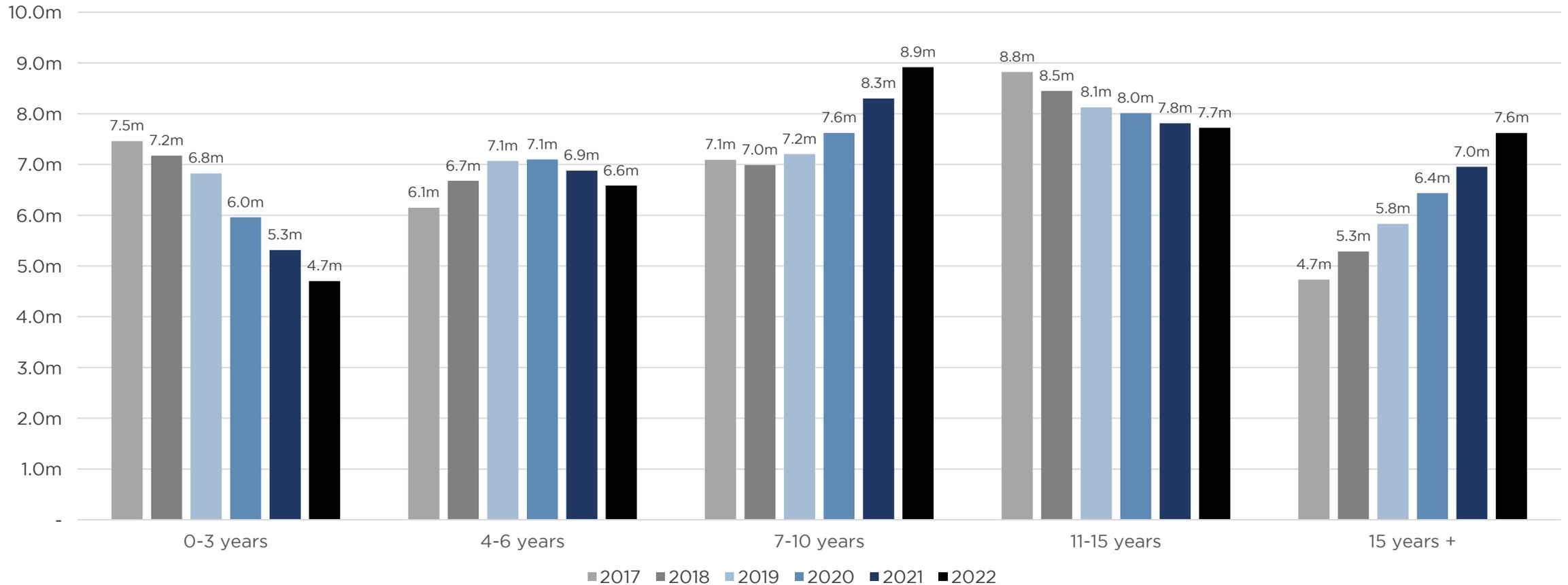
Software - Pinewood (£m)			
	FY 2022	FY 2021	% Change
Revenue	25.4	24.4	4.1%
Gross Profit	22.7	22.5	0.9%
Operating Costs	(11.7)	(10.0)	17.0%
Operating Profit	11.0	12.5	-12.0%
Gross Margin %	89.4%	92.2%	-2.8%
Operating Margin %	43.3%	51.2%	-7.9%

Leasing – Pendragon Vehicle Management

Leasing – Pendragon Vehicle Management (£m)			
	FY 2022	FY 2021	% Change
Revenue	83.7	89.9	-6.9%
Gross Profit	24.4	22.0	10.9%
Operating Costs	(4.5)	(4.5)	0.0%
Operating Profit	19.9	17.5	13.7%
Gross Margin %	29.2%	24.5%	4.7%
Operating Margin %	23.8%	19.5%	4.3%

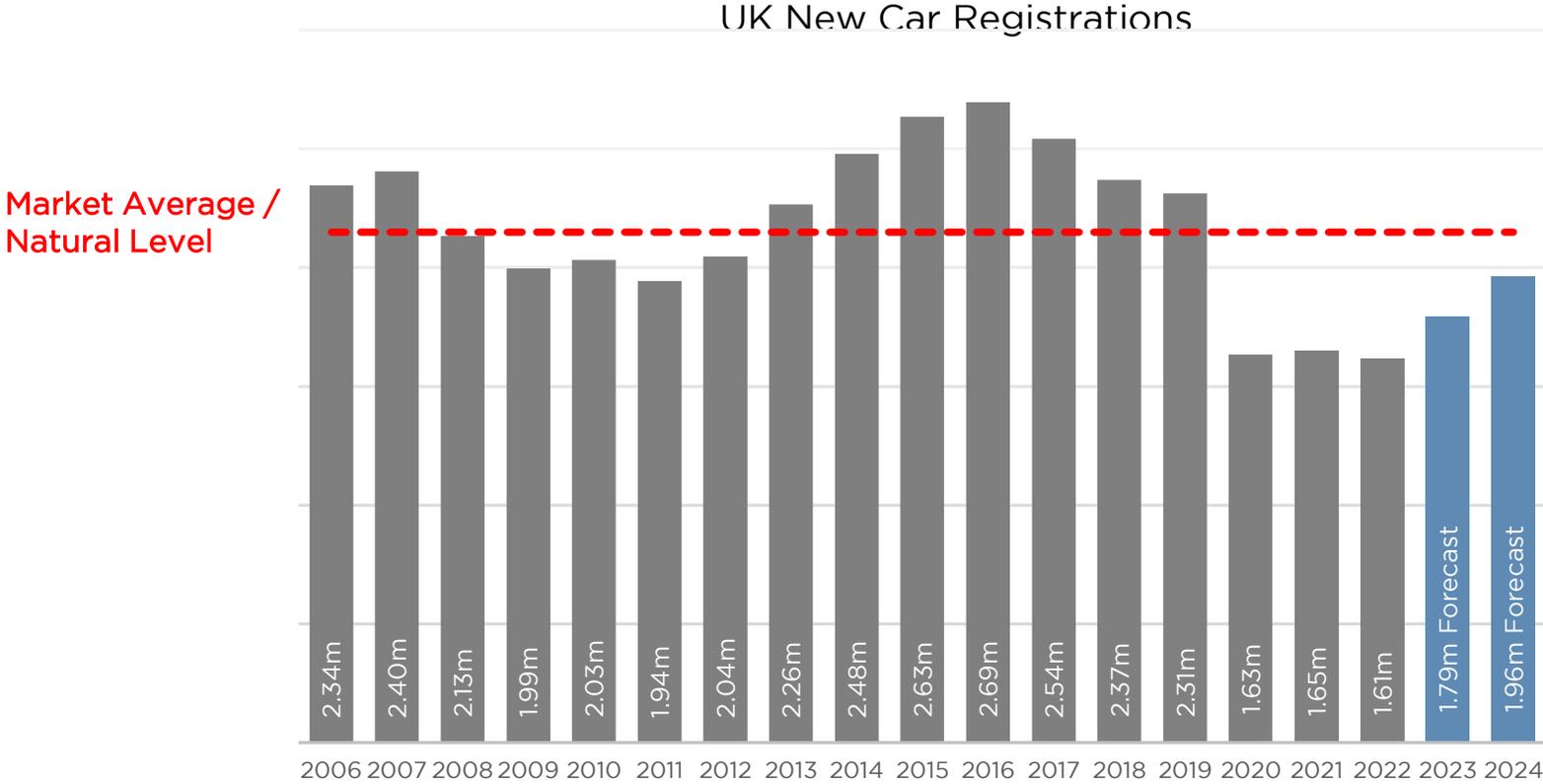
UK Motor - Aftersales

Aftersales Market - UK Car Parc



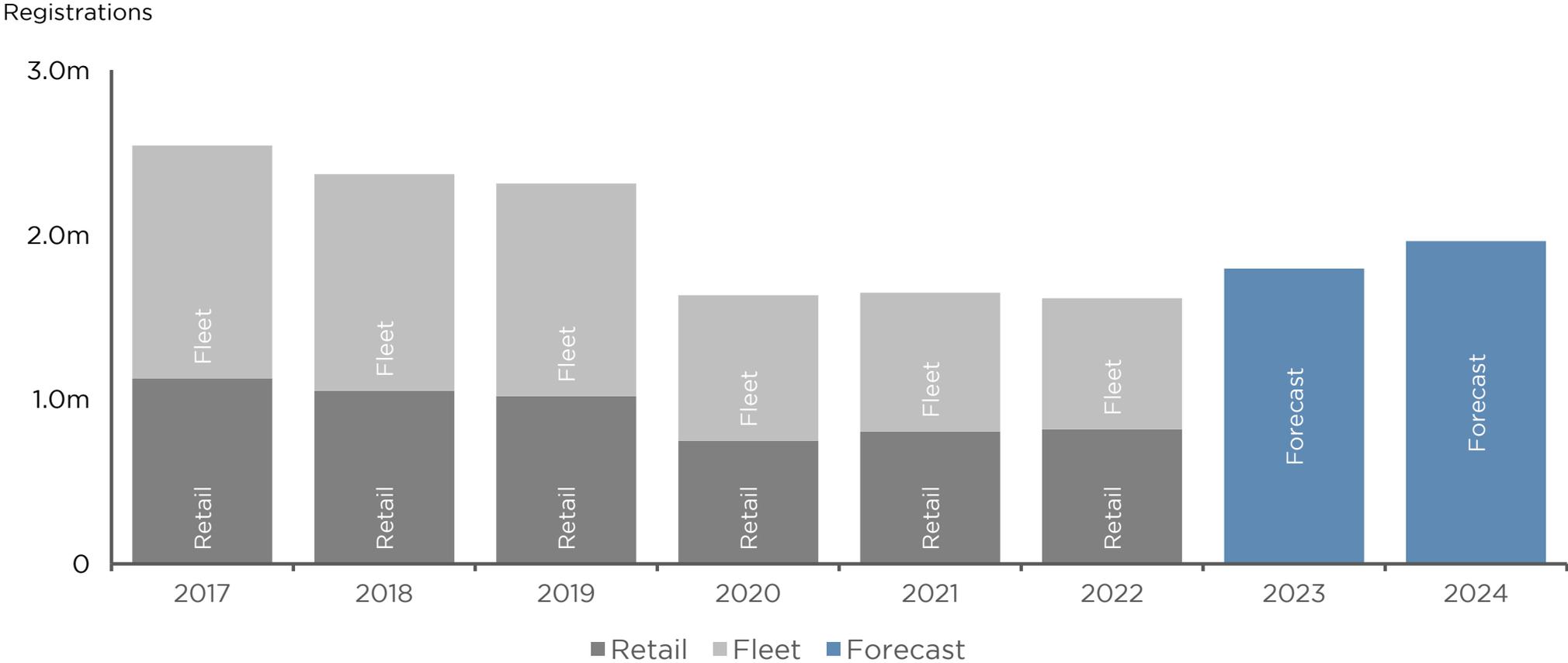
- Reduction in 0-3 year & 4-6 year car parcs due to impact of reduced new markets in 2020, 2021 & 2022
- Growth in the 7-10 year car parc

UK Motor - New



- The UK new car market was down by 2.0% in 2022
- Retail market represented 50.7% of the UK new market in 2022 (up from 48.7% of the market in 2021)
- Forecast of 11.1% increase in new car market in 2023 & a further 9.3% increase in 2024

UK New Car Market



Financial Summary – 3 Year View

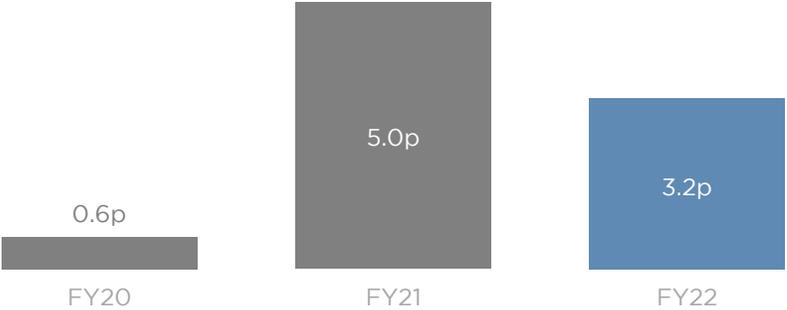
Underlying Profit Before Tax



Underlying Operating Profit



Underlying Earnings Per Share



Net Debt and Net Debt: Underlying EBITDA Ratio

