PENDRAGON PLC INTERIM MANAGEMENT STATEMENT
(ISSUED 22 October 2020)

This Interim Management Statement for Pendragon PLC, covers the period from 1 July 2020 to 30 September 2020. Unless otherwise stated, figures quoted in this statement are for the three months ended 30 September 2020.

- **Underlying Profit Before Tax of £27.3m – an increase of £24.3m, (+810%), vs. Q3 2019 (£3.0m)**
- **Like-for-like Group Revenue down 1.2% (-13.8% total reported)**
- **Like-for-like Group Gross Profit up 9.8% (-2.4% total reported)**
- **Like-for-like Operating Costs & Interest down 9.3% (-23.4% total reported)**

The Group delivered a very strong Quarter 3 performance, with underlying profit before tax of £27.3m. The profit in the quarter has almost entirely offset the losses incurred during the first half as a result of Covid-19, with the year to date underlying loss before tax reduced to just £(3.6)m (H1 FY20 £(31.0)m).

The Franchised UK Motor division performed ahead of our expectations in the quarter, with performance driven by the actions taken over the past 12 months to address stock profiles, improve profit per unit, close underperforming stores and reduce the overall cost base of the Group. The result was also supported by a strong market for used vehicle residual values over the quarter. Performance at Car Store continued to improve, with a 10.1% used gross margin and an operating profit of £1.0m. Pinewood and PVM also continued to perform well, with PVM in particular benefitting from higher than expected disposals from the ending of leases that were extended during H1 as a result of Covid-19, supported by strong residual values.

Group New vehicle revenue was down 1.2% on a like-for-like basis (total reported down 11.2%) in the quarter, broadly in line with the overall market which was down 0.5%. Within this however, Pendragon was ahead of the market in the brands that it represents, which were down 6.0% over the same period. New Gross margins were higher year-on-year at 6.9% (Q3 FY19: 6.3%), resulting in a like-for-like increase in gross profit of 15.3%.

Group used vehicle revenue was flat on a like-for-like basis (total reported down 16.7%), whilst like-for-like gross profit was up 25.9% (total reported up 13.1%), resulting in a significantly improved used gross margin of 9.6% (Q3 FY19: 7.3%) and reflecting the ongoing focus on maintaining the right profile of used vehicle stock, and gross profit per unit.

Overall gross profit for the Group was up 9.8% on a like-for-like basis (total reported down 2.4%), with a gross margin of 12.5% (Q3 FY19: 11.1%).

In addition to the improved gross margin performance, the combined impact of the Group's cost reduction programmes and store closures resulted in a like for like cost reduction of 9.2% in the quarter and a total reported cost reduction of 24.7%.

Closing net debt at the end of September was £26.9m (HY20: £46.0m) as a result of the Group's strong operating performance in the quarter, combined with a continued timing benefit from certain items, such as VAT deferrals, as previously described.

Outlook

We remain cautious about the outlook for Q4 given the ongoing levels of macro-economic uncertainty and therefore are not reinstating guidance for FY20 at this point.

Bill Berman, Chief Executive of Pendragon PLC, commented:

"I would like to thank all our associates who have shown great professionalism in responding to the changing operating environment during the period and their hard work has been absolutely critical to our success. We are very pleased with the performance during the quarter, which benefitted from the changes we have made to the strategy and to the operating model over the past year. I am confident the business is well positioned to deliver the best result possible for the remaining months of FY20, which remain unpredictable, and beyond, and our focus remains firmly on the successful delivery of our long-term strategy".

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