

PENDRAGON PLC INTERIM MANAGEMENT STATEMENT (ISSUED 27 April 2022)

This Interim Management Statement covers the period from 1 January 2022 to 31 March 2022. Unless otherwise stated, figures quoted in this statement are for the three months ended 31 March 2022 and the comparative period being the three months ended 31 March 2021.

- **Underlying Profit Before Tax of £18.7m, up 73.1%, or £7.9m vs. Q1 FY21 (£10.8m)**
- **Like-for-like Operating Profit of £28.0m, up 39.5% (up 44.1% total reported)**
- **Like-for-like Gross Profit up 27.3% (up 21.2% total reported)**
- **Like-for-like Operating Costs & Interest up 22.1% (up 14.8% total reported)**

The Group has delivered a strong start to FY22, reporting underlying profit before tax of £18.7m, an increase of £7.9m compared to the prior year, with performance underpinned by the ongoing results of the Group's strategy implementation.

The Group's Motor Division (previously reported as the Franchised UK Motor and Car Store divisions), reported an £8.2m increase in operating profit, up from £12.2m in Q1 FY21 to £20.4m in Q1 FY22.

New vehicle supply remained below demand during Q1, and as a result the Group continued to focus on maximising the level of margins achieved per unit. As a result, new gross profit per unit ("GPU") at £2,456 was £975 higher than Q1 FY21 (Q1 FY21: £1,481), more than offsetting volume shortfalls, resulting in new gross profit up 35.4% on a like-for-like basis compared to FY21.

Used vehicles volumes were down 6.7% on a like-for-like basis as supply constraints from lower new car production since 2020 impacted on availability. As expected, used GPU has gradually softened during Q1 from the exceptional levels seen in H2 FY21, but remained significantly higher than Q1 FY21 at £1,767 (Q1 FY21: £1,095). The progress previously outlined in respect of our strategy implementation together with Group sourcing advantages have helped to underpin this ongoing strong margin performance, which offset volume shortfalls, resulting in used gross profit growth of 47.4% on a like-for-like basis.

After-sales revenue and profitability grew in the period, with a 5.0% increase in like-for-like revenue, which together with an improvement in the gross margin to 52.1% (Q1 FY21: 50.1%) resulted in a 9.6% increase in like-for-like after-sales gross profit.

The Group's software business, Pinewood, delivered an operating profit of £2.8m (Q1 FY21: £3.4m) which was in line with our expectations, with the reduction in operating profit driven by increased costs, reflecting investment in resource to support product development and international expansion, together with a return to a more normal level of international travel.

The Group's leasing business, Pendragon Vehicle Management (PVM), recorded an operating profit of £4.9m (Q1 FY21: £3.7m), with growth largely driven by improved residual values on end of lease disposals leading to exceptional profits per unit on de-fleeted vehicles.

Group combined operating and interest costs increased by £12.8m (14.8%), driven by the non-repeat of government support (primarily rates relief and grants) received in Q1 FY21, together with the previously guided impact from inflationary labour cost pressures, higher utility costs and investment into higher levels of marketing, partially offset by the impact of savings from store closures.

Outlook

We are pleased with the strong start to FY22 that we have delivered. We remain confident we have the right strategy in place and we expect to make positive progress towards our long-term goals this year. While we remain cautious about the potential for further disruption to operations due to ongoing macroeconomic uncertainty, inflationary pressures and the impacts of the conflict in Ukraine, we expect to deliver underlying profitability before tax in line with the Board's expectations.

Bill Berman, Chief Executive of Pendragon PLC, commented:

"The positive momentum in the business has continued into the first quarter of this year and I am very pleased with how we have performed. The benefits of the work we have done in the past two years to improve our operations, from vehicle sourcing through to online and in store sales practices is evident in our strong trading performance and we have seen good contributions from all parts of the Group. While we are mindful of the pressures facing our market and our customers, we are confident in our strategy and focused on continuing to deliver profitable growth over the medium term."

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