

Pinewood Technologies Group PLC FY23 Results

25th April 2024

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Bill Berman

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Ollie Mann

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Bill Berman

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1. Introduction

Transformation into a pure-play Software-as-a-Service (SaaS) business

- Pinewood reports maiden results as a pure-play, Software-as-a-Service (SaaS) Group
- £358m special dividend of 24.5p per share to be paid on 7th May 2024
- Strong double-digit growth in revenue and profit
- Continued global expansion of customer base and high levels of customer retention
- Long term partner Lithia Motors unlocks North America for our market leading system
- **We are committed to maximising growth for shareholders through our unique product**

Pinewood overview



Pinewood Technologies Group PLC today (established 1981)

-  A leading Automotive Retail System
-  High user loyalty
-  Recurring revenue streams
-  Experienced, developer orientated, workforce
-  Partnerships with 50 OEM Brands

End-to-end, omnichannel, automotive capability provider

 A leading Automotive Retail System <ul style="list-style-type: none">• Pure cloud based software designed around customers and design for rapid scale• Our system is used in 21 countries by over 30,000 users focused on UK, Europe and Asia	 High user loyalty <ul style="list-style-type: none">• C.2% avg net user churn over the last 5-years	 Recurring revenue streams <ul style="list-style-type: none">• Consistent growth in revenue and high, stable gross margins• c.85% of revenue recurring• Pinewood delivers a compelling financial profile
 Experienced workforce <ul style="list-style-type: none">• Headcount of c.243 employees of which c.118 are software developers	 Partnerships with 50 OEM Brands <ul style="list-style-type: none">• Long-standing partners• Enables transformation of customer experience, improved efficiency and increased profitability	

2. Financial Review

Financial Review – Statutory Income Statement

£m	FY23 ¹			FY22		
	Continuing Operations	Discontinued Operations	Total	Continuing Operations	Discontinued Operations	Total
Revenue	24.5	4,318.3	4,342.8	19.1	3,600.9	3,620.0
Gross Profit	21.8	485.5	507.3	17.1	440.1	457.2
Gross Margin %	89.0%	11.2%	11.7%	89.5%	12.2%	12.6%
Operating Costs	(11.8)	(340.2)	(352.0)	(10.1)	(346.1)	(356.2)
Operating Profit	10.0	145.3	155.3	7.0	94.0	101.0
Interest	(0.1)	(65.7)	(65.8)	-	(43.8)	(43.8)
Profit Before Tax	9.9	79.6	89.5	7.0	50.2	57.2

EBITDA

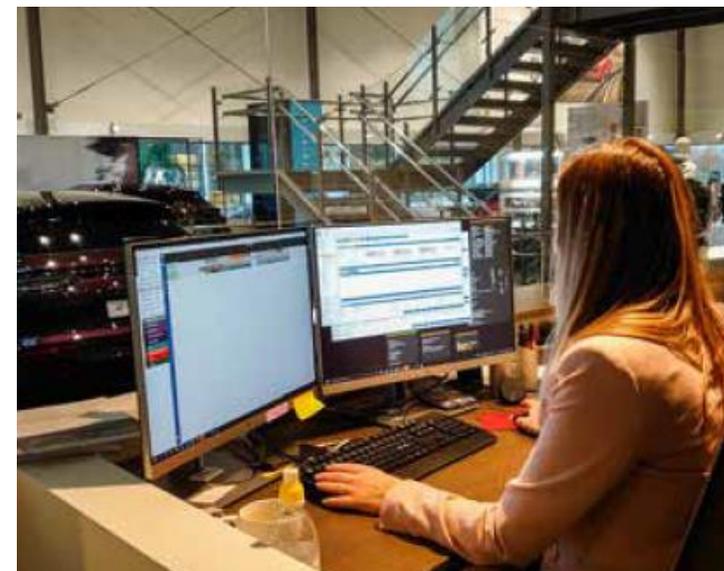
15.6

11.3

¹ FY23 is a 13 month period to end Jan-24

Operating Profit split	FY23	FY22
Pinewood Core Business	13.8	11.0
PLC Costs	(2.8)	(2.5)
US Motor	(1.0)	(1.5)
	10.0	7.0

- UK Motor and Leasing segments shown as discontinued
- £2.8m increase in operating profit from Pinewood Core Business to £13.8m for the FY23 13 month period
- Pinewood Core Business is the Pinewood division as previously reported
- Annualised PLC costs of c.£2.5m



Financial Review – Pro-forma Comparative Information – Continuing Operations

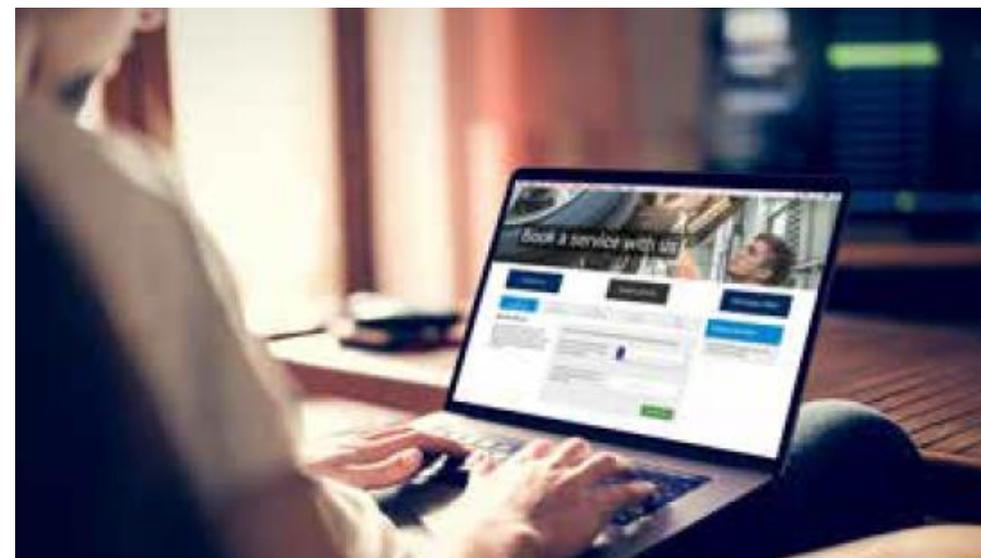
- **13m period ended 31-Jan 2023 used as comparative to illustrate LFL comparison with FY23**

£m unless stated	13m period ended 31 January 2024	13m period ended 31 January 2023	% change
Revenue ¹	32.0	27.7	15.5%
EBITDA	15.6	12.4	25.8%
EBITDA Margin (%)	48.8%	44.8%	4.0%
Profit Before Tax	9.9	7.7	28.6%

¹ Revenue includes intercompany revenue

- Core Business EBITDA of £19.4m in the 13m period ended 31 January 2024
- Less £3.8m of PLC and US Motor costs

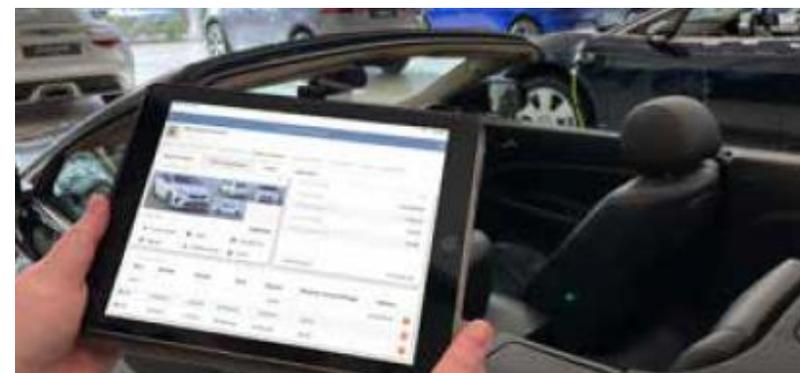
- Financials are Group figures include PLC costs and Legacy US Motor costs
- Strong revenue and EBITDA growth



Financial Review – Balance Sheet

£m	Jan-24	Dec-22	Variance
Property	0.2	233.7	(233.5)
Plant & Equipment	0.1	26.8	(26.7)
Goodwill	0.3	144.6	(144.3)
Other Intangible Assets	13.8	12.4	1.4
Right of Use Assets	0.8	130.5	(129.7)
Contract Hire Vehicles - IFRS assets	-	124.9	(124.9)
Inventories	-	620.3	(620.3)
Receivables	420.8	132.9	287.9
Net Assets Held as for Sale	-	6.1	(6.1)
Payables	(28.5)	(810.7)	782.2
Lease Liabilities	(1.0)	(217.9)	216.9
Contract Hire Vehicles - IFRS liabilities	-	(111.6)	111.6
Retirement Benefit Obligations	-	(2.6)	2.6
Net Tax Balances	(0.3)	14.9	(15.2)
Net Debt	(45.8)	(23.3)	(22.5)
Shareholders Funds	360.4	281.0	79.4

- Majority of the Group's assets and liabilities disposed of on 31st January 2024 as part of the sale to Lithia Motors, Inc.
- Net debt cleared by transaction proceeds on 1st February 2024
- Intangible asset of £13.8m relates to capitalised development costs
- Deferred income of £6.5m included within payables



3. Operating Highlights & Strategy

Operational Highlights

- Like-For-Like Revenue increased by 15.5%
- Like-For-Like EBITDA increased by 25.8%
- Total users increasing by 4% to 33,100
- Strong global expansion continuing:
 - Record high international users at c.7,000, up 9%
 - New implementations in Denmark and Luxembourg
 - Expansion of the direct sales model in Asia Pacific
- Pinewood continues to build a strong partnership with Volkswagen AG and Porsche, which led to initial user implementations with large international dealer groups in both the European and the Asia Pacific market
- Continued high levels of customer retention with net user churn of c.2%, as the rate at which existing customers increased users was nearly sufficient to offset gross churn

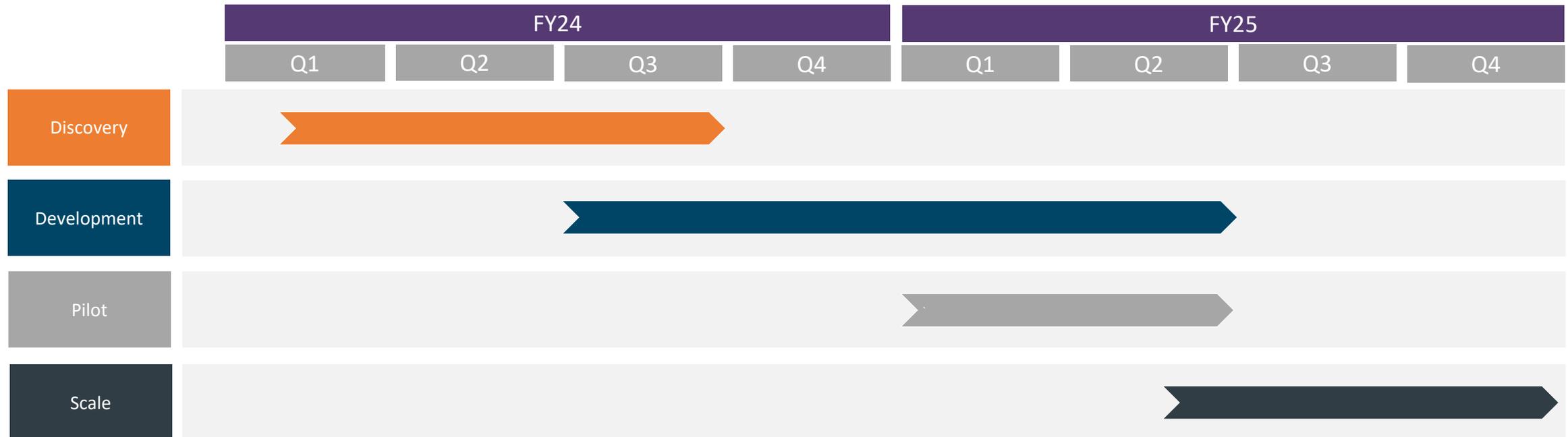


Strategy

- Pinewood will host a Capital Markets Day in October 2024
- Materially enhanced opportunity for growth following creation of standalone SaaS business – particularly in the UK in the next 18-24 months
- Roll-out of Pinewood’s system across ex-Jardine Motor Group (Lithia UK) stores to complete in 2024, adding c.2,500 users
- International expansion continues with focus on Northern Europe and Asia Pacific regions
- Strategic Partnership with Lithia Motors, Inc., creating access to the North American market through US Joint Venture
 - Development work taking place in next 12 months
 - Aim to be running Pinewood system in parallel with US systems at pilot stores in H1 2025
- FY27 underlying EBITDA target of £27m from the existing business (excluding US Joint Venture)



System rollout in Lithia US – Timeline



- **Lithia’s existing US presence** – c.300 dealers and c.17,500 users

• **Size of opportunity in North America** – 21,000 dealers and £2.6bn+ market

4. Outlook

Outlook

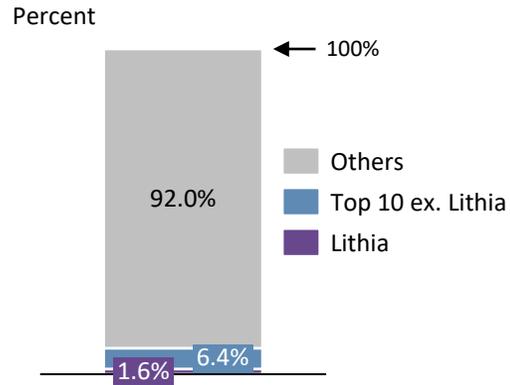
- We have had a good start to FY24 and although the broader macro-economic environment remains challenging, particularly in the UK, we do not envisage these as having a material impact on trading
- Our order bank of new customers remains strong and we are in discussions with a number of potential new customers both in the UK and internationally
- While it remains early into the new financial year, the Board is confident in the prospects for the Group and expects FY24 to be in line with current market expectations

5. Appendix

Compelling opportunity to target the c.£2.6bn US market & beyond

Significant market opportunity in the US...

US Automotive Retail Market Share¹, 2022



US new, light vehicle dealerships: **c.18,000²**

Estimated DMS spend per dealer per month: **c.£12,000**

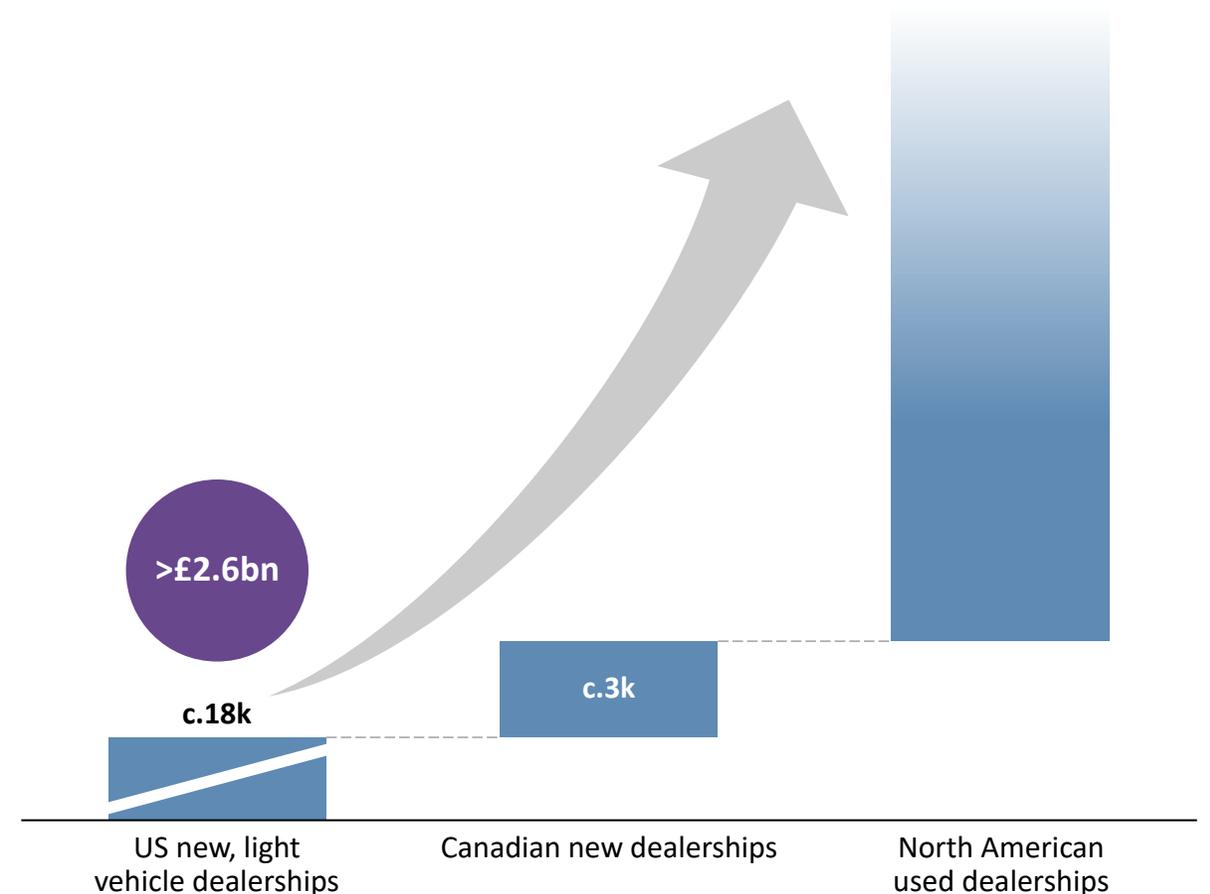
Total market opportunity: >£2.6bn

Lithia is one of the largest auto retailers in North America with 296 dealerships

Comments:

- The North American market is both highly attractive and stable. Approximately 21,000 new, light vehicle dealerships have been consistently operating over the last 10 years
- Whilst the DMS market in the US is crowded, incumbent providers have historically underinvested in product development and technology
- Pinewood's cloud-based single system, agile approach and lack of technological debt provides competitive advantage vs. incumbent players

...furthered by the Canadian market & used cars



Financial Review – Income Statement – Pinewood Core Business

£m	Statutory View ¹		Standalone View ¹	
	FY23 ¹	FY22	FY23 ²	FY22
Revenue	24.5	19.1	32.0	25.4
Gross Profit	21.8	17.1	28.5	22.7
Gross Margin %	89.0%	89.5%	89.1%	89.4%
Operating Costs	(8.0)	(6.1)	(14.7)	(11.7)
Operating Profit	13.8	11.0	13.8	11.0
EBITDA	19.4	15.3	19.4	15.3

¹ In the statutory view, Pendragon revenue and gross profit is excluded. Following the Lithia transaction, Pendragon revenue and gross profit will not be excluded (Standalone View)

² FY23 is a 13 month period to end Jan-24

- Revenue increase driven by 4% increase in user numbers and inflation-linked annual price increases
 - 9% increase in international users
 - New implementations in Denmark & Luxembourg
 - Other new customers across Europe and Asia Pacific
- Stable gross margins with Microsoft Azure hosting costs the primary cost of sale
- In FY23, the amortisation charge for capitalised development costs of £5.2m made up over a third of operating costs (£4.3m in FY22).
- Remaining cost increases were impact of extra month of trading and increased personnel costs from headcount increases.