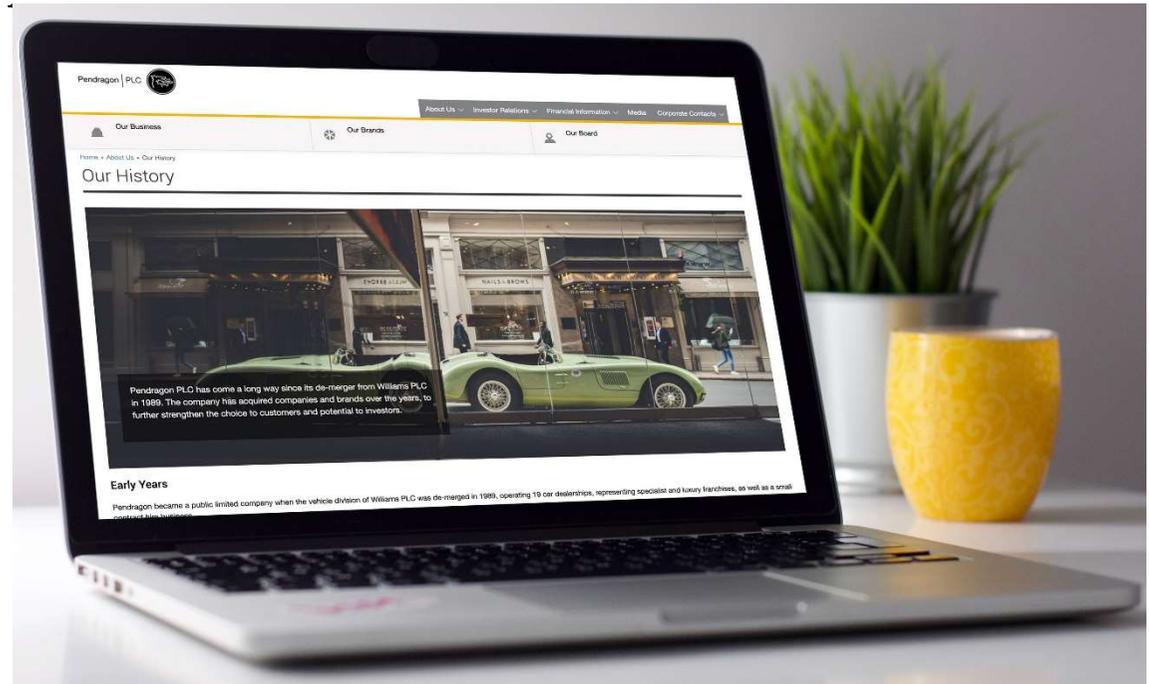


Pendragon | PLC



2018 Half Year Results



THE LEADING AUTOMOTIVE ONLINE RETAILER

Strategy Highlights

- **Double used car revenue by 2021**
 - Appointed an experienced Used Car Director to manage the operation and roll out of used Car Stores
 - Opened full scale Car Stores in Norwich, Shrewsbury and Ipswich
 - Opened two dedicated used car refurbishment facilities to industrialise this process. We intend to add a further two this year, giving a total annualised refurbishment capacity from these facilities of 80,000 vehicles
 - Closed in-house refurbishment facilities at Car Stores in order that refurbishment is undertaken through the dedicated 'used car factories'
- **US Motor Group**
 - Completed the first significant disposal in the US. The disposal process is proceeding to plan
- **Premium Brand Franchises**
 - As part of our committed three year plan to reduce the capital deployed in this area, we have sold four premium brand franchises which has released £26.0 million of capital comprising consideration and capital expenditure avoided
- **Software**
 - Good progress growing our Software as a Service ('SaaS') licences to international users. In the first half we have implemented the software into customers with an addressable user base of over 1,200. SaaS is being made available to our new international markets using Microsoft Azure which is currently available in 140 countries

Operating Highlights

- **Group Revenue -0.9% L4L (+0.2% total)** – Small decline in UK Motor offset by growth in Pinewood (Software) and Leasing
- **Used Revenue -0.9% L4L (+1.2% total)** – Used vehicle revenue, excluding nearly new vehicles, grew by 3.1%. Gross profit down 16.1%, driven primarily by margin pressure in the nearly new premium car segments
- **New Revenue -1.7% L4L (-1.6% total)** – Outperformed the market which was down 6.3% in the period. Gross profit down 6.0% L4L (-5.9% total)
- **Aftersales Revenue -2.4% L4L (-2.3% total)** – Gross profit down 2.7% L4L (-3.2% total)
- **Software Revenue +7.7%** - Gross profit up 8.8%
- **Leasing Revenue +35.1%** - Gross profit up 64.0%
- **Operating costs -2.1% L4L (-0.3% total)** - Significant cost savings in the period of £5.0 million
- **Underlying Profit Before Tax £28.4m** – Underlying profit before tax down £20.1 million as expected due to UK motor division performance
- **Robust Balance Sheet** – Strong balance sheet with Net Debt: Underlying EBITDA of 0.8

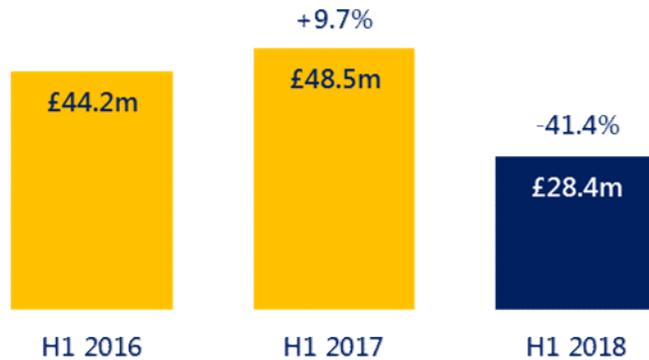
Financial Summary



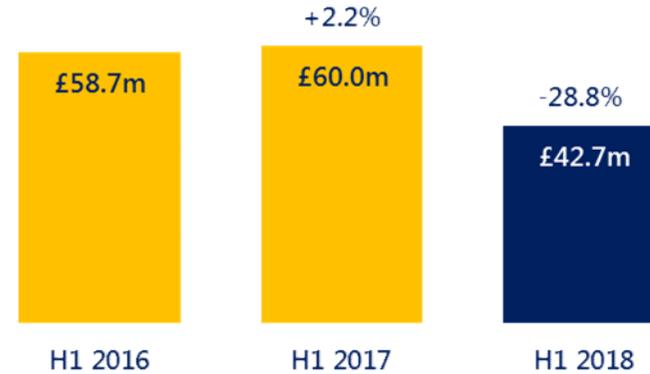
THE LEADING AUTOMOTIVE ONLINE RETAILER

Financial Summary – 3 Year Summary

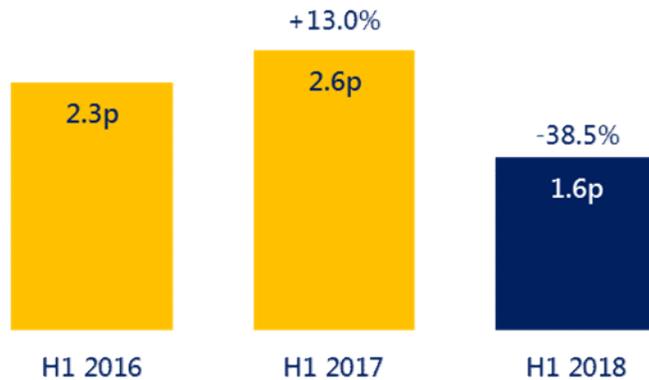
Underlying Profit Before Tax



Underlying Operating Profit



Underlying Earnings Per Share



Net Debt and Underlying EBITDA Ratio



Financial Summary – Profit and Loss

Underlying Results (£m)*			
	H1 2018	H1 2017	% Change
Revenue	2,476.2	2,472.0	+0.2%
Gross Profit	283.1	301.1	-6.0%
Gross Margin %	11.4%	12.2%	-0.8%
Operating Costs (SG&A)	(240.4)	(241.1)	-0.3%
Operating Costs %	9.7%	9.8%	-0.1%
Operating Profit	42.7	60.0	-28.8%
Operating Margin %	1.7%	2.4%	-0.7%
Interest	(14.3)	(11.5)	+24.3%
Underlying Profit Before Tax	28.4	48.5	-41.4%
Non-underlying Items	(1.1)	(1.4)	-21.4%
Profit Before Tax	27.3	47.1	-42.0%
Underlying Earnings Per Share	1.6p	2.6p	-38.5%
Dividend Per Share	0.80p	0.75p	+6.7%

* Breakdown of continuing and discontinued is in the appendix (page 35)

Summary

- 0.9% (L4L) fall in revenue due to small decline in UK motor offset by growth in Pinewood (Software) and Leasing
- 2.1% (L4L) of operating cost savings
- Underlying interest costs increased by £2.8m largely due to increased stocking interest
- Interim dividend per share of 0.80p

Financial Summary – Cashflow

Summary Cashflow (£m)		
	H1 2018	H1 2017
Underlying Operating Profit Before Other Income	42.4	60.0
Depreciation and Amortisation	13.3	14.9
Share Based Payments	0.6	1.0
Working Capital and Other Operating Cashflows	14.0	(45.5)
Operating Cashflow	70.3	30.4
Tax Paid	(4.8)	(9.0)
Underlying Net Interest	(12.6)	(10.2)
Capital Expenditure – 40 Site Roll-Out	(4.2)	(11.1)
Capital Expenditure – Franchise	(5.5)	(7.2)
Capital Expenditure – Underlying Replacement	(12.1)	(13.9)
Capital Expenditure – Business Acquisitions	-	(0.2)
Capital Expenditure – Property	(2.9)	(11.3)
Business and Property Disposals	3.9	1.1
Net Capital Expenditure, Acquisitions and Disposals	(20.8)	(42.6)
Dividends	(11.3)	(10.7)
Share buyback	(3.1)	(3.5)
Other	(0.2)	(2.8)
Decrease / (Increase) in Net Debt	17.5	(48.4)
Closing Net Debt	106.6	140.1

Summary

- Strong operating cashflow of £70.3m in the period versus £30.4m due to working capital improvements
- £4.2m investment on 40 site roll-out in the period, further investment to follow
- Net capex down £21.8m
- Share buyback of £3.1m in the period

Financial Summary – Balance Sheet

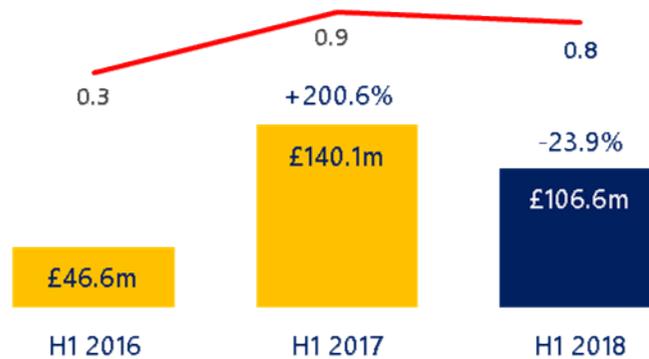
Balance Sheet (£m)			
	Jun-18	Dec-17	Jun-17
Property	228.2	261.2	224.4
Plant & Equipment	226.0	218.7	221.5
Goodwill & Intangibles	362.5	368.7	362.5
Stock	969.0	1,003.5	980.5
Debtors	167.6	132.8	160.5
Assets Held For Resale	47.1	11.0	5.6
Creditors	(1446.0)	(1,446.4)	(1,396.5)
Net Borrowings	(106.6)	(124.1)	(140.1)
Shareholders Funds	447.8	425.4	418.4

Summary

- Strong balance sheet and low debt level will allow the Group to continue to grow
- Cash and undrawn bank facilities of £195.0m and undrawn used stocking facility of £43m at end of period

Financial Summary – Capital Allocation

Net Debt and Underlying EBITDA Ratio



Dividend Per Share and Share Buyback

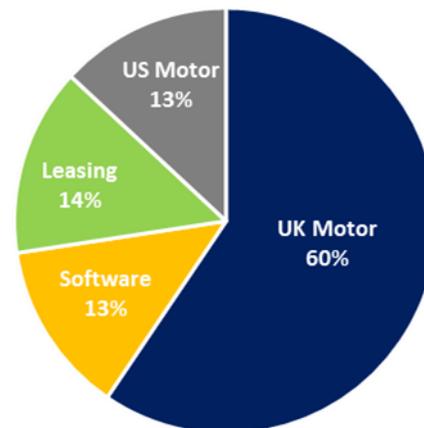


Summary

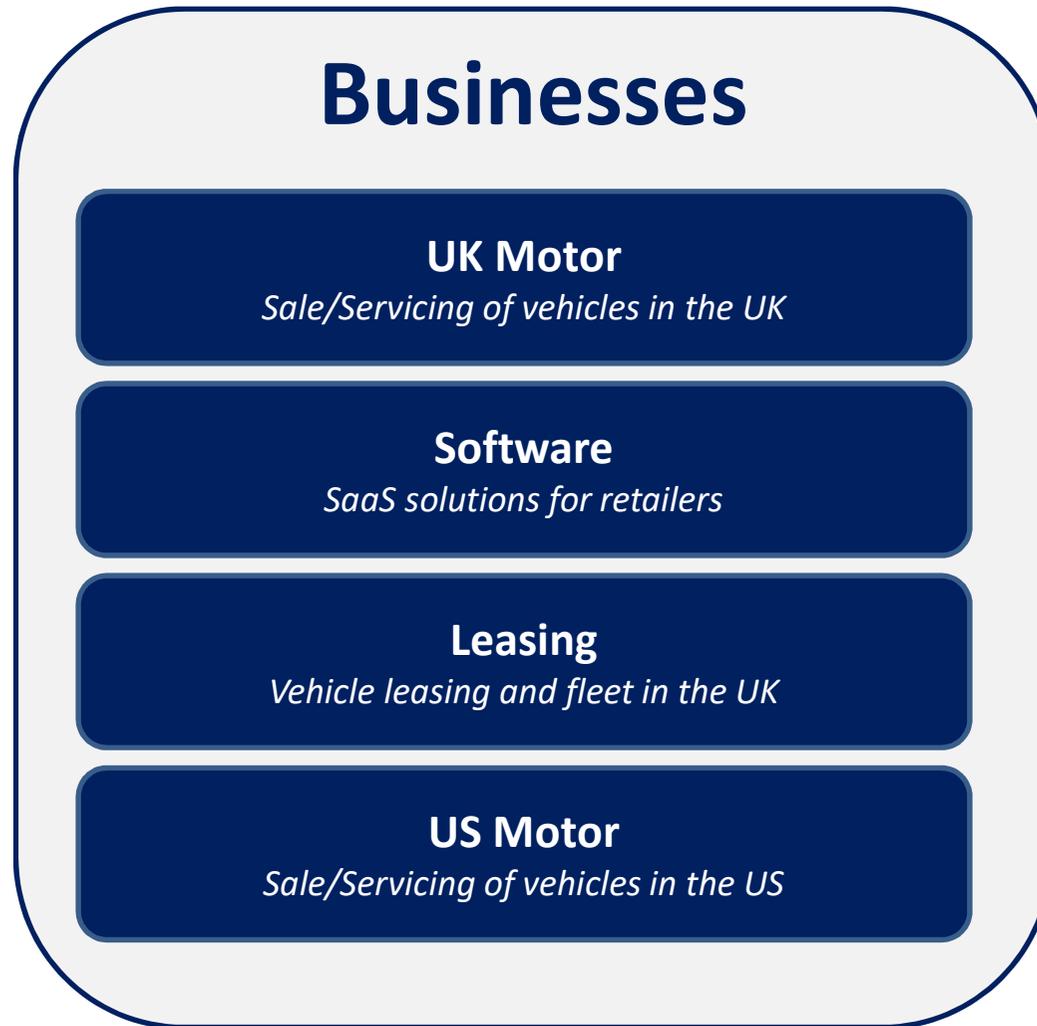
- Strategic decision announced in December 2017 to:
 - Release £100m of capital over 3 years through a reduction in premium brand franchise locations
 - Sell the USA segment with proceeds anticipated being in excess of £100m before tax
- The Group is still trading below our target range of 1.0-1.5:1 for the net debt to underlying EBITDA ratio
- Share buyback £14.6m to date
- Expectation of continued strong cashflows

Summary Operating Profit

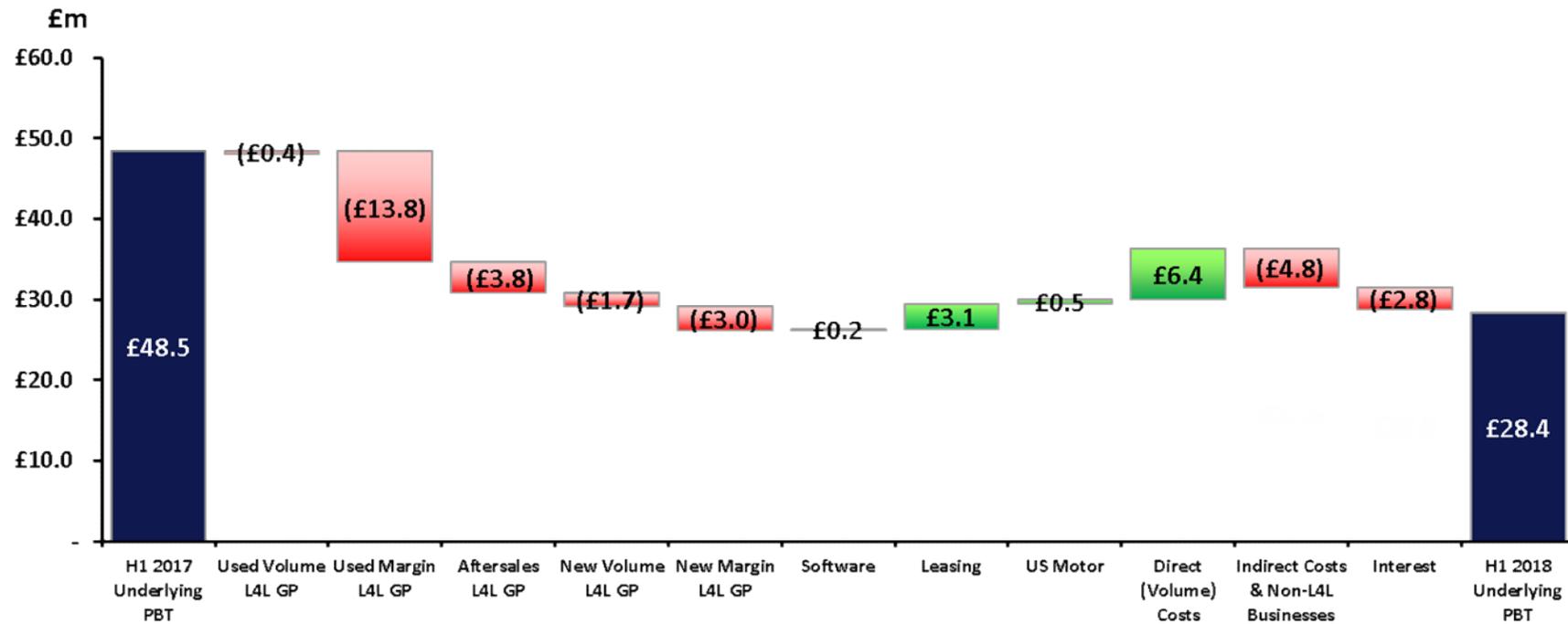
Operating Profit (£m)				
	H1 2018	H1 2017	% Change	% Change L4L
UK Motor	25.4	46.5	-45.4%	-38.7%
Software	5.6	5.5	+1.8%	+1.8%
Leasing	6.1	3.0	+103.3%	+103.3%
US Motor	5.6	5.0	+12.0%	+14.0%
TOTAL	42.7	60.0	-28.8%	-23.4%



Business Strategy and Review



Sector Profit Bridge



Businesses

UK Motor

Sale/Service of vehicles in the UK

Software

SaaS solutions for retailers

Leasing

Vehicle leasing and fleet in the UK

US Motor

Sale/Service of vehicles in the US



UK Motor Strategy and Business Review

UK Motor – Summary

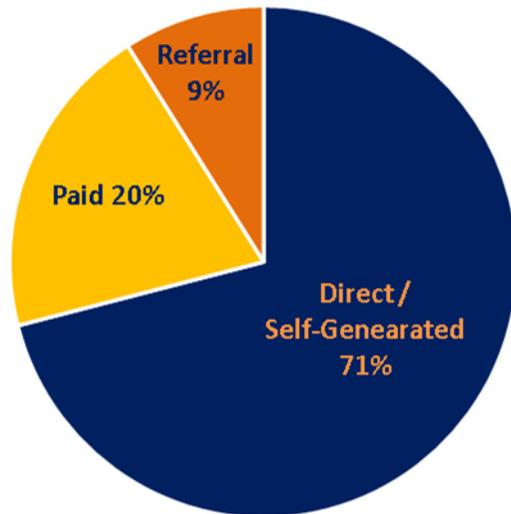
UK Motor (£m)				
	H1 2018	H1 2017	% Change	% Change L4L
Revenue	2,195.0	2,229.0	-1.5%	-1.6%
Gross Profit	237.4	262.5	-9.6%	-8.9%
Operating Costs	(212.0)	(216.0)	-1.9%	-2.4%
Operating Profit	25.4	46.5	-45.4%	-38.7%
Gross Margin %	10.8%	11.8%	-1.0%	-0.8%
Operating Margin %	1.2%	2.1%	-0.9%	-0.8%

- Overall revenue down 1.6% (L4L)
- Excluding nearly new vehicles, used revenue +3.1%
- Aftersales revenue -3.5% (L4L)
- Operating costs reduction of 2.4% (L4L) following a series of cost reduction measures
- Operating profit of £25.4m in the period

Strategy

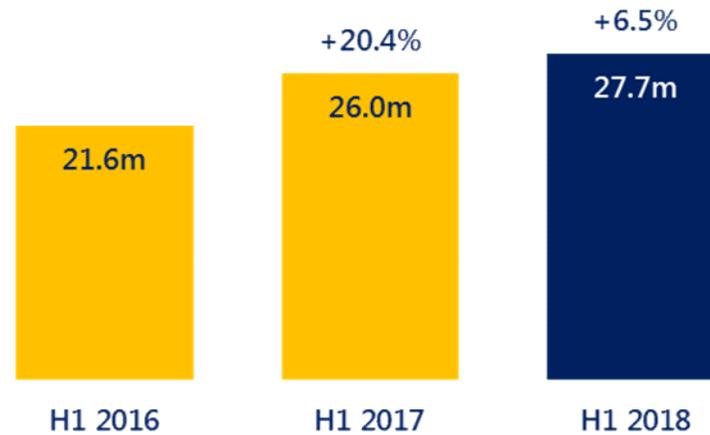
- Continue to invest in the transformation of our business model to deliver a market leading share in the used vehicle and aftersales markets in the UK
- Double our used car revenue by 2021 by developing our national network linked to a superior online buying experience

UK Motor Business Review – Online



* Source of Online traffic split from FY17 figures

Online Visits - Rolling 12 months

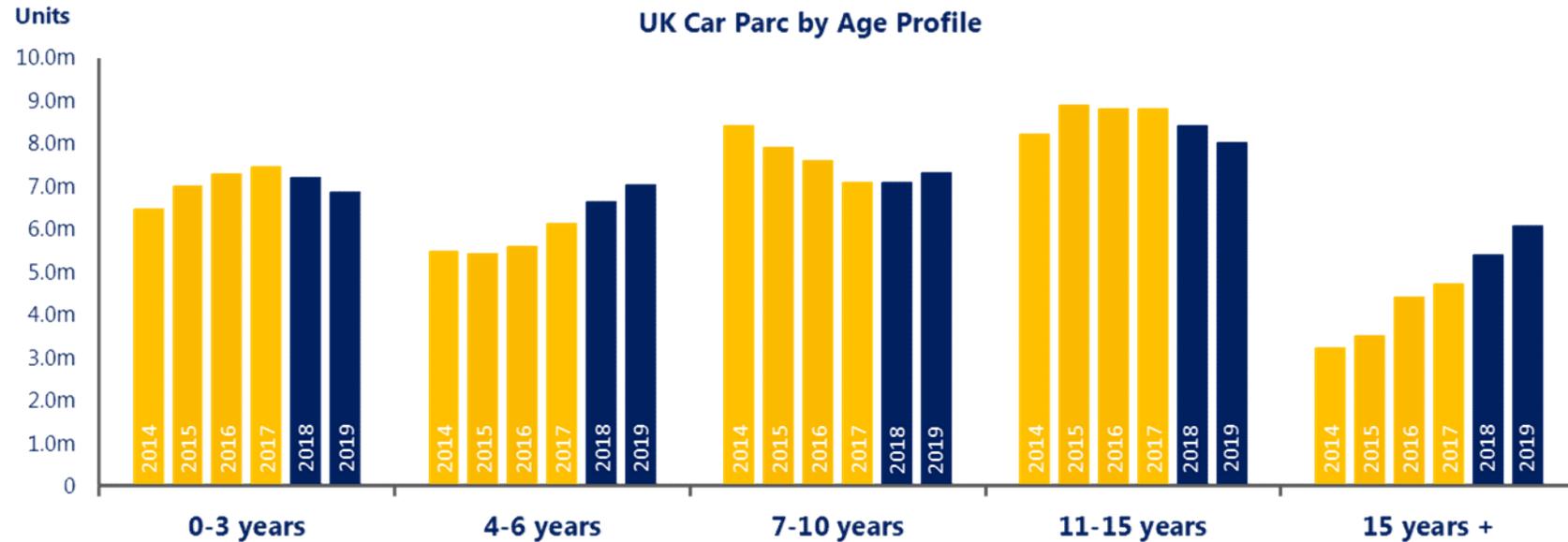


Summary

- Online visits to Evanshalshaw.com and Stratstone.com increased by 6.5% in the 12 month period to 27.7m visits
- We continue to invest in online infrastructure, growing brand awareness and enhancing our online proposition



UK Motor Business Review - Aftersales



Source: Callcredit (2014 to 2017) and Pendragon (2018 to 2019)

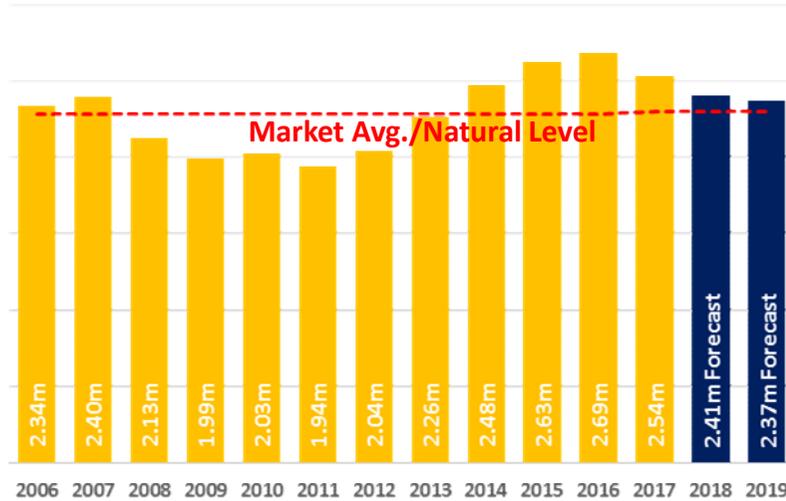
Summary

- Aftersales revenue down 3.5% and gross profit down 3.9% (L4L)
- Retail labour sales up 2.3% (L4L)
- Investment into dedicated refurbishment facilities allows local operations to focus on retail opportunities and expands our used vehicle refurbishment capacity

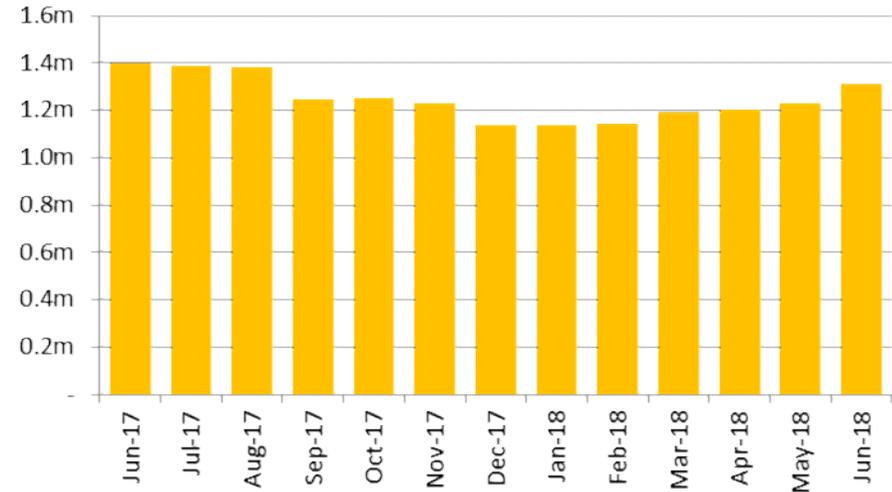


UK Motor Business Review – New Activity

New Vehicle Registrations



UK Rolling 6 month New Cars Registrations



Summary

- New revenue fell by 2.5% (L4L) against a market fall of 6.3% (national vehicle registrations)
- Gross profit fell by 6.9% (L4L)
- UK market is returning to more natural levels in 2018 with a modest reduction in 2019



Businesses

UK Motor

Sale/Service of vehicles in the UK

Software

SaaS solutions for retailers

Leasing

Vehicle leasing and fleet in the UK

US Motor

Sale/Service of vehicles in the US



Software Strategy and Business Review

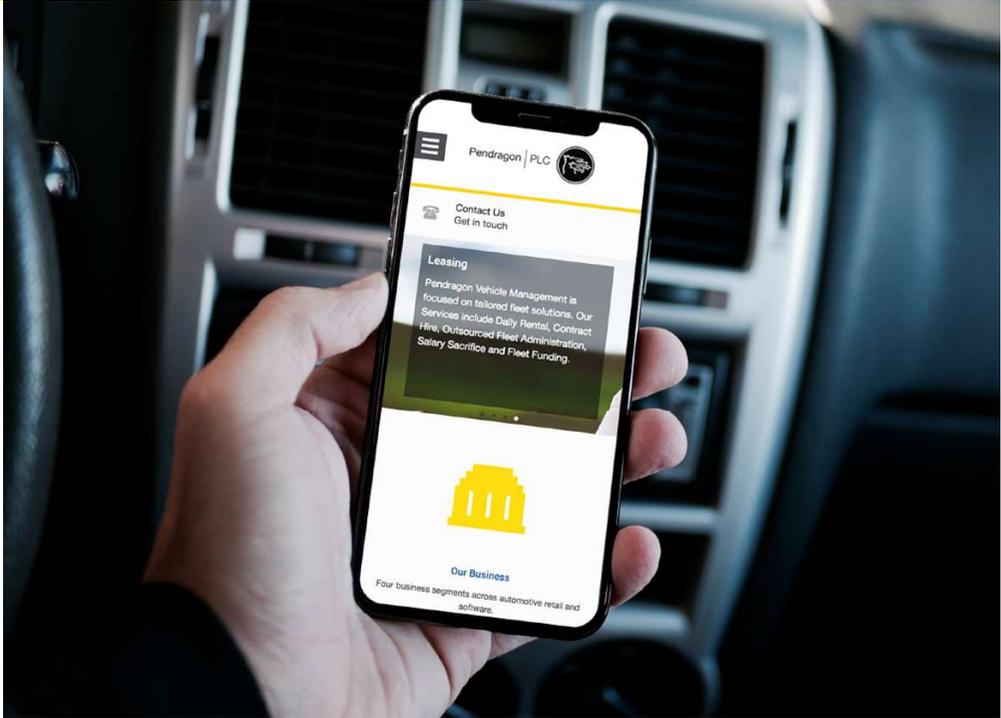
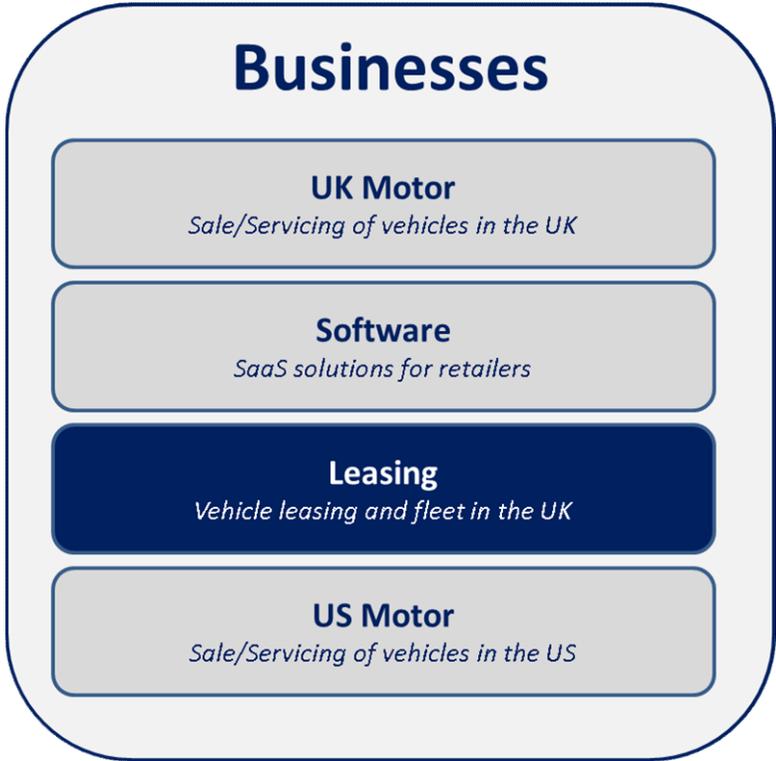
Software – Summary

Software (£m)				
	H1 2018	H1 2017	% Change	% Change L4L
Revenue	8.4	7.8	+7.7%	+7.7%
Gross Profit	7.4	6.8	+8.8%	+8.8%
Operating Costs	(1.8)	(1.3)	+38.5%	+38.5%
Operating Profit	5.6	5.5	+1.8%	+1.8%
Gross Margin %	88.1%	87.2%	+0.9%	+0.9%
Operating Margin %	66.7%	70.5%	-3.8%	-3.8%

- Software and online technologies at the heart of our plan to revolutionise the business
- Nearly 8% revenue growth achieved in the period
- Installations in UK, Ireland, Switzerland, Netherlands, Germany, South Africa, Namibia, Zimbabwe, Hong Kong and the Philippines

Strategy

- Pinewood, our software business, is core to our strategic plan to transform the business
- We have an objective to achieve at least double digit growth in revenue in the Software as a Service (“SaaS”) business, which will be achieved by globalisation of the products and services we offer
- Pinewood is fast becoming a global business with users in a number of countries worldwide. We are actively expanding the business in Europe, Africa and Asia Pacific and seeking opportunities elsewhere



Leasing Strategy and Business Review

Leasing – Summary

Leasing (£m)				
	H1 2018	H1 2017	% Change	% Change L4L
Revenue	40.8	30.2	+35.1%	+35.1%
Gross Profit	8.2	5.0	+64.0%	+64.0%
Operating Costs	(2.1)	(2.0)	+5.0%	+5.0%
Operating Profit	6.1	3.0	+103.3%	+103.3%
Gross Margin %	20.1%	16.6%	+3.5%	+3.5%
Operating Margin %	15.0%	9.9%	+5.1%	+5.1%

- Significant growth achieved in the period, with revenue up 35.1%
- Operating profit more than doubled in the period

Strategy

- Retain low capital base and high return on investment from the Leasing business
- Maintain at least double digit growth in revenue and gross profit
- Provide a used vehicle supply to the group to support the goal of doubling used revenue by 2021

Businesses

UK Motor

Sale/Service of vehicles in the UK

Software

SaaS solutions for retailers

Leasing

Vehicle leasing and fleet in the UK

US Motor

Sale/Service of vehicles in the US



US Motor Strategy and Business Review

US Motor – Summary

US Motor (£m)				
	H1 2018	H1 2017	% Change	% Change L4L
Revenue	232.0	205.0	+13.2%	+0.7%
Gross Profit	30.1	26.8	+12.3%	+0.4%
Operating Costs	(24.5)	(21.8)	+12.4%	-2.8%
Operating Profit	5.6	5.0	+12.0%	+14.0%
Gross Margin %	13.0%	13.1%	-0.1%	-0.1%
Operating Margin %	2.4%	2.4%	-	+0.4%

- Operating profit growth of 14.0% (L4L)
- Shown as a discontinued operation due to the sale which is expected by the end of 2018
- Completion of the disposal of our single Aston Martin business in the US realising proceeds of £3.1 million in July 2018.
- Planned disposal on track for completion by end of 2018

Strategy

- We are selling the US Motor Group, as we have concluded that it is economically right to realise its value. We are expecting proceeds in excess of £100 million before tax

Strategy Highlights

- **Double used car revenue by 2021**
 - Appointed an experienced Used Car Director to manage the operation and roll out of used Car Stores
 - Opened full scale Car Stores in Norwich, Shrewsbury and Ipswich
 - Opened two dedicated used car refurbishment facilities to industrialise this process. We intend to add a further two this year, giving a total annualised refurbishment capacity from these facilities of 80,000 vehicles
 - Closed in-house refurbishment facilities at Car Stores in order that refurbishment is undertaken through the dedicated 'used car factories'
- **US Motor Group**
 - Completed the first significant disposal in the US. The disposal process is proceeding to plan
- **Premium Brand Franchises**
 - As part of our committed three year plan to reduce the capital deployed in this area, we have sold four premium brand franchises which has released £26.0 million of capital comprising consideration and capital expenditure avoided
- **Software**
 - Good progress growing our Software as a Service ('SaaS') licences to international users. In the first half we have implemented the software into customers with an addressable user base of over 1,200. SaaS is being made available to our new international markets using Microsoft Azure which is currently available in 140 countries



APPENDIX – Pendragon 2018 Half Year Results

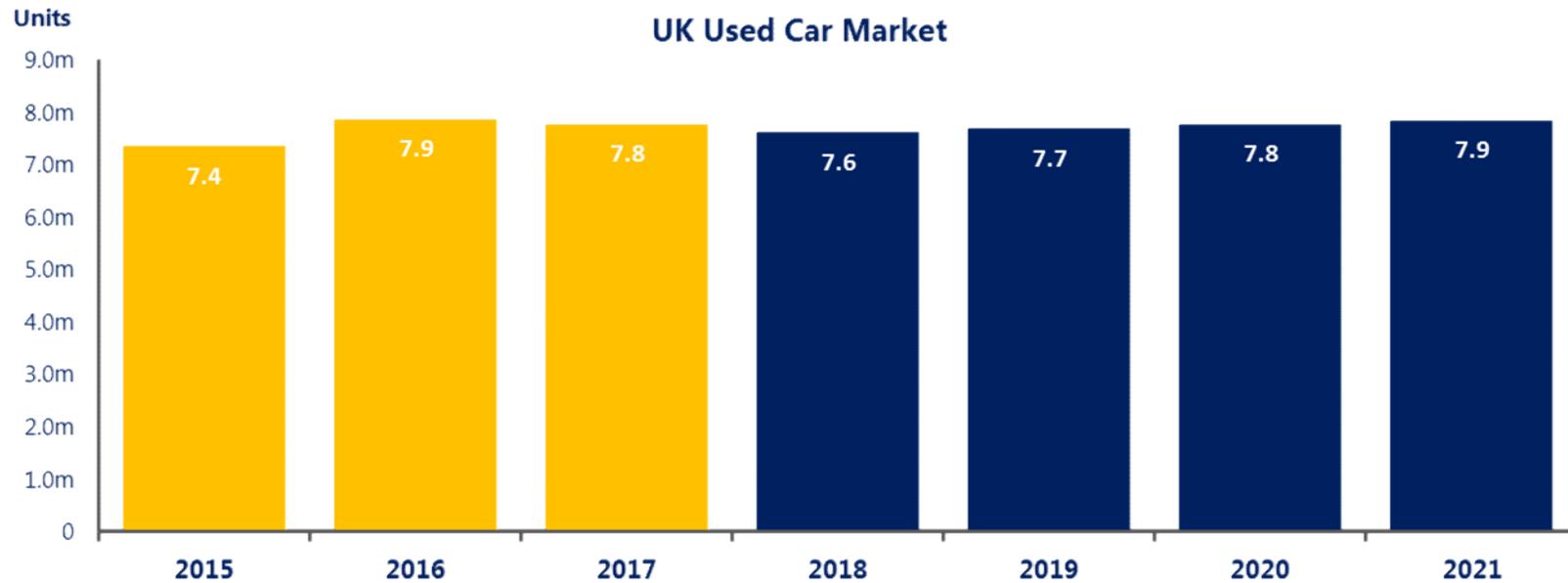
Appendix - UK Motor

UK Motor (£m)				
	H1 2018	H1 2017	% Change	% Change L4L
Used	1,128.2	1,118.1	+0.9%	-0.5%
Aftersales	171.6	179.3	-4.3%	-3.5%
New	895.2	931.6	-3.9%	-2.5%
Revenue	2,195.0	2,229.0	-1.5%	-1.6%
Used	76.5	90.2	-15.2%	-15.9%
Aftersales	96.4	101.8	-5.3%	-3.9%
New	64.5	70.5	-8.5%	-6.9%
Gross Profit	237.4	262.5	-9.6%	-8.9%
Operating Costs	(212.0)	(216.0)	-1.9%	-2.4%
Operating Profit	25.4	46.5	-45.4%	-38.7%
Gross Margin %	10.8%	11.8%	-1.0%	-0.8%
Operating Margin %	1.2%	2.1%	-0.9%	-0.8%

Summary

- Used revenue -0.5% (L4L)
- Excluding nearly new vehicles, used revenue +3.1% (L4L)
- Aftersales revenue -3.5% (L4L)
- Operating cost savings of 2.4% (L4L)

Appendix – UK Used Market



Source: Callcredit (2015 to 2017) and Pendragon (2018 to 2021)

Summary

- The latest available market data is for Q1 2018, which showed that the UK used market decreased by 5.0% in Q1 2018
- The used car market is forecast to be 7.6 million units in 2018, a decrease of 2.0% on 2017
- UK Motor grew used revenue by 0.9% in H1 2018 (-0.5% L4L)



Appendix – UK Used Performance

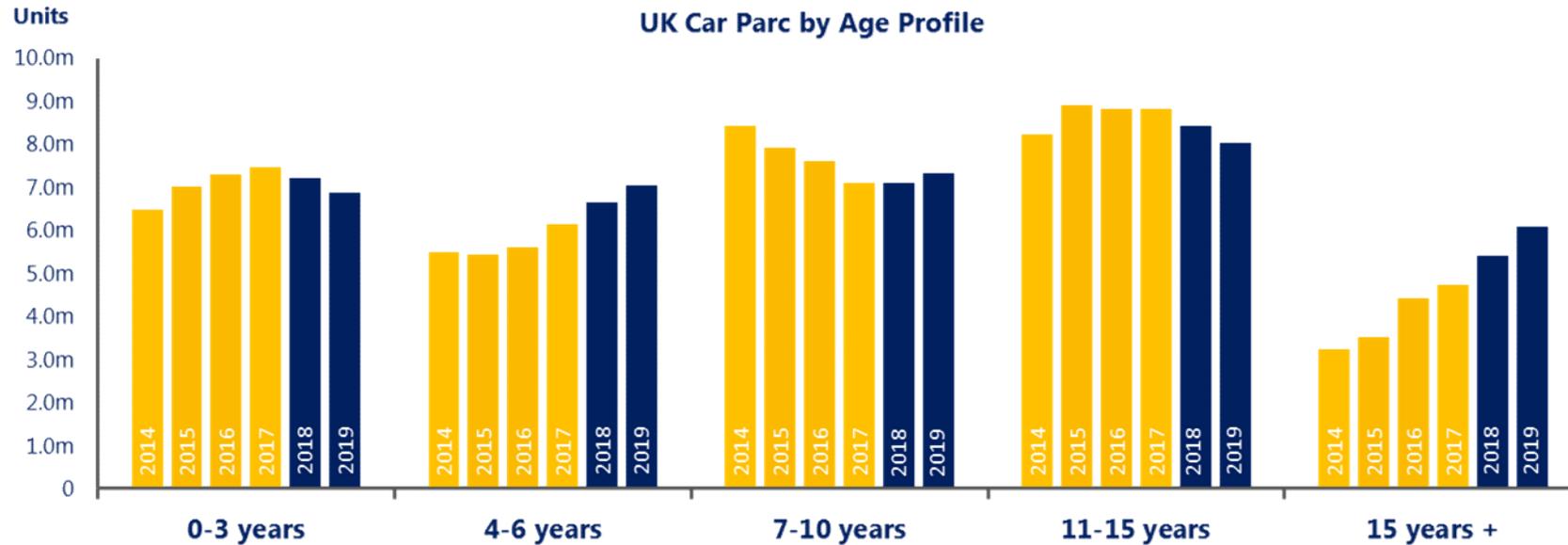
Used (£m)				
	H1 2018	H1 2017	% Last Year	% Last Year L4L
Revenue	1,128.2	1,118.1	+0.9%	-0.5%
Gross Profit	76.5	90.2	-15.2%	-15.9%
Gross Margin %	6.8%	8.1%	-1.3%	-1.3%



Summary

- Used revenue down by 0.5% (L4L)
- Use revenue ,excluding nearly new vehicles,+3.1% against record comparatives
- Margin impacted due to sales of premium nearly new vehicles which forms part of the used revenue result
- Reduction in nearly new stock holding of 24.6% (L4L)
- Opened two dedicated used car refurbishment factories to industrialise the process

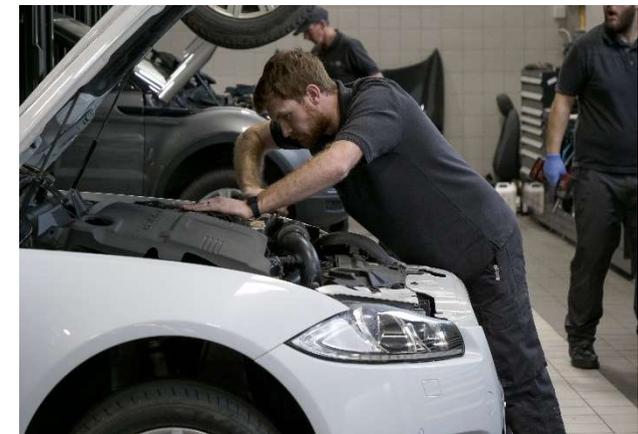
Appendix – UK Aftersales Market



Source: Callcredit (2014 to 2017) and Pendragon (2018 to 2019)

Summary

- 3.4% reduction in 0-3 year car parc forecast in 2018
- 8.1% growth in 4-6 year car parc forecast in 2018
- 4-6 year car parc forecast to continue growing until 2020



Appendix – UK Aftersales Performance

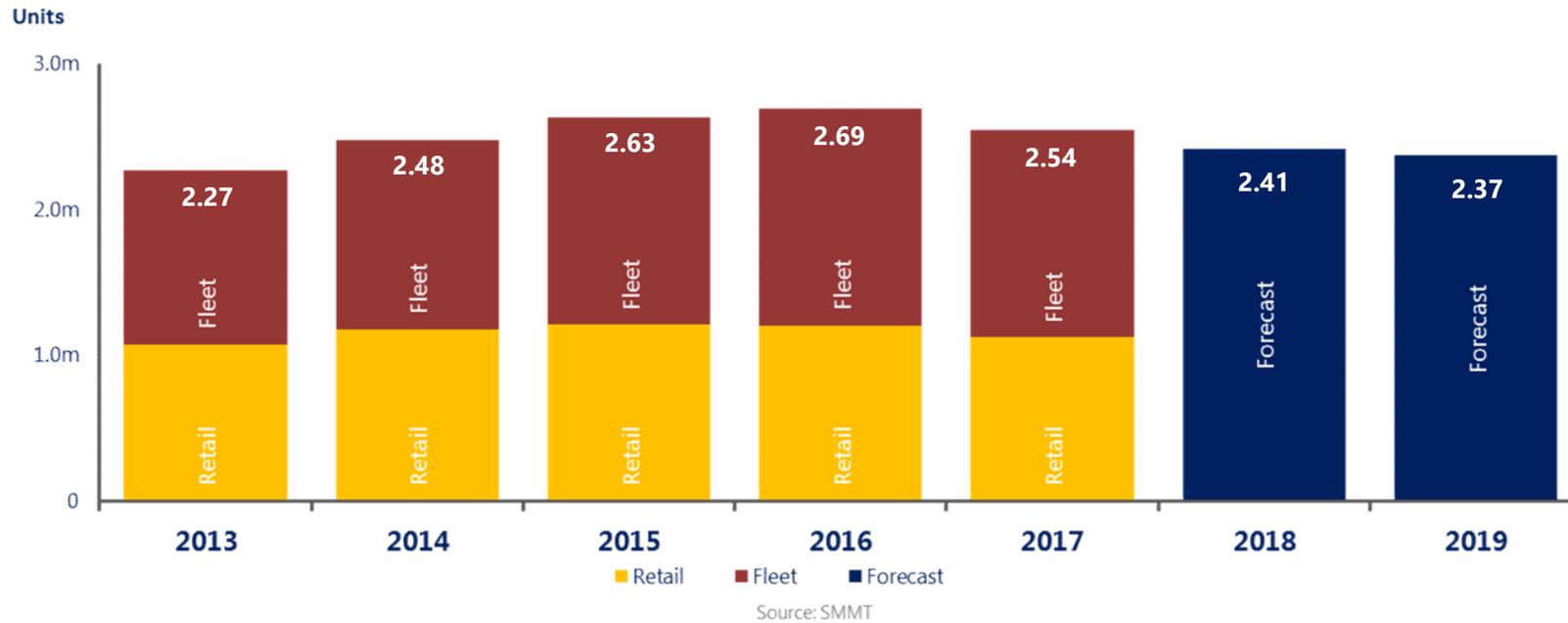
Aftersales (£m)				
	H1 2018	H1 2017	% Last Year	% Last Year L4L
Revenue	171.6	179.3	-4.3%	-3.5%
Gross Profit	96.4	101.8	-5.3%	-3.9%
Gross Margin %	56.2%	56.8%	-0.6%	-0.3%



Summary

- Aftersales contributes 40.6% of the gross profit of UK Motor and delivered a gross margin of 56.2%
- Aftersales revenue down by 3.5% (L4L) partly as a result of closing a parts distribution point in favour of utilising a site for Car Store
- Retail service revenue increased 2.7% (L4L)

Appendix – UK New Market



Summary

- The UK new car market was down 6.3% in H1 2018
- In H1 2018 the retail market was down 4.9% and the fleet market was down 7.3%
- Revised forecast of 5.0% fall in new car market in 2018 (previously forecast at 6.6% fall in 2018)



Appendix – UK New Performance

New (£m)				
	H1 2018	H1 2017	% Last Year	% Last Year L4L
Revenue	895.2	931.6	-3.9%	-2.5%
Gross Profit	64.5	70.5	-8.5%	-6.9%
Gross Margin %	7.2%	7.6%	-0.4%	-0.3%

Summary

- New revenue fell by 2.5% (L4L) against a market fall of 6.3% (national vehicle registrations)
- Gross profit fell by 6.9% (L4L)



Appendix - US Motor

US Motor (£m)				
	H1 2018	H1 2017	% Change	% Change L4L
Used	47.3	43.0	+10.0%	-12.1%
Aftersales	21.6	18.5	+16.8%	+8.1%
New	163.1	143.5	+13.7%	+3.6%
Revenue	232.0	205.0	+13.2%	+0.7%
Used	2.9	2.4	+20.8%	-20.8%
Aftersales	11.5	9.7	+18.6%	+9.3%
New	15.7	14.7	+6.8%	-2.0%
Gross Profit	30.1	26.8	+12.3%	+0.4%
Operating Costs	(24.5)	(21.8)	+12.4%	-2.8%
Operating Profit	5.6	5.0	+12.0%	+14.0%
Gross Margin %	13.0%	13.1%	-0.1%	-0.1%
Operating Margin %	2.4%	2.4%	-	+0.4%

Summary

- Strong revenue growth across aftersales and new departments (L4L)
- Aftersales revenue up 8.1% and gross profit up 9.3% (L4L)
- Operating cost savings of 2.8% (L4L)

Financial Summary – Profit and Loss Continuing and Discontinued

Underlying Results (£m)						
	Continuing	Discontinued	2018	Continuing	Discontinued	2017
Revenue	2,224.2	232.0	2,476.2	2,267.0	205.0	2,472.0
Gross Profit	253.0	30.1	283.1	274.3	26.8	301.1
Gross Margin %	11.3%	13.0%	11.4%	12.1%	13.1%	12.2%
Operating Costs (SG&A)	(215.9)	(24.5)	(240.4)	(219.3)	(21.8)	(241.1)
Operating Costs %	9.6%	10.6%	9.7%	9.7%	10.7%	9.8%
Operating Profit	37.1	5.6	42.7	55.0	5.0	60.0
Operating Margin %	1.7%	2.4%	1.7%	2.4%	2.4%	2.4%
Interest	(13.1)	(1.2)	(14.3)	(10.7)	(0.8)	(11.5)
Underlying Profit Before Tax	24.0	4.4	28.4	44.3	4.2	48.5
Non-underlying Items	(1.1)	-	(1.1)	(1.4)	-	(1.4)
Profit Before Tax	22.9	4.4	27.3	42.9	4.2	47.1
Underlying Earnings Per Share	1.4p	0.2p	1.6p	2.4p	0.2p	2.6p
Dividend Per Share	0.80p	-	0.80p	0.75p	-	0.75p