

Pendragon | PLC



# 2016 FULL YEAR RESULTS

Evans Halshaw

Need Help? Call us on 0333 323 6434

Price Guarantee Every Day Lowest Prices

Over 27,000 Reviews on TrustPilot

Move Me Closer We bring your chosen car

### Used Cars

Over 20,000 quality cars for sale at our 120 dealerships nationwide. We accept Part Exchanges and offer the lowest price cash and car finance options.

Search for your next car

Choose a make...

Choose a model...

Min price (£) Max price (£)

DE190SU

21,200 vehicles match your search

View vehicles

Call us on 0333 323 6434

Call our team Monday-Friday until 10pm also available until 6pm on Saturday and 5pm Sunday.

Why choose Evans Halshaw for used cars?

We are the UK's largest used car retailer offering a fantastic choice of over 20,000 used vehicles, along with a range of cash and car finance offers to suit every budget.

With our price guarantee you can be sure of the best price for your next car.

Evans Halshaw Move Me Closer closer

20,000 USED CARS

120 DEALERSHIPS

Search for used cars

THE UK'S LARGEST AUTOMOTIVE ONLINE RETAILER

# Executive Summary

## Strategic Highlights

- Our initiatives such as Move Me Closer™, Sell Your Car and our aftersales progress update portal are leading the evolution of automotive online retailing
- The Evanshalshaw.com and Stratstone.com websites have developed further during the year generating 22.7 million visits in the year, up +14.4% - with 66% of our visitors from self-generated rather than paid sources
- Used vehicle revenue growth is a key strategic goal and revenues have grown by 64% in 5 years at a compound annual growth rate of 10.4%
- Investment in additional physical capacity for used vehicle sales continues so that we can achieve at least double digit growth in used vehicle revenue in 2017
- Our strategy is focused on our four 'pillars' of Choice, Value, Customer Service and Convenience supported by our people and protected by ownership of our evolving intellectual property and IT

## Operational Highlights

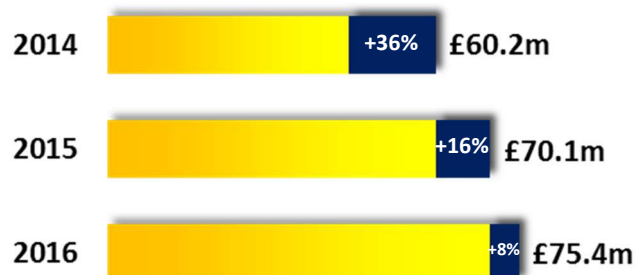
- Pinewood (the Group's IT and Software division) established its first European customer user base and increased operating profit by +14.9%
- Used vehicle revenue up +9.5% on a like for like basis (+5.6% total) as we continue to increase our market share
- Aftersales revenue up +7.3% on a like for like basis (+4.1% total) as a result of market tailwinds and our initiatives
- New vehicle revenue up +3.1% on a like for like basis (-1.4% total)
- Underlying operating margin 2.2% - in line with the prior year



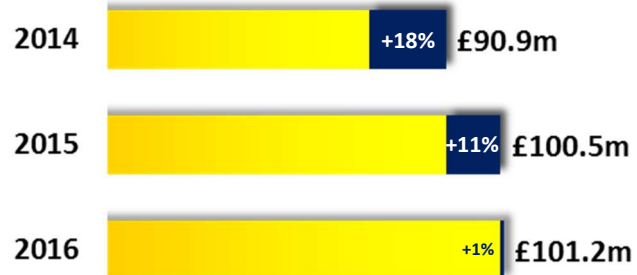
# FINANCIAL HIGHLIGHTS

# Financial Highlights – 3 Year Group Performance

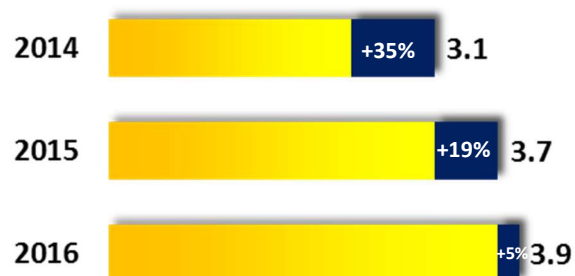
## Underlying Profit Before Tax



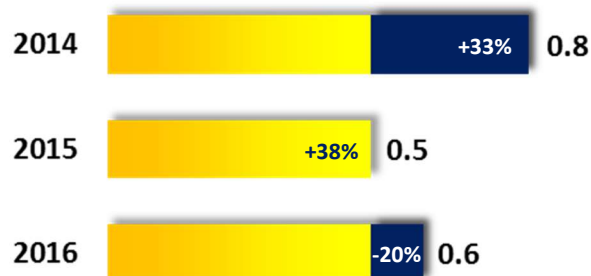
## Underlying Operating Profit



## Underlying Earnings Per Share (p)



## Debt : Underlying EBITDA Ratio



## SUMMARY

- Underlying PBT up 7.6%
- Underlying EPS up 5.4%
- Debt : Underlying EBITDA at 0.6 which is below our target range of 1.0 – 1.5

# Financial Highlights – Underlying Profit Before Tax Up 8%

Underlying £m	2016	2015	Variance
Revenue	4,537.0	4,453.9	+1.9%
Gross Profit	559.6	548.9	+1.9%
<i>Gross Margin</i>	12.3%	12.3%	-
Operating Costs	(458.4)	(448.4)	+2.2%
<i>Operating Costs as a % of Gross Profit</i>	81.9%	81.7%	+0.2%
<b>Operating Profit</b>	<b>101.2</b>	<b>100.5</b>	<b>+0.7%</b>
<i>Operating Margin</i>	2.2%	2.3%	-0.1%
Interest	(25.8)	(30.4)	-15.1%
<b>Profit Before Tax</b>	<b>75.4</b>	<b>70.1</b>	<b>+7.6%</b>
Earnings Per Share	3.9p	3.7p	+5.4%
Dividend Per Share	1.45p	1.30p	+11.5%

## SUMMARY

- Used vehicle revenue up 9.5% on a L4L basis
- Aftersales revenue up 7.3% on a L4L basis
- New vehicle revenue up 3.1% on a L4L basis
- Continued operating leverage in Evanshalshaw.com
- Proposed final dividend 0.75p resulting in an 11.5% increase in annual dividend

## Financial Highlights – Non-Underlying Loss of £2.4m

Non-Underlying £m	2016	2015	Variance
(Loss)/Gain on Disposals Net of Property Impairments	(0.8)	10.6	(11.4)
VAT Provisions	-	(3.2)	3.2
Gain on Disposals of Investments	-	13.8	(13.8)
<b>Operating (Loss) / Profit</b>	<b>(0.8)</b>	<b>21.2</b>	<b>(22.0)</b>
Pensions	(1.6)	(2.3)	0.7
Refinancing Charges	-	(10.0)	10.0
<b>(Loss) / Profit Before Tax</b>	<b>(2.4)</b>	<b>8.9</b>	<b>(11.3)</b>
Tax Credit	1.6	10.9	(9.3)
<b>(Loss) / Profit for the period</b>	<b>(0.8)</b>	<b>19.8</b>	<b>(20.6)</b>

### SUMMARY

- The Group sold five franchise points in the period, yielding proceeds of £8.9m and generating a loss on disposal of £0.8m

# Financial Highlights – Continued Strong Cash Flow

## Summary Cash Flow £m

	2016	2015
<b>Underlying Operating Profit Before Other Income</b>	<b>101.2</b>	<b>100.5</b>
Depreciation and Amortisation	29.9	25.3
Non-Underlying Items	-	(3.2)
Share Based Payments	2.2	2.0
Working Capital and Contract Hire Vehicle Movement	(30.7)	1.0
<b>Operating Cash Flow</b>	<b>102.6</b>	<b>125.6</b>
Tax Paid	(17.3)	(22.3)
Underlying Net Interest Paid	(25.2)	(28.8)
<i>Capital Expenditure – Franchise Specific and Acquisition</i>	<i>(23.5)</i>	<i>(19.0)</i>
<i>Disposals – ex Franchise Property</i>	<i>8.1</i>	<i>4.3</i>
<i>Disposals – Franchise Businesses</i>	<i>8.9</i>	<i>21.2</i>
<b>Net Franchise Capital Expenditure</b>	<b>(6.5)</b>	<b>6.5</b>
Capital Expenditure – 40 Site Roll-Out	(7.0)	(3.3)
Capital Expenditure – Underlying Replacement	(26.2)	(33.1)
Capital Expenditure – Property Leases	(4.1)	(5.0)
Dividends	(20.3)	(17.4)
Proceeds from Sale of Investments	-	23.8
Share Buybacks	(7.5)	-
Share Repurchases	(0.2)	(6.2)
Other	(0.4)	(10.6)
<b>(Increase) / Reduction in Net Debt</b>	<b>(12.1)</b>	<b>29.2</b>
<b>Closing Net Debt</b>	<b>(91.7)</b>	<b>(79.6)</b>

## SUMMARY

- Debt : Underlying EBITDA ratio below our target range
- Investment in the physical capacity for used vehicles will continue
- Strong returns to shareholders

## Financial Highlights – Healthy Balance Sheet

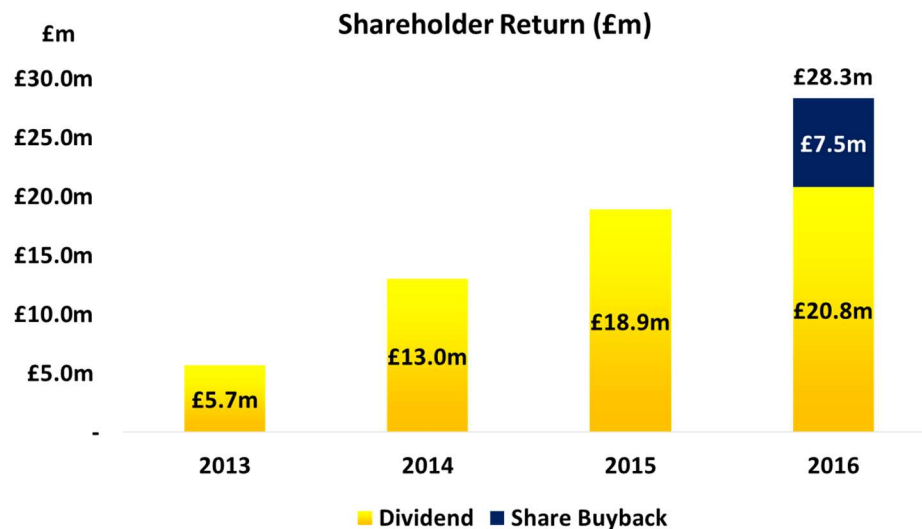
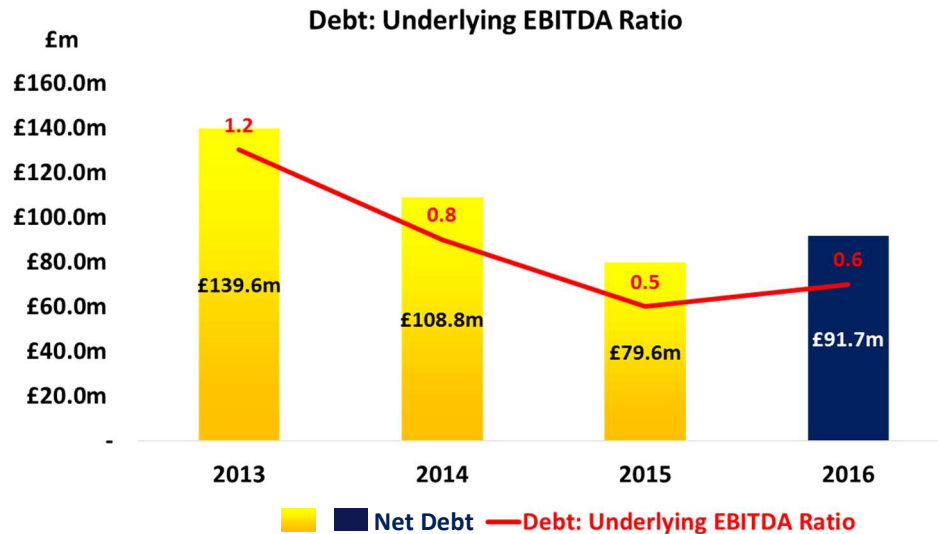
Balance Sheet £m	2016	2015
Property	199.3	172.7
Plant & Equipment	206.0	180.0
Goodwill & Intangibles	362.2	366.6
Stock	846.2	830.6
Debtors	153.1	134.5
Assets Held For Resale	6.6	16.2
Creditors	(1,308.9)	(1,225.9)
Net Borrowings	(91.7)	(79.6)
<b>Shareholders Funds</b>	<b>372.8</b>	<b>395.1</b>
Gearing	24.6%	20.1%

### SUMMARY

- Strong balance sheet
- Stock levels have been increased to grow used vehicle revenue



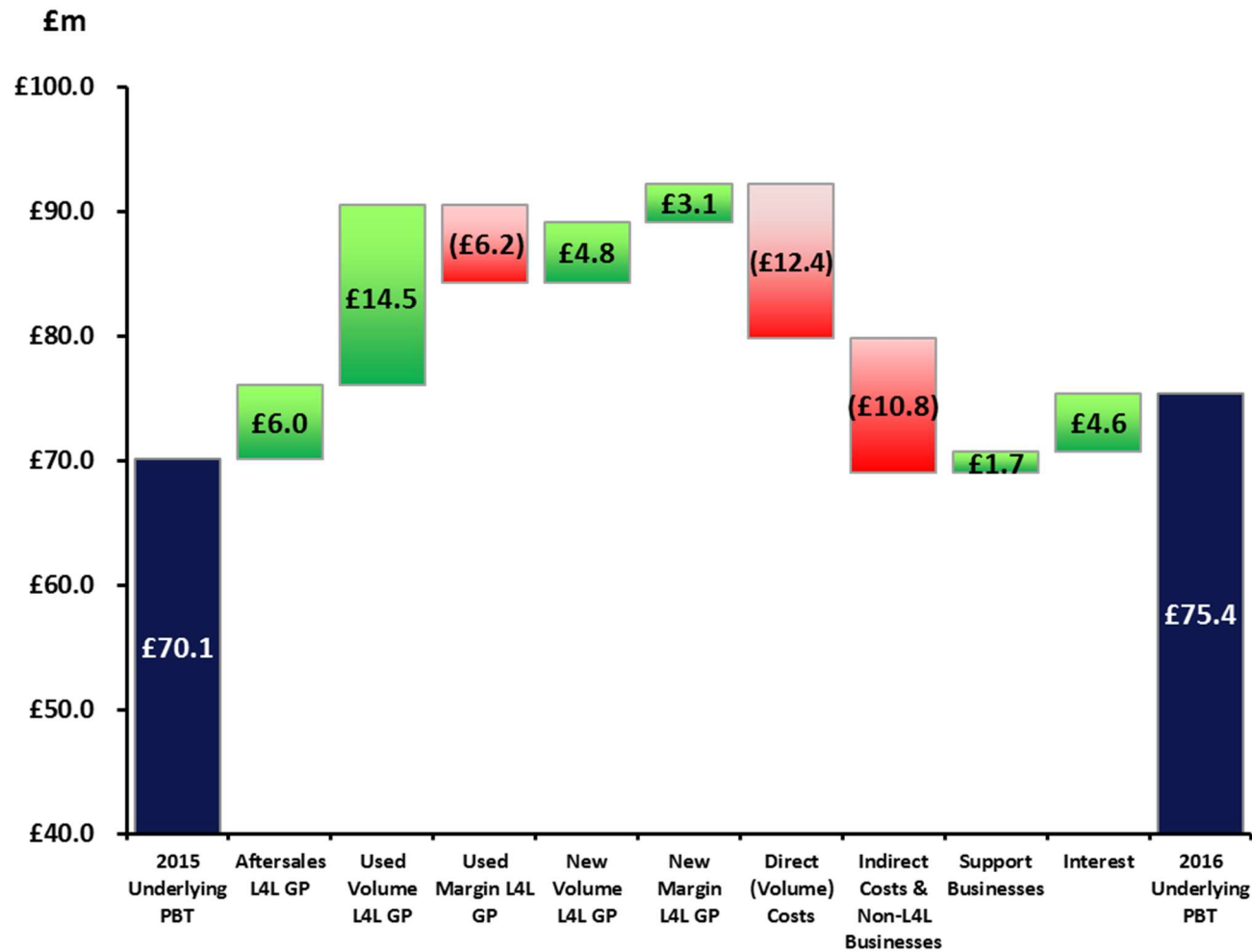
# Financial Highlights – Capital Allocation



## SUMMARY

- Debt : Underlying EBITDA at 0.6 which is below our target range of 1.0 – 1.5
- £20m share buyback programme commenced on 20-May-16 with £7.5m purchases to date
- Progressive dividend policy with cover maintained
- Final proposed 2016 dividend of 0.75p

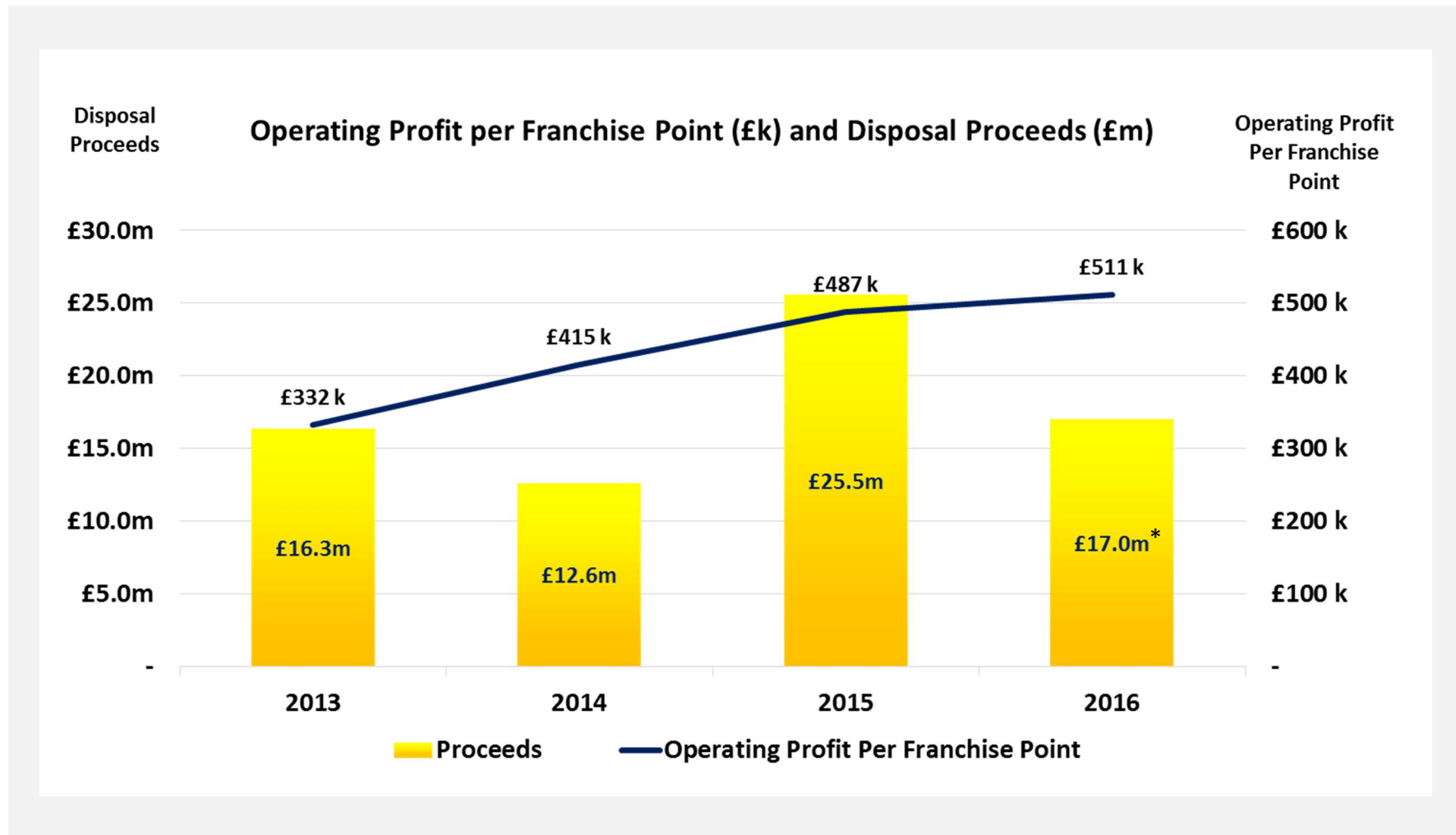
# Financial Highlights – Growth across all departments



## SUMMARY

- Strong L4L growth across used, aftersales and new

# Operating profit per franchise point and Disposal Proceeds

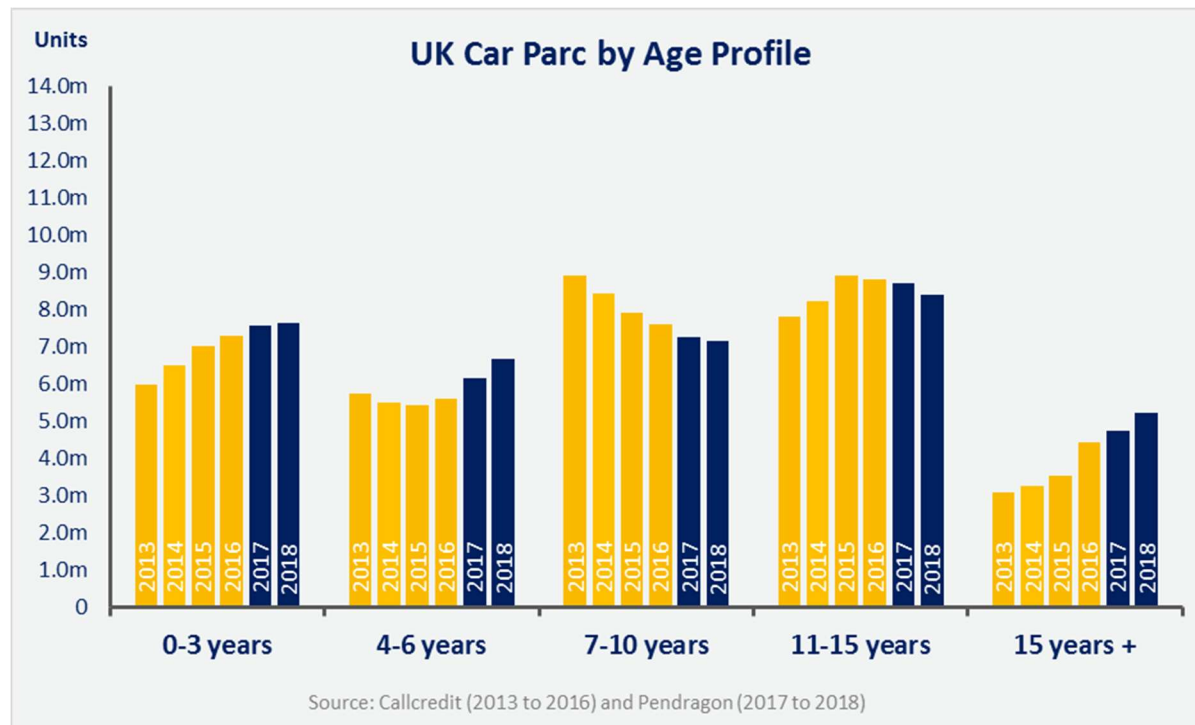


\* 2016 Disposals were Derby Jaguar, St Albans Ford, Wolverhampton Jaguar and Woodford Jaguar & Land Rover



INDUSTRY  
INSIGHT

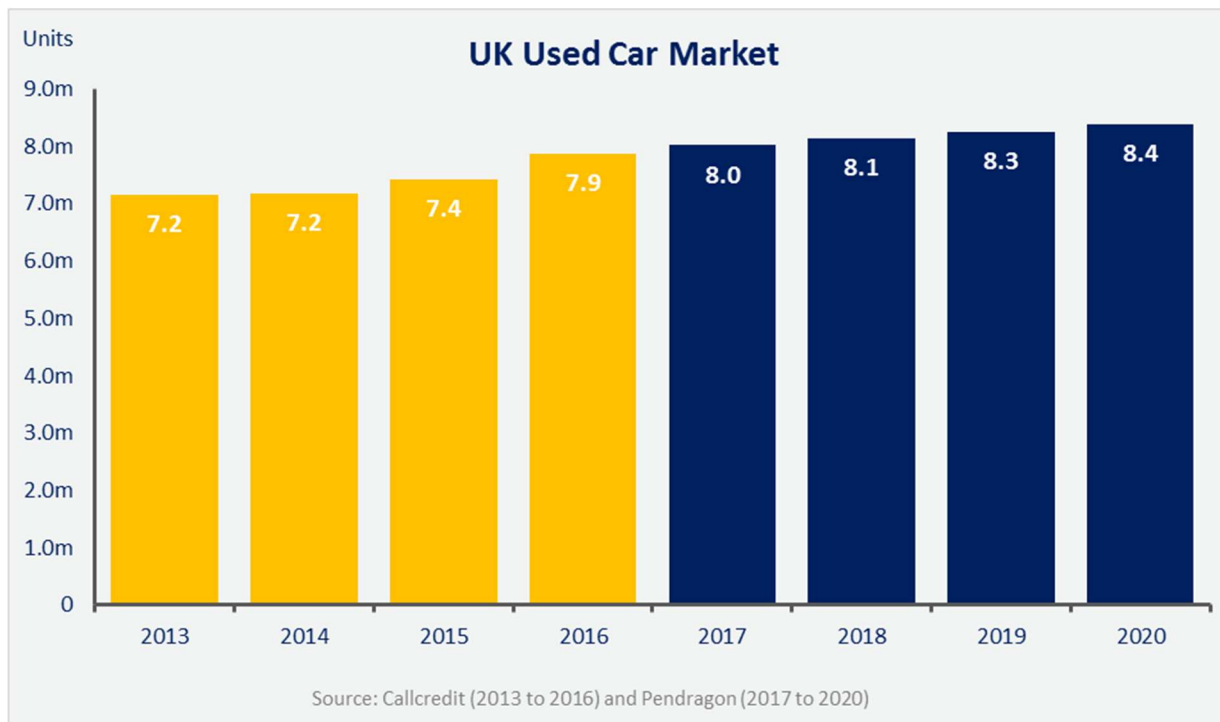
# Industry Insight – Aftersales Tailwind



## SUMMARY

- 4.1% growth (5.5% predicted) in 0-3 year car parc in 2016, 3.7% forecast in 2017
- 3.1% growth (4.3% predicted) in 4-6 year car parc in 2016, 9.8% forecast in 2017

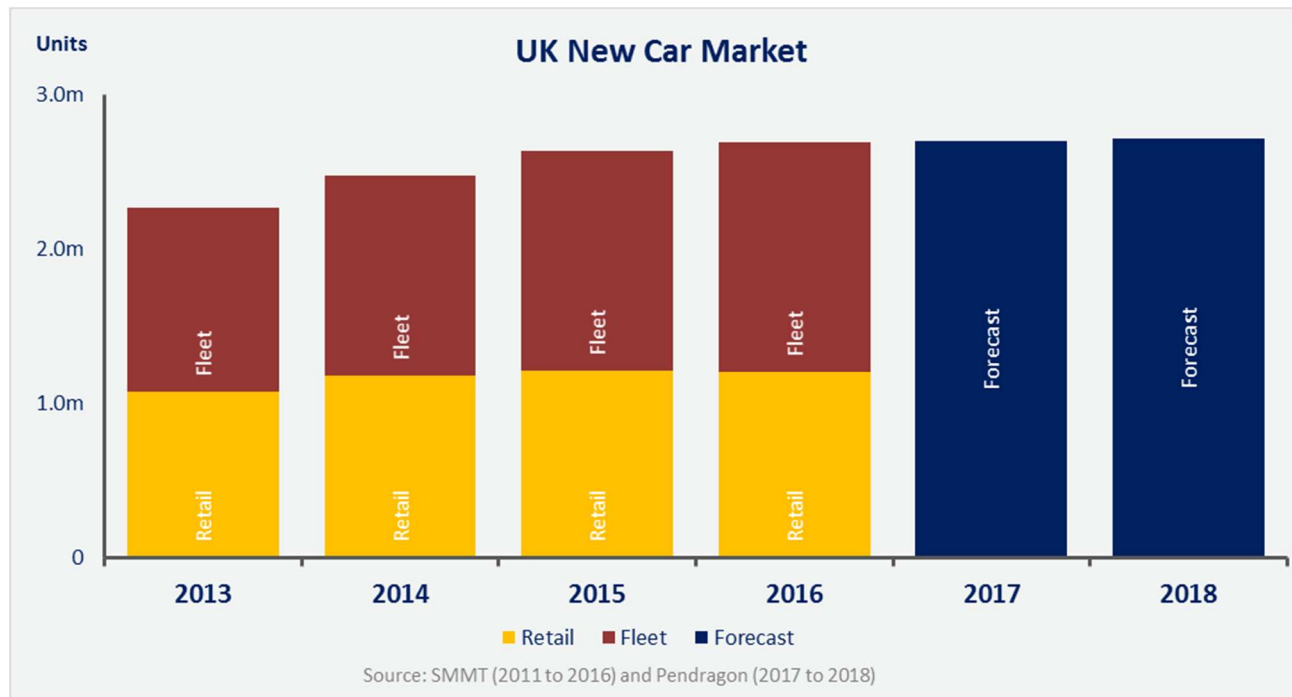
# Industry Insight – Used Car Market Incremental Growth



## SUMMARY

- 6.0% growth (2.8% predicted) in the used market in 2016 – Pendragon L4L revenue grew by 9.5% in 2016
- 1.8% growth in the used market forecast in 2017
- Pendragon's UK L4L used to new retail units ratio of 4.1 in 2016 – an increase of 24.2% in 3 years

# Industry Insight – New Car Market Stable



## SUMMARY

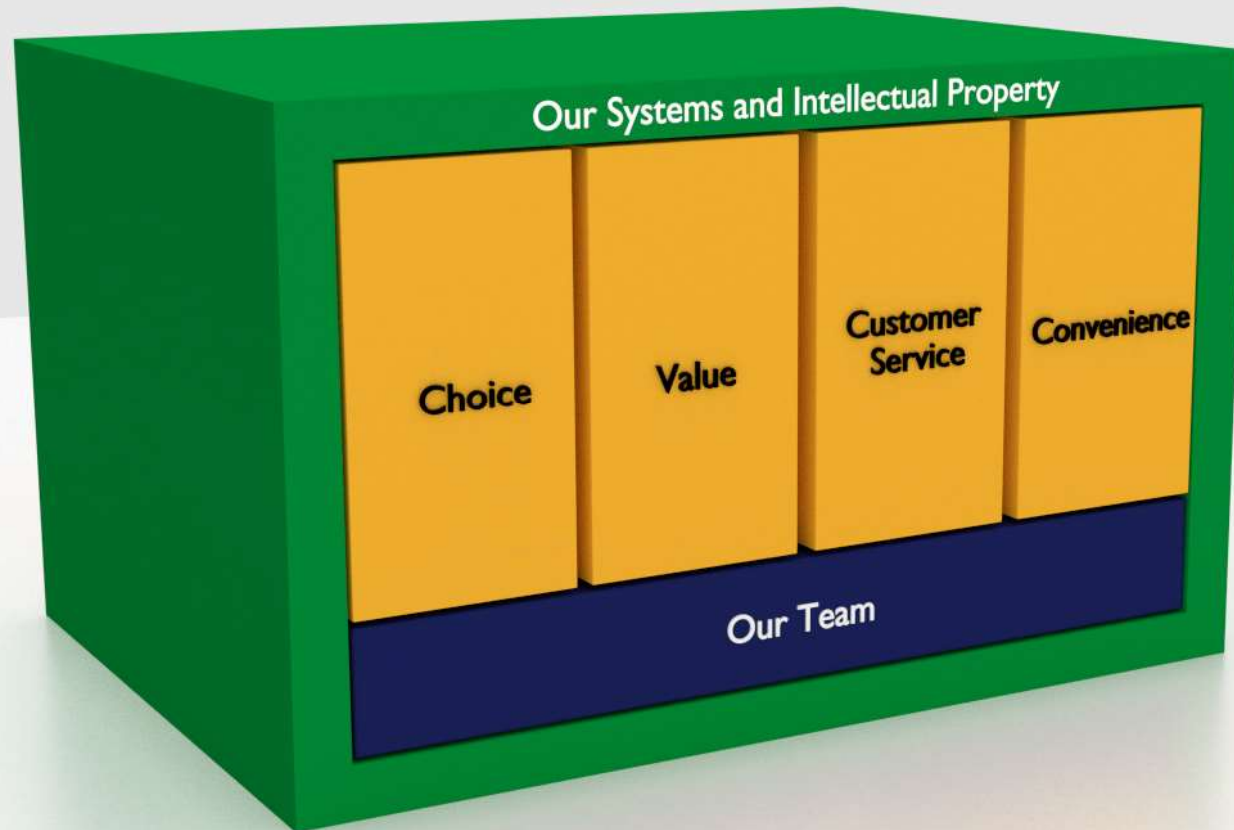
- New retail market flat in 2016
- Total market up 2.3% (1.25% predicted) in 2016
- Forecast of 0.3% growth in 2017 (Pendragon total market estimate)



# STRATEGIC HIGHLIGHTS



# Strategic Pillars - Overview

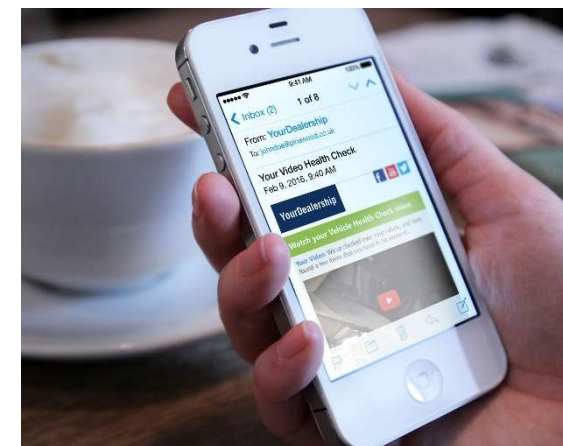
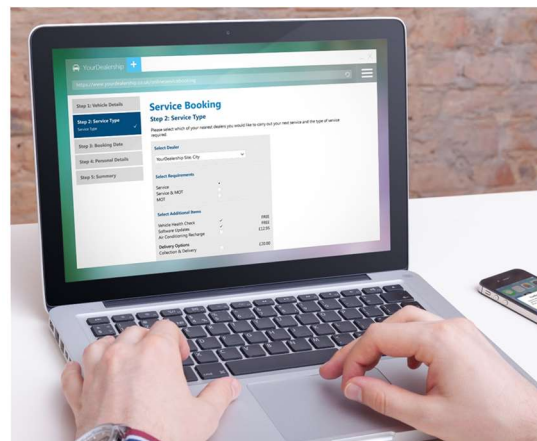
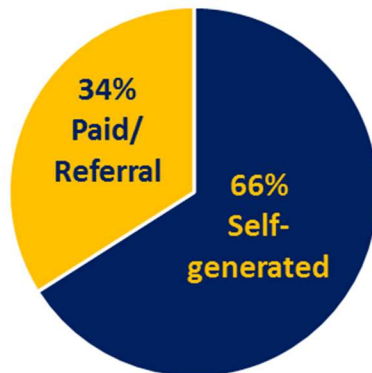
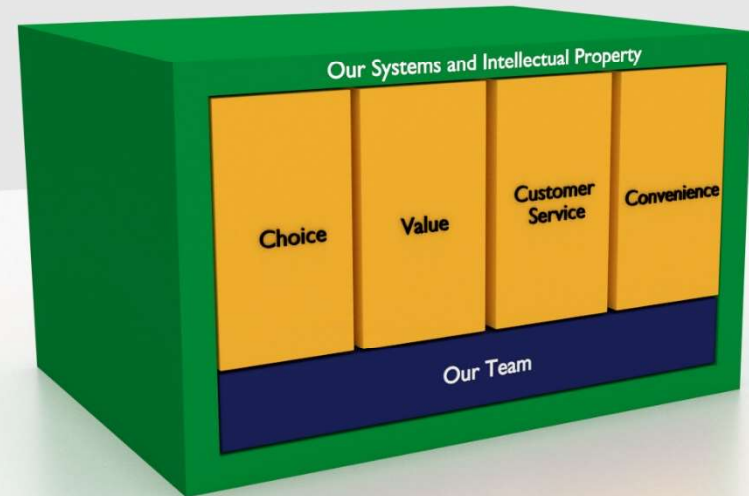


Our Strategic Pillars focus on Choice, Value, Customer Service and Convenience.

Our Systems and Intellectual Property provides a superior advantage over our peers and is a key enabler for our strategic pillars.

# Systems & Intellectual Property

- Pinewood (the Group's IT and software division), provides a strategic advantage to the Group
- Integrated responsive websites generating 22.7m visitors (Evanshalshaw.com and Stratstone.com)
- Market intelligence and intellectual property
- Industry leading initiatives across used, aftersales and new



# Used

## Choice

- 22,000 vehicles online – extensive choice of used vehicles

## Value

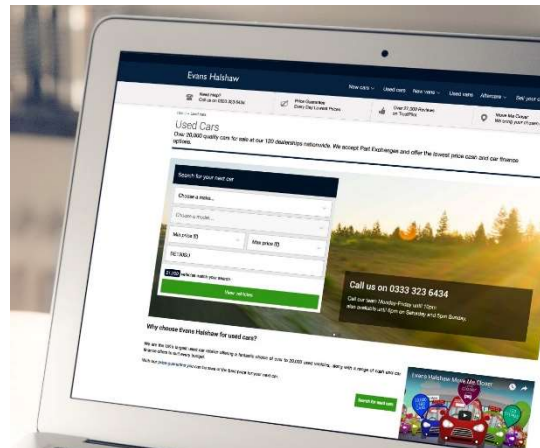
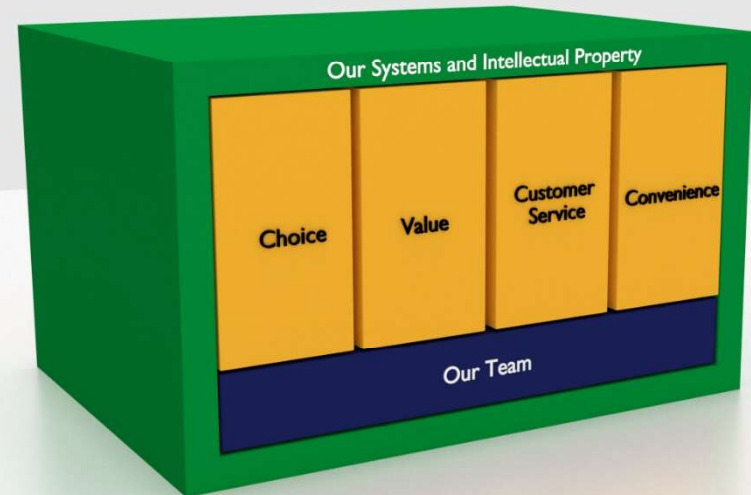
- Daily monitoring of prices backed up by our price guarantee

## Customer Service

- Payment online – self-serve online experience
- Move Me Closer™ – the UK's first click and collect automotive service

## Convenience

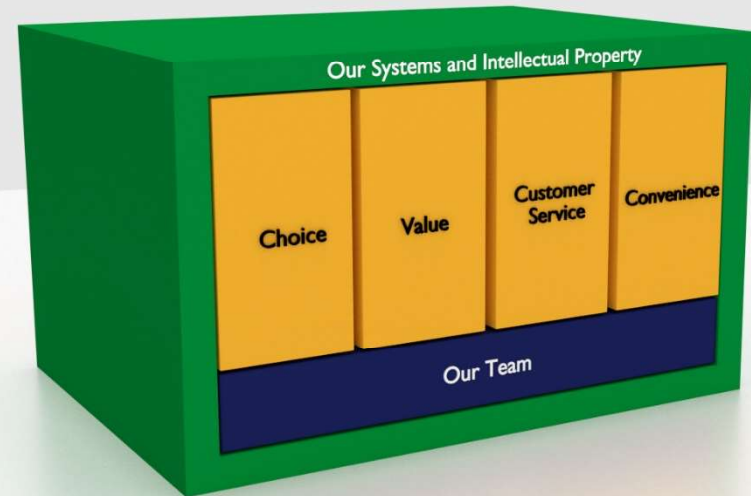
- 85 Sell Your Car locations up by 43 from the prior year
- 218 UK and USA retail points



# Used Investment

New Evans Halshaw Car Store Openings:

- Exeter
- Coventry
- Glasgow
- Gloucester
- Ipswich



FIRST HALF OF 2017



SECOND HALF OF 2017

- 5 x new points for enhanced geographical coverage in the UK



# New Cars

## Choice

- 23 world wide brands

## Value

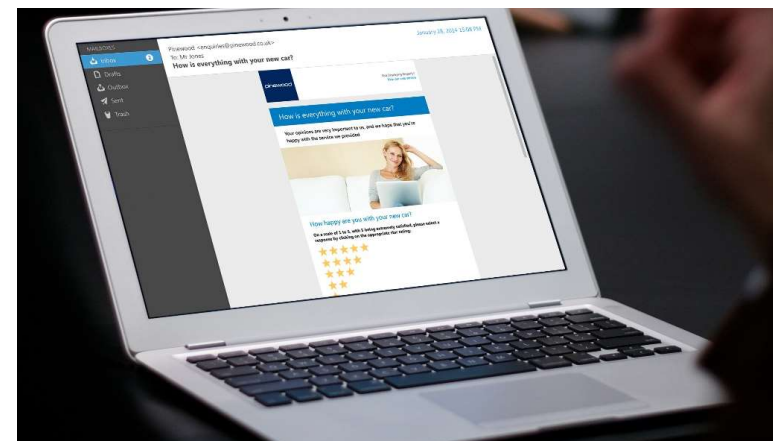
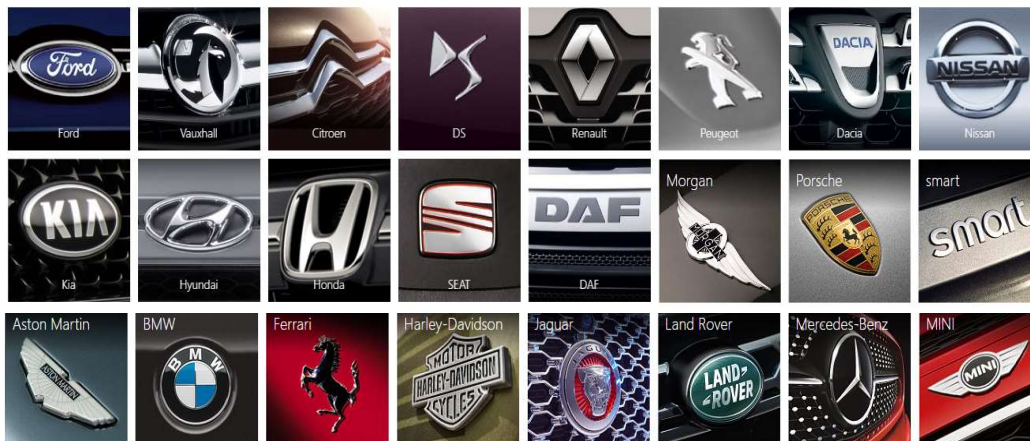
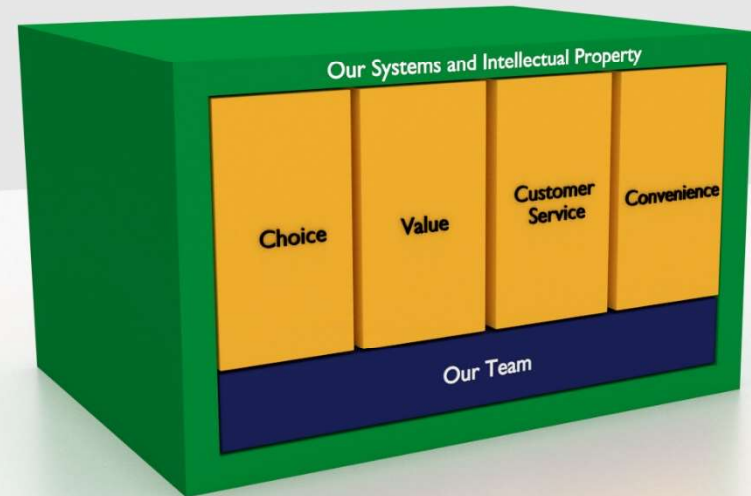
- Development of our new car offering to align to our current used vehicle initiatives

## Customer Service

- Customer survey and action for every transaction

## Convenience

- 197 franchise points in the UK and USA



# Our Team

## Team

- ~9,700 team members

## Development

- Continued investment in our people

## Investment

- Significant investment in our technician resource as we drive our aftersales growth



Pendragon PLC 2017



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