6 September 2022

Vertu Motors plc ("Vertu Motors", "Group", "Company")

Trading Update

Strong trading performance in the first half - in line with market expectations for the full year

Ahead of the announcement of its results for the six-month period ended 31 August 2022, Vertu Motors, the automotive retailer with a network of 160 sales and aftersales outlets across the UK, is pleased to announce an update on current trading.

The Group has performed strongly in the first half of the financial year, however, there remains uncertainty around vehicle supply and the macro-environment for consumers which is likely to be affected by rising energy costs and inflation generally. Consequently, profitability is expected to be more weighted to the first half of the financial year. The Board currently anticipates that trading performance for the full financial year will be in line with current market expectations.

Constrained supply of new vehicles in the UK has continued due to dislocation in global supply chains, particularly around semi-conductors with its resultant impact on vehicle production levels. Both UK market and Group vehicle volumes in the new retail and fleet channels have consequently seen year-on-year declines. The Group's order bank levels for new vehicles remain high, with almost 13,000 new retail orders currently awaiting delivery and strong fleet and commercial order banks also in place. Gross profit generation from the sale of new vehicles is ahead of last year, despite the decline in volumes, due to stronger margins.

There have also been supply constraints in used cars, which, combined with the comparative period in the prior year reflecting post lockdown pent-up demand, have resulted in a decline in like-for-like used car volumes. Used vehicle wholesale prices have stabilised after a period of significant growth, and so whilst gross profits per unit have remained above normal levels, they are reduced from the very high levels witnessed in the financial year ended 28 February 2022.

The Group's high-margin aftersales departments have delivered revenues ahead of prior year levels on a like-for-like basis. In the service departments, retail revenue grew as the Group increased customer retention and continued to more effectively penetrate the older car servicing market. Internal preparation of used cars saw increased revenues in the service departments, due to higher charge out rates and the impact of more preparation being required as older cars were retailed. Warranty activity remains subdued, as a result of the decline in the 0-3 year vehicle parc. Service margins reduced, as expected, due to higher technician costs. Parts, smart repair and accident repair centres saw continued significant performance improvements in revenue and gross profit terms as the Group continued to execute on its growth strategy in these areas.

Operating expenses have increased year-on-year as a consequence of rising costs and the removal of Government support for business rates, which reduced costs in H1 2021 by £5.2m. Costs are in line with planned levels as a percentage of revenue. It should be noted that the business currently benefits from below market rate electricity costs under a fixed contract expiring at the end of September 2022. There will consequently be an increase in the Group's cost of energy in the second half of the financial year. Management is very focused on reduced energy usage where appropriate and an energy purchasing strategy has been developed which includes the sourcing of off-grid energy solutions in order to manage the Group's exposure to energy market price volatility risks.

Management remains focused on the delivery of operational excellence around cost, conversion and customer experience. In addition, the Group continues to evaluate and execute acquisition opportunities as it seeks to deliver its core strategic objective of value accretive growth. The Group has more franchise relationships than any other UK Group and yet discussions are moving positively with a number of franchises the Group does not currently represent which are likely to lead to further growth in scale.

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Notes to Editors

Vertu Motors is the fifth largest automotive retailer in the UK with a network of 160 sales outlets across the UK. Its dealerships operate predominantly under the Bristol Street Motors, Vertu and Macklin Motors brand names.

Vertu Motors was established in November 2006 with the strategy to consolidate the UK motor retail sector. It is intended that the Group will continue to acquire motor retail operations to grow a scaled dealership group. The Group's acquisition strategy is supplemented by a focused organic growth strategy to drive operational efficiencies through its national dealership network. The Group currently operates 156 franchised sales outlets and 4 non-franchised sales operations from 121 locations across the UK.

Vertu's Mission Statement is to "deliver an outstanding customer motoring experience through honesty and trust".

Vertu Motors Group websites – investors.vertumotors.com / www.vertucareers.com

Vertu brand websites – www.vertumotors.com / www.bristolstreet.co.uk / www.macklinmotors.co.uk / www.vertumotorcycles.com