

7 December 2020

Vertu Motors plc (“Vertu” or the “Group”)

Acquisition and Trading Update

Vertu gains significant BMW and MINI presence through acquisition

Group’s trading performance ahead of prior year and original budget

Highlights

- Significant BMW and MINI market area in Yorkshire and the North East acquired from Inchcape plc
- Introduction of the BMW and MINI franchises into the Group’s portfolio, with the Group set to benefit from these brands’ strong pipeline of electric vehicles
- The businesses will be rebranded to trade as Vertu and the dealerships will be supported by the increasingly successful website, vertumotors.com
- Acquisition adds a total of 12 sales outlets in five locations to the Group’s network of UK dealerships further adding to Group scale economies
- Asset backed with no significant goodwill
- Estimated cash consideration funded through existing cash resources and a new £12.76m, 20-year mortgage facility from BMW Financial Services secured on the acquired freehold and long leasehold properties
- New, brand-experienced management team recruited to drive performance over a three-year period. Group systems and processes are being implemented immediately
- Following record trading results in September, Group’s trading performance has remained ahead of prior year and original budget

ACQUISITION

Vertu, the UK automotive retailer with a network of 146 sales outlets across the UK, announces that it has acquired the business and assets of a market area of 12 sales outlets located in York, Sunderland, Teesside, Durham and Malton. These five locations each represent the BMW and MINI franchises, in addition to a BMW Motorrad motorcycle operation in Sunderland and a used car operation located in York (together the “**Business**”).

The Durham, Teesside and Sunderland dealerships acquired are freehold and long leasehold premises. The remaining dealerships operate from leasehold premises, and new leases have been agreed on terms which secure the Group’s future operational flexibility.

The Business was acquired from The Cooper Group Limited, part of Inchcape plc for total cash consideration of £18.7m (subject to finalising completion accounts) together with the assumption of manufacturer used vehicle stocking finance of £8.9m. The assets acquired include £16m of freehold and long leasehold properties and a payment in respect of goodwill of £0.8m. The cash consideration has been funded with a combination of a new £12.76m 20-year mortgage facility from BMW Financial Services, secured on the acquired freehold and long leasehold dealership properties at a fixed interest rate of 2.9% for the first 5 years, and a payment from the Group’s existing cash resources.

For the year ended 31 December 2019, the Business achieved revenues of £305m and a loss before tax of £6.0m. The Group has a clear plan to drive performance improvements over a three-year period. A new management team, with significant BMW and MINI franchise experience, has been hired and will be integrated with existing, experienced Vertu operational management. The Group’s systems and processes are being implemented immediately to facilitate business improvements in the areas of customer experience and financial performance. The businesses will be branded Vertu reflecting the continued growth of the Vertu brand in Premium franchises in the UK, supported by the increasingly successful website, vertumotors.com.

The acquisition is expected to be at least earnings neutral by the year ending 28 February 2023 (FY23) as the benefit of synergies, common systems and processes and integration activities drive financial performance, and is anticipated to be substantially earnings enhancing thereafter. The incremental return on invested capital is anticipated to exceed cost of capital from FY24. The acquisition has been undertaken with the full support of the Manufacturers. Both BMW and MINI are extremely well positioned to take advantage of the electrification of the automotive market in the UK over the next decade.

TRADING UPDATE

Following record trading results in September, the Group's trading performance has remained ahead of prior year and original budget levels. For the financial year to date (being the nine months ended 30 November 2020) the Group is now trading approximately 15% above last year at an adjusted PBT level, despite the impact of the further national lockdown in England from 5 November to 2 December on vehicle sales.

Overall profit performance has benefited significantly from the continued business rates holiday on showrooms, grants claimed for colleagues furloughed and the impact of cost savings from the previously announced cost reduction programme. It remains uncertain as to whether trading performance for the remainder of the financial year will continue at the level seen year to date, particularly given the potential impact on trading of further COVID-19 restrictions and the impact of Brexit from 1 January 2021. Following the announcement of the acquisition above, losses are anticipated to arise in the acquired business in the remaining three months of the financial year.

Robert Forrester, CEO of Vertu Motors said:

"We are delighted to announce the introduction of the much sought after BMW, MINI and Motorrad franchises to the Group, previously a gap in our portfolio of manufacturer partners. The addition of these franchises has long been a strategic objective of the Group. The acquisition achieves immediate scale in a region where the Group is headquartered and already has strong representation.

"The business has previously performed at a high level and it is our intention to ensure that it returns to this previous success delivering both for customers and financially.

"As the Group enters its 15th year of trading, this acquisition reflects a further milestone in both its scale and maturity." The Group now represents 32 franchises in the UK, more than any other UK automotive retailer.

Graeme Grieve, CEO for BMW Group UK and Ireland, commented:

"Vertu has been working with BMW Group over a number of years as a potential partner and we are delighted to be able to bring their professionalism and energy into our retailer network. We very much look forward to working closely with Vertu, to ensure customers in the North East and Yorkshire have an excellent customer experience with our brands and gain from the substantial investment we have made in electric powertrains as the UK accelerates its transition to zero carbon in new vehicles."

This announcement contains inside information for the purposes of Article 7 of Regulation (EU) No 596/2014.

For further information please contact:

Vertu Motors plc

Robert Forrester, CEO

Karen Anderson, CFO

Tel: 0191 491 2121

Zeus Capital Limited

Jamie Peel

Andrew Jones

Dominic King

Tel: 020 3829 5000

Camarco
Billy Clegg
Tom Huddart

Tel: 020 3757 4983

Notes to Editors

Vertu Motors is the fifth largest automotive retailer in the UK with a network of 146 sales outlets across the UK. Its dealerships operate predominantly under the Bristol Street Motors, Vertu, Farnell 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 143 franchised sales outlets and 3 non-franchised sales operations from 116 locations across the UK.

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

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

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