3 March 2014

**Vertu Motors plc ("Vertu Motors" or the "Group")**

**Pre-close Trading Update**

**Trading continues ahead of expectations, benefitting from both strong market conditions and successful acquisitions.**

Vertu Motors, the fast growing automotive retailer with a network of 106 sales and aftersales outlets across the UK, announces the following update ahead of its preliminary results for the year ended 28 February 2014.

## Overview

- Board expects trading performance for the year ended 28 February 2014 will be ahead of current market expectations.
- In five months to 31 January 2014 Group saw like-for-like volume and revenue growth;
  - Like-for-like private new retail volumes grew by 21.5%, ahead of UK market growth of 14.8%
  - Like-for-like new fleet and commercial vehicle volumes grew by 23.2%
  - Like-for-like used vehicle volumes grew by 11.1%
  - Like-for-like aftersales revenues increased by 5.0% with growth in all channels
- Improving ratio of operating expenses to sales due to operational gearing benefits
- New retail car like-for-like order take for March is ahead of last year, reflecting continued momentum in the retail market for new cars
- Successfully integrated Albert Farnell Land Rover business acquired in June 2013 with the Group winning Land Rover Dealer Group of the Year 2013
- Strong pipeline of further acquisition opportunities in both premium and volume segments

## Trading Update

The five months to 31 January 2014 ("the Period") have seen a continuation of favourable conditions for the UK Motor Retail sector. The new car market has continued with double digit private new retail growth, the twin drivers being an improving UK consumer environment creating demand and a weak car market in the Eurozone driving supply.

The Group grew like-for-like new retail volumes (excluding Motability) by 21.5%, outperforming the UK private market which grew by 14.8% during the Period. Overall, including those businesses acquired recently, the Group grew new retail vehicle sales volumes by 41.6% during the Period. The Group has taken significant market share both on a like-for-like and an absolute basis.

During the Period the Group increased its gross profit per unit on new car sales in spite of the substantial volume increases. Core business margins were stable demonstrating the continued pricing disciplines and the earning of manufacturer volume bonus income and customer experience bonuses at a high level. New car margins overall improved due to the higher margins generated by the Farnell Land Rover business following the acquisition in June 2013.

The strength of the Group's performance from a manufacturer perspective was demonstrated by Derby SEAT and Farnell Land Rover Leeds; all winning the accolade of Dealership of the Year for their respective franchise. Peterlee Hyundai was ranked third in Europe for customer experience out of all Hyundai dealers.

The Group's like-for-like Fleet and Commercial vehicle sales grew by 23.2% during the Period, which was reflective of a more buoyant market in which car fleet registrations grew by 6.3% and commercial registrations rose by 24.1%. The Group saw a like-for-like increase in commercial vehicle sales of 64.7% with the Group taking significant market share.

The volume of used vehicles sold by the Group in the Period grew by 23.4% overall and by 11.1% on a like-for-like basis. The used car market remains supply constrained, as the recent up-turn in the new car market has yet to flow through into increased supply. This has resulted in a very stable environment for used car residual values with strong profits generated on the disposal of part exchanged vehicles in the Period. Gross profit per unit strengthened on a like-for-like basis as a consequence of pricing stability in the market, pricing disciplines in the Group and a focus on stock management and return on investment. Again, the Farnell Land Rover acquisition augmented gross profit per unit and average sales values. This premium business operates at a lower used car gross margin percentage than the core business and has therefore reduced overall Group used car margins while increasing gross profit per unit.

In the Period, the Group's aftersales activities have continued to grow revenue, gross margin, gross profit and operating profit on a like-for-like basis in all channels namely service, accident repair centres, parts and forecourt operations. The core business saw service like-for-like revenues grow by 6.7% which when combined with an improved gross margin resulted in the generation of an additional £1.1m of gross profit. This improvement is a continuation of the development of enhanced aftersales earnings which has led to a significant improvement in overhead absorption, counter to current industry trends.

**Portfolio Development**

The Group has continued to acquire businesses in the year, growing the number of its sales outlets from 95 to 106. The growth strategy of the Group has been clearly set out and the Board continues to evaluate acquisition opportunities in both the premium and volume segments. A strong pipeline of such opportunities remains in place.

The purchase and refurbishment of dealership premises is a vital element of the role of a franchised motor retailer. Over the coming year, the Group is planning to make significant investments in its property portfolio in order to ensure that it meets the evolving franchise requirements of its manufacturer partners. Enhanced retail environments are required to cater for enlarged model ranges within showrooms and the integration of digital and physical experiences in a blended retail space. The purchase of a new vehicle has to be increasingly an "experience"- not a transaction.

The Group is seeking to dispose of certain properties no longer used in dealership activities and is in advanced contractual negotiations in respect of a number of these. The Board has re-appraised the carrying values of such properties and expects to make a write-down of £1.2m, to be treated as an exceptional charge in the financial results for the year ended 28 February 2014.

The Group continues to develop its activities in the digital space as well as in the "bricks and mortar" environment. The Group's internet platform centred on bristolstreet.co.uk, has consistently ranked in the top three motor retailer platforms in the UK. This has recently been refreshed and re-launched to ensure that it retains its leading edge. To further improve the Group's digital offering, Vertu Motors is entering into an agreement with Haymarket Publishing Group for the creation of a new consumer offering for new cars on leasing products. The Group's existing Lease Cars Direct business has been re-branded as What Car Leasing, and the website is already gaining market share on 2013.

**Future Prospects**

The outlook for the UK new car market remains positive, driven both by a positive consumer outlook and a supply push from manufacturers as they continue to direct higher volumes of product to the UK as a consequence of continued low level demand from the Eurozone. There is a risk that these trends may lead to pressure on new vehicle margins in the event of supply exceeding demand. However, a higher volume market normally benefits the Group in the short term through sales and in the medium term through higher aftersales volumes.

March is the most important month for the profitability of the UK automotive sector as a consequence of the registration plate change and its impact on both new vehicle demand and the seasonality of servicing. The Board is pleased to report that the like-for-like private new car order-take for March is currently running ahead of last year's levels. Whilst there is clearly significant work to do during the month to deliver a strong March performance, this order-take level gives the Board significant confidence.

The Board believes that, given the current strong performance of the Group and favourable market trends, the results for the year ended 28 February 2014 will be ahead of current market expectations.

The Group will announce its preliminary results for the year end 28 February 2014 on 7 May 2014.

-Ends-


**For further information please contact:**

**Vertu Motors plc**
Robert Forrester, CEO — Tel: 0191 491 2111
Michael Sherwin, FD — Tel: 0191 491 2114

**Panmure Gordon (UK) Limited**
Hugh Morgan — Tel: 020 7886 2500
Callum Stewart

**Liberum Capital Limited**
Peter Tracey — Tel: 020 3100 2000
Jamie Richards

**FTI Consulting**
George Parker — Tel: 020 7831 3113


**Notes to Editors**

Vertu Motors is the sixth largest automotive retailer in the UK with a network of 106 sales and aftersales outlets across the UK. Its dealerships operate predominantly under the Bristol Street Motors, Vertu, Farnell Land Rover 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 104 franchised sales outlets and 2 non-franchised sales operations from 86 locations across the UK.

Vertu Motors Group websites - www.vertumotors.com / www.vertucareers.com

Vertu Motors brand websites - www.bristolstreet.co.uk / www.vertuhonda.com / www.macklinmotors.co.uk / www.farnelllandrover.com / www.vertuvolkswagen.com

**Definitions:**

**Core;** dealerships that have traded for two full consecutive financial years

**Like-for-like;** dealerships that have comparable trading periods in two consecutive financial years