25 July 2018

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

AGM Statement

At today's Annual General Meeting ("AGM") of Vertu Motors plc, the Chairman Peter Jones will make the following statement:

During the four month period to 30 June 2018 (the "Period") the Group has continued to deliver profits in line with the Board's expectations.

Highlights

- Trading in line with Board's expectations
- Like-for-like revenues and profits increasing in the high margin aftersales segment
- Growth in like-for-like revenues and gross profits from used vehicle sales
- Growth in like-for-like new retail vehicle sales volumes of 2.1%, significantly outperforming market – SMMT registrations down by 4.4%
- Fleet and commercial volumes ahead of market registrations with healthy growth in vans, and a slowdown in fleet activity as some customers hold off purchases ahead of new emissions regulations (Worldwide Harmonised Light Vehicle Testing Procedures ("WLTP")) in September 2018
- Lower new retail, fleet and commercial vehicle margins were experienced as Manufacturers continue to react to currency weakness
- Recent Hughes Group Holdings acquisition integration started well
- Further growth opportunities being assessed
- Continued focus on capital allocation

	Increase (decrease) period-on-period		
	Total	**Like-for-like**	**SMMT UK Registrations**
Group Revenues	+5.7%	+7.0%	-
Service Revenues*	+5.3%	+6.5%	-
Volumes:			
Used retail vehicles	+4.5%	+6.0%	-
New retail vehicles	+0.2%	+2.1%	(4.4%)
New Motability vehicles	(9.8%)	(8.7%)	(2.4%)
New fleet cars	(6.2%)	(7.0%)	(8.1%)
New commercial vehicles	+7.0%	+6.9%	(2.9%)

* *includes internal and external revenues*

Aftersales

In the Period, the Group continued its focus on improving customer retention in the vehicle servicing departments, through enhancing the customer experience, improving the transparency of vehicle servicing by using videos to show customers work required on their vehicle, and by selling service plans. The 6.5% growth in the Group's like-for-like service revenues was driven by high levels of retention of vehicle sales customers, growth in warranty and used vehicle preparation work and price increases to customers, reflecting increased costs. Like-for-like gross profit generated by the Group's aftersales activities increased during the period. The like-for-like gross margin percentage on vehicle servicing was 75.0% (2017: 76.4%) largely due to the impact of higher salary levels for technicians implemented during the second half of the last financial year, and the higher level of inefficient diagnostic and warranty jobs resulting from a 9.6% like-for-like increase in warranty revenues, the fastest area of growth within service revenues in the Period.

Used Vehicles

During the Period the Group re-established like-for-like volume growth in its used vehicle sales, with like-for-like volumes up 6.0% and like-for-like revenues up 13.1% against what we believe to be a static overall market. During the Period the Group also achieved higher like-for-like used vehicle gross profits. The Group's like-for-like gross profit per unit increased slightly during the Period, particularly in premium franchises. Average selling prices grew at a higher rate, mirroring the growth in new vehicle prices in recent periods, and as a consequence the Group's used vehicle gross margin declined to 8.9% (2017: 9.2%). Much of this reduction in margin percentage is a direct consequence of improved used vehicles sales performance in the premium acquisitions from prior periods as they perform at higher levels.

New Cars

The UK new vehicle market saw private new vehicle registrations fall by 4.4% during the Period as the impact of currency continues to reduce the profitability of Manufacturers importing vehicles into the UK, resulting in vehicle pricing pressures and reduced supply push tendencies. In addition, and as expected, we are now experiencing longer new vehicle lead times from some Manufacturers, resulting in short term new vehicle supply volatility, as they manage the changes required ahead of the introduction of WLTP on 1 September 2018. There is the potential for these supply constraints to extend from quarter 3 into quarter 4 of the calendar year, as Manufacturers balance supply, production and the availability of testing capacity on either side of the implementation of the new testing regime. The Group out-performed the market, delivering like-for-like new vehicle volume growth of 2.1% in the Period. Slightly reduced margins, particularly in premium franchises, in addition to the very strong performance delivered in March of last year, resulted in slightly lower overall gross profits.

Fleet & Commercial

The new fleet car market in the UK declined by 8.1% during the Period as Manufacturers have reduced volumes in this lower margin channel in response to continued currency pressures. In addition, the Group is witnessing a slowdown in fleet activity as some customers hold off purchases ahead of the new WLTP emissions regulations due to customer uncertainly over personal taxation levels driven by the new emission figures. The Group outperformed the market in fleet cars, where like-for-like volumes declined by 7.0%. The Group's sales of commercial vans increased by 6.9% in volume terms on a like-for-like basis compared to a market registration decline of 2.9%. Sales prices continued to rise in these channels and gross profit per unit reduced in the period as the Group increased market share. Overall margins and gross profit generation declined as a consequence year-on-year.

Operating Expenses

The Group has been able to maintain the ratio of operating expenses to revenues stable at 8.7% during the Period, with a strong focus on the management of costs throughout the business. However absolute costs have continued to rise, including the costs of employment, property costs and depreciation resulting from the Group's programme of capital investment in its dealership portfolio.

Portfolio Management

On 19 March 2018 the Group disposed of surplus land at Newcastle-under-Lyme realising £2.0 million of cash and a £0.6m profit on disposal.

On 31 March 2018 the Group closed its Cheltenham Mazda business which was loss-making, leaving a vacant freehold property which has been marketed and for which an offer has been accepted subject to planning permission.

On 30 April 2018 the Group ceased its Volvo operation in Sheffield allowing sole focus on the Nissan franchise at this dealership location.

On 2 July 2018 the Group acquired Hughes Group Holdings Limited for consideration of £21.8m. This acquisition added the Mercedes-Benz dealerships in Beaconsfield and Aylesbury to the Group's existing outlets in Reading, Ascot and Slough, as well as introducing the Mercedes-Benz Commercial Van franchise to the Group's portfolio. In addition, the acquisition has added outlets for Peugeot, Skoda and Jeep to the Group. This is a well-run business, and the Group has retained the operational management team which is currently working closely with the Vertu team to maximise the opportunities to improve both businesses. The integration has begun very positively and this acquisition is expected to be earnings enhancing in its first full year of ownership.

On 6 July 2018 the Group acquired the freehold of its Newcastle Vauxhall dealership, which the Group had previously operated under a lease whose terms provided for significant future rental increases over its remaining 14 year term. The consideration for the purchase was £7.4m including costs, and this transaction provides the Group with improved future flexibility for this property while removing a particularly landlord-friendly lease.

The Group continues to actively market several vacant properties in order to maximise the returns earned by the capital invested. The Board continues to assess further acquisition opportunities, using strict investment return criteria to maintain discipline in capital allocation.

Share buy-back programme

It is the Board's intention to continue to purchase shares in the market for cancellation, and permission is being sought at today's AGM to renew the 10% authority. It is the Board's intention to continue to re-purchase shares at what it considers to be low prices compared to the Group's intrinsic value on the grounds that this is in the best interest of shareholders and reflects the Board's focus on capital allocation. In the Board's view this programme does not impact investment in the acquisition and growth of new businesses.

Future Prospects

The Group's trading result for the Period is in line with the Board's expectations, albeit with overall profitability lower than in the comparative period. The Board remains cautious for the near term but is confident in the medium term outlook for the Group. The Board expects that trading for the year ending 28 February 2019 will be in line with market expectations.

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Notes to Editors

Vertu, the UK automotive retailer with a proven growth strategy, is the sixth largest automotive retailer in the UK with a network of 125 sales outlets across the UK. Its dealerships operate predominantly under the Bristol Street Motors, Vertu, Farnell and Macklin Motors brand names.

Vertu was established in November 2006 with the strategy to consolidate the UK automotive retail sector. It is intended that the Group will continue to acquire automotive 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 122 franchised sales outlets and 3 non-franchised sales outlets from 106 locations across the UK.

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

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

Vertu brand websites - www.bristolstreet.co.uk / www.macklinmotors.co.uk / www.vertuhonda.com / www.farnelllandrover.com / www.farnelljaguar.com / www.vertutoyota.com / www.vertuvolkswagen.com / www.vertumercedes-benz.com