14 July 2020

Vertu Motors plc ("Vertu Motors" or "Company")

Trading Update

Robert Forrester, CEO of Vertu Motors said:

"June trading was stronger than we had expected. I would like to thank the team for their hard work and enthusiasm as well as for their efforts to ensure the dealership environments remain safe for customers and colleagues. The Group's cash position was much stronger than we could have hoped, despite the fact the Board has made the decision to ensure all suppliers are paid in full, on time, illustrating the discipline within the business. The Covid crisis has driven an acceleration of technology uptake and we are embracing this trend to futureproof the business. As automation progresses, we have made the difficult decision to reduce Group headcount by 6%, which contributes to £10m of on-going annualised cost savings being identified."

June trading performance

- The Group's dealerships located in England saw all showrooms open for vehicle sales on 1 June 2020, with its 12 sales showrooms located in Scotland re-opening 29 June.
- The Board is pleased to announce that the Group delivered an adjusted profit before tax of £9.0m in June, having incurred an adjusted loss before tax of £14.2m in the March to May period. This result for the month was despite not earning significant quarterly manufacturer volume bonuses due to the lockdown period in the quarter. This impact was partially offset by the continued positive impact of Government support packages. The June performance was ahead of the prior year and above the Group's original business plan of £8.6m.
- A very high proportion of aftersales departments remained open throughout the lockdown and saw increasing momentum. This aided the delivery in June of a very strong, high-margin aftersales performance benefitting from pent-up demand and aided by two additional working days year on year.
- The Group saw strong retail sales demand in both new and used car and van segments in June. Fleet volumes in the market were more subdued. The Group's like-for-like vehicle sales volumes in June (including Scotland) compared to last year and SMMT registration data were:

	Like-for-like year on year volume change	**SMMT**
New Retail	0.9%	(19.2%)
Motability	(11.5%)	(15.6%)
Fleet Cars (including agency)	(53.2%)	(45.2%)
Commercial Vehicles	(6.0%)	(24.8%)
Used Cars	(5.9%)	-

- National registration trends in retail saw significantly reduced tactical pre-registration activity in the month. The Fleet market was particularly impacted by lack of activity in the significant Motability segment (which has reversed in July) and reduced demand in the daily rental segment.
- The Group saw new retail sales volumes grow slightly on a like-for-like basis compared to the market decline. Overall, retail sales demand appears to have positively rebounded due to a

number of factors. Pent-up demand is evident with consumers having increased savings ratios during the lockdown. Lack of plans to undertake foreign holidays and to stay in the UK may also be increasing demand as well as a potential aversion to the use of public transport. These trends have continued into July.

- Used car supply remained tight following the lockdown and, as a result, used car margins were significantly above normal levels and remain so.
- On 1 June, 37% of Group colleagues were actively at work, with this figure rising to 75% by 30 June as colleagues returned from furlough leave. In June the Group benefitted from £3.3m of furlough grant monies and £0.9m rates relief, a relief which will continue until March 2021. The Group continued to return colleagues from furlough leave in July.

Technology driving efficiency

The Group's in-house software development team worked throughout the lockdown. The technological development achieved during this period has now been rolled out across the Group, significantly improving efficiency of processes. This forms part of the Group objective to gain scale economy benefits and to become more productive and efficient in the medium term. Examples include:

- Improved buy on-line and 'reserve it now' functionality as the Group improves its omni-channel approach to provide seamless customer journeys
- The introduction of a fully 'paperless' vehicle sales process, including the ability for customers to 'sign' via SMS messaging
- Improved efficiency of administration processes through enhanced system integration, particularly in the area of vehicle sales administration

As a consequence of these efficiency improvements and other cost initiatives, it is anticipated that the Group will reduce headcount by approximately 6% (345 colleagues). This programme is expected to be concluded at the end of July and together with other identified cost savings, is expected to deliver on-going annualised cost savings of £10m.

Strong cash position

The Group is fortunate that it had a very strong balance sheet, with low levels of debt, significant assets and liquidity at the start of the lockdown.

As part of the focus on cash generation, a targeted reduction in used vehicle stock of £20.9m was delivered in June bolstering cash balances. Given the current buoyant used car market conditions, no further reductions in stock levels are planned in the short term.

Net cash (including used vehicle stocking loans) at 30 June was £9.7m which represents an improvement of £49.2m from the previously reported position at 22 May. A partial unwind of the reduced working capital position which gave rise to this improvement in cash is expected as the Group moves towards more normalised trading. The Group is up to date with regards payments of external rent and amounts due to HMRC for employment taxes.

Given the ongoing uncertainty around the pace and sustainability of economic recovery, full year guidance remains withdrawn.

The next update scheduled to be provided by the Group is the AGM statement on 20 August 2020.

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

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Notes to Editors

Vertu Motors is the fifth largest automotive retailer in the UK with a network of 133 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 130 franchised sales outlets and 3 non-franchised sales operations from 110 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.vertumotors.com / www.vertucareers.com
Vertu brand websites – www.bristolstreet.co.uk / www.vertuhonda.com / www.vertutoyota.com / www.macklinmotors.co.uk / www.farnelllandrover.com / www.farnelljaguar.com / www.vertuvolkswagen.com / www.vertumercedes-benz.com