1 March 2021

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

Trading Update: Trading in line with Analysts' forecasts

Vertu Motors, the UK automotive retailer with a network of 147 sales and aftersales outlets, announces the following update with regards to the five-month period to 31 January 2021 (the "Period") ahead of its preliminary results for the year ended 28 February 2021 to be announced on 12 May 2021.

Robert Forrester, Chief Executive of Vertu Motors said:

"I am pleased to report that the Board expect the trading result for the year ended 28 February 2021, at an adjusted profit before tax level, will be in line with current Analysts' forecasts of around £23m. The Period includes two national lockdowns, in November and from 4 January, which closed our sales showrooms. Despite the impact of these national lockdowns and regional lockdowns throughout December, the Group's strong marketing activity, use of omni-channel retailing functionality and cost control have meant that a creditable trading performance was attained in the Period. This result has been delivered by a huge Vertu team effort and I would like to thank every single one of my colleagues for their hard work and dedication in what has been an extraordinary period.

Notwithstanding the Government's recently announced roadmap, the outlook remains uncertain given continuing COVID restrictions, although Brexit uncertainty is now behind us and the pound's recent strengthening should help to make cars more affordable to UK buyers."

Highlights

- Board expects the Group's trading performance for the year ended 28 February 2021 to be in line with current Analysts forecasts of around £23m at the adjusted profit before tax level (29 February 2020: £23.5m)
- Group revenues grew by 4.1% in the Period, reflecting the impact of significant acquisition activity by the Group in 2020
- 29 outlets added to the portfolio since 1 January 2020
- Delivered growth in like-for-like used vehicle margins and gross profit generation
- Group's like-for-like new retail vehicle volumes declined 13.3%, in line with the market, with stronger margin retention exhibited
- Like-for-like new commercial volumes rose 34.0% in the Period, significantly outperforming the market
- Like-for-like service revenues from retail customers up by 5.3% in the Period
- Strong cost control disciplines applied, driving a significant reduction in operating expenses in the Period
- Significant progress in technology advancements driving Group's omni-channel capabilities and use of robotics to improve productivity
- Government support received through the furlough scheme and business rates relief totalled £8.2m in the Period
- Decline in Manufacturer funded new vehicle inventory drove a £0.9m reduction in net finance costs in the Period
- Net debt as at 28 February 2021 is anticipated to be around £5m-£10m, including used vehicle stocking loans and excluding IFRS 16 lease liabilities (29 February 2020: £28.3m)
- Strong pipeline of potential acquisition and multi-franchising opportunities

	Five months ended 31 January 2021 ('Period')				
	Volumes		Increase (decrease) Period-on-Period		
	Total	Like-for-Like	Total	Like-for-Like	SMMT UK Registrations
Group revenues			+4.1%	(3.4%)	
Service revenues[1]			+5.7%	(3.1%)	
Used retail vehicles	30,000	27,642	(9.1%)	(15.7%)	-
New retail vehicles	12,166	10,932	(3.8%)	(13.3%)	(13.3%)
New Motability vehicles	4,591	4,091	+13.6%	+3.4%	+2.4%
New fleet cars[2]	7,354	6,502	(22.7%)	(31.6%)	(14.3%)
New commercial vehicles[2]	8,218	8,218	+34.0%	+34.0%	+11.6%

[1] *Includes internal and external revenues*
[2] *Includes agency volumes*

Vehicle sales processes and omni-channel development

The successive closure of sales showrooms as a Government reaction to the arrival in the UK of the COVID-19 virus in late February 2020, has led to the rapid development of enhanced omni-channel functionality in the selling of vehicles to private customers. These developments have allowed the Group to increase the efficiency of selling retail vehicles without face-to-face customer contact prior to the sale being concluded. The Group's functionality is now at the forefront of the sector, including recent entrants. These developments include:

- Enhanced functionality in Group showroom systems adding video chat, virtual sales presentations and contactless document signature using SMS, facilitating 'click and collect' activity.
- Addition of the option to reserve vehicles on the Group's websites in June 2020. Since launch almost 3,000 customers have used this functionality, paying a £99 deposit to reserve their chosen vehicle and take it off sale.
- Improving the user experience and functionality for Group customers to complete a used vehicle purchase purely on-line, including the launch of our own part exchange valuation tool. Transactions completed purely online have grown 360% year-on-year in the Period.

The Group has fine-tuned its marketing strategy and execution in the Period, building on the strong foundation of its four core bands of Bristol Street Motors, Macklin Motors, Vertu Motors and Farnell. Significant investment in TV campaigns as well as extensive, well-executed digital campaigns have led to high enquiry levels. Customer reticence to buy used cars without a test drive and review of the car pre-purchase have been partially overcome with a 14-day money back guarantee. Free delivery within 30 miles also encourages a more contactless experience.

Driven by the success of these developments, in the Period the Group retailed 16,757 new retail and Motability units and 30,000 used cars despite being subject to significant restrictions for much of the Period.

In addition to these customer-facing developments, enhanced system integration has been delivered allowing the sales administration back office processes to be streamlined significantly, moving to electronic document storage and using in-house developed robotic process automation to add efficiency and reduce cost.

We have implemented changes to the structure of the vehicle finance commission earned by the Group as a credit broker, in line with new requirements of the FCA to remove discretionary commission models. These changes were in place prior to the FCA deadline of 28 January 2021. Early indications are that these changes have not had a material impact on trading performance.

Used vehicle sales

In the Period, UK used vehicle supply remained constrained, as fewer new vehicle transactions have restricted fresh supplies of part exchanges into the wholesale markets. Wholesale pricing in the UK saw some declines from November onwards, particularly in some volume franchises, but not enough to eradicate the strong gains seen over the summer months.

The Group's like-for-like volume of used vehicles sold in the Period fell by 15.7%, with activity impacted by successive lockdown restrictions. Like-for-like gross profit per unit, however, grew 23.3% to £1,497 from £1,214, with much of this growth arising in the Group's premium dealerships, where significantly reduced new vehicle supply and removal of the oversupply of nearly new vehicles have significantly benefitted used vehicle margin retention. Core Group gross profit generated from used vehicle sales in the Period grew by £1.7m.

New retail car and Motability sales

The UK new vehicle market recorded 1.6 million registrations in the 12 months to 31 December 2020 (SMMT), a decline of 29.4% on 2019, reflecting an obviously turbulent and difficult year and reductions in tactical registration activity. Supply-side considerations, such as the impact of a weak pound in the Period on the profitability of Manufacturers importing vehicles into the UK, the regulatory environment with regards to emissions and COVID-19 related constraints on trading, all had an impact.

SMMT data showed a 13.3% decline in UK private registrations in the Period. The Group's like-for-like volumes of new retail vehicles sold also declined by 13.3% in the Period, in line with the market. The Group took 3.5% of the UK new retail market in the Period.

Motability volumes grew 3.4% in the Period on a like-for-like basis, compared to a rise in UK registrations in this channel of 2.4%. The Group has always had a strong focus on Motability sales and this focus has led to the Group taking market share in the Period (representing 4.6% of the market). The Group is responsible for the largest fleet of Motability vehicles in Great Britain and this makes a significant contribution to Group aftersales revenues.

In the Period, Group margins on the sale of new retail and Motability units improved and gross profit per unit increased by 10.7%. New vehicle profit in the Period benefitted from the timing of Manufacturer volume bonus receipts from the strong July to September quarter. Like-for-like gross profits from the sale of new retail and Motability vehicles consequently grew £0.5m compared to the prior year Period.

Fleet & Commercial vehicle sales

The Group's like-for-like sales of new commercial vehicles grew 34.0% compared to the prior year Period, with the SMMT reporting growth of 11.6% in UK registrations in the Period. The Group has been successful in improving market share in commercial vehicles with performance aided by the Group's online commercial vehicle sales operation, Vansdirect, which traded successfully throughout the Period. The Group took 5.2% of the new commercial market in the Period.

In contrast, the Group's like-for-like volumes in the fleet car channel fell by 31.6%, against a 14.3% fall in the UK fleet market. Sales in this channel are highly correlated to Manufacturer appetite to support this low margin channel. A number of Volume Manufacturers reduced support, and therefore volumes, in the fleet car channel as supply constraints led to a prioritisation of more profitable retail channels and other markets.

Importantly, the Group grew like-for-like gross profit per unit in the Fleet and Commercial channels and consequently Core Group gross profit generation rose £1.2m in the Period.

Aftersales

Overall, aftersales in the Core Group saw a £1.9m year-on-year decline in gross profit in the Period. This decrease arose from a 3.1% decline in like-for-like Service revenues (including internal revenues). Reduced vehicle preparation work was undertaken in the Period, driven by the fall in the volume of vehicles sold. In addition, continued reductions in Manufacturer warranty work, driven by reduced vehicle journeys, drove a 20.7% decline in Group warranty revenues in the Period. The Group achieved 5.3% growth in revenues from retail service customers in the Period and it is pleasing to see growth in this high margin channel reflecting the Group's strong customer retention processes. Pricing disciplines, the performance of rigorous vehicle health checks, and the increasing use of video technology to aid sales conversion, contributed to continued growth in average invoice values on retail work. Lack of journeys has also contributed to a decline in accident repair work which reduced the Group's repair and trade parts revenues in the Period.

Core Group aftersales margins rose to 49.1% from 46.7% in the Period as a result of the change in mix to higher margin retail service work and reduced parts revenues.

Operating expenses

Despite growth in the number of sales outlets operated by the Group, the Period saw a significant year-on-year reduction in operating expenses. Government support received through the furlough scheme and business rates relief totalled £8.2m in the Period. Operating expenses as a % of revenues fell to 9.6% compared to 10.4% in the prior year Period.

The impact of showroom closures and the national lockdown drove lower activity levels, reducing variable costs, and a switch to online colleague training saved travel and associated expenses. The Group has enhanced the effectiveness of its marketing activity driving down cost per enquiry, in addition, the impacts of the lockdown saw a delay to some sales event spend in the Period.

The balance of savings delivered relate to the Group's previously announced headcount reduction programme, which has generated annualised cost savings of £10m, enabled through the use of technology to improve efficiency of process, as well as a strong focus on sustainable cost reduction and control.

Interest costs

Net finance costs fell £0.9m in the Period compared to the prior year. Interest on bank borrowings increased by £0.3m as a result of higher drawings on the Group's facilities in respect of acquisitions made in the financial year to date. New vehicle stocking charges decreased by £1.3m in the Period. Lower levels of funded new vehicle inventory were seen as supply reduced from the peaks of the first lockdown period in the UK.

Portfolio changes

On 7 December 2020, the Group 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 (which the Group anticipates franchising in the coming months). These businesses have now been fully integrated into the Group's financial and operational systems platform and have performed in line with their business plans in the Period. These businesses are expected to be at least earnings neutral by the year ending 28 February 2023 (FY23).

The Group has a strategy to multi-franchise certain of the Group locations where this generates enhanced returns. The Period saw the Group execute on this strategy in a number of locations, with further franchise additions currently being planned for execution over the coming months. Key franchising activities were:

- Added two new franchise outlets for Citroen, alongside existing Ford outlets in Macclesfield and Worcester.
- Exited the Citroen franchise in Leicester through the sale on 28 February 2021 of the business and assets to Robins and Day. The leasehold premises have been retained by the Group and will re-open with another Manufacturer franchise in due course.
- On 1 March 2021, added the Peugeot franchise to the Group's Edinburgh dealership, already representing Kia, Suzuki and Mitsubishi. This business is currently located in leasehold premises but will relocate into a new purpose-built freehold dealership on the expiration of the current lease in twelve months' time.
- On 1 March 2021, the Group opened a used vehicle 'Macklin Motornation' operation in newly acquired freehold premises in Glasgow. The business is located adjacent to the Group's existing Ford and Nissan sales outlets in the south of the city. It is envisaged that the new operation will be franchised in the future.
- On 30 November 2020, the Group disposed of its wheelchair accessible vehicle (WAV) business, Versa, to Gowrings Mobility, a well-established WAV operator with over 50 years in the industry. The Group will supply vehicles for conversion to the enlarged entity. The disposal generated £1.7m of cash. In FY20 the business delivered a loss before tax of £68,000.

The Board continues to actively manage the Group's portfolio of dealerships and assess further growth opportunities, utilising strict investment return metrics to ensure discipline in capital allocation.

Future prospects

The Board expects the Group's trading performance to be in line with current analysts forecasts of around £23m adjusted profit before tax for the year ended 28 February 2021.

Uncertainties remain over the trading performance of the Group into the new financial year because of the ongoing COVID restrictions and the economic uncertainty arising. Guidance for FY22 and future years remains withdrawn at this time.

The strong balance sheet, experienced leadership team and strong systems capability mean the Group is well placed to capitalise on the significant opportunities for growth that exist within the UK automotive retail sector. The Board considers that scale is an increasingly important success factor in the sector and therefore has ambitious growth aspirations for the Group. The pipeline of potential acquisition and multi-franchising opportunities is strong, with expansion only to be undertaken following a robust assessment of capital allocation metrics.

The Group will announce its preliminary results for the year ended 28 February 2021 on 12 May 2021.

This announcement contains inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) 596/2014 as it forms part of UK domestic law by virtue of the European Union

(Withdrawal) Act 2018 ("MAR"), and is disclosed in accordance with the Company's obligations under Article 17 of MAR.

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 147 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 4 non-franchised sales operations from 114 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 / www.vertuhonda.com / www.vertutoyota.com / www.macklinmotors.co.uk / www.farnelllandrover.com / www.farnelljaguar.com / www.vertuvolkswagen.com / www.vertumercedes-benz.com