Inchcape

FY18 RESULTS

28 FEBRUARY 2019

STEFAN BOMHARD

GROUP CHIEF EXECUTIVE

FY18 HIGHLIGHTS

RESILIENT 2018 PERFORMANCE

Inchcape

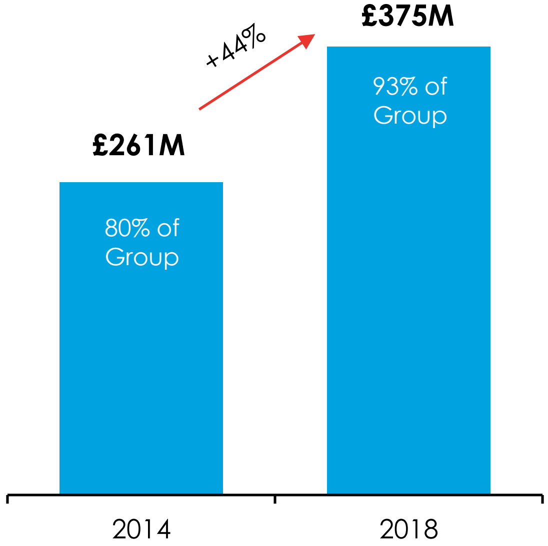
Distribution strength continues	Mix continues to improve	Ignite enhancing business	Good cash generation
Asia Distribution strong growth	Distribution c.90% of profit	Value driver delivery in key focus areas	Capital allocation priorities unchanged
Retail headwinds	Regional diversification	First platform entry into C.America	DPS maintained
Group PBT (2.6%) y-o-y	Supported by OEM Partner of Choice	Russia profit c.5x higher y-o-y	ROCE of 28%

Note: Growth rates at CCR and excluding exceptionals

CONTINUED DISTRIBUTION GROWTH

>40% INCREASE IN SEGMENT TRADING PROFIT OVER 4 YEARS

DISTRIBUTION TRADING PROFIT



Distribution growth supported by acquisitions and contract wins

Retail market headwinds

EM & APAC 88% of profit vs. c.70% in 2014

UK <5% of profit

POSITIONS INCHCAPE WELL FOR:

Growth

FCF conversion

Note: pre exceptional items; 2014 split excludes £17m of property profit in Asia (Distribution).

STRONG DISTRIBUTION, WEAK RETAIL

FY18 RESULTS SUMMARY

	FY 2018	% chg (ACR)	% chg (CCR)
Revenue	£9,277.0m	+3.6%	+5.8%
Operating Profit	£385.1m	(5.3%)	(1.4%)
PBT	£356.8m	(6.5%)	(2.6%)
EPS	65.0p	(2.5%)	

Note: Operating profit, PBT and EPS pre exceptional items.

STRONG FOUNDATIONS FOR GROWTH

2018 VALIDATES STRATEGIC INTENT

UNIQUE AND SUSTAINABLE

- Distribution model core
- Greater value chain involvement drives returns
- Long-standing partnerships
- Only independent automotive Distributor and Retailer with global scale

IGNITE: GROWTH STRATEGY

- Underpins ambitions
- Structures our opportunity
  - Operational excellence
  - Consolidation
  - Innovation

BUILDING CAPABILITY

- Investment in skills for future
- Essential to strengthen our position

Driving a multi-layered growth opportunity

LONG-TERM VALUE CREATION

MULTI-LAYERED GROWTH PROPOSITION

ATTRACTIVE TOTAL RETURN OPPORTUNITY

ANNUAL RETURN CONSIDERATION

ORGANIC GROWTH	MARKET DRIVERS	– Inchcape market growth expectations
	OPERATIONAL EXCELLENCE	– Revenue stream optimisation – Global cost efficiencies and best practices
STRATEGIC OPTIONS	CONTRACT WINS/ M&A	– Strong balance sheet, annual FCF – Large consolidation opportunity – Actively shifting to higher growth, cash generative Distribution businesses
	BUYBACKS	– Excess cash returned to shareholders
DIVIDEND		– Target 40% payout ratio

→ ATTRACTIVE TOTAL RETURN

RICHARD HOWES
CHIEF FINANCIAL OFFICER

SUMMARY INCOME STATEMENT

CHALLENGING YEAR IN RETAIL MARKETS

	FY 2018 £M	FY 2017 £M	CHANGE ACR	CHANGE CCR
Revenue	9,277	8,953	+3.6%	+5.8%
Operating profit	385.1	406.6	(5.3%)	(1.4%)
Profit before tax	356.8	381.6	(6.5%)	(2.6%)
Effective tax rate (%)	22.5	25.2	270bps	
Basic adjusted EPS (p)	65.0	66.7	(2.5%)	
Dividend per share (p)	26.8	26.8	-	

EXCEPTIONAL PBT CHARGE OF

£225m

Note: All numbers at actual exchange rates and pre exceptional items; Central American Acquisition generated 2018 revenue of £140m and trading profit of £12m.

DISTRIBUTION

	FY 2018 £M	FY 2017 £M	CHANGE ACR	CHANGE CCR
Revenue	4,988	4,794	+4%	+7%
Trading profit	375	367	+2%	+7%
Trading margin %	7.5%	7.7%	(20 bps)	

GROUP REVENUE

54%

GROUP TRADING PROFIT

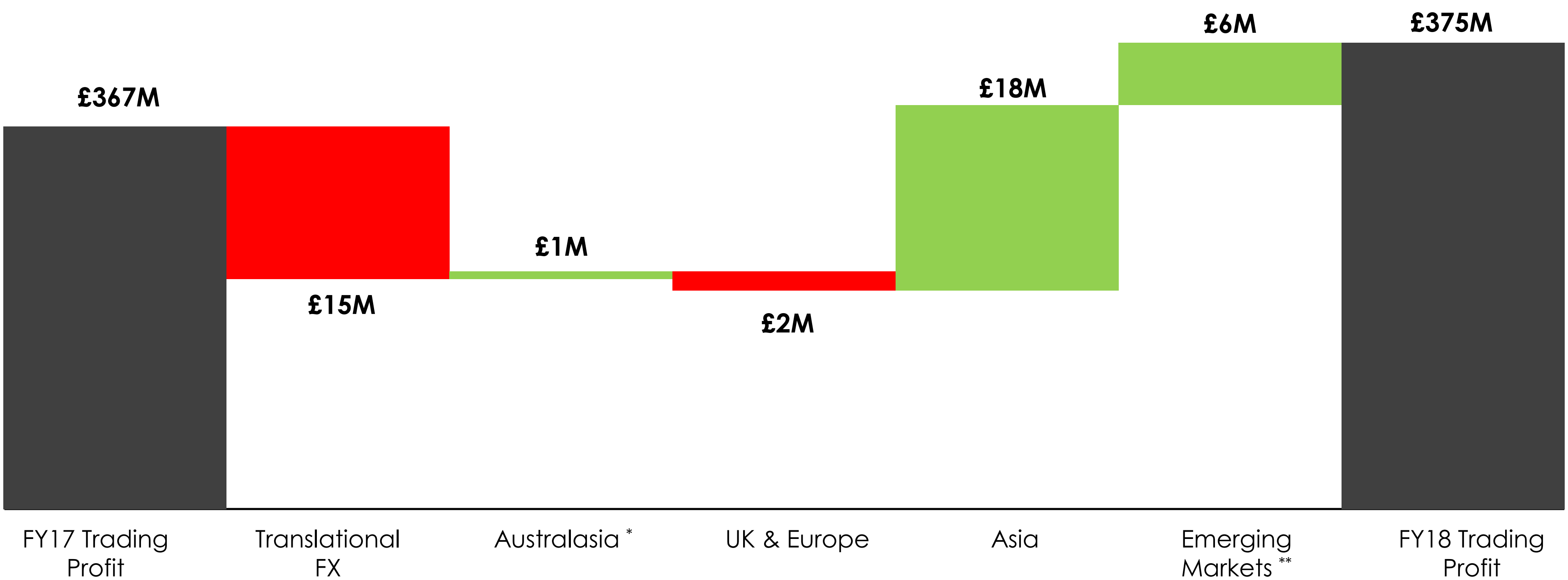
93%

- +9% CCR growth as per historic segmentation (flat profit margin)
- C.America acquisition profit accretive by £12m
- Yen tailwind in Australasia £16m
- Aftersales Gross Profit +6% CCR, ex C.America acquisition

Note: All numbers at actual exchange rates in table. The Central American Acquisition generated 2018 revenue of £140m and trading profit of £12m.

DISTRIBUTION

TRADING PROFIT



Note: Regional profit growth at CCR; *Australasia includes a net £16m positive transactional FX impact y-o-y; **Emerging Markets includes £12m from the Central America acquisition

RETAIL

	FY 2018 £M	FY 2017 £M	CHANGE ACR	CHANGE CCR
Revenue	4,289	4,160	+3%	+5%
Trading profit	27	65	-59%	-59%
Trading margin %	0.6%	1.6%	(100 bps)	

- Continued diesel demand weakness and H2 WLTP pressure in the UK
- Australia impacted by cooling property market
- Russia standout performance driven by Ignite
- Aftersales Gross Profit +8% CCR

GROUP REVENUE

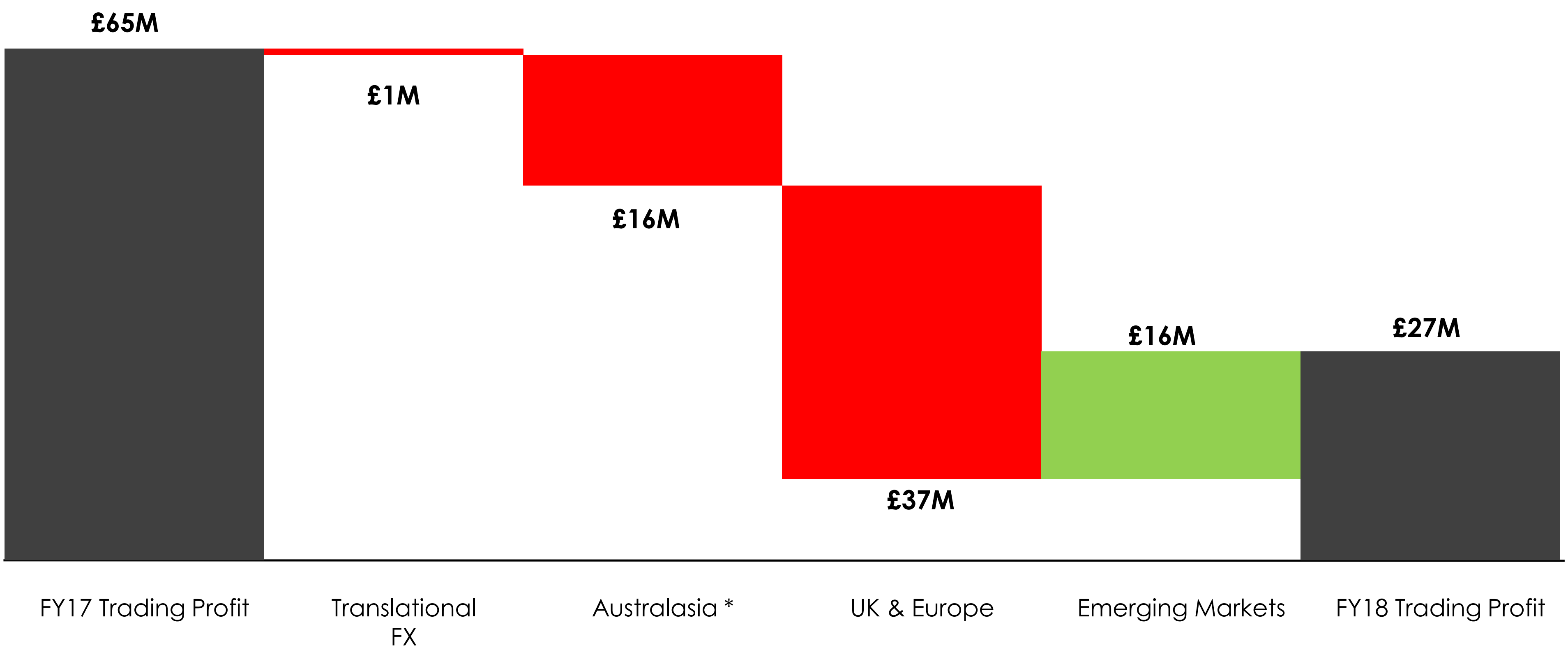
46%

GROUP TRADING PROFIT

7%

Note: All numbers at actual exchange rates in table

RETAIL
TRADING PROFIT



Note: Regional profit growth at CCR; * Australasia included £9m net property profit in FY17 which was not repeated in FY18

INCOME STATEMENT REVIEW

	FY 2018 £M	FY 2017 £M
Trading profit	401.4	431.8
Central costs	(16.3)	(25.2)
Operating profit	385.1	406.6
Operating margin	4.2%	4.5%
Finance charges / JVs	(28.3)	(25.0)
Profit before tax	356.8	381.6
Tax	(80.2)	(96.1)
Effective tax rate %	22.5%	25.2%
Minority interest (MI)	(7.0)	(7.9)
Profit after MI	269.6	277.6

2019 GUIDANCE

INTEREST COST

c.£28m

TAX RATE

23-24%

Note: All numbers at actual exchange rates and pre exceptional items

CASH FLOW

OPERATING CASH FLOW	FY 2018 £M	FY 2017 £M
Operating profit	385.1	406.6
Depreciation / amortisation	58.1	57.6
Working capital	39.3	75.1
Pension *	15.3	3.1
Other	7.8	(9.9)
Operating cash flow	**505.6**	**532.5**
Conversion	**131%**	**131%**

FREE CASH FLOW	FY 2018 £M	FY 2017 £M
Operating cash flow	505.6	532.5
Net interest	(27.1)	(25.0)
Taxation	(92.7)	(85.9)
Non controlling interest	(5.8)	(6.3)
Net capex	(99.3)	(101.4)
Free cash flow	**280.7**	**313.9**
Conversion	**73%**	**77%**

WORKING CAPITAL

2018 c.50% driven by improvements in the C.America acquisition

CAPEX

2018 Underlying spend c.**£75m** | Additional spend c.**£25m**

2019 Up to **£75m**

NET CASH

2018 Net cash **£13m**

Note: All numbers at actual exchange rates and pre exceptional items; *Pension inflow includes £10.9m surplus release of the TKM scheme net of tax

OTHER ITEMS

EXCEPTIONALS

£198m write-down

- Mostly UK & Europe
- Reflecting trading results
- Non-cash
- £90M UK & Europe goodwill remaining

Other exceptionals

- £5m GMP pension equalisation ruling
- £7m acquisition costs
- £14m fair value adjustments on USPP

IFRS 16

c.£460m of lease commitments onto balance sheet from FY19

- No cash impact
- Fully retrospective
- Restatement 2% impact to PBT
- c.1x net debt/EBITDA to balance sheet
- No impact on financial liquidity

REFINANCING

RCF refinancing

- Driven by upcoming maturities
- Refinancing existing commitments
- 5 year facility to 2024*

* Facility to 2024 with the option to extend to 2026 at lenders' discretion

CAPITAL ALLOCATION
PRIORITIES REMAIN UNCHANGED

DIVIDEND POLICY

Progressive dividend policy
(target payout 40%)

FY18 DPS 26.8p
(Maintained y-o-y)
41% payout ratio

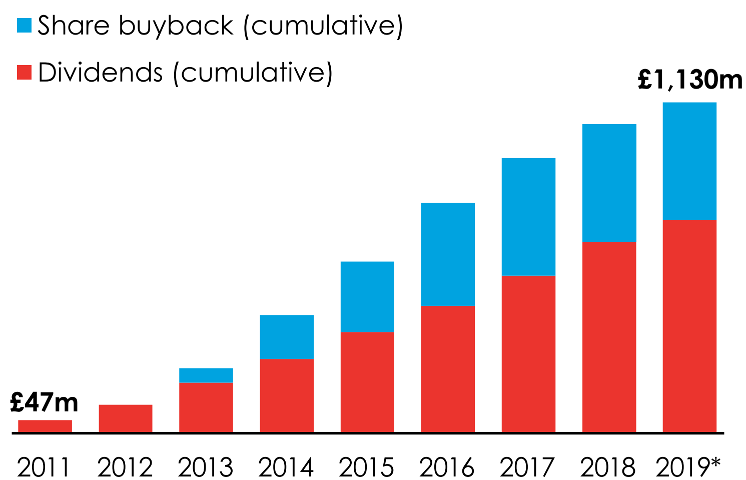
FREE CASH FLOW UTILISATION

Excess cash post capex, working capital, dividend

Value-accretive M&A opportunities

Remaining excess FCF distributed through buybacks

CUMULATIVE CASH RETURNS



PBT CAGR ('11 – 18) **

+7%

Note: * 2019 cumulative cash returns inclusive of announced 2018 final dividend, but no assumption on the interim dividend for 2019; **PBT growth at ACR.

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REGIONS IN FOCUS

RETAIL ACTIONS

PLANS TO IMPROVE PERFORMANCE IN UK AND AUSTRALIA

UK RETAIL

- **Diesel** penetration in the UK has fallen from 48% in 2016 to 32% in 2018
- **WLTP** also drove supply constraints in 2H18 for certain brands
- Inchcape **brand portfolio** emphasised both dynamics

2019 IMPROVEMENT PLANS

- Improved opening stock position
- Greater centralisation (ordering; promotions)
- Ignite driven improvements (Used; Aftersales)
- Cost rationalisation underway; FY19 Capex meaningfully reduced

AUSTRALIA RETAIL

- Property-market driven **market** decline of 3% in 2018, with Sydney down 7%
- >50% Inchcape Retail in **Sydney**

2019 IMPROVEMENT PLANS

- Cost rationalisation underway
- Ignite driven initiatives (F&I, Used)

DISTRIBUTION ACTIONS - ASIA

ATTRACTIVE CHARACTERISTICS OF DISTRIBUTION

STRONG RESULTS IN WEAKER MARKET

Unfavourable 2018 markets

Singapore market TIV

(18)%

Hong Kong market TIV

+0% *

Strong 2018 delivery

FY18 Asia trading profit: +12% CCR

PRODUCT PLANNING AND POSITIONING

Vehicle growth and mix beneficial for 2018

Product management a core competency

Share gains achieved

CONTRIBUTIONS TO GROWTH INCLUDED:

- **Product planning and positioning**
- Variability of cost structure and cost control
- Forward planning (visible Singapore cycle)
- Investment in Aftersales capacity
- Business efficiency programmes (e.g. inventory management)

Actions in Singapore:

- Harrier introduced (previously Japan-only)
- WISH product discontinued
  - Replaced with Prius+ and Sienta
  - Improved customer offering
  - Increased target market

Note: * Underlying, excluding exceptional government incentivised Electric Vehicle sales in the market in 2017

STRATEGY UPDATE

FULL POTENTIAL OF REVENUE STREAMS

REDUCING SPAN OF PERFORMANCE ACROSS GROUP

AFTERSALES INITIATIVES

Group gross profit growth +7%*

KEY SUCCESS

South America
2018 Gross Profit

+17%

- UK-driven demand initiatives introduced in BMW Chile (e.g. express service)
- Subsequently rolled out to BMW Peru and Subaru Chile

USED CAR INITIATIVES

Group gross profit growth in double digits

KEY SUCCESS IN EMERGING MARKETS

Russia
2018 Gross Profit

> +150%

South America
2018 Gross Profit

+25%

- Ignite-driven focus on stock and processes
- In South America programmes extended beyond Subaru Chile to other brands and markets

Note: *Excluding Central America acquisition

LEVERAGING GLOBAL SCALE

DELIVERING AGAINST TARGETS

FINANCE & INSURANCE

£15M incremental income achieved in 2018
- ahead of plan
- vs. £30M incremental income target [1]

F&I profit growth ahead of vehicle sales growth

Key 2018 achievements:
- Russia selling improvements
- Paint protection expanded into 9 new markets
- Retendered contracts in Asia, Latam

PROCUREMENT

£32M annualised savings achieved to date [2]
- vs. £50M targeted savings

Key areas of saving over 2018:
- Latam customs and shipping agent consolidation
- UK tyre distributors consolidation into one
- Singapore vehicle storage and transportation optimisation

Procure to Pay (P2P) continues to roll out
- Will enable greater global procurement
- Multi-year savings driver

1) £30m incremental target over the medium term; 2) Cumulative savings

INVEST TO ACCELERATE GROWTH

10 DISTRIBUTION DEALS SINCE 2016

CONSOLIDATION THEMES

PLATFORM CREATION

Acquisitions that enable further contract growth

Indumotora (2016)

- Meaningful expansion on existing S.America business
- First Subaru operations outside Australasia
- Expanded Hino CV exposure

Rudelman (2018)

- Entry into Central America
- First large-scale Suzuki operations

REGIONAL CONSOLIDATION

OEM-led consolidation with Inchcape preferred partner

BMW Eastern Europe:

- Latvia (existing business)
- Estonia (2017)
- Lithuania (2019)

BMW East Africa:

- Kenya (2019)
- Intended extension of East Africa presence with BMW

BOLT-ONS

Small business wins supported by existing infrastructure

JLR Thailand (2016)

PSA Australia (2017)

BMW Guam (2018)

JLR Colombia (2018)

JLR Kenya (2018)

Acquisitions enabled by focus on OEM Partner of Choice

Inchcape's global market share of Distribution markets

c.1%

INVEST TO ACCELERATE GROWTH: LATAM

INTEGRATION SUCCESS OVER 2018

INDUMOTORA (South America)

2018 earnings ahead of plan
- Success of Ignite initiatives
- Cost efficiencies

In addition, better than expected cash flow conversion

Target year 3 ROIC already surpassed in year 2

RUDELMAN (Central America)

Acquired in March 2018
- Expanded strategic Suzuki relationship
- Entry into market with strong medium-term growth opportunity

Integrating well; strategic rationale confirmed
- Working capital improvements achieved

Market backdrop in 2018 challenging
- Expect continued weakness in 2019
- 2019 performance supported by Ignite and synergies

INVESTING IN DIGITAL FOR DISTRIBUTION

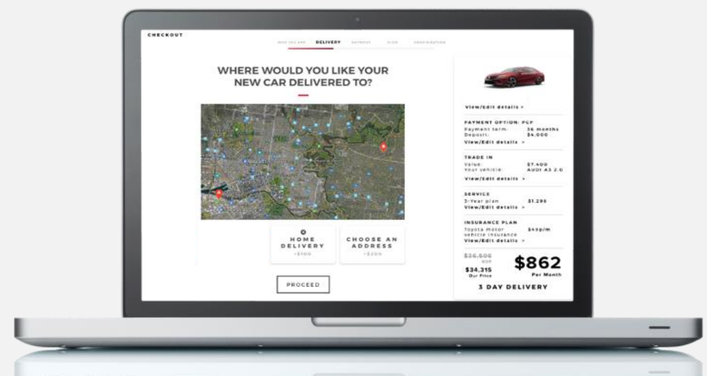
2019 LAUNCH PLANS

DIGITAL OMNICHANNEL EXPERIENCE

- Started developing a new customer-centric omni-channel experience in 2018
- Designed to transform our customer proposition and growth opportunity
- Digital capabilities continued to roll-out
  - Reputation.com (customer reviews)
  - Brightedge (Search Engine Optimisation)
  - Salesforce (CRM)
- Model to launch in 2019 in Australia; Implementation thereafter in Asia
- Increasing allocation of group capex to Digital investments

OMNICHANNEL PILOT FOCUS

- Integrated omni-channel platform
- Customer-centric sales staff
- Data analytics and automation
- Optimised store formats
- Building for global scale

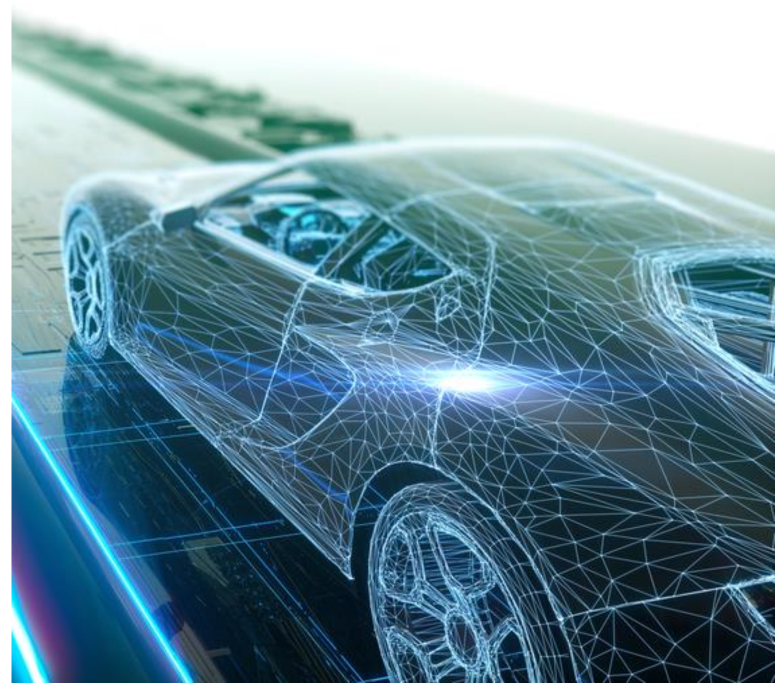


FUTURE TRENDS: RIDE HAILING

TRIAL TO CAPTURE PROFIT POOL

FOCUS ON FUTURE-PROOFING INCHCAPE

- Fleet management opportunity expected to grow alongside ride-hailing growth in some markets
- Opportunity for Inchcape to participate in business given existing servicing capabilities and Distribution strength
- **Trial to test opportunity**
  - 2018 agreement signed in Singapore to manage a portion of Grab's Toyota fleet
  - Inchcape to reduce vehicle downtime and cost
  - Connected car technology utilised to optimise maintenance

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LOOKING AHEAD
2019

2019 OUTLOOK

DISTRIBUTION PROFIT

Resilient underlying growth (ex Yen)

– Resilient performance in Asia, EM and Australasia
– S.American growth offsetting Ethiopia supply constraints
– Strong growth in Europe led by Greece and Baltics

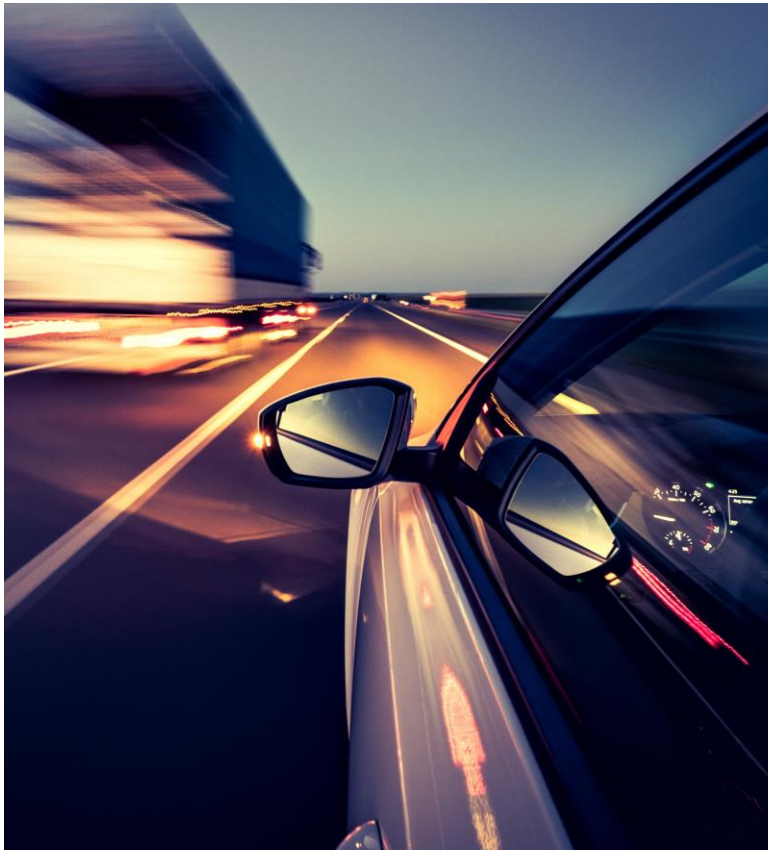
RETAIL PROFIT

– Strong growth in Russia
– Stabilisation in UK and Australia

GROUP PROFIT GUIDANCE

Resilient constant currency growth
(<u>excluding</u> Yen headwind)

c.£35M transactional Yen headwind
(vs. previous £25M guidance)



INVESTMENT PROPOSITION

GROWTH AND CASH RETURNS

- **Distribution at our core**: A highly cash generative and sustainable business model
- Strong and increasing weighting to **higher growth markets**
- Ignite strategy driving **organic performance** ahead of market growth
- Continued **consolidation** a material driver of value creation
- **Sustainable business** model well placed to benefit from future industry trends

Well positioned to deliver shareholder value through organic growth, consolidation and cash returns

APPENDIX

REGIONAL TIV SUMMARY

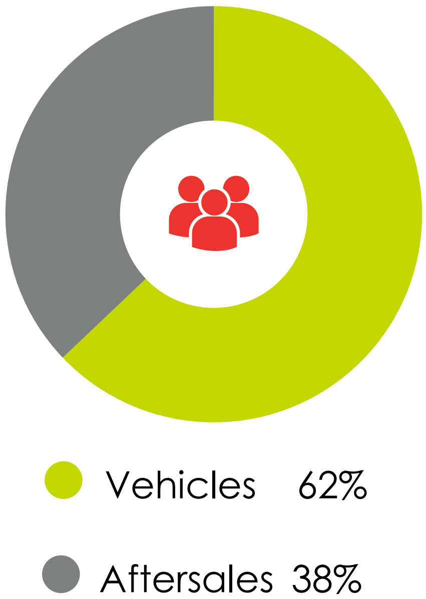
REGION	2016 Actual	2017 Actual	2018 Actual	2019 Est
Australia	2%	1%	**(3)%**	**(6)%**
UK	2%	(6)%	**(7)%**	**(2)%**
Greece	4%	12%	**17%**	**13%**
Belgium	8%	1%	**1%**	**0%**
Eastern Europe	19%	14%	**11%**	**11%**
Singapore	41%	5%	**(18)%**	**(7)%**
Hong Kong	(21)%	6%	**(7)% *** **	**0%**
South America*	(1)%	7%	**7%**	**5%**
Russia	(11)%	12%	**13%**	**4%**
Central America **	9%	(14%)	**(13)%**	**(10)%**

Note: TIV = Total Industry Volume, * Chile, Colombia & Peru; **Costa Rica and Panama, ***+0% excluding EV incentivised sales in 2017 which since fell away post government incentive changes

VALUE DRIVER DISCLOSURE AFTERSALES AND VEHICLES

	GROSS PROFIT (£M) FY 2018	YoY CHANGE CCR	YoY CHANGE Ex Acqn*
Vehicles	810	6.0%	3.4%
Aftersales	492	8.7%	6.6%

GROSS PROFIT MIX



Note: *Acqn. refers to Central American acquisition in March 2018, YoY is CCR

MINOR SEGMENTATION CHANGE

EXPLANATION

- Historically, any of the revenue and profit made by Retail sites in Distribution markets but attributable to markets where we do not directly operate 100% of the network were classified in Retail
- The change moves these activities into Distribution, so that the channel now accounts for all revenue and profit generated by a Distribution contract
- The Retail channel becomes only the operations where we operate as a Retailer without a Distribution contract
- This segmentation is more representative of how we operate the business internally
- Alongside this, we have also adjusted slightly our regional and central cost allocation

Business split

DISTRIBUTION

Greater China
Singapore
Brunei
Guam
Saipan
Thailand
Australia (Subaru and PSA distribution) *
New Zealand
Belgium *
Luxembourg *
Greece *
Romania *
Bulgaria *
Albania *
Macedonia
Finland
Estonia
Latvia
Lithuania
Ethiopia & Djibouti
Kenya
Chile
Peru
Colombia
Argentina
Costa Rica
Panama

RETAIL

Australia (non-Subaru and non-PSA business)
UK
Poland
Russia

* Denotes all businesses affected by the segmentation change.

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