

# STRATEGIC DISTRIBUTION ACQUISITION IN CENTRAL AMERICA 6<sup>TH</sup> DISTRIBUTION DEAL IN 24 MONTHS



Inchcape plc ("Inchcape" or the "Group")<sup>1</sup>, the leading independent multi-brand Automotive Distributor and Retailer with global scale, is pleased to announce the acquisition of Grupo Rudelman, an Automotive Distribution business in Central America focused on Suzuki, for a total cash consideration of \$284 million (£201 million<sup>2</sup>), on a cash-free and debt-free basis.

The consideration represents approximately 9.6x EBIT of \$29.4 million for the 12 months to 31st December 2017<sup>3</sup>.

Grupo Rudelman, a family-run business, has grown into one of the leading and most successful automotive Distributors in Central America. The business has built and maintained strong market positions and scale as the Distributor and exclusive Retailer for Suzuki in both Costa Rica and Panama.

## Transaction Highlights:

### Compelling strategic rationale:

- Suzuki-led Distribution business in Costa Rica and Panama with a strong management team
- Establishes a scale platform in attractive markets, adjacent to recent South American expansion
- Expansion of Suzuki partnership in a strategically important region for Suzuki where the brand is particularly well positioned
- Increases Inchcape's presence in markets with structural growth potential
- Further evidence of continued delivery of Ignite strategy and Inchcape's ability to leverage our unique position in a highly-fragmented industry

### Strong financial rationale:

- Accretive to earnings in first full year post-acquisition by mid-single digit percentage
- Enhances Group operating margin
- High cash flow generation, typical of a Distribution business
- Funded from existing cash and committed debt facilities; Group retains strong balance sheet

### **OEM Partner of Choice:**

With more than 45 years of experience, Grupo Rudelman is a successful and high-quality Automotive Distribution business in the structurally attractive markets of Costa Rica and Panama. In both markets, Suzuki and Grupo Rudelman have built a top 5 market position and in 2017, Grupo Rudelman distributed approximately 12,500 new Suzuki vehicles.

Suzuki has a broad customer appeal driven by desirable, competitively-priced models defined by Japanese quality. Suzuki's model line-up, led by SUVs and small-engine compact cars, is particularly well suited to local market preferences in Costa Rica and Panama, and the brand's product pipeline is attractive.

Grupo Rudelman also represents a number of emerging brand partners as Distributor and exclusive Retailer, including JAC and Changan in both Costa Rica and Panama, BAIC and Kubota in Costa Rica, and Great Wall in Panama.

Inchcape already has a long-term partnership with Suzuki, who the Group has represented as Distributor in Singapore since 1977. Following our acquisition in South America in 2016, Inchcape also represents Suzuki as Distributor in Argentina.

### **Investing to Accelerate Growth:**

The Costa Rican and Panamanian markets both present structural growth opportunities given their low vehicle penetration rates and economic growth expectations. We see significant benefits to the business by combining the local strength of Grupo Rudelman's platform and team with Inchcape's global experience, capabilities and resources, which will all be available to support and drive the development of the acquired business.

In addition, this acquisition creates an even more meaningful platform for Inchcape in Latin America, enhancing our ability to drive further long-term growth across the region.

This acquisition is a further demonstration of the success of Inchcape's Ignite strategy and marks our sixth Distribution acquisition in the last 24 months. The acquisition of these Distribution businesses further increases the contribution of this attractive channel to Group profitability and actively positions Inchcape for higher growth and cash generation.

### **Further Details:**

The transaction involves the acquisition of the Grupo Rudelman group of companies from their shareholders including Holding de las Americas S.A. and Fundacion Rudco.

The transaction is unconditional and is expected to be completed later today.

In light of the acquisition, Inchcape no longer intends to continue with the share repurchase programme which was announced on February 27th 2018. The Board will however continue to evaluate its appropriate capital allocation over time.



## **STEFAN BOMHARD, GROUP CEO OF INCHCAPE PLC, COMMENTED:**

"The acquisition of a second scale Distribution platform in Latin America in two years highlights our commitment to investing for growth and allocating capital in a disciplined manner.

We are acquiring a strong, well-managed business and I am very pleased to welcome the Grupo Rudelman team to Inchcape. I am delighted to significantly enhance our relationship with Suzuki, a brand that is well positioned for growth and success in emerging markets, with whom we are proud to have partnered for over 40 years.

With this acquisition we continue to actively position Inchcape towards higher growth markets and higher return Distribution businesses. Distribution trading profit, on a pro forma basis, now equates to 81% of total Group profit in 2017. In addition, Inchcape's portfolio and presence in Latin America has been significantly strengthened, and I am excited about the future opportunities this presents."

## Market Abuse Regulation statement

This announcement contains inside information.

## Conference call and webcast

Group Chief Executive Officer, Stefan Bomhard, Chief Financial Officer, Richard Howes and Chief Development Officer, Bertrand Mallet, will host a live audiocast for analysts and investors at 8.30am BST today, March 26th.

## Dial in numbers:

Standard International Access: +44 (0) 20 3003 2666

UK Toll Free: 0808 109 0700

Reference: Inchcape

## Link for the audiocast & slides:

<http://streamstudio.world-television.com/783-1009-19545>

These details can also be found at [inchcape.com](http://inchcape.com) together with presentation slides and a copy of this announcement. A recording of the audiocast will be available later in the day.

## Enquiries

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## About Inchcape

Inchcape is the leading independent multi-brand Automotive Distributor and Retailer, operating in 31 markets with a portfolio of the world's leading car brands. Inchcape has diversified multi-channel revenue streams including sale of new and used vehicles, parts, service, finance and insurance. The Company has been listed on the London Stock Exchange since 1958, is headquartered in London and employs around 17,000 people.

[www.inchcape.com](http://www.inchcape.com)

## About Grupo Rudelman

Grupo Rudelman is a family-owned business responsible for the distribution of Suzuki passenger cars, JAC and Changan in Costa Rica and Panama; as well as for BAIC and Kubota in Costa Rica; and Great Wall in Panama. Around 750 employees will join Inchcape. Included in the acquisition are the assets relating to the exclusive retail of these brands. As at 31st December 2017, based on unaudited consolidated financial information on Grupo Rudelman's combined Costa Rica and Panama operating entities, the business acquired by Inchcape had gross assets of approximately \$150 million.

## Financial Advisers

Greenhill & Co. International LLP which is authorised and regulated in the United Kingdom by the Financial Conduct Authority, is acting as financial adviser to Inchcape and no one else in connection with the proposed transaction and will not be responsible to anyone other than Inchcape for providing the protections afforded to clients of Greenhill & Co. International LLP nor for providing advice in relation to the proposed transaction or any other matters referred to herein.

## Notes

- 1 Reference to Inchcape plc includes all of its worldwide subsidiaries
- 2 GBP:US Dollar exchange rate of 1.41524
- 3 The consideration represents approximately 9.6x EBIT of \$29.4 million and approximately 9.1x EBITDA of \$31.2 million for the 12 months to 31st December 2017 based on unaudited consolidated financial information on Grupo Rudelman's combined Costa Rica and Panama operating entities

Certain information included herein, such as financial estimates, projections and forecasts, contains forward-looking statements which involve risk and uncertainty, such as business, economic and regulatory changes, which could cause actual results to differ materially from such estimates, projections and forecasts. No representation or warranty is given as to the achievement or reasonableness of any forward-looking statements discussed in this document. This document is delivered as at the date specified



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