



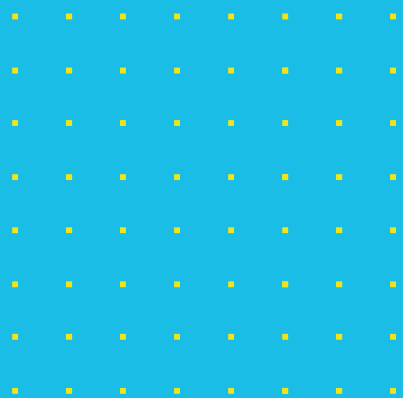
IN THE DRIVING SEAT: OUR DISTRIBUTION MODEL

23 May 2024



INTRODUCTION & OVERVIEW

DUNCAN TAIT
GROUP CEO



Agenda

Introducing our presenters



OUR DISTRIBUTION MODEL

Duncan Tait
Chief Executive



HOW TECHNOLOGY SUPPORTS OUR MODEL

Mark Dearnley
Chief Digital Officer



OUR OEM PARTNERSHIPS

Liz Brown
Chief Strategy Officer



FINANCIAL DYNAMICS OF DISTRIBUTION

Adrian Lewis
Chief Financial Officer

Key takeaways from today

01

Inchcape is well positioned for growth as the **leading global automotive Distributor**



02

Inchcape's **proposition** is **compelling** and **differentiated** for OEMs



03

Inchcape's business model has **attractive financial characteristics**

What is Automotive Distribution

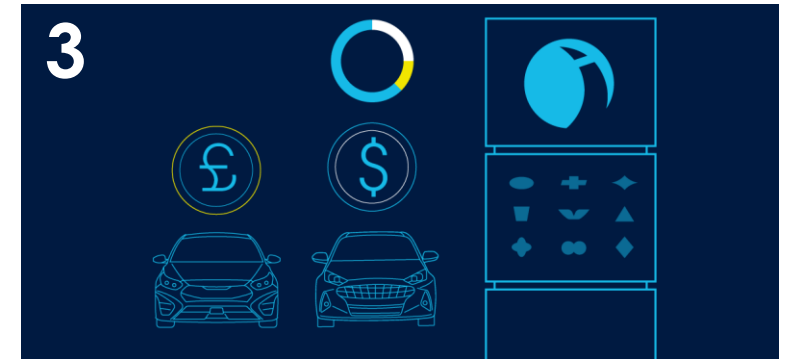
Delivering a route-to-market for OEMs



Product planning – pricing, range, spec and inventory management



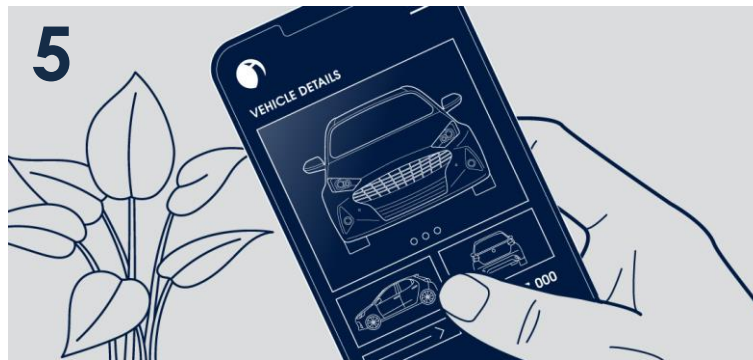
Logistics – shipping, importation and warehousing



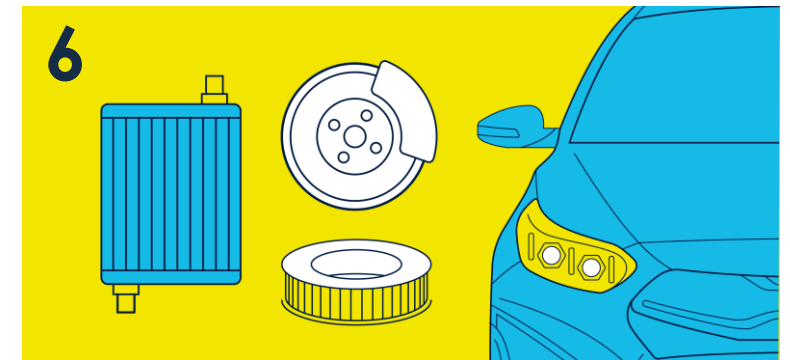
Brand and marketing – online & offline media awareness, demand generation



Channel management – third party dealer network management



Retail – online and offline customer experience



Value-added services – parts and used cars, Finance and Insurance

Our differentiated proposition for OEMs

Inchcape is a critical partner for our OEMs

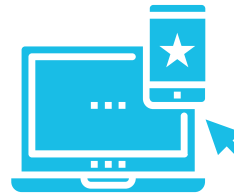
We manage and develop our OEMs' route-to-market



Through **local expertise** supported by **global capabilities**



Differentiated by our **technology**



Proven by our **long track record of performance**



Underpinned by our Responsible Business agenda

We support OEMs in smaller to medium-sized markets

A substantial opportunity for Inchcape

“Inchcape distribution markets”

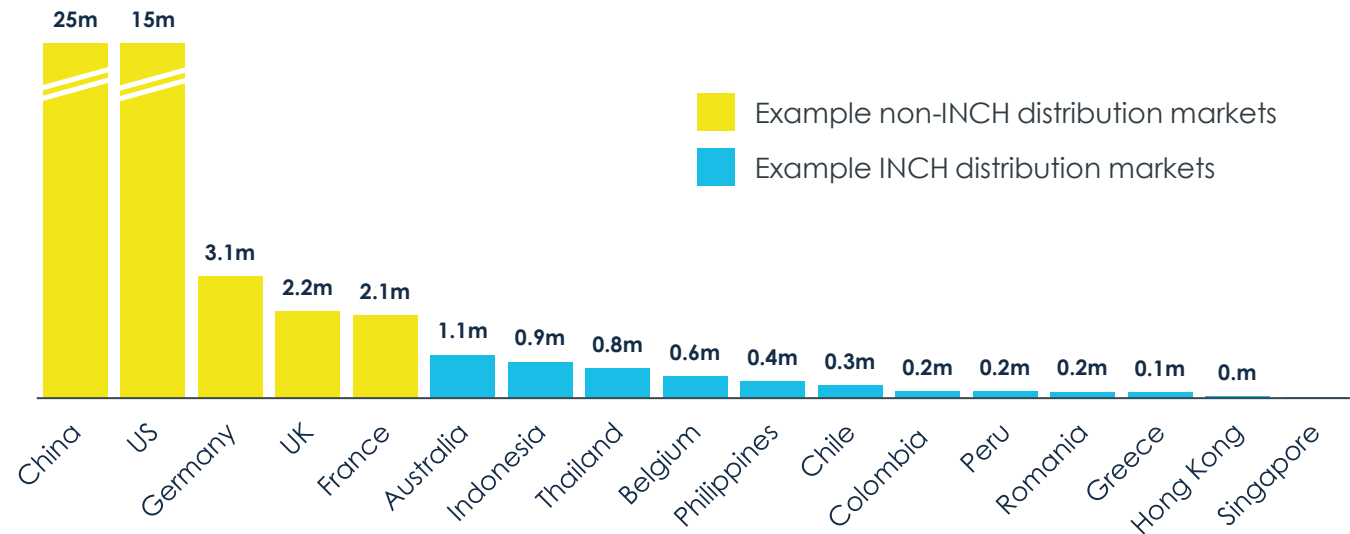
High
GDP growth

Low
motorisation
rates

More
complex

Inchcape’s focus on smaller to medium sized markets

2023 TIV¹ of New Passenger Vehicles in example markets



Global Passenger Vehicle TAM for Inchcape of 10.7m vehicles, of which Inchcape has a c.3% market share

1: TIV = total industry new car volumes (per annum)

Updated TAM includes latest market estimates, potential OEM conflicts and excludes certain markets previously seen as potential target markets for Inchcape

Managing our independent retail network

c.70% of our retail network is managed by third parties



Value-added services – driving resilience and growth

Strategic evolution from Vehicle Lifecycle Services



Parts:

- Exclusive parts distribution
- Digital Parts Platform
- AI-based capabilities



Finance and Insurance:

- Innovative products
- Third Party providers
- Global strategic partnerships
- Retail network offerings



New Energy vehicles:

- Battery services
- Home-charging equipment
- Ancillary services
- Service packages



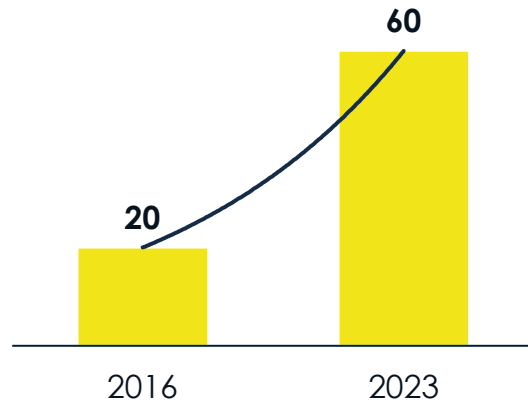
Used cars:

- Leveraging Distribution platform
- Partner with independent retailers

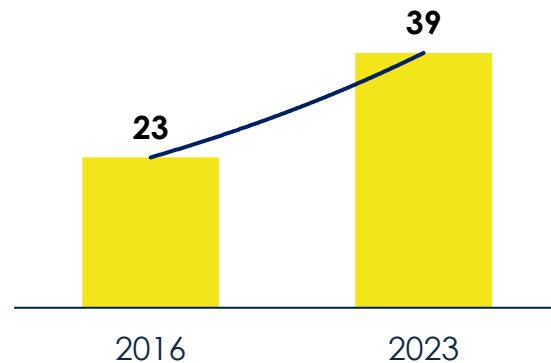
The transformation of Inchcape

A pureplay Distributor, with a diversified and scaled footprint

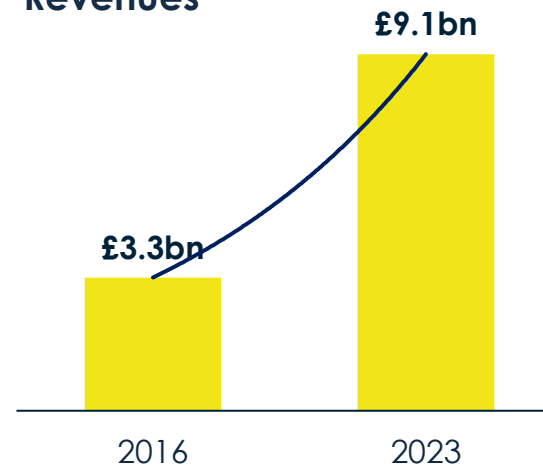
Number of Distribution OEM Partners



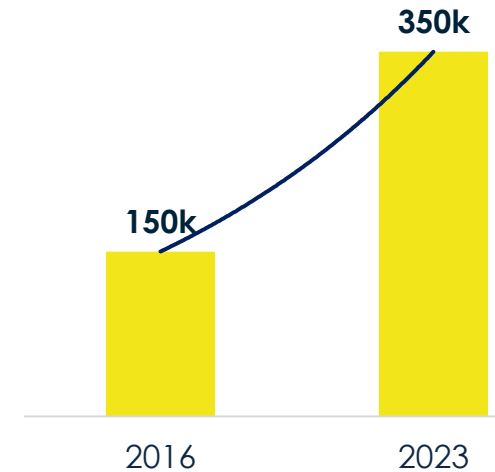
Number of Distribution Markets



Annualised Distribution Revenues



Distribution Volumes



Distribution is our core strategic focus:

Capital-light:

<1%

Capex as % of revenue

Cash generative:

60% to 70%

FCF conversion of operating profit

High returns:

c.25%

ROCE

HOW OUR TECHNOLOGY SUPPORTS OUR MODEL

MARK DEARNLEY
GROUP CDO



*Scan to watch our previous
"In the Driving Seat: Digital
and Data Webinar"*



Our technology enables our differentiated offering

Integrated across the value chain



Enables Inchcape to:

- Deliver a seamless customer experience
- Outperform for our OEMs
- Attract the best people

Differentiating through our technology

Global capabilities, delivered locally

Digital eXperience Platform

DXP

- End-to-end omni-channel platform for selling vehicles and managing ownership lifecycle
- Fully integrates OEMs with Inchcape, dealers and end customers

Data Analytics Platform

DAP

- AI models tailored to each OEM and market
- Business Intelligence providing transparency and consistent execution

+

Our global tech capability

Digital Delivery Centres:

Highly skilled Inchcapers developing and globally supporting our digital platforms

Inchcape Digital Architecture:

A single, common global technology stack

Our digital and data analytics capabilities

Supporting every element of our Distribution value chain

<p>1</p>  <hr/> <p>Product Planning</p> <hr/> <p>DAP - vehicle S&OP: c.£200m reduction in Derco inventory</p> <p>→</p>	<p>2</p>  <hr/> <p>Logistics</p> <hr/> <p>DAP - Parts AI optimisation in Americas: c.60%+ reduction in air freight orders c.30% reduction in parts obsolescence</p> <p>→</p>	<p>3</p>  <hr/> <p>Brand & Marketing</p> <hr/> <p>DXP: c.60%+ increase in online customer engagement Average reputation score of 700+, with c.240 sites 800+</p> <p>→</p>	<p>4</p>  <hr/> <p>Channel Management</p> <hr/> <p>DXP & DAP: c.50% order take increase from digital leads c.30%+ uplift in win-back of "high churn risk" service customers in APAC from AI churn prediction</p> <p>→</p>	<p>5</p>  <hr/> <p>Retail</p> <hr/> <p>DXP: c.40%+ initial increase in sales consultant productivity in Hong Kong c.50% initial increase in lead conversion in Singapore</p> <p>→</p>	<p>6</p>  <hr/> <p>Value-added Services</p> <hr/> <p>DXP & DAP in Singapore: c.30% increase in F&I commission</p>
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OUR OEM PARTNERSHIPS





LIZ BROWN

CHIEF STRATEGY OFFICER



Our OEM portfolio

Diversified, scaled and prestigious

Japan 	Europe 	China 	USA 																																																													
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Our OEM partnerships

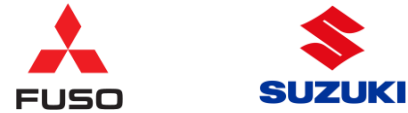
Long term relationships + new partnerships

Long-standing OEM relationships:

50+ years



35+ years



25+ years



Recent OEM relationships:



Distribution contracts

Key dynamics



Key drivers of success:



- Our value proposition
- Global scale
- Network effect
- Digital and data
- Local expertise
- Multi-level relationships



Key measures of success:



- Market share gains
- Volume growth
- Customer satisfaction
- Aftersales retention
- Market coverage

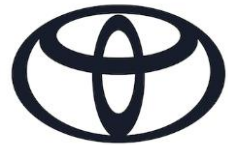


Future opportunities:

- Conversion of in-house to independent distribution
- Transition from competitor
- New markets for OEMs
- M&A
- Competitive bid (for new OEMs in new markets)

Building leadership positions for our OEM partners

Delivering for our OEMs in key markets



Market leader
in 7 of 14 markets

- Bulgaria
- Singapore
- Greece
- Saipan
- Guam
- Brunei
- Ethiopia



Segment leader
in 4 of 7 markets

- Latvia
- Chile
- Guam
- Peru



Segment leader
in 3 of 6 markets

- Ecuador
- Barbados
- Uruguay



Leading OEM performance
in majority of our markets

**Outperforming in
6 of 8 markets:**

- Australia
- New Zealand
- Chile
- Peru
- Colombia
- Barbados



**Outperforming in
7 of 10 markets:**

- Costa Rica
- Bolivia
- Chile
- Panama
- Colombia
- Barbados
- Djibouti



**Global Strategic
Agreement**

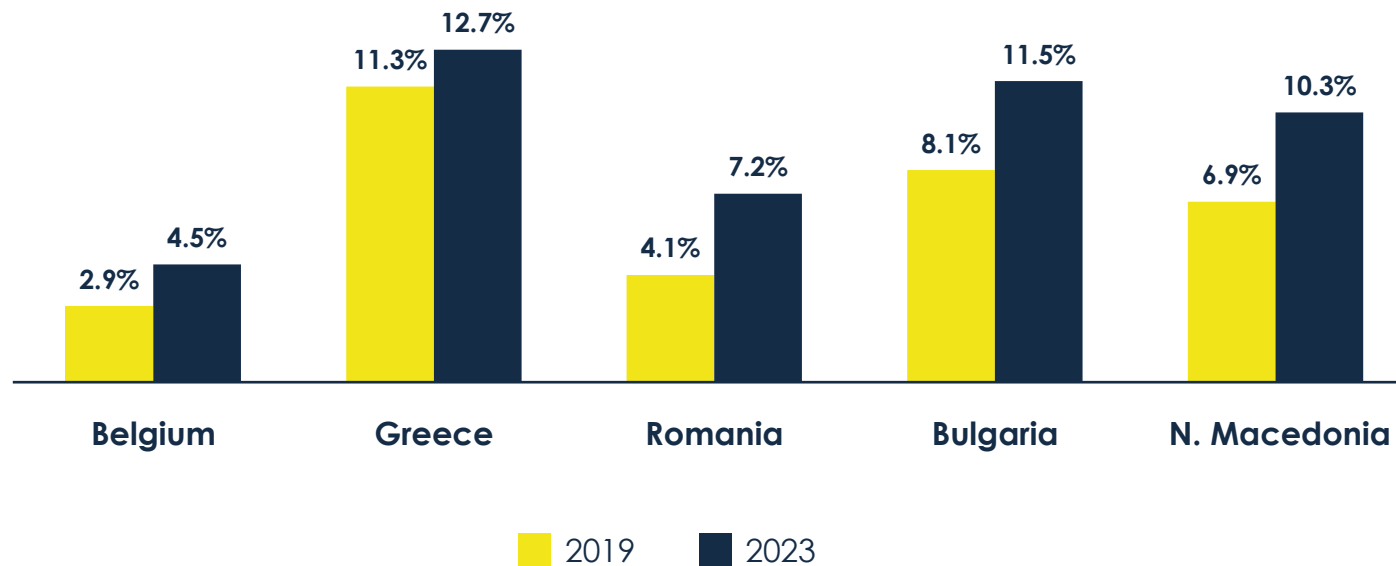
growing
relationship
market-by-market:

- Chile
- Peru
- Hong Kong
- Macau
- Indonesia

Delivering for OEMs

Outperforming for Toyota in Europe

Inchcape Market share growth in 2023 (versus 2019):



Inchcape Toyota Europe vs
Total Toyota Europe, 2019 - 2023:



Delivering for OEMs

Outperforming for Mercedes in the Americas and APAC

2019: Acquired & established Distribution network in Colombia for Mercedes

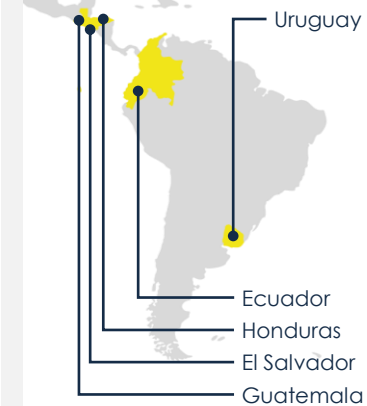


2020 to 2024: Delivered across KPIs

- Market share gains
- Volume growth
- Technology stack implemented
- Improved aftersales retention
- Increased customer satisfaction

2021 to 2024: Continued expansion of our relationship with Mercedes

Americas:



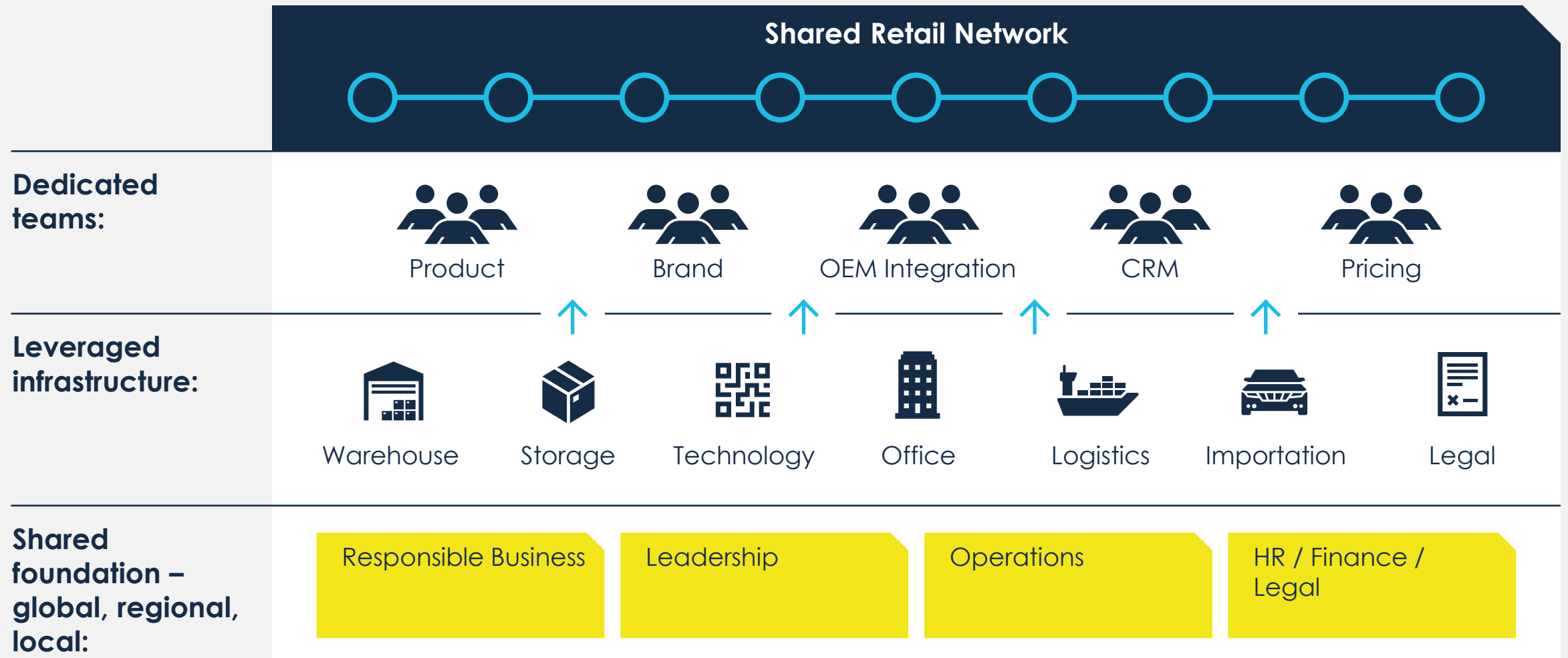
APAC:



Performance + relationship drives growth and new opportunities with our OEMs

Managing multiple OEMs in a market

Leveraging our scale and capabilities



Building scale in a substantial market – Indonesia

A strong platform for future growth



Average approximate annual vehicle volumes for each brand (FY 2024 forecast)

Targeting significant market share growth over time

OEMs' perspectives on Inchcape



FINANCIAL DYNAMICS OF OUR DISTRIBUTION MODEL

ADRIAN LEWIS

CHIEF FINANCIAL OFFICER



Financial dynamics of Distribution

Key focus areas

1.

Key financial metrics and commercial model



2.

Growth drivers



3.

Profit drivers



4.

Working capital cycle and profile



5.

Cash and returns



6.

Our robust financial profile



Inchcape's financial profile in Distribution

Revenue, margins, cash flow

**Inchcape
Distribution:**

£9.4billion

Revenue



15% - 18%*

Gross Margin



5% - 7%*

Adjusted
Operating Margin



60% - 70%

FCF conversion



Growth Driver:

Market volumes
Market share
Contract wins
Acquisitions

Vehicles:

- Supply / demand
- Product life cycle
- Finance penetration

Parts:

- Aftersales retention rates

Operating Efficiency

- Organic growth
- Market share
- Acquisition synergies
- Operating leverage
- Regional mix

- Working capital
- Capital Investment
- Net interest
- Effective Tax rate

Key commercial and financial characteristics

In Automotive Distribution

	KEY COMMERCIAL CHARACTERISTICS:
Formal contract length	1 to 5 years
Exclusivity	Exclusive import rights for new vehicles & parts
Ordering lead time	Order made c.1 – 3 months before production
Vehicle specification & cost	Negotiated with OEM
Vehicle retail pricing	Set locally by Distributor
Volumes	Reviewed periodically, annual business plan with OEM
Stock holding	Up to c.3 months in transit; Up to c.2 months in market
Inventory ownership	From factory or port
Product Warranty	Manufacturers warranty back to OEM
Currency	Transactional exposure managed through hedging

INCOME STATEMENT

Revenue Recognition

- recognised on inventory sale to third parties (dealers or consumers)

BALANCE SHEET

Inventory

- recognised on dispatch from OEM;
- inventory valuation (at hedged FX rate), at lower of cost or net realisable value

Inventory financing

- recognised in trade payables;
- supplier terms with OEM or in arrangement with third parties

Distribution commercial models

How we operate

CAPITAL INTENSITY

Distribution Gross Margin of 15%-18%*

Distribution Adjusted Operating Margin of 5%-7%*

Retail OM of 1%-2%*

1. Typical Distribution markets

- c.90% of volumes
- Inchcape owns Distribution value chain and c.18% of Retail network

Third Party
c.540 sites

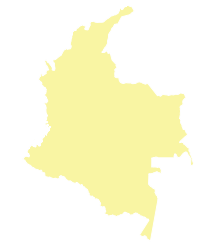
Owned
c.120 sites

2. Vertically integrated markets

- c.10% of our volumes
- Inchcape owns entire Distribution and Retail value chain

Owned
c.90 sites

Examples:



Colombia – typical

- Brand: Mercedes
- Annual units: c.3k
- Third Party sites: 12
- Inchcape sites: 0



Australia - typical

- Brand: Subaru / PCA
- Annual units: c.50k
- Third Party sites: 100
- Inchcape sites: 20



Singapore – vertically integrated

- Brands: 5
- Annual units: c.10k
- Third Party sites: 0
- Inchcape sites: 4

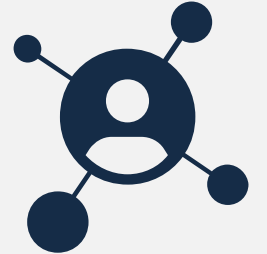
* Based on reported Distribution margin, on a continuing basis, over the last 6 years, excluding FY2020, and Including proportion of owned retail

Our growth drivers in Distribution

OEM contracts

Average per contract contribution of contracts won, 2022 – 2023

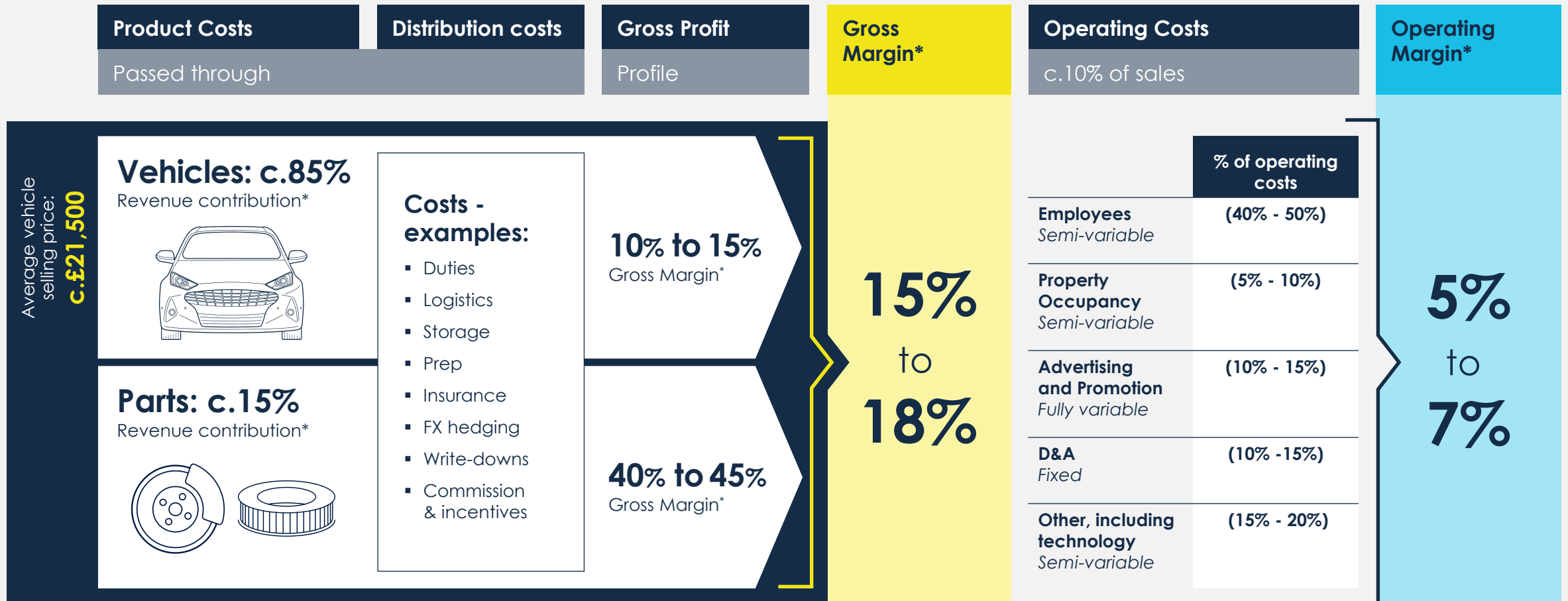
(18 contracts)



Typical Contract profile	Y1	Y3	Y5
Market share	Negligible	1%	At least 2%
Adjusted operating margin	Negligible	Profitable	Accretive to Group
Third Party / Owned Dealer sites	50 / 50	70 / 30	80 / 20
Revenue range	Up to £5m	£10m - £15m	£20m - £30m
Adjusted operating profit range	Negligible	Up to £1m	£1m - £2m

Inchcape's Distribution Profit Model

From Sales to Gross Profit to Operating Profit



*Based on reported Distribution margin, on a continuing basis, over the last 6 years, excluding FY2020, and Including proportion of owned retail Vehicles revenue and gross margin includes New and Used vehicles and F&I. Parts revenue includes servicing

Working capital

Key elements

£2.3bn

Inventory
(Vehicles, Parts)



- **Inventory profile split:** c.80% new vehicles, c.10% used vehicles, c.10% parts
- **Stock cover:** avg. c.3 months on new vehicles, varied on parts
- **Growth** in-line with business growth

£(1.5)bn

Inventory financing
(OEMs and Banks)



- Mix of direct **OEM trade terms** (1/3rd) and payables to **3rd party banks** (2/3rds)
- **Interest** treated as **finance costs**
- **Aged stock** typically un-funded
- Payables in **major currencies**
- **Hedging** costs within COGS

£(0.4)bn

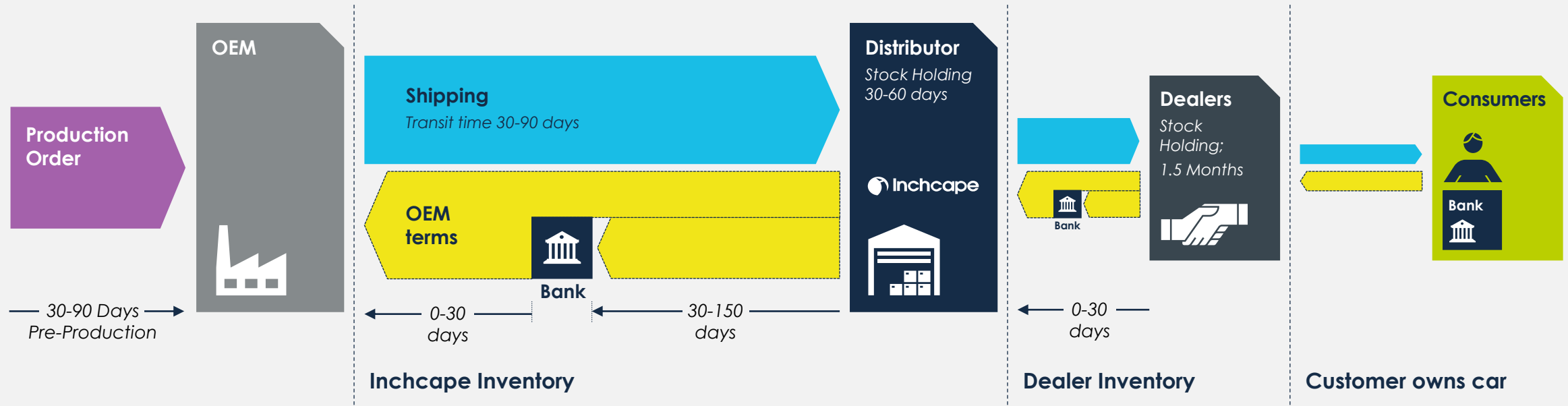
Net trade receivables & trade payables



- **Receivables:** Dealer groups, consumer finance providers, OEM (warranty), parts wholesalers
- **Payables:** Vehicle duties, VAT, general expenses, indirect tax

Industry Working capital cycle

From order of inventory to sale



OEM Payment Terms

- Credit from OEM or via Third party banks
- Limited pre-production deposits
- Payment in “Major” currency

Distributor Payment Terms

- Dealers take ownership of vehicles on dispatch from distributor
- Paid either in cash or on via “floor plan” bank
- Payment in local currency

Customer Practice

- Customer ‘delivery’ typically end of month
- Banks make “immediate payment” to dealers and settle “floor plan”

Distribution cash generation

Track record of driving a compound EPS story

Key elements:



Operating profit

Approx. >6% of sales



Working capital

Generally, neutral on an annual basis



D&A

Growth in line with revenue



Interest & Tax

Corporate debt, Inventory finance, leases.
Tax rate by country mix



Capital expenditure

Distribution is capital-light, leveraging third party infrastructure



FCF conversion

Guidance of 60% to 70% of operating profit

Capital Allocation: (Since 2016)

£700m

Paid out in dividends

£400m

of shares Re-purchased

£2.1bn

Invested in acquisitions

Our robust financial profile in Distribution

Supports our capital allocation policy

15-18%

Gross Margins

5-7%

Operating Margins

60% – 70%

Free Cash Flow conversion
of operating profit

c.25%

ROCE



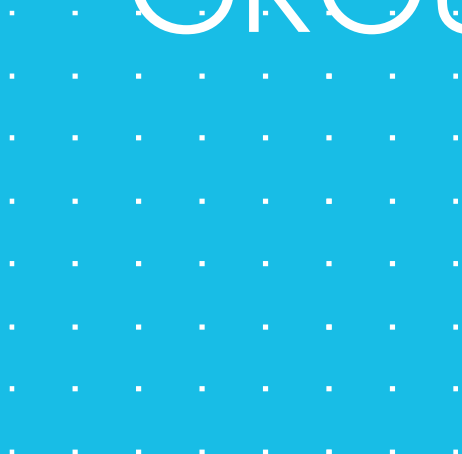
Capital Allocation policy:

- Organic investment
- Dividends
- Value-accretive acquisitions
- Share buybacks, as appropriate

Within leverage limit of 1x
net debt: adjusted EBITDA

CONCLUSION AND SUMMARY

DUNCAN TAIT
GROUP CEO



Key takeaways from today

01

Inchcape is well positioned for growth as the **leading global automotive Distributor**



02

Inchcape's **proposition** is **compelling** and **differentiated** for OEMs



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Inchcape's business model has **attractive financial characteristics**

Q&A

