



Vertu
Motors plc

INTERIM RESULTS

For the six months ended 31 August 2024

CHAIRMAN'S STATEMENT

In a dynamic market environment, the Group once again showed its adaptability and high levels of operational excellence during the period ended 31 August 2024. Adjusted⁴ profit before tax of £23.5m was, as anticipated, below the levels achieved in the prior period due to a rise in costs. The Group delivered increased market share in the new retail vehicle market (and particularly the BEV market) and saw strong performances in the used car and aftersales channels. There is an expectation that a stronger used vehicle market will drive profitability to above prior year levels in the second half of the financial year.

There were several noteworthy highlights in the Period:

- The Group's strategic objective to grow as a leading automotive retail franchise is driven by our belief that the benefits of scale are maximised within a larger, well-structured Group. The Group is one of the six super groups that have emerged in the UK from consolidation in recent years. Strong, enduring partnerships with our Manufacturer partners remain central to achieving the Group's strategy. I am proud of the robust relationships we have cultivated with our carefully selected partners; built on mutual respect, operational excellence, and a shared commitment to delivering exceptional customer experiences. The Group has delivered on its growth objective in the Period and this is set to continue.
- The Group's scale supports investment in the in-house development of systems, enhancing customer and colleague experiences while driving cost efficiencies. These scalable platforms are rapidly integrated into acquired dealerships, and efforts continue to optimise group-wide efficiency through technology. During the Period, the Group enhanced its aftersales customer journey and profitability with completion of the rollout of an in-house deferred payment service, 'Pay Later', which has improved sales conversion rates within service operations. Significant progress has also been made in leveraging data through the Vertu Insights product, enabling frequent vehicle pricing adjustments to better respond to used car market conditions and improve used car stock and sales management.
- The Board is very focused on ensuring that steps are taken to mitigate the impact of rising costs in areas largely outside of the Group's control such as the National Minimum Wage, demonstrator vehicle costs and manufacturer stocking charges. Use of technology to improve productivity is critical in this area and good progress is being made.
- Having the right resource levels and leadership throughout the business is critical to deliver operational excellence. Vacancy levels have reduced in all areas and colleague retention is improving. These trends have a positive influence on delivering operational excellence.
- The Group currently operates three major brands in the retail market, Bristol Street Motors, Macklin Motors and Vertu. By the end of April 2025 all UK outlets will operate under the Vertu brand. Following a detailed review of our Brand strategy, we are confident this transition will be well received by customers and Manufacturers and yield immediate marketing efficiencies as well as other operational benefits which will help to mitigate continued cost pressure in other areas. Upfront costs incurred from this initiative will be more than offset by savings in the first 12 months of the rebranding.
- There has been continued application of stringent capital allocation disciplines:
 1. Growth: The Group continues to implement its multi-franchise strategy to maximise profit potential at select locations, while aligning with Manufacturer representation plans. This approach is exemplified by the recent openings of Ducati in Sunderland, Peugeot in Carlisle, and the Group's new representation of the Chinese brands of BYD and Leap Motors. These additional franchises have or will be integrated into existing Group locations, complementing our broader brand portfolio.
 2. Reinvestment: As at August 2024, the Group owned freehold and long-leasehold property with a net book value of £324.3m which is held at depreciated historic cost. The Group actively manages its property portfolio to create value and in the Period disposed of surplus property releasing capital for redeployment within the business or to be returned to shareholders.

CHAIRMAN'S STATEMENT (CONTINUED)

3. Acquisitions: As a leading Group with a strong balance sheet and reputation for swift integration, we see good flow of acquisition opportunities, from single sites to groups. We have a disciplined approach which analyses all opportunities to consider how they can benefit the Group to deliver on our long-term strategic objectives and enhance returns to Shareholders.
4. Dividends: Since the Group began paying ordinary dividends in January 2011, over £56.0m has been paid to our shareholders. Our dividend for this interim period has been increased by 5.9% to 0.90p per share at an anticipated cost of £3.0m.
5. Share Buybacks: Since the Group began Share Buybacks in October 2018, over £33.0m has been returned to shareholders, reducing the Company's shares in issue by 15.9% over the same period. Over £7.7m was returned in 2023, and in February 2024 the Group announced a £3.0m Share Buybacks for the forthcoming year, of which £2.4m has been spent to purchase over 3.3m shares for cancellation to date (£0.6m remains unspent). The Group has announced an additional £3.0m for the Share Buyback programme today and remains below target gearing levels.

It has been widely reported that the Chancellor is expected to announce revisions to current Inheritance Tax legislation in the October budget, including the removal of Business Relief for qualifying companies listed on AIM. The Board continues to monitor this specific situation closely and encourages Government to carefully consider the impact of any changes to legislation which make AIM less attractive for growth companies.

AIM has been a key facilitator in Vertu's growth. Since IPO in 2006, Vertu has raised capital on a handful of occasions, with the last institutional equity capital raise taking place over 8 years ago in March 2016. Today Vertu stands as one of six UK super groups, and the only one listed in the UK. We employ over 7,500 colleagues across a UK network of over 190 locations representing 33 franchise brands. Our contribution to the nation's Exchequer in FY24 in corporation tax, national insurance and business rates alone was over £52m. We consistently invest in people, franchise relationships, property and systems. Our long-term commitment to operational excellence has enabled us to grow profits and fund our organic and inorganic growth. Our cash generation has funded significant dividend payments and share buybacks.

It's rewarding to see how each colleague has contributed to the success of the Group, and I would like to thank them for their efforts. The dedication they continue to demonstrate is both exemplary and humbling.

Andy Goss, Chairman

⁴ Adjusted to remove share based payment charge, amortisation of intangible assets and other non-underlying items

CHIEF EXECUTIVE'S REVIEW

Strategy Summary

The Group's key long-term strategic goal remains: To deliver growing, sustainable cashflows from operational excellence in the franchise automotive retail sector. The strategic objectives of the Group, which have been recently reviewed and confirmed by the Board, are summarised below:

- To grow as a major scaled franchised dealership group, to develop our portfolio of Manufacturer partners, while being mindful of industry development trends and to maximise long-run returns.
- To be at the forefront of digitalisation in the sector, delivering a cohesive 'bricks and clicks' strategy with cost optimisation and efficiency:
 - Optimise omnichannel development, bringing bricks and clicks together.
 - Digitalise aftersales processes to improve customer service and efficiency.
 - Reduce the cost base of the Group by delivering efficiency using technology.
 - Utilise data driven decision making to generate enhanced returns.
- To develop and motivate the Group's colleagues to ensure operational excellence is delivered constantly across the business.
- To develop ancillary businesses to add revenue and returns that complement the automotive retail dealership business.

The Group continues to make progress in all four areas of its strategy.

Execution of Group Strategy

Developing the scale of the Group

The Group has an excellent platform allowing it to capitalise on growth opportunities and deliver scale benefits since it is one of the six super groups that have recently emerged in the UK with revenues in excess of £4bn. The franchised retail market in the UK remains very fragmented with the Group representing just 5% of the sector. The following changes to the scale of the Group have been delivered since 1 March 2024:

- ***Acquisitions***

On 22 July 2024, the Group added a Honda dealership in Exeter to its portfolio, following the purchase of the trade and assets of the site from Hendy Group Limited. The acquisition included leasehold dealership premises and total consideration, funded from the Group's existing cash resources was £1.1m. This acquisition further solidified the Group's position as Europe's largest Honda retailer, now representing a total of 17 Honda dealerships across the UK. The outlet augments the Group's existing Honda dealerships in Plymouth and Truro, further expanding the Group's significant presence in the South-West of England and creating a complete market area for the brand in Devon and Cornwall.

- ***Multi-franchising and new outlets***

In July 2024, the Peugeot franchise opened in Carlisle, alongside the Group's existing Vauxhall, MG, SEAT and Cupra dealerships.

In August 2024, the first of the Group's BYD outlets opened in Worcester, alongside the Group's existing Ford and Citroen dealerships. A further BYD outlet is expected to open alongside an existing sales outlet in the coming months. In addition, in H2 it is anticipated that the Group will open five Leap Motors outlets alongside fellow Stellantis brands and a further smart outlet. These developments form part of a focused strategy to increase exposure to Chinese produced cars. Currently, the UK remains the only major Western country not to have significant tariffs on such products and market share of Chinese cars (particularly BEV) is expected to rise significantly in the next few years.

The Group opened a flagship outlet for Ducati motorbikes in August in Sunderland bringing the franchise to the Group for the first time.

CHIEF EXECUTIVE'S REVIEW (CONTINUED)

Execution of Group Strategy (continued)

Developing the scale of the Group (continued)

- *Multi-franchising and new outlets (continued)*

The Group is continuing to develop businesses across the UK. Plymouth saw the opening of a Renault Dacia outlet in August and Volvo will also open in the city in H2.

In September 2024, the newly developed dealership for Toyota in Ayr opened for business. This completes the West of Scotland market area for the brand awarded to the Group in FY23. The Group now operates six Toyota outlets in the UK.

- *Active Management*

The Board continues to actively manage the Group's portfolio of properties and businesses. This includes assessing further growth opportunities as well as the future potential of existing businesses, utilising strict investment return metrics to ensure discipline in capital allocation.

The Group has continued to generate cash from the sale of surplus properties, including the sale in the Period of one property held for resale as of 28 February 2024. A surplus dealership in Taunton, acquired through the Helston acquisition, was sold for £0.8m, matching its book value. Subsequent to 31 August 2024, the Group exchanged contracts for the sale of a former dealership, the sale, expected to be completed in the second half of FY25, will generate gross cash proceeds of £2.3m, in excess of the net book value of the property of £2.0m. In addition, a further surplus property was sold for £1.6m in October 2024, in excess of the net book value of £0.9m.

The Group currently holds three additional surplus properties for resale which are expected to be sold in the coming months for gross cash proceeds of approximately £5.7m, compared to net book value of £4.9m. The largest of these, located in Glasgow, has faced delays in completion but the Board is confident realisation will take place.

Digitalisation Developments

The Group's scale enables it to invest in systems and operational development, enhancing its customer offerings and boosting profitability by maximising margins and increasing productivity to lower costs. The Group's internally developed systems provide standardised processes and controls, along with real-time management information, enabling swift and well-informed decision-making.

The following provide good examples of the work being done to add value:

- Vertu Insights continues to be developed as a used vehicle pricing tool, facilitating real-time price updates based on market conditions and forming the basis for part-exchange valuations for customers. The technology, which combines proprietary and third-party machine learning, allows for instant price adjustments across all vehicles at a given location in response to market supply and demand. During the Period, the Group repriced over 75% of its advertised stock each day using this system. Resulting used car pricing strategies have helped to drive a strong used car performance in the Period and freed up management time in the sales arena.
- The 'Pay Later' deferred payment option in the service area, developed in-house for service customers, has been fully implemented and is now a key driver of increased selling of additional work identified in the Vehicle Health Check process. This has aided the increase of average invoice values per customer visit and driven aftersales profitability. This solution allows customers to spread unexpected repair costs, interest-free, over a period of up to six months. During the Period, 6,800 customers utilised this option, with an average bill of £826. Compared to the previous outsourced solution, this option operates at a lower cost to the Group. As of 31 August 2024, £2.7m of working capital was tied up in this facility (29 February 2024: £1.3m), with no significant credit issues reported.

CHIEF EXECUTIVE'S REVIEW (CONTINUED)

Execution of Group Strategy (continued)

Digitalisation Developments (continued)

- The Period saw further development of digital self-service check-in in the Group's service departments. 63% of customers now check in for their service from home with 57% of these customers going on to use the instore kiosks to safely deposit their vehicle keys. The functionality of the kiosks has been further enhanced to allow courtesy vehicle collection, with the option for customer check out and payment now in pilot for roll out in the second half of FY25. In addition, opportunities for add-on sales and vehicle sales have been enhanced, with check-in questions now able to be amended centrally across multiple locations.
- A new project is significantly advanced investing substantial development resource to improve the productivity and efficiency of the Group's financial processing. The following are examples of these developments:

The first development of this project, the 'Vertu Transfer System' (VTS) has been successfully piloted and is now being rolled out across the Group. This allows the automated transfer of used car stock vehicles between Group dealerships, including the transfer of the accounting record, supporting documentation and payment, immediately on the online approval of the transfer by the holding dealership. This system also speeds up the ability to sell cars in any dealership from the stock of another and gives increased customer benefits as a result.

An update to the Group's customer payment journey is also in the process of rolling out. This enhancement allows customers to pay by link, Apple Pay or online banking directly to our dealerships and the system will automatically post the cash receipt onto Group systems. This improves the efficiency of the Group's finance functions significantly, removing significant keying and transaction matching and is expected to reduce bank charges.

Additional efficiency improvements are in development in the finance area.

Recruiting, Retaining and Developing Colleagues

The Group prioritises the development and motivation of its colleagues to ensure operational excellence and exceptional customer experiences, which drive long-term, sustainable cash flows. Like many UK businesses, the Group has faced challenges in recruiting and retaining talent. However, during the Period, the Group successfully reduced vacancy levels across all areas and improved colleague retention. Towards the end of the Period, the Group adjusted remuneration for certain skilled roles where pay was close to the new National Minimum Wage, ensuring the retention of key positions. This has however increased the cost base of the Group further and this is likely to continue given Government wages policy.

The Group has long demonstrated a strong commitment to investing in its people, offering opportunities for talented, hardworking individuals to succeed. Development initiatives include degree apprenticeships, technician apprentice schemes, and progression programmes designed to support the advancement of colleagues into management roles. These schemes, along with the Group's broader talent programmes, are built to foster a meritocratic culture with equal opportunities for all.

Ancillary Businesses

The Group has a strategy to develop ancillary businesses to add revenue and improve returns that complement the core dealership businesses. Opportunities are reviewed to extend these operations further and one highlight is the launch of 'Repair Master' in the Period. This business provides smart repair services to fleet companies for their returning vehicles. The business now operates nine vans with six more being fitted out to further expand the business. There remains unfulfilled demand for these services and further significant expansion of this new operation is anticipated.

CHIEF EXECUTIVE'S REVIEW (CONTINUED)

Execution of Group Strategy (continued)

Sector Trends

- *Electrification*

The UK's commitment to Net Zero and electrification goals continue to evolve. These policies represent a significant external change for the automotive sector which will have implications on the vehicle sales and repair sector in the years ahead. The previous government delayed the full ban on new petrol and diesel car sales to 2035, aligning with the EU. However, during the UK Labour Party's election campaign, Labour pledged to reinstate the ban to 2030. Despite the continued uncertainty around the timing of this full ban, the Zero Emission Vehicle (ZEV) mandate remains in place, requiring 22% of new car sales in 2024 to be BEVs, with this target increasing each year to 80% by 2030.

As of August 2024, BEVs accounted for 17.2% of new car registrations, compared to 16.4% in the previous year. BEV sales in the retail market reduced 7.0% in the Period year-on-year. The limited growth has been driven by fleet purchases, while private BEV demand remains low due to concerns about affordability and charging infrastructure and costs, particularly among consumers without access to off-street parking.

In response to weak retail demand (which is being mirrored across Europe), Manufacturers have introduced discounting of BEV product, supported subsidised financing, and in some cases rationed petrol and hybrid vehicle supplies to meet ZEV mandate targets and avoid fines of up to £15,000 per non-BEV car sold above the limits. The SMMT forecasts that BEVs will make up 18.5% of the market by the end of 2024, which would fall short of the government's 22% target (however, there are some flexibilities built into the Mandate providing some potential relief to Manufacturers). The UK new car market (and van market in due course) is likely to come under continued pressure if the current regulations are not amended. As Manufacturers cannot sustain price cuts indefinitely, government incentives like tax breaks or subsidies will likely be needed to boost BEV private sales or changes to the Mandate will be required to take the pressure off the sector and to make the transition to BEV vehicles more achievable and sustainable.

The Group is very much at the forefront of discussions with Government and the wider sector on how the regulations impact the whole UK automotive sector. The outperformance of the Group in increasing sales volumes and market share of the retail BEV market has been marked.

- *Financial Conduct Authority*

The Financial Conduct Authority (FCA) investigation into Discretionary Commission Arrangements (DCAs) within automotive finance continues. Preliminary findings from the FCA review suggest that motor finance providers, and motor finance credit brokers (including motor dealers) who have engaged in motor finance agreements involving DCAs could be impacted. The Group ceased sales involving DCAs in January 2021. The FCA have now indicated that an update on this investigation will be given by May 2025. The Board does not currently consider that provisions are required to be made in respect of any exposures in this area and will update shareholders as the position becomes clearer.

- *Agency Distribution*

Under the agency distribution model, the Manufacturer transacts with the customer for new vehicle sales while the retailer remains the physical touchpoint with the customer and undertakes the sales process, customer contact and vehicle delivery as an agent. The retailer-turned-agent receives a commission on each new vehicle sale. There are varying versions of the agency model, and the picture is evolving in terms of such factors as Manufacturers' appetite to change, the legal structure of the model and the details of operational implementation. Several of the Group's Manufacturers partners have implemented or are considering the application of the agency model in the future. Several Manufacturers that had previously announced a transition to agency have now announced this will not take place. The model has certain advantages and disadvantages to both Manufacturers and retailers, and these vary depending on prevailing market conditions. The Group has successfully implemented the new models where they have been introduced.

CHIEF EXECUTIVE'S REVIEW (CONTINUED)

Current Trading and Outlook

The Board anticipates that profits for the financial year ending 28 February 2025 will be in line with current market expectations.

The Group's September performance delivered profits in line with prior year levels. Like-for-like new retail car sales growth of 5.2% was delivered with this significantly outperforming the SMMT reported 1.8% fall in UK retail registrations year-on-year and continuing the Group trend for increased retail market share delivered in the first half. The Group more than doubled year-on-year sales volumes of BEV product in the retail channel in the month, against a largely stable UK market. New vehicle margins remain weaker than in the prior year.

Fleet and commercial volumes declined, with some advantageous supply to the Group in the prior period now eroded by the improving overall supply situation. Margins in this key channel continued to be strong as the Group does not significantly engage in low margin sales such as to the daily rental market.

Used car volume trends were stable, but margins considerably strengthened compared to the comparative period, which marked the start of the used vehicle pricing correction in second half of FY24.

Aftersales demand remained strong and higher technician resource levels are helping to drive increased revenues and profits.

Cost control remains a major focus in the light of continued pay pressure driven by the National Minimum Wage. Recent further action on pay has been undertaken in some roles paid close to current Minimum Wage levels.

The mid-term outlook for the Group should be enhanced by the combination of reduced interest rates and the Group's strong operational capability. The Government imposed ZEV mandate, which increases BEV content targets with potential penal fines for Manufacturers, has the potential to create volume and pricing volatility in the months ahead. The Board is therefore cautious on the outlook for new vehicle profitability.

The Board believes that the Group is very well positioned to deliver on its stated strategy and to take advantage of the increasing opportunities in the UK sector. The pipeline of growth opportunities is strong at present and will allow further expansion of the Group's scale in the period ahead.

Robert Forrester, CEO

CHIEF FINANCIAL OFFICER'S REVIEW

The Group's income statement for the Period is summarised below:

	H1 FY25 £'m	H1 FY24 £'m	H1 FY25 Var to H1 FY24 %
Revenue	2,492.4	2,422.5	2.9%
Gross Profit	273.8	267.2	2.5%
Operating Expenses	(239.4)	(225.8)	(6.0%)
Adjusted Operating Profit	34.4	41.4	(16.9%)
Net Finance Charges	(10.9)	(9.9)	(10.1%)
Adjusted Profit Before Tax	23.5	31.5	(25.4%)
Non-Underlying Items ⁵	(1.4)	(1.4)	-
Profit Before Tax	22.1	30.1	(26.6%)
Taxation	(6.1)	(7.7)	20.8%
Profit After Tax	16.0	22.4	(28.6%)

⁵ Non-underlying items represent share based payment charges, amortisation of intangible assets and other non-underlying items.

The Group delivered an adjusted profit before tax of £23.5m in the Period. This performance was, as anticipated, below that achieved in the prior year period.

Operating expenses and finance charges, particularly wages and salaries, demonstrator and courtesy car costs and Manufacturer stocking charges, rose at a faster rate than gross profit. Wages and salaries rose due to the impact of National Minimum Wage increases and knock-on effects, as well as higher productive head count levels to drive revenue in sales and aftersales. Demonstrator and courtesy car costs rose due to increased BEV mix and higher depreciation needed on BEV fleets. In recent years, reduced new vehicle supply constrained such fleets. Manufacturer stocking charges rose with interest rates and higher new vehicle pipeline inventory levels as increased supply interacted with muted demand. The Group sought to partially mitigate these impacts through cost savings in other areas.

Gross profit growth was muted due to declining profit generation in the new retail vehicle sales channel as volume and margins fell. This was despite significant outperformance by the Group in the channel with significant market share gains delivered especially in the BEV segment. All other channels saw growth in gross profits. Overall, gross margins were consistent at 11.0%. Operating margins fell to 1.4% (H1 FY24: 1.7%) as a result of increased operating expenses.

Revenue grew by £69.9m to £2.5bn, with an increase of £49.6m (2.1%) delivered in the Core Group, aided by an increase in the like-for-like number of vehicles sold and growth in Core Group aftersales revenues. Dealerships openings and businesses acquired contributed revenue growth of £45.1m, whilst the closure of dealership operations reduced revenues by £24.8m compared to the prior year period.

CHIEF FINANCIAL OFFICER'S REVIEW (CONTINUED)

Revenue and Gross Profit by Department

An analysis of total revenue and gross profit by department is set out below:

	H1 FY25 £'m	H1 FY24 £'m	H1 FY25 Var to H1 FY24
Revenue			
New	771.8	744.0	3.7%
Fleet & Commercial	545.5	525.6	3.8%
Used	950.6	947.8	0.3%
Aftersales	224.5	205.1	9.5%
Total Group Revenue	2,492.4	2,422.5	2.9%
Gross Profit			
New	58.4	63.0	(7.3%)
Fleet & Commercial	28.2	26.8	5.2%
Used	68.7	67.4	1.9%
Aftersales	118.5	110.0	7.7%
Total Gross Profit	273.8	267.2	2.5%
Gross Margin			
New	7.6%	8.5%	(0.9%)
Fleet & Commercial	5.2%	5.1%	0.1%
Used	7.2%	7.1%	0.1%
Aftersales ⁶	43.8%	43.8%	-
Total Gross Margin	11.0%	11.0%	-

⁶ Aftersales margin expressed on internal and external revenues

The total volumes of vehicles sold by the Group and like-for-like trends against market data are set out below:

	Total units sold			Like-for-like units sold		
	H1 FY25	H1 FY24	% Variance	H1 FY25	H1 FY24	% Variance
Used retail vehicles	46,073	43,921	4.9%	44,868	43,204	3.9%
New retail cars ⁷	18,847	20,027	(5.9%)	18,441	19,507	(5.5%)
Motability cars	10,688	8,626	23.9%	10,349	8,413	23.0%
Direct fleet cars	10,396	9,688	7.3%	10,345	9,570	8.1%
Agency fleet cars	3,545	3,725	(4.8%)	3,544	3,465	2.3%
Total fleet cars	13,941	13,413	3.9%	13,889	13,035	6.6%
Commercial vehicles	8,077	9,422	(14.3%)	7,989	9,396	(15.0%)
Total New vehicles	51,553	51,488	0.1%	50,668	50,351	0.6%
Total Vehicles	97,626	95,409	2.3%	95,536	93,555	2.1%

	Variance ⁸	UK Market (SMMT)
New Retail Car	5.7%	(11.2%)
Motability Car	(14.5%)	37.5%
Fleet Car	(3.1%)	9.7%
Commercial	(17.0%)	2.0%

⁷ Including agency volumes

⁸ Represents the variance of like-for-like Group volumes to the UK trends reported by SMMT

New retail cars and Motability sales

Overall, UK car registrations increased 3.9%⁹ in the Period, with this growth driven by the Fleet and Motability channels. UK private registrations were back 11.2% in the Period as higher finance costs and vehicle prices weighed on demand for new cars. In part this was linked to the increasing supply and push of BEV vehicles driven by the ZEV mandate. Retail demand for electric vehicles remains weak compared to other powertrains, because of high vehicle prices and lack of charging infrastructure.

CHIEF FINANCIAL OFFICER'S REVIEW (CONTINUED)

New retail cars and Motability sales (continued)

New vehicle supply in the UK has been strong in the Period, particularly for BEVs, as Manufacturers aim to meet Government mix targets. This supply, coupled with weak retail demand, has led to significant discounting and attractive financing offers for electric models. Retailer margins have been put under pressure as retailers sought to hit BEV mix targets and increasing numbers of previous customers encountered negative equity due to the declining value of their current car in the period of ownership.

Against this backdrop, the Group delivered an excellent volume performance taking increased new retail market share. The Group's like-for-like new retail vehicle volumes fell by 5.5% in the Period, significantly outperforming the overall retail market trend. Overall, the Group increased UK retail market share to 4.8% (H1 FY24: 4.6%). The Group was also very successful in increasing its BEV retail sales volumes which grew 10.9% in the Period on a like-for-like basis compared to a 7.0% decline in UK BEV retail registrations (according to the SMMT).

UK Motability registrations rose a significant 37.5% over the Period. The Group's Motability volumes grew 23.0% on a like-for-like basis. This represented a reduced UK market share of 5.6% (H1 FY24: 6.2%). Motability volumes are highly dependent on Manufacturer offers and consequently will be impacted by the mix of the Group's brands and the stance of each Manufacturer on supplying into this low margin channel. The Group remains Motability's largest partner in the UK with over 43,000 vehicles on the fleet. These vehicles return to the Group's service departments for an annual service funded by Motability and Motability is therefore a vital customer in the Group's higher margin aftersales business.

The Group is seeing a dampening effect on new vehicle margins reflecting an increasing supply push market and significant increased mix of Motability sales. Core Group gross profit margins on new retail and Motability vehicle sales were 7.6% (H1 FY24: 8.5%). Like-for-like gross profits from the sale of new retail and Motability vehicles consequently declined by £4.9m.

⁹ Source: SMMT

Fleet & Commercial vehicle sales

The UK car fleet market has been the main driver of the increase in car registrations in the UK. This was aided by robust demand for BEV through the fleet channel driven by corporate tax incentives, and the push towards sustainability in corporate fleets. Registration volumes in the UK car fleet market have grown 9.7%¹⁰ in the Period compared to the six months ended 31 August 2023. Weakening retail demand and increased supply have led to increased registrations in the low margin daily rental space, which account for much of the growth seen in overall UK fleet registrations.

Like-for-like, the Group delivered 13,889 fleet cars in the Period, representing an increase of 6.6% compared to H1 FY24. The Group's performance was below the market trends as the Group kept pricing disciplines to maintain margin and did not undertake significant volumes of daily rental supply.

The Group saw a 15.0% decrease in the like-for-like volume of new commercial vehicles sold, with the market up 2.0%⁸ over the Period compared to the six months to 31 August 2023. The Group's performance against the market reflects strong performance in the comparative period. In recent periods, when the van market was severely supply constrained, the Group enjoyed much better supply and took market share with some significant large deals undertaken. A more normalised supply position in the van market has led this to this outperformance reversing. The Group had 4.6% of the UK van market in the Period. Like the car market, the daily rental sector has also grown substantially due to increased supply and the Group does not have a large share of this low margin supply channel. Despite the move in mix from Commercial to fleet car, an 8.1% increase arose in the average selling price of like-for-like fleet and commercial vehicles sold by the Group in the Period. This reflected an increase in higher value premium and BEV cars sold.

Pricing disciplines were maintained in the Period with, like-for-like gross profit per unit up to £1,271 (H1 FY24: £1,165) and gross margin remained stable at 5.2% despite higher average selling prices. Overall, like-for-like gross profit in the fleet and commercial channels pleasingly rose by £1.6m.

¹⁰ Source: SMMT

CHIEF FINANCIAL OFFICER'S REVIEW (CONTINUED)

Used retail vehicles

A lower new retail market since 2020 has led to reduced numbers of three- to five-year-old used vehicles coming back in the market as part exchanges. This reduced supply of prime used car stock is exacerbated due to the weakness in the general private retail new car market in the Period. In contrast, increasing supply of nearly new vehicles from the demonstrator and pre-registration channels is also evident in the market, as expected in a period of new car supply exceeding demand.

Reduced overall used vehicle supply has helped to drive stability in overall used vehicle prices, with a 3-year, 60k mile car falling just 3.6% over the Period. This is low by historic standards. It is expected that reduced supply will continue to underpin strong residual values and therefore wholesale price stability in the months ahead, supporting used car margins. Indeed, there is recent evidence retail prices have started to rise. This contrasts with the position last year. The market has seen higher levels of depreciation in nearly new vehicles, especially of BEV product, reflecting the very strong offers in place from Manufacturers in the new car arena.

Despite the impact of cost of living and rising interest rates, for many, used vehicles remain a necessity purchase, so there remains consistent demand for used vehicles in the UK. In addition, there is evidence that higher new car prices and some reduced supply of non-BEV new cars, is leading some consumers to enter the used car market instead of the new car market so underpinning used car demand.

The Group monitors the pricing demand and supply environment and effectively applies its Vertu Insights real time pricing algorithm to optimise gross profit generation, stock turn and control inventory. The Period started with low levels of used vehicle inventory as the Group had reduced inventory at the end of FY24, following the significant wholesale pricing correction experienced in the second half of last year. Used vehicle inventory levels have increased over the Period from the low levels at 29 February 2024. The Group did not reduce used vehicle inventory ahead of the plate change month in September 2024 to ensure the Group had the appropriate stock levels for the resilient September market. Price stability also aided the judgement not to reduce stock levels. Used vehicle inventory levels were £21.4m below the level held at 31 August 2023.

Group like-for-like used vehicle volumes grew 3.9% in the Period. Like-for-like gross profit per unit of £1,509 was achieved which is broadly similar to the prior year (H1 FY24: £1,551) and up compared to H2 FY24 (£1,313). The slight moderation reflected the need to keep nearly new product (including ex-demonstrators) competitive against very strong new cars offers particularly in the Premium franchise space. A decline in average selling prices, following the price correction seen in H2 FY24 resulted in a slight strengthening of Core Group margin on the sale of used vehicles to 7.3% (H1 FY24: 7.2%). Core Group gross profit from the sale of used vehicles totalled £67.1m for the Period, this represented a £0.7m increase in Core Group gross profit generated from used vehicle sales year-on-year.

¹¹ Source: CAPHI: September 2024 Car market overview

Aftersales

The Group's high margin aftersales operations are a vital contributor to Group profitability, generating over 43% of total gross profit. Overall, compared to the six-month period ended 31 August 2023, the following like-for-like trends in aftersales performance were witnessed and the Core operations generated £7.1m more gross profit.

	Service	Parts	Accident & Smart Repair	Forecourt	Total
	£'m	£'m	£'m	£'m	£'m
Revenue ¹²	105.9	135.6	14.1	9.1	264.7
Revenue ¹² change	7.2	9.2	0.7	-	17.1
Revenue ¹² change (%)	7.4%	7.3%	5.0%	0.1%	6.9%
Gross profit change	5.5	0.8	0.7	0.1	7.1
Gross margin ¹³ H1 FY25 (%)	73.0%	21.5%	61.1%	8.3%	43.8%
Gross margin ¹³ H1 FY24 (%)	72.8%	22.4%	59.0%	7.5%	43.9%
Margin change (%)	0.2%	(0.9%)	2.0%	0.8%	(0.1%)

¹² includes internal and external revenues

¹³ Aftersales margin expressed on internal and external revenues

CHIEF FINANCIAL OFFICER'S REVIEW (CONTINUED)

Aftersales (continued)

- *Service*

Vehicle service and repair remains a crucial and resilient profit driver for the Group, with like-for-like service revenue increasing by £7.2m (7.4%) during the Period. This growth was achieved across retail labour sales, service add-ons such as tyre sales and warranty labour sales.

Several key factors contributed to this strong performance. The Group's retention and reward strategies significantly reduced technician vacancies, which had previously limited our service capacity. Enhanced execution of the Group's vehicle health check process also led to greater identification of necessary repairs during customer visits. Additionally, the rollout of the Group's 'Pay Later' option, allowing customers to spread repair costs over 3-6 months interest-free, helped drive both the conversion of identified work and tyre sales to service customers. Together, these initiatives resulted in an increased average invoice value for the Group's service department compared to the same period last year.

Gross margin percentages on vehicle servicing were 73.0% (H1 FY24: 72.8%) in the Core Group reflecting the above impacts. This is impressive in light of the additional pay given to technicians to enhance recruitment and retention and shows the Group has been successful in improving technicians' efficiency and recovery rates. Gross profit generation in the Group's service departments rose on a like-for-like basis by £5.5m.

- *Parts*

The Group's extensive parts operations encompass traditional wholesale activities, agency distribution centres, online parts retailing, and accessory sales to dealership customers. These operations support not only the Group's service and accident repair businesses but also supply parts to external businesses and retail customers. Parts revenue, which exceeds that of the Service department, grew by £9.2m in the Core Group compared to last year, driven by increased vehicle service and repair activity and a growth in wholesale parts sales.

Gross margin percentages on parts declined to 21.5% (H1 FY24: 22.4%) in the Core Group, reflecting a shift towards a higher proportion of warranty parts sales which are billed to Manufacturers at lower margin. Gross profit generation in the Group's parts departments rose on a like-for-like basis by £0.8m.

- *Accident and Smart Repair*

The Group's accident repair centres and smart repair operations are managed separately from the dealership businesses in a standalone division. The Group has delivered a like-for-like 5.0% increase in revenues generated from the Group's accident and smart repair operations and a £0.7m increase in gross profit.

The Group's substantial smart repair operations have predominantly focused on the provision of services to the Group's extensive dealership network. During the Period, the Group expanded its Smart Repair operations into retail work, with the addition of nine vans from March 2024. These vans branded 'Repair Master', provide work to large fleet centres handling corporate hire return vehicles. Early trading has been very positive and further growth of this business is planned.

CHIEF FINANCIAL OFFICER'S REVIEW (CONTINUED)

Acquisitions and Closures

Dealerships acquired or closed since 1 March 2023 have contributed an additional £0.3m operating loss in the Period compared to prior year, as summarised below:

	Acquisitions £'m	Closures £'m	Total £'m
H1 FY25			
Revenue	51.6	-	51.6
Gross Profit	5.3	-	5.3
Operating Loss	(0.8)	-	(0.8)
H1 FY24			
Revenue	6.5	24.8	31.3
Gross Profit	0.6	2.6	3.2
Operating Loss	(0.3)	(0.2)	(0.5)
H1 FY25 variance to H1 FY24			
Revenue	45.1	(24.8)	20.3
Gross Profit	4.7	(2.6)	2.1
Operating (Loss)/Profit	(0.5)	0.2	(0.3)

Acquisitions include a significant number of new start-up operations opened in the last 12 months by the Group. These have incurred start-up losses. These operations are anticipated to see reduce losses in the next 12 months and move to profitability. In the Period these operations lost £0.8m reflecting their immature nature.

Outlets closed in the last 12 months led to a year-on-year improvement of profit of £0.2m.

Operating Expenses

A summary of Core Group operating expenses is set out below:

	H1 FY25 £'m	H1 FY24 £'m	H1 FY25 Var to H1 FY24	
			£'m	%
Salary costs	132.0	124.1	7.9	6.4%
Vehicle and valeting costs	28.7	24.3	4.4	18.1%
Property costs and rates	27.7	27.9	(0.2)	(0.7%)
Marketing costs	17.9	20.0	(2.1)	(10.5%)
Energy costs	3.6	4.9	(1.3)	(26.5%)
Other	23.4	20.9	2.5	12.0%
Core Group operating expenses	233.3	222.1	11.2	5.0%
Acquisitions	6.1	0.9	5.2	
Disposals	-	2.8	(2.8)	
Total Group underlying operating expenses	239.4	225.8	13.6	6.0%

Core Group operating expenses totalled £233.3m in the Period representing an increase of £11.2m (5.0%) compared to H1 FY24. Dealerships acquired in the period since 1 March 2023, contributed a further £5.3m of operating expenses in the Period.

Salary costs represent 57% of Core Group operating expenses and are the biggest single cost to the Group. The salary costs included in operating expenses exclude the productive cost of the Group's aftersales technicians, which are reflected in cost of sales. Salary costs in operating expenses rose by £7.9m in the Period. The Group has been successful in increasing headcount of front-line colleagues in the business in part through reduced vacancies. Additional sales executive levels have helped to drive outperformance in the retail new car market. Considerable investment has further been made in service technicians and service apprentices to feed further aftersales growth. Cosmetic repair operations were also expanded. The operational impact of this investment in headcount will improve over time, as colleagues mature in their roles. Total salary costs due to these actions rose £4.8m in the Core Group. The impact of the rise in National Minimum Wage, together with consequent salary actions to aid recruitment and retention added £3.1m to salary costs in the Period. 24.3% of the Group's colleagues are now paid at or within 5% of National Minimum Wage and this (and its knock-on effects) are expected to continue in the coming periods.

CHIEF FINANCIAL OFFICER'S REVIEW (CONTINUED)

Operating Expenses (continued)

The most significant year-on-year percentage cost increase in the Core Group arose in vehicle and valet costs. Vehicle costs include the cost of the Group's demonstration and courtesy car fleet. Manufacturers extended model ranges, including more expensive BEV vehicles, have added cost to the Group's demonstrator fleet compared to the prior year period. This has been exacerbated by the impact of having to depreciate BEV cars on the fleet by enhanced monthly writedown rates reflecting market depreciation. Valet costs increased by 10.4% as a consequence of the increase in National Minimum Wage.

The Group delivered significant savings in Marketing costs which reduced by 10.5% and £2.1m. These savings arose due to a focus on return on investment, reducing costs per sale in a number of areas. This also reflected the decline in the new retail car market as advertising was right sized to reflect this and yet aided the delivery of a gain in market share. The Board believes that further marketing savings and efficiencies will arise following the rebrand of all outlets under the Vertu brand and the consequent reduction in websites and complexity.

Net Finance Charges

The movement in net finance charges is analysed below:

	H1 FY25	H1 FY24	H1 FY25 Var to H1 FY24
	£'m	£'m	£'000
Interest on bank borrowings	4.8	4.9	(0.1)
New vehicle Manufacturer stocking interest	4.5	3.3	1.2
Interest on lease liabilities	1.8	1.7	0.1
Used vehicle stock funding interest	0.3	0.7	(0.4)
Interest on bank deposits	(0.4)	(0.6)	0.2
Net finance income relating to defined benefit pension scheme	(0.1)	(0.1)	-
Net Finance Charges	10.9	9.9	1.0

The increase in overall net finance charges was largely driven by manufacturer new vehicle stocking interest, which increased £1.2m in the Period. Increased pipelines of new vehicle inventory, as retail sales have slowed and supply constraints have eased along with high rates of interest being charged and an increase in average new vehicle cost, have contributed to these increased charges in the Period. The trends started to reverse as H1 ended.

Interest on bank borrowings includes the cost of the 20-year mortgage facilities from BMW Financial Services, where £79.1m remains outstanding at 31 August 2024 (29 February 2024: £81.2m), as well as interest on the £44m drawn on the Group's revolving credit facility. Lower interest income on bank deposits reflected reduced cash on deposit levels.

Interest rate risk on the Group's borrowings is managed by interest rate cap contracts on £50m of mortgage borrowing and an interest rate swap over £30m of the revolving credit facility. On 9 September 2024 this swap was extended out to December 2026 reducing the underlying SONIA rate to 3.82% (previously 4.42%) which will reduce future interest costs.

Non-underlying items

	H1 FY25	H1 FY24
	£'m	£'m
Share-based payments charge	1.1	1.0
Amortisation	0.3	0.4
Redundancy costs	-	0.8
Lease surrender premium	-	(0.8)
	1.4	1.4

CHIEF FINANCIAL OFFICER'S REVIEW (CONTINUED)

Non-underlying items (continued)

FY25 will be the first financial year where the share based payment charge in both the reporting and comparative period includes four years' worth of partnership share awards. Consequently, it is intended to reclassify the share based payment charge in the full year report and accounts to 28 February 2025 into underlying items, restating the FY24 comparative on the same basis. This is to reflect the expected stability in future share based payment charges. Given the immaterial nature of amortisation costs, these will also be treated as underlying in the full year accounts.

Pensions

The Group has a closed defined benefit scheme which remains fully funded and requires no ongoing cash contribution from the Company.

The Scheme invests in an LDI portfolio which aims to fully hedge the Scheme's interest rate and inflation risk to maintain this fully funded position.

The accounting surplus on the scheme at 31 August 2024 increased to £3.1m (29 February 2024: £2.5m).

Tax

The Group's underlying effective rate of tax for the Period was 25.9% (H1 FY24: 25.5%). The total tax charge for the Period was £6.1m (H1 FY24: £7.7m). Following a review by HMRC in the Period, the Group continues to be classified as "low risk" and takes a pro-active approach to minimising tax liabilities whilst ensuring it pays the appropriate level of tax to the UK Government.

Dividend

An interim dividend of 0.90p per share (H2 FY24: 0.85p) in respect of FY25 will be paid on 17 January 2025. The ex-dividend date will be 12 December 2024 and the associated record date 13 December 2024.

Cash Flows

The Period started with low levels of used vehicle inventory as the Group had reduced inventory at the end of FY24, following the significant wholesale pricing correction experienced in the second half of last year. The Group did not reduce used vehicle inventory ahead of the plate change month in September 2024 to ensure the Group had the appropriate stock levels for the resilient September market. This decision, aided by price stability of used vehicles, absorbed £21.5m of cash over the Period. Used vehicle inventory levels were, however, £21.4m lower than those at 31 August 2023.

In addition, a reduction in new vehicle lead times, as supply improved and order-banks reduced, saw a £14.9m reduction in retail customer vehicle deposits and fleet customer advance payments in respect of forward orders. These movements were the main drivers of a net cash outflow in respect of working capital in the Period of £38.8m. This led to a Free Cash Outflow in the Period of £14.3m (H1 FY24: Free Cash Outflow of £0.4m).

In the Period, the Group successfully disposed of one of the properties held for resale at 29 February 2024, delivering a cash inflow of £0.8m with proceeds equivalent to net book value. These sales proceeds have been deducted in arriving at net capital expenditure of £11.2m incurred in the Period. £7.2m of this total was incurred in respect of projects which add additional capacity to the Group. This included £3.0m of expenditure in building the Group's new Toyota dealership in Ayr, an investment in additional capacity in Exeter and Sunderland BMW and MINI and the addition of franchises into existing dealership sites. This £7.2m has therefore been excluded from the calculation of Free Cash Flow in the Period.

CHIEF FINANCIAL OFFICER'S REVIEW (CONTINUED)

Cash Flows (continued)

Gross capital expenditure for the full year FY25 is expected to be below the previous guidance of £31.8m, with net capital expenditure lower at £25.7m as a result of the property disposals completed or exchanged in the financial year to date. Further proceeds of £5.7m from the sale of surplus properties are expected but not included in the forecast.

In the financial year to date, the Group has continued to buy back shares, repurchasing approximately 3.3m shares, representing 1.0% of opening shares in issue, for a total cost of £2.4m. The Board believes that this is an appropriate use of capital and will continue a programme of Buybacks as a relevant element of returns to shareholders, alongside dividend payments. The Board has agreed a further £3m buyback programme for deployment once the current remaining authority of £0.6m is utilised. The Group has now purchased 15.9% of its share capital because of buyback programmes which have operated from FY18. £5.0m was spent on dividends in the Period due to the final dividend paid in respect of the year ended 29 February 2024.

Karen Anderson, CFO

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

For the six months ended 31 August 2024

	Note	Six months ended 31 August 2024			Six months ended 31 August 2023			Year ended 29 February 2024		
		Underlying items £'000	Non-underlying items (note 4) £'000	Total £'000	Underlying items £'000	Non-underlying items (note 4) £'000	Total £'000	Underlying items £'000	Non-underlying items (note 4) £'000	Total £'000
Revenue		2,492,432	-	2,492,432	2,422,454	-	2,422,454	4,719,587	-	4,719,587
Cost of sales		(2,218,606)	-	(2,218,606)	(2,155,239)	-	(2,155,239)	(4,203,507)	-	(4,203,507)
Gross profit		273,826	-	273,826	267,215	-	267,215	516,080	-	516,080
Operating expenses		(239,491)	(1,394)	(240,885)	(225,787)	(1,354)	(227,141)	(456,845)	(3,194)	(460,039)
Operating profit / (loss)		34,335	(1,394)	32,941	41,428	(1,354)	40,074	59,235	(3,194)	56,041
Finance income	5	555	-	555	749	-	749	1,254	-	1,254
Finance costs	5	(11,429)	-	(11,429)	(10,672)	-	(10,672)	(22,728)	-	(22,728)
Profit before tax		23,461	(1,394)	22,067	31,505	(1,354)	30,151	37,761	(3,194)	34,567
Taxation	6	(6,067)	(45)	(6,112)	(8,029)	298	(7,731)	(9,430)	576	(8,854)
Profit for the period attributed to equity holders		17,394	(1,439)	15,955	23,476	(1,056)	22,420	28,331	(2,618)	25,713
Basic earnings per share (p)	7			4.77			6.58			7.60
Diluted earnings per share (p)	7			4.44			6.16			7.11

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

For the six months ended 31 August 2024

		Six months ended 31 August 2024 £'000	Six months ended 31 August 2023 £'000	Year ended 29 February 2024 £'000
Profit for the period		15,955	22,420	25,713
Other comprehensive income / (expense)				
Items that will not be reclassified to profit or loss:				
Actuarial gain / (loss) on retirement benefit obligations	10	608	(51)	(737)
Deferred tax relating to actuarial (gain) / loss on retirement benefit obligations		(152)	13	184
Items that may be reclassified subsequently to profit or loss:				
Cash flow hedges		(248)	941	116
Deferred tax relating to cash flow hedges		45	(215)	(29)
Other comprehensive income / (expense) for the period, net of tax		253	688	(466)
Total comprehensive income for the period attributable to equity holders		16,208	23,108	25,247

CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)

As at 31 August 2024

		31 August 2024 £'000	31 August 2023 £'000	29 February 2024 £'000
Non-current assets				
Goodwill and other indefinite life assets	12	129,332	127,462	129,092
Other intangible assets		1,705	2,105	1,971
Retirement benefit asset	10	3,060	3,129	2,477
Property, plant and equipment		339,024	331,085	335,295
Right of use assets		81,527	74,600	72,886
Derivative financial instruments		-	1,365	203
		554,648	539,746	541,924
Current assets				
Inventories		785,718	694,493	761,996
Trade and other receivables		86,897	89,740	93,702
Current tax assets		-	-	203
Cash and cash equivalents		38,649	47,885	70,599
		911,264	832,118	926,500
Property assets held for sale		7,780	4,984	7,881
Total current assets		919,044	837,102	934,381
Total assets		1,473,692	1,376,848	1,476,305
Current liabilities				
Trade and other payables		(850,196)	(750,743)	(869,931)
Current tax liabilities		(1,547)	(978)	-
Contract liabilities		(11,662)	(13,528)	(13,400)
Borrowings		(4,395)	(16,033)	(4,395)
Lease liabilities		(19,272)	(9,706)	(17,710)
Total current liabilities		(887,072)	(790,988)	(905,436)
Non-current liabilities				
Borrowings		(118,129)	(122,536)	(120,183)
Lease liabilities		(72,250)	(75,092)	(65,214)
Deferred income tax liabilities		(23,036)	(20,701)	(22,024)
Contract liabilities		(9,956)	(11,963)	(10,075)
Total non-current liabilities		(223,371)	(230,292)	(217,496)
Total liabilities		(1,110,443)	(1,021,280)	(1,122,932)
Net assets		363,249	355,568	353,373
Capital and reserves attributable to equity holders of the Group				
Ordinary share capital		33,452	34,157	33,760
Share premium		124,939	124,939	124,939
Other reserve		10,645	10,645	10,645
Hedging reserve		17	859	220
Treasury share reserve		(3,175)	(2,143)	(2,056)
Capital redemption reserve		6,275	5,570	5,967
Retained earnings		191,096	181,541	179,898
Total equity		363,249	355,568	353,373

CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

For the six months ended 31 August 2024

		Six months ended 31 August 2024 £'000	Six months ended 31 August 2023 £'000	Year ended 29 February 2024 £'000
Cash flows from operating activities				
Operating profit		32,941	40,074	56,041
Profit on sale of property, plant and equipment		(58)	(468)	(516)
Loss / (profit) on lease modification		67	(547)	(411)
Amortisation of intangible assets		284	408	568
Depreciation of property, plant and equipment		8,590	8,515	17,449
Depreciation of right of use assets		10,597	8,895	18,254
Impairment charges		-	-	128
Movement in working capital	11	(38,849)	(29,973)	16,708
Share based payments charge		900	777	1,965
Cash inflow from operations		14,472	27,681	110,186
Tax received		1,291	7	552
Tax paid		(4,748)	(3,724)	(5,296)
Finance income received		495	475	1,099
Finance costs paid		(11,198)	(9,803)	(22,576)
Net cash inflow from operating activities		312	14,636	83,965
Cash flows from investing activities				
Acquisition of businesses, net of cash, overdrafts and borrowings acquired	9	(1,030)	-	(5,966)
Acquisition of freehold and long leasehold land and buildings		-	(2,084)	(3,003)
Disposal of businesses		-	204	204
Purchases of intangible assets		(19)	(100)	(253)
Purchases of other property, plant and equipment		(11,953)	(11,864)	(23,686)
Proceeds from disposal of property, plant and equipment		800	2,239	3,589
Net cash outflow from investing activities		(12,202)	(11,605)	(29,115)
Cash flows from financing activities				
Repayment of borrowings	8	(2,188)	(15,976)	(29,836)
Principal elements of lease repayments		(10,640)	(8,461)	(18,183)
Sale of treasury shares		34	91	-
Purchase of treasury shares		-	-	115
Cash settled share options		-	(109)	(109)
Repurchase of own shares		(2,234)	(4,762)	(7,463)
Dividends paid to equity holders		(5,032)	(4,913)	(7,759)
Net cash outflow from financing activities		(20,060)	(34,130)	(63,235)
Net decrease in cash and cash equivalents	8	(31,950)	(31,099)	(8,385)
Cash and cash equivalents at beginning of period		70,599	78,984	78,984
Cash and cash equivalents at end of period		38,649	47,885	70,599

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

For the six months ended 31 August 2024

	Ordinary share capital	Share premium	Other reserve	Hedging reserve	Treasury share reserve	Capital redemption reserve	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
As at 1 March 2024	33,760	124,939	10,645	220	(2,056)	5,967	179,898	353,373
Profit for the period	-	-	-	-	-	-	15,955	15,955
Actuarial gains on retirement benefit obligations	-	-	-	-	-	-	608	608
Tax on items taken directly to equity	-	-	-	45	-	-	(152)	(107)
Fair value losses	-	-	-	(248)	-	-	-	(248)
Total comprehensive income for the period	-	-	-	(203)	-	-	16,411	16,208
Sale of treasury shares	-	-	-	-	(1,119)	-	1,153	34
Cancellation of repurchased shares	(308)	-	-	-	-	308	-	-
Repurchase of own shares	-	-	-	-	-	-	(2,234)	(2,234)
Dividends paid	-	-	-	-	-	-	(5,032)	(5,032)
Share based payments charge	-	-	-	-	-	-	900	900
As at 31 August 2024	33,452	124,939	10,645	17	(3,175)	6,275	191,096	363,249

The repurchase of own shares in the period was made pursuant to the share buyback programmes announced on 13 June 2023 and 9 October 2023.

3,082,017 ordinary shares to the value of £2,234,000 had been repurchased in the six months ended 31 August 2024. These shares were cancelled immediately and accordingly, the nominal value of these shares has been transferred to the capital redemption reserve.

The 'Other reserve' is a merger reserve, arising from shares issued as consideration to the former shareholders of acquired companies.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
(CONTINUED)

For the six months ended 31 August 2023

	Ordinary share capital	Share premium	Other reserve	Hedging reserve	Treasury share reserve	Capital redemption reserve	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
As at 1 March 2023	34,894	124,939	10,645	133	(2,653)	4,833	168,586	341,377
Profit for the period	-	-	-	-	-	-	22,420	22,420
Actuarial losses on retirement benefit obligations	-	-	-	-	-	-	(51)	(51)
Tax on items taken directly to equity	-	-	-	(215)	-	-	13	(202)
Fair value gains	-	-	-	941	-	-	-	941
Total comprehensive income for the period	-	-	-	726	-	-	22,382	23,108
Sale of treasury shares	-	-	-	-	510	-	(419)	91
Purchase of treasury shares	-	-	-	-	-	-	-	-
Cancellation of repurchased shares	(737)	-	-	-	-	737	-	-
Repurchase of own shares	-	-	-	-	-	-	(4,762)	(4,762)
Dividends paid	-	-	-	-	-	-	(4,913)	(4,913)
Share based payments charge	-	-	-	-	-	-	667	667
As at 31 August 2023	34,157	124,939	10,645	859	(2,143)	5,570	181,541	355,568

For the year ended 29 February 2024

	Ordinary share capital	Share premium	Other reserve	Hedging reserve	Treasury share reserve	Capital redemption reserve	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
As at 1 March 2023	34,894	124,939	10,645	133	(2,653)	4,833	168,586	341,377
Profit for the year	-	-	-	-	-	-	25,713	25,713
Actuarial losses on retirement benefit obligations	-	-	-	-	-	-	(737)	(737)
Tax on items taken directly to equity	-	-	-	(29)	-	-	184	155
Fair value gains	-	-	-	116	-	-	-	116
Total comprehensive income for the year	-	-	-	87	-	-	25,160	25,247
Sale of treasury shares	-	-	-	-	597	-	(482)	115
Purchase of treasury shares	-	-	-	-	-	-	-	-
Issuance of treasury shares	-	-	-	-	-	-	-	-
Repurchase of own shares	-	-	-	-	-	-	(7,463)	(7,463)
Cancellation of repurchased shares	(1,134)	-	-	-	-	1,134	-	-
Dividends paid	-	-	-	-	-	-	(7,759)	(7,759)
Share based payments charge	-	-	-	-	-	-	1,856	1,856
As at 29 February 2024	33,760	124,939	10,645	220	(2,056)	5,967	179,898	353,373

NOTES

For the six months ended 31 August 2024

1. Basis of preparation

Vertu Motors plc is a Public Limited Company which is quoted on the AiM Market and is incorporated and domiciled in the United Kingdom. The address of the registered office is Vertu House, Fifth Avenue Business Park, Team Valley, Gateshead, Tyne and Wear, NE11 0XA. The registered number of the Company is 05984855.

The financial information for the period ended 31 August 2024 and similarly the period ended 31 August 2023 has neither been audited nor reviewed by the auditors. The financial information for the year ended 29 February 2024 has been based on information contained in the audited financial statements for that year.

The information for the year ended 29 February 2024 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The Auditors' Report on those accounts was not qualified under section 498 of the Companies Act 2006.

2. Accounting policies

In line with International Accounting Standard 34 and the Disclosure and Transparency Rules of the Financial Conduct Authority, these condensed interim financial statements have been prepared applying the accounting policies and presentation that were applied in the preparation of the Company's published consolidated financial statements for the year ended 29 February 2024.

3. Segmental information

The Group adopts IFRS 8 "Operating Segments", which determines and presents operating segments based on information provided to the Group's Chief Operating Decision Maker ("CODM"), Robert Forrester, Chief Executive Officer. The CODM receives information about the Group overall and therefore there is one operating segment.

The CODM assesses the performance of the operating segment based on a measure of both revenue and gross margin. However, to increase transparency, the Group has included below an additional voluntary disclosure analysing revenue and gross margin within the reportable segment.

Six months ended 31 August 2024	Revenue £'m	Revenue Mix %	Gross Profit £'m	Gross Profit Mix %	Gross Margin %
Aftersales ¹⁴	224.5	9.0	118.5	43.3	43.8
Used vehicles	950.6	38.1	68.7	25.1	7.2
New retail and Motability	771.8	31.0	58.4	21.3	7.6
New fleet & commercial	545.5	21.9	28.2	10.3	5.2
Total	2,492.4	100.0	273.8	100.0	11.0

Six months ended 31 August 2023	Revenue £'m	Revenue Mix %	Gross Profit £'m	Gross Profit Mix %	Gross Margin %
Aftersales ¹⁴	205.1	8.5	110.0	41.2	43.8
Used vehicles	947.8	39.1	67.4	25.2	7.1
New retail and Motability	744.0	30.7	63.0	23.6	8.5
New fleet & commercial	525.6	21.7	26.8	10.0	5.1
Total	2,422.5	100.0	267.2	100.0	11.0

Year ended 29 February 2024	Revenue £'m	Revenue Mix %	Gross Profit £'m	Gross Profit Mix %	Gross Margin %
Aftersales ¹⁴	413.5	8.7	218.4	42.3	43.5
Used vehicles	1,816.2	38.5	122.5	23.7	6.7
New retail and Motability	1,452.5	30.8	119.6	23.2	8.2
New fleet & commercial	1,037.4	22.0	55.6	10.8	5.4
Total	4,719.6	100.0	516.1	100.0	10.9

¹⁴ Aftersales margin expressed on internal and external revenue

NOTES (CONTINUED)

4. Non-underlying items

	Six months ended 31 August 2024 £'000	Six months ended 31 August 2023 £'000	Year ended 29 February 2024 £'000
Impairment charges	-	-	(128)
Redundancy costs	-	(778)	(872)
Lease surrender premium	-	845	840
Share based payment charge	(1,110)	(1,013)	(2,466)
Amortisation	(284)	(408)	(568)
Non-underlying loss before tax	(1,394)	(1,354)	(3,194)
Non-underlying taxation charge	(45)	298	576
Non-underlying loss after tax	(1,439)	(1,056)	(2,618)

5. Finance income and costs

	Six months ended 31 August 2024 £'000	Six months ended 31 August 2023 £'000	Year ended 29 February 2024 £'000
Interest on short-term bank deposits	413	672	1,099
Net finance income relating to Group pension scheme	60	77	155
Other interest	82	-	-
Finance income	555	749	1,254
Bank loans and overdrafts	(4,897)	(4,885)	(9,924)
Vehicle stocking interest	(4,693)	(4,054)	(9,347)
Lease liability interest	(1,839)	(1,733)	(3,457)
Finance costs	(11,429)	(10,672)	(22,728)

6. Taxation

The Group's underlying effective rate of tax is 25.9% (H1 FY24: 25.5%), which is higher than the standard rate of corporation tax in the UK as a result of the impact of non-qualifying depreciation and non-deductible expenses. The overall effective tax rate of 27.7% (H1 FY24: 25.7%) includes tax on non-underlying items. The Group continues to be classified as "low risk" by HMRC and takes a proactive approach to minimising tax liabilities whilst ensuring it pays the appropriate level of tax to the UK Government.

7. Earnings per share

Basic and diluted earnings per share are calculated by dividing the earnings attributable to equity shareholders by the weighted average number of ordinary shares during the period or the diluted weighted average number of ordinary shares in issue in the period.

The Group only has one category of potentially dilutive ordinary shares, which are share options. A calculation has been undertaken to determine the number of shares that could have been acquired at fair value (determined as the average annual market price of the Group's shares) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

NOTES (CONTINUED)

7. Earnings per share (continued)

Adjusted earnings per share is calculated by dividing the adjusted earnings attributable to equity shareholders by the weighted average number of ordinary shares in issue during the period.

	Six months ended 31 August 2024 £'000	Six months ended 31 August 2023 £'000	Year ended 29 February 2024 £'000
Profit attributable to equity shareholders	15,955	22,420	25,713
Non-underlying loss after tax items	1,439	1,056	2,618
Underlying earnings attributable to equity shareholders	17,394	23,476	28,331
Weighted average number of shares in issue ('000s)	334,324	340,685	338,355
Potentially dilutive shares ('000s)	25,137	23,253	23,376
Diluted weighted average number of shares in issue ('000s)	359,461	363,938	361,731
Basic earnings per share	4.77p	6.58p	7.60p
Diluted earnings per share	4.44p	6.16p	7.11p
Underlying earnings per share	5.20p	6.89p	8.37p
Diluted underlying earnings per share	4.84p	6.45p	7.83p

At 31 August 2024, there were 334,520,133 shares in issue (including 2,001,184 held by the Group's employee benefit trust).

8. Reconciliation of net cash flow to movement in net debt

	31 August 2024 £'000	31 August 2023 £'000	29 February 2024 £'000
Net decrease in cash and cash equivalents	(31,950)	(31,099)	(8,385)
Cash outflow from repayment of borrowings	2,188	15,976	29,836
Cash movement in net debt	(29,762)	(15,123)	21,451
Capitalisation of loan arrangement fees	-	-	186
Amortisation of loan arrangement fees	(117)	(85)	(184)
Increase in accrued loan interest	(17)	(121)	(76)
Non-cash movement in net debt	(134)	(206)	(74)
Movement in net debt (excluding lease liabilities)	(29,896)	(15,329)	21,377
Opening net debt (excluding lease liabilities)	(53,979)	(75,356)	(75,356)
Closing net debt (excluding lease liabilities)	(83,875)	(90,685)	(53,979)
Opening lease liabilities	(82,924)	(83,457)	(83,457)
Capitalisation of new leases	(20,063)	(11,953)	(20,586)
Disposal of lease liabilities	825	2,152	2,936
Interest element of lease repayments	(1,839)	(1,732)	(3,457)
Cash outflow from lease repayments	12,479	10,193	21,640
Closing lease liabilities	(91,522)	(84,797)	(82,924)
Closing net debt (including lease liabilities)	(175,397)	(175,482)	(136,903)

NOTES (CONTINUED)

9. Acquisitions

On 22 July 2024, the Group acquired the trade and assets of a Honda car dealership in Exeter from Hendy Group Limited. Total consideration of £1,030,000 was settled from the Group's cash resources.

10. Retirement benefit asset

The Group operates a trust based defined benefit pension scheme, "Bristol Street Pension Scheme", which has three defined benefit sections which were closed to new entrants and future accrual on 31 May 2003, with another section closed to new entrants in July 2003 and future accrual in October 2013. The Group has applied IAS 19 (revised) to the scheme. The scheme remains fully funded and in surplus on the accounting basis.

During the six month period ended 31 August 2024, there have been changes in the financial and demographic assumptions underlying the calculation of the liabilities. In particular, inflation assumptions are lower and life expectancy assumptions have been modified. The effect of these changes in assumptions was a decrease in liabilities of £439,000. The performance of the growth assets within the scheme investment portfolio meant that the period also saw an increase in the market value of scheme assets of £144,000. In total, an actuarial gain of £608,000 was recognised in the Consolidated Statement of Comprehensive Income.

11. Cash flow from movement in working capital

The following table reconciles the movement in balance sheet headings to the movement in working capital as presented in the Consolidated Cash Flow Statement.

For the six months ended 31 August 2024

	Inventories £'000	Trade and other receivables £'000	Trade and other payables £'000	Total working capital movement £'000
Trade and other payables			(850,196)	
Contract liabilities			(21,618)	
At 31 August 2024	785,718	86,897	(871,814)	
At 29 February 2024	761,996	93,702	(893,407)	
Balance sheet movement	(23,722)	6,805	(21,593)	
Acquisitions	734	48	(24)	
Movement excluding business combinations	(22,988)	6,853	(21,617)	(37,752)
Pension related balances				85
Increase in capital creditor				(1,039)
Increase in interest accrual				(16)
Derivative financial instruments				(127)
Movement in working capital				(38,849)

NOTES (CONTINUED)

11. Cash flow from movement in working capital (continued)

For the six months ended 31 August 2023

	Inventories £'000	Trade and other receivables £'000	Trade and other payables £'000	Total working capital movement £'000
Trade and other payables			(750,743)	
Contract liabilities			(25,491)	
At 31 August 2023	694,493	89,740	(776,234)	
At 28 February 2023	674,380	86,316	(784,175)	
Balance sheet movement	(20,113)	(3,424)	(7,941)	
Acquisitions	(104)	(27)	9	
Movement excluding business combinations	(20,217)	(3,451)	(7,932)	(31,600)
Pension related balances				85
Decrease in capital creditor				1,925
Increase in interest accrual				(383)
Movement in working capital				(29,973)

For the year ended 29 February 2024

	Inventories £'000	Trade and other receivables £'000	Trade and other payables £'000	Total working capital movement £'000
Trade and other payables			(869,931)	
Contract liabilities			(23,475)	
At 29 February 2024	761,996	93,702	(893,406)	
At 28 February 2023	674,380	85,827	(784,175)	
Balance sheet movement	(87,616)	(7,875)	109,231	
Acquisitions	4,199	281	(2,661)	
Deferred consideration	-	-	(250)	
Disposals	(104)	(27)	9	
Movement excluding business combinations	(83,521)	(7,621)	106,329	15,187
Pension related balances				129
Decrease in capital creditor				1,049
Decrease in interest accrual				61
Derivative financial instruments				282
Movement in working capital				16,708

12. Goodwill and other indefinite life assets

	31 August 2024 £'000	31 August 2023 £'000	29 February 2024 £'000
Goodwill	85,429	83,559	85,189
Other indefinite life assets – Franchise relationships	43,903	43,903	43,903
At end of period	129,332	127,462	129,092

NOTES (CONTINUED)

13. Risks and uncertainties

There are certain risk factors which could result in the actual results of the Group differing materially from expected results. These factors include: failure to deliver on the strategic goal of the Group to acquire and consolidate UK motor retail businesses, failure to meet competitive challenges to our business model or sector, advances in vehicle technology providing customers with mobility solutions which bypass the dealer network, inability to maintain current high quality relationships with Manufacturer partners, economic conditions impacting trading, market driven fluctuations in used vehicle values, litigation and regulatory risk, failure to comply with health and safety policy, failure to attract, develop and retain talent, failure of Group information and telecommunication systems, malicious cyber-attack, availability of credit and vehicle financing, use of estimates, currency risk, impact of the transition to lower emission alternatives, changes in cost base driven by climate goals and other climate related physical risks.

All of the above principal risks are consistent with those detailed in the Annual Report for the year ended 29 February 2024.

The Board continually review the risk factors which could impact on the Group achieving its expected results and confirm that the above principal factors will remain relevant for the final six months of the financial year ending 28 February 2025.

ALTERNATIVE PERFORMANCE MEASURES

Set out below are the definitions and sources of various alternative performance measures which are referred to throughout the Interim Financial Report. All financial information provided is in respect of the Vertu Motors plc Group.

Definitions

Like-for-like	Dealerships that have comparable trading periods in two consecutive financial years, only the comparable period is measured as “like-for-like”.
H1 FY25	The six month period ended 31 August 2024.
H1 FY24	The six month period ended 31 August 2023.
Adjusted	Adjusted for amortisation of intangible assets, share based payment charges and other non-underlying items as these are unconnected with the ordinary business of the Group.
Aftersales gross margin	Aftersales gross margin compares the gross profit earned from aftersales activities to total aftersales revenues, including internal revenue relating to service and vehicle preparation work performed on the Group’s own vehicles. This is to properly reflect the real activity of the Group’s aftersales departments.

Alternative Performance Measures

Adjusted Profit Before Tax (PBT)

	Six months ended 31 August 2024 £'000	Six months ended 31 August 2023 £'000
Profit before tax	22,067	30,151
Share based payment charge	1,110	1,013
Amortisation	284	408
Redundancy costs	-	778
Lease surrender premium	-	(845)
Adjusted PBT	23,461	31,505

Free Cash Flow

	Six months ended 31 August 2024 £'000	Six months ended 31 August 2023 £'000
Net cash inflow from operating activities	312	14,636
Purchase of other property, plant and equipment	(11,953)	(11,864)
Enhancement capital expenditure included in above	7,174	3,121
Purchase of intangible assets	(19)	(100)
Proceeds from disposal of property, plant and equipment	800	2,239
Principal elements of lease repayments	(10,640)	(8,461)
Free Cash Flow	(14,326)	(429)

ALTERNATIVE PERFORMANCE MEASURES (CONTINUED)

<u>Tangible net assets per share</u>	31 August 2024 £'000	29 February 2024 £'000
Net assets	363,249	353,373
<i>Less:</i>		
Goodwill and other indefinite life assets	(129,332)	(129,092)
Other intangible assets	(1,705)	(1,971)
<i>Add:</i>		
Deferred tax on above adjustments	12,774	12,668
Tangible net assets	244,986	234,978
Tangible net assets per share	73.7p	70.5p

At 31 August 2024, there were 334,520,133 shares in issue (29 February 2024: 337,602,150), of which 2,001,184 were held by the Group's employee benefit trust (29 February 2024: 4,391,449). Rights to dividends on shares held in the Group's employee benefit trust have been waived and therefore such shares are not included in the tangible net asset per share calculation.

Like-for-like reconciliations:

Revenue by department

	H1 FY25 Group revenue £'m	Acquisitions revenue £'m	Disposals revenue £'m	H1 FY25 Like-for-like revenue £'m
New retail and Motability	771.8	(17.7)	-	754.1
New fleet and commercial	545.5	(3.8)	-	541.7
Used vehicles	950.6	(25.7)	-	924.9
Aftersales	224.5	(4.4)	-	220.1
Total revenue	2,492.4	(51.6)	-	2,440.8

	H1 FY24 Group revenue £'m	Acquisitions revenue £'m	Disposals revenue £'m	H1 FY24 Like-for-like revenue £'m
New retail and Motability	744.0	-	(6.1)	737.9
New fleet and commercial	525.6	-	(3.7)	521.9
Used vehicles	947.8	(6.3)	(13.1)	928.4
Aftersales	205.1	(0.2)	(1.9)	203.0
Total revenue	2,422.5	(6.5)	(24.8)	2,391.2

ALTERNATIVE PERFORMANCE MEASURES (CONTINUED)

Like-for-like reconciliations (continued)

Gross profit by department

	H1 FY25			H1 FY25
	Group gross	Acquisitions	Disposals	Like-for-like
	profit	gross profit	gross profit	gross profit
	£'m	£'m	£'m	£'m
New retail and Motability	58.4	(0.9)	-	57.5
New fleet and commercial	28.2	(0.1)	-	28.1
Used vehicles	68.6	(1.5)	-	67.1
Aftersales	118.6	(2.8)	-	115.8
Total gross profit	273.8	(5.3)	-	268.5

	H1 FY24			H1 FY24
	Group gross	Acquisitions	Disposals	Like-for-like
	profit	gross profit	gross profit	gross profit
	£'m	£'m	£'m	£'m
New retail and Motability	63.0	-	(0.6)	62.4
New fleet and commercial	26.8	-	(0.3)	26.5
Used vehicles	67.4	(0.4)	(0.6)	66.4
Aftersales	110.0	(0.2)	(1.1)	108.7
Total gross profit	267.2	(0.6)	(2.6)	264.0

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