

# An outstanding business with an exciting future ahead

**Duncan Tait**  
Group Chief  
Executive



**I am delighted to present my first review since succeeding to the Group CEO role in July 2020. My tenure began in the midst of the global COVID-19 pandemic, a time of significant challenge for the Group, our industry and the world at large, but I am pleased to confirm that I inherited a strong and sustainable business. This is reflected in our full-year results which, despite dynamic market conditions, were ahead of our recently revised expectations.**

Before reviewing our performance in 2020 and setting out my thinking for the future direction of the business, I want to first pay tribute to my colleagues. Our performance in extremely testing times is down to their dedication and efforts. I could not be prouder to work with such talented people, who ensured that the business navigated the complexities of the global pandemic. As well as looking after our business, colleagues have delivered for their local communities, contributing crisis support by offering expertise and deploying resources at the peak of the pandemic.

The characteristics that attracted me to join Inchcape earlier in the year have only been reinforced by what I have seen. Our underlying strength is borne of a combination of factors including the diversity of our global markets, long-standing partnerships with many of the world's leading automotive manufacturers, unique business model, investment proposition and diverse and talented people.

These factors have enabled the business to deliver what I think is an outstanding result despite the challenges we faced. If we can perform like this under such challenging circumstances, we should be excited about what we can do in a more stable environment.

## Performance

Clearly, the COVID-19 pandemic had a material impact on trading for a substantial period of the year, as markets experienced government mandated lockdowns. Despite the initial disruption however, we saw an improving trend towards

the end of the second quarter when some markets were able to partially reopen. The dynamism of the situation meant there was a balance of exposure to restrictions: whereas several of our operations in Latin America, for example, saw the most severe lockdowns, markets in Europe were able to remain partially open for servicing, and Hong Kong remained open and trading throughout the period.

From the beginning of the pandemic, we had a dedicated 'taskforce' to manage the risks we faced and report on our response. Business continuity measures were introduced and robust health and safety protocols put in place to ensure the protection of our customers and our people. Social distancing measures and PPE provision have helped to minimise the risk of exposure.

The situation was dynamic throughout 2020, and has continued to cause some disruption at the start of 2021 but I believe we are well prepared both from operational and liquidity standpoints.

I am delighted with the way in which our teams worked to find solutions to maintain a route to market for our OEMs, adapting practices to enable us to continue to serve our customers notably through accelerating rollout of 'click and collect', online and omni-channel services.

Revenues of £6.8bn for the year compare to £9.4bn in 2019, while we delivered profit before tax and exceptional items of £129m (vs £326m in 2019), the majority of which was generated in the second half. Cash management was exceptional throughout the year, but particularly shone through in the second half, clearly demonstrating the highly cash-generative nature of our business model.

The headline numbers mask the significant progress the Group made in 2020 including the successful execution of the largest cost-saving programme in our history, and a further rationalising of our retail footprint through selective divestment.

While 2020 will always be associated with COVID-19, a number of our markets were also significantly impacted by social unrest. For those within Inchcape it will be remembered as a year our business showcased its resilience, and took prompt, but tough, actions to make our platform leaner and fit for Distribution-focused growth.

## Business development

I am pleased to report that, despite the considerable challenges presented by the pandemic, the Group continued to make good strategic progress on several fronts: expanding our portfolio representation for key OEM partners; rationalising our retail footprint in non-Distribution markets; further implementing new digital capability; and introducing business optimisation processes in sales and operations planning.

We expanded our representation of Daimler in the Americas during the year, completing the acquisition of Daimler Colombia and becoming, within the space of a few months, the second largest Daimler distributor in Latin America. This important build to the Daimler platform was then further enhanced with the addition of the contract for El Salvador later in the year. Towards the end of 2020, we also secured the distribution rights for MINI in Chile and both MINI and BMW Motorrad in Peru which we began operating in December. Central and South America has been the key focus for our

growth strategy and since 2016 we have progressed from representing one brand in two markets to our position at the end of 2020 in nine markets and a strong portfolio of premium, volume, commercial and electric vehicle (EV) focused brands.

We have also developed our position in Europe, agreeing a Distribution joint venture with Jaguar Land Rover in Poland, one of the largest available markets in the region. This consolidates our representation of the brand across territories in northern Europe, including all three Baltic states, and brings Poland into the Distribution segment where previously we had a Retail-only position in the market.

I am pleased to report that several key initiatives have seen significant developments over the year, particularly as we seek to build the most efficient and cost-effective Distribution platform for our automotive partners, one that will respond to the changing priorities of consumers and the challenges and opportunities presented by climate change.

Our focus is on optimising our business, creating an environment in which data-driven decision-making streamlines our processes and empowers our people by reducing laborious administrative tasks. Automating processes in Sales and Operations Planning (S&OP) enables more accurate stock forecasting so that we can manage our inventory much more efficiently. This is a model which combines faster, digitalised processes with human experience and expertise to create optimal stock levels and therefore also positively affecting working capital management, inventory obsolescence, storage costs and supporting gross margins.

Similarly, our Customer Lifecycle Management (CLM) programme combines the skills and capabilities of our people with integrated digital support platforms to provide our customers with an improved experience. With customer interactions increasingly taking place online further into the purchase process (even as far as 'click and collect'), our omni-channel platform allows customers to build the vehicle access experience that they want. Having initiated the programme in Melbourne, Australia, in the past year we have begun rolling out to our operations in South America, with staggered implementation planned in other markets.

### Strategic priorities

The Ignite strategy has laid strong foundations for the Group and catalysed a shift towards the more attractive Distribution segment. As we embark on the next phase of the Group's journey, Distribution remains at the core of the business. In setting the future direction we have reflected on the structural changes taking place across the automotive industry, and how these provide opportunity across our core competencies as a distributor of mobility services in fast-growing markets.

We concluded that an ambitious Inchcape could benefit significantly from and thrive in this new world, one where we can both leverage our existing Distribution infrastructure and drive expansion across new markets and competencies.

Our new strategy will focus on two key growth pillars:

1. Distribution Excellence; and
2. Vehicle Lifecycle Services

In 'Distribution Excellence' we see an opportunity to take our core Distribution business, and make it both better and bigger. In 'Vehicle Lifecycle Services' we believe there is significant

untapped potential, across all of our markets, that the business has not fully realised in the past. In summary, we are putting more emphasis on capturing the lifetime value of both customers and vehicles. We will approach our growth in a prudent and structured manner, in close collaboration with our OEM partners.

We have identified three key enablers that will play an integral role in making our strategy a success:

- People, Culture and Capabilities: attracting, developing and retaining talent to enable a high performance innovation culture
- Digital, Data and Analytics: integrate data and analytics to drive decision-making, and digitalise customer journeys
- Efficient Scale Operations: standardisation of processes regionally and globally

We are confident this will drive growth within our current footprint and even faster expansion in new markets, with both existing and new partners.

As we look to define the future strategic direction of the business, so we have reviewed the role Inchcape plays in society and in this light we have defined our purpose:

**"Bringing mobility to the world's communities - for today, for tomorrow and for the better"**

In conjunction with the development of our mid-term plan, we are building a responsible business plan that is deeply connected to our strategy and to all of our stakeholders.

Inchcape is a strong business, with significant unrealised potential. With our strategy we are striving to create an excellent business, with meaningful growth opportunities to deliver shareholder value through organic growth, consolidation and cash returns.

**[READ MORE ABOUT OUR EVOLVING STRATEGY AND NEW PURPOSE ON PAGES 8-9](#)**

### Our people

I would like to underscore how impressed I have been by our people, and to thank them for their dedication during a very challenging year. Our better than expected performance is credit in no small part to our people's spirit and can-do attitude.

Inchcape employs a diverse talent pool that will be a major asset in the context of our evolving strategy. This is a business that strongly believes in supporting people to grow in their careers, just as they contribute to the growth of the business. This approach will continue to drive how we attract, develop and retain talented individuals as we look to support the further development and implementation of the strategy.

### Sector reclassification

Given the shift of the business towards Distribution, the London Stock Exchange reconsidered the appropriateness of Inchcape's sector classification. As of 19 June 2020, the Group has been classified within 'Business Support Services' (previously 'Speciality Retail').

### Capital allocation

Our capital allocation policy remains unchanged and, in order, our priorities are: to invest in the business to position it strongly for the future; to make dividend payments; to conduct value-accretive M&A; and, in the absence of appropriate inorganic opportunities, consider share buyback programmes.

With a considerably strengthened financial position and renewed confidence in the future, the Board, having taken into account the extraordinary circumstances that the business endured during the year and a broad stakeholder perspective, believes it is the right time to resume dividends and has proposed a payment of 6.9p for FY2020.

### Investment proposition

Distribution is at the core of Inchcape. Given our geographic footprint, with exposure to high growth markets and our diversified revenue streams, the Group aims to deliver global GDP-plus organic growth. The highly fragmented nature of Distribution also provides significant scope for inorganic expansion.

As the largest independent automotive distributor, we have a unique opportunity to leverage our scale and efficiencies, which we are doing today with our digital developments. In addition to its attractive growth prospects, the business is asset-light with a history of delivering a strong cash-conversion. Combined with a disciplined approach to capital allocation, we believe these should enable the Group to maintain its long track record of delivering attractive shareholder value.

### Looking ahead

We are excited to be entering the next phase of the Group's Distribution focused growth strategy, with an emphasis on greater use of technology to improve our business for the benefit of our consumers, our OEMs and our people.

As of today, the COVID-19 situation remains dynamic. While we saw good momentum in the business in the second half, volatility and unpredictability are likely to continue throughout 2021. Our operations are better equipped to continue in this rapidly changing environment and we have materially reduced our cost base. Absent any severe restrictions in 2021, we expect material growth in profits and an improved operating margin. This takes account of a c.£15m translational currency headwind to Group profits based on prevailing rates.

Looking beyond the short term, our vision is to both strengthen and further broaden our OEM relationships and to continue to expand our geographic reach – enabling us to bring mobility to the world's communities.



**Duncan Tait**  
Group Chief Executive

## Our Group Executive Committee

The Executive leadership is a global team of business leaders that combines a strong focus on operational excellence with a wealth of experience in automotive and a wide range of other industries, including FMCG, management services, utilities and finance. The Executive Team drives the strategic vision and operational direction of the Company on behalf of the Board.



**Duncan Tait**  
Group Chief Executive



**Gijsbert de Zoeten**  
Chief Financial Officer



**George Ashford**  
CEO APAC



**Mike Bowers**  
Group General Counsel



**James Brearley**  
CEO UK



**Helen Cunningham**  
Chief Human Resources Officer



**Ruslan Kinebas**  
CEO Americas & Africa



**Mark Dearnley**  
Chief Digital Officer



**Glafkos Persianis**  
CEO Europe

During 2020 we welcomed four new Executive Officers to Inchcape, in addition to the appointment of our new Group CEO. This change has been driven by several factors including the reorganisation of our operational regions and the acceleration of our focus on digitalising the systems and processes that support the business.

**Glafkos Persianis**  
CEO Europe



Glafkos joined Inchcape in April 2020 from Vodafone Group plc, where he most recently held the post of Commercial Director for the UK and was responsible for 9,000 colleagues and a turnover of €3.3bn.

**Q: What is Inchcape doing to improve its use of analytics and how will this enable the business to maximise value in the customer and vehicle lifecycles?**

A: Improving our data analytics capability at Inchcape will help drive better decision-making across our organisation, with the aim of improving our overall customer satisfaction, revenue and profitability. We're doing this through a pragmatic 'test and learn' approach where we apply advanced analytics and data science to specific 'use cases', which are prioritised based on the value they can bring to our markets and their ease of execution. Once deployed, use cases can easily be adapted and transferred across to other markets. Advanced analytics use cases touch all the steps of a customer's vehicle ownership lifecycle: driving more customer traffic to our web sites; better converting this website traffic into leads and sales; and improving the retention and value of our customers in aftersales and potential to purchase again. To enable this, we are establishing a global cloud-based advanced analytics and data management platform. And we are building central capability in data strategy, architecture, engineering and governance which is supported by local in-market resources for analytics deployment and operation.

**Mark Dearnley**  
Chief Digital Officer



Formerly of Bain & Co, HMRC and the telecomms companies Vodafone Group plc and Cable & Wireless plc, Mark joined Inchcape in September 2020 to lead Inchcape's data and digital transformation.

**Q: The business has signalled the importance of accelerating its digital capability – can you summarise what this means to Inchcape in practice?**

A: Our customers expect a fully omni-channel experience from Inchcape and our retail partners. We are focused on developing and continually optimising the digital platforms that support customers, and making internal processes as efficient as possible. Advanced analytics are increasingly used to improve the customer experience and business performance, and cyber protections ensure everything remains safe.

This agenda means we can offer fantastic digital, analytics, technology and cyber careers in Inchcape. I'm passionate about developing our talent across the world, and really excited to have joined Inchcape to be part of this digitised future!

**Helen Cunningham**  
Chief HR Officer



Having held executive HR and operational roles in multiple sectors, Helen joined Inchcape in 2016, initially in the UK and subsequently in the high-growth potential and M&A focused Emerging Markets and Americas & Africa regions before being appointed to the Executive team in October 2020.

**Q: How will the refreshed strategy support Inchcape's continuing inorganic growth agenda, something with which you have been heavily involved in recent years?**

A: The strategy refresh we are undertaking will underscore our commitment to developing a differentiated and market-leading Distribution business. Underpinning this will be world-class solutions in omni-channel customer experience and operational practice enabled by highly capable people. With this capability and by improving the economics of Distribution, we'll have the ability to win more business with both current and new OEM partners, and to buy more Distribution rights from competitors. Ultimately, we will be able to increase the size of our addressable market and the share of that market. Crucial to our long-term growth will be integrating acquired talent and attracting new talent to further enhance our capabilities, becoming a respected employer of choice in all our markets.

**Mike Bowers**  
Group General Counsel



Mike joined Inchcape in 2015 as Group General Counsel, with responsibility for company secretarial, regulatory and compliance and the delivery of legal services across the Group. He is a UK qualified solicitor and legal professional with significant prior experience of in-house corporate legal roles.

**Q: Inchcape is addressing its responsibility to society in a newly defined purpose. What lies behind this and how does responsible business enhance your investment proposition?**

A: It is no longer enough for corporates to consider only the narrow, short-term interests of their shareholders; they need to think about those things that are important to each of their stakeholders including the communities of which they are a part. Society, through government, is increasingly asking corporates to act in ways that are responsible, and demonstrably sustainable, and to show how they are taking these matters into account in their strategy and their operating model. Our newly created purpose lays down a marker for the Company that we want to be in the future, provides a guiding light for our teams and will help our stakeholders better understand who we are: 'bringing mobility to the world's communities – for today, for tomorrow and for the better'.