

Alternative performance measures

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The Group assesses its performance using a variety of alternative performance measures which are not defined under International Financial Reporting Standards. These provide insight into how the Board and Executive Committee monitor the Group's strategic and financial performance, and provide useful information on the trends, performance and position of the Group.

The Group's income statement and segmental analysis identify separately adjusted measures and exceptional items. These adjusted measures reflect adjustments to IFRS measures. The Directors consider these 'adjusted' measures to be an informative additional measure of the ongoing trading performance of the Group. Adjusted results are stated before exceptional items.

Exceptional items can include gains or losses on the disposal of businesses, restructuring of businesses, acquisition costs, asset impairments and the tax effects of these items. Exceptional items excluded from adjusted results can evolve from one financial period to the next depending on the nature of exceptional items or one-off type activities.

Changes to APMs

Net cash is introduced as a measure of the Group's net indebtedness. It is based on cash and cash equivalents less borrowings adjusted for the fair value of derivatives that hedge interest rate or currency risk. Organic growth is also introduced and is a measure of growth in sales in operations that have been open for at least a year at constant foreign exchange rates. Trading profit is removed as central costs are now fully allocated to the Group's reporting segments. Central costs represent the costs of Group functions and were previously reported separately.

Constant currency

Some comparative performance measures are translated at constant exchange rates, called 'constant currency' measures. This restates the prior period results at a common exchange rate to the current period and therefore excludes the impact of changes in exchange rates used for translation.

Performance measure	Definition	Why we measure it
Gross profit before exceptional items	Gross profit before exceptional items. Refer to the consolidated income statement.	A key metric of the direct profit contribution from the Group's revenue streams (e.g. Vehicles and Aftersales)
Operating profit before exceptional items	Operating profit before exceptional items. Refer to the consolidated income statement.	A key metric of the Group's business performance.
Operating margin	Operating profit (before exceptional items) divided by revenue.	A key metric of operational efficiency, ensuring that we are leveraging global scale to translate sales growth into profit.
Profit before tax & exceptional items	Represents the profit made after operating and interest expense excluding the impact of exceptional items and before tax is charged. Refer to consolidated income statement.	A key driver of delivering sustainable and growing earnings to shareholders.
Exceptional items	Items that are charged or credited in the consolidated income statement which are material and non-recurring in nature. Refer to note 2.	The separate reporting of exceptional items helps provide additional useful information regarding the Group's business performance and is consistent with the way that financial performance is measured by the Board and the Executive Committee.
Free cash flow	Net cash flows from operating activities, before exceptional cash flows, less normalised net capital expenditure and dividends paid to non-controlling interests. Refer to page 31.	A key driver of the Group's ability to 'Invest to Accelerate Growth' and to make distributions to shareholders.
Return on capital employed (ROCE)	Operating profit (before exceptional items) divided by the average of opening and closing capital employed, where capital employed is defined as net assets add net debt / less net funds.	A key measure of Ignite (Invest to Accelerate Growth), ROCE is a measure of the Group's ability to drive better returns for investors on the capital we invest.

Performance measure	Definition	Why we measure it
Net funds / (debt)	Cash and cash equivalents less borrowings and lease liabilities adjusted for the fair value of derivatives that hedge interest rate or currency risk on borrowings. Refer to note 28.	A measure of the Group's net indebtedness that provides an indicator of the overall balance sheet strength.
Net cash	Cash and cash equivalents less borrowings adjusted for the fair value of derivatives that hedge interest rate or currency risk on borrowings and before the incremental impact of IFRS 16 lease liabilities. Refer to note 28.	A measure of the Group's net indebtedness that provides an indicator of the overall balance sheet strength and is widely used by external parties.
Net capital expenditure	Cash outflows from the purchase of property, plant and equipment and intangible assets less the proceeds from the disposal of property, plant and equipment and intangible assets. Refer to page 31.	A measure of the net amount invested in operational facilities in the period.
Constant currency % change	Presentation of reported results compared to prior period translated using constant rates of exchange.	A measure of business performance which excludes the impact of changes in exchange rates used for translation.
Organic growth	Organic growth is defined as sales growth in operations that have been open for at least a year at constant foreign exchange rates.	A measure of business performance which excludes the impact of acquisition and disposals in the period.