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# CAPITAL MARKETS DAY: POWERFUL MULTI-LAYERED GROWTH

6 JUNE 2018

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# TODAY'S INCHCAPE TEAM

## CENTRAL AND REGIONAL TEAM MEMBERS



**Stefan Bomhard**

CEO



**Richard Howes**

CFO



**Sunita Entwisle**

Head of IR



**Bertrand Mallet**

Chief Development  
Officer



**Ruslan Kinebas**

Emerging Markets  
CEO



**Dean Sykes**

Emerging Markets  
Operations Director



**Helen Cunningham**

Emerging Markets  
HR Director



**Shaun Carroll**

Global Supply  
Chain Director



**Steve Archer**

Global F&I  
Director

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# POWERFUL MULTI-LAYERED INVESTMENT PROPOSITION

## GROWTH AND CASH RETURNS

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**Distribution at our core:** A highly cash generative and sustainable business model



Strong and increasing weighting to **high growth markets**



Ignite strategy driving **organic performance** ahead of market growth



Continued **consolidation** a material driver of value creation



**Sustainable business** model well placed to benefit from future industry developments

**Well positioned to deliver shareholder value through organic growth, consolidation and cash returns**





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# TODAY'S AGENDA

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# CAPITAL MARKETS DAY

## AGENDA

### OVERVIEW AND VISION

### END OF SESSION ACTIVITY

### DISTRIBUTION: INTEGRATED ROUTE TO MARKET

The Distribution business model explained



### IGNITE: DRIVING THE BUSINESS FORWARD

Operational excellence



Consolidation

Future trends and opportunities

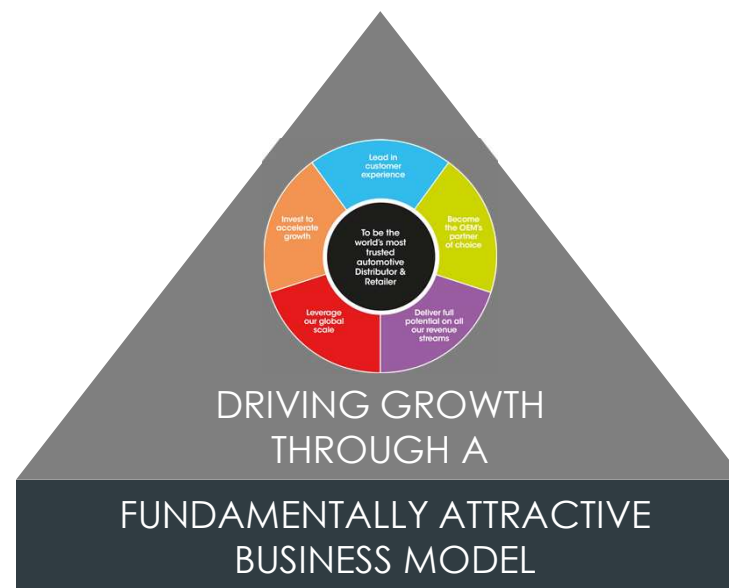
### THE INCHCAPE OPPORTUNITY

Multi-layered growth

### CONCLUSION / Q&A



## POWERFUL MULTI-LAYERED GROWTH





POWERFUL MULTI-LAYERED GROWTH

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# OVERVIEW AND VISION

DELIVERING A POWERFUL  
INVESTMENT PROPOSITION

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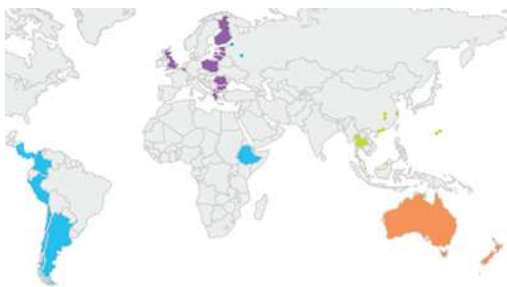


# THE INCHCAPE WORLD TODAY

## UNIQUE GLOBAL DISTRIBUTOR AND RETAILER

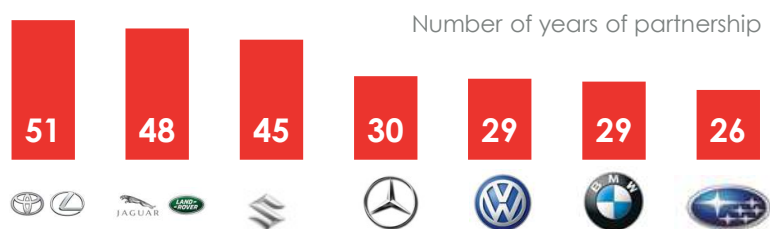
### GLOBAL DISTRIBUTOR AND RETAILER

31 Markets



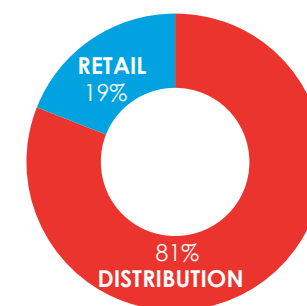
### LONG-TERM PARTNERSHIPS

Strong brand portfolio



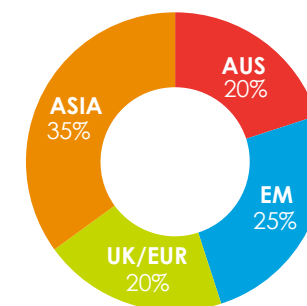
### 2017 PROFIT BY CHANNEL \*

Distribution core



### 2017 PROFIT BY REGION \*

Regionally diverse



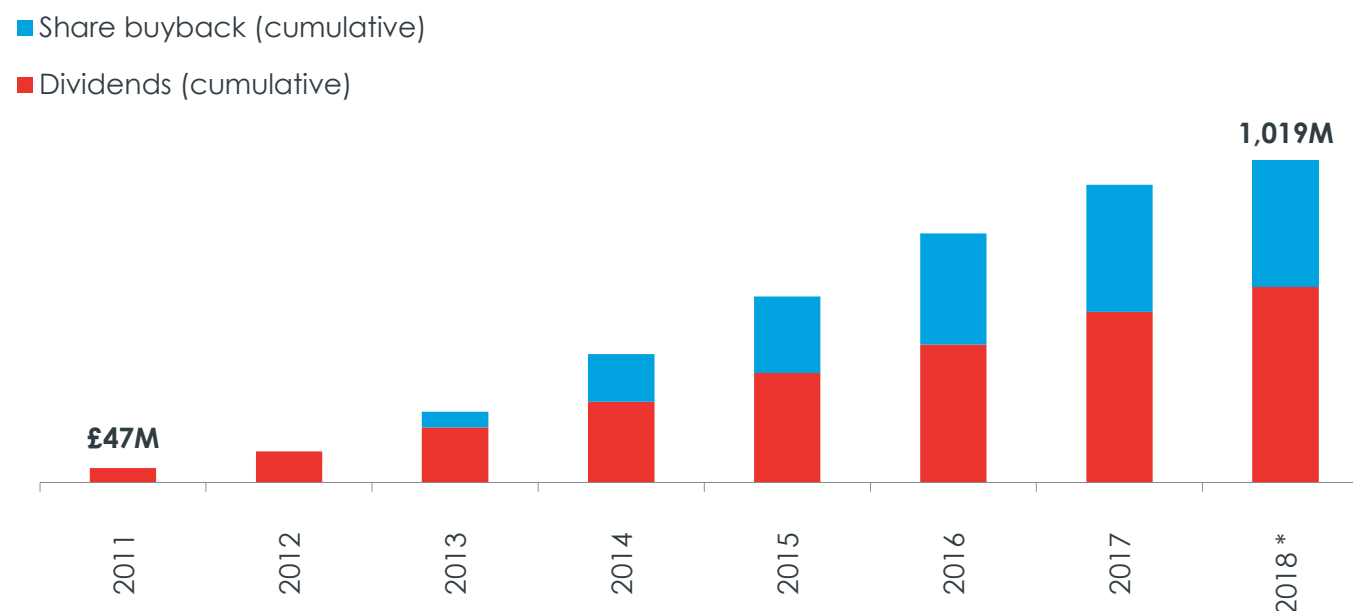
\* Proforma for C.America Acquisition announced March 2018 and excluding £9m property profit in Australasia (Retail)

# STRONG TRACK RECORD OF DELIVERY

## GROWTH AND CASH GENERATION WITH STRONG RETURNS

	FY17
<b>REVENUE</b>	£8,949m
<b>PBT</b>	£383m
<b>PBT CAGR ('14-'17)</b>	+8%
<b>FCF</b>	£314m
<b>DPS PAYOUT</b>	40%
<b>NET CASH</b>	£80m
<b>ROCE</b>	30%

### CUMULATIVE CASH RETURNS

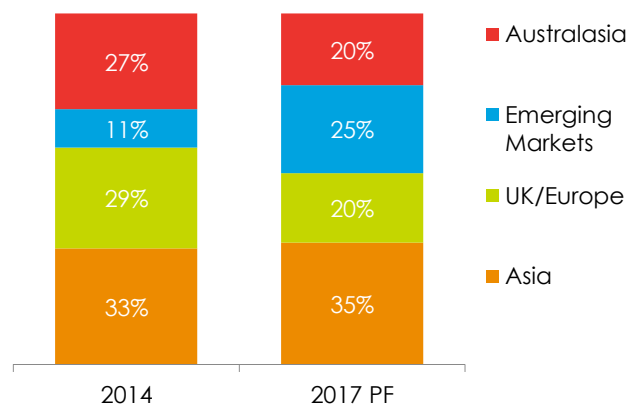


Note: PBT pre exceptional items; 2018 cumulative cash returns inclusive of 2017 final dividend



# ACTIVELY DRIVING DISTRIBUTION AND REGIONAL MIX SUPPORTIVE TO GROWTH AND FCF

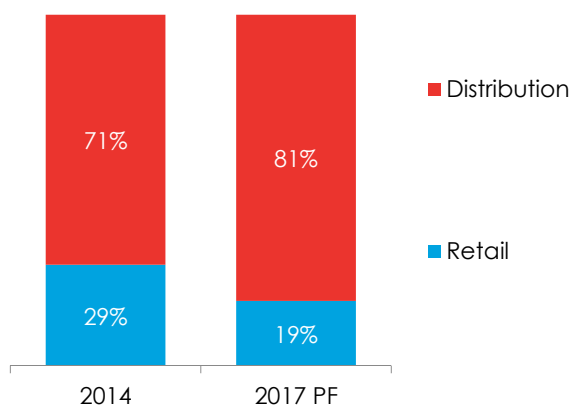
## PROFIT: REGIONAL MIX



EM mix +14% vs. FY 14

UK c.10% of profit

## PROFIT: CHANNEL MIX



Distribution growth  
supported by acquisitions

## POSITIONS INCHCAPE WELL FOR:



**Growth**



**FCF  
conversion**




Note: Proforma (PF) for Central America Acquisition announced in March 2018. Pre exceptional items; 2014 split excludes £17m of property profit in Asia (Distribution) and 2017 excludes £9m property profit in Australasia (Retail)

# INCHCAPE'S FUTURE

## DELIVERING SUSTAINABLE GROWTH

### HOW THE FUTURE LOOKS

### INCHCAPE'S INITIATIVE

Slower new car growth in <b>developed markets</b>	⇒	<ul style="list-style-type: none"> <li>– Established portfolio of <b>attractive regions</b></li> <li>– Growing exposure to <b>higher growth</b> markets</li> <li>– Focus <b>beyond new</b> cars</li> </ul>	<b>BUSINESS OPTIMISATION</b> 
Growing <b>size of business</b>	⇒	<ul style="list-style-type: none"> <li>– <b>Leverage scale</b> across all revenue streams</li> </ul>	
<b>Fragmented</b> Distribution market	⇒	<ul style="list-style-type: none"> <li>– Continued <b>focus on M&amp;A and new contract wins</b></li> </ul>	<b>CONSOLIDATION</b> 
Future industry trends: <b>Digitisation</b>	⇒	<ul style="list-style-type: none"> <li>– To develop a <b>differentiated value proposition</b>, and enhance opportunities</li> </ul>	<b>INNOVATION</b> 
Future industry trends: <b>EV/ Shared mobility</b>	⇒	<ul style="list-style-type: none"> <li>– <b>Sustainable</b> business (right partners, right markets)</li> <li>– <b>Opportunities</b> to capitalise on emerging business</li> </ul>	



# THE INCHCAPE WORLD TOMORROW

## POWERFUL MULTI-LAYERED EARNINGS GROWTH



### DISTRIBUTION AND FAST GROWTH FOCUSED



Profit increasingly weighted to **Distribution**



Profit increasingly weighted to **faster growth markets**

### STRENGTHENED BUSINESS

- Focus on business **optimisation**
- **Consolidation** of fragmented industry
- Differentiated customer proposition: **Innovation**



**BEST SOLUTIONS FOR OEMS AND CUSTOMERS**



**Sustainable and growing business**



### AMBITIONS SUPPORTED BY MULTI-LAYERED PROFIT GROWTH

MARKET DRIVERS

OPERATIONAL EXCELLENCE

STRATEGIC  
OPTIONS

M&A / CONTRACT WINS

BUYBACKS

DIVIDEND

**ATTRACTIVE  
TOTAL RETURN**



POWERFUL MULTI-LAYERED GROWTH

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DISTRIBUTION  
INTEGRATED ROUTE TO MARKET

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# THE DISTRIBUTION MARKET GLOBALLY

## OEM PREFERRED ROUTE TO MARKET IN SMALL TO MEDIUM SIZED MARKETS

### THIRD PARTY DISTRIBUTION MARKETS:

Approximate split	Regional TIV * (All markets)	Small and Medium market TIV (%) of total region
Latin America	4M	1M (30% region)
Asia Pacific	40M	3M (10% region)
Africa and Middle East	4M	3.5M (90% region)
Eastern Europe	4M	2M (60% region)
Other (USA, W.Europe)	30M	4M (15% region)
<b>Global</b>	<b>c.80M</b>	<b>c.14m (20% region)</b>

- ✓ Markets where OEMs don't have a factory
- ✓ Where a third party can drive greater volumes than OEMs
- ✓ Where profitability for an OEM is maximised through out-sourcing

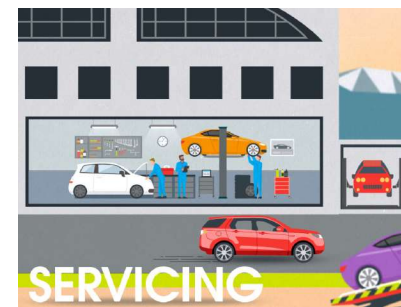
 **Inchcape has c.1% share of the small and medium markets**

\* TIV = Total industry volume for new passenger cars



# DISTRIBUTION: THE BRAND CUSTODIAN

## BROAD OPERATIONS ACROSS THE VALUE CHAIN





# NETWORK MANAGEMENT – GREECE CASE STUDY

## EFFECTIVE MANAGEMENT DURING A CHALLENGING PERIOD

### STRONG BUSINESS

- Inchcape operating since 1986
- No.1 brand in Greece
- 13 times Toyota's Triple Crown achievement
- c.20-30% of network sales through Inchcape owned dealerships, remaining through third party

### DEALER NETWORK MANAGEMENT

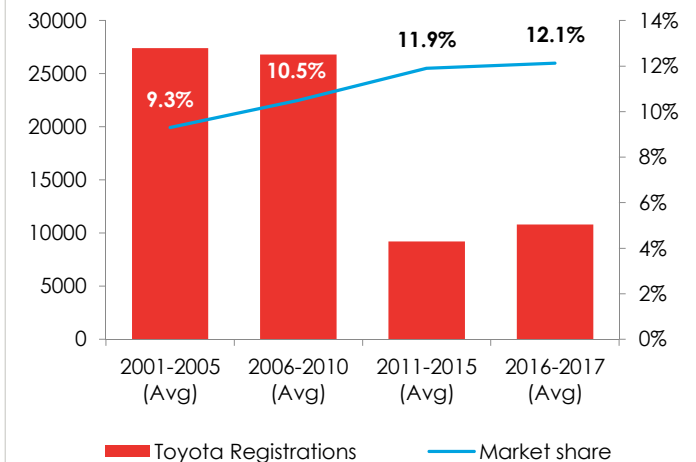
#### 2008 FINANCIAL CRISIS

- Presented network with 3 year plans
- Helped retailers downsize with benchmark analysis
- Helped retailers prepare feasibility plans for banks
- Supported some retailers with credit

#### AWARD WINNING MANAGEMENT OF SITUATION

- Very few dealerships lost during crisis
- Total network only became slightly loss making despite volume decline
- Market share growth through crisis
- **Recognised as “best practice” credit control procedures by Toyota**

### MARKET SHARE STRENGTH ENHANCED



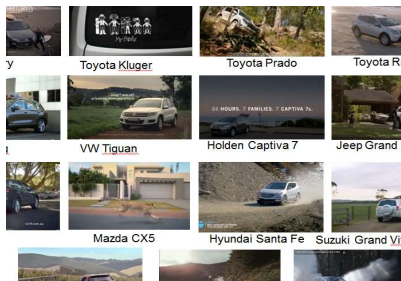
- Against the difficult market backdrop Inchcape Toyota remained **one of the most profitable Distributors**
- **Future potential** is strong

# BRAND POSITIONING – INCHCAPE SUBARU CASE STUDY

## SUCCESSFUL BRAND POSITIONING: OUTBACK IN AUSTRALIA

### 2014 OUTBACK PERFORMANCE:

- **Changing market** landscape, with growth in SUV products across brands
- Outback an **undifferentiated product**
- **Niche audience:**
  - Existing Subaru owners
  - Less emotional draw; pragmatic decision
  - Older customer
- Considered **expensive**
- **Not appealing** to families



### INCHCAPE'S ACTION PLAN:

#### Product architecture:

- More **relevant product architecture** across range (price points and spec options)

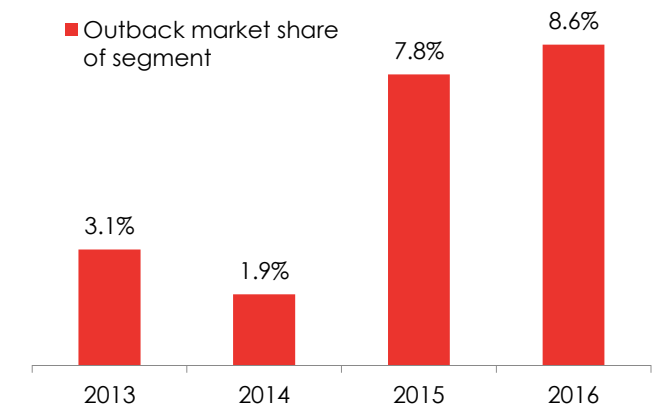
#### Marketing:

- **Unique Australian approach** to build emotional draw and differentiate
- Highlighted **family appeal**
- Developed understanding and **visibility of product**
- **Broader appeal** to drive strength across range



### THE RESULT: 2015 AND BEYOND

- **>300% increase** in Outback sales FY15 vs. FY14
- **Market share** became more balanced across the range



# INCHCAPE'S PORTFOLIO OF DISTRIBUTION

## STRONG BUSINESSES GLOBALLY



# BARRIERS TO ENTRY IN DISTRIBUTION

## STRENGTH IN BUSINESS MODEL AND INCHCAPE'S POSITION

### HIGH BARRIERS TO ENTRY

- **Exclusive distribution contracts:** one contract per brand per market
- Long-standing relationships with brand partners – **very low attrition**
- Partners require **track record of delivery** – difficult to enter industry
- **Strength and expertise** across areas, from logistics to brand development
- **Financial capability** to execute and invest in assets and talent



- Well **invested** business
- Strong **track record** of delivery
- **Financial** strength
- Presence across **31 markets**, with **39 brands**
- **OEM partnerships** up to 51 years
- **Global** scale advantage
- **Experienced management** team
- Ethical and **professional plc** for international business





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# TOYOTA'S VIEW ON DISTRIBUTION

**YOSHI INABA**

EXECUTIVE ADVISOR TO TOYOTA MOTOR CORPORATION,  
INCHCAPE SPECIAL ADVISOR

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# TOYOTA'S VIEW ON DISTRIBUTION

## AN OPTIMAL ROUTE TO MARKET FOR OEMS

### THE DISTRIBUTION MODEL HAS BEEN KEY TO TOYOTA'S SUCCESS



Long history with Distribution partners; it has contributed to Toyota's success in Japan and internationally



Toyota's core competency is innovation and manufacturing



Driving the most from a market through Distribution is more than just pushing volume, it includes:

1. A strong focus on customer experience and brand development
2. Development and maintenance of the right infrastructure
3. Strong capabilities to execute



Distributors have the local expertise and relationship with governments



Good Distributors will invest for the evolving future and attract talent to run the business successfully

# TOYOTA'S PARTNERSHIP WITH INCHCAPE

## 51 YEAR PARTNERSHIP FOR A REASON

### LONG-STANDING RELATIONSHIP WITH INCHCAPE ENABLED THROUGH STRONG PERFORMANCE



Partners since **1967**



Inchcape represents Toyota (and associated brands) in **19 markets**



Inchcape is a top **4 independent distributor** for Toyota



Market leadership positions across markets that Inchcape operates in; **award-winning businesses**



Recently expanded relationship with Hino contracts acquired in **Chile and Colombia**

# TOYOTA'S VIEW ON THE DISTRIBUTION LANDSCAPE

## EVOLVING TRENDS HIGHLIGHT NEED FOR STRONG PARTNERS

### CONSOLIDATION IN THE MARKET INCREASINGLY A FACTOR



Ability to understand and invest in the future is key given changing landscape, as well as to execute



Toyota needs to trust a Distribution partner will invest to create the right customer proposition for each individual market, e.g. where necessary digital infrastructure



Industry trends driving consolidation; increasing number of companies willing to sell their businesses



The best Distribution partners are increasingly required; financial and talent resources are key



Inchcape is an attractive alternative for OEMs looking for candidates to succeed current distributors





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# INCHCAPE'S FINANCIAL MODEL

DRIVEN BY DISTRIBUTION FOCUS

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# DISTRIBUTION: ACTIVITIES ACROSS THE VALUE CHAIN

## HIGHER MARGIN PARTNERSHIP OPERATION

	DISTRIBUTION	RETAIL-ONLY
<b>VALUE CHAIN EXPOSURE</b> (In Market)	<b>c.80% inchcape EBIT</b> <ul style="list-style-type: none"> <li>Brand positioning</li> <li>National marketing</li> <li>Logistics</li> <li>Parts Distribution</li> <li>Network Management</li> <li>Retail</li> </ul>	<b>c.20% inchcape EBIT</b> <ul style="list-style-type: none"> <li>Brand positioning</li> <li>National marketing</li> <li>Logistics</li> <li>Parts Distribution</li> <li>Network Management</li> <li>Retail</li> </ul>
<b>EXCLUSIVITY WITH OEM</b>	<b>Exclusive contract</b> for distribution in market	<b>Non-exclusive</b> relationship
<b>LEVEL OF CONTROL</b>	<b>Higher control</b>	<b>Limited control</b>
<b>VEHICLE PRICING IN MARKET</b>	<b>In agreement</b> with OEM	<b>Set</b> by OEM
<b>VEHICLE COST TO INCHCAPE</b>	Costs <b>negotiated</b> with OEM	<b>Effective cost set</b> by OEM alongside volume target
<b>VOLUMES</b>	<b>Negotiated</b> against Inchcape forecasts	Driven by OEM <b>volume targets</b>
<b>FORWARD ORDERING</b>	<b>c.6 months</b> ; continual negotiating	<b>Limited</b> ; but targets limit flexibility
<b>CURRENCY</b>	<b>Some transactional exposure</b> in a few markets	<b>No transactional</b> risk

# GROSS MARGIN DRIVEN MODEL

## LOWER FIXED COSTS IN DISTRIBUTION

FY17, £M	DISTRIBUTION	RETAIL
Adjusted to a fully-rented basis		
<b>Gross Margin %</b>	<b>18%</b>	<b>11%</b>
<b>SG&amp;A % Sales</b>	<b>10%</b>	<b>9%</b>
Split of SG&A:		
<i>Employee Costs</i>	45%	55%
<i>Property Occupancy Costs</i>	13%	20%
<i>Advertising and Promotion</i>	15%	4%
<i>D&amp;A</i>	6%	7%
<i>Other Overheads</i>	21%	14%
<b>Trading Profit Margin %</b>	<b>8%</b>	<b>2%</b>

### DISTRIBUTION MODEL

- ✓ **Higher margin** business driven by gross margin
- ✓ Greater **variability of overheads**
  - Greater allocation of costs to A&P
  - Lower exposure to property occupancy costs
- ✓ High **margin protection**

### FIXED / VARIABLE BASE

- ✓ **Distribution** overheads **c. 50/ 50 (Fixed/ variable)**
- ✓ **Retail** overheads **c. 65/35 (Fixed/ variable)** on fully rented basis

### CAPITAL INTENSITY

- ✓ Distribution **capital light**
  - **c.30%** of Group's total capital employed

# EFFICIENT CASH MANAGEMENT

## LOW NET WORKING CAPITAL



### INVENTORY

- c.90% vehicles, 10% parts
- **Vehicles** target 1.5 month forward cover \*
- **Parts** – just in time approach

**Inventory largely securitised**



### PAYABLES (EX INVENTORY FINANCING)

- Non-inventory related accruals, tax payable



### RECEIVABLES

- Receivables relate to Insurance and OEMs
- Cleared funds to release car to customers

\* Ex In-transit stock

£M	FY17	Day Sales
Inventory	1,769	72
Financing	-1,456	-59
Net Inventory	313	<b>13</b>
Payables	-779	-32
Receivables	464	19
<b>Net Trade Working Capital</b>	<b>-2</b>	<b>0</b>

### NWC % SALES

0.3%

Average over last 4 years

### CASH TAX BELOW EFFECTIVE RATE

- FY17 £86M
- 23% of PBT (last 4 yr avg)

### WELL INVESTED ASSET BASE

- FY17/FY18 capex c.£100M
- c.£25M 'non-underlying'
- FY19 reversion to underlying capex
- Slightly ahead of D&A



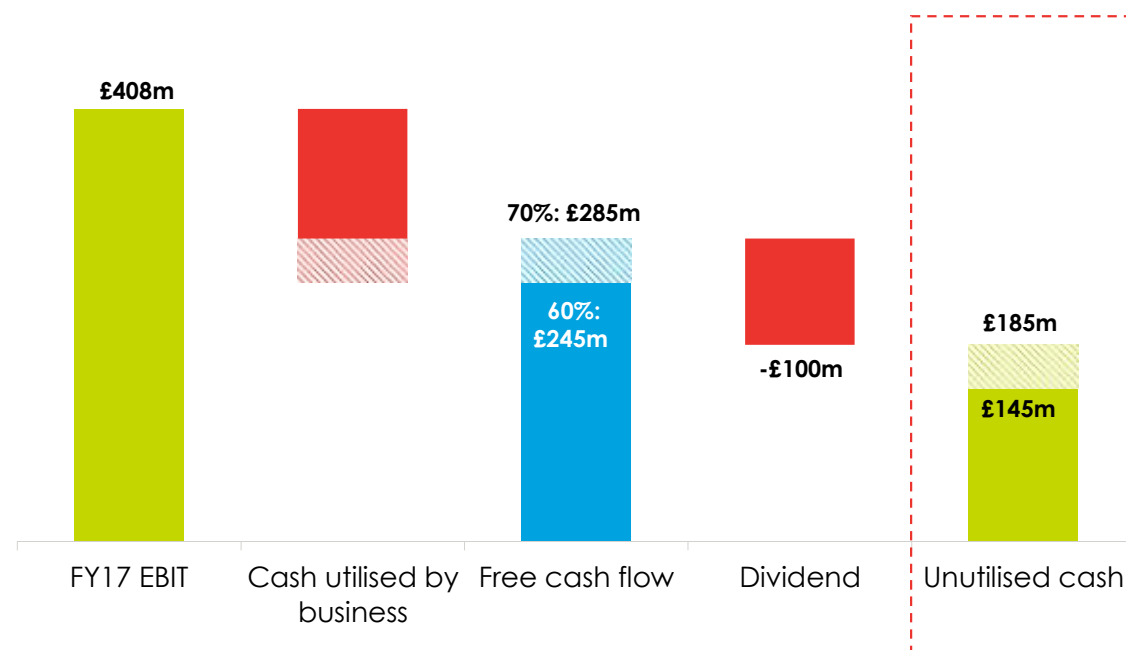
# STRONG CASH GENERATION

## DRIVEN BY DISTRIBUTION BUSINESS

### SOLID FCF AND EXCESS CASH GENERATION

- ✓ Solid Normalised FCF
  - c. £245M - £285M (on current earnings)
- ✓ Dividend payout set at 40% (£100m)
- ✓ Normalised annual 'excess' c. £145M - £185M

### UNUTILISED ANNUAL CASH GENERATION



# BALANCE SHEET STRENGTH

## HEADROOM TO COVENANTS; FOCUS ON BEING PRUDENT

### NET DEBT

- ✓ **Net cash** £80m at December 2017
- ✓ **Debt covenants:**
  - Interest cover: >3x ; Plenty of headroom
  - Board policy: 1x Net Debt / EBITDA

### CORPORATE DEBT – LONG TERM COMMITTED FINANCING

- ✓ **£620m of RCF** - £270m undrawn, mostly to 2022
- ✓ **£285m USPP** – majority fixed rate to 2024-2029

Note: \*Includes interest free period

### INVENTORY FINANCING – SHORT TERM FLEXIBLE FUNDING

- ✓ **£1.4bn SRC** against £1.8bn inventory
  - 75%-85% inventory funded over year
  - Evenly split across Distribution and Retail
- ✓ **75% OEM financed; effectively committed**
- ✓ 25% banks; uncommitted

### INTEREST RATE SENSITIVITY

- ✓ Total debt mostly UK financed; interest rate sensitivity mostly BOE
  - Every 25bps drives c.£3m increased interest charge

Interest break-down (£M)	FY17	Effective cost of debt *
Inventory financing	24.3	1.80%
Corporate debt	15.3	1.60%
Interest income	14.6	
<b>Total</b>	<b>25.0</b>	

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# FINANCIAL BUSINESS MODEL

## SUMMARY

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**Distribution: A higher returning model**

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**Cash generation to support strategic decisions**

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**Strong balance sheet to support growth outlook**



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Q&A

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POWERFUL MULTI-LAYERED GROWTH

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IGNITE  
DRIVING THE BUSINESS FORWARD

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# THE BUILDING BLOCKS BEHIND IGNITE STRATEGY

## IGNITE FRAMES INCHCAPE'S STRATEGIC FOCUS

### GROWTH OPPORTUNITIES

#### OPERATIONAL EXCELLENCE:

MAXIMISING PROFIT AGAINST  
UNDERLYING MARKET TRENDS

#### CONSOLIDATION:

VALUE-ACCRETIVE OPPORTUNITY  
IN FRAGMENTED MARKET

#### INNOVATION:

TAKING ADVANTAGE OF OUR  
SKILLS AND SIZE TO LEAD

### THE DRIVERS BEHIND OUR IGNITE STRATEGY

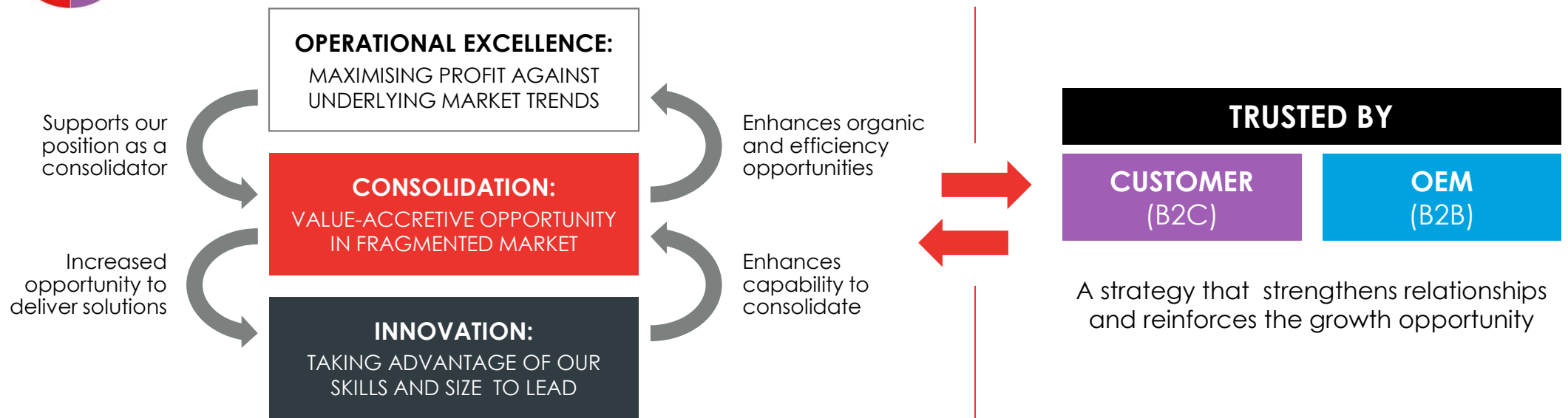


# IGNITE: DRIVING THE BUSINESS FORWARD

## A STRATEGY TO CONTINUALLY STRENGTHEN INCHCAPE

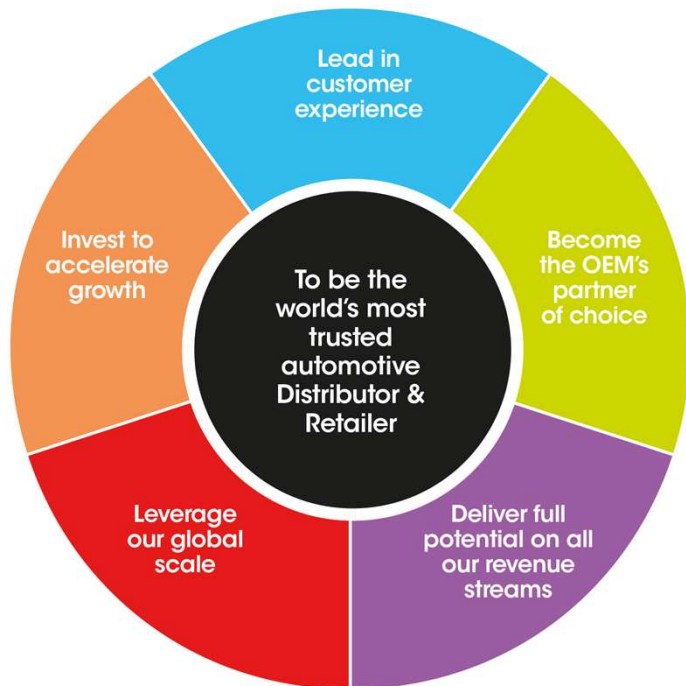


### IGNITE: AN INTERCONNECTED STRATEGY, ENHANCING OUR OPPORTUNITIES FOR THE LONG TERM



# IGNITE: DELIVERY SINCE 2016 LAUNCH

## EARLY SUCCESS SUPPORTIVE OF STRATEGY



### KEY ACHIEVEMENTS TO DATE

#### BUSINESS OPTIMISATION AND LEVERAGING SCALE

- ✓ Internal organisation enhanced with global and regional roles
- ✓ Achievement of procurement savings
- ✓ Delivery on revenue objectives

#### CONSOLIDATION

- ✓ 7 Distribution deals over the last 24 months
- ✓ Two large-scale Distribution acquisitions after 25 year gap
- ✓ Meaningful Latin American platform established
- ✓ New business with existing and new OEM partners



# ENHANCED SKILLS ACROSS GROUP TO DRIVE CONTINUED DELIVERY

## ORGANISATION ARCHITECTURE REFLECTIVE OF IGNITE FOCUS

### INVESTMENT IN KEY STRATEGIC SKILLS

- Customer Experience
- Revenue streams (e.g. F&I, Used)
- Leveraging our scale (e.g. supply chain)
- M&A/ Strategy

### SKILLS REPLICATED ACROSS INCHCAPE

- Global and regional responsibilities by strategic pillar
- Regional developments achieved under existing cost structures
- Economies to be achieved on investments already made

### BEST IN CLASS EXPERTISE

- Leveraged capability and expertise across Inchcape worldwide
- Recruited from a range of relevant sectors





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# THE MARKET OUTLOOK

UNDERLYING SUPPORT  
TO INCHCAPE'S OUTLOOK

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# A STRONG COLLECTION OF BUSINESSES

## AT DIFFERENT STAGES OF PENETRATION AND GROWTH

Passenger vehicle and commercial vehicle  
per '000 ppl

● Inchcape Market  
● Other Markets



Source: IMF, BMI



OVERVIEW  
AND VISION

DISTRIBUTION: INTEGRATED  
ROUTE TO MARKET

IGNITE: DRIVING  
THE BUSINESS FORWARD

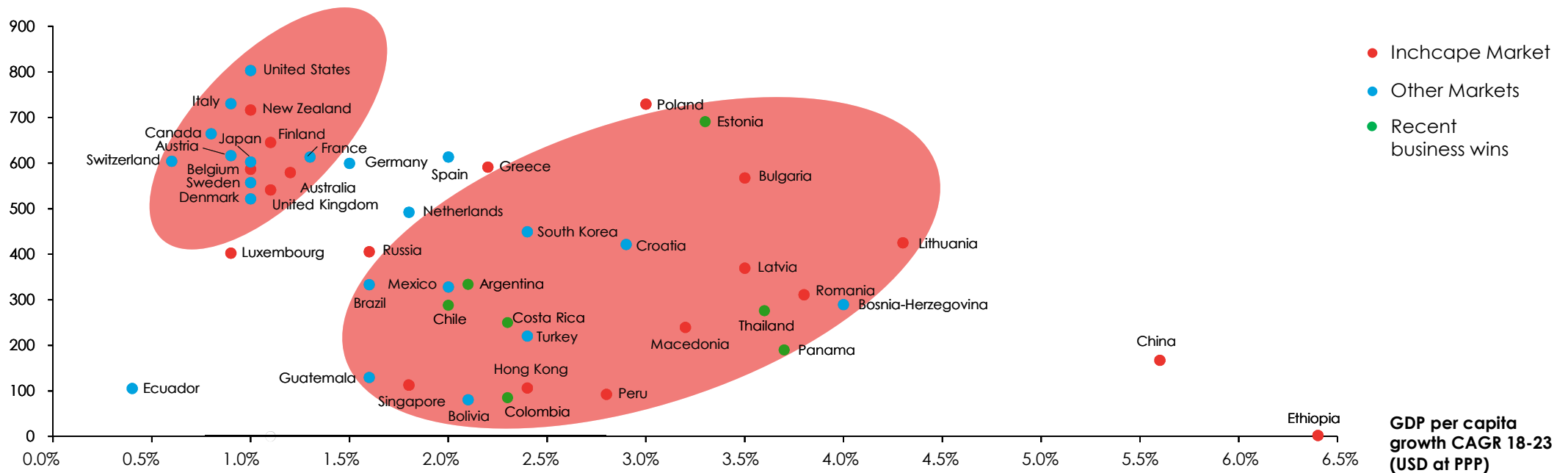
THE INCHCAPE  
OPPORTUNITY

CONCLUSION

# EXPOSURE TO FASTER GROWTH MARKETS

## RECENT ACQUISITIONS FOCUSED ON HIGHER GROWTH MARKETS

Passenger vehicle and commercial vehicle  
per '000 ppl

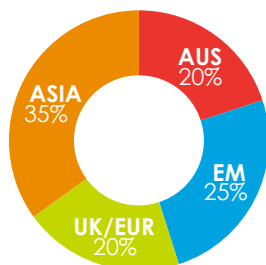




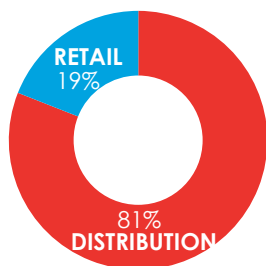
# MULTI-LAYERED PROFIT GROWTH: DISTRIBUTION MARKET SUPPORT



2017 GROUP  
PROFIT BY  
REGION \*



2017 GROUP  
PROFIT BY  
CHANNEL \*



Total Industry Volume  
(TIV) growth through  
the cycle in **Distribution:**

**c.+3%  
annual growth**

- **FY18 Group TIV growth not indicative of 'norm'**
  - Current UK performance exceptional
  - Singapore's structural cyclicalities well managed by Inchcape
- Current portfolio mix supportive to growth
  - **Driven by Distribution** markets
- Further active shift over time to faster growth markets
  - Will **increasingly support** the growth outlook
- **Market share gain** opportunity
  - Strong brand portfolio

\* Proforma for C.America Acquisition announced March 2018 and excluding £9m property profit in Australasia (Retail)



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# OPERATIONAL EXCELLENCE

ENSURING ORGANIC GROWTH AGAINST  
TIV OUTLOOK

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# OPERATIONAL EXCELLENCE

## ENSURING ORGANIC PROGRESS AGAINST TIV OUTLOOK



- ✓ Ensuring that Inchcape is maximising the opportunity against all revenue streams
- ✓ Enabling opportunities possible though leveraging global scale
- ✓ Leveraging best-in-class learnings across the group

# DEAN SYKES/ STEVE ARCHER/ SHAUN CARROLL



## DEAN SYKES

### Emerging Markets Operations Director

>5 years in  
Inchcape UK

Multi-industry retail  
experience



## STEVE ARCHER

### Global F&I Director

>10 years in  
Inchcape UK

Prior to Inchcape  
at GE Capital



## SHAUN CARROLL

### Global Supply Chain Director

Multi-industry supply  
chain expert

Prior to Inchcape  
at G4S and JCI



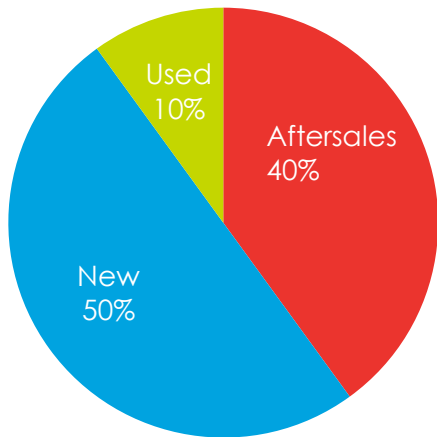


# FULL POTENTIAL ON REVENUE STREAMS

## REVENUE OUTSIDE NEW CARS INTEGRAL TO BUSINESS MODEL

### GROUP PROFIT MIX

#### GROUP GROSS PROFIT SPLIT (APPROXIMATE)



Finance and Insurance within  
'New' and 'Used' gross profit

### REVENUE STREAMS: A FOCUS BEYOND INDIVIDUAL PROFIT POOLS

BEYOND DISCRETE PROFIT POOLS, MULTIPLE REVENUE STREAMS REINFORCE INCHCAPE'S STRENGTH BY  
**ENHANCING THE CUSTOMER PROPOSITION**

#### AFTERSALES

Experience post initial sale core  
to overall Brand experience  
and Brand loyalty

Maintains vehicle value,  
enhancing capability to churn

#### FINANCE & INSURANCE

Enables New and Used sales

Increases higher margin  
aftersales activity

Maintains vehicle value,  
enhancing capability to churn

#### USED CARS

Access to a wider customer base

Affordable entry into each brand

More F&I, Aftersales

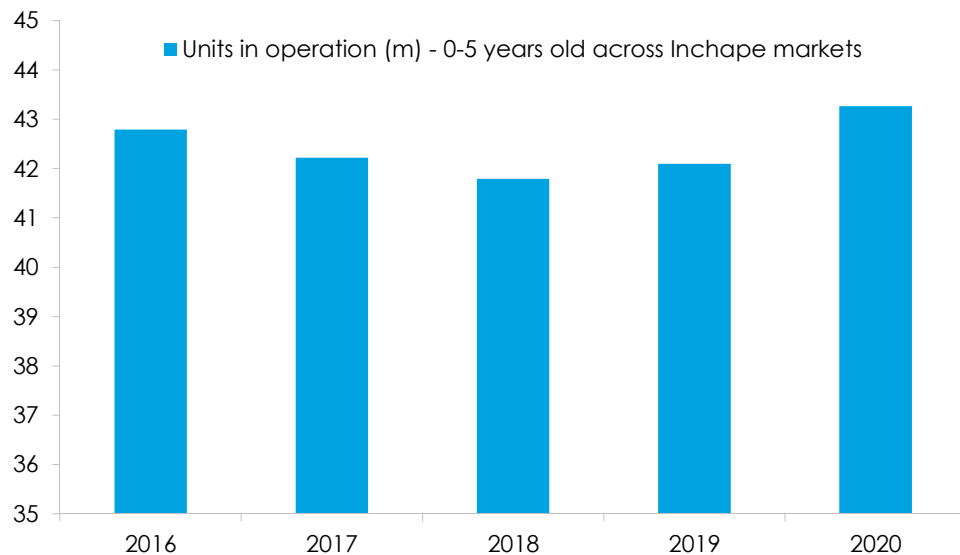
**Integral  
to enhancing  
brand value  
and driving  
profit**



# AFTERSALES OPPORTUNITY

## TARGETING THE GROWING ADDRESSABLE MARKET

### GROUP: AFTERSALES (c.40% GROUP GROSS PROFIT)



Source: IHS

### IGNITE DEVELOPMENTS:

- ✓ Proprietary tools to optimise capacity
- ✓ Customer innovation, e.g. express service
- ✓ Focus on key KPIs such as retention
- ✓ Enhanced customer satisfaction monitoring
- ✓ Investment in Aftersales



**AIM**  
OUTPERFORM THE 1-5  
YEAR CAR PARC GROWTH

# AFTERSALES ACTIONS DETERMINED

## BOTH SUPPLY AND DEMAND INITIATIVES

**Stage 1:** Opportunities identified through span of performance benchmarking

**Stage 2:** Supply or demand issue identified



	SUPPLY	DEMAND
 <b>THE ISSUE</b>	<ul style="list-style-type: none"> <li>– Workshop can't meet all demand</li> <li>– Waiting times, lost opportunity</li> </ul>	<ul style="list-style-type: none"> <li>– Unutilised workshop</li> <li>– Poorer economics</li> </ul>
 <b>SOLUTIONS</b>	<ul style="list-style-type: none"> <li>– Technician recruitment</li> <li>– Additional ramps</li> <li>– Extended opening hours</li> <li>– Workshop load/ layout</li> </ul>	<ul style="list-style-type: none"> <li>– Service/ MOT reminders</li> <li>– Extended warranty programmes</li> <li>– Express Service</li> <li>– Offers</li> </ul>

### PROFIT OPPORTUNITY:

- ✓ Higher margin business
- ✓ Limited incremental costs per hour sold; strongly leverages existing staff and infrastructure

# AFTERSALES: ETHIOPIA CASE STUDY

## SUPPLY INITIATIVE: FOCUS ON WORKFLOW

### ISSUE

Long lead times indicated a supply challenge

### SOLUTION

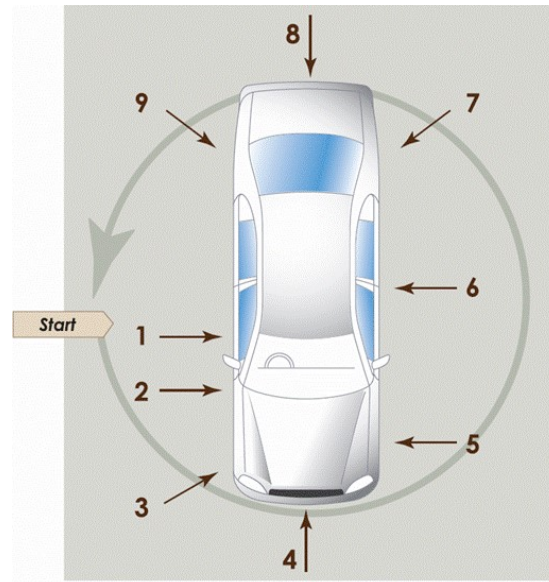
Processes and workflows to transform productivity

Introduced a walk-around check list for each incoming vehicle:

- Check for damage
- Simple check of mechanics

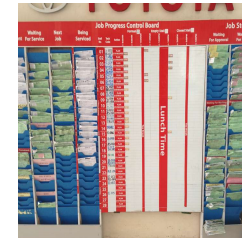
Ensured optimal factory flow throughput servicing process

### VEHICLE WALK-AROUND CHECK DURING RECEPTION



### FACTORY PROCESSES

READY FOR TECHNICIAN



READY FOR WORKSHOP



READY FOR CUSTOMER





# AFTERSALES: ETHIOPIA CASE STUDY

## SIMPLE CHANGES CAN HAVE LARGE BENEFITS

### MEANINGFUL RESULTS








Motivated and empowered employees



Customer satisfaction



Significant improvement in financial performance

		FIRST FULL YEAR OF IMPLEMENTATION		
		2015	2016	2017
	<b>NPS</b>	63.7%	64.7%	69.2%
	<b>VEHICLE THROUGHPUTS</b>	3,245	3,744	5,247
	<b>HOURS SOLD</b>	132,055	153,219	201,546
	<b>APPOINTMENT LEAD TIME (DAYS)</b>	18	14	8
	<b>REVENUE % INCREASE</b>		+15%	+35%

# AFTERSALES: CHILE CASE STUDY

## DEMAND: EXPRESS SERVICE AND LEARNINGS FROM THE UK

### BMW CHILE CASE STUDY – DEMAND FOCUS: EXPRESS SERVICE

Recent initiative to enhance demand  
Express service launch following successful trials in the UK



### LEARNINGS FROM UK RETAIL: MERCEDES

Mercedes implemented express service in 2016  
Delivered strong improvement

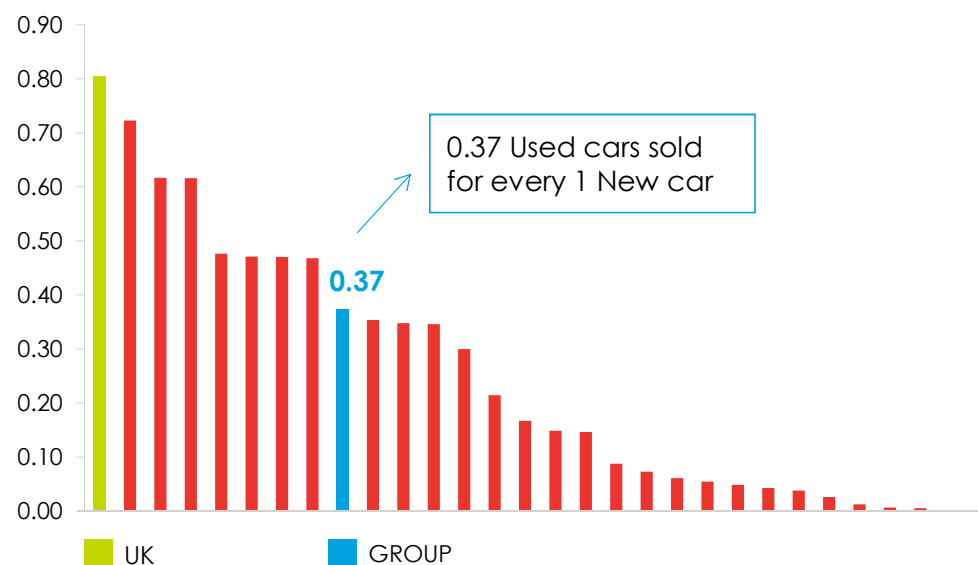
UK MERCEDES KPIS	2015	2016	2017
Hours sold growth		+8%	+8%
NPS score	73%	76%	83%
Profit growth		+15%	+12%



# USED HISTORICALLY LESS OF A FOCUS MAXIMISING THIS REVENUE STREAM

## SPAN OF PERFORMANCE ACROSS MARKETS

(NEW/ USED VOLUMES)



## MODEL DEVELOPED

- ✓ Proof of concept centre built
- ✓ Processes defined and refined
- ✓ Playbooks and communication tools developed
- ✓ Initial roll out to home market
- ✓ Scale then leveraged
  - Across markets
  - Retail and distribution models



**AIM**  
1:1 IN KEY MARKETS  
(0.5 GLOBALLY)

# USED FOCUS ON STOCK AND PROCESS

## STANDARDS BEING IMPLEMENTED

### FOCUS AREAS

**01**

**ONLINE OFFERING**



**02**

**MERCHANDISING**



**03**

**PROCESS**



### IGNITE DEVELOPMENTS

**FROM**

- Price “cost up”
- Negotiate with customer
- Reduce the price until it meets the market rate

**TO**

- Consistent, market referenced pricing of cars
- Competitive pricing displayed online
- Standardised online product imaging and videos
- Listening and engaging
- Quicker preparation of vehicles for sale
- Right vehicles for each site to reduce days stocked
- Centralised pricing - prices can go up as well as down!



# USED: RUSSIA CASE STUDY

## MEANINGFUL UPLIFT IN PERFORMANCE



Driven by Ignite in 2H, little success prior to this



Used/ new ratio currently:

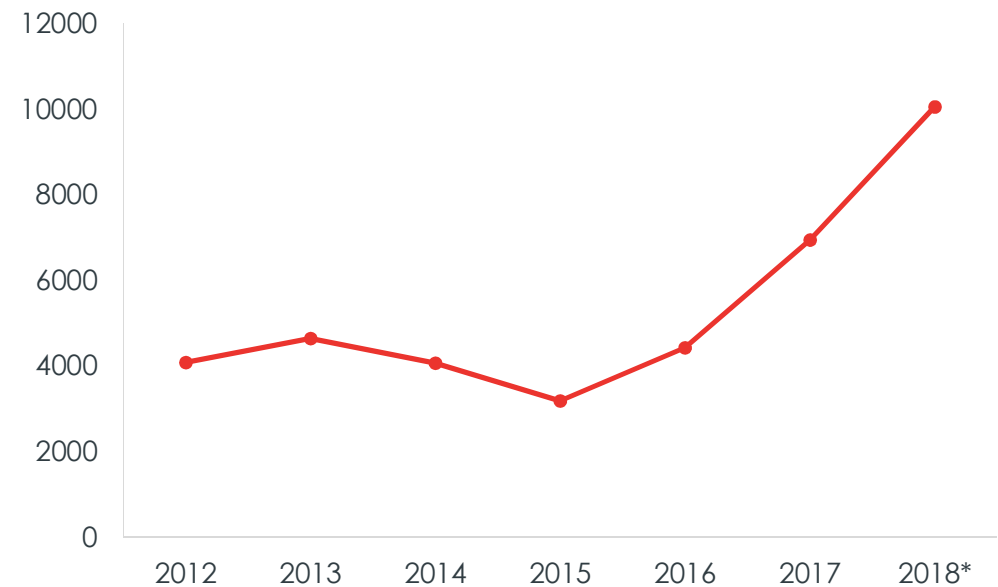
- ✓ **2016** - 1: 0.3
- ✓ **2017** - 1: 0.6
- ✓ **2018E** - 1: 0.8



FY17 success:

- ✓ Used GP +49%
- ✓ Growth in units sold: 62%  
– vs. Market +2%

**INCHCAPE RUSSIA USED CARS SALES (UNITS)**



\* Projected

# USED: CHILE CASE STUDY

## PILOTS HIGHLIGHT OPPORTUNITY IN DISTRIBUTION MARKETS

- Programme launched for Subaru
  - Early days but delivering results (pilot results)
- Used/ new ratio currently: 0.4

DEC 2017	238 units Stock	80 cars Sales per month	5 times Stock turn	54 KGBP Gross margin
APR 2018	154 units -35%	118 cars Sales +48%	8 times Stock turn +60%	87 KGBP Gross margin +61%

**BEFORE**



**AFTER**



# DEAN SYKES/ STEVE ARCHER/ SHAUN CARROLL



**DEAN SYKES**

**Emerging Markets  
Operations Director**

>5 years in  
Inchcape UK

Multi-industry retail  
experience



**STEVE ARCHER**

**Global  
F&I Director**

>10 years in  
Inchcape UK

Prior to Inchcape  
at GE Capital



**SHAUN CARROLL**

**Global Supply  
Chain Director**

Multi-industry supply  
chain expert

Prior to Inchcape  
at G4S and JCI



# OUR FINANCE AND INSURANCE STRATEGY

## STRENGTHENING OFFERING AND PRACTICES



# FOCUS ON PURCHASE AND PROTECTION

## F&I A KEY ENABLER TO GROWTH

### F&I IGNITE STRATEGY

#### HELPING CUSTOMERS PURCHASE THEIR VEHICLE



**Deposit**

**Monthly  
Payment**

**Future  
Value**

- Creating & developing market leading financial solutions
- Easier access for customers to purchase cars
  - Monthly payments and vehicle choice is linked
- Leveraging our knowledge & best practice
- Developing the 'usage' rather than 'ownership' culture

#### HELPING CUSTOMERS PROTECT THEIR VEHICLE



- Enabling customers to protect their investment
- Help customers maintain value and appearance – enhancing future value
- Solutions that enhance the ownership experience



# F&I GLOBAL REVIEW CONDUCTED

## HIGHLIGHTED MEANINGFUL OPPORTUNITY

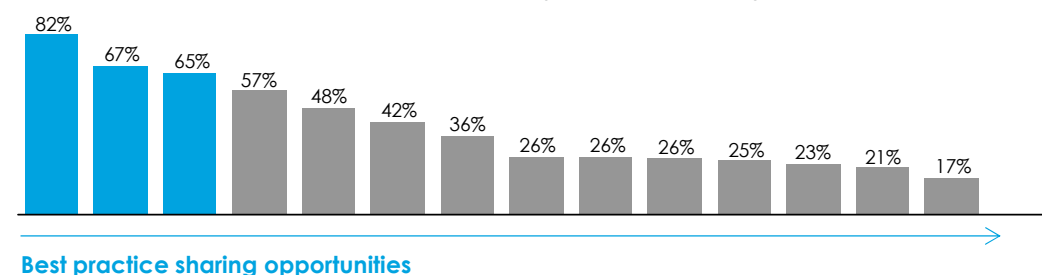
### INCHCAPE F&I MODEL

- Agency commission model
- Insurance products include motor insurance as well as protective insurance products

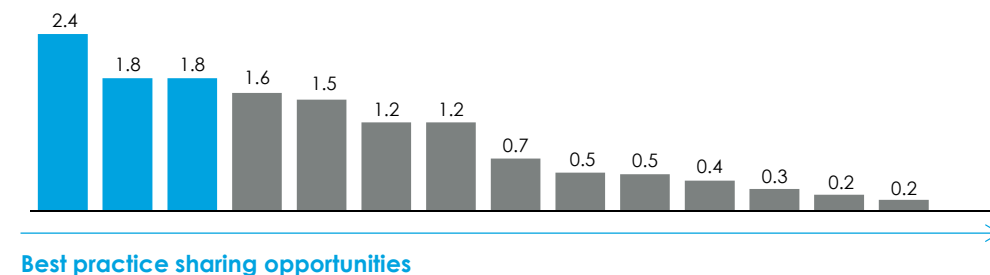
### GLOBAL REVIEW FINDINGS

- Limited holistic approach to vehicle and F&I sales in some markets
- Poor retention of F&I in most markets, given limited focus
- F&I development not driven purely by regulation or culture differences
- Vehicle protection insurance products not well developed
- **Opportunity to improve performance and differentiate**

### NEW CAR FINANCE PENETRATION (MAIN MARKETS)



### INSURANCE PRODUCTS PER CUSTOMER (MAIN MARKETS)



# F&I AREAS OF DEVELOPMENT

## DRIVING PROFIT GROWTH

### F&I IGNITE STRATEGY



#### INCHCAPE WAY OF SELLING

- Implement clear and transparent 'Inchcape Way Of Selling' globally
- Ensure global best practices make purchasing simple, enjoyable and effective



#### PRODUCTS ON OFFER

- Develop and introduce appropriate finance and insurance products globally



#### FINANCE RETENTION STRATEGY

- Most likely customer conversion is one with an existing finance package
- c.750,000 customers globally with an Inchcape finance agreement
- Introduce software solution to ensure correct time to follow-up with customers
- Tried & tested in the UK; being rolled out globally



#### MARKET FORCES

- A panel of partners builds competitive tension
- Greater tension delivers greater banking margin

# F&I CASE STUDIES

## HIGHLIGHTING THE STRATEGY IN ACTION




### RUSSIA: VEHICLE CARE INSURANCE PRODUCTS

- Leveraged our product relationship strategy and launched a new Paint & Fabric protection product into Russia
- Developed into the customer buying process
- Good customer feedback
- **Annualised incremental profit c.£2m for 2018**
- **Global roll-out planned with 8 further countries due to launch in Q3**



### ASIA/LATAM: MARKET FORCES

#### NEW DEALS STRUCK THROUGH PANEL TENDER PROCESS:

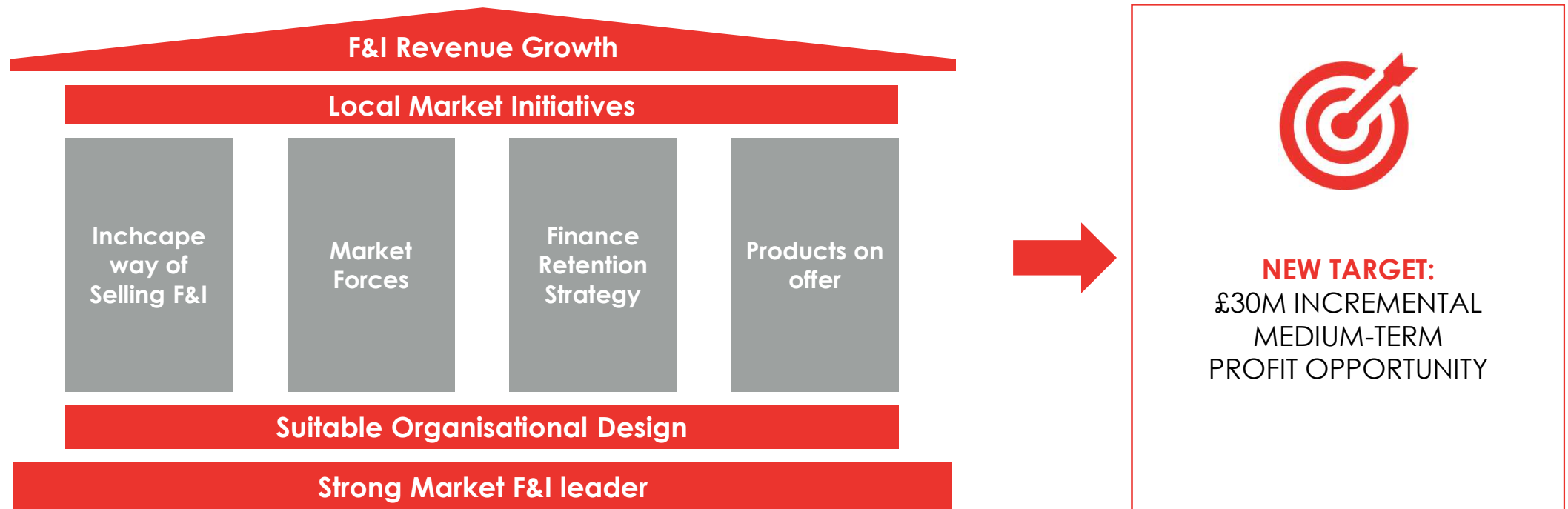
-  **Chile BMW**
-  **Singapore**
-  **Hong Kong**



**£3M annualised profit**  
through incremental  
margin achieved

# F&I MEDIUM TERM TARGET

## £30M INCREMENTAL PROFIT THROUGH F&I



# DEAN SYKES/ STEVE ARCHER/ SHAUN CARROLL



**DEAN SYKES**

**Emerging Markets  
Operations Director**

>5 years in  
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Multi-industry retail  
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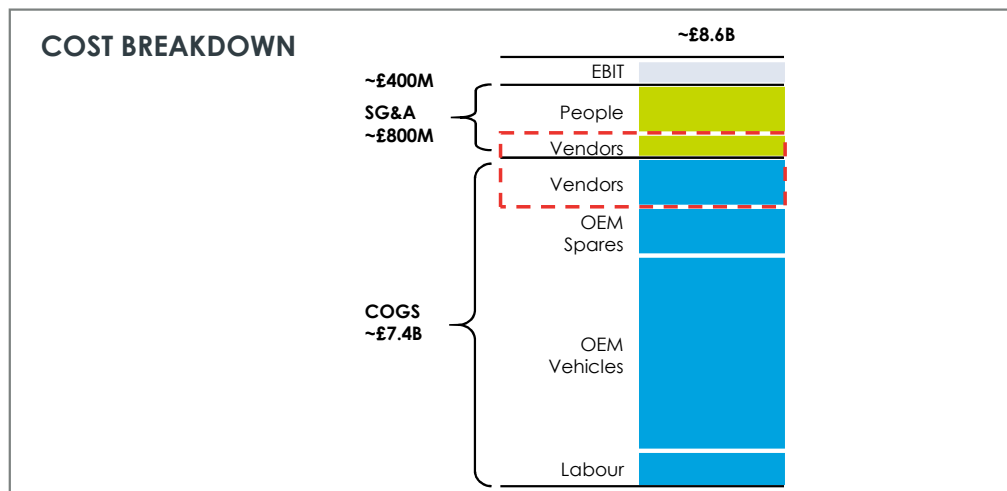


# LEVERAGING OUR SCALE: PROCUREMENT

## OPTIMISING OUR GLOBAL COST BASE

### OPPORTUNITY

- £600m third party costs, with a vendor base of c.35,000
- Growing business increases third party spend



### DEVELOPMENTS TO DATE



Creation and consolidation of the global procurement function



£20m annualised savings to date focused on:

- IT
- Facilities Management Services
- Aftersales Services



Achievements to date largely with a regional and national focus

- Next step enhances the global focus

# PROCUREMENT SAVINGS TO DATE

## CASE STUDIES: GLOBAL AND REGIONAL

### GLOBAL: DELL

#### Global assessment concluded in 2016:

- Dell penetration across Inchcape was high:
  - 82% Laptops; 54% Desktops
- No standardisation or leverage across markets
- No supply contracts in place

#### Global agreement signed: 2017

- Group global catalogue created and implemented
- Group transitioned completely to Dell early 2017

**Average price reduction: 20%**

**Group saving: c. £120k**



### REGIONAL: UK RETAIL VEHICLE MOVEMENT

#### Regional assessment in 2016:

- c.35K vehicles moved in the business
- Local agreements at each site: 100+ providers
- Limited efficiency considerations (e.g. vehicle preparation location)

#### Motor Trade Delivery agreement signed: 2017

- System to coordinate logistics nationally
  - Car transporters bid for delivery jobs
- Number of invoices reduced to 4% of original number

**Reduced spend: 12%**

**Group saving: c. £1m**



# GROWING BUSINESS ENHANCES OPPORTUNITY

## CASE STUDY: M&A AND PROCUREMENT

### REGIONAL / M&A: PERU CUSTOMS SERVICES

#### Regional assessment:

- BMW and Subaru had different customs service providers
- Different prices for a similar service
- No price negotiations for many years

#### One agreement signed: 2018

- Example of economics of scale driven through M&A
- Standardised service with one supplier

**Reduced spend:** 47%

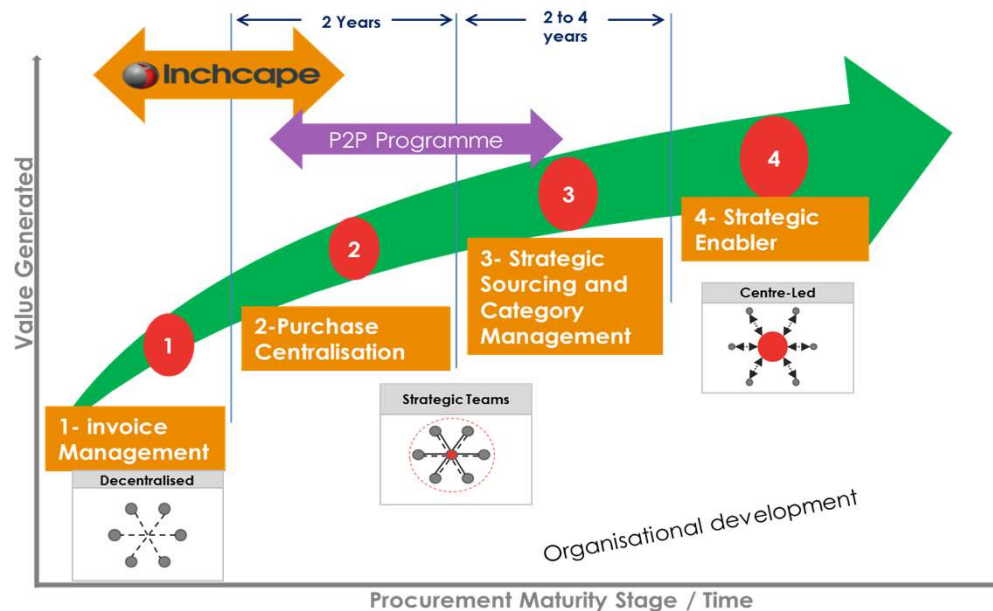
**Group saving:** c. £200k



# THE NEXT LEVEL OF PROCUREMENT

## ENABLING GREATER GLOBAL BUYING

### THE NEXT STAGE OF THE PROCUREMENT JOURNEY



#### PURCHASE TO PAY (P2P) PLATFORM

- Drives the next level of savings; part of increasing IT-enabled solutions
- Enables greater global procurement
- Incremental saving per annum with iterative consolidation of suppliers and further leverage of scale



**INCREASED MEDIUM TERM TARGET:**  
**£50M PROFIT OPPORTUNITY**  
 (8% ADDRESSABLE SPEND)

# MULTI-LAYERED PROFIT GROWTH: ORGANIC GROWTH DRIVEN BY IGNITE



## OPERATIONAL EXCELLENCE / IGNITE

### REVENUE STREAM OPTIMISATION

- + Aftersales outperformance
- + Increased Used penetration
- + Increased F&I profit

### GLOBAL COST EFFICIENCIES

- + Procurement savings

### OFFSETTING

- Inflation
- Reinvestment





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COFFEE BREAK

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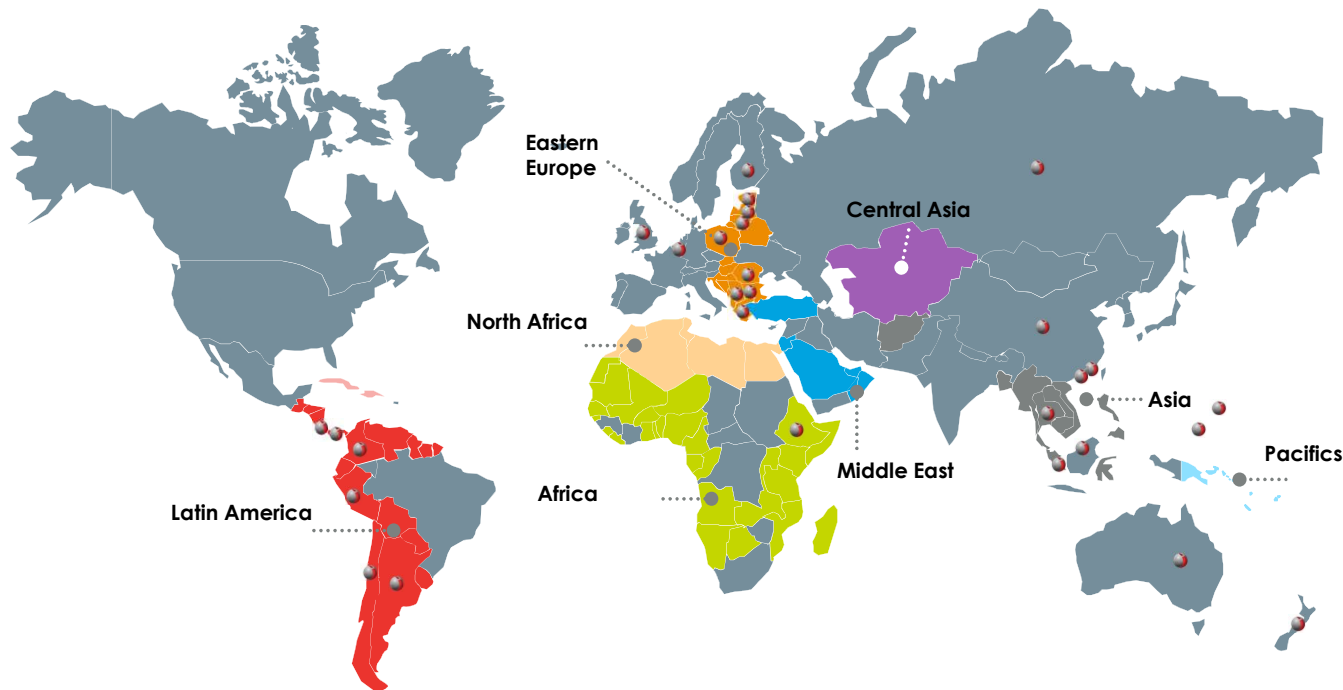
# CONSOLIDATION

WELL POSITIONED TO TAKE ADVANTAGE

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# OPPORTUNITY FOR CONSOLIDATION

INCHCAPE'S SHARE: 1%



Distribution-led  
regions with c.14M TIV,  
**20%** of Global total

**Inchcape has 1% share  
with a global presence**



# IGNITE'S CONSOLIDATION FOCUS

## SUPPORTED BY GREATER OEM RELATIONSHIP FOCUS

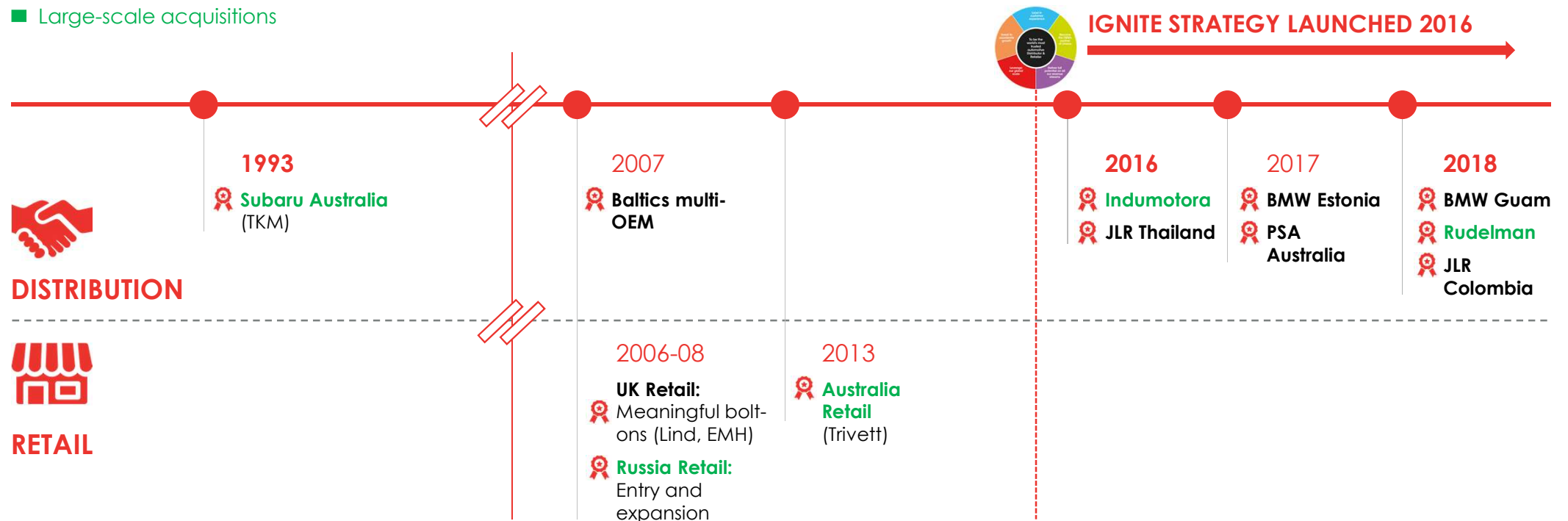


- ✓ OEM relationship focus a key enabler to strategy
- ✓ Inchcape well placed to act as a consolidator
- ✓ Renewed internal focus alongside changing landscape and a need for stronger players
- ✓ Focus on fast-growth markets and Distribution businesses
- ✓ Consistent with disciplined approach to capital allocation

# CLEAR CHANGE IN STRATEGY THROUGH IGNITE

## INCREASED ACTIVITY, ESPECIALLY WITH LARGE DISTRIBUTION DEALS

■ Large-scale acquisitions





# BERTRAND MALLET / RUSLAN KINEBAS / HELEN CUNNINGHAM



**Bertrand Mallet**

**Chief Development  
Officer**

10 years at Inchcape

Previously at  
Disney, Bain



**Ruslan Kinebas**

**Emerging  
Markets CEO**

Previously Mondelēz  
International, Cadbury

Multi-year experience  
across EM



**Helen Cunningham**

**Emerging  
Markets HR Director**

Previously Mitie,  
Bureau Veritas

Multi-year experience  
across Europe

# HIGHLY FRAGMENTED MARKET

## MOSTLY SMALL FAMILY-RUN BUSINESSES

CATEGORY	# OF COMPANIES *	EXAMPLE PLAYER	INCHCAPE ACQUISITIONS
> 20 markets	4 companies	Inchcape	
> 10 markets	5 companies	Abdul Latif Jameel	
> 5 markets	c.15 companies	Sime Darby	
> 3 markets	c.25 companies	Jardine Cycle & Carriage	Indumotora
< 3 markets	850+ companies	Family-run businesses	BMW Estonia, PSA Australia, JLR Thailand, Rudelman, JLR Colombia

INCHCAPE'S PRIMARY CONSOLIDATION FOCUS

\* Cumulative number of companies

# ATTRACTIVE DISTRIBUTION GROWTH MARKETS

## DISTRIBUTION MARKETS GROWING TWICE AS FAST AS GLOBAL AVERAGE

### THIRD PARTY DISTRIBUTION MARKETS:

	Regional TIV * (All markets)	Small and Medium market TIV (%) of total region	Small and Medium market TIV CAGR (2018-23)
Latin America	4M	1M (30% region)	4%
Asia Pacific	40M	3M (10% region)	3%
Africa and Middle East	4M	3.5M (90% region)	6%
Eastern Europe	4M	2M (60% region)	6%
Other (USA, Western Europe, Australia)	30M	4M (15% region)	1%
<b>Global</b>	<b>80M</b>	<b>14m (20% region)</b>	<b>4%</b>

- ✓ Distribution markets set to outperform Global total market
- ✓ Inchcape already well placed for relative growth globally
- ✓ Opportunity to capture this incremental growth

Outperformance against **Global TIV** which is set to grow at **2%** over the period

\* TIV = Total industry volume for new vehicles.

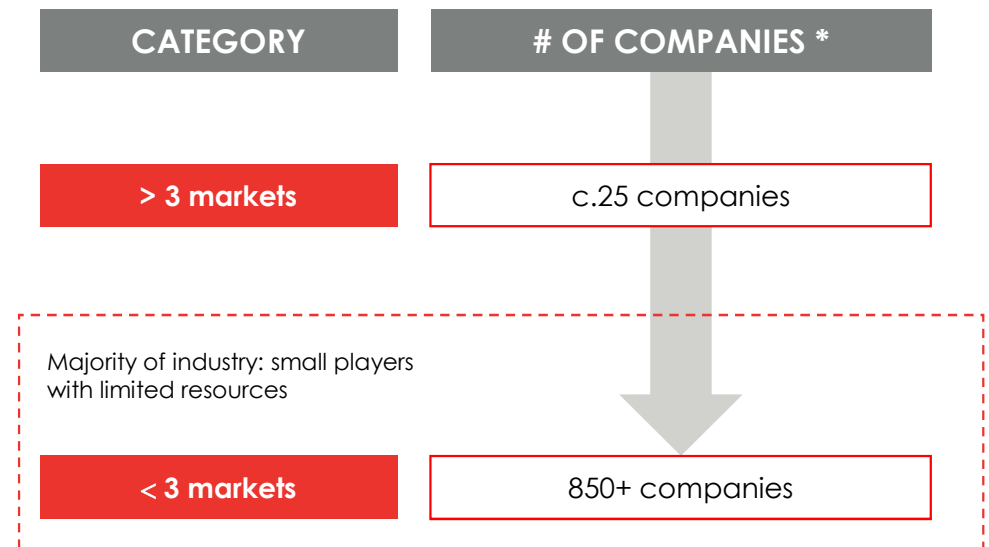
# INDUSTRY TRENDS SUPPORTIVE OF CONSOLIDATION

## CATALYSTS FOR CHANGE

### SUPPORTIVE INDUSTRY TRENDS

- ✓ Contracts originally handed out in the 60s/70s. Some founders in family-run businesses have no **succession** plan
- ✓ OEMs looking for professional, **well-funded partners** capable of investing for the future
- ✓ OEMs increasingly looking to **consolidate** in fewer, stronger partners
- ✓ Given long-term nature of partners and financial requirements **few eligible bidders** for businesses of scale

\* Cumulative number of companies

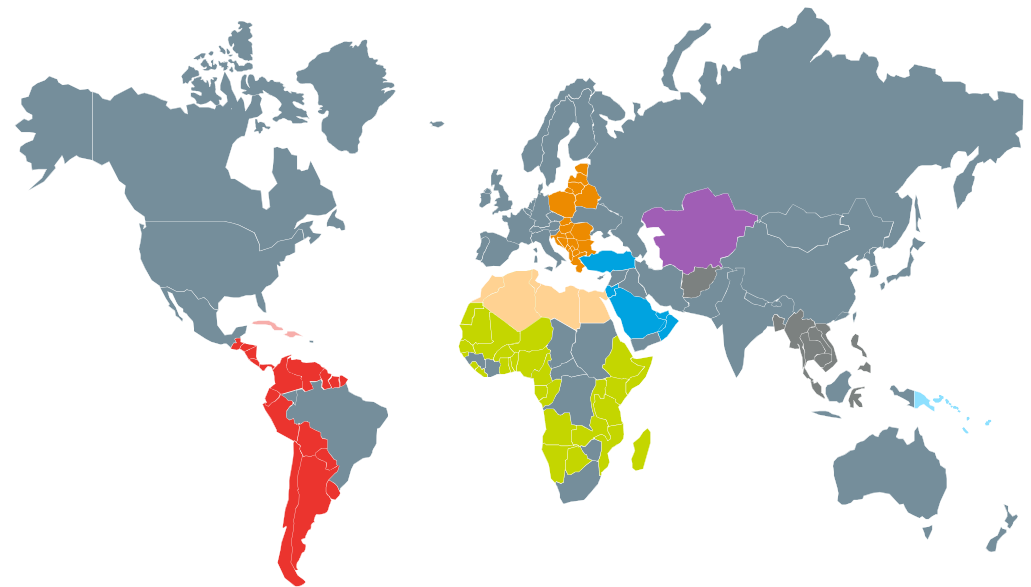


# INCHCAPE A NATURAL CONSOLIDATOR

## WELL PLACED GIVEN CAPABILITIES AND RELATIONSHIPS

### INCHCAPE'S CAPABILITY

- ✓ Proven **success in integrating** businesses
- ✓ **Financial capability** for larger deals
- ✓ Ability to build bolt-on contracts into existing regional structures, **leveraging scale**
- ✓ **Strong OEM relationships** enable the process
- ✓ Regional presence provides a seat at the table; higher likelihood given **Inchcape's footprint** in all regions
- ✓ **Ability to invest** against global returns





# OPPORTUNITY DISCOVERY PROCESS

## INCHCAPE STRUCTURED TO SOURCE DEALS EFFECTIVELY

### SOURCES FOR DEALS

#### OEM

- OEMs can drive deals
- OEM support required
  - Inchcape **strategic advantage** given focus on relationships

#### THIRD PARTY DISTRIBUTOR

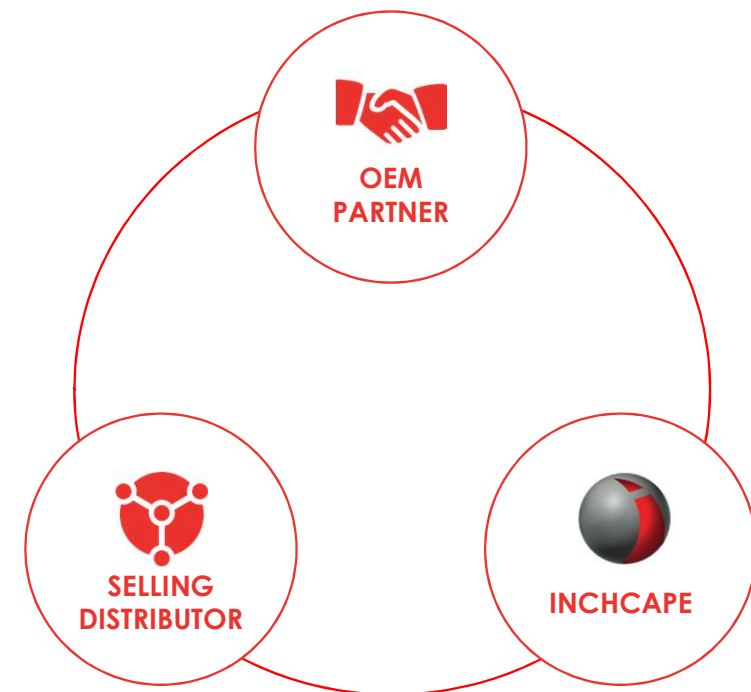
Typically involves relationship building as mostly **family-run**

### INCHCAPE SET UP:

**Central** M&A execution and origination team

**Regional** origination capabilities and focus

- Inclusion in regional objectives and targets
- Strategic advantage given regional presence
- 'Eyes and ears' on the ground



# TYPES OF OPPORTUNITIES

## COORDINATED STRATEGY TO CREATE OPTIMAL PORTFOLIO

### CONSOLIDATION OPPORTUNITY

#### PLATFORM DEALS

e.g. South America (Indumotora)

- ✓ Create a **strong platform** for future opportunity in a particular geography; Strategic value
- ✓ Enhances **global scale** leverage
- ✓ Acquisition price reflective of **business strength** and **strategic opportunity**
- ✓ Larger profit base acquired; **immediately earnings enhancing**
- ✓ **Strong financial capability** given annual FCF generation as well as strong balance sheet to access additional funds if required

#### SMALLER SCALE / BOLT-ONS

e.g. BMW Estonia

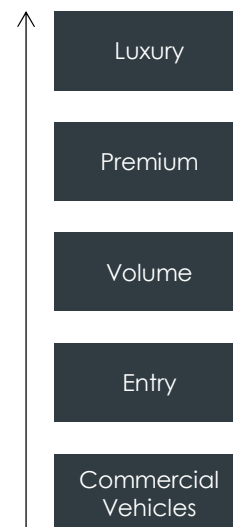
- ✓ **Leveraging existing regional infrastructure** and knowledge makes deals attractive; incremental market share drives profit at low risk
- ✓ **Strategic benefits** even with smaller contracts
- ✓ Optimal market structure includes **brand exposure across the consumer spectrum**
- ✓ Price often reflective of physical asset value; **limited financial resource requirement**
- ✓ Near-term earnings accretion limited but opportunity to achieve **strong returns over time**
- ✓ Transformative deals intended to drive bolt-ons

# SCALING ACROSS SEGMENTS OPTIMISES VALUE

## TARGETING DIFFERENT CUSTOMERS WITHIN A MARKET

- ✓ Target non-competing brands across the consumer spectrum, including commercial vehicles
- ✓ Maximises leverage through each market's back-end infrastructure and Inchcape Group's knowledge of market
- ✓ Look at product pipeline and positioning against each market for relevance and attractiveness
- ✓ Not purely focused on premium
- ✓ Wealth creation in EM makes affordable brands attractive

**OPTIMAL PORTFOLIO:**  
COVERAGE ACROSS THE  
SPECTRUM WITH NON-  
COMPETING BRANDS



### HONG KONG EXAMPLE

#### PASSENGER VEHICLES



#### COMMERCIAL VEHICLES

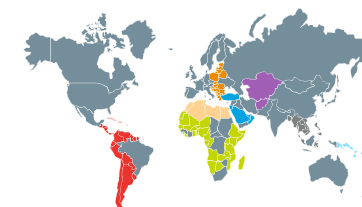


**Supports higher than average margins**

Complementary brands

# INCHCAPE'S OPPORTUNITY HEAT MAP

## GLOBAL STRATEGY MAPPED OUT



REGION	PLATFORM DEALS	SMALLER-SCALE/ BOLT-ONS	DISTRIBUTION MARKET SIZE (TIV)	TIV GROWTH CAGR	INCHCAPE SHARE OF DISTRIBUTION MARKET
Latin America			1M	4%	3%
Asia Pacific			3M	3%	4%
Africa and Middle East			3.5M	6%	0.1%
Eastern Europe			2M	6%	2%

Low  
opportunity



High  
opportunity



Significant value creation  
through even a small  
increase in consolidation

# SCREENING PROCESS

## RIGOROUS TRANSACTION CRITERIA FOR ALL ACQUISITIONS

### RIGHT MARKETS

- Good **economic** management
- Long-term **market growth** trajectory
- Strong underlying structural **growth drivers**
- **Political** environment

### RIGHT OPERATIONS

- **Profitability, market share** and **opportunity**
- **Investment** requirements
- **Complexity** of the business (i.e. non-core assets)
- Management and **employee** strength (and retention)
- **Opportunity to scale** in market with other brands
- **Strategic benefit** to the wider group



### RIGHT BRANDS FOR THE MARKET

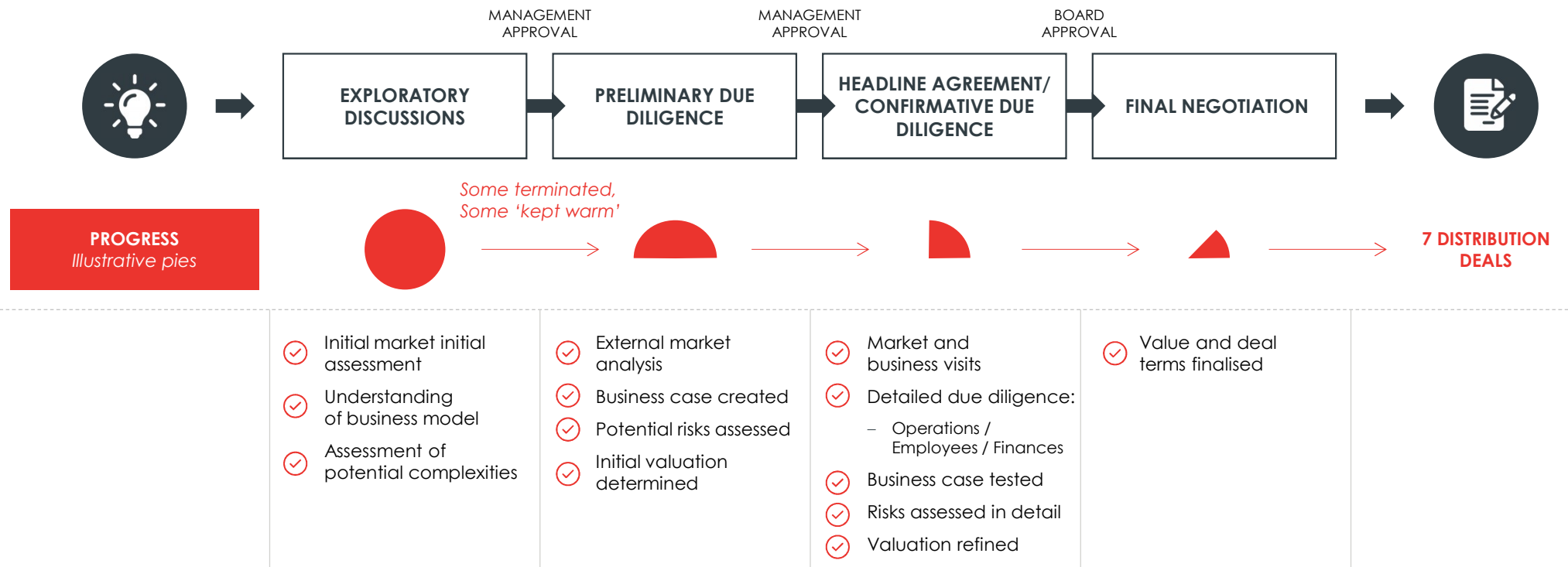
- **Product** and price offering
- **Complementary** for the existing portfolio
  - Build-up across consumer spectrum

### RIGHT EXPECTED RETURNS

- For **larger deals, Project-WACC** targeted in years 2-4 vs. Group WACC of c.8%
- **Bolt-on deals** can be goodwill- free
  - **Very high returns**

# ACTIVITY PROGRESSION OVER LAST 24 MONTHS

## SELECTIVE AROUND DEALS THAT PROGRESS



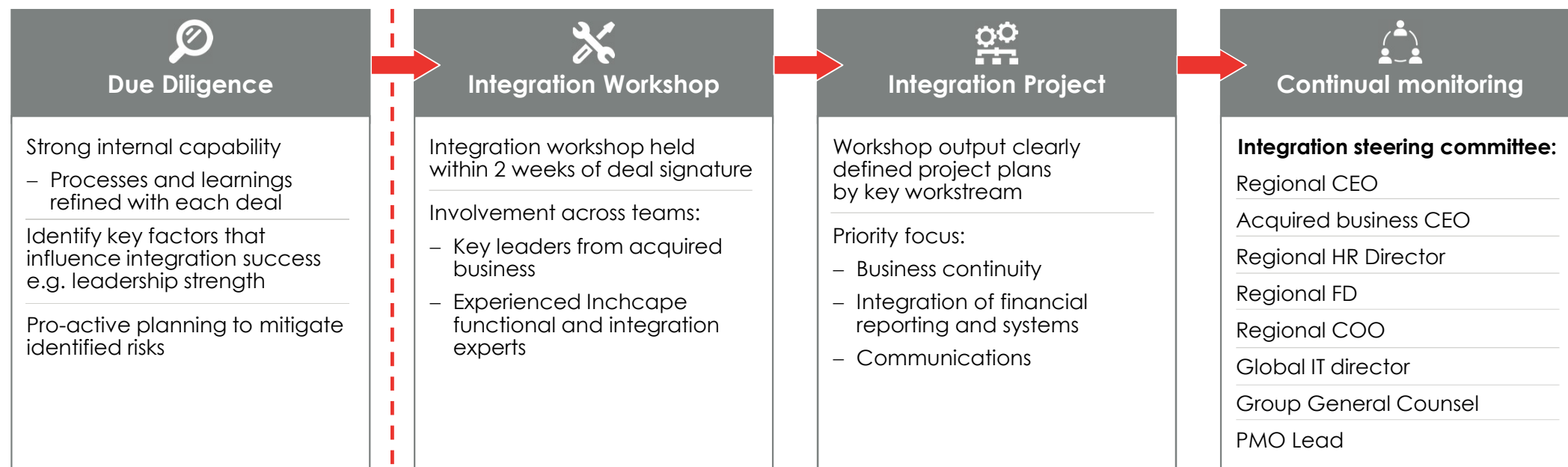


# INTEGRATION PLANNING ROADMAP

## HIGH IMPORTANCE TO ENSURE BUSINESS CONTINUITY

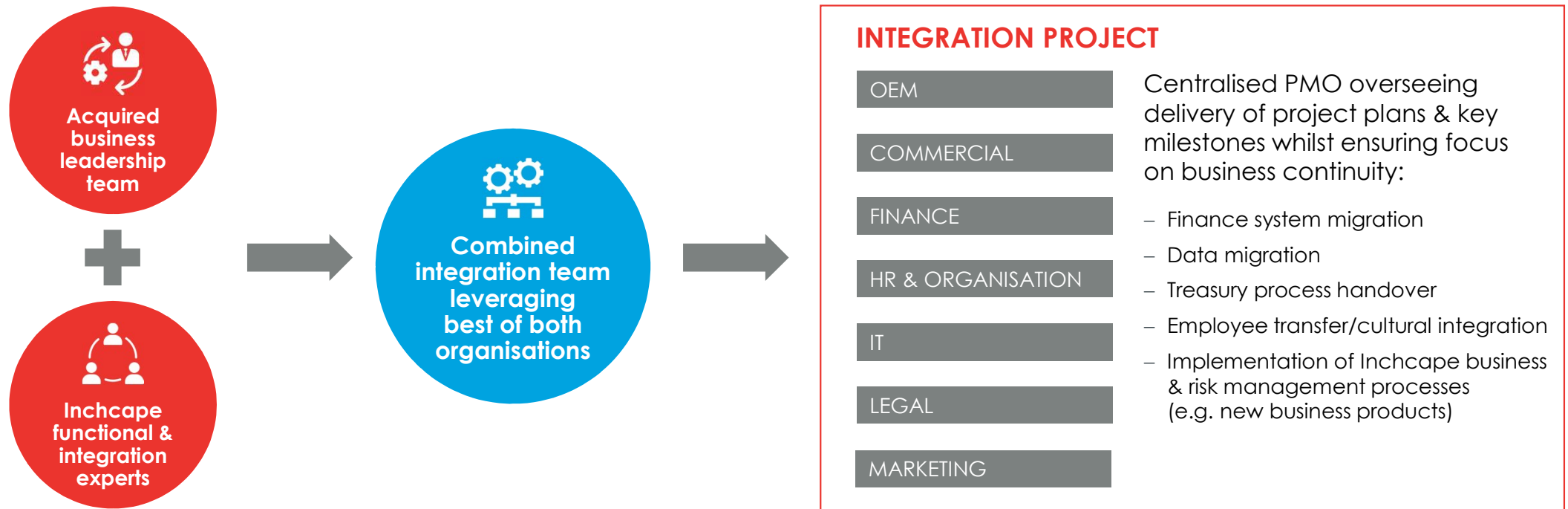
### PRE-DEAL PREPARATION

### POST-DEAL EXECUTION



# INTEGRATION DELIVERY

## CREATING ALIGNMENT AND FOCUS TO DELIVER DEAL VALUE



# SUCCESS OF STRATEGY TO DATE

## 7 DISTRIBUTION DEALS IN THE LAST 24 MONTHS



### THAILAND CONTRACT WIN - 2016

**Jaguar Land Rover:** Thailand

2017: OEM award recognising growth in 2017

### ESTONIA ACQUISITION - 2017

**BMW:** Estonia

Performing in-line with expectations

### AUSTRALIA CONTRACT WIN - 2017

**Peugeot Citroen:** Australia

2H17: +75% volumes under Inchcape

### SOUTH AMERICA ACQUISITION – 2016 AND 2018 BOLT-ON

**Subaru:** Chile, Colombia, Peru, Argentina

2017: Double digit volume growth across the markets; record sales in Chile, Colombia, Peru

**Hino:** Chile, Colombia

2017: 1000+ Hino trucks sold through Chile

**Suzuki:** Argentina

2017: almost doubling market share

**JLR:** Colombia (2018 bolt-on)

### GUAM CONTRACT WIN - 2018

**BMW:** Guam

First BMW Distribution contract in Asia for Inchcape

### CENTRAL AMERICAS ACQUISITION - 2018

**Suzuki:** Costa Rica, Panama

Entry into Central America

Increase in Suzuki partnership

**Chinese OEMs:** Enhanced relationship

# BMW ENDORSEMENT VIDEO



## PARTNERSHIP FOR 28 YEARS



## GLOBAL PRESENCE



Peru



Chile



Estonia



Guam



Latvia



Australia



UK



Russia



Poland



## NEW BUSINESS

### ESTONIA - BOLT-ON DEAL (2017)

- Consolidates our existing presence in Latvia for BMW
- First BMW-supported acquisition in 10+ years

### GUAM - BOLT-ON DEAL (2018)

- First BMW contract in Asia for Inchcape





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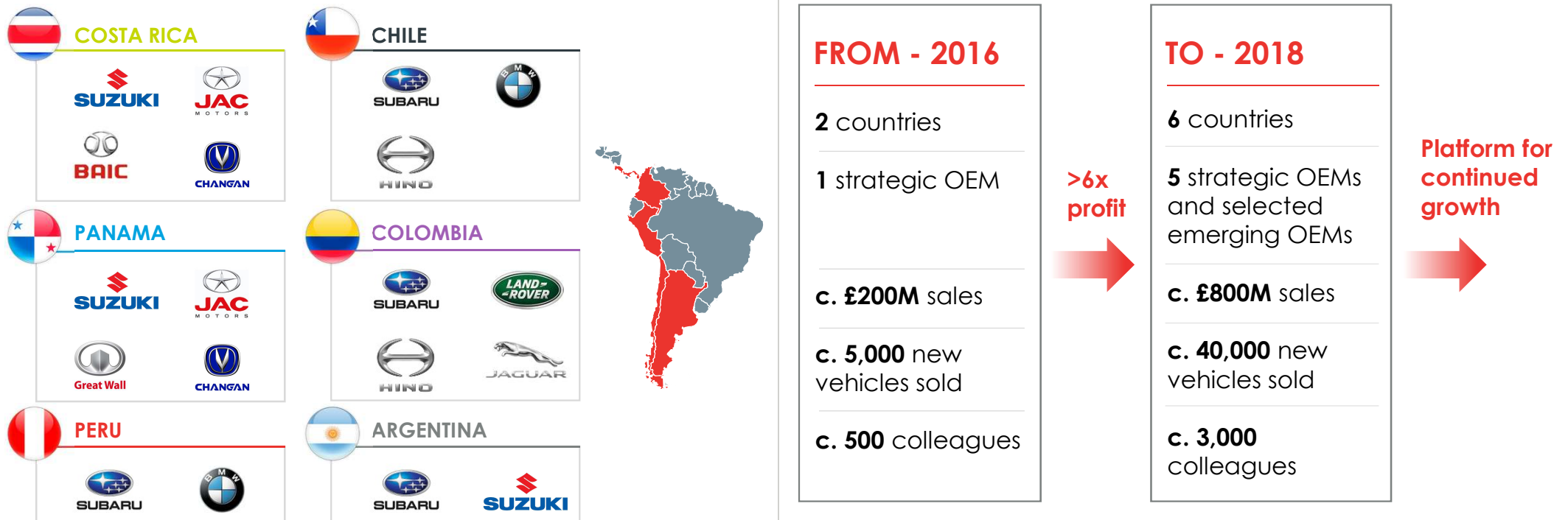
# CONSOLIDATION IN ACTION

## CASE STUDY: LATIN AMERICA

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# LATIN AMERICA PLATFORM ESTABLISHED

## 3 DEALS GIVES US SIGNIFICANT PRESENCE



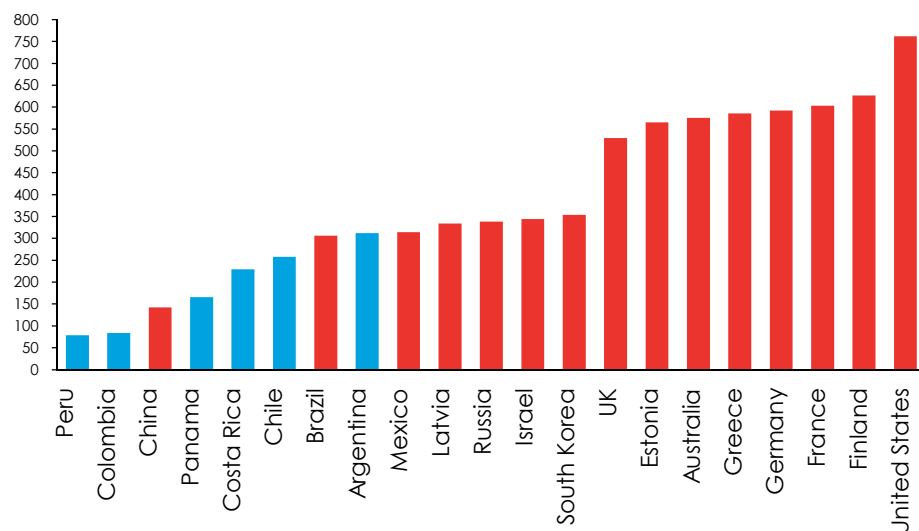


# ENHANCING GROWTH OUTLOOK

## SOLID FUNDAMENTALS IN MARKETS ACQUIRED

### STRUCTURAL GROWTH OPPORTUNITY

#### PASSENGER AND LIGHT COMMERCIAL VEHICLES PER 1,000 CAPITA



Source: BCG analysis, BMI

### TIV GROWTH

#### '18-'22 CAGR

	<b>COSTA RICA</b>	+5%
	<b>PANAMA</b>	+5%
	<b>COLOMBIA</b>	+5%
	<b>CHILE</b>	+2%
	<b>PERU</b>	+5%

# CREATING A REGIONAL PLATFORM

## CASE STUDY: INDUMOTORA

### PLATFORM DEAL

- £231m all-cash deal
- Meaningful expansion in South America.  
Drove:
  - 2 countries to 4
  - 1 key OEM to 4
  - **4x increase in South American profit**

### MARKET

- High growth markets
  - Chile, Colombia, Peru, Argentina
- Average TIV (18-22E): +4% CAGR \*

\* Excluding Argentina where Inchcape's presence is smaller

### OVERVIEW

- Meaningfully enhanced position in South America
  - Region with significant opportunity (organic and inorganic)
- Shifted Group further to higher growth markets and higher margins (FY17: 7.4% vs. Group 4.9%)

### BRANDS

- Predominately Subaru and Hino
  - Strong relationships and delivery in other markets
- Suzuki in Argentina
  - Enhanced relationship
- Brands complementary to existing BMW businesses in Peru and Chile

### PROCESS

- Family-run business
- Succession driven acquisition

### EXPECTATIONS/ RETURNS

- Acquisition price: 8.6x EBITDA (LTM)
- 11% target ROIC expected in year 2/3 vs. group WACC 8%
- FY17 EBIT delivery ahead of plan
  - £30m achieved
  - 8% accretive to Group

# SUBARU ENDORSEMENT VIDEO



## PARTNERSHIP FOR 25 YEARS



## STRONG BUSINESSES



Peru



Australia



Chile



Argentina



Colombia



New Zealand



## NEW BUSINESS

### INDUMOTORA – TRANSFORMATIONAL DEAL

- Enabled us to enter South America
- Expanded our relationship beyond Australia where we built a strong position for the brand
- Strong support for the Indumotora acquisition

# DEVELOPING KEY OEM PARTNERSHIPS

## CASE STUDY: RUDELMAN

### PLATFORM DEAL

- £201m all-cash deal
- Entry into Central America, meaningful build on South American platform
- Strategically enhanced relationship with Suzuki

### MARKET

- High growth markets
  - Costa Rica, Panama
- Average TIV (18-22E): +5% CAGR

### OVERVIEW

- Scale presence in two very attractive Central American markets
- Shifted Group further to higher growth markets and higher margins (FY17: 10% vs. Group 4.9%)
- Predominantly Suzuki business

### BRANDS

- Strategic expansion of partnership with Suzuki
  - Leading market shares in strategically important markets: # 2 in Costa Rica in 2017; # 5 in Panama in 2017
- A brand positioned for growth in the region
- Enhancement of presence with emerging Chinese brands

### PROCESS

- Family-run business
- Succession driven acquisition

### EXPECTATIONS/ RETURNS

- Acquisition price: 9.1x EBITDA (LTM)
- 11% target ROIC expected in years 3 to 4
- Year 1 earnings enhanceive:
  - Mid-single digit guidance

# RIGHT BRANDS FOR THE RIGHT MARKETS

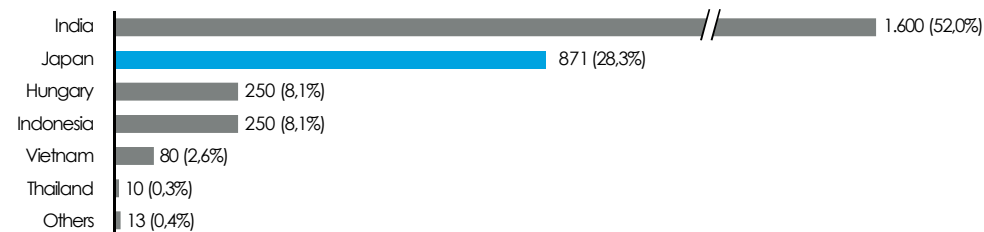
## SUZUKI ATTRACTIVE IN EMERGING MARKETS

### ATTRACTIVE FOR EMERGING MARKETS

- ✓ Suzuki has built and maintained strong market positions in Costa Rica and Panama
- ✓ Complementary for emerging markets
- ✓ Broad customer appeal driven by desirable, competitively-priced models defined by Japanese quality
- ✓ Line-up led by SUVs and small-engine compact cars, suited to local preferences
- ✓ Strong underlying customer base
- ✓ Strong product pipeline, with partnerships established to develop powertrains

### LOW COST ASSEMBLY

Assembly Plants Production ('000)

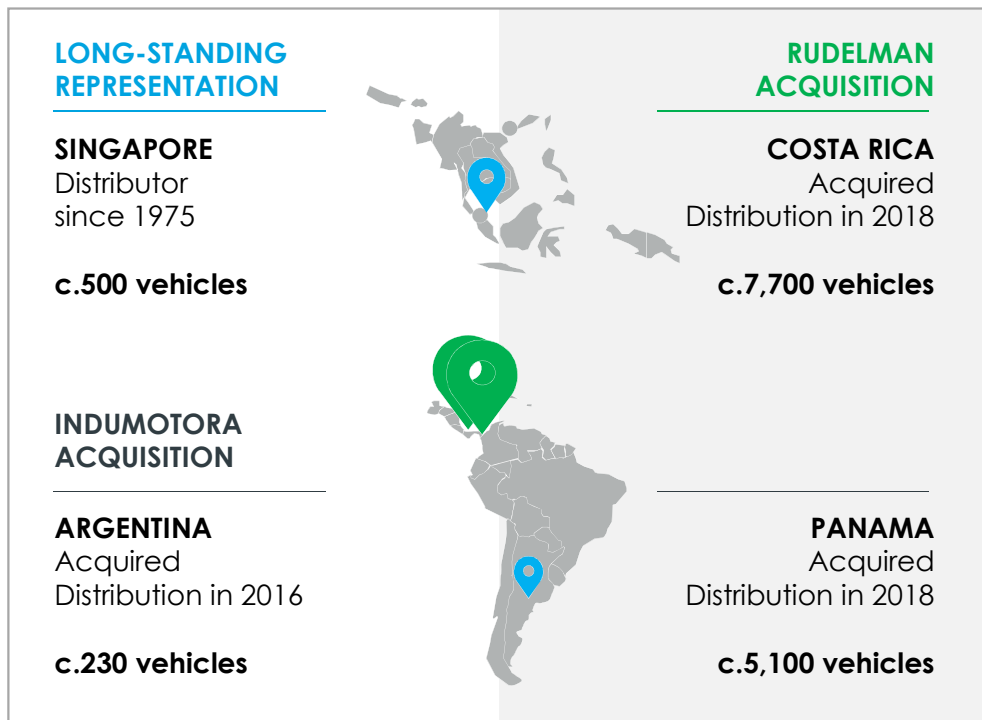


### SUZUKI MARKET POSITIONING

COUNTRY	MARKET POSITION	COUNTRY	MARKET POSITION	COUNTRY	MARKET POSITION
India	1	Indonesia	4	New Zealand	6
Bolivia	1	Peru	4	Croatia	6
Hungary	1	Panama	5	Greece	7
Costa Rica	2	Israel	5	Global	8
Chile	2	Slovakia	5	Colombia	9
Uruguay	2	Thailand	6	Ecuador	9
Japan	3	Philippines	6	Vietnam	10

# ENHANCED RELATIONSHIP WITH SUZUKI

## A COMPONENT OF RUDELMAN'S STRATEGIC VALUE



### STRATEGIC OEM RELATIONSHIP

- Rudelman acquisition enhances our relationship with this key brand
- Develops the spectrum of our key OEM product portfolio
- **PARTNER OF CHOICE IN ACTION**





# CHINESE OEMS: FUTURE PROOFING

## ACQUISITIONS HAVE ESTABLISHED SOME KEY RELATIONSHIPS

### LONGER-TERM PARTNER PORTFOLIO CONSIDERATIONS

- Chinese brands added to the Inchcape portfolio; relationships being established
- Complementary pick-up truck line ups
- EV powertrain investments
- Focus on longer-term evolution of the industry
- Chinese brands don't have an established route to market; opportunity for Inchcape



- Primarily a commercial vehicle manufacturer
- Strong range of passenger vehicles, including SUVs
- Large footprint in other South American markets



- 3 million units globally in 2016 - one of China's 'big four'
- Plan to stop selling non-electric cars from 2025
- Recent £60bn factory investment



- China's largest SUV and pick-up producer
- Significant R&D capabilities
- Launched first EV in May 2017



- BAIC ranked no.137 of Global Fortune 500 companies
- Investing heavily in new powertrain development, multiple EV R&D centres globally

**Relationship established with Rudelman and Indumotora**

# JLR COLOMBIA: BOLT-ON SUCCESS

## DEMONSTRATING THE PLATFORM BUILD OPPORTUNITY

### BOLT-ON DEAL

- No payment for contract
- Brings existing OEM relationship into a new market
- Leverages the scale built through a transformational acquisition

### NEW CONTRACT WIN

- JLR retail in Bogota, 90% of JLR's sales
- Exclusive Parts distribution across Colombia
- Complementary to Subaru, Hino and Chinese brand presence in Colombia

### BUILDING PRESENCE IN COLOMBIA



















### BUILDING JLR PARTNERSHIP



- |                       |           |
|-----------------------|-----------|
| Colombia (since 2018) | UK        |
| Thailand (since 2016) | Australia |
| Hong Kong             | Russia    |
| Macao                 |           |
| Estonia               |           |
| Latvia                |           |
| Lithuania             |           |
| Finland               |           |

# LATAM: CONTINUED BUSINESS OPPORTUNITIES

## SEGMENT COVERAGE MATRIX DEMONSTRATES POTENTIAL

MARKET	SUBARU	HINO	SUZUKI	BMW	JLR	CHINESE BRANDS
Costa Rica						
Panama						
Peru						
Chile						
Colombia						
Argentina						

### OPPORTUNITY TO:

- Supplement strong organic growth with new organic opportunity
- Gap analysis
- Expand brand exposure in existing markets
- Leverage regional strength to move into further adjacent markets
- Latin America become increasingly more meaningful in the Inchcape mix



Business pre 2016



Indumotora



Rudelman



New bolt-on business





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# CAPITAL ALLOCATION

## M&A AND BUYBACKS

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# FIREPOWER AND HEADROOM TO INVEST

## DISCIPLINED FOCUS ON INVESTMENT HURDLES

### FINANCING AVAILABILITY

Comfort to leverage to 1x net debt /EBITDA

- Would allow for at least c.£500m net debt position
- Replenished with excess cash per annum

### EARNINGS ACCRETION

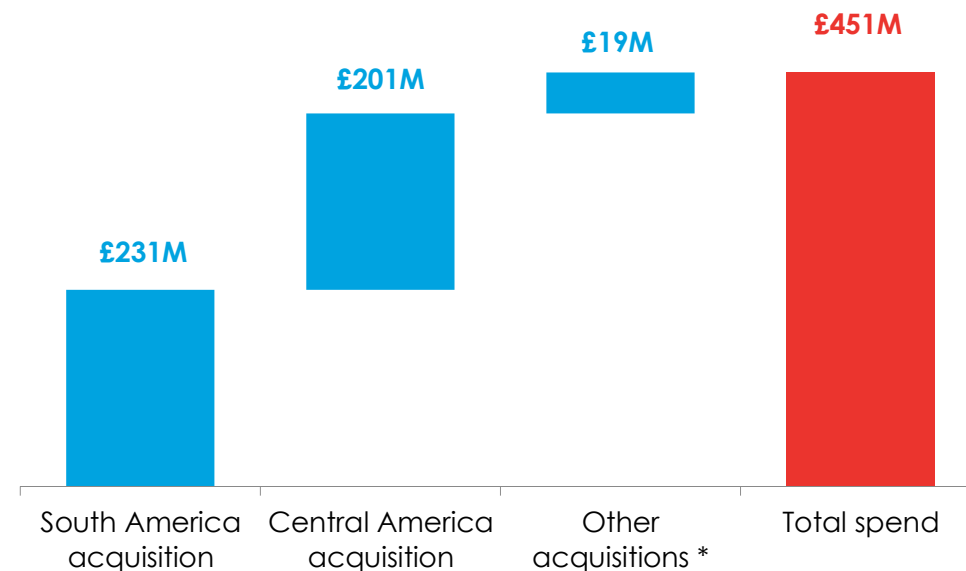
- Larger scale debt-funded deals in year 1
- Smaller deals dependent on circumstances

### RETURNS

- Project WACC determined for each project
- Target to hit project WACC around year 3

Note: \* Other acquisition spend includes spend on BMW Estonia, PSA Australia

### ACQUISITION SPEND SINCE 2016



# CAPITAL ALLOCATION

## EVIDENCE OF DISCIPLINED ALLOCATION OF CASH

### CASH UTILISATION PRIORITIES



**Excess cash post capex,  
working capital, dividend**



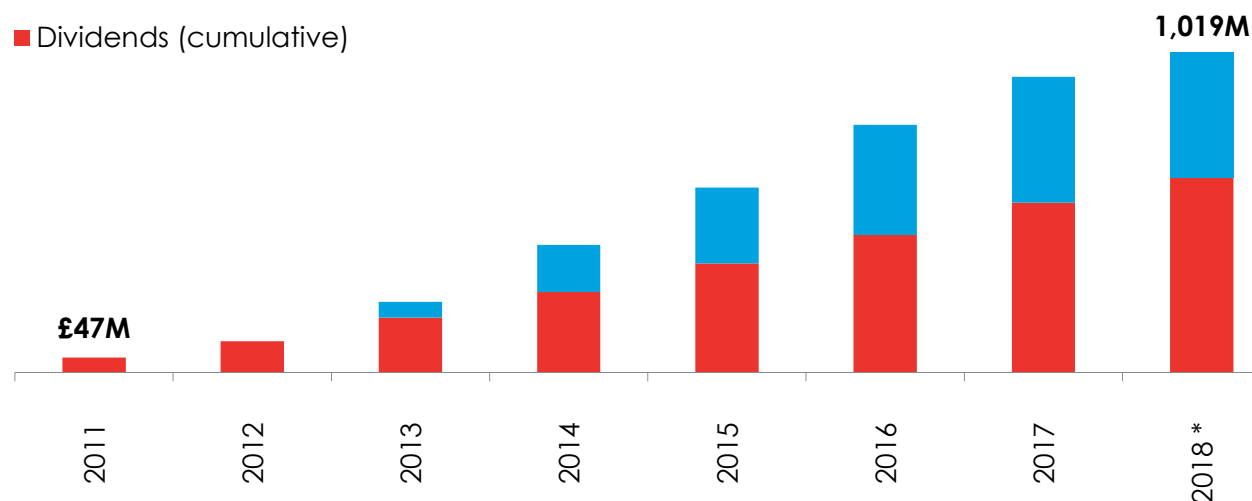
**Value-accretive M&A  
opportunities**



**Remaining excess FCF  
distributed through buybacks**

### CUMULATIVE CASH RETURNS

■ Share buyback (cumulative)  
■ Dividends (cumulative)



Note: \* 2018 cumulative cash returns inclusive of 2017 final dividend



# MULTI-LAYERED PROFIT GROWTH: STRATEGIC OPTIONS



## STRATEGIC OPTIONS

Strong balance sheet and 60-70% FCF conversion

### M&A / CONTRACTS WINS

Large consolidation opportunity  
c.£500m spent over last 2 years

### BUYBACKS

Excess cash returned to shareholders  
£400m returned to shareholders since 2013



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# FUTURE TRENDS AND OPPORTUNITIES

## POSSIBILITIES TO STRENGTHEN BUSINESS

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# INDUSTRY TRENDS

## PRESENTING OPPORTUNITIES



### INDUSTRY TREND



**Digitisation**



**Powertrain  
Electrification**



**Autonomous  
Vehicles & Mobility**

### ADVANTAGEOUS BUSINESS ATTRIBUTES

- ✓ **Greater control** of response to trends as the 'OEM in market' operating across the value chain
- ✓ Exposure to **less developed markets** with lower vehicle penetration and less developed infrastructure – further behind the curve with more net vehicle growth to go
- ✓ **Strong portfolio** with OEMs investing in R&D ahead of the industry
- ✓ Business **opportunities** presented

# BERTRAND MALLET



**Bertrand Mallet**

**Chief Development  
Officer**

10 years at Inchcape

Previously at  
Disney, Bain

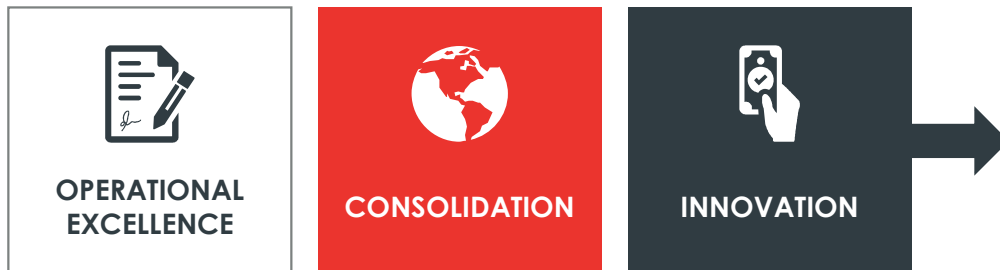


# DIGITISATION: EXAMPLE OF INNOVATION

## ENSURING WE LEAD IN CUSTOMER EXPERIENCE



### GROWTH OPPORTUNITIES



- ✓ A period of change in the Automotive industry
- ✓ OEM partners looking for those with solutions for the downstream side of their business
- ✓ Development of strong digital solution will strengthen Inchcape as the partner of choice
- ✓ Strengthens consolidation opportunities

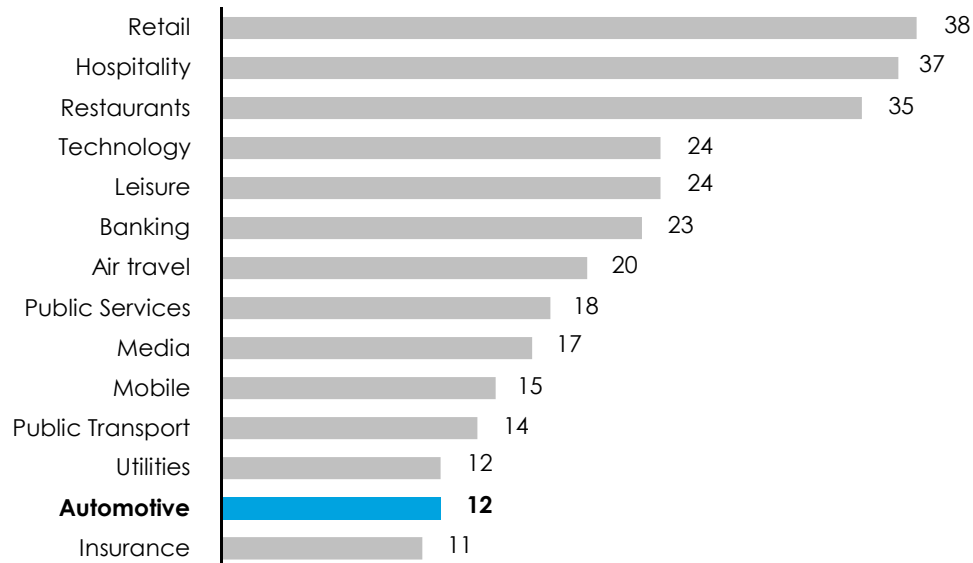
# INDUSTRY NOT KNOWN FOR THE BEST EXPERIENCE

## CUSTOMERS DESIRE A DIFFERENT EXPERIENCE



### INDUSTRY LACKS CUSTOMER TRUST

Survey: Sector customer experience score \*



Source: Engine study; \* Sample of 1,024 surveyed, 2015

### WE HAVE A CLEAR UNDERSTANDING OF CUSTOMER DESIRES



FRIENDLY AND OPEN



FAST AND SIMPLE



CLEAR AND TRANSPARENT

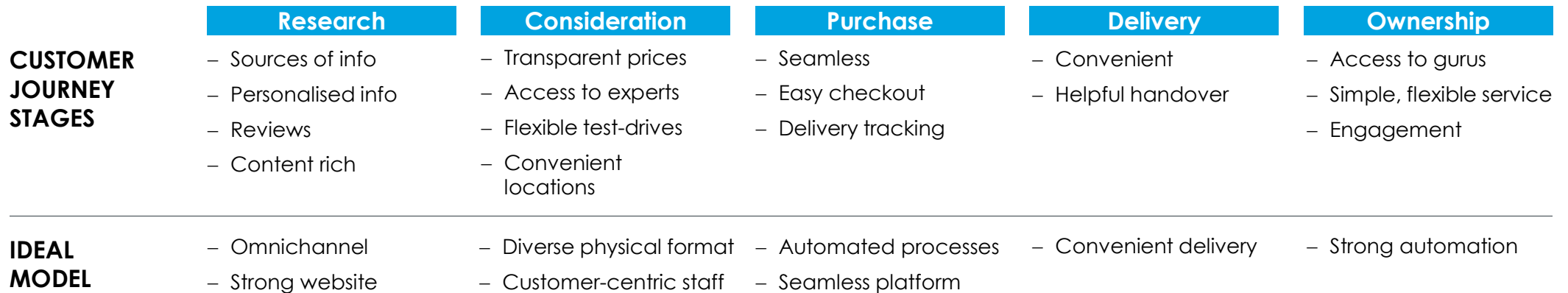


WHENEVER AND WHEREVER



TAILORED FOR YOU



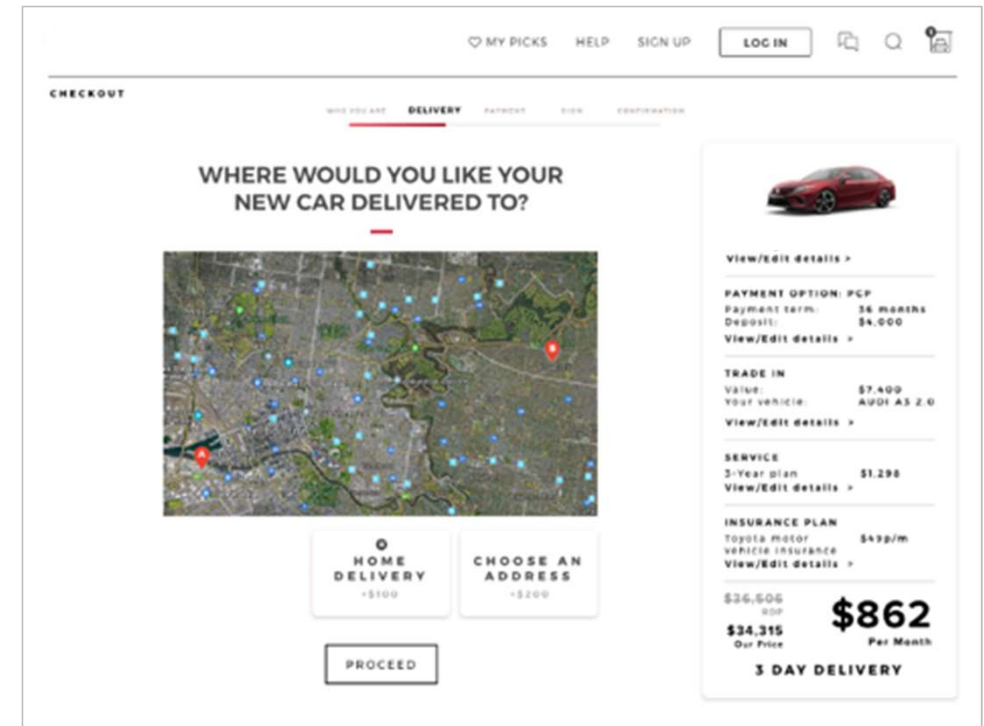
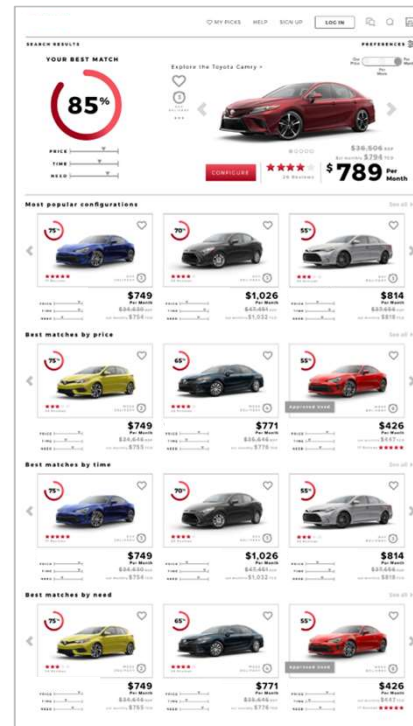


# CUSTOMER-CENTRIC, OMNI-CHANNEL MODEL BEING REFINED AND LAUNCHED IN FIRST MARKET



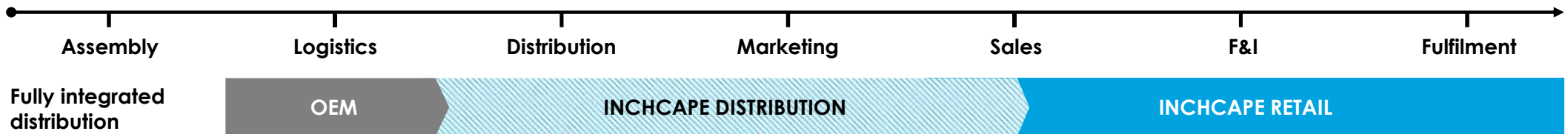
## PILOT FOCUS

- ✓ Integrated omni-channel platform
- ✓ Customer-centric sales staff
- ✓ Data analytics and automation
- ✓ Optimised store formats
- ✓ Building for global scale



# FULLY INTEGRATED COMPETITIVE ADVANTAGE

## INCHCAPE CAN MOVE QUICKER WITH FULL CONTROL



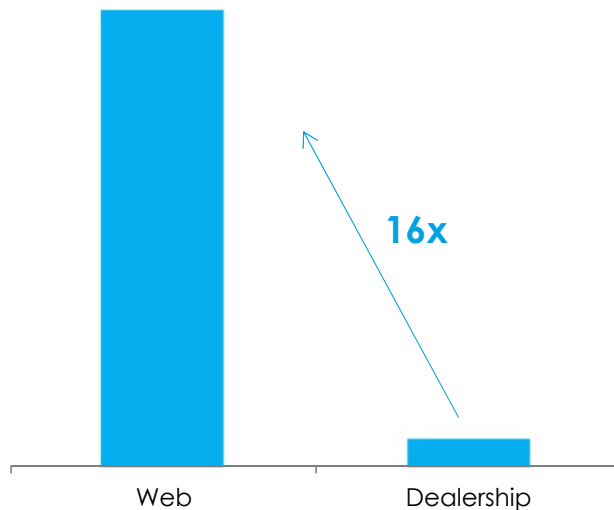
- Inchcape has a **clear advantage** with both Distribution and Retail capability
- **Partnerships with OEMs** means we can develop the model alongside them to ensure optimal success
- **Fully integrated markets** (where Inchcape directly operates all retail sites) provides an opportunity to move at speed and with control
- **Well positioned** to move now, not just future focused

# THINKING MOBILE FIRST

## ENHANCING OUR DIGITAL CAPABILITIES



### NUMBER OF VISITS



### THE WEB IS OUR FLAGSHIP

- Our customers are mobile first - treating our Digital dealership as our Flagship
- To be successful we must be data driven and have strong digital & analytical skills
- These skills are the foundation to being successful in the future development
- Digital gives us the opportunity to develop depth of expertise, delivering excellence consistently at scale

### FOCUS AREAS:

- Data analytics
- Website performance
- Search Engine Optimisation
- Mobile focus

# CASE STUDY: SINGAPORE SEO

## BENEFITING THE BRAND POSITIONING



### SEO (SEARCH ENGINE OPTIMISATION)

- **Training and new tools** used to optimised web content for search
- Better visibility has **increased our share of voice** in searches for Toyota
  - Increased traffic to Inchcape websites
  - Drove down the visibility of parallel importers

### EXAMPLE: SEARCH OF TOYOTA'S MOST POPULAR 10 CARS

**February:** Inchcape content first result for **5** out of the 10 car searches



*Search improvements*

**April:** Inchcape content first result for **8** out of the 10 cars searches

Keyword	Monthly Search Volume	Blended Rank Apr 01, 2018
Toyota C-HR	9,900	1
Toyota Sienta	5,400	6
Toyota Wish	4,400	1
Toyota Harrier	2,900	1
toyota prius	2,900	1
toyota altis	2,900	1
Toyota Vios	2,900	1
Toyota Alphard	2,400	1
toyota hiace	1,900	1
toyota camry	1,900	Not Ranked

**Top result in a search  
generates significantly  
higher click-through**

# CONSOLIDATION AND INNOVATION

## RUDELMAN VIEW ON INCHCAPE'S DIGITAL STRATEGY



### YOAV RUDELMAN

**PREVIOUS OWNER OF RUDELMAN/ CURRENT CEO FOR COSTA RICA AND PANAMA**

- ✓ Rudelman had made good progress in the digital journey, particularly in CRM
- ✓ However, as a family-run business, did not have the depth of resource necessary to implement a full end-to-end solution
- ✓ To now be part of an organisation that is using its scale to develop and refine an end-to-end, omni-channel customer experience solution, is truly exciting
- ✓ Family-run businesses are more resource constrained, but also sometimes constrained in making business change decisions
  - Inchcape has a clear advantage
- ✓ This clear strategic advantage for Inchcape was another reason that Inchcape was the right partner for us to join





# ELECTRIFICATION AND AUTONOMOUS

## NEUTRAL TO INCHCAPE AND POSSIBLE OPPORTUNITIES



### INDUSTRY TREND

### ADVANTAGEOUS BUSINESS ATTRIBUTES



Digitisation



Powertrain  
Electrification



Autonomous /  
Shared Mobility



Exposure to less developed markets with lower vehicle penetration and less developed infrastructure – further behind the curve with more net vehicle growth to go



Greater control of response to trends as the 'OEM in market' operating across the value chain



Strong portfolio with OEMs investing in R&D ahead of the industry



Business opportunities presented

# ELECTRIC VEHICLES

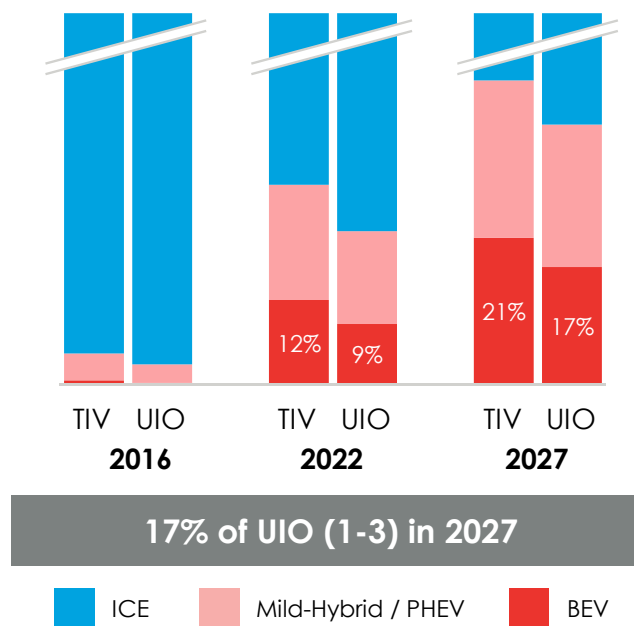
## PENETRATION OF UNITS ON THE ROAD SLOW



- ✓ Change in powertrain does not alter the Distribution business model
- ✓ Many Inchcape markets are much less likely to develop the required infrastructure in the medium-term
- ✓ Even in more developed markets with likely greater infrastructure investment UIO (Units in Operation) of the 1-3 year total car parc will very gradually increase

**Any aftersales impact from fewer parts is limited by the slow evolution of EV penetration of cars on the road**

### DEVELOPED MARKET EV PENETRATION



**INCHCAPE HAS EXPOSURE TO LESS MATURE MARKETS**

Source: Beryll's Strategy Advisors

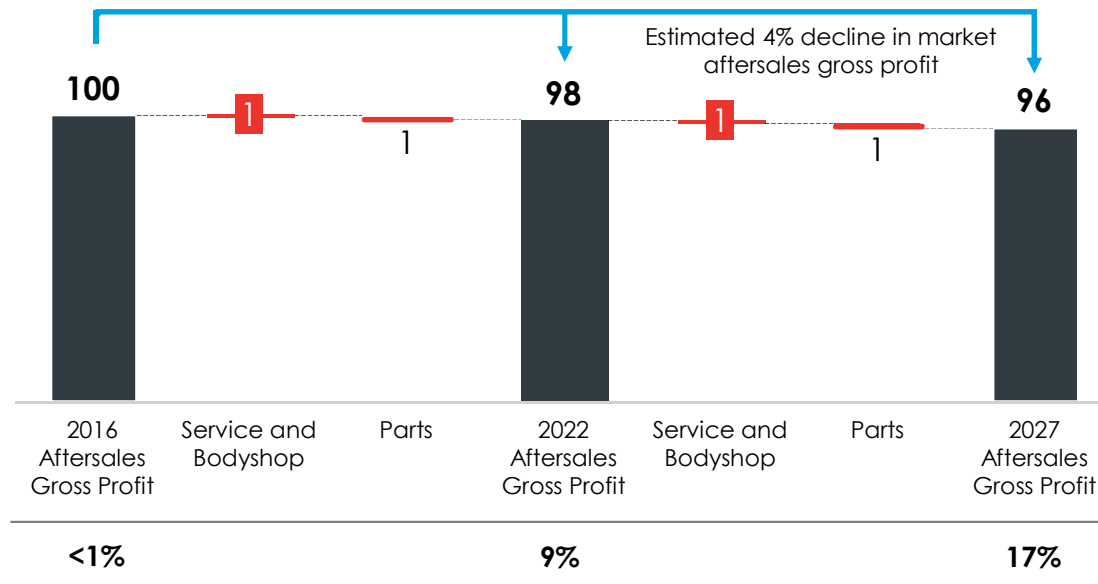
# AFTERSALES IMPACT NEUTRAL

## IMPACT ON AFTERSALES MANAGEABLE



### DEVELOPED MARKET EXAMPLE

Aftersales gross profit impact to 2027



Aftersales risk to the Group is limited and offset by both the penetration rate and the lag to car parc

Confident can offset marginal headwind through:

- Manageable (c.5%) increases in service retention rates
- Higher retention of EV customers as tech is new

Already servicing EVs; have the knowledge

BATTERY ELECTRIC  
VEHICLE UIO (1-3)

Source: Beryll's Strategy Advisors

# EV PRESENTS OEM OPPORTUNITIES

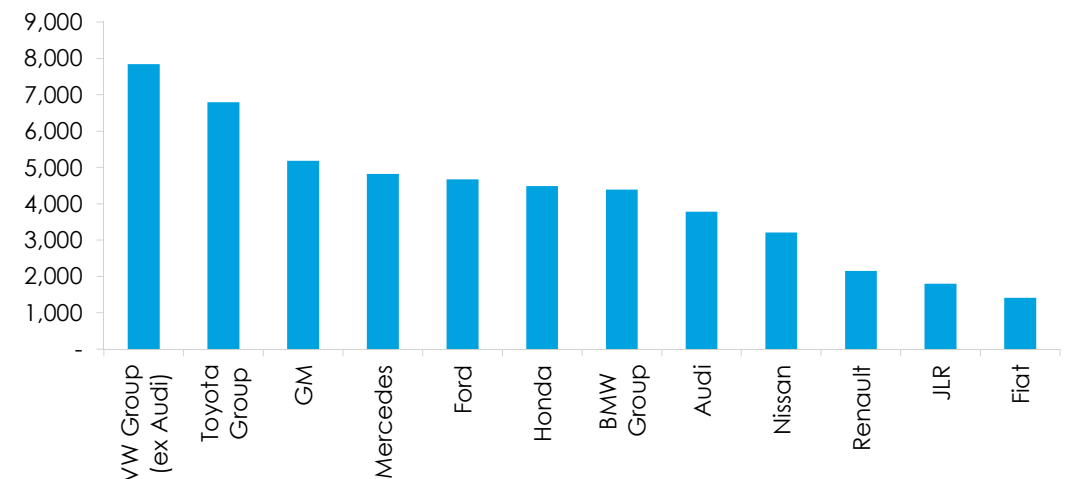
## WELL POSITIONED FROM A BRAND PERSPECTIVE



### MORE MEANINGFUL OPPORTUNITY WITH BRAND WINNERS

- ✓ We are very well positioned in terms of **brand partners who continue to out invest** competition (R&D spend)
- ✓ Smaller Inchcape portfolio brands have R&D agreements with larger OEMs
- ✓ **As new EV players emerge it creates opportunities for Inchcape given our strong global capabilities**  
– we are investing in these partnerships now

### OEM R&D SPEND 2016 (£M)



**ELECTRIC VEHICLES PRESENT SHARE OPPORTUNITY  
WITH THE RIGHT BRAND PARTNERSHIPS**

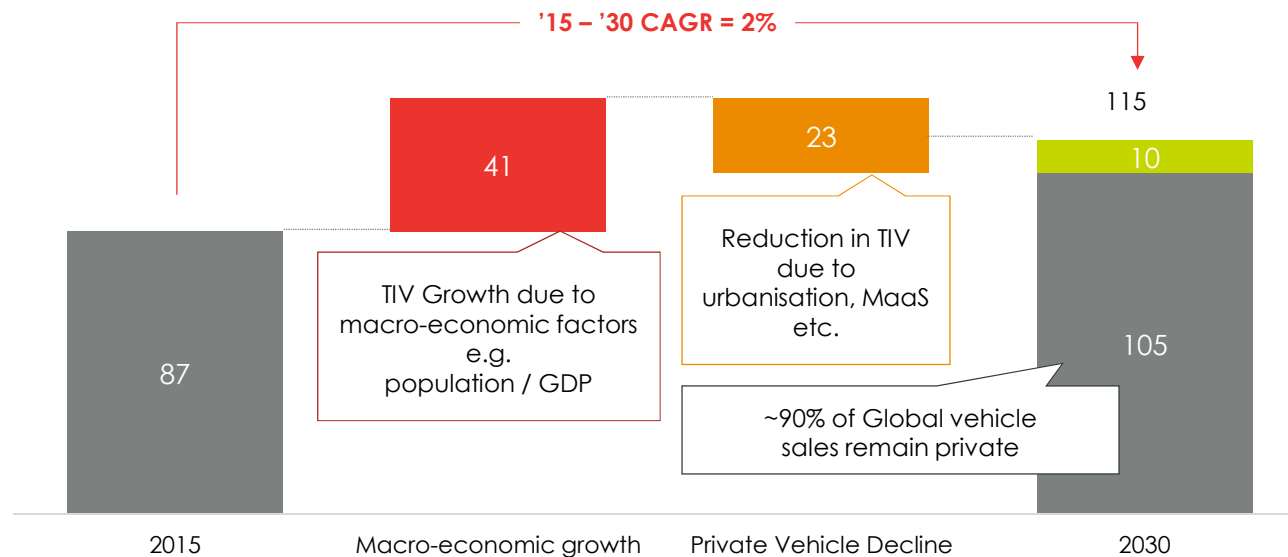
# AUTONOMOUS VEHICLES / MOBILITY

## MAJORITY OF VEHICLES WILL REMAIN PRIVATELY OWNED



**Current & Future annual vehicle sales,**  
Million Units

■ Private Vehicles   ■ New Shared Vehicles  
■ TIV Growth   ■ Private Vehicle Decline



- ✓ Urban-focused phenomenon
- ✓ Will drive increased shared mobility and lower private vehicles in some markets
- ✓ However, global penetration still driven by macro-economic growth in less developed markets
- ✓ Increased demand for shared mobility fleets

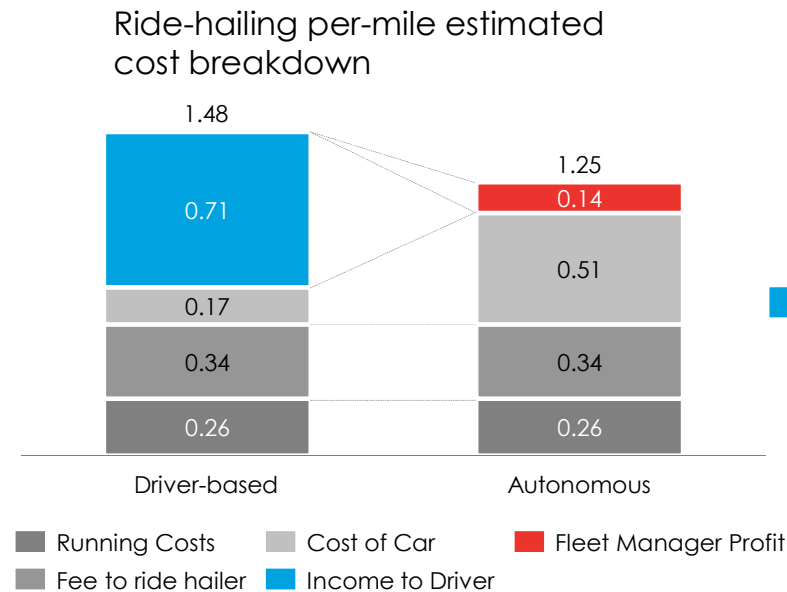
Sources: McKinsey, "Automotive revolution – perspective towards 2030" (Jan 2016)

# NEW PROFIT POOLS MAY EMERGE

## EMERGING BUSINESS OPPORTUNITIES



- ✓ Inchcape already supplies vehicles to fleets, including Uber
- ✓ Inchcape has a strong capability and history in fleet management services, as well as some fleet ownership
- ✓ Opportunity to participate in incremental business opportunities



### Incremental profit opportunity

New B2B business model opportunity

Not cannibalistic

Limited investment

## SHARED MOBILITY AN OPPORTUNITY FOR INCHCAPE

Source: Goldman Sachs analysis



# INDUSTRY TRENDS: GREATER OPPORTUNITY

## DEVELOPMENTS THAT ALLOW US TO STRENGTHEN OUR BUSINESS



### INDUSTRY TREND



**Digitisation**



**Powertrain  
Electrification**



**Autonomous /  
Shared Mobility**



### ADVANTAGEOUS BUSINESS ATTRIBUTES

- ✓ Opportunity to strengthen our route to market
- ✓ Further demonstrates Inchcape's commitment to OEM partner of choice
- ✓ Net neutral impact on Aftersales profit
- ✓ Potential new OEM partners
- ✓ Low vehicle penetration markets shield from reduced ownership
- ✓ Incremental opportunity through new B2B business models



POWERFUL MULTI-LAYERED GROWTH

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# THE INCHCAPE OPPORTUNITY

## MULTI-LAYERED INVESTMENT PROPOSITION

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# MULTI-LAYERED PROFIT GROWTH: EARNINGS AND CASH RETURN COMBINED



## ANNUAL RETURN CONSIDERATION

### ORGANIC GROWTH

#### MARKET DRIVERS

- Inchcape market growth expectations
- Supported by increasing exposure to EMs

#### OPERATIONAL EXCELLENCE

- Revenue stream optimisation
- Global cost efficiencies

### STRATEGIC OPTIONS

#### CONTRACT WINS/ M&A

- Strong balance sheet, annual FCF
- Large consolidation opportunity
- Actively shifting to higher growth, cash generative businesses
- Excess cash returned to shareholders

#### BUYBACKS

### DIVIDEND

- 40% payout ratio

### ATTRACTIVE TOTAL RETURN





POWERFUL MULTI-LAYERED GROWTH

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# CONCLUSION

DRIVING GROWTH THROUGH A FUNDAMENTALLY  
ATTRACTIVE BUSINESS MODEL

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# POWERFUL MULTI-LAYERED INVESTMENT PROPOSITION

## GROWTH AND CASH RETURNS



**Distribution at our core:** A highly cash generative and sustainable business model



Strong and increasing weighting to **high growth markets**



Ignite strategy driving **organic performance** ahead of market growth



Continued **consolidation** a material driver of value creation



**Sustainable business** model well placed to benefit from future industry developments

**Well positioned to deliver shareholder value through organic growth, consolidation and cash returns**





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Q&A

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# CLOSING REMARKS

## CHAIRMAN



**Nigel Stein**

Chairman



POWERFUL MULTI-LAYERED GROWTH

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THANK YOU

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