



NIGEL STEIN
CHAIRMAN

A LONG-TERM TRUSTED PARTNER

DEAR SHAREHOLDERS AND STAKEHOLDERS

I am pleased to report a year of good progress for Inchcape despite the continuing impact of the pandemic across our markets. This achievement reflected the hard work and ingenuity shown by Inchcape colleagues worldwide, who moved quickly to adapt to changing local circumstances while maintaining the Group-wide priorities of safety and customer service. I thank them most sincerely for their efforts.

One of the challenges faced in the year was the disruption to automotive supply chains caused by a shortage of components, particularly electronic chips, which progressively impacted OEM vehicle production. The inability of output to match recovering demand held back our sales but, combined with proactive management of appropriate discounts and product mix, led to better margins on both new and used vehicles.

Supply chain disruption seems likely to continue and we expect to have to live with a shortage of new vehicles well into 2022.

As well as achieving a pleasing financial out-turn, the Inchcape team took important strides during the year to improve the business for the future. This included significantly enhancing our digital capabilities to improve our omni-channel customer experience, to step-up our data analytics capability and to streamline our back-office processes. The latter is important to our ability to successfully integrate acquisitions, a key opportunity for future growth.

STRATEGIC PROGRESS

The new "Accelerate" strategy was launched with two key growth pillars: Distribution Excellence – building on the progress made through Ignite – and VLS, in addition to continuing our long-standing strategy of inorganic growth through new contracts and acquisitions. We believe this strategy, which is set out in more detail on pages 4 and 5, will put Inchcape ahead of the competition – offering OEM partners the most professional, international and digital distribution partner who they can trust to represent them in fast growing, developing markets.

In last year's report, I referred to the increasing pace of electrification of automotive drivetrains. That pace has accelerated and we are seeing that in several key markets OEMs with better electric vehicle (EV) offerings are gaining share. We continue to monitor the market closely and remain confident that Inchcape's OEM partners, whilst not always being "first to market", have the technology, capability and partnerships to bring long-term success.

We have been keen to partner more with winning Chinese brands who are expanding into international markets and were pleased to sign our first distribution agreement with Geely Auto in Chile, adding to our presence in that market. This, and other acquisitions announced during the year, will broaden the Group's profit base across different geographies reducing the historical reliance on Asia, Singapore and Hong Kong in particular.

Businesses in emerging markets often come with additional political risk which, as set out in the Group's Risk Management report, is part of the Inchcape business model of representing OEM partners in lower volume global markets. The Board carefully review the risk environment, and its risk appetite, when considering potential acquisitions.

Notwithstanding the sale of the St. Petersburg business during 2021, the Board continues to closely monitor developments in Russia to assess any impact on our business in that market.

BOARD

We were delighted that Nayantara Bali joined the Board in May, bringing to Inchcape her experience and insights of consumer markets in Asia. We believe the Board greatly benefits from having a Director based in that important region.

Till Vestring who has served on the Board for 10 years, will step down at the 2022 Annual General Meeting (AGM) having prolonged his tenure to help induct Nayantara during this time of Covid-19 restricted travel. We are indebted to Till for the farsighted and independent thinking he has brought to the Board and the excellent contribution he made in his time at Inchcape.

As announced in January 2022, I am also delighted that Sarah Kuijlaars has joined the Board as a Non-Executive Director. Sarah is currently Chief Financial Officer at De Beers plc. Further information is given in the Nomination Committee Report on page 75.

DIVIDENDS

Based on the strong financial performance for the year, and the unusual circumstances of last year, the Board paid an interim 2021 dividend at a higher level than its normal practice of one third of the prior year dividend. We intend to revert to the usual one third of prior year dividend calculation in future years.

The Group remains committed to a dividend policy which pays out 40% of net income per annum. We are now pleased to recommend a final dividend of 16.1p, bringing the total dividend for the year to 22.5p.

SHARE BUYBACK

The extremely strong cash generation of the Group also allowed us to restart a share buyback programme in August 2021 with a £100m buyback completed in February 2022.

Our cash allocation strategy of prioritising organic growth, dividends and bolt-on acquisitions, before returning surplus cash to shareholders, remains in place.

FUTURE PROSPECTS

In the next few months, performance seems likely to be restricted to some degree by continuing supply chain disruption and the potential impact of the continuing pandemic. The Board, however, remains very confident in the Group's medium and long-term prospects, based on the strength of its market positions and successful implementation of the Accelerate strategy.

Directors' approval of the Strategic Report

The 2021 Strategic Report, from pages 2 to 58, were reviewed and approved by the Board of Directors on 25 February 2022

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CHAIRMAN