



DUNCAN TAIT
GROUP CEO

AN OUTSTANDING BUSINESS WITH AN EXCITING FUTURE

I am pleased to report on a year of significant momentum for the Group. We've seen sharp recovery, made great strategic progress and, to a large extent, a return to some of the growth trajectory more familiar to a pre-Covid Inchcape.

Additionally in 2021, we launched our new strategy and our Responsible Business plan, which you can read more about below. In all, we can look back on 2021 as a year of significant recovery and progress that I am confident will prove to be a springboard to accelerated performance and growth in the years to come.

STRATEGIC DEVELOPMENT

In last year’s Report, I described how we were embarking on a new phase of the Group’s journey. With strong foundations in place following a period of growth and forward momentum, our new strategy is all about preparing the Group for the future and has Distribution Excellence and Vehicle Lifecycle Services (VLS) at its heart.

We have called our new strategy ‘Accelerate’, and it will build on our strong foundations through cutting-edge digital technology and smart use of data as described on page 13.

Over the past year, we’ve made progress in rolling out Accelerate across the Group. In particular, we’ve advanced our digital capabilities in a number of important areas.

Our omni-channel platform, (known internally as DXP for Digital eXperience Platform) offers customers a seamless, continuous customer experience, however they choose to interact with us. At the start of the year, the platform was available in just one country. During 2021 we’ve extended its availability to 27 markets, with 11 OEMs now live on the platform. The initial signs are very exciting with the platform driving significantly better sales conversion rates.

DXP is part of a wider platform that we’ve been further developing during the past year. It spans a host of digital capabilities that I believe can position Inchcape as the undisputed number one distribution partner of choice for OEMs. DAP (our Digital Analytics Platform) is another component of this wider platform. It provides advanced analytics and machine learning, leveraging our data and driving smarter, faster and better business decisions which results in improved performance across lead management, customer retention and pricing.

During 2021, we established two digital delivery centres (DDCs) as we embarked on our technological transformation. There are already over 500 ‘Inchcapers’ working in the DDCs, providing 24/7 services and solutions

which has significantly increased our internal digital delivery capability. In the year we also established our Global Business Services in partnership with Cognizant to manage the majority of our transactional finance operations and enable smarter business partnering within the finance function.

Collectively, these services are helping the Group to be more responsive and efficient, providing an ecosystem of connected technology – a ‘plug and play’ platform for our OEM partners that facilitates their preferred route to market. I firmly believe this platform can help us build a highly effective automotive distribution capability and service for automotive partners.

While Distribution Excellence is one cornerstone of our Accelerate strategy, the other is centred around VLS which has untapped potential for us across all our markets. This will be all about placing more emphasis on capturing the lifetime value of both customers and vehicles.

Specifically, we have developed an approach to maximising the opportunity presented by the second and third stages of a vehicle’s lifecycle – in other words, its life beyond the original sale as a new vehicle. We’ll do this by providing an aggregator service in markets where the service doesn’t already exist; something that fits with our well-established approach of building distribution businesses in small to medium-sized markets. Our omni-channel used vehicle platform, **bravoauto** is now ready to scale and is rolling out globally. This represents an exciting new opportunity for us, as does our digital parts platform which is at an earlier stage of development but will also accelerate during 2022.

BUSINESS DEVELOPMENT

In line with our focus on markets with high growth potential, we continued to further expand our distribution footprint, agreeing deals that will add annualised revenue of £200m. In addition to leveraging our existing geographic and brand footprint, these deals will give us access to new markets and brand partners.

In December 2021 we announced an acquisition of a distribution business in the Caribbean, a new territory for the Group, where we will distribute vehicles for Suzuki, Mercedes-Benz, Subaru and Chrysler – a new OEM brand partner in our portfolio.

Like businesses the world over, we faced some uncertainty at the start of the year because of the continued challenges brought by the pandemic. I am delighted to report, however, that we recovered well, adapted to new ways of working, and achieved a performance during 2021 that has exceeded expectations. It’s testament to the resilience of our business, and the determination and ingenuity of our people, that we performed ahead of the market and we emerged with great optimism for the future.

PERFORMANCE

The momentum we built coming out of the most severe restrictions of 2020 propelled the business to an excellent performance overall, thanks to the hard work of our thousands of colleagues around the world. Having joined the Group during the first year of the pandemic, seeing the resolve and resilience of our people left me in no doubt that we would quickly thrive again, and I am delighted to say this confidence was borne out in our results.

Revenues were £7.6bn, an increase of 12% on 2020 as we began our recovery to pre-pandemic levels. We delivered profit (before tax and exceptional items) of £296m, a 131% rise on the prior year and driven by both strong execution and higher vehicle gross margins. We were also highly cash generative in the year, booking free cash flow of £289m which has resulted in the further strengthening of our financial position.

We talked in our updates during the year about the global shortage of semiconductors which has affected manufacturers’ post-pandemic recovery. Although demand is high, there’s a significant impact on the supply of new vehicles and we are expecting constraints to continue well into 2022.

Despite the external challenges we have seen in 2021, our teams continued to deliver against expectations every day. They also continued to innovate at speed, to build our capabilities in digital, and to grow the business through acquisition and contract wins.

During 2021 we also signed a global strategic partnership with Geely (initially launching in Chile). We bolstered our presence in Guam with the acquisition of a distributor of commercial vehicles, and entered a number of new markets: Indonesia with Jaguar Land Rover; and Guatemala with Mercedes-Benz. Inchcape has now become Mercedes' largest distribution partner in Central and South America.

Inchcape is already the leading independent global automotive distributor, and we are extending this leadership with our investment in technological capability. Our 'plug and play' distribution platform will help drive both organic and inorganic growth within our current geographic footprint and even faster expansion in new markets, with both existing and new partners.

RESPONDING TO AN EVOLVING SECTOR

Our industry is changing rapidly, and it is clear that electrification will play an important role in the transformation of the mobility industry. In the second half of 2021, electric vehicle (EV) sales and penetration accelerated in major markets despite the economic crisis caused by the Covid-19 pandemic.

While the consensus is that EVs will spearhead the transformation from use of the internal combustion engine, we believe hybrid will continue to form a major part of the transitional mix and that hydrogen will also have a role to play. The 'e-volution' is an exciting development within our industry and we are fully embracing the changes that it's bringing. Consequently, we're looking at a wide range of related topics and opportunities, such as the evolving nature of aftersales, re-skilling our employees and developing software that meets the needs of EV-led mobility.

Climate change presents a number of potential risks, as well as opportunities, which are monitored alongside changes in the developing powertrain mix. Some of the factors we consider include the varying pace

of EV adoption and infrastructure development across the markets in which we operate; the impact on aftersales of EVs becoming dominant in the market; and the evolution of energy sourcing as we transition to a significantly greater reliance on renewables. You can read more about this in our Task Force on Climate-related Financial Disclosures ("TCFD") statement on pages 40-44.

RESPONSIBLE BUSINESS

We have made responsibility a fundamental part of our Accelerate strategy, underpinning our purpose of **bringing mobility to the world's communities – for today, for tomorrow and for the better.**

During 2021, we developed our Responsible Business plan, called 'Driving What Matters', which focuses on our '4Ps' of responsible business – Planet, People, Places and Practices. Collectively, these topics reach into those areas of our operations where we can make a positive difference for our stakeholders.

I believe what we are doing through 'Driving What Matters' will help create a stronger Inchcape, supporting sustainable growth and performance in the future. You can read more about our Responsible Business plan on pages 33-38.

We have also developed a new set of values for the Group as we seek to deliver great experiences through fresh thinking and working better together. You can read more about this on page 74.

OUR PEOPLE

I would like to pay tribute to and thank all our colleagues for their contributions individually and as teams in a year of great progress and delivery.

Our people will play an essential role in helping us achieve the goals we've set out in our Accelerate strategy. Given the extent of the challenges and opportunities presented by our evolving sector, we have been evaluating the capabilities our

people will need both now and in the future. We have identified data leadership as a crucial capability, alongside our intent to develop our workforce so it can support our globally connected distribution platform.

I would also like to thank my colleagues on the Executive team for their leadership and teamwork during the last year. As we moved forwards with the launch of Accelerate we made some changes to the team, bringing George Ashford into the centre as Chief Transformation Officer. With the departure of James Brearley at the end of the year, George has also taken temporary leadership of the UK business. Ruslan Kinebas succeeded George as CEO of APAC, our most profitable region, and we were delighted to welcome Romeo Lacerda to lead Americas & Africa.

LOOKING AHEAD

The Group's strong performance in 2021 was supported by robust consumer demand and high vehicle gross margins (particularly in Retail), largely due to vehicle supply shortages. Looking ahead, our 2022 performance to date has seen a continuation of the trends experienced last year, although there is ongoing uncertainty relating to vehicle supply and the impact of the pandemic. We expect the Group to continue to make good progress with its strategic priorities in 2022. The strength of our business model and financial position means Inchcape is well placed to continue to grow profits and generate cash, and we are confident in the medium-term outlook set out at the Capital Markets Day in November:

- Distribution Excellence: mid-to-high single digit profit CAGR *plus* M&A
- Vehicle Lifecycle Services: >£50m of incremental profit

DUNCAN TAIT
GROUP CEO