



**Inchcape**

# Preliminary results presentation

6 March 2007



# André Lacroix

## Group Chief Executive

Welcome



# Group financial highlights

- Sales\* up 7.8% to £4.8bn
  - Like for like sales\* up 2.1%
- Operating profit\*\* up 12.6% to £213.2m
  - Like for like profit increase of 10.3%
- Headline EPS\*\*\* up 19.8% to 35.7p
- Final dividend up 58.7% to 10p
- Full year dividend up 57.9% to 15p

\* At constant currency

\*\* Pre exceptional items, at constant currency

\*\*\* Pre exceptional items

# Operational and strategic highlights

- Record performance
  - Challenging year in Asia
  - 34% operating profit\* generated outside of Asia
  - Market share improvements in 16 out of 24 markets
  - Group margin improvement to 4.4% (+20bps v 05)
- Transformational consolidation in the UK
- Acceleration of international expansion
- £530m investment in growth and significant further debt capacity thanks to our ongoing cash generation

# Barbara Richmond

## Group Finance Director



# Sales

	2006 £m	2005 £m	Change %	Change % constant currency	Like-for-like* change % constant currency
Distribution	2,463	2,425	1.6	1.3	1.1
Retail	2,379	2,063	15.3	15.5	3.4
<b>Total</b>	<b>4,842</b>	<b>4,488</b>	<b>7.9</b>	<b>7.8</b>	<b>2.1</b>

# Trading profit\* and ROIC

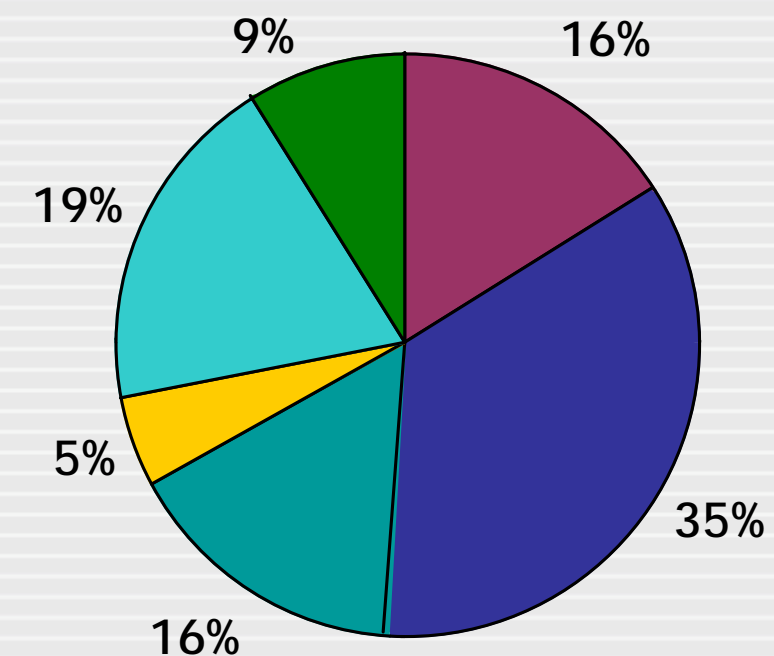
	2006 £m	2005 £m	Change %	Change % constant currency	Like-for-like change % constant currency
Distribution	185.5	176.3	5.2	4.6	4.4
Retail	53.3	31.9	67.5	68.3	42.4
<b>Total</b>	<b>238.8</b>	<b>208.2</b>	<b>14.7</b>	<b>14.4</b>	<b>10.3</b>
ROIC (%)	33.8	33.1			

Negative effect of 31.01.07 exchange rates on 2006 trading profit would be £7m



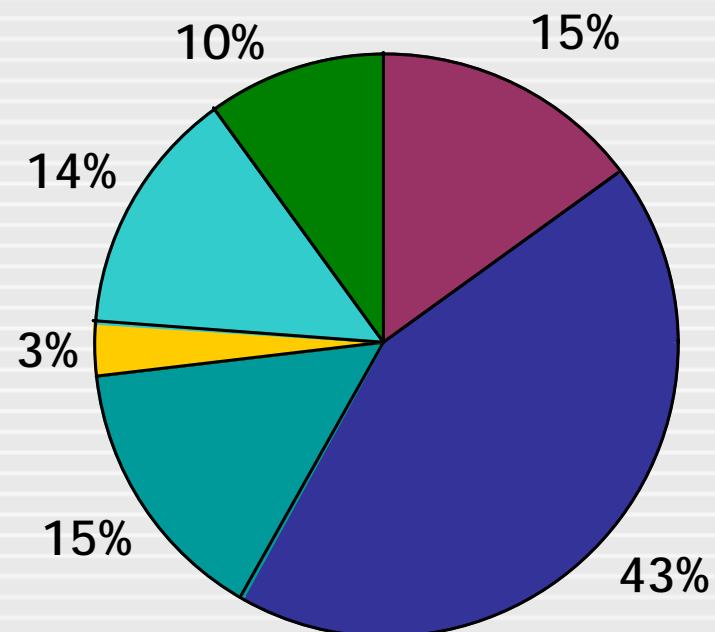
# Regional analysis – trading profit

2006\*



Australia  
Europe\*\*  
UK  
Asia  
Emerging Markets  
ROW

2005\*



Australia  
Europe\*\*  
UK  
Asia  
Emerging Markets  
ROW

# Australia\*

		2006 £m		Change %	
		Distribution	Retail	Distribution	Retail
• Subaru record market share of 3.9%	Sales	410	222	1.1	7.2
• Special editions strengthened Distribution profits	Like-for-like sales	410	198	1.1	2.0
	Trading profit	28.9	9.3	12.0	64.8
• Benefits of retail restructuring	Like-for-like profit	28.9	8.7	12.0	33.1
• Keystar acquisition	ROS %	7.1	4.2	0.7ppts	1.5ppts

# Asia

- Competitive pressure from parallel imports
- Strong model launches by competitors
- Singapore affected by discontinuance of taxis in Q4
- Hong Kong
  - Lower public bus sales
  - Non-recurrence of one-off warranty work

	2006 £m	Change %
Sales	864	(10.1)
Like-for-like sales	831	(11.0)
Trading profit	80.9	(11.0)
Like-for-like profit	78.4	(12.6)
ROS %	9.4	(0.1ppts)

# Europe

- Benefit on new Toyota models in Belgium/Greece

- Record market in Belgium

- Strong recovery in Greece

- 9.8% Toyota market share
- Turnaround of Retail underway

- Finland profits up 22% in declining market

- Restructured France

	2006 £m		Change %	
	Distribution	Retail	Distribution	Retail
Sales	778	424	15.8	17.1
Like-for-like sales	778	347	15.8	9.4
Trading profit	41	(2.8)	21.3	13.4
Like-for-like profit	41	(3.1)	21.3	28.1
ROS %	5.3	(0.6)	0.2ppts	0.3ppts

- Continued focus on operational excellence/customer service in UK Retail
- Retail like-for-like ROS up 0.8ppts to 2.8%
- Integration of Lind well underway
- Reduced losses in Inchcape Automotive
- Record UK trading profit of £45.9m, up 57% year-on-year

	2006 £m		Change %	
	Distribution	Retail	Distribution	Retail
Sales	98	1,614	(14.8)	14.0
Like-for-like sales	98	1,309	(14.8)	-
Trading profit	3.8	42.1	1,013.7	46.1
Like-for-like profit	3.8	36.2	1,013.7	28.6
ROS %	3.9	2.6	3.6ppts	0.6ppts

# Emerging markets\*

- Balkans markets up 34%
- Baltics markets up 39%
- Market share growth in both regions
- New 3S facility in Bucharest
- Russia for 1 month
- Growth expected to continue

	2006 £m		Change %	
	Distribution	Retail	Distribution	Retail
Sales	78	123	38.5	57.0
Like-for-like sales	78	109	38.5	38.5
Trading profit	8.4	3.7	55.1	130.6
Like-for-like profit	8.4	3.1	55.1	95.2
ROS %	10.8	3.0	1.2ppts	1.0ppts

# Net interest, taxation and dividend

	2006	2005
Net interest cost	5.9	5.3
Tax rate (%)	21.7	25.5
H-EPS (p)	35.7	29.8
Dividend per share (p)	15.0	9.5
Free cash flow per share (p)	36.7	19.2
Dividend cover		
Earnings (times)	2.4	3.1
Cash	2.5	2.0

# Cash flow and net debt

Operating cash flow	£m	Free cash flow	£m	Net cash	£m
Operating profit	213.9	Operating cash flow	274.4	Net cash 01.01.06	165.9
Depreciation/ amortisation	27.3	Net interest	(7.5)	Free cash flow	170.4
Working capital	26.6	Taxation	(50.2)	Dividends	(52.6)
Other	6.6	Minority interest	(3.9)	Share buyback (net)	(30.3)
		Net capex	(42.4)	Acquisitions	(167.2)
				EMH shares	(49.2)
				Pension	(37.6)
				Currency	(9.2)
				Other	(9.2)
Operating cash flow	<b>274.4</b>	Free cash flow	<b>170.4</b>	Net cash 31.12.06	<b>(19.0)</b>



# Financial summary

- Strong growth in European businesses
- Strong performance in UK Retail
- Weaker performance in Asia
- Rapid growth in Emerging Markets
- Increase in ROIC to 33.8%
- Continued strong cash generation

# André Lacroix

## Group Chief Executive

### 2007 Priorities



# Strategy in action – 2007 priorities

## Strengthen

- New model launches
- UK Transformation
- Continuous focus on operational excellence



Like-for-like sales and profit growth












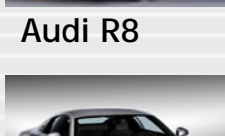






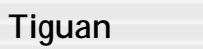


## Expand

- Russia start up
- Build scale in Eastern Europe
  - Baltics
  - Balkans
- China start up



Investment in emerging markets

# Exciting new model launches in all key segments - 2007

	Toyota	Lexus	Mercedes	BMW	Audi	VW	Subaru	Mazda
CAT A								
CAT B				1 Series Coupe				Mazda 2
CAT C	Auris 	Corolla Verso 	IS Coupe 	C-Class 	3 Cabrio 	Audi TT 	Polo Blue Motion 	
CAT D	Corolla Sedan 	LS Hybrid 			Audi A5 	Touran 		
CAT E					Audi R8 		Impreza 	
MPV	Alphard 	LS600hL 		X5 		EOS 	Forester 	
SUV						Tiguan 	Tribeca 	
CV	Hilux DPL 							

# Successful new model launches in all key segments - 2006



# Transforming our UK business to focus on the Premium Segment in a wider geographical footprint

## New Inchcape portfolio



Brand	Position	% of Network	Number of sites
Audi	=1	8.7%	10
BMW	1	11.3%	18
Honda	>3	1.5%	3
Lexus	2	9.8%	5
MINI	1	11.5%	18
Mercedes (inc commercial)	2	11.4%	16
smart	1	9.6%	5
Toyota	1	4.8%	9
VW (inc commercial)	1	12.2%	28
<b>TOTAL</b>		<b>8.7%</b>	<b>112</b>

Streamlining to 12 franchises



# Strengthening our UK portfolio by disposing of non core franchises and businesses

	Number of sites
Bentley	3
Ferrari	3
Ford	4
Jaguar	10
Kia	1
Land Rover	10
Maserati	3
Renault	1
Vauxhall	5
Volvo	7
Total	47



Disposal proceeds to be redeployed in Emerging Markets

# Delivering improved operating margins on new UK portfolio

- Industry leading operational expertise to drive synergies

	Inchcape	Lind	EMH
Used to new ratio	0.99	0.76	0.73
F&I penetration	42.0%	37.4%	40.4%
Parts sales/service hours	£96.30	£83.90	£89.30
Service productivity*	97.7%	91.6%	94.1%

- Major purchasing savings opportunities

	F&I	Used cars	Central purchasing
Buying power (£m)	473	749	30



# Streamlining UK overheads and increasing productivity

- Remove EMH plc costs
  - Ongoing full year saving of £3.4m as of 2008
- Lower management overheads due to fewer franchises
  - Full year saving of approximately £1m as of 2008
- Accelerate our back office system integration progress
  - Capex investment of £15m
  - Savings of £5m as of 2011

# Continuous focus on operational excellence: new systems in place since January 1<sup>st</sup> 2007

- Inchcape Advantage to drive sales and customer service
  - Daily reports for all 208 retail sites on traffic/leads/test drive and conversion
  - Monthly customer service monitoring
- Consistent global management accounts to drive margin performance
  - 293 operations measured on value drivers: Vehicles, Parts & Service
  - Multi-site benchmarking and gold standard goal setting
- Global roll-out of UK F&I market forces model
- Management incentive based on economic profit and customer service

# Continuous focus on operational excellence: address underperforming business units

- Dispose of Inchcape Automotive (2006 loss of £2.2m)
- Exit the Jaguar business in Paris (2006 loss of £0.4m)
- Turnaround plans in place in European Retail
  - Accelerate Greek turnaround (2006 loss of £1.1m)
  - Turnaround of Finland Retail (2006 loss of £1.4m)
- Revitalise performance in Asia
  - Increased focus on the luxury segment with the new Lexus range
  - Launch of new Toyota product
  - Strengthen focus on aftersales

# Building a scale business in Russia

## Russia

Population	142.9 million
Market	1.9m cars
Imported	1.02m cars
CAGR (imported)	4 year 74%
Toyota/Lexus share	10.3%

## Inchcape 2009 target

Volume	c. 16,000 units
Revenue	c. £300m



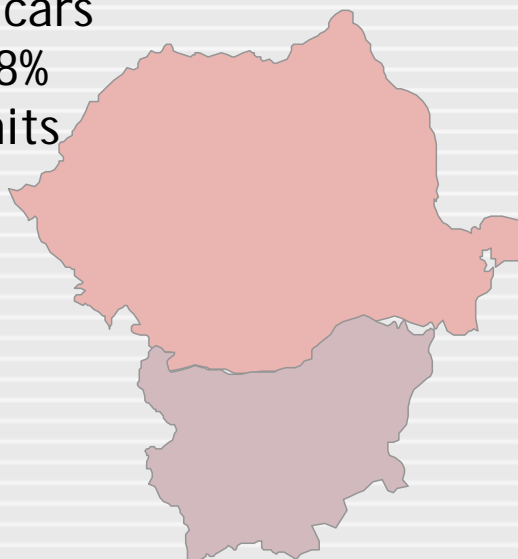
- We have established two anchor points in St Petersburg and Moscow
- We are looking at further expansion opportunities, greenfield and acquisition
  - Moscow
  - St Petersburg
  - Regions

# Accelerating our growth in the Balkans

## Romania

- Strong growth opportunities
- Second biggest car market in Eastern Europe
- 2 3S facilities in Bucharest; 1 under planning
- Network build up outside of Bucharest

Population	22.3m
Market	251,000 cars
CAGR	5 year 28%
Inchcape volume*	6,128 units
Inchcape share**	2.4%
Inchcape revenue**	£76.3m



## Bulgaria

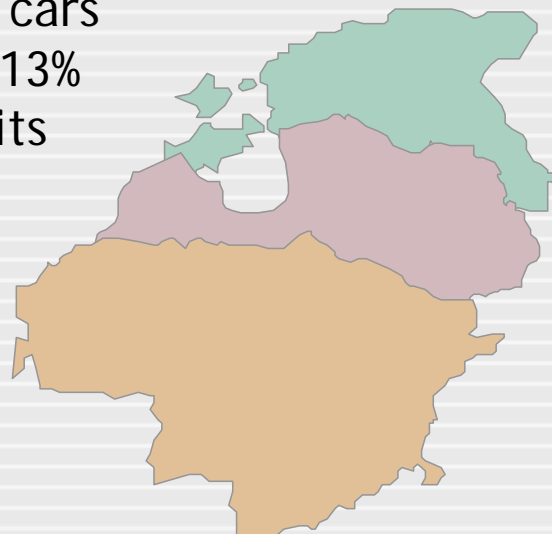
- Leadership position in Bulgaria
- Strong market growth
- c.10% share
- New 3S to be constructed in Sofia

Population	7.4m
Market	30,000 cars
CAGR	5 year 25%
Inchcape volume*	4,218 units
Inchcape share**	c.10%
Inchcape revenue**	£60.9m

# Building critical mass in the Baltics

## Lithuania

Population	3.6m
Market	13,000 cars
CAGR	5 year 13%
Inchcape volume*	764 units
Inchcape share*	5.9%
Inchcape revenue*	£9.3m



## Estonia

Population	1.3m
Market	24,000 cars
CAGR	5 year 13%
Inchcape volume*	1,747 units
Inchcape share*	7.3%
Inchcape revenue*	£33.5m

## Latvia

Population	2.3m
Market	24,000 cars
CAGR	5 year 26%
Inchcape volume*	1,109 units
Inchcape share*	4.6%
Inchcape revenue*	£14.5m

# Clear entry strategy in China

## China

Population	1.3 billion
Market	4.3m cars
CAGR	5 year 38%

## Greater Shanghai

Shaoxing Toyota	opened Jan 2007
Shaoxing Lexus	opening Q4 2007
Shanghai Lexus	opening Q1 2008

## Inchcape 2009 target

Volume	2,830 units
Revenue	£85m



We are looking at greenfield and acquisition opportunities to build scale in the three biggest regional markets:

- Shanghai, Beijing, Guangzhou

# An excellent year; strong growth prospects for 2007 and beyond

- New strategy delivers with another record performance in 2006
- Strong profit growth of 34% operating profit outside of Asia, rebalancing our portfolio
- Management team strengthened
- Transformational consolidation strategy in the UK
- Powerful growth platforms established in Emerging Markets



# Investment case

- A unique business model
- Superior financial returns: like for like growth, margin expansion
- Margin enhancement through continuous business improvement, customer focus
- Long standing relationships with high growth brand partners
- Expansion opportunities in both developed and emerging markets
- Strong cash flows to fund future acquisitions and investments



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# Appendices



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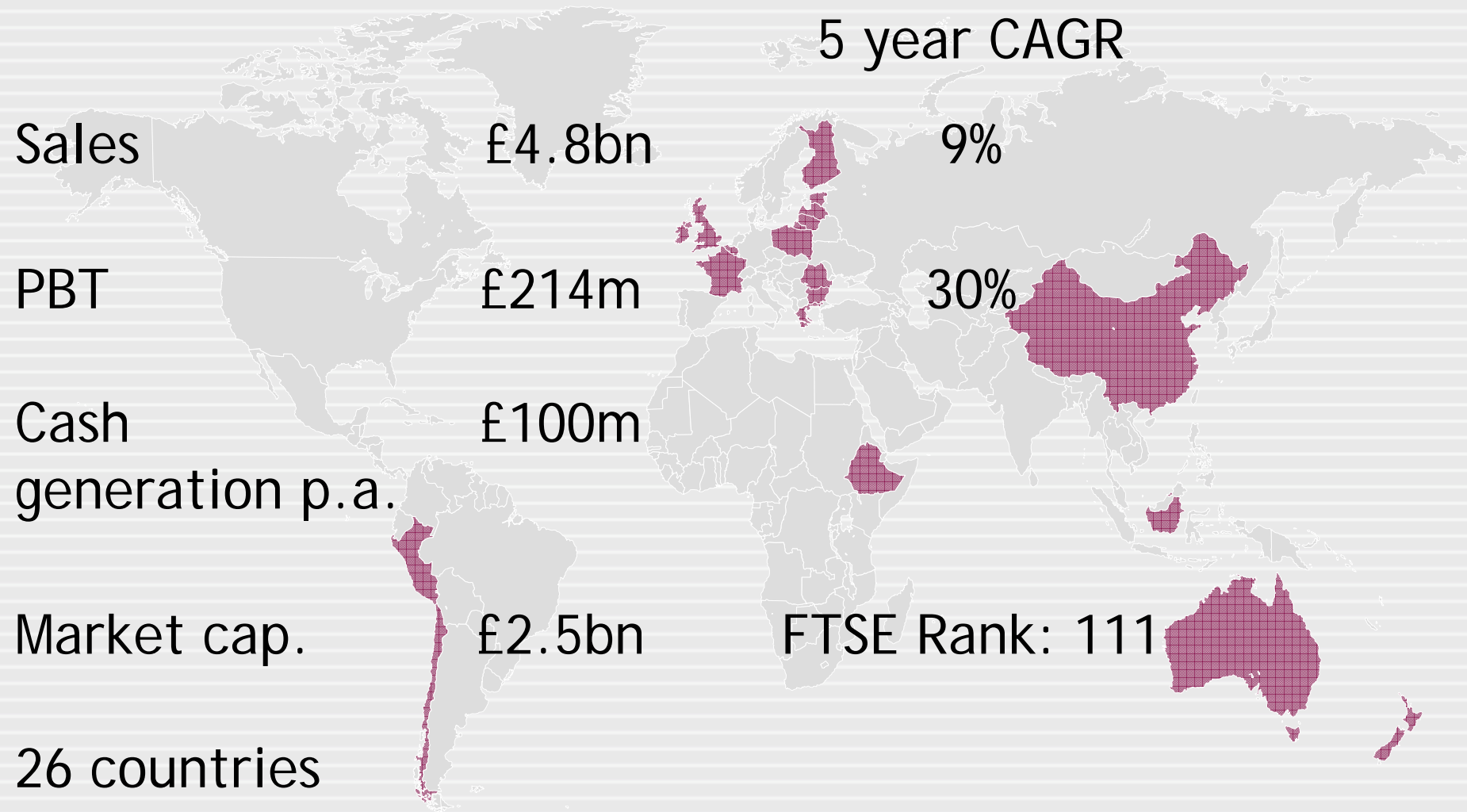
# Appendix 1 - Like-for-like definition

- The following are excluded from like-for-like sales:
  - Businesses that are acquired, from the date of acquisition until the 13<sup>th</sup> month of ownership
  - Businesses that are sold or closed
  - Retail centres that are relocated from the date of opening until the 13<sup>th</sup> month of trading in the new location

# Appendix 2 – Emerging markets definition

- Emerging markets are those markets in which the Group operates and where total new vehicle volume sales by international brands are growing by 10% or above per annum
- This currently covers the following countries:
  - The Balkans
  - The Baltics
  - China
  - Russia

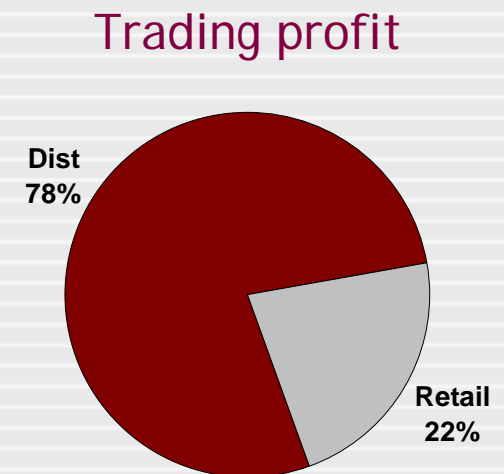
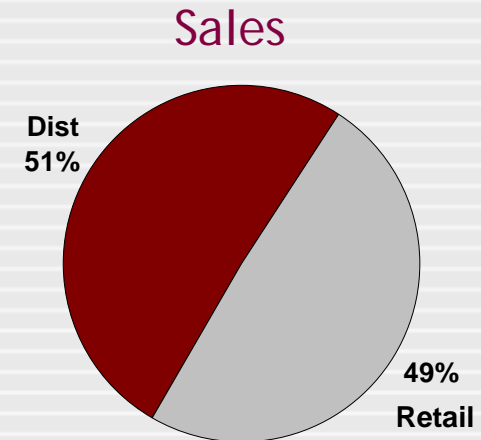
# Appendix 3 - The global consolidator in a fragmented industry





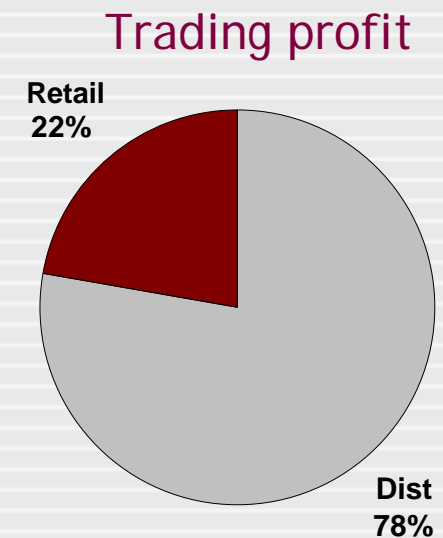
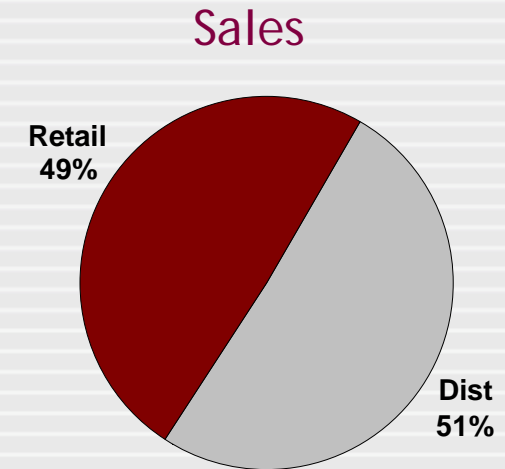
# Distribution is the core of Inchcape

- Exclusive brand representation in a country
  - 51% of sales
  - 78% of trading profit
  - Low capital intensity
- Track record of organic growth
- Market share growth in 15 out of 21 markets
- Delivers cash flow to fund expansion



# Retail is where the expansion opportunities are

- Delivering the brand to the consumer
  - 49% of sales
  - 22% of trading profit
  - 208\* sites in 25 countries
- Expansion
  - In high growth and highly profitable emerging markets
  - Industry consolidation in developed markets





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