



Inchcape plc, the leading global automotive distributor, announces its Q1 trading update covering the period from 1 January to 31 March 2022

Q1 trading update: a strong start to the year Exit from Russia agreed

- Group revenue £1.8bn¹: up 13% on an organic basis
- Sale of Russian business agreed
- Distribution acquisition in Chile: £130m revenue and first-time distribution of Porsche and Volvo
- Outlook: expect 2022 PBT of at least £300m, up 25% versus the prior year¹ primarily driven by further strengthening of distribution

Duncan Tait, Group CEO, commented:

“Inchcape has made a great start to 2022, with both distribution and retail delivering strong revenue growth and margins. Our performance was driven by a combination of robust consumer demand and price-mix tailwinds against the backdrop of continuing supply shortages. This was evident in both new and used vehicles, while our aftermarket business also performed well. New vehicle order books across many of our markets continue to be at record levels.

During the quarter we have acquired Ditec, which gives us first-time distribution relationships with Porsche and Volvo, and adds Chile to our list of distribution markets for Jaguar Land Rover. We are excited about the growth prospects for Chile, and the Americas region overall. The Group continues to see a healthy pipeline of inorganic opportunities, of varying sizes, which we are actively pursuing across all our geographies.

Following our decision to exit the market we have now agreed to sell the Russian business to local management.

We are continuing to make great progress to deliver our Accelerate strategy by extending our leadership in automotive distribution, adding new distribution markets and OEMs through acquisitions and contract-wins, further developing our digital and analytics capabilities, and capturing more of a vehicle’s lifecycle value.

Inchcape has a really exciting future and is well-positioned to deliver sustainable long-term value for all our stakeholders through organic growth, market consolidation and cash generation.”

Outlook:

So far in 2022 we have experienced a continuation of the trends from last year, with demand ahead of supply, and high margins. We expect this trend will continue for at least the remainder of the year. This is based on our view of the strength of consumer demand in our markets and OEM production plans.

Against this backdrop, and supported by the continuing improved performance of distribution, the Group expects to deliver FY22 profit before tax of at least £300m excluding any contribution from Russia, representing 25% growth versus the prior year¹.

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 2021.

Q1 revenue YoY%	Reported	Constant FX	Organic ²
Group¹	+6%	+9%	+13%
Distribution	+9%	+12%	+11%
Retail ¹	+2%	+3%	+18%

1: Our remaining Russia business (Moscow) has been treated as a discontinued operation, and has therefore been removed from the current and comparative periods; the Group generated PBT of £240m excluding any contribution from Russia in 2021

2: Organic growth is defined as sales growth in operations that have been open for at least a year at constant foreign exchange rates

Update on Russian operations

We have agreed the sale of our Russian business to local management, led by the current CEO and CFO. We believe that this outcome best serves the needs of our OEM partners while allowing for continuing employment of our Russia based colleagues. Closing is expected to occur during May 2022.

Payment of the purchase price of €76m (£63m)³ is deferred and will be satisfied over a period of 5 years through annual instalments. The proceeds of sale will be invested in the growth of our core distribution business.

Inchcape has no intention to re-enter the market, however there is a call option in place which would enable it to benefit from any increase in value of the business over the next 7 years, particularly in the event of its onward sale.

In 2021, after the sale of our retail operation in St Petersburg, our remaining Russian business, comprising retail-only operations mainly for BMW Group, Jaguar Land Rover, Toyota and Volvo in Moscow, generated revenue of c.£740m and profit before tax (pre-exceptionals) of £47m, driven higher by unprecedented vehicle margins. Prior to the pandemic profitability peaked at c.£10m. Gross assets at the end of 2021 were £179m. As at the end of Q1 the business had net assets of £112m.

The disposal will crystallise an exceptional non-cash loss before tax of c.£240m, of which c.£140m⁴ is due to accumulated foreign exchange translation losses. Our remaining Russia business is accounted for as a discontinued operation in 2022.

Channel review

The commentary that follows covers the period from 1 January to 31 March 2022. Unless otherwise stated, all figures are quoted on an organic basis.

During the quarter, Group revenue increased 13% year-on-year, with Distribution up 11% and Retail up 18%. In the prior year, several markets were impacted by pandemic related restrictions which weighed on the comparative period. In absolute terms, the Group's overall performance improved versus Q4 2021, with a particularly strong performance in both the Americas and in Europe.

In Distribution, revenue was ahead of the prior year and above Q4 2021, with Aftermarket continuing to support performance against the backdrop of lower vehicle supply. Performance within the regions was broadly consistent with the second half of 2021; where we grew strongly in the Americas and in Europe.

In Retail, the strong revenue growth is largely owing to the impact of pandemic related restrictions in the UK on the comparator.

Distribution

Q1 organic revenue YoY%: +11%

Asia

- The continued impact of pandemic related restrictions in Hong Kong and limited licence availability in Singapore was partially offset by encouraging growth in our other markets

Australasia

- Robust aftermarket performance – continued low levels of vehicle supply

Europe

- Strong market share performance across key European markets

Americas & Africa

- Strong performance across all major markets in the Americas
- Africa continued to perform well

Retail

Q1 organic revenue YoY%: +18%

UK & Europe⁵

- Strong growth in UK despite low vehicle supply, as it lapped a pandemic impacted period

3: Purchase price fixed in EUR at recent exchange rate

4: Based on prevailing exchange rates, and therefore subject to change

5: UK and Poland

Market abuse regulation statement

This announcement contains inside information.

Conference call today

A conference call for analysts and investors will be held today, Thursday 28 April, at 08:30 (UK time). To register please contact investors@inchcape.com. A replay of the call will be available via the Company's website, www.inchcape.com later today.

Financial calendar

Ex-dividend date for 2021 final dividend	12 th May 2022
Annual general meeting	19 th May 2022
Half year results	28 th July 2022
Q3 trading update	27 th October 2022

Contacts

Inchcape plc:

Raghav Gupta-Chaudhary	Investor queries	+44 (0)7933 395 158	investors@inchcape.com
Finn Lawrence	General queries	+44 (0)20 7546 0022	

Media enquiries (Brunswick Group):

Susan Gilchrist / Helen Smith	+44 (0)20 7404 5959	inchcape@brunswickgroup.com
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About Inchcape

Inchcape is the leading independent multi-brand global automotive distributor, operating in over 40 markets and territories with a portfolio of the world's leading automotive brands. Inchcape has diversified multi-channel revenue streams including sale of new and used vehicles, parts, service, finance and insurance. The Company has been listed on the London Stock Exchange (INCH) since 1958, and is classified within the 'Business Support Services' sector. The Group is headquartered in London and employs around 14,500 people globally. www.inchcape.com.