

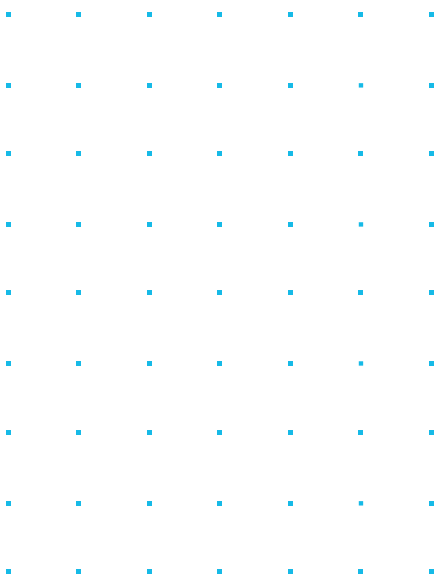


**NIGEL STEIN**  
CHAIRMAN

# A YEAR OF IMPRESSIVE STRATEGIC PROGRESS

## **DEAR SHAREHOLDERS AND STAKEHOLDERS**

This has been another good year for Inchcape. Not only reporting a strong financial performance, but making impressive progress against the Company's Accelerate strategy. On Shareholders' behalf I would like to thank all Inchcape colleagues around the world for their hard work in achieving this. We are building an even stronger Inchcape for the future.



## Performance

The impressive financial performance, which exceeded the level expected at the start of the year, was achieved without the contribution of our business in Russia, previously a sizeable part of the Group. Following the invasion of Ukraine in February 2022, management took decisive action to exit the Russian market, selling our business to the local Inchcape management team in April.

Performance across most of the Groups' markets was strong, with the business in the Americas particularly so. Due to good margin management significantly increased profits were achieved in spite of strong inflationary headwinds, particularly in Europe.

## Acquisitions

As the year ended, we completed the acquisition of Derco, the largest independent automotive distributor in Latin America which will significantly enhance our presence in the region. It also brings additional fast growing Chinese brands into the Inchcape portfolio. This has long been a key strategic goal as we expect to see Chinese OEMs increasing their market share globally.

Our expansion in Latin America, which as a region is expected to show above average future growth in vehicle sales, also achieves a long-term goal of rebalancing our historic profit reliance on Asia, in particular Singapore and Hong Kong. That said, Asia remains a very important market and we were pleased to announce the acquisition of CATS in the Philippines in early January 2023.

## Distribution Excellence

Distribution Excellence is another key pillar of the Accelerate strategy. The progress on improving our digital offering to give customers the best possible experience has been truly remarkable, with our two digital delivery centres in Colombia and the Philippines contributing strongly. We are rapidly deploying these systems across our major markets and expect to see the benefits flowing in the near future.

## Vehicle Lifecycle Services

We are also increasing our business in Vehicle Lifecycle Services, retaining vehicles and owners in our network after the typical historic period of three years from sale. During the year, the Group has seen significant expansion in used vehicle sales under the new bravoauto brand, with a number of branches opened in selected Inchcape markets using Group best-in-class systems, processes and skills.

## Automotive trends

The automotive market globally is recovering, with 2023 expected to show increased supply from most OEMs. In many markets, electric vehicles, both battery electric and hybrid, are in strong demand and we expect to see growth accelerate. In choosing our partners and acquisition targets, Inchcape looks to represent winning OEMs in the new "electrified" world as well as aligning our customer and service offerings around digital and connected vehicles.

## ESG and Responsible Business

Electrification is particularly important in enabling the automotive industry to achieve its carbon neutral goals. Under the Planet pillar of our Responsible Business agenda, Inchcape has been working hard to define our plans for achieving this to offer our OEM partners the lowest carbon route to market.

Our own Scope 1 and 2 goals have been set, which include substantial short- and long-term reductions. Scope 3, which relates almost entirely to the vehicles we sell, is taking time to pin down as several OEMs have yet to publish substantive information on their own plans. We continue to keep this under close review.

## Board changes

The Board had increased engagement throughout 2022, with eight additional meetings held to consider the Derco acquisition and the disposal of the Group's operations in Russia. I am grateful to my colleagues for their contribution of additional time and for their expertise generally.

We are delighted that Byron Grote joined the Board from 3 January 2023 bringing a wealth of experience gained at several major international businesses. We are also very pleased that, as part of the Derco transaction, Juan Pablo Del Río joined the Board bringing his substantial experience of both the Latin American automotive market and business generally in the region. These are two areas of expertise we had previously identified as desirable when planning our future Board membership.

Gijsbert de Zoeten resigned from the Board in November 2022. We thank him for the contribution he has made over the last three years. Adrian Lewis, Group Financial Controller, was appointed as Acting Chief Financial Officer following Gijsbert's departure.

John Langston, who has served on the Board for nine years will step down at the 2023 Annual General Meeting (AGM). We are most grateful to John for his enormous contribution to the Board over those years, including acting as a very effective Audit Chair and providing wise counsel generally to both Executives and Non-Executive Directors. Sarah Kuijlaars will assume the role of Audit Chair from the end of the May AGM.

## Dividend

Based on the strong performance in the year, the Board is recommending that the Company maintains its policy of paying a dividend of 40% of annual basic adjusted EPS. This would result in a overall dividend payment for the year of 21.3p.

In light of the Derco acquisition, the Board has no short term plans to restart its share buyback programme, instead concentrating on paying down debt and freeing capacity for further expansion.

## Looking forward

Inchcape looks very well positioned to continue its success. We are confident that whilst the economic environment in some markets remains uncertain, the strength of our business model, the geographic spread of global operations, combined with the hard work of Inchcape colleagues across the Group, and some added momentum from acquisitions will support the Group's future progress.

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