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EDITED TRANSCRIPT

Half Year 2023 Inchcape PLC Earnings Call

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PRESENTATION

Duncan Tait ***Inchcape plc - Group CEO***
Good morning, everyone, and thank you for joining us for Inchcape's 2023 half-year results. I'm Duncan Tait, Group CEO, and I'm joined by our CFO, Adrian Lewis, and our Americas CEO, Romeo Lacerda. We'll run through our presentation and then take your questions.

The presentation is available on our website, and a recording will follow later today. I will start with the key highlights of our first half-year results. Inchcape produced another excellent performance, driven by acquisitions and strong organic revenue growth. Revenue grew 45% and PBT grew 35%. We saw substantial strategic progress, signing 8 distribution deals and 3 acquisitions. This helped us to further consolidate our position as the global market leader and to drive continued diversification of our geographic footprint. We have been particularly pleased with Derco, which has transformed our market position in the Americas and is already having a positive impact on the wider group by helping us deliver strategic benefits, such as deepening relationships with our key OEM partners.

As an example of this, we recently signed a global agreement with Great Wall Motors, a key OEM partner for Derco. We are on track with the integration of Derco. The business is performing in line with our expectations and we continue to expect to deliver on our cost synergy targets.

Inchcape remains extremely well positioned for growth. Our business in the Americas is performing well and remains resilient. We are producing strong momentum across APAC, where we made strategic investments during the period. Our business in Europe also performed well in H1 2023, but consumer demand remains weak in a number of markets.

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On the outlook, against this backdrop and based on prevailing market conditions, we expect full year results for FY 2023 to be towards the top end of the range of published market consensus. This is an upgrade on our guidance from the Q1 trading update in April.

Let's move on to look at the overall global macro environment. Global supply is improving, but the demand picture is mixed, starting with our major markets where we are not present. China remains a growing and competitive automotive market, with Chinese manufacturers increasingly looking for global market opportunities to drive growth.

China is also leading the way globally on the manufacture of electric vehicles or EV, producing around 50% of the world's EVs and accounting for almost 70% of the world's battery capacity.

Importantly, we have strong relationships with a range of Chinese OEMs to support them with their global EV ambitions. In the U.S., again where Inchcape is not present, supply is recovering and inventories have grown. However, consumer demand remains constrained.

Now, looking at our regions, in the Americas, supply is normalising and we continue to see substantial long-term growth opportunities across our 12 markets. Supply has been improving in Europe, but consumer demand remains weak in a number of markets, and across APAC, we are seeing better supply and resilient consumer confidence.

Now, here's our agenda for the day. Adrian will shortly take you through our results in detail, and then Romeo will provide an update on Derco and our overall performance in the Americas. I'll then discuss our strategic progress, and after that, we'll take your questions.

So, let's get going. Adrian, over to you.

Adrian Lewis ***Inchcape plc - Group CFO***
Thank you, and thank you, Duncan, and good morning, everyone. So, let's start with the headline financials. During the period, we generated revenue of GBP 5.6 billion, which is 45% above the prior year on a total revenue basis, and 13% on an organic basis. Our operating margins were 5.8%, reflecting the strong revenue growth and our continued shift towards distribution. We had another impressive period of free cash flow generation, generating £202 million.

Net debt increased to GBP 564 million, resulting in a pro forma net debt to EBITDA ratio of 0.8x. Adjusted EPS was 42.2p, up 21% on the prior year, and in line with the group's dividend policy, we announced an interim dividend per share of 9.6p, 28% up on the prior year. So, overall, a robust set of results for the period, particularly given the macro context as articulated by Duncan.

This slide shows the key lines of the income statement with comparisons against the full year and both halves of 2022. Organic growth of 13% was an outstanding performance, and we benefited from a fast-growing distribution business. Supported by our strong top-line performance, operating margins were

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well ahead of historic levels and above both halves of 2022. Our improvement in operating profit resulted in an excellent PBT performance of GBP 249 million.

This slide shows distribution revenue performance split by region and emphasises our overall progression from both halves of last year. Our distribution business delivered an outstanding performance during the period, with revenue up 62% on a reported basis to GBP 4.4 billion, reflecting the contribution of Derco.

Organic growth in distribution was also strong at 17%, with all regions growing at double digits. In the Americas, revenue grew by over 190% year-on-year, driven by Derco, and an organic growth rate of 16%. With a highly diversified geographic footprint across the region, we delivered growth in 10 of our 12 markets.

Our businesses in Peru, Bolivia, Uruguay, Ecuador, across Central America and the Caribbean all performed well. Industry volumes in Chile and Colombia were down significantly on the prior year, but our businesses in those markets remained resilient, with our market share growing in Chile and remaining stable in passenger vehicles in Colombia. We remained confident about all our markets in the Americas over the median term, given the high GDP growth prospects and low motorisation rates.

Europe and Africa also produced very strong results, with organic revenue growth of 20% to £1.3 billion. In Europe, accelerated supply helped to drive growth, while new consumer demand was weak in a number of our markets. Our elevated order bank is moderating, but will provide an underpin in the short term subject to the continuation of supply.

And finally, we saw our business build momentum across the APAC region, with robust organic growth of 15%. Our performance was supported by strong consumer demand across Asia, with particularly good performances from Brunei, Thailand and Indonesia. Hong Kong is showing signs of early market recovery, and we are building momentum and an order bank, while in Singapore, the market remains impacted by a low level of vehicle license availability.

In Australasia, we delivered market share gains, supported by an improving supply situation and a resilient consumer environment. During the first half, we agreed to acquire 3 businesses across APAC, all of which are expected to close during the second half of this year. These acquisitions are Mercedes-Benz's distribution operations in Indonesia, CATS, a leading distributor of luxury vehicles in the Philippines, and the recently signed Great Lake Motors Distribution, which distributes SAIC's EV brand, Maxus, in New Zealand.

The strong top-line growth in distribution drove a 74% increase in operating profit, to GBP 302 million, with operating margins growing by 50 basis points to 6.8%, with excellent margin performances in each of our regions.

In APAC, adjusted operating profit grew to GBP 90 million, with stable operating margins of 7.1%.

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Looking ahead, we expect market-mix tailwinds to be partially offset by our strategic investments in new businesses. We also delivered a strong margin performance across the board in the Americas.

Adjusted operating profit grew to GBP 143 million, including Derco, with adjusted operating margins of 7.5%, illustrating the strength of our business in the Americas, building on a broad range of brands and markets.

Looking ahead in the Americas, cost synergies realised from the Derco acquisition will help to support margins.

Europe and Africa delivered a strong margin performance compared to previous periods, due to the dynamics mentioned earlier in Europe, which drove elevated margins across the region of 5.5% and adjusted operating profit up to £70 million.

Given the ongoing supply and demand trends in Europe, margins are expected to normalise over time, towards the levels we saw in H2 last year. Overall, we are very pleased with the performance of our distribution business. It validates our strategy to continue to increase our exposure to this attractive segment.

Our retail business on Slide 11 delivered organic growth of 4% to £1.2 billion and adjusted operating profit of £24 million, resulting in an adjusted operating margin of 2.0%. Volume growth in new vehicles was supported by improving vehicle supply and used car growth from our bravoauto business.

At the start of the year in the U.K., certain brands started to sell directly to consumers via dealer groups and that means that Inchcape only recognises revenue as a handling fee and not the selling price of the vehicle. This change in operating model is not happening in our distribution markets where we decide on the most effective route to market.

Excluding the impact of this agency model, organic growth would have been 17% and adjusted operating margins would have been 20 basis points lower.

I'll remind you that in H1 2022, we saw very strong trading and we are now lapping the peak of vehicle pricing growth. And looking ahead, our retail business is expected to remain resilient despite some of the market challenges.

Now let's look further down the income statement. The group delivered operating profit of £327 million and I'll discuss net finance costs on the next slide. Adjusting items amounted to £45 million and as expected, this was driven by the Derco acquisition and integration costs of £21 million. A non-cash, non-operational charge arising from hyperinflation accounting in Ethiopia of £14 million and the finance component of the deferred dividend in relation to Derco of £10 million.

The adjusted tax rate of 27% is in line with our guidance of 27% to 28% and the group's adjusted EPS was

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42.2p. On a reported basis, group PBT was £204 million, which reflects the adjusting items I mentioned.

And moving to our finance costs. Overall, net finance costs are in part linked to the interest rate environment, but also linked to our growth as a company. And with that in mind, I wanted to give you some granularity on the key elements of our net finance costs, which totaled £79 million for the period.

This disclosure is a summarised version of notes 4 and 5 in the interim financial statements. The first element is net interest of £36 million, which is directly linked to the cost of debt of the group, both our corporate debt and in H1, the acquired debt with Derco, which we have phased down during the course of the period.

In June, we made public our investment grade credit rating and successfully issued our debut £350 million corporate bond to refinance the bridge facility. This move will bring more stability to this line, with 70% of our corporate debt now being fixed. And we expect the net interest number to moderate in the second half.

The second element is leases. And this was £10 million and is the interest component of our property leases and linked to the physical infrastructure across the group and in line with IFRS 16. This figure will grow as we grow and expand this business.

The costs associated with inventory financing were £21 million during the period. This is generally linked to floating rates and the scale of our business. As such, we expect this to increase as we grow the business and as we make further progress in aligning the commercial operating model with Derco.

Importantly, this element is part of our operating model and will therefore be positively offset over time by a pass-through at gross margin level as we see these costs as part of the cost of the vehicle.

And the final element is the £12 million of currency, fees and transitional costs. These are expected to remain relatively flat in the short term as we protect long-term shareholder value. We expect adjusted net interest expense to moderate in the second half, but the full year outlook will be higher than our guidance in March due to the higher interest rate environment.

However, today we have updated our PBT guidance, which is towards the top end of consensus and incorporates the above factors for the full year. The next slide covers our working capital performance during the period where we saw an improvement of £35 million, which was fundamentally driven by an excellent working capital performance in Derco. And as expected, this has been partially offset by a normalisation elsewhere in the group as supply has further eased.

The big picture in respect of inventory is that the group now distributes some 2.5x the number of vehicles we were distributing in 2016. So clearly, inventory is going to be higher and will grow as we grow.

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In respect of Derco, we have improved the working capital position in 2 ways. Firstly, we have reduced excess inventory by around 20%. And secondly, through the alignment of supplier terms with certain OEMs. And in the context of the market situation, a reduction in inventory is a pleasing outcome and will be further supported in H2, as we benefit from a moderation to the quantity of inventory in the supply chain, as a result of the steps we have taken in collaboration with our OEMs, immediately post acquisition.

On to the alignment of supplier terms, these can take a number of forms either directly from the manufacturers or through third party finance providers. These are common industry practices. And to that end, we are making steady progress and aligning Derco's supplier trading terms with the group during the first half. This was facilitated by our long standing relationships with OEM partners, which has ensured forward looking discussions in this area.

And looking ahead, we continue to see a working capital opportunity at Derco. And we stand by the £200 million pounds commitment by the end of this year. This will be driven by our continued progress in reducing Derco's inventory levels and the further alignment of supplier terms. And we expect this to continue to be offset by further normalisation in the core Inchcape group, as we have seen in H1, as supply and inventory cover levels return to normal.

The group produced another robust free cash flow performance during the period, highlighting the cash generative nature of our business model. Overall, we delivered free cash flows of just over £200 million pounds, which is an operating profit conversion rate of 62%.

Outside of free cash flow, we made payments relating to the pre completion dividends of the Del Rio family, and other minority shareholders of £212 million, and ordinary dividend payments just short of £90 million. The main items in the other line is a mix of the cash associated with adjusting items, foreign exchange movements on cash balances, and some purchases for our employee trust.

As a result of these cash flows, net debt increased to £564 million, equating to group leverage of 0.8x at the end of the period, and well within our 1x leverage guide rail. We expect leverage to reduce by the end of the year, given our expectations for strong free cash flow in H2, but also considering the cash outflows relating to acquisitions announced to date, and the remaining payment of the pre-completion dividend to the Del Rio family.

As I mentioned earlier during the period, we issued our debut 5-year bond and published our credit rating, and as a result of which over 70% of our corporate debt is now at fixed rates, and in addition we have lengthened the tenure of our debt profile with £490 million of our debt maturing from 2027.

And finally from me, our capital allocation policy remains unchanged. Our first priority is to invest in this business. As a capital light business, our capex guidance remains at less than 1% of sales, and as you can see from our capital investment in the first half, we are tracking below this rate.

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The second priority is dividends, where our policy, which is formulaic, is to pay out 40% of basic EPS, and for the period we have declared an interim dividend of 9.6p, which is 28% above the prior year. Our third priority is value accretive M&A, which remains a key feature of our policy and our strategy. And finally, after each of these 3 priorities, we consider the appropriateness of share buybacks. All of this is within our leverage guiderail of 1x.

That is all from me. I will now hand over to Romeo.

Romeo Lacerda ***Inchcape plc - CEO of Americas***
Thank you, Adrian, and good morning everyone. For those who don't know me, I joined the Group 16 months before the completion of the Derco deal, having held a number of global leadership positions at Mondelez International, the $100 billion multinational FMCG company.

As CEO of our Americas region and being based in Santiago, Chile, I have overseen the integration of Derco, which I'm pleased to say is going extremely well, as I will outline in the following slides.

I wanted to remind you of our substantial progress in the Americas over the last few years. This has been a real journey for Inchcape, as we have diversified our footprint and brand portfolio and scaled our business. As a result, we have driven operational leverage and deepened our relationships with OEMs. We have grown from a business with revenues of £160 million, and 2 OEM brands in 2 markets in 2016, to an organization with nearly £4 billion in revenues, working with roughly 40 OEM brands across 12 markets.

Derco was obviously a significant driver here, but we have also made a number of other acquisitions in the region, which have made substantial contributions, including Indumotora in 2016, Rudelman in 2018, and Ditec and Simpsons last year. So we have a successful track record of acquiring and integrating businesses, which has helped to drive our development across the region.

Let's look at the outlook for the region and our market position. Overall, we are seeing strong economic growth and positive market conditions in the majority of the 12 markets in which we have a presence. For example, in Peru, where we have one of our largest businesses, the market is seeing high single-digit growth, while in the Caribbean and in Central America, the market is growing by strong double digits.

In Chile and Colombia, two of our largest operations, market weakness continues in the short-term. In the medium to long-term, we remain very positive about the region's prospects. The long-term economic growth forecasts and the low motorization rates across the region support this view and validate our strategic rationale in growing our business across the region.

Against this market background, our business remains highly resilient, supported by the diversified nature of our geographic and brand footprint. In addition, our long-standing relationships with a growing network of OEM partners ensures we continue to develop our already broad portfolio of compelling brands from premium to value products for the diverse and wide-ranging base of consumers in each

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market.

The resilience of our performance is highlighted by the fact that we have gained share in many of our markets following the Derco acquisition. This is even the case in Chile, despite the market weakness there, and it is a crucial performance metric for our OEM partners.

We are also extremely proud of Derco's overall operating performance as part of the group, in particular, the delivery of margins at the top end of our expectations. This highlights that we have experienced and talented people within the region who can manage margins appropriately, even as we integrate acquired businesses. In addition, we have worked very, very hard to deliver the working capital performance that Adrian just mentioned,

In particular, the 20% reduction in excess inventory in the face of challenging markets. A large element here was the strong and trusted relationships we have with our OEM partners.

I wanted to point out here that the whole industry has been very disciplined around inventory levels across the region. For example, in Chile, according to latest industry analysis, there is only an additional 2 weeks' worth of stocks across the industry. This compares to 2 to 3 three months of additional inventory, which is what would usually be seen during a market downturn. This shows that the industry is being very sensible about inventory levels. So, I feel confident that we are not at risk of any significant industry oversupply issues.

To sum up here, the integration of Derco is on track, and we are very pleased with progress to-date. But there is a lot more to come.

On this slide, you can see the 4 areas of strategic rationale we outlined last year, when we announced the deal. I wanted to update you on our progress in each of these areas.

Firstly, Derco has significantly contributed to our top-line performance during the period, with 43% of our distribution revenues coming from the Americas, compared to 24% in the prior year period. We have already identified a number of achievable and sizable revenue synergies opportunities, which I will discuss shortly.

Derco's margin contribution during the first half was in line with our expectations, with successful delivery of operating margin at the top end of the 5% to 7% range of a typical distribution business pre-synergies. We continue to expect Derco to be margin-accurate to the group as we further scale the business and successfully deliver on our synergies plan.

To that end, we remain on track to deliver the majority of the cost synergies of at least £40 million by the end of next year, with around 30% of these cost synergies to be delivered this year. As we said last year, one-time costs of £60 million will be invested to drive these synergies.

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From a strategic perspective, Derco is a transformational acquisition for Inchcape. It has significantly increased our market leadership position in the Americas, broadened our geographic footprint, and is already helping to develop our OEM relationships in the region, as well as driving major strategic benefits globally.

We expect Derco to further accelerate the group's growth profile, as we deliver more strategic benefits. As evidence of our increased clout in the Americas is the fact that we signed 6 additional contracts in the first half of 2023. Duncan is going to talk more about it later.

Finally, we continue to expect that Derco will be over 15% accretive to Inchcape's earnings per share, excluding implementation costs this year and over 20% accretive next year. And we remain on track to deliver a return on invested capital above our projected WACC in 2025.

This slide covers the progress we have made on integrating the acquisition. We have made excellent progress on all fronts. We have retained key personnel and have maintained consistent internal communication about the acquisition and our progress on it. This has ensured that everyone understands our objectives and they are clear on their roles and responsibilities as part of the combined group.

Of our top 2 levels of senior management, comprising of around 100 people, only 2 people have left the business since last year. Fundamentally, the integration program has been enabled by a best of both approach across the group and driven by our energised team working in close collaboration together as 1 combined group.

We have successfully initiated the integration of the Inchcape technology stack, incorporating the group's tools and systems across the Derco business. This will be rolled out over the next 2 years, as we take advantage of the combined scale of the group. We have also ensured that our OEM partners remain supportive without any loss.

Let's look at cost synergies in more detail. We are looking at three areas here, organisation, operations, and technology. From an organisational perspective, we are driving significant efficiencies across the combined organization, including reducing the overall headcount in activities where inefficiencies and duplication were identified.

We are also driving back-office efficiencies, including leveraging our global and regional platforms into Derco. On operations, we have made great progress in rationalising service contracts and consolidating our combined infrastructure. This includes looking at areas such as ocean freight, where we can use our combined scale to drive efficiencies and warehousing facilities, where we are merging our distribution centers to deliver cost savings.

Finally, on technology, we have made good headway in harmonising our systems and implementing best practices and processes. We expect to deliver substantial revenue synergies from the integration of

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Derco. We have already made excellent progress in this regard, with a number of distribution contract wins across the region, most of which would not have been possible without Derco as part of the group.

For example, we have won Subaru, a long-standing Inchcape OEM partner in Bolivia, where we did not have presence prior to the Derco acquisition. Derco has also helped to extend our in-market footprint in certain markets, for example, by broadening our presence in southern and northern Chile, where Inchcape was previously not present.

In distribution excellence, we are focused on mutually developing our OEM relationships, driving improvements with the deployment of DXP and DAP at Derco, and through implementing a market-leading approach to finance and insurance products for customers.

To that end, we are leveraging our combined scale with finance brokers to achieve more beneficial rates. In VLS, we are also leveraging our combined scale to capture more of a vehicle's lifetime value. And by the end of the year, we will have 12 bravoauto sites across the region, including Chile, Colombia, and Peru. While it is too early to externally quantify these revenue synergies, we are extremely excited about the growth potential that comes from being a larger combined group in the region.

So, just to sum up for me, Derco is positively transforming our business. It is further advancing our market leadership positions across the region as we work with more OEM brands in more markets. The business is already delivering margin enhancements and is creating substantial strategic benefits for the group. And it is driving substantial value for our shareholders.

In short, Derco is an excellent business with extremely exciting growth prospects.

That's all from me. I'll now hand over to Duncan.

Duncan Tait ***Inchcape plc - Group CEO***
Thank you very much, Romeo. Good, good. So, this slide sums up why we are so passionate and excited about our future prospects. Fundamentally, we have a robust business model developed over many years. We have a clear strategic focus on the highly cash-generative distribution segment, where we are a market leader in fragmented markets.

We will continue to consolidate our leadership position and drive further market share by executing and integrating value-enhancing acquisitions and contract wins. We will also continue to invest organically, particularly in the areas of digital and data analytics, which enable a great experience for consumers, drive operational efficiency, and ultimately, long-term customer value.

The most resilient areas of our business are the aftermarket, which generated 31% of our gross profit during the first half, and over time, VLS, where we see exciting opportunities. All of these elements combine to drive Inchcape's resilient business model, ensuring we continue to be a critical part of the OEM value chain. Of course, our model is supported by our clear, responsible business agenda.

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Now, our ongoing resilience has helped us deliver an outstanding strategic performance in recent years, as outlined here. During the first half of 2023, we signed 11 deals, including acquisitions and distribution contracts, way ahead of any annual figure. The 3 acquisitions we have signed this year will contribute around £400 million of annual revenue.

Now, this slide looks at our half-year commercial performance in more detail. You can see we have won new OEM partnerships, including XCMG in Colombia, one of China's largest heavy machinery companies, and added Maxus in New Zealand. We have also entered several new markets, including the Philippines and Honduras, both of which are aligned to our strategy to target markets with high GDP growth and low motorization rates.

And you can see in the Americas, we are increasingly recognized by the OEMs as the consolidator of choice. A number of these contract wins were achieved directly as a result of Derco's market leadership position and OEM relationships, in particular the global strategic agreement with Great Wall Motors.

In APAC, we are achieving great momentum, signing 3 acquisitions and winning major contracts such as Great Wall in Indonesia. This is the first tangible market contract to come from our global strategic deal with that OEM. So lots of success during the period with the momentum we are achieving, and I'm confident there is more to come.

Turning to vehicle lifecycle services, bravoauto, our digital-first, multi-brand B2C used car platform, has been further rolled out across our business and is now live in 12 markets. The business is developing, and as we build capacity and the initial results are encouraging. The platform continues to be driven by our investment in technology.

In the second half, we are deploying our next generation of analytics, which is globally scalable. Our digital parts platform is being piloted in Australia, and is progressing nicely in modernizing the aftermarket parts industry. The model seems to be working well for all stakeholders. The workshops find the platform intuitive and accessible, and it's helping drive their productivity. And to highlight this, our most regular buyers are ordering over 30% more than they were previously.

It also works for the parts distributors. They are selling more parts, generating more profit, as the platform helps to optimize their cost base. The next phase is to build scale in Australia in the coming months, and after which we'll roll it out to more markets across Asia in 2024.

On to a major area of differentiation for Inchcape, digital and data. We have made such great progress here, as we help to drive more customers further efficiencies and deliver growth. We have launched the next generation of DXP, our customer experience platform, in a number of markets in APAC. I'm pleased to say that we are already seeing improved customer engagement results, and lead to sales conversion.

DAP, our digital analytics platform continues to scale and keep us ahead of the competition. DAP now

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has over 150 machine learning models to help us further optimize our revenue streams and customer experience. We further expanded the breadth and capability of our digital delivery centers in the Philippines and Colombia, and we now have over 1,200 people. So great progress in digital and data, as they continue to be a key enabler for our business.

So finally, I'll sum up. We delivered an excellent operational and financial performance in the first half, with continued strategic progress. Derco is a fantastic business, and is on track across all metrics. And as I mentioned before, based on prevailing market conditions, we expect the full year results for FY 2023 to be towards the top end of the range of published market consensus. Inchcape remains very well positioned to deliver further growth.

So, now we'd like to take your questions, firstly from people here in the room, then on the phone lines, and finally to the webcast. So, team, let's sit down. Now, Krishma, you need to make sure we give you some time to go and grab people. Let's start at the front with Andrew.

QUESTIONS AND ANSWERS

Andrew Nussey ***Peel Hunt LLP, Research Division - Analyst***
Andrew Nussey from Peel Hunt. A couple of questions, if I may. First of all, when we look at the distribution organic revenue growth of 17%, can you give us a feel how much is sort of volume, as opposed to how much is value, and maybe by region, if possible?

Secondly, in terms of free cash flow, and really sort of second, well, where we'll end the year end in terms of leverage, I think, you'd always sort of aspire to 0.6x net debt to EBITDA. I'm just curious to what extent have all the acquisitions changed that aspiration?

And then lastly, in terms of VLS, obviously, bravoauto is still very much in the build-out phase. Just any insight in when we might start to see sort of that operational gearing and profitability really begin to sort of kick in?

Duncan Tait ***Inchcape plc - Group CEO***
So, Adrian, can you take questions 1 and 2, and I'll come back on VLS.

Adrian Lewis ***Inchcape plc - Group CFO***
Yes, sure. So, to tackle your first question around the portion of our growth that's coming from volume versus value, look, I think we've talked about supply continuing to ease, and we've seen broadly across all of our regions actually that being a dynamic.

And so you should think about the 17% being more skewed towards volume than it is price. We have also seen some price tailwinds, but we are certainly past the peak of inflation in absolute selling prices. But what we've also continued to see, and this is a broad-based comment around some return to supply

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from some of our higher value brands, some of the Japanese brands, particularly in the Americas, the likes of Mazda and Subaru have both come back in terms of market share. And as a result of that, you've seen a higher average ticket price.

So, I think, I wouldn't differentiate it by region, Andrew, if that's okay, because I think that the broad themes of what I've just said are true across the business, actually.

In terms of free cash flow, during the course of the first half, we've generated a strong free cash flow position of just over £200 million, 62% conversion rate. That's in part as a result of the working capital inflow of GBP 35 million, and we've talked today about an expectation that that will continue to support free cash flow in the second half, as we make further progress in the normalisation of the Derco excess inventory. That will support that.

But, of course, we're going to continue to invest in this business. We're going to continue to invest in the two acquisitions that we've already announced, and the third one with Maxus. And, of course, those contract wins as well, are going to continue to invest -- cause us to invest in the business. So we're guiding for leverage to fall towards the second half -- during the second half with strong free cash flows supporting and funding that -- those acquisitions.

And I think that gives you a sense. We're not giving you specific guidance, but we expect it to be lower from a leverage perspective than where we are today.

Duncan Tait ***Inchcape plc - Group CEO***

So, on to VLS, your third question. So, let's go back to what we said at the Capital Markets Day. We thought VLS will deliver us greater than GBP 50 million of incremental profit towards the end of our planning period, which is 2026. We're building these businesses organically from the ground up. They are currently, Andrew, washing their face inside Inchcape, but they're building okay. So, we should be patient with them. Let's let them grow, and I promise, as soon as some really interesting news will certainly come straight to you.

So, next question, if we may. Can we go to the middle of third row back, Krishma, please?

Sanjay Kumar Vidyarthi ***Liberum Capital Limited, Research Division - Senior Analyst***

Sanjay Vidyarthi here at Liberum. I had 2 questions for me, please. First, on Singapore, I think the recovery there has been pushed out to 2024 now, as opposed to late 2023. I can see that year-to-date deregistrations are starting to stabilise, but registrations are still down quite significantly in that market. Is that simply a function of certificate entitlement prices still being too high? Or is there something else behind that? I'd just like to understand that.

And then second, obviously, I think a very big opportunity in terms of representing Chinese OEMs globally, and I can see the initiatives you've got in place with that. Can you give some idea of what

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proportion of the business Chinese OEMs represent, and how you could see that evolving? And do you think there's also a potential for that to be a threat as well as an opportunity in some of your markets, where if they're coming in at disruptive price points, actually they undermine some of your existing OEM relationships?

Duncan Tait ***Inchcape plc - Group CEO & Director***
Listen, I think I should take these questions, Sanjay. So, in Singapore, so we've been consistent this year. We see 2024 as the turning point for COE availability. If you look at the number of vehicles that are coming up to that 10-year point, where customers must make a decision to either hand the car back and buy or extend, we see a number of customers coming up to that point, and in fact, to the 15-year limit also.

So, we remain consistent that 2024 will be the time when you'll see greater COE availability, more and more Toyota customers coming up to that 10 years and 15-year limit. So, we're optimistic about our Singapore business building up in '24, '25, '26 period. So, we're consistent with that. And I'll just remind everybody, Singapore is at historic low levels of PBT, volume, and cash generation for us. So, we see it as a tailwind for the group.

And a similar story, I know you didn't ask about Hong Kong, but a similar story for Hong Kong, which is, it's building back up slightly faster than Singapore is, but again, a tailwind for the group. And you know what a big part of the group they've been previously.

Your questions about the Chinese OEMs, I think, is very pertinent. I mentioned some comments earlier on, which is, look, they made half of the world's EVs last year. They own nearly 70% of the battery production capacity. They're producing incredibly well-priced, high-quality vehicles. By the way, so are our other OEM partners.

So, we see an opportunity, and don't forget, we are in markets with very low motorization rates, which are growing really very quickly. You can see that from our results. So, there are opportunities for all of our OEMs, and a little bit like you can see in the markets which Romeo runs for us, where we have our biggest exposure to Chinese OEMs.

They fit really nicely in our portfolio. And if you look at markets like, if you look at Chile, for instance, you can buy a Geely Coolray from us for $15,000 or $20,000, right through to Subaru and BMW and Porsche, so we're able to serve the whole market. So, I think our portfolio of OEMs fits really well.

Now, we don't disclose our exposure to individual OEM groups, but what I would say is we have more exposure to Chinese OEMs than any other distribution company. And I was pleased to spend 8 days in China just a few weeks ago when we announced the global agreement with Great Wall Motors. And our entry with Great Wall Motors outside – the first contract outside of the Americas into Indonesia, I think is super exciting for Inchcape Group, and we'll continue to help those Chinese OEMs to grow.

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Can we go to this gentleman on this side?

Arthur David Truslove ***Citigroup Inc., Research Division - Research Analyst***
Arthur from Citi. A few from me, please. So first 1, can you just talk a little bit about how you manage supply into your markets, and in particular how much control you have over how much supply from each OEM goes in? How much discretion do you have, and what is the sort of notice period, if you like, to change supply, if that's what you want to do?

And second question, going back to your points on Hong Kong, it sounds like it's recovering a little bit, but my understanding is that the EV situation there has not gone your way. Have you got any update on when Toyota is going to put its EVs into Hong Kong?

And then thirdly, in LatAm, obviously, margins were very robust. Are you able to just confirm whether there was any help from transactional FX there?

Duncan Tait ***Inchcape plc - Group CEO***
Sure. On supply, I'm going to ask Adrian to make some comments, but then also I think it would be very pertinent to understand what's happened in the Americas. So, Romeo, if you could answer that. I'll take Hong Kong EV, and then LatAm, as you mentioned the word FX, I will ask the gentleman to my right to answer that question. So, Adrian, to you.

Adrian Lewis ***Inchcape plc - Group CFO***
Sure. In terms of our level of control, when we're the distributor in any given market with any given OEM, it is our responsibility to manage the supply chain from -- effectively from the factory gate all the way through to the end consumer. As you know, some of our lead times and that can vary significantly. Some of our Asian businesses have a very short lead time, and some of our Latin American businesses have a very long lead time, just simply because of the distance from the factories. So it can be up to 6 months.

What we do, and one of the core competencies of distribution is being able to understand and foresee what's going on in the market. And the best way we operate brilliantly as a distributor is trying to use that, work with our OEMs, have those conversations very, very early to moderate supply into the market in accordance with whatever demand profile we see over time.

What that enables us to do is manage the supply into the market and make sure we try and get that level right. Because when you get it wrong, as you know, you either find yourself with too much and get a market share challenge or find yourself with too little and end up with a market share challenge or too much and end up with margin pressure. But that's our core competency.

If I think particularly around the Americas, because obviously, your question has probably pointed a little bit at how we're managing the oversupply situation in Derco. We've made progress. We started the year with around £200 million of additional inventory. We've got through about 20% of that. Amid what are

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challenging market circumstances, our data has been telling us that that market will be lower than we'd perhaps previously anticipated and lower than the prior year for some time.

And the first thing we did when we acquired Derco was work with our OEMs to moderate that supply inbound. We always said it would take us 12 months to have got 20% out in the market circumstances. We're really pleased with that. But those supply moderations that we made in February, March and April are really for the second half arrivals into the market. The 20% we're pleased with and that's why we're confident about delivering on the £200 million for the full year.

So I think hopefully that gives you a bit of colour on that. Whilst I've got the mic, if it's okay, I'll cover the margin in LatAm. So, yes, super happy. We've got a broad market portfolio in the Americas. We've got a strong set of brands and a very broad geographic presence. And we've delivered a great set of results. We've grown in 10 of our 12 markets. We've grown share in many of those markets. And some of those markets have seen double-digit growth.

In terms of translational, did you say translational or transactional?

Arthur David Truslove ***Citigroup Inc., Research Division - Research Analyst***
No. Transactional, buying in dollars.

Adrian Lewis ***Inchcape plc - Group CFO***
Yes. No, no, understood. So our hedging policy is to neutralise those over time. And so yes, there's no big tailwind or headwind in any of those businesses as a result of transactional effects, nor translational, frankly.

Arthur David Truslove ***Citigroup Inc., Research Division - Research Analyst***
Sorry, on that one, I should have asked this at the beginning, but has the sort of mixed effect had an impact on margins there as well?

Adrian Lewis ***Inchcape plc - Group CFO***
Yes, no, it's a good question. What we've seen is higher ticket price, higher gross profit per unit, but not necessarily higher percentage profits.

Romeo Lacerda ***Inchcape plc - CEO of Americas***
Just complementing the very good answer that Adrian gave you about the supply process, it's really a collaborative process between OEMs and distributors. But in order to have their year, you need to have a robust process yourself of forecasting. This is where our sales and operating planning process comes in.

This is one of the hallmarks of Inchcape. And we try to use that process to forecast and to have foresight into the future.

We share that with the OEMs. And the lead time, as Adrian said, in our region, specifically in Latin

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America, is around 6 months. Any decision you make together with the OEM will take 6 months to arrive to your inventory.

What is also another insight I would like to share is that it seems that this time around, both distributors and OEMs are being much more disciplined in terms of planning and in terms of stock availability. In the past, you could have seen more aggressive instances in terms of selling in volumes. This time around, things are much more based on this planning process that I just mentioned to you.

Duncan Tait ***Inchcape plc - Group CEO***
So let's talk about Hong Kong, then. If you take a step back, at Inchcape, we are positioning ourselves as the leaders in introducing new energy vehicles into the markets that we run for OEMs. And you can see in our markets right around the world, including many of Romeo's we are introducing EV vehicles into those markets.

You're right about Hong Kong. And I've said for some time, we may see market share bumps in some markets, depending on our OEM portfolio and how aggressive the move is to EV in a market. That has been true in Hong Kong. But then you should think about what Inchcape's reaction to that being. We've introduced EV products from Great Wall and their ORA brand into that market, Maxus EV products into the market. We've also introduced our used car operations, so we've broadened the services and OEMs into that market.

We've addressed our cost base. And then if you look at progress to-date, we're building an order bank in Hong Kong across those 3 OEMs, Toyota and Great Wall and SAIC Maxus brand. And we're getting great support from what we think is a brilliant OEM in Toyota to introduce EV into that market.

We think Toyota's plans for EV are exactly what we need for our markets. It'll just take a little bit of time for us to get more and more exposure to Toyota EV.

Krishma, may we go to row 4 on the left?

Michael Allen ***Zeus Capital Limited, Research Division - Head of Research***
It's Mike Allen from Zeus Capital. Two from me if I may. Just going back to Singapore and Hong Kong and just thinking about kind of product life cycles and emergence of EVs, etc. In the past, that's been quite an important driver, particularly in terms of when looking at recovery and operational gearing. Is that product life cycle, is that going to be a bigger issue than it's been before or less of an issue given the powertrain shift?

And then the second one if I may is just on Europe and clearly really good performance there. And I know we saw accelerated supply. You talked about that across the region. I'm just wondering where the kind of leading and lagging indicators of that supply growth, and just give us a bit of a feel of what was leading and lagging within the European region?

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Duncan Tait ***Inchcape plc - Group CEO***
Sure, okay. Could you answer the Europe question, Adrian? I'll take the Singapore and Hong Kong question.

So look, I think in general, Mike, each of our market leaders, whether it happens at the regional level like Romeo or running individual markets like the MDs for Hong Kong and Singapore, we expect them to understand every aspect of legislation, taxation, import duties, and also where their OEM's portfolio are relative to how we think that market will develop.

I've spoken about our reaction to Hong Kong and the changing pace of legislation and incentives towards EV. I think we're addressing that really, really well. You should expect the same from us in Singapore in terms of drivetrain change. The Singapore market has tax incentives in place for hybrid vehicles and pure EV in the marketplace.

We are very, very well positioned with Toyota in that market. We continue to have market leadership in commercial vehicles, in taxis, and in passenger vehicles. And as we see more COE availability into '24, '25, '26, we should see Singapore really, really motor for us over that period and be a tailwind for the group. Same for Hong Kong.

Adrian Lewis ***Inchcape plc - Group CFO***
In terms of Europe, if I sort of roll back to the start of the year, we started the year with probably the deepest of order banks around the group in Europe.

There'd been supply constraints that had been prevalent through 2022, and we started the year with a very strong order bank. It won't surprise anyone in this room, I think, to say that the consumer confidence in Europe on the back of higher interest rates and higher inflation has been weak. It has been weaker, actually, than supply.

So what we've seen, and this is particularly relevant in our northern European and eastern European businesses. We've seen consumer demand weak, and we've been moderating that order bank in those markets particularly. I guess the one exception to that would be our business in Greece, where actually the Greek economy and our business and the consumer environment in that space is very, very strong, and we continue to see resilience.

So where are we today? We still have an order bank. It's not as strong as it was at the start of the year, so it has moderated. Supply, we expect supply to continue to remain in a resilient space, and that balance of supply and demand we expect to continue to erode a little bit in the second half and further moderation of the order bank, which will be a bit of an underpin in the short term. I think 2024, I think we're looking at with some caution in the way we're planning our S&OP processes to make sure we're appropriately geared in that region.

Duncan Tait ***- Group CEO***

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Thanks, Adrian. Any more questions in the room? In that case, can we go to the phone lines, please?

Operator
Thank you. We will now begin the Q&A session on the phone line. (Operator Instructions) The first question that we have comes from Akshat Kacker from JPMorgan.

Akshat Kacker ***JPMorgan Chase & Co, Research Division - Analyst***
Yes, Akshat from JPMorgan. Congratulations on a strong first half performance. A couple of questions, please. The first one on your strategic partnership with Great Wall Motor. I know you've announced Indonesia as the first market that you're working on, other than Chile, where you're already distributing vehicles for them. I'm just wondering if there are any other easy wins for you in terms of some overlapping markets that might be handed over to you initially. Like, I already see them distributing at least 150,000 vehicles outside the Chinese market.

The second question is on the implications of the agency model on your retail profitability. I know you haven't shown any impact on profitability in the first half, but can you share more details on how you expect the agency model to impact the business going forward? I'm assuming it entails a lower profit in terms of handling fees, but also lower capital employed going forward?

Duncan Tait ***Inchcape plc - Group CEO***
Good morning, Akshat. Thank you very much for the questions. I'll answer the Great Wall question you had and then move to Adrian for retail and agency. So we're really, really pleased with that Great Wall agreement. It reinforces one of the reasons why we bought the Derco business in the first place. Much more exposure to fast-growing Chinese OEMs, a brilliant relationship with Great Wall Motors in the Americas, and I've since met the senior people inside Great Wall Motors just a few weeks ago in China.

Look, I would say the following. A number of our Chinese OEM partners, like Changan, like Geely, like Great Wall, want to make sure they're selling as many vehicles outside China as they're selling inside China, and we are a great partner to enable that for them. The Indonesia deal is a really significant deal for us. The population of Indonesia is 270 million people, GDP growth at 5%, low levels of motorization rates, so a great market for us. And if you look at what we've done in Indonesia, we started off with a Jaguar-Land Rover agreement. We quietly added Harley-Davidson into that market last year. We've announced an M&A to acquire the distribution assets of Mercedes-Benz in Indonesia and now run Great Wall through that business as a contract win. That could be a very significant market for us, and where I'd like to build these markets to over time is a little bit like Romeo's done in the Americas, where we end up with a big market share in big markets, and let's not forget in Chile, for instance, or Peru, where we have 25% market share.

Now, to the question about, do I see other wins with Great Wall, yes, you'll forgive me if I don't mention the markets that we're targeting with them, but we're actively targeting other markets with Great Wall Motors and other Chinese OEMs, other Japanese OEMs, and other Western OEMs as this company continues to grow, but I'm very excited about that Great Wall deal and, frankly, more to come.

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Adrian Lewis ***Inchcape plc - Group CFO***
Akshat, for your question around the agency model in the U.K., I think the big picture on the agency model is that multiple brands are going to be looking at different variations of the agency model. There's one brand that's moved in 2023, and we've had notice that other brands will shift in 2024 and in 2025.

Now, there are different variations of the agency model that are currently being discussed, and it's not entirely consistent across each one of those brands, so we are working with those OEMs to assess what that will mean, and we'll update you towards the end of the year as to what that should mean and how to think about that from a 2024 outlook perspective.

I think our position would be consistent that we are broadly neutral from a cash profitability perspective, and what you've seen in our financials in retail in the first half is the impact of that one brand changing, and I'll remind you of some of the numbers I gave you, which was we've posted 4% organic growth. Had we not, if we reversed the impacts of the agency model in one of those brands, that organic growth rate would have been 17%, but, of course, operating margins would have been lower, and that impact is about 20 basis points, and what you should read into that is that our underlying retail business today or in the first half was 1.8% operating margin, so slightly above the 1.5% sort of standard guidance that we have provided previously, and I will just take the opportunity to remind you that when you look at what we're lapping in the first half of 2022, we are lapping the peak of vehicle pricing growth, which explains the movement in cash profitability you're seeing half on half, and that was where we were holding stock and it was getting more valuable by month by month and drove an unsustainable level of profitability in operating margins in that retail business. I hope that covers your question, Akshat.

Operator
The next question we have comes from Georgios Pilakoutas from Numis.

Georgios Alexandre Bela Pilakoutas ***Numis Securities Limited, Research Division - Analyst***
Thanks, good morning, Team. Three broadly related to Derco and Americas. And first one, you're kind of reaching new levels of market share in some of these Derco markets. I just wanted your learning from this, both within those markets and perhaps what having this level of market share enables you to do that it hasn't in other markets, and then your ability and desire to replicate that in new markets.

Second one is trying to kind of get an understanding of where we think Americas is in terms of through-the-cycle margins or earnings. We've obviously got weakness in Chile and Colombia, but are the markets strong? Ultimately, do we think that's back to kind of normal-ish level of growth with a stable margin with some of the synergies underpinning that and any colour you can provide there?

And then the last one is just some of the small contract wins you've done in Americas in particular. And just wanted a bit of insight into these contracts because historically there's always kind of been friction in terms of family businesses have been having these contracts for a number of years and you kind of need the right time to come through in terms of them wanting to sell the OEM or looking for someone

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and you being there as well. And so what has led to these contracts suddenly becoming so readily available and therefore, can it continue?

Duncan Tait ***Inchcape plc - Group CEO***

George, so this looks very much like these questions are going to Romeo. So Romeo, over to you.

Romeo Lacerda ***Inchcape plc - CEO of Americas***

So thank you, George. Your first question related to market share. Normally, market share is gain or loss on the back of a couple of things. Number one is the strength of your network in a country. Number two, your market ingenuity and prowess. And then more and more, it's one based on your digital capabilities. So right now, together with Derco and Inchcape, what is driving our market share gains is based on the first two ones. But what I expect to happen is as we implement DXP in the Derco markets starting in 2024, we'll be able to leverage all the learnings that we have in other brands and other markets into the Derco world. So I expect that those market shares to be picking up as of 2024 onwards.

As for the attrition with the OEMs or potential attrition with the OEMs, what we have found is that the relationships that Derco has built over the decades were super strong. So we are basically leveraging those relationships to new heights, as Duncan just mentioned. Great Wall Motors is one of those examples. But you are right that those contracts that we sign, some of them we started to discuss before the acquisition of Derco. This is the case, for instance, of Geely in some of the markets in Central America. And this is part of our operating model.

As we are a growth company, we are constantly pursuing those kind of deals. It's just that Derco has brought to us a scale and a level of capabilities that will enhance our capability to gain more of those contracts moving forward, we believe.

Duncan Tait ***Inchcape plc - Group CEO***

Thank you, Romeo. And, George, may I just add, I think the distinction, if you look at the progress this year in the Americas versus last. So last year, of course, we announced two bolt-on acquisitions, one with Simpsons in the Caribbean and the second one, which is DITEC in Chile, before we landed the big one of Derco, of course. This year, you're seeing contract wins come through. So we're not, no M&A, no money's changing hands. We're using really great relationships with OEMs to break into new markets with them.

One new Mercedes market, that's the third this year. Don't forget, we've got two in Asia. Two new Geely markets and much to my delight, taking Subaru and Inchcape brand into a Derco country, which we were not present in before in Bolivia, is also super news for the group. So, slightly different emphasis this year, because our big emphasis for 2023 in the Americas is successfully integrate Derco. I think you can see that the team is doing that. And therefore, we've switched focus to contract wins. But as I have said previously, there is much more room to grow in each of our regions, including the Americas.

The final point that I just want to make on market share, because you then asked a global question also,

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is yes, I really, really like the fact that Romeo's built market shares of about 24%, 25% in markets. By the way, a lot of America's markets where we still have sub-five, and in some cases, sub-1%. Do I want to replicate, should Inchcape replicate that broader market share in more countries in the Americas, Europe, and APAC? Absolutely, we should do. Yeah, I think there's great benefits for consumers, for OEMs, and for our company and shareholders. So you should see us continue to do that.

Thank you, George. Do we have any other questions on the telephone?

Operator: Yes, sir. (Operator Instructions) The next question we have comes from James Zaremba from Barclays.

James Edward Zaremba ***Barclays Bank PLC, Research Division - Research Analyst***
A couple of questions, please. The first is just a follow-up on the contract win. Were these new markets for the OEMs themselves, or did you win those from incumbents? I guess if the latter, what did you think the OEMs were looking for to drive the change?

And then the second one, just kind of following up on Adrian's comments about achieving a higher gross profit per unit but not necessarily higher gross margin. When you talk about the normalisation of an EMEA EBIT margin, was this more of a volume thing or kind of a change in either that higher gross profit per unit or gross margin?

Duncan Tait ***Inchcape plc - Group CEO***
Very good. James, it looks like question one is coming my way, and you directed question two to Adrian, so I'll agree with you. But the contract wins by and large are new entries for those OEMs into those markets. So if you look at Subaru into Bolivia, that's a new entry for us. Subaru into Ecuador is a new entry. Geely, we've moved into Ecuador and launched in April of this year is a new market entry for them.

If you then look at our APAC business, Tata Motors into Thailand is Inchcape having a very successful Jaguar Land Rover business and Bravoauto business in Thailand. They can leverage our distribution infrastructure to gain access to that for Tata Motors. And then Indonesia I've spoken about a little bit already in the Q&A, but that is a completely new entry for Great Wall Motors into Indonesia. And we're taking their new energy vehicle portfolio into that market. So it'll be very much an EV push into Indonesia. So it's by and large leveraging a brilliant distribution infrastructure that Inchcape has put in place in those markets to enable new market entry for expanding OEMs. And those OEMs, let's not forget our companies like Mercedes, like XCMG, like Geely, like Great Wall Motors, like Tata Motors. So I think we've had a super first half, but we do not want to stop with just that. Adrian, over to you.

Adrian Lewis ***Inchcape plc - Group CFO***
Yes, thanks, James. I think, if I sort of stand back from where we are in Europe, we've talked about a moderation in the order bank having started from a very strong position. And the numbers we've published today talk to a 20% organic growth rate number in Europe and a 5.5% operating margin. I

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think the way you should think about that 5.5% and what's enabled that, we've talked about enhanced supply and a moderation of order banks.

So that is a volume driven and an operating leverage driven operating margin. So we've sold, we've had high volume of throughput higher than consumer demand because of the macro factors that I think we've highlighted.

As you think about how we should think about the future, certainly in EMEA, we are moderating our supply chains as we have done in other markets. So it's consistent from a stock flow into 2024. So it's consistent with the consumer demand profiles that we're seeing in some of our leading indicators so that we are appropriately set up in those markets. But I think the 5.5% we've delivered in half one is not the right position to start for as you think about those in the future.

If you look back to our guidance, what we provided at the end of last year, we talked to the second half of 2022 as being a starting point. And I think that we'd stand by that guidance.

Operator
Ladies and gentlemen, there are no further questions on the conference call. I will now hand back to the Inchcape team to address the recent questions.

Duncan Tait ***Inchcape plc - Group CEO***
Thank you very much. So final set of questions, Rob. Anything over the web?

Rob Gurner ***- Head of Investor Relations***
Yeah, two questions from Carl Smith at Zeus. The first is, has the performance of Bravoauto been in line with expectations so far? And do you plan to roll it out anywhere else in H2? And the second question is, are you looking at other potential M&A opportunities in the Americas?

Duncan Tait ***Inchcape plc - Group CEO***
I will take the first, and I think actually Romeo can answer the second one. So yes, Bravoauto is progressing as we expected. I just want to reemphasise what I said before. We are growing that business ground up. So no acquisitions. We are building it ground up. It's in 12 markets around the world. We'll be expanding to more markets this year. Yes, you could hear that from what Romeo said earlier. We'll see Bravoauto expansion in the Americas.

Business currently washes its face. We're excited about the opportunity. And if you think about where we are, we have a huge market share like in Chile, for instance, where we are selling over 100,000 vehicles per annum. The amount of customer data, the amount of vehicle data we have, puts us in a very powerful position to further grow those VLS businesses. So yes, the answer is yes. But I'm still not going to give a number until we're ready to reveal. Romeo, over to you, please.

Romeo Lacerda ***Inchcape plc - CEO of Americas***

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On the M&A in the Americas, so the answer is yes. There are further opportunities, plenty of opportunities. And we do have a full pipeline. However, it's important to mention that this year, the focus, as Duncan already mentioned, is on the integration of Derco. And why, just expanding on my previous topic, why there are opportunities in the Americas? Firstly, it's still a very much fragmented market. More than 500 independent distributors. Secondly, there are several countries, as also Duncan alluded to, where our market share is 2%, 5%, so there is an opportunity for consolidation.

And finally, there are several countries that I consider or we consider white spaces, countries where we do not have a presence yet in the Americas and in the future we could enter. But right now, our focus is on the integration of Derco.

Duncan Tait ***Inchcape plc - Group CEO***

Thank you, Romeo. Rob, all done? Very good. Thank you very, very much to everyone who's joined online and particularly in the room. I really appreciate your interest in our company. Thank you to my fellow presenters. And let's not forget, we have had a stunning first half. Derco is on track. We're seeing real strategic progress with M&A and new contract wins, and we've upgraded guidance for the full year. If you have any further questions, you should please address all questions to Rob Gurner. Thank you.

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