Inchcape

FY 2023 RESULTS

5 March 2024

Agenda

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01 RESULTS OVERVIEW:
Duncan Tait, Group CEO

02 RESULTS REVIEW:
Adrian Lewis, Group CFO

03 STRATEGIC PROGRESS:
Duncan Tait, Group CEO

01

RESULTS OVERVIEW

DUNCAN TAIT
GROUP CEO

Inchcape FY 2023 results
Key takeaways

Strong financial and operating performance

Substantial strategic progress

Inchcape remains well positioned for future growth

FY 2023: A strong financial and operating performance

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FINANCIALS:

£11.4bn
Revenue
2022: £8.1bn

£502m
PBT
2022: £373m

84.8p
EPS
2022: 72.0p

CASH & RETURNS:

£498m
FCF
2022: £380m

26%
ROCE
2022: 41%

33.9p
DPS
2022: 28.8p

OUR PEOPLE:

28%
Women in Senior Leadership positions
2022: 22%

PLANET:

31%
reduction in Scope 1 and 2 GHG emissions
2030 target: 46% reduction versus 2019-baseline

2.4%
BEV's sold
2022: 2.5%

CUSTOMERS:

702
Reputation.com score
2022: 671

Figures are stated before adjusting items, and on the basis of continuing operations
Women in Senior Leadership includes Group Executive Team and its direct reports | Scope 2 emissions measured on a market approach
BEV = battery electric (new) vehicles volumes | Reptutation.com score measured up to 1000 based on customer experience (industry average: 555)

FY 2023: Substantial strategic progress
Inchcape well positioned for growth

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STRATEGIC DEVELOPMENTS

Contract wins and bolt-on acquisitions

15 distribution contracts won and 3 acquisitions completed in FY 2023

Market share gains

Derco progress

- Integration
- Synergies
- Operating margin
- Working capital

GROWTH OUTLOOK

FY 2024

Another year of growth, albeit moderated

Certain markets weaker than previous years

Even stronger focus on cost management

Medium to long term

Expecting to return to higher levels of growth

Supported by further benefits from stronger cost focus

02

RESULTS REVIEW

ADRIAN LEWIS
GROUP CFO

FY 2023: a strong performance

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Topline:
Revenue

£11.4bn	
+41%	+12%
Total revenue growth (YoY%)	**Organic growth** (YoY%)

Profitability:
Operating margin

5.8%
+70 bps from FY 2022

£502m
+35% from FY 2022

PBT

Balance sheet and cash flow:
Free Cash Flow

£498m
with 74% FCF conversion

0.8x

Leverage ratio
(proforma)

Shareholders:
Basic EPS

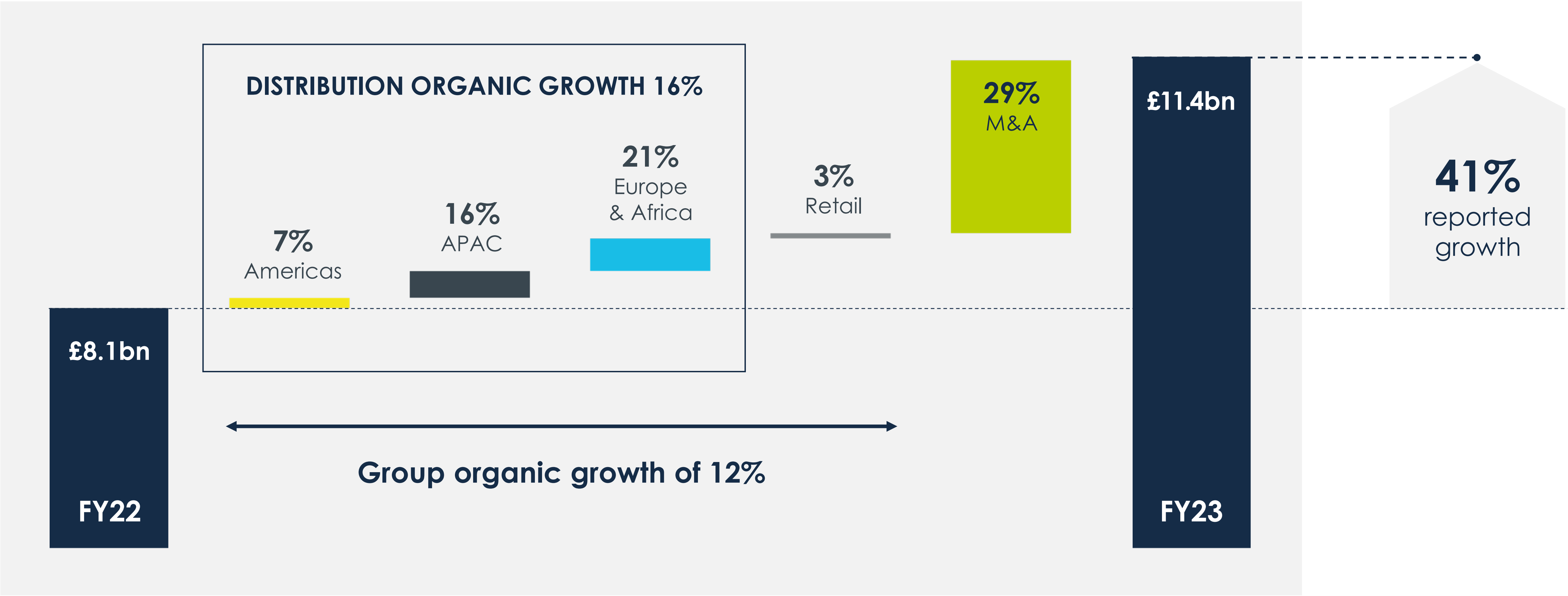
84.8p
+18% from FY 2022

33.9p
+18% from FY 2022

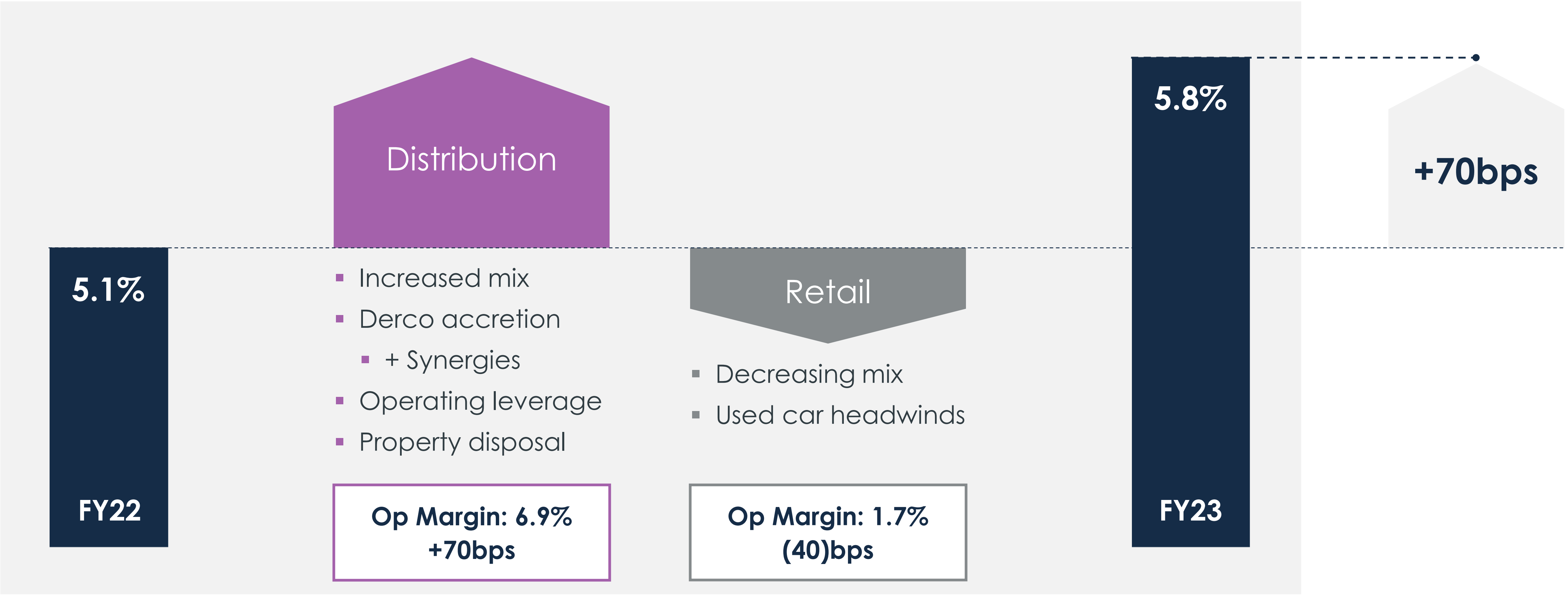
Dividend per share
(proposed)

Where appropriate, figures stated before adjusting items, and on the basis of continuing operations

Group revenue bridge
Strong growth from Distribution and acquisitions



Group adjusted operating margin bridge
Growth from strong Distribution performance



Americas Distribution:
Resilience in a challenging market

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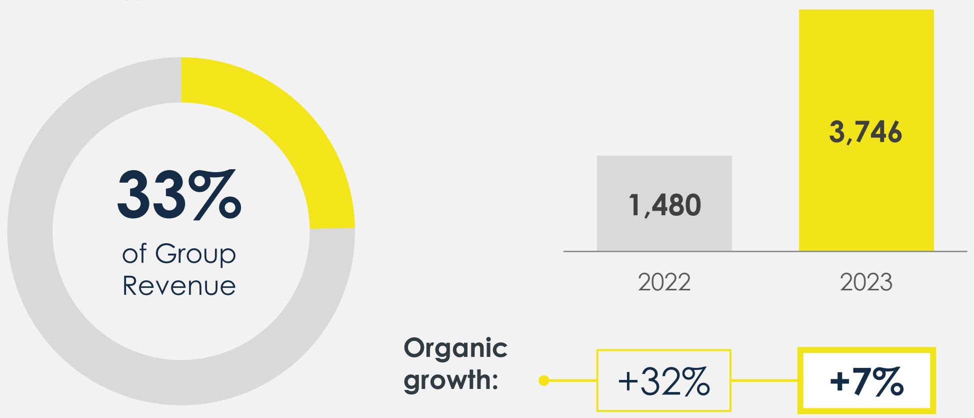
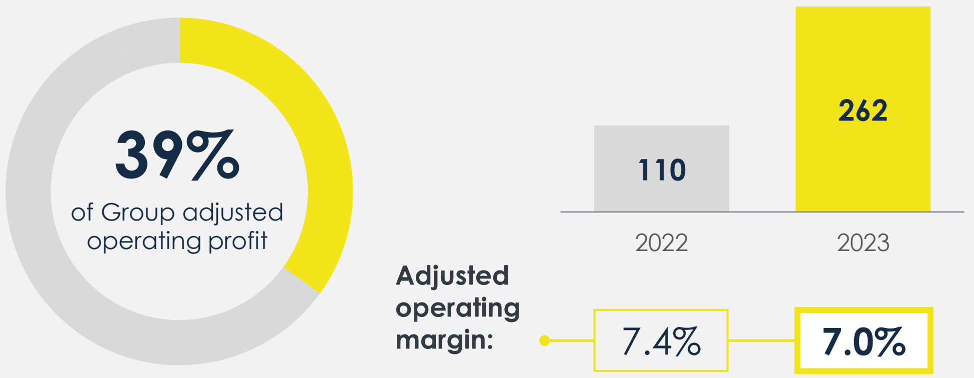
Revenue £m



Operating profit £m



FY 2023 revenue:

- Growth and market share gains in many markets
- Certain markets down and towards historical lows
- Slowing growth in several markets in Q4 2023

FY 2023 operating margin:

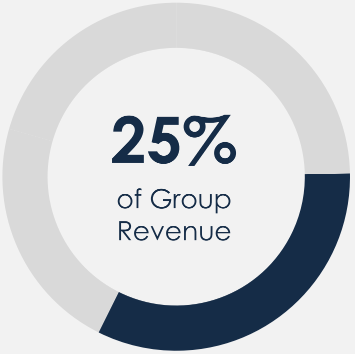
- Resilient margins in the context of a challenging environment – in line with expectations
- Supported by cost synergies

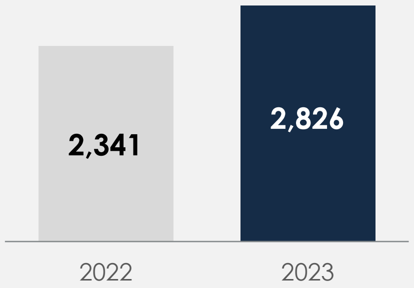
Regional outlook:

- Prudent expectations of short term market growth
- FY 2024 underpinned by cost reductions and increased synergies
- Medium to long term structural growth and operating leverage

APAC Distribution: Outstanding performance

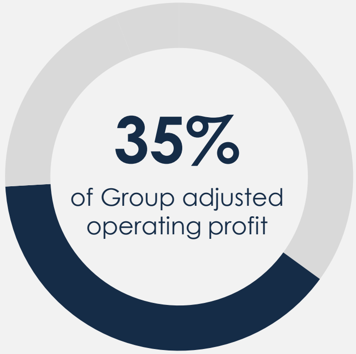
Revenue £m

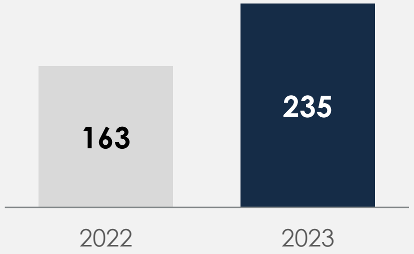




Organic growth: +2% → **+16%**

Operating profit £m





Adjusted operating margin: 7.0% → **8.3%**

FY 2023 revenue:

- Growth across all markets
- Initial stages of recovery in Hong Kong & Singapore
- On-going improvement of supply in Australasia
- Contribution from acquisitions in Q4 2023

FY 2023 operating margin:

- Revenue growth driving operating leverage
- Strong contribution from higher margin businesses
- Property disposal in Australia

Regional outlook:

- Growth in many markets
- Contribution from M&A
- Medium to long term structural growth

Europe & Africa Distribution:
Accelerated operating performance

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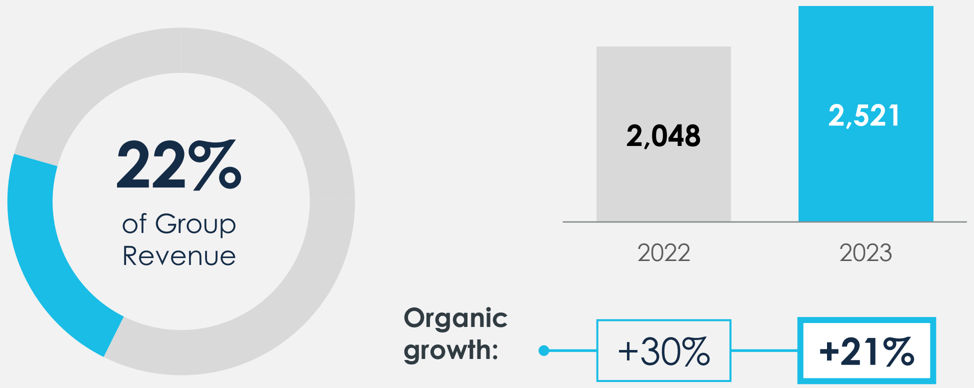
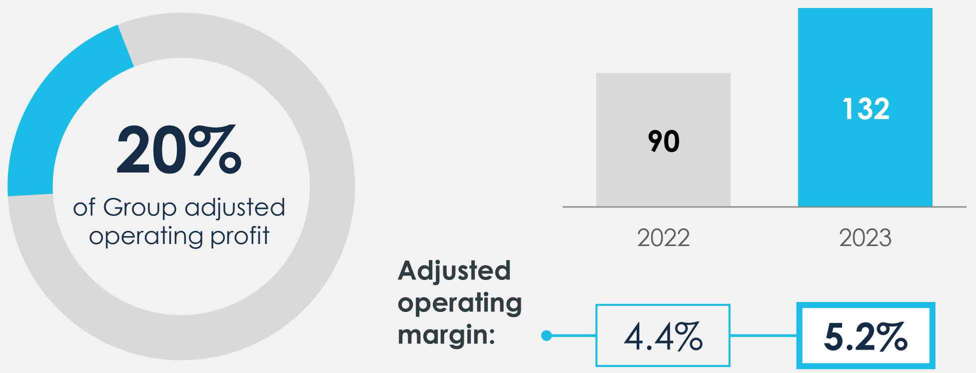
Revenue £m



Operating profit £m



FY 2023 revenue:

- Continued unwind of order bank in Europe
- Strong performance with market share growth
- Africa supported by aftersales resilience

FY 2023 operating margin:

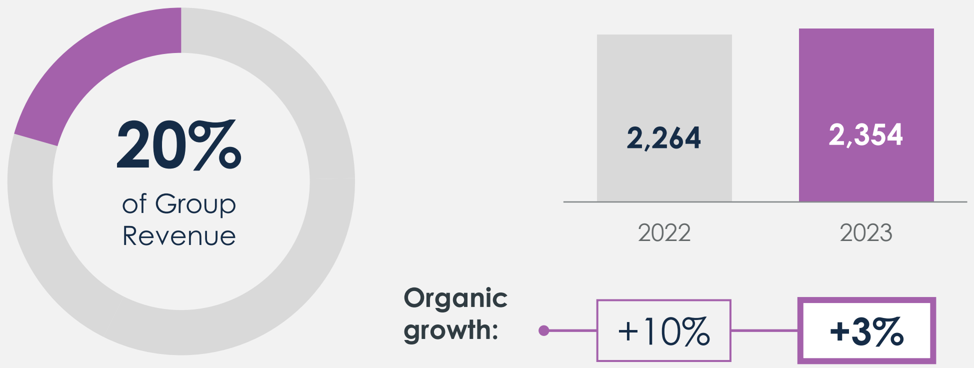
- Elevated margins in Europe, driven by operating leverage
- Resilient margins in Africa

Regional outlook:

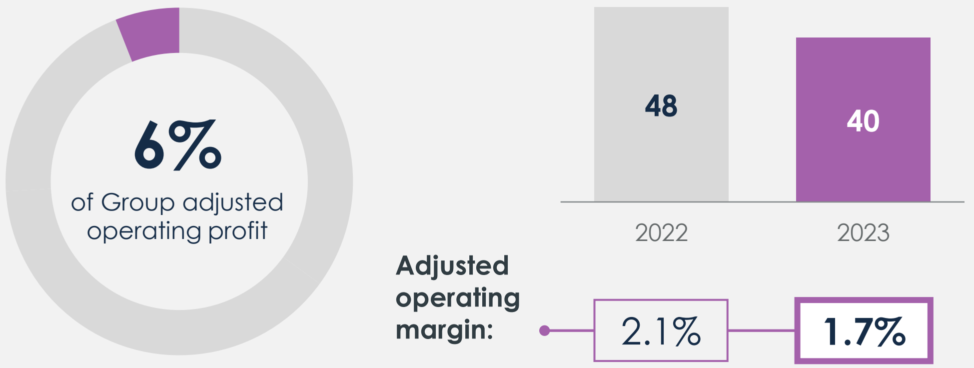
- New consumer demand remains muted in Europe
- Order bank, and consequently margins, continue to normalise in H1 2024
- Mixed market dynamics over the medium term

Retail:
A resilient performance

Revenue £m



Operating profit £m



FY 2023 revenue:

- Robust volume growth, supported by fleet
- Aftersales remains robust

FY 2023 operating margin:

- Used car headwinds impacting operating margin
- Against challenging comparators

Divisional outlook:

- Short term used car market challenging
- Medium term resilience
- Reviewing strategic options for UK retail business

Income statement

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£m (unless otherwise stated)	FY 2023	FY 2022
Revenue	**11,447**	**8,133**
Adjusted Operating Profit	**669**	**411**
Adjusted Net Finance Costs	(168)	(38)
Adjusted Profit Before Tax	**502**	**373**
Adjusting Items	(89)	(40)
Reported Profit Before Tax	**413**	**333**

Underlying Adjusted Tax rate %	*27.9%*	*26.0%*
Adjusted Basic EPS (pence)	*84.8p*	*72.0p*

Figures are stated before adjusting items, and on the basis of continuing operations
All figures rounded to the nearest £m

Net interest expense higher reflecting shift in capital structure and elevated interest rate environment

Adjusting items include acquisition and integration costs, hyper-inflation in Ethiopia and interest on Derco deferred dividends

Underlying tax rate in line with our guidance of 27% to 28%

Strong EPS growth of 18%

Even stronger focus on cost management

Net Finance Costs

Component	FY 2023 (£168m)	Medium term outlook
Net Interest:	£77m	▪ 70% fixed GBP corporate debt facilities in a higher interest rate environment ▪ 5 year debut bond, brings some stability to interest costs ▪ RCF renewed and increased to £900m, with extended maturity to 2028 ▪ Deleveraging over time
Leases:	£22m	▪ Increasing with footprint and infrastructure
Inventory Finance:	£50m	▪ Further alignment of commercial terms with newly acquired businesses ▪ Gross Margin % offset ▪ Increasing with growth
Fees, FX & Other:	£19m	▪ Continuation as we protect long term value

Interest items outlined in note 4 of Inchcape's FY 2023 results announcement

Excellent free cash flow generation

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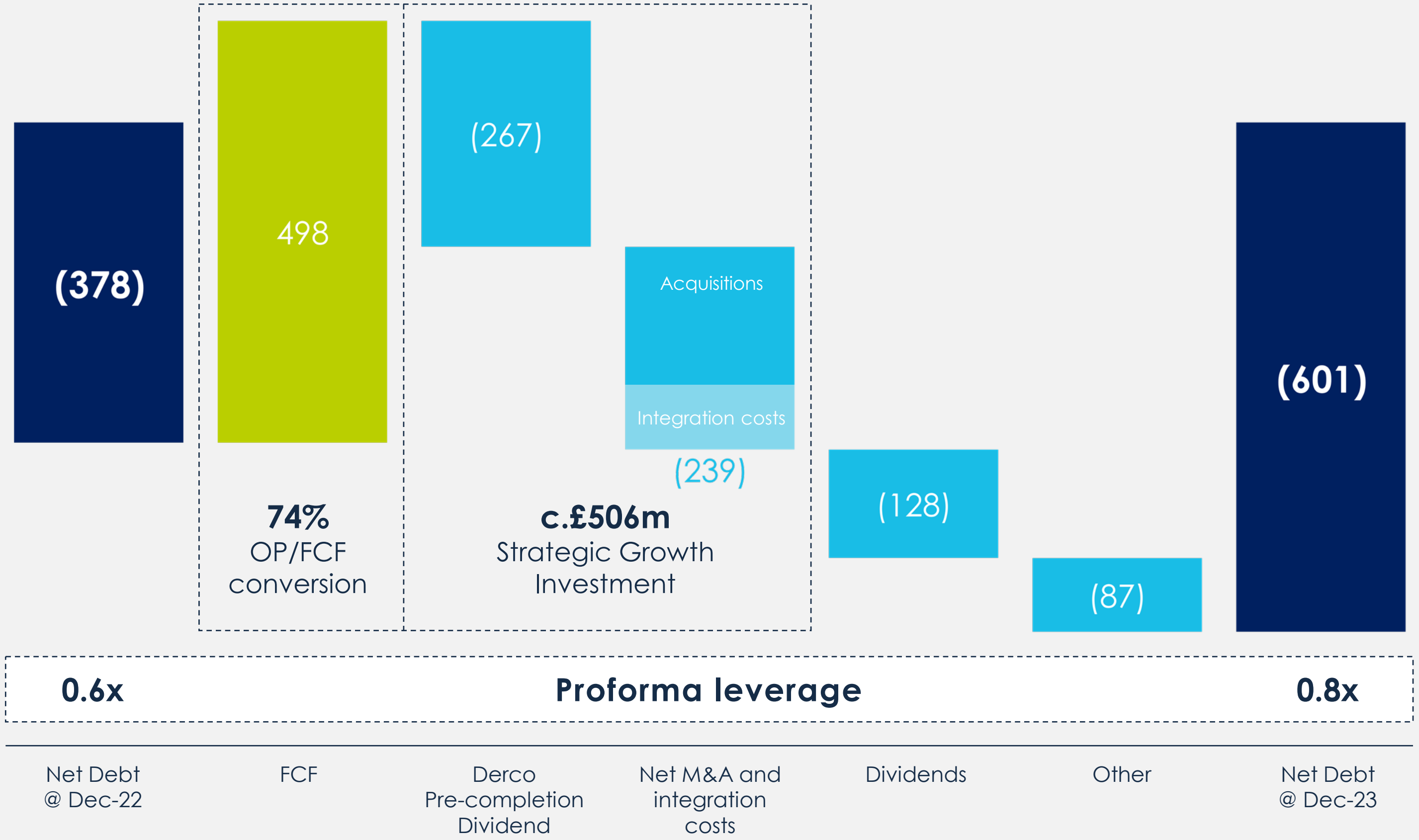
Net Cash / (Debt) bridge(£m)



FY 2023 dynamics:

- £498m adjusted free cash flow
- 74% adjusted operating profit conversion
  - Supported by net working capital inflow of £155m - Derco inventory reduction offset by normalisation elsewhere
- c.£506m invested in strategic growth
- Continued returns to shareholders - £128m in dividends

Outlook:

- Reiterating FCF conversion guidance of 60% to 70%
- Priority remains to de-lever

Derco
Transforming our business

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- Integration **progressing well** – organisational, operational and technological
- Foundation of **revenue synergies** in place in the Americas and other regions
- Operating margins at top end of **5%** to **7%** range delivered, pre-synergies
- Successful completion of **c.£200m** excess inventory reduction
- Accelerated cost synergies of **£21m** achieved
  - Now expected to deliver £10m more annualised synergies of at least **£50 million** by the end of FY 2024
  - Integration cash costs of **£70 million** spread over 3 years

Capital allocation policy:
A disciplined approach, short term focus on deleveraging

01:
Invest in the business

Capex for organic growth and technological investment

02:
Dividends

Policy: 40% annual payout of basic EPS (adjusted)

03:
Value accretive M&A

Disciplined approach to valuation

04:
Share buybacks

Consider appropriateness of share buybacks

Net debt to adjusted EBITDA limit of 1x (pre IFRS16)

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03

STRATEGIC PROGRESS AND OUTLOOK

DUNCAN TAIT

Why Inchcape is winning with our mobility company partners

Inchcape is a key element of the mobility company value chain

We manage the cost of complexity for our partners

Through consistent delivery of Distribution Excellence on a global basis

Including regulatory compliance, inventory management & channel management

Supported by our digital and data analytics capabilities

To help our mobility company partners maximise and grow their market position

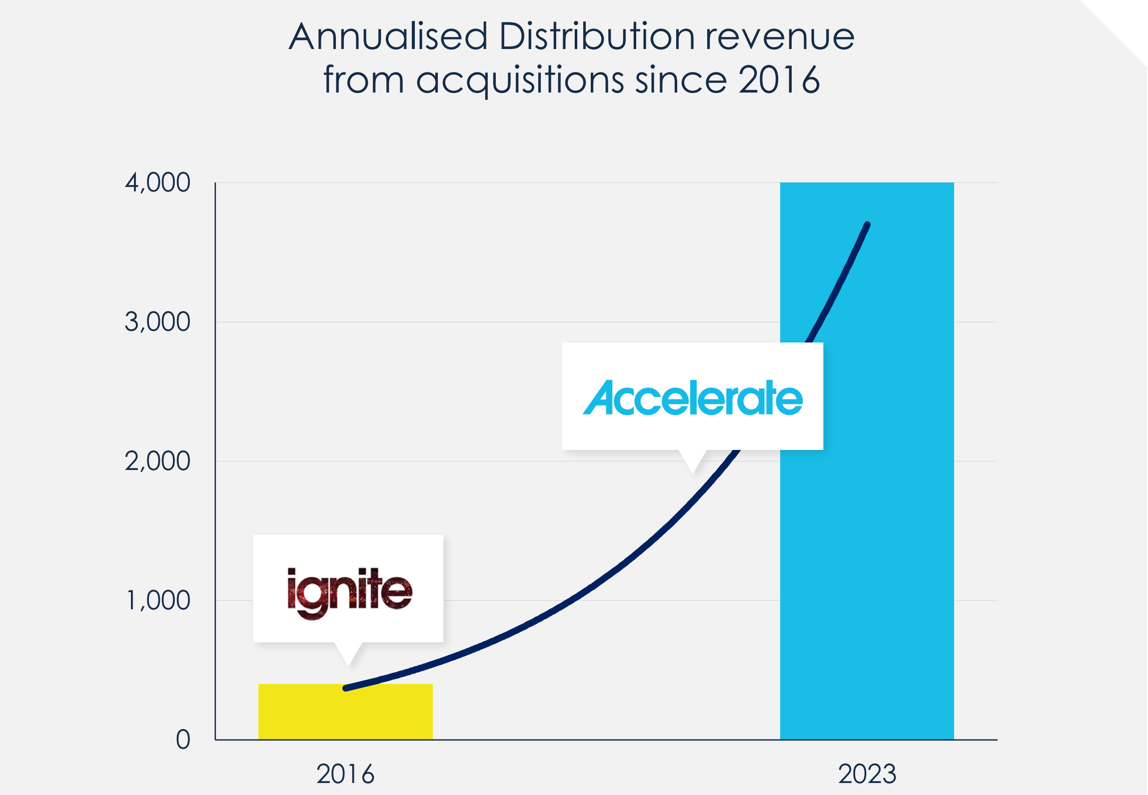
Proven by our long track record of performance

Longest mobility company partnership of 100+ years

Underpinned by our Responsible Business agenda: People, Planet, Places and Practices

Global scale and growth…
…through distribution deal momentum

	2016	2023
Markets	29	41
Mobility partner relationships	20	60



Distribution Excellence – on-going success
Driven by contract wins and acquisitions

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Americas

Further market share gains – scaled Americas proposition

- Bolivia
- Ecuador
- Guatemala
- El Salvador
- Colombia
- Peru
- Honduras

APAC

Increased exposure to substantial market

- Thailand
- Indonesia
- Philippines
- New Zealand
- Singapore

Commercial Vehicles

Europe & Africa

New frontiers in Africa and strategic progress in Europe

- Kenya
- Tanzania
- Djibouti
- Belux

Commercial Vehicles

Derco
Transforming our business

- Increases our global market share
- Delivers margin enhancement
- Significant strategic benefits
- Drives value across the Group

DERCO

Derco is an **excellent business** with exciting **growth prospects**

Vehicle Lifecycle Services
Compelling opportunity to unlock long term value

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Our VLS opportunity

Strategic importance in capturing value through a vehicle's lifecycle

Drives **enhancements to Distribution** business

Focused on value-added services, including Digital Parts Platform, used car channel for independent dealers, F&I and warranty management

Digital Parts Platform

Australia gaining further traction

12 distributors with 410 aftersales workshops, with several new OEMs

On-going discussions with **new mobility company partners**

Launched in Hong Kong, with roll-out across other APAC markets planned during 2024

Used Car Excellence

Reducing scale of bravoauto to its profitable core, given focus on reducing retail-only footprint

Moderated operational and geographic profile – disciplined investment to date

Re-evaluating our ambitions for bravoauto as part of VLS

Digital and Data – our key differentiator
Further traction on all fronts

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Key focus areas:

- DXP **Digital eXperience Platform:** our digital touchpoint
- DAP **Data Analytics Platform:** driving smart, fact-based actions
- **A digital architecture** that will scale with Inchcape
- **Digital Delivery Centres:** our global ‘tech hubs’ with 1,400+ people

Development of strategic digital roadmap – driving performance and efficiency in our markets

Next generation of DXP – with improved functionality, introduced in several markets in APAC

DAP continues to enhance our business – 250+ machine-learning algorithms within our capability set across our markets

In-market development of technology-based applications – to be scaled across other markets, driving innovation, over time

Responsible Business
Good progress on each pillar

Planet

Good progress towards our Scope 1 & Scope 2 CO_2 emissions targets

People

Inclusive Leadership Programme delivered to 650+ leaders

High levels of advocacy evidenced in colleague engagement survey

Places

Over 30 programmes delivered across Safe Mobility and Social Mobility pillars

Continued success of our community engagement programmes

Practices

Successfully integrated our practices within new acquisitions

Roll-out of enhanced Code of Conduct and policy handbook

We work responsibly and impact the world for the better, to the benefit of all our stakeholders

Inchcape investment proposition
Driving scale and diversification

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Global market leadership in Automotive Distribution: with compelling offering for mobility partners

60

Mobility partner relationships

Differentiated business model: asset-light and digitally-enabled, with high barriers to entry

DXP

DAP

On-going investment in growth opportunities: organic investment and acquisitions

74%

FCF conversion in FY 2023

Track record of delivering high levels of returns and Free Cash Flow: enabling investment in compound growth

26%

ROCE in FY 2023

Underpinned by consistent execution against clear strategic objectives

FY 2023: Substantial strategic progress
Inchcape well positioned for growth

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STRATEGIC DEVELOPMENTS

Contract wins and bolt-on acquisitions

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Market share gains

Derco progress

- Integration
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IN THE DRIVING SEAT:
OUR DISTRIBUTION MODEL

23 May 2024

Q&A

Inchcape