

# MEDIUM TERM PLAN

**INVESTOR  
NARRATIVE**



# Medium term target: deliver >10% EPS CAGR to 2030

Supported by a clear investment case:

## The leading global automotive Distribution pureplay...

- Long-term, diversified OEM portfolio
- Deep competitive moat through technology
- Scaled and diversified geographic footprint

## ...with an attractive financial profile...

- Growth driven by market outperformance
- Resilient operating margins
- Highly cash generative and capital efficient

## ...driving shareholder value

- Clear dividend policy
- Commitment to on-going share buybacks
- Value-accretive acquisitions

# Our pillars to drive diversified growth: Scale and Optimise

## Scale:

230 Distribution contracts across c.40 diverse markets



8 acquisitions since 2019, driving market share gains and growth



Market-leading technology capabilities



## Optimise:

Non-core asset disposals, raising c.£750m, since 2019



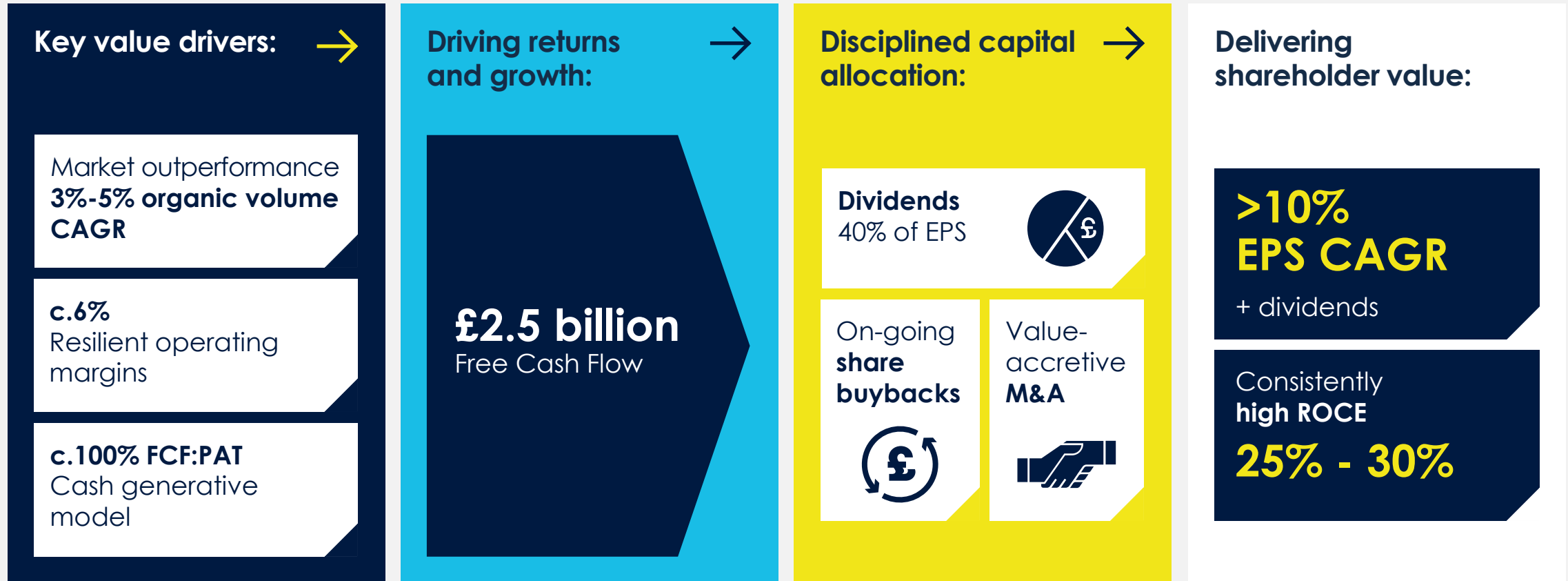
Disciplined OEM and retail portfolio rationalisation



Developing Value Added Services

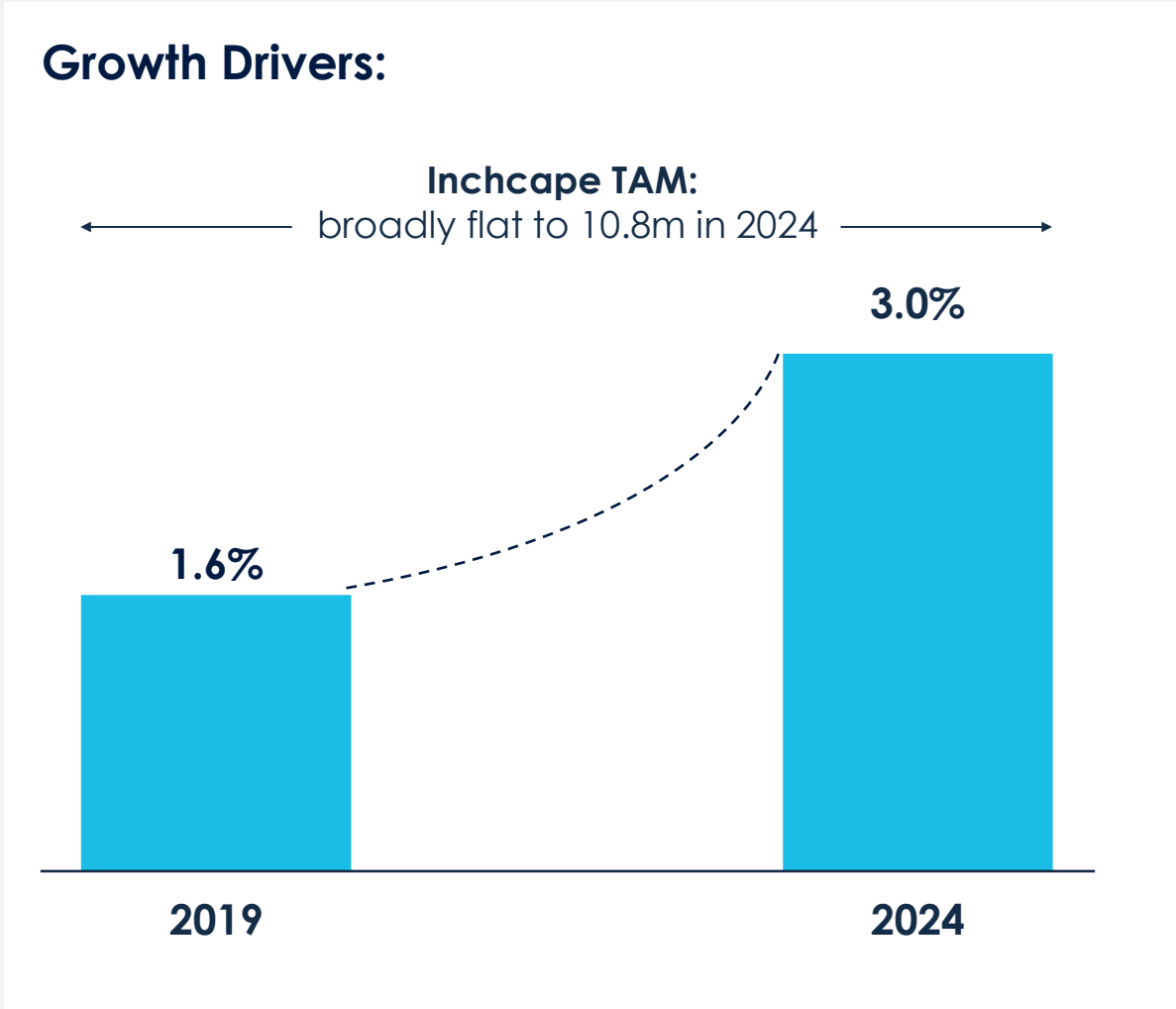


# Medium term targets: 2025 – 2030, through-the-cycle



Powered by **Accelerate+**

# Growth: organic volume CAGR of 3% - 5%



**Volume Growth Target:**

**Organic volume CAGR  
3% - 5%**

Market growth: 1% - 2%  
Market outperformance: 2% - 3%

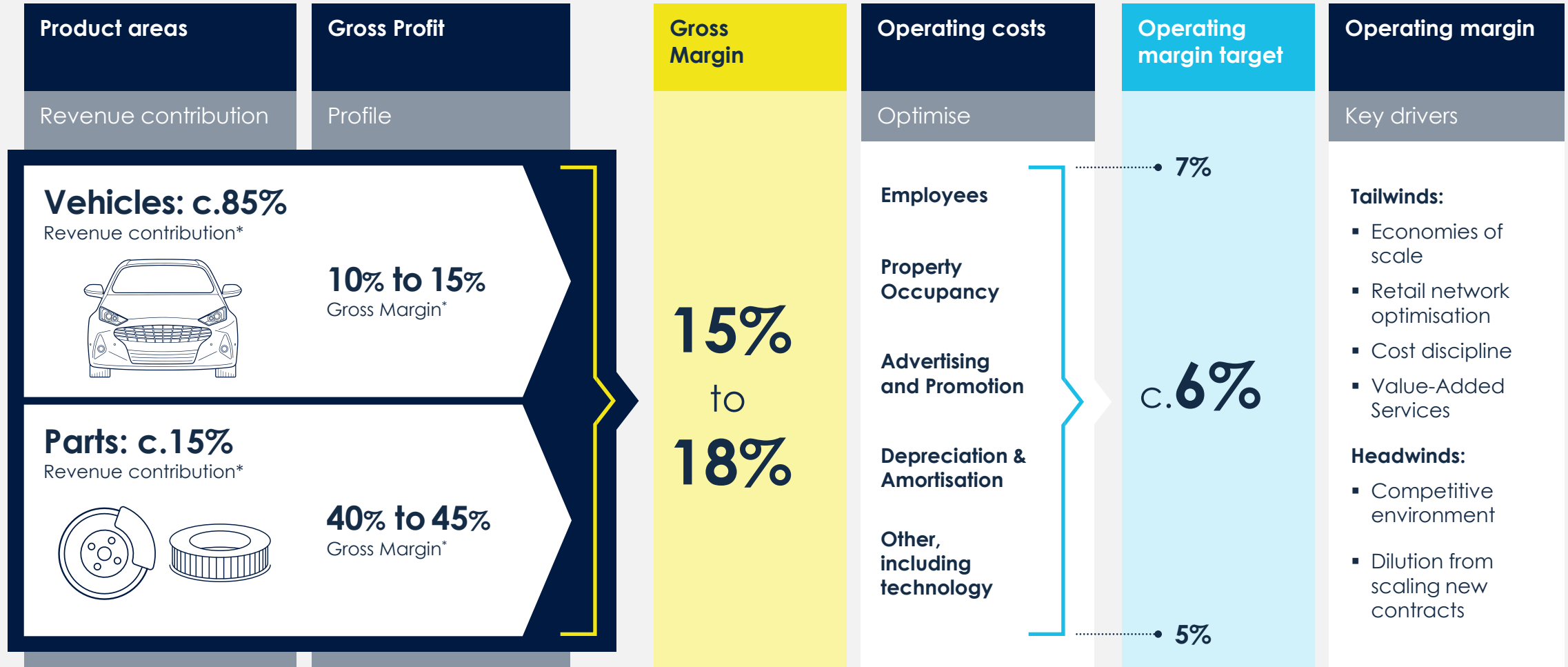
+

**M&A**

Value-accretive acquisitions

Source: IHS, Inch TIV defined based on Geo footprint annualised.

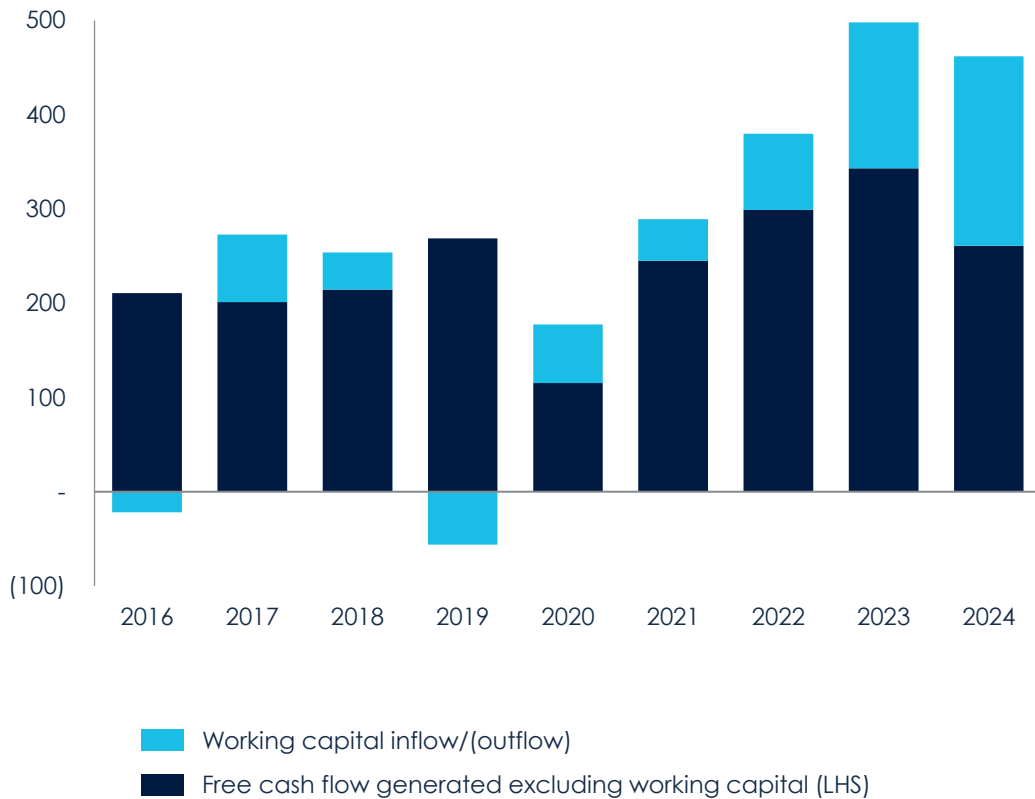
# Operating margins: Resilience through-the-cycle



Vehicles revenue and gross margin includes New and Used vehicles and F&I. Parts revenue includes servicing. Where appropriate, figures stated before adjusting items

# Cash generation: £2.5bn, 100% PAT conversion rate

## Our track record of Free Cash Flow generation<sup>1</sup>:



## Cash Generation Guidance:

100% FCF: PAT conversion

**Capital-light operating model**  
 leveraging third party dealer networks

**Working capital optimisation**  
 in newly acquired businesses

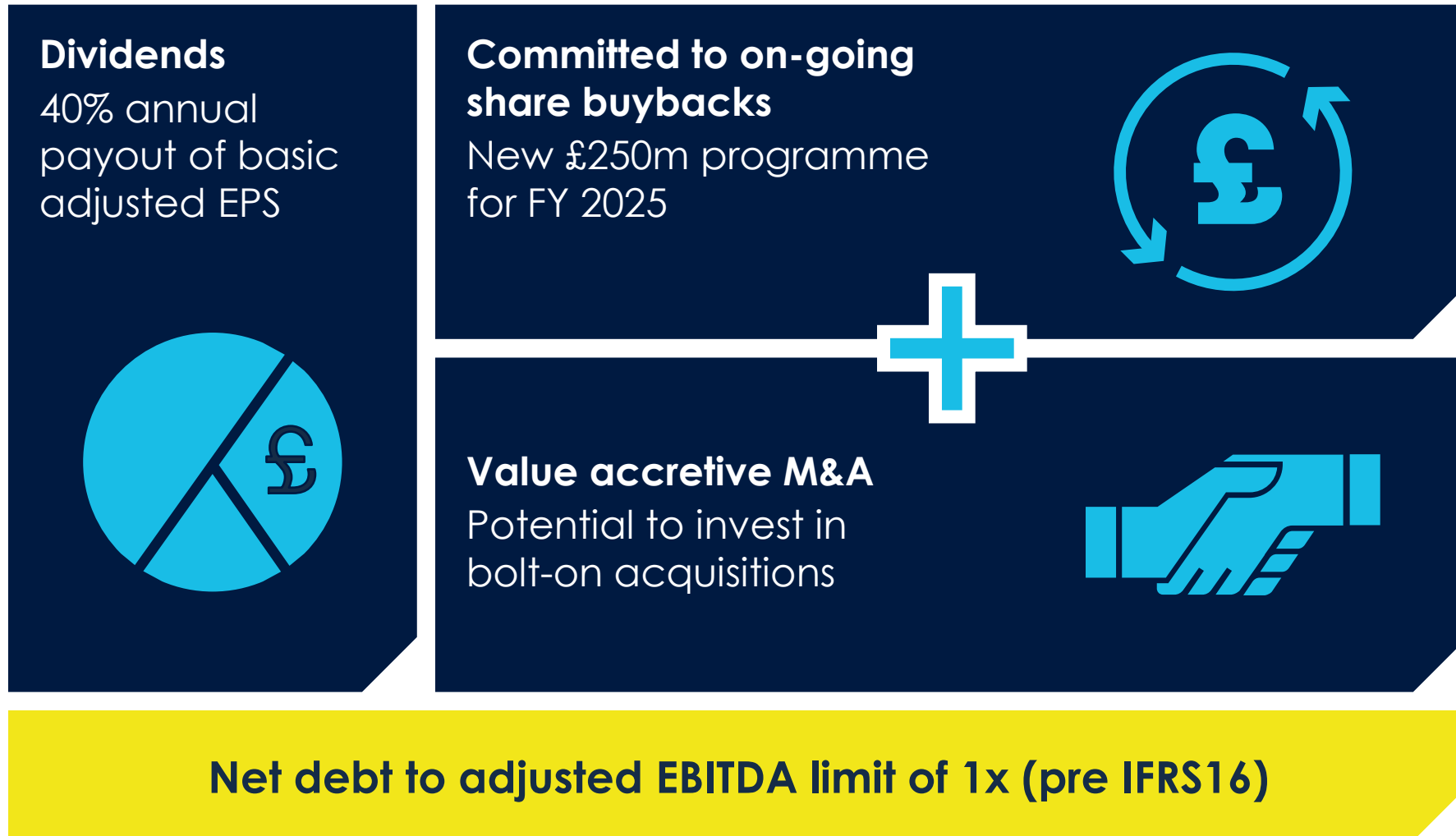
**Inventory management**  
 through sales & operational planning

**Tax, treasury and cash management**  
 global best practice

**£2.5bn**  
 FCF generation, 2025 to 2030

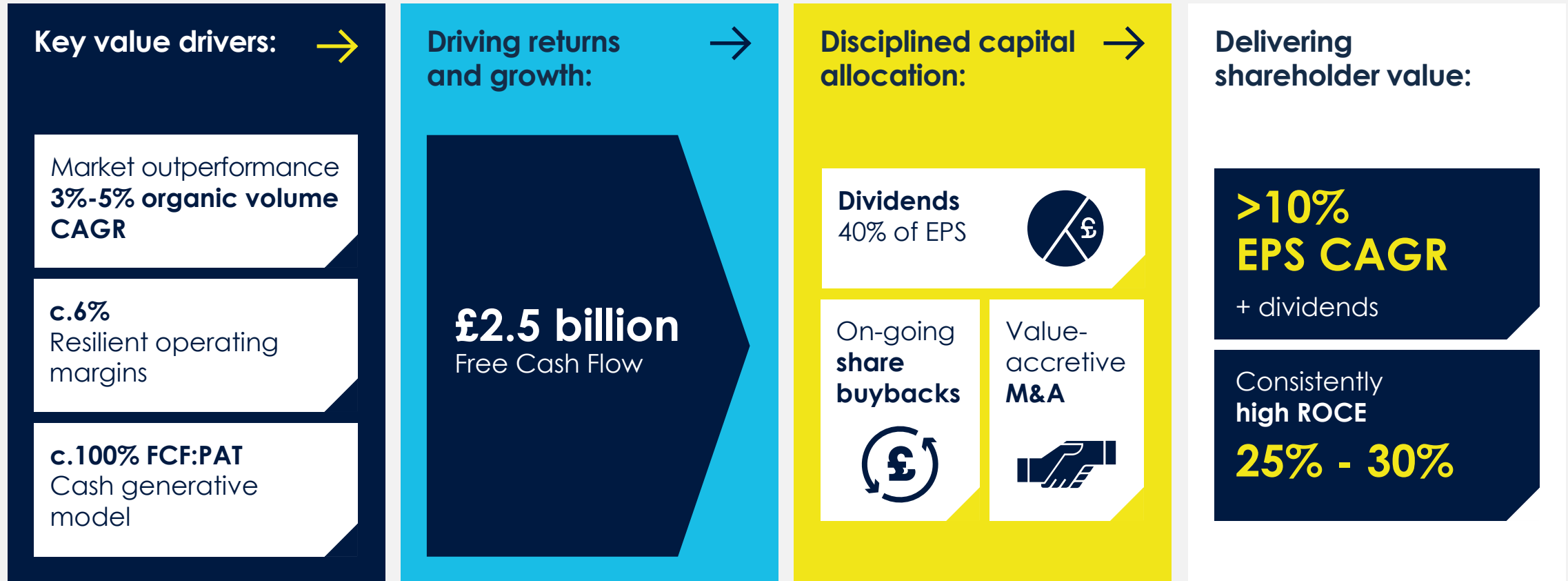
1. As reported, 2016-2018 restated for IFRS 16  
 2. Where appropriate, figures stated before adjusting items

# Our disciplined capital allocation policy





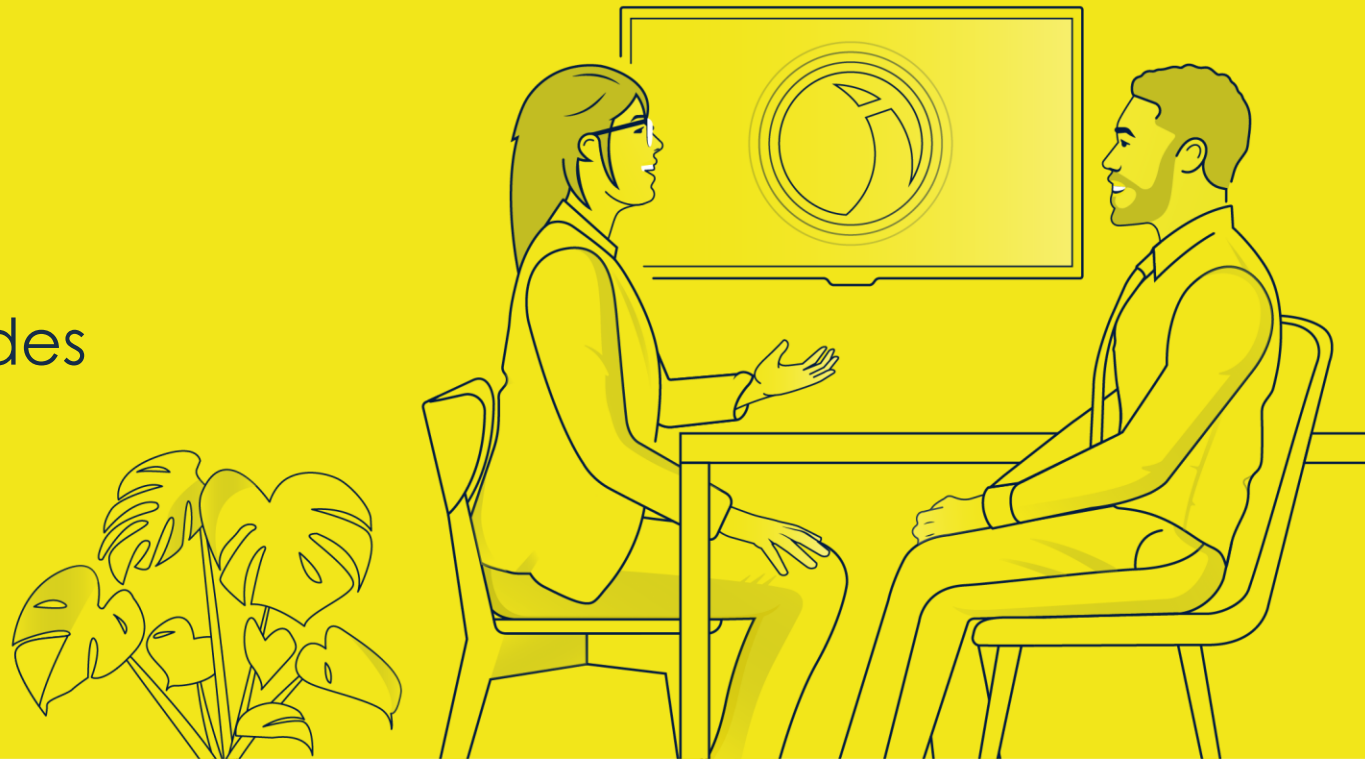
# Medium term targets: 2025 – 2030, through-the-cycle



Powered by **Accelerate+**

# REFERENCE MATERIALS

Strategy and operating model slides



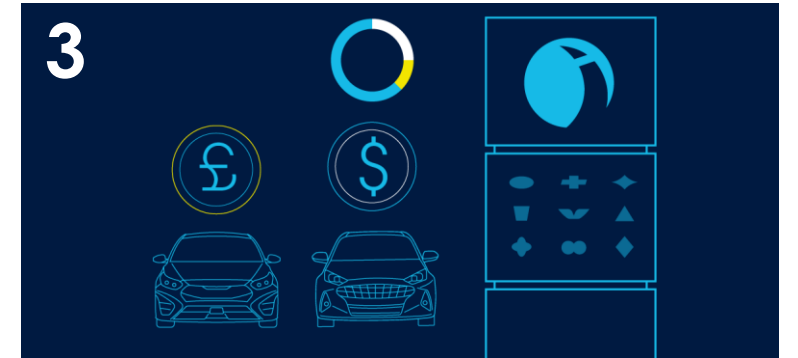
# What is Automotive Distribution



**1**  
**Product planning** – pricing, range, spec and inventory management



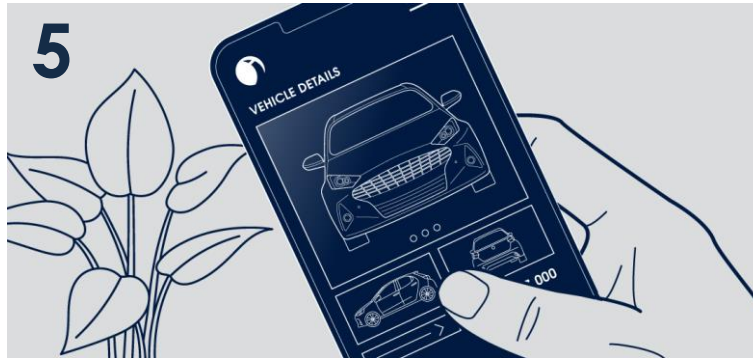
**2**  
**Logistics** – shipping, importation and warehousing



**3**  
**Brand and marketing** – online & offline media awareness, demand generation



**4**  
**Channel management** – third party dealer network management



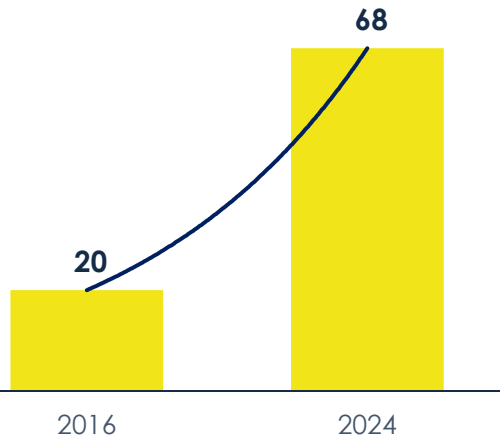
**5**  
**Retail** – online and offline customer experience



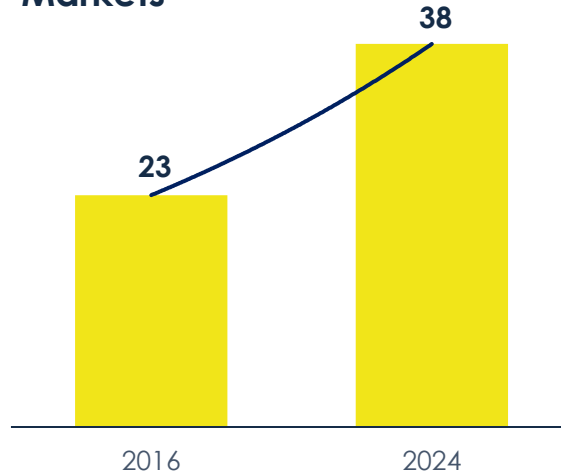
**6**  
**Value-added services** – parts and used cars, Finance and Insurance

# The transformation of Inchcape to a pureplay Distributor

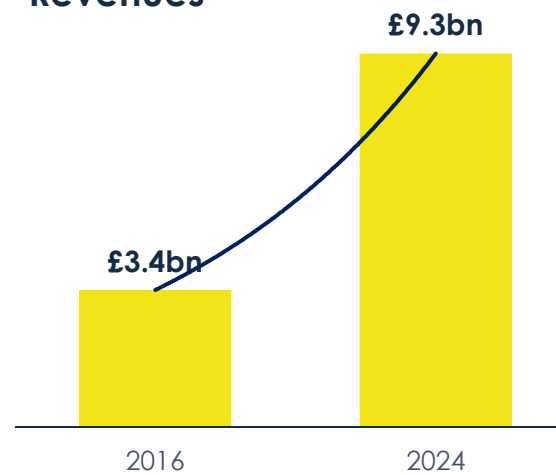
Number of Distribution OEM Partners



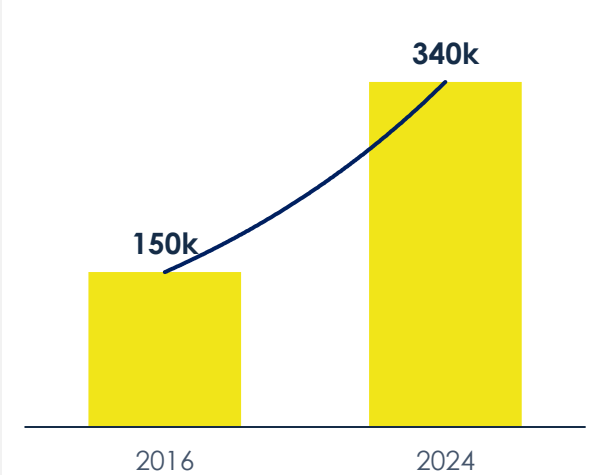
Number of Distribution Markets



Annualised Distribution Revenues



Distribution Volumes



Distribution is our core strategic focus:

Capital-light:

**<1%**

Capex as % of revenue

Cash generative:

**c.100%**

FCF conversion to adjusted profit after tax

High returns:

**25%-30%**

ROCE

# Our technology enables our differentiated offering



More Customers



Improved Efficiencies



Higher Growth



















































































































































































## Enables Inchcape to:

- Deliver a seamless customer experience
- Outperform for our OEMs
- Attract the best people

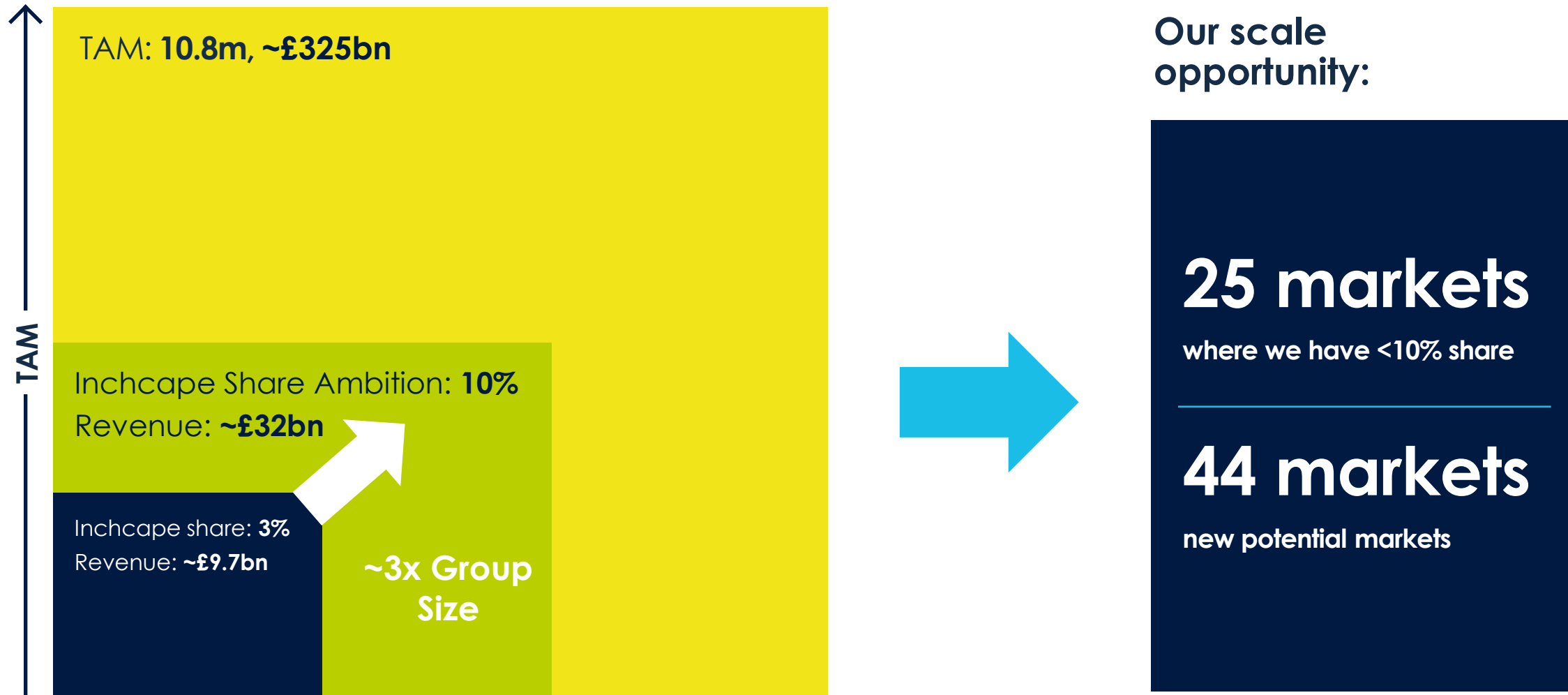
# Our technology capabilities across the value chain



# Our OEM portfolio – diversified, scaled and prestigious

Japan 	Europe 	China 	USA 																																																													
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# Our opportunity for growth and outperformance





# Distribution contracts – key dynamics



## Key drivers of success:



- Our value proposition
- Global scale
- Network effect
- Digital and data
- Local expertise
- Multi-level relationships



## Key measures of success:



- Market share gains
- Volume growth
- Customer satisfaction
- Aftersales retention
- Market coverage



## Future opportunities:

- Conversion of in-house to independent distribution
- Transition from competitor
- New markets for OEMs
- M&A
- Competitive bid (for new OEMs in new markets)

# Key commercial and financial characteristics in Automotive Distribution

	KEY COMMERCIAL CHARACTERISTICS:
Formal contract length	1 to 5 years
Exclusivity	<b>Exclusive import rights</b> for new vehicles & parts
Ordering lead time	Order made <b>c.1 – 3 months</b> before production
Vehicle specification & cost	<b>Negotiated</b> with OEM
Vehicle retail pricing	<b>Set locally by Distributor</b>
Volumes	<b>Reviewed periodically, annual business plan</b> with OEM
Stock holding	Up to <b>c.3 months</b> in transit; Up to <b>c.2 months</b> in market
Inventory ownership	From <b>factory or port</b>
Product Warranty	<b>Manufacturers warranty</b> back to OEM
Currency	<b>Transactional exposure</b> managed through hedging

## INCOME STATEMENT

### Revenue Recognition

- recognised on inventory sale to third parties (dealers or consumers)

## BALANCE SHEET

### Inventory

- recognised on dispatch from OEM;
- inventory valuation (at hedged FX rate), at lower of cost or net realisable value

### Inventory financing

- recognised in trade payables;
- supplier terms with OEM or in arrangement with third parties

# Inchcape's financial profile in Distribution

## Inchcape Distribution:

**£9.3billion**

Revenue



**15% - 18%\***

Gross Margin



**c.6%\***

Adjusted Operating Margin



**c.100%**

FCF:PAT conversion



## Growth Driver:

Market volumes  
Market share  
Contract wins  
Acquisitions

### Vehicles:

- Supply / demand
- Product life cycle
- Finance penetration

### Parts:

- Aftersales retention rates

Operating Efficiency

- Organic growth
- Market share
- Acquisition synergies
- Operating leverage
- Regional mix

- Working capital
- Capital Investment
- Net interest
- Effective Tax rate

Figures stated on FY 2024 on a continuing operations basis, and where appropriate figures stated before adjusting items

\* Based on reported Distribution margin, on a continuing basis, over the last 7 years, excluding FY2020, and Including proportion of owned retail

# Distribution commercial models – how we operate

CAPITAL INTENSITY

Distribution Gross Margin of 15%-18%\*

Distribution Adjusted Operating Margin of 5%-7%\*

Retail OM of 1%-2%\*

## 1. Typical Distribution markets

- c.90% of volumes
- Inchcape owns Distribution value chain and c.18% of Retail network

**Third Party**  
c.540 sites

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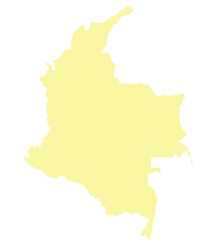
**Owned**  
c.120 sites

## 2. Vertically integrated markets

- c.10% of our volumes
- Inchcape owns entire Distribution and Retail value chain

**Owned**  
c.90 sites

Examples:



**Colombia – typical**

- Brand: Mercedes
- Annual units: c.3k
- Third Party sites: 12
- Inchcape sites: 0



**Australia - typical**

- Brand: Subaru / PCA
- Annual units: c.50k
- Third Party sites: 100
- Inchcape sites: 20

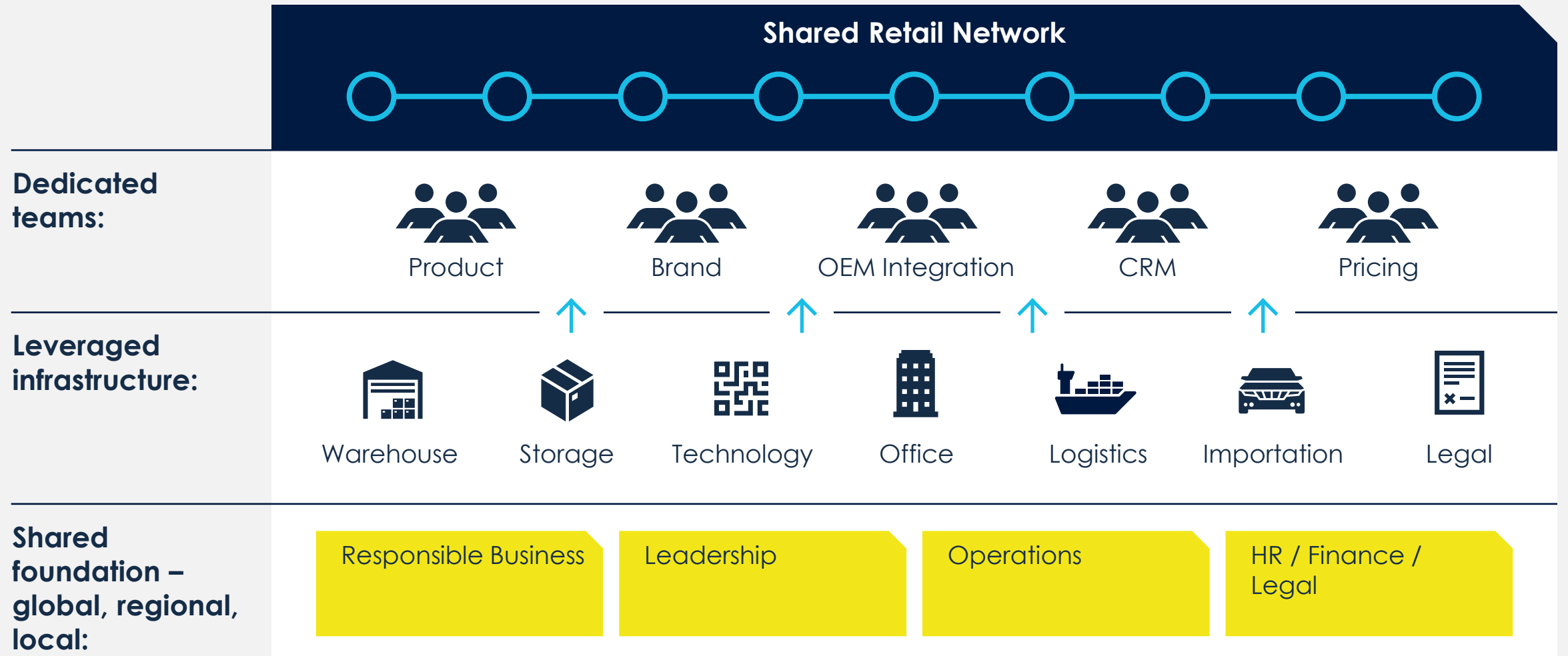


**Singapore – vertically integrated**

- Brands: 5
- Annual units: c.10k
- Third Party sites: 0
- Inchcape sites: 4

\* Based on reported Distribution margin, on a continuing basis, over the last 7 years, excluding FY2020, and Including proportion of owned retail

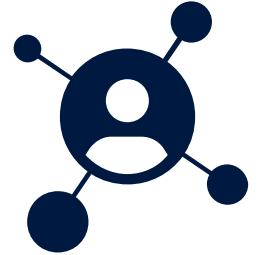
# Managing multiple OEMs in a market



# Our growth drivers in Distribution – OEM contracts

## Average per contract contribution of contracts won, 2022 – 2024

(44 contracts)



Typical Contract profile	Y1	Y3	Y5
Market share	Negligible	1%	At least 2%
Adjusted operating margin	Negligible	Profitable	Accretive to Group
Third Party / Owned Dealer sites	50 / 50	70 / 30	80 / 20
Revenue range	Up to £5m	£10m - £15m	£20m - £30m
Adjusted operating profit range	Negligible	Up to £1m	£1m - £2m

# Working capital – key elements

Numbers quoted based on FY 2024 continuing operations basis

## £1.9bn

**Inventory**  
(Vehicles, Parts)



- **Inventory profile split:** c.80% new vehicles, c.10% used vehicles, c.10% parts
- **Stock cover:** avg. c.3 months on new vehicles, varied on parts
- **Growth** in-line with business growth

## £(1.6)bn

**Inventory financing**  
(OEMs and Banks)



- Mix of direct **OEM trade terms** (1/3<sup>rd</sup>) and payables to **3<sup>rd</sup> party banks** (2/3<sup>rd</sup>s)
- **Interest** treated as **finance costs**
- **Aged stock** typically un-funded
- Payables in **major currencies**
- **Hedging** costs within COGS

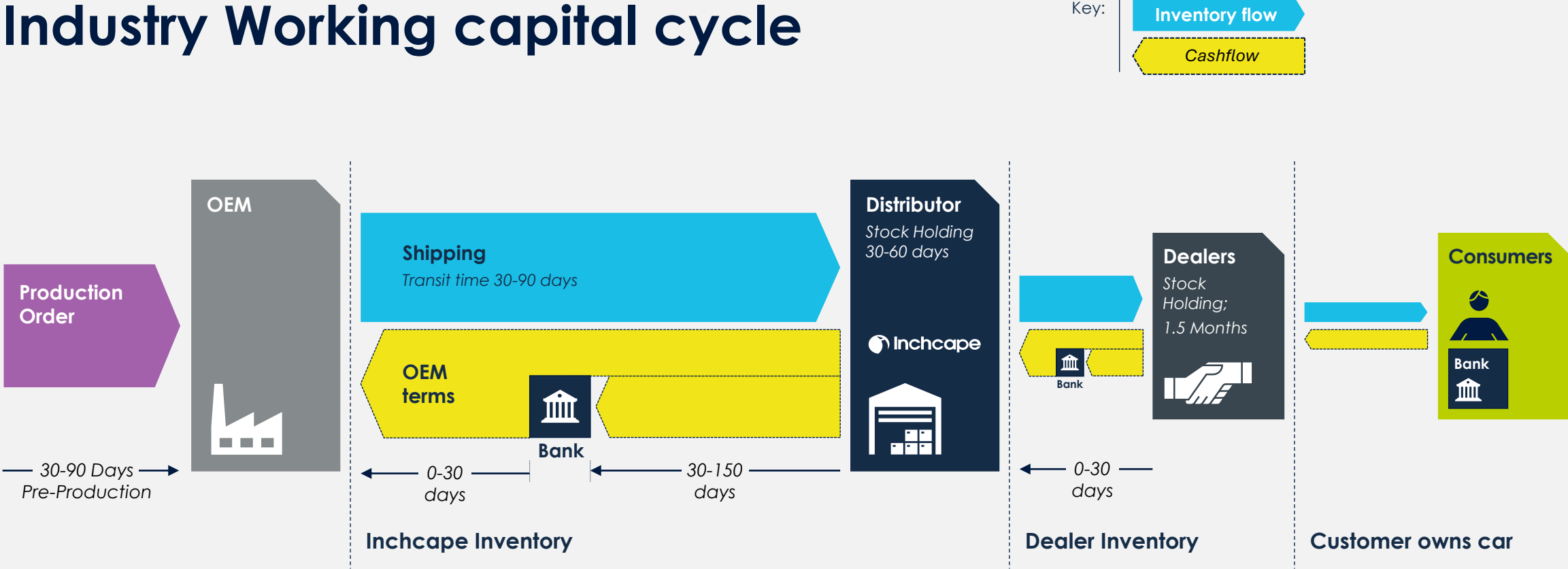
## £(0.1)bn

**Net trade receivables & trade payables**



- **Receivables:** Dealer groups, consumer finance providers, OEM (warranty), parts wholesalers
- **Payables:** Vehicle duties, VAT, general expenses, indirect tax

# Industry Working capital cycle



### OEM Payment Terms

- Credit from OEM or via Third party banks
- Limited pre-production deposits
- Payment in “Major” currency

### Distributor Payment Terms

- Dealers take ownership of vehicles on dispatch from distributor
- Paid either in cash or on via “floor plan” bank
- Payment in local currency

### Customer Practice

- Customer ‘delivery’ typically end of month
- Banks make “immediate payment” to dealers and settle “floor plan”

Major Currency defined as: Euro, JPY, RMB, USD, GBP



# Our cash generative model drives value for shareholders

Key elements:



**Operating profit**

c.6% of sales



**Working capital**

Generally, neutral on an annual basis



**D&A**

Growth in line with revenue



**Interest & Tax**

Corporate debt, Inventory finance, leases.  
Tax rate by country mix



**Capital expenditure**

Distribution is capital-light, leveraging third party infrastructure



**FCF conversion**

Guidance of 100% FCF:PAT



<p><b>Capital Allocation:</b> (Since 2016)</p>	<p><b>£800m</b> Paid out in dividends</p>	<p><b>£600m</b> of shares Re-purchased</p>	<p><b>£2.1bn</b> Invested in acquisitions</p>
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Where appropriate figures stated before adjusting items

# Our robust financial profile in Distribution

**15-18%**

Gross Margins

**c.6%**

Operating Margins

**c.100%**

FCF:PAT conversion

**25%-30%**

ROCE



## Capital Allocation policy:

- Organic investment
- Dividends
- Value-accretive acquisitions
- Share buybacks, as appropriate

Within leverage limit of 1x net debt: adjusted EBITDA