

# **Inchcape plc**

## **H1 2025 Interim Results**

### **Webcast**

### **29th July 2025**

### **Transcript**



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Duncan Tait:

Good morning, everyone. I'm Duncan Tait, Group CEO, and I'm joined by our group CFO, Adrian Lewis.

Here's today's agenda. I'll give some context and an overview of our first half performance, Adrian will then run through our results, and I will then sum up and discuss our outlook for 2025. Today's presentation is available on our website, and a recording of today's session will be available later today. After the presentation concludes, we will take your questions. Either ask them over the phone line or feel free to post them on the webcast platform, and Rob, our Head of IR, will ask them on your behalf.

I'll start with some market context. Overall, with TIV, or total industry volumes, in our markets down 2% during the period, we operated against a mixed market backdrop, with challenges in certain markets offset by more resilient trends in others. In the Americas, TIV in our markets were up 5%, and while we are seeing pockets of strong growth, many markets remain at, or around, historical lows.

Chile, our largest market by revenue, remained stable, with growth of around 2% during the period. There was very strong growth from markets like Colombia and Peru, which saw market growth of 23% and 18%, respectively. Costa Rica is weakening, with negative growth of 6% after periods of very strong growth. Elsewhere across the region, our other markets saw growth of over 20% in aggregate.

In Europe and Africa, TIV was down 4%. Southern Europe was stable, with markets like Greece and Bulgaria flat during the period. Central and Northern Europe were weak, with Belgium, our largest market in the region, down by 8%. Economies in our African markets remain resilient, which is supportive of the automotive industry in those markets.

In APAC, TIV was also down (4)%. Certain Asian markets, particularly Indonesia and the Philippines, were weaker, mainly in the premium sector, with Indonesia down 10% in the half. Hong Kong was down 20%, in the context of a tough economic backdrop and comparator. There was a continued upcycle in Singapore, driven by Certificate of Entitlement dynamics, with the market up 25%. Both Singapore and Hong Kong continue to be very competitive markets. Australia, our largest market in the region, was slightly weaker in the first half, when it was down by 4%, but remains overall resilient.

With that context in mind, let's look at our overall performance during the first half and the execution of our Accelerate+ strategy.

We continue to focus on delivering shareholder value. In March, we published Medium Term Targets for the first time, helping shareholders to track our performance against a clear framework of metrics, to the end of 2030.

Our Medium-Term Targets incorporated a refreshed capital allocation policy, which includes dividend payments at 40% of adjusted EPS, and investment in value-accretive bolt-on acquisitions as well as a clear commitment to ongoing share buybacks. We are already delivering our new capital allocation policy, having returned £220m to shareholders in dividends and share buybacks during the first half. Furthermore, over the last 12 months, we have re-purchased around 10% of our issued shares, through buybacks.

We continue to deliver from a strategic perspective. Scaling our business by winning 8 new distribution contracts on a net basis, and signing our first acquisition for 2 years. The acquisition of Askja helps us to enter Iceland, an exciting new market for Inchcape, bringing with it a number of powerful OEM relationships, including a brand new partner for Inchcape in Kia. We also continued to optimise our retail network during the period, selling a number of our own sites to third parties.

Against the mixed market backdrop I mentioned, we delivered a robust performance in the first half, with improving quarterly sequential organic revenue growth in the period. Our balance sheet remains strong, with 0.6x leverage, and this will enable us to continue to allocate capital to create value.

And, finally on this slide, we are today reiterating our guidance for 2025, of another year of growth, with stronger growth in the second half, as we had previously expected. Regarding product launches planned for the second half, we are increasingly confident about a strong second half performance with OEMs supportive of supply, and where products are already launched, web traffic, customer enquiries and our dealer partners' orders are trending well. The second half will also be supported by the on-going actions we are taking on costs, inventory management and working capital. That's all from me for now. I will hand over to Adrian.

Adrian Lewis:

Thank you, Duncan, and good morning everyone.

Before I go into our results, I wanted to touch on the latest tariff dynamics and, I'm pleased to say, we are successfully and proactively managing what is a fast-moving situation, through the efforts of our internal tariff task force.

This slide shows the areas of potential impact for Inchcape and the actions we are taking as a Group to manage the situation. Consistent with our initial

assessment, we see the potential tariff impact in 3 areas. Firstly Direct Impact. We see no material direct impact on our business, particularly given we have no presence in the US, and only a small proportion of our volumes are produced in that market, so any reciprocal tariff changes are limited, and we have no substantial relationships with US OEMs. The 2nd area is supply, and we are not seeing any material changes in supply into our markets on stock from other OEMs that would distort the market place, however, we are seeing some disruption to supply-related logistics in certain markets, although these are not material in nature. The 3rd area is consumer demand, and we continue to see a mixed market backdrop as Duncan noted, and we are seeing some impact on demand with weaker Asian markets, particularly in the premium segment. We are monitoring these dynamics very closely as you would expect, and we continue to proactively manage this situation.

Our actions include a continued discipline on costs and cash. As such, we in process with a number of structural cost reduction programmes as part of the optimise pillar of our Accelerate + strategy. We also remain conservative on inventory management. This is supported by our data-led approach, leveraging our DAP investments and our core competence in sales and operational planning. In some cases, particularly in the faster growing parts of the Americas, our conservatism on inventory has had a small impact on market share. We continue to see this as the right approach. And finally, our proactive and collaborative approach with our OEM partners, at all levels of management, is supportive of constructive supply discussions.

And now on to our results for the first half, where we generated revenues of £4.3bn, down 4% in constant currency, and down 3% organically. We produced an improving quarterly sequential organic revenue performance during the period, of minus 3% in Q2, an improvement from minus 5% in Q1.

Tracking revenue, adjusted PBT was down 4% in constant currency, with interest cost savings offsetting a lower operating profit as a result of lower revenues. Operating margins decreased by 50 basis points in constant currency to 5.7%, primarily due to the deleveraging effect of lower revenues. Our balance sheet remains strong, with net debt of £374m and leverage at 0.6x, which is an increase from the December close position of 0.3x, and that's as a result of free cash flow of £72m, and the £220m of cash outflow of dividends and share buybacks. Adjusted basic EPS was up 2% to 35.5p, supported by the share buyback, and we delivered a strong ROCE, of 27%.

In summary, our performance during the first half is a reflection of our continued operational focus on executing in a mixed market backdrop, and our strategic progress against a fast-moving tariff backdrop. Let's now turn to the key drivers of our top-line performance.

Revenues of £4.3bn were down 3%, organically, including the impact of lower market volumes as Duncan noted, and a (1)% impact from mix headwinds, which I will cover in more detail on the regional slides. On a reported basis, revenues were down 9%, including a (5)% impact from translational currency headwinds and a (1)% impact from the disposal of a non-core retail asset in the Americas at the end of last year.

Operating margins were down by 50 basis points in constant currency. Gross margins were well protected and were materially flat with the prior year, and while we continue to be disciplined on costs across the Group there was a de-leveraging effect of lower revenues impacting operating margins. As noted earlier, we are also engaged in a number of structural cost reduction programs to ensure a more efficient overhead base where we have seen structural changes in markets as well as a reduced central cost base.

Adjusted profit before tax, was down 4% at constant currency, tracking our revenue performance and supported by an improved net finance cost, which I will cover later. And this slide highlights the impact of translational FX on PBT. We saw a strengthening of the GBP against our major currencies, particularly in the Australian Dollar, as well as a material impact from the substantial devaluation of the Ethiopian Birr in the second half of last year. This had a £7m PBT impact in the first half of this year given the difference between the comparative rate in H1 2024, before the currency devalued. And our usual FX sensitivity analysis, covering the key currency pairs, is included in our results announcement today. Let's now look at each of our regions, starting with the Americas.

In that region, we saw an on-going improvement in trading and growth. Market volumes were up 5%, while our organic revenue increased 3%, with some supply phasing impacting our relative performance. This supply phasing was the result of our disciplined approach to inventory management, and in the context of the tariff situation. This meant that we lost some market share in certain markets, but we see the opportunity with stronger product cycles in H2 to recover this over time. Please also note, the comparative in H1 2024 includes around £40m of revenue relating to the disposed non-core retail asset last year. Our organic growth rate reflects the underlying growth of the region. The Chile market remains stable, as was our market share, with the successful replacement of exited brands last year and this reflects our strategy of a multi-brand portfolio, creating resilience in our business model. There was very strong growth in key markets, including Colombia and Peru. Operating profit was flat year on year, with operating margins down 10bps from H1 2024 to 6%.

The optimise pillar of our strategy includes a focus on optimising our retail network, and in H1, the Americas took steps to exit a number of retail locations where a more efficient route to market was available, typically

through 3rd party dealers. As such, these disposals generated a mid single-digit gain on disposal. You can expect us to continue with this strategy, of optimising our retail network, to underpin our disciplined approach to costs and help us to further drive market share. Looking ahead, for H2 2025, we remain cautious regarding an accelerated market recovery in certain markets. However, please note the normal H2 seasonality we anticipate to be further supported in the Americas, with new product launches. Operating margins for the region in H2 are expected to remain resilient.

Now, let's turn to APAC, where we are seeing pockets of weakness in some markets, which have been exacerbated in the premium segment where we are seeing more material headwinds. Our first half performance in the region is also lagging strong comparators, which will ease as we progress through the year. Market volumes across the region were down 4%. Our volumes were down 11% as we lag strong comparators and face into highly competitive dynamics, particularly in Hong Kong and Singapore. Organic revenue was down 15%. Revenue was impacted beyond volume due to the weaker premium segment, where our business tends to over-index in the region, resulting in lower average selling prices. I want to be clear, this is a mix impact rather than any underlying deflation, and was particularly visible in our results in Indonesia, Philippines and Hong Kong. Our business in Australia remains resilient, and we increased our market share sequentially during the first half. And while the market is slightly weaker year over year, we are pleased with our relative performance, in the context of a product cycle skew into H2. And against strong comparators, our operating profit was down 29%, with adjusted operating margins, down 130bps to 6.4%. This was a consequence of the deleveraging impact of lower revenues, particularly in the premium segment, partially offset by our on-going focus on cost management across the region. We continue to expect this year's performance to be weighted towards H2, supported by new product launches in key markets, including the Subaru Forester in Australia, which has historically contributed around 50% of Subaru's volumes in that market. In addition, a number of Toyota products are being launched across the region, including the Noah and the Corolla Cross in Singapore. We are already seeing robust demand for these products based on our latest demand data, and we therefore expect these product launches to be supportive of a better performance and market share in APAC in the second half.

Finally on the regional section – Europe and Africa. Market volumes were down 4% in our markets across the region, against which we delivered market share gains in certain markets. Our organic revenue was flat, with a sequential quarterly step-up in growth during the period, supported by some price / mix tailwinds. This offset the impact of an inflated comparator, driven by a strong order book unwind last year.

Our performance was strong in Southern Europe and the Balkans with performance also supported by the on-going maturity of the Distribution contracts we have won over the last 4 years, including in Africa, where our business remained resilient. Against the impact of a substantial order bank in the prior year, operating profit was flat, with operating margins of 4.9%. This was a robust margin performance, in the context of some dilution from new Distribution contracts. For the second half, we expect to deliver moderate revenue growth, compared to the prior year.

There will also be an initial, but relatively immaterial contribution from the Askja acquisition in Iceland in the second half, following its expected completion during Q3.

And this slide shows our income statement for the period. The Group delivered adjusted operating profit for the period of £247 million. Adjusted net finance costs declined to £48m, from £74m in the prior year, driven by efficient working capital management, which drove lower average net debt and higher interest income in the Americas from improved cash balances. Net finance costs also benefited from lower interest rates. Adjusting items amounted to an expense of £14m. This included one-off items related to acquisition and integration costs of £4m and restructuring costs of £6m, related to the structural cost programmes I mentioned earlier. There were also adjustments in relation to the finalisation of last year's disposal of a non-genuine spare parts business in Chile of £4m.

Adjusted PBT was £200m, 4% lower than last year on a constant currency basis. The effective tax rate decreased to 29.5%, with changes to profit mix, resulting from the evolution of our strategy. Adjusted EPS was up 2% to 35.5p, due to the impact of our share buyback programmes, which have reduced our share count by 10% over the last 12 months.

Our net debt at the end of the period amounted to £374m. We generated £72m in free cash flow. Included in this was a £53m working capital outflow. This is in the context of an increase in inventory from certain OEMs as we manage planned production outages to allow for assembly line upgrades, where we are having to hold some stock, for slightly longer than we would normally. This is very normal and helps us to ensure continuity of product offer in the market and we anticipate that this will unwind.

You see this more clearly on the balance sheet where inventory increased from the end of last year from c. £1.9bn to £2.1 billion. Cash outflows of £220m related to dividends and share buybacks, and £(36)m to FX and other items. It is worth noting that we generated £9m in cash flow from capital recycling – in particular from the sale of non-core retail assets and property during the period. This will continue to be a regular feature of our financial dynamics, as we look for opportunities to optimise our infrastructure base

and our route to market as we further leverage the third party retail network. This will free up capital to further invest in growth and drive returns. Group leverage was 0.6x at 30 June 2025, up from 0.3x at the end of FY 2024, when leverage was particularly low following the receipt of proceeds from the sale of our UK retail business last year.

Given our usual second half skew on cash flow and this year the particular H2 weighting of revenues and profits, we expect to deliver 100% conversion of Profit After Tax to Free Cash Flow for the full year in line with our medium term guidance.

Now on to capital allocation, which we updated in March. We will continue to pay dividends at 40% of earnings. Our policy is then to balance capital allocation between our commitment to on-going share buybacks and value-accretive acquisitions. We are executing on both of these elements. Having recently signed our first acquisition in nearly two years, we completed a £150m share buyback programme earlier this year. We have also acquired around £150m in shares of our current £250m buyback programme. We remain disciplined on capital allocation, and will continue to carefully assess the balance between share buybacks and M&A. This will help to drive EPS growth and value for shareholders.

I'll conclude my section with a view for the full year on key modelling items, in the context of our second half-weighted performance this year, against easing comparators as we progress through 2025.

Firstly, in line with our Medium Term guidance, we expect to deliver resilient operating margins of around 6% and FCF: PAT conversion of around 100%. We expect net interest to be lower than the prior year with the drivers impacting our performance for that metric in the first half are expected to continue into the second half. On currency translational effects, if today's FX rates are rolled forward for the second half, it would have a negative impact of around £15m on PBT for the second half. This follows an impact of £17m in H1, as I mentioned earlier. And, finally, we continue to expect our effective tax rate for this year to be around 30% to 31%.

Finally from me, here is a reminder of the Medium Term Targets we announced in March. Inchcape is well placed to deliver on these medium term targets, supported by our highly diversified and scaled business. During the first half, in the context of a fast-moving tariff situation, we continued to execute against our Accelerate+ strategy, with our disciplined capital allocation approach helping to deliver our target of more than 10% EPS CAGR over the medium term. That's it from me. I'll now hand back to Duncan.

Duncan Tait:

Thanks Adrian. Let's sum up and discuss the outlook. Firstly, let me remind you about the key elements of our Accelerate+ strategy, which we launched



last year. Accelerate+ has been designed to help scale our business through value-accretive acquisitions, new distribution contracts and our expansion into adjacent segments.

The strategy is also focused on optimising key elements of our business to be the most efficient and effective route to market for Inchcape and our OEM partners. By scaling and optimising, we aim to deliver on our goal of achieving 10% market share across our markets. Accelerate+ is supported by our ongoing investment in technology, which enables smarter decisions and deeper insights to support Inchcape's OEM partners in each region.

We are already implementing Accelerate+ across our business, with good strategic progress in the first half of 2025. We will continue to access growth through Distribution contract wins. Over the last three and a half years, we have won 53 new contracts. In the first half, we were awarded nine Distribution contracts, with existing OEM brands including New Holland in Ethiopia and Kenya, BYD in Lithuania and Latvia, DFSK in Honduras, as well as a new partner, Smart, in Colombia, Uruguay and Ecuador and Iveco in Hong Kong. We continue to rationalise our brand portfolio to optimise our market presence and leverage our infrastructure in the most efficient way, with a view to ensuring our contracts provide value and growth for Inchcape and for our OEM partners. To that end, in H1 2025, we mutually exited an immaterial contract with Komatsu in Ethiopia, and we expect to exit further immaterial contracts in the second half and beyond.

On M&A, we have a healthy pipeline of value-accretive bolt-on acquisitions, to help support future growth. Earlier this month, we announced the bolt-on acquisition of Askja and associated businesses, Iceland's leading automotive distributor, with a 16% market share. Iceland is an exciting new market for Inchcape, with this acquisition further scaling our geographic footprint and strengthening the Group's OEM partner portfolio. Askja's OEM relationships include Mercedes-Benz, a new partner for us in Europe, and Kia, a new OEM partner for us globally. Finally on this slide, we continue to optimise our retail network. This is a fundamental element of Accelerate+ and a key part of our role as a leading automotive distributor, ensuring we have the most optimal route-to-market and leveraging our third party retail network. Optimising our retail network and reconfiguring our physical footprint brings us a number of important benefits. It enables us to drive higher market share, as well as lower the amount of capital we employ, which supports higher returns. It also helps us to deliver more efficiencies and scale our retail network. In the first half, we reconfigured 8 retail sites and we will continue to look for further similar opportunities in the future.

On to our outlook for 2025. We are today reiterating our guidance for this year, originally disclosed at our 2024 results on 4 March 2025, with another year of growth expected compared to the prior year, at prevailing foreign

exchange rates. Our guidance includes the expected impact of tariffs on supply, demand and the competitive environment in our markets. We expect to deliver higher EPS growth, relative to profit growth in 2025, driven by our operating performance and capital allocation.

We have increasing confidence that our growth performance in the second half will be stronger than the first half. This slide shows the key underpins to our second half performance. Firstly, there are a number of product launches planned across various brands and markets in the second half. Many of these are already underway and are on track, with robust demand evident and order banks building, based on our latest data. These product launches will help us to deliver a stronger performance in the second half in Australia, Asia and the Americas. And, finally, we will continue to focus on managing costs, inventory and working capital and further optimise our retail network.

So, to summarise our performance in the first half of 2025. We delivered shareholder value, supported by our disciplined approach to capital allocation. We achieved good strategic progress and delivered further operational execution, ensuring we maintained a strong balance sheet. These factors enable us to reiterate our guidance for 2025, supported by our growing confidence for the second half of the year.

Finally from me, Inchcape is well placed to deliver on our medium term targets, supported by our clear and compelling investment case, which is based on our highly diversified and scaled business. Powered by Accelerate+, Inchcape will strengthen our position as the leading global automotive distributor. Our business is characterised by sticky, long term relationships with OEMs in smaller scale and more complex markets, supported by our differentiated technology capabilities.

Our business model drives our attractive financial profile – which is capital-light, with resilient margins, is highly cash generative and delivers high returns. This financial profile enables Inchcape to deliver a disciplined capital allocation policy, ensuring we drive value for our shareholders. This investment case will help us to deliver on our medium term EPS target of in excess of 10% compound annual growth over the next 5 and a half years.

That's it for the presentation. So let's take your questions firstly from the phone lines and then from the webcast via Rob. If you could limit your questions to two each please, that would be appreciated.

Operator:

Thank you. Ladies and gentlemen, if you would like to ask a question, please press star one on your telephone keypad. We'll pause for a brief moment. Thank you. We'll now take our first question from Arthur Truslove of Citi. Your line is open, please go ahead.

Arthur Truslove: Good morning, Duncan. Good morning, Adrian. A couple from me if I may. So firstly, on my math, if you are to grow Full Year PBT in line with what you've said guidance wise, you're basically going to need to deliver around £245 million of second half PBT. So that's obviously up around £30 million or just under 15%. It'd be really helpful if you could just run through what the key building blocks of that would be. Second question I had was around Europe, clearly margins very strong, and unexpectedly strong, I would say. In the previous year your margins were obviously underpinned by the unwinding order book. And my question here is whether there's anything that is unusually or unsustainably positive in that margin you've delivered in the first half this year, or whether actually your perception around the sustainable margin is slightly higher than you thought. Thank you.

Duncan Tait: Very good. Good morning, Arthur. Thank you very much for the calls and for being fast out of the blocks. I'll ask Adrian to cover both of those questions.

Adrian Lewis: Morning Arthur, thank you very much for the questions. So let me start with the building blocks. So you're absolutely right. In order to deliver on our guidance of growth for this year, the second half will indeed need to be around £245 million given we've just published a number of £200 million for the first half. If I think about the key building blocks of that, I'll start with the Americas, where seasonally, you see a natural H2 that is somewhere between 10 to 15% better than the first half. We've got an Asia Pacific business, which we've been consistent all year with that we would expect to see product cycles supporting growth in the second half. Those are the two components that will really support a better second half than the first half and enable us to get to our full year guidance. You will have a small offset against that with Europe and Africa, which is typically smaller in the second half versus the first half, but they're the three key building blocks for you to consider.

And all of that is going to be underpinned as well by the work we've been doing in the first half around cost, around cash, and around working capital management, together with the further optimisation of our retail facilities. And to that point, you asked about margins, if there was anything unusually positive, we were quite transparent and clear in our narrative earlier there was a mid-single digit gain on disposals reported within the Americas region relating to the eight sites that Duncan mentioned in his voiceover to the presentation that was supportive. That would be very normal. And as you know over time and over history, we've regularly seen that sort of degree of support within the margin profile of our group.

Arthur Truslove: Adrian, sorry, what I was asking was more around Europe. So obviously you did a very strong 4.9% margin in Europe in H1 and you talk about a sustainable effort there of let's say low to mid-fours. And I guess my question was clearly the 5.2% you did in the previous year was very strong because of

the order bank unwind. I guess what I was getting at was, is that continuing or is the sustainable margin just higher than you thought in Europe and Africa?

Adrian Lewis: Yeah, sorry Arthur, I didn't catch the Europe question. I thought it was a more generic question around overall margin process. So, Europe's performed very well in the first half. We're lapping some really tough comps, so we're really pleased with the progress and momentum in that region. I'd still say over time we would return to that mid-fours region for the margins in the Europe and Africa region. We can continue to see growth from those contract wins that we've been signing. They're going to be slightly dilutive to the current trading momentum and so I think we'd stick with our guidance of over time we'd return to that mid-fours range.

Arthur Truslove: Thank you very much.

Operator: Thank you. We'll now move on to our next question from James Wheatcroft of Jefferies, your line is open. Please go ahead.

James Wheatcroft: Good morning Duncan. Good morning Adrian. Just to click on the some digital parts platform in APAC, I just wondered if you give us an update there, we hadn't heard from that in a little while. And then also maybe just a bigger picture, what's the overall strategy on parts?

Duncan Tait: Very good, James I think they're coming to me. Thank you for the questions. So look, in general for us, parts is a really high margin business for us and clearly, we want to continue to expand it. In general, we'll do that by gaining more and more share, which is accretive for our parts business. Now you specifically asked about digital parts platform. Let me first give you a sense as to where it fits into our business. So, our objective is to keep people in our parts ecosystem forever. We do that using DXP to engage customers to keep them coming back into our dealers and our third-party dealers. We also optimise our profitability through our parts pricing algorithms. The more scaled our business gets, the more we need algorithms to be able to cope with the volume of parts we would see in a market, the individual volume of parts.

Then we use our algorithms to optimise the inventory we land in countries. Reducing air freight, which is good for reducing our CO2 but also better for margins. And then if you do escape from everything we've done in that first phase that I've spoken about and use third party after sales, independent after sales, we want those independents to use as much OEM original parts as they possibly can. And that's where the digital parts platform fits in. So, it is now in Australia, it's in Hong Kong, it's in Singapore. We are seeing slightly higher parts sales in those margins accordingly. We're looking for other markets in APAC to expand that platform too. And we will over time

introduce that into our Americas business. And then the final thing I'd say is the bulk of the development on that platform is now complete. So for us it's about execution, execution in markets, but you have to see it as part of the big picture of what we're trying to do to keep growing our parts business. Hope that answers the question, James.

James Wheatcroft: Very clear. Thank you.

Operator: Then I'll take our next question from David Brockton of Deutsche Numis. Please go ahead.

David Brockton: Thank you very much. Two questions from me as well. Firstly, going back to the profits bridge, is it possible to quantify the expected benefit of management actions to costs in H2? I noticed there was a restructuring, exceptional restructuring cost in the first half and sort of keen to understand how that evolves going forwards. And then secondly, in terms of Asia, there's a lot of moving parts that have impacted the business through the first half. I was wondering if you could just focus on the greater competition dynamic you're seeing there, what's driving it and what is your assumption as to how that will evolve going forward? Thanks.

Adrian Lewis: Sure. Okay. Just in terms of the profit bridge and the value of the restructuring items. So, typically when we do these sorts of restructuring, we're thinking about how we're setting ourselves up in our markets. Have we got the right resourcing levels, particularly where we've seen structural changes in some of those markets and we've taken some restructuring charges this year to make sure we're right sizing those resource levels, particularly in parts of Asia and centrally. Typically, they come on a one-to-two-year payback level, and you can expect the restructuring charge in the second half to be broadly consistent with what you've seen in the first half as those activities continue. Duncan?

Duncan Tait: Thank you, Adrian. Alright, David. So just in terms of your second question, which is competitive dynamics in our Asia business. Look, it's a couple of things. One is in the premium segment, as Adrian mentioned earlier, we are seeing a premium segment decline faster than some of the markets and that's an industry trend. And if I give you an example in Indonesia, the premium segment is down about 40% year over year, Philippines dropping 15%. Now to your topic then about competition. Look, we're seeing Chinese competition in markets like Hong Kong and Singapore. Our market share is down a little bit in the first half, but we were clear earlier on this year that we expected our second half market share to be better than the first half. And our second quarter market share in Singapore was better than market share in the first quarter. We're getting the supply of the products, we need to plug some gaps in our portfolio, and we'll introduce those during the second half. Look, we welcome competition, but we have seen our market

share decline a little bit in the first half improving into the second quarter and we'll see better share in the second half. Hope that helps with that answer.

David Brockton: Yes, no that's great. Thank you very much.

Operator: Thank you. And we'll now take our next question from Akshat Kacker of JP Morgan. Please go ahead.

Akshat Kacker: Morning Duncan. Morning Adrian. A couple of questions please. The first one on the Americas region, the underlying margin in the first half is closer to 5.5%. This has obviously come down over the last few years and is now closer to the lower end of your 5 to 8% margin guide for distribution contracts. Could you just generally talk about your expectations for this region and if there are any specific cost actions that you are taking to improve profitability in the Americas, please. And the second question is on the gross profit evolution year over year in the first half. I was seeing that organically gross profits are down 5% across new vehicles as well as after sales. Generally, you would expect after sales to be more resilient, but you just explain what's driving the decline in after sales in the first half. Is it just slower new vehicle sales in America that's the main driver there? Thank you so much.

Adrian Lewis: Yeah, I'll take both of those then Akshat, thank you very much. So in the Americas, the 5.5% underlying I understand where that number comes from. What I would say in the Americas is that those markets that we look at particularly the Chile market remains at historical lows. So when we think about overhead leverage, when we think about the benefits of scale in those markets, we really haven't seen the best of the Americas yet. We're still waiting for that market to come back. Chile this year will be just north of 300,000 as a total market versus historical long run average of somewhere between 350 and 380 with a peak of over 420. So, with scale you'll see margin come back and the benefits of all of that great work the team have done over the last couple of years in the synergy programme as we've brought Derco and Inchcape together will really start to show up in our operating margins in that region. So, we continue to expect our Americas region to come back towards those historical norms and our guidance towards the middle of the northern ends of our 5 to 8%. On gross profit on from vehicles versus after sales. The driver of our after sales business, as you say, is a more stable picture. It's based on the number of cars sold essentially over the last 5 to 10 years. Of course we are now in the third, fourth and fifth year of lapping lower volumes from that COVID period, which has meant there are fewer cars for us to service and fewer parts for us to sell into the marketplace. So that's a trajectory that has been coming down and we'll expect that to come back as we start to lap better comparators of TIV and volume in the years ahead. So it's a mix impact of what we're lapping three or four years ago.

Duncan Tait: Very good, thanks Adrian. Actually, just one thing to add in terms of your first question on America's margins, we did say when we gave an update at the end of April that we would prioritise careful, prudent manage of inventory and cost right across the business. And you'll see from our share update to you today, we did lose a little bit of share in Colombia where the team were very conservative on industry and that would all that's also show up in margin in the Americas in the first half. Akshat, is that helpful?

Akshat Kacker: Thank you for the explanation. Yes, thank you so much.

Operator: Thank you. We have no further questions in queue handing it over to Rob for web questions.

Rob Gurner: Thanks Laura. Couple of questions on the webcast. The first is from Sanjay Vidyarthi at Panmure Liberum. Can you give a bit more colour on what's going on in Indonesia and the Philippines and what measures are we taking to address it?

Duncan Tait: Sure Rob, I covered a little bit about the Philippines and Indonesia earlier on. Let me give you a little bit more detail. So, we've seen TIV in the Philippines come down quite substantially and in the Philippines actually TIV is up slightly, but the common characteristic across both is the premium segment is down – 40% in Indonesia, 15% that we are seeing in the Philippines. Look, we're doing what you'd expect Inchcape to do in those situations. Managing inventory carefully, being on top of our cost base, working with our third-party dealers to make sure they're able to perform, to perform well. And if I look at our brand launch in the Philippines for instance, we're introducing Changan electric products. We're seeing good uptake from our relationship with Changan, the EV products in the Philippines market, just outside of the premium segment.

Rob Gurner: Very good. And then two anonymous questions on I think both for you Duncan as well coming your way, two strategic ones. Firstly, can you talk a little bit more about your M&A strategy and pipeline, and also give an update on the latest Chinese dynamics and Chinese OEMs. What are the opportunities and risks for Inchcape in that regard?

Duncan Tait: Thank you very much Rob. Right. So in terms of M&A, look, let's go right back to the top in terms of how our business works. Look, even though we're the global leader in automotive distribution, we still only have 3% of our target addressable market. The market is fragmented and over time Inchcape should consolidate that market. Then if I talk about our capital allocation policy, which we updated at our full year results in early March, we're super clear, we pay dividends at 40% of EPS and we then say we will do both share buybacks and M&A. You've seen us do that in the first half, Rob - £220 million of returns to shareholders in dividends and share buybacks. And

we've announced a deal with Askja in Iceland and I'm pleased that we've been able to see value relative to how we value share buybacks in that deal within Iceland.

So then if I move to your question around pipeline, what are we seeing? Look an emphasis on bolt-ons rather than larger deals and where we see value relative to share buybacks, we should continue to consolidate the market. No announcements to make beyond that. But look, we want to play both parts of our capital allocation policy to get this company to grow. Then to your second point, look, I've not long returned from eight days in China in the second quarter with some of the regional CEOs. Look, they're increasingly aggressive. The global market TIV is flat at about 90 million per annum. We are seeing the Chinese export more and more. They're seeing Europe as being attractive. They are producing well-designed, high-quality, tech-rich vehicles at good prices. And look, Rob, I'd remind all of us, we've worked with these Chinese OEMs for decades, we've helped them gain 30% market share in many of our markets in the Americas. We have good relationships with them. But look, we have a brilliant OEM portfolio, including the Toyota Alliance, certain Chinese OEMs that we think are the winners into the next decade and we'll continue to expand our business with all of them.

Rob Gurner: Marvellous, and a couple more questions. Again, I think one's coming your way Duncan, one's coming your way, Adrian. The first is from James Bayliss at Berenberg on the Askja acquisition in Iceland. Can you give a little bit of colour around the expectation for how you're going to build up brand relationships with our new partner at Kia and should we be thinking about Iceland as the sort of deal that we are looking for in Europe?

Duncan Tait: So, to the first question, look, it's a great piece of business, Rob, that. 16% market share thinking of what we're trying to say in terms of scale and where we want the Group to be over time. First relationship with Mercedes in Europe, having built up the Americas and our APAC business with them. Some Chinese brands in there also and commercial vehicles as per our scale objective of not just scaling in passenger vehicles but also in commercial vehicles. It's not the biggest deal in the world, but it's really nice in terms of the financial characteristics and the brand portfolio. In terms of Kia, look, if you look at our 10.8 million target addressable market, clearly about 10% of that is down to Korean OEMs, of which Kia is one of them. We are looking at how we might expand that relationship initially in part of our European business.

Rob Gurner: Thank you very much. And then I think the final question before I ask you to sum up Duncan, this is for you Adrian from Bruce Hubbard at Lancaster. Can you talk a little bit about your expectations for the reverse of the inventory increase due to the reconfiguration of the plants that you mentioned?



Adrian Lewis: Yeah, sure. Thank you very much Bruce for the question. So if I look across the balance sheet, inventory has increased from the full year end position of 1.9 billion to 2.1 billion. That was where we were working with our OEM partners as they were switching over some of their production facilities to construct new energy vehicles which meant that we had to increase our stock holding to allow us to continue to have product on offer into various markets in Latin America and parts of Australia as well. And so that's meant we've had to hold stock for slightly longer than we would've anticipated under normal circumstances, that we'd expect to unwind because that's just a timing impact as part of how we operate with our OEMs. You'll notice that that's about £250 million on inventory and about £50 million of impact at working capital because of course some of that inventory comes with trade terms. So that gives you the components of it, Bruce, that we would expect, as I said, to unwind in the second half.

Rob Gurner: Thanks Adrian. No more questions from the line or from the webcast. Duncan, please feel free to sum up.

Duncan Tait: Very good, Rob, thank you for facilitating the questions. So let me sum up and thank you for the questions and joining us today. Look, during the first half, we continue to deliver shareholder value through a disciplined approach to capital allocation. We achieved good strategic progress and we maintained a strong balance sheet, and that's enabled us to reaffirm guidance for the year in terms of having a stronger second half sequentially and year over year. And I look forward to talking to you all again at the end of October. Thank you.