

5 February 2020

LOOKERS plc

Year-end trading update

Performance in-line with expectations

Lookers plc (“Lookers” or “the Group”), one of the leading UK motor retail and aftersales service groups, issues a trading update for the 12 months ended 31 December 2019, ahead of the announcement of its results on 11 March 2020.

Although challenging, trading during the three-month period ended 31 December 2019 (“Q4” or “the Period”) was as expected and the Group anticipates reporting underlying profit before tax* for the year in-line with the Board’s expectations.

New car market

For the third consecutive year the UK new car market has continued to contract. UK new car registrations declined by -2.4% to 2.3m units during the year. The Group’s like-for-like unit sales of new vehicles over the same period performed marginally ahead of the overall market.

In Q4 the Group’s like-for-like unit sales of new vehicles declined by -6.6% (Q3 -3.2%) compared to a UK market decline in new vehicle registrations of -1.6% (Q3 -0.6%). This continues to be impacted by the Group’s volume brands and is partially driven by a tactical reduction in lower margin fleet volume. In addition, whilst we are pleased to report that all dealership sales teams received further training and assessment in the sale of regulated products during November and December, it did impact our sales volumes during Q4. Margin pressure continued throughout the Period but at lower levels than experienced during Q3.

Used car market

In Q4 the used car market remained stable. Like-for-like unit sales of used cars increased by +3.8% (Q3 +2.6%). In Q4 the Group remained focused on continuing to reduce and improve the profile of its used vehicle inventory. The margin stabilisation reported in Q3 continued into Q4.

Aftersales

Like-for-like gross profit in Q4 was broadly flat (Q3 +2.9%), with the corresponding period last year benefitting from non-recurring parts volume bonus.

Portfolio consolidation

The Group announced in November that it had identified 15 sites for closure as part of its ongoing portfolio review. This programme is largely complete. Of the 15 identified, nine were owned on a freehold basis. As expected, four sites have been sold, generating proceeds of £8.3m; the remainder and other legacy surplus properties will be sold during 2020.

Regulated activities

The FCA investigation into the Group’s sales processes is ongoing. The Group continues to co-operate fully with the investigation.

Non-underlying items

The results for the year are expected to include a number of material cash and non-cash non-underlying items in respect of the Group’s previously announced regulatory and portfolio review, income from the settlement of historic VAT claims, net gains on property disposals, impairment of current and non-current assets and restructuring costs.

Financial position

The Group remains focused on driving cash flow through improved working capital management, tighter control of discretionary costs, additional capital expenditure discipline and the disposal of surplus property. This is reflected in net debt at 31 December 2019 being better than expected at circa £62.0m (31 December 2018: £86.9m), representing less than one times underlying EBITDA.

Outlook

The Society of Motor Manufacturers and Traders (“SMMT”) are forecasting a further decline in the new car market during 2020 and the business faces the uncertainty and impact from the practicalities of leaving the EU. In the near term the Group is focused on improving operational execution and robust management of discretionary costs. The Group is also targeting prudent levels of gearing and is reviewing its capital allocation priorities.

Trading in the first few weeks of 2020 has been broadly in line with expectations and the Board remains focused on the important March trading period.

Mark Raban, Chief Executive Officer said: “2019 was a challenging year for Lookers. The declining new car market, political and economic uncertainty and increased operating costs were all factors in the Group’s decline in profitability. Over recent weeks the Board has instigated a number of clear and decisive actions to stabilise and improve operational and financial performance.

The Board remains confident about the long-term prospects for the Group, benefitting from excellent OEM relationships, strategic trading locations and a strong freehold property portfolio.”

*As previously announced, the Group now reports underlying profit before tax including the impact of amortisation of intangible assets, share based payments, net interest on pension scheme obligations and debt issue costs. In addition, profit / loss on the disposal of property is excluded from underlying profit before tax.

ENDS

Enquiries

Lookers

Mark Raban, Chief Executive Officer

Tel: 0161 291 0043

MHP Communications

Tim Rowntree

Simon Hockridge

Alistair de-Kare Silver

Tel: 020 3128 8742 / 8730

Email: Lookers@mhpc.com