

24th April 2020

## **Lookers plc**

### **("Lookers" or "the Group")**

#### **TRADING AND OPERATIONAL UPDATE**

Lookers plc, ("Lookers" or "the Group"), one of the leading UK motor retail and aftersales service groups, provides the following trading and operational update.

#### **Trading Update**

In the two-month period ended 29 February 2020 ("the Period"), prior to the impact of Covid-19, the Group recorded a like-for-like decline in new vehicle unit sales versus last year of -4.8% compared to a UK new car market which declined by -5.8%. In the Period like-for-like unit sales of used vehicles declined by -2.6% whilst like-for-like aftersales revenue was up by 0.9%.

In addition to the vehicle sales volume decline the Group also suffered margin pressure primarily driven by a management decision to reduce its holding of aged used and demonstrator inventory.

This was partly offset by a reduction in operating costs, following a series of management actions implemented in November 2019, including a headcount and recruitment freeze. Headcount is currently 6% below the level at the commencement of the initiative. As a result of this and other actions, like-for-like operating costs in the Period were marginally below last year's levels.

#### **Operations**

On 23 March 2020, in order to protect the safety and welfare of our people and customers and in response to UK Government social distancing advice, the Board took the decision to temporarily close all its trading locations. Following the introduction of new operating measures, the Group has subsequently partly reopened 31 locations which are providing essential repairs and maintenance to key workers' vehicles and 10 parts distribution centres. The Board would like to thank our colleagues who have volunteered to deliver these essential services.

#### **Portfolio Review**

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 and liberated 9 Freehold sites. We have now sold 7 sites, generating proceeds of £17.6m in 2019; the remainder, along with other surplus freehold properties, will be sold during 2020. With the support of its brand partners this review remains ongoing and the Board anticipates that further opportunities exist which will drive profitability and release capital during the second half of 2020.

#### **Financial Position**

The Board is continuing to take a prudent and decisive approach to managing cash and would like to thank all stakeholders for their ongoing support during this period.

We welcome the measures announced by the UK Government to support businesses through this unprecedented disruption. We have furloughed approximately 7,000 colleagues. All members of the Board and senior management have agreed to temporary reductions of up to 30% to their contractual remuneration.

As reported in the Group's year end trading update the Board expects to report net debt at 31 December 2019 of approx. £62.0m (2018: £86.9m). Net debt on a cleared funds basis as at the date of this announcement is approximately £65m. The Group's £250m revolving credit facility with five banks expires in March 2022.

### **Fraud Investigation**

On 10 March 2020 the Group announced a delay to the publication of its financial results for the year ended 31 December 2019 due to the identification of potentially fraudulent transactions in one of its operating divisions. During March 2020, in conjunction with Grant Thornton LLP, the Board commenced an investigation, the initial phase of which is now complete.

The initial phase of the investigation focused on the operating division concerned and identified certain misrepresented debtor balances in respect of bonus receivables together with a number of fraudulent expenses claims. These items are expected to give rise to a one-off, non-cash charge, in the 2019 financial statements of circa £4m.

At the request of the Board the initial investigation was extended across all operating divisions. As a result of movement restrictions during the covid-19 crisis this remains ongoing. Initial indications have identified some operating divisions where certain non-cash balance sheet accounts have not been fully reconciled, in accordance with Group policy. These items are expected to give rise to a one-off, non-cash charge, however this part of the investigation is still ongoing.

While the aggregate impact of the fraud investigation is not yet known, the Board currently anticipates that the Group will still be profitable for FY 2019 on an underlying PBT basis.

Net debt at 31 December 2019 is not anticipated to be impacted by any of the investigations finding to date.

Further updates will be provided in due course.

### **Publication of 2019 results and AGM**

In the light of the ongoing Covid-19 situation, the Board intends to adopt the additional temporary relief measures announced by the FCA, providing for an additional two-month extension to publish audited financial statements, with an announcement in June.

### **Outlook**

The Board is contemplating a range of post covid-19 reopening scenarios and is considering the challenge of managing the Group's cost base against what the Board considers will be materially lower volumes, as a consequence of continued social distancing measures.

Given the ongoing uncertainties resulting from the covid-19 situation the Board continues to believe that it is too early to make any reasonable estimate of the financial impact on the Group during 2020 and beyond. The Board's key focus remains to safeguard colleagues and customers and to ensure sustainable, long term liquidity.

Mark Raban, Chief Executive Officer, said:

"These are challenging times and on behalf of everyone at Lookers our first thoughts remain for those impacted by the virus and those serving on the front line. I want to thank all my colleagues who have been furloughed for their patience and understanding during a difficult time for all.

We are also continuing to take prudent steps, with the support of our major stakeholders, to ensure that the business returns to full operation in the best possible condition.

This announcement contains inside information for the purposes of article 7 of the Market Abuse Regulation (EU) No 596/2014

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