

20 August 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.

Post Lockdown Trading

Trading in the two-months ended 31 July was encouraging and reflected a period where all trading locations in England were open (from 1 June), followed by reopenings in Northern Ireland and Scotland on 8 June and 29 June respectively.

In June, our like-for-like dealerships in England outperformed the UK new retail car market and recorded growth in like-for like used unit sales combined with improved margin retention.

These trends strengthened in July as the Group’s dealerships in Scotland reopened. During July, on a like-for-like basis, the Group invoiced and delivered over 14,000 new retail and used units exceeding last year by 17.0%. Like-for-like service revenues also showed growth versus last year. As a consequence of these factors, combined with ongoing focus on cost and working capital control, underlying profit before tax was materially ahead of last year during July.

The release of pent up demand from over two months of closure, together with an ongoing consumer trend to avoid public transport in favour of the private car, has helped to drive activity. Given the Group’s large internal and external retail premises, social distancing measures are less disruptive than many other forms of retailing which has helped encourage customers back to the dealerships.

The business has also benefited from recently introduced initiatives including a contactless handover process and a range of enhancements to the Groups online offering, which are helping to drive increased efficiency and productivity.

Portfolio Review

On 4 June the Group announced it had identified a further 12 dealerships (including 7 freehold sites) for either closure, consolidation or refranchising. This activity is now substantially complete and will be finalised during the remainder of 2020. As a result of this activity, and the 15 closures previously announced in November 2019, the Group currently holds freehold property for disposal with a net book value of circa £30m. These disposals will continue during the remainder of 2020 and in 2021.

Restructuring

On 4 June 2020 the Group announced that the Board had considered the future structure of Lookers in light of long-term demand, a smaller dealership estate and structural changes taking place across the industry. During June and July the Board consulted across all areas of the Group and confirmed over 1,400 roles as redundant. The Board carefully considered all options and viewed this action as necessary to sustain and protect Lookers over the long term.

The Board commenced its restructuring plan in November 2019 and by the end of September 2020 total headcount is anticipated to be approximately 6,700 a reduction of circa 22% since the commencement of the initiative.

H1 Financial Performance

The temporary closure of the Group’s dealerships throughout the lockdown period had a significant impact on the Group’s financial performance during H1. The Group expects to report H1 revenue of approximately £1.6bn (2019: £2.6bn) being impacted by the extended lockdowns in Northern Ireland and Scotland.

In addition to the revenue decline the Group also experienced margin pressure in both new and used vehicles with the former impacted by reduced levels of manufacturer volume bonus receipts. These impacts were partially mitigated by cost savings and benefits from portfolio consolidation.

The Group expects to report a material underlying PBT loss for H1, after receiving c£29m from the Government's Job Retention Scheme.

Non-underlying items

The results for H1 are expected to include a number of material cash and non-cash non-underlying items including costs associated with the closure and restructuring programme and the recent investigation conducted by Grant Thornton LLP.

Financial position

The Group remains focused on driving cash flow through enhanced working capital management, portfolio management, cost reduction / restructuring and the disposal of surplus property.

As at 30 June 2020 net debt was approximately £13.5m (2019: £74.3m) after benefitting from the temporary Government deferral of tax payments.

The Group's revolving credit facility of £250m with five banks expires in March 2022. The Group will be exploring refinancing options during Q4 2020.

The Group continues to enjoy the benefits of a property portfolio in excess of £300m.

Outlook

Trading in June and July has been better than expected in both vehicle sales and aftersales.

Momentum has continued into August and new vehicle order take for the important September plate change is building well.

Although early indications are encouraging, the Board remains cautious about the overall pace and sustainability of an economic recovery and the impact that could have on the consumer, and therefore the sale, servicing and repair of vehicles.

Notwithstanding this, over recent months the Board has taken decisive action to improve the Group's sales process, enhance the use of technology, right size the cost base and control working capital and net debt. With its strong portfolio and OEM brand partner relationships the Board continues to believe the Group is well positioned to capitalise on the many future opportunities that lie ahead.

Mark Raban, Chief Executive Officer, said:

"This has been a very challenging period for Lookers, but it is encouraging that we are beginning to see some healthy signs of recovery in vehicle sales since the easing of lockdowns.

"I would like to thank all my colleagues for their amazing commitment in difficult circumstances and the efforts they have made to adapt, innovate and improve our physical and online proposition to customers, ensuring a safe and smooth retail environment. I am also extremely grateful to all our other stakeholders, including our brand partners, for their support through this period.

"We remain cautious about the future given ongoing uncertainties in the wider environment, but confident in the opportunities for the Lookers business moving forward."

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

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