7 January 2022

LOOKERS plc (“Lookers” or the “Group”)

Trading update and update on Group strategy

Lookers, one of the leading UK motor retail and aftersales service groups, today announces a trading update for the financial year to 31 December 2021 (“the Period”), which includes the following:

- expectation of record underlying profit before tax ahead of company compiled market consensus of £82m;
- strong balance sheet, with net cash* of approximately £8.0m as at 31 December 2021 (2020: net debt £40.7m) and property with a book value of £303.9m (equivalent to 77.8p per share) as at 30 June 2021; and
- intention to continue to invest in the business and restore dividends alongside the full year 2021 results.

In October 2021, the Board began a comprehensive review of the Group, its strategic growth opportunities and capital allocation framework. This review is designed to build on the Group’s strong market position, excellent brand partner relationships and valuable property estate. It will address a number of long-term market trends including changing consumer behaviour, the impact of electric vehicles (“EV”), the competitive landscape, developing relationships with OEMs, changing technology and the regulatory environment in which the Group operates.

The review is well underway and our initial conclusions (in further detail below), provide a framework to maximise the revenue and profit opportunities for the Group and explore new initiates to deliver our aspiration to become ‘*The UK’s leading integrated automotive retail and services group’*, focussing on the following:

1. Operational Optimisation
2. Investment in Technology and Digitisation
3. Expanding OEM Relationships
4. Increasing Used Vehicle Penetration
5. Developing Aftersales Revenue Streams
6. Leveraging Corporate Leasing and Fleet Capabilities

We will provide an update on strategy alongside our full year 2021 results which will be published on 13 April 2022.

Mark Raban, Chief Executive Officer said:

“2021 was an exceptional year for Lookers and we now expect to beat our previous estimates with record profit for the year. This is a great achievement by the whole team in a year which brought many external challenges, including Covid and vehicle shortages, demonstrating the strength of our proposition. With net cash at the year end, we have a strong balance sheet and good capacity to invest in future growth opportunities.

There are many structural changes which are creating opportunities in our market including evolving consumer behaviour, electrification, and changing relationships with our brand partners. The Board and Executive have been refreshed and we are well progressed with a major review both to improve our operational performance and to future proof our revenue streams through a number of strategic growth opportunities. We have outlined our main areas of focus in our update today and are excited about our ambition and aspiration to become The UK’s Leading Integrated Automotive Retail and Services Group.”

Quarter 4 Trading Update

Trading in Q4 remained strong and above the Board’s expectations, principally driven by excellent new and used vehicle margins, a continued focus on tight cost control and like-for-like growth in aftersales revenues. Throughout Q4, the ongoing global shortage of semi-conductors continued to place pressure on the supply of new and used vehicles. In Q4 like-for-like new retail unit sales increased by approximately 2.0% and used unit sales were down by approximately 14.2%. Aftersales revenues remained robust and on a like-for-like basis were approximately 7.1% ahead of last year.

Covid-19 Grants

As previously announced the Board has fully repaid £4.1m of Coronavirus Job Retention Scheme ("CJRS") receipts relating to 2021. Given the strong full year performance and the Group's ongoing corporate responsibility agenda, in addition, the Board has now voluntarily undertaken to repay in full £1.9m of non-essential retail sector Covid-19 grants. The cash repayments will be made in 2022.

Financial Position

The Board retains its focus on cash management and liquidity. At 31 December 2021, the Group had a net cash* balance of approximately £8.0m, compared to a net debt position of £40.7m for the year ending 31 December 2020.

Capital Allocation Framework

In March 2020, at the time of the first Covid-19 lockdown, the Board announced a number of cash management initiatives including the suspension of dividends. Given the financial position of the Group and the repayment of all CJRS receipts and Covid-19 grants relating to 2021, the Board believes that there should be a good balance across investing in the business and shareholder distributions, while maintaining an appropriate capital structure. Subject to no material change in the trading environment, the Board intends to recommend a dividend when it publishes its 2021 financial statements.

Strategic Growth Opportunities

It is clear that consumer behaviours have changed significantly and permanently during the Covid-19 global pandemic and in its review, the Board has considered these changes alongside a wide range of external market trends. Whilst some customers want a pure online experience, the vast majority expect a hybrid omni-channel proposition which puts them in control and importantly requires supporting physical infrastructure. The Board has identified its six strategic growth pillars as follows:

1. **Operational Optimisation:** The cornerstone of the Group's future strategy remains the focus on organically driving and improving the Group's existing core operations. Following an extensive review and benchmarking of performance the Board considers that there remains significant latent opportunity to simplify and harmonise the Group's operational processes, systems and structures to improve financial performance in several key areas. Changes in these areas have commenced and the Group expects to see further operational efficiencies delivered in 2022.

2. **Investments in Technology and Digitisation:** The implementation and improvement of new and existing technology is fundamental to supporting the Board's operational optimisation agenda. The Group will continue to invest in technology to further improve the customer experience and management of customer relationships, reducing the cost to serve and driving further working capital benefits. The Group will continue to harmonise and standardise its Dealer Management Systems in 2022, upon which it can build improved data analytics and a new sales platform.

3. **Expanding OEM Relationships:** Subject to a disciplined capital allocation policy, the Group remains committed to and focussed on growing its OEM relationships. The Group has an appetite to expand representation with existing and new brand partners, and where our OEM partners chose to adopt an agency model we will work constructively with them to implement this. In 2021 the Group entered a new and expanding agency relationship with Polestar. The Board has identified investment in new brand partners as a key part of the Group's strategy.

4. **Increasing Used Vehicle Penetration:** The Board continues to believe that the scaled used vehicle market presents the Group with a significant opportunity, as evidenced by several recent new entrants to the market. Building on the Group's existing multi-franchise standalone used car infrastructure, the Group will implement several initiatives to protect and expand the Group's penetration into the market in 2022 and beyond.

5. **Developing Aftersales Revenue Streams:** As EV adoption continues to accelerate the Group will develop and implement new products and services to protect and increase penetration and drive revenue growth in the important and valuable aftermarket. This will encompass incremental opportunities in the growing cosmetic repair market.

6. **Leveraging Corporate Leasing and Fleet Capabilities:** Despite recent supply constraints, the Board considers the corporate leasing sector to be an important and complementary market for the Group to operate within providing stable, predictable revenue streams, as well as new subscription-based product opportunities. The Group will

consolidate and grow its existing operations in 2022 as well as introducing new products and services for its corporate customers.

Outlook

The Group has had an exceptional year in 2021 and is starting 2022 with an excellent new car order bank. However, given ongoing global supply chain disruptions, uncertainty as to the availability of new vehicles and the sustainability of used car margins at current levels, the Board believes it is right to remain cautious.

The Board is also conscious of general inflationary pressures and increased utilities costs, and is managing these risks through a continued focus on working capital management and tight cost control. The Board is confident that the Group remains well positioned to capitalise on the opportunities ahead and achieve its financial expectations.

** Net Cash is before taking into account year end accounting adjustments including cash in transit*

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This announcement contains inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) 596/2014 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 ("MAR"), and is disclosed in accordance with the Company's obligations under Article 17 of MAR. The person responsible for making this announcement is the Company Secretary.

The Company is registered in England at Lookers House, 3 Etchells Road, West Timperley, Altrincham WA14 5XS. Company registration number 00111876. LEI number 213800TSB8PJEACDAV33