

18 October 2022

Lookers plc

("Lookers", "the Group" or "the Company")

Q3 trading update

Strong trading, further progress with strategic priorities and increase in full year expectations

Lookers, one of the leading UK integrated automotive retail and service groups, today provides an update on the business, including trading for the three months ended 30 September 2022 ("Q3" or the "Period").

The highlights are as follows:

- An increase in the Board's expectations for underlying profit before tax for the full year to not less than £75m (2021: £90.1m)
- Cash and property portfolio equivalent to 98p per share as at 30 September 2022 (31 December 2021: 78p)
- Commencement of a share buyback programme of up to £15m

Mark Raban, Chief Executive Officer, said:

"We have built on the strong first half trading momentum, particularly in the important month of September with the arrival of a new registration plate.

We remain mindful of ongoing supply chain disruption and significant inflationary pressures affecting consumers and businesses alike. However, our intense focus on driving self-help operational efficiencies across the business and ensuring ongoing strong vehicle margin retention means that we are increasing our profit expectations for the full year.

I would like to thank all of our stakeholders, particularly my fantastic colleagues across the business, for their tireless efforts in serving Lookers customers to produce these strong results."

Q3 Trading Update

The total UK new car market declined in Q3 by -0.1% (H1 -11.9%). The Group outperformed the market by approximately 5.6%, boosted by our omni-channel customer experience strategy. In the important new registration plate month of September, the Group's new retail unit sales were up 11.5% against the UK new retail car market which grew by 4.6%, with underlying profit before tax for the month in line with last year.

Global supply chain disruption continued throughout the Period, impacting the supply and availability of both new and used vehicles. Vehicle gross margins remained broadly in line with those reported in the first half ("H1"). The Group continued to face significant cost inflationary pressures, partly offset by improvements in operational efficiency and a continuing focus on working capital management.

Like-for-like used unit sales were down -7.1% in Q3, an improvement on the -8.3% decline reported in H1. This volume decline was partly offset by ongoing improvements in both margin retention and the penetration of finance and ancillary products.

Aftersales revenues in the Period remained robust and were ahead of last year on a like-for-like basis.

Financial Position and Share Buyback Programme

The Board is focused on maintaining an appropriate capital structure aligned to our capital allocation framework. This provides a good balance of investing in the business and shareholder distributions, while maintaining a leverage ratio of +/- 0.5x Net Debt/EBITDA.

At 30 September 2022, the Group had a net cash balance of c.£86m compared to net cash of c.£33m at 30 September 2021.

The net book value of freehold and leasehold properties of c.£297m as at 30 September 2022 is a key underpin to our strong balance sheet as well as providing additional operational flexibility.

The combined value of our cash and property portfolio as at 30 September 2022 is equivalent to 98p per share (31 December 2021: 78p)

The Group has announced separately its intention to commence a share buyback programme of up to £15m.

The Board considers that repurchasing the Company's shares at the current discount to our cash and property portfolio represents an attractive investment opportunity at this time and is in line with our capital allocation framework, and our stated aim to maintain a progressive dividend policy.

The purpose of the Share Buyback Programme is to reduce the share capital of the Company and increase earnings per share.

Update on Strategic Priorities

We continue to make good progress with our strategic priorities. We are pleased to announce that Great Wall Motors has appointed Lookers as official retailers for its first electric vehicle in the UK, under the ORA brand. We also have signed a franchise agreement with Lotus to represent this iconic brand in Northern Ireland. Trading with both partners is expected to commence in Q4 of this year from existing Group properties. Lookers is committed to being the UK consumers' number one choice for all-electric driving and discussions with other potential new partners are progressing well.

Outlook

The Board is encouraged by the strength of trading in Q3 and the early start to Q4, and we continue to maintain a strong new car order bank, which is above historical normalised levels.

Although we are pleased with the recent positive trading performance, the availability of new vehicles continues to be a factor limiting our growth. We are also cautious on how consumer spending might be affected during the remainder of this financial year, with inflation, higher interest rates and wider economic uncertainty.

Notwithstanding these factors, given the strength of performance in the Period, the Board now expects underlying profit before tax for 2022 to be ahead of its previous expectations and to report no less than £75m.

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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