

2 July 2018

Vertu Motors plc (“Vertu” or the “Group”)

Acquisition of Hughes Group Holdings Limited for £21.8m

Vertu achieves significant Mercedes-Benz presence in the M4/M40 corridor

Highlights

- In line with Vertu strategic objectives: enhances Premium mix, freehold assets acquired
- Creates significant opportunity in M4/M40 corridor for Mercedes-Benz and Vertu by unifying Mercedes-Benz dealerships in adjacent market areas under Vertu's sole ownership - Beaconsfield and Aylesbury added to existing outlets in Reading, Ascot and Slough
- Vertu's first Mercedes-Benz Commercial van franchise acquired: Group now represents the top eight van franchises in the UK
- Acquisition is expected to be earnings enhancing in its first full year of ownership

Vertu announces that it has acquired the entire issued share capital of Hughes Group Holdings Limited and its subsidiary Hughes of Beaconsfield Limited (together “Hughes”) for an estimated cash consideration of £21.8m, based upon estimated net assets of £12.0m and goodwill of £9.8m. £1.5m of this amount will be deferred for a period of 12 months. Following this acquisition, the Group's network of sales and aftersales outlets across the UK has increased to 125 outlets.

In total, six sales outlets are added to the Group by this acquisition which the Board expects to be earnings enhancing in its first full year of ownership. The operational management of the successful Hughes business will remain in place following acquisition.

Hughes has represented Mercedes-Benz for over 40 years, operating outlets in Beaconsfield and Aylesbury, which is an adjacent market area to Vertu's existing Mercedes-Benz operations in Reading, Ascot and Slough. The acquisition also brings the Mercedes-Benz Commercial Van franchise to the Group for the first time through the operation in Aylesbury. Hughes also operates outlets for Skoda in Aylesbury, Jeep in Beaconsfield and Peugeot in High Wycombe and operates a vehicle preparation centre in Wendover.

The Aylesbury and High Wycombe dealerships and the preparation centre in Wendover are freehold premises, further adding to the Group's freehold asset mix. The Beaconsfield dealership operates from leasehold premises, and a new lease has been agreed on terms which secure the Group's future operational flexibility.

For the year ended 31 December 2017, Hughes achieved revenues of £150m, EBITDA of £2.8m, PBT of £2.1m and had net assets of £13.7m as at 31 December 2017.

The estimated cash consideration of £21.8m (less the £1.5m deferred amount) has been funded from the Group's existing cash resources and borrowing facilities. The consideration comprises net assets of £12.0m (including freehold properties of £6.2m) and a payment for goodwill of £9.8m. In addition, the Group has taken on the Hughes' indebtedness, including used car stocking loans, of £3.5m.

The Board is focused on capital allocation, whilst maintaining a conservative approach to the Group's funding structure. The application of the Group's debt facilities to fund activities or acquisitions which meet the Group's hurdle rates for investment, will enhance return on equity and increase cash profits in the future. Accordingly, Vertu continues to evaluate acquisition growth opportunities and has also sought to renew its authority at the Annual General Meeting to be held on 25th July 2018 for the Company to make market purchases of up to 10% of the existing Share Capital. Since July 2017 the Company's Share Buy-back programme has seen the company acquire 18 million ordinary shares for cancellation at a cost of £7.9m, the equivalent of 4.5% of the issued share capital. In addition the Group has made dividend payments of £5.7m.

Robert Forrester, CEO of Vertu Motors said:

“We are delighted to announce the addition of two excellent Mercedes-Benz dealerships to the Group which represent a further step in the growth of our premium business, adjacent to our existing Mercedes-Benz operations in the Thames valley.”

“We also welcome the opportunity to further develop our relationship with Skoda, Peugeot and Jeep.”

“The Hughes business has operated in the Beaconsfield area for over 40 years, and is very well established in this attractive market area, serving an excellent demographic profile for the Mercedes-Benz brand.”

“Our disciplined approach to allocating shareholders’ funds has meant that this is our first acquisition for over two years. Given the strength and location of the business and franchises we are acquiring, the Board is confident to make this investment which will be earnings enhancing in its first full year of ownership. We would expect the acquisition to bring synergies and we also expect there to be opportunities to reduce working capital levels.”

The Group intends to release its AGM statement on 25 July 2018.

This announcement contains inside information.

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Notes to Editors

Vertu, the UK automotive retailer with a proven growth strategy, is the sixth largest automotive retailer in the UK with a network of 125 sales outlets across the UK. Its dealerships operate predominantly under the Bristol Street Motors, Vertu, Farnell and Macklin Motors brand names.

Vertu was established in November 2006 with the strategy to consolidate the UK automotive retail sector. It is intended that the Group will continue to acquire automotive retail operations to grow a scaled dealership group. The Group’s acquisition strategy is supplemented by a focused organic growth strategy to drive operational efficiencies through its national dealership network. The Group currently operates 122 franchised sales outlets and 3 non-franchised sales outlets from 106 locations across the UK.

Vertu’s Mission Statement is to “deliver an outstanding customer motoring experience through honesty and trust”.

Vertu Group websites - www.vertumotors.com / www.vertucareers.com

Vertu brand websites - www.bristolstreet.co.uk / www.macklinmotors.co.uk / www.vertuhonda.com / www.farnellandrover.com / www.farnelljaguar.com / www.vertutoyota.com / www.vertuvolkswagen.com / www.vertumercedes-benz.com