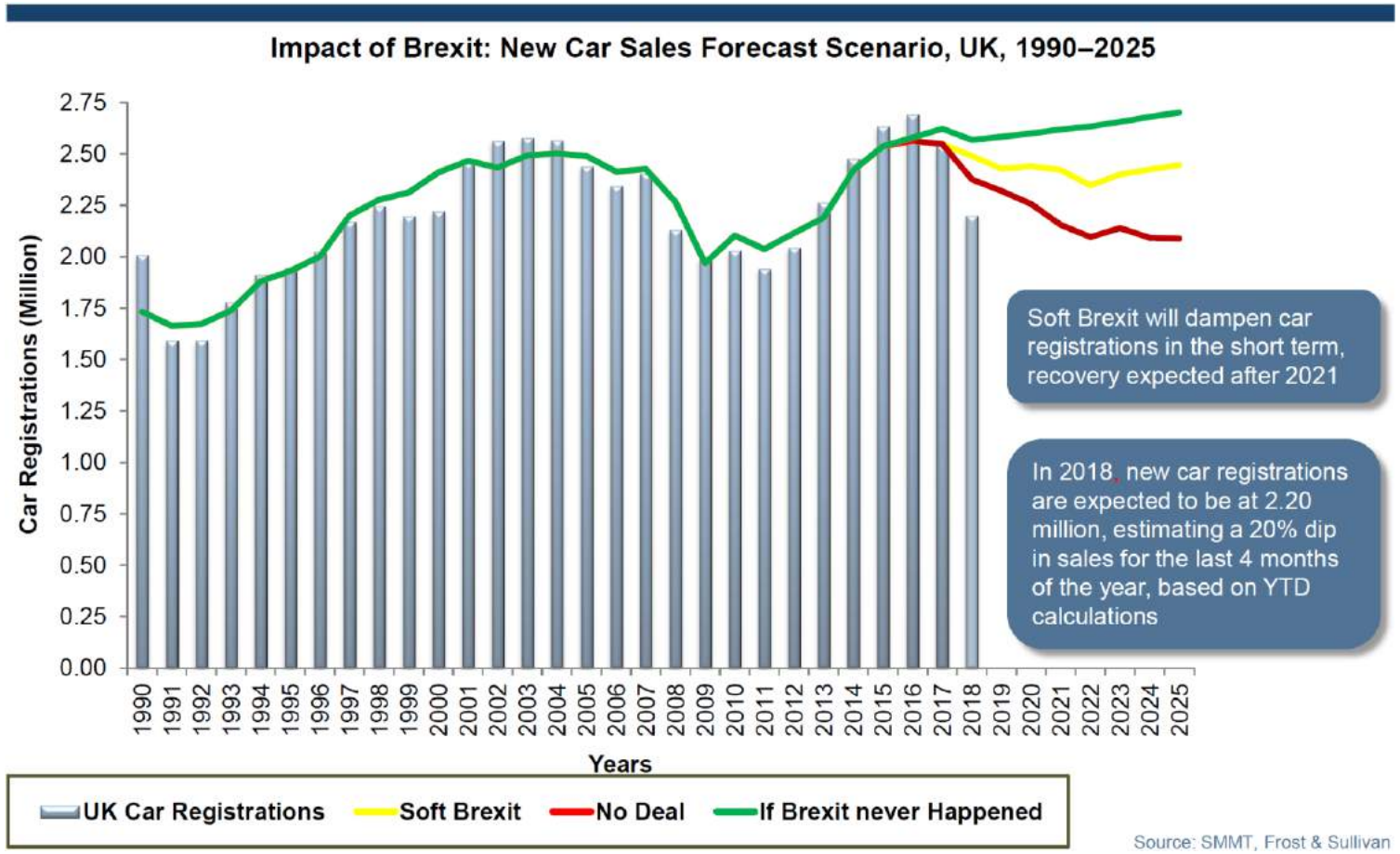
# The Future of the Motor Industry

A Dealers View

James Mullins, Finance Director

- Shifts in Global positioning
- Sector specific issues
- Disruptions to traditional motor retail
- Cambria operating strategies to adapt to the changing landscape

# Brexit impact new Car regs and Production



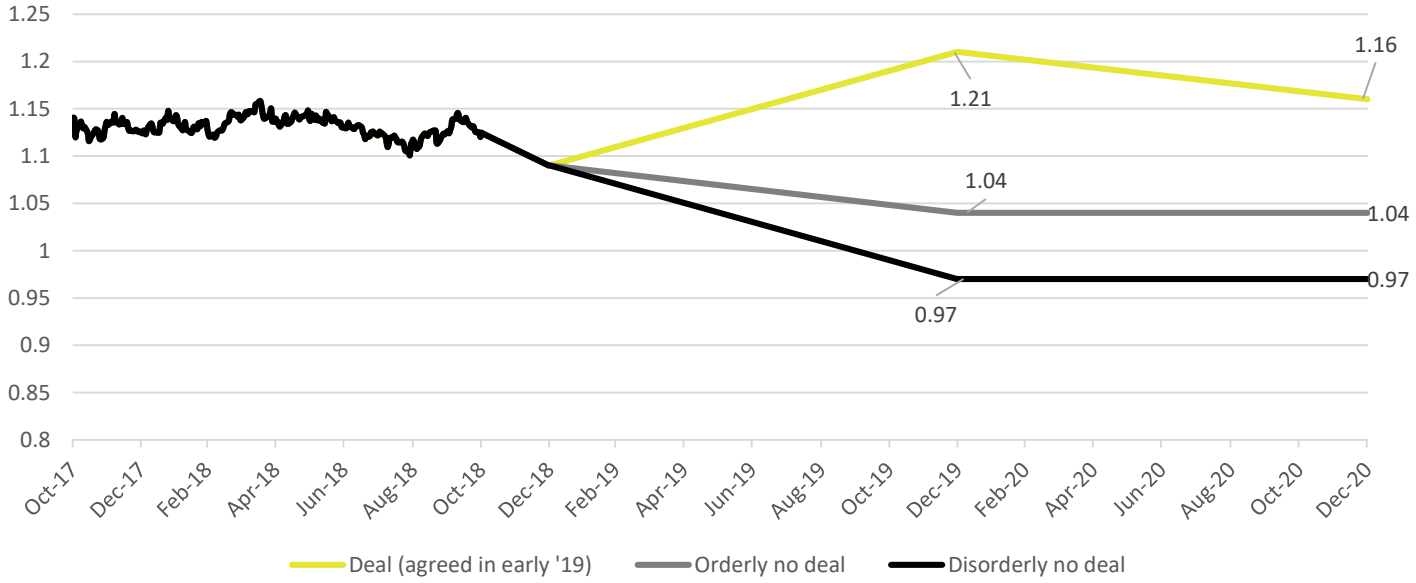

- 2.1m v 2.7m
- 600k unit variance >£600m of profit out of distribution

No Deal impact:

- 10% tariffs on:
  - Imports into UK – 78.6% of regs
  - Exports to EU – 53.9% of UK production
- £2.7bn increase in cost of UK production
- 10% of Auto workers in the UK are from the EU

# Brexit scenarios – Foreign Exchange Rates

- £ fallen by almost 10% against $ in 5 months
- Capital Economics forecast - '11th hour' deal is struck, pushing Sterling up to 1.21€:£ No Deal 0.97€:£
- Forecasts on Bloomberg for 2019 - 80 contributors - range from a low of 1.04 £/€ to a high of 1.23 £/€

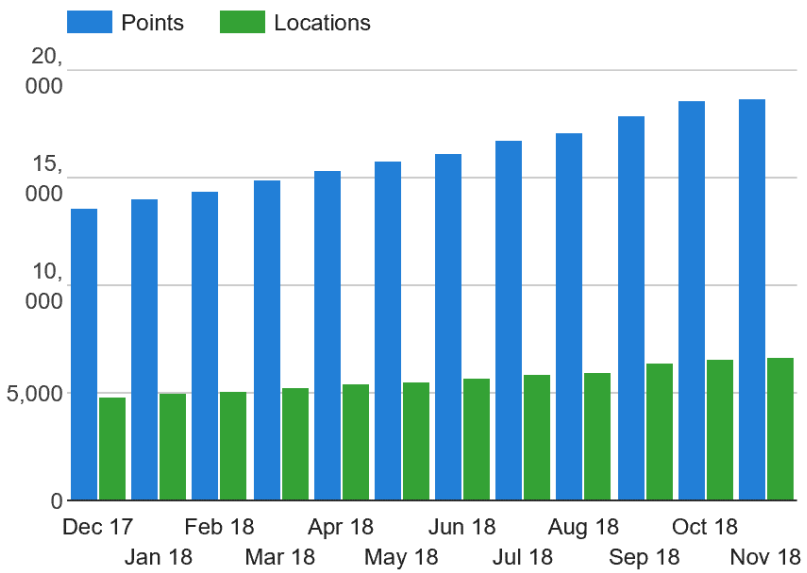



| €/£ End-year forecasts | 2018 | 2019 | 2020 |
|---|---|---|---|
| **Deal (agreed in early '19)** | 1.09 | 1.21 | 1.16 |
| **Orderly No Deal** | 1.09 | 1.04 | 1.04 |
| **Disorderly No Deal** | 1.09 | 0.97 | 0.97 |

# EV – EU CO2 Emission targets for OEM's

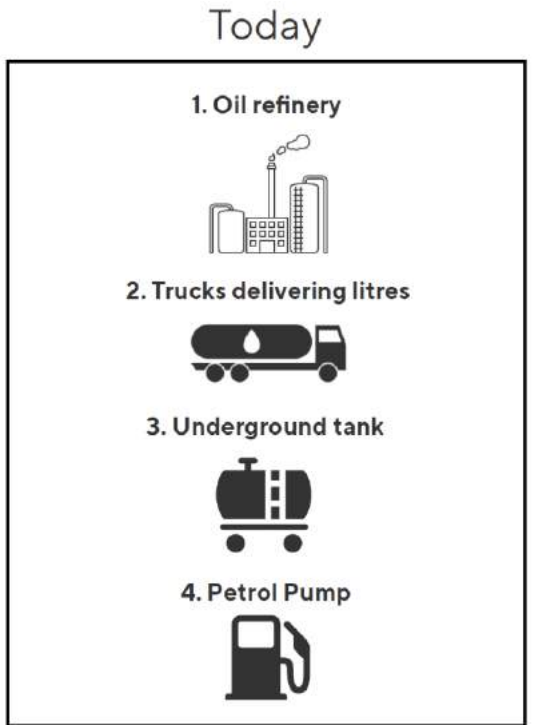
- 2021 target of 95g/km
- New 2030 target of 62g/km – 35% further reduction
- This can only be achieved by electrifying a good proportion of vehicles
- ACEA – *"it would essentially force the industry into a dramatic transformation in record time"*
- European Commission impact assessment - Concensus that the US, Japan, South Korea and China are moving ahead very quickly

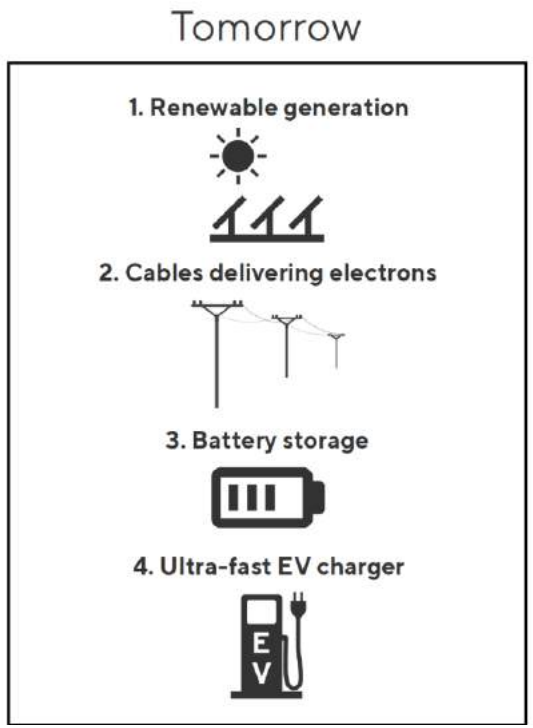
# EV Charging Infrastructure




*Source: Zap Map*

- Only 18,000 charging points – but growing rapidly
- >20 charging networks – no universal chargers
- Increased Grid demand unknown – estimate 20-30% increase in peak demand
- Technology evolving at a phenomenal rate – battery technology for charging stations to allow them to store charge off-peak and not need the infrastructure upgrades to evolve

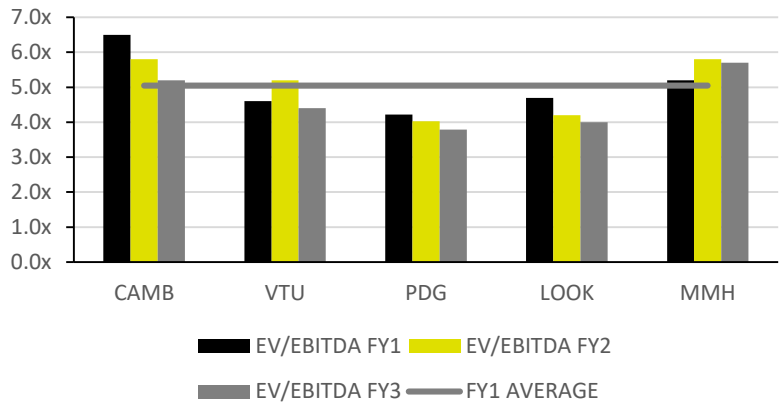


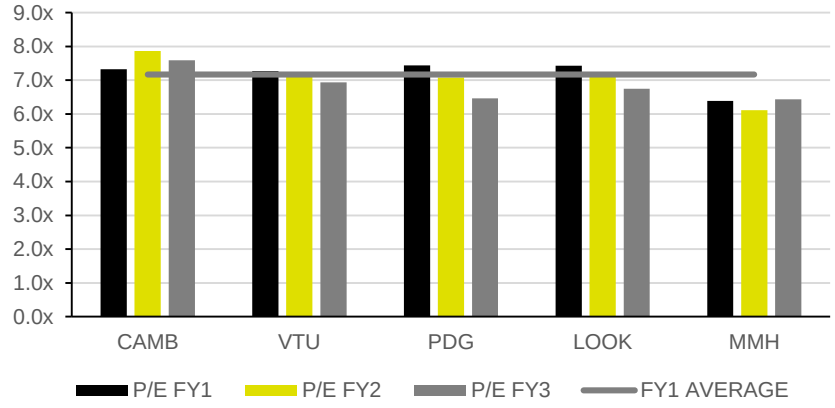
# Listed Motor Dealer - Valuation snapshot

## Average FY1 P/E

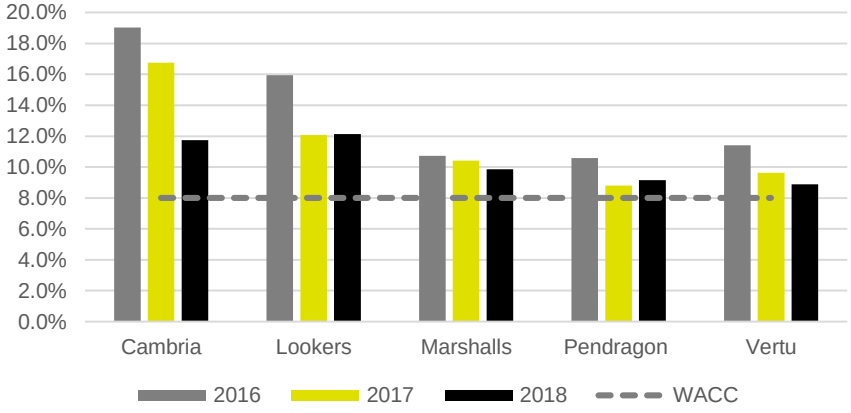
## EV/EBITDA multiples




## P/E multiples




## ROCE analysis

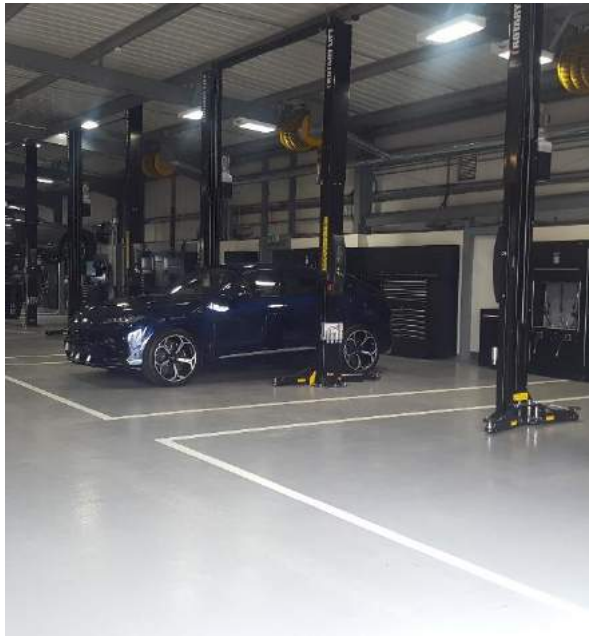



Source: Zeus Capital estimates, Bloomberg

# 2017/18 Projects - Jaguar Land Rover Swindon

# 2017/18 Projects - Jaguar Land Rover, Aston Martin, McLaren – Hatfield

# 2017/18 Projects - Bentley and Lamborghini Essex



# 2017/18 Projects – Bentley and Lamborghini Kent

Silent generation

Gen X
13th Generation

Gen Z

| 1925-1942 | 1943-1960 | 1961-1981 | 1982-2000 | > 2000 |
|---|---|---|---|---|

Baby boomers

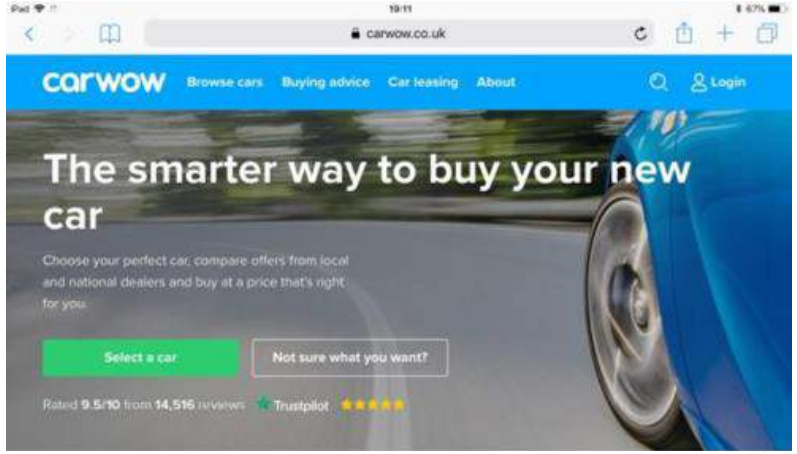
Gen Y
Millennials
Net Generation
Echo Boomers

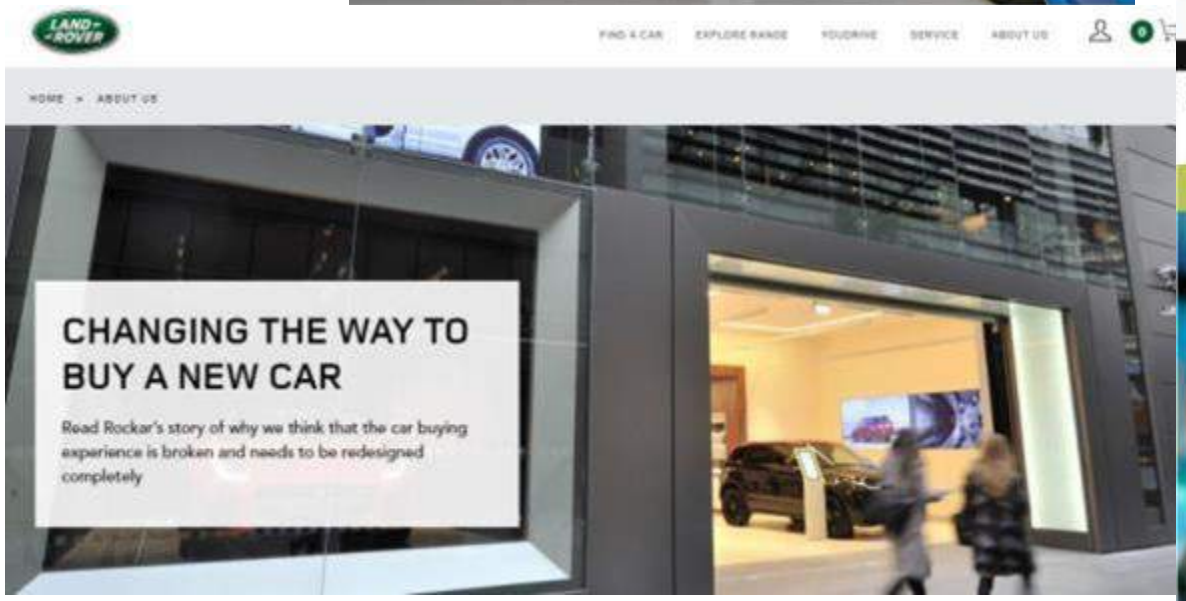
According to "*Generations*" by Howe and Strauss

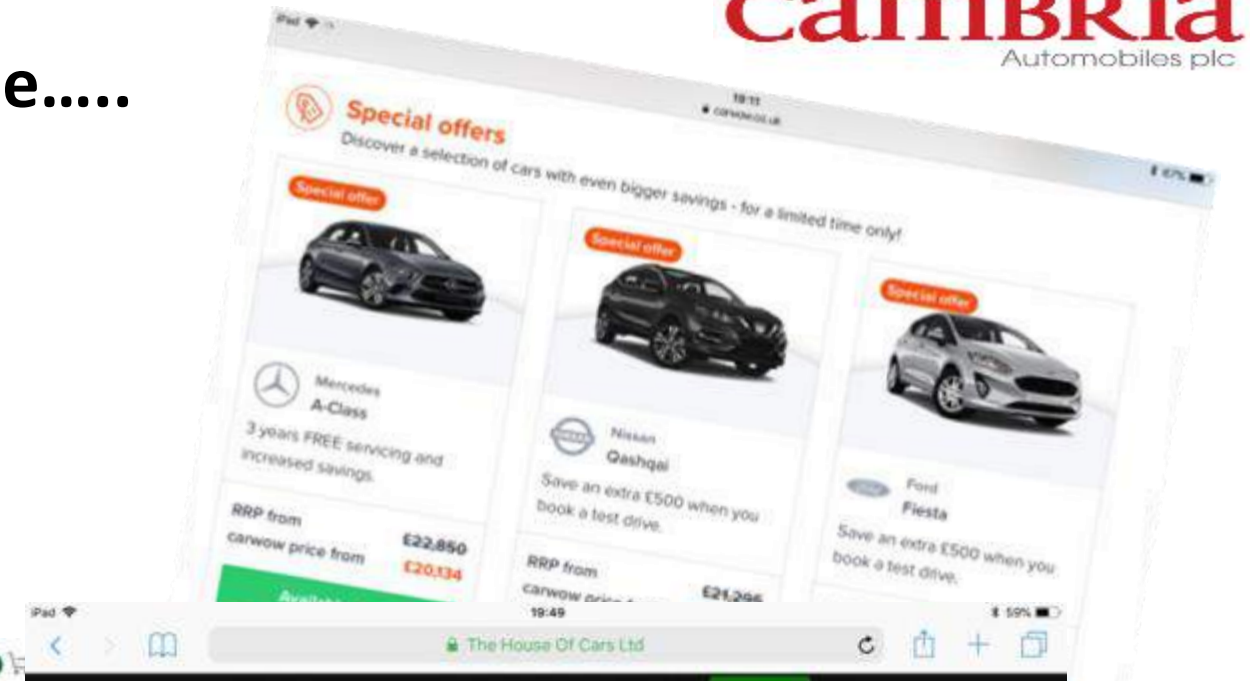
# Business model and challenges

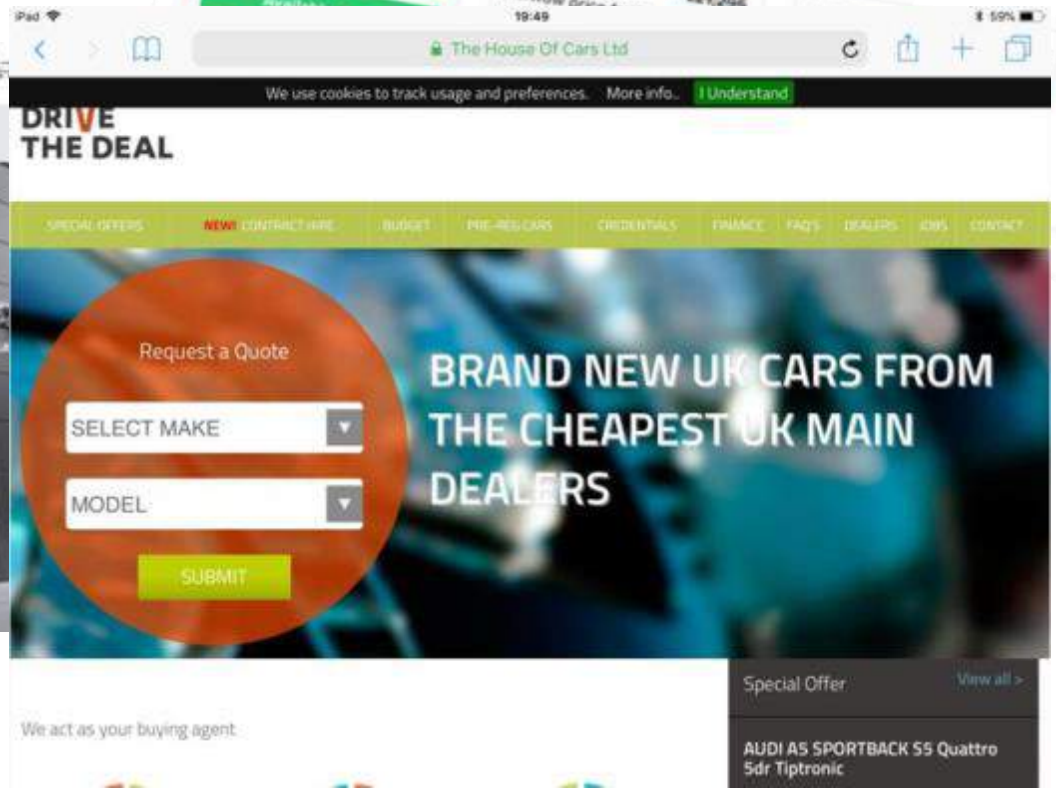
- **Brexit** – Macroeconomic/ Political issue with major repercussions
- **Electric Vehicles** – major Capital commitment from OEM's to achieve targets and fundamentally change technology
- **Electric Vehicle Charging Infrastructure** – major Capital commitment from network infrastructure providers to create electricity and distribute it
- **Motor Dealer Valuations** are low so Equity availability is limited
- **Dealership Property** – cost of land and development for major facilities is significant
- **Buyers preferences** have evolved with generation changes
- **Disruptors** to the traditional model erode margin in a zero sum game

# Disrupters in the New Car Landscape…..

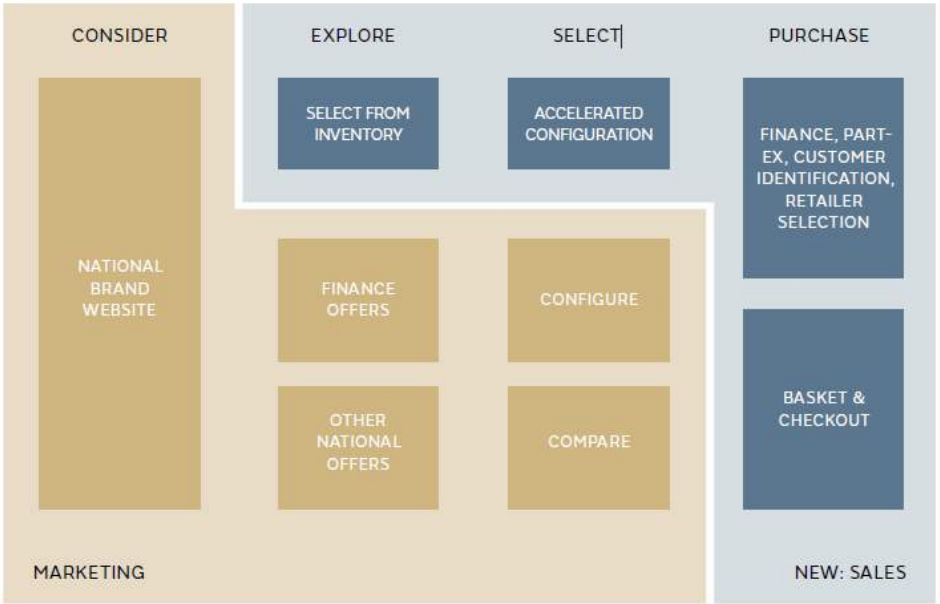


# Manufacturer Direct…..



DROVER

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Don’t be fooled…

its not just the New Car Landscape changing….

BIG MOTORING WORLD

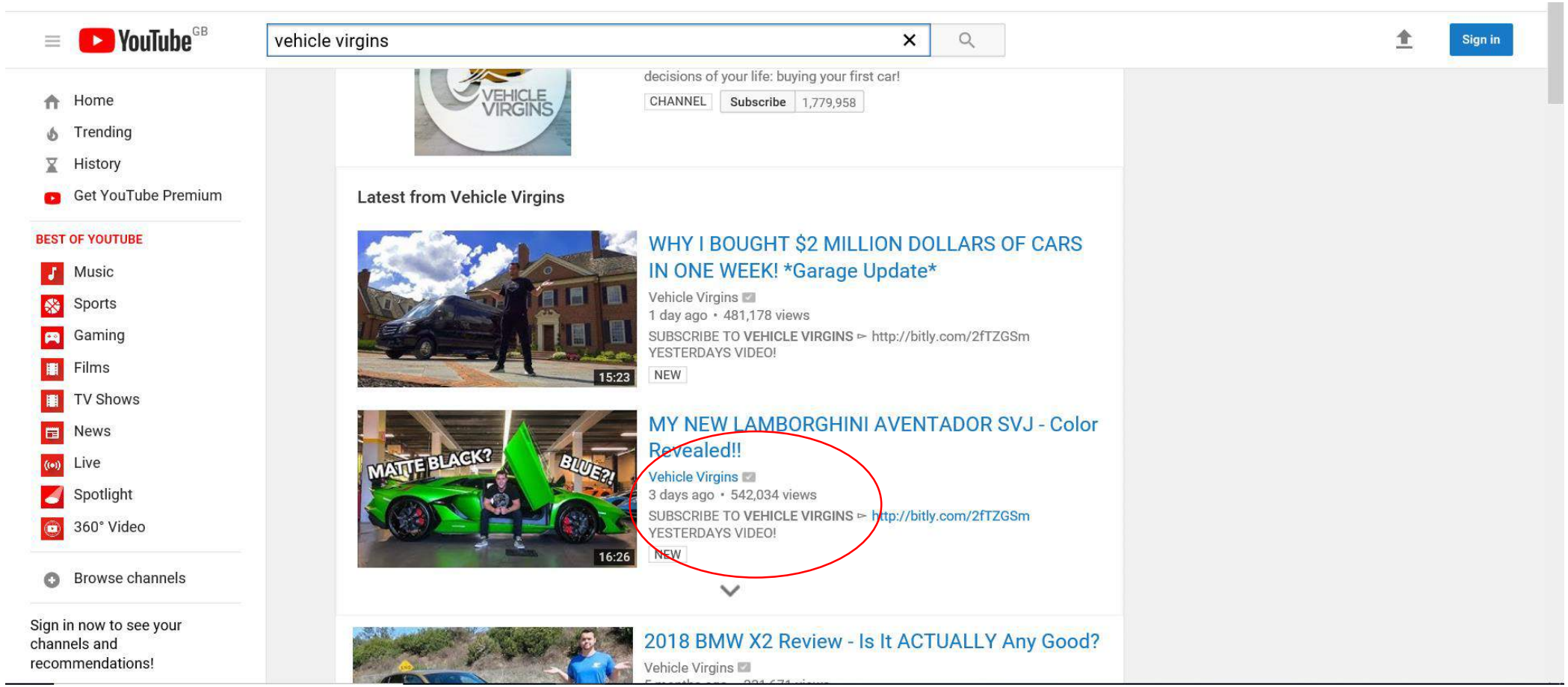
# January - Sytner buys Car People

Combined with Car Shop – 55,000 used annually!

*“The acquisition of The Car People accelerates the company's expansion of its used car supermarket business and reinforces our commitment to grow the used car business while strengthening the company's market position in the UK, our second largest market.”*

# Social Media

# Social Media



# Cambria Approach in this environment

An uncertain market is evolving at an unprecedented rate. Enforced product migration and a changing consumer

**Disruptors** are trying to engage new car buyers in new and innovative ways

Used cars offer a more certain and more lucrative reward

**engage**

**1.occupy or attract (someone's interest or attention).**

Engagement of our Associates and our Guests must be our management focus

- ✓ **Engagement Pro**
- ✓ **Product Genius**

**Speed** **Quality** **Consistency**

e-Pro

Velocity Trading

# Lead Management Made Simple

# The problem with Automotive

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# Lead Management Made Simple

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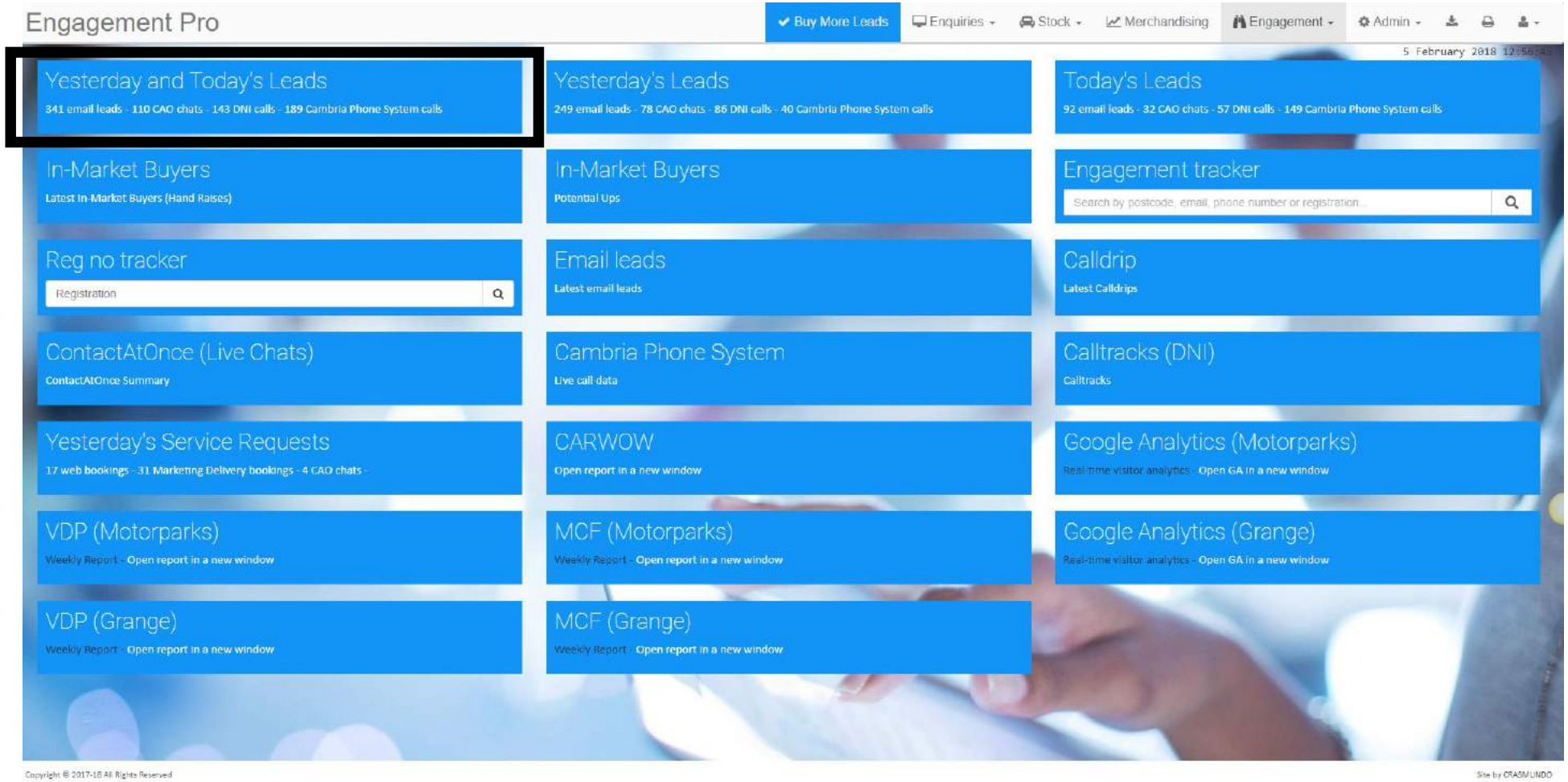
# Lead Management Made Simple



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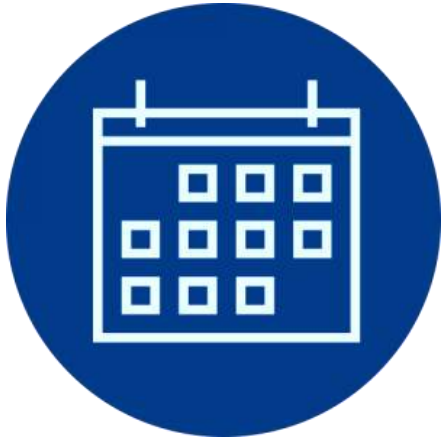
# Lead Management Made Simple

Enquiry Dashboard (3 items)

Search by postcode, email, phone number, registration or GRD...

| | | |
|---|---|---|
| Enter a New Enquiry | Appointments 2 | Overdue 0 |
| Over 72 hours 40 | Lost Sales 23 | Close Requests 0 |

| | | | | |
|---|---|---|---|---|
| Christopher Wells - Used Vehicle - BN20 0AX - 07791637330 - hotleboz@hotmail.com | Craig Stevenson - McLaren Hatfield<br>Pending Video | 27 May 2018 09:10 | Follow Up | Edit |
| Mr andrew kyprianou - Used Vehicle - - 07711779577 - andrew@eastman.co.uk | Craig Stevenson - McLaren Hatfield<br>Pending Video | 27 May 2018 12:14 | Follow Up | Edit |
| Mr Jonathon Milne - New Vehicle - SW18 1AS - 07903847040 - jonathon.milne@btinternet.com | Craig Stevenson - McLaren Hatfield<br>Pending Video | 27 May 2018 15:25 | Follow Up | Edit |



# Lead Management Made Simple

**Pending Video** 0

**Video Sent** 3

Bolton - Kennedy C - 3 min

Chris Holding - Bury - 4 min

Joshua Allen - Maidstone - 3 min

Laura - Warrington

Olivia - Welwyn LR

Vick - Ashford - 4 min

- ePro allows our dealers to clearly visualise the guest's website journey
- demonstrates how guests are engaging with their stock by
  - tracking clicks,
  - enquiry form completions,
  - live chats
  - ALL telephone calls in and out of our businesses.

- By using the latest technology we are able to track calls with website sessions and match up the journey.

## ePro Summary

- ePro guarantees valuable in-market leads are contacted when most likely to purchase
- speed of the response and integration of personalised video for every guest that has enquired on a vehicle will allow all our dealerships to
  - increase sales
  - deliver a world class experience by connecting and re-connecting with guests
  - providing a consistent contact process
  - display confidence that we are maximising every opportunity available to our business.

ENGAGE
Velocity Trading

# Product Genius

Why are we doing it?

Our guests repeatedly tell us…

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# "They Wanted an Experience"

- We need to be flexible to meet the buying habits of different Guests
- We need to be more informative without pressure
- We need to communicate better and demonstrate our trustworthiness
- We need to Differentiate ourselves from our competition
- We need to Engage with as many Guests as possible in the format they want

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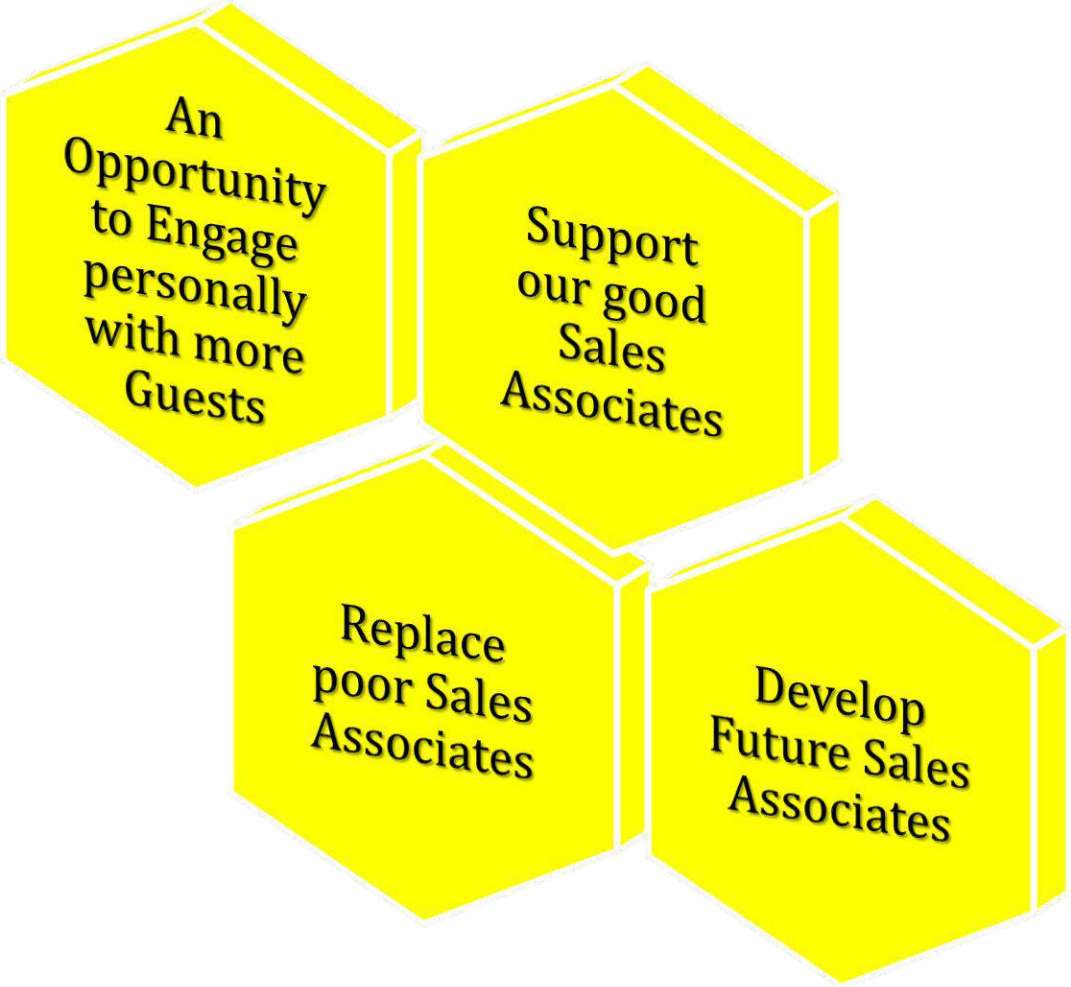
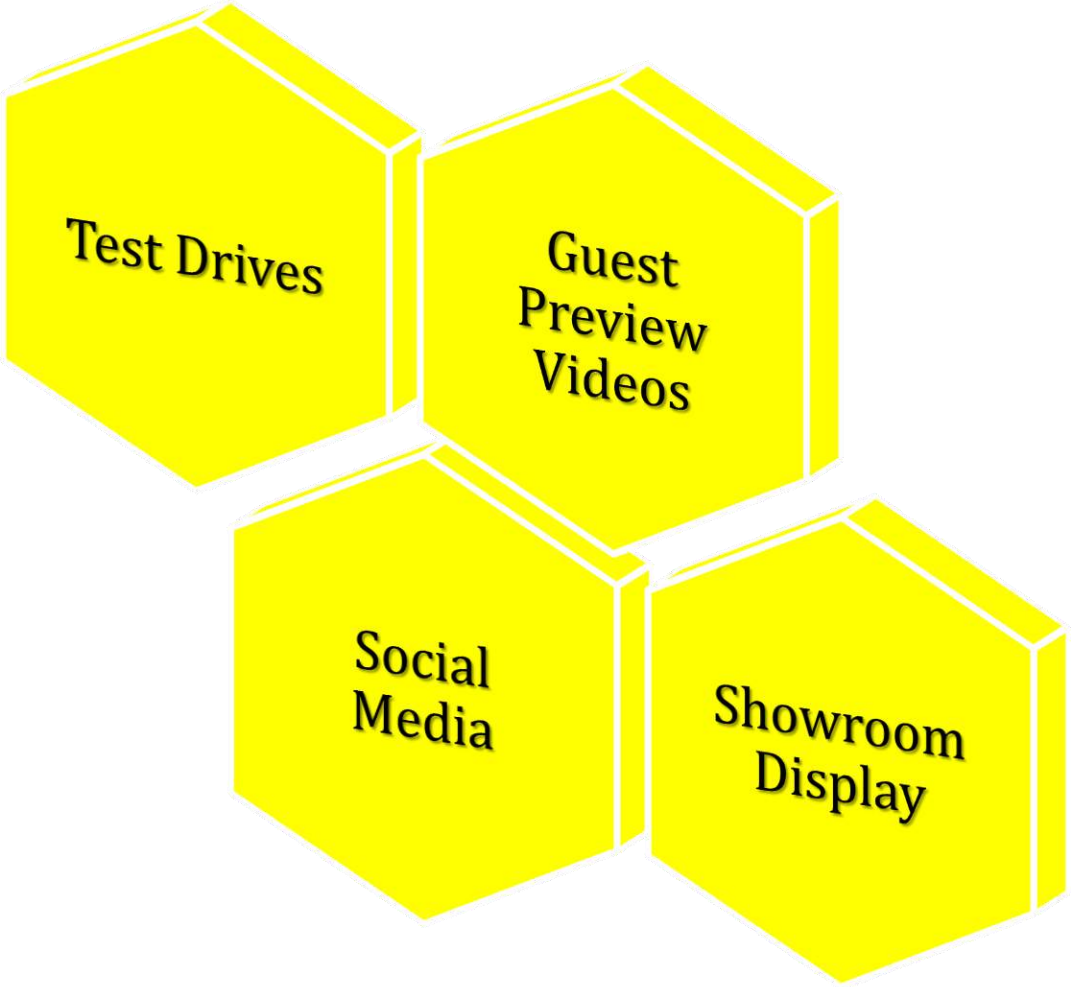
# Product Genius - The Strategy

Not Optional




Not Negotiable

# Product Genius - The Role




No Selling!

No Gophers!

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# Engage Summary