

Marshall Motor Holdings

Still performing robustly with strong cash flow

Pre-close trading update

Automotive retail

11 July 2019

Price 145p
Market cap £113m

Net debt (£m) at 31 December 2018	5.1
Shares in issue	78.2m
Free float	35.9%
Code	MMH
Primary exchange	AIM
Secondary exchange	N/A

Share price performance



Business description

Marshall Motor Holdings is the seventh-largest UK motor retailer, operating 101 franchises spread across 22 brands at 89 locations. It is one of six UK dealership groups that represent each of the top five volume and premium brands. The group has a strong presence in eastern and southern England.

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Marshall Motor Holdings (MMH) has issued a pre-close trading statement indicating that performance was in line with management expectations even though markets remain challenging. It also comes at a time when peers have been suffering from what increasingly appear to be company-specific issues. With new and used-car demand continuing to decline in the face of Brexit-induced confidence issues, MMH again outperformed. However, margin pressures and further potential H2 supply-side constraints are expected to lead to a modest fall in profitability. Our estimates remain unchanged and MMH is trading on a current-year multiple of just 5.9x supported by a healthy dividend yield. Any recovery in markets post the Brexit outcome is not reflected by the multiple contraction, even if much of the downside now appears discounted.

Year end	Revenue (£m)	PBT* (£m)	EPS* (p)	DPS (p)	P/E (x)	Yield (%)
12/17**	2,232.0	25.4	26.9	6.40	5.4	4.4
12/18	2,186.9	25.7	27.4	8.54	5.6	5.9
12/19e	2,201.9	24.1	24.6	8.54	5.9	5.9
12/20e	2,257.4	24.3	24.9	8.54	5.8	5.9

*PBT and EPS are normalised, excluding amortisation of acquired intangibles and exceptional items. **Restated following the disposal of Leasing in FY17.

With new car sales down 3.4% in H119, MMH unit volumes outperformed the declines in both the retail (-3.2%) and fleet (-3.6%) market segments. It achieved strong growth in used-vehicle unit sales, although margin pressures grew as Q219 progressed. The higher-margin aftersales revenue also grew. Cost inflation headwinds continue and overall profits are in line with management expectations, despite the volume outperformance. MMH retains a strong financial position to pursue opportunities as they arise, as evidenced by the acquisition of six ŠKODA dealerships in H119 for £3.5m. MMH subsequently acquired the freehold to the Northampton dealership for a further £1.7m. As previously advised £6m was paid to eliminate all outstanding defined benefit pension liabilities, as was the increased final FY18 dividend. Despite the spending, MMH expects H119 net cash of c £5m (FY18 net debt £5.1m). H219 remains challenged by cost pressures, Brexit and more changes to emission testing procedures from 1 September. Further detail will be provided when the company reports half-year results on 13 August.

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