

Marshall Motor Holdings

Outlook note

Resilient despite continued market uncertainty

Automotive retailers

9 September 2019

Price 152p
Market cap £118m

Marshall Motor Holdings (MMH) remains one of the most progressive automotive retail groups in the UK. It has the management experience and financial strength to continue its strategy to drive organic performance by outperforming UK car markets, augmented by appropriate value-creating acquisitions. Market challenges over the last few years have been numerous and persistent, but MMH has delivered a robust performance during the period, including in H119. The share price has recovered modestly since the H119 announcement, but MMH's rating does not reflect its robust performance, with the support of a healthy dividend yield.

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	5.7	4.2
12/18	2,186.9	25.7	27.4	8.54	5.5	5.6
12/19e	2,201.9	23.2	23.3	8.54	6.5	5.6
12/20e	2,257.4	23.8	23.8	8.54	6.4	5.6

Note: *PBT and EPS are normalised, excluding amortisation of acquired intangibles and exceptional items. **Restated following the sale of Leasing in FY17. IFRS 16 adopted from FY19; prior years not restated.

Adjusted net cash (£m) at 30 June 2019	5.8
Shares in issue	78.2m
Free float	35.9%
Code	MMH
Primary exchange	AIM
Secondary exchange	N/A

Share price performance



%	1m	3m	12m
Abs	5.4	(10.6)	(10.6)
Rel (local)	3.3	(11.2)	(9.6)
52-week high/low	176p	133p	

Business description

Marshall Motor is the seventh largest UK motor retailer, operating 108 franchises spread across 23 brands at 108 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.

Next events

Pre-close trading update	January 2020
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Trading well in still challenged car markets

MMH delivered a resilient performance in H119 (see our 13 August [update note](#)), with volumes outperforming both new and used car markets in the UK. Markets remained depressed by buyer uncertainty induced largely by Brexit and emissions issues, which continued to disrupt the supply side as new vehicle testing rules are implemented. After selling its lease business in late 2017, the group has remained essentially ungeared, ending H119 with a better than expected adjusted net cash balance of £5.8m (before lease liabilities). The encouraging cash inflow was despite buying six Skoda dealerships for £5.2m (including a freehold site), and a £6.0m one-off payment to clear all defined benefit pension obligations. As the investment programme in dealership facilities should reduce from FY20 as 87% of the site upgrades are complete, cash generation should improve further.

Executing the strategy

Following the transformational acquisition of Ridgeway Group in 2016, MMH has continued to optimise its business and dealership portfolio while seeking suitable value-creating acquisition opportunities. We expect the increasing financial burdens to maintain dealership facilities and invest in technology to drive continued sector consolidation towards larger groups. Given the current market challenges and the reduced financial market valuations, more opportunities might be expected to arise. MMH is well positioned to participate given its strong balance sheet, as was evidenced by the purchase of six Skoda and two Honda dealerships this year.

Valuation: Potential as market recovers

As downturn concerns have persisted over the last couple of years, auto retail companies have continued to experience multiple contraction. MMH is trading on 6.4x CY20e P/E, a small premium to its peers, which discounts considerable post-Brexit earnings risk. Any improvement in trading should lead to sector-wide multiple expansion, combined with improving earnings growth.

Investment summary

Marshall Motor Holdings has continued its growth and is currently the seventh largest UK car dealership group by revenues. The acquisition of Ridgeway Group in May 2016 transformed the group and the purchase of six Skoda dealerships in H119 as well as the recent addition of two Honda franchises indicate that management continues to seek appropriate opportunities to strengthen the franchise network and expand its regional coverage. The ability to invest has been underpinned by the disposal of the leasing business in 2017, which has left the group essentially ungeared. The performance of the ongoing dealership activities has been resilient to date and we expect MMH to continue to outperform UK car markets despite challenges that persist in both the supply side and demand. Our forecasts remain unchanged for FY19 and FY20 and this stability, combined with a healthy yield, has helped support the share price.

UK car markets remain challenging

Despite fairly solid economic fundamentals including record employment levels, the new car market has continued to drift lower in recent years. UK new car registrations in 2018 of 2.37m were 12% down from the peak in 2016 of 2.69m. According to the Society of Motor Manufacturers and Traders (SMMT), these are forecast to decline in FY19 by a further 2.2% to 2.32m vehicles, with a 1.2% decline expected in 2020. While much of the fall can be attributed to lower retail and business buyer confidence in the face of Brexit uncertainty, other factors have also proved unhelpful. The slump in sales of new, cleaner, diesel cars has been exacerbated by government policy in our view. Supply-side shortages resulted from the change to the new Worldwide Light vehicle Testing Procedure (WLTP) emissions testing regime introduced on 1 September 2018, which led to some product shortages. A second phase comes into force on 1 September 2019 and is likely to cause some less severe disruption this year. We expect the Brexit outcome, in whatever form, to release some pent-up demand, but much will depend on the economic impacts on employment, currency and potential tariffs. Further Brexit delays would be unhelpful, even if leading to favourable outcomes.

A clear and focused strategy

In this environment MMH's mission is to produce class leading returns, with investment in people and technology securing the operational excellence required to underpin delivery of a superior customer experience. Alongside an open culture and high standards of training, a significant investment programme in dealership facilities and technology has been undertaken since the flotation in 2015. The increasingly high levels of required organic investment are a differentiating capability for the larger dealership groups when compared to smaller private operators, especially as online markets evolve. The higher financial requirements also facilitate opportunities to strengthen the dealership network and extend the group's geographic footprint. As well as the transformational purchase of Ridgeway in May 2016, management has integrated more than 100 acquisitions over the last decade, more than doubling revenues since IPO and extending coverage to 27 counties. The almost obsessive management focus on like-for-like improvement across its network to drive organic performance is greatly assisted by the Phoenix 2 proprietary management information system. The addition of six Skoda and two Honda dealerships in 2019 shows management's willingness to use the strong balance sheet to take opportunities as they arise.

Valuation: Sector multiple contraction should unwind

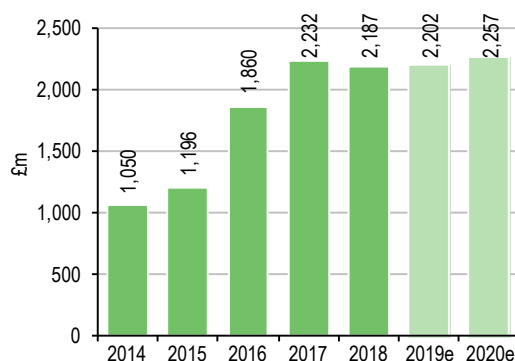
The auto retail sector has been progressively de-rated over the last few years and trades on an undemanding CY20e P/E of 6.0x as car markets softened. Meanwhile, earnings at MMH and others have proved reasonably robust, inducing a multiple contraction discounting much worse trading after Brexit. It is possible that the outcome could relieve constraints, allowing multiples to expand.

Company overview: Progress continues

MMH is a rapidly growing, integrated car retailer in the UK car market and remains one of the prime consolidators in the automotive retail sector. The majority shareholder is MCHL, the Cambridge-based private holding company of the Marshall family, with businesses in four main sectors: aerospace and defence; motor retail and leasing; property; and fleet solutions. MMH was floated on AIM at the beginning of April 2015 at an initial offer price of 149p, valuing the company at £115.1m on admission. Since the IPO, MMH has spent over £140m on acquisitions, but in December 2017 it sold its vehicle leasing operation, which has left it essentially ungeared at present. MCHL currently retains a 65% stake in MMH. Following the purchase of six Skoda and two Honda dealerships this year, MMH has 122 operating units spread across 27 counties in the UK, which employ over 3,700 people, including 108 light vehicle dealerships.

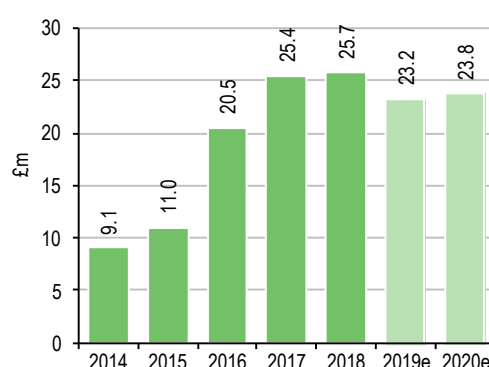
Following the disposal of the leasing activity, there are now three main revenue streams: new car sales, used car sales and aftermarket support. Since the arrival of the current CEO in 2008, the business has increased its total new and used unit sales volumes by almost four times (see Exhibits 8 and 9), extended its geographic presence and rebalanced its brand portfolio. As a result, it is now the seventh largest automotive retail group in the UK, with very high brand coverage of 81.4%, which includes each of the top five volume brands as well as the top five premium brands.

Exhibit 1: MMH revenue growth



Source: MMH reports, Edison Investment Research estimates

Exhibit 2: MMH underlying PBT



Source: MMH reports, Edison Investment Research estimates. Note: Includes impact of IFRS 16 from 2019.

Strategy targeting a leading position is unchanged

The group ambition remains to become the UK's premier automotive dealer group in the car retail market, leveraging a technology-led culture that enhances customer engagement and differentiates MMH from its competitors. The transformational acquisition of Ridgeway Group in 2016 has already moved it firmly into the top 10 in the UK. It seeks to deliver the strategy by focusing on its Five Key Strategic Pillars:

- **Class-leading returns:** based on a range of KPIs such as return on capital employed (ROCE), like-for-like volumes and revenue growth, and gross margins.
- **Customer first:** by creating a culture that encourages the delivery of high standards of customer service that help to both retain consumers and encourage recommendations.
- **Retailing excellence:** use internally generated IT platforms and a strong online presence to compete effectively and enhance customer experience through technological applications. MMH is an industry-leading company on social media and has IP invested in the Phoenix management tools and iPad-delivered services in the showrooms.

- **People centric:** focus on colleagues, managing excellence and encouraging a positive working environment with high levels of employee satisfaction and thus retention of achievers. This has been reflected in MMH being voted the top large auto company to work for in the recent 2017 UK Great Place to Work Survey, following seven years of being highly ranked.
- **Strategic growth:** the investment in and delivery of both organic and acquired growth.

The delivery of organic growth is further supported by concentration on improving like-for-like performance at dealerships. At the core of this is the second generation of the internally developed, real-time management information system, Phoenix 2, which provides enhanced internal financial controls as well as leveraging data acquired from customers. It enables central and local management to view and interrogate all pertinent performance indicators on a permission basis, identify areas of weakness and formulate timely responses.

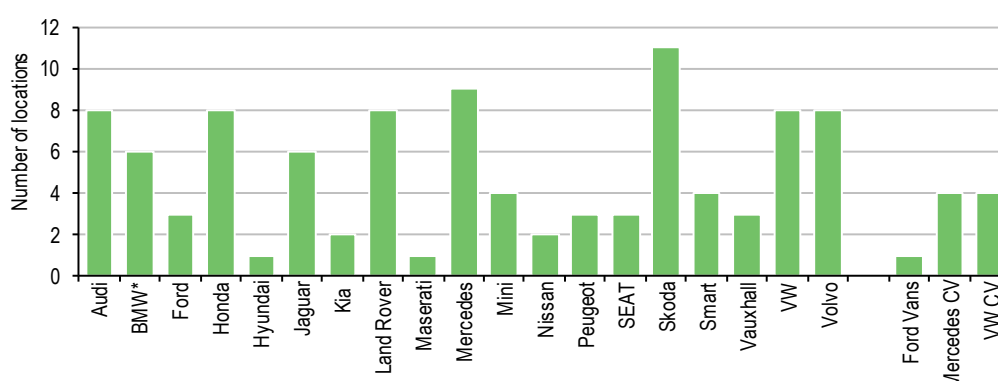
In addition to its use as an operations management tool, the system allows sales executives to improve clarity of information to customers, for example by displaying all available similar vehicle types on sale in the market when making a trade in offer.

As market discovery and transactions move increasingly online, all of the automotive retailers need to continue to evolve their presence on social media and integration with emerging sales channels. Alongside the internal developments for retailers, suppliers seem likely to start to adapt to an increase in direct selling online, while maintaining the key physical distribution networks.

Strong OEM relationships remain key

The maintenance and development of strong relationships with car manufacturing groups remains a core facilitator for growth. Management believes brand coverage of 81.4% (based on FY18 manufacturers' market shares) is unmatched for both the volume and premium segments, and MMH looks well positioned to continue to expand. As well as infilling less well represented brand and regional coverage, as was seen by the Skoda acquisitions, MMH is likely to pursue opportunities where partnerships are already strong. In the future, we feel the growing scale of the leading retailers, enabling support of higher investment, may require major brands to increase the share of dealerships a retail group might be able to own. That should provide further potential for growth. However, at present we think MMH has yet to reach a limit with any individual brand, even though as the largest dealership group for Skoda in the UK it has 11 locations. In addition to the 96 car dealerships, the group serves three light commercial vehicle brands through nine dealerships.

Exhibit 3: Marshall Motor Holdings brand partner dealerships



Source: Company reports. Note: *Includes shared BMW/BMW Motorrad (motorcycles) location in Grimsby.

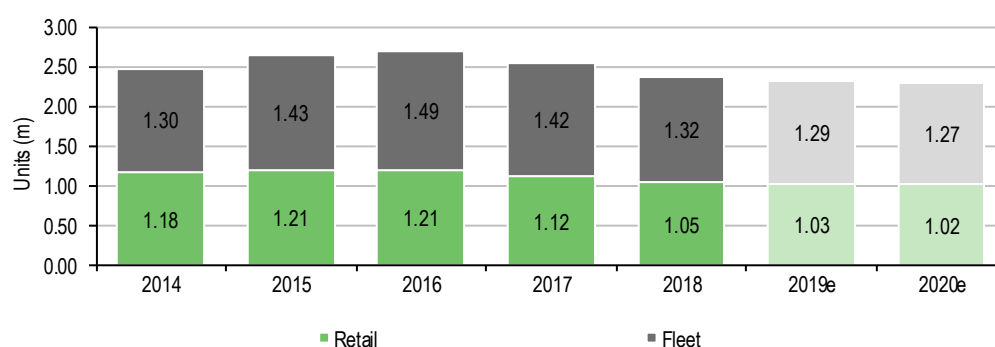
As already noted, the group must maintain levels of investment in facilities and technology to meet car manufacturers' expectations and aspirations, especially with regards to brand presentation. Following the Ridgeway purchase, MMH embarked on a three-year £75m investment programme to upgrade dealership facilities and deliver significant online and digital developments, and this has

now nearly completed. Further ongoing investment to maintain the standard of its offering and presence will be required, but this is expected to involve capex of around £15m pa.

UK motor retail market overview

The UK car market continues its gradual drift downwards in registration numbers as consumers remain concerned about a variety of issues that affect the propensity to buy or replace existing vehicles. UK new car registrations have been falling modestly but persistently in each of the last two years and the SMMT forecasts that they will continue to do so both this year and next. In fact, UK new car registrations in 2018 of 2.37m were 12% down from the peak in 2016 of 2.69m. In its latest forecast, released in April, the SMMT expects new car registrations to fall by 2.2% to 2.32m units in 2019 and by a further 1.2% to 2.29m cars in 2020. This is still above the annual average level for the 10 years before the market peaked in 2016 and therefore represents a healthy level of demand.

Exhibit 4: UK car registrations (m) and forecast



Source: SMMT, Edison Investment Research estimates

Year to date through August, UK new car registrations are 3.4% lower than in the prior year at 1.52m units, with private registrations down 3.0% at 0.68m vehicles and fleet down 1.5% to 0.81m units. Business registrations of 0.04m units were 34.7% down on the prior year. Petrol registrations accounted for 66% of the market and were up 2.4% to 1.00m units, while diesel engine cars continued to decline by 19.3% to 0.41m, or 27% of the market. Alternatively fuelled vehicles accounted for just 7.5% of the market, although registrations continue to grow strongly, up 23.0% year to date at 0.11m.

Brexit weighs in many ways

While personal contract purchase (PCP) finance packages have radically altered how both new and used cars are purchased and the behaviours surrounding ownership, customer retention and capital outlays, the broader economic uncertainty arising from the Brexit process (or lack of it) seems to weigh heavily. Of course, the political upheaval and the extension until 31 October 2019 or even later have added to both business and consumer indecision.

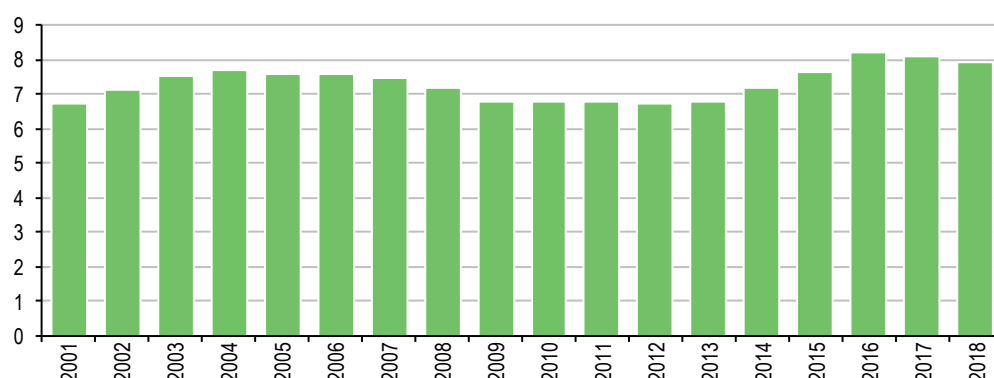
In recent surveys, Brexit has returned to the top of dealership concerns, while interestingly the threat of an economic downturn has receded. Of course, the economic consequences of whatever occurs will determine the ultimate impact on car markets. For example, both supply of and support for imported vehicles could be affected by both sterling fluctuations and trade issues such as tariffs. Net immigration could affect the number of potential buyers, and employment levels, disposable income and confidence will reflect how well the UK does economically, whatever the outcome.

As well as Brexit uncertainty, other factors have served to disrupt the market and in 2017 the new vehicle excise duty rules came into force in the UK, which not only increased the duty on first registration for most vehicles, varying the cost by emissions level, but also added £365 pa to the cost of ownership for vehicles costing more than £50,000 in the first five years. While this distorted the market in Q117 and Q217, with a subsequent return to normality in FY18, it is an important reminder that buyer behaviour can be influenced by external factors such as tax.

Used car markets also tailing off

The weaker demand in new car registrations is also being reflected in the used car market, where the number of transactions has also been falling in recent periods. While the percentage declines are more limited, they should be set in the context of the larger volumes, with used car transactions running at just under 8m units pa, compared to 2.3m in the new car market. Residual values had been holding up well, until Q219. With a peak March selling period due to annual new registration number plate changes, April tends to see a seasonal increase in supply with a natural depressing effect on sales values. In 2019, this appears to have been exacerbated by Q119 pre-registrations by some retailers, which had to be unwound in Q219, inflating the flow of good quality, nearly new used vehicles and in turn leading to destocking across the industry. Combined with lower used car transaction volumes (down 2.8% in Q219), there appears to have been a near 10% decline in residual values across Q219, although this now appears to be stabilising.

Exhibit 5: UK used car transactions (m)



Source: SMMT

The impact on used car profits and associated stock losses has damaged retailers' profitability in H119. However, levels of inventory control do not match up at all groups. Physical inventory discipline and controls are significant determinants of performance in this regard and tend to be monitored very closely by managements.

Strange as it may seem given recent declines, there could be elements of support for residual values in younger car fleets. Due to lower new registrations in the last couple of years, the overall supply of vehicles less than two to three years old will start to contract modestly. In fact, the sharp declines in nearly new diesel vehicles with clearly improved emissions fundamentals compared to older diesel engines could well be a significant support for resale values.

Over time, the rise of alternatively fuelled vehicles will undoubtedly erode the market, but given costs and the relative pace of supply transition, we expect this to be a relatively gradual and manageable process for dealership groups. Of course, as with the new car market, the increasing sophistication of online sales channels and competition means dealership groups need to continue to invest in software tools to maintain advantage and presence in used car retailing as well as new.

Emissions: Test regime change and the decline of diesel

Emission levels is another factor where changes in legislation and policy can affect the market. The introduction of new testing regimes from 1 September 2018 affected supply of new vehicles to the market from Q318 with some residual effects being carried over to 2019. We feel it is worth taking some time to describe the development of the light vehicle emissions regime.

Since 2015 manufacturers have been subject to EU fleet-wide average CO₂ emissions of 130g/km, corresponding to fuel consumption of around 5.6 litres per 100km (l/100km) for petrol engines and 4.9l/100km for diesel powertrains. These are being tightened further so that by 2021 all fleets must average 95g/km. All vehicles must also conform to specific emissions restrictions by engine type, as shown in Exhibit 6, which have also become increasingly strict.

The VW diesel test scandal and its ramifications have naturally led to suspicions that manufacturers not only cheated to achieve emissions, but also that diesel vehicles were more polluting than was claimed. The damage was even more far reaching, as sales of new diesels with Euro 6 emissions-compliant engines have suffered, despite having even lower emissions limits. As a result, the testing regime was changed and the WLTP was introduced from 1 September 2018. Phase two for vans, with the real driving emissions (RDE) test element for cars was introduced a year later, and came into force on 1 September 2019.

Exhibit 6 also shows the comparison of standards with which all new cars with petrol or diesel engines must comply. It shows lifts for emissions of carbon monoxide (CO), hydrocarbons (HC), nitrous oxide (NOX) and particulate matter (PM) measured in weights of grams per kilometre. PM is also limited in recent standards on the total number of particles that can be emitted per kilometre. In general, diesel cars are around 15–20% lower in carbon emissions due to their greater efficiency and in the most recent Euro 6 standard even particulate limits are comparable.

Indeed, it could be argued that the slower rate at which old diesels are replaced by new diesels is adding to the pollution issue. The SMMT has monitored UK emission levels for new cars sold since 2000 and, for the first time in 2017, average emissions increased slightly.

Exhibit 6: European car emissions standards							
(g/km)	Date applied	Fuel	CO	HC	NOX	PM weight	PM number
Euro 1	Jan-93	Petrol	2.72	0.97		no limit	
		Diesel	2.72	0.97		0.14	
Euro 2	Jan-97	Petrol	2.20	0.50		no limit	
		Diesel	1.00	0.70		0.08	
Euro 3	Jan-01	Petrol	2.30	0.20	0.15	no limit	
		Diesel	0.64	0.06	0.50	0.05	
Euro 4	Jan-05	Petrol	1.00	0.10	0.08	no limit	
		Diesel	0.50	0.05	0.25	0.025	
Euro 5	Jan-11	Petrol	1.00	0.10	0.06	0.005*	
		Diesel	0.50	0.05	0.18	0.005	6.0x10 ¹¹ /km
Euro 6	Sep-15	Petrol	1.00	0.10	0.06	0.005*	6.0x10 ¹¹ /km*
		Diesel	0.50	0.09	0.08	0.005	6.0x10 ¹¹ /km

Source: The AA. Note: *Direct injection only.

Somewhat strangely, an increase was recorded across all powertrains: diesel, petrol and alternatively fuelled vehicles (AFV).

However, it is diesel engine registrations that have faced the sharpest declines and the fall has not been fully compensated for by petrol and AFV sales. It may suggest that some people are deferring replacing diesel powertrains with any alternative because of the apparently mixed messages being sent by government policy.

The new emission vehicle testing regime of the WLTP combined with its RDE element should provide more comprehensive visibility of actual emissions for motorists to make decisions on

purchases. Apart from for comparative purposes from August onwards, we do not see the second wave of WLTP affecting supply as severely in H219 as it did in H218.

Economic fundamentals

What is slightly anomalous in the UK car market declines is that economic conditions supporting car purchases at face value appear to be relatively positive, with UK employment running at record levels, unemployment at the lowest level since the mid-1970s, and improvements in real disposable income in recent months. Despite this, consumer and business confidence has been at a low ebb and that is apparent in the collapse of business registrations. While consumer confidence did improve briefly in May, probably helped by positive disposable income development, it did not last and has returned to previous low levels almost certainly as a result of the Brexit turmoil.

Financing products face increasing regulatory oversight

As is apparent from the attention on PCP contract financing and the recent experience of Lookers, the UK's second largest automotive retailer, the Financial Conduct Authority (FCA) is adopting a more robust overview of the regulated activities of the sector. The specific aim appears to be to ensure that no harm is done to purchasing customers by the sale of finance and other regulated products such as insurance.

Exhibit 7: Marshall Motor Holdings – the regulatory environment and compliance

Financial Services Regulation

- Well established governance structure in place
- Agenda item at every PLC Board meeting
- Independent compliance team headed by experienced Head of Compliance reporting to Group Counsel and Company Secretary and the PLC Board
- Compliance committee meets monthly; comprised of operations, finance, HR and training, franchise, F&I, with Head of Compliance in attendance
- Compliance oversight committee meets quarterly; comprised of CEO, CFO, Group Counsel and Company Secretary, with a non executive director in attendance. Reports to the PLC Board every meeting
- Annual compliance agenda approved by oversight committee
- Assurance through audit checks
- Culture of continual improvement focusing on:
 - systems and documentation
 - sales process
 - awareness, training and assessment
 - compliance monitoring
 - complaints handling with root cause analysis

Health, Safety and Environmental

- Agenda item on every PLC Board meeting
- Oversight by dedicated central HSE team
- On-site Risk Assessors and risk assessments
- Comprehensive HSE induction training for all colleagues and one-to-one support for managers
- Online live handbooks and guidance documents
- Monthly reporting at dealership, division and group level

Data Protection

- Managed by independent compliance team
- Agenda item at compliance committee
- Robust process to implement and embed GDPR
- Clear GDPR guidelines
- Ongoing training and awareness raising

Source: MMH H119 presentation

While our view remains that larger groups like MMH already have clear knowledge of their regulatory obligations and processes in place to ensure compliance with these (see Exhibit 7), the proliferation and layering of multiple finance product offerings (eg finance, insurance and service plans) has added complexity to sales processes. Retailers need to ensure their compliance regimes and sales processes are robust and meet the regulator's requirements. It is possible that additional safeguards could be introduced by the FCA, which auto retailers would need to address and which could add to costs in terms of staff numbers, systems and processes.

Cost of ownership issues remain a key enabler for buyers, both in terms of financing and service costs, as well as vehicle taxation. The FCA's concerns surrounding the use of PCP packages appeared to be abating for large dealership groups, where selling processes include credit risk assessment and compliance with information provision should be well established practices. For a time, these appeared to constrain consumer acceptance of PCPs.

However, Lookers' recent experience indicates that managements need to remain on top of regulated activities, especially processes, systems and training to meet compliance standards. While it is not clear exactly what the independent review at Lookers identified, what the subsequent investigation launched by the FCA will therefore focus on other than 'selling processes', or indeed what the likely outcome and consequences of that will be, it does raise another concern about automotive retailers, albeit temporary.

As perhaps one of the most affordable ways to purchase new cars and, increasingly, used cars, PCPs also help to increase customer engagement and assist retention if service standards are positive and appreciated. The same can be said of service plans. All of this can be very helpful in terms of developing a favourable profit mix between lower-margin new car operations and higher-margin used car and aftersales revenues.

The increased penetration of PCP finance and service plans in both new and used markets is also a more efficient tool in fostering customer relationships. With the term of new PCP plan ownership averaging less than three years, customers can be reminded at several points about the replacement process, and in the case of larger franchise networks provides the ability to source a variety of next vehicle brands from the same group. In this regard, the customer experience becomes increasingly important. From the moment the search for a new vehicle starts, most likely on the internet through interactive websites, service experience, showroom perception and overall relationship management are key to retaining customers. The investment required in related customer-facing and management IT systems, as well as dealership facilities, has risen significantly, again favouring larger dealership groups with stronger financial resources.

Potential for market consolidation

Together with the rise of alternative vehicle sourcing, the increasing financial burden of franchise ownership for smaller players leads to market consolidation as the larger groups look to fill in their networks, both in terms of desired brands and geographic footprint. It could be felt that many of the larger groups are, in some cases, running up against the historical limit on the number of individual brand dealerships that they own. The original equipment manufacturers (OEMs, the car makers) are averse to putting too many eggs in one basket. When a dealership group owns franchises for an individual brand in more than c 15 locations, there appears to be a reluctance from OEMs to approve further extension of the networks. Given the importance of the relationship with the manufacturers for the retailers, nobody is likely to force the issue without approval.

Given the cost of franchise support, marketing, maintenance and development, with the largest dealership group now achieving sales of £6bn pa, we feel the OEMs may start to allow a potentially higher level of franchise ownership at some point in the future. However, we would expect this to be at a time when car market conditions are more favourable, even if vendors' value expectations and the propensity to sell are probably more enabling in weak or uncertain markets.

Outperforming challenging markets

Although it is the lowest-margin segment for most automotive retailers, new car markets influence sentiment as they tend to drive perceptions. Even if not the main profit driver, new car performance remains at the core of all operations. It influences quality and availability of volumes in used car markets as well as determining the UK vehicle parc, which require high-margin aftersales services. New car sales tend to rise and fall with economic performance, although sales in weaker periods can be incentivised by a variety of dealer, manufacturer or even government initiatives.

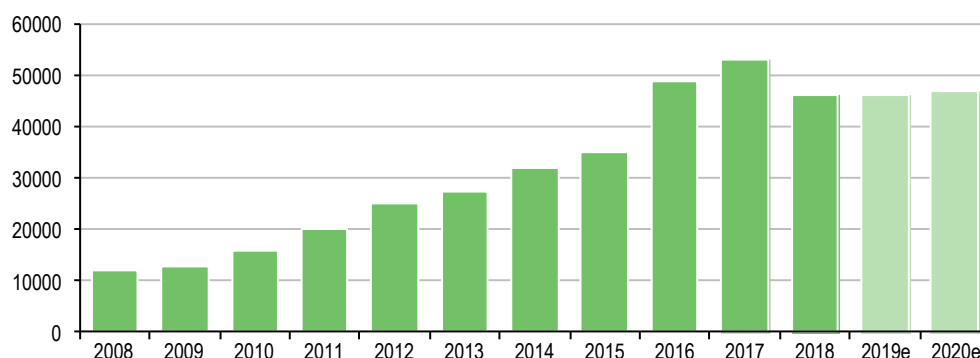
New car markets remain subdued

On a like-for-like basis (including group businesses that have been active for a period of 12 consecutive months, but excluding those that have not), MMH experienced a volume decline of 8.2% in new vehicle volumes (-13.3% actual due to the closure of five underperforming dealerships in late 2017) in 2018, with 46,213 units sold. The market decline was 6.8% in 2018. MMH also chose to exit the low-margin daily rental market, which also exacerbated declines in volumes.

Three factors appear to have caused the underperformance in FY18, due to the particularly adverse impact on MMH's brand mix, especially lack of model availability due to WLTP:

- The continued undermining of buyer confidence by Brexit uncertainty and the impact of weaker sterling on imported vehicle prices.
- Certain product shortages and longer lead times arising from the introduction of WLTP, which affected some brands in H218.
- The effect of falling diesel-powered vehicle demand, which disproportionately hit the premium segment (where MMH is well represented) due to its historic high use of diesel engines, eg Land Rover.

Exhibit 8: MMH new car sales (units)



Source: MMH reports, Edison Investment Research estimates

These factors continued to influence new vehicle markets in H119 but to a lesser extent. As a result, MMH was able to outperform the market with like-for-like new unit volumes falling by just 0.7%, well ahead of the market decline of 2.4%. We anticipate a relatively flat like-for-like performance for the year as a whole, with a better actual performance due to incremental acquired Skoda volumes.

The role of finance remains important in new car sales. Dealers are not just incentivised to sell volumes against targets to achieve bonuses, but also receive commission on using manufacturer-backed finance to sell vehicles.

This has led to an increased number of vehicles being bought using finance, as well as the penetration of more sophisticated finance products for the retail customer over the last 10 years. Principal among these has been the inexorable rise of PCPs, whereby a customer places a deposit for a new vehicle, is guaranteed a residual value for the return of the car in a satisfactory state at the end of the contract period and finances the balance (including interest charges) by a series of equal payments on a monthly basis through the life of the contract. Contract terms can vary from 24 to 48 months, but tend towards three-year duration, coincident with the first MOT requirement for new vehicles in the UK. Customers would normally have the option to buy the car outright at the end of the contract for the guaranteed residual value.

As a reminder, we see the key customer benefits of PCPs as:

- finance cost is restricted to only part of the vehicle cost;

- capital outlay is reduced substantially to the upfront payment level; and
- finance payments are spread into stable and more affordable monthly sums.

The benefits for the manufacturers and dealers are:

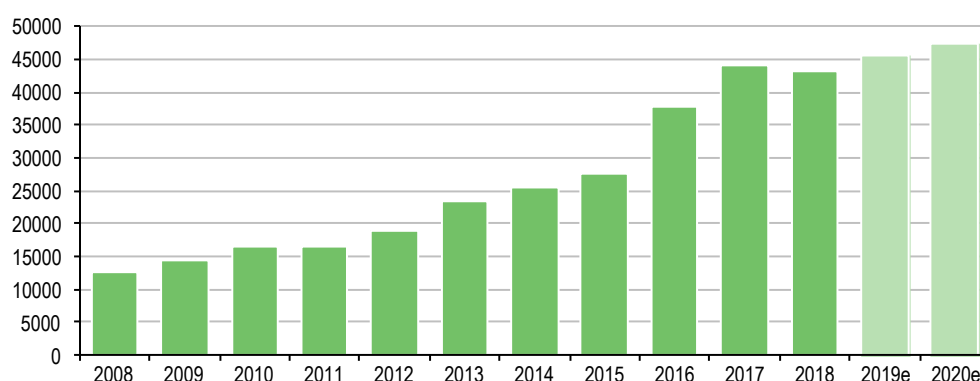
- it tends to tie customers to the manufacturer for both service requirements and when the contract comes to an end as the customer explores options to replace the vehicle;
- it increases visibility for the service and used car operations;
- it provides feedstock for the used car operations, normally of a comparatively high quality; and
- the agglomeration of contracts provides a less volatile stream of business.

In 2018 and H119, 81% of MMH's private customers who used dealer-provided finance to buy a new car did so using a PCP, with an increased proportion also agreeing to buy service plans. Active PCPs at the end of H119 covered 72,938 vehicles (H118: 66,540, FY18 69,429).

Used cars continued like-for-like volume outperformance

The UK used car market is roughly three times the size of the new car market, measured by numbers of transactions. In 2018, used cars generated 41% of MMH's revenues and 26% of its gross profit. Like-for-like sales growth in unit terms was 2.3%, outperforming the overall contraction in used car transactions of 2.1%. Actual units sold in 2018 fell 2.3% to 43,302 (FY17: 44,237), primarily due to the closure of underperforming sites.

Exhibit 9: MMH used car sales development (units)



Source: MMH reports, Edison Investment Research estimates

Like-for-like revenues in FY18 rose 8.1% and gross margins expanded 36bp to 7.2%, with the implementation of the longstanding 56-day stocking policy and the introduction of Phoenix 2 management tool helping to bolster performance. As H119 progressed and used car prices started to decline, these controls and tools became even more relevant.

The increasing number of maturing new car PCPs provides a flow of high-quality used stock for MMH. Despite the recent weakness in Q219 in used car markets and values, we continue to see this as an area where MMH will see further positive development as residuals stabilise and potentially recover, and volumes outperform the wider market. Of course, consumer sentiment here is also undermined by Brexit concerns, but as with the new car market, any resolution of Britain's position in Europe may remove reticence. Indeed, if new car prices were to rise as a result of tariffs or FX this could have a positive impact on demand for quality and used cars as a value substitute, and indeed on residual prices.

The improving quality of the used car inventory is also allowing large dealers such as MMH to offer finance products more normally associated with new car purchases to customers. In this regard, PCPs continue to increase in popularity, with 63% of non-cash used car customers using a PCP to finance a vehicle purchase in 2018 (FY17: 58%). PCP development in the used car segment

provides further scope for potential customer retention as well as the possibility to provide opportunities to sell older cars as the contracts mature.

High-margin aftersales activity set to resume growth

Aftersales are essentially garage services involving vehicle servicing, maintenance and repair (including body shop work), together with the retail supply of spare parts and accessories. In common with its peers, aftersales is by far the highest-margin activity for MMH. FY18 revenues of £246m (FY17: £243m) represented just 11% of the group total, but gross profit of £112.3m (FY17: £114.0m) accounted for 44% of the group total, with a margin of 45.6% (FY17: 46.9%). The margin decline was largely due to lower pre-delivery inspections as new car sales fell combined with a higher proportion of lower-margin parts sales.

While the mix issues persist, the continued positive development of the UK car parc, an increasing number of live new and used PCP contracts, and the continued offer of attractive service plans are expected to continue to support the organic development of aftersales. At the end of FY18, MMH had 75,000 (FY17: 77,000) service plans in force with customers, providing good visibility of aftersales activity levels.

Financials: Resilience expected to continue

H119 trading performance remained resilient at group level despite a progressively weaker used car market (see our note [Robust performance as challenges persist](#)). The key highlights of trading are reflected in Exhibit 9. IFRS 16 accounting for leases was adopted in 2019 which will result in a 4% dilution to earnings in a full year, with no cash impact.

Exhibit 10: MMH first-half key data			
Six months to June (£m)	H118	H119	% change
Revenues	1,162.9	1,183.3	1.8
Gross profit	133.0	135.0	1.6
<i>Gross margin</i>	<i>11.4%</i>	<i>11.4%</i>	
EBITDA	29.5	29.8	1.0
EBIT (underlying)	20.9	20.2	(3.4)
Profit before tax (underlying)	16.0	15.2	(5.3)
EPS (p) (underlying)	16.1	15.0	(6.8)
DPS (p)	2.15	2.85	32.6
Underlying net cash	0.9	5.8	n.m.
NAV per share (p)	251	257	2.4
Source: Company reports. Note: H118 restated for the adoption of IFRS 16 in 2019.			

A modest increase in both revenues and gross profit was achieved despite the continued challenges of softening demand and supply-side constraints in new car markets, the deterioration of used car market trading conditions during Q219 as the industry destocked aggressively, affecting residual values, and a continuation of the weaker revenue mix in aftersales.

Exhibit 11: Marshall Motor Holdings gross margin analysis

Year-end December	2018			2019	% change
(£m)	H1	H2	FY	H1	H119 vs H118
<u>Revenue</u>					
New	584.6	480.2	1064.8	569.1	(2.6)
Used	474.6	445.7	920.2	509.6	7.4
Aftersales	126.4	119.7	246.1	129.5	2.4
Other	(22.7)	(21.6)	(44.3)	(25.0)	
Group revenue	1,162.9	1,024.0	2,186.9	1,183.3	1.8
<u>Gross profit</u>					
New	40.5	35.8	76.3	43.6	7.6
Used	34.2	32.6	66.8	33.5	(2.0)
Aftersales	58.1	54.2	112.3	57.8	(0.6)
Other	0.1	0.2	0.3	0.2	
Group gross profit	133.0	122.7	255.7	135.0	1.6
<u>Gross margin</u>					
New	6.9%	7.5%	7.2%	7.7%	
Used	7.2%	7.3%	7.3%	6.6%	
Aftersales	46.0%	45.3%	45.6%	44.6%	
Group gross margin	11.4%	12.0%	11.7%	11.4%	

Source: Company reports, Edison Investment Research

H119 outperformance of markets was achieved in both the new and used car segments on a like-for-like basis.

New car volumes to retail customers fell 0.4% in H119 on a like-for-like basis (actual increase of 1.9% to 16,108 vehicles (H118: 15,803)) compared to a market decline of 3.2% in the period. Similarly, fleet unit volumes in the new car segment fell by 1.1% on a like-for-like basis (actual decline 2.1%) to 9,199 vehicles (H118: 9,396), compared to a UK market decline of 3.6%. New car gross margin rose 73bp year-on-year to 7.7%, a record level, as the group met targets for brands without significant preregistration, as well as experiencing a more favourable mix in certain OEMs.

Used car revenues grew 6.8% on a like-for-like basis and an overall 7.4% to £509.6m (H118: £474.6m), representing 42% of group sales. Unit volumes were 7.4% higher at 24,330 (H118: 22,659) vehicles, or 7.2% on a like-for-like basis. After a strong start to the year, margins came under pressure during Q219 as residual values fell by around 10%. The result was a 60bp decline in gross margin for the activity to 6.6%. Management's tight control of inventory levels seems to have limited the impact of weaker pricing levels. Gross profit contribution was only slightly down on the comparable period.

Aftersales growth was 2.4%, with revenues of £129.5m (H118: £126.7m), or 1.8% like-for-like. The segment accounts for just 11% of group revenues, but the gross profit contribution of £57.8m represented 43% of the group total. The contribution was a modest 0.6% lower than the comparable period as gross margins dipped to 44.6% (H118: 46.0%). The margin pressure partly reflected the ongoing mix issues seen in FY18, exacerbated by some pricing pressure on parts, as well as some labour cost headwinds in servicing.

The overall containment of operating cost inflation to 2.0% through a number of proactive, one-off measures enabled management to meet underlying PBT expectations, which fell 5.3% to £15.2m.

The H119 dividend increase of 32.6% to 2.85p should be set in the context of the more favourable payout ratio adopted at the end of FY18. We believe the change reflects a rebalancing of the interim and final payments to a more normal 1:2 ratio, and expect no increase for the full year.

The adjusted net cash performance was the main positive in H119. Despite significant investments, MMH ended the period with net cash of £5.8m (excluding lease liabilities), an improvement of £10.8m in the period. The inflow was struck after £6.0m paid to settle all historic defined benefit pension liabilities, £3.5m spend acquiring the six Skoda sites, £8.8m spent on capex including

£1.7m spent on acquiring the freehold of the Northampton Skoda site and a £1.7m increase in cash dividend payments.

The company has deferred around £5m of capex from H219 into FY20 and we expected the total for FY18 to be around £19m. However, as the £75m three year investment programme is nearing completion and 90% of dealerships have been upgraded we expect this to fall back to maintenance levels by FY21. That should further improve cash flows by c £5–10m pa.

Reported net debt including lease liabilities was £82.2m compared to £92.7m at H118, reflecting the adoption of IFRS 16, which does not affect cash flow. The related change in P&L presentation is expected to dilute EPS in a full year by 3–4%, which is already in our estimates.

With net assets of £200.7m (257p per share) including £123.9m of freehold and long leasehold property and an ungeared balance sheet, MMH remains well placed to pursue potential acquisition opportunities. It has a £120m undrawn revolving credit facility that runs to May 2021 providing additional M&A resource. Management has set a target of 1.25x net debt/EBITDA, but may increase it towards its banking facility limit of 3.0x should an exceptional opportunity arise.

Outlook: Earnings estimates unchanged

Our estimates remain unchanged for FY19 and FY20. Whether trading conditions will improve or deteriorate following any Brexit outcome, and to what degree, remains a major uncertainty. We believe MMH has the balance sheet strength and experience to adapt to conditions and continue to take opportunities should they arise.

Management

The tenure of CEO, Daksh Gupta, is now in its 12th year, providing continuity in the formulation and execution of group strategy. He joined Marshall from Ridgeway Garages (Newbury), where he was group MD. He served as a board member of MCHL until MMH's IPO in April 2015. He has over 27 years' experience in automotive retailing, including as a franchise director for several leading brands at Inchcape Retail UK. There have been two changes to the leadership team in FY19.

Richard Blumberger joined the group and was appointed to the board in January as CFO. He has a background in finance with major UK public companies, the most recent being Mitie, where he was director of group finance. Professor Richard Parry-Jones CBE joined the board as non-executive chairman in the same month, with a well-established reputation and a wealth of automotive experience.

Sensitivities

As a car retailing group, MMH is exposed to factors that affect most of its peers in a similar timeframe to themselves. Brexit may add to macroeconomic risks, as well as potentially increasing imported brand prices through tariffs and FX moves. Few, if any, dealership groups are immune to market-driven influences, although in recent years behaviours in the market such as the increased use of PCPs may provide a greater element of stability than experienced historically.

- **Macroeconomic factors:** any major fluctuation in UK economic performance, including any that result from the Brexit process, is likely to affect consumer confidence as well as employment rates. Both are key drivers of car demand in our view, and while the used car cycle may vary from the new, in general terms the propensity to transact is likely to diminish with worsening economic performance. As well as the adverse volume-driven impacts such events might induce, there is a potentially even more of a damaging influence on pricing levels, with

residual values being a key economic factor for dealerships in terms of new car contract rollovers to new purchases, and used car stock values and margins.

- **Financing costs:** interest rate fluctuations can influence the affordability of new cars and thus demand, as well as the normal costs on financing the business including stock funding. However, it should be noted that the penetration of PCPs limits the affordability impact, with a 1% rise in financing costs adding only around £20 a month to the average new car financing deal. In the current low interest rate environment, a 1% rise would be substantial.
- **Regulated activities:** as part of the normal sales process, car retailers offer a variety of third-party finance products that are regulated by the FCA. As was shown by the concerns that arose over the use of PCPs and the recent experience of some peers, the regulator is likely to increase its scrutiny of behaviours and processes given the volume of finance involved. Compliance costs could increase as a result.
- **FX factors:** while clearly a sterling based market, a large element of new car volumes are either imported and thus susceptible to price inflation as sterling weakens or, in the case of domestic UK production such as Jaguar Land Rover for example, subject to input cost inflation, again potentially pushing prices up. While overseas manufacturers tend to hedge currency risk up to 12 months ahead, over time any sustained depreciation of sterling is likely to increase selling prices as manufacturers look to sustain profits in Europe's second largest market, which generally should dampen demand. However, with the rise of PCP finance penetration in a generally low interest rate environment, sharp reductions in affordability may be mitigated for dealers. Manufacturers may also increase dealer support through financial packages to help sustain volumes. Of course, FX effects can work in the opposite direction.
- **Risk relating to specific brand performance:** specific dealership performances can be heavily influenced by issues relating to the brand supported – think Volkswagen and the Dieselgate fiasco. Such issues can relate to the timing of new model introductions as much as to often transient reliability factors, public perception problems, or the effectiveness of sales incentive schemes for dealers. MMH's expansion has since 2008 reduced the specific risk such issues might have entailed through the broadening of the business across most brands as well territorial expansion. If you are going to buy a car but get put off by a specific product risk, it is likely that you will still buy a similar level of car with a different badge on the front. The chances are that MMH can offer the alternative. This also requires MMH to invest in state-of-the-art dealership facilities to support brand partnerships, although hedging positions at the OEMs would suggest that any influence of a revival in sterling would be deferred by up to a year.
- **Technology risks:** the car market is evolving rapidly with increasing use of online tools by consumers when choosing and effectively initiating transactions. Vehicle retailers must ensure that online portals offer state-of-the-art experiences for customers, and internal relationship management systems must ensure seamless purchasing and aftersales support processes. Customer behaviours are changing, with dealership visits reducing, and more technical and financial research carried out prior to purchase. Retailers must ensure appropriate investment in these evolving trends and systems. MMH's current investment programmes certainly appear to be targeting a positive response to this requirement.

Valuation

The automotive retail segment has suffered from progressive rating declines since the UK new car market peaked in 2016. The steady underperformance has included multiple contraction more normally associated with concerns over potential sharp reversals in market fundamentals, which may lead to severe earnings and cash reversals. With the gentler decline in volumes, retailers have continued to manage the fall in markets reasonably well to date, even though the cumulative effect

is now significant. Obviously, with the uncertainty induced by the Brexit process and whatever economic outcome that may result, we do not expect market caution to lift in the immediate future. However, if the UK manages to reach an eventual conclusion to negotiations one way or the other, we feel a clearer prospect should lead to a more objective valuation of the companies.

The fundamentals and resultant earnings and cash performances could be worse than currently anticipated, but could also be better. With earnings declines already discounted to a degree by the multiple contraction, we feel the risk could increasingly be shifting towards the upside. Should this be the case, not only should higher returns lift valuations, but multiples should also recover to more normal levels for the sector. The major question for auto retail companies remains as to whether the changing market structure for car distribution and consolidation provides greater stability and lower volatility in the event of a severe downturn, which may yet be tested post Brexit.

The ongoing activities of MMH have continued to perform well during this period, and the increase in dividend payout ratio in FY18 certainly acted as a support.

While concerns of a potential overhang from MCHL's majority holding may be an excuse for MMH being rated lower than peers, we still feel this is slightly circuitous. If it was ever sold, the discount should disappear and the intrinsic value of the company would not likely have changed. It could be argued that MCHL might be an easier approach for a consolidator than trying to buy a majority floated dealer. In such circumstances, it is unlikely in our opinion that MCHL would entertain a change of control discount to a market valuation, again implying a positive for minority shareholders.

Peer group comparison: A deserved premium

According to consensus data, MMH now trades at a c 7% P/E premium to its peers in UK auto retail. We choose to exclude Inchcape from the average comparative multiples due to its international distribution model, whereas the others have a fundamentally UK footprint like MMH. We include Inchcape's valuation metrics for information. Although the yield comparison represents a discount to the peer group, the latter's is distorted by what we perceive to be the temporary anomalies of both Lookers and Pendragon, whose yields have been inflated to what look like unsustainable levels by share price declines following company-specific issues. As issues normalise, we would expect their yields to fall due to share price recovery or a reassessment of payout levels.

Exhibit 12: Peer group consensus key metrics comparison

Company	Year end	Price	Market cap	Revenue	EV/EBITDA (x)		P/E (x)		Dividend yield (%)	
		(p)	(£m)	(£m)	CY19	CY20	CY19	CY20	CY19	CY20
Cambria Automobiles*	Aug	53	53	630	3.6	3.5	5.6	5.6	1.9	1.9
Lookers	Dec	49	189	4,880	4.2	4.0	5.8	5.6	8.1	8.1
Marshall Motor Holdings	Dec	147	114	2,187	4.4	4.3	6.6	6.4	5.8	5.9
Pendragon	Dec	11	148	4,149	3.2	2.3	N/A	6.7	10.7	11.3
Vertu Motors*	Feb	33	124	2,982	3.2	3.0	6.8	6.1	4.9	5.1
Inchcape	Dec	585	2,367	9,277	6.1	5.9	9.8	9.2	4.6	4.7
Average					4.1	3.8	6.9**	6.6	6.0	6.2
Average ex MMH & INCH					3.5	3.2	6.1**	6.0	6.4	6.6

Source: Refinitiv . Note: *Calendarised. Prices as at 4 September 2019. **Ex-Pendragon.

Our forecasts for MMH remain some 4% ahead of consensus

Capped DCF provides a solid underpinning

We have applied a capped DCF methodology to our forecasts for MMH, whereby six years of cash flow forecasts are used and the terminal value is calculated on a zero growth basis, with working capital normalised to zero and capex equalled to depreciation. To further constrain the model, we

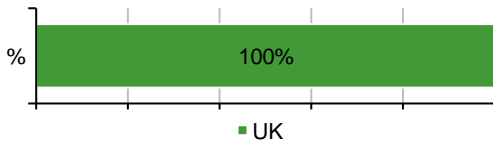
have an arbitrary 50% discount to the terminal cash flow to try and reflect potential future sector cyclicality. A calculated WACC of 9.7% derived from a cost of equity of 10% and a pre-tax debt cost of 5% is used to discount the cash flows. This returns a value of 204p per share at present. The table below presents a sensitivity analysis to WACC and terminal growth rates.

Exhibit 13: MMH capped DCF sensitivity table to WACC and terminal growth rates (p)							
		WACC					
		7.0%	8.0%	9.0%	9.8%	10.0%	11.0%
Terminal growth	0%	271	242	219	204	201	186
	1%	272	243	220	205	202	187
	2%	274	245	221	206	203	187
	3%	276	246	223	207	204	188
Source: Edison Investment Research estimates							

Exhibit 14: Financial summary

	£m	2017	2018	2019e	2020e
Year end 31 December		IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS					
Revenue		2,232.0	2,186.9	2,201.9	2,257.4
Cost of Sales		(1,973.7)	(1,931.2)	(1,944.5)	(1,993.5)
Gross Profit		258.3	255.7	257.4	263.9
EBITDA		42.0	41.4	51.3	51.5
Operating Profit (before amort. and except.)		32.9	32.0	33.2	33.5
Intangible Amortisation		(0.2)	(0.4)	(0.3)	(0.3)
Exceptionals		(12.8)	(7.0)	0.0	0.0
Other		0.0	0.0	0.0	0.0
Operating Profit		19.8	24.7	32.9	33.2
Net Interest		(7.5)	(6.4)	(10.0)	(9.7)
Profit Before Tax (norm)		25.4	25.7	23.2	23.8
Profit Before Tax (FRS 3)		12.3	18.4	22.9	23.5
Tax		(3.1)	(4.8)	(5.2)	(5.3)
Profit After Tax (norm)		20.8	21.3	18.0	18.4
Profit After Tax (FRS 3)		9.2	13.6	17.7	18.1
Average Number of Shares Outstanding (m)		77.4	77.7	77.2	77.2
EPS - normalised (p)		26.9	27.4	23.3	23.8
EPS		26.1	26.5	22.5	23.1
EPS - (IFRS) (p)		11.9	17.5	22.9	23.5
Dividend per share (p)		6.40	8.54	8.54	8.54
Gross Margin (%)		11.6	11.7	11.7	11.7
EBITDA Margin (%)		1.9	1.9	2.3	2.3
Operating Margin (before GW and except.) (%)		1.5	1.5	1.5	1.5
BALANCE SHEET					
Fixed Assets		266.6	270.6	353.4	351.4
Intangible Assets		121.6	112.2	115.6	115.6
Tangible Assets		145.0	158.3	237.8	235.8
Investments		0.0	0.0	0.0	0.0
Current Assets		499.1	465.7	465.7	484.4
Stocks		401.3	384.0	381.5	391.1
Debtors		71.5	71.9	72.4	74.2
Cash		4.9	1.2	2.2	9.2
Other		21.4	8.6	9.6	9.9
Current Liabilities		(539.3)	(503.8)	(505.1)	(517.8)
Creditors		(538.6)	(503.1)	(505.1)	(517.8)
Short term borrowings		(0.6)	(0.6)	0.0	0.0
Long Term Liabilities		(35.2)	(32.0)	(108.3)	(100.4)
Long term borrowings		(6.5)	(5.7)	(4.2)	(5.3)
Lease Liabilities		0.0	0.0	(79.0)	(70.0)
Other long-term liabilities		(28.7)	(26.4)	(25.1)	(25.1)
Net Assets		191.2	200.4	205.8	217.6
CASH FLOW					
Operating Cash Flow		60.1	31.8	39.4	34.8
Net Interest		(2.9)	(2.1)	(1.0)	(1.0)
Tax		(3.1)	(4.8)	(5.2)	(5.3)
Capex		(57.5)	(23.7)	(19.5)	(15.9)
Acquisitions/disposals		44.6	1.6	(3.5)	0.0
Financing		0.0	(1.0)	0.0	0.0
Dividends		(4.5)	(5.0)	(7.2)	(6.6)
Other		80.2	0.3	0.0	0.0
Net Cash Flow		116.8	(2.9)	3.1	5.9
Opening adjusted net debt/(cash)		119.0	2.2	5.1	2.0
HP finance leases initiated		0.0	0.0	0.0	0.0
Other		0.0	0.0	0.0	0.0
Closing adjusted net debt/(cash)		2.2	5.1	2.0	(3.9)
Closing net debt/(cash) including lease liabilities*		2.2	5.1	81.0	66.1

Source: Company reports, Edison Investment Research estimates. Note: *Net debt including leases is for illustrative purposes.

Contact details	Revenue by geography
Airport House The Airport Cambridge, CB5 8RY United Kingdom +44 (0) 1223 377000 www.mmhplc.com	 <p>A horizontal bar chart with a green bar representing 100% of the revenue. The x-axis is labeled with a '%' symbol at the start and '100%' at the end of the bar. Below the bar, there is a legend with a green square and the text 'UK'.</p>
Management team	
CEO: Daksh Gupta	Chairman: Professor Richard Parry-Jones CBE
Daksh has over 27 years' experience in the automotive retail sector and joined MMH in 2008 as CEO. He was a franchise director for Inchcape for seven years where he was responsible for the Volkswagen, Audi and Mercedes-Benz brands. Daksh also served as COO of Accident Exchange Group and prior to joining the company was group MD for Ridgeway Group. He was a director of Marshall of Cambridge (Holdings) until 2 April 2015 and is VP of the UK automotive industry charity, BEN.	Richard joined the board as non-executive chairman in January 2019. He has had a long and distinguished career in the automotive industry, spending over 30 years in senior executive positions at Ford Motor Company, including group VP of global product development and serving as its CTO for 10 years. His non-executive career has included positions working with the government as co-chair of the UK Automotive Council and in infrastructure sectors as chairman of Network Rail, Kelda Group Holdings and Yorkshire Water. He also served for 10 years as NED of GKN, including the role of senior independent director. His other current roles include Visiting Professor at Loughborough University and chairman of the Faraday Challenge Advisory Board.
CFO: Richard Blumberger	
Richard was appointed to the board as chief financial officer in January 2019. He has a wealth of experience gained from senior finance roles with major UK public companies. Before joining MMH, Richard was director of group finance at Mitie and previously held senior finance roles at Engie (formerly GDF Suez) and Balfour Beatty. He has a strong understanding of multi-site businesses and a track record of strategic planning, profit enhancement together with extensive M&A experience.	
Principal shareholders	(%)
Marshall of Cambridge	64.46
Polar Capital	3.95
Schroder Investment Management	3.95
Daksh Gupta	1.72
Janus Henderson Investors	0.60
SVM Asset Management	0.54
Companies named in this report	
Cambria Automobiles (CAMB), Inchcape (INCH), Lookers (LOOK), Pendragon (PDG), Vertu Motors (VTU)	

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