EDISON

# Marshall Motor Holdings

## Record first half but a testing H2

Half-year results

Automobiles & parts

**Marshall Motor's (MMH's) ongoing businesses delivered a record H1 profit before tax despite continued challenges in the UK new and used car markets. While comparatives are easing in the second half, new car supply-side constraints may impact in Q3 as new vehicle testing procedures are introduced. We continue to forecast a fall in H2 profitability, but the strength of the H1 contribution and a strong balance sheet lead us to increase estimates modestly by around 3% for this year and next.**

| Year end | Revenue (£m) | PBT* (£m) | EPS* (p) | DPS (p) | P/E (x) | Yield (%) |
|---|---|---|---|---|---|---|
| 12/16 | 1,899.4 | 25.4 | 26.2 | 5.50 | 5.9 | 3.5 |
| 12/17 | 2,268.9 | 29.1 | 30.8 | 6.40 | 5.0 | 4.1 |
| 12/18e | 2,199.1 | 24.2 | 24.7 | 6.75 | 6.3 | 4.4 |
| 12/19e | 2,267.3 | 24.8 | 25.4 | 6.95 | 6.1 | 4.5 |

Note: *PBT and EPS are normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments.

## H118 delivers to expectations

Continuing H118 revenues fell by 0.4% to £1,162.9m (H117 £1,167.9m) following the disposal of the leasing business in November 2017. Underlying profit before tax of £16.4m (H117 £16.2m) grew by 1.2%, in line with expectations that it would be marginally ahead. The company exited some low margin rental fleet sales last year. Excluding these, even with the decline in diesel volumes, new vehicle unit volumes fell 3.5% y-o-y, outperforming the wider market drop of 6.3%. The improved fleet sales mix helped to partially mitigate the impact of the lower volumes on the New segment gross margin. Actions to improve Used vehicle profitability were visible, with sequential sales and gross profit up 15.3% and 18.7%, respectively.

## H2 trading expected to be tougher

The H218 trading environment is expected to be significantly more difficult than that of H118. The concern arises from the introduction of the Worldwide Harmonised Light Vehicle Testing Procedure (WLTP) in Europe, which appears set to disrupt the supply side of new vehicles in the run up to and over the busy registration period in September. It could also have ramifications for used car markets as non-compliant vehicles need to be registered before September 2018. New car shortages and a surge in high-quality, nearly new products seem likely to distort revenues and dilute margins in H218. While these effects are likely to be felt across retailers and should unwind next year, it is a further deferral of any improvement in market conditions.

## Valuation: Unwarranted discount to peers persists

While our earnings forecasts reflect the tougher trading environment in the second half, we have actually increased our earnings estimates modestly by c 3% in both FY18 and FY19. In part this reflects lower finance charges, but also the strength of H118 profit before tax. On our estimates the shares trade at a 17% FY19e P/E ratio discount to the in UK automotive retailing peer group, with a prospective yield over 4%. We feel the discount is unwarranted given the 258p net asset value and our capped DCF value that stands at 202p despite the challenging market environment.

**15 August 2018**

| | |
|---|---|
| **Price** | **155p** |
| **Market cap** | **£120m** |

| | |
|---|---|
| Net cash (£m) at 30 June 2018 | 0.9 |
| Shares in issue | 77.6m |
| Free float | 34.9% |
| Code | MMH |
| Primary exchange | AIM |
| Secondary exchange | N/A |

### Share price performance


| % | 1m | 3m | 12m |
|---|---|---|---|
| Abs | (3.7) | (6.9) | 9.2 |
| Rel (local) | (3.0) | (5.6) | 5.4 |
| 52-week high/low | | 177.8p | 147.5p |

### Business description

Marshall Motor is the seventh largest UK motor retailer, operating 101 franchises spread across 23 brands at 90 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

| | |
|---|---|
| Q3 update | November 2018 |

### Analysts


Andy Chambers +44 (0)20 3077 5700

Annabel Hewson +44 (0)20 3077 5700

industrials@edisongroup.com

Edison profile page


***Marshall Motor Holdings is a research client of Edison Investment Research Limited***

## Interim results and outlook

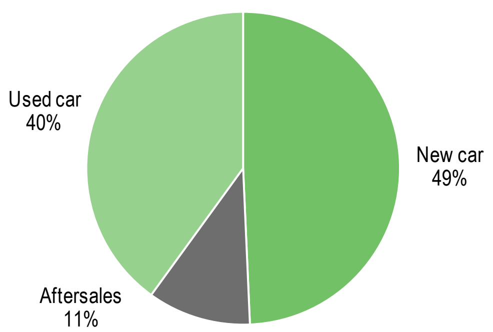
MMH delivered growth at the profit before tax level of 1.2%, in line with last month's pre-close statement of 'marginally ahead'. The company reported a better-than-expected net cash position of £0.9m, swinging from net debt of £2.2m at the start of the year. The company has restated FY17 to reflect the continuing operations following the disposal of the leasing business in November. In general, while delivering a record first-half performance, MMH is likely to continue to face challenging conditions in H218. However, the company is demonstrating how well its acquisitions, such as Ridgeway in May 2016, are working with its increased premium brand franchise mix (76% of portfolio including alternative premium), and it retains the financial capacity and managerial resource for further deals.

**Exhibit 1: MMH first-half key data**

| Six months to June (£m) | H117* | H118 | % change |
|---|---|---|---|
| Revenues | 1,167.90 | 1,162.90 | (0.4) |
| EBITDA | 24.8 | 24.2 | (2.5) |
| EBIT (underlying) | 19.8 | 19.7 | (0.6) |
| Profit before tax (underlying) | 16.2 | 16.4 | +1.2 |
| EPS (p) (underlying) | 16.2 | 17.5 | +8.0 |
| DPS (p) | 2.15 | 2.15 | 0.0 |
| Net debt/(cash) | 101.1 | (0.9) | n.m. |
| NAV per share (p) | 204 | 258 | +26.5 |

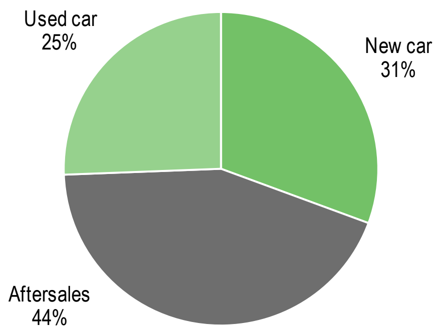
Source: Company reports. Note: *Restated for continuing operations, following disposal of the leasing business.

**Exhibit 2: H118 revenues by segment**




Source: Company reports

**Exhibit 3: H118 gross profit by segment**




Source: Company reports

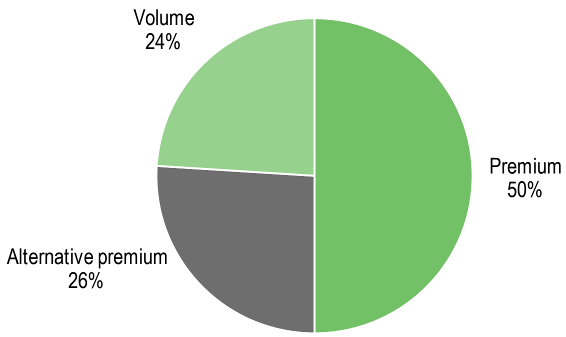
Group revenues for the continuing business fell by 0.4% as challenging conditions persisted in the new car market, especially in the first quarter where the comparison with Q117 was an all-time record. The comparatives eased in the second quarter and, while MMH outperformed the new car market, it still experienced a 4.4% sales decline, more than offsetting modest growth in revenues for both the used car segment and aftersales. Overall group gross profit margins were broadly maintained at 11.5%, and the gross profit contribution for the ongoing business was almost unchanged at £133.3m (H117 £133.7m).

Management kept a tight control on costs with like-for-like operating cost increasing by 1.3%, leaving underlying operating profits at £19.7m marginally below £19.8m recorded for H117. Following the disposal of the leasing business, interest payable fell sharply due to structurally lower financial debt. The half year finished with net cash of £0.9m, although there was a modest increase in stock financing charges. This left underlying profit before tax ahead 1.2% at a record £16.4m.

Management maintained the interim dividend payment despite the reduction in reported underlying EPS due to the disposal of the leasing business late in 2017. Ongoing underlying EPS rose by 8.0% to 17.5p per share.

## New cars

**Exhibit 4: MMH balanced portfolio at 30 June 2018**




Source: Company reports

This division was able to outperform a tough market backdrop. The Society of Motor Manufacturers and Traders (SMMT) indicated that the total number of new registrations in H118 decreased by 6.3% y-o-y. For MMH, new retail units decreased by 5.9% to 15,803 (H117 16,902) on a like-for-like basis. Although MMH's market position is strengthened by its strong premium brand portfolio, the historic weighting towards diesel had a disproportionate impact on H118. Looking forward, the company believes the increased petrol contribution from premium brands should increase to meet customer demand.

Fleet unit sales decreased by 14.5% to 9,396 (H117 11,026) on a like-for-like basis. The company decided last year to exit certain lower-margin daily rental fleet business, which is reflected in the H118 result. If this is stripped out, MMH's overall H118 New vehicle unit sales decline was just 3.5%. While the overall gross margin for the new car segment fell by 40bp y-o-y and by 20bp sequentially, in future the improved profitability of this business should be visible.

MMH continues to consider Personal Contract Purchase agreements (PCPs) as an important driver behind both attracting and retaining customers for new retail sales, especially in the premium segment. PCPs accounted for 80% (H117 83%) of new vehicle sales, with 66,540 active PCP customers at 30 June 2018 (H117 66,450). The use of PCPs also provides a ready flow of three- to four-year-old good-quality used cars for its used car operations. It gives improved visibility and connection with customers and facilitates aftersales in conjunction with service plans. We continue to regard the concerns over the use of PCPs as a finance method as more of a concern in the lower end of the market, which is not where major retailers such as MMH operate. Creditworthiness checks against customers are already an established requirement in new car markets.

## Used cars

Although there was marginal decline in unit volumes, performance from the used car segment showed revenue and gross profit growth. Unit sales of 22,659 (H117 23,716) declined 0.3% on a like-for-like basis. The group's focus on gross margin retention drove gross profit up by 9.2% y-o-y and 18.7% sequentially on H217. The company is also using wider external market data to optimise used-vehicle pricing and to ensure it is competitive. The company remains committed to its 56-day stocking policy, supporting a reduction in used and demonstrator inventory levels. Use of PCPs remains supportive for MMH's used car operations, accounting for 63% of sales in H118 (H117 62%).

## Aftersales

The aftersales business demonstrated strong revenue and gross profit growth both y-o-y and sequentially, although the gross profit margin fell 37bp y-o-y. The fall in margin was largely explained by an increased mix of lower-margin parts sales, reduced internal PDI (pre-delivery inspection) work due to reduced new vehicle sales as well as less warranty related service work.

The group's use of service plans allows customers to spread the cost of maintenance and gives the company greater visibility on aftersales profits while helping to build customer retention levels.

**Exhibit 5: MMH gross margin analysis**

| Year end December | H117 | H217 | FY17 | H118 | % change | % change |
|---|---|---|---|---|---|---|
| (£m) | | | | | H118 vs H117 | H118 vs H217 |
| Revenue | | | | | | |
| New | 611.2 | 555.3 | 1,166.5 | 584.6 | (4.4) | 5 |
| Aftersales | 123.3 | 119.8 | 243.1 | 126.4 | 2.5 | 5.5 |
| Used | 458.2 | 411.5 | 869.7 | 474.6 | 3.6 | 15.3 |
| Other | (24.8) | (22.5) | (47.3) | (22.7) | | |
| **Group revenue** | **1,167.9** | **1,064.1** | **2,232.0*** | **1,162.9** | **(0.4)** | **9.3** |
| Gross profit | | | | | | |
| New | 45.1 | 39.0 | 84.1 | 40.8 | (9.5) | 4.7 |
| Aftersales | 57.3 | 56.7 | 114.0 | 58.3 | 1.7 | 2.8 |
| Used | 31.2 | 28.7 | 59.9 | 34.1 | 9.2 | 18.7 |
| Other | 0.1 | 0.2 | 0.3 | 0.1 | | |
| **Group gross profit** | **133.7** | **124.6** | **258.3*** | **133.3** | **(0.3)** | **7.0** |
| Gross margin | | | | | | |
| New | 7.4% | 7.0% | 7.2% | 7.0% | | |
| Aftersales | 46.5% | 47.4% | 46.9% | 46.1% | | |
| Used | 6.8% | 7.0% | 6.9% | 7.2% | | |
| **Retail segment gross profit** | **11.4%** | **11.7%** | **11.6%** | **11.5%** | | |

Source: Marshall Motor reports, Edison Investment Research. Note: *continuing operations.

### UK car market prospects remain subdued

The SMMT new car registration forecast for 2018 has been revised up fractionally as the year has progressed. The forecast released in early August, which is derived from the average consensus of a panel of forecasters, is now for a decline of 4.1% to 2.436m units from 2.541m in 2017. A further 1.9% decline is anticipated in 2019. New light commercial vehicle (van) sales are expected to fall by 0.8% to 0.359m vehicles this year and remain broadly stable in 2019. Both car and van sales remain at very high levels in historical terms.

The implication is the new car market will see a more moderate fall in sales of c 2% in H218, compared to the 6.3% decline in H1.

While the distortion in the new car market caused by the April 2017 Vehicle Excise Duty changes have now largely worked through the comparisons, the confidence of buyers remains low, both for business and private consumers. This is despite what we would consider are supportive overall economic fundamentals in terms of labour markets and the low interest rate environment. The tarnishing of diesel as a main engine choice, which in our view may be misguided given the improved emissions of Euro 6-compliant diesel engines, continues to defer purchase decisions. Diesel's share of the new car market continued to fall sharply in H118 to 32.3%, down from 47.7% in 2016 and a peak of 50.8% in 2012.

We feel the concerns of the FCA regarding the use of PCP plans has been addressed in the main, especially with regards to larger dealerships and new and younger used car sales. The main stumbling block appears to be Brexit which continues to weigh heavily on the timing of vehicle replacement decisions.

As mentioned, the SMMT forecast has just been modestly improved to a decline of 4.1% in the current year. However, it is unclear how much allowance this makes for what appears to be the potential for significant supply-side disruption in H218 from the introduction of the new vehicle testing regime in Europe, the WLTP. MMH continues to view ongoing economic uncertainty and consumer confusion around diesel vehicles as the key negative impacts on the market for H218. Concerns over supply-side disruption in H2 temper optimism as producers implement the WLTP from September, coincident with the second-busiest registration month for UK new vehicles.

## What is the WLTP?

The Worldwide Harmonised Light Vehicle Test Procedure (WLTP) is a laboratory test being introduced in the European Union to measure fuel consumption and $CO_2$ emissions from passenger cars, as well as pollutant emissions. It follows recent emission testing scandals and is designed to provide more realistic and accurate data. It replaces the previous regime from the 1980s called the NEDC (New European Driving Cycle). The main difference is the NEDC lab test simulated a theoretical driving cycle, whereas WLTP tests models over a variety of driving conditions, and includes actual driving data.

For every car type, every engine variant is tested for the lightest and heaviest version. The regime is therefore more complex for manufacturers in terms of the numbers of models to be tested and processed.

Initially coming into force from 1 September 2017, WLTP is to replace NEDC for all vehicles from 1 September 2018. The interim period has been one of transition. Any vehicles produced since 1 June 2018 can only be sold after 1 September 2018 if they are processed under WLTP. Cars produced before this date that are not WLTP tested have a 12-month derogation period for up to 10% of a manufacturer’s total sales volumes during which time they can be registered. It appears that manufacturers may encourage some pre-registration of non-compliant vehicles before the September deadline.

In addition, the supply of compliant new vehicles in the busy September registration month may be abnormally constrained and possibly spread new registrations more evenly through the end of 2018 and even into 2019. With pre-registrations likely to unwind after the deadline, the supply of high-quality, nearly new cars could boost used sales but at a likely detriment to margins.

MMH is not expected to be alone in being affected by these factors as WLTP is an industry-wide issue. Clearly the impact for each retailer is likely to be dependent on brand mix. We thus expect to see lower-than-expected new car revenues for MMH in H218 due to the potential supply-side constraint, strong used car sales and a solid aftersales performance. The overall retail operating margin is likely to remain subdued due to the factors affecting both used and new car markets.

## Earnings estimates raised despite H2 market concerns

Despite the record H118 performance of ongoing activities, we are continuing to forecast a significant y-o-y decline in underlying profit before tax in H218 as the disruption from the WLTP introduction takes hold. We believe MMH will continue to control costs as it has demonstrated in H118, and management’s expectations for the full year remain unchanged.

We have reduced our new car sales expectation for H218 significantly and now estimate a decline of close to 10% for MMH. In addition, we have trimmed our used car sales expectation. The finance charge on debt is expected to be significantly lower than we had forecast, although charges payable on stock financing are expected to increase.

**Exhibit 6: MMH earnings estimates revisions**

| Year to December (£m) | 2018e | | | 2019e | | |
|---|---|---|---|---|---|---|
| | Prior | New | *% change* | Prior | New | *% change* |
| New cars | 1,154.0 | 1,086.4 | *(5.9)%* | 1,177.1 | 1,129.9 | *(4.0)%* |
| Used cars | 925.6 | 908.2 | *(1.9)%* | 944.1 | 926.4 | *(1.9)%* |
| Aftersales | 252.8 | 250.4 | *(1.0)%* | 262.9 | 257.9 | *(1.9)%* |
| Intra group | (48.5) | (45.9) | *(5.4)%* | (49.7) | (46.8) | *(5.9)%* |
| **Group revenues** | **2,283.9** | **2,199.1** | ***(3.7)%*** | **2,334.4** | **2,267.3** | ***(2.9)%*** |
| | | | | | | |
| EBITDA | 38.8 | 40.0 | *3.0%* | 39.2 | 41.1 | *4.6%* |
| **Underlying EBITA** | **31.7** | **31.2** | ***(1.5)%*** | **32.0** | **32.2** | ***0.6%*** |
| | | | | | | |
| **Underlying PTP** | **23.5** | **24.2** | ***2.7%*** | **24.0** | **24.8** | ***3.4%*** |
| | | | | | | |
| **EPS - underlying continuing (p)** | **24.1** | **24.7** | ***2.7%*** | **24.6** | **25.4** | ***3.4%*** |
| DPS (p) | 6.9 | 6.8 | *(2.2)%* | 7.1 | 7.0 | *(2.2)%* |
| Net debt / (cash) | 6.1 | 4.8 | *(21.3)%* | 1.3 | (3.2) | *(337.7)%* |

Source: Edison Investment Research

Overall we have increased both our pre-tax estimates and EPS estimates for 2018 and 2019 by around 3%. The increase reflects the continued resilience of MMH in challenging markets.

The company remains essentially ungeared following the disposal of the leasing business late in FY17. We do expect a modest H2 outflow as capex picks up, compounding the usual seasonal weakness in trading made worse by the potential market disruption. We thus expect a modest year-end net debt position of around £4–5m compared to the £0.9m net cash position at the half year. In addition to the strong balance sheet, MMH has extended its £120m revolving credit facility until 3 June 2021, enabling it to pursue appropriate M&A opportunities when they arise.

As for the dividend, the interim was held at 2.15p per share as the policy of 4–5x earnings cover is maintained following the disposal of leasing that diluted earnings but strengthened the balance sheet. We still expect a modest full-year increase as the progressive element of the policy is pursued, assuming the outlook for EPS growth in FY19 is maintained. If the balance sheet is used to make acquisitions, we would expect these to enhance EPS and support the progressive policy.

Exhibit 7 summarises the auto retail segment on three valuation multiples, using current market consensus forecasts. We choose to exclude Inchcape from the average comparative multiples due to its very international distribution model, whereas the others have a fundamentally UK footprint like MMH. We include Inchcape's valuation metrics for information. We also note that our capped DCF value is 202p (little changed from when we initiated coverage in May 2017). We use six years of cash flow forecast then 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 averaged the terminal cash flow to equate to the average over the forecast period rather than the peak in the terminal forecast year. A calculated WACC of 9.7% derived from a cost of equity of 10% and a pre-tax debt cost of 5.5% is used to discount the cash flows.

**Exhibit 7: Peer group key metrics comparison**

| Company | Year end | Price (p) | Mkt cap (£m) | P/E (x) | | | EV/EBITDA (x) | | | Dividend yield (%) | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Year 1 | Year 2 | Year 3 | Year 1 | Year 2 | Year 3 | Year 1 | Year 2 | Year 3 |
| Marshall Motor Holdings | 12/2017 | 121.5 | 156.0 | 6.53 | 6.37 | 6.24 | 3.11 | 3.06 | 2.97 | 4.23% | 4.29% | 4.29% |
| Vertu Motors | 02/2018 | 193.1 | 50.9 | 9.60 | 8.21 | 7.83 | 4.55 | 4.07 | 3.91 | 3.14% | 3.34% | 3.73% |
| Lookers | 12/2017 | 413.8 | 105.0 | 7.78 | 7.34 | 6.95 | 5.10 | 4.72 | 4.56 | 3.81% | 4.00% | 4.29% |
| Pendragon | 12/2017 | 370.7 | 26.3 | 7.74 | 6.74 | 6.26 | 3.66 | 3.63 | 3.49 | 6.11% | 6.11% | 6.49% |
| Cambria Automobiles | 08/2017 | 56.5 | 56.5 | 7.53 | 7.15 | 6.65 | 4.59 | 4.34 | 4.06 | 1.77% | 1.77% | 1.95% |
| Inchcape | 12/2017 | 2,891.4 | 696.5 | 10.73 | 10.35 | 10.04 | 6.71 | 6.42 | 6.33 | 3.96% | 4.09% | 4.26% |
| **Average ex MMH & INCH** | | | | **8.16** | **7.36** | **6.92** | **4.48** | **4.19** | **4.01** | **3.71%** | **3.80%** | **4.11%** |

Source: Bloomberg consensus. Prices as at 13 August.

### Exhibit 8: Financial summary

| £m | 2015 | 2016 | 2017 | 2018e | 2019e |
|---|---|---|---|---|---|
| Year end 31 December | IFRS | IFRS | IFRS | IFRS | IFRS |
| **PROFIT & LOSS** | | | | | |
| Revenue | 1,232.8 | 1,899.4 | 2,268.9 | 2,199.1 | 2,267.3 |
| Cost of Sales | (1,087.5) | (1,678.9) | (2,003.8) | (1,940.7) | (2,000.9) |
| Gross Profit | 145.3 | 220.5 | 265.1 | 258.4 | 266.4 |
| EBITDA | 22.5 | 38.4 | 46.4 | 40.0 | 41.1 |
| Operating Profit (before amort. and except). | 18.7 | 32.3 | 37.2 | 31.2 | 32.2 |
| Intangible Amortisation | (0.2) | (0.3) | (0.3) | (0.4) | (0.5) |
| Exceptionals | (0.5) | (3.2) | 24.1 | 0.9 | 0.0 |
| Other | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Operating Profit | 18.0 | 28.8 | 60.9 | 31.7 | 31.8 |
| Net Interest | (2.9) | (6.9) | (8.1) | (7.0) | (7.4) |
| Profit Before Tax (norm) | 15.8 | 25.4 | 29.1 | 24.2 | 24.8 |
| Profit Before Tax (FRS 3) | 15.1 | 21.9 | 52.8 | 24.6 | 24.4 |
| Tax | (3.6) | (4.4) | (3.8) | (5.3) | (5.2) |
| Profit After Tax (norm) | 9.4 | 20.3 | 23.8 | 19.1 | 19.6 |
| Profit After Tax (FRS 3) | 11.5 | 17.5 | 49.0 | 19.3 | 19.2 |
| Average Number of Shares Outstanding (m) | 59.4 | 77.3 | 77.4 | 77.2 | 77.2 |
| EPS - normalised (p) | 15.8 | 26.2 | 30.8 | 24.7 | 25.4 |
| EPS – normalised diluted (p) | 15.3 | 25.4 | 29.8 | 24.0 | 24.6 |
| EPS - (IFRS) (p) | 19.3 | 22.6 | 63.4 | 25.1 | 24.9 |
| Dividend per share (p) | 2.98 | 5.50 | 6.40 | 6.75 | 6.95 |
| Gross Margin (%) | 11.8 | 11.6 | 11.7 | 11.8 | 11.8 |
| EBITDA Margin (%) | 1.8 | 2.0 | 2.0 | 1.8 | 1.8 |
| Operating Margin (before GW and except.) (%) | 1.5 | 1.7 | 1.6 | 1.4 | 1.4 |
| **BALANCE SHEET** | | | | | |
| Fixed Assets | 150.0 | 326.4 | 266.6 | 283.4 | 290.9 |
| Intangible Assets | 40.8 | 122.0 | 121.6 | 121.7 | 121.7 |
| Tangible Assets | 109.2 | 204.4 | 145.0 | 161.7 | 169.2 |
| Investments | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Current Assets | 307.5 | 475.2 | 499.1 | 466.2 | 486.6 |
| Stocks | 240.6 | 380.0 | 401.3 | 373.9 | 385.4 |
| Debtors | 28.9 | 71.0 | 64.1 | 61.6 | 63.5 |
| Cash | 24.1 | 0.1 | 4.9 | 2.9 | 8.9 |
| Other | 13.9 | 24.1 | 28.8 | 27.9 | 28.8 |
| Current Liabilities | (290.1) | (584.9) | (539.3) | (508.3) | (524.1) |
| Creditors | (263.4) | (507.2) | (538.6) | (508.3) | (524.1) |
| Short term borrowings | (26.7) | (77.7) | (0.6) | 0.0 | 0.0 |
| Long Term Liabilities | (37.6) | (71.1) | (35.2) | (36.3) | (34.2) |
| Long term borrowings | (24.7) | (41.4) | (6.5) | (7.7) | (5.7) |
| Other long term liabilities | (12.9) | (29.7) | (28.7) | (28.6) | (28.5) |
| Net Assets | 129.9 | 145.7 | 191.2 | 204.9 | 219.2 |
| **CASH FLOW** | | | | | |
| Operating Cash Flow | 29.6 | 98.9 | 60.8 | 35.9 | 36.1 |
| Net Interest | (1.1) | (1.4) | (2.9) | (2.7) | (1.2) |
| Tax | (3.0) | (17.3) | (3.8) | (5.3) | (5.2) |
| Capex | (39.6) | (61.9) | (57.5) | (25.6) | (16.4) |
| Acquisitions/disposals | (21.5) | (91.4) | 44.6 | 0.0 | 0.0 |
| Financing | 66.9 | 0.0 | 0.0 | 0.0 | 0.0 |
| Dividends | (15.4) | (3.3) | (4.5) | (4.9) | (5.3) |
| Other | 8.6 | (15.5) | 80.2 | 0.0 | 0.0 |
| Net Cash Flow | 24.5 | (91.8) | 116.8 | (2.6) | 8.0 |
| Opening net debt/(cash) | 51.7 | 27.2 | 119.0 | 2.2 | 4.8 |
| HP finance leases initiated | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Closing net debt/(cash) | 27.2 | 119.0 | 2.2 | 4.8 | (3.2) |

Source: Company reports, Edison Investment Research

Edison is an investment research and advisory company, with offices in North America, Europe, the Middle East and AsiaPac. The heart of Edison is our world-renowned equity research platform and deep multi-sector expertise. At Edison Investment Research, our research is widely read by international investors, advisers and stakeholders. Edison Advisors leverages our core research platform to provide differentiated services including investor relations and strategic consulting. Edison is authorised and regulated by the Financial Conduct Authority. Edison Investment Research (NZ) Limited (Edison NZ) is the New Zealand subsidiary of Edison. Edison NZ is registered on the New Zealand Financial Service Providers Register (FSP number 247505) and is registered to provide wholesale and/or generic financial adviser services only. Edison Investment Research Inc (Edison US) is the US subsidiary of Edison and is regulated by the Securities and Exchange Commission. Edison Investment Research Limited (Edison Aus) [46085869] is the Australian subsidiary of Edison. Edison Germany is a branch entity of Edison Investment Research Limited [4794244]. www.edisongroup.com

DISCLAIMER

Copyright 2018 Edison Investment Research Limited. All rights reserved. This report has been commissioned by Marshall Motor Holdings and prepared and issued by Edison for publication globally. All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable, however we do not guarantee the accuracy or completeness of this report. Opinions contained in this report represent those of the research department of Edison at the time of publication. The securities described in the Investment Research may not be eligible for sale in all jurisdictions or to certain categories of investors. This research is issued in Australia by Edison Investment Research Pty Ltd (Corporate Authorised Representative (1252501) of Myonlineadvisers Pty Ltd (AFSL: 427484)) and any access to it, is intended only for "wholesale clients" within the meaning of the Corporations Act 2001 of Australia. The Investment Research is distributed in the United States by Edison US to major US institutional investors only. Edison US is registered as an investment adviser with the Securities and Exchange Commission. Edison US relies upon the "publishers' exclusion" from the definition of investment adviser under Section 202(a)(11) of the Investment Advisers Act of 1940 and corresponding state securities laws. As such, Edison does not offer or provide personalised advice. We publish information about companies in which we believe our readers may be interested and this information reflects our sincere opinions. The information that we provide or that is derived from our website is not intended to be, and should not be construed in any manner whatsoever as, personalised advice. Also, our website and the information provided by us should not be construed by any subscriber or prospective subscriber as Edison's solicitation to effect, or attempt to effect, any transaction in a security. The research in this document is intended for New Zealand resident professional financial advisers or brokers (for use in their roles as financial advisers or brokers) and habitual investors who are "wholesale clients" for the purpose of the Financial Advisers Act 2008 (FAA) (as described in sections 5(c) (1)(a), (b) and (c) of the FAA). This is not a solicitation or inducement to buy, sell, subscribe, or underwrite any securities mentioned or in the topic of this document. This document is provided for information purposes only and should not be construed as an offer or solicitation for investment in any securities mentioned or in the topic of this document. A marketing communication under FCA Rules, this document has not been prepared in accordance with the legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of the dissemination of investment research. Edison has a restrictive policy relating to personal dealing. Edison Group does not conduct any investment business and, accordingly, does not itself hold any positions in the securities mentioned in this report. However, the respective directors, officers, employees and contractors of Edison may have a position in any or related securities mentioned in this report. Edison or its affiliates may perform services or solicit business from any of the companies mentioned in this report. The value of securities mentioned in this report can fall as well as rise and are subject to large and sudden swings. In addition it may be difficult or not possible to buy, sell or obtain accurate information about the value of securities mentioned in this report. Past performance is not necessarily a guide to future performance. Forward-looking information or statements in this report contain information that is based on assumptions, forecasts of future results, estimates of amounts not yet determinable, and therefore involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of their subject matter to be materially different from current expectations. For the purpose of the FAA, the content of this report is of a general nature, is intended as a source of general information only and is not intended to constitute a recommendation or opinion in relation to acquiring or disposing (including refraining from acquiring or disposing) of securities. The distribution of this document is not a "personalised service" and, to the extent that it contains any financial advice, is intended only as a "class service" provided by Edison within the meaning of the FAA (ie without taking into account the particular financial situation or goals of any person). As such, it should not be relied upon in making an investment decision. To the maximum extent permitted by law, Edison, its affiliates and contractors, and their respective directors, officers and employees will not be liable for any loss or damage arising as a result of reliance being placed on any of the information contained in this report and do not guarantee the returns on investments in the products discussed in this publication. FTSE International Limited ("FTSE") © FTSE 2018. "FTSE®" is a trade mark of the London Stock Exchange Group companies and is used by FTSE International Limited under license. All rights in the FTSE indices and/or FTSE ratings vest in FTSE and/or its licensors. Neither FTSE nor its licensors accept any liability for any errors or omissions in the FTSE indices and/or FTSE ratings or underlying data. No further distribution of FTSE Data is permitted without FTSE's express written consent.

Frankfurt +49 (0)69 78 8076 960
Schumannstrasse 34b
60325 Frankfurt
Germany

London +44 (0)20 3077 5700
280 High Holborn
London, WC1V 7EE
United Kingdom

New York +1 646 653 7026
295 Madison Avenue, 18th Floor
10017, New York
US

Sydney +61 (0)2 8249 8342
Level 4, Office 1205
95 Pitt Street, Sydney
NSW 2000, Australia