

Marshall Motor Holdings

Progression in still challenging markets

Pre-close H1 update/
director change

Automotive retailers

3 July 2018

Price 166.5p
Market cap £129m

Net debt (£m) at 31 December 2017 2.2
Shares in issue 77.4m
Free float 34.9%
Code MMH
Primary exchange AIM
Secondary exchange N/A

Share price performance



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.

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The company has released its pre-close update for H118, which indicates modest progress has been made against last year's record period: a commendable performance in still-challenging UK car markets. Despite remaining relatively cautious about the H218 market prospects, management expects the full-year outturn to be at the top end of its expectations. The departure of Mark Raban, the chief financial officer during the flotation, to explore new opportunities would appear to be a personal choice. We expect an orderly transition and do not feel there are any reasons for concern at the decision.

Year end	Revenue (£m)	PBT* (£m)	EPS* (p)	DPS (p)	P/E (x)	Yield (%)
12/16	1,899.4	25.4	26.2	5.5	6.4	3.3
12/17	2,268.9	29.1	30.8	6.4	5.4	3.8
12/18e	2,283.9	23.5	24.1	6.9	6.9	4.1
12/19e	2,334.4	24.0	24.6	7.1	6.8	4.3

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

The company indicates that H118 underlying profit before tax will be marginally ahead of last year allowing for the discontinued leasing operations that contributed £2.4m in H117. The positive outcome implies upside potential in FY18, but concerns over supply-side disruption in H2 temper optimism. The potential exists for this disruption to affect new vehicle sales volumes as producers implement the new Worldwide Harmonised Light Vehicle Testing Procedures from September, coincident with the second busiest registration month for UK new vehicles. In the five months to May, Marshall Motor Holdings' new retail sales are in line with the market drop for the period of 5.8%. New fleet sales are ahead of the 7.8% market decline when adjusted for the decision taken last year to exit some low-margin fleet sales. Used car sales in H118 are flat year-on-year but profit has improved. Aftersales revenues are up, although an increased proportion of lower-margin parts sales to service activity has left profits flatter. The company expects a small net debt position at 30 June 2018, against £2.2m at the start of the year. The £120m revolving credit facility has been extended by 12 months to 3 June 2021, enabling Marshall Motor Holdings to pursue appropriate M&A opportunities as and when they arise. The company will report interim results on 14 August 2018.

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