Strategic acquisition of Ridgeway

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MARSHALL MOTOR HOLDINGS PLC
("MMH" or the "Group")

Strategic acquisition of Ridgeway to create significant shareholder value

Adds 30 franchises with existing brand partners, gains entry into new affluent geographical regions

Marshall Motor Holdings plc, one of the UK's leading automotive retail and leasing groups, is pleased to announce the strategic and value enhancing acquisition of the entire issued share capital of Ridgeway Garages (Newbury) Limited (including all of its subsidiaries) ("Ridgeway"), (the "Acquisition"), for a cash consideration of £106.9m, funded from the Group's existing resources.

Ridgeway is a multi-franchise dealer group operating across the affluent southern home counties of England, Wiltshire and Dorset, representing 12 brands via 30 franchised dealerships. Ridgeway's brands comprise: Audi, BMW, Jaguar, Land Rover, Maserati, Mercedes-Benz, Mercedes-Benz Commercials, MINI, SKODA, smart, Volkswagen and Volkswagen commercial vehicles. In addition, Ridgeway operates five own branded Select multi-brand used car centres, two trade parts specialists, two service centres authorised by both SAAB and SEAT and two standalone body shops and a pre delivery inspection ("PDI") centre. Ridgeway's consolidated FY15 revenues were £722.6m, adjusted EBITDA was £20.2m and year-end shareholders' funds were £55.4m including £15.2m of net debt.

Strong strategic rationale

- Strong OEM overlap creating further scale with existing brand partners, all supportive of the Acquisition
- Adds four Mercedes-Benz Commercials operations, three of which operate near to the ports of Poole, Portsmouth and Southampton
- Extends the Group's geographic footprint from 19 to 25 counties in England, into contiguous locations with attractive demographics and no overlap to MMH's existing locations
- Operationally, a group MMH's CEO knows well
- Provides scaled platform for future growth

Attractive financial benefits to and profile of the Group

- Significantly earnings enhancing in FY16, FY17 and subsequent years
- Return on Investment materially in excess of the Group's WACC in FY17 and subsequent years
- 1.0x enlarged Group's pro forma 31 December 2015 adjusted net debt/EBITDA (excluding leasing loans) leverage, rises during 2016 due to capital projects, then reduces during 2017 and 2018
- Option to extend existing £75m unsecured RCF to £120m; unchanged covenants and commercial terms
- Strengthens freehold property portfolio, given Ridgeway's 13 freehold properties (£53.9m of land and buildings as at 31 December 2015)

Daksh Gupta, Group Chief Executive, commented:

"This is a significant strategic and value enhancing acquisition for MMH that will move us from the 10th to the 7th largest UK motor dealer group. The acquisition, which is in line with our stated strategy at IPO to grow scale with existing brand partners, further builds on our acquisition last year of SG Smith by cementing our geographic footprint into the affluent southern home counties of England, Wiltshire and Dorset.

"We have funded this acquisition from our existing balance sheet capabilities. The Board expects the acquisition of Ridgeway to deliver significant earnings enhancement and returns materially greater than our weighted average cost of capital.

"Ridgeway is a company I have been associated with since 2007. David Newman and his team have built an excellent business with fantastic senior management, great staff, strong performance and a similar culture to MMH. I very much look forward to welcoming our new Ridgeway colleagues to the Group and working closely with them again into the future. Finally, I wish to thank all of the OEMs who Ridgeway represent for their support of the Acquisition."

A conference call for analysts and investors will be held at 07.30 a.m. today. Please contact Alex Brennan or Bertie Berger on +44 (0) 20 7796 4133 at Hudson Sandler for dial-in details.

ABOUT RIDGEWAY

Introduction

At the time of MMH's IPO in April 2015, the Board of MMH stated its objective of growing the business to become the UK's premier automotive retail and leasing group. In order to achieve this the Group is pursuing both organic and acquisition related strategies through growing scale with existing brand partners and extending its geographic footprint into new regions. The IPO proceeds, committed bank facilities and underlying balance sheet strength provide MMH with the funding to support its strategy.

In line with this strategy, MMH is pleased to announce the strategic and value enhancing acquisition of the entire issued share capital of

Ridgeway from its current shareholders, David and Katharine Newman and John O'Hanlon (the "Vendors"), for a cash consideration of £106.9m (the "Consideration"), funded from the Group's existing resources. The final level of consideration is subject to upward (by a maximum of £2.7m) adjustment following completion of the Acquisition. A retention amount of £2.7m is held for a period of one year from the completion date of the Acquisition from which MMH may set off any successful warranty and/or indemnity claims it has against the Vendors in that one year period, as MMH benefits from certain indemnities and warranties given by the Vendors, customary for this type of transaction.

Business description

Ridgeway is a leading multi-franchise motor dealer group operating across the South of England representing 12 brands through 30 franchised dealerships. It has four Mercedes-Benz Commercials operations, of which three operate near to the ports of Poole, Portsmouth and Southampton. It operates five own branded Select used car centres outlets offering used cars, two trade parts specialists, two service centres authorised by both SAAB and SEAT and two standalone body shops and a PDI centre. In 2015 the Ridgeway group sold 15,918 new cars and 14,450 used cars and had aftersales revenues of £83.6m. The average number of persons employed by the Ridgeway group in 2015 was 1,195.

The consolidated statutory accounts for Ridgeway for the year ended 31 December 2015 showed good growth on 2014, with FY15 turnover of £722.6m, FY15 EBITDA of £21.9m and FY15 EBIT of £18.3m. The Board of MMH estimates that the EBITDA and EBIT figures each include c.£1.7m which it considers to be non-recurring benefits. As at 31 December 2015, shareholders' funds were £55.4m, including net debt of £15.2m. At completion of the Acquisition, Ridgeway settled various liabilities and employee incentives totalling £4.2m.

Ridgeway has 13 freehold properties, with a 31 December 2015 balance sheet value for land and buildings of £53.9m.

Ridgeway was awarded "Employer of the Year" at the 2015 Motor Trader Industry Awards.

DEAL RATIONALE

Strong brand overlap

The Group currently represents all of the brands that Ridgeway represents, with the exception of Mercedes-Benz Commercials which MMH is delighted to be working with going forwards having received their approval. Ridgeway's brands comprise: Audi, BMW, Jaguar, Land Rover, Maserati, Mercedes-Benz, Mercedes-Benz Commercials, MINI, SKODA, smart, Volkswagen and Volkswagen commercial vehicles.

In addition, Ridgeway operates five own branded Select multi-brand used car centres, two trade parts specialists, two service centres authorised by both SAAB and SEAT and two standalone body shops and a pre-delivery inspection ("PDI") centre. Ridgeway also provides manufacturer-approved after sales services for Audi, BMW, Mercedes-Benz, Volkswagen, Land Rover, Jaguar, Maserati, MINI, SEAT, SKODA, smart and SAAB.

The table below shows the current and resultant number of sites for the Group following the Acquisition:

Franchised Dealerships

Brand	**MMH**	**Ridgeway**	**Enlarged group**
Audi	7	2	9
BMW	2	3	5
BMW Motorrad	1	-	1
Citroen	1	-	1
Ford	3	-	3
Ford Commercial	1	-	1
Honda	7	-	7
Hyundai	1	-	1
Jaguar	4	1	5
Kia	2	-	2
Land Rover	6	1	7
Maserati	1	1	2
Mercedes-Benz	5	4	9
Mercedes-Benz Commercials	-	4	4
MINI	1	3	4
Nissan	3	-	3
Peugeot	3	-	3
SEAT	3	-	3
SKODA	2	3	5
smart	2	2	4
Vauxhall	5	-	5
Volvo	7	-	7
VW	4	4	8
VW commercial	2	2	4
Total	**73**	**30**	**103**

Other Standalone Operations

TPS	3	2	5
Used car centres	2	5	7
Body shops	2	2	4
Forecourt	1	-	1
Central PDI	-	1	1
Total	**8**	**10**	**18**

New and attractive geographic locations

Ridgeway operates across contiguous locations to MMH's existing footprint in the East, South-East, and South-West regions of England: the middle and South of England with locations in Oxfordshire, Berkshire, Hampshire, Wiltshire, Dorset & West Sussex. Pleasingly, there is no overlap of any MMH and Ridgeway's locations. Following the Acquisition, the enlarged Group moved from being present in 19 counties to 25 counties in England.

Operationally a Group MMH's CEO knows well

Daksh Gupta, MMH's Chief Executive Officer was previously Group Managing Director of Ridgeway and latterly a consultant to Ridgeway. Many of the same values and drivers of the MMH business are present in Ridgeway, including a strong alignment to MMH's five key strategic pillars of Class Leading Returns, Customer First, Retailing Excellence, People Centric and Strategic Growth. The executive management of MMH expects this knowledge, together with its experience in integrating acquisitions, to assist with the planned integration of the Ridgeway businesses into the Group over the coming months.

Creating a UK leader in motor retail

The Board of MMH expects the combined Group would be the UK's 7th largest motor dealer group by 2015 revenue, which provides a scaled platform from which the Board of MMH expects to target future growth. For the year ended 31 December 2015, the enlarged Group would have pro forma total revenue of c.£2.1bn.

Strong property asset backing

Ridgeway has a strong asset backing with a favourable tenure split across 13 freehold properties, 3 long leasehold properties and 27 leasehold properties.

In January 2015 Ridgeway opened a flagship VW dealership at Kidlington and a flagship Skoda dealership in Oxford. Ridgeway also opened a flagship Audi dealership in Oxford in 2014. Additionally, all of Ridgeway's VW dealerships have been refurbished to new VRC standards.

Cost synergies and additional cost investments over the next three years

Following a detailed review, the Board of MMH expects to deliver c.£3.9m in cumulative cost synergies by 31 December 2018, achieving an annual run rate of c.£2.2m in 2018. The shareholders of Ridgeway will exit the business immediately.

These cost synergies will be partly offset by c.£0.7m per annum cost investments in additional infrastructure strengthening and investment in Finance, Systems, Estate Management and Human Resources that will build up over time.

The Board of MMH expects the Group to incur aggregate one-off cash integration costs relating to the Acquisition of c.£3m during 2016 and 2017.

Attractive financial benefits

The Board of MMH expects the Acquisition to be significantly earnings enhancing (pre any one-off items) in FY16, FY17 and subsequent years. Further, the Board of MMH expects the Acquisition to generate a return on investment (ROI) materially in excess of the Group's weighted average cost of capital (WACC) in FY17 and subsequent years.

CURRENT TRADING

MMH's current trading for the first four months of 2016 was in line with the Board's expectations which were for a significant growth on performance in the same period last year and included the important March plate change month. This includes the recently acquired SG Smith business, which performed as expected post-integration. Previously announced strategic disposals resulted in cash inflows of £3.1m.

Ridgeway's performance for the same period was in line with its internal expectations.

MMH intends to announce a trading update for the six months ending 30 June 2016 in mid-July 2016.

FINANCING

The Group has financed the Acquisition from its existing resources. These comprised:

- Cash on the Group's balance sheet (£24.1m as at 31 December 2015);
- The release of equity within the Group's un-encumbered inventory (£49.4m as at 31 December 2015). In line with industry practice, Ridgeway already currently fully fund all inventory via vehicle funding arrangements;
- The partial release of equity from MMH's leasing division (£11.1m as at 31 December 2015); and
- The Group's existing £75m revolving credit facility put in place prior to MMH's IPO and which has previously been undrawn.

The enlarged Group's 31 December 2015 pro forma adjusted net debt/EBITDA leverage would have been 1.0x. The Board of MMH expects this ratio to increase during 2016 given the enlarged Group's targeted capital expenditure projects and then reduce over the next two financial years. These levels of leverage remain well within MMH's stated 3.0x net debt / EBITDA limit on exceptional acquisitions and are below the Group's facility covenant levels of its financing facilities. The Board of MMH continues to target net bank indebtedness (excluding leasing segment loans) of 1.25x net debt / EBITDA.

The Group has secured an option from its two lending banks to extend its existing £75m revolving credit facility to provide £120m committed unsecured funding to the enlarged Group for a period of three years (the facility contains an option to reduce the facility to £110m after 18 months). The Group intends to exercise the new facility option shortly after completion of the Acquisition. The enlarged and extended facility contains the same commercial terms and covenants as the Group's existing revolving credit facility. The release of equity within MMH's un-encumbered inventory is funded by new arrangements with Lombard; this increased utilisation of vehicle stock funding reduces seasonal working capital fluctuations and improves MMH's balance sheet efficiency and return on invested capital.

Following the Acquisition, the Board of MMH expects the enlarged Group's financing and interest costs to rise given (i) Ridgeway's interest costs and (ii) the Acquisitions' funding costs (comprising the additional vehicle stock funding, the partial release of equity from MMH's leasing division, drawing on the Group's revolving credit facility, fees and expenses in connection with the new revolving credit facility option and fees and expenses in connection with two interest rate swap products that Ridgeway had in place before the Acquisition). For the seven months ending 31 December 2016, this increase in financing and interest costs due to (i) and (ii) above is expected to be c.£3.2m.

OTHER FINANCIAL GUIDANCE ITEMS

Ridgeway typically generates c.51% of its annual EBIT in the first six months of the financial year. Subject to finalising certain June 2016 month end items, the Board of MMH expects the Acquisition to contribute a profit before tax (pre any one-off items) during the first half of MMH's financial year.

Given Ridgeway's premium brand focus, the Board of MMH expects the enlarged group's pro forma return on sales to increase.

The enlarged Group's effective tax rate for FY16 is unchanged at c.24%. Ridgeway's consolidated statutory accounts for the year ended 31 December 2015 included a contingent liability note in respect of various film tax planning initiatives, which Ridgeway had estimated could give rise to an additional tax liability in the region of £3.5m. The amount of any potential costs and interest are not yet known.

Ridgeway has brought a claim against a bank for the mis-selling of certain historic interest rate swap products. Should the claim be successful, 50% of the settlement (subject to a maximum cap of £2.7m) will be paid by MMH to the Vendors, less certain fees and expenses incurred by the Group in relation to the claim.

The Group incurred transaction fees and expenses in connection with the Acquisition of c.£2m.

As part of its continued investment programme in its own dealerships, the Board of MMH expects to invest a further c.£25m in Ridgeway's estate over the following two to three years.

MMH's interim results for the six months ending 30 June 2016 will include the estimated net assets at the date of Acquisition at their provisional fair value and will be subject to the finalisation of the fair value exercise.

For further information and enquiries please contact:

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Notes to Editors

About Marshall Motor Holdings plc (www.mmhplc.com)

The Group's principal activities are the sale and repair of new and used vehicles through Marshall Motor group and the leasing of vehicles through Marshall Leasing. Following the Acquisition, the Group's businesses have a total of 103 franchises covering 24 brands, operating from 89 sites across 25 counties in England. In addition, the Group operates five trade parts specialists, seven used car centres, four standalone body shops, one forecourt and one PDI centre. Its diverse portfolio means it represents manufacturer brands whose combined market share of all new vehicle sales in the UK gives the Group the highest market coverage of any UK dealer group.

With pro forma 2015 revenues of £2.1bn, the Group becomes the 7th largest motor dealer group in the UK. MMH was admitted to trading on AIM in April 2015. The Group's market capitalisation was £117.0m (as at the latest practicable date prior to the publication of this announcement), with adjusted cash of £24.1m (before £51.4m of asset backed vehicle finance within its Leasing segment) and net assets per fully diluted share of 165 pence as at 31 December 2015.

In May 2016 the Group was recognised by the Great Place to Work Institute, being ranked the 19th best place to work in the UK (large company category).

Cautionary statement

This announcement contains unaudited information based on management accounts and forward-looking statements that are based on current expectations or beliefs, as well as assumptions about future events. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts and undue reliance should not be placed on any such statements because they speak only as at the date of this document and are subject to known and unknown risks and uncertainties and can be affected by other factors that could cause actual results, and the Group's plans and objectives, to differ materially from those expressed or implied in the forward-looking statements. MMH undertakes no obligation to revise or update any forward-looking statement contained within this announcement, regardless of whether those statements are affected as a result of new information, future events or otherwise, save as required by law and regulations.

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