

2 September 2020

Cambria Automobiles plc
("Cambria" or the "Group")
AIM: CAMB

Pre-close Trading Update and notice of Preliminary Results

The Board of Cambria provides the following update on its trading for the eleven months to 31 July 2020:

Covid-19 Response

As expected, the Group's trading performance in the eleven months of the current financial year was significantly disrupted as a result of the temporary closure of all car showrooms in line with Government guidance for the period between 24 March 2020 and 31 May 2020.

As per the update contained within the Interim Results issued on 6 May 2020, the Group reacted swiftly to the lockdown in order to mitigate the impact of the closure of the car showrooms. Key actions taken included significant cost reduction measures, salary reductions for Directors, tight management of working capital, suspension of capex projects and a detailed review of the business' underlying cost base. The Group has utilised the Coronavirus Job Retention Scheme (CJRS) and applied for the relevant business rates relief. During the period the Group has also maintained timely tax payments so that it does not build up a deferred payment liability.

The Group's aftersales facilities remained open on a limited basis throughout the lockdown to provide services to key workers and operated in line with government guidance.

The impact of the lockdown on the Group's financial performance for March, April and May was material compared to the prior year and management expectations, despite the actions taken. Following the re-opening of the car showrooms on 1 June 2020, the trading performance has been positive with the results for June and July well ahead of the previous year and management expectations. The trading bounce back seen in June and July has not fully recovered the negative impact of lockdown, though it has gone some way to mitigating it.

Trading Update

Before the lockdown period, the new car market was already experiencing disruptive factors as a result of the change in emissions regulations where manufacturers are adjusting vehicle production and supply in order to meet the challenging emissions objectives, while minimising the fines that will be levied upon them for exceeding those targets. The lockdown period led to the closure of many of the manufacturers' production lines and therefore stopped production of new vehicles for the period.

The Group's sales of new retail units to private guests in the eleven month period were down 26.6% while total new vehicle unit sales, including fleet and commercial, were down 27.6%. The Group's change in franchise mix towards the High Luxury Segment continued to help enhance the profit per unit on each vehicle supplied during the period, which was up 4% year on year.

Used vehicle unit sales continued to perform well either side of the lockdown period, with the number of unit sales down 21.6% compared with the same period in the prior year, slightly offset by the continued improvement in gross profit per unit which was up 4.3%.

Overall, the Group's aftersales operations have performed well either side of lockdown. As a result of the lockdown period, aftersales revenue for the eleven months was reduced by 13.6%.

As outlined above, the Group took substantive actions in relation to its cost base and has utilised the available Government support stimulus. During the period the Group has received the benefit of £3.7m of CJRS grant and has benefitted from approximately £1.1m in business rates reduction.

The Group is in the process of implementing a cost reduction programme and this will involve a significant reduction in the number of Associates in the business. The programme will be complete by the time the preliminary results are released and a detailed update will be provided at the time.

The Group embarked on a strategic shift away from certain volume franchises in 2018 and replaced them with High Luxury Segment Franchises. As these businesses continue to mature they do provide the Group with a robust earnings stream in unprecedented times.

As part of that strategic pivot towards the High Luxury Segment, the Group was able to add the Aston Martin and Rolls-Royce Motor Cars Franchises in Edinburgh in January 2020.

Outlook

Whilst the trading performance trends in June, July and into August are encouraging, the order bank for September is building at a slower rate than the previous year and the Board has concerns around the broader economy and customer confidence heading into calendar Q4 2020. The CJRS has undoubtedly provided a significant underpin to household incomes during the pandemic however when the scheme ends on 31 October the Board expects there to be a negative impact on UK unemployment data.

Looking forward, there is little clarity around the terms of the UK's departure from the EU and whether a free trade agreement will be in place to avoid tariffs on the importation of cars and parts to the UK. A 10% tariff on these products would have a significant impact on sales volumes.

More demanding emissions regulations will continue to impact the mix of cars that the manufacturers want to sell in the UK in their attempt to avoid the fines for emissions in excess of their targets. This will continue to drive R&D spend on technology development by the manufacturers at an unprecedented rate.

Based on these facts, the Board continues to take a prudent approach to ensure that the Group is prepared for potentially challenging economic conditions from Q4 2020 onwards.

As previously advised, we are not providing guidance relating to the coming financial year due to continued uncertainty. The Group will announce its Preliminary Results for the year to 31 August 2020 on 25 November 2020.

Mark Lavery, Chief Executive of Cambria Automobiles plc, commented:

"Firstly, I would like to thank all of our management and Associates who have worked tirelessly throughout the lockdown. Their dedication, flexibility and application has enabled the Group to handle the most difficult trading period in its history in a robust and positive manner. I would also like to thank our brand and banking partners who have been incredibly supportive in this challenging time for the Group. I believe that we acted decisively in unprecedented circumstances to mitigate the impact of the forced lockdown on the Group.

The challenges that faced the motor retail industry before lockdown still remain, as does the uncertainty created by Brexit. The recession that is currently engulfing the UK has not yet hit motor retail. The Group has been prudent and has operated with a much reduced Associate base so that the Group is prepared for most eventualities. At the same time, with our diversified portfolio of excellent brand partners, the Group has demonstrated its resilience and we have managed our cash position well, ensuring that we keep up to date with all our obligations. As a result of the actions taken the Group's financial position remains robust and we are well prepared for the challenges and opportunities ahead."

-Ends-

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About Cambria - www.cambriaautomobilesplc.com

Cambria Automobiles ("Cambria") was established in 2006 and has built a balanced portfolio of high luxury, premium and volume car dealerships, comprising over 40 franchises representing major brands across the UK. The Group's businesses are autonomous and trade under local brand names, including County Motor Works, Dees, Doves, Grange, Invicta, Motorparks and Pure Triumph.

The Group's strategy is to complement its existing franchise and brand portfolio by acquiring earnings enhancing operations, using its strong balance sheet and disciplined approach to capital allocation.

Cambria's medium term ambition is to create a £1 billion turnover business producing attractive returns on capital.