Inchcape plc

A post-retail global automotive distributor with an APAC reset and unusually powerful buyback mathematics

Ticker / price	Equity / enterprise value	FY2025 adjusted EPS	Current income yield
LSE: INCH / 847.5p	£3.0bn / ~£3.3bn	80.8p	3.8% dividend

Price and share count as of July 30, 2026; operating data through June 30, 2026. Enterprise value excludes lease liabilities. [1][2][3]

5-YEAR TSR REFERENCE CASE: 15.1% = 3.8% + 10.0% + 1.3%			
15.1%	**3.8%**	**10.0%**	**1.3%**
Annualized TSR	Dividend yield	EPS growth	Multiple reversion

Mechanical bridge: 847.5p / 80.8p adjusted EPS = 10.5x, reverting over five years to an 11.2x usable decade mean. The full positive reported mean is 18.2x but is distorted by two earnings anomalies. [2][8]

Thesis

Inchcape is no longer a UK car dealer. It is an independent route-to-market partner for more than 60 vehicle brands across over 40 markets, handling importation, logistics, pricing, marketing, finance and aftersales. The disposal of UK retail, the Derco integration and disciplined contract exits have concentrated the group on higher-return distribution. Today the market prices a cyclical, emerging-market auto business; the opportunity is that Americas growth, an APAC margin reset and a £250m buyback can compound per-share value while 31% ROCE and >100% cash conversion persist. The thesis does not require heroic re-rating: 10% EPS growth plus a 3.8% yield can carry the return.

Four-question scorecard

Question	Score	Why it is not higher
Business quality	4.0 / 5.0	OEM relationships, scale and high ROCE; contracts, inventory and macro cyclicality cap quality
Price	4.5 / 5.0	10.5x adjusted EPS, 3.8% yield and active repurchases provide a meaningful margin of safety
People / allocation	4.0 / 5.0	Technology-oriented CEO, decisive retail exit and buybacks; Derco and APAC still need proof
Hidden nugget	4.5 / 5.0	The strategic review is pruning weak contracts while APAC self-help and buybacks lift per-share economics

2 Business and Industry

A scaled, asset-light route-to-market partner sitting between global OEMs and fragmented local demand

Business model in plain English

Inchcape obtains exclusive or long-duration country distribution rights from automakers, buys vehicles and parts, manages homologation and importation, sets market plans, supplies dealer networks and often provides digital, finance and aftersales infrastructure. OEMs gain local execution without building a country organization; Inchcape earns gross profit across the vehicle and parts lifecycle. Working capital can be substantial, but the model requires much less fixed capital than manufacturing. [4]

Region	FY2025 revenue	Adj. operating profit	Strategic read
Americas	£3.30bn	£230m	Derco platform; Chinese OEM and contract-win runway
Europe & Africa	£3.26bn	£151m	Mature cash engine plus selective white-space
Asia-Pacific	£2.54bn	£182m	Attractive franchises, but Australia / market mix reset

FY2025 company-reported results. [2]

Why business quality is 4.0 / 5.0

- Scale matters to both sides. OEMs obtain one accountable partner across small and complex markets; local dealers receive inventory, parts, marketing, systems and financing support.
- The installed vehicle parc creates recurring aftersales and parts economics after the initial sale, while a multi-brand portfolio reduces dependence on one model cycle.
- ROCE was 29% in FY2025 and 31% at H1 2026, evidence that the distribution rights and systems produce attractive returns despite working-capital needs. [1][2]
- The portfolio is self-renewing: five H1 contract wins and the exit of 15 immaterial or dilutive contracts show management treating rights as capital allocations, not trophies. [1]
- The deduction is real. Contracts can be lost, OEMs retain bargaining power, vehicle demand and FX are cyclical, and inventory mistakes convert quickly into cash and margin pressure.

Industry structure and profit pool

Force	Assessment	Investment implication
OEM power	Medium-high	Brands can change partners, but local systems and execution make disruption costly
Dealer / customer power	Medium	Price transparency is high; availability, financing and aftersales differentiate
Rivalry	Medium	Local distributors compete, but few match Inchcape's multi-country platform
New entrants	Low-medium	Capital is available; OEM trust, data, logistics and regulatory know-how take years
EV / Chinese OEM shift	Opportunity + risk	New brands need distribution, but mix changes pressure legacy relationships

CUSTOMER VALUE PROPOSITION Inchcape makes a small or complex country economically addressable for an OEM while preserving local speed, brand standards and lifetime aftersales support.

3 Financials and Business Quality

Cash conversion and returns remain strong; APAC margin recovery is the largest controllable earnings variable

Metric	FY2024	FY2025	H1 2026	Underwriting read
Revenue	£9.3bn	£9.1bn	£4.7bn	+5% H1 organic; volume +9%
Adjusted operating profit	£550m	£563m	£248m	H1 margin down on APAC
Adjusted operating margin	5.9%	6.2%	5.3%	FY26 guide around 6%
Adjusted PBT	£414m	£443m	£188m	H1 down 6%
Adjusted EPS	71.5p	80.8p	35.5p	FY26 guidance >10% growth
Free cash flow	£360m	£315m	£84m	LTM conversion 112%
ROCE	~27%	29%	31%	High return despite inventory

Company-reported adjusted measures; H1 figures cover six months. [1][2]

Five-year owner-earnings bridge

Driver	Base assumption	Why it is plausible
Organic revenue	5%-6% CAGR	Market growth, share gains and new OEM contracts
Operating margin	~6.2%-6.5%	APAC recovers; contract pruning offsets mix pressure
Free-cash conversion	>90%	Management guide >100%; normalize working-capital volatility
Share count	(2%)-(3%) annually	£250m current buyback is ~8% of equity value
Adjusted EPS	~10% CAGR	Mid-single-digit profit growth plus repurchases

Balance sheet, ratings, maturities and covenants

Position. H1 2026 adjusted net debt was £329m excluding leases, or 0.5x EBITDA; FY2025 cash was £657m and net debt including £343m of leases was £607m. **Rating.** Moody's rates Inchcape Baa2 / Stable, an investment-grade issuer and senior-unsecured profile. **Liquidity and maturities.** Funding includes a £900m revolver, £140m of private-placement notes and a £350m 6.5% bond due June 2028. Non-revolver corporate debt had no maturity before May 2027 at FY2025. **Covenants.** The private-placement notes test trailing adjusted EBITA to interest each June and December; Inchcape reported comfortable compliance. The precise threshold is not disclosed in the FY2025 release. [1][2][3]

BALANCE-SHEET JUDGMENT Leverage is modest, liquidity is ample and investment-grade access supports distribution working capital. The main balance-sheet risk is inventory and FX, not a near-term maturity wall.

4 Valuation, Hidden Nugget and LBO

A low multiple on current earnings with three ways to win: portfolio quality, APAC self-help and fewer shares

Ten-year P/E context

2016-2025 positive reported P/E	Low	Average	High	Today
Full reported range	7.7x	18.2x	49.1x	10.5x
Usable central tendency	~7.7x	~11.2x	~17.2x	10.5x

Reported annual year-end series. 2018 and 2021 contain anomalous earnings denominators; 11.2x is the normalized mean used in the TSR bridge. [8]

Five-year valuation cases

Case	2031 adj. EPS	Exit P/E	Dividends	2031 value	5-year CAGR
Bear	89p	10x	~170p	1,062p	4.6%
Base	130p	11.5x	~200p	1,696p	14.9%
Bull	149p	14x	~220p	2,303p	22.1%

Analyst estimates. Bear/base/bull EPS growth is 2%/10%/13%; the bear exit multiple is explicitly 10x. Dividends are not reinvested.

Hidden nugget — the strategic review is changing the numerator and denominator

The visible story is an auto distributor; the underappreciated story is active portfolio surgery. After selling UK retail for £345m, management is evaluating each country-brand contract against return and strategic fit. The H1 decision to exit 15 immaterial or dilutive contracts—only 1.5% of FY2025 volume—should improve focus and mix, while five new contracts and Silver Star Bulgaria redeploy attention toward advantaged franchises. At the same time, the APAC reset targets the one region where H1 margin fell 320 bps, and the enlarged £250m buyback retires roughly 8% of the equity at 10.5x earnings. Strategic review, operating recovery and share shrinkage reinforce one another. [1][5]

Nugget component	Current evidence	What would validate it
Contract pruning	15 low-value exits	ROCE / margin rises despite lower units
APAC self-help	New regional leadership; H1 3.5% margin	APAC margin recovers above 5%
Buyback arithmetic	£250m authorization	Shares fall without leverage rising >1x
OEM white space	Five H1 wins; 60+ brands	New contracts achieve target returns in 2-3 years

Illustrative five-year take-private analysis

Stage	Operating case	Debt / multiple	Sponsor outcome
Entry	20% premium; ~£3.9bn EV	4.0x EBITDA / ~£2.4bn debt	~£1.5bn equity check
Exit	EBITDA ~£850m; ~£5.5bn EV	6.5x exit; ~£1.7bn debt	~£3.8bn equity value
Return	7% EBITDA CAGR	No dividend recap	~2.6x MOIC / ~21% IRR

Illustrative analyst model. OEM change-of-control consent, working-capital facilities, country complexity and leases make execution harder than the headline return.

LBO CONCLUSION Inchcape can support sponsor-like returns at a control premium because the entry multiple is low and cash generation can reduce debt. Feasibility reinforces valuation support, but strategic complexity makes a real transaction uncertain.

5 CEO and Capital Allocation

A technology operator has simplified the group, installed a distribution data platform and returned surplus capital

Duncan Tait — a systems builder rather than an automotive lifer

Tait became CEO in July 2020 after more than 30 years in technology and services. He previously sat on Fujitsu's board and held senior roles at Unisys, Hewlett-Packard, Compaq and Agilisys. The background fits Inchcape's challenge: coordinating pricing, inventory, customer data and OEM reporting across dozens of markets. Under Tait, the group launched Digital Experience and Digital Analytics platforms, bought Derco, exited UK retail and recast the portfolio around distribution. The missing proof is whether those systems can prevent local execution failures such as the 2026 APAC setback. [4]

Capital action	Evidence	Underwriting judgment
UK retail exit	Sold in Aug-2024 for £345m	Strategically decisive; removes lower-quality earnings
Derco	Largest deal since 1967	Creates Americas platform; leverage now low, integration still monitored
Organic / contracts	Five H1 2026 wins	Best use where rights earn >20% ROCE
Contract exits	15 immaterial / dilutive relationships	Strong evidence of return discipline
Buybacks	£250m completed; new program raised to £250m	Accretive at ~10.5x if leverage stays conservative
Dividend	40% adjusted EPS payout; 32.3p FY25	Transparent and sustainable
Bolt-ons	Askja and Silver Star Bulgaria	Prefer small route-density deals over another Derco-scale bet

Allocation scorecard

- Returns: FY2025 ROCE of 29% and H1 2026 of 31% indicate that reinvested capital is earning well above a conservative cost of capital.
- Balance: net leverage of 0.5x permits buybacks and bolt-ons without surrendering investment-grade resilience.
- Price discipline: repurchasing roughly 8% of the equity at 10.5x adjusted EPS is more compelling than buying a mature distribution asset at a premium.
- Watch item: strategic review savings must be distinguished from recurring restructuring; H1 statutory PBT included £64m of adjusting items, mainly APAC. [1]

Rules that would increase conviction

1. Complete the APAC reset before another transformational acquisition.
2. Use buybacks only while adjusted FCF covers dividends and repurchases without leverage exceeding 1.0x through-cycle.
3. Publish return thresholds and post-win cohort economics for new OEM contracts.
4. Keep pruning relationships that consume management attention without earning the cost of capital.

MANAGEMENT JUDGMENT — 4.0 / 5.0 Tait has made the right large strategic choices and treats data as infrastructure. APAC execution and the through-cycle return on Derco keep the score below 4.5.

6 Risks and Disconfirming Evidence

The thesis fails if distribution rights prove less durable, working capital absorbs cash or the APAC reset becomes permanent restructuring

Risk	Why it matters	Early warning / thesis killer	Response
OEM contract loss	Rights are the core asset	Material brand exits or weaker renewal terms	Lower terminal margin / multiple
APAC execution	Region was 32% of FY25 profit	Margin remains <4% through FY2027	Cut EPS bridge
Vehicle cycle / FX	Demand spans emerging markets	Volume down >10% with negative price / mix	Stress FCF and leverage
Inventory / working capital	Vehicles are high-ticket stock	FCF conversion <70% for two years	Pause buybacks
OEM transition	EV and Chinese brands shift power	Wins dilute returns or legacy brands retrench	Value contracts individually
M&A	Derco enlarged country complexity	Goodwill growth outruns organic profit	Require higher return hurdle
Capital returns	Buybacks can mask weak operations	Debt funds repurchases above value	Reduce quality / allocation score
Tariffs / supply	Cross-border flows can stop	Persistent shortages or homologation delays	Lower volume / raise inventory
Governance	Global local entities reduce visibility	Control failures or repeated adjustments	Apply governance discount

Pre-mortem: it is 2031 and the investment failed

OEMs consolidated distributors and demanded more economics just as Chinese brands required heavy launch investment. APAC margins never recovered, inventory days rose and cash conversion fell below 70%. Management kept buying back shares and funding small acquisitions, pushing leverage above 2x before a demand shock. EPS grew only 2%, the exit multiple was 10x, and the dividend merely produced a mid-single-digit return.

Disconfirming evidence hierarchy

A weak quarter of vehicle demand is not disconfirming. FX translation is not disconfirming if constant-currency cash returns hold. The strongest evidence is loss of major OEM rights, structurally lower contract economics, two years of poor working-capital conversion, or APAC restructuring charges that recur without margin recovery.

SINGLE MOST IMPORTANT UNKNOWN Will the strategic review and new APAC leadership restore regional margin without sacrificing the customer relationships and volume needed for long-term scale?

TWO-QUARTER DASHBOARD OEM wins / exits | organic volume | regional margin | inventory days | FCF conversion | ROCE | net leverage | shares repurchased | adjusting items

7 Portfolio Decision and Research Plan

The holding period is always 5-8 years; start small while APAC evidence catches up with the valuation

Conviction	Score	Reason
Analytical	4 / 5	Contract portfolio and cash math are legible; unit economics by OEM remain opaque
Portfolio	4 / 5	Geographic and OEM diversity; auto, FX and emerging-market risk require sizing
Temporal	4.5 / 5	Five years captures contract maturation, APAC recovery and share shrinkage

Position-size recommendation

Initiate a 1.0% starter near or below 850p. Increase toward 2.5% below 750p with intact investment-grade leverage, or after APAC margin exceeds 5% and free-cash conversion remains above 90%. A full 4% position requires evidence that new contracts meet return hurdles, ROCE stays above 25%, and buybacks reduce—not merely offset—share count.

Action	Price / evidence rule	Rationale
Buy starter	≤850p	10.5x EPS and 3.8% yield pay for verification
Add	≤750p or APAC margin >5%	More price or operating proof
Full size	ROCE >25% and FCF conversion >90%	Confirms contract / cash quality
Trim	>14x without >8% EPS growth	Multiple outruns owner earnings
Exit	Major OEM losses or FCF conversion <70% for 2 years	Core rights / cash thesis breaks

Next research steps

- Reconstruct revenue, margin, working capital and ROCE by region; isolate APAC country and OEM drivers.
- Map the top 20 OEM distribution contracts, renewal dates, concentration, termination rights and change-of-control provisions.
- Audit buybacks against average price, adjusted FCF, net leverage and fully diluted share count.
- Interview former OEM executives and local dealers on Inchcape's service quality, pricing power and switching costs.
- Separate recurring restructuring from genuine strategic-review savings and track the 15 contract exits to realized returns.

FINAL DECISION BUY A 1% STARTER. Business quality is 4.0/5.0 and hidden nugget is 4.5/5.0; the price is attractive enough to own while APAC and strategic-review evidence develops.

Source notes

[1] Inchcape H1 2026 results

[2] Inchcape FY2025 results / RNS

[3] Inchcape debt investor centre

[4] Inchcape leadership / Duncan Tait biography

[5] Inchcape FY2025 annual report centre

[6] Inchcape Derco acquisition completion

[7] StockAnalysis INCH quote and share data

[8] CompaniesMarketCap Inchcape P/E history

Framework source: Chapter 4 and Appendix E of Investing Book July 34(1). Facts are drawn primarily from company materials. Valuation, normalized P/E, scenarios, LBO returns and position sizing are analyst estimates, not company guidance. Enterprise value and leverage exclude leases unless stated.

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