INCH XLON Inchcape PLC

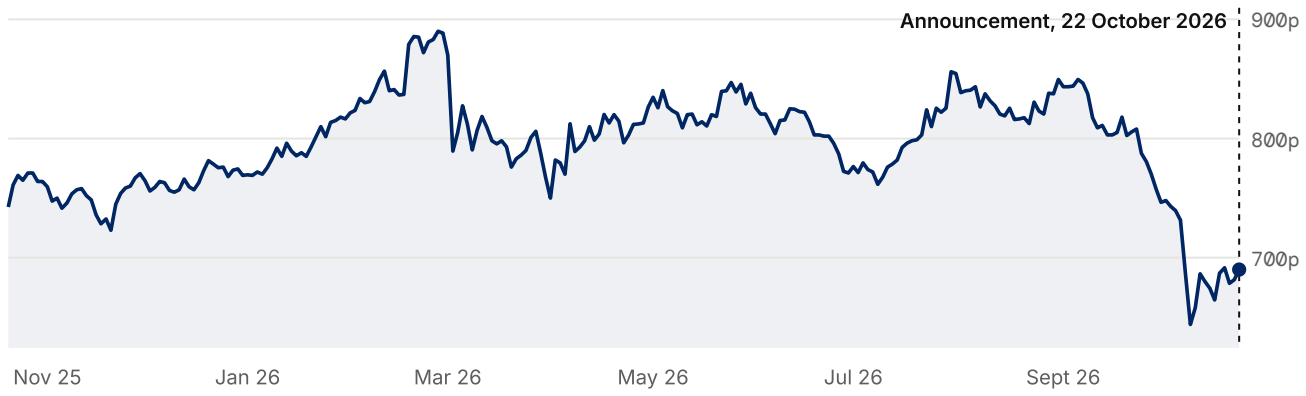
Q3 2026 Trading Update · RNS 9393Z · 22 October 2026

Inchcape cuts 2026 margin guidance to c.5.5% as Australian volumes halve, keeps c.10% EPS growth

Share price	686.5p
Market cap	£2.31bn
52-week range	627.9p - 891.5p
Shares in issue	336.8m
12-month change	-7.1%

Ticker Data API, as at 21 Oct 2026, 16:29

SHARE PRICE, 12 MONTHS



SUMMARY

Inchcape's third-quarter trading update today lowered its FY 2026 adjusted operating margin guidance to c.5.5%, three months after raising it to c.6%, because Australia is now expected to dilute group margins. Inchcape volumes in Australia fell 50% in a market up 1%, while Europe & Africa volumes rose 21% and the Americas 10%. Group revenue rose 7% to £2.5bn, but organic growth slowed to 1% from 5% in the first half. Adjusted EPS growth of c.10% and >100% free cash flow conversion are unchanged, though the company credits part of that EPS growth to buybacks, a one-off tax benefit and currency. The longer-term case turns on whether the growth regions and buyback can outweigh an Australian business with no visible floor yet.

KEY FIGURES

FIGURE	VALUE	PERIOD	CHANGE
Q3 reported revenue	£2.5bn	Q3 2026	+7% reported; +5% constant FX; +1% organic
Group volumes vs total industry volumes	+3% vs +9%	Q3 2026	
Australia volumes	(50)%	Q3 2026	Against industry volumes up 1%
Europe & Africa volumes	+21%	Q3 2026	16% organic; industry volumes up 2%
Americas volumes	+10%	Q3 2026	Industry volumes up 24%
FY adjusted operating margin guidance	c.5.5%	FY 2026	Cut from c.6% guided on 28 July 2026
FY adjusted EPS growth guidance	c.10%	FY 2026	Reiterated
Shares repurchased under £250m buyback	approximately £170m	To 22 Oct 2026	
Adjusted basic EPS	35.5p	H1 2026	Prior 35.5p; statutory EPS 23.3p (prior 32.4p)
Adjusted net debt	£672m	H1 2026	Prior £656m

Sources: Q3 2026 Trading Update RNS, 22 Oct 2026; Q3 2026 Trading Update RNS, 22 Oct 2026; Half-year results, 28 Jul 2026; Half-year Results, 28 Jul 2026

THE ANNOUNCEMENT

- FY 2026 adjusted operating margin guidance cut to c.5.5%, from c.6% given in July, because the underperforming Australian business is now expected to be margin dilutive. Adjusted EPS growth of c.10% is reiterated.
- Australian volumes fell 50% against industry volumes up 1%, as fuel-related disruption drove a rapid shift to new energy vehicles and the key OEM partner lost competitiveness. Inchcape has started a comprehensive review of product range and positioning with that brand partner, agreed to exit the Deepal contract, and expects the problems to keep affecting performance.
- Group volumes rose 3% against total industry volumes up 9%. Revenue grew 7% reported to £2.5bn, 5% at constant currency and 1% organically, with growth coming mainly from acquisitions and contracts won in earlier years.
- Europe & Africa volumes rose 21% (16% organic) against a market up 2%, helped by new Chinese OEM contracts and acquisitions in Iceland and Bulgaria. Americas volumes rose 10% against a market up 24%, with supply disruption costing share in some markets.
- Guidance for organic volume growth at the top end of 3% to 5% and free cash flow conversion above 100% is unchanged. About £170m of the £250m buyback has been completed, and 18.5% of the shares have been bought back since July 2024.
- The company lists one-off benefits to the underlying tax rate from a corporate reorganisation and translational currency tailwinds among the supports for FY 2026 EPS, and reaffirms its ambition of more than 10% EPS compound annual growth to the end of 2030.

AGAINST GUIDANCE

The margin outlook has reversed within a quarter. In July Inchcape raised its FY 2026 adjusted operating margin expectation to c.6%, after a first-half margin of 5.3%. It now expects c.5.5%, which still requires a stronger second half than the first. Organic volume growth at the top end of 3% to 5% and free cash flow conversion above 100%, both raised in July, are unchanged, and the c.10% adjusted EPS growth target is reiterated. Trading momentum has slowed: organic revenue growth was 1% in Q3, against 5% in the first half. UBS downgraded the shares on 7 October, citing APAC weakness as the shift to electric vehicles accelerates, so Australian trouble was flagged before today.

BULL CASE

- The growth regions are outpacing their markets or riding strong ones. Europe & Africa volumes rose 21% against a market up 2%, and Americas volumes rose 10%, driven by contract wins with Chinese OEMs and acquisitions in Bulgaria, Iceland and, from Q1 2027, Peru and Costa Rica, which generated about £48.7m of revenue in FY2025.
- Cash returns are large relative to the company's size. Inchcape has bought back 18.5% of its shares since July 2024, about £80m of the current £250m programme remains, and free cash flow conversion guidance above 100% has held through two quarters of Australian trouble.
- Top-line guidance has proved more reliable than the profit mix. Organic volume growth is still expected at the top end of 3% to 5%, and the Americas share gap is attributed to supply disruption, which could reverse as supply normalises.
- Australia is being actively addressed through restructuring, a range review with the brand partner and the Deepal exit, and the rest of the portfolio is large enough that group EPS growth of c.10% survives the drag.

BEAR CASE

- Australia has no floor in sight. Volumes halved in a growing market, the key OEM partner is losing competitiveness, and management expects the challenges to continue, so the risk is write-downs or further guidance cuts rather than a contained margin drag.
- Guidance visibility is poor. The margin forecast was raised to c.6% in July and cut to c.5.5% three months later, which weakens confidence in the more distant ambition of more than 10% EPS compound growth to 2030.
- Earnings quality is weaker than the headline. First-half adjusted EPS was flat at 35.5p and statutory EPS fell to 23.3p from 32.4p, while FY 2026 EPS growth leans on buybacks, a one-off tax benefit and currency gains that can reverse.
- Cash and balance-sheet headroom have narrowed. Operating cash flow fell to £385m in 2025 from £586m in 2024, current assets exceeded current liabilities by much less at end-2025 (£3.55bn against £3.33bn) than a year earlier (£3.44bn against £2.99bn), and adjusted net debt reached £672m at the half year. Growth reliant on Chinese OEM contracts in Europe is also exposed to any tightening of trade rules on Chinese-made cars.

WHAT TO WATCH

- The investor webinar on 19 November 2026, covering the distribution contract portfolio, M&A and value-added services, for any detail on Chinese OEM contract exposure and the pipeline behind Europe & Africa growth.
- Full-year 2026 results: whether the c.5.5% margin and above-100% cash conversion are delivered, and whether the company bridges the margin cut by segment and shows working capital and net debt after buybacks and acquisitions.
- The outcome of the Australian product range review with the brand partner, and any sign that Australian volumes have stopped falling, along with any impairment or inventory charges.
- Whether Americas volume growth closes the gap with a market that grew 24% in Q3 as supply disruption eases, and completion of the Peru and Costa Rica acquisitions expected in Q1 2027.

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