

Cazoo turns a profit weeks before going public in blockbuster \$7billion US SPAC

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AZOO is on track to hit its \$1billion revenue target this year, founder Alex Chesterman forecast today, as the used car website turned a profit in the second quarter.

The online vehicle sales platform – which intends to go public at a valuation of \$7billion via a merger with a blank-cheque company – reported a gross profit of £8million, up from a loss of £1million a year earlier.

Chesterman, the tech tycoon behind LoveFilm and Zoopla, put the turnaround down to a decision to bring refurbishing vehicles in-house and to start charging for home delivery of cars.

He said the company's plan to reverse on the New York stock exchange in combination with listed shell company Ajax I is on track to close at the end of this month.

Ajax I, run by billionaire US hedge-funder Dan Och, agreed to buy Cazoo in a deal valued at \$7 billion in March.

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Chesterman today said Cazoo's revenues surged more than 600% to about £141 million in the second quarter, with the number of vehicles sold through the platform rising 429% to 10962.

That is up from 2022 sales in the same quarter last year and represents a 5% increase in gross margins, according to the company's preliminary accounts.

Chesterman said: "Our rapid growth trajectory continued in Q2 with record revenues of around £141 million, up 605% year on year, as consumers embraced the selection, transparency and convenience of buying cars entirely online.

"Our gross profit per unit increased substantially during the quarter, up from £143 in Q1 to around £460 per unit in Q2, as a result of the continued improvements we made across our buying and operations.

"We remain on track to achieve revenues approaching \$1 billion in 2021 and expect operational efficiencies to continue to drive further gross margin improvements."

During the quarter, the group brought vehicle refurbishment in-house and now has five vehicle preparation centres in operation across the UK.

It also launched a car subscription service, offering consumers both new and used cars with the option to purchase, finance or subscribe, all entirely online.

Chesterman added: "We continue to be very excited about our launch into mainland Europe later this year and have started buying and reconditioning cars and started to significantly build out our teams on the ground in both France and Germany and will accelerate our investment and rollout plans if we believe it is right to do so."

Cazoo was launched in 2018 and its stratospheric valuation has raised eyebrows in the City. Pendragon, one of the UK's

biggest dealerships, is valued at less than £300 million.

One City fund manager who has shares in traditional dealers told the Standard: "Cazoo is a bubble. Pure and simple. Possibly one of the biggest ever. And when it pops, a lot of people are going to feel it."

But Chesterman countered: "We now have over 2,250 customer-obsessed staff, fully focused on delivering the best and most comprehensive car buying experience to consumers across the UK and Europe."

Och, founder of AJAX, said: "We are delighted with Cazoo's record performance over the past two quarters. The team have had another great quarter and this once again confirms the significant opportunity that lies ahead for the business as they continue to grow at pace and drive to increase digital share in the \$700 billion European market, which we believe will create compelling shareholder value."

Online car sales have surged after Covid-19 lockdowns forced traditional dealerships to shut. The company said previously it expects revenue to double annually through 2024 when sales hit \$8 billion.