

Pendragon shares surge after £250m sale of UK car dealerships agreed

Car dealership group [Pendragon](#) has seen its shares surge after agreeing the proposed sale of its UK motor business to US giant Lithia Motors for £250 million.

The company's share price was up by more than 25% on Monday morning after the deal was announced.

The sale of the entire UK motor and leasing business, which includes nationwide dealer brands Evans Halshaw and premium retailer Stratstone, is expected to be completed in the final quarter of this year if it gets the green light from shareholders.

The dealer brands will stay as they are, and it is understood no changes are planned to the group's more than 5,300 staff across the UK.

The group said it had been considering potential buyers after its share price began trading lower than directors believed reflected the real value of the business.

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Pendragon also revealed that it has agreed to a partnership to roll out its dealer management software arm, called [Pinewood](#), to Lithia's 50 UK sites and to enter the North American market.

The firm will remain listed on the [London Stock Exchange](#) and change its name to Pinewood Technologies.

Shareholders are set to receive a payout of around 27.4p per share – including 16.5p from the sale and 10.9p from the continuation of Pinewood and venture into North America.

Pendragon's shares were trading at 18.6p when markets closed on Friday.

The deal with Lithia, which has around 340 dealerships across North America, will help Pinewood's software unlock the North American market and aim for global expansion, it said.

Lithia's buyout follows a lengthy period of takeover interest for the dealership group.

Pendragon had been approached by [Swedish](#) motor company Hedin Group last September with a possible takeover offer worth £400 million, or 29p per share.

The group, owned by Anders Hedin, was its biggest shareholder with a 27.5% stake.

The potential buyer was handed an extension to firm up a bid but it did not result in a sale.

It came after Pendragon was forced to reject a bid of more than £400 million from an unnamed international company in August last year after being unable to get hold of one of its biggest shareholders.

It said at the time that it had managed to get the support of four of the five shareholders, but could not get through to the fifth.

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Pendragon chief executive Bill Berman said: "Pendragon has built one of the UK's leading automotive retailing businesses, underpinned by a market-leading dealer management system (DMS), the quality of our people, longstanding relationships with OEMs (original equipment manufacturers), and excellent execution for customers.

"The Pendragon board considers Lithia to be perfectly placed to build on this progress."

He added that the launch of Pinewood as a standalone company is a "unique and exciting opportunity" to create a product which can be marketed globally.

Russ Mould, investment director at [AJ Bell](#), said: "Rather than being swallowed up completely, Pendragon is selling its UK motor retail and leasing operation to North American player Lithia, together with offloading all debt and pension liabilities.

"It will be left as a pureplay technology company, owning a car dealer management software platform.

"It's an interesting move and one that completely changes the investment case."