

Used car market has 'defied economics', says Lookers boss

Lookers' boss today said the used car market boom has "defied economics" and is likely to ease in the second half of 2022.

Mark Raban said the listed dealership is being "very cautious" going into the year and "not getting carried away", despite expecting record pre-tax profits for 2021.

He told the Standard: "The exam question is: How long is this going to continue for? We will certainly see this continue throughout the first half of the year, and I think it will start to ease generally as we get into the second half.

"What has been going on in the market has defied economics. Used car prices do not go up, they depreciate. It's been very exceptional, so we are being very cautious about managing our transition back to what will be a normalised position."

Global chip production has slowed amid supply chain and logistics issues in the pandemic, stalling production and supply of new cars. Consumers face long wait times for new models and this, along with pandemic savings and wariness of public transport, has helped the used car market soar.

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The comments came as Lookers said it expects pre-tax profits for the year to end December 2021 to exceed consensus of £82 million. Raban said he is expecting a figure in the “late 80s”.

The firm now plans to restore its dividend as well as plough cash back into the business and roll out a new strategy.

The company faces a market disrupted by the likes of Cazoo and Cinch. Lookers will invest in tech to boost its hybrid physical and online offering, and open more stand-alone used car operations.

“What we’re trying to do here is future-proof the business,” Raban said.

The CEO said he still sees a “huge opportunity” for his firm in the UK used car market, as it sees over 8 million annual transactions and Lookers currently sells around 100,000 secondhand cars each year.

John Stevenson and Jonathan Pritchard at Peel Hunt cautioned that “on-going positive trends are offset by supply constraints and the potential for used car prices to normalise”, but said Lookers’ share price “discount to other car dealers remains unjustified”.

Lookers shares were up 1.8%, or 1.25p, to 71.3p, this morning.