

Redde Northgate plc

‘Getting Redde’ Spotlight Event

Tuesday 16th January

Transcript

Redde Northgate Attendees:

Martin Ward	Group CEO
Harvey Stead	MD, Redde Group of Businesses
Claire Owens	MD, FMG and FMG Repair Services
Richard Clay	UK&I Group Finance Director
Ross Hawley	Head of Investor Relations



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Martin Ward:

I would just like to say welcome to those in the room and to also those on the webcast. We're pleased to have the opportunity to deliver a focus session on the Redde business, what I like to call, 'Getting Redde', and to introduce three of the management team who will be presenting the majority of the slides today.

As noted in the RNS this morning, today is intended to put a spotlight on the various markets, business activities, and financial characteristics of the group of businesses which handle incident management and claims. It does not contain any sensitive price information and we're not making any comments about future performance or financial guidance in the presentation.

Slide 3: The presenting team is Richard Clay on the end as our UK&I IFD, he's here today to talk through the financials, from the Redde Business is Harvey Stead, who is managing director of the collective claims and incident management businesses, and Claire Owen, who is managing director of FMG and FMG RS.

Slide 4: We have a substantial slide deck today, which will help as a takeaway, but also to frame some of the detail, and this reflects the feedback we have had in terms of helping to understand the Redde business in much more detail. I'm limiting myself to a couple of slides at the start before handing over to Harvey and Claire, they can give the insights into the business, and Richard will then finish off with some financial commentary before handing back to me for the final remarks, and then we'll open Q&A. We plan for the formal presentation to be about an hour, and we aim to be wrapped up and have you on your way by about 2:30pm.

Slide 5: Slide five should be a very familiar slide to you all and it continues to work well in representing how, on a wider group basis, we have touch points at all stages in the life cycle of a customer and their vehicle. We have shaded out the Northgate activities to focus on those offered by the various businesses that collectively make up Redde, and which together report revenues under our claims and incident management segment. All of these services combined represent a unique set of complementary capabilities which have mobility and the customer at its heart.

Slide 6: At the time of the merger in 2020, we set out our strategic rationale, which brought about scale of infrastructure and operational leverage to address market opportunities. We also indicated that the financial strength of the combined group would bring benefits to each, particularly around fleet sourcing and management, as well as the resilience that financial scale brought to areas such as cash flow management.

You've heard from me over the past three years as to how this scale has helped us gain revenue synergies, particularly for Redde in the form of the integrated platform, and the multi-service contracts we have won which have delivered benefits to our customers. And I know Harvey and Claire will bring these to life today. Before handing over, I want to finish with some comments on the trends in our markets.

Slide 7: One of which is the continued move to outsourcing more of the services surrounding mobility. Mobility services is not a core competency for our partners, in terms of offering vehicle replacement, vehicle repair, or legal claims processing, but it is a core competency for us and what they need, and ensure they work with the provider who can provide it. I highlighted in the H1 results that the consolidation of supply chains into an integrated service was the way forward, which leads to better customer outcomes from a service perspective. And we are seeing a continued trend of outsourcing of non-core services, which we should expect to structurally benefit from.

Technology is also a key component within the next generation of vehicles, which are becoming increasingly complex to repair and investment and training in a highly skilled workforce with the latest repair techniques is a valuable asset to own. And given our skills, experience and use of technology, we are well-placed to meet these opportunities in the market. The claims and services business represents a great opportunity for further growth, and we expect to continue with the strong momentum we have seen since scaling up the business. On that note, I'm going to hand you over to Harvey.

Harvey Stead:

Slide 9: Thank you, Martin. Good afternoon. Really want to talk a little bit about the market, about where our businesses sit within the market and the services that we provide. With this slide we're trying to give you a sense of the scale of the markets in which we operate. The last five to ten years has been real significant growth in the UK car park. Growth that is really quite remarkable. There are nearly 40 million vehicles as we sit on the road today. Now, that does include HGV, it includes cars, vans, a degree of agricultural use, but still higher than it's ever been previously. Now, clearly that growth results in more traffic on the road and invariably more traffic on the road will result in more incidents. And you'll see through the presentations today, the common theme of what all of the Redde businesses do is around incident management and managing claims and repairs.

The Redde businesses are operating in key segments where we're a substantial provider and there's still significant opportunity for us to grow. We really have no direct like-for-like competitor that can provide integrated and industry leading solutions in the way that we do.

There's lots of recognised providers and names that you would recognise in some of the separate sectors that we work in, but not one single provision that would give a joined-up solution in the way that Redde is able to. As Martin said, Claire's going to give a deep dive into our FMG Repair Services business, but to offer you some context, the whole body shop world is very diverse and is a multiplayer industry.

There are a few large, consolidated players which make up a significant proportion of what I would probably call corporate capacity. There are still thousands of Fred in the Shed, three-man band, under the arches, but to give you an idea, they're probably completing and processing two to three repairs a week.

On average, within our Redde FMG RS sites, we're probably finishing 25 to 30 repairs a week, and some of the bigger sites much more than that. We work in a market that is really insurer focused, and because of that it is more complex repairs by the very nature of us processing insurer work, significant damage, higher value, and longer timelines. However, the large independence that we are competing with also represent a significant part of our supply chain.

When we go to the market, we go with a blended solution, which includes the capacity that we own through Claire's business, but also working with that independent network. This market is continuing to consolidate both in terms of M&A but also for insurance companies to look into drive out efficiencies and lower OPEX costs through reducing the number of suppliers that they're engaging with.

Slide 10: With a significant presence and a long track record across all of our market segments, and our brands are really well known as a B2B provider, our differentiated strength comes from the combination of the services that we can offer across the product set and also our ability to be able to grow with our customers. We have a comprehensive menu of services that our customers can choose from, and by owning all of these businesses, we offer a bespoke solution where there are no real service gaps. We're consistently award-winning through all of the businesses within the group, and we actively value our customer feedback. That includes exceptional trust pilot scores where we're able to demonstrate unwavering commitment to being customer-centric and delivering on our purpose of keeping our customers mobile.

Slide 11: The merger in 2020 has given benefits including greater nationwide coverage, but also enabled us to improve our speed of response to incidents. It's given a scale both in terms of fleet purchasing and financial capacity. The business has matured significantly since the start of 2020 with significant new customer growth. We've also seen a substantial growth in our capabilities, both the size of our fleet and our overall branch network. And the group has also expanded through acquisitions, such as that of the nationwide repair business, which is now trading as FMG Repair Services. This means around half of our repairs are undertaken internally with, as I said a second ago, the remainder working through the independent network.

Slide 12: We work in two primary key market sectors and that's the insurance world and vehicle leasing, and within vehicle leasing, I combine that with large corporates, but insurance is our largest sector by far. However, we also have a significant presence in the public sector. Primarily this is blue light - emergency services or potentially automotive or transport related public sector, and most of that business is carried out through our roadside recovery operation in Huddersfield. We interact with the end user consumer through each of our business channels. This could be the policy holder, as a private individual, or a company car driver or possibly a company van driver.

Across all of our businesses, we have real significant focus on customer care. It's vital that the customer is engaged throughout the process. Generally, our interaction is through an unplanned experience and an unplanned experience that often was not their fault. We are a major player within these markets, but there's also plenty of opportunities for us to still work through, both within the segments that we work within, with our existing customers and with new opportunities.

Slide 13: A couple of examples here of long-term sustainable relationships that we've developed over many, many years. About 40% of our revenues are from relationships that today are over ten years old, and then we've got about another 30% plus where we've been working with the partner for over five years. It's clear that this demonstrates strong and trusting relationships. I would always say that winning the account in the first place is the easy bit, and actually that's never easy, but making sure you are still the first-choice provider at first renewal and second renewal and beyond, that's where the hard work starts through the service and operational delivery. With both of the organisations that we're showing here, we've highlighted we've become an integrated and embedded partner. We're still looking to build and expand our overall services and the remit to drive added value to reduce friction and to improve their customer's own experience.

We started working with DLG, Direct Line Group, in 2016, where we provided credit hire solutions. Within the presentation, I've got a slide that will differentiate between credit hire and direct hire just to cover that. We expanded that to include direct hire in 2021, and the merger between the businesses gave us buying power to compete in this sector for the first time. And then with the acquisition of FMG Repair Services, we secured a significant amount of Direct Line's repair volume and today we are now their largest repair partner. With National Highways, which was Highways England until about 18 months ago, we were actually their first outsource provider.

They went through a public sector tender process in 2008 and today we remain their partner of choice. This is a commercial model based on statutory fees.

It's a centralised roadside recovery programme, we've got a 90-minute clearance KPI deadline, but we also look after major incident support - this could be multiple vehicle collisions on the motorway network, vehicle fire, or very complex heavy goods vehicle incidents.

With technology that supports the traffic officer in driving efficiency, so they know when the recovery vehicle is going to be on site, the type of vehicle, the driver, the capabilities. And within this business unit, all of our colleagues that operate are police checked to a minimum of level one and they work from a secure unit that's based within our site in Huddersfield.

Slide 14: From a fleet perspective, we have a very diverse Auxillis fleet. This includes vehicles produced by over 40 different manufacturers and really is representative of the UK car park and the demand of our Auxillis partners. Demand is seasonal as you would expect, in line with the UK's road traffic conditions and clearly the winter months are our peak period. We flex our fleet during the year in line with demand and we have taken rotations specifically set up to take this into account. It's also important however, that we maintain the correct mix as well as the age and condition of the vehicles on hire, and our target is a holding period of two years. Vehicles are secured through our own funds, what we would call our own risk, or on contract hire schemes.

The purchasing route is dictated by price and expected residual values on planned disposal date. In terms of demand reducing during the pandemic where national and regional government-imposed lockdowns significantly impacted on road traffic volumes, while then clearly our demand was significantly curtailed. And what we have seen since then is investment, which was required to rebuild the fleet as volumes returned, as well as additional units that were required for the new business that we'd won. The increased branch network post-merger as well as combining vehicle purchasing power alongside Northgate has allowed the Redde businesses to be competitive in the daily rental sector and win market share from insurance partners, which again, for these partners has increased the share of our wallet.

Slide 16: A little bit about credit services and direct hire. Credit services are provided to a customer who have incurred a loss as a result of a road traffic accident, which was not their fault. We use the example of sitting at a roundabout. If you're sitting at a roundabout and somebody runs into the back of you, that is the most clear-cut, non-fault incident that you could possibly imagine. If you're the individual that runs into the back of somebody who's sat at the roundabout, that is as clear-cut fault as can possibly be.

Following the referral from the Auxillis partner and that could be one of a number of large insurers in the UK, we undertake a rigorous assessment of the liability and the need that the customer has, and that's carried out before our services are deployed.

I've just given you a very, very simplistic fault non-fault provision. There are lots that are far more complex than that. Before we deploy our services, we have to be comfortable that the third party was at fault. The customer incurs a charge for the hire vehicle and the repair, which upon completion, Auxillis effectively are seeking redress from the guilty third party's insurance company. We're supported by the liability and need assessment that we carried out before the services were deployed and about 70% of the claims we managed work through what's called a protocol agreement. This effectively expedites the payment process with both parties benefiting from lower cost of recovery.

To date, Auxillis have now managed to secure the majority of its claims under protocol through demonstrating to the insurer that the service provided to the customer is entitled under common law, and as far as possible, the customer has looked to mitigate their own losses. The claims that are not settled under protocol are initially sought through negotiation and Auxillis have to be able to demonstrate the practices employed, as outlined by the GTA agreement, where reasonable costs are settled for hire, which factor in the additional services provided by Auxillis. So, vehicle recovery at the scene of the incident would be an example of that. And then ultimately, and this is happening less and less, if no agreement is able to be reached and as an absolute last resort, Auxillis will issue legal proceedings to cover their losses through the court process.

Slide 17: In terms of how these claims arrive with us, well efficient and comprehensive incident notification from the policyholder, from the driver, is absolutely crucial, and this breaks down into two different areas within our businesses. In our service businesses and predominantly within FMG, we are nearly always interacting directly with the policy holder at the side of the road, and this will be 24 hours a day through either an over-branded telephone line or increasingly through e-portals that the driver's able to use to access us. With this interaction, engagement, understanding, and empathy is absolutely key.

We call this a distress purchase. When the driver left his home this morning, he did not expect that he was going to be involved in an accident, regardless of whether it was his fault or not, and so every part of this was not factored into his day and has become a problem, and it's our responsibility to make sure that that process works as smoothly as it possibly can.

Within Auxillis, what we would probably describe as our claims businesses, generally, we accept the data from the insurer in real time as the incident is reported to them, and this is where our interaction would commence with the insurer. Now, be mindful, these notifications can be really serious incidents, concertina accidents, six or seven vehicles involved, sometimes involving emergency services, more often than not, the vehicle being undrivable, so having to arrange recovery of that vehicle. But for every one of those, we also deal with three or four where somebody scraped the gateposts as they left the house that morning and significantly damaged three panels, which is still an insurance claim. And the teams within our contact centres have to be trained to work with all different types of incidents.

We are generally the only representation and interaction that the customer or driver will have with their insurer. In theory, you could be insured for years with no claim, either against you or as your fault, you could pay your renewal each year and you could have absolutely no interaction with your insurer whatsoever. So, you judge your insurer invariably on how well they manage the claim, and really that's about how well we manage the claim and how well we manage that claim throughout the lifecycle.

Repairing the vehicle, arranging the mobility, getting you back on the road, recovering those costs, if that's applicable. This is why a chosen partner within the insurance sector has to be able to understand and mirror the insurer's brand values and their perandnality.

We're a partnership business. We're obtaining work by winning and developing partnerships with leading insurers and large intermediaries through our scale, through our reputation, and increasingly through our range of services. And we work closely and collaboratively with our partners to optimise the capture of claims and reduce leakage. Leakage is effectively where somebody will go and have the repair managed themselves, they'll arrange their own vehicle, and invariably the costs are increased if the insurer's not able to control it.

Slide 18: The Redde businesses have vertically integrated the entire motor insurance supply chain within the Group. Our primary focus is repair and replacement vehicle hire, and there's various forms of that. Additional services generate income independently but are complementary and designed to drive growth in repair and hire. Supplying all claims-related services gives Redde credibility, it adds value to our total proposition, and it enables us to win and retain work. We demonstrate value to the customer, to the driver, in an easier, more streamlined customer journey. We demonstrate value to our partners in outstanding customer satisfaction and NPS scores, as well as claims cost control. And then as a group of businesses, we demonstrate value to our parent by maximising cost efficiencies and optimising the conversion into income-generating services.

Slide 19: This slide looks at the business models that exist within our various businesses and how revenue and cost profiles look for the different services. It shows a closed book differing relationship with partners, for credit hire as composed to direct hire. This reflects the different risk profiles and contractual relationships between the two. For credit, this is a claim for losses with the work provider, with the insurer. Receiving income through commission, and it removes the risk of recovery, and effectively you are maximising their revenue but mitigating their risk.

With direct hire, you're generating an invoiced income, and this is one of the core purposes for an insurer, is to limit their underwriting expense by achieving the lowest possible solution they can, so you're again mitigating their cost exposure. Within our incident management businesses, we predominantly have a transaction fee-based model for the core services that we provide. What's consistent across all our model is the potential for cost benefits accruing to both us and our partner where scale and efficiencies are achieved. The search for efficiency means we're also seeing a greater number of insurance partners coming into our protocol relationships where the vast majority of our claims are resolved and paid within 30 days, and this is done on a pre-agreed automatic basis.

That helps from a customer's perspective, from an insurer's perspective, it shows trust. The benefit it gives in terms of the counterparties is to avoid the build-up of litigation and claims provisions, and that impacts on the insurer's own regulatory reserves.

Slide 20: As we bring together multiple services for a partner, we can also extract more value and consistently a greater share of what we would call the incident wallet. Across all of our businesses, we are seeing consolidation in supply chains. We are a clear beneficiary from this move, and the benefits we offer are very much aligned with the needs of the insurers and our corporate partners.

As supply chains are reviewed, the attraction of a partner who can support multiple service lines has the ability to grow with the partner's demands and to increase digital interaction to ensure we are first pick when an insurer is potentially reviewing a preferred partner shortlist. This is a trend that we do not see reversing at any time in the foreseeable future. The recent Lex Autolease win was a clear example of this, where they valued our ability to take their business as a whole, integrate their team, consolidate their supply chain, and reduce overhead and required spend on IT and CAPEX.

The pandemic created a protracted disruption across the insurance and vehicle repair industry, and we're still seeing degrees of that fall out now. The short-term reduction in vehicle usage and miles driven clearly reduced incident rates and volumes for that period. Vehicle manufacturers slowed to near zero for around 18 months. That created supply chain issues for vehicle manufacturers, but also, hugely importantly for us, the replacement parts that are required to repair vehicles that are on the road.

The market dislocation through Covid and thereafter, the dislocation across supply changes, the supply chain challenges we see with recruitment, both within our own organisations and within the insurers own claims teams, has caused issues but also presented us with huge opportunity.

It's prompted, undoubtedly an increased move to outsourcing to key suppliers, such as FMG and Auxillis. The customer response now is to consolidate with a trusted supplier, and we're seeing more and more the continuation of a move to identify areas of their own operation that are now deemed to be non-core services to them.

Slide 21: I'll now hand you across to my colleague Claire, and Claire will provide a detailed review of FMG Repair Services.

Claire Owens: Thank you, Harvey. Good afternoon, everybody, my name's Claire Owens, I'm the managing director of FMG and FMG Repair Services. Back in August 2022, I took up the role of managing director of FMG Repair Services with a clear mandate to transform the business and realise the value of the opportunity we had post acquisition. Many of you'll be aware, we bought the business out of administration, so there was lots still to do on that journey. Today I'm going to talk to you about that and talk to you about how the business has come a long way in the last 12 to 18 months over my leadership.

We've brought in a new operational team to reset the new direction of travel, and we've also introduced new ways of working to drive productivity and efficiencies. During this presentation, you'll see in here both how the market and the business is changing and FMG Repair Services is evolving to cement our position as one of the leading groups in the repair market.

Slide 22: You can see here a good overview of the marketplace and how it operates. So I think it's useful to give you just a quick look at what the opportunity is.

We're an industry really worth around six and a half billion pounds.

We do four million repairs within our sector, two million of which is in the insurance market that we play in. If you look at what we're doing as a business, our penetration rate is in single digits - plenty of scope and opportunity for us to work through. The body shop market Harvey's alluded to is highly competitive. It's fragmented and it's diverse. If you look at the slide, you'll see the chart that gives you a couple of illustrations of the types of businesses that are playing in this space, from independent groups to dealerships, to insurance owned sites.

We, in the last five to 10 years, as an industry is seeing consolidation and we see that move to consolidation continue through to today. Over the last 10 years, around 26% of our body shops have reduced and you can see that the market is certainly consolidated within that place.

Consolidation will continue, it's my prediction, it's the market's prediction as well. You'll see consolidation continue in the marketplace quite simply because the levels of investment required within those sites and body shops to service the vehicle park of the future.

EVs require new technology in a different level of investment. And with that, a lot of the threads in the sheds, as Harvey referred to them, start to demise and can't keep it with that level of investment. Larger groups, like ourselves, are well positioned to navigate these challenges and seize on the opportunities.

When we talk about other challenges in the market, you'll often hear post Brexit, the migrating workforce that was often seen in the UK has started to reduce, which has created a skills shortage in the industry. I'll touch on that today and talk about what we're doing about it and how we're leading the march in that space.

Another unique dimension of the body shop market is our presence of repair network. You can see the table on the right-hand side of your graph, is an illustration of what those repair networks do. This is where another part of my business is FMG, come into play. It's complex, it's time-consuming and it's costly to go to market and direct source from each independent body shop, particularly when you've got just shy of 4,000 in play.

Often partners and protective partners use networks and use management teams that deliver those networks similar to FMG to secure capacity. Within FMG and FMG RS, we're operating in both spaces to give the blends and the advantage to our customer base. The combined size and scale of the two businesses means we have a competitive advantage.

We've secured access and we control access to repair capacity that nobody else has got in the market. This opens up the dialogue for prospective partners, not just to operate in repair services, but to then open up into the wider mobility services platform and bring our other brands into play.

We've touched really on the marketplace, but what does this mean from acquisition? So sometimes it's useful to jump back in time before we jump forward.

Slide 23: Back when we acquired FMG, we bought 77 body shops out of administration. We had 2,300 colleagues and on review of the estate as we expected bringing it out of administration, the sites were severely lacking investment. Where investment was deemed disproportionate to returns and there was a low payback, those sites were subsequently closed down.

I'm not talking about investments in sites that are investing in kit. What we are talking about is investments in the fabric of the buildings. So large scale investment like roofs and leaky roofs. We don't want to be using umbrellas inside workshops and we've got electrics and power tools at play. We made a rationalisation decision and said, 'Look, let's rebase what we've acquired and then we can build for growth.'

In summary, year one: post acquisition about rationalising this data and making it safe. Year two: springboard for growth and we've reset those foundations and that's really been our focus for the last 12 to 18 months.

So what do we do? We're a one-stop shop. Not everybody in the marketplace can deliver what we are doing. We offer mobile repair services, which is quite unique. We're offering them a glass fitting service as well as operating in fixed body shops. We've got a range of solutions, but more importantly it's across the UK and then gives us wider access into our mobility platform.

We're working through investment plans, we're updating aged equipment as you'd expect when you're brought a business out of administration, and we're right sizing our equipment for future needs. So what do I mean by that? When we see ramps breaking and workshops, we don't replace on a like for like basis.

When you look at the vehicle park in the future, we're looking at heavier vehicles, batteries, electric vehicles. They won't go now on two and a half ton ramps or three and a half. We have to invest in new ramps which can keep a higher load, weights for the vehicles that are coming through.

We're also evolving our service proposition, not just in the kit that we look at, but also to deal with the complexity repair. Whether it's dealing with batteries, materials of new vehicles, new brands, new models or new technology, many of the repairs coming through will require a reset or calibration, so we are having to invest in our sites. But there's a payback and quite a lucrative payback in that respect.

In summary, the last 12 months has seen us invest heavily in the site and in the kit, but also in our technicians. We have to bring our technicians into the future, and I'm pleased to say all of our technicians within FMG RS and every one of our sites have got the capability and the skillset that they can access now to fix electric vehicles and alternative fuel vehicles for the future. So that's right across our 64 sites. If you bring a vehicle in, that's got an alternative fuel, you will be able to get it fixed and repaired in one of our sites.

We're building up capacity and capability. It has taken some time, but we're doing it to ensure we've got a measurable ROI, that we've got sustainable growth within the business. We're doing it with great potential. Our sites are geographically really well-placed and we're looking at what we can do to expand further out, but more importantly, repair capacity is becoming the glue for our integrated mobility services platform that we sell to the wider customer base.

Why is it the glue? Well, often in this marketplace, our prospects are coming to us to access repair capacity. We know that demand is outstripping supply. When they're coming to access repair capacity, we can show the breadth and depth of our services in order to reduce their cost and make sure we maximise value for them and for ourselves.

Slide 24: So, what's different to FMG repair services? What's our differentiator in the marketplace? We've touched on demand, outstripping supply, but why come to us? Size and scale is a key determinant really of why a lot of our prospects come and onboard on our business and how we're secure in our business.

Size and scale gives us two advantages. The first one, better management and control of the workflow coming through. So when you've got a spread across the UK, you can control the workflow to ensure you're driving productivity gains within your business. But more importantly that size and scale means we can leverage the benefit to strong supply chain relationships, which then result in improved margins coming through the business.

Technical competence is key, we've got 650 technicians, and all of our technicians are expert in their area and become a key USP. Customer service and quality, I won't touch on all these, but it goes without saying, if you haven't got your customer focus and you haven't got your quality, then you're not going to get repeat business.

We put customers at the heart of everything we do and within that mantra, we then back ourselves in doing that, and we offer a lifetime guarantee in the repair and we can do that because of our size, scale, breadth and depth. And that becomes really attractive to some of our insurer partners.

Integrated group offering, I've touched on. Harvey's referenced that we get the blend of best of both. We service internal customers and external customers and by doing that we can make sure we've got the advantage to control the workflow but also maximise the benefits of the clients. Then ESG, which I'll touch on a couple of slides later on, sustainable solutions are really increasing importance because of our customer base and that's at the heart of our strategy going forward and being part of the PLC.

You'll also see the benefits the PLC brings to a business like repair services when they drive that carbon initiative. We've got a high penetration in the insurance sector. We believe in forging strong mutually beneficial relationships with clients. These long-term commitments are scalable, but they provide stable and predictable revenues for the future, and second to that, these customers also understand the importance of obligations and payments and financial obligations, particularly when you're looking at some of your reserves and reserves management. So it allows us to maintain healthy cash flows to reinvest back into the business and unlock shareholder wealth.

Slide 25: We have touched on people a couple of times in the last five, ten minutes. Body shop businesses are people driven enterprises. I'll talk about how it's our people at the heart of what we do and makes the difference to both the customer and the bottom line.

Why are people so important in a body shop business, in a repair business? Labour's the commodity, it's labour that we build. So we become quite obsessive operationally about labour productivity and labour efficiency. Skills, manual labour to be precise - quite unique and it's a growing workforce.

As we grow our workforce, we'll grow our profits. When we look at the vehicle car park as it's evolving, you'll see more complex repairs. More complex repairs require more parts and more labour to fit the parts. So again, you end up with a win-win. We set ourselves apart as being an employer of choice through the unrivalled benefits we offer and we can access these benefits through being part of a PLC.

Many of our benefits have become really attractive because of our ownership and group structure, and our facilities and working environment become increasingly important when you've got a challenge and a skill shortage within the market. So who doesn't want to get out of bed and work in an environment that is clean, organised and high-tech rather than dilapidated and leaking roofs? We're extremely conscious of that as we push out to the market and really drive our ambition to be the employer of choice.

We're working towards an environment where colleagues can develop and grow. We're a lead in the industry really, with over 50% of our colleagues with more than five years length of service, and it's no surprise as length of service increases, productivity and efficiency increases.

It's become a key focus of ours for the next 12 to 18 months in really driving that retention rate through. I'm ambitious, our group's ambitious and our business is ambitious and our ambition is to be the UK's largest IMEI employer of technicians in the country.

IMI for those that don't know, is the Institute of Motor Insurance and we're the only business in the UK that's got an accredited IMI training centre. Again, you can see our commitment to the industry and the future skill shortage.

Side 26: So training, it doesn't just stop with training your existing employees. We have to do more to bring more into the industry and by bringing more into the industry, we'll be able to increase the throughput and grow volume subsequently grows profit. I referenced at the start, one of the biggest industry challenges: it is addressing the skill shortage in the market and that intensifies competition.

We're at the forefront of driving that and we see it as an opportunity to really look at our apprenticeship programme. We've got an industry-leading apprenticeship program that not only recruits apprentices on mass, which nobody else is doing, but we also recruit apprentice mentors.

Apprentice mentors is about passing your skillset onto the next generation. We buddy up an apprentice with a mentor which increases the retention rates of both the apprentice and the apprentice mentor. Again, we can address the skill gap and knowledge gap, and ensure we are growing homegrown talent rather than having to constantly recruit externally in the marketplace.

I was thrilled to say our apprentice programme, nominated in the ABP award or Apprentice Programme of the Year, we were shortlisted. But more importantly it's about our people. Our apprentice won Apprentice of the Year Award. So we don't just put the glassy fix up there, we actually follow through with what we're saying and really demonstrate our commitments to that next generation, but also to grow in our business for the future.

I talk about mining broad and mining deep within the business areas and we do that very much in our recruitment and HR teams. We don't just mine deep for apprentice and skills and technicians, we have to go broad, and we're now diversifying our labour market. We've got around 10% of our workforce that are now females on the apprenticeship scheme and we expect that to continue as technology and new ways of work increases and becomes a more attractive industry to work in.

Slide 27: Low carbon initiatives and increasing value for our partners. As you'd expect when our partners are large corporates or insurers, this tends to be the top of the list. And Harvey and I see it time and time again, when we're tendering for new business. It's a fundamental part of our ESG strategy as we align our goals to our customer's basic goals, but also align to the overall Redde Northgate group.

When we look at what we're doing specifically, we take the impact on our environment extremely seriously, so having invested in several low carbon initiative schemes, a couple of which are on there to talk through, but the key is how do we transition to low carbon practices and embed it into our ways of work? And we're on that journey today and we're successfully making changes. Our new paint scheme, which you can see up on the slide, is a really good example to draw that out.

As we all know, if you spray a car then it needs to dry. How we dry becomes the key determinant. All of our workshops have got paint booths and paint booth emits carbon by putting a car in a paint booth for a lower bake time, reduces the carbon emission. But we can go one step further, we can change the paint product so it becomes an air dry product. Again, air dry product doesn't switch on the paint booth to start, still keeps the quality of finish and actually it creates a new skill for the painter where it's got to do something other than finish just in a paint booth. So quite a different and unique skillset for a painter to use a different product but also benefits the business and the wider environment.

Second to that, you've got on the screen how we're reusing rather than replacing. This is truly where we change our ways of working in the body shop. We've always talked about repair over replace. Repair versus replace relies on technology. Not all body shops can invest in the technology to deliver that. A good example, plastic welding, now we weld with plastic, in order to weld with plastic, you have to have a new tool to do it.

When we're pulling panels, we can use glue pull repairs and panel repairs, which all requires new technology and new investments in kit. While we've got that investment in kit, we can increase the throughput through adopting it. Again, not only does it benefit the environment, it reduces our carbon emissions, it reduces our impact on waste because we're no longer disposing of the bumpers and plastic. What it also does is increase the vehicle off-road throughput.

We can get the vehicles back on the car quicker because you're not waiting for a part to be shipped across, which as we all know, nobody wants to be doing that at the minute. You can then start to get the vehicle back on the road because it's gone through the workshop a lot quicker.

So a real win-win for us all. And then lastly, second to last, I'm going to share with you not just my words, but really give you some insight into our operation. I always think it's important when we stand up here that you don't just hear from me, you hear from my team. And you see and breathe what we can do.

Unfortunately, we can't take you all around the body shop, but we've got technology at our fingertips. When you look at the technology advances, our environmental considerations and our increasing customer expectations, we have to adapt to all three to evolve and to thrive.

[FMG RS Video interlude – available on our website under media – videos]

Slide 29: What does the future hold? Well, it'd be no surprise if we're not expanding. We're building new sites. In the interims Martin give you a snapshot of two of the new sites that we've popped up and further growth should go in the next couple of years. We're expanding our capacity, we're kitting out our existing sites with technology that is future-proofing our demands and supply fulfilment.

But the pictures you're seeing already give you an idea of just the type of workshops we're building; clean, organised, which become attractive and compelling proposition to the labour market that we can bring into our business.

I said at the start of this, that demand is outstripping supply and that's a great space for me personally to operate in it's always an opportunity for the group and that's what gets us excited in the morning.

We've got a healthy pipeline of prospects that are coming through but more importantly for me, not just prospects with an FMG repair services, we may hook them through, but then they'll field out into the wider mobility platform and look at alternative services right across the group.

We've got a fantastic opportunity in the next couple of years ahead of us, but more so you can start to see our growth plans come alive.

Thank you for your attention. Hope you found it insightful. I'm happy to field any questions at the end when we do Q&A, but for now I'll hand back to Harvey. Thank you.

Harvey Stead:

Slide 30: Thank you, Claire. I think what the video actually shows, we live in a very process-driven world, and actually what we're expecting is that vehicle, two weeks after you've had your accident, to come back to you in exactly the same condition as it was: panel fit, bonnet, boot doors, metallic paint, invariably and no difference to when it left you.

But bearing in mind that when you bought that vehicle new, it was probably built in a factory and it was virtually untouched by human hands. There's a huge amount of skill, I think it's not a daft word, almost craft involved in repairing vehicles, and that's why the process, in terms of the colleagues we bring through are so keen to retain. But particularly the apprentice program is so vital to what we do because it is still very much a people driven business.

The second part of my presentation is going to focus on how we win and how we manage our contracts and primarily the opportunities that lie ahead.

Slide 31: The motor insurance industry continues to be a really demanding sector, where loss ratios are invariably close to or more than a 100%. Major insurers are increasingly looking at how they can remove friction and how they can remove costs, and one way to do that is through an integrated supply chain with fewer touch points and fewer handovers with one supplier taking financial responsibility for the customer journey and the commercial model, and that gives the insurer certainty and accountability.

But to achieve this, you have to demonstrate core focus. None of the Redde businesses are involved in any other areas of mobility other than insurance. So we're not involved in the retail sector or travel or leisure. All of our replacement vehicles are around insurer related and insurance claims. We're not involved in any other area of claims, we don't manage household claims, we're not involved in travel insurance, we don't manage pet claims.

Across our businesses, motor is our sector, and we are widely recognised as experts within that sector, and a great example of this would be QBE. So QBE insurance we've worked with for over 10 years. And over that period of time, our remit has continued to increase. We provide first notification of loss services, so we're answering their calls from their drivers. We provide repair management, third party claims, dealing with the driver that their insured ran into. We manage loss recovery on their behalf, but increasingly also management of data and claims management information.

So what detail can we provide them through our services that's helping them with their underwriting process? And to this end, we're increasingly seeing that RFI and tender requirements from the insurers are focused on that next level of integration.

The management of the claim, the management of the repair is really a given. But to convert these opportunities, we've got to be able to demonstrate that our systems are integrated, that the capacity and capability we have can demonstrate market expertise.

And Claire touched on it, but we're also seeing increasingly the ESG agenda reflected in the insurer's needs, and again, working with an integrated partner across each element of the process ensures a single approach with solar accountability.

Slide 32: The initial tender and the award process for any significant contract generally is a 12-month process with smaller clients or some added services, it can be done in shorter timelines. And it's worth noting that a huge amount of key stakeholder relationship building, a fact-finding market positioning takes place prior to this. I am a firm believer with all of my teams that you have very little chance of winning an account if your first engagement is when that RFI lands.

We're in constant dialogue with potential partners about tracking their contract timelines, understanding their renewal frameworks, and understanding their culture. And these relationships can occasionally actually circumvent a formal tender process. And we've had examples recently, where we've actually converted significant accounts just through that ongoing building of relationships. Doesn't happen very often, but it's really great when it does.

And then phase two is the implementation. The implementation of the account, again, generally six to nine months, dependent on complexity and engagement. It's really critical to ensure that everything is done right pre-launch and we have significant investment through this phase in our people, in our technology and in our fleet.

And some of these IT projects can be really complex, it can involve your applications teams and your developers, and they all play a part in making sure this works well.

Slide 33: A successful implementation is critical to developing that long-term relationship with a new partner. We would always say that the first 6 to 12 months of your relationship will be really reflective of the longevity. If we get this right, if we understand the customer's requirements, but also they understand how we're going to build and deliver this, we know that we're on the path to that long-term client relationship that we so strive to create.

Contracts can vary from three to five years across the contract size range. Three is a broad average. Our experience has shown that the real benefit to the customer comes in years two, three, and four of a relationship, and so the expectation on both sides is of renewal at the first contract cycle. Indeed, it's actually more typical to see volume or additional products and service extensions available at this point rather than necessarily going into a formal retendering process.

In each business, we've got significant contract management teams who are supporting our customers, monitoring KPIs, ensuring issues are resolved quickly, but also looking at where opportunity may be. Gaining positive feedback from the policy holder, on their engagement, on their service experience, at a time of what's a high stress incident for them is key for the insurer and how the insurer can judge renewal opportunities. But clearly it's equally important for us.

The win last year with Tesco is a really good example where we had a relatively limited relationship with them through a JV we had within one of the businesses, but actually because of the work that we'd done in advance, we were able to persuade them to increase the scope of their tender because we knew in doing that, we would be able to offer more added value to that solution. So this was a tender that started to look initially at repair management and then the scope of that was broadened.

Slide 35: As an integrated platform helps maximise benefits to the customer and it simplifies their supplier engagement, and for many of our customers now, this is non-core activity, looking for expert support but in a flexible and agile format that best suits their needs. As a service provider, we are only as good as the people in our business and the platforms that they work on. And increasingly these platforms across our businesses are linked and united as the solutions become more and more integrated. When we talk about an expert, that's where we're looking for a trusted supplier who will be interacting directly with the insurer's policy holder who can offer a highly responsive service, while also delivering cost efficiency across their platform.

And then when we look at being agile, that's about the ability to integrate a bespoke group of services together, but with minimal friction between the service handoffs. Seamless claims reporting, transparency on costs, greater digital integration for speed and for efficiency.

And more and more, we're seeing the requirement and the potential to make this increasingly bespoke, allowing the customer to see benefits as they grow both the volumes and the breadth of support from the platform.

This also allows us to demonstrate a managed service handover, such as aligning the repair completion with the replacement vehicle return so that you're not having multiple touch points within your business, and again, increasing efficiency and reducing costs.

You will all be aware; the world never stands still, and we must be able to adapt quickly and invariably where we see change that brings opportunity to our businesses.

A recent example would be the changes that we've seen in the insurance world with Consumer Duty. Now interestingly, this does not directly or formally impact the majority of our services, but by perception we've had to make subtle changes to our processes to accommodate our partner's requirements as they make changes in their world to accommodate the Consumer Duty laws.

Slide 36: We are now working with our insurance partners to digitalise the customer experience, and this is a real opportunity for us to lead these discussions, designing future-proof solutions and further embedding ourselves as a chosen long-term partner. These platforms will reduce leakage, they improve the customer's journey, and they allow us to remain competitive, and often share those cost reduction and increase revenue opportunities with our partners.

Sometimes these developments can feel gradual and often we can be slowed down by our customer's own digital capabilities. However, the data that we collate through our processes, the data when we're taking the incident from the side of the road, the data around the vehicle damage, around cost analysis, fault categorisations, mobility choices, this is critical to help the insurer build a smarter underwriting model and a customer experience perception.

We're progressively seeing aging architecture across the market, and we're able to position our advancements in tech and data to help drive and accelerate the insurer's own journey.

Platform solutions are increasingly becoming a key differentiator, and for us completely aligned with our focus on driving increased digitalisation through the claims management process. More and more with our existing customers and with new business opportunities, this is the key focus in terms of how we can ensure that this is joined up, how we can ensure that we're taking friction out of the process, and how we can provide that data back to them.

Slide 37: A couple of screenshots here from both of these award-winning portals. It shows real-time data, it shows how we unlock operational efficiencies. We're providing digital engagement both with the consumer but also with our customers in terms of dashboards for the partners to be able to effectively delve into our systems and see where the vehicle is, where the claim is in its lifecycle.

A good example of that digitalised journey is the Auxillis customer portal. This is mobile optimised, as all of these things now have to be, it reduces manual intervention, you're taking the paperwork pack away, and this is tailored to the provider and can be linked to the insurer's own digital platform. It includes a chat function, which is now widely utilised as well.

And then the second example, within FMG, we now share in digitally imagery of the damaged vehicle. In addition to that, our customer portals have a comprehensive suite of performance led dashboards that provide data and analytics to support our corporate and insurance partners, both in managing the fleet and the cost of the claim.

Slide 38: Although our partners are many of the largest insurance players, there's still always plenty of opportunity to go for, and we see these continued opportunities across the product range.

The table on the left gives you a sense to our service provision with the number of our customers, and there's deliberately no ordering with these partners.

What we're illustrating here is that we still have plenty of opportunity to do more with our existing customers, but also that we've grown our partners and our service lines significantly since 2020. And those are the areas we've highlighted in green.

The lower table level illustrates the range of discussions or opportunities we see in the near term, and most of these are for multiple service lines. With some we may start small but with plenty of opportunities to grow over time. And the pie chart on the right shows that within the insurance space there are a number of large insurers that are still not clients.

Slide 39: In very simple terms, business development is threefold. It's account retention, holding onto what you've got, it's maximising the opportunity within these relationships both in terms of solutions and revenue, and then it's the bit that everybody wants, the 'new' - securing relationships through business development and often competitive tendering.

And we have seen within Redde in recent years the impact of these accounts such as Saga, such as Tesco, such as Lex Autolease, the impact that these accounts have had on our business in both scale and performance. And there's some big numbers here.

Our opportunities arise when we define the value of an integrated mobility platform, and we can show what this unlocks for a prospective partner. To illustrate the size of the prize, the lifetime revenues for these opportunities can range from £20 million to £250 million, but for a full service, fully integrated opportunity with a large leasing company with a large insurer, that in its own right could reach £1bn.

As a senior team within Redde, we're all hugely excited at the potential growth and the opportunities that we have in play. We've clear focus on building the infrastructure and the team to deliver the capability and scale to capitalise on these opportunities, and we can see in the next 12 to 24 months continuing to deliver the momentum that we have seen since our businesses merged in 2020.

In conclusion, I hope that Claire and I have helped provide a useful insight in giving you a better understanding of the businesses and the markets in which we operate, as well as a sense as to why we are such an attractive partner to insurers, to leasing companies, and to our corporate partners. There's great confidence within this business and anticipation of the opportunities that we have before us.

Slide 40: I'm finally going to hand you across to Richard who's going to provide some commentary and context to the financial profile of the Redde businesses. Thank you.

Richard Clay:

Slide 41: Thank you, Harvey, and good afternoon, everyone. I'm going to talk you through some of the financial considerations for Redde, including some further detail on margin and ROCE, the investment required when bringing in new contracts, and the cash flows generated by the business.

First up, some history; the revenues, the EBIT, the margin of the Redde business. We completed the merger in February 2020, the first full year was FY '21, the 12 months to April 2021. This year was heavily impacted by COVID lockdowns reducing the traffic volumes and road traffic incidents.

In FY '22, traffic returned to near normal levels, but the number of incidents was still below normal levels due to changed commuting patterns.

And then in FY '23 you started to see the power of the Group. We took on two new contracts including Direct Repair, which significantly increased revenues, and this changing mix of service offered impacted margin. Mix is key, and so I'm going to give you a bit more detail now about mix.

As we've explained in previous presentations, the mix of work will impact margins and in the next slide I'll show you a little more on how, but just here as an overview, we may decide to take on lower margin work to build relationships with customers and demonstrate our service provision to win more work in the future.

We evaluate contracts based on multiple factors for the longer-term success of the group, including margin, but also ROCE, overall relationship, contract length, etc.

Another factor relating to mix is where we are providing incident management for a customer. We source services such as recovery and repair and we source those either externally or internally, like through FMG RS. We pay for the services and then invoice the customer, be an insurer, together with a fee or margin for the incident management.

This is most common in FMG. And where FMG is effectively acting as principal rather than agent in a contract, IFRS 15 requires us to recognise all the costs and revenues of providing the services to be reflected in the P&L rather than just the margin.

This accounting has the effect of reducing the margin, but the overall profit for the contract is the same. And that's another factor that comes into mix.

And then in the first half of FY '24 as disclosed in December at our interim results, we've continued to see growth from those contracts as they reach full run rate. The half on half EBIT was up 29%, you'll probably remember.

Slide 42: Now a bit more on margin and other factors relating to individual services providing further background to my point on mix. As you've heard, Redde provides a number of integrated mobility services with differing impacts on the reported financial results. What this slide shows is the relative margin and ROCE and investment related to these services.

First up, credit hire. Credit hire has a higher margin than the Redde average, and ROCE is also higher than the Redde average. Credit hire income is driven by the number of referrals from partners, the hire rate determined by market and agreed rates, and the length of hire. So quite a few factors at play. The length of hire was higher post COVID due to disruption in the parts supply chain that meant repair timelines were longer.

Credit hire requires an investment in vehicles to provide the service and net working capital from the legal claims of which Harvey has said already is about 70% of those are in protocol.

Credit repair is in a similar bucket to credit hire. Its income is driven by the number of repairs and the complexity of those repairs. The cost of the repair is claimed from the at fault party's insurance company, like credit hire, and both margin and ROCE are higher than the Redde average.

Direct hire on the other hand, as a general rule, has both lower margin and lower ROCE than Redde averages, and typically includes fees to deliver, collect, and provide a replacement vehicle on behalf of the referral partner.

Then direct repair, which has a lower margin than average, but ROCE is generally higher than average, although it will be impacted where we invest, for example in the FMG RS body shops, where we might need to expand capacity, or improving our capability in those body shops as Claire has also referenced.

And finally on this slide, roadside recovery is higher margin. There's very little investment required, and a fee is received for managing the recovery.

I suppose the key point here is that, as Harvey is explained from a commercial perspective, we look at the whole relationship, the growth of the incident wallet in assessing and evaluating our contracts. We follow a disciplined approach with multi-year business cases, covering P&L, cashflow, balance sheets, and thus returns when we are looking at opportunities.

Slide 43: That's a bit on the P&L and the margin. Now we're moving to the investment and the cashflow. I want to provide you a bit more understanding of where we need to invest to support Redde Services. And this slide breaks it out into four core areas of fleet, working capital, systems, and people.

To provide credit and direct hires we require a fleet of vehicles. The majority of the incidents are referred by insurers dealing with individuals and therefore the fleet is mainly cars and reflects the UK car parc.

We have a fleet in Redde of approximately 15,000 cars, but that fluctuates up and down based on the time of year, number of incidents being managed, with winter months typically requiring a larger fleet. We fund this fleet both through contract hire and using our own loan facilities. We generally hold these vehicles for 24 months and target utilisation of around 82%, which is managed across our 33 Auxillis sites.

As an example, if we're taking on a new contract to say 10,000 hires per annum with 20 days average hire length expected on that contract, then that would be 200,000 rental days per annum, and that would require 668 vehicles, which we would then go and decide whether we purchase them or take them on contract hire.

That's fleet, then working capital. When we take on credit hire and credit repair, we have a build-up in working capital dependent on the mix of claims that are in or out of protocol. These are legal claims, not standard invoices. And whilst protocol claims, which represents circa 70% of total claims now are typically paid in 30 days, non-protocol claims can take on average around 200 days to collect.

Work for direct hire and direct repair is performed on agreed rates with customers and settlement is within standard commercial terms. So the working capital requirement is lower in those cases.

Finally, IT and people when onboarding a new contract, you heard some references to it, but we may also need to build on our in-house systems and that development to integrate it with our partners operating platform will involve some further investment to manage that.

And then we also need to take on people, so there may be a requirement to onboard, may be a requirement to train people in our call centres to assist customers in an incident, as well as claims management specialists. And so those may come in before the contract starts.

Slide 44: With all that investment, it sounds like it might be impacting the cashflow. My final slide is just what does that mean for the cashflow? The first part is fleet. You'd see this coming through in Growth CapEx, if we were winning a new contract, we acquire our fleet for our credit and direct hires either on risk using our own funding, coming through Growth CapEx, or through contract hire with a panel of funders.

The mix between owned and contract hire depends on what terms are available at that point with our funders.

We may also on occasion use cross hire from other rental companies to source particular vehicles for short-term periods, peak demands, whether seasonal or in a specialist vehicle category. You've got the fleet investment and you've got also then the big other one is the working capital investment coming through on the working capital line in the cashflow.

And importantly here I'm going to labour on the credit hire and credit repair. Auxillis' credit hire and repair income is not a traditional invoice. It's with a payment date that becomes due, it's a legal claim. We follow a rigorous process to ensure that claim is legally valid, you've heard about that already, and therefore it's a case of when the claim is paid, not if it is paid. But there are different ways that it could be paid.

There are three payment routes. The insurers in protocol arrangements, with payment terms of less than 30 days, this now represents 70% of the total. Protocol arrangement defines how claims against our insurers will be managed, it includes pricing of both credit hire and credit repair claims, what information is required to be associated with that claim, and how quickly they should be settled.

The great thing about protocols is that it reduces the admin and the litigation costs on both our side and on the insurer's side.

Where there's no protocol arrangement in place our recovery specialists engage with insurers to agree settlement for our client losses. On average, we are paid in around 200 days. If claims remain outstanding for a significant amount of time, we will move to litigation through the courts using our own in-house legal firm. Commencing this process in itself will often prompt payment with the majority of claims settled well before reaching court.

And finally the third type, if non-protocol insurers build up significant levels of debt, for example, post-COVID where staffing levels were a problem, then Redde may enter an agreement with an insurer to settle a large number of claims in one go. And that's often referred to as a bulk settlement; and this can often be followed then by the insurer coming back into a protocol arrangement afterwards.

So that's the overview of how the investment impacts the cashflow. Now I'll hand back to Martin to sum up.

Martin Ward: **Slide 45:** Thank you, Richard. And firstly, can I just thank everybody in the team for their presentations today, by the way, very well done. It takes a long time to put these things together and it can be a distraction, but as I say, very well done.

My three informal takeaways, first of all, I think we've shared more information in the last hour or so than I have in 30 years. So well done team.

My second one is you all nodded when Claire said you all know how the current paint techniques work. I'll be testing that later.

And then the third one was on Harvey when he talked about that sort of non-fault vs fault accident going up the back of something at a roundabout, being a clear, non-fault or fault, so 50-50 but when we speak to customers, 95% of them said they were not at fault. So you could do the math there anyway.

Anyway, but my three serious takeaways from today are, I think hopefully this has given you sort of a good insight into the Redde businesses. We're operating in market segments which are benefiting from positive trends. The services that we've put together are in demand, and we've seen that from that sort of consolidation in the supply chains and the conversations that we're having.

I said at the half one results, we're talking to insurers, we're talking to customers that we've never talked to before because of the service proposition that we have.

The second point is the business has developed in many ways over the last three years. I think Claire said it, we defined a new market segment. There isn't anybody else offering the combination of services that we do today. So that's a go-to place for services and we expect to continue to grow on that basis.

And as Harvey pointed out, there's such a lot of growth to go for. The markets that we are operating in are very big, there's still further to go. There are insurers that we don't have any relationships with that are in our prospect pipeline. Harvey gave you a timeline of some of those. Some of the really big ones actually can take even longer, two years. You still have those relationships, you might go into test with something, you might undertake some work to sort of see what the quality looks like, how we work as businesses, but there's some real big opportunities there.

When we look at the overall group, Redde and the claims businesses has a big potential in terms of what we can do, these could be sort of game changing in terms of size.

Just to round up, hopefully you've really got a good sense of what the business does and hopefully now that will sort of answer all the questions that you can ask me for the next 30 years as well!

Q&A

Martin Ward: Okay, we're now going to just move into Q&A. So we'll take questions from the floor. Can I just ask you to direct the questions to me in the first instance, and then if I think somebody on the panel is best suited to answer, we'll do that. If you can just give your name before as well because we're online. And then we'll take questions at the end online from people on the webcast. Jamie has the microphone, so we'll go to James first.

James Lowen: Thanks very much, James Lowen from J O Hambro. I have two questions, one on the FMG side, you said it's fragmented and it's consolidating. What's your attitude and appetite to consolidate, and how easy will it be to create value given the potential of vendor prices?

And then secondly, on the financial side, you talked about the fleet and making the assumption about the end value. How do you manage that end value risk and mitigate where there is a risk?

Martin Ward: Okay, James. So Richard, you can do the finance one secondly, but Harvey, do you want to have a go at the fragmentation on FMG and consolidation?

Harvey Stead: Yeah, I think we're seeing more and more across the supply chain that insurers just do not simply want to buy repair capacity or vehicle replacement or third-party solutions, but increasingly they see that joining it up is a way of controlling those costs.

Being at that point where you're actually helping them scope out what the solutions look like, absolutely doesn't mean that you're 100% guaranteed that you'll end up there. But I think we're finding more and more we're getting involved earlier and earlier in the process.

Martin Ward: And I think in terms of that answer as well, James, there's a lot of opportunity as we sized up on the presentation, over four million repairs in the market, two million from the insurance market. So, there is an opportunity to look at that sort of consolidation, but what we want is we want more of the mobility across the piece.

As Claire said, repair is the glue. I don't think we would just do repair for the sake of doing repair. It's the whole mobility into the integrated platform. And I think we'll size the business appropriately as we see that develop.

Okay, Richard, do you want to pick up the second question?

Richard Clay: As I said in the presentation, there's a balance in the fleet between risk and contract hire. We don't always own that residual value risk, we only hold it on the risk fleet, which in Redde is just 40% of the fleet with 60% on contract hire.

And the fleet then is owned by the whole fleet services team who look at both the LCVs and the cars. So they're very well positioned to look into the market and look at the residual value risk. We're constantly reassessing residual values, and the way the accounting works is we take that into the P&L almost immediately. We're always aiming towards an end value of the vehicle, and we readjust our depreciation rates in order to get to an end value that we believe basically creates a nil profit or loss, or a small profit.

Martin Ward: And I'm just going to add to finish on that point as well, James, you might've seen market news yesterday. Oakley Capital invested in one of the regional body shops or one of the national ones in the Steer Group. The valuation was a good strong valuation, over £400 million.

So you look at what we do, I think they're doing about 100,000 repairs. Internally we're doing about 100,000, but combined we're doing 200,000 plus repairs. So you can see the value that should be ascribed to some of their work activity. And I think it was very clear as well from the presentation just how much involvement there is in that sort of whole repair process from a skills capability, from a technology, from having the right state, to investing in the accredited standards. So we think there is a lot of value there that maybe is a better unseen in truth.

Andrew Nussey: Andrew Nussey from Peel Hunt. Couple of questions. If we go back to slide 19 where you had the differing models, can you just give us a feel for where you are taking element of fixed price risk as opposed to cost plus type model? I think you referred to incident management as being cost plus in terms of relationship, but are you committing to your insurer partners a particular price for a particular type of repair and therefore that puts the element of delivery risk onto you?

Martin Ward: Richard, do you want to answer that? Probably best placed to you.

Richard Clay: Andrew, I suppose it's sort of an operational leverage type question and a sort of, "What is your agreement with the third party?" As you say, there are some contracts that will be more weighted towards a fixed payment and some will be more weighted towards a variable payment.

Incident management will tend to be a type of a fee with a cost-plus type thought process, and probably credit hire and repair will tend to be more of a fixed, we're paying a commission to receive a referral. So it would just be more of a fixed element. When you're in FMG RS, a large proportion of FMG RS cost base is fixed with the branches. It really differs between the different mixes of business that we do. I think it's too difficult to sort of create a general rule around it.

Martin Ward: Yeah. I think it's fair to say that as we've seen through the results, we are able to pass our inflation on where the costs are fixed. And I think that isn't sort of contested in the market where we need to do that.

Andrew Nussey: And second question, can you expand on what the partner referral commission is? Is that an element of differentiation between you and your peers?

Martin Ward: When work is referred to us, we pay a commission for the referral of that work, the distribution of that work. Is it a differential? Well, if you are efficient and effective at the front end in terms of creating value when you're doing what you're doing, then clearly, you've got additional values that you can share. So you've got to be a very good operator to be able to provide the best competitive terms. And it's sort of taken in the market that you've got to operate at that level, because when you pick up work, yes, as the team said, our partners will look at the quality, they'll look at all the inputs, the customer service, all the things that are important.

And it is true to say that commercials are becoming a second. I would never have said that before because of that sort of focus on customer outcomes and retention. So it's important as an operator that you are creating the value and you're able to be competitive at the front end.

Andrew Nussey: And just a third question while I've got the mic. In terms of managing what proportion of work you choose to repair yourself as opposed to what goes externally and then equally managing the capacity within your own repair network, how is that all managed? Is it all done digitally? Or is it done by your own repair network saying, "Look, this is the capacity we've got." Because to me that's sort of one of the margin opportunities, is just getting that perfected for want of a better description.

Harvey Stead: In a way, we've almost been a little bit too successful with FMG Repair Services. I think we envisaged that we would have more of our work going through that. We're at about a 50/50 blend now. Yes, it is done digitally, but there is always a second touch point. It is around, geographically, the capacity in that area. We don't formally guarantee our partners' work per month, but we effectively do because of the amount of volume that we are driving through the process.

What we don't want is a process where we're having to look two or three times to place that job. Invariably, whether it's going into our own network or going to our partner, we want it to be accepted at first point of placement. But I think it's trying to get a fair mix between the two, isn't it?

Claire Owens: In answer to your question, it's a complex process. We have a Head of Capacity Management and a Capacity Team who work through the optics of both the service requirements, customer outcomes, and commercial outcomes for the business. There'll be a number of factors we take into account when we place work. Most

notably, we put customer requirements first. So how close do they need to be to the body shop? Is it within a 30-mile radius? Is the freedom to deploy, is it a 15-mile radius, etc? And then, technology, is it a brand of a product that the closest workshop is manufacturer approved? Is it a JLR, VW? And then, it'll go back to whether the commercial teams with that repair on our network are attractive to us. If not, we will redirect the work and move it in-house.

So you're quite right. There's no one-size-fits-all, which is why we have a team and experts in data science that sits behind it to unlock the value. But is there more to go for? I always say to Martin, "There's always more to go for. We need to optimise what we do day in, day out."

Martin Ward: And that sort of demonstrates, it looked like a very simple question there, Andrew. But the sort of complexity or the detail behind it just demonstrates really how much goes into the business. David, you've got the microphone?

David Brockton: It's David Brockton from Deutsche Numis. I've got three as well, I'll do them one at a time. I noticed in the presentation that you didn't sort of explicitly give a market share for the claimant's management generally. Is that because it's notoriously difficult to estimate? Or can you give an estimate of your exposure to the UK car park and ultimately how big this business could be? Thanks.

Harvey Stead: I think it is incredibly difficult. It depends whether you are looking at policy old accounts. It depends whether you're looking at fleet size and vehicle mix. Traditionally, we generate our revenue through the number of incidents that we manage. So actually, you could have a smaller policy count that generates a high number of vehicles or vice versa. I think as Martin said, probably not fair to say we're scratching the surface because we've got a significant share of the market. And we've got to keep ahead of that market in terms of opportunity, but we've still got a huge amount more to go. I don't know if I'd be quite comfortable enough to put a percentage to it.

Martin Ward: Yeah. I would say because you've got the different segments as well around repair, direct hire, credit hire, credit repair, and each of those will have different attributes and so forth.

But we think we're low thirties, in the sort of 30% in the credit hire. In the credit repair, we have sized that as a 4.2 million volume market. And as I said, we're around about sort of 200,000, so low single-digits in the market that's got further penetration. And direct hire, well that's just a feature of how many policies.

David Brockton: Great, thank you. And then, the second question, which I suspect is for Harvey as well, is just in terms of win rates. And can you maybe just give an insight into how tender lists have changed over the last sort of five years? Are you still coming up against smaller players? And when you lose work, are you losing it to bigger players or smaller players still?

Harvey Stead: Two different answers to that. So there's retention, and our retention rate is high nineties. We know when we win an account, as long as we provide the services and manage that relationship in the way that we should do, we've got a very, very high retention rate.

We tend to find if we are in a competitive tender, and I talk about not winning it rather than losing because there's a subtle difference, it would be more around that partner staying with their incumbent. So whether that's because they've not got the ability to be able to change, whether it's because processes and system changes would have to be done. But I think we put in one of the other slides, sometimes our competitor can depend on the key focus of the requirement. So you could have three tenders together, and be competing with three different types of competitor in each of those.

I would say, and certainly on the bigger opportunities that we chase, 70- 75%. That does not in any way mean that we are arrogant when we go into this, because we go into it really, really focused on making sure that we secure and we build on the service solutions that we've got. I can't think of an account since the merger that we've not won that has moved away from the incumbent elsewhere.

David Brockton: Thank you very much. And then, the final question just relates to parts shortages and claims inflation that's clearly been a benefit to the business over the last few years. As supply improves, is there a risk that that could sort of slow the rate of growth or reverse some of the elements that have supported growth in the last few years?

Harvey Stead: Actually, it's not been a benefit, actually. It has been a challenge.

David Brockton: Not for longer credit hire periods?

Harvey Stead: Well again, in a way, it sometimes can make the claim - and interestingly, that's one of the reasons that our protocol rates have increased, not the only one, but one of many reasons why our protocol rates have increased. But equally, it can make the claim harder to work through the process, because you've got to justify everyone in much more detail as to why that rear door took four weeks longer to get from Japan than you anticipated it would do. And it is to that level of detail to get the claim paid.

Claire would definitely say that protracted parts supply is not a benefit at all because you've got to do much more work to secure that part either from a refurbished green part or from a non-OEM provider. When we say it's getting better, it's only getting marginally better. And we're certainly nowhere near where we were in 2018, 2019. We have seen some improvement in the last 12 months.

Martin Ward: Yeah. So to be clear, David, because there were two parts. Yes, there are tailwinds that you get from longer lengths of hire, and you benefit through that through the revenue where there are delays in sort of repairs. I think Harvey was admittedly thinking about the costs that you see that just come through on inflation. And as you know, we worked hard to try and sort of pass some of those costs on. But they are pass on of costs. If those costs go away, they don't need to be passed on. Our margins work on the basis that we try and maintain the same sort of level of margin.

Andy Smith: Hi, Andy Smith, Panmure Gordon. In relation to these insurers' contracts, it looks as if there's a number that you don't supply, and I imagine you are going after them as well. Is there an imminent pipeline? Because it seems that whenever you do win a contract, there's going to be a material step-up in revenue expectations. So is this something that we can look forward to each year that there may potentially be a new win?

The last one was, I think Lex in July last year, which you announced. Since then, there hasn't been any more. So I was wondering, is there a pipeline that's imminent?

Martin Ward: Harvey, do you want to pick up the prospects?

Harvey Stead: Yeah. This sounds like my budgeting meeting at the start of the year. We never guarantee a significant win every year. However, business development is like spinning plates. It's keeping those relationships going and knowing. There are formal tenders. We have a number of large formal tender processes that we are working through currently, and we should be confident that that will continue to deliver significant growth.

And then, there's that ongoing relationship-building piece. So actually, the example we used about how our protocol rates have increased, that's actually the starting point of rebuilding relationships with the insurers. Because if you're in a protocol agreement, you are dealing with them at the highest level, and once you've got that relationship in place, that's when you can start to build and look at what opportunities could be. So we'd never sit here and say, "Yes, we will absolutely secure a significant account every year. We'd be disappointed if we didn't."

David Farrell: Hi. David Farrell from Jefferies. A couple of questions from me. Thank you very much for the detail on margins, but if we were to kind of take a higher-level view of Redde, and the prospects that you've got looking forward in terms of direct hire, credit hire in the relative mix, what is the right margin to be thinking about for the business?

Richard Clay: You've seen our margin moving around a bit. And I've probably hopefully brought to life some of the factors that go on, particularly when you're only looking at individual six-month periods as to what is actually impacting that margin. There's the mix of the different services, which ones are growing more. The direct businesses have lower margins, the credit ones have higher margins, the recovery one has a high margin. There are so many factors going on.

It is difficult to pin yourself to a number and say therefore you should be saying, "This is your revenue growth and this is your margin going forward." We take a really disciplined approach to the way we look at new contracts, and margin is just one of the factors that we'll be looking as the output of it. Ultimately, we're trying to grow EBIT and we're trying to grow ROCE in returns for the overall group.

Martin Ward: I think Harvey said as well, sometimes you might be forming a relationship with a new partner where there's a bigger price effectively, but you might start off on something that's lower margin. We have to take the view as we build these relationships whether we feel that's worth doing what we're doing. So we might be, there was one customer that's sort of returning to us, where we are from a historical position where we're providing a low margin product to them today, but that could develop into the higher margin products. So you will get that sort of variety on mix.

I think as we report and update, I think the EBIT margin was about 6.3% that we did in the half year. I think it doesn't suddenly, suddenly change, but the size of these contracts could mean that it could have an impact on that sort of change.

But I think hopefully today by all the analysts and everybody on the webcast listening, they can understand when we do announce a new contract win, what the profile of that is. Because we probably put more detail in with the contract win so that everybody can sort of try and slice it up a little bit more.

David Farrell: My second question is, if I look at slide 14, which is the average fleet size that you've had, it looks to be a lot more volatile post-Covid than it was pre-Covid in terms of the highs and the lows. I was just kind of wondering if you could give a bit of insight as to why that is.

Martin Ward: So, you're just looking at the profile of the size of the fleet?

David Farrell: Yeah, just looking at the delta between the highs and the lows of the fleet size. It seems to be a lot more volatile 2021, '22, '23 than it was perhaps in 2017, 2019.

Martin Ward: You've obviously got the Covid mix in there, which I think you recognise. You've got the starting point from what the size of the fleet is. You've got the big contract wins that came in 2022, started to roll out in '23 as well. I think also we sized the fleet up to some of these big contract wins, but as I say to the team, you don't always need to own all of the fleet through very short periods.

There's some seasonality effects there, whereby we want the discipline of cross-hiring out in the very peak. So if you look at a distribution curve, we say we fleet to the shoulders of a distribution curve and we cross-hire for the peaks. There may have been some fleet in there where we've actually met the peaks. I think that's why you'll see a bit more volatility. It's very difficult to get sort of a solid picture from those years because of Covid and because of the sort of pre-contract wins, post-contract wins. But I think there will be more consistency now.

And then, the overlay to this would be another big contract win, what does that look like? What does it do to the fleet? That we'll procure fleet, and we'll manage the fleet appropriately as we see fit. And the utilisation on the existing, we said about 82% differs from the 92% on a van fleet for example, like Northgate that's out on rent because vehicles are coming in and out of body shops, in and out of our branches constantly. So that's sort of the level that we work to.

Harvey Stead: Yeah. And we manage that utilisation literally on a week-by-week basis so we can plot what the requirements are in two or three weeks hence. Because clearly, if we don't have enough vehicles that's going to cause a problem. But equally, we don't want a huge number of vehicles sitting about. It is a core operational measure, making sure that the fleet is right-sized.

Joe Spooner: Thank you. Joe Spooner from HSBC. Just going back to the margin question, I guess the direct hire is a newer part of the business than the credit hire. Can you give a sense of how far that has grown in terms of the mix? Because that's obviously been one of the headwinds that has taken place. And is it a fair assumption to make that because that is a less developed part, that actually that's going to be a growing part that kind of caps the ability to get back perhaps to historic levels of where those margins were? I think they were at the group level, something like 8% kind of pre-merger. Is 8% not a level that we get back to?

Martin Ward: Okay, Joe. I think it's going to be a similar answer to the answer I didn't give before, which is it is difficult to tell. You're right. It's a newer part of our world. Redde has done some direct hire in the past, but not to this sort of level of volume.

If I look at the prospect pipeline, that's probably the best way to answer it. It is a blended mix of repairs, direct hires, credit hires, credit repairs. So we're just not going to be able to give that certainty as to where that margin would be.

I think there's an aspiration to sort of get up to the 8%, 9%. But as I said, when we're facing into a market across the platform and we want to take that work, it will have that mix, and the timings will be different. As I say, we can't put a precise answer on it. But I wouldn't say it's prohibitive, because as I say, a full integrated services will have a richer mix.

James Zaremba: James Zaremba, Barclays. Three questions, please. One, just on the vehicles on the hire, you provided those stats. I think they were 35% higher. Can you split that between share gain and some of those new contracts versus that extended hire length? That's question one, please.

Martin Ward: I think that's a detailed question. If it's public, I think Ross could probably help you with that one.

James Zaremba: Okay. Thank you. And then, the second question would just be in terms of I guess that scale efficiency, shared driving, driving share gain. In terms of the difference, I suppose, revenue streams, when it comes to the credit sides, is the way you share that via being able to offer a higher referral commission? How do those partners benefit from your efficiencies?

Martin Ward: The commercial arrangements will differ from each partner, and it could be different arrangements across the piece. There's no one set rule across that.

But generally, we will keep that up to date through the lifetime of a contract so that there's no sort of Big Bang moment of coming up to renewal if it's something hasn't been touched for five years. We'll refresh that and keep that up to date with the contracts.

James Zaremba: And then, maybe lastly, just Richard's comments on that kind of principal-agent thing. If we look back at historic margins, has that kind point of always recognising revenue as the principal always been the case? Or has there been a change over time when RFS-15 came in?

Richard Clay: There's been no difference since merger. If you look pre-merger, there may be, but I couldn't talk to that. The sort of fact that we are in the majority of cases viewed as the principal, it hasn't changed since the merger.

What has changed is that the business where that mainly is in FMG has grown significantly. Many of the contracts that we've been talking about touch FMG in some way and create revenues and costs within that business. And if they were

classified as an agent, you'd see very high margins created by that. And that would significantly change the margin profile of the business, but they aren't.

James Zaremba: Maybe one last, if I can, for Claire. Obviously, your kind of insurer claims is quite seasonal. I guess do you have seasonality to the repair side of the business, I guess, sort of reflecting that? And how do you manage it?

Claire Owens: We've got a good blend across the two businesses. We talked a lot today about the insurer business, but we are the market leader in the corporate and fleet sector. And that's why we balance our workload with corporate and fleet and insurer. And that's the benefit of having both a capacity that you own and a wider network. And then, we'll optimise the flow. It depends on seasonality mix.

I think the advantage we've all had in the last 12-18 months is winter doesn't look like a normal winter, so winter's become protracted summer. Where we would normally see traditionally claims volumes drop, it hasn't because a lot of staycations post-Covid. The seasonal effect post-Covid doesn't really impact on the business. It's not as material as it would've been pre-Covid. And it's certainly not material to our numbers because we do load balance, as I call it, between the network, corporate, and insurers. So we're quite well-balanced as a business.

Martin Ward: Okay. Thank you, James. Okay, I'm just conscious of time. Have we got any questions from the webcast? Ross?

Ross Hawley: Thanks. Just a couple and I think fairly quick from one shareholder. Just in terms of the CapEx which went into sort of operating FMG RS in terms of managing EVs, is that all done now?

Richard Clay: I don't think we could say it's all done. As Claire said in her presentation, we want to be ahead of the game in terms of investing to make sure that we can provide the capabilities that the customer needs for any instant. And so, we've upgraded lots of different areas already, but we will continue on that investment path. But in the grander scheme of things, when you're comparing it to the Redde Northgate fleet that we're buying, these are quite small in comparison.

Ross Hawley: Great. And just again, in terms of managing the capacity amounts, the responsiveness of the capacity capability in the network, is it something which when you talk to them, are our third-party providers able to flex responsibly to our needs? I think you answered quite a lot of that in the presentation.

Claire Owens: Yeah, we covered it in the presentation. The advantage of having such a broad network with over 400 repairers gives us the resilience. And that's what we're looking for, resilience both in-house and externally so we can flex with demands. And that's what we're paid to do.

That's why our partners continue to trust us with their business and grow with us, because we do respond stronger than everybody else in the marketplace.

Ross Hawley: Perfect. I'll handle a couple of others offline. Back to you, Martin.

Martin Ward: Thank you. All right. Okay, we're going wrap up here then. I just want to say thank you to everybody on the webcast that stayed with it and to everybody for taking the time to come today and to listen to the Redde business. I hope it has been helpful. Thank you for your attention. Thank you for your questions, and hopefully everything goes plain sailing from here. Thank you.