



Interim Results
H1 2023

7 Dec 2022



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| Agenda

- 1 **Overview** *Martin Ward*
- 2 **Financial Review** *Philip Vincent*
- 3 **Business Update** *Martin Ward*
- 4 **Q&A**



Martin Ward
Chief Executive Officer



Philip Vincent
Chief Financial Officer

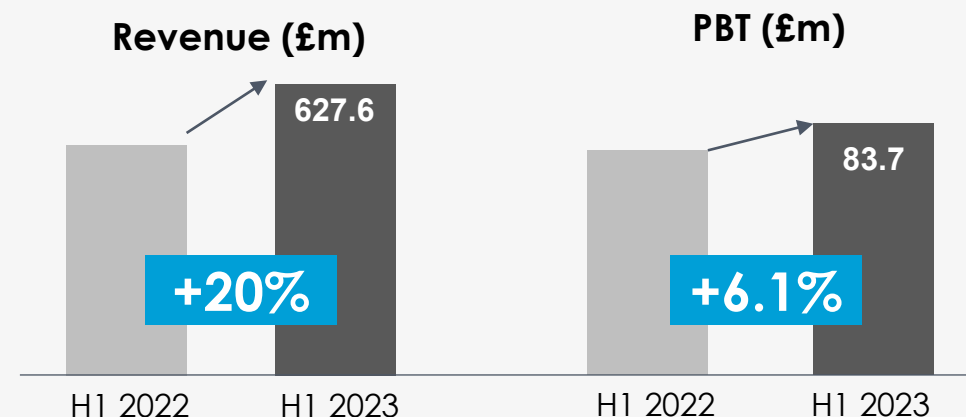
Overview

Martin Ward

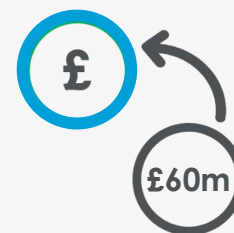


Underlying Trading

Revenues:	+ 20% to £627.6m
EBIT:	+ 7.0% to £93.4m
PBT:	+ 6.1% to £83.7m
ROCE:	1.0ppt increase to 13.5%
Leverage:	1.6x (H1 2022 1.5x)



Reflecting Board confidence, interim dividend increased to **7.5p** (H1 2022: 6.0p)



£60m share buy back;
£56m purchased by end Nov

Strong operational performance



Revenue growth drivers

- + **Fleet size:** up **8%** to over **130,000**, strong growth in Spain & Redde
- + **New contracts:** Two large insurance contracts went live in period

Maintaining margin

- + **Pricing:** Careful **pricing actions** to manage cost inflation
- + **Cross sell:** Growing take-up of value-added services enhancing our offering

H1 strategic progress



Acquisitions delivering on strategic goals

FMG REPAIR SERVICES

BLAKEDALE
A VISIBLE ADVANTAGE

- + **Strong demand** for FMG Repair Services
- + **Acquisition** of specialist vehicle provider Blakedale

New customer solutions

- + **Launch** of bundled e-LCV vehicle & charging product
- + **2x** Insurer repair contracts in Spain

Financial Review

Philip Vincent





	H1 2023 £m	H1 2022 £m	% change	
Revenue (exc. vehicle sales)	627.6	522.9	20.0%	
Underlying EBIT	93.4	87.3	7.0%	
Underlying PBT	83.7	78.9	6.1%	
Underlying EPS	28.1p	26.1p	7.7%	
Statutory EPS	34.4p	22.5p	52.3%	
ROCE	13.5%	12.5%	1.0ppt	
Dividend Per Share	7.5p	6.0p	+25%	
Steady state cash generation	121.2	93.5	29.6%	Strong steady state cash
Free cash flow	2.1	(7.6)	n/a	Free cash flow reflects investment in fleet and working capital for growth
Net debt (inc. IFRS16)	661.3	587.2	12.6%	£531.8m (H1 2022: £470.4m) exc. IFRS 16 leases

Revenue

	H1 2023	H1 2022	% change
Revenue – vehicle hire	302.7	277.1	9.2%
Revenue – claims and services	324.9	245.8	32.2%
Revenue (exc. vehicle sales)	627.6	522.9	20.0%
Revenue – vehicle sales	68.7	90.0	-23.7%
Total revenue	696.3	612.9	13.6%



	H1 2023 £m	H1 2022 £m	% change
Revenue – Vehicle hire	184.1	170.8	+7.8%
Rental profit	28.8	30.0	-4.2%
<i>Rental margin</i>	<i>15.6%</i>	17.6%	-2.0ppt
Disposal profit	18.8	22.9	-18.1%
EBIT	47.5	52.9	-10.2%
<i>EBIT margin</i>	<i>20.3%</i>	22.7%	-2.4ppt
<i>Vehicles sold '000</i>	<i>4,900</i>	5,700	-13.8%
<i>PPU</i>	<i>£3,829</i>	£4,052	-5.5%

Key Highlights

- Hire revenue 7.8% increase
- Rental margin of 15.6%, above sustainable c.15%
- Restricted vehicle supply held back VOH and disposal volume
- Residual values remain high





	H1 2023 £m	H1 2022 £m	% change
Revenue – Vehicle hire	122.7	107.7	+13.9%
Rental profit	25.1	18.5	+35.7%
<i>Rental margin</i>	<i>20.4%</i>	17.1%	+3.3ppt
Disposal profit	5.9	4.1	+45.1%
EBIT	31.0	22.6	+37.4%
<i>EBIT margin</i>	<i>22.0%</i>	16.6%	+5.4ppt
<i>Vehicles sold '000</i>	<i>2,800</i>	4,400	-36.2%
<i>PPU</i>	<i>£2,101</i>	£924	+127%

Key Highlights

- Hire revenue 13.9% increase
- Rental margin increased 3.3ppt to 20.4%, above sustainable c.15%
- Disposal profits 45.1% higher, lower volume, but significantly higher PPU



	H1 2023 £m	H1 2022 £m	% change
Revenue – Claims and services	331.4	251.9	+31.5%
Gross profit	70.4	60.5	+16.4%
<i>Gross margin</i>	<i>21.2%</i>	<i>24.0%</i>	-2.8ppt
Operating profit	18.9	14.0	+35.1%
Income from associates	1.6	2.1	-26.1%
EBIT	20.4	16.1	+27.1%
<i>EBIT margin</i>	<i>6.2%</i>	<i>6.4%</i>	-0.2ppt

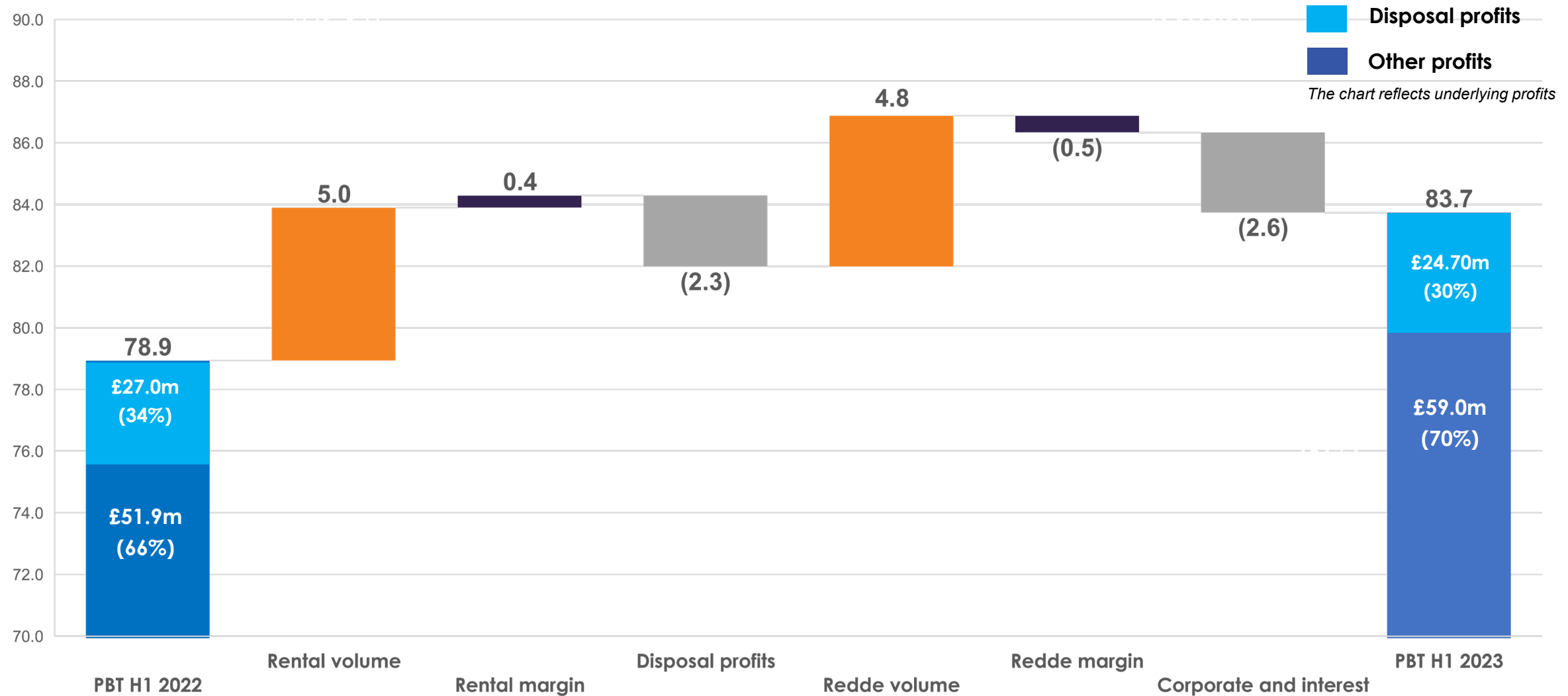
Key Highlights

- Revenues increased by 31.5% with new contract volumes and normal traffic
- EBIT increasing with volumes to £20.4m
- EBIT margin reflects volume mix and starting new contracts





Group profit waterfall H1 2022-23





Cashflow and capex

	H1 2023 £m	H1 2022 £m	Change £m	
Underlying EBITDA	198.8	182.8	16.0	
Net replacement capex ¹	(53.1)	(68.8)	15.7	← Lower replacement capex in Spain
Lease principal payments	(24.6)	(20.4)	(4.2)	
Steady state cash generation	121.2	93.5	27.7	← Continuing strong steady state cash generation
Exceptional costs	-	(0.6)	0.6	
Working capital movement/other non-cash	(19.6)	(33.0)	13.5	← Investment for growth
Growth capex ¹	(68.7)	(51.7)	(17.0)	← Owned vehicles increased in Redde and Spain
Net tax, interest and financing	(22.8)	(17.3)	(5.4)	← Higher tax & interest from growth
Distributions from associates	1.9	2.1	(0.3)	
Acquisition of business	(9.9)	(0.5)	(9.4)	← Includes July 22 Blakedale acquisition
Free cash flow	2.1	(7.6)	9.7	

¹ Net replacement capex is total net capex less growth capex. Growth capex represents the cash consumed in order to grow the owned fleet or the cash generated if the fleet size is reduced in periods of contraction.

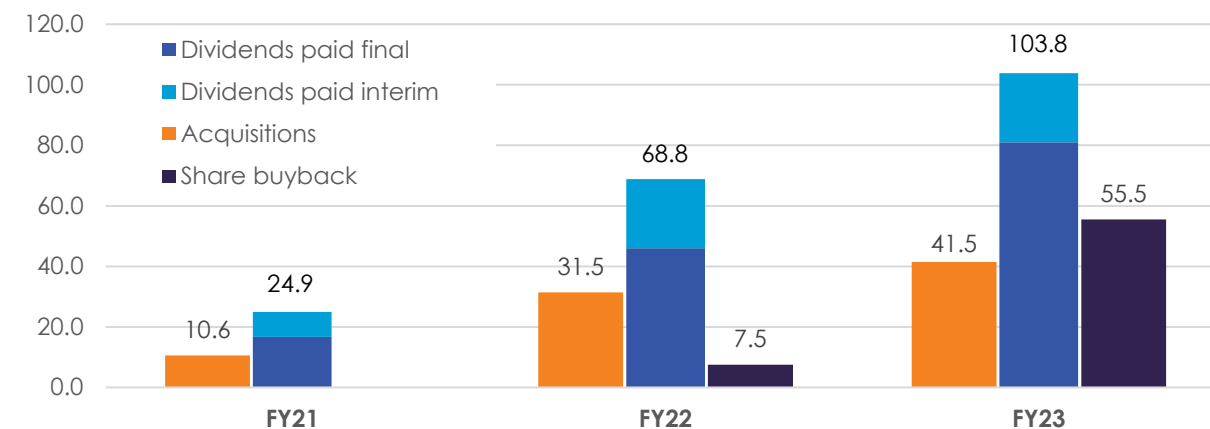


Well-financed to drive sustainable shareholder value

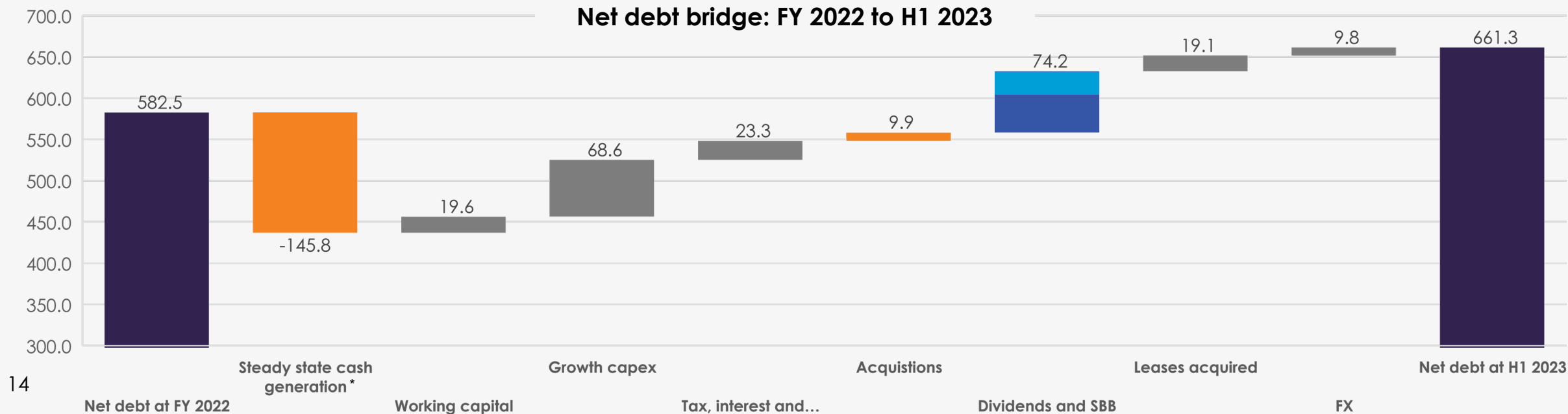
A strong financial platform ...

	H1 2023	H1 2022
Net debt	£661.3m	£587.2m
Net debt / EBITDA	1.6x	1.5x
Target leverage range of	1-2x	
Debt headroom	£308m	£273m
Borrowing cost	2.7%	2.1%
Fixed debt	66%	27%

Acquisitions and cumulative returns to shareholder (£m)



Net debt bridge: FY 2022 to H1 2023



* excluding lease payments of £24.9m

Business Update

Martin Ward





UK & Ireland

- ✓ **Strong demand**, especially from larger fleet customers
- ✓ Motivation is move from **ownership/long term commitments** to rental
- ✓ Attraction of **integrated support**: workshops & value-added services

Growth Enablers

- + Access to **greater LCV supply**
- + **e-LCVs** which are fit for purpose



Spain

- ✓ **GDP growth** above EU average, **public investment**
- ✓ **Strong demand** in core sectors of infrastructure, IT & Telecoms
- ✓ Supported by **rebound in Tourism** sector, higher employment

Growth Enablers

- + Access to **greater LCV supply**
- + Product **extensions**



Redde

- ✓ Traffic volumes: **commuting is back**
- ✓ Repair capacity **scarce** across marketplace
- ✓ Insurance/lease customers **keen to access** cost-efficient outsourcing
- ✓ **Demand** from both existing customers extending service range and new opportunities

Growth Enablers

- + Grow skilled **workforce**
- + **Bodyshop** capacity / mix



Fleet growth, despite reduction in registrations

	H1 2023	H1 2022
UK	53,800	55,900
Spain	60,600	55,900
Insurance mobility	16,900	9,800
Total	131,300	121,600

Managing supply opportunities

✓ Strength of key OEM relationships

✓ Responsiveness & financial firepower

✓ Broadening vehicle & OEM range

LCV Residual values softening, but slowly

✓ Vehicle shortfall (c.200k) supporting RV strength

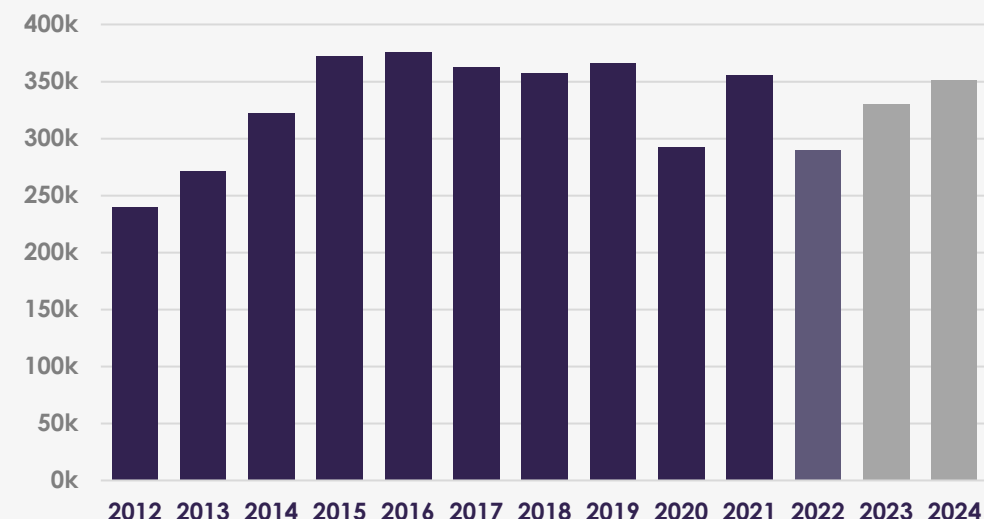
✓ Disposal age significantly younger than Spanish average

✓ Ongoing residual value strength in short-medium term

UK LCV supply market dynamics

Annual LCV New Registrations

Source SMMT, 7 Nov 22



4-year shortfall equivalent to 5% of UK market

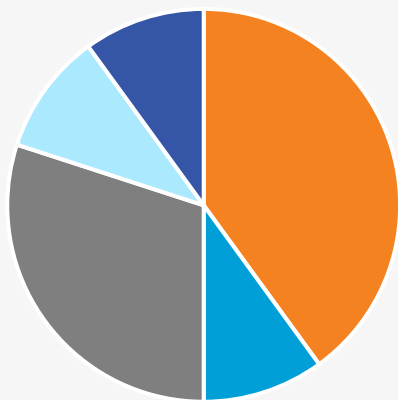
	2015-19	2020-23E	shortfall
Average LCV registrations	366k	317k	200k



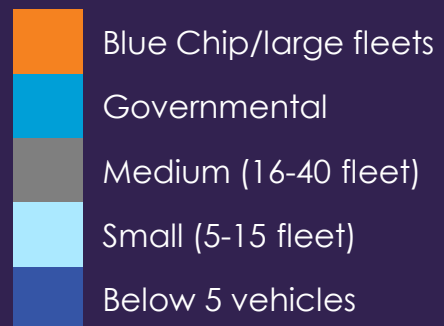
Our rental customers: Diverse end markets & customers

UK Customer profile

% Fleet VoH	Sectors
10-15% ea	Facilities Mgmt/Civil Engineering Specialist construction Vehicle supply
7-10% ea	Logistics Infrastructure Utilities Retail/Wholesale Admin & support serv.
2.5-7% ea	Social housing Manufacturing Local Government Utilities support, Other SME

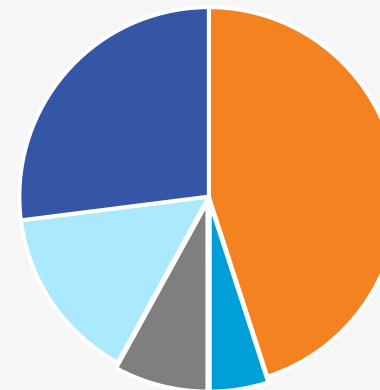


Business type



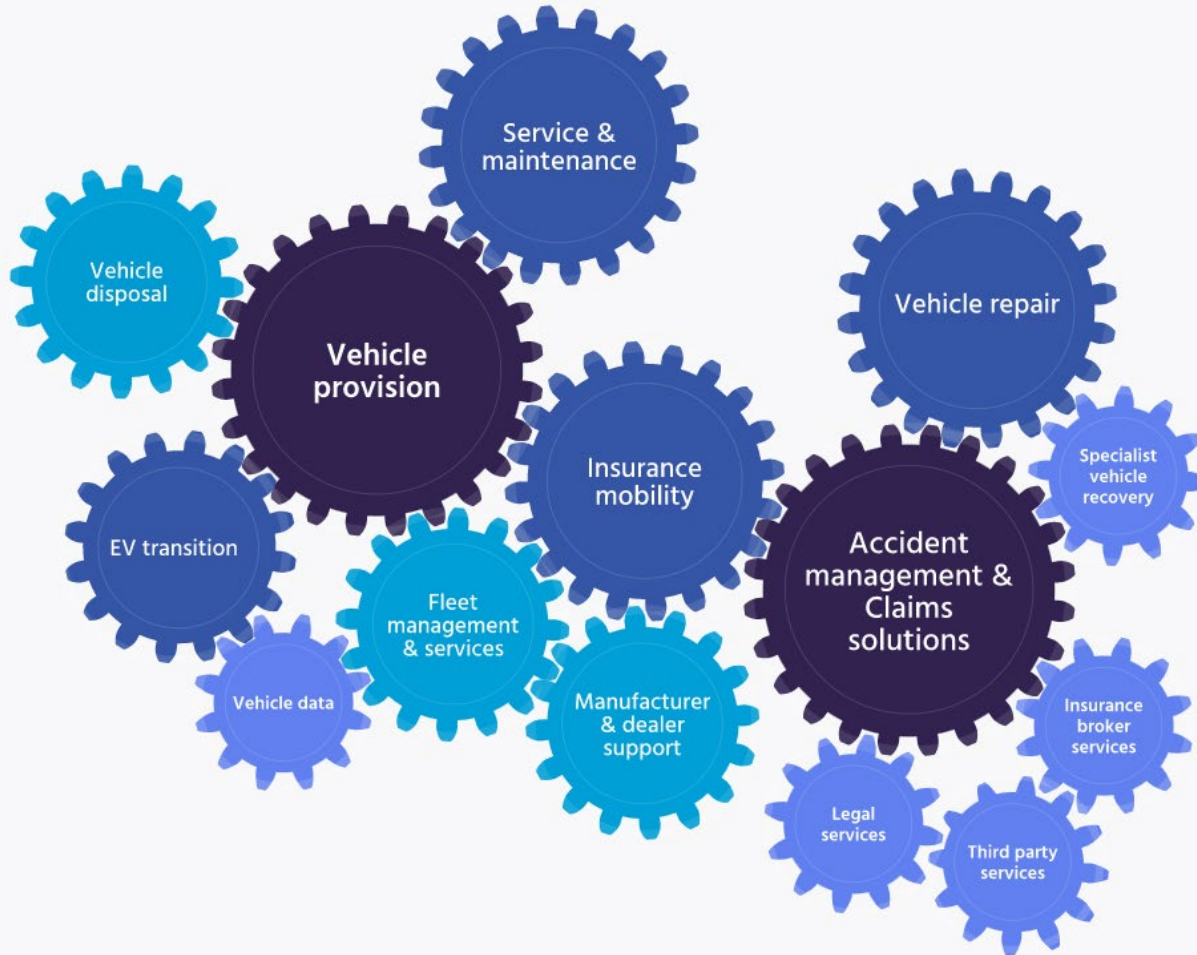
Spanish Customer profile

% Fleet VoH	Sectors	Sub sectors
20-25% ea	Construction Support services	Construction, infrastructure Rental services, safety, maintenance, health
10-15%ea	Retailers B2B Supplies & services	Technical services, engineering, advertising, consulting
2-10%	Various	





Integrated Mobility Solutions: opportunities



- ✓ Integrated platform of complementary services
- ✓ Leveraging breadth & scale of mobility platform
- ✓ No major gaps in core product & services offering
- ✓ Potential to explore adjacencies

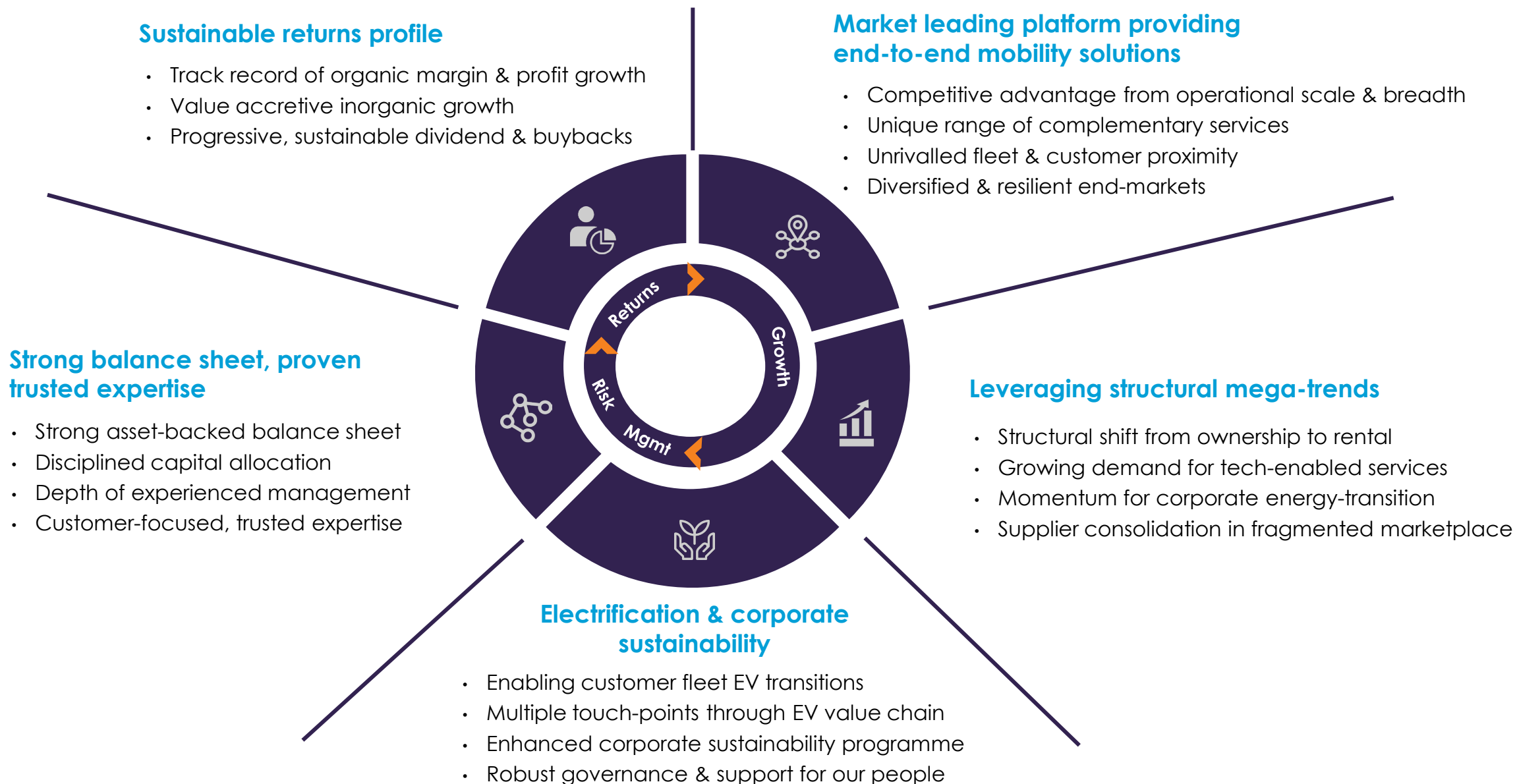
Positioning offering continued resilience

- + **Current market dynamics:** favouring outsourcing to cost-efficient providers
- + **Attractive proposition:** insurance customer extensions
- + **Protecting margin:** managing cost inflation with targeted pricing & levies
- + **Well diversified:** broad customer end market diversification
- + **Well positioned:** Acquisition pipeline strengthening
- + **Balance sheet:** RCF bank facility extension out 12 months





Investment proposition



Outlook

- + Demand for our services **continues to be robust** across geographies, along with continuing strength in residual values.
- + These factors underpin **our confidence for the full year** which is expected to be modestly above market expectations.
- + While the Board is mindful of the ongoing macro-economic environment and current LCV supply, it remains confident that our integrated mobility solutions platform **will continue to create sustainable shareholder value.**



Q&A

Martin Ward &
Philip Vincent



Appendices

Fleet progression
Website





Appendix – fleet reconciliation

Vehicles #	UK&I	Spain	Redde	Group
Opening owned fleet (Apr-22)*	54,000	58,100	3,200	115,300
Purchases	2,900	5,700	2,200	10,800
Disposals	(4,900)	(2,800)	0	(7,700)
Direct purchases and other movements	300	0	0	300
Closing owned fleet (Oct-22)*	52,300	61,000	5,400	118,700
Opening leased fleet (Apr-22)	2,200	0	11,300	13,500
Movement in leased fleet	400	0	200	600
Closing leased fleet (Apr-22)	2,600	0	11,500	14,100
Closing fleet (including sales stock)	54,900	61,000	16,900	132,800
Closing fleet (excluding sales stock)	53,800	60,600	16,900	131,300
Purchases for growth	0	2,900	2,200	5,100
Sales in contraction	(1,700)	0	0	(1,700)
Growth in owned fleet for growth capex	(1,700)	2,900	2,200	3,400
Purchases for replacement	2,900	2,800	0	5,700
Replacement sales	(3,200)	(2,800)	0	(6,000)
Direct purchases and other movements	300	0	0	300
Net replacements	0	0	0	0
Adjust owned fleet for lease sales	0	0	(100)	(100)

} **3,400** growth in owned fleet





Appendix – Impact of depreciation rate

£m	FY23	FY24	FY25	FY26	FY27	Total
Reduced depreciation	54.6	30.9	8.2	0.3	-	94.1
Reduced disposal profits	(7.8)	(40.4)	(38.0)	(7.0)	(0.9)	(94.1)
Impact on Statutory EBIT	46.8	(9.4)	(29.8)	(6.7)	(0.9)	-

UK&I:

Reduced depreciation	44.8	25.8	7.4	0.3	-	78.3
Reduced disposal profits	(5.5)	(33.4)	(33.4)	(5.7)	(0.3)	(78.3)
Impact on UK&I EBIT	39.3	(7.6)	(26.0)	(5.4)	(0.3)	-

Spain:

Reduced depreciation	9.8	5.1	0.3	-	-	15.8
Reduced disposal profits	(2.3)	(7.0)	(4.6)	(1.3)	(0.6)	(15.8)
Impact on Spain EBIT	7.5	(1.8)	(3.8)	(1.3)	(0.6)	-

Key points

- ✓ Statutory PBT is expected to increase by £46.8m in FY23 as depreciation is reduced on certain fleet purchased in previous periods
- ✓ This adjustment will reverse over the remaining holding period of the cohort as vehicles are sold with a higher NBV and therefore a lower PPU
- ✓ Newer vehicles and FY23 purchases will not be impacted by the change



Corporate website upgrade, new email alert registration

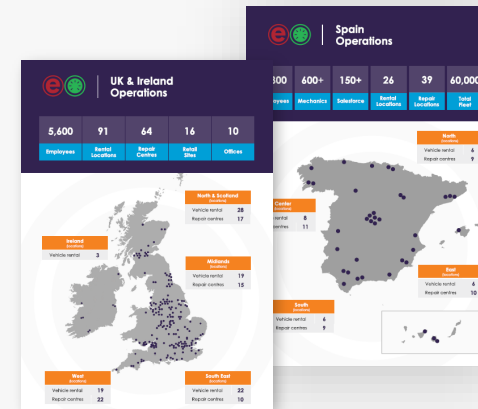
Corporate website

- ✓ **New** corporate website launched
- ✓ More information on **RN businesses & strategy**
- ✓ Includes **factsheets** on operations, plus Sustainability actions etc.

Email notification alerts

- ✓ New provider & **so need to register for email alerts on new system**
- ➔ **Email alerts - Redde Northgate plc**

Our geographical footprint



Our customer solutions

