

# reddeNORTHGATE

Full Year Results  
FY 2022

6 July 2022



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# Agenda

- |   |                       |                |
|---|-----------------------|----------------|
| 1 | Overview              | Martin Ward    |
| 2 | Financial Review      | Philip Vincent |
| 3 | Business Update       | Martin Ward    |
| 4 | Q&A                   |                |
| 5 | Depreciation workshop | Philip Vincent |



**Martin Ward**  
Chief Executive Officer



**Philip Vincent**  
Chief Financial Officer

# Overview

Martin Ward



## Strong operational performance

- Growth across all business units seen in year, despite supply constraints
- Improvement in rental margins; significant multi-year contracts won
- Greater operational flexibility, leveraging new centralised functions with ongoing digital connectivity
- Investment in site enhancements and co-locations; carbon footprint assessment

**“Excellent”**  
Trustpilot



## Focus, Drive & Broaden – Clear strategic progress

Increased platform scale & full service offering across vehicle lifecycle

Acquisitions delivering product breadth & accelerating EV roadmap

Launch of Group Purpose & Values: working as one team



### FOCUS

- A culture where people can be their best
- An industry leading, integrated business
- An efficient, dynamic Redde Northgate



### DRIVE

- Leverage the scale of the Group
- Products & services that exceed expectations
- A sustainable & responsible business



### BROADEN

- Expand into complementary markets
- Explore opportunities in new markets, new geographies

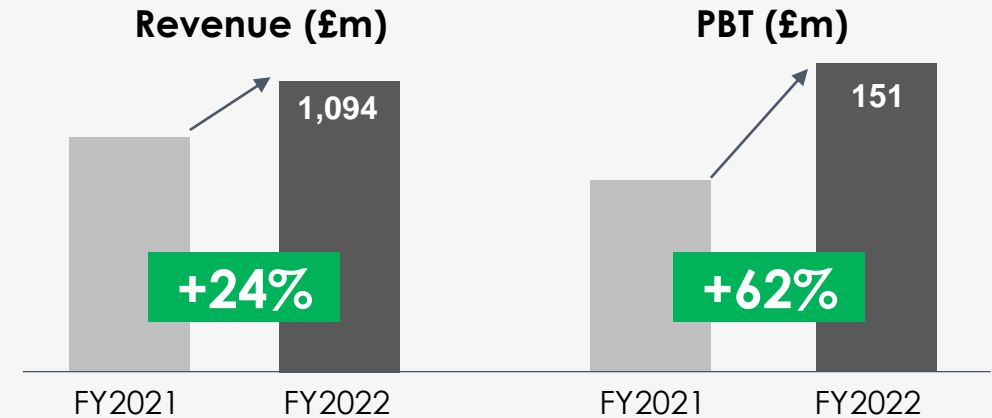




## FY2022 Overview: Financial performance

### Underlying Trading

- **Revenues:** + 24% to £1,093.6m
- **EBIT:** + 53% to £167.8m
- **PBT:** + 62% to £151.3m
- **ROCE** 4.4ppt increase to 13.9%



Reflecting Board confidence, full year dividend proposed at **21.0p** (2021: 15.4p)



**£30m** share buy-back announced March 2022



# Overview: **Merger benefits** delivered & growing

## Platform

Increased platform scale & full service offering across vehicle lifecycle



## Cost synergies

£20m+ achieved ahead of target



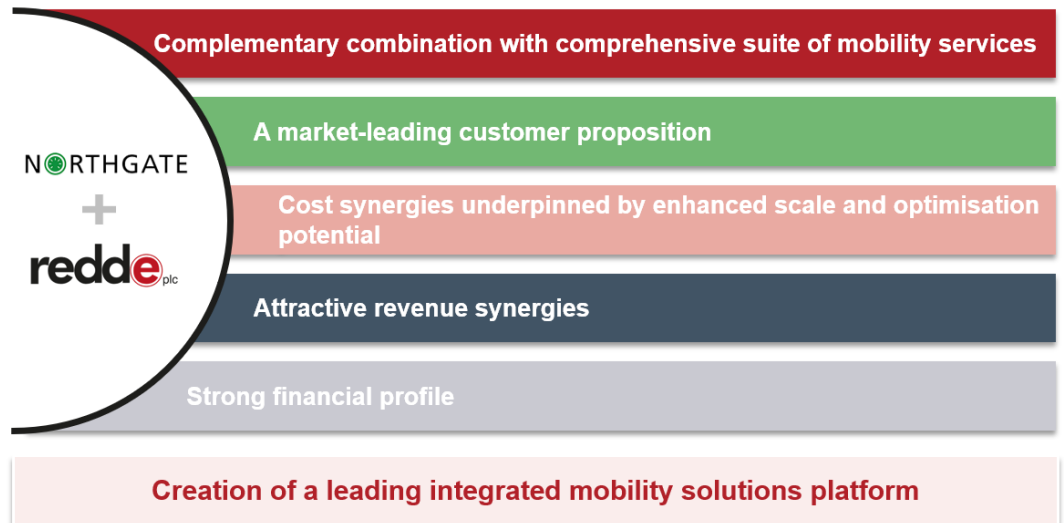
## Revenue synergies

Growth in long term contract wins from both fleet and insurance customers



## Nov '19 Presentation

### COMPELLING STRATEGIC RATIONALE



## Milestones **achieved**



2/3rds Auxillis sites co-located



Group Purpose & Values launched



Broadened platform offering



>5 major insurance brand wins



2.5x fleet customers taking accident management

# Financial Review

Philip Vincent







# FY 2022 Results

	FY 2022 £m	FY 2021 £m	% change
Revenue (exc. vehicle sales)	1,093.6	879.7	24%
Underlying EBIT	167.9	109.8	53%
Underlying PBT	151.3	93.2	62%
Underlying EPS	50.8p	31.0p	64%
Statutory EPS	41.3p	26.6p	49%
ROCE	13.9%	9.5%	4.4ppt
Dividend Per Share	21.0p	15.4p	+36%
Steady state cash generation	216.4	140.1	54%
Free cash flow	12.3	97.8	(87%)
Net debt (inc. IFRS16)	582.5	530.3	9.8%

## Revenue

	FY 2022	FY 2021
Revenue – vehicle hire	£563.3m	£515.6m
Revenue – claims and services	£530.3m	£364.1m
Revenue (exc. vehicle sales)	£1,093.6m	£879.7m
Revenue – vehicle sales	£149.9m	£229.8m
Total revenue	£1,243.6m	£1,109.5m

- Including the impact of disposal profits

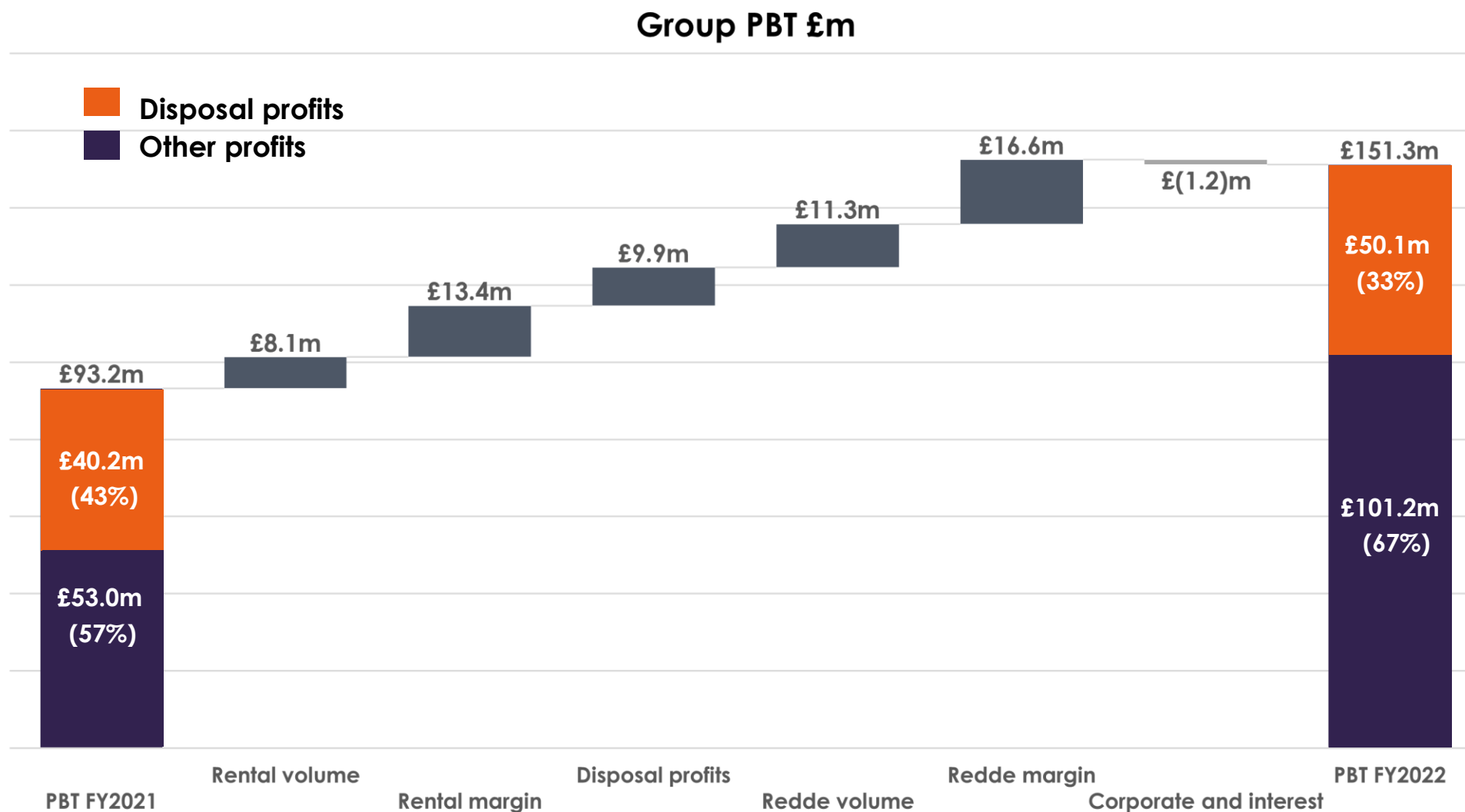
- Strong steady state cash

- Free cash flow reflects investment in fleet for growth

- £452.1m (2021: £437.9m) exc. IFRS 16 leases



## Group profit waterfall – FY2021-22



	FY 2022 £m	FY 2021 £m	% change
<b>Revenue – Vehicle hire</b>	<b>346.6</b>	311.6	+11.2%
<b>Rental profit</b>	<b>53.1</b>	39.5	+34.3%
<i>Rental margin</i>	15.3%	12.7%	+2.6ppt
<b>Disposal profit</b>	<b>44.8</b>	37.3	+20.3%
<b>EBIT</b>	<b>98.0</b>	76.8	+27.5%
<i>EBIT margin</i>	21.4%	16.2%	+5.2ppt
<i>Vehicles sold '000</i>	10.4	15.8	-34.2%
<i>PPU</i>	4,300	2,360	+82.2%

## Key Highlights

- Hire revenue 11.2% increase
- Significant rental margin increase to 15.3%, sustainable margin expected to be c.15%
- Higher disposal profit from high sales price more than offsetting volume reduction
- EBIT margin 5.2ppt improvement to 21.4%
- Utilisation 92%
- 60% of vehicles sold through eAuction platform

## Latest Trading

- Continued strong rental demand and utilisation
- Managing operational cost inflation
- Lower disposal volumes, strong PPU

	FY 2022 £m	FY 2021 £m	% change
<b>Revenue – Vehicle hire</b>	<b>220.6</b>	205.5	+7.3%
<b>Rental profit</b>	<b>38.6</b>	30.8	+25.5%
<i>Rental margin</i>	17.5%	15.0%	+2.5ppt
<b>Disposal profit</b>	<b>5.3</b>	2.9	+79.8%
<b>EBIT</b>	<b>43.9</b>	33.7	+30.2%
<i>EBIT margin</i>	17.0%	12.3%	+4.7ppt
<i>Vehicles sold '000</i>	6.1	11.6	-47.4%
<i>PPU</i>	870	254	+242.5%

## Key Highlights

- Hire revenue 7.3% increase
- Rental margin increased 2.5ppt to 17.5%, sustainable margin expected to be c.15%
- Disposal profits 79.8% higher, lower volume, higher price
- EBIT margin 17.0%, 4.7ppt higher
- Utilisation 92%
- 39% of vehicles sold through eAuction platform

## Latest Trading

- Continued strong rental demand and utilisation
- Managing operational cost inflation
- Lower disposal volumes, strong PPU

	FY 2022 £m	FY 2021 £m	% change
<b>Revenue – Claims and services</b>	<b>543.7</b>	371.7	+46.3%
<b>Gross profit</b>	<b>127.7</b>	70.2	+81.8%
<i>Gross margin</i>	23.5%	18.9%	+4.6ppt
<b>Operating profit</b>	<b>31.8</b>	3.4	+846.1%
Income from associates	3.9	4.4	-11.4%
<b>EBIT</b>	<b>35.6</b>	7.7	+361.5%
<i>EBIT margin</i>	6.6%	2.1%	+4.5ppt

## Key Highlights

- Revenues increased with volumes by 46.3% to £543.7m
- Gross margin increased 4.6ppt to 23.5%
- EBIT increasing with volumes to £35.6m
- Investment into systems and processes for customer wins

## Latest Trading

- Volumes settling at 90% of pre-COVID levels
- Winter is the busiest period





# Cashflow and capex

	FY 2022 £m	FY 2021 £m	Change £m
Underlying EBITDA	366.7	302.3	64.4
Net replacement capex <sup>1</sup>	(106.7)	(107.5)	0.8
Lease principal payments	(43.7)	(54.8)	11.1
<b>Steady state cash generation</b>	<b>216.4</b>	140.1	76.3
Exceptional costs	(0.7)	(5.0)	4.3
Working capital movement/other non-cash	(33.5)	(16.9)	(16.6)
Growth capex <sup>1</sup>	(108.6)	19.1	(127.7)
Net tax, interest and financing	(65.0)	(33.1)	(31.9)
Distributions from associates	4.1	4.3	(0.2)
Acquisition of business	(0.5)	(10.8)	10.3
<b>Free cash flow</b>	<b>12.3</b>	97.7	(85.5)



- ← Timing of purchases with OEMs
- ← Vehicles £30.3m, properties £13.4m
- ← Continuing strong steady state cash generation
- ← WC impact of volume recovery in Redde
- ← Owned vehicles increased 7,600 to meet demand
- ← Acquisition of shares, refinancing costs and tax linked to PBT growth
- ← Nationwide acquisition in the prior period
- ← Reflecting investment for growth



# Well-financed to drive sustainable **shareholder value**

## A **strong** financial platform ...

Net debt (inc. IFRS 16): £582.5m (2021: £530.3m)

Net debt / EBITDA: 1.4x (2021: 1.5x)

Target leverage range of 1-2x

Debt headroom £382m (2021: £305m)

Borrowing cost 1.9% (2021: 2.1%)

Fixed debt: 76% (2021: 28%)

## **Successful** refinancing

- £792m of facilities refinanced, increasing headroom by £104m
- New PP funding of €375m with maturities extending out to 10 years at average rate of 1.3%
- 50bps overall pricing improvement on drawn debt

...to allow the Group to invest, return cash to shareholders and take advantage of inorganic opportunities

	Capital allocation priorities		Action in FY22
1	Funding organic growth	→	Total capex spend of £258.5m
2	Sustainable & growing dividend	→	Final dividend of 15.0p Total dividend of 21.0p Final dividend cost: £37m
3	Mergers & Acquisitions	→	3 acquisitions during the year
4	Return excess cash to shareholders	→	£30m buyback announced

## Depreciation rate change

- Unprecedented disruption to supply of new vehicles and strength of residual value market
- Cohort of vehicles have a depreciated book value close to or below expected sales value
- Depreciation rate of this cohort to be reduced
- **No impact on underlying PBT or cash**
- **Statutory PBT** expected to increase by £46.8m in FY23 as depreciation paused/reduced on fleet purchased more than 2 years ago
- Reduction in depreciation and reduction in disposal profit net off over life of vehicle

### *Expected impact on statutory EBIT:*

£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)
<b>Impact on Statutory EBIT</b>	<b>46.8</b>	<b>(9.4)</b>	<b>(29.8)</b>	<b>(6.7)</b>	<b>(0.9)</b>	<b>-</b>



# Business Update

Martin Ward

reddeNORTHGATE





## Market context

- Uncertain market conditions favouring operators with financial strength and diverse customer base

### Successfully managing complex market environment

Inflation

Interest rates



Macro



Traffic

Activity Level

Fuel Costs

### Opportunities to support customers needing flexible solutions

Supply chain constraints

Residual value



Vehicles



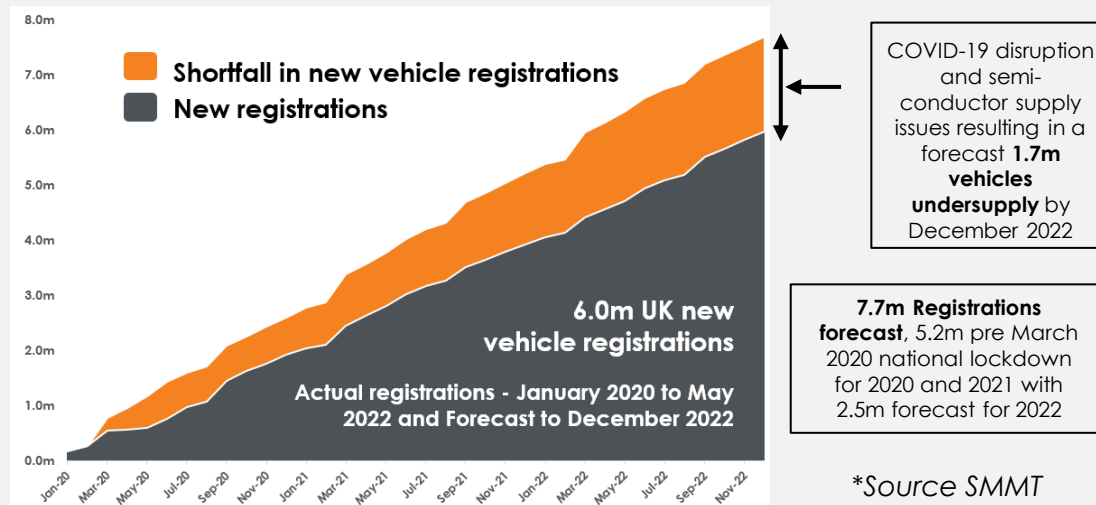
Internal

Cost inflation

Skilled workshop teams

### Focus on operational efficiencies & fleet optimisation

## UK vehicle supply market dynamics



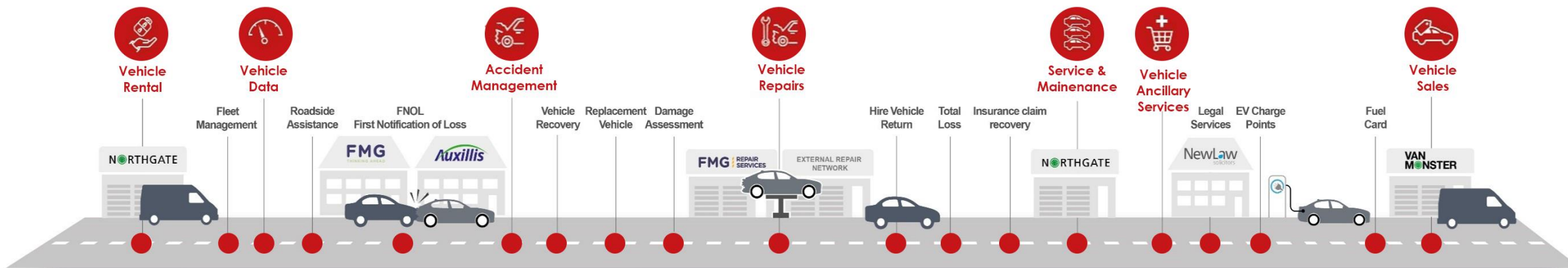
### BCA Online monthly sold values May 2020 to May 2022







# Delivering services across the vehicle lifecycle



## Vehicle Rental

LCV flexible and long term rental in the UK, Spain and Ireland. Providing vehicles for SMEs, large corporates and OEMs

## Accident Management

Replacement vehicle hire and claims management solutions for some of the UK's largest motor insurers, Insurance brokers, vehicle dealerships, leasing companies and fleet operators

## Fleet Management, Service and Maintenance

Rental vehicles serviced and maintained through c.80 Northgate workshops in the UK, Ireland and Spain

## Vehicle Sales

Omnichannel vehicle sales of ex rental vehicles through retail outlets with growing online presence via eAuction platform in the UK and Spain

## Vehicle Data

Telematics including dash cams, driver risk management and training, reducing costs for rental customers and fleets managed by the group

## Vehicle Repairs

UK's largest bodyshop group carrying out accident related body repairs for Insurers, insurance brokers, rental companies, leasing companies and fleet operators

## Ancillary Services

Complimentary services for rental customers such as fuel cards, vehicle inspection and EV charging and consulting solutions. Legal services supporting customers involved in non-fault accidents



## Our customers

- Partnering with a broad range of leading motor insurers, fleet operators and leasing companies
- Building long term, growing services relationships through being trusted for customer excellence and efficiency
- Supporting the shift from ownership to outsourcing

### Insurers / Brokers / Dealerships

- Redde working with many of the UK's leading insurers and brokers
- Expansive product set across accident management including fleet incident management, replacement vehicle hire, accident damage repair and legal services
- Unique market offering providing complete management of a claim from first notification of an incident through to recovery of damage related losses
- Accident management programme supporting UK new and used vehicle dealership groups



### Fleet Operators

- Northgate rents vehicles to SMEs and Large Corporates – market leader with 20-35% market share depending on segment/sub-segment
- Redde provide fleet incident management for over 600k vehicles as well as specialist vehicle recovery services for National Highways
- Broad cross-section of industries from support services to construction, infrastructure to logistics
- Redde works with two thirds of the largest contract hire and leasing companies in the UK and 5 of the top 6



# Delivering platform growth through adding value to customer

## Why customers choose our platform



Improved cost control



One-stop solution



Ownership of overall process



Improved admin efficiency



Single point of contact

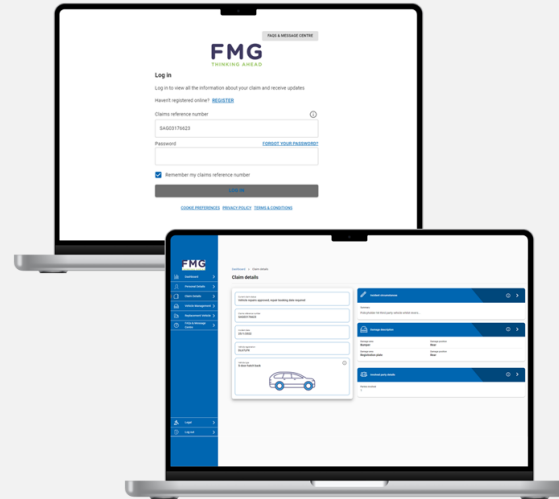


Integrated digital solutions

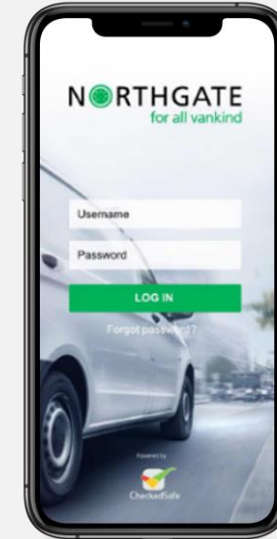


Consulting advice & expertise

## FMG Connect



## Fleet Management App



- Data Capture
- Record keeping
- Incidents & Accidents
- Real-time Reporting
- Reduce Downtime
- Image Capture

## Northgate Safe Driver

### Compliance

- Drivers licence checks
- Grey fleet check
- Driver Risk Profile
- Driver & fleet audit

### Training

- E-Learning
- On the road training
- Workshop training
- Virtual training



## Recent customer wins

### Example #1: Major Insurance brand

- Return of previous single-product customer, but with greatly enhanced breadth of contract
- Credit/direct/3<sup>rd</sup> party hire, plus claims centre of excellence & physical repair
- RN will deliver an integrated mobility service through outsourcing full suite of services
- Includes responsibility for end-customer touch points from replacement vehicle to repair management

### Why customers choose our platform



Improved cost control



One-stop solution



Ownership of overall process



Improved admin efficiency



Single point of contact



Integrated digital solutions



Consulting advice & expertise

### Example #2: Growing fleet customer

- 30 vehicle fleet, looking to expand to 70+
- Currently with 10+ suppliers
- Taken full suite of fleet service products

#### Attracted by:

- Lower cost, outsourced solution
- Access to fleet expertise & ensuring full vehicles/driver compliance
- Dedicated experts across value chain
- Accident management efficiency
- Realtime digital platform including audit records
- Consulting support for EV transition



## Approach to **acquisitions**

- Disciplined approach to reviewing M&A pipeline: strong financial returns
- Financial firepower allows quick responsiveness to interesting opportunities

## What we look for in **opportunities**

- Scaling fleet/customers
- Broadening product range
- Enhancing skillset & capabilities
- Geographic development
- Accelerating strategic direction

## FY2022 **acquisitions**

### **Growing fleet: 2,000 vehicle purchase**

- Bolt-on acquisition, adding vehicles & customers at useful scale
- Financial strength to take quick opportunities to expand fleet

### **Strategic direction: ChargedEV**

- Accelerating capabilities in strategically critical new marketplace
- Enhancing customer support, installations & advice for EV transition
- Enabled faster launch of technical fleet advisory support

### **Customer Reach: GRG**

- Specialist call handling and roadside services to 'blue light' customers
- Platform to expand roadside offering to specialist sector
- Complementary business to FMG

APR

MAY

JUN

JUL

AUG

SEPT

OCT

NOV

DEC

JAN

FEB

MAR

2021

2022





# Supporting customers on their EV Transition

## Industry engagement

- **OEMs:** EV plans and technology developments in fuels & vehicles
- **BVRLA:** industry lobbying efforts on UK regulations facilitating EV transition

## Infrastructure investment

- **Branch investment:** EV charging points and workshop kits
- **EVs into fleet:** 11% car fleet now EV/ hybrid

## Enhancing EV skills & capabilities

- **Skills:** Training across business areas on how to manage EV fleet
- **Capabilities:** in-house expertise/capability on infrastructure

## Customer support

- **Consulting:** business analysts / EV experts supporting fleet strategies
- **Customer infrastructure:** >6,000 EV chargers installed for customers

## Drive to Zero

### 4 Pillars of support

Suitability analysis

Vehicle rental

EV Charging infrastructure

Consulting support





## Our sustainability journey

- Managing transition away from ICE vehicles is a key strategic task for our business
- Allied to mitigating the direct impact we have on our people, planet and communities
- Many actions are already embedded in our approach and commitment to being a responsible business
- Recognise we are early in our process of adoption of formal ESG frameworks and metrics/target



Enhanced our data gathering processes and understanding at Group level; first year TCFD report



Understanding of Scope 3 profiles; KPIs and interim target setting

### Operational efforts

- Embedding new purpose & values
- Employee engagement & support
- On-site energy saving action programme
- Exploring technology solutions
- Customer journey support

### Group programme

- ESG framework developed
- Enhanced data gathering capability
- TCFD & CDP programmes underway
- Head of ESG recruitment
- Maiden sustainability report

### Looking forward

- Developing suite of KPIs and targets
- Setting of net zero interim milestones
- Focus on EV journey for customers
- Scope 3: >95% Group footprint



## Summary: Resilience of our business model

Our positioning		Offering resilience	
Long-term, structural industry drivers	➔	Leveraging move from ownership towards utilisation	
Unique, full service client proposition	➔	Attracting growing blue chip customers on long term contracts	
Diversified and resilient end market exposure	➔	Track record of delivery during previous volatile economic backdrops	
Pipeline of inorganic opportunities	➔	Demonstrated disciplined bolt-on activity	
Robust balance sheet	➔	Significant financial strength	





## Outlook

- New financial year has started well, business well positioned
- Supported by structural growth in customer outsourcing
- Enjoying the benefits of the enhanced mobility solutions platform
- Continuing to proactively manage inflation, resource availability and supply chain constraints
- Mindful of economic uncertainty but confident can deliver long term sustainable value



# Q&A

Martin Ward &  
Philip Vincent

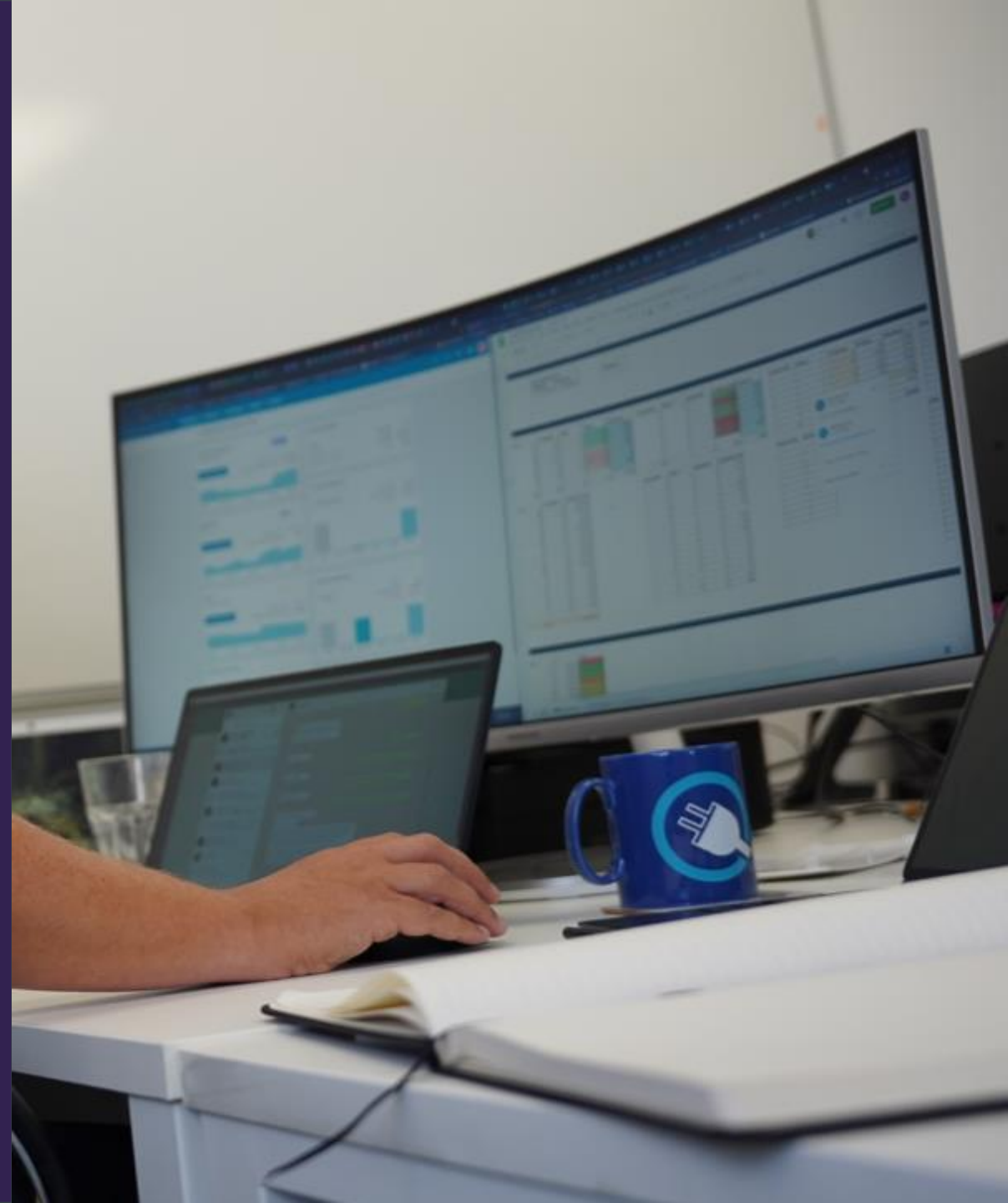
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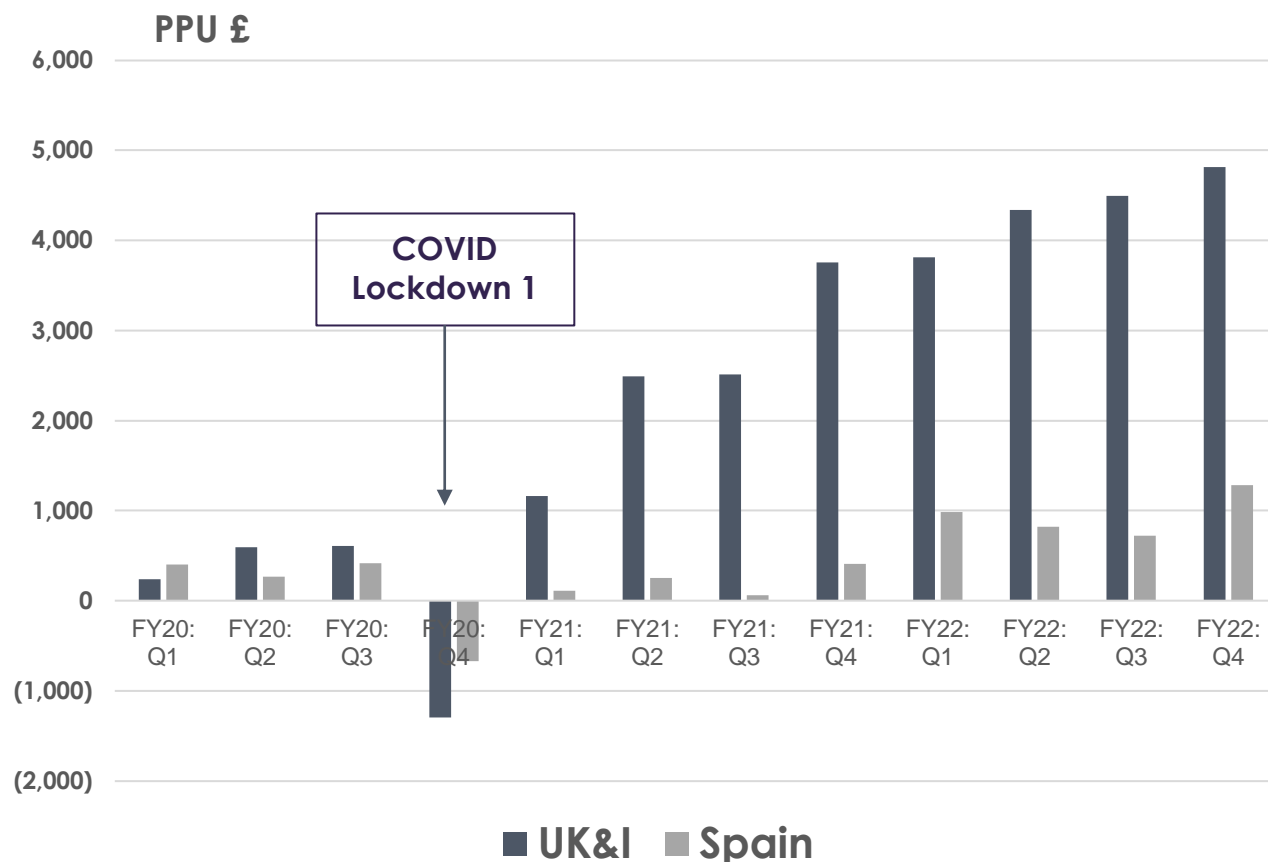
# Depreciation workshop

Philip Vincent





## Setting depreciation rates



### Key Points

- Depreciation rates review at least annually
- Aiming to make no profit or loss
- Based on forecast disposal proceeds
- PPUs have been very high since start of COVID
- Depreciation rate change required to reduce forecast PPUs

# Depreciation worked example

Cost	10,000
Annual depreciation charge	10%

No change	Year 1	Year 2	Year 3	Year 4	Total
Opening net book value	10,000	9,000	8,000	7,000	
Depreciation	(1,000)	(1,000)	(1,000)	(1,000)	(4,000)
Closing net book value	9,000	8,000	7,000	6,000	
			Selling price at disposal	9,000	
			Disposal profit	3,000	3,000
			<b>Total P&amp;L impact</b>		<b>(1,000)</b>

Stop depreciation end of year 1	Year 1	Year 2	Year 3	Year 4	Total
Opening net book value	10,000	9,000	9,000	9,000	
Depreciation	(1,000)	0	0	0	(1,000)
Closing net book value	9,000	9,000	9,000	9,000	
			Selling price at disposal	9,000	
			Disposal profit	0	0
			<b>Total P&amp;L impact</b>		<b>(1,000)</b>

Year on year benefit/(reduction)	Year 1	Year 2	Year 3	Year 4	Total
Depreciation	0	1,000	1,000	1,000	3,000
Disposal profit	0	0	0	(3,000)	(3,000)
Total	0	1,000	1,000	<b>(2,000)</b>	0

# Impact of depreciation rate change

£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)
<b>Impact on Statutory EBIT</b>	<b>46.8</b>	<b>(9.4)</b>	<b>(29.8)</b>	<b>(6.7)</b>	<b>(0.9)</b>	<b>-</b>

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)
<b>Impact on UK&amp;I EBIT</b>	<b>39.3</b>	<b>(7.6)</b>	<b>(26.0)</b>	<b>(5.4)</b>	<b>(0.3)</b>	<b>-</b>

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)
<b>Impact on Spain EBIT</b>	<b>7.5</b>	<b>(1.8)</b>	<b>(3.8)</b>	<b>(1.3)</b>	<b>(0.6)</b>	<b>-</b>

## 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

	Statutory £m	Adjustments £m	Underlying £m
Revenue: hire of vehicles	563.3	-	563.3
Revenue: sales of vehicles	149.9	(149.9)	-
Revenue: claims & services	530.3	-	530.3
<b>Total Revenue</b>	<b>1,243.6</b>	<b>(149.9)</b>	<b>1,093.7</b>
Cost of sales	(850.5)	103.1	(747.4)
<b>Gross profit</b>	<b>393.0</b>	<b>(46.8)</b>	<b>346.2</b>
Admin expenses	(182.2)	-	(182.2)
Exceptional admin expenses	2.3	(2.3)	-
Intangible amortisation	(19.8)	19.8	-
Total admin expenses	(199.7)	17.5	(182.2)
<b>Operating profit</b>	<b>193.3</b>	<b>(29.3)</b>	<b>164.0</b>
Associates income	3.9	-	3.9
Gain on bargain purchases	0.4	(0.4)	-
<b>EBIT</b>	<b>197.6</b>	<b>(29.7)</b>	<b>167.9</b>
Finance costs	(18.1)	1.5	(16.6)
<b>Profit before taxation</b>	<b>179.5</b>	<b>(28.2)</b>	<b>151.3</b>
Taxation	(42.8)	16.6	(26.2)
<b>Profit for the year</b>	<b>136.6</b>	<b>(11.6)</b>	<b>125.0</b>

## Key Points

- Pro-forma based on FY22 income statement and adjusted for expected FY23 depreciation rate change impact (£46.8m)
- Depreciation rate change will be included in statutory results but will be removed from underlying results so that underlying performance measures are not affected

Including £46.8m adjustment

Statutory including £46.8m adjustment.  
Underlying unchanged

# Depreciation Q&A

