redde NORTHGATE

Interim Results
H1 2022

1 December 2021

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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

Overview: H1 2022 ahead of board expectations

Trading

- Revenue of £522.9m up 21.9%
- Underlying PBT of £78.9m up 94.4%
- Strong rental margin progression in UK&I and Spain
- Redde volumes approximately 90% pre-COVID 19 levels
- Steady state cash generation up 15.5% to £93.5m
- ROCE at 12.5%
- Strong momentum continuing to build in the Group

Focus, Drive & Broaden - Strategic Progress

- Significant new business wins in the period with lifetime revenues in excess of £200m
- Number of EV and hybrid vehicles on fleet increased 189%
- MOU signed for the supply of 5,000 electric LCV's
- Operational cost inflation being effectively managed
- Successful refinancing of borrowing facilities increasing size, reducing price and spreading maturities
- The Group continues to evaluate an active pipeline of bolt-on acquisitions to extend products and services and increase supply for the fleet

Dividend

- Reflecting Board confidence, interim dividend declared at 6.0p (H1 2021: 3.4p) being 50% of FY 2021 final dividend

Financial Review

Philip Vincent

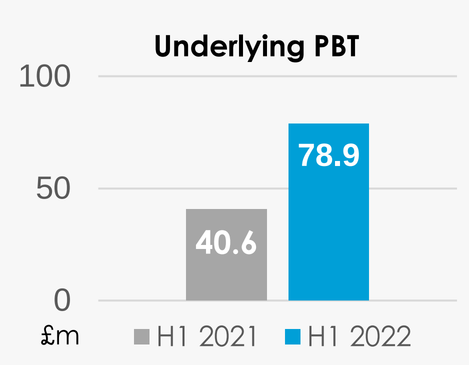
EV Fleet Cannock

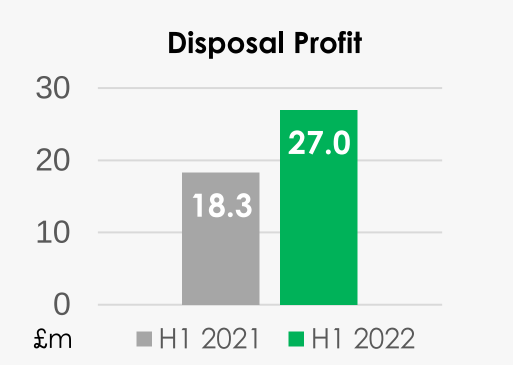
H1 2022 Results

	H1 2022 £m	H1 2021 £m	% change
Revenue (exc. vehicle sales)	**522.9**	429.0	+21.9%
Underlying EBIT	**87.3**	48.7	+79.2%
Underlying PBT	**78.9**	40.6	+94.4%
Underlying EPS	**26.1p**	13.4p	+94.7%
Statutory EPS	**22.5p**	8.6p	+162.2%
ROCE	**12.5%**	8.1%	+4.4ppt
Dividend Per Share	**6.0p**	3.4p	+76.5%
Steady state cash generation	**93.5**	81.0	+15.5%
Free cash flow	**(7.6)**	58.6	-112.9%
Net debt (inc. IFRS16)	**587.2**	530.9	+10.6%

Revenue

	H1 2022	H1 2021
Revenue – vehicle hire	£277.1m	£249.0m
Revenue – claims and services	£245.8m	£180.0m
Revenue (exc. vehicle sales)	£522.9m	£429.0m
Revenue – vehicle sales	£90.0m	£127.1m
Total revenue	£612.9m	£556.0m

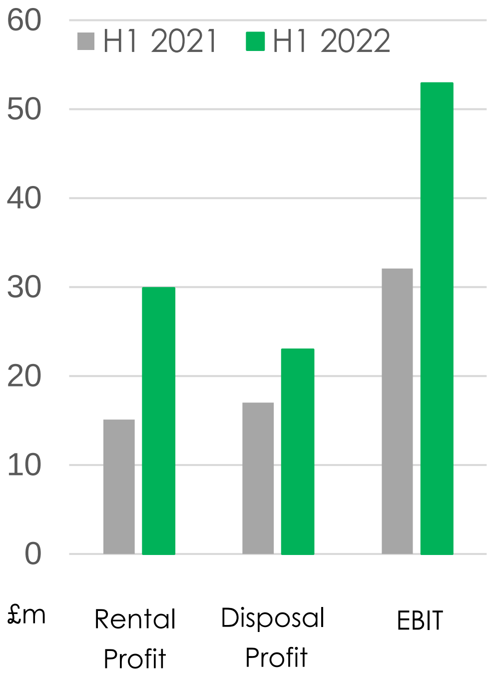




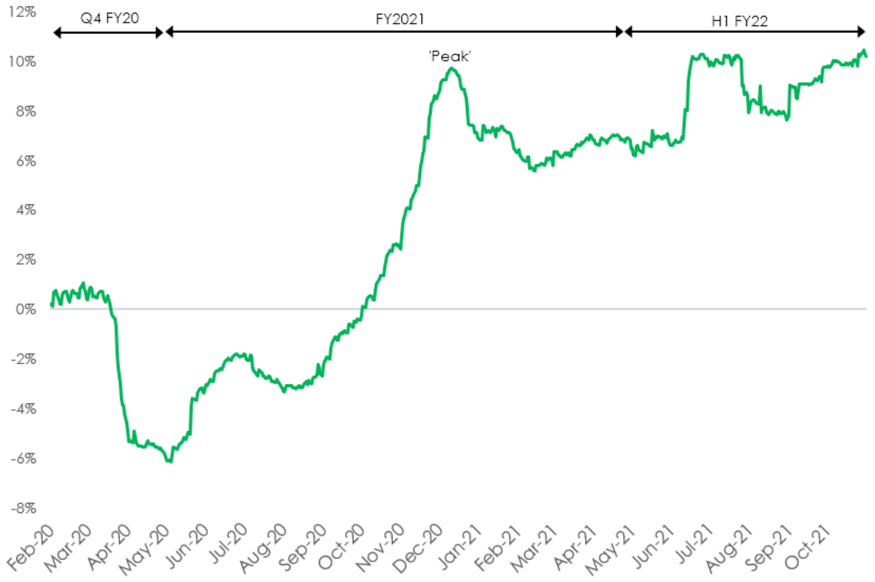
- Strong steady state cash
- Free cash flow reflects investment in fleet for growth
- £470.4m (H1 2021: £461.0m) exc. IFRS 16 leases

NORTHGATE (UK&I)

	H1 2022 £m	H1 2021 £m	% change
Revenue – Vehicle hire	**170.8**	147.0	+16.2%
Rental profit	**30.0**	15.1	+98.5%
Rental margin	*17.6%*	*10.3%*	*+7.3ppt*
Disposal profit	**22.9**	17.0	+35.0%
EBIT	**52.9**	32.1	+64.9%
EBIT margin	*22.7%*	*13.3%*	*+9.4ppt*
Vehicles sold '000	*5.7*	*9.4*	*-39.9%*
PPU	*£4,052*	*£1,794*	*+125.9%*



Rental Volumes



Note: Volumes based on daily closing VOH

- Acquisition of c.2k vehicles from Scottish rental business completed in H1 2022

Key Highlights

- Hire revenue 16.2% increase
- Significant rental margin increase to 17.6%, expected to revert to underlying c.15% margin
- Higher disposal profit from high sales price
- EBIT margin 9.4ppt improvement to 22.7%

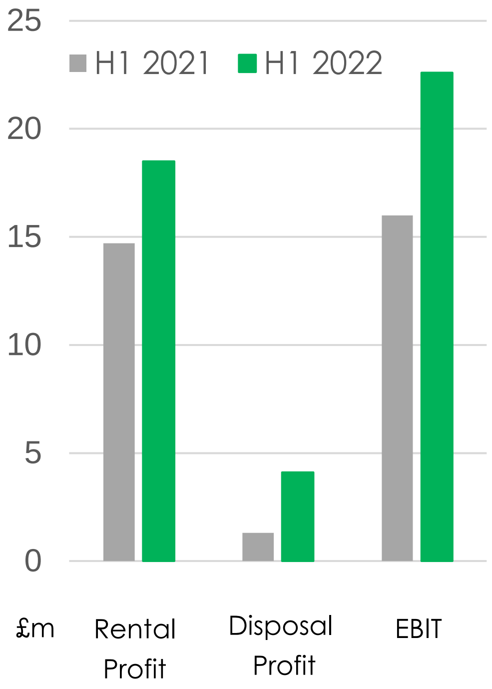
Latest Trading

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

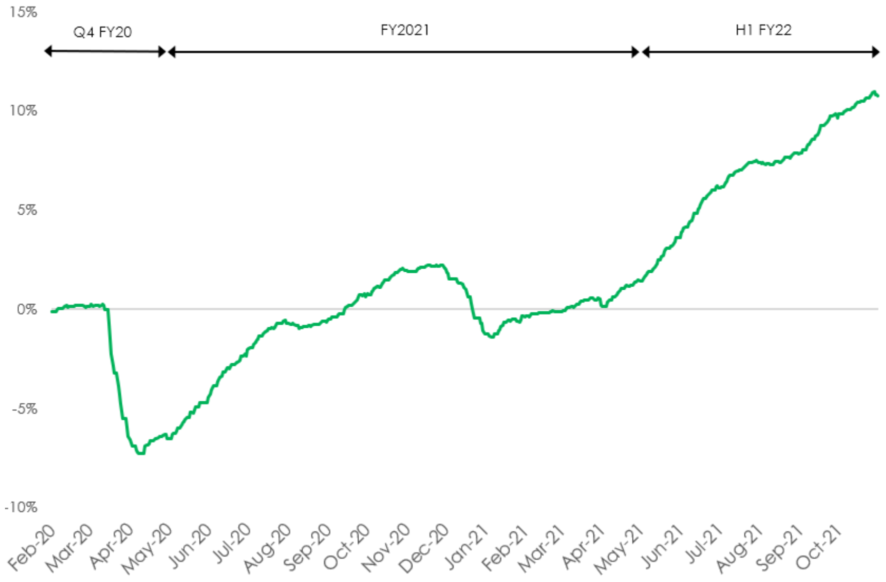
Note: All results are underlying unless otherwise stated. Results include intercompany revenues.

NORTHGATE (Spain)

	H1 2022 £m	H1 2021 £m	% change
Revenue – Vehicle hire	**107.7**	102.4	+5.1%
Rental profit	**18.5**	14.7	+25.6%
Rental margin	*17.1%*	*14.4%*	*+2.7ppt*
Disposal profit	**4.1**	1.3	+214.3%
EBIT	**22.6**	16.0	+41.0%
EBIT margin	*16.6%*	*11.8%*	*+4.8ppt*
Vehicles sold ‘000	*4.4*	*5.7*	*-22.8%*
PPU	*£924*	*£227*	*+307.0%*



Rental Volumes



Note: Volumes based on daily closing VOH

- VOH recovered to pre Covid-19 levels by April 2021
- Rental volumes have continued to grow in H1 2022
- Closing VOH +10% v’s Covid-19 baseline

Key Highlights

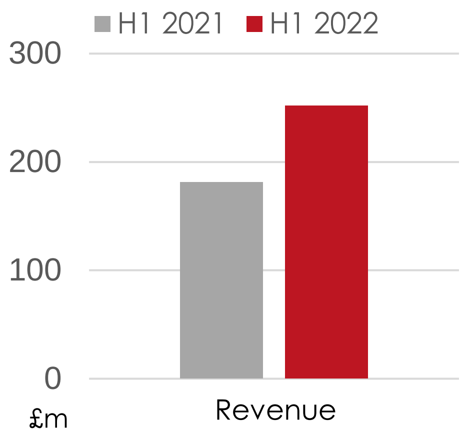
- Hire revenue 5.1% increase
- Rental margin increased 2.7ppt to 17.1%, expect to revert to underlying c.15% margin
- Disposal profits 214% higher, lower volume, higher price
- EBIT margin 16.6%, 4.8ppt higher

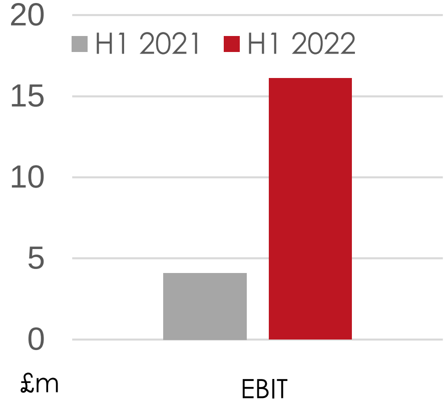
Latest Trading

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

Note: All results are underlying unless otherwise stated. Results include intercompany revenues.

	H1 2022 £m	H1 2021 £m	% change
Revenue – Claims and services	**251.9**	181.3	+39.0%
Gross profit	**60.5**	25.9	+134.0%
Gross margin	*24.0%*	*14.3%*	*+9.8ppt*
Operating profit	**14.0**	1.7	+711.7%
Income from associates	2.1	2.4	-12.0%
EBIT	**16.1**	4.1	+290.1%
EBIT margin	*6.4%*	*2.3%*	*+4.1ppt*

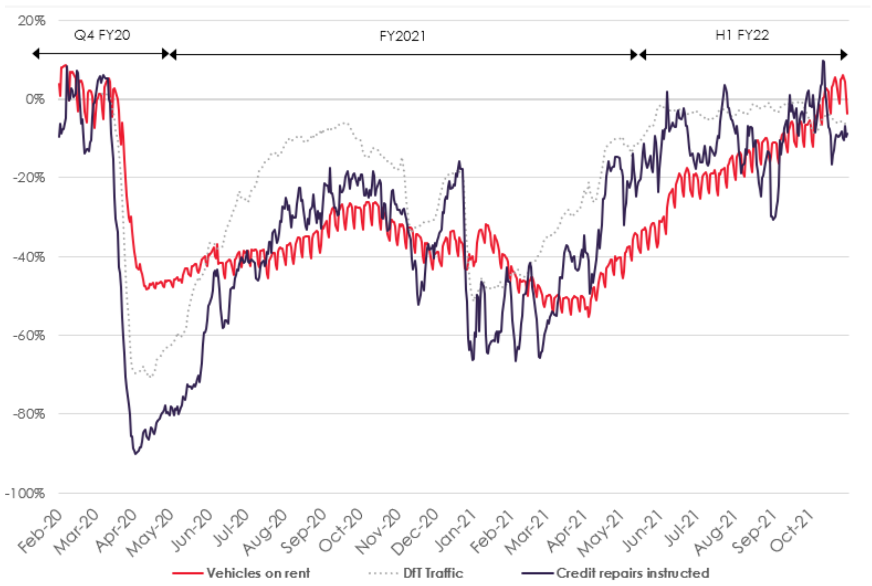




Key Highlights

- Revenues increased with volumes by 39.0% to £251.9m
- Gross margin increased 9.8ppt to 24.0%
- EBIT increasing with volumes to £16.1m

Rental & Repair Volumes



Note: Volumes based on daily closing VOH

- Q4 FY 2020 significantly impacted by restricted travel due to Covid-19
- Incidents have increased as road traffic volume returned but accident frequencies remain below pre-Covid levels

Latest Trading

- Volumes approximately 90% pre-Covid levels
- Winter is the busiest period

Note: All results are underlying unless otherwise stated. Results include intercompany revenues.

Cashflow and capex

	H1 2022 £m	H1 2021 £m	Change £m	
Underlying EBITDA	182.8	144.0	38.8	
Net replacement capex[1]	(68.8)	(46.1)	(22.7)	Timing of purchases with OEMs
Lease principal payments	(20.4)	(16.9)	(3.5)	Vehicles £14m, properties £6m
Steady state cash generation	**93.5**	81.0	12.6	Continuing strong steady state cash generation
Exceptional costs	**(0.6)**	(1.1)	0.4	
Working capital movement/other non-cash	**(33.0)**	(25.0)	(8.0)	Reversal of COVID-19 deferrals and WC impact of volume recovery in Redde
Growth capex[1]	**(51.7)**	25.1	(76.8)	Owned vehicles increased 4,100 to meet demand
Net tax, interest and financing	**(17.3)**	(13.1)	(4.2)	Tax impact of increased profitability
Distributions from associates	**2.1**	2.6	(0.4)	
Acquisition of business	**(0.5)**	(10.8)	10.3	Nationwide acquisition in the prior period
Free cash flow	**(7.6)**	58.6	(66.1)	Reflecting investment for growth

[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.

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Borrowing facilities as at H1 2022

	Facility £m	Drawn £m	Headroom £m	Maturity	Borrowing Cost
UK Bank Facility	**608**	336	272	Nov 2023	1.9%
Loan Notes	**85**	85	-	Aug 2022	2.4%
Other Loans	**13**	12	1	Nov 2021	2.5%
Total – Oct 2021	**706**	433	273		2.1%
Total – Apr 2021	*711*	*406*	*305*		*2.1%*

	Threshold	H1 2022	Headroom £m	H1 2021
Interest Cover	**3x**	**11.6x**	£107m (EBIT)	5.6x
Loan to Value	**70%**	**43%**	£298m (Net Debt)	42%
Debt Leverage	**2.75x**	**1.5x**	£146m (EBITDA)	1.6x

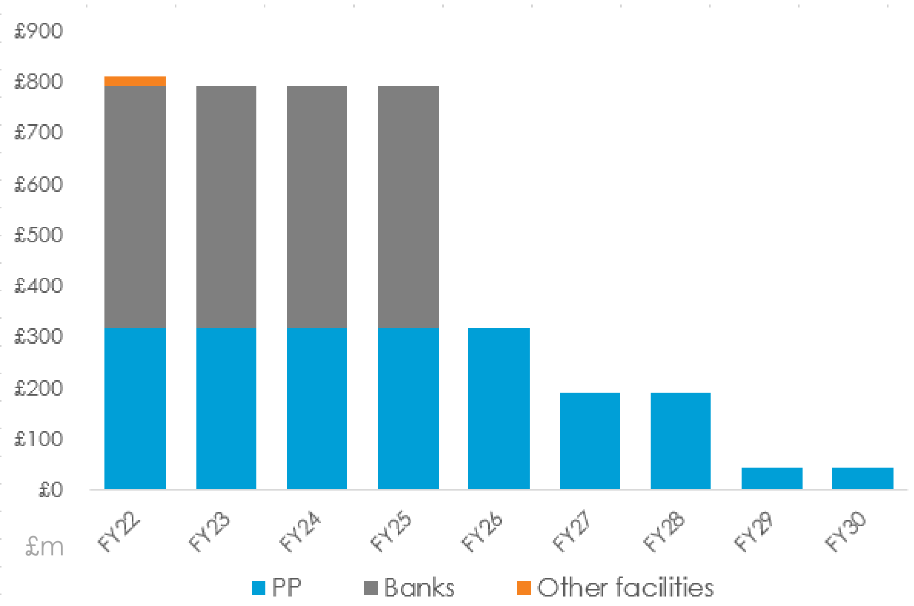
Note: UK Bank Facility includes £5m uncommitted overdraft facility.

- Borrowing cost of 2.1% at 31 October 2021, in line with the prior year
- Contract hire also developing as alternative vehicle funding source with £115m of credit lines utilised on 8,100 vehicles compared to £104m on 5,500 vehicles at April 2021
- Debt leverage covenant improved to 3.0x as part of the refinancing, increasing headroom by £14m

Refinancing post H1 2022

	At 31 October 2021				Refinanced November 2021			
£m	Facility	Drawn	Cost	Maturity	Facility	Drawn	Cost	Maturity
Syndicated bank loan	603	336	1.9%	Nov-23	475	104	2.0%	Nov-25
Previous PP	85	85	2.4%	Aug-22				
New PP - 6yr					127	127	1.1%	Nov-27
New PP - 8yr					148	148	1.4%	Nov-29
New PP - 10yr					42	42	1.5%	Nov-31
Total refinanced	**688**	**421**	**2.0%**		**792**	**421**	**1.5%**	
Headroom		**267**				**371**		

Facility Maturities



- £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%
- Bank funding refinanced with a 4 year maturity on improved terms allowing greater flexibility to grow the business
- 50bps overall pricing improvement on drawn debt
- Significant diversification of debt, opening up new funding sources and reducing reliance on bank funding
- Solid financing platform to allow the Group to invest and take advantage of inorganic opportunities

Note: UK Bank Facility and headroom excludes £5m uncommitted overdraft facility.
Drawn balances as at 31 October 2021.

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Business Update

Martin Ward

Dan Jones – Auxilis, Peterlee

Integrated Mobility Solutions

- Our vision is to be <u>the</u> leading supplier of integrated mobility solutions and automotive services to a wide range of businesses and customers
- We define integrated mobility solutions as 7 key service areas
- Our customers increasingly want multiple services within our integrated mobility solutions
- Our offering is unique – no one else has the scale and capabilities that we can offer
- All of the markets in our 7 service areas offer us significant opportunity for growth
- Opportunity within individual markets and from the combined proposition
    - In the Vehicle rental (LCVs) and Accident management markets we have c20-25% market share but still significant opportunity from the drivers above
    - In our other markets our market share is <3% offering significant opportunity for growth

Strong new wins and tenders leveraging the scale of the Group

£200+ million in significant contract wins this year. Including:

We have significantly extended our mobility services with a major insurer, and now provide comprehensive mobility solutions for their policyholders. Delivered by leveraging the scale of the Group to provide operational synergies and an enhanced customer experience leaning on our digitalisation journey.

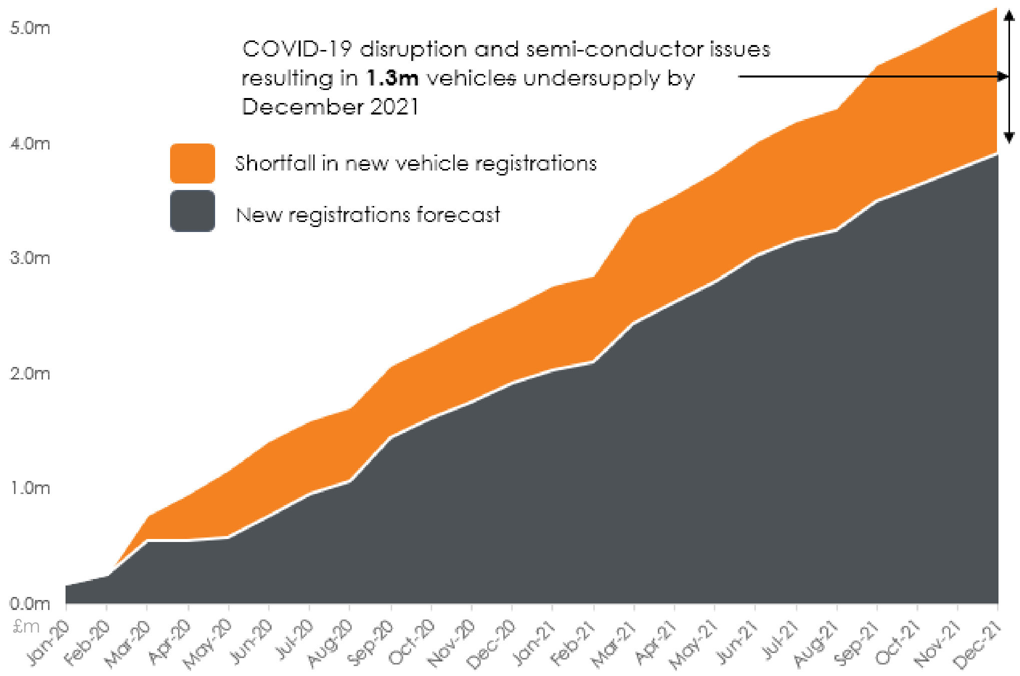
FMG has been awarded a multi-year contract to provide integrated mobility solutions including claims and repair administration for Tesco Underwriting. We have leveraged the Group capabilities to provide a comprehensive solution which also includes the provision of vehicle hire and repairs to their customers and policyholders.

We continue to develop our breadth of services across the Group with Admiral Insurance.

Provision of EV vehicles to Octopus Energy and charging point installations

Spotlight on vehicle supply & disposal values

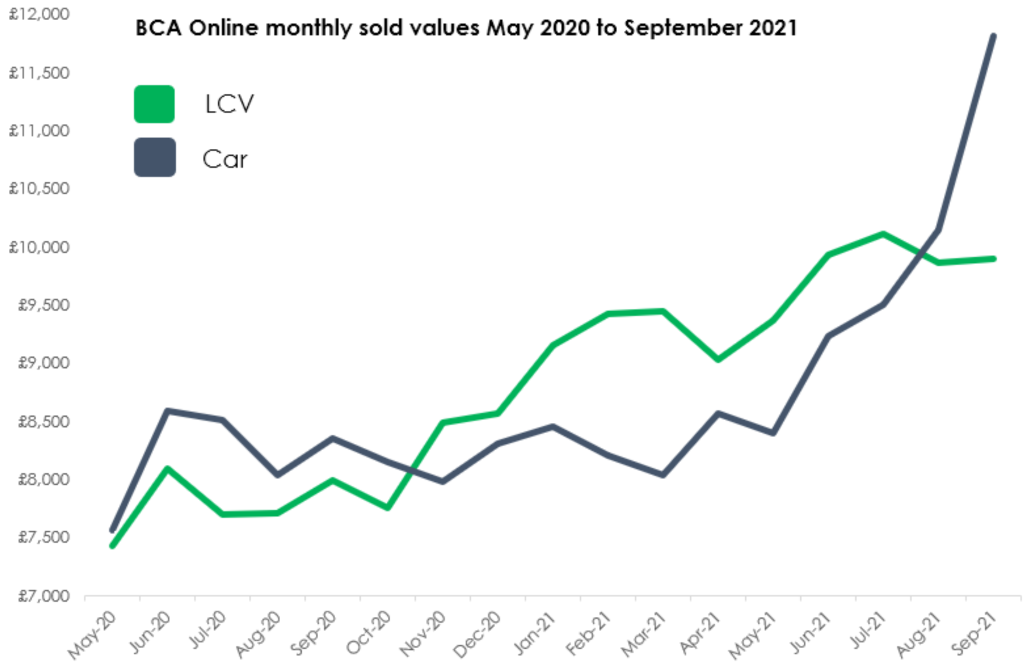
UK vehicle supply market dynamics



Source - SMMT, cumulative UK new car and LCV registrations, pre-COVID January 2020 forecast vs current October 2021 forecast

- Supply issues continuing in 2021 with the SMMT reducing its new vehicle registration forecast since April 2021 by c10%
- Lack of supply and increases in demand creating strong used vehicle prices

Increase in used vehicle values

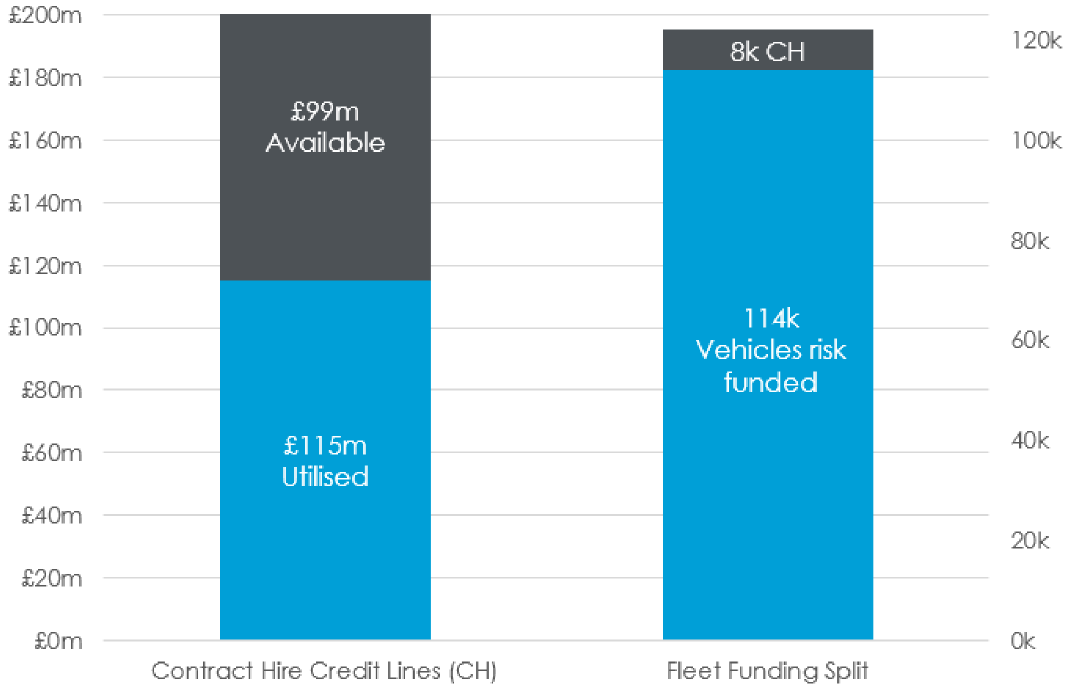


Source – BCA valuations – Published post April 2020 Online monthly values

- LCV sales value continue to be high
- Used LCV values increased from October 2020 due to Covid-19 demand and shortage of new vehicles
- £2.2k/28% increased in sold value since October 2020

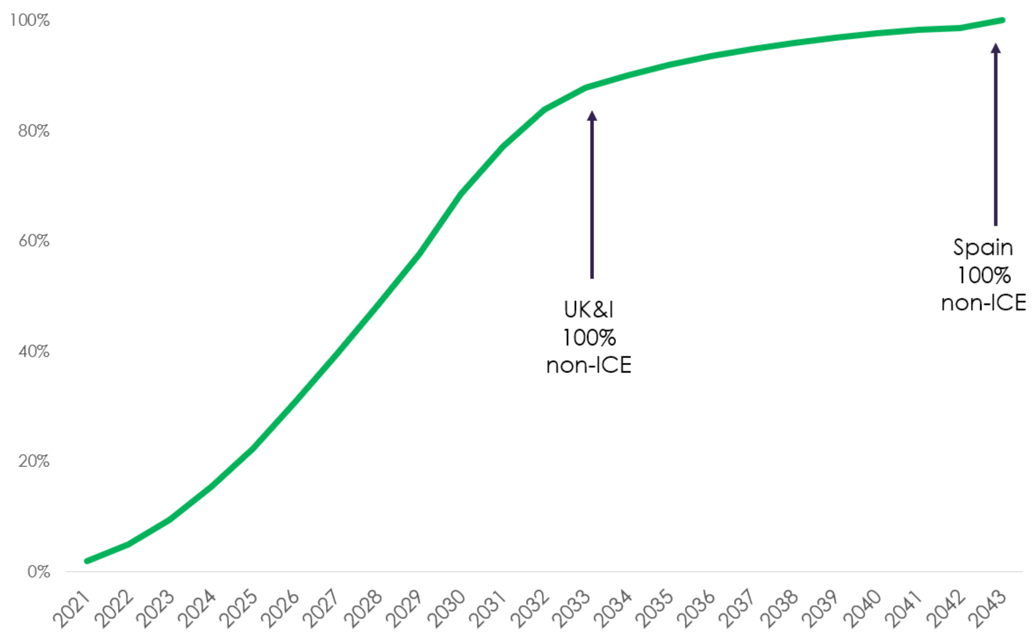
Fleet evolution

Contract Hire



- Increasing proportion of our fleet acquired through contract hire.
- £99m unutilised contract hire credit lines available to Group

Redde Northgate transition to non-ICE vehicles



- Number of EV vehicles on fleet increased 189% to 2% of fleet
- Trained over 400 technicians to work on EV's
- MOU signed for the supply of 5,000 electric LCV's
- Continuing charging infrastructure installation at our sites

ESG – Good progress made

Customer

- Integrated mobility solutions continues to be strengthened
- Continued high customer scores and ratings
- Provided transport to families impacted by La Palma volcano - NG Spain

Colleagues

- Consolidation on to one UK HR and Payroll system
- New UK reward and benefit platform with new and enhanced benefits
- UK cycle to work scheme rollout
- UK Salary sacrifice EV car scheme
- Employee Recognition campaigns
- NG Spain: 4.4 out of 5 in the largest job search portal, top 10%
- Employee awareness campaign on recycling and environmental care

Environment

- Conducting a materiality assessment to inform our ESG strategy
- Developing Scope 1 and 2 reduction targets and a net zero plan
- Conducting qualitative scenario analysis
- Producing a sustainability report

Summary

- H1 2022 ahead of expectations with strong performance across the Group
- Good rental margin progression and Redde EBIT improving with volumes
- Leveraging capabilities of integrated mobility platform with significant new business wins
- Transitioning the fleet to EV
- Successful refinancing of borrowing facilities
- Heading into H2 with good momentum

Q&A

Martin Ward &
Philip Vincent