

# REDDE NORTHGATE PLC

("Redde Northgate" or the "Group" or the "Company")

## PRELIMINARY AUDITED RESULTS FOR THE 12 MONTHS ENDED 30 APRIL 2020

**Merger synergies target delivered and now increased, Nationwide transaction completed and dividend declared**

### Adjusted results

Year ended 30 April	2020 £m	2019 £m	Change %
Revenue (excluding vehicle sales)	<b>585.6</b>	517.6	13.1%
Underlying <sup>1</sup> EBIT	<b>74.8</b>	76.2	(1.8%)
Underlying <sup>1</sup> Profit before Tax	<b>59.0</b>	61.1	(3.5%)
Underlying <sup>1</sup> Earnings per Share	<b>30.8p</b>	38.7p	(20.6%)

### Statutory results

Total revenue	<b>779.3</b>	745.5	4.5%
EBIT	<b>29.9</b>	75.5	(60.4%)
Profit before Tax	<b>13.5</b>	60.4	(77.7%)
Earnings per Share	<b>5.0p</b>	38.6p	(87.1%)

### Other measures

Net debt <sup>2</sup>	<b>575.9</b>	436.9	31.8%
Group net debt (exc IFRS 16 and Redde)	<b>459.5</b>	436.9	5.2%
Redde net debt (exc IFRS 16)	<b>53.4</b>	-	n/m
IFRS 16	<b>63.0</b>	-	n/m
Steady state cash generation <sup>1</sup>	<b>86.9</b>	67.1	29.5%
Free cash flow <sup>1</sup>	<b>21.6</b>	20.5	5.5%
ROCE <sup>1</sup>	<b>7.0%</b>	7.7%	(70bps)
Dividend per Share	<b>13.1p</b>	18.3p	(28.4%)

### Key highlights

- Trading was materially impacted by COVID-19 in March and April, reducing FY2020 EBIT by approximately £7m compared to expectations, but since year-end the Group has seen sequential monthly improvements in trading.
- Merger integration savings of £10.2m annualised run rate have been achieved as at the end of August, 18 months ahead of schedule. Targets are increased to £12m by the end of FY2021 and £15m by the end of FY2022, an increase of 50% on the original target.
- A further £3.8m of permanent annualised cost savings have also been achieved to date, giving a total of £14.0m of run rate savings to date.

<sup>1</sup> Refer to GAAP reconciliation and Glossary of terms note. Underlying excludes exceptional costs and certain intangible asset amortisation.

<sup>2</sup> Net debt includes £63.0m IFRS 16 liabilities and £53.4m Redde net debt not included in FY2019.

- On 4 September 2020 the Group announced the acquisition, by a wholly owned subsidiary, of certain businesses and certain assets of Nationwide Accident Repair Services (“Nationwide”) by way of a purchase from administrators, for up to £16m, further progressing the strategic vision to become the leading supplier of mobility solutions and automotive services.
- Final dividend proposed of 6.8p per share (2019: 12.1p) taking the total dividend payable for the year to 13.1p per share (2019: 18.3p).

**Martin Ward, CEO of Redde Northgate, commented:**

“The main priority following the Merger of Northgate and Redde in February 2020, was to integrate the businesses, achieve our targeted synergies and capitalise on the new opportunities available to the Combined Group. Despite the COVID-19 lockdown happening within weeks following the Merger, we were able, in the months during lockdown, to execute the majority of our plans and deliver cost synergies and other savings well ahead of schedule and target. Clearly, new priorities took precedence during the lockdown with the main one being to ensure a safe and effective work environment for our employees and safe contact with our customers who required our services. I cannot emphasise how immensely proud I have been of the response from all our colleagues who stepped up to ensure that we could operate as effectively as possible and deliver our services during these very difficult times. Thank you to all.

“COVID-19 also acted as a catalyst to speed up plans on tightening internal controls and procedures, as well as bringing greater scrutiny on capex and costs management spend, which ultimately led to the business generating significant additional cash which continued beyond the year end.

“Our stated aim is to become the leading integrated mobility solutions provider and this will come about under our strategic framework of *Focus, Drive and Broaden*. We are in the *Focus* phase which builds the solid foundations for our next phase of delivering growth. One of the *Focus* priorities was to bring about a change to the capital model for funding vehicles. This has already commenced with our first transactions, taking several hundred vans on contract hire rather than purchasing outright, and we expect to be able to show the progress of this over time. The benefit of these changes is to lower up-front cash expenditure, which reduces bank debt, and match the timing of monthly operational costs to that of revenues, whilst generating a similar profit margin.

“Post the lifting of lockdown restrictions, we have seen a good level of run rate recovery in both Northgate UK&I and Northgate Spain which has been better than expected, whilst in Redde there has been a more gradual pickup which has been slower than expected.

“More recently, on 4 September, we completed the acquisition of certain businesses and certain assets of Nationwide, which ties in with our strategy and vision to become the leading integrated mobility solutions provider, and I welcome our new colleagues to the Group.

“I believe there is significant sustainable compounding growth and resilient value in the combined business which in many ways has emerged stronger following the COVID-19 lockdown. I am confident that the actions and measures we are taking are already creating value which will be further enhanced as we deliver on our strategic priorities. The Board is proposing a final dividend of 6.8p to shareholders.”

## Full year results summary

- Trading for the Group was in line with market expectations until the emergence of COVID-19 in late February 2020. However, trading in March and April was materially impacted, such that underlying EBIT, underlying PBT and underlying EPS were 1.8%, 3.5% and 20.6% lower respectively, and ROCE was 70bps lower at 7.0% (2019: 7.7%).
- Revenue (excluding vehicle sales) was 13.1% higher than the prior year. The increase was all attributable to Redde, which is included in revenue following the Merger on 21 February 2020.
- Total Group revenue, including vehicle sales, was 4.5% higher, and total revenue from Northgate businesses was 4.5% lower, with hire revenue flat including the impact of off hires during lockdown and vehicle sales revenue lower due to temporary closure of sales sites during lockdown.
- Statutory EBIT and statutory PBT were lower than underlying measures due mainly to exceptional costs of £41.8m and £42.3m respectively, of which £18.3m related to Merger expenses and £14.9m related to the impairment of pre-Merger Northgate software intangibles<sup>1</sup>.
- There was continued strong net cash inflows with free cash flow of £21.6m (2019: £20.5m) benefitting from lower total net capex of £213.7m (2019: £243.9m) driven by lower fleet growth, offset by exceptional costs paid in the year. Steady state cash generation also remained strong at £86.9m (2019: £67.1m).
- Net debt closed at £575.9m including IFRS 16, or £512.9m excluding IFRS 16, resulting in headroom to bank facilities of £234m, increasing from pre COVID-19 February 2020 headroom of £200m as a result of the cash and cost measures put in place. Year-end leverage remained stable at 1.62x (2019: 1.64x).

## Focus, Drive and Broaden strategy

- To achieve the Group's vision, the Board and management team, who together have a proven track record of delivering strategic initiatives, plan to evolve the strategy of the enlarged Group through three phases:
  - *Focus*: complete the integration of the two businesses alongside initiation of the delivery of the anticipated cost synergies, development of the enlarged Group's products and services, and start to leverage the platform to enable revenue growth based on the broader offering;
  - *Drive*: complete the initiatives around the cost synergies, product and service portfolio and platform, and initiate service diversification into complementary markets alongside exploring further market and geographic growth opportunities; and
  - *Broaden*: accelerate the service diversification and exploration of market and geographic growth opportunities.
- We expect the *Focus* phase to last until April 2021 and are well progressed in that phase, and the *Drive* and *Broaden* phases to follow thereafter.
- The recent transaction with Nationwide is an example of a *Broaden* initiative, but was accelerated due to the timing of the Administration.

---

<sup>1</sup> Remaining £9.1m of exceptional costs relates to £8.6m restructuring costs and £0.6m one-off re-financing costs. Refer to Financial Review page 24.

## **Merger integration and synergies**

- A new Group Management team appointed for the UK & Ireland businesses shortly after the Merger and the experienced Northgate Spain leadership team continue to manage the Spanish business. An Integration Management Office has been set up to drive the integration programme.
- The Group has carried out a detailed review of the operations of both businesses to assess how they can work most effectively and efficiently together. This review underpins the integration programme and is designed to minimise disruption to customers and employees while delivering the expected opportunities and benefits for the enlarged Group's stakeholders. It covers all areas, including the Group's capital and funding model.
- Excellent progress has been made in integrating the two businesses and annual run rate cost synergies achieved to date are £10.2m, with implementation costs of £3.7m, thus achieving our second year target 18 months ahead of schedule. We are therefore increasing our synergy targets to £12m by end of FY2021 and £15m by end of FY2022. Implementation costs are expected to remain less than £10m in total.
- Additionally, in implementing the review, a further £3.8m of permanent annual costs savings have been delivered to date. These permanent savings are not classed as synergies because they are not contingent on the Merger having happened and could have been achieved independently and include the closure of six Van Monster sites.
- Together a total annual run rate of £14.0m of cost synergies and permanent cost savings have been achieved to the end of August since the Merger in February.
- Since the Merger the Group has also made good progress in developing its plans for revenue synergies, which have included FMG winning new contracts with three of Northgate's major customers and, leveraging Redde's expertise, Northgate preparing to launch a new accident and incident management product later in FY2021.

## **Trading and COVID-19 impact**

- The Board and management team took decisive actions to put measures in place to protect the welfare of our employees and customers and to mitigate the financial impact of COVID-19 on the Group. These proactive measures included new guidelines and controls to enable social distancing, furloughing employees, limiting new fleet capex, voluntary pay reductions across Board and senior leadership positions and cost control measures including freezing of recruitment and pay reviews.
- The revenues and profits of all three businesses were impacted by COVID-19 in March and April. These impacts led to a reduction in FY2020 PBT of approximately £7m, and included:
  - A comprehensive customer support package, leading to a temporary reduction in revenues of £3-4m per month whilst in place;
  - A reduction in vehicles on hire ("VOH") with net vehicles returned to branches from lockdown up until the end of April of 6% in Northgate UK&I and 7% in Northgate Spain;
  - Lower volumes of vehicle sales from the temporary closure of disposal markets;
  - Lower volumes of accidents and incidents in the Redde businesses; and
  - Proactive cost measures, including those detailed above.

- In the first four months of FY2021 performance indicators across the Group have fully recovered or substantially improved, including:
  - Customer support packages, which have reduced to a minimal level;
  - A recovery in VOH, such that VOH in Northgate UK&I is now marginally below pre-COVID levels and Northgate Spain is broadly in line with pre-COVID levels;
  - The re-opening of vehicle disposal channels over the course of May such that they were fully operational from June, with recent significant improvement in residual values compared to prior year driven by buoyant market pricing;
  - Accident and incident volumes have started to increase as traffic volumes pick up; and
  - A reduction in furloughed colleagues.
- The Board is pleased with the performance since year-end and, whilst significant uncertainties remain given the current economic environment and risks of future lockdowns, the Board is confident of the vision and strategy of the Group and the opportunities created by the Merger and is cautiously optimistic on performance for the remainder of FY2021.
- As such, the Board confirms, absent a deeper or more prolonged impact of COVID-19 than currently expected, it is comfortable with the consensus of FY2021 analyst forecasts that have been updated since April 2020.

## **GAAP reconciliation and glossary of terms**

Throughout this document we refer to underlying results and measures; the underlying measures allow management and other stakeholders to better compare the performance of the Group between the current and prior period without the effects of one-off or non-operational items. Underlying measures exclude certain one-off items such as those arising from restructuring activities and recurring non-operational items. Specifically, we refer to disposal profit(s). This is a non-GAAP measure used to describe the adjustment in depreciation charge made in the year for vehicles sold at an amount different to their net book value at the date of sale (net of attributable selling costs).

A reconciliation of GAAP to Non-GAAP underlying measures and a glossary of terms used in this document are outlined below the financial review.

## **Interim Results**

The Group will provide an interim result update for the six months to 31 October 2020 in early December 2020.

## **Analyst Briefing**

There will be a presentation for sell-side analysts at 9.30 a.m. today. If you are interested in attending, please email Buchanan on [reddenorthgate@buchanan.uk.com](mailto:reddenorthgate@buchanan.uk.com).

This presentation will also be made available via a link on the Company's web-site [www.reddenorthgate.com](http://www.reddenorthgate.com)

## **For further information contact:**

### **Buchanan**

David Rydell/Jamie Hooper/Tilly Abraham

+44 (0) 207 466 5000

## **Notes to Editors:**

Redde Northgate plc is a leading integrated mobility solutions platform formed in February 2020 following the all-share Merger of light commercial hire business Northgate plc and Redde plc, the provider of incident and accident management, legal and other mobility-related services.

The Group provides mobility solutions and automotive services to a wide range of businesses and customers spanning the vehicle life cycle across vehicle supply, service, maintenance, repair, recovery, accident and incident management and disposal through sale or salvage.

With an extensive network and diversified fleet of over 110,000 owned vehicles and over 500,000 managed vehicles in more than 170 branches across the UK, Ireland and Spain, the Group aims to utilise its scale, reach and comprehensive suite of integrated services to offer a market-leading customer proposition and drive enhanced returns for shareholders.

Further information regarding Redde Northgate plc can be found on the Company's website:

[www.reddenorthgate.com](http://www.reddenorthgate.com)

## **CHIEF EXECUTIVE REVIEW**

### **Merger**

On 21 February 2020 we completed the Merger, via a share exchange, of Northgate plc and Redde plc, two leading mobility solutions companies, forming Redde Northgate plc.

The Merger brought together Northgate plc, a leading light commercial vehicle rental business and Redde plc, a leading provider of incident and accident management, legal and other mobility-related services, creating a leading integrated mobility solutions platform.

The enlarged Group is positioned to benefit from several key market trends. These include; the shift from vehicle ownership to rental, the convergence of mobility solutions, the differentiation of propositions through end-to-end service offerings, big data in automotive services and the trend towards hybrid and electric commercial vehicles.

Redde Northgate is uniquely positioned to capitalise on these trends, and we will take decisive and proactive action to achieve our vision. This energy and proactivity has already been illustrated in several ways since the Merger: in our swift response to COVID-19 lockdowns and the measures put in place to effectively support customers and colleagues; in our delivery of the integration and cost synergies well ahead of target despite COVID-19; in our early wins as a Combined Group; and in our recent acquisition of certain businesses and certain assets of Nationwide Accident Repair Services (“Nationwide”), which will further complement the Group, building on the foundations created by the Merger.

### **Strategic rationale for Merger**

The compelling strategic rationale for the Merger included:

- Complementary combination bringing together a comprehensive suite of mobility services – Redde Northgate’s combined offering now spans the vehicle lifecycle across vehicle supply, service, maintenance, repair, recovery, accident and incident management and disposal through sale, and is now further bolstered in repair by the acquisition of Nationwide.
- A market-leading customer proposition – fleet customers benefit from greater choice and fulfilment ability through a combined network, and insurance customers benefit from enhanced service levels and a fleet more cost effectively serviced and maintained.
- Cost synergies - underpinned by enhanced scale and optimisation potential - and attractive revenue synergies.
- A strong financial profile – including a diversified revenue mix with good growth potential underpinned by market trends, attractive margin profile further enhanced through synergies and operational leverage from growth and strong cash flow generation expected to strengthen the balance sheet over time.

### **Purpose and vision**

Our purpose is to keep customers mobile, whether through meeting their regular mobility needs or by servicing and supporting them when unforeseen events occur.

Our vision is to be the leading supplier of mobility solutions and automotive services to a wide range of businesses.

We have a combined and complementary skill set for product supply and service delivery, a breadth of offering across long and short-term mobility solutions and are a significant scale operator with a fleet of over 110,000 vehicles and 500,000 managed vehicles and over 170 branches.

## **Our markets**

Redde Northgate principally operates across three markets within mobility solutions and automotive services: LCV rental and term hire, used LCV sales and accident management.

### *LCV rental and term hire*

In Northgate's two territories there are over 8 million Light Commercial Vehicles (LCVs) on the roads of which approximately 1 million were operated on hire or leased terms. The rental and term hire segments present the greatest opportunities for future growth within the LCV sector, driven by the major structural shift in the market from vehicle ownership to 'usership'. Customers are increasingly attracted to a rental proposition that avoids the high initial capital outlay of vehicle ownership and brings them certainty of future cash outflows.

We expect COVID-19 could both increase demand and market size and also further accelerate the ownership to 'usership' trend, as customers seek flexibility and lower initial capital outlay due to the weaker economic environment. Northgate's fleet is currently less than 10% of this market and around 1% of LCVs on the road, although its market share in the specific segments where each territory focuses is between 20 and 30%.

### *Used LCV sales*

Northgate also has a successful used LCV sales business, operating physically from its extensive vehicle disposal network and also, increasingly, via online auction. The used vehicle market offers opportunities from own fleet sales but also from selling other customers' vehicles. As an example of the opportunities in this market, the Group has recently licensed its eAuction technology to an OEM to enable their sale of used vehicles. This market, which was initially closed by COVID-19 lockdowns, has re-opened with stronger residual values than expected.

### *Accident management*

Within accident management Redde principally operates in the credit hire, accident and incident management and legal services markets. The Group works with both fleet operators and insurers to provide services to customers who have had an accident. Credit hire providers supply replacement vehicle hire and repair services primarily to non-fault customers who have been involved in traffic accidents, normally at no direct cost to the individual, by seeking compensation from the at-fault party's insurers. Accident and incident management companies handle the claim, repair and other processes relating to an accident or incident. Redde's legal services business assists customers with legal services covering personal injury, as well as employers' liability, wills and probate, clinical negligence and public liability legal advice. The UK crash repair market is a key indicator for the overall accident management market with a report prepared by TrendTracker in January 2019 suggesting expected growth of over 14% over the next five years to 2023. The Group's position in this market is further bolstered by the Nationwide acquisition.



## Strategy

To achieve the Group's vision, the Board and management team, who together have a proven track record of delivering strategic initiatives, plan to evolve the strategy of the enlarged Group through three phases:

1. **Focus:** complete the integration of the two businesses alongside initiation of the delivery of the anticipated cost synergies, development of the enlarged Group's products and services, and start to leverage the platform to enable revenue growth based on the broader offering;
2. **Drive:** complete the initiatives around the cost synergies, product and service portfolio and platform, and initiate service diversification into complementary markets alongside exploring further market and geographic growth opportunities; and
3. **Broaden:** accelerate the service diversification and exploration of market and geographic growth opportunities.

We expect the *Focus* phase to last until April 2021, and the *Drive* and *Broaden* phases to follow thereafter.

Within the *Focus* phase, as part of the development of the enlarged Group's products and services, we are reviewing the existing Northgate strategy which was in place for FY2020 and included four principal market objectives:

1. Defend and grow our share of flexible rental markets;
2. Selectively gain share in minimum term markets;
3. Broaden our provision of capital-light fleet solutions; and
4. Optimise and increase participation in the disposal market.

During FY2020 Northgate followed this strategy and the Merger was an example of the Group broadening provision of capital-light fleet solutions.

The *Focus* phase includes a review of the Group's capital and funding model and has also been re-planned to include our response to COVID-19. The recent transaction with Nationwide is an example of a *Broaden* initiative, the initiative was accelerated into this phase due to the timing of Nationwide going into Administration.

## COVID-19 update

COVID-19 has had a profound impact in all countries in which Redde Northgate operates, and the Board took decisive actions to put measures in place to protect the welfare of our employees and customers and to mitigate the financial impact of the pandemic on the Group.

These measures included implementing new guidelines and controls to enable employees to work with social distancing in branches and offices; furloughing employees across all areas of the business as necessary; limiting capital expenditure on new fleet purchasing for essential requirements only; using nearly new vehicles to stand in for new purchases where suitable; voluntary pay reductions across the Board, senior leadership team and managers; introducing other cost control measures, including a freeze on recruitment and pay reviews, and limiting all non-essential spend and capital expenditure projects.

The Group has also provided flexibility to its rental customers to support them through these difficult times. Our COVID-19 package of support, assessed on an individual basis, has helped many

customers retain rental vehicles during the current COVID-19 uncertainty on terms that meet their needs.

The revenues and profits of all three businesses were impacted by COVID-19. These impacts led to a reduction in FY2020 PBT of approximately £7m, and included:

- A comprehensive customer support package, leading to a temporary reduction in revenues of £3-4m per month whilst in place;
- A reduction in vehicles on hire (“VOH”) with net vehicles returned to branches from lockdown up until the end of April of 6% in Northgate UK&I and 7% in Northgate Spain;
- Lower volumes of vehicle sales from the temporary closure of disposal markets;
- Lower volumes of accidents and incidents in the Redde businesses; and
- Cost actions, including furlough, pay reductions and limiting capital expenditure, to partially mitigate the financial impact on the Group.

During the crisis, we also initiated a number of additional schemes to support our communities. These have included deploying cars to support an NHS and key worker replacement vehicle scheme launched by a long-standing insurer partner and providing vehicles to the Red Cross in Spain at cost.

In the first four months of FY2021 performance indicators across the Group have fully recovered or substantially improved, including:

- Customer support packages reduced to a minimal level;
- A recovery in VOH, such that VOH in Northgate UK&I is now marginally below pre-COVID levels and Northgate Spain is broadly in line with pre-COVID levels;
- The re-opening of vehicle disposal channels over the course of May such that they were fully operational from June, with recent significant improvement in residual values compared to prior year;
- Accident and incident volumes have started to increase as traffic volumes pick up; and
- A reduction in furloughed colleagues.

The Board is pleased with the performance since year end and, whilst significant uncertainties remain given the current economic environment and risks of future lockdowns, the Board remains confident of the vision and strategy of the Group and the opportunities created by the Merger and is cautiously optimistic on performance for the remainder of FY2021.

### **Integration and cost synergies**

A key component of the *Focus* phase of the strategy is to complete the integration of the two businesses.

Following the Merger, integration plans started well with a new Group Management team being appointed for the UK & Ireland businesses and continuity of the Northgate Spain leadership team. An Integration Management Office was established to drive the integration programme.

The Board and management carried out a detailed review of the operations of both businesses to assess how they can work most effectively and efficiently together. This review underpins the integration programme and is designed to minimise disruption to customers and employees whilst delivering the expected opportunities and benefits for the enlarged Group’s stakeholders.

We expect to deliver both cost synergies and revenue synergies as part of the Merger. The cost synergies are being delivered at pace in three principal areas:

- Corporate and support functions – from rationalisation and consolidation of corporate and support functions, removal of duplicate corporate costs and optimisation of procurement;
- Network –the Group will retain extensive operations across the UK, Ireland and Spain, and these are being reviewed to identify the optimal network by removing overlap and enhancing overall scale along with greater density to align with the needs of the Group’s portfolio of services and its efficient delivery to customers; and
- Accident and fleet management – rationalisation and consolidation of accident and fleet management operations.

Excellent progress has been made in integrating the businesses and annual run rate cost synergies achieved to date are £10.2m, with implementation costs of £3.7m, thus achieving our second year target 18 months ahead of schedule. The majority of these synergies have been achieved in corporate and support functions, although we have also started the work on our network optimisation activities. Some of the highest value synergies included the consolidation of a single Board, creating a new Group Management team across UK & Ireland with a reduced number of leadership roles, and a reduction in support function costs and headcount.

Given that this is well ahead of our initial cost synergy targets set out in the shareholder Circular, we are increasing our first year synergy target, taken for this purpose to be as at end of April 2021, from £7m of annual run rate cost synergies to £12m of annual run rate cost synergies and increasing the second year synergy target, taken for this purpose to be as at end of April 2022, from £10m to £15m.

Whilst COVID-19 has had many impacts on the Group as a whole, we have ensured it had limited impact on our integration work, and at times we have used it to accelerate decisions ahead of our initial timeline, for example around network overlap.

Additionally, in implementing the review, a further £3.8m of permanent annual costs savings have been delivered to date. These permanent savings are not classed as synergies because they are not contingent on the Merger having happened and could have been achieved independently and include the closure of six Van Monster sites.

Therefore, together a total annual run rate of £14.0m of cost synergies and permanent cost savings have been achieved so far since the Merger in February, and a target of a further £5m of synergies has been set for FY2022.

### **Revenue synergies**

The Merger is expected to generate revenue synergies as well as cost synergies, benefitting from the complementary nature of the two businesses and the customers’ need for a broader end-to-end experience with more service and product differentiators.

Revenue synergies are expected to be realised from several areas including:

- Cross-selling of products, for example the cross-selling of Northgate vehicle hire to FMG customers or the cross-sell of FMG fleet incident and accident management to Northgate customers;
- Channelling accidents involving Northgate vehicles through Redde; and
- Broadening of mobility solutions to our customers, through the launch of additional mobility products.

Since the Merger the Group has made good progress in developing its plans for revenue synergies, which have included winning new contracts with three of Northgate’s major customers and,

leveraging Redde's expertise, Northgate preparing to launch a new accident and incident management product later in FY2021.

### **Group performance**

Revenue (excluding vehicle sales) was 13.1% higher than the prior year. The increase was attributable to Redde, which is included in Group trading following completion of the Merger on 21 February 2020. Total Group revenue, including vehicle sales, was 4.5% higher, although revenue from Northgate businesses was 4.5% lower, with hire revenue flat including the impact of off hires during lockdown and vehicle sales revenue lower due to temporary closure during lockdown. In Northgate UK&I VOH declined 3.2% offset by pricing improvements resulting in hire revenue being broadly flat. Northgate Spain VOH grew 3.6% offset by pricing reductions, partly due to competition and partly due to mix, resulting in hire revenue 1.1% higher year on year. Vehicle sales revenue was lower principally due to volumes of units sold which were 14.9% lower year on year, due to reduced volumes in March and April.

In Redde, total hire cases and repair cases in March and April were substantially lower due to COVID-19, as lockdown resulted in accident and incident volumes declining steeply with fewer vehicles on the roads and a sharp reduction in road miles driven.

Underlying EBIT from the Northgate businesses (excluding corporate costs) was 4.7% lower at £77.6m (2019: £81.5m), with rental profit 5.0% higher at £67.6m (2019: £64.3m) and disposal profit<sup>1</sup> 41.4% lower at £10.0m (2019: £17.1m). Substantial rental margin improvements were made in the Northgate UK&I which improved to 9.9% (2019: 7.8%), offset by continuing rental margin pressure in Northgate Spain which declined to 17.8% (2019: 19.7%), such that overall Group rental margin improved 0.6 ppts, from 12.4% (FY2019) to 13.0%. Disposal profits were £7.1m lower driven by both reduced volumes of disposals in the year and the impact of depreciation unwind of around £5m. There were no changes to existing depreciation rates during the year but the change made in FY2019 is expected to unwind through disposal profit until FY2023 as illustrated in the table in the Financial Review. Underlying EBIT relating to Redde was £3.3m (2019: £nil) and corporate costs were £6.1m (2019: £5.3m).

During the year the business incurred exceptional costs of £42.3m with £18.3m relating to the Merger and £14.9m relating to the impairment of software intangibles, with the balance from restructuring expenses and refinancing expenses. The Group is in dispute with the provider of certain IT and software development services in relation to the delivery of the planned development of Northgate's new IT system and has therefore paused the project. Given the uncertainty over the outcome of this dispute a decision has been made to write down the carrying values of the related assets.

Underlying earnings per share of 30.8p (2019: 38.7p) was 20.6% lower including the impact of COVID-19 in March and April with lower EBIT across all businesses and a higher number of shares due to the Merger. Redde's profits in March and April were substantially lower than was expected pre COVID-19. Statutory earning per share of 5.0p decreased from 38.6p in the prior year, due to both the underlying impacts and the exceptional costs taken in the year.

Free cash flow improved to £21.6m (2019: £20.5m) and was delivered primarily from lower total capex, which included the COVID-19 actions in March and April. Steady state cash generation<sup>2</sup>

---

<sup>1</sup> Defined as the adjustment in the depreciation charge made in the year for vehicles sold at an amount different to their net book value at the date of sale (net of attributable selling costs)

<sup>2</sup> Defined as Underlying EBITDA less Net replacement capex. Steady state cash generation is stated before cash flows for interest, taxation and other financing costs.

increased 29.5% to £86.9m. Year end net debt of £575.9m was 31.8% higher than prior year but included £63.0m relating to IFRS 16 liabilities. On a like-for-like basis excluding IFRS 16 and Redde, net debt was £459.5m (2019: £436.9m) 5.2% higher. Leverage remained stable at 1.62x at year end (2019: 1.64x), within our target range post Merger of 1.0 – 2.0x.

The Board has considered the importance of dividends to its shareholders and, after careful consideration of the factors impacting this decision, has concluded to maintain a final dividend. For the year ended 30 April 2020, the Board is proposing a final dividend of 6.8p (2019: 12.1p) which, together with the interim dividend of 6.3p (2019: 6.2p), gives a full year dividend of 13.1p (2019: 18.3p), a decrease of 5.2p or 28% on 2019. If approved by shareholders, the final dividend will be paid on 3 November 2020 to shareholders on the register on 25 September 2020.

## **People**

We have made several Board changes since the Merger, including both the consolidation of Board members as announced on 24 March 2020 and the passing of former director Steve Oakley, announced with great sadness on 18 May 2020.

In addition, with the creation of the new Group Management team structure across UK & Ireland, we have removed the need for an MD of Northgate UK&I, and appointed a new MD of Redde, effective from May 2020.

The MD of Northgate Spain continues to be Jorge Alarcon, who joined Northgate on 22 August 2019, bringing with him a wealth of experience of the industrials and services markets in Spain.

## **Impact of the UK leaving the European Union without a new free trade agreement**

The Group continues to monitor the potential impact on its business of the UK leaving the European Union without a new free trade agreement in place on 31 January 2021. The greatest risks identified would be a disruption to the supply of new vehicles and vehicle components imported into the UK from the EU, including additional import costs which may be imposed:

- Around 90% of vehicles purchased or leased by the Group from UK OEMs are imported from the EU. Assurances have been sought from these OEMs, who are confident that there will be no material long-term disruption. Any potential short-term supply disruption can also be mitigated by Northgate itself, by slowing the rate of vehicle de-fleets in order to maintain vehicle availability for customers as has been seen in the response to COVID-19.
- Components for vehicles manufactured in the UK are also imported from the EU. However, normal OEM stock levels are considered to be sufficient to address any potential short-term supply issues.
- The introduction of import costs could potentially create some margin pressure in the short-term. However, the Company believes that in the longer-term, it will be able to pass through to end-users any significant additional costs that might be imposed on imported vehicles.

A potential upside for Northgate in the event of supply disruptions or higher purchase costs, would be the likely increase in rental demand and stronger residual values that would result.

## OUR FY2020 PERFORMANCE

### Northgate UK&I

Year ended 30 April	2020	2019	Change
KPI	('000)	('000)	%
Average VOH	46.9	48.4	(3.2%)
Closing VOH	43.5	47.1	(7.5%)
Average utilisation %	88%	88%	-
Year ended 30 April	2020	2019	Change
PROFIT & LOSS (Underlying)	£m	£m	%
Revenue – Vehicle hire	313.9	315.6	(0.5%)
Revenue – Vehicle sales	137.1	166.5	(17.6%)
Total Revenue	451.0	482.0	(6.4%)
Rental profit	31.2	24.6	26.5%
Rental Margin %	9.9%	7.8%	2.1 ppts
Disposal profit	6.7	10.8	(37.3%)
EBIT	37.9	35.4	7.1%
EBIT Margin % <sup>1</sup>	8.4%	7.3%	1.1 ppts
ROCE %	6.6%	6.4%	0.2 ppts

### Rental business

Hire revenue in the Northgate UK&I business declined 0.5% compared to the prior year to £313.9m (2019: £315.6m), driven by average VOH which declined 3.2%, offset by improved pricing. Regular rate increases were introduced in FY2019 and rates were again increased in FY2020 across our full range of rental products and continued to be well planned, communicated and executed. Closing VOH declined 7.5% to 43,500 and included a reduction of 5.9% from lockdown until the end of April.

At the year end, Northgate's minimum term proposition accounted for around 33% (2019: 24%) of average VOH. The average term of these contracts is approximately three years, providing both improved visibility of future rental revenue and earnings, as well as lower transactional costs.

The rental margin has continued to grow since H2 2018 having steadily improved for the past four half year periods, increasing from 6.0% in H2 2018, to 7.1% in H1 2019 to 8.5% in H2 2019, to 9.8% in H1 2020 and 10.0% in H2 2020. This improvement reflects the more competitive pricing introduced to the market as well as the execution of the strategic priorities.

The net impact of the lower hire revenue and higher rental margin was a 26.5% increase in Northgate UK&I rental profits to £31.2m (2019: £24.6m).

### Management of fleet and vehicle sales

The total Northgate UK&I year end rental fleet size of 51,400 vehicles declined from 54,600 in the prior year. The contraction of 5.8% was similar to the reduction in closing VOH of 7.5%. 14,600

<sup>1</sup> Calculated as underlying EBIT divided by total revenue

vehicles were purchased during the year and approximately 17,800 vehicles were de-fleeted. The average age of the fleet at the end of the year was two months higher than at the same time last year. This was partly due to the impact of the fleet optimisation policy and partly due to managing the fleet to mitigate impacts of COVID-19 in the last two months of the year, action which led to reduced purchases and de-fleets and thus increased the average age of the fleet.

A total of 17,200 vehicles were sold in Northgate UK&I during the year, 18.1% lower than prior year. The sales in March and April were impacted by COVID-19 and the temporary closure of disposal markets.

Disposal profits of £6.7m (2019: £10.8m) declined 37.3% versus the prior year, as a result of both the reduced sales volumes and a 24% reduction in the average profit per unit (PPU) on disposals to £391 (2019: £512) due to the £1.4m unwind of depreciation rate changes (approximately £80 of the PPU reduction) and lower sales volumes, particularly during COVID-19 when sales volumes were close to nil.

### ***EBIT and ROCE***

Underlying EBIT of £37.9m grew 7.1% over the prior year (2019: £35.4m) driven by higher rental profits, offset by lower disposal profits as explained above.

The ROCE in Northgate UK&I was 6.6% (2019: 6.4%) reflecting an increase in EBIT partially offset by an increase in capital employed due mainly to higher year end stock due to the closure of disposal markets in April and lower creditors due to reduced vehicle purchases during lockdown.

A higher EBIT and ROCE was expected before the impact of COVID-19.

### ***Capex and cash flow***

Year ended 30 April	<b>2020</b>	2019	<i>Change</i>
	<b>£m</b>	£m	%
Underlying EBITDA	<b>158.1</b>	151.9	4.1%
Net Replacement Capex	<b>129.8</b>	122.8	5.7%
Underlying EBITDA less Net Replacement Capex	<b>28.3</b>	29.1	(3.0%)
Growth Capex (incl. inorganic)	<b>(0.8)</b>	21.0	(103.8%)

Underlying EBITDA improved by 4.1% to £158.1m (2019: £151.9m) mainly due to a £2.5m increase in underlying EBIT as well as an increase in depreciation as a result of IFRS 16 of £3.8m.

Net replacement capex<sup>1</sup> in the year was £129.8m, 5.7% higher than in 2019, driven mainly by OEM price inflation and vehicle mix. Underlying EBITDA less net replacement capex reduced by 3.0% to £28.3m (2019: £29.1m) reflecting increased EBITDA offset by higher replacement capex in the year. Growth capex was a contraction of £0.8m, which includes a working capital outflow of £2.3m and net underlying contraction capex of £3.1m, relating to the reduction in fleet of 500 vehicles.

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

## Northgate Spain

Year ended 30 April	2020	2019	Change
KPI	('000)	('000)	%
Average VOH	46.4	44.8	3.6 %
Closing VOH	43.1	46.0	(6.1%)
Average utilisation %	91%	91%	-
Year ended 30 April	2020	2019	Change
PROFIT & LOSS (Underlying)	£m	£m	%
Revenue – Vehicle hire	204.2	202.1	1.1 %
Revenue – Vehicle sales	56.7	61.4	(7.6%)
Total Revenue	260.9	263.4	(1.0%)
Rental profit	36.4	39.7	(8.3%)
Rental margin %	17.8%	19.7%	(1.9) ppts
Disposal profit	3.3	6.4	(48.3%)
EBIT	39.7	46.1	(13.8%)
EBIT Margin % <sup>1</sup>	15.2%	17.5%	(2.3) ppts
ROCE %	8.8%	10.6%	(1.8) ppts

### Rental business

Hire revenue in Northgate Spain grew 1.1% to £204.2m (2019: £202.1m) driven by growth in average VOH of 3.6% but offset by average hire rates which were 2.5% lower. This was due both to mix, with the proportion of minimum term higher in FY2020, and continuing pricing pressure from competition. At constant exchange rates, removing the headwind of foreign exchange, the reported growth in rental revenue was 1.7%.

Closing VOH declined 6.1% to 43,100 since 30 April 2019. This decline included a reduction of 6.5% from lockdown until the end of April. Closing VOH grew in H1 FY2020 by 3.0% from 46,000 at end of FY2019 to 47,400 in October 2019, but then fell back to broadly flat by the end of February due to weakening economic outlook and some seasonality. There continues to be a structural shift away from LCV ownership to 'usership', most notably into minimum term hire which at year end accounted for 37% (2019: 31%) of average VOH, but there were signs even before COVID-19 of weaker macro-economic conditions in Spain.

The FY2020 rental margin of 17.8% (2019: 19.7%) declined year-on-year driven primarily by the 2.5% decline in average hire rates. Cost inflation was offset by some cost saving initiatives such that overall cost reductions improved margin by 0.6%.

The net impact of the increased hire revenue and lower rental margin was an 8.3% decline in Northgate Spain rental profits to £36.4m (2019: £39.7m). Rental profits declined 7.7% at constant exchange rates.

<sup>1</sup> Calculated as underlying EBIT divided by total revenue



### **Management of fleet and vehicle sales**

The total rental fleet size in Northgate Spain increased by 0.9% to 51,500 vehicles, driven by the growth in VOH in the period up until COVID-19. 11,200 vehicles were purchased during the year and approximately 10,800 vehicles were de-fleeted. The average age of the fleet at the end of the year was two months higher than at the same time last year, partly due to fleet optimisation policy and partly due to actions taken in response to the pandemic in the last two months of the year. This resulted in fewer purchases and de-fleets and thus increased the average age of the fleet.

A total of 9,900 vehicles were sold by Northgate Spain during the year, 14.7% less than in the previous year. The sales in March and April were impacted by COVID-19 and the temporary closure of disposal markets.

Disposal profits of £3.3m (2019: £6.4m) declined 48.3% versus the prior year, driven by both reduced sales volumes above and a 39% reduction in the average profit per unit (PPU) on disposals to £334 (2019: £551) due to the £4.0m unwind of previous depreciation rate changes (approximately £400 of PPU reduction) offset by some mix impacts and some improvements in the operations implemented in the year.

### **EBIT and ROCE**

The decline in both rental profit and disposal profit explained above led to a decline in EBIT of 13.8% to £39.7m (2019: £46.1m). At constant exchange rates, operating profits in Northgate Spain declined 13.3%.

The ROCE in Northgate Spain was 8.8% (2019: 10.6%) reflecting primarily the decline in EBIT but also the increase in capital employed driven by the growth and mix of the fleet.

A higher EBIT and ROCE was expected before the impact of COVID-19.

### **Capex and cash flow**

Year ended 30 April	2020 £m	2019 £m	Change %
Underlying EBITDA	125.6	121.8	3.1%
Net Replacement Capex	69.6	78.5	(11.4%)
Underlying EBITDA less Net Replacement Capex	56.0	43.3	29.3%
Growth Capex	17.5	21.7	19.1%

Underlying EBITDA increased by 3.1% to £125.6m (2019: £121.8m) and net replacement capex<sup>1</sup> was £69.6m, 11.4% lower than in 2019, with OEM price inflation offset by vehicle ageing impacts such that Underlying EBITDA less net replacement capex grew by 29.3%, to £56.0m (2019: £43.3m). Growth capex was £17.5m, 19.1% lower than the prior year due to lower growth in the fleet.

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

## Redde

The Merger completed on 21 February 2020 therefore the tables below relate to financial performance since that date.

Year ended 30 April	2020
<b>PROFIT &amp; LOSS (Underlying)</b>	<b>£m</b>
Revenue – Claims and Services	<b>67.4</b>
Gross profit	<b>10.0</b>
<i>Gross margin %</i>	<b>14.9%</b>
EBIT	<b>3.3</b>
<i>EBIT margin %<sup>1</sup></i>	<b>4.9%</b>

### ***Revenue, Gross margin and EBIT***

Revenue for the period post Merger was £67.4m and gross profit was £10.0m with a gross margin of 14.9%, EBIT of £3.3m and EBIT margin of 4.9%.

These results were all substantially below Board expectations set pre COVID-19, due to the lower volumes of accidents and incidents impacting the Redde businesses over March and April.

Overall revenue for the two months was on average around 27% below expectations for the period, gross profit around 25% below expectation and gross margin was broadly in line with expectations. EBIT was around 55% below expectations as overheads, whilst partially reduced through cost actions, still created a substantial headwind to margins. EBIT margin was around 3.1 ppts below expectations for the period.

### ***Management of fleet***

The total fleet size in Redde closed the year at 9,000 vehicles, reduced from the level in Redde's June 2019 accounts of 10,700 vehicles due to the loss of contract with a large insurer as previously announced by Redde.

The average fleet age was 15 months reflecting the lower fleet holding period than in the Northgate businesses due to the different usage of the vehicles and business economics.

The Redde fleet continues to operate through a hybrid solution of ownership, contract hire and, during peak periods, cross-hiring from daily rental companies.

### ***Capex and cash flow***

Year ended 30 April	2020
	<b>£m</b>
Underlying EBITDA	<b>6.3</b>
Total net capex <sup>2</sup>	<b>1.0</b>
Statutory debtor days	<b>123 days</b>

<sup>1</sup> Calculated as underlying EBIT divided by total revenue

<sup>2</sup> Redde net capex has been adjusted to include the principal element of lease payments under HP.

Underlying EBITDA was £6.3m for the period.

Debtor days were 123 days at 30 April 2020. This measure is based upon net trade receivables and contract assets, other receivables and accrued income as a proportion of the related underlying sales revenue for the past 12 months multiplied by 365 days.

Capital expenditure typically follows seasonal trends in business demand with a net reduction in fleet size anticipated for the period. Net capital expenditure was £1.0m with principal repayments on finance leases being higher than the disposal of surplus vehicles during COVID-19.

**Martin Ward, Chief Executive Officer**

## FINANCIAL REVIEW

### Group summary

A summary of the Group's financial performance is as follows:

Year ended 30 April	2020	2019	Change	Change
	£m	£m	£m	%
Revenue	779.3	745.5	33.9	4.5%
EBIT	29.9	75.5	(45.6)	(60.4%)
Profit before tax	13.5	60.4	(46.9)	(77.7%)
EPS	5.0p	38.6p	(33.6p)	(87.1%)
Underlying EBIT	74.8	76.2	(1.4)	(1.8%)
Underlying profit before tax	59.0	61.1	(2.1)	(3.5%)
Underlying EPS	30.8p	38.7p	(8.0p)	(20.6%)
Dividend per share	13.1p	18.3p	(5.2p)	(28.4%)
Free cash flow	21.6	20.5	1.1	5.5%
Underlying free cash flow	38.4	63.1	(24.8)	(39.2%)

### Revenue

Group revenue increased by 4.5% to £779.3m, 4.8% at constant exchange rates.

Group revenue comprised:

Year ended 30 April	2020	2019	Change	Change
	£m	£m	£m	%
Vehicle hire	518.2	517.6	0.5	0.1%
Vehicle sales	193.8	227.8	(34.1)	(14.9%)
Claims and services	67.4	–	67.4	n/m

Vehicle hire revenue of £518.2m was in line with the prior year but was impacted by COVID-19 in March and April.

Group vehicle sales revenue declined by 14.9% reflecting lower sales volumes, impacted during lockdown when disposal markets were closed in all territories.

Total Group revenue grew 4.5%, with the increase year on year attributable to Claims and Services income in the Redde business, following the Merger on 21 February 2020.

### Underlying EBIT

Underlying Group EBIT decreased by 1.8% (1.5% at constant exchange rates) to £74.8m and is stated before exceptional costs (£41.8m).

Underlying Group EBIT comprised:

	2020	2019	Change	Change
Year ended 30 April	£m	£m	£m	%
Group rental profit	<b>67.6</b>	64.3	3.2	5.0%
Group disposal profit	<b>10.0</b>	17.1	(7.1)	(41.4%)
Northgate businesses	<b>77.6</b>	81.5	(3.9)	(4.7%)
Redde operating profit	<b>2.4</b>	–	2.4	–
Corporate costs	<b>(6.1)</b>	(5.3)	(0.8)	(15.7%)
Associate income (Redde)	<b>0.9</b>	–	0.9	–
Total	<b>74.8</b>	76.2	(1.4)	(1.8%)

Group vehicle rental profit increased £3.2m reflecting improved profit margins in Northgate UK&I (+£6.5m) partly offset by a decrease in Northgate Spain (–£3.3m).

The reduction in Group disposal profit by 41.4% to £10.0m resulted primarily from fewer vehicle sales, largely as a result of the suspension of the disposal market during COVID-19 lockdown period in the final two months of the year and included a £5.4m decrease relating to the unwind of previous depreciation rate changes.

The Group EBIT in FY2020 has benefitted from £3.3m of contributions from operating profit of £2.4m and £0.9m of associate income arising from the Redde business in the period following the Merger.

### ***Business combinations***

The Company acquired Redde plc on 21 February 2020 via a share exchange at an agreed ratio resulting in total fair value consideration of £318.4m. A purchase price allocation exercise has been undertaken in order to identify and recognise intangible assets with finite useful lives amounting to £186.6m with £35.5m of associated deferred tax liability and other net assets of £54.8m resulting in goodwill of £112.5m.

The valuation methodologies used for estimating fair values of consideration and net assets acquired were based on accepted valuation techniques and intangible assets are estimated to have useful lives ranging from five to fifteen years.

Goodwill arising on acquisition has been subsequently tested for impairment at 30 April 2020 based on updated cash flow forecasts which have been prepared taking into account the expected impacts of COVID-19, and no adjustment for impairment losses was required.

### ***Impact of IFRS 16 adoption***

IFRS 16 has been adopted for the first time from 1 May 2019. The Group has recognised lease liabilities in relation to land and buildings and vehicles which would have previously been classified as ‘operating leases’ under the principles of IAS 17.

Adoption of this new standard on 1 May 2019 led to the recognition of ‘Right-of-use’ assets and corresponding Lease liabilities in the balance sheet of £48.5m. The resulting depreciation and interest costs replaced costs that would formerly have been recognised as operating lease expenses within the consolidated income statement. The adoption of the standard has resulted in an increase in depreciation costs of £7.9m and finance costs of £1.2m. Other operating expenses have decreased by £8.9m giving a net decrease in profit before tax of £0.3m and a net decrease in underlying EPS of 0.1p.

### **Depreciation rate changes**

The accounting requirements to adjust depreciation rates due to changes in expectations of future residual values of used vehicles make it more difficult to identify the underlying profit trends in the business. When a vehicle is acquired it is recognised as a fixed asset at its cost net of any discount or rebate receivable. The cost is then depreciated evenly over its rental life, matching its pattern of usage.

Matching of future market values to net book value on the disposal date requires significant judgement for the following key reasons:

1. Used vehicle prices are subject to short term volatility which makes it challenging to estimate future residual values;
2. The exact disposal age is not known at the point at which rates are set and therefore the book value at disposal date is not certain; and
3. Mileage and condition are the key factors in influencing the market value of a vehicle. This can vary significantly through a vehicle's life depending upon how the vehicle is used.

Due to the above uncertainties, a difference normally arises between the net book value of a vehicle and its actual market value at the date of disposal. Where those differences are within an acceptable range these are adjusted against the depreciation charge in the income statement. Where these differences are outside of the acceptable range, changes are made to depreciation rate estimates to better reflect market conditions and the usage of vehicles.

In FY2020 the impact of previous rate changes is a £5.4m year on year reduction in disposal profits arising due to disposed vehicles having a higher NBV as result of the lower depreciation rates.

The impacts of previous rate changes on FY2020 operating profit, and the estimated impact on future years of the previous changes, is set out below:

	Cumulative impact	Year on year impact		
	Group	Group	UK&I	Spain
Year:	£m	£m	£m	£m
30 April 2013	5.3	5.3	5.3	–
30 April 2014	4.3	(1.0)	(1.0)	–
30 April 2015	15.7	11.4	8.4	3.0
30 April 2016	12.0	(3.7)	(5.9)	2.2
30 April 2017	6.3	(5.7)	(4.1)	(1.6)
30 April 2018	2.1	(4.2)	(2.7)	(1.5)
30 April 2019	17.4	15.3	4.1	11.2
30 April 2020	12.0	(5.4)	(1.4)	(4.0)
30 April 2021*	6.6	(5.4)	(1.4)	(4.0)
30 April 2022*	1.2	(5.4)	(1.4)	(4.0)
30 April 2023*	–	(1.2)	–	(1.2)

\*These are management estimates based on indicative fleet size and assuming an equalised level of defleeting in each year.

### ***Interest***

Net underlying finance charges stated before exceptional finance costs of £0.6m, increased by 4.9% to £15.8m (2019: £15.1m) as a result of higher net debt. The net cash interest charge for the year was £14.5m (2019: £14.1m) as a result of higher borrowings and inclusion of HP for the first time this year. Non-cash interest was £1.3m (2019: £1.0m).

### ***Underlying profit before tax***

Underlying profit before tax was £59.0m (£59.2m at constant exchange rates), £2.1m lower than in FY2019 (2019: £61.1m).

### ***Taxation***

The Group's underlying tax charge was £11.5m (2019: £9.5m) and the underlying effective tax rate was 19% (2019: 16%). The statutory effective tax rate was 43% (2019: 15%), impacted mainly by non-deductible Merger expenses.

### ***Earnings per share***

Underlying EPS was 30.8p compared to 38.7p in the prior year. Statutory EPS was 5.0p compared to 38.6p in the prior year.

Underlying earnings for the purpose of calculating EPS were £47.5m (2019: £51.6m). The weighted average number of shares for the purposes of calculating EPS was 154.5m (2019: 133.2m).

### ***Exceptional items***

During the year the Group incurred exceptional costs of £42.3m (2019: £nil).

### ***Intangible impairment***

The Group is in dispute with the provider of certain IT and software development services in relation to the delivery of the planned development of Northgate's new IT system and has therefore paused the project. Given the uncertainty over the outcome of this dispute a decision has been made to write down the carrying values of the related assets. The Group therefore incurred exceptional costs in relation to this impairment of £14.9m (2019: £nil).

### ***Restructuring expenses***

The Group incurred total exceptional restructuring costs of £8.6m (2019: £nil), of which £4.7m arose in Northgate UK&I (2019: £nil), £1.5m in Northgate Spain (2019: £nil) and £2.4m in Corporate (2019: £nil).

Restructuring costs of £4.7m (2019: £nil) were incurred in relation to restructuring activities that were undertaken both during the year and following the acquisition of Redde plc, as part of the integration of the Combined Group. These costs primarily related to a reduction in headcount and associated redundancy and loss of office costs.

As part of the post-acquisition reorganisation, an exceptional impairment of property, plant and equipment of £1.3m (2019: £nil) and an onerous contract provision of £0.4m (2019: £nil) were incurred in relation to property.

Exceptional share based payment charges of £1.7m (2019: £nil) were incurred in relation to outstanding EPSP awards previously made to continuing employees that were forfeited following the completion of the acquisition of Redde plc.

Exceptional costs of £0.6m (2019: £nil) were incurred in relation to the closure of certain sites.

#### *Merger expenses*

The Group incurred expenses of £18.3m (2019: £nil) in executing the Merger transaction.

#### *Refinancing expenses*

The Group incurred exceptional finance costs of £0.6m (2019: £nil) in relation to debt partially extinguished as part of the refinancing of Group bank facilities.

#### ***Dividend and capital allocation***

Subject to approval, the final dividend proposed of 6.8p per share (2019: 12.1p) will be paid on 3 November 2020 to shareholders on the register as at close of business on 25 September 2020.

Including the interim dividend paid of 6.3p (2019: 6.2p), the total dividend relating to the year would be 13.1p (2019: 18.3p). The dividend is covered 1.9x by underlying earnings.

The Group's objective is to employ a disciplined approach to investment, returns and capital efficiency to deliver sustainable compounding growth. Capital will be allocated within the business in accordance with the framework outlined below:

1. Dividend: appropriate dividend distribution.
2. Core business growth: organic capital investment to grow the core business at returns substantially ahead of WACC.
3. Disposal: potential disposal of non-core assets where investment returns can be maximised through sale.
4. Inorganic: bolt-on acquisitions into product or geographic adjacencies at returns substantially ahead of WACC.

The Group plans to maintain a balance sheet within a target leverage range of 1.0x to 2.0x net debt to EBITDA, and during periods of significant growth net debt would be expected to be towards the higher end of this range. This is consistent with the Group's objective of maintaining a balance sheet that is efficient in terms of providing long term returns to shareholders and safeguards the Group's financial position through economic cycles.



### ***Cash flow***

A summary of the Group's cash generation is as follows:

Year ended 30 April	2020	2019
	£m	£m
Cash generated from operations	264.4	283.2
Net capital expenditure	(213.7)	(243.9)
Net taxation and interest payments	(24.8)	(15.7)
Net share purchases and refinancing costs	(4.9)	(3.2)
Distributions from associates	0.6	–
<b>Free cash flow</b>	<b>21.6</b>	<b>20.5</b>
Dividends	(24.3)	(23.4)
<b>Net cash consumed</b>	<b>(2.7)</b>	<b>(3.0)</b>

A total of £362.0m was invested in new vehicles compared to £403.5m in the prior year. The Group's new vehicle capital expenditure was partially funded by £156.3m generated from the sale of used vehicles (2019: £174.5m). Other net capital expenditure amounted to £7.9m (2019: £14.9m).

The cash flow generation of the Group in any year is influenced by the capital expenditure to grow the business or cash generated by adjusting the fleet size downwards if VOH reduce. If the impact of increasing or reducing the rental fleet size in the year is removed from net capital expenditure, the underlying free cash generation of the Group was as follows:

Year ended 30 April	2020	2019
	£m	£m
Free cash flow	21.6	20.5
Add back: Growth capex	16.8	42.6
Underlying free cash flow	38.4	63.1

Net debt reconciles as follows:

Year ended 30 April	2020	2019
	£m	£m
Opening net debt	436.9	439.3
IFRS 16 transition	48.5	–
Net debt acquired in Merger	84.1	–
Net cash consumed	2.7	3.0
Other non-cash items	1.8	0.6
Exchange differences	1.8	(6.0)
Closing net debt	575.9	436.9

Free cash inflow was £21.6m (2019: £20.5m) after net capital expenditure of £213.7m (2019: £243.9m). If the impact of growth capex in the year is removed from net capital expenditure in each year, the underlying free cash flow of the Group was £38.4m (2019: £63.1m).

Net cash consumption was £2.7m (2019: £3.0m). After the introduction of IFRS 16 lease liabilities of £48.5m (2019: £nil) and net debt acquired from Redde of £84.1m (2019: £nil), closing net debt was £575.9m (2019: £436.9m).

### ***Borrowing facilities***

As at 30 April 2020 the Group had headroom on facilities of £234m, with £477m drawn (net of available cash balances) against total committed facilities of £711m as detailed below:

	Facility	Drawn	Headroom	Maturity	Borrowing
	£m	£m	£m		Cost
UK bank facilities	610	386	224	Nov-23	2.1%
Loan notes	87	87	–	Aug-22	2.4%
Other loans	14	4	10	Nov-20	2.4%
	<b>711</b>	<b>477</b>	<b>234</b>		<b>2.3%</b>

The other loans consist of £13m of local borrowings in Spain and £0.5m of preference shares.

During the year the existing Northgate UK bank facilities were refinanced increasing those facilities by £51m. UK bank facilities of £55m were acquired from Redde on completion of the Merger.

The above drawn amounts reconcile to net debt as follows:

	<b>Drawn</b>
	<b>£m</b>
Borrowing facilities	477
Unamortised finance fees	(5)
Leases arising following adoption of IFRS 16	63
Leases arising under HP obligations	41
<b>Net debt</b>	<b>576</b>

The overall cost of borrowings at 30 April 2020 is 2.3% (2019: 2.5%).

The margin charged on bank debt is dependent upon the Group's net debt to EBITDA ratio, ranging from a minimum of 1.35% to a maximum of 3.1%. The net debt to EBITDA ratio at 30 April 2020 corresponds to a margin of 1.85% (2019: 2%).

Interest rate swap contracts have been taken out which fix a proportion of bank debt at 2.4% (2019: 2.6%).

The split of net debt by currency is as follows:

Year ended 30 April	<b>2020</b>	2019
	<b>£m</b>	£m
Euro	<b>370</b>	296
Sterling	<b>211</b>	143
Borrowings and lease obligations before unamortised arrangement fees	<b>581</b>	439
Unamortised finance fees	<b>(5)</b>	(2)
	<b>576</b>	437

There are three financial covenants under the Group's facilities as follows:

	<b>Threshold</b>	<b>April 2020</b>	<b>Headroom</b>	<b>April 2019</b>
Interest cover	3x	5.3x	£30m (EBIT)	5.3x
Loan to value	70%	48%	£243m (Net debt)	43%
Debt leverage	2.75x	1.6x	£132m (EBITDA)	1.6x

The covenant calculations have been prepared in accordance with the requirements of the facilities that they relate to.

#### **Balance sheet**

Net assets at 30 April 2020 were £871.6m (2019: £563.6m), equivalent to net assets per share of 354p (2019: 423p). Net tangible assets at 30 April 2020 were £569.8m (2019: £548.5m), equivalent to a net tangible asset value of 232p per share (2019: 412p per share).

As outlined above, on acquisition of Redde, net assets of £318.4m were recognised on the balance sheet, including £112.5m of goodwill, £186.6m other intangible assets and £19.3m of other net tangible assets.

Gearing at 30 April 2020 was 101.1% (2019: 79.6%) and ROCE was 7.0% (2019: 7.7%).

The expected impact of COVID-19 has been considered in the impairment testing of each category of assets and adjustments have been made if required.

### **Treasury**

The function of Group Treasury is to mitigate financial risk, to ensure sufficient liquidity is available to meet foreseeable requirements, to secure finance at minimum cost and to invest cash assets securely and profitably. Treasury operations manage the Group's funding, liquidity and exposure to interest rate risks within a framework of policies and guidelines authorised by the Board of Directors.

The Group uses derivative financial instruments for risk management purposes only. Consistent with Group policy, Group treasury does not engage in speculative activity and it is Group policy to avoid using more complex financial instruments.

### **Credit risk**

The policy followed in managing credit risk permits only minimal exposures, with banks and other institutions meeting required standards as assessed normally by reference to major credit agencies. Group credit exposure for material deposits is limited to banks which maintain an A rating. Individual aggregate credit exposures are also limited accordingly.

### **Liquidity and funding**

The Group has sufficient funding facilities to meet its normal funding requirements in the medium term as discussed above. Covenants attached to those facilities as outlined above are not restrictive to the Group's operations.

### **Capital management**

The Group's objective is to maintain a balance sheet structure that is efficient in terms of providing long term returns to shareholders and safeguards the Group's financial position through economic cycles.

Operating subsidiaries are financed by a combination of retained earnings and borrowings.

The Group can choose to adjust its capital structure by varying the amount of dividends paid to shareholders, by issuing new shares or by adjusting the level of capital expenditure.

### **Interest rate management**

The Group's bank facilities, other loan agreements and lease obligations incorporate variable interest rates. The Group seeks to manage the risks associated with fluctuating interest rates by having in place a number of financial instruments covering at least 50% of its borrowings at any time. The proportion of gross borrowings (including leases arising under HP obligations) hedged into fixed rates was 60% at 30 April 2020 (2019: 68%).

### **Foreign exchange risk**

The Group's reporting currency is Sterling and 63% of its revenue is generated in Sterling during the year (2019: 65%). The Group's principal currency translation exposure is to the Euro, as the results of operations, assets and liabilities of its Spanish and Irish businesses must be translated into Sterling to produce the Group's consolidated financial statements.

The average and year end exchange rates used to translate the Group's overseas operations were as follows:

	<b>2020</b>	2019
	<b>£ : €</b>	£ : €
Average	<b>1.14</b>	1.14
Year end	<b>1.15</b>	1.16

The Group manages its exposure to currency fluctuations on retranslation of the balance sheets of those subsidiaries whose functional currency is in Euros by maintaining a proportion of its borrowings in the same currency. The exchange differences arising on these borrowings have been recognised directly within equity along with the exchange differences on retranslation of the net assets of the Euro subsidiaries. At 30 April 2020 71% of Euro net assets were hedged against Euro borrowings (2019: 62%).

### ***Going concern***

Having considered the Group's current trading, cash flow generation and debt maturity including severe but plausible stress testing scenarios including the impacts of COVID-19 (as detailed further in Note 8 to the financial statements), the Directors have concluded that it is appropriate to prepare the Group financial statements on a going concern basis.

### **Philip Vincent**

Chief Financial Officer

## **GLOSSARY OF TERMS**

The following defined terms have been used throughout this document:

<b>Term</b>	<b>Definition</b>
Certain intangible assets	Intangible assets recognised on business combinations and other non-recurring items
Disposal profit(s)	This is a non-GAAP measure used to describe the adjustment in the depreciation charge made in the year for vehicles sold at an amount different to their net book value at the date of sale (net of attributable selling costs)
EBIT	Earnings before interest and taxation
EBITDA	Earnings before interest, taxation, depreciation and amortisation
EPS	Basic earnings per share
EPSP	Executive Performance Share Plan
Facility headroom	Calculated as facilities of £711m less net borrowings of £477m. Net borrowings represent net debt of £576m excluding lease liabilities of £104m and unamortised arrangement fees of £5m and are stated after the deduction of £17m of net cash and overdraft balances which are available to offset against borrowings
Free cash flow	Net cash generated before the payment of dividends
FY2019	The year ended 30 April 2019
FY2020	The year ended 30 April 2020
FY2021	The year ending 30 April 2021
GAAP	Generally Accepted Accounting Practice: meaning compliance with IFRS
Gearing	Calculated as net debt divided by net tangible assets
Growth capex	Growth capex represents the cash consumed in order to grow the total rental fleet or the cash generated if the fleet size is reduced in periods of contraction
H1/H2	Half year period: H1 being the first half and H2 being the second half of the financial year
HP (leases)	Leases recognised on the balance sheet that would previously have been classified as finance leases prior to the adoption of IFRS 16
IFRS	International Financial Reporting Standards
IFRS 16 (leases)	Leases recognised on the balance sheet that would previously have been classified as operating leases prior to the adoption of IFRS 16
LCV	Light commercial vehicle: the official term used within the European Union for a commercial carrier vehicle with a gross vehicle weight of not more than 3.5 tonnes
Net replacement capex	Net capital expenditure other than that defined as growth capex
Net tangible assets	Net assets less goodwill and other intangible assets
Northgate	The Company and its subsidiaries prior to the Merger or that part of the business following the Merger
Northgate Spain	The Northgate Spain operating segment representing the commercial vehicle hire part of the Group located in Spain
Northgate UK&I	The Northgate UK&I operating segment representing the commercial vehicle hire part of the Group located in the United Kingdom and the Republic of Ireland
OEM	Original Equipment Manufacturer: a reference to our vehicle suppliers
PBT	Profit before taxation
PPU	Profit per unit/loss per unit – this is a non-GAAP measure used to describe disposal profit (as defined), divided by the number of vehicles sold
Redde	The Redde operating segment representing the insurance claims and services part of the group or the Redde plc company and its subsidiaries prior to the Merger
ROCE	Underlying return on capital employed: calculated as underlying EBIT (see non-GAAP reconciliation) divided by average capital employed excluding acquired goodwill and intangible assets
Steady state cash generation	Underlying EBITDA less net replacement capex
The Combined Group	The Company and its subsidiaries following the Merger
The Company	Redde Northgate plc

The Group	The Company and its subsidiaries
The Merger	The acquisition by the Company of 100% of the share capital of Redde plc on 21 February 2020
Underlying free cash flow	Free cash flow excluding growth capex
Utilisation	Calculated as the average number of vehicles on hire divided by average rentable fleet in any period
VOH	Vehicles on hire. Average unless otherwise stated
WACC	Weighted average cost of capital

## GAAP Reconciliation

A reconciliation of GAAP to non-GAAP underlying measures is as follows:

	<b>Group 2020 £000</b>	<b>Group 2019 £000</b>
Operating profit	28,916	75,491
Income from associates	952	–
<b>EBIT</b>	<b>29,868</b>	<b>75,491</b>
<i>Add back:</i>		
Restructuring costs	8,609	–
Merger expenses	18,256	–
Exceptional intangible impairment	14,910	–
Certain intangible amortisation	3,178	709
<b>Underlying EBIT</b>	<b>74,821</b>	<b>76,200</b>

	<b>Group 2020 £000</b>	<b>Group 2019 £000</b>
Profit before tax	13,479	60,406
<i>Add back:</i>		
Restructuring costs	8,609	–
Merger expenses	18,256	–
Exceptional intangible impairment	14,910	–
Exceptional finance costs	566	–
Certain intangible amortisation	3,178	709
<b>Underlying profit before tax</b>	<b>58,998</b>	<b>61,115</b>

	<b>Group 2020 £000</b>	<b>Group 2019 £000</b>
Profit for the year	7,676	51,418
<i>Add back:</i>		
Restructuring costs	8,609	–
Merger expenses	18,256	–
Exceptional intangible impairment	14,910	–
Exceptional finance costs	566	–
Certain intangible amortisation	3,178	709
Tax on exceptional items and certain intangible amortisation	(5,676)	(545)
<b>Underlying profit for the year</b>	<b>47,519</b>	<b>51,582</b>
Weighted average number of Ordinary shares	154,509,197	133,232,518
<b>Underlying basic earnings per share</b>	<b>30.8p</b>	<b>38.7p</b>

	<b>Group 2020 £000</b>	<b>Group 2019 £000</b>
Underlying EBIT	74,821	76,200
<i>Add back:</i>		
Fleet depreciation	194,856	185,794
Other depreciation	13,219	5,522
Loss on disposal of assets	144	274
Intangible amortisation (excluding certain intangible amortisation)	809	657
<b>Underlying EBITDA</b>	<b>283,849</b>	<b>268,447</b>
Net replacement capex	(196,904)	(201,304)
<b>Steady state cash generation</b>	<b>86,945</b>	<b>67,143</b>

	<b>Northgate UK&amp;I 2020 £000</b>	<b>Northgate Spain 2020 £000</b>	<b>Group Sub-total 2020 £000</b>
Underlying operating profit	37,899	39,731	77,630
<i>Exclude:</i>			
Adjustments to depreciation charge in relation to vehicles sold in the period	(6,742)	(3,297)	(10,039)
<b>Rental profit</b>	<b>31,157</b>	<b>36,434</b>	<b>67,591</b>
<i>Divided by: Revenue: hire of vehicles</i>	313,922	204,235	518,157
<b>Rental margin</b>	<b>9.9%</b>	<b>17.8%</b>	<b>13.0%</b>

	<b>Northgate UK&amp;I 2019 £000</b>	<b>Northgate Spain 2019 £000</b>	<b>Group Sub-total 2019 £000</b>
Underlying operating profit	35,396	46,086	81,482
<i>Exclude:</i>			
Adjustments to depreciation charge in relation to vehicles sold in the period	(10,762)	(6,374)	(17,136)
<b>Rental profit</b>	<b>24,634</b>	<b>39,712</b>	<b>64,346</b>
<i>Divided by: Revenue: hire of vehicles</i>	315,559	202,065	517,624
<b>Rental margin</b>	<b>7.8%</b>	<b>19.7%</b>	<b>12.4%</b>



	<b>Group 2020 £000</b>	<b>Group 2019 £000</b>
Net increase (decrease) in cash and cash equivalents	16,746	(13,616)
<i>Add back:</i>		
Cash acquired on acquisition	(8,036)	–
Receipt of bank loans and other borrowings	(137,257)	–
Repayments of bank loans and other borrowings	114,289	10,651
Principal element of lease payments under IFRS 16	8,034	–
Principal element of lease payments under HP obligations	3,490	–
<b>Net cash consumed</b>	<b>(2,734)</b>	<b>(2,965)</b>
<i>Add back: dividends paid</i>	24,333	23,431
<b>Free cash flow</b>	<b>21,599</b>	<b>20,466</b>
<i>Add back: growth capex</i>	16,753	42,641
<b>Underlying free cash flow</b>	<b>38,352</b>	<b>63,107</b>

**CONSOLIDATED INCOME STATEMENT**  
**FOR THE YEAR ENDED 30 APRIL 2020**

		<b>Underlying</b>	<b>Statutory</b>	Underlying	Statutory
		<b>2020</b>	<b>2020</b>	2019	2019
	Note	<b>£000</b>	<b>£000</b>	£000	£000
Revenue: hire of vehicles		518,157	518,157	517,624	517,624
Revenue: sale of vehicles		193,795	193,795	227,846	227,846
Revenue: claims and services		67,397	67,397	–	–
<b>Total revenue</b>	1	<b>779,349</b>	<b>779,349</b>	<b>745,470</b>	<b>745,470</b>
Cost of sales		(621,446)	(621,446)	(592,598)	(592,598)
<b>Gross profit</b>		<b>157,903</b>	<b>157,903</b>	<b>152,872</b>	<b>152,872</b>
Administrative expenses (excluding exceptional items and certain intangible amortisation)		(84,034)	(84,034)	(76,672)	(76,672)
Exceptional administrative expenses: impairment of property, plant and equipment	6	–	(1,304)	–	–
Exceptional administrative expenses: impairment of intangible assets	6	–	(14,910)	–	–
Exceptional administrative expenses: other costs	6	–	(25,561)	–	–
Certain intangible amortisation		–	(3,178)	–	(709)
Total administrative expenses		(84,034)	(128,987)	(76,672)	(77,381)
<b>Operating profit</b>		<b>73,869</b>	<b>28,916</b>	<b>76,200</b>	<b>75,491</b>
Income from associates		952	952	–	–
<b>EBIT</b>	1	<b>74,821</b>	<b>29,868</b>	<b>76,200</b>	<b>75,491</b>
Interest income		122	122	39	39
Finance costs (excluding exceptional items)		(15,945)	(15,945)	(15,124)	(15,124)
Exceptional finance costs	6	–	(566)	–	–
<b>Profit before taxation</b>		<b>58,998</b>	<b>13,479</b>	<b>61,115</b>	<b>60,406</b>
Taxation		(11,479)	(5,803)	(9,533)	(8,988)
<b>Profit for the year</b>		<b>47,519</b>	<b>7,676</b>	<b>51,582</b>	<b>51,418</b>

Profit for the year is wholly attributable to owners of the Parent Company. All results arise from continuing operations.

Underlying profit excludes exceptional items as set out in Note 6, as well as certain intangible amortisation and the taxation thereon, in order to provide a better indication of the Group's underlying business performance.

**Earnings per share**

Basic	2	30.8p	5.0p	38.7p	38.6p
Diluted	2	30.5p	4.9p	38.0p	37.8p

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 APRIL 2020**

	<b>2020</b>	2019
	<b>£000</b>	£000
<b>Amounts attributable to owners of the Parent Company</b>		
Profit attributable to the owners	7,676	51,418
<b>Other comprehensive income (expense)</b>		
Foreign exchange differences on retranslation of net assets of subsidiary undertakings	3,998	(9,366)
Net foreign exchange differences on long term borrowings held as hedges	(1,682)	5,687
Foreign exchange difference on revaluation reserve	9	(23)
Net fair value gains on cash flow hedges	807	398
Deferred tax charge recognised directly in equity relating to cash flow hedges	(153)	(76)
<b>Total other comprehensive income (expense)</b>	<b>2,979</b>	<b>(3,380)</b>
<b>Total comprehensive income for the year</b>	<b>10,655</b>	<b>48,038</b>

All items will subsequently be reclassified to the consolidated income statement. Profit attributable to the owners of the Parent Company includes amortisation of intangible assets.

**CONSOLIDATED BALANCE SHEET**  
**AS AT 30 APRIL 2020**

	<b>2020</b>	2019
	<b>£000</b>	£000
<b>Non-current assets</b>		
Goodwill	116,105	3,589
Other intangible assets	185,710	11,495
Property, plant and equipment: vehicles for hire	884,711	900,335
Property, plant and equipment: vehicles for credit hire	51,040	–
Other property, plant and equipment	126,009	68,843
<b>Total property, plant and equipment</b>	<b>1,061,760</b>	<b>969,178</b>
Deferred tax assets	10,133	6,620
Interest in associates	6,008	–
<b>Total non-current assets</b>	<b>1,379,716</b>	<b>990,882</b>
<b>Current assets</b>		
Inventories	48,762	29,826
Receivables and contract assets	295,765	71,802
Current tax assets	–	116
Cash and bank balances	67,843	35,742
<b>Total current assets</b>	<b>412,370</b>	<b>137,486</b>
<b>Total assets</b>	<b>1,792,086</b>	<b>1,128,368</b>
<b>Current liabilities</b>		
Trade and other payables	222,342	72,487
Provisions	3,369	–
Derivative financial instrument liabilities	184	77
Current tax liabilities	12,393	13,425
Lease liabilities	33,691	–
Short term borrowings	54,684	44,190
<b>Total current liabilities</b>	<b>326,663</b>	<b>130,179</b>
<b>Net current assets</b>	<b>85,707</b>	<b>7,307</b>
<b>Non-current liabilities</b>		
Provisions	1,208	–
Derivative financial instrument liabilities	–	914
Lease liabilities	70,261	–
Long term borrowings	485,073	428,409
Deferred tax liabilities	37,314	5,250
<b>Total non-current liabilities</b>	<b>593,856</b>	<b>434,573</b>
<b>Total liabilities</b>	<b>920,519</b>	<b>564,752</b>
<b>NET ASSETS</b>	<b>871,567</b>	<b>563,616</b>
<b>EQUITY</b>		
Share capital	123,046	66,616
Share premium account	113,510	113,508
Own shares reserve	(3,090)	(3,359)
Hedging reserve	(149)	(803)
Translation reserve	(2,509)	(4,825)

Other reserves	330,477	68,637
Retained earnings	310,282	323,842
<b>TOTAL EQUITY</b>	<b>871,567</b>	<b>563,616</b>

Total equity is wholly attributable to owners of the Parent Company.

**CONSOLIDATED CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED 30 APRIL 2020**

	Note	2020 £000	2019 £000
<b>Net cash generated from operations</b>	<b>4</b>	<b>33,699</b>	<b>38,528</b>
<b>Investing activities</b>			
Interest received		122	39
Distributions from associates		590	–
Cash acquired on acquisition		8,036	–
Proceeds from disposal of other property, plant and equipment		3,823	1,128
Purchases of other property, plant and equipment		(5,250)	(8,370)
Purchases of intangible assets		(6,509)	(7,684)
<b>Net cash generated from (used in) investing activities</b>		<b>812</b>	<b>(14,887)</b>
<b>Financing activities</b>			
Issue of shares		2	–
Dividends paid		(24,333)	(23,431)
Receipts of bank loans and other borrowings		137,257	–
Repayments of bank loans and other borrowings		(114,289)	(10,651)
Debt issue costs		(4,878)	(1,737)
Principal element of lease payments under IFRS 16		(8,034)	–
Principal element of HP payments		(3,490)	–
Net payments to acquire own shares for share schemes		–	(1,438)
<b>Net cash used in financing activities</b>		<b>(17,765)</b>	<b>(37,257)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>16,746</b>	<b>(13,616)</b>
Cash and cash equivalents at 1 May		805	14,127
Effect of foreign exchange movements		(771)	294
<b>Cash and cash equivalents at 30 April</b>		<b>16,780</b>	<b>805</b>
Cash and cash equivalents comprise:			
Cash and bank balances		67,843	35,742
Bank overdrafts		(51,063)	(34,937)
		<b>16,780</b>	<b>805</b>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 APRIL 2020**

	Share capital and share premium £000	Own shares reserve £000	Hedging reserve £000	Translation reserve £000	Other reserves £000	Retained earnings £000	Total £000
<b>Total equity at 1 May 2018</b>	<b>180,124</b>	<b>(3,238)</b>	<b>(1,125)</b>	<b>(1,146)</b>	<b>68,660</b>	<b>295,853</b>	<b>539,128</b>
Share options fair value charge	–	–	–	–	–	1,249	1,249
Share options exercised	–	–	–	–	–	(1,317)	(1,317)
Profit attributable to owners of the Parent Company	–	–	–	–	–	51,418	51,418
Dividends paid	–	–	–	–	–	(23,431)	(23,431)
Net purchase of own shares	–	(1,438)	–	–	–	–	(1,438)
Transfer of shares on vesting of share options	–	1,317	–	–	–	–	1,317
Deferred tax on share based payments recognised in equity	–	–	–	–	–	70	70
Other comprehensive income (expense)	–	–	322	(3,679)	(23)	–	(3,380)
<b>Total equity at 1 May 2019</b>	<b>180,124</b>	<b>(3,359)</b>	<b>(803)</b>	<b>(4,825)</b>	<b>68,637</b>	<b>323,842</b>	<b>563,616</b>
Share options fair value charge	–	–	–	–	–	4,203	4,203
Share options exercised	–	–	–	–	–	19	19
Profit attributable to owners of the Parent Company	–	–	–	–	–	7,676	7,676
Dividends paid	–	–	–	–	–	(24,333)	(24,333)
Issue of share capital	56,432	–	–	–	261,831	–	318,263
Transfer of shares on vesting of share options	–	269	–	–	–	–	269
Deferred tax on share based payments recognised in equity	–	–	–	–	–	(1,125)	(1,125)
Other comprehensive income	–	–	654	2,316	9	–	2,979
<b>Total equity at 30 April 2020</b>	<b>236,556</b>	<b>(3,090)</b>	<b>(149)</b>	<b>(2,509)</b>	<b>330,477</b>	<b>310,282</b>	<b>871,567</b>

Other reserves comprise the capital redemption reserve, revaluation reserve and merger reserve.

**NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED 30 APRIL 2020**

**1. SEGMENTAL ANALYSIS**

	Northgate UK&I 2020 £000	Northgate Spain 2020 £000	Redde 2020 £000	Corporate 2020 £000	Total 2020 £000
Revenue: hire of vehicles	313,922	204,235	–	–	518,157
Revenue: sale of vehicles	137,124	56,671	–	–	193,795
Revenue: claims and services	–	–	67,397	–	67,397
<b>Total revenue</b>	<b>451,046</b>	<b>260,906</b>	<b>67,397</b>	<b>–</b>	<b>779,349</b>
<b>Underlying operating profit (loss)</b>	<b>37,899</b>	<b>39,731</b>	<b>2,352</b>	<b>(6,113)</b>	<b>73,869</b>
Income from associates	–	–	952	–	952
<b>Underlying EBIT*</b>	<b>37,899</b>	<b>39,731</b>	<b>3,304</b>	<b>(6,113)</b>	<b>74,821</b>
Exceptional items (Note 6)					(41,775)
Certain intangible amortisation					(3,178)
<b>EBIT</b>					<b>29,868</b>
Interest income					122
Finance costs (excluding exceptional items)					(15,945)
Exceptional finance costs					(566)
<b>Profit before taxation</b>					<b>13,479</b>

	Northgate UK&I 2019 £000	Northgate Spain 2019 £000	Corporate 2019 £000	Total 2019 £000
Revenue: hire of vehicles	315,559	202,065	–	517,624
Revenue: sale of vehicles	166,488	61,358	–	227,846
<b>Total revenue</b>	<b>482,047</b>	<b>263,423</b>	<b>–</b>	<b>745,470</b>
<b>Underlying operating profit (loss) / EBIT*</b>	<b>35,396</b>	<b>46,086</b>	<b>(5,282)</b>	<b>76,200</b>
Certain intangible amortisation				(709)
<b>EBIT</b>				<b>75,491</b>
Interest income				39
Finance costs				(15,124)
<b>Profit before taxation</b>				<b>60,406</b>

\*Underlying EBIT stated before certain intangible amortisation and exceptional items is the measure used by the Board of Directors to assess segment performance.



## 2. EARNINGS PER SHARE

	Underlying	Statutory	Underlying	Statutory
	2020	2020	2019	2019
	£000	£000	£000	£000
<b>Basic and diluted earnings per share</b>				

The calculation of basic and diluted earnings per share is based on the following data:

### Earnings

Earnings for the purposes of basic and diluted earnings per share, being profit for the year attributable to owners of the Parent Company

47,519	7,676	51,582	51,418
--------	-------	--------	--------

### Number of shares

Weighted average number of Ordinary shares

for the purposes of basic earnings per share

154,509,197	154,509,197	133,232,518	133,232,518
-------------	-------------	-------------	-------------

Effect of dilutive potential Ordinary shares:

- share options

1,048,391	1,048,391	2,660,697	2,660,697
-----------	-----------	-----------	-----------

Weighted average number of Ordinary shares for the purposes of diluted earnings per share

155,557,588	155,557,588	135,893,215	135,893,215
-------------	-------------	-------------	-------------

Basic earnings per share

30.8p	5.0p	38.7p	38.6p
-------	------	-------	-------

Diluted earnings per share

30.5p	4.9p	38.0p	37.8p
-------	------	-------	-------

## 3. DIVIDENDS

Dividends paid in the year were £24,333,000 (2019 – £23,431,000).

An interim dividend of 6.3p per Ordinary share was paid in January 2020 (2019: 6.2p). The Directors propose a final dividend of 6.8p per share for the year ended 30 April 2020 (2019: 12.1p), which is subject to approval at the Annual General Meeting and has not been included as a liability as at 30 April 2020.

**4. NOTES TO THE CASH FLOW STATEMENT  
FOR THE YEAR ENDED 30 APRIL 2020**

	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>
<b>Net cash generated from operations</b>		
Operating profit	<b>28,916</b>	<b>75,491</b>
Adjustments for:		
Depreciation of property, plant and equipment	208,075	191,316
Impairment of property, plant and equipment	1,304	–
Amortisation of intangible assets	3,987	1,366
Impairment of intangible assets	14,910	–
Loss on disposal of property, plant and equipment	135	272
Loss on disposal of intangible assets	9	2
Share options fair value charge	4,203	1,249
<b>Operating cash flows before movements in working capital</b>	<b>261,539</b>	<b>269,696</b>
(Increase) decrease in non-vehicle inventories	(36)	841
Decrease in receivables	4,250	7,037
(Decrease) increase in payables	(1,355)	5,722
Decrease in provisions	(39)	–
<b>Cash generated from operations</b>	<b>264,359</b>	<b>283,296</b>
Income taxes paid, net	(10,165)	(1,586)
Interest paid	(14,774)	(14,163)
<b>Net cash generated from operations</b>	<b>239,420</b>	<b>267,547</b>
Purchases of vehicles for hire	(362,011)	(403,487)
Proceeds from disposal of vehicles for hire	156,290	174,468
<b>Net cash generated from operations</b>	<b>33,699</b>	<b>38,528</b>

**5. ANALYSIS OF CONSOLIDATED NET DEBT**

	<b>2020</b>	<b>2019</b>
	<b>£000</b>	<b>£000</b>
Cash and bank balances	(67,843)	(35,742)
Bank overdrafts	51,063	34,937
Bank loans	400,847	350,608
Loan notes	86,868	86,194
Leases arising following adoption of IFRS 16	62,999	–
Leases arising under HP obligations	40,953	–
Cumulative preference shares	500	500
Confirming facilities	479	360
<b>Consolidated net debt</b>	<b>575,866</b>	<b>436,857</b>

## 6. EXCEPTIONAL ITEMS

Details of exceptional items recognised in the income statement are as follows:

	2020	2019
	£000	£000
Restructuring expenses	8,609	–
Merger expenses	18,256	–
Intangible impairment	14,910	–
<b>Exceptional administrative expenses</b>	<b>41,775</b>	–
Refinancing expenses	566	–
<b>Exceptional finance costs</b>	<b>566</b>	–
<b>Total pre-tax exceptional items</b>	<b>42,341</b>	–
<b>Tax credits relating to exceptional items</b>	<b>(4,661)</b>	–

### Restructuring expenses

The Group incurred total exceptional restructuring costs of £8,609,000 (2019: £nil) of which £4,701,000 arose in Northgate UK&I (2019: £nil), £1,531,000 in Northgate Spain (2019: £nil) and £2,377,000 Corporate (2019: £nil).

Restructuring costs of £4,708,000 (2019: £nil) were incurred in relation to restructuring activities that were undertaken during the year and following the acquisition of Redde plc, as part of the integration of the Combined Group. These costs primarily related to a reduction in headcount and associated redundancy and loss of office costs.

As part of the post-acquisition reorganisation, an exceptional impairment of property, plant and equipment of £1,304,000 (2019: £nil) and an onerous contract provision of £369,000 (2019: £nil) were incurred in relation to property.

Exceptional share based payment charges of £1,659,000 (2019: £nil) were incurred in relation to outstanding EPSP awards previously made to continuing employees that were forfeited following the completion of the acquisition of Redde plc.

Exceptional costs of £569,000 (2019: £nil) were incurred in relation to the closure of sites.

### Merger expenses

The Group incurred acquisition expenses of £18,256,000 (2019: £nil). These related to expenses directly attributable to the acquisition such as advisor fees, accountancy services, arranging continuation of bank facilities and other acquisition related costs.

### Intangible impairment

The Group is in dispute with the provider of certain IT and software development services in relation to the delivery of the planned development of Northgate's new IT system and has therefore paused the project. Given the uncertainty over the outcome of this dispute a decision has been made to write down the carrying values of the related assets. The Group therefore incurred exceptional costs in relation to this impairment of £14,910,000 (2019: £nil).

### Refinancing expenses

The Group incurred exceptional finance costs of £566,000 (2019: £nil) relating to debt partially extinguished as part of the refinancing of Group bank facilities.

## 7. CONTINGENT LIABILITIES

The Group is currently in legal dispute with a provider of certain IT and software development services over the failure to deliver agreed software and services to the Group. Both parties are claiming against each other. However, the Group has disclaimed liability and is defending the action. No provision in relation to the claim has been recognised in the financial statements as legal advice indicates that on the balance of probabilities significant liability will not arise.

## 8. BASIS OF PREPARATION

The results for the year ended 30 April 2020, including comparative financial information, have been prepared in accordance with International Financial Reporting Standards ("IFRS"), and their interpretations adopted by the European Union.

Redde Northgate plc ("the Company") has adopted all IFRS in issue and effective for the year.

While the financial information included in this preliminary announcement has been prepared in accordance with the recognition and measurement criteria of IFRS, this announcement does not itself contain sufficient information to comply with IFRS. The Company expects to publish full financial statements that comply with IFRS in October 2020.

The financial information set out above does not constitute the Company's statutory accounts for the years ended 30 April 2020 or 2019 but is derived from those accounts. Statutory accounts for 2019 have been delivered to the Registrar of Companies and those for 2020 will be delivered following the Company's Annual General Meeting. The auditors have reported on those accounts: their reports were unqualified, did not draw attention to any matters by way of emphasis and did not contain statements under s498 (2) or (3) of the Companies Act 2006.

The financial information presented in respect of the year ended 30 April 2020 has been prepared on a basis consistent with that presented in the annual report for the year ended 30 April 2019, with the exception of the application of the following standards IFRS 16 which has been newly applied in the year ended 30 April 2020.

Having considered the Group's current trading, cash flow generation and debt maturity including severe but plausible stress testing scenarios including the impacts of COVID-19, the Directors have concluded that it is appropriate to prepare the Group financial statements on a going concern basis as explained further below.

### *Assessment of prospects*

The Merger has allowed the Group to further increase the service offering and widen our customer base. The Northgate business continues to maintain its position as a market leader in its core market of flexible commercial vehicle hire and has distinct competitive advantages in the minimum term rental and used vehicle sales markets. The Redde business is a leading provider of incident and accident management, legal and other mobility-related services. The integration of both businesses will deliver cost synergies and provide a platform for new revenue opportunities as the commercial proposition matures. The Combined Group is well established within the markets it operates and has demonstrated resilience through previous economic cycles.

The Group's prospects are assessed through its strategic planning process. This process includes an annual review of the ongoing strategic plan, led by the CEO, together with the involvement of business functions in all territories. The Board engages closely with executive management throughout this process and challenges delivery of the strategic plan during regular Board meetings. Part of the Board's role is to challenge the plan to ensure it is robust and makes due consideration of the appropriate external environment.

### *Impact of COVID-19*

The COVID-19 pandemic and ensuing government counter measures have significantly reduced business activity across all areas of the Group, impacting trading in the final two months of the year ended 30 April 2020 and in the commencement of FY2021. A decrease in revenue has resulted from a reduction in vehicles on hire, temporary closure of vehicle sales operations within the rental business of the Group and a lower volume of

accidents and incidents handled through the insurance claims and services business of the Group. The impact on revenue included actions to support customers through this period and was mitigated through cost actions, resulting in a net impact of £7m in underlying profit before tax for the year ended 30 April 2020.

In the first four months of FY2021, most of the key operational performance indicators have recovered or substantially improved, including a reduction in customer support packages, increases in vehicles on hire, the re-opening of vehicle sales operations and an increase in volumes of accidents and incidents managed through the Redde business.

Significant actions were also taken by management in order to conserve cash and manage the liquidity of the Group throughout this period. This included but was not limited to deferral of capital expenditure and re-negotiation of certain payment terms with creditors. Overall, this resulted in an increase of headroom against committed facilities of £34m from £200m at 29 February 2020 to £234m at 30 April 2020. Headroom against related debt covenants also remained adequate as outlined in the Financial Review which included £30m EBIT headroom against the interest cover covenant. Cash continued to be closely managed into FY2021 with headroom on committed facilities increasing by a further £57m to £291m as at 31 August 2020. This demonstrates the resilience of the Group's balance sheet and business model, and its ability to preserve liquidity throughout periods of uncertainty.

The strategic plan (the Plan), has been updated, taking into account the impact of COVID-19 experienced to date and the expected impact throughout FY2021, with detailed financial forecasts also prepared for the three year period to 30 April 2023. The first year of the financial forecast forms the Group's operating budget which has therefore been risk adjusted for COVID-19 and will be continuously reviewed throughout the financial year. Subsequent years are forecast from the base year, using historical experience and expected measures within the overall strategic plan.

#### *Assessment of going concern*

The strategy and associated principal risks underpin the Group's three year strategic planning process, which is updated annually. This process considers the current and prospective macro-economic conditions in the countries in which we operate and the competitive tension that exists within the markets that we trade in.

The Plan also encompasses the projected cash flows, dividend cover assuming operation of stated policy at the time of the Merger and headroom against borrowing facilities and financial covenants under the Group's existing facilities and the reasonable expectation of similar facilities being replaced if required throughout the planned period. The Plan makes certain assumptions about the normal level of capital recycling likely to occur and therefore considers whether additional financing will be required. Headroom against the Group's existing facilities at 30 April 2020 was £234m as detailed in the Financial Review. This compares to headroom of £165m at 30 April 2019 including a £51m increase in banking facilities that was agreed in September 2019. All of the Group's principal borrowing facilities have maturity dates outside of the period under review, therefore the Group's facilities provide sufficient headroom to fund the capital expenditure and working capital requirements for at least 12 months following the date of this report.

As outlined above, the Plan was risk adjusted for the impact of COVID-19 experience to date and the expected impact on subsequent trading. The Plan was separately stress tested for the potential impact of a COVID-19 "second wave" during 2020 and 2021. The scenario assumed a similar impact as observed in the "first wave" including the revenue impact of a reduction in vehicles on hire, closure of vehicle sales operations, and similar reduction in the volume of insurance related accident and repair claims handled. Costs were assumed to be mitigated to the extent that they are directly related to revenue, with an assumption being made that there would be no further reduction in the indirect cost base of the Group and no further government support schemes would be available to access. Capital expenditure was only deferred to the extent of the reduction in demand and the working capital impact was assumed to be similar to that experienced in the first wave without taking further action to re-arrange payment terms with creditors. After taking into account all of the above variables, sufficient headroom remained against available debt facilities and the covenants attached to those facilities, therefore whilst COVID-19 will continue to have a significant impact on the trading performance of the Group, it does not create a material uncertainty on the Group's ability to continue as a going concern.

In addition to the continuance of COVID-19 government restrictions, the Directors have further considered the resilience of the Group, considering its current position and the principal risks facing the business. The Plan was stress tested for severe but reasonable scenarios over the planned period as follows:

- Reduction in vehicles on hire with rental customers
- Reduction in pricing of rental hire rates
- Increase in the purchase cost of vehicles and other operating expenses not passed on to customers
- Reduction in the residual value of used vehicles
- Significant volume reduction in insurance claims and services revenue, either in aggregate through lower demand or through ending the commercial relationship with a key insurance partner
- Slow down in the time taken to settle outstanding claims with insurers
- Failure to integrate the combined business as planned, and therefore not fully deliver Merger synergies

The above scenarios, took into account the effectiveness of mitigating actions that would be reasonably taken, such as reducing variable costs that are directly related to revenue, but did not take into account further management actions that would likely be taken, such as a change to the indirect cost base of the Group or a reduction in capital expenditure and ageing of the vehicle fleet, both of which would generate cash and reduce debt.

After taking into account the above sensitivities and reasonable mitigating actions, sufficient headroom remained against available debt facilities and the covenants attached to those and the Directors have a reasonable expectation that the Group will continue to be meet its obligations as they fall due for at least 12 months from the date of this report.