Financial Year 2021 Results

7 July 2021

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Agenda

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

Overview

Martin Ward, CEO
7 July 2021

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Overview

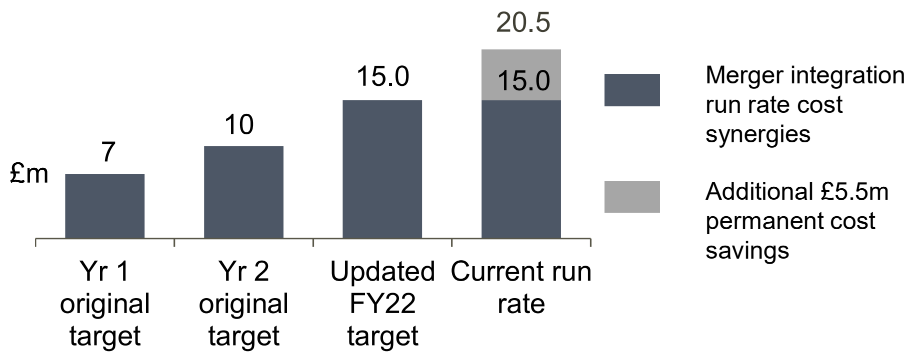
Trading	• Performance for the year ahead of Board expectations – all core KPIs ahead • Strong cash flow – FCF £97.8m, reduced net debt[1] £437.9m (2020: £512.9m) • All businesses impacted by the pandemic in different ways, H2 less impacted than H1 • Strong momentum continuing to build in the Group post year-end
Focus, Drive and Broaden strategic progress	• £20.5m of annual run rate savings achieved – £15.0m cost synergy target, £5.5m cost savings • New revenue synergy wins, and further tenders at advanced stage, underlining the value of the Merger • Nationwide acquisition completed in year, FMG RS integration plans progressing well • Purchase of a c2000 vehicle fleet post year-end, growing market share and securing vehicles in a market with tight supply
Dividend	• Reflecting Board confidence, final dividend proposed at 12.0p (2020: 6.8p) to give full year dividend of 15.4p (2020: 13.1p)

[1] Excluding IFRS16 leases that would previously have been classed as operating leases

Merger integration and synergies

Cost Synergies

- £20.5m of annual run rate savings achieved
  - £15.0m merger integration cost synergy target
  - 10 months ahead of schedule for £2.6m implementation costs
  - Cost synergies predominantly in corporate and support functions, network and fleet / accident mgt. consolidation
  - £5.5m additional permanent cost savings
- Integration activities now captured within BAU change activities



Revenue Synergies

- New platform of Integrated Mobility Solutions delivering new revenue wins, some significant tenders at advanced stage
- Accident and incident management product to Northgate customers progressing well – several thousand vehicles signed up to date

FY 2021 achievements

FOCUS

- Integration largely completed
- Cash profile stronger
- Costs continue to be well managed
- Customer focus on joining up mobility products and services
- Employee share save scheme and Employee Engagement Forum established
- Our offer has strengthened with clear examples of new wins

DRIVE

- Moving into Drive phase
- Accelerating growth and expecting to see early success

BROADEN

- Nationwide acquisition strengthens our market proportion allowing more strategic and long-term opportunities to develop
- 2,000 LCV fleet purchase grows our market share, customer base and secures vehicles in a market with tight supply

Financial review

Philip Vincent, CFO
7 July 2021

FY 2021 results

	FY 2021 £m	FY 2020 £m	% change
Revenue (exc. vehicle sales)	**879.7**	585.6	+50.2%
Underlying EBIT	**109.8**	74.8	+46.8%
Underlying PBT	**93.2**	59.0	+58.0%
Underlying EPS	**31.0p**	30.8p	+0.6%
Statutory EPS	**26.6p**	5.0p	+432%
ROCE	**9.5%**	7.0%	+2.5ppt
Dividend Per Share	**15.4p**	13.1p	+17.6%
Steady state cash generation	**140.1**	75.4	+85.7%
Free cash flow	**97.8**	10.1	+870%
Net debt (inc IFRS16)	**530.3**	575.9	+7.9%

	FY 2021	FY 2020
Revenue – vehicle hire	515.6	518.2
Revenue – claims and services	364.1	67.4
Revenue (exc. vehicle sales)	879.7	585.6
Revenue – vehicle sales	229.8	193.8
Total revenue	1,109.5	779.3

- EPS +0.6% notwithstanding COVID-19 and Redde performance

- Strong cash flow from management control and lower net capex

- £437.9m (2020: £512.9m) exc. IFRS 16 leases

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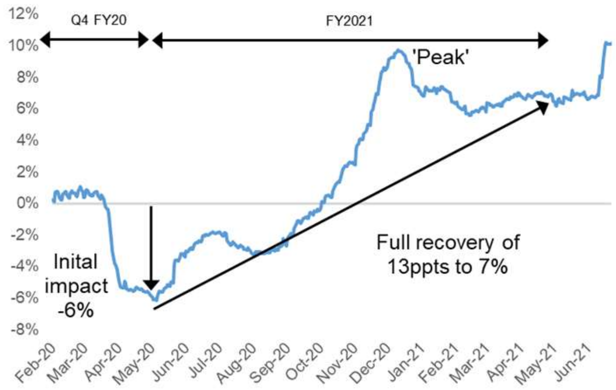
Northgate UK&I

	FY 2021 £m	FY 2020 £m	% change
Revenue – Vehicle hire	**311.6**	314.0	-0.8%
Rental profit	**39.5**	31.2	+26.8%
Rental margin	*12.7%*	*9.9%*	*+2.8ppt*
Disposal profit	**37.3**	6.7	+453%
EBIT	**76.8**	37.9	+103%
EBIT margin	*16.2%*	*8.4%*	*+7.8ppt*
Vehicles sold '000	*15.8*	*17.2*	*-8.4%*
PPU	*2,360*	*391*	*+504%*

- Hire revenue 0.8% lower – average VOH 0.9% higher including COVID-19 reduction, offset by lower rate due to mix and COVID-19 £2.4m customer support packages
- Rental margin continued improvement to 12.7% (H2 15.1%)
- Significantly higher disposal profits, due to strong market pricing
- EBIT margin 7.8 ppt improvement to 16.2%

Rental Volumes



Note: Volumes based on daily closing VOH

- Initial 6% reduction due to initial COVID-19
- Recovery to +2% by H1 close and then +7% at year-end
- Closing VOH 13% higher than opening VOH
- June 21 increases c2,000 with asset purchase

Latest trading

- VOH continuing to build and further growth expected over year
- Strength in UK&I sales market continuing strong due to dislocation in vehicle supply

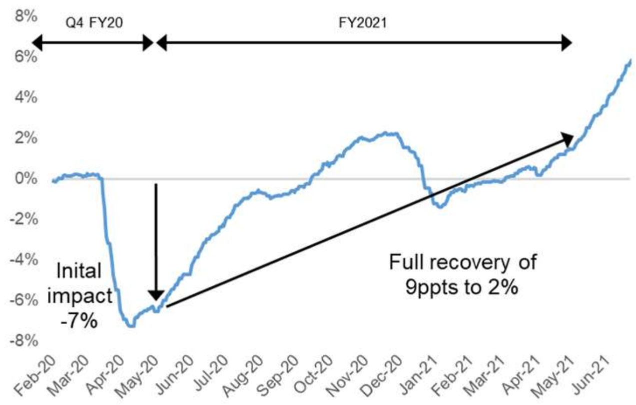
Note: All results are underlying unless otherwise stated. Revenue includes intercompany revenues.

Northgate Spain

	FY 2021 £m	FY 2020 £m	% change
Revenue – Vehicle hire	**205.5**	204.2	+0.6%
Rental profit	**30.8**	36.4	-15.5%
Rental margin	*15.0%*	*17.8%*	*-2.8ppt*
Disposal profit	**2.9**	3.3	-11.2%
EBIT	**33.7**	39.7	-15.2%
EBIT margin	*12.3%*	*15.2%*	*-2.9ppt*
Vehicles sold '000	*11.6*	*9.9*	*+16.9%*
PPU	*254*	*334*	*-24.0%*

- Hire revenue 0.6% higher but 1.2% lower at constant FX – average VOH 0.9% lower due to COVID-19 reduction
- Rental margin 2.8 ppt lower – Q1 COVID-19 costs, new initiative launch costs – H2 higher at 15.6%
- Disposal profits 11.2% lower – lower PPU inc. depn. unwind
- EBIT margin 2.9 ppt lower at 12.3% – H2 higher at 12.8%

Rental Volumes



Note: Volumes based on daily closing VOH

- 7% reduction due to initial COVID-19
- Full recovery in H1 to close 2% above pre-COVID levels
- H2 typically broadly flat
- Closing VOH 9% higher than opening VOH

Latest trading

- VOH continuing positive recovery trend post year-end with strong growth
- Rental margin stabilised in H2 above 15%
- Stronger PPUs in May/June

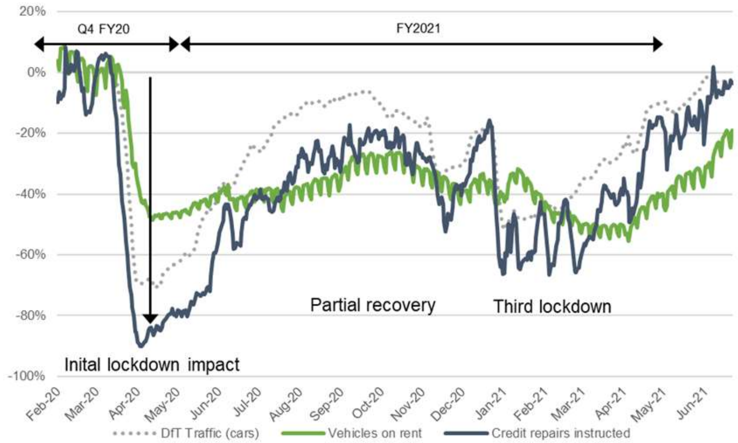
Note: All results are underlying unless otherwise stated. Revenue includes intercompany revenues.

Redde

	FY 2021 £m	FY 2020 £m	% change
Revenue – Claims and services	**371.7**	67.4	+452%
Gross profit	**70.2**	10.0	+600%
Gross margin	*18.9%*	*14.9%*	*+4.0ppt*
Operating profit	**3.4**	2.4	+42.8%
Income from associates	4.4	1.0	+358%
EBIT	**7.7**	3.3	+134%
EBIT margin	*2.1%*	*4.9%*	*-2.8ppt*

- Revenues £371.7m (including £37.0m external revenues in FMG RS) impacted by lower volumes due to COVID-19
- Gross margin broadly in line with expectations
- Operating profit £3.4m, including £6.5m loss from FMG RS
- EBIT £7.7m and EBIT margin 2.1% below expectations due to slower recovery in volumes

Redde Rental and Repair Volumes



- Q4 2020 initial impact significant
- FY2021 Partial recovery in H1 to c20-30% below pre-COVID
- H2 reduction due to third lockdown

Latest trading

- May/June volumes have rebounded strongly, and faster than we expected – currently at c10-20% below pre-COVID levels
- Significant potential when volumes revert back to historic norms

Note: All results are underlying unless otherwise stated. Revenue includes intercompany revenues.

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Cashflow and capex

	FY 2021 £m	FY 2020 £m	Change £m	
Underlying EBITDA	302.3	283.8	18.5	
Net replacement capex[1]	(107.5)	(196.9)	89.5	Less frequent fleet replacement and strong used vehicle prices achieved
Lease principal payments	(54.8)	(11.5)	(43.3)	Vehicles £44.9m, properties £9.9m
Steady state cash generation	**140.1**	75.4	64.7	Continuing strong steady state cash generation
Exceptional costs	**(5.0)**	(25.6)	20.6	Merger-related costs in prior year
Working capital movement/other non-cash	**(16.9)**	6.1	(23.0)	Including W/C in FMG RS
Growth capex[1]	**19.1**	(16.8)	35.9	Mainly UK&I fleet contraction
Net tax, interest and financing	**(33.1)**	(29.7)	(3.4)	
Distributions from associates	**4.3**	0.6	3.7	
Acquisition of business	**(10.8)**	-	(10.8)	Nationwide acquisition
Free cash flow	**97.8**	10.1	87.7	Strong free cash flow

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

Borrowing facilities

	Facility £m	Drawn £m	Headroom £m	Maturity	Borrowing Cost
UK Bank Facility	**610**	311	299	Nov 2023	1.9%
Loan Notes	**87**	87	-	Aug 2022	2.4%
Other Loans	**14**	8	6	Nov 2021	2.5%
Total – April 2021	**711**	406	305		2.0%
Total – April 2020	*711*	*477*	*234*		*2.3%*

	Threshold	April 2021	Headroom £m	April 2020
Interest Cover	**3x**	**8.2x**	£67m (EBIT)	5.3x
Loan to Value	**70%**	**41%**	£315m (Net Debt)	48%
Debt Leverage	**2.75x**	**1.5x**	£125m (EBITDA)	1.6x

- Borrowing cost of 2.0%, 0.3% lower than FY 2020 (2.3%) driven by lower base rate environment
- Contract hire also developing as alternative vehicle funding for LCVs with £17m of credit lines utilised on 1,600 vehicles

Business update

Martin Ward, CEO
7 July 2021

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Integrated mobility solutions

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

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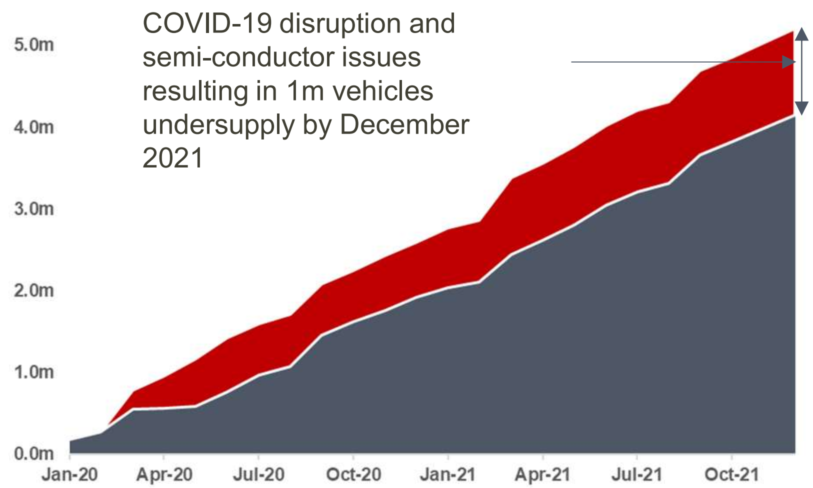
Spotlight on vehicle supply and repair volumes

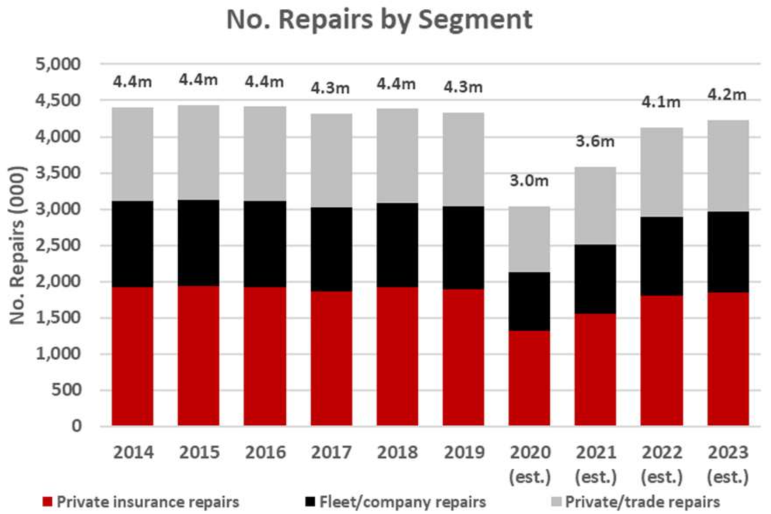
UK vehicle supply market dynamics



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

- Lack of supply of new vehicles in 2020 - both cars and LCVs
- Supply issues continuing into 2021 causing further uncertainty about vehicle supply for the remainder of the year
- Lack of supply and increase in demand creating strong used vehicle prices

UK repair market dynamics



Source: Trend Tracker

- 4.3m vehicle repairs in 2019 reduced c30% in 2020
- Expected to recover over 2 years

Strong new wins and tenders leveraging the Group

e-commerce contract win

Large new rental contract to multinational technology and e-commerce company

Roadside services contracts

2 long term contract awards in roadside recovery with large police customers

Managed repairs contract win

Top 5 FN50 leasing company managed repairs win

New outsource claims solution

Implementing new outsource solution for major insurer covering claims, reporting, mgt and vehicle repairs with c15-20k expected claims pa

Accident Management contract live

Outsource solution to RAC servicing their corporate customers

Major credit hire/repair tenders

2 tenders with major insurers for credit hire and repair services

New recovery contract

Existing partner extension into roadside recovery

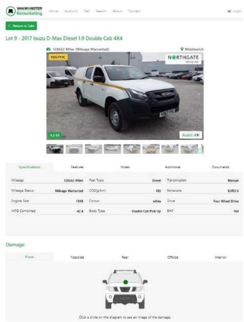
Telematics growth

Large new rental contract with utility company plus telematics across their wider fleet

Spotlight on digitalisation projects

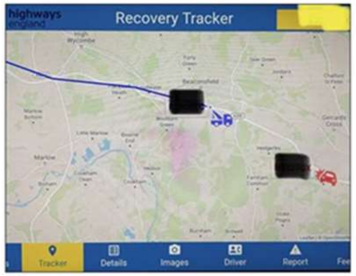
eAuction platforms

- UK and Spain eAuction platforms
- Improvements made in FY2021
- Over 10,000 vehicles sold via platforms in FY2021, +67% YoY
- Over a third of total vehicles sold via platforms



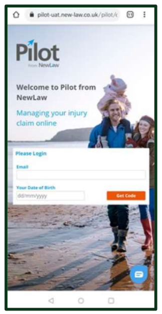
Highways England traffic officer app

- New app for traffic officers
- Supports recovery at roadside



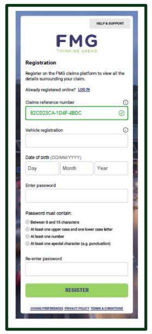
New small claims system

- Response to whiplash reforms increasing small claims limit on RTAs from £1k to £5k
- Enables customer to manage their claim whilst also having access to NewLaw legal support
- More control over case progression



Online claims portal

- Allows customer to manage end-to-end claim online – review claim information, provide/amend booking dates, arrange delivery, communication, upload images and documents



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ESG – Delivering for all our stakeholders

Customers

- Customer support provided
- Integrated mobility solutions strengthened with launch of new products
- Improved customer scores and ratings

Employees

- HR teams integrated and harmonisation of policies started
- Group wide Employee Engagement Forum set up
- New Learning and Development programme
- Apprenticeships
- Home-working policy
- All employee access to Employee Assistance Programme

Environment

- Environment is a catalyst for change – opportunity from increased rental penetration
- We embrace EV transition – opportunity for leading integrated mobility solutions provider
- Committed to reducing carbon emissions – developing targets and plan
- New investments include LED lighting, solar panels, waste consultants, EV consultants
- We support intentions of all 17 UN SDGs and settings targets where applicable

Further detail is provided in the ESG section of the Annual Report

Our compelling investment case

Delivering growth

- Operating in growing markets
- Well positioned to benefit from longer term market dynamics
- Strategy set to deliver growth
- Strong potential for further organic and acquisition-led growth

Experienced team

- Team with deep technical expertise, across the vehicle lifecycle
- Management's acquisition and integration expertise enabling cost synergies and savings, alongside planned revenue synergies

Market leading offering

- Well known and trusted in our markets
- Unique proposition through integrated mobility solutions

Strong financial profile

- We maintain a strong financial position through scale and efficiency
- Diversified revenue streams from products and services across the vehicle lifecycle
- Prudent leverage targeted at net debt/EBITDA of 1-2x in the near term

Disciplined approach to capital

- Disciplined approach to drive increasing returns
- We actively seek out investment opportunities aimed at delivering returns substantially ahead of the weighted average cost of capital (WACC)
- Appropriate dividend distribution

Purpose driven, responsible business

- Our purpose is to keep customers mobile
- We are a responsible business
- We are building out ESG strategy and are committed to the journey we are embarking on

Summary

- FY2021 ahead of expectations with strong momentum building
- Integration largely completed:
  - Cost benefits doubled
  - New revenue synergy wins, and further tenders at advanced stage, underlining the value of the Merger
- Benefits seen from strong market dynamics likely to continue through near term
- EV transition plan progressing well
- Bolt on acquisitions and further opportunities fuel growth
- Well placed and unique business with standout opportunities for future development

Q&A

Appendix 1: Our Strategic Priorities

FOCUS

- Cash, Cost, Customers, Employees, Products and Services
- Successfully execute integration
- Implement cost synergies and other savings

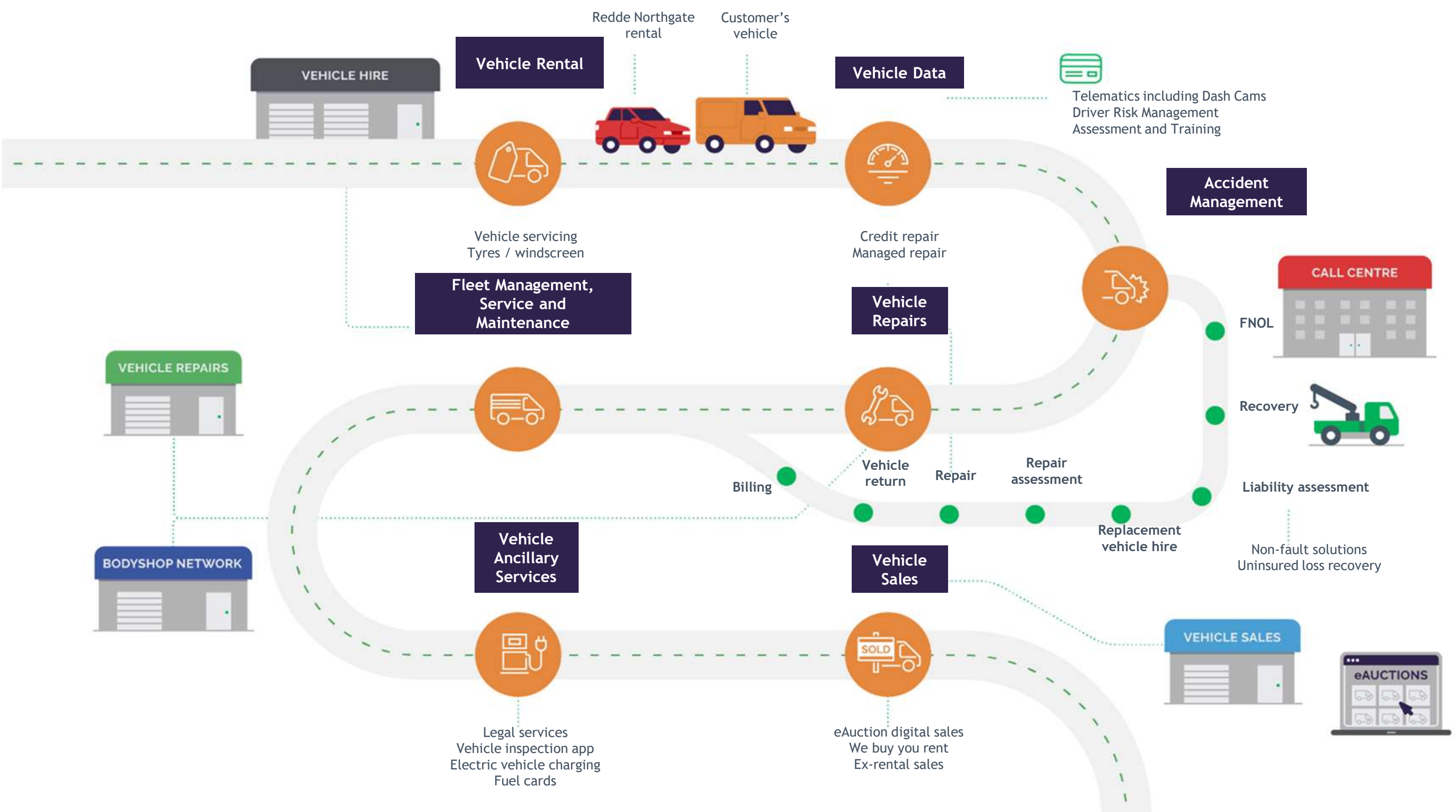
DRIVE

- Finesse Products and Services
- Leverage mobility solutions platform to enable revenue growth based on broader offering

BROADEN

- Service diversification into complementary markets
- Explore further market and geographic growth opportunities

Appendix 2: Delivering services across the vehicle lifecycle

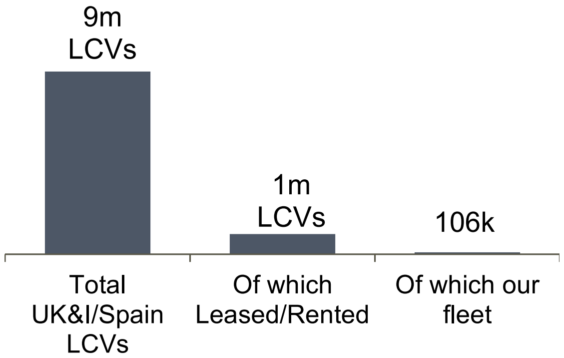


Our ability to deliver across the lifecycle is unique

Appendix 3: Significant mobility market opportunity (1 of 2)

Vehicle rental (LCV Hire)

Market size



Market share

- **c1%** of all LCVs
- **c10%** of lease/rental market share
- **c25%** flex/min term market share

Drivers of opportunity

- Conversion of ownership to rental
- Conversion of lease to rental
- Broadening into B2C vs B2B
- Broadening into car and direct hire

Vehicle data

Market size

- Fleet telematics estimated £350m annual revenues

Market share

- **<1%** total market share

Drivers of opportunity

- Fleet telematics/Driver risk mgt
- Usage based insurance

Accident management

Market size

- UK accident management market c£2.1bn claims

Market share

- **c20-25%** market share

Drivers of opportunity

- Onboarding new insurers, brokers and fleet customers

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Appendix 3: Significant mobility market opportunity (2 of 2)

	Market size	Market share	Drivers of opportunity
Vehicle repair	• UK vehicle body repair market c£4.9bn revenues from 4.3m repairs	• **<3%** total market share • Largest UK bodyshop owner	• Onboarding new insurers, brokers and fleet customers
Servicing & maintenance	• UK car servicing estimated £9bn revenues and Spain roughly 2/3rds	• **<1%** total market share	• Workshop commercialisation
Ancillary services	• Legal services – UK PI market c£3.9bn revenues	• **<1%** total market share	• Government reforms
Vehicle sales	• UK used LCV market estimated £6bn revenues	• **<3%** total market share	• Online purchasing

All our markets provide significant opportunity for growth, many with low current market shares which balance with those markets where we are strongest

Appendix 4: Capital allocation framework

Appropriate dividend distribution

Organic capital investment to grow the core business at returns substantially ahead of WACC

DISCIPLINED APPROACH TO INVESTMENT, RETURNS AND CAPITAL EFFICIENCY TO DELIVER SUSTAINABLE COMPOUNDING GROWTH

Potential disposal of non-core assets where investment returns can be maximised through a sale

Bolt-on acquisitions into product or geographic adjacencies at returns substantially ahead of WACC

Within the constraint of maintaining leverage, targeting net debt /EBITDA of 1-2x in the near term

Appendix 5: Acquisitions – highly targeted approach

Approach

- Detailed acquisition framework in line with strategic goals
  - Enhance Vision and Purpose
  - Bolt-on and/or strategic
  - Strengthen products and services on vehicle lifecycle or by geography
  - Consolidate low multiple businesses to extract cost and move onto higher multiple

Evaluation

- Highly selective evaluation methodology
- Follow investment and capital allocation frameworks
- Strong pipeline of opportunities being tracked, with active discussions on several targets at any one time
- Returns to be substantially ahead of WACC

Progress

- Two transactions completed since Merger
  - Nationwide Accident Repair Services in September 2020 significantly increasing operational capability in repairs
  - 2,000 vehicles from Scottish vehicle rental business bringing significant benefits from customer relationships

We use bolt on and strategic acquisitions to strengthen our proposition and enhance returns

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