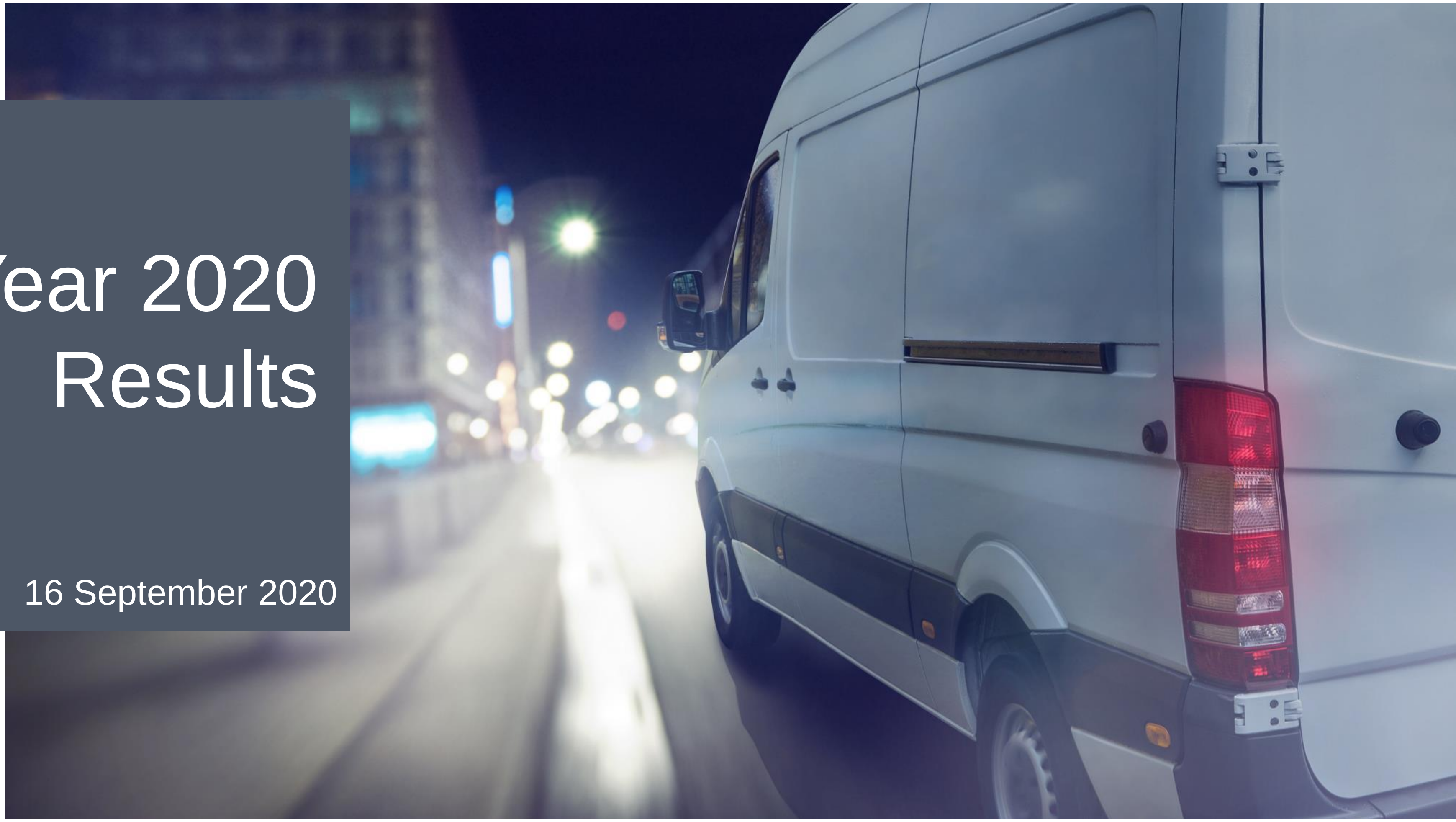
Financial Year 2020 Results

16 September 2020



Redde Northgate plc

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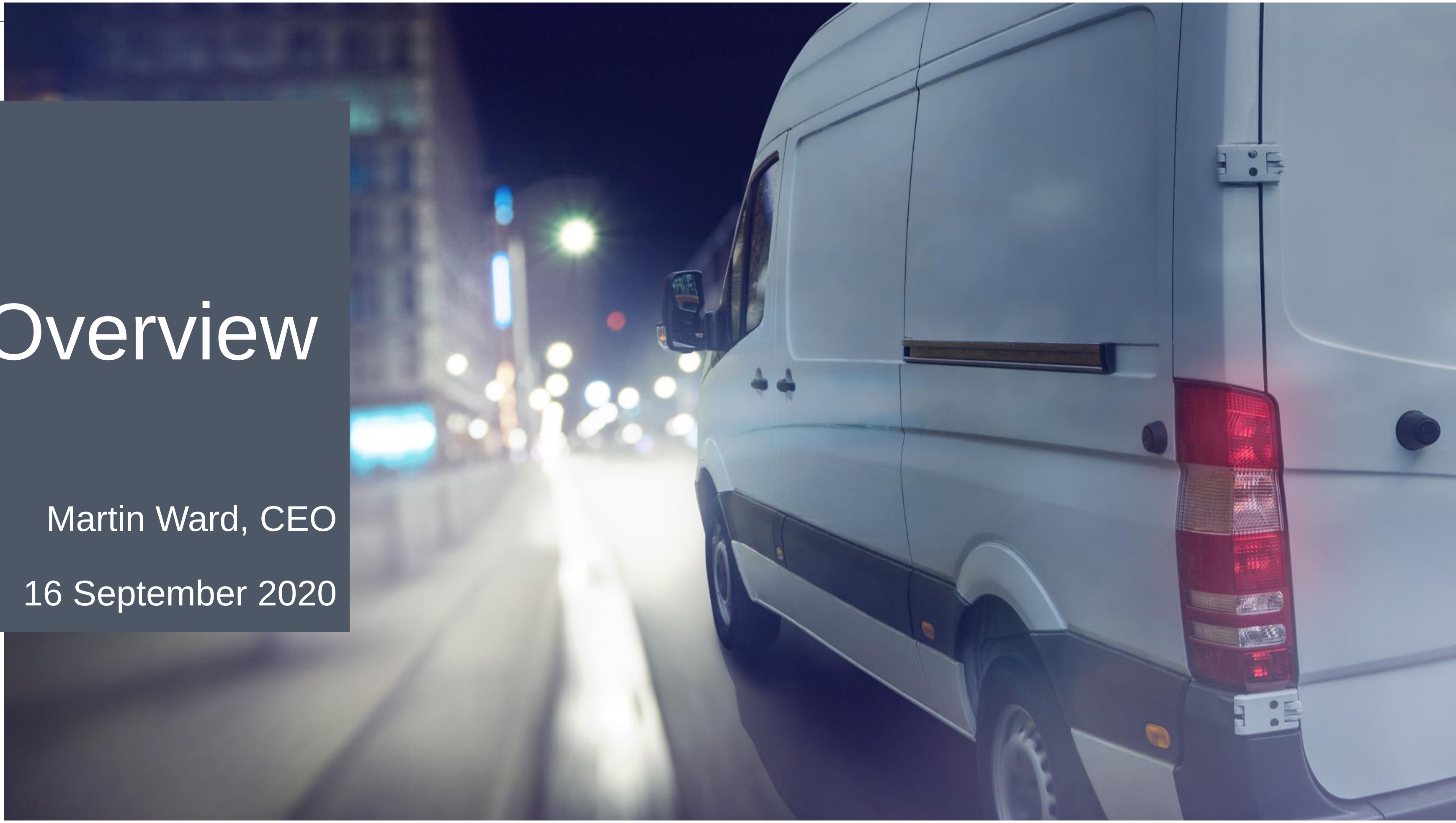
Agenda

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



Overview

Martin Ward, CEO

16 September 2020

Overview

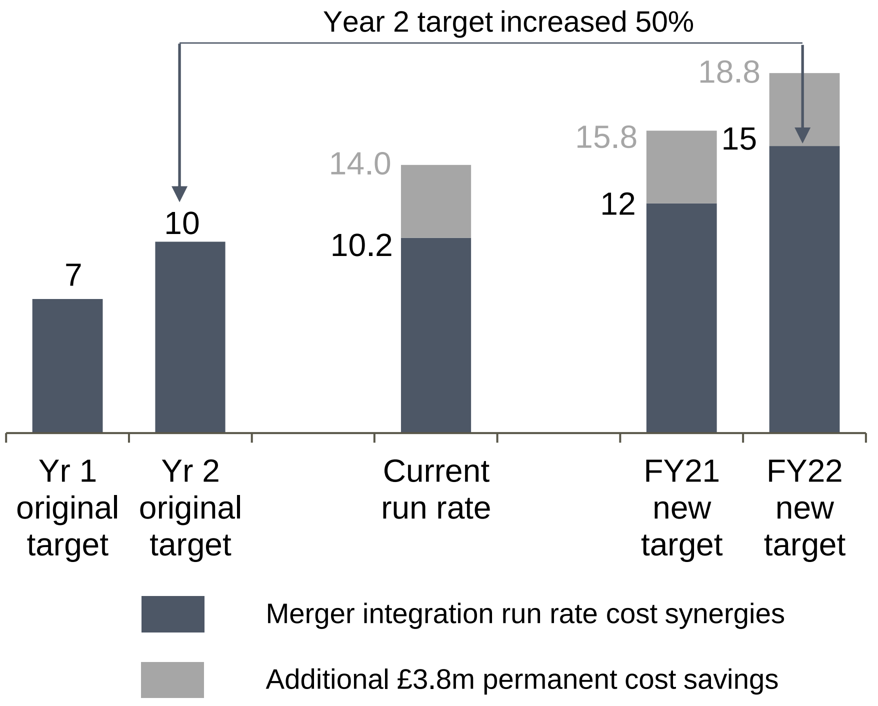
Merger integration and synergies	• Successful completion of the share-for-share merger on 21 February 2020 • Notwithstanding COVID-19 challenges, excellent progress made in first six months • Merger synergies delivered and target increased, plus additional permanent annualised cost savings • Good progress in developing plans for revenue synergies – new contract wins and preparing new product launches
Trading, and Covid-19 impact	• Up until the end of February 2020, trading for the Group was in line with market expectations for the financial year • The Board and management took decisive actions to address COVID-19, but FY20 EBIT was impacted by approximately £7m • In the first four months of FY 2021 performance indicators have fully recovered or substantially improved
Strategy and Nationwide	• The *Focus, Drive and Broaden* strategic framework is set and driving action • Transaction with Nationwide Accident Repair Services (“Nationwide”) completed, further reinforcing the strength of Redde Northgate’s proposition and extending the Group’s existing capabilities in Service, Maintenance and Repair services
Dividend	• 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)

Integration and synergies

Synergies

- Cost synergy target of £10m achieved 18 months ahead of schedule
- Cost synergy target increased to £12m by end FY 2021 and £15m by end FY 2022, with total £10m implementation costs held flat
- Cost synergies to date predominantly in corporate and support functions, with network optimisation and accident management projects well underway
- Further £3.8m permanent cost savings also achieved, giving a total of £14.0m of run rate savings to date
- Good progress in developing plans for revenue synergies e.g. FMG contract wins and Northgate accident and incident management product to launch in October

Cost synergies £m



Excellent progress in integrating the businesses and extracting value from the merger in the first 6 months

Trading summary

FY 2020

- Revenues (excluding vehicle sales) £586m (+13.1% to prior year) – increase attributable to Redde post Merger, with Northgate hire revenues flat
- Vehicle sales revenues lower due to temporary closure during lockdown
- Underlying PBT £59.0m (-3.5% to prior year), impacted by COVID-19
  - UK&I rental margin 2.1ppt improvement to 9.9%
  - Spain rental margin 1.9ppt lower but strong at 17.9%
  - Redde impacted by COVID-19 within first month post Merger completion

COVID-19 impact

- Reduction in FY20 EBIT of approx. £7m;
  - Customer support package @ c£3-4m per month
  - Net vehicles returned over lockdown 6% in UK&I and 7% in Spain
  - Redde revenues impacted by reduced incident and accident volumes from reduced traffic

Covid reduction by segment	FY 2020
Northgate UK&I	£1-2m
Northgate Spain	£1-2m
Redde	£4m
Total	c£7m

- Headroom on bank facilities increased by £34m to £234m in the 2 months end Feb to end April as a result of cash and cost measures implemented

FY 2021 to date

- Sequential monthly improvement in first four months:
  - Customer support now reduced to minimal level
  - Recovery of vehicles on hire – UK&I marginally below and Spain broadly in line with pre-COVID levels – better than expected
  - Re-opening of vehicle disposal channels during May and fully operational from June
  - Significant year on year improvement in residual values over the first four months
  - Redde volumes have started to increase, but slower than expected

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Financial review

Philip Vincent, CFO

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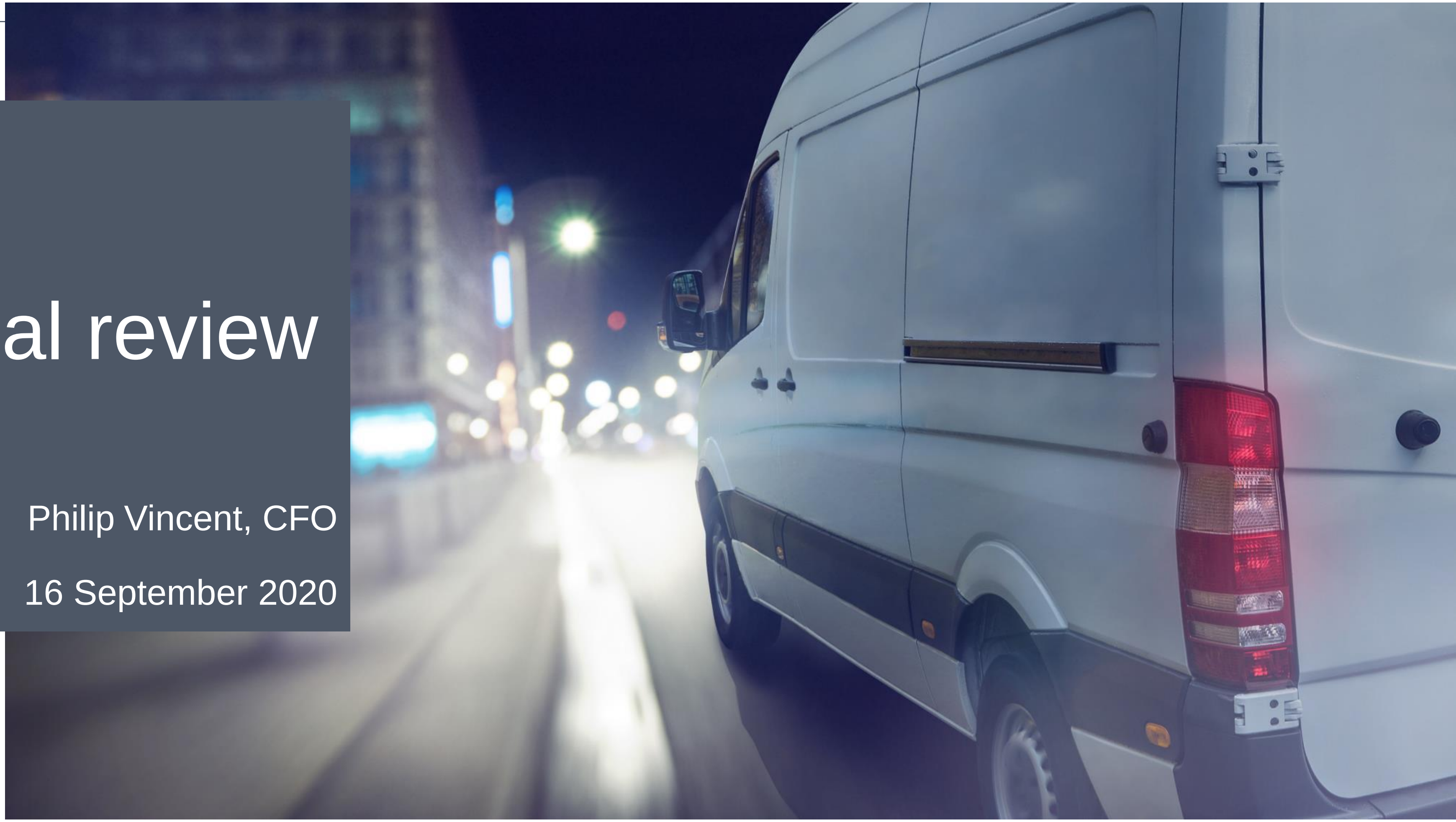

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FY 2020 results

	FY 2020	FY 2019	% change
Total Revenue	**779.3**	745.5	+4.5%
Underlying EBIT	**74.8**	76.2	-1.8%
Underlying PBT	**59.0**	61.1	-3.5%
Underlying EPS	**30.8p**	38.7p	-20.6%
Statutory EPS	**5.0p**	38.6p	-87.1%
ROCE	**7.0%**	7.7%	-70bps
Dividend Per Share	**13.1p**	18.3p	-28.4%
Net debt (inc IFRS16)	**575.9**	436.9	-31.8%
Group net debt (exc IFRS16 and Redde)	**459.5**	436.9	-5.2%

	FY 2020	FY 2019
Revenue – vehicle hire	518.1	517.6
Revenue – vehicle sales	193.8	227.8
Revenue – claims and services	67.4	-
Revenue	779.3	745.5

- Includes approximately £7m of impact of COVID-19 across March and April

- Impacted by lower profitability in March/April due to COVID-19

- FY 2020 includes exceptional costs of £42.3m:
  - £18.3m related to Merger expenses
  - £14.9m related to the impairment of software intangibles
  - £9.1m other restructuring costs

- Net debt includes:
  - £53.6m Redde net debt (exc IFRS16)
  - £63m IFRS16

Note: All results are underlying unless otherwise stated. FY 2020 includes 2 months of Redde from completion on 21 February 2020.

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Northgate UK&I

	FY 2020 £m	FY 2019 £m	% change
Revenue – Vehicle hire	**313.9**	315.6	-0.5%
Rental profit	**31.2**	24.6	+26.5%
Rental margin	*9.9%*	*7.8%*	*+2.1ppts*
Disposal profit	**6.7**	10.8	-37.3%
EBIT	**37.9**	35.4	+7.1%
EBIT margin	*8.4%*	*7.3%*	*+1.1ppts*
Vehicles sold '000	*17.2*	*20.3*	*-18.1%*
PPU	*391*	*512*	*-23.7%*

Continued improvement

- Rental margin 2.1 ppts improvement
- Lower disposal profits, due to lower volumes and PPU
- EBIT margin 1.1 ppts improvement

COVID-19 impact

- 6% closing VOH reduction mid-March to end April
- Disposal markets closed during lockdown
- FY 2020 EBIT impact £1-2m

FY 2021

- Customer support packages reduced to minimal level
- VOH now recovered to marginally below pre-COVID levels
- Disposal markets re-opened with improvement YTD in residual values vs prior year

Note: All results are underlying unless otherwise stated.

Northgate Spain

	FY 2020 £m	FY 2019 £m	% change
Revenue – Vehicle hire	**204.2**	202.1	+1.1%
Rental profit	**36.4**	39.7	-8.3%
Rental margin	*17.8%*	*19.7%*	*-1.9ppts*
Disposal profit	**3.3**	6.4	-48.3%
EBIT	**39.7**	46.1	-13.8%
EBIT margin	*15.2%*	*17.5%*	*-2.3ppts*
Vehicles sold '000	*9.9*	*11.6*	*-14.7%*
PPU	*334*	*551*	*-39.4%*

Continued strong business

- Rental margin reduced but remains strong
- Lower disposal profits, due to lower volumes and PPU

COVID-19 impact

- 7% VOH reduction mid-March to end April
- Disposal markets closed during lockdown
- FY 2020 EBIT impact £1-2m

FY 2021

- Customer support packages removed
- VOH now recovered to broadly in line with pre-COVID levels
- Disposal markets re-opened with improvement YTD in residual values vs prior year

Note: All results are underlying unless otherwise stated.

Redde

	FY 2020 £m
Revenue – Claims and services	**67.4**
Gross profit	**10.0**
Gross margin	*14.9%*
EBIT	**3.3**
EBIT margin	*4.9%*

COVID-19 impact

- Results for two months since Merger so significant impact of COVID-19 on results
- FY 2020 Gross profit, EBIT and margins substantially below expectations set pre-COVID
- FY 2020 EBIT impact £4m

FY 2021

- In first four months of FY 2021 volumes have started to increase, but slower than expected

Note: All results are underlying unless otherwise stated.

Cashflow and capex

	FY 2020 £m	FY 2019 £m	Change £m
Cash generated from operations	**264.4**	283.2	-18.8
Total net capex	**(213.7)**	(243.9)	+30.2
Net tax and interest	**(24.8)**	(15.7)	-9.1
Other financing costs	**(4.9)**	(3.2)	-1.7
Distributions from associates	**0.6**	0	+0.6
Free cash flow	**21.6**	20.5	+1.1

	FY 2020	FY 2019
Net replacement capex[1]	196.9	201.3
Growth capex[1]	16.8	42.6
Total net capex	213.7	243.9

EBITDA less Net Replacement Capex[1]	**86.9**	67.1	+19.8

Continuing strong steady state cash generation

1. Net replacement capex is total net 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.

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Bank facilities provide room for growth

	Facility £m	Drawn £m	Headroom £m	Maturity	Borrowing Cost
UK Bank Facility	**610**	386	224	Nov 2023	2.1%
Loan Notes	**87**	87	-	Aug 2022	2.4%
Other Loans	**14**	4	10	Nov 2020	2.4%
Total	**711**	477	234		2.3%

	Threshold	April 2020	Headroom £m	April 2019
Interest Cover	**3x**	**5.3x**	£30m (EBIT)	5.3x
Loan to Value	**70%**	**48%**	£243m (Net Debt)	43%
Debt Leverage	**2.75x**	**1.62x**	£132m (EBITDA)	1.64x

- Borrowing cost of 2.3%, 0.2% lower than FY2019 (2.5%) driven by lower base rate environment
- During the year, the existing Northgate UK bank facilities were refinanced increasing the facility to £555m
- UK bank facilities of £55m were acquired from the Redde business on completion of the merger to give total UK bank facility of £610m
- In addition, Redde HP finance £41m
- Contract hire of Northgate fleet commencing

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Capital allocation framework

Appropriate dividend distribution

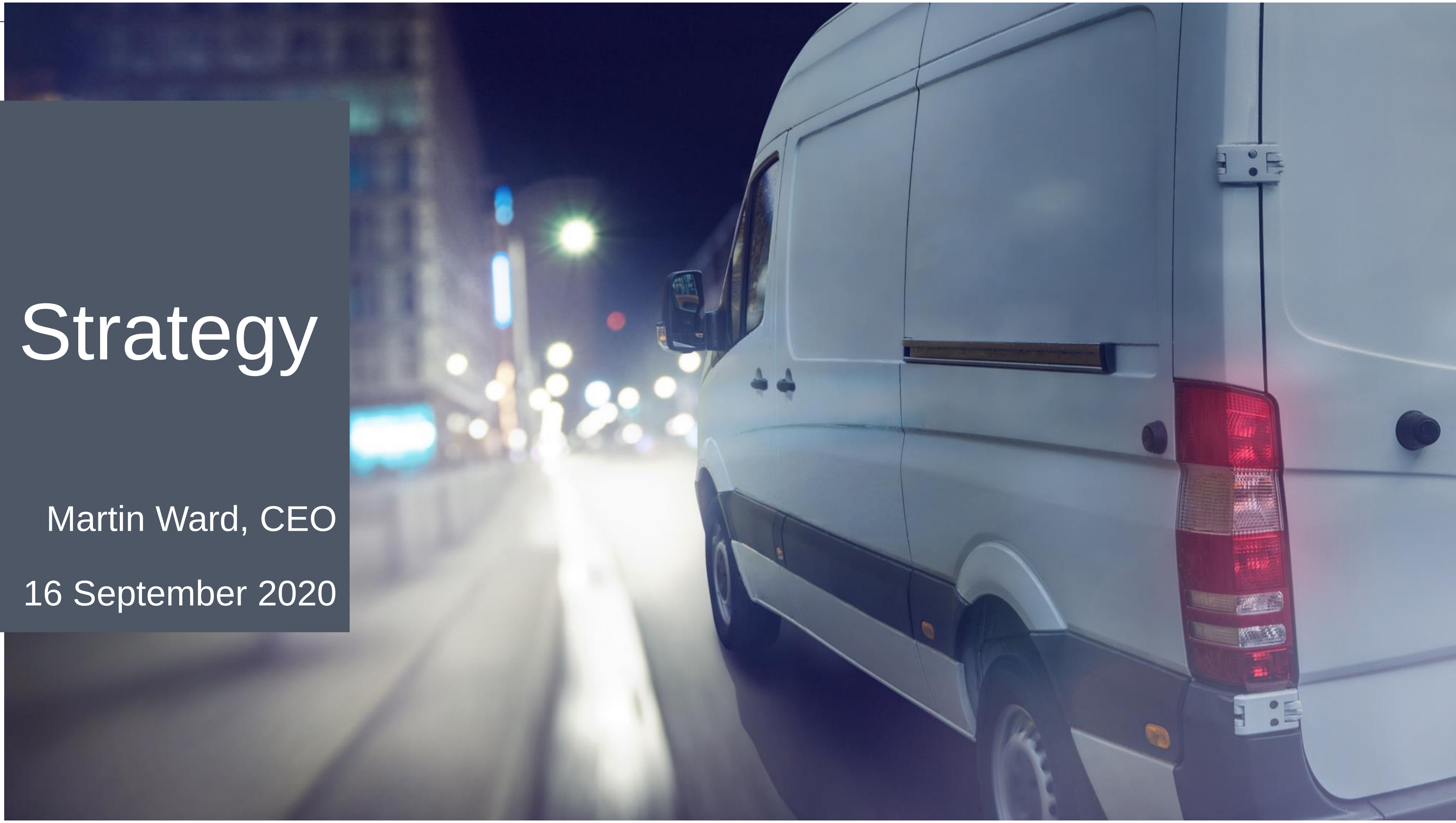
Organic capital investment to grow the core business at returns substantially ahead of WACC

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



Strategy

Martin Ward, CEO

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Key investor questions

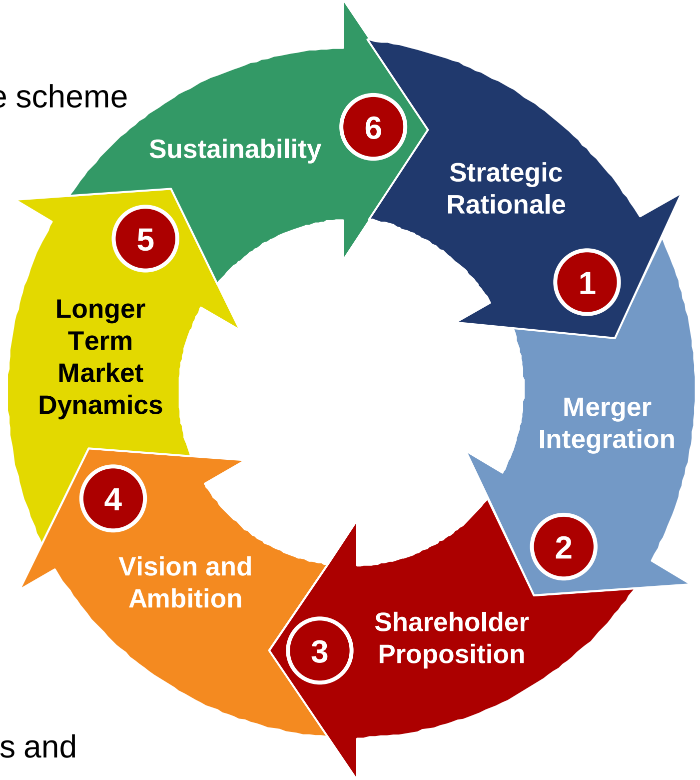
- What is the Strategic overlap between Redde and Northgate?
- What progress are you making on the Merger?
- What is the Shareholder proposition?
- What is the longer term Vision and Ambition of the Group?
- What are the structural Growth drivers of the Group?
- What is the Group’s position on Sustainability?

Redde Northgate shareholder proposition

Sustainability
- COVID response supported stakeholders
  - Customer support packages
  - NHS and key worker replacement vehicle scheme
  - Red Cross vehicles in Spain at cost
- Flexible working increased
- Lower CO2 emissions year on year

Longer term market dynamics
- Shift from Ownership to usership
- Convergence of mobility solutions
- Big data in automotive services
- Hybrid/electric commercial vehicles
  - Electrification of fleet as demand grows
  - Govt/BVRLA working group member developing EV strategies

Longer term vision and ambition
- To be the leading supplier of mobility solutions and automotive services
- Providing customers with a broad range of automotive services across the vehicle lifecycle
- Build out platform over time e.g. Nationwide
- Sustainable compounding growth
- Improved margins through cost optimisation



Strategic Rationale for Merger
- Create a leading integrated mobility solutions platform
- Cost synergies from consolidation and overlap – support functions, network and accident mgt
- Revenue synergies from cross-sell and new products
- Stronger together, platform for growth

Merger integration
- Excellent progress overall
- Cost synergy target delivered and now increased
- Good progress in developing plans for revenue synergies
- Further Nationwide acquisition integration opportunities

Shareholder proposition
- Investing for growth at returns substantially ahead of WACC
- Appropriate dividend distribution
- Creating resilient value through delivery of a strategic and operational plan designed to deliver growth

Revenue synergies and business growth

Some early wins as a result of the combined proposition, brand strength and shared markets

- FMG wins new contracts with three of Northgate's major customers
- New Northgate accident & incident management product in development
- Northgate growth in logistics sector with existing and new clients
- FMG wins 2 new FN50 clients since completion adding c40k managed vehicles
- FMG secures new contract to provide outsource Accident Management solution to RAC servicing their corporate customers

Case study: Cross-sell to major fleet operator

Context

- Significant Northgate client pre Merger
- Post Merger, has taken a range of Redde services previously sourced from outside of the Group

Redde Northgate difference

- Provides access to a broader range of mobility and automotive services
- More of the client's fleet and mobility requirements under one relationship reducing supplier management complexity
- Improves the customer journey

Outcome

- Customer retention in competitive tender
- 836 vehicles added to FMG's managed file
- Additional revenue for Auxillis and NewLaw
- Seamless, 'end to end' accident and incident management solution

Vision, Purpose & Strategic framework

Our Vision

To be a leading supplier of mobility solutions and automotive services to a wide range of businesses and customers

Our Purpose

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 Strategic Framework

Focus → **Drive** → **Broaden**

- Successfully execute integration
- Implement cost synergies and other savings
- Finesse products & services
- Leverage mobility solutions platform to enable revenue growth on basis of broader offering
- Service diversification into complementary markets
- Explore further market and geographic growth opportunities

First post merger acquisition completed

The acquisition of Nationwide, our first post-Merger, is in line with our vision and significantly increases our strategic and operational capability to support a wider number of business partners requiring automotive repairs

Background

- Nationwide is the UK's largest, wholly owned repair network and the largest independent accident repair company in Europe
- The acquisition was funded from existing facilities
- Expected to be earnings enhancing in the first full year of ownership

Acquisition Rationale

- Further strengthens the Group's mobility proposition
- Extends existing in-house repair services in the UK
- Provides the opportunity to utilise surplus repair capacity with our own volumes

Outcome

- c£17m of gross assets and c2,300 of Nationwide employees transferred to the Group
- Extends UK service capability with a fleet of mobile repair and glass fitting vans to service customers in their location
- Opens up new markets to the Group outside of corporate fleets and Insurance

Q&A

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