ZIGUP plc
Full Year Results 2025

9th July 2025

Transcript

Martin Ward: Good morning everyone and welcome to the ZIGUP PLC Results for 2025. If I can go straight to [**slide 2**] just to cover the agenda today we are going to present in our familiar order, but with some slightly less familiar faces. I will give some overview thoughts on the year past and the year ahead before handing over to Richard Clay for the financial review.

Richard is our UK&I Finance Director who has stepped in as interim CFO before our new group CFO, Rachel Coulson, arrives in August. I will then ask our divisional leaders, Jorge Alarcon and Harvey Stead, to walk through their respective areas before I round up and give some thoughts on our outlook.

We'll then have the usual Q&A session. I know a couple of analysts who cover our stock are online this morning and we will manage their questions accordingly. I'll just turn to **slide 4** in the deck now.

I call this a year of operational heavy lifting. I wanted to start this presentation with an operational slide because I think that is what really stands out this year.

It has been a year of heavy lifting starting with embedding the new organisational structure where we brought the UK&I rental and claims services business into a single operating structure. We created a group wide Exco team, which happened alongside the launch in the refresh strategic narrative and introducing our new ZIGUP brand. These organisational and corporate changes have brought about a sharp focus on delivering the platform of services across our markets.

We have also taken how we engage with customers to a new level using technology to make it easier and simpler for them to access our products and services across our integrated platform. This has been a standout success with industry leading customer feedback, creating real advantage between us and our competitors. This has been demonstrated by the traction we have gained with existing and new customers, high customer retention, strong pipeline of new business, contract extensions, and a number of new insurance partner wins.

These have been the results of doing what we do best, delivering a differentiated set of mobility solutions which work and provide real value adds to our customers as evidenced by the feedback we receive. We are a trusted and expert partner to a very broad range of customer sectors across Spain, the UK and Ireland, and we're continuing to see our strategy deliver results.

It has also been a year where we have stepped up our investment into people, facilities and technology. We have grown the number of our bodyshop technicians, which improves our capacity. We've launched new customer self-service portals, which drives efficiency and are easy to use, and opened up new facilities which continue to build our scale and service points with more sites under consideration.

We've also seen excellent returns in investments we are making within the business. For example, ADAS: advanced driver assistance systems, which are becoming more mainstream and now the repairs are now undertaken in-house, which improves the speed of repairs and our margin; and plastic welding, which allows more repairs over replacing, which not only helps with the reduction of waste but improves our margins.

We've also seen a new CRM system, and E-auction platform for vehicle disposals in Spain as investment examples where we can see short payback times and clear routes to support profitable growth.

Just looking at the next slide [**slide 5**] then on the financial performance. I want to start with some context to the financial results first of all, because when some people without the history look back at the headlines, they say you've gone backwards in some areas, albeit we are reporting results above market expectations.

When we look back to the merger of Northgate and Redde in 2020, within weeks we went into the pandemic period. Whilst things were clearly tough for everyone, they also brought about some tailwinds in some areas and some headwinds. The strongest tailwinds being that residual values went up considerably in the market, especially for LCVs. We saw the benefit of holding our fleet asset for longer because there were no new vehicles to purchase at the time, which generated substantial cash proceeds, and we saw high residual values which supported very strong disposal profits.

Then in the last couple of years we also saw new vehicle price increases, increase substantially, which consumed higher levels of CapEx and in our Claims and Services business post the lockdown periods, global supply chains were constrained, which led to repairs taking longer and with that higher rental lengths which were elevated. In that context, past results have benefited from those tailwinds and have scaled down on a gradual basis.

Those pandemic tailwinds have gone, and this year's results closely reflect how the business has performed as a merged business and the coming year will be one where we expect to have less impact from headwinds including the £4.2 million P&L impact from the cyber incident that we experienced at the start of the year.

And in addition, we have taken action to mitigate the cost of the NI increase and national living wage increases, which were around £10 million, which mainly came into effect in March and April this year.

When I stand back and look at the delivery from that context, I am pleased that the business has delivered another strong set of results above market expectations and there is quality in our repeatable earnings profile backed by a broad customer base and longevity of contracts.

In the statement this morning I talked about the benefits of the diverse business model and how our differentiated mobility platform strategy is delivering and also that disposal profits are normalising so they don't cloud results, and Richard will give some views on where we see residual values going forward. The business model is working well.

We grew EBITDA over £18 million and our net book value is now over £1.5 billion on the fleet, which discounts any further residual value upside as expected. Leverage ticked up as we've progressed extensively with our fleet refresh, purchasing nearly 30,000 new vehicles in the year, which supports a younger modern fleet including purchasing fleet to support growth, particularly in Spain with a new group refinancing which we recently announced.

This brings increased headroom at attractive rates which we are entirely comfortable with and supports a business model which is delivering strong returns. Our fleet investment delivers profitable growth and generates strong cash returns over the life period of the asset. The board is confident in our outlook and accordingly has set a final dividend of 17.6p making 26.4p for the full year, an increase of 2.3%.

We have of course been mindful of the very broad range of shareholder views on the balance between dividends and share buybacks of leverage ranges and capital allocation. We continue to be disciplined on the use of capital and to invest for quality returns and sustainable future.

We believe we have these priorities right for the business as it currently stands with significant flexibility to capitalise on the opportunities we see before us. Before handing over to Richard, I want to give my views on our confidence for the business in the coming period.

If we turn to the next slide [**slide 6**]**.** I think it's important to look beyond the headline figures which include disposal profits and to focus on the operational trading outcomes. When I look at our markets, I can see the structural growth drivers remain intact and these are leading to healthy demand, allowing us to be selective as to where we invest capital.

We have the ownership-to-usership trend that drives outsourcing to rental and large claims partners will continue to outsource and there's plenty more market share to go for. The huge increase in connected vehicle data and available analytics benefit larger players like ourselves and we are actively leaning into this on behalf of customers to support future mobility related decisions and we are also supporting the growing customer preference for tech enabled omnichannel solutions like our £10 million plus investment in our recent AI enabled contact centre platform, which has been rolled out and which will drive efficiencies and productivity.

These are significant investments that we are making, which will go a long way to delivering ongoing value. With the structural growth drivers remaining robust, market conditions have substantially normalised. Residual values have been stable since October last year, and hire durations are similarly stable from around the same time.

We've also taken action to exit the personal injury legal marketplace, which is no longer core to our activities and this decision will improve Claims and Services margins going forward. We can see the current market conditions offer plenty of opportunities for profitable growth in rental and Claims and Services based on a platform which is robust and very well positioned with a simplified sales channel. It is the combination of these which makes us confident that disposal profits aside, we can see ourselves achieving mid to high single digit growth in both rental businesses and in our Claims and Services.

And while we still have normalising disposal profits having a headline impact on PBT, we were never rewarded for them in value. Seeing disposal profits move into the rear view mirror might be useful in measuring the quality of the underlying earnings.

On that note, over to Richard.

Richard Clay: Thank you, Martin, and good morning everyone. I'll start by looking at the headline underlying results [**slide 8**].

So overall we are very pleased to say group results were modestly ahead of expectations. PBT was at £166.9 million which was 3% above the consensus PBT at pre-close and this was driven mainly by growth in Spain helping underlying revenue, excluding vehicle sales, grow 2.3%. Whilst this PBT result was £13.8 million behind prior year, this was due to the expected normalisation of our disposal profits and some Claims and Services dynamics, which I will go through in more detail shortly.

EBITDA also continued its upward trajectory growing to £18.2 million or 4.1%. Net debt closed at £836.7 million with our leverage slightly below 1.8 times. The year on year increase principally reflects our continued investment in the fleet up £211 million year on year, both replacing our oldest vehicles and growing the fleet by 3,000 vehicles. We closed with a total fleet of 131,600 and a net book value of £1.51 billion. It's that investment in fleet that will create growth in revenue, PBT and steady state cashflow in the future.

Turning to the next slide [**slide 9**], let's look at revenue. Underlying revenue growth, excluding vehicle sales, was up 2.3% and as Martin said, this was a strong operational result given some of the headwinds in Spain. VOH growth was particularly strong at 9.4% with strong demand and continuing good access to vehicles.

Overall revenues grew 9.5% or 12.3% on a constant currency basis. The higher revenue growth percentage reflects the impact of carefully managed pricing. UK&I, rental revenue growth is 2% with VOH reducing 2.6%. VOH growth in H1 flattened out in the second half. We also took the opportunity to defleet older vehicles into a stable used vehicle market alongside a reduction in the broker segment.

The 4.6% difference in VOH and revenue reflects both carefully managed pricing and also strong 9% growth in ancillary revenues. Claims and Services revenues were broadly flat year on year. Growth came from our lower margin but higher returns, incident management and body shop businesses FMG and FMGRS. These were broadly offset by lower volumes and higher duration in credit and direct hire products in Auxillis.

So, what did that mean for underlying PBT [**slide 10**]. Rental profits grew £10 million, which was a strong result. This was made up of rental volume net growth of £6 million and rental margin improvements of £4 million. This growth partially offset the overall reduction in underlying PBT, which reduced due to three key drivers.

The first was foreseen and flagged being the reduction in disposal profits as they near normalized levels and were down £9.4 million year on year. Ultimately, I could see these being at a run rate of £10 million to £15 million in each of the two rental segments based on current fleet.

The second was covered at interims. The cyber incident in H1 created a one-off profit impact of lost time and customer leads on the Claims and Services businesses most impacted. The third element are other Claims and Services impacts and I have a later slide to run through these.

In the year we also took £20.6 million of exceptional costs versus nil and prior year. These related primarily to a strategic decision taken at the end of the year that NewLaw, our legal services business should withdraw from the personal injury market and the consequential impairment of assets associated with that decision. These are included within our reported PBT alongside impacts of historical depreciation rate changes and amortisation of intangibles as per prior years.

A full breakdown of these exceptional costs can be found in the appendix to this presentation. The vast majority of these costs, it's important to understand including the NewLaw ones above, are non-cash with the cash costs limited to £2.8 million of cyber costs and £1 million of restructuring costs associated with the new organisational structure.

Turning now [**slide 11**] to cash and net debt as previously shown, we have reordered our cashflow to reflect our priorities to invest in organic growth and fleet replacement alongside other capital allocation priorities and what you see here is just that whilst net cash consumed was higher than prior year, this was principally driven by both net replacement and growth CapEx investing in the future of the business replacement CapEx increased broadly as expected.

As guided, this year we stepped up our replacement efforts as vehicle supply has now improved and OEM discounts have markedly returned. The used vehicle market was stable in H2 and there was strong customer demand, particularly in Spain. This supported investment of a net £388.3 million in net replacement CapEx and £65.1 million in growth CapEx. Therefore, average fleet age reduced in both markets to around 28 months, i.e. reflecting a disposal age of about four and a half years, the movement was higher in UK due to the ageing having been greater there.

We've also maintained a strong focus on working capital leading to a strong inflow in the year. We added more third party insurers into protocol and the business mix in Claims and Services business is now less from Auxillis with its longer working capital cycles and more from the shorter cycle FMG and FMGRS.

Turning to the next slide [**slide 12**], our balance sheet remains robust with prudent leverage increasing, but as expected higher cash consumption led to a £95 million increase in net debt to £837 million. This funds our fleet assets that have increased £211 million to £1.51 billion. Leverage increased to just below 1.8 times. Let me explain why.

We buy a vehicle to earn income over its life. However, on acquisition there is debt but no EBITDA to offset that for the leverage calculation. As a result, leverage in such growth periods increases.

Our expectation remains that we will remain within our previous leverage guidance range of one to two times, but this year it is likely to move to the top end of that band.

Following the refinancing completed in the year and increases to facilities, our headroom increased to £412 million providing plenty of capacity for future growth and reflecting the confidence of our banks in our business model. Finally on this slide in the top right shows that we have returned over £326 million to shareholders since the merger both through dividend and buyback.

[**Slide 13**] I will now cover the Claims and Services EBIT movement in more detail. Claims and Services EBIT was impacted by three key factors reducing profit and margins. Importantly, however, ROCE still remains higher than the other two segments at 17.6% this year. On the left you see the differing financial characteristics for the different services provided within Claims and Services as shared before at the teach-in and on the right, a bridge to the Claims and Services EBIT, year on year. Taking the right bridge first, the cyber incident in May last year impacted NewLaw, our legal services business and Auxillis.

We would clearly not expect this to repeat in FY26. Auxillis experienced a quieter summer as reported at interims, but the movement year on year was principally due to a significant reduction in higher durations. This reduction was higher than expected but has stabilised in H2 and so we expect to achieve profit growth overall in this business from FY25 into FY26.

Then in FMGRS, our investment in new sites and the efficiency of our repair model added a further year on year growth of £3.6 million. This growth is principally linked to the number of repair technicians and their productivity where we have been highly focused and despite the headwinds and the changing business mix, divisional ROCE held at 17.6% reflecting that we scaled capital employed commensurately.

Longer term we still see Claims and Services as overall returning ROCEs of more than 20% and as context, if one added back the cyber incident impact, ROCE would've been 20% this year. Then on the left you can see why margins are so much lower this year as higher margin Auxillis revenues were offset by lower margin direct repair. Given all of the above, we expect growth for this segment in FY26 and margins of above 5%.

On the next slide [**slide 14**], I often get asked why our steady state cashflow is lower at the moment and how long that will last. This slide is designed to help illustrate the point. Our steady state cashflow is lower in this period because we have a higher level of replacement CapEx than normal following supply chain shortages in earlier years. So how do we see this in the chart?

Taking FY25, we see the £16.7 million of steady state cash in purple and then at the top the EBITDA figure up 62% over five years with the net replacement CapEx in pink. Finally in the green line you see the number of replacement purchases made in each year. These replacement purchases were just below 25,000 in FY20, dipped in FY22 and FY23 due to supply chain challenges. And since FY24 have been more elevated, what is very clear is the degree to which replacement CapEx, shown in pink, impacts steady state cash.

So why is replacement CapEx currently higher? You need to unpack this and to remind you, replacement CapEx is essentially the new vehicle purchase cost less the disposal cash multiplied by the number of replacements. Each of these drivers will therefore impact to some extent.

Taking them in turn when purchase prices increase, net replacement CapEx increases and as we price rentals on ROCE, this will benefit the future. So, in a way there is an element of embedded growth inside replacement CapEx. You can see that reflected in the balance sheet. As I've said earlier, fleet assets growing £211 million to £1.51 billion.

For disposal prices, when residual values and disposal prices were elevated, that reduced net replacement CapEx. This also helped reduce replacement CapEx in supply chain constrained years. Then as a general rule, the number of replacements is the size of the fleet divided by the average defleet age of the fleet.

If the owned fleet is 120,000 and the average defleet age is 56 months, then there will be about 27,000 replacements. So, you can see in FY22 and FY23 we replaced many thousands of vehicles fewer than that due to the supply chain challenges. We see the impact of that as we defleet vehicles.

Our defleet criteria is determined by mileage and condition, not a target replacement CapEx number or fleet age. If it comes back unfit or un-economic for rental, we send it to Van Monster or Ocasión in Spain for sale, but if it can go out again, it will do just that. You can see for the last couple of years we've been replacing more than the average. What does this mean looking forward. Three points:

EBITDA is growing since FY20, it's up 62% and this replacement and growth CapEx in FY25 now is locking in EBITDA growth for the future.

Second, we have made good headway into the replacement cycle for the last two years and are now well through the replacements required and so replacement CapEx will start to reduce over FY26. This year, we've been at arguably the hardest point in the cycle, disposal prices have been lower as we are selling old vehicles, often bought five and a half years ago.

Purchase prices have inflated a lot over those years but are levelling out and the number of replacements is higher, replacing the fewer replacements in FY22 and FY23.

Finally, as net replacement CapEx falls, those steady state cashflow increases, we would expect steady state cashflow generation to increase from the £16.7 million in FY25 to £200 million plus in FY27 or FY28 depending on mix and assuming continuing market stability and other assumptions, it won't be a straight line, but we are confident of this trajectory. What does this mean for returns and in the context of capital allocation on the next slide.

[**slide 15**] First of all, on the left-hand side, returns typically go down during periods of high fleet investment. To illustrate this, I've shown an example LCV. Here you see that over its life the capital employed reduces as we depreciate the vehicle. Pricing will typically stay constant or improve and costs will change through the life cycle and are typically highest in the third year of ownership due to replacement of key components.

This profile can equally be true of a Claims and Services contract with investment in fleet and/or working capital. In this example a vehicle on average returning 16% ROCE, is below that in the first two years and on, or above that in the second two.

And then the second point on this slide is that we take a relentless disciplined approach to capital allocation. Our capital allocation priorities are set out here and we always test opportunities against our requirement to be substantially ahead of WACC on any investments. In terms of growth in rental businesses, we see double digit ROCEs and this is why we are confident on new fleet spend in Claims and Services. ROCEs can vary significantly by product type and contract, but would typically be above rental and overall expect 20% plus.

Dividends are cash returns to shareholders and we are committed to a sustainable and growing dividend. Similarly, share buybacks are another way to return value to shareholders and we discuss these methods frequently. Whilst on paper a share buyback may have high returns, this must be weighed against the multiple organic and inorganic opportunities available to us that provide long-term growth for the business.

Finally, acquisitions will be used where they meet our criteria. As I showed before, we have spent £45 million on acquisitions since the merger with FMGRS featuring on the Claims and Services margin slide earlier, very positively contributing to the results and Fridge Xpress and Blakedale are growing fleet at just over 20% in rental UK&I while generating strong returns to shareholders.

Bringing that all together [**slide 16**], we would expect rental margins of 15 to 16% in UK&I which includes the impact of about £10 million that Martin referenced of NI and National Living Wage increases this year, offset by other actions; and 17.5% to 19.5% in Spain. Whilst in Claims and Services we expect an achievable margin of 5% plus reflecting the change in product mix.

With residual values more stable, we would expect disposal profits to settle at around £10 million to £15 million pounds in each of the two rental segments. With net replacement CapEx normalising, steady state cash is expected to increase year on year in FY26 and reach £200 million pounds plus in FY27 or FY28. We also expect growth CapEx in FY26 as we still see strong demand for growth of our integrated mobility solutions. Overall we are pleased to have delivered FY25 results modestly ahead of expectations and to have a medium term view of strong growth opportunities.

And with that I will pass back to Martin to introduce the business updates.

Martin Ward: Thanks Richard, you've given a lot of granular detail there and some workings out in terms of the CapEx cycle and cashflow cycle. I think when people play this back in slow motion they'll catch up with all of that, but it should be fairly straightforward. I think the business has been operating over 40 years on this sort of model, so it should be straightforward. But thanks for the explanations there in detail.

Before I hand over to the business leaders, I just want to highlight we're looking at **slide 18**, looking at the work that the executive committee have done in aligning the group initiatives in a couple of areas.

Firstly, we make great efforts to ensure we have a coherent and sustainable people strategy to support a group of nearly 8,000 colleagues across a number of active markets. We've been mapping out our proposition that we can offer employees in terms of their career journey and the support we can provide to make them successful.

Succession planning for key roles is an important aspect of the business and one we have been working on extensively, so we have clear line of sight of upcoming talent and the methods that we need to develop our best people.

We recently announced that we were honoured with a King's Award for enterprise this year and this was in a category which is not well represented. For promoting opportunity, especially social mobility, for us this is all about our early careers efforts and our apprentice program, which has won a number of awards and as we seek to find ways to attract talent who might not think of the automotive industry as a viable career path.

In real terms, the programme of work has taken the average age of our automotive technician population down from 54 years of age to 41, a 13 year drop over three years by running our program for apprenticeships and that's a fantastic position to be in.

We have also thought strategically about our technology roadmap as well as tactically and aside from the AI investments I mentioned earlier, there are some large scale upgrades coming up to implementation which will refresh our operational technology, making it simpler to process transactions.

Finally I wanted to reiterate the appointment of Rachel Coulson who joins as our CFO in August from Pearson where she's been deputy CFO for a number of years. Rachel is an excellent candidate and her broad experience in technology is a key skill that the business will benefit from. On that note, I'm going to hand you over to Jorge.

Jorge Alarcon: Thank you Martin, and good morning everyone. For those who couldn't make our Spanish event last September, I will quickly introduce myself and the business in Spain, before talking through the highlights of FY25.

I joined the business in 2019 with a background in general management and financing machinery rental. Over the past six years I've been working with Martin and the broader team and we have naturally changed the business not only increasing in size but also its operational performance and financial returns.

We are the clear market leader in flexible rental and co-leader in LCV rental in Spain, one in five LCVs rented in Spain comes from Northgate. We have built a business which has a clear growth trajectory through providing a unique customer centre rental offering and we are also very focused on delivering profitable growth through careful management of our cost base and achieving economies of scale.

If we turn to **slide 19**. Firstly it's important to understand that our marketplace is different to the UK in three key areas. Rental itself is not as mature in Spain with overall penetration low at 3% compared with 12% in the UK. Rental is growing by gaining share versus ownership with a 6.5% annual growth in the last four years. The traditional minimum term is the most common rental product.

Thirdly, the large Spanish-European players are principally leasing type companies offering mainly minimum term rental. This is with limited additional value added products and no in-house brands or service infrastructure. The only one with a national focus in flexible rental has less than one quarter of our fleet size.

In this market, Northgate has positioned itself with a very different business model enabling us to outperform the market and we have done this through two main levers.

Firstly, building a unique customer proposal that is first based on a high service flexible rental offering. So, the flexible offering is gaining traction especially for those customers with seasonal activities or attracted by our flexibility advantages.

Second, focusing on B2B - on enterprises with our customers using their fleet as workhorses and we are serving them with a network of customer-facing advisors promoting the benefits of the move from ownership to rental, and Third, this offer is based completely on a differentiated customer service.

We are the only company with a unique footprint in Spain; 30 rental locations and 48 owned repair centres strategically positioned across Spain and sit locally to best serve our customers. We have not only built this unique customer proposal, but we have made it profitable and this has been:

First; with a strict pricing policy based on ROCE. Second, optimising the fleet utilisation through planning and logistic optimisation and with utilisation currently strong at 91%. Third, standardising and making leaner our processes at workshops to maximise the use of internal workshops and using internal parts recovery centres to control our repair costs.

Finally strictly managing fixed costs to maximise our operational leverage and drive economies of scale. In terms of FY25, the market conditions were helped by the Spanish economy being resilient, which has encouraged growth from a diversity of companies, from SMEs to entrepreneurs and large corporations.

We finished FY25 with a total fleet of just under 72,000 vehicles. Our unique market positioning has enabled us to grow our fleet more than double the market rate of 5% with our VOH up over 11%. If we look up over the past four years, this implies 8% annualised growth - higher than the 6.5% of the market. So, we're gaining market share and this growth has been delivered with a strong 19.3% rental margin.

In terms of the market outlook for FY26, the market conditions feel pretty resilient with a solid Spanish GDP forecast and good prospects for rental growth. In this context and based on our high touch service offering, we see opportunities to gain additional market share both in newcomers to rental and in large customers that will go through a fleet renewal cycle next year.

If we turn to next slide [**slide 20**], this year has been a record year in many ways and not only in financial terms. As Martin has said, a year of operational heavy lifting for Spain as well and I'm very proud of what the team has achieved. Our focus has been in building out our branches and our service offering, investing in new technologies, increasing our operational efficiency and developing and supporting our people.

To touch on a few of these highlights, we're very mindful of our reputation for excellence in customer service. To manage this, we have worked to achieve growth alongside delivering the best customer service and to do so, we have opened two new branches and one service centre in the year and more underway. The latest is a service centre just south of Barcelona, our second largest urban market.

We have also invested in a new type of depot in Madrid designed as delivery hub where we'll concentrate our efforts on providing new vehicles to customers. This gives us better facilities, ensures service excellence while managing our rapidly expanding fleet.

The results of these efforts to improve our customer service has seen our NPS score reach historical highs at above 50%. Secondly, we have invested in scaling our technology capability as well, both in terms of a new CRM system to help better support customer engagement and also a completely new E-auction site. This will add value and potentially enhance returns to our vehicle disposal programme.

Thirdly, we have also been very cost focused to ensure profitability growth and the maintenance of our strong rental margins. For example, repair costs rose only 1% well below inflation, alongside strictly controlling fixed costs. And we have also grown our headcount well below our fleet growth as we look to gain economies of scale.

And finally, our people will always be central to delivering strong results. We have invested in both training and growing our early careers programs with more than 200 interns in FY25, double that of the prior year.

As I look ahead for FY26, much of my focus is on ensuring we deliver best in class service to support our rapid and sustained growth trajectory.

So, in terms of the objectives, I have set the Spanish management team to focus - Firstly, on growing our fleet and capabilities to a level which ensures there continues to be profitable growth.

Second, constantly reinforce our best-in-class customer service by building out our physical presence and service capacity in order to manage the needs of this larger fleet and finally, properly embed and leverage our technology investments of the past 12 months. As well as, getting value out of our new CRM to help clients in ways they might not even realise are available and improving experience and profitability in our E-auction platform.

Secondly, leveraging our digitalisation projects to enhance our efficiency. Finally developing a new customer service platform which will be based on the learnings and success of our UK colleagues' experience.

It is a really exciting time to be working at Northgate Spain and as part of the ZIGUP group.

Harvey Stead: Thank you, Jorge, and good morning. Following the organisational restructure in early 2024, I took on the role of Chief Operating Officer with responsibility for all of our businesses in the UK and Ireland.

Over the past year we've systematically worked through a programme of restructuring to deliver simplification across these operations. We're extremely well positioned to fully embrace the broad range of opportunities with both our existing client base as well as new business prospects. And it's because of this hard work effort and energy that I feel positive about our future outlook.

I'd like to provide an overview of the market environment for each of the sectors we operate in across the UK&I. I'll then more definitively look at our rental businesses and then Claims and Services.

Moving to **slide 21**, let's first look at the UK&I Rental market. Demand remains robust and as we indicated at the interims, both new business wins and our future pipeline are at their strongest for over five years.

Supply availability is also back and increasing for the vehicle model mix that our customers require. LCV usage is also consistently increasing. According to the Department of Transport Statistics, LCV miles have grown by 10% in the last five years and now account for around 20% of all road miles driven. And like Spain, rental penetration is growing.

If I look at our target markets, 70% of our revenue comes from those customers we've worked with for more than five years and half of our vehicles on hire are with customers who support critical end market sectors.

The growth of technology both within the vehicle itself and also now available to fleet operators is another key market trend we are able to support given our scale and sophistication.

Technology also favours the larger providers who can invest in systems that leverage data to provide better fleet management insights including predictive maintenance, driver training, support and EV suitability.

From a competitor perspective, we would estimate we now have around 20% of the UK LCV rental market in a sector that's highly fragmented with plenty of opportunity available. In Claims and Services, our influential partners and prospects are the large motor insurers alongside vehicle leasing companies and insurance brokers.

Most of these stakeholders are increasingly looking for outsourced partners to manage non-core activities such as claims processing and vehicle repairs. Insurers are consolidating and we've seen several regulatory reviews. We are also entering a softer insurance cycle and together these dynamics increasingly mean our partners are seeking scale and experience from their providers.

We currently work with partners whose policy holders represent well over 40% of all vehicles currently insured in the UK. Just thinking about the current market environment, it does feel more stable than in the summer period last year with customer scripts updated and sector consolidation now much quieter.

We've successfully renewed and extended contracts with several key partners, both large insurers and also fleet management customers. Overall, we have a solid and effective proposition to grow our market share with customers who value our scale and our end-to-end solutions.

On **slide 22**, let's look at the Northgate businesses. The UK&I rental businesses is in good shape, progress this year has been focused on ensuring the customer journey and the customer experience is as good as we can possibly make it, and the results are outstanding with strong growth in NPS scores and Trustpilot feedback.

For fleet customers, we've now simplified the journey increasingly enabling access to all Northgate services to a single account manager and we've brought our online portals and consultancy up to date, combining data analytics with our longstanding industry expertise.

The new business market is very positive, and we've also done much to ensure existing customer retention is at its highest for a number of years.

In our high margin specialist segments, we have also seen strong fleet growth over the past year. This reflects the success of our ‘One Road’ simplification actions and focus on cross sales.

Our ancillary services, which are capital light, have grown by 9%. This includes solutions such as telematics and fleet management. We are investing in our EV charging business, which this year has secured long-term partnerships with Hive, British Gas and Scottish Power, all key players in electricity distribution.

Alongside growing fleet to satisfy demand, our priorities for FY2026 are to implement our new UK rental operating, which will deliver efficiency and flexibility to branches and contact centres alike. Secondly, we're driving efficiency through a one fleet program where we are aligning our fleet purchasing across the group. Thirdly, we will consolidate our Darlington based rental support services to deliver efficiencies and improved customer service.

Finally, looking at **slide 23**, we turn to claims and service operations. We've achieved much over the last 18 months since I last spoke at the ‘spotlight’ session last year, we've launched and grown out our solutions servicing existing customers and winning new business.

We've added four insurers to work within our claims protocol agreements, which gives them the benefit of our automated claims processing, and ourselves improved cashflow. We've also launched and grown our self-service portals.

We've built a new operations centre to support National highways and our blue light customers and we've grown our independent supplier repair network to over 540 sites. We've worked through a significant number of renewals this year and been able to demonstrate to partners the value we add. These renewals typically have included an expanded service provision.

This has included the renewal of contracts with three of our major insurance partners and three of our key leasing customers. We've also welcomed another six to our platform. We have seen headwinds this year and I'm incredibly proud of the way the entire business worked together in order to immediately respond to the Cyber challenge in May 2024.

We've also received thousands of Trustpilot scores ranked either excellent or high, as well as excellent nett promoter scores across the businesses.

FMG Repair Services has had a standout year as well. We've been able to recruit a significant number of the technical skill roles that were vacant leading to higher productivity for many of our body shops and profitable growth overall for this business.

There's more potential for FMG Repair Services both through leveraging the investment we've made in new tooling and equipment in our people and in the capacity in our sites to continue to grow.

We've also taken the decision to exit the personal injury market. Returns have been increasingly less attractive and this no longer fits with the rest of our investment priorities.

The key priorities in Claims and Services for 2026 are focusing on efficiencies and scale, investing in a significant upgrade to our contact centre technology, which will allow us to start to use new tools such as AI to support our conversations and claims journeys.

Increasing the number of partners who are using our technology in the form of self-service portals and bringing more convenience to the policy holder, claims efficiency and further reducing costs to our insurer partner and looking for opportunities to grow or relocate some of our FMG Repair Services sites in locations where they will benefit from larger body shops with more productive footprints.

The market dynamics discussed earlier are clearly reflected in this prior year's numbers, but there are excellent growth opportunities for us this year and beyond. Customers really value our expertise capabilities and increasingly our technology led support. As a result, I'm confident for growth through greater activity with existing clients together with our new partners currently being onboarded.

So back to you Martin.

Martin Ward: Thanks Harvey and thanks Jorge. I think you heard some very confident positions there from the two country business leads.

[**Slide 24**] Let’s wrap up with some final thoughts and comments just on the Outlook statement from this morning. Our strategic vision is clear, to be the leading provider of integrated mobility solutions and to be the outsourcing partner of choice through our diverse range of rental customers, insurance companies, large insurance brokers and partners and corporate customers.

Our strategy is delivering what we have been looking to achieve. Excellent market position and a platform which offers a broad range of services delivered in the ways that customers want and in FY26 we'll see that broaden out even further. Our investment intentions are very disciplined as we've covered and we are investing in technology, which we've said a number of times this morning to help scale efficiencies and deliver great customer service.

We're investing in our facilities so that will drive scale and capacity and it will provide more of the solutions that our customers require from us and yes, we'll continue to invest in our fleet.

We're going to continue with that CapEx cycle, which Richard pointed out. But as you can see, the age of the fleet has come down demonstrably both in the UK and Spain.

There isn't much further to go on that before we then reach a normalised position. Then as I said, you'll see the returns on the cash side of our business. So, with normalised market conditions, we have real opportunities to achieve our core goals of sustainable growth.

We see this coming through market share gains and growing our share of the rental and claims wallet. Together, with delivering efficiencies from the tech investments that benefit ourselves and our customers.

Final slide [**slide 25**], you'll have read the outlook that we set out this morning and summarised on this slide, very confident on the year ahead. It's not plain sailing.

The team must work smart to continue to deliver great results. Richard set out earlier some helpful views on how we see the shape of our performance over the medium term outlook. Comments focus on FY26 where we have set what we believe to be achievable targets of mid to upper single digit EBIT growth before disposal profits are taken into account.

Whilst we're early in the year, the first couple of months have started very well. On that note, let's move to questions and answers. Thank you.

David Brockton: Okay, thanks very much. It's David Brockton from Deutsche Numis. Can I ask two please, one on Spain and one on the Claims and Services business. Spain growth is clearly very strong in a good market. I was just interested to maybe get your perspective on where you think the share gains of the business is coming from. Do you think there's a sort of step change in growing rental penetration in the region and you are capturing those new customers or do you think it's coming from competitors that maybe don't have that sort of flex presence that the business has? That's the first question.

Martin Ward: Are you happy to answer that one Jorge?

Jorge Alarcon: Sure, I mean it's both; the rental penetration is increasing. We are benefiting from this, more customers moving to the rental solution. I mean we're not benefiting, we're promoting as well. I mean we're the only company that will have 150 people on the ground, convincing, especially small companies, entrepreneurs who usually don't have the cash for ownership to move into rental.

But second, for sure, we're gaining market share and especially because this flexible proposal and especially the service that we provide to our customers is very well perceived. So part of the growth of last year came from the flexible part but also part from the minimum term because customers that are working with us in the flexible part of the product. They are also moving their minimum term fleet with us because they are ready to come with us and because they know our service and they are moving, we were traditionally a more flexible company now we can play with the two products.

David Brockton: Thanks, that's useful. Thank you. And then on Claims and Services, a two pronged question first, I guess when we look at the pre-merger returns of the claims business, the margins were higher, but obviously there's been a mix shift towards direct repair activity and direct hire that's lower margin.

I wonder if you could just maybe one financially just tell us how you think about that from a business perspective, but two, going forward from a growth perspective, how you see the balance of opportunities between all of those moving parts would be useful.

Martin Ward: Okay, thank you David. Richard, do you want to pick up the mix and the margin and what you see going forward?

Richard Clay: Yes, on the slide you see from the spotlight session the breakdown of different margin and return profiles for the different types of services that Claims and Services offers. And as we discussed that there has been a shift from the credit hire and credit repair, to the direct hire and direct repair and roadside recovery areas, which are typically lower margin but also higher ROCEs. So, what you see is this switch in margin versus ROCE.

We primarily price on ROCE and then we look at margin as a secondary lens. Where do we see that moving to in the future? That's in the background to my view of 5% plus EBIT margins in my medium term views - the reduction in Auxillis as an overall part of the portfolio is expected to remain and therefore the growth is coming from the lower margin areas. But overall, that's the basis of our 5% expectation.

Harvey Stead: I think it's important to understand as well though that what the acquisition of the Nationwide sites did and the creation of FMGRS was - it opened up opportunities across the group that we wouldn't have had. I know we certainly have two large insurer relationships that FMG and Auxillis have benefited from significantly that, if we were only working with an independent network and didn't have that blend of our own sites and the network, we wouldn't have won.

We've been told very clearly that it's because we have the capacity to own our own demand and certainly looking forward some of the opportunities we're working with having RS as part of that proposition has made a really significant difference.

Martin Ward: Has that answered both your parts.

David Brockton: Feel free to add some more if you want.

Martin Ward: No, I think it's covered. I mean when we look at the margin and where that driver's coming from as well, this is a strategic position that we're taking. If we've got a large insurance partner that does multiple services across mobility and they've done them previously in silos, our strategic aim is to bring that together because one, it streamlines the customer journey very, very well. Two, we've got that operational leverage of scale now that we didn't have pre-merger.

So naturally customers are gravitating towards that platform because if you can give a partner a single journey through mobility, that is much better than dealing with four or five different businesses all coming at different points, different brands, different processes, different procedures. So that's what we're doing.

We're offering that very differentiated mobility proposition so we can see that growth coming from those areas still, we look at it as Richard mentioned from a ROCE perspective in terms of what capital are we invest in, what's our returns, what does it look like in purely bit margin terms, yes, comes down from a historic position, but we're very comfortable that we're driving the right outcomes.

David Brockton: Thanks, that's clear.

Andy Smith: Hi, good morning. Andy Smith Panmure Liberum. Again Spain and Claims and Services. On Spain, obviously you're growing well, do you have the capacity to continue growing at that rate? That's the question on Spain and then Claims and Services, what's behind the shift between more direct hire repairs over credit hire repairs? Is that a trend or is that just a one-off because of the way the accidents are happening?

Martin Ward: Let's deal with the Spanish question first then. This is not a budget meeting by the way [Jorge], so feel free to answer.

Jorge Alarcon: The same rate as last year is going to be difficult because we are really focused on providing the best customer service and we need to grow also our capacity, our infrastructure with the fleet growth. We are incorporating new branches or new service points we have to digest part of the last year growth. We will keep on growing with, I would say high single digit, but last year was, I would say something very high.

Martin Ward: It was double digit growth last year as we've guided, we're saying sort of mid to high single digit and Spain contributes to that. On claims, I know that question was sort of around what's driving more direct hires. I don't think it's that the market itself has changed demonstrably, it's just that what we're seeing as our share of the wallet, we're getting more exposure to that direct hire because of that operational leverage that we created through our scale.

Previously we were not operating in that space on scale, but now that we are, because we've got the branch network and the facilities, therefore we are exposed. So, Harvey and the team are engaged in conversations that enable us to grow that mix effectively. I wouldn't say it's credit hire or our credit repairs reducing. I would just say that the mix and our overall exposure is changing.

Andy Smith: Okay. Can I have two more? I can see that there's been a big swing in working capital this year from an inflow to an outflow and just go through what's behind that and what we can expect for this year. And then again on the PPUs, if you can just give us some guidance on how you see that trending for this year.

Richard Clay: Taking working capital first, in FY24 there was an outflow of £5.6 million and in FY25 this year there was an inflow of £49 million. So why the large inflow in this year? The main component to that is the Auxillis business and putting more claims through our protocol agreements.

So, a switch from non protocol to protocol helps us in working capital. It means that we get the cash in quicker. What should you expect for this year? My guidance would be flat working capital each year unless there's a reason to not say that - and at the moment there isn't a reason to not say that.

Martin Ward: On PPUs you saw that we said they've been stable since October last year in terms of what we're seeing through residual values. So the market has been stable. I mean our outlook in terms of we expect there - still there's a little bit of strength still in PPUs. We expect it still to graduate off over time, but the market is stable.

Richard Clay: What I'd add - sometimes it creates confusion is that residual values are stable, but the net book value of the vehicle is increasing because we've got more expensive vehicles coming into the mix and you have to cohort and analyse that. So our expectation and in my guidance of £10 million to £15 million worth of disposal profits is the combination of those two factors happening.

Martin Ward: Do we have any more questions from the room?

David Farrell: [Ross Hawley] I'm speaking on behalf of David Farrell from Jefferies who has asked two questions.

The first one you've just answered, which is on working capital and that question was exactly what was being asked, so that's fine.

Secondly, in terms of the steady state cashflow, where the £200 million which was talked about here with FY27/28 - just questioning has there been a delay in where you see this cashflow coming from. When Philip was talking last year, focusing on FY27. Is there any comment on that.

Martin Ward: Again, just to cover the working capital, when insurers go into protocol, we get faster cash, it's provided at a discount to the claim value, but we get faster cash and that's the benefit we've seen because we've got more insurers that have gone into protocol. Just to tie that point down.

On the second point Richard, do you want to pick that up ?

Richard Clay: Yes, I went through it David, in quite a lot of detail on the steady state cashflow and CapEx cycle slide and we are progressing well through the replacement cycle and we see the steady state cashflow generation increasing in FY26 and as you said, I see it moving to £200 million plus and I've said FY27 and FY28 in my explanation because are a lot of assumptions that underlie that and I'm not changing the view. I'm just providing more detail.

Martin Ward: Are there any more questions? Okay, I think we're done. Thank you for your time and attention. In terms of coming in this morning, I think hopefully you have heard a very strong story in terms of what the delivery not only for this year, but what that sort of outlook looks like for next year. We are very well positioned.

This business model has been operating okay, five years under the merged model. But Northgate, which is where the big CapEx and the fleet goes over 40 years and we're very confident in what we're seeing in the business.

Thank you all for your time this morning.