

ZIGUP

Half Year Results for 2026

3rd December 2025

Transcript



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Martin Ward

Good morning, everyone, and welcome to the ZIGUP Half Year Results for FY2026. Let me start by saying that I'm really pleased to be reporting on a great start to the year with performance exceeding even our own expectations. It's a very busy time in the business with lots of positive things happening, and we expect to see this continuing in the second half.

Let's cover today's agenda more fully if we can turn to **slide two**. Just to mix it up a bit, we've changed the format slightly from previous results so that I can give some thoughts on the first half performance and cover our operational and strategic shaping. This includes talking about the evolution of the UK and Ireland operating model we'll be putting in place going forward and the benefits that will bring.

I will then hand over to Rachel Coulson, our new CFO, who recently joined us from Pearson in August, to talk about the financial review and the full year look through. Rachel has hit the ground running and has brought genuine curiosity, energy, and pace to the table. She is particularly good at holding people to account and for getting things done. Rachel will hopefully give some insights and first impressions on the business as well as covering in more detail the financial performance. Then to finish, I will give a brief roundup, and then we will move to questions and answers.

Turning to **slide 4** in the deck now. What a great performance. What are the key takeaways for these results: Firstly, the first half has delivered a great result, both operationally and financially. Revenues were up 4.5% and the total fleet has grown to over 135,000 vehicles, which is a new high.

Spain, particularly, had a standout performance, growing its rental revenues in double digits and reaching a record level of fleet volume and vehicles on rent. Given the strong economy in Spain, we have been focussing much of our growth Capex in this territory, which in return is delivering sustainable margins and quality earnings.

This comes alongside robust performance in the rest of the Group, with customer and partner demand healthy across the business, notwithstanding the challenges in the UK economy. With the current visibility we have on trading, we are confident to signal our full year expectations being at least at the top end of the current consensus range; that means at or above £155 million in adjusted PBT for the full year.

We're also embarking on the next phase of evolving our UK and Ireland operating model, which enables us to deliver our product and services in a simpler and more consolidated way, supporting customers with their growth needs from a single point of contact. We have already seen the benefits of growing our platform of services, and now operationally, we will make it simpler to deliver these. The focus of this change in the UK and Ireland operating model is efficiency, enhanced customer delivery, and further consolidation across our supply chain, which reduces the number of suppliers we deal with.

We expect that the simplification will deliver at least £20 million of annualised savings once fully implemented by FY2028, and Rachel will cover the high-level costs to achieve this and the phasing of the benefits. It's also worth noting, and we have discussed this before, that we are reaching an inflexion point in our steady-state cash. With continued EBITDA progression, normalised fleet replacement Capex, lower disposal volumes, and expected stability in both new vehicle costs and residual values, we will see steady-state cash flow building out as planned.

If we turn to **slide 5**, I can showcase some of the operational progress in the first half. Starting with the fleet, we are at our highest ever total fleet with over 135,000 vehicles and the change in this period has been driven by Spain, growing its average VOH by 11%.

If you look back three years, Spain has grown its fleet by 30%, while keeping its utilisation and margins consistently strong and the rental market in Spain is growing. More broadly, across the Group, rental demand has been growing in areas such as infrastructure, with significant fleet orders received and yet to be fulfilled.

For example, we secured a sizable order from the largest Spanish rail maintenance operator due for delivery from February 2026. We also had a large order from the Irish rail equivalent, which will support our growth in Ireland, and in the UK, a large utility company has added over 1,500 of its owned and rented vehicles onto our fleet management solution, as well as placing orders for new vehicles, demonstrating the benefits of our platform. In all, of scale, eight different fleet operators have signed contracts or an aggregate of 1,250 new vehicles, reflecting the strength of our offering.

In the UK, to give you a flavour of these industries, we've had an additional 300 vehicles supporting fibre rollout to a customer who we have worked with for over 18 years, to over 100 vehicles each for a water utility, a housing association, and a rail engineering contractor. That's just to give you a sense of where we're seeing that demand.

What we see as being a disciplined use of capital is that in the UK and Ireland, rental revenue and profit grew against a modest decline in vehicles on hire, principally due to the selective focus on customer channels and margin. To be specific, historically, Northgate found incremental income from older vehicles coming to the end of their rental life through a shorter-term final rental via third-party broker channels.

Given we have now de-fleeted many of our older vehicles, there's less stock available for these channels, and we have focused available short-term fleet into higher margin opportunities. A good example of this is a recent contract with a fleet partner to provide Royal Mail with nearly 300 vehicles on a short-term basis over their busy period, but at the right margin.

In Spain, the double-digit fleet growth we are seeing comes with a need for capacity growth. We opened two new service points in the first half. There are plans for more to come, matched to growth, and also we are planning a second delivery hub in Barcelona to replicate the success we saw from the Madrid hub.

In the UK and Ireland, we have continued to refresh and relocate locations for both Northgate branches and FMG RS body shops. Expanding capacity in each instance into better, modern, well-equipped sites that can support future growth. This is also part of our programme to increase productivity from our physical estate using new equipment and increasing use of technology which supports capacity.

To round up this slide, we were pleased to secure and now on-board Howden Insurance, who are a well-respected and international insurance broker. We look forward to working alongside them as they continue to grow their presence.

Examples of other extensions to mention include Tesco Insurance, where we renewed our multi-service contract over a long-term period and we have secured a recovery service contract with an insurer who has significant presence in the UK but this is against a backdrop of only having a limited historical relationship. We hope to see this develop over time. Across our mobility solutions, there's a lot of activity and a great deal to be confident about.

If we look at **slide 6**, I want to touch briefly on some of the more strategic initiatives we have been progressing. We're doing a stack of work to support our strategic plans and here are some examples of some projects we are currently working on just to add a bit of colour.

In Spain, I briefly mentioned Barcelona is due to get its own delivery hub in the next 12 months as we look to repeat the success and learnings from the Madrid launch this spring. Having this capability has greatly sped up the delivery and distribution of new vehicles to customers, which in turn supports a faster rental growth.

In the UK, both Blakedale and Fridge Express have expanded from single site locations to providing national coverage by leveraging the Northgate Branch Network. This has enabled a more compelling proposition to national customers who have local requirements. Blakedale, which you know is our highways traffic specialist, has also brought on its thousandth vehicle onto the fleet, more than doubling its size, which has been a success story from the moment we acquired the business.

Fridge Express, our temperature-controlled vehicle specialist, is a similar size business and on the same path. Having this specialist capability has allowed us to expand our range of vehicles to include arborist vehicles and cherry pickers to help satisfy a broader need from customers looking for us to be the one-touch solution for their fleet.

In the UK and within our body shops, we have been growing flexible capacity by expanding our network of mobile repair technicians and also aligning them directly with a local body shop which flexes capacity. This provides another layer of customer options which adds to the speed and efficiency of getting vehicles repaired smarter and is a real winner with our partners who like the benefits this brings.

We're also developing a number of specialist centres which can undertake full structural aluminium work, which will be a growing requirement of a modernising car park and this investment allows us to internalise this work which was previously outsourced.

To complete this slide, touching on our technology progress, which to date has been supported by an expanded Capacity Recovery Operations Centre in Huddersfield and the commencement of our new contact centre system, which is being rolled out across the centres in the UK. In Spain, the new e-auction site for selling used vehicles has maximised the sales values being achieved through increased functionality and analytics. In all, we are making good progress in this area.

If we turn to **slide 7**, we are looking at the reasons for making the changes to the UK&I operating model, which is shaped to see to how we see our markets evolving. So firstly, to step through the journey, in early 2024, we brought the UK&I businesses under a single management structure which aligned our approach and to deliver our platform services from a single source.

Secondly, we have continuously worked on creating the cross-sell of services to all our customers and partners, which was made easier under the single management team. We have seen good evidence of this working, and there is much more to go for.

Thirdly, we are delivering on a full refresh of the technology infrastructure that now enables all our businesses to communicate and connect with each other, which has facilitated a joined-up approach. These three things taken collectively provide a simpler trading environment, slicker customer engagement, and pooling of skilled resources, which leads to efficiency gains and the ability to consolidate supply chains further.

The primary focus of the changes is simplification and efficiency. The financial benefits of these changes are estimated to be around £20 million. As I said, Rachel will cover the high-level financial phasing on this.

Turning to the last slide in this section and continuing with the changes to the UK&I model, this is **slide 8**. This is what it looks like in terms of operating in the UK&I. In essence, it's bringing together our core rental offerings into one entity, which will be our Northgate mobility brand. Similarly, for our repair, direct claims, and recovery businesses, these will consolidate into FMG. Two very distinct operating businesses in the UK&I under Northgate Mobility and FMG, and Spain stays exactly as it is.

As we roll out the changes, Northgate Mobility will be the brand for our rental activities. This means LCVs, the vans, our specialist vehicles and the replacement cars we provide as part of the not at fault insurance related services. These will all be provided through Northgate Mobility.

The businesses under the FMG brand are the services contracted directly with insurance companies and the wider automotive market in terms of managing their at fault or direct claims and incident management services, including the roadside recovery businesses and our RS Body Shops, which provide the repair facilities.

We will simplify the number of sub-brands we operate under, which is a natural evolution of our One Road Programme of providing a single point of contact for our customers. These changes deliver a clear path to simplifying and maximising our resources and assets for best returns. I'm pleased to see that the strategic pillars of Enable, Deliver, and Grow are providing the right framework to evolve our plans to achieve the full potential of the business.

Thank you for listening and absorbing most of that, I'll hand you over to Rachel.

Rachel Coulson

Thanks, Martin. Morning, everyone. I'm really pleased to be here presenting my first set of ZIGUP results alongside Martin, especially as there are many positive updates to share with you today. Before we get into the financials, I thought I'd offer some initial impressions now that I've been in the role since August.

Since joining ZIGUP, I've had the opportunity to visit many parts of the business and speak with customer-facing colleagues. I've been impressed by the depth of expertise, commitment, and commerciality across the business. I can also see how the unique combination of assets across ZIGUP are focused on delivering outstanding customer service. It's clear there's an opportunity for technology to be an increasingly valuable tool as we evolve to address customer needs in an efficient and responsive way.

From my previous experiences, I know transformation comes in many forms, but pace and energy are critical for success, and I think we're sharing evidence of that at ZIGUP today. I've kept many of the familiar slides in place for these interim results, but I would expect as we evolve the business, there will be changes over time.

[Slide 10] Overall, I view these as being a strong set of results which will set us up well for the full year.

Underlying revenue increased 4.5%, Underlying EBIT excluding disposal profits grew by 11.5% to just over £81 million, supported by growth in each of our major business units. Disposal profits normalised as expected.

We continue to invest to drive sustainable growth in the business by expanding and refreshing the fleet. This is demonstrated in the growth of fleet assets on the balance sheet to £1.68 billion. This was delivered whilst keeping leverage within the range previously outlined of 1-2x.

Underlying EBITDA, a key component of steady-state cash, and something we'll come back to later, grew by 7.6% to £246 million and today, we're proposing an interim dividend of 8.8p, following our policy of paying 50% of the prior year final dividend.

[slide 11] Let's move to the key elements of sales performance. UK&I rental revenue increased in the half year by 6.5%, driven by carefully managed pricing actions, vehicle mix, and a near 20% growth in value-added services such as telematics and fleet management.

This was a strong result given average vehicle on hire in the half year was slightly down through our changing approach to the broker channel targeting higher margin opportunities. There continues to be underlying incremental demand for the fleet with significant new orders, as Martin said, across our larger fleet customers.

The Spanish team delivered an excellent revenue performance of over 16% growth. This was partly due to the positive ongoing market conditions in Spain, both at a macroeconomic level and in the continuing shift from ownership to rental but was also due to healthy demand for our unique market offering.

Claims and Services revenue was broadly flat year on year due to lower claims volumes. We continue to grow and renew our long-term contracts and expect these to contribute in the busier second half of the year.

[Slide 12] How has that translated into profit? Rental profit has grown £9 million, driven by trading performance and margin improvement. The latter focused on continued cost control whilst covering investment in the fleet and our network to service our customer needs.

Spain is in line with our 17.5-19.5% view on margins and typically has a slightly stronger first half. Phasing into the first half associated with one customer contract benefited UK&I margin by approximately 1%, but I would expect this will normalise for the full year in line with our 15-16% medium term guidance. Overall, disposal profits, which, as you know, are difficult to forecast, reduced year on year as expected.

Claims and Services saw a modest profit improvement of around £1 million due to continued efficiencies across the cost base. These were partially offset by the impact of New Law as it manages through its claims run-off programme. Given trading expectations and the actions underway on New Law, I expect H2 margins will be much closer to our medium-term guidance of 5% and net finance charges increased due to higher debt funding levels than in the prior period.

Coming in as CFO, I've been impressed by the financial discipline across the business and clear decision-making processes underpinned by the long-standing capital allocation policy.

[Slide 12] Next, you'll see our familiar cash flow slide reordered into our priorities. EBITDA is growing and net replacement Capex was broadly as we expected. The outcome of these together was a more than doubling of our steady-state cash flow to over £48 million.

Growth CapEx in the period increased and was focused on capitalising on the strong Spanish market environment, including supporting some large minimum term contract wins. As you can see, fleet age is now at a comfortable level in both geographies, offering greater flexibility and a less pressing need to exit ageing vehicles than over the past 18 months. As an example, in the UK, average disposal age in the period was 53 months, down from 56 months a year ago.

[slide 14] Our usual table shows a robust balance sheet with substantial fleet assets, which grew by £170 million since year end. We have significant headroom at £340 million, and given the high proportion of fixed rate debt, our borrowing costs are also stable at 3.2%. With the refinancing completed last year, we are very well set up with an average maturity profile in the 2030s and no principal facilities due over the next 18 months.

Alongside this table is the Capex chart used at the full year, but looking at the past four years in six-month periods. It helps to visually demonstrate one of the key takeaways from today being our view that we believe we are reaching the inflexion point in steady-state cash that both Philip and Richard had talked about before.

[slide 15] Now, as promised, building on the exciting news on the UK&I operating model that we announced this morning but have been working on over the past few months. Martin outlined the evolution and its rationale, purpose, and core structural elements. I'm therefore going to confine myself to talking about the overall programme in terms of timetable and our initial view of the financial impact.

This programme is now moving at pace with clear execution plans and a timetable expected to be largely complete within the next 18 months. In the statement this morning, we indicated that our current view is that these changes would deliver around £20 million of incremental savings in FY2028.

We're at the early stages of execution, but to give you some sense of scale, I'd expect the supply chain actions to be the largest portion of the expected savings and to note, both myself and our Head of Procurement have experience in this area and at this scale, including building more strategic supplier relationships.

I'm sure there's interest in the one-time costs associated with this programme, and I wouldn't expect them to be much more than £5 million in total and to not have an impact on the profit guidance for this financial year shared today. As a rough guide for FY2027, I could see us achieving around half the savings run rate in the year and a little more than half of the programme costs, as some of these will be more front-end loaded. I'll set out more clearly at our Full Year Results how the savings should be phased and reflected alongside our go-forward guidance.

Finally, this exercise will no doubt have some impact on the corporate reporting of the businesses, but that's not something that we'll implement this year. I promise Ross and I will give you clarity in the coming months about what might change and at the appropriate point, some historic analysis.

To finish off, I'd like to cover current year expectations. Based on the factors we laid out earlier on first half performance and what we see in the second half, we are confident that full year underlying PBT will be at least at the top end of the current range of expectations of £150 million to £155 million.

Whilst we're still working through the UK Budget news, there should be no impact on this year's financials or medium-term guidance, including the incremental savings shared today, and with that, I'll hand back to Martin.

Martin Ward

Thank you, Rachel. Thank you for sharing your insights in terms of what you've seen in the business. We clearly have a great opportunity ahead of us. I think that presentation was very clear, I appreciate that.

[slide 15] To finish on the last slide and before we move to Q&A. I said earlier, it has been a great start to the year with some notable highlights.

Demand from customers and partners in our market is healthy, and there are good reasons to be confident in the continued success of our strategy and to delivering our Full Year Results, as Rachel said, and I said earlier, at the top end of the current consensus. We're also doing the work in the UK&I that will deliver significant benefits, not only to our bottom line, but it will also offer greater agility in how we approach both suppliers and customers and create further velocity in our business. As I said, Spain is continuing to grow its market position very well with excellent execution of its plans.

Finally, Rachel has outlined how we see our steady steady-state cash flow building from here. I know many of our investors and potential investors will welcome that confidence. For me, the growth in steady-state cash generation will bring into play a range of options as we think about capital allocation and how we can make good use of that capital to grow. It is an exciting time to be part of ZIGUP, and we are working at pace to create some velocity in the business and to deliver meaningful and sustainable outcomes for our stakeholders.

My thanks to all our colleagues who make this possible. Thank you. On that note, if we can move to Q&A, that would be great.

David Brockton
(Deutsche Numis)

Can I ask two questions, please. The first one in respect of the UK&I fleet growth from here and the second one in respect of replacement Capex and the average age of the fleet. You gave the reasons for why VOH was down through the first half and that focus on higher margin customers. Going forward, can you maybe just touch on the supply dynamic in the UK now and your expectations around fleet growth from here?

My second question, the average age of the fleet has continued to trend down through the first half. I know you're not managing the business to an average age, but should we now view that as a stable level going forward and therefore that replacement Capex has stabilised?

Martin Ward

Thanks, David. On the first question, you're right to say we have focused very much on the quality of earnings. That's been the key. In these results, you've seen revenue growth, profit grow 14% of the EBIT without disposals, but the fleet modestly come off. That's a deliberate position for us.

In my presentation, I talked about the channels that we previously supported where we are less supportive going forward. Our aim is to grow, but to grow profitably. That's the key thing I want to emphasise, it's not about pure volume.

I think I've said before in our conversations in the past and previous presentations, Northgate as a rental company for a full fleet can put a lot of volume on, but it's got to be at the right margin for the right returns with quality, sustainable, outcomes. That's how we're strategically focused in the UK to do that. We're seeing that in Spain.

You could see that demonstrable growth with the margins that have been improving. If you look back over the years, you can see the strength of that coming through and that's the plan for the UK&I as well. As I say, we'll allocate the capital where we see good sustainable returns.

On the second part of the question, yes, the age is coming down nicely. We don't target age in the way that we run the business. We don't say there's a landing point and therefore build a model to that age. It is where we are operating now, the fleet is in a good place. Customers don't want to change vehicles every two years because every time you change a vehicle, it comes with a new price point, of course, for the customer as well.

We're comfortable operating with the fleet where it's at. It will change a little bit, so the age might get a little bit lower, but we're not targeting it, and the key thing is that we've got a fleet now which is in a good, steady-state position. We'll know by the end of this financial year whether that's now fully inflected and represents where we are.

James Rose
(Barclays)

My first question is for Rachel. When you came in and scrutinised the business, did you see any areas for reinvestment opportunities which you wanted to prioritise? If so, is that £20 million already a net figure, or is it purely an efficiency cost-out figure?

Secondly, can we touch on ancillary services? You've mentioned a few times in the statement telematics and fleet management uptake going pretty well. Do you have a percentage of customers which take you up on this, is that a meaningful upside opportunity for us to think about?

Rachel Coulson

I think we're demonstrating today that we are investing in the business. We've talked about the investments that we're making in growth Capex, particularly in Spain, given the opportunity that is there. Martin also mentioned some of the investments that we're making in technology in terms of how we think about rolling efficiency and the opportunities around that area. I think we are making those investments and the savings that we've talked about today are on top of those investments. So you should think about it in that way.

Martin Ward

The ancillary products are growing at double digit. For us, you've got to view ancillary as being the package of services, because when you're tying in the ancillary products with your rental and everything else, that's the platform of services. That's a stickier proposition with a customer. We are building double digit growth on the ancillary side of things, but we're building a position where we become that one-stop solution for our customers. That's why the ancillary products are important about supporting something that's just more than renting a piece of metal.

Andy Smith
(Panmure
Liberum)

One question is on Claims & Services in that the revenues have gone down and the margin has gone down. Now, I would have thought, given that you had the cyber claim last year at £4.2 million, you would have had a bit more of a kicker this year. Is it possible to explain a more about the dynamics to Claims and Services as to what's going on in the revenue and the EBIT? I do know that the full year guidance is a 5% margin.

Secondly on growth Capex, I see in the first half, you spent £74 million on growth Capex, and I know you don't give guidance on it, but is it possible just to give a bit more colour on the in the direction of growth Capex?

Martin Ward

Let me just check if we have got the right numbers because the Claims and Services EBIT margin has gone up, it hasn't gone down. It's gone from 4% to 4.2%. As we said, and Rachel covered, the direction of travel is we're heading towards 5%, that is our direction of travel, so we expect it to improve.

We've seen flat-ish revenues in Claims and Services. We have had a quieter summer in terms of income, and it's only what's incoming into the business. We would expect, as we've seen over the last couple of weeks, unless you've been somewhere very sunny, it has been raining a lot! As you go into the winter, these are seasonal. Claims & Services is about an incoming volume of work.

What I would say in that Claims & Services section is that we've got new partners coming on board, we've renewed some of our long-term big contracts. As I said, it's only seasonality in terms of what's in the first half, so summer was fairly quiet. We're confident about that building and we can see what's coming through and how that's going to play out for the full year.

Rachel Coulson

As you said, I'm not going to give specific guidance, but we will continue to look for opportunities, particularly in supporting the Spanish market and Spanish growth around deploying Capex to drive growth for the business. I would expect at year-end in terms of an overall debt profile that we'd still be around the top end of our range, and we'll ensure that's the case. But we want to continue to invest in the business where we have the opportunity in Spain.

Martin Ward

Just to add to what Rachel's saying. We're going to work within our leverage range of 1- 2x. That is very clear, so we're not changing that policy. As Rachel has said, the build of the steady-state cash flow, that will release cash in terms of what we can do with that. Therefore, that can support growth both in Spain and the UK&I if it's the right investment to make. That's how the model plays out and how we continue to grow from here.

**David Farrell
(Jefferies)**

Two questions. Can we just dig into Spain a bit more? I think in the release, you talk about it being 5% penetration of rental. Where do you think that number could go? Because it seems like it's growing well beyond what your expectations were. Is there any threat that new competitors might come in given the growth being achieved?

Going back to your steady-state cash generation, if I remember correctly, we talked about £200 million in 2027. Is that still the ambition? Or have I got that number wrong?

Martin Ward

On Spain, you're right. There's strong growth there, market penetration, if you remember at the last results, our Spanish CEO came over and presented and talked about the Spanish market in terms of the rental markets growing, and we're growing in that space as well. We expect to see that continue to grow. Where could it go? Well, how much capital do we want to put in there to support it? We can see double-digit growth as we've seen this year and we will continue to support Spain with that growth. There are always competitors, I think that what Spain has is a very good model for deploying services.

The service points that we've talked about, the Madrid distribution centre and the new Barcelona one that we're going to open, it's about having presence on the ground in Spain because customers need that local service to support their fleets. We've got that local service with our workshops, our body shops, repairs, all the maintenance, and that is very, very important in that model. It's quite difficult to replicate because it's quite a lot of infrastructure, quite a lot of technology that we use as well to maximise the benefits of customers. We see short to medium-term growth and strong continued growth in Spain.

Rachel Coulson For the £200 million we'd shared that it was FY2028. As we talked about earlier, we see that that's evolving as we had expected. We're reaching that inflexion point. All of the drivers behind that around EBITDA and the net replacement cycle are playing out as we would expect, so we're confident in that.

Dan Thornton
(Shore Capital) On the steady-state cash flow generation, it's nearly £50 million for the first half. What factors should we think about for the second half cash generation? In other words, crudely doubling it probably isn't the right answer. Just a bit of colour on the moving parts.

Rachel Coulson Again, I'm not going to give specific guidance around what people should be thinking in terms of that, but we expect EBITDA to continue to grow, and we'll manage the net replacement cycle as expected. But as Martin said, we'll reiterate for full year where we've got to around the inflexion point.

Martin Ward We're done with questions. It just leaves me to say thank you, Rachel, as well. This is your inaugural set of results, I appreciate that. Thanks to my team for all the work and everybody else that supported this.

Thanks to everyone who came today and everybody online for listening. We look forward to updating you at the Full Year. Thank you.