

Interim Results FY2021

8 December 2020





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Agenda

1. Overview

Martin Ward

2. Financial Review

Philip Vincent

3. Business Update

Martin Ward

4. Q&A



Overview

Martin Ward, CEO
8 December 2020





Overview

Trading and COVID-19 impact

- Encouraging momentum in the Group
- H1 2021 performance indicators have fully recovered or substantially improved
- Northgate UK&I and Northgate Spain ahead of expectations – full recovery in VOH and strong used vehicle performance
- Redde impacted by slower recovery in volumes, but Q2 improved on Q1 and significant potential to increase
- Lockdown 2.0 – no discernible impact on VOH, impact on Redde not expected to be as severe as original national lockdowns

Merger synergies

- Continued excellent progress with run rate cost synergies of £11.7m and additional permanent cost savings of £4.2m
- Cost synergy targets remain £12m FY21 and £15m FY22 such that total cost target run rate now £19.2m
- October launch of Accident and Incident Management product to Northgate customers with good early response

Other strategic initiatives

- The *Focus, Drive and Broaden* strategic framework is set and driving action
- FMG Repair Services integration progressing well
- Vehicle funding – substantial new contract hire credit lines for Northgate LCVs approved by lenders, £6m utilised to date
- Merger enabling reset of ESG positioning – enhancing and formalising our strategy for the future

Dividend

- Interim dividend declared of 3.4p per share (2020: 6.3p), in line with policy and reflecting confidence

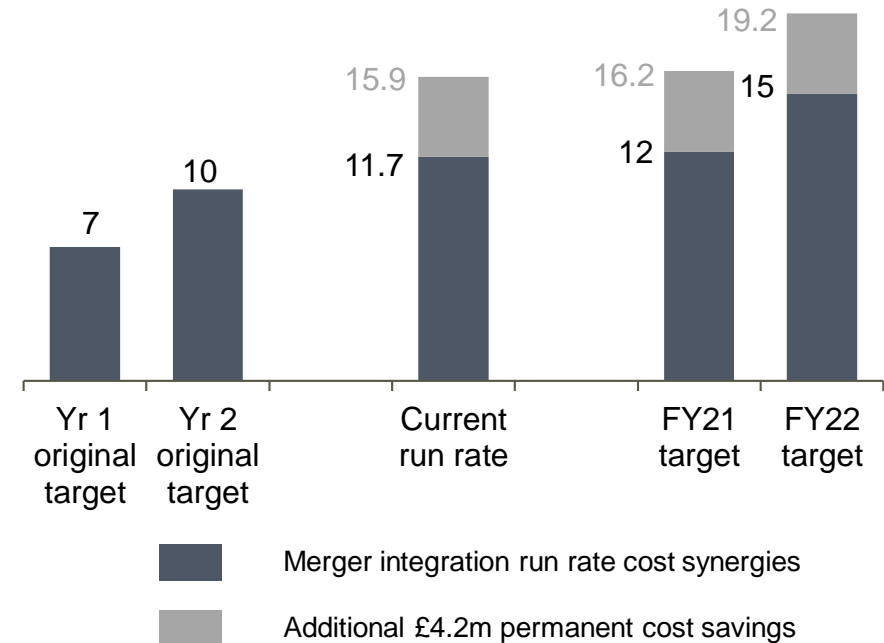


Merger integration and synergies

Synergies

- Further progress against cost synergy targets, increasing to £11.7m to date
- Cost synergy target as per Prelims of £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
- Permanent cost savings also increased to £4.2m, giving a total of £15.9m of run rate savings to date
- Good progress in revenue synergies e.g. October launch of accident and incident management product to Northgate customers

Cost synergies £m



Excellent progress in integrating the businesses and extracting value from the merger in the first 8 months

Trading summary

H1 2021

- Revenue (excluding vehicle sales) £429m (+61.3% to prior period)
 - Increase attributable to Redde
 - Vehicle hire revenues 6.2% lower due to impact of COVID-19
- Total revenue £556m (+55.4% to prior period)
 - Includes vehicles sales revenues 38.2% higher on increased volumes and strong market pricing in UK
- Underlying PBT £40.6m (+47.2% to prior period)
- Underlying EPS 13.4p (-24.1% to prior period), impacted by COVID-19
- Strong cash generation with free cash flow of £58.6m, giving closing net debt of £530.9m, £45.0m lower than April 2020, with leverage of 1.6x

H1 COVID-19

- Employees and customers primary focus - customer support packages of £3.4m in period
- All locations open for majority of period, providing essential services
- VOH reduced 6% in UK&I and 7% in Spain over March/April, but recovered +9% over H1, to +2% above pre-COVID levels by October
- Redde revenues impacted by reduced incident and accident volumes from reduced traffic
 - Q1 volumes substantial impact
 - Sequential monthly improvements to September/October volumes c20-30% below normal

Latest trading

- Northgate UK&I
 - No discernible impact of November lockdown
 - Strength in UK disposals market showing signs of starting to soften
- Northgate Spain
 - No discernible impact of continuing regional lockdowns
- Redde
 - November volumes lower than October but impact less severe than initial lockdown
 - Continue to review our cost base accordingly
 - Significant potential when volumes revert back to historic norms



Financial review

Philip Vincent, CFO
8 December 2020





H1 2021 results

	H1 2021	H1 2020	% change	
Revenue (exc. vehicle sales)	429.0	265.9	+61.3%	<div><div>Revenue – vehicle hire</div><div>Revenue – claims and services</div><div>Revenue (exc. vehicle sales)</div><div>Revenue – vehicle sales</div><div>Total revenue</div></div> <div><div>H1 2021</div><div>H1 2020</div></div> <div><div>249.0</div><div>265.9</div><div>180.0</div><div>-</div><div>429.0</div><div>265.9</div><div>127.1</div><div>91.9</div><div>556.0</div><div>357.8</div></div>
Underlying EBIT	48.7	35.1	+38.7%	
Underlying PBT	40.6	27.6	+47.2%	
Underlying EPS	13.4p	17.6p	-24.1%	
Statutory EPS	8.6p	16.1p	-46.8%	
ROCE	8.1%	7.1%	+100bps	<div><div>• Reflecting the lower profits from the Redde business in the period</div></div>
Dividend Per Share	3.4p	6.3p	-46.0%	<div><div>• Includes £9.5m amortisation of acquisition intangibles and £5.4m of exceptional costs, of which £2.6m related to restructuring and £2.6m related to FMG RS</div></div>
Steady state cash generation	80.4	59.2	+35.7%	<div><div>• H1 2021 free cash flow benefitted from lower total net capex of £48.8m (2020: £127.0m) driven by lower net replacement capex and lower growth capex</div></div>
Free cash flow	58.6	(12.8)	+557%	
Net debt (inc IFRS16)	530.9	504.6	-5.2%	<div><div>• H1 2021 net debt higher due to £84.1m Redde acquired net debt, partially offset by cash generated in the year</div></div>

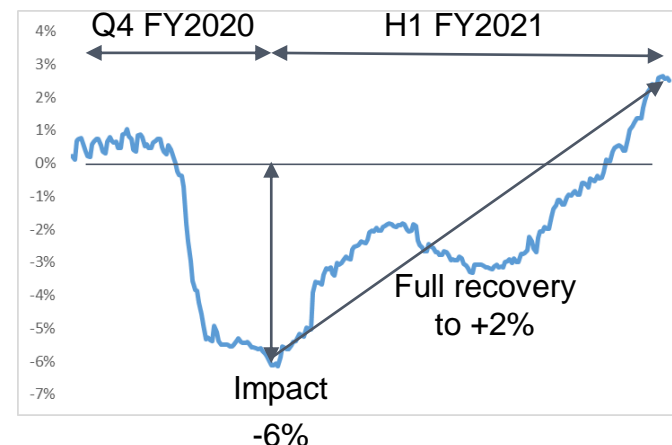


Northgate UK&I

	H1 2021 £m	H1 2020 £m	% change
Revenue – Vehicle hire	147.0	158.9	-7.5%
Rental profit	15.1	15.6	-3.4%
<i>Rental margin</i>	10.3%	9.8%	+0.5ppt
Disposal profit	17.0	3.8	+351%
EBIT	32.1	19.4	+65.4%
<i>EBIT margin</i>	13.3%	8.5%	+4.8ppts
<i>Vehicles sold '000</i>	9.5	9.0	+4.8%
<i>PPU</i>	1,794	417	+330%

- Hire revenue 7.5% lower – average VOH 3.6% lower due to COVID-19 reduction, £2.4m customer support packages
- Rental margin continued improvement to 10.3%
- Significantly higher disposal profits, due mainly to strong market pricing
- EBIT margin 4.8 ppts improvement to 13.3%

Rental Volumes



Note: Volumes based on daily closing VOH

- 6% reduction mid-March to end April in Q4 FY 2020 due to COVID-19
- Full recovery to close 2% above pre-COVID levels as build for Christmas peak

Latest trading

- No discernible impact of lockdown 2.0
 - Customer support not required
 - VOH increasing for peak
- Strength in UK disposals market showing signs of starting to soften

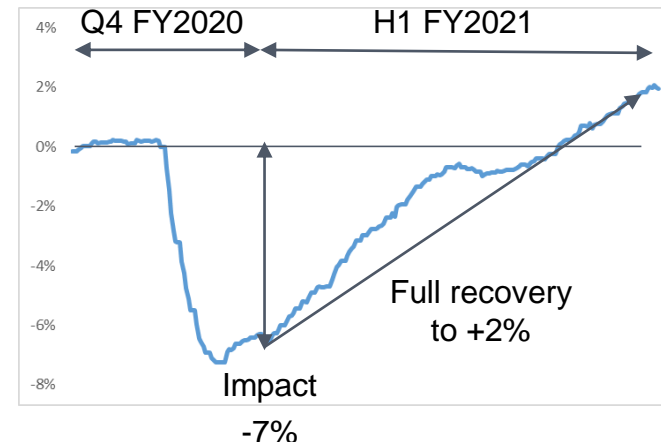


Northgate Spain

	H1 2021 £m	H1 2020 £m	% change
Revenue – Vehicle hire	102.4	107.0	-4.3%
Rental profit	14.7	18.1	-19.0%
<i>Rental margin</i>	<i>14.4%</i>	<i>16.9%</i>	<i>-2.5ppt</i>
Disposal profit	1.3	1.4	-5.8%
EBIT	16.0	19.5	-17.9%
<i>EBIT margin</i>	<i>11.8%</i>	<i>15.0%</i>	<i>-3.2ppts</i>
<i>Vehicles sold '000</i>	<i>5.6</i>	<i>3.9</i>	<i>+45.4%</i>
<i>PPU</i>	<i>227</i>	<i>350</i>	<i>-35.2%</i>

- Hire revenue 4.3% lower – average VOH 3.4% lower due to COVID-19 reduction, £1.0m customer support packages
- Rental margin 2.5ppt lower inc. customer support impact
- Disposal profits 5.8% lower – lower PPU inc. depreciation impact
- EBIT margin 3.2 ppts lower at 11.8%

Rental Volumes



- 7% reduction mid-March to end April in Q4 FY 2020 due to COVID-19
- Full recovery to close 2% above pre-COVID levels

Note: Volumes based on daily closing VOH

Latest trading

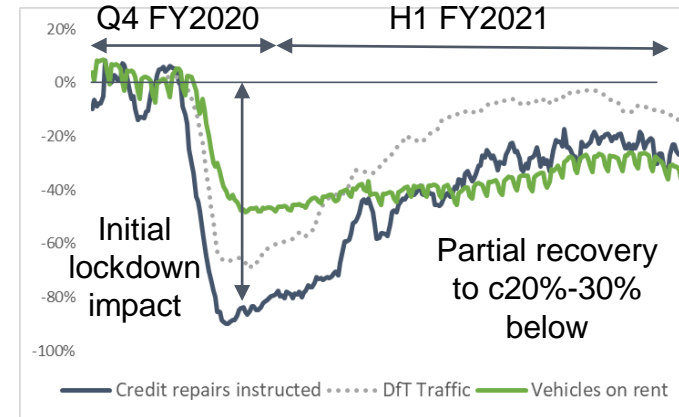
- No discernible impact of continuing regional lockdowns
 - Customer support not required
 - VOH in line with expectations



	H1 2021 £m
Revenue – Claims and services	181.3
Gross profit	25.9
<i>Gross margin</i>	14.3%
Operating profit	1.7
Income from associates	2.4
EBIT	4.1
<i>EBIT margin</i>	2.3%

- Revenues £181.3m (including £18.2m external revenues from FMG RS) impacted by lower volumes due to COVID-19
- Gross margin broadly in line with expectations
- Operating profit £1.7m, including £3.0m loss from FMG RS
- EBIT £4.1m and EBIT margin 2.3% below expectations due to slower recovery in volumes

Rental Volumes



- Initial impact in Q4 2020 significant as traffic volumes reduced
- Partial recovery in H1 2021 to c20-30% below pre-COVID levels as traffic volumes recovered
- Costs reviewed accordingly

Note: Volumes shown are three (of several) key drivers of Redde revenue - # daily credit repairs instructed and # daily vehicles on rent, together with UK government DfT traffic volumes (all motor vehicles)

Latest trading

- November lockdown impacted volumes again but with less severity than the initial lockdown



Cashflow and capex

	H1 2021 £m	H1 2020 £m	Change £m	
Underlying EBITDA	144.0	138.7	+5.3	
Net replacement capex	(46.7)	(76.6)	+29.9	
Lease principal payments	(16.9)	(2.9)	-14.1	
Steady state cash generation	80.4	59.2	+21.2	Continuing strong steady state cash generation
Exceptional costs	(5.4)	(2.2)	-3.2	
Working capital movement	(20.7)	(6.0)	-14.7	Includes COVID payment timing and FMG RS initial working capital
Growth capex	14.8	(47.5)	+62.3	
Net tax, interest and financing	(13.1)	(16.3)	+3.2	
Distributions from associates	2.6	-	+2.6	
Free cash flow	58.6	(12.8)	+71.4	Strong free cash flow



Bank facilities provide room for growth

	Facility £m	Drawn £m	Headroom £m	Maturity	Borrowing Cost
UK Bank Facility	608	334	274	Nov 2023	2.0%
Loan Notes	90	90	-	Aug 2022	2.4%
Other Loans	15	8	7	Nov 2021	1.0%
Total	713	432	281		2.1%

- Borrowing cost of 2.1%, 0.4% lower than H1 2020 (2.5%) driven by lower base rate environment
- During the period, the previous Redde £50m bank facility was cancelled and at the same time the existing bank facility commitment was increased by the same amount, thus simplifying the bank financing structure
- Contract hire of Northgate fleet commenced

	Threshold	H1 2021	Headroom £m	H1 2020
Interest Cover	3x	6.0x	£39m (EBIT)	5.5x
Loan to Value	70%	42%	£305m (Net Debt)	44%
Debt Leverage	2.75x	1.6x	£125m (EBITDA)	1.7x



Business update

Martin Ward, CEO
8 December 2020





Vision, Purpose & Strategic framework

Our Vision

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

Our Purpose

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



Focus update

Cash

Cash generation
Cash consumption inc. fleet
Contract hire funding model
Working capital

Costs

Digital PO process
Integration synergies
Permanent cost savings
Investment in innovation

Customers and Employees

Employee SAYE, homeworking
Customer satisfaction
NPS
Trustpilot

Products

Services

Market relevant & sustainable Products and Services
Integrated mobility solutions – connections through multiple services
Van as a Service (VaaS) – more turnkey solutions
Accident and Incident management 24/7/365 end to end assistance (whole fleet)



Strong new wins and tenders leveraging the Group



e-commerce contract win

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



Roadside services contract renewal

3 year contract, with c30k recoveries pa, renewed with largest police customer



Managed repairs contract win

Top 5 FN50 leasing company managed repairs win



New outsource claims solution

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



Accident Management contract live

Outsource solution to RAC servicing their corporate customers



Major credit hire/repair tenders

3 live tenders with major insurers for credit hire and repair services



New repair tenders

- Large multinational retailer
- Large daily rental provider
- Multinational postal service and courier company



Telematics growth

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



ESG update

Environment

- Energy and Carbon reporting aligned to relevant regulatory requirements
- Underwent ESOS assessment and taken further actions to limit impacts on the environment
- Lowered CO2 emissions year on year

Health and Safety

- Active approach to mitigate health, safety and environmental risks within the Group's control
- 'Safe and sound' programme allows all colleagues to raise concerns about working practices and conditions
- Dedicated health, safety and environment team providing training, carrying out audits and measuring performance

Sustainable transport

- Progressively aligning our fleet policy with changing market dynamics to be at the forefront of electric vehicles (EV) and zero emissions
- Working with suppliers to offer our customers a fleet of the most modern vehicles with highest standards on exhaust emissions

Equality and human rights

- Commitment to equality, diversity and human rights
- Hiring practices based on merit with no bias or prejudice
- Code of Business Conduct communicates ethical standards to employees

EV strategy

- Electrification of fleet as demand grows
- Good selection of models available across small to large ELCVs and ECDVs
- 11% growth in EVs year on year
- With forward orders EV fleet projected to nearly double over the next 12 months
- Govt/BVRLA working group member developing EV strategies

Wider support

- COVID response supported stakeholders
 - Customer support packages
 - NHS and key worker replacement vehicle scheme
 - Red Cross vehicles in Spain at cost

We are developing our ESG positioning, and enhancing and formalising our strategy for the future



Q&A

Appendix: 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



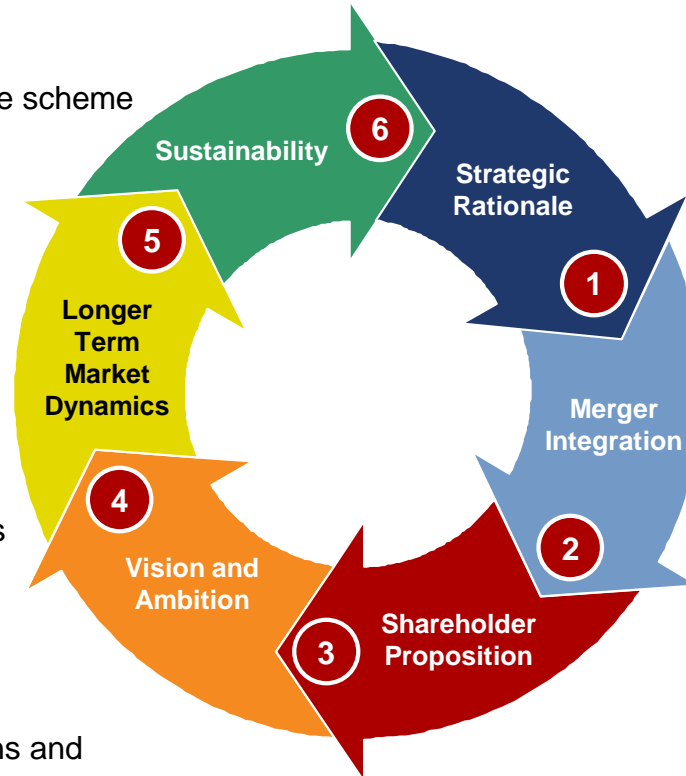
Longer term market dynamics

- 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

Northgate Accident and incident management launch

What is accident management?



FNOL



Accident
Recovery



Damage
Assessment and
Repair Allocation



Desktop
Engineering



Downtime
Management &
Cost Control



TP
Intervention
and Handling



Loss Recovery



Management
Information



33



>500,000



Work with 13
of the top 25
FN50
companies



>160,000
p/a



>70,000 p/a



Built to meet
customer-specific
requirements



>550



Certified to a full
suite of ISO
standards

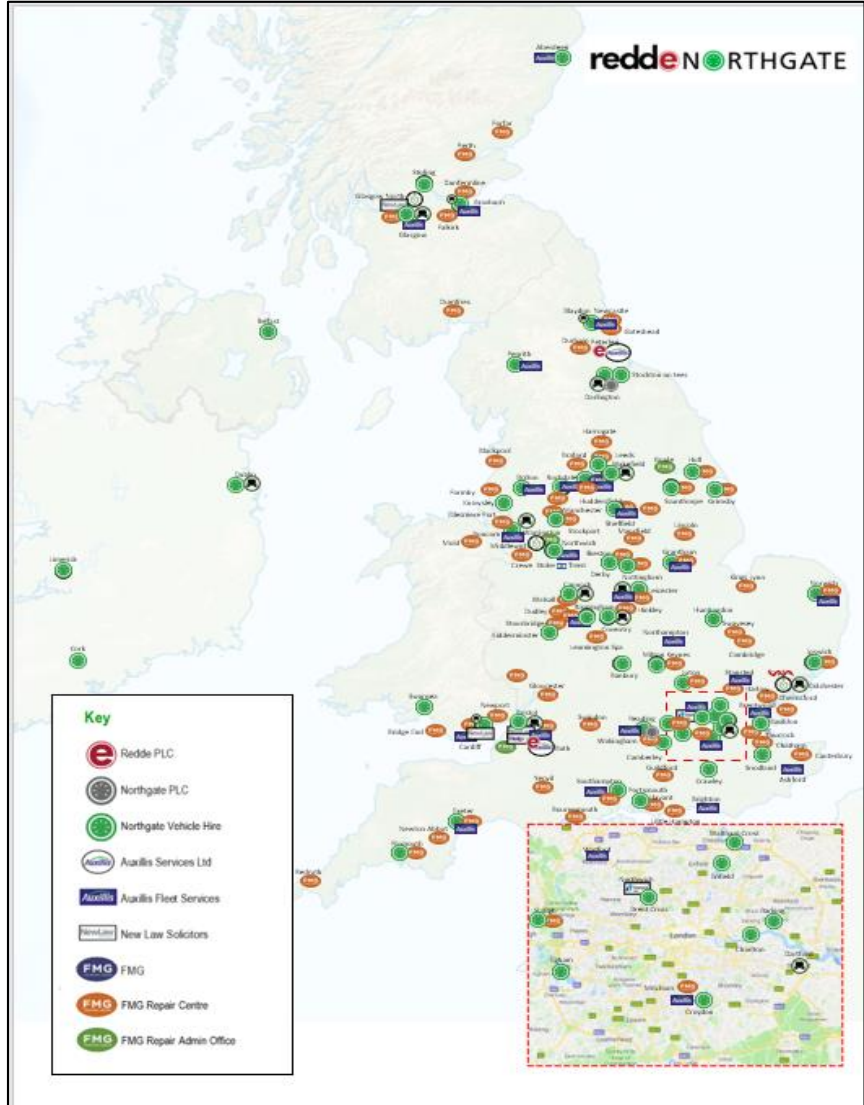
Spotlight on FMG

Complete Service Package – Vans as a Service (VaaS)

CUSTOMER NEEDS	NORTHGATE SOLUTIONS			
VEHICLE ACQUISITION	12months+	Flexible Hire	VanHire+	Short Term Hire
RISK & COMPLIANCE	Risk Management		Vehicle Inspection App	
SERVICING & MAINTENANCE	Standard with our hires		Vehicle Inspection App	
MANAGING RUNNING COSTS	Fuel Card	Telematic	Fleet Management	
INCIDENTS	Telematics	Accident Management		
VEHICLE DISPOSAL	We Buy You Rent			



Redde Northgate UK&I Enhanced Scale



- Branch network provides scale and reach across the UK and Ireland
- 66 Redde Northgate Branches – Northgate vehicle hire and Auxillis services combined, providing rental, workshop and other services
- 14 Van Monster Branches selling used vehicle to customers
- c70 FMG RS Branches providing repair services
- 8 office and call centre locations

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