ZENITH

Q3 FY2022 RESULTS & BUSINESS UPDATE

MARCH 2022

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Zenith
Intelligent Vehicle Solutions

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TODAY'S PRESENTERS

Tim Buchan
Chief Executive Officer

Mark Phillips
Chief Financial Officer

Martin Holland
Deputy CFO

BUSINESS UPDATE

Encouraging performance continues in Q3. Confidence in the outlook, despite challenging macro-economic conditions

Business performance

1. Continued fleet growth to Dec-21
2. Rate of order intake and order bank in Corporate continues to increase
3. Continued EBITDA growth in Q3 (Dec-21)
4. Positive outlook and momentum to financial year-end

Market conditions and outlook

1. Demand for vehicles from customers remains strong, especially BEVs and in Salary Sacrifice
2. Used vehicle prices remain at high levels, with higher RV profits / unit lasting for longer
3. Ukraine crisis: full impact on automotive supply to be assessed...but likely to cause production delays and further lengthening of lead times. We would benefit from extended fleet and sustained, higher RV profits
4. Interest rates and inflation: fully hedged on vehicle funding costs on the existing book, inflation drives asset prices (such as used vehicles), providing further support for Zenith's RV positions

HIGHLIGHTS, Q3 FY2022

Fleet growth continues, plus latent growth as order bank continues to grow

KPIs

- Q3 Fleet: +7k to 158k
- Q3 Funded Fleet: +2k to 68k
- Another record quarter of Corporate order intake in Q3
- Q3 GP / Income +13%

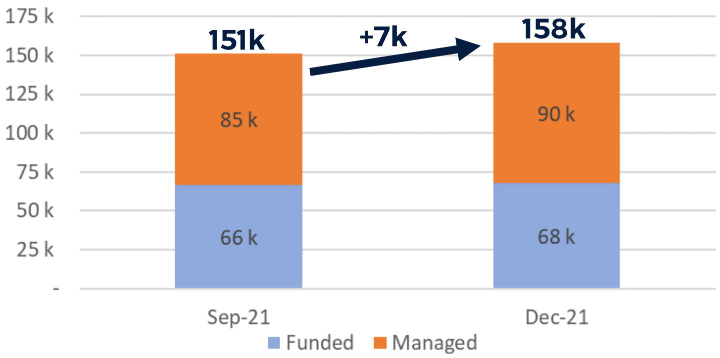
Operational highlights

- >50% of Corporate order bank are BEVs
- Buoyant used vehicle market continues
- Zenith Commercial: trailer rental utilisation in mid-90s %
- Continuing digitisation and growth in subscription demand

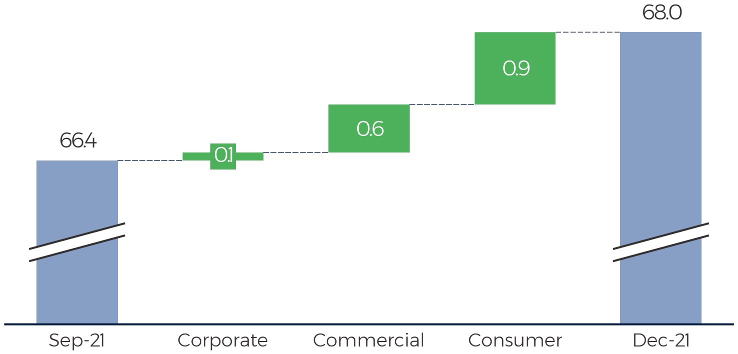
HIGHLIGHTS, Q3 FY2022

Funded fleet growth in Q3, predominantly via ZenAuto , despite supply challenges

Funded and Managed Fleet (units, '000)



Funded fleet bridge (units, '000)



Divisional highlights

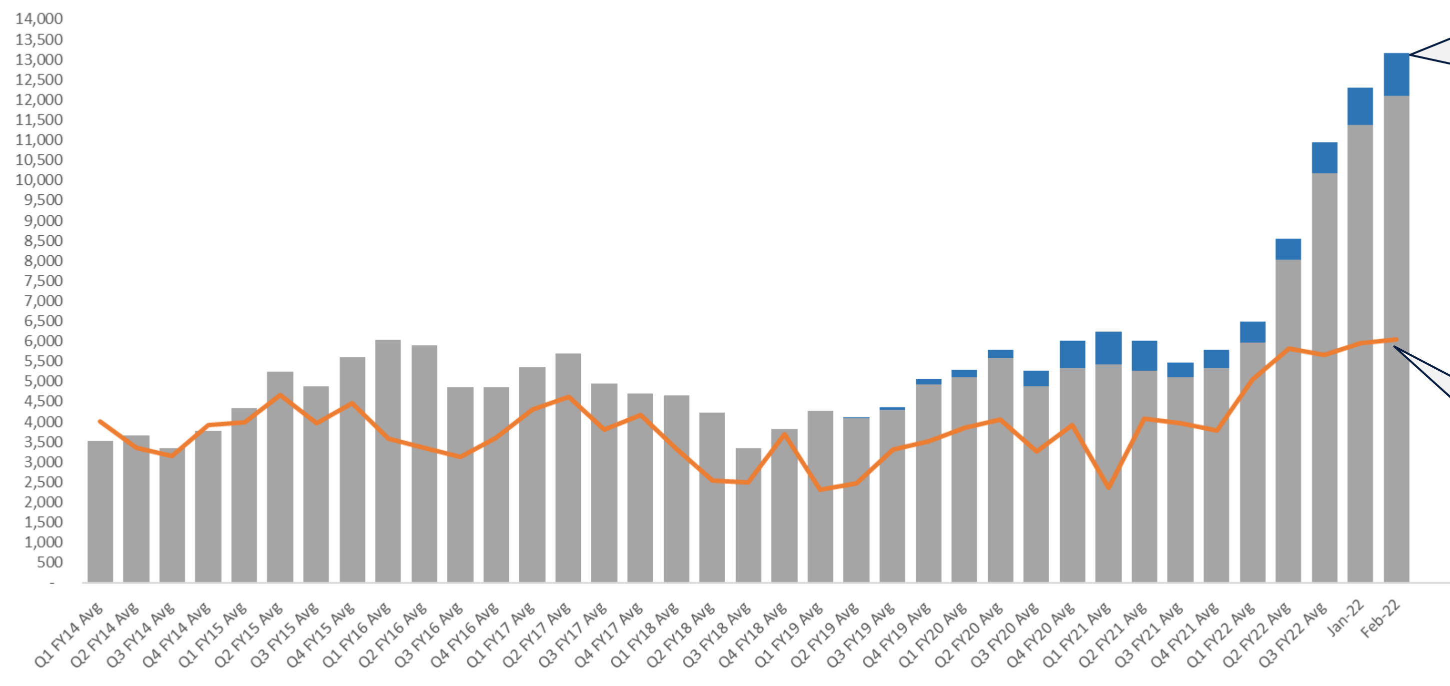
- Corporate: continued growth in Salary Sacrifice
- Corporate: notable customer wins in SalSac (roll-on over medium term)
- Corporate: rental at ~3,700 vehicles / day*, vehicle shortage amongst rental providers is key factor
- Commercial: in CVR, trailer utilisation remains in mid-90s %
- Commercial: systems transformation continues
- Commercial: potential acquisition – DD continues but no definitive agreements signed
- Consumer: positive fleet growth despite supply challenges
- Consumer: innovation, e.g. free BEV chargers, used temporary car while customers await new vehicle

* Measured as number of live rentals per day, as at Dec-21 period end

HIGHLIGHTS, Q3 FY2022

Latent growth in funded fleet is showing continuing positive trends, via growing order intake and a growing order book – for both Corporate and ZenAuto

Corporate & ZenAuto order bank (units, 000)



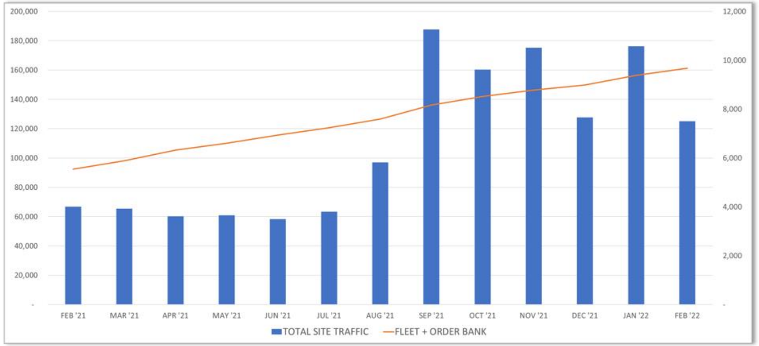
Order books at Feb-22:
Corporate: > 12,000 units
ZenAuto: > 1,000 units

Increasing order take gives us further confidence that order bank reflects growth rather than simply replacement

HIGHLIGHTS, Q3 FY2022

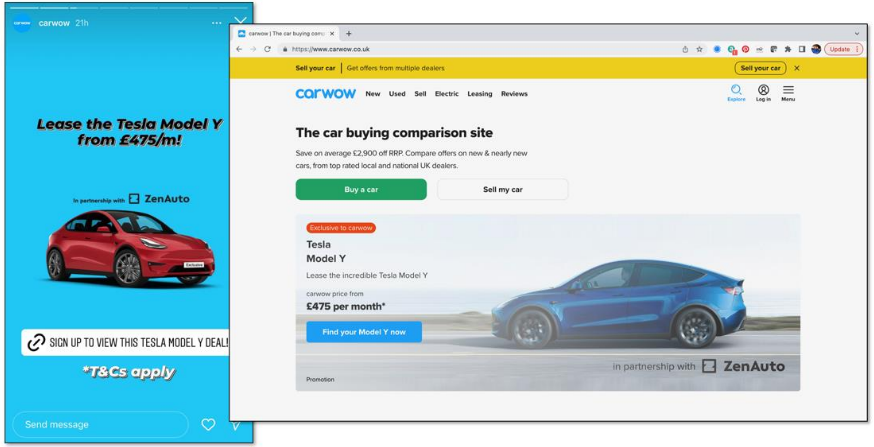
ZenAuto update: continued growth and development of the brand and the customer proposition

- Recent campaign focused on BEV special offers, all ordered cars with a free Ohme Smart Charger
- For factory-order BEVs, customers offered a short-term Used PCH lease
- Full promotion through PPC, Paid Social, Organic Social, PR and partners (carwow, etc)
- Social channels: Facebook, Instagram, YouTube, Twitter, LinkedIn
- Record BEV orders in January 2022, 30%+ of all orders



- ATL activity continues to drive significant traffic to ZenAuto website
- Fleet + Order Bank now at 10,000 cars

- Strategic partnership with carwow focused on content and bespoke special offers
- Tesla Model Y exclusive deal promoted over February and March
- Offers promoted through main site takeover, social media and targeted e-mail marketing
- Content provides further opportunity to strengthen relationship



HIGHLIGHTS, Q3 FY2022

RV: update on market conditions and performance

Latest AutoTrader market updates (Jan & Feb 2022)

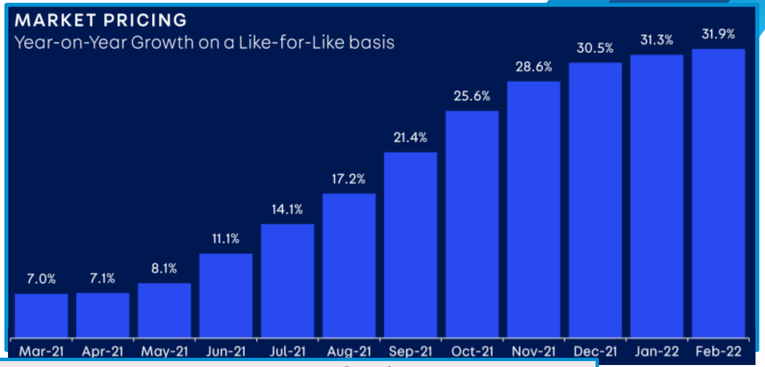
Used car prices increase a record 31.9% in February.
Another month of record growth, with YoY increases approaching a third - and prices have been climbing for almost two years. There are signs of growth slowing, but the market remains very healthy.

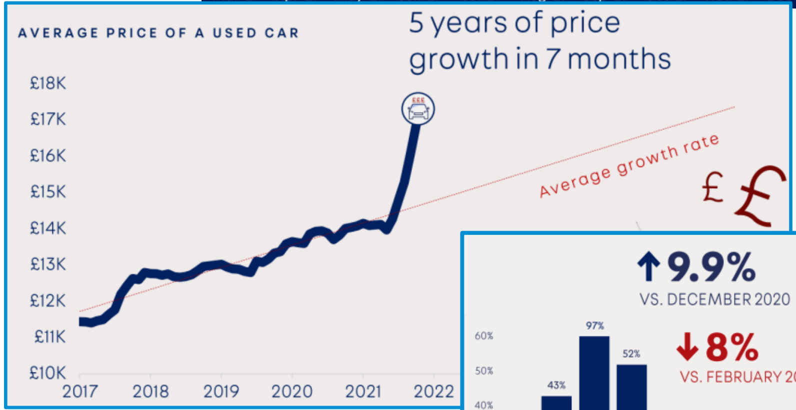
This combination – short supply and huge demand – led to extraordinary market conditions, changing the game for both buyers and retailers.

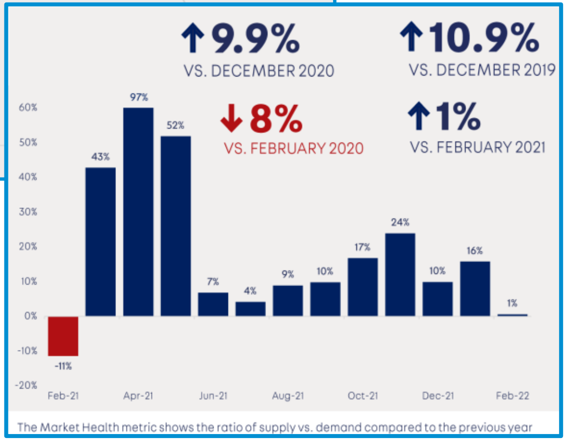
Used car market health softened in February as a result of bad weather and the ongoing war in Ukraine, but with supply still very constrained the indicator is still positive vs. 2021.

Source: https://trade.autotrader.co.uk/industry-latest/

These market dynamics, and the positive impacts on our performance, have continued through Q3 FY2022



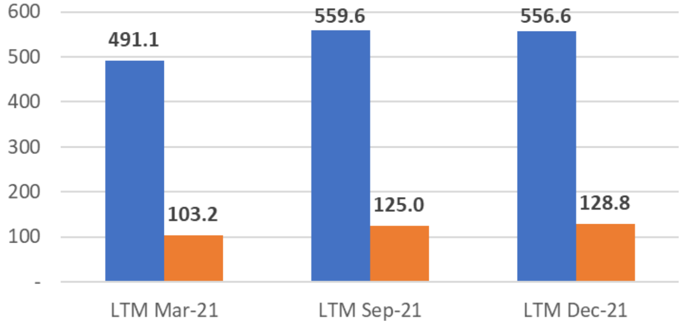




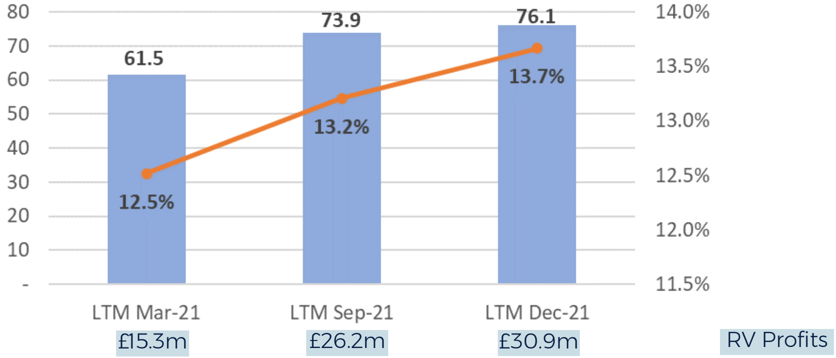
1. Business update & highlights
2. Financial performance
3. Q&A

SUMMARY FINANCIAL PERFORMANCE, Q3 FY2022 (Dec-21)

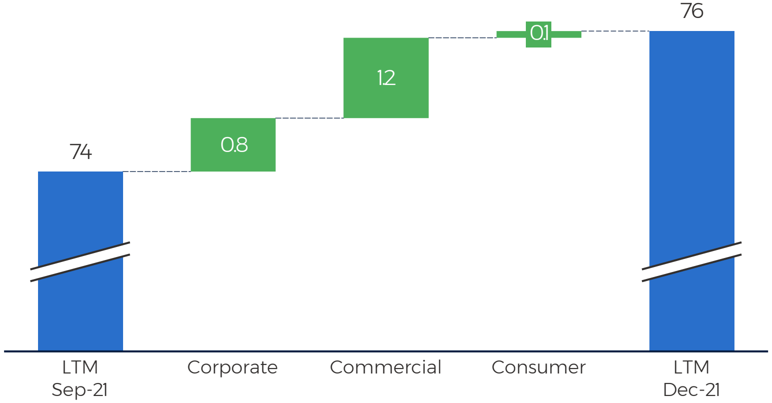
Revenue and Gross Profit / Total Income (£m)



Adjusted EBITDA, pre ZenAuto (£m and margin %)[2]



Adjusted EBITDA bridge: Sept-21 LTM to Dec-21 LTM



Cash Flow & Leverage

Cash / debt KPIs	Sept-21 LTM	Dec-21 LTM
Cash conversion	**102%**	**90%**
Adjusted EBITDA, before ZenAuto	**74**	**76**
Net senior debt	**411**	**421**
Leverage (x)	**5.6x**	**5.5x**

Cash conversion is measured as per OM, i.e. Adjusted Operating Cash Flow (e.g. before any non-vehicle Capex, but after all W/CAP movements, including vehicle funding and credit enhancement) divided by Adjusted EBITDA. Cash conversion is stated before adjustment for VAT deferral payments in FY22 (see Cash Flow), which impact both LTM periods

Net senior debt is "as reported" at Dec-21, i.e. prior to bond completion (and prior to bond expenses). Pro forma leverage, taking account of fees & expenses of the Jan-22 bond, is 5.6x

P&L, Q3 TRADING

Financial summary: P&L Q3 Dec-21

GBPm	Q3 to Dec-20	Q3 to Dec-21	*Change (£m)*	*Change (%)*
Revenue	**131**	**128**	**(3)**	***(2.3%)***
% growth		***(2.3%)***		
COGS[1]	**(102)**	**(95)**	**7**	
% revenue	***(77.7%)***	***(74.2%)***		
Income / Gross Profit	**29**	**33**	**4**	***11.6%***
% margin	***22.3%***	***25.8%***		***3.5 ppts***
Operating Expenses	**(13)**	**(15)**	**(2)**	
% revenue	***(9.8%)***	***(11.8%)***		
Reported EBITDA[2]	**16**	**18**	**1**	***8.0%***
% margin	***12.6%***	***14.0%***		***1.4 ppts***
ZenAuto loss	**1**	**1**	**(1)**	
Adjusted EBITDA	**17**	**19**	**2**	***11.2%***
% margin	***13.1%***	***15.1%***		***2.0 ppts***

Comments

- Q3 is like-for-like trading, with a full period of the acquired CVFS & CVR businesses (Commercial) in both periods
- Revenue for Q3 was down (£3m) on prior year Q3
  - Termination volumes within Corporate down on prior year, continuing the trend seen in H1, (£5.2m) impact, and sundry termination-related incomes were also down, more than offsetting positive impact of used vehicle prices / unit
  - Lease margin was flat, other revenues up £2.4m, largely continuing, high trailer utilisation rates in Commercial
- Total Income / Gross Profit was up +£3.8m, or +13%
  - Positive mix impacts within our various income streams
  - Notwithstanding revenue decline, the mix of vehicles disposed was favourable, i.e. higher margins, so net positive on GP
  - Positive mix effect of incomes via trailer utilisation (broadly falls through to GP), in White Label and in Corporate Rental
- Overheads up (£2.4m) on prior year, mainly bonus cost phasing (cost taken earlier in the current year than last year) and continuing spend on ZenAuto ATL marketing
- Underlying EBITDA margins continue the positive trend seen in H1 to September

Notes: Prepared under UK GAAP

1. COGS represent i) securitisation and other funding costs, and vehicle depreciation where applicable, included in Lease Margin, ii) pass-through costs of in fleet management expenses and other in life income sources (i.e. where Zenith takes commission), and iii) the direct costs of our owned workshops and depots (in Commercial division)
2. Excludes impact of goodwill amortisation, amortisation of acquired intangibles and exceptional items

P&L, Q3 YTD TRADING

Financial summary: P&L Q3 YTD Dec-21 | LTM

GBPm	Q3 YTD to Dec-20	Q3 YTD to Dec-21	*Change (£m)*	*Change (%)*	LTM to Dec-21
Revenue	**337**	**403**	**65**	***16.3%***	**557**
% growth		***19.4%***			
COGS[1]	**(263)**	**(302)**	**(40)**		**(428)**
% revenue	***(77.9%)***	***(75.1%)***			***(76.9%)***
Income / Gross Profit	**75**	**100**	**26**	***25.5%***	**129**
% margin	***22.1%***	***24.9%***		***2.7 ppts***	***23.1%***
Operating Expenses	**(32)**	**(43)**	**(11)**		**(56)**
% revenue	***(24.3%)***	***(33.5%)***			
Reported EBITDA[2]	**43**	**57**	**14**	***25.3%***	**73**
% margin	***12.7%***	***14.2%***		***1.5 ppts***	***13.0%***
ZenAuto loss	**2**	**2**	**0**		**4**
Adjusted EBITDA	**45**	**60**	**15**	***24.5%***	**76**
% margin	***13.4%***	***14.8%***		***1.5 ppts***	***13.7%***

Comments

- Revenue growth of 19% or +£65m Q3 YTD. Key drivers:
  - Impact of the acquisition during the prior period of CVFS & CVR: + £36.7m (acquisition completed on September 30, 2020
  - Vehicle disposal revenues + £24.3m YTD: higher sales price / unit, but dampened by volume of terminations, especially Q3
- Total Income / Gross Profit +£26m / + 25.5% YTD. Key drivers:
  - Factors described above (annualisation of the CVFS / CVR acquisitions and vehicle disposal RV profits), plus
  - Higher in life income, e.g. Rental which were impacted directly by Covid lockdowns most severely in calendar 2020
  - Growth of ZenAuto of £1.9m y-o-y
- Overheads are up (£11m) y-o-y, of which:
  - £5.0m relates to the acquired CVFS & CVR businesses
  - £2.5m relates to the growth / development of ZenAuto
  - £1.8m relates to timing of bonus accrual costs (costed earlier in the year in current year
- EBITDA margins are up ~1.5ppts y-o-y, reflecting a changing mix of incomes and the higher proportion of RV profits in EBITDA
- **LTM EBITDA of £76.1m is +£2.2m on Sept-21 LTM of £73.9m**

Notes: Prepared under UK GAAP

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2. Excludes impact of goodwill amortisation, amortisation of acquired intangibles and exceptional items

CASH FLOW, Q3 YTD

Financial summary: CFS FY22 YTD

GBPm	FY21YTD	FY22YTD	Change (£m)
Reported EBITDA	**43**	**57**	**14**
Movements in WC excluding credit enhancement	3	(6)	(9)
Credit enhancement	(3)	(4)	(1)
Change in working capital	**0**	**(9)**	**(10)**
Capex	**(3)**	**(8)**	**(5)**
% revenue	***1.0%***	***1.9%***	***1.0%***
Cash flow from operations	**40**	**40**	**0**
One-off credit enhancement	**(17)**	**21**	**38**
Tax	**(0)**	**(1)**	**(1)**
Acquisition of Cartwright	**(10)**	**-**	**10**
VAT deferral scheme (COVID-19)	**-**	**(8)**	**(8)**
Free cash flow	**13**	**53**	**40**
Net senior debt* (£m)		**421**	
Leverage (x)		**5.5x**	

Notes: Prepared under UK GAAP

Comments

- WCAP movements YTD reflect the timing of vehicle payments and funding around the Mar-21 cut-off. Following Mar-21, the negative impact in FY22 was offset by an opposite, positive effect in Q4 FY21
- Credit enhancement: £3-4m in each period is the underlying position
  - One-off credit enhancement adjustment: normalises credit enhancement for the new securitisation structure of Aug-21, net of fees and expenses payable to set-up the new structure (£8m YTD)
  - The new securitisation structure increased advance rates (especially against RV assets) and lowered credit enhancement
- Other one-off items: (1) acquisition of CVFS & CVR in Sept-20, (2) instalment payments re. the Covid-19 VAT deferral scheme, £9m was repaid between April 2021 and Feb 2022
- Free cash flow represents net cash flow before corporate financing costs (i.e. interest paid to Dec-21 and RCF repayments on the previous debt package)

Funding / liquidity

- No material changes in funding lines. Currently finalising a new £37m combined RV and back to back facility, not yet committed
- Securitisation: £502m drawn at Dec-21 (vs. £725m facilities)
- Undrawn on RCF at Dec-21 (and on new £65m RCF at Feb-22)

Leverage

- Increasing LTM EBITDA puts Net Senior Leverage at 5.5x, versus 5.6x at Sep-21

KEY TAKEAWAYS

Zenith
Intelligent Vehicle Solutions

1. Mission unchanged: Green Bond enables us to help drive our business strategy and the decarbonisation of the UK vehicle parc
2. Further fleet growth is “stored up” in growing order bank
3. RV conditions remain strong
4. Financial performance to Dec-21 exceeded our expectations
5. Confident in prospects for remainder of FY22, though cautious on macro-economic conditions and the impact of war in Ukraine on the automotive supply chain

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