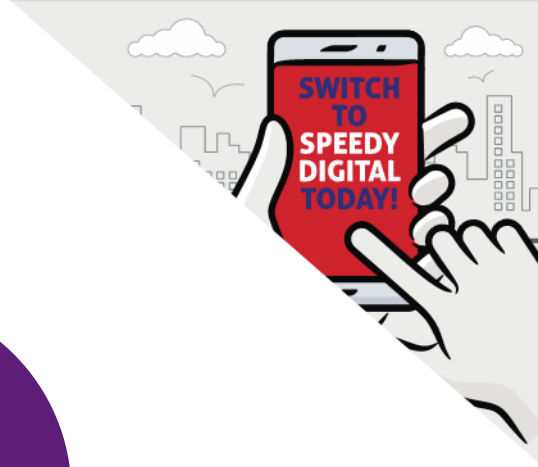
Speedy

FULL YEAR RESULTS 31 MARCH 2020

Highlights



Resilient performance

- Increasing resilience in competitive markets
- Machine learning and artificial intelligence supporting growth
- 32.1% growth in SME revenue
- 8.9% growth in UK and Ireland services revenue

Improving returns

- Utilisation 56.6% reflecting fleet investment (FY19: 57.0%)
- Profit before tax[1] up 11.1%
- ROCE[1] increased to 12.0% (FY19: 11.7%)

Well placed for the future

- Strong balance sheet
- Well invested; average fleet age 3.4 years (FY19: 3.3 years)
- Further development of technology solutions
- Diversified customer base

1 Before amortisation and exceptional items

Headlines

Revenue (excluding disposals)

£402.5m ▲ 3.4%

FY19: £389.2m

EBITDA[1,2]

£107.4m ▲ 2.5%

FY19: £104.8m

PBT[1,2]

£34.9m ▲ 11.1%

FY19: £31.4m

Dividend

0.70p (no final dividend)

FY19: 2.00p

Hire fleet

£227.1m ▲ 4.7%

FY19: £216.9m

Asset utilisation (UK and Ireland)

56.6% ▼ 0.4pp

FY19: 57.0%

ROCE[2]

12.0% ▲ 0.3pp

FY19: 11.7%

Net debt[1]

£79.3m ▼ 11.0%

FY19: £89.1m

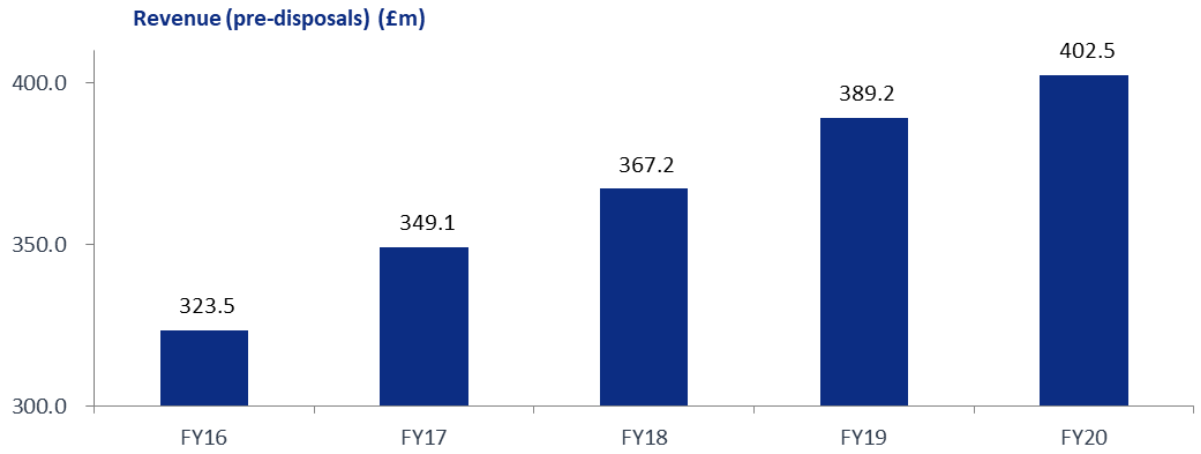
1 Comparatives restated for IFRS 16
2 Before amortisation and exceptional items

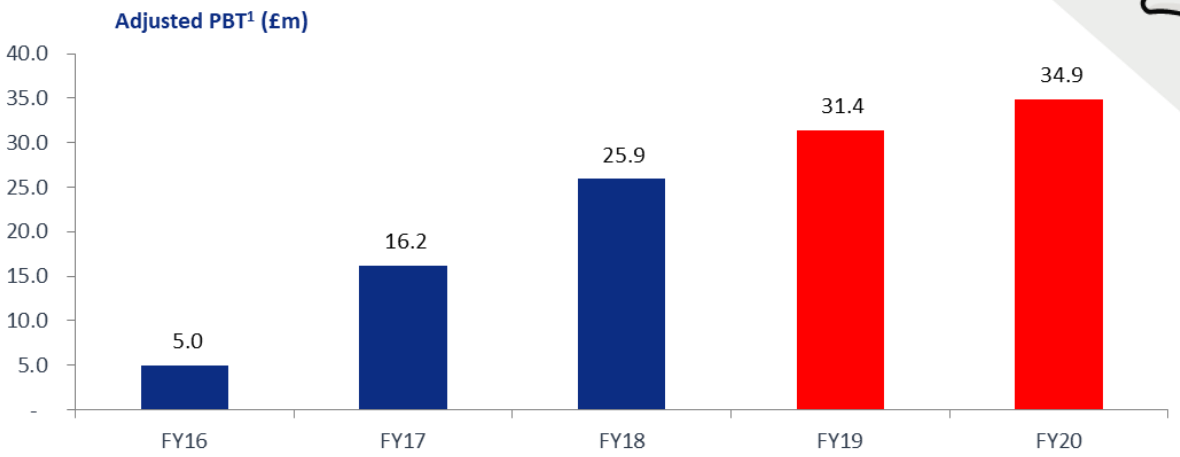
COVID-19

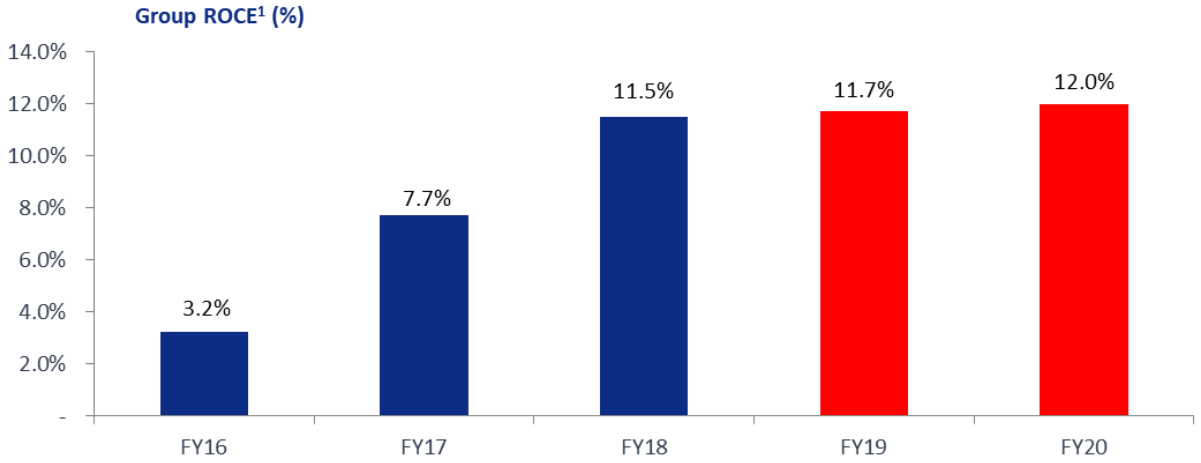
- Prompt and decisive action taken to reduce costs and preserve cash
- Enhanced safety protocols in place for customers, staff and equipment
- Significant proportion of revenue retained; April LFL: -35%. Revenue now recovering as customers return to work; June LFL: -17%
- Government support utilised: CJRS, rates relief and tax deferments. c.30% of UK and Ireland staff remain on furlough leave
- Board and senior management 20% salary cut for 3 months
- All non-essential capex suspended
- Strong cash generation; net debt at 31 May reduced to £67.3m
- Significant headroom against banking facilities
- Improvements to simplify and standardise operating model underway to facilitate growth

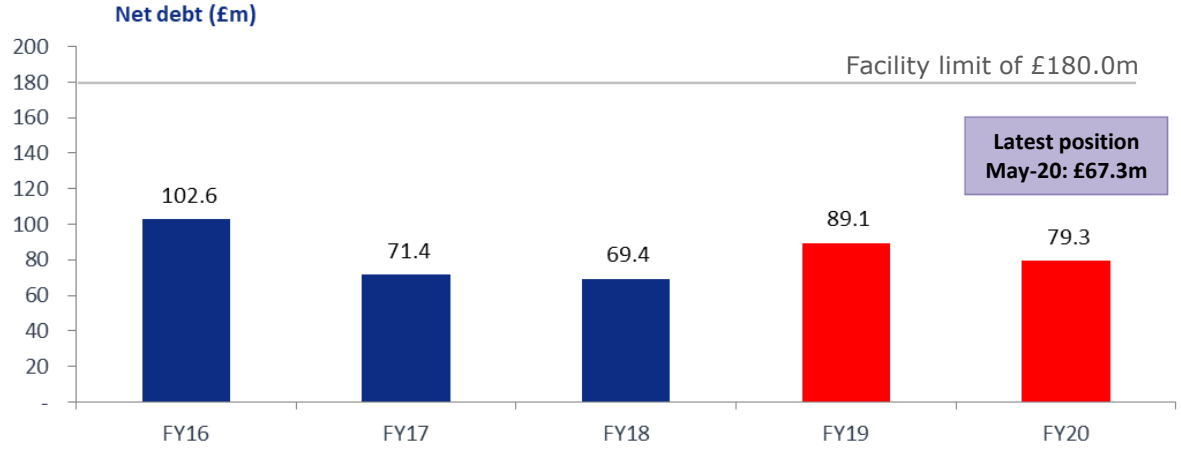
Financial update

Financial KPIs









1 Before amortisation and exceptional items

Group revenue and profit

	FY 2020 £m	FY 2019 £m	Change %
Revenue	**406.7**	394.7	*3.0*
Revenue (excluding disposals)			
Hire	**240.5**	236.4	*1.7*
Services	**162.0**	152.8	*6.0*
	402.5	389.2	*3.4*
Gross margin[1] %	***55.1%***	*54.3%*	
EBITDA[1,2]	**107.4**	104.8	*2.5*
PBT[1,2]	**34.9**	31.4	*11.1*

- Revenue increased 3.4% (excluding disposals)
- UK and Ireland revenue (excluding disposals) up 4.0%
- Gross margin up 80bp due to growth in higher margin SME revenue and services
- Continued control of overheads
- EBITDA includes effect of IFRS 16
- Profit before tax[1,2] up 11.1%
- Net exceptional items, principally related to Geason Training, £12.9m (FY19: £2.0m); see Appendix 1

1 Comparatives restated for IFRS 16
2 Before amortisation and exceptional items

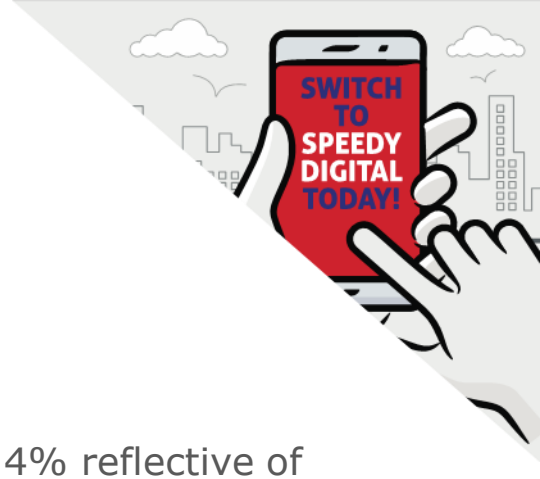
Segmental analysis – UK and Ireland

	FY 2020 £m	FY 2019 £m	Change %
Revenue			
Hire	**231.7**	*228.6*	*1.4*
Services	**135.6**	*124.5*	*8.9*
Disposals	**4.2**	*5.5*	*(23.6)*
	371.5	*358.6*	*3.6*
Gross margin			
Hire	*77.0%*	*76.7%*	
Services	*26.0%*	*23.2%*	
Disposals	*13.4%*	*0.3%*	
	57.7%	*57.1%*	
EBITDA[1,2]	**102.7**	*100.5*	*2.2*
EBITA[1,2]	**37.3**	*36.2*	*3.0*

- Revenue (excluding disposals) increased 4.0%
- SME revenue growth (32.1%) and Lifterz acquisition more than offset lost regional revenue and impact of COVID-19 in March 2020
- Services revenue benefitted from Geason Training
- Hire margin improved. SME growth more than offset market deflation
- Overheads remain tightly controlled. Underlying costs down 3.1%
- EBITA[1,2] margin remained broadly flat at 10.0% (FY19: 10.1%)

1 Comparatives restated for IFRS 16
2 Before amortisation and exceptional items

Segmental analysis – International



	FY 2020 £m	FY 2019 £m	Change %
Revenue			
Hire	**8.8**	7.9	11.4
Services	**26.4**	28.2	(6.4)
	35.2	36.1	(2.5)
Gross margin			
Hire	59.0%	60.4%	
Services	17.9%	17.0%	
	28.2%	26.4%	
EBITDA[1,2]	**8.2**	8.5	(3.5)
EBITA[1,2]	**5.7**	5.9	(3.4)

- Hire revenue increased 11.4% reflective of capital investment
- Revenue decreased by 2.5%, with reduction in services offset by strong hire performance
- EBITA[1,2] margin 16.2% (FY19: 16.3%) reflected renegotiated commercial terms; continued strong returns from asset base
- Capital investment £5.8m (FY19: £2.3m) to diversify operations
- Contribution from JV increased to £2.8m (FY19: £1.9m) due to cyclical shutdown activity

1 Comparatives restated for IFRS 16
2 Before amortisation and exceptional items

Group balance sheet

	31 Mar 2020	31 Mar 2019
	£m	£m
Intangibles and joint ventures[1]	**30.4**	47.5
Property, plant and equipment[1]	**257.6**	249.1
Right of use assets[1]	**64.7**	72.2
Inventories	**8.7**	9.1
Trade and other receivables[1]	**102.3**	101.7
Trade and other payables[1]	**(90.9)**	(83.6)
Lease liabilities[1]	**(72.9)**	(82.4)
Contingent consideration	**-**	(10.9)
Other[1]	**(10.7)**	(11.6)
Net debt[1]	**(79.3)**	(89.1)
Net assets	**209.9**	202.0

- Intangibles £23.1m (FY19: £41.7m). Training CGU impaired by £20.1m offset by release of contingent consideration (£10.9m)
- Hire fleet increased by £10.2m, reflecting investment in core equipment. UK and Ireland utilisation 56.6% (FY19: 57.0%). Young average age of fleet 3.4 years (FY19: 3.3 years)
- Right of use assets and lease liabilities reflect IFRS 16 gross up of balance sheet. Reduction reflects fewer long term lease obligations
- Debtor days 69.6 (FY19: 65.8), of which UK and Ireland 66.0 (FY19: 64.1). Creditor days 103.7 (FY19: 99.3)

1 Comparatives restated for IFRS 16 and FV adjustments

Group cash flow

	FY 2020 £m	FY 2019 £m
Adjusted operating profit	**39.1**	36.7
Depreciation[1]	**68.3**	68.1
EBITDA[1,2]	**107.4**	104.8
Profit on disposal of assets and leases[1]	**(6.0)**	(2.2)
Working capital[1]	**(0.1)**	(5.5)
Movement in provisions[1]	**4.6**	(0.3)
Share-based payments	**0.5**	0.9
Purchase of hire fleet	**(53.6)**	(54.3)
Proceeds from disposal of hire fleet	**11.7**	17.8
Cash generated from operations	**64.5**	61.2

- Depreciation includes £24.9m (FY19: £22.1m) relating to IFRS 16 right of use assets
- Disposals include exceptional surplus land sale profit of £3.9m
- Purchase of hire fleet in FY20 principally tools, lighting, heating, generators and fencing
- Profitable planned fleet disposals in March postponed due to COVID-19
- Continued focus on cash discipline resulted in increase in cash generated from operations

1 Comparatives restated for IFRS 16
2 Before amortisation and exceptional items

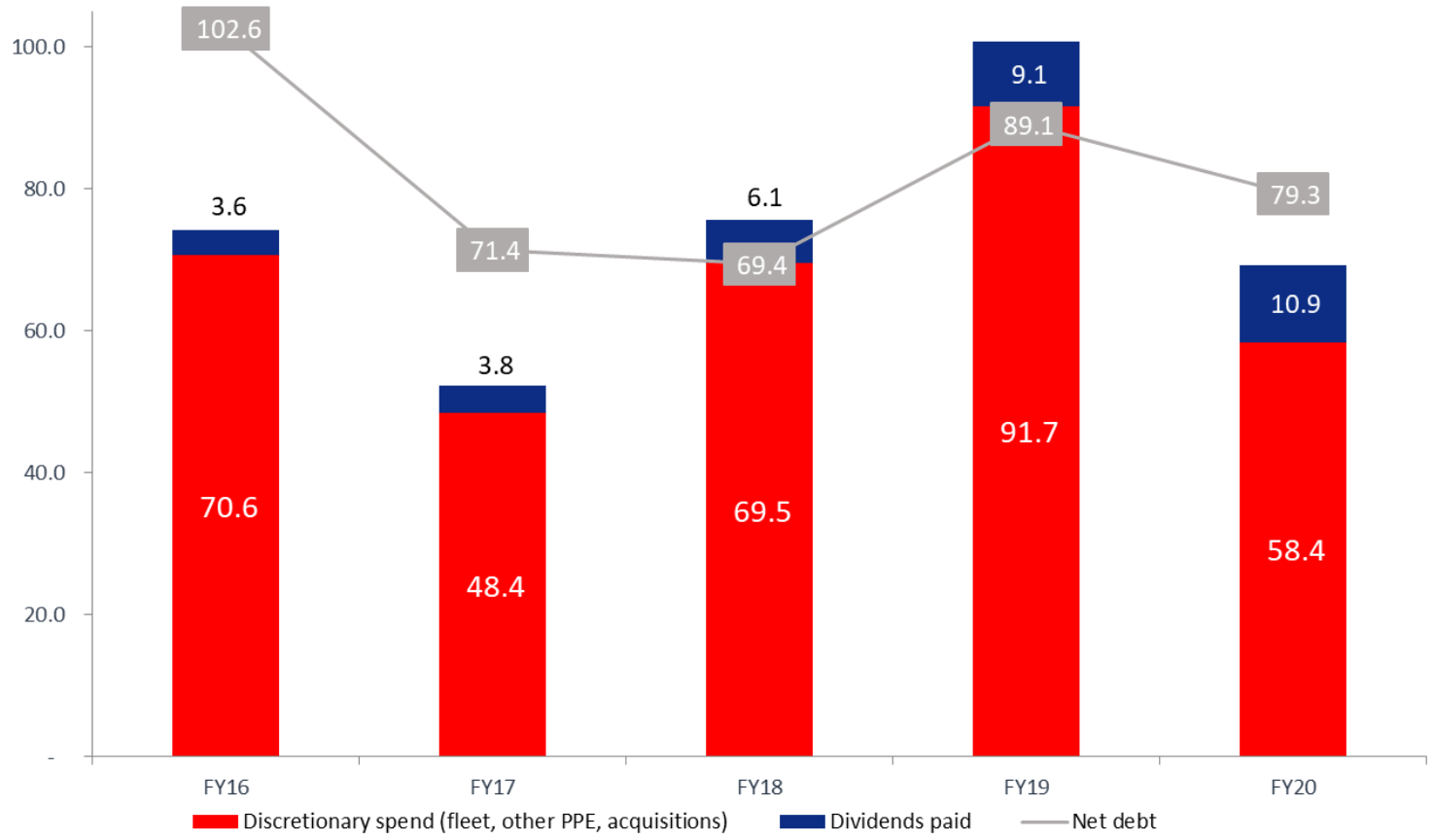
Group net debt[1] reconciliation

	FY 2020 £m	FY 2019 £m
Net debt[1] at start of period	**(89.1)**	(69.4)
Cash from operations[1]	**64.5**	61.2
Interest paid[1]	**(6.5)**	(6.7)
Tax	**(9.3)**	(4.7)
Non-fleet capex (net)	**(8.8)**	(6.5)
Surplus land sale	**4.0**	-
Acquisitions	**-**	(30.9)
Dividends	**(10.9)**	(9.1)
Lease principal payments[1]	**(24.5)**	(23.7)
Other[1]	**1.3**	0.7
Net debt[1] at end of period	**(79.3)**	(89.1)

- Average interest margin 1.84% (FY19: 1.80%)
- Non-fleet capex includes increased spend on IT development and depot upgrades
- Significant committed facilities until October 2022:
  - £180m
  - More than £100m current committed liquidity headroom
- Net debt excludes IFRS16 lease liabilities £72.9m (FY19: £82.4m)
- No defined benefit pension schemes
- Net debt at 31 May £67.3m

1 Comparatives restated for IFRS 16

Net debt and discretionary spend (£m)



- Significant headroom against £180m facility
- Net debt[2]: EBITDA[1,2] has declined from 1.9x in FY16 to 1.0x at FY20
- Discretionary spend in FY18 to FY20 at similar levels to closing debt in each year
- At current revenues Group can operate throughout FY21 within existing banking facilities, without breaching any covenant tests

1 Before amortisation and exceptional items
2 Excluding impact of IFRS 16

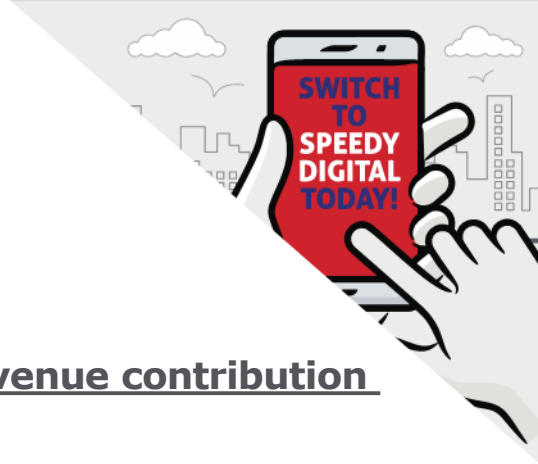
Strategy and business update

Continuing strategic progress

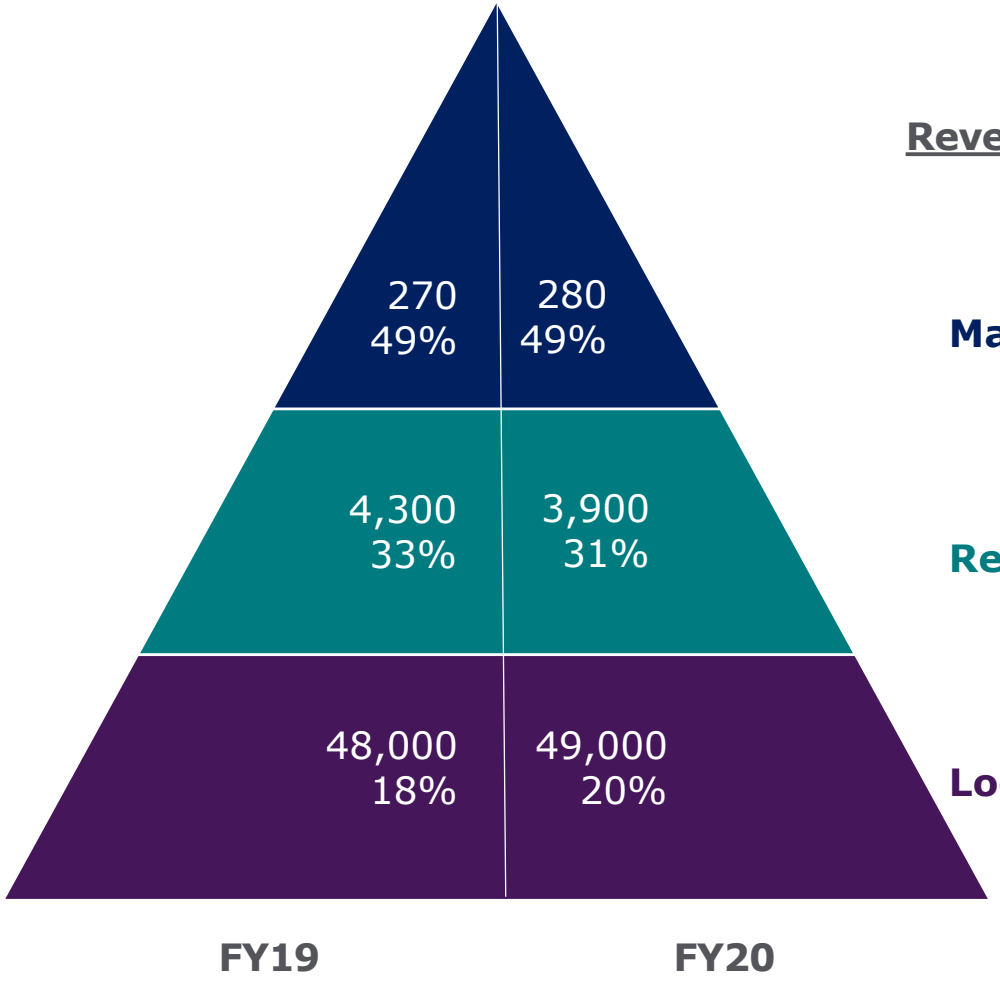
- Prompt and decisive action taken to reduce costs and preserve cash during COVID-19 lockdown
- Increasing resilience; reducing reliance on construction sector
- Continued growth in SME customer numbers and revenues
- Further investment in IT systems to support digital ambitions
- Average age of hire fleet 3.4 years (FY19: 3.3 years) following further investment
- Asset utilisation in the UK and Ireland 56.6% (FY19: 57.0%)
- ROCE increased to 12.0% (FY19: 11.7%)
- Improvements to simplify and standardise operating model underway to facilitate growth

Strategic priorities

Customer service



- COVID-19 has reduced customer activity levels
- Key wins and contract extensions with major customers have continued; Babcock, Morgan Sindall, Welsh Water, Sellafield and Persimmon
- Unique nationwide 4 hour delivery promise on most popular products
- Regional customer numbers decline due to increased competition and price deflation
- Increasing proportion of revenue from local customers in line with strategy
- Customer Relationship Centre increasing customer engagement with further growth planned



Customer numbers / revenue %

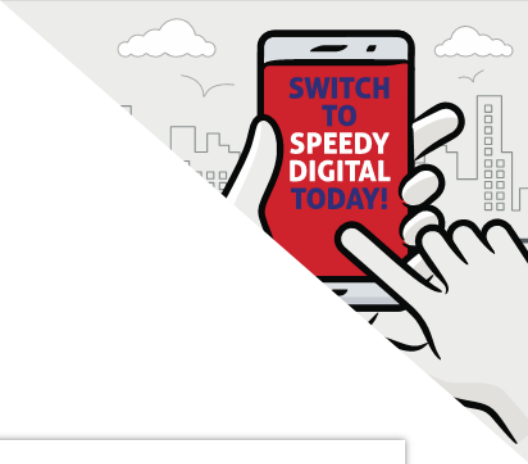
Revenue contribution

Major

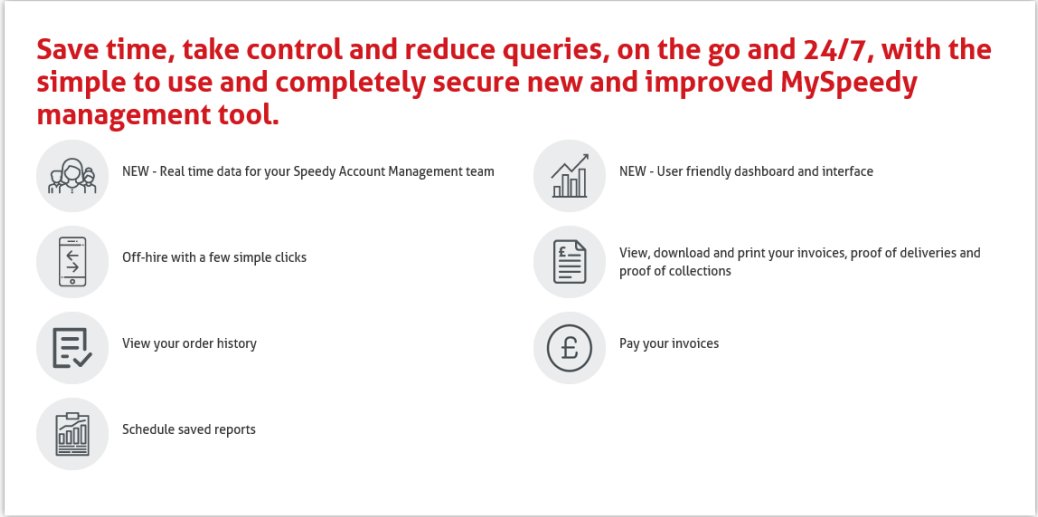
Regional

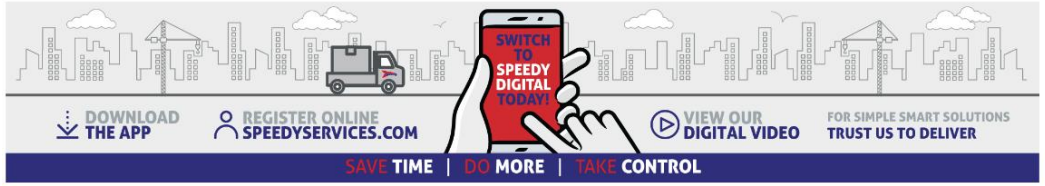
Local

Digital transformation



- Project initiated to cleanse product data
- Collaboration tools deployed to enable remote working
- Digital customer journey enhanced:
    - Delivery and collection tracking
    - Guided tool selection for customer requirement
    - Advanced HAV requirements against products
    - My Speedy management portal upgraded to provide customer order information and reporting
- Continued application of artificial intelligence /machine learning to forecast behaviour and stock requirements
- System integrations in place with major customers

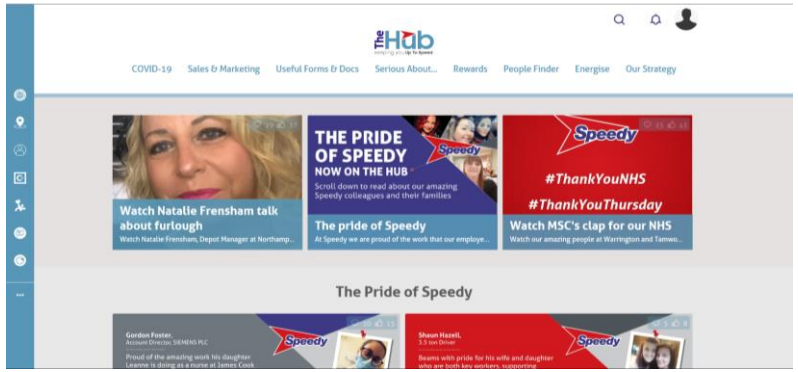




People

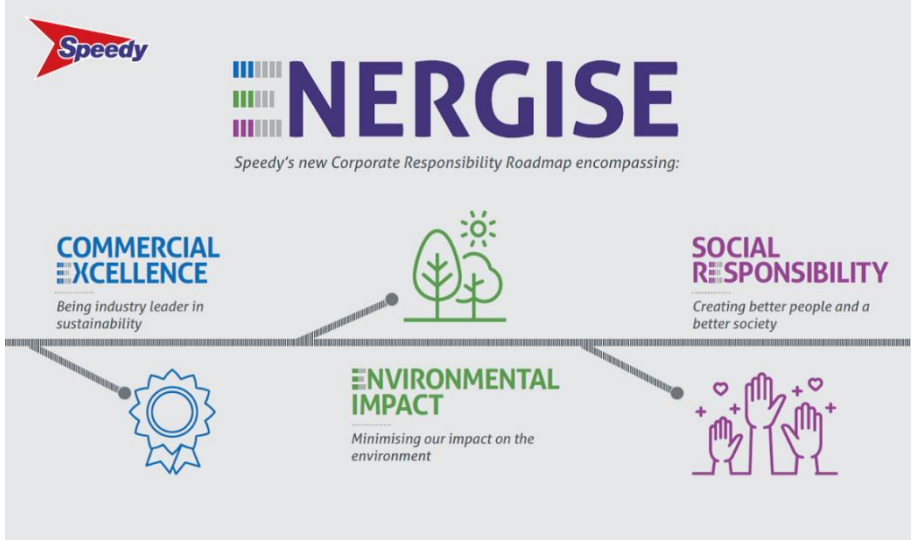
- 4,065 employees (FY19: 4,063)
    - UK and Ireland headcount 3,464 (FY19: 3,458)
    - International headcount 601 (FY19: 605)
- Employee pulse survey undertaken in October 2019
- Enhanced employee communications during COVID-19; daily updates on new employee app (The Hub) and regular management / colleague calls
- Mental health survey completed in July 2019 and MHFAs appointed throughout the business
- Wellbeing committee set up to consider all aspects of employee welfare
- Further investment in internal training and career development

The Hub
keeping you Up To Speed



ESG - Energise

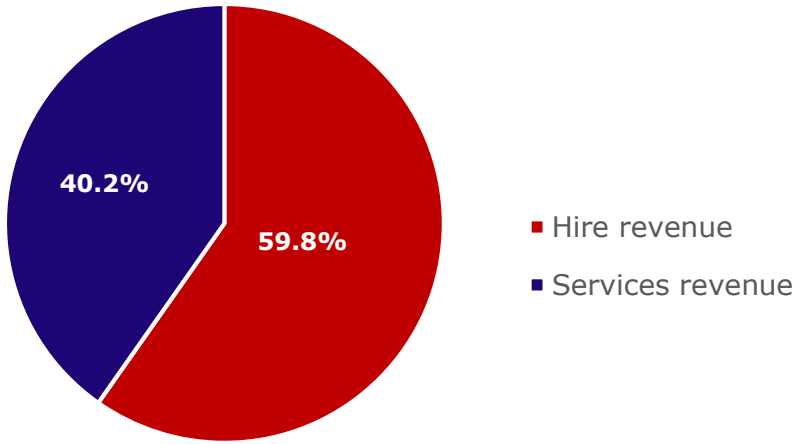
- Speedy CSR roadmap to a more responsible business, launched in October 2019
    - Commercial excellence – driving innovation and sustainability
    - Environmental impact – taking action on climate change
    - Social responsibility – creating better people and a better society
- Speedy has committed to 10 United Nations Sustainability Development Goals (UNSDG) 2030
- Carbon footprint 2019 – 5.41 CO2e (2018: 6.01 CO2e) a 10% improvement
- 40 Mental Health First Aiders appointed



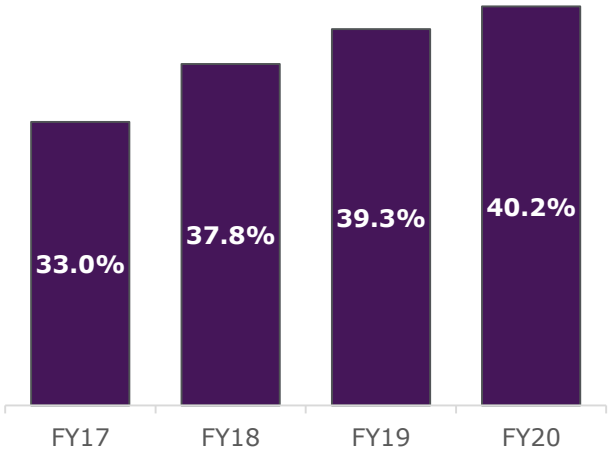
SUSTAINABLE DEVELOPMENT GOALS

Revenue mix

- Services revenue increased from 33% of total revenue in FY17 to 40% in FY20
- UK and Ireland services revenue up 8.9% in FY20
- Services includes rehire with opportunities for growth
- Strategically growing services revenue:
  - Diversification; less construction dependent
  - Regulatory focused
  - Lower risk
  - ROCE enhancing
- New Managing Director appointed for Lloyds British; good organic growth opportunities



Services revenue as a % of total revenue



Geason training

- Results not in line with expectations / forecast
- Geason training centres now opened in:
    - East London
    - Liverpool
    - Derby
    - Sheffield
- Enrolment of new learners behind target
- Financial control environment requires improvement
- Funding agency assurance audit and internal review ongoing
- Net exceptional items £12.2m for impairment and provisions
- Management changes implemented; interim manager in place
- Training market remains attractive

International

- Middle East business continues to perform well
- ADNOC contract extended until 31 August 2020 on revised terms. In active discussions in relation to longer term opportunities
- Business development activities diversifying client base
- Business continues to perform well in spite of current oil price
- Capex increased to £5.8m (FY19: £2.3m) to support growth and develop specialist offering for the onshore market
- Kazakhstan JV performed strongly due to increased shutdown activity

Summary and outlook

- Continued positive momentum across the Group
- Diversified customer base with growing SME presence
- Well invested hire fleet
- Low gearing, substantial headroom and robust balance sheet
- Performance better than expectations over the past three months
- Well placed to continue to pursue our financial and strategic objectives as more normal trading levels return

Q&A

Appendix 1 – FY20 exceptional items

	£m
Changes to fair value of Geason contingent consideration	10.9
Impairment of Training CGU	(20.1)
Training provision	(3.0)
	(12.2)
Sale of surplus land	3.9
Integration costs	(1.7)
Property related costs	(2.0)
COVID-19 related costs	(0.6)
International contract costs	(0.3)
Net exceptional items	**(12.9)**

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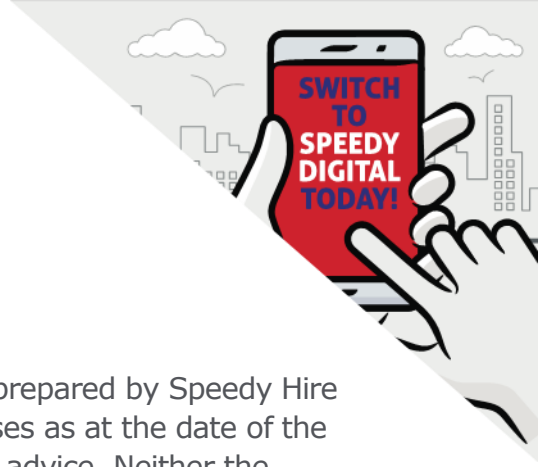

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