Rental demand drives up revenues and profits at Redde Northgate

North East vehicle rental group Redde Northgate has hailed strong half year performance, with rising revenues and profit.

The Darlington business – formed last year through the merger of light commercial vehicle hire business Northgate with support services company Redde – said the well-documented new vehicle supply issues has boosted demand for its rental services.

The group also aims to capitalise on the demand, by looking to acquire other rental assets.

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In the six months ended October 31 2021, revenue excluding vehicle sales rose 21.9% to £522.9m, while underlying pre-tax profit rose 94.4% to £78.9m. Total revenue including vehicle sales grew 10.2% to £612.9m. The company said trading was ahead of the board's expectations.

The company, which has operations across the UK, Ireland and Spain, declared an interim dividend of 6p a share, up from 3.4p in the same period a year ago, in light of the strong trading performance.

The firm used the results to highlight new multi-year contract wins in the period, including wins with Tesco, Admiral and another major insurer with lifetime contract revenues in excess of £200m.

It also said accident and incident volumes have continued to recover, reaching around 90% of pre-Covid levels.

Meanwhile its electric and hybrid vehicles in the fleet have increased 187%, to make up around 2% of the overall fleet. It has also signed a memorandum of understanding with an electric vehicle manufacturer for the supply of 5,000 electric LCVs.

In July the company acquired ChargedEV, a supplier of electric vehicle charging equipment based in Derbyshire, to provide the group with a platform to expand its offerings in the important and growing area, as both its own EV fleet and its customers' EV fleets evolve.

Martin Ward, CEO of Redde Northgate
(Image: Redde Northgate)

Martin Ward, CEO, said: "We are pleased to have delivered a strong H1 performance driven by high demand for our products and services and underlying margin gains.

"The underlying margin improvements on our rental assets, both in the UK&I and Spain, look sustainable given the cost synergies extracted from the business and our focus on driving value. ROCE continues to grow, up 4.4ppts from H1 2021, and input costs inflation is being successfully managed.

“Given the well-publicised new vehicle supply constraints our vehicle assets are in demand for rental services and also through our sales network, which is driving further value. In addition to our new van supplies, over the next 12-18 months, we expect to supplement our fleet stock through the selective acquisition of existing rental assets in the market where this adds value.

“Redde volumes have continued to grow having now reached approximately 90% of pre COVID-19 levels which is in line with our expectations. Overall, there is good momentum in the business as we enter H2 and our key strategic areas of Focus, Drive and Broaden are delivering meaningful results.

“Strategically, we have made significant progress leveraging the capabilities of our integrated mobility platform to secure multi-year contract wins which will increase our market share. Our combined product and services offering is unique and unrivalled in terms of scale and infrastructure capabilities.”

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