

Northgate plc Continued growth

NORTHGATE

Interim results for the six months ended 31 October 2014



Agenda

- 🍋 Financial review
- 🍋 Operational review
 - UK
 - Spain
- 🍋 Outlook

Chris Muir

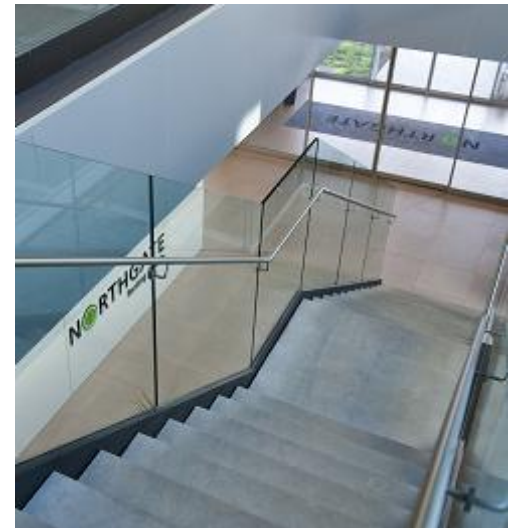
Bob Contreras

Bob Contreras

Chris Muir: Group Finance Director

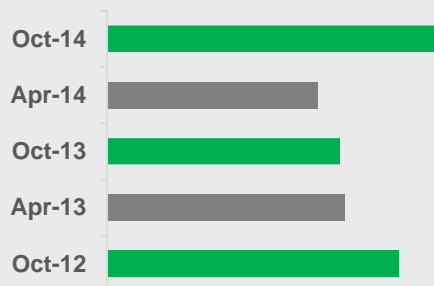
Financial Review

NORTHGATE



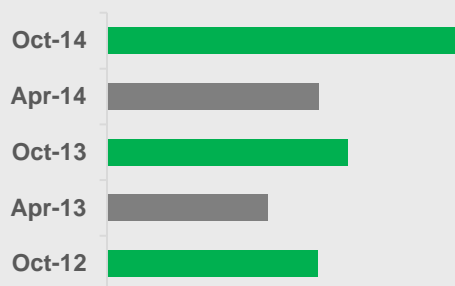
Group financial summary

Operating profit



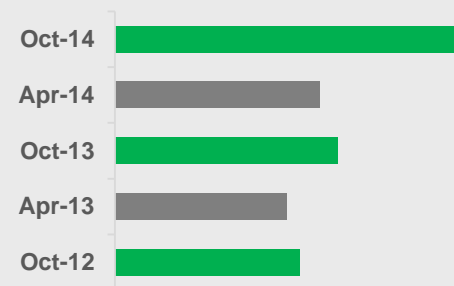
Operating profit for H1 FY15 was £54.1m, compared to £38.1m for H1 FY14.

Profit before tax



Profit before tax for H1 FY15 was £47.8m, compared to £32.0m for H1 FY14.

EPS



EPS for H1 FY15 was 28.6p compared to 18.3p for H1 FY14.

Interim dividend

4.3p



FY14 – 3.2p

Net debt

£397m



Apr-14 – £346m

ROCE

11.4%



Apr-14 – 9.9%

Depreciation rate change impact

The depreciation rate changes effective from 1 May 2012 and 1 May 2014 have had the following impact in the six months to October 2014 (total £6.6m):

	UK £m	Spain £m	Corporate £m	Group £m
Operating profit	38.7	17.4	(2.0)	54.1
Impact of depreciation change	(4.9)	(1.7)	—	(6.6)
Adjusted operating profit	33.8	15.7	(2.0)	47.5
FY14 H1 operating profit	27.2	12.8	(1.9)	38.1
Adjusted increase	25%	23%	—	25%
Adjusted ROCE	11.8%	10.1%	—	10.6%
ROCE at 30 April 2014	11.2%	9.2%	—	9.9%

UK operating profit

“Operating profit increased as a result of an increase in average vehicles on hire, the change in depreciation rate and disposing of more vehicles at an enhanced PPU.”



Impact of new sites

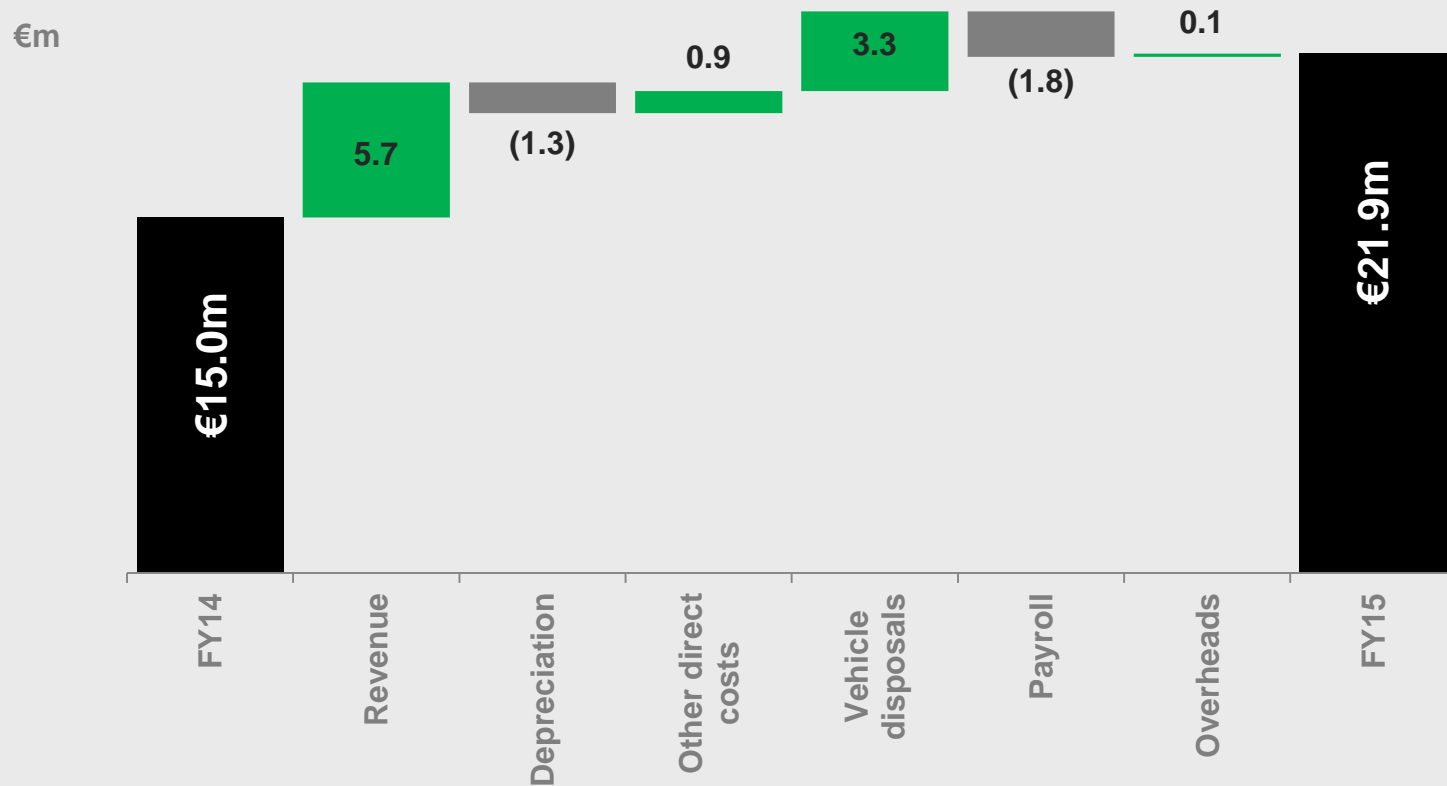
The impact of the eleven new sites opened since February 2013 was an operating profit of £0.7m. The operating profit and ROCE impacts are as follows:

	H1 FY15	H1 FY14
Reported operating profit	38.7	27.2
New sites adjustment	(0.7)	1.3
Adjusted operating profit	38.0	28.5
	H1 FY15 (%)	H1 FY14 (%)
Reported ROCE	12.7	12.5
New sites adjustment	0.8	0.5
Adjusted ROCE	13.5	13.0



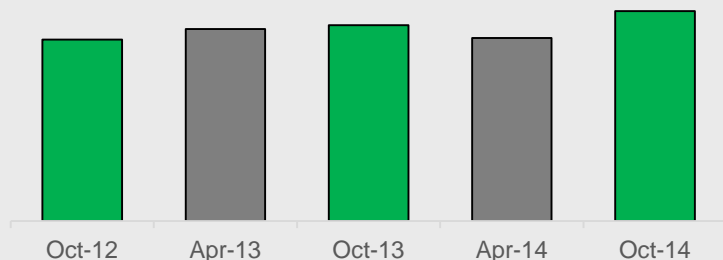
Spain operating profit

“The growth in operating profit is predominantly as a result of higher average vehicles on hire and an increased volume of disposals at enhanced PPU.”



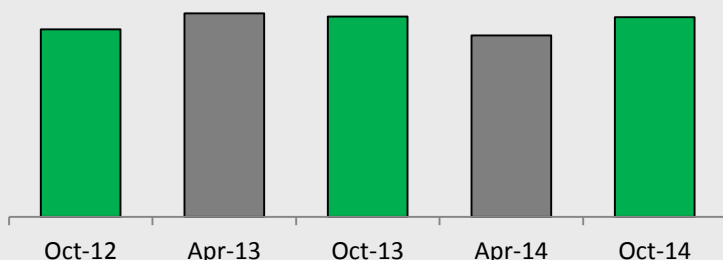
Cash flow and net debt

Net debt



As expected, net debt increased by £51m from 30 April 2014 to £397m at 31 October 2014.

Gearing

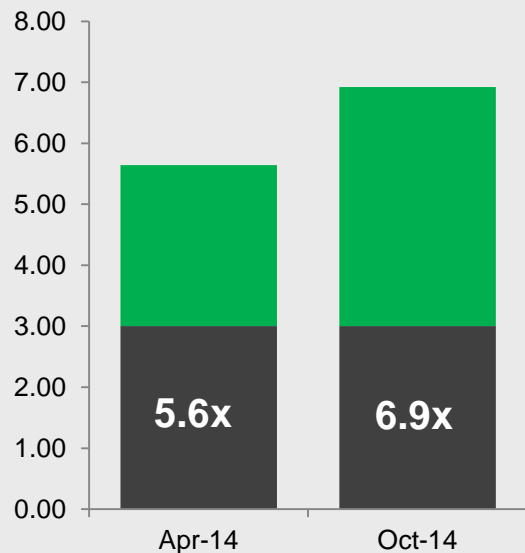


Gearing increased from 91% at 30 April 2014 to 100% at 31 October 2014.

	£m
Opening net debt (1 May-14)	346.1
Net cash used in operations	40.3
Dividend	9.0
Shares purchased for share option schemes	10.6
Debt issue costs	2.0
Non-cash movements	(0.2)
Exchange movements	(10.8)
Closing net debt (31 Oct-14)	397.0
Facilities headroom	139.6

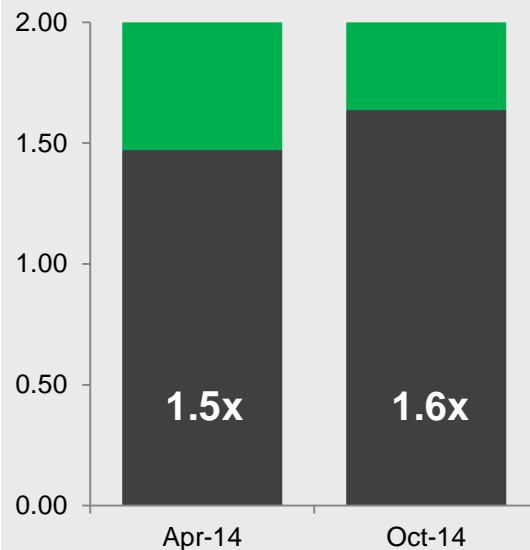
Financial covenants

Interest cover



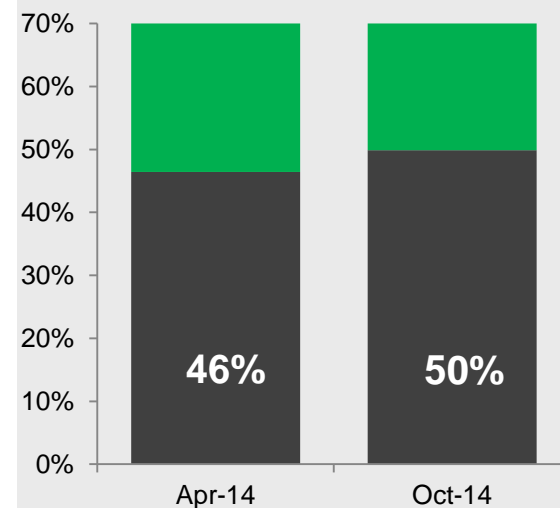
- EBIT headroom £49m
- Threshold 3.0x

Leverage



- EBITDA headroom £45m
- Threshold 2.0x

Loan to value



- Loan headroom £163m
- Threshold 70%

Bob Contreras: Chief Executive Operational review

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UK operational highlights

Vehicles on hire

+1,800

since April 2014

Customer numbers NPS

+5%

compared to FY14

+10%

Utilisation

89%

(FY14 – 88%)

Vehicle sales

8,600

at improved values

Network

4 new sites

opened in the HY

ROCE

12.7%

(Apr-14 – 11.2%)

Focus remains on driving growth in the UK

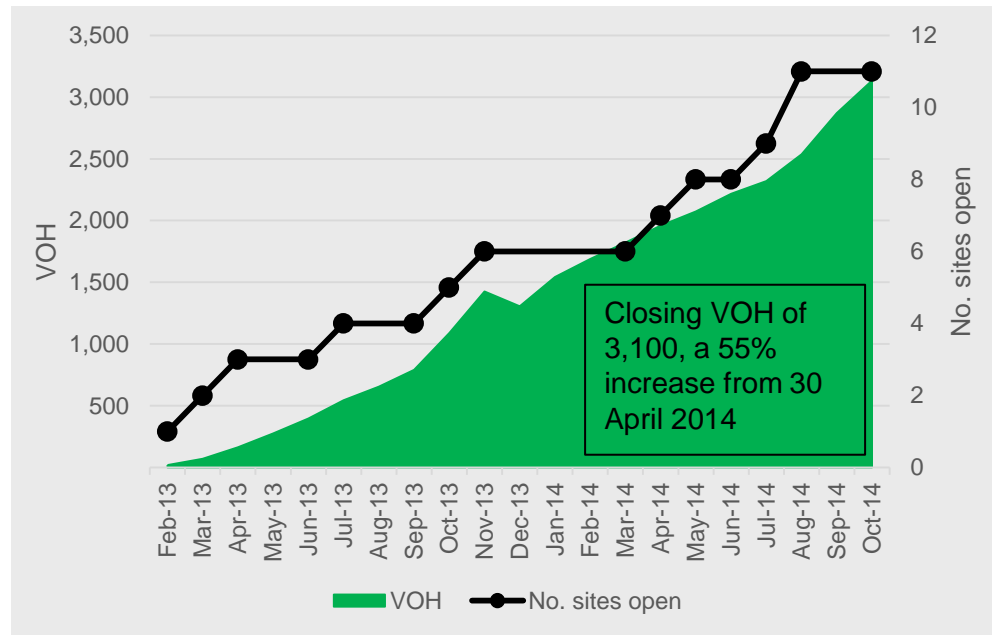
Vehicle sales evolution

	Oct 2014	Apr 2009	Difference
Retail %	29	18	11
Defleet centres	7	0	7
Van Monster sites	11	7	4

- PPU has risen to £1,636 in the half year to October 14.
- The target for retail penetration remains at 30%+.



Network expansion: progress to date



Sandyford



Watford



Enfield



Southall

Network expansion: opportunities



- Site openings in the London area now largely complete (with Dartford in November 2014).
- Attention has now moved to the regions including the North West and West Midlands.
- Opportunities for 17 further sites across the UK.
- Potential sites will have to meet minimum 16% ROCE threshold target.

Spain operational highlights

Vehicles on hire

+1,300

since April 2014

Customer numbers

+12%

since April 2014

NPS

19.5

at 31 October

Utilisation

92%

(FY14 – 92%)

Maintenance costs

-3%

despite fleet size +10%

Vehicle sales

4,100

at improved values

ROCE

10.6%

(Apr-14 – 9.2%)

Change in focus to driving growth in Spain

Vehicle sales evolution

	Oct 2014	Apr 2009	Difference
Retail %	17	4	13
Van Monster sites	8	1	7

- PPU has risen to €1,517 in the half year to October 14.
- The medium term ambition is for the Spanish business to match the retail sales percentage achieved in the UK.



Bob Contreras: Chief Executive Outlook

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Outlook

UK

Continue to build on commercial improvement and branch expansion

Spain

Focus has switched to driving organic growth

Dividend

Targeting progressive dividends within the dividend cover range 3.75x – 2.50x

Outlook

Both businesses are now looking at growth over the medium term

Questions



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£m	Oct 2014			Oct 2013
	UK	Spain	Total	Total
Operating profit (excluding vehicle disposals)	24.6	12.5	37.1	27.4
Vehicle disposals	14.1	4.9	19.0	12.6
Total operating profit	38.7	17.4	56.1	40.0
Corporate			(2.0)	(1.9)
Group operating profit			54.1	38.1
Cash interest			(6.1)	(6.1)
Non-cash interest			(0.2)	—
Profit before tax			47.8	32.0

Exceptional items

£m	Oct 2014	Oct 2013
Restructuring costs – UK	–	0.6
Restructuring costs – Spain	–	0.2
Pension settlement	–	2.3
Total exceptional items	–	3.1

Capital employed (October 14)

Appendix 3

£m	UK	Spain	Group
Vehicles (hire and used)	467	223	690
Property	28	30	58
Other fixed assets	16	3	19
Trade and other debtors	62	35	97
Trade and other creditors	(51)	(9)	(60)
Capital employed	522	282	804
Net debt	(253)	(143)	(396)
Net assets	269	139	408
ROCE	12.7%	10.6%	11.4%
Capital employed (April 2014)	464	273	737

Facilities and borrowing cost

£m	Oct 2014	
Syndicated bank facilities	523	
Other facilities	15	
	538	rate*
Fixed rate borrowings	270	2.7%
Floating rate borrowings	129	2.3%
Net debt (excluding arrangement fees)	399	2.6%
Headroom	140	

** Weighted average borrowing rate inclusive of swaps*

Operating cash flows

Appendix 5

£m	Oct 2014	Oct 2013
Operating profit (statutory)	53.0	33.5
Depreciation and amortisation	73.8	82.7
Working capital and other movements	(9.9)	(9.4)
Cash generated from operations	116.9	106.8
Net interest paid	(6.1)	(4.9)
Corporation tax (paid)/received	(8.4)	4.4
Cash flow after interest and tax	102.4	106.3
Vehicle purchases	(206.1)	(158.1)
Vehicle disposals	64.1	58.6
Other net capex	(0.7)	(2.9)
Cash flow before equity and financing costs	(40.3)	3.9
Equity and financing costs, dividends and other items	53.9	(10.1)
Net cash flow	13.6	(6.2)

Group fleet capital expenditure

Appendix 6

£m		FY15 (H1)	FY14 (H1)	FY14 (H2)
Purchases	UK	143.2	109.9	91.3
	Spain	62.8	48.6	51.2
Disposals	UK	(57.7)	(48.6)	(42.1)
	Spain	(17.3)	(18.2)	(20.3)
Net fleet capex		131.0	91.7	80.1
Vehicles:				
Purchases	UK	11,700	9,400	7,600
	Spain	7,100	5,100	5,600
		18,800	14,500	13,200
Disposals	UK	8,600	7,600	6,400
	Spain	4,100	3,700	4,600
		12,700	11,300	11,000

Purchases and disposals stated on an accruals basis and exclude direct selling costs.

	FY15:H1	FY14:H1	FY14:H2
Fleet size (closing)	57,000	52,800	53,900
Utilisation (average)	89%	88%	88%
Closing vehicles on hire	49,400	45,900	47,600
Revenue per vehicle (annualised)	£6,174	£6,238	£6,030
Operating margin	25.2%	18.7%	16.2%
Headcount (closing)	1,971	1,862	1,968
PPU	£1,636	£1,330	£1,544
ROCE	12.7%	12.5%	11.2%

	FY15:H1	FY14:H1	FY14:H2
Fleet size (closing)	40,000	36,500	37,800
Utilisation (average)	92%	93%	92%
Closing vehicles on hire	36,000	33,300	34,700
Revenue per vehicle (annualised)	€5,281	€5,438	€5,360
Operating margin	22.9%	16.6%	17.5%
Headcount (closing)	890	858	865
PPU	€1,517	€766	€865
ROCE	10.6%	8.6%	9.2%

New branch 1 - assumptions

Appendix 9

Revenue	£
Revenue pv on rent	6,163

Costs	£
Non fleet site CAPEX	125k
Depreciation pv	2,011
Maintenance / repair costs pv	674
Other direct costs pv	398

Costs	£'000 Yr. 0	£'000 Yr.1	£'000 Yr.2
Staff costs	51	305	414
Rent & rates	13	75	77
Marketing	-	65	10
Other overheads	33	90	92
Total	97	535	593

No.	Yr. 0	Yr. 1	Yr. 2	Yr. 3	Yr. 4	Yr. 5
Average on rent	-	122	334	472	534	534
Closing on rent	-	240	410	540	540	540
Average fleet	-	145	375	530	600	600
Closing fleet	-	290	460	600	600	600
Disposals	-	-	-	-	145	230

- On rent at maturity 540
- 84% utilisation year 1 then 89%
- 14 employees

New branch 2 – annual impact

Appendix 10

	Yr. 0	Yr. 1	Yr. 2	Yr. 3	Yr. 4	Yr. 5
Revenue	-	751	2,077	2,966	3,391	3,425
Depreciation	-	(292)	(769)	(1,109)	(1,280)	(1,306)
Maintenance / repair	-	(98)	(258)	(371)	(429)	(437)
Other direct costs	-	(58)	(152)	(219)	(253)	(258)
Staff costs	(51)	(305)	(414)	(422)	(431)	(439)
Overheads	(46)	(230)	(178)	(182)	(184)	(189)
Disposal profit	-	-	-	-	87	138
Operating profit	(97)	(232)	306	663	901	934
ROCE	-	(13%)	7%	12%	16%	17%