NORTHGATE

Interim Results

5 December 2017

Agenda

- Chairman's Welcome — Andrew Page
- Introduction — Kevin Bradshaw
- Financial Review — David Tilston
- Operational Progress — Kevin Bradshaw
- Q&A

Introduction

- » Excellent progress on implementation of strategy
- » H1 trading in line with management expectations
- » On track to deliver stated KPIs
- » Dividend cover range refined and narrowed

Financial Review

David Tilston

Group Financial Summary

	Oct-17	Oct-16
Total Revenue	£349.7m	£316.7m
Underlying PBT	£33.8m	£40.4m
Underlying Basic EPS	20.7p	25.8p
Interim Dividend Per Share	6.1p	5.7p

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Group KPIs

	Oct-17	Oct-16
Average Q2 VOH growth	1.9%	-2.1%
Rental Margin	14.7%	15.2%
Disposal Units Sold	17,600	15,100
PPU	£600	£1,073
Corporate overhead/sales	1%	1%
Group ROCE	8.7%	10.7%

Spain: Operational leverage driving rental margin

€m	Oct-17	Oct-16	Change	Change %
Revenue: hire of vehicles	104.6	96.7	7.9	8.1%
Operating profit (excluding vehicle disposals)	17.1	14.9	2.2	14.7%
Vehicle disposals	6.8	10.4	(3.6)	(34.6%)
Total operating profit	23.9	**25.3**	**(1.4)**	**(5.5%)**

KPIs	Oct-17	Oct-16
Average VOH (H1)	39,400	35,900
Closing VOH	41,200	36,200
Average VOH Growth (Q2 v Q2)	11.5%	1.6%
Rental Margin	16.6%	15.6%
Disposal units sold	6,200	5,700
PPU (€)	1,109	1,815

- » Significant growth in underlying activity
- » Rental margin increase demonstrates operational gearing
- » Disposal profits lower as expected - PPU decline driven by depreciation unwind and mix
- » Significant capital invested to support VOH growth

In GBP foreign exchange had a £1.1m positive impact on operating profit

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UK: Self help actions beginning to take effect

£m	Oct-17	Oct-16	Change	Change %
Revenue: hire of vehicles	131.7	138.4	(6.6)	(4.8%)
Operating profit (excluding vehicle disposals)	14.5	17.3	(2.8)	(16.2%)
Vehicle disposals	3.5	6.6	(3.1)	(47.0%)
Total operating profit	18.0	**23.9**	**(5.9)**	**(24.7%)**

KPI	Oct-17	Oct-16
Average VOH (H1)	39,400	42,000
Closing VOH	40,600	42,500
Average VOH Growth (Q2 v Q2)	(5.9%)	(6.2%)
Rental Margin	13.8%	15.2%
Disposals units sold	10,800	9,000
PPU (£)	326	738

» Average VOH (Q2 vs Q2 py) decline (5.9%); however Closing VOH (Oct vs Oct py) decline (4.5%)

» Rental margin decline due to more competitive pricing and reduced operational leverage, partly offset by cost reductions

» Disposal profit lower as expected – PPU decline driven by depreciation unwind and mix

Financial Resources: Remain comfortable despite funding growth in hire fleet

	Oct-17 £m	Oct-16 £m
Underlying operational cash generation	107.8	113.6
Net Capex – Purchase of vehicles	175.5	93.7
Net Debt	421.0	355.0
Leverage	1.75x	1.49x
ROCE	8.7%	10.7%

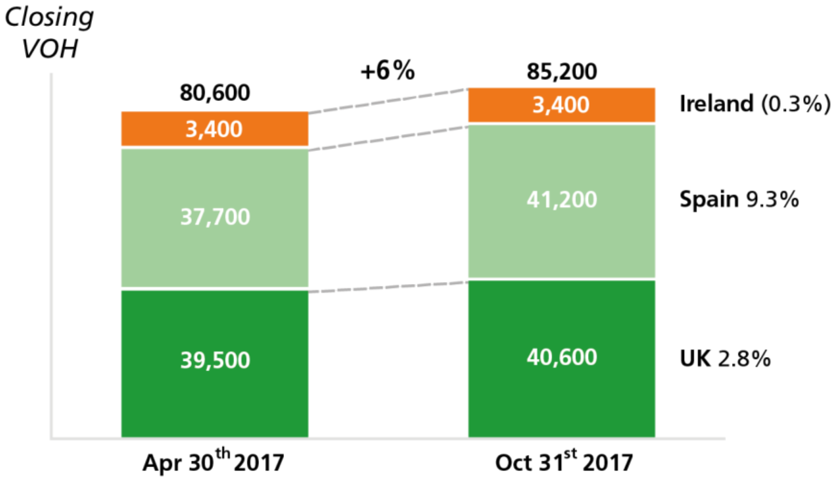
- Underlying operational cash generation remains strong
- Increase in net capex to support Spanish growth leads to increase in net debt
- Adverse foreign exchange impact on Euro denominated debt is £10.3m
- Leverage comfortably inside covenant threshold of 2.0x
- Group ROCE reduction driven by decline in disposal profits and capital invested to support growth
- All in line with management expectations

Operational Progress

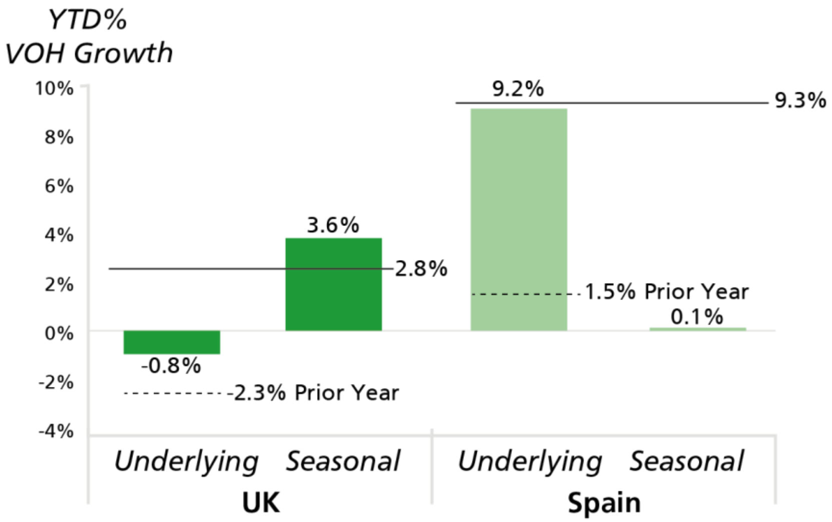
Kevin Bradshaw

Group closing VOH has increased by 6% year to date, driven by outstanding growth in Spain and improved underlying trajectory in the UK

H1 Closing VOH Growth by Country



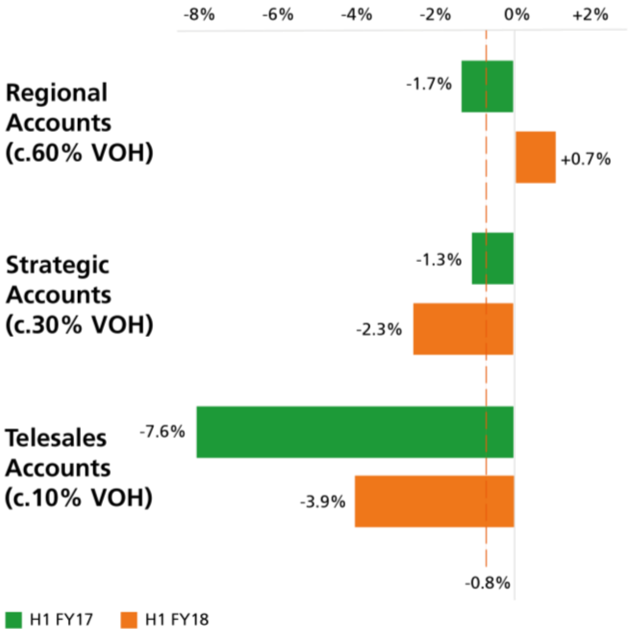
H1 Closing VOH Growth – Underlying vs Seasonal



Note: Underlying seasonal split based on management estimates

In the UK, closing VOH (underlying) is now in growth across regional accounts which comprise c.60% of vehicles on hire

UK Closing VOH by Account Type



Actions and Impact

- Upgraded sales leadership
- Removed sales barriers, streamlined process
- 190 customers gained vs 153 lost last year
- 841 VOH sold on 12 months+

- Significant focus on senior relationship management
- One off losses incurred in four accounts (now stabilised)
- Numerous contract wins (c.600 VOH) to trade in H2

- Resource redirected to new business opportunities
- Leads up 9% conversion up 17%
- 168 VOH sold on 12 months+
- Tactical web improvements leading to full December relaunch

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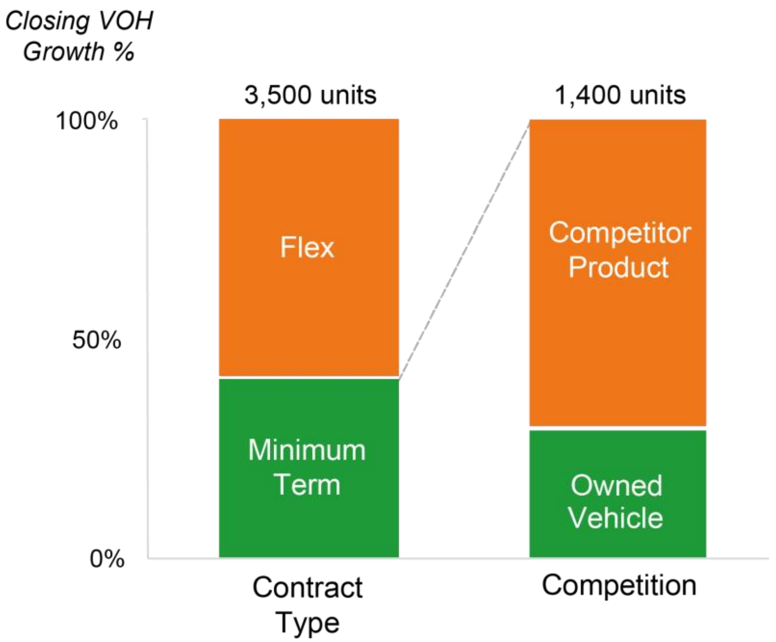
Growth in Spanish VOH underpinned by strong performance in both minimum term and flex products

Spain – H1 Closing VOH Growth by Type



- Overall growth of 9% (3,500 units)
- 40% (1,400 units) from minimum term product
- 25% of new minimum term customers subsequently add an equal number of fully flex vehicles
- 30% of minimum term products replacing vehicle ownership
- Competitor displacement achieved with powerful flex + minimum term combination

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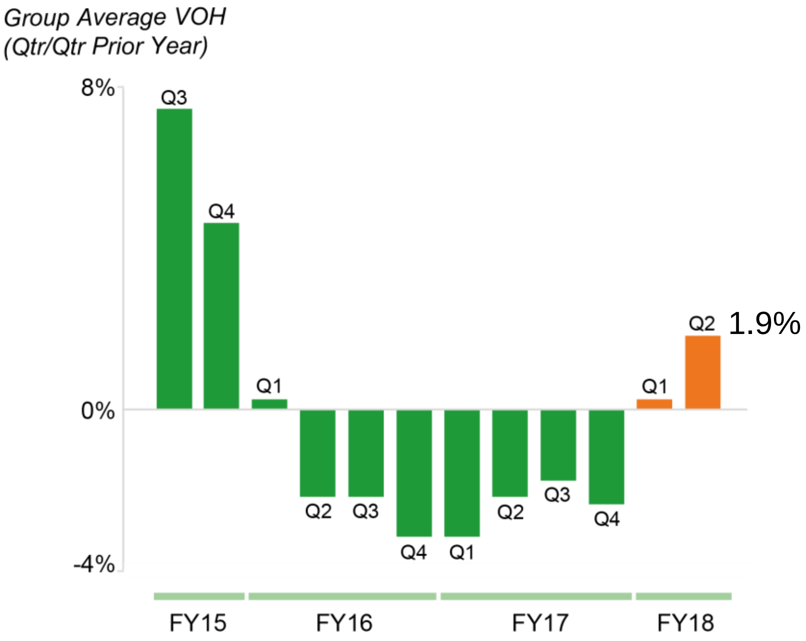
Group average VOH has now been in positive growth for two successive quarters

Group Average VOH Growth



- Strong growth in Spain of 11.5% (Q2 vs Q2 PY)
- Improving UK trajectory of -5.9% (Q2 vs Q2 PY)
- Increase in average VOH for minimum term of 3,000 (H1 vs H1 prior year) delivers strong future platform

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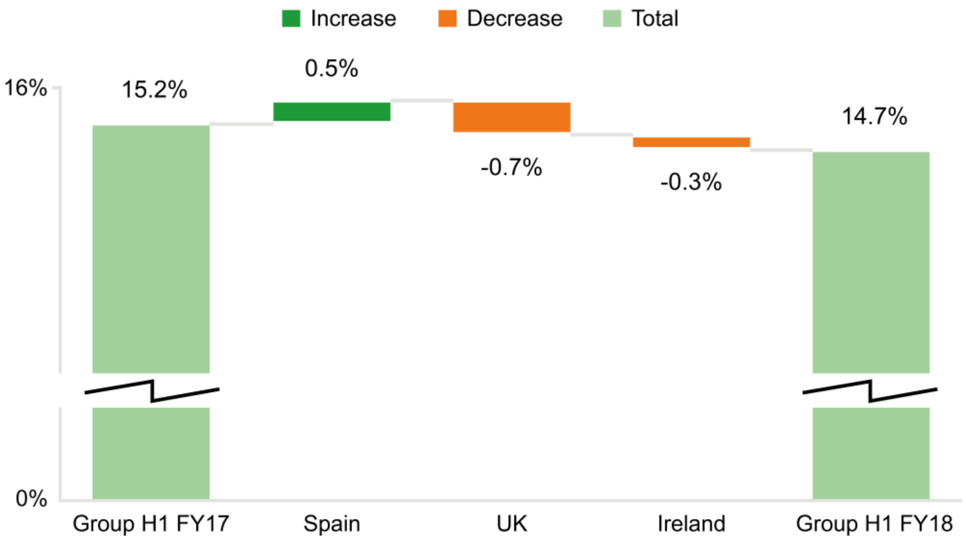
Rental margin gains in Spain were offset by an expected decline in the UK and operational challenges in Ireland

Rental Margin H1 FY17 to H1 FY18



Drivers

Spain

» Margins widened with operating leverage

UK

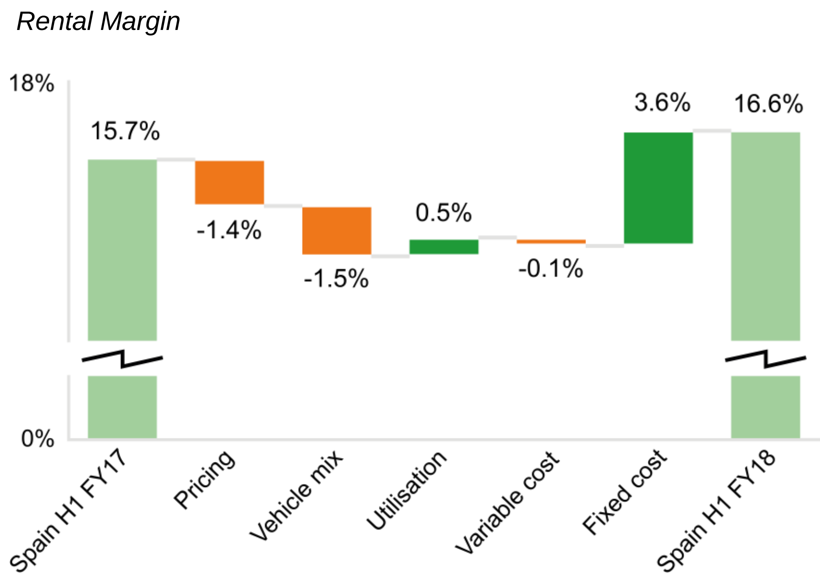
» Margins declined with negative operating leverage and more competitive pricing
» Growth led margin recovery fully anticipated in future

Ireland

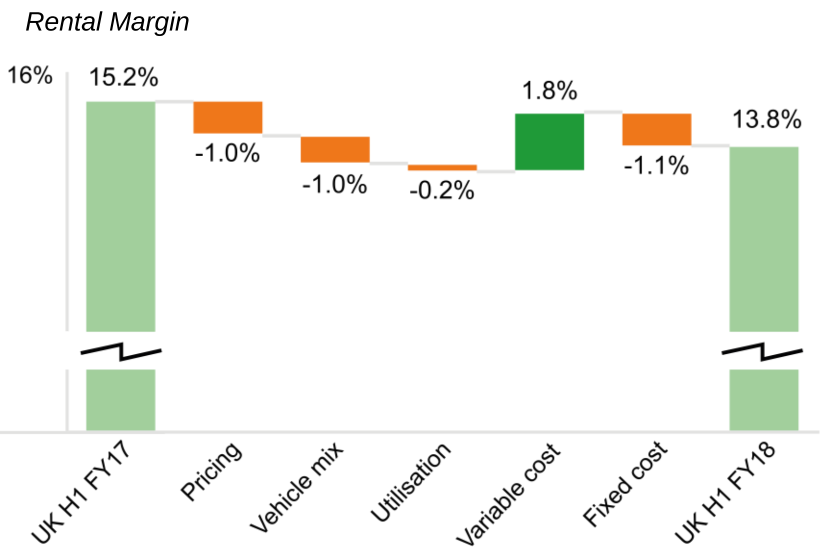
» Margin impacted by utilisation challenges (now overcome)

Spanish rental margins have improved in line with minimum term growth and leverage. UK margins have reduced primarily through pricing actions and reduced leverage over fixed costs

Spain – Rental Margin Movement



UK – Rental Margin Movement



Disposal volumes have increased supported by strong growth in retail. PPU has decreased due to the depreciation unwind and lower average age of disposal in Spain

UK Disposals – H1

- Total units sold 10,800 (+20% vs H1 FY17)
  - Retail 4,400 Units (+19% vs H1 FY17)

- PPU £326 (vs £738 H1 FY17)
  - £191 Depreciation unwind
  - £145 Age (35 mths vs 39 mths prior year)
  - £76 Vehicle mix

- No change in market residual values or sales performance vs market
- No further PPU impact from depreciation unwind from FY19 onwards

Spain Disposals – H1

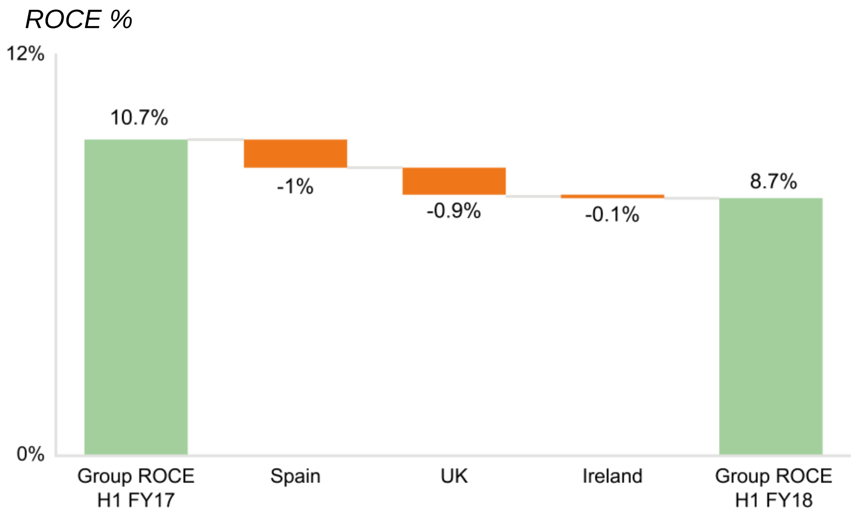
- Total units sold 6,200(+9% vs H1 FY17)
  - Retail 800 units (+37% vs H1 FY17)

- PPU €1,109 (vs €1,815 H1 FY17)
  - €187 Depreciation unwind
  - €580 Age (41 mths vs 48 mths prior year)
  - €25 Favourable from channel mix

- No change in market residual values or sales performance vs market
- FY19 will be the final year of PPU impact from depreciation unwind

The decline in Group ROCE was in line with expectations and has been driven by declines in Spain and the UK

Group ROCE H1 FY17 to H1 FY18



- » Spain a function of phasing as rental business grows combined with reduced disposal profits
- » UK a function of negative operating leverage as the business has declined combined with reduced disposal profits

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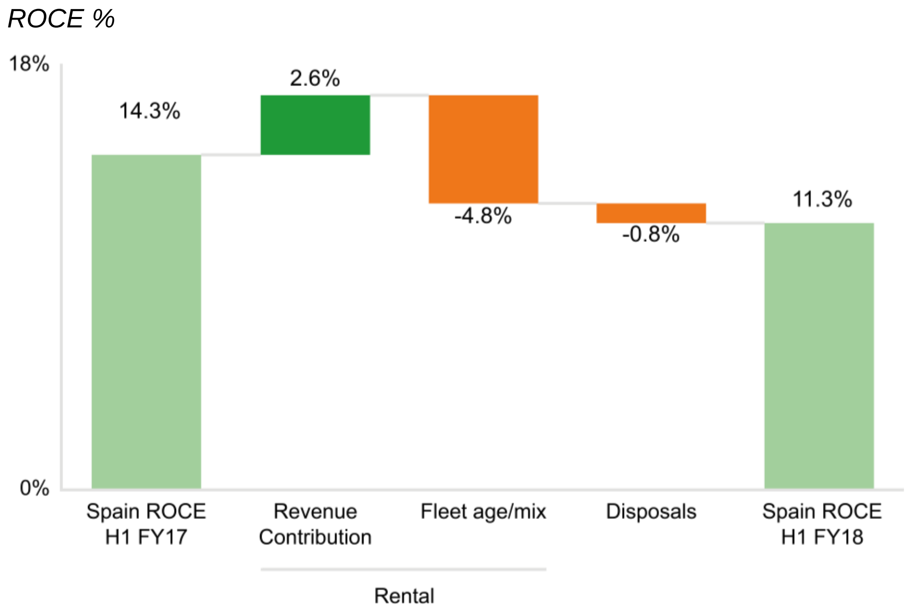
Spain ROCE has reduced due to phasing of rental fleet growth and lower disposal profits. The majority of these two negative impacts unwind in steady state

Spain - Movement in ROCE %



Impact of growth on ROCE %

- Fleet Age/Mix
  - 5,300 [(1)] purchases for growth
  - NBV for purchase c.140% of average opening fleet
  - Impact unwinds in steady state as NBV profile normalises year over year
- Disposals
  - Less access to aged fleet as customers retain vehicles for longer in growth
  - Younger disposals, less depreciated, lower PPU

Note: (1) 12 months to Oct 31st

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Significant progress has been made on implementation of the Van Monster UK strategy

- » 5 new sites opened in H1, 5 identified for H2
- » 56% increase in retail selling spaces by end of period
- » 19% growth in volume of retail sales
- » 8% pts increase in penetration of warranty and financing products
- » 113% CAP average achieved in retail sales

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Self help actions in the UK are progressing well and in line with expectations

Leadership

- New executive appointments made: Managing Director, Marketing Director, Sales Director, Fleet Director

Marketing

- Three senior marketing heads appointed
- 80% of customer data cleansed, CRM contacts increased 44%
- Overall growth in leads of 5% vs prior year, conversion increased
- Web relaunch on track for December following tactical enhancements

Sales

- Sales barriers further eliminated
- Sales support and account implementation teams enhanced
- Talent review and upgrade underway

Commercial Talent

- Commercial hub established in Reading, lease signed
- 22 FTE in place by end Q3

IT

- Infor selected as AX replacement, contract signed
- Strong commercial benefits, system operational in FY20

Operational priorities for H2

UK

- Continued sales and marketing focus to drive VOH, particularly “12months+”
- Continued focus on talent acquisition for commercial hub
- Increased roll-out of Van Monster site footprint
- Increased focus on disposal strategy

Spain

- Continued push on VOH growth; capitalise on strong market
- Increased focus on disposal strategy & retail channel development

Ireland

- Increased focus on VOH growth
- Implementation of operational best practice; employing Spanish system benefits

Outlook

- Spain trading strongly; growth set to continue
- Measures to arrest VOH decline in the UK will continue to take effect
- Implementation of UK self help agenda will continue at pace
- Profit skewed to the second half (H1 cost savings, UK turnaround, flow from Spanish H1 growth)
- Caution with regard to level of disposal profits given high volumes and uncertainty of mix
- On track to deliver stated KPIs
- Dividend range reduced to 2-3x cover
- Total confidence in the strategy and long term value creation

Q&A

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Appendices

Appendix 1 – Financial Summary

£m	Oct-17					Oct-16
	UK	Spain	Ireland	Elims	Total	Total
Revenue: hire of vehicles	131.8	92.9	10.3	(0.4)	234.5	229.6
Operating profit (excluding vehicle disposals)	14.5	15.2	0.5	–	30.2	30.8
Vehicle disposals	3.5	6.1	0.9	–	10.5	16.1
Total operating profit	**18.0**	**21.3**	**1.4**	–	**40.7**	**46.9**
Corporate					(1.6)	(1.9)
Group operating profit					**39.1**	**45.0**
Operating margin					16.7%	19.6%
Cash interest					(5.0)	(4.3)
Non cash interest					(0.3)	(0.3)
Profit before tax					**33.8**	**40.4**

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Appendix 2 – Operating Cash Flows

£m	Oct-17	Oct-16
Operating profit (statutory)	36.3	44.2
Depreciation, amortisation and impairment	88.9	78.7
Working capital and other movements	(17.4)	(9.3)
Underlying operational cash generation	**107.8**	**113.6**
Net interest paid	(4.9)	(3.8)
Net corporation tax paid	(7.5)	(6.1)
Cash flow after interest and tax	**95.4**	**103.7**
Vehicle purchases	(268.4)	(168.1)
Vehicle disposals	92.9	74.4
Other net capex	(3.3)	(1.8)
Share purchases and refinancing costs	(2.0)	(0.6)
Free cash flow	**(85.4)**	**7.6**
Dividends	(15.3)	(14.3)
Net cash flow	**(100.7)**	**(6.7)**

Appendix 3 – Facilities And Borrowing Costs

£m	Oct-17	Rate*
Syndicated bank facilities	457	
Loan notes	88	
Other facilities	38	
	583	
Fixed rate borrowings	331	2.2%
Floating rate borrowings	92	1.3%
Net debt (excluding arrangement fees)	**423**	**2.0%**
Headroom	**160**	

* As at 30 April 2017

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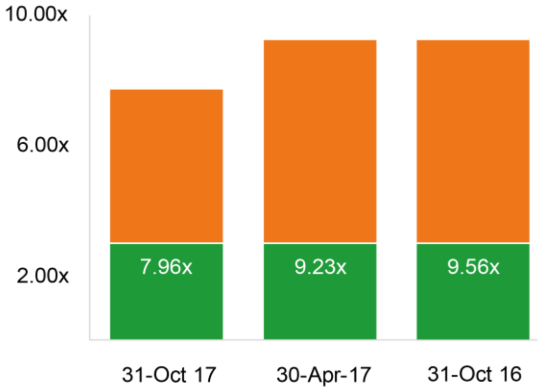
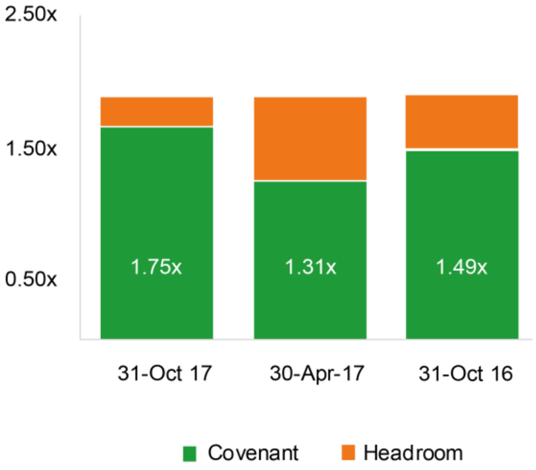
Appendix 4 - Covenants

Interest cover



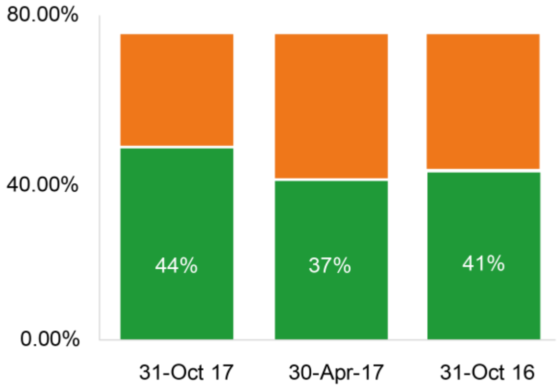
- EBIT headroom £48m
- Threshold 3.0x

Leverage



- EBITDA headroom £31m
- Threshold 2.0x

Loan to value



- Net debt headroom £251m
- Threshold 70%

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Appendix 5 – UK KPIs

	Oct-17	Oct-16
Fleet size (closing)	47,200	49,500
Utilisation (average)	87%	88%
Average vehicles on hire	39,400	42,000
Closing vehicles on hire	40,600	42,500
Rental Margin	13.8%	15.2%
Disposals – units sold	10,800	9,000
PPU (£)	326	738

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Appendix 6 – Spain KPIs

	Oct-17	Oct-16
Fleet size (closing)	46,300	41,100
Utilisation (average)	91%	91%
Average vehicles on hire	39,400	35,900
Closing vehicles on hire	41,200	36,200
Rental Margin	16.6%	15.6%
Disposals – units sold	6,200	5,700
PPU (€)	1,109	1,815

Appendix 7 – Ireland KPIs

	Oct-17	Oct-16
Fleet size (closing)	3,800	3,900
Utilisation (average)	86%	89%
Closing vehicles on hire	3,400	3,500
Rental Margin	5.6%	9.3%
Disposals – units sold	600	400
PPU (€)	€1,812	2,657

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Appendix 8 – Remaining depreciation rate change impact

Prospective year-on-year operating profit increase (decrease) arising due to the previous changes made to vehicle depreciation rates:

£m	UK	Spain	Ireland	Group
FY17	(4.1)	(1.6)	0.0	(5.7)
FY18*	(2.5)	(1.5)	(0.2)	(4.2)
FY19*	–	(2.1)	–	(2.1)
FY20*	–	–	–	–

* Management estimates for full financial year

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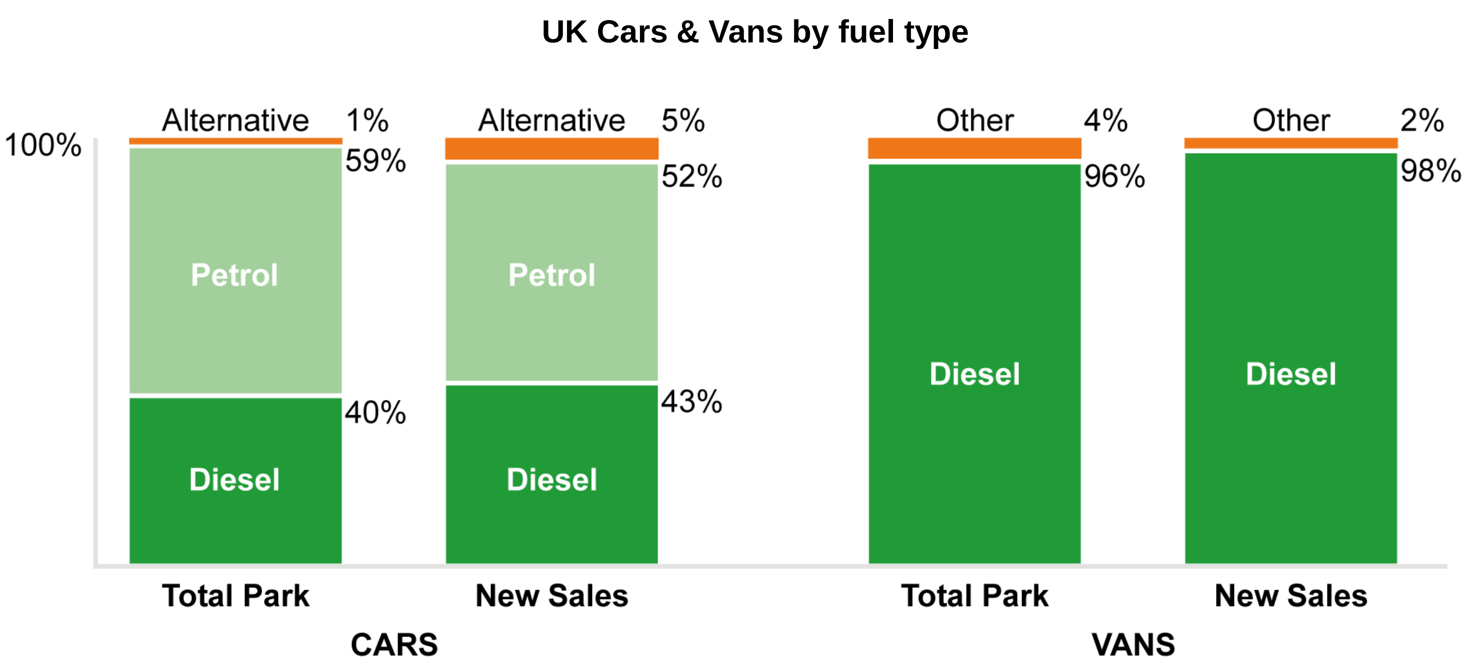
Appendix 9 - Vehicle Capex

£m		Oct-17	Oct-16
Purchases	UK	132.4	97.8
	Spain	125.3	77.0
	Ireland	8.1	8.1
Disposals	UK	(76.7)	(59.0)
	Spain	(35.0)	(26.1)
	Ireland	(3.5)	(2.0)
Net fleet capex		**150.6**	**95.8**
Vehicles:			
Purchases	UK	10,000	8,000
	Spain	11,100	7,400
	Ireland	500	600
		21,600	**16,000**
Disposals	UK	10,800	9,000
	Spain	6,200	5,700
	Ireland	600	400
		17,600	**15,100**

Presented on an accruals basis. Disposal revenue is before deduction of selling costs

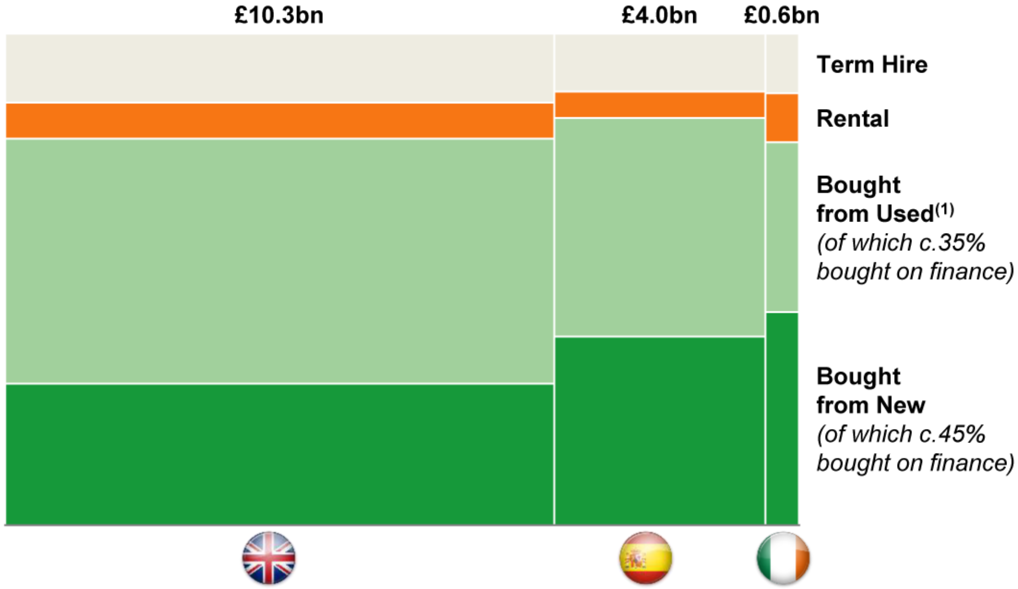
Appendix 10 - Diesel van residuals are expected to remain strong in the UK given the limited availability of alternatives



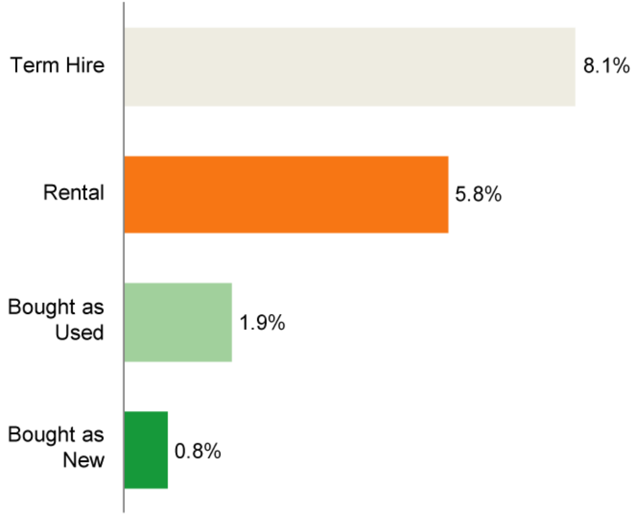
Source: DfT, SMMT, October 2017

Appendix 11 – We operate in territories with 8 million LCVs and c.£15bn of annual revenues with structural growth in our core markets

Estimated Market Revenues[2], 2016
£bn



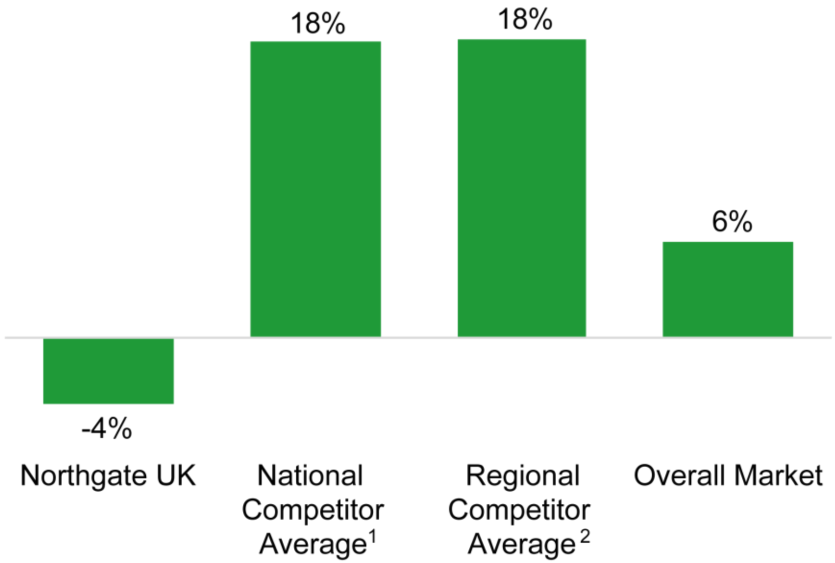
LCV – Volume Growth UK, ES, IE, 2013-16
% CAGR



Source: BVRLA, DfT, MSI, SIMI, OC&C analysis
Note (1) Primary transactions only
(2) 8m LCVs in addressable territories

Appendix 12 - The rental business' underperformance has been entirely driven by internal factors

UK – Key Rental Provider Fleet Growth[(1)], 2013-16
% CAGR



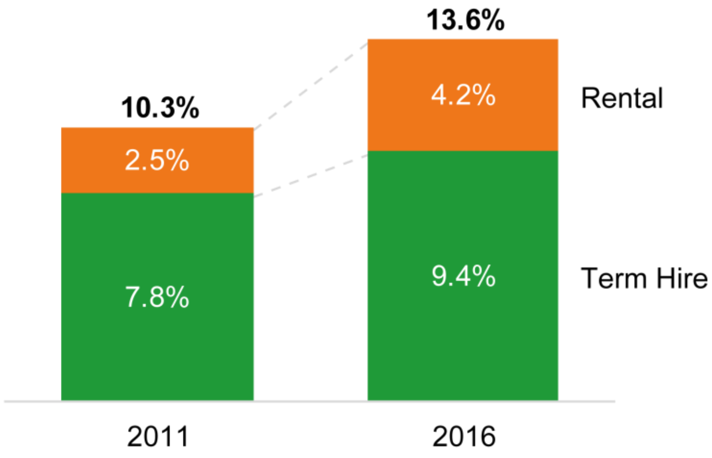
Drivers of Under-Performance

- Lack of focus on defending flex share
- Leadership lacking urgency and commercial focus
- Capability gaps in Marketing and Sales
- Old and inflexible IT systems with high costs

Source: Annual Reports, BVRLA, Northgate Internal Data, Sewells, OC&C analysis
1. *Includes Enterprise (adjusted for Burnt Tree acquisition) and Dawsons*
2. *Includes West Wallasey, TOM and SHB*

Appendix 13 - And see compelling reasons for continued structural growth in term hire and rental market segments

Structural Growth in UK Term Hire / Rental
Share of Business Use LCVs



Growth in Business Use LCVs c.3% p.a.

Driver of Structural Growth

- Cash Flow Advantages
  - Limited 'upfront' cash requirement vs. ownership
  - No uncertain residual
- TCO Advantage
  - All but the largest fleets able to utilise rental / CH&L purchase power, SMR efficiency and residual performance
- Cultural Shift
  - Ownership no longer imperative
  - Advanced livery and fit out available

Source: BVRLA, SMMT, DFT, Sewells, OC&C analysis

Appendix 14 - Within this market landscape, we have prioritised four key strategic opportunities

1 Flex - Defend & Grow Share

- **£1bn market revenue**
- **6% pa volume growth**
- **Northgate 31% share**

A key segment to defend:

- Historic core of Northgate
- Key assets (network, salesforce, repair network) configured to win the segment
- Profitable and feeds the disposal network

2 Term Hire - Gain Share

- **£2bn market revenue**
- **8% pa volume growth**
- **Northgate <0.5% share**

A natural adjacency:

- Significant cross-sell opportunities within existing customer base
- Limited variations in operating model required to serve
- Need to fend off competition from CH&L providers

3 Conversion of 'Owned' to Term Hire

- **£12bn market**
- **1.2m annual transactions**
- **Of which, 450k financed**

An untapped potential:

- Bulk of spend in the market in vehicle purchase today
- Ongoing shift away from owning to renting or leasing vehicles
- Siginificant value for Northgate to support this transition

4 Consolidate the Fragmented UK LCV Trading Market[1]

- **£5bn market**
- **4% market growth**
- **Van Monster 2.5% share by value**

A market ripe for consolidation:

- Very fragmented retail market today, with limited number of scale players
- Northgate sitting on an under-exploited assets (network, sourcing)
- Wide range of growth levers available

Source: BVRLA, DfT, MSI, SIMI, OC&C analysis
Note (1) 1st Change Transactions Only

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Appendix 15 - We expect the group to deliver strong growth over the next three years. Rental profits will be driven by growth in average VOH at good marginal ROCE and growing rental margins. Disposal profits will be driven by volume growth.

		FY17	FY18	FY19	FY20
Rental	*Average VOH Growth (Q4 vs. Q4 Prior Year)*	-1.7%	Mid to high single digit % growth per annum		
	Marginal ROCE on New and Redeployed Capital		Substantially higher than Group WACC		
	Rental Margin %	14.2%	Minimum of 2% pts growth by FY20		
Disposal	*Units Sold*	33,800	High single digit % growth per annum		
	Net Profit per Unit (£)	976	Decline (Depreciation unwind)	Broadly flat	
Group	*Corporate Overhead / Sales*	1%	Remaining flat to reducing over the period		
	Group ROCE	10.5%	Substantially higher than Group WACC		

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