

# Northgate plc

## Positioned for growth

NORTHGATE

Preliminary results for the year ended 30 April 2013



# Agenda

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- Group summary
- Financial review
- Operational review
  - UK
  - Spain
- Outlook

Bob Mackenzie

Chris Muir

Bob Contreras

Fernando Cogollos

Bob Contreras

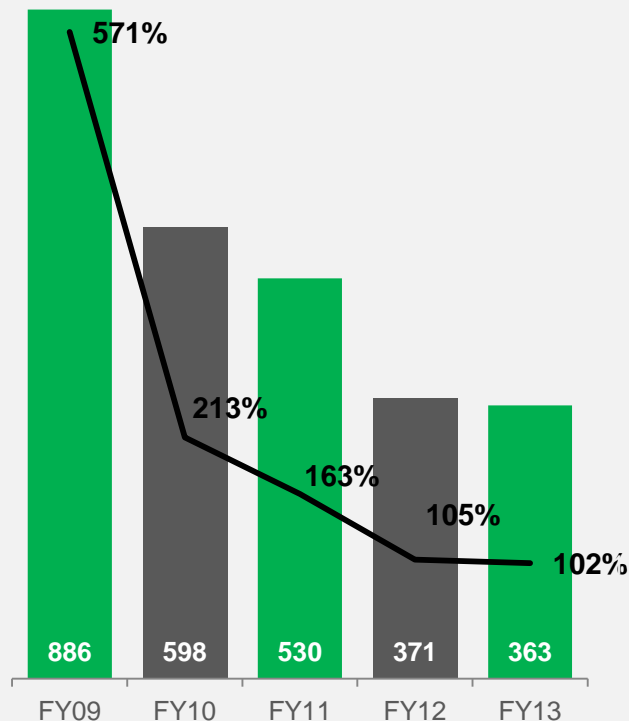
# Bob Mackenzie: Chairman Group summary

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# Progress to date

## Net debt (£m) and gearing



- ROCE improved from 5.8% to 11.8% since FY09
- PBT £49.5m compared to FY09 £27.5m
- £523m reduction in net debt over same period
- Dividend reintroduced in FY12 with 4x dividend cover in FY13



# Chris Muir: Group Finance Director

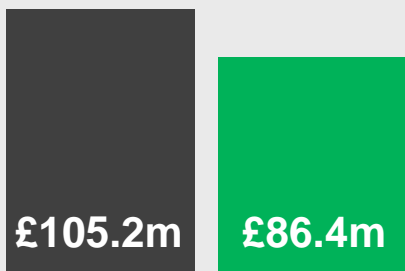
## Financial performance

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# Group financial summary

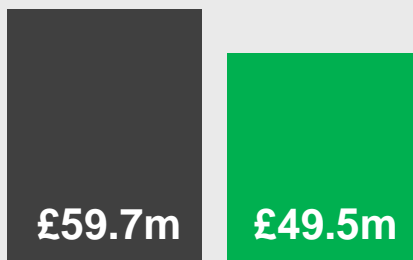
## Operating profit



FY12

FY13

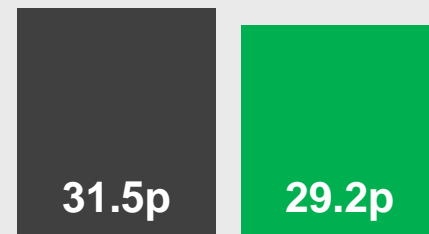
## Profit before tax



FY12

FY13

## EPS



FY12

FY13

## Dividend (full year)

**7.3p**



FY12 – 3.0p

## Net debt

**£363m**



Apr-12 - £371m

## ROCE

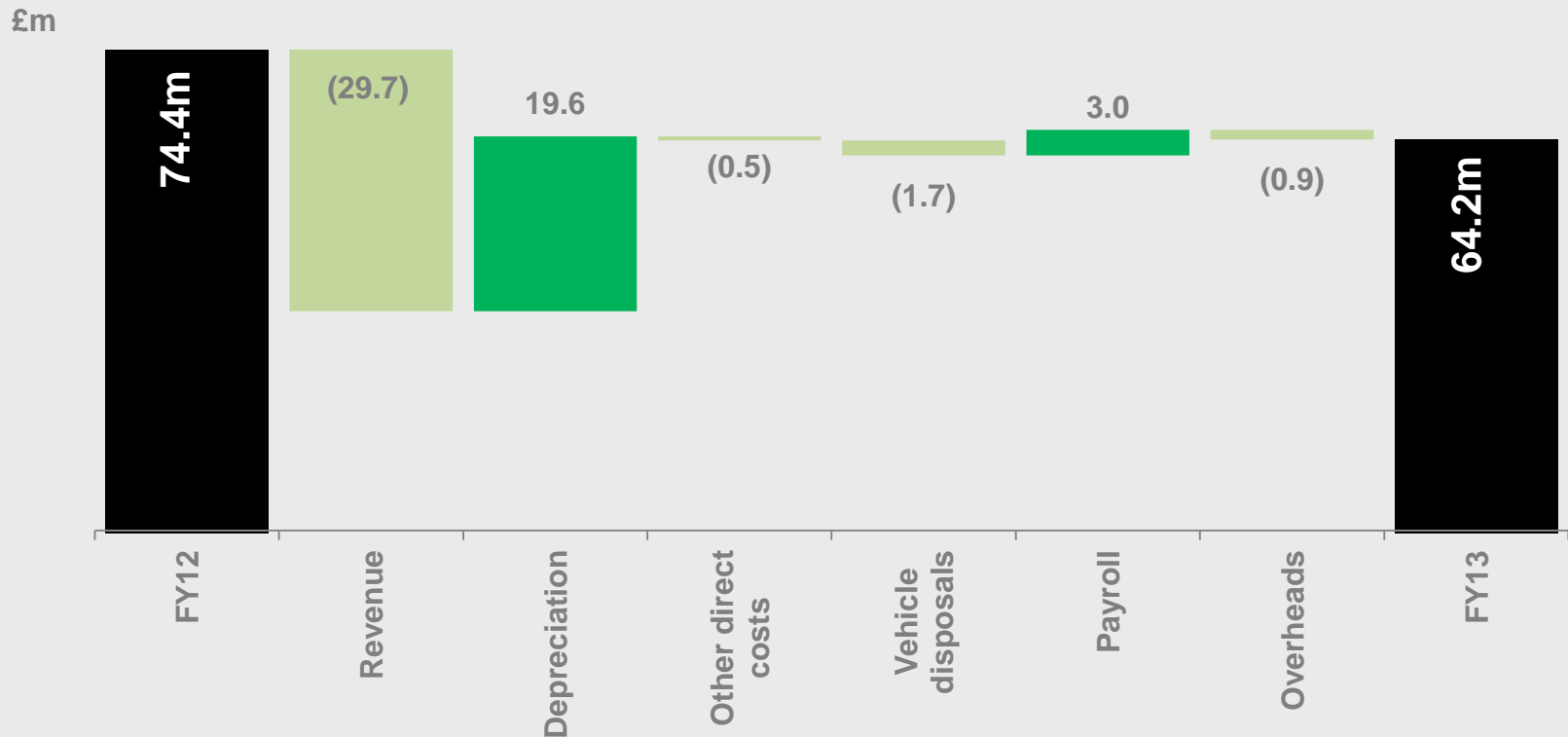
**11.8%**



FY12 – 13.1%

# UK operating profit

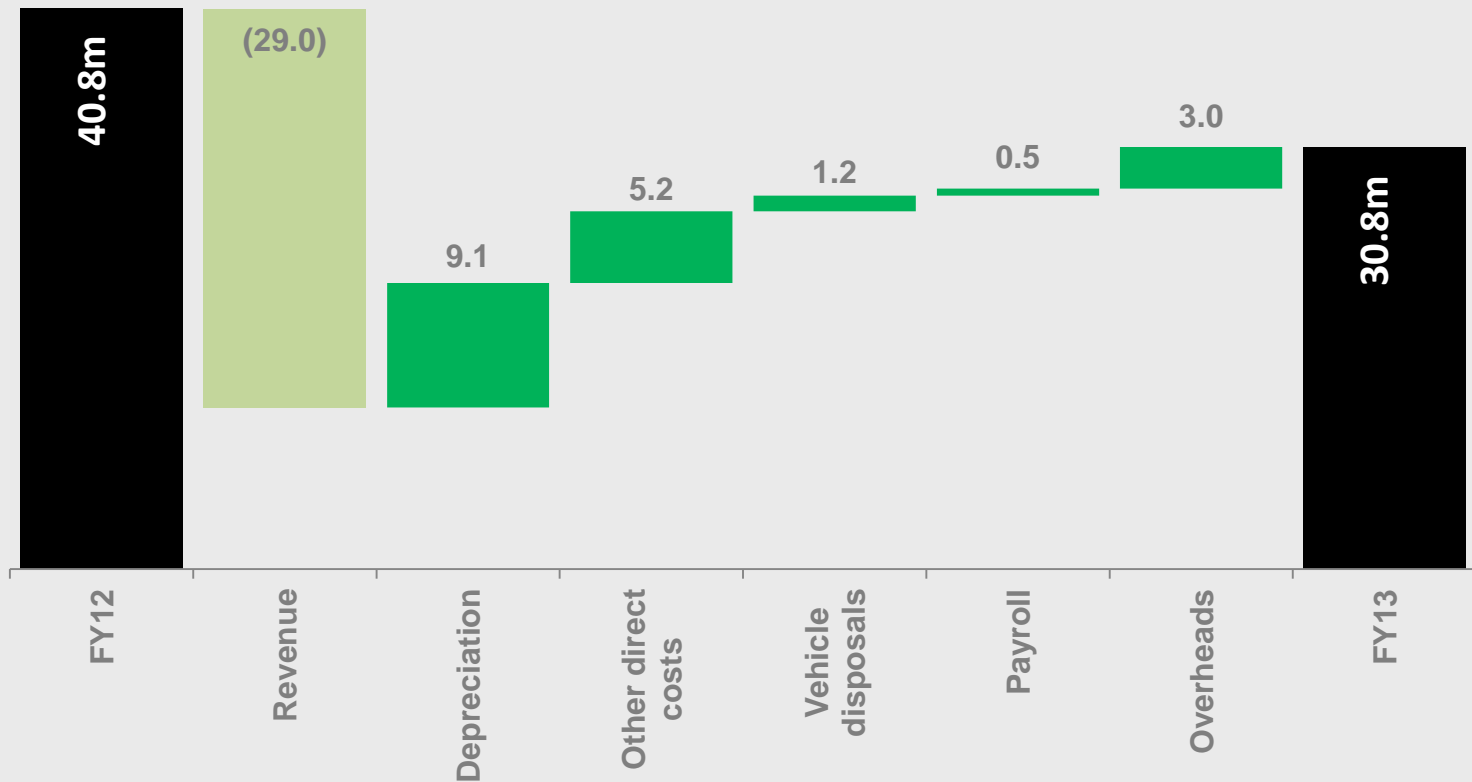
The UK operating margin was 22.1% following a 3,300 decrease in vehicles on hire



# Spain operating profit

The economic backdrop in Spain continues to present very difficult trading conditions

€m

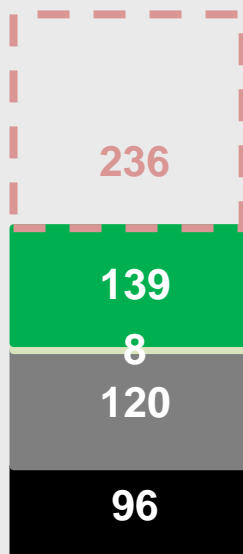




# Refinancing

£m

**Before\***



*Rate\*\**

*Maturity*

1.1%

4.3%

3.0%

8.9%

8.2%

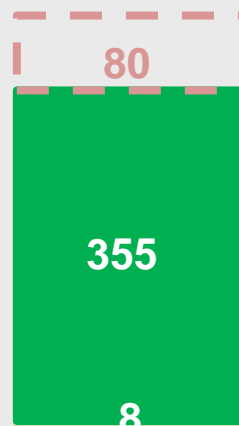
Sep-14

Nov-13

Dec-16

Apr-19

**After**



*Rate\*\**

*Maturity*

1.0%

2.8%

3.0%

Jun-17

Nov-13

**P&L cost £54.0m, cash outflow £39.1m**

- Total facilities £599m costing 7.0%
- Cost of headroom in FY13 £2.6m
- Restrictive arrangements

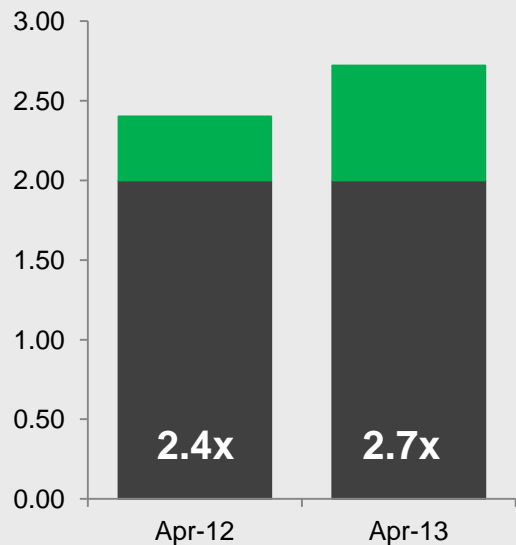
- Total facilities £443m costing 2.8%
- Headroom re-aligned
- Restrictions relaxed

\* April 2013 net debt as would be structured under previous facilities including swaps

\*\* Weighted average borrowing rate inclusive of swaps

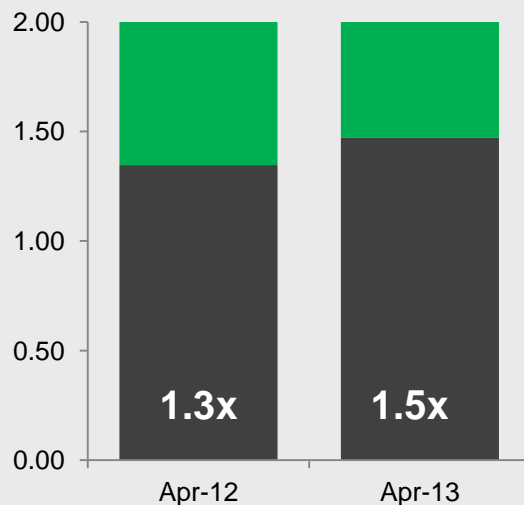
# Financial covenants

## Interest cover



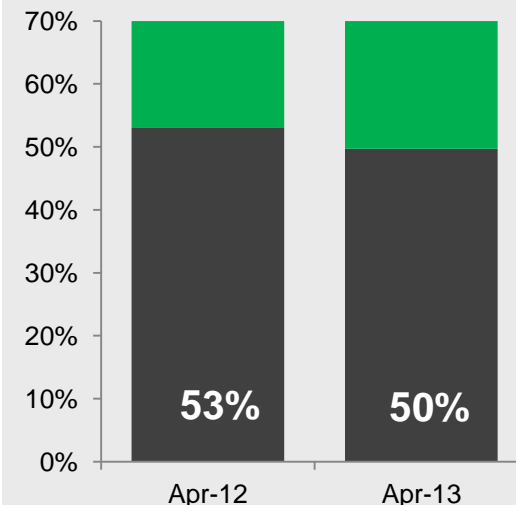
- EBIT headroom £22m
- Threshold 2.0x
- Increases to 3.0x in Apr-14 reflecting new debt structure

## Leverage



- EBITDA headroom £66m
- Threshold 2.0x

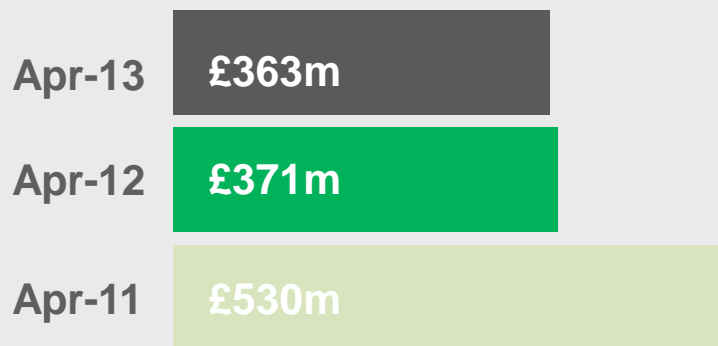
## Loan to value



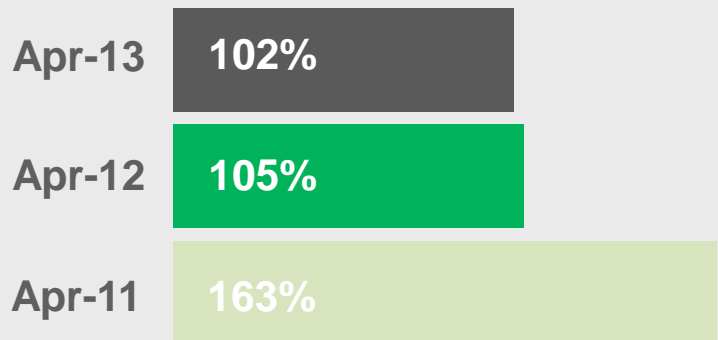
- Loan headroom £149m
- Threshold 70%

# Cash flow and net debt

## Net debt



## Gearing



	£m
Opening net debt (1 May-12)	371.3
Cash flow (before refinancing)	(84.6)
Refinancing cash outflows	39.1
Other non-cash movements	17.1
Exchange movements	19.8
Closing net debt (30 Apr-13)	362.7
Facilities headroom	80.4

# Bob Contreras: Chief Executive

## Operational review: UK

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# UK Operational Highlights

## Vehicles on hire

**-3,300**

since April 2012

## Utilisation

**88%**

(2012 – 89%)

## Revenue p/v

**+2%**

compared to 2012

## Vehicle sales

**20,700**

at improved values

## ROCE

**14.8%**

(2012 – 16.5%)

## Commercial

**3** new sites

opened in the year

Focus on driving growth in the UK



# Driving growth in the UK



## Commercial

- Market share c20% in fragmented market
- Regional Sales team enlarged
- National sales changes implemented June 2013



## Network Expansion

- 3 new branches opened and on plan in Q4 FY13
- 6-8 openings planned in London area FY14
- Up to 20 new branches by 2015 across UK



## Vehicle Sales

- Largest retailer of UK used LCVs
- New defleet centres in 2013 will increase retail penetration from 20% to 30%

# Fernando Cogollos: Managing Director Northgate Spain

## Operational review: Spain

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# Spain Operational Highlights

## Vehicles on hire

**-1,900**

since April 2012

## Revenue p/v

**-1%**

compared to 2012

## Utilisation

**90%**

(2012 – 90%)

## Vehicle sales

**11,200**

at improved values

## Bad debt charge

**-€3.1m**

compared to FY12

## ROCE

**8.4%**

(2012 – 9.9%)

Actions being taken to improve ROCE

# Actions to improve ROCE



## Commercial

- Reinforcing pricing for recharging of damage in excess of fair usage
- Focus on higher margin SME business
- Continue to diversify away from construction industry customers



## Operations

- Workshop efficiency programme ongoing
- Age out vehicles subject to suitable customer profile
- Maintain utilisation above 90%



## Retail sales

- Improved maintenance regime supplies more vehicles to retail channels
- Continue to increase Van Monster penetration



## Cash flow generation

- €64m cash flow generated
- Asset optimisation and fleet balancing
- Continuation of improvements in debtor management. DSO 64 days (2012 – 71 days)



# Bob Contreras: Chief Executive Outlook

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# Outlook

## UK

Build on commercial improvement and branch expansion to drive rental growth

## Spain

Continuation of strategy of cash generation and actions to increase ROCE

## Dividend

Move towards a normalised dividend cover in FY14

## Outlook

UK provides medium term growth opportunity whilst market conditions in Spain remain challenging

# Questions

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# Financial summary

Appendix 1

£m	April 2013			April 2012
	UK	Spain	Total	Total
Revenue	291.1	150.8	441.9	503.7
Operating profit (excluding vehicle disposals)	43.4	20.2	63.6	82.7
Vehicle disposals	20.8	5.0	25.8	26.7
Total operating profit	64.2	25.2	89.4	109.4
Corporate	-	-	(3.0)	(4.2)
<b>Group operating profit</b>	<b>-</b>	<b>-</b>	<b>86.4</b>	<b>105.2</b>
Operating margin %	22.1%	16.7%	19.6%	20.9%
Cash interest			(30.4)	(38.9)
Non cash interest			(6.5)	(6.6)
<b>Profit before tax</b>			<b>49.5</b>	<b>59.7</b>

# Capital employed (April 13)

Appendix 2

£m	UK	Spain	Group
Vehicles (hire and used)	383	221	604
Property	31	37	68
Other fixed assets	17	5	22
Trade and other debtors	59	34	93
Trade and other creditors	(41)	(16)	(57)
<b>Capital employed</b>	<b>449</b>	<b>281</b>	<b>730</b>
Net debt	(238)	(125)	(363)
<b>Net assets</b>	<b>211</b>	<b>156</b>	<b>367</b>
ROCE	14.8%	8.4%	11.8%
Capital employed (April 2012)	421	316	737

# Exceptional items

£m	April 2013	April 2012
Restructuring costs – UK	2.1	5.4
Restructuring costs – Spain	0.8	1.5
Other	0.4	(0.2)
<b>Exceptional operating costs</b>	<b>3.3</b>	<b>6.7</b>
Exceptional financing costs	54.0	3.0
<b>Total exceptional items</b>	<b>57.3</b>	<b>9.7</b>



# Facilities and borrowing cost

£m	April 2013	
Syndicated bank facilities	428	
Other facilities	15	
	<b>443</b>	<b>rate*</b>
Fixed rate borrowings	231	2.9%
Floating rate borrowings	132	2.7%
<b>Net debt</b>	<b>363</b>	<b>2.8%</b>
<b>Headroom</b>	<b>80</b>	

*\* Weighted average borrowing rate inclusive of swaps taken out against new bank debt on 2 May 2013*

# Operating cash flows

Appendix 5

£m	April 2013	April 2012
Operating profit (statutory)	79.5	94.5
Depreciation and amortisation	167.3	197.1
Working capital and other movements	11.6	21.3
<b>Cash generated from operations</b>	<b>258.4</b>	<b>312.9</b>
Net interest paid	(31.3)	(38.3)
Corporation tax paid	(16.8)	(2.6)
<b>Cash flow after interest and tax</b>	<b>210.3</b>	<b>272.0</b>
Vehicle purchases	(255.2)	(306.3)
Vehicle disposals	145.9	180.3
Other net capex	(8.4)	(7.8)
<b>Cash flow before equity and financing costs</b>	<b>92.6</b>	<b>138.2</b>
Equity and financing costs, dividends and other items	(47.1)	(2.7)
<b>Net cash flow</b>	<b>45.5</b>	<b>135.5</b>

# Group fleet capital expenditure

Appendix 6

£m		April 2013	April 2012
Purchases	UK	186.7	187.2
	Spain	72.3	118.2
Disposals	UK	(124.6)	(136.3)
	Spain	(43.4)	(66.7)
<b>Net fleet capex</b>		<b>91.0</b>	<b>102.4</b>
<b>Vehicles:</b>			
Purchases	UK	16,500	16,500
	Spain	7,300	11,900
		<b>23,800</b>	<b>28,400</b>
Disposals	UK	20,700	25,200
	Spain	11,200	16,800
		<b>31,900</b>	<b>42,000</b>

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

	April 2013	April 2012
Fleet size (closing)	49,900	52,900
Utilisation (average)	88%	89%
Closing vehicles on hire	43,100	46,400
Revenue per vehicle	£6,063	£6,026
Operating margin	22.1%	23.2%
Headcount (closing)	1,835	1,869
PPU	£1,003	£893
ROCE	14.8%	16.5%

	April 2013	April 2012
Fleet size (closing)	35,100	38,400
Utilisation (average)	90%	90%
Closing vehicles on hire	32,100	34,000
Revenue per vehicle	€5,562	€5,685
Operating margin	16.7%	19.1%
Headcount (closing)	858	915
PPU	€544	€293
ROCE	8.4%	9.9%