

# Northgate plc

Interim results

Six months ended 31 October 2012

December 2012



# Agenda

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- Financial performance
- Operational review
  - UK
  - Spain
- Outlook

Chris Muir

Bob Contreras

**Chris Muir**

Group Finance Director



# Group financial summary

## Operating profit

FY13 (H1)

£47.6m

FY12 (H2)

£49.2m

FY12 (H1)

£56.0m

## Profit before tax

£28.1m

£27.4m

£32.3m

## EPS

15.1p

14.1p

17.4p

## Dividend

**1.3p**



FY12 – 1.0p\*

## Net debt

**£343m**



Apr-12 - £371m

## ROCE

**12.5%**

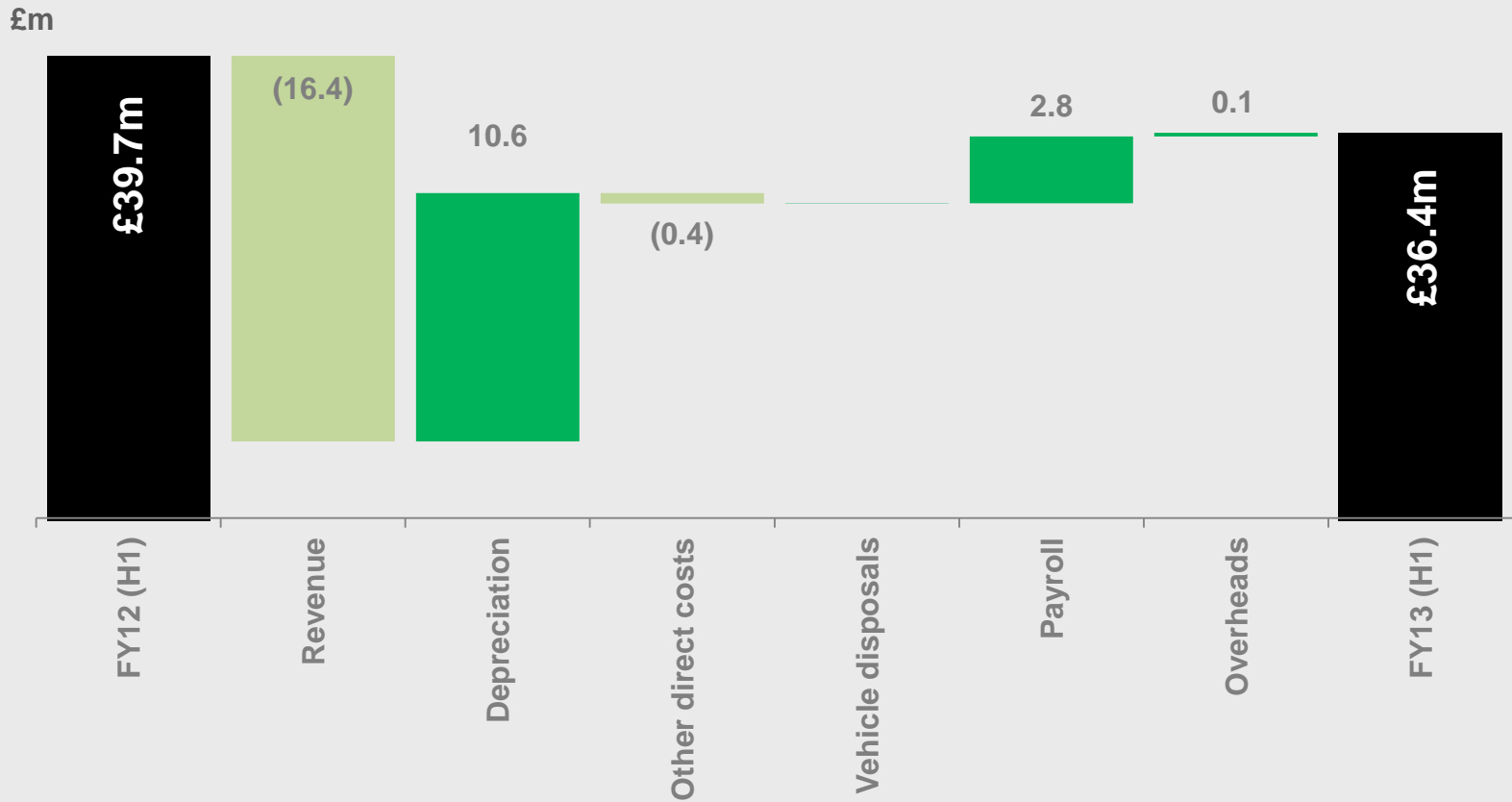


FY12 – 12.5%

\* 2011 comparative of 1.0p assumes one third of final FY12 dividend of 3.0p

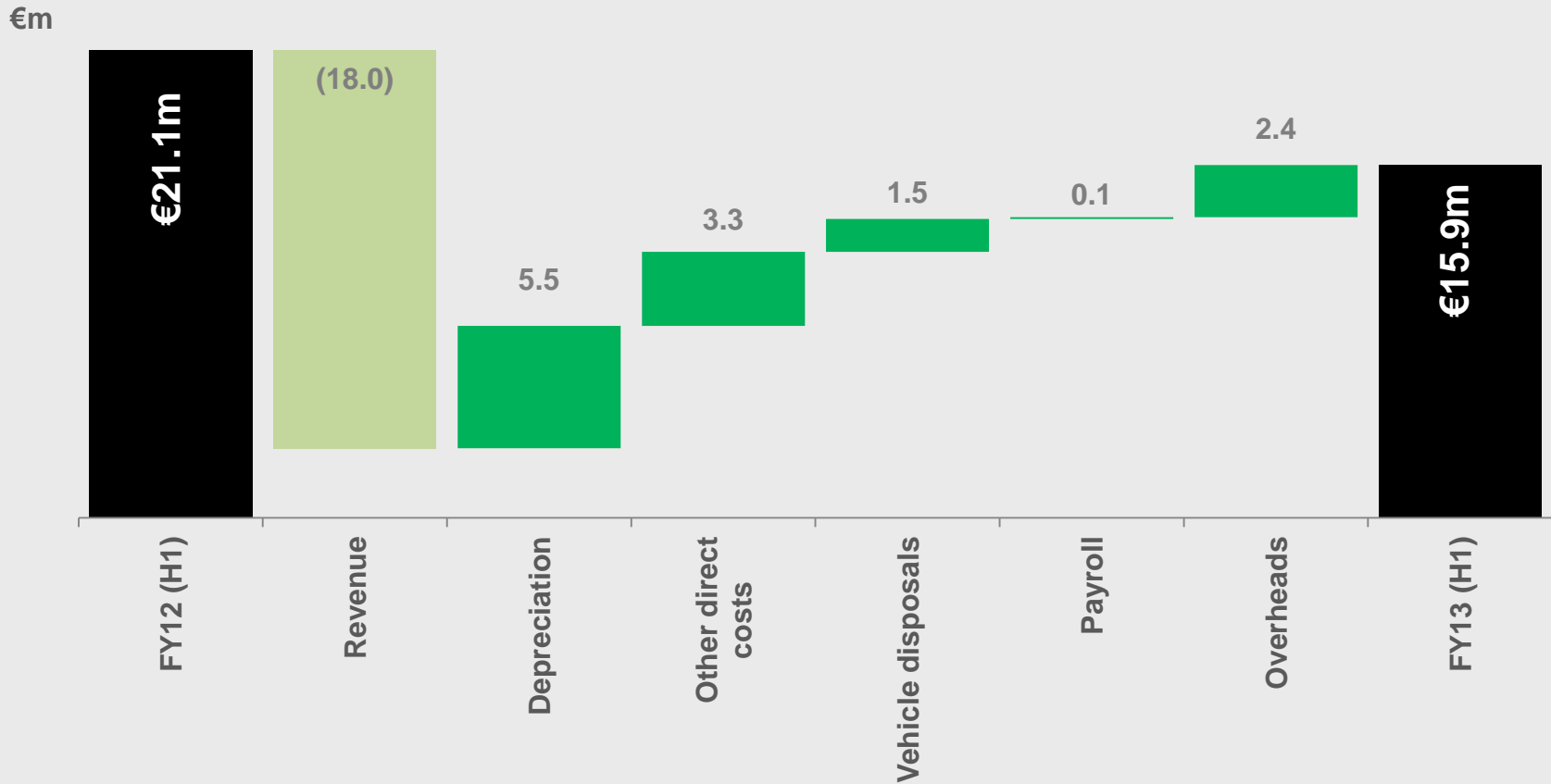
# UK operating profit

UK operating margin has improved despite a fall in on-rent and lower volume of vehicle sales



# Spain operating profit

Spain continues to be a difficult environment in which to operate



# Cash flow and net debt

## Net debt

Oct-12 **£343m**

Apr-12 **£371m**

Oct-11 **£482m**

## Gearing

Oct-12 **94%**

Apr-12 **105%**

Oct-11 **144%**

	£m
Opening net debt (1 May-12)	371.3
Cash flow	(27.9)
Non-cash movements	2.2
Exchange movements	(2.4)
<b>Closing net debt (31 Oct-12)</b>	<b>343.2</b>
Facilities headroom	302.9

# Capital employed (October 12)

£m	UK	Spain	Group
Vehicles (hire and used)	399	235	634
Property	31	34	65
Other fixed assets	16	6	22
Trade and other debtors	54	37	91
Trade and other creditors	(80)	(12)	(92)
<b>Capital employed</b>	<b>420</b>	<b>300</b>	<b>720</b>
Net debt	(205)	(138)	(343)
<b>Net assets</b>	<b>215</b>	<b>162</b>	<b>377</b>
ROCE	16.4%	8.5%	12.5%
Capital employed (April 2012)	421	316	737



**Bob Contreras**

Chief Executive



# UK Operational Highlights

## Vehicles on hire

**-3%**

since April 2012

## Utilisation

**89%**

(2011 – 90%)

## Hire rates

**Stable**

since April 2012

## Vehicle sales

**12,000**

residuals maintained

## ROCE

**16.4%**

(2011 – 15.9%)

## Commercial

**4** new sites to  
open by April 2013

Creating a platform for growth

# A platform for growth



## Commercial

- New Sales & Marketing Director
- Overhaul of sales team since June 2012
- Significant investment in training ongoing
- Aim – full complement of high calibre sales force by year end



## Network Footprint

- Large regional gaps
- Four new rental sites open by April 2013
- New branches will not cannibalise established business
- Branch managers to focus on local sales & marketing
- More sites planned 2013-15

**NORTHGATE**  
Fleet Management

## Fleet Management

- Northgate Fleet Management launched October 2012
- 15,000 vehicles under management
- Strong platform for new wins
- Leverage our supply chain



## Vehicle Sales

- Consolidate position as largest retailer of UK used LCVs
- Expansion of our retail offering
  - New sites in Slough/Glasgow

# Spain Operational Highlights

## Vehicles on hire

**-4%**

since April 2012

## Hire rates

**-1%**

since April 2012

## Utilisation

**90%**

(2011 – 91%)

## Vehicle sales

**5,600**

at improved values

## Bad debt charge

**-€2.5m**

compared to FY12 H1

## ROCE

**8.5%**

(2011 – 9.6%)

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 initiated
- Improved maintenance regime
- Age out vehicles subject to suitable customer profile
- Maintain utilisation above 90%



## Retail sales

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



## Cash flow generation

- Asset optimisation through improved maintenance regime and customer profiling
- Continuation of improvements in debtor management

# Outlook

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**UK**

Focus on commercial improvement and regional footprint to drive rental growth

**Spain**

Acceleration of strategy of debt reduction and increased ROCE

**Dividend**

Commitment to continued progressive dividend

**Outlook**

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

# Questions

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# Financial summary

Appendix 1

£m	October 2012			Oct 2011
	UK	Spain	Total	Total
Revenue	149.1	75.9	225.0	264.9
Operating profit (excluding vehicle disposals)	25.0	10.6	35.6	45.9
Vehicle disposals	11.4	2.1	13.5	12.4
Total operating profit	36.4	12.7	49.1	58.3
Corporate	-	-	(1.5)	(2.3)
<b>Group operating profit</b>	<b>-</b>	<b>-</b>	<b>47.6</b>	<b>56.0</b>
Operating margin %	24.4%	16.8%	21.1%	21.1%
Cash interest			(16.3)	(20.6)
Non cash interest			(3.2)	(3.1)
<b>Profit before tax</b>			<b>28.1</b>	<b>32.3</b>



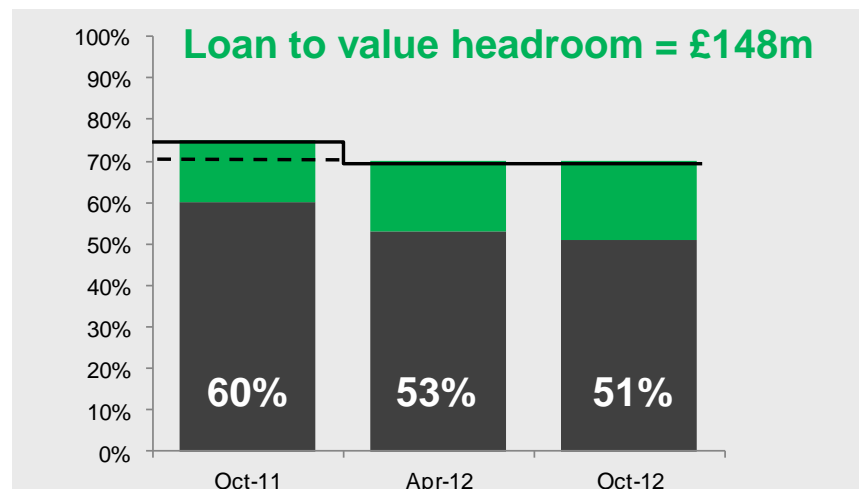
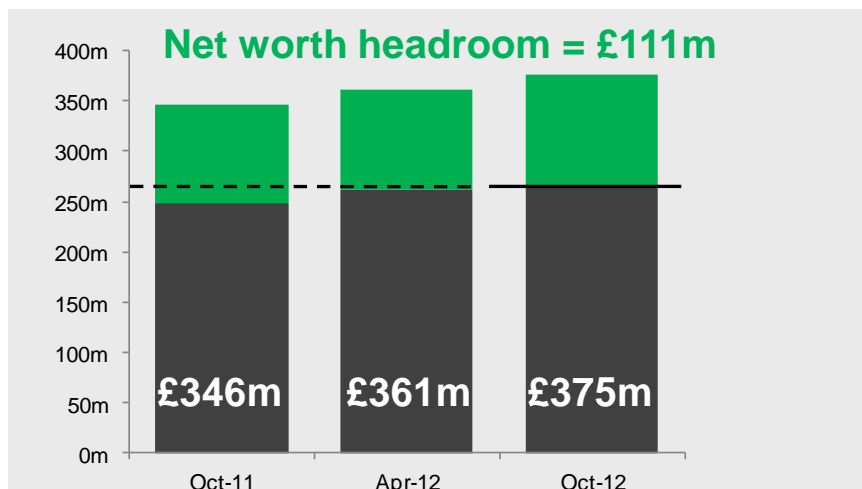
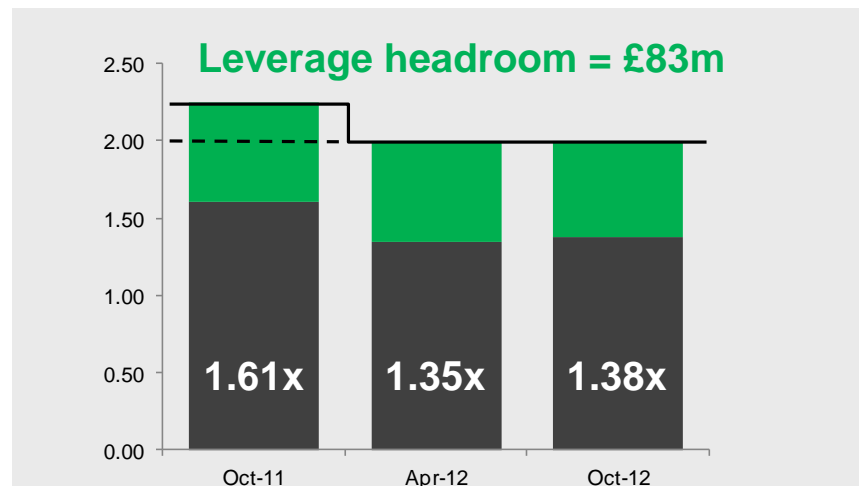
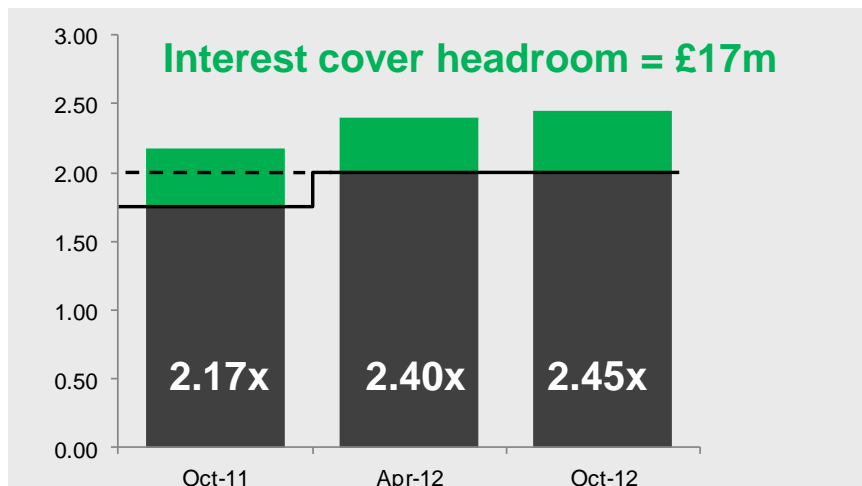
# Exceptional items

£m	Oct 2012	Oct 2011
Restructuring costs - UK	0.8	3.5
Restructuring costs – Spain	0.7	0.6
Other	-	(0.6)
<b>Total exceptional items</b>	<b>1.5</b>	<b>3.5</b>

# Cost of borrowing

£m	Oct 2012	Rate
Fixed rate borrowings:		
US loan notes	163	8.8%
M&G loan	91	8.2%
Bank borrowings	66	5.3%
	<b>320</b>	<b>7.9%</b>
Floating rate bank borrowings	41	2.7%
Arrangement fees	(18)	-
<b>Net debt</b>	<b>343</b>	<b>6.8%</b>

£m	Oct 2012
Syndicated bank facilities	386
US loan notes	163
M&G loan	91
Other facilities	24
	<b>664</b>
Closing net debt	343
Unamortised arrangement fees	18
<b>Headroom</b>	<b>303</b>



# Operating cash flows

£m	Oct 2012	Oct 2011
Operating profit (statutory)	44.1	50.6
Depreciation and amortisation	83.0	103.1
Working capital and other movements	(0.6)	7.4
<b>Cash generated from operations</b>	<b>126.5</b>	<b>161.1</b>
Net interest paid	(16.4)	(19.6)
Corporation tax paid	(3.4)	(2.0)
<b>Cash flow after interest and tax</b>	<b>106.7</b>	<b>139.5</b>
Vehicle purchases	(149.3)	(191.9)
Vehicle disposals	79.8	98.4
Other net capex	(4.3)	(3.0)
<b>Cash flow before equity and financing costs</b>	<b>32.9</b>	<b>43.0</b>
Equity and financing costs, dividends and other items	(5.0)	0.7
<b>Net cash flow</b>	<b>27.9</b>	<b>43.7</b>

# Group fleet capital expenditure

Appendix 7

£m		FY13 (H1)	FY12 (H1)	FY12 (H2)
Purchases	UK	109.7	112.9	74.3
	Spain	43.8	80.7	37.5
Disposals	UK	(69.3)	(76.3)	(60.0)
	Spain	(20.3)	(34.5)	(32.2)
<b>Net fleet capex</b>		<b>63.9</b>	<b>82.8</b>	<b>19.6</b>
<b>Vehicles:</b>				
Purchases	UK	9,600	10,100	6,400
	Spain	4,500	8,000	3,900
		<b>14,100</b>	<b>18,100</b>	<b>10,300</b>
Disposals	UK	12,000	14,500	10,700
	Spain	5,600	8,300	8,500
		<b>17,600</b>	<b>22,800</b>	<b>19,200</b>

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

	FY13 (H1)	FY12 (H1)	FY12 (H2)
Fleet size (closing)	51,000	56,900	52,900
Utilisation (average)	89%	90%	89%
Closing vehicles on hire	45,000	51,600	46,400
Revenue per vehicle (annualised)	£6,141	£6,042	£6,009
Operating margin	24.4%	24.0%	22.3%
Headcount (closing)	1,794	1,971	1,869
PPU	£953	£785	£1,041
ROCE	16.4%	15.9%	16.5%

	FY13 (H1)	FY12 (H1)	FY12 (H2)
Fleet size (closing)	37,700	42,900	38,400
Utilisation (average)	90%	91%	89%
Closing vehicles on hire	32,700	38,600	34,000
Revenue per vehicle (annualised)	€5,585	€5,679	€5,694
Operating margin	16.8%	18.7%	19.7%
Headcount (closing)	890	931	915
PPU	€463	€134	€448
ROCE	8.5%	9.6%	9.9%