

NORTHGATE plc

Interim Results

Six months ended 31 October 2011

6 December 2011



Agenda

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



Bob Contreras

Chris Muir

Bob Contreras

Bob Contreras
Chief Executive



Group summary

- Performance and market environment
- UK restructuring
- Spain



UK operational highlights

- Restructuring of UK business on track
- Daily utilisation at 90% average
- Underlying hire rate increase of over 2%
- Used vehicle residual market remains strong
- Improved ROCE

UK review

- Operations
 - Centralised customer services (October – April 2012)
 - Workshops
 - standards; service, maintenance and repair excellence
 - refurbishment and improvement of our facilities
 - Logistics planning (roll out completed November 2011)
 - Customer service and operating efficiencies

UK review

- Sales and marketing
 - Improved customer communication programme
 - Customer relationship management system (completed November 2011)
 - Marketing initiatives
 - Rentinator launched at SME (sub 5 fleet) November 2011

RENTINATOR
VAN PROBLEM  NO PROBLEM

- retail cash hire

UK review

- Centralised finance (December 2011 – April 2012)
- UK management changes
 - new Operations, HR, Finance Directors in place
 - new Sales and Marketing Director in process
- On target for year on year savings of £5m by April 2012

UK priorities

- Complete restructuring and progress cultural change
- Pricing
- Improved customer servicing and offering
- Expand fleet management based on H1 wins

Spain operational highlights

- Utilisation at 91% average
- Reduction in underlying hire rates of 1%
- Used vehicle residuals improved
- Improved ROCE

Spain priorities

- Improved customer service
- Maintain utilisation above 90%
- Commercial strategy



- Implementation of workshop operations improvements
- ¹¹ Debtor management

Chris Muir

Group Finance Director



Financial performance

	Oct 2011 (H1)	Oct 2010 (H1)		Apr 2011 (H2)
Operating profit	£56.0m	£53.5m	+5%	£52.1m
Operating margin	21.1%	19.8%	+1.3%	19.5%
Profit before tax	£32.3m	£27.2m	+19%	£26.6m
Net debt	£482m	£580m	-£48m	£530m
Gearing	144%	188%	-19%	163%
ROCE	12.5%	10.0%	+0.6%	11.9%

Exceptional items

£m	Oct 2011	Oct 2010
Restructuring costs - UK	3.5	1.5
Restructuring costs - Spain	0.6	4.1
Restructuring costs - Corporate	-	0.5
Impairment of Spanish properties	-	1.8
Net property losses (profits)	0.2	(0.2)
Refund from previous acquisition	(0.8)	-
Exceptional administrative expenses	3.5	7.7
Impairment of intangible assets	-	5.9
Total exceptional items	3.5	13.6

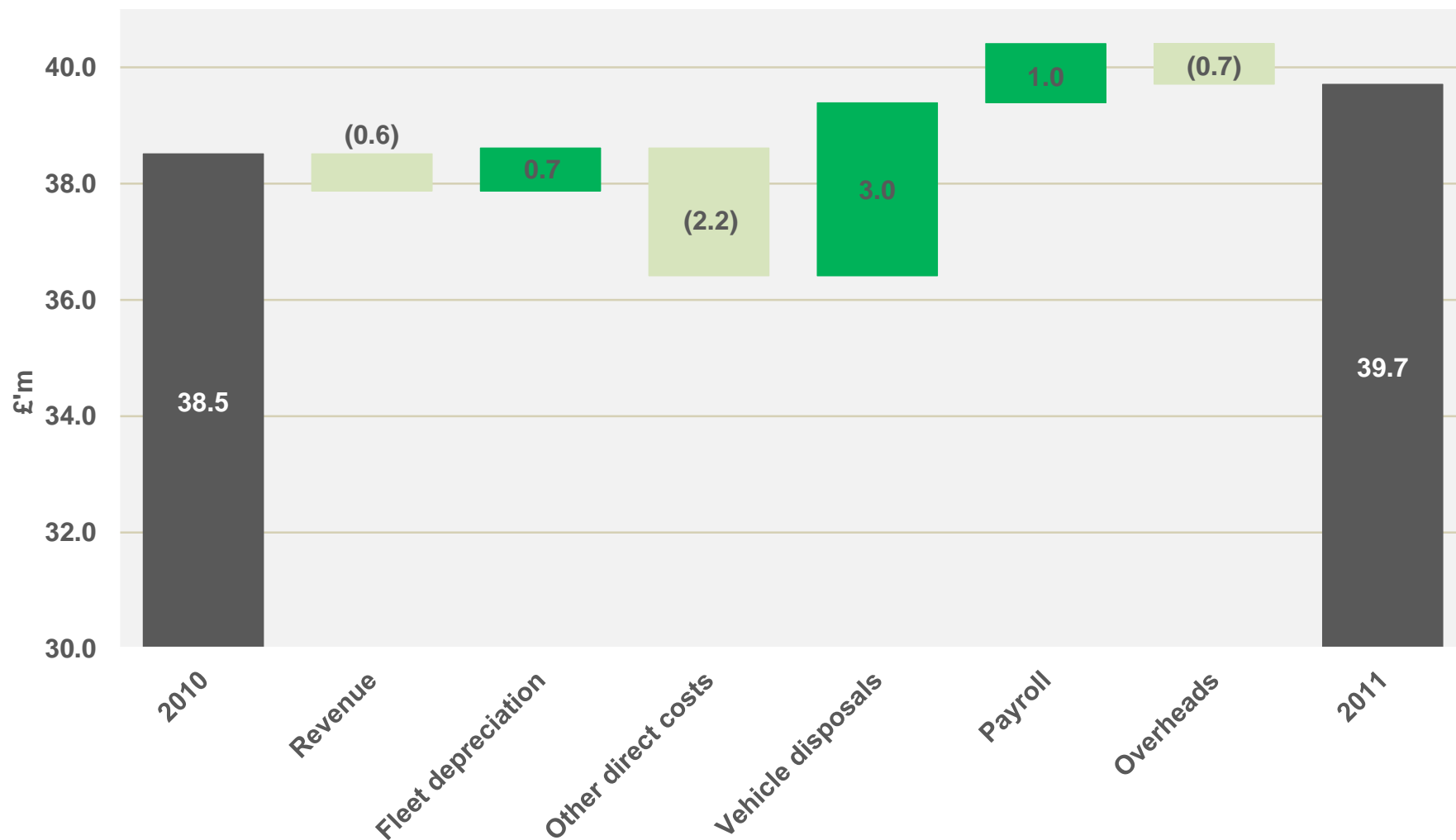
Operating profit reconciliation

£m	UK	Spain	Head Office	Total
2010 (H1) Operating profit	38.5	17.1	(2.1)	53.5
2011 (H1) Operating profit	39.7	18.6	(2.3)	56.0
Variance	1.2	1.5	(0.2)	2.5
<i>Variances:</i>				
- Disposal values	3.0	1.4	-	4.4
- Other	(1.8)	0.1	(0.2)	(1.9)

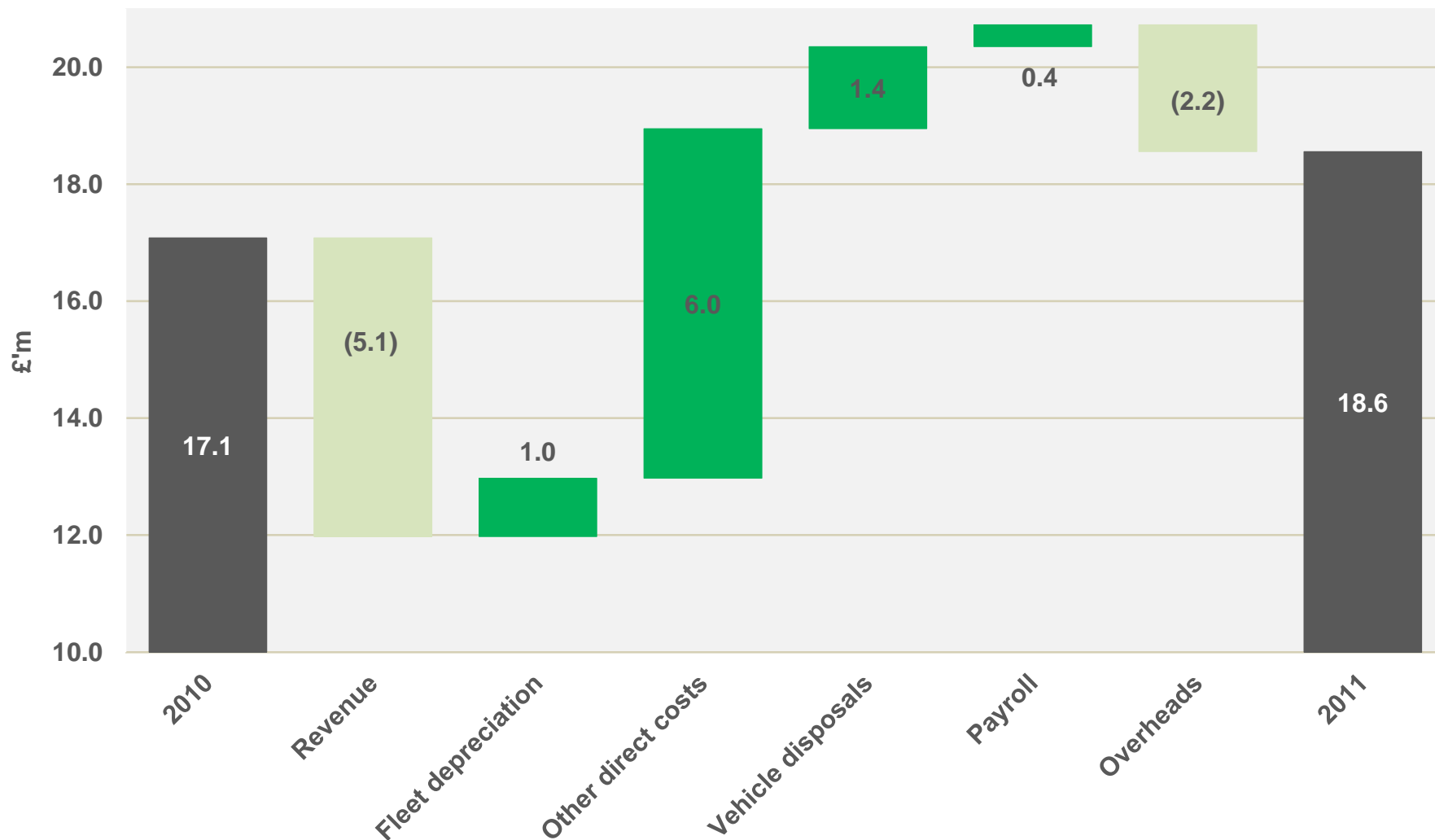
Operating profit reconciliation

£m	UK	Spain	Head Office	Total
2010 (H2) Operating profit	35.1	19.5	(2.5)	52.1
2011 (H1) Operating profit	39.7	18.6	(2.3)	56.0
Variance	4.6	(0.9)	0.2	3.9
<i>Variances:</i>				
- Disposal values	5.6	0.4	-	6.0
- Other	(1.0)	(1.3)	0.2	(2.1)

UK operating profit



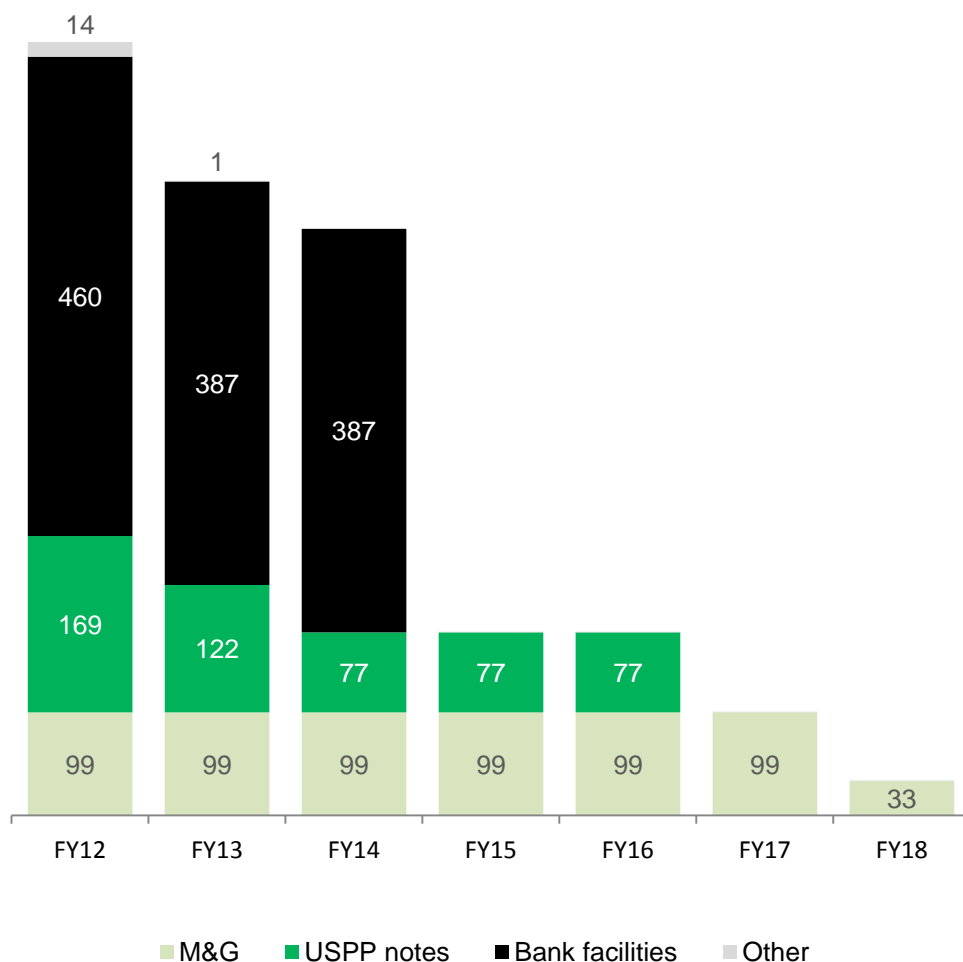
Spain operating profit



Cash flow and net debt

	£m	
		Net debt
Opening net debt 1 May 2011	529.9	Oct 2011: £482m
Cash flow	(43.7)	April 2011: £530m
Non-cash movements	3.5	Oct 2010: £580m
Exchange movements	(8.1)	
Closing net debt 31 October 2011	481.6	October 2011: 144%
Facilities headroom (see Appendix 2)	253	April 2011: 163%
		October 2010: 188%
		Gearing

Committed facilities at April (£m)



- Bank facilities mature September 2014
- US loan notes final maturity December 2016
- M&G loan matures April 2019
- Total £757m Group facilities with £253m headroom at October 2011

Outlook



Questions



Financial summary

£m	October 2011		October 2010
	UK	Spain	Total
Revenue	165.6	99.3	264.9
Operating profit (excluding vehicle disposals)	28.3	17.6	45.9
Vehicle disposals	11.4	1.0	12.4
Total operating profit	39.7	18.6	58.3
Head office	-	-	(2.3)
Group operating profit	-	-	56.0
Operating margin %	24.0%	18.7%	21.1%
Cash interest			(20.6)
Non cash interest			(3.1)
Profit before tax			32.3
			27.2

Facilities headroom

£m

**October
2011**

Syndicated bank facilities

462

US loan notes

169

M&G loan

99

Other facilities

27

757

Closing net debt

482

Unamortised arrangement fees

22

504

Headroom

253

Cost of borrowing

£m	October 2011	Rate
Fixed rate borrowings		
US loan notes	169	8.7%
M&G loan	99	8.2%
Bank borrowings	134	5.1%
	402	7.4%
Floating rate bank borrowings	102	4.2%
Arrangement fees	(22)	-
Net debt	482	6.7%

Financial covenants

	October 2011	April 2011
1) EBIT : Interest		
Actual	2.17 x	2.09 x
Covenant	1.75 x	1.50 x
2) Net debt/EBITDA		
Actual	1.61 x	1.68 x
Covenant	2.25 x	2.25 x
3) Tangible net worth		
Actual	£345.6m	£320.5m
Covenant	£248.7m	£235.0m
4) Loan to value		
Actual	60%	63%
Covenant	75%	80%

Operating cash flows

£m	October 2011	October 2010
Operating profit (statutory)	50.6	37.5
Depreciation, amortisation and impairment	103.1	117.4
Working capital and other movements	7.4	3.1
Cash generated from operations	161.1	158.0
Net interest paid	(19.6)	(21.6)
Corporation tax paid	(2.0)	(1.9)
Cash flow after interest and tax	139.5	134.5
Vehicle purchases	(191.9)	(194.8)
Vehicle disposals	98.4	88.9
Other net capex	(3.0)	(1.2)
Cash flow after financing and capex	43.0	27.4
Equity and other financing costs	0.7	(0.1)
Net cash flow	43.7	27.3

Group fleet capital expenditure

		2011	H1 2010	H2 2010
		£m	£m	£m
Purchases	UK	112.9	116.6	84.1
	Spain	80.7	73.8	60.4
Disposals	UK	(76.3)	(60.0)	(43.0)
	Spain	(34.5)	(37.2)	(38.1)
Net fleet capex		82.8	93.2	63.4
Vehicles				
Purchases	UK	10,100	10,500	8,400
	Spain	8,000	7,400	6,000
		18,100	17,900	14,400
Disposals	UK	(14,500)	(10,700)	(8,200)
	Spain	(8,300)	(9,500)	(9,500)
		(4,700)	(2,300)	(3,300)

UK KPIs

	2011	H1 2010	H2 2010
Fleet size (closing)	56,900	60,700	61,200
Utilisation (average)	90%	90%	90%
Closing vehicles on hire	51,600	54,400	53,800
Revenue per rented vehicle (annualised)	£6,342	£6,185	£6,129
Operating margin	24.0%	23.2%	20.9%
Headcount (closing)	1,971	2,057	2,073

Spain KPIs

	2011	H1 2010	H2 2010
Fleet size (closing)	42,900	45,900	43,500
Utilisation (average)	91%	90%	91%
Closing vehicles on hire	38,600	41,100	39,400
Revenue per rented vehicle (annualised)	€5,679	€5,725	€5,759
Operating margin	18.7%	16.4%	19.8%
Headcount (closing)	931	956	936