

NORTHGATE PLC

PRELIMINARY RESULTS FOR THE 12 MONTHS ENDED 30 APRIL 2019

Financial performance in line with guidance, continuing progress in the delivery of operational and strategic initiatives across the Group

Reported results

| Year ended 30 April | 2019 £m | 2018 £m | Change % |
|-------------------------|------------|------------|-------------|
| Revenue – vehicle hire | 517.6 | 471.2 | +9.9% |
| Revenue – vehicle sales | 227.8 | 230.5 | (1.1%) |
| Total revenue | 745.5 | 701.7 | +6.2% |
| Operating Profit | 75.5 | 64.1 | +17.8% |
| Profit before Tax | 60.4 | 52.7 | +14.5% |
| Earnings per Share | 38.6p | 32.4p | +19.1% |
| Dividend per Share | 18.3p | 17.7p | +3.4% |

Adjusted results

| Year ended 30 April | 2019 £m | 2018 £m | Growth % |
|---|------------|------------|-------------|
| Rental profit | 64.3 | 52.5 | +22.6% |
| EBITDA | 268.4 | 248.5 | +8.0% |
| Underlying ¹ Operating Profit | 76.2 | 68.3 | +11.5% |
| Underlying ¹ Profit before Tax | 61.1 | 57.0 | +7.2% |
| Underlying ¹ Earnings per Share | 38.7p | 34.8p | +11.2% |
| Total net capex ¹ | (243.9) | (311.0) | +21.6% |
| Net Replacement Capex ¹ | (201.3) | (185.9) | (8.3%) |
| Growth Capex ¹ (incl. acquisition) | (42.6) | (125.1) | +65.9% |
| EBITDA less Net Replacement Capex | 67.1 | 62.6 | +7.3% |
| Free cash flow / (outflow) | 20.4 | (96.0) | |
| Net Debt | 436.9 | 439.3 | +0.6% |
| Return on Capital Employed % | 7.7% | 7.5% | +20 bps |

Highlights:

- Hire revenue growth³ driven by double digit vehicles on hire (VOH²) growth³;
- Rental profit of £64.3m grew² 22.6%, delivering a Group rental margin of 12.4% (2018: 11.1%);
 - UK & Ireland rental margin of 7.8% grew steadily throughout the year, reflecting the strong momentum from our self-help agenda;
 - Rental margin in Spain increased significantly to 19.7%, as we took steps to protect our strong market position in response to increasing pricing competition in the market;

¹ Refer to GAAP reconciliation and Glossary of terms note

² Vehicles on Hire is average unless otherwise stated

³ Growth is year-on-year unless otherwise stated

- Group rental profit growth³ benefit of £20.2m following the depreciation rate changes effective 1 May 2018;
- Underlying¹ profit before tax of £61.1m benefitted £15.3m from the net impact of depreciation rate changes, offset by the unwind of disposals;
- Final dividend proposed of 12.1p per share (2018: 11.6p), taking the total dividend payable for the year to 18.3p per share, an increase of 3.4% (2018: 17.7p);
- Free cash inflow of £20.4m benefitted from significantly lower total net capex of £243.9m (2018: £311.0m) driven by lower fleet growth and the fleet optimisation policy. Steady state cash generation⁵ remained strong at £67.1m (2018: £62.6m);
- Net debt of £436.9m gave year end leverage of 1.64x, within the 1.5 – 2.5x target range.

Outlook for FY 2020 and the medium-term⁴

The Group exited FY 2019 with good operational momentum and clear execution plans to continue the delivery of profitable growth and strong cash generation in the coming year. Guidance for FY 2020 is as follows:

- Group rental revenue expected to grow³ low to mid single-digit %, driven by low single digit VOH² growth³ in the UK & Ireland, and low to mid single digit VOH² growth³ in Spain;
- Group rental profit margin to be approximately 50 basis points above FY 2019 rental margin of 12.4%;
- Group disposal profits will remain broadly flat with FY 2019;
- Total capex is expected to increase 15-20%, driven by growth capex.

In the medium-term⁴, the Group expects to deliver a rental profit margin of at least 15%, supported by the substantial margin opportunity ahead for the UK & Ireland, and a continued strong margin in Spain.

Kevin Bradshaw, Chief Executive of Northgate, commented:

“We continue to make good progress executing our rental strategy to address the compelling growth opportunity in our markets.

“In the UK, our self-help turnaround programme is delivering. We have successfully introduced regular price increases during the year, and applied greater commercial focus to increase the efficiency of our operations. We turned a pricing corner in the second half of the year with our average hire rates returning to year-on-year growth after a three-year period of decline. Combined with our VOH² growth³ driven by selective expansion of our minimum-term product, we delivered both rental income and average VOH growth³ of 11.3% in 2019. Our disposal channel has also performed well, achieving firm sales prices for the vehicles we sell.

“In Spain we continue to leverage the strength of our flexible hire business to provide a comprehensive range of fleet hire solutions to our customers. We are pursuing minimum-term growth opportunities

¹ Refer to GAAP reconciliation and Glossary of terms note

² Vehicles on Hire is average unless otherwise stated

³ Growth is year-on-year unless otherwise stated

⁴ Medium-term is 3-5 years

⁵ Steady state cash generation is EBITDA less net replacement capex

with increasing selectivity as we take steps to protect the strong and attractive returns of the business against increasing price competition in the market. Lower disposal profits primarily reflect lower disposal volumes driven by the transition to longer holding periods following the previously announced strategic decision to increase the ageing of our fleet.

“Steady state cash generation for the Group remains strong, and has enabled us to increase the dividend and fund attractive minimum-term growth opportunities. Our progressive dividend reflects the confidence of the Board in the future prospects of the Group. Through continued performance improvement in our core rental business and extending our penetration into complementary services to broaden the fleet solutions we provide, I am confident that our strategy will deliver our medium-term objectives of further profitable growth, strong cash generation and attractive returns for shareholders.

“We are disappointed with the share price performance and remain focussed on addressing the undervaluation of the Group. The search for our new Chairman is well advanced with an exceptionally strong shortlist. The Board and management look forward to working alongside a new Chair appointment to maximise value for shareholders”.

GAAP reconciliation and glossary of terms

Throughout this document we refer to underlying results and measures; the underlying measures allow management and other stakeholders to better compare the performance of the Group between the current and prior period without the effects of one-off or non-operational items. Underlying measures exclude certain one-off items such as those arising from restructuring activities and recurring non-operational items. Specifically we refer to disposal profit. This is a non-GAAP measure used to describe the adjustment in depreciation charge made in the year for vehicles sold at an amount different to their net book value at the date of sale (net of attributable selling costs).

A reconciliation of GAAP to Non-GAAP underlying measures and a glossary of terms used in this document are outlined below the financial review.

Next Results

Northgate will provide a First Quarter Trading Update on the day of its Annual General Meeting on 23 September 2019.

Contact details

There will be a presentation for investors and analysts at 9.00 a.m. today at Numis, 5th Floor, London Stock Exchange Building, 10 Paternoster Square, London EC4M 7LT. If you have not already registered to attend, please contact MHP Communications on the number below.

A live webcast of this presentation will be available via a link on the Company's web-site www.northgateplc.com

There will also be a listen-only dial-in facility on +44 (0)330 336 9411, confirmation code 6599335.

For further information please contact:

| | |
|---|---------------------|
| Northgate plc | +44 (0)118 207 3535 |
| Kirsty Law, Investor Relations | +44 (0)7808 212 964 |
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| Andrew Jaques, Simon Hockridge, Ollie Hoare | |

Notes to Editors:

Northgate plc is the leading light commercial vehicle hire business in the UK, Spain and Ireland by fleet size and has been operating in the sector since 1981.

Northgate's core business is the hire of light commercial vehicles to businesses on a flexible or minimum-term basis, giving customers the ability to manage their fleet requirements in a way which can adapt best to changing business needs.

Further information regarding Northgate plc can be found on the Company's website www.northgateplc.com

CHIEF EXECUTIVE REVIEW

MARKET AND OPPORTUNITIES

There are approximately 8 million Light Commercial Vehicles (LCVs) on the roads in Northgate's two territories. The rental and term hire segments present the greatest opportunities for future growth within the LCV sector, driven by the major structural shift in the market from vehicle ownership to 'usership'.

Customers are increasingly attracted to a rental proposition that avoids the high initial capital outlay of vehicle ownership and brings them certainty of future cash outflows. In addition, the benefit of third party vehicle supply and management delivers lower total ownership costs to customers versus direct ownership.

Northgate is evolving its fleet solutions to offer customers a comprehensive range of complementary services including fleet management, telematics and accident management. This evolution increases the attractiveness of LCV rental solutions to our customers, and in return will allow Northgate to participate in the higher returns these technology-led services offer.

GROUP PERFORMANCE

During 2019 we continued to strengthen the Group's foundations and execute on our strategy to deliver long-term sustainable growth in revenues, profits and shareholder returns.

Total revenues grew 6.2% to £745.5m (2018: £701.7m) driven by our selective penetration into the rental markets through our attractive minimum-term proposition. Group statutory operating profit of £75.5m grew 17.8%, with underlying operating profit growth of 11.5% to £76.2m (2018: £68.3m), driven by growth in rental profits partially offset by lower disposal profits reflecting the transition to longer vehicle holding periods following implementation of the fleet optimisation policy. Operating profit growth included a net £15.3m benefit following the changes to depreciation rates at the start of the year, being a £20.2m benefit in rental profit offset by a £4.9m unwind through disposal profits. Underlying earnings per share grew 11.2% to 38.7p (2018: 34.8p), with the net benefit of the depreciation changes representing 9.7p of the earnings per share increase. Statutory earning per share of 38.6p increased from 32.4p in the prior year.

Free cash flow improvement was delivered from growth in the business and significantly lower total capex, reflecting lower growth in our fleet alongside the benefits of our fleet optimisation policy. Steady state cash generation¹ grew 7.3% to £67.1m, reflecting improved cash generation from our rental operations alongside investment in attractive minimum-term growth opportunities. Year end net debt of £436.9m is flat versus the prior year, giving leverage of 1.64x at the year end, within our target range of 1.5 – 2.5x.

ROCE in FY 2019 improved 20 bps to 7.7%, reflecting the strategic progress made during the year and was impacted by reduced disposal profits following the transition to a more aged fleet, by strong minimum-term growth in VOH², and from capital employed increasing ahead of the profit from those growth vehicles.

For the year ended 30 April 2019, we are proposing a final dividend of 12.1p (2018: 11.6p) which, together with the interim dividend of 6.2p (2018: 6.1p), gives a full year dividend of 18.3p

¹ Defined as EBITDA less Net replacement capex. Steady state cash generation is stated before cash flows for interest, taxation and other financing costs.

² Vehicles on Hire is average unless otherwise stated

(2018:17.7p), an increase of 0.6p or 3.4% on 2018. If approved by Shareholders, the final dividend will be paid on 27 September 2019 to Shareholders on the register on 16 August 2019. The proposed dividend increase reflects the strong performance of FY 2019 and the Board's confidence in the strategy initiatives in place to deliver increasing profits and distributions to shareholders going forward.

Our capital management framework remains consistent, delivering attractive returns to shareholders via our progressive dividend policy whilst maintaining a dividend cover of 2.0x – 3.0x. We continue to invest in the business and explore core bolt-ons, supported by established facilities and free cash flow. All of this done whilst maintaining balance sheet leverage within our stated range of 1.5x – 2.5x.

FOUR PART STRATEGY

Northgate exists to provide expert, easy and responsible vehicle rental. Behind this purpose are four principal market objectives through which we will leverage our strong market positions and competitive advantages to deliver strong growth and attractive returns:

1. Defend and grow our share of flexible rental markets;
2. Selectively gain share in minimum-term markets;
3. Broaden our provision of capital-light fleet solutions;
4. Optimise and increase participation in the disposals market.

The strategy above has evolved to include the broadening of Northgate's provision of fleet solutions through the development of capital-light services in attractive and complementary markets. Northgate already provides a number of complementary services in the wider B2B vehicle rental landscape such as fleet and accident management solutions, and we expect to grow our participation in these attractive areas to support and drive future growth in our core business operations.

Delivery of the above market objectives draws on Northgate's many competitive strengths, which include:

- Our strong brand, reputation and relationships in the LCV market;
- The breadth and depth of our operational experience and expertise;
- Our strong coverage capability in both territories, we offer national coverage capability as well as a presence in local markets through our nation-wide network of rental depots, service workshops and sales;
- Our purchasing scale and strong relationships with vehicle manufacturers;
- Our strong balance sheet and cashflows and our disciplined approach to capital deployment.

Management of the vehicle fleet

In the prior year we made the decision to increase vehicle holding periods in all territories, to give a more efficient capital base and drive stronger cash returns and higher ROCE. The transition to this fleet optimisation policy continued during this year, which led to a lower number of vehicle sales with a corresponding reduction in replacement vehicles purchased. Consequently, the revenue and profits from disposals, capex, and net debt levels were all lower than they would have been under the previous policy whilst the fleet was transitioning to this older ageing.

Attractive growth in minimum-term

Average VOH¹ growth in the year was driven by growth in our minimum-term product across both our markets, this will provide increasing visibility of our rental revenue and earnings. We have applied increased selectivity to minimum-term growth as the year progressed, seeing good opportunities for attractive growth in the UK & Ireland, and strong benefits of providing a bundled fleet solution to our customers in Spain.

GROUP OUTLOOK AND GUIDANCE

We have done much work in the past year to further strengthen the foundations of the Group. We have a clear strategy to grow our revenues, profits and returns, supported by clear execution plans. We will continue to enhance our capabilities and leverage our competitive advantages, to deliver the growth opportunities identified.

We expect Group revenue from vehicle hire to grow² by low to mid single digit % in FY 2020, driven by low single digit VOH¹ growth² in the UK & Ireland, and low to mid single digit VOH¹ growth² in Spain.

The Group rental profit margin is expected to increase by approximately 50 basis points in FY 2020, driven by VOH¹ growth and the opportunity for rental margin expansion in the UK & Ireland, together with our efforts to protect our strong market position in Spain through selective VOH¹ growth.

- In the UK & Ireland, despite uncertainty in the market driven by Brexit, we remain confident in the strength of our proposition and our ability to win business. Rental revenues will continue to be supported by our established price discipline, and we expect operational efficiency improvements driven by our self-help agenda and the application of technology, to support a growing rental profit margin in FY 2020 and beyond.
- In Spain, whilst the market is increasingly competitive, particularly from a pricing perspective, we have a strategy in place to protect our strong market position and to continue to deliver attractive returns. This will be delivered through selective VOH¹ growth, further market segmentation, a continued focus on innovating our operating model and customer propositions, and the execution of a cost management programme.

Group disposal profits will remain broadly flat with FY 2019, and will be adversely impacted by approximately £5m depreciation unwind, offset by strong profit per unit.

Total net capex for the Group is expected to increase by 15% – 20% in FY 2020, driven by growth capex. Steady state cash generation³ is expected to grow in FY 2020, as ageing benefits from fleet optimisation drive lower net replacement capex⁴. We have flexibility in our balance sheet to enable us to finance our growth plans, provide long-term returns to shareholders, and safeguards the Group's financial position through economic cycles. In the event of an economic downturn, our robust cash generation will benefit from reduced new vehicle purchases. We will continue to target a leverage range of 1.5 to 2.5 times net debt to EBITDA.

In the medium-term⁵, the Group expects to deliver a rental margin of at least 15%, supported by the substantial margin opportunity ahead for the UK & Ireland, and by a continued strong margin in Spain

¹ Vehicles on Hire is average unless otherwise stated

² Growth is year-on-year unless otherwise stated

³ Defined as EBITDA less Net replacement capex. Steady state cash generation is stated before cash flows for interest, taxation and other financing costs.

⁴ Net replacement capex is total capex less growth capex.

⁵ Medium-term is 3-5 years.

in the context of a highly competitive landscape. I am confident we will continue to progress and deliver improved performance for the benefit of all our shareholders.

People

As announced previously, Fernando Cogollos Ubeda will retire from his role as the General Manager of Northgate Spain in August 2019 and upon retirement is expected to join the main Board of Northgate plc as a Non-Executive Director.

Jorge Alarcon will join Northgate as the new General Manager in Northgate Spain effective 22 August 2019. Jorge is a proven and strong leader who brings with him a wealth of experience of the industrials and services markets in Spain. Jorge joins us from GAM where he has held the position of Managing Director since July 2016.

Impact of the UK leaving the European Union

The Company has undertaken a thorough review of the potential impact on its business of the UK leaving the European Union. The greatest risks identified would be a disruption to the supply of new vehicles and vehicle components imported into the UK from the EU, including additional import costs which may be imposed:

- Around 90% of vehicles purchased by Northgate UK from UK OEMs are imported from the EU, valued at approximately £220 million per annum. Assurances have been sought from these OEMs, who are confident that there will be no material long-term disruption. Any potential short-term supply disruption can also be mitigated by Northgate itself, by slowing the rate of vehicle de-fleets in order to maintain vehicle availability for customers.
- Components for vehicles manufactured in the UK are also imported from the EU. However, normal OEM stock levels are considered to be sufficient to address any potential short-term supply issues.
- The introduction of import costs could potentially create some margin pressure in the short-term. However, the Company believes that in the longer-term, it will be able to pass through to end-users any significant additional costs that might be imposed on imported vehicles.

A potential upside for Northgate in the event of supply disruptions or higher purchase costs, would be the likely increase in rental demand and stronger residual values that would result.

Less than 5% of Northgate's UK employees do not possess a UK passport, so any change to the status of EU citizens in the UK will not have a material effect on the company's operations.

No material impacts on Northgate's business in Ireland have been identified.

OUR 2019 PERFORMANCE

UK & Ireland

| Year ended 30 April | 2019 | 2018 | Change |
|-------------------------------------|-------------|--------|---------|
| KPI | ('000) | ('000) | % |
| Average VOH | 48.4 | 43.5 | +11.3% |
| Closing VOH | 47.1 | 45.5 | +3.4% |
| Vehicles purchased (incl. acquired) | 15.7 | 23.4 | (32.9%) |
| Vehicles sold | 21.0 | 21.0 | - |
| Profit per Unit (PPU) £ | 512 | 457 | +12.0% |
| Closing fleet size (incl. acquired) | 54.6 | 56.7 | (3.7%) |
| Average utilisation % | 88% | 87% | +1 ppt |
| Average fleet age at year-end (mo.) | 21 | 21 | - |

| Year ended 30 April | 2019 | 2018 | Change |
|----------------------------|--------------|-------|-----------|
| PROFIT & LOSS (Underlying) | £m | £m | % |
| Revenue – Vehicle hire | 315.6 | 283.5 | +11.3% |
| Revenue – Vehicle sales | 166.5 | 156.9 | +6.1% |
| Total Revenue | 482.0 | 440.5 | +9.4% |
| Rental profit | 24.6 | 23.5 | +4.8% |
| Rental Margin % | 7.8% | 8.3% | (0.5 ppt) |
| Disposals profit | 10.8 | 9.6 | +12.0% |
| Operating profit | 35.4 | 33.1 | +6.9% |
| ROCE % | 6.4% | 6.4% | - |

Rental business

Rental revenue in the UK & Ireland in 2019 increased by 11.3% over the prior year to £315.6m (2018: £283.5m), driven by average VOH growth of 11.3%. Following the return to growth of year-on-year VOH in late 2018, momentum has remained strong throughout 2019, resulting in VOH of 47,100 at the end of the year, 3.4% higher than the prior year.

This strength in UK & Ireland rental revenues was driven by successful execution of the rental strategy, supported by the self-help actions identified through our strategic review. Lead generation from our marketing function has increased substantially during the year, particularly from our telesales capabilities and new digital marketing programme. In addition, Northgate successfully integrated 1,600 ex-TOM vehicles into VOH¹ during the first quarter of 2019.

Price rises introduced to certain flexible hire products at the beginning of the year paved the way for further regular rate increases across our full range of rental products. These price adjustments have been very well planned, communicated and executed, and we have not seen an apparent adverse

¹ Vehicles on Hire is average unless otherwise stated

customer churn resulting from these changes. Year-on-year average hire rates returned to growth in the final quarter of the year, following a more proactive approach to managing revenues during the year. We are confident we will be able to continue to reflect the structural cost increases faced by the business through regular adjustments to our hire rates going forward.

At the year end, Northgate's compelling minimum-term proposition accounted for around 24% of average VOH, compared to 11% at the start of the year. The average term of these contracts is approximately three years, representing a significant improvement in the visibility of rental revenue and earnings, as well as lower transactional costs.

The 2019 UK & Ireland rental margin benefitted by approximately £4.8m from the changes in depreciation rates introduced on 1 May 2018. The rental margin has delivered sequential improvement for the past three half year periods, increasing from 6.0% in H2 2018, to 7.1% in H1 2019 and 8.5% in H2 2019. This improvement reflects the more competitive pricing introduced to the market as well as the execution of our strategic priorities. The overall 2019 rental margin of 7.8% decreased by 0.5 pts versus the prior year.

The net impact of the higher VOH¹ and lower rental margins was a 4.8% increase in UK & Ireland rental profits to £24.6m (2018: £23.5m).

Management of fleet and vehicle sales

The total UK & Ireland year end fleet size of 54,600 vehicles decreased from 56,700 in the prior year. 15,700 vehicles were purchased during the year and approximately 17,800 vehicles were de-fleeted, including 1,800 ex-TOM vehicles.

A total of 21,000 vehicles were sold in UK & Ireland during the year, including third-party vehicles purchased for resale and sales from stock. Our Van Monster operations achieved strong sales, especially in the retail channel, in addition to robust residual values in the market.

Disposal profits of £10.8m (FY 2018: £9.6m) increased 12.0% over the prior year, driven by a c.12% increase in the average profit per unit (PPU) on disposals to £512 (2018: £457). Disposal profits were reduced by approximately £0.7m relating to the unwind of the depreciation rate changes.

Operating profit and ROCE

Underlying operating profit of £35.4m grew 6.9% over the prior year (2018: £33.1m) including a £4.1m net benefit from lower depreciation and the associated unwind through disposal profits.

The return on capital employed in the UK & Ireland was 6.4% (2018: 6.4%) reflecting both the increase in operating profit and the increase in capital employed resulting from attractive growth in minimum-term VOH.

¹ Vehicles on Hire is average unless otherwise stated

Capex and cashflow

| Year ended 30 April | 2019 | 2018 | <i>Change</i> |
|-----------------------------------|----------------|---------|----------------|
| | £m | £m | % |
| EBITDA | 151.8 | 135.8 | <i>11.8%</i> |
| Net Replacement Capex | (122.8) | (105.4) | <i>(16.5%)</i> |
| EBITDA less Net Replacement Capex | 29.0 | 30.4 | <i>(4.5%)</i> |
| Growth Capex (incl. inorganic) | (21.0) | (53.1) | <i>(60.5%)</i> |

EBITDA increased by 11.8% to £151.8m (2018: £135.8m) due to higher rental and disposal profits.

Net replacement capex² in the year was £122.8m, 16.5% higher than in 2018, driven by OEM price inflation, strong VOH¹ growth and expansion of our minimum-term product, offset by the benefit of vehicle ageing.

EBITDA less net replacement capex² reduced by 4.5% in 2019 to £29.0m (2018: £30.4 million) reflecting higher EBITDA more than offsetting higher replacement capex in the year. Investment to grow the fleet was £21.0m, including approximately £1.6m partial cost of the TOM acquired vehicles.

¹ Vehicles on Hire is average unless otherwise stated

² Net replacement capex is total capex less growth capex. Growth capex represents the cash consumed in order to grow the fleet or the cash generated if the fleet size is reduced in periods of contraction.

SPAIN

| Year ended 30 April | 2019 | 2018 | Change |
|-------------------------------------|--------|--------|---------|
| KPI | ('000) | ('000) | % |
| Average VOH | 44.8 | 40.3 | +10.9% |
| Closing VOH | 46.0 | 42.7 | +7.5% |
| Vehicles purchased | 13.9 | 18.9 | (26.5%) |
| Vehicles sold | 11.6 | 13.0 | (10.8%) |
| PPU € | 626 | 871 | (28.1%) |
| Closing fleet size | 51.1 | 48.0 | +6.5% |
| Average utilisation % | 91% | 91% | - |
| Average fleet age at year-end (mo.) | 20 | 19 | 1 mo. |

| Year ended 30 April | 2019 | 2018 | Change |
|----------------------------|-------|-------|-----------|
| PROFIT & LOSS (Underlying) | £m | £m | % |
| Revenue – Vehicle hire | 202.1 | 187.6 | +7.7% |
| Revenue – Vehicle sales | 61.4 | 73.5 | (16.6%) |
| Total Revenue | 263.4 | 261.2 | +0.9% |
| Rental profit | 39.7 | 29.0 | +37.1% |
| Rental margin % | 19.7% | 15.4% | +4.3 ppts |
| Disposals profit | 6.4 | 10.0 | (36.3%) |
| Operating Profit | 46.1 | 39.0 | +18.3% |
| ROCE % | 10.7% | 10.0% | +70 bps |

Rental business

Rental revenue in Spain grew 7.7% to £202.1m (2018: £187.6m) driven by average VOH growth of 10.9% in FY 2019. At constant exchange rates, removing the headwind of foreign exchange, the reported growth in rental revenue was 7.9%.

Strong VOH¹ growth throughout the year was underpinned by stable macro-economic conditions, strong growth in the Spanish rental fleet and the continuing structural shift away from LCV ownership to 'usership', most notably into minimum-term hire. Northgate leveraged its leading position in the flexible rental market to support ongoing expansion into minimum-term during the year. Customers have welcomed Northgate's successful bundling of minimum-term and flexible products and cross-selling achievements have been strong.

VOH growth was also supported by ongoing vehicle diversification of flexible hire vehicles allowing us to serve new markets, with niche vehicles including refrigerated vehicles for food distribution now representing c.1.5% of Northgate's fleet. In addition, we have also increased our base of green vehicles in response to increasing anti-pollution measures and trends in sustainable mobility.

¹ Vehicles on Hire is average unless otherwise stated

VOH¹ growth softened in the final quarter to 8.6%, principally reflecting the strong VOH growth in the prior year. This led to closing VOH of 46,000 at the end of the year, 7.5% higher year-on-year. At the end of the year around 31% of average VOH were being supplied on minimum-term contracts.

The 2019 rental margin of 19.7% (2018: 15.4%) increased significantly year-on-year driven primarily by the 3% reduction in depreciation rates in Spain, effective 1 May 2018. Rental profits in 2019 grew 37.1% to £39.7m (2018: £29.0m) including a £15.4m benefit from the changes in depreciation rates. Alongside the depreciation benefit, the delivery of operational leverage and efficiency improvements more than offset the impacts of vehicle price inflation and the greater proportion of minimum-term contracts. Vehicle utilisation in the year remained consistent with the prior year at 91%.

Rental profits grew by 37.7% at constant exchange rates.

Management of fleet and vehicle sales

The total fleet size in Spain increased by 6.5% to 51,100 vehicles, driven by the strong growth in VOH during the year. This net increase of 3,100 vehicles comprised 13,900 vehicles purchased for the fleet less approximately 10,800 de-fleeted vehicles. The average age of the fleet at the end of the year was around one month higher than at the same time last year.

A total of 11,600 vehicles were sold in the Spain during the year, 10.8% less than in the previous year. The average profit per unit (PPU) on disposals in Spain fell by more than 28% to €626 (2018: €871), reflecting the impacts of the fleet optimisation policy. As a result of the lower disposal volumes and PPU, profits from vehicle sales fell by 36.3% to £6.4m (2018: £10.0m).

Operating profit and ROCE

The growth of rental profit of £10.7m was partially offset by the £3.6m fall in disposal profits, with total operating profit increasing by £7.1m (18.3%) to £46.1m (2018: £39.0m). At constant currencies, operating profits in Spain grew 18.8%.

The return on capital employed in Spain was 10.7% (2018: 10.0%) reflecting improved operating profit and the increase in capital employed driven by the growth and mix of the fleet.

Capex and cashflow

| Year ended 30 April | 2019 | 2018 | Change |
|-----------------------------------|---------------|-----------|----------|
| CASHFLOW | £m | £m | % |
| EBITDA | 115.1 | 109.4 | +5.2% |
| Net Replacement Capex | (78.5) | (80.5) | +2.5% |
| EBITDA less Net Replacement Capex | 36.6 | 28.9 | +26.6% |
| Growth Capex | (21.7) | (72.0) | +69.9% |

EBITDA increased by 5.2% to £115.1m (2018: £109.4m) reflecting higher rental profits partially offset by lower disposal profits.

Net replacement capex² in Spain in the year was £78.5m, 2.5% lower than in 2018, mainly due to OEM price inflation, with growth in minimum-term being offset by vehicle ageing. EBITDA less net

¹ Vehicles on Hire is average unless otherwise stated

² Net replacement capex is total capex less growth capex.

replacement capex grew by 26.6%, to £36.6m (2018: £28.9m), reflecting the benefit of ageing. Growth capex was £21.7m, £50.3m lower than the prior year due to lower growth in the fleet.

Kevin Bradshaw, Chief Executive Officer

FINANCIAL REVIEW

Group summary

A summary of the Group's financial performance is as follows:

| Year ended 30 April | 2019 | 2018 | Change | Change |
|------------------------------|--------------|--------------|--------|--------|
| | £m | £m | £m | % |
| Revenue | 745.5 | 701.7 | 43.8 | 6.2% |
| Operating Profit | 75.5 | 64.1 | 11.4 | 17.8% |
| Profit before tax | 60.4 | 52.7 | 7.7 | 14.5% |
| EPS | 38.6 | 32.4 | 6.2 | 19.1% |
| Underlying operating profit | 76.2 | 68.3 | 7.9 | 11.5% |
| Underlying profit before tax | 61.1 | 57.0 | 4.1 | 7.2% |
| Underlying EPS | 38.7p | 34.8p | 3.9p | 11.2% |
| Dividend per share | 18.3p | 17.7p | 0.6p | 3.4% |
| Underlying free cash flow | 63.1 | 29.1 | 34.0 | 116.9% |

Revenue

Group revenue increased by 6.2% to £745.5m, 6.4% at constant exchange rates.

Group revenue comprised:

| Year ended 30 April | 2019 | 2018 | Change | Change |
|---------------------|--------------|-------|--------|--------|
| | £m | £m | £m | % |
| Vehicle hire | 517.6 | 471.2 | 46.4 | 9.9% |
| Vehicle sales | 227.8 | 230.5 | (2.7) | (1.1%) |

Vehicle hire revenue grew to £517.6m from £471.2m in 2018, mainly driven by the 11.1% increase in Group average VOH.

Group vehicle sales revenue declined by 1.1% reflecting vehicle ageing due to the fleet optimisation strategy and slowing of the disposals cycle. This decline was partly offset by Group-wide sales channel optimisation in particular by improved retail penetration in the UK & Ireland resulting higher average proceeds per vehicle.

Underlying operating profit

Underlying Group operating profit increased 11.5% (11.7% at constant exchange rates) to £76.2m and is stated before certain intangible amortisation (£0.7m).

Underlying Group operating profit comprised:

| | 2019 | 2018 | Change | Change |
|---------------------|--------------|-------|--------|---------|
| Year ended 30 April | £m | £m | £m | % |
| Rental profit | 64.3 | 52.5 | 11.8 | 22.6% |
| Disposals profit | 17.1 | 19.6 | (2.5) | (12.6%) |
| Corporate costs | (5.3) | (3.7) | (1.6) | (41.6%) |
| Total | 76.2 | 68.3 | 7.9 | 11.6% |

Group vehicle rental profit increased £11.8m including the impact of depreciation rate changes and reflecting strong VOH growth in the UK & Ireland and Spain.

The reduction in Group disposals profits resulted primarily from fewer vehicle sales (-£1.0m) and the impact of previous changes to depreciation rates (-£4.9m). This was partially offset by other impacts including sales channel optimisation and the impact of vehicle ageing (+£3.4m)

Underlying corporate costs increased to £5.3m (2018: £3.7m) with 2018 benefiting from certain one-off reversals in costs.

Depreciation rate changes

The accounting requirements to adjust depreciation rates due to changes in expectations of future residual values of used vehicles make it more difficult to identify the underlying profit trends in the business. When a vehicle is acquired it is recognised as a fixed asset at its cost net of any discount or rebate receivable. The cost is then depreciated evenly over its rental life, matching its pattern of usage.

Matching of future market values to net book value on the disposal date requires significant judgement for the following key reasons:

1. Used vehicle prices are subject to short term volatility which makes it challenging to estimate future residual values;
2. The exact disposal age is not known at the point at which rates are set and therefore the book value at disposal date is not certain; and
3. Mileage and condition are the key factors in influencing the market value of a vehicle. This can vary significantly through a vehicle's life depending upon how the vehicle is used.

Inevitably, a difference arises between the net book value of a vehicle and its market value at the date of disposal. Where differences arising are within an acceptable range these are adjusted against depreciation. Where these differences are outside of the range Northgate changes the depreciation rate estimate to better reflect the pattern of usage of the vehicle.

The impact of previous rate changes on 2019 operating profit, and the estimated impact on future years of the previous changes, is set out below:

| Year: | Cumulative impact | | Year on year impact | |
|----------------|-------------------|-------|---------------------|-------|
| | Group | Group | UK & | |
| | | | Ireland | Spain |
| | £m | £m | £m | £m |
| 30 April 2013 | 5.3 | 5.3 | 5.3 | – |
| 30 April 2014 | 4.3 | (1.0) | (1.0) | – |
| 30 April 2015 | 15.7 | 11.4 | 8.4 | 3.0 |
| 30 April 2016 | 12.0 | (3.7) | (5.9) | 2.2 |
| 30 April 2017 | 6.3 | (5.7) | (4.1) | (1.6) |
| 30 April 2018 | 2.1 | (4.2) | (2.7) | (1.5) |
| 30 April 2019 | 17.4 | 15.3 | 4.1 | 11.2 |
| 30 April 2020* | 12.0 | (5.4) | (1.4) | (4.0) |
| 30 April 2021* | 6.6 | (5.4) | (1.4) | (4.0) |
| 30 April 2022* | 1.2 | (5.4) | (1.4) | (4.0) |
| 30 April 2023* | – | (1.2) | – | (1.2) |

*These are management estimates based on indicative fleet size and assuming an equalised level of defleeting in each year.

Interest

Net underlying finance charges for the year increased by 33.0% to £15.1m (2018: £11.3m) as a result of higher net debt. The net cash interest charge for the year was £14.1m (2018: £10.7m) as a result of higher borrowings. Non-cash interest was £1.0m (2018: £0.6m).

Underlying profit before tax

Underlying profit before tax was £61.1m (£61.3m at constant exchange rates), £4.1m higher than in 2018 (2018: £57.0m).

Taxation

The Group's underlying tax charge was £9.5m (2018: £10.7m) and the underlying effective tax rate was 16% (2018: 19%). The statutory effective tax rate was 15% (2018: 18%).

Earnings per share

Underlying EPS was 38.7p compared to 34.8p in the prior year. Statutory earnings per share was 38.6p compared to 32.4p in the prior year.

Underlying earnings for the purpose of calculating EPS were £51.6m (2018: £46.4m). The weighted average number of shares for the purposes of calculating EPS was 133.2m, in line with the prior year.

Exceptional items

During the year there were no exceptional costs incurred (2018: £2.5m).

Dividend and capital allocation

The Group's dividend policy is to ensure that the underlying basic earnings per share will cover the total annual dividend within a range of 2.0x to 3.0x.

Subject to approval, the final dividend proposed of 12.1p per share (2018: 11.6p) will be paid on 27 September 2019 to shareholders on the register as at close of business on 16 August 2019.

Including the interim dividend paid of 6.2p (2018: 6.1p), the total dividend relating to the year would be 18.3p (2018: 17.7p). The dividend is covered 2.1x by underlying earnings, in line with stated policy.

The Group's objective is to build shareholder value by generating returns above the cost of capital. Capital will be allocated within the business in accordance with the framework outlined below, with the first priority being to allocate capital to support the Group's growth ambitions:

1. Core business: maximise profitability and capital efficiency, organic growth opportunities
2. Dividend: maintain progressive dividend policy
3. Growth: Core bolt-ons, capital light opportunities, diversification into service solutions.

The Group plans to maintain a balance sheet within a target leverage range of 1.5x to 2.5x net debt to EBITDA, and during periods of significant growth net debt would be expected to be towards the higher end of this range. This is consistent with the Group's objective of maintaining a balance sheet that is efficient in terms of providing long term returns to shareholders and safeguards the Group's financial position through economic cycles.

Cash flow

A summary of the Group's cash is as follows:

| Year ended 30 April | 2019 | 2018 |
|--|----------------|---------|
| | £m | £m |
| Underlying operational cash generation | 283.2 | 240.5 |
| Net capital expenditure | (243.9) | (311.0) |
| Net taxation and interest payments | (15.7) | (22.2) |
| Share purchases and refinancing costs | (3.2) | (3.3) |
| Free cash flow | 20.4 | (96.0) |
| Dividends | (23.4) | (23.4) |
| Net cash consumed | (3.0) | (119.4) |

A total of £403.5m was invested in new vehicles compared to £486.9m in the prior year. The Group's new vehicle capital expenditure was partially funded by £174.5m generated from the sale of used vehicles (2018: £186.9m). Other net capital expenditure amounted to £14.9m (2018: £11.0m).

All vehicles required for the Group's operations are paid for in cash upfront. The cash flow generation of the Group in any year is therefore influenced by the capital expenditure to grow the business or cash generated by adjusting the fleet size downwards if VOH reduce. If the impact of increasing or

reducing the fleet size in the year is removed from net capital expenditure, the underlying free cash generation of the Group was as follows:

| Year ended 30 April | 2019 | 2018 |
|---------------------------|------|--------|
| | £m | £m |
| Free cash flow | 20.4 | (96.0) |
| Add back: Growth capex | 42.6 | 125.2 |
| Underlying free cash flow | 63.1 | 29.2 |

Net debt reconciles as follows:

| Year ended 30 April | 2019 | 2018 |
|----------------------|-------|-------|
| | £m | £m |
| Opening net debt | 439.3 | 309.9 |
| Net cash consumed | 3.0 | 119.4 |
| Other non-cash items | 0.6 | (0.8) |
| Exchange differences | (6.0) | 10.8 |
| Closing net debt | 436.9 | 439.3 |

Free cash inflow was £20.4m (2018: £96.0m outflow) after net capital expenditure of £243.9m (2018: £311.0m). If the impact of growth capex in the year is removed from net capital expenditure in each year, the underlying free cash flow of the Group was £63.1m (2018: £29.2m).

Net cash consumption was £3.0m (2018: £119.4m). After an adverse exchange rate impact of £6.0m (2018: £10.8m favourable), closing net debt was £436.9m (2018: £439.3m).

Borrowing facilities

As at 30 April 2019 the Group had £439m drawn against total committed facilities of £604m, giving headroom of £165m, as detailed below:

| | Facility | Drawn | Headroom | Borrowing | |
|------------------|------------|------------|------------|-----------|-------------|
| | £m | £m | £m | Maturity | Cost |
| UK bank facility | 504 | 343 | 161 | July 2021 | 2.6% |
| Loan notes | 86 | 86 | – | Aug 2022 | 2.4% |
| Other loans | 14 | 10 | 4 | Nov 2019 | 1.0% |
| | 604 | 439 | 165 | | 2.5% |

The overall cost of borrowings at 30 April 2019 is 2.5% (2018: 2.3%).

The margin charged on bank debt is dependent upon the Group's net debt to EBITDA ratio, ranging from a minimum of 1.5% to a maximum of 3%. The net debt to EBITDA ratio at 30 April 2019 corresponds to a margin of 2% (2018: 2.25%).

Interest rate swap contracts have been taken out which fix a proportion of bank debt at 2.6% (2018: 2.4%) giving an overall cost of borrowings (gross of cash balances) at 30 April 2019 of 2.6% (2018: 2.3%).

During the year UK bank facilities were increased by £50m.

The other loans consist of £13.5m of local borrowings in Spain and £0.5m of preference shares.

The split of borrowings (gross of cash balances and excluding overdrafts) by currency is as follows:

| | 2019 | 2018 |
|--|-------------|------|
| | £m | £m |
| Euro | 297 | 328 |
| Sterling | 143 | 128 |
| Borrowings before unamortised arrangement fees | 440 | 456 |
| Unamortised arrangement fees | (2) | (3) |
| Borrowings (excluding cash and overdrafts) | 438 | 453 |

There are three financial covenants under the Group's facilities as follows:

| | Threshold | April 2019 | Headroom | April 2018 |
|----------------|------------------|-------------------|------------------|-------------------|
| Interest cover | 3x | 5.34x | £33m (EBIT) | 6.22x |
| Loan to value | 70% | 43% | £284m (Net debt) | 43% |
| Debt leverage | 2.75x | 1.64x | £108m (EBITDA) | 1.76x |

Balance sheet

Net tangible assets at 30 April 2019 were £548.5m (2018: £530.3m), equivalent to a net tangible asset value of 412p per share (2018: 398p per share).

Gearing at 30 April 2019 was 79.6% (2018: 82.8%).

Return on capital employed was 7.7% (2018: 7.5%).

Treasury

The function of Group Treasury is to mitigate financial risk, to ensure sufficient liquidity is available to meet foreseeable requirements, to secure finance at minimum cost and to invest cash assets securely and profitably. Treasury operations manage the Group's funding, liquidity and exposure to interest rate risks within a framework of policies and guidelines authorised by the Board of Directors.

The Group uses derivative financial instruments for risk management purposes only. Consistent with Group policy, Group treasury does not engage in speculative activity and it is Group policy to avoid using more complex financial instruments.

Credit risk

The policy followed in managing credit risk permits only minimal exposures, with banks and other institutions meeting required standards as assessed normally by reference to major credit agencies. Group credit exposure for material deposits is limited to banks which maintain an A rating. Individual aggregate credit exposures are also limited accordingly.

Liquidity and funding

The Group has sufficient funding facilities to meet its normal funding requirements in the medium term as discussed above. Covenants attached to those facilities as outlined above are not restrictive to the Group's operations.

Capital management

The Group's objective is to maintain a balance sheet structure that is efficient in terms of providing long term returns to shareholders and safeguards the Group's financial position through economic cycles.

Operating subsidiaries are financed by a combination of retained earnings and borrowings.

The Group can choose to adjust its capital structure by varying the amount of dividends paid to shareholders, by issuing new shares or by adjusting the level of capital expenditure.

Interest rate management

The Group's bank facilities and other loan agreements incorporate variable interest rates. The Group seeks to manage the risks associated with fluctuating interest rates by having in place a number of financial instruments covering at least 50% of its borrowings at any time. The proportion of gross borrowings hedged into fixed rates was 68% at 30 April 2019 (2018: 73%).

Foreign exchange risk

The Group's reporting currency is, and 65% of its revenue is generated in, Sterling (2018: 59%). The Group's principal currency translation exposure is to the Euro, as the results of operations, assets and liabilities of its Spanish and Irish businesses must be translated into Sterling to produce the Group's consolidated financial statements.

The average and year end exchange rates used to translate the Group's overseas operations were as follows:

| | 2019 | 2018 |
|----------|--------------|-------|
| | £ : € | £ : € |
| Average | 1.14 | 1.13 |
| Year end | 1.16 | 1.14 |

The Group manages its exposure to currency fluctuations on retranslation of the balance sheets of those subsidiaries whose functional currency is in Euros by maintaining a proportion of its borrowings in the same currency. The exchange differences arising on these borrowings have been recognised directly within equity along with the exchange differences on retranslation of the net assets of the Euro subsidiaries. At 30 April 2019 62% of Euro net assets were hedged against Euro borrowings (2018: 71%).

Going concern

Having considered the Group's current trading, cash flow generation and debt maturity including severe but plausible stress testing scenarios, the Directors have concluded that it is appropriate to prepare the Group financial statements on a going concern basis.

Philip Vincent

Chief Financial Officer

Principal Risks and Uncertainties

Economic environment

The demand for our products and services could be affected by a downturn in economic activity in the countries in which the Group operates.

Economic activity in the territories we operate could be adversely impacted by the UK decision to leave the EU.

The high level of operational gearing in our business model means that changes in demand can lead to higher levels of variability in profits.

An adverse change in macroeconomic conditions could also increase the risk of customer failure and therefore incidences of bad debts.

Flexibility is ingrained in the Group's business model and allows any vehicles returned to be placed with different customers. Alternatively, the group can generate cash and reduce debt by reducing purchases and increasing vehicle disposals.

The Group is not materially exposed to a single customer sector and no individual customer contributes more than 5% of total revenue generated.

The Group's current hedging arrangements protect it from material foreign exchange risks on retranslation of results. Transactional FX exposure is minimised through sourcing supplies in the same currency as revenue is generated.

The impact of the UK's decision to leave the EU is still uncertain, as is the current Spanish political situation. However, there have been no material impacts on the group to date.

Market risk

The markets in which the Group operates are fragmented with low barriers to entry meaning that price competition is high.

There is a risk that the Group fails to attract and retain customers based on pricing. This could either be because of uncompetitive pricing or failing to communicate the inherent value of our offering successfully.

There is also a risk that demand for our products could materially diminish due to other structural or technical changes in the market that are not responded to.

Competition influences how we create value for our customers and investors, either by enhancing our service offering or investing in pricing.

If our pricing is perceived to be higher than our competitors for the same level of service, then we will lose market share or be forced to reduce prices to remain competitive. Without any adjustment to the cost base, this will result in lower returns.

Our pricing is based upon target levels of return, with discount authority levels allowing flexibility to ensure that we remain competitive on pricing.

Focus on margins will continue into the subsequent year, to ensure returns are not eroded in the long-term.

We have continued to invest in marketing to ensure we communicate the value proposition underpinning pricing.

Northgate continues to expand its service offering to maintain its competitive advantage in the market.

Vehicle Holding Costs

The Group's profitability depends upon minimising vehicle holding costs, which are affected by the pricing levels of new vehicles purchased and the disposal value of vehicles sold.

An increase in holding costs, if not recovered through hire rate increases or other operational efficiencies, would adversely affect profitability, shareholder returns and cash generation.

Pricing is negotiated with manufacturers on an annual basis in advance of purchases being made. We manage the number and mix of suppliers and model variants, to optimise buying terms. We review the holding period of vehicles continuously, to ensure we make disposals at the optimal time in a vehicle's life cycle, so ensuring we recycle capital in the most efficient way.

While the Group is exposed to fluctuations in the used vehicle market, we seek to optimise the sales route for each vehicle. Should the market experience a short-term decline in residual values, we can age our existing fleet until the market improves.

The employee environment

Inadequate maintenance of a working environment where individuals do not receive appropriate training and support could harm relationships with stakeholders.

Failure to attract, develop and retain individuals with the appropriate skills will inhibit the successful delivery of our strategy.

Failure to invest in our workforce and high levels of staff turnover will impact upon customer service and delivery of the Group's strategic objectives.

We compare salaries to the market and provide a range of incentives to attract and retain staff. We conduct personal development plans and tailored training for all employees. Succession plans are in place for senior positions.

Regular communication and engagement with everyone across the business is vital to our success.

Legal compliance

Failure to comply with laws and regulations would put the reputation of the business at risk, both attracting fines and penalties, and in maintaining good customer and supplier relationships.

If our systems to monitor compliance are not adequate the Group could be exposed to material fines and penalties.

Complying with Laws and regulations is ultimately the responsibility of the Board. Management of compliance is delegated to the relevant business unit leaders. Group Internal Audit monitors and reports on non-compliance to the Board.

IT Systems

IT systems are integral to the Group's operations. Failure to appropriately invest in the Group's systems appropriately, and the security and continuity of systems, could result in loss of commercial agility, loss or theft of sensitive data, and an inability to effectively carry out the Group's business activities effectively.

Failure of existing systems or a lack of investment in new systems could inhibit the commercial agility of the business and the efficient continuity of our operations.

Incorrectly handling sensitive data or unsuccessfully defending against malicious cyber-attacks would cause significant reputational harm and affect relationships with all stakeholders negatively.

The UK business is currently undertaking a material systems change, and has implemented an appropriate governance structure to ensure the project is completed successfully.

The Group has an appropriate business continuity plan in the event of disruption arising from an IT systems failure.

We make the appropriate level of investment in ensuring sensitive data is held securely and is adequately protected from cyber-attacks or other breaches.

Access to Capital

The group operates a capital-intensive business model and requires sufficient access to capital in order to maintain and grow the fleet.

As such, an inefficient capital cycle or failure to access or service credit represents a significant risk to the delivery of strategy and continuation of the business.

Failure to maintain or extend access to credit facilities could impact on the Group's ability to deliver its strategic objectives or continue as a going concern.

The Group's main facilities mature in 2021 and 2022 and the Group believes that these facilities provide adequate resources for present requirements.

The Group reports against covenants twice a year and monitors cash flow forecasts continually, to ensure it complies with covenants and there is headroom in the facilities.

GLOSSARY OF TERMS

The following defined terms have been used throughout this document:

| Term | Definition |
|------------------------------|--|
| B2B | Business to business |
| Disposals profits | This is a non-GAAP measure used to describe the adjustment in the depreciation charge made in the year for vehicles sold at an amount different to their net book value at the date of sale (net of attributable selling costs) |
| EBIT | Earnings before interest and taxation |
| EBITDA | Earnings before interest, taxation, depreciation and amortisation |
| EU | European Union |
| EPS | Underlying basic earnings per share |
| Facility headroom | Calculated as facilities of £604m less net borrowings of £439m. Net borrowings represent net debt of £437m excluding unamortised arrangement fees of £2m and are stated after the deduction of £1m of net cash and overdraft balances which are available to offset against borrowings |
| FY 2018 | The year ended 30 April 2018 |
| FY 2019 | The year ended 30 April 2019 |
| GAAP | Generally Accepted Accounting Practice: meaning compliance with International Financial Reporting Standards |
| Gearing | Calculated as net debt divided by net tangible assets (as defined below) |
| Growth Capex | Growth capex represents the cash consumed in order to grow the fleet or the cash generated if the fleet size is reduced in periods of contraction |
| LCV | Light commercial vehicle: the official term used within the European Union for a commercial carrier vehicle with a gross vehicle weight of not more than 3.5 tonnes |
| Net replacement capex | Net capital expenditure other than that defined as growth capex |
| Net tangible assets | Net assets less goodwill and other intangible assets |
| OEM | Original Equipment Manufacturer: a reference to our vehicle suppliers |
| PPU | Profit per unit/loss per unit – this is a non-GAAP measure used to describe disposals profits (as defined), divided by the number of vehicles sold |
| ROCE | Underlying return on capital employed: calculated as underlying operating profit (see non-GAAP reconciliation) divided by average capital employed |
| Steady state cash generation | EBITDA less net replacement capex |
| The Company | Northgate plc |
| The Group | The Company and its subsidiaries |

GAAP Reconciliation

A reconciliation of GAAP to non-GAAP underlying measures is as follows:

| | Group 2019 £000 | Group 2018 £000 |
|------------------------------------|--------------------------------|-----------------------|
| Operating profit | 75,491 | 64,077 |
| <i>Add back:</i> | | |
| Restructuring costs | – | 2,499 |
| Certain intangible amortisation | 709 | 1,767 |
| Underlying operating profit | 76,200 | 68,343 |

| | Group 2019 £000 | Group 2018 £000 |
|-------------------------------------|--------------------------------|-----------------------|
| Profit before tax | 60,406 | 52,738 |
| <i>Add back:</i> | | |
| Restructuring costs | – | 2,499 |
| Certain intangible amortisation | 709 | 1,767 |
| Underlying profit before tax | 61,115 | 57,004 |

| | Group 2019 £000 | Group 2018 £000 |
|--|--------------------------------|-----------------------|
| Profit for the year | 51,418 | 43,232 |
| <i>Add back:</i> | | |
| Restructuring costs | – | 2,499 |
| Certain intangible amortisation | 709 | 1,767 |
| Tax on exceptional items and certain intangible amortisation | (545) | (1,145) |
| Underlying profit for the year | 51,582 | 46,353 |
| Weighted average number of Ordinary shares | 133,232,518 | 133,232,518 |
| Underlying basic earnings per share | 38.7p | 34.8p |

| | Group 2019 £000 | Group 2018 £000 |
|-------------------------------------|--------------------------------|-----------------------|
| Operating profit | 75,491 | 64,077 |
| <i>Add back:</i> | | |
| Fleet depreciation | 185,794 | 176,600 |
| Other depreciation | 5,522 | 5,585 |
| Net impairment | – | (380) |
| Loss on disposal of assets | 274 | 415 |
| Intangible amortisation | 1,366 | 2,171 |
| EBITDA | 268,447 | 248,468 |
| Net replacement capex | (201,304) | (185,886) |
| Steady state cash generation | 67,143 | 62,582 |

| | UK&I 2019 £000 | Spain 2019 £000 | Corporate 2019 £000 | Group 2019 £000 |
|---|----------------------|-----------------------|---------------------------|-----------------------|
| Underlying operating profit (loss) | 35,396 | 46,086 | (5,282) | 76,200 |
| <i>Exclude:</i> | | | | |
| Adjustments to depreciation charge in relation to vehicles sold in the period | (10,762) | (6,374) | – | (17,136) |
| Corporate costs | – | – | 5,282 | 5,282 |
| Rental profit | 24,634 | 39,712 | – | 64,346 |
| <i>Divided by: Revenue: hire of vehicles</i> | 315,559 | 202,065 | – | 517,624 |
| Rental margin | 7.8% | 19.7% | – | 12.4% |

| | UK&I 2018 £000 | Spain 2018 £000 | Corporate 2018 £000 | Group 2018 £000 |
|---|----------------------|-----------------------|---------------------------|-----------------------|
| Underlying operating profit (loss) | 33,114 | 38,960 | (3,731) | 68,343 |
| <i>Exclude:</i> | | | | |
| Adjustments to depreciation charge in relation to vehicles sold in the period | (9,608) | (10,002) | – | (19,610) |
| Corporate costs | – | – | 3,731 | 3,731 |
| Rental profit | 23,506 | 28,958 | – | 52,464 |
| <i>Divided by: Revenue: hire of vehicles</i> | 283,543 | 187,644 | – | 471,187 |
| Rental margin | 8.3% | 15.4% | – | 11.1% |

| | Group 2019 £000 | Group 2018 £000 |
|---|--------------------------------|--------------------------------|
| Net decrease in cash and cash equivalents | (13,616) | (5,507) |
| <i>Add back:</i> | | |
| Receipt of bank loans and other borrowings | – | (113,902) |
| Repayments of bank loans and other borrowings | 10,651 | – |
| Net cash generated | (2,965) | (119,409) |
| <i>Add back: Dividends paid</i> | 23,431 | 23,365 |
| Free cash flow | 20,466 | (96,044) |
| <i>Add back: Growth capex</i> | 42,641 | 125,145 |
| Underlying free cash flow | 63,107 | 29,101 |

**CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 30 APRIL 2019**

| | | Underlying 2019 £000 | Statutory 2019 £000 | Underlying 2018 £000 | Statutory 2018 £000 |
|---|---|-------------------------------------|------------------------------------|----------------------------|---------------------------|
| Revenue: hire of vehicles | | 517,624 | 517,624 | 471,187 | 471,187 |
| Revenue: sale of vehicles | | 227,846 | 227,846 | 230,485 | 230,485 |
| Total revenue | 1 | 745,470 | 745,470 | 701,672 | 701,672 |
| Cost of sales | | (592,598) | (592,598) | (563,232) | (563,232) |
| Gross profit | | 152,872 | 152,872 | 138,440 | 138,440 |
| Administrative expenses (excluding exceptional items and certain intangible amortisation) | | (76,672) | (76,672) | (70,097) | (70,097) |
| Exceptional administrative expenses | 6 | – | – | – | (2,499) |
| Certain intangible amortisation | | – | (709) | – | (1,767) |
| Total administrative expenses | | (76,672) | (77,381) | (70,097) | (74,363) |
| Operating profit | 1 | 76,200 | 75,491 | 68,343 | 64,077 |
| Interest income | | 39 | 39 | 1 | 1 |
| Finance costs | | (15,124) | (15,124) | (11,340) | (11,340) |
| Profit before taxation | | 61,115 | 60,406 | 57,004 | 52,738 |
| Taxation | | (9,533) | (8,988) | (10,651) | (9,506) |
| Profit for the year | | 51,582 | 51,418 | 46,353 | 43,232 |

Profit for the year is wholly attributable to owners of the Parent Company. All results arise from continuing operations.

Underlying profit excludes exceptional items as set out in Note 6, as well as certain intangible amortisation and the taxation thereon, in order to provide a better indication of the Group's underlying business performance.

Earnings per share

| | | | | | |
|---------|---|-------|-------|-------|-------|
| Basic | 2 | 38.7p | 38.6p | 34.8p | 32.4p |
| Diluted | 2 | 38.0p | 37.8p | 34.3p | 32.0p |

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 APRIL 2019**

| | 2019 | 2018 |
|--|----------------|---------------|
| | £000 | £000 |
| Amounts attributable to owners of the Parent Company | | |
| Profit attributable to the owners | 51,418 | 43,232 |
| Other comprehensive (expense) income | | |
| Foreign exchange differences on retranslation of net assets of subsidiary undertakings | (9,366) | 15,488 |
| Net foreign exchange differences on long term borrowings held as hedges | 5,687 | (11,393) |
| Foreign exchange difference on revaluation reserve | (23) | 46 |
| Net fair value gains on cash flow hedges | 398 | 1,105 |
| Deferred tax charge recognised directly in equity relating to cash flow hedges | (76) | (210) |
| Total other comprehensive (expense) income | (3,380) | 5,036 |
| Total comprehensive income for the year | 48,038 | 48,268 |

All items will subsequently be reclassified to the consolidated income statement.

CONSOLIDATED BALANCE SHEET
AS AT 30 APRIL 2019

| | 2019 | 2018 |
|--|------------------|------------------|
| | £000 | £000 |
| Non-current assets | | |
| Goodwill | 3,589 | 3,589 |
| Other intangible assets | 11,495 | 5,205 |
| Property, plant and equipment: vehicles for hire | 900,335 | 897,323 |
| Other property, plant and equipment | 68,843 | 67,979 |
| Total property, plant and equipment | 969,178 | 965,302 |
| Deferred tax assets | 6,620 | 10,791 |
| Total non-current assets | 990,882 | 984,887 |
| Current assets | | |
| Inventories | 29,826 | 31,828 |
| Trade and other receivables | 71,802 | 76,091 |
| Current tax assets | 116 | 4,745 |
| Cash and bank balances | 35,742 | 21,382 |
| Total current assets | 137,486 | 134,046 |
| Total assets | 1,128,368 | 1,118,933 |
| Current liabilities | | |
| Trade and other payables | 72,487 | 97,671 |
| Derivative financial instrument liabilities | 77 | 112 |
| Current tax liabilities | 13,425 | 15,246 |
| Short term borrowings | 44,190 | 17,952 |
| Total current liabilities | 130,179 | 130,981 |
| Net current assets | 7,307 | 3,065 |
| Non-current liabilities | | |
| Derivative financial instrument liabilities | 914 | 1,277 |
| Long term borrowings | 428,409 | 442,751 |
| Deferred tax liabilities | 5,250 | 4,796 |
| Total non-current liabilities | 434,573 | 448,824 |
| Total liabilities | 564,752 | 579,805 |
| NET ASSETS | 563,616 | 539,128 |
| Equity | | |
| Share capital | 66,616 | 66,616 |
| Share premium account | 113,508 | 113,508 |
| Own shares reserve | (3,359) | (3,238) |
| Hedging reserve | (803) | (1,125) |
| Translation reserve | (4,825) | (1,146) |
| Other reserves | 68,637 | 68,660 |
| Retained earnings | 323,842 | 295,853 |
| TOTAL EQUITY | 563,616 | 539,128 |

Total equity is wholly attributable to owners of the Parent Company.

**CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 APRIL 2019**

| | Note | 2019 £000 | 2018 £000 |
|---|------|-----------------|-----------------|
| Net cash generated from (used in) operations | 4 | 38,528 | (81,797) |
| Investing activities | | | |
| Interest received | | 39 | 1 |
| Proceeds from disposal of other property, plant and equipment | | 1,128 | 2,374 |
| Purchases of other property, plant and equipment | | (8,370) | (9,292) |
| Purchases of intangible assets | | (7,684) | (4,073) |
| Net cash used in investing activities | | (14,887) | (10,990) |
| Financing activities | | | |
| Dividends paid | | (23,431) | (23,365) |
| Receipts of bank loans and other borrowings | | – | 113,902 |
| Repayments of bank loans and other borrowings | | (10,651) | – |
| Debt issue costs | | (1,737) | – |
| Net payments to acquire own shares for share schemes | | (1,438) | (3,257) |
| Net cash (used in) generated from financing activities | | (37,257) | 87,280 |
| Net decrease in cash and cash equivalents | | (13,616) | (5,507) |
| Cash and cash equivalents at 1 May | | 14,127 | 19,637 |
| Effect of foreign exchange movements | | 294 | (3) |
| Cash and cash equivalents at 30 April | | 805 | 14,127 |
| Cash and cash equivalents comprise: | | | |
| Cash and bank balances | | 35,742 | 21,382 |
| Bank overdrafts | | (34,937) | (7,255) |
| | | 805 | 14,127 |

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 APRIL 2019**

| | Share capital and share premium £000 | Own shares reserve £000 | Hedging reserve £000 | Translation reserve £000 | Other reserves £000 | Retained earnings £000 | Total £000 |
|--|---|----------------------------------|----------------------------|--------------------------------|---------------------------|------------------------------|----------------|
| Total equity at 1 May 2017 | 180,124 | (1,659) | (2,020) | (5,241) | 68,614 | 276,799 | 516,617 |
| Share options fair value charge | – | – | – | – | – | 865 | 865 |
| Share options exercised | – | – | – | – | – | (1,678) | (1,678) |
| Profit attributable to owners of the Parent Company | – | – | – | – | – | 43,232 | 43,232 |
| Dividends paid | – | – | – | – | – | (23,365) | (23,365) |
| Net purchase of own shares | – | (3,257) | – | – | – | – | (3,257) |
| Transfer of shares on vesting of share options | – | 1,678 | – | – | – | – | 1,678 |
| Other comprehensive income | – | – | 895 | 4,095 | 46 | – | 5,036 |
| Total equity at 1 May 2018 | 180,124 | (3,238) | (1,125) | (1,146) | 68,660 | 295,853 | 539,128 |
| Share options fair value charge | – | – | – | – | – | 1,249 | 1,249 |
| Share options exercised | – | – | – | – | – | (1,317) | (1,317) |
| Profit attributable to owners of the Parent Company | – | – | – | – | – | 51,418 | 51,418 |
| Dividends paid | – | – | – | – | – | (23,431) | (23,431) |
| Net purchase of own shares | – | (1,438) | – | – | – | – | (1,438) |
| Transfer of shares on vesting of share options | – | 1,317 | – | – | – | – | 1,317 |
| Deferred tax on share based payments recognised in equity | – | – | – | – | – | 70 | 70 |
| Other comprehensive income (expense) | – | – | 322 | (3,679) | (23) | – | (3,380) |
| Total equity at 30 April 2019 | 180,124 | (3,359) | (803) | (4,825) | 68,637 | 323,842 | 563,616 |

Other reserves comprise the capital redemption reserve, revaluation reserve and merger reserve.

**NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 APRIL 2019**

1. SEGMENTAL ANALYSIS

| | UK&I | Spain | Corporate | Total |
|--|-----------------|----------------|------------------|----------------|
| | 2019 | 2019 | 2019 | 2019 |
| | £000 | £000 | £000 | £000 |
| Revenue: hire of vehicles | 315,559 | 202,065 | – | 517,624 |
| Revenue: sale of vehicles | 166,488 | 61,358 | – | 227,846 |
| Total revenue | 482,047 | 263,423 | – | 745,470 |
| Underlying operating profit (loss)* | 35,396 | 46,086 | (5,282) | 76,200 |
| Certain intangible amortisation | | | | (709) |
| Operating profit | | | | 75,491 |
| Interest income | | | | 39 |
| Finance costs | | | | (15,124) |
| Profit before taxation | | | | 60,406 |

| | UK&I | Spain | Corporate | Total |
|--|-----------------|----------------|------------------|----------------|
| | 2018 | 2018 | 2018 | 2018 |
| | £000 | £000 | £000 | £000 |
| Revenue: hire of vehicles | 283,543 | 187,644 | – | 471,187 |
| Revenue: sale of vehicles | 156,937 | 73,548 | – | 230,485 |
| Total revenue | 440,480 | 261,192 | – | 701,672 |
| Underlying operating profit (loss)* | 33,114 | 38,960 | (3,731) | 68,343 |
| Exceptional Items | | | | (2,499) |
| Certain intangible amortisation | | | | (1,767) |
| Operating profit | | | | 64,077 |
| Interest income | | | | 1 |
| Finance costs | | | | (11,340) |
| Profit before taxation | | | | 52,738 |

*Underlying operating profit (loss) stated before certain intangible amortisation and exceptional items is the measure used by the Board of Directors to assess segment performance.

2. EARNINGS PER SHARE

| | Underlying 2019 £000 | Statutory 2019 £000 | Underlying 2018 £000 | Statutory 2018 £000 |
|---|----------------------------|---------------------------|----------------------------|---------------------------|
| Basic and diluted earnings per share | | | | |

The calculation of basic and diluted earnings per share is based on the following data:

Earnings

Earnings for the purposes of basic and diluted earnings per share,

| | | | | |
|--|--------|--------|--------|--------|
| being profit for the year attributable to owners of the Parent Company | 51,582 | 51,418 | 46,353 | 43,232 |
|--|--------|--------|--------|--------|

| | Number | Number | Number | Number |
|---|--------------------|--------------------|--------------------|--------------------|
| Number of shares | | | | |
| Weighted average number of Ordinary shares for the purposes of basic earnings per share | 133,232,518 | 133,232,518 | 133,232,518 | 133,232,518 |
| Effect of dilutive potential Ordinary shares: | | | | |
| - share options | 2,660,697 | 2,660,697 | 2,077,803 | 2,077,803 |
| Weighted average number of Ordinary shares for the purposes of diluted earnings per share | 135,893,215 | 135,893,215 | 135,310,321 | 135,310,321 |
| Basic earnings per share | 38.7p | 38.6p | 34.8p | 32.4p |
| Diluted earnings per share | 38.0p | 37.8p | 34.3p | 32.0p |

3. DIVIDENDS

Dividends paid in the year were £23,431,000 (2018 – £21,875,000).

An interim dividend of 6.2p per Ordinary share was paid in January 2019 (2018- 6.1p). The Directors propose a final dividend of 12.1p per share for the year ended 30 April 2019 (2018 – 11.6p), which is subject to approval at the Annual General Meeting and has not been included as a liability as at 30 April 2019.

**4. NOTES TO THE CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 APRIL 2019**

| | 2019 | 2018 |
|---|----------------|-----------------|
| | £000 | £000 |
| Net cash generated from (used in) operations | | |
| Operating profit | 75,491 | 64,077 |
| Adjustments for: | | |
| Net impairment of property, plant and equipment | - | (380) |
| Depreciation of property, plant and equipment | 191,316 | 182,185 |
| Amortisation of intangible assets | 1,366 | 2,171 |
| Loss on disposal of property, plant and equipment | 272 | 390 |
| Loss on disposal of intangible assets | 2 | 25 |
| Share options fair value charge | 1,249 | 865 |
| Operating cash flows before movements in working capital | 269,696 | 249,333 |
| Decrease (increase) in non-vehicle inventories | 841 | (1,190) |
| Decrease (increase) in receivables | 7,037 | (14,641) |
| Increase in payables | 5,722 | 6,899 |
| Cash generated from operations | 283,296 | 240,401 |
| Income taxes paid, net | (1,586) | (11,451) |
| Interest paid | (14,163) | (10,707) |
| Net cash generated from operations | 267,547 | 218,243 |
| Purchase of vehicles | (403,487) | (486,943) |
| Proceeds from disposal of vehicles | 174,468 | 186,903 |
| Net cash generated from (used in) operations | 38,528 | (81,797) |

5. ANALYSIS OF CONSOLIDATED NET DEBT

| | 2019 | 2018 |
|------------------------------|----------------|----------------|
| | £000 | £000 |
| Cash and bank balances | (35,742) | (21,382) |
| Bank overdrafts | 34,937 | 7,255 |
| Bank loans | 350,608 | 364,750 |
| Loan notes | 86,194 | 87,890 |
| Cumulative preference shares | 500 | 500 |
| Confirming facilities | 360 | 308 |
| Consolidated net debt | 436,857 | 439,321 |

6. EXCEPTIONAL ITEMS

During the year, the Group recognised exceptional items in the income statement made up as follows:

| | 2019 | 2018 |
|--|-------------|--------------|
| | £000 | £000 |
| Restructuring costs | – | 2,499 |
| Exceptional administrative expenses | – | 2,499 |
| Total pre-tax exceptional items | – | 2,499 |
| Tax credit relating to exceptional items | – | (471) |

Exceptional administrative expenses

All of the restructuring costs incurred in the prior year arose in the UK and Ireland. All restructuring costs relate to programmes which commenced and were completed in the prior year. UK restructuring programmes related to turnaround initiatives including senior management changes, site closures, and establishment of a commercial hub.

7. BASIS OF PREPARATION

The results for the year ended 30 April 2019, including comparative financial information, have been prepared in accordance with International Financial Reporting Standards ("IFRS"), and their interpretations adopted by the European Union.

Northgate plc ("the Company") has adopted all IFRS in issue and effective for the year.

While the financial information included in this preliminary announcement has been prepared in accordance with the recognition and measurement criteria of IFRS, this announcement does not itself contain sufficient information to comply with IFRS. The Company expects to publish full financial statements that comply with IFRS in July 2018.

The financial information set out above does not constitute the Company's statutory accounts for the years ended 30 April 2019 or 2018, but is derived from those accounts. Statutory accounts for 2018 have been delivered to the Registrar of Companies and those for 2019 will be delivered following the Company's Annual General Meeting. The auditors have reported on those accounts: their reports were unqualified, did not draw attention to any matters by way of emphasis and did not contain statements under s498 (2) or (3) of the Companies Act 2006.

The financial information presented in respect of the year ended 30 April 2019 has been prepared on a basis consistent with that presented in the annual report for the year ended 30 April 2018. With the exception of the application of the following standards: IFRS 9; and IFRS 15 which have been newly applied in the year ended 30 April 2019.