

Chairman's statement

A culture of innovation



Bill Spencer
Interim Chairman and Senior Independent Director

Dear shareholders,
The year ended 30 April 2019 has presented many challenges for the Group. We have worked hard to increase engagement with shareholders and act positively on the feedback we have received. In the markets we operate in, it has been encouraging to see continued growth in revenue despite uncertain macro-economic conditions and increasing competition.



On behalf of the Board I would like to thank Andrew Page, who stepped down as Chairman on 27 March 2019. He played a significant role in rebuilding the foundations of Northgate and steering the Group through a period of strategic change. I am currently overseeing the process to recruit a new Chairman with the appropriate skills and experience to take the Group forward.

Performance

In the markets where we operate Northgate remains well positioned to capitalise on the significant opportunities they provide. The Board has continued to oversee implementation of the strategy and has re-emphasised the need to remain focused on delivering improvement in margins balanced against the opportunities available to grow across the Group.

The Group's EPS increased to 38.6p from 32.4p and underlying EPS increased to 38.7p (2018: 34.8p). This included the changes in depreciation rates announced last year and a lower effective tax rate. Ensuring management deliver sustainable earnings growth in the long term remains a key focus for the Board and we will continue to support the strategy put in place to achieve this. ROCE increased 20bps in FY 2019 to 7.7% and was impacted by reduced disposals and investment for growth. Improving ROCE remains a key financial milestone in the successful delivery of our strategy.

Board priorities FY 2020

- Prepare for the appointment of a new chairman and recruit someone with the appropriate skills and experience.
- Fully embed our new values throughout the Group to progress towards our vision.
- Lead further improvements to culture and the working environment through development of the Workforce Advisory Panel.

Dividend

The Group remains in a robust financial position, with strong underlying cash generation and a resilient balance sheet. This underpins our progressive dividend policy and we are proposing a full year dividend of 18.3p, an increase of 3.4% compared with the 2018 full year dividend of 17.7p. Our dividend policy remains unchanged such that the underlying basic earnings per share will cover the total annual dividend within a range of 2.0x to 3.0x.

Board changes

I am pleased to welcome Philip Vincent to the Board as Group CFO. Philip brings a wealth of relevant financial and commercial experience gained in a wide range of senior roles, in the UK and internationally, which should enable him to make a significant contribution to Northgate's future success.

Andrew Allner stepped down as a Non-executive Director on 31 December 2018, following 11 years with the Group and John Pattullo was appointed as a Non-executive Director on 1 January 2019. John brings a broad range of experience across publicly listed and private equity companies which will be of great benefit to Northgate.

I am pleased that Fernando Cogollos Ubeda is expected to join the Board as a Non-executive Director following his retirement as General Manager of our business in Spain and on the commencement of his replacement, Jorge

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Alarcon. This will ensure strong continuity of leadership and the retention of Fernando's knowledge and understanding of our business and markets.

Our people

The Board has established the Northgate Workforce Advisory Panel to be led by Non-executive Director Claire Miles. Our firm belief is that this new panel will enable the board to engage more directly with employees, contributing to enhancements in culture and the working environment.

The Group has implemented a new system of vision and values this year which will enable our people to succeed. Our vision is to transform commercial vehicle rental so customers choose a rental model over ownership and to achieve this we recognise the need to attract and inspire people who are passionate about our business.

On behalf of the Board I would like to thank all of our team members throughout Northgate and look forward to seeing them implement our values of service, integrity, heart, ambition, and teamwork to ensure that the Group is able to fulfil our purpose: providing expert, easy and responsible commercial vehicle solutions in pursuit of our vision to transform vehicle rental so customers choose to rent not own.

“Our vision is to transform commercial vehicle rental so customers choose a rental model over ownership.”

Outlook

We have done much work in the past year to further strengthen the foundations of the Group. We have a clear strategy to grow revenues, profits and returns. We aim to continue enhancing our capabilities and leverage our competitive advantages to realise the growth opportunities identified.

Bill Spencer

Interim Chairman

24 June 2019

Dividend per share (p)

2015	14.5
2016	16.0
2017	17.3
2018	17.7
2019	18.3

The board's view on purpose, vision and values.



It is imperative that the Group shares a purpose, vision and values across all its operations. This year we are pleased to announce that, after consultation across the Group, we have arrived at a meaningful expression of who we are and what we stand for.

Our vision is to transform business vehicle rental so that rental, not ownership, becomes the best decision for all our customers and we aim to do this by providing expert, easy and responsible vehicle rental.

At the heart of this vision we identified a core set of values, namely:

- Teamwork
- Service
- Heart
- Ambition
- Integrity

To achieve our ambitious vision we know that we will need to make renting a vehicle or a whole fleet easy and cost-effective so that it is the obvious choice for smart businesses. We are of the view that we have the right people across the Group to deliver this.

