

Crystal Amber's reasons for, and purpose of, calling the General Meeting of shareholders in Northgate plc

The Fund

The Fund is an activist fund, which invests primarily in what it regards as undervalued assets and seeks, usually privately and supportively, to engage with investee companies in an attempt to help their boards and managements to enhance shareholder value.

Since the Fund's inception in June 2008 it has grown its net assets from £57m to over £200m, and over the last three years it has delivered a 13.5% compound annual total return (growth in net asset value per share, plus reinvested dividends).

The Fund has a strong track record of successful engagement with many portfolio companies, which has led to significant gains in value for all shareholders, for example at Pinewood, Thorntons and Aer Lingus. In the 11 years since the Fund was established, this is only the second time that it has requisitioned a General Meeting of an investee company to change its board.

Interaction with Northgate plc

The Fund first invested in Northgate in September 2012, and subsequently in April 2016, because it believed its leading position in the UK and Ireland van hire market and its growing business in Spain were not appropriately valued by the market.

It is now the fourth-largest shareholder, with 6.5 per cent of the company's issued share capital.

Following its 2016 investment, the Fund immediately sought meetings to discuss strategy for the business with Northgate. Despite meeting on multiple occasions (variously) with the chairman, the senior independent director and the new CEO, we have found the board complacent and entirely unresponsive to the positive proposals made by Crystal Amber and resistant to demands for better transparency, executive compensation more aligned with shareholders' interests, clearer strategy and improved communications with shareholders and the market.

Proposition 1:

To remove Andrew Page as chairman and a director of the Group

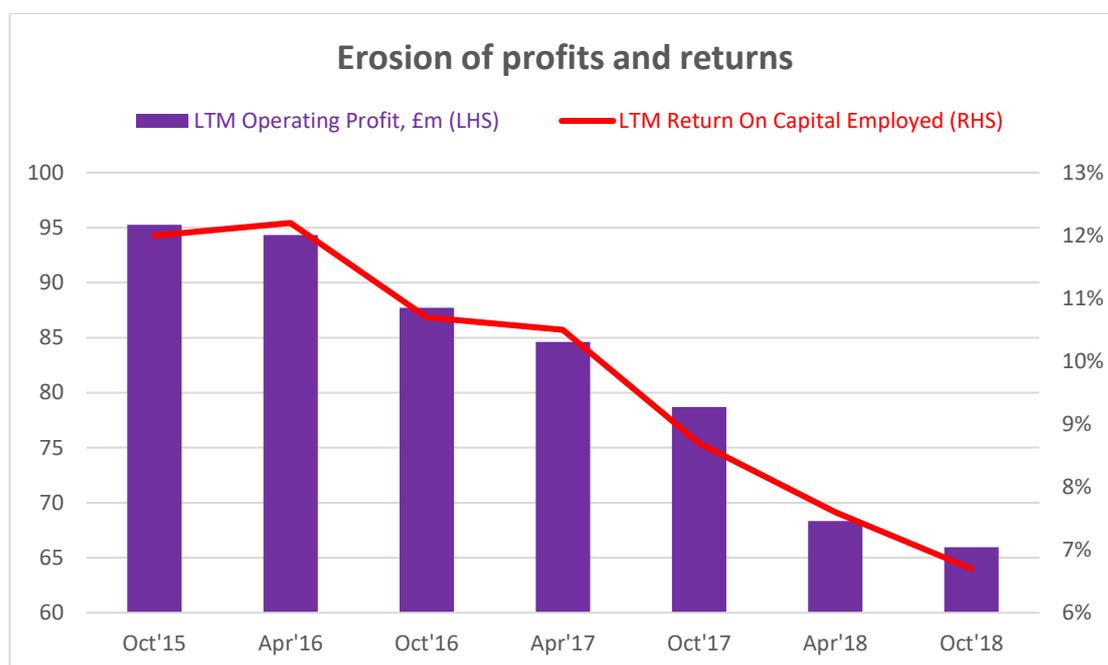
We believe the chairman, Andrew Page, is the main obstacle to progress at Northgate. In his tenure as chairman, the company has, in our view:

1. Issued three profits warnings
2. Carried out a "strategic review" that resulted in no clear new strategy
3. Lost a significant vote at the September 2018 AGM, when 58% of shareholder votes were cast in rejection of the Directors' Remuneration Report (see <https://www.telegraph.co.uk/business/2018/09/19/northgate-suffers-investor-rebellion-executive-bonuses/>). In the aftermath of this failure, the board has

suggested setting long-term targets for executive management that the Fund considers to be extraordinarily low

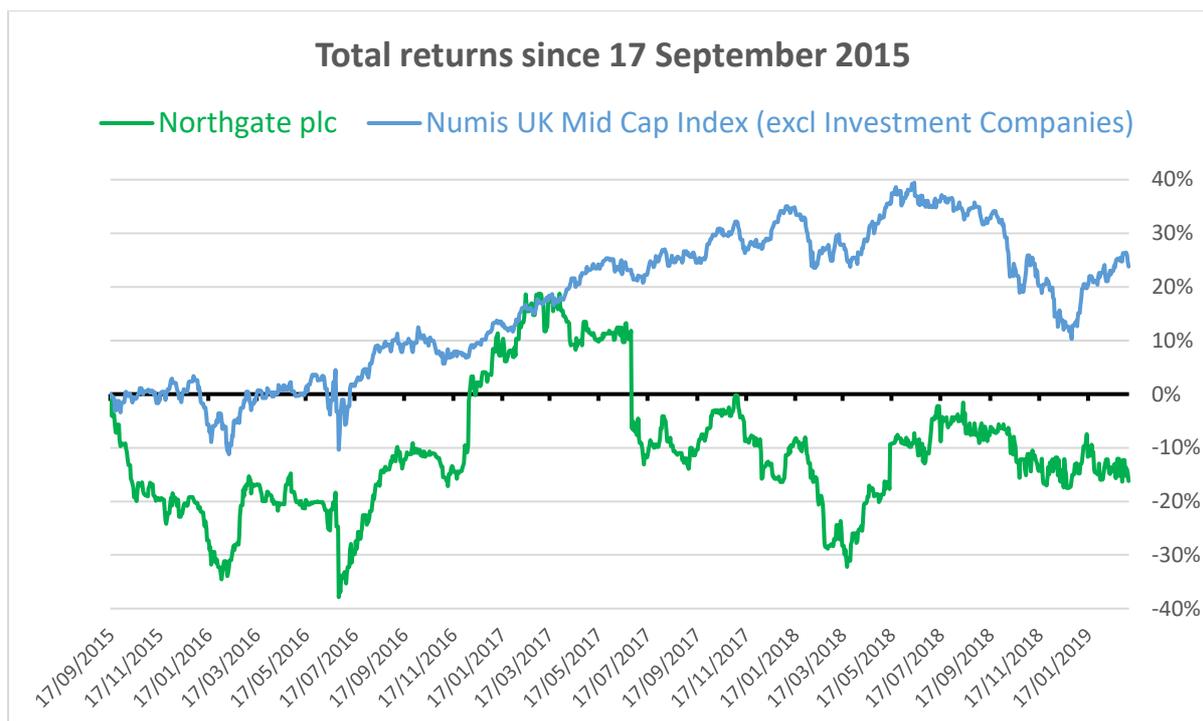
4. Surprised the market with multiple changes to reported metrics that make the true underlying performance of the business harder to discern
5. Rejected value-enhancing proposals – such as examining a partial IPO of the rapidly-growing Spanish business – on entirely spurious grounds and without due consideration

During Page's tenure as chairman, between the first half of FY16 and the first half of FY19, Northgate's operating profit fell by 29% and its return on capital employed dropped from 12.0% to 6.7%. Despite enjoying the tailwind of a growth market, Northgate's number of vehicles on hire in the UK and Ireland is lower in organic terms than in October 2015.



In introducing the presentation of full year results in June 2018, when the company reported earnings per share 29% lower than in FY17, Mr Page referred to Northgate's profits as "*slightly depressed*". He concluded his prepared remarks by asking the audience "*what's not to like?*".

The market verdict is clear. Since Page's appointment as chairman, Northgate has achieved a total shareholder return of -16%, during a period when the Numis UK Mid Cap Index (excluding Investment Companies) has delivered +24%.



Mr Page continues to preside over a board woefully short of direct career experience within hire businesses, including the three non-executive directors appointed under his stewardship. In December, Northgate announced a new board member who does have relevant experience: Fernando Cogollos Ubeda, the highly-regarded General Manager of Northgate Spain. However, in contravention of corporate governance best practice, he is to join the board only when his employment ceases, as a non-independent director.

We believe that ultimately the failure of Northgate to grow strongly both in business terms and in terms of shareholder value should be squarely placed at the feet of Mr Page, who in our view has presided over a culture of arrogance, complacency and lack of transparency – unchecked by an inexperienced board and senior executives who do not have sufficient authority or force to stand up to him.

Proposition 2:

To elect Steve Smith as a director of the Group

Reasons for proposing Steve Smith to be an elected an independent director:

As noted in the foregoing, the board of Northgate lacks industry knowledge and is therefore not in a position to appropriately hold the executive management to account and to provide proper strategic direction for the group.

Mr Smith is a former Chief Executive Officer of Northgate plc, and previously served as the Managing Director of vehicle operations for the predecessor company, Goode Durrant plc. When Mr Smith’s retirement was announced in April 2010, Bob Mackenzie, then-Chairman of Northgate, said: *"Steve Smith has been an integral part of the Group for over two decades, including ten years as Chief Executive, and the Board is very grateful for the commitment and leadership he has shown throughout his tenure. During his career at*

Northgate, the rental fleet has increased from 2,500 vehicles, located mainly in the North East of England, to approximately 109,000, spread across the UK and Spain. As previously announced, Steve had originally planned to retire from the Chief Executive role in August last year and we are very grateful to him for agreeing to stay on over a challenging period for Northgate. Steve has now agreed to bring forward his planned departure date in the light of the progress that has since been made by the Group."

After retiring from Northgate, Mr Smith has held a number of non-executive roles, including as Chairman of Transflex Vehicle Rental Ltd from 2011 until its sale to a private equity firm in 2017. He is currently a director of Ramsdens Holdings plc and three private companies.

Steve Smith is independent of the Fund and has never previously been appointed to the board of a company at the request of the Fund. Steve Smith will not be constrained by any proposals from the Fund in relation to Northgate and, following his appointment, will reach his own conclusions as to what is in the best interests of Northgate. Mr Smith is a private shareholder in Northgate.

Richard Bernstein commented: *"Steve Smith led the team that grew Northgate successfully to the scale and market power it has today, a legacy that is being squandered by the current board led by Andrew Page. His track record as a very successful former CEO of the group and his unrivalled understanding of the commercial vehicle hire sector mean that his election to the board would be a huge boon for all shareholders. His appointment would give all shareholders more confidence that Northgate will properly exploit its strong base and return more value to shareholders with his wisdom and experience in the boardroom."*