

Stern: Q1-2018 trading update

Stern Groep N.V., the listed market leader in automotive retail in the Netherlands, announces its results for the first quarter of 2018.

Key points

- Net revenue € 308.2 million (Q1-2017: € 313.3 million)
- Profit after tax of € 3.1 million (Q1-2017: € 4.0 million)
- In Q1-2018 the lease portfolio showed further organic growth to reach 11,267 contracts (11,614 contracts at the beginning of May). The order book amounts to 1,394 contracts (Q1-2017: 663)
- Stern Mobility Solutions is developing satisfactorily
- The result at Dealergroup Stern was under pressure due to extreme high sickleave.
- Market share passenger cars adjusted for many dealer registrations for a number certain brands virtually unchanged (Q1-2017: 5.7%) and 6.9% in light commercial vehicles (Q1-2017: 7.6%)
- Solvency 25.6% (year-end 2017: 25.5%)
- Net asset value per share € 28.61 (year-end 2017: € 28.08)
- The implementation of the strategic plan is on schedule with extra potential because of closure of more locations
- The final dividend for 2017 of € 0.75 per share will be available for payment on 7 June 2018

Henk van der Kwast, Chief Executive Officer:

"The execution of the Fast Forward strategic plan is proceeding almost according to plan. Due to the focus on more solutions and services, the lease fleet and the order book of Stern Mobility Solutions grew faster than expected up to and including April. The fleet managed amounts to almost 15,000 vehicles. 2018 is a challenging year for Dealergroup Stern and Stern Car Services. Sales of new cars in the Dutch market during the year will be affected by price changes due to the introduction of new international emissions tests (the Worldwide Harmonised Light Vehicles Test Procedure, or WLTP). The precise effect of this on sales volume and margins is still unclear, but smart purchasing could present opportunities. In line with our strategic plan, we will concentrate on executing our improvement plans, sales of used cars and supplementary mobility services."

State of affairs in Q1-2018

Net revenue declined fractionally by 1.6% compared to Q1-2017 to € 308.2 million. This was mainly due to lower revenue at Dealergroup Stern, however it should be noted that exceptional revenue growth of 11.3% was posted in Q1-2017 and extreme high sick leave was a major factor in Q1-2018. The lease portfolio showed organic growth of 8.8% compared to Q1-2017.

The gross profit was up € 0.7 million to € 50.2 million, due to better margins on used cars and car body repairs and the growth of the lease and rental fleets.

Other operating income was up € 0.2 million to € 3.2 million.

Operating expenses were up slightly due to the effects of collective labour agreements as well as the increased volume at all companies, with more direct employees in service. SternPoint also expanded its network from 12 to 18 branches in 2017.

The profit after tax came to € 3.1 million (Q1-2017: € 4.0 million).

Balance sheet and solvency

The balance sheet total stood at € 646.5 million at the end of March 2018, up € 21.4 million on year-end 2017. € 11.8 million of the increase was due to the introduction of IFRS 15 on 1 January 2018 (for a detailed account of this, see page 98 of the 2017 annual report). The growth of the lease and rental portfolios also accounted for an increase of € 9.4 million. Trade receivables also rose, but this was offset by a clear decline in the trade inventory of € 26.4 million. Including the adjustment due to IFRS 15, the inventory position declined by € 14.6 million.

Group equity increased by € 3.1 million to € 162.4 million at the end of March 2018 (year-end 2017: € 159.3 million). The solvency ratio of Stern Group at the end of March 2018 stood at 25.6% (year-end 2017: 25.5%).

Based on a standard solvency ratio for the car leasing operations of 12.5% and for car rental operations of 20.0%, the solvency of the other activities came to 28.0%, compared to 27.5% at year-end 2017. The excess solvency (after adjustment for the effect of IFRS 15) amounted to € 5.3 million at the end of March 2018.



Outlook

Stern maintains the expectations with regard to the development of its result stated in its 2017 annual report. The decline in margins at Dealergroup Stern in 2017 will be reversed to some extent in 2018. The return at Stern Mobility Solutions can be further improved by further growth of the lease portfolio, better results from SternRent and much lower losses at Mango Mobility. The results from Stern Car Services will be better than those realised in 2017 due to continuing growth at SternParts, the new SternPoints coming up to speed on the basis of healthy growth in brand-certified car body repairs (mainly for insurers), and the full integration of SternTec into SternPoint. Based on the continuing positive economic developments, margin recovery at Dealergroup Stern, continuing growth at Stern Mobility Solutions and at Stern Car Services and the implementation of Fast Forward, the Management Board expects to see strong improvement in profits in the coming years. The closing of more dealer locations is under review.

Note to editorial staff, not for publication: For further information, please contact H.H. van der Kwast (Stern Group), T +31(0)20 613 60 28

Profile of Stern Groep N.V.

Stern is a large Dutch mobility group that has been listed on Euronext Amsterdam since 2000. Since then, the intended significant growth has been realised in the major car-intensive regions of the country: North and South Holland, Utrecht and North Brabant. The network has more than 100 branches with approximately 2,200 employees, and collectively realises net annual revenue (excluding BPM) in excess of € 1 billion. Stern will continue its growth strategy in the coming years.

Stern believes in individual mobility, sustainability and diversity. For this reason, it offers a wide variety of car brands and additional mobility services. For those preferring a means of transport other than a car, through Mango Mobility Stern offers electric 2, 3 and 4 wheel transport solutions with speeds of up to 45 kilometres an hour.

With Stern Mobility Solutions, Stern is engaged in services including leasing (SternLease), rental (SternRent), fleet management (SternPartners), insurance (SternPolis), finance (SternCredit) and extended guarantees (SternGarant). Stern Mobility Solutions manages nearly 15,000 vehicles and more than 60,000 contracts.

With a growing network of currently 18 branches, the Stern Car Services division offers services in the area of (brand-certified) repairs, universal after-sales and the intake and provision of rental cars (SternPoint).

Dealgroupp Stern has five clusters representing several leading brands such as 1) Mercedes-Benz, 2) Renault and Nissan, 3) Ford, 4) Volvo, Land Rover and Fiat, 5) Volkswagen, Audi, Kia and Opel. Dealergroupp Stern has a total of approximately 85 branches.