

Stern: Q3-2017 trading update

Stern Groep N.V., the listed market leader in automotive retail in the Netherlands, announces its results for the period from 1 January to 30 September 2017.

Key points

- Net revenue for the first three quarters of 2017 increased by 4.2% to € 855.0 million;
- The result after tax was € 1.5 million lower than the same period in 2016. The result in Q3-2016 included € 1.4 million non-recurring income from divestments;
- The lease portfolio showed further organic growth to reach 10,715 contracts at the end of September 2017 (an increase of 6.1% compared to year-end 2016 and 11.0% over the past 12 months);
- Stern Mobility Solutions showed a positive development in comparison to 2016;
- Dealergroup Stern increased its market share for passenger cars to 5.8% (Q3-2016: 5.6%). The market share for light commercial vehicles came to 7.7% (Q3-2016: 8.2%). The result at Dealergroup Stern was under pressure due to margin erosion and higher costs;
- The solvency ratio at the end of September 2017 stood at 25.9% (year-end 2016: 25.2%);
- Net asset value per share at 30 September 2017 was € 28.00 (year-end 2016: € 27.66);
- The expectations for 2017 as a whole are more moderate than those stated previously this year;
- The strategic plan moved into the implementation phase on 1 October.

Henk van der Kwast, Chief Executive Officer:

"The targeted growth of Stern Mobility Solutions continued in the third quarter, and is of great importance to the group as a whole. The continuing erosion of margins on car sales is a national phenomenon to which Dealergroup Stern is unfortunately not immune. Excessive market expectations from importers and the increasing buying power of large customers have created intense competition among car dealers. We remain fully convinced that only large car dealer holdings will be able to survive, by capitalising on synergy and scale benefits. Dealergroup Stern is in the midst of a change process that is designed to translate these benefits into a concrete improvement in the result. We expect this improvement to become clearly visible in the course of 2018."

State of affairs at the end of Q3-2017

Net revenue has increased by 4.2 % compared to 2016 to € 855.0 million. The increase was seen at both SternLease and Dealergroup Stern. Despite margin pressure at Dealergroup Stern, gross profit was up € 2.6 million to € 142.9 million.

Other operating income was up € 0.6 million to € 4.9 million.

Operating expenses were up due to increased volume at all divisions, with more direct employees in service.

Employee expenses also rose due the effects of the collective labour agreement. The expansion of SternPoint with six branches and the development and implementation of the strategic plan has involved significant non-recurring costs.

Profit after tax was € 1.5 million lower than in the first three quarters of 2016. The result in Q3-2016 included € 1.4 million non-recurring income from divestments.

Balance sheet and solvency

The balance sheet total at the end of September 2017 of € 614.0 million is € 9.8 million lower than at year-end 2016. The decrease is due to the significant downsizing of the inventory position and a decline in trade receivables. The lease and rental portfolios have increased by € 16.1 million in 2017.

Group equity increased by € 1.9 million to € 158.9 million at the end of September 2017 (year-end 2016: € 157.0 million). The increase consists of the profit after tax for the first three quarters of 2017, a positive change in value of the interest-rate swaps and a reduction due to distribution of the final dividend for 2016 in June 2017.

The solvency ratio of Stern Group at the end of September 2017 stood at 25.9% (year-end 2016: 25.2%). 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 at the end of September 2017 came to 35.1%, compared to 32.6% at year-end 2016.

The excess solvency at the end of September 2017 stood at € 7.0 million.

Agreement was reached with the banks regarding an increase of the financing facility for the retail activities by € 10.0 million to € 80.0 million in September 2017.



Outlook

Stern Mobility Solutions will continue its excellent performance. The new SternPoints of Stern Car Services are still undergoing start-up losses in 2017, but these branches will further improve their performance in Q4-2017. Stern expects the margin pressure at Dealergroup Stern to ease in Q4-2017 due to better margins on used cars and the yet-to-be realised benefits of certain bonus programmes. The strategic plan, including more specific improvements planned for Dealergroup Stern, is now in the implementation phase. The results of these plans will become visible in 2018 and 2019. A detailed explanation of the strategic plan and the associated improvement plans will be presented at the Extraordinary General Meeting to be held on 21 December 2017. Partly due to non-recurring costs associated with the development and implementation of the strategic plan, it will be difficult to emulate the record result realised in 2016.

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, Stern now offers electric 2, 3 and 4 wheel transport solutions with speeds of up to 45 kilometres an hour via Mango Mobility.

With Stern Mobility Solutions, Stern is engaged in services including car leasing (SternLease), rental (SternRent), fleet management (SternPartners), insurance (SternPolis), finance (SternCredit) and extended guarantees (SternGarant). Stern Mobility Solutions manages approximately 14,000 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).

Dealergroup 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. Dealergroup Stern has a total of approximately 85 branches.