

Stern announces its results for 2017

Stern Groep N.V., listed Dutch market leader in automotive retail and services, announces its results for 2017.

Key points in 2017

- Net revenue amounted to € 1,124.7 million (2016: € 1,097.6 million)
- Gross EBITDA amounted to € 69.5 million (2016: € 75.1 million)
- Profit after tax is € 7.5 million (2016: € 11.3 million)
- The profit includes a net amount of € 1.3 million in non-recurring income (2016: € 2.2 million)
- The market share for new passenger cars has increased to 5.9% (2016: 5.7%)
- The market share for new light commercial vehicles is 7.6% (2016: 8.1%)
- The lease portfolio showed organic growth of 9.1% to 11,022 contracts at year-end 2017 (growth at national level: 8.7%)
- The total number of vehicles managed by Lease has risen to 14,217 (2016: 13,149)
- A dividend for the 2017 financial year of € 1.00 per share will be proposed to the General Meeting of Shareholders on 9 May 2018 (2016: € 1.00). An interim dividend of € 0.25 per share has already been distributed in December 2017
- 2018 will feature the multi-year plan 'Fast Forward'
- The 2017 annual report will be available online from 20 March 2018

Henk van der Kwast, Chief Executive Officer:

"After two relatively good years, 2017 closed with a lower but once again clearly positive result. There were much higher expectations for 2017, given the economic developments in the Netherlands. Although the car market recovered to virtually the traditional replacement level in 2017, margins were subject to heavy pressure, especially for Dealergroup Stern. This was due among other things to the strong increase in private lease, which has increased the market strength of lease companies, and intense competition in the used-car market. These developments clearly show that our strategy of increasing our focus on financial mobility products and car services is the right choice. Stern has now been on the road for 25 years. From a single Opel dealership in Amsterdam, we have grown into one of the largest automotive groups in the Netherlands. We are proud of this achievement. However, we have further ambitions. Improvement and renewal projects have been initiated to give a strong boost to our transformation from a large car dealer holding into a modern mobility group. The Fast Forward strategic plan also includes the digital transformation of the company as a priority. We expect the first results of this to become visible in the course of 2018."

Consolidated key figures (1)

(* € 1,000)	2017	2016	index
Net revenue	1,124,677	1,097,630	102.5
EBITDA gross (2)	69,468	75,053	92.6
EBITDA net (3)	20,451	26,655	76.7
EBIT	12,690	18,737	67.7
Profit after tax	7,499	11,348	66.1
Net cash flow (4)	15,203	19,207	79.2
Gross cash flow (5)	58,733	61,859	94.9
Balance sheet total	625,113	623,853	100.2
Equity	159,348	156,994	101.5
Net financial liabilities (6)	302,916	297,864	101.7
- of which Stern Mobility Solutions	201,284	197,696	101.8
Equity / total assets	25.5	25.2	101.2
Per share (* € 1)			
Number of shares outstanding	5,675,000	5,675,000	100.0
Average number of outstanding shares	5,675,000	5,675,000	100.0
Earnings per share	1.32	2.00	66.1
EBITDA gross per share	12.24	13.23	92.5

- (1) The consolidated statement of income and statement of financial position are attached to this press release.
- (2) Gross EBITDA is the profit before tax and before interest expenses + interest expenses in cost of goods sold + regular depreciation expenses + depreciation expenses for the lease fleet and the rental fleet
- (3) Net EBITDA is the profit before tax and before interest expenses + regular depreciation expenses
- (4) Net cash flow is the profit after tax + regular depreciation expenses
- (5) Gross cash flow is the profit after tax + regular depreciation expenses + depreciation expenses for the lease fleet and the rental fleet
- (6) Net financial liabilities concerns interest-bearing loans less cash and cash equivalents.

Notes to the consolidated figures

Revenue

Stern's consolidated revenue of € 1,124.7 million set a new record in 2017, mainly due to the significantly higher revenue from new passenger cars and light commercial vehicles at Dealergroup Stern. At Stern Mobility Solutions, revenue was up 8.7% as a result of the further organic growth of the lease and rental fleets.

EBIT

EBIT amounted to € 12.7 million (2016 € 18.7 million). Stern Mobility Solutions achieved EBIT of € 10.3 million (2016: € 7.7 million). The increase was due to the continuing growth of the lease fleet (up 9.1% in 2017), as well as lower financing expenses for the fleet due to the refinancing arranged in mid-2017 on more favourable conditions.

Dealergroup Stern achieved an EBIT of € 4.9 million (2016: € 14.0 million). The decline was mainly due to the huge volume and margin pressure on passenger cars, combined with higher employee expenses.

Non-recurring income of € 1.3 million was recognised in 2017 (2016: € 2.2 million). The major income item was the book gain on two premises (a book gain of € 2.2 million collectively), while the main non-recurring expense item concerned reorganisation expenses at Dealergroup Stern of € 0.9 million. Significant investment was made in terms of both time and money on strategic development in 2017. In addition to consultancy costs, start-up costs for the new car body repair facilities negatively affected the result.

Finance expenses

Finance expenses of € 3.3 million were down € 0.1 million compared to 2016. Working capital remained at a high level in 2017 due to the continuing inventory pressure from the industry.

Profit before and after tax

The profit before tax in 2017 came to € 9.4 million. The related tax liability is € 1.9 million. Only € 0.4 million of this liability is actually due within one year. The remaining tax liability is set off against the deferred tax assets due to tax losses carried forward. The profit after tax in 2017 came to € 7.5 million.

Statement of financial position

Total assets at year-end 2017 amounted to € 625.1 million, compared to € 623.9 million at year-end 2016. The increase of € 1.2 million was the result of an increase of € 16.1 million due to the growth of the lease and rental portfolio and a € 4.4 million increase in the inventory, offset by a € 23.0 million decline in trade receivables. This was due to a shift of the delivery pattern from the end of the year to January of the following year. In past years, many cars were delivered in the final month of the year in order to lock in favourable tax addition rules. Now that there are no longer adjustments in the addition rates, the traditional pattern of many deliveries in January is returning.

Equity rose in the year by € 2.4 million to € 159.3 million at year-end 2017. The increase is due to the profit after tax in 2017 of € 7.5 million, the positive change in value of the interest-rate swaps of € 0.6 million and a decline of € 5.7 million due to the final dividend for 2016 distributed in 2017 and the interim dividend for 2017.

Stern Group's overall solvency at year-end 2017 was 25.5% (2016: 25.2%).

Stern has facilities at banks amounting to € 260 million, with € 80 million available for Retail finance and € 180 million for the financing of the Lease portfolio, with € 150 million based on a securitisation facility. These facilities were arranged in 2017 and run for three years until 30 June 2020. The interest expense is significantly more favourable than the previous conditions, especially for the lease financing. The banks providing the financing, ABN-AMRO, ING and Rabobank) are each providing an equal amount of the total funding. In addition, Stern has a financing facility of € 106.0 million available from Mercedes-Benz Financial Services for the financing of the rental fleet and the entire used-car inventory of Stern.

Key figures per segment

The core activities of Stern Groep N.V. are divided into four segments:

- Dealergroup Stern
- Stern Mobility Solutions
- Stern Car Services
- Other

The key figures per segment (actual 2017 versus 2016) are as follows:

(amounts x € 1,000)	EBIT		EBITDA gross		Revenue		Total assets	
	2017	2016	2017	2016	2017	2016	2017	2016
Dealergroup Stern	4,918	13,957	8,039	16,937	1,119,041	1,083,522	280,667	299,117
Stern Mobility Solutions	10,344	7,732	59,572	56,355	170,070	156,450	265,169	255,808
Stern Car Services	-1,001	-981	-522	-546	32,707	36,047	8,320	4,787
Other	-1,571	-1,971	2,379	2,307	135	743	70,957	64,141
Elimination of internal revenue					-197,276	-179,132		
	<u>12,690</u>	<u>18,737</u>	<u>69,468</u>	<u>75,053</u>	<u>1,124,677</u>	<u>1,097,630</u>	<u>625,113</u>	<u>623,853</u>

With effect from 2017, the segment Stern Mobility Solutions also includes the activities of Mango Mobility (2016: Other), and the segment Stern Car Services also includes the activities of SternTec with effect from 2017 (2016: Other). The comparative figures have been adjusted accordingly.

Highlights Dealergroup Stern

414,538 new passenger cars were registered in the Netherlands in 2017, an increase of 32,015 (8.4%) compared to 2016, when the lowest figure for 20 years was recorded. The main cause of this large market fluctuation lies in government tax policy with respect to cars and in particular the changes in the addition rules in past years.

Revenue increased by € 35.5 million (3.3%) to € 1,119.0 million. Revenue from new passenger cars rose by 10.3%. Revenue from new light commercial vehicles remained more or less unchanged. Revenue from used cars declined by 4.8% compared to 2016. Sales of used cars to consumers rose, while sales to the trade declined.

Dealergroup Stern realised sales of 24,257 new passenger cars in 2017, an increase of 12.1% compared to 2016. This represents a clear outperformance of the national market, where an increase of 8.4% compared to 2016 was realised.

The market share for new passenger cars increased further to 5.9% (2016: 5.7%).

Dealergroup Stern realised an operating profit (EBIT) of € 4.9 million (0.4% of revenue). The margin on sales of new passenger cars was down sharply, partly due to a higher proportion of sales to lease companies and changed bonus policies at several importers. Both revenue and margin increased at the workshops in 2017. Employee expenses rose slightly, mainly due to the effects of collective employment agreements and an increase in the number of mechanics due to higher workload at the workshops. Dealergroup Stern also recognised a reorganisation expense of € 0.9 million for the redundancy of a number of employees in 2017.

Total assets at € 280.7 million were down 6.2% on year-end 2016. The inventory of new cars at year-end 2017 amounted to € 140.8 million, in line with 2016. € 89.0 million of the inventory of new cars had been sold at year-end 2017 (year-end 2016: € 74.3 million). These cars were delivered early 2018.

Highlights Stern Mobility Solutions

The national lease fleet increased by 8.7% in 2017 to approximately 860,000 vehicles. The lease fleet of SternLease increased by 9.1% due to autonomous growth in 2017 to 11,022 vehicles. As a result of the increase of the lease fleet and more favourable financing conditions, the operating profit of Stern Mobility Solutions rose significantly to € 10.3 million in 2017. The gross EBITDA of Stern Mobility Solutions came to € 59.6 million in 2017, an increase of 5.7% compared to 2016. The increase in the fleet led to an increase in total assets of € 9.4 million (3.7%) compared to year-end 2016. The Debt/EBITDA ratio for Stern Mobility Solutions stood at 3.38 at year-end 2017 (2016: 3.51).

Highlights Stern Car Services

Revenue amounted to € 32.7 million in 2017, a decline of € 3.3 million compared to 2016. The decline was due to the transfer of the revenue from the universal garage activities and the associated employees from four old-style SternPoint facilities to Dealergroup Stern on 1 September 2016. The results of these transferred activities are recognised under the Dealergroup Stern segment with effect from that date.

Due to the network expansion from 12 to 18 facilities realised in 2017, revenue from the car body repair activities increased by € 2.2 million or 8.4% compared to 2016, against an estimated national decline of 4.3%. An increase in brand-certified car body repair services was another significant growth factor in addition to the increase in the number of facilities. The number of car repairs (assignments) carried out by SternPoint was up 8.9%, with the average repair bill remaining more or less unchanged. Revenue from light commercial vehicle interiors, part of SternTec, increased by € 0.7 million or 19.9% in 2017 compared to 2016, partly due to good sales interior modules for light commercial vehicles.

The operating profit of Stern Car Services amounted to € 1.0 million negative. The operating profit of SternPoint increased slightly in 2017 compared to 2016 as a result of start-up losses in relation to the new facilities. Revenue in 2016 was still positively affected by additional car body repair services resulting from a serious hail storm in the south of the Netherlands.

Highlights Other

The operating profit of the Other segment was € 1.6 million negative in 2017 compared to € 2.0 million negative in 2016. A significant portion of the negative result concerns holding costs that were not recharged. Stern has decided not to recharge all the holding costs to the segments, meaning that the Other segment will realise a negative operating profit by definition.



Dividend proposal

At the General Meeting of 9 May 2018, consistent with the prior year and in line with the dividend policy, a total dividend per share will be proposed of € 1.00 in cash based on the excess solvency at 31 March 2018. The dividend will be payable on 7 June 2018 and will be paid after deduction of the interim dividend of € 0.25 per share paid on 22 December 2017. The excess solvency at 31 December 2017 was € 4.3 million. The excess solvency at 31 March 2018 is expected to be clearly higher.

Outlook

The new strategic plan builds on the previous course of investing more money, attention and energy in financial mobility products and car services, such as brand-certified car body repairs and supply of original car parts. This will increase the company's purchasing power and make its return stronger and more stable. The potential for improving the organisation was studied with the help of an external consultancy company last year. The conclusion of this study, which is endorsed by both the Management Board and the Supervisory Board, is that significant savings can be made by changing the structure of the business processes at Dealergroup Stern, that the earnings potential of Stern Mobility Solutions is very much related to further growth of the portfolio and that there is significant potential to be realised at Stern Car Services with SternPoint and SternParts.

With respect to the current financial year, the Management Board expects the margin decline 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 much better than those realised in 2017 due to further growth at SternParts and the new SternPoints coming up to speed on the basis of healthy growth in brand-certified car body repairs, mainly for insurers.

The Management Board expects the results to improve strongly in the coming years, based on positive economic developments, a recovery of margins at Dealergroup Stern and the implementation of the new strategic plan.

KEY DATES

2017 annual report available online	20 March 2018
Publication of first quarter results 2017	9 May 2018 before market opening
General Meeting	9 May 2018
Publication of first half results 2018	22 August 2018 before market opening

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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 over 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, multi-brand 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.

The specifications included in the attachment derived from the 2017 financial statements of Stern Groep N.V. Ernst & Young Accountants LLP issued an unqualified audit opinion for the 2017 financial statements on 7 March 2018.

Consolidated statement of income

(amounts x € 1,000)

	<u>2017</u>	<u>2016</u>
Net revenue	1,124,677	1,097,630
Cost of sales	(935,053)	(907,850)
Gross profit	<u>189,624</u>	<u>189,780</u>
Other income	8,942	9,359
Employee expenses	(118,334)	(112,574)
Amortisation of intangible assets	(59)	(59)
Depreciation of property, plant and equipment and real estate investments	(7,704)	(7,859)
Other operating expenses	(59,779)	(59,910)
Operating profit (EBIT)	<u>12,690</u>	<u>18,737</u>
Result from associates	72	46
Financial income and expenses	(3,326)	(3,404)
Profit before tax	<u>9,436</u>	<u>15,379</u>
Income taxes	(1,937)	(4,031)
Profit after tax (attributable to the shareholders of Stern Groep N.V.)	<u><u>7,499</u></u>	<u><u>11,348</u></u>
Earnings per share		
Weighted average number of outstanding shares	5,675,000	5,675,000
Earnings per share based on profit after tax	€ 1.32	€ 2.00
Earnings per share diluted – based on profit after tax	€ 1.32	€ 2.00



Consolidated statement of comprehensive income

(amounts x € 1,000)

	<u>2017</u>	<u>2016</u>
Profit after tax (attributable to shareholders of Stern Groep N.V.)	7,499	11,348
Other comprehensive income		
Other comprehensive income to be transferred to the statement of income in the following periods		
Effective portion of changes to the cash flow hedge	707	723
Income taxes	<u>(177)</u>	<u>(181)</u>
Income and expenses not recognised in the statement of income	<u>530</u>	<u>542</u>
Total comprehensive income after tax (attributable to the shareholders of Stern Groep N.V.)	<u><u>8,029</u></u>	<u><u>11,890</u></u>

Consolidated statement of financial position at 31 December

(amounts x € 1,000)

	<u>31 December 2017</u>	<u>31 December 2016</u>
Assets		
Non-current assets		
Intangible assets	30,502	30,011
Property, plant and equipment	297,056	280,294
Real estate investments	-	-
Investments in associates	976	991
Other financial assets	13,368	11,233
Deferred tax assets	20,288	22,428
	<u>362,460</u>	<u>344,957</u>
Current assets		
Inventory	227,208	222,797
Trade receivables	24,568	47,576
Other accounts receivable, accrued income and prepaid expenses	9,661	7,530
Cash and cash equivalents	1,216	993
	<u>262,653</u>	<u>278,896</u>
Total assets	<u><u>625,113</u></u>	<u><u>623,853</u></u>

	<u>31 December 2017</u>	<u>31 December 2016</u>
Liabilities		
Equity (attributable to the shareholders of Stern Groep N.V.)		
Issued capital	593	593
Share premium reserve	114,734	114,734
Other reserves	33,740	27,772
Revaluation reserve	4,688	2,252
Unallocated result	5,593	11,643
	<u>159,348</u>	<u>156,994</u>
Non-current liabilities		
Interest-bearing loans	206,444	6,292
Provisions	1,447	1,414
Prepaid receipts from lease and warranties	1,303	1,305
	<u>209,194</u>	<u>9,011</u>
Current liabilities		
Interest-bearing loans	97,688	292,565
Provisions	640	988
Creditors	134,362	133,050
Derivatives	285	992
Tax and social insurance contributions	4,068	4,615
Other liabilities and accruals and deferred income	19,528	25,638
	<u>256,571</u>	<u>457,848</u>
Total equity and liabilities	<u><u>625,113</u></u>	<u><u>623,853</u></u>

Movements in equity

(amounts x € 1,000)

	Issued capital	premium reserve	Other reserves	Revaluation reserve	Unallocated result	Total
Balance at 1 January 2017	593	114,734	27,772	2,252	11,643	156,994
Profit after tax	-	-	-	1,906	5,593	7,499
Other comprehensive income after tax	-	-	-	530	-	530
Total comprehensive income for 2016 (attributable to the shareholders of Stern Groep N.V.)	-	-	-	2,436	5,593	8,029
Result appropriation	-	-	11,634	-	(11,643)	-
Cash dividend	-	-	(5,675)	-	-	(5,675)
Balance at 31 December 2017	593	114,734	33,740	4,688	5,593	159,348

	Issued capital	Share premium reserve	Other reserves	Revaluation reserve	Unallocated result	Total
Balance at 1 January 2016	593	114,734	22,774	2,005	10,673	150,779
Profit after tax	-	-	-	(295)	11,643	11,348
Other comprehensive income after tax	-	-	-	542	-	542
Total comprehensive income for 2016 (attributable to the shareholders of Stern Groep N.V.)	-	-	-	247	11,643	11,890
Result appropriation	-	-	10,673	-	(10,673)	-
Cash dividend	-	-	(5,675)	-	-	(5,675)
Balance at 31 December 2016	593	114,734	27,772	2,252	11,643	156,994

Consolidated cash flow statement

(amounts x € 1,000)

	2017	2016
Profit before tax	9,436	15,379
Adjustments for:		
Result from associates	(72)	(46)
Result Bovermij Verzekeringsgroep N.V.	(1,906)	295
Interest expense in result	3,326	3,404
Amortisation of intangible assets	59	59
Depreciation of property, plant and equipment and real estate investments	51,232	50,511
Result on sale of business segments	-	(311)
Income from sale of property, plant and equipment	(5,394)	(8,672)
Contribution to/ (withdrawal from) allowances	(315)	(1,730)
Prepaid receipts from lease and warranties	(2)	83
Changes in working capital		
↘ movement in inventory	(4,289)	(33,598)
↘ movement in accounts receivable	20,965	682
↘ movement in accounts payable	(5,390)	31,554
Cash flow from business operation	67,650	57,610
Dividend received from associates	-	11
Tax paid	(401)	(605)
Interest paid	(2,882)	(3,434)
	(3,283)	(4,028)
Cash flow from operating activities	64,367	53,582
Investments in property, plant and equipment	(138,608)	(113,787)
Acquisitions, excluding cash received	(949)	(314)
Investments in financial assets	(500)	-
Divestments of property, plant and equipment	76,313	63,688
Received from sale of business divisions	-	490
Cash flow from investment activities	(63,744)	(49,923)
Dividends paid	(5,675)	(5,675)
Movement in interest-bearing loans	5,275	2,401
Cash flow from financing activities	(400)	(3,274)
Increase/(decrease) in cash and cash equivalents	223	385
Balance of cash and cash equivalents at opening date	993	608
Balance of cash and cash equivalents at closing date	1,216	993
Movement in cash	223	385