

Stern Group books a solid result

Stern Groep N.V., the listed automotive group, announces its results for the period from 1 January to 30 September 2016:

- Net revenue to the end of Q3-2016 increased by 6.4% to € 820.9 million. Dealer Group Stern grew by 5.0%, and SternLease by 12.3%. The operating profit to the end of Q3-2016 was € 12.5 million (2015: € 10.3 million). The profit after tax was € 7.3 million (2015: € 5.4 million).
- Net revenue rose 1.2% in Q3-2016 to € 258.5 million. The operating profit was € 3.7 million (Q3-2015: € 3.8 million). The profit after tax was € 2.1 million (Q3-2015: € 2.0 million).
- Earnings per share to the end of Q3-2016 came to € 1.28 (2015: € 0.96).
- The solvency ratio at the end of September 2016 stood at 26.2% (year-end 2015: 25.7%). Net asset value per share as at 30 September 2016 was € 27.13 (year-end 2015: € 26.57).
- Dealer Group Stern is approximately maintaining its market share for passenger cars at 5.6% (2015: 5.4%) and for light commercial vehicles at 8.2% (2015: 8.7%).
- The market forecast for the whole of 2016 is more moderate than that expressed earlier this year.

Market share

The market for registered **new passenger cars** showed a 5.3 % decline to the end of Q3-2016 to 285,355 units (2015: 301,338 units). Compared to the national picture, Dealer Group Stern has realised sales of 16,009 new passenger cars to the end of Q3-2016, a decline of 6.9 % compared to the same period in 2015. Dealer Group Stern's market share for new passenger cars accordingly came to 5.6% at the end of Q3-2016 (full year 2015: 5.4%).

The market for **new light commercial vehicles** showed an increase of 23.2% to the end of Q3-2016 to 55,458 units (2015: 45,018 units). Against this national picture, sales of light commercial vehicles by Dealer Group Stern were up 19.4%. The national market growth was seen mainly in the small and medium enterprise market, whereas Stern traditionally is more strongly represented in the large corporate market. Dealer Group Stern's market share for new light commercial vehicles came to 8.2% at the end of Q3-2016 (full year 2015: 8.7%).

State of affairs at the end of Q3-2016

Net revenue has increased by 6.4 % compared to 2015 to € 820.9 million. The increase was visible at Dealer Group Stern (up 5.0%) and at SternLease (up 12.3%).

Partly due to the changed composition of revenue from sales and from after-sales, the gross margin declined from 17.4% at the end of Q3-2015 to 17.1% in 2016. Other operating income rose by € 1.0 million, partly due to the proceeds from divestment of real estate and the sale of Jager Auto Blankespoor in The Hague.

Operating expenses rose € 4.6 million (3.6%) to € 132.1 million, partly due to higher housing costs and lower depreciation expenses as a result of the sale and leaseback transaction effected in November 2015 (a net € 2.1 million), higher employee expenses (€ 1.2 million) due to growth of the operations and increased demo and marketing campaigns (€ 1.3 million). As a percentage of revenue, operating expenses fell slightly from 16.5% to 16.1%.

Total employee expenses were up € 1.2 million (1.4%), chiefly due to an increase in the number of FTE of 91 compared to the end of 2015 (4.5%). The increase was due partly to the replacement of temporary personnel by Stern employees and partly to the further growth of the operations.

The operating result (EBIT) at the end of Q3-2016 came to € 12.5 million, compared to € 10.3 million a year earlier.

Dealer Group Stern

The decline in sales of new passenger cars was amply compensated by an increase in the number of light commercial vehicles and used cars sold. This led to an increase in revenue from sales at the end of Q3-2016 of € 4.8 million (5.1%). The margin realised on sales was € 1.8 million higher than at the end of Q3-2015.

Revenue from after-sales increased by € 7.9 million (5.9%), among other things due to higher revenue from parts (+8.1%). Revenue from workshops was up 3.4%.

The relative margin realised on after-sales at the end of Q3-2016 declined slightly compared to the same period in the previous year.

Jager Auto Blankespoor in The Hague was sold in July 2016. The book profit realised was recognised in Q3-2016 under other operating income.



The above resulted in an operating profit for Dealer Group Stern to the end of Q3-2016 of € 12.1 million. This is an increase of € 2.4 million compared to the same period in 2015.

Stern Financial Services

The number of lease contracts at SternLease at the end of Q3-2016 was up 15.4% to 9,657 (Q3-2015: 8,368 contracts). The result of Stern Financial Services to the end of Q3-2016 was higher than in the same period in 2015 and thus was once again highly satisfactory.

Stern Mobility Services

SternSchade achieved an increase in revenue of 19.1% compared to 2015 and thus outperformed the market, which on the basis of car body repair calculation figures grew by 11.0%.

The result of SternPoint was down on 2015, partly due to non-recurring costs of integration.

The integration of SternPoint into Dealer Group Stern and SternSchade was completed in Q3-2016.

SternTec (interiors for light commercial vehicles) achieved an increase in revenue of 21.6% due to the growing market for light commercial vehicles.

The car rental fleet remained virtually unchanged compared to Q3-2016 at 2,234 vehicles.

Revenue at Mango Mobility rose 14.1% compared to 2015. The higher revenue has not as yet led to better results due to lower margins and non-recurring costs.

The operating profit at Stern Mobility Services at the end of Q3-2016 was on balance not yet at the desired level and was lower than in the same period in 2015.

Solvency

Total assets stood at € 586.5 million at 30 September 2016, up € 0.9 million on year-end 2015. The change is due to a € 10.9 million increase in the lease and rental fleets, offset by a decline in gross operating capital of € 10.8 million. Equity rose to € 153.9 million as at 30 September 2016 (year-end 2015: € 150.8 million).

The solvency ratio of Stern Group at 30 September 2016 stood at 26.2% (year-end 2015: 25.7%). 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 2016 came to 35.3%, compared to 33.7% at year-end 2015.

Outlook

As a result of the change to the additional tax liability rate for plug-in hybrids from 15% to 22% with effect from 2017, we expect a rush to register and deliver plug-in hybrids towards the end of 2016. The rush in Q4-2016 will not be as intense as it was in Q4-2015, partly because of the contrary effect that more expensive models will actually be assigned a reduction in the additional tax liability rate from 25% to 22% in 2017.

Recent market indications assume 380,000 passenger cars in 2016 (449,350 in 2015) with a return to growth to 415,000 in 2017. The market for light commercial vehicles continues to be very positive in 2016 compared to the level seen in 2015.

The exceptional result achieved by Dealer Group Stern in Q4-2015 will not be equalled in Q4-2016. Stern Financial Services is growing steadily and will post another good result in Q4-2016. Disappointing developments at Stern Mobility Services will be offset by a substantial book profit from the sale and leaseback transaction for the head office purchased earlier this year.

It is still too soon to make an accurate forecast regarding the result for 2016 as a whole, but we expect to achieve a result that is at least equal to that realised in 2015.

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

Dealer Group 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. Dealer Group Stern has a total of approximately 85 branches.

With Stern Financial Services, Stern is engaged in services including leasing (SternLease), rental (SternRent), fleet management (SternPartners), insurance (SternPolis), finance (SternCredit) and extended guarantees (SternGarant). Stern Financial Services manages over 12,000 vehicles and more than 60,000 contracts.

With a growing network of currently 19 branches, the Stern Mobility Services division offers services in the area of (brand-recognised) repairs, universal after-sales and the intake and provision of rental cars (SternPoint).