

Stern realises much higher result in Q1-2017

Stern Groep N.V., the listed automotive retail and services group, announces its results for the first quarter of 2017.

Key points in Q1-2017

- The net revenue was up 9.8% to € 313.3 million
- The operating result (EBIT) was up 34.2% to € 5.5 million (Q1-2016: € 4.1 million)
- The net result after tax was € 4.0 million (Q1-2016: € 2.4 million)
- The solvency ratio at the end of March 2017 stood at 26.1% (year-end 2016: 25.2%). The excess solvency at 31 March 2017 stood at € 7.3 million (year-end 2016: € 0.6 million)
- The net asset value per share rose to € 28.42 as at 31 March 2017 (year-end 2016: € 27.66)
- The lease portfolio showed further organic growth to 10,357 contracts as at 31 March 2017 (vs. year-end 2016 an increase of 2.6 %)
- Dealergroup Stern maintained its market share for passenger cars at 5.7% (Q1-2016: 5.6%). For light commercial vehicles the market share was 7.6% (Q1-2016: 8.3%)
- The final dividend for 2016 of € 0.75 per share will be available for payment on 7 June 2017

Henk van der Kwast, Chief Executive Officer:

"Since March 2016, Stern has been working on a new strategic plan that builds on the direction we took several years ago of transforming from a large dealer holding company into an integrated and highly profitable mobility group with an increasing range of our own products and services. The design and content of this plan is explained in detail in the 2016 Annual Report. Strong progress was made on implementing this plan in the first months of 2017. While we expect to see the initial results of this in the course of 2017, the main improvements will become visible in 2018 and 2019. The result realised in Q1-2017 is satisfactory and gives us confidence for the rest of 2017."

Market share

119,927 new passenger cars were registered in the Netherlands in Q1-2017, an increase of 21,368 (21.7%) compared to Q1-2016. Dealergroup Stern realised sales of 6,881 new passenger cars, an increase of 25.4% compared to Q1-2016. This brings our market share for passenger cars to 5.7%, compared to 5.6% in Q1-2016. The brands represented by Dealergroup Stern that outperformed the market were Mercedes-Benz, Renault and Volkswagen, while the other Stern brands performed in line with the market. 22,850 new light commercial vehicles were registered nationally in Q1-2017, an increase of 1,509 (7.1%) on Q1-2016. Dealergroup Stern realised sales of 1,728 new light commercial vehicles, a decline of 2.9% compared to Q1-2016. This brings our market share in light commercial vehicles to 7.6%, compared to a market share of 8.3% in Q1-2016.

Developments in Q-1 2017

Net revenue increased by 9.8% compared to Q1-2016 to € 313.3 million. Most of this increase was visible at Dealergroup Stern (up 11.3%) and at SternLease (up 8.8%). Gross profit rose by € 2.1 million (4.6%) to € 49.5 million.

Other operating income increased strongly, partly due to higher income from the interest in Bovemij. Operating expenses (including depreciation expenses) were slightly higher, partly due to higher costs of demonstration cars and higher advisory costs. Total employee expenses rose significantly by 8.3%. The effect of the collective employment agreement (CAO) increase (2% with effect from September 2016) and the previously announced higher employer contribution to pension costs (the premium shift) together accounted for an increase in employee expenses of around 3.6%. The remaining increase in employee expenses was mainly due to the increase in the number of FTE. The increase concerned almost entirely direct employees (more engineers in the workshops as a result of the higher revenue from workshop hours). The operating result (EBIT) in Q1-2017 was significantly higher at € 5.5 million (Q1-2016: € 4.1 million).

Stern Mobility Solutions

The number of lease contracts at SternLease increased on a net basis by 2.6% compared to year-end 2016 to 10,357 contracts. According to the provisional VNA (the association of Dutch vehicle leasing companies) figures, the lease fleet declined by 0.1% in Q1-2017. SternLease consequently outperformed the market. The rental fleet increased by 2.4% compared to year-end 2016 to 2,267 vehicles. The capacity utilisation of the rental fleet was over 77% in Q1-2017, slightly higher than in Q1-2016. The operating result of Stern Mobility Solutions was significantly higher than in Q1-2016 due to the increase in the size of the fleet, lower interest expense and a better result on insurance.

Stern Car Services

Revenue at SternPoint (formerly known as SternSchade) was up 10.0% in Q1-2016. Based on the Audatex calculations, the car body repair market in the Netherlands increased by 1.8% and was therefore higher than in Q1-2016.

Two new branches have been opened in May 2017 (in Den Bosch and Harderwijk) and another two branches will be opened in Amstelveen and Lelystad in June 2017. This will bring the total number of SternPoints to 16, representing clear progress towards the envisioned national coverage for Stern Car Services with approximately 25 branches.

The operating profit of Stern Car Services was, mainly as a result of the restructuring of SternPoint in 2016, positive and was markedly better than in Q1-2016.

Dealergroup Stern

Revenue at Dealergroup Stern was up 11.3%, with an increase of 11.2% in revenue from sales of new and used cars. Margin pressure on sales of both new and used passenger cars led to the absolute margin on car sales remaining virtually unchanged.

The revenue and margin from after-sales (workshops and parts) rose by 5.1%, chiefly due to a 9.9% increase in revenue from workshop hours sold. Employee expenses increased by 6.7% as a result of the CAO increase, the higher employer contribution to pension costs and additional employee expenses due to more engineers in our workshops. The operating result of Dealergroup Stern was clearly lower than in Q1-2016.

Other

Mango Mobility performed in line with expectations and produced a much better operating performance than in the previous year.

Solvency

Total assets stood at € 617.7 million at 31 March 2017, € 6.2 million lower than the figure at year-end 2016. The decline was mainly due to the reduction of the inventory of new passenger cars and light commercial vehicles of € 23.2 million. On the other hand, there was a € 6.0 million increase in trade receivables, the lease and rental portfolios increased by € 6.0 million and investment in new-builds amounted to € 3.8 million. Group equity rose to € 161.3 million as at 31 March 2017 (year-end 2016: € 157.0 million).

The solvency ratio of Stern Group at 31 March 2017 stood at 26.1% (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 March 2017 came to 34.7%, compared to 32.6% at year-end 2016.

Refinancing

The Group's operating capital is funded by three banks, and consists of Facility A for the retail finance (limit € 70 million) and Facility B (limit € 160 million) for the financing of the leasing operations. Both facilities will mature on 30 June 2017.

The organic growth at SternLease and the maturing of the facilities on 30 June 2017 were reason to enter into discussion with the Banks at an early stage regarding funding for the lease portfolio by means of securitisation that is appropriate given the growth strategy and the refinancing of the retail activities. The new facilities, which for retail will remain unchanged in size at € 70 million and for SternLease will be € 20 million higher at € 180 million, have a term to maturity of three years. The interest expense will be significantly more favourable than the current conditions, especially for the lease finance. The discussions with the banks have now led to a committed term sheet. The new 3-year arrangement will be completed over the next few weeks. The conditions and covenants will be published through a separate press release.

Outlook

Stern maintains the expectation with regard to the results in 2017 stated in its 2016 Annual Report. Stern looks to the further development of the results in 2017 with confidence based on the positive market developments, the continuing growth of Stern Mobility Solutions and the effects of the reorganisation of certain business segments implemented last year.

Dividend

At the General Meeting of 10 May 2017, it will be proposed that excess solvency for the dividend to be distributed over a financial year will no longer be determined as at 31 December of the year in question, it will be determined on the basis of the statement of financial position as at 31 March in the year following the financial year for which dividend is to be distributed. The excess solvency as at 31 March 2017 stood at € 7.3 million and is accordingly sufficient, as was the case last year and in line with the dividend policy, to declare a dividend per share amounting to € 1.00 in cash per share. The dividend will be payable on 7 June 2017 and will be paid after deduction of the interim dividend of € 0.25 per share paid on 23 December 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: Noord-Holland, Zuid-Holland, Utrecht and Noord-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 13,000 vehicles and more than 60,000 contracts.

With a growing network of currently 16 branches, the Stern Car Services division offers services in the area of (brand recognised) repairs, universal after-sales and the intake and provision of rental cars (SternPoint).

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.