Press release

8 May 2019

Stern: Q1-2019 trading update

Stern Groep N.V., the listed Dutch mobility group in automotive retail and services, announces its results for Q1-2019.

IFRS 16, involving the recognition of lease commitments on the balance sheet, has applied since the beginning of 2019. In order to enable a true comparison with the results in 2018, the results in 2019 are reported with and without application of IFRS 16.

In connection with the proposed sale of SternLease BV on 31 May 2019, SternLease BV and its figures in 2019 are recognised as a discontinued operation. The 2018 figures stated in this press release have been pro forma adjusted for comparative purposes.

Key points

- **Profit after tax Q1-2019 with IFRS 16 € 2.9 million and without IFRS 16 € 3.1 million (Q1 -2018: € 3.1 million)**
- **Net revenue Q1-2019 of € 300.8 million is 2.4% lower (Q1-2018: € 308.1 million)**
- **The lease portfolio showed further organic growth in Q1-2019 to 13,606 contracts (+6.1% in Q1-2019), the order book amounts to 1,286 contracts (Q1-2018: 1,394)**
- **Profit at Dealergroup Stern was stable, with the EBIT margin still low at 1.1%**
- **Market share in passenger cars unchanged at 5.3%, market share in light commercial vehicles rises to 8.0% (Q1-2018: 6.9%)**
- **Solvency without IFRS 16: 22.7% (year-end 2018: 23.0%). With IFRS 16, solvency is 18.9% (pro forma year-end 2018: 18.9%). With IFRS 16 and with SternLease as a discontinued operation, solvency is 26.9% (year-end 2018: 26.3%)**
- **Net asset value per share without IFRS 16: € 27.82 (year-end 2018: € 27.34). With IFRS 16, net asset value per share is € 27.09 (pro forma year-end 2018: € 26.59)**
- **The regular dividend will be passed over. If the sale of SternLease BV is approved at the General Meeting on 9 May 2019, an interim dividend of € 2.50 per share will be distributed in June 2019 and a further dividend of € 1.00 per share will be distributed in Q4-2019, after final settlement of the purchase price**

Henk van der Kwast, Chief Executive Officer:

"The effects of the cost-saving programme initiated after Q3-2018 have already been significant in Q1-2019. In combination with the harmonisation of processes and the application of more digital solutions, we expect the operating profit to show a clear recovery in 2019 from the eventful year in 2018. If the shareholders approve the sale of SternLease, operating profit will be further boosted within a few months with the integration of the partnership agreement with ALD Automotive."

State of affairs in Q1-2019

Net revenue declined slightly by 2.4% compared to Q1-2018 to € 300.8 million, mainly due to lower revenue from sales at Dealergroup Stern. The lease portfolio showed organic growth of 20.7% compared to Q1-2018. Despite the decline in revenue, the **gross profit** remained virtually unchanged on Q1-2018 at € 45.7 million. This was mainly due to better margins on car body repairs and the growth of the rental fleet. **Other operating income** declined by € 1.5 million to € 2.0 million. A gain from the revaluation and dividend relating to the interest in Bovemij was recognised in Q1-2018. Since this information was not yet known at the time of preparation of the Q1-2019 figures, the result on the interest in Bovemij will be recognised in Q2-2019. **Employee expenses** were 2.3% lower than in Q1-2018, despite the CLA increases of 0.75% on 1 July 2018 and 3.2% on 1 February 2019. The decline in employee expenses was mainly due to the reduction in the number of (mainly indirect) FTE. The number of FTE has fallen by approximately 70 since year-end 2018. **Operating expenses** were 4.1% lower than in Q1-2018, due in part to the cost-saving programmes initiated in Q4-2018. The profit after tax came to € 2.9 million (Q1-2018: € 3.1 million), and the negative effect of the implementation of IFRS 16 in Q1-2019 was € 0.2 million.

Balance sheet and solvency

IFRS 16, involving the recognition of lease commitments on the balance sheet, has applied since the beginning of 2019. The implementation of this standard (pro forma) has increased the balance sheet total at year-end 2018 by approximately € 125 million (€ 799.1 million instead of € 675.4 million) and has reduced equity by approximately € 4.3 million.

The table below shows the solvency at 31 March 2019 on the basis of three situations (1: As is, 2: With IFRS 16 and 3: With IFRS 16 and after elimination of SternLease), with the pro forma solvency at year-end 2018 also shown on the basis of the same three situations:

	Year-end 2018 (pro forma)			At 31 March 2019		
(€ 1,000)*	As is	As is After application of IFRS 16:	Lease DO After application of IFRS 16:	As is	As is After application of IFRS 16:	Lease DO After application of IFRS 16:
Total assets	675,404	799,143	572,732	694,281	814,060	**571,444**
Equity	155,161	150,909	150,909	157,898	153,684	153,684
Solvency (in %)	23.0	18.9	26.3	22.7	18.9	26.9

After application of IFRS 16 and on the basis that SternLease BV is a discontinued operation, the balance sheet total on 31 March 2019 amounts to **€ 571.4** million, a decline of € 1.3 million compared to year-end 2018.
The growth of the rental portfolio accounted for an increase of € 9.9 million. Trade receivables also rose (by € 8.7 million), but this was more than offset by a clear decline in the trade inventory of € 32.1 million.

The development of **equity** in Q1-2019 is as follows:

Balance at year-end 2018		155,161
Less: effect of IFRS 16		-4,252
Adjusted group equity		150,909
Profit after tax in Q1-2019	2,912	
Movements in interest-rate swaps	-137	
		2,775
Balance at 31 March 2019		153,684

After application of IFRS 16 and on the basis that SternLease is a discontinued operation, the solvency of Stern Group at the end of March 2019 stood at 26.9% (year-end 2018: 26.3%).

The **dividend policy** of Stern Group was established at the General Meeting of 24 May 2012. As a result of the implementation of IFRS 15 in 2018 (repurchase commitments on the balance sheet) and IFRS 16 in 2019 (lease commitments on the balance sheet) and the proposed sale of SternLease, the percentages calculated at that time for the determination of excess solvency and therefore the amount available for distribution as dividend and/or share buy-backs will be recalculated after the sale of SternLease.

Outlook

Stern maintains the expectations with regard to the development of its operating profit stated in its 2018 annual report. The cost-savings programme introduced after September 2018 has already had a material effect in Q1-2019, but this will become more clearly visible in the coming months. This development gives us confidence that the operating profit in 2019 can show a clear improvement compared to 2018.
The book gain on the sale of SternLease of approximately € 23 million stated in the 2018 annual report was based on an estimate of the growth of the lease fleet in 2019 until the closing date of the transaction. The actual growth of the lease fleet is significantly greater than this estimate. The final calculation of the sale price, and therefore also the book gain, depends on the equity of SternLease and the exact number of lease contracts on the closing date (expected to be 31 May 2019). For further details, please refer to the shareholder circular.

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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 85 branches with approximately 2,000 employees (FTE), and collectively realises net annual revenue (excluding BPM) in excess of € 1 billion.
Stern believes in individual mobility, sustainability and diversity. For this reason, it offers a wide variety of car brands and additional mobility services.
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 16,000 vehicles and more than 60,000 contracts.
With a growing network of currently 15 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 70 branches.