Press release

13 November 2019

Stern trading update Q3-2019

Stern Groep N.V., the Dutch listed automotive group, announces its results for the period from January to September 2019.

Highlights

- **Profit after tax cumulative to end Q3-2019: € 26.2 million (2018: € 4.9 million)**
- **This result includes the net book gain on the sale of SternLease BV of € 23.4 million**
- **Profit after tax from continuing operations to end Q3-2019: € 0.9 million (to end Q3-2018: € 0.4 million loss)**
- **Operating profit from continuing operations to end Q3-2019: € 6.8 million (to end Q3-2018: € 2.9 million)**
- **Net revenue down 5.2% to € 727.9 million (to end Q3-2018: € 768.2 million)**
- **Market share in passenger cars at 4.8% (organic to end Q3-2018: 5.0%), market share in light commercial vehicles rises to 7.8% (organic to end Q3-2018: 7.1%)**
- **After distribution of an interim dividend of € 2.50 in June 2019, net asset value per share rose to € 28.72 at the end of September 2019 (year-end 2018: € 27.34)**
- **An additional interim dividend of € 1.00 was distributed in mid-October 2019, bringing the total dividend distributed in 2019 to € 3.50 per share**

Henk van der Kwast, Chief Executive Officer:

"After the sale of SternLease, the most profitable division of Stern Group, we need to substantially improve the financial performance of the dealerships in particular and create sustainable value. In the light of the most relevant market trends, a balanced plan has been formulated for the continuing operations of Stern Group over the coming three years. Improved operating efficiency, scale benefits, cost reduction and investment in digital solutions should lead to a permanent improvement in returns. Keeping close control of costs is essential in order to benefit from efficiency and scale benefits. This applies especially to the sales operations. Revenue and margin from sales have been under pressure for some time. This calls for hard choices with respect to brands and branches, the manning of the branches and our overhead costs."

Effect of IFRS 16 on the figures

IFRS 16 (recognition of lease obligations in the balance sheet) came into effect in 2019. For a detailed disclosure of the effects of this, see the notes to the semi-annual figures for 2019 as announced in the press release of 21 August 2019.

Progress in continuing operations

Net revenue declined by 5.2% compared to 2018 to € 727.9 million. This was mainly due to lower sales at Dealergroup Stern in line with a weaker market, as well as the sale of Arend Auto Amsterdam and the closure of 2 Vireo Auto branches. Partly due to this decline in revenue, the **gross profit** was down by € 1.7 million (1.3%).
Other operating income was € 3.4 million lower compared to 2018. The decline was due among other things to a € 0.9 million lower revaluation of income and dividend on the interest in Bovemij and a € 1.4 million decline in the book gain on the sale of real estate.
Employee expenses were € 4.9 million (5.4%) lower than in 2018, despite the CLA increases of 0.75% as of 1 July 2018 and 3.2% as of 1 February 2019 and the reorganisation expenses of around € 1.0 million already recognised in 2019. The decline in employee expenses was due to the reduction of the number of FTEs, which has now declined (in organic terms) by 80 compared to year-end 2018. **Operating expenses** (adjusted for the changes in presentation due to IFRS 16) were 4.1% lower than in 2018, partly due to cost-saving programmes already initiated at the end of 2018. The operating profit from continued operations came to € 6.8 million (cumulative to end Q3-2018: € 2.9 million).

Progress in discontinued operations

In connection with the completed sale of SternLease B.V. on 31 May 2019 and the cessation of the majority of the Mango Mobility scooter operations (in early October 2019), the figures for SternLease B.V. and Mango Mobility B.V. in 2019 are classified as discontinued operations. The figures for 2018 in this press release have been adjusted for the purpose of comparison.
In the third quarter of 2019, discussions were held with a party interested in acquiring the mobility scooter operations of Mango Mobility. These discussions did not lead to a sale. It was subsequently decided to close all but two of the branches of Mango Mobility scooters at the beginning of October 2019. The employees have been reassigned within Stern where possible. Agreement has now been reached with employees with a permanent contract who were not reassigned regarding termination of their employment contracts in 2019. The employees in temporary employment will remain in service until the end of their employment.

Balance sheet and solvency

The balance sheet total at the end of September 2019 stood at € 550.4 million, a decline of € 125.0 million compared to year-end 2018. The main changes concerned:

- A decrease of € 220.0 million due to the sale of SternLease B.V. in May 2019;
- An increase of € 116.3 million due to IFRS 16;
- A decrease of € 38.8 million due to lower inventory;
- A decrease in the trade debtors item of € 6.0 million.

Group equity increased by € 7.8 million compared to year-end 2018 to € 163.0 million at the end of September 2019. Among other things, the increase compared to year-end 2018 consisted of the addition of profit of € 26.2 million, a decrease of € 14.2 million due to the interim dividend paid in June 2019 and the negative effect of € 4.3 million in equity as a result of the implementation of IFRS 16.
The solvency ratio of Stern Group at the end of September 2019 stood at 29.6% (30 June 2019: 28.1%).

Focus on Value

A balanced plan has been formulated for the coming three years in the light of the most relevant market trends, to be known as Focus on Value. The plan has five elements: 1. the digitalisation of the company, 2. the rationalisation of the branch network, 3. the building of a single, strong Stern retail brand, 4. the expansion of the used-car operations and 5. the further optimisation of the after-sales business. Projects are ongoing for all these elements that are expected to deliver tangible results in 2020.

Outlook

Stern maintains its previously expressed forecast for 2019 with respect to improving the operating profit from its continued operations. The effect of the cost-saving programmes initiated at Dealergroup Stern and on overheads at the end of 2018 is already material today, and will become more visible in the coming months. As a result of the faltering car market and the development of margins at some Dealergroup Stern clusters, cost savings from future disposals of sales and other branches that are no longer needed will be an important theme in the coming months. Together with the virtually complete cessation of the mobility scooter operations, this process will involve reorganisation expenses, which however will be significantly lower than the maximum budget of € 6.9 million. Taken together, these developments give us confidence that the operating profit from continued operations in 2019 will show a clear improvement on the profit realised in 2018. The operating profit is expected to show a further improvement in 2020.

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

KEY DATES

Publication of annual figures 2019	5 March 2020
General Meeting	7 May 2020

The Capital Markets Update originally scheduled for mid-December 2019 has been cancelled.

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 currently has more than 75 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. Dealergroup Stern represents several leading brands such as Mercedes-Benz, Renault, Nissan, Ford, Volvo, Land Rover, Volkswagen, Audi, Kia and Opel. With Stern Mobility Solutions, Stern is engaged in services including leasing, rental, insurance, finance and extended warranties. With a growing nation-wide network, the Stern Car Services division offers services in the area of (brand-certified) car body repairs, multi-brand after-sales and the intake and provision of rental and lease cars.