

Stern announces its results for 2019

Key points in 2019:

- Net revenue amounted to € 989.3 million (2018: € 988.7 million);
- Profit after tax of € 21.4 million (2018: € 0.5 million);
- Approximately € 4.3 million in reorganisation costs is recognised in 2019;
- Profit after tax from continued operations came to € 1.2 million negative (2018: € 4.0 million negative). In 2019 € 4.3 million in reorganisation costs are included;
- Profit after tax from discontinued operations came to € 22.6 million (2018: € 4.0 million negative);
- Operating profit before tax (excluding reorganisation costs) from continued operations came to € 0.2 million positive (2018: € 5.7 million negative);
- An interim dividend of € 3.50 has already been distributed in 2019. On 26 March 2020 at the same time as the convening notice for the General Meeting to be held on 7 May 2020, a proposal for a final dividend will be published;
- We expect to be able to provide more clarity regarding the decision whether to proceed with the merger plans or not in Q2-2020;
- The 2019 annual report will be available online from 13 March 2020.

Henk van der Kwast, Chief Executive Officer:

"The past year featured the preparation of Stern for a leap forward in the international consolidation of car distribution. Market and product developments are putting car distribution under pressure, which will inevitably lead to further consolidation, forward and backward integration and internationalisation of the industry. Stern intends to continue to play a meaningful role and is therefore looking for an international partner. Such a group will have excellent opportunities, especially in the smaller countries on the European continent."

General note

IFRS 16 (recognition of lease obligations in the balance sheet) came into effect in 2019. To enable a realistic comparison with the results in 2018, all results are shown with and without application of IFRS 16 where relevant. The figures for SternLease B.V. and Mango Mobility in 2019 are classified as discontinued operations, due to the completed sale of SternLease B.V. on 31 May 2019 and the sale of the Mango Mobility operations. The figures for 2018 in this press release have been adjusted for the purpose of comparison.

The sale of Heron Auto B.V. was announced in a press release on 9 December 2019, and the shares were transferred on 2 January 2020. The operating profit of Heron Auto B.V. to 31 December 2019 is recognised as profit from continued operations in accordance with IFRS. The assets and liabilities of Heron Auto B.V. are recognised on 31 December 2019 as assets and liabilities held for sale. This does not affect the balance sheet total, but there is an effect on the composition of the balance sheet items.

Notes to the consolidated figures

A record profit after tax of € 21.4 million was realised in 2019. This is € 21.0 million higher than in 2018. This profit is affected by the proceeds of the sale of the lease operations in May 2019, the non-recurring costs relating to reorganisations effected at Dealergroup Stern and the holding companies, as well as the non-recurring reorganisation costs and book loss relating to the sale of the mobility scooter operations of Mango Mobility. The profit from continued operations includes reorganisation costs of € 4.3 million relating to Dealergroup Stern and the holding companies. Dealergroup Stern closed nine of its branches in 2019.

The reorganisation substantially reduced our fixed costs (both employee and operating expenses), which will positively affect the profitability of Dealergroup Stern and its working capital requirement.

IFRS 16 (recognition of lease obligations in the balance sheet) came into effect in 2019. To enable a realistic comparison with the results in 2018, all results are shown with and without application of IFRS 16 where relevant.



The negative effect of the introduction of IFRS 16 on profit is limited, although the effect on presentation is substantial. The effects are:

- Operating profit € 2.8 million higher;
- Interest expenses € 3.4 million higher.

On a net basis, the profit before tax is therefore € 0.6 million lower as a result of the introduction of IFRS 16.

Continued operations generated a pre-tax loss of € 4.1 million in 2019. Adjusted for the reorganisation costs of € 4.3 million at Dealergroup Stern and the holding companies, the operating profit in 2019 came to € 0.2 million positive. A pre-tax loss of € 5.6 million was realised on continued operations in 2018. Compared to 2018 therefore, profit has improved by approximately € 5.8 million. This improvement was largely due to the higher operating profit at Dealergroup Stern. Despite continuing pressure on volume and prices, which led to a lower sales margin compared to 2018, improved efficiency in the workshops and substantial savings on employee expenses from a reduction in the number of (non-productive) FTEs and savings on operating expenses enabled us to significantly improve our operating profit.

Finance expenses

The finance expenses of € 7.1 million in 2019 include € 3.4 million in interest in connection with IFRS 16. Without this interest, the finance expenses amounted to € 3.7 million, a decrease of € 0.6 million compared to 2018. The decrease was due to the changed finance structure of Stern Groep N.V. after the sale of SternLease B.V. Working capital was reduced due to the introduction of tight monitoring of the use of working capital by Dealergroup Stern, but is still significantly higher than target as a result of the continuing inventory and registration pressure coming from the importers.

Profit before and after tax from continued operations

Continued operations generated a pre-tax loss of € 4.2 million in 2019. Tax on the result in 2019 came to a gain of € 3.0 million, and concerns a regular tax gain of € 1.1 million and a non-recurring tax gain of € 1.9 million. The result after tax in 2019 accordingly came to a loss of € 1.2 million. The non-recurring tax gain of € 1.9 million relates mainly to the higher valuation of the deferred tax asset due to forward carry-over losses.

Statement of financial position and solvency

The statement of financial position amounted to € 573.4 million at year-end 2019, an decrease of € 102.0 million compared to year-end 2018.

The statements of financial position at year-end 2019 and year-end 2018 are not directly comparable, due to the sale of SternLease B.V. and the introduction of IFRS 16. The effect of the change is:

- The introduction of IFRS 16 led to an increase in the pro-forma balance sheet total on 1 January 2019 of € 130.2 million and a decrease in equity on that date of € 4.3 million;
- The sale of SternLease led to a decrease in the balance sheet total of approximately € 248.2 million.

The net effect is a decrease in the balance sheet total of € 118.0 million. Adjusted for these two items, the normalised balance sheet total at year-end 2018 was € 552.3 million.

Stern Group's overall solvency at year-end 2019 stood at 26.6% (2018: 23.0%). The positive effect on the solvency ratio due to the sale of Heron Auto B.V. on 2 January 2020 is approximately 3.0%.

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 2019 versus 2018) are as follows:

(figures * € 1,000)	EBIT		EBITDA bruto		Revenue		Total assets	
	2019	2018	2019	2018	2019	2018	2019	2018
Dealergroup Stern	5,533	3,239	24,518	6,493	1,011,094	1,040,184	417,178	300,779
Stern Mobility Solutions	634	235	10,754	9,745	54,380	45,673	57,191	299,848
Stern Car Services	213	-665	911	-46	35,049	35,079	11,951	8,126
Other	-4	-4	5,136	3,570	-	-	87,099	66,651
Elimination internal revenue					-111,188	-132,230		
	<u>6,376</u>	<u>2,805</u>	<u>41,319</u>	<u>19,762</u>	<u>989,335</u>	<u>988,706</u>	<u>573,419</u>	<u>675,404</u>

Highlights Dealergroup Stern

The **operating profit** of Dealergroup Stern rose € 2.3 million to € 5.3 million (0.5% of revenue, excluding BPM).

The operating profit in 2019 includes the following non-recurring items:

- A positive effect of € 2.8 million due to the introduction of IFRS 16;
- A negative effect of € 4.3 million due to the reorganisation effected in 2019.

These non-recurring items had a net negative effect of € 1.5 million on the EBIT of Dealergroup Stern. The normalised EBIT in 2019 accordingly comes to € 7.0 million (0.7% of revenue compared to 0.3% in 2018).

The margin on sales of new and used cars declined by € 4.6 million (10.1%), mainly due to the margin on new passenger cars. There were 2,733 fewer new passenger cars delivered (11.5%), the average sale price (excluding BPM) was 2.0% lower in 2019 and the relative margin on sales of new passenger cars declined slightly. The lower relative margin was partly due to the increased proportion of sales to lease companies and large (fleet) customers. At Dealergroup Stern, this proportion rose from 65.1% in 2018 to 71.6% in 2019, mainly due to the continuing growth of private lease, which is reducing direct sales to private customers and increasing sales to lease companies (for the same driver of the car). Nationally, lease and fleet customers accounted for 73.9% of sales in 2019 compared to 69.1% in 2018.

Revenue from the workshops of Dealergroup Stern was slightly lower in 2019 (€ 1.3 million, or 1.3%). This was partly due to the closure of nine branches in the course of 2019. This was the main reason that the average number of mechanics was 5.3% lower in 2019 than in 2018. Improved efficiency in the workshops as a result of the Focus on Value project initiated in mid-2018, the margin at the workshops increased by € 0.8 million (1.0%). As a result of the decline in the average number of mechanics, meaning lower employee expenses for mechanics, the contribution from workshops (the margin less direct employee expenses) was € 1.8 million (6.3%) higher than in 2018.

Employee expenses at Dealergroup Stern were € 2.7 million (3.0%) lower than in 2018, despite the reorganisation costs included of € 2.8 million and despite the CLA increases (0.75% with effect from 1 July 2018 and 3.1% with effect from 1 February 2019). The number of FTEs at Dealergroup Stern at year-end 2019 was 1,471, a decrease of 118 (7.4%) compared to year-end 2018.

The other operating expenses at Dealergroup Stern were € 0.2 million (0.2%) lower than in 2018, despite the reorganisation costs included of € 1.8 million. After adjustment for this, operating expenses were down by 3.0%.

Highlights Stern Mobility Solutions

The operating profit of Stern Mobility Solutions (which concerned only SternRent in 2019) came to € 0.6 million, an increase of € 0.4 million on 2018. The higher operating profit was due to a larger average fleet in 2019 (average in 2019: 2,767 vehicles compared to an average of 2,638 in 2018). The utilisation ratio of the fleet was virtually unchanged at 74.9%.

The total number of rental days in 2019 came to 756,000, an increase of 3.9% on 2018 (when rental days amounted to 728,000).

Highlights Stern Car Services

The operating profit of Stern Car Services came to € 0.2 million, an increase of € 0.9 million on 2018. The improvement was due to the further optimisation of the branch network, improved efficiency in business processes and the extra car body repair referrals from ALD Automotive as a result of the partnership agreement concluded at the time of the sale of SternLease B.V. at the end of May 2019. This referral of car body repairs got off to a slow start, but had reached the agreed level by year-end 2019.

The number of SternPoint branches currently stands at 14. Stern Car Services aims to achieve national relevance with a network of larger car body repair branches with carefully selected brand certifications on a geographical basis.

Highlights Other

The operating profit of the Other segment was € 3.6 million negative in 2019 compared to € 4.3 million negative in 2018. As in 2018, the figure was affected by a number of non-recurring items in 2019.

The profit in 2019 was affected by the following **non-recurring items**:

- approximately € 1.6 million in reorganisation costs. This mainly concerns the write-down of residual book values of branches closed in 2019 and the formation of a reserve for redundancy costs of employees in central services. Reorganisation costs in 2018 amounted to € 0.9 million
- the not recharged costs of centralising the Customer Service Center (CSC) of Dealergroup Stern came to approximately € 0.7 million. The start-up costs for the CSC in 2018 came to € 1.0 million.

Besides these non-recurring items, a substantial part of the negative result from this segment also concerned holding company costs that were not recharged. Stern has intentionally decided not to recharge all the holding costs to the segments, meaning that the Other segment will realise a negative operating profit by definition.

There were **non-recurring income items** as well as non-recurring expense items. A net book gain of € 1.0 million was realised for the sale of four premises in 2019. The operating profit in 2018 included a book gain on the sale of two premises of € 2.1 million. The interest in Bovemij Verzekeringsgroep N.V. is measured by Stern at fair value. Changes in value resulting from these valuations and dividends received are recognised in the Other segment under other operating income. This led to income of € 0.2 million in 2019, while in 2018 there was a gain of € 1.2 million. Finally, a gain of € 1.2 million was realised in 2019 from the buy-out of a lease contract.

Profit from discontinued operations

The composition of this item is as follows:

	2019	2018
(* € 1,000)		
Result sale SternLease and Mango Mobility	29,798	0
Operating profit SternLease B.V.	4,283	10,306
Operating profit Mango Mobility	-3,160	-1,234
	30,921	9,072
Result tax	-8,345	-4,580
	22,576	4,492

On 1 March 2019, agreement was reached with ALD Automotive regarding the sale of all the shares in SternLease B.V. At the same time, a 7-year strategic partnership agreement was concluded with ALD Automotive for the introduction of lease contracts and the delivery of cars and mobility services by Stern. The transaction was settled on 31 May 2019, after approval by the shareholders at the General Meeting on 9 May 2019.

The sale price of SternLease came to just over € 88 million. This was based on the equity on the date of the sale (31 May 2019) and goodwill per contract. The number of lease contracts was 13,840, meaning that a strong increase of 1,416 contracts was realised between January and the end of May 2019. The book gain on the sale of SternLease B.V. came to € 30.6 million before tax. The calculation of the book gain takes account of the write-down of € 8.1 million in goodwill for the segment Stern Mobility Solutions.

In connection with the sale, the measured deferred tax of the fiscal unity Stern Leasing N.V. was written down to € 8.1 million against this book gain. This amount is included in the € 8.3 million tax on profit from discontinued operations. The net book gain remaining after tax on the SternLease transaction is approximately € 22.4 million. The **operating profit of SternLease** for the period 1 January to 31 May 2019 was € 4.3 million and is recognised as profit on discontinued operations. The comparative figures have been adjusted. The operating profit for the whole of 2018 came to € 10.3 million.

On 7 December 2019, agreement was reached with Freerider Corporation regarding the sale of the mobility scooter operations of Mango Mobility on 31 December 2019. The sale of Mango Mobility is part of Stern's strategy, which has been revised after the successfully completed sale of SternLease to ALD Automotive in May. Mango Mobility made a loss in 2018, also after applying a different approach, and was still loss-making in 2019 and the situation was actually deteriorating further. It was therefore no longer appropriate to continue to be actively involved in the mobility scooter market from a business point of view.

The transaction was settled on 31 December 2019. The operating result of Mango Mobility, as well as the reorganisation costs in 2019 and the loss on the sale of the operations is recognised in profit on discontinued operations.



Dividend proposal

A total of € 3.50 was distributed in interim dividend in 2019. On 26 March 2020 at the same time as the convening notice for the General Meeting to be held on 7 May 2020, a proposal for a final dividend will be published.

Outlook

The strategic consideration to look for an international partner in car distribution has, after years of careful analysis, led to the announcement at the beginning of 2020 of merger discussions with Hedin Automotive, a Swedish dealer holding company with operations in several smaller European countries. The strategic fit between the two companies, in combination with a very suitable range of brands, means that these discussions have now reached an advanced stage. We expect to be able to provide more clarity regarding the decision whether to proceed with the merger plans or not in Q2-2020.

The progress made in 2019 means not only that Stern is now prepared for potential internationalisation, it has also made Stern more resilient and more flexible for a car market that we believe will undergo structural changes in the coming years. The company's costs are now competitive, as a result of the savings realised in employee and other operating expenses since Q4-2018. In 2020 and 2021, Stern will continue to further reduce its fixed costs through smart programmes in the context of Focus on Value. At the same time, the realisation of investments in digitalisation and improving our services will make a positive contribution to our performance with respect to customer satisfaction and lead conversion.

Stern is not likely in the near future to emulate the profit after tax in the past year, which was historically high due to the sale of SternLease. The operating performance of the divisions Dealergroup Stern and Stern Car Services, in combination with the significantly reduced use of working capital, will lead to a further improvement in Stern's operating performance.

Key dates

2019 annual report available online	13 March 2020
Convening notice for General Meeting on 7 May 2020	26 March 2020
Publication first quarter results 2020	7 May 2020
General Meeting	7 May 2020
Publication of first half results 2020	20 August 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

About Stern

Stern is a large Dutch automotive retailer that has been listed on Euronext Amsterdam since 2000. Stern offers a wide variety of leading car brands and additional mobility services. Dealergroup Stern represents several leading brands such as Mercedes-Benz, Renault, Nissan, Ford, Volvo, Land Rover, Kia and Opel. Stern also offers additional services such as leasing, rental, insurance, finance, extended warranty, (brand-certified) car body repairs and light commercial vehicle interiors. The Stern network consists of 75 branches with approximately 1,700 employees (FTEs) in the car-intensive regions of the Netherlands.

The specifications included in the attachment are taken from the 2019 financial statements of Stern Groep N.V. EY Accountants LLP has issued an unqualified audit opinion with respect to the financial statements dated 5 March 2020.

Consolidated statement of income

(amounts x € 1,000)

	2019	2018
CONTINUED OPERATIONS		
Net revenue	989,335	988,706
Cost of sales	(816,510)	(812,307)
Gross profit	172,825	176,399
Other income	6,672	7,720
Employee expenses	(115,635)	(119,871)
Amortisation of intangible assets	(59)	(59)
Depreciation of property, plant and equipment	(24,826)	(7,452)
Other operating expenses	(36,248)	(58,300)
Operating profit (EBIT)	2,729	(1,563)
Result from associates	131	172
Financial income and expenses	(7,065)	(4,271)
Profit (loss) before tax	(4,205)	(5,662)
Income taxes	3,006	1,656
Profit (loss) from continued operations	(1,199)	(4,006)
DISCONTINUED OPERATIONS		
Profit from discontinued operations	22,576	4,492
Profit after tax (attributable to the shareholders of Stern Groep N.V.)	21,377	486
Earnings per share		
Weighted average number of outstanding shares	5,675,000	5,675,000
Earnings per share from continued operations	€ (0.21)	€ (0.71)
Earnings per share from discontinued operations	€ 3.98	€ 0.79
Total earnings per share	€ 3.77	€ 0.09

The comparative figures have been adjusted in connection with the presentation of discontinued activities. The comparative figures have not been adjusted as a result of the application of IFRS 16 Leases from 1 January 2019.



Consolidated statement of comprehensive income

(amounts x € 1,000)

	2019	2018
Profit after tax (attributable to the shareholders of Stern Groep N.V.)	21,377	486
Other comprehensive income		
<i>Other comprehensive income to be transferred to the statement of income in the following periods</i>		
Effective portion of changes to the cash flow hedge	469	(557)
Income taxes	(117)	140
Income and expenses not recognised in the statement of income	352	(417)
Total comprehensive income after tax (attributable to the shareholders of Stern Groep N.V.)	21,729	69
Total profit (loss) attributable to:		
Continued operations	(847)	(4,423)
Discontinued operations	22,576	4,492
Total profit	21,729	69

Consolidated statement of financial position at 31 December

(amounts x € 1,000)

	31 December 2019	31 December 2018*
Assets		
Non-current assets		
Intangible assets	22,395	30,572
Property, plant and equipment	120,966	327,490
Lease assets	108,026	-
Investments in associates	-	1,164
Other financial assets	14,549	14,472
Deferred tax assets	12,670	18,073
	<u>278,606</u>	<u>391,771</u>
Current assets		
Inventory	201,401	237,556
Trade receivables	41,734	35,304
Other accounts receivable, accrued income and prepaid expenses	9,385	10,026
Cash and cash equivalents	683	747
	<u>253,203</u>	<u>283,633</u>
Assets held for sale	41,610	-
Total assets	<u>573,419</u>	<u>675,404</u>

The comparative figures are not adjusted as a result of to the application of IFRS 16 Leases as from 1 January 2019.

(amounts x € 1,000)

	31 December 2019	31 December 2018
Liabilities		
Equity (attributable to the shareholders of Stern Groep N.V.)		
Issued capital	593	593
Reserves	152,046	154,568
	<u>152,639</u>	<u>155,161</u>
Non-current liabilities		
Interest-bearing loans	49,740	243,973
Lease obligations	94,317	-
Provisions	1,366	1,400
Prepaid receipts from lease and warranties	-	1,521
	<u>145,423</u>	<u>246,894</u>
Current liabilities		
Interest-bearing loans	89,954	93,888
Lease obligations	19,779	-
Provisions	3,667	713
Creditors	97,422	139,909
Derivatives	372	842
Tax and social insurance contributions	5,681	6,143
Repurchase obligations	8,866	10,312
Other liabilities and accruals and deferred income	15,871	21,542
	<u>241,612</u>	<u>273,349</u>
Liabilities held for sale	33,745	-
Total liabilities	<u>573,419</u>	<u>675,404</u>

The comparative figures are not adjusted as a result of the application of IFRS 16 Leases as from 1 January 2019.

Statement of changes in equity

(amounts x € 1,000)

	Issued capital	Share premium reserve	Other reserves	Revaluation reserve	Unallocated result	Total
Balance at 1 January 2019	593	114,734	35,077	5,147	(390)	155,161
Impact IFRS 16 Leases	-	-	(4,335)	-	-	(4,335)
Balance at 1 January 2019	593	114,734	30,742	5,147	(390)	150,826
Result after tax	-	-	-	103	21,274	21,377
Other comprehensive income after tax	-	-	-	352	-	352
Total comprehensive income for 2019 (attributable to the shareholders of Stern Groep N.V.)	-	-	-	455	21,274	21,729
Impact of IFRS 16 Leases due to sale of SternLease	-	-	(53)	-	-	(53)
Result appropriation	-	-	(390)	-	390	-
Cash dividend	-	-	(19,863)	-	-	(19,863)
Balance at 31 December 2019	593	114,734	10,436	5,602	21,274	152,639

* Including the effect of IFRS 16 Leases, the new standard for leases that came into effect on 1 January 2019.

	Issued capital	Share premium reserve	Other reserves	Revaluation reserve	Unallocated result	Total
Balance at 1 January 2018	593	114,734	33,740	4,688	5,593	159,348
Result after tax	-	-	-	876	(390)	486
Other comprehensive income after tax	-	-	-	(417)	-	(417)
Total comprehensive income for 2018 (attributable to the shareholders of Stern Groep N.V.)	-	-	-	459	(390)	69
Result appropriation	-	-	5,593	-	(5,593)	-
Cash dividend	-	-	(4,256)	-	-	(4,256)
Balance at 31 December 2018	593	114,734	35,077	5,147	(390)	155,161

Consolidated statement of cash flow

(amounts x € 1,000)

	2019	2018
Profit before tax	26,716	3,410
Adjustments for:		
Result from associates	(131)	(172)
Result Bovemij Verzekeringsgroep N.V.	(103)	(876)
Interest expense in result	7,014	4,009
Amortisation of intangible assets	59	59
Depreciation of property, plant and equipment	37,085	57,682
Depreciation of lease assets	15,928	-
Result on sale of business segments	(29,798)	(750)
Result on sale of property, plant and equipment	(2,574)	(5,416)
Contribution to/ (withdrawal from) allowances	3,051	26
Prepaid receipts from lease and warranties	-	218
Changes in working capital:		
• movement in inventory	5,036	(10,900)
• movement in accounts receivable	(22,955)	(11,075)
• movement in accounts payable	(30,634)	20,482
Cash flow from business operation	8.694	56,697
Dividend received	1,321	-
Tax paid	-	(928)
Interest paid	(6,421)	(4,155)
	(5,100)	(5,083)
Cash flow from operating activities	3,594	51,614
Acquisitions	-	(431)
Received from sale of business divisions	88,839	1,371
Investments in property, plant and equipment	(115,176)	(149,110)
Divestments of property, plant and equipment	52,895	66,614
Cash flow from investment activities	26,558	(81,556)
Dividends paid	(19,863)	(4,256)
Movement in interest-bearing loans	5,051	33,729
Repayment of lease obligations	(15,404)	-
Cash flow from financing activities	(30,216)	29,473
Movement in cash	(64)	(469)
Balance of cash and cash equivalents at opening date	747	1,216
Balance of cash and cash equivalents at closing date	683	747
Movement in cash	(64)	(469)

The cash flow statement contains the cash flow of the continued and discontinued operations. The comparative figures are not adjusted as a result of the application of IFRS 16 Leases as from 1 January 2019.