H1 2022 results presentation transcript

Tuesday, May 17, 2022

Opening Remarks

Guillaume Paoli

Co-Founder, Aramis Group

Executive Summary

Good morning, everybody. This first half of our 2022 year has been very interesting, to say the least. As you know we have founded this company to revolutionise the way people buy cars and we can say that during this first half of the year we have progressed on our journey to deliver our customers a great experience and great products. This is absolutely key in our strategy and we have delivered on this strategy, expanding quickly on the used car market.

The teams have done an absolutely incredible job to deliver the growth whilst maintaining the customer satisfaction and it has necessitated a lot of agility in the current conditions. Refurbished cars have become over these last few years the main strategic driver of the Group and they now represent over 80% of the retail sales of the Group. Nicolas will probably elaborate on how we were able to achieve such growth in this segment. And this, in a context where the automotive market has become increasingly volatile, more volatile than we have ever seen on the market in the 20 years since we incepted the company.

This market context had an impact on our preregistered business. The sales have decreased. As you know, there are difficulties with the OEM production lines impacted by the scarcity of semiconductors, impacted by the war in Ukraine unfortunately and also by some COVID aftermath. In this context our level of activity on the preregistered business has decreased.

The financial results we have generated over H1 reflect both this market reality and also the strength and the resilience of our business model. Even though the market has been complex and challenging, we have been able to remain in positive adjusted EBITDA territory, showing the resilience of the Group model and strategy.

Beyond these short-term bumps on the market and on the business, we remain very confident in the prospects of the Group. We are addressing an absolutely huge market, over €400 billion in Europe per year. Buying a car is absolutely essential to European lifestyles and we plan to be the preferred European platform to buy a used car online.

Unique business model delivering the best products and services for over 20 years

Vertically integrated

Now if we move on to the next slide, a few words on our business model. As we have already stated a few times, we have a truly unique business model. It is vertically integrated, truly vertically integrated from sourcing the car to the delivery of the car to people’s homes or to a customer centre. We have the most extensive and diversified sourcing network in Europe and we have a unique know-how to refurbish cars plugged in to a tech and data suite that enables us to deliver very high-quality cars with lead times as short as three days.

Empowered multi-local teams

We also have a unique management and work organisation, inspired by lean management. We have teams that are very much engaged and focused on customer satisfaction, that are empowered. We have a dynamic of collective learning and continuous improvement that is quite unique in our sector. Also we have multi-local teams. We have teams in each geography that are very close to customer needs and that tailor the offer to suit the customers best.

100% customer centric

Finally, we have a best-in-class, digitally-enhanced customer experience. Purchasing journeys and trade-in journeys are fully digitised and our customers can choose where to have their car delivered. This coupled to our second-to-none warranty level allows us to reach a very high level of satisfaction and a market-leading return rate. This three-pillar business model that we have developed over the last 20 years enables us to be very confident in the Group's prospects.

Business Highlights

Nicolas Chartier

Co-Founder, Aramis Group

Further achievements in H1 2022

Consolidating our competitive advantages and driving our revenue growth

Let's go to slide five. Good morning, everybody. Once again in H1 2022 we have continued to increase the value we deliver to our customers. We have continued to change the way people are buying their cars for the better. This has been possible thanks to our amazing teams that have proven a very strong engagement whatever conditions they face. This resulted in a very high level of revenue growth. Our sales reached €873 million in H1 2022, representing a massive increase of 47% on a year-on-year pro forma basis and a 78% increase on a reported basis.

Let me give you some examples of our achievements over the period. First, we reinforced our vertical integration within our value chain, developing both the productivity of our existing refurbishing centre and opening a new one in Belgium. We also developed the services we provide to our customers, signing in particular a new important partnership in Spain with Santander. This new partnership will help us to ease the car financing journey for our customers. We have increased our volumes of refurbished used cars very quickly thanks to a high level of agility, of coordination, of involvement and work of our people. We are not only talking about refurbishing the cars but also sourcing more from private owners and moving them around the countries.

Thirdly and of course the most important, we kept on innovating for our customers on improving our value proposition for them, which is already very high. We launched, for instance, a ten-year extended warranty in Belgium and home pickup of the cars in Spain. In France our subscription model allows customers that could not afford to buy a car or that do not want to buy a car, to get one. Our marketplace further deepened our offer. As a result, and thanks to our team's work our NPS remains very high at 68 at the end of March 2022. We are not going to stop there.

Strong acceleration in refurbished car sales

More than offsetting the preregistered slowdown

On slide six the €873 of revenue we generated over H1 2022 represents an increase of 47% on a pro forma basis versus H1 2021. The revenues actually reflect two diverging trends. On one hand, there is a massive increase in the volume of refurbished cars. We have increased by 56% on a year-on-year basis the volume of refurbished used cars. On the other hand, we have a decrease in the volume of preregistered cars given the lack of sourcing on the market. As stated by Guillaume earlier new car production remains low and this has of course a very negative impact on our capacity to source preregistered cars. The overall volumes of B2C cars we sold increased by 16% year-on-year with the refurbished used cars representing now 81% of the total cars sold.

Increasingly wide selection available to customers

Driven by unparalleled multichannel sourcing agility

Now on slide seven let us go through the sourcing. Of course, to continue satisfying our customers and to develop our offer in this changing environment we had to develop our sourcing from private customers, which was of course existing already, but we have very much developed it. We have multiplied by 2.4x the volume of cars sourced from private customers versus H1 2021. 10,000 more cars were sourced privately on a year-on-year basis. We have been able to achieve that thanks to the outstanding commitment of our people and also because the needed infrastructure was in place, both in terms of digital and industrial capacity. As you know, we are sourcing from all the possible sources in the market. This is one of our strengths and we have proven that this multichannel and flexible approach is very efficient. We are of course always careful not to be dependent on any specific kind of source of supply.

Outstanding quality products

Thanks to best-in-class in-house refurbishing capabilities

On slide eight let's talk about our refurbishing capacity because offering cars is important but if you want to make it affordable and reliable you need to be very good in the refurbishing area. First of all, we own massive refurbishing capacity that we constantly develop and continuously improve. We are going to open two more new refurbishing centres, one in France and one in the UK, and we are talking about a projected inhouse capacity of 132,000 cars per year by the end of 2023. In France our new centre will open soon. It is in the southern region of Paris in Nemours. In the UK, the new centre will be located in Goole in Yorkshire.

Quick delivery and maximum convenience for customers when buying and selling cars

Thanks to our unrivalled supply chain

Now on slide nine we can talk about our logistics, because with a wide offer and top products, quick and reliable delivery helps us to achieve an excellent customer experience. Our H1 2022 performance is also largely due to our outstanding logistics. Logistics has always been a strength of our business. From day one we have built our operations around a very efficient logistics system, and this is what allows us to have the best lead times in the industry. Of course, this is a huge driver of cost and of capital efficiency. Today two-thirds of the cars we propose in France can be delivered in 24 hours to our customers and in Spain now we are even able to deliver some cars in less than two hours and with financing. Across the Group, we deliver almost half of our customers directly at home. Of course, we are going to continue to accelerate our delivery times for our customers.

Offering the specific cars and experience local customers want

Through local brands with local marketing approaches

On slide ten, as Guillaume previously said, we strongly believe the used car market is a multi-local one and as such having teams based locally with an excellent knowledge of what our customers expect is a real competitive advantage. People love the product and services we offer and we always have more visits to our website, as shown on this chart.

Financial Performance Review

Guillaume Paoli

Co-Founder, Aramis Group

H1 2022 financial highlights

Very strong organic growth and best-in-class profitability in Europe

Moving to slide number 12, let's start quickly with the main H1 financial highlights of the Group. We have said 47% increase year-on-year of revenues fuelled by the refurbished business growth at 56%. We have maintained a very high European leading gross profit per unit at €2,311 and we have managed to keep adjusted EBITDA positive at €2.9 million despite the adverse market conditions on the preregistered business. In that context, it is actually quite a performance.

Strong growth across all segments except B2C preregistered

Due to the complex sourcing environment

If we move to the segments on slide 13, all segments are growing except of course the B2C preregistered business due to the complex environment that Nicolas and I were speaking of. Regarding the refurbished business, the volumes have increased by 56%, the prices have increased by 22%, resulting in an increase in turnover of the refurbished business of almost 100%, 91%. The revenues of the refurbished business have almost doubled. On the other hand, the preregistered business has halved in terms of volumes, the prices have increased by 30%, resulting in a lower turnover of the business of 27%. B2B revenues have almost doubled. This is partly mechanical. As Nicolas has explained, we have scaled the C2B sourcing in all the geographies. Some of the cars that we buy from private customers are old and we do not want to retail these cars so we sell them to merchants. Finally, on services the revenues increased by 47% fuelled both by of course increases in the number of cars sold but also by progress on the penetration of the different services.

Revenues growing in all countries

Now if we move to slide 14, we will take a look at the revenues per country. First France, which is the largest geography of the Group, the turnover has increased by 19%. This performance is generated by the very high growth of almost 50% of the refurbished cars. As you know, France is one of the two geographies that was very much exposed to the preregistered business. This has of course impacted the growth. I say "was exposed" because now the refurbished business is over two-thirds of the business here in France.

In Belgium, the revenues have increased by 34%, mostly because of the refurbished business. Belgium is the other country which is impacted by the preregistered business. The growth of the refurbished business which has been really massive has been fuelled by the opening of the new refurbishing centre in Antwerp in November, as Nicolas was saying, but also we have shared the cars in-between the Group geographies, enabling the Belgians to pick on the cars of other geographies to fuel their sales.

In Spain, the revenues have more than doubled. This geography is not exposed to the preregistered business and this has been fuelled by the expansion of our Villaverde refurbishing site near Madrid.

Finally, in the United Kingdom there is a high growth in refurbished car volumes. It is also the geography where the price effect is the highest. The combination gives a 69% increase in turnover and the teams have done an incredible job, having the record increase of C2B sourcing evolution.

Value chain integration driving highest Gross Profit per Unit (GPU) in Europe

If we move on to slide 15 and talking about the gross profit per unit, we have generated a European leading GPU level, several times higher than some of our listed peers. For us, we are really convinced this reflects the strength of the business model. The lifetime value of a customer in our industry is very different from other industries and we believe that this reflects the strength of our business model. And it is also the result of our team's work, focused on the customer satisfaction and innovation for the customers.

SG&A level set for supporting further growth

If we move on to SG&A now, the SG&A has increased as planned by €92 million year-on-year which is a 12% increase versus H2 2021. As planned, we have maintained our marketing investment to drive traffic, to develop brand awareness and we have continued to invest in our brands. We have also built the teams to sustain the refurbished used car growth and we have put in place the capacity that we need to further grow in the future. We have also strengthened our corporate teams at headquarter ones, particularly in compliance, structuring and control. We do not expect any significant increase of SG&A during H2 2022; and with the teams in place, we are operating at a level to sustain more growth.

Adjusted EBITDA in positive territory despite sharp slowdown on preregistered market

Now if we move to the EBITDA picture, we have maintained a positive adjusted EBITDA despite the adverse market conditions and you see the negative impact of the preregistered volumes, a €15 million decrease versus H1 2021. It was partially compensated by the growth in refurbished used car volumes but not entirely, which results in a €2.9 million positive adjusted EBITDA, which in the context of how fast the preregistered business has collapsed is in the end quite a performance.

Operating working capital reflecting change in mix, rising car prices and proactive stocking

Moving now to the operating working capital, you will see that the working capital requirement has increased by €86 million mainly because of the inventory that we have built up to sustain the growth. There are three effects. One is the change in mix between preregistered and refurbished used cars making up 58% of the increase of the inventory. There is an inflation of the cars which accounts for 25% of the evolution of the inventory. Finally, we have decided to proactively stock the company to make sure that we are going to deliver the growth and to maximise the possibility of traffic conversion. All this results in around 48 days of revenues based on the last rolling 12 months and we do not expect to exceed this level in the future. We believe we can improve these figures in the future.

Change in net debt primarily reflecting change in operating working capital and investments in tech and refurbishing centres

Now if we take a look at the change in net debt, it mostly reflects the change in working capital that is the effect of the inventory increase. Capex accounts for €12 million, around half for IT, tech and data investment and the other half reflects the refurbishing capacity expansion. In terms of the financial situation of the Group, it remains very sound. We are virtually without debt and we have €380 million of lines that we can draw from, including €120 million from Stellantis who is, as you know, our majority shareholder. This leaves a comfortable headroom to finance our future growth, both internal and external, and fuel our ambitions. This is it for the financial highlights.

Outlook

Guillaume Paoli

Co-Founder, Aramis Group

Major used car market opportunities and Aramis Group Ambitions

Now if we move on to the outlook, we are very confident in the potential of the Group to grow. In view of the size of the market and all the capacity that we have put in place, we believe in a continued dynamic to grow the volumes of refurbished cars and are very confident in our ability to grow in this segment.

On the other hand, on the preregistered business, volumes will be affected until the situation improves on the production lines of the OEMs. We do not expect this situation to improve during the next months so we do not believe that this business will pick up steam in the short-term.

Prices of cars in all segments will continue to remain high we believe in the coming months probably until the situation normalises a bit.

Finally, we believe that we will be able to maintain high European leading, best-in-class gross profit per unit (GPU) levels. Again, this reflects the strength of the business model. We have guided above €2,150 at the IPO and we believe we can sustain this high level going forward.

All of our short-, medium- and long-term guidance are reiterated and we are really looking very much forward to the next months, working to satisfy our customers, working to expand our business in Europe and growing even more despite these particular market conditions. We have seen other periods in the history of the company where the market context was difficult. Again, a message of confidence.

Thank you very much for your attention. Now we will open the Q&A session.

Q&A

Christophe Cherblanc (Société Générale): Good morning. I have two questions at this stage. The first one is on financing. Guillaume, you said you were hoping to improve working capital in the future. From the 48 days that we have at the end of H1 what do you think would be a fair level? Are we going to go back down to 40-45? Does that mean that we should expect a working capital inflow in 2023? Related to that, you had €86 million of outflow in H1. What is your best estimate of the full year working capital? More broadly speaking you were insisting on your liquidity but part of it is the revolving credit facility which is dependent on an EBITDA covenant. Should we expect more options such as ABS and that kind of thing to happen in the next few months?

Last question on financing again, I understand you are going to buy out the Spanish minorities. Could we have the precise number? I think it must be about €40 million but I wanted to have a precise number. Thank you.

Guillaume Paoli: Thank you, Christophe. Regarding the working capital, yes, we are at 48 days. Again, it is the turnover of the last 12 months which has grown a lot so this also should be taken into consideration. No, we are not going to grow above this level. We are not going to give you a precise number at this stage. We still believe we need to prioritise the growth; but at this level, we believe we can comfortably say that we will not exceed that. We will not give you a precise number also for inflow regarding the working capital. However, we know it is very important to control our lead times and to decrease them. This is something we are very sensitive to. Back in the days when we set up the company, this was one of the most difficult parts so we have some experience on that and this is something we are tackling right now.

Regarding the financing capacity, I did not mention and I should have, that we are currently exploring asset-backed securities including with very well-known banks that you know of. Regarding the RCF, yes, there are covenants but this is under discussion. As I was saying, we have comfortable headroom, in particular with our majority shareholder Stellantis. We are comfortable moving forward. Now, regarding the buyout of the Spanish founders, I think we can give the precise number. It is €35 million to buy out the 35% share that was held by minority shareholders.

Christophe Cherblanc: Okay, thank you.

Guillaume Paoli: Thank you, Christophe.

Catherine O'Neill (Citi): Hi, thank you. I have got three questions. The first one is, are you seeing any changes at all in terms of consumer behaviour or demand across any of your markets? Maybe in different categories of cars, trading down, etc.

Secondly on SG&A, I think you said that you expect the increase in SG&A in the second half to be limited. I wanted to check, is that compared to the first half of €92 million?

Then finally, I imagine this is more of a crystal ball actually but I just wondered if you have any sense of when you think new car production could start to pick up again and therefore have a positive impact on your preregistered and maybe even a negative impact on used car pricing? Thank you.

Nicolas Chartier: Maybe I will take the first question. Thank you, Catherine. If I have understood your first question it was around whether we observe any evolution in the customer behaviour in our different markets. I would say yes and no. Yes, because of course with inflation, with the increase in interest rates and with the geopolitical situation of course this has an impact on them. Some of them have questioned whether it is the right time to change their car. We have also experienced a very high increase of prices on the used car market; and of course, at one stage this is more complicated for our customers. This does not help our customers to take the decision to buy a car. However, on the other hand, they still need a car. They still need to change their car. They still need a car to go to work. There is no change in that. We are used to that kind of situations where the economic outlook is not very good and people maybe take more time to make the decision to buy a car. However, for us it is just a normal situation that we are used to.

Guillaume Paoli: Catherine, regarding your second question, what we are saying is that we have built the capacity to sell more cars, but the collapse of the preregistered business has been much faster than everybody expected, including us. Basically, we did not have the cars to sell so we did not sell these cars. To illustrate, it is like in a shop, we produced a lot of refurbished cars and we sold these cars, but we did not have enough cars to put on the shelves for the preregistered ones. To give you an idea, I have a figure in mind for France, our offer of preregistered cars is twice as low as last year. In these conditions, it is very difficult to maintain the volumes. We do not expect the SG&A figure for H2 2022 to be above €92 million, which is the figure that we have just communicated regarding the SG&A.

Finally, on your last question on the new car production, unfortunately I do not have insider information. What I understand is that the situation will not improve before at least 2023. We have some different comments by OEMs. The situation will probably not normalise before 2023. We are not counting on a brightening of the situation regarding this business in the short and medium term. Did we answer your questions?

Catherine O’Neill: Yes, that is really helpful. Actually, I had one short follow-up. I know you have also commented that you expect the used car pricing to remain elevated around current levels. We are starting to see used car pricing come off a bit in the US particularly but even in the UK. I assume maybe that is a sign of some softening of demand. I wanted to understand a bit more behind your assumption that used car pricing will remain elevated at these levels and whether there is any risk to that.

Guillaume Paoli: Nicolas can comment on top if he has something to add but what we can say is if you look at the index of prices in January 2021 and you consider it as 100, recently it has been 110 in France, around 120 in Spain and 130 in the UK. Actually, it peaked at 132. It is now almost 129 so we are seeing a bit of flattening of the curve. It is very difficult to do a prediction in this field, but we do consider that the prices will remain high in the short-term. Probably they will slightly decrease in some geographies. We are seeing it in the UK but it is difficult to tell you more actually.

Catherine O’Neill: Okay, that is helpful. Thank you.

Harald Hendrikse (Morgan Stanley): Morning everybody, thank you so much for taking my questions. I wanted to go back to 2025 and 2030 targets, going through those in my head yesterday I have three questions on the back of that, slightly longer term, and you have been addressing some of those already in some of the questions we have had.

Firstly, on gross margins obviously the mix has deteriorated on that but frankly although 80:20 may be a little bit unusual and at some stage the preregistered business in total might come back. Should we not think that the business mix is going to mean that those gross margins stay a little bit lower? What can you do to recover them?

The second question is on SG&A. The SG&A was largely in line with revenues, obviously in line for future growth so I do not have a major problem with that but obviously it was a big chunk relative to the lower gross margin. To what degree do we think that SG&A is going to grow with revenues going forward? You have given the answer for the second half of the year but what about 2023, 2024 and 2025? The SG&A really has to slow down to be able to get those margins back to 3% at the EBITDA level for 2025.

Then the last question, again you have answered it in the very short term but I was looking at a little bit longer term. Working capital 48 days, maybe that can come down a little bit but obviously we are still looking for revenues to grow by nearly 50% or over 50% by 2025 and then double again. That still seems to require a lot of working capital funding so can you talk about that a little bit more? How are you going to fund that, please?

Guillaume Paoli: Okay, maybe I can start with number one and number two. Alexandre, maybe you want to give us some colour on number two and Nicolas, you want to take number three?

Regarding the gross margin, first the GPU is very comparable. There is no significant difference in the gross margin per unit between preregistered cars and refurbished cars. This does not really have an impact on the gross margin that is generated.

Regarding SG&A, we have answered the question on the short term. On the medium term there is a component of fixed SG&A and variable SG&A. Maybe Alexandre you want to give some colour on that?

Alexandre Leroy (Head of Investor Relations, Aramis Group): Sure definitely, just to help you modelling the operating leverage in the SG&A, within the SG&A you have roughly 60% of fixed costs and 40% of variable costs. The variable costs are mostly linked to the marketing expenses and some downstream logistics/sales costs. The fixed costs are mostly linked to the headquarter overhead costs, the network of customer centres, etc. This should allow you to project the SG&A over the next years.

I will add something that is also interesting from the analyst side. Talking about the GPU, 90% of the COGS is the cost of the car itself. This means that 10% of the COGS are the industrial costs. Within these industrial costs you have two-thirds of variable costs and one-third of fixed costs. This is the overall targeted structure we see in Donzère, our state-of-the-art best European factory, and the level to which all our refurbishing centres should converge when they all get the same level of maturity and productivity.

Nicolas Chartier: Maybe I can start to answer the third question regarding the number of days of working capital. If we project to 2025, 2023 of course will be very much improved comparing to those 48 days. You know that historically we have been far better than that. Honestly, it has not been a huge focus in that last period for many reasons. Guillaume explained that in a market where it is very difficult to find cars, we are more open to keeping cars in the inventory, to buy more cars, to take more risk on cars. Secondly, this has also helped to fuel growth; but definitely the DNA of the company is to be very, very efficient on the working capital requirement. Again, we have proven that during the last 21 years, I mean since the company inception, we have developed the business up to a very high level with a low capital employed and there is no reason why we will not continue that because we strongly believe that this is how you make from this business a lot of value. This is a really important lever to create value in this business.

In developing our business in new countries, acquiring new countries and working with new teams, we also realised how strong we are in the practice of improving the working capital requirement. This is really something we did not fully realise. We learnt to do it very efficiently but we realise when we go to other companies that the strength that we have is not in the other companies and we can bring it to them. This is what we do with our last acquisition in the UK. As you can imagine with all that I have said, definitely this must be improved. This will be improved and not just a little bit.

Guillaume Paoli: To add on that, what Nicolas is referring to is what we call "our business logic". We bring this business logic to the new countries.

Regarding the financing, I think we have a lot of options. First, we do not intend to remain at this EBITDA level for a very long time. This is to be frank what we expected. I think we have a lot of options including asset-backed securities which, as you know, can grow with the inventory. We have a history of financing our growth with low capital. We grew the business from €360 million in 2017 to at least €1.7 billion this year with a very frugal level of capital, at the very least when you compare it to some of our peers. We are confident in our ability to finance it.

Harald Hendrikse: Thank you. Can I just ask you quick follow-ups on that? On the gross margin, obviously I saw the GPU but the fact is obviously relative to a higher price of the car and therefore the revenue per unit, the margin dropped from 14% to 11%. Is that really just the margin between the buying and selling of cars then if it is not the mix? Maybe I have misunderstood that. That is my first question on that.

And then the second, on the SG&A thank you for that on the operating leverage. That was very helpful. However, obviously the fixed costs on the SG&A did go up a lot in the first half. Should we expect that fixed component of SG&A to be more constant now at this current level?

Alexandre Leroy: Yes, definitely so. The point is that, as you spotted well, you have the marketing part variable that went up. Downstream logistics went up together with volumes and also the fixed costs part increased because, as Guillaume said earlier, we staffed at the corporate level since we IPO'd. Also we employed some guys in particular to sell more cars. This part is where we are going to contain the growth and we will not reiterate the growth rate you saw for the last year. That is the first point.

What was your second question, sorry?

Harald Hendrikse: I saw that you had a flat GPU but obviously the revenue per unit is up a lot which means that the gross margin is down from 14% to 11%. I am wondering what drove that. If the preregistered and the refurbished gross margins are roughly the same then why has the gross margin gone down? Is that the margin between buying and selling or what am I missing?

Alexandre Leroy: Where you actually missed the point here is that the price is a pass-through in this business, meaning that if the overall price of a car increases, we have got it in the top line but also in the COGS. Virtually, to be a bit caricatural, we determine the price we buy the car, taking the price we expect to sell the car minus the refurbishing cost minus a target margin. This gives us the buying price. If you take a preregistered car, the refurbishing cost is virtually zero. This is why we can generate a targeted margin that is fairly homogenous over all the cars in terms of models, in terms of how old they are, etc, etc. The variable of adjustments is how aggressively or not we bid on the car. This ratio you are talking about, I mean gross profit out of top line, by definition because the top line gets the full price effect which the gross profit does not take into account, and it is the same for the EBITDA margin by the way, makes that ratio not proper. You are dividing by sales, where there is a price effect, something that has not the price effect inside. Do you get my point?

That allows me to bridge to a question over the internet, which is how we decreased from 1.5% targeted EBITDA margin to 0.3%. First of all, of course the overall EBITDA decreased in an amount of millions of euros; but besides that you have this ratio effect that means that even if we would have done the EBITDA originally planned at the beginning of the year, which was roughly €25 million, out of a top line with a price effect that is not reflected in the EBITDA, the ratio would not have been 1.5%. You follow me, I guess.

Harald Hendrikse: Yes, we were thinking about the margin as a percentage of revenue when you are talking about a flat margin per car. Maybe that explains the effect so thank you for that. As a follow-on though, does that mean that we should now forecast going forward at that 11%? I.e. the GPU stays the same even though the revenue per unit has gone up. Is that correct?

Guillaume Paoli: It is difficult to give you a fixed answer because there is also another effect. A preregistered car is more expensive than a refurbished car for a private customer. You also have this effect to take into account. It is difficult at this stage on the 2025, even 2023 horizon to give you an answer because to be frank, we do not really know how the prices will evolve. We think they will stay high in the coming months. At one point they will decrease. To tell you when it is a bit difficult.

Harald Hendrikse: Alright, okay.

Alexandre Leroy: I would like to come back to the commitment the company made at the time of the IPO. It was a GPU fairly stable around €2,150 per car. This is the aim that was communicated. We go back to the margin per car you were mentioning and this is what the company commits to. From there on, if you assume something like that, you can estimate the overall gross profit in millions of euros and how much it is able to absorb in terms of cost structure.

Question: Right, okay. Thank you.

Christophe Cherblanc (Société Générale): Hi again, two quick ones. On the preregistered, I think you mentioned that today you had 50% of the supply you had a year ago. Should we assume that 50% or about 3,000 cars is the absolute minimum, the trough that we are going to see as long as the current market situation goes on? That was the first one.

The second one was on Spain. Spain was outstanding again so can you explain what is happening in Spain and are you getting close to capacity on your Villaverde centre? Will you need to open a second centre any time soon? Thank you.

Guillaume Paoli: Maybe I can answer the first one and you take a shot at the second? I am not sure I understood your question correctly. What I said is that if we take a picture of last year and now, we have roughly half as many offers on the website in France for the preregistered. You have seen that we have sold basically half as many cars, to simplify, and we do not expect for the next month that our sourcing will become easier for the preregistered. There will be a minimal level but we do not know exactly if we have touched the bottom for the moment.

Nicolas Chartier: Yes, because it is just following the production of the OEMs.

Regarding Spain, H1 has been very good again and we can say that the Villaverde production centre has been at its best. We also have been very aggressive in the growth in Spain during this period. Of course, we can say that we are going to reach a tipping point regarding the production centre in Villaverde because you cannot improve it with no limit. There is no announcement yet to make regarding the opening of another centre.

Christophe Cherblanc: Okay, thanks.

Mourad Lahmidi (Exane BNP Paribas): Yes, thank you for taking my question. I just want to come back on your answer on the preregistered level because I did not really hear what you said. The 3,000-ish units that you sold in Q2, could that go to zero if there was a scenario where you would sell no preregistered cars? That is the first question.

Guillaume Paoli: No, there is no scenario where we sell zero cars. What I am saying is that we are not taking into account an improvement of the situation. It is difficult to give you a figure going forward because it really depends on how the production lines of the OEMs evolve. Last time we spoke there was no war in Ukraine, which is of course a very dramatic situation and what happens on the sector is just an aftermath, not that important, but it has had a big impact on the OEMs. The level will never reach zero but to tell you that it will maintain at this level we cannot take that commitment at this stage.

Mourad Lahmidi: Okay. Then a follow-up one, once the OEMs restart production and things go back to normal, I think that you are probably not their priority. How long will it take for your preregistered division to come back to a pre-crisis level once things go back to normal? Is that a matter of months or a matter of years?

Nicolas Chartier: What we think is something like 6-12 months because you have a strong backlog of cars to be delivered from the OEMs. If you are a private customer and you want to go to an OEM and order a car today it is probably something like six months delivery time, maybe nine months if you want a Peugeot 208 electric I think. Even some OEMs have decided to stop taking orders from customers on some models. We can imagine that they will have a strong backlog to deliver and, as you say, we will not be their priority because we are not the highest margin car sales. We consider that when the situation will be more or less back to normal, we will have to wait 6-12 months before we will be able to get some more preregistered cars.

Guillaume Paoli: But the situation will go back to normal at one stage. It is difficult to tell you when. The positive aspect of it is that we are focusing even more effort on the refurbished used car growth and now it is 81% of our total volumes.

Nicolas Chartier: Catherine asked us earlier if we see some changes in the behaviours of our customers. This scarcity of new cars drives our customers to refurbished used cars. It is not exactly the same as preregistered or new cars but if you cannot order from an OEM and you need a car, the refurbished used car is a very good solution for you. This is an opportunity also for us.

Mourad Lahmidi: Thank you very much. Then a follow-up one on your SG&A going forward. You probably beefed up your sales teams to cope with upcoming growth. Are you expecting such an SG&A increase next year? I know it is probably too early but just to have a sense of where the margin should go in 2023 assuming market conditions stay the same.

Guillaume Paoli: We are not going to give you a figure right now because it is too soon to give you a direction. What we can say is that we believe we can continue to grow on the refurbished used car business and that we have beefed up the teams. We should be able at this level to sell more cars and we are constantly working on waste. We saw some cost cutting thematics in some other peers. Actually, we are always working on the waste and trying to be more efficient. Today we are equipped with more than what we need to do the volumes we are doing now, plus we know we have some productivity gains that we can do. However, I will not give you a direction for the moment for next year. It is a bit too soon.

Mourad Lahmidi: Okay. Sorry, just a last one. You show on your slide 132,000 capacity in terms of your reconditioning centres. When do you think you can fully use this capacity given the current trends?

Guillaume Paoli: As soon as possible. We are also not going to give you a figure on the growth of the refurbished car business. We are happy to open this centre in France and another one. Nicolas knows this better than me but we are opening new sites, we are expanding the current ones, as we have done in Villaverde, and we are also improving the performance of the current ones. This 132,000 is a reflection of these three factors.

Mourad Lahmidi: Okay, great. Thank you very much.

Alexandre Leroy: We have a few questions on the internet. There is a question on the covenants to start with and on our capacity to draw on the credit lines. The covenants are 3.5x of the last 12 months trading EBITDA, to make it easy. These covenants apply to €200 million out of the €380 million of credit lines we have. We are already working of course on the topic, assessing the alternatives we might have to replace those lines. But in any case, this leaves €180 million’s worth of lines without any covenant, which is, as Guillaume said previously, more than enough to finance the next year’s growth both internally and externally.

There is another question on the governance. The investor is asking to clarify why one is CEO and one is Deputy CEO, etc. For your knowledge, there is in place since the founding of the company a rotation scheme between Nicolas and Guillaume that is one is CEO for a couple of years and then the other one is the CEO for a couple of years, etc. It happens that from a strict legal point of view at the time of the IPO it was your turn, Nicolas, to be the CEO; so Nicolas is officially the CEO of the company and Guillaume the Deputy CEO of the company. However, this is purely from a legal standpoint because internally we are not organised like that each one has its expertise but they would better elaborate than me on that point.

As for the investor that might be worried about capital increases, I can say that this is absolutely not on the table as of today given the current level of the stock. We all perfectly acknowledge that there are other ways of funding that must be favoured in the current environment given the level of the stock. Guillaume mentioned we are thinking about ABS and securitisation of inventories. There are several possibilities that are currently being assessed and that are fairly common across the industry.

With that, we have answered all the questions online, given the answers we also gave before.

Guillaume Paoli: Thank you for your attention and for your questions. We look forward to speaking again in the coming months.

Alexandre Leroy: Thank you very much. Have a very nice day.

Nicolas Chartier: Thank you. Bye.

[END OF TRANSCRIPT]