FY 2023 results presentation transcript

Wednesday, November 29, 2023

FY2023 Results

Fabien Geerolf: Good morning, everybody. Thank you for joining us today for Aramis Group's Fiscal Year 2023 Results Presentation. I am Fabien Geerolf, the newly appointed group CFO. Just a few words about myself: I joined Aramis Group three years ago as CFO for the French entity, Aramisauto, where we've had to go through a particularly deep pre-registered crisis, as you know, and managed to carry out all this recovery since then. I am now pleased to be able to capitalise on this enriching operational experience to the benefit of the whole Group, and I want to thank Nicolas and Guillaume for giving me this opportunity.

Today with me to comment these results, the two co-founders and co-CEOs of the company, Guillaume Paoli and Nicolas Chartier. Before handing over to Guillaume, just a few reminders. This conference is recorded, accessible both over the phone and internet. A replay will be made available on the company's website at www.aramis.group. Slideshow is available on the website for download. Let me also remind you that today's presentation contains forward-looking statements and that future results may differ materially from the statements or projections made on today's call. In particular, the risk factors that could affect those statements are described in our 2022 Universal registration document filed with the French financial markets authority, AMF.

This presentation will be followed by the usual Q&A session. Finally, I remind you that Aramis Group has a non-calendar fiscal year with annual results closing at the end of September. As a consequence, the fiscal year 2023 results we are going to report on today refer to the calendar period from October 1st 2022 to September 30th 2023. Having said this, let's now move on to the main business and market highlights for the period. Guillaume, please go ahead.

Slide 2

Guillaume Paoli: Thank you, Fabien. Good morning, everyone, welcome. Well, Aramis Group has continued to deliver on its profitable growth strategy in 2023 and to outperform the market, despite another challenging macroeconomic year. As you know, our market is very big and our business model has been built to leverage opportunities. But the two last years has been very peculiar with the simultaneous occurrence of two major crises: the COVID aftermath and a major war in Europe. But we believe we are now seeing the market progressively normalise.

So in this context, we have continued to strengthen our unique vertically integrated and anti-fragile business model, and Nicolas will tell you more about that later. It has been built throughout the last 22 years for agility and resilience, and this is one of our main strengths to be able to adapt to customer needs.

Our teams, once again that I want to thank, have done an incredible job to satisfy even more customers, even better, and to generate a healthy and sustainable growth. We have worked hard to facilitate the integration of our two new subsidiaries – one in Austria, one in Italy – and at the end we grew in 2023, generating margin, generating cash, and delivering on all the aspects of our guidance with increasing market shares. The long-term potential of our market is robust and unequivocal; the need for affordable refurbished cars is more relevant than ever and we operate at the heart of the circular economy.

We are confident for the fiscal year 2024 in the wake of good trends of the recent months. Our goals for the year are to continue growing – a growth that will lead us to reinforce our position of number one player in Europe, selling at least 100,000 B2C used cars annually – and of course to grow in a profitable way, which is in the DNA of the company, with an EBITDA at least twice higher than the one we achieved in 2023.

Slide 3

Moving on to slide number three, at this stage I think it's worth to take a step back on our market and our customers and to give you some context. You know we operate on the European used car market. It's an absolutely huge market with €400 billion in transactions, more than 30 million cars sold annually. It's resilient; we will see later that car is not an option. And this market is here to stay, and if you look on the longer period of time, it's anti-cyclical and very resilient. It's still highly fragmented – in each country the main player has marginal market share, a few percent – and it is undergoing digitalisation just like in the United States, and this is pushed by innovative digital players such as us.

On this market, Aramis Group consistently achieves growth year after year, and we are first gaining market share, we are the leader in Europe in B2C digital sales of used cars and reaching around 0.74% of market share if you consider the whole European Union plus UK. Plus, we believe we have an unlimited growth prospect given we have a singular business model that we have built for that: resilient, agility and genuinely focused on customers.

Slide 4

At Aramis Group we very often speak about the customers and client satisfaction is at the heart of our operations. I know you hear from a lot of companies this rhetoric, it's very widespread, but for us it's a guiding principle. Let me first remind you that Nicolas and I, we started in a flat as big as this studio by selling cars for over a year to private customers. One of our biggest strengths is certainly to understand our customers, to understand their needs and to adapt to what they need, and over the years we have developed a very resilient anti-fragile business model. It was born ten days after 9/11 and has weathered through numerous crises – such as 2008, Dieselgate, Covid, to name just a few – and each time we came out of the crisis stronger. And we believe are now stronger than ever at the exit of this millennial crisis maybe now on the market. This flexibility and agility to adapt to our customer needs is a huge strength.

Some considerations regarding the customer needs. Customer experience matters, of course – we deeply understand that – but the criteria number one for customers is budget. I’m not saying price, I’m saying budget, because when you buy a used car, you don’t get good surprises. Surprises cost money, and this is why our refurbished car offer with its second-to-none warranties is so popular.

First, car is not an option for customers. Europeans’ lifestyle is based on long-range individual mobility. As I say very often, two thirds of Europeans use their car today daily to commute to work.

Second, car is investment number two of household, mobilising around 10% of the household income if you include fuel and insurance. The current situation is making changing cars more difficult, and we are seeing a trading down of our customers with a shift back to the essentials.

Third, customers today in Europe are completely confused. The evolving regulatory landscape – typically the topic of low emission zones in France and in other countries – the uncertainty about how future cars, electric cars can meet their needs, are complicating customer decision-making. Consequently, more than ever, it’s not one-size-fits-all for customers. Locally – and when I say locally, at the country level, even at the region level – they’re looking for clear information, unbiased advice. They want different options to be able to choose between different cars, different brands, different mileage. They want security in their purchase.

On top of all the usual considerations, new needs appear, for example on the battery capacity when they buy electric cars. They also want more and more to shop as they like, more and more online but also by telephone, having the possibility to see people for real in a point of sale.

So in a nutshell, with market, macroeconomic, regulatory rapid evolutions, customer needs evolve quickly, and this reinforces the need for us to be agile all along the chain, from sourcing to financing the car for customers. This is what we focus on – Nicolas will tell you more later on – and this is how we stay relevant for the European customers.

Slide 6

Now if we say a few words about the market environment. On slide number six, a short focus on the used car market. Well, the market is down 5% versus last year. We are talking here about cars under eight years, across our six geographies. The market is down; the registration level remains slow given the inflationary situation on cars. In all the countries in Europe we see the prices going down – particularly in the UK, where prices are decreasing faster – and we believe that this is due to a kind of limit on the prices and also on the fact that more and more cars are becoming available. Rental companies/leasers are rotating their fleets, and this increases the offer.

For our business, it's actually preferable to have more affordable cars as lower prices make cars accessible to a broader range of customers, which in turn support our sales. And for us, our GPU margin, our gross profit per unit, are not really impacted by car prices evolution upward or downward. You have seen it in the two last years that prices have been going up. Now even as they go down, our GPU will not be impacted.

Slide 7

Now moving to slide number seven, a few words on the new car market. Well, new car registrations have gone up by 18%, but they remain lower by 21% versus 2019. Car production of OEMs is gradually coming back to normal. This means there are more new cars on the market. Demand is still soft, so the overproduction that we have seen in the past is coming back. So actually we are coming back to the structural overproduction situation that has existed for ages before the Covid crisis, and the arrival of new OEMs from China is going to favour this situation. Therefore, we have been able to buy more of these pre-registered cars, to sell more of these cars, but we are still operating 50% below our usual business activity before the market downturn. So this gives us considerable potential for future growth on this segment.

With this focus on the market, I hand it over to Nicolas that will drive you through some of our key business highlights and, more importantly, how we achieved them.

Slide 9

Nicolas Chartier: Thank you, Guillaume, and good morning to everyone. So I'm now on slide nine. In 2023 we have continued to deliver our plan and once again this year we have proven the strength of our singular and anti-fragile business model. We've been working hard for more than 20 years to set up a hyper agile organisation built around a unique fully integrated business model, versatile and flexible by design. We have continued to fine-tune our method to develop agility of the teams, always with the same compass: delivering more value for our customers. We have executed our strategy further developing the Group both through acquisitions and organically.

On the organic side, one notable achievement is the opening of our second factory in the UK, located in Hull. This is aimed at increasing our refurbishing capacity in the country and optimising our flows. We now have a theoretical nominal capacity of 130,000 cars per year across our eight refurbishing centres in Europe.

On the business development side, we have expanded into two new countries, in Austria and Italy, acquiring two local companies we've been diligently integrating all through the year. We are positioned to serve over 50% of the European population, offering high-quality products and services through our singular and anti-fragile business model along with our proven method to develop agility of the teams.

Slide 10

I'm now on slide 10. This singular anti-fragile business model and proven method revolves around three pillars that we continuously improve and strengthen.

2023 was characterised by sizeable numbers of improvements to raise the bar of company standards and further ensuring the agility and flexibility of our operations. We are the only player in our sector on the European market with such a level of end-to-end vertical integration. Our operations versatility is unparalleled, and this is what makes us anti-fragile, agnostic to market changes and able to transform every market mutation into a profitable business opportunity.

We've been working on each of the dimensions to further consolidate our leadership, improving our factory flows, rationalising here and there our distribution network, developing new tools to enable our people, improving our website for our customers and, more importantly, seizing every opportunity that the changes in market conditions offer us.

Once again, we achieved a very high Net Promoter Score as well as Employee Net Promoter Score, making Aramis Group a company that you are happy to buy from and you are proud to work for. We generated nearly €2 billion of revenue and grew as guided organically, outperforming our market on average eight percentage points on total B2C volumes.

Slide 11

On slide 11, we give you an example of our offering continuous improvement and hyper agility. Our flexibility and reactiveness in sourcing adjustments is a key pillar of our singular anti-fragile business model. Thanks to the wide sourcing network we developed in Europe since the inception of the company in 2001, we have a unique capability to leverage every market opportunity. Given the increase of car availability in professional channels throughout 2023, we have been able to regain bargaining power there, securing cars with attractive margins while proposing to our customers competitively priced younger used cars fitting their needs. No other player in Europe has such a level of versatility and capacity to generate GPUs as high as ours.

In our original vision in 2001, with Guillaume, we believed that thanks to the technology, we will be able to offer customers a wider range of cars than the traditional players offer locally. From day one in the early years, in the early days, our inventory was exposed and deliverable nationwide while our competitors were only hyper-local. Today, more than 20 years later, we are continuing to develop this vision at the European level through our internal and external marketplaces, capitalising on our technological and logistical capabilities. The internal marketplace allows us to present the same car on several countries, exposing it to a higher number of potential buyers and enabling international arbitrage and increasing inventory rotations. The external marketplace allows third parties to propose cars on Aramis Group's website and leverage our important flow of visitors. This completes our offer while being very cash efficient. And all this creates a lot of value for our customers by enriching the offer they can access.

Slide 12

I am now on slide 12. We want to warranty the most seamless experience for our customers, either they choose an in-person or online or omnichannel shopping journey. For instance in Spain, where our operations are currently centralised in Madrid, we are making evolving our geographical footprint through the opening of light customer centres, in order to propose a singular level of service to all Spanish people wherever they live in the country. We are going to try a couple of customer centres in the coming quarter, and you have one of them pictured here, which is already open in Saragossa. We are also going to try at the beginning of 2024 another concept in Valencia with some local refurbishing capacities. In both cases, development capex is limited, and we maintain a strong emphasis on protecting our model hyper-agility.

Another example of versatility in our model is the number of and easiness of our financing solutions, either in terms of accessibility for customers through the lengthening of the credit offers to keep monthly payments low, or through the process of credit application itself where we work for avoiding as much as possible paperwork for our customers. We figure for instance here the adoption of e-sign in France for credit applications, of which adoption has been very strong, and this creates a lot of value for our customers.

Slide 13

As pictured on slide 13, we have deployed our proven methodology to develop agility and generate cash to the companies we acquired, deploying our singular anti-fragile business model in those new countries. We worked hard in 2023 to foster those changes in Austria and Italy, as well as leading them to deliver the same exceptional experience for our customers everywhere in Europe.

Those companies were operating with suboptimal business models, and we took actions to significantly accelerate their flow and transforming them into hyper-agile organisations. We have a proven methodology for that. First, we implement the right frame to control inventory rotation and cash management. Then we focus on GPU improvement with our lean methodologies, and we clarify the cost structure to optimise it. All this, of course, keeping our compass in mind, and doing it in improving the value for customers and developing the agility of the teams.

Amongst others, we significantly destocked Onlinecars in Austria, in particular the oldest vehicles, and introduced new demand-based and data-driven car purchasing tools. Inventory decreased by approximately €17 million and went from 106 days of revenue to 62. And you can imagine that we still have room for improvement here if we put it at the same level of the other countries. We also open a new customer centre in Vienna, increasing the customer reach of the company.

In Italy, all the challenge was about restarting the business and setting up Aramis Group hyper-agile standards. We had a huge work in cleaning the stock inherited from the previous owner and thus freeing cash for the business. We have been revamping the sales and marketing approach, enhancing the Reggio Emilia refurbishing factory, setting up a local customer centre and a showroom, as well as right-sizing the operation to be able to put it on track on profitable growth. Headcount decreased by 44% in one year, for example.

We are confident that both those companies' performance will accelerate in 2024.

Slide 14

Last example on slide 14 on how we can leverage tech to further accelerate flexibility of the business model and improve customer experience. We implemented the Group web platform in Belgium, significantly improving user experience. This change improved by 25% the conversion ratio into online reservations made directly by the customer on the website. By doing so, we also capitalised on the existing assets of the Group, that have proven their efficiency.

Our end focus is always the same: to offer the best buying experience to all our customers in Europe, reinforcing their trust for products and services and their love for brands in order to stay ahead of the race.

Slide 15

Finally, you will see that on slide 15 we can see that we are on the right direction of delivering value for our customers, as our customers love our brands. Our efforts are clearly yielding results. We showcase here our brand awareness and customer reviews. The strength of our brands results from our second-to-none capability to leverage market trends and our dedication to serving each customer exceptionally well, which in turn results into leading positions in most of the countries where we operate.

Having discussed these topics, I will now turn it over to Fabien for an update on our financial performance.

Slide 17

Fabien Geerolf: Thank you, Nicolas, and let's move on to slide 17 for the fiscal year 2023 financial highlights.

Overall, in a difficult market environment, Aramis Group was able to achieve its objectives of comfortable growth with a positive refurb volume organic growth and a positive EBITDA. Total revenue reached €1.9 billion, nearly €2 billion, up 10% versus last year. Our total volumes of B2C cars sold increased roughly 13% year on year, of which 2.5% organically in a market that is down 5%. Our GPU is once again European market leading, at €2,161 per B2C car sold. Our adjusted EBITDA comes out close to €10 million, in line with our guidance, of which €1 million in H1 and €9 million in H2. Finally, we have significantly reduced our operating working capital, now representing 31 days of sales, and therefore we have been able to generate a positive cash flow for €4 million.

Slide 18

Moving on to slide 18. If we go into a bit more details, this slide illustrates the revenue split by segment. B2C refurbished revenues are up 15% year on year, driven by a 13% growth of which roughly 1% on the 2022 perimeter as already stated. B2C pre-registered revenues are flat at €244 million, with volumes going up by 10%, the volume effect being completely offset by mix effect. Altogether, our B2C revenues are 12% up year on year. B2B revenues decreased by 6%. This is linked to the rebalancing of our B2C car sourcing, with the proportion sourced from private individuals decreasing versus the one from professionals, so the impact is mechanical. Revenues from services finally increased by 14%. Both the penetration rate and amount of fees and financing solutions remained stable in 2023, on the 2022 perimeter, despite the rising interest rate environment.

Slide 19

Moving now to slide 19, showing the revenue split by country. Performance was quite uneven between countries over the period, reflecting both the underlying market dynamics of each geography and some country specifics.

France delivered a solid 11% revenue growth. Total volumes of B2C cars sold in the country are up 14% versus 2022 despite the market being down 10%, resulting in a significant outperformance. Both pre-reg and refurb are well-oriented, reflecting a car selection matching customer needs, the quality of our operations, and an improved marketing efficiency.

In Spain, revenues are down 8%. After five years of exponential growth, the Spanish subsidiary had to revise the production methods of its refurbishing centre to 1) adapt it to the new car mix, and 2) increase overall factory productivity to continue fuelling the growth. This temporarily impacted our production levels and consequently the volumes sold.

In the UK, revenues decreased by 10%, but only by 3% on volumes in a market that is down 7%. After a relatively slow start of the fiscal year, UK has followed a positive trend during the year. The price and mix effect account for approximately -6% as we try to sell more accessible cars.

We have little to comment on the other countries, with a 4% revenue growth in Belgium while in Austria and Italy we work to improve the local operations and expect a rebound in activity in 2024.

Slide 20

Moving on to slide 20, that speaks for itself. We clearly see that in terms of dynamics within the fiscal year there has been a significant acceleration of total volumes of B2C cars sold within the fiscal year, as pictured by the chart reflected here. Volumes are up 2% versus previous fiscal year on Q1, versus 25% on Q4.

Slide 21

Slide 21 now, as you see, we once again generated a European-leading level of gross profit per unit, at €2,161 per unit on the reported perimeter.

On Scope 22, GPU has improved from €2,142 per car to €2,267 per car. GPU has improved in all Scope 22 countries. As a reminder, the key components are our ability to buy the right cars at the right price, leveraging on our key assets, data, pricing knowhow, agility, our unique network of suppliers, and finally our ability to refurbish and transport the cars in an efficient manner. I will remind you that our GPU is calculated as per our peers in the US including in particular all costs of refurbishing rent and labour, which is not the case of some of our European peers.

Slide 22

Slide 22 provides more details on our SG&A. Our SG&A reached €189 million in fiscal year 2023, which is a minor increase versus 2022 where we integrated two new companies and were faced with inflation. Looking at the 2022 perimeter, SG&A are actually decreasing by 5%. Marketing costs are particularly well under control, thanks to a more relevant car offer that better matched customer needs and therefore resulting in improved conversions and the improvement in the efficiency of the spend. On the reported perimeter, we generated a stable number of visits for a lower marketing budget. Other SG&A are also well under control despite the context of inflation, reflecting the disciplined approach we have had on this topic and the efforts made on productivity.

Slide 23

Slide 23 shows the adjusted EBITDA bridge. As already stated and in line with 2023 guidance, adjusted EBITDA came back in positive territory as soon as in H1 2023. We generated €1 million in H1, €9 million in H2. If we focus on the 2022 perimeter, this is roughly a €25 million year-on-year improvement in adjusted EBITDA, given that adjusted EBITDA excluding acquisitions reaches €13.3 million. Per component, the volume effects on the 2022 perimeter contributed to €6 million. GPU improvement brings on its side €8 million, while savings on SG&A account for €9 million.

Slide 24

Finally on slide 24, last but not least, we can see that we have achieved a strong performance on cash flow generation, thanks to our ability to reduce our operating working capital. In H2 only, we have generated €28 million of positive cash flow. Over the full fiscal year, the increase in net debt is only related to the M&A cash outs and the consolidation of the new subsidiaries' net debt. Which means that, restated from these elements, we have generated a €4 million positive cash flow during the fiscal year.

As you can see on the chart, we have improved our operating working capital from 31 days to 28 days on the 2022 scope – perimeter scope. And on the acquired entities, mainly Onlinecars, we have operated a stronger reduction in operating working capital showing our unique ability to manage our cash and our inventory, as Nicolas mentioned earlier.

Among other things, this performance is reflecting disciplined cash management, historical know-how of Aramis Group, improved commercial rotation and improvements on our operations to transport refurbished cars more quickly. In addition, we have €173 million of available credit lines which will secure our growth plans in the coming years.

And with that, I'll hand the floor back to Guillaume for the 2024 guidance.

Slide 26

Guillaume Paoli: Thank you, Fabien. Now moving on to slide number 26, in terms of outlook for 2024. Well, the macroeconomic environment is still quite uncertain and will remain challenging, we know that. It's difficult to foresee precisely how used car prices will evolve, but we believe in a progressive, slightly decreasing trend which should at one point support the sales. For Aramis Group, we're very confident in our ability to deliver profitable growth. The gradual normalisation of car production will support our preregistered car sales. Our offer of refurbished cars is competitively positioned as our singular business model and methods enable us to be agile and to adapt quickly. The business is well-oriented, the positive growth momentum of the recent months is continuing, and we intend to maintain a high level of operational discipline across all our geographies, ensuring our growth is profitable and under control.

So for 2024, we have set the following targets for the company:

- selling at least 100,000 B2C used cars at constant perimeter, becoming the first European player to exceed this threshold; and
- generate an adjusted EBITDA at least twice higher than the one we achieved in 2023.

So on that, I thank you all for your attention and we can now begin the question-and-answer sessions. Operator, we are going to start with the questions by phone please.

Questions and Answers

Operator: Thank you. If you would like to ask a question, please signal by pressing star one on your telephone keypad. We will take the first question from Mourad Lahmidi from BNP Paribas. Your line is open now, please go ahead.

Mourad Lahmidi (BNP Paribas): Yes, thank you very much for this and taking my questions. So a couple of ones. The first question is about your unit guidance for 2024. It sounds like most of the growth will come from the preregistered segment. It sounds like you expect a modest growth in refurbished volumes. Is that correct and could you help us understand how you think about the refurbished vertical in 2024, in the context of a market that is more or less bottoming out?

Second question is on your GPU. What do you think about the GPU going forward? Is it fair to say that Austria and Italy will more or less converge towards your normative GPU and do you have some upside in 2024?

I have another question on marketing costs. So, it’s fairly low now. Is it a new normal, or do you expect to spend more?

Finally, a more general question on your guidance. What will it take for you to deliver a much higher EBITDA than €20 million in 2024? Is it due to volumes or is it due to costs that you will spend more in 2024? I don’t know if I am clear, but those are my questions. Thank you.

Guillaume Paoli: So, thank you. Maybe I’m going to take the question on the unit guidance. Fabien, you can take the GPU one. Nicolas, I don’t know if you want to take the marketing one or I’ll take it if you want. And the last one, on delivering higher EBITDA, maybe Fabien, you can take that one.

So regarding the unit guidance, as you have seen, we have chosen to guide on B2C volumes, all, including pre-registered and refurbished cars. The strategy we developed during the IPO have not changed: 1/ organic growth in refurbished car volume; 2/ expansion in Europe via M&A; and 3/ increase value for customers and for the Group via services. We have chosen this year to guide on the full B2C scope because there is some, how you say, right pocket/left pocket in some geographies and it depends on the speed at which the preregistered segment recovers. So I confirm it will grow also on the refurbished car volumes, but we have decided to guide this way. So the strategic intent has not changed and will continue to grow organically on the refurbished volumes.

That's for the first question, maybe Fabien, the GPU.

Fabien Geerolf: So on the GPU, what we see is that we have delivered a strong improvement of the GPU on the Scope 2022 perimeter. We intend to continue working of course on the GPU; it's a constant improvement that we are doing within the company, working on the various components that we have already stated – the services, our capacity to buy at the best price, leveraging on our assets, and our capacity to improve our operations and refurbishing costs and transportation costs. So that's what we are going to be working on during the next months, of course.

Guillaume Paoli: Yes, on the marketing, maybe I'll take it. We have done a lot of efforts to optimise our spending. There is always a way to increase efficiency of our spending. Our brands are stronger than ever as you have seen, Nicolas has shown you the awareness levels. And it's also a mixed bag between the different countries where there are different brand positions. So we are not guiding on marketing cost per unit, but as for the rest, we are being very disciplined, making sure that every euro counts and gives ROI. The trend, I would say, is this level seems to us as sufficient to grow, but there can be exceptions in some countries. So, long story short, even though we're not guiding on this particular unit, this is something that we should feel comfortable with to move on on the growth.

And maybe on the last question on what will it take to make more EBITDA, do you want to take it or –?

Fabien Geerolf: Well, we've seen how we have been able to manage this year our EBITDA recovery. It's always a bit of everything. We have a volume impact, an SG&A impact and the GPU impact. We really intend to work on all sides to improve our EBITDA next year, obviously.

Guillaume Paoli: But just a last word on this, our ambitions are not to stay at €20 million of EBITDA. I remind you that before the Covid crisis, we achieved 2.7%, 4.4%, 3.7% of EBITDA for the years 2021, 2020 and 2019. This are levels we have already achieved, this are levels we will achieve in the future, the only thing is when, so working hard on that. It also depends on how the market evolves. There is a new market paradigm with interest rates, etc. So we'll get back to you on this, but we feel very comfortable in achieving these levels and even more going forward.

Next question please, operator.

Operator: We will take the next question from Beran Khaeuv from Kepler Cheuvreux. Thank you.

Beran Khaeuv (Kepler Cheuvreux): Hi, thank you for taking my questions. So I would have two questions. So the first one is, as the car price has been resilient so far in most European countries, what are your average selling price assumptions for 2024 as new car prices are expected to fall?

And my last one is, when do you expect to review your mid and long-term targets? Is it during quarterly release, or will you host a capital market event? Thank you.

Guillaume Paoli: Maybe I take the second one first. Fabien, you want to answer the first one or –?

Fabien Geerolf: Go ahead.

Guillaume Paoli: I'll go ahead, okay. So regarding the mid- and long-term guidance, yes, we'll come back to you during calendar year 2024. The format is not yet established, we will get back to you on that to give you an updated horizon that takes into account the new market paradigm and all that has happened since we IPO'd two years and a half ago now.

And on the first point, look, we're not guiding on turnover and our GPU is more or less immune to the evolution of car prices. The car prices have increased a lot in the three last years, we have seen that our GPU has not exploded, and we don't anticipate the GPU lowers because of car prices. So the assumptions have been fairly conservative in our plans, but they don't really have an immediate impact on the profitability.

Can we have the next question please?

Operator: Thank you. We will take the next question from Catherine O'Neill from Citi. The line is open now, please go ahead.

Catherine O'Neill (Citi): Hi, thanks for taking the question. I just wanted to come back on your point on your sort of ambitions you set out at IPO are still there around organic growth and B2C refurbished volume. Can I just confirm that relates specifically to FY24 as well, or that's more of a sort of medium-term factor?

And also M&A, obviously there was some M&A this year. I'm just wondering if you have ambitions for further M&A or whether there's markets where you see particular gaps across the course of the next 12 months?

Guillaume Paoli: Okay, thank you. Maybe I'll take them. So as I was saying earlier, the strategic intent is to grow on the refurbished car segment, because let me remind you that the market in Europe is 32 million used cars sold per year. In the 32, there is one million that is preregistered cars. These are the figures for before the Covid crisis, okay. So what we expect is to grow back on the pre-registered. To what level? We know we can grow significantly; to what level exactly, we're not sure. And we know we have unlimited growth potential on the refurbished car segment. So yes, we will grow on this segment on the mid-term, we expect to grow also in 2024, but we are guiding on the full set of used cars because we know there can be some phenomenon here and there of arbitrage from customers between very recent cars and used cars. So that's for the first question.

For the second question, we have done, as you know, two deals this year, so basically the company has grown from three countries to six countries in the course of 18 months. So we have some work to do to integrate. As Nicolas has explained, we have already made a very good achievement this year, but there is still a lot of work to do. So this is not our priority, but we remain open if there was some, you know, extraordinary opportunities that could arise and we are still having conversations with the different players in Europe. So this is clearly not our priority for 2024.

Catherine O'Neill: Okay. Thank you. And the other sort of brief question I had was on Spain. I just wondered if we could understand a little bit more about the – sort of the – Spain and UK, I guess, which are both markets that have declined in terms of revenue and how you think about that as we go into those markets into FY24.

Fabien Geerolf: So regarding Spain and the UK, so indeed they have been decreasing in terms of sales. And as we mentioned, so in Spain it's a temporary reorganisation of the factory that we have been performing that was absolutely necessary after many years with hyper growth. In the UK, and as I mentioned earlier, what we see is that we had a slow start of the year in the UK, that's very clear. The trend is much better in the UK and it has been confirmed in the most recent months.

Catherine O'Neill: Okay. And Spain you'd also expect to get back to growth, as in you're through that factory sort of reorganisation and…?

Guillaume Paoli: So we're not guiding specifically on the countries. We know that the market is quite difficult in Spain, both from the market standpoint and also even the political considerations. So as Nicolas has said, we are opening and testing new concept stores, so the intent is to grow. We plan to grow, but again, we are not guiding on that. But our intention is to grow, yes, in Spain, to come back to profitable growth in Spain.

Catherine O'Neill: Okay, thank you.

Operator: If you would like to ask a question, please signal by pressing star one on your telephone keypad.

We will take the next question from Christophe Cherblanc from Société Générale. The line is open now, please go ahead.

Christophe Cherblanc (Société Générale): Yes, good morning. Thanks for taking my question. First one was on refurbishment capacity. I think you mentioned 130,000 cars at the end of '23. What's going to be the level at the end of '24? And what is the optimal level of utilisation in your view? And also on volumes, I was looking at the exit rate for pre-reg, which is about 4,500. Is it a minimum quarterly level for 2024? That's the first question.

The second one was on brumbrum in Italy, a loss on an investment in '23 which makes a lot of sense. Do you believe it's realistic to reach breakeven in '24 or '25 and related to the previous question, I mean, were the contributions of Spain and the UK down in '23?

And the last one is on free cash flow. You're guiding for at least, let's say, €20 million minimum of EBITDA. You've done a great job on working capital, and it seems there is even a bit of potential on

Onlinecars, so is €20 million of EBITDA minimum translate into a positive free cash flow effectively? Thank you.

Nicolas Chartier: Yes, maybe we can start with refurbishing. I think we do not guide on the volume of refurbishing capacities as we would have at end of 2024. But as you can imagine, we are always working on finding and thinking about how we will be able to fulfil the growth with the refurbishing. So we are working on it without any guidance on the volume for end of 2024.

The optimal level of utilisation, that's an interesting question. When we say we are 130,000 of capacity, it is on the global assets. This is not on the people, because most important costs in the refurbishing are the people and if we want to go to 130k we need to hire more people. So what we try to do is to have the asset to have the ability to grow, because we know that it takes time to open the new factories – it can take two to three years to open a new factory – and we fulfil it with the right number of people to follow the growth, because this is the most important cost that we have. And we have model to follow the growth or anticipate the growth of course, with the right number of people that we have to train, of course, and to integrate.

So to answer the question, the right level of utilisation is to have 100% of the people fully staffed to refurbished cars, and for the utilisation of the assets, it's not a very big issue for us. So what we try to do for the assets is to always have capacity in front of us in order to make sure that we will be able to follow the growth.

Guillaume Paoli: Maybe I'll take the exit rate on pre-reg and, Fabien, you want to take the two last ones?

Fabien Geerolf: Yes.

Guillaume Paoli: So, look, this is the reason why we're not guiding specifically on the segment. If I take a metaphor and consider that the new car market is a sick patient, we believe he's on the way to recovery, but we cannot exclude that there is another fever episode. So I would say that what you say makes sense. We are probably aiming for more, but we cannot be 100% certain on that, because on this specific market the supply – we do not control the supply as well as we do on the refurbished car segment. But what you're saying is making sense. Maybe on brumbrum and the free cash flow.

Fabien Geerolf: So Italy and free cash flow. So regarding Italy, when we bought the company, we knew that we would make losses on this company, the company was already lossmaking. We have been doing a lot of work this year to decrease the breakeven point, to improve our volumes, to relaunch the company. The plan is being deployed as we speak, and of course the company has still been lossmaking in FY23 with important losses.

Regarding the free cash flow, and your question is are we going to be able to be free cash flow positive with a 20 million EBITDA. So we are not guiding on the free cash flow, as you know. We know that our main lever to generate positive free cash flow this year will be the work on the operational working capital that we will continue to perform. Like what we've done this year, we know the levers to decrease our operating working capital and continue – and will continue working on it in the next few months and years.

Guillaume Paoli: Maybe we didn't answer precisely your question, Christophe, on is brumbrum going to be profitable in 2024?

Christophe Cherblanc: Yes.

Guillaume Paoli: So, probably not. Because we have kept a structure to be able to withstand growth in the future, because Italy is an important country for us, so the answer is probably not.

Fabien Geerolf: And the company is still ramping up so.

Nicolas Chartier: But with no huge losses neither.

Guillaume Paoli: No indeed. And you know that we – you know, this was an opportunity because as you have seen the badwill on the company, it was an interesting deal for us in a strategic country.

Christophe Cherblanc: Okay. Merci. Thank you.

Operator: Thank you. There's no further question at this time. I'm handing back over to your hosts.

Guillaume Paoli: So, thank you very much everybody. I believe we do not have any written questions. We've had all the questions. So thank you for your attention and we'll be pleased to talk to you again in a few months for the quarter one. And thank you for your attention. Have a nice day, bye-bye.

Fabien Geerolf: Bye, bye. Thank you.

Nicolas Chartier: Thank you.