2022 full year results presentation transcript

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List of MAIN speakers	Company	Job title
Alexandre Leroy	Aramis Group	Head of Investor Relations
Guillaume Paoli	Aramis Group	Co-founder & Co-CEO
Nicolas Chartier	Aramis Group	Co-founder & Co-CEO
Valérie Labouré Hirsch	Aramis Group	CFO

FY 2022 Results

Alexandre Leroy
Head of Investor Relations

Good morning, everybody. Thank you for joining us for our Aramis Group Full Year 2022 Results presentation. I'm Alexandre Leroy, the head of IR of the company. Today with me, Guillaume Paoli, Nicolas Chartier, co-founders and co-CEOs of the company, as well as Valérie Labouré-Hirsch, our newly appointed group CFO.

Before I hand over to the top management, just a few reminders:

- One, this conference is recorded, accessible both over the phone and the Internet.
- Two, a replay will be made available on the company's website at www.aramis.group. By the way, the slideshow is available already there.
- Three, today’s presentation contains forward-looking statements and I remind you that the future results may differ materially from the statements and projections made today.
- Four, this presentation will be followed by the usual Q&A session.
- And, five, last but not least, I remind you that Aramis Group has a non-calendar fiscal year meaning that the full-year 2022 results we are going through today refer to the period ranging from October 1st, 2021 to September 30, 2022.

I now leave the floor to Guillaume. Guillaume, please go ahead.

Executive summary

Guillaume Paoli
Co-founder & Co-CEO

Thank you, Alexandre. Good morning, everyone. In 2022, Aramis Group has strongly outperformed the market in an environment that we have never seen before in the over 20 years that Nicolas and I have been in the business. And so very specific here, but we have delivered on the strategy, our strategy to achieve our ambition, which is to become the preferred platform for Europeans to buy a used car online. First, with organic growth, we grew over 38% on our strategic segment of the refurbished used cars. And also with external growth, we have increased the number of countries where we operate by 50%. We now operate in six countries with the recent acquisition of companies in Austria and in Italy.

We have also laid the foundations for future profitable growth with major achievements in terms of strategic achievements and operative achievements, as Nicolas will detail later on. And this, whilst continuing to satisfy our customers, which is absolutely key in our model, and that is thanks to the great commitment and work of our teams. We thank the teams for that, in a quite adverse environment.

We will come back more in details on the market context, which is truly unprecedented. First, we have the aftermath of the Covid crisis with the shortage in chips, which has impacted the new car production. Then there was the geopolitical and logistical turmoil. And finally, there has been a slowdown in the demand of customers due to the high inflation rates, in particular in the automotive field.

At the moment, the visibility for the coming quarters is limited. A number of uncertainties around the new car production, around the car prices evolution, and finally customer demand is weakening and it's not clear which way it will be oriented. Plus, we have a lot of moving parts internally with two new acquisitions this year, so we have a limited visibility. But longer term, our market potential is absolutely unchanged. We have a huge market opportunity. We have the assets to address it. We know that mobility is not an option for Europeans and the products we propose, the refurbished used car, enable to combine both affordable mobility and a limited impact on the environment.

Aramis Group addresses a huge and highly fragmented market with a superior customer value proposition served by a unique business model

Now, if we go very quickly on a few key topics at the heart of the model. We have a unique, vertically integrated, digitally-native business model with three principles:

- One, the customer is at the centre of what we do. Whenever we work in the interest of the customer, it means we are on the right path. It's more value for the customers and more sales and market shares for the group;
- Two, it's about engaging our teams. We have a specific culture which is lean inspired. We have some very strong guidelines and management principles. We are working every day to improve our offer and making sure our teams have the ability to learn to manage their problems and to continuously improve our operations;
- And finally, I said it at the beginning, controlling the value end to end. We do everything from sourcing the car, the logistics, the refurbishing, of course, the sales and the delivery to the final customer at his doorstep or at the customer centre.

A 3-pillar growth strategy for a clear ambition to become the preferred digital platform across Europe for buying used cars

Now, if we move on to our strategy, Aramis is a growth company with three pillars:

- One about organic growth, more sales, more marketing, more refurbishment centres to provide for organic growth;
- Two, it's about expanding in Europe. We are very selective, but we have a European ambition;
- And finally creating value with innovative offering and services.

We performed in 2022 on each of these dimensions as we'll see later on.

Unprecedented market environment for new cars in over 20 years

And now if we move on to the market environment, which is very specific, I'll give you a quick update on. So this is the picture for the new car market. As you see, the new car production was once again strongly impacted in 2022. Over the last three years, we lost in Europe the equivalent of one year of production, which has a massive impact on the market, both the new-car market and the used-car market. And the direct consequence for us is a very limited number of pre-registered cars available. The sourcing of this category of cars has almost dried up and you know that up to last year it was almost 50% of our business.

Used car market slowing down, due to tighter household consumption in a highly inflationary environment

Now, if we move on to the used-car market, which is much more resilient, much less cyclical, it has held much better this year throughout the year. But you can see that at the end of the fiscal year, Q3, Q4 of our fiscal year, the demand has been slowing down due to in particular the inflation on the used cars. You can see on the left-hand side that the prices have been keeping to go up, have started to go down in the UK, which is probably in advance of the continental markets, but the prices remain very high with a maximum in Spain at over 20% of the prices they used to be last year.

Aramis Group a structural outperformer vs the market

Despite these adverse conditions, Aramis Group has continued to grow and to outperform the market, thanks to its high value-added proposition for our customers. And as you can see on this slide, we have strongly outperformed the market with a 47% spread between the market and our refurbished used-car sales, which grew by 38% in a market that decreased by 10%.

Regular market share gains, with massive potential for further growth

As a result – if we move on to the next slide – we have continuously gained market share, as you can see on the left-hand side. In gold you have the total B2C sales of Aramis Group, refurbished car plus pre-registered cars on the total used car market in the geographies where we operate for the cars below eight years. As you can see, they have grown particularly on the refurbished one, which is the dark-blue line which has increased dramatically.

So we have been progressing in terms of market share, but we still have a lot of potential going forward. If you look on the right-hand side, you can see the market share that we represent in Europe. Again, on the cars below eight years, and this time on the whole European Union plus the UK, we don't even represent 1% of the market. So we have a lot of potential going forward.

I now will hand it over to Nicolas, who will drive you through our operating performance in more details.

Business highlights

Nicolas Chartier
Co-founder & Co-CEO

Thank you, Guillaume, and good morning, everyone.

2022 has been a strong year of achievement, both from an operating and strategic point of view.

A strong year of operating and strategic achievements

Our unique vertically integrated digital business model delivered once again a strong performance in terms of top-line growth, with revenue reaching almost €1.8 billion, up 29% year on year, on a pro-forma basis, and up 40% on a reported basis. In spite of this very challenging market environment, we continue to build and consolidate each of the three dimensions of our model, strengthening our competitive advantages.

A few examples, among many others of our achievement and work over the period: First, in terms of our vertical integration in the value chain, the most emblematic and visible is certainly the opening and ramping up of two new refurbishing centres, one in Antwerp, in Belgium, and the other one in Nemours in the south of Paris. And another one is about to become operational in the United Kingdom in the coming weeks.

Then, let me give you some examples of what we brought to customers. The year was rich in innovations. One of the biggest challenges this year was to find solutions for our customers to fight against the rise of prices. In this regard, as an example, we have worked with our financial partners to improve the terms of leasing, leasing contracts, and in particular to extend their duration in order to make monthly rates more affordable.

As you know, we want to make car buying easier. We want to offer a very easy process to buy and deliver quickly a car. And this year, we have dramatically improved our customer experience and our digitalised journey, especially on financing application, making it far easier for the customer. And this has led to accelerate lead time for car delivery.

And finally, we have improved the quality of our service in many areas. For example, we have made easier and faster also selling process for private customers, offering solutions to buy our cars even faster than before.

So as you can see here, our NPS remains once again very high at 71.

Successful large-scale switch to C2B sourcing, enabled by our people’s agility and enhanced by artificial intelligence-based digital tools

Then, as regard to sourcing, one of the major events of the year was the change we made in sourcing channels and the acceleration on the C2B sourcing. We have a long-lasting experience in C2B sourcing as we were the first to launch this service to private customers in continental Europe years ago. In the UK as well, CarSupermarket has been operating this service for years. So for us the challenge was first, to spread this knowledge to Belgium and Spain, where the share of C2B was very low and to increase the share in the UK and in France. As a result, as you can see on the left of the slide, C2B sourcing accounted for 57% of total used cars sold B2C in 2022, versus 35% – so 57% versus 35% in 2021. This is a very good example of how the team are agile and also how the group can easily and quickly share know-how and deploy new services in countries when needed.

One other interesting insight on this slide are the volumes from Stellantis. As you can see, they have almost disappeared given the dramatic lack of cars they have. And this is temporary. But of course, as you can imagine, it has affected us this year.

On the right of the slide, you have an example of tools that our data team has developed to gain productivity in car sourcing. This is a good example of what we can do. It is artificial intelligence to increase the efficiency of our teams while better serving our customers.

Strong local brands loved by customers, while traffic acquisition expenses were adjusted to the current market environment

Then, a few words on brands and marketing. As you see on the right of the slide, the awareness of our brands remains high. Overall, customers know and love our brands. You know how disciplined we are in our marketing spend, and given the changing market environment, we have adjusted them in H2, 2022. In particular, we have optimised our airtime on TV as well as our traffic acquisition expenses. And this has contributed to our objective of keeping our SG&A stable in H2, 2022 compared to H1, 2022 as we committed to do.

Finally, in spite of this negative environment, we were able to nearly maintain our average monthly visit to our websites compared to 2021.

Opening of two new industrial-scale refurbishing centres while continuously improving existing ones

As regard to the industrial side, we have opened and ramped-up two new refurbishing centres. So I was saying, one in Donzère and one in Antwerp, building on this area and the expertise that we have developed since 2014. This is another example of how we spread Aramis Group business logic among the countries. And here again teams have done a lot of work to share know-how, our methods to build synergies and to converge. As we speak, given that we have acquired two new companies in Austria and Italy, we have eight centres well distributed in Europe.

Two more geographies recently added to further increase the Group's European reach

You know that our business development in countries is mainly through mergers and acquisitions. And we made two operations in 2022. We have finalised the acquisition of Onlinecars in Austria and BrumBrum in Italy. Onlinecars is the market leader in the sale of refurbished cars in Austria. In fiscal year 2022, the company generated €168 million in revenue and sold more than 8,000 B2C cars. It has three customer centres and one refurbishing centre as shown on the map.

We believe Austria is a very interesting market as it is located in the centre of Europe and close to Germany. One of the other reasons for the move is that it offers very good synergies, especially because Onlinecars as a leading position in its market and has great expertise in sourcing German-branded cars. We also have a local experienced team eager to learn and from which we can also learn a lot.

Priority for the next quarter includes reducing inventory, decrease the operational debt and improving certain aspects of the online customer journey.

Leveraging opportunities offered by the current market downturn

And the last geography is Italy, which is a very exciting project. We've been knowing the team of BrumBrum for years and we were very happy when the opportunity to work with this team came in the middle of 2022. We bought the company from our British peer Cazoo, who decided to close its mainland European operation. BrumBrum is the only fully digital player in the sale of refurbished vehicles in Italy. The company generated €19 million of turnover in 2022 and sold about 900 B2C cars. It has one refurbishing centre. It's small volumes for now, but for us, Italy is a very strategic market because it is the fourth largest market in Europe and our main shareholder, Stellantis has a massive market share there.

The top priority for us is to turn around the company. The activity has been stopped for a few months and we have to relaunch the BrumBrum brand because it was operated under the Cazoo brand. We are going to deploy our business logic, our expertise in buying the right cars and manage inventory. The expertise in logistics, in refurbishing or in digital sales, and other things that we have proven very effective in our other geographies. And with that, we are very confident that with the help of Aramis Group, BrumBrum will convert to profitability in the future.

And I will now turn the floor to Valérie, who will go through our financial performance.

2022 financial highlights

Valérie Labouré Hirsch
CFO

Thank you, Nicolas, and good morning, everyone. Very happy to be with you this morning. So let's start with the financial highlights for the year on slide 18. Once again, the company posted sustained revenue growth with revenues up 29% year on year on a pro-forma basis – reaching 1,769 million. It was in line with our guidance for 2022 of above €1,700 million.

In terms of volumes, we delivered a very strong performance in B2C refurbished cars which grew +38% year on year, also in line with our revised guidance. Our GPU remains strong to €2,142 per car and above our European peers. Our adjusted EBITDA landed at -10.7 million, so right in the middle of the range, between 10 to 12 million that we had guided for in July.

Aramis Group model is low CapEx intensive, as you know, so our expenses for the year was 1% in line with previous years. And finally, operational working capital landed at 31 days of revenue versus 48 days six months ago.

Strong revenue growth, with volumes of refurbished vehicles sold more than offsetting the decline in pre-registered vehicle ones

So let's have a look now on the details of revenues by segment on the slide 19. All our segments are growing except for the B2C preregistered ones, decreasing by half. Starting with the B2C refurbished revenues increasing by 71% to €1,215 million. Volumes are up 38%. This performance was made possible by the depth of our offer, the ramp-up of our refurbishment centres and of course the expertise and the engagement of our teams. The average selling price was +23% in line with the general car price increase in our geographies.

On the other hand, the B2C preregistered revenues went down -48%. The volumes were down 59%, suffering from the lack of product to source. It was partly compensated by the price increase at +28%. So, all together, B2C revenues landed at €1,460 million, +23%.

Looking now at the B2B revenues, they increased by 90%, so almost doubling to €218 million. This is partly due to the price increase as for the other segments, but to a large extent due to the change in sourcing. We have increased our sourcing from individuals and part of the cars that we are buying, whether they are too old, generally above eight years, or have too high mileage, above 150 kilometers, these cars are generally resold to professionals and not coming into our offer to individuals.

Last but not least, the service revenues grew by 27%, so reaching €91 million revenue. We reached in September 2022 a penetration rate of 50%.

All geographies contributing to growth,
with France and Belgium impacted by their historical exposure to pre-registered

Now we can look at this revenue evolution per country on slide 20.

So starting with France, revenues increased by 7%, reaching €726 million. France performance is, of course generated by the sales of refurbished cars given the drop of the pre-registered ones.

In Belgium, we achieved revenue growth of 20% to 241 million. Belgium is the other geography together with France that was particularly affected by the drop or pre-reg. You need to know that last year 75% of their business was pre-registered one and they did an amazing job in switching and accelerating the volumes of the refurbished cars. The opening and ramp-up of the Antwerp refurbishing centre played an important role in this achievement.

If we move to Spain, +79%, there is no issue about pre-registered car segment in Spain. A very strong growth that was partly also helped by the services and the financing part that has a major role there. We are above the 50% penetration rate in Spain.

And last but not least, in the UK, +55% growth to 433 million. So here again, no issue on the pre-registered. The amazing job that the UK team achieved was to change radically the sourcing of cars, as last year they sourced 43% of their cars from individuals and they managed to increase that share to 82% of their cars given the reduction in the professional sourcing opportunities.

Gross Profit per Unit at market-leading levels in Europe

Now let's address the topics around margins, starting with the GPU on slide 21. Once again, we generated a European-leading level of gross profit per unit – 2022 level is at €2,142 per car. It is €150 below last year. 38% of the decrease is simply explained by the change of mix in our geographies as France and Belgium share within our revenue is decreasing and they do have the highest GPU level, while Spain is increasing and has the lowest GPU level.

62% of the decrease comes from operating effects being inflation and spare parts and transport, the progressive ramp up of our two new refurbishing centres and the destocking that we did in the course of the year.

As there are differences in how the listed players account for the GPU calculation, we thought it would be a good opportunity to remind you of how we calculate this GPU. As you see, the refurbishing centres' rents are charged into the GPU, on the contrary to what would be required by IFRS 16. Our GPU excluding rents would be 2,170. It was a choice made at the time of the IPO in order to be comparable with our US peers because at the time the only listed companies in our business where the American ones and it's also a much more relevant choice to our mind in terms of following the operations as our GPU includes, amongst other, the cost of spare parts, the cost of people working in the refurbishing centres and the rents. And these are important parts of our COGS. So as a consequence, in a way, our GPU is not directly comparable to the ones you will see for our European peers.

Cost structure under control, with SG&A stabilised sequentially in H2 2022

From the GPU, let's move now to our cost structure on slide 22. Our SG&A reached €186 million, increasing by 38 million at constant parameter. This increase comes from several factors. First one is that all countries prepare themselves in the course of 2021 and at the beginning of 2022 to generate and support an accelerated growth, so they invested in marketing expenses, they enlarged their sales force. So that's the first factor.

Second, a corporate team was built at the end of 2021 to support the countries and to structure and drive the development of the Group.

And we had on top several external factors and notably the inflation on our downstream logistic costs with the increase of fuel and the scarcity of drivers that impacts everyone.

In the course of H1, when we face the sudden drop of the pre-registered cars' volumes and margins, we started to readjust our structure to this new reality. And as we committed to, we maintain a stable SG&A in H2 versus H1. We achieved that thanks to the optimisation of our marketing expenses, as we already talked about, and efficiency gains in all our value chain. Of course, our objective is to maintain these costs under control in 2023.

**Adjusted EBITDA in negative territory,
mainly due to the collapse of pre-registered volumes**

What does this give now in terms of adjusted EBITDA? You can see here on slide 23, the bridge between last year's adjusted EBITDA and this year. Last year we had €37.2 million adjusted EBITDA. The drop in the pre-registered car volumes generated a loss of 44.2 million and it was entirely offset by the volume increase of the refurbished segments. Then we had the impact of the GPU decrease of 10.7 million. We invested 7 million more in marketing costs and labour costs and other SG&As increased our costs by 30.6 million – reaching -€10.7 million adjusted EBITDA for the year 2022.

**Major effort to rationalise inventories in order to better adapt
to the current market environment**

Let's now have a look at our working capital and inventories on slide 24. We achieved a massive reduction of our working capital, significantly reducing inventory after the high level reached in the middle of the year. As you can see here, operating working capital decreased by €64 million sequentially in H2 2022. And during this period, we decreased our inventories by €80 million. Operating working capital fell from 48 days of revenues at the end of H1 to 31 days. As a reminder, it was 34 days at the end of the last year, so a great achievement.

What is really important in our business is to have the right inventory, both in terms of the type of cars we offer to our consumers and in term of prices that we offer. Cars are assets that are expensive and that depreciate over time, so the key success factors of the business is really to manage to grow while maintaining the inventory level at one to two months, depending on the seasonality during the course of the year and to rotate this inventory quickly.

And this is a clear point of differentiation. I think it's clearly in the DNA of Aramis who worked with this principle since the business was created. And this way, we manage to really maximise the return on invested capital.

Change in net debt reflecting operating dynamics

Finally, on slide 25, let me take you through the net debt evolution. We started the year with 102 million net cash position. We ended the year with 18.4 million net debt. We had 74 million cash-out directly linked to real operations, one third on CapEx, 25 million, one third on change in the working capital, and the last third on the adjusted EBITDA and rent. Taking only into account these operational cash-outs, we would have landed at a net cash position of 28.2 million. Then we had the cash-out linked to the earnout – 37.3 million – mostly related to the earn-out of the Clicars founders that left the group in April, as was agreed.

We also have an impact on our net debt that is non-cash linked to an agreement that we signed with a new business partner. So we land with a net debt position. Nevertheless, our financing situation remains very solid. We have 189 million of available credit lines without conditions, including 135 million from Stellantis, that clearly supports our development. So it gives us a lot of room of maneuver to finance our ambitious growth for the next years, both externally and internally.

I will now hand over to Guillaume for the outlook.

2023 outlook

Guillaume Paoli
Co-founder & Co-CEO

Thank you, Valérie. A few words on the outlook to conclude this presentation.

As I've said in the beginning, visibility is limited. In the pre-registered segment, we are dependent on the normalisation of the production by the OEMs. There are some signs, but we are not counting on short-term improvement of this segment. In the refurbished segment, as we have said, there is currently a slowdown of demand that is also linked to the price inflation, and we will continue to monitor the prices very closely.

Aramis Group has been around for over 20 years, so we have known a number of crises, a number of cycles, and we are very confident in our ability to go through this cycle. It has some added benefits as we have to maybe switch even faster on the refurbished car segment, which is our strategic segment, and which has the most potential in Europe.

We will maintain a high level of financial operational discipline to get through this crisis and continue to work hard with our teams to create value for the customers to fuel our growth, and to be very strict on our cost structure and inventory turns to protect our balance sheet.

So unless there is a further deterioration of the market, we expect a positive organic growth of the B2C refurbished used cars sold and we will gradually improve along the year the adjusted EBITDA, excluding some restructuring costs, especially in Italy.

In the longer term, we remain convinced that we have the right asset, the right strategy to address this €400 billion market. We have a lot of room to grow – less than 1% market share, as I said. We operate at the heart of the circular economy and we believe that our refurbished cars are a great combination to both ensure individual mobility at affordable prices - and as Nicolas said, we fight every day to propose affordable prices - and also to limit the impact on the environment.

Thank you for your attention, and now we open the Q&A session.

QUESTIONS AND ANSWERS

Operator: Thank you. Dear participants, as a reminder, if you wish to ask a question over the phone, please press *11 on your telephone keypad and wait for your name to be announced. Alternatively, you are welcome to use the Q&A box available on the webcast link. Please stand by while we compile the Q&A queue. This will take a few moments. Thank you.

Now we're going to take our first question. And the first question comes from the line of Alexandre Raverdy from Kepler Cheuvreux. Your line is open. Please ask your question.

Alexandre Raverdy (Kepler Cheuvreux): Good morning. Thank you for taking the questions. I have three questions, please. The first one, obviously, on the guidance. I understand you have limited visibility overall, but could you please help us at least quantify what you mean by a positive organic growth? And then in terms of EBITDA improvement, whether we should expect EBITDA to turn positive again or whether you expect it to remain negative but improve throughout the year? That's the first question.

Second question on working capital. So, a good performance, I would say, at the end of the year, 31 days. Same question here: what should we expect in terms of operating working capital as days of sales?

And last one on BrumBrum, whether you could provide us more details on the profitability path, where adjusted EBITDA stands today and when do you expect to reach breakeven? Thank you very much.

Guillaume Paoli: Thank you for all these questions. Maybe I can take the first one and Valérie can take the second one, and maybe Nicolas will want to add something. And the third one, I can take it, or Nicolas.

Regarding the guidance. Fair enough – just to maybe come back to that: the visibility is limited. We have a lot of moving parts around between the new car market production, which is uncertain, the slowdown of the demand and the car prices. And we have our internal moving parts with over 50% of growth of the number of countries where we operate. And I remind you that these two latest acquisitions were done in the last four weeks, so we have a lot of moving parts. And in this context, we will outperform the used-car market, deliver a positive growth of refurbished used car, which means above zero – and we don't want to say more today because again, there are too many moving parts.

Regarding the EBITDA, we did two negative quarters in a row for the first time for a very long time, for all the reasons that we said: the pre-registered business, it was almost 50% of our business in 2021 and it almost vanished during the year. So the visibility is limited, and what we will do is gradually improve this EBITDA level along the quarters, excluding, of course, a few restructuring costs. In the longer term, of course, we aim for the profitability levels that you know, but at this stage we don't want to say more than that.

Valérie Labouré Hirsch: On the working capital side, as you've seen, we've reached 31 days at the end of the year. We think that it is already a very good achievement. And next year, end of year, we don't expect a further strong reduction. The aim of our business is, as I mentioned, to have a very rapid rotation that allows for some management of our business because it ensures also margin levels and it enables us also to protect against price fluctuations. The objectives of the year will be rather to reduce the amplitude that we had last year in the course of the year. Our business is seasonal; we know that we have a seasonality in sales and we usually have some ramp-up in inventory at the beginning of the year. Anyway, the objective is to lower this peak at midyear.

Guillaume Paoli: And regarding BrumBrum, what we can say is it's a loss-making company. As you know, we took it over from our friends at Cazoo that realigned their strategy. It's a loss-making company. We believe that there is a strong head team, that we will work with them. They're working now on adjusting their costs, relaunching the BrumBrum brand, rebooting the factory. And it's too soon to give you any horizon on when it will come back to profitability because we are just starting to work with them. But we feel confident that in the mid-term, with the support of Aramis Group and also the support of Stellantis – they have something like 40% of market share in the country – we can build the leader in Italy.

Alexandre Raverdy (Kepler Cheuvreux): Thank you very much. I have a follow-up, if I may, on the M&A strategy. You have acquired two companies recently. Will this next fiscal year be focused on integrating those companies or are you ready to acquire another one if there is an opportunity?

Guillaume Paoli: Again, we have extended by 50% the reach of the countries. And integration takes time because people need to work together to know each other to learn from one another, so we will be probably focusing more on this and working to return to profitability rather than expanding in new countries. But in the mid-term, we believe that we can continue to expand. Right now, we are serving precisely 51% of Europeans, so we still have some room to expand.

Alexandre Raverdy (Kepler Cheuvreux): Very clear, thank you very much again.

Operator: Thank you. Now we're going to take our next question. And the next question comes from the line of Christophe Cherblanc from Société Générale. Your line is open; please ask your question.

Christophe Cherblanc (Société Générale): Hello. Good morning. Hope you can hear me well. Thanks for taking my question. I had three. First one on the guidance. I do get that you're not going to give a precise guidance, but I was looking at slide eight and the extent to which you are outperforming the total used-car market: is it fair to expect that at a minimum you would outperform the market, whatever is the final level by at least 20 percentage points? And the blue sky would be 30 or 40 percentage points? Is that a fair assumption? So that we can try to set a range from the outside. That's the first question.

The second one was on pre-reg. The market has collapsed, but looking at the number, it seems you've hit bottom. So is it fair to assume that the Q4 volume number is bottom and will not get below that? And the third question is on Onlinecars. Looking at slide 15, I was seeing that it seems 32 million of debt. So I wanted to have more clarity on the impact of the Onlinecars acquisition. I understand you paid 26 or 27 million for the share of equity you are buying initially, so is the impact going to be 26 plus 32 million of debt consolidation on the balance sheet? Thank you.

Guillaume Paoli: Hello, Christophe. Maybe I'll take the two first ones and Nicolas will complement if he wants, and the third one for you, Valérie. Regarding the market, look, as I said, there are a lot of moving parts. We will outperform the market, but we are not today going to give a range because again, there are too many moving parts. We'll do our best. We have worked hard this year to lay the foundations. And Nicolas explained we have open factories, two new factories; we are going to open a third one. We have switched our channels of sourcing to adapt to the new market environment. So we'll do our best to outperform the market. We will outperform the market; we plan to deliver positive growth on the refurbished used-car segment. But at this stage we're not going to give you, unfortunately, a more precise range.

Regarding the pre-regs. Look, I hope we hit the bottom. Actually, I think we hit the bottom.

Nicolas Chartier: We are starting to see some sign of production coming back from the OEM, but it is still the beginning.

Guillaume Paoli: It's like in scuba diving, you're never sure about the bottom. This business is built on the spread between the production and the demand. I don’t know if you can see my hands on the screen, but the production has gone down by 30%. The demand was still resisting, but now it's going down because the prices have increased a lot. So, as Nicolas said, we hope we hit the bottom. We believe we hit the bottom, but we are not counting for next year on an improvement of the business because we don't want to have a confirmation bias and to be too optimistic in this field. And maybe, Valérie, on Onlinecars?

Valérie Labouré Hirsch: I fully agree. I think it's better not to bet on this as we have uncertainties, so we prefer to build a solid plan on what we think would come and not bet on this pre-registered, that will come on top if they come. That would be good news. Regarding your question on Onlinecars, yes, we acquired the company and yes, we acquired it with its debt. The debt is directly related to the quite large inventory they have. As Nicolas explained, this company was used to work with several months of inventory. This is one of the expertise point of Aramis, to work with a reduced level of inventory and working capital. So this debt level should reduce over time as long as we optimise the inventory level. Hope this answers your questions.

Operator: Excuse me, Christophe, if you don't mind, please can you press *11 on your telephone keypad? Dear speakers, just give us a moment. Christophe, your line is open.

Christophe Cherblanc (Société Générale): Hello? Yes, sorry, my line dropped off. So just to finish on what Valérie was saying. The 32 million is definitely not what we're going to see on the balance sheet once their inventories have been, let's say, normalised, right?

Valérie Labouré Hirsch: It’s operational debt so it’s linked to the financing of cars in inventory, yes. So we will reduce inventory and debt in parallel.

Guillaume Paoli: In the course of the year.

Valérie Labouré Hirsch: Yes. On the opening balance sheet we have this debt.

Christophe Cherblanc (Société Générale): Okay. Thank you.

Operator: Thank you. There are no further questions. I would like now to hand the conference over to our speaker Alexandre Leroy for any written questions.

Alexandre Leroy: Thank you. We have a few questions online. The first one coming from Dominique at CIC. Hello, Dominique. I'm basically going to summarise the points you touched. You're saying there is a decrease in the B2C used-car market. Dominique would like to know what's basically the impact that is like offer generated and the one that is demand generated. Said differently, there are increased difficulties in sourcing and on the other way around, you said there is a softening in demand. So is it possible to give a bit more color on that? First question. Maybe one by one.

Nicolas Chartier: Okay, we cannot precisely give you an answer, especially because there are many different countries and many different markets, is it the demand or the offer. But on the offer side, as Guillaume has shown, the price has increased really a lot during the last months, so we still have quite a lot of offers, there are cars on the market. We cannot say that you cannot find a car. You have cars on the market, on the used-car market. But price came to be very, very strong. And as you know, we have also had the increase of interest rates more recently, and 70% of our cars are financed by credit. So this further increases the price for the final consumer. So I would say that it's mainly today, I would say it's mainly a question of demand. And in the last months it has mainly been a question of demand.

Alexandre Leroy: To follow up on that and to be a bit more specific, Dominique is also asking about whether or not we're able to comment on the drop of zero kilometer, zero to eight, and more than eight. So I think Dominique is also asking about the ageing of the overall automotive fleet. I leave you commenting on that?

Nicolas Chartier: I have no precise figures on that. We have the zero kilometer and the used car, but I have no precise figures below eight and over eight.

Guillaume Paoli: The market we have seen is that basically as the budget of households has not extended this year to buy cars, some customers have been buying older cars. So, on our side we have worked, as Nicolas was saying, we're fighting every day to propose good prices to our customers and we do that by offering the right car, completing our offer, but also by adapting our financing offering. And typically, very recently we extended the length, the maximum length, of a private lease to reduce the monthly rate. But on the overall market, there is a slight ageing of the mean age, which is normal, because we have lost one year of new car production. So by capillarity it will move along the age period.

Alexandre Leroy: Good. Second topic from Dominique: the restructuring costs. What do we expect they might be in 2023 and on which line of the P&L they could appear?

Valérie Labouré Hirsch: Well, as Guillaume was mentioning, we are still working with BrumBrum to define their plans. So there will be restructuring costs, but we are not in a position today to give you a clear envelope; we need to have more work on it. And these costs, as exceptional restructuring costs, will not be included in our adjusted EBITDA, of course.

Alexandre Leroy: Good. Thank you, Valérie. If I keep on the Internet questions. Catherine from Citi. Hello, Catherine. She asks if we still expect adjusted EBITDA to be positive in 2023 – first question. Second, how do we see the evolution of GPU that was previously guided to stable around €2,150 per B2C car sold?

Guillaume Paoli: Hello, Catherine. So I'll take the first one and maybe Valérie answers the second one. Regarding EBITDA, as I said, today the guidance is that we will gradually improve the EBITDA level during the year except for restructuring costs, particularly in Italy. And this is a consequence of the market decreasing very strongly in the last two quarters. Our efforts are concentrated this year on working to return to profitability, but at this stage, we're not committing to a positive EBITDA in 2023. It's too soon and we have too many moving parts with the two new countries joining the group, as I've explained earlier.

Valérie Labouré Hirsch: And so, continuing with the GPU, of course, GPU is a critical component of our EBITDA. A bit the same thing: the environment will remain quite uncertain and challenging in the coming months, the GPU will be impacted by transportation costs that are increasing everywhere. In some countries we have the obligation to increase salaries at the official inflation level. Internally, we still have some cost of ramping up our new refurbishing centres to be opened, so we have some headwinds. On the other hand, we continue to make progress on the way that we select our cars and build the car offer in line with customer expectations.

We also continue to improve the assessment of selling prices and refurbishing costs, and the better we assess that, the better we have control over our GPUs. And with our lean management approach.

It is a daily focus to improve our processes, to reduce waste, to improve the lead times. And these lead times also help a lot to support the GPU. So I think all in all, we will have headwinds, but we are quite well equipped in order to mitigate them to a large extent. But we will have to take into account here also the change in our scope with more work obviously to be done on the new countries that we integrate to put them at the same level as the group.

Alexandre Leroy: The follow-up on the GPU topic – I come back to your second question, Catherine, after – José Martín, you're asking how basically are going the first months of activity in 2023 and should we expect the level of GPU to be in line, above or below H2 2022 implied one.

Valérie Labouré Hirsch: Well, I would say that the first months of the year are in line with the last months of the previous year. We are during a soft period and I will not repeat what I said before on the perspectives for the following months. We have a lot of uncertainty and we do whatever we can do to mitigate them.

Alexandre Leroy: Okay. Thank you, Valérie. As for your second question Catherine, you are asking about the price trend for full-year 2023 across our markets. So, first question on the price trend. And second, whether or not we see supply improving in our markets. Nicolas, you started to answer on that, with both topics being linked.

Guillaume Paoli: Well, regarding the price trend, we believe that the prices will come down at one stage. The movement has already started in the UK. The question is when. And there is a very different situation in each country and the complicated bit is that the price level impacts the demand. If the price goes down, the demand will probably increase. So, the price will go down, but when is all the question. Probably during the course of next year in continental Europe, but it's very difficult to give you a more precise assessment. On the supply, you want to say something?

Nicolas Chartier: Yes, this is what we said. Four zero kilometers, we expect to have an improvement. We think, as I said to Christophe, that we have reached bottom and if there is some improvement on the zero kilometer and new cars, this will give an improvement on all the rest of the chain on the used cars. So yes, we expect to have more cars, especially from Stellantis by the way. But again, it's a bit too early to have any high expectation on that and we prefer to stay cautious on that, knowing that we don't know exactly when it could happen.

Alexandre Leroy: Okay. We are done with the questions on the Internet. Operator, do we have any more questions over the phone?

Operator: Yes, speakers, there are no questions over the phone.

Alexandre Leroy: Okay. So if there are no more questions, I think we can end this presentation call here.

Guillaume Paoli: Thank you very much for your attention and we'll speak soon.

Nicolas Chartier: Thank you.

Valérie Labouré Hirsch: Bye bye.

Alexandre Leroy: Bye.