H1 2023 results presentation transcript

Thursday, May 25, 2023

Aramis Group H1 2023 Results

Alexandre Leroy: Good morning, everybody. Thank you for joining us today for Aramis Group H1 2023 Results Presentation. I'm Alexandre Leroy, Head of Investor Relations.

Today with me to comment these results, Guillaume Paoli, co-founder and co-CEO of the company, and Valérie Labouré Hirsch, Group CFO.

Before handing over to the top management, 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. Slide show 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 H1 2023 results we are going to report on today refer to the calendar period from 1st October 2022 to 31st March 2023.

I now leave the floor to the management that will drive you through the main business and market highlights, as well as the results for the period. Guillaume, please go ahead.

Slide 2

Guillaume Paoli: Thank you, Alexandre. Good morning, everyone, and welcome.

During the first half of 2023, Aramis Group outperformed once again the used car market in an environment that remains complex and actually unseen for over 20 years, as I was saying back in December 2022.

So, we are delivering on our strategy to achieve our ambition, which is to become the preferred platform for Europeans to buy a used car, with growth +16% on refurbished car, including 5% of organic growth, despite the market at almost -10%. With external growth, two new countries joined the Group. We now operate in six countries covering more than half of Europe's population. And we continued to lay foundation for future profitable growth, as I'll detail later on.

And all of this whilst continuing to satisfy our customers with a very high level of NPS at 70, thanks in particular to the continuing agility of our teams, who has done an incredible job in this complex environment, and we wish to warmly thank them all for that.

One main highlight of the period from the financial standpoint is definitely our gradual recovery in profitability. Adjusted EBITDA is positive, as Valérie will detail later in the presentation.

This is a result of the leading products and services we propose, our team's expertise, our vertical integration of the value chain, resulting in market-leading levels of GPU among Europe's listed players. Also, over the last month, we kept the level of inventory well under control and optimized and stabilized our SG&A.

As you know, there are still multiple challenging dynamics, unseen dynamics that blur the outputs of the market. And we refine our 2023 guidance to positive organic growth in volumes of refurbished vehicles sold, as well as positive adjusted EBITDA. We'll maintain a high level of discipline and we'll continue to focus our efforts on adjusting our offer as closely as possible to our customer needs.

Slide 3

Now, you move on the next slide, slide number three. If we look beyond the next few quarters, we remain very confident in our Group's prospect and its considerable potential to further grow and gain market share, given that the used car market is massive, €400 billion at the European level, is very fragmented, and is being disrupted, in particular by digital.

The purchase of a car is still unavoidable for a large majority of households. And more than ever, environmental and budget considerations make our offer relevant to consumers. We operate at the heart of the circular economy.

Our Group can leverage a unique business model putting customer value at the center of what we do. And I know that you get that from every manager and on every company. We believe we're doing it for real, engaging our teams with Lean style methods and company culture, with a local understanding of customer needs and specification. And finally, controlling the value chains end to end. At Aramis Group, we do everything in-house from sourcing the car to delivering customer doorstep or the customer center.

We also reaffirm our commitment to grow in a profitable way, which is in our DNA since the very beginning of the company. The three pillars of our growth strategy are unchanged since the IPO. So, it's first organic growth on the markets we're operating on refurbished cars. Secondly, non-organic growth by extending our presence to new European countries and generating extra revenues through services and innovation in our offering.

Slide 5

If we jump to slide five now, market highlights – new car market highlights. Well, registrations have kept on improving with an increased half year on half year of 13%, but still 21% versus pre-COVID levels. This improvement is due to the more and more cars available for sale. OEMs are progressively normalizing their production quarter after quarter. The OEMs have restarted to sell cars to short and long-term leases, which was not the case over the last couple of years, given that they were favoring the private customer channels lacking cars.

First, we'll see in the coming months an increase in the number of cars available in the market. And the consequence for us is that we will have – we are having - more opportunities to source pre-registered cars, which, as you know, is a technical market based on the unbalance between offer and demand on the new car market.

Slide 6

Let's turn to the used car market now on slide number six. It's quite slow as the title of this slide states. On the segment of cars below eight years, registrations were flat half year on half year and the market is still currently 20% below its level of H1 2019. Used car prices are definitely too high. They are stabilizing, except in the UK, where prices have already come down after reaching unsustainable levels.

Well, Aramis Group is relatively immune versus the prices of car. I mean that as a retailer we buy more or less at market prices and sell more or less at market prices, adding value for customers and services along the way. Our business is about selecting and choosing the cars customers are actually looking for, buying them at a competitive price that allow us to refurbish them and sell them at a competitive price while making a margin and rotating as fast as possible to leverage the capital we use and get a natural hedge against price fluctuation. This being said, a lower price environment will be more favorable, because we count on volumes of course, and the cheaper the car, the more people are able to buy and sell them.

Slide 7

Moving on slide number seven. I was saying just now that the market is dull, but we managed to grow in H1 2023, as I said, growing by 16% overall and 5% organically. So given the performance of the market, we are outperforming the market by around 15 percentage points. As a consequence, our market share continued to grow at 1.3% on our domestic market excluding Italy which we just restarted. And that leaves us with a massive potential to keep growing both in our current countries and in potential new European countries.

Slide 9

Slide number nine, if we move on to more details on business highlights. Well, we reached €941 million in H1. We once again leveraged what makes the Group unique. On the vertical integration front, we opened our eighth refurbishing center, located in Hull in the UK. Amongst other initiatives, as for customer satisfaction the teams have done a great job to further ease the customer journey. But let's face it, the hardest part is of course to maintain and improve customer satisfaction at scale. But amongst our latest initiatives, we work on speed. For instance, we're able to deliver cars in less than two hours now in the Madrid region. In France, we are able to give a firm buyer price to customers online within minutes. And we have eased the customer journey regarding finance which is very important part of our business by extending our financing solutions, by leveraging the possibility of automatic client credit profile in some countries. And as for people, we successfully integrated our teams both in Austria and Italy, as we have now experience in integrating new teams, new countries within the Group.

Slide 10

If we take a look at slide 10. We wanted to focus on something that is very important. Our performance is due to the fact that we're able to offer the right car to the customers at the right price. This requires a close monitoring of the different market evolution and understanding of what customer needs, how expectations evolve, and our proprietary data and tech suites are a huge help for that on so many levels.

Then we leverage our multi-channel sourcing capacity to find these cars from C2B and the multiple B2B channels, long-term rentals, short-term rentals, Stellantis, dealers, auctions. And as you see we have increased the proportion of B2B cars to widen and adapt our offer to customer needs.

Local knowledge and network of our local teams is critical here. They are long-term professionals, we are very close to the customers. Buyers see physically customers, which is a big asset in understanding what they need.

In H1 2023, typically, we have been reinforcing our offer of City cars, they’re convenient, they’re cheaper, they consume less gasoline, and customers have been looking for them. And things evolve very quickly. For example, in 2022, people were looking for electric cars because the gasoline and diesel prices skyrocketed. Since then, things have changed dramatically, but we adapt in real time to what customers are looking for.

And the fact that we rotate our inventory very fast enables us to be hedged against market shifts. Offering the right car to the customers means keeping up with all these changes on a daily basis. And as I said earlier, team competence, proprietary tech and data tools are a clear competitive advantage.

Slide 11

Moving on slide number 11. Another critical aspect of our business, of course, is generating traffic. We added to our traffic acquisitions and ground building tactics to the market environment, and we work hard at optimizing acquisition strategy. This resulted in significantly decreasing COCA (cost of customer acquisition) whilst getting a big saving. At the same time, our monthly visits increased, as we optimized our acquisition channels, and the brand awareness remained certainly stable or contracting a little bit in some countries compared to six months ago.

Slide 12

Finally, a word on slide 12 and the integration of our new companies namely Onlinecars in Austria and BrumBrum in Italy. Things are progressing well. As an example, in Austria, we have been reducing inventory levels. So as to be able to reaccelerate and grow in a sustainable manner with less stock, particularly in today's environment, starting to generate synergies with other entities of the Group, and we have reduced the inventory by over €13 million since the acquisition of the company.

At BrumBrum in Italy, the priority is clearly to restart the business, we have re-dimensioned the team and are now ready to grow in Italy, which is a very important country for us.

And with that, I will now hand it over to Valérie, who will present the financial performance of the first half of 2023.

Valérie Labouré Hirsch: Thank you, Guillaume, and good morning, everyone.

Slide 14

So, we are now on slide 14. Let’s starts with the financial highlight for the H1 2023.

So, revenues reached €941 million. The volumes of the B2C refurbished cars kept growing despite the unfavorable market environment, posting +16% year-on-year on reported figures and +5% organically, meaning on the 2022 perimeter.

Over the H1, we sold close to 44,000 cars B2C, including both refurbished and pre-registered cars. Our GPU remains strong, and from far market leader in Europe standing at €2,166 per B2C car sold.

Adjusted EBITDA is positive at plus €1 million in accordance with the guidance we provided of a gradual improvement in adjusted EBITDA during the year. Aramis Group balance sheet is well under control with CapEx limited at 1% of our revenues, in line with previous years, and a sound inventory management both on our historical perimeter and at our new subsidiaries. Our overall operating working capital expressed in days of sales stands at 37 days of revenues.

Slide 15

Let's move on to the slide 15. So now the breakdown of revenues by segment.

As you see all segments are up year-on-year, except B2C pre-registered with revenues of €102 million that remain -32% below last year. Just as a reminder, sourcing difficulties in the pre-registered car markets have gradually increased over the months in 2022. So, the base effect for H1 2023 is still high. And note that there is no pre-registered car sale in Italy nor Austria, so no scope effect there.

Nevertheless, consistently with what we shared and told you when releasing our Q1 2023 trading update back in January, we see a progressive recovery of this market for the reasons Guillaume explained. Volumes of pre-registered cars sold increased by +20% on a half on half basis.

B2C refurbished revenues are up 18% year-on-year to €681 million, of which 5% volume growth on the ’22 perimeter as already stated.

B2B revenues reached €106 million up 7%. This is linked to the increase of vehicle sourcing from private individuals, part of which is resold to professionals, in particular the oldest models (more than eight years) and the highest mileage (more than 150 kilometers).

Revenues from services, finally, increased by +10% to €51 million. The penetration rate of financing solutions remained satisfactory at 47% on average, on a consolidated basis, despite the rising interest rates.

Slide 16

Now on slide 16, we can look at the sales performance by country. So, at 2022 perimeter, meaning excluding Austria and Italy, revenues are flat at €868 million, with basically flat volumes and flat prices.

Performance was quite uneven between countries over the period, mostly reflecting the underlying market dynamics of its geography.

Starting with France. So, France delivered a solid +8% growth in spite of the market down -16%. This performance was achieved, thanks to a good car selection, matching customer needs, the quality of our sales operations and marketing efficiency. The dynamic of refurb sales offsets the reduction in pre-registered.

Revenues in the UK on the other hand are down -15% at €178 million. We managed to limit the volume loss by -4%, while our market went down -6%. But our strategy to trade down our offer and propose to our customers less expensive cars led to a -11% negative mixed price impact.

Revenues in Spain are down -3% at €182 million for two main reasons. The used car market turned flattish in terms of volume and so was not very growth supportive, and after years of exponential growth, we now have a sizable market share in Madrid area. On the company side, we took the opportunity to slow down the pace of our operation in order to reorganize, streamline and strengthen our practices.

In Belgium, revenues are up +4%. The increase in refurbished volumes do not fully compensate for the drop in pre-registered. But the price effect is increasing, resulting in higher sales.

Regarding our two new countries, so in Austria, we are facing a significant market downturn down 14% year-on-year with customer expectation switching to lower priced cars. And in Italy, we just restarted our operations. The local market is rather down.

Slide 17

If we look now at the GPU on the slide 17. So once again, we generated a European leading level of gross profit per unit. H1 2023 GPU came out at €2,166 per car above the €2,150 mark set as a reference by the Group. This was achieved despite the dilutive impact of our new subsidiaries in Austria and Italy, whose GPU is lower.

I just remind you that the way we calculate the GPU is very conservative, as we integrate in that metric also the centers rent, conversely to what IFRS 16 rules would require. And we also include the cost of spare parts and the cost of labor working in those refurbishing centers, which are the main components of costs. As a consequence, our figure in more exigent and not directly comparable with the one of the other listed players in Europe.

The improvement versus previous semester was achieved, thanks to a better selection of cars purchased, more precise and dynamic pricing, better anticipation of refurbishing costs and the ramp up of our new centers.

Slide 18

Let's have now a look at the SG&A. So, on the slide 18. They reached €94 million in H1 2023, nearly stable versus H1 ’22 in reported figures and down -5% over the same period on the 2022 perimeter.

Marketing costs represents €15 million, a significant decrease by -29% on a reported basis following two Aramis Group’s decision: first, adapt its brand building and traffic acquisition strategy to the current market environment; and second, continuous improvement in the efficiency of online acquisition, resulting in lower costs.

Vehicle delivery costs dropped slightly by -1% on a reported basis, despite the increase in the volumes sold, as the Group carried out extensive work to rationalize some of its logistic flows.

On the side of personnel expenses, so at €48 million, they are up 15% on a reported basis, reflecting the impact of the integration of the new subsidiaries. At constant scope, they increased by €1.1 million, +2.5%. We managed to offset part of the inflation on salaries. This is the same explanation on the other costs.

Side 19

So, we are now getting to the adjusted EBITDA, slide 19. Here, you see the bridge between H1 2022 and H1 2023. So adjusted EBITDA came back in positive territory in H1 2023 with plus €1 million at current scope and plus €3.5 million at constant scope 2022. Austria operates close to breakeven and Italy turnaround led to €2.5 million losses in H1.

The slight improvement that comes from scope is mainly driven by a huge saving and marketing costs for €6.6 million offsetting the net negative impact of volumes and somewhat lower GPU for minus €2.6 million. And I have already explained the €1.1 million increase of labor costs.

Slide 20

As mentioned earlier, we managed to contain our operating working capital level at 37 days, substantially lower than last year's 48 days, in spite of the integration of Austria and Italy. This was achieved through a strict control and optimization of our inventory, limiting the peak season impact.

Slide 21

Our net debt increased by €92 million, primarily due to the acquisition of the two new companies and the integration of their own net debt. Our operations have consumed €25 million in cash, mainly to finance CapEx, IFRS rents and some one-off cash out linked to BrumBrum reorganization and payment linked to the full integration of Spain.

We kept the operating working capital neutral on the period. And to conclude in terms of financing, we still have €170 million available credit line, including €98 million from Stellantis usable without condition.

With that, I'll turn it over to Guillaume for the outlook.

Guillaume Paoli: Thank you, Valérie.

Slide 23

So, in terms of outlook, given the level of current complexity on the car market, we won't be too assertive. There are a lot of moving parts, but nevertheless I will share with you some of our views.

On the supply side, things are moving in a positive and constructive way, at least in our view. Vehicle availability is improving month after month as OEM normalize their production. This trend should benefit the used vehicle market as short- and long-term leases are now better able to renew their vehicles fleets.

Opportunities for pre-registered car reappear. We do believe we have reached the bottom as I was saying back in December. But it's difficult to anticipate the speed of the recovery of this market, which is tactical for us.

On the demand side, registration of cars of less than eight years old, which is our core market, has declined in unequal proportion in the first half year depending on the country. So, the market is pretty slow, and we don't see it coming back at very favorable levels in the next months.

As we have seen, the prices have started to stabilize or to decline, for us this is encouraging as this could boost demand if it continues. However, it's difficult again to anticipate the speed and magnitude of this evolution.

So, in this context, we will remain fully focused on the optimal management of our operation. We are confident that except there is a massive deterioration in the macroeconomic environment, we will be able to generate in fiscal 2023 a positive organic growth in our B2C refurbished volumes sold and a positive adjusted EBITDA.

In the longer term, we remain convinced that our very strong value proposition ensures massive potential for market share gains on this huge market. The automotive sector will face growing consumer demand for cleaner vehicle that contain prices and operating at the center of the circular economy, we believe that our offer is very, very relevant for customers and provide a great alternative to ensure individual mobility, which is at the core of our freedom.

Thank you for your attention. We can now open the question and answer. Operator, we're going to start with the questions by telephone.

Questions and Answers

Operator: Thank you very much, sir. Ladies and gentlemen, if you'd like to ask an audio question, please press star one on your telephone keypad. Please also ensure your mute function is not activated in order your lines to reach our equipment. So once again, just please press star one. And the first question today is from calling from Shaqeal Kirunda calling from Morgan Stanley. Please go ahead. Your line is open.

Speaker: Good morning, everyone. It's Shaqeal from Morgan Stanley. So, we're in somewhat of a transition period within the industry moving away from the supply chain issues, lower volumes and high prices. So weakened price mix and better volumes. So how do you expect Aramis to be impacted by this? In other words, where do you expect gross profit per unit to trend to in light of these growing volumes? And how do you see the market for used cars below 8 years developing from here on out? How far away are we from the inflection point? And how far away are we from the bottom of the market essentially?

Guillaume Paoli: Okay, I'll answer on the market and maybe let Valérie say a few words on the prospect on the GPU.

Well, look, I've been in this business for 20 years and I have never seen this situation. The inflation on cars has been completely crazy, okay? So, if you look from before COVID to now, the exact same car costs something that, depending on the country, 20-25% more. In the meantime, the purchasing power of household has not increased.

I believe that now that there is kind of an easing on the supply of new cars, which will impact the used car market. And as a consequence, there will be more offer and the price should start to come down and the market should start to increase and come back to – slowly - to previous levels. I mean households cannot postpone this purchase forever. And so, I believe that when the prices start coming down, the market will stabilize or start coming up.

It’s very difficult to tell you when. It's very difficult to tell you to what extent but it will happen. And in that context, we will – we want to - continue to outperform the market as we have always done in terms of growth. Maybe I'll let Valérie speak a bit about the prospect of GPU.

Valérie Labouré Hirsch: Yes. So, we – in terms of GPU, we have substantially improved our GPU month after month over the past semester and in line with, of course, our goal to return into positive adjusted EBITDA. We did this improvement through better selection and rotation of purchased vehicles, through more precise and dynamic pricing approach, also through the improvement of the estimates of refurbishing costs to be done on the vehicles. And finally, the scaling up of the refurbishing centers.

So, we know what the triggers are, and we do improve on all these triggers. However, headwinds have limited our momentum, like car transportation costs, particularly across Europe, the inflation on wages, spare parts and our product, and the market shifts towards higher mileage vehicles, requiring us to adjust our processes.

So, in the months to come, we will work of course to maintain our positive trend. We will continue to focus on the areas of improvement I mentioned that will bear fruit. However, we integrate two new companies that have a dilutive impact on the GPU. And we do not have any indication of significant improvements regarding the economic and market headwinds in the near term. So, it's quite difficult to give you precise numbers and data on that.

Speaker: Thank you very much. That's clear. And then just one follow-up on the guidance. I mean, you refined the guidance from improving EBITDA to positive EBITDA. Could you just shed a little bit more light on what this actually means? Is it an improvement versus previous expectations?

Guillaume Paoli: Well, I believe that we have said that we will gradually improve the EBITDA during the year. So now – so I would say, yes, it's an improvement because we did not – given the market conditions that we were seeing in December, given the number of moving parts that were inside the company, the fact that we're integrated two new countries, and including one that we need to turn around, I believe this is an improvement on the EBITDA target.

Speaker: Great. Thank you very much.

Operator: Thank you very much, sir. Ladies and gentlemen. Once again, if you have questions, please press star one. Our next question is coming from Christophe Cherblanc of Société Générale. Please go ahead, sir.

Christophe Cherblanc (Société Générale): Yes, good morning. Thanks for taking my question. First one was on the performance versus the market. So, you outperformed the market by something like 15% on refurbished cars. If the market does improve, would you expect the gap to increase or improve over time? The question is basically, is it easier for you to outperform the market in an easy market? Or is it easier in a challenging market? That's the first question.

The second question was on the Italian business. I had in mind you had reorganization cost, and this seem to be pretty low in the P&L. So is it fair to assume that it's going to be very small amount. And was any cost included in the badwill that you recognized, which was of course a profit?

Third question is on the working capital at Onlinecars. I was looking at slide – I think slide 12. You've done a good job, but it's still very high relative to the size of the Austrian business. So, should we expect in H2 an additional contribution of working capital improvement from Onlinecars specifically? And does that mean that the overall working capital for the full year should be close to neutral or even positive?

And the very last question – sorry for the long list. But what's refurbishing capacity today? And can you give us a broad sense of what it could be by 2025 in terms of units? Thank you.

Guillaume Paoli: Okay, so I'll take the first and the last, Christophe. Thank you for your questions. And I'll let Valérie speak on Italy and Austria.

Well, look, yes, we outperformed the market. I believe we have always outperformed the market, we need to check. So, we aim at outperforming the market, the below 8 years market. Now, is it easier – your question - is it easier to outperform slumping market or an increasing market? I don't know actually. We are like in a massive pond. So even in a decreasing market, normally we should be able to grow because our value proposition is very strong.

So, I don't believe it makes a big difference. It's more of a question of where we put the body's weight. In French it sounds better « où est-ce que l'on met le poids du corps ». And for the moment we have decided to ensure profitability, because it's absolutely key to preserve the company's prospects. So, it's more a question of that. And so we expect to continue to outperform the market and we will be looking to continue to grow.

And with that, I leave the floor to Valérie for Italy and Austria.

Valérie Labouré Hirsch: Yes. So, in Italy, like Guillaume said, we are restarting the business. Finally, we had quite a minor restructuring cost, you're right by 700,000. And it was most of restructuring cost from the Group running to Italy. The amount was fairly limited, because there was finally a lot of natural departures before Aramis Group taking over. So, we could really focus the restructuring part to a small part of the business. And we tried to do more naturally the rest.

And more generally speaking, and it is for Italy, as for the rest, we believe there is always room for improvement. And our model is based on people development and efficiency gain through the waste reduction, rather than one-off restructuring, because we think it's better for long term performance. And this is also what we want to apply for Italy.

So, we are working with them. There is a good team there with a good market perspective. So, we are moving on, sharing with them our Group practices, and rebuilding their business. Does it answer your question on Italy?

Christophe Cherblanc: Yeah. Thank you.

Valérie Labouré Hirsch: Yeah. Regarding Austria. Yes, in Austria, we currently still have quite a huge inventory level, even if we reduce by €13 million by the date of integration it is still huge. We are now at around 60 days of inventory. So, there's still room for improvement, and we are working on it.

Now when we know that today we have four days more, in average, negative impact of Austria and Italy on the total Group working capital days, can we be sure that it will be completely offset by the end of September? I will not commit. What we know is that we will continue to decrease significantly. We still may have a little dilutive impact on the total Group due to Austria.

Guillaume Paoli: And Christophe, regarding your question on refurbishing. So now, our capacity is roughly 100,000 cars to – in the eight factories that we have. Some of them are big factories, some of them are small factories, some of them we’ve just taken back and need to be kind of reengineered. Our capacity is around 100,000 with a mix of factories on the shift we have.

The theoretical capacity of our factories is 150,000 if we use it at full capacity, meaning that if we increase the shifts, the number of shifts where we are, if we kind of increase the productivity in the factories that are not so productive. So, I think we have ample room to grow now with the capacity we have. And we know that we are already preparing for the future and looking at different opportunities.

I would like to say two things. One it is true that – I mean refurbishing can be a bottleneck and we're trying to avoid it being a bottleneck, but in the same time and you know perfectly well, if we have a factory that is underutilized, of course it costs a lot of money in terms of GPU, which is unfavorable and which is one of the reasons why here and there our GPUs are not where we want them to be.

And finally, what I'm saying is relatively theoretical because an older car takes longer to be refurbished than a younger car. So, if we – and this is an if - if we manage to buy maybe a little bit younger cars in the coming months and years, as what we have done in last two years, this could kind of naturally increase the capacity. So sorry for this long answer. But it can give you some impacts on how we see things.

Christophe Cherblanc: And just as a quick follow-up, if you had the, let's say, perfect optimization of the capacity, what it would do to the GPU? What would be the impact on GPU versus the €2,150 that we see – that we are seeing now?

Guillaume Paoli: It will increase the GPU. I'm not able to tell you to what level. The only thing I can say is that in some countries, we see that the underutilization of factories, or when we move to a new shift can cost, I don't know exactly how much, but educated guess would be €50 to €100 per car. But as you know perfection is not of this world, at least not of our world.

Christophe Cherblanc: Okay. Thank you.

Operator: Thank you, Mr. Cherblanc. As we have no further audio questions at this time, we'll turn the call back over to Mr. Leroy for any questions that are submitted by the web.

Alexandre Leroy: Thank you. We have a couple of questions from Catherine O'Neill from Citi. Thank you for your question, Catherine. Catherine is asking what was the underlying GPU in H1 2023, meaning on the 2022 perimeter? I guess Valérie you cannot answer the question.

Valérie Labouré Hirsch: But I can give some insights.

Alexandre Leroy: Yeah.

Valérie Labouré Hirsch: So yes, indeed, the two new countries have indeed a negative impact on profitability. Currently, the GPUs are affected by our willingness to rationalize our inventory. This is the group way of working. So Onlinecars was used to operate with sizeable inventory, really very differently. And the rapid shift in market environment lead part of the vehicles to no longer meet expectations back and forth. And this negative impact will diminish as soon as these old stocks are sold, which is currently in progress.

Now, more structurally, the GPUs of both Austria and Italy are lower than the average of the Group. And there the improvement will be gradual as these countries incorporate and implement best practices shared within the Group. So, amongst these best practices that we mentioned, again, vehicle choice, pricing, inventory management, and the quality and efficiency of refurbishing. So, it will improve gradually and converge to the Group.

Alexandre Leroy: Actually, as a follow-up Catherine asks, if GPU on these new markets improve over time, why do we keep our standard to €2,150?

Guillaume Paoli: What we said is that we were – that we try to be over €2,150. This takes into account new countries, market swings, etc. But it's clear that we are aiming for more. And we have done more in the past. So, we're not giving a precise guidance on that. But we believe we can do more. Some of our countries that are more mature has GPU margins that are slightly higher than – or even sometimes significantly higher - than this level. So yes, we can do more. But taking into consideration the market swings, the fact that we integrate new countries as we have a lot of work to level up the performance in the different countries, we're not going to give guidance at this stage.

Alexandre Leroy: Another question from Catherine. She's asking if the H1 OpEx level a good steer for H2 OpEx level? Or are there more efficiencies to be delivered?

Valérie Labouré Hirsch: Well, yes, we are definitely in a journey to contain our costs. This is what we have done in the past three semesters and what we will continue to do. We face inflation on transports, wages, energy, a lot of our expenses, but we pushed countries to size their organization accordingly to the current market dynamics.

I had mentioned that during the last call that we maintain the hiring freeze, limiting the recruitment to few key positions, reduced wage costs, and we managed to offset inflation. We also adapted our brand building and traffic acquisition strategy. We improved the efficiency of our marketing spend. And as a result, our SG&As were flat even decreasing at constant perimeter. And in the next months, we will maintain the same approach, focus on containing the structure and limiting our cost increase.

At the same time, what I would like to add is that we are very careful not to compromise our ability to cope with growth when the market accelerates again. So, this is a balance between the fuel we need to keep and at the same time restraining our costs.

Alexandre Leroy: There are no more questions on the Internet. Operator, do we have any more question over the phone?

Operator: We do not at this time, sir. But once again, I'd just like to remind the audience, if you have any questions or follow up questions, please do press star one at this time. We have no further questions, sir.

Guillaume Paoli: Okay. Thank you very much to you all for your time. And looking forward to speaking to you again in July for the Q3 results. Bye-bye.

Alexandre Leroy: Thank you.

Valérie Labouré Hirsch: Thank you.

Operator: Thank you. Ladies and gentlemen, that will conclude today's conference. Thank you for your attendance. You may now disconnect.