Q3 2017 Results Conference Call Speaker Notes

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Hello Everyone and Welcome to our third quarter 2017 results conference call.

I am Olivier Gernandt, Europcar's Investor Relations Director.

In a moment, I will hand you over to Caroline Parot, our CEO, and Jean Claude Poupard, our CFO, who will take you through the presentation and then we will open up the lines for questions.

As today's presentation may contain some forward looking statements, we invite you to read the important legal disclaimer on slide 2 of this presentation.

This presentation is available on the company's website and a replay of this call will be available on our website later today.

And with that, it is my pleasure to hand you over to our CEO, Caroline Parot.

Slide 5 : CP

Thank you Olivier and Welcome everyone.

So starting with the highlights of the third quarter and the first nine months of 2017 on slide 5.

First, we are pleased with the strong 13.5% revenue growth we delivered in the third quarter of 2017, of which 3.4% were organic. I will run you through our financial performance in detail in a few minutes but this topline growth acceleration was delivered thanks to a strong volume momentum in our leisure business, across all our corporate countries, and across our three major business units of cars, vans and trucks and low cost.

Q3 2017 is the fifth consecutive quarter of reported revenue growth above 5% for the Group but more importantly the fifth consecutive quarter of organic growth above 3%, which is the minimum level that we target this year. This strong performance is not only proof of the resilience of our balanced business model, but also shows that we are able to deliver significant revenue growth across our markets. This revenue performance was delivered in a context of tough summer pricing competition in most of our European markets, in particular in the south of Europe.

Our Fleet cost per unit as well as our fleet utilization have been key performance drivers YTD. Over the first nine months, our fleet cost per unit has remained flat YoY at €241 and our fleet utilization has improved by 30 basis points YoY. This good performance was delivered despite a more challenging Q3 during which our Fleet cost per unit increased by 3% only due to a temporary increase in our repairs costs in the UK as the business effectively stopped invoicing for repairs and damages since June. Our Fleet utilization was down 70 basis points in Q3 as a result of the integration of Buchbinder – which had an average fleet utilization of 65% in September. Excluding the impact of Buchbinder, our Group Fleet utilization would have been flat in Q3 and up 50 basis points over the first nine months of 2017.

Excluding the impact of new mobility, Our Adjusted Corporate EBITDA in the third quarter was up 3.9%. Even if positive in an absolute value, this level was below our initial expectations.

This was caused by two different issues:

First, the intense and traditional pricing competition I already mentioned earlier. We experienced some significant pricing pressure during the summer across several of our key European markets. As

a result, our RPD in the cars business unit was down 1.2% in Q3 versus -0.8% in H1. We estimate this additional pricing pressure on our cars business versus H1 has cost the Group's corporate EBITDA 5 million euros or 60 basis points of corporate EBITDA margin.

And second, our poor performance in the UK, which has been impacted by changes implemented in our repairs and damage invoicing process and to a lesser extent by a weak economic environment, has cost us 7 million euros of EBITDA and had an 80 basis points negative impact on our corporate EBITDA margin in Q3.

We estimate that these two issues have had a combined 12 million euros impact or 140 basis points impact on our Corporate EBITDA margin.

When excluding for the impact of these two items, our corporate EBITDA margin would have reached 22.3% ie almost flat versus last year.

This performance is actually sound taking into account the predictable events which we have been able to mitigate. They are: (1) the increase in airport commissions in Spain – 7 million euros impact on a full year basis, 3m in Q3 – which is a one off 2017 event, and (2) the strong revenue growth in our Low Cost business unit, and to a lesser extent of our Vans & Trucks business units, which grew by 76% and 28% respectively in Q3; this strong revenue growth weighed as expected on our overall Group EBITDA margin as these businesses are still below Group average in terms of profitability and generate therefore a negative margin mix impact at this stage, before taking into account the accretive impact of the Goldcar acquisition, which is expected to close by year-end, and the positive impact of the implementation of our new structure for our Low Cost / Value business unit.

About the UK, our damage recovery ratio has gone down significantly since June, which explains all of our increase in fleet cost per unit per month, and is expected to be back in line with the rest of the Group by year end.

In terms of pricing, we have implemented the necessary measures to better yield pricing versus volume growth for the rest of the year.

Having said that, our adjusted corporate EBITDA margin, when excluding for the impact of new mobility, reached 12.4% during the first nine months of 2017, a level well above last year's full year adjusted corporate EBITDA margin of 11.8%, which remains the minimum level that we expect to reach in full year 2017.

Our Corporate Free Cash Flow generation has been strong over the first nine months of the year enabling us to deliver a Free Cash Flow to EBITDA conversion of 65%. Excluding the impact of non-recurring expenses which support the acceleration of our transformation and our M&A activity, our 9 months Free Cash Flow amounts to €183 million up €10 million versus last year, which shows the structural strength of the Group and its ability to deliver significant Free Cash Flow growth even during a softer quarter in terms of EBITDA growth. The €183 million adjusted Free Cash Flow encompassed €11 million higher investments in our IT systems but also a positive non fleet working capital and provision variations of €20 million (with a growing top line), highlighting our focus on cash collection. Regarding specifically Q3, we see a timing effect linked to a higher share of customer summer prepayments in H1 2017 versus H1 last year.

We were pleased with the outcome of our refinancing and financing exercises completed at the beginning of October. We raised a new 350 million euros fleet bond yielding 2.375% to replace the

previous one yielding 5.125% and generated a saving of close to 10 million euros in our fleet interest cost alone on an annualized basis, which will fully impact positively our corporate EBITDA going forward. We also raised a new 600 million euros corporate bond yielding 4.125% to finance the acquisitions of Buchbinder and Goldcar. When taking into account the net increase in our corporate financing costs compared to the related bridge financing and the corresponding tax impact, we still expect a net positive impact of close to 4 million euros on both our net income and our corporate free cash flow going forward.

Finally, on the acquisition front, we have as expected closed the Buchbinder transaction and are now actively working to integrate the company into the Europcar Group and extract the expected synergies. As for Goldcar, the European Commission is currently reviewing the transaction and we remain confident that the deal should close during the month of December.

These two acquisitions are core to our long term growth strategy, as they will enable us to capture the strong low cost momentum in Europe after the integration of our existing Low Cost / InterRent business unit with Goldcar. This move will act as boost to our Group margin in 2018 in contrast with 2017 during which the strong growth in Low Cost has actually weighed negatively on the Group margin.

Slide 7 : CP

Now over to slide 7 where I wish to focus on our key financial indicators for the third quarter.

In terms of Group Revenue, as mentioned we delivered a strong 13.5% growth in reported revenue in the third quarter and 11.5% YTD. Our organic revenue has also been satisfactory with 3.4% in Q3 and 4.0% YTD. This solid revenue performance was driven by a dynamic leisure momentum across all our brands and all our countries and do note that 56% of our organic revenue growth has come from InterRent in the third quarter.

As discussed earlier, our corporate adjusted EBITDA only grew by 3.9% in the third quarter and 5.3% YTD for the reasons indicated earlier. Most of the reasons mentioned earlier are temporary and not structural. We have taken the appropriate measures to deal with the intense pricing competition faced during the summer. The increase in our cost structure (ie both fixed and variable costs) coming from the acquisitions made by the Group over the last twelve months ie our Irish and Danish franchisees as well as Buchbinder, has not yet been mitigated by the impact from future synergies as expected at this early stage. The dilutive impact of our Low Cost and Vans&Trucks business units, the airport commission price increase in Spain as well the failing damage recovery process in the UK are all one off 2017 issues.

Our net income increased by 10 million in Q3 to 105 million euros with a more normative income tax charge reflects the resilient performance of the Group.

Slide 8 : CP

Now onto slide 8 for some of our key operational KPIs.

Volumes were up 16% year on year in the third quarter as a result of strong demand in our leisure business during the summer positively impacted by good momentum in all of our corporate countries except the UK and with yet again our southern European countries – Italy, Spain and Portugal - delivering the highest growth momentum. Our Leisure business, which generated 59% of Group revenues in the third quarter of 2017, was also boosted by an acceleration in our direct to brand revenue. We estimate that YTD more than 75% of the growth in our leisure business comes

from our online direct sales channel and that our direct online reservations have grown by a strong 20% over the first nine months of 2017.

Our Group blended RPD was down 1.9% in line with H1 trends mostly due to the negative impact of our RPD in Vans & Trucks but also due to a slight decline in our Cars business as discussed previously.

Our utilization rate declined by 70 basis points as a result of the integration of Buchbinder. Excluding Buchbinder, our utilization rate would have been down 20 basis points.

And finally, our fleet costs per unit per month were up 3% in the third quarter as a result of a 200 basis points decline in our Group recovery ratio due to the freeze in our repairs and recovery activity in the UK since June. Excluding the impact of this freeze, our Group recovery ratio would have been up 200 basis points YoY and our fleet costs per unit per month would have been down by 1.2% in the third quarter. This UK recovery issue should continue to weigh negatively on our recovery ratio and fleet costs per unit in the fourth quarter but should be back on track before the year end.

Slide 9 : CP

Now on to slide 9 where we break down some rental revenue KPIs for our 3 major business units.

Cars first. Here rental revenues were up 9% in the third quarter of 2017 supported by a strong 10.3% growth in volumes and a 1.2% decline in pricing. This decline is the result of strong pricing pressure in our key European markets over the summer of 2017, during which we experienced some noticeable over-fleeting particularly in our southern European markets.

Our Vans & Trucks rental revenues grew by a strong 28%, driven by a 30% growth in volumes (impacted by the consolidation of Buchbinder's vans and trucks business) and a minus 1.9% price effect. This negative effect continues to be caused by our shift in strategy and focus on extending the duration of our rentals and increasing the utilization level and hence the profitability of our Vans & Trucks business unit. On an organic basis, our vans and trucks business unit grew its revenues by close to 3%.

Finally, our Low Cost business unit continues to deliver a strong performance with rental revenues up 74% supported by growth in volumes of 60% and a 10% increase in pricing due to more positive pricing trends as a result of our more value enhancing pricing strategy across our low cost network and a more positive country mix effect as we have generated more revenues outside of Spain and Portugal.

The Low Cost business unit has and will continue to operate on a stand alone basis until we close the Goldcar transaction in December. 2018 will clearly be a year of significant change for our Low Cost business, which will notably exhibit a much better margin profile post Goldcar closing.

And with that, let me hand you over to Jean Claude, our Group CFO, who will run you through our free Cash Flow and Net Debt performance.

Slide 10 : JCP

Good afternoon and Good morning everyone. This is Jean Claude Poupard, Group CFO.

We are now on slide 10 and our adjusted corporate operating free cash flow for the first nine months of 2017.

It came in at 140 million euros down 16% YoY as a result of several items:

Our non-recurring expense of 42 million euros is composed of a one-off for the restructuring of our German headquarters as well as one-off fees related to the company's transformation and our recent acquisitions. This number has not changed materially since the end of H1 where it was at 39 million euros. We confirm that our full year 2017 non-recurring expenses should be around 50 million euros.

Our non fleet capex increased from 22 to 33 million euros as we continued to invest into our IT systems and the digital transformation of the company.

A 22 million euros positive change in non-fleet working capital over the first 9 months reflects a better cash collection exercise over the summer period.

Our income tax increased from 16 to 24 million euros as we are paying a more normative income tax this year across the Group.

In terms of cash conversion, over the first nine months of 2017, we have been able to convert 65% of our adjusted corporate EBITDA into Free Cash Flow, well above our FY17 target of at least 50%.

Slide 11 : JCP

On slide 11, we show you that we are progressively releveraging the company after the significant investments and upgraded dividends we have made over the last twelve months.

Our corporate net debt increased to 200 million euros at the end of September 2017 and we expect our net debt to be around 800 million euros at the year end after the closing of the Goldcar transaction.

Our net leverage is around 0.8x at the end of September 2017 and expected to be around 2.5x at the end of the year on a proforma basis post the Goldcar acquisition.

And with that I will turn over to Caroline for some closing remarks.

Slide 15 : CP

Thank you Jean Claude.

First, I hope that you have understood that we have delivered a sound and resilient performance despite several headwinds. Some are related to the transformation and transition of the Group towards a more important low cost player. Some are related to temporary business issues, the major one impacting our UK business. We

In order to compensate for these headwinds, we have implemented a range of actions. They are:

(1) Action on our pricing and yield management in our leisure business in order to improve the balance between Revenue and EBITDA growth
(2) Tighter control of fleet costs across all our countries including tactical de-fleeting actions and improvement of repairs and damage processes across the Group
(3) Strict cost control of central and all HQ costs
(4) Specifically in the UK, a dedicated team has been put together to accelerate the reboot of a profitable repairs and damage process

As a consequence, I wanted to conclude by reiterating the four components of our full year 2017 guidance which are:

1. An organic revenue growth target of at least 3%

2. An increase in adjusted Corporate EBITDA margin versus last year
3. An Operating Corporate Free Cash Flow conversion above 50%
4. A Dividend Payout ratio above 30%

Finally, I also wanted to reiterate our strong confidence in our ability to generate operational leverage as we roll out our Ambition 2020 across our five business units.

We look forward to hosting our second investor day in Paris on January 17th next year to tell you more about the Europcar Group, its transformation and growth strategy, its synergy generation potential post its recent acquisitions of Goldcar and Buchbinder. The whole Europcar Executive Management Team and I hope that many of you will be able to join us in Paris for the event.

With that, we wish to thank you for your attention, and Jean Claude and I are now happy to answer any questions you may have. Operator over to you.